

CSR Report
2021

Corporate Social Responsibility Report

Performance Data, Etc.

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Editorial Policy

Editorial Policy

- “The CSR Report 2021” is published with the goals of informing stakeholders about the social responsibilities of SEKISUI CHEMICAL Group (the Group), as well as the various initiatives in which it is involved to resolve social issues, and increasing public understanding of the Group’s activities.
- The Group’s long-term vision, “Vision 2030,” is to support the basis of LIFE and to continue to create “peace of mind for the future” in order to realize a sustainable society. Guided by this vision, we have continued to place particular importance on strengthening ESG management since fiscal 2020. We have also identified and structured this report around the key ESG management issues of “governance (Internal control),” “digital transformation (DX),” “the environment,” “human resources,” and “fusion.”
- The information posted here 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.
- “The CSR Report 2021” 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, this CSR Report 2021, which contains all information relating to the CSR activities of the Group, has been centrally consolidated and posted to the CSR section of the Company’s website. The Report is provided in the two PDF and HTML formats. The “CSR Report 2021 PDF Edition,” which has the same content as the Web Edition, can be obtained from the PDF download page.
- 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 “CSR Report 2021 PDF Edition” has been assured by a third-party organization.

Guidelines Used for Reference, etc.

- GRI Standards
- The Ministry of the Environment’s “Environmental Reporting Guidelines” (2012 and 2018 editions)
- ISO26000 (Guidance Regarding Social Responsibility)
- 10 Principles of the United Nations Global Compact

Scope of the CSR Report 2021

Scope of This Report

- Entities Encompassed by 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 2020-March 2021 (Includes some activities that occurred outside this timeframe.)
- Published : July 2021 (Previous report was published July 2020/Next report is scheduled for publication in July 2022)

Scope of Independent Practitioner's Assurance

The environmental and social information in the Japanese version of the “CSR Report 2021 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 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 the “CSR Report 2021” includes not only past and present facts concerning Sekisui Chemical Co., Ltd, and its affiliates 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 of business activities in the future and other circumstances 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 load coefficients.

Top Message



Before all else, I wish to express, on behalf of all of us at SEKISUI CHEMICAL Group, my sincere condolences to the families of all of those who have lost their lives from the COVID-19 pandemic. I would also like to convey my devout wish that everyone who is ill or otherwise suffering from the disease returns quickly and fully to good health.

In fiscal 2020 SEKISUI CHEMICAL Group rolled out its new Long-Term Vision, looking ahead to fiscal 2030. The question this Long-Term Vision seeks to answer is: How can we attain sustainable growth amid heightening uncertainty in today's society? Events in the Vision's first year underscore the importance of this question, as the start of a pandemic caused abrupt changes to our society and ways of living. With today's rapid shift to digital and online work processes, we were keenly aware of how dependent corporate activities are on natural environment and social systems.

The Statement with which SEKISUI CHEMICAL Group has decided to associate this Long-Term Vision is: Innovation for the Earth: In order to realize a sustainable society, we support the basis of LIFE and will continue to create “peace of mind for the future.” This Statement is the unifying theme behind our strong, Group-wide commitment to contribute to society through innovation. It highlights our determination to support the foundations of LIFE for individuals and communities in the broadest sense of the term, encompassing ways of living, longevity and lifelines. In addition, it shows that we are determined to deliver the value of “peace of mind for the future” for current and future generations, through products and services backed by technology.

To achieve the Vision, SEKISUI CHEMICAL Group is committing resources to creating and expanding lines of “products to enhance sustainability.” These are products that are exclusively certified by the Group, drawing on the advice of outside experts, as contributing on a high level to the sustainability of society in the Group's four existing business domains (residential, advanced lifelines, innovative mobility and life science), in which the Group takes a multifaceted approach to social issues, as well as in new business domains. Through the creation and marketing of these products, SEKISUI CHEMICAL Group aims to solve social issues while achieving profitable growth for the Group, in a sustainable fashion.

While moving forward with such “offensive” ESG management, SEKISUI CHEMICAL Group does not neglect forging a strong defense. We are strengthening the common base that supports all Group operations, through prevention

of major incidents that can severely damage corporate value, solidification of measures to reduce long-term capital costs (through DX, tackling of environmental issues, diversity, open innovation, etc.), and so on. In this way we are securing the sustainability of our management.

Since its foundation, SEKISUI CHEMICAL Group has continued to grow on the basis of the trust it earns from society, working in diverse fields that bring fulfillment and peace of mind to people's lives, ranging from water and medicine to vehicle safety, residential construction and social infrastructure. Today, the world confronts wrenching change and uncertainty, as the conversion to a carbon-free society accelerates and the social issues identified in the SDGs accumulate. I am convinced that the path SEKISUI CHEMICAL Group must follow is that of "pursuing the sustainability of society and the environment through solving issues." The Group must grapple with the risks and issues inherent in today's changing environment and society, the "E" and "S" of ESG, by firmly implementing governance ("G"). At the same time, we are gathering information and creating innovations, by breaking down the traditional barriers within and between companies to view solutions as business opportunities. Through ESG management, we aim to achieve both a sustainable society and sustainable growth for the Group. Today and in the future, we are delivering "peace of mind for the future" through our products and services.

Toward the Achievement of Vision 2030



SEKISUI CHEMICAL Group has formulated a long-term vision, Vision 2030, and a medium-term management plan, Drive 2022, and is moving forward with activities on those bases.

Realizing Vision 2030

Vision 2030, a long-term vision that covers the period up to 2030, was formulated in the spirit of “creating ‘peace of mind for the future’ to support the basis of LIFE and realize a sustainable society.”

Positioning of the Medium- to Long-term Vision in Our Philosophy

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.

In fiscal 2020, guided by the Corporate Philosophy and Group Vision, SEKISUI CHEMICAL Group formulated its new long-term vision, Vision 2030, the guideline that serves as a bridge for management strategy to 2030; and its medium-term management plan, Drive 2022, which covers the three-year period from fiscal 2020 to fiscal 2022.



Corporate Philosophy

Mindset and policies that form the foundation of our corporate activities

Group Vision

Mid- to long-term goal for the Group based on our Corporate Philosophy

Vision 2030

Guideline for 2030 that serve as a bridge for management strategy based on our Corporate Philosophy and Group Vision

Management Strategies

Specific strategies for achieving our 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 solve social issues with our prominence in technology and quality.

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

<https://www.sekisuichemical.com/about/vision/principles/index.html>

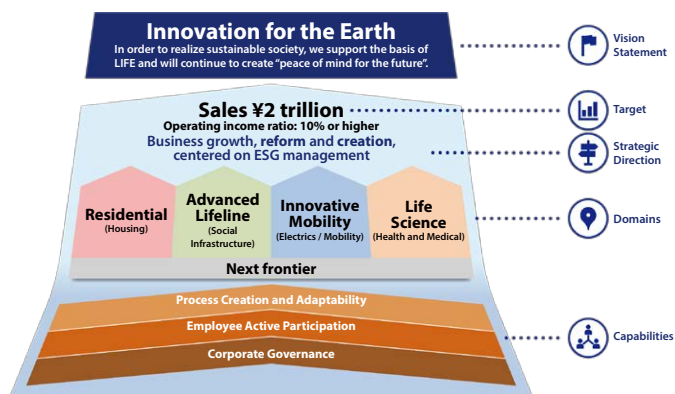
Long-term Vision “Vision 2030”

Vision 2030, the Group’s long-term vision, includes the Group’s vision statement, which incorporates the Group’s resolute will to drive continuous innovation as a means of “supporting the basis of LIFE and continuing to create ‘peace of mind for the future’ in order to realize a sustainable society.”

With reform and creation centered on ESG management at the center of its strategy, SEKISUI CHEMICAL Group aims to contribute at a still higher level to the resolution of social issues through driving innovation, by means of two efforts: 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 operating income ratio of 10% or higher).

We have identified the four business domains of Residential (Housing), Advanced Lifeline (Social Infrastructure), Innovative Mobility (Electric/Mobility), and Life Science (Health and Medical) as existing businesses. In addition, we will develop new business domains based on the Group’s technological prominence with the aim of further contributing to the resolution of social issues.

SEKISUI CHEMICAL Group’s individual employees are the ones who implement the Group’s long-term strategies to realize Vision 2030. With this in mind, we will not only focus on our organizational culture but also expand our enthusiastic support for employees to take on ambitious goals in a more concrete manner. In new investments, we envision total expenditures of over 2 trillion yen to 2030 while taking into account the health of our finances and improving the probability of securing an acceptable return.



Overview of the Long-term Vision



Long-term Vision “Vision 2030” Vision Statement

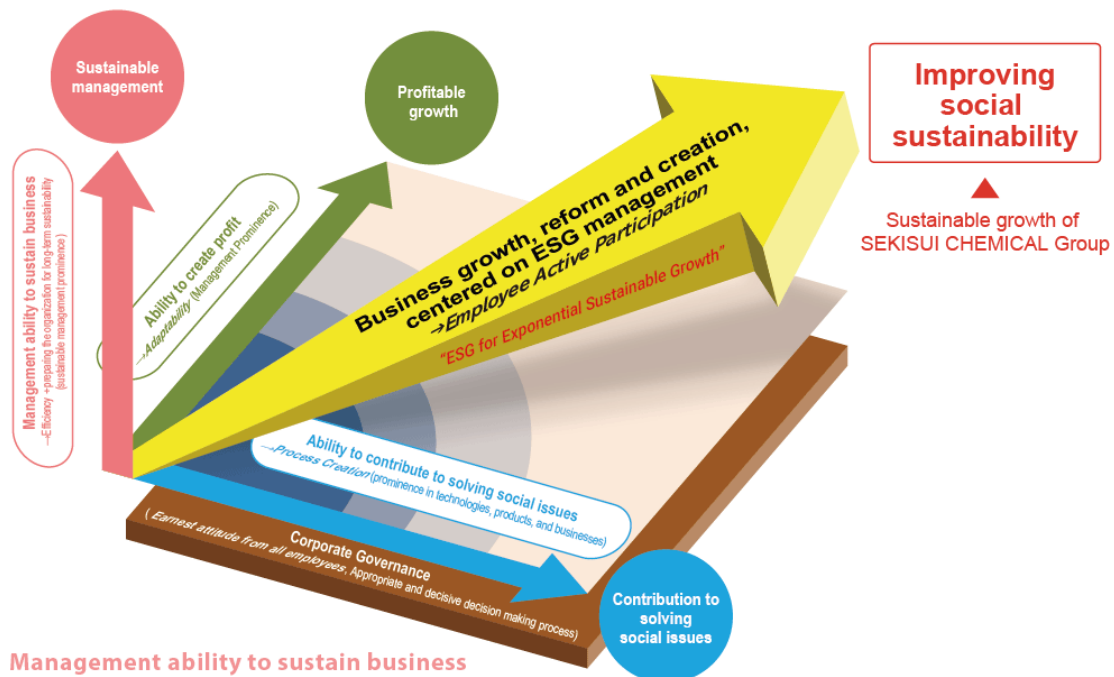
See the following materials for more details on the Long-term Vision “Vision 2030.”

- SEKISUI CHEMICAL Group’s Long-term Vision “Vision 2030”
https://www.sekisuichemical.com/whatsnew/2020/1350152_36556.html
- Long-term Vision and Medium-term Management Plan Presentation (May 22, 2020)
https://www.sekisuichemical.com/ir/presentations/vision/___icsFiles/afieldfile/2021/04/15/20200522kge_2.pdf

ESG Management

SEKISUI CHEMICAL Group's ESG management can be defined as corporate activities to view strategically and solve environmental and social issues, with the aim of accomplishing both realization of a sustainable society and the sustainable growth of SEKISUI CHEMICAL Group.

To implement ESG management, which is the key to realizing Vision 2030, SEKISUI CHEMICAL Group is strengthening three driving forces: contribution to solving social issues; profitable growth; and management ability to sustain business.



Management ability to sustain business

Efficiency

- Increasing productivity and efficiency for waste-free utilization of management resources.

Preparing the organization for long-term sustainability (solidification of management base)

- Avoiding mid- to long-term risks by carrying out thorough safety, compliance, and quality measures.
- Investing in the management base in preparation for continuous growth to reduce various types of long-term capital costs.

Medium-term Management Plan Drive 2022

Under the medium-term management plan Drive 2022 formulated as a part of the long-term vision Vision 2030, SEKISUI CHEMICAL Group has adopted the basic policy of driving sustainable growth/reform/preparation in a bid to double sales volume.

SEKISUI CHEMICAL Group's basic strategy is to build a corporate structure that is capable of practicing ESG management and sustainably enhancing corporate value, engaging in the three top priority drives of business growth and reform, creating and acquiring new businesses for long-term growth, and strengthening the ESG management base while further accelerating initiatives through fusion measures and digital transformation. In addition to achieving net sales of 1,220 billion yen and operating income of 110 billion yen, we have adopted return on invested capital (ROIC) as a new indicator and are targeting ROIC of 8.6% (up approximately one percent) in fiscal 2022, the final year of the medium-term management plan.

Business Growth and Reform (Existing Business Drive)

SEKISUI CHEMICAL Group is looking to achieve an incremental growth in net sales of more than 90 billion yen over a period of three years through products and businesses in each business domain that help resolve social issues. As far as the Group's organized digital transformation in April 2020 is concerned, we are aggressively investing in and undertaking Group-wide measures in a bid to improve productivity across all business operations while at the same time realizing the effects of efforts to accelerate structural reform.

Create and Acquire New Businesses for Long-term Growth (New Business Drive)

Leveraging its prominence in technology, SEKISUI CHEMICAL Group is creating and securing new opportunities in each of the four business domains of Residential (Housing), Advanced Lifeline (Social Infrastructure), Innovative Mobility (Electric/Mobility), and Life Science (Health and Medical).

Strengthening the ESG Management Base (Business Base Drive)

Under our medium-term management plan, Drive 2022, we have identified strengthening the base for ESG management as one of our basic strategies. Setting an ESG investment limit of 40 billion yen, we are controlling capital costs over the medium to long term and enhancing our management ability to sustain business. We are accomplishing these tasks by strengthening activities to mitigate risks that lead to major incidents (safety, quality, accounting, legal / ethical, information management) and investing in areas such as DX, human resources and the environment.

Each of these efforts to obtain long-term sustainability is monitored to determine how effective each initiative is in controlling capital costs in the broad sense of the term.



Overview of the New Medium-term Management Plan Drive 2022 Strategy

Specific initiatives to enhance our ESG base

Item	Policies / measures
Strengthening Governance (Internal Control)	Prevention of serious incidents in the 5 fields*, promotion of BCP establishment
Digital transformation (DX)	Increasing productivity, transition to digital
Environment	Mitigation and adaptation for climate change, promotion of a circular economy, reduction of water risks
Human resources	Reforming to a corporate culture of taking on challenges, various initiatives for promotion of employee participation in planning Promotion of working style reforms, enhancement of ESG human resources capabilities
Fusion	Promotion of open innovation

* Serious incidents in the five fields

Fields	Example incidents
Safety	Fire, explosion, fatality, and serious injury incidents
Quality	Disguising or falsifying quality, quality defects which put lives at risk, quality problems causing external losses (or expected losses) of 1 billion yen or more
Accounting	Fraudulent or inappropriate accounting
Law and ethical issues	Anti-Monopoly Act violations, bribery violations
Information management	Data exploitation or destruction, information system infiltration, leakage of personal or confidential information

See the following materials for more details on the medium-term management plan "Drive 2022."

- SEKISUI CHEMICAL Group's medium-term management plan "Drive 2022"
https://www.sekisuichemical.com/whatsnew/2020/1350154_36556.html
- Long-term vision and medium-term management plan presentation (May 22, 2020)
https://www.sekisuichemical.com/ir/presentations/vision/__icsFiles/afieldfile/2021/04/15/20200522kge_2.pdf

The Group's Management Ability to Sustain Business

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

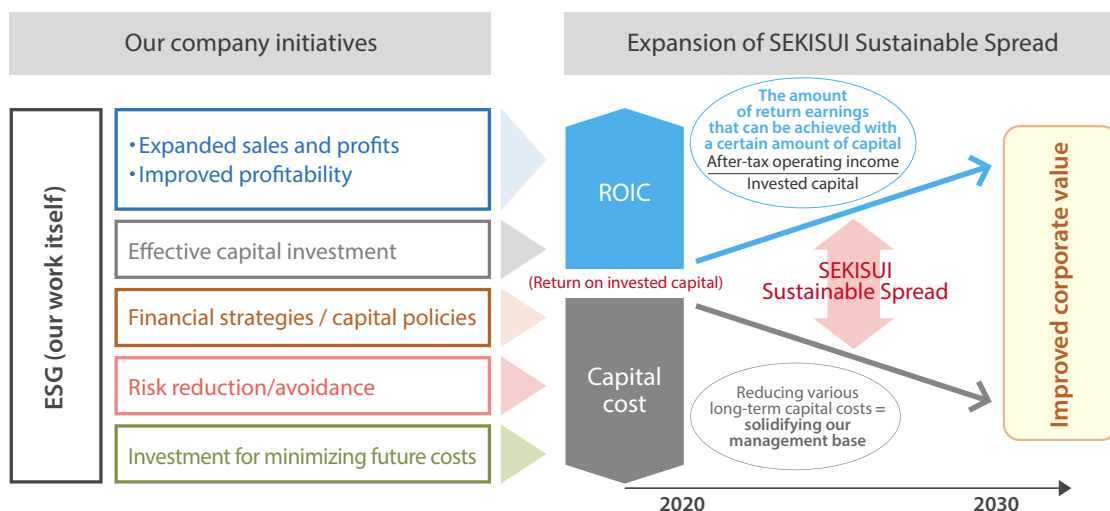
We adopted ROIC as an indicator of efficiency and are targeting an improvement of approximately 1% in real terms. To this end, we will improve our profit margin by such measures as expanding marginal profit and improving productivity, and increase invested capital turnover through various efforts including effective capital investment, optimal plant utilization, and inventory adjustments.

Improve the Group's management ability to sustain business by increasing capital efficiency and lowering the cost of capital in a broad sense over the long term.

SEKISUI CHEMICAL Group defines the difference between ROIC and long-term capital cost as "SEKISUI Sustainable Spread (ROIC spread)." By expanding SEKISUI Sustainable Spread, the Group aims to improve its management ability to sustain business and thereby increase its corporate value.

Control the cost of capital in the broad sense and improve our management ability to sustain business by controlling major incidents and investing in the management foundation.

By focusing in earnest on improving safety, compliance, and CS & Quality, SEKISUI CHEMICAL Group aims to avoid major incidents (safety, quality, accounting, legal/ethical and information-management). In addition, we have established an ESG investment limit and will increase investments in areas such as governance (internal controls on safety, quality, accounting, legal /ethical matters, information management and risk management), DX, the environment and human resources. We will also work to control long-term capital costs and improve our management ability to sustain business.



ESG Management



By advancing efforts toward ESG management, SEKISUI CHEMICAL Group is working to achieve both a sustainable society and the sustainable growth of SEKISUI CHEMICAL Group.

TOPICS

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 - Foundation Underpinning ESG Management p16
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 - Stakeholder Engagement p17
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Basic Concept

Toward the Realization of Vision 2030, SEKISUI CHEMICAL Group Is Promoting Measures toward Sustainability That Are in Tune with Business Activities

ESG Management for Realizing Sustainability

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, resolving social issues, and creating peace of mind for the future.

< Three Steps >

Securing prominence

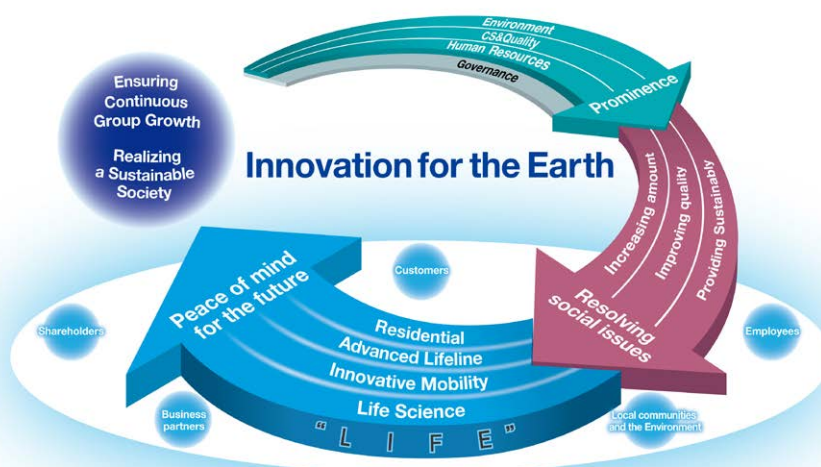
Putting in place a corporate structure that is trusted by society through Governance (Internal Control) and driven by the challenge of its prominence in human resources to create products and services that are overwhelmingly different in terms of the environment as well as CS & Quality.

Resolving social issues

Based on its prominence, accelerating the resolving 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).

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).



Conceptual Diagram of ESG Management

To accelerate ESG management, the Group has set medium- to long-term targets with regard to Group-wide main measures. We will promote the strengthening of our ESG management foundation based on a range of policies* that will include efforts to reduce risks that lead to serious incidents, digital transformation (DX), human resources, and the environment.

* For details see “SEKISUI CHEMICAL Group Basic Policies” on page 322.

Having positioned products that contribute significantly to solving problems in the global and social environment as products to enhance sustainability, we are also aiming to achieve both the realization of a sustainable society and the sustainable growth of the Group by increasing the ratio accounted for by such products in consolidated net sales.

Foundation Underpinning ESG Management

● Corporate Governance

Basic Philosophy and Framework for Corporate Governance

SEKISUI CHEMICAL Group (the Group) has put in place a basic philosophy regarding corporate governance that lays out efforts for securing sustainable growth and increasing corporate value over the medium and long terms. To help achieve these goals, we are increasing the transparency and fairness of our management and pursuing swift decision-making and will do so while continuing to meet — through the creation of value for society that is part of our Corporate Philosophy — the needs of the five types of stakeholders the Group emphasizes: customers, shareholders, employees, business partners, and local communities and the environment.

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 form of the Initiatives to Each of Principles of the Corporate Governance Code.

- Corporate Governance Report (June 24, 2021)
https://www.sekisuichemical.com/about/outline/governance/__icsFiles/afieldfile/2021/06/24/20210624cgre.pdf
- SEKISUI Corporate Governance Principles (April 1, 2021)
https://www.sekisuichemical.com/about/outline/governance/__icsFiles/afieldfile/2021/05/18/20210401cgpe.pdf
- Initiatives to Each of Principles of the Corporate Governance Code (April 1, 2021)
https://www.sekisuichemical.com/about/outline/governance/__icsFiles/afieldfile/2021/05/18/20210401cgje.pdf

● Stakeholder Engagement

■ Promoting Constructive Dialogue with Stakeholders

To build relationships of trust with its five stakeholders—customers, shareholders, employees, business partners as well as local communities and the environment—SEKISUI CHEMICAL Group considers that it is important to improve corporate value through constructive dialogue.

Positioning its stakeholders as partners in improving corporate value, having constructive dialogue with them, assessing their expectations and requests as well as resolving society-wide issues together with them, leads to great opportunities for SEKISUI CHEMICAL Group.

We will create a relationship of mutual prosperity with our stakeholders while continuing to promote sustainable growth.

■ Promoting Engagement with Stakeholders

In fiscal 2020, the ESG Management Department, which falls under the purview of the Director and Senior Managing Executive Officer (Head of the ESG Management Department), took on the role of promoting constructive dialogue with all stakeholders. The various assessments and opinions of all stakeholders are reported to the Sustainability Committee, which is chaired by the Company president and made up of directors, and the Company strives to adequately reflect these views in its activities.

There were no major concerns voiced by stakeholders through any of the engagements in fiscal 2020.

Responsibility of SEKISUI CHEMICAL Group to Each Stakeholder

Stakeholders	Responsibility of SEKISUI CHEMICAL Group
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.
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.
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.
Business partners	When procuring materials, we follow the fundamentals of being open, fair, compliant with the law, engaged in relationships of mutual trust, and environmentally conscious. 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.
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.
Global environment	We are engaged in expanding and creating the market for products to enhance sustainability, reducing our environmental impacts, and conserving the natural environment—all with the aim of realizing “earth with maintained biodiversity.”

● Respect for Human Rights

■ Respect the Human Rights of All Individuals Affected by Business Activities

At SEKISUI CHEMICAL Group, we consider it our duty to advocate for the human rights of all people affected by our business activities. Nowadays, the enactment of rules and laws related to human rights continues to progress both inside and outside of Japan, and human rights issues are getting increasing attention in society. In these conditions, we consider human rights initiatives for not only employees of the Group, but also our business partners and other stakeholders to be essential for solidifying our sustainable management platform.

■ Understanding and Acceptance of the SEKISUI CHEMICAL Group “Human Rights Policy”

SEKISUI CHEMICAL Group began formulating the SEKISUI CHEMICAL Group “Human Rights Policy” in October 2018. Subsequently, after implementing a human rights risk assessment and securing approval at a meeting of the Board of Directors, a new Human Rights Policy was formulated in May 2019 and details disclosed in June 2019.

Unlike the earlier SEKISUI CHEMICAL Group Personnel and Human Rights Policy, which mainly focused on Group employees, the new Human Rights Policy is different in that it proposes to firmly respect human rights across the board, including the value chain beyond the Group, in compliance with the Guiding Principles on Business and Human Rights adopted by the United Nations Human Rights Council.

In fiscal 2020, we launched initiatives related to human rights due diligence and education as stipulated in the policy. Going forward, we will continue to work toward achieving an understanding of and instill this new Human Rights Policy among all employees of the Group, as well as our suppliers and business partners.

Note: For details regarding the SEKISUI CHEMICAL Group “Human Rights Policy,” see page 323.

Identifying Key ESG Issues

SEKISUI CHEMICAL Group Has Defined the Key Issues to be Addressed in Its ESG Management Efforts

Extracting and Identifying Key Issues

To strengthen still further ESG management, which is the key to realizing the Long-term Vision “Vision 2030,” SEKISUI CHEMICAL Group has revised the important issues of ESG. Moreover, beginning in fiscal 2020 the Group is moving forward with measures centered on Governance (Internal Control), DX, the environment, human resources and fusion.

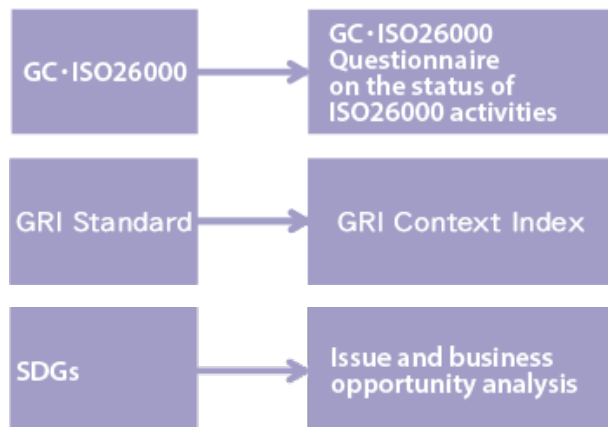
Identification Process for Key ESG Issues

Key ESG issues were identified based on the following processes.

Step 1. Consider issues from the global guidelines, etc.

- (1) Identify candidate issues from the UN global compact (GC) and ISO26000

While adhering to the 10 principles in the GC, we examine the status of involvement within the Group for “relevant activities and aspirations” concerning each of the seven main core issues in ISO26000, and identify the points where involvement was insufficient.



- (2) Identify candidate issues by considering the boundaries both inside and outside the Group while considering the relationship between SEKISUI CHEMICAL Group and business regarding the economics, environmental, and social items described in the GRI standard.

- (3) Analyze the social issues described in SDGs, and select the issues that provide business opportunities for SEKISUI CHEMICAL Group. In contributing to these solutions, we identify initiatives required for their success

Step 2. Identify issues from ESG/CSR surveys and other companies' trends

(1) Identify candidate issues from ESG/CSR surveys

We analyze issues based on the details of replies and evaluation results to each ESG and CSR survey, and identify candidate key ESG issues where future involvement can be considered important.



(2) Analyze other companies' ESG/CSR involvement and information disclosure trends

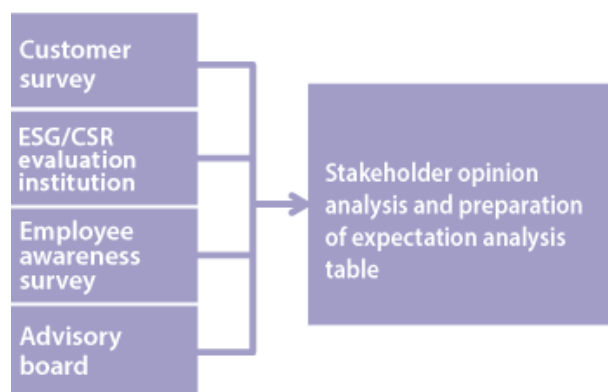
We examine involvement by other advanced ESG/CSR companies and trends in their disclosure using ESG/CSR reports, etc., and identify issues where improvements to SEKISUI CHEMICAL Group's future involvement and information disclosure are to be desired.



Step 3. Analyze stakeholder opinions and expectations

(1) Sort major stakeholder opinions

We collect and sort the main opinions regarding ESG/CSR from the results of talking to various stakeholders such as customers, shareholders, investors, employees, trading partners, and local communities, etc.



(2) Analyze major expectations by stakeholder

We factor in the main opinions from the various stakeholders described in (1) above, and analyze the main stakeholder expectations from their relationship to SEKISUI CHEMICAL Group business and ESG/CSR involvement.

Step 4. Identify key ESG issues

(1) Sort key ESG candidate issues

We add the CSR issues in which we have previously been strategically involved to the candidate ESG issues identified in steps 1 to 3 above to organize the candidates for key issues in ESG management.

(2) Evaluate the importance of key ESG candidate issues

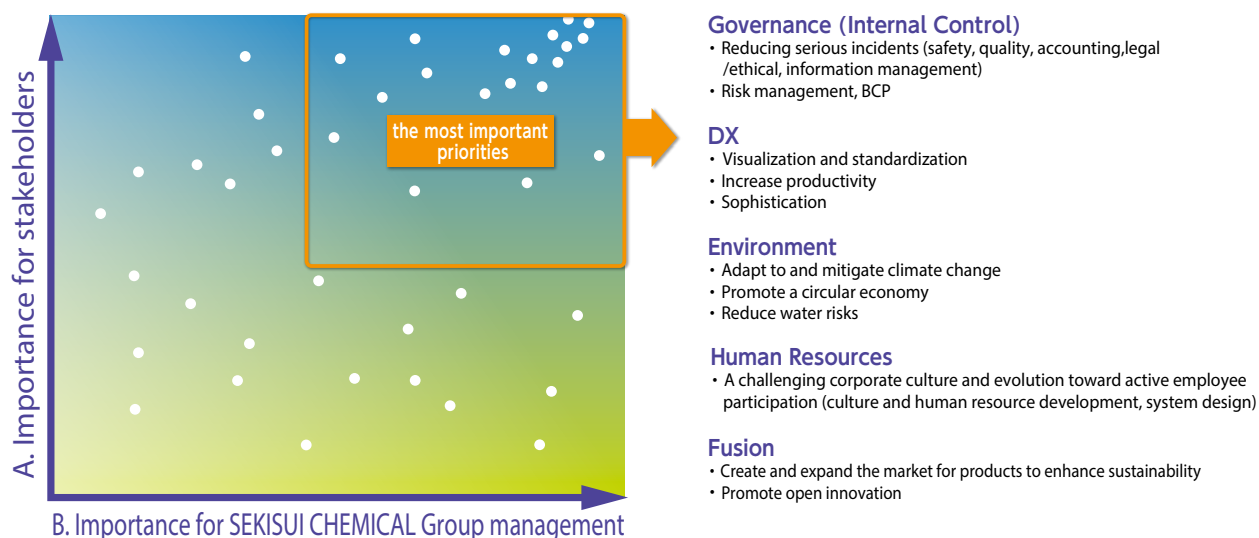
We evaluate the key ESG candidate issues sorted in (1) along two axes: "A. Importance to stakeholders" and "B. Importance to SEKISUI CHEMICAL Group management," and identify the key ESG issues. We then rank the key ESG issues that had been identified by priority. "A. Importance to stakeholders" is evaluated based on the viewpoints of "stakeholder expectations," "global trends," and "positive and negative impact on the planet and society," and "B. Importance to SEKISUI CHEMICAL Group management" is based on the viewpoints of "Conformance to management policy and management strategy," "extent of compliance with ESG issues," "risk and reputation," and "priority considered on the time axis." Based on the Long-term Vision "Vision 2030," we evaluate "A. Importance to stakeholders" with the new application of the Sekisui Environmental Sustainability Index*¹ and "B. Importance to SEKISUI CHEMICAL Group management" with the added approach of using the SEKISUI Sustainable Spread*² (taking ROIC and capital cost into consideration).

*1 Please refer to "Integrated Index," page 144.

*2 Please refer to "Toward the Realization of Vision 2030," page 5.

(3) Identify key ESG issues

The key ESG issues are discussed at Company management meetings, with items for implementation and management targets reviewed by the main departments before final internal approval is granted. Key management targets and items for implementation that have been approved are given suitable management through the PDCA cycle. As a rule, the key ESG issues will be reviewed and items for implementation and management targets will be set every three years when the medium-term management plan is created, though revisions will be discussed each year based on business conditions as well as social expectations and requirements.



Key ESG issues (2020-2022)

Issues where the importance for stakeholders is extremely high, and is also extremely high for management of SEKISUI CHEMICAL Group

Governance (Internal Control)

- Reducing serious incidents (safety, quality, accounting, legal/ethical, information management)
- Risk management, crisis management, BCP

DX

- Visualization and standardization (standardize operations, introduce ERP, renew infrastructure and network)
- Increase productivity (automation / unmanned shifts, improve operational efficiency through the use of digital technology, ICT and AI)
- Sophistication (increase the sophistication of operational control, Governance (Internal Control) and the supply chain)

Environment

- Adapt to and mitigate climate change
- Promote a circular economy
- Reduce water risks

Human Resources

- A challenging corporate culture and evolution toward active employee participation (culture and human resource development, system design)

Fusion

- Create and expand the market for products to enhance sustainability
- Promote open innovation

Issues where the importance for stakeholders is high, and is also high for management of SEKISUI CHEMICAL Group

- Strengthening intellectual property strategies
- Promotion of activities that contribute to the resolution of issues through cooperation with local communities
- Implementation of human rights due diligence
- Reduce environmental degradation
- Promotion of globalization
- Diversity management
- Health management
- Strengthening the equipment maintenance system
- Reduce supply chain risk

Crucial Items Concerning ESG Management

✓: Targets Achieved in Fiscal 2020 ×: Targets Not Achieved in Fiscal 2020

Key Themes		Crucial Items	Medium-term Targets (2020-2022)	FY2020 Targets	FY2020 Results	FY2020 Self-evaluation	Reference pages
Products to enhance sustainability and the premium framework		Expansion of net sales of products to enhance sustainability	Net sales of products to enhance sustainability: ¥800 billion	¥710 billion	¥640.3 billion ✓	×	P40
			Net sales of products to enhance sustainability that are in the premium framework: ¥440 billion	— *2	¥312.0 billion	—	P35
Governance (internal control)	Workplace accidents resulting in a fatality	Implementation of Group-wide risk reduction measures aimed at strengthening the management foundation	Workplace accidents resulting in a fatality 0	0	1 ✓	×	P91
	Major quality issues		Major quality issues 0	0	2*4 ✓	×	P95,100
	Serious non-compliance and negligence		Serious non-compliance and negligence 0	0	0 ✓	✓	P102
	Risk management (BCP)	Preparation of a functional BCP; establishment of a BCM (PDCA cycle)	100% target organization BCP document preparation and operating rate (establishment of PDCA)	Commencement of BCP promotion project (promote formulation preparations)	<ul style="list-style-type: none"> • Determination of Group-wide organizational framework formulation (143 organizations) • Preparation of a standard template • Review of BCM guidelines 	✓	P115
DX	Global management foundation innovation	Completion of a backbone system for global rollout	Determination of all measures for reform of the management base, SAP usage contract execution	Preparation of various measures and roadmaps, determination of the scope for introduction of SAP and conclusion of licensing agreement	✓	P126	
Environment	Climate change response	Renewable energy ratio of purchased electricity increase (Amount of renewable energy/Amount of purchased energy Group-wide(%))	20%	5%	7.2% ✓	✓	P172
Human Resources		Degree of challenging behavior expression*1	— *2	— *2	— *2	—	P221
Fusion		Number of new A-type products launched, number of A-type projects*3	— *2	— *2	— *2	—	P269
		Increase in net sales from fusion	Up ¥50 billion (vs. fiscal 2019)	— *2	Up ¥12.4 billion (vs. fiscal 2019)	—	

*1 Percentage of respondents taking concrete actions to realize the long-term vision

*2 Undisclosed/undetermined

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

*4 Based on individual standards of divisional company

Promotion System

SEKISUI CHEMICAL Group is promoting ESG management on a Group-wide basis in a bid to realize both a sustainable society and sustainable growth for the Group.

Sustainability Committee and Sub-committees

In its efforts promote ESG management on a Group-wide basis, SEKISUI CHEMICAL Group has established the Sustainability Committee. Under the umbrella of this Committee, we have also put in place six subcommittees covering the environment, CS & Quality, human resources, safety, compliance, and cyber security.

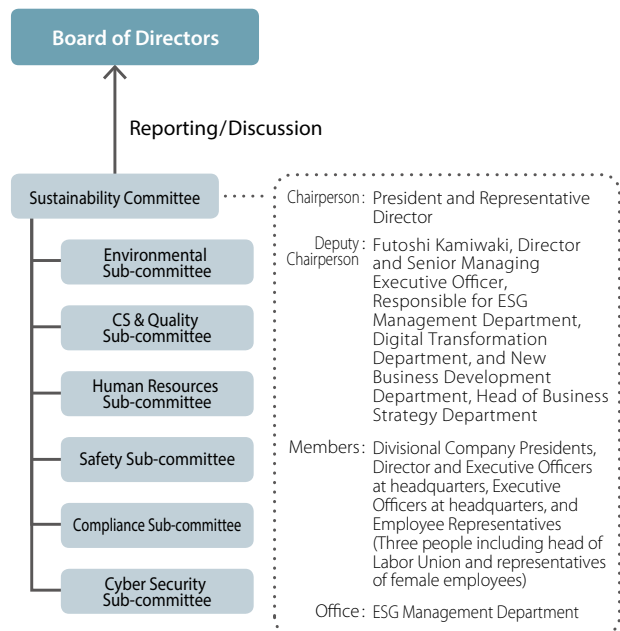
Chaired by the President, the Sustainability Committee's membership also includes the Senior Managing Executive Officer Responsible for the ESG Management Department serving as deputy chairperson, the presidents of the Housing Company, the Urban Infrastructure & Environmental Products Company, and the High Performance Plastics Company, and three employee representatives, including the chairperson of the central executive committee of the SEKISUI CHEMICAL Labor Union. This committee meets two times each year.

The Sustainability Committee extracts 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, and monitors that status initiatives. Discussions by the committee, major items determined, and Group-wide risks are reported to and deliberated by the Board of Directors.

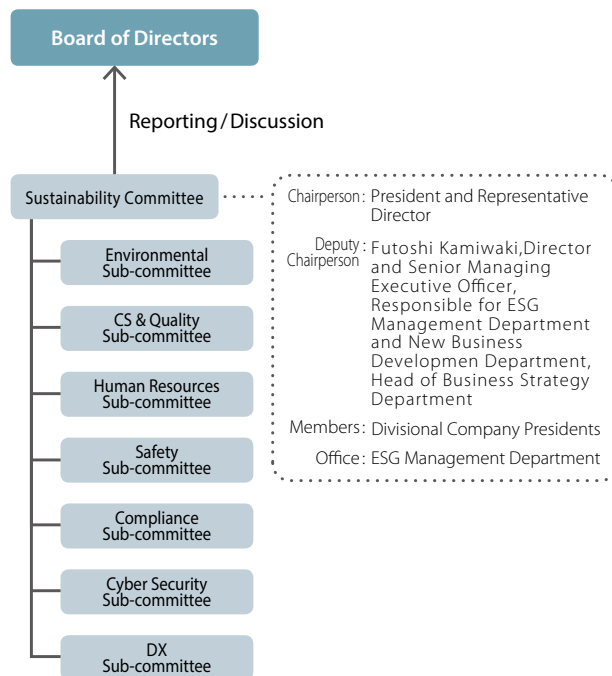
Each subcommittee drafts specific measures for each divisional company based on details determined by the Sustainability Committee. These measures are incorporated into action plans and the status of progress monitored. The chairperson of each subcommittee participates in meetings of the Sustainability Committee to report on and discuss results.

To further accelerate ESG management on a Group-wide basis, we newly established the DX Sub-committee, one of the Group's identified materialities, bringing the total number of sub-committees seven from fiscal 2021. In bolstering our sub-committee structure, each subcommittee will also include the general manager of the Medical Business, which falls under the umbrella of Corporate Headquarters. While three employee representatives have historically been appointed as members of the Sustainability Committee in order to properly reflect the opinions of staff, we intend to revise our operations to ensure a broader range of feedback, including meetings to exchange opinions between management and diverse employees.

Sustainability Committee / Sub-committee Structure (to fiscal 2020)



Sustainability Committee / Sub-committee Structure (from fiscal 2021)



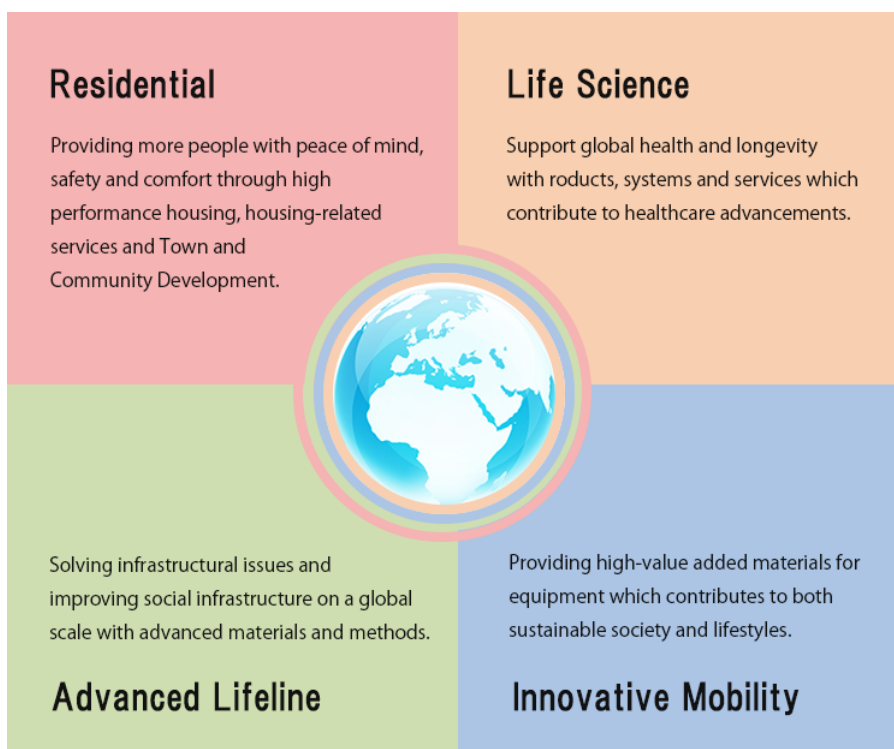
Overview of SEKISUI CHEMICAL Group



SEKISUI CHEMICAL Group operates through three divisional companies, Medical business, and headquarters, in the fields of residential and social infrastructure creation and chemical solutions.

Overview of SEKISUI CHEMICAL Group

Under its Long-term Vision, "Vision 2030," SEKISUI CHEMICAL Group has set "Innovation for the Earth" as its vision statement. Focusing mainly on the following four business domains, we will work to create "peace of mind for the future" toward the realization of a sustainable society by generating innovation.



Residential: Housing Company



< Main business content >

Housing, Stock, Town and Community Development, Residential Services, and Overseas Businesses

< Main products and services >

Manufacturing, construction, and sales of steel frames and wood unit housing, as well as sales of building lots, renovations, real estate, homes for the elderly with services, interior goods, exterior sales and construction, power trading, and town and community development

Advanced Lifeline: Urban Infrastructure & Environmental Products Company



< Main business content >

The fields of Pipes and Infrastructure (housing use, architectural use, factory and plant use, and public use), Building and Living Environment, and Advanced Materials

< Main products and services >

Manufacturing, sales, and installation of a wide range of products such as PVC pipes and joints, polyethylene pipes and joints, plastic valves, pipe rehabilitation materials and methods, reinforced plastic complex pipes, water tanks, construction materials (guttering, flooring materials), care instruments, bathroom units, decorative seats, synthetic wood, soundproof vibration-suppressing materials, blow containers, construction materials, and functional mats.

Innovative Mobility: High Performance Plastics Company



< Main business content >

The fields of Electronics, Mobility, Building and Infrastructure, and Industry

< Main products and services >

Manufacturing and sales of products such as liquid crystal particles, photosensitive materials, semiconductor materials, optical film, industrial tape, interlayer film for laminated glass, foam polyolefins, vehicle resin and rubber molded products, heat dissipation materials (grease and sheets), carbon fiber reinforced plastic (CFRP) composite mold materials, functional resin for infrastructure materials, flame-resistant materials, non-flammable polyurethane, livestock panels, adhesives, wrapping tape, plastic containers, polyvinyl alcohol resin, and hygiene materials

Life Science: Medical Business



< Main business content >

Diagnostics, Pharmaceutical Sciences, and Drug Development Solutions businesses

< Main products and services >

Manufacturing and sales of products such as in-vitro diagnostics reagents, analyzers, active pharmaceutical ingredients (APIs) and pharmaceutical intermediates, drug development solutions, and enzyme materials

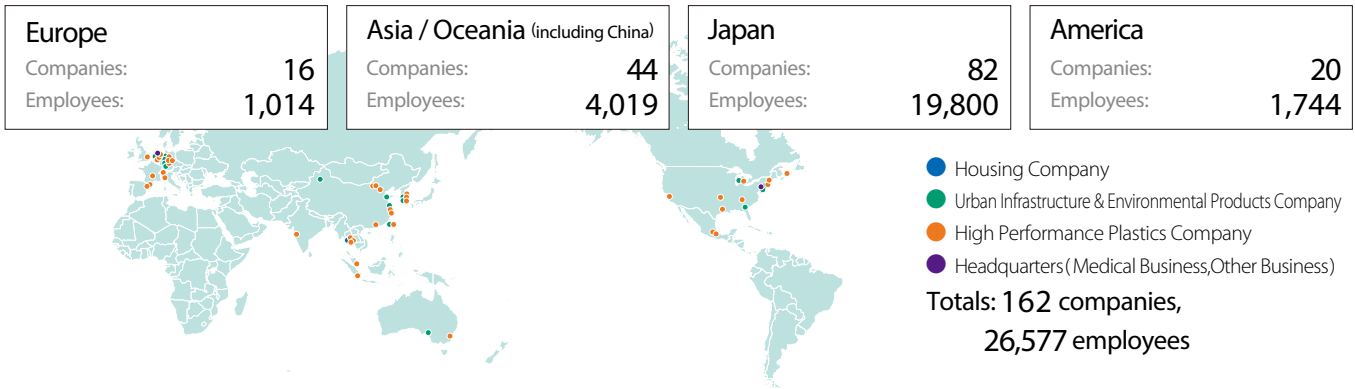
Other business



< Main products and services >

Manufacturing, sales, and servicing for film-type lithium-ion batteries and other products outside of our four main businesses (Housing Company, Urban Infrastructure & Environmental Products Company, High Performance Plastics Company, and Medical Business).

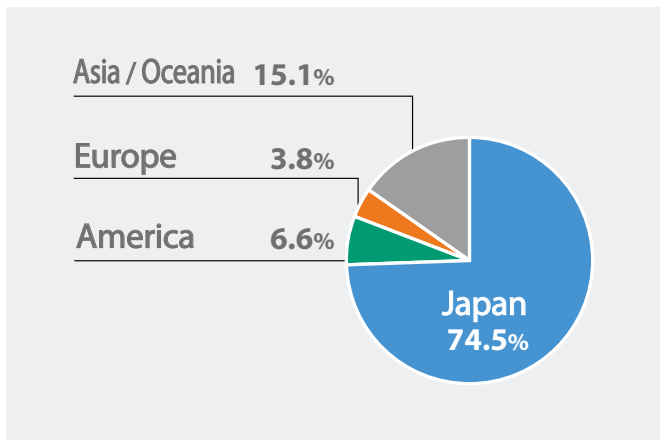
SEKISUI CHEMICAL Group Worldwide



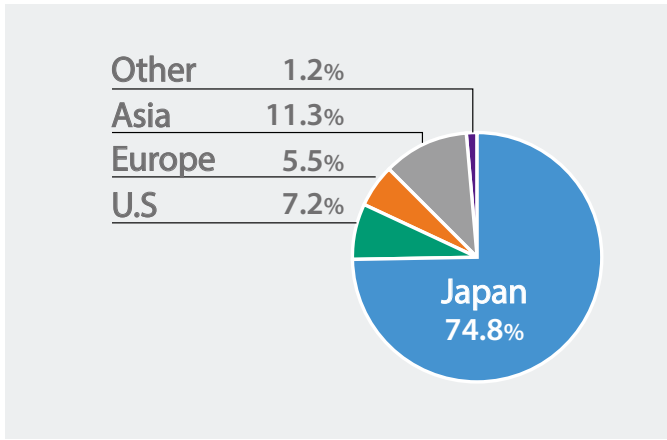
Note: Figures current as of the end of March 31, 2021 (on a consolidated basis)

Business Data

Number of employees by region



Sales by region



See the fact book for details of management indices.

Fact Book
<https://www.sekisuichemical.com/ir/financial/factbook/>

Products to Enhance Sustainability

Contributing to the resolution of social issues through products and services



SEKISUI CHEMICAL Group certifies and registers as products to enhance sustainability those products that make a significant contribution to the resolution of issues related to the natural environment and the social environment. Through the ESG Task Force, which integrates technology platforms within the Group to examine social issues; the Products to Enhance Sustainability Expansion Support Measures, which were established within the ESG investment framework; and human resource development that improves the ability to contribute to the resolution of social issues, the Group is making efforts to create and expand markets for products to enhance sustainability that address a range of issues.

TOPICS

■ Products to Enhance Sustainability	.....	p33
Education for Enhancing the Ability to Contribute to Solving Social Issues	.....	p42
Social and SDG Contribution Activities	.....	p47
• Environment	.....	p53
• Next Generation	.....	p58
• Local Communities	.....	p69

Products to Enhance Sustainability

SEKISUI CHEMICAL Group will accelerate efforts to create and expand markets for products to enhance sustainability that contribute significantly to the resolution of social issues. Through these means, we will support the basis of LIFE and continue to create peace of mind for the future in order to realize a sustainable society.

Management Approach

Our Philosophy

SEKISUI CHEMICAL Group will contribute to the resolution of various social issues, including SDGs, through its core business products. More than just contribute to the realization of a sustainable society, we will grow as a company essential to society. To this end, we will accelerate efforts to create and expand markets for products to enhance sustainability that increasingly contribute to the resolution of social issues while working to enhance global and social sustainability. At the same time, we will utilize the products to enhance sustainability system to improve the sustainability of companies and products.

Implementation System

Products to enhance sustainability are products that make a significant contribution to solving issues in the natural and social environments. SEKISUI CHEMICAL Group evaluates and certifies these products' degree of contribution based on certain internal standards.

Vision 2030 positions "products to enhance sustainability" as the outcomes of efforts to resolve materialities with important impact on management and society. By creating and expanding such product lines, SEKISUI CHEMICAL Group aims to resolve social issues while growing its business. We position our target* for the creation and expansion of products to enhance sustainability as a key performance indicator (KPI), devising strategies and carrying out measures to achieve it.

* This target is a milestone back-cast from Sekisui Environment Sustainability Vision 2050, an environmental vision that set goals for resolution of natural and social environmental problems that require a long-term approach. As such, it is positioned as a management target in the Group's medium-term environmental plan, Sekisui Environment Sustainability Plan: Accelerate II. Progress on this target is managed based on the environmental management promotion system (for details please refer to "Environmental Management Promotion System," page 149).

Training to Enhance the Ability to Contribute to Solving Social Issues

SEKISUI CHEMICAL Group has continued to focus on training to enhance its ability to contribute to solving social issues, which is key to realizing Vision 2030, from fiscal 2020.

As a company, we provide education and training in an effort to encourage employees to take the initiative in understanding and resolving social issues, while putting into practice their own thoughts, depending on their responsibilities and working environment.

Social and SDG Contribution Activities to Improve the Ability to Contribute to Solving Social Issues

Beginning in fiscal 2020, SEKISUI CHEMICAL Group is recommending activities that contribute to the SDGs and strengthening efforts to cultivate its people and spiritual climate. Our aim is to improve employees' ability to contribute to solving social issues.

Advanced Product Evaluation System That Promotes the Resolution of Social Issues

SEKISUI CHEMICAL Group has continued to promote a product evaluation system in order to accelerate the resolution of issues related to the natural and social environments since fiscal 2006. Certification registration is based on the determination criteria established through discussions among internal committee members. We have received opinions and advice from outside advisors on the criteria and approach, as well as the validity of the results, to ensure high standards and transparency.

- Fiscal 2006: Launched the Environment-Contributing Products system**

Based on internal standards, SEKISUI CHEMICAL Group launched a product system to certify and register products that contribute significantly to the resolution of issues in a bid to promote the creation and expansion of products that contribute to the resolution of issues in the natural environment.

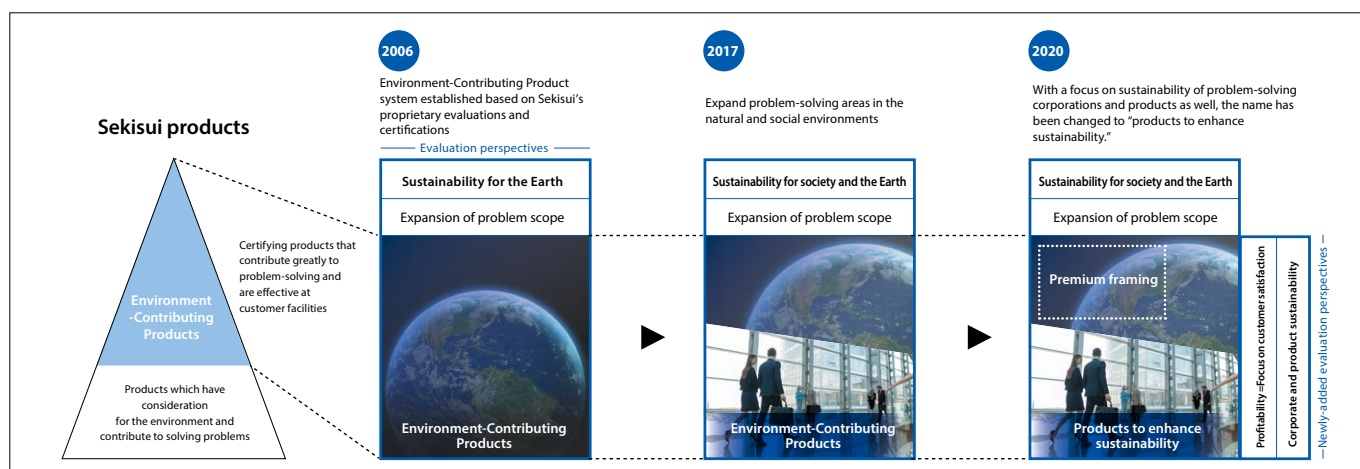
- Fiscal 2017: Expanded the scope of the system to include not only products that contribute to solving natural environment issues, but also those that focus on the social environment**

SEKISUI CHEMICAL Group is working diligently to further create and supply problem-solving products. We have also reaffirmed that the SDGs and our goals are one in the same.

- Fiscal 2020: Evolution as products to enhance sustainability**

Introduced strategic framework "premium framing" and form of confirmation "sustainability assessment"

Evolution of the Product System at SEKISUI CHEMICAL Group



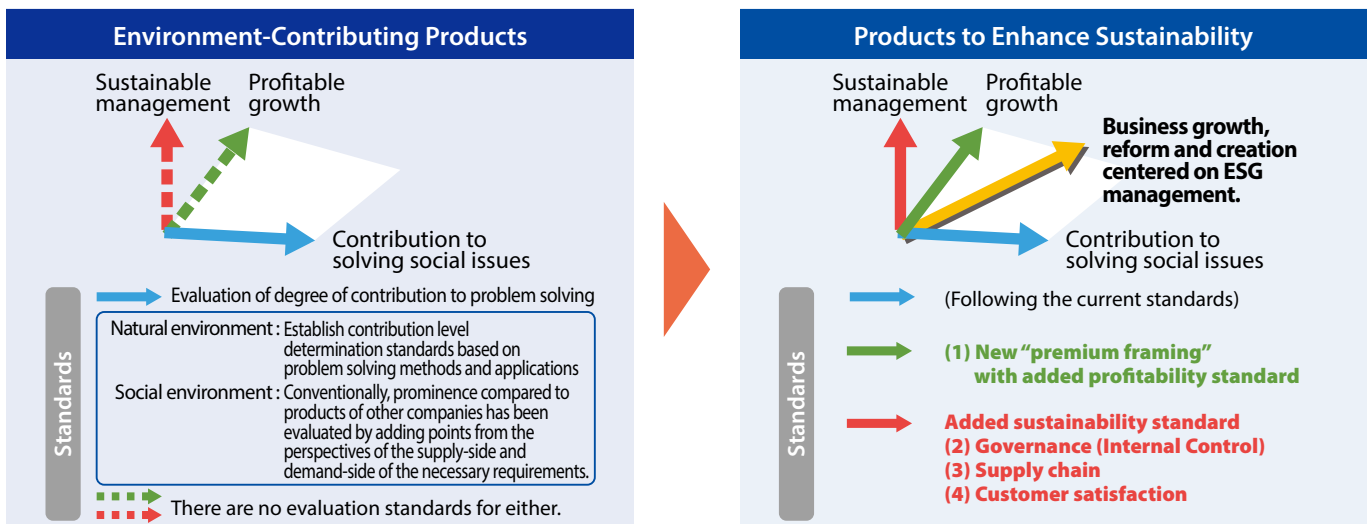
In Vision 2030, ESG management is described as a strategy for “achieving a sustainable society and sustainable growth for the Group’s business.”

To drive its achievement of the target state of Vision 2030, SEKISUI CHEMICAL Group is continuing its existing systems for improving its ability to contribute to solving social issues while launching two key changes starting in fiscal 2020. First, to bolster profitability, the Group is establishing a strategic framework called the Premium Framing to match its business portfolio with the above systems and strategically expand them. Second, to boost its capabilities in sustainable management, the Group is implementing Sustainability Assessment, a program to confirm and evaluate items necessary to improve the sustainability of its products and businesses.

Ensuring the sustainability of the Group and Group products themselves is vital to continue making products that contribute significantly to the resolution of social issues and expanding that contribution. For this reason, we adopted a new perspective on evaluating corporate and product sustainability in addition to the conventional process of certifying products that contribute significantly to the resolution of issues based on internal standards from fiscal 2020. Using confirmation assessments based on such factors as profitability, process evaluations, and Governance (Internal Control) across the supply chain, we are building and operating an evaluation system that confirms sustainability and promotes the implementation of activities to enhance sustainability.

Moreover, SEKISUI CHEMICAL Group has initiated "premium framing" as a strategic framework to systematically expand products that contribute to the resolution of social issues and are committed to that expansion in line with medium-term targets.

Putting in place strategies that balance the resolution of social issues with profitability, our goal is to accelerate contributions toward the resolution of issues.



Strengthen the Group's management ability to sustain business to continue contributing to the natural environment and society



Discussion with External Advisors

In fiscal 2012, SEKISUI CHEMICAL Group established an External Advisory Board. This board assembles experts from outside the Group who offer advice on standards and registration of products to enhance sustainability, as well as future perspectives.

The External Advisory Board meetings are sponsored by the supervising director of the organization in charge of environmental issues and CSR/ESG, and the members of the internal certification screening committee for Environment-contributing Products, including staff such as executive officer representatives from each divisional company who unify the technical side, organization heads carrying out management project work with a grasp for business conditions as a whole, participate in this board. We also ask others from outside the Company coming from various backgrounds in industry, government, and academia who are currently engaged in CSR-related work, including related to the environment, to take part as external experts.

In fiscal 2020 the External Advisory Board conducted an online conference. The Board provided SEKISUI CHEMICAL Group with advice and opinions regarding the importance of considering and contributing on multiple issues, rather than a single issue, related to newly registered products' contributions to the natural and social environments.

From fiscal 2021, the External Advisory Board is continuing its operations, serving as a forum for discussions from the perspective of sustainability. The purpose of these discussions is to enable the design and management of systems to encourage the creation and expansion of product lines that solve issues of the natural and social environments.

Note: Internal certification screening committee

The chairman of this committee is the supervisor of the ESG Management Department, and headquarters and divisional companies' technology and business supervisors participate in the committee's meetings as members. The committee meets to deliberate on issues related to certification of Products to Enhance Sustainability. Meetings are held regularly twice per year.

Visualization of the Degree of Contribution to Resolving Social Issues

To clarify the amount of return to natural capital, SEKISUI CHEMICAL Group in fiscal 2019 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, reflected in the Sekisui Environmental 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 a planet where biodiversity is preserved. However, since broadening the scope of Environment-contributing Products in 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 resolving issues in the natural environment and the social environment of products to enhance sustainability throughout their respective lifecycles since fiscal 2020. These contributions to natural and social capital are reflected in the Sekisui Environment Sustainability Index.

In particular, we have started to explore the possibility of evaluating the social value of our products based on impact-weighted accounting.

How to Visualize the Degree of Contribution to Resolving Social Issues

Computation of the degree of contribution to environmental issues is based on the following calculations.

- (1) Determine technologies and products to be compared.
- (2) Gather quantifiable data related to environmental impact of each stage of a product's lifecycle (from raw materials to production, transport, use and disposal).
- (3) Apply a coefficient* to calculate environmental impact for each factor affecting the environmental impact data obtained and consolidate the results.
- (4) Environmental contribution is the difference between the coefficient-derived value in (3) above and the original value.

* Coefficient: Calculated using a customized version of MilCA, a system developed by Japan Environmental Management Association for Industry using LIME2, an environmental impact assessment method created by Professor Norihiro Itsubo at Tokyo City University.

Major Initiatives

Creating Products to Enhance Sustainability through Internal Fusion by the ESG Task Force

Today's companies are hearing growing demands to offer solutions in a timely manner to address issues such as the COVID-19 pandemic. In such times, innovations must be considered quickly and turned rapidly into action. However, we believe it is also important to accelerate the proposal and consideration of innovations aimed at solving social issues with a long-term view and to implement those innovations in a timely manner. By taking such quick and prompt action, SEKISUI CHEMICAL Group was able to fuse its 28 technological platforms for promoting the creation of products to enhance sustainability. The result was the launch of the ESG Task Force, a forum for considering social issues in ways that transcend organizational boundaries.

In the future, we will take steps to normalize internal cross-sectional systems that enable the development of business proposals aimed at addressing social issues, while at the same time putting in place a system that can accelerate innovation in case of emergencies such as the COVID-19 pandemic.

Encouraging Development through the Use of ESG Investment and Measures to Support Expansion of Products to Enhance Sustainability

SEKISUI CHEMICAL Group has identified a subset, "measures to support the expansion of products to enhance sustainability," within its established limit for ESG investment. This investment subset is designed to encourage planning and proposal of measures to create products and services and expand markets. To propose solutions to social issues through fusion, this investment subset serves as a financial incentive in support of themes at the planning and testing stages to achieve internal fusion and contribute to the resolution of social issues whose solution is urgently needed or that require long-term measures to solve.

Environment-Contributing Products PR

In fiscal 2020, SEKISUI CHEMICAL Group participated in the international conference Sustainable Brands 2021 Yokohama*. In addition to providing a wide range of information about the environment to visitors, we outlined our approach and introduced examples of how our products contribute to the resolution of environmental issues. While face-to-face opportunities that allow us to explain how our products help resolve social issues have declined due to COVID-19, we are employing online and other tools through which to convey information focusing mainly on the next generation of junior and senior high school students.

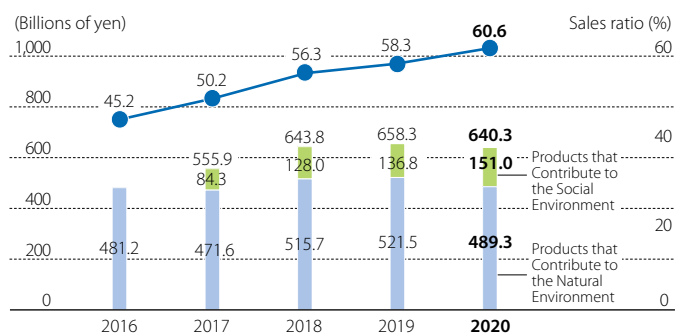
* The largest sustainability community event in Japan and a forum to share the latest sustainability initiatives and trends from domestic and overseas companies as well as local governments, and network with leading innovators in various industries.

Performance Data

Note 1: From fiscal 2019, Medical Business results are collated and presented with Headquarters results following its separation from the High Performance Plastics Company as an independent entity.

Note 2: From fiscal 2020, the product system has been evolved and renamed "products to enhance sustainability"

Net Sales / Proportion of Products to Enhance Sustainability



Net Sales of Products to Enhance Sustainability Over Time

(Unit: Billions of yen)

	FY2016	FY2017	FY2018	FY2019	FY2020
Housing Company	290.9	317.6	364.3	374.0	352.9
Urban Infrastructure & Environmental Products Company	90.3	93.7	97.7	101.5	93.2
High Performance Plastics Company	99.4	142.2	178.9	110.0	121.9
Headquarters	0.6	2.4	2.8	72.7	72.2
Company-wide total	481.2	555.9	643.8	658.3	640.3

Index	Calculation Method
Net sales of Products to Enhance Sustainability	<p>Net sales of Products to Enhance Sustainability = Consolidated sales across SEKISUI CHEMICAL Group of products internally certified as Products to Enhance Sustainability</p> <p>All businesses of the Group in and outside Japan are subject to assessment</p> <p>Note: See pages P 35~36 of the CSR Report 2021 for a definition of Products to Enhance Sustainability and the way of thinking behind them.</p>
Proportion in net sales of Products to Enhance Sustainability	<p>Proportion in net sales of Products to Enhance Sustainability = Net sales of Products to Enhance Sustainability / Consolidated sales</p> <p>All businesses of the Group in and outside Japan are subject to assessment</p> <p>Note: See pages P 35~36 of the CSR Report 2021 for a definition of Products to Enhance Sustainability and the way of thinking behind them.</p>

Number of Products to Enhance Sustainability Newly Registered

FY2017-FY2019	FY2017	FY2018	FY2019	FY2020	Number of registrations as of the end of March FY2021
47	24	18	5	12	168

Education for Enhancing the Ability to Contribute to Solving Social Issues

Fostering Human Resources Who Are Aware of Social Issues and Who Can Think and Act on Their Own to Create and Broaden Products to Enhance Sustainability

Management Approach

Promoting Education to Enhance the Ability to Solve Social Issues

In working to realize a sustainable society, SEKISUI CHEMICAL Group pursues growth in sales and operating income through its “contributions to solving social issues” while advancing management that maintains an awareness of the “management ability to sustain business. “With a focus on fostering the ability of our employees to contribute to solving social issues, we provide education that enables them to think in ways that connect to the management ability to sustain business and profit creation potential.

Concept for Promoting Education over the Long Term

In addition to spurring the growth of our employees through experience in their current positions, we provide education that fosters an awareness of problem-solving and the ability to act.

Similarly, having our employees spearhead activities premised on solving social issues (= SDGs) serves to transform their consciousness and enhances their ability to contribute to solving social issues. To increase its ability to contribute to solving social issues, the Group believes it must improve its levels of action and knowledge. To this end, the Group identified eight items on which to focus (four knowledge items and four action items). In the 2020–2022 Medium-term Plan, SEKISUI CHEMICAL Group plans to advance education to improve performance in each of these knowledge and action items.

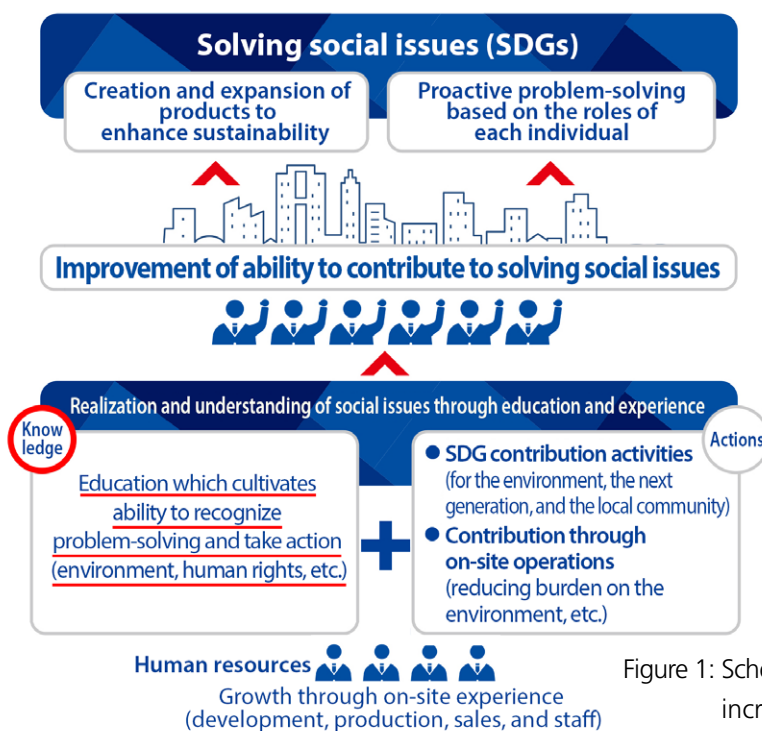


Figure 1: Schematic view of education to increase the Group's ability to contribute to solving social issues

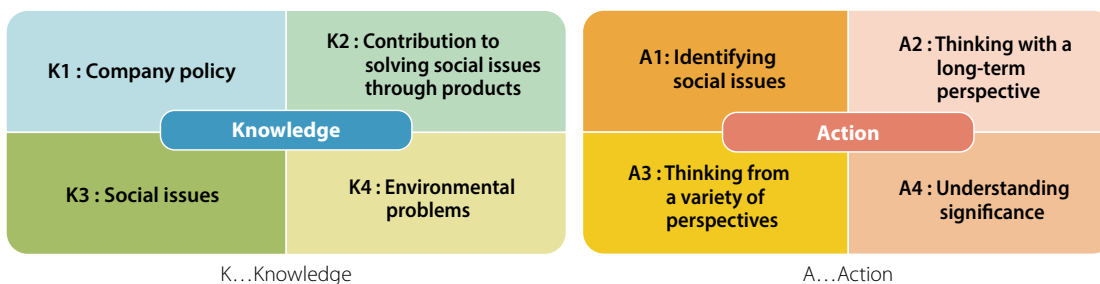


Figure 2: Knowledge and action items required of personnel who contribute to solving social issues

Concept of Education for Enhancing the Ability to Contribute to Solving Social Issues in the Environmental Medium-term Plan

1) A program to assist the transformation to “hands-on” action

In the Environmental Medium-term Plan (2017-2019), the Group created tools to allow it to monitor individual-level levels of knowledge and degrees of participation so that studies of individual employees could serve as indicators, and created mechanisms that allowed employees to engage in activities “hands-on.”

The period from fiscal 2020 is envisioned to be consist of staged development, firstly to recognize respective social and environmental issues, then ultimately leading to the generation of outcomes will be participation in planning, obtaining awareness and understanding, consideration and taking action, while putting in place the input that will go into realizing “awareness, understanding, action and producing outcomes for each social issue.” Through these stages, we will nurture the human resources that generate results and contribute to social and environmental solutions through our business and corporate activities.

2) The ongoing implementation of effective programs

While undertaking a detailed review, SEKISUI CHEMICAL Group continued to implement the programs that proved effective among the various education programs instituted as part of the Environmental Medium-term Plan up to fiscal 2016 under the Environmental Medium-term Plan (2017-2019).

From fiscal 2020, we will utilize the results of human resource indices and other data to determine the degree of progress toward personnel development with regard to each social and environmental issue. We will systematically apply these results to educational programs, thus implementing effective personnel training.

Major Initiatives

Establishment of Problem-solving Capability Indicators for Personnel

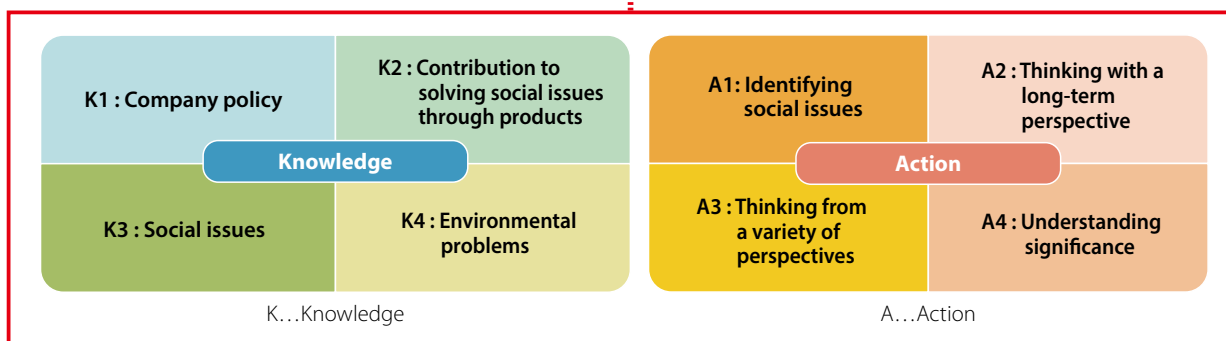
From fiscal 2017 to 2019, we created a human resource environmental awareness indicator to serve as a rough gauge of individual progress, so as to ascertain the status of employees’ knowledge and behavior concerning the environment and encourage individuals to engage in self-study. By utilizing an online “Human Resource Environmental Awareness Check” we were able to visualize changes in individuals’ behavior and improvements in the level of their knowledge.

By analyzing the results obtained through these human resources indicators, identifying target levels for strengthening and deploying educational programs that reinforce weaknesses, we verified growth in knowledge and improvements in the ability to act among our employees.

Having learned that using online systems that visualize knowledge and ability to act enables efficient improvement of the level of each attribute, we expect to continue to use these systems to measure knowledge and the ability to act. In fiscal 2020, we investigated indicators for the knowledge and actions required to solve not only environmental but also social problems. We plan to apply these indicators beginning in fiscal 2021.

Education Programs for Improving Social Problem-solving Contribution Ability (content implemented in 2020)

	Program name	Category of education								Target		
		Knowledge				Actions				Japan	Overseas	Job responsibilities, types, etc.
		K1	K2	K3	K4	A1	A2	A3	A4			
1	CSR training	✓	✓			✓			✓	✓		New company employees
2	Booklet for publicizing social issues and SEKISUI CHEMICAL's initiative	✓	✓		✓		✓		✓	✓		All employees
3	e-Learning related to social issues and SEKISUI CHEMICAL	✓	✓		✓		✓		✓	✓		All employees
4	Pamphlets on products to enhance sustainability		✓					✓	✓	✓	✓	All employees



Instructional booklet and e-learning about social issues and the Group's efforts to grapple with them

The first step in thinking about social issues and taking action is knowing what social issues are present in today's world and what actions the Group is taking to resolve them. The first instructional booklet deals with issues in the natural environment.

To deepen understanding of the content of the instructional booklet, we implemented e-learning in parallel with the publication of the instructional booklet.

Going forward, SEKISUI CHEMICAL Group plans to provide educational materials dealing with social issues such as extending healthy lifespans, as well as the SDGs.



Instructional booklet on social issues and the SEKISUI CHEMICAL Group's initiatives



e-learning covering social issues and the Company's initiatives

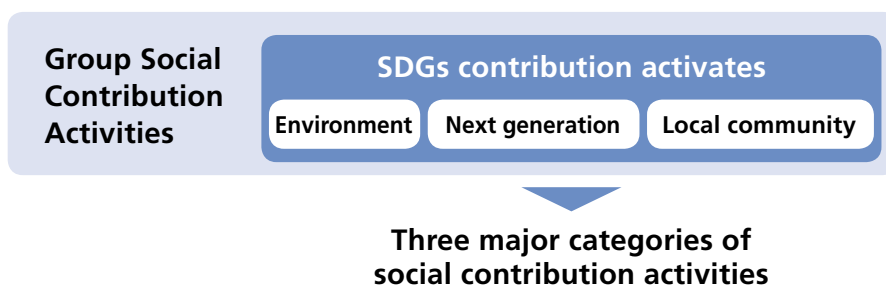
Social and SDG Contribution Activities

Through its social contribution activities, SEKISUI CHEMICAL Group seeks to develop a climate and people that can contribute to solving social issues.

Management Approach

Promotion of social contribution activities from an SDG perspective

SEKISUI CHEMICAL Group contributes to society not only through our business activities but also through a variety of social contribution activities which we promote through interactions with society leveraging the strengths and resources of the Group. SEKISUI CHEMICAL Group defines and promotes “activities to contribute to the SDGs” as the subset of the Group’s social contribution activities that lead to the formation of a sustainable society as targeted by the SDGs, positioning the environment, the next generation and regional communities as the three main fields of activities.



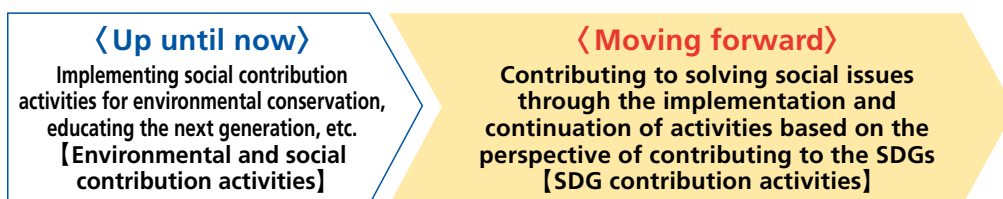
Actions that strengthen the ability to contribute to solving social issues

SEKISUI CHEMICAL Group believes that awareness of the SDGs is essential for contributing to solving social issues. By conducting social contribution activities from the viewpoint of the SDGs, the Group cultivates on a Group-wide basis the abilities to survey society from the most expansive possible perspective and to think about the future. In so doing, the Group aims to improve its ability to contribute to solving social issues. We regard the SDGs as a guidepost on what we can do to solve social issues as a member of society, starting with those nearest to us.



Deploying activities to contribute to the SDGs Group-wide

Coordinating with the people in charge in each Group company, the Group spreads awareness of the SDGs while deploying autonomous activities to contribute to the SDGs by individual workplaces and employees, to foster a corporate climate that contributes to the SDGs. Essentially, the Group is shifting its awareness to goal-oriented activities to contribute to the SDGs, while continuing unchanged the actions to contribute to society conducted at each Group workplace. In so doing, the Group is transforming its activities into those that lead to the resolution of social issues.



Major Initiatives (Excerpt)

Environment

Woodland conservation and afforestation activities
 Initiatives taken at Group business sites
 Sekisui Children's Nature Academy

Next Generation

Houses and the Environment Learning Program
 Chemistry Classroom Project
 Science and Engineering Classroom
 Exhibiting at Oshigoto Festa ("Work Festivals")
 Promotion of Next-Generation Environmental Education through an

Local Communities

Contributions to Local Communities by Factories, Including Tours for Social Studies Classes
 Activities to Improve Civic Order in Regions
 TABLE FOR TWO
 BOOK MAGIC
 Heart+Action

Performance Data

Main social contribution activities to conduct or participate in during fiscal 2020 and their environment (excerpt)

Domestic

Domestic workplaces (plants, research centers and residential sales companies)

Business site involved in the activities	Activity program contents	Coordination / cooperation
Sekisui Heim Industry Co., Ltd. Kanto Site	Kasama Children's Nature Academy (observation of organisms in waterfront areas)	Kasama Municipal Minami Gakuen Compulsory Education School
Chushikoku Sekisui Heim Industry Co., Ltd.	Forest conservation activities in the city of Akaiwa	Akaiwa City (Forest creation agreement in coordination with businesses)
Chiba Sekisui Industry Co., Ltd.	"Moist Forest" mountain ecosystem-building project (nature observation event)	Ichihara Municipal Urutsu Elementary School
Nishinohon Sekisui Industry Co., Ltd. SEKISUI CHEMICAL CO., LTD. Shiga-Ritto Plant	Yurikago Rice Paddy Project	Agricultural and Rural Development Promotion Division, Department of Agriculture and Fisheries, Shiga Prefecture; Kurimidezaike-cho, Higashiomi, Shiga
Shikoku Sekisui Co., Ltd.	Non-native aquatic plant removal activities on the Shinmachi River	Saijo Nature School
Kyushu Sekisui Industry Co., Ltd.	Kyusyu Sekisui Children's Nature Academy (observation of biotope organisms)	Kanzaki Municipal Chiyoda Tobu Elementary School
Tokuyama Sekisui Co., Ltd.	"Sekisui Forest" forest management activities	Forestry Division, Agriculture, Forestry, and Fisheries Office, Shunan City, Yamaguchi Prefecture, etc.
Sekisui Medical Co., Ltd. Iwate Plant	Tree-planting activities at the site of the former Matsuo Mine ruins	Forest People Project Organization
SEKISUI CHEMICAL CO., LTD. Kyoto R & D Laboratories	Higashiyama forest conservation activities	Council for Kyoto Traditional Forest Culture in the city of Kyoto
Sekisui Heim Tohoku Group	Tohoku coastal forest restoration / coastal forest tree-planting activities with children	Disaster Area Uncultivated Land Relief and Regional Seedling Production Network
Sekisui Heim Chubu Group	Conservation of human settlement-adjacent mountain ecosystems in the Higashiyama neighborhood of Nagoya (support for the children's project)	Nagoya Higashiyama Forest Creation Association

Note: Due to the impact of the COVID-19 pandemic in fiscal 2020, the majority of our domestic business sites stopped their social contribution activities.

Overseas

Overseas production sites and research centers

In normal years, overseas workplaces also conduct social contribution activities. In fiscal 2020, however, many overseas workplaces suspended deployment of social contribution activities, to prevent the spread of the COVID-19 pandemic.

Major Activities Contributing to Society During Fiscal Year 2020 (“Next-generation” and “Local Communities”)

Programs	FY2020 Results				Achievements Up Until Now			
	Number of implementations	One times	Number of participants	Eight	Total number of times implemented	61	Total number of participants	1,067
Heart+Action (Implemented from 2012)	Number of implementations	One times	Number of participants	Eight	Total number of times implemented	61	Total number of participants	1,067
TABLE FOR TWO (Introduced from 2008)	Number of implementing business sites	11 business sites	Number of school lunches provided to developing countries	18,048	Number of implementing business sites	11 business sites	Total number of school lunches provided to developing countries	263,406
							Tohoku food assistance*	649,910 yen
TABLE FOR TWO vending machines (Introduced from 2013)	Number of implementing business sites	Two business site	Number of school lunches provided to developing countries	5,964	Number of implementing business sites	Two business site	Number of school lunches provided to developing countries	36,931
Houses and the Environment Learning Program (Implemented from 2007)	Number of implementing schools	Three schools	Number of participating students	260	Total number of implementing schools	191	Total number of participating students	Approximately 21,887
Chemistry Classroom (Implemented from 2008)	Number of implementations	Four times	Number of participating students	401	Total number of times implemented	311	Total number of participating students	33,437
BOOK MAGIC (Implemented from 2009)	Number of implementations	15 times	Donation amount	105,047 yen	Total number of times implemented	120	Amount of donation	1,324,352 yen

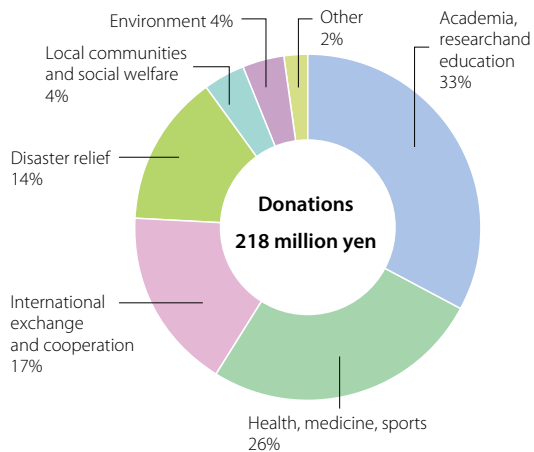
* Tohoku food assistance was provided from April 2013 to December 2014.

Details of Donation Activities in Fiscal 2020 (SEKISUI CHEMICAL Group)

(Unit: thousands of yen)

Type of Donation	Total Amount
Donations	218,126
Employee volunteers	17,905
Donations of goods	1,342
Administrative costs	6,333

Breakdown of Cash Donations in Fiscal 2020



● Environment

Conveying the Importance of the Natural Environment in Local Communities

Management Approach

Basic Concept

Contributing to the Conservation of Natural Environments that Form the Foundation of Society

SEKISUI CHEMICAL Group engages in environmental conservation to realize the “Earth with maintained biodiversity” called for in “Sekisui Environment Sustainability Vision 2050.” We also believe that implementing regional, employee-led activities to preserve the environment is an effective means of cultivating human resources who can contribute to solutions to social issues, including environmental issues.

Major Initiatives

Forest Preservation Activities by Our Housing Company

Woodland Conservation and Afforestation Activities

Conservation of human settlement-adjacent mountain ecosystems in the Higashiyama neighborhood/Children’s Project Support/(Sekisui Heim Chubu Group)

The Sekisui Heim Chubu Group cooperates with the Nagoya Higashiyama Forest Conservation Group, an NPO working to conserve valuable human settlement-adjacent mountain ecosystems that continue to exist in the Higashiyama district of Nagoya City, and supports the Higashiyama Forest Conservation Children’s Troup, in which local children participate.

Through outdoor experiences like tending to mixed forests and bamboo forests in settlement-adjacent mountain ecosystems and night hiking events in these areas, children discover the importance of opportunities to come into contact with nature. The Group will continue to protect both local communities and natural environments while supporting activities that pass these on to the next generation.



“Bamboo Forests and Our Livelihoods”
Picture-story Show



Experiencing periodic forest thinning in a bamboo forest

Coastal Forest Restoration /Tree-planting Activities (Sekisui Heim Tohoku Group)

Since 2015, Sekisui Heim Tohoku Group has collaborated with the Disaster Area Uncultivated Land Relief and Regional Seedling Production Network to restore coastal forests lost during the Great East Japan Earthquake in Yamamoto-cho, Watari-gun, Miyagi Prefecture. In the fall of fiscal 2020, the Group planted Konara oak (*quercus serrata*) saplings along the coast together with local elementary school students, parents, and Nagano University, among others (this activity was conducted with fewer participants than usual as part of its COVID-19 countermeasures). The Group hopes to one day see the saplings grow into a lush forest that will serve as a place where wildlife can congregate along the coast. The Group will also continue to place importance on interaction with many different people as it undertakes activities that help contribute to local communities.

Collaboration with Local Communities

Initiatives taken at Group business sites

Group business sites carry out a variety of environmental preservation activities in efforts to safeguard local natural environments, working in collaboration with the local community. While a myriad of environmental problems exist in these regions, we endeavor to continue as a corporate citizen by offering our support for solutions.

Eradication of Invasive Aquatic Grasses in the Shinmachi River (SHIKOKU SEKISUI CO., LTD./ Saijo City, Ehime Prefecture)

In collaboration with Saijo Nature School, a local NPO, SHIKOKU SEKISUI CO., LTD. employees work to eliminate water speedwell (*Veronica anagallis-aquatica*), watercress (*Nasturtium officinale*), Western waterweed (*Elodea nuttallii*) and other invasive aquatic plant species. The employees also take action to preserve indigenous species such as curly-leaf pondweed (*Potamogeton crispus*) on a regular basis.



“Sekisui Forest” Conservation / Arakura Growth Forest Conservation Activities (TOKUYAMA SEKISUI CO., LTD./ Shunan City, Yamaguchi Prefecture)

In 2000, TOKUYAMA SEKISUI gave the name “Sekisui Forest” to a plot of 2,500 sqm of city-owned land leased from the City of Shunan. Since then, the company has partnered with local governments (Yamaguchi Prefecture and the City of Shunan), as well as local forestry experts and people from the local Support of Employment, Living and Participation (SELP) office, in conducting forest management activities that nurture the headwaters of the water sources used by the refinery.



Nakanoi River Clean-up Activities (Nishinohon Sekisui Industry Co., Ltd. and SEKISUI CHEMICAL CO., LTD., Shiga-Ritto Plant/Ritto City, Shiga Prefecture)

Twice a year, employees conduct riverbed clean-up activities along Nakanoi River (a tributary of Lake Biwa), which flows near the factory. Employees pick up trash, remove invasive plant species and conduct maintenance as part of their activities to conserve the waterway's environment and biodiversity.



Hands-on Environmental Education for the Next Generation Sekisui Children's Nature Academy

SEKISUI CHEMICAL Group is collaborating with local communities and working to convey to the next generation the importance of conserving the natural environment.

Kyushu Sekisui Children's Nature Academy (Kyuhusu Sekisui Industry Co., Ltd./ Kanzaki City, Saga Prefecture)

In partnership with Chiyodatobu Elementary School, since 2019 Kyushu Sekisui Industry Co., Ltd., located in Kanzaki City, Shiga Prefecture, has invited second-grade students to "Country Woods," its on-site biotope, and holds the Kyushu Sekisui Children's Nature Academy so that students can gather to make observations of living organisms. This observation event is organized primarily by the "Biotope Committee," an internal entity comprised of employees. Employees serve as group leaders and convey, under the guidance of lecturers, the mysteries of life and the importance of being close to nature to the children. Within the Biotope, the children discovered tree frogs (*Hyla japonica*), the larva of rhinoceros beetles and other organisms. Through this hands-on experience, the children learned about the diverse range of life forms that surround them. The Company will continue to collaborate with the local community and engage in efforts that contribute to nurturing the next generation and to conserving the natural environment.

(The fiscal 2020 event was held in strict compliance with COVID-19 countermeasures)



Children receive an explanation of the biotope



Searching for wildlife

“Moist Forest” Natural Environment Field Trips **(CHIBA SEKISUI INDUSTRY CO., LTD./ Ichihara City, Chiba Prefecture)**

Using “Moist Forest,” a grove of miscellaneous trees on leased land near its plant, CHIBA SEKISUI INDUSTRY engages in a wide range of activities aimed at promoting biodiversity and regional coexistence. Each year the Company invites students from neighboring Ichihara Municipal Urutsu Elementary School to join extracurricular classes for nature observation.

Kasama Children’s Nature Academy **(Sekisui Heim Industry Co., Ltd. Kanto Site/ Kasama City, Ibaraki Prefecture)**

As an extracurricular class for fifth grade students at Kasama Municipal Minami Gakuen, an elementary school near its office, Sekisui Heim Industry carries out aquatic insect observation events along the Nitanda River (a tributary of the Hinuma River) in the area near the business site. In fiscal 2020, to prevent the spread of COVID-19, instructors provided explanations online.

● Next Generation

Fostering the Next Generation Through Programs Based on the Characteristics of Our Businesses.

Management Approach

Basic Concept

Helping to Build Local Communities in Which Children Can Develop and Healthily Grow into Adulthood.

Targeting communities where the children who will form the next generation can develop and healthily grow into adulthood, we are implementing career educational programs for elementary, middle and high school students that leverage the characteristics of our business activities. This initiative is being conducted for children to acquire the knowledge, skills, and approaches that will lead to them living independent lives as members of society. Including field trip lessons, for example Science classes, given by Company employees as well as support and assistance for research based on innovations inspired by nature, the Company is advancing a wide range of activities.

Major Initiatives

Initiatives of the Housing Company

Houses and the Environment Learning Program

At the Housing Company, we have run a “houses and environment” learning program since fiscal 2007 in which employees make use of their knowledge to teach about homes and the environment at schools. This is a program in which employees think about housing that coexists with the environment. After learning about the role that homes play in our lives and about the impact that our lives have on the environment, we actually hold workshops using Sekisui Heim’s model housing kits and think about, for example, the building of environmentally friendly homes and housing layouts.

One of the students who took the class said, “When I build a house of my own in the future, I want it to be a house that prioritizes the environment and safety first, even over design or ease of use.” Another student said, “I was interested in construction work, and now I am even more interested after taking this class.” These were just two of the remarks we heard from those who took the classes. A teacher said, “The students were very interested in this assignment because they could use kits to build model homes, following on from a previous class that also used visual materials. I believe this is precisely the active learning that is being promoted by the Ministry of Education.”

In fiscal 2020, with the aim of preventing COVID-19 infections, we provided lessons to three schools that requested them by lending out disinfected model housing kits.



Children assembling model housing kits

High Performance Plastics Company Initiatives

Chemistry Classroom Project

At the High Performance Plastics Company, the “Science Class” for middle school students has been conducted since fiscal 2008. This initiative is unique in that it provides school curriculum unit-linked classes that are not just interesting but have been designed by volunteers from business sites who had exchanged opinions with middle school teachers. Targeting elementary school students, we also conduct “Children’s Experiment Classrooms” for which the Company’s products are used. So far, a total of more than 30,000 elementary and middle school students have benefited from experiencing the fun and usefulness of science through these programs.

In fiscal 2020, most classes and events could not be held due to the effects of COVID-19. To overcome this problem, for the third-year students at a junior high school local to the Minase Site, we made a video of an experiment using interlayer film for laminated glass, narrated with words of congratulation to graduating students, and had them use it in the class before graduation. For an outlying junior high school that had requested them, we also held lessons with the minimum number of staff after implementing COVID-19 infection countermeasures. As a new departure, we tackled the challenges of online lessons.

The Company plans to continue these activities to allow even more children to become interested in, and fascinated by, the field of chemistry.



Implementation of an experiment with thorough infection prevention measures in place

High Performance Plastics Company Initiatives Science and Engineering Classroom

At Sekisui Medical, we have been implementing a “Science and Engineering Classroom” for middle school students in the city of Ryugasaki, Ibaraki prefecture, the site of our diagnostic agent plant and laboratory, as part of our social contribution activities, one of our Activity Guidelines, since fiscal 2016.

In fiscal 2020, under the impact of the COVID-19 pandemic, the prospects for business trips became unclear, and plans to provide junior high schools with workplace experiences as part of their educational processes were put on hold. Against this background, Sekisui Medical developed and implemented “Blazing a Trail Into the Future with Work in R&D and Manufacturing,” a special online class for career education.

In this program, Sekisui Medical employees served as instructors, not only introducing the company, but also helping students raise their awareness with regard to work and thinking about the future by introducing them to “purpose,” “role,” and “skills” while linking each term with their own work.

In the years ahead, Sekisui Medical Co., Ltd., plans to continue these activities as one form of its contribution to society.



Conducting a career education class online.

Urban Infrastructure & Environmental Products Company Initiatives Exhibited at “Job Festival”

In response to the decrease in opportunities for children to learn through hands-on experience in recent years, Nara Sekisui Co., Ltd. exhibited at a “Job Festival,” an event where children can experience various jobs. This event, a collaboration between industry, government and academia, was held for children and local residents in Yamatokoriyama City, Nara Prefecture, with 14 companies located in Yamatokoriyama City participating. Sufficient measures were taken to protect against COVID-19.

At the Nara Sekisui booth, we provided a program to simulate an assembly work experience. The experience consisted of press-molding a miniature bathtub using plastic clay, then selecting the wall pattern and floor color for a miniature unit bath.

Participants said that it was good to have the experience of actually making things by themselves.

In the years to come, we will continue to contribute to the development of the next generation of manufacturing human resources by providing children with opportunities to learn through hands-on experience.



Miniature unit baths in a wide range of colors

Learning about SDGs through Next-generation Training

Environmental education for employees has come to address the SDGs for the purpose of fostering human resources who are aware of the need to solve social issues and who think about ways to solve them. More recently, the focus of environmental education has expanded beyond employee education to include education of the next generation, namely students from primary school to university, as we pursue the realization of a sustainable society.

Through in-person as well as online lectures and workshops amidst the COVID-19 pandemic, during 2020 we conveyed how the Company's products and manufacturing help solve social issues to junior high school through university students.

In 2021, we intend to work with an NPO to plan and implement a program for supporting school learning for junior high students at several schools.



Online lectures and workshops for university students
(SDGs Youth Ambassador Program 2020)



Lecture and Workshop for High School Students
(SB Student Ambassador National Convention)



Junior High School Lecture
(Nagoya Municipal Kamakuradai Junior High School)

Preparation and distribution of supplementary educational materials on the SDGs for primary and junior-high-school students

To promote education on the SDGs in schools, SEKISUI CHEMICAL Group participated in a business alliance of multiple companies, collaborating on the production of SDGs Start Book, a supplementary educational resource for primary and junior high schools. By introducing cases of its own town and community development operations, such as energy-self-sufficient homes and earthquake-resistant waterworks, the Group is stimulating future generations to think about the kinds of things the towns and communities of the future will need to be disaster-resistant, environmentally friendly and sustainable.

In 2020, SEKISUI CHEMICAL Group distributed 222,523 copies of “SDGs Start Book” to 1,103 primary and junior high schools that had requested them, free of charge.



SDGs Start Book

SEKISUI CHEMICAL Group will continue to support education that heightens the ability of the next generation, which will be responsible for the sustainable societies of the future, to think and act independently to solve social problems.

Fostering the Next Generation Through Programs That Leverage the Characteristics of Our Businesses. Innovations Inspired by Nature Research Support Program

To aid the application of scientific knowledge in manufacturing, SEKISUI CHEMICAL Group has been running the “Sekisui Chemical Innovations Inspired by Nature Research Support Program” since fiscal 2002, in commemoration of the 55th anniversary of the SEKISUI CHEMICAL Group’s founding. In fiscal 2020, research grants were provided for five projects on “manufacturing” themes and seven projects on “fundamental research” themes, for a total of 12 grants from among 194 applications.

Examples of innovations inspired by nature research.

Research findings relating to themes granted support as part of the fiscal 2018 “Innovations Inspired by Nature Research Support Program” were published in preliminary form in the online edition of the British science journal Nature Communications. (Affiliations and positions are those at the time of receiving awards)

Fiscal 2018 Support Themes

Shiki Yagai (Professor, Chiba University)

Development of new supramolecular polymer materials based on lessons learned from protein topology

Chiba University press release

http://www.chiba-u.ac.jp/general/publicity/press/files/2019/20191011S_polymers.pdf

Article posted on Nature Communications website (released October 8, 2019)

<https://www.nature.com/articles/s41467-019-12654-z>

Fiscal 2020 Support Themes

Manufacturing Theme

Name	Affiliated Institution and Position (Affiliations, positions, and so forth are those at the time of receiving the grant award)	Grant-Receiving Research Theme
Chikara Ohtsuki	Professor, Nagoya University	Development of a high-tech ivory substitute material, contributing to passing traditional Japanese instrument culture on to the next generation and preserving the African rainforest ecosystem
Yusuke Nakajima	Professor, Kogakuin University	Development of a nudge system that visualizes the indoor-outdoor environment utilizing the surrounding micro-climate
Hidetoshi Takahashi	Assistant Professor, Keio University	An angular acceleration sensor modeled on semicircular canals and cochlea
Hajime Kawanami	Chief Senior Researcher, National Institute of Advanced Industrial Science and Technology	Research for the supply of new chemical raw materials based on domestic resources
Masataka Kusube	Assistant Professor, National Institute of Technology, Wakayama College	Bio-mineralization mechanisms as an approach for preservation of resilient eelgrass habitat

Fundamental Research Theme

Name	Affiliated Institution and Position (Affiliations, positions, and so forth are those at the time of receiving the grant award)	Grant-Receiving Research Theme
Kumi Yabuuchi	Research Assistant Professor, Japan Advanced Institute of Science and Technology	Sustainable art production research learning from patterns observed in the natural world
Yuichiro Sueoka	Assistant Professor, Graduate School of Engineering, Osaka University	Learning the method of "1 controlling 10" from sheep dogs: Creation of order-free robot group systems
Nobuyoshi Miyamoto	Associate Professor, Fukuoka Institute of Technology	Innovative supramolecular actuator modeled on animal myofibrils: Novel self-organization behaviors of single dispersion inorganic nano-sheets with precisely-controlled size and shape
Shin'ichi Yusa	Associate Professor, Graduate School of Engineering, University of Hyogo	Development of a low-energy transport system by learning from the leaf beetle
Keiichi Inoue	Associate Professor, The University of Tokyo	Development of underlying technology for CO ₂ -free seawater desalination utilizing light-driven ion pump proteins
Daisuke Ono	Assistant Professor, Nagoya University, Tokai National Higher Education and Research System	Development of a brain activity measurement method using illumination principles of fireflies
Jun Terao	Professor, The University of Tokyo	Manufacturing a nanometer chemical device with an ultra-high-speed electronic transmission element modeled on neuron structure as its foundation

The recipients of the Fiscal Year 2020 Innovation Inspired by Nature Research Support Program



In fiscal 2020, the awards ceremony was conducted online, using Zoom, in view of the COVID-19 pandemic.

Past research assistance themes

Research themes of past grant recipients can be viewed on the following Web page:
https://www.sekisui.co.jp/csr/csr_manage/contribution/nextgen/index3.html

In fiscal 2020, the Innovations Inspired by Nature Forum, the platform on which grant recipients of fiscal 2019 announce the results of their research, was cancelled in view of prevailing conditions. In fiscal 2021, the Group plans to present a joint Forum for the grant recipients of fiscal 2019 and fiscal 2020.

● Local Communities

We engage in Active Communication as a Member of Local Communities

Management Approach

Basic Concept

Contributing to the Creation of a Sustainable Society as a Corporate Citizen

As a member of the local communities in which it operates, SEKISUI CHEMICAL Group proactively deploys social contribution activities and thereby hopes to contribute to the creation of a sustainable society. The Group works to create safe and secure cities in collaboration with local communities, supports programs that assist developing countries, and engages in various other activities in order to deepen the understanding of issues faced by local communities and to help resolve these.

Major Initiatives

Housing Company Initiatives

Contributions to Local Communities through Tours for Social Studies Classes at Factories

Kyushu Sekisui Heim Industry Co., Ltd., located in Saga Prefecture, aims to help bring joy to its customers and regularly conducts activities rooted in the local community to that end.

In recent years, the numbers of people choosing to find employment within Saga Prefecture have been low, and companies in the prefecture face an ever-worsening situation in terms of labor shortages and difficulties securing talent. This has become an issue to resolve if the region is to be revitalized. Although the Company sought to prevent the spread of COVID-19 and thus did not engage in such activities during fiscal 2020, faced with these issues in the region, during normal years the Company has conducted factory tours as part of a series social studies field trips for students, primarily in elementary and middle school, with the aim of conveying to the local community what manufacturing companies there are locally and the joys of manufacturing.

Among these, our experience recreation of the Kumamoto earthquake was praised, with participants sharing comments such as “it was a truly precious experience that made me more conscious and aware of disaster prevention.” We will continue to increase its collaboration with the local community so as to make its contribution to it.



An employee offers a presentation to students on an educational field trip. (Fiscal 2019)

Housing Company Initiatives

Activities to Improve Civic Order in Regions

The Housing Company believes that along with offering housing that is robustly built to survive natural disasters, urban-developments in which residents can live in peace, as well as initiatives that deter crime, are also essential in furthering its business into the future.

Under agreements for support and cooperation between Sekisui Heim sales companies throughout the country and individual police headquarters, the Housing Company advances initiatives specialized to each region, including participating in events organized by the police, preparing flyers and pamphlets for special crime prevention and bicycle safety classes, and donating to groups that offer assistance to victims of crimes.



Distribution of specialized fraud damage prevention flyers



Supporting the printing of "Bike Safety Classroom" pamphlets (Japan Traffic Safety Association)



Participating in the Metropolitan Police Department, Shinjuku Police Station Traffic Safety Campaign Tokyo Sekisui Heim Co. Ltd.



Fundraising Activity for Crime Victim Assistance Sekisui Heim Sanin Co., Ltd. Sekisui Heim Tokai Co., Ltd.



Pamphlet describing the Housing Company's social contribution activities (Revised in March 2021)

Initiatives of SEKISUI CHEMICAL Group

TABLE FOR TWO

As a social contribution activity that allows easy participation by individual employees, SEKISUI CHEMICAL Group has continued to implement the TABLE FOR TWO*¹ (TFT) initiative since FY2008, a program in which 20 yen is added to the cost of a meal in employee cafeterias, with this amount donated to support the provision of lunches to children in developing countries. Furthermore, TFT was expanded, from April 2013 to December 2014, to “TABLE FOR TWO+-Tohoku,” in order to support the provision of food to roughly the equivalent of 650,000 yen to victims of the Great East Japan Earthquake in the Tohoku region.

In fiscal 2020, 11*² locations participated in the program, including the SEKISUI CHEMICAL headquarters in Tokyo and Osaka, the Gunma Plant, the Musashi Plant, the Tsukuba Office, the Shiga-Minakuchi Plant, the Kyoto Research and Development Laboratories, the Research and Development Institute, Kyushu Sekisui Heim Industry, Co., Ltd., Sekisui Board, Co., Ltd., and the Ota Plant of Toto Sekisui Co., Ltd. In fiscal 2020, approximately 360,000 yen was donated for food assistance to countries in Asia and Africa, bringing the total amount donated since the initiative began including the “TABLE FOR TWO+-Tohoku” program to more than roughly 6.2 million yen.

*1 TABLE FOR TWO

A social contribution activity implemented through everyday meals by the specified nonprofit corporation, TABLE FOR TWO International. The program not only feeds hungry children in developing countries by providing them with school lunches, but it also contributes to boosting attendance at schools, and improving academic performance and physical fitness.

*2 Due to the impact of COVID-19, starting in fiscal 2020 Kinki Sekisui Heim, Co., Ltd., installed TABLE FOR TWO vending machines in place of implementing TABLE FOR TWO through purchases from the employee cafeteria menu.

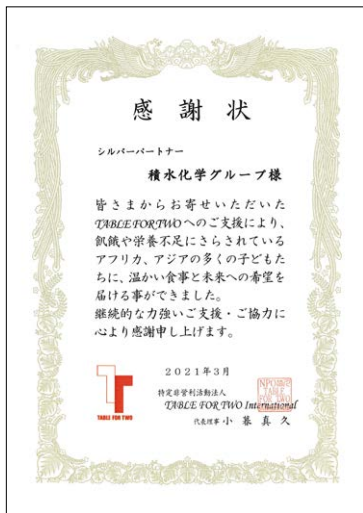
Initiatives of SEKISUI CHEMICAL Group

Installation of TABLE FOR TWO Vending Machines

In order to enable as many employees as possible to participate in the TABLE FOR TWO (TFT) initiative, SEKISUI CHEMICAL Group installed the first vending machine linked to the TFT program at its Osaka Headquarters in July 2013. In addition, Kinki Sekisui Heim, Co., Ltd., introduced its first TFT vending machines in 2020. For each TFT-linked product purchased through this vending machine, 10 yen is donated to help fund meals and catering to schools in developing countries. Donations collected totaled around 60,000 yen in fiscal 2020.

A letter of appreciation as a “Silver Partner” presented to SEKISUI CHEMICAL Group from the specified nonprofit corporation TABLE FOR TWO International

In response to our support during 2020, TABLE FOR TWO certified the SEKISUI CHEMICAL Group as a Silver Partner and delivered a letter of appreciation. We will continue carrying out these activities in the future, supporting a stable food supply for children in developing countries.



Letter of thanks from TABLE FOR TWO International

Initiatives of SEKISUI CHEMICAL Group
BOOK MAGIC

As a social contribution activity that allows easy participation by individual employees, SEKISUI CHEMICAL Group has been implementing BOOK MAGIC* since September 2009. Through this program, money made from selling unneeded books and CDs is used to help fund education support programs through JEN, an NPO, in various countries throughout the world. Approximately 100,000 yen was donated in fiscal 2020.



Poster to raise awareness about BOOK MAGIC (created by JEN)

* BOOK MAGIC

A recycle and donate program hosted jointly by the specified nonprofit corporation, JEN, and BOOKOFF CORPORATION, LTD. Books, DVDs and CDs that people have finished reading, watching or listening to are sold instead of being thrown away, and the money is donated to JEN to help provide educational support (school support program) in regions scarred by natural disasters or wars.

Initiatives of SEKISUI CHEMICAL Group
Heart+Action

As social contribution activities that allow easy participation by individual employees, SEKISUI CHEMICAL Group has been implementing programs such as TABLE FOR TWO and BOOK MAGIC.

As an activity in which employees can easily participate, during fiscal 2012 we began promoting a new initiative known as Heart+Action. This program is based on activities involving international cooperation to help children and infants living in developing countries and those who are suffering from pediatric cancer. People only need about an hour to take part in any one of the four programs. Feedback received from participants included comments such as “It was easy to take part in” and “I’m glad to have been able to contribute to society through such a simple activity.”

Only “Send the Sounds” was available during fiscal 2020 due to limitations on activities from the perspective of preventing the spread of COVID-19. This activity was conducted following the implementation of infection prevention countermeasures.

Overview of Each Program

Send a Picture Book

An activity involving international cooperation in which stickers are stuck on Japanese picture books with translations of the text in languages of countries or regions where almost no children's books are published. These picture books are then delivered to the relevant countries through Education Sponsorship in Asia, a specified non-profit corporation.



Stickers being affixed to Japanese picture books

Sort the Coins

An activity in which coins of foreign currencies collected in donation boxes set up at international airports are sorted into the main countries of origin and used to help improve living standards in developing countries and in restoration efforts after the Great East Japan Earthquake through the authorized NPO, Japan Habitat Association.



Coins of various countries being sorted

Send the Sounds

Through the NPO The Lifestyle Research Institute of Forests, we give African calimba musical instruments that are made out of thinned out trees from forests in Japan to young children suffering from pediatric cancer.



Making a calimba with the SEKISUI logo carved into it

Send a Textbook

Participating in international cooperative activities by creating handmade teaching materials in the Bengali numbers and having them delivered to the children of Bangladesh through the NPO ESA (Education Sponsorship in Asia).



A homemade textbook displaying Bengali numerical characters



To enhance management ability to sustain business, SEKISUI CHEMICAL Group is working to decrease the likelihood of serious incidents (including those involving safety, quality, accounting, law, ethics and information management) and to carry out effective risk management.

TOPICS

■ Reducing serious incidents	.....	p78
Safety	.....	p79
Quality	.....	p93
Legal and Ethical Issues	.....	p102
Information Management	.....	p111
■ Risk Management	.....	p115

Reducing Serious Incidents

There are three driving forces to promote ESG management: contribution to solving social issues, profitable growth and management ability to sustain business. Of these, SEKISUI CHEMICAL Group is striving to improve management ability to sustain business by thoroughly improving safety, compliance and CS & Quality. These efforts are aimed at reducing risk and avoiding serious incidents (in terms of safety, quality, accounting, law, ethics and information management).

Safety

Targeting Zero Occupational Injuries Through Risk Reduction by All Personnel, from Top Management to the Plant-floor Frontlines

Management Approach

Basic Concept

Each and Every Employee Has the Ability to Identify Dangerous Situations

At the core of safety, it is important that each and every employee has the ability to identify dangerous situations and take appropriate steps to protect themselves. Even if equipment can be made completely safe, it is necessary to recognize that work and actions taken by individuals can have hidden risks. For this reason, we are making concerted efforts at safety education and raising sensitivity to risks, while following rules and creating a protective corporate culture.

Constructing a work environment in which employees can work with safety and security is our responsibility as a company and we consider it to be one of the most important priorities for management. SEKISUI CHEMICAL Group is implementing total safety activities (i.e. zero occupational injuries, zero equipment-related accidents, zero commuting-related accidents, and zero extended sick leave) based on five themes*.

* Five themes:

(1) Intrinsic safety of equipment; (2) safety management using OHSMS; (3) safety education of employees; (4) risk prevention through risk detection activities and other initiatives; and (5) auditing of health, safety, and accident prevention.



Activity Policy and Promotion System

We formulated and shared the SEKISUI CHEMICAL Group Safety Policy among all Group employees as our basic philosophy on occupational safety.

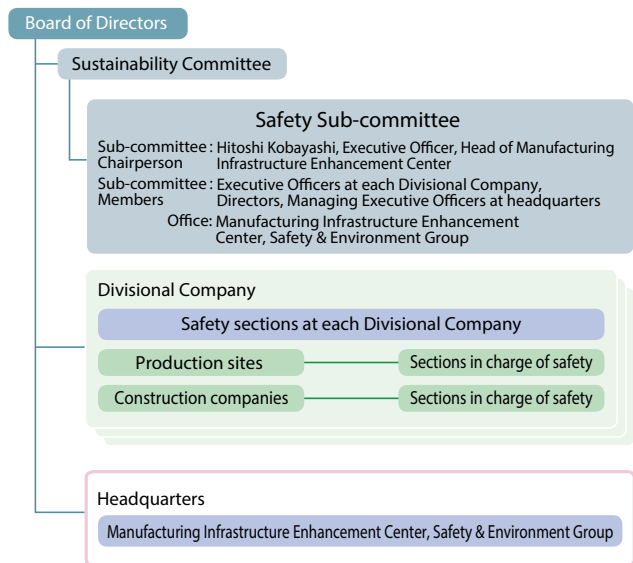
In terms of our efforts related to occupational health and safety, policies and activity guidelines are formulated by the Safety Sub-committee established under the Sustainability Committee. These efforts are put into practice and promoted by the Safety & Environment Group of the Manufacturing Infrastructure Enhancement Center.

We collect a range of occupational health and safety data. Data generated from ongoing work at SEKISUI CHEMICAL Group production and implementation sites and from research activities is tabulated along with data from partner companies (contractors) outside the Group.

In fiscal 2020, two meetings of the Safety Sub-committee were held online in September and March.

In event of an actual occupational injury, information including the form of employment of the injured party is collected. Improvements as required are also sought when there is a problem with the management of a business site. While SEKISUI CHEMICAL does not undergo such external certifications as ISO 45001, the Company does promote activities based on international standards at business sites. This includes reflecting ISO and Occupational Health and Safety Assessment Series (OHSAS) requirements in audit evaluation items.

Safety-promotion System (from FY2020)



Occupational Safety Committee Held

The Occupational Safety Committee at each business site of SEKISUI CHEMICAL Group holds a meeting every month, as mandated by law.

Taking into consideration the need to prevent the spread of COVID-19, committee meetings were held online in fiscal 2020.

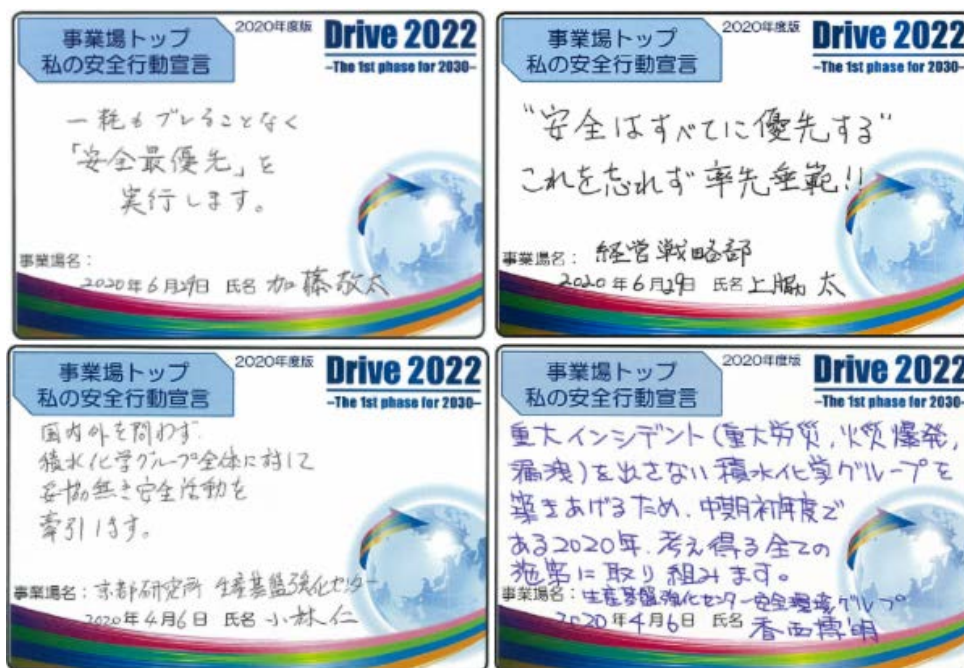
In addition, the Central Occupational Safety Committee, consisting of members from corporate headquarters and labor unions, is set to meet once a year. In fiscal 2020, for the purpose of preventing the spread of COVID-19, committee meetings were canceled, under agreement between the Company's Human Resources Headquarters and the Labor Union Headquarters. Meetings are scheduled to restart from fiscal 2021.

The Central Occupational Safety Committee was created on the basis of collective labor agreements for labor and management to work together to conduct disaster-related investigations and make strategic proposals related to occupational health and safety. Every employee can potentially become a member of the Central Occupational Safety Committee.

Based on the outcome of the Occupational Safety Committee's deliberations, SEKISUI CHEMICAL Group aims to strictly comply with laws and regulations, including the Industrial Safety and Health Act, ensure the safety and health of employees at work, and create a comfortable workplace environment. The Central Occupational Safety Committee and the Occupational Safety Committees at each business site assess workplace environments, draw up and implement solutions to workplace problems, and decide rules with regard to various topics related to occupational safety and health.

Declaration of Commitments to Safe Business Practices by the Leadership of Each Division

Based on the recognition that it is of the utmost importance for the top managers at business sites to exercise leadership and take the initiative in safety activities, leaders from each division, including the president, declare their commitment to safe business practices each fiscal year, and their personally written declarations are published on the intranet.



A safety declaration posted on the intranet

Implementation of Safety Audits

Occupational Health and Safety Management Systems (OHSMS) audit evaluation reports are drafted, and self-assessments and corporate safety audits are employed at each business site. Evaluation items are revised annually, which include incorporating ISO 45001 requirements.

In fiscal 2020, with a view to preventing the spread of COVID-19, safety audits were postponed to the second half of the fiscal year. In some business sites, they could be audited remotely online. By these and other measures, SEKISUI CHEMICAL Group succeeded in completing safety audits as initially planned at 17 business sites in Japan.

In the remote audits, document audits were executed with comparable efficacy to in-person audits. Site inspection tours, on the other hand, were more time-consuming than usual, as they required communication between auditors at remote sites and on-site staff touring the facilities with wearable cameras. In the future, the Group plans to make continuous improvements to its safety auditing procedures, to ensure that they are carried out appropriately to the purposes and circumstances in each case.

Implementation of Occupational Safety Assessments

Article 14 of the Group's Safety Management Rules stipulates that a comprehensive preliminary occupational safety assessment must be undertaken by the business general manager concerned when launching a new business. Based on this stipulation, the relevant divisional company that is looking to launch a new business implements an assessment.

In terms of medical examinations for employees, measures are applied based on the medical examination results of high-risk individuals under the work aptitude assessment guidelines for high-risk individuals (for health management officers).

Major Initiatives

Development of Human Resources to Take the Initiative in Safety Activities

SEKISUI CHEMICAL Group has encouraged employees to acquire safety related qualifications since fiscal 2017 for the purpose of enhancing safety activities.

In fiscal 2020, 18 employees (80 in total since fiscal 2017) were certified under the "safety leader" qualification to serve as personnel who take the initiative in safety activities. Safety leaders are tasked with identifying and mitigating risks at their respective workplaces, holding workshops with other safety leaders Group-wide, and promoting the standardization of safety training curriculum.

In addition, we also encourage employees to obtain the qualification called "safety sub-assessor," holders of which play a role in promoting intrinsic safety in equipment. Since fiscal 2017, 148 employees in total have been certified as safety sub-assessors. We have deployed safety sub-assessors in Group-wide projects extending over several business sites, where they promote improved safety in areas such as elevated opening/closing fences, pinch rollers, and hand-carts commonly used at these locations. In addition, we also encourage employees to acquire the "safety assessor" qualification, which ranks above safety sub-assessor. As of fiscal 2020, 15 employees have been certified. We aim to increase this number to 20 by fiscal 2021.

Review of Equipment Safety Standards

We have issued and monitor compliance with the Equipment Design Safety Guidelines, which summarize the safety design standards necessary for production equipment used by SEKISUI CHEMICAL Group. Safety specification check-lists must be attached to equipment manufacturer estimates. Corporate audits are conducted to verify that equipment safety standards are actually being adhered to at workplaces and intrinsic safety is being promoted.

Early Detection of Risks through Practical Training

We conduct practical risk assessment-improvement training in order to develop personnel able to identify and mitigate risks at their workplaces.

In fiscal 2020, safety leaders at each business site led the implementation of independent risk assessment training. This training was conducted 117 times at 46 business sites. Improvements are being advanced for any unacceptable risks that were discovered.

Measures to Prevent Fires and Explosions

To prevent fires and explosions that, once they occur, have a major impact on the surrounding environment and on business continuity, we invite outside disaster experts to perform emergency response audits when conducting safety audits.

We verify items such as the storage and handling status of hazardous materials as well as the recovery systems used following a disaster, including natural disasters, and promote the quick identification of disaster risks and the subsequent implementation of preventative measures. In fiscal 2020, these audits were performed at six business sites and resulted in 126 warnings. Each business site has been making improvements in regard to these warnings.



Type of audit	Target / aim of audit
Safety audit	<ul style="list-style-type: none"> • 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, and so forth • Essential safety measure compliance status Includes accident-prevention measures at the facility design and installation stages • Process examinations of facility management departments Facility installation management, construction management, maintenance Management <p>Note: AAt business sites that themselves implement safety audits only, auditing is performed nearly identically as previously, including "disaster-preparedness audits," as outlined below.</p>
Disaster-preparedness audit	<p>Primarily consists of audits for accident-prevention measures relating to business continuity</p> <ul style="list-style-type: none"> • Checking of storage and handling conditions of dangerous articles and designated flammable materials • Checking of fire-fighting equipment maintenance status • Measures for responding to earthquakes and other natural disasters

Enhancement of Emergency Response Skills

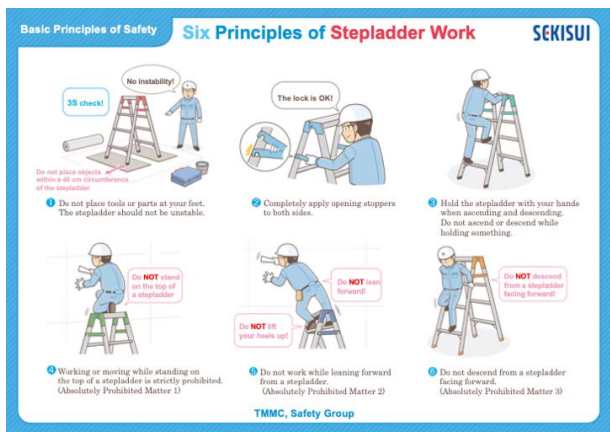
We have established getting caught or entangled in machinery at a production facility, falling off equipment or falling over at a business site, and a fire or explosion in a chemical process as high-risk scenarios on which SEKISUI CHEMICAL Group should place a particular focus on preventing. The Company conducts “Heads-up Training” where chemical processes are integral to production.

At SEKISUI CHEMICAL Group, we conduct “Heads-up training” to fortify the decision-making abilities 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 and the trainees will be 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 knowhow accumulated over many years by senior employees. Through this training, we were able to improve equipment countermeasures and revise operating procedures. In addition to teaching trainees how to handle potential problems, the training has been applied on various occasions, including evacuation drills and disaster prevention drills.

Deepening the Deployment of Basic Safety Principles

SEKISUI CHEMICAL Group is working to prevent occupational injuries caused by machines and equipment by making the equipment itself intrinsically safer while also preventing occupational accidents caused by worker operations. Based on the lessons learned from past occupational accidents that actually occurred on Group business sites, the “Six Basic Safety Principles,” which summarize compliance matters and matters prohibited during operations for each operational process, were established and are currently in use .

In order to promptly disseminate these principles within the Company, we created and distributed to each workplace a poster that showed them in an easy to understand, illustrated format.



“Six Basic Safety Principles” Poster (English version)



“Six Basic Safety Principles” Poster (Thai version)

Overseas Business Site Safety Audits

At our overseas production sites, which operate within different legal, regulatory, and cultural environments, SEKISUI CHEMICAL Group has established and deploys safety global standards to raise the level of safety activities.

SEKISUI CHEMICAL Group also performs safety audits based on global standards. Although audits were scheduled for 22 business sites during fiscal 2020, these were canceled for the purpose of preventing the spread of COVID-19.

Safety & Environment Lectures and Safety Awards

SEKISUI CHEMICAL Group Safety & Environment Conference is usually held to coincide with National Safety Week in July of each year.

During fiscal 2020, the awards assembly was canceled, with a view to preventing the spread of COVID-19. Instead, messages recorded by the president, managing director and Safety & Environment Group manager were broadcast at each business site. In addition, an emergency safety lecture was held online by an Outside Audit and Supervisory Board Member on the date for which the conference was initially scheduled. This lecture was viewed by the directors, business site leaders, and safety officers, while a video consisting of the lecture details arranged for the worksites was broadcast to employees and partner companies (contractors) in Japan and abroad.

Moreover, whereas the business site with the best safety record has typically been awarded at the annual Safety Conference, during fiscal 2020 a commemorative award was mailed to each business site.

Safety Management Along Supply Chains

In order to secure the safety of employees from partner companies (contractors) involved in the on-site construction of housing, the Housing Company organizes the Sekisui Heim Cooperation Association with its partner companies (contractors) and holds periodic meetings. During these meetings, the Housing Company shares the SEKISUI CHEMICAL Group's safety policy, offers safety education sessions, and provides a variety of training opportunities related to occupational safety.

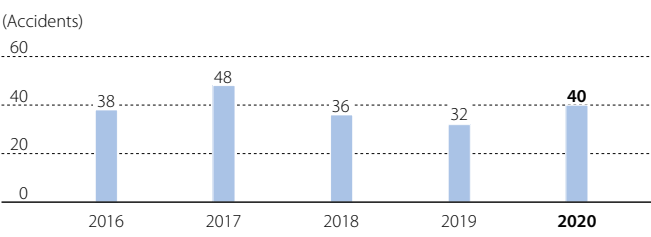
Performance Data 

Safety Performance

Japan

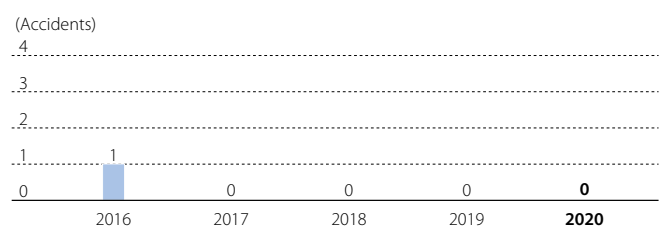
Aggregate scope: 47 production sites and 5 research institutes in Japan

Number of Occupational Accidents



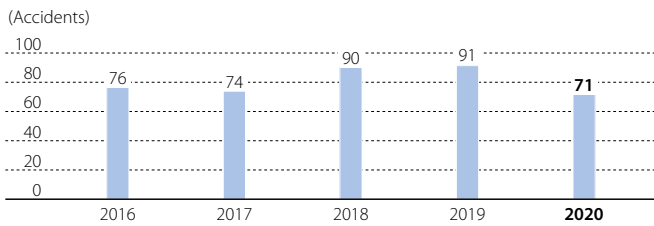
Indicator	Calculation Method
Number of occupational accidents	The number of occupational accidents (both those resulting in lost time and those not) occurring during a given fiscal year (April through the following March)

Number of Facility Accidents

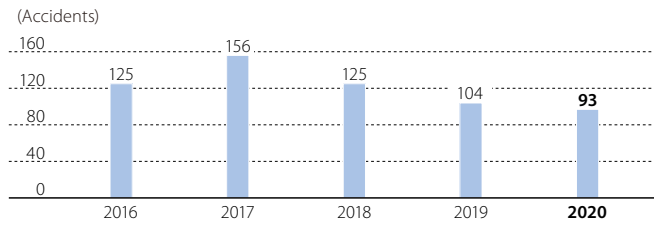


Indicator	Calculation Method
Number of Facility Accidents	The number of incidents of malfunctioning (fires, leaks, etc.) at facilities that fulfill at least one of the following criteria (SEKISUI CHEMICAL Group criteria), from (1) to (3), occurring during a given fiscal year (April through the following 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 Long-term Sick Leave



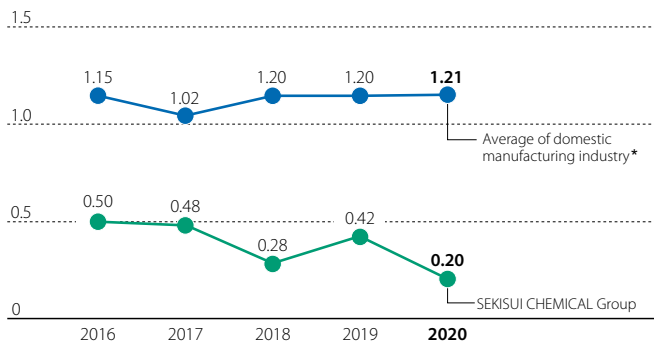
Number of Commuting Accidents



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

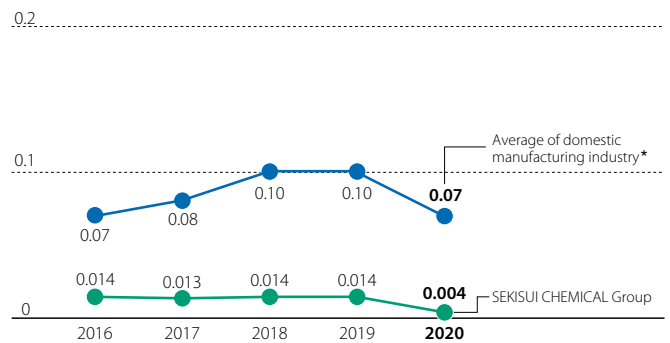
Indicator	Calculation Method
Number of commuting accidents	The number of accidents occurring during commutes to Japanese production sites and research institutes during a given fiscal year (April to the following March); counting injury to others, injury to the commuter, self-inflicted damage and accidents; includes accidents while walking

Frequency Rate Over Time



*Source of information for Japanese manufacturing industry: Ministry of Health, Labour and Welfare, Survey on Occupational Accidents

Severity Rate Over Time

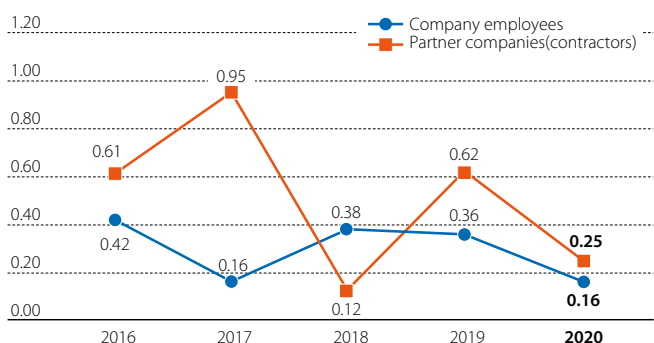


*Source of information for Japanese manufacturing industry: Ministry of Health, Labour and Welfare, Survey on Occupational Accidents

Indicator	Calculation Method
Frequency Rate	<p>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)</p> <p>Formula for calculation: (Number of injuries, illness and fatalities in occupational accidents with lost time / total number of man-hours worked) × 1,000,000</p>

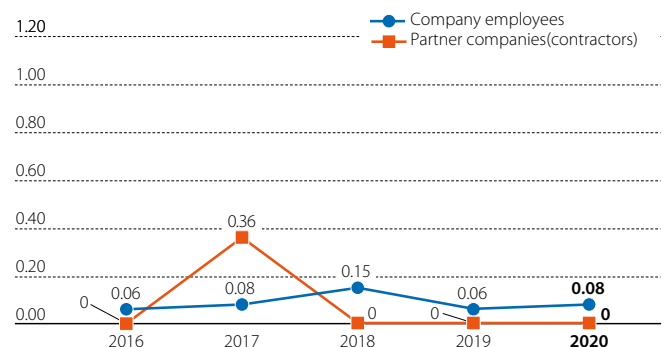
Indicator	Calculation Method
Severity Rate	<p>The total number of days of work lost per 1,000 hours of total time worked during a given fiscal year (April through the following March)</p> <p>Formula for calculation: (Number of days of work lost / total number of man-hours worked) × 1,000</p>

Lost Time Injury Frequency Rate (LTIFR)



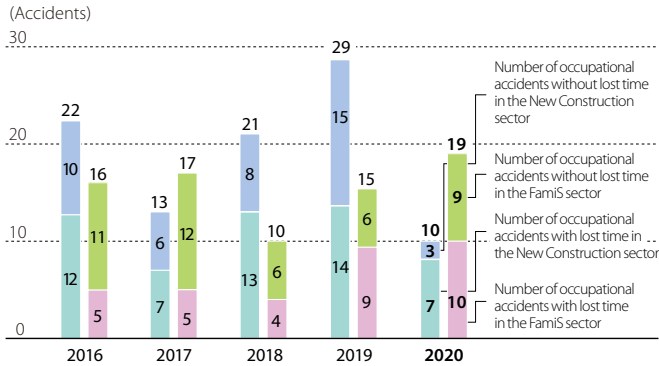
Indicator	Calculation Method
Lost Time Injury Frequency Rate	<p>(Number of accidents causing sick leave / total number of man-hours worked) × 1,000,000</p>

Occupational Illness Frequency Rate (OIFR)

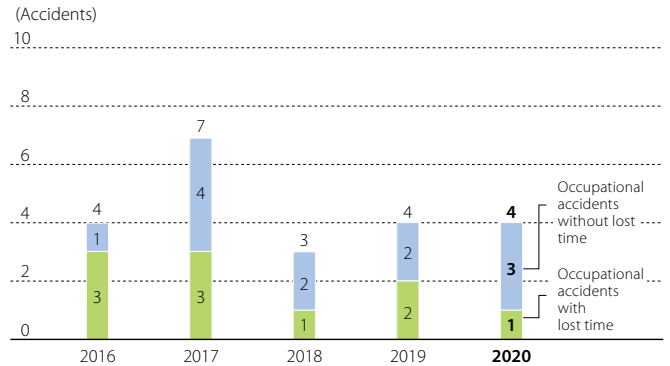


Indicator	Calculation Method
Occupational Illness Frequency Rate	<p>(Occupational illnesses / total number of man-hours worked) × 1,000,000 Occupational illnesses as defined by the Ministry of Health, Labour and Welfare, including heat stroke, lower back pain, and intoxication by chemical substances</p>

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)

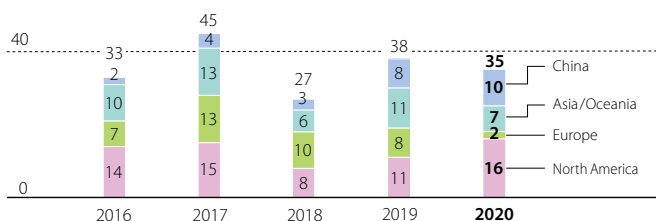
Indicator	Calculation Method
Safety Performance with Respect to Construction Sites in the Urban Infrastructure & Environmental Products Company	The number of occupational accidents (both those resulting in lost time and those not) occurring on construction sites under the jurisdiction of the Urban Infrastructure & Environmental Products Company or the Sekisui Chemical company headquarters during a given fiscal year (April through the following March)

Overseas

Aggregate scope: 48 production sites overseas

Number of Occupational Accidents

(Accidents)
80



Indicator	Calculation Method
Occurrence of occupational accidents at overseas production sites and research institutes	The number of occupational accidents (both requiring and not requiring time off from work) occurring at overseas production sites and research institutes during a given fiscal year (April through the following March)

Japan and Overseas

Aggregate scope:

47 production sites, 5 research institutes and 34 construction offices in Japan

48 production sites overseas

Occurrence of fatalities due to occupational accidents

(Number of people)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Employees	0	0	0	0	0
Japan	0	0	0	0	0
Overseas	0	0	0	0	0
Partner Companies (contractors)	0	0	0	0	1
Japan	0	0	0	0	1
Overseas	0	0	0	0	0
Total	0	0	0	0	1

Health and Safety / Accident Prevention Costs

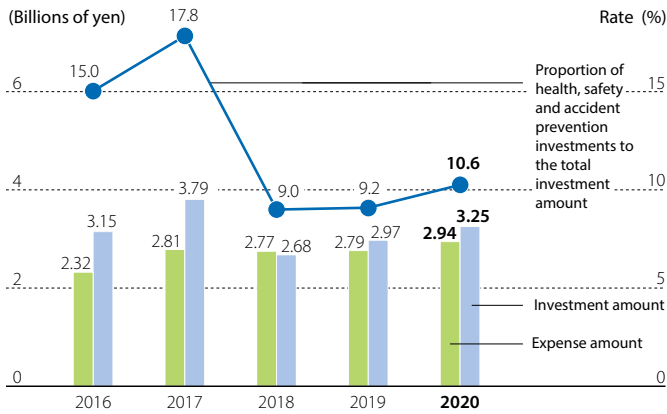
Aggregate Scope: 47 Production Sites, 5 Research Institutes, Headquarters, Back Offices of Divisional Companies in Japan

Accident Prevention Costs

(Millions of yen)

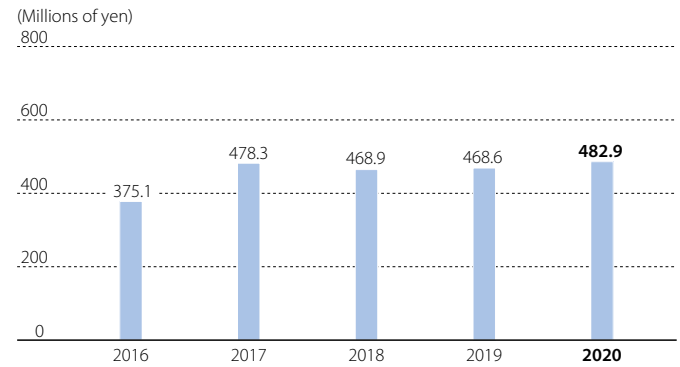
Classification	Item	SEKISUI CHEMICAL Group	
		Expense amount	Investment amount
1) Costs within business site areas	Health and safety measures, rescue and protective equipment, measurement of work environment, health management, workers' accident compensation insurance, etc.	991	3,247
2) Administrative costs	Establishment and implementation of OHSMS, safety education, personnel costs, etc.	1,938	–
3) Other	Safety awards, etc.	7	–
Total		2,936	3,247

Costs and Investments Over Time



Indicator	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)

Loss Costs Over Time



Indicator	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)

Quality

SEKISUI CHEMICAL Group recognizes that it is the fields of manufacturing development that support quality and, in turn, emphasizes adhering to quality compliance.

Management Approach

Basic Concept

Adhering to Quality Compliance

SEKISUI CHEMICAL Group emphasizes quality compliance. Surmising that risks of quality irregularities and data falsification can occur as a result of insufficient investment in improving quality and various types of pressure from supply chains, the Group set about eradicating the root causes of such risks. To this end, beginning in 2020, we have been building a new quality management system (QMS) as well as digitalizing and reinforcing quality data.

Quality Management

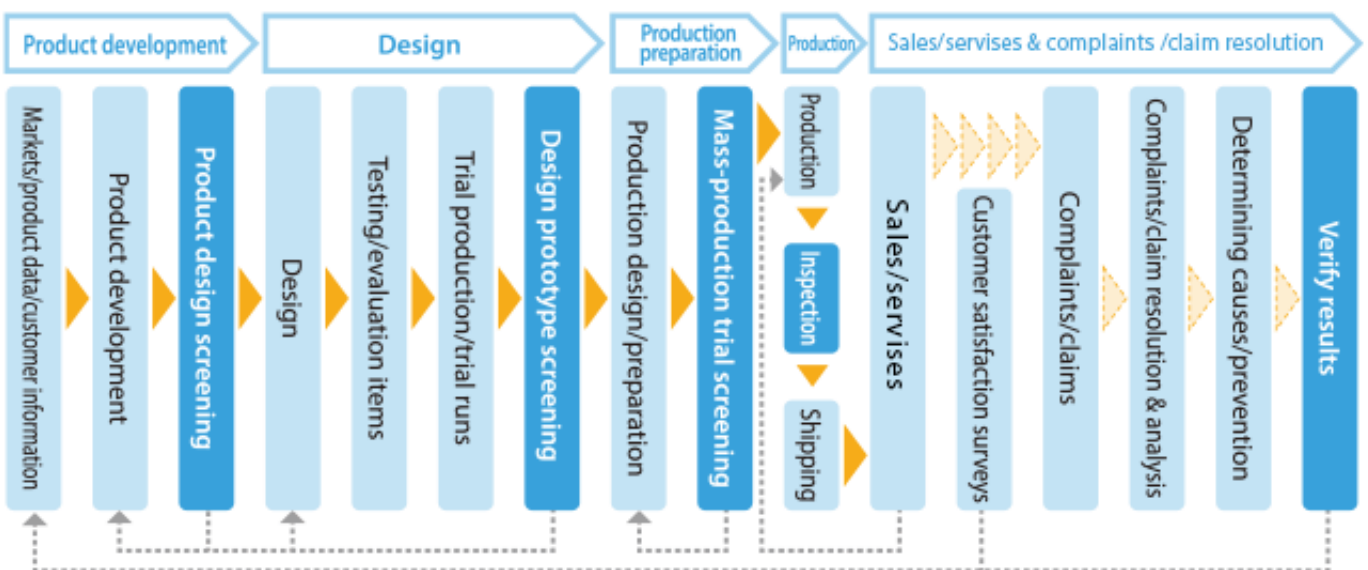
Building Quality Assurance Systems that Reflect Business Characteristics

SEKISUI CHEMICAL Group has built quality assurance systems that extend across all processes, from product development to design, production and sales.

We have developed a quality assurance system for each process and promote standards-based controls on a daily basis. At the same time, we recognize that it is the fields of manufacturing development that support quality and focus our efforts on innovation in production activities. In developing products and making improvements to quality, we conduct strict design screening from a variety of perspectives, such as those of quality assurance and safety.

In addition, we have established a system that enables maintenance and management of after-sale services for customers.

Quality assurance system

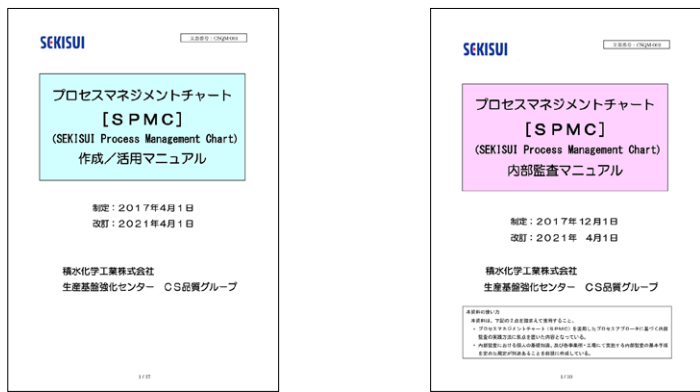


Rebuilding of the Quality Management Systems

We developed an original management sheet, which we dubbed the SEKISUI Process Management Chart (SPMC), in order to strengthen our process approach when promoting certification under the 2015 ISO 9001 standard. The SPMC provides an overview of the management flows of those processes, making it an effective tool in monitoring daily management, promoting corrective action as well as internal audits, and other activities including quality education.

In fiscal 2020, we produced explanatory videos as well as conducted hands-on training to improve the quality of internal audits in an effort to increase SPMC activities.

Every effort will continue to be made to promote the understanding and penetration of the SPMC and to pursue activities aimed at improving operating levels.



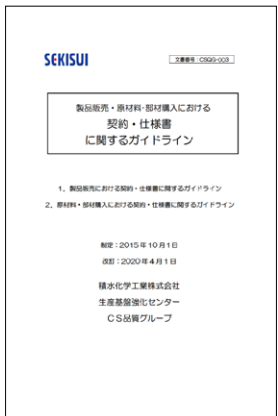
Formulating Quality Guidelines

Undertaking uniform quality control throughout the value chain—from product development to design, production, sales, and after-sales services—SEKISUI CHEMICAL Group is working to improve the level of its quality control in each process by formulating and issuing the following three guidelines.

The Development Guidelines for Strengthening Quality Assurance are aimed at preventing quality-related problems by predicting quality risks that can arise after commercialization. The Guidelines for Daily Management Activities are a collection of basic guides to routine management that must be followed in manufacturing.

The Contract / Specification Guidelines aim to reduce the risk of expanded compensation* related to product sales.

* Expanded compensation: Customers compensation in the case of product defects that extend beyond returns and exchanges to include compensation for processing / construction / items made with these products, and other related damage.



Fiscal 2020 Results

In fiscal 2020, two major quality issues (as defined by individual standards of divisional company) occurred*¹. As a result, external failure costs*² increased 25% compared with fiscal 2016. Focusing on strengthening Group-wide quality assurance systems and on design/development processes, we will promote the application of development risk prevention methods (such as FMEA and DRBFM*³) to reduce external failure costs.

The rate of application of development risk prevention methods in fiscal 2020 was 94%.

*¹ Major quality issues: Problems related to product and service quality that could cause significant damage to customers, society, or SEKISUI CHEMICAL Group if not thoroughly resolved on an urgent basis.

*² External failure costs: Costs arising from responding to product-related complaints.

*³ FMEA: Failure Mode and Effects Analysis

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)

Major Initiatives

Initiatives to Prevent Quality Data Irregularities and Falsification

SEKISUI CHEMICAL Group is putting into place a system and framework for the thorough prevention of data irregularities and falsification based on the new CS & Quality Medium-term Plan, which launched in fiscal 2020.

In fiscal 2020, SEKISUI CHEMICAL Group took steps to ensure the reliability and transparency of data particularly regarding product inspections and drafting of reports in order to ensure that the specifications agreed upon with our customers are observed. In addition, we are developing systems and revamping daily management work to make data input errors and falsification impossible, while focusing our efforts on digitizing and using inspection data.

SEKISUI CHEMICAL Group will continue to implement enhance internal quality control to ensure that the group re-instill an awareness of compliance for the purpose of enhancing its quality assurance capability and extinguishing any potential for fraud.

Compliance with Laws and Internal Rules for Product Safety

When a legal violation related to product safety becomes known internally or is pointed out from external sources, SEKISUI CHEMICAL Group rapidly discloses information about the incident and moves quickly to discover the cause and prevent a reoccurrence. This is also true if internal rules and standards for product safety have not been followed.

In fiscal 2020, there were no cases where we violated laws or internal rules related to product safety.

Design and Development Seminars

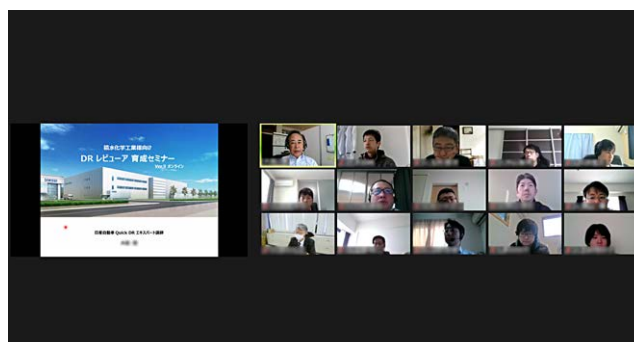
Conducting Training Focused on Preventing Quality-related Problems

SEKISUI CHEMICAL Group holds a number of seminars on the theme of preventing quality problems. Development Risk Prevention Seminars aim to teach effective and efficient prevention methods. The DR Reviewer Training Seminars are held to improve the skills of employees who conduct DRs*¹, while the QFD*² Seminars are conducted to teach methods of organizing information on product development.

In fiscal 2020, we changed our method of conducting seminars, shifting from group, in-person training to online training in response to the COVID-19 pandemic. Some view online training as a better approach, mainly because it makes travel unnecessary while still enabling discussions with members from other business facilities. We plan to continue holding these seminars in fiscal 2021.

*1 DR: Design Review

*2 QFD: Quality Function Deployment



DR Reviewer Training Seminar

Acquisition of QC Certification*¹

SEKISUI CHEMICAL Group employs QC Certification effectively to measure employees' levels of knowledge of quality control. As of the end of fiscal 2020, 4,571*² members of the Group had attained QC Certification.

*1 A certification system conducted by the Japanese Standards Association and the Union of Japanese Scientists and Engineers and certified by the Japanese Society for Quality Control.

*2 Figures show the total number of employees who have acquired QC Certification levels 1 through 3

Group KAIZEN Activities on a Global Scale

Publishing Guidelines on Group KAIZEN Activities in Accordance with the Long-term Plan

Group KAIZEN Activities are an initiative in which employees in each workplace form small groups to address various topics such as improvements in quality and productivity and increasing operational efficiency, and to take on various subjects through policy management. In particular, they are underway at numerous business sites in Japan and around the world, centered on production companies. These activities have a track record of more than 50 years in SEKISUI CHEMICAL Group.

We intend to extend Group KAIZEN Activities beyond measures to enhance manufacturing to date to develop people as well. To this end, we published the Group KAIZEN Activities Guidelines and Group KAIZEN Activities Manual in fiscal 2020 with the purpose of developing into an organization in which each employee can grow and strive. SEKISUI CHEMICAL Group employees in Japan and overseas can access these documents anytime via the intranet and SEKISUI Communication.

In addition, we have held briefings and workshops on Group KAIZEN Activities Guidelines mainly at domestic business facilities in an effort to create study opportunities to examine issues facing each business facility and mutually showcasing activity examples.



In the past, presentations on Group KAIZEN Activities had been conducted each January by representative groups from Japan, North America / Mexico, China, Europe and Asia / Oceania. These events were cancelled in fiscal 2020 with a view to preventing the spread of COVID-19. However, to keep the light of Group KAIZEN Activities glowing, we are continuing to implement these activities daily, including holding online presentations in certain areas and business facilities.

Note: Group KAIZEN Activities: Activities that began in 1966 as Quality Control (QC) groups and later evolved into small group activities before taking the form they have today.

Creating a Design Screening Platform for New Businesses

Sekisui Chemical has created a Gate Review (GR)* platform to perform strict design screenings when new businesses are launched and in fiscal 2020 began operating it on a trial basis. GR clarifies discussion points during design screenings by introducing a design check sheet to highlight perspectives that should be considered during the design phase. In addition, we introduced the External Expert Review aimed at gaining insights from internal and external experts as a source of initial design input in such areas as new business fields and legal regulations.

* Gate Review (GR): A continuous activity to judge whether or not to proceed to the next step (checkpoint management feature).

Performance Data

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

Housing Company (integrated certification)

Housing Company (integrated certification)
 Development Department
 Technology & CS Division
 Manufacturing & Materials Division
 Administrative Management & Control Division
 Information Systems Department
 Residential Stock Business Management Division
 FAMIS R&D Department
 Hokkaido Sekisui Heim Industry Co., Ltd.
 Tohoku Sekisui Heim Industry Co., Ltd.
 Sekisui Heim Industry Co., Ltd.
 Tokyo Site
 Kanto Site
 Chubu Site
 Kinki Site
 Chushikoku Sekisui Heim Industry Co., Ltd.
 Kyushu Sekisui Heim Industry Co., Ltd.
 Sekisui Global Trading Co., Ltd.
 Sekisui Heim Industry Co., Ltd. Head Office
 Supply Division Management Department Technical
 Planning Group
 Sekisui Board Co., Ltd.

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
 Nishinihon Sekisui Industry Co., Ltd.
 Okayama Plant
 Sekisui Chemical Co., Ltd. Gunma Plant
 East Japan Sekisui Industry Co., Ltd.
 Hanyu Site
 Shikoku Sekisui Industry Co., Ltd.
 Kyushu Sekisui Industry Co., Ltd.
 Sekisui Aqua Systems Co., Ltd. Plant
 Engineering Division
 Sekisui Aqua Systems Co., Ltd. Water
 Supply & Drainage Division
 Chiba Sekisui Industry Co., Ltd.
 Sekisui Home Techno Co., Ltd.
 Sekisui Chemical Hokkaido Co., Ltd.

Toto Sekisui Co., Ltd. Headquarters, Ota
 Plant
 Yamanashi Sekisui Co., Ltd.
 Sekisui Seikei, Ltd.
 NIPPON INSIEK CO., LTD.
 Sekisui Eslon B.V.
 Sekisui Chemical GmbH
 Sekisui Rib Loc Australia Pty. Ltd.
 Sekisui (Shanghai) Environmental
 Technology Co., Ltd.
 Sekisui (Wuxi) Plastics Technology Co.,
 Ltd.
 Sekisui (Qingdao) Plastic Co., Ltd.
 Sekisui Industrial Piping Co., Ltd.
 Sekisui KYDEX, LLC. (Bloomsburg Plant)
 Sekisui KYDEX, LLC. (Holland Plant)

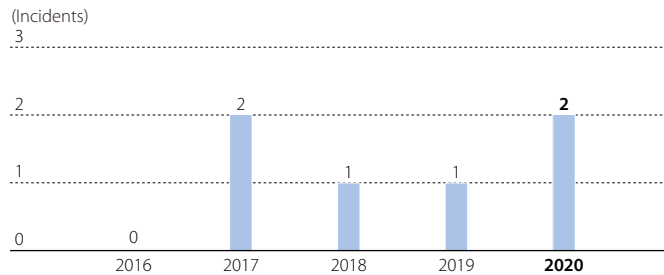
High Performance Plastics Company

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.
 Tokuyama Sekisui Co., Ltd.
 Sekisui Chemical Co., Ltd. Tsukuba Site /
 IM Project
 Sekisui Polymatech Co., Ltd.
 Sekisui SoflanWiz 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 GmbH
 Sekisui Alveo GmbH
 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 Pty. Ltd.
 Youngbo Chemical Co., Ltd.
 Sekisui Youngbo HPP (Wuxi) Co., Ltd.
 Sekisui High Performance Packaging
 (Langfang) 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 Specialty Chemicals(Thailand)
 Co., Ltd.
 S and L Specialty Polymers Co., LTD
 SEKISUI DLJM Molding Pvt. Ltd Chennai
 SEKISUI DLJM Molding Chennai2
 SEKISUI DLJM Molding Pvt. Ltd Gr. Noida
 SEKISUI DLJM Molding Pvt. Ltd Tapukara
 SEKISUI Polymatech (Thailand) Co., LTD.
 PT. SEKISUI Polymatech Indonesia
 Sekisui Polymatech (Shanghai) Co., Ltd.
 Sekisui Aerospace Corporation

Data Concerning Major Quality Issues

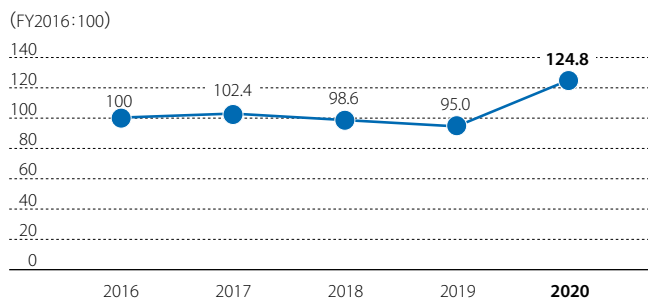
Number of Major Quality Issues



Indicator	Calculation Method
Major Quality Issues	<p>These refer to product and service quality issues determined by Headquarters or the divisional company presidents, based on evaluations and judgments by the quality assurance manager, which could cause significant damage to customers, society, or SEKISUI CHEMICAL Group and lead to the loss of society's trust in the Group if not thoroughly resolved on an urgent basis including:</p> <ol style="list-style-type: none"> 1) Major incidents <ol style="list-style-type: none"> (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 Failure Costs

External Failure Costs



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

Other Data

	FY2016	FY2017	FY2018	FY2019	FY2020
Number of participants in the Development Risk Prevention Seminar (cumulative total)	302	418	502	555	604
Number of participants in the DR Reviewer Training Seminar (cumulative total)	166	259	283	296	349
Number of participants in the QFD Seminar (cumulative total)	—	—	31	90	188

	FY2016	FY2017	FY2018	FY2019	FY2020
Number of people with QC Certification	4,103	4,228	4,337	4,626	4,571

Legal and Ethical Issues

Strengthening Compliance Management on a Global Scale

Management Approach

Basic Concept

Compliance Management

In SEKISUI CHEMICAL Group, we established our “Compliance Declaration” in 2003 based on principles such as “contributing to society,” “being a trusted company,” and “adherence to the letter and spirit of the law.” In keeping with the spirit of the Group Principles and our Corporate Code of Ethics, we defined our stance for the acquisition of high social trust through compliance. In October 2020, under the leadership of the President of the SEKISUI CHEMICAL Group, the Group declared that it regards compliance as the foundation for growth, and that each and every director and employee must act with a high sense of ethics and responsibility and behave in ways that conform to community expectations.

In order to ensure SEKISUI CHEMICAL Group will be widely trusted by society, we will continue to carry out initiatives for improving compliance awareness.



Prevent Major Compliance Issues

In the Medium-term Plan (FY2020 to FY2022), we carried over “zero incidents of major compliance issues” as a target from the previous medium-term plan. From fiscal 2015 onward, SEKISUI CHEMICAL Group has continually achieved zero incidents of corruption and fraud. In fiscal 2020 as well, no cases of major compliance issues arose. We will also carry over “zero incidents of major compliance issues” as a target in fiscal 2021, and will continue strengthening our compliance management and work to prevent compliance issues before they occur.

Growing Awareness Toward Compliance

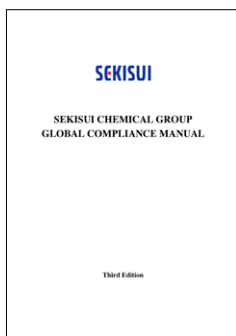
SEKISUI CHEMICAL Group has created and distributed the Compliance Manual, in which are described the matters with which each Group employee should comply, and also created a pocket version called the Compliance Card in order to instill awareness of compliance in each and every employee. The Compliance Manual includes information on topics such as the prohibitions on corruption and bribery, respect for human rights and the prohibition of discrimination, data management and protection, compliance with antitrust legislation, prohibitions on insider trading, conservation of the global environment and compliance with labor-related laws and regulations, and the internal whistleblowing system; it publicizes, and promotes thorough adherence with these requirements among all employees.

In addition to the existing Compliance Manual, we have created a Global Compliance Manual covering regulations around the world. To allow all overseas Group employees to understand this manual, we have created English, Chinese, Thai, Indonesian, German, Korean, and other editions, and are proceeding with translating the manual into more local languages.

In fiscal 2020, we translated the President's Compliance Declaration into various languages and included this declaration in the Global Compliance Manuals published in the languages listed above.



The Company's Compliance Manual



The Company's Global Compliance Manual (English edition)



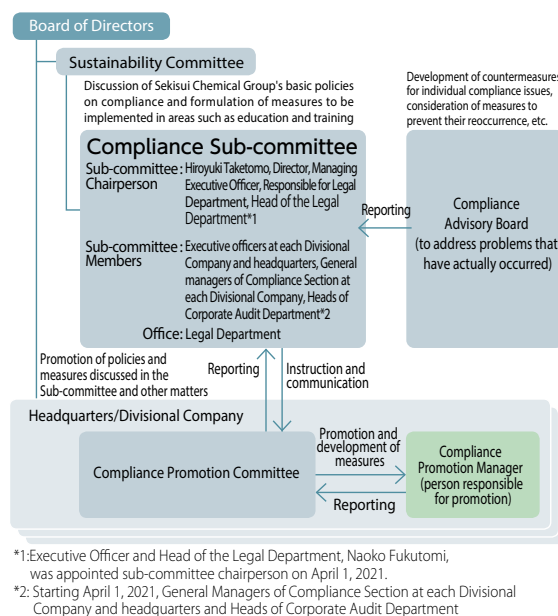
The conveniently sized Compliance Card

Putting Compliance Management Efforts into Practice

We are building a realistic and effective compliance promotion system to ensure that compliance management is fully put into practice. In addition to having established a Compliance Subcommittee-which reports to the Sustainability Committee and is chaired by the executive officer who heads the Legal Department-as an organization to oversee Group compliance and to put forward policies and implementation measures, we are also establishing compliance promotion committees at headquarters and at each divisional company, appointing persons responsible for putting compliance promotion into practice and implementing and deploying each measure. In the unlikely event that a major compliance issue arises, we will hold a Compliance Advisory Board meeting to address any problems that have actually occurred and examine measures to prevent a recurrence.

The Compliance Subcommittee met twice in fiscal 2020, in September 2020 and March 2021.

Compliance Promotion System (from FY2020)



*1: Executive Officer and Head of the Legal Department, Naoko Fukutomi, was appointed sub-committee chairperson on April 1, 2021.

*2: Starting April 1, 2021, General Managers of Compliance Section at each Divisional Company and headquarters and Heads of Corporate Audit Department

Compliance Training

As part of our efforts associated with putting compliance management into practice, we also focus on employee compliance education. We continuously provide opportunities for all Group employees to learn about the importance of compliance, such as by conducting e-learning sessions specific to compliance quarterly. These e-learning programs include information about compliance as training for new employees and as rank-specific training.

Continuing on from fiscal 2019, we once again enabled employees to participate in paper-based learning programs at the request of Group companies and business sites in fiscal 2020 in order to provide the same learning opportunities for those employees without access to an environment from which they can individually view the intranet, such as those working on production plant floors.

Promotion and Operation of the S.C.A.N. Intra-company Whistle-blowing System

SEKISUI CHEMICAL Group established the Sekisui Compliance Assist Network (S.C.A.N.) intra-company whistle-blowing system as a mechanism available to all employees and business partners of the Group.

Operated under the supervision of the executive officer in charge of the Legal Department, S.C.A.N. enables direct reporting not only to the legal department but also to an outside law firm. In addition to serving as a reporting system, S.C.A.N. also serves as a point of contact for advice on questions such as whether a specific act might constitute a compliance violation, including discriminatory speech or behavior or harassment.

In order to create an organizational culture that is highly conscious of compliance, the whistleblower regulations require anyone who discovers a compliance violation on the part of an employee to report the matter, while also prescribing the protection of the whistleblower, stipulating that information on the person who provided the information be kept secret from everyone other than at the point of contact and prohibiting any prejudicial treatment toward that person. Reports consist of findings regarding the truth or otherwise of the matter at hand, Based on the information received, interviews are conducted not only with informants but also with the accused, as well as other related parties as necessary, to confirm the veracity of the information. The purpose is to ensure that organizational issues are resolved in an impartial manner.

Responses to External Notifications

SEKISUI CHEMICAL Group put in place points of contact for consultations from and whistleblowing by suppliers. This consultation / notification point of contact is intended for use by the executive officers and employees of business partners in Japan who are continuously conducting business transactions with SEKISUI CHEMICAL Group companies. We occasionally accept requests for consultations and receive reports via a form made available on Group company websites and, while conducting consultations with business partners, proceed to confirm the facts and take corrective action concerning any alleged "law-violating conduct." The content of consultations and reports is shared only among the minimum number of people necessary to resolve the "law-violating conduct" concerned, and all parties that need to be involved are obliged to keep that content confidential.

Prevention of Bribery and Corruption

A signatory to and an approver of the UN Global Compact, which stipulates anti-corruption efforts under its voluntary action principles, SEKISUI CHEMICAL Group is promoting efforts to prevent acts of bribery and corruption in that spirit.

As part of our internal regulations, we have put in place rules to prevent bribery and corruption. These rules have been introduced to all SEKISUI CHEMICAL Group companies. In addition, we have formulated anti-bribery guidelines, which summarize matters concerning bribery and corruption, that employees should observe when doing business in Japan, the United States and China. We have worked to make these regulations and guidelines known via the intranet, so that employees can check them at any time.

■ Main Measures Relating to the Prevention of Bribery and Corruption

In addition to identifying high-risk cases, SEKISUI CHEMICAL Group has established and implements rules to prevent bribery and corruption. For example, when a government official is to be entertained or presented with a gift, a specified form must be submitted in advance and approval obtained from management. In the event that we appoint an agent or consultant in connection with business transactions, including those involving overseas public officials, we stipulate that this can only be undertaken once we have confirmed that payments of remuneration to that agent or consultant could not be classed as bribes, that there are no reasonable grounds to suspect that payments could constitute bribes and only after a predetermined settlement procedure has been followed.

■ Identification of High-risk Divisions and Employee Training

In the sales and purchasing departments, which are especially at risk for bribery and corruption, we encourage them to learn about regulations and guidelines, such as by conducting training specific to countering graft and corruption, and to make full use of the relevant forms, among other measures.

We also disseminated our policies regarding bribery prevention in the Compliance Manual for domestic use and the Global Compliance Manual for overseas Group companies. We translated the Global Compliance Manual into English, Chinese, Thai, Indonesian, German, and Korean, and have enabled Group employees to freely check these from the intranet.

In fiscal 2020, bribery-related issues were included in an e-learning program for employees of domestic subsidiary companies. In addition, video training programs on bribery prevention and in-house rules were distributed to domestic subsidiary companies as a part of the “Compliance Reinforcement Month” initiative. As far as our overseas business is concerned, and in similar fashion to fiscal 2019, we continued to conduct educational programs on commercial bribery to subsidiary companies in China. We also called attention to bribery prevention during overseas assignment pretraining for those employees being assigned overseas for the first time. A total of 354 employees from 14 companies participated in the training at subsidiary companies in China.

■ Initiatives to Strengthen Accounting Compliance

SEKISUI CHEMICAL Group is working to improve accounting skills and financial expertise across the Group as a whole in order to reduce risks related to finance and accounting. We hold accounting meetings for personnel responsible for accounting at consolidated Group companies in Japan and overseas, to explain and share the rules of accounting and compliance activities. In addition, we conduct accounting workshop meetings as well as e-learning sessions to provide training on accounting skills and financial knowledge, to prevent any incidence of accounting treatment error or accounting fraud, and to enhance the awareness of divisions and employees involved in accounting operations regarding compliance.

In fiscal 2020, from the perspective of preventing the spread of COVID-19, the accounting meetings were held online, with 212 people in Japan and overseas participating. The accounting training sessions and workshop meetings were also conducted online, with a total of 121 people participating.

Cases of Violations in Fiscal 2020

No cases of major violations of the laws governing bribery and corruption occurred in fiscal 2020.

Tax Compliance Initiatives

SEKISUI CHEMICAL Group considers paying taxes as one of the fundamental and important social responsibilities of a company. We comply with the tax laws of each of the countries and regions in which our business activities are conducted and properly pay taxes.

We do not use tax havens for tax avoidance purposes, and pay taxes appropriately in accordance with the economic realities of the countries and regions where we operate. We will contribute to the economies of those countries and regions, aiming for mutual harmonious and stable development.

Transactions with tax risks are confirmed by external specialists as necessary to ensure their proper treatment and to reduce tax risks. In regard to transfer pricing risks, our transactions are conducted in accordance with arm's length prices based on local laws and OECD (Organisation for Economic Co-operation and Development) guidelines. We use Advance Pricing Arrangements (APAs) in accordance with the size of the transaction and level of tax risk and endeavor to maintain good relationships with tax authorities in each country to eliminate unstable tax positions.

Major Initiatives

Compliance Reinforcement Month

SEKISUI CHEMICAL Group has set aside October of each year as Compliance Reinforcement Month, to give all employees the opportunity to reflect on their compliance awareness and actions.

In fiscal 2020, we implemented training in Japan covering four broad themes: power harassment, bribery, antitrust legislation, and personal data protection. This training was conducted remotely online to prevent the spread of COVID-19 and to provide learning opportunities for employees who could not attend. A web conference system was employed in the case of power harassment training and video streaming for the remaining three themes.

Initiatives Taken During Compliance Reinforcement Month in Japan (Fiscal 2020)

1. Thorough dissemination of the Compliance Declaration (October 2020) to all Group employees
2. Implemented all types of compliance training / Held an open-style legal seminar in which employees participated of their own accord (Web conference system relay training 6 times in total), video streaming (3 themes)
3. Introduced the Compliance Reinforcement Month activities in Group newsletters and provided class information on educational video programs in Group newsletters
4. Conducted e-learning using the Company intranet (setting themes centered on bribery and harassment, including discrimination)
5. Dissemination and reporting of compliance messages by frontier leaders to their own organizations
6. Initiatives in North America, China, Southeast Asia, and Europe (September to March)

Reinforcement of Global Legal Affairs Structure

SEKISUI CHEMICAL Group is reinforcing its legal affairs structure by developing and deploying legal personnel, strengthening collaboration among legal departments, and enhancing legal functions.

We are also expanding and rolling out horizontally those initiatives undertaken during Compliance Reinforcement Month in Japan on a global scale across a wide range of countries and regions including North America, China, Southeast Asia, and Europe. The themes taken up during Compliance Reinforcement Month are selected with a focus on those issues that are judged by each regional headquarters to be of high risk to the region.

Fiscal 2020 Compliance Reinforcement Month Initiative Themes by Region

North America: Offsite educational programs using various tools including learning management systems (LMS) and intra-company whistle-blowing system explanatory briefings

Note: Themes selected from the following options:

- Privacy and information security
- Cyber security
- Promoting safety and security in the workplace
- Promoting global cyber-security foundations
- Promoting harassment prevention and respect

China: Educational programs implemented on the following themes:

- Commercial bribery
- Antitrust legislation and Sekisui in-house rules
- Advertising compliance
- Sexual harassment

Southeast Asia: Educational programs implemented on such themes as the prevention of trade secret leakage and circulated prescribed forms for non-disclosure agreements and other agreements

Europe: Educational activities regarding the leakage of information

Legal Compliance with Regard to Advertising and Labeling

When conducting business activities, SEKISUI CHEMICAL Group strictly adheres to laws and regulations while engaging in good-faith marketing activities. In fiscal 2020, there were no cases of serious violations of laws, regulations or internal rules to report within the context of marketing communications related to advertising and product labeling.

Handling Measures for Antitrust Laws

At SEKISUI CHEMICAL Group, we operate a business organization membership payment system, a pre-application and follow-up report system for competitor contact, and a price revision committee system as a compliance program for antitrust laws. The implementation status of these systems is audited yearly, and the program is revised as needed.

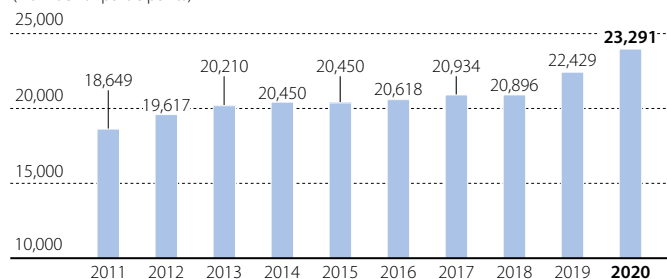
This program has also been introduced at domestic business companies with high cartel risk. There were no cases of major violations of antitrust laws in fiscal 2020.

Performance Data

Employees Using the e-learning System Over Time

Employees Using the e-learning System Over Time

(Number of participants)



* Average values for four sessions conducted in each year. However, the third and fourth sessions were underway during fiscal year 2020 when this chart was created, so the average value for sessions one and two is provided for that year.

* With the exception of overseas local hires, all Sekisui Chemical and Sekisui Chemical Group employees are required to take part in e-learning programs.

List of Results Relating to Compliance Training

Fiscal 2020 List of Results Relating to Compliance Training

Training	Training content	Trainees			Attendance
		Sekisui Chemical Co., Ltd.	Group companies		
			Domestic	Overseas	
Training for specific employee ranks	Training for new employees	✓	✓		59
	Newly appointed senior management training	✓			228
	Newly appointed executive officer training	✓			3
	Training for executives at affiliated companies		✓		259
	Training for new auditors at affiliated companies		✓		19
	Training for those responsible for management	✓	✓		65
	Training for those responsible for compliance	✓	✓		67
Area-specific training	Compliance training	✓	✓		1645
	Harassment preventing training*		✓		17
	Export controls training	✓	✓		274
	Act against Delay in Payment of Subcontract Proceed, etc. to Subcontractors training	✓	✓		472
	Anti-monopoly law training		✓		80

Training	Training content	Trainees			Attendance
		Sekisui Chemical Co., Ltd.	Group companies		
			Domestic	Overseas	
Area-specific training	Labor law training	✓	✓		31
	Personal information protection training	✓	✓		500
	Information management training	✓	✓		306
	Accounting training	✓			138
	Non-disclosure agreement (NDA) training	✓			360
	Information security training	✓			29
Global training	Training for prior to overseas transfers	✓	✓		10
Compliance Reinforcement Month	Domestic training	✓	✓		1863
	North America training			✓	1605
	China training			✓	349
	Southeast Asia training			✓	149

* Training on harassment includes some content related to discrimination.

Number of Whistleblowing Cases and Consultations

Fiscal 2020 Number of Whistleblowing Cases and Consultations

Reports/consultations	Number of cases
Power harassment	39
Working conditions	29
Sexual harassment	2
Workplace environmental concerns	11
Misuse of expenses	3
Sales methods related	2
Misrepresentation of work performance	3
Collusive relationship with business partners	0
Others	22
Total number of complaints	111

Information Management

Maintaining an Effective Management System to Address Various Information-related Risks

Management Approach

Formulation of Cyber Security Policy

To strengthen our cyber security efforts throughout SEKISUI CHEMICAL Group we formulate a Companywide information security policy and share it internally and externally.

Please refer to the SEKISUI CHEMICAL Group Cyber Security Policy, page 330.

Cyber Management System Headed by an Executive Officer

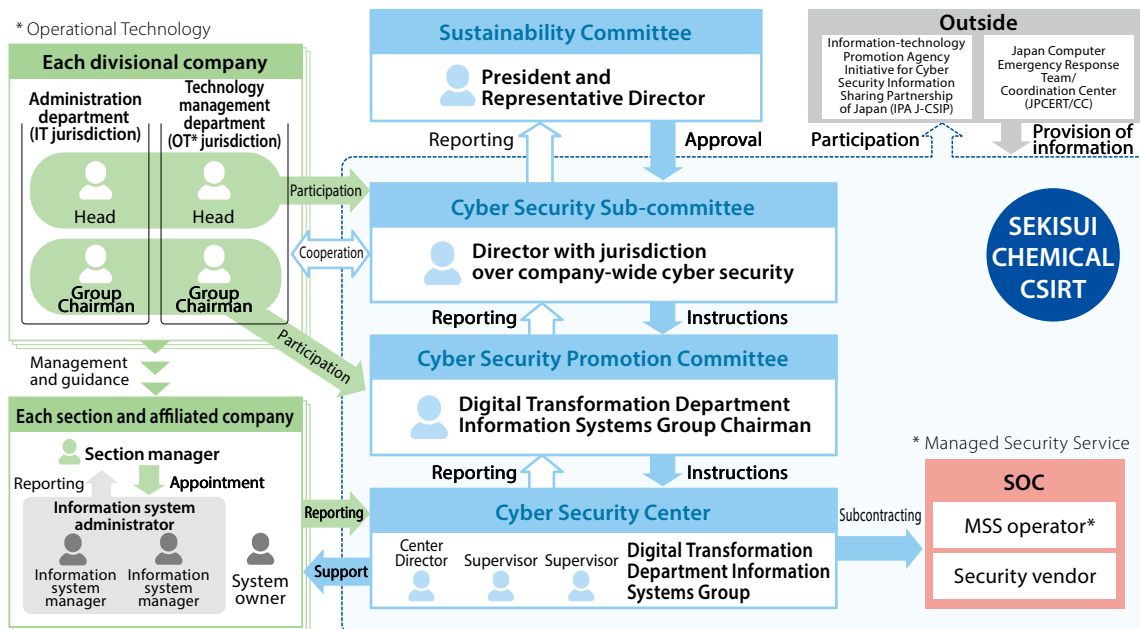
To provide a cyber security response system, we established a CSIRT*¹, which reports to the Sustainability Committee chaired by the president. The policy-making body is the Cyber Security Subcommittee, led by the Chief Information Security Officer (CISO), which deliberates on Group-wide cyber security measures and significant security incidents. Cyber Security Promotion Committee advances measures based on subcommittee decisions, and we have also set up a Cyber Security Center as a working unit.

Acting in partnership with the SOC*², the Cyber Security Center monitors the security of networks and devices 24 hours a day, 365 days a year, and strives for the early detection of and recovery from incidents. Having posted at least one cyber system administrator on site at each business, we have established a comprehensive Group-wide cyber management system. Even in the case of organizational changes or cyber system administrator reassignments, the Company is constantly aware of the presence or absence of the cyber system administrators at each of its business sites through its registry management system. Together with making our operations in Japan more sophisticated, going forward we will advance the development of CSIRT at Group companies overseas.

*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 CSIRT with its response and recovery efforts.

Diagram of Overall Management System



Measures Taken against Information Leaks and Risks from Both System and Human Aspects

The Company takes measures, from both system and human aspects, to maintain the security of customer (including personal) and internal (including confidential) information. To combat external threats, the Company has positioned its SOC as its primary entity to consistently identify new threats, such as newly reported cases of viral infections or targeted e-mail attacks, while Sekisui Chemical's CSIRT swiftly takes action to implement appropriate countermeasures. We are also working to prevent information leaks before they occur by, for example, employee education based on e-learning courses and by conducting audits.

CSIRT operations involve the holding of regular Cyber Security Subcommittee/Promotion Committee meetings, reporting the assessments of risk countermeasures at subcommittee meetings and the content of risk countermeasure activities at promotion committee meetings.

Key System-related Measures

- (1) Store important information on data center servers and fortify data centers
- (2) Establish firewalls to completely separate external networks from internal intranet and control networks
- (3) Install next-generation virus protection, on all servers and PCs.
- (4) Monitoring of above three points by SOC, 24 hours a day, 365 days a year
- (5) Install e-mail filters and web filters, ensure safe and secure utilization of employee e-mails and Internet

Key Human-related Measures

- (1) Thorough information management by degree of importance
- (2) Thorough enforcement of duty of confidentiality for retiring employees and new hires
- (3) Conduct regular e-learning programs for all employees
 - Augment implementation of e-learning sessions for important technology development workers

Measures to Mitigate Risk from Natural Disasters by Dispersing of Systems, etc.

So that business operations can be continued even in the event that backbone systems are damaged in a natural disaster, we have concluded agreements with data centers that have measures in place to deal with various natural disasters, including earthquake resistance and seismic isolation.

In addition, by dispersing data centers among multiple locations, we have established a system that will not cause work to be disrupted even if a particular data center becomes unavailable. By taking steps to completely duplicate mission-critical systems, the Company is working to shorten the lead-time needed up to the completion of repairs and recovery of business operations.

Protecting Personal Information

SEKISUI CHEMICAL Group handles the personal information of its customers based on its Personal Information Policy, which is available on the Company's website. The Company complies with legal regulations and norms regarding personal information and, by voluntarily putting in place rules and systems, strives to appropriately protect such information.

We have also formulated "Guidelines for Web Server Construction and Management," and endeavor to protect servers managed at each company and each work site.

Privacy Policy

<https://www.sekisuichemical.com/privacy/>

Risk Management

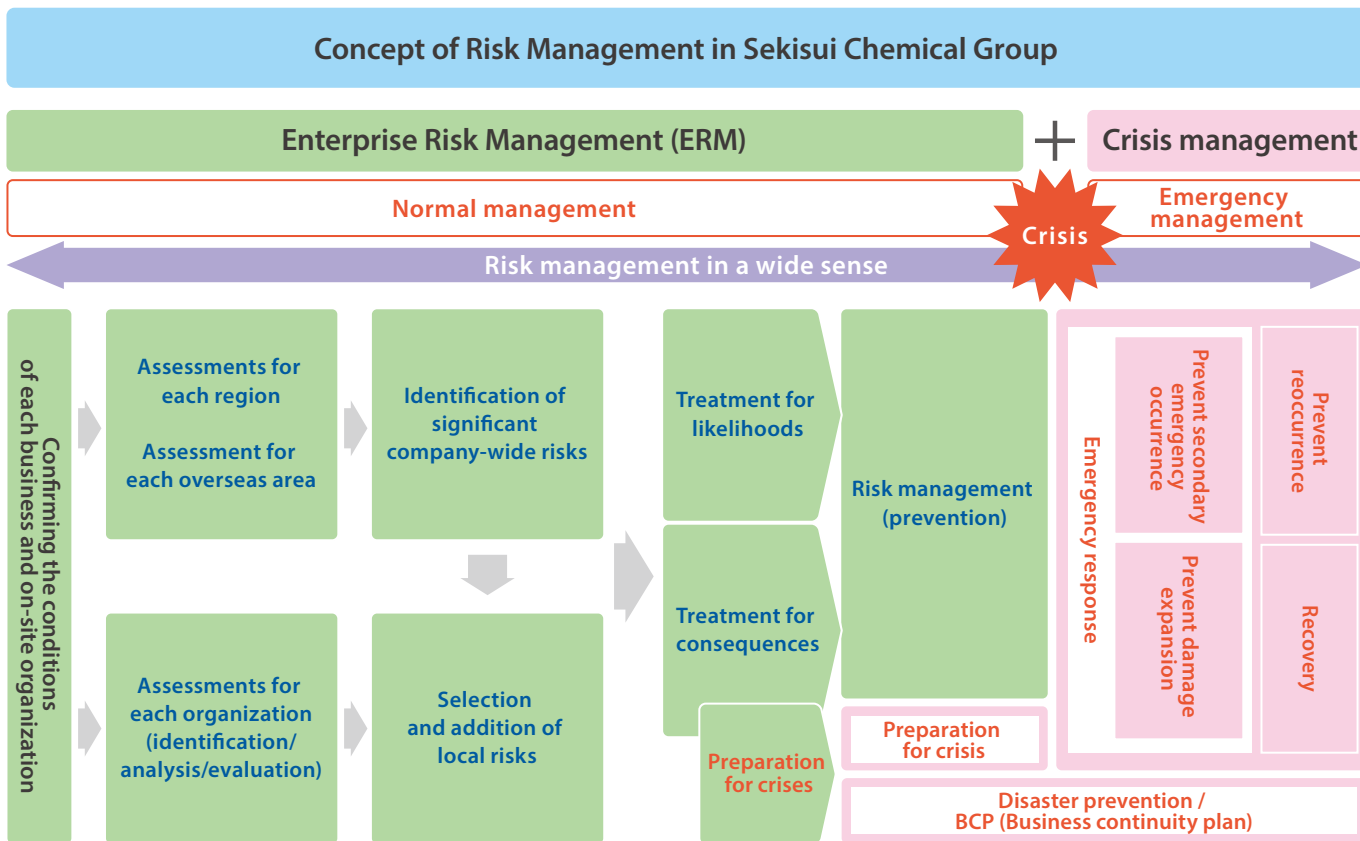
We Are Increasing Risk Sensitivity and Improving the Quality of Our Activities Through Further Strengthening of Our Risk-management Structures

Management Approach

Basic Philosophy

Building A System That Can be Brought to Bear on Ever-changing Risks and Crises

Here at SEKISUI CHEMICAL Group, we are building a risk management structure that unifies “risk management,” which aims to prevent risks from occurring in the first place, and “crisis management,” which responds to serious risks that have manifested. Through this unification of concepts, we are creating a system that can be brought to bear on ever-changing risks and crises.



Management Structure

Group-wide Sharing of Risk Management Policies

Since April 2020, ultimate responsibility for risk management at SEKISUI CHEMICAL Group has lain with the Managing Director of the ESG Management Department, whose Risk Management Group handles day-to-day risk management operations.

SEKISUI CHEMICAL Group is creating a risk management structure that centrally manages activities aimed at preventing risks (risk management) and activities responding to risks that have already manifested (crisis management).

Our risk management activities are based on the PDCA management cycle. Under PDCA, we analyze and evaluate company-wide risks as well as risks identified by each organization in accordance with the SEKISUI CHEMICAL Group Risk Management Guidelines, implement countermeasures, and then conduct reviews as necessary while taking corrective action.

Crisis management activities are conducted in accordance with the "SEKISUI CHEMICAL Group Crisis Management Guidelines." A crisis management liaison committee consisting of each groups of headquarters and divisional company representatives holds regular meetings to review case studies and conduct training.

In the Medium-term Management Plan launched in fiscal 2020, we are deploying enterprise risk management (ERM) in a way that integrates our existing organization-specific risk management activities with our Group-wide risk management activities. In addition to the domestic organizations, we will accelerate the development of these activities in overseas Group, so that they are instilled throughout every corner of the Group. As part of ERM, we are introducing Group-wide and region-specific assessments of major risks. In particular, Group-wide major risks will be screened when risk management activities for each organization take place, allowing us to strengthen our response to major risks from a Group-wide perspective.

ERM stands for Enterprise Risk Management, and refers to Group-wide risk management.

As the business environment in which companies operate becomes increasingly uncertain and complex, SEKISUI CHEMICAL Group is systematically bringing to light the wide range of risks related to the business objectives of each organization. We have established an ERM system that quantifies each risk based on its likelihood of occurring and its potential impact. Dedicated offices in corporate administration then identify those risks that have a high possibility of leading to a "Group-wide serious incident" and then share and manage their findings with the Group. We are continually verifying the effectiveness of the ERM system by reviewing uncertainties on a regular basis.

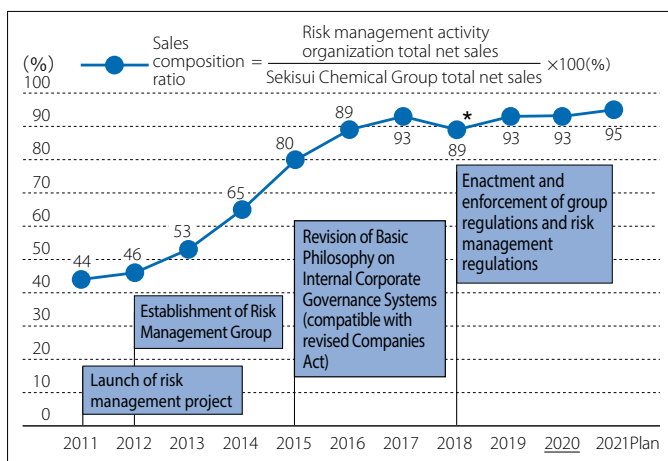
In fiscal 2020, SEKISUI CHEMICAL Group launched a Group-wide Risk Review Subcommittee. Drawing on the specialized expertise of dedicated offices in corporate administration, the Subcommittee corrected and modified the Group-wide risks identified in fiscal 2019 and examined whether the likelihood of their occurring or their potential impact had changed, in light of changes in factors such as geopolitical risks and social demands. The results of the deliberations by the Subcommittee as well as various measures to reduce risks are discussed by the Sustainability Committee and then reported to the Board of Directors for their consideration in management decisions.

Bolstering Risk Management Structures

Increasing Risk-sensitivity Using PDCA Cycles

In an increasingly complex external and internal environment, it is extremely difficult to accurately assess the risks that may emerge moving forward. SEKISUI CHEMICAL Group believes that increasing risk sensitivity among employees is essential to properly handling such risks, and the Group continuously runs PDCA cycles in line with the international standard for risk management ISO 31000.

These activities were launched during fiscal 2011 among 27 organizations, primarily business units. The number of organizations engaged in these actions has increased each year, reaching 175 in total, including Japanese and overseas affiliates accounting for 93% of consolidated sales in fiscal 2020. Amid the consolidation and addition of organizations, the number of organizations participating in these activities in 2021 is expected to be 171 in total, including Japanese and overseas affiliates accounting for 95% of consolidated sales. Activities were also launched in R&D. In addition, the Group is also working to improve the effectiveness of these actions by building an organizational framework in line with the business environment, sharing information among the various organizations, and promoting cooperation with specialized departments.



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

Identifying, Analyzing, and Assessing Risks

Risks that SEKISUI CHEMICAL Group Should Manage

To make clear which risks the Group as a whole should prepare itself for, in terms of both organization-specific risk management and Group-wide risk management, we have broadly categorized these as business environment, strategic, and operational risk, and have further subcategorized each category in order to comprehensively identify risk. Based on the different risk criteria for organization-specific risk management and Group-wide risk management, we quantitatively assess the risk level for each of the identified risks using a risk matrix that combines results and likelihood of occurrence.

Major Risks Faced by SEKISUI CHEMICAL Group

1. Business environmental risks

- Major market trends
- Fluctuations in exchange rates, interest rates, and asset value
- Raw material price volatility and procurement
- Large earthquakes, natural disasters, industrial accidents
- Climate Change and environmental issues (resource depletion, water, marine plastics) Politics and society (political change / terrorism)
- Politics and society (political change / terrorism)
- Impact from the spread of COVID-19

2. Strategic risk

- M&A / New Business / R&D

3. Operational risk

- Information-management (information leaks / technical information outflow)
- Quality (responsibility for manufactured goods / Major Quality Issues)
- Safety (fire and explosions / major workplace accidents / hazardous substance leakage)
- Laws / Compliance / Human Rights (unethical or criminal behavior / violations of the Monopolies Act or fraudulent transactions / unauthorized overwriting of data / bribery / harassment / environmental regulations, etc.)
- Intellectual property (IP disputes)

Basic Philosophy Toward BCP (Business Continuity Planning)

BCP is the very essence of business strategy. Therefore, SEKISUI CHEMICAL Group, whose adoption of a Company system has made the range of the business in which it engages broad, has decided on a basic posture of having those in charge of each line of business (the heads of business units, the presidents of business companies, etc.) determine the necessity of BCP individually, based on the particulars of the business in which they are engaged, and is promoting formulation of business-continuity plans and the implementation of business continuity management (BCM) based on ISO 22301, a standard for methods of implementing BCM. In light of the recent increase in the number of threats, as well as the growing need to determine how to continue operations in the event of a medium-to long-term loss of key management resources, and to prepare for such an event, the Group is developing an initial response plan (ERP) that places the protection of human life as the highest priority at all organizations as a company-wide initiative from fiscal 2021. In addition, the Group will also focus on establishing BCM for each of our domestic and overseas businesses in line with the individual characteristics of each business in our diverse lineup of operations. Even in an emergency situation that could threaten the continuance of operations, we will minimize losses to our organization and our customers while continuing to fulfill our social responsibilities as a company by responding quickly and restoring important functions as soon as possible.

Bolstering the Domestic Crisis-management System

Based on its experience during the Great East Japan Earthquake, SEKISUI CHEMICAL Group carried out a full-scale overhaul of its crisis management system in fiscal 2011 and has been refining that system ever since.

Specifically, we have conducted drills based on the Emergency Response Headquarters Procedures Manual (at the Secretariat), held annual education programs based on the Emergency Situation Initial Response Procedures Manual (for all employees), and organized disaster/infectious disease-preparedness systems based on disaster/infectious disease-preparedness checklists in all offices (around 800 within Japan).

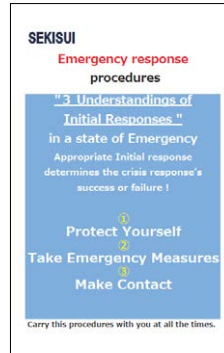
As of January 2012, the rate of sufficiency regarding disaster-preparedness systems, in reference to the Cabinet Office's guidance on corporate measures for disaster prevention, averaged 41% among all offices. Thanks to annual improvements, however, the Group has, since fiscal 2015, reached a point where it has been able to maintain an average rate of over 90%.

In preparation for emergency situations, SEKISUI CHEMICAL Group implements Group-wide response measures for emergencies as provided for in the Crisis Management Guidelines and the Emergency Response Headquarters Procedures Manual. Through training and providing the Emergency Situation Initial Response Procedures Manual to all employees, who carry this manual at all times, we ensure that all employees can take the appropriate action in the event of an emergency. In 2018 we also prepared an English version of our Emergency Situation Initial Response Procedures Manual, which is provided to employees requiring it. Moreover, in fiscal 2019 we installed a safety confirmation system in the work mobile telephones of all employees, which enables rapid confirmation of the safety of our employees in emergencies.

Emergency Situation Initial Response Procedures Manual (April 2021 revised edition)

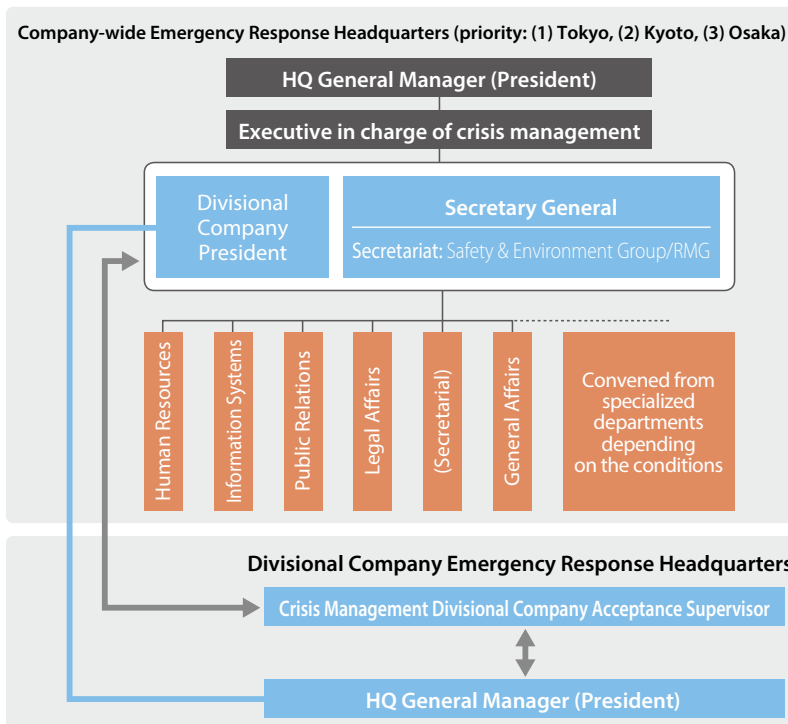


Japanese edition

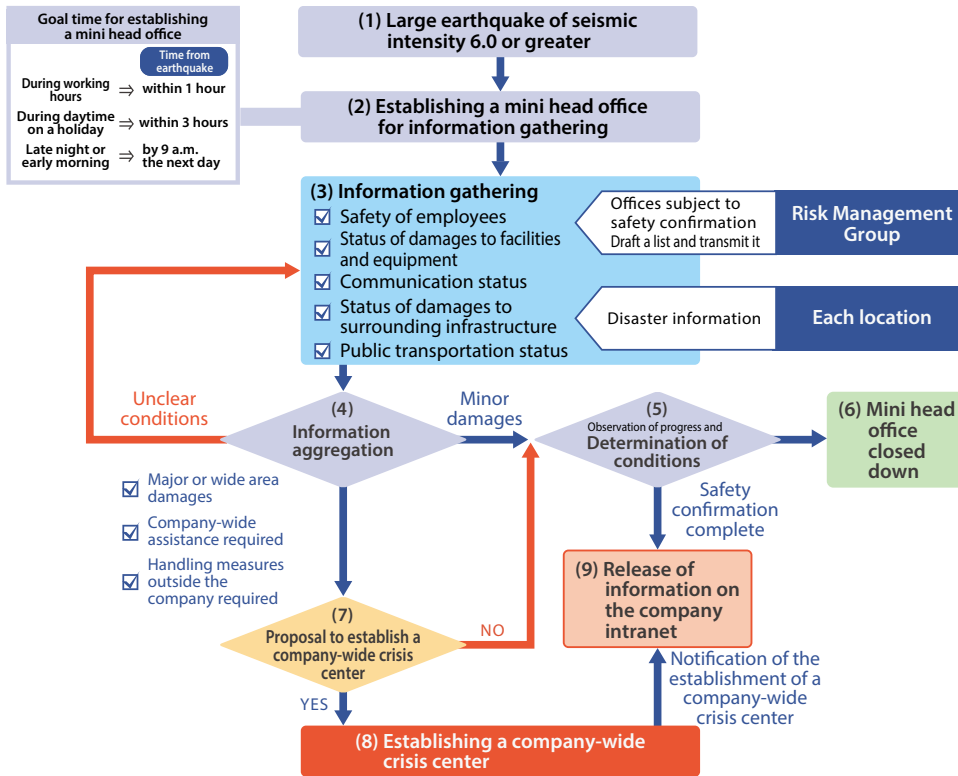


English edition

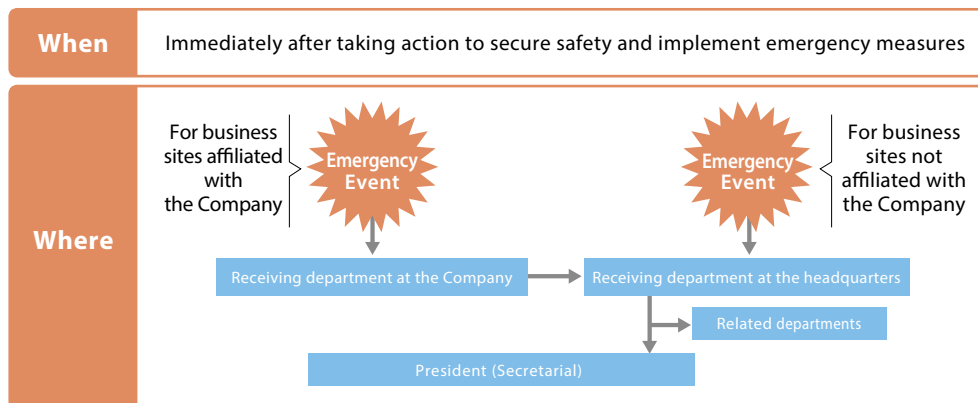
Emergency Response Headquarters Functions (when a major earthquake occurs)



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



Procedures for contacting the divisional company/headquarters from the site immediately after the emergency occurs.



Structure of Overseas Crisis Management System

Based on the "Overseas Safety Management Regulations," SEKISUI CHEMICAL Group divides the world into six crisis management regions. The Overseas Crisis Management Office (Risk Management Group, ESG Management Department) plays a central role in sharing crisis management information with business travelers, expatriates and local employees, alerting them in a timely manner and instructing them on travel restrictions in addition to other activities in emergency and non-emergency situations. As the number of overseas Group locations increases with each passing year, we established Regional Headquarters in each of the four main regions and appointed the person responsible for the Regional Headquarters as the Regional Head. In the event of a crisis event, the Regional Head and the Overseas Crisis Management Office will work together to collect information and take initial action. We have also established a highly specialized support framework in coordination with our security assistance and medical assistance partners. Additionally, the Group conducts training sessions for employees seconded overseas before they are dispatched abroad, provides pre-trip e-learning for employees sent on business trips, provides country-specific training focusing in particular on infectious diseases, and educates employees on the basics of crisis management and specific countermeasures.



Global Crisis Management Guidelines



Major Initiatives

SEKISUI CHEMICAL Group's Measures to Prevent the Spread of the Novel Coronavirus

In response to the spread of COVID-19, Sekisui Chemical has been implementing a variety of measures to help stem the spread of the virus in order to protect the health of our employees and meets the demand of society. Alongside the quick establishment of a company-wide emergency task force, we set up a special page dealing with infectious diseases on the company intranet as part of our effort to disseminate action guidelines and share strategies on how best to prevent the spread of infectious diseases. The safety of our employees is our top priority, and in the event that an infected person is confirmed within the Group, we will promptly assess the situation and share the information with the relevant parties.

Until the global pandemic is brought under control, we will continue to regularly monitor the implementation of infectious disease countermeasures at all of our domestic and overseas business sites as part of our effort to ensure a secure environment for the continuation of our business.

Dashboard Utilization

By introducing "Dashboard", a centralized database of risk-related information for risk-management activities, 1) efficiency; 2) accuracy; and 3) visualization have significantly advanced. We are also working to strengthen the risk identification process by utilizing various audits. In fiscal 2021, we plan to screen all active organizations for major company-wide risks when conducting assessments, so we can respond to major risks from a company-wide perspective.

Enhancement of training systems

1) Raising awareness of risk management activities and training of risk managers

In fiscal 2020, risk management training was provided to 28 newly appointed risk managers (persons responsible for duties related to risk management activities in their respective organizations). Focusing on teaching the knowledge and skills necessary for the practice of risk management, the training will continue, for the enlightenment of the risk managers who are responsible for the day-to-day activities.

The Group provides other risk management training as necessary, to improve understanding of risk management as appropriate to each management level. For example, training programs for managers and for newly appointed officers of affiliated companies are provided.

2) Enhancement of content of training for overseas crisis managers

< For people going on business trips >

With a view to preventing the spread of COVID-19, in principle, the Group currently prohibits all overseas travel. If an exceptional need for an overseas business trip arises, the people going on the overseas trip are required to undergo a training program focused on infectious diseases as a safety measure and must take detailed measures to prevent infection.

< For people transferring to a new position or location >

Transferring personnel undergo timely training customized to the circumstances of their country of destination, regarding mental preparations and points of concern focused mainly on safety management when stationed overseas.

< For both business travelers and transferees >

Through e-learning (both basic and applied versions), content dealing with local characteristics, customs and the like is prepared in a test format, to enhance the employees' crisis-management mindset. With respect to the six countries to which Group employees most commonly travel on business (the United States, South Korea, China, Thailand, India and Vietnam), the applied version of the e-learning is taught, to provide more detailed, country-specific information.

<For the Overseas Crisis Management Office and persons responsible for day-to-day duties>

In fiscal 2020 the Group implemented an emergency simulation exercise. The exercise confirmed the roles of and lines of communication with the Overseas Crisis Management Office, particularly the Group head of the dedicated offices in corporate administration, and the Company (person in charge of day-to-day duties).

Materiality

DX



To promote DX as an important ESG issue, SEKISUI CHEMICAL Group has put in place a unified system for the entire Group. We have also set plans and themes for each of the areas of global management foundation reform, purchasing, supply chain management, and sales and marketing, and are proceeding with initiatives. Through DX the Group is aiming to accelerate the growth strategies and structural reforms necessary to realize its long-term vision.

Digital Transformation (DX)

SEKISUI CHEMICAL Group will push forward corporate activities grounded in digital transformation in order to support the basis of LIFE and to continue to create “peace of mind for the future” in order to realize a sustainable society.

Management Approach

Our Philosophy

Based on its “Vision 2030” Long-Term Vision, SEKISUI CHEMICAL Group is advancing the expansion of its existing businesses and the creation of new businesses using ESG management as its main strategy. The Group has also adopted digital transformation (DX) as one of the important issues on which to focus to enhance ESG management. SEKISUI CHEMICAL Group’s DX mission is to accelerate and support the growth strategies and structural reforms necessary to realize its long-term vision.

To maintain sustainable growth in an increasingly uncertain business environment, we will take another look at conventional Governance (Internal Control) as well as business and operating processes, while undergoing a transformation from the “visualization and standardization,” “productivity increase” and “sophistication” perspectives*. In addition, we aim to remain a company that is capable of providing value to society through the challenges undertaken by our vibrant employees.

* Visualization and standardization: Standardize operations, introduce ERP, renew infrastructure and network

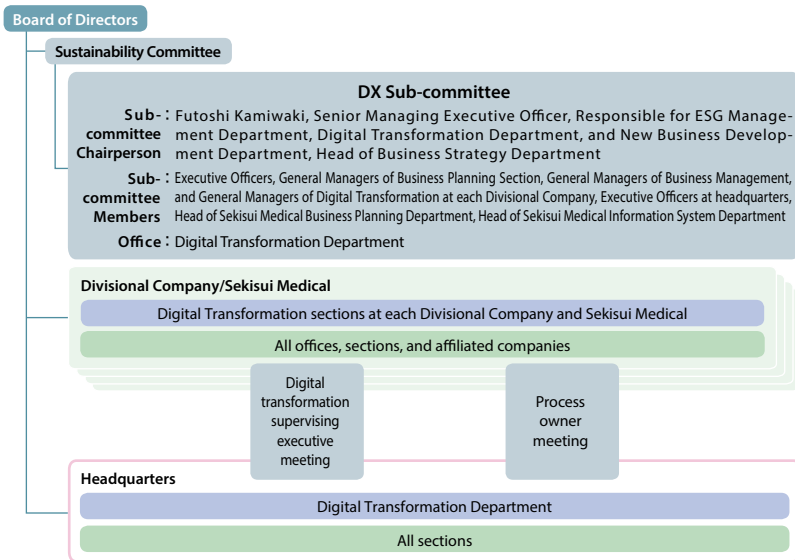
Systems to Promote DX

To promote DX Companywide in unison throughout the Company and Group, SEKISUI CHEMICAL Group established the Digital Transformation Department in April 2020.

Since the SEKISUI CHEMICAL Group expands a variety of different business, with different business models used by each divisional company, it is not easy to make business operations standardized and more sophisticated, and in some cases this process may actually lead to reduced efficiency. To prevent this and promote standardization and sophistication with optimal solutions throughout the Company and Group, we have established a promotion system headed by our CEO and senior managing executive officer. The Digital Transformation Department functions as the project leader in this system.

In addition, the DX Sub-committee, chaired by the executive officer of the Digital Transformation Department, has been newly established under the Sustainability Committee and will be in operation from fiscal 2021. In addition to deliberating on fundamental policies related to digital strategy and confirming the progress and effectiveness of digital transformation, the DX Sub-committee carries out deliberation and decision-making on important measures such as standardization of Company-wide operating processes and renewal of Company-wide core systems from a management perspective.

DX Promotion System (from FY2021)



Initiatives to Promote DX

DX promotion addresses the putting in place of plans and themes in each of the following areas: global management foundation reform, purchasing, supply chain management, and sales and marketing.

Global Management Foundation Reform

To support the business strategies of SEKISUI CHEMICAL Group, which is growing globally, we are working on the renovation of the core system (global ERP*) that forms our management foundation. Consequently, we are aiming to improve the productivity of indirect business operations—by the visualization and analysis of the data necessary for decision making to maximize global consolidated profit, business standardization and efficiency improvements—while improving Governance (Internal Control) and minimizing risk through business standardization and visualization on a global basis.

In fiscal 2020, we defined the requirements for more sophisticated and standardized business management controls and implemented global ERP introduction contracts. In the years to come, we will make adjustments in line with SEKISUI CHEMICAL Group's business and work to foster personnel who are capable of mastering global ERP.

* ERP is the abbreviation for Enterprises Resource Planning. A system that merges and centrally controls core operations, such as corporate accounting, human resources, manufacturing operations, and sales operations.

Purchasing

As a global purchasing reform, we are aiming to use the system for the standardization of purchasing operations and the visualization of transaction data.

The visualization of global transactions will enable the deterrence and early detection of fraudulent activity. We will also improve purchasing power and reduce procurement costs by realizing overall optimal purchasing and minimize low value-added operations by introducing the system, while establishing mechanisms and infrastructure that are capable of continuously reduce costs.

In fiscal 2020, we decided to introduce an indirect purchasing system. We have been promoting system verification tests at a model factory since April 2021. Going forward, we will look to rollout to other locations with the aim of introducing at all our bases.

Sales and Marketing

We aim to thoroughly improve efficiency and productivity by the standardization and automation of business operations relating to sales and marketing.

In the business operations relating to sales and marketing, there had been incidences of problems arising, such as the different systems used by each divisional company and many individualized parts. To solve these problems, we will work on the standardization of efficient and highly productive business models and the real-time visualization of work processes.

As medium-term themes from fiscal 2020, we are enhancing the order expansion process by utilizing marketing automation, the visualization of the status of customer transactions, and data analysis. We started verification tests at the Nishinohon Sales Headquarters of the Urban Infrastructure & Environmental Products Company.

To improve productivity, we are promoting the introduction of a system that reduces the man-hours required for internal reporting and the realization of best practices that share information on each of the three areas of development, production, and sales and utilize that information in sales.

We are also putting in place IT infrastructure while at the same time promoting information security measures that are essential to DX initiatives.

Remote Work

SEKISUI CHEMICAL Group is promoting “remote work” in a bid to realize various working styles. In this manner, employees are able to carry out their duties using the Company’s in-house operating system from locations other than the office including the home, outside, and satellite offices.

In fiscal 2020, we put in place MobileNET, IT infrastructure that enables safe and secure access to in-house operating systems as well as cloud services that are being rapidly introduced from anywhere in the world.

This initiative has made it possible to maintain both work productivity and information security while working from home despite the ongoing COVID-19 pandemic, and has greatly contributed to the continuity of business.



By utilizing the Earth's valuable natural capital and the social capital generated in the course of the Group's activities, SEKISUI CHEMICAL Group conducts its everyday business activities with the aim of realizing a sustainable society.

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Environment

In order to support the basis of LIFE and continuously create “peace of mind for the future” in a bid to realize a sustainable society, SEKISUI CHEMICAL Group will work to address environmental issues with a long-term outlook.

Management Approach

Our Philosophy

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. SEKISUI CHEMICAL Group aims to create a planet and society in which humankind and economic activities can develop sustainably by utilizing the planet’s valuable natural and social capital created through its activities.

We are engaged in our daily business activities with the aims of halting the deterioration of natural capital, such as by reducing emissions of greenhouse gases, promoting the use of recycled use of resources, and decreasing impacts on ecosystems; contributing to making returns to natural and social capital through such means as expanding sales of products to enhance sustainability; and achieving a world in which biodiversity is preserved.

* Natural capital: A term that refers to physical capital, 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 equipment 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, city gas, and hospitals.

Materiality/Environment

Promotion System

We will deploy initiatives geared toward the resolution of environmental issues based on the Group's Long-term Environmental Management Vision, Sekisui Environment Sustainability Vision 2050, and its Environmental Medium-term Plan, Sekisui Environment Sustainability Plan: Accelerate II (Fiscal 2020-2022). To accelerate the resolution of issues, we are also focusing on enhancing supply chain management and employee education and training.

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Promotion System

Putting in Place Environmental Medium-term Plan Target and Promotion Systems

In aiming for the aspirations raised in the Group Vision as our direction over the medium- to long-term, in 2019 Sekisui Chemical Group formulated our Vision Statement looking to 2030 for the purpose of more clearly illustrating our management strategies. From fiscal 2020, we will deploy strategies based on this Statement.

Under the slogan “Innovation for the Earth,” and in order to realize a sustainable society, we support the basis of LIFE and will continue to create “peace of mind for the future” (Social value) while aiming to double the Group’s business (sales of ¥2 trillion, operating income ratio of 10% or higher) by 2030 by expanding contributions to resolving social issues through business growth and reform and creating new business, centered on ESG management.

In order to support the basis of LIFE and continuously create “peace of mind for the future” while engaging in corporate management aimed at realizing a sustainable society, we must maintain a longer-term viewpoint as we deploy and implement the required approaches to the various global environmental problems.

To date, SEKISUI CHEMICAL Group has considered its approach and illustrated a direction to environmental problems with an eye toward 2030. In 2019, we undertook a review of the various events and social demands that have re-emerged and formulated the Sekisui Long-term Environmental Vision 2050 in regard to the direction of our environmental initiatives for 2050. Back casting from this Vision, we have re-defined the milestones that must be reached within the Group-wide management strategies in regard to specific environmental problems. In order to achieve these milestones, we established concrete target values in the three-year Medium-term Plan that launched in fiscal 2020. The Promotion System itself, however, remains the same.

Long-term Environmental Management Vision "Sekisui Environment Sustainability Vision 2050"

The Sekisui Environment Sustainability Vision 2050 formulated in 2019 aims for the same goals as the Sekisui Environmental Sustainability Vision 2030 formulated in 2013. We recognize that conducting our corporate activities relies on valuable natural capital from the Earth and beneficial social capital from society, and thus declare we will coordinate with stakeholders to accelerate our contributions to returns.

Progress on the Environmental Medium-term Plan “Sekisui Environment Sustainability Plan: Accelerate II” (Fiscal 2020-2022)

From fiscal 2020, we have deployed initiatives based on the Environmental Medium-term Plan “Sekisui Environment Sustainability Plan: Accelerate II,” which spans the three years from fiscal 2020 to 2022.

Integrated Index "Sekisui Environmental Sustainability Index" and Its Evolution

The Sekisui Environment Sustainability Index is a single indicator of the level of impact on the environment by the corporate activities of SEKISUI CHEMICAL Group (use of natural capital) and the degree of contribution back to the environment (return to natural capital).

We have gradually expanded the target scope of this index to encompass our impact on natural capital and social capital, as well as our returns to this capital, and have expanded awareness of the index. From fiscal 2020, we have been refocusing on natural capital and social capital as the capital from the Earth and society on which our corporate activities have an impact and to which they contribute, and to assess the impacts and outcomes.

As far as natural capital is concerned, we will continue to use the Life-cycle Impact Assessment method and are considering using impact-weighted accounting for social capital.

Environmental Management System

SEKISUI CHEMICAL Group has thus far promoted environmental activities through an environment management system based on ISO 14001 at each of the production sites operated by its locations. Although we will shift the long-term viewpoint of the direction for these activities from 2030 to 2050, the environmental problems on which we focus and the initiatives we deploy for solutions will remain the same.

In order to solve these problems, we feel we must bring the entire supply chain into our sights as we undertake initiatives, and that doing so will accelerate problem-solving. From fiscal 2020, we have been reviewing CSR procurement guidelines and reassessing the systems we have in place in order to strengthen supply chain management.

We are approaching suppliers with a clear understanding of current conditions and issues and will look to accelerate the resolutions of problems through collaboration.

Training Aimed at Improving the Ability to Contribute to Solving Social Issues

From 2020, we have been focusing on training to improve our ability to contribute to solving key social issues with the aim of realizing Vision 2030.

SEKISUI CHEMICAL Group will provide education and training to encourage employees to better understand social issues and take all appropriate action. This education and training is designed to help employees think about issues as their own and to put efforts into practice, depending on their responsibilities and working environments.

For more information, see p. 42, "Education for Enhancing the Ability to Contribute to Solving Social Issues"

Environmental Accounting

Within the Medium-term Plan that commenced in 2020, we are employing environmental accounting because the investments and costs applied to the environment are defined as capital costs within Group-wide management strategies, and because we recognize that restraining these costs and improving productivity improves ROIC.

● Long-term Environmental Management Vision

“Sekisui Environment Sustainability Vision 2050,” formulated in 2019, has the same goals as “Sekisui Environment Sustainability Vision 2030,” which was set forth in 2013.

Through its corporate activities, products, and business, SEKISUI CHEMICAL Group is contributing to the resolution of a host of issues that confront the natural and social environments as it works toward the realization of earth with maintained biodiversity. We remain conscious that the business activities we carry out incorporate the Earth’s natural capital as well as meaningful social capital which originates from society. We are therefore committed to accelerating efforts aimed at returning such capital back to the environment and society while collaborating with stakeholders.

Working toward the realization of earth with maintained biodiversity entails the same stance required to achieve the SDGs set for 2030. This is because without society, it will be impossible to find solutions to the challenging array of the Earth’s natural and social problems.

As activities that contribute to solving issues, we place importance on the following three items.

- (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 more information, see p. 33, “Products to Enhance Sustainability.”

*2 For more information, see p. 47, “Social and SDG Contribution Activities.”

We seek to invigorate these activities and accelerate solutions to problems. This means that while each and every employee should be conscious of the range of environmental issues, we need to do more than just have a talented group of personnel with considerable ability to contribute to solving issues; it will be necessary, we believe, to partner with all types of stakeholders and collaborate to move forward on activities.

● Progress under the Environmental Medium-term Plan

From fiscal 2020, we are establishing the targets to be achieved in fiscal 2022, the final year of the Medium-term Plan, and launching initiatives for the crucial items below within our Environmental Medium-term Plan, “Sekisui Environmental Sustainability Plan: Accelerate II.” (2020 – 2022).

Improving Natural and Social Capital Return Rates

Monitoring of progress in respect to integrated index “Sekisui Environmental Sustainability Index”: Maintaining rate of return to natural capital of 100% or more

Using Products to Improve Global and Social Sustainability

Sales of products to enhance sustainability: 800 billion yen (sales ratio equivalent of 63% vs FY2019)

Initiatives aimed at addressing climate change

[Decarbonization]

Renewable Energy as a Percentage of Purchased Power: 20%

Reductions in greenhouse gas emissions: 9% or more (vs. FY2013)

Initiatives aimed at addressing the issue of resource depletion

[Promoting Recycling]

Recycling rates for waste materials: Grasp current conditions and set benchmarks (achieve double or more of benchmarks by fiscal 2025)

Initiatives aimed at addressing water risks

[Preservation of water resources]

Water intake volume at production sites using a large amount of water: 10% reduction (vs. FY2016)

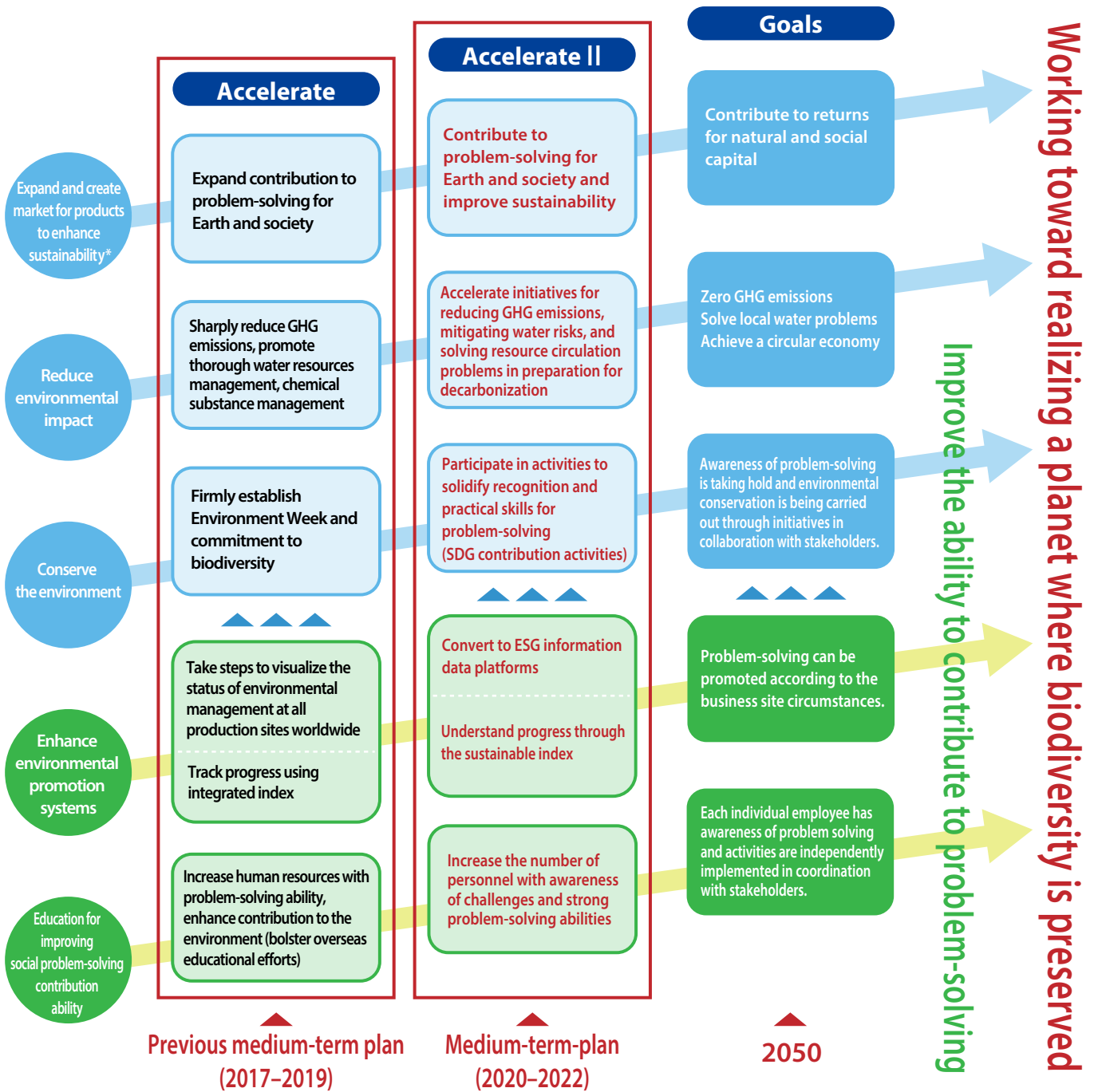
Total volume of COD discharged into rivers by production sites where discharge is substantial: 10% reduction (vs. FY2016)

[Minimizing water risk]

Understanding water risks specific to watershed areas and implementing related initiatives

Improving the ability of employees to contribute to problem solving

Promoting activities that contribute to SDGs



Promoting an Environmental Medium-term Plan Based on Backcasting from Our Long-term Vision

We will implement our three-year Environmental Medium-term Plan, “Sekisui Environmental Sustainability Plan: Accelerate II” from fiscal 2020. Using back-casting to achieve the goals we have set for 2050 in our long-term environmental vision, “Sekisui Environment Sustainability Vision 2050,” we are aiming for milestones established for the Medium-term Plan while implementing various initiatives.

Initiatives of particular focus included reducing greenhouse gases and expanding products to enhance sustainability. With regard to decreasing greenhouse gas (GHG) emissions, we have declared our goal of zero GHG emissions due to our business activities by 2050 and will regard it as a milestone when, by 2030, 100% of the Company’s purchased power comes from renewable energy.

Corresponding to our “energy consumption innovations” phase, up to and including fiscal 2019 we set an environmental contribution investment framework of ¥12 billion (equivalent to 0.3% of sales) over three years to steadily achieve this target and had been promoting aggressive capital investment. For our “energy procurement innovation” phase, from fiscal 2020 onward conversion support measures have been started to actively promote the conversion of electricity used at production plants to renewable energy.

Since its launch in 2006, the predecessor of the “Products to Enhance Sustainability,” the “Environment-Contributing Product” program, has on the basis of internal standards registered products that have a high degree of contribution to solving environmental issues. We had committed to society to increase the ratio of such products in all of the Company’s products and had been promoting the creation of products that solve social issues and the expansion of the market.

In fiscal 2017, we expanded the scope of Environment-Contributing Products to encompass not only the natural environment but also human capital and social capital. SEKISUI CHEMICAL Group aims to improve the lives of the people and the Earth's environment. In terms of improving the lives of the people, we believe it is essential to resolve the issues noted in the Sustainable Development Goals (SDGs) adopted by the UN in 2015, including “promoting welfare and health,” “improving the global environment,” and “securing robust infrastructure” by “mitigating and adapting to climate change.” We reaffirm our commitment toward addressing and resolving issues in these areas.

In fiscal 2019, we set goals to solve environmental issues and to be aimed for in 2050 and established “Sekisui Environment Sustainability Vision 2050.” In line with back-casting based on this environmental vision, we established milestones and launched from fiscal 2020 the three-year Environmental Medium-term Plan “Sekisui Environmental Sustainability Plan: Accelerate II”

The Environmental Medium-term Plan beginning in fiscal 2020 identifies important environmental issues for action, such as climate change, water risk, and resource recycling, and we have established specific initiatives with the aim of accelerating resolution of these issues. We believe that all of the efforts to resolve ecosystem degradation are tied to preserving biodiversity.

With regard to environmental issues, we believe that solving them can be further accelerated by working as one throughout the supply chain. With this in mind, we are developing initiatives and engage in activities with a greater focus on supply chain management over the life cycle of the product.

In terms of issues related to climate change, we established a long-term goal of zero greenhouse gas emissions by 2050 and, to achieve that goal, put in place a milestone of having moved to a system in which all purchased power comes from renewable energy by 2030.

In regard to issues related to water risk, we are focused not only on continuing to reduce the amount of water used on a Group-wide basis and promoting the recycling of water, but also on working to improve the quality, based on COD indicators, of water discharged into watershed areas. In addition, SEKISUI CHEMICAL Group aims to better understand water risks specific to a given area and is committed to formulating and implementing measures for high risk businesses to reduce water risk in each of their respective operating regions.

In regard to the recycling of resources, while focused on reducing the amount of waste generated even as we aim to double our business by 2030, we will also promote initiatives emphasizing recycling with the aim of realizing a circular economy and a recycling-based society in 2050.

There are four initiatives with regard to resource recycling issues.

1. Expansion of products to enhance sustainability that contribute to resource recycling
To more than double the net sales of products to enhance sustainability that contribute to resource recycling in 2030 compared with fiscal 2019, we aim to increase sales of products to enhance sustainability by 10% during the current Medium-term Plan.
2. Within goal 1, we aim to increase net sales by 10% during the current Medium-term Plan to increase sales of products to enhance sustainability that contribute to the conversion of raw material resources by more than 30 times in 2030 compared with fiscal 2019.
3. Expansion of waste recycling rate
We will ascertain the status of the recycling of plastic waste into materials, set a benchmark, and expand the ratio to more than double this benchmark by 2025.
4. Reduction of waste generated
As in the past, we will strive to reduce the basic unit by 1% over three years. Believing that unprecedented innovation is necessary for this reduction, we will consider the technologies and methods toward 2030.

Promoting the four initiatives mentioned above, we will aim to realize a circular economy in 2050.

As products and technologies that contribute to resource recycling, we are currently conducting pilot projects relating to BR technologies that can use microorganisms to produce ethanol from waste and are proceeding toward their social implementation.

As products to enhance sustainability, we will not only be expanding our contribution to improving global and social sustainability, i.e., resolving existing issues related to the natural and social environments, but also implementing verifications and assessments in regard to Governance (Internal Control) throughout the supply chain, customer satisfaction, processes, and supply chains to further improve the sustainability of both the Company and our products.

Fiscal 2020 Results and Fiscal 2021 Targets

Creating and Expanding the Market for Products to Enhance Sustainability

<p>Fiscal 2020 target Net sales: 710.0 billion yen (sales ratio equivalent of 60%) Result Net sales of 640.3 billion yen, target not achieved (sales ratio equivalent of 60.6%)</p>	<p>Number of new registrations: Fiscal 2020 target: 6 registrations Fiscal 2020 result: 12 registrations Target achieved</p>
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<Factor Analysis>

In fiscal 2020, the number of new registrations came to 12, which surpassed the target of 6 registrations. We recognize and register social issues centered on intermediate materials in the area of electronics, such as foam materials and heat release products.

<Quantification of the Contribution Effect on Resolving Issues through Products>

To visualize the degree of contribution on resolving issues through products, we calculate by using "LIME2," a method that indicates environmental value of products and businesses (the return to natural capital and degrees of contribution) through LCIA evaluations. In fiscal 2019, we identified environmental value from products equivalent to 70% of Environment-Contributing Products sales.

With regard to returns to social capital and value, we are also looking into the utilization of an impact accounting method.

The Group will leverage the environmental and social value (degree of contribution on resolving issues) of visualized products and lines of business, releasing information and raising awareness in society, and will also step up its activities that allow it receive feedback about its business.

Reducing Environmental Impact

GHG emissions:

Fiscal 2020 target of reductions of 7% or more (relative to a fiscal 2013 benchmark)

Target achieved, with reductions of 19.3%

Energy savings:

Fiscal 2020 target of reductions of 1% of energy consumption per unit of output (based on a benchmark of fiscal 2019)

Target not achieved, with reductions of 0.4% (2.6% increase in Japan and 0.4% increase overseas)

<Factor Analysis>

Greenhouse gas emission were markedly reduced due to the effects of renovation of deteriorated facilities, introduction of self-consumption-type solar power-generation facilities, and shifting purchased power to renewable energy sources, as well as the reduction in production volume resulting from the impact of the COVID-19 pandemic.

The reduction in production volume had a major impact on energy savings, and it caused the energy consumption per unit of output to increase.

Amount of Waste Generated:
 Fiscal 2020 - 2022 target of reductions of 1% or more per unit of output over a three-year period (relative to the fiscal 2019 benchmark)
Target not achieved, with a reduction of 0.8% (2.2% increase in Japan, 1.9% reduction overseas)

<Factor Analysis>

Japan: Although we reduced the amount of waste by allowing the re-use of scrap metal generated as part of the production process for high-performance resin products, decreased production volume caused increase in per unit of output.

Overseas: At our Urban Infrastructure & Environmental Products Company business sites, the amount of waste was drastically reduced, and per unit of output also improved in spite of decreased production volume.

Going forward, we will not only reduce the amount of waste generated in the production process, but also work to advance the recycling of waste and products, while simultaneously promoting the use of recycled resources in order to achieve a truly circular economy.

Environmental Conservation

SDG Contribution Activities*

With regard to social contribution activities, such as environmental conservation and the nurturing of the next generation, which have been carried out mainly by business sites or employees, it is recommended to change consciousness to be aware of SDGs during the activities while continuing the conventional activities.

By thinking about which social issues to focus on and why to work on solving those social issues, focusing on SDGs, we believe that the significance of conventional activities will be clarified, and we can expect to be able to review the activities and further improve the effects.

In fiscal 2020, the actual activities reduced due to the COVID-19 pandemic, but from fiscal 2021 we will proceed from where we can on the basis of the abovementioned way of thinking.

* For more information about SDG contribution activities, see p. 47, "Social and SDG Contribution Activities."

Environmental Medium- to Long-term Plan and Fiscal 2020 Actual Results

✓: FY2020 target achieved x: FY2020 target not achieved

Item	Aim	Indicator	Base year	Medium- to long-term target			Target and results for FY2020				Target					
				Medium-term target (FY2020-FY2022)	FY2030 Target	FY2050 Target	FY2020 Target	FY2020 Results <input checked="" type="checkbox"/>	Self-evaluation	Reference page	Domestic production sites	Research facilities	Domestic offices	Overseas production sites	Overseas offices	Other
Rate of return on natural resource and social capital	Achieving "Earth with Maintained Biodiversity" through corporate activities	Sekisui Environment Sustainability Index Rate of return to natural capital	—	Maintain 100% or more			Maintain 100% or more	121.9%	✓	P145	✓	✓	✓	✓	✓	✓
Products to enhance sustainability	Improve economic value Maximize value (social and economic)	Sales of products to enhance sustainability (growth rate (compared with 2019))	—	800.0 billion yen, 22% growth rate (compared to 2019), 63% sales ratio	Expand sales of problem-solving products(maintain 60% ratio)	Drive sustainable corporate growth thorough products and service which improve environmental and social sustainability.	710.0 billion yen (sales ratio equivalent of 60%)	640.3 billion yen (sales ratio equivalent of 60.6%)	x	P40	✓	✓	✓	✓	✓	✓
		Number of new registered products	—	6 per year	6 per year		6 per year	12 per year	✓	P41	✓	✓	✓	✓	✓	✓
GHG	Decarbonization: Zero GHG emissions	Renewable energy ratio of purchased electricity	—	20%	100%	Maintain 100%	5%	7.2%	✓	P172	✓	✓	✓	✓	✓	✓
		GHG emissions	FY2013	▲9%	▲26%	▲100%	▲7%	▲19.3%	✓	P170	✓	✓	✓	✓	✓	✓
Reduce energy usage volume	Improve energy efficiency and reduce energy expenses during production	Energy consumption for unit of output	FY2019	▲3%	▲10%	—	▲1%	▲0.4%	x	P170	✓	✓	✓	✓	✓	✓
Resource circulation	Promotion of resource reuse	Waste generated per unit of output	FY2019	Waste per unit of output down 1% over a 3-year period	—	Achieve a circular economy	Waste per unit of output down 1% over a 3-year period	▲0.8%	x	P185	✓	✓	✓	✓	✓	✓
		Copier Paper use per unit of output	FY2019	▲3%	—		▲1%	▲31.1%	✓	P187	✓	✓	✓	✓	✓	✓
		Waste generated per building	FY2019	▲6%	—		▲2%	4.6%	x	P186	✓	✓	✓	✓	✓	✓
Water risks	Maintain water resources	Water intake volume at production sites which use large quantities of water	FY2016	▲10%	—	—	▲10%	▲10.5%	✓	P195	✓	✓	✓	✓	✓	✓
		Total COD volume of river discharge water at production sites with large COD emission volumes	FY2016	▲10%	—	—	▲10%	▲15.5%	✓	P198	✓	✓	✓	✓	✓	✓
Reduce the impact of chemical substances	Reduced chemical emission and transport volumes	VOC emissions (Japan)	FY2019	▲3%	—	—	▲1%	7.7%	x	P202	✓	✓	✓	✓	✓	✓
Ecosystem	Ecosystem impact: Minimize risks of ecosystem deterioration	JBIB Land Use Score Card* points	FY2019	+3 points over a 3-year period	Promote ecosystem consideration* at all business sites *Ecosystem consideration: Increased quantitative evaluation of biodiversity	Maintain ecosystem consideration at all business sites	+1 point	+1.3 points	✓	P213	✓	✓	✓	✓	✓	✓
Education and development	Education for Enhancing the Ability to Contribute to Solving Social Issues Improve employees' ability to contribute to solving social problems (employee education)	Problem-solving capability indicators for personnel	FY2020	Implement education and human resource index checking to develop the skills needed by human resources with excellent problem-solving abilities (ESG human resources). Achieve FY2020 benchmarks and set goal values.	Level up as human resources with excellent problem-solving ability	Take a leading role in society as human resources with excellent problem-solving ability	Target-setting with a sense of benchmarks	Setting target values	✓	P42	✓	✓	✓	✓	✓	✓

● Integrated Index

Sekisui Environmental Sustainability Index

Long-term Environmental Management Vision “Sekisui Environment Sustainability Vision 2050”

The Sekisui Environmental Sustainability Index represents the impact on the environment of the activities of SEKISUI CHEMICAL Group companies (the use of natural capital) and their degree of contribution to the environment (returns to natural capital) as a single indicator. The major items for implementation in the Environmental Medium-term Plan - reducing various impacts on the environment, conserving the natural environment, and so forth - were integrated into this indicator; the Group has been running trial calculations since fiscal 2014. From fiscal 2017, the “rate of return to natural capital” has been used as an index to monitor the overall progress of Group companies’ environmental management.

The Group has been aiming to achieve 90% over the three-year period of the Environmental Medium-term Plan (2017-2019) and achieved a return rate of 104.5% in fiscal 2019, the final year of the Plan.

A new three-year Environmental Medium-term Plan began from fiscal 2020. Under the new Plan, for its SEKISUI Environmental Sustainability Index, the Group is evaluating its impact on and contribution to not only the natural environment but also the social environment while declaring its intention to contribute to the return of natural and social capital. In 2050, even as we expand our business, we will promote ESG management while maintaining a return of 100% or higher for both natural capital as well as social capital.

Calculation Results

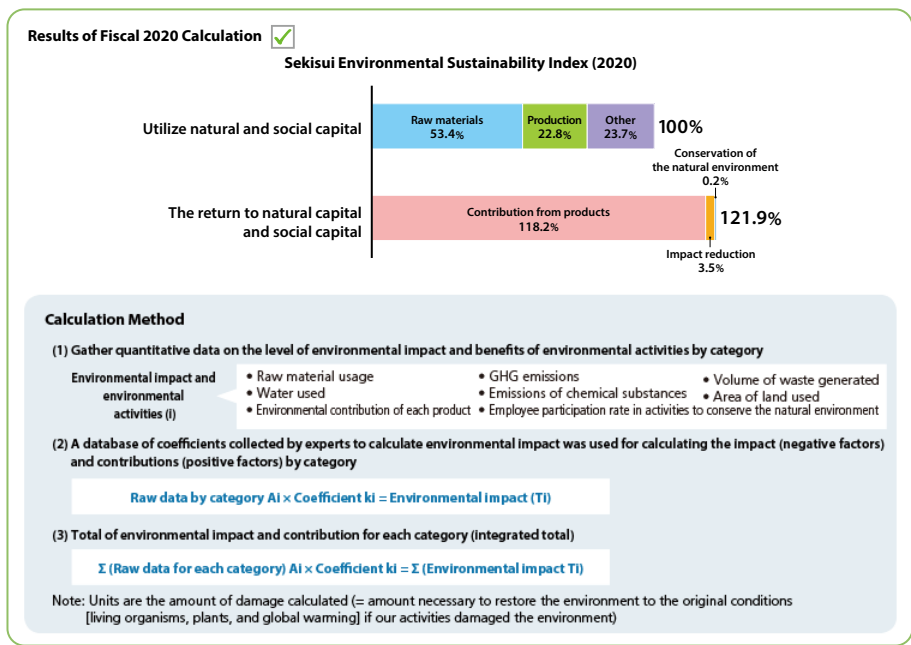
The results of calculating the Sekisui Environmental Sustainability Index, utilizing results from fiscal 2020, are as follows. Setting the use of natural and social capital (the impact on the environment) at 100, the return of natural and social capital (contributions to the environment) was 121.9% (17.4-point increase over the 104.5% achieved in fiscal 2019).

There are two reasons why our return rates improved.

- (1) Regarding the use of natural and social capital, burdens on the environment were mitigated by reducing the volume of raw materials and electricity used in the production process.
- (2) Although the impacts of the COVID-19 pandemic caused reduction in product sales for the individual fiscal year, which partially reduced our level of contribution in terms of returns on natural and social capital, in the automotive and housing fields, our product stock continued to contribute through effects such as reduced greenhouse gas emissions in usage due to its long working life.

Going forward, we will sustain the rate of return to natural and social capital at 100% or higher while growing as a company and expanding our business. By 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, boosting problem solving by means of products will contribute to improving the sustainability of the earth and society. At the same time, we believe that bringing about improvements in the returns on natural and social capital will link to improvements in the sustainability of SEKISUI CHEMICAL Group and its products.



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 Tokyo City University, was employed for the calculations in stages (2) and (3).

Indicator	Calculation Method
Sekisui Environmental Sustainability Index	<p>Sekisui Environmental Sustainability Index: Overall volume of returns of natural capital by the Group / Overall volume of usage of natural capital by the Group</p> <p>Calculating the usage and return volumes of natural capital Employing LIME2 (a damage calculation-based impact assessment method developed for use in Japan by Professor Norihiro Itsubo of Tokyo City University) and covering all the criteria for conservation defined by LIME2, 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</p> <p>The amount of return to natural capital was calculated as the reduction in the risk of harm to natural capital because of the whole Group’s various initiatives that contribute to the environment, relative to if these initiatives had not been implemented.</p> <ul style="list-style-type: none"> •Items included in the calculation of the amount of natural capital used <ul style="list-style-type: none"> Direct usage: Use of land, greenhouse gases, amounts of emissions into the air of PRTR substances and air pollutants, the COD volume of discharges into bodies of water Indirect usage: 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 the calculation of returns to natural capital <ul style="list-style-type: none"> Amount of contributions to reducing usage of natural capital through Environment-contributing Products, the amount of contribution from environmental conservation activities, environment-related donations, mega-solar power generation output <p>*¹ Until fiscal 2017, the Group gained an understanding of environmental impact, including the volume of greenhouse gasses emitted, by making calculations using “MiLCA,” the database furnished by the Japan Environmental Management Association For Industry. However, from fiscal 2018, the Group is reflecting the actual GHG emissions of its raw material suppliers with regard to four principal resins (PP, PE, PVC and PVA).</p>

Indicator	Calculation Method
Sekisui Environmental Sustainability Index	<p>Scope of Calculation / Listing by category of calculation: Trial calculations were conducted using the following assumed conditions:</p> <ul style="list-style-type: none"> •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 usage are included in the calculation based on the 30-year period after the purchase of the land <p>*2 Concerning land usage, starting with fiscal 2017, improvements to soil quality in the "JBIB Land Use Score Card®" system promoted in Japan were deemed as reductions of the impact of land usage, weighted accordingly, and included in the calculation.</p> <ul style="list-style-type: none"> •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 usage for 60 years into the future Until fiscal 2017, the Group calculated the amount of greenhouse gas reduction achieved through solar power generation as the amount of reduced environmental impact. From fiscal 2018, however, we are also calculating the effect of reduction in energy used in residences built to zero energy house (ZEH) specifications. Processing of sold products: Energy usage by customers while processing 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
<p>Sekisui Environmental Sustainability Index</p>	<ul style="list-style-type: none"> <p>•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, usage/maintenance, disposal, and recycling) in terms of CO₂ 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.</p> <p>(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.</p> <p>(3) The sales results 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 67% of Environment-contributing Products.</p> <p>*³ Based on individual standards of divisional company</p> <p>•Direct contribution / Contribution from activities reducing environmental impacts:</p> <p>The effects on the environment relating to production for each fiscal year were compared to “the effects on the environment relating to manufacturing in fiscal 2016 × (revenue in that fiscal year / revenue in fiscal 2016),” 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.</p> <p>•Direct contribution / Conservation of the natural environment:</p> <p>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 amount of CO₂ (1.1 t-CO₂/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 areas which were promoted in Japan, because improving the sustainability of activities through local cooperation and making them stand on their own (autonomous) were made targets from fiscal 2017, the Group's ability to work toward this target was weighted against the growth axis and included in the calculation.</p> <p>•Direct contributions / donations:</p> <p>The amount intended to be paid for conservation was deemed equal to the amount of money calculated for damage caused and included in the calculation.</p> <p>•Direct contribution / Mega-solar:</p> <p>Amount of electricity generated included in the calculation as generated energy converted to a CO₂ basis</p>

● Environmental Management System

Promoting an Environmental Management System Based on ISO 14001

Management Approach

Environmental Management System

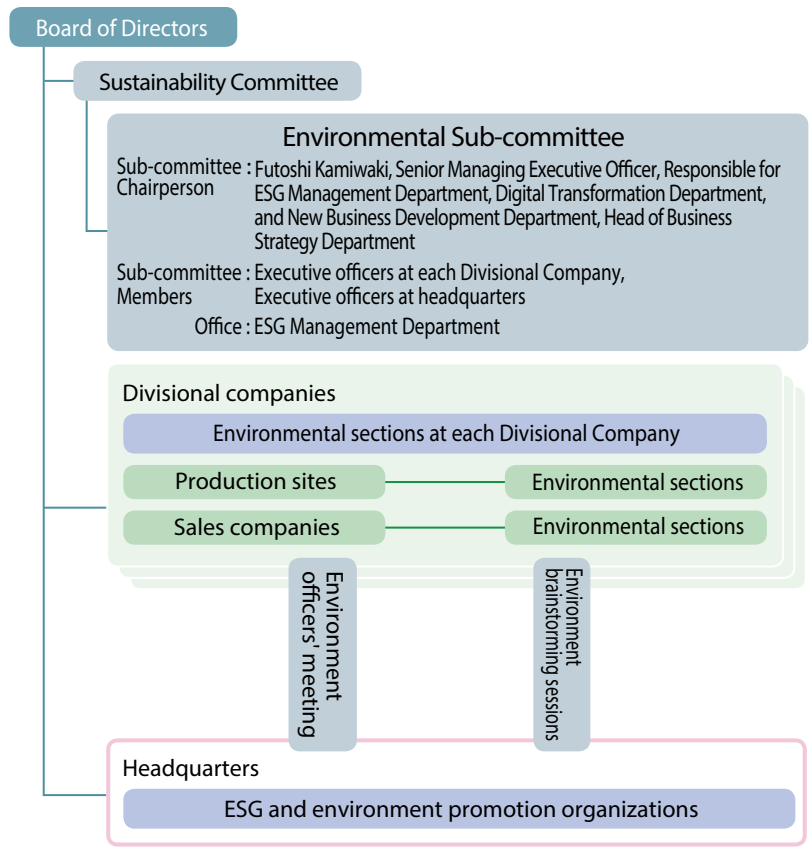
The environmental aspects of SEKISUI CHEMICAL Group have been managed and promoted under the Sustainability Committee since fiscal 2020.

As an entity that remained in place until fiscal 2019, the CSR Committee deliberated on major CSR initiatives and activity policies. By changing the structure of this committee and renaming it the Sustainability Committee, we have turned it into a forum to deliberate on policies and strategies for improving the sustainability of society and SEKISUI CHEMICAL Group. In addition, we have positioned the environment as one materiality for improving sustainability and established an Environmental Sub-committee subordinate to the Sustainability Committee.

At the first meeting of the Sustainability Committee (held in December 2020), the committee deliberated on the main sustainability-related initiatives, including the environment, as well as activity policy and related issues. A framework was created for the deliberations of this committee to be reported to and approved by the Board of Directors, then applied to management. In addition, the determination and implementation of a detailed activity plan related to the environment will be carried out through meetings of environmental managers from headquarters and each division company.

In fiscal 2020, the Environmental Sub-committee met twice, in September and March, confirming progress and deliberating on the effectiveness of measures related to issues such as greenhouse gas emission reduction, handling water risk problems, and initiatives for reducing the volume of waste products generated. In addition, in cases such as when urgent expansion of measures is required, management meetings (which meet monthly and are chaired by the person in charge of the ESG Management Promotion Department and the head of the Business Strategy Department) deliberate on these matters as needed and report to the Board of Directors.

Environmental Management Promotion System (from fiscal 2020)



Environmental Management Across the Supply Chain

We ask our suppliers to establish an environmental management system in conformity with ISO 14001 and to reduce their environmental impact when starting or continuing business dealings.

With regard to important environmental issues such as climate change, we are confirming whether reduction targets have been set and efforts are under way.

The raw materials used in manufacturing are used as a material balance to assess the volume used and also in assessing environmental impact. Recognizing that climate change is the most important environmental issue in the case of the raw materials we use, we are stepping up efforts particularly with regard to the reduction of greenhouse gas emissions.

Of the raw materials, for the four major resins that are purchased in large volumes and have high levels of greenhouse gas emissions, we are requesting the presentation of greenhouse gas emissions data during raw material manufacture from more than 10 manufacturing companies, while promoting efforts to reduce greenhouse gases under Scope 3 for the future.

Group EMS-Aligned Environmental Activities in Offices

SEKISUI CHEMICAL Group encourages environmental activities in its offices that are in line with its Environmental Management System (EMS). At our offices located throughout Japan, we refer to the EMS for guidance on environmental activities, such as turning off lights during lunch breaks and other steps to conserve energy and reducing the use of paper.

Setting Self-management Targets That Are Tougher than Environmental Laws and Regulations

SEKISUI CHEMICAL Group has set its own environmental management targets, such as for reducing emissions into the atmosphere and water environments, which are tougher than legal regulations. Each business site strictly follows these internal targets. We aim to prevent environmental accidents before they occur by conducting internal environmental audits to uncover latent environmental risks. The latest regulatory trends and case studies of accidents at other companies are shared within the Group as a part of comprehensive environmental activities.

In fiscal 2020, there were two environmental accidents which occurred. In both cases, we identified the cause and carried out permanent recurrence prevention measures. No major fines for violations of legal responsibilities or of regulations were incurred.

Major Initiatives

Expansion of EMS Overseas

At our overseas bases, we are also expanding EMS implementation with similar policies to Japan. We are putting in place systems for obtaining environmental impact data and taking initiatives to reduce environmental impact based on this data.

As of the end of March 2021, 51 business sites in Japan and 39 business sites overseas had acquired ISO 14001 or other certifications. The proportion of SEKISUI CHEMICAL Group production sites and research facilities which have acquired these certifications is now 92%.

Additionally, the Group aims to achieve ISO 14001 certification at all production sites.

Conducting Emergency-preparedness Drills

To prevent and mitigate environmental pollution during an emergency, our employees at each business site are trained at least once a year in emergency procedures and communications for a variety of scenarios unique to each business site. The implementation results from the main training held in fiscal 2020 are set out below.

Training for Measures and Notices to be Carried Out in Emergencies

Simulated emergency situation	Number of times drills performed
Leakage and outflow of oil and other materials	44
Atmospheric release of solvents and other materials	3
Fire incidents	29
Earthquake incidents	9
Emergency reporting drills	7
Comprehensive disaster drills	34
Handling of other equipment-related accidents	4

Performance Data

Scope of Tabulation for Environmental Performance Data

Note: Regarding the scope of aggregation for environmental performance data, environment reports from all business sites of SEKISUI CHEMICAL (consolidated) are included (100% of produced sales amounts).

Japan

Housing Company

R&D institute **One company and one business site**

Sekisui Chemical Co., Ltd. Tsukuba R&D Site

Production plants **Seven companies and 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 **26 companies and 141 business sites**

Sekisui Heim sales companies
Construction and service companies

34 companies and 152 business sites in total

Urban Infrastructure & Environmental Products Company

R&D institutes **One company and one business site**

Sekisui Chemical Co., Ltd. Kyoto Research & Development Laboratories

Production plants **21 companies and 20 business sites**

Sekisui Chemical Co., Ltd. Shiga-Ritto Plant and Gunma Plant / Higashinohon Sekisui Industry Co., Ltd. / Nishinohon Sekisui Industry Co., Ltd. / Chiba Sekisui Industry Co., Ltd. / Sekisui Chemical Hokkaido Co., Ltd. / Toto Sekisui Co., Ltd. / Shikoku Sekisui Co., Ltd. / Nara Sekisui Co., Ltd. / Yamanashi Sekisui Co., Ltd. / Sekisui Seikei, Ltd. / Sekisui Hinomaru Co., Ltd.

Sales **One company and nine business sites**

Sekisui Chemical Co., Ltd. Tohoku Sales Headquarters, Higashinohon Sales Headquarters, Chubu Sales Headquarters, Nishinohon Sales Headquarters, Kyushu Sales Headquarters, etc.

21 companies and 30 business sites in total

Note: The total number of companies and business sites do not match, since some companies have two or more business sites, and some business sites are shared by two or more companies.

High Performance Plastics Company

R&D institutes **Two companies and two business sites**

Sekisui Chemical Co., Ltd. Minase Site
Sekisui SoflanWiz Co., Ltd. R&D Division

Production plants **12 companies and 14 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. / Tokuyama Sekisui Industry Co., Ltd. / Sekisui Polymatech Co., Ltd. / Sekisui SoflanWiz Co., Ltd., etc.

12 companies and 16 business sites in total

Headquarters

R&D institutes **Two companies and two business sites**

Sekisui Chemical Co., Ltd. Advanced Technology R&D Center
Sekisui Medical Co., Ltd. Drug Development Solutions Center

Production plants and headquarters **Three companies and seven business sites**

Sekisui Chemical Co., Ltd. Osaka headquarters and Tokyo headquarters
Sekisui LB Tec Co., Ltd. Chubu Plant
Sekisui Medical Co., Ltd. Iwate Plant, Tsukuba Plant and Ami Site
Research Laboratory of Plastics Technology Co., Ltd.

Five companies and nine business sites in total

Total: 68 companies and 207 business sites

Overseas

Housing Company

Sekisui-SCG Industry Co., Ltd.

One business site

Urban Infrastructure & Environmental Products Company

Sekisui KYDEX, LLC. Bloomsburg-North Campus
 Sekisui KYDEX, LLC. Bloomsburg-South Campus
 Sekisui KYDEX, LLC. Holland Plant
 Sekisui Eslon B.V.
 Sekisui Industrial Piping Co., Ltd.
 Sekisui Rib Loc Australia Pty. Ltd.
 Sekisui (Wuxi) Plastics Technology Co., Ltd.
 Sekisui (Shanghai) Environmental Technology Co., Ltd.

Eight business sites in total

High Performance Plastics Company

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.
 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 Specialty Chemicals (Thailand) Co., Ltd.
 S and L Specialty Polymers Co., Ltd.
 Sekisui Voltek, LLC, Coldwater Plant
 Sekisui-Alveo B.V.
 Sekisui Alveo BS G.m.b.H.
 Thai Sekisui Foam Co., Ltd.
 Sekisui Pilon Pty. Ltd.
 Youngbo Chemical Co., Ltd.
 Youngbo HPP (Langfang) Co., Ltd.
 Sekisui Youngbo HPP (Wuxi) Co., Ltd.
 Sekisui High Performance Packaging (Langfang) Co., Ltd.
 Sekisui DLJM Molding Private Ltd. Greater Noida Plant
 Sekisui DLJM Molding Private Ltd. Tapukara Plant
 Sekisui DLJM Molding Private Ltd. Chennai Plant
 PT. Sekisui Techno Molding Indonesia
 Sekisui Polymatech (Thailand) Co., Ltd.
 PT. Polymatech Indonesia
 Sekisui Polymatech (Shanghai) Co., Ltd.

27 business sites in total

Headquarters

Sekisui Xenotech, LLC.
 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 Pte. Ltd.

Seven business sites in total

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
 Tokyo Site
 Chubu Site
 Kinki Site
 Chushikoku Sekisui Heim Industry Co., Ltd.
 Kyushu Sekisui Heim Industry Co., Ltd.
 Sekisui Board Co., Ltd. Minakuchi Plant
 Sekisui Board Co., Ltd. Gunma Plant
 Sekisui-SCG Industry Co., Ltd.
 SCG-Sekisui Sales Co., Ltd.

Urban Infrastructure & Housing Company 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
 Nishinohon Sekisui Industry Co., Ltd. Okayama Plant
 Shikoku Sekisui Co., Ltd.
 Kyushu Sekisui Industry Co., Ltd.
 Nara Sekisui Co., Ltd.
 Higashinohon Sekisui Industry Co., Ltd. Hanyu Site
 [Higashinohon Sekisui Industry Co., Ltd. Watari Site]
 Yamanashi Sekisui 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 Hinomaru Co., Ltd. Tosu Plant
 Sekisui Hinomaru Co., Ltd. Kanto Plant
 Sekisui Home Techno Co., Ltd.
 Sekisui Polymer Innovations, LLC.
 Bloomsburg Plant
 Sekisui Polymer Innovations, LLC.
 Holland Plant
 Sekisui Eslon B.V.
 Sekisui Rib Loc Australia Pty. Ltd.
 Sekisui Refresh Co., Ltd.
 Sekisui Industrial Piping Co., Ltd.
 Sekisui (Wuxi) Plastics Technology Co., Ltd.
 Sekisui (Qingdao) Plastic Co., Ltd.
 Sekisui (Shanghai) Environmental Technology Co., Ltd.

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.
 Tokuyama Sekisui Industry Co., Ltd.
 Sekisui Polymatech Co., Ltd.
 Sekisui SoflanWiz Co., Ltd.
 [Sekisui SoflanWiz Co., Ltd. Iwaki Plant, Atsugi Plant,
 Akashi Plant and R&D Division]
 Sekisui S-Lec B.V. Film Plant
 Sekisui S-Lec B.V. Resin Plant
 Sekisui-Alveo B.V.
 Sekisui Alveo BS G.m.b.H.
 Sekisui Specialty Chemicals Europe, S.L.
 Sekisui S-Lec America, LLC.
 Sekisui Votek, LLC. Lawrence Plant
 Sekisui Votek, LLC. Coldwater Plant
 Sekisui Specialty Chemicals America, LLC.
 Pasadena Plant
 Sekisui Specialty Chemicals America, LLC.
 Calvert City Plant
 Sekisui S-Lec Mexico S.A. de C.V.
 Sekisui S-Lec Thailand Co., Ltd.
 Thai Sekisui Foam Co., Ltd.
 Sekisui Specialty Chemicals (Thailand) Co., Ltd.
 S and L Specialty Polymers Co., Ltd.
 Sekisui Polymatech (Thailand) Co., Ltd.
 PT. Polymatech Indonesia
 Sekisui Pilon Pty. Ltd.
 Sekisui DLJM Molding Private Ltd. Great
 Noida Plant
 Youngbo Chemical Co., Ltd.
 Youngbo HPP (Langfang) Co., Ltd.
 Sekisui High Performance Packaging (Langfang) Co., Ltd.
 Sekisui S-LEC (Suzhou) Co., Ltd.
 Sekisui Polymatech (Shanghai) Co., Ltd.

Headquarters

Sekisui Chemical Co., Ltd. R&D Center*
 Sekisui Medical Co., Ltd. Drug Development Solutions Center☆
 Sekisui LB Tec Co., Ltd. Chubu Plant
 Sekisui Medical Co., Ltd. Iwate Plant
 Sekisui Medical Co., Ltd. Tsukuba Plant
 Sekisui Medical Co., Ltd. Tsukuba Plant and Ami Site
 Sekisui Diagnostics (UK) Ltd.
 Sekisui Diagnostics, LLC, San Diego
 Sekisui Diagnostics P.E.I. Inc.
 Sekisui Medical Technology (China) Ltd.

[]: Organizations in square parentheses are included in the scope of certification. Some sites not shown above may include related sections that have attained ISO 14001 certification.

☆ Eco Action 21; others ISO 14001

* The Sekisui Chemical Co., Ltd. Tsukuba R&D Site and 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, Eco-Action 21, etc.
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

Environment-related Accidents, Complaints, etc.

	Content	Response
Accident (Leak)	Hydraulic oil leaked into the waste water drains and was collected at the site.	A shield valve was installed in the waste water channels.
	Stored waste resin liquid generated heat through a chemical reaction, causing the discharge of waste liquid and gas.	Storage rules for reactive materials were revised and made common knowledge. An abnormal temperature detection device was installed inside the storage cabinet.
Complaints	No complaints occurred.	

In fiscal 2020, there were two environmental accidents which occurred. In both cases, we identified the cause and carried out permanent recurrence prevention measures.

● Environmental Accounting

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

Management Approach

SEKISUI CHEMICAL Group Refers to Public Guidelines and Adds Its Own Concepts

From an ESG management perspectives, and in order to fulfill our reporting responsibilities as a company and promote efficient environmental activities, we are working to reduce our environmental impact while employing environmental accounting in a bid to identify the effects of costs incurred and investments undertaken to contribute to the environment.

Under the Medium-term Plan, which began in fiscal 2020, and from a Group-wide management strategy perspective, environment-related investments and expenses are positioned as a capital cost. We will use environmental accounting to raise awareness that the restraint of capital costs and efforts to improve productivity will help boost ROIC.

Performance Data

Summation period	April 1, 2020 to March 31, 2021
Scope of tabulation	Domestic production sites, research facilities, housing sales company sites, and headquarters departments.
Calculation Method	Based on the Ministry of the Environment's "Environmental Accounting Guidelines 2005 Edition"
Approach toward summation	<ul style="list-style-type: none"> • 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 subcategorized, and the economic effects of environmental conservation measures limited to effects on an actual basis, excluding deemed effects from fiscal 2020. • The environmental conservation effects of physical quantity are shown in each performance data chapter.

Environmental Conservation Costs

(Millions of yen)

Category	Items	Description of main activities	FY2020	
			Costs	Investments
1) Costs within business areas	(1) Pollution prevention costs	a. Air	369	62
		b. Water	130	77
		c. Soil	0	7
		d. Noise	12	1
		e. Vibration	0	0
		f. Unpleasant smells	255	0
		g. Ground	106	3
		h. Others	304	8
		Subtotal	1,176	157
	(2) Countermeasures against global warming	a. Global warming (including energy saving)	686	588
		b. Ozone layer	100	18
		c. Others	0	4
		Subtotal	786	611
	(3) Resource recycling costs	a. Effective utilization of resources	63	17
		b. Water conservation, utilization of rainwater, etc.	4	4
c. Waste volume lightening, reduction, recycling, etc.		176	93	
d. Waste processing, disposal, etc.		6,293	4	
e. Others		18	1	
Subtotal		6,553	119	
2) Upstream/downstream costs	Cost increases due to recycling of products such as those manufactured and sold, greener purchasing, etc.		113	0
3) Administrative costs	Environmental education, EMS maintenance, running costs for green action organization, information disclosure, etc.		2,385	12
4) Research & development costs	Research and development on environmental conservation		3,740	313
5) Social activities costs	Social contributions, etc.		112	98
6) Environmental damage costs	Nature restoration, etc.		30	2
Total			14,896	1,311

Substantive Economic Benefits of Environmental Conservation Measures

(Millions of yen)

Description of effects		FY2020	Remarks
Revenue	(1) Profit on sales of valuable resources	176	Profit on sales of valuable resources from promotion of waste segregation and recycling
	(2) Revenues from sale of electricity	402	Revenues from sale of electricity generated by megasolar facilities
Cost savings	(3) Cost savings through energy-saving activities	1,311	Including savings through utilization of co-generation
	(4) Cost savings through waste-reduction activities, etc.	502	Reductions through optimization, reuse, and zero emissions activities
Total		2,392	

Usage of Natural Capital

As a Group that conducts business utilizing natural capital, SEKISUI CHEMICAL Group undertakes initiatives aimed at reducing environmental impact, to achieve both environmental preservation and sustainable business. In addition to reduction of greenhouse gases, introduction of renewable energy and analyses of risks and opportunities related to climate change, the Group is moving forward with efforts such as resource recycling and the protection of water resources.

TOPICS

Usage of Natural Capital	p160
• Climate Change	p162
• Approach to Realizing Resource Recycling	p181
• Reduction of Water-related Risks	p188
• Chemical Substance Management	p199
• Environmental Impact Assessment	p204
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Usage of Natural Capital

Initiatives to Reduce its Impact on the Environment

SEKISUI CHEMICAL Group is involved in business that utilizes fossil fuels, lumber, and other resources of the earth (natural capital).

To balance conservation of the irreplaceable global environment with sustainable business, we are working to “reduce the impact on the environment.”

From fiscal 2020, we have been expanding the scope of our efforts to include the supply chain and strengthen our lifecycle management, including the supply chain, with the aim of resolving environmental issues.

Climate Change

SEKISUI CHEMICAL Group is engaged in reducing GHG emissions across the entire supply chain. This includes the procurement of raw materials through research and development to manufacturing as well as the transport and use of products.

Based on the long-term vision launched in fiscal 2020, we are focusing on expanding the use of renewable energy, more clearly communicating our policy of contributing to global warming countermeasures through our business activities, and improving our effectiveness.

Handling for Achieving Resource Circulation

SEKISUI CHEMICAL Group strives to thoroughly implement the 3Rs (reduce, reuse, and recycle) throughout entire lifecycles and to achieve zero emissions from its business sites. In addition to continuing these activities going forward, we will promote recycling, including resource conversion centered on plastic raw materials (use of non-fossil and renewable materials) and the development and social implementation of waste recycling technologies, in a bid to realize a circular economy and a recycling-oriented society in 2050.

Reduction of Water Risks

Water resources are natural capital that is indispensable to the continuation of business, and at the same time are also natural capital shared by the community.

Up to fiscal 2019, the entire Group has focused on reducing water intake volume and the environmental impact attributable to water drainage. However, the situation and challenges of water resources are highly localized and contradictory to working toward a uniform global goal.

In addition to the activities undertaken to reduce environmental impact by cutting back water intake volume as well as water discharged from fiscal 2020, we are examining our business activities with the use of water in a sustainable manner as a shared regional resource uppermost in our mind after identifying the risk that our ongoing business will have on the water resources located in close proximity to our business sites.

Chemical Substance Management

We believe that properly managing chemical substances while taking into consideration product safety, occupational safety and health, as well as environmental impact is an important responsibility of any company. SEKISUI CHEMICAL Group has set its own targets for reducing the emission and transfer of chemical substances and is working to comply with global laws and regulations on an ongoing basis.

Environmental Impact Assessment

We are continuously running systems that evaluate the environmental effects of our products in all stages from product planning, development, mass prototyping, market release, and initial distribution in a bid to identify and minimize the impact of our products and services on the global and social environment.

Material Balance

SEKISUI CHEMICAL Group releases information on the resources and energy used in its business activities (inputs) and on the impact on the environment of those activities (outputs).

● Climate Change

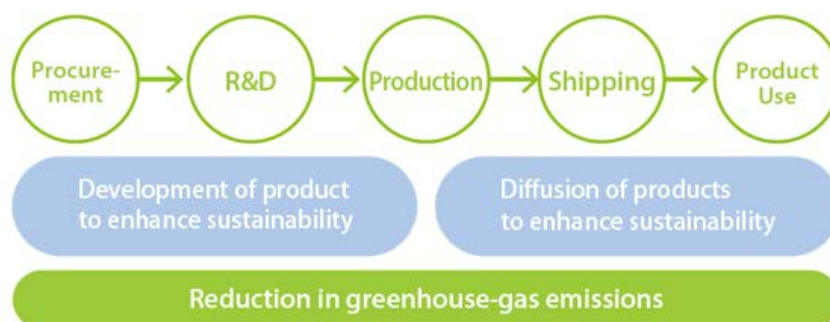
Efforts to Reduce Greenhouse Gas Emissions throughout the Supply Chain

Management Approach

Basic Concept

Reducing Emissions throughout the Supply Chain

SEKISUI CHEMICAL Group has formulated a medium-term greenhouse gas emission reduction plan in line with targets established at COP21 (the 21st Conference of the United Nations Framework Convention on Climate Change). We are identifying and disclosing the effects in terms of “risks and opportunities” that climate change will have on business continuity based on science-based scenarios aimed at the achievement of the ambitious goals of the Paris Agreement, which are based on Science Based Targets (SBT). Moreover, we reflect these factors into our business plans and emission reduction targets. Concerning emissions, SEKISUI CHEMICAL is engaged in reducing greenhouse gas emissions at every stage, from the procurement of raw materials to development, manufacturing, transport, and use. We monitor these emissions throughout the supply chain, including not just our own business sites but also raw material suppliers and the use of our products after being sold, and publish our findings.



Combating Climate Change

SEKISUI CHEMICAL Group believes that it is important to earnestly confront all the risks of climate change and make every effort to keep the temperature rise to less than 1.5°C. Under the Sekisui Environment Sustainability Vision2050 that was formulated in 2019 we are trying to contribute to solving environmental issues by reducing the environmental impact through our business activities. We have set a target of zero GHG emissions due to our business activities by 2050. Moreover, we are advancing the introduction of solar power equipment to generate electricity for use at the plant or facility in which it was installed, increasing our utilization ratio for renewable energy from electricity purchased from outside and have set a new target value of 100% by 2030. At the same time, we started specific actions to achieve a 26% reduction in GHG emissions by 2030, to which we committed ourselves under the SBT initiative.

Risks and Opportunities Posed by Climate Change to Our Businesses

SEKISUI CHEMICAL Group recognizes that global warming and other forms of climate change are a global problem. The Sekisui Environment Sustainability Vision 2050 created in fiscal 2019 aims to realize “a planet where biodiversity is preserved.” Our concept of “a planet where biodiversity is preserved” is a vision where global-scale issues, such as climate change, resource depletion and ecosystem degradation, have been resolved.

We also strive to understand the risks and opportunities that climate change presents to the operations of SEKISUI CHEMICAL Group, in terms of their magnitude, scope of impact and other matters. For identified risks, SEKISUI CHEMICAL Group examines measures to mitigate the risks, and for identified opportunities, it considers the creation of new businesses by developing products and services. Through this kind of management, we believe it is possible to remain a company that meets the demands of society through sustainable business development.

Addressing the Rising Costs Associated with Climate Change Strategies

As an initiative to reduce environmental impact, SEKISUI CHEMICAL Group introduced the ECO-JIT Program* for the purpose of greatly increasing energy efficiency in production processes, improve factory processes where necessary, and promote visualization of energy usage while reducing the volume used. We also created a system where employees can select an eco-car from the list of company-owned vehicles and conduct environmental impact assessments and energy conservation assessments when installing new equipment in our plants. Through these and other efforts, SEKISUI CHEMICAL Group has put in place a structure that allows it to meet new environmental regulations around the world at minimal cost.

* ECO-JIT Program: A program to reduce energy costs by thorough detection of energy losses in production processes and thorough innovation

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

SEKISUI CHEMICAL Group manages risks that arise from changing market needs due to climate change and other global social issues by continuing to develop products that make a significant contribution to resolving issues in the natural and social environment, and disclosing and distributing detailed data on outcomes. At the same time, we believe that this will help to precisely identify opportunities arising from strengthening demand.

In particular, we believe it is possible to magnify the impact we create by quantifying as much as possible the size of the contribution Group products make to solving social issues, which leads to opportunities to create markets in ways that help solve global issues and heighten the awareness of consumers.

From fiscal 2020, we intend to strengthen our partnerships with stakeholders and engage in activities to increase our contribution to resolving issues through co-innovation (fusion) and accelerate solutions through early dissemination. With this in mind, we established the MINASE INNOVATION CENTER (commonly known as MIC) as an organization to promote open innovation with our stakeholders.

Addressing the Deterioration in Operating and Working Conditions

If climate change becomes a grave problem and the highest and lowest temperatures become increasingly extreme, it is possible that people in manufacturing and construction will become unable to work. SEKISUI CHEMICAL Group believes that it is possible to minimize the effects of climate change by proposing construction and engineering plans that take into account the seasonality of each region.

Each company division and Group company has formulated its own BCP based on their unique situation as a means of avoiding as much as possible the risk of loss in operations and work availability due to natural disasters.

Major Initiatives

Acquisition of Certification under the SBT* Initiative for Greenhouse Gas Reduction Targets

SEKISUI CHEMICAL Group discloses its targets on its website and elsewhere in order to demonstrate to society its commitment as a company to proactively addressing climate change issues. Additionally, in fiscal 2017, the Group applied for certification under the SBT Initiative to demonstrate that the medium- to long-term targets announced for its overall business and for its supply chains reach a scientifically grounded, ambitious level aimed at achieving the COP21 (Paris Agreement) targets. The Group then became the first in the chemical industry worldwide to receive this certification.

<Certified targets>

SCOPE 1+2: Reduce greenhouse gas emissions by 26%, relative to fiscal 2013, by 2030

SCOPE 3: Reduce greenhouse gas emissions by 27%, relative to fiscal 2016, by 2030

<Progress in Fiscal 2020>

SCOPE 1+2: Reduce greenhouse gas emissions by 18.6%, relative to fiscal 2013

SCOPE 3: Reduce greenhouse gas emissions by 11.4%, relative to fiscal 2016

The Group will continue to affirm its growing responsibility to play its role as an industry leader and will strive to engage in activities leading and imploring society as a whole to work on measures to combat climate change.

* SBT: SBT (short for Science-Based Targets). Called for by joint initiatives, including the UN Global Compact, in response to the adoption of the Paris Agreement. Through the SBT Initiative, greenhouse gas reduction targets established by companies are certified as science-based targets (SBT) that contribute to long-term measures combating climate change.

Promoting the Use of Renewable Energy in Electricity by Joining RE100

We recognize that the issue of climate change is not only a major social challenge, but also a major risk factor for SEKISUI CHEMICAL Group. As part of our goal to accelerate our efforts to contribute to the resolution of this issue in a way that encompasses society as a whole, in August 2020 we joined RE100, an international initiative that aims to source 100% of the energy consumed in business activities from renewable sources.

To achieve zero GHG emissions from our business activities by 2050, and to attain the greenhouse gas reduction target certified by the SBT Initiative by FY2030, SEKISUI CHEMICAL Group will enact strategies such as entrenching energy conservation measures and promoting a shift to renewable energy.

We intend to shift to renewable energy sources for 100% of the electric power we purchase from external sources by 2030, and aim for all our electric power, including that produced by cogeneration systems, to come from renewable energy sources by 2050.

Reducing Greenhouse Gases at Supply Chain Stage

In the case of SEKISUI CHEMICAL Group, we were able to determine that greenhouse gas emissions falling under SCOPE 3 are highest at the raw materials procurement and product usage stages. The reason that emissions are high in the raw materials procurement stage is understood to be due to the characteristics of our business as a chemicals manufacturer. Meanwhile, the emissions from the product-usage stage arise from the large volumes of greenhouse gases emitted as the result of energy consumed in the houses that we sell.

Moving forward, we will review our selection criteria for new materials, with the goal of reducing greenhouse gas emissions by 20% compared to fiscal 2016 for raw materials. We have also begun working with suppliers to reduce the use of four resins known to be raw materials that result in high levels of emissions.

In terms of emissions at the stage of product usage, we will contribute to energy usage reductions from occupied housing by increasing the proportion of net-zero energy houses (ZEH) among the housing units that we sell, achieving 50% reductions, relative to fiscal 2016, by fiscal 2030.

Promoting the Use of Renewable Energy

SEKISUI CHEMICAL has been promoting the use of renewable energy by installing solar power generators at our domestic and overseas production sites.

The following facilities installed solar power generation equipment producing electricity for on-site use in fiscal 2020

- Sekisui Heim Industry Co., Ltd. Kanto Site
- SEKISUI SEIKEI, LTD. Kanto Plant
- Sekisui Medical Co., Ltd. Tsukuba Plant
- SEKISUI S-LEC (THAILAND) CO., LTD.
- SEKISUI S-LEC B.V. Film Plant



Sekisui Heim Industry Co., Ltd. Kanto Site



SEKISUI SEIKEI, LTD. Kanto Plant



Sekisui Medical Co., Ltd. Tsukuba Plant



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



SEKISUI S-LEC B.V. Film Plant

Solar Power Generation Facilities Producing Electricity for On-site Use	
Japan	Tohoku Sekisui Heim Industry Co., Ltd.
	Chushikoku Sekisui Heim Industry Co., Ltd.
	Kyushu Sekisui Heim Industry Co., Ltd.
	Sekisui Heim Industry Co., Ltd. Kanto Site
	Yamanashi Sekisui Co., Ltd.
	Sekisui Seikei, Ltd. Kanto Plant
	Sekisui Medical Co., Ltd. Tsukuba Plant
America	Sekisui S-Lec America, LLC.
Netherlands	Sekisui S-Lec B.V. Film Plant
Thailand	Sekisui S-Lec (Thailand) Co., Ltd.

SEKISUI CHEMICAL Group has also begun proactively switching over to renewable energy sources for electricity purchases from fiscal 2020, and there are currently a total of 8 facilities in Japan and overseas where 100% of this electric power is derived from renewable energy.

Facilities for which 100% of electricity is derived from renewable energy sources	
Japan	Sekisui Chemical Co., Ltd., Tsukuba Plant
	Hokkaido Sekisui Heim Industry Co., Ltd
	Tohoku Sekisui Heim Industry Co., Ltd
	Sekisui Heim Co., Ltd, Kinki Site
	Sekisui Medical Co., Ltd., Tsukuba Plant
	Sekisui Medical Co., Ltd., Ami Site
Netherlands	Sekisui S-Lec B.V. Film Plant
Spain	Sekisui Specialty Chemicals Europe S.L.

Energy consumption from renewable sources in fiscal 2020 was 48.7 GWh, comprising 7.2% of total purchased power (including solar power generation for on-site use) and 6.3% of total power consumption, including self-generated power using the co-generation system.

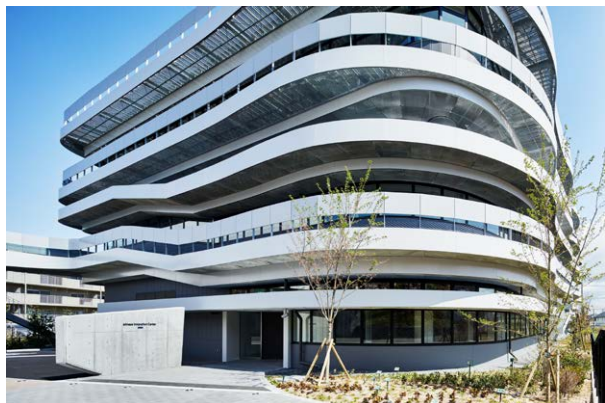
Energy Savings in Newly Constructed Buildings

ZEB Ready* Certified New Research Facility, "MINASE INNOVATION CENTER"

In April 2020, we constructed a new research facility, the MINASE INNOVATION CENTER (commonly known as MIC), in Shimamoto-cho, Osaka Prefecture. The facility was designed with a skip-floor configuration and a central atrium so as to make the entire building a "space for people to interact." While this gives the building a complex shape, it has also been certified as "ZEB Ready" thanks to the adoption of fixtures and equipment that contribute to energy conservation, as well as a design that makes the best use of solar energy.

We were able to limit energy consumption in fiscal 2020 in lighting to a level far below the design value thanks in part to the use of motion sensors. However, energy use in air conditioners exceeded the design value due 24-hour use as ventilation in line with measures designed to prevent the spread of COVID-19. Our goal in fiscal 2021 is to operate the facility based on the balance between hygiene and energy conservation that we learned to achieve in fiscal 2020, with the overall aim of using less energy than the design value.

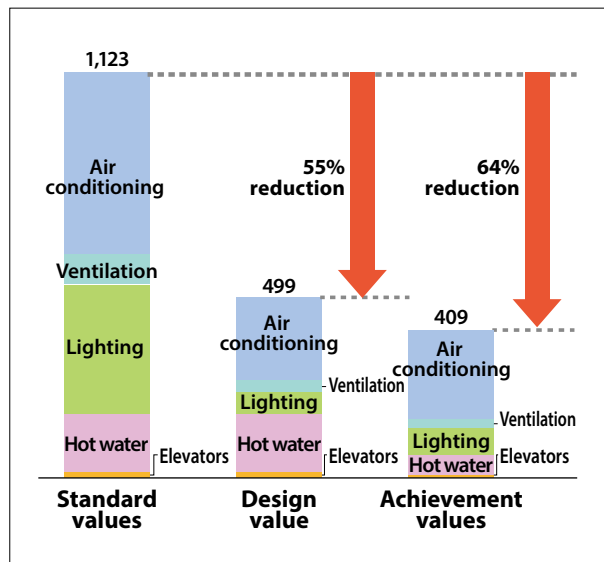
- * ZEB (Net Zero Energy Building): Buildings that are aimed to reduce annual primary energy consumption balance to zero.
- ZEB Ready: As advanced buildings in anticipation of ZEB certification, buildings with high thermal insulation and highly efficient energy-saving equipment
- (From the Ministry of the Environment web page [Japanese language only]: http://www.env.go.jp/earth/zeb/terms/index.html?id=term_01)



MINASE INNOVATION CENTER (exterior view)



MINASE INNOVATION CENTER (interior view)



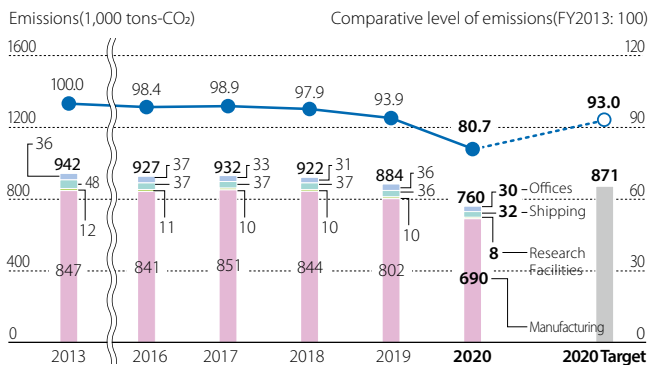
Primary energy consumption (MJ/m² per year)

Performance Data ✓

Note 1: Since the calculation method for energy usage was changed from fiscal 2020, figures from past years have been revised.

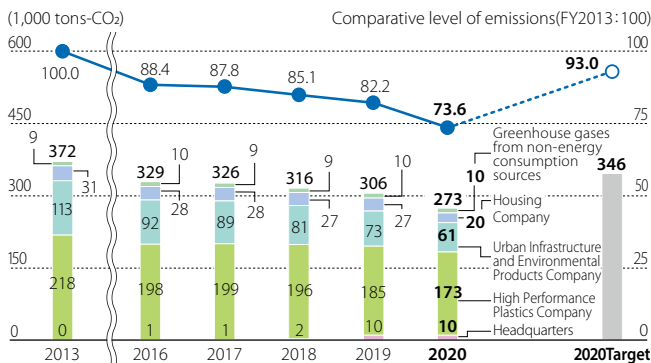
Note 2: From fiscal 2019, Medical Business results are collated and presented with Headquarters results following its separation from the High Performance Plastics Company as an independent entity.

Greenhouse Gas (GHG) Emissions That Arise from Business Activities

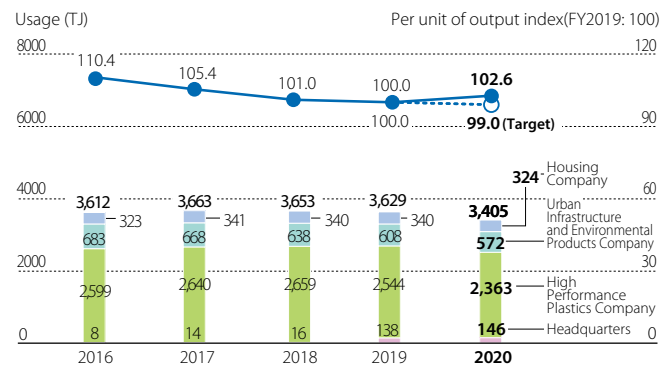


Note: Past figures have been revised due to improvements in precision.

Greenhouse Gas (GHG) Emissions during Manufacturing / Japan

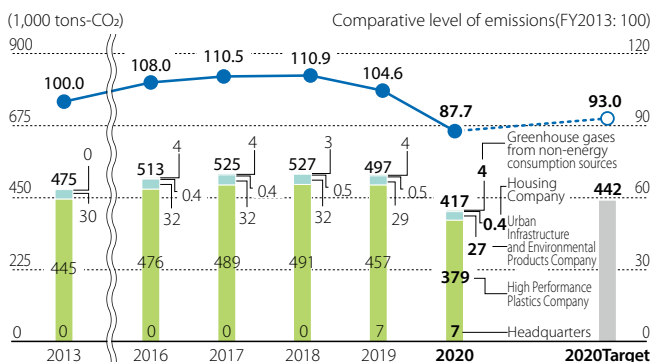


Energy Usage and per Unit of Output* (Index) during Manufacturing / Japan

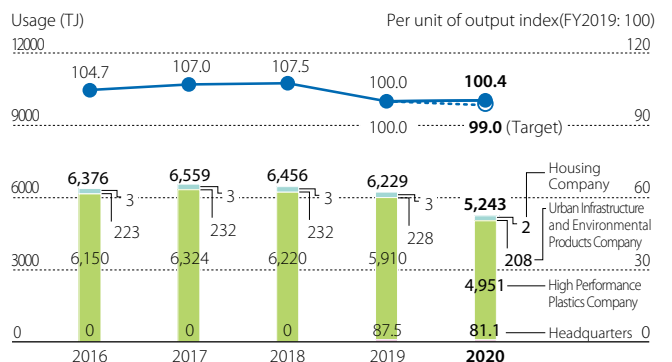


* Energy consumption per unit of production weight

Greenhouse Gas (GHG) Emissions during Manufacturing / Overseas

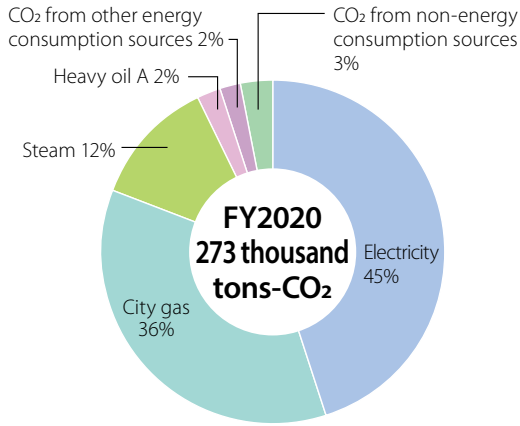


Energy Usage and per Unit of Output* (Index) during Manufacturing / Overseas

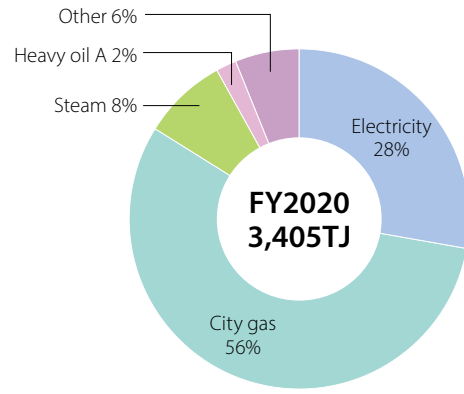


* Energy consumption per unit of production weight

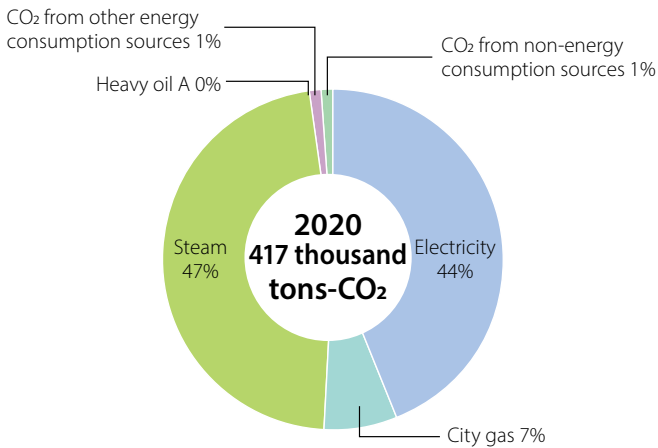
Breakdown of Greenhouse Gas (GHG) Emissions during Manufacturing / Japan



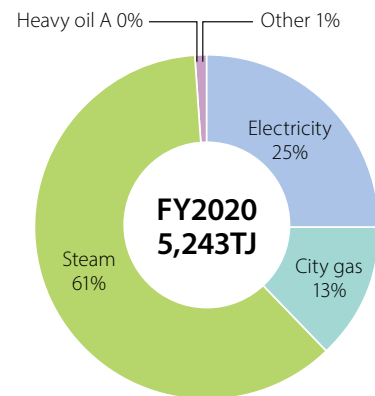
Breakdown of Energy Usage during Manufacturing / Japan



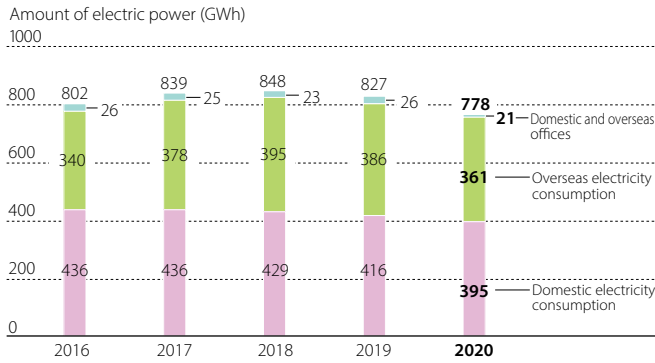
Breakdown of Greenhouse Gas (GHG) Emissions during Manufacturing / Overseas



Breakdown of Energy Usage during Manufacturing / Overseas

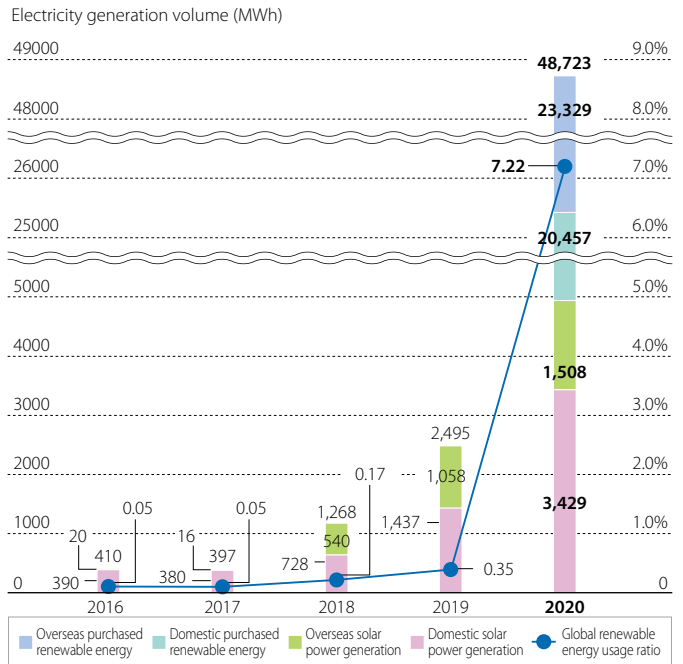


Electricity Consumption in Japan and Overseas/ Domestic Production Laboratories, Overseas Production Facilities, Domestic and Overseas Offices

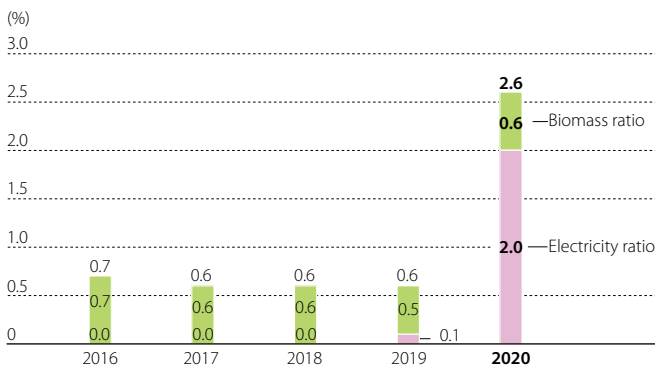


Amount of electricity generated for in-house consumption, amount of purchased electricity derived from renewable energy sources and the ratio of electricity derived from renewable energy sources/Domestic and Overseas

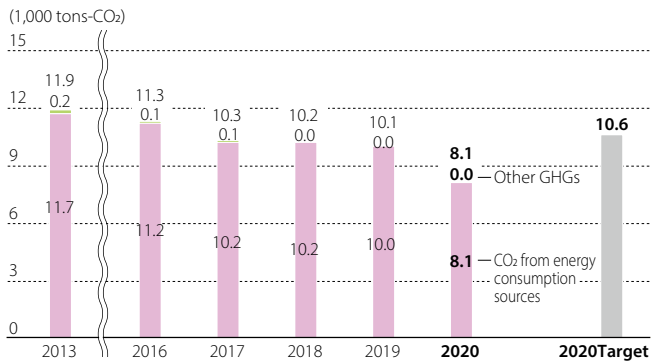
Note: Co-generation excluded



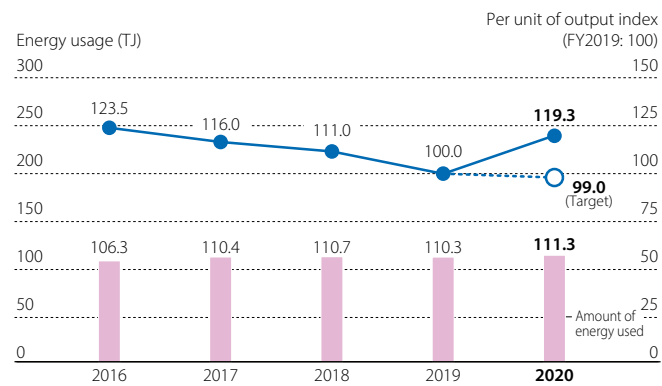
Ratio of renewable energy to total energy consumption/ electricity, biomass boilers



GHG Emissions at Research Facilities

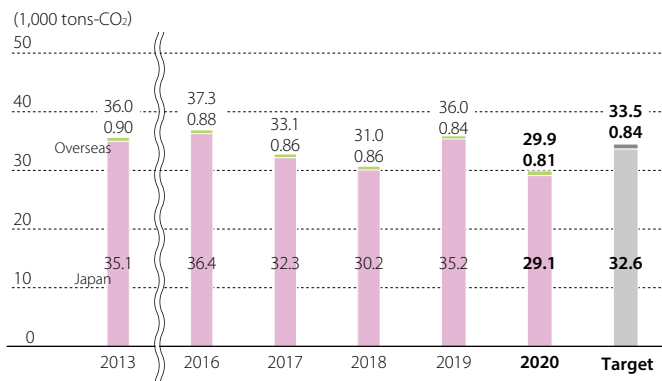


Energy Usage and per Unit of Output* (Index) at Research Facilities

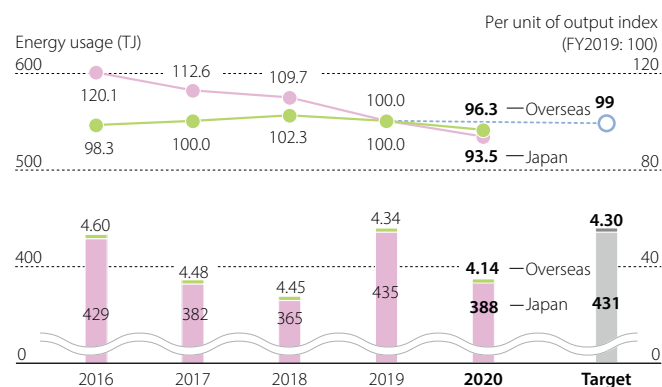


* Energy consumption per employee

GHG Emissions at Offices



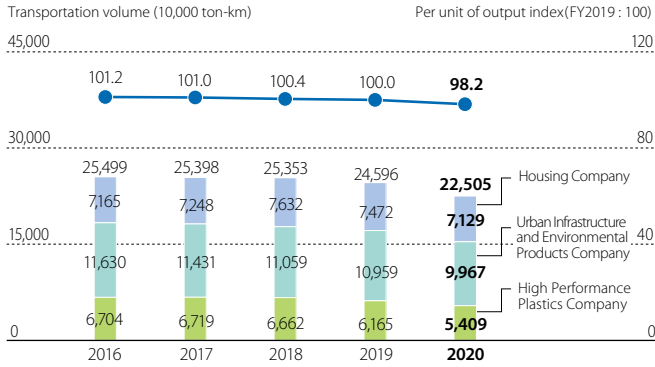
Energy Usage and per Unit of Output* (Index) at Offices



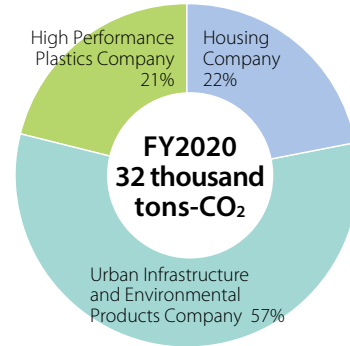
* Amount of energy used per unit of exclusive-use area
 Note: For Japan, electricity and fuel for company cars are tabulated, while only electricity is tabulated for overseas.

Indicator	Calculation Method
Greenhouse Gas Emissions	<p>GHG emissions = Σ[fuel usage, purchased electricity, purchased steam \times CO₂ emissions coefficient] + greenhouse gas emissions not arising from energy consumption</p> <p>Greenhouse gas emissions not arising from energy consumption = CO₂ emissions not arising from energy consumption* + Σ[emissions of non-CO₂ greenhouse gases \times global warming coefficient]</p> <p>*Includes CO₂ emissions from the burning of non-fuel matter based on the Act on Promotion of Global Warming Countermeasures, both inside Japan and overseas</p> <p>[CO₂ Emissions Coefficient]</p> <p>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 cases where the Company purchases power with the emission coefficient set by menu, the adjusted emission coefficient applies.</p> <p>For overseas data, the latest coefficient data as of the start of each fiscal year acquired from suppliers is applied.</p> <p>When no data is available, the data is complied with the GHG Protocol and EPA eGRID 2016 for determinations.</p> <p>City Gas and Purchased Steam: Coefficients obtained from suppliers are applied to the latest data at the start of each fiscal year</p> <p>If a coefficient cannot be obtained in this manner, it is based on the Act on Promotion of Global Warming Countermeasures</p> <p>Fuel Other than the Above: Based on the Act on Promotion of Global Warming Countermeasures</p> <p>Global warming coefficient: An emissions coefficient determined based on a system of greenhouse gas emission calculations, reports, and official disclosures</p>
Energy Usage	<p>Energy usage = Σ[amount of fuel used, amount of electricity purchased, amount of self-consumption-type solar power generation, and amount of steam purchased \times amount of heat generated per unit]</p> <p>[Amount of Heat Generated per Unit]</p> <p>Purchased Electricity: 3.60 MJ/kWh</p> <p>(Amount of self-consumption-type solar power generation and amount of purchased electric power from renewable energy sources are included in the energy usage)</p> <p>Fuel, Purchased Steam: Based on the Act on the Rational Use of Energy</p>

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

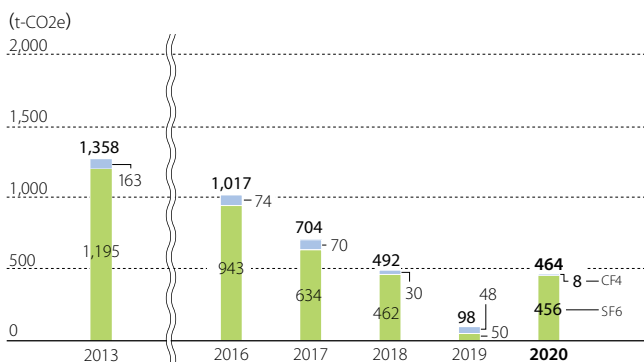


CO₂ Emissions during the Transport Stage / Japan



Indicator	Calculation Method
CO ₂ Emissions during the Transport	<p>The calculation is the CO₂ emissions yielded by combining the fuel method (transport of housing units, etc.) and the metric ton-kilo method (other than transport of housing units, etc.)</p> $\text{CO}_2 \text{ emissions} = \sum[\text{fuel usage} \times \text{CO}_2 \text{ emissions coefficient}] + \sum[\text{amount transported (metric tons)} \times \text{distance transported (km)} \times \text{fuel usage per unit of output} \times \text{CO}_2 \text{ emissions coefficient}]$ <p>Fuel usage per unit of output is the value used in the reporting system for specified freight carriers under the Act on the Rational Use of Energy</p> <p>Domestic distribution (shipment of products) is covered</p>

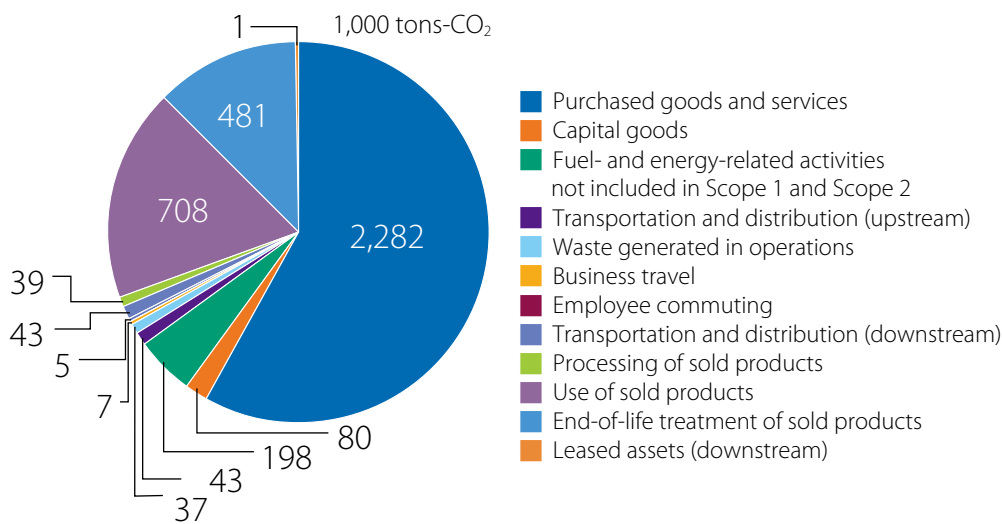
Emissions of non-CO₂ greenhouse gases (global production, laboratories)



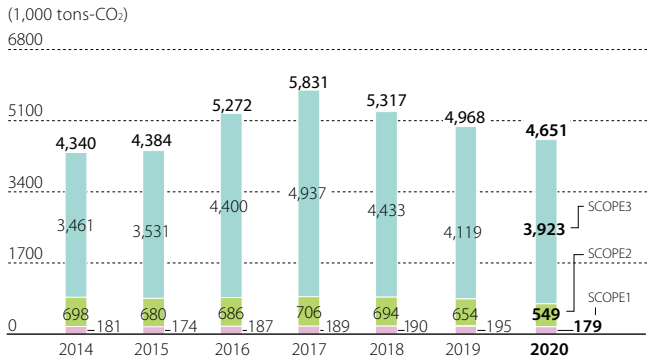
Greenhouse Gas Emissions throughout Supply Chain (SCOPE 3)

Category		Estimated emissions (1,000 tons-CO ₂)				
		FY2016	FY2017	FY2018	FY2019	FY2020
Upstream	Purchased goods and services	2,180	2,336	2,457	2,352	2,282
	Capital goods	37	171	123	96	80
	Fuel and energy related activities not included in Scope 1 and Scope 2	127	131	129	127	198
	Transportation and distribution (upstream)	37	46	48	48	43
	Waste generated in operations	46	42	44	44	37
	Business travel	26	30	27	24	7
	Employee commuting	5	6	6	6	5
Downstream	Transportation and distribution (downstream)	45	45	50	47	43
	Processing of sold products	43	46	48	45	39
	Use of sold products	1,542	1,554	940	772	708
	End-of-life treatment of sold products	310	529	560	558	481
	Leased assets (downstream)	1	1	1	2	1
Total (upstream/downstream)		4,400	4,937	4,433	4,119	3,923

Note: After including the effects of reducing energy consumption, emission volumes related to the “use of sold products” declined, and SCOPE3 decreased compared to the previous fiscal year for ZEH specification housing from fiscal 2018.



Greenhouse Gas Emissions Throughout Supply Chain as a Whole (Classified by SCOPE)



Note: Since fiscal 2016, transport energy accuracy has improved and the scope of tabulation of purchased products and services has been expanded in relation to SCOPE3; this resulted in the emissions known increasing substantially from the previous fiscal year.

After including the effects of reducing energy consumption, emission volumes related to the “use of sold products” declined, and SCOPE3 decreased compared to the previous fiscal year for ZEH specification housing from fiscal 2018.

Indicator	Calculation Method	
Purchased goods and services	<p>CO₂ emissions = Σ[(amount of major raw materials used as listed in Material Balance section of this report + estimated values for other raw materials) × emission coefficient (IDEA v 2.3 (a GHG emissions database by the National Institute of Advanced Industrial Science and Technology and the Japan Environmental Management Association for Industry))]</p> <p>Up to and including fiscal 2017, the Group gained an understanding of environmental impact, including the volume of greenhouse gases emitted, by making calculations using “MiLCA,” the database furnished by the Japan Environmental Management Association for Industry. However, from fiscal 2018, the Group is reflecting the actual emissions of its raw material suppliers with regard to four principal resins (PP, PE, PVC and PVA).</p>	
Capital goods	<p>CO₂ emissions = Σ[(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. 3.0) (Ministry of the Environment and Ministry of the Economy, Trade and Industry))]</p>	
Greenhouse Gas Emissions throughout Supply Chain Fuel-and energy related activities not included in Scope 1 and Scope 2	<p>CO₂ emissions = Σ[(fuel usage, amount of purchased electricity, and amount of purchased steam) × emissions coefficient]</p> <p>The emissions coefficients used are as follows. For fuel, IDEA v 2.3 (a GHG emissions database by the National Institute of Advanced Industrial Science and Technology and the Japan Environmental Management Association for Industry); for purchased electricity and steam, per unit emission database for calculating greenhouse gas emissions by organizations, etc., arising from supply chains (Ver. 3.0) (Ministry of the Environment and Ministry of the Economy, Trade and Industry).</p> <p>Applicable to production sites, laboratories, and offices both inside Japan and overseas</p>	
Transportation and distribution (upstream)	<p>CO₂ emissions = Σ[amount of major raw materials used as listed in the Material Balance section of this report × transport distance × emission coefficient (IDEA v 2.3 (a GHG emissions database by the National Institute of Advanced Industrial Science and Technology and the Japan Environmental Management Association for Industry))]</p> <p>(Calculated assuming that the uniform transport distance was 200 km)</p>	
Waste generated in operations	<p>CO₂ emissions = Σ[amount of waste materials generated (by type) × emission coefficient (IDEA v 2.3 (a GHG emissions database by the National Institute of Advanced Industrial Science and Technology and the Japan Environmental Management Association for Industry))]</p> <p>Covers major production sites and research facilities in Japan and overseas</p>	
Business travel	<p>CO₂ emissions = Σ[transportation costs by method of transport × emissions coefficient (per unit emissions database for calculating organizational greenhouse gas emissions, etc., arising from supply chains (Ver. 3.0) (Ministry of the Environment and Ministry of the Economy, Trade and Industry))]</p> <p>(Includes estimates of transportation costs for group companies)</p> <p>Covers group companies in Japan and overseas</p>	

Indicator	Calculation Method	
Greenhouse Gas Emissions throughout Supply Chain	Employee commuting	<p>CO₂ emissions = Σ[amount spent on commuting assistance × emissions coefficient (per unit emissions database for calculating organizational greenhouse gas emissions, etc., arising from supply chains (Ver. 3.0) (Ministry of the Environment and Ministry of the Economy, Trade and Industry))]</p> <p>(Calculated based on the assumption that all commuting is done by passenger train) (Group company commuting costs include estimates)</p> <p>Group companies in Japan and overseas all covered</p>
	Transportation and distribution (downstream)	<p>The calculation is the total amount of CO₂ emissions yielded by combining the fuel method (transport of housing units, etc.) and the metric ton-kilo method (other than transport of housing unit, etc.)</p> <p>CO₂ emissions = Σ[fuel usage × CO₂ emissions coefficient] + Σ[amount transported (metric tons) × distance transported (km) × fuel usage per unit of output × CO₂ 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)</p> <p>Covers shipments of products by group companies in Japan and overseas</p>
	Processing of sold products	<p>CO₂ emissions = Σ[production volume of relevant products × emission coefficient at the time of processing the relevant products (IDEA v 2.3 (a GHG emissions database by the National Institute of Advanced Industrial Science and Technology and the Japan Environmental Management Association for Industry))]</p> <p>Covers products for the automotive industry by group companies in Japan and overseas</p>
	Use of sold products	<p>CO₂ emissions = Σ[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]</p> <p>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 (2018). The electricity-based emissions coefficient employed is the emissions coefficient from the fiscal 2020 report produced by the Act on Promotion of Global Warming Countermeasures reporting system (alternate value), equal to 0.488 metric tons-CO₂ /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 fiscal 2017, the Group calculated the amount of greenhouse gas reduction achieved through solar power generation as the amount of reduced environmental impact. From fiscal 2018, however, we are also calculating the effect of reduction in energy used in residences built to zero energy house (ZEH) specifications.</p>

Indicator	Calculation Method	
Greenhouse Gas Emissions throughout Supply Chain	End-of-life treatment of sold products	<p>CO₂ emissions = Σ[amount of major raw materials used in the products sold during the relevant fiscal year × emission coefficient (IDEA v 2.3 (a GHG emissions database by the National Institute of Advanced Industrial Science and Technology and the Japan Environmental Management Association for Industry))]</p> <p>The calculation assumes that products sold during a given fiscal year are disposed of during the same fiscal year</p>
	Leased assets (downstream)	<p>Calculated to cover construction related to the installation of machinery leased by Sekisui</p> <p>CO₂ emissions = Σ[relevant installation units × emission coefficient (IDEA v 2.3 (a GHG emissions database by the National Institute of Advanced Industrial Science and Technology and the Japan Environmental Management Association for Industry))]</p>

● Approach to Realizing Resource Recycling

Working to Reduce Waste and Increase Recycling Throughout Product Life Cycles

Management Approach

Basic Concept

Promoting resource recycling in aims of achieving a circular economy

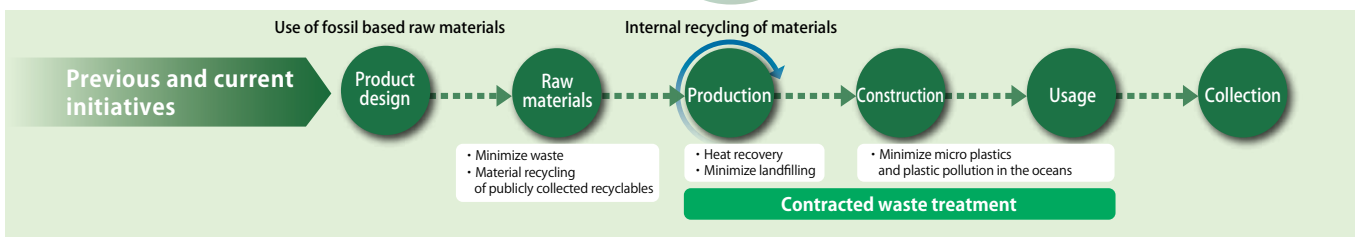
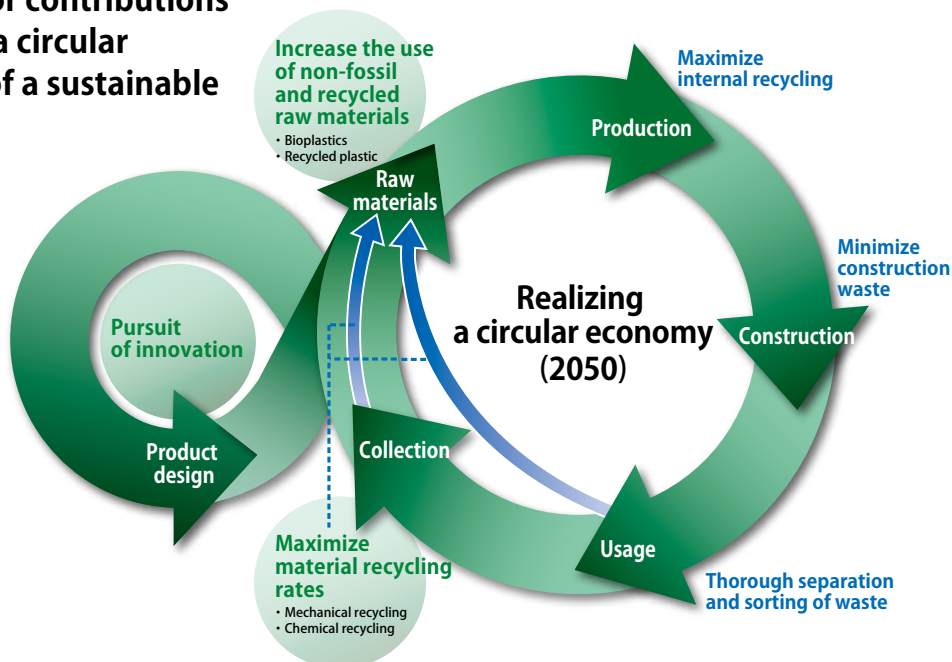
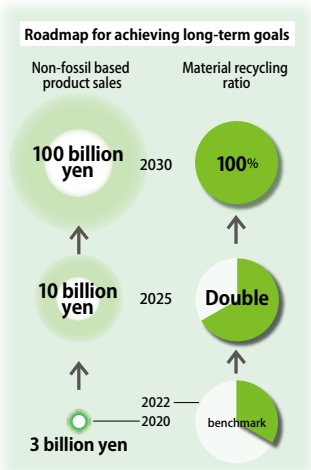
SEKISUI CHEMICAL Group aims to realize a circular economy and a sustainable society in 2050. To achieve this long-term goal, we established a resource recycling policy and strategy in fiscal 2020.

In partnership with the supply chain, we minimize the consumption volume of virgin raw materials derived from fossil fuels. In addition, we are promoting recycling of resources through material circulation, aiming for a circular economy throughout our business. In order to achieve, we are intensifying our initiatives related to the following three points as our Group policy.

[Group Policy]

- [1] Promote innovation that contributes to resource recycling
- [2] Expand the use of non-fossil fuel sourced and recycled materials employed in operations
- [3] Maximize recycling of waste discharged during product life cycles into materials

SEKISUI is making major contributions to the achievement of a circular economy for the sake of a sustainable society.



Efforts Toward Resource Recycling

For Vision 2030, SEKISUI CHEMICAL Group will strategically expand its business areas and double sales volume through social problem-solving, aiming to achieve a sustainable society and corporate growth. In these business areas, we believe plastics will continue to be an important material. Up until now, in the production process, we have continually made efforts year after year to reduce the amount of waste generated, using waste per unit of output as an indicator for these efforts. In addition, we have carried out internal recycling to reuse wood scraps and other waste materials produced and implemented processing for reuse of resources when disposing of materials as waste.

In our newly-determined resource recycling policy, we will expand the ratio of plastic materials we use comprised of bioplastics and other recycled materials which are not derived from fossil fuels. Regarding our production processes, we will promote internal recycling more than ever before, intensifying initiatives to minimize the waste products emitted from our production sites. In addition, in both the usage and collection stages, we will work on our product design and supply chain to ensure waste products can be disposed of with thorough separation and classification. In this way, we will promote initiatives to maximize reuse of material resources through the mechanical cycle, chemical cycle, and other cycles.

Within these life cycles, we believe that innovation at the product design stage is important for driving the promotion of resource circulation. By designing new products and revising the various processes for existing products, we are promoting initiatives for innovation that will accelerate resource circulation.

Plan 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	1.1 times	1.3 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	10 billion yen	100 billion yen
Recycling waste products	Rates for recycling waste plastic into new materials	Grasping current conditions and setting benchmarks	2 times	100%

Promoting Construction Material Recycling

The housing industry is engaged in the efficient use and recycling of construction materials throughout. As a member of this industry, SEKISUI CHEMICAL Group also promotes recycling of construction waste produced when houses are demolished.

Addressing the Issue of Plastic Pollution in Marine Environments

With regard to the waste generated by its production businesses, the SEKISUI CHEMICAL Group exchanges manifests with operators and confirms that disposal is undertaken in a sound and proper manner.

The impact of microplastics as a form of marine pollution has emerged as a significant environmental issue in recent years. The Group does not engage in the manufacture and sale of primary microplastics where use presupposes dissolution. However, we do recognize the possibility of deterioration and micro-reduction in the natural environment of plastic materials that go into the manufacture of the Group's plastic processed goods and products, either during or after use, in the event that these are improperly discarded.

As the responsibility of a company engaged in the business of fabricating plastics, we are undertaking the following activities in order to workout fundamental solutions to this problem.

1. Employee education

In both the products we produce and our manufacturing processes, we must correctly recognize these types of issues, and develop human resources who are capable of finding a resolution. To this end, we engage in employee education while promoting environmental and social contribution activities.

2. Contributing to transformation within society by providing education and raising awareness

To ensure the proper treatment of waste, SEKISUI CHEMICAL Group recognizes the importance of building social systems while promoting a shift in the awareness of each individual and undertaking education and training. The Group is therefore engaged in various collaborations between industry, government, and academia.

In regard to the issue of marine plastics, SEKISUI CHEMICAL Group is currently a member of the Clean Ocean Materials Alliance (CLOMA) and a participant in the Japan Initiative for Marine Environment (JaIME). Every effort is being made to promote international collaboration, consider methods for resolving issues, and engage in a variety of activities, for example in the dissemination of educational information.

3. 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 that converts combustible waste, including marine plastics, into gas and then converts that gas into ethanol as a raw material for plastic using a microbial catalyst. Following a study at the test plant in the town of Yorui, Saitama Prefecture, we are now constructing a demonstration plant that will process one tenth of the volume of municipal solid waste at a standard-scale waste disposal facility (approx. 20 tons/day) in Kuji City, Iwate Prefecture. This plant is scheduled to go into operations in March 2022.

Promoting Packaging Material Reductions

SEKISUI CHEMICAL Group has long been an environmentally conscious company, and we are reducing packaging volumes, introducing reusable boxes*, and eliminating packaging wherever possible, among other initiatives. Our proactive efforts to reduce packaging since the early 2000s have enabled us to achieve results. We will continue these efforts in the future, taking further steps to reduce packaging waste.

As one initiative aimed at using less product packaging, we sell foldable shipping cartons and a range of plastic containers that help facilitate the implementation of returnable box systems.

* Boxes that can be reused to ship materials, parts, and products between locations.

Major Initiatives

Converting External Wall Scraps into Raw Materials for Products

The Sekisui Board Co., Ltd. Gunma and Mizukuchi business sites, which produce Sekisui Heim external walls, generate scraps during their production processes. Along with making efforts to reduce the volume of scraps produced whenever possible, these companies are moving forward with in-house material recycling for any scraps that are ultimately generated.

The scraps generated during the production of products from the completed external walls are crushed and classified, after which the extracted wood chips and cement are used as recycled raw materials.

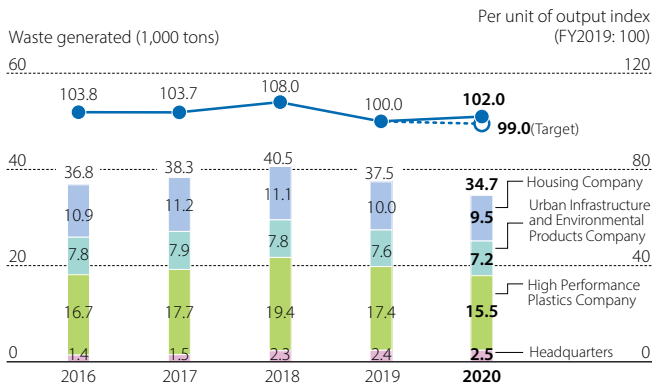
Performance Data ✓

Waste Generated by Production Sites

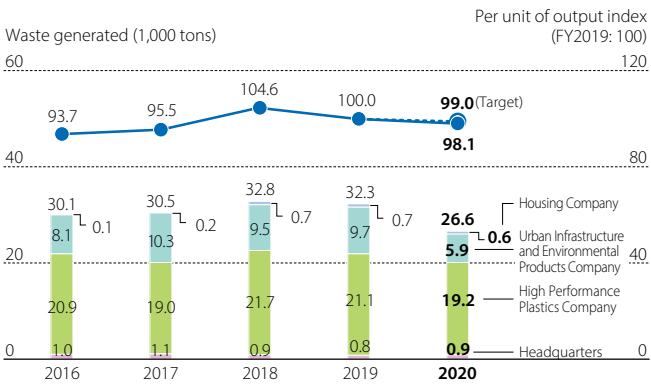
Note 1: Some past figures have been revised due to improvements in precision.

Note 2: From fiscal 2019, Medical Business results are collated and presented with Headquarters results following its separation from the High Performance Plastics Company as an independent entity.

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



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

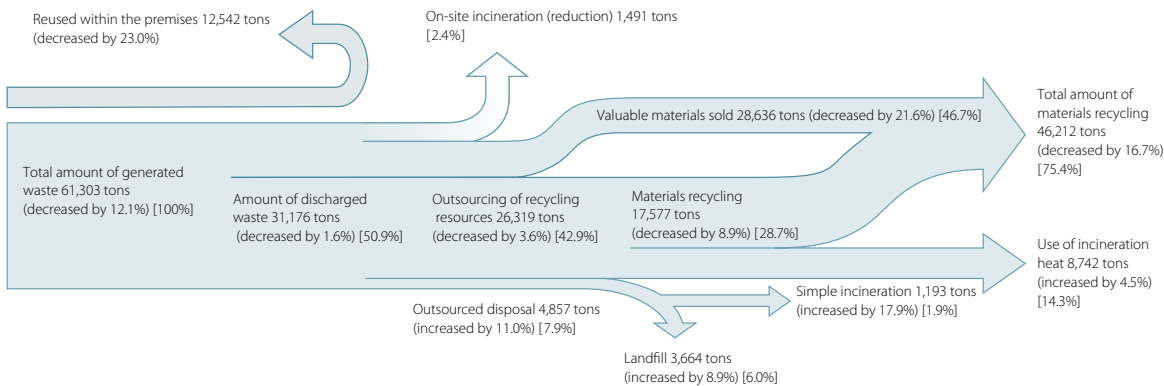


Production Site Waste Generation and Disposal Conditions / Japan and Overseas

(unit: tons)

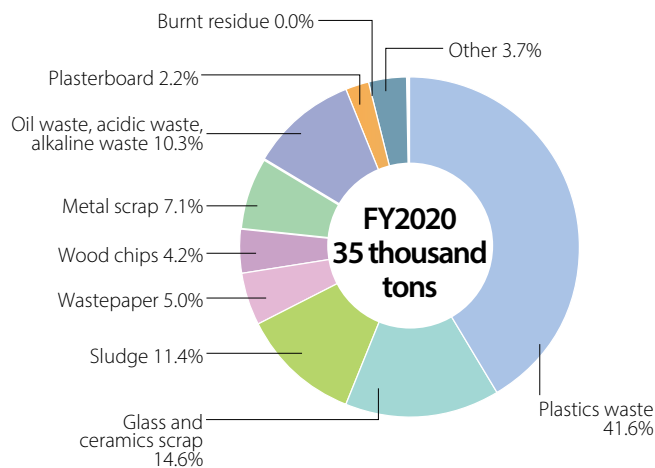
	Total Waste	Recycled Waste	Unrecycled Waste
FY2016	66,940	62,113	4,827
FY2017	68,777	63,654	5,123
FY2018	72,631	67,332	5,298
FY2019	69,767	63,844	5,922
FY2020	61,303	54,955	6,348

Fiscal 2020 Annual Production Site Waste Generation and Disposal Conditions / Japan and Overseas

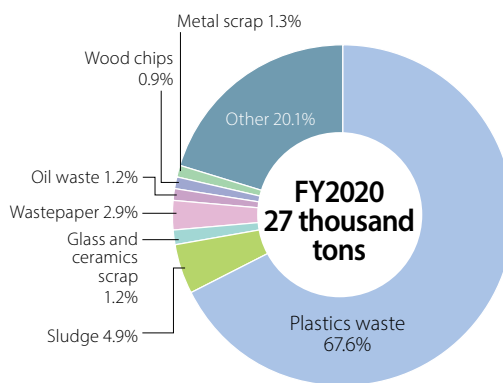


Note: Change over previous year is in () and proportion of total waste generation is in [].

Breakdown of Waste Generated at Production Sites / Japan



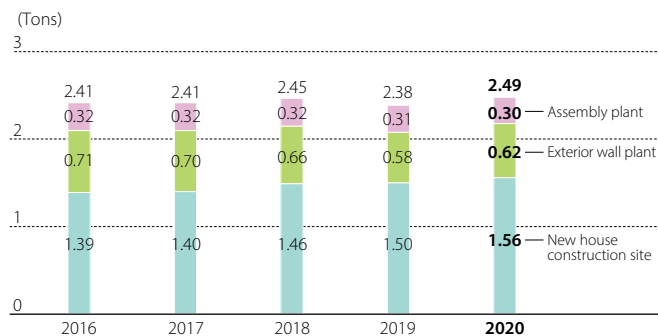
Breakdown of Waste Generated at Production Sites / Overseas



Index	Calculation method
Generated waste amount	Amount of waste generated = Amount of waste disposal outsourced + Amount recycled (use of incineration heat + materials recycling + sold at a price) + Amount incinerated in the Company; the items below are excluded: waste generated by demolition of old houses of the clients, left-over materials at construction sites, disposal of facilities, OA equipment, etc., infectious waste generated during medical consultations / medical practices

Waste Generated on Construction Sites of New Housing

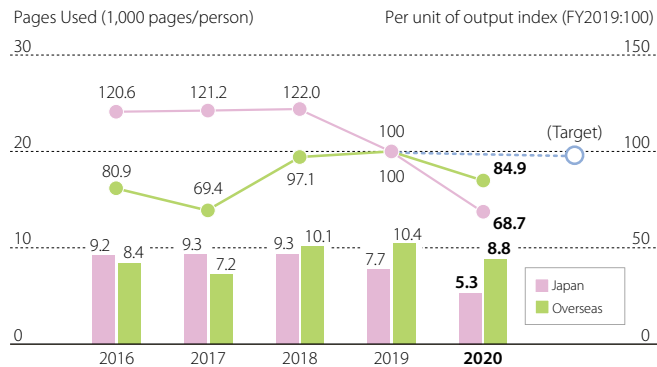
Amount of Waste Generated on Construction Sites of New Housing (per Building) / Japan



Index	Calculation method
Amount of waste generated on construction sites of new housing	Amount of waste generated on construction sites of new housing = Amount of waste generated during construction of outer walls (at factory) + Amount of waste generated during assembly (at factory) + Amount of waste generated at construction site of new housing Amount of waste generated per building during construction of new housing = Amount of waste generated during construction of new housing / Number of buildings sold Target: housing business in Japan

Waste Related to Office Work

Amount of Copy Paper Used at Offices per Unit of Output (Index)



Attainment of Zero Waste Emissions Activity Targets

Production sites	42 plants in Japan and 11 plants overseas, including those of affiliated companies, achieved the target (of these, 1 plant in Japan and 5 plants overseas achieved the target in fiscal 2015)
Research institutes	All research institutes achieved the target by fiscal 2012
Construction of new housing	All production sites achieved the target by fiscal 2003
Remodeling work	All production sites achieved the target by fiscal 2004
Corporate headquarters buildings in Osaka/Tokyo	Achieved the target by fiscal 2005
Demolition work	Specified construction materials for fiscal 2018 Recycling rate (of concrete, wood offcuts, etc.): 99%

Indicator	Calculation Method
Number of production sites that achieved zero emissions	Number of production sites that achieved zero emissions in that year

● Reduction of Water-related Risks

Working to Preserve Water Resources in a Shared Basin as a Precious Natural Resource

Management Approach

Basic Concept

The minimization of water-related risks and the resolution of local and supply chain water issues

We formulated “Sekisui Environment Sustainability Vision 2050” in 2019 in line with our belief that the maintenance and development of our business requires us to maintain a healthy environment in the areas in which we conduct our corporate activities. To realize societies with abundant access to clean water in all the areas in which the SEKISUI CHEMICAL Group and its supply chains operate, we have established the following two goals in line with our vision.

<Goals>

1. Minimizing Water Risk at SEKISUI CHEMICAL Group

With the goal on maintaining sustainable operations, SEKISUI CHEMICAL Group will seek to minimize risks related to received water. We will also focus on minimizing risk related to water discharged from the Group in order to better preserve biodiversity.

2. Contributing to the resolution of water-related issues in local communities

Not only will we work to minimize water risks, but with the goal of contributing to a positive return to natural capital we will contribute to the resolution of water-related issues in local communities through the provision of environment-contribution products and collaboration with leaders in the watershed area.

Roadmap to Realize Societies with Abundant Access to Clean Water

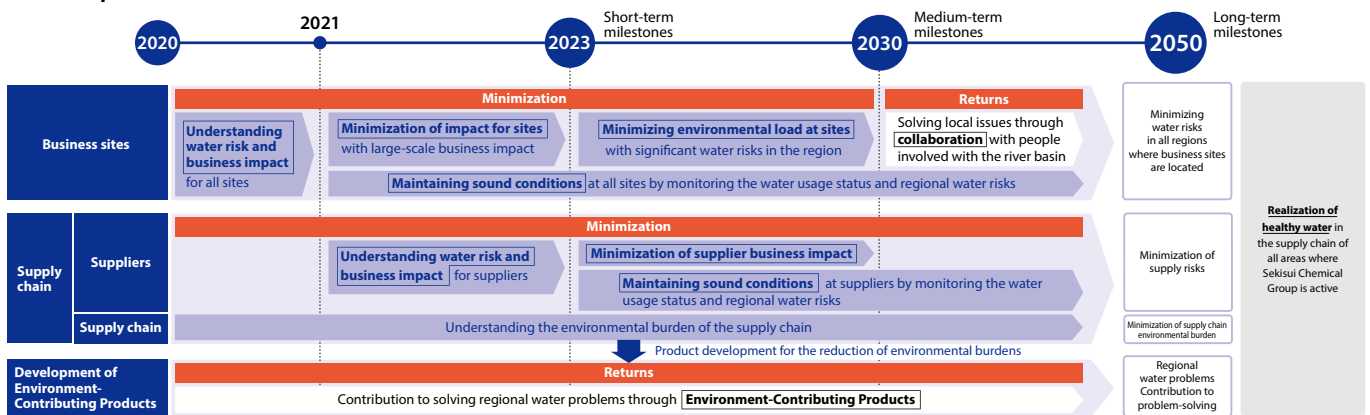
SEKISUI CHEMICAL Group has set the goal of realizing societies with abundant access to clean water by 2050, which is the target year of its SEKISUI Environment Sustainability Vision 2050. By backcasting from this goal, we are establishing specific measures and milestones while promoting initiatives.

- We will evaluate the water risks in a given region as well as the business impact, and focus not only on locations and suppliers where the business impact is large, but also on locations in areas where water risks are substantial.
- For locations where the business impact is substantial, we will minimize risks by 2023.
- For suppliers where the business impact is substantial, we will minimize risk by 2030, including through a review of suppliers.
- For regions where water risks are substantial, we will minimize the environmental impact by 2030.
- Finally, we will create monitoring guidelines and oversee all locations to assess both business impact and environmental impact moving forward.

In order to accelerate returns to natural capital, including the conservation of water resources, we will continue to promote the development of products that contribute to sustainability in order to minimize the environmental impact from supply chain operations and help resolve local water issues.

Moreover, as an initiative being undertaken at locations around the world, we will continue to focus on contributing to the resolution of local water issues by establishing a collaborative system with those living in watershed areas between 2030 and 2050.

Roadmap



Assessment of Impact on Business from Water-related Risks

In fiscal 2020, the first year of the roadmap for 2050, we conducted assessments of the likely impact on business from water-related risks at all SEKISUI CHEMICAL Group production sites and research institutes.

The Group had conducted investigations into water-related risks in 2013, but seven years have passed since then, and as some business sites have been newly established or closed, we conducted them again.

The purpose of these investigations was to identify water-related issues in the areas in which each business site is located (assessment of external factors) and to identify those sites that are at major risk from water and those that have a significant impact on the environment.

In identifying the water-related issues in an area, we used 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. In addition, corrections were made based on water usage information obtained on an individual basis from business sites by means of surveys.

Impact of Water-related Risks on Supply Chain

Manufacturers of steel materials used in the Housing Business and manufacturers of synthetic resins used in the Plastics Business are suppliers of primary materials of SEKISUI CHEMICAL Group that consume large quantities of freshwater during manufacture. Although we do not directly encourage such suppliers to conform to environmental standards, with our Sekisui Environment Sustainability Index we calculate as 'use of natural capital' the environmental impact of the pollutants contained in drainage generated during manufacture of primary materials and monitor it on a continual basis.

Reductions in the impact on water environments as a result of the Group's business activities, the degree of our contribution to the environment through enhanced and expanded products and services that make a positive contribution to the improvement and maintenance of water environments are assessed* in terms of returns to natural capital.

From fiscal 2020 we will engage in gaining a better understanding of, for example, the water-related risks in supply chains involving products and the returns to natural and social capital as a result of product-based reductions in water-related risks.

* For more information, see p. 144, "Integrated Index: Sekisui Environment Sustainability Index."

Contribution to Reduction of Water-related Risks Through Operations

SEKISUI CHEMICAL Group develops a range of businesses related to water infrastructure, such as supply, storage, and drainage of water, contributing to the society not only by technologies and products that help to improve the quality of drainage, such as water treatment systems and drain pipes, but also by creating strong water infrastructure made to withstand natural disasters.

For example, the “Cross Wave*” rainwater collection system, one of our products being marketed in Japan, India, China, Taiwan, and other ASEAN areas, reduces water-related risks by being used as a measure to prevent chronic water shortages, to recycle rainwater to achieve both the greening of urban areas and disaster prevention as well as by contributing to measures designed to counter 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 makes good use of water system infrastructure piping.

* Cross Wave: Rainwater storage system. This molded product made from recycled plastic creates an underground space which is used to store rainwater. It regulates the rain volume flowing into sewer systems and rivers during torrential rains and makes reuse of rainwater possible.

Reduction of Water-related Risks at Business Sites with High Water Intake Volumes and Discharge Rates

SEKISUI CHEMICAL Group draws the water it needs to use in its business activities from public water systems, water systems for industrial use, underground reservoirs, and surrounding rivers. With the understanding that water is a precious natural resource shared by everyone in the community, we do our best to reduce the amount of water used, such as by reusing cooling water.

We have to date established targets and enacted measures for reducing water intake volume and discharged water chemical oxygen demand (COD) volume at each of our production and research facilities. However, based on local water risk conditions and the state of water consumption, we are focused in particular on promoting a reduction in business activities at locations where the business impact is particularly large.

Major Initiatives

Reduce the Amount of Water Intake Volume, and Discharged Water Chemical Oxygen Demand (COD) Volume

Water intake volume at production sites in fiscal 2020 decreased by 3.7%, relative to results in the base fiscal year of 2016, while the COD volume of water discharged into rivers decreased 11.8% on the same basis. This was due to the decrease in production brought about by the COVID-19 pandemic, but since fiscal 2019 we have been studying reduction measures targeting the three SEKISUI CHEMICAL Group production sites with the highest discharged wastewater COD volumes and the highest water intake, and the effects of capital investments using the environmental contribution investment framework are becoming apparent.

Examples of capex using the environmental contribution investment framework

	Site	Reduction strategy	Result
Reduction in water intake	Shiga-Minakuchi Plant	Introduction of filtration equipment allowing the reuse of recycled wastewater as a coolant. Strengthened 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 system	Reduction of 10%
Reduction in wastewater COD volume	Sekisui Nano Coat Technology Co., Ltd.	Improve treatment capacity by upgrading wastewater treatment facilities	Reduction of 25%

Reuse of Water Discharged at Shiga-Minakuchi Plant Started

Engaged in the production of synthetic resins, the Shiga-Minakuchi Plant is the business site with the largest water intake volume in the SEKISUI CHEMICAL Group. The water intake volume accounts for about 30% of all domestic business establishments of the Group, and has been increasing every year since fiscal 2015.

To improve this situation, we promoted comprehensive capital investment aimed at reducing the water intake volume from fiscal 2018, and all investment plans were completed in 2020.

Under this plan, we ascertained the places where factory water was used and the volumes used and then enabled adjustments to be made to the volumes of water used in those areas where the amounts were high. After purifying the wastewater, we also work to reduce the water intake volume by reusing the water in the 20 cooling towers installed within the site.

Through these comprehensive capital investments, the water intake volume in fiscal 2020 was reduced by 17% compared with fiscal 2017.

From fiscal 2021, we will utilize this capital investment while promoting a reduction in water intake volume.



Water filtration equipment at the Shiga-Minakuchi Plant

Discharged Water Treatment Capacity at Sekisui Nano Coat Technology Co., Ltd. Increased

At Sekisui Nano Coat Technology Co., Ltd., high-concentration COD wastewater is discharged from the gelatinization and refining processes in the processing of textile products and, after passing through our in-house wastewater treatment facility, discharged into the sea.

In recent years, the amount of wastewater has been decreasing due to changes in our business domains. Also, COD wastewater has become difficult to break down due to changes in the composition of the glue used in raw materials, we have made improvements to optimize the capacity of the wastewater treatment facility.

Together with reducing the treatment process in accordance with the reduced amount of wastewater, we are improving the processing capacity by installing a process in which microorganisms suitable for the treatment of COD components that are difficult to break down are prioritized.

The running costs of the wastewater treatment facility have been reduced by 44% by reducing energy and maintenance costs. The COD load of wastewater has been reduced by 53%.



Sekisui Nano Coat Technology wastewater treatment facility

Water Recycling

SEKISUI CHEMICAL Group promotes the reuse of water in its production processes in order to reduce the amount of water it draws from water sources. At the production plants of Urban Infrastructure & Environmental Products Company and High Performance Plastics Company, large volumes of cooling water is recycled and reused in manufacturing processes. In fiscal 2020, at production sites in Japan and overseas, we used 108 million cubic meters of recycled water. This is equivalent to 5.4 times the water intake volume from all other sources.

The main water supply for Kurohama Lake* -which has been designated as a natural conservation area in Saitama Prefecture -is wastewater from the Musashi Plant (located in Hasuda City) that has been purified in accordance with environmental standards.

* For more information about Kurohama Lake, see the page below.

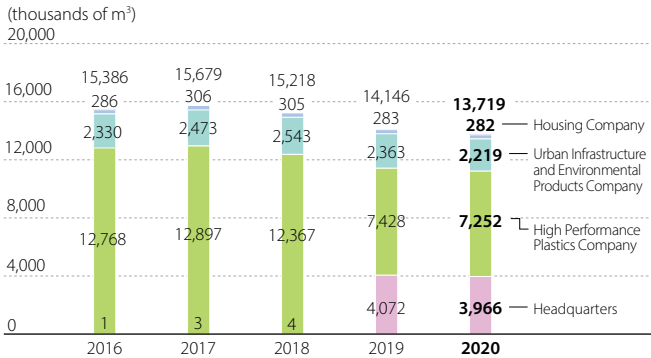
<https://www.sekisui.co.jp/musashi/eco/>

Performance Data ✓

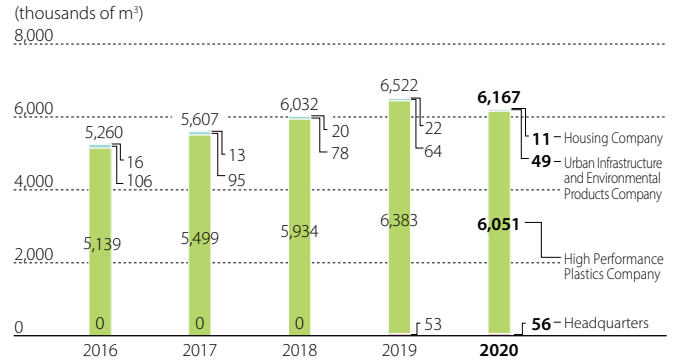
Note 1: Some past figures have been revised due to improvements in precision.

Note 2: From fiscal 2019, Medical Business results are collated and presented with Headquarters results following its separation from the High Performance Plastics Company as an independent entity.

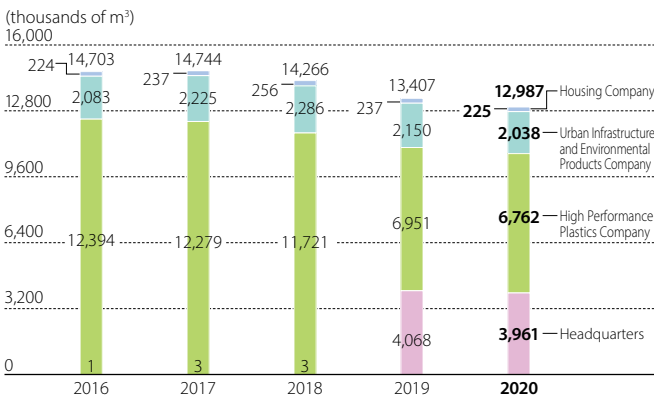
Water Intake Volume at Production Sites / Japan



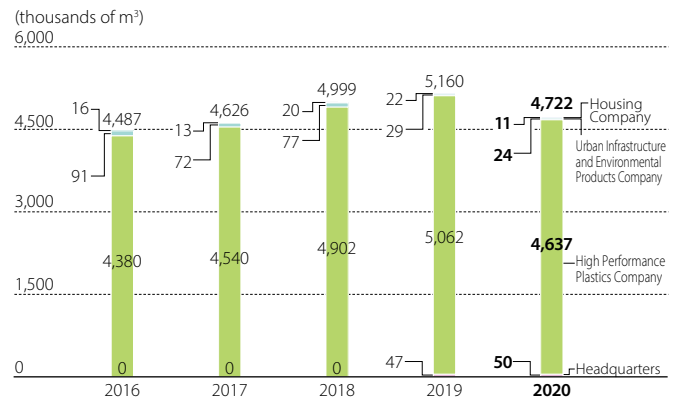
Water Intake Volume at Production Sites / Overseas



Wastewater Volume at Production Sites / Japan



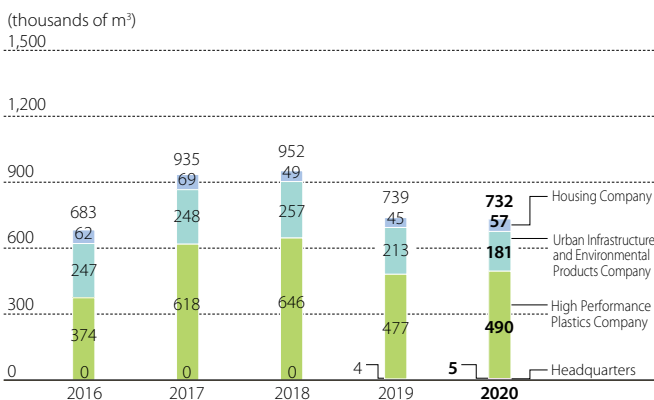
Wastewater Volume at Production Sites / Overseas



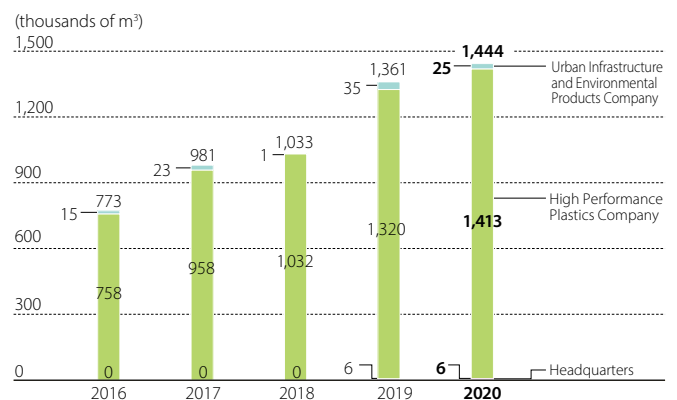
Note: Some past figures have been revised due to improvements in precision.

Note: We have been improving the accuracy of our wastewater volume from fiscal 2019.

Water Consumption at Production Sites / Japan



Water Consumption at Production Sites / Overseas



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

Note: Water consumption increased to improve the accuracy of wastewater volumes from fiscal 2019.

Water Intake Volume at Production Sites by Water Source Type

(thousands of m³)

Water source	Area of base	All areas					Areas with water stress				
		2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
Surface water	Japan	696	1,086	197	726	129	0	0	0	0	0
	China	0	0	0	0	0	0	0	0	0	0
	The Rest of Asia and Oceania	0	0	0	1	3	0	0	0	1	3
	Europe	0	0	0	0	0	0	0	0	0	0
	North and Central America	0	0	0	0	0	0	1	0	0	0
	Total	696	1,086	197	727	131	0	1	0	1	3
Ground water	Japan	2,604	2,624	2,632	2,517	2,340	0	0	0	0	0
	China	0	0	0	0	0	0	0	0	0	0
	The Rest of Asia and Oceania	103	120	144	111	121	25	26	35	16	22
	Europe	0	0	0	0	0	0	0	0	0	0
	North and Central America	4	0	0	0	0	0	0	0	0	0
	Total	2,710	2,745	2,776	2,628	2,461	25	26	35	16	22
Seawater	Japan	0	0	0	0	0	0	0	0	0	0
	China	0	0	0	0	0	0	0	0	0	0
	The Rest of Asia and Oceania	0	0	0	0	0	0	0	0	0	0
	Europe	0	0	0	0	0	0	0	0	0	0
	North and Central America	0	0	0	0	0	0	0	0	0	0
	Total	0	0	0	0	0	0	0	0	0	0
Third-party water*	Japan	12,086	11,969	12,389	10,903	11,250	0	0	0	0	0
	China	273	298	324	265	247	236	288	311	256	241
	The Rest of Asia and Oceania	896	1,097	966	1,093	957	18	46	72	80	55
	Europe	1,943	1,883	1,866	1,960	1,674	1,857	1,799	1,805	1,887	1,606
	North and Central America	2,042	2,209	2,732	3,092	3,165	10	81	156	141	94
	Total	17,241	17,456	18,278	17,313	17,293	2,121	2,213	2,344	2,365	1,996
Total volume of water withdrawn	Japan	15,386	15,679	15,218	14,146	13,719	0	0	0	0	0
	China	273	298	324	265	247	236	288	311	256	241
	The Rest of Asia and Oceania	999	1,217	1,110	1,204	1,081	44	72	107	97	80
	Europe	1,943	1,883	1,866	1,960	1,674	1,857	1,799	1,805	1,887	1,606
	North and Central America	2,046	2,209	2,732	3,092	3,165	10	81	156	141	94
	Total	20,646	21,286	21,250	20,668	19,885	2,146	2,239	2,379	2,382	2,021

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

Wastewater Volume at Production Sites by Discharge Destination

(thousands of m³)

Discharge destination	Area of base	All areas					Areas with water stress				
		2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
Surface water	Japan	11,219	11,627	11,353	10,680	10,179	0	0	0	0	0
	China	0	0	0	0	0	0	0	0	0	0
	The Rest of Asia and Oceania	22	26	20	43	18	2	2	0	22	4
	Europe	0	0	0	0	0	0	0	0	0	0
	North and Central America	0	0	0	0	0	0	0	0	0	0
	Total	11,241	11,653	11,372	10,722	10,197	2	2	0	22	4
Ground water	Japan	0	0	0	0	0	0	0	0	0	0
	China	0	0	0	0	0	0	0	0	0	0
	The Rest of Asia and Oceania	0	0	0	0	0	0	0	0	0	0
	Europe	0	0	0	0	0	0	0	0	0	0
	North and Central America	0	0	0	0	0	0	0	0	0	0
	Total	0	0	0	0	0	0	0	0	0	0
Seawater	Japan	2,892	2,503	2,277	2,160	2,293	0	0	0	0	0
	China	0	0	0	0	0	0	0	0	0	0
	The Rest of Asia and Oceania	0	0	0	0	0	0	0	0	0	0
	Europe	0	0	0	0	0	0	0	0	0	0
	North and Central America	0	0	0	0	0	0	0	0	0	0
	Total	2,892	2,503	2,277	2,160	2,293	0	0	0	0	0
Third-party water*	Japan	591	614	636	567	515	0	0	0	0	0
	China	272	287	308	255	237	235	277	296	246	232
	The Rest of Asia and Oceania	679	867	830	860	790	26	55	103	60	54
	Europe	1,930	1,874	1,860	1,944	1,664	1,857	1,799	1,805	1,875	1,601
	North and Central America	1,585	1,571	1,981	2,060	2,012	9	62	79	81	62
	Total	5,057	5,213	5,615	5,685	5,219	2,127	2,193	2,283	2,262	1,949
Total volume of water withdrawn	Japan	14,703	14,744	14,266	13,407	12,987	0	0	0	0	0
	China	272	287	308	255	237	235	277	296	246	232
	The Rest of Asia and Oceania	701	893	850	902	809	29	57	103	83	58
	Europe	1,930	1,874	1,860	1,944	1,664	1,857	1,799	1,805	1,875	1,601
	North and Central America	1,585	1,571	1,981	2,060	2,012	9	62	79	81	62
	Total	19,190	19,370	19,265	18,567	17,709	2,129	2,195	2,283	2,285	1,952

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

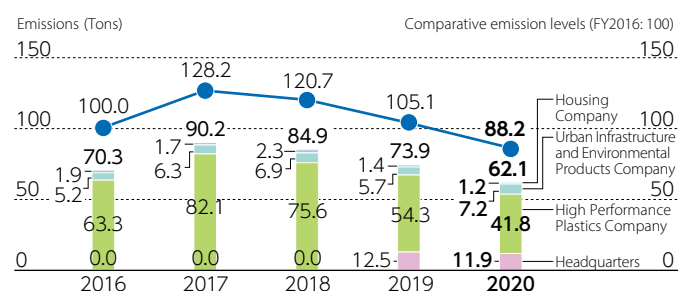
Water Consumption at Production Sites

(thousands of m³)

Area of base	All areas					Areas with water stress				
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
Japan	683	935	952	739	732	0	0	0	0	0
China	1	11	16	10	10	1	11	16	10	10
The Rest of Asia and Oceania	298	324	260	302	272	15	15	4	15	22
Europe	13	9	6	17	9	0	0	0	13	5
North and Central America	461	638	751	1,032	1,153	1	19	77	60	33
Total	1,456	1,916	1,985	2,101	2,176	17	45	97	98	69

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 volume	Wastewater volume = Total wastewater volume = (The sum of wastewater from surface water, ground water, seawater, and third-party water)
Water consumption	Water consumption = Water intake volume - wastewater
Areas with water stress	Areas where baseline water stress is ranked as high or extremely high under the WRI Aqueduct TM Water Risk Atlas (Aqueduct 3.0) evaluation system

COD Emission Volume / Japan



Index	Calculation Method
COD emission volume	Emission volume = Σ[COD concentration (annual average of measured value) x Drainage volume]

● Chemical Substance Management

Minimizing Environmental Impact through Proper Control and Emission Reductions of Chemical Substances

Management Approach

Basic Concept

Minimizing Environmental Impact through Proper Control and Emission Reductions of Chemical Substances

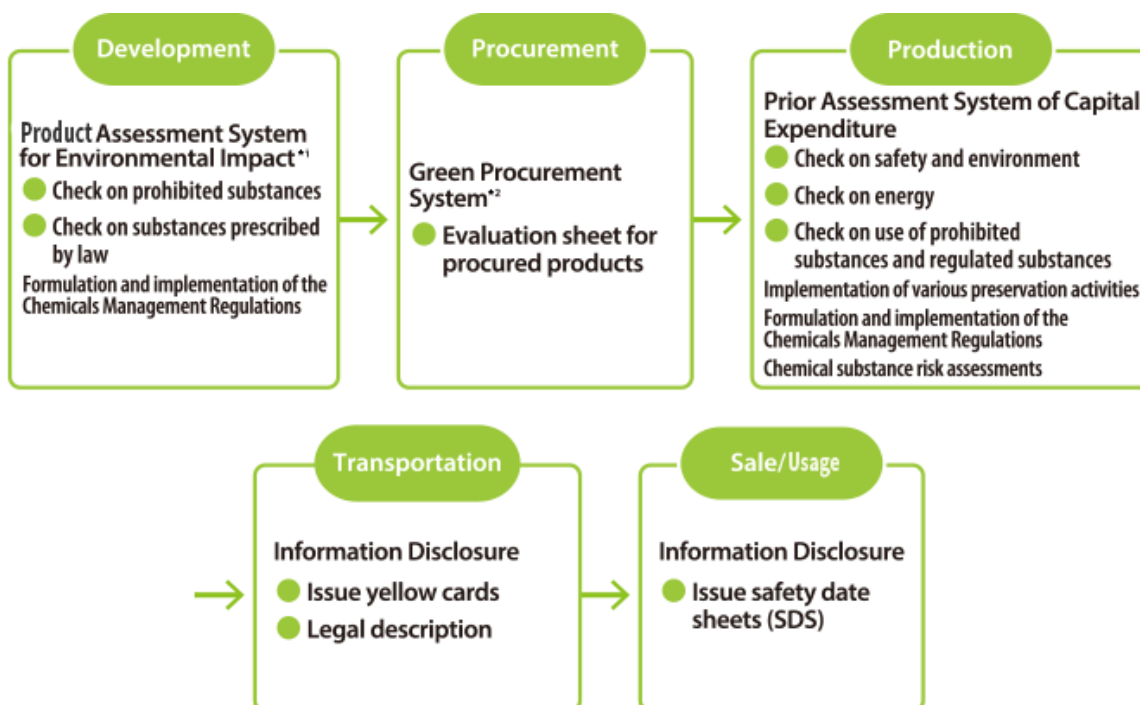
While chemical substances make people's lives more convenient, they also could have harmful effects on the environment or on human beings. Therefore, we believe that consideration of product safety, occupational safety and health, and environmental impact through proper management of chemical substances is an important responsibility of an enterprise.

Since fiscal 1999, SEKISUI CHEMICAL Group has set and worked toward its own targets for reducing emissions and the transfer of chemical substances in addition to implementing efforts such as the Product Assessment System for Environmental Impact*¹ and the Green Procurement System*². Periodically we also review chemical substances, in accordance with the establishment and amendment of relevant laws and regulations.

From fiscal 2020, we will continue to engage in thoroughgoing chemical substance management activities with a view toward minimizing their impact.

*1 Product Assessment System for Environmental Impact: A system for assessment of the environmental impact of product development all the way from raw material procurement through manufacture, use, disposal, transport, and all other stages.

*2 Green Procurement System: A system of giving priority to choosing raw materials, parts, etc. with lower levels of environmental impact when procuring them.



Major Initiatives

Controlling VOC Emissions

SEKISUI CHEMICAL maintains the medium-term target of reducing VOC emissions by 1% or more compared with the fiscal 2019 level. In fiscal 2020, VOC emissions in Japan increased by 7.7% compared with fiscal 2019. The reason for the increase was increased production volume in the Adhesive Tape Manufacturing Department, which uses solvents.

Preventing Air and Water Pollution

SEKISUI CHEMICAL Group complies with the regulatory values under laws and ordinances for equipment it uses in connection with exhaust gases and water drainage.

Soil Contamination Countermeasures

SEKISUI CHEMICAL Group conducted a self-assessment of soil contamination at all of its production sites. The Group has cleaned up and taken steps to prevent spread at all locations where contamination was found as well as completed its report to the government. In addition, the Group continuously monitors groundwater, taking ongoing steps to verify that no pollution leakage has occurred.

Moreover, the Group takes legally mandated decontamination measures when selling land on which production facilities have been closed. In fiscal 2020, conditions did not require any new measures to be taken.

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

Transformers and condensers that contain PCBs are being disposed of steadily, where PCB treatment facilities are available. Machines and equipment in storage that contain PCBs are managed strictly and thoroughly, through means including locked storage and periodic inspection.

Steps are being taken to enhance awareness toward mandatory requirements regarding equipment that use 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

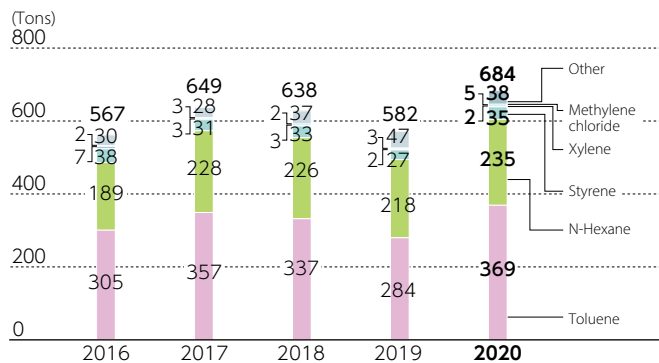
Note: From fiscal 2019, Medical Business results are collated and presented with Headquarters results following its separation from the High Performance Plastics Company as an independent entity.

Aggregated Results Based on the PRTR Law (Substances Handled at Business Sites Subject to Assessment with a Handling Volume 1 Ton or More Are Aggregated)

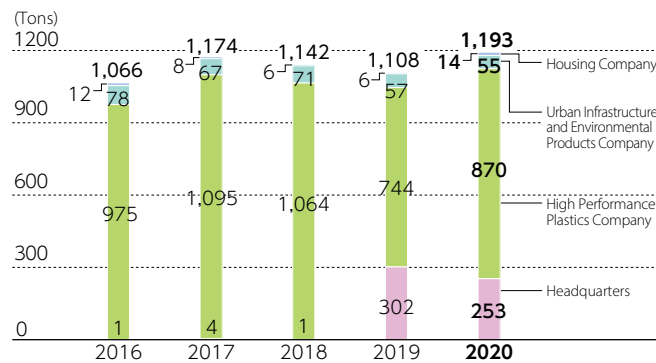
Substance	Govt. ordinance notification no.	Emission volume	Emission volume				Transfer volume			Detoxification
			Atmospheric	Public water areas	In-house soil	In-house landfill	Sewage system	Transfer in waste disposal	Transfer in waste recycling	
Ethyl acrylate	[4]	1.3	0.082	0	0	0	0	0.12	0	1.1
n-Butyl acrylate	[7]	246.9	2.0	0	0	0	0	1.4	3.0	241
Acrylonitrile	[9]	413.6	3.4	0	0	0	0	0	0.0080	410
Acetaldehyde	[12]	166.7	0.12	0	0	0	0	0	0	167
Acetonitrile	[13]	83.0	6.6	0	0	0	0	0	76	0
2,2'-Azobisisobutyronitrile	[16]	5.0	0	0	0	0	0	0	0	5.0
Antimony and its compounds	[31]	7.2	0	0	0	0	0	0	0.72	0
Isobutyraldehyde	[35]	44.0	1.1	0	0	0	0	0	0	43
2-Ethylhexanoic acid	[51]	5,320.6	0	0	0	0	0	0	4.5	5,308
Ethylbenzene	[53]	1.7	1.7	0	0	0	0	0	0	0
Ethylenediamine	[59]	4.8	0.46	0	0	0	0	0	0	4.4
ε-Caprolactam	[76]	25.7	0	0.0080	0	0	0	0	0	26
Xylene	[80]	22.7	2	0	0	0	0	0.036	0	21
Hexavalent chromium compounds	[Special 88]	2.1	0	0	0	0	0	0	0.0045	0
Vinyl chloride	[Special 94]	116,165.2	3.9	0.11	0	0	0	0	0	116,161
Chloroform	[127]	5.3	0.28	0	0	0	0	0	3.1	0.53
Cobalt and cobalt compounds	[132]	1.1	0	0.096	0	0	0	0	0	1.0
Vinyl acetate	[134]	48.4	4.6	0	0	0	0	2.9	0	41
Inorganic cyanide compounds (not including complex salts and cyanate)	[144]	13.3	0	0	0	0	0	0	0	13
Cyclohexylamine	[154]	5.5	0.31	0	0	0	0	0	0	5.2
Methylene chloride	[186]	420.6	5.5	0	0	0	0	0	0	415
Divinylbenzene	[202]	2.2	0	0	0	0	0	0	0	2.2
2,6-di-t-butyl-4-cresol	[207]	9.1	0	0	0	0	0	0	0	9.1
N,N-dimethylacetamide	[213]	2.4	0	0	0	0	0	0	2.4	0
N,N-dimethylformamide	[232]	1.1	0	0	0	0	0	0	1.1	0
Organic tin compounds	[239]	138.1	0	0	0	0	0	0.077	1.2	2.3
Styrene	[240]	1,076.6	23	0	0	0	0	11	0.017	451
n-dodecyl alcohol	[273]	7.5	0	0	0	0	0	0	0	7.5
1,2,4-Trimethylbenzene	[296]	1.2	1.2	0	0	0	0	0	0	0
Tolylene Diisocyanate	[298]	12.8	0	0	0	0	0	0	0	0
Toluene	[300]	820.4	346	0	0	0	0	23	93	358
Lead compounds	[Special 305]	519.3	0	0.0022	0	0	0	0.27	4.2	46
Nickel compound	[Special 309]	1.0	0	0	0	0	0	0.32	0	0
Bis-(2-ethylhexyl) phthalate	[355]	3.4	0	0	0	0	0	1.7	0	0
n-Hexane	[392]	248.0	235	0	0	0	0	0.35	7.3	5.3
Boron and its compounds	[405]	33.1	0	0	0	0	0	0	0	0
Poly (oxyethylene) = alkyl = ether (C = 12-15 and other blends)	[407]	15.4	0	0	0	0	0	0	0	13
Manganese and its compounds	[412]	4.2	0	0	0	0	0	0	4.2	0
Methacrylate	[415]	249.9	1.4	0	0	0	0	0	0.0060	248
Methyl methacrylate	[420]	165.8	1.4	0	0	0	0	0	0	164
Methylnaphthalene	[438]	1.5	0.0074	0	0	0	0	0	0	1.5
Methylenebis (4,1-phenylene) = diisocyanate	[448]	1,637.9	0	0	0	0	0	2.1	0	1,629
		127,955.8	640	0.22	0	0	0	44	201	125,801

Index	Calculation Method
Volume of chemical substances handled	Volume of handling of substances subject to regulation by the PRTR Law [Production sites and research institutes in Japan are subject to assessment]
Volume of emissions / transfer of chemical substances	Volume of emission / transfer of chemical substances subject to regulation by the PRTR Law: Volume of emissions = Volume of emissions into the air + Volume of emissions into public waters + Volume of emissions into the soil on-site + Volume disposed by burial on-site Transfer volume = Volume transferred to sewers + Volume transferred as waste material [Covers production sites and research facilities in Japan]
Volume of chemical substances subjected to detoxication	Volume of chemical substances subject to regulation by the PRTR Law subjected to detoxication: Amount detoxified = Amount consumed in reaction + Amount consumed through combustion, etc. [Covers production sites and research facilities in Japan]

Chemical Substance Emission and Transfer Volumes (PRTR Law) / Japan



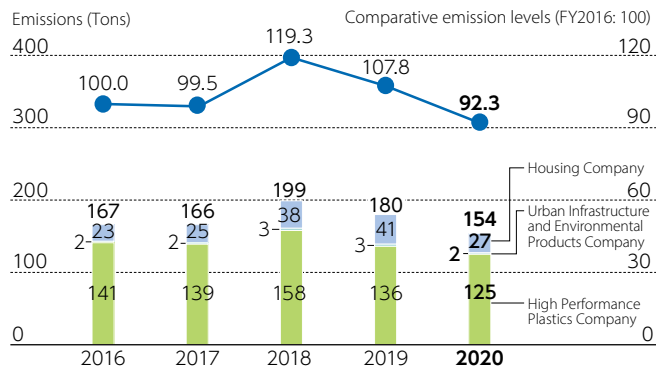
Discharge of Volatile Organic Compounds (VOCs) into the Atmosphere / Japan



Index	Calculation Method
Volume of emission / transfer of chemical substances	Volume of emission / transfer of chemical substances subject to regulation by the PRTR Law Volume of emission = Volume of emission into the atmosphere + Volume of emission into the public waters + Volume of emission into the soil on site + Volume disposed of as landfill; Volume of transfer = Volume discharged into sewage systems + Volume discharged as waste elsewhere Production sites and research institutes in Japan are subject to assessment

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

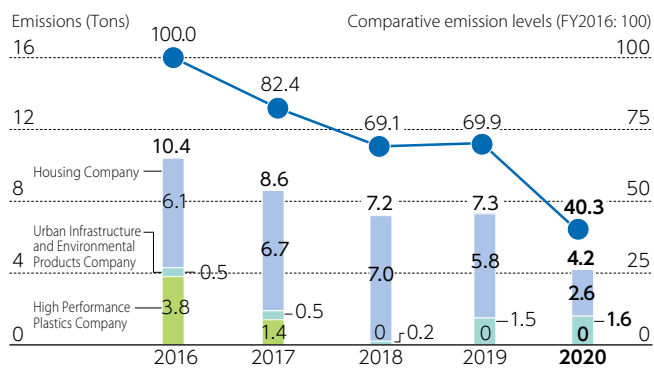
NOx Emissions / Japan



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

Index	Calculation Method
NOx emissions	$\text{NOx emissions} = \sum (\text{Amount of exhaust gas airflow per year} \times \text{NOx concentration} \times 46/22.4)$

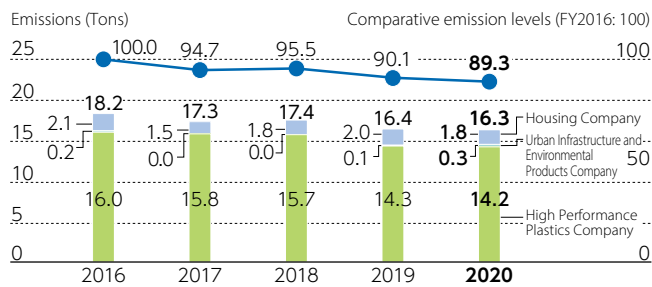
SOx Emissions / Japan



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

Index	Calculation Method
SOx emissions	$\text{SOx emissions} = \sum (\text{amount of SOx per year} \times 64/22.4)$

Soot and Dust Emissions / Japan



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

Index	Calculation Method
Soot and Dust emissions	$\text{Soot and Dust emissions} = \sum (\text{amount of exhaust gas airflow per year} \times \text{soot concentration})$

● Environmental Impact Assessment

Understanding the Impact of Our Products and Services on the Global Environment

Management Approach

Basic Concept

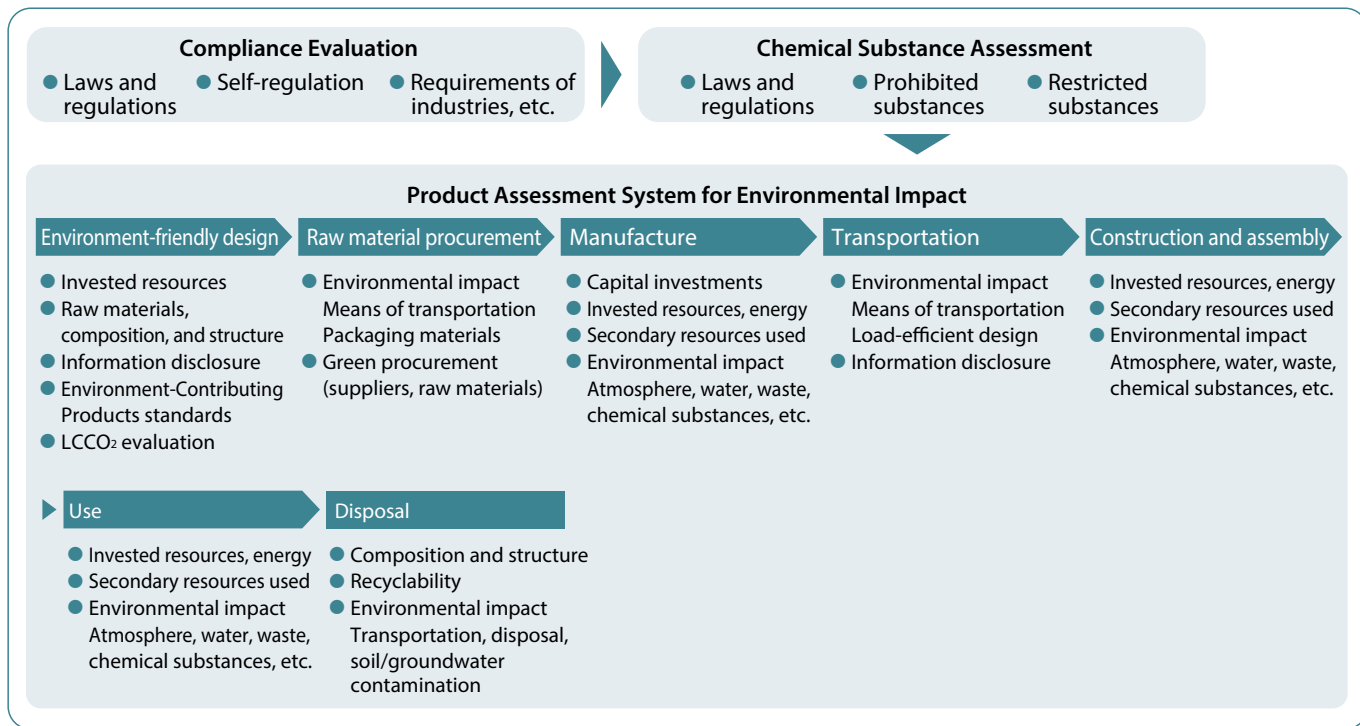
Results of Environmental Impact Assessments Reflected in Measures

SEKISUI CHEMICAL Group assesses environmental impact at every stage of a product's lifecycle when product processes are developed or changed.

Assessment of environmental impact of products

Range: All stages of the product life cycle

Targets: Products and processes



Note: Environment-Contributing Products were evolved into products to enhance sustainability from fiscal 2020. For more details, see p. 32, "Products to Enhance Sustainability."

● Material Balance

Performance data

SEKISUI CHEMICAL Group releases information on the resources and energy used in its business activities (inputs) and on the impact on the environment of substances generated by those activities (outputs).

Material balance (Japan and overseas total)

Fiscal 2020 Results

Main Raw Materials (Total amount used)

- Metals^{*1}..... 118 thousand tons
- Wood, wooden building materials^{*1}..... 54 thousand tons
- Cement for exterior walls^{*1}..... 85 thousand tons
- Concrete for foundations^{*1}..... 418 thousand tons
- PVC^{*2}..... 147 thousand tons
- Polyethylene^{*2}..... 88 thousand tons
- Polypropylene^{*2}..... 30 thousand tons
- Kraft paper^{*2}..... 34 thousand tons
- PRTR-designated substances^{*1}..... 128 thousand tons
- Other resins/chemicals^{*2}..... 326 thousand tons
- Other inorganic/composite materials^{*2}..... 28 thousand tons

Energy 8,648TJ

- Purchased electricity 625,386MWh
- Heavy oil A 1,893kL
- City gas 60,561 thousand m³

Industrial water 19,885 thousand m³



Into the Atmosphere

- CO₂ from energy consumption 677 thousand tons-CO₂
- Nox^{*1} 154 tons
- Sox^{*1} 4 tons
- Soot and Dust^{*1} 16 tons
- PRTR-designated substances^{*1}..... 640 tons

Into Water

- Water discharged 17,709 thousand tons
- COD 62 tons
- PRTR-designated substances 0.2 tons

Waste

- Total generated waste 61 thousand tons

*1 The scope of tabulation for environmental performance data in Japan has been set as only those domestic business sites listed as falling within that scope.

*2 The following overseas business sites have been excluded from the scope of tabulation for environmental performance data.

- Sekisui-SCG Industry Co., Ltd.
- S and L Specialty Polymers Co., Ltd.
- Sekisui Specialty Chemicals (Thailand) Co., Ltd.
- Youngbo HPP (Langtang) Co., Ltd.
- Sekisui High Performance Packaging (Langfang) Co., Ltd.
- Sekisui Medical Technology (China) Ltd.
- Sekisui Xenotech, LLC.
- Sekisui Diagnostics, LLC. San Diego
- Sekisui Diagnostics (UK) Ltd.
- Sekisui Diagnostics P.E.I. Inc.
- Sekisui DLJM Molding Private Ltd. Greater Noida Plant
- Sekisui DLJM Molding Private Ltd. Tapukara Plant
- Sekisui DLJM Molding Private Ltd. Chennai Plant
- PT. Adyawinsa Sekisui Techno Molding
- Sekisui Polymatech (Thailand) Co., Ltd.
- PT. Polymatech Indonesia
- Sekisui Polymatech (Shanghai) Co., Ltd.

Contributing to Return of Natural Capital

Under its “Sekisui Environment Sustainability Vision 2050,” SEKISUI CHEMICAL Group declared that it would contribute to returns greater than the natural and social capital it uses. Natural capital will be returned through, for example, sustainability-centered product evaluation systems and environmental conservation activities undertaken on a global basis.

TOPICS

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• Conserving the Environment	p208

Contributing to Return of Natural Capital

Co-existing with the Global Environment Through Business Activities and Environment-Contributing Products

SEKISUI CHEMICAL Group is working to address issues in the natural and social environments aimed at improving sustainability of the world and society with a long-term approach. Aiming to realize an earth with maintained biodiversity in 2050, the Group is committed to and will pursue activities that help return more natural and social capital back to the planet than it uses through three initiatives: expand and create products to enhance sustainability, reduce environmental impact*, and conserve the natural environment.

* For more information, see p. 160, "Usage of Natural Capital."

Promoting solutions for natural and social environmental issues while establishing a product evaluation system to increase the sustainability of the world and society

Between fiscal 2006 and fiscal 2019, the Group internally certified as Environment-Contributing Products those products that demonstrated a high level of environmental contribution when used by customers. The Group also committed to and promoted further expansion of Environment-Contributing Product certification.

From fiscal 2020, the Group has evolved its sustainability-based product evaluation system as products to enhance sustainability.

The premise for products to enhance sustainability remains the same: products that have demonstrated a high level of environmental contribution toward solving natural and social environmental issues when used by customers. We believe contributions that improve the sustainability of the world and society specifically help solve issues facing the natural and social environments.

In addition, corporate sustainability and product sustainability that enables ongoing product manufacturing is important for SEKISUI CHEMICAL Group in order to continuously create and provide products that help solve issues in the external environment.

Based on this, SEKISUI CHEMICAL Group launched measures under the new products to enhance sustainability banner as a product evaluation system to promote greater global, social, corporate, and product sustainability.

In addition, our three-year Medium-term Plan from fiscal 2020 will pursue measures to improve sustainability underpinned by our products to enhance sustainability by strategically selecting growth products within our premium framework.

In addition, we have started to conduct sustainability confirmation assessments for each of our products in order to sustain our contribution to the resolution of issues. On top of our own and raw material supplier confirmation criteria, we also take steps to ascertain the status of Governance (Internal Control), environment, customer satisfaction and other factors through to the customer. Through confirmation assessments, we are looking to uncover common issues and good practices, implement measures to resolve issues, and rollout on a horizontal basis.

For more information, see p. 32, "Products to Enhance Sustainability."

Environmental Conservation

While SEKISUI CHEMICAL Group has to date engaged in activities with the goal of conserving the natural environment mainly in Japan, it is expanding the scope of its activities in a bid to realize business sites that coexist in harmony with local environments globally. We have, for example, put in place plans to extend efforts to improve the quality of green spaces to Europe.

Execution of this plan was delayed in fiscal 2020 due to the impact of COVID-19. We are making preparations to carry out the plan as needed after the pandemic has dissipated.

● Conserving the Environment

Continuing to Provide Prominent Value Toward the Realization of a Planet Where Biodiversity Is Preserved

Management Approach

Basic Concept

Lessening the Impact of Business Activities on Biodiversity

While the business activities of SEKISUI CHEMICAL Group receive blessings of nature coming from biodiversity, they also negatively impact the ecosystem.

In April 2008, SEKISUI CHEMICAL Group incorporated biodiversity-related items into its Environmental Management Policy. Following this, the Group has been making efforts to reduce the environmental impact of, for example, greenhouse gas emissions and hazardous chemicals and to prevent pollution by promoting the effective use of resources and energy that are more limited than ever.

Having established a set of guidelines on biodiversity in 2011, the Group strives to conserve biodiversity, including the natural environment, through both environmentally conscious business activities and actions to preserve the environment undertaken around the world.

Long-term Environmental Management Vision

Toward the Realization of a Planet Where Biodiversity Is Preserved

To contribute to the realization of a planet where biodiversity is preserved, SEKISUI CHEMICAL Group engages in activities based on the "Sekisui Environment Sustainability Vision 2050*1."

As stated in the SDGs, natural and social environment issues are interconnected, and thus to solve a single issue, we must remain conscious of multiple issues while working to find solutions.

Looking ahead, we intend to strengthen our partnerships with stakeholders and evolve activities conscious of the need to solve not only issues relating to the natural and social environments, but also contribute to realizing a return to social capital as well as natural capital*2.

*1 See p. 135, "Long-term Environmental Management Vision: Sekisui Environment Sustainability Vision 2050."

*2 See p. 144, "Integrated Index: Sekisui Environmental Sustainability Index."

■ Biodiversity Assessments

At the twice-yearly meetings of SEKISUI CHEMICAL Group's Environmental Committee, which has been established under the Sustainability Committee chaired by the president, biodiversity relating to SEKISUI CHEMICAL Group's business activities and assessments of the impact those activities are having on biodiversity are deliberated.

Furthermore, when new land is acquired, for example through large-scale land development, such as when constructing our own factories, or through M&A, 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 conduct verification of any impact with regard to biodiversity.

Major Initiatives

Usage of Sustainable Timber and Assurance of Traceability

To contribute to the elimination of deforestation as well as the sustainable use of timber resources, at SEKISUI CHEMICAL Group every effort is made to ensure that the timber used in products is logged in accordance with statutory and regulatory requirements, such as FSC-certified wood. In addition, the Group conducts investigations into commercial distribution with regard to the logging area, tree species and quantity of timber materials to ensure traceability. For recycled materials, we use timber- and wood-based materials that are already used in markets, as well as unused thinnings and branches.

Previously, traceability surveys were limited to timber and wood-based materials used in manufacturing at domestic production sites, but from fiscal 2020, we are conducting surveys globally, including at overseas business sites.

Initiatives to Improve Green Space Quality at All Domestic Production Sites and Laboratories

We are moving forward with efforts to improve green space quality at business sites with the aim of maintaining flora and fauna habitats, building ecosystem networks that connect regions and business sites and invigorate regional partnerships. Under the Environmental Medium-term Plan (2020-2023), we aimed to improve our score on the JBIB Land Use Score Card R by three points compared with fiscal 2019. Under the guidance of the environmental consulting company Regional Environmental Planning, Inc., in fiscal 2020 we improved our average score 1.3 points compared with fiscal 2019 as a result of identifying non-native organisms requiring attention, creating a manual and exterminating them and improved our score by 1.3 points compared with fiscal 2019.

Activities to Eradicate Non-native Species (Plants)

Many non-native species have already invaded and become firmly established all around us. Some of them are plants that damage ecosystems and others are plants that are harmful to people. In contrast, there are also rare plants that are declining in numbers due, for example, to environmental degradation.

Based on this situation, SEKISUI CHEMICAL Group has been conducting surveys of exotic plants and precious plants in and around its business sites with the cooperation of experts at 15 factories and offices since FY2018. After selecting those non-native species (plants) to be eradicated from the viewpoint of high invasiveness and harm to humans, we prepared a countermeasure manual that describes appropriate removal methods and timings and are using it to conduct on-site confirmation. We are also continuing to carry out eradication-related activities, such as receiving lectures on eradication from experts on an as-needed basis.

To create and maintain better environments within our business sites, it is desirable to focus on non-native species and species conservation (precious species) while managing green spaces that show that we give consideration to biodiversity.



General view of a non-native species survey
(Chushikoku Sekisui Heim Industry Co., Ltd.)



General view of a non-native species eradication activity
(Kyoto R&D Laboratories)



Example of species targeted for eradication
Lance-leaved coreopsis

Promoting Biodiversity in the Housing Business

The Sekisui Heim Group is working to create sustainable town schemes by maintaining and improving the property value of the towns in its residential housing business. In fiscal 2020, the SEKISUI Safe & Sound Project*1 for the complex large-scale "Asaka Lead Town" was certified as an ABINC ADVANCE certified facility*2, the first time by a single corporate group. Tokyo Sekisui Heim Co., Ltd.'s "Smart Heim City Asaka" had acquired ABINC certification (FY2018) for town and community development. As an initiative for sustainable town and community development, from the perspective of biodiversity, we have achieved a high ratio of green coverage at "Asaka Lead Town" by planting an abundance of plants centered on the native species of the region throughout the town. We are also trying to mitigate damage from torrential rain having adopted disaster-resistant infrastructure equipment and utilizing the water retention capacity of the green spaces. In addition, we are planning to hold a variety of events to revitalize the local community through the green spaces. These events could include, for example, nature meetings to observe creatures and study plants in which several generations can take part, tree planting by residents for the purpose of increasing the number of trees and plants that attract wildlife, the production and installation of bird nesting boxes that attract native birds that are unique to the region, and riverbank clean-up activities. The plan is for subsidiary companies to take the initiative in conducting a range of events.

*1 Based on the three concepts of "Safe," "Sound," and "Safe&Sound," we are working to create a safe, secure, environment-friendly and sustainable town while demonstrating the comprehensive strengths of SEKISUI CHEMICAL Group. We are working to build a sustainable town and community that will continue to have value by providing tangible and intangible benefits that will allow its residents, from young people to the elderly, to live safely and comfortably.

<Three Concepts>

Safe: Secure & Safe. "Feel a newfound sense of security, anytime and anywhere"

Sound: Environment and Comfort. "A vibrant town where residents can participate, enjoy, and build a community."

Safe & Sound: Sustainable. "Always watching over and continuously supporting" Safe & Sound = free from harm

*2 ABINC ADVANCE is a certification system by which the Association for Business Innovation in harmony with Nature and Community (ABINC) assesses the contributions made by the private sector that aims for the realization of sustainable regions and towns through biodiversity conservation and for the achievement of the SDGs. Planned and managed in accordance with the concept of the guidelines for the promotion of Ikimono Symbiotic Coexistence Enterprise® certifications developed by the Japan Business Initiative for Biodiversity (JBIB), those enterprises that meet the reference point or higher in the JBIB Land Use Score Card and are certified under this examination process receive this certification.





Quercus glauca



Quercus myrsinifolia



Ilex integra



Ligustrum japonicum

Plant varieties scheduled for planting



Artist's impression of "Asaka Lead Town" after completion

Cooperation with External Organizations

An Association Aiming for and Taking Action in Biodiversity Conservation

In 2013, SEKISUI CHEMICAL CO., LTD. became a member of JBIB (Japan Business Initiative for Biodiversity), which is a group of Japanese corporations committed to biodiversity conservation. In order to contribute to the conservation of biodiversity in and outside Japan, we promote diverse activities, such as conducting research regarding biodiversity together with various companies.

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 extermination of non-native species.

Social Contribution Activities

To develop personnel who contribute to the environment, we engage in natural environment conservation activities in various regions around the world, through cooperating with local governments, academic institutions, schools, NPOs and NGOs.

Performance data 

Results from the JBIB Land Use Score Card®

	FY2020
JBIB Land Use Score Card®	Increased by 1.3 points

Index	Calculation Method
Points of JBIB Land Use Score Card®	<p>JBIB Land Use Score Card® is a tool promoted by JBIB, which evaluates the level of effort to preserve biodiversity with respect to the land owned by the Company. It is a sheet for evaluation of every business site regarding the size and quality of its greenspace, management system, etc. on a scale from 0 to 100.</p> <p>We implement assessments of every business site for the fiscal year using the JBIB Land Use Score Card® and calculate the increase from the number of points it had in fiscal 2019. The index is the average value of the points increase of all business sites.</p>



SEKISUI CHEMICAL Group aims to be an entity that gives rise to innovation and creativity, brings employees and the Company together in the drive to tackle social issues and contribute to finding solutions to them. We share this commitment Group-wide while promoting the creation of workplaces that are full of energy and enthusiasm.

TOPICS

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Human Resources Management Principles

Taking into consideration diversity, the workplace environment and health, SEKISUI CHEMICAL Group will develop human resources who actively take on challenges as a part of efforts to support the basis of LIFE and to continue to create “peace of mind for the future” in order to realize a sustainable society.

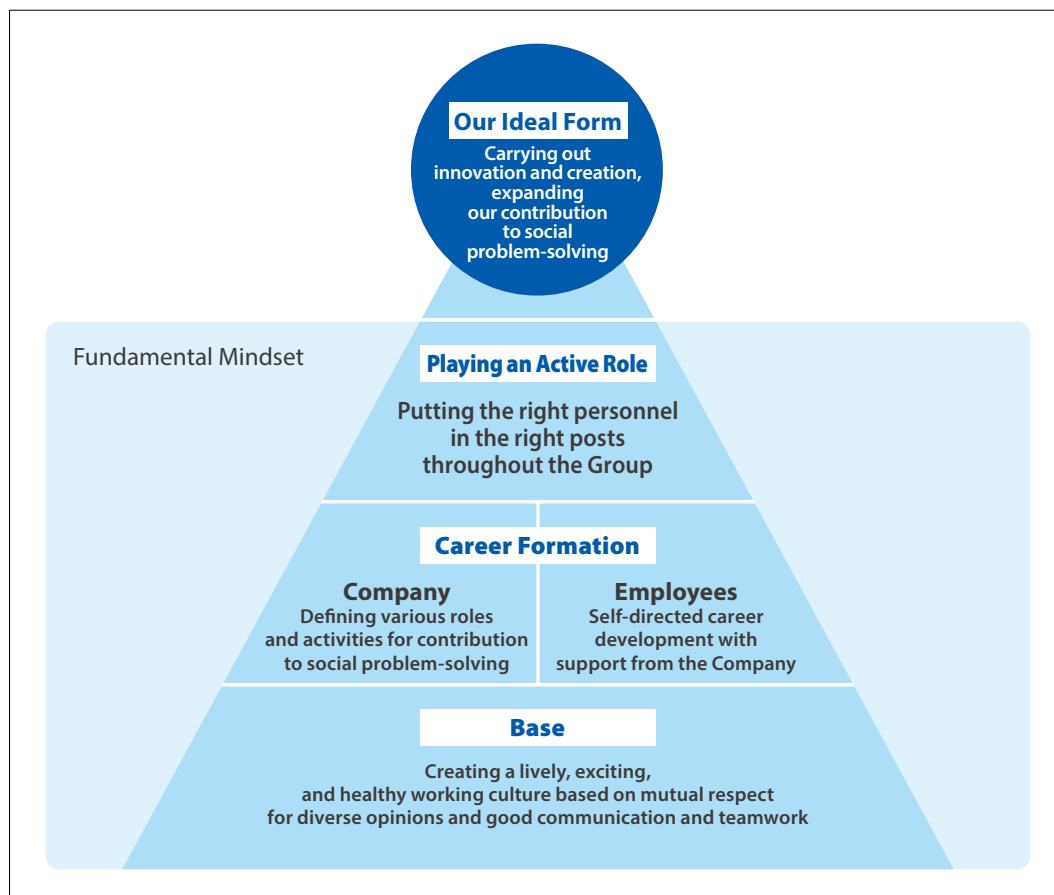
Management Approach

Our Philosophy

Based on our belief that “employees are precious assets bestowed on us by society,” we, SEKISUI CHEMICAL Group, offer various opportunities through which we help individual employees to pursue their own carriers and enhance their “unique skills” while taking on the challenge of working together with employees to help solve social problems by creating opportunities pursue various social significant missions and challenges.

This fundamental mindset regarding human resources is shared throughout the entire Group, and we are striving to ensure that our workplaces are vibrant and enable diverse personnel to take on challenges and play an active role.

Human Resources Management Principles



Transformation to a Vibrant Company

To become “an excellent and vibrant company where employees thrive on challenges,” we aim to foster an organizational culture in which each individual plays a leading role and can take on a variety of challenges.

TOPICS

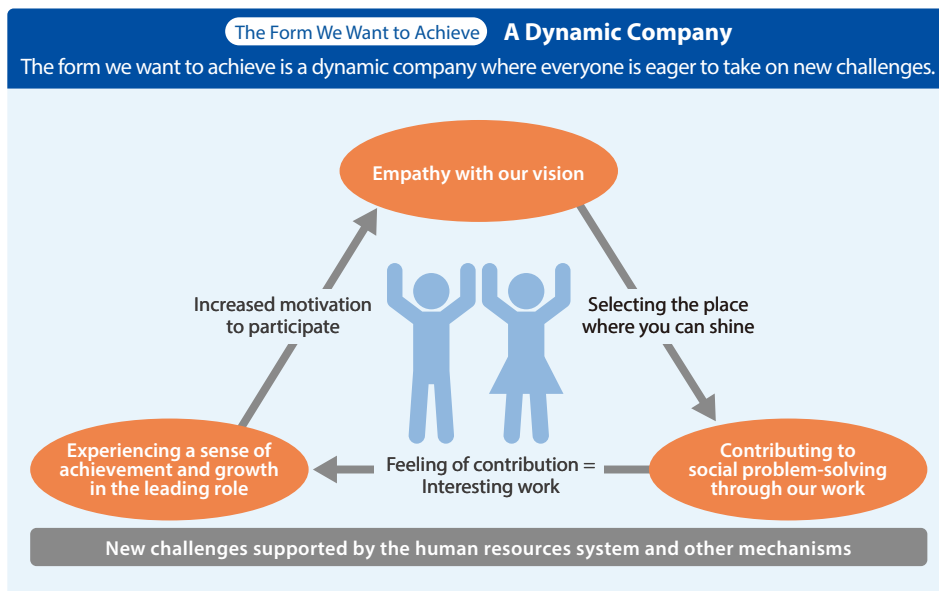
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Transformation to a Vibrant Company

Our Vision of a Vibrant Company

We believe that a vibrant company is one in which each and every individual takes on a leading role and is able to take on a variety of challenges, achieving an energetic corporate culture which makes employees want to stretch and push themselves.

To become a vibrant company, we aim to create virtuous circle in which all employees have a shared vision, contribute to solving social issues through their work to create a successful track record, and this sense of accomplishment and growth further motivates them to take on the challenge of playing a leading role in realizing this vision.



Message to Employees from the President

Our president has released a message to all employees expressing his hope to achieve a vibrant company. Based on this desire, we are implementing and expanding policies linked to the understanding and promotion of initiatives for achieving a vibrant company by employees of the Group.

Message from the president to employees on achieving a vibrant company

The vibrant company that I have in mind, is one in which employees are fully aware, take enormous pride, and are able to take on specific challenges.

In order to utilize the Group's wide-ranging businesses to improve life for everyone around the world and the global environment, a diverse group of employees with different personalities, experiences, and characteristics must be allowed to demonstrate their individual capabilities, personalities, and characteristics to the greatest extent possible. In 2015, SEKISUI CHEMICAL Group drew up the "Diversity Management Policy." In pushing forward diversity management across the entire Group, steps were then taken to promote female empowerment as a first step. Thanks largely to the dual efforts of promoting women's empowerment while creating a positive organizational environment, SEKISUI CHEMICAL was selected as a Nadeshiko brand among a number of favorable results. Our goal moving forward is to build an organization in which all employees, including women, can actively participate in the business and take on challenges on a daily basis.

To this end, SEKISUI CHEMICAL Group will work to improve productivity, reform its systems and culture, and enhance Governance (Internal Control) through such wide-ranging measures as digital transformation, automation of the plant floor, work style reforms that allow diverse human resources to excel, health and productivity management, and efforts aimed at expanding opportunities and challenges.

SEKISUI CHEMICAL Group's mission is to be acclaimed by stakeholders as a truly excellent company and a corporate group that increasingly contributes to the sustainability of society. It is our hope that all employees will continue to take up each challenge with a strong sense of pride.

Let's refine our ESG management and harness the collective strengths of all Group employees to overcome every challenge and grow.

Keita Kato
President and Representative Director
SEKISUI CHEMICAL CO., LTD.

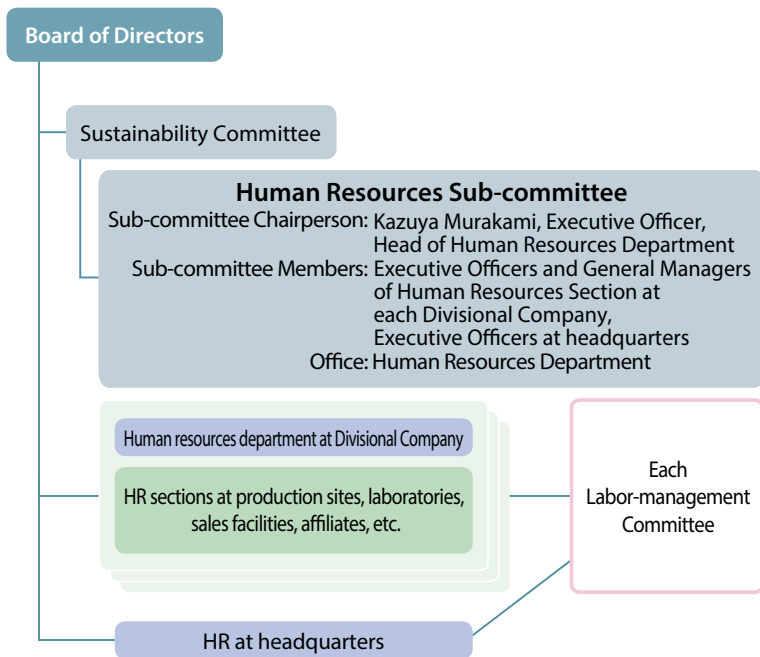
Promotion System

Human Resources Committee

The Human Resources Committee convened under the Group-wide Sustainability Committee on major human resources strategies for the Group in fiscal 2020 (diversity, working style reforms, and health management). From fiscal 2021, this committee will carry out deliberation, determination, and monitoring measures to achieve the corporate culture of a vibrant company which creates challenges and encourages employees to take them on, the major human resources issue for ESG management. Chaired by the executive officer and head of the Human Resources Department, the Human Resources Committee is comprised of executive officers and the heads of human resources departments selected from each divisional company.

The Human Resources Committee met twice in fiscal 2020, once in September and once in March.

Human Resource / Promotional Structure (from FY2020)



Specific Targets Set, Measures Being Enacted

The Medium-term Management Plan (fiscal 2020-2022) involves implementing initiatives to become a vibrant company that encourages employees to take on challenges as well as realize a challenge-oriented corporate culture regarding key human resource issues for achieving social and SEKISUI CHEMICAL Group sustainability targeted under the Long-term Vision.

Key Initiatives and management frameworks

- Implement the Long-Term Vision, deepen ESG management :Vision Management
- Transform to challenge-oriented corporate culture :People Management
- Shift to human resources management based on having the right person in the right place :HR (Human Resources) Management

Vision Management

● KPI to Measure Employees' Commitment Toward Taking on Challenges

■ The Importance of Human Resources in Promoting ESG Management

Guided by the statement, "Innovation for the Earth," which lies at the heart of its Long-term Vision, "Vision 2030," SEKISUI CHEMICAL Group is working diligently to link efforts aimed at realizing a sustainable society to the sustainable growth of the Group by resolving social issues and providing peace of mind that continues into the future. More than anything, it is important for each and every employee to demonstrate their abilities and to break free from convention while continuously taking on challenges in order to realize this Long-term Vision.

SEKISUI CHEMICAL Group has identified certain KPIs to measure the degree to which the Group as a whole achieves five key issues (governance (internal control), DX, the environment, human resources, and fusion) in the conduct of its ESG management. Among these five key issues, we will measure the degree to which employees express their commitment toward taking on challenges in order to realize the Long-term Vision from a human resources perspective. In fiscal 2020, we implemented global questionnaires as a benchmark for setting goal values.

● Implementing the Long-term Vision

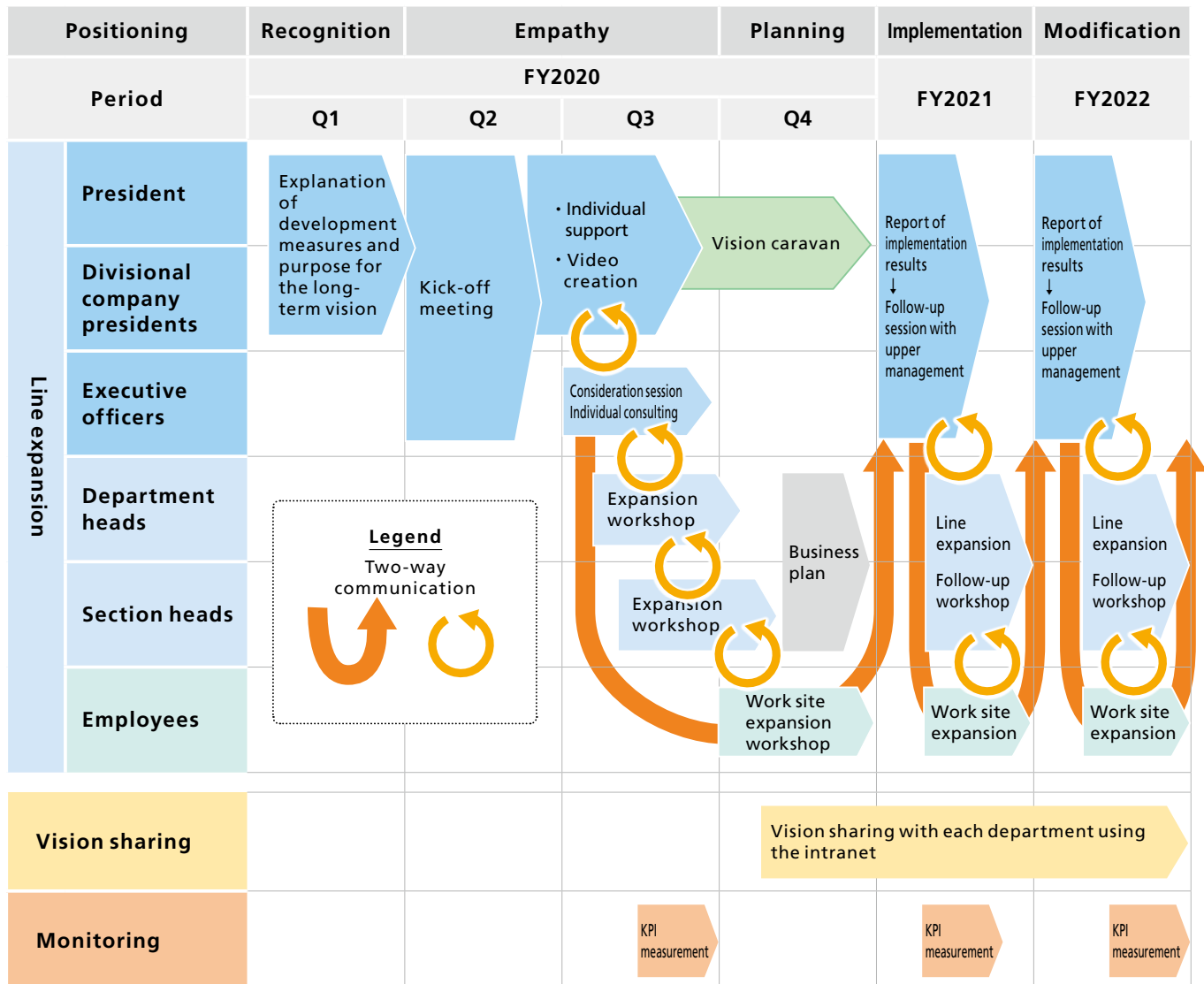
SEKISUI CHEMICAL Group announced Vision 2030 in 2020 as its long-term vision for the next decade, declaring its aim to double contributions to resolving social issues as part of its challenge to reach ever greater heights. Realizing this long-term vision hinges on managers essential to workplace operations to convey this vision to each department, thus fostering shared understanding and a spirit of challenge among employees.

Executive management outlined their visions in a video format and distributed them to employees, and all managers held long-term vision workshops that conveyed their visions for their own organizations. Managers also re-examined actions for the realization of their visions through workplace workshops which created opportunities for discussion with team members. We have made these initiatives more effective by sharing each organization's vision on the Company intranet and incorporating them into business plans for each fiscal year. SEKISUI CHEMICAL Group will engage in two-way communications based on a three-year roadmap that communicates new messages from executive management based on feedback from this discussion, in the form of team member impressions and opinions.

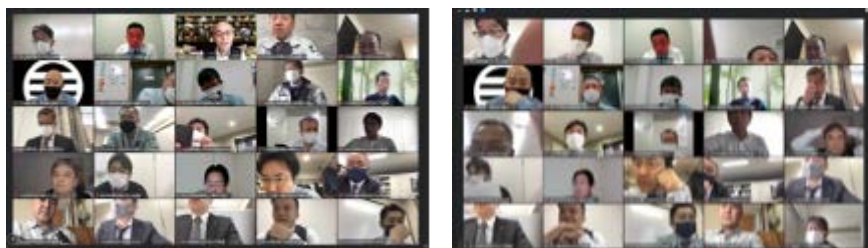
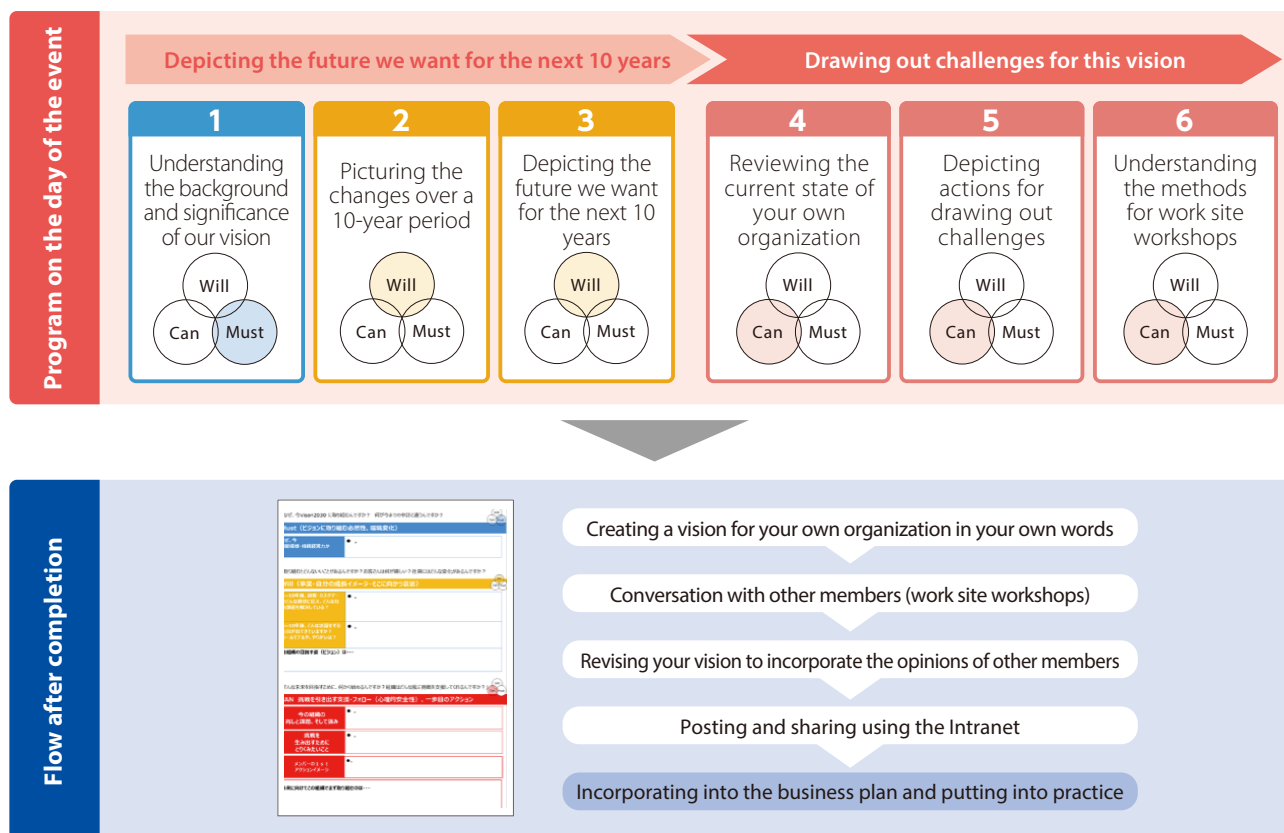
These initiatives began in Japan in fiscal 2020, and we plan to implement similar initiatives tailored to four overseas regions: North America, Europe, China, and South East Asia.

We aim to create a corporate culture that encourages employees to enthusiastically take on challenges with a sense of pride in SEKISUI CHEMICAL Group as well as a feeling that helping to resolve social issues contributes to the Long-term Vision.

Long-Term Vision Expansion Roadmap (Overview of Initiatives for the 3-Year Period)



Long-term Vision Workshops for Managers



Workshops

My Impressions of the Workshop

- I came away from the workshop with a desire to double our social contributions, not simply doubling the size of the business. Team members led the workshops, with managers fostering dialog rather than staying on the sidelines.
- A diverse array of “frontier leaders” across divisional companies exchanged opinions, generating good ideas that others had not thought of.
- The workshop served as a platform for the Company to voice its commitment as well as understand how other division company members feel about Vision 2030. While the aim of doubling social contributions stirred up feelings of both anxiety and anticipation, I think the training helped us motivate each other. The workshop also affirmed the importance of two-way communication and the need to eliminate obsolete ways of doing business.

People Management

● Deepening Engagement

■ Engagement Surveys

SEKISUI CHEMICAL Group periodically conducts an engagement survey targeting all employees every three years. The Group asserts that the continued empathy with and undertaking of the challenge of the Vision, as well as the feelings of individual employees that they are always the key players and that they have the determination to do their best and not give up until the results surpass everyone's expectations, in other words engagement, is crucial for achieving "Vision 2030" as the SEKISUI CHEMICAL Group Long-term Vision.

The results of the survey conducted in fiscal 2019 were analyzed and examined by the Business Strategy Department and the Human Resources Department, and served as the basis for formulating the current Long-term Vision and the Medium-term Plan.

In fiscal 2020, each Group company, both in Japan and overseas, took the lead in conducting mid-term surveys in a voluntary manner. Based on the results of these, we conducted issue analysis and produced policy drafts on an individual company basis, which we will implement during fiscal 2021.

We will implement measures to be undertaken Group-wide as well as those to be undertaken on an individual company basis as a means of accelerating deeper engagement throughout the Group.

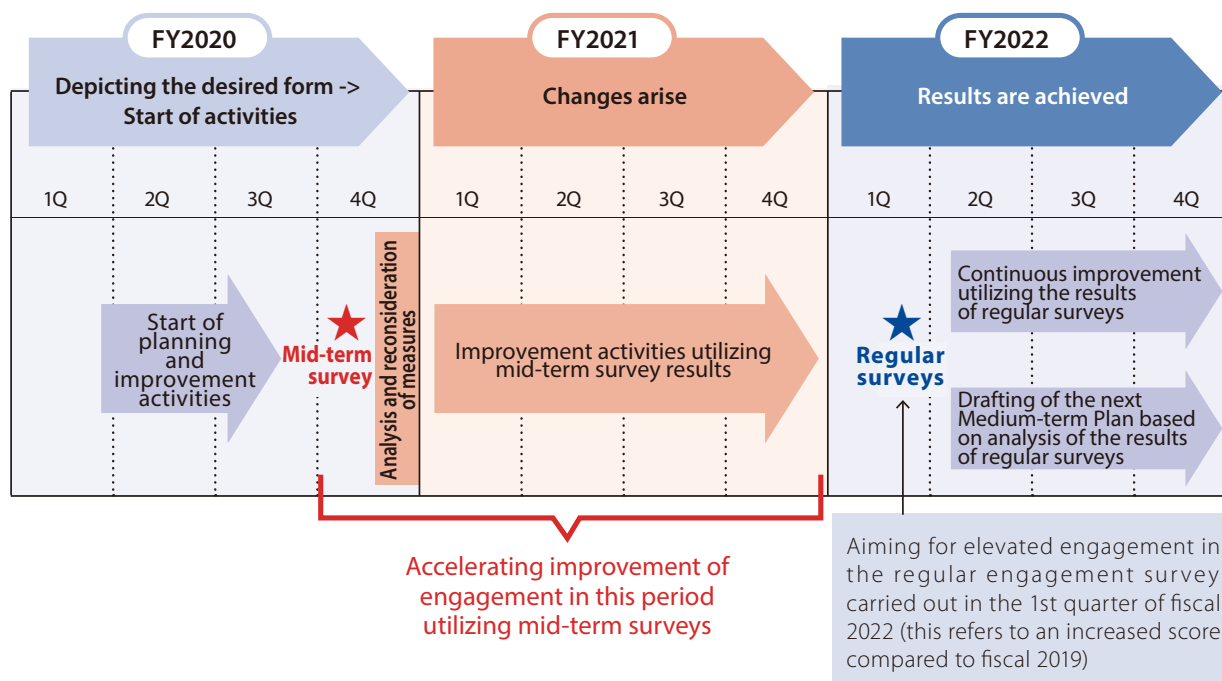
■ Engagement Drive Project

The Project to Develop a Workplace in which All Employees Can Excel has been conducted since fiscal 2016 as an improvement activity implemented at each department. This project aims to create ideal workplaces where diversity management is realized. In fiscal 2020, we revamped the activity organizations for this Project, and launched the Engagement Drive Project for the express purpose of deepening engagement. The Human Resources Departments of each organization serve as the members.



Awards for the Previous Year's Activities and Case Study Reports Were Presented, and the Project Kick-off Meeting Was Held Via Live Video Feeds with Group Companies.

Engagement Drive Project 2020-2022 Activity Stages



In fiscal 2020, we undertook themes including productivity improvements and system reforms at each organization. In response to the needs of each organization, we also conducted a mid-term engagement survey to grasp the awareness and issues among employees during the COVID-19 pandemic. Along with analyzing the mid-term survey, we held online organizational structure development seminars, worked to improve project member skill levels, and organized workshops covering everything from issue-setting to action plan refinement following a diagnosis of organizational structure issues.

- Number of organizations engaged in activities: 82 in total, including SEKISUI CHEMICAL subsidiary companies in Japan and Headquarters business sites
- Number of organizations conducting mid-term engagement surveys: 82
Mid-term surveys are voluntary, with each activity organization drafting and conducting its own surveys
→ Engagement score (Group-wide total) improved 3 points
- Organizational Structure Development Seminars (February to March 2021)

Main Programs	Number of participants
Day 1: Fundamentals of process work, concept of roles, organization analysis practice	120
Day 2: Concept of ranking, organization analysis practice	88
Day 3: Introduction of case studies, points for work site intervention, consideration of action plans	86

● Employee Career Development

Allowing Diverse Human Resources to Excel (Career Autonomy)

Management Approach

Basic Concept

As an overall company activity, we strive to foster diverse human resources throughout the Group based on the two pillars of training business leaders, who will someday shoulder management, and training efficient staff that can maintain our manufacturing processes. In addition, we apply measures in which the individual, their superiors, and systems work as a unified whole to support “career autonomy,” whereby employees take the lead in building their careers.

Note: Career Autonomy: An approach to independent employee career development whereby employees aim to work with vitality in a location to which they are uniquely suited as they prepare to play the role expected of them by the company.

Major Initiatives

■ Career Training During Role Turning Points

Under a new human resources system established to realize the Long-term Vision, each individual employee is required to actively and ambitiously contribute in his or her specific role. For this purpose, career training will also be transitioned from the conventional framework based on the axes of age and continuous service to one based on the axes of role and occupation. During fiscal 2020, we examined ways of rebuilding our career training programs based on this new framework. Alongside these efforts, the career plan training sessions for all age groups were canceled for this fiscal year.

■ Periodic Evaluation of Individual Performance and Career Development

At Sekisui Chemical, we are working to build a system for human resources that enables people to thrive, regardless of age or attributes. Our source of growth is found in those tasks we perform on an everyday basis. Indicating the specific actions an employee needs to take and the abilities needed to execute tasks in order to achieve a sustained level of consistently optimal results, there is the Sekisui Self-accountability & Competency Sheet (SSAC Sheet). SEKISUI CHEMICAL Group bases all of its business activities on its corporate philosophy called the "3S Principles" aiming to achieve satisfaction of its stakeholders. Based on these 3S Principles, the SSAC Sheet lists the roles and responsibilities of our employees in execution of their business duties as well as concrete behavior required by the Group from employees in each course, at each qualification level.

Under the Group's evaluation system, employees are assessed not only by their business results but also by the process that led them to the results and the personal growth they achieved through accomplishment of the tasks (increase of task-execution abilities). The SSAC Sheet serves as a standard for this evaluation. Superiors and subordinates are provided with regular opportunities to discuss the individual goal setting and assessment. Permanent, full-time employees in all positions and levels are target to this initiative.

■ Improving Group-wide Human Resources Capabilities

As it strives to empower Group human resources to achieve sustainable growth, SEKISUI CHEMICAL Group is advancing a variety of efforts to secure and train human resources.

Performance Data

Results of Intra-Group Job Postings

	FY2016	FY2017	FY2018	FY2019	FY2020	Cumulative Total since FY2000
Number of recruitment cases	44	49	44	45	31	386
Number of employees recruited	149	130	140	62	54	1,334
Number of applicants	83	99	115	135	155	1,163
Number of employees transferred	12	19	26	28	28	233

Career Path Support System

(Number of people)

		FY2016	FY2017	FY2018	FY2019	FY2020
Course conversion system	Men	7	14	9	10	14
	Women	2	2	2	1	2
Permanent, full-time employee conversion system	Men	1	5	3	2	1
	Women	5	11	7	11	14

Average Hours per FTE of Training and Development (Sekisui Chemical)

	FY2017	FY2018	FY2019	FY2020
Average hours per FTE of training and development (hours)	9.9	9.4	9.4	6.3

Note: Educational programs held at SEKISUI CHEMICAL's Human Resources Department at Headquarters

Training Programs Common to Entire Company to Improve Group-wide Human Resources Capabilities

	FY2017	FY2018	FY2019	FY2020
New employee induction training	223	251	243	101*
Training for newly appointed managers	245	210	252	220

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

Human Resources Management

● The Right Person in the Right Place

“Employees are precious assets bestowed on us by society” is the basic concept of human resources that SEKISUI CHEMICAL Group has cherished for a long period. While continuing to base our thinking on this concept, we launched a new initiative in fiscal 2020 to further harness the power of our employees, who are precious assets, to help resolve social issues and contribute to the realization of a sustainable society.

1. Clarification of missions and roles and a shift to a role-based system for human resources

Through backcasting, we are clarifying the various missions and roles that are necessary to achieve the ideal forms. We are also supporting employees to challenge and improve themselves regardless of age or year of employment while shifting to a system for human resources that ensures that the right person is in the right place. Preparations are currently underway for the system to be revised in fiscal 2022.

SEKISUI CHEMICAL (Non-consolidated) Human Resources System Revision Roadmap

Measure	FY2020	FY2021	FY2022
Shifting to right person in the right place human resources management	Consideration of a new human resources system	Trial of a new human resources system	Implementation of a new human resources system

2. Retirement extension

In line with the objectives for the human resources system revisions, the retirement age will be extended from 60 to 65 in order to increase opportunities for employees regardless of age from October 2021.

3. Strengthening the development of next-generation leaders

SEKISUI CHEMICAL Group is putting in place a program to help employees acquire the knowledge, skills, and know-how necessary to become business leaders from an early stage in a bid to sustainably develop human resources who can take on the challenge of various missions and roles. The program is therefore designed to help employees improve their ability to contribute to solving social issues and achieve career autonomy.

● Development Initiatives

Major Initiatives

■ Developing Business Leaders

1) Developing Business Leaders from an Early Stage

We have developed a consistent training system covering all stages from new hires to management positions, in order to systematically train business leaders to power SEKISUI CHEMICAL Group into the future.

Based on the concept that the foundations of growth are the experience gained through everyday business activities and learning from such experience, we have developed a training system that links these two elements together. Through this system we will enhance each individual's mastery of the skills required of business leaders, by running through the cycle of growth through experience, from when a new hire joins the Company through to management.

2) Developing Employees to Fill Senior Management Position Going Forward

With an eye toward management positions throughout the Group, SEKISUI CHEMICAL Group has established the Saijuku School. This internal training and development tool is designed to help enhance the scope and depth of future business leaders going forward.

In fiscal 2020, no new events were held due to the impact of the COVID-19 pandemic.

3) Innovation School (Fostering of Business Leaders by Newly Appointed Operating Officers)

The Innovation School has been held since fiscal 2003 with the aim of having executive officers themselves directly train SEKISUI CHEMICAL Group's next-generation business leader candidates. Up to fiscal 2019, a total of 1,194 next-generation business leader candidates had taken part.

The event was postponed due to COVID-19 in fiscal 2020. We are planning to implement this initiative under a new format from fiscal 2021.

Training Human Resources to Support the Workplace

The human resources who will support the foundations of management in practical terms in the workplace must undergo self-growth as highly capable practitioners accumulating experience over the long term and acquiring highly specialized knowledge and skills. Based on this concept, SEKISUI CHEMICAL Group hires human resources who will support the workplace as permanent, full-time employees, creates an environment in which they can demonstrate their abilities with peace of mind over the long term, and deploys the Meister System to strengthen their abilities in the workplace.

In the future as well, we will promote measures to strengthen training abilities in the workplace on a Group-wide basis.

Training Systems to Support Our Businesses

SEKISUI CHEMICAL Group is operating a training system with various programs tailor-made to match various career plans with stages differentiated by level and skill. As our business categories are extensive and we employ a divisional company system whereby each department is given substantial authority to make its own decisions, the Group operates its system of development of human resources at the level of each company and subsidiary of the Group, based on the philosophy and programs that serve as the fundament.

At the same time, some programs such as initial training of new employees, level-specific training by qualification grade, or business leaders' training are developed across the Group to promote improvements in power of human resources in the Group as a whole.

Performance Data

Results from Main Recruitment-type Training Programs

Name of Training Program	Numbers of Attendees in FY2016	Numbers of Attendees in FY2017	Numbers of Attendees in FY2018	Numbers of Attendees in FY2019	Numbers of Attendees in FY2020
The Saijuku School	33	37	27	Not implemented	Not implemented
Innovation School	72	58	86	69	Not implemented

Materiality/Human Resources

Refining the Foundation

Based on its Diversity Management Policy, by which the Group understands and recognizes the diversity of its employees and utilizes it as a strength, SEKISUI CHEMICAL Group is leveraging employees' preferences and distinctive characteristics to advance the laying of foundations that will enable the tackling of challenges and active participation. We are also working on initiatives for supportive and fulfilling workplaces and the promotion of employee health.

TOPICS

■ Refining the Foundation

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Allowing Diverse Human Resources to Excel

● Allowing Diverse Human Resources to Excel (Diversity Initiatives)

Management Approach

Basic Concept

In November 2015, SEKISUI CHEMICAL Group formulated its Diversity Management Policy following deliberations at meetings of the Board of Directors and Policy Committee. Not only perceiving diversity by differences understood from outward appearance such as gender, age, and race, SEKISUI CHEMICAL Group also focuses on differences that include careers, values, and personality. Likewise, we understand, recognize, and utilize the differences between each and every employee as strengths.

SEKISUI CHEMICAL Group's 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 work environment to support growth.

Organization-wide Initiatives

In preparing to realize diversity management, SEKISUI CHEMICAL Group has worked to build an organizational culture founded on actively taking advantage of each and every employee's orientation and their distinctive characteristics. To this end, activities are divided into two categories: "promotion" and "implementation." We launched our "promotion" efforts in fiscal 2015 and moved on to "implementation" in fiscal 2016. In fiscal 2018, we focused on entrenching diversity to create foundation for making the best use of each person's orientation and distinctive characteristics by fiscal 2019, the last year in our Medium-term Management Plan.

Starting in fiscal 2020, we evolved activities intended to utilize the orientation and distinctive characteristics of each and every employee while enabling employees to undertake challenges and actively participate in working towards our transformation into the energetic, enthusiastic company we are aiming for Long-term Vision, Vision 2030.

	Activities	Targets	Content	2015	2016	2017	2018	2019	2020
				Making well-known	Implementing		Solidifying		Refining
Creating organization culture	Making mindset and policies common knowledge and improving penetration	All employees	Making the mindset and reason for initiatives for diversity management common knowledge	Executive workshop Upper management workshop			Distribution of D-Book 2		
	Career plan training by age	① Individual	Understanding your own distinctive characteristics and orientation. Considering working styles to utilize these qualities.	Non-consolidated implementation	Expansion to Group companies				Self-directed career support
	Educational programs on diversity management implementation	② Bosses	Acquisition of management methods to utilize each individual's strengths		Practical training	Follow-up training	Follow-up training 2 (multi-faceted observation)	Follow-up training 3	Long-term vision expansion activities
	Project to develop a workplace in which all employees can excel	③ Organization	Supporting bottom-up activities for the improvement of organization culture at each work site		Kick-off	Diversity promotion theme	Added working style reform theme	System changes centered on human resources	Engagement increasing activities

Our continuing initiatives such as career plan training by age and diversity management training were praised at the 2nd "Platinum Career Award*" (Organizer: TOYO KEIZAI INC. Sponsors: Ministry of Health, Labour and Welfare; Tokyo Stock Exchange, Inc.), where we received the Grand Prize.

* About the "Platinum Career Award"

In the era of 100-year lifespans, extension of the working period has become a realistic proposition, and companies are expected to handle these changes. Within this environment, "platinum career" refers to the career format Japanese workers should strive for which proactively incorporates the following three elements.

- Long-term perspective: Awareness of ability to remain active at any age
- Autonomous learning: Learning actively and building-up experience
- Contribution to society: Taking an interest in society and striving to solve social problems

At the "Platinum Career Award" ceremony, companies supporting career formation with the perspectives above in mind are recognized for their efforts.



Enhancing Adequate Benefits and the Welfare Benefits System for Non-full-time Employees

At Sekisui Chemical (non-consolidated), base salaries are the same for each gender, and proper benefits are provided regardless of gender.

SEKISUI CHEMICAL Group also has systems in place that provide welfare benefits to contracted employees, such as contract employees, including healthcare (i.e., health checkups), compensation for disabilities and illnesses that arise at work, and childcare leave. Only indefinite-term employees are eligible to join the Company's life insurance, defined-benefit retirement plans, and shareholding programs.

● Allowing Diverse Human Resources to Excel (Gender)

Management Approach

We have been advancing initiatives to empower women since fiscal 2007, mainly in two stages: “established practice and active participation” and “creating managerial positions.” In particular, we have focused on expanding the areas in which women can participate. As a result of practical training targeted at female candidates for managerial positions and their immediate superiors, the retention rate of female employees improved and the number of females in managerial positions increased. In April 2019, one woman was appointed as an executive officer, and the in-house academy (Innovation School), where she serves as leader, increased opportunities for women to actively participate in the company, for example by proposing “methods of employing the potential of women in management” to the management ranks.

In recognition of these efforts, we were selected as a Nadeshiko Brand* in fiscal 2020. This is the fourth time we have been selected following on fiscal 2016, fiscal 2017, and fiscal 2019.

Under the Long-term Vision and new Medium-term Plan for 2020 to 2022, we set updated target values related to empowering women. In addition to “established practice and active participation” and “creating managerial positions,” we are also working on “enhancing the employment of women” and “training following promotion to managerial positions (creating women directors).”

* Held since fiscal 2012, “Nadeshiko Brand” is intended to encourage investment in and accelerate initiatives among companies, whereby the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange presents listed companies making exceptional efforts to empower women as brands that are attractive to investors who prioritize medium- to long-term growth in corporate value.

■ Targets for promotion of women's activities

Number of women in management positions (goals) :FY2025 80 FY2030 120



Major Initiatives

Retention and Empowerment of Young Female Employees

In order to retain young female employees and encourage their participation at the earliest possible time, we offer training programs, including hands-on training cycles and career building, for female employees in their first through fourth years of employment. This training fosters greater awareness while enabling women to take on leadership roles from an early stage, as well as to learn and undertake challenges on their own.

Fostering Women's Candidacy for Management Positions

Targeting women employees who hope to be appointed to management positions and their direct supervisors, the Company is conducting a Career Development Program for Women. This educational program has been put in place with the aim of fostering awareness and gaining the achievements appropriate for management positions. We have been continually conducting this program across the entire Group.

This program was held online during fiscal 2020, and at 52 individuals it was attended by more people than in the previous year. It was also well received, with attendees commenting that it was easy to participate even while raising children. As a means of enhancing support for growth among each individual participant, lecturers also provided mid-term guidance as part of the program when putting growth issues into practice.



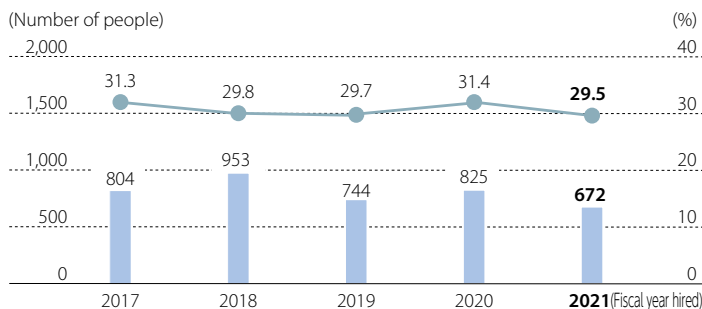
52 Women and 45 Superiors Attended
During Fiscal 2020

Recognition of Sexual Minorities, Including LGBT

In its Personnel and human rights policies, SEKISUI CHEMICAL Group states that all forms of discrimination are prohibited. The Company's diversity management policy recognizes that the orientations and strengths of each employee are different, and aims to make the most of these differences through the implementation of initiatives based on a broad definition of diversity, rather than one based solely on gender.

Performance Data

Number of New-graduate Hires / Ratio of Women among New-Graduate Hires (SEKISUI CHEMICAL Group in Japan) ✓



Note: Includes certain affiliates accounted for by the equity method and non-consolidated subsidiaries.

Number of Women in Management Positions and Ratio of Women to Total Hires

Number of Women Directors and Managers ✓

	Directors (Outside Directors)	Audit and Supervisory Board Members (Outside Audit and Supervisory Board Members)	Executive Officer
FY2020 Number of Women Directors (Sekisui Chemical)	1	1	1

	FY2017	FY2018	FY2019	FY2020
Number of women directors (Sekisui Chemical Group)	2	2	2	2
Number of women in management positions (Sekisui Chemical Group in Japan)	138	156	185	187

Career Development Program for Women

		FY2016	FY2017	FY2018	FY2019	FY2020
Number of program attendees	Women	90	58	35	39	52
	Superiors	77	44	31	24	46

Sekisui Chemical

		FY2016	FY2017	FY2018	FY2019	FY2020
Employees* ¹	Men (number of people)	3,239	3,290	3,331	3,327	3,308
	Women (number of people)	490	533	587	629	652
	Ratio of women (%)	13.1	13.9	15.0	15.9	16.5
Permanent, full-time employees* ²	Men (number of people)	2,955	3,005	3,072	3,073	3,060
	Women (number of people)	441	483	532	570	601
	Ratio of women (%)	13.0	13.8	14.8	15.6	16.4
Average years of continuous employment* ²	Men (number of people)	18.1	17.7	17.3	17.2	17.2
	Women (number of people)	14.3	13.7	13.2	12.6	12.4
New graduates hired* ³	Men (number of people)	77	90	114	96	83
	Women (number of people)	35	39	39	35	43
	Ratio of women (%)	31.3	30.2	25.5	26.7	34.1
Employees hired mid-career* ³	Men (number of people)	39	70	44	29	21
	Women (number of people)	5	6	9	4	2
	Ratio of women (%)	11.4	7.9	17.0	12.1	8.7
Managerial positions (managers)	Men (number of people)	696	689	685	678	672
	Women (number of people)	24	27	30	41	44
	Ratio of women (%)	3.3	3.8	4.2	5.7	6.1
Managerial positions (department managers and general managers)	Men (number of people)	597	612	637	642	649
	Women (number of people)	11	14	14	15	16
	Ratio of women (%)	1.8	2.2	2.2	2.3	2.4
Managerial positions	Men (number of people)	1,293	1,301	1,322	1,320	1,321
	Women (number of people)	35	41	44	56	60
	Ratio of women (%)	2.6	3.1	3.2	4.1	4.3
Employees newly appointed to managerial positions	Men (number of people)	46	53	63	68	58
	Women (number of people)	1	6	3	14	6
	Ratio of women (%)	2.1	10.2	4.5	17.1	9.4

*1 Workers with direct employment relationships with the Group (including permanent, full-time employees and non-regular 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). In addition, average years of continuous employment were corrected by going back to data from last year (fiscal 2019).

*3 Number of employees, who joined the Group from April to March of the following year (Employees with no determined period of employment)

All Consolidated Subsidiaries in Japan

		FY2015	FY2016	FY2017	FY2018	FY2019
Employees	Men (number of people)	15,619	15,684	16,136	16,362	16,360
	Women (number of people)	4,313	4,394	4,702	5,048	5,149
	Ratio of women (%)	21.6	21.9	22.6	23.6	23.9
New graduates hired	Men (number of people)	453	395	486	572	427
	Women (number of people)	176	145	211	251	176
	Ratio of women (%)	28.0	26.9	30.3	30.5	29.2
Managerial positions (managers)	Men (number of people)	2,763	2,843	2,922	2,926	2,924
	Women (number of people)	84	92	118	130	158
	Ratio of women (%)	3.0	3.1	3.9	4.3	5.1
Managerial positions (department managers and general managers)	Men (number of people)	1,512	1,520	1,534	1,588	1,595
	Women (number of people)	18	23	22	26	24
	Ratio of women (%)	1.2	1.5	1.4	1.4	1.5
Managerial positions	Men (number of people)	4,275	4,363	4,456	4,514	4,519
	Women (number of people)	102	115	140	156	182
	Ratio of women (%)	2.3	2.6	3.0	3.3	3.9
Management personnel (frontier leaders)	Men (number of people)	204	167	167	204	206
	Women (number of people)	1	4	5	5	4
	Ratio of women (%)	0.5	2.3	2.9	2.4	1.9
Employees newly appointed to managerial positions	Men (number of people)	160	180	215	211	241
	Women (number of people)	15	7	29	20	38
	Ratio of women (%)	8.6	3.7	11.9	8.7	13.6

Note: The above table was prepared based on the results of the survey conducted in July

Note: As of June 2021, data for fiscal 2020 is currently being calculated.

Age Composition of Permanent, Full-time Employees* in Fiscal 2020 (SEKISUI CHEMICAL)

		Less than 30 years old	30 to 39 years old	40 to 49 years old	50 to 59 years old	60 and above
Number of permanent, full-time employees by age	Men	454	591	848	1,132	35
	Women	189	125	138	144	5

Note: 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)

Employee turnover (Sekisui Chemical)

		Men	Women	Total
FY2019	Employee turnover (number of people)	63	10	73
	Employee turnover rate (%)	2.0	1.7	2.0
FY2020	Employee turnover (number of people)	48	26	74
	Employee turnover rate (%)	1.6	4.3	2.0

Indicator	Calculation method
Employee turnover rate	(Annual employee turnover (number of people) / Number of employees as of April of the subject year) x 100

Note: Excluding those who retired after reaching the mandatory retirement age and those who moved to another company of the Group

Note: 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)

● Allowing Diverse Human Resources to Excel (Seniors)

■ Transitioning to a Human Resources System for All Age Groups

Due to changes such as the reduced labor force and raised age for the start of pension payment resulting from the progression of the low birth rate and aging population, the creation of an environment which enables workers to continue contributing at any age and remain active for life is a social issue affecting Japan as a whole. Within the Group, there is a distinct bias toward specific age groups within the employee population as a whole, and our total employee numbers are expected to decline over the next 10 years. Accordingly, unifying the Group and supporting activity for all generations has been set as an important issue. At the majority of the Group's affiliated companies, re-hiring systems are in place for employees over 60 years of age, and those who request it can continue working. However, the timing of this re-hiring can result in changes to employee roles, resulting in limited job area and scope of responsibility. As a result, employees are not always all able to play a leading role in their activities. As we move toward achieving our long-term vision, it is essential for employees of all ages to take on challenges and find fulfillment in their work. To support the activities of all ages of employees, we made the decision to raise the mandatory retirement age to 65 for all Group companies. Through this change, we aim to make the SEKISUI CHEMICAL Group a place where each and every employee can continue to take a leading role, regardless of their age.

■ Goals for extension of retirement age

During fiscal 2021: Implement at SEKISUI CHEMICAL CO., LTD. and 9 Group companies

During fiscal 2022: Implement at 19 Group companies

Thereafter, expand extension of retirement age to all Group companies* by fiscal 2025.

* This excludes companies without mandatory retirement ages set.

For the implementation of the extension of retirement age, it is critical that we provide opportunities for mindset and re-learning training to the applicable employees, in anticipation of them turning 60, as well as support for development of working areas and other functions in their departments. We began preparations for this in fiscal 2020.

At SEKISUI CHEMICAL CO., LTD., we made the decision to introduce voluntary retirement age at 60 years old as a means of respecting the independence of our employees, and we also decided to introduce a side business system to support second careers after retirement. By confirming feedback through labor unions, we will support a variety of working styles to suit each individual's view of employment.

Performance Data 

Number of Elderly Employees Reemployed and Reemployment Rate (Sekisui Chemical)

	FY2016	FY2017	FY2018	FY2019	FY2020
Number of elderly employees reemployed	65	21	49	46	77
Reemployment rate (%)	83.3	63.6	76.6	85.2	83.7

Note: The reemployment rate for applicants is 100%.

Indicator	Calculation method
Reemployment of elderly employees	$\frac{\text{Number of reemployed elderly employees}}{\text{Number who have reached mandatory retirement age}} \times 100$ (Number who have reached mandatory retirement age includes those who do not wish to be reemployed)

● Allowing Diverse Human Resources to Excel (Global)

Management Approach

Basic Concept

Fostering Personnel Based on the Conditions in Each Area

In Vision 2030, our Long-term Vision, SEKISUI CHEMICAL Group focuses on doubling our contribution to society as a means to ensure growth. In order to achieve sustainable business growth over the long term, we believe it is not only important to create an organization in which each and every employee understands and shares the vision while also playing an active role in achieving it, but also to foster the development of people who are willing to take on new challenges.

Expansion in overseas markets is especially vital. SEKISUI CHEMICAL Group as a whole will expand our efforts to develop human resources who can take on new challenges and demonstrate their abilities not only in their respective countries and regions, but on a global basis as well.



Major Initiatives

Developing Personnel Who Can Succeed on the Global Stage

Amid an ongoing expansion in the business categories in which we participate, the overseas sales ratio and the overseas employee ratio at SEKISUI CHEMICAL Group are both increasing with each passing year. We believe that to develop as a Group, we need each and every employee working throughout the world to develop themselves through their work and learn to create and provide the products and services that meet the needs of each country and region.

This way of thinking lies at the base of our efforts to develop training programs for our human resources, programs that are firmly rooted in each area we operate in, enabling every employee to maximize his or her distinctive capabilities at their place of work. In fiscal 2020, we completed the introduction of the Learning Management System, which will serve as a foundation for the fostering of human resources moving forward, in four areas (U.S., Europe, China and ASEAN), with each company already implementing and making use of the system.

Integration and Training of Personnel across Regional Boundaries

With fiscal 2020 as the first year in our long-term vision, we focused on the dissemination and increased understanding of this vision. In addition to conducting “vision caravans” in each area, we held discussions on how best to develop the vision at each company with participation from presidents of all the local corporations overseas.

Hiring Foreign Nationals

SEKISUI CHEMICAL Group is actively hiring foreign nationals for the purpose of further globalizing the Group's businesses. In addition to hiring students who have been studying in Japan, the Company launched overseas recruitment activities in fiscal 2015. In fiscal 2020, we suspended overseas recruitment activities due to the global COVID-19 pandemic. However, for the foreign nationals who have been hired so far, we provided support so that they can utilize their strengths and demonstrate their abilities, including by increasing training opportunities and implementing transfers that would allow them to play an even more active role.

In order to realize our vision, we will continue to acquire and develop human resources with a global perspective in line with our business strategy, and accelerate the globalization and utilization of our diverse workforce.

Developing Personnel to Be Immediately Effective Overseas

SEKISUI CHEMICAL Group established a Global Talent Employee System in the years running up to and including fiscal 2019. However, from fiscal 2020 on, this has been revised to a global human resource development program for developing human resources in a more strategic manner. In fiscal 2020, 15 employees took part in the program.

Participants in the global human resources development program will work online with people from different cultural backgrounds to create and propose business plans, while also learning leadership and cross-cultural skills. Through collaborative efforts, they will also be able to recognize areas in which they can focus on an individual basis as they work in a global environment. By applying this awareness to their daily work, they will be able to accelerate their growth into individuals who can contribute to the globalization of our business.

Global Trainee Program

The Group offers a Global Trainee Program that enables employees to gain work experience overseas. Employees working in sales, accounting, product development, and some other areas with a certain achievement level are eligible to participate in the program allowing them to apply for posts at the overseas companies affiliated with the Group.

In addition, we have also implemented an Overseas Engineers Dispatch Program aimed at training engineers with globally competitive high-level expertise as well as a Short-term Overseas Dispatch Training Program that teaches the participants how to cultivate their own abilities and develop the behavioral patterns that are required to succeed in global business. We were unable to dispatch any employees in fiscal 2020 due to the spread of COVID-19.

In addition to systems such as these, we will continue to expand our other systems and mechanisms so that our employees can gain on-the-job work experience applicable to the global stage.

Performance Data 

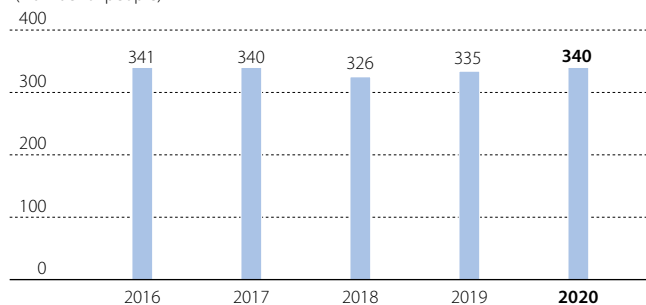
Breakdown of Number of Employees (SEKISUI CHEMICAL Group)

(Number of people)

Number of employees		26,577
Breakdown by region		
	Japan	19,800
	The Americas	1,744
	Europe	1,014
	Asia/Pacific	4,019

Number of Japanese Global Talent Employees

(Number of people)



Indicator	Calculation method
Global talent employees	Japanese employees with overseas assignment experience

Number of Participants in the Global Trainee Program

	FY2017	FY2018	FY2019	FY2020
Number of participants	10	21	15	1

● Allowing Diverse Human Resources to Excel (People with Disabilities)

Management Approach

Putting in Place an Invigorating and Comfortable Workplace Environment That Is Conducive to the Hiring and Retention of People with Disabilities

SEKISUI CHEMICAL Group promotes the hiring of people with disabilities. To this end, we believe it important not only to hire people with disabilities, but to create an environment where those with disabilities can easily work. We believe that such measures not only help us retain those with disabilities, but also leads to an environment in which all employees find it easy to work. We incorporate support from experts for hiring people with disabilities to meet the needs of each Group company, extending from establishing worker responsibilities to putting in place working environments.

Moreover, our personnel departments and experts offer regular counseling to people with disabilities after they have entered a Group company so that they will be able to set their own steady course for personal career development.

Major Initiatives

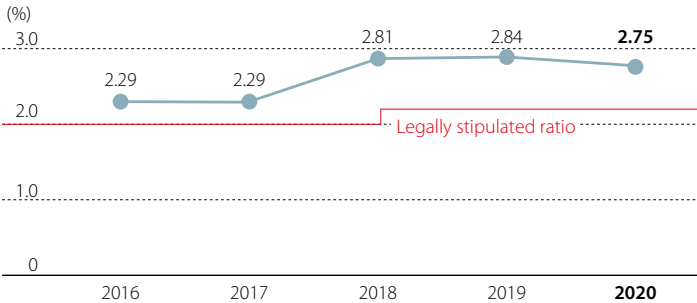
Creating an Environment Receptive to Workers with Disabilities

In the brainstorming sessions on employment of workers with disabilities that took place from fiscal 2016 to fiscal 2018, we implemented training divided into three segments—employment planning, establishing worker responsibilities, and actual hiring methods—and worked to improve performance of human resources managers throughout the Group. From fiscal 2019, we have partnered with relevant institutions and experts in each region in an effort to create opportunities that lead to actual hiring by focusing on hiring issues by Group companies and business locations. In fiscal 2020, internships and other activities were canceled due to concerns related to the COVID-19 pandemic. However, at the Tsukuba Office—which newly hired people with disabilities—we undertook such activities while receiving assistance from experts in order to enable self-sustaining employment, extending from hiring to following up on retention.

In fiscal 2021, we will continue to consider the areas that will enable a diverse range of people to play an active role by collaborating with relevant organizations and experts in each region.

Performance Data ✓

Employment Ratio of People with Disabilities (Sekisui Chemical)*



* Including Special Provision Subsidiary (as of March 2021)

Indicator	Calculation method
Employment ratio of people with disabilities	$(\text{Number of regular workers who have physical or mental disabilities} \div \text{Number of regular workers}) \times 100$

● Allowing Diverse Human Resources to Excel (Balanced Support)

Supporting Flexible Workstyles in Tune with Life Events

SEKISUI CHEMICAL Group introduces a variety of systems designed to enable employees to work flexibly in tune with life events and lifestyles.

As part of our childcare support measures, we undertake system upgrades that go beyond those stipulated under law. To encourage male employees to participate in childcare, the first five working days of childcare leave are paid, and we are advancing the use of a system for male employees whose children have just been born and their superiors.

As an initiative for nursing care support, we invited instructors from nursing care management organizations starting in fiscal 2019 to conduct nursing care training sessions on actual nursing care conditions and required knowledge.

In fiscal 2020, we established the Balanced Support website on the intranet to provide information on childcare and nursing care summarized in an easy-to-understand format.

Going forward, we will undertake measures to provide balanced support between illness and work.

Nursing care training session participants: Fiscal 2019: 24

Fiscal 2020: 70

Establishment of the Balanced Support website on the intranet



Introductio	研修概要
はじめに	オリエンテーション
第1章 介護するということ	ある日職の異変に気付いたあなたは、介護に対峙することになりました。 1.あなたはどんな介護をしたいですか？ 2.介護とは、何をすること？
第2章 老いに向き合うために	「老い」を認めたくないのは、子供も親も同じこと。「老い」のメカニズムを知り、受け入れ、戸惑いを減らします。対話が難しい「認知症」に際して、どう対応すればよいかが学びます。必要以上に恐れなくていいのです。
第3章 地域の介護体制を学ぶ	1.地域包括支援センターとは 2.自治体支援サービス
第4章 介護保険を使う	1.まずは、要介護認定 2.介護保険による介護サービス (1) 自宅に住み続けで利用するサービス (2) 施設などに住み替えて利用するサービス
第5章 振り返り	最初の一步から、介護サービス利用の手続きまで、振り返ります。これらの手続きや準備にも、自身体や会社の制度を積極的に活用しましょう。 Q&A

少子高齢化による労働人口の減少、従業員一人ひとりの働き方の多様化に伴い、育児、介護、そして病気治療と仕事の両立が重要となります。積水化学グループでは、活力あふれるいい会社の実現に向けて、従業員一人ひとりが持つ多様な「志向」や「持ち味」を発揮できるように、仕事との両立に直面しても、安心して仕事が続けられるように両立支援を推進しております。本サイトでは、両立を目指す本人、その上司、さらに職場を管理する部門が一体となって取り組むための各種情報を提供していきます。家庭と仕事を両立していきいきと働くために、社内外の諸制度や施策をぜひご活用下さい。

育児 **介護** **病気(治療)**

本人
上司 社内外の諸制度や施策 人事 家庭と仕事の両立支援

目リンク集

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- 育児と仕事の両立**
- ▶ 育児支援制度一覧 (積水化学)
 - ▶ 出産・育児に関する手続き (積水化学)
 - ▶ 男性の育児支援
 - ▶ 育児支援ツール
 - ▶ 育児支援ガイドブック (積水化学)
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- 病気と仕事の両立**
- ▶ 治療と仕事の両立支援 (独立行政法人 労働者健康安全保障機構)
 - ▶ 病気・怪けで休むとき (積水化学)

Performance Data **Main Systems Allowing Various Workstyles and Their Use**

(Number of people)

Name of system	Main content		FY2016	FY2017	FY2018	FY2019	FY2020
Childcare leave	Can be taken until the end of the month in which the child reaches three years of age. (The statutory end date is until the child reaches two years of age.)	Women	22	30	32	45	51
		Men	14	20	28	44	49
		Total	36	50	60	89	100
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.)	Women	30	34	41	55	67
		Men	0	0	2	2	1
		Total	30	34	43	57	68
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.	Women	6	8	9	10	6
		Men	1	6	4	7	4
		Total	7	14	13	17	10
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)	Women	0	1	0	1	0
		Men	2	3	4	4	1
		Total	2	4	4	5	1
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	Women	0	0	0	0	0
		Men	1	2	2	4	1
		Total	1	2	2	4	1
Family leave	Three days of special care leave per year granted until the child or grandchild starts high school.	Women	43	48	62	62	51
		Men	77	101	146	193	126
		Total	120	149	208	255	177

(Number of people)

		FY2017	FY2018	FY2019	FY2020
Employees with newly born babies	Women	16	21	20	27
	Men	101	111	101	104
	Total	117	132	121	131
Employees with newly born babies who took childcare leave	Women	13	14	19	23
	Men	17	25	39	36
	Total	30	39	58	59
Ratio of those who took childcare leave (excludes those who are taking maternity leave) (%)	Women	100	100	100	95.8
	Men	16.8	22.5	39	34.6
Average number of childcare leave acquisition days (days)	Women	165.5	167.4	259.2	270.3
	Men	9.9	14.2	24.7	43.3
Employees who returned to work after childcare leave	Women	12	15	22	21
	Men	19	26	39	46
	Total	31	41	61	67
Ratio of those who returned to work after childcare leave	Women	92.3	100	100	95.5
	Men	100	100	100	100
Retention rate after one year of those who returned to work after having taken childcare leave (%)	Women	100	100	100	100
	Men	100	94.7	96.2	97.4

● Allowing Diverse Human Resources to Excel (Entrenching Support)

■ Follow-up Training for New, Mid-career Hires

With the aim of, for example, acquiring knowledge from outside the Company and enhancing its business potential, SEKISUI CHEMICAL Group is increasingly active in mid-career appointments (the hiring of experienced personnel). After having joined the Company, however, there are more than a few examples of a lack of understanding with regard to the workplace culture or inhouse systems on the part of the mid-career hires themselves proving to be an obstacle to the process of having them display their skills at an early stage. Providing new, mid-career employees with the opportunity to learn the basic knowledge (including the Company's history, culture, policies and systems), SEKISUI CHEMICAL Group draws on the high levels of competence and specialized skills mid-career employees have accumulated in previous positions and improves their workplace environment with follow-up training, so they can put those attributes to work and participate actively from an early stage.

■ Training Manager (Brother/Sister) Program

SEKISUI CHEMICAL Group has established a training manager (brother/sister) program aimed at enabling new employees to smoothly adapt to their assigned workplaces and quickly hit the ground running. The role of training managers goes beyond job-related instruction to play a role in providing guidance on how adult members of society should conduct themselves while following up on new employees' state of mind. The program also encourages training managers to leverage their experience guiding junior employees to gain a new perspective and thereby grow themselves.

Performance Data

Follow-up Training for New, Mid-career Employees

	FY2016	FY2017	FY2018	FY2019	FY2020
Number of training participants	45	87	60	43	42

Employee Turnover Rate in First Three Years of Employment (Sekisui Chemical)

	Entered in FY2014	Entered in FY2015	Entered in FY2016	Entered in FY2017	Entered in FY2018
Employee turnover rate in first three years of employment (%)	7.4	8.0	1.8	9.4	11.4

Indicator	Calculation method
Employee turnover rate in first three years of employment	Employee turnover rate in first three years of employment for each fiscal year

Work Style Reforms

Management Approach

SEKISUI CHEMICAL Group has advanced work style reforms under a three-year plan following the establishment of 2018 as its inaugural year of promoting work style reforms. After first putting in place a “Statement of Work Style Reforms,” the Group initiated three reform activities. We have realized various reforms, including reducing manhours through investments as well as enabling remote work and other flexible work styles.

With consideration for the future in which the COVID-19 pandemic has died down, we aim to create workplaces that balance making it easy to work with motivating employees.

SEKISUI CHEMICAL Group 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.

		FY2017	FY2018	FY2019	FY2020
Establishing policies and making them well-known within the Group		Declaration formulation Distribution of policy	Training for bosses DD-Book 2 Internal newsletter	Training for bosses Intranet maintenance	
Activities at each divisional company			Promotion of 3 innovations		
Group-wide common measures			Reduction of meeting hours		Investment in working style reform
Linked measures for all companies	Improved productivity (guidelines and sharing)		Establishment of smart work guidelines	Sharing successful case studies (system utilization)	Implementation of awards and horizontal expansion of case studies
	Flexible working style (systems and framework adjustment)		Renewal of the video meeting system	Introduction of a remote working system Introduction of paperless meetings	Expansion of the web meeting system Expansion of the working from home system
	Compliance (handling legal affairs)		Distribution of policy	Handling by each company	Handling by each company

Three Reforms

Improving productivity is essential to maximizing results in a limited time. With this in mind, SEKISUI CHEMICAL Group will push forward three reforms, specifically relating to “Business,” “HR system,” and the “Work environment.” Both management and employees will take up the challenge of promoting reform in line with the specific issues of each business.

<Three Reforms>

Business reforms: Identify the environment to be changed regardless of existing customs, and reform the work structure

HR system reforms: Reform the HR system to improve the growth and performance of each and every employee, and expand employment support

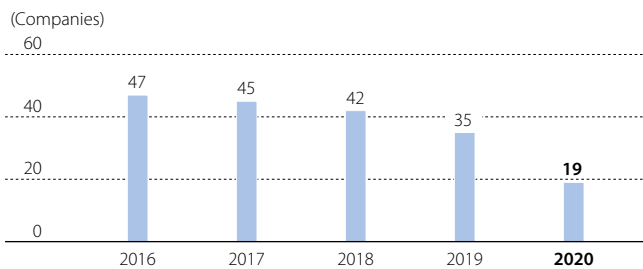
Work environment reforms: Reform the work environment by investing so that diverse employees can work in the optimal environment

Work Style Reforms Achievement Targets

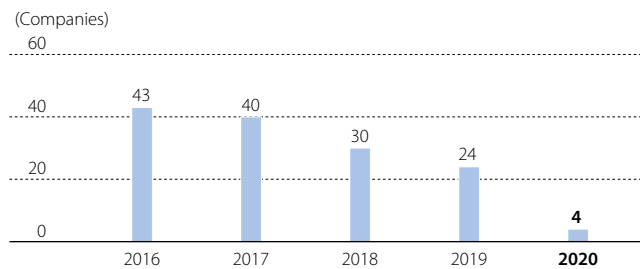
With endeavors to achieve work style reforms, we set targets through to fiscal 2020.

Throughout SEKISUI CHEMICAL Group, we are taking up the challenge of building an organizational culture that (1) realizes total hours worked per year to be less than 2,000 hours; (2) allows employees to take at least 120 days off; and (3) maintains a paid leave take-up rate of at least 50%.

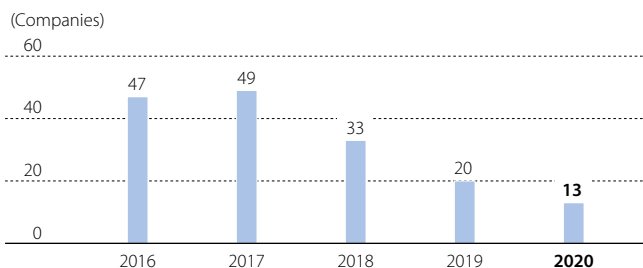
Over 2,000 Total Working Hours



Number of Companies with Less than 120 Yearly Days Off



Number of Companies with Paid Leave Take-up Rates Under 50% (for General Employees)



Investment in Work Style Reforms

Substantial capital investment and the introduction of systems are essential to continuously realizing the effects of business and work environment reforms. With this in mind, SEKISUI CHEMICAL Group decided to invest 10 billion yen over the three years from 2018 to 2020 in an effort to reduce working hours Group-wide.

Over this three-year period, we invested a total of approximately 7 billion yen in a wide range of areas, including automation and labor savings for production lines, sales innovation through the Sekisui Heim Museum, and the introduction of production management, remote work, and other systems. As a result of these investments, manhours for the Group as a whole were reduced by approximately 170,000.

Regulation of Long Working Hours Work Hour Shortening Committee

In order to promote the realization of flexible work styles and reductions in manhours, we held multiple discussions between labor and management. Through the Work Hour Shortening Committee, we determined to expand options for working remotely from the home and flexible working arrangements in fiscal 2020 (abolished restrictions on reasons for use, abolished core time, etc.).

Numerous employees used this system due to the movement restrictions imposed for preventing the spread of COVID-19, and we were able to continue business operations without any major obstacles during the declaration of a state of emergency. In addition, in order to handle the coexistence of remote work and commuting, we held immediate discussions to consider providing an allowance for actual commuting expenses and an allowance for working from the home. Through these discussion, we decided to adopt this system starting in October 2020.

We will continue to hold repeated, constructive discussions between labor and management with regard to promoting the creation of work sites that balance making it easy to work with motivating employees in a way that addresses the new normal.

Establishing Remote Work

In order to realize flexible work styles that are independent of the workplace, since fiscal 2018 we have endeavored to establish a workplace environment where there is little or no distinction between work and communication undertaken within or outside the Company. Due to the COVID-19 pandemic, we rapidly expanded use of the remote work and web conferencing systems that had already been partially deployed. These work styles have spread broadly throughout the Group companies.

Moreover, paperless operations have also advanced to a significant degree. Almost all Board of Directors and other major meetings, as well as new employee and other types of training, have successfully gone paperless. In addition to enabling remote meetings, we have also significantly reduced the burden on attendees for travel and preparation steps.

As a result of putting this infrastructure into place and of the employees of each workplace exercising their wisdom to review how standard business operations are performed, we were able to continue operations without significant impact under the various restrictions of the State of Emergency.

Reference: Tokyo Headquarters' attendance rate during January 2021: Approx. 15%

Consolidation of Labor Conditions

Measures to Improve Compensation and Labor Conditions

With the aim of securing and developing personnel throughout SEKISUI CHEMICAL Group that goes beyond company and individual Group company frameworks, we will continually work to upgrade various systems and improve labor conditions based on the results of our analysis of labor conditions at domestic Group companies. We also conduct investigations of not only compensation levels but also the working hours, use of paid leave, and flexible work styles aspects that are linked to reform of the very way we work - with the intent of optimizing conditions across the entire Group.

Labor-management Cooperation and Communication

SEKISUI CHEMICAL (non-consolidated) strives to understand and respects the positions of labor unions. We believe that through close communications between labor and management we can resolve our common problems based on a shared objective of advancing the Company.

Among SEKISUI CHEMICAL subsidiary companies in Japan, there were 15 independent labor unions with 5,407 employees in the All-SEKISUI CHEMICAL Labor Union Federation, while SEKISUI CHEMICAL Labor Union, which is the core organization in the Federation, had 2,438 members (as the Group employs a union shop system, the membership rate of employees eligible to become union members is 100%) in fiscal 2020.

Notifications of Major HR-related Changes

Based on the proposals submitted to the labor union and feedback received from each of the union branches, Sekisui Chemical has decided to move forward with HR system revisions and large-scale organizational reforms which will entail major changes and have significant effects on employees.

The labor agreement specifies that when employees belonging to the labor union are to be seconded or transferred, the labor union is to be notified at least one month prior to the change and the applicable employee's willingness to accept their new position is confirmed prior to assignment.

Performance Data

Amount of Overtime Work* (Sekisui Chemical)

	FY2016	FY2017	FY2018	FY2019	FY2020
Monthly average per employee (hours)	19.2	19.9	19.9	19.1	16.8

* Calculated on the basis of a prescribed number of working hours of 7.5 hours.

Paid Vacation Day Utilization Rate (Sekisui Chemical)

	FY2016	FY2017	FY2018	FY2019	FY2020
Average per employee (%) (Excluding managers)	45.9	51.1	64.0	71.4	58.2

Average Number of Paid Vacation Days Taken (Sekisui Chemical)

	FY2016	FY2017	FY2018	FY2019	FY2020
Average per employee (days) (Excluding managers)	8.7	9.6	12.1	13.6	11.2

Health and Productivity Management

Five Initiatives to Promote Employee Health

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. To further advance these initiatives, in March 2019 SEKISUI CHEMICAL formulated a philosophy regarding our goals for health and productivity management* in a Declaration of Health, and establishing the Basic Policy for Health and Productivity Management. SEKISUI CHEMICAL Group positions health as the "Well-being" that is defined in the WHO Charter, aiming for health as a state of complete physical, mental and social well-being. In working to achieve well-being among all employees and to realize a highly vital, exceptional company as laid out in the Group's Long-term Vision, we have formulated medium- and long-term goals for five initiatives (see next page).

* "Health and Productivity Management" is a registered trademark of the NPO Kenkoikeiei. Awareness of the Declaration of Health rose 12.1% over the previous fiscal year to 64.3%.



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.

In addition, we are aiming to solve the following management issues through health management.

1. Contribute to greater productivity through healthy minds and bodies
2. Address the declining birthrate and aging society
3. Contribute to a higher engagement score
4. Create and foster a well-being culture

Initiative 1. Health Checkups and Measures to Prevent Lifestyle Diseases

SEKISUI CHEMICAL Group collaborates with Sekisui Health Insurance Association to facilitate health and carries out uniform health checkups for all Group companies. From October 2018, we have introduced a common Group-wide health management system.

In addition, from 2015, we developed the Sekisui Health Network (SHN), a system that can respond to business sites of less than 50 people, so we are advancing better health among such small-scale work sites as well.

As a measure to prevent lifestyle diseases, we commenced seven health habit support programs advocated by Dr. Lester Breslow in fiscal 2020. Awareness of the seven health habits within the Group increased 15.1% over the previous fiscal year to 59.7%, while the ratio of employees practicing at least four of the seven health habits increased 0.7% to 59.0%. We aim to achieve 100% awareness and ensure all employees practice at least four of the health habits by fiscal 2022.

Note: Collaborative health refers to cooperation between companies and insurers including health insurance association and joint efforts to improve the health of workers and their families effectively and efficiently.

Initiative 2. Mental Health

SEKISUI CHEMICAL Group is taking the following initiatives as measures to support mental health.

1. Utilizing Stress Checks

SEKISUI CHEMICAL Group strives to maximally leverage the stress checks that are provided for in law. Specifically, it undertakes obligatory efforts at population analysis and work environment improvements as an element of its Group-wide stress checks for employees, including those working at business sites with fewer than 50 employees. Since fiscal 2019, the Group has made it a requirement to conduct population analyses within the Group, where the HR's welfare and health support group, the Health Promotion Office (hereafter, the Health Promotion Office), conducts a population analysis across the entire Group. Similarly, 84% of all business sites conducted a population analysis on a site basis in fiscal 2020. With the support of the Health Promotion Office workplace environment improvements were made at two sites in two companies in fiscal 2020.



Note: Taken from the group training session for creating healthy and vibrant workplaces conducted in fiscal 2019 (currently being conducted online).

2. Web-based Stress Management Training

We are conducting stress management training for newly appointed managerial staff, mid-career hires, and overseas assignees who experience considerable change in their environments. This training is proving effective as stress self-control indicators appeared to rise compared to before the training was implemented. In order to make it easier to undergo training, we changed the medium from a telephone- to a web-based system from fiscal 2020.

3. Enhanced Consultation Centers Where Employees Can Comfortably Seek Advice

We have established consultation centers that are available to any employee of SEKISUI CHEMICAL Group, regardless of employment format, thus strengthening a safety-net function.

Initiative 3. Systems and Workplaces Where People Can Work with Peace of Mind There

There are a variety of existing factors at workplaces that may hinder health, including chemical substances, work approach, noise and others. To counter these factors, we are undertaking activities across the Group through the utilization of an occupational health and safety management system. In addition, not only for those employees who are healthy, we are also striving to enhance a range of internal systems that take into consideration an environment to work in with peace of mind for those with medical conditions as well.

Initiative 4. Group-wide Initiatives

Health management promotion is a Group-wide effort at Sekisui Chemical, and for that reason, we are moving forward with Group application of the Health and Productivity Management Organization, in the large enterprise category. Our efforts with this increased the number of subsidiary companies to which this applied to, from five companies in fiscal 2017, to 30 in fiscal 2020. This recognition applies to groups where their companies have conducted a pre-assessment, and undertaken activities to increase the level of health. In cases where the pre-assessment indicates areas that are lacking, the Health Promotion Office provides support by building a framework, or through other measures. Steps were taken to initiate information exchange meetings among applicable companies from fiscal 2019. Each company has established specific health management targets with the Health Promotion Office collating levels of achievement.

In addition, we have appointed people responsible for, and others in charge of health management at approximately 300 business sites, covering the entire Group. This represents our efforts to build a structure in which steady measures can be put in place to advance health management.

Initiative 5. Increase Motivation and Productivity

With the intent to achieve productivity indicators, together with the visualization of productivity increases made through health promotion, we are steadily implementing the four above initiatives with the aim of raising motivation and productivity.

SEKISUI CHEMICAL began measuring presenteeism*¹ and absenteeism*² from fiscal 2019. We conducted three separate surveys regarding working from the home, which expanded as a result of the effects of COVID-19. The results showed a decline in presenteeism, so we aggressively deployed IT infrastructure improvements and other measures for working from the home. Presenteeism has generally worsened compared to fiscal 2019 and we will continue to closely observe this trend given the potential that the COVID-19 pandemic is one of the factors for this. Absenteeism improved by 0.35 days from fiscal 2019 to fiscal 2020.

*1 Presenteeism: A condition in which performance that should be inherently exerted deteriorates due to a physical or mental disorder.

*2 Absenteeism: Absence from work due to a variety of factors including illness or poor health.

Starting in fiscal 2021, we will focus on the following six items as the primary KPI among the 21 KPI.

- Ratio of employees considered high-risk
- Implementation ratio of the seven health habits (at least four)
- Ratio of employees in an ideal health condition (start in fiscal 2021)
- Implementation ratio of workplace environment improvements
- Ratio of employees on prolonged absence due to mental health issues
- Subjective well-being indicators (start in fiscal 2021)

	FY2017	FY2018	FY2019	FY2020
Awareness of the Declaration of Health for SEKISUI CHEMICAL Group (%)	—	—	52.2	64.3
Awareness of the 7 health habits (%)	—	—	44.6	59.7
Implementation of 4 or more of the 7 health habits (%)	—	—	58.3	59.0
Group application of the Health and Productivity Management Organization, in the large enterprise category (number of companies)	5	20	28	30
Presenteeism (%)	—	—	81.1	65.5
Absenteeism (days)	—	—	1.62	1.27

Major Initiatives

Seven Health Habits Support Program

Launched in fiscal 2020, this program is based on the seven health habits advocated by Dr. Lester Breslow, and is intended to extend the healthy life-expectancy of employees and to help them approach work in an invigorated manner. We established standards for appropriate habits under each of the seven items of "Breakfast," "Snacks," "Exercise," "Weight," "Sleep," "Smoking," and "Drinking," and aim for all employees to practice at least six of these items by 2028.

The Health Promotion Office began an e-learning program in fiscal 2019 as support for acquiring information on appropriate health habits and for putting these into practice. The Office introduces appropriate health habits under each item and conducts surveys to track the prevalence of health habits over time. In fiscal 2020 we also introduced a health promotion app (hereafter, Seven Crown App). As an approach to informing employees of the program, we distribute cards with a scratch-off campaign for employees to carry.

During fiscal 2020 we organized walking events in October and February with a total of 1,244 participants. Moreover, we grant activity points to encourage employees to use the app long-term as a means of helping maintain and promote health. Prizes are also offered depending on the number of points acquired. Employees who use the app have commented that although they put on weight after starting to work from the home, using the app led them to become more aware of their health and to successfully lose weight. Meanwhile, others commented they enjoy participating in the events each time. As such, the approach provides support that helps employees maintain and improve their health while having fun.

In addition, a statistical analysis revealed that users of the app experienced longer sleep times and a higher awareness of the seven health habits than non-users.

Going forward we will promote activities in aims of ensuring that all employees are fully aware of the seven health habits and that 100% of employees practice at least four of the seven health habits by fiscal 2022.

7つの健康習慣で健康寿命を伸ばしましょう

- 朝食を週5回以上食べる
- 間食は適量で(*1)
- 週合計60分程度、定期的に運動する
- 適正な体重を保つ(*2)
- 十分な睡眠時間をとる
- たばこ(新型たばこも含む)を吸わない
- お酒は適量を守るか、または飲まない(*3)

(*1) 1日200kcal程度 (*2) BMIが18.5~25 (*3) 男性1日2合未満、女性1日1合未満

7つの健康習慣のうち6~7つを実施している人と、0~3つの人とでは、平均余命が10年ほど違うと言われています。まずは4つ以上を目指しましょう。



第2回ウォーキングイベント 上位入賞者インタビュー

現在七冠王アプリは約2,000人の従業員のみなさまにご活用いただいております。先日アプリ内で第2回ウォーキングイベントを開催し、488名の方にご参加いただきました。上位入賞者の方から入賞への秘訣と喜びのひとこと(コメント)を頂戴しましたので、ぜひご覧ください。

上位入賞者 喜びのひとこと

<p>さん</p> <p>とても嬉しいです。ありがとうございます。</p>	<p>さん</p> <p>前回に引き続き入賞でき、大変うれしく思います。半ば意地で頑張りました。</p>	<p>さん</p> <p>前回11位でトップ10まであと少しだったので、今回頑張ってみました。</p>
<p>さん</p> <p>年甲斐もなく、若い人についていこうとしましたが、週を重ねるごとに歩数が大幅にアップ、くじけそうでしたが、最後まであきらめず、やり通せました。</p>	<p>さん</p> <p>ダイエットと運動不足解消のために始めた運動が、このような結果に繋がって素直にうれしいです。通勤で1時間以上歩く、帰宅後のランニング、リングフィットをほぼ毎日行ったのに加え、友人とのオールナイトハイク、引越しの手伝い、子供の行事等、休日に身体を動かすイベントも多かったため結果的に歩数が増えたと思います。今後も運動は継続していきたいです。</p>	
<p>さん</p> <p>目標としていた上位入賞が出来て最高の気分です。コロナ禍のなかで毎年参加している各地のランニング大会が中止となり、モチベーションの低下とともに体重が増進していきましたが、カロママで日々の体重や食事内容をチェックし、適度な運動をすることで何とか元の体に戻すことができました。</p>	<p>さん</p> <p>今回は一度も携帯を忘れずに終えることができました。山の開拓という最高のアクティビティをみつけたのでしばらくは楽しく体を動かさそうです。</p>	
<p>さん</p> <p>当初はドラクエのついでに参加してみようかな、という導入でしたが、週ごとのランニングを見るたびに、えっ?! いけるかも? と思い始め週ごとのランニングを確認しながら、最終週はもはや苦行でした(笑)期間中はほぼ外出して歩いていたので、しばし、家族サービスタイムに移行します。次回は適度に頑張ろうと思います。</p>		

Workplace Environment Improvement Activities

We are conducting workplace environment improvement activities with a focus on workplaces with overall health risk scores of 120 or more based on the results of population analysis of stress checks conducted in fiscal 2020. The burden of the workplace environment is especially large for production plants, and one example of this is the A site, at which over 50% of employees complain of back pain.

Accordingly, we are focusing on handling of heavy objects and workplace posture, evaluating the back pain risks for each process, and carrying out improvement activities with the goal of reducing back pain and the burden of operations.



Working posture photography used to examine the impact of working posture on health.

Certified as a 2021 Health and Productivity Stock and 2021 Health and Productivity Management Organization in the Large Enterprise Category (“White 500”)

SEKISUI CHEMICAL Group was recognized for its Companywide efforts to resolve issues relating to the health of its employees and was certified as a 2021 Health and Productivity Stock. Along with 30 affiliated companies in Japan, the Group was certified as a 2021 Health and Productivity Management Organization in the large enterprise category (“White 500”) for the fifth year in a row.



Performance Data

Companies receiving certification	Name of company certified together with the Company described on the left
Sekisui Chemical Co., Ltd.	SEKISUI MEDICAL CO., LTD.
	Hokkaido Sekisui Heim Industry Co., Ltd.
	Sekisui Heim Tohoku Co., Ltd.
	SEKISUI FAMIS TOHOKU Co., Ltd.
	Tohoku SEKISUI HEIM Real Estate Co., Ltd.
	Sekisui Heim Industry Co., Ltd.
	Tokyo Sekisui Heim Co. Ltd.
	Tokyo Sekisui Famis Co., Ltd.
	Sekisui Heim Chubu Co., Ltd.
	SEKISUI FAMIS CHUBU Co., Ltd
	Sekisui Heim Kinki Co., Ltd.
	Sekisui Famis Kinki Co., Ltd.
	Sekisui Heim Chushikoku Co., Ltd.
	Sekisui Famis Chushikoku Co., Ltd.
	Chushikoku SEKISUI HEIM Real Estate Co., Ltd.
	Chushikoku Sekisui Heim Industry Co., Ltd.
	Sekisui Heim Kyushu Co., Ltd.
	Sekisui famis kyusyu Co., Ltd.
	Kyusyu SEKISUI HEIM Real Estate Co., Ltd.
	Kyushu Sekisui Heim Industry Co., Ltd.
	Chiba Sekisui Industry Co., Ltd.
	Nishinihon Sekisui Industry Co., Ltd.
	Sekisui Home Techno Co., Ltd.
	Sekisui Seikei, Ltd.
Shikoku Sekisui Co., Ltd.	
Kyushu Sekisui Industry Co., Ltd.	
Sekisui Hinomaru Co., Ltd.	
SEKISUI MUSASHI KAKO CO., LTD.	
Sekisui Material Solutions Co., Ltd.	
Sekisui Fuller Company, Ltd.	

Note: From the list of corporations certified as 2020 Health and Productivity Management Organizations in the Large Enterprises ("White 500") category

Stress-check Examination Rate

	FY2016	FY2017	FY2018	FY2019	FY2020
Examination Rate (%)	72.0	81.9	87.1	92.5	93.9

Note: Scope of stress-check implementation: Companies that are members of the Sekisui Health Insurance Association (including some affiliates)

Materiality

Fusion



To promote fusion, SEKISUI CHEMICAL Group is putting in place systems for the realization of wider and more effective fusion, providing not only communication among divisional companies but also technological development, personnel training and collaboration with external organizations.

Fusion

Based on its technology platform, SEKISUI CHEMICAL Group is making efforts to fuse together its various internal and external stakeholders and companies while accelerating innovation in to support the foundation of LIFE and continuously create “peace of mind for the future” in a bid to realize a sustainable society.

Management Approach

Our Philosophy

Based on its “Vision 2030” Long-Term Vision, SEKISUI CHEMICAL Group is advancing the expansion of its existing businesses and the creation of new businesses using ESG management as its main strategy. With “fusion” as an important issue for ESG, we will not limit ourselves to the inter-group initiatives conducted up until now in cooperation with divisional companies, instead aiming to achieve wider-ranging and more effective fusion, including technological development, personnel cultivation, cooperation with external organizations, and open innovation.

System and Goals for Promoting Fusion

The ESG Management Department takes a leading role in promoting fusion in SEKISUI CHEMICAL Group, expanding existing business and supporting themes and projects that lead to new business creation in cooperation with the Business Strategy Department and R&D Center.

By capturing wide-ranging fusion, we established systems and frameworks capable of proactively providing support even from prior to the drafting of a concrete project plan and in cases where advance investment is required.

In addition, we have defined KPI to quantify our new products and projects, in order to ensure fusion is promoted more steadily.

Technological Development Fusion

Technological development is the source from which new businesses are created, and it is extremely important for fusion as well. At the SEKISUI CHEMICAL R&D Center, the mission of the organization is “strengthening fusion with divisional companies,” and this facility promotes fusion with each divisional company from three perspectives: core technology fusion, planning fusion, and development fusion. More specifically, the R&D Center carried out unified verification of fundamental technologies which was previously carried out at divisional companies, and the personnel involved in planning are rotated around. This is a measure for promoting the formation of cross-organizational planning in coordination with divisional companies.

List of Crucial and Major Items Concerning ESG Management



SEKISUI CHEMICAL Group maintains a list of main and important action items as materialities in ESG management.

List of Crucial and Major Items Concerning ESG Management

Blue lines of text indicate the crucial items in each key theme.
 ✓: FY2020 targets achieved ✗: FY2020 targets not achieved

Key Themes	Crucial and Major Items	Medium-term Targets (2020-2022)	FY2020 Targets	FY2020 Results	FY2020 Self-evaluation	Reference pages	
Products to enhance sustainability and the premium framework	Expansion of net sales of products to enhance sustainability Expansion of net sales of contributing products	Net sales of products to enhance sustainability: ¥800 billion	¥710 billion	¥640.3 billion <input checked="" type="checkbox"/>	✗	P40	
		Net sales of products to enhance sustainability that are in the premium framework: ¥440 billion	— **	¥312.0 billion	—	P35	
Safety, quality, accounting, legal/ethical, information management	Implementation of Group-wide risk reduction measures aimed at strengthening the management foundation	Workplace accidents resulting in a fatality 0	0	1 <input checked="" type="checkbox"/>	✗	P91	
		Major quality issues 0	0	2** <input checked="" type="checkbox"/>	✗	P95,100	
		Serious non-compliance and negligence 0	0	0 <input checked="" type="checkbox"/>	✓	P102	
	Safety	Incidences of injuries attributable to machines and equipment 0	0	4 or less	7 <input checked="" type="checkbox"/>	✗	P79,83,87
	Quality	Rate of application of measures for development risk prevention *1	100%	90%	94% <input checked="" type="checkbox"/>	✓	P95
	Accounting	Accounting system standardization	Completion of preparations for introduction to companies using major accounting systems in Japan	Confirmation of specifications of major items in ERP introduction	Confirmation of specifications of major items	✓	P106
		Enhanced monitoring by unifying consolidated accounting information	Completion of installation of major accounting systems in Japan and overseas	Completion of installation of main domestic accounting systems	Completion of acquisition of major domestic accounting systems	✓	
		Conducting of educational programs/workshop meetings to improve accounting skills	Ensuring completeness of accounting information by holding of educational programs/workshop meetings and conducting training	Held four educational programs (including e-learning)/workshop meetings	Four educational programs (including e-learning) and workshop meetings, enhanced methods to improve attendance rate (Implementation of online education programs/video distribution, work in conjunction with accounting authorities)	✓	
		Legal/ethical	Strengthen overseas control	Introduction of rules to prevent violations to antimonopoly laws, bribery and other serious offenses at overseas Group companies	100% installed (57 companies)	Installation 63% completed (36 out of 57 companies)	✗	P104-108
	Construct an internal whistleblower system in which anyone can easily report improper activity			Whistleblower system introduced in South Korea	Installation completed	✓	
Information management	Prevention of cyber security incidents	Operation of endpoint/boundary security integrated monitoring system (24 hours a day, 365 days a year)	Establishment of implementation system	Integrated endpoint/boundary security monitoring launch	✓	P111	
	Rapid response in the event of a cyber security incident	Domestic CSIRT ** operation established	Implement training according to incident response flow	Preparation of incident response flow and implementation of training	✓		
	Overseas deployment of CSIRT	Ascertain current conditions – preparations for deployment	Ascertain current conditions	Implementation of security assessments at overseas business sites	✓		
Risk management (BCP)	Preparation of a functional BCP; establishment of a BCM (PDCA cycle)	100% target organization BCP document preparation and operating rate (PDCA establishment)	BCP promotion project launch (promotion of formulation preparation)	<ul style="list-style-type: none"> • Determination of Group-wide organizational framework formulation (143 organizations) • Preparation of a standard template • Review of BCM guidelines 	✓	P115	
	Deployment of risk management organization-specific activities Group-wide including overseas	Consolidated sales composition ratio 100%	Consolidated sales composition ratio 93%	Consolidated sales composition ratio 93%	✓		
DX	Global management foundation innovation	Completion of a backbone system for global rollout	Determination of overview of measures to reform the management base, conclusion of SAP user agreements	Formation of various measures and roadmaps, determination of scope for introduction of SAP, conclusion of SAP licensing agreements	✓	P126	
	Reform of global indirect purchasing	Enhancement of Governance (Internal Control) by visualization of transaction status, improvement of efficiency by consolidating purchasing operations	Configuration of purchasing systems for verification purposes, implementation at three plants in Japan	Configuration and preparation for introduction of purchasing system, start of strategic purchasing function preparations	✓		
	Enhancement and improvement of efficiency of sales and marketing duties	Reduction of steps in inward operations, expansion of steps in sales activities and use of IT to expand sales	Configuration and verification of new work processes	Initiated demonstration at representative base	✓		
	Promotion of remote work	Provision of remote-work platforms for which security measures have been implemented	Construction of MobileNET remote work bases	Use by 1,200 people (Approximately 9,200 people can work remotely, including the conventional RemoteView platform)	✓		
Environment	Climate change response	Renewable energy ratio of purchased electricity increase (Amount of renewable energy/Amount of purchased energy Group-wide (%))	20%	5%	7.2% <input checked="" type="checkbox"/>	✓	P172
	Realization of resource recycling	Generated waste amount Reduction of unit of output	▲1%/ for three years	▲1.0%	▲0.8% <input checked="" type="checkbox"/>	✗	P185
	Reduction of water risks	Reduction of water intake volume at production sites which use large quantities of water	▲10%	▲10.0%	▲10.5% <input checked="" type="checkbox"/>	✓	P195
Human Resources	Degree of challenging behavior expression *3	— **	— **	— **	—	P221	
	Deployment of long-term vision throughout Group	Rate of deployment of Long-Term Vision to each department 100%	Implementation rate for long-term vision expansion workshops for heads of Group organizations in Japan 100%	Implementation rate for long-term vision expansion workshops for heads of Group organizations in Japan 100%	✓	P222	
	Change to a challenging organizational culture	Progress toward revision of HR system 100%	Completion of examination of HR system (general employees)	Completion of examination of HR system (general employees)	✓	P230	
	Changes to human resource management	Rate of career interview implementation between superiors and subordinates for independent career development 100%	Completed examination of career interview system	Completed examination of career interview system	✓	P227	
Fusion	Number of new A-type products launched, number of A-type projects *5	Number of new A-type products launched, number of A-type projects Up 10% (vs. FY2020)	— **	— **	—	P269	
	Increase in net sales from fusion	Up ¥50 billion (vs. FY2019)	— **	Up ¥12.4 billion (vs. FY2019)	—		
	Number of external collaborations in new areas gained (new business bases)	10% increase in number of external collaborations (vs. FY2020)	Setting of business results for fiscal 2020 as the reference value	Setting of business results for fiscal 2020 as the reference value	—		

*1 Rate of application of methods to prevent development risk at the product development stage (number of themes for implementation of methods to prevent development risk/number of development themes)
 *2 CSIRT: Abbreviation for Computer Security Incident Response Team. Plays a role in preventing cybersecurity incidents and a role in rapid response and recovery in the unlikely event of a cybersecurity incident.
 *3 Percentage of respondents taking concrete actions to realize the long-term vision
 *4 Undisclosed/undetermined
 *5 New A-type product: Product developed using new technologies with the aim of cultivating new markets and customers.
 A-type project: Large-scale subdivision project with more than 30 lots.
 *6 Based on individual divisional company standards

Key Issue Initiatives



The Group is taking measures regarding CS & Quality, intellectual property, and initiatives and participating organizations the Group endorses and supports.

TOPICS

■ CS & Quality	p273
■ Intellectual Property	p286
■ Declaration of Support for Initiatives and Organizations in Which SEKISUI CHEMICAL Group Participates	p288

CS & Quality

Pursuing the Quality Always Specified by Customers by Maximizing "Quality of People," "Quality of Systems," and "Quality of Products."

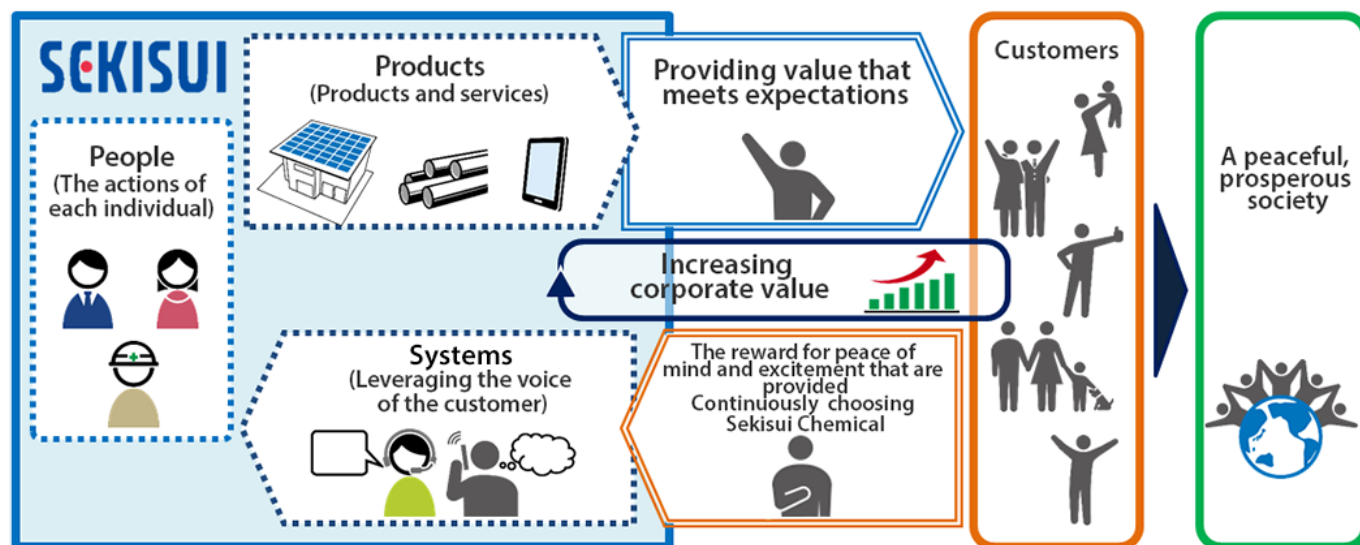
Management Approach

Our Philosophy

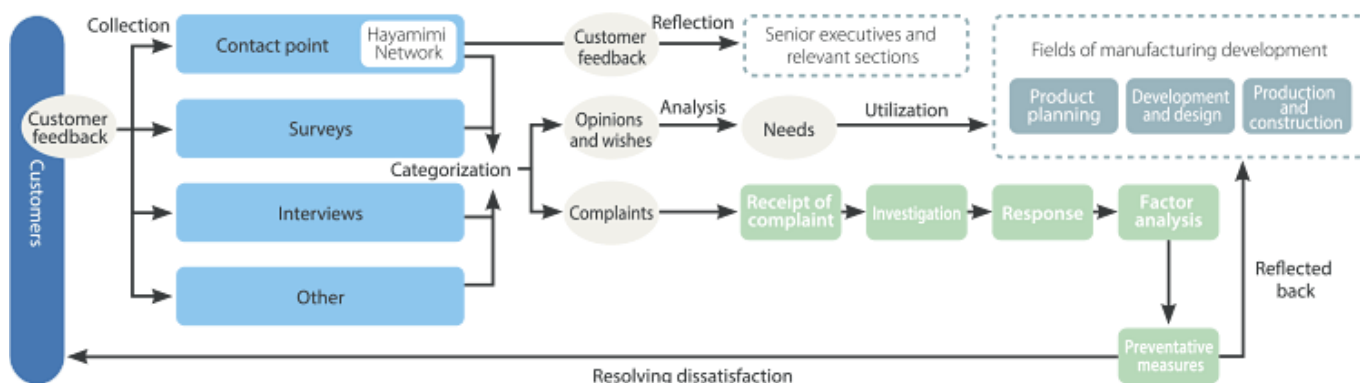
Since 1999, SEKISUI CHEMICAL Group has practiced customer satisfaction (CS) management. Starting from 2004, we have applied a new phrase, "CS & Quality," based on the belief that customer satisfaction and quality are inseparable. We continue to work on CS & Quality Management to always deliver sufficient value to our customers, ensuring they will continually select our Group's products and services.

As we consider customer's feedback as the beginning of our manufacturing activities, we are actively honing the Quality of Our People, the Quality of Our Systems, and the Quality of Products and Services. In this manner, the Group is working in unison to consistently deliver the quality that is always specified by customers.

SEKISUI CHEMICAL Group's CS & Quality Management Circulation Diagram



Flow of Utilizing Customer Feedback in Management



For more information, see p. 326, SEKISUI CHEMICAL Group "CS & Quality Management Policy."

CS & Quality Management Promotion System

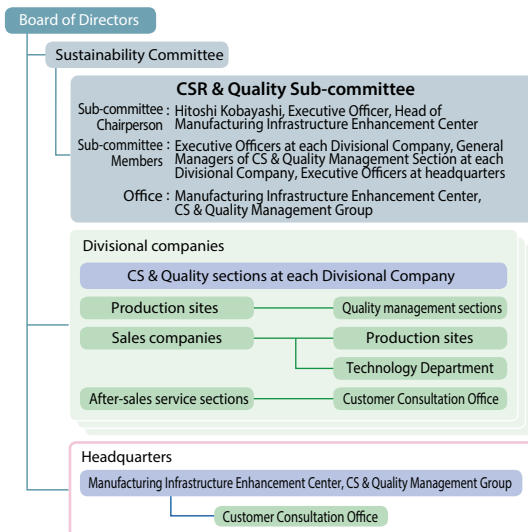
Establishing the CS & Quality Subcommittee that Reports to the Sustainability Committee

SEKISUI CHEMICAL Group deliberates on and determines all financial and non-financial initiatives and policies through its Board of Directors.

SEKISUI CHEMICAL maintains a CS & Quality Subcommittee, which reports to the Company's Sustainability Committee. Both the Sustainability Committee and CS & Quality Subcommittee meet twice a year to deliberate on non-financial CS & Quality issues.

In fiscal 2020, meetings of the CS & Quality Subcommittee were held twice, in September and March.

CS & Quality Management Promotion System (from FY2020)



Initiatives Under the CS & Quality Medium-term Plan (FY2020-FY2022)

Roadmap for CS & Quality Control Initiatives

			FY2020	FY2021	FY2022	
Minimization of quality-related compliance risks	Prevention of fraudulent data generation and modification of quality data		Adjusting current conditions and defining requirements	System construction and operation		
		Prevention of malfunctions starting from the design and development stages	Training and education for developers and reviewers		Construction and trial operation of DR frameworks for new businesses	Implementation and improvement of DR frameworks for new businesses
Maintenance and strengthening of CS & Quality handling capacity	Construction of a global training framework for CS & Quality personnel	Promoting and maintaining awareness of CS & Quality	Implementation and feedback for employee CS & Quality assessments	Organization activities follow-up (problem-solving support through conversation)		
		Reform of the qualities of improvement activities	Establishment of Group KAIZEN Activity guidelines	Expansion of Group KAIZEN Activity guidelines to all companies	Promoting awareness of guidelines (sharing implementation case-studies)	
		Making improvement activity self-driven	Development of an education program for leadership	Verification of the trial run for the leadership education program	Expansion of the leadership education program	
		Improvement activity monitoring	Combination of existing monitoring items and guideline contents	Monitoring using the new combination indicators		
	Constructing a CS & Quality education system	Collection of client feedback and strengthening of utilization	Searching	Internal questionnaires and interviews	Training related to collection and utilization and enhancement of cross-organizational information sharing	
		Promotion of CS activities based on the guidebook	CS fundamental training (phone handling, creating a CS culture) (as needed)			
Reform of CS & Quality foundations	Construction and effective utilization of a new QMS system	Enhancing production fundamentals	Expanding the introduction of SPMC* and raising the standards for utilization	Reconstructing, spreading, and solidifying understanding of effective utilization methods for SPMC*		
	Promotion of digital conversion of CS & Quality information	Construction of a quality incompatibility knowledge system	Grasping the current conditions and conducting surveys	Trial runs and expansion to work sites		

* SPMC stands for "Sekisui Process Management Chart."

Major Initiatives

Follow-up Activities for the Self-declaration for Customer-oriented Management

Sekisui Chemical is in favor of the Consumer Affairs Agency's initiatives for bringing about "Customer-oriented Management" and made a "Self-declaration for Customer-oriented Management*," expressing Sekisui Chemical philosophy and plans for initiatives, in January 2017.

* Companies declare to engage in consumer-oriented management, take action based on their declarations and disclose the outcomes of their initiatives.



See the Consumer Affairs Agency's website for details of "Customer-oriented Management."
https://www.caa.go.jp/en/policy/consumer_research/pdf/consumer-oriented.pdf

Activities carried out based on the Self-declaration for Customer-oriented Management

Mindful that customer opinions are a valuable resource for management, our CS & Quality Management is based on the motto “customer feedback is the beginning of our manufacturing activities” and is focused on aggressively pursuing innovations in the “Quality of Our People”, the “Quality of Our Systems”, and the “Quality of Our Products.” We aim to contribute to the realization of a worry-free and abundant society by continuing to provide new value to our customers and society.

Below are five activities undertaken in fiscal 2020 based on our “Self-declaration for Customer-Oriented Management.”

1. Ensuring Basic Qualities

SEKISUI CHEMICAL Group has constructed a quality assurance system extending from the product development stage to all processes including design, manufacturing, and sales, and we are promoting the maintenance of quality assurance systems, design and development management, and day-to-day management activities.

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. SEKISUI CHEMICAL Group is also focused on establishing a common language in quality and employs a QC Certification system to measure the level of quality knowledge in its employees.

2. Creating Attractive Qualities

We held the CS & Quality Seminar: Attractive Qualities Edition with the goal of enhancing our employees’ attractive qualities.

Due to the need to prevent COVID-19 infection in fiscal 2020, this event was hosted at a venue with an attendance restriction added, and the proceeding were shared twice in a live streaming format.

In addition, we created Attractive Quality Stories related to the SPR-SE method, which was the award winner for the Attractive Qualities Screening Program held in fiscal 2019.

3. Upgrading Technological Capabilities

We are holding a variety of seminars to learn effective and efficient preventative measures in order to avoid the occurrence of quality issues when developing new products.

We are also effectively utilizing our quality management systems (QMS) with a process approach mindset. For internal audits in particular, we are promoting activities aimed at increasing the use of the SPMC (Sekisui Process Management Chart), an in-house assessment tool.

We believe the ability to respond effectively to our customers is a key attractive quality and have accordingly established a Telephone Service Training program to improve the ability of our employees to provide phone-based service to our customers.

4. Enhancing Communications

SEKISUI CHEMICAL Group believes a customer-oriented business requires effective understanding of the needs of its customers through communication with individuals from both inside and outside the Company. To this end we are focused on creating a variety of communication opportunities.

In our Housing Company business, we are continually implementing customer satisfaction surveys.

In addition, SEKISUI CHEMICAL publishes and distributes the VOICE booklet, which summarizes customer inquiries and feedback gathered by the Customer Consultation Office, to all Group companies.

5. Providing Thorough Employee Education

SEKISUI CHEMICAL Group conducts CS & Quality training each year for new recruits. Training for new recruits considers the Group's approach toward CS & Quality management as well as daily operating behavior that is conducive to customer satisfaction.

In addition, we also consider measures such as our Employee CS & Quality Assessments, which is conducted for employees once every two years, to be initiatives for assisting employee education.

Creating Attractive Products and Services

In SEKISUI CHEMICAL Group, we promote the development of personnel, frameworks, and corporate culture for the creation of attractive qualities to ensure our customers will continue to select our products and services, striving for the achievement of CS & Quality Management.

Measures to Create Attractive Qualities

CS & Quality Seminars (Attractive Qualities Themes)

For CS & Quality Seminars, we invite experts from a variety of fields outside the Company to give lectures with the intention of improving awareness of CS & Quality. Held several times a year, the lectures are split into Attractive Qualities themes about creating attractive quality and Basic Qualities themes to strengthen core quality. A total of 58 seminars have been held from the first event in 2001 through to the end of fiscal 2020.

At the Attractive Qualities Seminar, lectures are held on a wide range of themes featuring prominent figures involved in developing human resources and organizations for the creation of attractive products and services, as well as product planning and development personnel involved with hit products and long sellers at other companies.

In fiscal 2020, two sessions were held on the themes of “Communication” and “Motivation,” which were easily affected by the COVID-19 pandemic. In addition, the events were held with participant restrictions rather than the usual approach in order to prevent the spread of COVID-19 infections, with a simultaneous live stream of the proceedings implemented.



● July 22, 2020
 “Pep Talk ‘Magic Words for Building Motivation’”
 Japan Pep Talk Diffusion Society
 Yoshizumi Iwasaki,
 Representative Director



● December 3, 2020
 “Creating a Workplace Environment Where Everyone Shines: Improve Your Compliment Communication Skills”
 CINQSMILE Inc.
 Haruki Atarashi,
 Representative Director and CEO

Telephone Service Training

As part of efforts to improve customer satisfaction, the Customer Consultation Office has been conducting telephone service training, consisting of the office's staff visiting various other departments and acting as instructors, since fiscal 2008. The goal of these training sessions is to horizontally expand the customer telephone service skills that are cultivated by the members of the Customer Consultation Office in their day-to-day business operations throughout various departments within the Group.

Also, we have been implementing phone call handling training sessions in an e-learning format instead of the traditional in-person style since fiscal 2018.

In fiscal 2020, we implemented remote phone call handling training for a portion of the new employees at the High Performance Plastics Company to enable them to improve their phone skills in the midst of the COVID-19 pandemic. We have also created video learning materials for training normally handled with group training to enable individual employees to improve their skill levels, and the application of these materials will be expanded in fiscal 2021 and beyond.

In addition, we are drafting a new manners handbook for cell phone calls, an issue for which consultations are on the rise in recent years.

CS & Quality Assessment to Measure the Penetration of CS & Quality Management

Since fiscal 2012, SEKISUI CHEMICAL Group has implemented a CS & Quality Assessment (questionnaire survey) for domestic employees once every two years. The results of this survey are provided as feedback to top management and executives at each branch location. Since fiscal 2015, this survey has also been implemented in China, and we are currently aiming to expand it to other overseas locations.

In fiscal 2020, the 5th CS & Quality Assessment was implemented for domestic employees, and there were a total of 17,633 respondents.

This time, a workshop was implemented covering how to connect to the next step based on these survey results, with a special focus on production facilities.

Improve the Responsiveness of SEKISUI CHEMICAL Customer Consultation Office

The staff of SEKISUI CHEMICAL Customer Consultation Office responds to questions, concerns, opinions, requests, and other inquiries from customers.

In order to answer customer questions on the spot to the greatest extent possible, we ensure all employees in the Customer Consultation Office possess sufficient knowledge of our products and technology.

In fiscal 2020, Customer Consultation Office staff took an external phone call handling test to measure their customer service ability objectively, enabling each employee to get a sense of their own skill level.

We will continue to make efforts to improve in phone call handling skills within our Customer Consultation Office, promoting initiatives with the goal of becoming a trusted company for our customers.

Publication of VOICE and VOICE PLUS That Summarize Customer Feedback

SEKISUI CHEMICAL Group's Customer Consultation Office receives over 10,000 inquiries and comments every year. SEKISUI CHEMICAL Group directly answers each inquiry and analyzes the factors that motivated the customer to make the inquiry in the first place, in order to discover the hidden needs of customers.

"VOICE" is our yearly bulletin launched in fiscal 2015. This publication collects the comments received by the Customer Consultation Office with the intent of promoting understanding of the expansion of all Group business, extending beyond the boundaries of each employee's working area, as well as developing a corporate culture of CS & Quality for all employees.

In addition, we also launched another bulletin in fiscal 2018, "VOICE+," which is a special online issue of "VOICE." This publication provides additional information about activities which could not be sufficiently covered in "VOICE" and also shares hints for customer service.

In fiscal 2020, we published one issue each of "VOICE" and "VOICE+."



Implementing Customer Questionnaires at the Housing Company

SEKISUI CHEMICAL Group's Housing Company conducts CS surveys of customers for whom it has built Sekisui Heim homes. The feedback from the customers who kindly respond to the surveys is broadly shared throughout the Company and used in product development and in improvements in the quality of the Group's services for its customers. Details of any customer dissatisfaction are closely assessed, and steps then taken to change dissatisfaction into satisfaction. In fiscal 2020, customers who had responded that they were "very satisfied" reached 74.8%.

STAR 55 Bulletin* Highlights Good Examples of CS & Quality for Group Employees

In 2002, its 55th anniversary, SEKISUI CHEMICAL Group implemented STAR 55 as a program to promote CS throughout the Company and declared CS to be positioned as the foundation of management for all employees. So that the STAR 55 activities did not lose momentum, in 2006 we also issued the first STAR 55 Bulletin, a newsletter compilation of excellent case studies for CS & Quality for Group employees. We have continued to publish STAR 55 Bulletin since fiscal 2006.

Issued three times in fiscal 2020, mainly introducing various innovations implemented on worksites as COVID-19 pandemic countermeasures.

STAR 55 Bulletin No.'s 43, 44, and 45



Vol.43



Vol.44



Vol.45

Note: Origin of the name: STAR 55 Bulletin

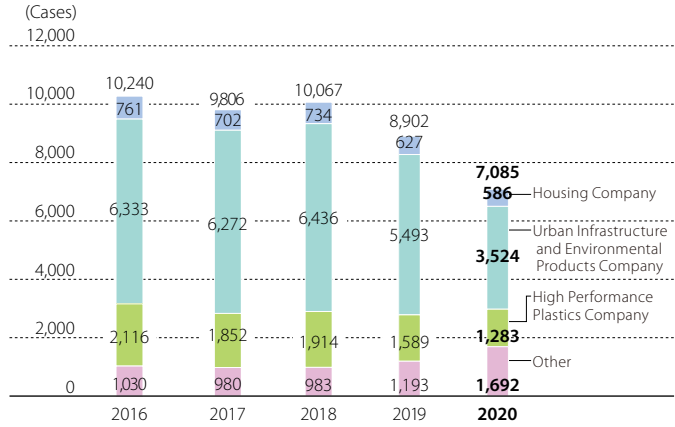
- S = Sekisui,
- T = Trust,
- A = Action,
- R = Revolution,
- STAR = Leader,
- 55 = 55th anniversary since founding.

The name "STAR 55" expresses the promise that all employees in SEKISUI CHEMICAL Group (S) will earn the trust (T) of customers through their actions (A) and the Group as a whole will create revolution (R) through innovation of its corporate culture and character, as well as the desire for each employee to take a leading role (be a STAR) in their work.

Performance Data

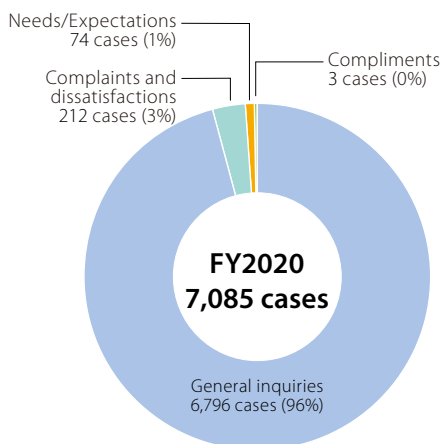
Data Related to Support Improvement at the Customer Consultation Office

Number of Incoming Calls, etc., from Customers



Indicator	Calculation Method
Number of incoming calls, etc.	Number of inquiries by telephone, email, letters, faxes, and other means

Breakdown of incoming calls (Sekisui Chemical)



Indicator	Calculation Method
Breakdown of incoming calls	<p>The subjects of incoming calls are recorded on “Insider Net” and categorized as follows:</p> <ul style="list-style-type: none"> • 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 dissatisfactions: Incidents during which customers expressed their dissatisfaction or lodged rebukes concerning SEKISUI CHEMICAL Group products or services • Compliments: Calls during which praise was received for satisfaction with the SEKISUI CHEMICAL Group’s products or services • Needs and 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 <p>Note: “Insider Net”: A SEKISUI CHEMICAL Group intranet site on which details of incoming calls to the Customer Consultation Office are released in real-time.</p>

Data Relating to Employee CS & Quality Assessments

Overview of Domestic Employee CS & Quality Assessments

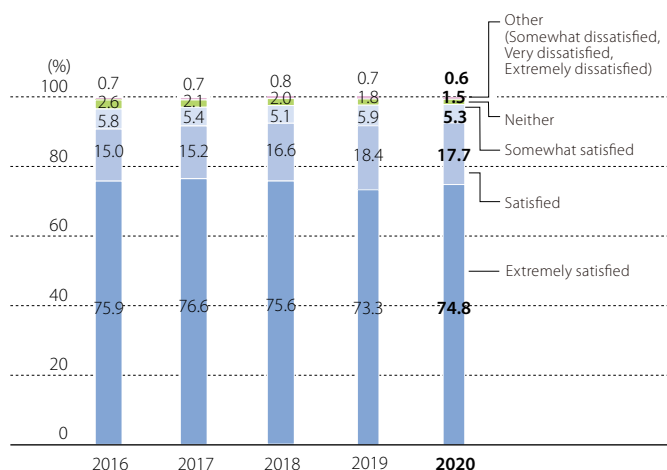
	Total Number of Responses	Number of Feedback Visit Sites
FY2012	8,399	—
FY2014	8,957	63
FY2016	16,243	94
FY2018	19,765	99
FY2020	17,633	39

- Implemented for domestic employees once every two years.
- In fiscal 2020, visits (including online visits) were carried out for specific purposes with the assessment results in mind.
- The number of visit sites counts each address as one site, with the exception of headquarters and research institutes.

Example: Since Hokkaido Sekisui Heim and Hokkaido Sekisui Fami S have the same address, they are counted as a single visit.

Data Relating to Customer Surveys

CS Questionnaire 7-Step Evaluation (Housing Company)



Intellectual Property

We are carrying out initiatives for protecting and continuous maintenance of intellectual property as an important management resource for maximizing corporate value to support growth and revenue

Protecting Our Intellectual Property and Respecting the Intellectual Property Rights of Others

The Company regards intellectual property (IP) that has resulted from its R&D activities to be an important management resource underpinning SEKISUI CHEMICAL Group's growth and profitability as well as efforts toward the maximization of corporate value.

For that reason, SEKISUI CHEMICAL Group endeavors to secure strategic IP that supports its business activities, as well as to maintain and manage any acquired IP. Meanwhile, we conduct periodic investigations to avoid infringing upon the IP rights of others, and take appropriate measures to avoid and prevent others from infringing upon the IP rights of SEKISUI CHEMICAL Group.

In order that each individual developer can implement these measures, we have prepared several educational programs tailored to the level of each developer, from the acquisition of basic knowledge to strategy building, and conduct Group-wide educational activities relating to IP.

Reasonable Evaluations with Regard to Inventions

In addition to paying monetary incentives for inventions made by employees, the Invention Grand Prize has been established as one part of our efforts to ensure researchers and engineers receive the evaluations and recognition they deserve. The Invention Grand Prize pays out monetary incentives to inventors employed by the Company as compensation for those of their achievements that have made a particularly large contribution to profits. In fiscal 2020, a first-class certification was granted for a diabetes diagnostic testing drug patent and a second-class certification was granted for a liquid crystal display element sealant patent.

Management Approach

Strategic Intellectual Property Activities for Securing Intellectual Property

SEKISUI CHEMICAL Group places considerable emphasis on strategic IP activities in order to maximize its technological prominence and contribute to business growth. These activities are not limited to patent information alone. We are also promoting strategic IP activities such as appropriate strategic development and management of our IP portfolio based on analysis of the competitive environment, including a wide range of business-related non-patent information such as IP data, the market, and competitors.

Framework for Promoting Intellectual Property Activities

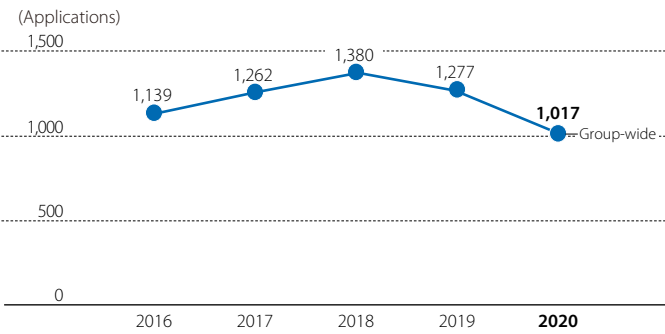
SEKISUI CHEMICAL Group has set up independent intellectual property divisions at its Corporate headquarters and at each divisional company. This takes into account the Group's divisional company structure and enables the Group to promptly engage in activities that are attuned to the business environment of each divisional company.

At each divisional company, the Intellectual Property, Business, and R&D divisions are in constant cooperation, striving to achieve prominence over our competitors based on the distinctive characteristics of their respective areas. In this way, we promote IP activities which link to the expansion and growth of our business.

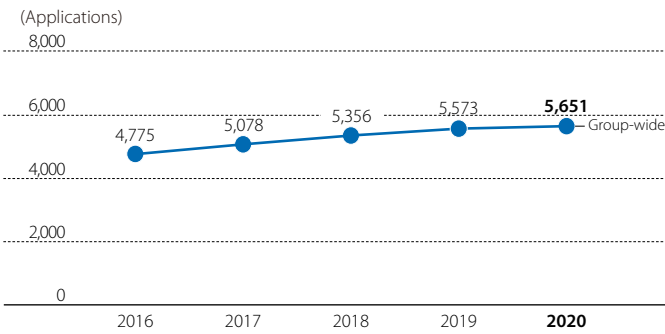
At our Corporate Headquarters, we carry out unified planning and promotion of IP strategy for all group companies, aiming to optimize their IP resources.

Performance Data

Number of patent application filings



Number of patents held



Declaration of Support for Initiatives and Organizations in Which SEKISUI CHEMICAL Group Participates

Declaration of Support for Initiatives and Organizations in Which SEKISUI CHEMICAL Group Participates

SEKISUI CHEMICAL Group respects international norms and standards regarding CSR, 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 compiling and issuing its 2020 CSR Report, SEKISUI CHEMICAL Group conforms to the "Core" options of the internationally recognized Global Reporting Initiative (GRI) standards.

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.



* 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.

Declaration of Support for the Task Force on Climate-related Financial Disclosures (TCFD) and Information Disclosure

SEKISUI CHEMICAL Group declared its support for the TCFD*¹ in January 2019. The Group began disclosing information*² based on TCFD recommendations from July 2019. By promoting information disclosure based on TCFD recommendations, the Group will build a sustainable management foundation including relationships of trust with its stakeholders.

*1 TCFD: Task Force on Climate-related Financial Disclosures, an organization established by the Financial Stability Board (FSB), an international organization striving for stability in financial systems, in 2015. Recommends that companies analyze the impact of climate change on their financial status and disclose this information.

*2 Disclosed on our company website as "Information Disclosure based upon the TCFD Statement of Support." See the below for more information.
<https://www.sekisuichemical.com/csr/report/index.html>

Major Organizations in Which SEKISUI CHEMICAL Group Participates

Organization, Committee, Conference, etc.	Main Positions Undertaken by SEKISUI CHEMICAL Group Personnel Including Directors
Japan Business Federation	Vice Chairs of the Board of Councilors
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
Lift-in Method Research Institute	Chair
Federation of Japan Water Industries, Inc.	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 Chair
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	
Smart Wellness Housing R&D Consortium	

Organization, Committee, Conference, etc.	Main Positions Undertaken by SEKISUI CHEMICAL Group Personnel Including Directors
Senior Housing Association	
KIDS DESIGN ASSOCIATION	
Japanese Conference on Overseas Development of Eco-Cities	
Japan Housing Association	
Geo-Heat Promotion Association of Japan	
Association for Ground water and thermal energy Resources Enrichment and Activation	
Japan Sewage Pipe Renewal Method Association	
Nature Environment Coexistence Technology Association	
RE100	
Japan Initiative for Marine Environment (JaIME)	
Japan Clean Ocean Material Alliance (CLOMA)	

Donations Relating to Governmental Policies

Donations (made by SEKISUI CHEMICAL non-consolidated) to industry bodies and political groups for fiscal 2016 to fiscal 2020 are as follows:

(Unit: thousands of yen)

FY2016	FY2017	FY2018	FY2019	FY2020
19,050	22,909	23,596	25,448	17,828

Initiatives That Underpin Support for ESG Management



Regarding them as the foundation underpinning ESG management, SEKISUI CHEMICAL Group is strengthening its governance function and promoting corporate activities. We are also utilizing a variety of methods to promote engagement with stakeholders and, on a global scale, promoting efforts relating to respect for human rights.

TOPICS

- Corporate Governance Initiatives p294
- Stakeholder Engagement Initiatives p310
- Human Rights Initiatives p316

Corporate Governance Initiatives

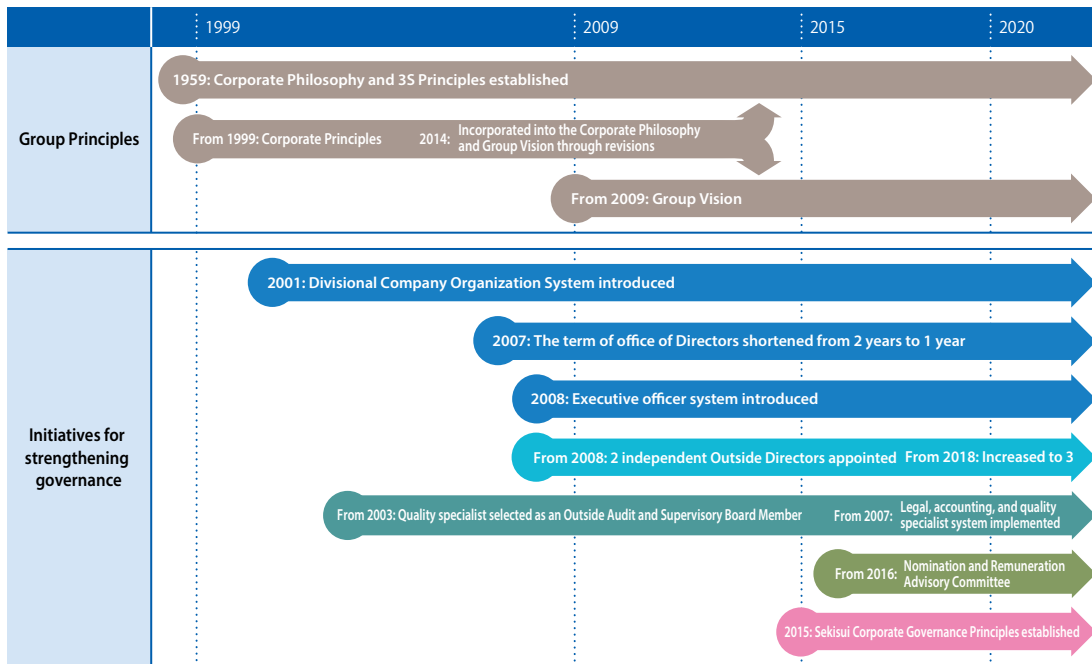
Corporate Governance

Organizational Structure

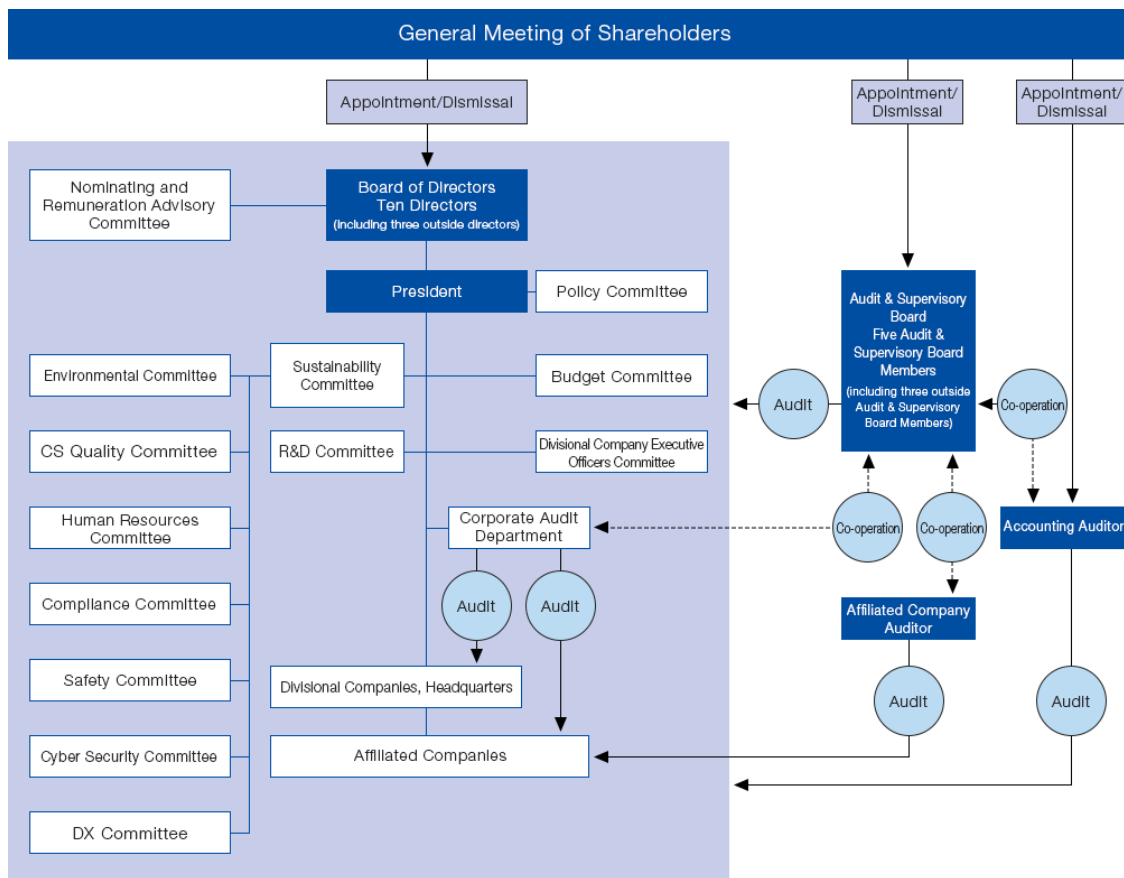
As an organizational structure under the Companies Act, the Company has chosen to be a company with Audit and Supervisory Board. Under the Divisional Company Organization System, the Company has adopted the Executive Officer System in order to clearly distinguish the business execution function from the decision-making function in management.

Organizational Structure	A company with an Audit and Supervisory Board
Total number of directors	10 (In-house: 7; Outside: 3) including 1 female director
Ratio of outside (independent) directors	30.0%
Ratio of female directors	10.0%
Director's term of office	1 year
Executive officer system introduced	Yes
Organization to assist the president in making decision	Policy Committee
Voluntary advisory board to the Board of Directors	Nomination and Remuneration Advisory Committee established

Initiatives Taken to Enhance Corporate Governance



Corporate Governance System Chart (As of June 23, 2021)



Board of Directors

Roles and Responsibilities of the Board of Directors

The Board of Directors is positioned as the body responsible for decision-making concerning the Company's fundamental policies and upper-level management issues as well as for supervising the execution of business. In addition to the Company's Chairman, who is a non-executive director and serves as its chair, the Board of Directors has in place a highly effective supervisory system for Directors by appointing three sufficiently experienced Outside Directors to ensure transparency in management and fairness in business decisions and operations.

Composition of the Board of Directors

The number of Directors shall not exceed 15, and two or more of them shall be Outside Directors. The Board of Directors of the Company shall consist of directors who are of excellent character, have insight, and high moral standards in addition to knowledge, experience, and competence. In addition, Audit and Supervisory Board Members, including outside Audit and Supervisory Board members, shall attend the meetings of the Board of Directors. With regard to the Audit and Supervisory Board, one or more members will have knowledge and expertise in corporate finance and accounting, and one or more will have knowledge and expertise in legal systems. Following the change in the Company's president in March 2020, the Board of Directors is chaired by the Chairman, a non-executive director. The Company ensures diversity among board members and keeps the number of Directors at an optimal level for appropriate decision-making that is commensurate with the business domain and size. 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.

Name	Position in the Company	Number of Years (At the closing of the Annual General Meeting of Shareholders held on June 23, 2021)	Attendance of Board of Directors Meetings of the Company (At the closing of the Annual General Meeting of Shareholders held on June 23, 2021)	Attendance of Audit and Supervisory Board Meetings of the Company (Fiscal 2020)	Attendance of Nominating and Remuneration Advisory Committee Meetings of the Company (Fiscal 2020)
Teiji Koge	Chairman of the Board and Representative Director	16 years	100% (17 out of 17)	—	100% (6 out of 6)
Keita Kato	President and Representative Director Chief Executive Officer	7 years	100% (17 out of 17)	—	100% (6 out of 6)
Yoshiyuki Hirai	Director Senior Managing Executive Officer	6 years	100% (17 out of 17)	—	—
Toshiyuki Kamiyoshi	Director Senior Managing Executive Officer	2 years	100% (17 out of 17)	—	—
Futoshi Kamiwaki	Director Senior Managing Executive Officer	1 year	100% (13 out of 13)	—	—
Ikusuke Shimizu	Director Senior Managing Executive Officer	2 years	100% (17 out of 17)	—	—
Kazuya Murakami	Director Executive Officer	—	—	—	—
Yutaka Kase	Independent Outside Director	5 years	100% (17 out of 17)	—	100% (6 out of 6)
Hiroshi Oeda	Independent Outside Director	3 years	100% (17 out of 17)	—	100% (6 out of 6)
Yoko Ishikura	Independent Outside Director	2 years	100% (17 out of 17)	—	100% (6 out of 6)
Hiroyuki Taketomo	Corporate Audit and Supervisory Board Member	—	100% (17 out of 17)	—	—
Toshitaka Fukunaga	Corporate Audit and Supervisory Board Member	1 year	100% (13 out of 13)	100% (13 out of 13)	—
Tetsuo Ozawa	Independent Outside Audit and Supervisory Board Member	7 years	100% (17 out of 17)	100% (19 out of 19)	100% (6 out of 6)
Kazuyuki Suzuki	Independent Outside Audit and Supervisory Board Member	6 years	100% (17 out of 17)	100% (19 out of 19)	—
Ryoko Shimizu	Independent Outside Audit and Supervisory Board Member	2 years	100% (17 out of 17)	100% (19 out of 19)	—

Note: Hiroyuki Taketomo's attendance at Board of Directors meetings refers to his attendance as a director.

Name	Directors' and Audit and Supervisory Board Members' Outstanding Expertise, Experience and Capabilities							
	Corporate Management / Management Strategy	Financial Affairs/ Accounting	Legal Affairs	Quality Control	Human and Labor Administration / Human Resources Development	International Mindset	Research & Development	DX (Digital Transformation)
Teiji Koge	✓				✓			
Keita Kato	✓	✓		✓		✓	✓	
Yoshiyuki Hirai	✓	✓				✓		
Toshiyuki Kamiyoshi	✓							
Futoshi Kamiwaki	✓	✓					✓	✓
Ikusuke Shimizu	✓			✓		✓	✓	
Kazuya Murakami	✓				✓	✓		
Yutaka Kase	✓					✓		
Hiroshi Oeda	✓					✓		
Yoko Ishikura	✓					✓		
Hiroyuki Taketomo	✓		✓		✓			
Toshitaka Fukunaga				✓			✓	✓
Tetsuo Ozawa			✓					
Kazuyuki Suzuki				✓		✓	✓	✓
Ryoko Shimizu		✓				✓		

Note: The list above does not reflect the full range of expertise possessed by the Directors and Audit and Supervisory Board Members.

About the Age-group Composition of Corporate Officers

		Under 30	30~39	40~49	50~59	60 or older
Number of Directors by Age	Men	0	0	0	3	6
	Women	0	0	0	0	1

Note: As of the end of the General Meeting of Shareholders held on June 23, 2021.

Outside Directors

The Company appoints to the Board three Outside Directors with verified independence from the Company who contribute to the enhancement of corporate value by providing oversight and advice based on their extensive administrative experience and specialized knowledge gained in backgrounds different to those of the Company. Based on their diverse and objective perspectives, the Outside Directors provide counsel especially on priority management issues, such as global development strategy, business model revisions, and the strengthening of ESG management.

Yutaka Kase, Outside Director

Mr. Kase serves as Advisor at Sojitz Corporation. Mr. Kase has provided advice with respect to the business management of the Company and supervised business execution appropriately by leveraging his abundant experience and past achievements regarding global corporate management and business strategy fostered through his position as a corporate manager of a general trading company. Therefore, the Company has judged that he would be able to contribute to further enhancing the corporate value of SEKISUI CHEMICAL Group and thus appointed him as a director.

Hiroshi Oeda, Outside Director

Mr. Oeda serves as Corporate Special Advisor at Nisshin Seifun Group Inc. As Mr. Oeda has been 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 through his positions. Therefore, the Company has judged that he would be able to contribute to enhancing the corporate value of SEKISUI CHEMICAL Group and thus appointed him as a director.

Yoko Ishikura, Outside Director

Ms. Ishikura is the Professor Emeritus of Hitotsubashi University. Ms. Ishikura has advanced academic expertise in international politics/economics and international corporate strategy, and is well-versed in corporate management through her experience as outside director at multiple global enterprises. Furthermore, she has been actively involved in diversity management and promotion of greater participation of women, which are areas being addressed by the Group. Therefore, the Company has judged that she would be able to contribute to enhancing the corporate value of the Group and thus appointed her as a director.

Assessment Relating to the Board's Effectiveness

The Company evaluates the effectiveness of the Board of Directors every year.

Having set an appropriate agenda, the Board of Directors engages in sufficient discussion with opinions and recommendations actively provided by Directors (including Outside Directors) and Audit and Supervisory Board Members. The Company has therefore determined that the current Board of Directors is contributing to enhancing the corporate value of the Group and functioning properly.

In fiscal 2020, we implemented questionnaires for Directors and Audit and Supervisory Board Members to evaluate the effectiveness of the Board of Directors. Through these questionnaires, we confirmed that sufficient time for discussions was secured for the Board of Directors and that both Outside and Inside Directors, as well as Audit and Supervisory Board Members actively exchanged their opinions with one another. With the goal of further improving the effectiveness of the Board of Directors, we are planning to add important management concerns identified in the questionnaire responses to the agenda for future meetings.

The important management issues deliberated by the Board of Directors in fiscal 2020 were its Long-term Vision, new Medium-term Management Plan, growth strategies (including R&D, large new businesses, and capital investment), and fundamental strategies (Sustainability Committee reports, digital transformation, safety and CS & quality). The Nomination and Remuneration Advisory Committee met six times for purposes such as discussing director remuneration, ensuring the effectiveness of the Board of Directors, and considering policy regarding the determination of remuneration levels.

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

To enable the Outside Directors to enhance deliberations at Board of Directors' meetings, the Company continuously provides opportunities for them to deepen their understanding of the Group's businesses. This is done, for example, by the prior distribution of materials for Board of Directors' meetings and explanations given beforehand by the executive officer in charge of the secretariat, orientation visits at the time Outside Directors are appointed, and inspections of business sites several times a year. To further enhance the effectiveness of management supervision by Outside Directors, the Company is making improvements to the deliberations that take place at the Nomination and Remuneration Advisory Committee, where the majority of the members are Outside Directors, and facilitating their dialog with Audit and Supervisory Board Members and corporate auditors. From the point of view of succession planning, the Company is strengthening contacts between current management and next-generation management candidates, for example by having Outside Directors give lectures at Executive Officers Liaison Meetings that are held on a quarterly basis and providing opportunities for Directors, Audit and Supervisory Board Members and Executive Officers to meet when the new management system is inaugurated following the Annual General Meeting of Shareholders.

Business Site Visits

To deepen their understanding of the Company and the characteristics of the Group's wide-ranging businesses, outside directors conduct business site visits every year.

In fiscal 2020, we did not visit our business sites directly to inspect them from the perspective of preventing the spread of COVID-19 infections. As an alternative, in fiscal 2021 (April 9, 2021), we conducted an online inspection of the Shiga-Ritto Plant and the General Institute of the Urban Infrastructure & Environmental Products Company.

Consultations with Stakeholders on Economic, Environmental and Social Topics

At the quarterly Executive Officers Liaison Meetings, the sharing of earnings announcements is combined with invited speakers from outside the company, so that stakeholders obtain the latest information on economic and social trends that are directly linked to management issues.

Fiscal 2020 Executive Officers Liaison Meeting Lecture Topics

Outside Director Yoko Ishikura

Topic: During the COVID-19 Pandemic - What Mindsets Do Business Leaders Need to Have, What Actions Do They Need to Take?

Nominating and Remuneration Advisory Committee

The Company has established an optional advisory committee concerning nomination and remuneration to further enhance the fairness and transparency of management.

The Nomination and Remuneration Advisory Committee deliberates on matters related to enhancing the effectiveness of the Board of Directors, including the nomination and non-reappointment of senior executives, including representative directors, the nomination of candidates for director, and the system of remuneration and levels of remuneration for directors. The Committee also discusses the commissioning of and dealings with advisors or executive advisors, including former representative directors and presidents, and submits recommendations and advice to the Board of Directors.

The Nomination and Remuneration Advisory Committee comprises six members, the majority of whom are independent outside directors. The Chairperson is elected from the independent outside directors.

Remuneration and Other Compensation for Officers

(1) Policy regarding determination of remuneration and other compensation

(1) Basic policy

The remuneration system policy for officers of the Company is defined as follows in keeping with the corporate philosophy of the Group.

- The policy should contribute to continuous growth and medium- to long-term improvement of corporate value for the Group
- Officers of the Company should share value with shareholders and increase their awareness of shareholder-focused management
- The remuneration policy should be highly-connected to business performance, providing motivation for officers of the Company to achieve management plan goals
- The policy should provide a framework and baseline which enables the Company to acquire and keep on staff with a diverse variety of management talent in order to increase the competitiveness of the Group

(2) Remuneration mindset

Remuneration and other compensation for executive directors of the Company is made up of basic remuneration, bonuses, and stock options. For Outside Directors and Audit and Supervisory Board Members, remuneration is made up of basic remuneration only.

<Basic Remuneration>

Basic remuneration within the framework of officer remuneration is a fixed payment determined by the roles and responsibilities of each Director. For executive directors, a portion of the basic remuneration is required to be used for the purpose of the Company's stock through the Officers Stock Ownership Plan, increasing the emphasis on and awareness of stock prices in management.

<Bonuses>

The bonus represents the performance-based remuneration, the amount of which is determined based on the payment standards linked to the business performance of the Company and each divisional company, ROE (return on equity), and dividend policy.

<Share-based compensation>

The share-based compensation is an incentive plan aimed at further raising motivation to contribute to the improvement of mid- and long-term business performance and improve the Group's corporate value, under which the number of shares to be granted is determined in accordance with the position of Directors (excluding Outside Directors). Said plan has a structure enabling Directors to receive a benefit at the time of retirement for the results for which they contributed to enhancing the Company's mid- and long-term corporate value in the form of the Company's shares reflecting such enhancement in share value, thereby enhancing the link with mid- and long-term shareholders' value.

(2) Determination Process for Officer Remuneration and Other Compensation

In order to achieve the goals of the officer remuneration system, the Company has established a Nomination and Remuneration Advisory Committee as an advisory organization to the Board of Directors. This committee deliberates on the structure and levels of Director remuneration and verifies the validity of remuneration for individuals, carrying out these processes with objectivity and transparency.

<Overview of Nomination and Remuneration Advisory Committee Activities>

- This committee is convened by the chairperson (an Outside Director).
- The agenda items of this committee are introduced by the committee members, and the secretariat compiles them and presents them to the chairperson.
- The deliberation results of this committee are reported to the Board of Directors by the chairperson.
- The Board of Directors carries out final policy determination, respecting the report of this committee. In addition, the Directors and members of this committee must carry out these decisions from the perspective of whether or not they contribute to the corporate value of the Company and providing benefit to shareholders. Decisions must never have the goal of providing individual benefit to the Directors or committee members themselves, management ranks, or any other third party.

Updates to Officer Remuneration in Fiscal 2020

(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	10	327	6	115	7	74	10	517
(Of which outside directors)	3	43	—	—	—	—	3	43
Audit and Supervisory Board Members	6	81	—	—	—	—	6	81
(Of which outside Audit and Supervisory Board members)	3	36	—	—	—	—	3	36

Note: The amount paid to officers does not include the portion of employee's salary (including bonus) amounting to 82 million yen for directors who concurrently serve as employees.

Notice of Convocation of the Annual General Meeting of Shareholders
https://www.sekisuichemical.com/ir/library/notice_of_convocation/index.html

Director Company Stock Ownership Guidelines

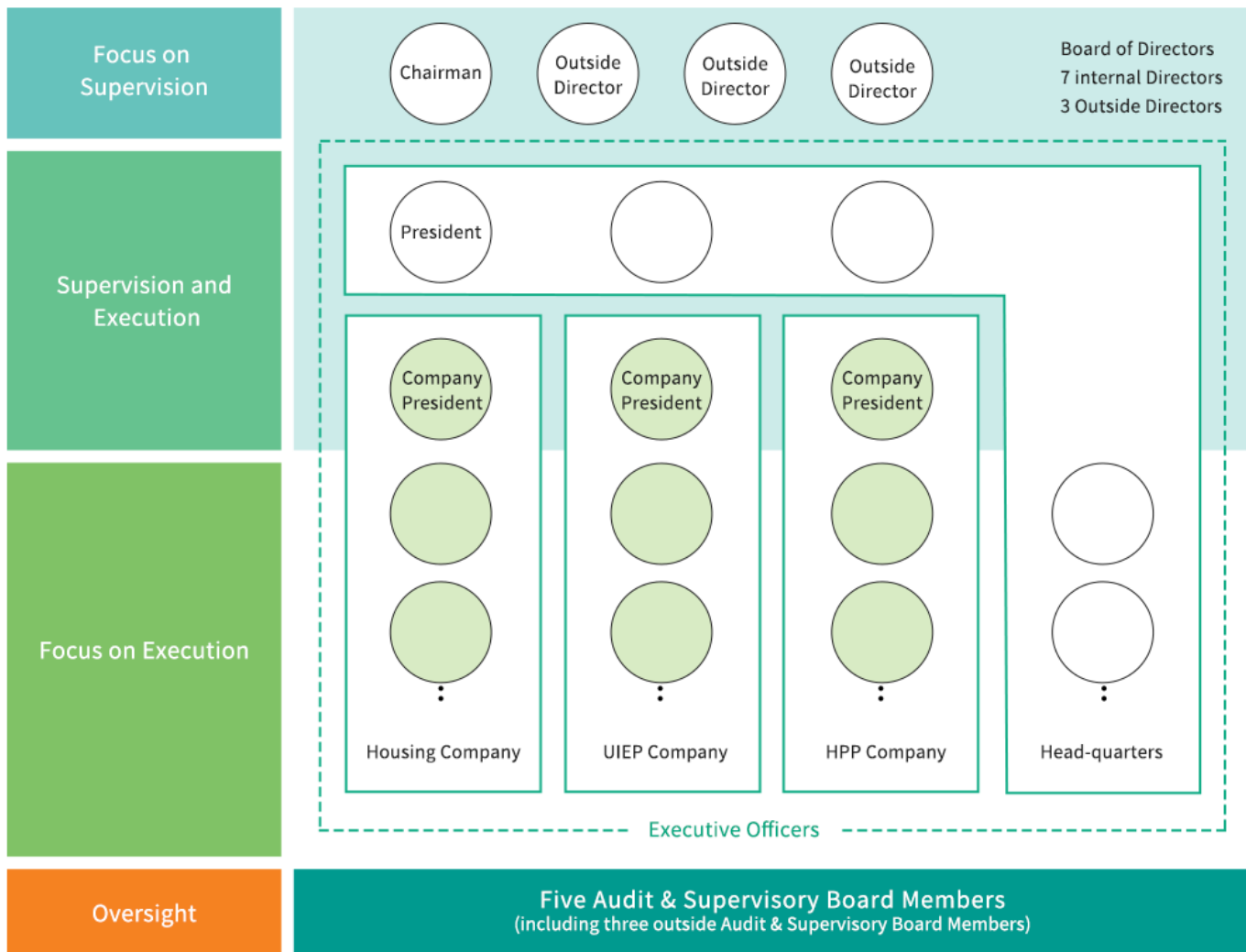
In addition to having introduced, for Directors (excluding Outside Directors) and divisional company Executive Officers, a share-based compensation plan to further raise motivation to contribute to the improvement of mid- and long-term business performance and improve the Group's corporate value, the Company has established "Company Stock Ownership Guidelines" for those who are holding more than a certain number of shares.

Executive Officer System and Executive Committee

To maximize corporate value, the Company has built its management structure based on the Divisional Company Organization System. Together with assigning to each divisional company Executive Officers specializing in business execution, an Executive Committee has been established to serve as the top decision-making body in each divisional company. Executive Committee members, whose term of office is deemed to be for one year, are appointed by resolution of the Board of Directors.

By transferring authority to the divisional companies, the Board of Directors strives to achieve continual improvements in corporate value as an organization responsible for decisions on basic policies of SEKISUI CHEMICAL Group's management as well as high-level management decision-making and supervision of business execution.

Management System



■ Directors ● Members of Executive Officers Committee for each divisional company

Auditing System

Approach to Appointment of Audit and Supervisory Board Members

SEKISUI CHEMICAL Group maintains an Audit and Supervisory Board structure consisting of two full-time Corporate Audit and Supervisory Board Members and three part-time Outside Audit and Supervisory Board Members for a total of five 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 Technology & CS Promotion Department and Head of Legal Department have been appointed as full-time Corporate Audit and Supervisory Board Members in fiscal 2021.

A certified public accountant with experience working for an auditing firm, a lawyer with extensive experience in corporate law, and a university professor specializing in quality control have been appointed as Outside Audit and Supervisory Board Members.

Internal Control System

In May 2006, the Board of Directors resolved to adopt a fundamental policy regarding the establishment of an internal control system for ensuring the appropriateness of the Group's business activities.

Based on the Corporate Activity Guidelines set forth in accordance with the Group corporate philosophy, the Company seeks to realize collaborative interaction concerning the supervision, directives, and communications of SEKISUI CHEMICAL Group (the Company and its subsidiaries), and SEKISUI CHEMICAL's duties include providing guidance and counsel, and undertaking evaluations of all SEKISUI CHEMICAL Group members to ensure that their business activities are being conducted in an appropriate manner.

Internal Control System Overview

In order to ensure the internal control system for the Company and Group companies is properly maintained and operated, our Corporate Audit Department carried out operation and accounting audits of the Company and Group companies based on a yearly auditing plan, investigating whether execution of operations is being performed appropriately and efficiently.

Compliance

We hold meetings of the Sustainability Committee chaired by the president and carry out deliberations on fundamental policies and other issues related to compliance. Also, as the operational arm of the Sustainability Committee, we operate a Compliance Sub-committee with the Legal Department serving as the secretariat. In addition to divisional company and headquarters executive officers, the Heads of the Corporate Audit Department are also serving as members on this sub-committee, and this organization is reporting compliance activity results and matters for Compliance Advisory Board deliberation, as well as discussing future activity policy.

In fiscal 2020, expansion of the applicable scope of our internal reporting system overseas and adjustment of SEKISUI CHEMICAL Group regulation were important working items. With cooperation from regional headquarters in the United States, China, Europe and Thailand, we were able to carry out these activities.

October 2020 was named "Compliance Reinforcement Month," and as part of the related activities we requested all top executives to issue compliance messages and submit reports related to their content. In addition, compliance training and other activities were carried out not only in Japan but also for local employees at overseas locations such as the United States, China, Europe, ASEAN, and India.

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 2020. 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. 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 19 times in fiscal 2020 for the purpose of sharing the information from these reports. Audit and Supervisory Board Members regularly exchanged opinions with corporate 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.

Risk Management

SEKISUI CHEMICAL Group maintains a risk management structure for integrated management of measures to prevent risk events from occurring (risk management) and to respond with risk events occur (crisis management).

In our risk management activities, we comprehensively identify risks related to our corporate value as the business environment grows increasingly uncertain and complex. Each of these risks is quantitatively evaluated in terms of likelihood of occurrence and impact, the specific risks which have a high probability of causing major company-wide incidents are identified, and an ERM (enterprise risk management) system has been constructed for sharing and management of risks within the Group. In addition, we regularly confirm uncertainty factors and carry out continuous verification of the effectiveness of the ERM system. Specific company-wide risks and specific risks identified for each organization based on SEKISUI CHEMICAL Group Risk Management Guidelines are analyzed and evaluated. We then determine countermeasures for these risks and carry out repeated periodic review and revisions, which will be run through the PDCA management cycle every year.

In the event of a major incident, crisis management activities are carried out based on the SEKISUI CHEMICAL Group Crisis Management Guidelines. Crisis Management Liaison Meetings are held regularly with each specialized department of headquarters and divisional company representatives in attendance to ensure appropriate handling measures are implemented rapidly, and we also carry out education and training sessions using case studies.

In addition, from fiscal 2020, we have intensified our initiatives for the drafting of business continuity plans (BCP) with the goal of establishing a business continuity management (BCM) cycle (PDCA) in order to minimize the impact of incidents on our corporate value. A total of 143 organizations requiring initial response plans and disaster handling and management plans have been determined, and we have drafted BCP (BCM) guidelines and the Group's standard templates.

In addition to establishing BCP for 143 target organizations in fiscal 2021 (100% establishment rate), we are also aiming for increased awareness of risks among employees through these BCP establishment activities.

Group Company Business Management

Through rules such as our domestic and overseas affiliate company handling regulations and decision-making authority standard requirements, we have constructed a framework for receiving decision-making and reports from Group companies 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.

Engagement

In order to deepen mutual trust with all of our shareholders, we believe it is important not only to actively disclose information in a timely and appropriate manner, but also to enhance two-way communications with our shareholders. To steadily put this belief into practice throughout the Group, we set up the “Corporate Information Disclosure Regulations,” which specify the content and system of disclosure, guided by the “Principle of Corporate Information Disclosure” and beefed up our internal information disclosure framework.

In SEKISUI CHEMICAL Group, the Investor Relations Group within the Business Strategy Department is working hard to strengthen engagement with our shareholders and investors, not only by disclosing financial statements in a timely and appropriate manner but also by actively reflecting our shareholders’ voice in our management. For example, we hold quarterly briefings on financial results where our management explains these figures. Also, we pay heed to the voice of capital markets by holding one-on-one meetings with analysts and investors.

To ensure information is provided in a fair manner, the Group posts its financial statements and results briefings on the Company website in Japanese and English simultaneously and additionally provides audio recordings of the briefing and a transcript of the question and answer session.

Stakeholder Engagement Initiatives

We are promoting stakeholder engagement using a variety of methods.

Engagement with Stakeholders

SEKISUI CHEMICAL Group works diligently to promote communication with stakeholders through a variety of methods.

Main Responsibilities, Communication Channels, 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.	<ul style="list-style-type: none"> ● Departments in Charge of ESG ● Departments in Charge of Quality Control ● Sales Department 	<ul style="list-style-type: none"> • Customer Consultation Office(handles inquiries) • CS surveys (customer satisfaction surveys) • Sales activities • Website, social media • exhibition spaces, expos / events 	<ul style="list-style-type: none"> • 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.	<ul style="list-style-type: none"> ● Departments in Charge of General Affairs ● Departments in Charge of IR ● Departments in Charge of Public Relations ● Departments in Charge of ESG 	<ul style="list-style-type: none"> • General Meeting of Shareholders • Management briefings • Integrated reports • Responding to surveys from institutions that evaluate ESG 	<ul style="list-style-type: none"> • Once per year • Twice 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.	<ul style="list-style-type: none"> ● 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 	<ul style="list-style-type: none"> • Individual boss and subordinate interviews • Counseling • Labor-management meetings • Central Occupational Safety Committee • Internal whistle-blowing system • Employee satisfaction surveys • Various employee questionnaires • Dialogues with management • Intranet and internal newsletter 	<ul style="list-style-type: none"> • Regularly • As needed(counseling available upon request through an inhouse occupational counselor or external clinical psychologist) • Regularly • Once per year • As needed (handling for consultations and reports) • Once every three years • As needed(questionnaires implemented for internal publications, various types of training sessions, etc.) • Regularly • As needed(information updated when necessary), four times per year

Stakeholders	SEKISUI CHEMICAL Group's Commitment	Contact	Communication Methods	Frequency
Business partners	<p>When procuring materials, we follow the fundamentals of being open, fair, compliant with the law, engaged in relationships of mutual trust, and environmentally conscious.</p> <p>We aim to achieve coexistence and shared prosperity by building more robust partnerships with our business partners and engaging in fair trade.</p> <p>We are also engaged in promoting CSR based on cooperation with our business partners.</p>	<ul style="list-style-type: none"> ● Departments in Charge of Purchasing ● Departments in Charge of Legal Affairs ● Departments in Charge of ESG 	<ul style="list-style-type: none"> • Purchasing activities • Explanatory meetings with suppliers • CSR procurement questionnaires • Points of contact for consultations from, and whistleblowing by, business partners • Website 	<ul style="list-style-type: none"> • Day-to-day • Regularly • Once per business partner every three year • As needed (handling for consultations and reports) • As needed (information updated when necessary)
Local communities	<p>We emphasize a perspective that encompasses contributions to the development of communities through our business, coexistence with communities, and environmental conservation.</p> <p>We think about how to make measures that are tailored to the needs of each community and practice business in ways that engender trust.</p>	<ul style="list-style-type: none"> ● Departments in Charge of ESG ● Factories and Offices ● Departments in Charge of Public Relations 	<ul style="list-style-type: none"> • Volunteering by employees • Dialogues with NPOs and NGOs • Support for learning(dispatching of instructors, factory tours, etc.) • News releases 	<ul style="list-style-type: none"> • Regularly • As needed(implemented as necessary before and after activities) • Regularly • As needed (latest information posted as necessary)
Global environment	<p>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.”</p>	<ul style="list-style-type: none"> ● Departments in Charge of ESG ● Factories and Offices ● Departments in Charge of Sales ● Departments in Charge of Purchasing 	<ul style="list-style-type: none"> • Volunteering by employees • Dialogues with NPOs and NGOs • Sales operations • Purchasing activities 	<ul style="list-style-type: none"> • Regularly • As needed(implemented as necessary before and after activities) • Day-to-day • Day-to-day

Dialogue through Various Methods of Communication

In similar fashion to fiscal 2019, we held conversations through the “Customer And Top (CAT)” meetings (held for approximately 50 houses in fiscal 2020), which feature housing sales company executives listening to customer feedback directly, interviews with investors and investigative organizations, and discussions with business partners at events such as the “Heim Mutual Prosperity Meeting.” As for employees, we are implementing a variety of initiatives including “Visions Caravan 2020” as an opportunity for the Company’s president and other high-ranking management officials to directly engage in online dialogue with employees in Japan and overseas about the long-term vision, “Vision 2030,” and ESG management. Through these initiatives, we are compiling opinions and requests from inside and outside the Company, as well as opinions and requests received from outside the Company with respect to public information including the CSR Report. The data is extremely useful in the promotion of ESG management.

Note: We did not exhibit at Eco Pro, which is one of the exhibition venues for customer communications for us every year, in fiscal 2020.

“Visions Caravan 2020,” an Opportunity for Direct Dialogue between Top Management and Employees

Believing that dialogue between management and employees is essential in resolving the problems faced by the Company as well as work-related issues, SEKISUI CHEMICAL Group has been providing opportunities for direct dialogue between employees and top management since fiscal 2002.

In fiscal 2020, we held “Vision Caravan 2020” in Japan and overseas to promote awareness of our newly formulated “Vision 2030” and ESG management, the key to realizing this long-term vision, among all employees throughout the Group.

In the past, management identified opportunities to engage in direct dialogue with employees. However, these opportunities were cancelled in fiscal 2020 due to the impact of COVID-19. Instead, eight online meetings were held in Japan and five overseas (East Asia, ASEAN, India, Australia, North America, and Europe).

During each “Vision Caravan 2020” initiative, the president and Senior Managing Executive Officer directly outline their personal thoughts on how to realize “Vision 2030” while also explaining the Group’s ESG management. In response, employees discuss among themselves and deepen their understanding toward how they should approach each business activity in order to realize “Vision 2030.” Taking into consideration a variety of factors, employees also look into how they can link individual operations to the Group’s ESG management. In response to questions and presentations that arise from deliberations among employees, the president and Senior Managing Executive Officer provide comments and feedback, while promoting lively interactive dialogue.



“Vision Caravan 2020” event implemented online

Direct Dialogue with Investors to Promote Understanding

Interest in ESG investment, by which investments are actively made in companies that engage in ESG activities, has been mounting recently, and ratings agencies are proactively undertaking surveys.


As its business domains are so diverse, SEKISUI CHEMICAL Group believes it is important to give explanations individually and carefully to ensure that the Group's overall business characteristics and ESG initiatives are sufficiently and correctly understood.

As one initiatives aimed at assessing how our corporate value and sustainable growth are reflected in how we appear from an outside perspective, we continuously engage in direct dialogue with ESG investment assessment and ranking institutions, particularly in Europe, as well as with financial institutions and investors in Japan and throughout the world. During fiscal 2020, we held 54 engagements.

In addition, we held a small meeting for sell-side analysts to gain a better understanding of each business in the HPP Company. Moreover, we continued to actively engage in dialogue with institutional investors via telephone and the Internet even under the influence of COVID-19.

Aside from these initiatives, SEKISUI CHEMICAL Group also discloses detailed information through various media including integrated reports, Notices of Convocation for the Annual General Meetings of Shareholders, and CSR reports on its website, with the investor and ESG investment assessment as well as SRI ratings agencies very much in mind. Since 2016, the Group has published an integrated report. In addition to previous explanatory information on economic value creation initiatives, this report contains details of strategies the Group uses to contribute to the resolution of social issues and how we continue to achieve sustainable growth as a "company essential to society." Information in the CSR Report is provided in line with what is considered important to both society and SEKISUI CHEMICAL Group, based on internal and external surveys as well as third-party reviews, and references various report-drafting guidelines including GRI standards.

Active Engagement Between Investors and Management

	FY2017 Results	FY2018 Results	FY2019 Results	FY2020 Results 
Number of engagements*	88	87	67	54

* The number of engagements represents the number of times the Company president and executives in charge of specific areas had dialogues with investors.

Promoting Awareness and Understanding of ESG Management Concepts

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.

In order to deepen awareness and understanding toward the long-term vision, Vision 2030, and ESG management among employees, SEKISUI CHEMICAL Group distributed various materials including an explanatory edition and comprehension and practice textbook along with a long-term vision booklet in fiscal 2020. In addition, we created an ESG Management Conceptual Diagram and are promoting awareness and education of the overall picture of ESG management and how it is connected to individual operations and initiatives on our intranet.

Furthermore, SEKISUI CHEMICAL Group implements CSR training for new employees, newly appointed managers, and all subsidiary company employees based on their position. Using a top-down approach, we also carried out training sessions for line leaders at all Group companies in fiscal 2020 to ensure that the Long-term Vision was thoroughly understood and incorporated into each business and their operations. Work site workshops were held at which each of these line leaders expressed their own vision for their workplaces 10 years from now and employees considered the kind of workers they want to become based on these visions.

Over and above the aforementioned, the following communication tools help promote increased awareness of the Group's ESG management among employees.

- In-house magazine (including a series of special features on ESG management)
- SEKISUI Group ESG Management Reader's Guide (introduction to ESG management), a tool to promote understanding of ESG management among all employees

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.

In the US and Europe, regional headquarters distribute CSR-related information to employees of each Group company. In Europe, information is posted on the intranet once a month, while information in the US is distributed via the News Wave booklet.

SEKISUI CHEMICAL Group's ESG Management Readers' Guide (ESG Management Introduction)



Japanese



English

Distributing Value to Stakeholders based on GRI Standards

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	FY2018	FY2019	FY2020
Shareholders	Dividends	20,615	22,401	22,193
Business partners	Cost of Sales, Selling Costs / General Administrative Costs (Excluding Personnel Costs)	840,514	829,809	778,554
Employees	Labor costs, Salaries and allowances as part of sales costs and general administrative costs, Provisions for bonuses, Provisions for retirement pay	206,511	211,675	210,705
Local communities	Donations	165	158	218
Global environment	Environmental conservation costs	21,882	17,850	16,207
Government and administrative bodies	Corporate taxes, local taxes, business taxes	22,261	22,619	19,902
Creditors	Interest paid as part of costs apart from sales	480	695	861

Human Rights Initiatives

Striving to respect the human rights of all stakeholders affected by our business activities, we are promoting a wide range of global-scale measures.

Management Approach

Actions in regard to the UK Modern Slavery Act

SEKISUI CHEMICAL Group previously released a statement in regard to the UK Modern Slavery Act through a UK Group company, but we released the SEKISUI CHEMICAL Group Modern Slavery Statement in September 2019 in recognition of the need for the Group as a whole to take action in regard to human rights issues.

The SEKISUI CHEMICAL Group Modern Slavery Statement is pursuant to section 54 (1) of the UK Modern Slavery Act 2015 and sets out the actions taken by SEKISUI CHEMICAL Group to prevent any form of modern slavery or human trafficking in any part of the Group's business or within its supply chains.

SEKISUI CHEMICAL Group will continue to take appropriate measures to comply with human rights laws and regulations in countries and regions that are relevant to our operations.

Sekisui Chemical Group Modern Slavery Statement for Financial Year (FY) 2019

https://www.sekisuichemical.com/csr/assets/images/Modern_Slavery_Statement_for_FY2019.pdf

Initiatives to Build a Human Rights Due Diligence* Framework

SEKISUI CHEMICAL Group in November 2018 launched initiatives aimed at building a human rights due diligence framework.

As a first step, we took the following measures to identify potential human rights risks within the Group.

- (1) Employing a specialized agency to assess human rights risks in primary business activities
- (2) Based on the risk assessment results, conducted Internal interviews with staff members of the Group

* 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.

Assessing Human Rights Risks in Primary Business Activities

In November 2018, we employed an external specialized agency (Verisk Maplecroft*¹) to conduct a human rights risk assessment among the primary business activities of SEKISUI CHEMICAL Group. On the basis of 10 human rights issues, this agency calculated a human rights risk score for four industries, namely Homebuilder, Auto Parts, Industrial Machinery and Goods, and Pharmaceutical. Moreover, the results, which take into account the risks of each country in which Group companies are located, confirmed that SEKISUI CHEMICAL Group business activities, particularly overseas (China, India, Thailand, Brazil), held a potentially high risk of human rights violations in terms of occupational health and safety, etc.

10 Human Rights Issues in Primary Business Activities

(1) Child labor (2) Fair wages, (3) Fair working hours, (4) Discrimination in the workplace, (5) Modern slavery*² (6) Freedom of association and right to collective bargaining, (7) Rights of indigenous peoples, (8) Rights relating to property, assets, and housing, (9) Occupational health and safety, and (10) Right to privacy

Industry	Priority Country	(Latent) Priority Issues
Homebuilder	Thailand	<ul style="list-style-type: none"> ● Modern slavery ● Occupational health and safety ● Fair wages
Auto Parts	China India Brazil Thailand	<ul style="list-style-type: none"> ● Fair wages ● Modern slavery ● Occupational health and safety
Industrial Machinery and Goods	China Thailand	<ul style="list-style-type: none"> ● Occupational health and safety
Pharmaceutical	China	<ul style="list-style-type: none"> ● Occupational health and safety ● Right to privacy

*1 A risk analysis and research corporation with a global perspective and knowledge of human rights, economic, and environmental risks.

*2 The definition of slavery in the modern era as established in the UK Modern Slavery Act 2015. Primarily refers to (1) slavery, servitude, forced or compulsory labor, (2) human trafficking, and (3) exploitation (sexual exploitation, organ harvesting etc.).

Implementation of Internal Interviews Based on Human Rights Risk Assessment Results

Since February 2019, we have been implementing interviews of related internal staff with third parties (Caux Round-Table Japan*). By carrying out these interviews regarding countries with high latent risks identified in human rights risk assessments and with staff at the Group who have experience stationed in Thailand, China, and India, as well as related internal departments, we confirmed whether there was any gap between the assessment results and actual business conditions at the Company.

Interview Results

- Awareness of safety at overseas production companies is high and safety activities have taken hold
- Positive conditions such as a lack of discrimination toward immigrant laborers, foreigners, and women working there were identified at the Group companies involved in the interviews
- Although headquarters-led CSR procurement survey are implemented for suppliers, no supplier checks were performed from the perspective of human rights at the site level
- Some overseas production companies have factories that use a large number of temporary workers (fixed-term employees)

As per above, some of the findings indicated issues requiring further confirmation of on-site conditions. We accordingly considered it critical to conduct interviews at our production sites in Japan and overseas with the aim of listening to the opinions of our employees to confirm if our business activities are adversely impacting human rights and to better understand how seriously those rights are being impacted. In fiscal 2020, we conducted interviews at Higashi Nihon Sekisui Industry Co., Ltd. an Urban Infrastructure & Environmental Products Company.

* A non-profit organization with a network of a variety of 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 implemented at domestic production sites

- Targets
 - 1) Foreign nationality employees working at Higashi Nihon Sekisui Industry Co., Ltd. an Urban Infrastructure & Environmental Products Company (including contract and dispatch employees)
 - 2) Personnel and labor management supervisors for these foreign nationality employees
- Reason for selecting this site

Organizations both inside and outside of Japan have frequently indicated a high level of human rights risks in Japan related to the general labor environment for foreign nationality employees while Japan is not considered a country with high latent risks based on the aforementioned risk assessment. Since this production site has relatively higher ratio of foreign nationality employees compared to other Group domestic locations, we considered that implementing the interview here would be meaningful.
- Implementation method

Although we initially planned to hold the interviews in person, business trips to the site were canceled due to the COVID-19 pandemic and they were conducted remotely instead.

Caux Round Table Japan interviewed the employees in groups of 1 – 4 for about one hour each.
- Results

Although no serious human rights risks were identified, a feedback reporting session was implemented with Higashi Nihon Sekisui Industry Co., Ltd. to share extracted issues for improvement such as the need for multilingual support for plant internal guidance and notices.

In addition to follow-up evaluation related to handling of these issues, we will also carry out similar human rights interviews at overseas locations in the future. In this way, we will develop a framework for human rights due diligence.

Business Activities That Respect Human Rights with Business Partners

Along with its suppliers, SEKISUI CHEMICAL Group engages in business activities that respect human rights as part of its obligation to all stakeholders. All Group employees are provided with a copy of the Company's Compliance Manual. We have set strict standards for respecting human rights, prohibiting discrimination, preventing harassment, and protecting personal information. We conduct training and e-learning sessions for employees about the prevention of all forms of harassment. We work diligently to raise the understanding and awareness of such issues among all of our employees.

Programs for the Purpose of Preventing Harassment

In order to prevent power, sexual, maternity, and other forms of harassment, SEKISUI CHEMICAL Group continues to cover harassment prevention as part of its compliance educational programs during employee rank-based training, including new employee and newly appointed manager trainings. In this way, we provide knowledge for preventing harassment tailored to each rank and position. We also periodically provide harassment training as part of field-based educational programs.

Assessing the Human Rights Situation at Our Suppliers

Caring About Human Rights Issues Across the Entire Supply Chain

Through CSR procurement with our suppliers, we make sure our business partners respect human rights. In order for our suppliers to understand the Group's procurement policy, including respect for human rights, we have produced English and Chinese translated versions as well as the Japanese version and are promoting the process of making procurement policies available in a variety of languages, such as by posting them in Japanese and English on our websites.

With regard to suppliers that do not meet the prescribed standards, a request is made to ensure that the necessary steps are taken to resolve any issues. SEKISUI CHEMICAL Group works together with suppliers in the implementation of appropriate measures. We are making progress with the development of mechanisms, designed specifically for our overseas business partners and suppliers, to encourage improvements via our regional headquarters.

We are currently focused on confirming procurement policies with our direct business partners but are also drafting procurement guidelines that incorporate specific content while taking into account opinions of outside experts to ensure that SEKISUI CHEMICAL Group policies are being widely adhered to throughout the entire supply chain, including at secondary and tertiary suppliers. In light of this, we plan to confirm that business partners are complying with Group policies from fiscal 2021.

We are also considering endorsing and participating in accredited supply chain initiatives in order to further improve the quality of human rights due diligence.

Major Initiatives

Engagement with External Stakeholders

SEKISUI CHEMICAL Group in August-November 2020 took part in a Stakeholder Engagement Program* in which participants with differing backgrounds, including those from corporations, NGOs and NPOs, and academia exchanged opinions in order to promote human rights due diligence. After listening to questions being raised from NGOs, NPOs, and academic experts, participating companies identified and discussed important human rights issues in various industries, using the human rights guidance tools developed by the United Nations Environment Program Finance Initiative (UNEPFI).

We also engaged in individual dialogue* with overseas experts in October 2020, speaking with specialists in human rights, including a global value chain expert from India, as well as experts from the Danish Institute for Human Rights, and the United Nations Development Programme (UNDP) in regard to SEKISUI CHEMICAL Group's initiatives in human rights. The discussions included advice from these experts as to how the Company could best develop its related activities moving forward.

Through the incorporation of external opinions obtained here, we will continue to promote human rights initiatives on a systemic basis in accordance with the Guiding Principles on Business and Human Rights.

* The Stakeholder Engagement Program and the individual dialogue were both organized by Caux Round Table Japan.

Conducting CSR Procurement Surveys for Business Partners

Guided by its procurement policy, SEKISUI CHEMICAL Group has been conducting surveys focused on social responsibility, environmental conservations, and the human rights considerations of our partners since 2007.

Although we have conducted surveys at SEKISUI CHEMICAL and Group companies as well as in each overseas region up until now, we will change to a general global survey from fiscal 2021 in order to more rapidly address common global initiatives.

We are currently formulating sustainable procurement guidelines that cover the UN Global Compact 10 Principles in order to enhance sustainable procurement. For the fiscal 2021 survey, we plan to significantly revise survey content to confirm guideline compliance status and substantially increase survey categories. We will also add suppliers of electric power and production equipment manufacturers to our business partner surveys and expand the overall scope.

Human Rights Training and Education for Employees

SEKISUI CHEMICAL Group conducts training and educational programs focusing on the theme of human rights for its employees. In this manner, the Group is endeavoring to engage in management that takes into consideration concerns regarding human rights.

As part of human rights education for employees from fiscal 2021, we began our Business and Human Rights E-Learning course, which is available on the company intranet. Formulating content for domestic and overseas employees, we foster attitudes oriented towards respecting the human rights of everyone affected by business activities. In addition, the compliance manual for domestic Group companies and the global compliance manual for overseas Group companies outline respect for human rights and measures for the prevention of harassment. Moreover, training programs that aim to prevent all forms of harassment are held every year, with 367 individuals taking part in fiscal 2020.

Addressing the Issue of Conflict Minerals

Sekisui Chemical is concerned about the conflict mineral problem, namely the mineral resources controlled by armed forces in the Democratic Republic of Congo and neighboring countries that commit human rights violations and destroy the environment. We conduct surveys on the use of conflict minerals at companies throughout our supply chain from a CSR perspective.

We put our "Conflict Minerals Survey Guidelines" into effect in April 2017. These guidelines were newly formulated for each Group division* responsible for receiving survey requests for conflict minerals from suppliers and for conducting the surveys.

In fiscal 2020, we conducted 471 conflict mineral surveys. Although we were unable to identify any conflict minerals among the surveyed companies, there was one case of smelting facility uncertainty. We will continue to conduct these surveys in fiscal 2021.

* For the quality control department of each divisional company factory and the quality control departments of affiliated companies or affiliated company factories

SEKISUI CHEMICAL Group's Basic Policies



We have determined all the policies that are the prerequisites for ESG management at SEKISUI CHEMICAL Group.

TOPICS

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SEKISUI CHEMICAL Group's Basic Policies

We have defined various policies on which our ESG management is based.

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.

2. Scope

The "Policy" is applicable to all employees and executive officers of SEKISUI CHEMICAL Group. Our Group also expects all of our business partners to comply with the "Policy" in connection with our products and services.

3. Responsibility of respect for 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 15th, 2019

Date of Revision: March 1st, 2020



President and Representative Director
SEKISUI CHEMICAL CO., LTD.

SEKISUI CHEMICAL Group "Environment Management Policy"

Mission

We, SEKISUI CHEMICAL Group, aim to be a Global Environmental Top Runner that contributes to the realization of a sustainable society by enabling the continuous growth and co-existence of ecology and the economy.

Basic Policy

Each company in SEKISUI CHEMICAL Group advances approaches that contribute to the prevention of global warming, the preservation of biological diversity and the construction of a recycling-based society in all countries and regions where they have operations, in order to leave this beautiful earth for our children in the future.

1. We contribute to the environment through our products and services, with consideration given to the environment in all stages of the product life cycle from research to procurement, production, sales, use, and disposal as waste.
2. We carry out environmentally conscious business activities in all our workplaces and offices, and promote our approach to the environment through cooperation with our customers and business partners.
3. We make efforts to reduce the environmental impact of greenhouse gas emissions and hazardous chemicals, etc., and to prevent pollution by promoting the effective use of limited resources and energy.
4. We observe the related laws, regulations, international rules, etc.
5. We make efforts to improve environmental consciousness through education, and advance continual improvements by setting our own objectives and targets.
6. We enhance confidence through close communications with society.
7. We aggressively work on social contribution activities such as nature conservation activities in each region.

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 emotional values of our customers by thoroughly pursuing "what the customer value" 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 communications

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 "Personnel 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 grow personally. 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

1. Creating opportunities for employees to take on new challenges

We encourage employees to exceed their performance goals and actively take on new challenges.

2. Corporate culture fostering individual learning and growth

We strive to enrich our education/training programs and develop a corporate culture that fosters individual learning and growth.

3. Continuous enhancement of performance and remuneration systems

We recognize our employees' personal commitment and strive to constantly improve the fairness and acceptance of our assessment systems regarding performance and processes.

4. Understanding and inclusivity of various working styles

We respect various values and working styles and strive to provide an environment where every employee can work with enthusiasm and achieve a balance between life and work.

5. Creating safe and secure working environments

We ensure that our employees work in a safe environment.

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.

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 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.

SEKISUI CHEMICAL Group "Safety Policy"

Mission

We, SEKISUI CHEMICAL Group, recognize that ensuring the safety of our employees and all related personnel we work with 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 value our employees and all related personnel we work with highly and are promoting the creation of a safe and comfortable workplace with consideration for their physical and mental wellbeing, striving for improved health.
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 will perform its procurement of goods according to the following five basic ideas (openness, impartiality and fairness, compliance with laws and regulations, mutual trust, and environmental considerations). We will strengthen our harmonious and mutually beneficial partnership with our business partners through fair transactions. Also, SEKISUI CHEMICAL Group will engage in the promotion of CSR activities through the cooperation of business partners in the Group's procurement activities.

1-1. Basic Principles of Procurement

Openness

SEKISUI CHEMICAL Group opens its doors not only to domestic companies but also widely to overseas companies.

Impartiality and fairness

SEKISUI CHEMICAL Group selects business partners based on impartial and fair evaluation standards with emphasis on quality, price and delivery lead-time, services, etc., as well as environmental considerations.

Compliance with laws and regulations

When engaging in purchasing transactions, SEKISUI CHEMICAL Group will comply with relevant laws, regulations and administrative instructions in Japan and overseas.

Mutual trust

SEKISUI CHEMICAL Group will establish and maintain mutually beneficial relationships with its business partners, as well as sincerely fulfill all contractual obligations.

Environmental considerations

SEKISUI CHEMICAL Group will further promote the purchase of raw materials and goods that have minimal negative impact on the environment (Green Procurement), and strive to establish a resource-recycling society through concerted efforts with business partners.

1-2. Requesting Cooperation from Business Partners Concerning Procurement

SEKISUI CHEMICAL Group, with its sincere attitude, aims to become a company trusted by society. The Company is aware of CSR in all spheres of its business operations based on its philosophy of contributing to society through its business activities. In order to achieve the above aim, it is absolutely necessary to engage in activities through mutual cooperation with business partners. Proactive cooperation from all business partners is requested on the following activities.

(1) Securing Superior Product Quality

Establish and operate a quality assurance system to improve and maintain the quality of products offered to customers.

- Establish a quality assurance system in conformity with ISO 9000

(2) Environmental Considerations

SEKISUI CHEMICAL Group is working to reduce negative impact of its products on the environment from the development and production stages to disposal. To do so, the environmental consideration of our suppliers concerning raw materials and goods is essential.

- Establish environmental management system in conformity with ISO 14001
- The procurement of parts and raw materials with minimal negative environmental impact, such as reduction of potentially hazardous chemicals
- Initiatives to reduce greenhouse gas (GHG) emissions, such as promoting the effective use of energy
- Initiatives to preserve water resources and biodiversity

(3) Compliance with Laws, Regulations and Social Customs

Business partners are requested to ensure compliance with relevant laws, regulations and appropriate social norms of the countries and regions where their business operations are conducted.

- Comply with relevant laws and regulations in the business operations
- Prohibit forced labor
- Prohibit child labor
- Prohibit discrimination against employees

(4) Safety and Hygiene

Quality is built through human resources and facilities. The safety management of these resources is the basis of production. Business partners are requested to perform the following.

- Safety and hygiene management of the workplace and maintenance of employee health
- Machine safeguarding and safety and hygiene management of facilities
- Appropriate response to occupational injuries, equipment-related accidents, other accidents, etc.

Timber Procurement

At SEKISUI CHEMICAL Group, in order to contribute to the elimination of deforestation as well as the sustainable use of timber resources, we make every effort to ensure that the timber used in products is logged in accordance with statutory and regulatory requirements. Therefore, in cooperation with our suppliers, we implement investigations on commercial distribution with regard to the logging area, tree species, and quantity of timber materials, in order to ensure traceability. For recycled materials, we use timber and wood-based materials that are already used in markets, as well as unused thinnings and branches.

In those cases where we find timber that we have concerns about in terms of legitimacy while investigating our distribution channels, we take appropriate measures in cooperation with our suppliers to promote responsible procurement.

Conflict Minerals

SEKISUI CHEMICAL Group is working in compliance with the Dodd-Frank Act in the U.S. to eliminate conflict minerals (gold (Au), tantalum (Ta), tungsten (W) and tin (Sn)) connected with inhumane acts by local armed groups in the Democratic Republic of the Congo and neighboring countries. If we find minerals that we have concerns about while investigating our distribution channels, we take appropriate measures in cooperation with our suppliers to promote responsible procurement.

External Evaluation



SEKISUI CHEMICAL Group introduces the evaluations of external parties for its efforts in ESG management.

External Evaluation

Major External Evaluations Conducted During Fiscal 2019 (as of June 30, 2021)

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 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 Ethibel PIONEER and Ethibel EXCELLENCE
- Earned selection to the S&P / JPX Carbon Efficient Index Composite
- SNAM Sustainability Index

Member of
Dow Jones Sustainability Indices

Powered by the S&P Global CSA



FTSE4Good

<https://www.ftserussell.com/products/indices/FTSE4Good>



FTSE Blossom Japan

<https://www.ftserussell.com/products/indices/blossom-japan>



2021 CONSTITUENT MSCIジャパン ESGセレクト・リーダーズ指数

2021 CONSTITUENT MSCI日本株 女性活躍指数 (WIN)

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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“Sekisui Chemical Co. Ltd. has been reconfirmed for inclusion in the Ethibel PIONEER and Ethibel EXCELLENCE Investment Registers since 09/12/2016. This selection by Forum ETHIBEL (www.forumethibel.org) indicates that the company can be qualified as a sector leader in terms of Corporate Social Responsibility (CSR).”



Sompo Sustainability Index

ESG-Related Ranking, Awards

CSR in General

- Earned S&P Global sustainability rating of “Bronze Class”
- Earned selection as one of the “2021 Global 100 Most Sustainable Corporations in the World index,” ranking 51st
Ranked 61st in Toyo Keizai CSR Ranking
- Earned selection for the “Golden Peacock Global Award for Sustainability”
- Earned selection as one of the top 30 for overall sustainability and top 10 for community and social capital in the “Sustainable Ones Award”

Sustainability Award Bronze Class 2021

S&P Global



<http://www.corporateknights.com/reports/global-100/>



<https://terrast.org/corporation/4204>



<https://terrast.org/corporation/4204>

Environment

- Earned selection to the 2020 “CDP Climate Change A-List,” “CDP Water Security A-List,” and “CDP Supplier Engagement Leader” rankings
- Acquired certification from the “SBT (Science-Based Targets) Initiative” (June 2018)
- Acquired the “DBJ Environment Rating” from the Development Bank of Japan, the highest ranking



CLIMATE



WATER



<Recognized organizations: SEKISUI CHEMICAL CO., LTD. Taga Plant, SEKISUI TAGA CHEMICAL INDUSTRY CO., LTD. >
Received the grand prize (education dissemination division) in the 2021 Nature Conservation Society of Japan Awards*



* This award was received by the Biodiversity Biwako Network (BBN), an organization with the goal of preserving biodiversity in Shiga Prefecture. The SEKISUI CHEMICAL CO., LTD. Taga Plant and SEKISUI TAGA CHEMICAL INDUSTRY CO., LTD. are members.

Human Resources

- Earned selection as a “Nadeshiko Brand” by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange in 2020
- Earned selection as a 2021 Health and Productivity Management Brand by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange
- Certified as a 2021 Health and Productivity Management Organization by both the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi in the large enterprise category (“White 500”)
- Received the 2nd Grand Prize Platinum Career Award
- Kofu Sekisui Sangyo Co., Ltd.: Received the Ministry of Economy, Trade and Industry’s New Diversity Management Selection 100 in fiscal 2016
- Earned selection to the Ministry of Economy, Trade and Industry’s Diversity Management Selection 100 for fiscal 2013



Independent Practitioner's Assurance Report

Deloitte.

デロイト トーマツ

(TRANSLATION)

Independent Practitioner's Assurance Report

July 1, 2021

Mr. Keita Kato,
President and Representative Director,
Sekisui Chemical Co., Ltd.

Masahiko Sugiyama
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, 2021 (the "Sustainability Information") included in the "CSR Report 2021 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 Control

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 Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintain a comprehensive system of quality control 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.
- Performing interviews of responsible persons and inspecting documentary evidence 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

The CSR Report 2021 of Sekisui Chemical Co., Ltd. was written following the Core options of the GRI Standards.

General Disclosure Items

1. Organizational Profile

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
102-1	Name of organization a. Name of organization.	<ul style="list-style-type: none"> • Outline of SEKISUI 	
102-2	Activities, brands, products, and services a. A description of the organization's activities. b. Primary brands, products, and services, including an explanation of any products or services that are banned in certain markets.	<ul style="list-style-type: none"> • Overview of SEKISUI CHEMICAL Group • Products (b. During the period covered by the report, there were no products or services whose sale were banned in specific markets.) 	
102-3	Location of headquarters a. Location of the organization's headquarters.	<ul style="list-style-type: none"> • Outline of SEKISUI 	
102-4	Location of operations a. Number of countries where the organization operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the report.	<ul style="list-style-type: none"> • SEKISUI CHEMICAL Group Worldwide • SEKISUI Worldwide 	
102-5	Ownership and legal form a. Nature of ownership and legal form.	<ul style="list-style-type: none"> • Financial Information • Corporate Governance Report 	
102-6	Markets served a. Markets served, including: i. Geographic locations where products and services are offered; ii. Sectors served; iii. Types of customers and beneficiaries;	<ul style="list-style-type: none"> • Outline of SEKISUI • Business Introduction 	
102-7	Scale of the organization a. Scale of the organization, including: i. Total number of employees; ii. Total number of operations; iii. Net sales (for private sector organizations) or net revenues (for public sector organizations); iv. Total capitalization (for private sector organizations) broken down in terms of debt and equity; v. Quantity of products or services provided.	<ul style="list-style-type: none"> • Outline of SEKISUI • Overview of SEKISUI CHEMICAL Group • Securities Report (Japanese) • Fact Book ■ Materiality > Human Resources • Refining the Foundation>Allowing Diverse Human Resources to Excel>Gender 	

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
102-8	Information on employees and other workers a. Total number of employees by employment contract (permanent and temporary), by gender. b. Total number of employees by employment contract (permanent and temporary), by region. c. Total number of employees by employment type (full-time and part-time), by gender. d. Whether a significant portion of the organization's activities are performed by workers who are not employees. If applicable, a description of the nature and scale of work performed by workers who are not employees. e. Any significant variations in the numbers reported in Disclosures 102-8-a, 102-8-b, and 102-8-c (such as seasonal variations in the tourism or agricultural industries). f. An explanation of how the data have been compiled, including any assumptions made.	<ul style="list-style-type: none"> SEKISUI CHEMICAL Group Worldwide ■ Materiality > Human Resources Refining the Foundation>Allowing Diverse Human Resources to Excel>Gender (d. Employees are responsible for the majority of our activities.) (e. No significant changes related to employees during the reporting period.) 	
102-9	Supply chain a. A description of the organization's supply chain, including its main elements as they relate to the organization's activities, primary brands, products, and services.	<ul style="list-style-type: none"> Overview of SEKISUI CHEMICAL Group 	
102-10	Significant changes to the organization and its supply chain a. Significant changes to the organization's size, structure, ownership, or supply chain, including: i. Changes in the location of, or changes in, operations, including facility openings, closings, and expansions; ii. Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations); iii. Changes in the location of suppliers, the structure of the supply chain, or relationships with suppliers, including selection and termination.	<ul style="list-style-type: none"> Securities Report (Japanese) 	
102-11	Precautionary principle or approach a. Whether and how the organization applies the Precautionary principle or approach.	<ul style="list-style-type: none"> ■ ESG Management Basic Concept Identifying key ESG Issues Crucial Items Concerning ESG Management Promotion System ■ Materiality > Governance (Internal Control) Reducing Serious Incidents Risk Management ■ Materiality > Environment Promotion System ■ Crucial Items Concerning ESG Management 	
102-12	External initiatives a. A list of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses.	<ul style="list-style-type: none"> ■ Key Issue Initiatives Declaration of Support for Initiatives and Organizations in Which SEKISUI CHEMICAL Group Participates ■ Materiality > Environment Usage of Natural Capital > Climate Change > Acquisition of Certification under the SBT Initiative for Greenhouse Gas Reduction Targets Usage of Natural Capital >Climate Change > Promoting the Use of Renewable Energy in Electricity by Joining RE100 Contributing to Return of Natural Capital >Conserving the Environment > Cooperation with External Organizations 	

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
102-13	Membership of associations a. A list of the main memberships of industry or other associations, and organizations in Japan and overseas.	■ Key Issue Initiatives Declaration of Support for Initiatives and Organizations in Which SEKISUI CHEMICAL Group Participates	

2. Strategy

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
102-14	Statement from senior decision-maker a. A statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy for addressing sustainability.	<ul style="list-style-type: none"> ■ Top Message Top Message 	
102-15	Key impacts, risks, and opportunities a. A description of key impacts, risks, and opportunities.	<ul style="list-style-type: none"> ■ Top Message Top Message ■ Realizing Vision 2030 ■ ESG Management • Basic Concept • Identifying key ESG Issues • Crucial Items Concerning ESG Management ■ Products to Enhance Sustainability - Contributing to the Resolution of Social Issues through Products and Services - ■ Materiality • Governance (Internal Control) > Risk Management > Identifying, Analyzing, and Assessing Risks • Environment > Usage of Natural Capital > Climate Change > Risks and Opportunities Posed by Climate Change to Our Businesses • Environment > Usage of Natural Capital > Reduction of Water-related Risks> Assessment of Impact on Business from Water-related Risks ■ Crucial Items Concerning ESG Management • Information Disclosure based upon on the TCFD Statement of Support 	

3. Ethics and Integrity

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
102-16	Values, principles, standards, and norms of behavior a. A description of the organization's values, principles, standards, and norms of behavior.	<ul style="list-style-type: none"> ■ Top Message Top Message ■ Realizing Vision 2030 ■ ESG Management • Basic Concept • Identifying key ESG Issues • Crucial Items Concerning ESG Management • Promotion System ■ SEKISUI CHEMICAL Group Basic Policies 	
102-17	Mechanisms for advice and concerns about ethics a. A description of internal and external mechanisms for: <ol style="list-style-type: none"> i. Seeking advice about ethical and lawful behavior, and organizational integrity; ii. Reporting concerns about unethical or unlawful behavior, and organizational integrity. 	<ul style="list-style-type: none"> ■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Legal and Ethical Issues • Knowledge and Operation of the S.C.A.N. Intra-company Whistle-blowing System • Responses to External Notifications 	

4. Governance

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
102-18	<p>Governance structure</p> <p>a. Governance structure of the organization, including committees of the highest governance body.</p> <p>b. Committees responsible for decision-making on economic, environmental, and social topics.</p>	<ul style="list-style-type: none"> ■ ESG Management • Promotion System ■ Initiatives That Underpin Support for ESG Management > Corporate Governance Initiatives • Organizational Structure 	
102-19	<p>Delegating authority</p> <p>a. Process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees.</p>	<ul style="list-style-type: none"> ■ ESG Management • Promotion System ■ Materiality > Governance (Internal Control) > Reducing Serious Incidents • Safety > Activity Policy and Promotion System • Legal and Ethical Issues > Putting Compliance Management Efforts into Practice • Information Management > Cyber Management System Headed by an Executive Officer ■ Materiality • Digital Transformation (DX) > Systems to Promote DX • Environment > Promotion System • Human Resources > Promotion System ■ Key Issue Initiatives > CS & Quality • CS & Quality Management Promotion System 	
102-20	<p>Executive-level responsibility for economic, environmental, and social topics</p> <p>a. Whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental, and social topics.</p> <p>b. Whether post holders report directly to the highest governance body.</p>	<ul style="list-style-type: none"> ■ ESG Management • Promotion System ■ Initiatives That Underpin Support for ESG Management > Corporate Governance Initiatives • Organizational Structure • Board of Directors 	
102-21	<p>Consulting stakeholders on economic, environmental, and social topics</p> <p>a. Processes for consultation between stakeholders and the highest governance body on economic, environmental, and social topics.</p> <p>b. If consultation is delegated, describe to whom it is delegated and how the resulting feedback is provided to the highest governance body.</p>	<ul style="list-style-type: none"> ■ Initiatives That Underpin Support for ESG Management > Corporate Governance Initiatives • Board of Directors > Consultations with Stakeholders on Economic, Environmental and Social Topics 	
102-22	<p>Composition of the highest governance body and its committees</p> <p>a. Composition of the highest governance body and its committees by:</p> <ol style="list-style-type: none"> i. Executive or non-executive ii. Independence iii. Tenure on the governance body iv. Number of each individual's other significant positions and commitments, and the nature of the commitments v. Gender vi. Membership of under-represented social groups vii. Competencies relating to economic, environmental, and social topics viii. Stakeholder representation 	<ul style="list-style-type: none"> ■ ESG Management • Promotion System ■ Initiatives That Underpin Support for ESG Management > Corporate Governance Initiatives • Organizational Structure • Board of Directors • Corporate Governance Report 	

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
102-23	Chair of the highest governance body a. Whether the chair of the highest governance body is also an executive officer in the organization b. If the chair is also an executive officer, describe his or her function within the organization's management and the reasons for this arrangement	<ul style="list-style-type: none"> ■ Initiatives That Underpin Support for ESG Management > Corporate Governance Initiatives • Board of Directors • Corporate Governance Report 	
102-24	Nominating and selecting the highest governance body a. Nomination and selection processes for the highest governance body and its committees. b. Criteria used for nominating and selecting highest governance body members, including whether and how: i. stakeholders (including shareholders) are involved; ii. diversity is considered; iii. independence is considered; iv. Expertise and experience relating to economic, environmental, and social topics are considered.	<ul style="list-style-type: none"> ■ ESG Management • Promotion System ■ Initiatives That Underpin Support for ESG Management > Corporate Governance Initiatives • Board of Directors • Nominating and Remuneration Advisory Committee 	
102-25	Conflicts of interest a. Processes for the highest governance body to ensure conflicts of interest are avoided and managed. b. Whether conflicts of interest are disclosed to stakeholders, including, as a minimum: i. Cross-board membership; ii. Cross-shareholding with suppliers and other stakeholders; iii. Existence of controlling shareholder; iv. Related party disclosures.	—	
102-26	Role of highest governance body in setting purpose, values, and strategy a. Highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental, and social topics.	<ul style="list-style-type: none"> ■ ESG Management • Promotion System ■ Initiatives That Underpin Support for ESG Management > Corporate Governance Initiatives • Organizational Structure • Board of Directors • Corporate Governance Report 	
102-27	Collective knowledge of highest governance body a. Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental, and social topics.	<ul style="list-style-type: none"> ■ Initiatives That Underpin Support for ESG Management > Corporate Governance Initiatives • Board of Directors > Consultations with Stakeholders on Economic, Environmental and Social Topics 	
102-28	Evaluating the highest governance body's performance a. Processes for evaluating the highest governance body's performance with respect to governance of economic, environmental, and social topics. b. Whether such evaluation is independent or not, and its frequency. c. Whether such evaluation is a self-assessment. d. Actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental, and social topics, including, as a minimum, changes in membership and organizational practice.	<ul style="list-style-type: none"> ■ Initiatives That Underpin Support for ESG Management > Corporate Governance Initiatives • Board of Directors > Assessment Relating to the Board's Effectiveness • Corporate Governance Report 	

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
102-29	Identifying and managing economic, environmental, and social impacts a. Highest governance body's role in identifying and managing economic, environmental, and social topics and their impacts, risks, and opportunities – including its role in the implementation of due diligence processes. b. Whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental, and social topics and their impacts, risks, and opportunities.	<ul style="list-style-type: none"> ■ ESG Management • Promotion System 	
102-30	Effectiveness of risk management processes a. Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics.	—	
102-31	Review of economic, environmental, and social topics a. Frequency of the highest governance body's review of economic, environmental, and social topics and their impacts, risks, and opportunities.	<ul style="list-style-type: none"> ■ ESG Management • Promotion System • Corporate Governance Report 	
102-32	Highest governance body's role in sustainability reporting a. The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material topics are covered.	<ul style="list-style-type: none"> ■ ESG Management • Promotion System 	
102-33	Communicating critical concerns a. Process for communicating critical concerns to the highest governance body.	<ul style="list-style-type: none"> ■ ESG Management • Basic Concept > Stakeholder Engagement > Promoting Engagement with Stakeholders • Promotion System 	
102-34	Nature and total number of critical concerns a. Total number and nature of critical concerns that were communicated to the highest governance body. b. Mechanism(s) used to address and resolve critical concerns.	—	
102-35	Remuneration policies a. Remuneration policies for the highest governance body and senior executives for the following types of remuneration: i. Fixed pay and variable pay, including performance-based pay, equity-based pay, bonuses, and deferred or vested shares; ii. Sign-on bonuses or recruitment incentive payments; iii. Termination payments; iv. Clawbacks; v. Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees. b. How performance criteria in the remuneration policies relate to the highest governance body's and senior executives' objectives for economic, environmental, and social topics.	<ul style="list-style-type: none"> ■ Initiatives That Underpin Support for ESG Management > Corporate Governance Initiatives • Nominating and Remuneration Advisory Committee • Remuneration and Other Compensation for Officers • Corporate Governance Report 	
102-36	Process for determining remuneration a. Process for determining remuneration. b. Whether remuneration consultants are involved in determining remuneration and whether they are independent of management. c. Any other relationships that the remuneration consultants have with the organization.	<ul style="list-style-type: none"> ■ Initiatives That Underpin Support for ESG Management > Corporate Governance Initiatives • Nominating and Remuneration Advisory Committee • Remuneration and Other Compensation for Officers • Corporate Governance Report 	

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
102-37	Stakeholders' involvement in remuneration a. Governance structure of the organization, including committees of the highest governance body. b. Committees responsible for decision-making on economic, environmental, and social topics.	■ Initiatives That Underpin Support for ESG Management > Corporate Governance Initiatives • Remuneration and Other Compensation for Officers • Corporate Governance Report • Securities Report (Japanese) • Notice of Convocation	
102-38	Annual total compensation ratio a. Ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	—	
102-39	Percentage increase in annual total compensation ratio a. Ratio of the percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.	—	

5. Stakeholder Engagement

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
102-40	List of stakeholder groups a. A list of stakeholder groups engaged by the organization.	<ul style="list-style-type: none"> ■ Initiatives That Underpin Support for ESG Management > Stakeholder Engagement Initiatives • Engagement with Stakeholders 	
102-41	Collective bargaining agreements a. Percentage of total employees covered by collective bargaining agreements.	<ul style="list-style-type: none"> ■ Materiality > Human Resources • Refining the Foundation > Work Style Reforms > Labor-management Relations 	
102-42	Identifying and selecting stakeholders a. The basis for identifying and selecting stakeholders with whom to engage.	<ul style="list-style-type: none"> ■ ESG Management • Basic Concept > Stakeholder Engagement 	
102-43	Approach to stakeholder engagement a. The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	<ul style="list-style-type: none"> ■ Initiatives That Underpin Support for ESG Management > Stakeholder Engagement Initiatives • Engagement with Stakeholders 	
102-44	Key topics and concerns raised a. Key topics and concerns that have been raised through stakeholder engagement, including: i. how the organization has responded to those key topics and concerns, including through its reporting; ii. the stakeholder groups that raised each of the key topics and concerns.	<ul style="list-style-type: none"> ■ ESG Management • Basic Concept > Stakeholder Engagement > Promoting Engagement with Stakeholders 	

6. Reporting Practices

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
102-45	Entities included in the consolidated financial statements a. A list of all entities included in the organization's consolidated financial statements or equivalent documents. b. Whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	<ul style="list-style-type: none"> ■ Scope of the CSR Report 2021 ■ Materiality > Environment • Promotion System > Environmental Management System • Securities Report (Japanese) • Basic Corporate Information 	
102-46	Defining report content and topic Boundaries a. An explanation of the process for defining the report content and the topic Boundaries. b. An explanation of how the organization has implemented the Reporting Principles for defining report content.	<ul style="list-style-type: none"> ■ Editorial Policy ■ Scope of the CSR Report 2021 ■ ESG Management • Identifying key ESG Issues • GRI Content Index 	
102-47	List of material topics a. A list of the material topics identified in the process for defining report content.	<ul style="list-style-type: none"> ■ ESG Management • Identifying key ESG Issues • Crucial Items Concerning ESG Management ■ Crucial Items Concerning ESG Management 	
102-48	Restatements of information a. The effect of any restatements of information given in previous reports, and the reasons for such restatements.	Not applicable for the fiscal year under review	
102-49	Changes in reporting a. Significant changes from previous reporting periods in the list of material topics and topic Boundaries.	Not applicable for the fiscal year under review	
102-50	Reporting period a. Reporting period for the information provided.	<ul style="list-style-type: none"> • Scope of the CSR Report 2021 	
102-51	Date of most recent report a. If applicable, the date of the most recent previous report.	<ul style="list-style-type: none"> • Scope of the CSR Report 2021 	
102-52	Reporting cycle a. Reporting cycle.	<ul style="list-style-type: none"> • Scope of the CSR Report 2021 	
102-53	Contact point for questions regarding the report a. The contact point for questions regarding the report or its contents.	Back cover	
102-54	Claims of reporting in accordance with the GRI Standards a. The claim made by the organization, if it has prepared a report in accordance with the GRI Standards, either i. "This report has been prepared in accordance with the GRI Standards: Core option;" ii. "This report has been prepared in accordance with the GRI Standards: Comprehensive option."	<ul style="list-style-type: none"> • GRI Content Index 	
102-55	GRI content index a. The GRI content index, which specifies each of the GRI Standards used and lists all disclosures included in the report. b. For each disclosure, the content index shall include: i. the number of the disclosure (for disclosures covered by the GRI Standards); ii. the page number(s) or URL(s) where the information can be found, either within the report or in other published materials; iii. if applicable, and where permitted, the reason(s) for omission when a required disclosure cannot be made.	<ul style="list-style-type: none"> • GRI Content Index 	

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
102-56	External assurance a. A description of the organization's policy and current practice with regard to seeking external assurance for the report. b. If the report has been externally assured: i. A reference to the external assurance report, statements, or opinions. If not included in the assurance report accompanying the sustainability report, a description of what has and what has not been assured and on what basis, including the assurance standards used, the level of assurance obtained, and any limitations of the assurance process; ii. The relationship between the organization and the assurance provider; iii. Whether and how the highest governance body or senior executives are involved in seeking external assurance for the organization's sustainability report.	<ul style="list-style-type: none"> ■ Editorial Policy ■ Scope of the CSR Report 2021 ■ Independent Practitioner's Assurance Report 	

103: Management Approach

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
103-1	<p>Explanation of the material topic and its Boundary</p> <p>a. An explanation of why the topic is material.</p> <p>b. The Boundary for the material topic, which includes a description of:</p> <p>i. where the impacts occur;</p> <p>ii. the organization's involvement with the impacts. For example, whether the organization has caused or contributed to the impacts, or is directly linked to the impacts through its business relationships.</p> <p>c. Any specific limitation regarding the topic Boundary.</p>	<ul style="list-style-type: none"> ■ ESG Management • Identifying key ESG Issues 	
103-2	<p>The management approach and its components</p> <p>a. An explanation of how the organization manages the topic.</p> <p>b. A statement of the purpose of the management approach.</p> <p>c. A description of the following, if the management approach includes that component:</p> <p>i. Policies</p> <p>ii. Commitments</p> <p>iii. Goals and targets</p> <p>iv. Responsibilities</p> <p>v. Management resources</p> <p>vi. Complaint-processing mechanisms</p> <p>vii. Specific measures, such as processes, projects, programs and initiatives, etc.</p>	<ul style="list-style-type: none"> ■ ESG Management • Basic Concept • Identifying key ESG Issues • Crucial Items Concerning ESG Management • Promotion System ■ Products to Enhance Sustainability - Contributing to the Resolution of Social Issues through Products and Services - • Education for Enhancing the Ability to Contribute to Solving Social Issues • Social and SDG Contribution Activities ■ Governance (Internal Control) ● Reducing Serious Incidents • Safety • Quality • Legal and Ethical Issues • Information Management ● Risk Management ■ Digital Transformation (DX) ■ Environment ● Promotion System • Long-term Environmental Management Vision • Progress under the Environmental Medium-term Plan • Integrated Index • Environmental Management System • Environmental Accounting ● Usage of Natural Capital • Climate Change • Approach to Realizing Resource Recycling • Reduction of Water-related Risks • Chemical Substance Management • Environmental Impact Assessment • Material Balance ● Contributing to Return of Natural Capital • Conserving the Environment ■ Human Resources ● Human Resources Management Principles ● Transformation to a Vibrant Company • Vision Management • People Management • Human Resources Management ● Refining the Foundation • Allowing Diverse Human Resources to Excel • Work Style Reforms • Health Management ■ Fusion ■ Crucial Items Concerning ESG Management ■ Key Issue Initiatives • CS & Quality • Intellectual Property • Declaration of Support for Initiatives and Organizations in Which SEKISUI CHEMICAL Group Participates ■ Initiatives That Underpin Support for ESG Management • Corporate Governance Initiatives • Stakeholder Engagement Initiatives • Human Rights Initiatives ■ SEKISUI CHEMICAL Group Basic Policies ■ External Evaluation 	
103-3	<p>Evaluation of the management approach</p> <p>a. An explanation of how the organization evaluates the management approach, including:</p> <p>i. the mechanisms for evaluating the effectiveness of the management approach;</p> <p>ii. the results of the evaluation of the management approach;</p> <p>iii. any related adjustments to the management approach.</p>		

Standards by Individual Items

Economy

201: Economic Performance

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
201-1	<p>Direct economic value generated and distributed</p> <p>a. Direct economic value generated and distributed (EVG&D) on an accruals basis, including the basic components for the organization's global operations as listed below. If data are presented on a cash basis, report the justification for this decision in addition to reporting the following basic components:</p> <p>i. Direct economic value generated: revenues;</p> <p>ii. Economic value distributed: operating costs, employee wages and benefits, payments to providers of capital, payments to government by country, and community investments;</p> <p>iii. Economic value retained: "direct economic value generated" less "economic value distributed."</p> <p>b. Where significant, report EVG&D separately at country, regional, or market levels, and the criteria used for defining significance.</p>	<ul style="list-style-type: none"> ■ Initiatives That Underpin Support for ESG Management > Stakeholder Engagement Initiatives • Distributing Value to Stakeholders based on GRI Standards 	
201-2	<p>Financial implications and other risks and opportunities due to climate change</p> <p>a. Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue, or expenditure, including:</p> <p>i. a description of the risk or opportunity and its classification as either physical, regulatory, or other;</p> <p>ii. a description of the impact associated with the risk or opportunity;</p> <p>iii. the financial implications of the risk or opportunity before action is taken;</p> <p>iv. the methods used to manage the risk or opportunity;</p> <p>v. the costs of actions taken to manage the risk or opportunity.</p>	<ul style="list-style-type: none"> ■ Materiality > Environment • Usage of Natural Capital > Climate Change > Risks and Opportunities Posed by Climate Change to Our Businesses • Information Disclosure based upon on the TCFD Statement of Support 	
201-3	<p>Defined benefit plan obligations and other retirement plans</p> <p>a. If the plan's liabilities are met by the organization's general resources, the estimated value of those liabilities.</p> <p>b. If a separate fund exists to pay the plan's pension liabilities:</p> <p>i. the extent to which the scheme's liabilities are estimated to be covered by the assets that have been set aside to meet them;</p> <p>ii. the basis on which that estimate has been arrived at;</p> <p>iii. when that estimate was made.</p> <p>c. If a fund set up to pay the plan's pension liabilities is not fully covered, explain the strategy, if any, adopted by the employer to work towards full coverage, and the timescale, if any, by which the employer hopes to achieve full coverage.</p> <p>d. Percentage of salary contributed by employee or employer.</p> <p>e. Level of participation in retirement plans, such as participation in mandatory or voluntary schemes, regional, or country-based schemes, or those with financial impact.</p>	<ul style="list-style-type: none"> • Securities Report (Japanese) • Fact Book 	

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
201-4	Financial assistance received from government Total monetary value of financial assistance received by the organization from any government during the reporting period, including: <ol style="list-style-type: none"> i. tax relief and tax credits; ii. subsidies; iii. investment grants, research and development grants, and other relevant types of grant; iv. awards; v. royalty holidays; vi. financial assistance from Export Credit Agencies (ECAs); vii. financial incentives; viii. other financial benefits received or receivable from any government for any operation. b. The information in 201-4-a by country. c. Whether, and the extent to which, any government is present in the shareholding structure.	—	Since this information contains content which presents risks related to business strategy confidentiality, we do not disclose it.

202: Presence Within Regional Economies

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
202-1	Ratios of standard entry level wage by gender compared to local minimum wage <ol style="list-style-type: none"> a. When a significant proportion of employees are compensated based on wages subject to minimum wage rules, report the relevant ratio of the entry level wage by gender at significant locations of operation to the minimum wage. b. When a significant proportion of other workers (excluding employees) performing the organization's activities are compensated based on wages subject to minimum wage rules, describe the actions taken to determine whether these workers are paid above the minimum wage. c. Whether a local minimum wage is absent or variable at significant locations of operation, by gender. In circumstances in which different minimums can be used as a reference, report which minimum wage is being used. d. The definition used for "significant locations of operation." 	—	Because the scope of tabulation is vast and complex, we have not disclosed these figures.
202-2	Proportion of senior management hired from the local community <ol style="list-style-type: none"> a. Percentage of senior management at significant locations of operation that are hired from the local community. b. The definition used for "senior management." c. The organization's geographical definition of "local." d. The definition used for "significant locations of operation." 	—	Because the scope of tabulation is vast and complex, we have not disclosed these figures.

203: Indirect Economic Impacts

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
203-1	Infrastructure investments and services supported a. Extent of development of significant infrastructure investments and services supported. b. Current or expected impacts on communities and local economies, including positive and negative impacts where relevant. c. Whether these investments and services are commercial, in-kind, or pro bono engagements.	• Integrated Report	
203-2	Significant indirect economic impacts a. Examples of significant identified indirect economic impacts of the organization, including positive and negative impacts. b. Significance of the indirect economic impacts in the context of external benchmarks and stakeholder priorities, such as national and international standards, protocols, and policy agendas.	—	Because the scope of tabulation is vast and complex, we have not disclosed these figures.

204: Procurement Practices

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
204-1	Proportion of spending on local suppliers a. Percentage of the procurement budget used for significant locations of operation that is spent on suppliers local to that operation (such as percentage of products and services purchased locally). b. The organization's geographical definition of "local." c. The definition used for "significant locations of operation."	—	Because the scope of tabulation is vast and complex, we have not disclosed these figures.

205: Anti-corruption

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
DMA (103)	Reporting management approach relating to combating corruption using "GRI 103: Management Approach."	<ul style="list-style-type: none"> ■ ESG Management • Identifying key ESG Issues • Crucial Items Concerning ESG Management ■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Legal and Ethical Issues • Prevention of Bribery and Corruption ■ Crucial Items Concerning ESG Management 	
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.	<ul style="list-style-type: none"> ■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Legal and Ethical Issues • Prevention of Bribery and Corruption • Main Measures Relating to Bribery and Corruption • Identification of High-risk Divisions and Employee Training 	

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
205-2	<p>Communication and training about anti-corruption policies and procedures</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>d. Total number and percentage of governance body members that have received training on anti-corruption, broken down by region.</p> <p>e. Total number and percentage of employees that have received training on anti-corruption, broken down by employee category and region.</p>	<ul style="list-style-type: none"> ■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Legal and Ethical Issues • Identification of High-risk Divisions and Employee Training • Initiatives to Strengthen Accounting Compliance • List of Results Relating to Compliance Training 	
205-3	<p>Confirmed incidents of corruption and actions taken</p> <p>a. Total number and nature of confirmed incidents of corruption.</p> <p>b. Total number of confirmed incidents in which employees were dismissed or disciplined for corruption.</p> <p>c. Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption.</p> <p>d. Public legal cases regarding corruption brought against the organization or its employees during the reporting period and the outcomes of such cases.</p>	<ul style="list-style-type: none"> ■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Legal and Ethical Issues • Cases of Violations in Fiscal 2020 	

206: Anti-competitive Behavior

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
DMA (103)	<p>Reporting management approach relating to anti-competitive behavior using "GRI 103: Management Approach."</p>	<ul style="list-style-type: none"> ■ ESG Management • Identifying key ESG Issues • Crucial Items Concerning ESG Management ■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Legal and Ethical Issues • Compliance Management • Prevent Major Compliance Issues • Putting Compliance Management Efforts into Practice ■ Crucial Items Concerning ESG Management 	
206-1	<p>Legal actions for anti-competitive behavior, anti-trust, and monopoly practices</p> <p>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.</p> <p>b. Main outcomes of completed legal actions, including any decisions or judgments.</p>	<ul style="list-style-type: none"> ■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Legal and Ethical Issues • Handling Measures for Antitrust Laws 	

207: Tax 2019

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
207-1	<p>Approach to tax</p> <p>a. A description of the approach to tax, including:</p> <ul style="list-style-type: none"> 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. 	<p>■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Legal and Ethical Issues</p> <ul style="list-style-type: none"> • Tax Compliance Initiatives 	
207-2	<p>Tax governance, control, and risk management</p> <p>a. A description of the tax governance and control framework, including:</p> <ul style="list-style-type: none"> 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. <p>b. A description of the mechanisms for reporting concerns about unethical or unlawful behavior and the organization's integrity in relation to tax.</p> <p>c. A description of the assurance process for disclosures on tax and, if applicable, a reference to the assurance report, statement, or opinion.</p>	<p>■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Legal and Ethical Issues</p> <ul style="list-style-type: none"> • Tax Compliance Initiatives 	
207-3	<p>Stakeholder engagement and management of concerns related to tax</p> <p>a. A description of the approach to stakeholder engagement and management of stakeholder concerns related to tax, including:</p> <ul style="list-style-type: none"> 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. 	<p>■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Legal and Ethical Issues</p> <ul style="list-style-type: none"> • Tax Compliance Initiatives 	
207-4	<p>Country-by-country reporting</p> <p>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.</p> <p>b. For each tax jurisdiction reported in Disclosure 207-4-a:</p> <ul style="list-style-type: none"> 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. <p>c. The time period covered by the information reported in Disclosure 207-4.</p>		<p>Because the scope of tabulation is vast and complex, we have not disclosed these figures.</p>

Environment

301: Materials

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
DMA (103)	Reporting management approach relating to raw materials using "GRI 103: Management Approach."	<ul style="list-style-type: none"> ■ ESG Management <ul style="list-style-type: none"> • Identifying key ESG Issues • Crucial Items Concerning ESG Management ■ Materiality > Environment <ul style="list-style-type: none"> • Promotion System > Long-term Environmental Management Vision • Promotion System > Progress under the Environmental Medium-term Plan • Promotion System > Environmental Management > Integrated Index • Promotion System > Environmental Management > Environmental Management across the Supply Chain • Usage of Natural Capital > Approach to Realizing Resource Recycling > Basic Concept • Usage of Natural Capital > Approach to Realizing Resource Recycling > Efforts Toward Resource Recycling ■ Crucial Items Concerning ESG Management ■ Basic Policies > Environment Management Policy 	
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.	<ul style="list-style-type: none"> ■ Materiality > Environment <ul style="list-style-type: none"> • Material Balance 	Because the scope of tabulation is vast and complex for renewable and non-renewable data, we have not disclosed these figures.
301-2	Recycled input materials used a. Percentage of recycled input materials used to manufacture the organization's primary products and services.	<ul style="list-style-type: none"> ■ Materiality > Environment <ul style="list-style-type: none"> • Usage of Natural Capital > Approach to Realizing Resource Recycling > Promoting Construction Material Recycling • Usage of Natural Capital > Approach to Realizing Resource Recycling > Performance Data • Contributing to Return of Natural Capital > Conserving the Environment > Usage of Sustainable Timber and Assurance of Traceability 	Because the scope of tabulation is vast and complex for ratios, we have not disclosed these figures.
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.	<ul style="list-style-type: none"> ■ Materiality > Environment <ul style="list-style-type: none"> • Usage of Natural Capital > Approach to Realizing Resource Recycling > Addressing the Issue of Plastic Pollution in Marine Environments • Usage of Natural Capital > Approach to Realizing Resource Recycling > Promoting Packaging Material Reductions • Usage of Natural Capital > Approach to Realizing Resource Recycling > Converting External Wall Scraps into Raw Materials for Products • Contributing to Return of Natural Capital > Conserving the Environment > Usage of Sustainable Timber and Assurance of Traceability 	Because the scope of tabulation is vast and complex for ratios and other data, we have not disclosed these figures.

302: Energy

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
DMA (103)	Reporting management approach relating to energy using "GRI 103: Management Approach."	<ul style="list-style-type: none"> ■ ESG Management <ul style="list-style-type: none"> • Identifying key ESG Issues • Crucial Items Concerning ESG Management ■ Materiality > Environment <ul style="list-style-type: none"> • Promotion System > Long-term Environmental Management Vision • Promotion System > Progress under the Environmental Medium-term Plan • Promotion System > Environmental Management > Integrated Index • Promotion System > Environmental Management > Environmental Management across the Supply Chain • Usage of Natural Capital > Climate Change > Basic Concept • Usage of Natural Capital > Climate Change > Combating Climate Change ■ Crucial Items Concerning ESG Management ■ Basic Policies > Environment Management Policy 	
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.	<ul style="list-style-type: none"> ■ Materiality > Environment <ul style="list-style-type: none"> • Usage of Natural Capital > Climate Change > Promoting the Use of Renewable Energy • Usage of Natural Capital > Climate Change > Performance Data • Usage of Natural Capital > Material Balance 	Because the scope of tabulation is vast and complex for some data, we have not disclosed these figures.
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.	—	We regard that monitoring the amount of energy used in supply chains (Scope 3) is an issue which we must consider and deal with.
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.	<ul style="list-style-type: none"> ■ Materiality > Environment <ul style="list-style-type: none"> • Usage of Natural Capital > Climate Change > Performance Data 	

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
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.	<ul style="list-style-type: none"> ■ Materiality > Environment • Usage of Natural Capital >Climate Change > Combating Climate Change • Usage of Natural Capital >Climate Change > Energy Savings in Newly Constructed Buildings • Usage of Natural Capital >Climate Change > 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.	<ul style="list-style-type: none"> ■ Products to Enhance Sustainability - Contributing to the Resolution of Social Issues through Products and Services - ■ Materiality > Environment • Usage of Natural Capital >Climate Change > Reducing Greenhouse Gases at Supply Chain Stage 	

303: Water 2018

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
DMA (103)	Reporting management approach relating to water resources using “GRI 103: Management Approach.”	<ul style="list-style-type: none"> ■ ESG Management • Identifying key ESG Issues • Crucial Items Concerning ESG Management ■ Materiality > Environment • Promotion System > Long-term Environmental Management Vision • Promotion System > Progress under the Environmental Medium-term Plan • Promotion System > Environmental Management > Integrated Index • Promotion System > Environmental Management > Environmental Management across the Supply Chain • Usage of Natural Capital > Reduction of Water-related Risks > Basic Concept • Usage of Natural Capital > Reduction of Water-related Risks > Roadmap to Realize Societies with Abundant Access to Clean Water • Usage of Natural Capital > Reduction of Water-related Risks > Assessment of Impact on Business from Water-related Risks • Usage of Natural Capital > Reduction of Water-related Risks > Impact of Water-related Risks on Supply Chain • Usage of Natural Capital > Reduction of Water-related Risks > Reduction of Water-related Risks at Business Sites with High Water Intake Volumes and Discharge Rates ■ Crucial Items Concerning ESG Management ■ Basic Policies > Environment Management Policy 	

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
303-1	<p>Interactions with water as a shared resource</p> <p>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).</p> <p>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.</p> <p>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 water-related impacts.</p> <p>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.</p>	<ul style="list-style-type: none"> ■ Materiality > Environment • Usage of Natural Capital > Reduction of Water-related Risks > Roadmap to Realize Societies with Abundant Access to Clean Water • Usage of Natural Capital > Reduction of Water-related Risks > Assessment of Impact on Business from Water-related Risks • Usage of Natural Capital > Reduction of Water-related Risks > Impact of Water-related Risks on Supply Chain 	
303-2	<p>Management of water discharge-related impacts</p> <p>a. A description of any minimum standards set for the quality of effluent discharge, and how these minimum standards were determined, including:</p> <ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> ■ Materiality > Environment • Promotion System > Environmental Management System > Setting Self-management Targets That Are Tougher than Environmental Laws and Regulations • Usage of Natural Capital > Reduction of Water-related Risks > Assessment of Impact on Business from Water-related Risks • Usage of Natural Capital > Reduction of Water-related Risks > Impact of Water-related Risks on Supply Chain • Usage of Natural Capital > Reduction of Water-related Risks > Reduction of Water-related Risks at Business Sites with High Water Intake Volumes and Discharge Rates • Usage of Natural Capital > Reduction of Water-related Risks > Reduce the Amount of Water Intake Volume, and Discharged Water Chemical Oxygen Demand (COD) Volume • Usage of Natural Capital > Reduction of Water-related Risks > Reuse of Water Discharged at Shiga-Minakuchi Plant Started • Usage of Natural Capital > Reduction of Water-related Risks > Discharged Water Treatment Capacity at Sekisui Nano Coat Technology Co., Ltd. Increased 	

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
303-3	<p>Water withdrawal</p> <p>a. Total water withdrawal from all areas in megaliters, and a breakdown of this total by the following sources, if applicable:</p> <ul style="list-style-type: none"> i. Surface water; ii. Groundwater; iii. Seawater; iv. Produced water; v. Third-party water. <p>b. Total water withdrawal from all areas with water stress in megaliters, and a breakdown of this total by the following sources, if applicable:</p> <ul style="list-style-type: none"> 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. <p>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:</p> <ul style="list-style-type: none"> i. Freshwater ($\leq 1,000$mg/L Total Dissolved Solids); ii. Other water ($> 1,000$mg/L Total Dissolved Solids). <p>d. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.</p>	<ul style="list-style-type: none"> ■ Materiality > Environment • Usage of Natural Capital > Reduction of Water-related Risks > Reuse of Water Discharged at Shiga-Minakuchi Plant Started • Usage of Natural Capital > Reduction of Water-related Risks > Performance Data • Usage of Natural Capital > Material Balance 	
303-4	<p>Water discharge</p> <p>a. Total water discharge to all areas in megaliters, and a breakdown of this total by the following types of destination, if applicable:</p> <ul style="list-style-type: none"> 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. <p>b. A breakdown of total water discharge to all areas in megaliters by the following categories:</p> <ul style="list-style-type: none"> i. Freshwater ($\leq 1,000$ mg/L Total Dissolved Solids); ii. Other water ($> 1,000$ mg/L Total Dissolved Solids). <p>c. Total water discharge to all areas with water stress in megaliters, and a breakdown of this total by the following categories:</p> <ul style="list-style-type: none"> i. Freshwater ($\leq 1,000$ mg/L Total Dissolved Solids); ii. Other water ($> 1,000$ mg/L Total Dissolved Solids). <p>d. Priority substances of concern for which discharges are treated, including:</p> <ul style="list-style-type: none"> 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. <p>e. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.</p>	<ul style="list-style-type: none"> ■ Materiality > Environment • Usage of Natural Capital > Reduction of Water-related Risks > Reduction of Water-related Risks > Reduce the Amount of Water Intake Volume, and Discharged Water Chemical Oxygen Demand (COD) Volume • Usage of Natural Capital > Reduction of Water-related Risks > Discharged Water Treatment Capacity at Sekisui Nano Coat Technology Co., Ltd. Increased • Usage of Natural Capital > Reduction of Water-related Risks > Water Recycling • Usage of Natural Capital > Reduction of Water-related Risks > Performance Data • Usage of Natural Capital > Material Balance 	

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
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.	<ul style="list-style-type: none"> ■ Materiality > Environment • Usage of Natural Capital > Reduction of Water-related Risks > Performance Data 	

304: Biodiversity

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
DMA (103)	Reporting management approach relating to biodiversity using "GRI 103: Management Approach."	<ul style="list-style-type: none"> ■ ESG Management • Identifying key ESG Issues • Crucial Items Concerning ESG Management ■ Materiality > Environment • Promotion System > Long-term Environmental Management Vision • Promotion System > Environmental Management > Integrated Index • Promotion System > Progress under the Environmental Medium-term Plan • Promotion System > Environmental Management > Environmental Management across the Supply Chain • Contributing to Return of Natural Capital > Conserving the Environment > Basic Concept • Contributing to Return of Natural Capital > Conserving the Environment > Biodiversity Assessments ■ Crucial Items Concerning ESG Management ■ Basic Policies > Environment Management Policy 	
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).	Not applicable	

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
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.	<ul style="list-style-type: none"> ■ Materiality > Environment • Usage of Natural Capital > Approach to Realizing Resource Recycling > Addressing the Issue of Plastic Pollution in Marine Environments • Usage of Natural Capital > Reduction of Water-related Risks > Impact of Water-related Risks on Supply Chain • Usage of Natural Capital > Environmental Impact Assessment 	Because the scope is vast for some information, we have not disclosed all figures.
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.	<ul style="list-style-type: none"> ■ Materiality > Environment • Contributing to Return of Natural Capital > Conserving the Environment > Initiatives to Improve Green Space Quality at All Domestic Production Sites and Laboratories • Contributing to Return of Natural Capital > Conserving the Environment > Activities to Eradicate Non-native Species (Plants) • Contributing to Return of Natural Capital > Conserving the Environment > Promoting Biodiversity in the Housing Business • Contributing to Return of Natural Capital > Conserving the Environment > Cooperation with External Organizations 	
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	—	Because the scope is vast, we have not disclosed all figures.

305: Emissions

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
DMA (103)	Reporting management approach relating to emissions into the atmosphere using “GRI 103: Management Approach.”	<ul style="list-style-type: none"> ■ ESG Management <ul style="list-style-type: none"> • Identifying key ESG Issues • Crucial Items Concerning ESG Management ■ Materiality > Environment <ul style="list-style-type: none"> • Promotion System > Long-term Environmental Management Vision • Promotion System > Progress under the Environmental Medium-term Plan • Promotion System > Environmental Management > Integrated Index • Promotion System > Environmental Management > Environmental Management across the Supply Chain • Usage of Natural Capital > Climate Change > Basic Concept • Usage of Natural Capital > Climate Change > Combating Climate Change • Usage of Natural Capital > Climate Change > Risks and Opportunities Posed by Climate Change to Our Businesses • Usage of Natural Capital > Chemical Substance Management ■ Crucial Items Concerning ESG Management ■ Basic Policies > Environment Management Policy 	
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 ₂ O, 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.	<ul style="list-style-type: none"> ■ Materiality > Environment <ul style="list-style-type: none"> • Usage of Natural Capital > Climate Change > Performance Data • Usage of Natural Capital > Material Balance 	
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 ₂ O, 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.	<ul style="list-style-type: none"> ■ Materiality > Environment <ul style="list-style-type: none"> • Usage of Natural Capital > Climate Change > Performance Data 	

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
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 ₂ O, 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.	■ Materiality > Environment • Usage of Natural Capital >Climate Change > Reducing Greenhouse Gases at Supply Chain Stage • Usage of Natural Capital >Climate Change > Performance Data	
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 ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , or all.	■ Materiality > Environment • Usage of Natural Capital >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 ₂ O, 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.	■ Materiality > Environment • Usage of Natural Capital >Climate Change > Acquisition of Certification under the SBT Initiative for Greenhouse Gas Reduction Targets • Usage of Natural Capital >Climate Change > Performance Data	
305-6	Emissions of ozone-depleting 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.	■ Materiality > Environment • Usage of Natural Capital > Chemical Substance Management > Controlling VOC Emissions • Usage of Natural Capital > Chemical Substance Management > Disposal and Storage of Devices Containing PCBs and Management of Equipment That Uses Fluorocarbons	
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), 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.	■ Materiality > Environment • Usage of Natural Capital >Climate Change > Performance Data • Usage of Natural Capital > Chemical Substance Management > Performance Data • Usage of Natural Capital > Material Balance	

306: Waste 2020

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
DMA (103)	Reporting management approach relating to waste using “GRI 103: Management Approach.”	<ul style="list-style-type: none"> ■ ESG Management <ul style="list-style-type: none"> • Identifying key ESG Issues • Crucial Items Concerning ESG Management ■ Materiality > Environment <ul style="list-style-type: none"> • Promotion System > Long-term Environmental Management Vision • Promotion System > Progress under the Environmental Medium-term Plan • Promotion System > Environmental Management > Integrated Index • Promotion System > Environmental Management > Environmental Management across the Supply Chain • Usage of Natural Capital > Approach to Realizing Resource Recycling > Basic Concept • Usage of Natural Capital > Approach to Realizing Resource Recycling > Efforts Toward Resource Recycling ■ Crucial Items Concerning ESG Management ■ Basic Policies > Environment Management Policy 	
306-1	Waste generation and significant waste-related impacts a. For the organization’s significant actual and potential waste-related impacts, a description of: <ol style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> ■ Materiality > Environment <ul style="list-style-type: none"> • Usage of Natural Capital > Approach to Realizing Resource Recycling > Basic Concept • Usage of Natural Capital > Approach to Realizing Resource Recycling > Efforts Toward Resource Recycling 	
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.	<ul style="list-style-type: none"> ■ Materiality > Environment <ul style="list-style-type: none"> • Usage of Natural Capital > Approach to Realizing Resource Recycling > Efforts Toward Resource Recycling • Usage of Natural Capital > Approach to Realizing Resource Recycling > Promoting Construction Material Recycling • Usage of Natural Capital > Approach to Realizing Resource Recycling > Addressing the Issue of Plastic Pollution in Marine Environments • Usage of Natural Capital > Approach to Realizing Resource Recycling > Promoting Packaging Material Reductions • Usage of Natural Capital > Approach to Realizing Resource Recycling > Converting External Wall Scraps into Raw Materials for Products 	
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. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.	<ul style="list-style-type: none"> ■ Materiality > Environment <ul style="list-style-type: none"> • Usage of Natural Capital > Approach to Realizing Resource Recycling > Performance Data • Usage of Natural Capital > Chemical Substance Management > Performance Data • Usage of Natural Capital > Material Balance 	

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
306-4	<p>Waste diverted from disposal</p> <p>a. Total weight of waste diverted from disposal in metric tons, and a breakdown of this total by composition of the waste.</p> <p>b. Total weight of hazardous waste diverted from disposal in metric tons, and a breakdown of this total by the following recovery operations:</p> <p>i. Preparation for reuse;</p> <p>ii. Recycling;</p> <p>iii. Other recovery operations.</p> <p>c. Total weight of non-hazardous waste diverted from disposal in metric tons, and a breakdown of this total by the following recovery operations:</p> <p>i. Preparation for reuse;</p> <p>ii. Recycling;</p> <p>iii. Other recovery operations.</p> <p>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:</p> <p>i. onsite;</p> <p>ii. offsite.</p> <p>e. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.</p>	<p>■ Materiality > Environment</p> <p>• Usage of Natural Capital > Approach to Realizing Resource Recycling > Performance Data</p>	
306-5	<p>Waste directed to disposal</p> <p>a. Total weight of waste directed to disposal in metric tons, and a breakdown of this total by composition of the waste.</p> <p>b. Total weight of hazardous waste directed to disposal in metric tons, and a breakdown of this total by the following disposal operations:</p> <p>i. Incineration (with energy recovery);</p> <p>ii. Incineration (without energy recovery);</p> <p>iii. Landfilling;</p> <p>iv. Other disposal operations.</p> <p>c. Total weight of non-hazardous waste directed to disposal in metric tons, and a breakdown of this total by the following disposal operations:</p> <p>i. Incineration (with energy recovery);</p> <p>ii. Incineration (without energy recovery);</p> <p>iii. Landfilling;</p> <p>iv. Other disposal operations.</p> <p>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:</p> <p>i. onsite;</p> <p>ii. offsite.</p> <p>e. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.</p>	<p>■ Materiality > Environment</p> <p>• Usage of Natural Capital > Approach to Realizing Resource Recycling > Performance Data</p>	

307: Environmental Compliance

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
DMA (103)	Reporting management approach relating to environmental compliance using "GRI 103: Management Approach."	<ul style="list-style-type: none"> ■ ESG Management • Identifying key ESG Issues ■ Materiality > Environment • Promotion System > Environmental Management System > Setting Self-management Targets That Are Tougher than Environmental Laws and Regulations ■ Basic Policies > Environment Management Policy 	
307-1	<p>Non-compliance with environmental laws and regulations</p> <p>a. Significant fines and non-monetary sanctions for non-compliance with environmental laws and/or regulations in terms of:</p> <p>i. total monetary value of significant fines;</p> <p>ii. total number of non-monetary sanctions;</p> <p>iii. cases brought through dispute resolution mechanisms.</p> <p>b. If the organization has not identified any non-compliance with environmental laws and/or regulations, a brief statement of this fact is sufficient.</p>	<ul style="list-style-type: none"> ■ Materiality > Environment • Promotion System > Environmental Management System > Setting Self-management Targets That Are Tougher than Environmental Laws and Regulations 	

308: Assessments of Suppliers in Environmental Terms

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
DMA (103)	Reporting management approach relating to suppliers' environmental assessments using "GRI 103: Management Approach."	<ul style="list-style-type: none"> ■ ESG Management • Identifying key ESG Issues ■ Materiality > Environment • Promotion System > Environmental Management System > Environmental Management Across the Supply Chain ■ Basic Policies • Environment Management Policy • Basic Procurement Policy 	
308-1	<p>New suppliers that were screened using environmental criteria</p> <p>a. Percentage of new suppliers that were screened using environmental criteria.</p>	When selecting new suppliers, SEKISUI CHEMICAL Group comprehensively evaluates candidate companies from the perspectives of quality, environmental factors, health and safety, and compliance with laws, regulations, and social standards. As a result, all new suppliers now clear every environmental standard required by the Group.	
308-2	<p>Negative environmental impacts in the supply chain and actions taken</p> <p>a. Number of suppliers assessed for environmental impacts.</p> <p>b. Number of suppliers identified as having significant actual and potential negative environmental impacts.</p> <p>c. Significant actual and potential negative environmental impacts identified in the supply chain.</p> <p>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.</p> <p>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.</p>	—	Because each Company has different suppliers and data collection is difficult, we have not disclosed these figures.

Society

401: Employment

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
DMA (103)	Reporting management approach relating to employment using "GRI 103: Management Approach."	<ul style="list-style-type: none"> ■ ESG Management <ul style="list-style-type: none"> • Identifying key ESG Issues • Crucial Items Concerning ESG Management ■ Materiality > Human Resources <ul style="list-style-type: none"> • Human Resources Management Principles > Our Philosophy • Transformation to a Vibrant Company > Promotion System • Transformation to a Vibrant Company > Vision Management > Implement the Long-Term Vision • Transformation to a Vibrant Company > People Management > Employee Career Development • Refining the Foundation > Allowing Diverse Human Resources to Excel > Diverse Human Resources (Diversity Initiatives) > Basic Concept • Refining the Foundation > Allowing Diverse Human Resources to Excel > Diverse Human Resources (Diversity Initiatives) > Organization-wide Initiatives • Refining the Foundation > Work Style Reforms ■ Crucial Items Concerning ESG Management 	
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.	<ul style="list-style-type: none"> ■ Materiality > Human Resources <ul style="list-style-type: none"> • Refining the Foundation > Allowing Diverse Human Resources to Excel > Diverse Human Resources (Gender) > Performance Data • Refining the Foundation > Allowing Diverse Human Resources to Excel > Diverse Human Resources (Gender) > Performance Data • Refining the Foundation > Allowing Diverse Human Resources to Excel > Allowing Diverse Human Resources to Excel (Entrenching Support) > 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: <ol style="list-style-type: none"> 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."	<ul style="list-style-type: none"> ■ Materiality > Human Resources <ul style="list-style-type: none"> • Refining the Foundation > Allowing Diverse Human Resources to Excel > Diverse Human Resources (Diversity Initiatives) > Benefits Note: Significant locations of operation are defined for "SEKISUI CHEMICAL" on a non-consolidated basis	

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
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.	<ul style="list-style-type: none"> ■ Materiality > Human Resources • Refining the Foundation > Allowing Diverse Human Resources to Excel > Allowing Diverse Human Resources to Excel (Balanced Support) > Performance Data 	

402: Labor-management Relations

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
402-1	Minimum notice periods regarding operational changes a. Minimum number of weeks' notice typically provided to employees and their representatives prior to the implementation of significant operational changes that could substantially affect them. b. For organizations with collective bargaining agreements, report whether the notice period and provisions for consultation and negotiation are specified in collective agreements.	<ul style="list-style-type: none"> ■ Materiality > Human Resources • Refining the Foundation > Work Style Reforms > Notifications of Major HR-related Changes 	

403: Occupational Health and Safety 2018

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
DMA (103)	Reporting management approach relating to occupational health and safety using "GRI 103: Management Approach."	<ul style="list-style-type: none"> ■ ESG Management • Identifying key ESG Issues • Crucial Items Concerning ESG Management ■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Safety • Basic Concept • Activity Policy and Promotion System • Implementation of Safety Audits • Implementation of Occupational Safety Assessments • Safety Management Along Supply Chains ■ Crucial Items Concerning ESG Management ■ Basic Policies • Personnel Policy • Safety Policy 	
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.	<ul style="list-style-type: none"> ■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Safety • Activity Policy and Promotion System • Implementation of Safety Audits • Occupational Safety Committee Held 	

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
403-2	<p>Hazard identification, risk assessment, and incident investigation</p> <p>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:</p> <p>i. how the organization ensures the quality of these processes, including the competency of persons who carry them out;</p> <p>ii. how the results of these processes are used to evaluate and continually improve the occupational health and safety management system.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> ■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Safety • Basic Concept • Implementation of Occupational Safety Assessments • Review of Equipment Safety Standards • Early Detection of Risks through Practical Training • Measures to Prevent Fires and Explosions • Enhancement of Emergency Response Skills 	
403-3	<p>Occupational health services</p> <p>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.</p>	<ul style="list-style-type: none"> ■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Safety • Declaration of Commitments to Safe Business Practices by the Leadership of Each Division • Implementation of Occupational Safety Assessments • Review of Equipment Safety Standards • Early Detection of Risks through Practical Training • Measures to Prevent Fires and Explosions • Safety & Environment Lectures and Safety Awards ■ Materiality > Human Resources > Refining the Foundation > Health Management • Workplace Environment Improvement Activities 	
403-4	<p>Worker participation, consultation, and communication on occupational health and safety</p> <p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> ■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Safety • Occupational Safety Committee Held 	
403-5	<p>Worker training on occupational health and safety</p> <p>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.</p>	<ul style="list-style-type: none"> ■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Safety • Development of Human Resources to Take the Initiative in Safety Activities • Early Detection of Risks through Practical Training • Enhancement of Emergency Response Skills • Safety Management Along Supply Chains 	

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
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 non-work-related health risks, including the specific health risks addressed, and how the organization facilitates workers' access to these services and programs.	<ul style="list-style-type: none"> ■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Safety <ul style="list-style-type: none"> • Implementation of Occupational Safety Assessments ■ Materiality > Human Resources <ul style="list-style-type: none"> • Refining the Foundation > Health Management • Refining the Foundation > Health Management > Seven Health Habits Support Program • Refining the Foundation > Health Management > Workplace Environment Improvement Activities 	
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.	<ul style="list-style-type: none"> ■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Safety <ul style="list-style-type: none"> • Activity Policy and Promotion System • Occupational Safety Committee Held • Deepening the Deployment of Basic Safety Principles • Overseas Business Site Safety Audits • Safety Management Along Supply Chains ■ Materiality > Human Resources <ul style="list-style-type: none"> • Refining the Foundation > Work Style Reforms > Regulation of Long Working Hours 	
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: <ol style="list-style-type: none"> 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.	<ul style="list-style-type: none"> ■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Safety <ul style="list-style-type: none"> • Activity Policy and Promotion System • Occupational Safety Committee Held 	

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
403-9	<p>Work-related injuries</p> <p>a. For all employees:</p> <ul style="list-style-type: none"> 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. <p>b. For all workers who are not employees but whose work and/or workplace is controlled by the organization:</p> <ul style="list-style-type: none"> 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. <p>c. The work-related hazards that pose a risk of high-consequence injury, including:</p> <ul style="list-style-type: none"> 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. <p>d. Any actions taken or underway to eliminate other work-related hazards and minimize risks using the hierarchy of controls.</p> <p>e. Whether the rates have been calculated based on 200,000 or 1,000,000 hours worked.</p> <p>f. Whether and, if so, why any workers have been excluded from this disclosure, including the types of worker excluded.</p> <p>g. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.</p>	<p>■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Safety</p> <p>• Performance Data</p>	
403-10	<p>Work-related ill health</p> <p>a. For all employees:</p> <ul style="list-style-type: none"> 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. <p>b. For all workers who are not employees but whose work and/or workplace is controlled by the organization:</p> <ul style="list-style-type: none"> 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. <p>c. The work-related hazards that pose a risk of ill health, including:</p> <ul style="list-style-type: none"> 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. <p>d. Whether and, if so, why any workers have been excluded from this disclosure, including the types of worker excluded.</p> <p>e. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.</p>	<p>■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Safety</p> <p>• Performance Data</p>	

404: Training and Education

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
DMA (103)	Reporting management approach relating to training and education using "GRI 103: Management Approach."	<ul style="list-style-type: none"> ■ ESG Management <ul style="list-style-type: none"> • Identifying key ESG Issues • Crucial Items Concerning ESG Management ■ Materiality > Human Resources <ul style="list-style-type: none"> • Transformation to a Vibrant Company > People Management • Transformation to a Vibrant Company > People Management > Employee Career Development > Basic Concept ■ Crucial Items Concerning ESG Management ■ Basic Policies > Personnel Policy 	
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: <ol style="list-style-type: none"> i. gender; ii. employee category. 	<ul style="list-style-type: none"> ■ Materiality > Human Resources <ul style="list-style-type: none"> • Transformation to a Vibrant Company > People Management > Employee Career Development > Performance Data • Transformation to a Vibrant Company > Human Resources Management > Development Initiatives > Training Systems to Support Our Businesses 	

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
404-2	<p>Programs for upgrading employee skills and transition assistance programs</p> <p>a. Type and scope of programs implemented and assistance provided to upgrade employee skills.</p> <p>b. Transition assistance programs provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment.</p>	<p>■ Materiality > Human Resources</p> <ul style="list-style-type: none"> • Transformation to a Vibrant Company > People Management > Employee Career Development > Allowing Diverse Human Resources to Excel (Career Autonomy) • Transformation to a Vibrant Company > People Management > Employee Career Development > Performance Data • Transformation to a Vibrant Company > Human Resources Management > Development Initiatives > Developing Business Leaders • Transformation to a Vibrant Company > Human Resources Management > Development Initiatives > Training Human Resources to Support the Workplace • Transformation to a Vibrant Company > Human Resources Management > Development Initiatives > Performance Data • Refining the Foundation > Allowing Diverse Human Resources to Excel > Diverse Human Resources (Gender) • Refining the Foundation > Allowing Diverse Human Resources to Excel > Diverse Human Resources (Gender) > Retention and Empowerment of Young Female Employees • Refining the Foundation > Allowing Diverse Human Resources to Excel > Diverse Human Resources (Gender) > Fostering Women's Candidacy for Management Positions • Refining the Foundation > Allowing Diverse Human Resources to Excel > Seniors > Transitioning to a Human Resources System for All Age Groups • Refining the Foundation > Allowing Diverse Human Resources to Excel > Diverse Human Resources (Global) • Refining the Foundation > Allowing Diverse Human Resources to Excel > Diverse Human Resources (Global) > Developing Personnel Who Can Succeed on the Global Stage • Refining the Foundation > Allowing Diverse Human Resources to Excel > Diverse Human Resources (Global) > Global Trainee Program • Refining the Foundation > Allowing Diverse Human Resources to Excel > Entrenching Support > Follow-up Training for New, Mid-career Employees • Refining the Foundation > Allowing Diverse Human Resources to Excel > Entrenching Support > Retaining and Utilizing Young Employees: Training Manager (Brother/Sister) Program 	
404-3	<p>Percentage of employees receiving regular performance and career development reviews</p> <p>a. Percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period.</p>	<p>■ Materiality > Human Resources</p> <ul style="list-style-type: none"> • Transformation to a Vibrant Company > People Management > Employee Career Development > Periodic Evaluation of Individual Performance and Career Development 	

405: Diversity and Equal Opportunity

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
DMA (103)	Report management approach relating to diversity and equal opportunity using "GRI 103: Management Approach."	<ul style="list-style-type: none"> ■ ESG Management <ul style="list-style-type: none"> • Identifying key ESG Issues • Crucial Items Concerning ESG Management ■ Materiality > Human Resources <ul style="list-style-type: none"> • Human Resources Management Principles > Our Philosophy • Transformation to a Vibrant Company > Promotion System • Transformation to a Vibrant Company > Vision Management > Implement the Long-Term Vision • Transformation to a Vibrant Company > People Management > Employee Career Development • Refining the Foundation > Allowing Diverse Human Resources to Excel > Diverse Human Resources (Diversity Initiatives) > Basic Concept • Refining the Foundation > Allowing Diverse Human Resources to Excel > Diverse Human Resources (Diversity Initiatives) > Organization-wide Initiatives • Refining the Foundation > Work Style Reforms ■ Crucial Items Concerning ESG Management ■ Initiatives That Underpin Support for ESG Management > Corporate Governance Initiatives <ul style="list-style-type: none"> • Board of Directors ■ Basic Policies > Personnel Policy 	
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).	<ul style="list-style-type: none"> ■ Materiality > Human Resources <ul style="list-style-type: none"> • Refining the Foundation > Allowing Diverse Human Resources to Excel > Diverse Human Resources (Gender) > Performance Data ■ Initiatives That Underpin Support for ESG Management > Corporate Governance Initiatives <ul style="list-style-type: none"> • About the Age-group Composition of Corporate 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."	<ul style="list-style-type: none"> ■ Materiality > Human Resources <ul style="list-style-type: none"> • Refining the Foundation > Allowing Diverse Human Resources to Excel > Diverse Human Resources (Diversity Initiatives) > Benefits 	Due to the large number of employees difficulty of collecting data, we do not disclose figures concerning ratios of total remuneration.

406: Non-discrimination

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
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 within the scope of this survey.	

407: Freedom of Association and Collective Bargaining

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
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.	■ Initiatives That Underpin Support for ESG Management > Human Rights Initiatives • Assessing Human Rights Risks in Primary Business Activities • Implementation of Internal Interviews Based on Human Rights Risk Assessment Results) • Human Rights Interviews Implemented at Domestic Production Sites • Conducting CSR Procurement Surveys for Business Partners	Because it is difficult to acquire supplier data, we have not disclosed these figures.

408: Child Labor

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
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.	■ Initiatives That Underpin Support for ESG Management > Human Rights Initiatives • Assessing Human Rights Risks in Primary Business Activities • Implementation of Internal Interviews Based on Human Rights Risk Assessment Results • Human Rights Interviews Implemented at Domestic Production Sites • Assessing the Human Rights Situation at Our Suppliers • Conducting CSR Procurement Surveys for Business Partners	

409: Forced or Compulsory Labor

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
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.	■ Initiatives That Underpin Support for ESG Management > Human Rights Initiatives • Assessing Human Rights Risks in Primary Business Activities • Implementation of Internal Interviews Based on Human Rights Risk Assessment Results • Human Rights Interviews Implemented at Domestic Production Sites • Assessing the Human Rights Situation at Our Suppliers • Conducting CSR Procurement Surveys for Business Partners	

410: Security Practices

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
410-1	Security personnel trained in human rights policies or procedures a. Percentage of security personnel who have received formal training in the organization's human rights policies or specific procedures and their application to security. b. Whether training requirements also apply to third-party organizations providing security personnel.	—	No security personnel are stationed.

411: Rights of Indigenous Peoples

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
411-1	Incidents of violations involving rights of indigenous peoples a. Total number of identified incidents of violations involving the rights of indigenous peoples 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	

412: Human Rights Assessment

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
DMA (103)	Reporting management approach relating to human rights assessments using "GRI 103: Management Approach."	<ul style="list-style-type: none"> ■ ESG Management <ul style="list-style-type: none"> • Basic Concept > Respect for Human Rights • Basic Concept > Respect for Human Rights > Respect the Human Rights of All Individuals Affected by Business Activities • Basic Concept > Respect for Human Rights > Understanding and Acceptance of the SEKISUI CHEMICAL Group "Human Rights Policy" • Identifying key ESG Issues ■ Initiatives That Underpin Support for ESG Management > Human Rights Initiatives <ul style="list-style-type: none"> • Actions in regard to the UK Modern Slavery Act ■ Basic Policies > Human Rights Policy 	
412-1	Operations that have been subject to human rights reviews or impact assessments a. Total number and percentage of operations that have been subject to human rights reviews or human rights impact assessments, by country.	<ul style="list-style-type: none"> ■ Initiatives That Underpin Support for ESG Management > Human Rights Initiatives <ul style="list-style-type: none"> • Assessing Human Rights Risks in Primary Business Activities • Implementation of Internal Interviews Based on Human Rights Risk Assessment Results • Human Rights Interviews Implemented at Domestic Production Sites 	
412-2	Employee training on human rights policies or procedures a. Total number of hours in the reporting period devoted to training on human rights policies or procedures concerning aspects of human rights that are relevant to operations. b. Percentage of employees trained during the reporting period in human rights policies or procedures concerning aspects of human rights that are relevant to operations.	<ul style="list-style-type: none"> ■ ESG Management <ul style="list-style-type: none"> • Basic Concept > Respect for Human Rights > Understanding and Acceptance of the SEKISUI CHEMICAL Group "Human Rights Policy" ■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Legal and Ethical Issues <ul style="list-style-type: none"> • List of Results Relating to Compliance Training ■ Materiality > Human Resources <ul style="list-style-type: none"> • Transformation to a Vibrant Company > People Management > Employee Career Development > Performance Data ■ Initiatives That Underpin Support for ESG Management > Human Rights Initiatives <ul style="list-style-type: none"> • Engagement with External Stakeholders • Human Rights Training and Education for Employees 	Due to the difficulty of grasping the total number of training hours and ratio of employees who have undergone said training at present, we are not issuing any disclosures.
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening a. Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening. b. The definition used for "significant investment agreements."	—	Not disclosed because there are no confirmed significant investment agreements or agreement definitions.

413: Local Communities

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
DMA (103)	Reporting management approach relating to local communities using "GRI 103: Management Approach."	<ul style="list-style-type: none"> ■ ESG Management <ul style="list-style-type: none"> • Identifying key ESG Issues • Crucial Items Concerning ESG Management ■ Products to Enhance Sustainability - Contributing to the Resolution of Social Issues through Products and Services - <ul style="list-style-type: none"> • Social and SDG Contribution Activities ■ Crucial Items Concerning ESG Management 	
413-1	Operations with local community engagement, impact assessments, and development programs a. Percentage of operations that implemented local community engagement, impact assessments, and/or development programs, including the use of: <ol style="list-style-type: none"> i. social impact assessments, including gender impact assessments, based on participatory processes; ii. environmental impact assessments and ongoing monitoring; iii. public disclosure of results of environmental and social impact assessments; iv. local community development programs based on local communities' needs; v. stakeholder engagement plans based on stakeholder mapping; vi. broad based local community consultation committees and processes that include vulnerable groups; vii. works councils, occupational health and safety committees and other worker representation bodies to deal with impacts; viii. formal local community grievance processes. 	—	We are currently considering evaluation methods for measuring impacts on local communities.
413-2	Operations with significant actual and potential negative impacts on local communities a. Operations with significant actual and potential negative impacts on local communities, including: <ol style="list-style-type: none"> i. the location of the operations; ii. the significant actual and potential negative impacts of operations. 	—	We are currently considering evaluation methods for measuring impacts on local communities.

414: Supplier Assessment for Impacts on Society

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
DMA (103)	Reporting management approach relating to society-focused assessments of suppliers using "GRI 103: Management Approach."	<ul style="list-style-type: none"> ■ ESG Management <ul style="list-style-type: none"> • Identifying key ESG Issues • Crucial Items Concerning ESG Management ■ Crucial Items Concerning ESG Management ■ Initiatives That Underpin Support for ESG Management > Human Rights Initiatives <ul style="list-style-type: none"> • Assessing the Human Rights Situation at Our Suppliers ■ SEKISUI CHEMICAL Group Basic Policies <ul style="list-style-type: none"> • Basic Procurement Policy 	
414-1	New suppliers that were screened using social criteria a. Percentage of new suppliers that were screened using social criteria.	When selecting new suppliers, SEKISUI CHEMICAL Group comprehensively evaluates candidate companies from the perspectives of quality, environmental factors, health and safety, and compliance with laws, regulations, and social standards. As a result, all new suppliers now clear every social standard required by the Group.	
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.	—	Under consideration as an issue for future handling.

415: Public Policy

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
DMA (103)	Reporting management approach relating to public policy using "GRI 103: Management Approach."	—	We have decided not disclose information on this topic for reasons of business strategy.
415-1	Political contributions a. Total monetary value of financial and in-kind political contributions made directly and indirectly by the organization by country and recipient/beneficiary. b. If applicable, how the monetary value of in-kind contributions was estimated.	<ul style="list-style-type: none"> ■ Key Issue Initiatives > Declaration of Support for Initiatives and Organizations in Which SEKISUI CHEMICAL Group Participates • Donations Relating to Governmental Policies 	

416: Customer Health and Safety

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
DMA (103)	Reporting management approach relating to customer health and safety using "GRI 103: Management Approach."	<ul style="list-style-type: none"> ■ ESG Management <ul style="list-style-type: none"> • Identifying key ESG Issues • Crucial Items Concerning ESG Management ■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Quality <ul style="list-style-type: none"> • Quality Assurance System • Compliance with Laws and Internal Rules for Product Safety ■ Crucial Items Concerning ESG Management ■ Key Issue Initiatives > CS & Quality <ul style="list-style-type: none"> • Our Philosophy • CS & Quality Management Promotion System • Follow-up Activities for the Self-declaration for Customer-oriented Management 	
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.	<ul style="list-style-type: none"> ■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Quality <ul style="list-style-type: none"> • Initiatives to Prevent Data Quality Irregularities and Falsification 	Since it is currently difficult to calculate values for proportions in this area, we have not disclosed these figures.
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.	<ul style="list-style-type: none"> ■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Quality <ul style="list-style-type: none"> • Initiatives to Prevent Data Quality Irregularities and Falsification • Compliance with Laws and Internal Rules for Product Safety 	

417: Marketing and Labeling

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
DMA (103)	Reporting management approach relating to marketing and labeling using "GRI 103: Management Approach."	<ul style="list-style-type: none"> ■ ESG Management <ul style="list-style-type: none"> • Identifying key ESG Issues • Crucial Items Concerning ESG Management ■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Legal and Ethical Issues <ul style="list-style-type: none"> • Legal Compliance with Regard to Advertising and Labeling ■ Crucial Items Concerning ESG Management 	
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 in detail). b. Percentage of significant product and service categories for which organization procedures are defined and compliance with said procedures is assessed.	—	Because it is currently difficult to ascertain various types of information concerning all products and to calculate the percentage values for procedure compliance evaluations, we have not disclosed these figures.
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.	<ul style="list-style-type: none"> ■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Quality <ul style="list-style-type: none"> • Quality Assurance System • Formulating Quality Guidelines 	
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.	<ul style="list-style-type: none"> ■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Legal and Ethical Issues <ul style="list-style-type: none"> • Legal Compliance with Regard to Advertising and Labeling 	

418: Customer Privacy

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
DMA (103)	Reporting management approach relating to customer privacy using "GRI 103: Management Approach."	<ul style="list-style-type: none"> ■ ESG Management <ul style="list-style-type: none"> • Identifying key ESG Issues • Crucial Items Concerning ESG Management ■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Information Management <ul style="list-style-type: none"> • Protecting Personal Information ■ Crucial Items Concerning ESG Management ■ Basic Policies > Cyber Security Policy 	
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	

419: Socioeconomic Compliance

Code No.	Disclosure Items	Locations Posted	Reason for Omitting
DMA (103)	Reporting management approach relating to compliance in relation to socioeconomic matters using "GRI 103: Management Approach."	<ul style="list-style-type: none"> ■ ESG Management <ul style="list-style-type: none"> • Identifying key ESG Issues • Crucial Items Concerning ESG Management ■ Materiality > Governance (Internal Control) > Reducing Serious Incidents > Legal and Ethical Issues <ul style="list-style-type: none"> • Compliance Management • Prevent Major Compliance Issues • Growing Awareness Toward Compliance • Putting Compliance Management Efforts into Practice • Compliance Training ■ Crucial Items Concerning ESG Management 	
419-1	Non-compliance with laws and regulations in the social and economic area a. Significant fines and non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area in terms of: i. total monetary value of significant fines; ii. total number of non-monetary sanctions; iii. cases brought through dispute resolution mechanisms. b. If the organization has not identified any non-compliance with laws and/or regulations, a brief statement of this fact is sufficient. c. Progression of events leading to the levying of fines above a certain amount, as well as non-monetary sanctions.	Not applicable for the fiscal year under review	

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Date of issue: July 2021 (annual)

(Previous report published July 2020/Next report scheduled to be published in July 2022)