

**CSR** Report  
**2020**

Corporate Social Responsibility Report

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# Editorial Policy

## Editorial Policy

- “The CSR Report 2020” is published with the goals of informing stakeholders about Sekisui Chemical Group's social responsibilities and the various initiatives in which it is involved to resolve social issues and of increasing public understanding of the Group's activities.
- Sekisui Chemical Group's long-term vision 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 are placing particular importance on strengthening ESG management from fiscal 2020. This report focuses on the initiatives that will strengthen the ESG management base, including “governance,” “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 Sekisui Chemical Group.
- “The CSR Report 2020” has been edited with an anticipated readership of all stakeholders involved with Sekisui Chemical 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 2020, which contains all information relating to the CSR activities of Sekisui Chemical 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 2020 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 2020 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 2020

## Scope of This Report

<b>Entities Encompassed by This Report</b>	<b>: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.</b>
<b>Timeframe Encompassed by This Report</b>	<b>: April 2019-March 2020 (Includes some activities that occurred outside this timeframe.)</b>
<b>Published</b>	<b>: July 2020 (Previous report was published June 2019 / Next report is scheduled for publication in July 2021)</b>

## Scope of Independent Practitioner's Assurance

The environmental and social information in the Japanese version of the “CSR Report 2020 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 page 401 of the Independent Practitioner's Assurance Report for details.

## Disclaimer

Readers are requested to note the following: The information in the “CSR Report 2020” 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 off 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	ESG Management	Overview of Sekisui Chemical Group	Sekisui Chemical Group's Sustainability	Governance	DX
Environment	Human Resource	Fusion	External Evaluation	GRI Content Index	Independent Practitioner's Assurance Report

## Top Message



Since its foundation, Sekisui Chemical Group has leveraged its unparalleled technological, quality, environmental, and other strengths to cultivate frontiers in various fields starting from daily necessities, and expanding to housing, social infrastructure, transportation, electronics, and medical fields. In the conduct of its business activities, the Group has also worked diligently to create social value. Put simply, our track record of growth is a history of social contribution. Against the backdrop of an increasingly harsh and unpredictable environment, expectations toward the Group and the depth of its mission continue to mount. Sekisui Chemical Group formulated its new long-term vision for the decade that lies ahead in May 2020. The Group also set its vision statement as “Innovation for the Earth” which entails supporting the basis of LIFE and creating “peace of mind that continues into the future” in order to realize a sustainable society. This “Innovation for the Earth” statement embodies the strong will of the entire Group to contribute to society by continuing to generate innovation.

Looking even further into the future, Sekisui Chemical Group is working diligently to resolve social issues on a global scale while contributing to the creation of a sustainable society.

Top Message	<b>ESG Management</b>	Overview of Sekisui Chemical Group	Sekisui Chemical Group's Sustainability	Governance	DX
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# ESG Management

## Positioning of the Long-term Vision, Medium-term Management Plan and ESG

### Long-term Vision “Vision 2030” “Innovation for the Earth”

In line with its Long-term Vision, “Vision 2030\*,” Sekisui Chemical Group will follow a path along two clearly defined directions. Moving forward, we will achieve a higher level of effort toward expanding existing businesses through product and business reform and at the same time creating new businesses through the development and acquisition of a new business base while centering our endeavors on ESG management. We envisage doubling our sales volume in fiscal 2030 by contributing more than ever to the resolution of social issues through the Group’s businesses.

As far as its current business domains are concerned, Sekisui Chemical Group is supporting people’s peace of mind, safety and comfort in the Residential domain while solving infrastructure issues and supporting social infrastructure globally in the Advanced Lifeline domain. Moreover, we are contributing to a sustainable lifestyle and society in the Innovative Mobility domain and supporting global health and longevity in the Life Science domain by cultivating the medical business into the next business pillar.

The value that helps to realize a society in which all generations can enjoy a prosperous “LIFE” in each of these four domains will be reflected in the Group’s sales. Our goal is to expand the scale of our operations in each domain from 1.5 to three times over the next decade.

While working toward the benchmark of 1 trillion yen through growth in Japan, we will also aim to expand the scale of our business overseas to 1 trillion yen, which is more than triple the current level without slowing the pace of growth. In addition to its current business domains, Sekisui Chemical Group will proactively demonstrate innovation in new business domains by leveraging its prominence in technologies in a variety of fields.

While the source of Sekisui Chemical Group’s growth includes prominence in process creation as well as adaptability, each and every employee serves to drive the Company’s long-term strategy forward. On top of our organizational culture, we will encourage employees to set more concrete and ambitious goals while actively expanding investment. As far as new investments are concerned, we are looking at expenditures of over 2 trillion yen over the 10-year period to 2030 while taking into account the health of our finances and improving the probability of securing an acceptable return.

The Long-term Vision for expanding sales volume requires more than just an extension of existing measures. This goal is only feasible through exponential growth. In order to achieve its goal, Sekisui Chemical Group is promoting business growth, reform and creation centered on ESG management.

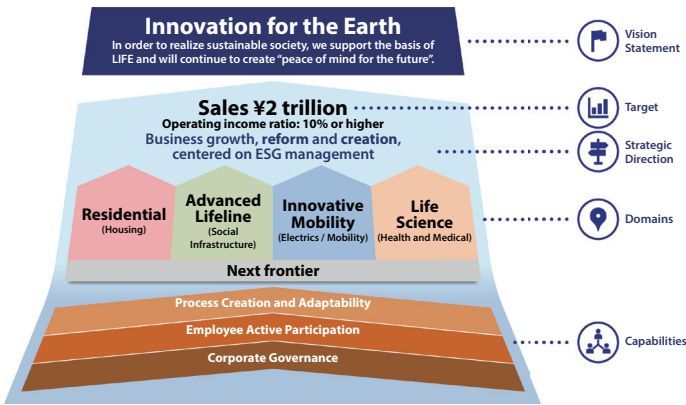
\* Please refer to the following materials for more details on the Long-term Vision “Vision 2030.”

- SEKISUI CHEMICAL Group's Long-term Vision “Vision 2030”

[https://www.sekisuichemical.com/whatsnew/2020/1350152\\_36556.html](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/library/event\\_account/index.html](https://www.sekisuichemical.com/ir/library/event_account/index.html)



Sekisui Chemical Group's Long-term Vision "Vision 2030"



Long-term Vision "Vision 2030" Vision Statement

## Medium-term Management Plan Drive 2022

As a first step to formulating this Long-term Vision, Sekisui Chemical Group put in place Drive 2022\*, a medium-term management plan that covers the period from fiscal 2020 to fiscal 2022. Guided by the basic policy of driving sustainable growth/reform/preparation for doubling sales volume by expanding our contribution to solving social issues, the thrust of this medium-term management plan is to accelerate preparations for the next stage of growth and establish a solid management infrastructure through full-scale ESG management.

As a basic strategy, Sekisui Chemical Group will build a corporate structure that is capable of practicing ESG management. To this end, the Company will adopt "Three Drives." First, an "existing business drive" of business growth and reform, second, a "new business drive" to create and acquire new businesses for long-term growth, and third, a "business base drive" which entails strengthening the ESG management base. Under the medium-term management plan, Sekisui Chemical Group will accelerate this basic policy through fusion and digital transformation. By carrying out our basic strategy, we are targeting net sales of 1,220 billion yen, operating income of 110 billion yen in fiscal 2022. In addition, we have adopted return on invested capital (ROIC) as a new indicator. We are targeting ROIC of 8.6% (up approximately one percent).

Expanding contributions to resolve social issues is directly linked to improving social sustainability. We believe that net sales, which we regard as compensation for this contribution, is the sum value of the amount that customers are willing to pay for the Group's products and services. Sekisui Chemical Group will work toward sustainable growth by improving this value thereby expanding its contributions to all stakeholders including customers, business partners, employees, local communities, the global environment and shareholders.

Drawing on these chain of events, we are working to secure remaining earnings, which we will use to fund further improvements in quality, the development of new products, and investments to increase production capacity with a view to ensure the next stage of growth. In maintaining this virtuous cycle, we will work to realize a sustainable society by supporting the basis of LIFE and creating "peace of mind for the future."



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

Risk Classification	Domain	Incident Example
Five major incident domains	Safety	Fire / explosion; fatality / serious accident
	Quality	Quality and other falsification; quality defects that threaten human life
	Accounting	Fraud and improper accounting
	Legal / Ethical	Violation of the Monopolies Act; bribery-related infringements
	Information management	Exploitation and destruction of data; information system failure; leakage of personal and confidential information
Major quality issue	Quality issues with external losses of more than ¥1 billion (expected)	

Item	Policy / Measures
Strengthen governance	Promote the establishment of a BCP
Digital transformation (DX)	Increase productivity; promote digitization
Environment	Mitigate and adapt to climate change; promoting a circular economy; reduce water risks
Human resources	Implement various measures aimed at creating a challenging corporate culture and promote employee participation
	Promote work style reform; enhance ESG human resource capabilities
Fusion	Promote open innovation

Strengthening the ESG Management Base

\* Please refer to 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](https://www.sekisuichemical.com/whatsnew/2020/1350154_36556.html)

• Long-term Vision and Medium-term Management Plan Presentation (May 22, 2020)  
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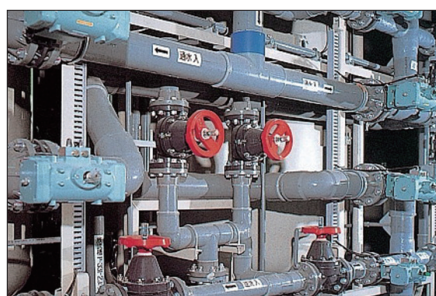


# Overview of Sekisui Chemical Group

Globally rolling out diverse businesses that create social value



Housing Company



Urban Infrastructure & Environmental Products Company

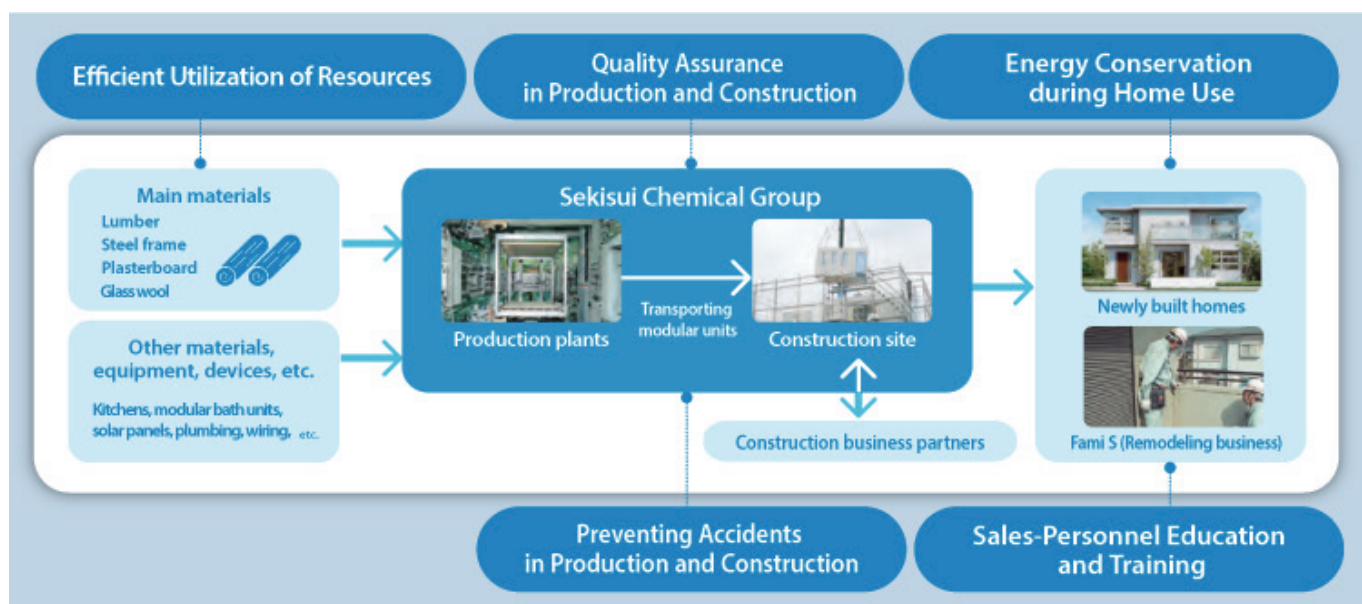


High Performance Plastics Company

## Housing Company

- Housing business : Steel-framed unit housing "Sekisui Heim," wooden-framed unit housing "Sekisui Two-U Home," land for sale in lots
- Housing Renovation business : "Sekisui Fami-S"
- Real Estate business : Second-hand distribution, rental management
- Residential Services business : Homes for the elderly with services, interiors, exteriors, etc.
- Power trading service : SMARTHEIM DENKI
- Town and Community Development business : Ready-built apartment (condominium) HEIM SUITE, etc.

## Business Value Chain



## Urban Infrastructure & Environmental Products Company

### Pipes and Infrastructure field

: PVC pipes and joints, polyethylene pipes and joints, plastic valves, pipe rehabilitation materials and methods, reinforced plastic complex pipes, water tanks

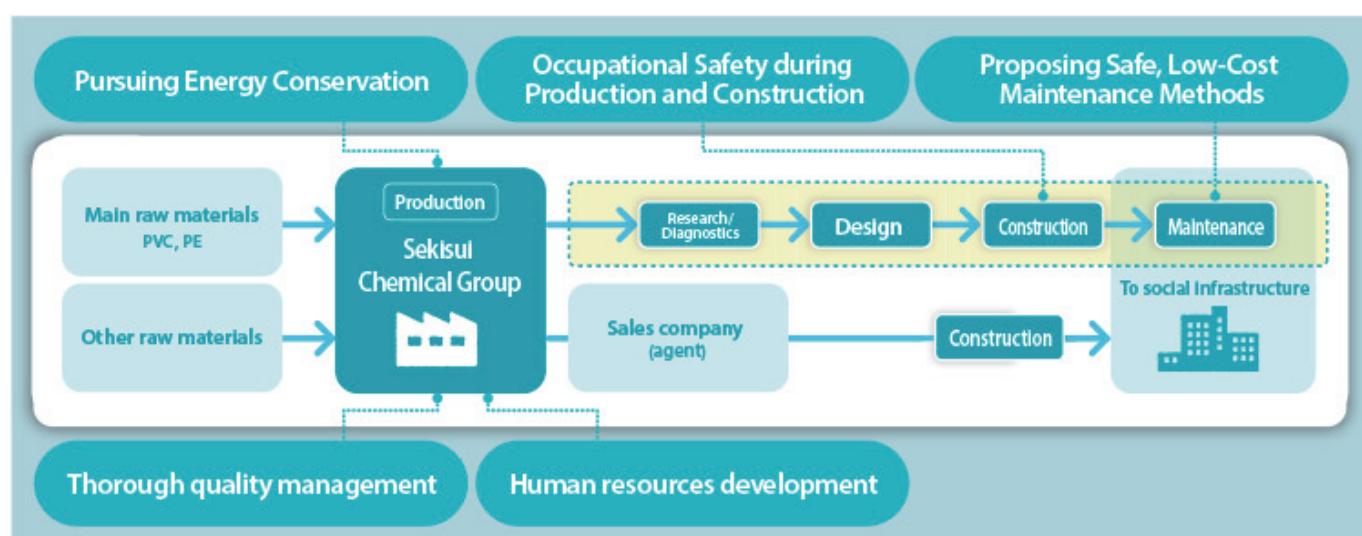
### Building and Living environment field

: Construction materials (guttering, exterior materials), functional mats, care instruments, bathroom units

### Advanced Materials field

: Decorative seats, synthetic wood, thermoplastic CFRP, sound-proof vibration-suppressing materials, blow containers, farming and construction materials

## Business Value Chain

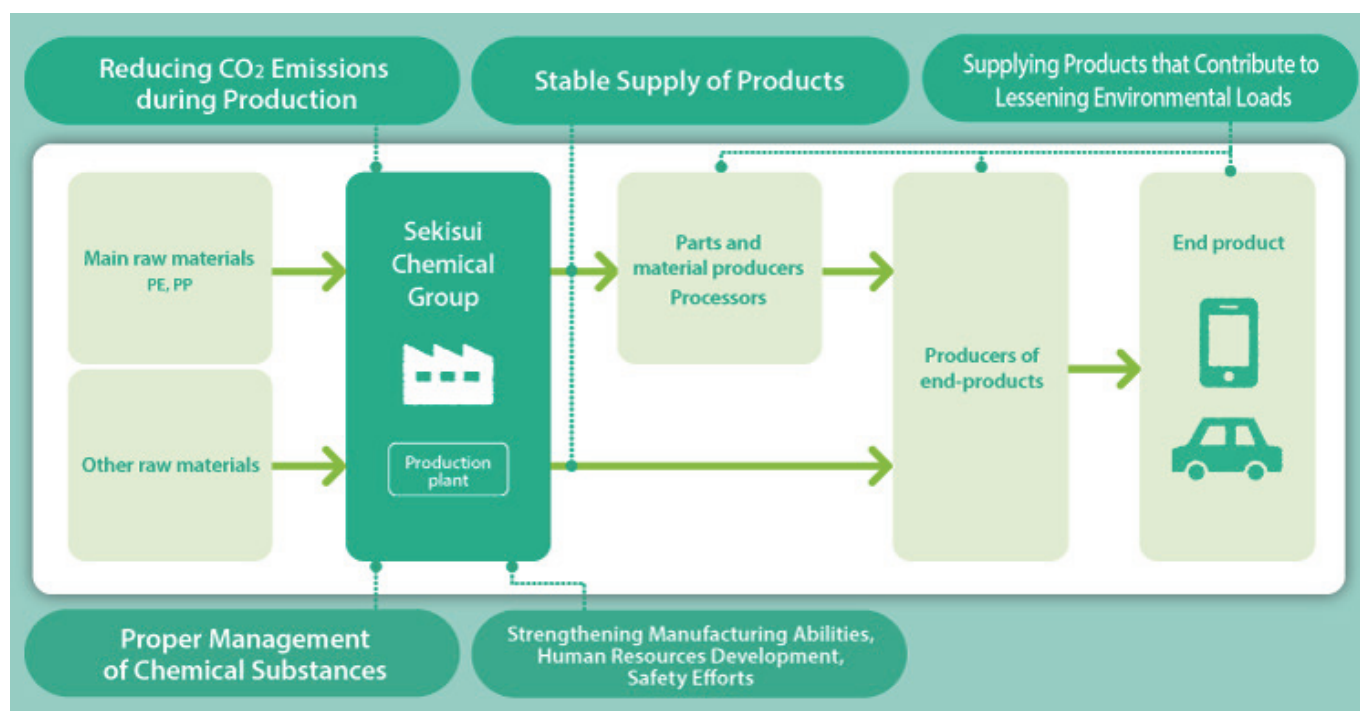




## High Performance Plastics Company

- Electronics field** : Liquid crystal particles, photosensitive materials, semiconductor materials, optical film, industrial tape
- Automobiles and Transportation field** : Interlayer film for laminated glass, foam polyolefins, vehicle resin and rubber molded products, industrial tape, heat dissipation materials (grease and sheets), carbon fiber reinforced plastic (CFRP) composite mold materials
- Building and Infrastructure field** : Functional resin for infrastructure materials, flame-resistant materials, foam polyolefins, non-flammable polyurethane, polyurethane, livestock panels
- Other industrial fields** : Adhesives, wrapping tape, plastic containers, polyvinyl alcohol resin, hygiene materials

## Business Value Chain



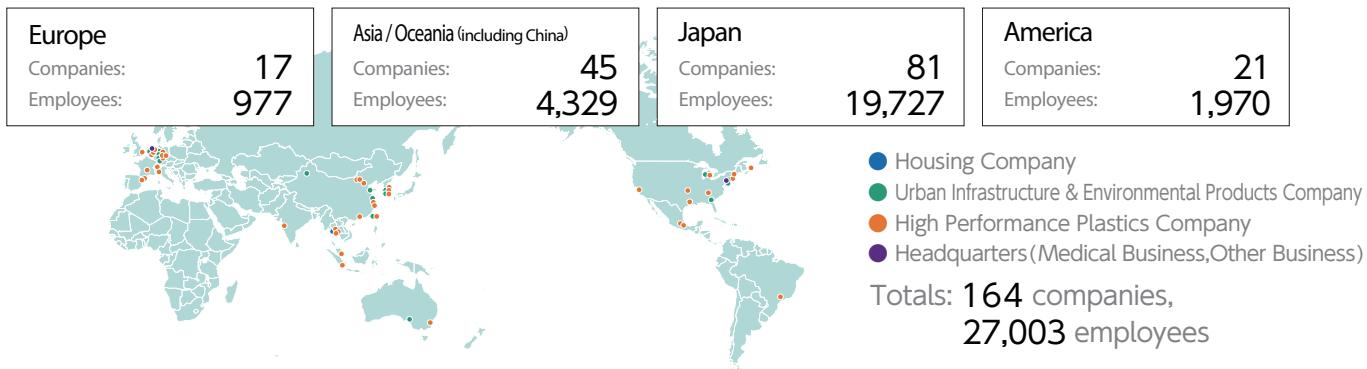
## Medical Business

- Diagnostics business** : In-vitro diagnostics reagents, analyzers
- Pharmaceutical Sciences business** : Active pharmaceutical ingredients (APIs) and pharmaceutical intermediates, drug development solutions, enzymes materials

## Other Business

Products and services not listed in the above companies, such as film-type lithium-ion batteries.

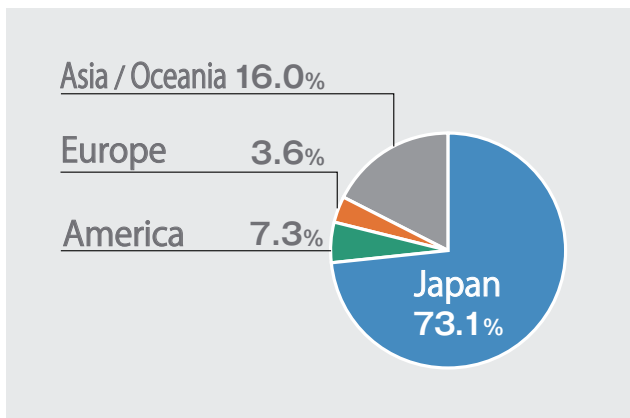
## Sekisui Chemical Group Worldwide



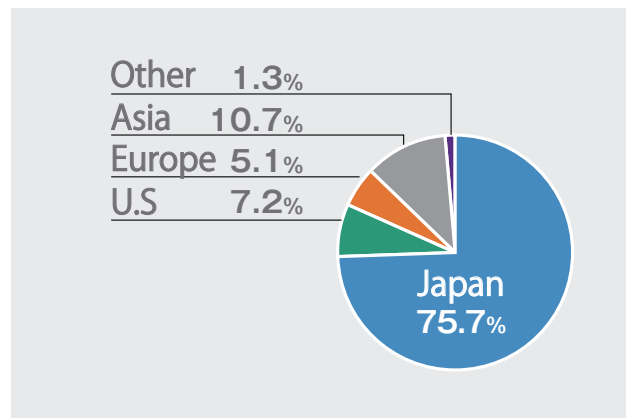
\* Figures current as of the end of March 31, 2020 (on a consolidated basis)

## Business Data

Number of employees by region



Sales by region



See the fact book for details of the management indices.

Fact Book

<http://www.sekisuichemical.com/ir/library/fact/index.html>

Top Message	ESG Management	Overview of Sekisui Chemical Group	<b>Sekisui Chemical Group's Sustainability</b>	Governance	DX
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## Basic Concept

**Taking into Consideration the Need to Put into Effect the “3S Principles” of the Group’s Corporate Philosophy, We Will Promote Measures That Are in Tune with Business Activities under ESG Management**

### Basic Stance

#### **CSR at the Heart of the Group’s Management Strategy**

Contributing to society and creating value through its business activities, lies at the heart of Sekisui Chemical Group’s CSR activities. Put another way, promoting CSR activities is essential to realizing the Group’s vision and the “3S Principles.” By positioning CSR at the center of our management strategy, we remain convinced that we will raise the quality of corporate management.

With this understanding, we recognize the important need to engage seriously in CSR activities that are grounded in ESG management and to continuously change and evolve in order to achieve sustainable growth and innovation in our businesses.

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# Promotion System

## Promoting CSR Across the Group as a Whole in an Effort to Increase Corporate Value

### Venue and System for Deliberation on CSR

#### Committee in which Top Management and Employee Representatives Participate

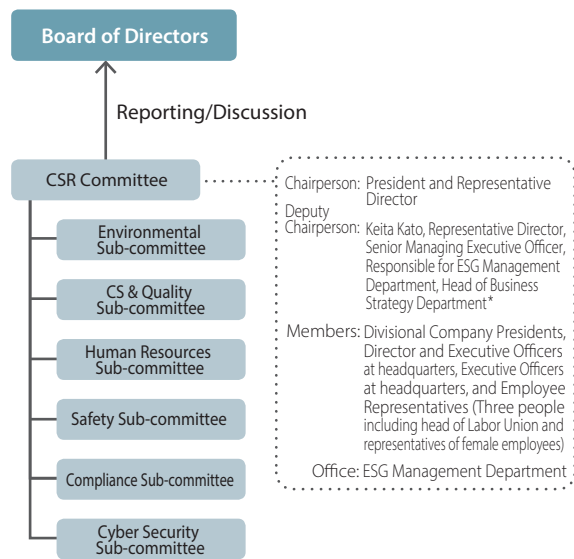
As a venue for deliberation on CSR, Sekisui Chemical Group has set up the CSR Committee. Under the umbrella of this Committee, the Group has established five subcommittees covering the environment, CS & Quality, human resources, safety, and compliance. Through these and other means, energies are directed toward promoting CSR across the Group as a whole.

Chaired by the President, the CSR Committee's membership also includes the Senior Managing Executive Officer Responsible for the ESG Management Department serving as deputy chairperson, as well as the presidents of the Housing Company, the Urban Infrastructure & Environmental Products Company, and the High Performance Plastics Company. In addition to three employee representatives, including the chairperson of the central executive committee of the Sekisui Chemical Labor Union, meetings of the CSR Committee are attended by officers of the CS & Quality, Human Resources, Safety, and Compliance departments, who serve as chairpersons of each subcommittee, where every effort is made to improve committee deliberations and measures.

Meetings of the CSR Committee and each of its subcommittees were held twice a year in fiscal 2019. Key items reported on during subcommittee meetings were reviewed by the CSR Committee and reported to the Board of Directors for further deliberation. At the same time, the CSR Committee scrutinized other key items that were deemed to require attention on the back of social trends and demands. These items were also reported to and deliberated by the Board of Directors. Items deliberated and approved by the Board of Directors were then reflected into activities at the operational level by each subcommittee. In addition, a new Cyber Security Subcommittee was established to promote advanced cyber-attack countermeasures, bringing the total number of subcommittees to six.

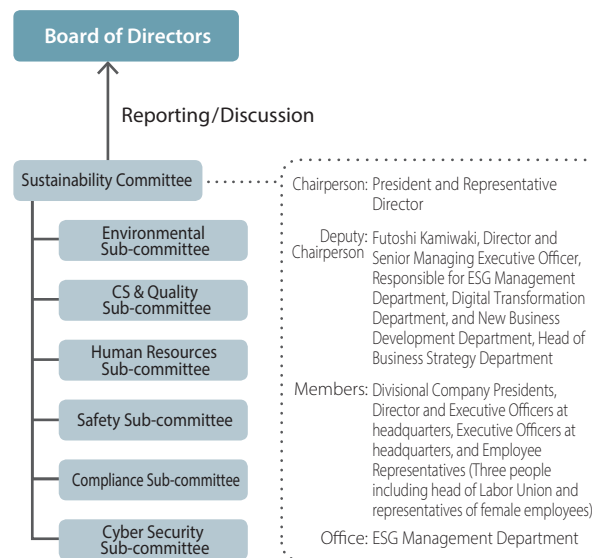
Recognizing the critical need to further raise the sustainability of society and the corporate sector, the CSR Committee was renamed the Sustainability Committee on April 1, 2020 as part and parcel of the Group's ESG management. Looking ahead, the Sustainability Committee will uncover those risks and opportunities that companies can be expected to encounter in the future. In addition to prioritizing these risks and opportunities, the Sustainability Committee will deliberate on appropriate policies and measures while accelerating endeavors.

### CSR Committee / Subcommittee Structure (to Fiscal 2019)



\* Keita Kato appointed President and Representative Director as of March 1, 2020.

### Sustainability Committee / Subcommittee Structure (from fiscal 2020)



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# 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.

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## 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.

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## Basic Policies

We have determined all policies that presume CSR activities

### | Sekisui Chemical Group "Environment Management Policy"

#### Mission

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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

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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

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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.



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## Basic Policy

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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

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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

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### 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

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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

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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.

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## Statement of Work Style Reforms

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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

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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

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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.

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## | Sekisui Chemical Group "Safety Policy"

### Mission

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We, Sekisui Chemical Group, recognize that employee safety 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 its customers and the community as well as its employees.

### Basic Policy

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Based on the concept of human dignity that "everyone is invaluable," we "prioritize safety over anything else" as a basic rule in all of our business activities from development, production, construction to servicing. We are committed to promoting comprehensive safety activities with the aim of achieving zero occupational injuries, equipment-related accidents, commuting-related accidents or extended sick leave.

1. We strive to develop a safe and comfortable workplace where everyone is taken care of both mentally and physically, which should lead to good health for each of our employees whom we highly value.
2. We thoroughly disseminate the legal requirements concerning health and safety/disaster prevention to our employees to ensure compliance.
3. We carry out risk assessment and promote risk reduction measures in a systematic way to eliminate hazardous factors that compromise health and safety/disaster prevention.
4. We strive to raise awareness regarding health and safety/disaster prevention through employee education/training and promote continuous improvements by setting voluntary objectives/goals.
5. We proactively disclose any necessary information as well as gain a higher level of trust by having close communication with public administrations and local communities.

## | Sekisui Chemical Group "Cyber Security Policy"

### Mission

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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.

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## Basic Policy

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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.

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## 1-1. Basic Principles of Procurement

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### 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

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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

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### (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.

# Identifying key issues

## Sekisui Chemical Group Has Defined the Key Issues to be Addressed in Our ESG Management Efforts

### Extracting key issues

### Identifying key issues

Under the Medium-term Management Plan "SHIFT2019 -Fusion-" launched in fiscal 2017, we undertook a review of our CSR initiatives from the viewpoints of the environment, society, and governance (ESG), defined the key issues (materiality), and continued to promote relevant initiatives through fiscal 2019.

In line with its long-term vision to "support life infrastructure and create 'peace of mind that continues to the future' in order to realize a sustainable society," Sekisui Chemical Group is committed to bolstering its ESG management from fiscal 2020. We will review the key issues that need to be addressed in order to achieve this from an outlook centered on our ability to create profit, contribute to the resolution of social issues, and maintain our business, while focusing our ESG management initiatives on governance, digital transformation (DX), the environment, and fusion.

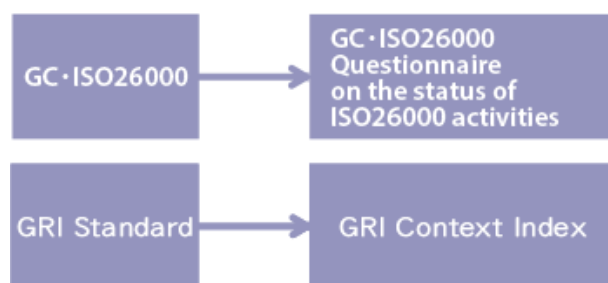
### Identification Process for Key ESG Issues

Key ESG issues were identified based on the following processes.

#### Step 1. Discussing issues from the global guidelines, etc.

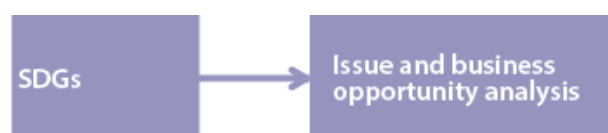
(1) Identify candidate issues from the UN global compact (GC) and ISO26000

While adhering to the 10 principles in the GC, we examine the involvement status 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) We 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) We 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. Identifying issues from ESG/CSR surveys and other companies' trends

### (1) Identifying candidate issues from ESG/CSR surveys

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



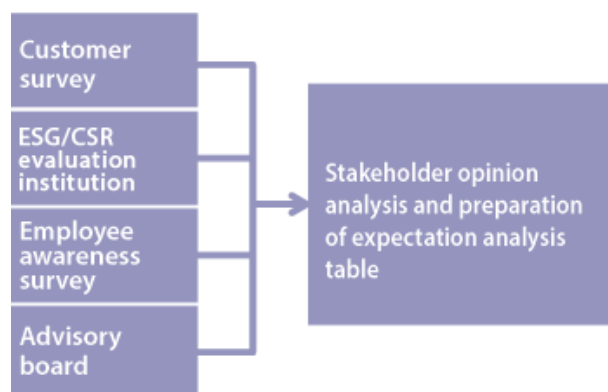
(2) Analysis of other companies' ESG/CSR involvement and information disclosure trends We examine involvement by other advanced ESG/CSR companies and trends in their disclosure using ESG/CSR reports, etc., and identify issues where improvements to Sekisui Chemical Group's future involvement and information disclosure are to be desired.



## Step 3. Analysis of stakeholder opinions and expectations

### (1) Sorting the 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) Analysis of 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. Identifying key ESG issues

##### (1) Sorting key ESG candidate issues

We add the CSR issues in which we have been strategically involved from before to candidate ESG issues identified in steps 1 to 3 above, and sort the future key ESG candidate issues.

##### (2) Evaluating the importance of key ESG candidate issues

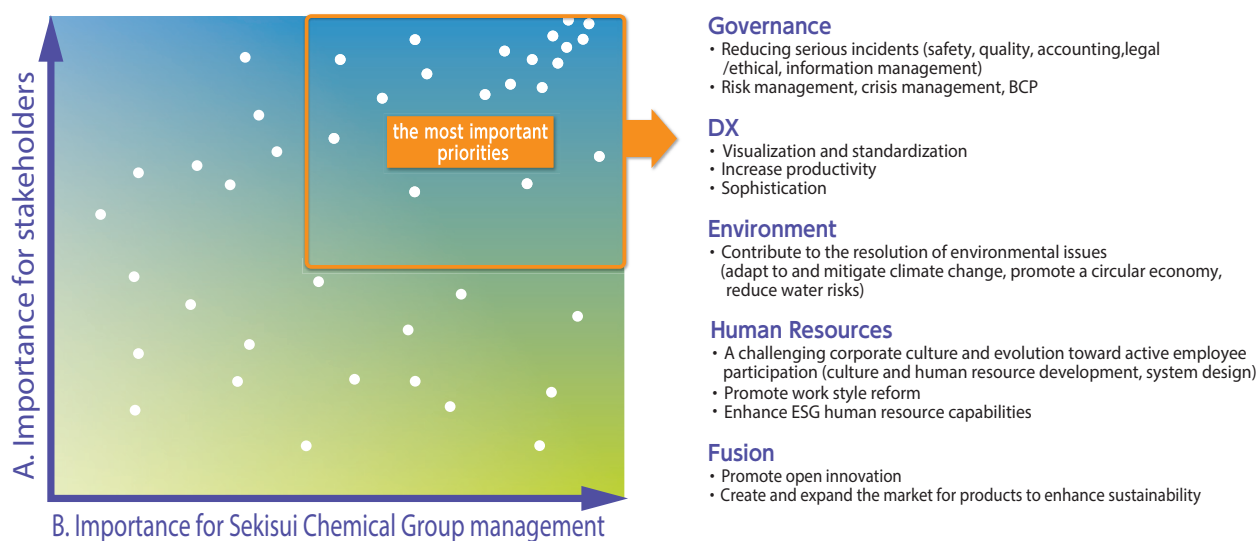
We evaluate the key ESG candidate issues sorted in (1) along 2 axes: "A. Importance to stakeholders" and "B. Importance to Sekisui Chemical Group management," and identify the key ESG issues. We then rank the key ESG issues that had been identified by priority. "A. Importance to stakeholders" is evaluated 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 issue," "risk and reputation," and "priority considered on the time axis." From fiscal 2020 and based on the newly formulated vision\*, the Sekisui Environmental Sustainability Index will be newly used as an indicator for "A. Importance to stakeholders" while our approach toward the SEKISUI Sustainable Spread based on ROIC and capital costs has been added as an indicator for "B. Importance to Sekisui Chemical Group management."

\* For more details, please refer to the Long-term Vision and new Medium-term Management Plan presentation materials.

[https://www.sekisuichemical.com/ir/library/event\\_account/index.html](https://www.sekisuichemical.com/ir/library/event_account/index.html)

##### (3) Identifying 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 are created, though revisions will be discussed each year based on business conditions as well as social expectations and requirements.



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## 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

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#### Governance

- 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 and the supply chain)

#### Environment

- Contribute to the resolution of environmental issues (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)
- Promote work style reform
- Enhance ESG human resource capabilities

#### Fusion

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

### Issues where the importance for stakeholders is high, and is also high for management of Sekisui Chemical Group

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- 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
- Reduced environmental degradation
- Promotion of globalization
- Diversity Management
- Health management
- Strengthening the equipment maintenance system
- Reducing supply chain risk

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# CSR Medium-term Plan (2017 -2019) and Key Measures Concerning ESG Management (2020-2022)

## CSR Medium-term Plan (2017-2019)

In its Medium-term Management Plan SHIFT 2019 -Fusion- Sekisui Chemical Group places considerable emphasis on balancing the needs to secure both social and corporate value.

Engaging in CSR that is in tune with business activities is the theme of the 2017 to 2019 period.

In addition to creating social value, the Group is conscious of the need to identify what is required to fulfill its corporate social responsibility while promoting long-term growth. With this in mind, we have positioned the "Three Prominences" of the environment, customer service (CS) & quality, and human resources, our pledge to society encompassing safety, compliance and respect for human rights, and the workplace environment, as well as governance and stakeholder engagement as key issues.

### Three Prominences

	Key Measures		Medium-term (2017-2019) Targets
Environment	1. Manage progress using integrated indices (sustainability index)		Secure a rate of return on natural capital of 90% or more
	2. Expand and create markets for Environment-contributing Products	1) Environment-contributing Product sales ratio	60% or more
		2) Number of newly registered products	30 or more
	3. Reduce environmental impact	1) Reduce greenhouse gas emission	6% or more (vs. FY2013)
		2) Maintain water resources	① Reduce water usage by 3% or more (vs. FY2016)
			② Reduce the total amount of river discharge water chemical oxygen demand (COD) by 3% or more (vs FY2016)
4. Conserve natural environment		Secure an employee participation rate in SEKISUI Environment Week of 100%	
CS & Quality	1. Improve basic qualities		① Reduce the number of major quality issues to zero
			② Reduce new product external failure costs to zero
2. Improve attractive qualities		Introduce nine new attractive quality products	
Human Resources	Promote diversity	1) Empower women	① Secure a ratio of women to total hires of 35%
			② Number of women in management positions: 200
		2) Develop global talent employees	Number of participants in the Global Trainee Program: 20

- ✓ ... Medium-term target achieved  
 △ ... Medium-term target not achieved, however, initiatives promoted  
 × ... Medium-term target not achieved, however, it will be necessary to promote further initiatives in the future

FY2017 Results	FY2018 Results	FY2019 Results <input checked="" type="checkbox"/>	Medium-term (2017-2019) Self-evaluation	Reference pages
Secured a rate of return on natural capital of 86.2%* <sup>1</sup>	Secured a rate of return on natural capital of 95.8%* <sup>1</sup>	Secured a rate of return on natural capital of 104.5%* <sup>1</sup>	✓	P185
50.2%	56.3%	58.3%	△	P259
24	18 (cumulative: 42)	5 (cumulative: 47)	✓	P259
1.5% (vs. FY2013)	2.3% (vs. FY2013)	6.1% (vs. FY2013)	✓	P218
① Water intake volume, amount of water extracted 3.1% increase (vs. FY2016)	① Water intake volume, amount of water extracted 3.0% increase (vs. FY2016)	① Water intake volume, amount of water extracted 0.1% increase (vs. FY2016)	×	P239
② Increased the total amount of river discharge water chemical oxygen demand (COD) by 28.2% (vs FY2016)	② Increased the total amount of river discharge water chemical oxygen demand (COD) by 20.7% (vs FY2016)	② Increased the total amount of river discharge water chemical oxygen demand (COD) by 5.1% (vs FY2016)	×	P239, 245
Secured an employee participation rate in SEKISUI Environment Week of 84.9%	Secured an employee participation rate in SEKISUI Environment Week of 88.1%	Secured an employee participation rate in SEKISUI Environment Week of 89.7%	△	P261, 267
① There were two major quality issues	① There was one major quality issue	① There was one major quality issue	×	P137
② Definition confirmed at two companies, defining is ongoing at one company	② 288 million yen	② 210 million yen	×	P137
Introduced two new attractive quality products	—	Introduced four new attractive quality products	△	P146
① Secured a ratio of women to total hires of 30%	① Secured a ratio of women to total hires of 29.7%	① Secured a ratio of women to total hires of 31.4%	△	P284
② Number of women in management positions: 138	② Number of women in management positions: 156	② Number of women in management positions: 185	△	P283
Number of participants in the Global Trainee Program: 10	Number of participants in the Global Trainee Program: 21	Number of participants in the Global Trainee Program: 15	×	P293

\*1 For products that have a high degree of contribution and significant impact, calculated results are retroactively revised after reconfirming actual results on a volume basis as opposed to sales.

## Pledge to Society

	Key Measures	Medium-term (2017-2019) Targets
<b>Safety</b>	Reduce the incidence of occupational injuries	Reduce the incidence of occupational injuries attributable to machinery and equipment to zero
<b>Compliance and Respect for Human Rights</b>	1. Prevent major violations of laws and ordinances that impact society	Reduce the incidence of major violations of laws and ordinances that impact society to zero
	2. Expand the area and scope of CSR procurement	Undertake CSR procurement in five global areas
<b>Working Environment</b>	1. Manage and control prolonged working hours (in excess of 2,000 hours annually)	Reduce the number of subsidiary companies where employees work more than 2,000 hours on an annual basis by 30% (vs. FY2016)
	2. Promote health management	Raise the number of Group companies certified as an Excellent Enterprise of Health and Productivity Management White 500 by Japan's Ministry of Economy, Trade and Industry to 21

## Governance

	Key Measures	Medium-term (2017-2019) Targets
<b>Governance</b>	1. Put in place a structure of overseas regional headquarters	Complete area coverage
	2. Increase the effectiveness of risk management (prevent risks before they occur)	Achieve effectiveness of 70% or more

## Stakeholder Engagement

	Key Measures	Medium-term (2017-2019) Targets
<b>Stakeholder Engagement</b>	Promote active engagement between investors and management	200

- ✓ ... Medium-term target achieved  
 △ ... Medium-term target not achieved, however, initiatives promoted  
 × ... Medium-term target not achieved, however, it will be necessary to promote further initiatives in the future

FY2017 Results	FY2018 Results	FY2019 Results <input checked="" type="checkbox"/>	Medium-term (2017-2019) Self-evaluation	Reference pages
Occupational injuries attributable to machinery and equipment amounted to 19 cases, vs. 20 cases in FY2016 (-1 case)	Occupational injuries attributable to machinery and equipment was reduced by half at 10 cases (vs. the 20 cases in FY2016)	Occupational injuries attributable to machinery and equipment amounted to 7 cases vs. the 20 cases in FY2016 (-13 cases)	△	P116
Reduced the incidence of major violations of laws and ordinances that impact society to zero	Reduced the incidence of major violations of laws and ordinances that impact society to zero	Reduced the incidence of major violations of laws and ordinances that impact society to zero	✓	P160
Undertook in the China area	Undertook CSR procurement in the Asia region (excluding China)	Conducted survey in the EU area	✓	P42
Reduced the number of subsidiary companies by 2% (vs. FY2016)	Reduced the number of subsidiary companies where employees work more than 2,000 hours on an annual basis by 8.5% (vs. FY2016)	Reduced the number of subsidiary companies by 19%* <sup>2</sup> (vs. FY2016)	△	P312
Raised the number of Group companies certified as an Excellent Enterprise of Health and Productivity Management White 500 by Japan's Ministry of Economy, Trade and Industry to 5	Raised the number of Group companies certified as an Excellent Enterprise of Health and Productivity Management White 500 by Japan's Ministry of Economy, Trade and Industry to 21	Raised the number of Group companies certified as an Excellent Enterprise of Health and Productivity Management White 500 by Japan's Ministry of Economy, Trade and Industry to 28	✓	P310

\*2 Based on projections as of March 2020

FY2017 Results	FY2018 Results	FY2019 Results	Medium-term (2017-2019) Self-evaluation	Reference pages
Established supervising company in Thailand	Established a structure and systems for the Asia and Oceania regions	Enhanced accounting function in the Asia and Oceania regions	△	—
Achieved effectiveness of 55%	Achieved effectiveness of 75%	Achieved effectiveness of 75%	✓	P109

FY2017 Results	FY2018 Results	FY2019 Results <input checked="" type="checkbox"/>	Medium-term (2017-2019) Self-evaluation	Reference pages
Ensured that investors and management engage on 88 occasions	Ensured that investors and management engage on 87 occasions	Ensured that investors and management engage on 67 occasions	✓	P52



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## Key Measures (2020-2022) in ESG Management

In line with its long-term vision to “support life infrastructure and create ‘peace of mind that continues to the future’ in order to realize a sustainable society,” Sekisui Chemical Group is committed to bolstering its ESG management from fiscal 2020. We will review the key issues that need to be addressed in order to achieve this from an outlook centered on our ability to generate profit, contribute to the resolution of social issues, and maintain our business, while focusing our ESG management initiatives on governance, digital transformation (DX), the environment, and fusion.

		Key Measures	Management indices	FY2020 quantitative targets	FY2022 quantitative targets
Governance	Risk Management	Expand organizational activities Group-wide, including overseas groups	Consolidated sales composition ratio	93%	98% or more
	Safety	Rebuild audit mechanisms (multi-level control) and utilize digital technology	Major occupational injuries (including construction)	Zero	Zero
		Clarify Global Equipment Safety Standards	Serious equipment accidents (fires, explosions, leaks)	Zero	Zero
		Promote equipment intrinsic safety	Injuries attributable to machines and equipment	Zero	Zero
		Improve site qualities	Position key people according to fields of disaster prevention/safety/ environment	30%	100%
	CS & Quality	Prevent serious incident occurrences	Number of major quality issue occurrences	Zero	Zero
		Strengthen quality assurance in the development of new businesses	New product external failure costs	Zero	Zero
	Compliance	Strengthen discovery control for compliance violations	Serious legal infractions	Zero	Zero
		Strengthen overseas control	Introduction of rules to prevent violations to anti-monopoly laws, bribery and other serious offenses at overseas Group companies	100% introduction	100% practiced
			Construct an internal whistleblower system in which anyone can easily report improper activity	North America, China, Europe, ASEAN, India, South Korea	Regions worldwide
	Cyber Security	Strengthen information management	Reduce the number of major incidents regarding information management to zero	Zero	Zero

		Key Measures	Management indices	FY2020 quantitative targets	FY2022 quantitative targets	
	DX	Raise productivity, promote digitalization	Indirect and direct operating ratio	Complete understanding of the current status of each region, completion if issue scoring and the setting of goals	Score improvement (10-20% in business management and supply chain areas)	
Environment	Return rate of natural/social capital	Raise return rate of natural/social capital	Sekisui Environmental Sustainability Index	Maintain 100% or more		
	Impact reduction on natural/social capital	Realize a decarbonized society	Rate of renewable energy of purchased electricity	5%	20%	
			Rate of reduction in GHG emissions (vs. FY2013)	-7%	-9%	
	Impact reduction on natural/social capital	Realization of a circular economy	Amount of waste generated per unit of output (vs. FY2019)	Per unit of output reduction of 1% every three years	-1%	
		Minimization of water risk	Water usage at production sites that require high volumes of water (FY2016)	-10%	-10%	
				COD emission volume at production sites with high COD emissions (vs. FY2016)	-10%	-10%
Human Resources	Range of initiatives to facilitate management participation by employees	Raise engagement	Engagement score	Consideration of creating a framework to raise engagement score	Introduction of scheme complete/score improved	
	Transformation to a culture that confronts challenges	Introduction of a new personnel system	Rate of progress of introduction of new personnel system	Consideration completed 100%	100% introduced	
	Work Style Reforms	Improve productivity	Number of companies where total hours worked per year is over 2,000 hours	zero	Maintaining zero	

	Key Measures	Management indices	FY2020 quantitative targets	FY2022 quantitative targets
Fusion	Promote open innovation (cultivate a culture to promote internal and external collaboration, promote human resource development and system design)	—	—	—
	Improve the ability to help resolve issues through products	Products to enhance sustainability*1 (ratio of sales growth vs. 2019)	710 billion yen; ratio of sales growth of around 8% (vs. 2019)	800 billion yen; ratio of sales growth of around 22% (vs. 2019); sales ratio of around 63%

\*1 Previously, Sekisui Chemical Group had operated under an Environment-contributing Product system that comprised products that contributed to the resolution of issues in the natural and social environments. Moving forward, we will realize our vision of a sustainable society and planet by evaluating the sustainability of companies and products that are necessary to help resolve issues on a sustainable basis and operate a system that is capable of enhancing corporate sustainability. Details are presented in “Products to enhance sustainability” of the “Environment” section on page 254 of the CSR Report 2020.

# Respect for Human Rights

**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

### Basic Concept

#### **Striving to 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.

### Human Rights Policy Formulation

#### **Newly Formulating Sekisui Chemical Group "Human Rights Policy"**

Sekisui Chemical Group began formulating Sekisui Chemical Group "Human Rights Policy" in October 2018. Subsequently, we established a new Human Rights Policy in May 2019 after implementing a human rights risk assessment and securing approval at a meeting of the Board of Directors. This policy has been disclosed in the June 2019 CSR Report.

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.

Going forward, we will work to achieve 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 Sekisui Chemical Group's "Human Rights Policy," see page 14.

### Actions in regard to the UK Modern Slavery Act

#### **The Sekisui Chemical Group Modern Slavery Statement**

Sekisui Chemical Group previously released a statement in regard to the UK Modern Slavery Act through a UK Group company, but we formulated 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.

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## ■ Launching 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

Moving forward, we intend to conduct on-site interviews at production sites in Japan and overseas to confirm that working environments for employees are satisfactory and to assess the degree of impact from the identified potential human rights risks.

\* Human rights due diligence is the ongoing management process of identifying and assessing any potential negative impact on human rights (human rights risks) from a company's business activities, and if there are human rights risks, the process of creating mechanisms to prevent or mitigate the impact from such risks.

### Identifying Human Rights Risks Within the Group

## Employing a Specialized Agency to Assess Human Rights Risks in Primary Business Activities

In November 2018, we employed an external specialized agency (Verisk Maplecroft\*<sup>1</sup>) 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\*<sup>2</sup> (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"> <li>● Modern slavery</li> <li>● Occupational health and safety</li> <li>● Fair wages</li> </ul>
Auto Parts	China India Brazil Thailand	<ul style="list-style-type: none"> <li>● Fair wages</li> <li>● Modern slavery</li> <li>● Occupational health and safety</li> </ul>
Industrial Machinery and Goods	China Thailand	<ul style="list-style-type: none"> <li>● Occupational health and safety</li> </ul>
Pharmaceutical	China	<ul style="list-style-type: none"> <li>● Occupational health and safety</li> <li>● Right to privacy</li> </ul>

\*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.).

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## Identifying Human Rights Risks within the Group

### Implementation of Internal Interviews Based on 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 plan to conduct interviews at our production sites in Japan and overseas in fiscal 2020 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. We will then work toward addressing the issues made clear during the interviews and conduct follow-up assessments as we build our human rights due diligence framework.

\* 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

## Business Activities That Respect Human Rights

### Deepening Understanding of Human Rights, Implementing Business Activities That Respect Human Rights

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.



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## Preventing Harassment

### Conducting Educational 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 working to build a mechanism to ensure understanding throughout the entire supply chain, including at secondary and tertiary suppliers by taking into account the opinions of outside experts. As for the disclosure of results, we are considering what measures we should take, while we ask our partners to understand the importance of CSR awareness.

We are also considering endorsing and participating in accredited supply chain initiatives in order to further improve the quality of human rights due diligence.

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## Major Initiatives

### Engagement with External Stakeholders

Sekisui Chemical Group in May–July 2019 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 (UNEP FI).

We also engaged in individual dialogue\* with overseas experts in October 2019, speaking with four specialists in human rights, including a global value chain expert from India, as well as experts from the Danish Institute for Human Rights, the United Nations Development Programme (UNDP), and the World Benchmarking Alliance 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.



Individual dialogue with overseas experts

\* The Stakeholder Engagement Program and the individual dialogue were both organized by Caux Round Table Japan.

#### Initiatives Geared Toward Suppliers

### Conducting CSR Procurement Surveys

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.

We began inspections of overseas group company partners in fiscal 2015.

In fiscal 2019, we implemented CSR procurement surveys for the partner firms of Sekisui Chemical Group companies in the EU to get a better understanding of the status of human rights-related initiatives. We were accordingly able to confirm that no major human rights infringements, including child labor and forced labor, occurred at our major suppliers.

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### Initiatives Geared Toward Employees

## Implementing Human Rights Training and Education

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.

We incorporate content that raises awareness about human rights issues, such as forced labor, child labor, harassment, etc., in particular in training carried out at career milestones, such as when joining the Company or upon promotion.

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. In addition, training programs that aim to prevent all forms of harassment are held every year, with 867 individuals taking part in fiscal 2019.

### Addressing the Issue of Conflict Minerals

## "Conflict Minerals Survey Guidelines" Put into Effect

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 2019, we conducted 619 conflict mineral surveys at Sekisui Chemical's Urban Infrastructure & Environmental Products Company, High Performance Plastics Company, and the Group companies of each. We were unable to identify any conflict minerals or smelting facility uncertainties among the surveyed companies.

\* For the quality control department of each divisional company factory and the quality control departments of affiliated companies or affiliated company factories

# Intellectual Property

Intellectual property is an important management resource that underpins growth and revenue aimed at optimizing corporate value.

## Basic Stance

### Protection and Respect

## 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

## Paying Fair Monetary Incentives for Valuable 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 2019, a first-class certification was granted for a patent on heat insulation interlayer films.

## Management Approach

### Toward Securing Intellectual Property

## Placing Considerable Emphasis on Strategic Intellectual Property Activities

Sekisui Chemical Group places considerable emphasis on strategic IP activities in order to maximize its technological prominence and contribute to business growth. Among a host of activities, the Group identifies business strategies based on an analysis of the competitive environment. To this end, the Group assesses the IP landscape, which includes a review of IP, market and peer data. The Group also engages in IP portfolio management.

Promotion System

## Set Up Independent Intellectual Property Division at the Group's Corporate Headquarters and Each Divisional Company

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.

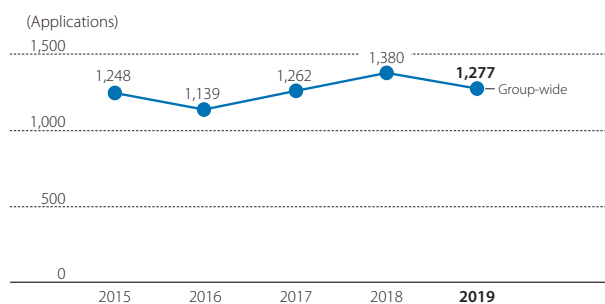
The intellectual property divisions, the business divisions, and the R&D divisions at each divisional company maintain constant cooperation and are engaging in activities that facilitate the building of an IP network almost to the complete exclusion of competitors putting in place a forum to deliberate on IP activities with management.

The Intellectual Property Division at the Group's Corporate Headquarters is responsible for the planning and drafting of basic IP strategies that are common to the entire Group, the protection of trademarks, IP education and training as well as IP management. Taking into consideration its corporate R&D mission of creating new businesses, Sekisui Chemical Group draws on an analysis of the IP landscape at an early stage to engage in strategic IP activities that allow it to overwhelmingly succeed while continuously dominating the market.

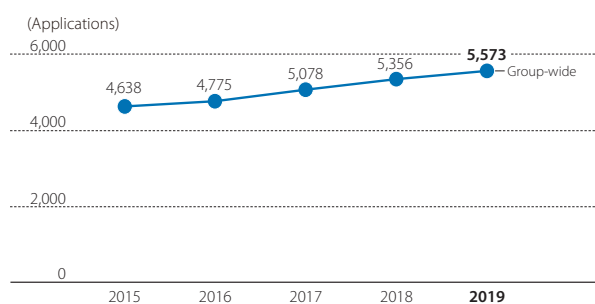
In this manner, the Group's Corporate Headquarters and the intellectual property divisions of each divisional company are working closely together to build the Group's intellectual property while engaging in strategic intellectual property activities in line with the business environment.

### Performance Data

#### Number of patent application filings



#### Number of patents held



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# Stakeholder Engagement

## Improving Corporate Value Through Strengthening Dialogue with Stakeholders

### Management Approach

#### Basic Concept

### 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

### Reflecting Stakeholder Opinions in Corporate Activities

In fiscal 2019, the ESG Management Department, which falls under the purview of the Representative Director and Head of the Business Strategy Department, was responsible for promoting constructive dialogue with all stakeholders. The various assessments and opinions of all stakeholders are reported to the CSR Committee (renamed the Sustainability Committee in fiscal 2020), which is chaired by the Company president and is composed of directors, among others, 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 2019.

### 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"> <li>● Departments in Charge of ESG</li> <li>● Departments in Charge of Quality Control</li> <li>● Sales Department</li> </ul>	<ul style="list-style-type: none"> <li>• Customer Consultation Office (handles inquiries)</li> <li>• CS surveys (customer satisfaction surveys)</li> <li>• Sales activities</li> <li>• Website, social media</li> <li>• exhibition spaces, expos / events</li> </ul>	<ul style="list-style-type: none"> <li>• Day-to-day</li> <li>• As necessary (carried out whenever needed at each divisional company, business site, or sales office)</li> <li>• Day-to-day</li> <li>• Day-to-day</li> <li>• As necessary (implemented through questionnaires and conversations at venues)</li> </ul>
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"> <li>● Departments in Charge of General Affairs</li> <li>● Departments in Charge of IR</li> <li>● Departments in Charge of Public Relations</li> <li>● Departments in Charge of ESG</li> </ul>	<ul style="list-style-type: none"> <li>• General Meeting of Shareholders</li> <li>• Management briefings</li> <li>• Integrated reports</li> <li>• Responding to surveys from institutions that evaluate ESG</li> </ul>	<ul style="list-style-type: none"> <li>• Once per year</li> <li>• Twice per year</li> <li>• Issued once per year</li> <li>• As necessary (handled in order of inquiry)</li> </ul>

Stakeholders	Sekisui Chemical Group's Commitment	Contact	Communication Methods	Frequency
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"> <li>● Departments in Charge of Human Resources</li> <li>● Departments in Charge of Safety</li> <li>● Departments in Charge of Legal Affairs</li> <li>● Departments in Charge of ESG</li> <li>● Departments in Charge of Public Relations</li> </ul>	<ul style="list-style-type: none"> <li>• Individual boss and subordinate interviews</li> <li>• Counseling</li> <li>• Labor-management meetings</li> <li>• Central Occupational Safety Committee</li> <li>• Internal whistle-blowing system</li> <li>• Employee satisfaction surveys</li> <li>• Various employee questionnaires</li> <li>• Dialogues with management</li> <li>• Intranet and internal newsletter</li> </ul>	<ul style="list-style-type: none"> <li>• Regularly</li> <li>• As needed (counseling available upon request through an in-house occupational counselor or external clinical psychologist)</li> <li>• Regularly</li> <li>• Once per year</li> <li>• As needed (handling for consultations and reports)</li> <li>• Once every three years</li> <li>• As needed (questionnaires implemented for internal publications, various types of training sessions, etc.)</li> <li>• Regularly</li> <li>• As needed (information updated when necessary), four times per year</li> </ul>



Stakeholders	Sekisui Chemical Group's Commitment	Contact	Communication Methods	Frequency
<b>Business partners</b>	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.	<ul style="list-style-type: none"> <li>● Departments in Charge of Purchasing</li> <li>● Departments in Charge of Legal Affairs</li> <li>● Departments in Charge of ESG</li> </ul>	<ul style="list-style-type: none"> <li>• Purchasing activities</li> <li>• Explanatory meetings with suppliers</li> <li>• CSR procurement questionnaires</li> <li>• Points of contact for consultations from, and whistleblowing by, business partners</li> <li>• Website</li> </ul>	<ul style="list-style-type: none"> <li>• Day-to-day</li> <li>• Regularly</li> <li>• Once per business partner every three year</li> <li>• As needed (handling for consultations and reports)</li> <li>• As needed (information updated when necessary)</li> </ul>
<b>Local communities</b>	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.	<ul style="list-style-type: none"> <li>● Departments in Charge of ESG</li> <li>● Factories and Offices</li> <li>● Departments in Charge of Public Relations</li> </ul>	<ul style="list-style-type: none"> <li>• Volunteering by employees</li> <li>• Dialogues with NPOs and NGOs</li> <li>• Support for learning (dispatching of instructors, factory tours, etc.)</li> <li>• News releases</li> </ul>	<ul style="list-style-type: none"> <li>• Regularly</li> <li>• As needed (implemented as necessary before and after activities)</li> <li>• Regularly</li> <li>• As needed (latest information posted as necessary)</li> </ul>
<b>Global environment</b>	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.”	<ul style="list-style-type: none"> <li>● Departments in Charge of ESG</li> <li>● Factories and Offices</li> <li>● Departments in Charge of Sales</li> <li>● Departments in Charge of Purchasing</li> </ul>	<ul style="list-style-type: none"> <li>• Volunteering by employees</li> <li>• Dialogues with NPOs and NGOs</li> <li>• Sales operations</li> <li>• Purchasing activities</li> </ul>	<ul style="list-style-type: none"> <li>• Regularly</li> <li>• As needed (implemented as necessary before and after activities)</li> <li>• Day-to-day</li> <li>• Day-to-day</li> </ul>

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## Major Initiatives

### Dialogue with Stakeholders

#### Dialogue through Various Methods of Communication

Continuing from fiscal 2018, we implemented conversation through the “CAT (Customer And Top” meeting (fiscal 2019: held 189 times, 1,413 participants), which features housing sales company executives listening to customer feedback directly, as well as initiatives such as communication with customers at the Eco Pro\* event we participate in every year, interviews with investors and investigative organizations, and conversation with business partners at events such as the “Heim Mutual Prosperity Meeting.”

As for employees, we set up opportunities for direct conversation with the company president and other high-ranking management officials and carried out information gathering activities to collect the opinions and requests of employees related to CSR activities. These internal opinions and requests, as well as the opinions and requests received from outside the company in response to CSR reports and other public information, are compiled and used for the promotion of CSR.

\* For more information about Eco Pro, see the “Products to Enhance Sustainability” page 256.

**Dialogues with Employees**

**Direct Communication between Management and Employees at “Town Hall Style Meeting with President / Top Management**

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 employees to have direct communication with top management since fiscal 2002.

In fiscal 2019, Sekisui Chemical Group held “Town Hall Style Meeting with President / Top Management,” in which employees and management leaders were able to exchange views, for employees at our 13 Group companies in Thailand. Participating employees actively exchanged their views on “fusion,” a subject also highlighted in the Medium-Term Management Plan (2017 – 2019). The President and other participating executives spoke directly with the local employees based on several of their various recommendations and proposals, including measures for improving productivity through collaboration between local Group companies and new business models that fuse the management resources of each company. The details of these meeting dialogues have been shared with each company and measures to realize these are underway. Going forward, we will hold these meetings in Europe, North America, and other areas, and will work to increase opportunities for Group employees throughout the world to have direct communication with top management.



President Kato of Sekisui Chemical speaks directly with employees in Thailand

## Dialogue with Investors

### Continuing to Engage in Direct Communication in an Effort to Enhance Understanding

Interest in ESG investment, by which investments are actively made in companies that engage in CSR activities, has been mounting recently. At the same time, ratings agencies are increasingly undertaking surveys. As its business domains are so diverse, Sekisui Chemical Group believes it important to give explanations individually and carefully to ensure that the Group's overall business characteristics and CSR initiatives are sufficiently and correctly understood.

We listed "active engagement between investors and management" as one of the crucial tasks in which we are engaged in our CSR Medium-term Plan (2017 – 2019). To assess how our corporate value and sustainable growth are reflected in how we appear from an outside perspective, we have set a medium-term target of holding over 200 dialogues on a cumulative basis between fiscal 2017 and fiscal 2019 and are continuously engaged in direct dialogues 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 2019, we held 67 engagements.

As we did in fiscal 2018, Sekisui Chemical Group held management briefings for investors living in the Kanto region. We also held housing business briefings and Sekisui Heim Industry ASAKA Leadtown tours for sell-side analysts and institutional investors for the purpose of deepening their understanding of our housing business growth strategies.

With the investor and ESG investment assessment as well as SRI ratings agencies very much in mind, Sekisui Chemical discloses detailed information, including through CSR Reports, Notices of Convocation for the Annual General Meetings of Shareholders, and Integrated Reports on its website. Since 2016, the Group has published an integrated report. In addition to the conventional approach of explaining Sekisui Chemical Group strategies, its medium-term vision, and financials, such as the shareholder return policy, an explanation of its activities and results related to social value, a type of non-financial information, are comprehensively published in this report. Information in the CSR Report is provided in line with what is considered important to both society and Sekisui Chemical Group, is based on internal and external surveys as well as third-party reviews, and references various report-drafting guidelines.



Management Briefings for Shareholders in Tokyo

#### Active Engagement Between Investors and Management

	FY2017 Results	FY2018 Results	FY2019 Results <input checked="" type="checkbox"/>
Number of engagements	88	87	67

Note: The number of engagements represents the number of times company presidents and executives in charge of specific areas had dialogues with investors.

## Spreading Awareness of CSR Through Communication

### Various initiatives to deepen understanding among employees

We are carrying out a variety of initiatives to deepen the understanding and penetration of various issues including Sekisui Chemical Group's approach to CSR.

In fiscal 2019, we published the Sustainability Report in both Japanese and English with the aim of conveying various information including Sekisui Chemical Group's basic concept of ESG management. This publication was prepared as a guide to all Group employees and distributed in a PDF forma.

Sekisui Chemical Group provides CSR training to new employees, newly appointed managers, and all Group company employees.

The following communication tools also allow us to increase awareness and understanding of the Group CSR concepts.

- A variety of CSR materials on the intranet, including "Our CSR," which explains the concepts of Sekisui Chemical Group's CSR, in seven languages (Japanese, English, Chinese, German, Spanish, Dutch, and Thai).
- CSR navigator email newsletter to employees to keep them up to date with the latest CSR topics at Sekisui Chemical Group.

In addition to having reached the stage at which employees are able to freely download them via the intranet, these kinds of communications and CSR-related materials are also distributed to all target 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 CSR-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.

#### Sustainability Report 2019



Japanese

English

#### Our CSR



Japanese



English



Chinese



German



Dutch



Spanish



Thai

## Distribute Value to Stakeholders

### Calculating Economic Value Distribution Based on GRI Standards

Sekisui Chemical Group calculates distribution status for each stakeholder based on its financial statements, using GRI and other accounting standards as a reference. We will accelerate CSR by quantifying, visualizing and assessing the business and social value brought about by engagement with our stakeholders.

(Unit: Millions of yen)

Stakeholders	Method of Calculating Amounts	FY2017	FY2018	FY2019
Shareholders	Dividends	19,064	20,615	22,400
Business partners	Cost of Sales, Selling Costs / General Administrative Costs (Excluding Personnel Costs)	811,642	840,514	829,809
Employees	Labor costs, Salaries and allowances as part of sales costs and general administrative costs, Provisions for bonuses, Provisions for retirement pay	196,554	206,511	211,675
Local communities	Donations	150	165	158
Global environment	Environmental conservation costs	22,569	21,882	17,850
Government and administrative bodies	Corporate taxes, local taxes, business taxes	23,393	22,261	22,619
Creditors	Interest paid as part of costs apart from sales	533	480	695

## SDGs Initiatives

### | Sekisui Chemical Group's Contributions to the SDGs through its Business

In its Group Vision statement, Sekisui Chemical Group has declared that it will contribute, through its primary business activities, to “improving the global environment” and “improving the lives of people around the globe”—that is, the resolution of issues called for in the SDGs.

In fiscal 2019, the Group then formulated its Group-wide long-term vision of itself for the year 2030.

Through reform and creation centered on ESG management, Sekisui Chemical Group will aim for two trillion yen in sales and 10% or higher in operating income ratio in fiscal 2030 in order to life infrastructure and create “peace of mind that continues into the future” toward the realization of a sustainable society. In each of the four residential (housing), advanced lifeline (social infrastructure), innovative mobility (electronics/mobility), and life science (health and medical) business domains, as well as the next frontier businesses that these domains inspire, we will work to solve environmental and social issues, create value that derives from “peace of mind that continues into the future,” and support life infrastructure.

By fiscal 2019, we had designated products that would to a high degree contribute to the resolution of environmental issues, and strove to create and expand markets where we should increase contributions so as to accelerate solutions to issues.

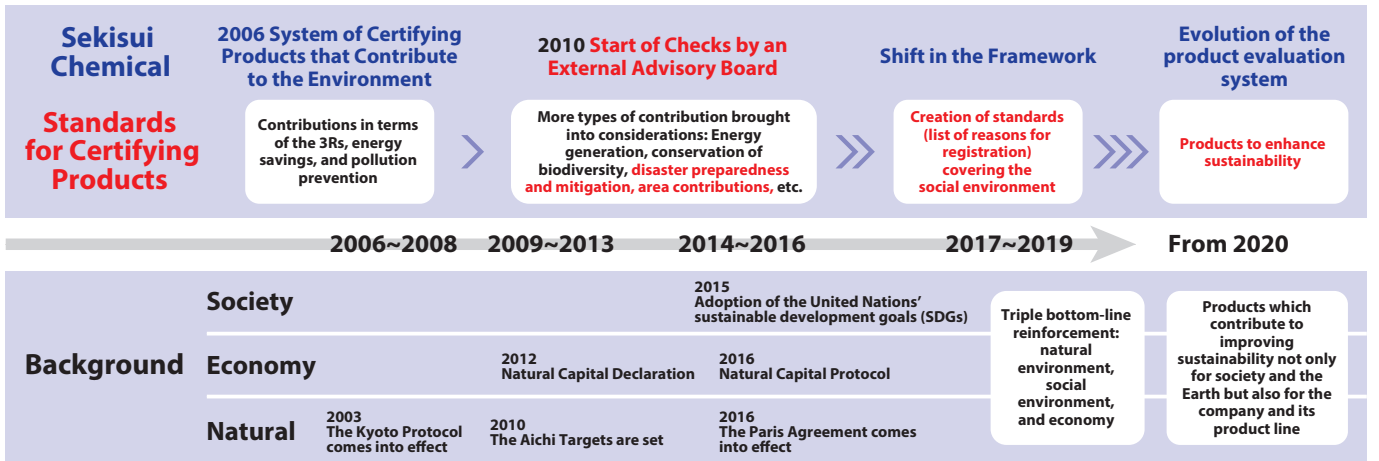
From fiscal 2020, we will work to realize our vision for 2030 by commencing action on “products to enhance sustainability” as a new product evaluation system that will work to create products that drive corporate growth while facilitating their popularity. Products that solve issues relating to both the natural and social environments are those items that help raise the level of sustainability for the environment and society. Without the companies that make the products, and the sustainability that comes from the products themselves, however, it will be impossible to sustain resolutions to issues. This is why we must move forward on a system to confirm and register the sustainability of companies and products, in terms of profitability, governance, the product manufacturing process and sustainable management, and the degree of customer satisfaction and other aspects, in addition to the high degree of contribution made to solving issues. While operations are set to commence following a detailed design of the system during fiscal 2020, we will continue to adopt the approach of contributing to the resolution of issues as Environment-contributing Products held since 2007 under the new system.

As far as our business domains are concerned, we are contributing to the achievement of SDG goals 6, 7, 12, 13, 14, and 15 as part of our contribution to “improving the Earth’s environment,” as set forth in our Group Vision, as well as SDG goals 3, 9, and 11 in order to help with “improving life for everyone around the world,” by creating products and services and expanding markets. We will continue to work with our stakeholders to resolve a wide range of issues based on these efforts.

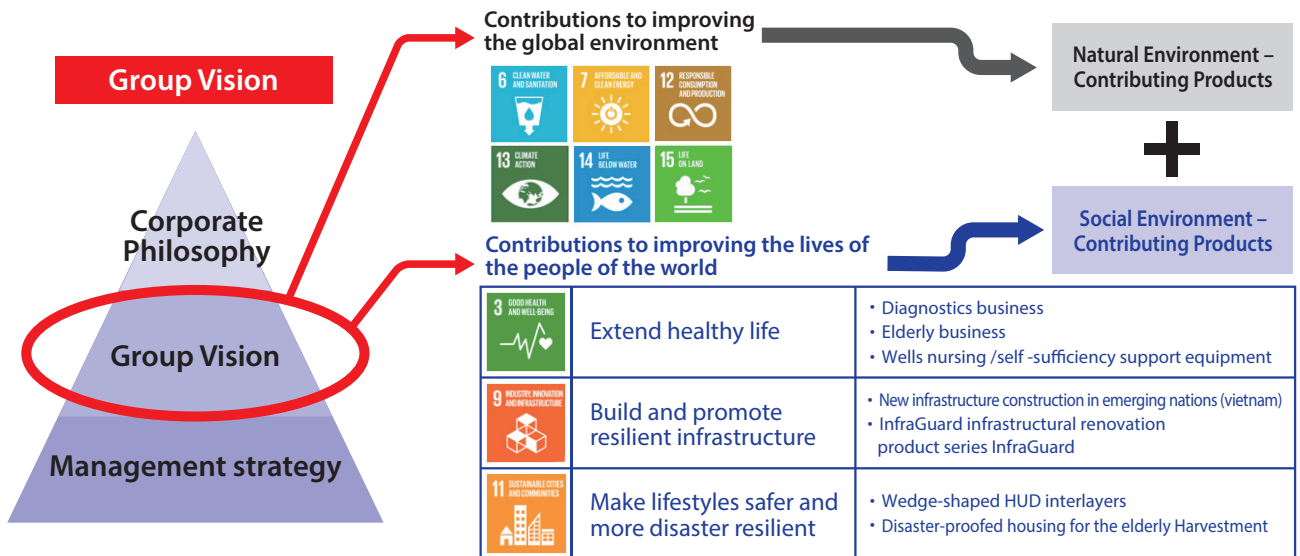


Top Message	ESG Management	Overview of Sekisui Chemical Group	<b>Sekisui Chemical Group's Sustainability</b>	Governance	DX
Environment	Human Resource	Fusion	External Evaluation	GRI Content Index	Independent Practitioner's Assurance Report

### Involvement History



### Expanding the definition of Environment-contributing Products





# Social Contribution Activities

Proactively Working to Contribute to the Society as a Company in Tune with Local Communities

## Management Approach

### Our Philosophy

## Toward Realizing a Sustainable Society Through the Promotion of Social Contribution Activities That Leverage the Distinctive Features of Our Company

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.

In addition, these activities focus on the perspectives of “the environment,” “the next generation,” and “the local community” within their various fields, and we make efforts and promote them in order to contribute to the SDG directive of “creating a sustainable society.”

For example, we are vigorously engaging in social contribution activities aimed at the local environment including activities related to the preservation of nature in accordance with our Environmental Management Policy on the environment.

“The next generation” refers to our career training using the distinctive characteristics of our business. We carry out initiatives to help children acquire the knowledge, techniques, and way of thinking that they’ll need to be independent and productive members of society.

In terms of “the local community,” in addition to deepening understanding of the problems faced by local communities in recent years, we are also expanding volunteer activities to move toward resolution of these issues.

We are also involved in these initiatives aside from just as a company. Our employees are also involved on an individual basis, and with contributing to society at the core of these activities, we have created a framework for enabling larger numbers of employees to participate in social contribution activities. We have set up a system for accumulating time off with the goal of acquiring greater participation in volunteer work, and through support such as paying a portion of the expenses required for these social contribution activities, we are making efforts to create a system which will inspire greater number of employees to take part in social contribution activities of their own accord.



Top Message	ESG Management	Overview of Sekisui Chemical Group	<b>Sekisui Chemical Group's Sustainability</b>	Governance	DX
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## Major Initiatives

### Environment

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Mangrove Planting Activities in Thailand and the Collection of Marine Plastic waste  
 Forest Preservation Activities by our Housing Company  
 Cooperation with Local Communities  
 Hands-on Environmental Education for the Next Generation

### Next Generation

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Houses and the Environment Learning Program  
 Chemistry Classroom Project  
 Chemistry Classroom for Children  
 Science and Engineering Classroom  
 Science Courses  
 Promotion of Next-Generation Environmental Education through an Environment-Related Painting Contest  
 Innovation Inspired by Nature Research Support Program

### Local Communities

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

## Performance Data

### Major Activities Contributing to the Environment Conducted or Participated in During Fiscal Year 2019 (Excerpt)

#### Domestic

##### Domestic Production Sites and Research Institutes

Business site involved in the activities	Activity program contents	Coordination / cooperation
Hokkaido Sekisui Heim Industry Co., Ltd. Sekisui Chemical Hokkaido Co., Ltd.	Life observation event at the on-premises biotope	Shimafukuro Environmental Research Society, Ministry of the Environment Hokkaido Regional Environmental Office
Tohoku Sekisui Heim Industry Co., Ltd.	Minamizao beech tree-planting activities	The Society to Conserve Beeches & Water of ZAO
Sekisui Heim Industry Co., Ltd. Tokyo Office Sekisui Chemical Co., Ltd. Musashi Plant	Greenery Trust, environmental awareness and preservation activities related to Kurohamauma and the surrounding area	Society for Preservation of Kurohamauma Nature and Surroundings, etc.
Sekisui Heim Industry Co., Ltd. Chubu Site	Omotehama environmental conservation activities with a children's group (flora and fauna observation, cleaning activities)	Toyohashi Museum of Natural History
Chushikoku Sekisui Heim Industry Co., Ltd.	Forest conservation activities in the city of Akaiwa	Akaiwa City (Forest creation agreement in coordination with businesses)
Toto Sekisui Co., Ltd. Ota Plant	Conservation activities at Yadai Jinnuma spring pond in cooperation with the local area	Residents of Onecho, Ota City and various organizations
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; Kurimidezaikecho, Higashiomi, Shiga
Higashinohon Sekisui Industry Co., Ltd. Head Office Sekisui Chemical Co., Ltd. Gunma Plant	Gunma Children's Nature Academy (Birdhouse Making and Environmental Education)	Shimofuchina 6-ku Healthy Development Society

Business site involved in the activities	Activity program contents	Coordination / cooperation
Higashinihon Sekisui Industry Co., Ltd. Watari Office	Tree-planting activities in the Arahama coastal forest areas	The Society to Conserve Beeches & Water of ZAO
SEKISUI SEIKEI, LTD. Chiba Plant	Coastal forest tree-planting activities at Kujukurihama	NPO The Life style Research Institute of Forests
SEKISUI SEIKEI, LTD. Kanto Plant	Watarase Reservoir conservation activities (flora and fauna observation event)	Watarase Mirai Foundation
SEKISUI NANO COAT TECHNOLOGY, CO., LTD.	"Ho-no-Kuni Everyone's Forest" conservation activities in the Toyo River headwaters	Honokuni Forestry Association
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'n People Project Organization
Sekisui Taga Kako Co., Ltd. Sekisui Chemical Co., Ltd. Taga Plant	Biwa Lake lakeshore and Inukami River cleaning activities	The University of Shiga Prefecture WasteBusters
Sekisui Chemical Co., Ltd. R&D Institute	Minase Children's Nature Academy (riverside flora and fauna observation event)	Shimamoto Kankyo Mirai Network, etc.
Sekisui Chemical Co., Ltd. Tsukuba Office	Conservation activities (rice patty activities) in the Kasumigaura headwaters in the Mt Tsukuba foothills	Tsukuba Kankyo Forum

## Housing Companies

Business site involved in the activities	Activity program contents	Coordination / cooperation (outside the company)
Hokkaido Sekisui Heim Group	Forest conservation activities at Mt. Shirahata (Tree-planting activities)	Hokkaido Forestry and Greenery Association
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
Tokyo Sekisui Heim Group	Woodland conservation activities in the Mt Tsukuba foothills (woodland maintenance)	Tsukuba Kankyo Forum
Sekisui Heim Kinki Group	Woodland Conservation Activities at Kaseyama (bamboo forest maintenance)	Kizugawa City, Kizugawa Area Coordinated Preservation Activity Support Team
Sekisui Heim Chubu Group	Conservation of human settlement-adjacent mountain ecosystems in the Higashiyama neighborhood of Nagoya (bamboo forest maintenance)	Nagoya Higashiyama Forest Creation Association
Sekisui Heim Chushikoku Group	Woodland conservation activities in Mt Misao Park (bamboo forest maintenance)	Okayama City Park Association, Mt. Misao Park Satoyama Center
Sekisui Heim Kyushu Group	Forest conservation activities involving <i>Sinomenium acutum</i> around rice paddies in the city of Ukiha (afforestation activities)	Ukiha City, Ukiha Mountain Village Preservation Association
Sekisui Heim Kinki Co., Ltd. Wakayama Branch	Forest conservation activities in Hidakagawa-cho mountain forests (Tree-planting activities)	Kicyushinrinkumiai Hidakagawa-cho, Wakayama Prefecture

## Overseas

### Overseas Production Sites and Research Institutes

Business site involved in the activities	Activity program contents	Coordination / cooperation
SCG-SEKISUI SALES CO., LTD. SEKISUI-SCG INDUSTRY CO.,LTD. SEKISUI HEIM REAL ESTATE (THAILAND) CO.,LTD. SEKISUI S-LEC (THAILAND) CO.,LTD. SEKISUI SPECIALTY CHEMICALS (THAILAND) CO.,LTD. THAI SEKISUI FOAM CO.,LTD. S AND L SPECIALTY POLYMERS CO.,LTD. SEKISUI CHEMICAL (THAILAND) CO.,LTD. SEKISUI SOUTHEAST ASIA CO.,LTD. SEKISUI POLYMATECH (THAILAND) CO.,LTD. SEKISUI POLYMATECH TRADING (THAILAND) CO.,LTD. SEKISUI PLANT (THAILAND) CO.,LTD.	Chonburi mangrove tree-planting activities (Thailand)	Marine and Coastal Resources Bureau, Ministry of Natural Resources and Environment (Thailand) Sekisui Plastics (Thailand) Co.,Ltd., SEKISUI JUSHI (THAILAND) CO.,LTD.
SEKISUI DLJM MOLDING PVT LTD.	Painting contest (India)	Echoor High School
SEKISUI VOLTEK LLC.	Cleanup activities (US)	Optimus Park
SEKISUI DIAGNOSTICS P.E.I. INC.	Tree-planting activities and sand dune restoration (US)	Island Nature Trust
SEKISUI S-LEC MEXICO S.A de C.V.	Tree-planting activities (Mexico)	Anatani Foundation

### Major Activities Contributing to Society During Fiscal Year 2019 (“Next-generation” and “Local Communities”)

Programs	FY2019 Results				Achievements Up Until Now			
	Number of implementations	One times	Number of participants		Total number of times implemented		Total number of participants	
Heart+Action				16		60		1,051
TABLE FOR TWO	Number of implementing business sites	12 business sites	Number of school lunches provided to developing countries	24,507	Number of implementing business sites	12 business sites	Total number of school lunches provided to developing countries	238,899
							Tohoku food assistance*	649,910 yen
TABLE FOR TWO vending machines	Number of implementing business sites	One business site	Number of school lunches provided to developing countries	5,169	Number of implementing business sites	One business site	Number of school lunches provided to developing countries	31,762
Houses and the Environment Learning Program	Number of implementing schools	17 schools	Number of participating students	1,907	Total number of implementing schools	174	Total number of participating students	Approximately 19,980
Chemistry Classroom	Number of implementations	31 times	Number of participating students	2,783	Total number of times implemented	280	Total number of participating students	30,654
BOOK MAGIC	Number of implementations	Ten times	Donation amount	162,307 yen	Total number of times implemented	130	Amount of donation	1,162,045 yen

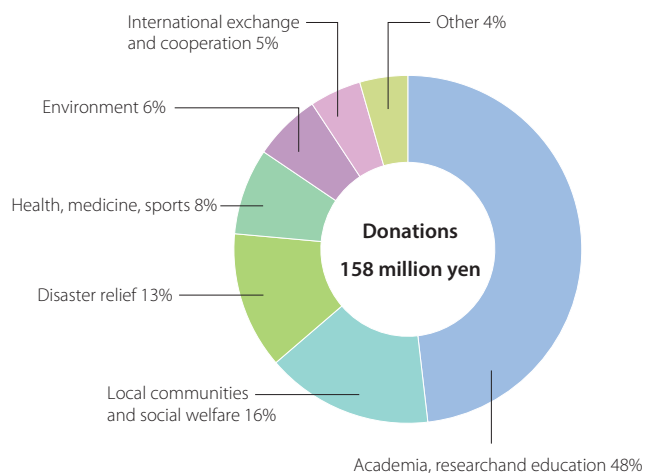
\* Tohoku food assistance was provided from April 2013 to December 2014.

### Details of Donation Activities in Fiscal 2019 (Sekisui Chemical Group)

(Unit: thousands of yen)

Type of Donation	Total Amount
Donations	158,144
Employee volunteers	124,992
Donations of goods	411
Administrative costs	27,090

### Breakdown of Cash Donations in Fiscal 2019



# Environment

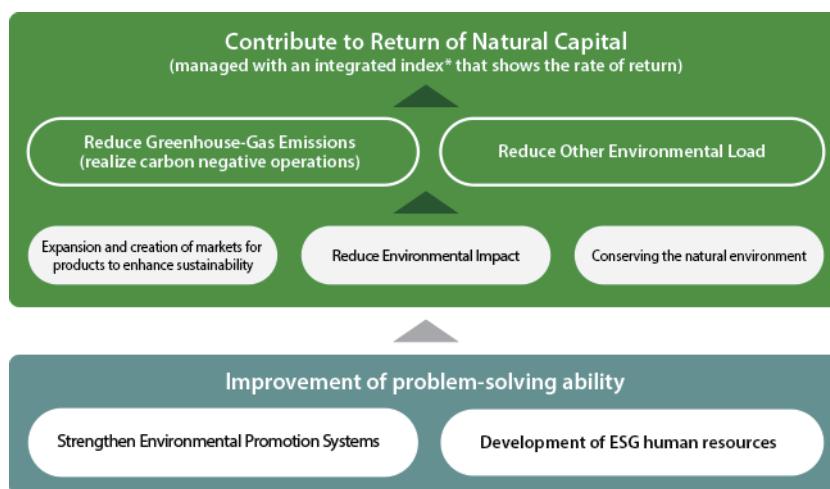
## Developing Personnel Who Engage in Environmental Activities as a Part of Efforts to Conserve the Natural Environment in Various Regions Around the World

### Management Approach

#### Basic Concept

### Promoting Conservation of the Natural Environment

Sekisui Chemical Group promotes environmental conservation to realize the “earth with maintained biodiversity” called for in “Sekisui Environment Sustainability Vision 2030.” Based on this policy, employees are now engaged in activities for conserving the natural environment around the world. These activities for conserving the natural environment by employees are considered by the group to be an effective means of achieving the vision, bolstering the organizations required to conduct the activities, and fostering human resources adept at engaging in environment-related activities. Since fiscal year 2013, the group has held “SEKISUI Environment Weeks,” which are meant to be attended by all employees at all business sites, has helped to raise the activities spearheaded by business sites to whole new levels, where they are conducted in partnership with local communities, and has otherwise expanded the range of activities engaged in.





Major Initiatives

Initiatives of Sekisui Chemical Group

**Mangrove Planting Activities in Thailand and the Collection of Marine Plastic waste**

Sekisui Chemical Group is engaged in mangrove tree-planting activities as part of its efforts to revitalize and maintain mangrove ecosystems in Thailand and contribute to local communities.

Sekisui Chemical Group held its ninth round of mangrove tree planting activities in Chonburi Province, Thailand in fiscal 2019. There were 177 participants, including local individuals active in tree-planting efforts and employees of the Group's 12 business with locations in the country and their families.

On the day of the event and before the start of activities, the Chairman of Thailand's National Economic and Social Development Board as well as the Department of Marine and Coastal Resource's officer in charge of the protection of mangrove forests gave an important talk to participants regarding the importance of mangrove ecosystems in the global environment, the significance of mangrove tree-planting activities, and the issue of plastic waste. The participants then moved to the planting site and waded deep into the mud to plant about 2,000 seedlings.

The activities also included the collection of a substantial number of empty bottles and plastic waste from the sea.



Employees and their families participating in mangrove tree-planting activities



Participants in the mangrove tree-planting activities



**Forest Preservation Activities by Our Housing Company**

**Woodland Conservation and Afforestation Activities**

In fiscal 2019 our Housing Company continued to carry out forest preservation activities, as well as afforestation and a number of other efforts performed to protect the environment.

**Woodland conservation activities (Tokyo Sekisui Heim Group/woodlands on the Mt. Tsukuba foothills)**

Having gained the cooperation of the Tsukuba Kankyo Forum, an NPO, in April 2019 Tokyo Sekisui Heim Group carried out conservation efforts to protect the mixed-species forest of the Mt. Tsukuba foothill woodlands, thus helping to recharge the Kasumigahara watershed. Participating employees worked at the direction of the NPO by performing maintenance activities such as clearing brush, and learned about how human hands can facilitate the penetration of sunshine that preserves the woodland environment. They also observed aquatic life such as the eggs of a species of red frog (*rana japonica*) and water scorpions (*laccotrephes japonensis*) in a rice paddy prior to planting. They came away from the experience with a keen awareness that woodlands function to nurture a diverse array of life.

In appreciation of how this hands-on experience made employees think of the relationship between urban areas and woodlands, they will continue to perform activities that contribute to their local community.



Preservation activities in a mixed-species forest (clearing brush)



Observing Woodland Life and Environmental Education



Top Message	ESG Management	Overview of Sekisui Chemical Group	<b>Sekisui Chemical Group's Sustainability</b>	Governance	DX
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In fiscal 2019 we continued to work on environmental preservation activities, not just by the Tokyo Sekisui Heim Group, but all of the Sekisui Heim companies.



Hokkaido Sekisui Heim Group  
Mt. Shirahata conservation activities  
(Sapporo City)



Sekisui Heim Tohoku Group  
Coastal forest restoration /tree-planting activities  
(Yamamoto-cho, Miyagi Prefecture)



Sekisui Heim Chubu Group  
Conservation of human settlement-adjacent  
mountain ecosystems in the Higashiyama  
neighborhood (Nagoya City)



Sekisui Heim Kinki Group  
Mt. Kaseyama conservation activities  
(Kizugawa City)



Sekisui Heim Chushikoku Group  
Woodland Preservation Activities on Mt. Misao  
(Okayama City)



Sekisui Heim Kyushu Group  
Conservation of rice paddy-adjacent mountain  
ecosystems (Ukiha City)



Top Message	ESG Management	Overview of Sekisui Chemical Group	<b>Sekisui Chemical Group's Sustainability</b>	Governance	DX
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## Afforestation Activities in Local Communities (SEKISUIHEIM KINKI CO., LTD. /Hidakagawa-cho, Wakayama Prefecture)

In January 2019, the Wakayama Branch of SEKISUI HEIM KINKI CO., LTD. entered into a five-year agreement with Wakayama Prefecture and Hidakagawa-cho covering forest conservation and management. Under the agreement, the Wakayama Branch of Sekisui Famis Kinki Co., Ltd. will work collaboratively at forest preservation activities in "SEKISUI HEIM no MORI WAKAYAMA."

Activities undertaken in May and November of 2019 included planting the saplings of native tree species (approximately 500 trees), such as konara oak (*quercus serrata*) and ubame oak (*quercus phillyraeoides*), the source of high-quality Kishu charcoal. Together with contributing to the preservation of the area's natural environment as a member of the local community, these activities will lead to increased environmental awareness among employees.



Signing ceremony for the forest preservation and management agreement (January 31, 2019)



Conducting tree planting, underbrush clearing activities



**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 the Kinki region's natural environment, working in collaboration with the local community. While a myriad of environmental problems exist in the region, in fiscal 2019, we endeavored to continue as a corporate citizen by offering our support for solutions.

**Cleanup Activities in the Vicinity of Lake Shinji (Sekisui Seikei, Ltd., Izumo Plant, Izumo City)**

Every year employees and their families take part in concerted cleanup activities sponsored by five cities, located along the shores of Lake Shinji and Nakaumi Lagoon, which are registered with the Ramsar Convention on wetlands.



**Eradication of invasive aquatic grasses in the Shinmachi River (SHIKOKU SEKISUI CO., LTD./ Saijo City)**

In collaboration with the local NPO Saijo Nature School, four times a year SHIKOKU SEKISUI CO., LTD. employees work to eliminate Canadian waterweed (*Elodea nuttallii*), water speedwell (*Veronica anagallis-aquatica*) and other invasive species, and takes action to preserve indigenous species such as curly-leaf pondweed (*potamogeton crispus*).



**Woodland Preservation Activities in Kyoto's Sen Forest (Sekisui Chemical Co., Ltd. Shiga-Minakuchi Plant/Koka City)**

In the Dosenbo area on the highlands of Kyoto's Minamiyamashiro Village, employees and veteran staff worked together with people from the region to maintain mixed-species forests and develop foot paths, making efforts to preserve woodlands.





## 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.

### Kyusyu Sekisui Children's Nature Academy (Kyushu Sekisui Industry Co., Ltd./ Kanzaki City)

In partnership with Chiyodatobu Elementary School located in the Kinki region, in November 2019 Kyushu Sekisui Industry Co., Ltd. invited second-grade students to "Country Woods," its on-site biotope, and held the Kyusyu Sekisui Children's Nature Academy, so students could gather to make observations of living organisms.

This observation event is driven primarily by the "Biotope Committee," an internal entity comprised of employees who developed the event's program and carries out the day's activities. Based on the guidance of the event's instructor, Committee members serving as leaders convey to the children the mysteries of life and the importance of being close to nature. The children discovered Japanese grass lizards (lacertids), 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.



Getting together to observe living organisms at the biotope "Country Woods"

Note: Sekisui Chemical Group has held the Sekisui Nature Academy as environmental training for employees since fiscal 1997 to nurture leaders in nature preservation activities.

## Observing living organisms and checking water quality at Nitanda River (Sekisui Heim Industry Co., Ltd. Kanto Site/ Kasama City)

As an extracurricular class of the compulsory education school, the nearby elementary school Kasama Municipal Minami Gakuen, employees and fifth grade students carried out aquatic insect observation and a water quality survey at the Nitanda River (a tributary of the Hinuma River) using simplified test kits.



At the extracurricular class

# 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 provide educational programs for elementary, middle and high school students that leverage our business activities. 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 conducts 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 year 2007 in which employees make use of their knowledge to teach about homes and the environment at schools. This is a new type of class where Sekisui Chemical Group employees work alongside teachers. The classes are carefully designed to let the students experience the building of environmentally friendly homes using models while thinking about the layouts and other aspects of the homes through group discussions; and the students learn about the role that homes play in our lives and about the impact that our lives have on the environment. In fiscal 2019, classes were offered at 17 junior high schools and high schools in the Kanto, Kansai, Chubu, and Kyushu areas. 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 teachers 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.” A total of 1,907 students participated in the classes in fiscal 2019.



Children assembling model housing kits



## High Performance Plastics Company Initiatives Chemistry Classroom Project

At the High Performance Plastics Company, the “Experiment-based Support Class” for middle school students have been conducted since fiscal 2008. For this program, volunteers from the Minase Office designed the classes along with the middle school teachers and provided a program that was not just interesting but also easy to understand, by linking to the school’s curriculum units. The “Children’s Experiment Classrooms” for elementary school students are also conducted using the Company’s products. In fiscal 2019, a total of 2,783 elementary and middle school students experienced the fun and usefulness of science through these programs.

In addition, the Company created its first program for high school students and held classes at Sakata Koryo High School in Yamagata Prefecture in fiscal 2019. In line with the desire of teachers to allow their students to experience how the properties of synthetic polymer compounds emerge from their chemical structures, the Company used polyvinyl alcohol and other water-soluble plastics produced by the Company to carefully design the classes in a way that would deepen the understanding of the students.

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



A view of the experiment



In-class explanations by employees of Sekisui Chemical Co., Ltd.

## High Performance Plastics Company Initiatives Chemistry Classroom for Children

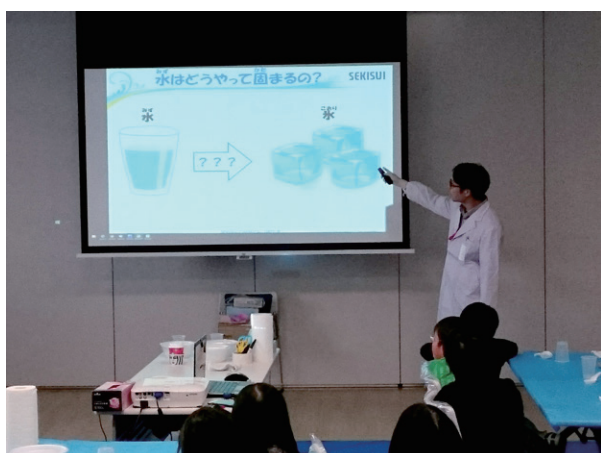
At the Sekisui Chemical Co., Ltd., Shiga Minakuchi Plant, the “Challenge! Chemistry Classroom for Children” initiative for elementary school students in the local city of Koka is being carried out with the goal of revitalizing the local area and supporting the development of the children.

Although these activities have been held every year on a limited basis restricted to the families of employees since 2009, the Company partnered with a welfare organization in Koka, Shiga prefecture (Japan Workers’ Co-operative Union Center) starting in fiscal year 2016 and has included them in a children’s event hosted by this organization so that more children could participate and experience the depth of science and the fun of experiments for themselves.

At the Company’s 4th exhibition at the children’s event in fiscal 2019, the Company conducted an experiment called “Let’s Make Strange Ooho Water That Can Be Held by Hand” under the concept of “See, Touch, and Enjoy Chemistry.” This chemistry experiment immerses an aqueous sodium alginate solution in a calcium lactate solution, which drives a cross-linking reaction to form a gel film that adheres to the surface of water and enables it to be held by hand. Many of the children shouted excitedly and asked lots of questions, and the experiment was well-received.

The employees who participated as staff tried to come up with a way to explain the experiment content in a simple way that anyone could understand through trial and error, finally developing an explanation covering aspects ranging from the structure of the compounds on the molecular level to the cross-linking reaction using lots of illustrations. Many of the employees stated that the experience of communicating with a different generation in this way gave them feelings of “achievement and satisfaction.”

We hope to continue providing academic support through even better content in the future, encouraging the children who participate to take an interest in chemistry.



Using illustrations to explain the experiment to children in an easy to understand way



Experiment for making strange Ooho Water

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## 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. Classes have been implemented for a total of 2,238 students in the program since 2013 (216 of them in fiscal 2019).

We held a program for 9th grade middle school students in fiscal 2019 called “Blueprints of Life: Exploring the Secrets of DNA,” a developmental lesson from the textbook. In addition to having the students actually extract DNA from broccoli and observing it with their own eyes, this program helped the students understand the importance of the link between medicine and society. The program was also held as an activity that recognized career education, and thus provided time for lecturers to speak about why they joined Sekisui Medical Co., Ltd., after the class. Sekisui Medical Co., Ltd., plans to continue these activities.



An employee serving as a lecturer and providing an explanation



Students performing experiments while being advised by employees

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## Urban Infrastructure & Environmental Products Company Initiatives

### Science Courses

At SHIKOKU SEKISUI, a science course on the theme of “substances around us” is being implemented for 7th graders at a neighboring middle school. This initiative has been implemented every year since fiscal year 2009 in response to a request from the local middle school in response to children’s decreasing interest in the sciences, “as professionals in the field, please help us increase students’ interest in science, even in a small way.”

In fiscal 2019, classes and a plant study tour were held for 7th grade middle school students (49 students) at Saijo Municipal West Middle School. After an experiment using plastic conducted as part of the “substances around us” lesson for 7th grade students, they were also invited on a study tour of the plant. During the tour, the participating students saw the actual production line for plastic products up close, felt the raw materials used for plastics as well as the finished products, and experienced the sight of a manufacturing facility for themselves, a rarity in their daily lives.

We will continue these activities in the future with the goal of increasing the next generation of children’s interest in MONOZUKURI (manufacturing).



Plant study tour



An employee providing advice on the process for the experiment



**Sekisui Chemical Initiatives**

**Promoting Environmental Education for the Next Generation Through an Environment-related Painting Contest**

As one of its initiatives to promote environmental education for the next generation, Sekisui Chemical supported the “23rd National Elementary and Middle School Student Environmental Painting Contest” in fiscal 2019. This is a painting competition sponsored by the National Elementary and Middle School Environmental Education Research Society based on the idea of “wanting to create opportunities which will drive individual children to face environmental problems and take initiative,” and all elementary and middle school students in Japan are eligible to take part. The themes for the paintings in fiscal 2019 were “building a sustainable society together” and “protecting our rich natural environment nature together.”

The Company also selected “Sekisui Chemical Special Prize” winners to show approval for the ideas of the competition.

Note: National Elementary and Middle School Environmental Education Research Society  
<http://kankyoyoiku.jp/about/>

“Sekisui Chemical Special Prize” winners



Elementary School Division  
 Saitama Prefecture:  
 Satoe Gakuen Elementary School  
 Teppei Ito, 6th Grade



Middle School Division  
 Kanagawa Prefecture:  
 Sensoku Gakuen Middle School  
 Misuzu Sato, 9th Grade

Award-winning paintings can be viewed on the page below.

23rd National Elementary and Middle School Student Environmental Painting Contest Prize Winners  
<http://kankyoyoiku.jp/activity/553/>

# Innovations Inspired by Nature Research Support Program

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

To aid the utilization of scientific knowledge learned from nature and the workings of nature in invention, Sekisui Chemical Group has been running the “Sekisui Chemical Innovations Inspired by Nature Research Support Program” since fiscal year 2002 as a program in commemoration of the 55th year since Sekisui Chemical’s founding. In fiscal year 2019, research grants were provided for six “manufacturing” themes and six “fundamental research” themes, for a total of 12 grants from among 257 applications.

Examples of innovations inspired by nature research

Research findings relating to themes granted support as part of the “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)

## **FY2018 Support Themes**

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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](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>

## FY2019 Support Themes

### Manufacturing Theme

Name	Affiliated institution Position (Affiliations, positions, and so forth are those at the time of receiving the grant award)	Grant-Receiving Research Theme
Tetsuo Morita	Professor, Faculty of Engineering, Maebashi Institute of Technology	"Compact urban development" in preparation for the next major natural disaster; learning from natural disasters and their history
Hiroshi Yabu	Associate Professor, Advanced Institute for Materials Research (AIMR), Tohoku University	Creation of catalytic carbon materials learned from marine life
Hisashi Yamamoto	Professor, Head of Research Institute, Frontier Research Institute, Chubu University	Development of innovative peptide synthesis methods
Nobuo Kimizuka	Professor, Faculty of Engineering, Kyushu University	Development of innovative photon upconversion molecular laminated materials learned from photosynthetic thylakoid membranes
Takuji Koike	Professor, Graduate School of Informatics and Engineering, The University of Electro-Communications	Pest control utilizing the vibration responses of organisms and development of crop cultivation promotion methods
Tetsushi Taguchi	Group Leader, Biopolymer Group, Research Center for Functional Materials, National Institute for Materials Science (NIMS)	Design and functions of surgical adhesives learned from temperatures of living things and collagen denaturing properties

## Fundamental Research Theme

Name	Affiliated institution Position (Affiliations, positions, and so forth are those at the time of receiving the grant award)	Grant-Receiving Research Theme
Midori Arai	Associate Professor, Faculty of Pharmaceutical Sciences, Active Structural Chemistry Laboratory , Chiba University	Creation of new immune-suppressants learned from how invasions of pathogenic microorganisms evolve
Norikazu Ichihachi	Professor, Graduate School of Arts and Science, The University of Tokyo	Development of new artificial enzyme evolution method using artificial cells
Muneyuki Matsuo	Project Researcher, Department of Creative Research , Exploratory Research Center on Life and Living Systems (ExCELLS) , National Institutes of Natural Sciences (NINS )	Creation of self-organizing soft materials that learn from biological intracellular liquid-liquid phase separation
Shunsuke Shigaki	Assistant Professor, School of Engineering Science, Osaka University	Construction of spatial cognitive system that utilizes chemical sensing learned from the active sensing of insects
Shigeru Kondo	Professor, Graduate School of Frontier Biosciences , Osaka University	Creating new manufacturing principles from understanding the mechanism of Japanese spiny lobster morphogenesis
Kenjiro Tanakuma	Associate Professor, Graduate School of Information Sciences, Tohoku University	Research and development of an ultra-comprehensive deployable robot hand mechanism learned from the structure a ribbon worm uses to evert its proboscis.

## The recipients of the Fiscal Year 2019 Innovation Inspired by Nature Research Support Program





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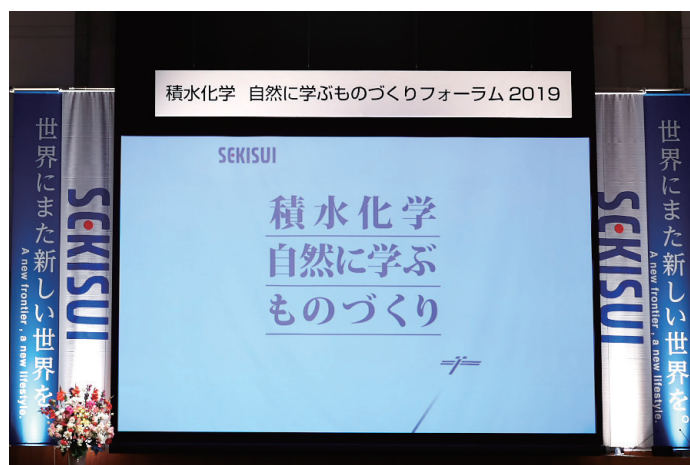
## ■ Holding of the Innovations Inspired by Nature Forum

Sekisui Chemical Group considers the environment to be a core aspect of management and is contributing to efforts aimed at building a sustainable society with the goal of resolving environmental problems and the social problems which result from them.

The Innovation Inspired by Nature Forum is held to report the results of the Innovation Inspired by Nature Research Support Program, which gives grants to research that utilizes foundational science knowledge learned from nature and the functioning of nature in innovation, as well as to promote research exchanges among the involved researchers, the graduate students who will be the researchers of tomorrow, and others.

At the Fiscal 2019 Innovation Inspired by Nature Forum we welcomed Professor Emeritus Yoshinori Ohsumi from Tokyo Institute of Technology, the 2016 Nobel Prize Laureate in Physiology or Medicine, who presented a lecture on the importance of curiosity-based foundational research. There were also lectures based on examples of innovation inspired by nature and presentation sessions by fiscal 2018 research grant recipients and others.

### Innovations Inspired by Nature Forum 2019



## Lectures

**Looking back on 30 years of autophagy research  
Progress of research techniques**



**Yoshinori Ohsumi**  
Professor Emeritus Tokyo Institute of Technology

**Spherical concretion science**

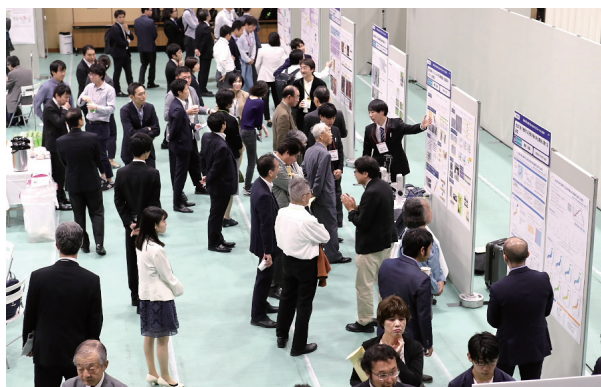
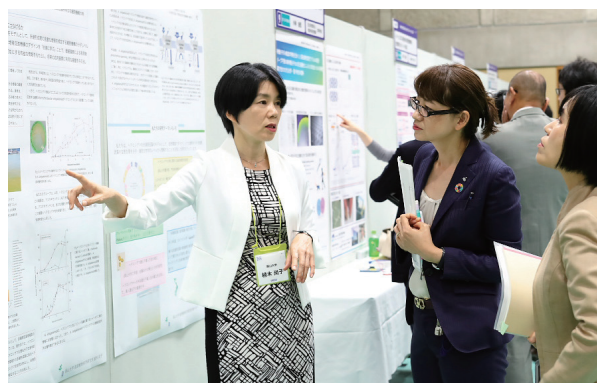
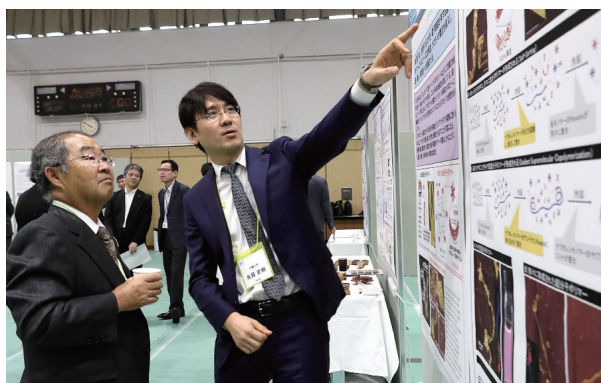


**Hidekazu Yoshida**  
Professor Nagoya University

## Poster Presentation Sessions and Research Exchanges

A valuable opportunity to come into contact with the forefront of “innovations inspired by nature”

- Announcement of grant research theme results (fiscal year 2018 grant themes)
- Introduction of Sekisui Chemical’s business and research and development structure, environmental initiatives



# Local Communities

**As a Company, We Aim to Engage with the Local Communities Which We Are a Part of.**

## 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 engages in social contribution activities to help solve issues faced by local communities, such as creating safe and secure cities in collaboration with local communities and support programs that assist developing countries.

## 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. Faced with these issues in the region, 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. We welcomed 1,696 elementary and junior high school students in fiscal 2019. 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 explaining to students participating in s social studies field trip



## Initiatives of the Housing Company

### Activities to Improve Civic Order in Regions

The Housing Company believes that it is essential that it contribute to resolving societal problems, such as by offering housing that is robustly built to survive natural disasters and decked out in ways that help prevent crime, and working on urban-development initiatives that allow residents to leave in peace, as well as on initiatives to deter crime. The Housing Company is thus engaged in activities that contribute to society in cooperation with prefectural police forces throughout Japan.

The main action pursued is to create agreements for support and cooperation between Sekisui Heim sales companies throughout the country and local police forces. The Housing Company also participates in various events, distributes goods themed around crime prevention and traffic safety, and donates to groups that offer assistance to victims of crimes.

We are carrying out specialized initiatives for each local area. Some specific examples include distribution of materials such as specialized fraud damage prevention flyers, the production of posters (in Japanese and English) warning people against theft at ski resorts, the use of residential exhibition areas as “#110 Emergency Homes for Children,” and traffic safety education activities in the streets.

We have created a pamphlet describing these activities and makes use of it as a communication tool both within the Company and for the general public.



Distribution of specialized fraud damage prevention flyers



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



Participation in Ueno Police Department traffic safety events Tokyo Sekisui Heim Co. Ltd.



Posters (in Japanese and English) warning people against theft at ski resorts Sekisui Heim Shinetsu Co., Ltd.

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Pamphlet describing the Housing Company's social contribution activities  
(Issued in April 2018)

**Initiatives of Sekisui Chemical Group**

**Support activities for underprivileged children in Thailand**

The Group engages in activities that reflect a strong consciousness and commitment toward contributing to society at Sekisui S-Lec (Thailand).

In fiscal 2019, Sekisui S-Lec (Thailand) donated items to the Baan Nokkamin Foundation in Thailand to help underprivileged children, homeless, and orphans. The foundation operates 11 children's homes in five provinces in Thailand and provides nursing homes, drug rehabilitation centers, day care centers and 100 educational scholarships for orphans.

After a call to its employees for donations by Sekisui S-Lec (Thailand), a large number of goods were collected and donated, including 15 bags of clothes, 6 bags of toys and sports equipment, and 50 bags of electrical appliances.



Donated items collected



Employees loading donated items onto trucks

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## 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\* (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 2019, 12 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, Kinki Sekisui Heim, Co., Ltd., Kyushu Sekisui Heim Industry, Co., Ltd., Sekisui Board, Co., Ltd., and the Ota Plant of Toto Sekisui Co., Ltd. In fiscal 2019, approximately 500,000 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 5.9 million yen.

#### \* 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.

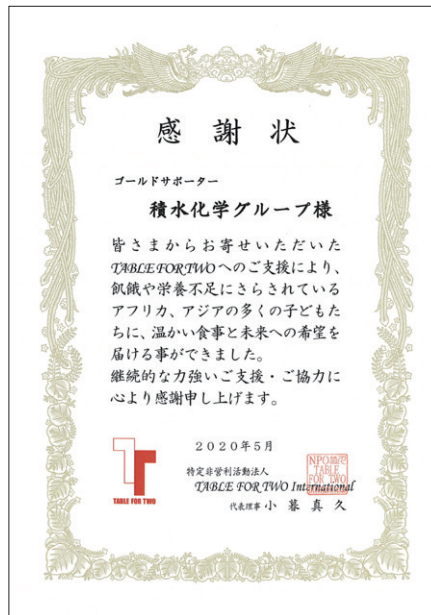
## Initiatives of Sekisui Chemical Group

### 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. 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 50,000 yen in fiscal 2019.

## A letter of appreciation as a “Gold Support” presented to Sekisui Chemical Group from the specified nonprofit corporation TABLE FOR TWO International

Once again in fiscal 2019, Sekisui Chemical Group received a letter of appreciation from the specified nonprofit corporation TABLE FOR TWO International recognizing the Group as a “Gold Supporter” for its TABLE FOR TWO activities. 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 160,000 yen was donated in fiscal 2019.



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.

In fiscal 2012, we further expanded these programs by 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 the one of the many 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.”

### Overview of Each Program

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#### 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

# 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

### Declaration of Support for the Task Force on Climate-related Financial Disclosures (TCFD) and Information Disclosure Based on Its Recommendations

Sekisui Chemical Group declared its support for the TCFD\*<sup>1</sup> in January 2019. The Group began disclosing information\*<sup>2</sup> based on TCFD recommendations from July 2019.

By promoting information disclosure\*<sup>2</sup> based on TCFD recommendations, the Group will build a sustainable management foundation including relationships of trust with its stakeholders going forward.

\*<sup>1</sup> The TCFD recommends that companies analyze the impact of climate change on their financial status and disclose information about their strategies to respond based on those impacts.

\*<sup>2</sup> Information Disclosure based upon on the TCFD Statement of Support  
[https://www.sekisuichemical.com/csr/assets/images/csr\\_tcfde.pdf](https://www.sekisuichemical.com/csr/assets/images/csr_tcfde.pdf)

## Major Organizations

### 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
Japan Chemical Industry Association	Director and Vice Chairman
The Japan Plastics Industry Federation	Director
Kansai Chemical Industry Association	Chair
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
Consortium for Building Research & Development	Vice Chair
The Provision of Quality Housing Stock Association (SumStock)	Vice Chair
Japan Adhesive Tape Manufacturers Association	Chair
Environmentally Symbiotic Housing Promotion Council	
New Energy Foundation	
Elderly Service Providers Association	
Smart Wellness Housing R&D Consortium	
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	
Japan Initiative for Marine Environment (JaIME)	
Japan Clean Ocean Material Alliance (CLOMA)	

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## Governance

Sekisui Chemical Group is committed to strengthening the governance function and to engage in corporate activities that help support the basis of LIFE and to continue to create “peace of mind for the future” in order to realize a sustainable society.

## Corporate Governance

Sekisui Chemical Group Has Put in Place Its Own Corporate Governance System That Reflects Its Divisional Company Organization System

### Management Approach

#### Basic Philosophy

#### 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 our corporate governance approach and initiatives to our stakeholders.

In addition to the above Principles, the status of the Company's initiatives and its approach with respect to all 78 items of 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, 2020)  
<https://www.sekisuichemical.com/about/outline/governance/pdf/20200624cgre.pdf>
- SEKISUI Corporate Governance Principles (June 10, 2020)  
<https://www.sekisuichemical.com/about/outline/governance/pdf/20200610cgpe.pdf>
- Initiatives to Each of Principles of the Corporate Governance Code (June 24, 2020)  
<https://www.sekisuichemical.com/about/outline/governance/pdf/20200624cgje.pdf>

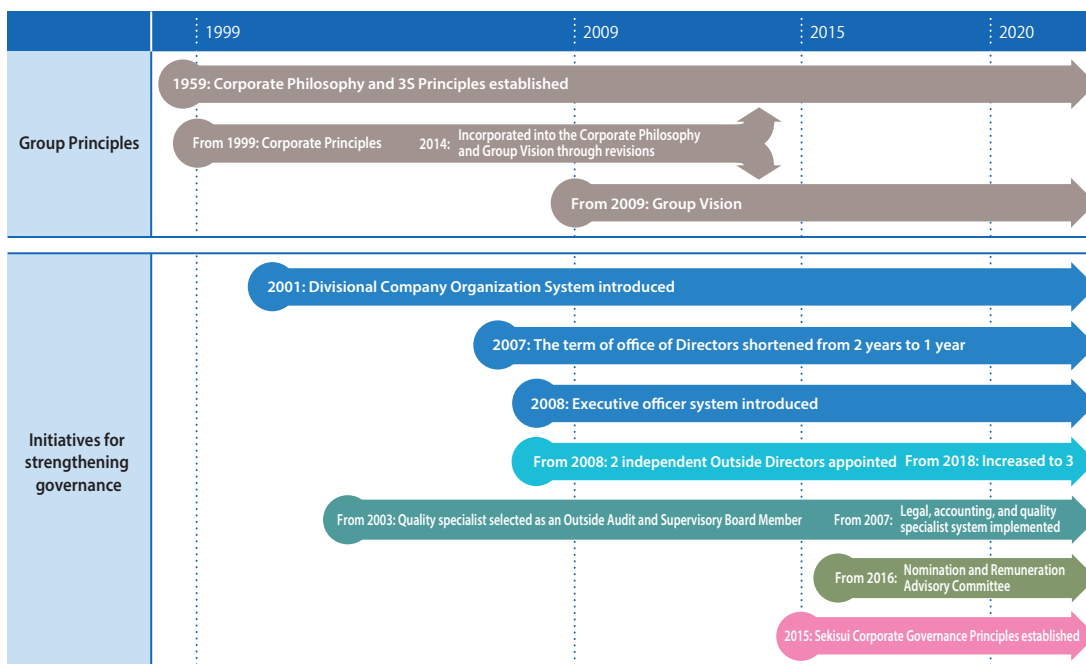
Corporate Governance

## Organizational Structure

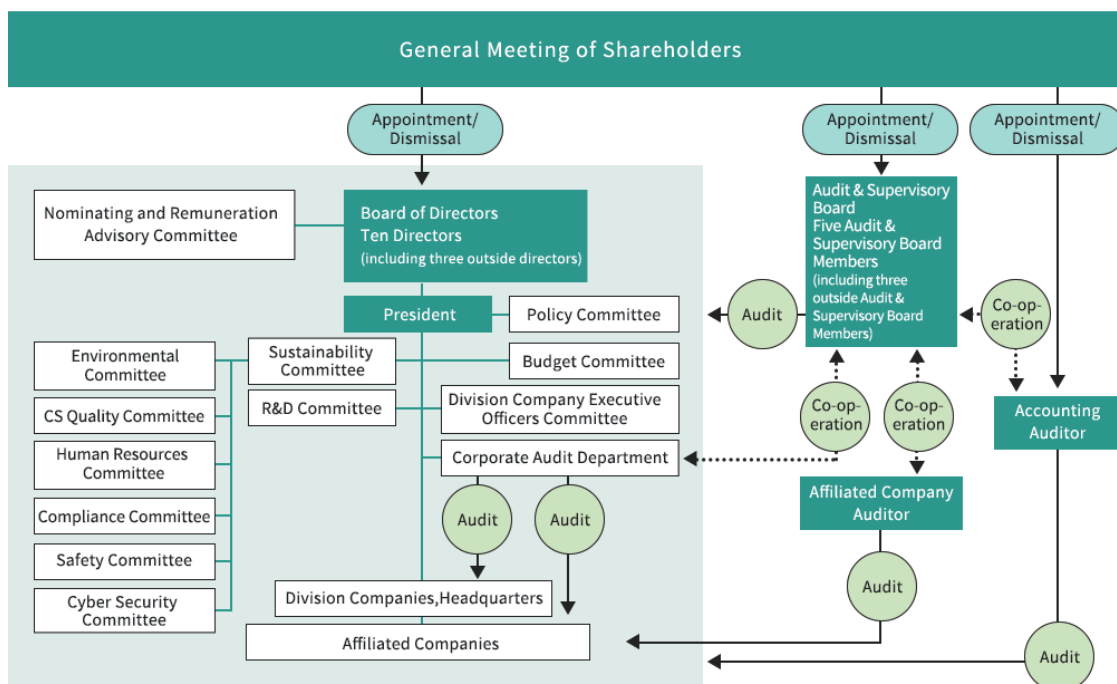
As an organizational structure under the Companies Act, the Company has chosen to be a company with Audit and Supervisory Board. Under the Divisional Company Organization System, the Company has adopted the Executive Officer System in order to clearly distinguish the business execution function from 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, 2020)



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## Board of Directors

### Roles and Responsibilities of the Board of Directors

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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, 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

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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. Following the change in the Company's president, 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, 2020)	Attendance of Board of Directors Meetings of the Company (Fiscal 2019)	Attendance of Audit and Supervisory Board Meetings of the Company (Fiscal 2019)	Attendance of Nominating and Remuneration Advisory Committee Meetings of the Company (Fiscal 2019)
Teiji Koge	Chairman of the Board and Representative Director	15 years	100% (17 out of 17)	—	100% (6 out of 6)
Keita Kato	President and Representative Director Chief Executive Officer	6 years	100% (17 out of 17)	—	100% (1 out of 1)
Yoshiyuki Hirai	Representative Director Senior Managing Executive Officer	5 years	100% (17 out of 17)	—	—
Toshiyuki Kamiyoshi	Representative Director Senior Managing Executive Officer	1 year	100% (13 out of 13)	—	—
Futoshi Kamiwaki	Representative Director Senior Managing Executive Officer	—	—	—	—
Hiroyuki Taketomo	Director Managing Executive Officer	4 years	100% (17 out of 17)	—	—
Ikusuke Shimizu	Director Managing Executive Officer	1 year	100% (13 out of 13)	—	—
Yutaka Kase	Independent Outside Director	4 years	94% (16 out of 17)	—	100% (6 out of 6)
Hiroshi Oeda	Independent Outside Director	2 years	100% (17 out of 17)	—	100% (6 out of 6)
Yoko Ishikura	Independent Outside Director	1 year	100% (13 out of 13)	—	100% (5 out of 5)
Toshitaka Fukunaga	Corporate Audit and Supervisory Board Member	—	—	—	—
Moritoshi Naganuma	Corporate Audit and Supervisory Board Member	3 years	100% (17 out of 17)	100% (18 out of 18)	—
Tetsuo Ozawa	Independent Outside Audit and Supervisory Board Member	6 years	94% (16 out of 17)	94% (17 out of 18)	100% (6 out of 6)
Kazuyuki Suzuki	Independent Outside Audit and Supervisory Board Member	5 years	100% (17 out of 17)	100% (18 out of 18)	—
Ryoko Shimizu	Independent Outside Audit and Supervisory Board Member	1 year	100% (13 out of 13)	100% (13 out of 13)	—

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
Teiji Koge	●				●		
Keita Kato	●	●		●		●	●
Yoshiyuki Hirai	●	●				●	
Toshiyuki Kamiyoshi	●						
Futoshi Kamiwaki	●	●					●
Hiroyuki Taketomo	●		●		●		
Ikusuke Shimizu	●			●		●	●
Yutaka Kase	●					●	
Hiroshi Oeda	●					●	
Yoko Ishikura	●					●	
Toshitaka Fukunaga				●			●
Moritoshi Naganuma		●					
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	5	4
	Women	0	0	0	0	1

Note: As of the end of the General Meeting of Shareholders held on June 23, 2020.

## 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.

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## Assessment Relating to the Board's Effectiveness

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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 2019, the Board of Directors thoroughly deliberated important management issues such as its Long-term Vision, new Medium-term Management Plan, growth strategies, including R&D, M&A, investment, and large new businesses, and fundamental strategies, including work style reform, digital transformation, and CS & quality. The Board also ensured that adequate time was provided to sufficiently discuss these issues and active participation and opinions and recommendations were actively provided by both outside and inside directors as well as Audit and Supervisory Board members.

The Nomination and Remuneration Advisory Committee made recommendations to the Board of Directors on such matters as director as well as Audit and Supervisory Board member nominations, individual performance, and remuneration levels. The Nomination and Remuneration Advisory Committee met six times, including to discuss the plan for the president's succession, the composition and effectiveness of the Board of Directors, and initiatives for strengthening governance.

In fiscal 2020, the Company will further enhance deliberations on important management issues and ensure fairness and transparency in the Company's management by making what the Board of Directors deem to be appropriate decisions.

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

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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 2019, outside directors visited the Kinki site of Sekisui Heim Industry Co., Ltd., which is advancing innovation in manufacturing at the Housing Company, and the headquarters Tsukuba Office, which is engaging in new technology development with a view to commercialization.

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## 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 2019 Executive Officers Liaison Meeting Lecture Topics

- Key Management Points~Basic Strategy of Nisshin Seifun Group
- Toward Realizing a Lifelong Society

### **| 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.

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## 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.

### Officer Remuneration in Fiscal 2019

(Amount: Millions of yen)

	Basic remuneration		Bonus		Share-based compensation		Total	
	Number of eligible officers (persons)	Amount	Number of eligible officers (persons)	Amount	Number of eligible officers (persons)	Amount	Number of eligible officers (persons)	Amount
Directors	13	311	6	136	6	54	13	502
(Of which outside directors)	4	41	—	—	—	—	4	41
Audit and Supervisory Board Members	6	93	—	—	—	—	6	93
(Of which outside Audit and Supervisory Board members)	4	34	—	—	—	—	4	34

Notes:

1. The number of eligible officers includes four directors and one Audit and Supervisory Board member who retired at the closing of the 97th Annual General Meeting of Shareholders held on June 20, 2019.
2. The amount paid to officers does not include the portion of employee's salary (including bonus) amounting to 46 million yen for directors who concurrently serve as employees.

⇒ Notice of Convocation of the Annual General Meeting of Shareholders

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

### Director Company Stock Ownership Guidelines

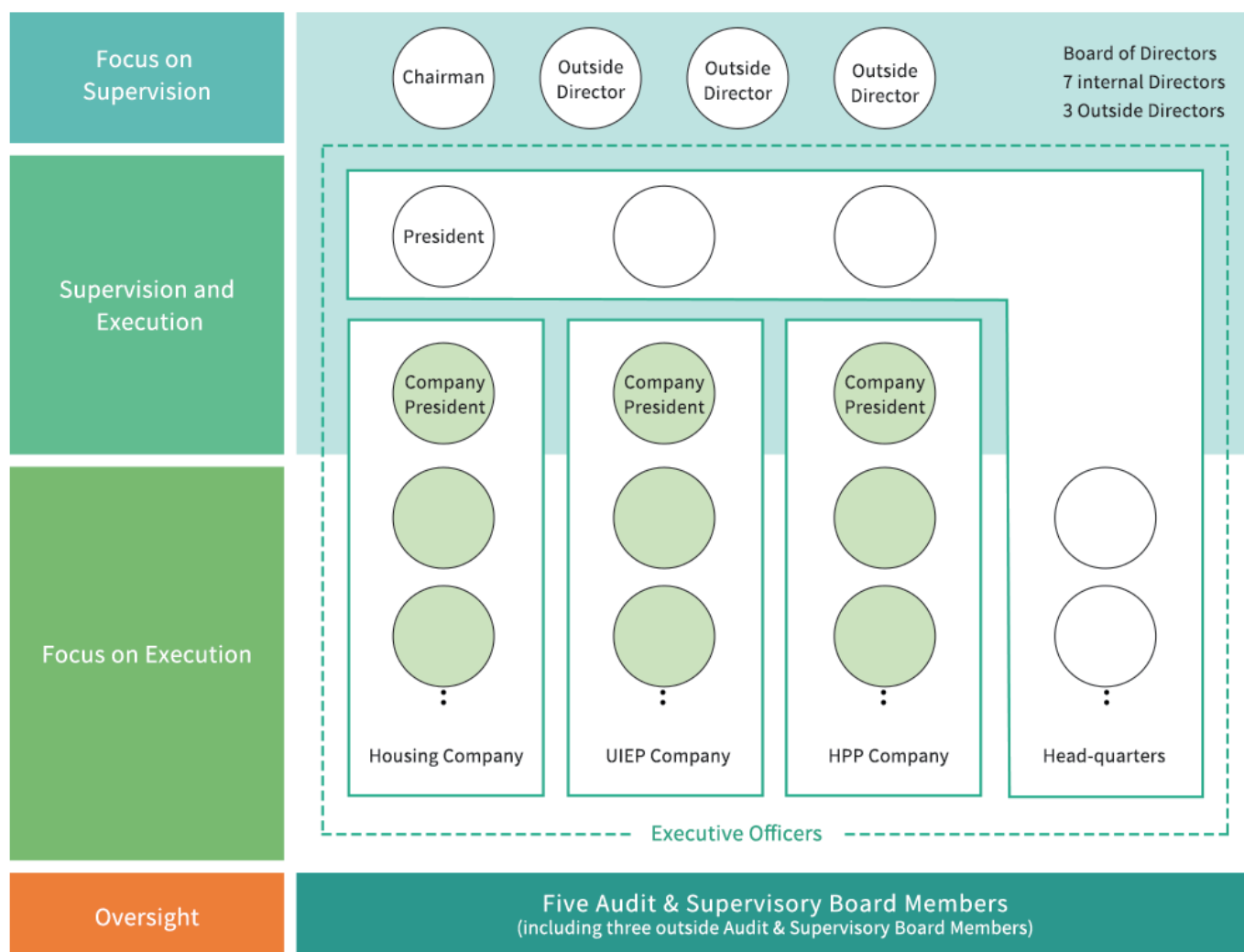
In addition to having introduced, for Directors (excluding Outside Directors) and divisional company Executive Officers, a share-based compensation plan to further raise motivation to contribute to the improvement of mid- and long-term business performance and improve the Group's corporate value, the 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





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## 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 Corporate Finance & Accounting Department and Head of Technology & CS Promotion Department have been appointed as full-time Corporate Audit and Supervisory Board Members in fiscal 2020.

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.

## Compliance

To further strengthen the Group's compliance activities, the Sustainability Committee, chaired by the president, deliberates the Fundamental Compliance Policies, which are subject to approval by the Board of Directors. In addition, the Compliance Sub-committee supervises compliance activities Group-wide, and conducts activities to highlight the importance of compliance as a fundamental aspect of our corporate culture.

Note: The name of the CSR Committee was changed to the Sustainability Committee on April 1, 2020.

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## Risk Management

Sekisui Chemical 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). Previously positioned within the Human Resources Department, the Risk Management Group was transferred to the ESG Management Department from April 2020. Steps will also be taken to establish a Group-wide enterprise risk management (ERM) structure.

In fiscal 2019, 175 task forces are working to reduce and eliminate risk by analyzing and assessing conditions and implementing risk management measures followed by periodic reviews and implementation of the PDCA cycle of risk management for ongoing improvement. In addition, the risks that are uncovered are then sorted and arranged in a timely manner by a dedicated department. While these risks were reported to such organizations as the sub-committees of the Sustainability Committee with deliberations regarding Group-wide countermeasures undertaken as required, steps will be taken to integrate the risks uncovered by dedicated department into Group-wide risks and promote an ERM structure under the new Medium-term Management Plan (2020-2023).

Crisis management activities are carried out following Sekisui Chemical Group Crisis Management Guidelines. Risk management officers of each headquarters department and company regularly hold crisis management liaison meetings to research incidents and reinforce practices.

Note: The name of the CSR Committee was changed to the Sustainability Committee on April 1, 2020.

### Information Disclosure and Communication with Stakeholders

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 two-way communications 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.

# Risk Management

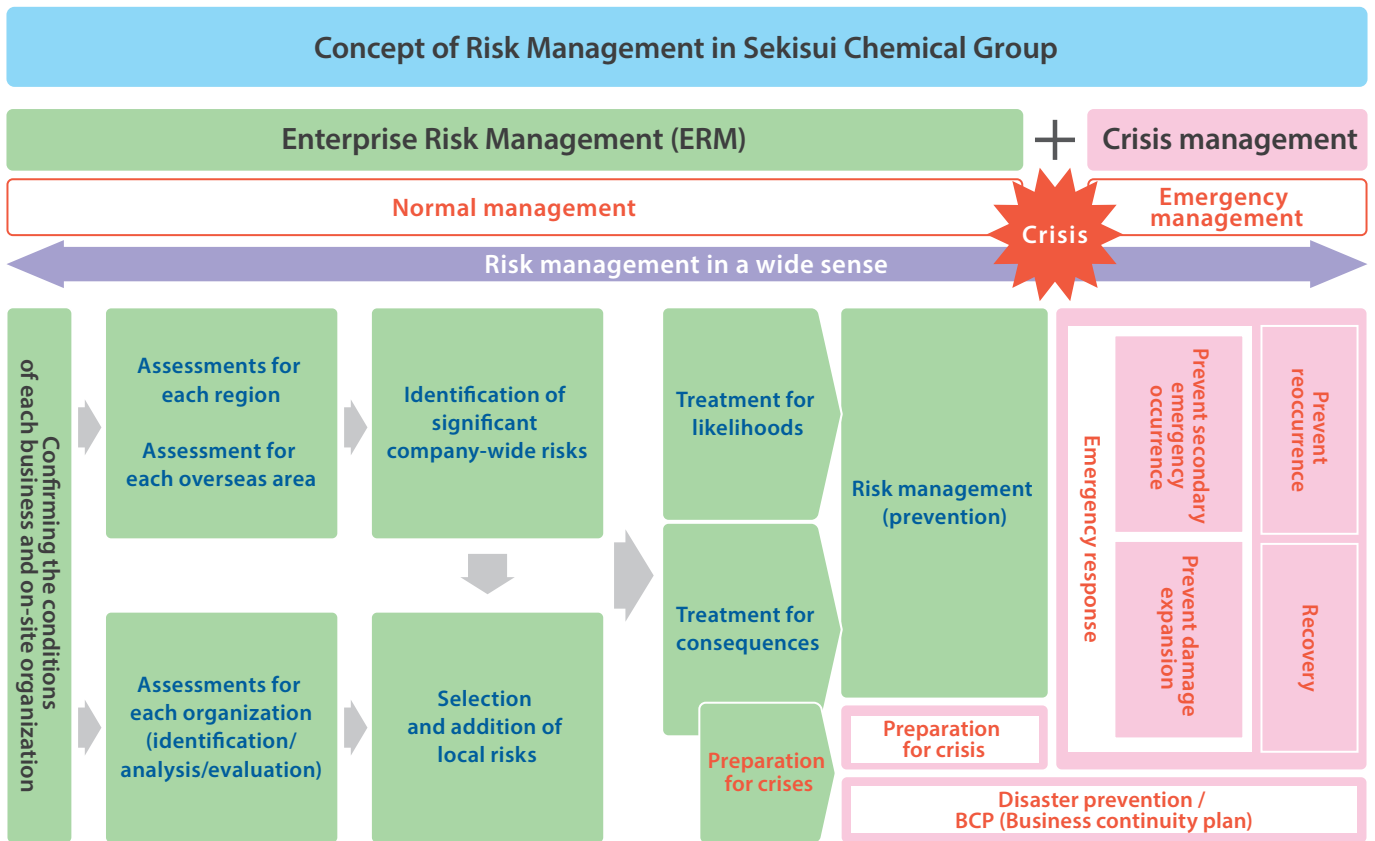
We Are Increasing Risk Sensitivity and Improving the Quality of Our Activities Through Further Strengthening of Our Risk-management Structures

## Management Approach

### Basic Philosophy

### A System That Can Be Brought to Bear on Ever-changing Risks and Crises

Here at Sekisui Chemical Group, we are working to build 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 aim to build a system that can be brought to bear on ever-changing risks and crises.



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## Management Structure

### Explicitly State Risk Management Policies in Writing and Share Them with All Company Employees

To date, the head of the HR department has overseen Sekisui Chemical Group's risk management structure and systems. Ultimate responsibility has shifted to the Managing Director of the ESG Management Department, who now handles day-to-day risk management operations from April 2020.

We are striving to publicize and thoroughly install among the directors, executive officers, and employees of Sekisui Chemical and its Group companies the "Sekisui Chemical Group Risk Management Guidelines," which were established based on the revised "Basic Philosophy on Internal Corporate Governance Systems" of April 2015, to identify significant risks and to prevent them from manifesting by centrally and comprehensively collecting and evaluating information about risks. In the event that a significant risk does become manifest, an Emergency Response Headquarters will be established based on the "Sekisui Chemical Group Crisis Management Guidelines," creating a framework capable of swiftly and appropriately handling the situation.

In preparation for such rare contingencies, a code of conduct regarding this framework, to be referred to by all employees, has also been shared with all group employees via the group intranet and other means.

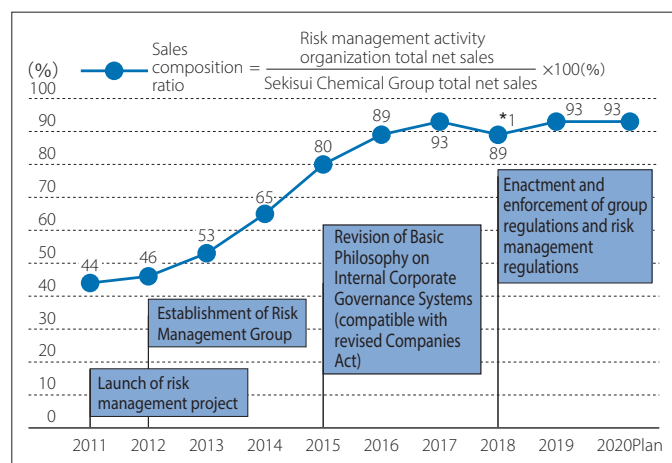
In the New Medium-term Management Plan, which will get its start in fiscal 2020, we will deploy ERM\* in a way that fuses our existing organization-specific risk management activities with our Group-wide risk management activities. In addition to domestic organization, we will accelerate the deployment of existing organization-specific activities in overseas Group companies (including M&A and new businesses), and instill these throughout every corner of the Group. Moreover, we will newly carry out risk assessments specific to each business domain and region as a mode of Group-wide risk management. At the same time, we will identify and evaluate major risks throughout the Group and incorporate them into action plans, design Group-wide targets, and manage progress.

\* ERM: ERM, which stands for Enterprise Risk Management, refers to the Group-wide mechanisms and processes involved in Group-wide and integrated risk management and risk management activities.

## Bolstering Risk Management (Prevention) Structures Increasing Risk-sensitivity Using PDCA Cycles

It is extremely difficult to accurately monitor for risks that could foreseeably occur at some point in the future, as our corporate activities become more complex. We at Sekisui Chemical Group believe that increasing risk sensitivity among employees is essential to 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 within the Company. The number of organizations engaged in these actions has increased each year, reaching 175 in total, including Japanese and overseas affiliates, in fiscal 2019. While steps have again been taken to reorganize and add to the number of organizations, the number of organizations remains the same at 175 in 2020. The percentage of consolidated revenue covered is also unchanged at approximately 93%. In addition, the Group is also working to improve the effectiveness of these actions through inter-organizational cooperation and linkages among specialist divisions.



\*1 Temporary decline resulting from a large-scale M&A. Recovery is expected once new organizations begin participating in Risk Management Activities.

Notes: The ratio of consolidate revenue for the entire Group accounted for by those organizations involved in Risk Management Activities serves as an indicator that considers the extent of impact on Sekisui Chemical Group.

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## Identifying and Assessing Risks

### Risks for Which the Group Should Be Prepared

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
  - Natural disasters
  - Climate Change and environmental issues (resource depletion, water, marine plastics)
  - Politics and society (political change / terrorism / infectious diseases)
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)

## Bolstering the Crisis-management System

### The Operating of the 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.

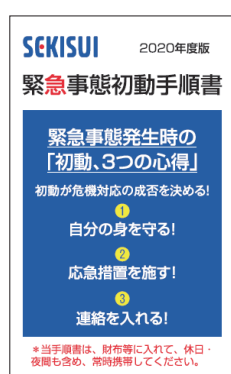
Specifically, the Group, among other initiatives, has been conducting drills (at least twice yearly) based on the Emergency Response Headquarters Procedures Manual, annual education (for all employees) using the Emergency Situation Initial Response Procedures Manual, and organizing disaster-preparedness systems based on disaster-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 "Table of Self-evaluation Items," averaged 41% among all offices. Because of instituting concrete measures, however, the Group has, since fiscal 2015, reached a point where it has been able to maintain an average rate of over 90%.

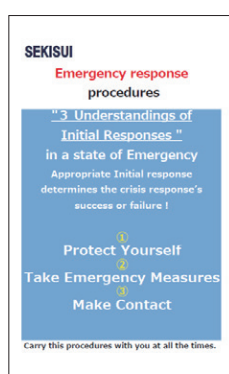
## The Operating of the Crisis-management System

In preparation for emergency situations, Sekisui Chemical Group implements Companywide 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, including temporary and other staff, 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 has been provided to those employees that require English. Moreover, in fiscal 2019 we implemented a safety confirmation system for all Group employees that allows us to rapidly confirm the safety of our employees, even during emergency situations.

### Emergency Response Headquarters Procedures Manual (April 2020 revised edition)

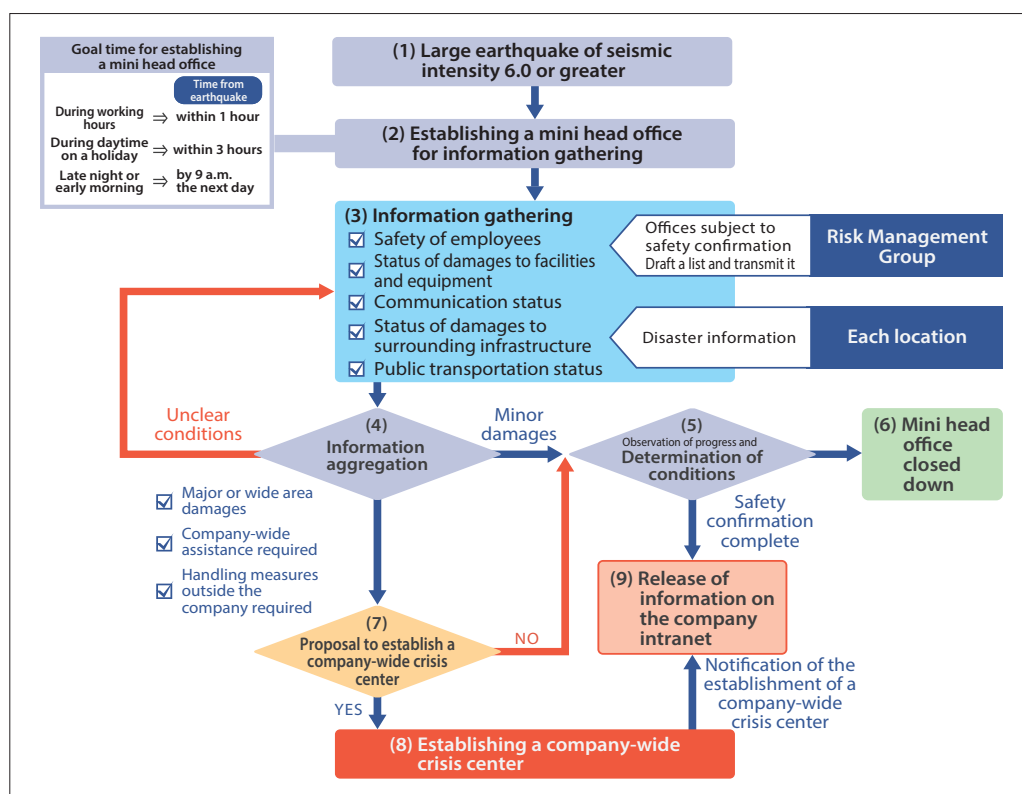


Japanese edition

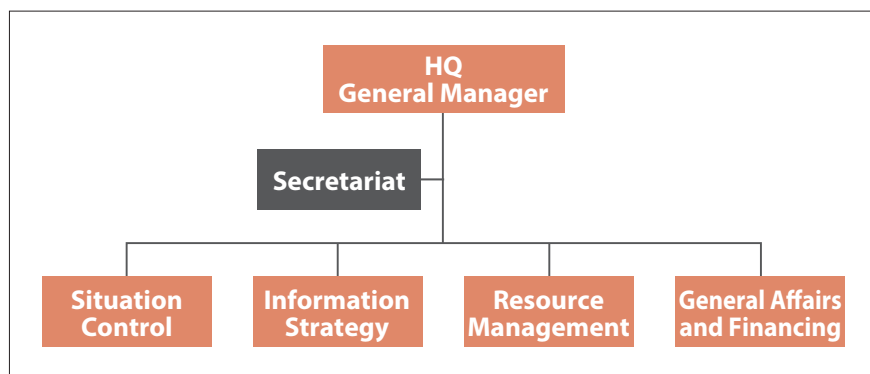


English edition

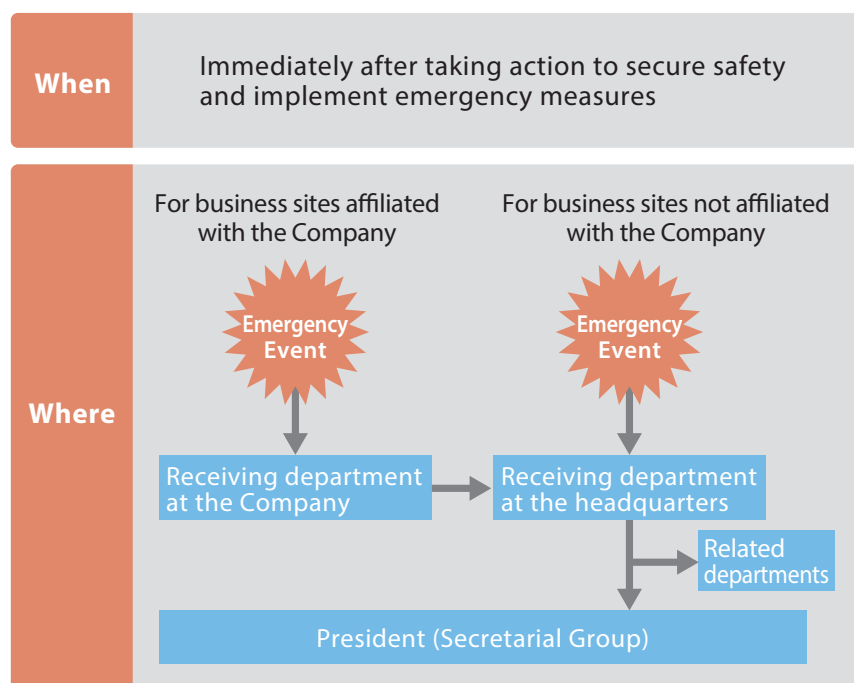
### Initial Response Procedures in the Event of a Large-scale Earthquake



### Emergency Response Headquarters Functions



### Contact the Company/headquarters from the site immediately after the emergency occurs



#### Business Continuity Planning (BCP)

### Basic Philosophy Toward BCP

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. Because of this, the Group has created a support system, such as by establishing “Guidelines for Formulating BCP (BCM)” and drawing up a checklist for performing this formulation. Each person in charge of a line of business is recommended to formulate business-continuity plans and to implement business continuity management (BCM) based on these guidelines and on ISO 22301, a standard for methods of implementing BCM.



### Crisis Management Systems Overseas

## A Support System Centered on Overseas Crisis-management Organizations

Based on its corporate "Overseas Safety Management Regulations," Sekisui Chemical Group supports employees traveling abroad, those stationed abroad, and locally based employees in a variety of ways. This includes classifying global activities into nine regions, sharing crisis management-related information spearheaded mainly by the Overseas Crisis-management Office, calling for caution and attention to important matters in a timely manner, instructing employees about travel restrictions, and implementing other emergency-response measures.

As the number of Group locations increases with each passing year, and given the growing importance of overseas business activity, we established Regional Headquarters in each of the four main regions and appointed the person responsible for the Regional Headquarters as the Regional Head. During an overseas crisis, the Overseas Management Group within the Headquarters Business Strategy Department and the Global Crisis Management Office (HR Risk Management Group\*) cooperate and lead the response to the crisis.

Regarding risks particular to overseas sites, including civil unrest, terrorism, and infectious diseases, the Group has organized a support system based on signing contracts with crisis-management companies, such as those that provide security assistance and medical assistance.

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, and explains its overseas crisis management system to its employees; it also issues warnings about risks overseas.

In recent years, in particular, business trips and secondments to frontier regions have become more common, and thus the Group has stepped up its partnerships with Japanese diplomatic missions abroad and has created and distributed region-specific crisis management handbooks detailing the types of risks and levels of danger for each region, 20 in total.

\* The Risk Management Group within the ESG Management Department since April 2020.



### Global Crisis Management Guidelines



Japanese edition

English edition

Chinese edition

Korean edition

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## Major Initiatives

### Improving the Effectiveness of Risk Management Activities

#### Introducing the Digital Dashboard

With the introduction of the Digital Dashboard, a database covering the implementation status of risk management activities, we have substantially improved the efficiency by halving the preparation work for feedback to each organization. In addition, we have used the search function, which has made it easier to horizontally deploy management measures and identify risks at each organization. Moreover, in fiscal 2019 we added a function for the purpose of collaboration with the different types of audits and are now able to closely examine risk without fail.

#### Enriching e-Learning

We enriched the contents of our intranet-based e-Learning programs for those on overseas business travel. We also prepared quiz-format content that incorporates the circumstances, customs, and other aspects of each country and region. By including detailed explanations for answers, etc., we are working to provide those on overseas business travel with an insight into the types of acceptable behavior at each local site and to increase awareness toward safety. In fiscal 2019, we also deployed a practical program for regions that are often traveled to on business, and provided opportunities to study the content in greater detail.

#### Conducting Risk Management Training Sessions for Risk Managers

In fiscal 2019, risk management training was provided to 24 newly appointed risk managers.

#### Sekisui Chemical's Response to Preventing the Spread of the Novel Coronavirus

Since January 2020, as concern over the spread of infection by the novel coronavirus began to emerge, we have implemented various measures designed to prevent infection in order to manage the health of our employees and address our social responsibility as a company.

In particular, we have taken the following actions (as of March 31, 2020)

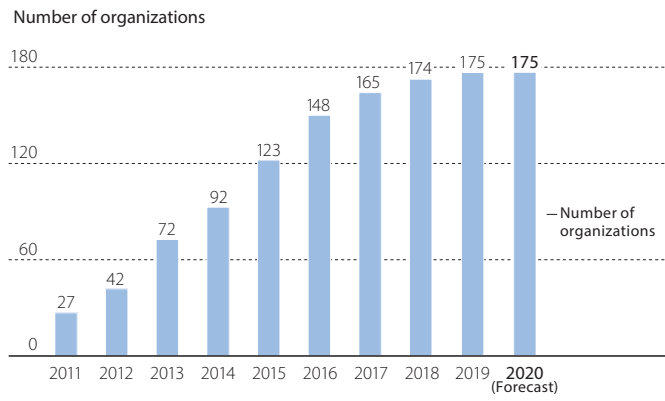
1. Broadcast information and protective measures to be taken by individuals
2. Voluntarily cancel functions and events organized by Sekisui Chemical
3. Change working hours
4. Encourage meetings over the internet and working from home
5. Prohibit travel to affected regions

Moreover, we shipped masks and disinfectants as support for China and our affiliates in China. In the event a state of emergency is declared or infections are discovered within the Group, we will prioritize the safety of employees and further strengthen our response, including establishing a Group-wide Emergency Response Headquarters.

**Performance Data**

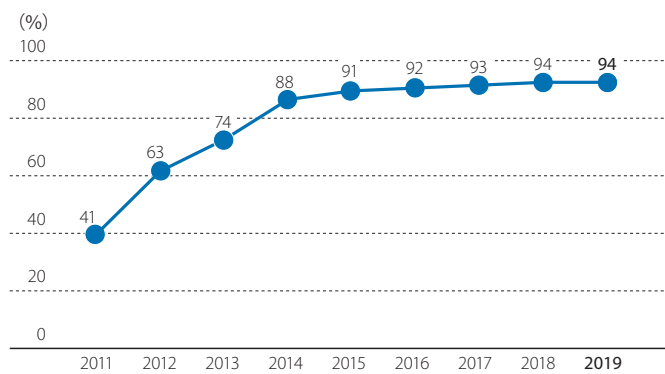
**Data on the Number of Organizations Engaged in Risk-management Activities**

**Number of Organizations Engaged in Risk-management Activities**



**Data Relating to the Sufficiency Rate for Disaster-preparedness Systems**

**Disaster-preparedness Sufficiency Rate (Average for Japanese Business Sites) Over Time**



# 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 and fellow employees. 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.

At the same time, 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 Thoroughly Implement a Safety Policy That Includes Partner Companies (contractors) Outside the Group

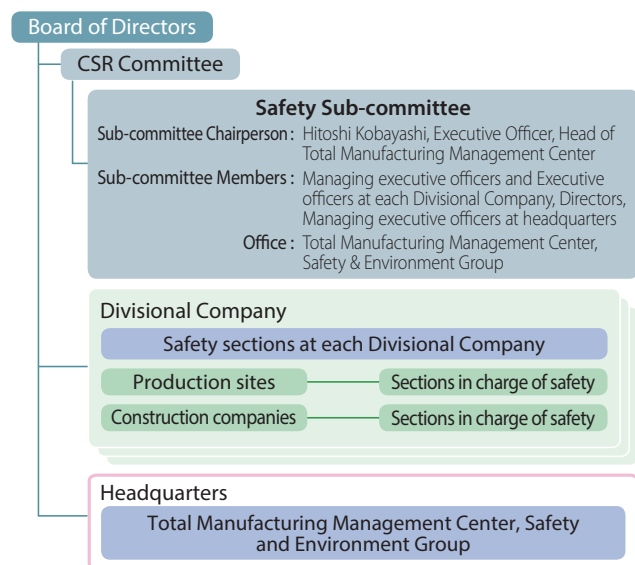
In the case of the various efforts related to occupational health and safety, an activity policy is formulated by the Safety Subcommittee established under the CSR Committee. These actual activities are promoted by the Manufacturing Infrastructure Enhancement Center Safety & Environment Group.

We have formulated the Sekisui Chemical Group Safety Policy, which forms our basic philosophy on occupational safety and is shared by all employees within the Group. In addition to collecting a range of occupational health and safety data such as incident frequency rates, we also collect data from partner companies (contractors) outside the Group including those that occur during production and construction operations as well as any incidence of occupational health and safety issues during research activities. In fiscal 2019, two meetings of the Safety Subcommittee were held in September and March.

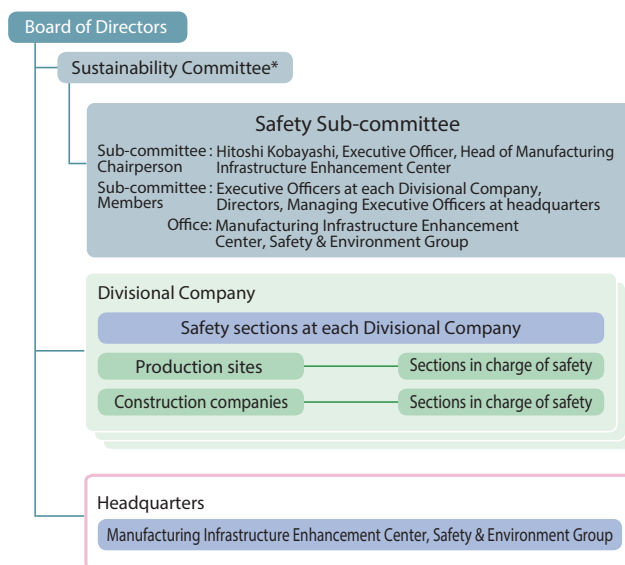
In event of an actual occupational injury, information including the form of employment of the injured party is collected. Improvements as required are also sought when there is a problem with the management of a business site.

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 (to FY2019)



### Safety-promotion System (from FY2020)



\* The name of the CSR Committee was changed to the Sustainability Committee on April 1, 2020.

### Occupational Safety Committee Held

## Management and Labor Work Together to Assess, Research and Propose Solutions for Occupational Safety

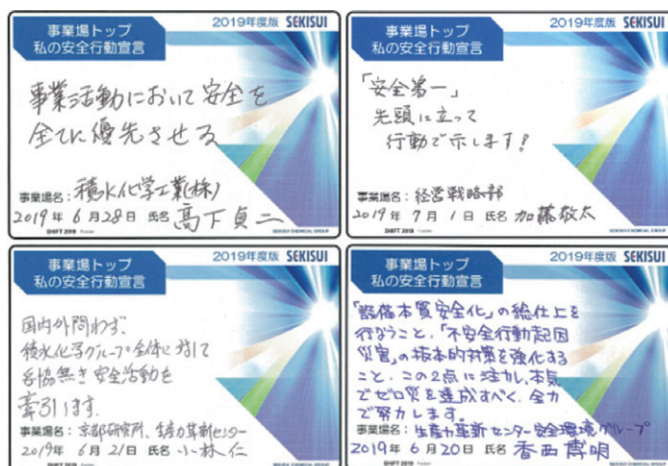
The Occupational Safety Committee at each business site of Sekisui Chemical Group holds a meeting every month, as mandated by law. In addition, the Central Occupational Safety Committee, consisting of members from corporate headquarters and labor unions, meets once a year. The Central Occupational Safety Committee was created on the basis of collective labor agreements 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.

### Example in Safety Activities

## Leaders from Each Division Declared Their Commitment to Safe Business Practices

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

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## Safety Audits

### Conducting Audits based on Occupational Health and Safety Management System (OHSMS) Audit Evaluation Reports

Occupational Health and Safety Management Systems (OHSMS) audit evaluation reports are drafted and used in self-assessments and corporate audits at each business site. Evaluation items are revised annually, which include incorporating ISO 45001 requirements published in March 2018. Taking into consideration the status of safety management activities and the incidence of natural disasters, corporate audits were conducted at 20 business sites in Japan, a smaller number than in previous years, in fiscal 2019.

## Occupational Safety Assessments

### Implementation of Preliminary Safety Assessments When Launching a New Business

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.



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## Major Initiatives

### Development of Human Resources to Take the Initiative in Safety Activities

#### Encouraging the Gaining of Qualifications to Become Key Persons in Charge of Safety Activities

In fiscal 2019, 38 employees (68 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 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, 140 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 handcarts commonly used at these locations.

### Review of Equipment Safety Standards

#### Reviewing Equipment Safety Standards in Conjunction with Providing Explanations to Equipment Manufacturers

In fiscal 2017, we issued Equipment Design Safety Guidelines, which summarize the safety design standards necessary for production equipment used by Sekisui Chemical Group. Steps are taken to monitor the status of compliance on an ongoing basis. Safety specification checklists 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

#### Training to Improve the Ability to Identify Risks

We conduct practical risk assessment-improvement training in order to develop personnel able to identify and mitigate risks at their workplaces. In fiscal 2019, training sessions were conducted at Sekisui Fuller Company, Ltd. Shiga Plant and Chushikoku Sekisui Heim Industry Co., Ltd. The identification of risks by personnel, who have undergone training, and improvements made at their workplaces are monitored. Since fiscal 2016, this training program has been held at a total of 10 workplaces, with the number of participants reaching 239 to date. In addition, the training program has resulted in over 1,900 risk items being identified and unacceptable risks being mitigated.

**Measures to Prevent Fires and Explosions**

**Initiated Emergency Audits, to Which Outside Experts Are Invited**

To prevent fires and explosions that, once they occur, have a major impact on the surrounding environment and on business continuity, in addition to the safety audits performed thus far, we implement emergency response audits, to which we invite outside disaster experts. 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.

Of the 147 measures implemented to prevent a reoccurrence of the 20 fires (including small fires) between fiscal 2104 and fiscal 2017, we confirmed that 139 were still in place. We recommended further measures for strengthening the remaining eight measures and confirmed that these improvements had been made.

Building on the accident prevention handbook issued in 2017, we published a second edition in 2019. Based on this handbook, steps are being taken to identify fire and explosion risks at 48 business sites nationwide. By fiscal 2019, 4,072 risks were identified, and 1,858 (90%) of 2,069 risks requiring improvement were mitigated as of the end of fiscal 2019.



Type of audit	Target / aim of audit
Safety audit	<ul style="list-style-type: none"> <li>• Document review Checking of conditions relating to health and safety management activities</li> <li>• On-site inspections Confirmation of the safety of people's work, their working environments, the surfaces on which they walk, and so forth</li> <li>• Essential safety measure compliance status Includes accident-prevention measures at the facility design and installation stages</li> <li>• Process examinations of facility management departments Facility installation management, construction management, maintenance management</li> </ul> <p>Note: At 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"> <li>• Checking of storage and handling conditions of dangerous articles and designated flammable materials</li> <li>• Checking of fire-fighting equipment maintenance status</li> <li>• Measures for responding to earthquakes and other natural disasters</li> </ul>

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### Emergency Response Measures

## For the Purpose of Fine-tuning Unexpected Situation Response Skills in the Event of a Disaster

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 know-how 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.

### Deployment of Basic Safety Principles

## Preparation of Basic Safety Principles Poster

We are 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 in fiscal 2017. 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.

We confirmed that these posters are being utilized at each business site through corporate audit inspection tours conducted in fiscal 2019. In addition, similar details have been processed into a simple animation format. A mechanism is now in place to view this animation on personal smartphones and replayed on workplace monitors.

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### Overseas Business Site Safety Audits

## Visualizing the Status of Safety Management Activities at Overseas Business Sites

At our overseas production sites, which operate under the varying laws and regulations as well as differing cultural awareness of safety issues in each region, Sekisui Chemical Group has, since fiscal 2013, been deploying safety global standards to raise the level of safety activities. Having commenced safety audits based on these global standards in earnest in fiscal 2014, we implemented audits at seven business sites in fiscal 2019. We are also holding regional safety brainstorming sessions in North America and China to share regional issues and discuss countermeasures. Planning and implementation, which had been previously spearheaded in Japan, have been shifted to regional head office staff. The program is undertaken each fiscal year based on such themes as policy development, sharing workplace initiatives, lectures by experts, and methods to investigate the causes of accidents.

### Safety & Environment Conference and Safety Awards

## Presidential Award Given to the Business Site with the Best Safety Record for the Fiscal Year

Sekisui Chemical Group Safety & Environment Conference is usually held to coincide with National Safety Week in July of each year. In fiscal 2019, the president was among the total of 250 people, who also included other directors, business heads from domestic production business sites and laboratories, construction companies as well as those in charge of safety, etc. who attended the conference on July 12, 2019. The fiscal 2018 presidential award was given to the business site with the best safety record for the fiscal year at the conference.

### Safety Management Along Supply Chains

## Sharing Safety Policies While Providing Training Opportunities

Based on the idea of securing 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 while utilizing other methods to share the Group's safety policy. We also provide a variety of training opportunities related to occupational safety, such as safety education sessions.

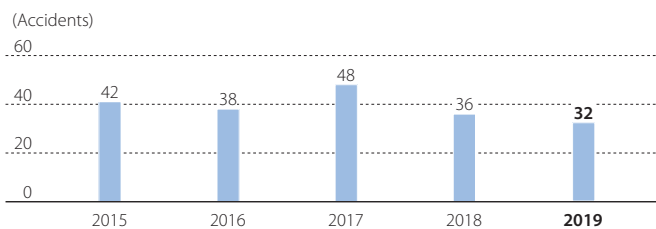
Performance Data 

## Safety Performance

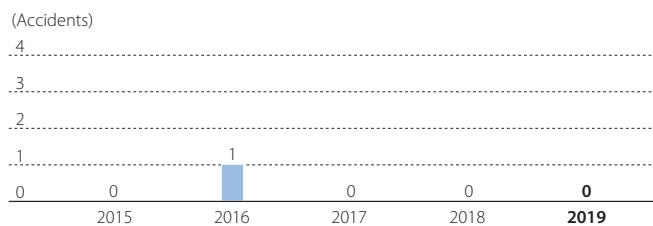
### Japan

Aggregate scope: 48 production sites and 5 research institutes in Japan

#### Number of Occupational Accidents



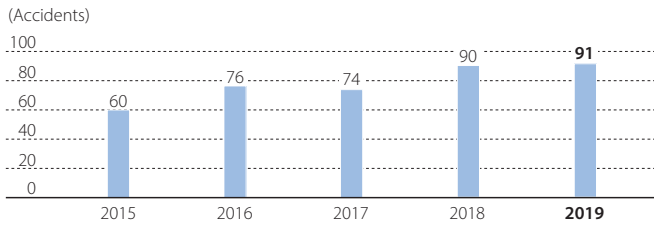
#### Number of Facility Accidents



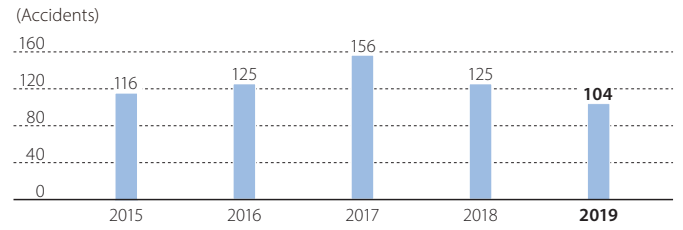
Indicator	Calculation Method
Number of occupational accidents	The number of occupational accidents (both those resulting in lost time and those not) occurring during a given fiscal year (April through the following March)

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

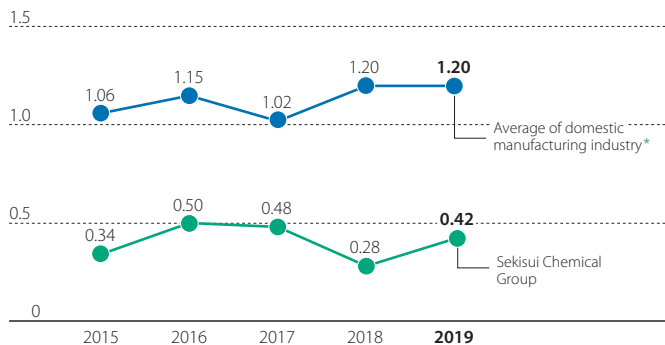


Indicator	Calculation Method
Number of Cases of Long-Term Sick Leave	Describes leave of 30 days or more consecutively for sickness or injury occurring in a Japanese production site or research institute during the given fiscal year (April to the following March), and which is newly-occurring. Recurrences 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

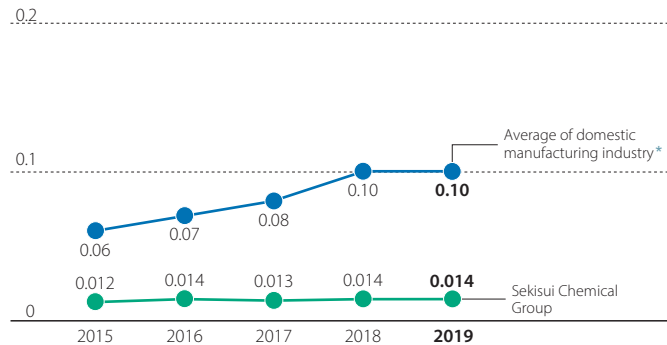


### Frequency Rate Over Time



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

### Severity Rate Over Time

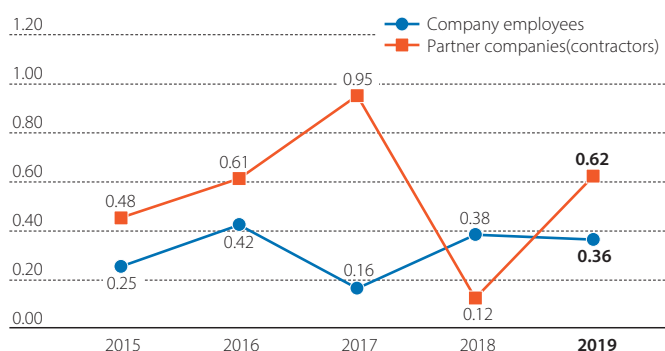


\*Source of information for Japanese manufacturing industry: Ministry of Health, Labour and Welfare, Survey on Occupational Accidents

Indicator	Calculation Method
Frequency rate	The total number of injuries, illness and fatalities in occupational accidents with lost time per 1,000,000 hours of total time worked during a given fiscal year (April through the following March) Formula for calculation: (Number of injuries, illness and fatalities in occupational accidents with lost time / total number of man-hours worked) × 1,000,000

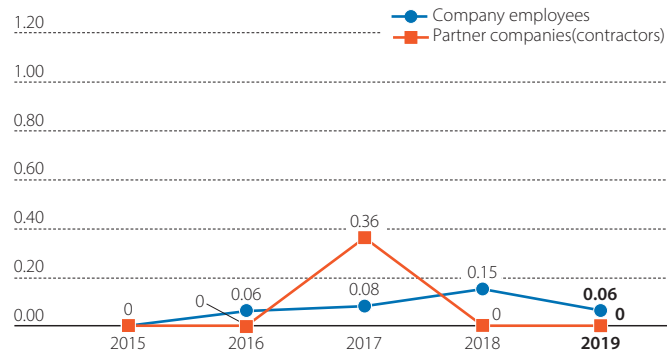
Indicator	Calculation Method
Severity rate	The total number of days of work lost per 1,000 hours of total time worked during a given fiscal year (April through the following March) Formula for calculation: (Number of days of work lost / total number of man-hours worked) × 1,000

### Lost Time Injury Frequency Rate (LTIFR)



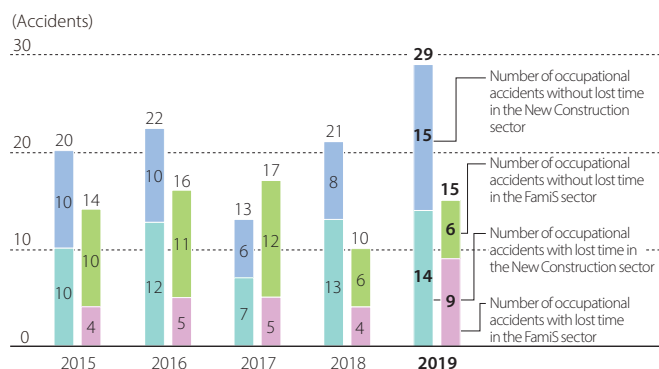
Indicator	Calculation Method
Lost Time Injury Frequency Rate	(Number of accidents causing sick leave / total number of man-hours worked) × 1,000,000

### Occupational Illness Frequency Rate (OIFR)

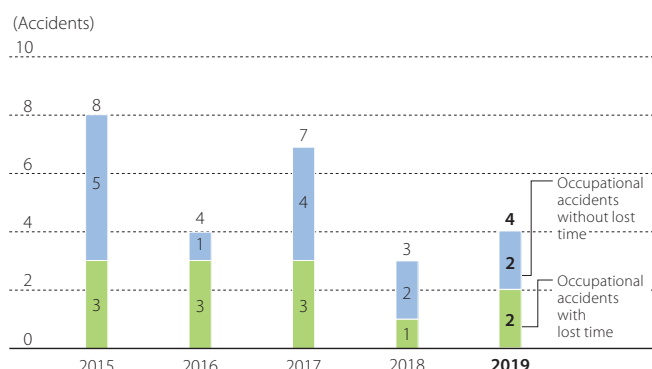


Indicator	Calculation Method
Occupational Illness Frequency Rate	(Occupational illnesses / total number of man-hours worked) × 1,000,000 Occupational illnesses as defined by the Ministry of Health, Labour and Welfare, including heat stroke, lower back pain, and intoxication by chemical substances

### Safety Performance In the Housing Company's Construction Sites



### Safety Performance with Respect to Construction Sites in the Urban Infrastructure & Environmental Products Company



Indicator	Calculation Method
Safety performance on the Housing Company's construction sites	The number of occupational accidents (both those resulting in lost time and those not) occurring on construction sites under the jurisdiction of the Housing Company during a given fiscal year (April through the following March)

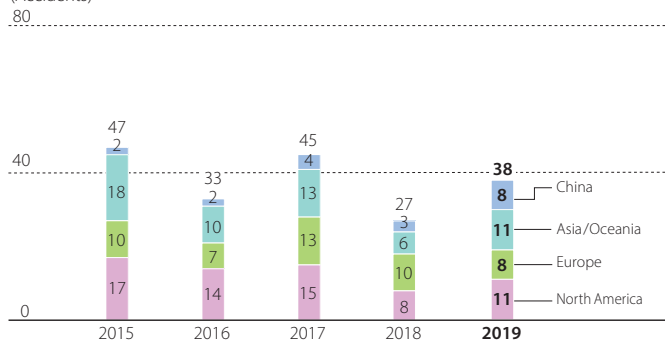
Indicator	Calculation Method
Safety Performance with Respect to Construction Sites in the Urban Infrastructure & Environmental Products Company	The number of occupational accidents (both those resulting in lost time and those not) occurring on construction sites under the jurisdiction of the Urban Infrastructure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

## Overseas

Aggregate scope: 46 production sites and 1 research institute overseas

### Number of Occupational Accidents

(Accidents)



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:

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

46 production sites and 1 research institute overseas

### Occurrence of fatalities due to occupational accidents

(Number of people)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>Employees</b>	0	0	0	0	0
Japan	0	0	0	0	0
Overseas	0	0	0	0	0
<b>Partner Companies (contractors)</b>	1	0	0	0	0
Japan	1	0	0	0	0
Overseas	0	0	0	0	0
<b>Total</b>	1	0	0	0	0

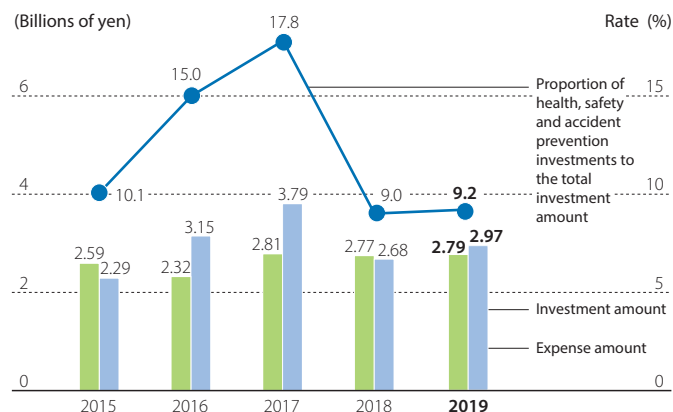
## Health and Safety / Accident Prevention Costs

**Aggregate Scope: 48 Domestic Japanese Production Sites and 5 Research Institutes, Headquarters, Back Offices of Division Companies**

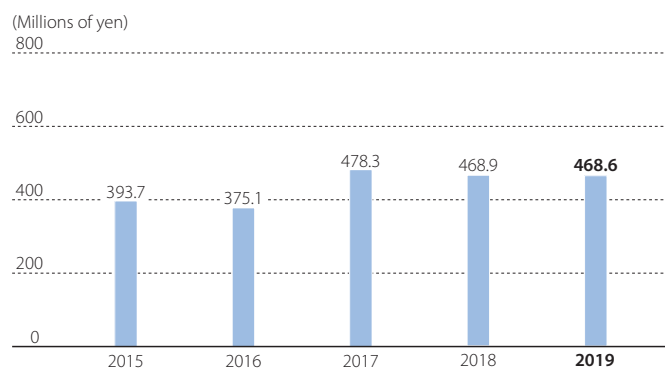
### Health and Safety / Accident Prevention Costs

		(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.	954	2,974
2) Administrative costs	Establishment and implementation of OHSMS, safety education, personnel costs, etc.	1,829	–
3) Other	Safety awards, etc.	3	–
Total		2,786	2,974

### Costs and Investments Over Time



### Loss Costs 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 and accident prevention-related measures authorized during a given fiscal year (April through the following March)

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)

# CS & Quality

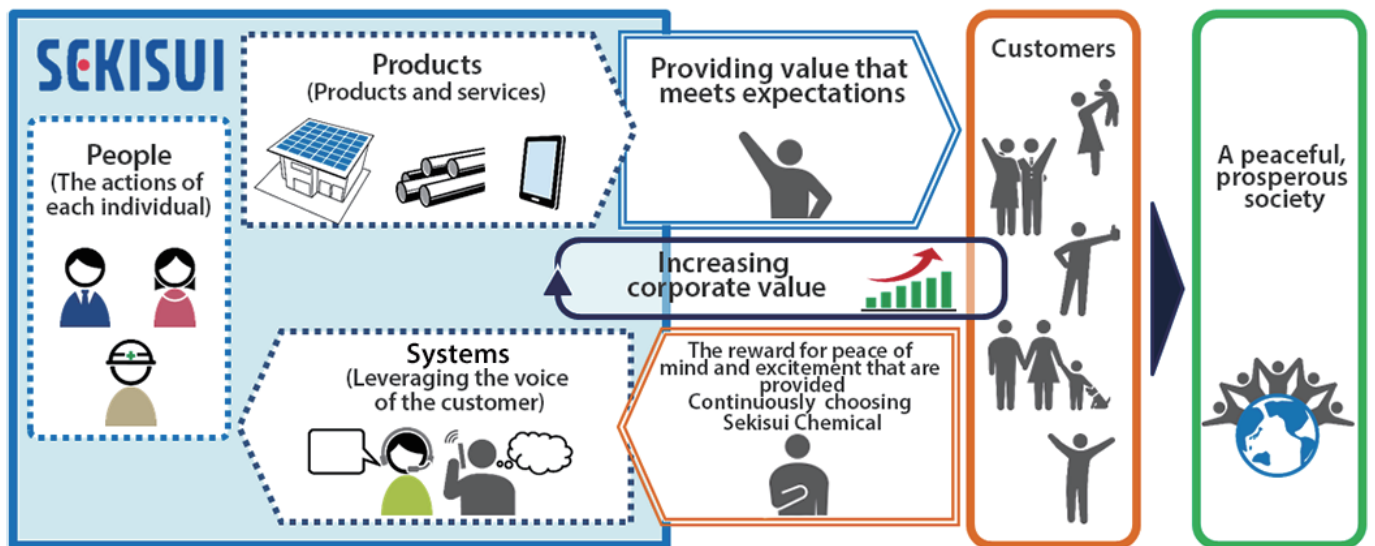
Pursuing the Quality Always Specified by Customers by Maximizing "Quality of People," "Quality of Systems," and "Quality of Products."

## Management Approach

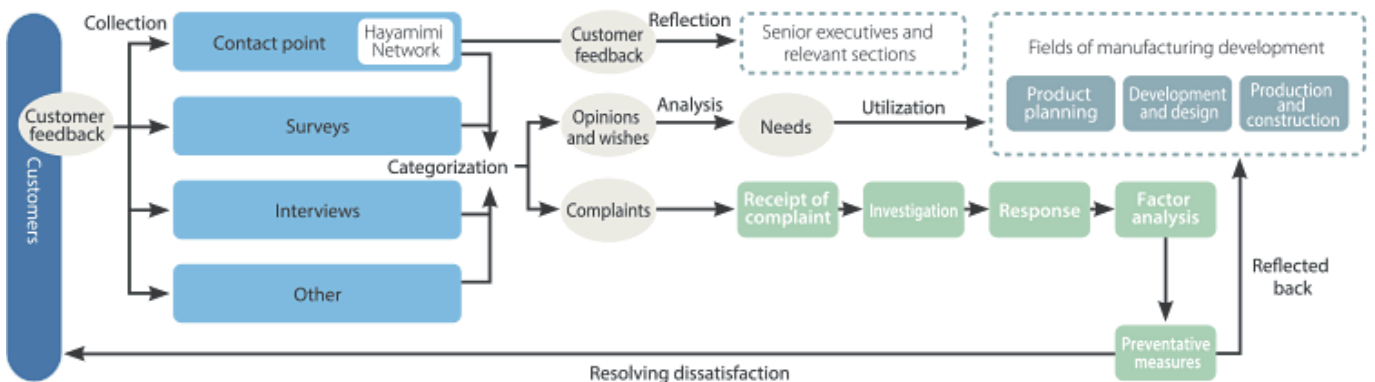
### Our Philosophy

Since 1999, Sekisui Chemical Group has practiced customer satisfaction (CS) management. In 2004, we coined the new phrase CS & Quality in the belief that customer satisfaction and quality are inseparable. We began CS & Quality Management to consistently deliver value to our customers so that they will always choose our 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



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## CS & Quality Management Promotion System

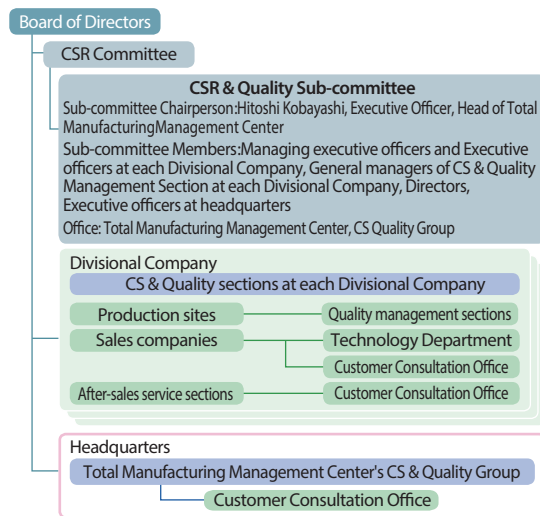
### Establishing the CS & Quality Subcommittee That Reports to the CSR Committee

Sekisui Chemical Group deliberates on and determines all financial and non-financial initiatives and policies through its Board of Directors.

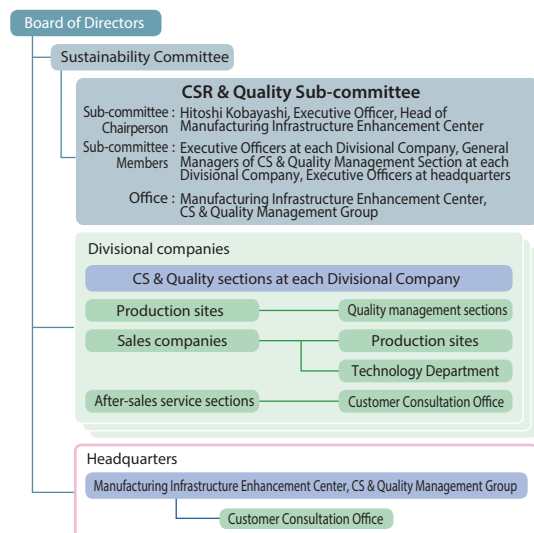
Sekisui Chemical maintains a CS & Quality Subcommittee, which reports to the Company's CSR Committee. Both the CSR Committee and CS & Quality Subcommittee meet twice a year to deliberate on non-financial CS & Quality issues.

In fiscal 2019, meetings of the CS & Quality Subcommittee were held in September and March.

#### CS & Quality Management Promotion System (to FY2019)



#### CS & Quality Management Promotion System (from FY2020)



Note: The name of the CSR Committee was changed to the Sustainability Committee on April 1, 2020.



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### Creating Customer-oriented Products

## About the 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](https://www.caa.go.jp/en/policy/consumer_research/pdf/consumer-oriented.pdf)

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 2019 based on our "Self-declaration for Customer-Oriented Management."

### 1. Ensuring Basic Qualities

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, including improvements in quality and productivity, increasing operational efficiency, and policy and management issues. 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.

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## 2. Creating Attractive Qualities

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Sekisui Chemical Group conducts the CS & Quality Seminar: Attractive Qualities Edition with the goal of bolstering attractive qualities of employees. In fiscal 2019, the main theme of the seminar was how to create attractive qualities during a period of volatile change.

With the goal of accelerating the creation of attractive qualities, Sekisui Chemical Group conducted an Attractive Qualities Screening Program to select attractive Group products. Participants in the program included outside experts and in-house management. Launched in 2008, the fifth program was conducted in fiscal 2019. Eight products were entered with four receiving awards.

As part of our effort to build a corporate culture that creates attractive qualities, Sekisui Chemical Group has established a study group in fiscal 2013 where employees steer their own study groups in order to focus on how to best improve CS culture, with the ultimate goal of promoting communication on the topic across organizational boundaries. The methodology of this study group is used each year in the training of newly appointed managers, and with the goal of creating a corporate culture that fosters the creation of attractive qualities, participants have declared through dialogue their commitment toward determining their own CS & Quality activities.

## 3. Upgrading Technological Capabilities

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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) in the implementation of attractive qualities process approach. 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

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Sekisui Chemical Group believes a customer-oriented business requires a developer to effectively understand 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.

Our efforts to take into account the voices and values of those outside the Company include our CS & Quality Seminar, which invites external experts to speak, the Attractive Qualities Screening System, which involves product quality assessments provided by third-party experts, and customer satisfaction surveys in the housing company business. In addition, and separate from this survey, each year we publish and distribute to all Group companies the VOICE booklet summarizing customer inquiries and feedback gathered by the Customer Consultation Office.

With the goal of improving communication among employees, Sekisui Chemical Group engages in a variety of measures. This includes workshops aimed at promoting employee discussions on CS & Quality systems and activities.

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## 5. Providing Thorough Employee Education

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Sekisui Chemical Group conducts CS & Quality training each year for new recruits and employees newly appointed to managerial positions. Training for new recruits looks at the Group's approach toward CS & Quality management as well as daily operating behavior that is conducive to customer satisfaction. For employees newly appointed to managerial positions, training is conducted in groups using practical case studies. These group workshops encourage employees newly appointed to managerial positions to think about how to realize CS & Quality.

We see activities 1~4, which cover such wide-ranging fields as CS & Quality Seminars, the Attractive Qualities Screening Program, VOICE, and Employee CS & Quality Assessments as measures that facilitate the education of employees.

# Medium-term Plan

## Sekisui Chemical Group Has Put in Place a CS & Quality Policy Under Its Medium-term Management Plan

### Management Approach

#### Medium-term Plan Implementation

### Initiatives Under the CS & Quality Medium-term Plan (2017-2019)

#### Roadmap for CS & Quality Control Initiatives

	FY2017	FY2018	FY2019	
<b>Appealing quality</b>	<b>Selection of appealing qualities</b>	The Appealing Qualities Screening System selects and provides awards for products with appealing quality	<ul style="list-style-type: none"> <li>Publishing the Story of Appealing Quality, stories about the creation of appealing products</li> <li>Reconsidering the evaluation axis for the Appealing Quality Screening System</li> </ul>	Selecting and providing awards for products with appealing quality Revising the evaluation axis for the Appealing Quality Screening System
	<b>Dissemination and confirmation of CS &amp; Quality Management Policy</b>	<ul style="list-style-type: none"> <li>Feedback results from Employee CS &amp; Quality Assessments</li> <li>Reconsidering assessment questions</li> </ul>	Dissemination of CS & Quality Management Policy Employee CS & Quality Assessment with revised questions	Feedback results from Employee CS & Quality Assessments
	<b>Developing appeal in human resources</b>	Company-wide CS & Quality training separated by skill level CS fundamental training (telephone service training, email training, study sessions to think about CS culture) (held from time to time)		
<b>Fundamental quality</b>	<b>Enhancing basic development capabilities</b>	Deploying group-wide development guidelines Developer/reviewer (DR) training, improving DR quality, practical SQC training		Developing a certification system for DR reviewers
	<b>Enhancing basic manufacturing capabilities</b>	Developing a process management chart for group-wide use Restructuring the quality auditing framework	SPMC group-wide development*	Defining a process management chart SPMC establishment*
	<b>Improving quality overseas</b>	Promoting visualization and monitoring of quality, conducting day-to-day management assessments, and promoting continuous improvement Conducting overseas quality control technical skill training and e-learning sessions		
<b>Common Initiatives</b>	<b>Fostering a CS &amp; Quality culture</b>	Publishing STAR 55 Bulletin, an internal newsletter introducing prominent activities for improving CS & Quality (published 3-4 times a year) Holding CS & Quality seminars to learn from prominent case studies in various industries (held 3-4 times a year)		

Note: SPMC (short for Sekisui Process Management Chart)

### Major Initiatives

#### Medium-term Plan (2017-2019) Progress

### Decrease in External Failure Costs Compared with Fiscal 2016

In fiscal 2019, the final fiscal year in the CS & Quality Medium-term Plan, there was one incidence of a major quality issue\*<sup>1</sup>. Meanwhile, there has been no major quality issue relating to new products\*<sup>2</sup> in the current fiscal year. In addition, external failure costs\*<sup>3</sup> decreased compared with fiscal 2016. To achieve zero major quality issues in the future, we will promote quality management activities across the entire supply chain based on the Development Guidelines and Everyday Management Guidelines. In addition, we will aim to decrease external loss costs by rolling out across the entire Group a more robust quality assurance system, management of changes and alterations to this system, and quality risk-reduction activities based on the prevention of defects.

\*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 New product: A challenging product selected by divisional companies through the development of new fields and technologies.

\*3 External failure costs: Costs arising from responding to product-related complaints.

**Enhance Basic Manufacturing Capabilities**

## Rebuilding of the Quality Management Systems

Strengthening process approach activities is essential to promoting certification under the 2015 edition of the ISO 9001 standard. Here, we developed an original sheet, which we dubbed the SEKISUI Process Management Chart (SPMC), for Group-wide use. The SPMC provides an overview of the management flows of those processes that make up the Quality Management System at a glance. Moreover, the SPMC is an effective tool in monitoring daily management, promoting corrective action as well as internal audits, and other activities including quality education. In fiscal 2019, steps were taken to put in place criteria that would help ascertain the level of operations and to initiate evaluations at each production site. Based on the results, every effort will be made to promote the understanding and penetration of the SPMC and to continuously pursue activities aimed at improving operating levels.



**Improve Attractive Qualities**

## Holding the Attractive Qualities Screening System

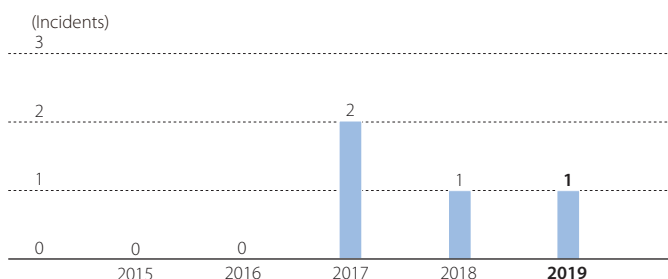
In accordance with the “CS & Quality Management Activity Roadmap,” Sekisui Chemical held the 5th Attractive Qualities Screening System in fiscal 2019. In addition to modifying the existing evaluation criteria, steps were taken to also review the System’s operations. Eight products were entered in the Attractive Qualities Screening System in fiscal 2019 with four products receiving awards.

Note: Details regarding Creating Attractive Products and Services to be provided later.

Performance Data

## Data Concerning Major Quality Issues

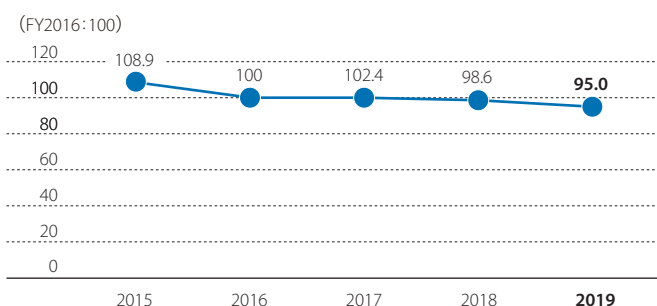
### Number of Major Quality Issues



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"> <li>1) Problems that could have a serious impact on (or cause severe damage to) society, such as product recalls</li> <li>2) All serious problems involving human safety and those acknowledged by the Divisional Company to be serious problems involving the safety of property</li> <li>3) Compliance-related problems concerning the quality of products or services (e.g., those involving compliance with relevant laws and regulations)</li> <li>4) Problems that could inflict serious financial damage on customers</li> </ol>

## Data Concerning External Failure Costs

### External Failure Costs



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



# Creating Attractive Products and Services

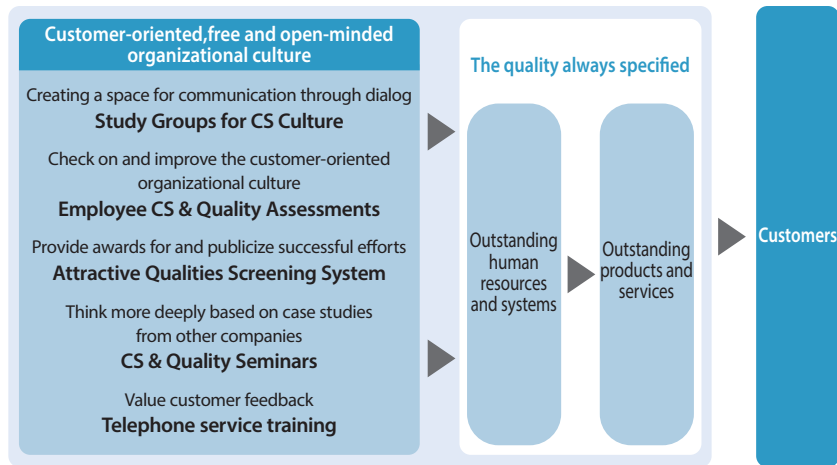
Advancing the Development of Human Resources, Systems, and a Culture Enabling the Creation of Attractive Qualities

## Management Approach

### Basic Concept

## Building a Customer-oriented, Free, and Open-minded Organizational Culture

Sekisui Chemical Group is working on building a customer-oriented, free and open-minded organizational culture to create Attractive Qualities that customers will continue to ask for by name.



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## Major Initiatives

### Measures to Create Attractive Qualities

## Providing Products and Services While Enhancing CS Sensitivity

To continue creating Attractive Qualities Sekisui Chemical Group strives to improve the CS sensitivity of individual employees and to build an organizational culture focused on CS.

### Study Groups for CS Culture

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Study Groups for CS Culture began as a measure to improve awareness of CS when we realized there was not enough communication across organizational borders in the Employee CS & Quality Assessments that were conducted in fiscal 2012. Formed so that employees themselves could drive improvements in CS culture, the Study Groups were initially referred to as Wakuwaku Chaya Study Groups.

Study groups were launched in fiscal 2013. Since fiscal 2014, an organization has been in place to set up and maintain a facilitator within the organization, and activities have continued in each department within the Group up to the present day.

The educational program for newly appointed managers held each year applies the methodology used in these study groups, with each participant in the program engaging in active dialog and declaring their commitment to determining their own CS & Quality activities.

We are currently focused on creating a space where participants can engage in dialogue with each other free from theme or event format limitations. More specifically, we are exploring through dialogue with participants the following initiatives, taking into account our priority policies as well as data acquired from customer surveys and CS & Quality assessments.

## 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 56 seminars have been held from the first event in 2001 through to the end of fiscal 2019.

Under the Attractive Qualities themes, we hold various lectures not only on excellent case studies of the planning and development of hit and long-selling products, but also on matters related to hospitality and employee motivation to achieve customer satisfaction. From fiscal 2016, we held video conferences on case study videos from other companies similar to the lecture themes to coincide with the days on which CS & Quality seminars were held. From fiscal 2018 we also set up a forum for employees to share their thoughts with their peers after trial meetings while working to enhance communications. In fiscal 2019, a total of 181 people participated in the two seminars held at Sekisui Chemical's Tokyo Headquarters on how to create attractive quality in a time of rapid change. We initially expected to hold three seminars, as is usually the case in normal years, but we cancelled the third seminar, which had been scheduled for March 2020, in line with our efforts to prevent the further spread of COVID-19.



● June 14, 2019  
 “Rebalancing Art and Science in Business”  
 Shu Yamaguchi  
 Independent researcher, author, public speaker



● August 24, 2019  
 “Designing Services based on the Idea of Future Customers”  
 Hironori Iwasaki  
 MIRAI BUSINESS DIVISION  
 Hakuhold Incorporated

## Telephone Service Training

As part of efforts to improve customer satisfaction, the Customer Consultation Office has been conducting telephone service training since fiscal 2008 to horizontally deploy the customer telephone service skills that are cultivated in business operations in each division company. Having implemented Telephone Service Training since fiscal 2008, back office staff from the Customer Consultation Office serve as instructors and visit each office, thereby providing employees with opportunities to improve Sekisui Chemical Group's telephone service skills.

Initially, Telephone Service Training was only conducted at the Housing Company, which handles many general inquiries from individual customers, but from fiscal 2011 we also deployed the training at the Urban Infrastructure and Environmental Products Company, the High Performance Plastics Company, Headquarters and each subsidiary company that focus on corporate customers. From fiscal 2016 onwards, Telephone Service Training has been introduced in the Urban Infrastructure and Environmental Products Company's educational programs for new employees.

We designed a new e-learning-based training program in fiscal 2019 and launched it in nine locations.

The "All-Japan Telephone Service Contest," in which Sekisui Heim sales company call center employees from across the country pit their telephone service skills against each other, has been held every year from fiscal 2013 to fiscal 2017. Applying a new method, we held the contest again in fiscal 2019.

## Unique Brain Lab + S

In promoting the creation of products and services that inspire our customers and society, we believe it important to not only share our stories of success, but also to focus on the generation of the boundary-breaking ideas, approaches, and concepts that contribute to these successes. Our "Unique Brain Lab + S" study groups were created to improve creativity and generate these kinds of unique ideas and ways of thinking.

Following a trial run in fiscal 2018, 30 people were selected from among the many applicants to participate in the program in fiscal 2019. We aim to further improve creativity moving forward by continually conducting e-learning exercises on a regular basis.



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## Systems That Confirm Attractive Qualities from the Viewpoint of Society

### Attractive Qualities Screening System for Evaluating by Outside Experts

In order to accelerate the creation of attractive qualities, Sekisui Chemical Group has since fiscal 2008 implemented an Attractive Qualities Screening System, under which outside experts evaluate the company's Attractive Quality products. The evaluations focus not only on sales and profits, but also on the development process and a product's ability to provide value to customers and society.

A total of 13 products have been selected for awards, including four in fiscal 2008, three in fiscal 2011, four in fiscal 2014, and two in fiscal 2017.

We revised the assessment criteria and reviewed the operational aspects of the Attractive Qualities Screening System in fiscal 2019. While presentations and screening previously took place in private, we made a portion of the screenings public and solicited votes from employees as part of our effort to broaden employee awareness of and participation in the system. These initiatives further contributed to the selection of attractive quality products. Four new products received awards in fiscal 2019.

We identified the target of upgrading and expanding the nine new attractive quality products under the Medium-term Plan (2017-2019). Despite undertaking various initiatives as previously mentioned, the cumulative total of new products came to six over the medium term.

#### Fifth (Fiscal 2019) / Four Products

- Attractive Quality Award
  - The first stage of the SEKISUI Safe & Sound Project Asaka Leadtown
- Attractive Quality Gold Award
  - SPR-SE method
  - SMART HEIM targeting reduction of disaster impact (preventing and mitigating disasters) by enhancing resilience
- Attractive Quality Special Award
  - Sekisui Tatami (MIGUSA), offering floor tatami mats, system tatami mats, and heated floor tatami mats

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### Systems to Measure the Degree to Which CS & Quality Management Has Spread

## Surveying Awareness of and Behavior Regarding CS & Quality Management by Employee CS & Quality Assessments

Since fiscal 2012, Sekisui Chemical Group has been utilizing e-learning to conduct a CS & Quality Assessment (survey) program once every two years for employees in Japan, the aim being to ascertain the degree to which CS & Quality Management has spread throughout the organization, identify any related issues by measuring employees' awareness of CS & Quality and related activities, and reflect this information in the code of conduct. More specifically, the survey identifies issues for creating the groundwork for CS & Quality culture, such as by measuring the degree that management's philosophy and policies have spread throughout the organization, and communications up and down the ranks, across organizations and among members. Thereafter, based on the final report, new action objectives are set for each organizational unit with the aim of gradually fostering a culture of CS & Quality within Sekisui Chemical Group. Since fiscal 2015, we have worked to expand overseas by conducting employee CS & Quality assessments in China as well.

We conducted CS & Quality assessments in China for the fourth time in fiscal 2019. With the addition of five new locations, we conducted assessments for 986 individuals at a total of 11 locations.

We also held workshops at some locations in China based on workshop-related feedback obtained through dialogue in Japan in fiscal 2018.

### Systems That Use Customer Feedback to Increase CS & Quality

## Improve the Responsiveness of Customer Consultation Office

The staff of the Customer Consultation Office responds to questions, concerns, opinions, requests, and other inquiries from customers. With the goal of avoiding the forwarding of those calls to the departments responsible and taking action that does not leave the customer waiting, all employees of the Customer Consultation Office learn about our products and technologies and strive to offer, as much as possible, responses to inquiries at a one-stop shop.

Our one-stop response rate is improving with each passing year, and we intend to keep working to improve the ability of our Customer Consultation Office employees in order to further enhance our trustworthiness to these same customers.

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**Systems for Employees to Share Customer Feedback**

**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. Many of these customer inquiries contain requests and ideas for making improvements, such as changing product specifications and increasing the range of variations. By feeding back these customer opinions to the divisions of each internal company, we are able to improve CS & Quality by revising specifications and enhancing catalog markups from the users' perspective.

As a new initiative starting in fiscal 2015, the Group has published VOICE, which is a summary of the inquiries received by Customer Consultation Office. This booklet is published with the aim of reflecting customer feedback in management activities, cultivating and instilling a culture of CS & Quality in all employees, and promoting understanding of these issues in Group-wide businesses in a manner that transcends particular operational areas. Sekisui Chemical Group aims to improve three qualities (people, systems, products and services) based on feedback from customers.

Following the publication of the first issue in fiscal 2015, the fourth issue was published in fiscal 2019. The Sekisui Chemical Group has published this booklet with the aim of improving CS & Quality and highlighting measures aimed at putting the concerns of customers at the forefront of workplace activities.

In fiscal 2018 we prepared and posted on the Company's intranet the second VOICE + issue, which focused on emotionally moving stories stemming from the comments of customers.





## Systems to Confirm Customer Satisfaction

### Conducting a Customer CS Survey

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 2019, customers who had responded that they were "very satisfied" reached 73%.

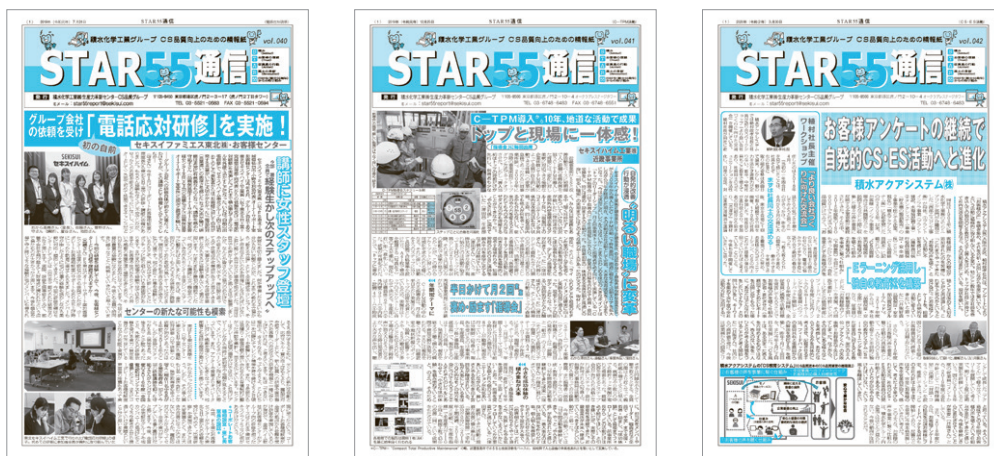
## System to Convey CS & Quality Activities to Employees

### 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.

The name STAR 55 embodies Sekisui, Trust, Action and Revolution, meaning that each and every employee of Sekisui Chemical Group promises action to gain the trust of customers and will attempt to bring about a revolution in the Group's spirit and culture while the Company allows each to take a leading role and become a STAR.

#### STAR 55 Bulletin No.'s 40, 41, and 42



Note: Origin of the name: STAR 55 Bulletin

S = Sekisui,

T = Trust,

A = Action,

R = Revolution,

STAR = Leader,

55 = 55th anniversary since founding.

## Performance Data

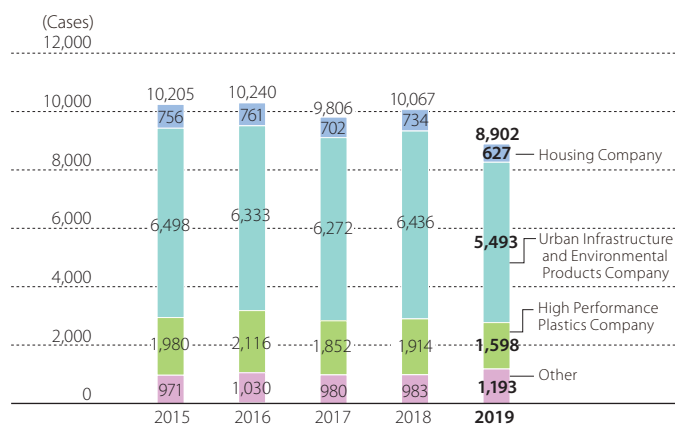
### Attractive Qualities Screening System Results

	Number of Award-winning Products	Award-winning Products
First (Fiscal 2008)	Four Products	<ul style="list-style-type: none"> <li>• Attractive Quality Award SPR method and materials</li> <li>• Attractive Quality Gold Award               <ul style="list-style-type: none"> <li>· S-LEC (sound and heat insulation, sound and heat insulation interlayer film)</li> <li>· SMART HEIM (advancing energy self-sufficient house)</li> </ul> </li> <li>• Special Recognition Award Lineup of Eslo Hyper products (earthquakeresistant, high-performance polyethylene water pipes)</li> </ul>
Second (Fiscal 2011)	Three Products	<ul style="list-style-type: none"> <li>• Attractive Quality Award Comfortable Air System</li> <li>• Attractive Quality Gold Award               <ul style="list-style-type: none"> <li>· NORUDIA N</li> <li>· CALMMOON</li> </ul> </li> </ul>
Third (Fiscal 2014)	Four Products	<ul style="list-style-type: none"> <li>• Attractive Quality Award Rapid-Tester™ RSV-Adeno</li> <li>• Attractive Quality Gold Award               <ul style="list-style-type: none"> <li>· Fire-resistant VP Pipe Piping System</li> <li>· Liquid crystal UV sealant</li> <li>· Smart Power Station</li> </ul> </li> </ul>
Fourth (Fiscal 2017)	Two Products	<ul style="list-style-type: none"> <li>• Attractive Quality Gold Award               <ul style="list-style-type: none"> <li>· Energy self-sufficient housing Smart Power Station "100% Edition"</li> <li>· "Kucho Hyper CH" high-performance polyethylene tube for air conditioner piping</li> </ul> </li> <li>Note: Attractive Quality Award not applicable</li> </ul>
Fifth (Fiscal 2019)	Four Products	<ul style="list-style-type: none"> <li>• Attractive Quality Award               <ul style="list-style-type: none"> <li>· SEKISUI Safe &amp; Sound Project No. 1 Asaka Leadtown</li> </ul> </li> <li>• Attractive Quality Gold Award               <ul style="list-style-type: none"> <li>· SPR-SE method</li> <li>· SMART HEIM targeting reduction of disaster impact (preventing and mitigating disasters) by enhancing resilience</li> </ul> </li> <li>• Attractive Quality Special Award               <ul style="list-style-type: none"> <li>· Sekisui Tatami (MIGUSA), offering floor tatami mats, system tatami mats, and heated floor tatami mats</li> </ul> </li> </ul>

Indicator	Calculation Method
Attractive quality products	Products selected under the Attractive Qualities Screening System

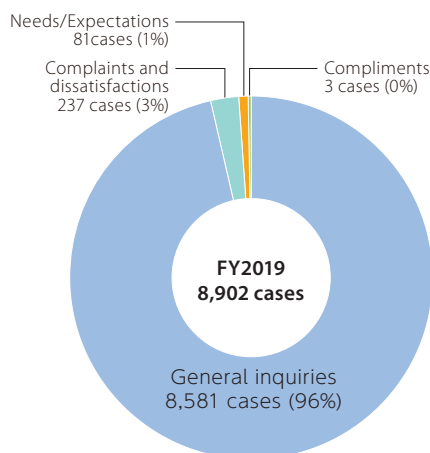
## Data Related to Support Improvement at the Customer Consultation Office

### 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"> <li>• General inquiries: questions about Sekisui Chemical Group product specifications, how to use products, construction methods, stores selling the products, and services such as repairs</li> <li>• Complaints and dissatisfactions: Incidents during which customers expressed their dissatisfaction or lodged rebukes concerning Sekisui Chemical Group products or services</li> <li>• Compliments: Calls during which praise was received for satisfaction with the Sekisui Chemical Group's products or services</li> <li>• 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</li> </ul> <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>

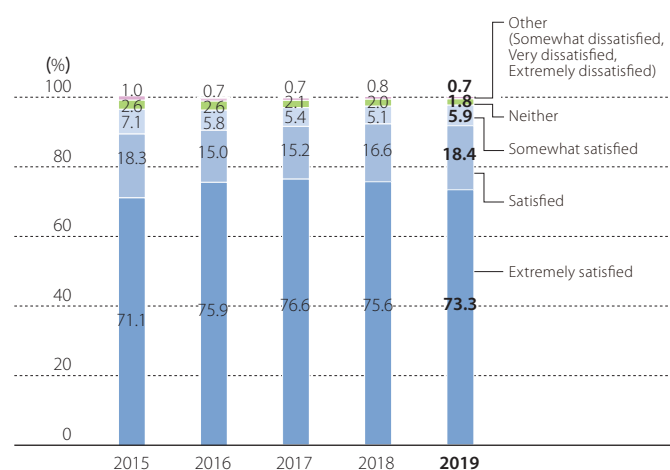
## Data Relating to Employee CS & Quality Assessments

### Data Relating to Employee CS & Quality Assessments in China

	Total Number of Responses	Implementation Count (Companies)
FY2016	405	3
FY2017	552	5
FY2018	604	6
FY2019	986	11

## Data Relating to Customer Surveys

### CS Questionnaire 7-Step Evaluation (Housing Company)



# Improving Quality

## Pursuing the "Three Zeros" in Accidents, Waste and Complaints

### Management Approach

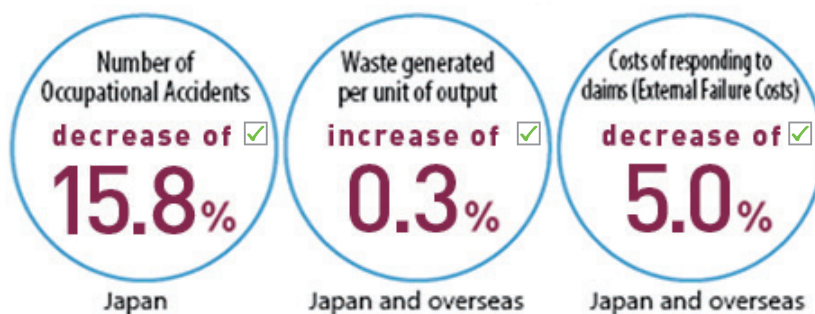
#### Basic Concept

### On-site Manufacturing Supports Quality

Recognizing that it is the fields of manufacturing development that support quality, since fiscal 2006 Sekisui Chemical Group has focused its efforts on innovation in production. Based on its belief that quality defects lead to higher costs arising from handling complaints or increased waste, we are trying to reduce costs by targeting the "three zeros" of accidents, waste, and complaints.



### Accidents, waste, and complaints compared to fiscal 2016



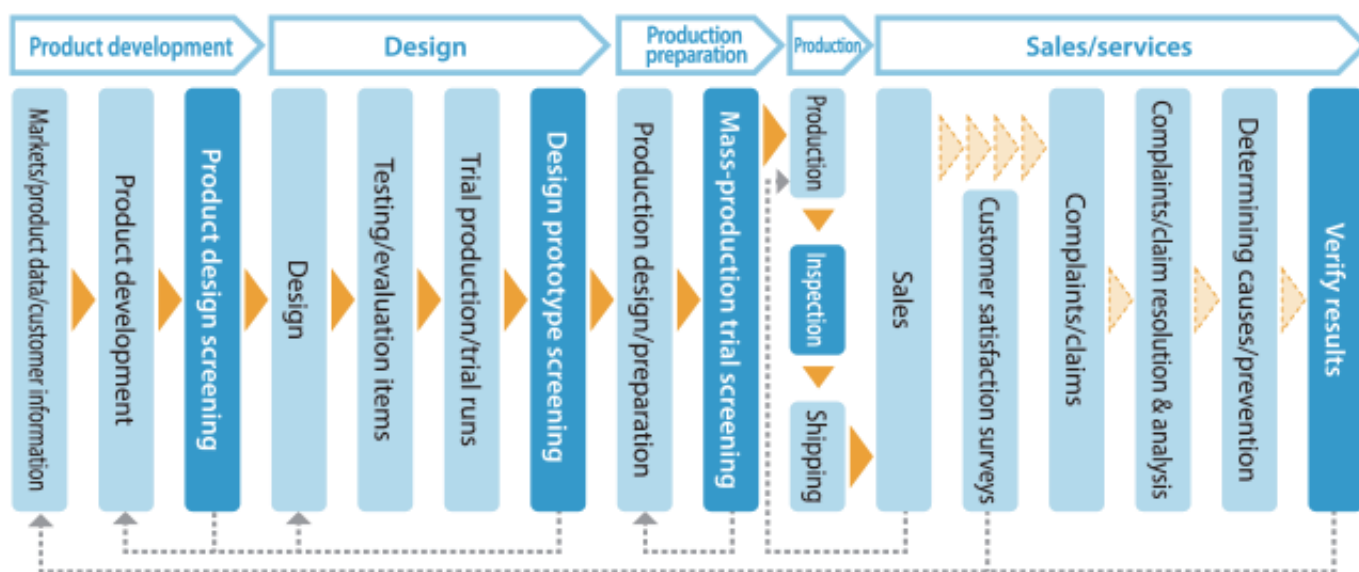
## Quality Management

### Systems in Each Section Reflect Business Characteristics

Sekisui Chemical Group has developed quality control systems covering every process from production to product use by customers. Each section has developed a quality assurance system, and in each process, we promote standards-based controls on a daily basis. In developing products and making improvements to quality, we conduct screening from a variety of perspectives, such as those of quality assurance and safety.

Sekisui Chemical is also rolling out this particular scheme to all Group companies in the form of Group Quality Control Rules.

#### Quality assurance system



#### Formulating Three Quality Guidelines

### Maintaining Uniform Quality Control from Development to Sales

Undertaking uniform quality control throughout the value chain—from development, manufacturing, and sales—Sekisui Chemical Group is working to improve the level of its quality control by formulating and issuing three guidelines: Development Guidelines for Strengthening Quality Assurance, Guidelines for Daily Management Activities, and Contract / Specification Guidelines.

Development Guidelines for Strengthening Quality Assurance are aimed at preventing Basic Quality-related problems from occurring by predicting quality risks that can arise after commercialization. Guidelines for Daily Management Activities are a collection of basic guides to management on a daily basis that must be undertaken in manufacturing and post-development processes.

Contract / Specification Guidelines were formulated and published with the aim of reducing expanded compensation\* risks 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.



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## Preventing Quality Fraud

### Implementing In-house Quality Control Investigations

In light of the frequent occurrence of quality control related fraud from 2017 to 2018 in Japan, Sekisui Chemical implemented an in-house investigation to confirm that its quality data is not fraudulent and that inspections, etc., have not been conducted by uncertified personnel for all products throughout the Group in order to ensure that the Company does not put the lessons learned by others to waste. As a result, we have confirmed that there are no cases of deficiencies regarding certification of auditors, official certification, and quality that hold the risk of violation or fraud.

Sekisui Chemical Group took steps to put in place a structure, systems, and framework to prevent further data falsification in fiscal 2019. This initiative is to coincide with the start of the new CS & Quality Medium-term Plan from fiscal 2020. Sekisui Medical Co., Ltd. also received quality certification from the U.S. Food and Drug Administration (FDA) for the first time in fiscal 2019.

Sekisui Chemical Group will continue to ensure that the specifications agreed upon with our customers are observed and that the group re-instill an awareness of compliance for the purpose of enhancing its quality assurance capability. At the same time, by ensuring the reliability and transparency of inspections, we will continue to implement in-house quality control investigations that extinguish any potential for fraud.

## Product Safety

### 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 2019, there were no cases where we violated laws or internal rules related to product safety.

## Products Information Disclosure and Labeling

### Compliance with Laws and Internal Rules Relating to Product Information Disclosure

Sekisui Chemical Group complies strictly with laws and internal rules relating to the disclosure of product quality and safety.

Sekisui Chemical Group complies with laws relating to development while setting and confirming product information disclosure checklist items.

In fiscal 2019, there were no cases where we violated laws or internal rules related to the disclosure of product quality and safety.

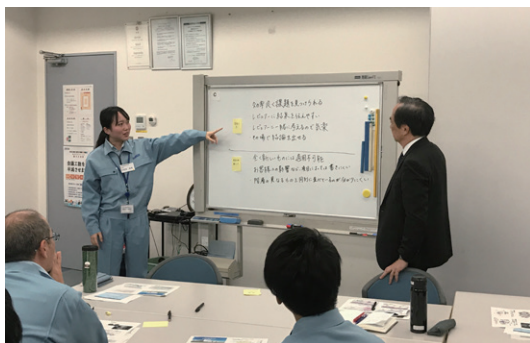


**Design and Development Seminars**

**Development Risk Prevention Seminar and DR\* Reviewer Training Seminar**

Continuing from fiscal 2013, we held the Development Risk Prevention Seminar aimed at acquiring effective, efficient prevention methods as well as the DR Reviewer Training Seminar to improve the skills of people who conduct DRs. Both seminars are based on the topic of preventing quality problems before they arise. In fiscal 2019, we held case study meetings for ongoing development themes with the Musashi Plant and Yamanashi Sekisui Co., Ltd. We reconfirmed the importance of predicting and identifying risks to quality by focusing on points of change with existing products. We plan to hold these seminars again in fiscal 2020.

\* DR: Design Review



Development Prevention Seminar



DR Reviewer Training Seminar

**QC Certification**

**Acquisition of QC Certification\***

Sekisui Chemical Group also employs QC Certification effectively to measure levels of quality knowledge, and as of the end of fiscal 2019, over 4,600 members of the Company had attained QC Certification.

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

**Group KAIZEN Activities on a Global Scale**

**Holding the Group KAIZEN Activities Award / Presentation Meeting Annually**

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. These activities have a track record of more than 50 years. They are underway at numerous business sites in Japan and around the world, centered on production companies. Once a year in January, presentations are made by the representative group in each area - Japan, North America / Mexico, China, Europe, and Asia / Oceania - to share information and foster mutual improvement.

In the 54th Sekisui Chemical Group KAIZEN Activities Presentation Meeting held in January 2020, a total of 14 groups (10 from Japan and four from other countries) made presentations. 18 business sites made requests in advance to view the proceedings of Sekisui Chemical Group KAIZEN Activities Presentation Meeting in real-time, and the event was broadcast to their offices as requested. Participants in the event commented “as a forum that provided an easy-to-understand overview of the background and logic behind efforts to secure improvements by the entire Group, the meeting was an opportunity for people without specialized knowledge to concentrate and listen” and “there was a lot to learn and incorporate even as a small organization.” Based on the many thoughts and impressions received, the meeting was an important initiative that helped deepen understanding of KAIZEN activities.

Award name	Site	Group
Gold Prize	<b>Taga Plant, Sekisui Chemical Co., Ltd.</b>	<b>KFC</b>
Silver Prize	Sekisui Famis Kinki Co., Ltd.	CS Promotion & Quality Assurance
Bronze Prize	Iwate Plant, SEKISUI MEDICAL CO., LTD.	Yamaneko

\* 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.



Representatives who Participated in the KAIZEN Activities Presentation Meeting

## Performance Data

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

#### Housing Company

Housing Company (integrated certification)  
 Development Department  
 Technology & CS Division  
 Administrative Management & Control Division  
 Information Systems 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 Supply Co., Ltd. Technology Department  
 Sekisui Board Co., Ltd.

#### Headquarters

Sekisui Chemical Co., Ltd. New Business Development  
 Department LB Business Group  
 SEKISUI LB TEC K.K.  
 Sekisui Medical Co., Ltd. (Headquarters)  
 Sekisui Diagnostics, LLC.  
 Sekisui Diagnostics, LLC. San Diego  
 Sekisui Diagnostics P.E.I. Inc.  
 Sekisui Diagnostics (UK) Ltd.  
 Sekisui Medical Technology (China) 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 PIPE RENEWAL B.V.  
 Sekisui Refresh Co., Ltd.  
 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 Polymer Innovations, LLC.  
 Bloomsburg Plant  
 SEKISUI Polymer Innovations, 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 B.S  
 Sekisui Alveo G.m.b.H  
 Sekisui Alveo S.r.L  
 Sekisui Alveo S.A.  
 Sekisui Alveo A.G.  
 Sekisui Alveo (Benelux) B.V.  
 Sekisui Alveo B.V.  
 Thai Sekisui Foam Co., Ltd.  
 Sekisui Voltek, LLC. Coldwater Plant  
 Sekisui Pilon Plastics Pty. Ltd.  
 Youngbo Chemical Co., Ltd.  
 Sekisui 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.  
 Sand L Specialty Polymers Co., LTD  
 PT. SEKISUI TECHNO MOLDING INDONESIA  
 SEKISUI DLJM Molding Pvt. Ltd Chennai  
 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.

## Other Data

	FY2016	FY2017	FY2018	FY2019
Number of participants in the Development Risk Prevention Seminar (cumulative total)	302	418	502	555
Number of participants in the DR Reviewer Training Seminar (cumulative total)	166	259	283	296
Number of participants in employee grade-based training system for managers in production departments (cumulative total)	2,252	2,768	3,174	3,348

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

# Compliance

## Strengthening Compliance Management on a Global Scale

### Compliance

#### Management Approach

##### Our Approach to Compliance Management

### Compliance Management Depends on the Good Intentions of Each Employee

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 April 2019, under the leadership of President Koge (Chairman of the Board and Representative Director as of March 1, 2020), the declaration was made that compliance is management itself for Sekisui Chemical Group, and that each and every employee will work together to act in accordance with compliance regulations. 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 Compliance Issues

### Prevent Major Compliance Issues

In the CSR Medium-term Plan (FY2017 to FY2019), we carried over “zero incidents of major compliance issues” as a target from the previous medium-term plan. From fiscal 2015 onward, Sekisui Chemical has continually achieved zero incidents of corruption and fraud. In fiscal 2019 as well, no cases of major compliance issues arose.

In the CSR Medium-term Plan, which we will start to implement in fiscal 2020, we will carry over “zero incidents of major compliance issues” as a target, and will continue strengthening our management of compliance and work to prevent compliance issues before they occur.

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### Growing Awareness Toward Compliance

## Compliance Manuals and Compliance Cards Distributed

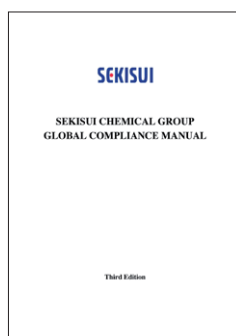
Sekisui Chemical Group has created and distributed the Compliance Manual, in which are described the matters with which each Group employee should comply, and also created a pocket version called the Compliance Card in order to instill awareness of compliance in each and every employee. The Compliance 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, and Korean editions, and are proceeding with translating the manual into more local languages.

In fiscal 2019, we translated the Compliance Declaration released under President Koge (currently Chairman of the Board and Representative Director) into each language, and included this declaration in the Global Compliance Manuals published in the above listed languages.



The Company's Compliance Manual



The Company's Compliance Manual (English)



The conveniently sized Compliance Card

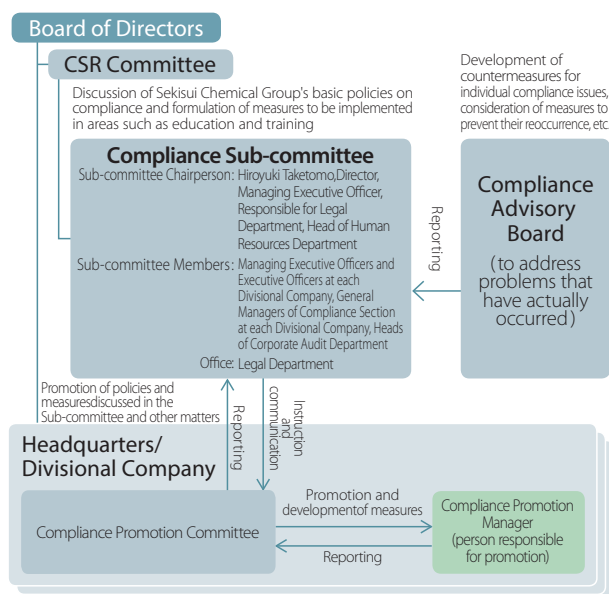
## Putting Compliance Management Efforts into Practice

### Building an Effective Compliance Promotion System

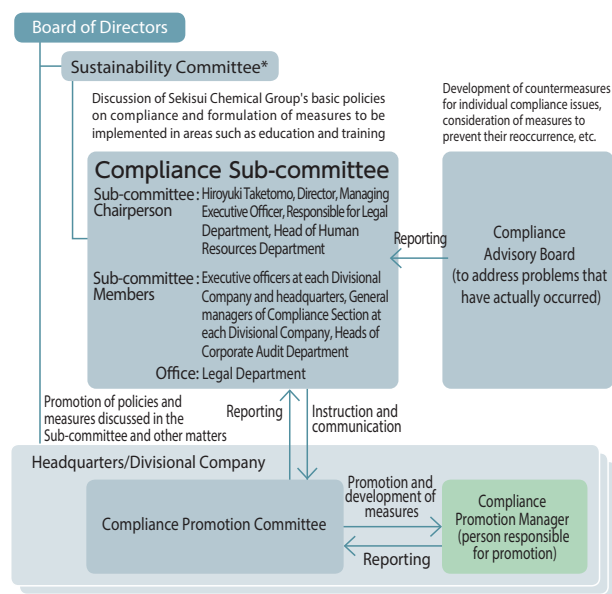
We are building a realistic and effective compliance promotion system to ensure that compliance management is fully put into practice. In addition to having established a Compliance Subcommittee—which reports to the CSR Committee and is chaired by the executive officer who heads the Legal Department—as an organization to oversee Group compliance and to put forward policies and implementation measures, we are also establishing compliance promotion subcommittees 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 2019, in September 2019 and March 2020.

#### Compliance Promotion System (to FY2019)



#### Compliance Promotion System (from FY2020)



\* The name of the CSR Committee was changed to the Sustainability Committee on April 1, 2020.

## Compliance Training

### Ongoing Provision of Opportunities to Learn About Compliance

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.

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, we have enabled employees to participate in paper-based learning programs at those Group companies and business sites that have requested such since fiscal 2019.



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### Upgrade of the Whistle-blowing Program

## We Are Promoting Knowledge of S.C.A.N.'s Existence and Its Effective Operation

In 2002, Sekisui Chemical Group developed the Sekisui Compliance Assist Network (S.C.A.N.) intra-company whistle-blowing system, which is the mechanism that has been made available for use by all Sekisui Chemical Group employees and its business partners.

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 plays a role as a point of contact for consultations, such as whether a specific act would be classed as a compliance violation.

In order to create an organizational culture that maintains full awareness of compliance, the system also prescribes the protection of the whistleblower and stipulates that information on the person who provided the information be kept secret from everyone other than at the point of contact and the prohibition of any prejudicial treatment toward that person. Regarding the report content, interviews are held to investigate the claims of both the informer and the informee, and eyewitnesses are interviewed as well when necessary. The truthfulness of these reports is confirmed in this way, ensuring intra-organizational issues are handled in a fair manner.

## Responses to External Notifications

We reconfigured the intra-company whistle-blowing system in fiscal 2015 as part of the strengthening of governance functions at each Sekisui Chemical Group company and 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

## Guidelines in Place, Educational Programs Conducted for High-risk Divisions

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 and are promoting their introduction at all Sekisui Chemical Group companies. We have also 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 Group employees can check them at any time.

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## ■ Main Measures Relating to Bribery and Corruption

In our efforts to prevent the breaking of any laws, we identify high risk cases regarding corruption and bribery, and put countermeasures in place. For example, when a government official is to be entertained or presented with a gift, a form must be submitted in advance to obtain approval from management. In the event that we appoint an agent or consultant in connection with business transactions, including those involving public officials from other countries, 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.

In fiscal 2019, in connection with the "Compliance Reinforcement Month," held yearly throughout the Sekisui Chemical Group in October, we conducted bribery prevention training at each Group company in China. We also called attention to bribery prevention during overseas assignment pretraining for those employees being assigned overseas for the first time.

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.

## ■ Cases of Violations in Fiscal 2019

No cases of major violations of the laws governing bribery and corruption occurred in fiscal 2019.

### Tax Compliance Initiatives

## Contribute to the Economic Development of Each Countries and Regions Through Proper Tax Payments

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 the countries and regions where we operate, thereby contributing to the economic development of those countries and regions.

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 APA (Advance Pricing Arrangement) as necessary to eliminate unstable tax positions.

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## Major Initiatives

### Compliance Reinforcement Month

## Conducting Educational Programs in the Two Areas of Corporate Scandals and Labor Management

In fiscal 2014, the Sekisui Chemical Group decided that October of each year would be Compliance Reinforcement Month, to give all employees the opportunity to reflect on their compliance awareness and actions.

In fiscal 2019, we conducted educational programs in Japan covering the two areas of corporate scandals (fraudulent accounting, data breaches) and labor management. In order to provide learning opportunities for those of our employees who are unable to participate in these educational programs, we began offering new online educational programs.

### Initiatives Taken During Compliance Reinforcement Month in Japan (Fiscal 2019)

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1. Thorough dissemination of the Compliance Declaration (2019.4) 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 (8 locations, 11 times in total)
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 / Implemented e-learning on the Company intranet (questions centered on misconduct and labor management)
5. Compliance Implementation Report by frontier leaders
6. Initiatives in North America, China, Southeast Asia, and Europe (September to March)

#### < Other compliance training >

1. Implemented education programs conducted by visiting staff at business sites where there had been several compliance issues
2. Provided educational opportunities at business sites in Japan where the opportunities were deemed insufficient

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## Upgrade of Legal Affairs Structure

### Reinforcement of Global Legal Affairs Structure

Sekisui Chemical Group has been reinforcing its legal affairs structure by developing and deploying legal personnel, strengthening collaboration among legal departments and enhancing legal functions.

In fiscal 2017, employees responsible for legal affairs at Sekisui Europe B.V. and Sekisui Southeast Asia Co., Ltd., our regional headquarters in Europe and Thailand, respectively, took up new posts.

In fiscal 2017, we also began implementing those initiatives that have been undertaken during the Compliance Reinforcement Month in Japan in North America and China. Since fiscal 2018, we have deployed these initiatives horizontally on a global scale, for example by extending them to and implementing them each year in the Southeast Asian and European regions. The themes taken up during the Compliance Reinforcement Month are selected with a focus on those issues that are judged by each of the regional headquarters to be of high risk to the region.

#### Fiscal 2019 Compliance Reinforcement Month Initiative Themes by Region

North America: Initiatives selected upon advanced discussion with North American Group companies (contract fundamentals, intra-company whistle-blowing systems, etc.)

China: Bribery prevention, business secrets protection, workplace sexual harassment prevention, addressing site inspections by administrative bodies

ASEAN: Sekisui Chemical Group rules, fraud prevention (accounting)

Europe: Cyber security countermeasures

## Marketing Communications

### 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 2019, 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 have been operating a business organization membership payment system, a pre-application and follow-up report system for competitor contact, and a price revision committee system since 2007 as a compliance program for antitrust laws. The implementation status of these systems is audited yearly, and the program is revised as needed. We are currently working to expand these systems to Group companies, and the introduction of the program was completed at domestic business companies with high cartel risk in fiscal 2018.

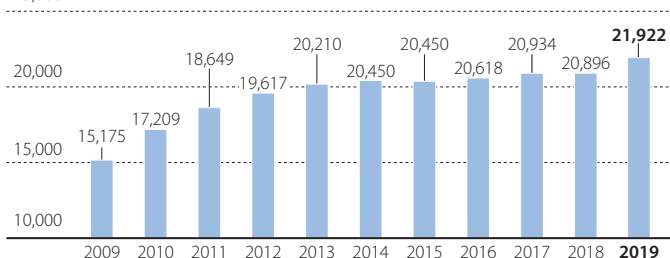
There were no cases of major violations of antitrust laws in fiscal 2019.

## Performance Data

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

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

(Number of participants)  
25,000



\* Average values for four sessions conducted in each year. However, the third and fourth sessions were underway during fiscal year 2019 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 2019 List of Results Relating to Compliance Training

Training	Training content	Trainees			Attendance
		Sekisui Chemical Co., Ltd.	Group companies		
			Domestic	Overseas	
Regular training	Training for new employees	○	○		107
	Training for new managers	○	○		268
Training for specific employee ranks	Training for beginner employees	○			3
	Newly appointed senior management training	○			87
	Training for newly appointed intermediate employees	○			29
	Newly appointed executive officer training	○			6
	Training for executives at affiliated companies		○		77
	Training for new auditors at affiliated companies		○		6
	Training for those responsible for management	○	○		81
	Training for those responsible for compliance	○	○		31
	Training for compliance promotion committee members	○	○		34
	Training for compliance committee members		○		9
	Area-specific training	Compliance training	○	○	
Harassment preventing training		○	○		867
Export controls training		○	○		86

Training	Training content	Trainees			Attendance
		Sekisui Chemical Co., Ltd.	Group companies		
			Domestic	Overseas	
Area-specific training	Act against Delay in Payment of Subcontract Proceed, etc. to Subcontractors training	○	○		516
	Training in Act against Unjustifiable Premiums and Misleading Representations		○		39
	Personal information protection training	○			19
	Information management training		○		28
	Accounting training		○		4
	Finance training		○		43
	Contract fundamentals training	○	○		59
	Information security training		○		479
Global training	Training for prior to overseas transfers	○	○		21
	Compliance training			○	6
Compliance Reinforcement Month	Domestic training	○	○		926
	North America training			○	795
	China training			○	451
	Southeast Asia training			○	263

## Number of Whistleblowing Cases and Consultations

### Fiscal 2019 Number of Whistleblowing Cases and Consultations

Reports/consultations	Number of cases
Power harassment	41
Working conditions	20
Sexual harassment	3
Workplace environmental concerns	2
Misuse of expenses	2
Sales methods related	1
Misrepresentation of work performance	3
Incidents with business partners	0
Others	21
Total number of complaints	93

## Donations Relating to Governmental Policies

Donations (made by Sekisui Chemical non-consolidated) to industry bodies and political groups for fiscal 2015 to fiscal 2019 are as follows:

(Thousands of yen)

FY2015	FY2016	FY2017	FY2018	FY2019
18,936	19,050	22,909	23,596	25,448

# Cyber Security

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

### Management Approach

#### Formulation of Cyber Security Policy

Our operations are based on the principle of formulating a Companywide cyber security policy, and sharing it internally and externally. This will work to strengthen our cyber security efforts throughout Sekisui Chemical Group.

#### Principles

We, Sekisui Chemical Group, recognize that cyber assets—such as personal information of our customers, information received from our suppliers, confidential corporate information, and systems for managing this information—are an increasingly important management resource and a source of our competitiveness. We believe that the preparation against cyber-attacks threatening these cyber 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.

#### Cyber Management System

#### Installing CSIRT\*, and building a system that posts information system administrators at each business site,

Headed by the Sustainability Committee, which is chaired by the president, we have established a cyber security subcommittee as a policy-making body for the cyber security area. The subcommittee is led by the Chief Information Security Officer (CISO) and it deliberates and sets policy with regard to Companywide cyber security measures or significant security incidents. To advance measures based on subcommittee decisions we have established the Cyber Security Promotion Committee, and have also created the Cyber Security Incident Response Team (CSIRT) as a lower-branch task force.

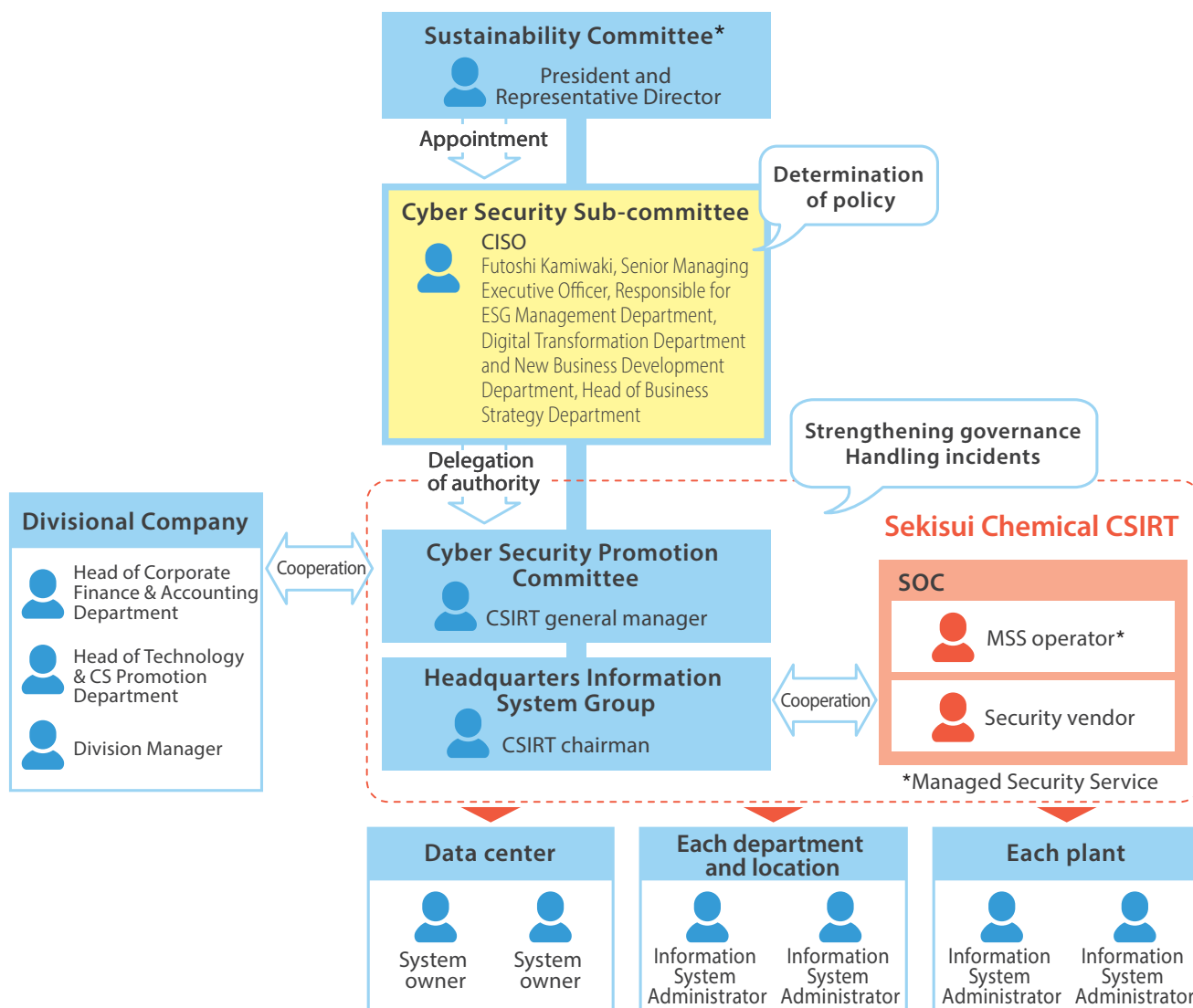
Having posted at least one cyber system administrator on site at each business, we have established a comprehensive Group-wide cyber management system. Even in the case of organizational changes or cyber system administrator re-assignments, the Company is constantly aware of the presence or absence of the cyber system administrators at each of its business sites through its registry management system.

\* 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.



## Cyber Security Organizational Chart

### Sekisui Chemical Group Cyber Security Structure



\* The name of the CSR Committee was changed to the Sustainability Committee on April 1, 2020.

#### Measures to Address Information Leakage Risks

### Implementing Every Measure Possible from Both System and Human Aspects

The Company takes every measure possible, from both system and human aspects, in order to maintain the security of customer (including personal) and internal (including confidential) information. To combat external threats, the Company has positioned its Security Operation Center (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 taking preventive measures such as employee education based on e-learning courses and by conducting audits.

CSIRT operations are executed based on regularly held Cyber Security Promotion Committee meetings and assessments of risk countermeasures. It also makes activity reports on cyber security at every meeting.

\* 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.

## Key System-related (Tangible) Measures

- (1) Establish firewalls to completely separate external networks from internal intranet and control networks
- (2) Monitor and record data through the Security Operation Center
- (3) Next-generation virus protection, as well as log collection and analysis for all servers and PCs.
- (4) Enhance BEC (business email compromise) countermeasures through the use of multiple e-mail filters and prohibit the use of personal devices in business (excluding emergency situations)

## Key Human-related (Intangible) Measures

- (1) Conduct security audits as needed at business sites in Japan and overseas
- (2) Adopt entry / exit ID authentication and secondary (photographic, etc.) verification when entering major domestic offices
- (3) Conduct regular e-learning programs (those who do not attain a pass grade will be unable to access the Internet → Japan only)

### Measures to Address Natural Disaster-related Risks

## Duplication and Dispersing of Systems, as well as Earthquake Resistance and Seismic Isolation Measures

We have confirmed that measures are in place for earthquake resistance, seismic isolation and to counter other problems encountered by contracted data centers so that business operations can be continued even in the event that backbone systems are damaged by a major earthquake or other disaster. 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 has formulated its Personal Information Policy, which is available on the Company's website. Based on this policy, 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.

## The creation of a CSIRT led by an executive officer

We have launched a CSIRT entity with the executive officer of the Information Systems Group as general manager. The establishment of a CSIRT entity will allow us to provide accountability in our cyber security operations to our stakeholders and clarify the promotion of cyber security measures in line with the Ministry of Economy, Trade and Industry's revised Cybersecurity Management Guidelines (Ver. 2). Together with entrenching operations in Japan, going forward we are advancing the development of CSIRT at Group companies overseas.

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# 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.**

## Our Philosophy

Sekisui Chemical Group's digital transformation (DX) mission is to accelerate and support the growth strategies and structural reforms necessary to realize its long-term vision. To achieve sustainable growth in an increasingly uncertain business environment, we will take another look at conventional governance as well as business and operating processes, while undergoing a transformation from the perspectives of “visualization and standardization,” “productivity increase” and “sophistication”<sup>\*1</sup>. We hope to remain a company that continues to provide value to society by raising productivity, shifting “people” to value-based operations, and challenging our employees to meet their full potential. Under the medium-term management plan, we will help resolve current issues<sup>\*2</sup> in an effort to strengthen the promotion structure while supporting growth strategies and structural reforms and undertake the necessary preparations for long-term growth<sup>\*3</sup>.

- \*1 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 and the supply chain
- \*2 Promote sophistication in an effort to standardize and enhance the competitiveness of the business management, R&D, sales and marketing, manufacturing, and purchasing domains.
- \*3 Strengthen the IT base: Security, network, data collection/analysis platform, etc.

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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 that need to be resolved from a long-term perspective.**

## Management Approach

### Our Philosophy

Sekisui Chemical Group aims for a planet in which the air, water and land provide a healthy living environment for its inhabitants and fosters robust biodiversity. Our daily lives and economic activities make use of the natural capital\* provided by our planet to ensure sustainable growth. Sekisui Chemical Group envisions a planet and society like this. 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 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.

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# Promotion System

## Setting Environmental Medium-term Plan Targets Using Vision-based Backcasting and the Promotion System Structure

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, reform and creation, 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. Backcasting 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 launches 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 contribute to making returns on this capital.

### Environmental Medium-term Plan "Sekisui Environment Sustainability Plan: Accelerate" (Fiscal 2017-2019) and New Environmental Medium-term Plan "Sekisui Environment Sustainability Plan: Accelerate II" (Fiscal 2020-2022)

From fiscal 2017 to 2019, we undertook initiatives based on the Environmental Medium-term Plan "Sekisui Environment Sustainability Plan: Accelerate" (Fiscal 2017-2019).

From fiscal 2020, we will deploy 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 (i.e. use of natural capital) and the degree of contribution back to the environment (i.e. return of 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 intend to refocus 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.

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## 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 our 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 intend to work towards cooperative problem-solving by making a greater effort to approach the supply chain than in the past.

Through our existing CSR Procurement Guidelines and Green Procurement Guidelines, we have confirmed the environmental management status of and have worked to encourage system building within our raw materials supply chain. In our long-term management strategies up to 2030, we also intend to enhance similar initiatives targeted at the broadening supply chains required for business expansion.

## Environmental Education

Over the three years from 2017 to 2019, Sekisui Chemical Group put in place an environmental education structure and systems and established environmental training programs with the aim of fostering the ideal Environmental Human Resources required to achieve the Long-term Environmental Management Vision 2030.

From 2020, we will work to foster the personnel required to expand contributions to resolving social issues through business growth, reform and creation, centered on ESG management. These programs will also enhance the ability of employees to contribute to the solutions for various environmental problems, one of the groundings of ESG personnel.

## Environmental Accounting

Sekisui Chemical Group assessed and disclosed the Group-wide environmental accounting details in order to confirm its investments in the environment and the cost value thereof, and to verify the cost effectiveness of the results, such as reductions in environmental impacts up to 2019.

Within the Medium-term Plan that will launch in 2020, we will employ environmental accounting because the investments and costs applied to the environment are defined as capital costs within the 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"

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

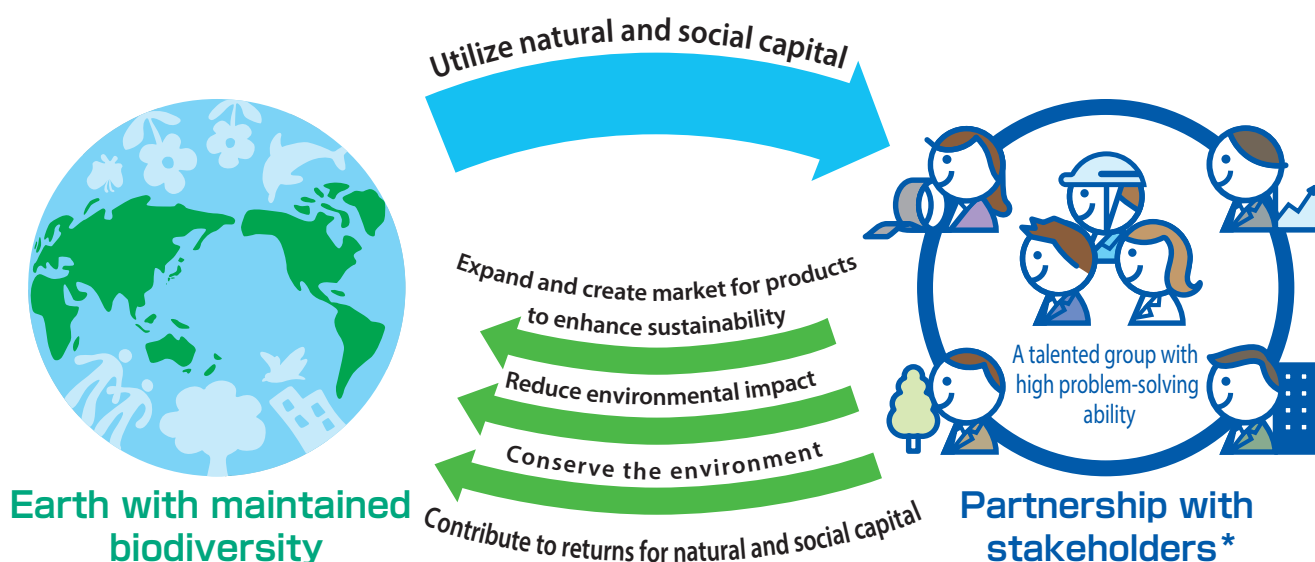
Through its corporate activities, products its corporate activities generate, and business, Sekisui Chemical Group will contribute to the resolution of a host of issues that confront the natural and social environments as it works toward the realization of earth with maintained biodiversity. We remain conscious that the business activities we carry out incorporate natural capital, which derives its value from Earth, as well as meaningful social capital which originates from society. We are therefore committed to returning such capital back to the environment and society.

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 (contributing to global and social sustainability)
- (2) Reduce environmental impact
- (3) Conserve the natural and social environments

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.



\*Stakeholders : customers, shareholders, employees, business partners, local communities and the environment



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## Previous and Future Environmental Medium-term Plan Targets

From fiscal 2017 to fiscal 2019, we set targets and launched initiatives for the following crucial items within the Environmental Medium-term Plan, "Sekisui Environmental Sustainability Plan: Accelerate"

- "Sekisui Environmental Sustainability Index": A rate of return on natural capital of 90% or more
- Increasing Environment-contributing Products Sales ratio: 60% or more
- Reductions in greenhouse gas emissions: 6% or more (vs. FY2013)
- Preservation of water resources : Water intake volume 3% or more reduction (vs. FY2016)  
COD total quantity 3% or more reduction (vs. FY2016)
- "SEKISUI Environment Week": Participation at all business sites and by all employees

Focused on Establishing Targets and Implementing Measures for the Following Crucial Items within the new Environmental Medium-term Plan, "Sekisui Environmental Sustainability Plan: AccelerateII"

### 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 (growth rate equivalent of 22% (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]

Implementing initiatives to promote the recycling of waste

### 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)

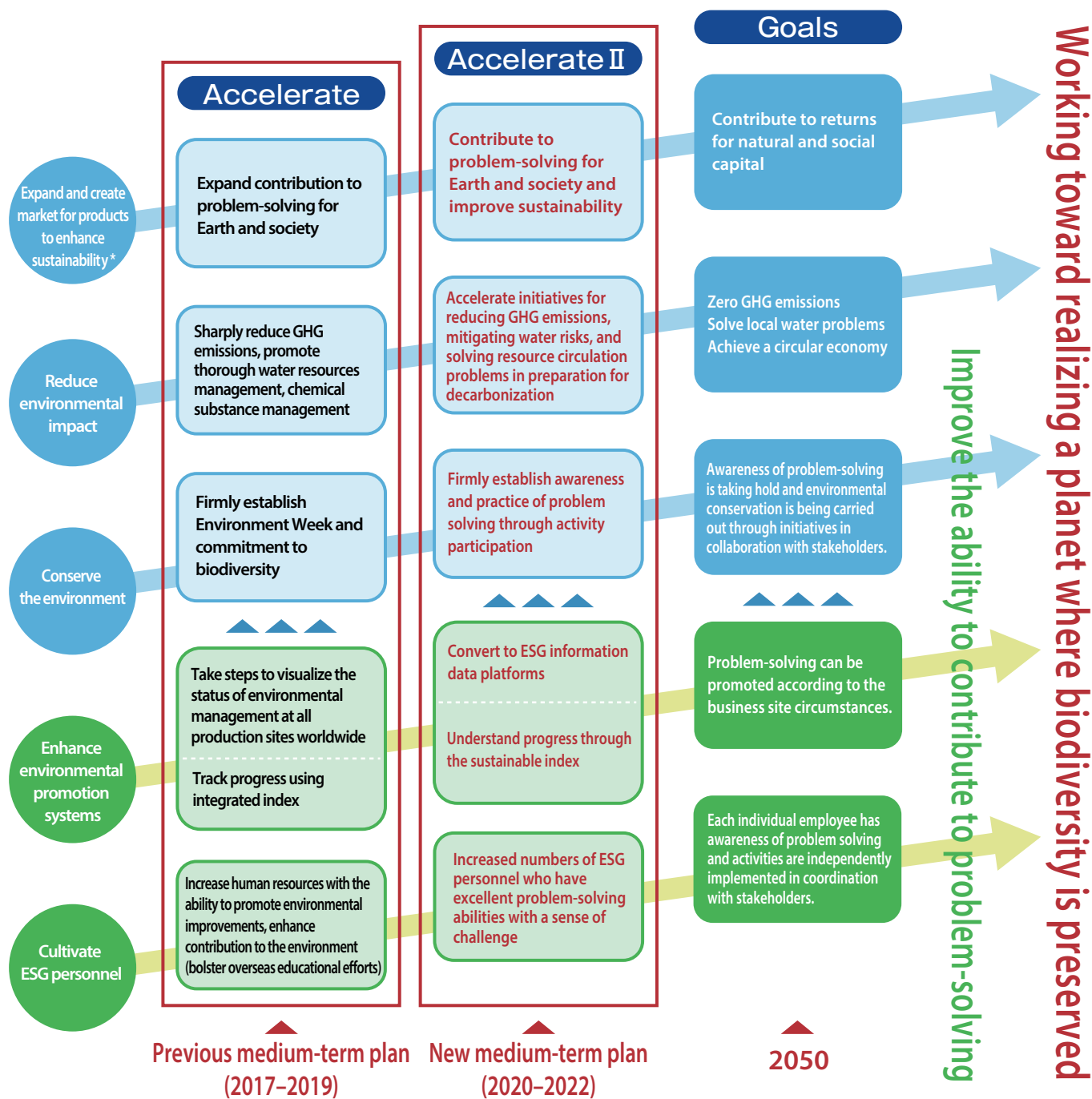
Total volume of COD discharged into rivers by production sites where discharge is substantial: 10% reduction (vs. FY2016)

[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 problem solving



Note: Environment-contributing Products evolve into products to enhance sustainability from fiscal 2020. For more details, please refer to "Products to Enhance Sustainability" on page 254.

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

We established and implemented a three-year Environmental Medium-term Plan for fiscal 2017 through fiscal 2019. The Environmental Medium-term Plan, "Sekisui Environmental Sustainability Plan: Accelerate" accelerated various initiatives, established milestones for each medium-term plan, and used backcasting to achieve the goals we have set for 2030 in our long-term environmental vision, "Sekisui Environment Sustainability Vision 2030."

Initiatives of particular focus included reducing greenhouse gases and expanding Environment-contributing Products. In the Paris Accords, adopted at the COP 21\* meeting held in 2015, each country has promised to achieve country-level CO<sub>2</sub> emissions reductions targets; Japan has set a target of reductions of 26%, compared to fiscal 2013, by 2030. To fulfill its responsibilities as a Japanese company, Sekisui Chemical Group has actively worked to achieve reduction targets that are equal to or greater than the targets adopted by the national government.

In regard to greenhouse gas reductions, the 2017–2019 environmental medium-term plan established a target and launched initiatives aimed at reducing the total amount of CO<sub>2</sub> emissions released during business activities by 6%, even as the Group aims to expand its business further. To ensure that this target is reached, the Group created the Environment-contributing Investments Framework in order to promote aggressive investment in facilities on the scale of 12 billion yen, equivalent to 0.3% of revenue.

In regard to Environment-contributing Products, the Group in fiscal 2017 announced that it would increase the degree of contribution by expanding the criteria of recognition from natural environments to a framework which includes contributions to the social environment, encompassing human capital and social capital from the current environmental medium-term plan. 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.

\* COP 21: The 21st meeting of the parties to the UN Framework Convention on Climate Change.

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While looking toward the cause of long-term environmental issues and providing science-based solutions for their resolution, we revised in fiscal 2019 our long-term environmental vision for 2050, and created “Sekisui Environment Sustainability Vision 2050.” In line with backcasting 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.

Moreover, we believe we can further accelerate the solving of these issues 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 have established the goal of zero greenhouse gas emissions by 2050 and moving to a system in which all purchased power comes from renewable energy by 2030.

In regard to issues related to water risk, not only are we focused on reducing the amount of water the company uses as a whole and promoting the recycling of water, but we are also 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, not only are we focused on reducing the amount of waste generated even as we aim to double our business by 2030, but we are also considering initiatives emphasizing recycling with the aim of realizing a circular economy and a recycling-based society. Moreover, in line with our corporate responsibility as a plastic molding manufacturer, we focus on carbon cycle technologies that recycle carbon derived from crude oil as a raw material and aim to accelerate the establishment and social implementation of technologies such as BR technologies that can produce use microorganisms to produce ethanol from waste.

Under the product assessment system that focuses on sustainability, Environment-contributing Products have evolved into products to enhance sustainability. In addition to expanding our contribution to improving global and social sustainability, i.e., resolving existing issues related to the natural and social environments, we are implementing assessments in regard to profitability, customer satisfaction, processes, and supply chains in order to further improve the sustainability of both the Company and our products. We are also establishing a premium framework, as well as measures for its future expansion, as part of our strategy to drive growth in these products to enhance sustainability.

## ■ Fiscal 2019 Results and Fiscal 2020 Targets

### Expanding and Creating Environment-Contributing Products

<p>Sales ratio: Fiscal 2019 target of 60% of revenue or more  <b>Target not achieved, with 58.3%</b></p>	<p>Number of new registrations: Fiscal 2019 target of 10 registrations (30 registrations in three years)  <b>Five new registrations in fiscal 2019 (47 registrations in three years)</b></p>
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#### <Factor Analysis>

The number of new registrations came to 47, which surpassed the target of 30 registration from fiscal 2017 to fiscal 2019 under the Medium-term Plan. Despite renovation menu expansion including storage batteries that help secure utilities in the event of a disaster in Japan as well as growth in the Diagnostics business, which is expanding globally, and the electronic materials and other markets, Sekisui Chemical Group did not achieve its sale ratio target.

#### <Trends in the Product Assessment System to Promote the Expansion of Products That Contribute to the Resolution of Issues>

Sekisui Chemical Group established and has promoted a certification system since fiscal 2006 to expand products that contribute to the resolution of issues.

#### Changes up to fiscal 2016

- Added the viewpoint of contributing to energy creation and the protection of biodiversity to the standards
- Introduction of the concept of area contributions
- Consideration of expanding the scope of evaluation to include contributions to resolving issues relating to matters such as disaster preparedness and damage mitigation

#### Fiscal 2017 changes

- We included Environment-Contributing Products as products that contribute to the natural environment under the current framework, and newly expanded the definition of products that work to resolve issues related to the social environment as Social Environment-contributing Products.

Note: For details see SDGs Initiatives on page 55

#### Changes from fiscal 2020

Renamed as products to enhance sustainability and activities commenced. Evolved as product assessment under the following two perspectives.

- Consider registration based on internal standards in recognition of the significant contribution to resolving issues
- Undertake a confirmation assessment taking into consideration a variety of factors including governance, processes, the supply chain, and customer satisfaction to ensure that the significant contribution of registered products to resolving issues is sustainable

Plans are in place to undertake a detailed design of the confirmation assessment criteria as well as operating and other systems and to initiate system operations during fiscal 2020.

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### <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.

More than just the natural environment, the Group considered as contributions to natural capital those based on resolving issues relating to human and social capital and other aspects of the social environment, and promoted a greater range of products that can contribute to the return to natural capital up to fiscal 2019.

From fiscal 2020, we will visualize the degree of contribution of products to enhance sustainability on the resolution of issues in order to once again increase our contribution to returns on natural and social capital.

Furthermore, 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 2019 target of reductions of 6% or more (relative to a fiscal 2013 benchmark)

**Target achieved, with reductions of 6.1%**

Energy savings:

Fiscal 2019 target of reductions of 3% of energy consumption per unit of output (based on a benchmark of fiscal 2016)

**Target achieved, with reductions of 7.6% (8.9% reduction in Japan and 4.7% reduction in overseas)**

### <Factor Analysis>

The Group aims for reductions secured through the realization of energy-saving activities and environment-contribution investment, including upgrades to aging facilities and the deployment of self-consumption-type solar power-generation facilities, to exceed increases due to factors such as M&A or an expansion in production.

For the period covered by the next medium-term plan, we will focus on shifting electric power consumption to power derived from renewable resources and accelerate the reduction in greenhouse gas emission volume.

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Amount of Waste Generated:

Fiscal 2019 target of reductions of 3% from per unit of output (relative to a fiscal 2016 benchmark)

**Target not achieved, with an increase of 0.3% (3.6% reduction in Japan, 6.7% increase overseas)**

#### <Factor Analysis>

- Japan: Reduce the amount of waste by allowing the re-use of scrap metal generated as part of the production process for high-performance resin products.
- Overseas: Increase in high-functionality products of the overseas operating sites of the High Performance Plastics Company

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.

## Conserving the Natural Environment

### SEKISUI Environment Week

Fiscal 2019 target for participation rate among employees of 100%

**Target not achieved, with participation rate among employees of 89.7%**

#### <Factor Analysis>

- Insufficient promotion of individual action

Although we did not achieve the target of 100% employee participation, by fiscal 2019, the rate of implementation of the SEKISUI Environmental Week at business sites and employee participation reached nearly 90% globally. Through participation in these activities, the driving force of environmental activities has improved.

From fiscal 2020, we will promote environmental protection activities as an educational activity to develop human resources capable of recognizing issues while thinking about and implementing contributions to their resolution in accordance with the various environments in which they operate, including regions, businesses and operations.



## Environmental Medium-term Plan “Sekisui Environmental Sustainability Plan: Accelerate” (2017-2019)

Efforts		Target						Indicators	
		Production sites in Japan	Laboratories	Domestic offices	Overseas production sites	Overseas offices	Other		
Manage process utilizing the integrated index		✓	✓	✓	✓	✓	✓	Sekisui Environment Sustainability Index Rate of return to natural capital	
Expand and create markets for Environment-contributing Products	Create Environment-contributing Products	✓	✓		✓			Number of new Environment-contributing Products registrations	
	Increase sales of Environment-contributing Products	✓		✓	✓	✓		Environment-contributing Products sales ratio (consolidated)	
Reduce environmental impact	Reduce greenhouse gas (GHG) emissions	✓	✓	✓	✓	✓	✓	Reducing GHG emissions attributable to business activities	
	Energy reduction	✓			✓			Energy consumption for unit of output	
	Waste reduction	Reduce the amount of waste generated per unit of production volume	✓			✓			Waste generated per unit of output
		Reduce the amount of resources used in offices		✓	✓		✓		Copier Paper use per unit of output
		Reduce the amount of waste generated at new construction sites						✓	Waste generated per building
	Maintain water resources		✓			✓			Water intake volume at production sites
			✓						Total volume of COD discharged into rivers by production sites
Reduce the impact of chemical substances		✓			✓			VOC emissions	
Conserving the natural environment	SEKISUI Environment Week	✓	✓	✓	✓	✓		Employee participation rate	
	Improve the quality of the green spaces at business sites	✓	✓					JBIB Land Use Score Card <sup>1</sup> points	
		✓	✓					Number of business sites in harmony with their local environments	
	Forest preservation activities at Housing Sales companies			✓				Number of sales companies undertaking activities	
	Self-guided activities in partnership with local communities	✓	✓					Ratio of applicable business sites in Japan	
				✓	✓			Number of overseas activities	
Environmental education	Environmental education	✓	✓	✓	✓	✓		Human resources index average	

✓ : Medium-term targets achieved.

△ : Medium-term targets not achieved but initiatives were promoted.

× : Medium-term targets not achieved and further promotion of initiatives is needed in the future.

Medium-term Targets (FY2017-FY2019)	Results			Self-evaluation	Reference page
	FY2017	FY2018	FY2019 ✓		
90% or more	86.2% <sup>1</sup>	95.8% <sup>1</sup>	104.5% <sup>1</sup>	✓	P184
30 products	24 products <sup>1</sup> Environment-Contributing Products: 4 registered Social Environment-Contributing Products: 20 registered	18 products <sup>1</sup> Environment-Contributing Products: 3 registered Social Environment-Contributing Products: 15 registered	5 products <sup>1</sup> Environment-Contributing Products: 1 registered Social Environment-Contributing Products: 4 registered	✓	P257
60% or more	50.2% (555.9 billion yen)	56.3% (643.8 billion yen)	58.3% (658.3 billion yen)	△	P257
-6% or more (compared with fiscal year 2013 results)	-1.5%	-2.3%	-6.1%	✓	P216
-3% or more (compared with fiscal year 2016 results)	-1.2% (Japan: -4.1%, Overseas: +2.0%)	-3.7% (Japan: -8.2%, Overseas: +2.4%)	-7.6% (Japan: -8.9%, Overseas: -4.7%)	✓	P216
-3% or more (compared with fiscal year 2016 results)	+0.4% (Japan: -0.6%, Overseas: +3.1%)	+3.3% (Japan: +1.9%, Overseas: +8.0%)	+0.3% (Japan: -3.6%, Overseas: +6.7%)	✓	P229
-3% or more (compared with fiscal year 2016 results)	+0.3% (Japan: +0.5%, Overseas: -14.2%)	+1.4%	-16.7% (Japan: -17.1%, Overseas: +23.7%)	✓	P229
-10% or more (compared with fiscal year 2016 results)	+0.0%	+1.7%	-1.2%	×	P231
-3% or more (compared with fiscal year 2016 results)	+3.1% (Japan: +1.9%, Overseas: +6.6%)	+3.0% (Japan: -1.1%, Overseas: +15.1%)	+0.1% (Japan: -8.1%, Overseas: +24.0%)	△	P240
-3% or more (compared with fiscal year 2016 results)	+28.2%	+20.7%	+5.1%	×	P243
-3% or more (compared with fiscal year 2016 results)	+12.1% (only domestic goals achieved)	+7.1%	+3.9%	×	P247
100%	84.9%	88.1%	89.7%	△	P265
+5 points (compared with fiscal year 2016 results)	+2.6 points	+4.3 points	+5.3 points	✓	P265
5 business sites	Consideration of evaluation standards	Business site evaluation trial run in accordance with the proposed evaluation standards	5 business sites	✓	P262
7 sales companies	7 sales companies	7 sales companies	7 sales companies	✓	P262
50% or more	57.4%	55.3%	57.4%	✓	P262
5 activities	5 activities	7 activities	5 activities	✓	P262
+20 points (compared with fiscal year 2017 results) <sup>2</sup>	Japan: 39 points	Japan: +5 points (44 points) Overseas: US benchmark achieved (50 points)	Japan: +4 points (43 points) Overseas: China benchmark achieved (60 points)	×	P195

<sup>1</sup>: For products which are significant contributors with a major impact, rather than calculating performance using sales figures, reconfirm using a quantity base, apply this retroactively to past values, and correct the calculation results.

<sup>2</sup>: Human resources index operations started in FY2017, which is set as the base year.

## New Environmental Medium-term Plan “Environmental Sustainability Plan: Accelerate II”

Item	Aim	Indicator	Base year	Goal setting			
				FY2020	FY202	FY2022	
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			
Products to enhance sustainability	Improve economic value	Sales of products to enhance sustainability (growth rate (compared with 2019))	—	710 billion yen, 8% growth rate (compared to 2019)	750 billion yen, 14% growth rate (compared to 2019)	800 billion yen, 22% growth rate (compared to 2019), 63% sales ratio	
		Number of new registered products	—	6 per year	6 per year	6 per year	
Reduce environmental impact	GHG	Renewable energy ratio of purchased electricity	—	5%	10%	20%	
		GHG emissions	FY2013	-7%	-8%	-9%	
	Reduce energy usage volume	Improve energy efficiency and reduce energy expenses during production	Energy consumption for unit of output	FY2019	-1%	-2%	-3%
	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		
			Copier Paper use per unit of output	FY2019	-1%	-2%	-3%
			Waste generated per building	FY2019	-2%	-4%	-6%
	Water risks	Maintain water resources	Water intake volume at production sites which use large quantities of water	FY2016	-10%	-10%	-10%
			Total COD volume of river discharge water at production sites with large COD emission volumes	FY2016	-10%	-10%	-10%
	Reduce the impact of chemical substances	Reduced chemical emission and transport volumes	VOC emissions (Japan)	FY2019	-1%	-2%	-3%
	Ecosystem	Ecosystem impact: Minimize risks of ecosystem deterioration	JBIB Land Use Score Card® points	FY2019	+3 points over a 3-year period		
Education and development	Education of ESG human resources	Improve employees' ability to contribute to solving social problems (employee education)	ESG human resources index	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.		

Goal setting		Target					
FY2030	FY2050	Production sites in Japan	Laboratories	Domestic offices	Overseas production sites	Overseas offices	Other
Maintain 100% or more		✓	✓	✓	✓	✓	✓
Expand sales of problem-solving products (maintain 60% ratio)	Drive sustainable corporate growth through products and services which improve environmental and social sustainability	✓	✓	✓	✓	✓	✓
6 per year		✓	✓		✓		
100%	Maintain 100%	✓	✓	✓	✓	✓	✓
-26%	-100%	✓	✓	✓	✓	✓	✓
-10%	—	✓			✓		
—	Achieve a circular economy	✓			✓		
—			✓	✓		✓	
—							✓
—	—	✓					
—	—	✓					
—	—	✓			✓		
Promote ecosystem consideration* at all business sites *Ecosystem consideration: Increased quantitative evaluation of biodiversity	Maintain ecosystem consideration at all business sites	✓	✓				
Level up as human resources with excellent problem-solving ability	Take a leading role in society as human resources with excellent problem-solving ability	✓	✓	✓	✓	✓	

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# Integrated Index "Sekisui Environmental Sustainability Index"

## What is the Sekisui Environmental Sustainability Index?

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 began trial calculations in fiscal 2014. Starting in fiscal 2017, we began using the “rate of return to natural capital” 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 (2017-19) and achieved a result of 104.5% in fiscal 2019, the final year of the Plan.

A new three-year Environmental Medium-term Plan starts from fiscal 2020. Under the new Plan, for its SEKISUI Environmental Sustainable Index, the Group will evaluate its impact on and contribution to not only the natural environment but also the social environment. We are declaring our 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.

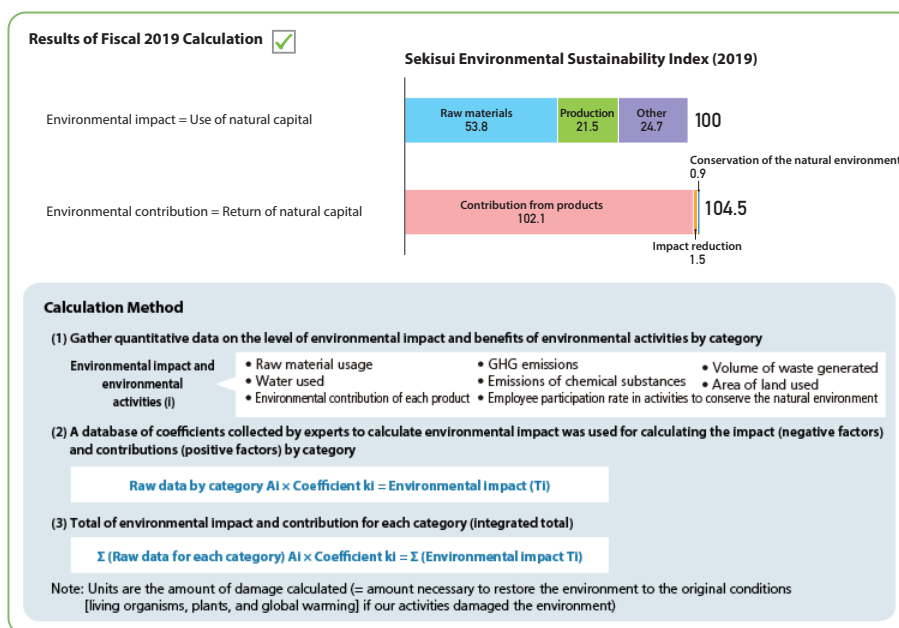
## Results of Calculation

The results of calculating the Sekisui Environmental Sustainability Index, utilizing results from fiscal 2019, are provided in the chart below. Setting the use of natural capital (the impact on the environment) at 100, the return of natural capital (contributions to the environment) was 104.5%.

One of the factors in this achievement was to increase the "contribution to reducing environmental impact" from products by, for example, expanding the sales of Environment-contributing Products, including the remodeling menus for smarter homes, which promote conversion to renewable energy and boost energy savings, and the materials used for electronic products as well as associated reduction in SCOPE 3 greenhouse gas emissions during product use.

Going forward, we will sustain the rate of return to natural capital 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 to natural and social capital are also linked to improvements in the sustainability of the 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"> <li>•Items included in the calculation of the amount of natural capital used               <ul style="list-style-type: none"> <li>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</li> <li>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)</li> </ul> </li> <li>•Items included in the calculation of returns to natural capital               <ul style="list-style-type: none"> <li>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</li> </ul> </li> </ul> <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"> <li>•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</li> <li>•Manufacturing / Emissions of harmful chemical substances: &lt;Japan&gt;emissions of 1 t per year or more of substances covered under PRTR are included in the calculation. &lt;Overseas&gt;Not included</li> <li>•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</li> </ul> <p>*2 Concerning land usage, starting with the current Medium-term Plan (2017-19), improvements to soil quality in the "JBIB Land Use Score Card®" were deemed as reductions of the impact of land usage, weighted accordingly, and included in the calculation.</p> <ul style="list-style-type: none"> <li>•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</li> </ul>

Indicator	Calculation Method
Sekisui Environmental Sustainability Index	<ul style="list-style-type: none"> <li> <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 CO<sub>2</sub> 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 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 performed on the effects of products equivalent to around 72% of Environment-contributing Products.</p> </li> <li> <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> </li> <li> <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 CO<sub>2</sub> (1.1 t-CO<sub>2</sub>/person-hour) was multiplied by the number of people and the amount of time spent and incorporated into the calculation. Because, starting with the current medium-term plan (2017-19), improving the sustainability of activities through local cooperation and by making them stand on their own (autonomous) were made a target, the Group's ability to work toward this target was weighted against the growth axis and included in the calculation</p> </li> <li> <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> </li> <li> <p>•Direct contribution / Mega-solar:</p> <p>Amount of electricity generated included in the calculation as generated energy converted to a CO<sub>2</sub> basis</p> </li> </ul>

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# Environmental Management System

## Promotion of Environmental Management System Based on ISO 14001

### Management Approach

#### Environmental Management System

### Establishment and Operations of Environmental Committee

In regard to the “environmental” aspect of non-financial matters, up to and including 2019 Sekisui Chemical held twice-yearly meetings of its CSR Committee—headed by the Group president and including Group directors and employee representatives—based on its Environmental Management Policy that is common to all companies. A sub-committee under the CSR Committee, the Environmental Committee of Sekisui Chemical Group is positioned to specialize in and discuss environment-related issues and has been meeting twice a year.

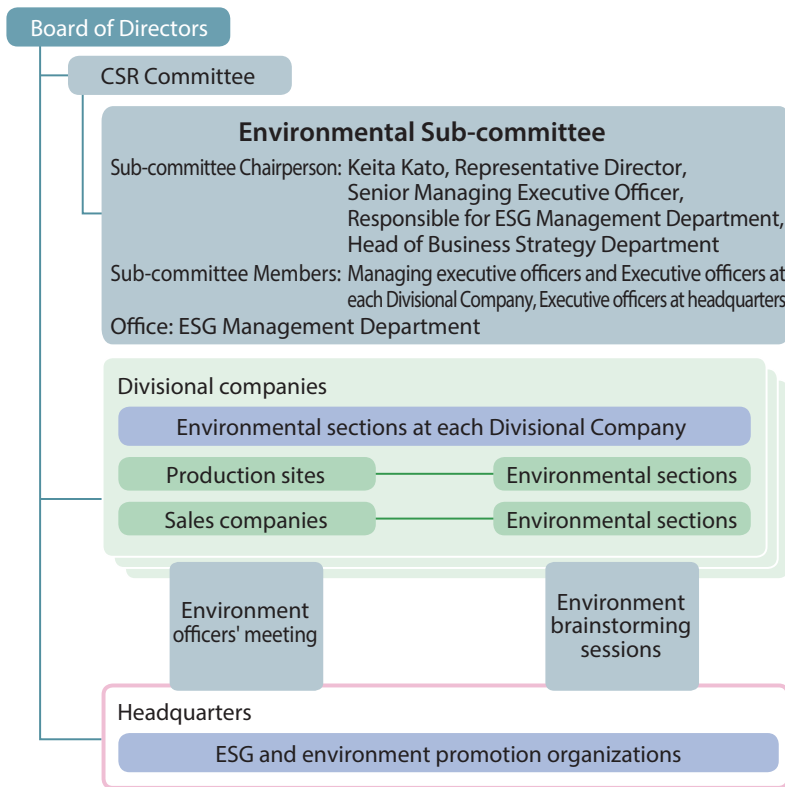
The major CSR-related initiatives and activity policies discussed by the CSR Committee are reported to and approved by the Board of Directors and reflected in management. The formulation of specific action plans has been carried out through meetings of environmental managers from headquarters and each division company.

In fiscal 2019, the CSR Committee met twice, in October and February, and the Environmental Subcommittee met twice, in September and March. In the first half of the fiscal year, they discussed the confirmation of KPI progress and the effectiveness of measures, such as GHG- and water resource-related efforts and measures aimed at reducing waste. Meetings in the second half of the year covered progress confirmation and implementation considerations, and there were also discussions of the Long-term Environmental Management Vision and the setting of medium- and long-term specific targets.

In addition to the ongoing regular management system mentioned above, with regard to matters that require deliberation over longer periods of time, such as those to accelerate the deployment of measures and KPI planning, pertinent deliberations are also conducted at management meetings (held once a month) chaired by the head of the Business Strategy Department and the person in charge of the ESG Management Promotion Department, following which reports are submitted to the Board of Directors.

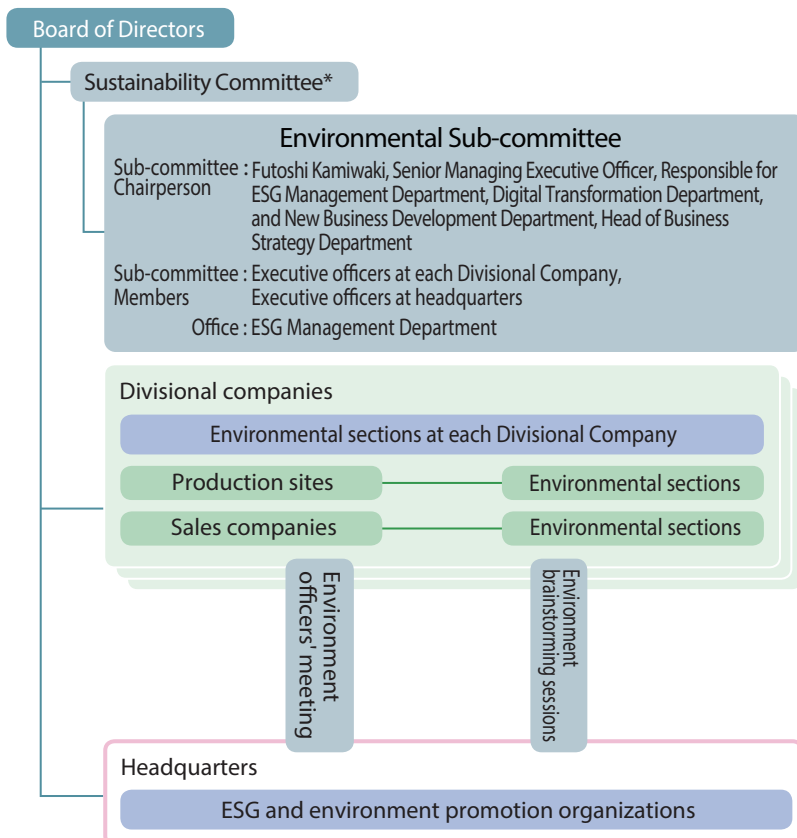
Keeping Companywide sustainability firmly in mind, from fiscal 2020 we will instigate a system whereby what was the CSR Committee is now newly named the Sustainability Committee and serves as the forum for discussing direction and policy.

### Environmental Management Promotion System (to fiscal 2019)



Note: Keita Kato was appointed President and Representative Director on March 1, 2020.

### Environmental Management Promotion System (from fiscal 2020)



Note: The name of the CSR Committee was changed to the Sustainability Committee on April 1, 2020.

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### Environmental Management across the Supply Chain

## Assessing the greenhouse gas emissions of each top supplier that purchases raw materials in large volumes

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 the 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.

### Utilizing EMS in Office Eco-activities

## Promoting 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.

### Complying with Environmental Laws and Regulations

## Working to Prevent Risks before They Occur by Setting Self-management Targets That Are Tougher than 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 unveil 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 2019, Sekisui Chemical Group had zero environmental accidents, and zero incidents involving administrative guidance from the government. Sekisui Chemical Group makes every effort to comply with laws and regulations.

## Major Initiatives

### Expansion of EMS Overseas

#### Promoting ISO Certification and Zero Waste Emissions

At our overseas bases, we are also expanding the implementation of environmental management systems (EMS) 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 2020, 51 business sites in Japan and 37 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 90%.

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

Note: With regard to the attainment of the zero waste emissions standard and certification system, please refer to "Efficient Use of Resources" on page 228.

### Response in Emergencies

#### Training to Respond to Unforeseen Events That Impact the Environment

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 2019 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 training	44
Fire training	29
Earthquake training	7
Water damage training	3
Report training	9
Comprehensive disaster drills	36
Other disaster training	8

## Performance Data

### Scope of Tabulation for Environmental Performance Data

Note: All of Sekisui Chemical's (consolidated) offices (100% of produced sales amounts) are subject to environmental reporting.

#### 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 **23 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., etc.

###### Sales **One company and 10 business sites**

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

**23 companies and 31 business sites in total**

##### 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 15 business sites**

Sekisui Chemical Co., Ltd. Musashi Plant, Shiga-Minakuchi Plant and Taga Plant / Sekisui Techno Molding Co., Ltd. / Sekisui Nano Coat Technology Co., Ltd. / Sekisui Fuller Company, Ltd. / Tokuyama Sekisui Industry Co., Ltd. / Sekisui Polymatech Co., Ltd. / Sekisui SoflanWiz Co., Ltd., etc.

**12 companies and 17 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 six 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

**Five companies and eight business sites in total**

**Total: 69 companies and 208 business sites**

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.



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## 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, Lawrence Plant  
 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 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.

**Total: 27 business sites**

### Headquarters

Sekisui Xenotech, LLC.  
 Sekisui Diagnostics, LLC. San Diego  
 Sekisui Diagnostics (UK) Ltd.  
 Sekisui Diagnostics P.E.I. Inc.  
 Sekisui Medical Technology (China) Ltd.

**Five business sites in total**

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## 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
Complaints	Noise	Noise from reworking operations heard outside	Moved reworking location
	Other	Lights from patrols dazzling along road	Ceased patrols

In fiscal 2019, there were two environment-related complaints. In each case in turn, we implemented measures to prevent any reoccurrence.

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# ESG Education

Fostering Human Resources Who Can Think and Act on Their Own to Solve Issues

## Management Approach

### Educational Plans and System

## Enhancing Educational Content to Transition from Environmental Education to ESG Education While Following the Policies of Our Long-term Vision

Sekisui Chemical Group has created an education system to enable it to achieve the “ideal model of environmental human resources” in respect to employees, as drawn up as a means of achieving the group’s Vision. We conducted environmental education based on this system from 2014 to fiscal 2019.

From fiscal 2020, ESG education will be at the foundation of our human resources, as all employees should think proactively about what they can do to contribute to solutions to environmental and social issues, and then take action. This is how business activities will work to achieve the Group’s vision.

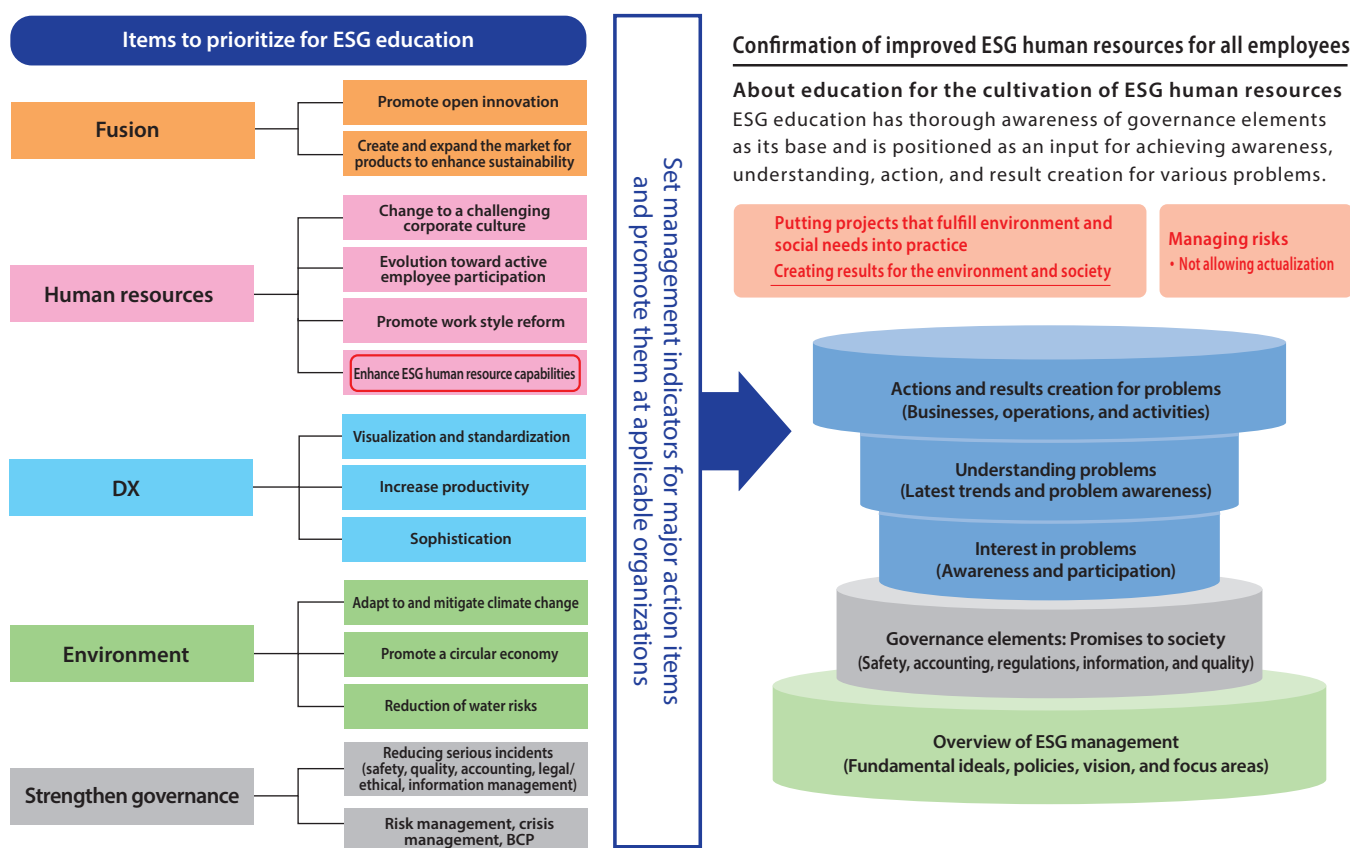
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Promoting Education

## Concept for Promoting ESG Education over the Long Term

Our environmental education program, concluded in fiscal 2019, put a strong emphasis on the process for instilling “interest, excitement, and gratitude.” With the goal of raising awareness of environmental issues (creating “interest”), driving action (generating “excitement”), and producing results (fostering “gratitude”), we conducted a variety of educational activities suited to each situation, with a focus on the most effective teaching methods and targets for each job and area of responsibility.

ESG education, commencing from fiscal 2020, is based on the wide dissemination of elements that pertain to governance, while also being positioned as input that works to achieve “awareness, understanding, action and producing outcomes for each issue.”



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### Medium-term Plan

## Philosophy for Environmental Education in the Environmental Medium-term Plan (2017-2019), and Stance on ESG Education from Fiscal 2020

### 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 ESG personnel training.

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## Major Initiatives

### Human Resource Environmental Awareness Indicator

## Ascertaining the Level of Environmental Awareness in Human Resources by Indicator

From fiscal 2017 to 2019, using a human resource environmental awareness indicator we created, we worked to ascertain individual progress on the status of employees' knowledge and behavior concerning the environment, and encouraged individuals to engage in self-study. By utilizing an online "Human Resource Environmental Awareness Check" we were able to visualize the details of an individual's behavior and any changes in awareness.

The Human Resource Environmental Awareness Check focuses on items which Sekisui Chemical Group expects its employees to know about and take action on, including natural capital, SDGs, and environmental policies, and asks the employees in survey form if they know the meaning and purpose of the key terms, and what specific actions the employees may have taken to contribute to solutions to environmental problems. The results were then scored, and feedback was given in regard to each employee's current level and areas for potential improvement.

In addition, having the employees periodically take the "Human Resource Environmental Awareness Check" allowed us to measure the strength of an employee's environmental activity promotional efforts, and through this, his or her knowledge and willingness to act.

In 2017, the first year in the Environmental Medium-term Plan, we used this benchmark for the human resource environmental awareness indicator, and the Group targeted a 20-point improvement from that benchmark level by fiscal 2019.

The domestic benchmark is 39 points, and the fiscal 2019 score was 43. While this latter figure represents a four-point improvement, it was still below our target. However, with regard to SDGs which had their lowest scores when the benchmarks had been recorded, thanks to having focused on conducting multiple educational initiatives we were able to confirm our greatest growth over a three-year period.

Continuing on from fiscal 2018, we believe that among the reasons we did not achieve our target are that a system for undertaking self-study was not yet in place and that the educational opportunities offered were rather limited. Another point was that not all employees were able to attend educational programs. In aiming to expand attendance, we will work on further horizontal development.

We utilize the human resource environmental awareness indicator overseas as well, and in fiscal 2019, we identified the benchmark in China (60 points). Subsequently, employees utilized environmental education materials for self-study, and then again conducted the "Human Resource Environmental Awareness Check." Due to the impact of the new pneumonia virus, and despite extending the implementation period while taking longer to compile the results, we plan to provide each business site with feedback on growth from the benchmark, as well as strengths and weaknesses.

In fiscal 2020, we are set to create the indices that will measure the necessary knowledge and behavioral capabilities in order to develop the ESG personnel ideally suited to find solutions to the issues that are considered important for ESG management (such as strengthening governance and the environment) and plan to periodically ascertain the ESG capabilities of our employees.



## Details of environment education implemented under the Medium-term Plan (2017-2019)


	Program name	Category of education	Categories covered		
			Japan	Overseas	Job responsibilities, types, etc.
1	Booklet for Publicizing environmental vision and initiatives	①②③		△	All employees (China)
2	Environment e-learning 1	②③⑤	✓		Management
3	Environment e-learning 2	②③	✓		All employees
4	CSR Training 1	①②	✓		New company employees
5	CSR Training 2	②③	✓		Newly appointed people in management positions
6	Pamphlets on Environment-contributing Products	①②③	✓	△	All employees
7	EMS Content Distribution (DVD)	①④⑤		△	All employees (China)
8	Workshop Meeting	④⑤	✓		People in charge of environmental affairs
9	Training for Fostering Internal Environmental Auditors	④⑤	✓		Domestic production sites, research facilities
10	Environmental Human Resources Check	①⑤	✓	△	All employees (Japan, China)

△...Conducted in a limited area


### 1) Environmental e-learning for management

From fiscal 2013, we have regularly conveyed to management the environmental topics thought to be necessary to supporting corporate operations. In fiscal 2019, we implemented an environmental e-learning program focusing on smart cities around the world and circular economies with the goal of solving environmental problems. We maintained an ongoing attendance rate of 90 percent. These efforts are an opportunity to share reference information that will help management to think about sustainable management.

Beyond fiscal 2020, we plan to create opportunities for learning about business chances that arise from not only environmental topics, but also pertaining to human rights, safety, and other socially relevant issues.




## (Reference) About the Circular Economy



If the mass-production, mass-consumption, mass-waste business model continues as is, waste volume will be 2x 2010 levels by 2050, and problems such as resource depletion, environmental pollution, and landfill site shortages will become more serious. In response to this, people are beginning to take notice of ideas called the circular economy which further expand on the 3Rs (reuse, reduce, and recycle). The main differences between circular economy and the 3Rs are "a thorough dedication to complete elimination of waste" and "creation of economic value."


Recirculating society




➔

Circular economy

**Redefining reduce** (creating economic value while reducing distribution volume)
 




**Conversion of products to services**  
(Expansion of leasing and pay-as-you-go systems based on payment for used portions only)




**Shifting from possession to sharing**  
(Sharing assets such as cars and homes, effective utilization of unused resources)

**Assigning economic value to reuse**



**Shifting from possession to sharing**  
(Expansion of maintenance and update services)

**Advancement of recycling**



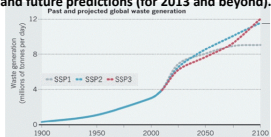
**Advancement of recycling**  
Collection and recycling  
Maintaining quality and achieving high added value



**Recirculation of raw materials**  
(Use of 100% recycled materials)

(Source) <https://www.env.go.jp/recycle/3r/initiative/index.html>  
**With just the 3Rs, global waste (per day) will double by 2050 and triple by 2100.**

**Trends in daily global waste output (up to 2012) and future predictions (for 2013 and beyond).**  
Past and projected global waste generation



(Source) Nature "Environment: Waste production must peak this century" October 30, 2013

**Important points**  
**The idea of a circular economy can be applied to the creation of new business opportunities (creating profit) and used as a reference for the development of new products and business models in the future.**

(Source) <https://newspicks.com/news/1724474/body/>

Environmental e-learning for management (Educational material example)

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## Learning about SDGs through Next-generation Training

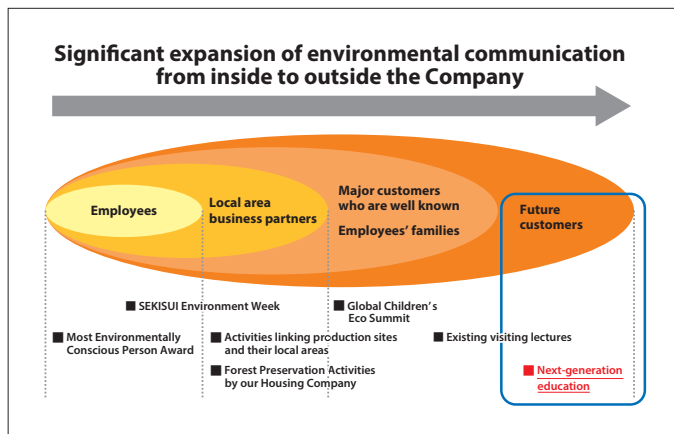
Up until now environmental training was geared toward employees, and covered SDGs, the sustainable development goals espoused by the United Nations. However, in consideration that education should also take into account the next generation as we pursue the realization of a sustainable society, we are also focusing educational efforts on the up-and-coming generation, going beyond the framework of employee training to also cover elementary and junior high school students.

From fiscal 2018, we collaborated with a textbook maker to establish a website where students, from elementary school to junior high school, could learn about SDGs, and distributed materials electronically. With this, card-type educational materials that considered the links between various products and SDGs gave children the chance to think about SDGs in terms of manufacturing, and a site for learning about the Company's urban development efforts and factory home building. It offers contents for learning about sustainable communities and housing.

In fiscal 2019, these kinds of educational materials were used in a workshop for children, which provided an opportunity to enjoy learning, in a game format, about the products and technologies necessary for sustainable communities.

From fiscal 2020, we will even further deepen connections with NPOs and other entities, and plan to provide the support that will enable the next generation of children to think about "What can we on our own do for a sustainable society?"

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Relevant areas and initiatives for environmental education



Top page of the SDGs educational site, "EduTownSDGs"



"Virtual Learning for Urban Development" provides 360-degree views of community development



Workshop in which to search for items (products) that can contribute to "sustainable communities" with little waste and that stand up well to disasters



# 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

### Compilation Method

#### 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. Calculation is conducted by referring to the Environmental Accounting Guidelines 2005 issued by the Japanese Ministry of the Environment, with the addition of Sekisui Chemical Group's own concepts, such as external economic benefits (estimated effects). We will utilize this in our Medium-term Plan, which begins in fiscal 2020. Under the Medium-term Plan, which begins in fiscal 2020, and from a Group-wide management strategy perspective, environmental investments and expenses are positioned as a capital cost. We will use this to raise awareness that the restraint of capital costs and efforts to improve productivity will help boost ROIC.

## Performance Data

### [Scope of Environmental Accounting]

(1) Summation period: April 1, 2019 to March 31, 2020

(2) Scope of tabulation: 45 production sites + 6 research facilities + various headquarter departments + indirect Company divisions + 15 housing sales companies

Note: In fiscal year 2017, the scope of tabulation consisted of 42 production sites + 5 research facilities + various departments in headquarters + indirect divisions of Companies + 15 housing sales companies.

Addition: Hanyu Sekisui Co., Ltd. Tohoku Office, Sekisui Medical Co., Ltd. Ami Office

The business sites deleted from and added to the scope of tabulation in 2018 are as follows:

Deleted: Sekisui Techno Molding Co., Ltd. Nara Office (plant closure)

Addition: Sekisui Techno Molding Co., Ltd. Tochigi Office, Sekisui SoflanWiz Co., Ltd. Iwaki Office, Atsugi Office, Akashi Office

The business sites deleted from and added to the scope of tabulation in 2019 are as follows:

Addition: SoflanWiz Technology Development Division

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### (3) Approach toward summation

- Depreciation amounts are the same as those for financial accounting.
- 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.
- 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. (P 206~208)

Despite an increase in costs associated with measures to prevent global warming (energy conservation), management activity as well as R&D costs decreased in fiscal 2019. As a result, total costs amounted to less than in the previous fiscal year.

In addition, there was increased investment in pollution prevention as well as global warming prevention (energy conservation) measures. However, due to the decrease in R&D investment, the total amount of investment was less than in the previous fiscal year.

In terms of economic effects, profit on the sale of valuables increased, while profits from the sale of mega-solar electricity were essentially unchanged from the previous year. Additionally, the amount saved on costs from energy-saving activities increased, while the cost-savings from waste material reduction activities and other efforts decreased. The external economic effects from housing equipped with solar power-generation systems and so forth are growing steadily.

### Environmental Conservation Costs (Sekisui Chemical Group)

(Millions of yen)

Category	Items Description of main activities	FY2017		FY2018		FY2019	
		Costs	Investments	Costs	Investments	Costs	Investments
1) Costs within business areas	Prevention of air, water, and noise pollution, etc.	1,697	99	1,358	168	1,247	372
	Countermeasures against global warming (energy saving), etc.	427	1,312	400	870	1,440	3,143
	Waste reduction, recycling, disposal, etc.	4,967	2,030	5,099	542	4,650	249
2) Upstream/downstream costs	Cost increases due to URU, switching to packaging/packing methods involving reduced environmental impact, greener purchasing, etc.	218	0	98	7	146	0
3) Administrative costs	Environmental education, EMS maintenance, running costs for green action organization, information disclosure, etc.	2,072	0	2,220	13	1,904	6
4) Research & development costs	Research and development on environmental conservation	7,932	1,477	5,983	4,826	3,937	185
5) Social activities costs	Social contributions, etc.	277	0	271	0	349	190
6) Environmental damage costs	Nature restoration, etc.	29	32	27	0	32	0
Total		17,618	4,951	15,456	6,426	13,705	4,145
Total amount of R&D costs* or investment in the fiscal period (million yen)		36,974	18,838	38,838	30,551	37,147	33,907
Ratio of amount related to environmental conservation activities to total amount of R&D costs or Investment (%)		21.5	26.3	15.4	21.0	10.6	12.2

\* R&D costs are the total for all consolidated companies.

### Environmental Conservation Benefits (Sekisui Chemical Group)

Description of effects	Environmental conservation benefits								Environmental performance criteria: per unit of output; Total				Self-evaluation			
	Item	Unit	FY2017	FY2018	FY2019	Effect (19-18)	Item	Unit	FY2018	FY2019						
Effects within business areas	Effects on invested resources	Amount of energy usage	(1) Electricity	TJ	1,116	1,085	1,023	-62	(1) Energy usage per unit of output (electricity + fuel)	GJ/ton	1.00	1.00	✓			
			(2) Fuel	TJ	2,488	2,507	2,549	41								
	Effects on environmental impact and waste	Effects on environmental impact and waste	(3) CO <sub>2</sub> emissions	Thousand tons	317.4	306.7	295.5	-11.2	—	—	—	—	—	—	✓	
				(4) Volume of environmental pollutants discharged **	Tons	649.5	637.6	582.2	-55.4	—	—	—	—	—	—	✓
				(5) Waste generated **	Thousand tons	38.3	40.5	37.4	-3.1	(2) Waste generated per unit of output	kg/ton	43.4	40.4	✓		
				(6) Outsourced disposal **	Thousand tons	0.31	0.55	0.63	0.08						(3) Outsourced disposal per unit of output	kg/ton
Upstream/downstream effects	Effects related to products/services	CO <sub>2</sub> reduction by photovoltaic power generation, etc. (cumulative)	Thousand tons	452	481	508	27	—	—	—	—	—	✓			
Other benefits to environmental conservation	Others **	Business sites attaining ISO 14001 and other certifications	New acquisitions	Sites	2	10	0	—	Business sites attaining ISO 14001 and other certifications **	Total number of business sites	112	112	✓			
			Renewals	Sites	19	14	17	—								
		Number of business sites achieving zero emissions **	Sites	0	0	1	—	Number of business sites achieving zero emissions **	Total number of business sites	162	163	✓				
		CO <sub>2</sub> reduction from use of megasolar facilities	Thousand tons	4.96	4.57	4.15	-0.42						—	—	—	—

\*1 Class I Designated Chemical Substances specified by PRTR Law. \*2 Amount discharged + Amount disposed of at price + Amount incinerated within own premises. \*3 Simple incineration + Landfill. \*4 Including business sites not subject to environmental accounting summation, such as overseas business sites. \*5 A cumulative total number of sites reviewed for factors, such as consolidation and return of certifications for housing sales companies. \*6 A business site affiliated to multiple companies is counted as one.



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## Economic Benefits of Environmental Conservation Measures (Sekisui Chemical Group)

(Millions of yen)

Description of effects		FY2017	FY2018	FY2019	Remarks
Revenue	(1) Profit on sales of valuable resources	291	159	318	Profit on sales of valuable resources from promotion of waste segregation and recycling
	(2) Revenues from sale of electricity	384	363	360	Revenues from sale of electricity generated by megasolar facilities
Cost savings	(3) Savings from simplified packaging	4	0	0	
	(4) Cost savings through energy-saving activities	654	595	772	
	(5) Cost savings through waste-reduction activities, etc.	677	1,595	578	Including resource-saving activities
Subtotal (actual effects)		2,010	2,712	2,028	
(6) Contribution to environmental conservation activities *1		7,737	11,017	10,501	Contribution of environmental conservation activities to added value at business sites *2
(7) External economic effect		34,982	35,754	36,754	Monetary conversion of impact from photovoltaic generation systems and No-Dig pipe rehabilitation method
Subtotal (estimated effects)		42,719	46,771	47,255	
Total		44,728	49,483	49,284	

\*1 Excluding housing sales companies \*2 (Added value from business sites) × {(Costs within business areas + Administrative costs)/(Total production costs excluding materials costs)}

## Environmental Conservation Costs (by Company)

(Millions of yen)

Category	Items	Housing Company *1		Urban Infrastructure & Environmental Products Company		High Performance Plastics Company		Sekisui Chemical Group *2	
		Costs	Investments	Costs	Investments	Costs	Investments	Costs	Investments
1) Costs within business areas	Prevention of air, water, and noise pollution, etc.	1,074	20	42	22	131	329	1,247	372
	Countermeasures against global warming (energy saving), etc.	119	294	260	689	118	108	1,440	3,143
	Waste reduction, recycling, disposal, etc.	3,956	1	273	29	199	131	4,650	249
2) Upstream/downstream costs	Cost increases due to URU, switching to packaging/packing methods involving reduced environmental impact, greener purchasing, etc.	113	0	7	0	18	0	146	0
3) Administrative costs	Environmental education, EMS maintenance, running costs for green action organization, information disclosure, etc.	527	0	330	0	513	3	1,904	6
4) Research & development costs	Research and development on environmental conservation	208	172	1,817	0	576	13	3,937	185
5) Social activities costs	Social contributions, etc.	261	139	37	3	15	0	349	190
6) Environmental damage costs	Nature restoration, etc.	0	0	0	0	28	0	32	0
Total		6,258	626	2,768	744	1,597	584	13,705	4,145

Total amount of R&D costs <sup>3</sup> or investment in the fiscal period (million yen)	3,887	5,314	6,229	9,672	15,329	12,233	37,147	33,907
Ratio of amount related to environmental conservation activities to total amount of R&D costs or investment (%)	5.4	11.8	29.2	7.7	3.8	4.8	10.6	12.2

\*1 Including 43 business sites of housing sales companies. \*2 Total of three division companies and departments of headquarters. \*3 R&D costs are the total for all consolidated companies.

## Environmental Conservation Costs (by Environmental Conservation Measure)

(Millions of yen)

Category	Items	Housing Company *1		Urban Infrastructure & Environmental Products Company		High Performance Plastics Company		Sekisui Chemical Group *2	
		Costs	Investments	Costs	Investments	Costs	Investments	Costs	Investments
1. Prevention of global warming	Reduction of CO <sub>2</sub> emissions, etc.	112	294	250	661	114	101	1,418	3,108
2. Ozone layer protection	Reduction of chlorofluorocarbon emissions, etc.	4	0	14	27	14	0	32	27
3. Conservation of air quality	Prevention of air pollution by reducing polluting substances	286	9	30	5	26	3	342	18
4. Prevention of noise and vibration	Prevention of noise and vibration pollution	4	0	7	7	6	1	17	8
5. Conservation of water environment, soil environment, ground quality	Preservation of water quality, prevention of subsidence	211	11	19	10	119	311	356	333
6. Waste reduction and recycling	Reduction and treatment of waste, recycling, etc.	4,049	1	279	29	234	131	4,791	249
7. Reduction of chemical substances	Risk management of chemical substances, etc.	548	0	2	0	2	0	552	0
8. Conservation of natural environment	Nature conservation, etc.	68	0	128	3	25	3	259	9
9. Others	Others	976	312	2,038	2	1,057	32	5,936	393
Total		6,258	626	2,768	744	1,597	584	13,705	4,145

\*1 Including 43 business sites of housing sales companies. \*2 Total of three division companies and departments of headquarters.



## Environmental Conservation Benefits (by Company)

Environmental conservation benefits				Housing Company* <sup>1</sup>			Urban Infrastructure & Environmental Products Company			High Performance Plastics Company			Sekisui Chemical Group* <sup>2</sup>			
Description of effects		Items	Unit	FY2018	FY2019	Effect (19-18)	FY2018	FY2019	Effect (19-18)	FY2018	FY2019	Effect (19-18)	FY2018	FY2019	Effect (19-18)	
Effects on invested resources	Amount of energy usage	(1) Electricity	TJ	152	150	-2	547	527	-19	377	287	-90	1,085	1,023	-62	
		(2) Fuel	TJ	128	136	8	90	77	-13	2,282	2,256	-26	2,507	2,549	41	
Effects within business areas	Effects on environmental impact and waste	(3) CO <sub>2</sub> emissions	Thousand tons	27.3	27.3	0.0	81.3	73.2	-8.1	196.4	184.9	-11.5	306.7	295.5	-11.2	
		(4) Volume of environmental pollutants discharged <sup>3</sup>	Tons	1.4	1.2	-0.1	46.3	32.3	-14.0	589.9	498.0	-91.9	637.6	582.2	-55.4	
		(5) Waste generated <sup>4</sup>	Thousand tons	11.1	10.0	-1.1	7.8	7.6	-0.2	21.4	17.4	-4.0	40.5	37.4	-3.1	
		(6) Outsourced disposal <sup>5</sup>	Thousand tons	0.00	0.00	0.00	0.00	0.00	0.00	0.38	0.57	0.19	0.55	0.63	0.08	
Upstream/downstream effects	Effects related to products/service	CO <sub>2</sub> reduction by photovoltaic power generation, etc.	Thousand tons	481	508	27	—	—	—	—	—	—	481	508	27	
Other benefits to environmental conservation	Others <sup>6</sup>	Business sites attaining ISO 14001 and other certifications	New acquisitions	Sites	0	0	—	0	0	—	10	0	—	10	0	—
			Renewals	Sites	5	6	—	4	6	—	4	5	—	14	17	—
		Number of business sites achieving zero emissions <sup>7</sup>	Sites	0	0	—	0	0	—	0	0	—	0	1	—	
		CO <sub>2</sub> reduction from use of megasolar facilities	Thousand tons	2.91	2.71	-0.20	0.67	0.59	-0.09	0.98	0.85	-0.13	4.57	4.15	-0.42	

\*1 Including 43 business sites of housing sales companies \*2 Total of three division companies and departments of headquarters. \*3 Class I Designated Chemical Substances specified by PRTR Law.

\*4 Amount discharged + Amount disposed of at price + Amount incinerated within own premises \*5 Simple incineration + Landfill

\*6 Including business sites not subject to environmental accounting summation, such as overseas business sites \*7 A business site affiliated to multiple companies is counted as one.

## Economic Benefits of Environmental Conservation Measures (by Company)

(Millions of yen)

Description of effects		Housing Company* <sup>1</sup>	Urban Infrastructure & Environmental Products Company	High Performance Plastics Company	Sekisui Chemical Group* <sup>2</sup>	Remarks
Revenue	(1) Profit on sales of valuable resources	20	32	264	318	Profit on sales of valuable resources from promotion of waste segregation and recycling
	(2) Revenues from sale of electricity	227	55	78	360	Revenues from sale of electricity generated by megasolar facilities
Cost savings	(3) Savings from simplified packaging	0	0	0	0	
	(4) Cost savings through energy-saving activities	5	70	651	772	
	(5) Cost savings through waste-reduction activities, etc.	39	16	523	578	Including resource-saving activities
Subtotal (actual effects)		291	173	1,516	2,028	
(6) Contribution to environmental conservation activities <sup>3</sup>		4,704	2,005	2,419	10,501	Contribution of environmental conservation activities to added value at business sites <sup>4</sup>
(7) External economic effect		26,623	10,131	—	36,754	Monetary conversion of impact from photovoltaic generation systems and No-Dig pipe rehabilitation method
Sub-total (estimated effects)		31,327	12,136	2,419	47,255	
Total		31,618	12,310	3,935	49,284	

\*1 Including 43 business sites of housing sales companies \*2 Total of three division companies and departments of headquarters. \*3 Excluding housing sales companies

\*4 (Added value from business sites) × {(Costs within business areas + Administrative costs)/(Total production costs excluding materials costs)}

Indicator	Calculation Method
Environmental Accounting	<p>Calculation based on referring to the Ministry of the Environment's "Environmental Accounting Guidelines 2005 Edition" and adding Sekisui's own concepts, such as external economic effects (estimated effects)</p> <p>Among the economic effects attendant with environmental conservation measures, the external economic effect consist of the effects of energy-savings from sales of housing equipped with solar power-generation systems and the effects of non-digging renovation methods for sewers, and so forth, converted to a monetary value</p>

# Usage of Natural Capital

## Initiatives by Sekisui Chemical Group 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 the irreplaceable global environment with sustainable business, Sekisui's initiatives for "reducing the impact on the environment" are explained here.

Up to fiscal 2019, we have worked diligently to reduce the environmental impact of our business activities, including production, sales, and construction. From fiscal 2020, however, we will expand 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.

Up to fiscal 2019, we have worked to reduce total GHG emissions across our business activities, which has allowed us to grow our business and reduce our total GHG emissions. From fiscal 2020, we will formulate a long-term vision with a focus on expanding the use of renewable energy, more clearly communicate our policy of contributing to global warming countermeasures through our business activities, and improve effectiveness.

### Efficient Use of Resources

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 the use of recycled 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.

### Conservation of Water Resources

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.

Understanding the risk that our ongoing business will have on the water resources located in close proximity to our business sites, we are conscious of the need to engage in business activities that utilizes water in a sustainable manner as a shared regional resource.

Top Message	ESG Management	Overview of Sekisui Chemical Group	Sekisui Chemical Group's Sustainability	Governance	DX
<b>Environment</b>	Human Resource	Fusion	External Evaluation	GRI Content Index	Independent Practitioner's Assurance Report

### **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 continuously runs 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

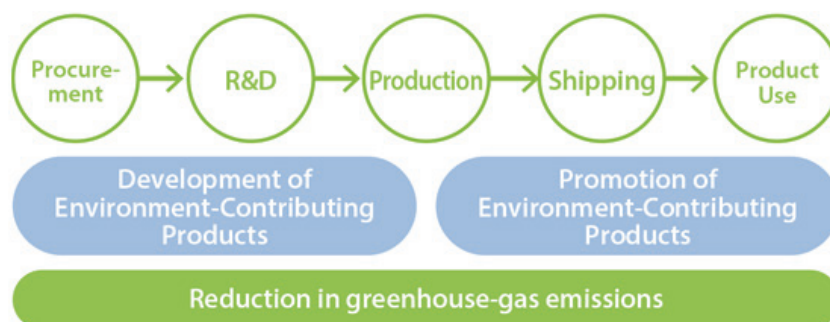
## Efforts to Reduce Greenhouse Gas Emissions throughout the Supply Chain

### 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 Paris Agreement). We are identifying and disclosing the effects in terms of “risks and opportunities” that climate 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.



Note: Environment-contributing Products evolve into products to enhance sustainability from fiscal 2020. For more details, please refer to the “Products to Enhance Sustainability” on page 254.

#### Combating Climate Change

### Targeting Zero GHG Emissions Due to Business Operations by 2050

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 Vision 2050 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.

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## Climate Change and Our Business

### Risks and Opportunities Presented by Climate Change for 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 the earth has achieved a state of having solved global-scale issues, such as climate change, resource depletion and ecosystem degradation. 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.

### Higher Costs to Address Climate Change Can Be Met with Reductions in Environmental Impact

As an initiative to reduce environmental impact, the Sekisui Chemical Group introduced the ECO-JIT Program\* for the purpose of greatly increasing energy efficiency in production processes while working on the visualization of its energy usage and 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, the 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

### Strategy through a Product Assessment System That Responds to Changing Market Needs and Growing Demand for Products That Resolve Environmental Issues

We manage risks that arise from 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 have always believed that this would help precisely identify opportunities arising from strengthening demand.

In particular, we believe it is possible to magnify the impact of the products and services 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 and transform markets in ways that help solve global issues and change 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.

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## Deterioration in Operating and Working Conditions Can Be Addressed on a Case-by-Case Basis

If climate change becomes a grave problem and significantly increases the highest and lowest temperatures, it is possible that people in manufacturing and construction would be unable to work as much. Since climates vary by region, it may be possible to minimize the effects of climate change by proposing to do construction work and projects during the more favorable seasons in the 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.

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## Major Initiatives

### Acquisition of SBT Certification

## Acquisition of Certification under the SBT\* Initiative (a World-First in the Chemistry Industry) Relating to Greenhouse Gas Reduction Targets

To commit before society its stance of actively engaging in corporate efforts to resolve issues of climate change, Sekisui Chemical Group publicly releases CSR reports and other materials relating to its targets. 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 2019>

SCOPE 1+2: Reduce greenhouse gas emissions by 5.1%, relative to fiscal 2013

SCOPE 3: Reduce greenhouse gas emissions by 16.1%, 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.

### Environment-contributing Investments

## Environment-contributing Investment Framework Newly Created to Advance Measures for Combating Global Warming

The Group is already implementing extremely high-level initiatives for reducing emissions at its production sites. To achieve its targets of wide-ranging reductions, the Group believes that bold capital expenditures, in addition to mere changes to its operations in production sites, will be essential. To promote capital expenditures that contribute to energy savings, the Group has set a new Environment-contributing Investment Framework, and has established internal systems that support production sites upgrade or replace equipment to reduce greenhouse gas emissions.

The effects of initiatives, such as the undertaking of capital investment that had previously been considered not economically viable and had thus been postponed, have become apparent. By investment projects that have included manufacturing equipment upgrades, the introduction of solar power equipment to generate electricity for in-house use, energy conversion boilers, and a switch to LED lighting, more than 37,000 metric tons were invested. (Under the Environmental Medium-term Plan the target GHG emissions reduction from fiscal 2017 to fiscal 2019 was 40,000 metric tons.)

From fiscal 2020, we will continue to contribute making Environment-contributing Investments with the specific target of promoting the use of renewable energy, such as solar power equipment to generate electricity for use at the plant or facility in which it was installed.



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### Greenhouse Gas Emissions in the Supply Chain (SCOPE 3)

## 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.

Concerning raw materials, going forward, we will revise our selection criteria for new materials at the time of their adoption and reduce the use of four resins known to be raw materials that result in high levels of emissions to reduce the amount of greenhouse gases that are emitted. Thus, we will act to include the entire supply chain, achieving reductions of 20%, relative to fiscal 2016.

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.

## Renewable Energy Use

### The Installation of Solar Power Equipment Generating Electricity for In-house Use

Sekisui Chemical has been promoting the use of renewable energy by installing solar power generators at our domestic and overseas production sites. In fiscal 2019, solar-derived energy usage amounted to 2,500 MWh, which is equivalent to 0.3% of our total energy usage, including purchased electricity. This equates to a 0.15 percentage point improvement compared with fiscal 2018. This shows the effects of having installed, in fiscal 2018, the first large-scale solar power equipment to generate electricity for use at a plant at SEKISUI S-LEC AMERICA, LLC in North America and, in the following fiscal year 2018, having installed the equipment for the first time in Japan at Yamanashi Sekisui Co., Ltd. In fiscal 2019, we installed and started operations with this type of equipment at three new housing plants and one Sekisui Medical Co., Ltd. plant. Sekisui Chemical will continue to monitor the proportion of renewable energy out of its total amount of electricity consumed, including purchased electricity, and to strive to increase that proportion to help achieve its Environmental Sustainability Vision 2050 targets.



SEKISUI S-LEC AMERICA , LLC.



Yamanashi Sekisui Co., Ltd.



Tohoku Sekisui Heim Industry Co., Ltd.



Chushikoku Sekisui Heim Industry Co., Ltd.



Kyushu Sekisui Heim Industry Co., Ltd.

**Energy Savings from Newly Constructed Building**

**ZEB Ready\*-certificated MINASE INNOVATION CENTER Completed**

In April 2020, our new research facility was built in Shimamoto-cho, Osaka Prefecture. This facility has been designed with complex building shapes, such as the utilization of a skip floor configuration and the installation of a central atrium, to make the entire building a "space for people to interact."

Having focused on energy saving from the design stage, the building is shielded from solar radiation by the adoption of eaves and external handrails. In addition, highly heat-insulating materials have been used for the outer walls and roof, the windows are of highly insulated glass, and human and brightness detection control technologies have been adopted for the lighting. We also received ZEB Ready certification by having adopted the most advanced energy-saving technologies.

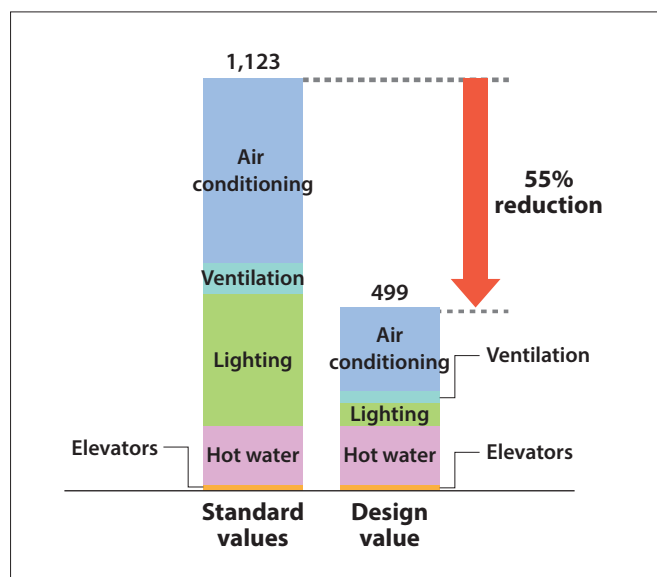
During full-scale operations, we will promote further energy conservation activities of the research institute, which utilizes, for example, equipment selected by the Top Runner Approach.

- \* 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](http://www.env.go.jp/earth/zeb/terms/index.html?id=term_01))



MINASE INNOVATION CENTER

**Primary energy consumption (MJ/m<sup>2</sup> per year)**



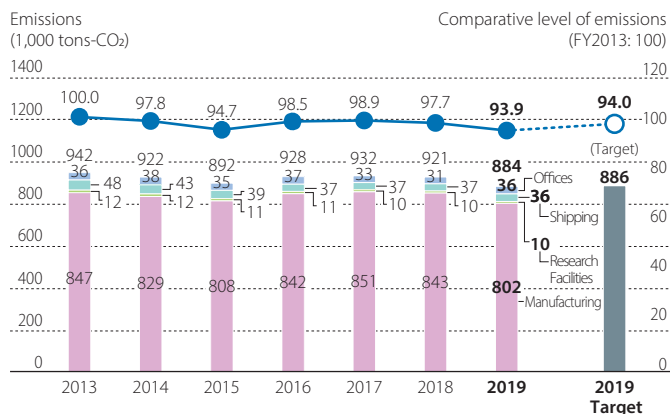


**Performance Data**

Note: Starting with the current Environmental Medium-term Plan (2017-2019) we have revised the CO<sub>2</sub> emissions coefficient and amount of heat generated per unit of output, resulting in revisions to figures for previous fiscal years.

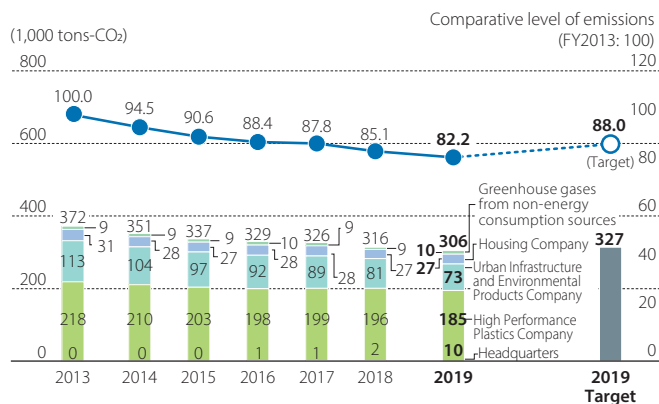
Note: From fiscal 2019, Medical Business results are collated and presented with Headquarters results following its separation from the High Performance Plastics Company as an independent entity. (P 218~226)

**Greenhouse Gas (GHG) Emissions That Arise from Business Activities**

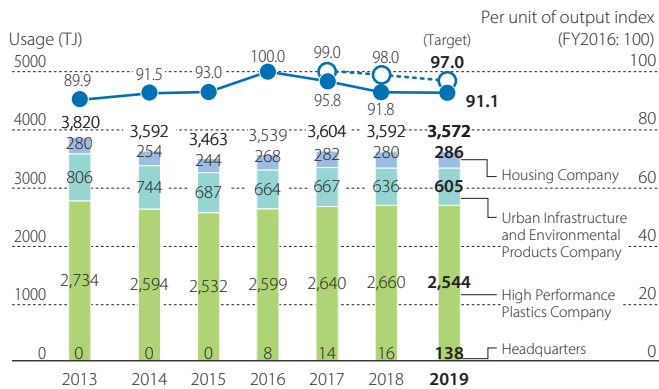


Note: Past figures have been revised due to improvements in precision.

**Greenhouse Gas (GHG) Emissions during Manufacturing / Japan**

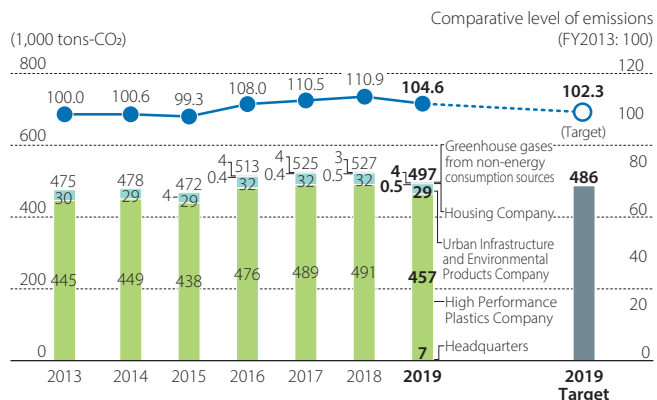


**Energy Usage and per Unit of Output\* (Index) during Manufacturing / Japan**

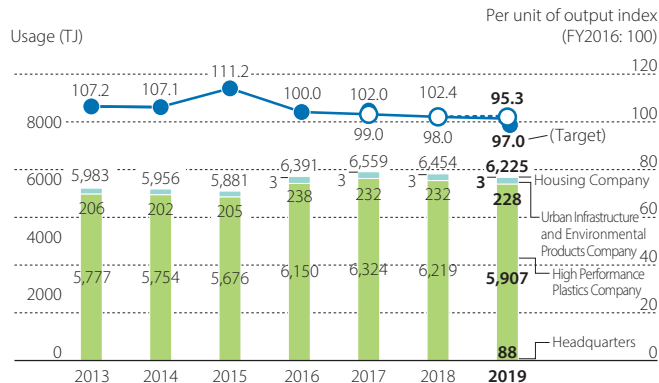


\* Energy consumption per unit of production weight

**Greenhouse Gas (GHG) Emissions during Manufacturing / Overseas**

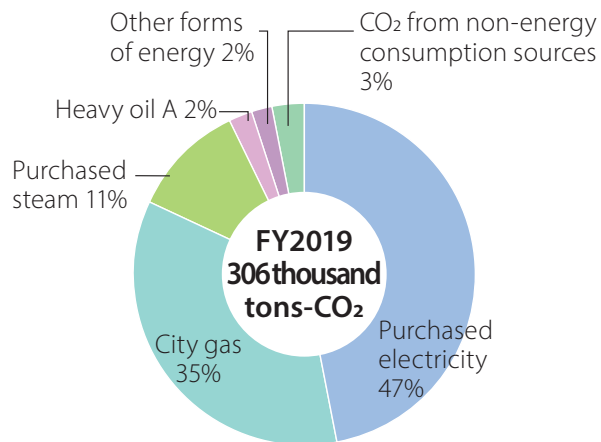


**Energy Usage and per Unit of Output\* (Index) during Manufacturing / Overseas**

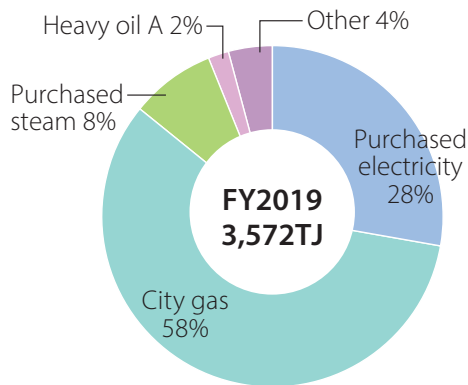


\* Energy consumption per unit of production weight

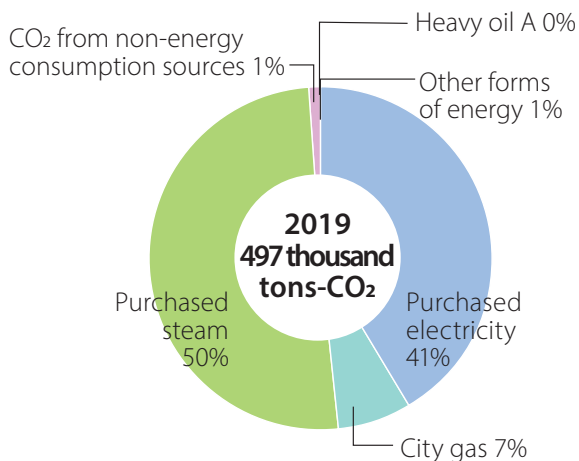
### Breakdown of Greenhouse Gas (GHG) Emissions during Manufacturing / Japan



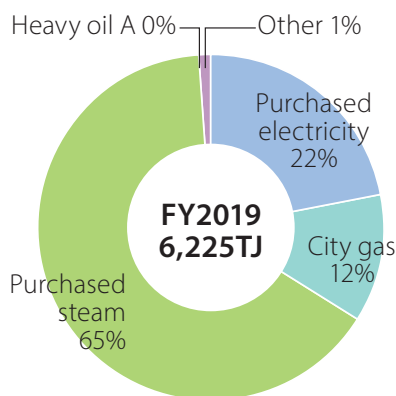
### Breakdown of Energy Usage during Manufacturing / Japan



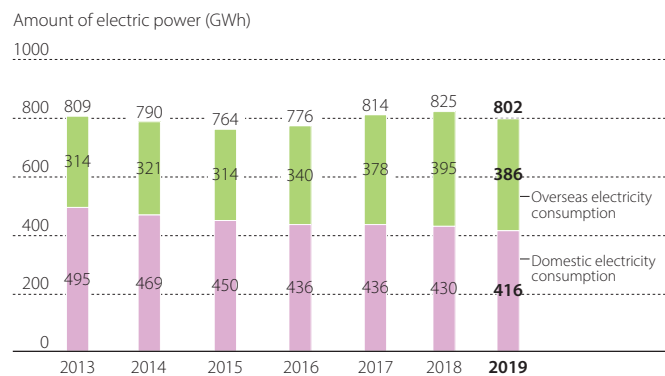
### Breakdown of Greenhouse Gas (GHG) Emissions during Manufacturing / Overseas



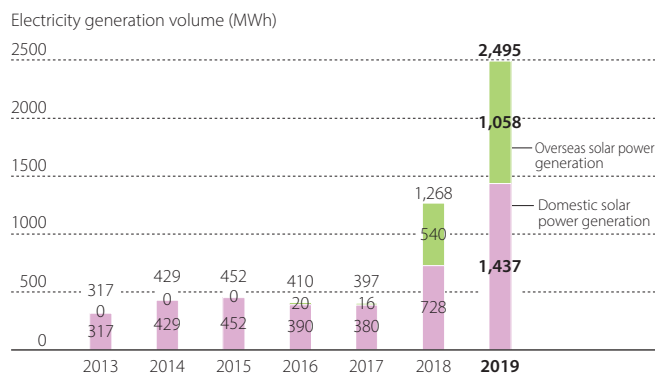
### Breakdown of Energy Usage during Manufacturing / Overseas



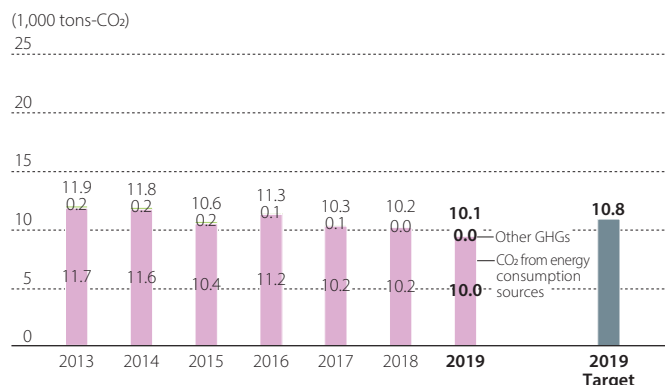
### Electricity Consumption Volume for Research Facilities and Manufacturing / Japan and Overseas



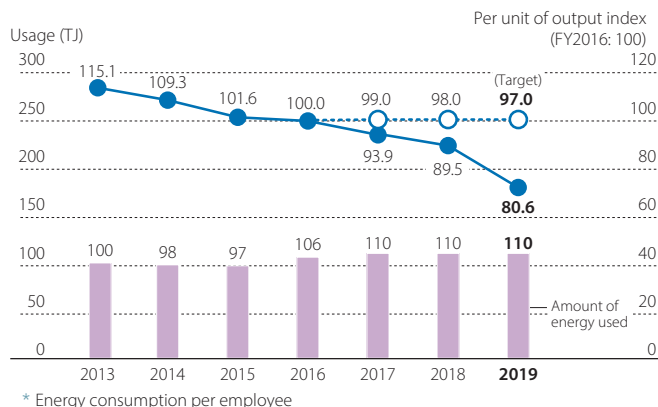
### In-House Use Solar Power Generation Volume for Research Facilities and Manufacturing / Japan and Overseas



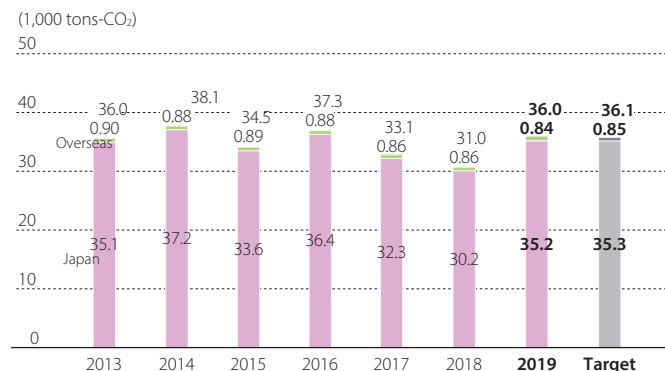
### GHG Emissions at Research Facilities



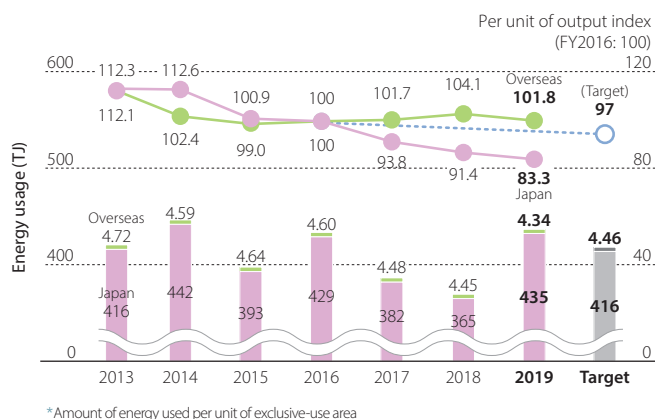
### Energy Usage and per Unit of Output\* (Index) at Research Facilities



### GHG Emissions at Offices



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

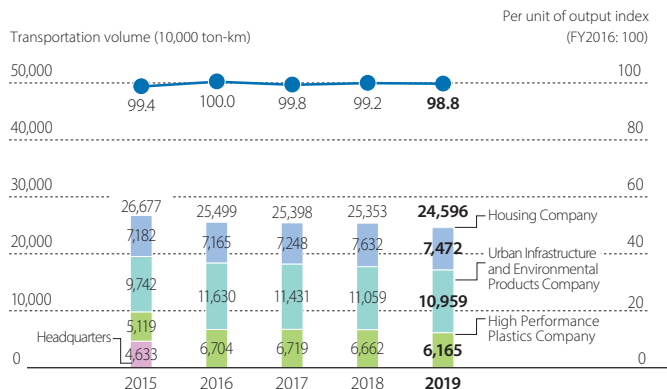


Note: For Japan, electricity and fuel for company cars are tabulated, while only electricity is tabulated for overseas.

Indicator	Calculation Method
Greenhouse Gas Emissions	<p>GHG emissions = <math>\Sigma</math>[fuel usage, purchased electricity, purchased steam <math>\times</math> CO<sub>2</sub> emissions coefficient] + greenhouse gas emissions not arising from energy consumption</p> <p>Greenhouse gas emissions not arising from energy consumption = CO<sub>2</sub> emissions not arising from energy consumption* + <math>\Sigma</math>[emissions of non-CO<sub>2</sub> greenhouse gases <math>\times</math> global warming coefficient]</p> <p>*Includes CO<sub>2</sub> 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>[CO<sub>2</sub> 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 2014 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 = <math>\Sigma</math>[amount of fuel used, amount of electricity purchased, amount of steam purchased <math>\times</math> amount of heat generated per unit]</p> <p>[Amount of Heat Generated per Unit]</p> <p>Purchased Electricity: 3.60 MJ/kWh</p> <p>Fuel, Purchased Steam: Based on the Act on the Rational Use of Energy</p>

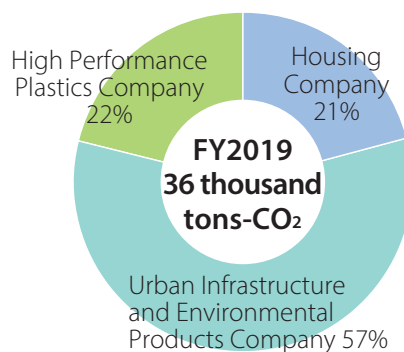


### Transportation Volumes and Energy per Unit of Output\* (Index) during Transportation / Japan



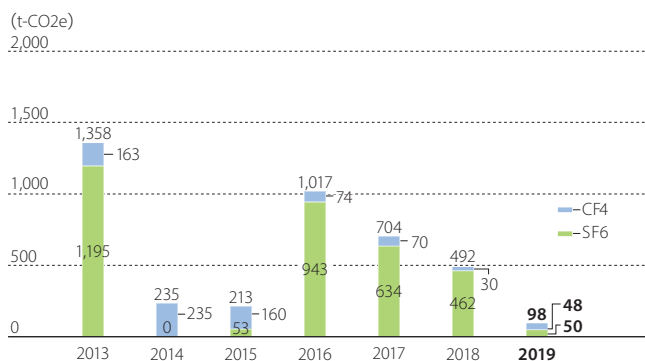
\* Both transportation volume and Energy per unit of output (index) have been revised from fiscal 2016 due to improvements in precision.

### CO<sub>2</sub> Emissions during the Transport Stage / Japan



Indicator	Calculation Method
CO <sub>2</sub> Emissions during the Transport	<p>The calculation is the CO<sub>2</sub> 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>

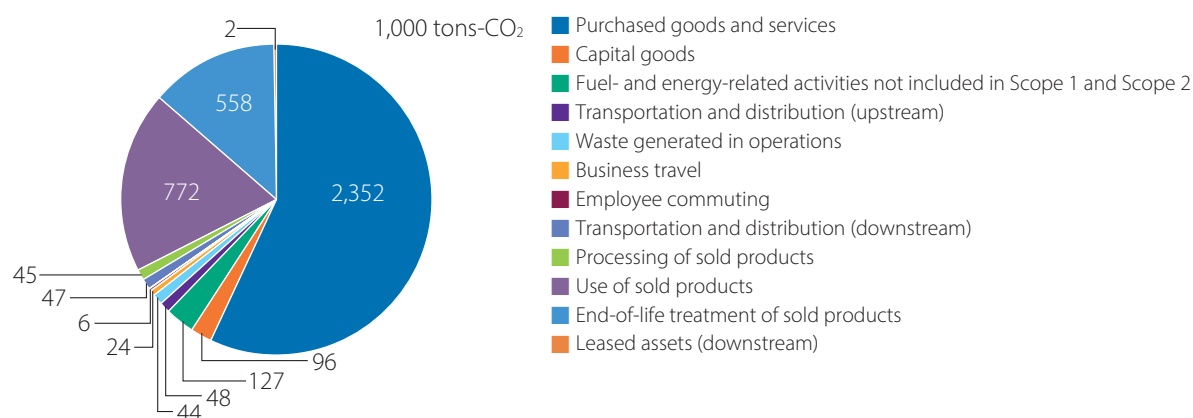
### Emissions of non-CO<sub>2</sub> greenhouse gases (global production, laboratories)



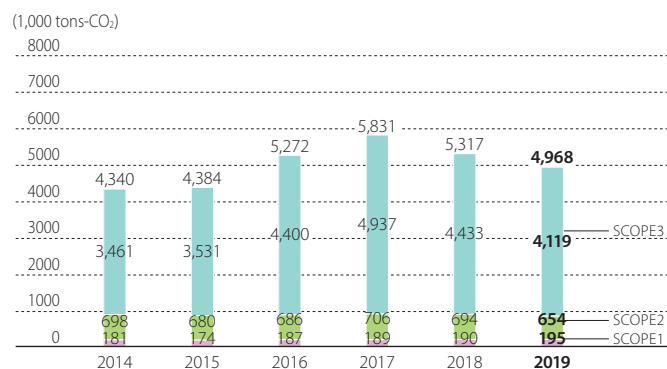
### Greenhouse Gas Emissions throughout Supply Chain (SCOPE 3)

Category		Estimated emissions (1,000 tons-CO <sub>2</sub> )					
		FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Upstream	Purchased goods and services	1,521	1,455	2,180	2,336	2,457	2,352
	Capital goods	31	17	37	171	123	96
	Fuel-and energy related activities not included in Scope 1 and Scope 2	121	119	127	131	129	127
	Transportation and distribution (upstream)	24	24	37	46	48	48
	Waste generated in operations	45	45	46	42	44	44
	Business travel	30	29	26	30	27	24
	Employee commuting	5	5	5	6	6	6
Downstream	Transportation and distribution (downstream)	59	53	45	45	50	47
	Processing of sold products	42	41	43	46	48	45
	Use of sold products	1,353	1,528	1,542	1,554	940	772
	End-of-life treatment of sold products	227	216	310	529	560	558
	Leased assets(downstream)	1	1	1	1	1	2
Total(upstream/downstream)		3,461	3,531	4,400	4,937	4,433	4,119

Note: Since fiscal 2016, the scope of tabulation of purchased products and services has been expanded; this resulted in the emissions increasing substantially from the previous fiscal year following review of the values for fiscal 2016. 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	
Greenhouse Gas Emissions throughout Supply Chain	Purchased goods and services	<p><math>CO_2 \text{ emissions} = \Sigma[(\text{amount of major raw materials used as listed in Material Balance section of this report} + \text{estimated values for other raw materials}) \times \text{emission coefficient (IDEA v 2.2 (a GHG emissions database by the National Institute of Advanced Industrial Science and Technology and the Japan Environmental Management Association for Industry))}]</math></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><math>CO_2 \text{ emissions} = \Sigma[(\text{amount of spending on capital expenditures authorized for the given fiscal year for buildings, structures, mechanical equipment, and transport vehicles}) \times \text{emissions coefficient (per unit emissions database for calculating organizational greenhouse gas emissions, etc., arising from supply chains (Ver. 2.0) (Ministry of the Environment and Ministry of the Economy, Trade and Industry))}]</math></p>
	Fuel-and energy related activities not included in Scope 1 and Scope 2	<p><math>CO_2 \text{ emissions} = \Sigma[(\text{fuel usage, amount of purchased electricity, and amount of purchased steam}) \times \text{emissions coefficient}]</math></p> <p>The emissions coefficients used are as follows. For fuel, IDEA v 2.1 (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. 2.0) (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><math>CO_2 \text{ emissions} = \Sigma[\text{amount of major raw materials used as listed in the Material Balance section of this report} \times \text{transport distance} \times \text{emission coefficient (IDEA v 2.1 (a GHG emissions database by the National Institute of Advanced Industrial Science and Technology and the Japan Environmental Management Association for Industry))}]</math></p> <p>(Calculated assuming that the uniform transport distance was 200 km)</p>
	Waste generated in operations	<p><math>CO_2 \text{ emissions} = \Sigma[\text{amount of waste materials generated (by type)} \times \text{emission coefficient (IDEA v 2.1 (a GHG emissions database by the National Institute of Advanced Industrial Science and Technology and the Japan Environmental Management Association for Industry))}]</math> Covers major production sites and research facilities in Japan and overseas</p>
	Business travel	<p><math>CO_2 \text{ emissions} = \Sigma[\text{transportation costs by method of transport} \times \text{emissions coefficient (per unit emissions database for calculating organizational greenhouse gas emissions, etc., arising from supply chains (Ver. 2.0) (Ministry of the Environment and Ministry of the Economy, Trade and Industry))}]</math></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><math>CO_2 \text{ emissions} = \sum[\text{amount spent on commuting assistance} \times \text{emissions coefficient (per unit emissions database for calculating organizational greenhouse gas emissions, etc., arising from supply chains (Ver. 2.0) (Ministry of the Environment and Ministry of the Economy, Trade and Industry))}]</math></p> <p>(Calculated based on the assumption that all commuting is done by passenger train) (Group company commuting costs include estimates) Group companies in Japan and overseas all covered</p>
	Transportation and distribution (downstream)	<p>The calculation is the total amount of <math>CO_2</math> 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><math>CO_2 \text{ emissions} = \sum[\text{fuel usage} \times 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 CO_2 \text{ emissions coefficient (value used in the reporting system for specified freight carriers under the Act on the Rational Use of Energy)}]</math> (Estimates used for overseas)</p> <p>Covers shipments of products by group companies in Japan and overseas</p>
	Processing of sold products	<p><math>CO_2 \text{ emissions} = \sum[\text{production volume of relevant products} \times \text{emission coefficient at the time of processing the relevant products (IDEA v 2.1 (a GHG emissions database by the National Institute of Advanced Industrial Science and Technology and the Japan Environmental Management Association for Industry))}]</math></p> <p>Covers products for the automotive industry by group companies in Japan and overseas</p>
	Use of sold products	<p><math>CO_2 \text{ emissions} = \sum[\text{number of structures sold as housing during the relevant fiscal year} \times \text{amount of electricity purchased from power companies throughout a year} \times 60 \text{ years} \times \text{electricity-based emissions coefficient}]</math></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-<math>CO_2</math> /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	$\text{CO}_2 \text{ emissions} = \sum[\text{amount of major raw materials used in the products sold during the relevant fiscal year} \times \text{emission coefficient (IDEA v 2.1 (a GHG emissions database by the National Institute of Advanced Industrial Science and Technology and the Japan Environmental Management Association for Industry))}]$ <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> $\text{CO}_2 \text{ emissions} = \sum[\text{relevant installation units} \times \text{emission coefficient (IDEA v 2.1 (a GHG emissions database by the National Institute of Advanced Industrial Science and Technology and the Japan Environmental Management Association for Industry))}]$

# Efficient Use of Resources

## Working to Reduce Waste and Increase Recycling Throughout Product Life Cycles

### Management Approach

#### Basic Concept

### Pursuing the Three R's (Reduce, Reuse, and Recycle) Throughout Product Life Cycles

Sekisui Chemical Group strives to thoroughly implement the “3 Rs” (reduce, reuse, and recycle) throughout its manufacturing life cycles. We also engage in Zero Waste Emissions Activities with the intention of reusing as resources all the waste we generate from our business activities. Along with continuing these Zero Waste Emissions Activities at our production sites, from 2020 we will work to promote recycling, including initiatives for using recycled materials, developing waste recycling technologies, and implementing these in the real-world, in aims of realizing a circular economy and a recycling-based society in 2050.

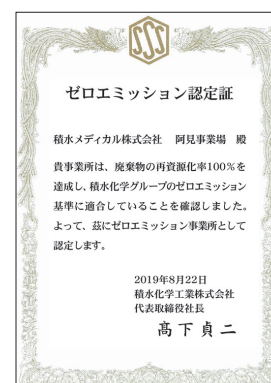


#### Environmental Medium-term Plan Targets and Directions for the Future

### New Waste Reduction Initiatives

Under its Environmental Medium-term Plan covering the three years from fiscal 2017 to fiscal 2019, Sekisui Chemical Group raised and worked towards a target for reducing the amount of waste generated per unit of output by 1% every year compared with the fiscal 2016 level. In addition to reducing waste by improving production efficiency, we changed our perspective and undertook initiatives to shift our emphasis from simply selling waste materials as valuable materials to generating additional value by applying the resin processing technologies we have developed to date.

Along with continuing the Zero Waste Emissions Activities that we have long deployed at our production sites, we have also promoted these overseas and have deployed these at the business sites that have joined Sekisui Chemical Group as we have expanded business. From fiscal 2020, we will investigate and advance initiatives that promote recycling in aims of realizing a circular economy and a recycling-based society.



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### Zero Emissions

## Zero Emissions Achievement Criteria and Accreditation System of Sekisui Chemical Group

Sekisui Chemical Group defines and advances Zero Waste Emissions Activities in the following manner:

- (1) Not engaging in any outside incineration without thermal utilization (thermal recycling), or landfill outside or inside of facilities (recycling ratio: 100%)
- (2) If the waste quantity is small and it is a type of waste that has never been recycled before, recycling methods and relevant contractors must be identified, and a service agreement must be executed.

We also have established uniform evaluation criteria known as the Zero Emissions Achievement Evaluation List. We have established a system designed to conduct internal checks and issue approvals for the status of observance of the evaluation criteria as well as legal compliance, rules and signage for waste segregation and storage, management of related facilities and waste reduction planning and management. The list obliges us to conduct inspection of outside contractors and to clarify treatment routes in order to enhance the management system through these activities.

### Recycling Construction Materials

## Promoting the Effective Use of Construction Materials to Fulfill Our Responsibilities as a Housing Manufacturer

Sekisui Chemical pursues the industry-wide recycling of construction waste produced when houses are demolished—regardless of whether such houses were built by itself or by a competitor—as part of initiatives under the Japan Prefabricated Construction Suppliers and Manufacturers Association's environmental action plan "Eco-Action 2020"



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## Social Responsibility Regarding Waste

### 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.

While the impact of microplastics on our oceans and marine pollution have emerged as issues of recent concern, Sekisui Chemical Group does not engage in the manufacture and sale of primary microplastics where use presupposes dissolution. However, it cannot be denied that the possibility of deterioration in the natural environment and micro-reduction does exist in the event of the improper disposal of plastic processed products being discarded or of the plastic materials that go into the manufacture of the Group's products either during or after use.

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 important need to build social systems while promoting a shift in the awareness of each individual and undertaking education and training. The Group is taking initial steps to consider collaboration between industry, government, and academia with a view to the early resolution of issues.

Currently, Sekisui Chemical Group is a member of the Clean Ocean Materials Alliance (CLOMA) and a participant in the Japan Initiative for Marine Environment (JalME). 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. We are considering the establishment of a test plant in the town of Yorui, Saitama Prefecture, and are working to identify issues with a view to scaling up operations toward social implementation. Currently, verification is underway at a pilot plant in Kuji City, Iwate Prefecture. This plant will process one tenth of the volume of municipal solid waste at a standard-scale waste disposal facility.

In addition, we are also working with Sumitomo Chemical Co., Ltd. to develop plastics made from ethanol made from waste materials. We will contribute to the realization of a recycling-oriented society and circular economy by establishing and disseminating chemical recycling technologies to produce new plastics from waste.

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## Reducing Packaging Materials

### Using Less Product Packaging

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.

#### Major Initiatives

##### Initiative for converting product scraps into raw material

### Using the scraps left after processing external walls as raw materials for products

The Sekisui Board Co., Ltd. Gunma and Mizukuchi business sites, which produce Sekisui Heim external walls, are moving forward with in-house material recycling using the scraps generated during the production process.

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. We are advancing development of a technology to increase the additive weight of recycled cement, and successfully increased the total recycled cement weight at these two sites in fiscal 2019 by 215 tons compared with the previous year.

##### Reduction of Waste Generated at Construction Sites

### Switching to Factory Production to Reduce Materials That End Up Unused on Site

Modular houses are the main pillar of our housing business, and by doing as much as possible at the factory when prefabricating the modules, we are reducing the amount of construction work that has to be done on site. We are also enhancing collaboration between the manufacturing and construction sites, and implementing support activities to optimize the shipped components and to ensure proper use of the components at the construction sites.

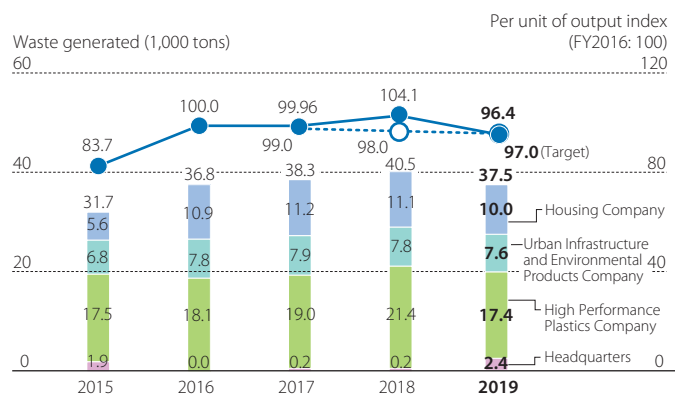
Performance Data

## Waste Generated by Production Sites

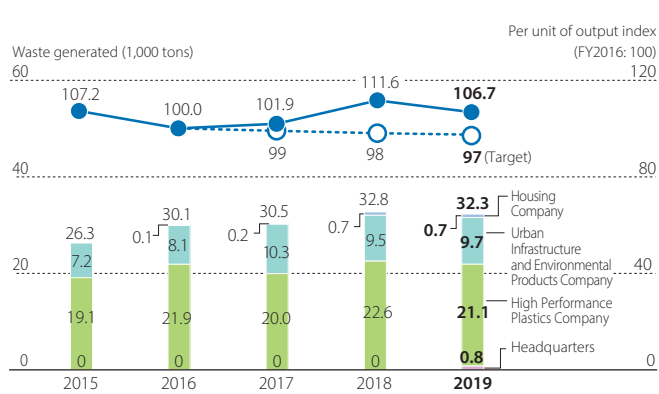
Note: Some past figures have been revised due to improvements in precision.

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. (P 187~190)

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



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

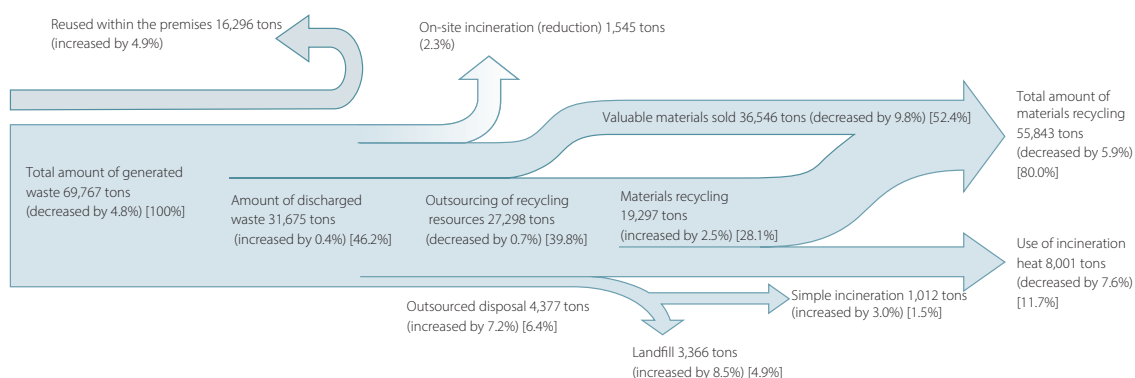


### Production Site Waste Generation and Disposal Conditions / Japan and Overseas

(unit: tons)

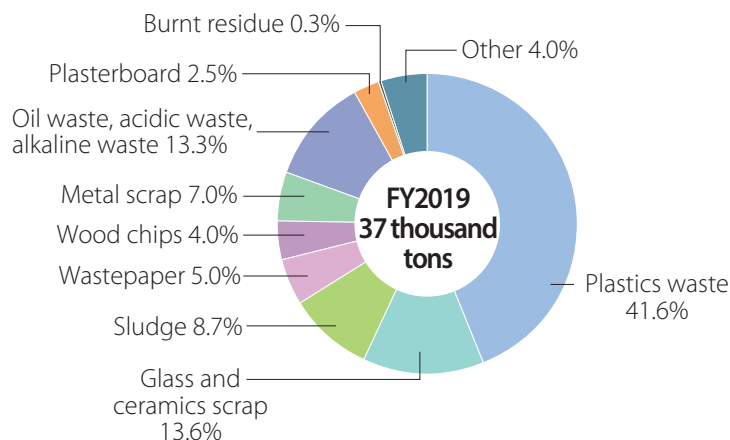
	Total Waste	Recycled Waste	Unrecycled Waste
FY2015	58,053	55,181	2,872
FY2016	66,940	62,113	4,827
FY2017	68,777	63,654	5,123
FY2018	72,631	67,332	5,298
FY2019	69,767	63,844	5,922

### Fiscal 2019 Annual Production Site Waste Generation and Disposal Conditions / Japan and Overseas

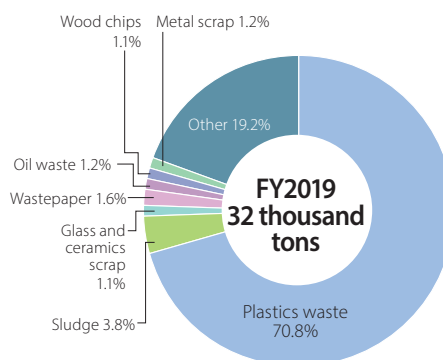


Note: Change over previous year is in ( ) and proportion of total waste generation is in [ ].

### Breakdown of Waste Generated at Production Sites / Japan



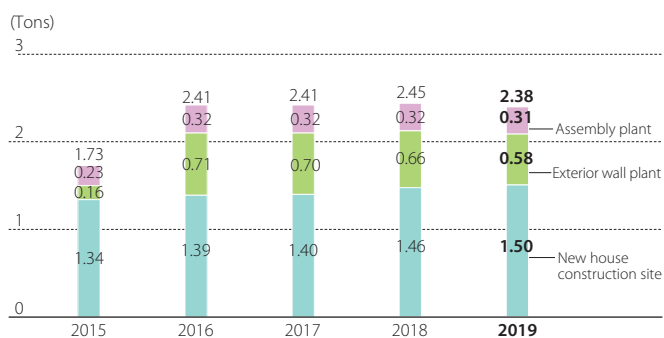
### Breakdown of Waste Generated at Production Sites / Overseas



Index	Calculation method
Generated waste amount	<p>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:</p> <p>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</p>

### Waste Generated on Construction Sites of New Housing

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

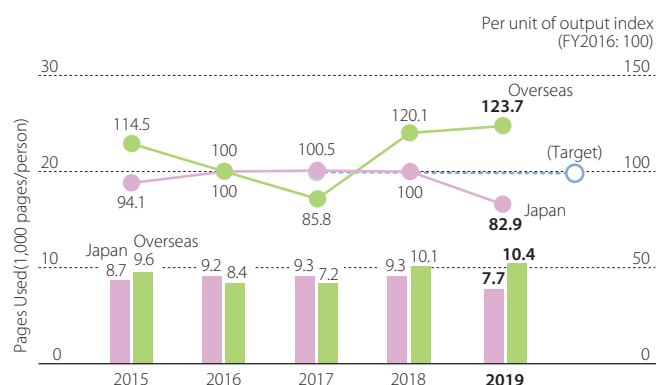


\* Because of changes to the waste materials data collection method used by the Housing Company, we are revising the fiscal 2016 benchmark

Index	Calculation method
Amount of waste generated on construction sites of new housing	<p>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</p> <p>Amount of waste generated per building during construction of new housing = Amount of waste generated during construction of new housing / Number of buildings sold</p> <p>Target: housing business in Japan</p>

## 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

# Conservation of Water Resources

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

## Management Approach

### Basic Concept

**Contributing to the resolution of local and supply chain water issues and the minimization of water risks**

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. We have established the following two goals in line with our vision of ensuring that societies in all the areas in which we and our supply chains operate have abundant access to clean water.

### <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

# Targeting the realization of societies with abundant access to healthy water by 2050

SEKISUI Environment Sustainability Vision 2050 includes the goal of realizing societies with abundant access to clean and healthy water by 2050. Backcasting from this goal, we have established specific measures and milestones as part of our continued work toward achieving this goal.

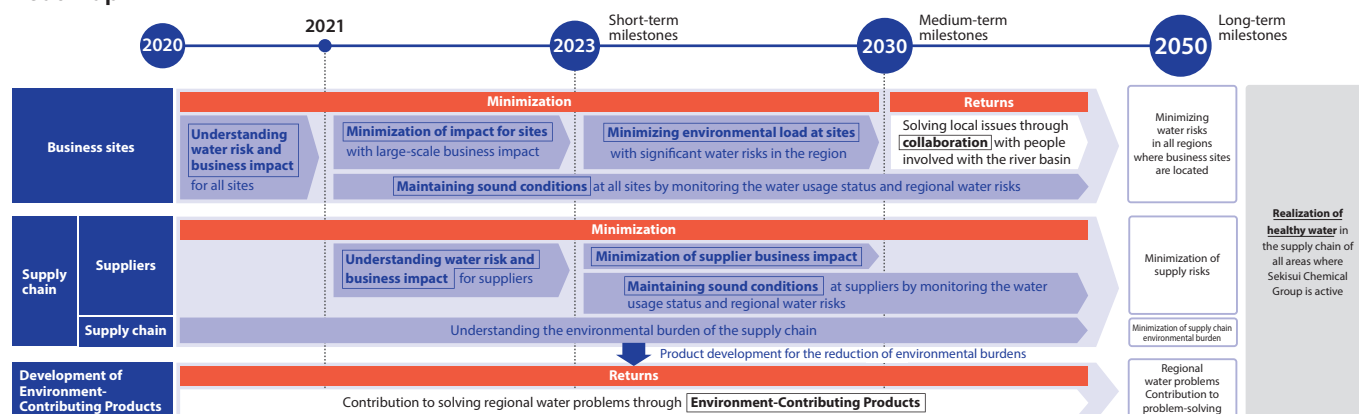
More specifically, we will implement the following measures with an aim of minimizing water risks.

- 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





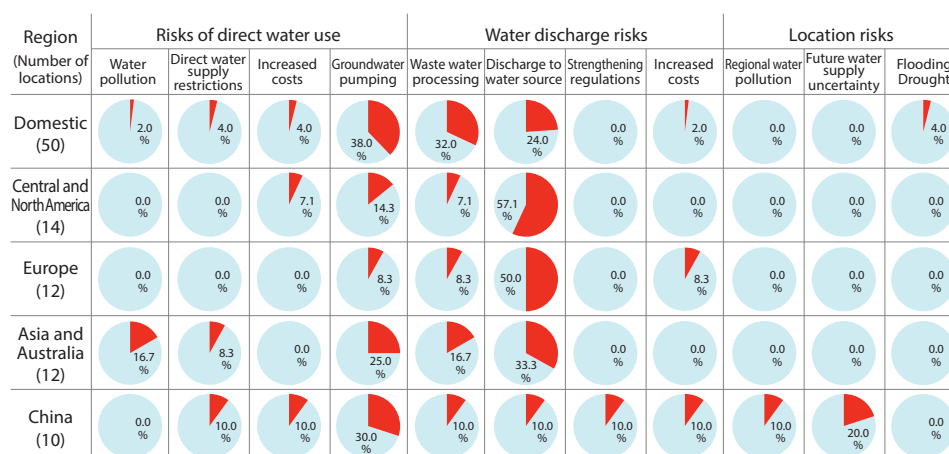
Assessment of Water-related Risks

## Conducting Water Risk Surveys at All Production Sites and Research Institutes

Water resource conditions in the regions in which we operate vary by area, making it important to accurately understand the type and magnitude of risks by location, and to devise and implement strategies on an individual basis. Sekisui Chemical Group has conducted water risk surveys at all of its production sites and research institutes since fiscal 2013 using a mapping tool for water-related risks (Aqueduct: Aqueduct Overall Water Risk map)\* and proprietary surveys. These proprietary surveys focus on items that could identify risks to business continuity, including factors related to water intake, such as future increases in water intake, as well as whether there are water outages, and if so how frequently, as well as water quality fluctuation issues. They also focus on water discharge factors, including those related to usage conditions downstream from where wastewater is discharged and water quality regulation trends.

Under the Environmental Medium-term Plan covering fiscal 2020 to fiscal 2022, we will gain a clear understanding of business impact and water risks through an investigation of water use conditions in areas in which we operate. We will also conduct surveys in regard to extending the scope of procurement risks for raw materials used in mainstay products. Based on the results of these surveys, we aim to finalize by 2023 strategies for business sites where business impact is deemed substantial.

\* A global map showing water-related risks / information tool developed by the World Resources Institute (WRI)



Results of water risk surveys conducted to date  
(ratio of production sites and research institutes judged to have risks)

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## Impact of Water-related Risks on Business

### Direct Impact on Operations

As production sites in Japan manufacturing synthetic resins drain their wastewater directly into rivers or the sea / ocean, even though the water quality of the wastewater complies with the present control levels, we understand that if any changes to, reinforcements of, etc. of the laws and regulations regarding water quality of drainage are implemented in the future, it may cause major impact on the continuity of our business activities.

For that reason, we check on a continuous basis the future trends in regulations at every area our business bases are located in, and, at the same time, to improve the water quality of drainage, implement Whole Effluent Toxicity (WET) tests assessing the effect of drainage on the ecological system. If any negative impact is identified with the WET tests, we investigate the causes and strive to eliminate them using the PDCA cycle to reduce the impact of water-related risks as much as possible.

Note: See page 265 “conserving the environment ~ Biodiversity ~” for details regarding the assessment of the impact of wastewater on aquatic life.

## Risks Identified, Their Potential Impact on Operations, and Strategies for Mitigation

### Impact 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 fresh water 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.

We focus on reductions in the impact on water environments as a result of our business activities as well as the degree of our contribution to the environment from an expansion in products and services making a positive contribution to water environments as returns to natural capital.

From fiscal 2020 we will strive to better understand water risks in the supply chain creating products, as well as the returns to natural and social capital as a result of on product-based water risk reductions.

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## 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, one of our products being marketed in Japan, India, China, Taiwan, and other ASEAN areas, the “Cross Wave\*” rainwater collection system, is used for the prevention of chronic water shortages and to achieve both greening of urban areas and disaster prevention. Since 2010, we have been continually working to reduce water-related disaster risks such as flooding through this product.

In fiscal 2019, Cross Wave was adopted in large-scale housing construction operations in Indonesia, contributing to the growth of green infrastructure projects in that country. We have also worked to establish a cooperative system with the local water resources departments.

We are also promoting the development of towns through the use of products with the ability to lower water risks. As an example, Asaka Leadtown in Asaka City, Saitama Prefecture solves a number of issues, starting by the lowering of water risks. We believe this to be a first step in the building of a town planning business that makes full use of Sekisui Chemical Group technologies and products to ensure safe, secure, and comfortable lives.

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.

### Activity Policy and Reduction Targets

## We are promoting reductions through specialized efforts 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 Increased by 0.1%, Compared to the Base Fiscal Year, With Discharged Water COD Volume Rising on the Same Basis by 5.1%

Water intake volume at production sites in fiscal 2019 increased by 0.1%, relative to results in the base fiscal year of 2016, while discharged water COD volume increased on the same basis by 5.1%.

In fiscal 2019, we studied reduction measures targeting the four Sekisui Chemical Group production facilities with the highest discharged wastewater COD volumes and the highest water intake, and invested in improvements using the environmental contribution investment framework. We expect reductions to become apparent following the completion of equipment installations moving forward.

#### Examples of environment-based capex in fiscal 2019

	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%

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### Ongoing Monitoring of Water Risks

## Continuously Assess Water Extracted from Production Sites and Wastewater Risk

In fiscal years 2014 and 2015, we surveyed 98 production sites and R&D laboratories around the world to gain a firm understanding of our sources of water, destinations for wastewater, the current and future prospects of continuing to acquire water, and related matters. As a result, we now understand there are major differences in water supply volume and water quality by region, although the in-depth survey did not identify any water supply risks, such as potential increases in costs or restrictions on water sources that would be severe enough to adversely impact production activities. We also found out that there are many business sites that rely on ground water as their main water source. Of particular significance, 18 business sites, accounting for 35% of all business sites in Japan, use ground water or spring water (including industrial water in some cases), and 44% of the total amount of water intake for all domestic business sites depends on ground water or spring water.

Although ground water is a cheap and very effective source of water, due to unforeseen factors it may become impossible to use it in the future, and we perceive it as a risk to our business continuity.

In fiscal 2017, we created a tool for the assessment of ground water risks. The assessment tool allows us to apprise the risks from three viewpoints, namely, susceptibility, concerns in the area, and future changes. The tool uses five evaluation criteria of abundance of ground water, amount of water used by the business site, environmental changes in the surrounding area, restrictions by laws and regulations, and changes of amounts used / precipitation; it consists of 12 assessment indices.

Using the evaluation tool we created, we implemented from fiscal 2018 risk assessment at all business sites that use ground water in Japan, extracted the three sites with the greatest risks, and also added the sites with the largest comparative volume of water intake to our considerations. For these five production sites, we analyzed hypothetical scenarios resulting from climate change due to global warming and estimated future ground water replenishment.

In fiscal 2019, we selected six business sites from those the preliminary assessments identified as having high risk, high groundwater intake levels, or a substantial change in how the land within a given water area was used. We estimated for these sites potential sharp changes in rainfall, including as a result of torrential rains or drought, as well as the effects on groundwater supply. The impact assessment also focused on business site intake volume and its effect on groundwater supply.

The assessments allowed us to understand that the business sites faced substantial risks related to water intake moving forward, with three seeing a potential sharp drop in the supply of ground water and one where the intake of water is excessive in comparison to the groundwater supply in the region. We will be promoting water intake reductions at these business sites with the aim of lowering the environmental impact on the area and reducing water intake to a level in line with the groundwater depletion rate.

Regarding wastewater risks, we have been using assessment of the effects of wastewater on biodiversity in the surrounding area as a means for wastewater WET tests of production sites since fiscal 2013. We have also continued investigations into causes at sites where effects on biodiversity were recently discovered. We discovered the substances causing the effects and were able to reduce these substances in fiscal 2019 through the substitution of production materials.

Note: See page 265 “conserving the environment ~ Biodiversity ~” for details regarding the assessment of the impact of wastewater on aquatic life.

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## Water Recycling

### Recycling Cooling Water Used for Plastic Moldings

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 2019, at production sites in Japan and overseas, we used 107 million cubic meters of recycled water. This is equivalent to 5 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.

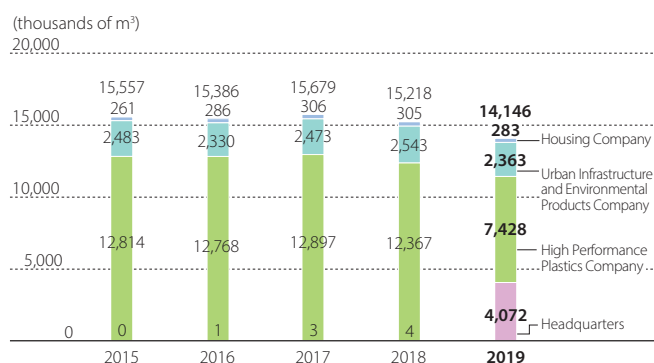
<https://www.sekisui.co.jp/musashi/eco/>

## Performance Data

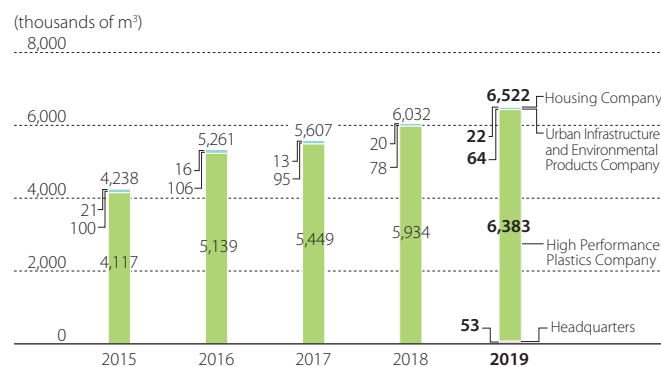
Note: Some past figures have been revised due to improvements in precision.

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. (P 242~245)

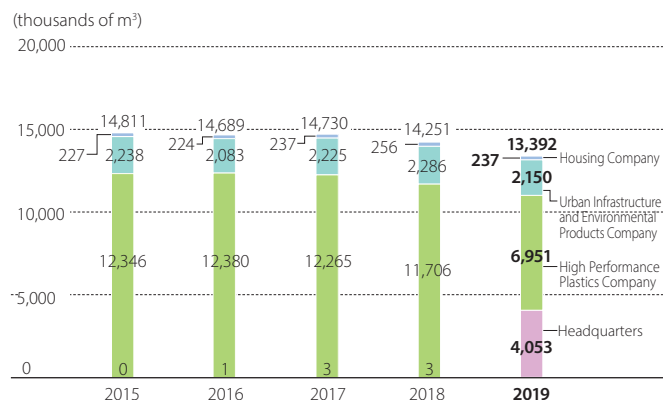
### Water Intake Volume at Production Sites / Japan



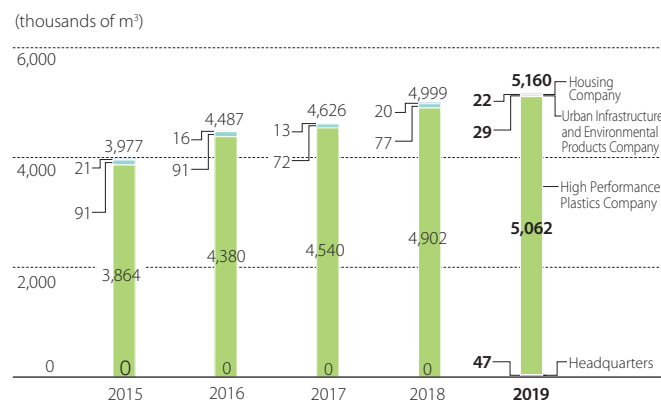
### Water Intake Volume at Production Sites / Overseas



### Wastewater Volume at Production Sites / Japan

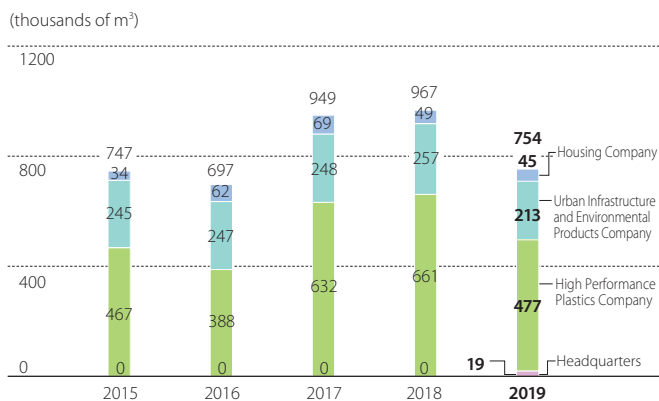


### Wastewater Volume at Production Sites / Overseas

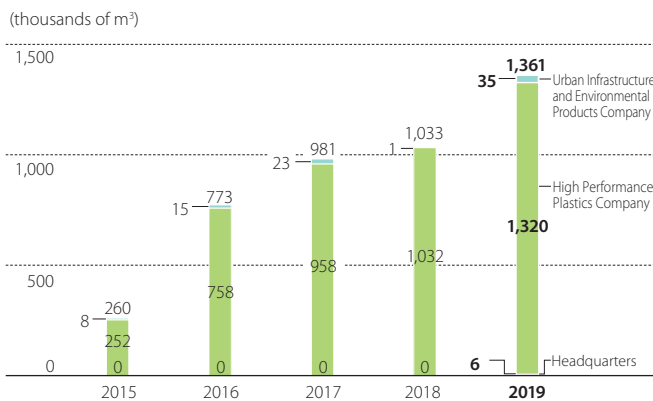


Note: We have been improving the accuracy of our wastewater volume from fiscal 2019.

### Water Consumption at Production Sites / Japan



### Water Consumption at Production Sites / Overseas



Note: Water consumption increased to improve the accuracy of wastewater volumes in 2019.



## Water Intake Volume at Production Sites by Water Source Type

(thousands of m<sup>3</sup>)

Water source	Area of base	All areas					Areas with water stress				
		2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
Surface water	Japan	951	696	1,086	197	726	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	1	0	0	0	0	1
	Europe	0	0	0	0	0	0	0	0	0	0
	North and Central America	0	0	0	0	0	0	0	1	0	0
	<b>Total</b>	<b>951</b>	<b>696</b>	<b>1,086</b>	<b>197</b>	<b>727</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>
Ground water	Japan	3,033	2,604	2,624	2,632	2,517	0	0	0	0	0
	China	0	0	0	0	0	0	0	0	0	0
	The Rest of Asia and Oceania	140	103	120	144	111	62	25	26	35	16
	Europe	0	0	0	0	0	0	0	0	0	0
	North and Central America	3	4	0	0	0	0	0	0	0	0
	<b>Total</b>	<b>3,175</b>	<b>2,710</b>	<b>2,745</b>	<b>2,776</b>	<b>2,628</b>	<b>62</b>	<b>25</b>	<b>26</b>	<b>35</b>	<b>16</b>
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
	<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Third-party water*	Japan	11,574	12,086	11,969	12,389	10,903	0	0	0	0	0
	China	245	273	298	324	265	210	236	288	311	256
	The Rest of Asia and Oceania	150	896	1,097	966	1,093	27	18	46	72	80
	Europe	1,843	1,943	1,883	1,866	1,960	1,760	1,857	1,799	1,805	1,887
	North and Central America	1,857	2,042	2,209	2,732	3,092	10	10	81	156	141
	<b>Total</b>	<b>15,669</b>	<b>17,241</b>	<b>17,456</b>	<b>18,278</b>	<b>17,313</b>	<b>2,007</b>	<b>2,121</b>	<b>2,213</b>	<b>2,344</b>	<b>2,365</b>
Total volume of water withdrawn	Japan	15,557	15,386	15,679	15,218	14,146	0	0	0	0	0
	China	245	273	298	324	265	210	236	288	311	256
	The Rest of Asia and Oceania	290	999	1,217	1,110	1,204	89	44	72	107	97
	Europe	1,843	1,943	1,883	1,866	1,960	1,760	1,857	1,799	1,805	1,887
	North and Central America	1,859	2,046	2,209	2,732	3,092	10	10	81	156	141
	<b>Total</b>	<b>19,795</b>	<b>20,646</b>	<b>21,286</b>	<b>21,250</b>	<b>20,668</b>	<b>2,070</b>	<b>2,146</b>	<b>2,239</b>	<b>2,379</b>	<b>2,382</b>

\* 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 m<sup>3</sup>)

Discharge destination	Area of base	All areas					Areas with water stress				
		2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
Surface water	Japan	11,579	11,219	11,627	11,353	10,680	0	0	0	0	0
	China	0	0	0	0	0	0	0	0	0	0
	The Rest of Asia and Oceania	0	22	26	20	43	0	2	2	0	22
	Europe	4	0	0	0	0	0	0	0	0	0
	North and Central America	0	0	0	0	0	0	0	0	0	0
	<b>Total</b>	<b>11,583</b>	<b>11,241</b>	<b>11,653</b>	<b>11,372</b>	<b>10,722</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>22</b>
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
	<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Seawater	Japan	2,741	2,892	2,503	2,277	2,160	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
	<b>Total</b>	<b>2,741</b>	<b>2,892</b>	<b>2,503</b>	<b>2,277</b>	<b>2,160</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Third-party water*	Japan	491	577	600	621	552	0	0	0	0	0
	China	244	272	287	308	255	209	235	277	296	246
	The Rest of Asia and Oceania	230	679	867	830	860	87	26	55	103	60
	Europe	1,832	1,930	1,874	1,860	1,944	1,760	1,857	1,799	1,805	1,875
	North and Central America	1,668	1,585	1,571	1,981	2,060	8	9	62	79	81
	<b>Total</b>	<b>4,464</b>	<b>5,043</b>	<b>5,200</b>	<b>5,601</b>	<b>5,670</b>	<b>2,064</b>	<b>2,127</b>	<b>2,193</b>	<b>2,283</b>	<b>2,262</b>
Total volume of water withdrawn	Japan	14,811	14,689	14,730	14,251	13,392	0	0	0	0	0
	China	244	272	287	308	255	209	235	277	296	246
	The Rest of Asia and Oceania	230	701	893	850	902	87	29	57	103	83
	Europe	1,835	1,930	1,874	1,860	1,944	1,760	1,857	1,799	1,805	1,875
	North and Central America	1,668	1,585	1,571	1,981	2,060	8	9	62	79	81
	<b>Total</b>	<b>18,788</b>	<b>19,176</b>	<b>19,356</b>	<b>19,250</b>	<b>18,552</b>	<b>2,064</b>	<b>2,129</b>	<b>2,195</b>	<b>2,283</b>	<b>2,285</b>

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

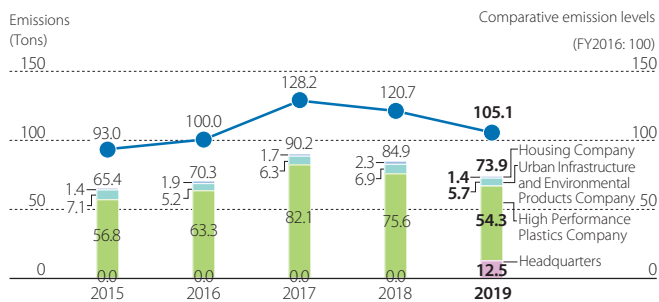
### Water Consumption at Production Sites

(thousands of m<sup>3</sup>)

Area of base	All areas					Areas with water stress				
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
Japan	747	697	949	967	754	0	0	0	0	0
China	1	1	11	16	10	1	1	11	16	10
The Rest of Asia and Oceania	60	298	324	260	302	2	15	15	4	15
Europe	8	13	9	6	17	0	0	0	0	13
North and Central America	192	461	638	751	1,032	2	1	19	77	60
<b>Total</b>	<b>1,007</b>	<b>1,470</b>	<b>1,930</b>	<b>2,000</b>	<b>2,116</b>	<b>5</b>	<b>17</b>	<b>45</b>	<b>97</b>	<b>98</b>

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 = $\sum$ [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

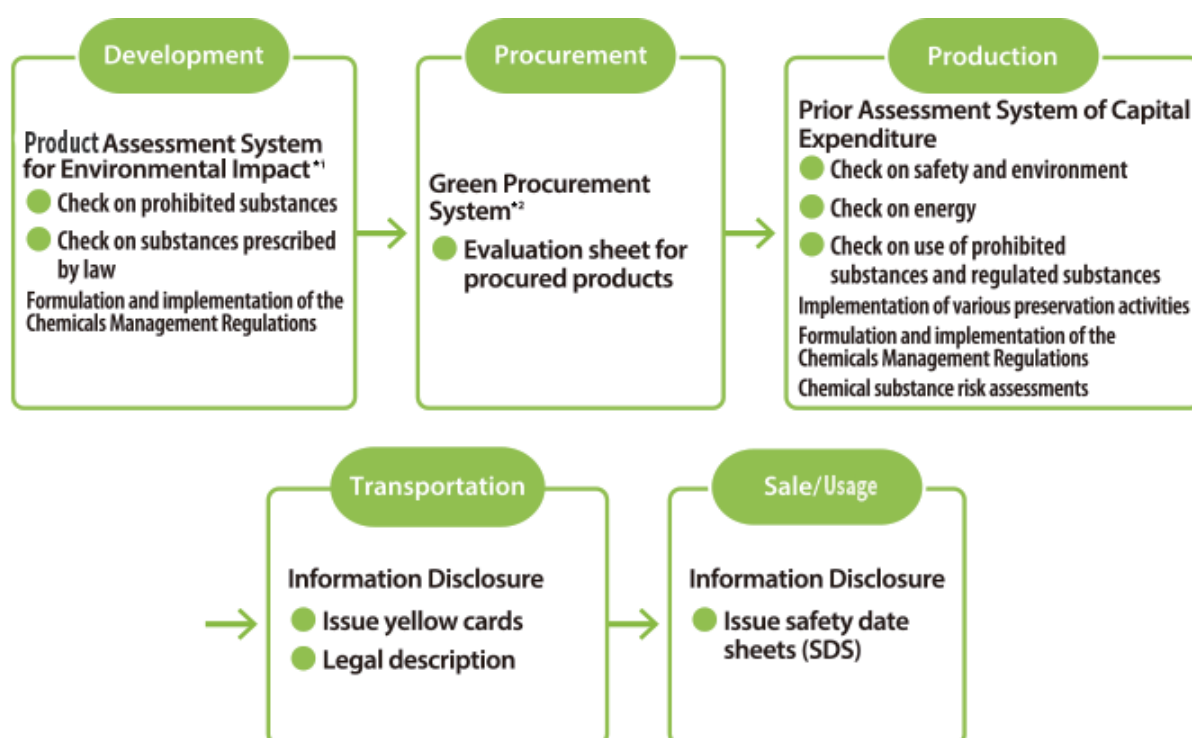
While chemical substances make people's lives more convenient, they also could have harmful effects on the environment or on human beings. Therefore, we believe that consideration of product safety, occupational safety and health and environmental impact through proper management of chemical substances 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\*<sup>1</sup> and the Green Procurement System\*<sup>2</sup>. 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.



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## Major Initiatives

### Controlling VOC Emissions

#### VOC Emissions Increased by 3.9% Compared with the Fiscal 2016 Level

Sekisui Chemical maintains the medium-term target of reducing VOC emissions by more than 3% compared with the fiscal 2016 level. In fiscal 2019, VOC emissions in Japan increased by 3.9% compared with fiscal 2016. The reason for the greater emissions was a higher volume of production by the Adhesive Tape Manufacturing Department, which uses solvents, as well as the Medical Business.

### Preventing Air and Water Pollution

#### Managing Gas Emissions and Wastewater in Accordance with Regulations

Sekisui Chemical Group complies with the regulatory values under laws and ordinances for the various types of equipment it uses in connection with exhaust gases and water drainage. We also strive to control the discharge of pollutants through appropriate maintenance and management, including periodic inspections.

### Soil Contamination Countermeasures

#### Continue Management at All Production Facilities based on Legal Regulations

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 has 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 2019, conditions did not require any new measures to be taken.

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

#### Properly Storing and Disposing of Devices Containing PCBs in Line with Regulations

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.

Note: Environment-contributing Products evolve into products to enhance sustainability from fiscal 2020. For more details, please refer to "Products to Enhance Sustainability" on page 254.

## Performance Data

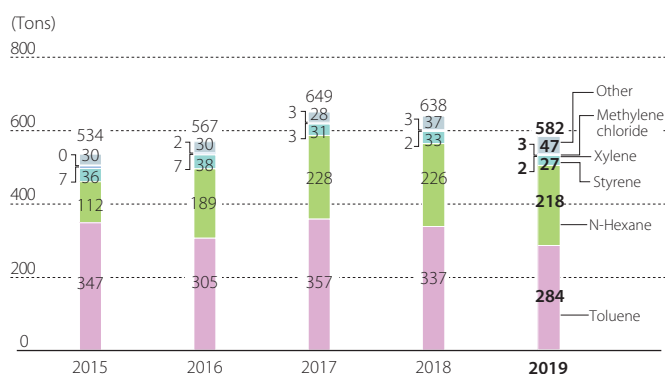
• From fiscal 2019, Medical Business results are collated and presented with Headquarters results following its separation from the High Performance Plastics Company as an independent entity. (P 248~250)

### Aggregated Results Based on the PRTR Law (Substances Handled at the Business Sites Subject to Assessment with Volume of Handling of 1 Ton or More Are Aggregated)

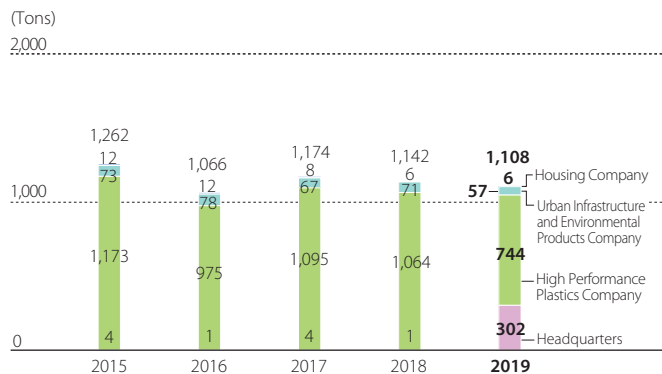
Substance	Govt. ordinance notification no.	Emission volume	Emission volume				Transfer volume			Detoxification
			Atmospheric	Public water areas	In-house soil	In-house landfill	Sewage system	Transfer in waste disposal	Transfer in waste recycling	
Ethyl acrylate	[3]	1.3	0	0	0	0	0	0	0.12	1.1
n-Butyl acrylate	[7]	222.2	1.2	0	0	0	0	0	1.7	219
Acrylonitrile	[9]	489.3	4.0	0	0	0	0	0	0.0080	485
Acetaldehyde	[12]	190.9	0.14	0	0	0	0	0	0	191
Acetonitrile	[13]	187.1	15	0	0	0	0	0	172	0
2,2'-Azobisisobutyronitrile	[16]	5.6	0	0	0	0	0	0	0	5.6
Antimony and its compounds	[31]	12.0	0	0	0	0	0	0	1.2	0
Isobutyraldehyde	[35]	93.2	0.58	0	0	0	0	0	0	93
2-Ethylhexanoic acid	[51]	6,440.2	0	0	0	0	0	0	5.5	6,427
Ethylbenzene	[53]	1.8	1.8	0	0	0	0	0	0	0
ε-Caprolactam	[76]	40.9	0	0.013	0	0	0	0	0	41
Xylene	[80]	29.7	1.9	0	0	0	0	0	0.037	28
Hexavalent chromium compounds	[Special 88]	2.1	0	0	0	0	0	0	0	0
Vinyl chloride	[Special 94]	124,073.4	4.4	0.12	0	0	0	0	0	124,069
Chloroform	[127]	5.0	0.27	0	0	0	0	0	2.8	0.53
Vinyl acetate	[134]	57.8	4.4	0	0	0	0	0	3.7	50
Inorganic cyanide compounds (not including complex salts and cyanate)	[144]	33.9	0	0	0	0	0	0	0	34
Cyclohexylamine	[154]	2.3	0	0	0	0	0	0	0	2.2
Methylene chloride	[186]	230.3	3.0	0	0	0	0	0	0.21	227
Divinylbenzene	[202]	1.4	0	0	0	0	0	0	0	1.4
2,6-di-t-butyl-4-cresol	[207]	9.7	0	0	0	0	0	0	0	9.7
N,N-dimethylacetamide	[213]	2.7	0	0	0	0	1.3	0	1.4	0
N,N-dimethylformamide	[232]	8.7	0.70	0	0	0	0	0	8.0	0
Organic tin compounds	[239]	128.0	0	0	0	0	0	0.064	0.69	0
Styrene	[240]	1,208.8	27	0	0	0	0	0	0	612
Terephthalic acid	[270]	81.3	0	0	0	0	0	0	0	81
1,2,4-Trimethylbenzene	[296]	1.2	1.2	0	0	0	0	0	0	0
Toluene Diisocyanate	[298]	23.1	0	0	0	0	0	0	0	23
Toluene	[300]	763.2	284	0	0	0	0	0	103	375
Lead compounds	[Special 305]	608.6	0	0.0021	0	0	0	0	3.5	62
Nickel compound	[Special 309]	1.4	0	0	0	0	0	0	0.39	0
Bis-(2-ethylhexyl) phthalate	[355]	4.8	0	0	0	0	0	0	2.4	0
n-Hexane	[392]	286.4	218	0	0	0	0	0	11	57
Boron and its compounds	[405]	32.1	0	0	0	0	0	0	0	0
Poly (oxyethylene) = alkyl = ether (C = 12-15 and other blends)	[407]	3.2	0	0	0	0	0	0	0	0
Manganese and its compounds	[412]	1.9	0	0	0	0	0	0	1.9	0
Methacrylate	[415]	235.8	1.3	0	0	0	0	0	0.0060	234
Methyl methacrylate	[420]	164.3	1.4	0	0	0	0	0	0	163
Methylnaphthalene	[438]	3.7	0.018	0	0	0	0	0	0	3.7
Methylenebis (4,1-phenylene) = diisocyanate	[448]	1,738.9	0	0	0	0	0	9.0	8.1	1,709
		138,428.4	572	0.14	0	0	1.3	9.1	328	135,205

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

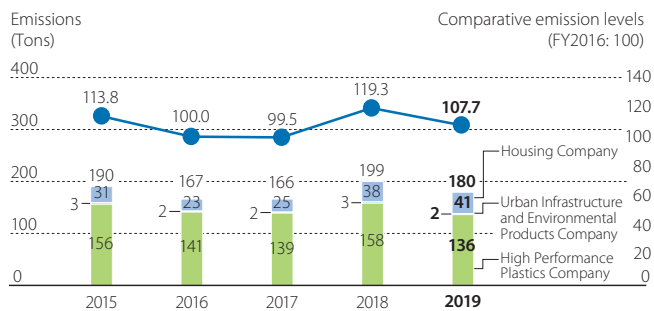


Index	Calculation Method
Volume of emission / transfer of chemical substances	Volume of emission / transfer of chemical substances subject to regulation by the PRTR Law Volume of emission = Volume of emission into the atmosphere + Volume of emission into the public waters + Volume of emission into the 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

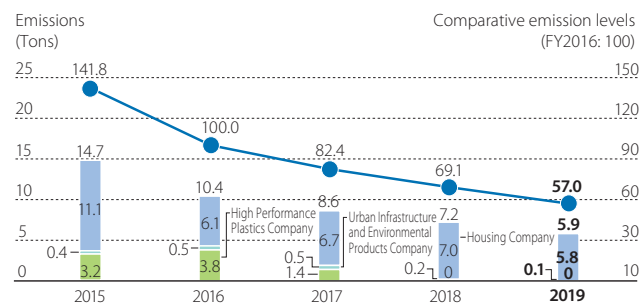


### NOx Emissions / Japan



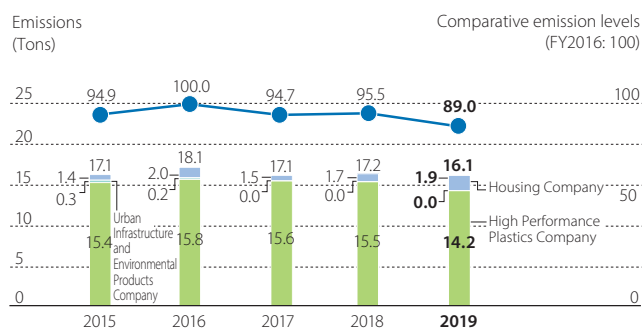
Index	Calculation Method
NOx emissions	NOx emissions = $\Sigma$ (Amount of exhaust gas airflow per year x NOx concentration x 46/22.4)

### SOx Emissions / Japan



Index	Calculation Method
SOx emissions	SOx emissions = $\Sigma$ (amount of SOx per year x 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	Soot and Dust emissions = $\Sigma$ (amount of exhaust gas airflow per year x soot concentration)

# Environmental Impact Assessment

## Understanding the Impact of Our Products and Services on the Global Environment

### Management Approach

#### Basic Concept

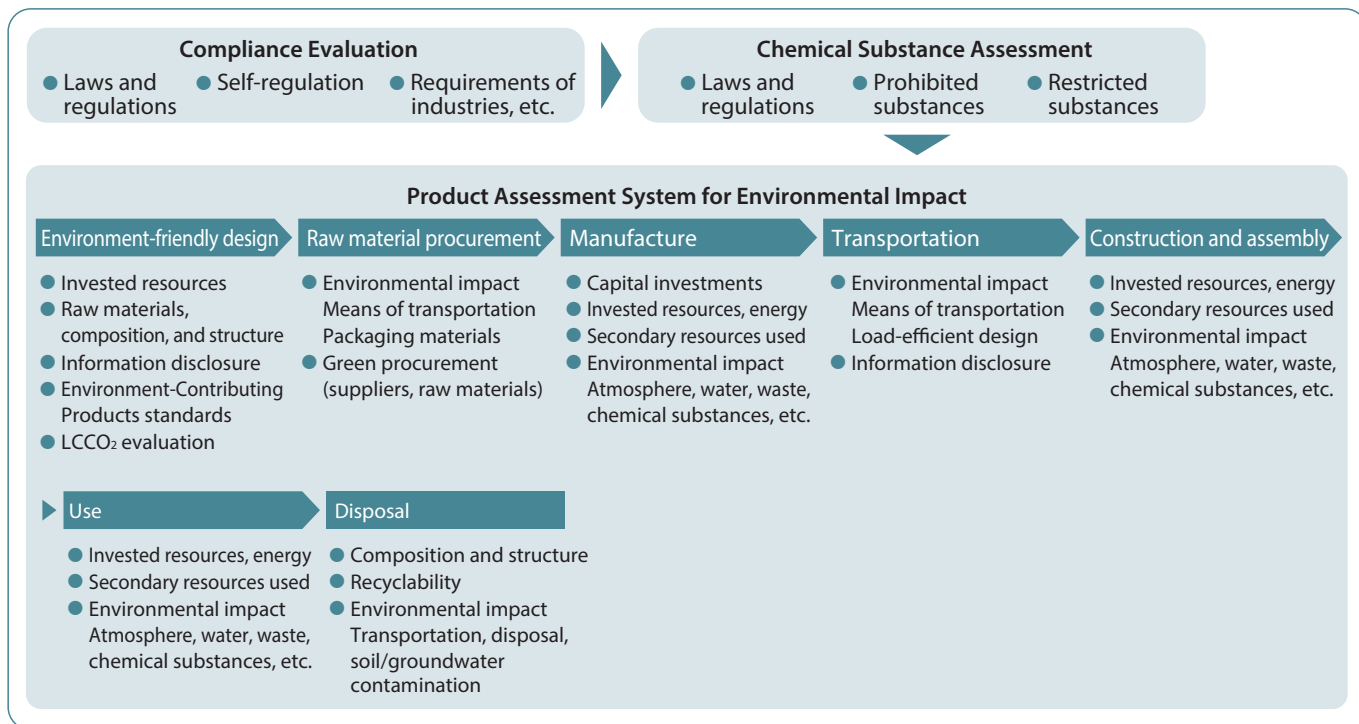
### Results of Environmental Impact Assessments for Each Product Reflected in Measures

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 product life cycle

Targets: products and processes



Note: Environment-contributing Products evolve into products to enhance sustainability from fiscal 2020. For more details, please refer to "Products to Enhance Sustainability" on page 254.

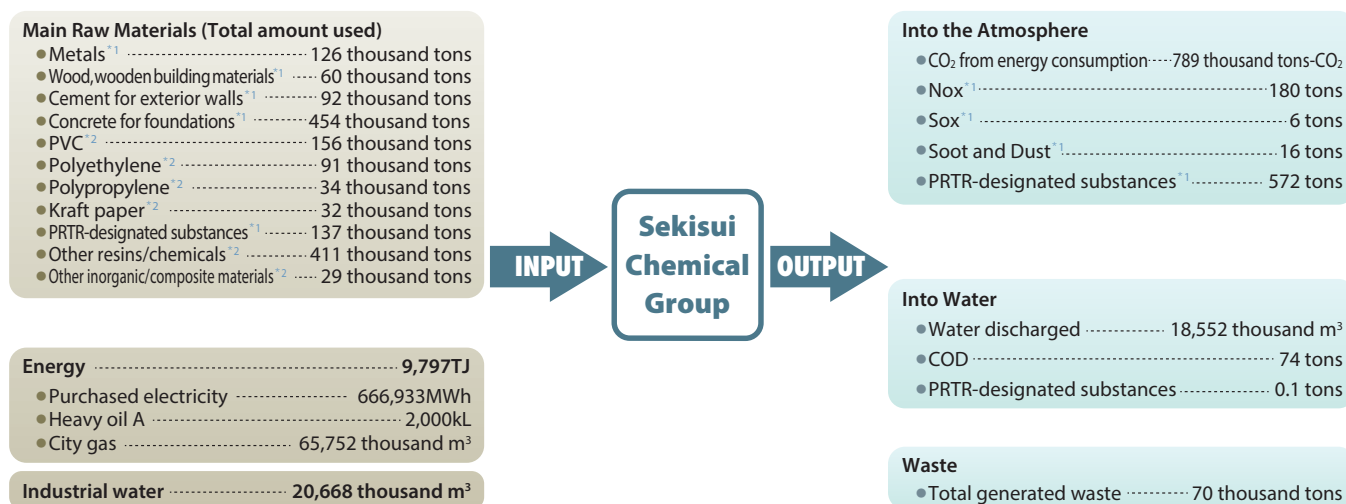
# Material Balance

## Performance data

Shows resources and energy used in business activities (input) and substances that constitute environmental impact (output) generated in connection with business activities.

### Material balance

#### Fiscal 2019 Results



\*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.

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# Contributing to Return of Natural Capital

## Co-existing with the Global Environment Through Business Activities and Environment-contributing Products

Toward the realization of earth with maintained biodiversity in 2030, Sekisui Chemical Group is committed to returning more natural capital back to the planet than it uses through three initiatives that it pursued until fiscal 2019: expand and create Environment-contributing Products, reduce environmental impact\*, and conserve the natural environment. From fiscal 2020, Sekisui Chemical Group will address issues in the natural and social environments aimed at improving sustainability of the world and society from a longer-term perspective. The Group's vision for 2050 remains unchanged: realization of earth with maintained biodiversity. 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.

\* See page 209 "Usage of Natural Capital" for more information.

### 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 will further evolve 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 will launch measures under the products to enhance sustainability banner via 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.

### Conservation of Natural Environment

As part of its efforts to contribute to Conservation of Natural Environment, Sekisui Chemical Group undertook measures through fiscal 2019 that included improving the quality of green spaces on its business sites in order to coexist in harmony with the local environment in Japan and conducting assessments of impact of wastewater on aquatic life to prevent negative effects on and improve the safety of the water environment for aquatic life in the places where wastewater flows. We believe that these actions have directly protected biodiversity.

From fiscal 2020, Sekisui Chemical Group will expand initially to Europe measures that improve the quality of green spaces on its business sites in order to coexist in harmony with local environments worldwide.

## Products to Enhance Sustainability

**Create and Expand Markets for Products That Are Highly Effective in Solving Issues During Customer Use and Contribute Toward Improving Global and Social Sustainability on an Ongoing Basis**

### Management Approach

**A Product Evaluation System That Promotes Problem Solving**

**Certifications Based on Proprietary Criteria, and Third-party Evaluations of Validity**

Sekisui Chemical Group has used its product evaluation system since fiscal 2006 in order to further accelerate the resolution of issues related to the natural environment and the social environment. Certification is based on the criteria established by the internal committee, with advice on the criteria, the stance they are based on, and the validity of results accepted from outside advisors.

Through the end of fiscal 2019 we promoted the creation of “Environment-contributing Products” and the expansion of the market as part of a system supporting and advancing products that contribute to the solving of issues related to the natural environment and the social environment. With problem solving contributing more than ever to the improved sustainability of the earth and society, we reaffirmed that it essential to improve the sustainability of the company and its products if we are to continue to assist in solving problems. Accordingly, we will initiate efforts under the label of “product to enhance sustainability” to promote greater global, social, corporate, and product sustainability from fiscal 2020.

### Evolution of a Product Evaluation System to Promote the Resolution of Issues

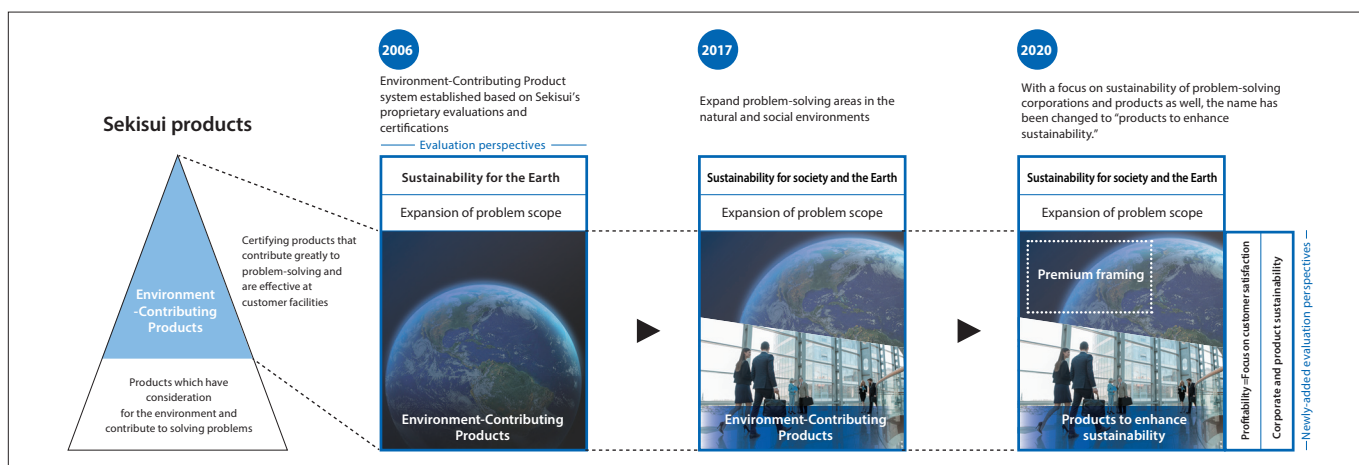
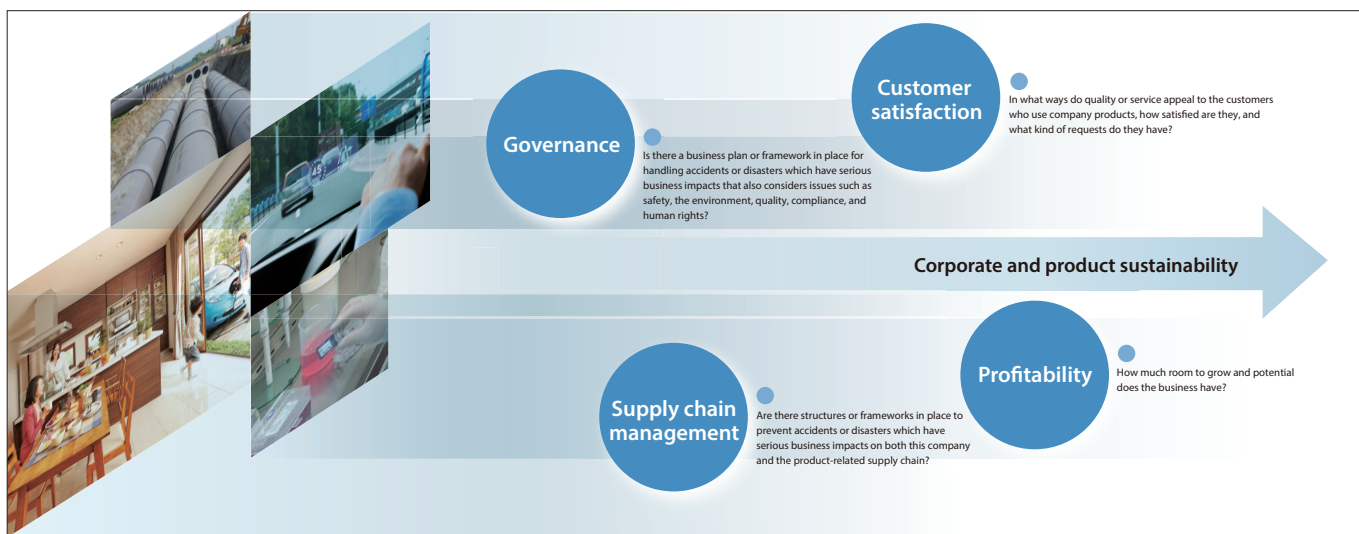
**A product system aimed at not only on improving the sustainability of the earth and society, but also on improving the sustainability of the company and its products.**

Focusing on products that contribute to resolving natural environment issues, we launched the product evaluation system as the "Environment-Contributing Products" system in fiscal 2006, and have continued to promote the creation and expansion of such products.

In fiscal 2017, we committed to creating and supplying problem-solving products, expanding the scope of the system to include to not only products that contribute to solving natural environment issues, but also those that focus on the social environment. Sekisui Chemical Group has reaffirmed its goal of meeting the SDGs for 2030 outlined by the United Nations.

Beginning in fiscal year 2020 and under our long-term 2050 environmental vision, we are evolving and launching our product evaluation system under the "products to enhance sustainability" label. We believe the promotion of products that expand the contribution to solving not only natural environment issues, but social environment issues will work to enhance both global and social sustainability. Of course, we also believe that in order to continue making these products, and expanding their contribution, it is vital to ensure corporate and product sustainability as well. In order to do this, we are adding to the process of certifying products that are highly effective in contributing to the resolution of conventional issues a function that evaluates corporate and product sustainability. Using assessments based on profitability, process evaluations, and supply chain evaluations, we are building and operating an evaluation system that not only confirms sustainability, but promotes the implementation of activities bolstering that sustainability.

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





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## Environment-Contributing Products PR External Promotional Activities

In fiscal 2019, Sekisui Chemical participated in the Eco Products 2019 exhibition, introducing and providing information to visitors to Sekisui Chemical Group's approach to environmental issues and examples of how its products contribute to the resolution of these issues.

Our focus in particular is on adapting to and mitigating climate change.

In order to mitigate water risks, the increase in disasters that is already apparent, and the warming trend brought on by climate change, we believe it essential to shift to renewable energy and use technology to reduce greenhouse gas emission volumes.

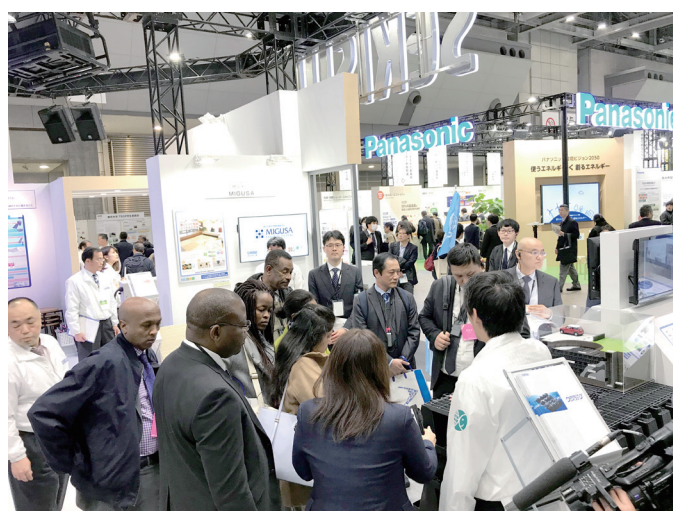
We believe that if we are unable to adapt and respond to the environmental changes already apparent, we will be unable to ensure peace of mind and stability moving forward. To that end, the contribution of products and technologies is indeed vital.

Sekisui Chemical Group is working to mitigate these conditions through the development of not only solar cells and storage batteries, homes equipped with Home Energy Management Systems (HEMS), as well as homes with solar power panels, but also intermediate materials contributing to reduced energy consumption in electronic devices, as well as heat and sound insulation materials used in automotive applications that contribute to reduced fuel consumption. Our materials at the exhibition focused mainly on housing-related technologies.

One area of attention is housing that it built in a resilient manner that contributes to it being adaptable to changing conditions. Housing that is factory produced and composed of rooms constructed at a plant are produced to be resilient, and the sustainability of houses built in this manner has been greatly improved over the years.

We introduced resin pipes that prevent lifeline disruptions as a result of disasters such as typhoons or torrential downpours, which are increasing in frequency, as well as housing equipment such as drinking water storage systems, and rainwater storage systems that help prevent flooding at the floor level and riverbank collapses.

Finally, we introduced Asaka Leadtown, a town development project that uses the comprehensive strengths of Sekisui Chemical Group to contribute to enhanced adaption and mitigation.



Exhibition at Eco Products 2019



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## Discussion with External Advisors

### Considering the Opinions of External Stakeholders Related to Environmental Contributions of Products

Since fiscal 2012, we have held an External Advisory Board as an opportunity to receive opinions and advice from renowned authorities from outside the Company, with regard to the standards and registration of Environment-Contributing Products, positions to take in the future, and other comments.

The External Advisory Board meetings are sponsored by the supervising director of the organization in charge of environmental issues and CSR, and the members of the internal certification screening committee for Environment-contributing Products, including staff such as executive officer representatives from each division 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. We currently request participation from representatives of a public corporation which serves as a consulting service providing advice to consumers, an NPO engaged in forestry preservation and education for the next generation, the representative of an office which has released numerous publications related to natural resources and the environment, a corporation which is an auxiliary organization for a government administrative office, and individuals active in media-related capacities for other companies.

While we asked for individual opinions in regard to the evolution of our vision and product evaluation system in fiscal 2019, we refrained from holding the External Advisory Board meeting planned for the end of the fiscal term due to the COVID-19 outbreak.

Beginning in fiscal 2020, we will engage in dialogue with outside advisors in regard to the drafting of detailed plans for the evolving “products to enhance sustainability” product evaluation system, and will operate the system with the aim of not only improving sustainability of the earth and society, but also our company and its products.

In conducting in-house certification of “products to enhance sustainability,” we follow the same assessment guidelines for improving sustainability for the earth and society as for “Environment-contributing Products,” with the evaluation standards also being shifted with the aim of making a strong contribution to the resolution of issues related to the natural environment and the social environment.

On the other hand, we believe continuing to solve problems over the long term through the provision of problem-solving products requires us to improve not only the sustainability of our products, but the company that produces those products as well. In order to confirm and improve this sustainability, we will conduct verification and assessment operations focusing on profitability, process evaluations, and supply chains. We will formulate items and operational formats for these verification and assessment activities in fiscal 2020, with promotion of the same in our medium-term plans from the same year.

We have also established a “Premium Framework” as part of our aim to strategically expand “products to enhance sustainability.” Over the three years covered by the Medium-term Plan, we will focus on developing promotional measures with the aim of accelerating global and social sustainability improvements while driving growth at Sekisui Chemical Group.

We will discuss the detailed design of such a system at the internal certification screening committee meeting, though we will also update as appropriate the design and operation of the system in line with the advice and opinions of members of the External Advisory Board.

Note: Internal certification screening committee

The chairman of this committee is the supervisor of the ESG Management Department, and corporate and company technology and business supervisors participate in the committee’s meetings as members. These meetings are held for screening related to certification of Environment-Contributing Products. Held regularly twice per year.

## Visualization of Environmental Contributions

### Environmental Impact Assessment and Quantification of Products

To clarify the amount of return to natural capital, Sekisui Chemical Group in fiscal 2019 worked to visualize the environmental contribution for each Environment-contributing Product. 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. Beginning in fiscal 2020, we will conduct 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, with these contributions to natural and social capital reflected in the Sekisui Environment Sustainability Index.

#### Previous Approach (Until Fiscal Year 2016)

- (1) Limiting global warming
- (2) Impacts on plants (reducing interference with growth)
- (3) Impacts on biodiversity (limiting the extinction of species)



#### From Fiscal Year 2017

- (1) Human health (includes the effects of global warming)
- (2) Social assets (includes the effects of global warming)
- (3) Impacts on plants (reducing interference with growth)
- (4) Impacts on biodiversity (limiting the extinction of species)

### How to Visualize Environmental Contribution

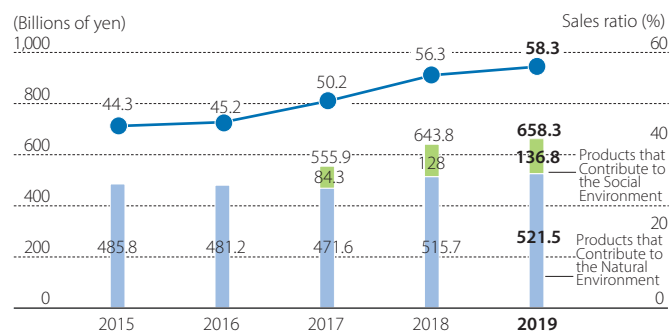
- (1) Determine technologies and products to be compared.
- (2) Gather quantifiable data related to environmental impact of each stage of a product's lifecycle (from raw materials to production, transport, use and disposal).
- (3) Apply a coefficient\* to calculate environmental impact for each factor 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.

## 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. (P 259)

### Net Sales / Proportion of Environment-Contributing Products



### Revenue from Products That Contribute to the Environment Over Time

(Unit: Billions of yen)

	FY2015	FY2016	FY2017	FY2018	FY2019
Housing Company	280.6	290.9	317.6	364.3	374.0
Urban Infrastructure & Environmental Products Company	103.5	90.3	93.7	97.7	101.5
High Performance Plastics Company	99.8	99.4	142.2	178.9	110.0
Headquarters	1.8	0.6	2.4	2.8	72.7
<b>Company-wide total</b>	<b>485.8</b>	<b>481.2</b>	<b>555.9</b>	<b>643.8</b>	<b>658.3</b>

Index	Calculation Method
Net sales of Environment-contributing Products	Net sales of Environment-contributing Products = Consolidated sales across Sekisui Chemical Group of products internally certified as Environment-contributing Products All businesses of the Group in and outside Japan are subject to assessment Note: See pages P254~255 of the CSR Report 2020 for a definition of Environment-contributing Products and the way of thinking behind them.
Proportion in net sales of Environment-contributing Products	Proportion in net sales of Environment-contributing Products = Net sales of Environment-contributing Products / Consolidated sales All businesses of the Group in and outside Japan are subject to assessment Note: See pages P254~255 of the CSR Report 2020 for a definition of Environment-contributing Products and the way of thinking behind them.

### Number of Environment-Contributing Products Newly Registered

FY2017-FY2019	FY2017	FY2018	FY2019	Number of registrations as of the end of March FY2020
	24	18	5	162

# Conserving the Environment ~ Biodiversity ~

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, the 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, up until fiscal 2019 Sekisui Chemical Group aimed to return more natural capital to the planet than it uses by 2030, through three initiatives: expand and create Environment-contributing Products, reduce environmental impact, and conserve the natural environment.

While engaging in environmental activities with a long-term view to 2050 from 2020, we will maintain our ideal vision of a planet where biodiversity is preserved.

As stated in the SDGs, natural and social environment issues are connected. In order 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.

Note: See page 172 for details of the Long-term Environmental Management Vision "Sekisui Environment Sustainability Vision 2050."

Note: See page 184 for details of Integrated Index "Sekisui Environmental Sustainability Index."

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## Major Initiatives

### SEKISUI Environment Week

## Held to Help Develop Human Resources with Excellent Environmental Activity Promotional Skills

At the Seventh SEKISUI Environment Week, held in fiscal 2019, a total of 27,868 employees participated in activities. The activities were creatively devised to match each business site and included beautification around the areas, tree planting, energy-conservation in the offices and much more.

### Procurement of Sustainable Raw Materials

## 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.

### Initiatives to Improve Green Space Quality

## 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 (2017-2019), we aimed to improve our score on the JBIB Land Use Score Card® by five points compared with fiscal 2016. Under the guidance of the environmental consulting company Regional Environmental Planning, Inc., in fiscal 2019 we improved our average score 5.3 points compared with fiscal 2016 as a result of planting native shrub species in green spaces and of ceasing the use of herbicide (chemical agent) sprays. Under the New Environmental Medium-term Plan (2020-2022), we aim to improve our score by three points compared with fiscal 2019.

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Corporate Alliance-based Biodiversity Conservation Activity Case Studies

## Biodiversity Biwako Network “100 Dragonflies Initiative – Save Shiga’s Dragonflies!”

As home to Lake Biwa, Shiga Prefecture is a hot spot of biodiversity in which roughly 100 species of dragonflies, half the number of species confirmed in Japan, have been found. Together with seven companies that operate business sites in Shiga Prefecture, Sekisui Chemical Co., Ltd. Taga Plant and Sekisui Taga Kako Co., Ltd. participate in the Biodiversity Biwako Network (BBN), a project that goes beyond the framework of corporations to promote biodiversity conservation in Shiga, and conduct firefly conservation activities.

The BBN periodically studies firefly habitats and has currently confirmed 75 species. Under the counsel of experts, the awareness gained through these studies is deployed in protecting habitats within the plant grounds, as well as in creating and maintaining habitats. These actions have seen a certain degree of success in protecting the rapidly declining habitats of the scarlet dwarf dragonfly (*Nannophya pygmaea*). The Taga Plant conducts biological studies in the area around the town of Taga twice a year, and is currently partnering with the Taga Town Museum to confirm the biodiversity of the region. Moreover, the Taga Plant has installed container biotopes that attract dragonflies to the plant grounds, thereby creating an environment in which dragonfly nymphs can be bred. The Taga Plant also actively holds and participates in events, including natural environment field trips. An exhibit at the Lake Biwa Museum has attracted roughly 26,500 visitors and has served as an opportunity to raise interest in biodiversity among local residents.

These BBN activities have also been recognized by society and received the Judges' Award during the 2019 Biodiversity Action Award Japan, organized by the Japan Committee for the United Nations Decade on Biodiversity. The Taga Plant also acquired the highest three-star rating under the Shiga Biodiversity Action Certification Program. Although the deterioration of dragonfly habitats is currently progressing, through dragonflies the Taga Plant intends to continue contributing to the conservation of biodiversity and towards the realization of a sustainable society.

Note: Participating companies: Asahi Kasei Corp., Asahi Kasei Jyuko Corp., Daifuku Co., Ltd., Daihatsu Motor Co., Ltd., OMRON Corporation, Sekisui Jushi Corporation, and YANMAR HOLDINGS CO., LTD. (alphabetical order)



View of the Dragonfly Study



Scarlet Dwarf dragonfly  
(an important species in Shiga Prefecture and elsewhere)



Container Biotopes on the Plant  
Grounds



Top Message	ESG Management	Overview of Sekisui Chemical Group	Sekisui Chemical Group's Sustainability	Governance	DX
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Promoting Biodiversity in the Housing Business

## Town Development That Takes Natural Environments and Ecosystem Preservation into Consideration

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 Smart Heim City Asaka, the lots of which Tokyo Sekisui Heim Co., Ltd. commenced selling in the spring of 2019, approximately 25% of the development area was set aside as green space,\*1 and town development was carried out in consideration of the surrounding natural environment and ecosystem preservation. We established a park with an open grassed space in "Neighbors Circle"\*2, which will become a town landmark, and the road leading from there to the area where the lots are being sold is being developed as a lush, dedicated road for pedestrians and cyclists. In addition, "Fitness Park", which consists of a park with fitness equipment and a promenade along the Kurome River, is a healthcare area zone where people can exercise while communing with Nature. As a result of its greening policy with a sense of unity and continuity, Smart Heim City Asaka acquired Ikimono Symbiotic Coexistence Enterprise Certification, awarded by ABINC\*3, in fiscal 2018.

- \*1 Refers to the "green coverage ratio" that shows the proportion of green space etc. with regard to the ABINC\*3 application site.
- \*2 Neighbors Circle is the name of a plaza that includes Neighbors Store, a childcare facility, clubhouse and Miyadai Park (managed by Asaka City).
- \*3 The Association for Business Innovation in harmony with Nature and Community (ABINC) is a system that certifies the results of biodiversity conservation efforts to encourage businesses to coexist with nature and people.



Artist's impression of the Neighbors Circle meet-up area upon completion



Fitness Park



Full area diagram of Smart Heim City Asaka



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**Environmental Contribution Activities in Collaboration with Local Communities**

**Expanding Initiatives at Domestic Production Sites and Housing Companies**

Sekisui Chemical Group is promoting measures aimed at protecting the natural environment in collaboration with local communities at domestic products sites and laboratories. Working in partnership with NPOs, elementary schools, and local government authorities, we pushed forward various initiatives in such areas as woodland conservation and environmental education at 27 business sites in fiscal 2019. This was an implementation rate of 57.4%.

At seven\* of its mainstay housing companies, Sekisui Chemical Group has also been engaging in forest and woodland conservation activities since fiscal 2013. In addition to gaining an insight into the importance of the multifaceted functions of forests, steps are being taken to improve communication with local communities through increased collaboration. All seven housing companies implemented activities in fiscal 2019.

For an example of our initiatives, please see Social Contribution Activities on page 57

\* The seven companies are: Hokkaido Sekisui Heim Group, Sekisui Heim Tohoku Group, Tokyo Sekisui Heim Group, Sekisui Heim Chubu Group, Sekisui Heim Kinki Group, Sekisui Heim Chushikoku Group, and Sekisui Heim Kyushu Group



Collaboration with University Students/Lake Biwako Area Cleaning Activities (Sekisui Taga Kako)



Collaboration with NPOs/Woodland Conservation Activities (Sekisui Heim Kinki Group)

**Wastewater WET**

**Investigation of Causes at Business Sites Where Impact Had Been Confirmed by Previous Surveys**

Sekisui Chemical Group strictly adheres to wastewater standards regulated by laws and ordinances and has set even tougher standards for the management of wastewater from its production sites. To prevent negative effects on and ensure the safety of the water environment for aquatic life in the places where wastewater flows, the Group has conducted whole effluent toxicity (WET) assessments of wastewater and surveys of the habitat conditions in the rivers where wastewater is released since fiscal 2013.

Looking at past surveys, 96% of the water emitted into public water areas by Sekisui Chemical Group production sites has been checked. Although the Company has continued to conduct investigations into methods of reducing emissions of causative agents at business sites where past surveys have revealed an impact on living organisms, in fiscal 2019 we also succeeded in reducing these causative agents by changing the production lineup. We continuously monitor whether we satisfy the wastewater standards regulated by the Water Pollution Control Law and ordinances.



General view of a river ecosystem survey



Examples of living creatures used in WET assessments (zebra fish)

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## Cooperation with External Organizations

### Dialogue and Partnership with Stakeholders

#### An Association Aiming for and Taking Action in Biodiversity Conservation

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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

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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

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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.

Note: More details of Social Contribution Activities can be found from page 57

## Performance Data

### Results from the JBIB Land Use Score Card®

	FY2017	FY2018	FY2019
JBIB Land Use Score Card®	Increase by 2.6 points	Increased by 4.3 points	Increased by 5.3 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 green space, 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 2016. The index is the average value of the points increase of all business sites.</p>

### SEKISUI Environment Week Participation Rate

	FY2017	FY2018	FY2019
Participation rate in the SEKISUI Environment Week initiative	84.9%	88.1%	89.7%

Index	Calculation method
Proportion of participants in the SEKISUI Environment Week initiative	$\frac{\text{Total number of participants in the SEKISUI Environment Week initiative}}{\text{total number of employees in the business sites participating in the initiative}} \times 100$

# Human Resources

Taking into consideration diversity and the workplace environment, 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.

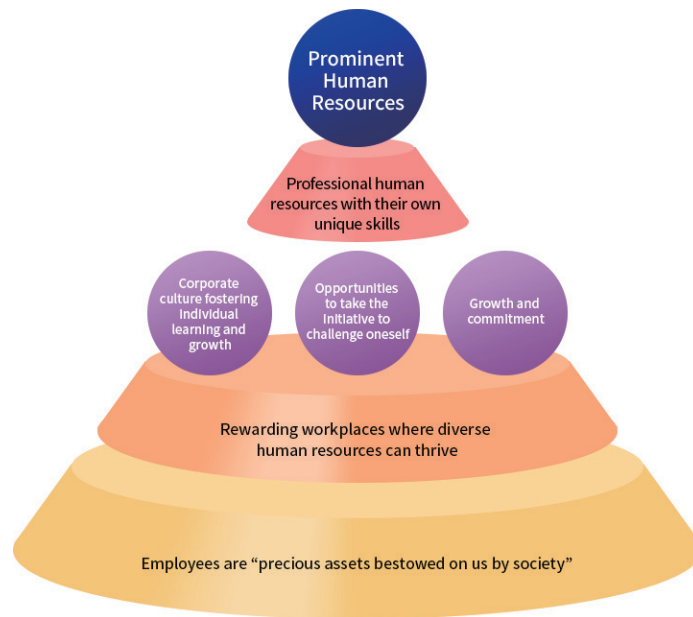
## Management Approach

### Our Philosophy

Based on our belief that “employees are precious assets bestowed on us by society,” we, Sekisui Chemical Group, are committed to developing an environment where employees can work enthusiastically. We also offer various opportunities through which we help individual employees enhance their “unique skills” while achieving personal growth.

We also firmly believe that we have a responsibility towards the society to uphold human rights of every individual, respect employees' diversity, personality, and individuality, create diverse work places meeting the needs of the countries and regions we operate in, and allow diverse ways for people to work and be at ease at their work place.

This fundamental way of thinking regarding human resources is shared throughout the entire Group, and we are striving to ensure that our work places enable diverse personnel to play an active role, fulfilling for each and every person.



# Diversity Management

**Fostering a Corporate Culture Where Diverse Human Resources Can Work with Enthusiasm and Make Unique Contributions**

## Formulated a Diversity Management Policy

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, nationality, Sekisui Chemical Group will also focus on differences that include careers, values and, personality while understanding, recognizing, and utilizing 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.

## Created a Statement of Work Style Reform

Moreover, we put in place an organizational culture in which all employees can work dynamically in 2017. We then positioned fiscal 2018 as the inaugural year for promoting work style reform in order to remain the preferred choice of stakeholders. As one step in our efforts to push forward Group-wide endeavors, we also created the Statement of Work Style Reform.

### 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.

## Distributed the President's Top Message to Employees

We disseminate a message from the president to employees outlining our approach to as well as the background and philosophy behind diversity management. At the time the Diversity Management Policy was formulated in 2015 and again when we created the Statement of Work Style Reform in 2017, we posted the president's message on the D-Book and D-Book 2 for employees and distributed each to all employees.

See page 402 of the reference materials for the message from president Kato, who assumed office in March 2020.

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# Building a Diverse Organizational Structure

**Every Effort Is Being Made to Build an Organizational Culture in Which All Employees Are Able to Work Dynamically and Make the Most of Their Unique Characteristics and Talents**

## Management Approach

### Organization-wide Initiatives

#### **Promoting the Entrenchment of Diversity Management**

Sekisui Chemical's organizational culture is based 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 "application" in fiscal 2016. In fiscal 2018, we focused on entrenching diversity management so that we could achieve an organizational culture that makes best use of each person's orientation and distinctive characteristics by fiscal 2019, the last year in our current CSR Medium-term Plan.



	Purpose	Major initiatives	Targets	Implementation period					
				2015	2016	2017	2018	2019	
				Spreading knowledge	Implementation		Established practice		
Spreading knowledge	Building a corporate culture	Diversity Management Policy	All members	Policy expansion					
		Spread and penetration of Diversity Management Policies	Frontier Leader (FL) Workshop Leader Workshop	Superiors	FL and Leader Workshop Explanatory meetings at each department				
		Creation and distribution of tools for spreading Diversity Management Policy knowledge	All members	D-Book drafting	Poster creation	D-Book 2 drafting			
Implementation	Building a corporate culture	Making use of the individual strengths of each individual member to achieve results for the organization	Superiors		Implementation training	Implementation follow-up training	Implementation follow-up training 2 (multifaceted observation)	Implementation follow-up training 3	
		Bottom-up improvement activities for achieving diversity management at each organization	Organization		Launch	Start with the theme of diversity promotion and add work style reforms as an essential theme in 2018			
		Facing your own goals and individual strengths and making your own decisions about your career for the future	All members	Activities starting with Sekisui Chemical alone	Expansion to group companies				
		Achieving established practice and active participation among young female employees	Superiors	Activities starting with Sekisui Chemical alone	Expansion to group companies and from new female employees only to all employees				
		Fostering women's candidacy for management positions	Superiors	Activities starting with Sekisui Chemical alone	Expansion to group companies				
Hiring of disabled people	Building a corporate culture	Promotion of disabled hiring	Organization		Expansion to group companies				
		Maintaining an environment that's easy for disabled people to work in Brainstorming session on employment of people with disabilities	Organization		Expansion to group companies				
Monitoring	Understanding the current status of employee job satisfaction and contributing factors	Employee opinion polls (engagement surveys)	All members		Implementation			Implementation	

### Diversity Management Promotional Structure

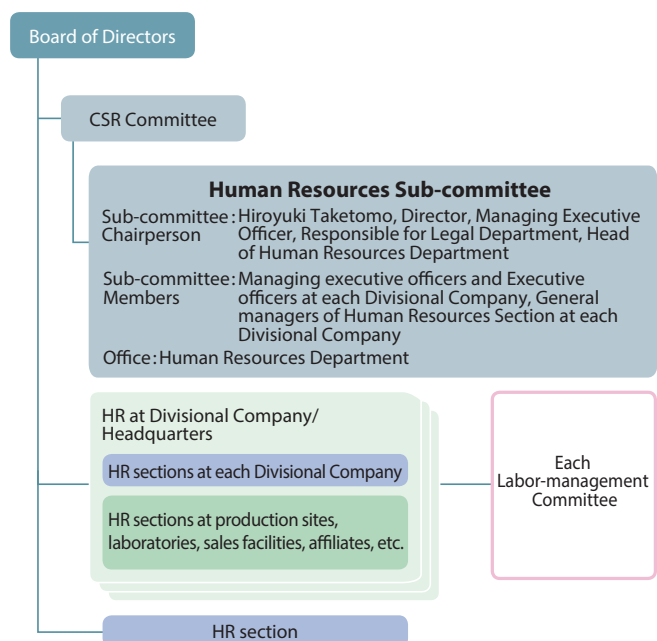
## We are Putting in Place a Structure That Promotes Diversity Management Across the Entire Group.

### CSR Committee, Human Resources Committee

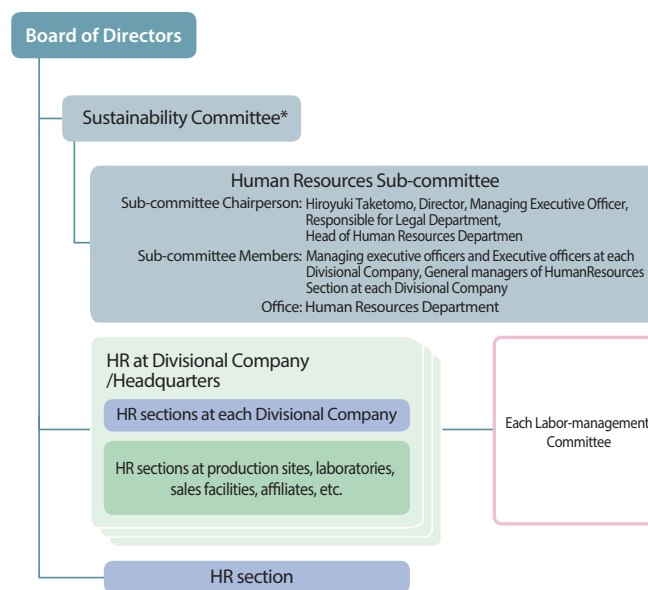
The CSR Committee deliberates on CSR measures generally. This includes matters relating to diversity management. Chaired by the president, the CSR Committee is comprised of such senior executives as the presidents of division companies as well as employee representatives including female employees and the head of the Labor Union. Matters that require resolution are also reported to the Board of Directors.

In addition to deliberating on Group-wide diversity management issues, the Human Resources Committee puts in place and monitors measures aimed at securing and developing the personnel necessary for diversity management. Chaired by the managing 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 division company. The Human Resources Committee met twice in fiscal 2019, once in September and once in March.

#### Human Resource / Promotional Structure (to FY2019)



#### Human Resource / Promotional Structure (from FY2020)



\* The name of the CSR Committee was changed to the Sustainability Committee on April 1, 2020.

## The Ongoing Project to Develop a Workplace in Which All Employees Can Excel

Separate from the CSR Committee and the Human Resources Committee, the Group in its goal of creating a system that allows diversity promotion strategies to reach each of its employees has established the Project to Develop a Workplace in Which All Employees Can Excel. Sekisui Chemical Group has appointed those responsible for and those in charge of the promotion of this project at each of its 81 domestic bases. Each manager is working to ensure the smooth implementation of diversity management measures at each location.

### Promotion

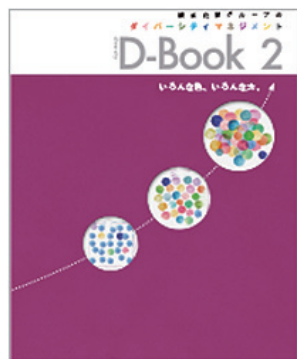
## Awareness and Entrenchment of Diversity Management Policies

In November 2015, Sekisui Chemical Group formulated its Diversity Management Policy following deliberations at meetings of the Board of Directors and Policy Committee. Ongoing communicative efforts from management since 2015 have contributed to an improved understanding regarding Sekisui Chemical Group's goal of focusing not only on a person's attributes, such as gender or disability, but rather on making best use of each person's orientation and defining characteristics.

## Distributed the "D-Book"

As a means for promoting diversity management, Sekisui Chemical drafted the "D-Book" in fiscal 2015 and "D-Book 2" in fiscal 2017, both of which have been distributed to all domestic Group employees. Kicking off our diversity management policies, D-Book features an overview of management's commitment, stance, and details on initiatives. D-Book 2 showcases initiatives and case studies undertaken since fiscal 2015 and describes work-style reforms that will commence in earnest starting in fiscal 2018.

The Group has used D-Book 2 to further educate employees as part of diversity-related training. Using material from the section covering the discovery of distinctive characteristics and the worksheet, some employees are applying their understanding of diversity to their own lives.



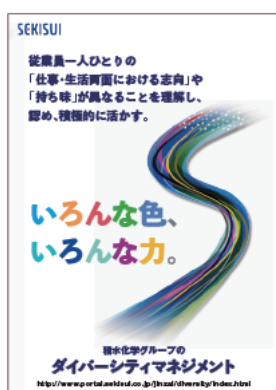
## Conducts Frontier Leader Workshops & Leadership Workshops

Sekisui Chemical conducted top-down-based explanations with the aim of promoting its Diversity Management Policy. To begin, the Company president provided explanations of the meaning behind diversity management promotion through Frontier Leader Workshops targeting 200 senior managers (Frontier Leaders) in December 2015. Subsequently, we held workshops to raise awareness of the meaning behind diversity management promotion for 1,800 department managers, who in turn conveyed this information to employees at each department.



## Understanding and Awareness of Our Diversity Management Initiatives

With the aim of fostering understanding and awareness of our diversity management initiatives, we created a slogan and logo that puts a face to our Sekisui Chemical Group's Diversity Management Policy. After promotion managers and supervisors decided on a logo and slogan "Project to Develop a Workplace in which All Employees Can Excel," both of these were featured in a poster that was distributed to every workplace for use in deepening the understanding of this initiative.



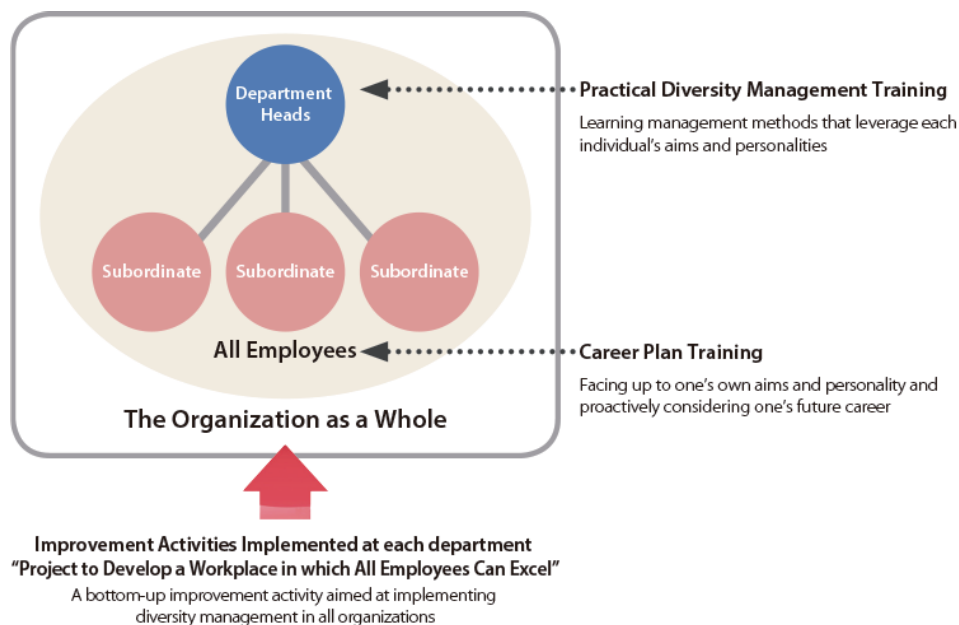
Slogan: Diverse Colors, Diverse Strengths

Logo: Featuring the capital letter S for Sekisui, the logo features intersecting lines with varying colors and widths to express the coordination of diversity as well as illustrates forward-looking activities that will enable all employees to shine.

## Implementation

### Initiatives to Build an Organizational Culture

Implementing Initiatives from Three Perspectives: Organization-wide, Department Managers, All Employees



### Project to Develop a Workplace in Which All Employees Can Excel

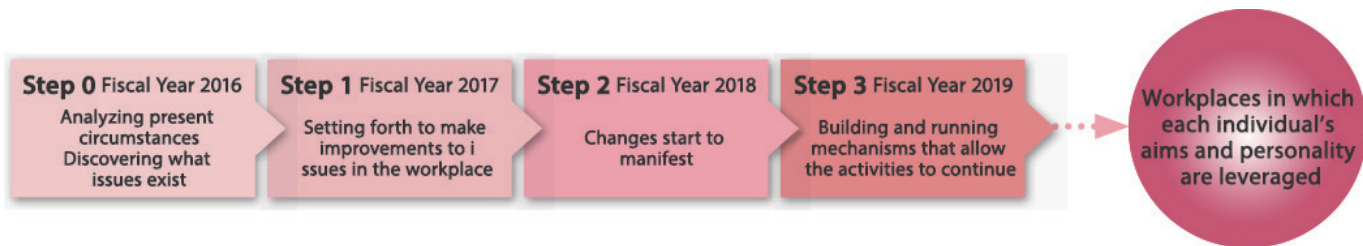
The Project to Develop a Workplace in which All Employees Can Excel began in December 2016 as improvement activities implemented at each department. The purpose of the Project to Develop a Workplace in which All Employees Can Excel is to create ideal workplaces where diversity management is realized. Targeting 159 domestic Group organizations, the project involves assigning a promotion manager and supervisor at each department, recognizing that each department has different issues. Improvement activities are carried out spearheaded by these promotion managers and supervisors.

Kicking off project activities in fiscal 2016, we created ideal images for each department along with formulating proposals to analyze the status quo, identify issues, and set improvement plans.

From fiscal 2017, the project focused on the implementation of measures to help solve issues at each department, while efforts were made to identify issues at 152 organizations within the Group. In fiscal 2018 we sought to make the changes achieved through our efforts more visible, and enacted a variety of measures, including those aimed at the building of a system in which activities are based not only on the efforts of the promotion managers and supervisors, but also the organizational representatives and employees.

In fiscal 2019, we relocated the organizations engaged in activities to the Human Resources Department and condensed these into 81 organizations. We launched an information sharing site for the exclusive use of responsible officers while openly disclosing and working to promote the initiatives of each organization. Moreover, we held workshops to utilize the results of the employee awareness survey (engagement survey) conducted during fiscal 2019 so that each location can now analyze and utilize the results, as well as plan measures. As a result, we have seen an increase in the number of initiative themes and the implementation of more feasible themes and are able to produce the results of improvements.

## ● How Project to Develop a Workplace in Which All Employees Can Excel Works



### Examples of visible changes (comments from employees)

- By recognizing differences in each person, including understanding whose performance can improve through praise, whose performance can improve through strict guidance, and who can improve their performance on their own, work is now assigned with consideration given to the distinctive attributes of the individual worker.
- I have noticed a completely new level of growth and clear sense of purpose gained as a result of carefully listening to what a person was saying and deriving what they really meant.
- We were able to complete work at the regularly scheduled time by shifting factory operations previously accomplished by one man doing overtime work to two women working on a shift schedule. It appears misconceptions about women, including the idea that factory work is a man's job, have all but disappeared.

## ■ Educational Programs on Diversity Management Implementation

In working toward the realization of diversity management, since it is important for department managers, who play a key role, to understand, recognize and utilize the fact that attitudes to work and life and distinctive characteristics differ from one team member to another, we have since 2016 been implementing educational programs on diversity management that are geared toward the managers of all groups and sections from domestic Group companies. With the goal of acquiring management methods that would allow us to make better use of each employee's orientation and special characteristics, we focused our efforts through fiscal 2017 on managers understanding and organizing the special characteristics of employees, and learning how to effectively leverage these to produce organizational results. In fiscal 2018, we confirmed through multiple checks the degree to which leaders were using diversity management to make best use of the distinctive characteristics of their employees. In fiscal 2019, along with applying the awareness achieved through these multiple checks in management, we confirmed diversity management using a handbook that formalized the management method PDCA and continued to implement training to bolster the quality of our activities in practice.



## Performance Data

### Educational Programs on Diversity Management Implementation

	FY2016	FY2017	FY2018	FY2019
Number of participants in programs	1,168	1,723	1,736	1,482

### Career Plan Training by Age

	FY2016	FY2017	FY2018	FY2019
Number of participants at career plan training	1,276	1,429	1,745	1,759

### Project to Develop a Workplace in Which All Employees Can Excel

	FY2017	FY2018	FY2019
Number of organizations engaged in activities	159 organizations	178 organizations	81 organizations

Organizations: Organizations linked to management at Sekisui Chemical subsidiary companies in Japan



# Allowing Diverse Human Resources to Excel

## Allowing Diverse Human Resources to Excel (Depending on the Individual Career Orientation)

### Management Approach

#### Basic Concept

### Providing Opportunities for Personnel Training According to Individual Career Orientation

As an overall company activity, we strive to ensure that the Group can move forward on the two pillars of business leaders, who will someday shoulder management, and efficient staff that can maintain our manufacturing processes.

### 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 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.

Employees participating in the Saijuku School review a wide range of case studies while attending lectures. In addition to the skills required to put forward management strategies, the Saijuku School provides details of important business theories and philosophies. This in turn provides participants with the broad perspective necessary to engage in global business development and to further hone the abilities to think and act. Working to instill a broad mindset that encompasses the Group as a whole, employees are encouraged to take the initiative in their own development and to establish action plans geared toward reform.

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### 3) Innovation School (Fostering of Business Leaders by Newly Appointed Operating Officers)

The Innovation School has been held since fiscal 2003 to “change the Company and change each individual’s behavior” and with the aim of having operating officers themselves directly train Sekisui Chemical Group’s next-generation business leader candidates. Up to and including fiscal 2016, a total of 981 next-generation business leader candidates had taken part.

In fiscal 2019, with operating officers up to their second year in office acting as headmasters, we again trained young, highly motivated employees, irrespective of their Group company or business domain, as candidates to become next-generation business leaders across the whole Group.

In addition to talking directly with senior management and learning as potential business leaders while engaging in discussions at great length, the Innovation School offers an excellent opportunity for the candidates to broaden their horizons through interaction with parties from both inside and outside the Company.

#### 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.

#### 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 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 (those hired based on their previous experience) with the opportunity to learn the basic knowledge (including the Company’s unique history, culture, policies and systems), Sekisui Chemical Group draws on the high levels of competence and specialized skills they have accumulated up until their previous positions and implements follow-up training for new, mid-career hires as an environment improvement so they demonstrate those attributes and participate actively at an early stage.

#### Group Internal Job Posting

Sekisui Chemical Group supports its employees’ willingness to take on challenges and gives assistance to realize career plans by internally posting of job openings and providing opportunities to thrive within the Group.

Through Group internal job postings, any qualified employee can apply for a job posted to the intranet, without the approval of their superiors.

## Support System for Diverse Career Paths

The Company has in place a system that enables partner employees who—after having reviewed their careers and written self-assessments—are involved in the career planning-based course conversion system or are working in pre-specified workplaces or areas of business operations, can choose to switch to becoming permanent, full-time employees.

### Performance Data

## Results from Main Recruitment-type Training Programs

Name of Training Program	Numbers of Attendees in FY2015	Numbers of Attendees in FY2016	Numbers of Attendees in FY2017	Numbers of Attendees in FY2018	Numbers of Attendees in FY2019
The Saijuku School	34	33	37	27	Not implemented
Innovation School	70	72	58	86	69

## Follow-up Training for New, Mid-career Employees

	FY2016	FY2017	FY2018	FY2019
Number of training participants	45	87	60	43

## Results of Intra-Group Job Postings

	FY2016	FY2017	FY2018	FY2019	Cumulative Total since FY2000
Number of recruitment cases	44	49	44	45	355
Number of employees recruited	149	130	140	62	1,280
Number of applicants	83	99	115	135	1,088
Number of employees transferred	12	19	26	28	205

## Career Path Support System

(Number of people)

		FY2017	FY2018	FY2019
Course conversion system	Men	14	9	10
	Women	2	2	1
Permanent, full-time employee conversion system	Men	5	3	2
	Women	11	7	11

## Allowing Diverse Human Resources to Excel (Gender)

### Management Approach

#### Organization-wide Initiatives

### Stepping up: adding the promotion of workstyle reforms to the empowering of women in their careers

The CSR Medium-term Plan launched in fiscal 2017 sets specific targets in line with the Company's goal of becoming "an organization where women can truly thrive." As a first step, we launched measures aimed at the hiring and retention of women, as well as initiatives targeting their training as managers. With the goal of moving on to the next step from fiscal 2018, we have designated 2018 as the inaugural year for promoting workstyle reforms throughout Sekisui Chemical Group, and are developing a variety of initiatives in line with three workstyle-reform targets. In fiscal 2019, one woman was appointed as an outside director, an outside Audit & Supervisory Board Member and an executive officer, respectively.

### CSR Medium-term Plan (Fiscal 2017 to Fiscal 2019) Targets

Ratio of women to total hires: 35%

Number of women in management positions: 200 (Sekisui Chemical non-consolidated: 50; Consolidated Group companies in Japan: 150), Ratio of women in management positions: 4.4%

Ratio of permanent, full-time female employees: 15% (Sekisui Chemical non-consolidated)

### Results as of the end of fiscal 2019

Ratio of women to total hires: 31.4%

Number of women in management positions: 185 (Sekisui Chemical non-consolidated: 56; Consolidated Group companies in Japan: 129)

Ratio of women in management positions: 4.1% (Sekisui Chemical non-consolidated)

Ratio of permanent, full-time female employees: 15.6% (Sekisui Chemical non-consolidated)

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## 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.

### Major Initiatives

#### Retention and Empowerment of Young Female Employees

### New Female Hire Assignment Support Seminars

Sekisui Chemical Group up through fiscal 2017 conducted New Female Hire Assignment Support Seminars for those who were charged with the management of new female recruits before and after the new female hires were assigned. The seminars were devised to get new female hires established and thriving at an early stage by increasing awareness from the point of view of those attending the seminars. From fiscal 2018 the focus of the seminars has been expanded to include not only new female hires, but all new personnel targeted for training, with initiatives being developed also at each Sekisui Chemical Group companies.

These efforts have contributed to the enhanced realization by managers regarding the importance of communication that is based on an understanding that different people can hold differing values and enacted in a manner that takes into account each person's individual characteristics.

#### Retention and Empowerment of Young Female Employees

### Female Subordinate Management Seminar

Geared toward those in management positions overseeing female staff members who are up to their fourth year since joining the Company, this training program has provided opportunities to learn about day-to-day guidance and training methods to all relevant personnel participating in the program through fiscal 2017. Beginning in fiscal 2018, the program has been expanded to include managers overseeing not only women, but younger workers in general, and now includes new content alongside diversity management training.

Thanks to this training, there has been an increase in the number of managers focused less on the conventional method of guidance and more on listening to the thoughts of their employees and offering career formation guidance in line with the aspirations of those individuals.

#### Fostering Women's Candidacy for Management Positions

### Career Development Program for Women

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 as essential training across the entire Group since fiscal 2016.

It would appear that attitudes of the female employees themselves are changing, with comments from those participating in the training including, "I'd like to change the organization so that women can participate more in decision making" and "I am no longer worried about becoming a manager."

## Balanced Support for Child Rearing and Nursing Care

### 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.

In addition to system upgrades that go beyond those stipulated under law, the childcare support system is covered in a guidebook, which summarizes the necessary information to support a flexible workstyle, including from pregnancy to childcare leave, and working mother know-how is posted on the Company intranet. 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, in fiscal 2019 we conducted two sessions of nursing care training with a total of 24 employees having participated.

#### Performance Data

### Number of Women in Management Positions and Ratio of Women to Total Hires

#### Number of Women Directors and Managers

##### Women Directors (Sekisui Chemical)

	Directors (Outside Directors)	Audit and Supervisory Board Members (Outside Audit and Supervisory Board Members)	Executive Officer
FY2019 Number of Women Directors (Sekisui Chemical)	1	1	1

	FY2017	FY2018	FY2019
Number of women directors (Sekisui Chemical Group)	2	2	2
Number of women in management positions (Sekisui Chemical Group in Japan)	138	156	185

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### Ratio of Women to Total Hiresn (Sekisui Chemical Group in Japan)

Note: Includes certain affiliates accounted for by the equity method and non-consolidated subsidiaries.

	Entered in FY2015	Entered in FY2016	Entered in FY2017	Entered in FY2018	Entered in FY2019
Ratio of women to total hires (%)	26.5	31.3	29.8	29.7	31.4

### Career Development Program for Women

		FY2016	FY2017	FY2018	FY2019
Number of program attendees	Women	90	58	35	39
	Superiors	77	44	31	24



## Main Systems Allowing Various Workstyles and Their Use

(Number of people)

Name of system	Main content		FY2015	FY2016	FY2017	FY2018	FY2019
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	18	22	30	32	45
		Men	12	14	20	28	44
		Total	30	36	50	60	89
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	30	34	41	55
		Men	0	0	0	2	2
		Total	30	30	34	43	57
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	3	6	8	9	10
		Men	0	1	6	4	7
		Total	3	7	14	13	17
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	1	0	1	0	1
		Men	0	2	3	4	4
		Total	1	2	4	4	5
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	0	1	2	2	4
		Total	0	1	2	2	4
Family leave	Three days of special care leave per year granted until the child or grandchild starts high school.	Women	40	43	48	62	62
		Men	73	77	101	146	193
		Total	113	120	149	208	255

		FY2017	FY2018	FY2019
Employees with newly born babies	Women	16	21	20
	Men	101	111	101
	Total	117	132	121
Employees with newly born babies who took childcare leave	Women	13	14	19
	Men	17	25	39
	Total	30	39	58
Ratio of those who took childcare leave (excludes those who are taking maternity leave) (%)	Women	100	100	100
	Men	16.8	22.5	39
Average number of childcare leave acquisition days (days)	Women	165.5	167.4	259.2
	Men	9.9	14.2	24.7
Employees who returned to work after childcare leave	Women	12	15	22
	Men	19	26	39
	Total	31	41	61
Ratio of those who returned to work after childcare leave	Women	92.3	100	100
	Men	100	100	100
Retention rate after one year of those who returned to work after having taken childcare leave (%)	Women	100	100	100
	Men	100	94.7	96.2

## Allowing Diverse Human Resources to Excel (People with Disabilities)

### Management Approach

#### Efforts to Employ People with Disabilities

### Putting in Place an Invigorating and Comfortable Workplace Environment That Is Conducive to the Hiring and Retention of Employees

We believe it important not only to hire people with disabilities, but to create an environment where those with disabilities can easily work. Maintaining an environment in which people with disabilities can work easily at the same time leads to an environment in which all employees find it easy to work. To help maintain that environment, we have been conducting joint brainstorming sessions that involve the personnel departments of the entire Group and conduct study sessions with experts for employees in departments where people with disabilities work.

Moreover, we have personnel staff 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

## Going beyond providing support to individual Group companies and raising awareness, we also conduct activities that lead to actual hiring.

In the brainstorming sessions on employment of workers with disabilities that have taken place from fiscal 2016, we implement training divided into three segments—employment planning, establishing worker responsibilities, and actual hiring methods—and have worked to improve performance of human resources throughout the Group. In addition, from fiscal 2019, we have partnered with relevant institutions in each region and endeavored to create opportunities that lead to actual hiring by undertaking activities throughout the Group, including conducting hiring briefings that cover hiring issues by Group companies, internships, company study tours and other events. In fiscal 2019, we accepted 11 interns at our Osaka Headquarters, two of whom were selected for tentative job offers at a Group company. In Tokyo, we also held a joint corporate briefing comprised of Sekisui Group companies, two of which gave four people tentative job offers.

Together with continuing on with these activities in fiscal 2020, we will collaborate with other companies that are aggressively hiring people with disabilities and consider the areas and businesses that, more than just offering positions at our own companies, will enable a diverse range of people to play an active role.



A workshop held as part of the employment planning program for people with disabilities

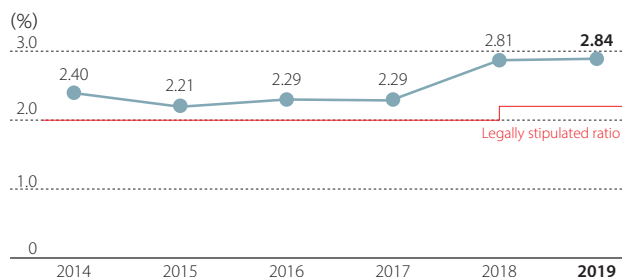


General view of people with disabilities working together at their workplace.

## Performance Data

### Employment Ratio of People with Disabilities (Sekisui Chemical)

Note: Including Special Provision Subsidiary (as of March 2020)



\* Including Special Provision Subsidiary (as of March 2020)

Indicator	Calculation method
Employment ratio of people with disabilities	(Number of regular workers who have physical or mental disabilities ÷ Number of regular workers) × 100

### Brainstorming Sessions on Employment of People with Disabilities

(Number of Participating Companies)

	FY2016	FY2017	FY2018	FY2019
Action plan seminar for hiring people with disabilities	23	27	14	Not implemented
Workplace improvement and operational review program	—	42	11	Not implemented
Short-term intensive program on hiring people with disabilities	—	—	12	Not implemented

### Allowing Diverse Human Resources to Excel (Age)

#### Management Approach

##### Retaining and Utilizing Young Employees

#### Training Manager (Brother/Sister) Program

Sekisui Chemical 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.

## Promote the Active Participation of Seniors

### Enhance Initiatives Aimed at Enabling Active Roles for Employees Aged 65

In fiscal 1993, Sekisui Chemical introduced a reemployment system for employees who had reached mandatory retirement age.

Since fiscal 2006 this program has been expanded to Group companies as well. A new program of training for employees aged 57 was introduced as an opportunity to think about their careers after retirement. This was the start of a new effort to enable motivated employees to remain in active employment through age 65. In October 2015, Sekisui Chemical revised its Senior Expert System, a system for reemploying elderly retirees in order to foster greater employee motivation.

We have finished putting in place systems for employees to continue working through to the age of 65 at all Group companies, ensuring that 100% of the employees that elect to do so can remain employed or be reemployed.

#### Major Initiatives

### Career Plan Training by Age (Sekisui Chemical Group)

All employees are called to take it upon themselves to proactively display their distinctive characteristics, learn, and grow in order to realize diversity management.

To this end, faced with their orientation to work and life and distinctive characteristics, the Company is conducting career plan training by age (young employees and employees aged in their 30s, 40s, and 50s) to give employees an opportunity to consider their future careers for themselves. From fiscal 2016, career plan training is being extended to cover all domestic Group employees. We are conducting training to draft career plans.

#### Performance Data

### Number of Elderly Employees Reemployed and Reemployment Rate (Sekisui Chemical)

	FY2015	FY2016	FY2017	FY2018	FY2019
Number of elderly employees reemployed	104	65	21	49	46
Reemployment rate (%)	82.5	83.3	63.6	76.6	85.2

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)

## Career Plan Training by Age

	Young Employees	In Their 30s	40s	50s	57	Total Number of Participants
Number of participants in FY2017	107	311	360	535	116	1,429
Number of participants in FY2018	117	321	383	609	315	1,745
Number of participants in FY2019	145	423	362	502	327	1,759

## Allowing Diverse Human Resources to Excel (Global)

### Management Approach

#### Basic Concept

### Fostering Personnel Based on Conditions in Each Area

In the Medium-term Management Plan (SHIFT 2019-Fusion-), HR (Human Resources) is listed as one of the basic strategies to achieve a "new phase of growth." Amid accelerating global business development, it is essential to make active use of diverse human resources supporting each business and to revitalize the organization in order for each company of Sekisui Chemical Group to maintain autonomous growth. To adapt to the different business characteristics, history, management styles, lifestyle habits, as well as the various laws and regulations of each country and region, Sekisui Chemical Group is focusing on training human resources capable of demonstrating their abilities in their respective countries and regions.



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## Major Initiatives

### Developing Personnel Who Can Succeed on the Global Stage

## Fostering Personnel Based on Conditions in Each Area with International Experience to Ensure Sustainable Growth

As our business categories expand, the proportion of foreign sales and overseas personnel are increasing year by year. We believe that to develop as a Group, we need each and every employee of the Group working in various countries across the globe to develop themselves through their work, to learn to create and provide products and services matching the needs of each country.

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 2019, we positioned regional headquarters in four areas (U.S., Europe, China and ASEAN) as key points for personnel matters so that their HR functions would work to drive the implementation of workshops based on employee awareness surveys (engagement surveys) conducted in each region. In addition, we have held personnel meetings between each of these regional headquarters and Japan Headquarters to even further strengthen a framework in which we can foster the human talent across the entire Sekisui Chemical Group that will play an active role on the world stage.

## Integration and Training of Personnel across Regional Boundaries

In fiscal 2019, to reinforce the ties of cooperation across regions regarding human resource development tasks and solutions, we held a meeting in which HR managers from our four regional headquarters, namely the U.S., Europe, China and ASEAN, gathered together at one location. This occasion was witness to a vigorous discussion about nurturing global leaders and local staff, a framework for collaboration between Japan and each of the regions, and other topics for bringing about "OneSEKISUI." We will reflect the thoughts received on a number of future personnel policies that shall pave the way for further growth, including those supporting better understanding of management philosophies of the Group in overseas subsidiaries and increasing educational opportunities across regions.

## 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 2019, the Company carried out the hiring of engineers in India and of personnel for office-based positions in the UK and the Netherlands. We will allow our diverse human resources to further excel and accelerate globalization by recruiting new human talent that are even more suited to our global strategy, which is in addition to their global perspective, with an eye toward achieving our vision for the future.



## Global Talent Employee System

### Developing Personnel to Be Immediately Effective Overseas

The Group has established a Global Talent Employee System dedicated to nurturing of global human resources that can succeed on the global stage, and about 1,700 employees of the Group working in Japan have registered with it. The participants are provided with cultural training programs and professional education necessary for working overseas, and we are currently promoting measures to create opportunities for them to actually go to other countries and gain work experience there.

From fiscal 2020 we will enhance the systematic introduction of programs that nurture global human resources and further accelerate globalization.

## Global Trainee Program

### Providing Opportunities to Succeed Overseas

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 fiscal 2019, we organized our Overseas Engineers Dispatch Program aiming at training engineers with globally competitive high-level expertise as well as the Short-term Overseas Dispatch Training Program that teaches the participants to cultivate their own abilities and behavioral patterns that are required to succeed in global business. The Group shall continue expanding the programs allowing more and more employees working in various countries to gain experience in business overseas.

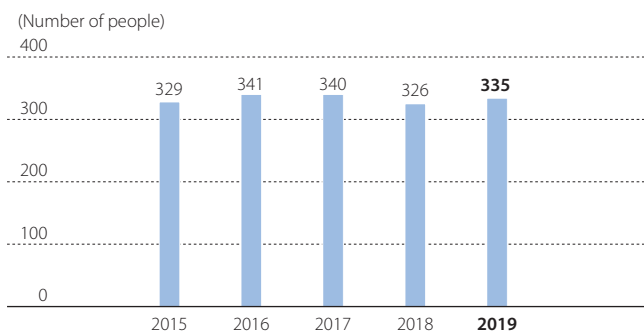
## Performance Data

### Breakdown of Number of Employees (Sekisui Chemical Group)

(Number of people)

Number of employees		27,003
Breakdown by region		
	Japan	19,727
	The Americas	1,970
	Europe	977
	Asia/Pacific	4,329

## Number of Japanese Global Talent Employees



Indicator	Calculation method
Global talent employees	Japanese employees with overseas assignment experience

## Number of Participants in the Global Trainee Program

	FY2017	FY2018	FY2019
Number of participants	10	21	15

# Basis for Fostering Personnel

## Management Approach

### Basic Concept

#### 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.

### Medium-term Plan

#### Specific Targets Set, Various Measures Being Enacted

Under the CSR Medium-term Plan (2017-2019), through even further advancements for diversity and the promotion of initiatives for work style innovation, we worked to build an organizational culture in which all employees can work dynamically.

✓ ...Medium-term targets achieved

△ ...Medium-term targets not achieved despite efforts to push forward initiatives

#### Human Resources

× ...Medium-term targets not achieved; need to further push forward initiatives in the future

Key Measures		Medium-term (2017-2019) Targets	FY2019 Results <input checked="" type="checkbox"/>	Medium-term (2017-2019) Self-evaluation
Promote diversity	1) Empower women	① Secure a ratio of women to total hires of 35%	① Secured a ratio of women to total hires of 31.4%	△
		② Number of women in management positions: 200	② Number of women in management positions: 185	△
	2) Develop global talent employees	Number of participants in the Global Trainee Program: 20	Number of participants in the Global Trainee Program: 15	×

#### Pledge to Society

Key Measures		Medium-term (2017-2019) Targets	FY2019 Results <input checked="" type="checkbox"/>	Medium-term (2017-2019) Self-evaluation
Workplace Environment	1. Manage and control prolonged working hours (in excess of 2,000 hours annually)	Reduce the number of subsidiary companies where employees work more than 2,000 hours on an annual basis by 30% (vs. FY2016)	Reduced the number of subsidiary companies where employees work more than 2,000 hours on an annual basis by 19%* (vs. FY2016)	△
	2. Promote health management	Raise the number of Group companies certified as an Excellent Enterprise of Health and Productivity Management White 500 by Japan's Ministry of Economy, Trade and Industry to 21	Raised the number of Group companies certified as an Excellent Enterprise of Health and Productivity Management White 500 by Japan's Ministry of Economy, Trade and Industry to 28	✓

\* Based on estimated as of March 2020

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## Major Initiatives

### Training Systems to Support Our Businesses

#### Promoting the Growth of Each Employee

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, career planning training, or business leaders' training are developed across the Group to promote improvements in power of human resources in the Group as a whole.

### 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 Relations

#### Labor-management Cooperation and Communication

Sekisui Chemical 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. In Japan, there were 15 independent labor unions with 5,294 employees in the All-Sekisui Chemical Labor Union Federation, while Sekisui Chemical Labor Union, which is the core organization in the Federation, had 2,435 members (as the Group employs a union shop system, the membership rate of employees eligible to become union members is 100%) in fiscal 2019.

### Benefits

#### Providing Adequate Benefits Regardless of Gender, and Welfare Benefits to Non-full-time Employees, Including Health Insurance and Childcare Leave

At Sekisui Chemical, base salaries are the same for each gender, and proper benefits are provided regardless of gender.

Sekisui Chemical 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.

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## 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.

## Employee Awareness Surveys (Engagement)

Sekisui Chemical Group periodically conducts an employee awareness survey (engagement survey) targeting all employees every three years. The purpose of this survey is to identify the degree to which employees feel fulfilled at work, uncover areas for improvement, and implement improvement measures by organization.

Meanwhile, the survey measures the feelings of individual employees involved in engagement that they are the key players, the pride and enthusiasm they feel regarding their work, and the determination to do one's best and not give up until the results surpass everyone's expectations. In other words, the willingness to contribute to the organization and sense of fulfillment.

The engagement score declined marginally under the survey conducted in fiscal 2019 compared with 2016. Based on activities that drew on previous survey results, Group-wide efforts increase slightly in such areas as diversity and work-life balance. Looking ahead, we will implement a variety of measures aimed at building an organization across the Group as a whole that allows each and every employee to take a leading role and to work in a dynamic and vibrant manner.

## Performance Data

### Average Hours per FTE of Training and Development (Sekisui Chemical)

	FY2017	FY2018	FY2019
Average hours per FTE of training and development (hours)	9.9	9.4	9.4

Note: Educational programs held at Sekisui Chemical's Human Resources Department at Headquarters

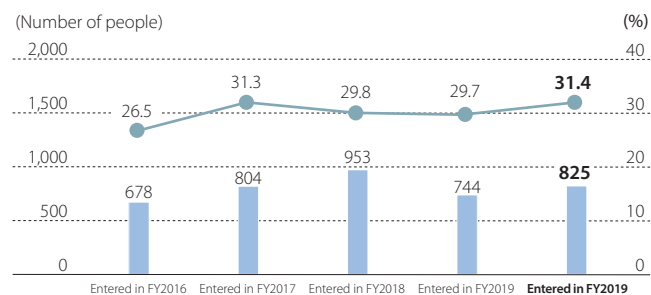
### Training Programs Common to Entire Company to Improve Group-wide Human Resources Capabilities

(Number of people)

	FY2017	FY2018	FY2019
New employee induction training	223	251	243
Training for newly appointed managers	245	210	252

### 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.



### Employee Turnover Rate in First Three Years of Employment (Sekisui Chemical)

	Entered in FY2013	Entered in FY2014	Entered in FY2015	Entered in FY2016	Entered in FY2017
Employee turnover rate in first three years of employment (%)	10.7	7.4	8.0	1.8	9.4

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



## Data on Employees

### Performance Data

#### Sekisui Chemical

		FY2015	FY2016	FY2017	FY2018	FY2019
Employees* <sup>1</sup>	Men (number of people)	3,233	3,239	3,290	3,331	3,327
	Women (number of people)	445	490	533	587	629
	Ratio of women (%)	12.1	13.1	13.9	15.0	15.9
Permanent, full-time employees* <sup>2</sup>	Men (number of people)	2,991	2,955	3,005	3,072	3,073
	Women (number of people)	403	441	483	532	570
	Ratio of women (%)	11.9	13.0	13.8	14.8	15.6
Average years of continuous employment* <sup>2</sup>	Men (number of people)	19.9	18.1	17.7	17.3	16.4
	Women (number of people)	15.4	14.3	13.7	13.2	11.8
New graduates hired* <sup>3</sup>	Men (number of people)	74	77	90	114	96
	Women (number of people)	39	35	39	39	35
	Ratio of women (%)	34.5	31.3	30.2	25.5	26.7
Employees hired mid-career* <sup>3</sup>	Men (number of people)	40	39	70	44	29
	Women (number of people)	3	5	6	9	4
	Ratio of women (%)	7.0	11.4	7.9	17.0	12.1
Managerial positions (managers)	Men (number of people)	697	696	689	685	678
	Women (number of people)	21	24	27	30	41
	Ratio of women (%)	2.9	3.3	3.8	4.2	5.7
Managerial positions (department managers and general managers)	Men (number of people)	602	597	612	637	642
	Women (number of people)	11	11	14	14	15
	Ratio of women (%)	1.8	1.8	2.2	2.2	2.3
Managerial positions	Men (number of people)	1,299	1,293	1,301	1,322	1,320
	Women (number of people)	32	35	41	44	56
	Ratio of women (%)	2.4	2.6	3.1	3.2	4.1
Employees newly appointed to managerial positions	Men (number of people)	46	46	53	63	68
	Women (number of people)	5	1	6	3	14
	Ratio of women (%)	9.8	2.1	10.2	4.5	17.1

\*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)

\*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
Employees	Men (number of people)	15,619	15,684	16,136	16,362
	Women (number of people)	4,313	4,394	4,702	5,048
	Ratio of women (%)	21.6	21.9	22.6	23.6
New graduates hired	Men (number of people)	453	395	486	572
	Women (number of people)	176	145	211	251
	Ratio of women (%)	28.0	26.9	30.3	30.5
Managerial positions (managers)	Men (number of people)	2,763	2,843	2,922	2,926
	Women (number of people)	84	92	118	130
	Ratio of women (%)	3.0	3.1	3.9	4.3
Managerial positions (department managers and general managers)	Men (number of people)	1,512	1,520	1,534	1,588
	Women (number of people)	18	23	22	26
	Ratio of women (%)	1.2	1.5	1.4	1.4
Managerial positions	Men (number of people)	4,275	4,363	4,456	4,514
	Women (number of people)	102	115	140	185
	Ratio of women (%)	2.3	2.6	3.0	3.3
Management personnel (frontier leaders)	Men (number of people)	204	167	167	204
	Women (number of people)	1	4	5	5
	Ratio of women (%)	0.5	2.3	2.9	3.3
Employees newly appointed to managerial positions	Men (number of people)	160	180	215	211
	Women (number of people)	15	7	29	20
	Ratio of women (%)	8.6	3.7	11.9	8.7

Note: The above table was prepared based on the results of the survey conducted in July

Note: Data for fiscal 2019 is calculated based on current statistics as of June 2020.

### Age Composition of Permanent, Full-time Employees\* in Fiscal 2019 (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	463	544	940	1,107	19
	Women	178	113	142	134	3

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
FY2018	Employee turnover (number of people)	42	13	55
	Employee turnover rate (%)	1.4	2.4	1.5
FY2019	Employee turnover (number of people)	63	10	73
	Employee turnover rate (%)	2.0	1.7	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)

# Working Environment

## Management Approach

### Work Style Reforms

In order to accelerate the pace of diversity management, Sekisui Chemical Group has positioned 2018 as its inaugural year of promoting work style reforms. After first putting in place a "Statement of Work Style Reforms," the Group has initiated three reform activities, and it is steadily making improvements. It continues its efforts to address long working hours by improving productivity, and energies are being directed toward the creation of an invigorating and rewarding workplace.

#### 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.

## 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

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## Work Style Reforms Achievement Targets

With endeavors to achieve work style reforms, we are setting 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%.

## 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 has decided to invest 10 billion yen over the three years from 2018 to 2020 in an effort to reduce working hours Group-wide.

Over the two-year period from 2018 to 2019, the cumulative total of investments made came to approximately 6.5 billion yen on a Group-wide basis (including an amount implemented in fiscal 2020). By undertaking investments, we are working to promote the reduction of working hours from which we will not backtrack. Among our many investments, we are rebuilding housing assembly lines while introducing automated production lines, pushing forward sales innovation through the Sekisui Heim Museum, and adopting production management systems as well as video conferencing, remote work, and other systems.

### Regulation of Long Working Hours

## Work Hour Shortening Committee

In order to promote the take-up of paid leave in fiscal 2019, we launched a planned annual leave system during the previous fiscal year on a trial basis. As a result, we were able to secure considerable improvements in the paid vacation day utilization rate. Assuming increased use of flexible working arrangements and working remotely from the home, trials were initiated in each department in a bid to further promote flexible work styles and to verify the degree of efficacy. Based on the findings of these trials, we plan to expand this initiatives Group-wide in fiscal 2020. We will continue to hold further discussions with regard to easy-to-work and flexible work styles, and are moving toward the creation of work sites that motivate employees.

### Notifications of Major HR-related Changes

## Major Changes with Significant Effects on Employees Are Implemented After Labor-management Meetings

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.

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## Putting in Place A Workplace Environment

### Promoting Remote Work and Paperless Operations

Sekisui Chemical recognizes the critical need to put in place a workplace environment where there is little or no distinction between work and communication undertaken within or outside the Company. With this in mind, we place equal importance on realizing flexible work styles that includes working from home as well as remotely. Based on the aforementioned, Sekisui Chemical introduced a remote work system in fiscal 2019 and has taken positive steps toward balancing the need for an easy-to-work style and security.

Moreover, every effort is being made to adopt paperless operations Group-wide. These efforts to ensure that all important meetings are conducted on a paperless basis are helping to significantly curtail the duration of meetings while providing additional benefits including reductions in the time require for printing and distribution. Serving as a model, the Company achieved reductions of approximately 80% at its Tokyo Headquarters at the time of its relocation in November 2019.

#### Health Management

### We Are Moving Forward on Five Initiatives to Promote Our Employees' 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. Moreover, in line with this, we have organized our efforts into segments, and have newly formulated medium- and long-term goals in five segments.

Note: "Health and Productivity Management" is a registered trademark of the NPO Kenkoikei.

#### 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.

## Initiative 1. Health Checkups and Measures to Prevent Lifestyle Diseases

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Sekisui Chemical collaborates with Sekisui Health Insurance Association to facilitate health, and jointly carries out health checkups. In this way health checkups are conducted uniformly throughout the Group, and from October 2018 we have introduced a common Group-wide health management system.

In addition, from 2015, we developed the Sekisui Health Network (SHN) 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 Dr. Lester Breslow from fiscal 2020. In addition to ensuring that all employees are fully aware of the support programs during fiscal 2020, our target is that 50% of employees will practice at least four of the seven 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

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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. In fiscal 2019, the Group made it a requirement to conduct population analyses within the Group. With 88% of all business sites having participated in the population analyses, the submission of a report to management was completed. With the support of HR's welfare and health support group, the Health Promotion Office, workplace environment improvements were made at five sites in five companies in fiscal 2019. (This includes continued support at three companies from fiscal 2018.)

### 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

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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.



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## Initiative 4. Group-wide Initiatives

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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 28 in fiscal 2019. 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

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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\*<sup>1</sup> and absenteeism\*<sup>2</sup> from fiscal 2019.

\*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

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## Major Initiatives

### Stress Check

Sekisui Chemical Group strives to maximally leverage the stress checks that are provided for in law. Therefore, we are also implementing the following three topics as obligatory efforts.

- Performed for all Sekisui Chemical Group employees, including at those work places with less than 50 employees
- Population analyses
- Improvement of the workplace environment

Population analysis was made mandatory at all business sites with 10 employees or more from fiscal 2018. The rate of population analysis implementation stands at 100% thanks to the presentation of Group benchmarks and analyses results by company by the Health Promotion Office.

Furthermore, we started to build models to improve workplace environments from fiscal 2016. Steps have also been taken to implement models as essential support in the improvement of workplace environments through the Health Promotion Office at high-risk workplaces with overall health risks of 120 or more since fiscal 2018. No matter what the overall health risk, regarding the creation of better workplaces and the creation of invigorating and rewarding workplaces as "creating vibrant workplaces," we raise the aspirations of all Group companies and are actively supporting the creation of vibrant workplaces. High-risk workplace support was implemented at a total of five companies in fiscal 2019. This included continued support at three companies from fiscal 2018.

In the stress check, the risk level from health problems (health risk) is shown as a value based on the average of the standard population, with 100 as the "overall health risk." Research findings show that a variety of stress problems often appear in workplaces with a health risk of 120-130 or more.

Stress check initiatives at Sekisui Chemical Group are being introduced as part of a section covering case studies (No. 12) on the Ministry of Health, Labour and Welfare's "Kokoro-no-Mimi" portal site.

<http://kokoro.mhlw.go.jp/case/stresscheck/stresscheck012/> (In Japanese only)

## Successful case studies of workplace environment improvements

Two companies that implemented workplace environment improvements as high-risk workplaces from the second half of fiscal 2018 and over fiscal 2019 had positive results.

In addition to a detailed analysis of stress check results, we identified areas for improvement through on-site observations by Headquarters supervising occupational physicians and public health nurses, interviews with employees, advance surveys, and discussions with workplace personnel. Steps were then taken to prioritize these areas and to create a roadmap. By making employees aware of the roadmap and the need to improve the workplace environment, we have been able to implement this initiative through two-way communication.

As a result, changes in the perceptions of management and superiors improved in post-surveys and the number of issues raised in the pre-survey decreased. In the open-ended section, superiors are now more inclined to listen to opinions. Among the feedback received, respondents have commented that operations are now easier.

Making the most of methods that have worked to date, we plan to develop a package of methods that will facilitate the implementation of workplace environment improvements at more business sites.

### Successful case studies of workplace environment improvements

Business Site	Company A	Company B
Employees	Approximately 130	Approximately 45
Type of Business Site	Manufacturing and sales plant of piping and construction materials	Rubber and plastic plant
Details of Initiatives Implemented	<p>Improved the outdoor handling of pipes in coordination with internal workplace improvement activities</p> <p>→ collection, tabulation, and evaluation of surveys post implementation</p>	<ul style="list-style-type: none"> <li>Invested in equipment to reduce the heat load (installation of spot coolers, distribution of air conditioning clothes, installation of cool boxes, etc.)</li> <li>Established and enforced rules for handling heavy items</li> <li>Conducted communication training for managerial positions</li> </ul> <p>→ collection, tabulation, and evaluation of surveys post implementation; Final debriefing session</p>

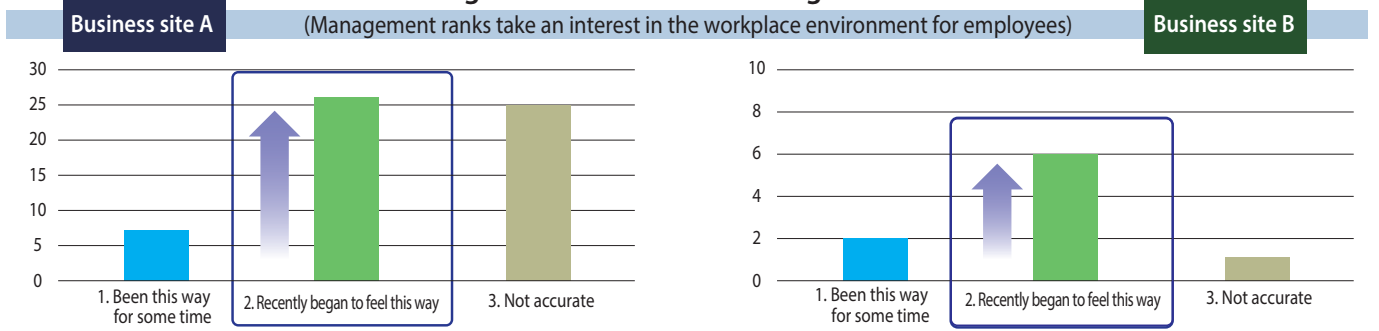


Communication training for managerial positions

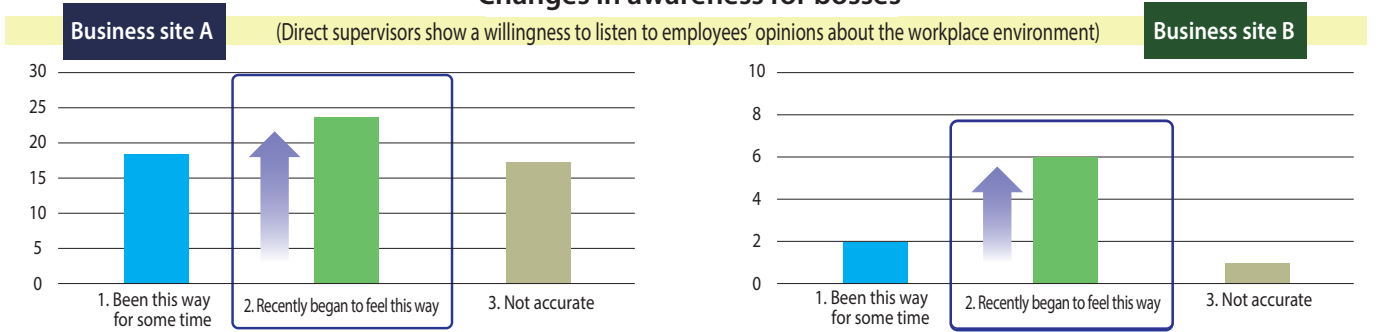


Introducing air-conditioned clothing and cool innerwear

### Changes in awareness for management ranks



### Changes in awareness for bosses



#### 【Comparison before and after surveys】

- Awareness of workplace environment improvement **increased** from 30% to 90%
- Requests for "heat countermeasures" **decreased** from 51 to 6 (36 **positive evaluations**), requests for "heavy object countermeasures" **decreased** from 15 to 0

Post-survey results

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## External Evaluations

### Certified as a 2020 Health and Productivity Management Organization in the Large Enterprise Category ("White 500")

Sekisui Chemical was recognized for its Companywide efforts to resolve issues relating to the health of its employees and was certified as a Health and Productivity Management Organization in the large enterprise category ("White 500") by both the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi\*<sup>2</sup>, which operates the Health and Productivity Management Organization Recognition Program\*<sup>1</sup>, for the fourth year in a row. White 500 certification is under the new certification program\*<sup>3</sup> in this instance.



- \*1 The "Health and Productivity Management Organization Recognition Program" awards large companies, small and medium-sized businesses, and other corporations that practice health management especially well through initiatives tailored to local health issues and initiatives for improving health promoted by the Nippon Kenko Kaigi.
- \*2 The Nippon Kenko Kaigi is an operation organized to allow effective action to be taken based on comprehensive support from government for expanding healthy lifespans and offering adequate medical treatment to all people in Japan, undertaken in partnership with private-sector organizations and in a country with a declining birth rate and a rapidly aging population.
- \*3 While all companies certified as Health and Productivity Management Organizations in the large enterprise category were commonly referred to the "White 500," only the top 500 certified companies identified as a result of health management surveys are now recognized as the "White 500" under the new certification system.

Companies receiving certification	Name of company certified together with the Company described on the left <input checked="" type="checkbox"/>
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.
	Nishinohon Sekisui Industry 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

## Performance Data

### Amount of Overtime Work\* (Sekisui Chemical)

	FY2015	FY2016	FY2017	FY2018	FY2019
Monthly average per employee (hours)	17.5	19.2	19.9	19.9	19.1

\* Calculated on the basis of a prescribed number of working hours of 7.5 hours.

### Paid Vacation Day Utilization Rate (Sekisui Chemical)

	FY2015	FY2016	FY2017	FY2018	FY2019
Average per employee (%) (Excluding managers)	46.4	45.9	51.1	64.0	71.4

### Average Number of Paid Vacation Days Taken (Sekisui Chemical)

	FY2015	FY2016	FY2017	FY2018	FY2019
Average per employee (days) (Excluding managers)	8.8	8.7	9.6	12.1	13.6

### Stress-check Examination Rate

	FY2016	FY2017	FY2018	FY2019
Examination Rate (%)	72.0	81.9	87.1	92.5

Note: Scope of stress-check implementation: Companies that are members of the Sekisui Health Insurance Association (including some affiliates)



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## 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.**

### Our Philosophy

To date, Sekisui Chemical Group has accelerated a variety of initiatives by fusing together technologies, business opportunities, and management resources. At the same time, we have created new products and businesses and cultivated new fields, areas, and applications, while promoting business structural reforms aimed at enhancing profitability. Under the previous medium-term management plan, which ended in fiscal 2019, we set the goals of increasing sales through fusion and accelerating the creation of new businesses. As far as results are concerned, we were able to increase sales by approximately 40 billion yen compared with fiscal 2016, promote the Town and Community Development business in earnest as a part of measures aimed at creating new businesses, and take the next step in demonstrating the technology for converting waste into ethanol. From fiscal 2020, we will continue to accelerate internal and external fusion and promote open innovation to create and disseminate innovative products and businesses that contribute to the resolution of social issues, and increase sales volume.

# External Evaluation

## Major External Evaluations Conducted During Fiscal 2019 (as of June 30, 2020)

### ESG Index

- Earned selection to the "World" 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



FTSE4Good

<https://www.ftserussell.com/products/indices/FTSE4Good>



FTSE Blossom Japan



2020 CONSTITUENT MSCIジャパン ESGセレクト・リーダーズ指数

2020 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. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.



"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)."



Member of SNAM Sustainability Index 2019

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## ESG-Related Ranking, Awards

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### CSR in General

Earned S&P Global sustainability rating

Earned sustainability rating of "Bronze Class" and "SAM Industry Mover" by S&P Global

Earned selection as one of the "2020 Global 100 Most Sustainable Corporations in the World index" ranking 12th

Ranked 74st in Toyo Keizai CSR Ranking



<http://www.corporateknights.com/reports/global-100/>

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## Environment

Earned selection to the 2019 "CDP Climate Change A-List"

Acquired certification from the "SBT (Science-Based Targets) Initiative" (June 2018)

Received the Silver (Minister of the Environment Award), ESG Finance Award Japan (Environmentally Sustainable Company category)

Received the 29th "Annual Global Environment Awards" Minister of the Environment Award

Received the Best Resilience Award from the 2020 Japan Resilience Award

Received the "Biodiversity Action Award Japan 2019" Biodiversity Biwako Network

Taga Plant Acquired 3-star certification from the 2019 Shiga Biodiversity Initiative Certification System

Received the 2019 Minister of the Environment Award for Global Warming Prevention Activities (Technology Development and Commercialization category)



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## Human Resources

Earned selection as a "Nadeshiko Brand" in the first year of the Reiwa Era by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange

Certified as a 2020 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



# GRI Context Index

The CSR Report 2020 of Sekisui Chemical Co., Ltd. was written following the Core options of the GRI Standards.

## General Standard Disclosures

### 1. Organizational Profile

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
102-1	Name of organization	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"> <li>• Overview of Sekisui Chemical Group</li> <li>• Products (b. During the period covered by the report, there were no products or services whose sale were banned in specific markets.)</li> </ul>	
102-3	Location of headquarters	• 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 that are relevant to the topics covered in the report.	<ul style="list-style-type: none"> <li>• Sekisui Chemical Group Worldwide</li> <li>• Sekisui Worldwide</li> </ul>	
102-5	Ownership and legal form	<ul style="list-style-type: none"> <li>• Financial Information</li> <li>• Corporate Governance Report</li> </ul>	
102-6	Markets served i. Geographical locations where products and services are offered. ii. Types of industries served. iii. Types of customers and beneficiaries.	<ul style="list-style-type: none"> <li>• Outline of SEKISUI</li> <li>• Business Introduction</li> </ul>	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
102-7	<p>cale of the organization</p> <p>i. Total number of employees.</p> <p>ii. Total number of operations.</p> <p>iii. Net sales (for private sector organizations), net revenues (for public sector organizations).</p> <p>iv. Total capitalization broken down in terms of debt and equity (for private sector organizations).</p> <p>v. Quantity of products or services provided.</p>	<ul style="list-style-type: none"> <li>• Outline of SEKISUI</li> <li>• Overview of Sekisui Chemical Group</li> <li>• Securities Report</li> <li>• Fact Book</li> <li>• Human Resources &gt; Data on Employees</li> </ul>	
102-8	<p>Information on employees and other workers</p> <p>a. Total number of employees by employment contract (permanent and temporary), by gender.</p> <p>b. Total number of employees by employment contract (permanent and temporary), by region.</p> <p>c. Total number of employees by employment type (full-time and part-time), by gender.</p> <p>d. Whether a substantial 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.</p> <p>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).</p> <p>f. Explanations of the methods used to compile data (if any assumptions are made, including those).</p>	<ul style="list-style-type: none"> <li>• Overview of Sekisui Chemical Group &gt; Sekisui Chemical Group Worldwide</li> <li>• Human Resources &gt; Data on Employees (d. Employees are responsible for the majority of our activities.) (e. No significant changes related to employees during the reporting period.)</li> </ul>	
102-9	<p>Supply chain</p> <p>a. A description of the organization's supply chains. Including its major components of the supply chains for the organization's activities, major brands, products, and services.</p>	<ul style="list-style-type: none"> <li>• Overview of Sekisui Chemical Group</li> </ul>	



Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
102-10	<p>Significant changes to organizations and supply chain</p> <p>i. Changes in the location of the organization or its operations, including facility openings, closings, and expansions).</p> <p>ii. Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations).</p> <p>iii. Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination.</p>	<ul style="list-style-type: none"> <li>• Securities Report</li> </ul>	
102-11	<p>Precautionary principle or approach</p>	<ul style="list-style-type: none"> <li>■ Sekisui Chemical Group's Sustainability</li> <li>• Basic Concept</li> <li>• Promotion System</li> <li>• Identifying Key Issues</li> <li>• CSR Medium-term Plan (2017-2019) and Key Measures Concerning ESG Management (2020-2022)</li> <li>• Respect for Human Rights</li> <li>• Environment &gt; Promotion System</li> <li>• Governance &gt; Corporate Governance</li> <li>• Governance &gt; Risk Management</li> </ul>	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
102-12	<p>External initiatives</p> <p>a. A list of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.</p>	<ul style="list-style-type: none"> <li>■Sekisui Chemical Group's Sustainability</li> <li>• SDGs Initiatives</li> <li>• Declaration of Support for Initiatives and Organizations in Which Sekisui Chemical Group Participates</li> <li>■Environment</li> <li>• Usage of Natural Capital &gt; Climate Change &gt; Acquisition of SBT Certification</li> <li>• Contributing to Return of Natural Capital &gt; Conserving the Environment ~Biodiversity~ &gt; Cooperation with External Organizations</li> </ul>	
102-13	<p>Memberships of associations</p> <p>List of the major memberships of industry or other associations, and advocacy organizations in Japan and overseas.</p>	<ul style="list-style-type: none"> <li>• Sekisui Chemical Group's Sustainability &gt; Declaration of Support for Initiatives and Organizations in Which Sekisui Chemical Group Participates</li> </ul>	

## 2. Strategy

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
102-14	Statement from senior decision-maker a. A statement from the highest-ranking decision-maker of the organization (CEO, chairman, or an equivalent top-level executive) concerning the relationship of the organization to sustainability and concerning strategies for working toward sustainability.	<ul style="list-style-type: none"> <li>• Top Message</li> </ul>	
102-15	Crucial impacts, risks, and opportunities	<ul style="list-style-type: none"> <li>• Top Message</li> <li>• ESG Management</li> <li>■ Sekisui Chemical Group's Sustainability</li> <li>• Basic Concept</li> <li>• Identifying Key Issues</li> <li>• CSR Medium-term Plan (2017-2019) and Key Measures Concerning ESG Management (2020-2022)</li> <li>• Respect for Human Rights</li> <li>• SDGs Initiatives</li> <li>• Governance &gt; Risk Management &gt; Identifying and Assessing Risks</li> <li>• Environment &gt; Climate Change &gt; Climate Change and our Business</li> <li>• Information Disclosure based upon the TCFD Statement of Support</li> </ul>	

### 3. Ethics and Integrity

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
102-16	Organization's values, principles, standards, and norms of conduct	<ul style="list-style-type: none"> <li>• Top Message</li> <li>■ Sekisui Chemical Group's Sustainability</li> <li>• Basic Concept</li> <li>• Promotion System</li> <li>• Basic Policies</li> <li>• Identifying Key Issues</li> <li>• CSR Medium-term Plan (2017-2019) and Key Measures Concerning ESG Management (2020-2022)</li> </ul>	
102-17	<p>Systems for advice and concerns regarding ethics</p> <p>i. Systems that call for advice concerning ethical behavior, legal behavior, and the integrity of the organization.</p> <p>ii. Systems for reporting unethical behavior or illegal behavior and concerns about the integrity of the organization.</p>	<ul style="list-style-type: none"> <li>■ Governance &gt; Compliance</li> <li>• Upgrade of the Whistle-blowing Program</li> <li>• Responses to External Notifications</li> </ul>	

## 4. Governance

Code No.	General Standard Disclosures	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"> <li>• Sekisui Chemical Group's Sustainability &gt; Promotion System</li> <li>• Governance &gt; Corporate Governance &gt; Organizational Structure</li> </ul>	
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"> <li>• Sekisui Chemical Group's Sustainability &gt; Promotion System</li> <li>■ Governance</li> <li>• Corporate Governance &gt; Organizational Structure, Board of Directors</li> <li>• Safety &gt; Activity Policy and Promotion System</li> <li>• CS &amp; Quality &gt; CS &amp; Quality Management Promotion System</li> <li>• Compliance &gt; Putting Compliance Management Efforts into Practice</li> <li>• Cyber Security &gt; Cyber Management System</li> <li>• Environment &gt; System for Promoting Environmental Management</li> <li>• Human Resources &gt; CSR Committee, Human Resources Committee</li> </ul>	
102-20	<p>Executive-level position 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"> <li>• Sekisui Chemical Group's Sustainability &gt; Promotion System</li> <li>■ Governance &gt; Corporate Governance</li> <li>• Organizational Structure</li> <li>• Board of Directors</li> </ul>	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
102-21	<p>Consultations with stakeholders on economic, environmental and social topics</p> <p>a. Processes for consultations 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"> <li>• Governance &gt; Corporate Governance &gt; Consultations with Stakeholders on Economic, Environmental and Social Topics</li> </ul>	
102-22	<p>Composition of the highest governance body and its committees</p> <p>i. Executive or non-executive</p> <p>ii. Independence</p> <p>iii. Terms of members of governance bodies</p> <p>iv. Number of each individual's other significant positions and commitments, and the nature of the commitments</p> <p>v. Gender</p> <p>vi. Membership of under-represented social groups</p> <p>vii. Competences relating to economic, environmental and social impacts</p> <p>viii. Stakeholder representation</p>	<ul style="list-style-type: none"> <li>• Sekisui Chemical Group's Sustainability &gt; Promotion System</li> <li>■ Governance &gt; Corporate Governance</li> <li>• Organizational Structure</li> <li>• Board of Directors</li> <li>• Corporate Governance Report</li> </ul>	
102-23	<p>Chairs of highest governance bodies</p> <p>a. Whether the chair of the highest governance body is also an executive officer in the organization.</p> <p>b. If the chair also serves as an executive officer, describe his or her function within the organization's management and the reasons for this arrangement.</p>	<ul style="list-style-type: none"> <li>• Governance &gt; Corporate Governance &gt; Board of Directors</li> <li>• Corporate Governance Report</li> </ul>	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
102-24	<p>Nominating and selecting members of the highest governance body</p> <p>a. Nomination and selection processes of the members of the highest governance body and its committees.</p> <p>b. Standards used for nominating and selecting highest governance body members, including whether and how:</p> <p>i. Whether and how stakeholders (including shareholders) are involved</p> <p>ii. Whether and how diversity is considered</p> <p>iii. Whether and how independence is considered</p> <p>iv. Whether and how expertise and experience relating to economic, environmental, and social topics are considered</p>	<ul style="list-style-type: none"> <li>■ Governance</li> <li>&gt; Corporate Governance</li> <li>• Board of Directors Nomination and Remuneration Advisory Committee</li> <li>• Corporate Governance Report</li> </ul>	
102-25	<p>Conflicts of interest</p> <p>a. Processes conducted by the highest governance body to avoid and handle conflicts of interest.</p> <p>b. Whether conflicts of interest are disclosed to stakeholders, including, as a minimum:</p> <p>i. Cross-board membership</p> <p>ii. Cross-shareholding with suppliers and other stakeholders</p> <p>iii. Existence of controlling shareholder</p> <p>iv. Related party disclosures</p>	—	
102-26	<p>Highest governance body's role in establishing goals, values, and strategy</p> <p>a. Highest governance body's and senior executives' roles in developing, approving, and updating the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social topics.</p>	<ul style="list-style-type: none"> <li>• Sekisui Chemical Group's Sustainability</li> <li>&gt; Promotion System</li> <li>■ Governance</li> <li>&gt; Corporate Governance</li> <li>• Organizational Structure</li> <li>• Board of Directors</li> <li>• Corporate Governance Report</li> </ul>	



Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
102-27	<p>Collective knowledge of highest governance body</p> <p>a. Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental, and social topics.</p>	<ul style="list-style-type: none"> <li>• Governance &gt; Corporate Governance &gt; Support for and Collaboration with Directors and Audit and Supervisory Board Members</li> </ul>	
102-28	<p>Evaluation of the performance of highest governance body</p> <p>a. Processes for evaluating the performance of the highest governance body in relation to governance of economic, environmental and social topics</p> <p>b. Whether such evaluation is independent or not, and its frequency.</p> <p>c. Whether such evaluation is a self-assessment.</p> <p>d. Measures 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.</p>	<ul style="list-style-type: none"> <li>• Governance &gt; Corporate Governance &gt; Assessment Relating to the Board's Effectiveness</li> <li>• Corporate Governance Report</li> </ul>	
102-29	<p>Identifying and managing impacts on economy, environment, and society</p> <p>a. Highest governance body's role in identifying and managing economic, environmental and social topics, as well as their impacts, risks, and opportunities including its role in the implementation of due diligence processes.</p> <p>b. Whether consultations with stakeholders are used to support the identification and management of economic, environmental and social topics and their impacts, risks, and opportunities.</p>	<ul style="list-style-type: none"> <li>• Sekisui Chemical Group's Sustainability &gt; Identifying Key Issues</li> </ul>	
102-30	<p>Effectiveness of risk management processes</p> <p>a. Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.</p>	—	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
102-31	<p>Review of economic, environmental and social topics</p> <p>a. Frequency of the highest governance body's review of economic, environmental and social topics and their impacts, risks, and opportunities.</p>	<ul style="list-style-type: none"> <li>• Sekisui Chemical Group's Sustainability &gt; Promotion System</li> <li>• Corporate Governance Report</li> </ul>	
102-32	<p>Highest governance body's role in sustainability reporting</p> <p>a. The highest-ranking committee or position that fulfills the functions of conducting formal reviews and approves the organization's sustainability reports and confirming that all material topics have been covered.</p>	<ul style="list-style-type: none"> <li>• Sekisui Chemical Group's Sustainability &gt; Promotion System</li> </ul>	
102-33	<p>Communicating critical concerns</p> <p>a. Processes established for communicating critical concerns to the highest governance body.</p>	<ul style="list-style-type: none"> <li>■ Sekisui Chemical Group's Sustainability</li> <li>• Promotion System</li> <li>• Stakeholder Engagement &gt; Promoting Engagement with Stakeholders</li> </ul>	
102-34	<p>Nature and total number of communicated critical concerns</p> <p>a. Total number and nature of critical concerns that were communicated to the highest governance body.</p> <p>b. Mechanisms used to handle and resolve critical concerns.</p>	—	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
102-35	<p>Remuneration policies</p> <p>a. Remuneration policies for the highest governance body and senior executives for the below types of remuneration:</p> <p>i. Fixed pay and variable pay, including performance-based remuneration, equity-based remuneration, bonuses, and deferred or vested shares)</p> <p>ii. Sign-on bonuses or recruitment incentive payments</p> <p>iii. Termination payments</p> <p>iv. Clawbacks</p> <p>v. Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees</p> <p>b. How performance standards in the remuneration policies relate to the highest governance body's and corporate officers' objectives for economic, environmental and social topics.</p>	<ul style="list-style-type: none"> <li>■ Governance &gt; Corporate Governance</li> <li>• Nomination and Remuneration Advisory Committee</li> <li>• Remuneration and Other Compensation for Officers</li> <li>• Corporate Governance Report</li> </ul>	
102-36	<p>Process for determining remuneration</p> <p>a. Process for determining remuneration.</p> <p>b. Whether remuneration consultants are involved in determining remuneration and whether they are independent of management.</p> <p>c. Other relationships that exist between remuneration consultants and the organization.</p>	<ul style="list-style-type: none"> <li>■ Governance &gt; Corporate Governance</li> <li>• Nomination and Remuneration Advisory Committee</li> <li>• Remuneration and Other Compensation for Officers</li> <li>• Corporate Governance Report</li> </ul>	
102-37	<p>Stakeholder' involvement in remuneration</p> <p>a. How stakeholders' views are sought and taken into account regarding remuneration.</p> <p>b. If applicable, the results of votes on remuneration policies and proposals.</p>	<ul style="list-style-type: none"> <li>• Governance &gt; Corporate Governance &gt; Remuneration and Other Compensation for Officers</li> <li>• Corporate Governance Report</li> <li>• Securities Report</li> <li>• Notice of Convocation</li> </ul>	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
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.	General Standard Disclosures	Locations Posted	Reason for Omitting
102-40	List of stakeholder groups engaged by the organization	<ul style="list-style-type: none"> <li>■ Sekisui Chemical Group's Sustainability &gt; Stakeholder Engagement &gt; Main Responsibilities, Communication Channels, and Communication Methods</li> </ul>	
102-41	Collective bargaining agreements a. Percentage of total employees covered by collective bargaining agreements.	<ul style="list-style-type: none"> <li>• Human Resources &gt; Basis for Fostering Personnel &gt; Labor-management Relations</li> </ul>	
102-42	Standards for identifying and selecting the stakeholders with which the organization engages	<ul style="list-style-type: none"> <li>• Sekisui Chemical Group's Sustainability &gt; Stakeholder Engagement &gt; Basic Concept</li> </ul>	
102-43	Approach toward stakeholder engagement a. The organization's approach toward stakeholder engagement, include frequency of engagement by type and by stakeholder group. Additionally, indicate whether any of the engagement was undertaken specifically as part of the report preparation process.	<ul style="list-style-type: none"> <li>• Sekisui Chemical Group's Sustainability &gt; Stakeholder Engagement &gt; Main Responsibilities, Communication Channels, and Communication Methods</li> </ul>	
102-44	Critical topics and concerns raised i. How the organization has responded to those critical topics and concerns, including those responded through reporting). ii. Stakeholder groups that raised critical topics and concerns.	<ul style="list-style-type: none"> <li>• Sekisui Chemical Group's Sustainability &gt; Stakeholder Engagement &gt; Promoting Engagement with Stakeholders</li> </ul>	

## 6. Reporting Practices

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
102-45	<p>Entities included in the consolidated financial statements</p> <p>a. A list of all entities included in the organization's consolidated financial statements or equivalent documents.</p> <p>b. Whether any entities included in the organization's consolidated financial statements or equivalent documents is not covered by the report.</p>	<ul style="list-style-type: none"> <li>• Environment &gt; Environmental Management System</li> <li>• Scope of the CSR Report 2020</li> <li>• Securities Report</li> <li>• Basic Corporate Information</li> </ul>	
102-46	<p>Defining report content and topic Boundaries</p> <p>a. Explanations of the processes for establishing the report content and topic Boundaries.</p> <p>b. Explanations of how the organization has implemented the reporting principles for defining report content.</p>	<ul style="list-style-type: none"> <li>• Editorial Policy</li> <li>• Scope of the CSR Report 2020</li> <li>• Sekisui Chemical Group's Sustainability &gt; Identifying Key Issues</li> <li>• GRI Content Index</li> </ul>	
102-47	List of material topics identified in the process for defining the report content	<ul style="list-style-type: none"> <li>■ Sekisui Chemical Group's Sustainability</li> <li>• Identifying Key Issues</li> <li>• CSR Medium-term Plan (2017-2019) and Key Measures Concerning ESG Management (2020-2022)</li> </ul>	
102-48	<p>Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements</p> <p>Repeated descriptions are included when any of the following occur or change.</p> <ul style="list-style-type: none"> <li>• Mergers and acquisitions</li> <li>• Changes in the standard year or standard period</li> <li>• Nature of the business</li> <li>• Measuring methods</li> </ul>	Not applicable for the fiscal year under review	
102-49	Significant changes from past reporting periods concerning material topics and topic Boundaries	Not applicable for the fiscal year under review	
102-50	Reporting period for information provided	<ul style="list-style-type: none"> <li>• Scope of the CSR Report 2020</li> </ul>	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
102-51	The date of the most recent previous report (if applicable)	• Scope of the CSR Report 2020	
102-52	Reporting cycle	• Scope of the CSR Report 2020	
102-53	Contact point for questions regarding the report	• Back cover	
102-54	<p>Claims of reporting in accordance with the GRI Standards</p> <p>Claims of reporting in accordance with the GRI Standards</p> <p>a. A claim that indicates that the organization followed the GRI Standards and chose one of the following options when writing a report.</p> <p>i. "This report was written based on the Core option of the GRI Standards."</p> <p>ii. "This report was written based on the Comprehensive option of the GRI Standards."</p>	• GRI Content Index	
102-55	<p>Content index</p> <p>a. An index of GRI content, which specifies each of the GRI Standards used and lists all disclosures included in the report.</p> <p>b. For each disclosure, the content index shall include:</p> <p>i. The numbers for the items disclosed (for disclosures covered by the GRI Standards)</p> <p>ii. The page number(s) or URL(s) where the relevant information can be found, included in the report or other published materials</p> <p>iii. If applicable, and where permitted, the reasons for omission when a required disclosure cannot be made</p>	• GRI Content Index	



Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
102-56	<p>External assurance</p> <p>a. Explanations of the organization's policy and current practice with regard to seeking external assurance for the report.</p> <p>b. If the report has been externally assured:</p> <p>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</p> <p>ii. The relationship between the organization and the assurance provider</p> <p>iii. Whether and how the highest governance body or senior executives are involved in seeking external assurance for the organization's sustainability report</p>	<ul style="list-style-type: none"> <li>• Editorial Policy</li> <li>• Scope of the CSR Report 2020</li> <li>• Independent Practitioner's Assurance Report</li> </ul>	

## Management Approach

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
103-1	<p>Explanations of material item and its boundary</p> <p>a. An explanation of why the topic is material.</p> <p>b. The boundary for the material topic, including description of:</p> <p>i. Where the impacts arise</p> <p>ii. The organization's involvement in any impacts. For example, whether the organization's involvement with an impact is direct or indirect, or whether the impact became relevant via the organization's business relationships</p> <p>c. Any specific limitation relating to the topic boundary.</p>	<ul style="list-style-type: none"> <li>• Sekisui Chemical Group's Sustainability &gt; Identifying Key Issues</li> </ul>	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
103-2	<p>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 (processes, projects, programs, initiatives, etc.)</p>	<ul style="list-style-type: none"> <li>■ Sekisui Chemical Group's Sustainability <ul style="list-style-type: none"> <li>• Basic Concept</li> <li>• Promotion System</li> <li>• Sekisui Chemical Group "Human Rights Policy"</li> <li>• Basic Policies</li> <li>• Identifying Key Issues</li> <li>• CSR Medium-term Plan (2017-2019) and Key Measures Concerning ESG Management (2020-2022)</li> <li>• Respect for Human Rights</li> <li>• Intellectual Property</li> <li>• Stakeholder Engagement</li> <li>• SDGs Initiatives</li> <li>• Social Contribution Activities</li> <li>• Declaration of Support for Initiatives and Organizations in Which Sekisui Chemical Group Participates</li> </ul> </li> <li>■ Governance <ul style="list-style-type: none"> <li>• Corporate Governance</li> <li>• Risk Management</li> <li>• Safety</li> <li>• CS &amp; Quality</li> <li>• Medium-term Plan</li> <li>• Creating Attractive Products and Services</li> <li>• Improving Quality</li> <li>• Compliance</li> <li>• Cyber Security</li> </ul> </li> <li>■ DX</li> <li>■ Environment <ul style="list-style-type: none"> <li>• Promotion System</li> <li>• Long-term Environmental Management</li> <li>• Vision "Sekisui Environment Sustainability Vision 2050"</li> </ul> </li> </ul>	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
103-2	<p>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 (processes, projects, programs, initiatives, etc.)</p>	<ul style="list-style-type: none"> <li>• Past and future goals for the Environmental Medium-term Plan</li> <li>• Integrated Index “Sekisui Environmental Sustainability Index”</li> <li>• Environmental Management System</li> <li>• ESG Education</li> <li>• Environmental Accounting</li> <li>• Usage of Natural Capital</li> <li>• Climate Change</li> <li>• Efficient Use of Resources</li> <li>• Conservation of Water Resources</li> <li>• Chemical Substance Management</li> <li>• Environmental Impact Assessment</li> <li>• Material Balance</li> <li>• Contributing to Return of Natural Capital</li> <li>• Products to Enhance Sustainability</li> <li>• Conserving the Environment ~Biodiversity~</li> <li>■ Human Resources</li> <li>• Diversity Management</li> <li>• Building a Diverse Organizational Structure</li> <li>• Allowing Diverse Human Resources to Excel</li> <li>• Basis for Fostering Personnel</li> <li>• Data on Employees</li> <li>• Working Environment</li> <li>■ Fusion</li> <li>■ External Evaluation</li> </ul>	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
103-3	<p>Evaluation of 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. Adjustments made in relation to management approach</p>	<ul style="list-style-type: none"> <li>■ Sekisui Chemical Group's Sustainability <ul style="list-style-type: none"> <li>• Basic Concept</li> <li>• Promotion System</li> <li>• Sekisui Chemical Group "Human Rights Policy"</li> <li>• Basic Policies</li> <li>• Identifying Key Issues</li> <li>• CSR Medium-term Plan (2017-2019) and Key Measures Concerning ESG Management (2020-2022)</li> <li>• Respect for Human Rights</li> <li>• Intellectual Property</li> <li>• Stakeholder Engagement</li> <li>• SDGs Initiatives</li> <li>• Social Contribution Activities</li> <li>• Declaration of Support for Initiatives and Organizations in Which Sekisui Chemical Group Participates</li> </ul> </li> <li>■ Governance <ul style="list-style-type: none"> <li>• Corporate Governance</li> <li>• Risk Management</li> <li>• Safety</li> <li>• CS &amp; Quality</li> <li>• Medium-term Plan</li> <li>• Creating Attractive Products and Services</li> <li>• Improving Quality</li> <li>• Compliance</li> <li>• Cyber Security</li> </ul> </li> <li>■ DX</li> <li>■ Environment <ul style="list-style-type: none"> <li>• Promotion System</li> <li>• Long-term Environmental Management</li> <li>• Vision "Sekisui Environment Sustainability Vision 2050"</li> </ul> </li> </ul>	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
103-3	<p>Evaluation of 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. Adjustments made in relation to management approach</p>	<ul style="list-style-type: none"> <li>• Past and future goals for the Environmental Medium-term Plan</li> <li>• Integrated Index “Sekisui Environmental Sustainability Index”</li> <li>• Environmental Management System</li> <li>• ESG Education</li> <li>• Environmental Accounting</li> <li>• Usage of Natural Capital</li> <li>• Climate Change</li> <li>• Efficient Use of Resources</li> <li>• Conservation of Water Resources</li> <li>• Chemical Substance Management</li> <li>• Environmental Impact Assessment</li> <li>• Material Balance</li> <li>• Contributing to Return of Natural Capital</li> <li>• Products to Enhance Sustainability</li> <li>• Conserving the Environment ~Biodiversity~</li> <li>■ Human Resources</li> <li>• Diversity Management</li> <li>• Building a Diverse Organizational Structure</li> <li>• Allowing Diverse Human Resources to Excel</li> <li>• Basis for Fostering Personnel</li> <li>• Data on Employees</li> <li>• Working Environment</li> <li>■ Fusion</li> <li>■ External Evaluation</li> </ul>	

## Economic Performance

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
201-1	<p>Direct economic value generated and distributed</p> <p>a. Direct economic value generated and distributed (EVG&amp;D) on an accruals basis including the basic components for the organization's global operations as listed below. If data is presented on a cash basis, report the justification for this decision and report the basic components as listed below:</p> <p>i. Direct economic value generated: revenues</p> <p>ii. Economic value distributed: operating costs, employee wages and benefits, payments to capital providers of capital, payments to governments by country, and community investments</p> <p>iii. Economic value retained (calculated as 'Direct economic value generated' less 'Economic value distributed')</p> <p>b. Report EVG&amp;D separately at country, regional, or market levels, where significant. Report the criteria used for defining significance.</p>	<ul style="list-style-type: none"> <li>• Sekisui Chemical Group's Sustainability &gt; Stakeholder Engagement &gt; Distribute Value to Stakeholders</li> </ul>	
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"> <li>• Environment &gt; Climate Change &gt; Climate Change and Our Business</li> <li>• Information Disclosure based upon the TCFD Statement of Support</li> </ul>	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
201-3	<p>Defined benefit plan obligations and other retirement plans</p> <p>a. Where the plan's liabilities are met by the organization's general resources, report the estimated value of those liabilities.</p> <p>b. Where a separate fund exists to pay the plan's pension liabilities, report:</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. Where 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"> <li>• Securities Report (Japanese)</li> <li>• Fact Book</li> </ul>	



Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
201-4	<p>Financial assistance received from government</p> <p>a. Total monetary value of financial assistance received by the organization from any government during the reporting period, including:</p> <ul style="list-style-type: none"> <li>i. Tax relief and tax credits</li> <li>ii. Subsidies</li> <li>iii. Investment grants, research and development grants, and other relevant types of grants</li> <li>iv. Awards</li> <li>v. Royalty holidays</li> <li>vi. Financial assistance from Export Credit Agencies (ECAs)</li> <li>vii. Financial incentives</li> <li>viii. Other financial benefits received or receivable from any government for any operation</li> </ul> <p>b. The information in 201-4-a by country.</p> <p>c. Whether, and the extent to which, any government is present in the shareholding structure.</p>	—	We regard that there is a risk that this information could contain business strategies and confidential content.

## Presence Within Regional Economies

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
202-1	<p>Ratios of standard entry level wage by gender compared to local minimum wage</p> <p>a. When a significant proportion of the workforce is compensated based on wages subject to minimum wage rules, report the ratio of the entry level wage by gender at significant locations of operation to the minimum wage.</p> <p>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.</p> <p>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.</p> <p>d. The definition used for 'significant locations of operation'.</p>	—	Because the scope of tabulation is vast and complex, we have not disclosed these figures.
202-2	<p>Proportion of senior management hired from the local community</p> <p>a. Percentage of senior management at significant locations of operation that are hired from the local community.</p> <p>b. The definition used for 'senior management'.</p> <p>c. The organization's geographical definition of 'local'.</p> <p>d. The definition used for 'significant locations of operation'.</p>	—	Because the scope of tabulation is vast and complex, we have not disclosed these figures.

## Indirect Economic Impacts

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
203-1	<p>Infrastructure investments and services supported</p> <p>a. Extent of development of significant infrastructure investments and services supported.</p> <p>b. Current or expected impacts on communities and local economies, including positive and negative impacts where relevant.</p> <p>c. Whether these investments and services are commercial, in-kind, or pro bono engagements.</p>	<p>• Integrated Report</p>	
203-2	<p>Significant indirect economic impacts</p> <p>a. Examples of significant identified indirect economic impacts of the organization, including positive and negative impacts.</p> <p>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.</p>	<p>—</p>	<p>Because the scope of tabulation is vast and complex, we have not disclosed these figures.</p>

## Procurement Practices

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
204-1	<p>Proportion of spending on local suppliers</p> <p>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).</p> <p>b. The organization's geographical definition of 'local'.</p> <p>c. The definition used for 'significant locations of operation'.</p>	<p>—</p>	<p>Because the scope of tabulation is vast and complex, we have not disclosed these figures.</p>

## Anti-corruption

Code No.	General Standard Disclosures	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"> <li>■Sekisui Chemical Group's Sustainability</li> <li>• Identifying Key Issues</li> <li>• CSR Medium-term Plan (2017-2019) and Key Measures Concerning ESG Management (2020-2022)</li> <li>• Governance &gt; Compliance &gt; Prevention of Bribery and Corruption</li> </ul>	
205-1	<p>Operations assessed for risks related to corruption</p> <p>a. Total number and percentage of operations assessed for risks related to corruption.</p> <p>b. Significant risks related to corruption identified through the risk assessment.</p>	<ul style="list-style-type: none"> <li>■Governance&gt; Compliance</li> <li>• Prevention of Bribery and Corruption</li> <li>• Main Measures Relating to Bribery and Corruption</li> <li>• Identification of High-risk Divisions and Employee Training</li> </ul>	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
205-2	<p>Communication and training on anti-corruption policies and procedures</p> <p>a. Total number and percentage of governance body members that the organization's anticorruption 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 anticorruption 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"> <li>■ Governance &gt; Compliance</li> <li>• Identification of High-risk Divisions and Employee Training</li> <li>• List of Results Relating to Compliance Training</li> </ul>	
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"> <li>• Governance &gt; Compliance &gt; Cases of Violations in Fiscal 2019</li> </ul>	

## Anti-competitive Behavior

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
DMA (103)	Reporting management approach relating to anti-competitive behavior using "GRI 103: Management Approach"	<ul style="list-style-type: none"> <li>■ Sekisui Chemical Group's Sustainability</li> <li>• Identifying Key Issues</li> <li>• CSR Medium-term Plan (2017-2019) and Key Measures Concerning ESG Management (2020-2022)</li> <li>■ Governance &gt; Compliance</li> <li>• Our Approach to Compliance Management</li> <li>• Prevent Compliance Issues</li> <li>• Putting Compliance Management Efforts into Practice</li> </ul>	
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"> <li>• Governance &gt; Compliance &gt; Handling Measures for Antitrust Laws</li> </ul>	

## Tax

Code No.	General Standard Disclosures	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"> <li>i. whether the organization has a tax strategy and, if so, a link to this strategy if publicly available;</li> <li>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;</li> <li>iii. the approach to regulatory compliance;</li> <li>iv. how the approach to tax is linked to the business and sustainable development strategies of the organization.</li> </ul>	<ul style="list-style-type: none"> <li>• Governance &gt; Compliance &gt; Tax Compliance Initiatives</li> </ul>	
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"> <li>i. the governance body or executive-level position within the organization accountable for compliance with the tax strategy;</li> <li>ii. how the approach to tax is embedded within the organization;</li> <li>iii. the approach to tax risks, including how risks are identified, managed, and monitored;</li> <li>iv. how compliance with the tax governance and control framework is evaluated.</li> </ul> <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>	<ul style="list-style-type: none"> <li>• Governance &gt; Compliance &gt; Tax Compliance Initiatives</li> </ul>	



Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
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> <p>i. the approach to engagement with tax authorities;</p> <p>ii. the approach to public policy advocacy on tax;</p> <p>iii. the processes for collecting and considering the views and concerns of stakeholders, including external stakeholders.</p>	<ul style="list-style-type: none"> <li>• Governance &gt; Compliance &gt; Tax Compliance Initiatives</li> </ul>	
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> <p>i. Names of the resident entities;</p> <p>ii. Primary activities of the organization;</p> <p>iii. Number of employees, and the basis of calculation of this number;</p> <p>iv. Revenues from third-party sales;</p> <p>v. Revenues from intra-group transactions with other tax jurisdictions;</p> <p>vi. Profit/loss before tax;</p> <p>vii. Tangible assets other than cash and cash equivalents;</p> <p>viii. Corporate income tax paid on a cash basis;</p> <p>ix. Corporate income tax accrued on profit/loss;</p> <p>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> <p>c. The time period covered by the information reported in Disclosure 207-4.</p>	<ul style="list-style-type: none"> <li>• Sekisui Chemical Group's Sustainability &gt; Distribute Value to Stakeholders</li> </ul>	

## Materials

Code No.	General Standard Disclosures	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"> <li>■Sekisui Chemical Group's Sustainability</li> <li>• Identifying Key Issues</li> <li>• CSR Medium-term Plan (2017-2019) and Key Measures Concerning ESG Management (2020-2022)</li> <li>■Environment</li> <li>• Long-term Environmental Management Vision "Sekisui Environment Sustainability Vision 2050"</li> <li>• Previous and Future Environmental Medium-term Plan Targets</li> <li>• Environmental Management across the Supply Chain</li> <li>• Efficient Use of Resources &gt; Basic Concept</li> </ul>	
301-1	<p>Materials used by weight or volume</p> <p>a. Total weight or volume of raw materials used to produce and package the organization's major products and services during the reporting period, in accordance with the following classifications:</p> <p>i. Non-renewable raw materials used</p> <p>ii. Renewable raw materials used</p>	<ul style="list-style-type: none"> <li>• Environment &gt; Material Balance</li> </ul>	Because the scope of tabulation is vast and complex for renewable and non-renewable data, we have not disclosed these figures.

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
301-2	Proportion of recycled materials used in the production of the organization's major products and services	<ul style="list-style-type: none"> <li>■Environment</li> <li>• Efficient Use of Resources &gt; Recycling Construction Materials</li> <li>• Efficient Use of Resources &gt; Performance Data</li> <li>• Conserving the Environment ~Biodiversity~ &gt; Procurement of Sustainable Raw Materials</li> </ul>	Because the scope of tabulation is vast and complex for ratios, we have not disclosed these figures.
301-3	Recycled products and packaging materials a. Proportion of recycled products and packaging materials by product category. b. How the data for this disclosure have been collected.	<ul style="list-style-type: none"> <li>■Environment</li> <li>• Efficient Use of Resources &gt; Social Responsibility Regarding Waste</li> <li>• Efficient Use of Resources &gt; Reducing Packaging Materials</li> <li>• Efficient Use of Resources &gt; Efforts to Use Raw Materials for Product Cut Scraps</li> <li>• Conserving the Environment ~Biodiversity~ &gt; Procurement of Sustainable Raw Materials</li> </ul>	Because the scope of tabulation is vast and complex for ratios and other data, we have not disclosed these figures.

## Energy

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
DMA (103)	Reporting management approach relating to energy using "GRI 103: Management Approach"	<ul style="list-style-type: none"> <li>■ Sekisui Chemical Group's Sustainability</li> <li>• Identifying Key Issues</li> <li>• CSR Medium-term Plan (2017-2019) and Key Measures Concerning ESG Management (2020-2022)</li> <li>■ Environment</li> <li>• Long-term Environmental Management Vision "SEKISUI Environment Sustainability Vision 2050"</li> <li>• Previous and Future Environmental Medium-term Plan Targets</li> <li>• Environmental Management across the Supply Chain</li> <li>• Climate Change &gt; Basic Concept</li> <li>• Climate Change &gt; Combating Climate Change</li> </ul>	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
302-1	<p>Energy consumption within the organization</p> <p>a. Total fuel consumption from non-renewable sources in joules or multiples, including fuel types used.</p> <p>b. Total fuel consumption from renewable fuel sources in joules or multiples, including fuel types used.</p> <p>c. Report in joules, watt-hours or multiples, the total:</p> <p>i. Electricity consumption</p> <p>ii. Heating consumption</p> <p>iii. Cooling consumption</p> <p>iv. Steam consumption</p> <p>d. Report in joules, watt-hours or multiples, the total:</p> <p>i. Electricity sold</p> <p>ii. Heating sold</p> <p>iii. Cooling sold</p> <p>iv. Steam sold</p> <p>e. Total energy consumption in joules or multiples.</p> <p>f. Standards, methods, assumptions, and calculation tools used.</p> <p>g. Source of the conversion factors used.</p>	<p>■Environment</p> <ul style="list-style-type: none"> <li>• Climate Change &gt; Renewable Energy Use</li> <li>• Climate Change &gt; Performance Data</li> <li>• Material Balance</li> </ul>	<p>Because the scope of tabulation is vast and complex for some data, we have not disclosed these figures.</p>
302-2	<p>Energy consumption outside of the organization</p> <p>a. Energy consumed outside of the organization, in joules or multiples.</p> <p>b. Standards, methods, assumptions, and calculation tools used.</p> <p>c. Source of the conversion factors used.</p>	—	<p>We regard that monitoring the amount of energy used in supply chains (Scope 3) is an issue which we must consider and deal with.</p>
302-3	<p>Energy intensity</p> <p>a. Energy intensity ratio for the organization.</p> <p>b. Organization-specific metric (the ratio denominator) chosen to calculate the ratio.</p> <p>c. Types of energy included in the intensity ratio: fuel, electricity, heating, cooling, steam, or all.</p> <p>d. Whether the ratio uses energy consumed within the organization, outside of it or both.</p>	<ul style="list-style-type: none"> <li>• Environment &gt; Climate Change &gt; Performance Data</li> </ul>	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
302-4	<p>Reduction of energy consumption</p> <p>a. Amount of reductions in energy consumption achieved as a direct result of conservation and efficiency initiatives, in joules or multiples.</p> <p>b. Types of energy included in the reductions: fuel, electricity, heating, cooling, steam, or all.</p> <p>c. Basis for calculating reductions in energy consumption such as base year or baseline, and the rationale for choosing it.</p> <p>d. Standards, methods, assumptions, and calculation tools used.</p>	<p>■Environment</p> <ul style="list-style-type: none"> <li>• Climate Change &gt; Combating Climate Change</li> <li>• Climate Change &gt; Energy Savings from Newly Constructed Building</li> <li>• Climate Change &gt; Performance Data</li> </ul>	
302-5	<p>Reductions in energy requirements of products and services</p> <p>a. Reductions in the energy requirements of sold products and services achieved during the reporting period, in joules or multiples.</p> <p>b. Basis for calculating reductions in energy consumption such as base year or baseline, and the rationale for choosing it.</p> <p>c. Standards, methods, assumptions, and calculation tools used.</p>	<p>■Environment</p> <ul style="list-style-type: none"> <li>• Combating Climate Change &gt; Greenhouse Gases emissions at the Supply Chain Stage (SCOPE 3)</li> <li>• Products to Enhance Sustainability</li> </ul>	

## Water Resources

Code No.	General Standard Disclosures	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"> <li>■Sekisui Chemical Group's Sustainability</li> <li>• Identifying Key Issues</li> <li>• CSR Medium-term Plan (2017-2019) and Key Measures Concerning ESG Management (2020-2022)</li> <li>■Environment</li> <li>• Long-term Environmental Management Vision "Sekisui Environment Sustainability Vision 2050"</li> <li>• Previous and Future Environmental Medium-term Plan Targets</li> <li>• Environmental Management across the Supply Chain</li> <li>• Conservation of Water Resources &gt; Basic Concept</li> <li>• Conservation of Water Resources &gt; Risks Identified, Their Potential Impact on Operations, and Strategies for Mitigation</li> <li>• Conservation of Water Resources &gt; Roadmap</li> <li>• Conservation of Water Resources &gt; Assessment of Water-related Risks</li> <li>• Conservation of Water Resources &gt; Impact on Water-related Risks on Business</li> <li>• Conservation of Water Resources &gt; Activity Policy and Reduction Targets</li> </ul>	



Code No.	General Standard Disclosures	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"> <li>■Environment &gt; Conservation of Water Resources</li> <li>• Risks Identified, Their Potential Impact on Operations, and Strategies for Mitigation</li> <li>• Roadmap</li> <li>• Assessment of Water-related Risks</li> <li>• Impact on Water-related Risks on Business</li> </ul>	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
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> <p>i. how standards for facilities operating in locations with no local discharge requirements were determined;</p> <p>ii. any internally developed water quality standards or guidelines;</p> <p>iii. any sector-specific standards considered;</p> <p>iv. whether the profile of the receiving waterbody was considered.</p>	<p>■Environment</p> <ul style="list-style-type: none"> <li>• Conservation of Water Resources &gt; Assessment of Water-related Risks</li> <li>• Conservation of Water Resources &gt; Impact on Water-related Risks on Business</li> <li>• Conservation of Water Resources &gt; Risks Identified, Their Potential Impact on Operations, and Strategies for Mitigation</li> <li>• Conservation of Water Resources &gt; Activity Policy and Reduction Targets</li> <li>• Conservation of Water Resources &gt; Reduce the Amount of Water Intake Volume, and Discharged Water Chemical Oxygen Demand (COD) Volume</li> <li>• Conservation of Water Resources &gt; Ongoing Monitoring of Water Risks</li> <li>• Conserving the Environment ~Biodiversity~ &gt; Wastewater WET</li> </ul>	

Code No.	General Standard Disclosures	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> <ol style="list-style-type: none"> <li>i. Surface water;</li> <li>ii. Groundwater;</li> <li>iii. Seawater;</li> <li>iv. Produced water;</li> <li>v. Third-party water.</li> </ol> <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> <ol style="list-style-type: none"> <li>i. Surface water;</li> <li>ii. Groundwater;</li> <li>iii. Seawater;</li> <li>iv. Produced water;</li> <li>v. Third-party water, and a breakdown of this total by the withdrawal sources listed in i-iv.</li> </ol> <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> <ol style="list-style-type: none"> <li>i. Freshwater (<math>\leq</math> 1,000mg/L Total Dissolved Solids);</li> <li>ii. Other water (<math>&gt;</math> 1,000mg/L Total Dissolved Solids).</li> </ol> <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"> <li>■ Environment</li> <li>• Conservation of Water Resources &gt; Performance Data</li> <li>• Material Balance</li> </ul>	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
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> <p>i. Surface water;</p> <p>ii. Groundwater;</p> <p>iii. Seawater;</p> <p>iv. Third-party water, and the volume of this total sent for use to other organizations, if applicable.</p> <p>b. A breakdown of total water discharge to all areas in megaliters by the following categories:</p> <p>i. Freshwater (<math>\leq 1,000</math> mg/L Total Dissolved Solids);</p> <p>ii. Other water (<math>&gt; 1,000</math> mg/L Total Dissolved Solids).</p> <p>c. Total water discharge to all areas with water stress in megaliters, and a breakdown of this total by the following categories:</p> <p>i. Freshwater (<math>\leq 1,000</math> mg/L Total Dissolved Solids);</p> <p>ii. Other water (<math>&gt; 1,000</math> mg/L Total Dissolved Solids).</p> <p>d. Priority substances of concern for which discharges are treated, including:</p> <p>i. how priority substances of concern were defined, and any international standard, authoritative list, or criteria used;</p> <p>ii. the approach for setting discharge limits for priority substances of concern;</p> <p>iii. number of incidents of non-compliance with discharge limits.</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>■Environment</p> <ul style="list-style-type: none"> <li>• Conservation of Water Resources &gt; Impact on Water-related Risks on Business</li> <li>• Conservation of Water Resources &gt; Reduce the Amount of Water Intake Volume, and Discharged Water Chemical Oxygen Demand (COD) Volume</li> <li>• Conservation of Water Resources &gt; Ongoing Monitoring of Water Risks</li> <li>• Conservation of Water Resources &gt; Water Recycling</li> <li>• Conservation of Water Resources &gt; Performance Data</li> <li>• Conserving the Environment ~Biodiversity~ &gt; Wastewater WET</li> <li>• Material Balance</li> </ul>	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
303-5	<p>Water consumption</p> <p>a. Total water consumption from all areas in megaliters.</p> <p>b. Total water consumption from all areas with water stress in megaliters.</p> <p>c. Change in water storage in megaliters, if water storage has been identified as having a significant water-related impact.</p> <p>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.</p>	<ul style="list-style-type: none"> <li>• Environment &gt; Conservation of Water Resources &gt; Performance Data</li> </ul>	

## Biodiversity

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
DMA (103)	<p>Reporting management approach relating to biodiversity using "GRI 103: Management Approach"</p>	<ul style="list-style-type: none"> <li>■ Sekisui Chemical Group's Sustainability</li> <li>• Identifying Key Issues</li> <li>■ Environment</li> <li>• Long-term Environmental Management Vision "SEKISUI Environment Sustainability Vision 2050"</li> <li>• Previous and Future Environmental Medium-term Plan Targets</li> <li>• Environmental Management across the Supply Chain</li> <li>• Conserving the Environment</li> <li>~Biodiversity~ &gt; Basic Concept</li> </ul>	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
304-1	<p>Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas</p> <p>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:</p> <ul style="list-style-type: none"> <li>i. Geographic location</li> <li>ii. Subsurface and underground land that may be owned, leased, or managed by the organization</li> <li>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</li> <li>iv. Type of operation (office, manufacturing or production, or extractive)</li> <li>v. Size of operational site in km2 (or another unit, if appropriate)</li> <li>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)</li> <li>vii. Biodiversity value characterized by listing of protected status (such as IUCN Protected Area Management Categories, Ramsar Convention, national legislation)</li> </ul>	—	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
304-2	<p>Significant impacts of activities, products, and services on biodiversity</p> <p>a. Nature of significant direct and indirect impacts on biodiversity with reference to one or more of the following:</p> <p>i. Construction or use of manufacturing plants, mines, and transport infrastructure</p> <p>ii. Pollution (introduction of substances that do not naturally occur in the habitat from point and non-point sources)</p> <p>iii. Introduction of invasive species, pests, and pathogens</p> <p>iv. Reduction of species</p> <p>v. Habitat conversion</p> <p>vi. Changes in ecological processes outside the natural range of variation (such as salinity or changes in groundwater level)</p> <p>b. Significant direct and indirect positive and negative impacts with reference to the following:</p> <p>i. Species affected</p> <p>ii. Extent of areas impacted</p> <p>iii. Duration of impacts</p> <p>iv. Reversibility or irreversibility of the impacts</p>	<p>■Environment</p> <ul style="list-style-type: none"> <li>• Efficient Use of Resources &gt; Social Responsibility Regarding Waste</li> <li>• Conservation of Water Resources &gt; Impact on Water-related Risks on Business</li> <li>• Conservation of Water Resources &gt; Ongoing Monitoring of Water Risks</li> <li>• Conserving the Environment ~Biodiversity~ &gt; Wastewater WET</li> <li>• Environmental Impact Assessment</li> </ul>	<p>Because the scope is vast for some information, we have not disclosed all figures. This is an issue we must consider and deal with in the future.</p>
304-3	<p>Habitats protected or restored</p> <p>a. Size and location of all habitat protected areas or restored areas, and whether the success of the restoration measure was or is approved by independent external professionals.</p> <p>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.</p> <p>c. Status of each area based on its condition at the close of the reporting period.</p> <p>d. Standards, methods, and assumptions used.</p>	<p>■Environment &gt; Conserving the Environment ~Biodiversity~</p> <ul style="list-style-type: none"> <li>• Initiatives to Improve Green Space Quality</li> <li>• Examples of Corporate Collaboration Biodiversity Preservation Activities</li> <li>• Promoting Biodiversity in the Housing Business</li> <li>• Preservation Activities Linked to the Local Society</li> <li>• Cooperation with External Organizations</li> </ul>	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
304-4	<p>IUCN Red List species and national conservation list species with habitats in areas affected by operations</p> <p>a. List species and national conservation list species with habitats in areas affected by the operations of the organization, by level of extinction risk:</p> <ul style="list-style-type: none"> <li>i. Critically endangered IA (CR)</li> <li>ii. Endangered IB (EN)</li> <li>iii. Vulnerable II (VU)</li> <li>iv. Near threatened (NT)</li> <li>v. Least concern</li> </ul>	—	



## Emissions

Code No.	General Standard Disclosures	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"> <li>■Sekisui Chemical Group's Sustainability</li> <li>• Identifying Key Issues</li> <li>■Environment</li> <li>• Long-term Environmental Management Vision "SEKISUI Environment Sustainability Vision 2050"</li> <li>• Previous and Future Environmental Medium-term Plan Targets</li> <li>• Environmental Management across the Supply Chain</li> <li>• Climate Change &gt; Basic Concept</li> <li>• Climate Change &gt; Combating Climate Change</li> <li>• Climate Change &gt; Climate Change and our Business</li> <li>• Chemical Substance Management &gt; Basic Concept</li> </ul>	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
305-1	<p>Direct greenhouse gas (GHG) emissions (Scope 1)</p> <p>a. Gross direct (Scope 1) GHG emissions in metric tons of CO<sub>2</sub> equivalent.</p> <p>b. Gases included in the calculation (whether CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>, NF<sub>3</sub>, or all)</p> <p>c. Biogenic CO<sub>2</sub> emissions in metric tons of CO<sub>2</sub> equivalent.</p> <p>d. Base year for the calculation, if applicable, including:</p> <p>i. The rationale for choosing the base year</p> <p>ii. Emissions in the base year</p> <p>iii. The context for any significant changes in emissions that triggered recalculations of base year emissions</p> <p>e. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source.</p> <p>f. Consolidation approach for emissions (equity share, financial control, or operational control).</p> <p>g. Standards, methods, assumptions, and calculation tools used.</p>	<p>■Environment</p> <ul style="list-style-type: none"> <li>• Climate Change &gt; Performance Data</li> <li>• Material Balance</li> </ul>	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
305-2	<p>Indirect greenhouse gas (GHG) emissions (Scope 2)</p> <p>a. Gross location-based energy indirect (Scope 2) GHG emissions in metric tons of CO<sub>2</sub> equivalent.</p> <p>b. If applicable, gross market-based energy indirect (Scope 2) GHG emissions in metric tons of CO<sub>2</sub> equivalent.</p> <p>c. If available, the gases included in the calculation; whether CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>, NF<sub>3</sub>, or all.</p> <p>d. Base year for the calculation, if applicable, including:</p> <p>i. The rationale for choosing the base year</p> <p>ii. Emissions in the base year</p> <p>iii. The context for any significant changes in emissions that triggered recalculations of base year emissions</p> <p>e. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source.</p> <p>f. Consolidation approach for emissions; whether equity share, financial control, or operational control.</p> <p>g. Standards, methods, assumptions, and calculation tools used.</p>	<ul style="list-style-type: none"> <li>• Environment &gt; Climate Change &gt; Performance Data</li> </ul>	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
305-3	<p>Other indirect greenhouse gas (GHG) emissions (Scope 3)</p> <p>a. Gross other indirect (Scope 3) GHG emissions in metric tons of CO<sub>2</sub> equivalent.</p> <p>b. If available, the gases included in the calculation whether CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>, NF<sub>3</sub>, or all.</p> <p>c. Biogenic CO<sub>2</sub> emissions in metric tons of CO<sub>2</sub> equivalent.</p> <p>d. Other indirect (Scope 3) GHG emissions categories and activities included in the calculation.</p> <p>e. Base year for the calculation, if applicable, including:</p> <p>i. The rationale for the base year</p> <p>ii. Emissions in the base year</p> <p>iii. The context for any significant changes in emissions that triggered recalculations of base year emissions.</p> <p>f. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source.</p> <p>g. Standards, methods, assumptions, and calculation tools used.</p>	<p>■Environment &gt; Climate Change</p> <ul style="list-style-type: none"> <li>• Greenhouse Gases emissions at the Supply Chain Stage (SCOPE 3)</li> <li>• Performance Data</li> </ul>	
305-4	<p>Greenhouse gas (GHG) emissions intensity</p> <p>a. GHG emissions intensity ratio for the organization.</p> <p>b. Organization-specific metric (the denominator) chosen to calculate the ratio.</p> <p>c. Types of GHG emissions included in the intensity ratio; whether direct (Scope 1), energy indirect (Scope 2), and / or other indirect (Scope 3).</p> <p>d. Gases included in the calculation whether CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>, NF<sub>3</sub>, or all.</p>	<ul style="list-style-type: none"> <li>• Environment &gt; Climate Change &gt; Performance Data</li> </ul>	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
305-5	<p>Reduction of greenhouse gas (GHG) emissions</p> <p>a. GHG emissions reduced as a direct result of reduction initiatives, in metric tons of CO<sub>2</sub> equivalent.</p> <p>b. Gases included in the calculation whether CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>, NF<sub>3</sub>, or all.</p> <p>c. Base year or baseline, including the rationale for choosing it.</p> <p>d. Scopes in which reductions took place; whether direct (Scope 1), energy indirect (Scope 2), and / or other indirect (Scope 3).</p> <p>e. Standards, methods, assumptions, and calculation tools used.</p>	<ul style="list-style-type: none"> <li>■Environment &gt; Climate Change</li> <li>• Acquisition of SBT Certification</li> <li>• Environment-contributing Investments</li> <li>• Performance Data</li> </ul>	
305-6	<p>Emissions of Ozone-Depleting Substances (ODS)</p> <p>a. Production, imports, and exports of ODS in metric tons of CFC-11 (trichlorofluoromethane) equivalent.</p> <p>b. Substances included in the calculation.</p> <p>c. Source of the emission factors used.</p> <p>d. Standards, methods, assumptions, and calculation tools used.</p>	<ul style="list-style-type: none"> <li>■Environment &gt; Chemical Substance Management</li> <li>• Controlling VOC Emissions</li> <li>• Disposal and Storage of Devices Containing PCBs and Management of Equipment That Uses Fluorocarbons</li> </ul>	
305-7	<p>Nitrogen oxide (NO<sub>x</sub>), sulfur oxide SO<sub>x</sub>, and other critical atmospheric emissions</p> <p>a. Significant air emissions, in kilograms or multiples, for each of the following:</p> <ol style="list-style-type: none"> <li>i. NO<sub>x</sub></li> <li>ii. SO<sub>x</sub></li> <li>iii. Persistent organic pollutants (POP)</li> <li>iv. Volatile organic compounds (VOC)</li> <li>v. Hazardous air pollutants (HAP)</li> <li>vi. Particulate matter (PM)</li> <li>vii. Other standard categories of air emissions identified in relevant regulations</li> </ol> <p>b. Source of the emission factors used.</p> <p>c. Standards, methods, assumptions, and calculation tools used.</p>	<ul style="list-style-type: none"> <li>■Environment</li> <li>• Chemical Substance Management &gt; Performance Data</li> <li>• Material Balance</li> </ul>	

## Effluents and Waste

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
DMA (103)	Reporting management approach relating to effluents and waste using "GRI 103: Management Approach"	<ul style="list-style-type: none"> <li>■Sekisui Chemical Group's Sustainability</li> <li>• Identifying Key Issues</li> <li>• CSR Medium-term Plan (2017-2019) and Key Measures Concerning ESG Management (2020-2022)</li> <li>■Environment</li> <li>• Long-term Environmental Management Vision "SEKISUI Environment Sustainability Vision 2050"</li> <li>• Previous and Future Environmental Medium-term Plan Targets</li> <li>• Environmental Management across the Supply Chain</li> <li>• Efficient Use of Resources &gt; Basic Concept</li> <li>• Conservation of Water Resources &gt; Basic Concept</li> <li>• Conservation of Water Resources &gt; Risks Identified, Their Potential Impact on Operations, and Strategies for Mitigation</li> <li>• Conservation of Water Resources &gt; Roadmap</li> <li>• Conservation of Water Resources &gt; Assessment of Water-related Risks</li> <li>• Conservation of Water Resources &gt; Impact on Water-related Risks on Business</li> <li>• Conservation of Water Resources &gt; Activity Policy and Reduction Targets</li> </ul>	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
306-1	<p>Water discharge by quality and destination</p> <p>a. Total volume of planned and unplanned water discharges by:</p> <ol style="list-style-type: none"> <li>i. Destination</li> <li>ii. Quality of the water, including treatment method</li> <li>iii. Whether it was reused by another organization</li> </ol> <p>b. Standards, methods, and assumptions used.</p>	<p>■Environment</p> <ul style="list-style-type: none"> <li>• Conservation of Water Resources &gt; Ongoing Monitoring of Water Risks</li> <li>• Conservation of Water Resources &gt; Water Recycling</li> <li>• Conservation of Water Resources &gt; Performance Data</li> <li>• Conserving the Environment ~Biodiversity~ &gt; Wastewater WET</li> </ul>	
306-2	<p>Waste by type and disposal method</p> <p>a. Total weight of hazardous waste, by the following disposal methods:</p> <ol style="list-style-type: none"> <li>i. Reuse</li> <li>ii. Recycling</li> <li>iii. Composting</li> <li>iv. Recovery, including energy recovery</li> <li>v. Incineration (mass burn)</li> <li>vi. Deep well injection</li> <li>vii. Landfill</li> <li>viii. On-site storage</li> <li>ix. Other (to be specified by the organization)</li> </ol> <p>b. Total weight of non-hazardous waste, by the following disposal methods:</p> <ol style="list-style-type: none"> <li>i. Reuse</li> <li>ii. Recycling</li> <li>iii. Composting</li> <li>iv. Recovery, including energy recovery</li> <li>v. Incineration (mass burn)</li> <li>vi. Deep well injection</li> <li>vii. Landfill</li> <li>viii. On-site storage</li> <li>ix. Other (to be specified by the organization)</li> </ol> <p>c. How the waste disposal method has been determined:</p> <ol style="list-style-type: none"> <li>i. Disposed of directly by the organization or otherwise directly confirmed</li> <li>ii. Information provided by the waste disposal contractor</li> <li>iii. Organizational defaults of the waste disposal contractor</li> </ol>	<p>■Environment</p> <ul style="list-style-type: none"> <li>• Efficient Use of Resources &gt; Performance Data</li> <li>• Chemical Substance Management &gt; Performance Data</li> <li>• Material Balance</li> </ul>	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
306-3	<p>Significant spills</p> <p>a. Total number and total volume of recorded significant spills.</p> <p>b. The following additional information for each spill that was reported in the organization's financial statements:</p> <p>i. Location of spill</p> <p>ii. Volume of spill</p> <p>iii. Material of spill, categorized by: oil spills (soil or water surfaces), fuel spills (soil or water surfaces), spills of wastes (soil or water surfaces), spills of chemicals (mostly soil or water surfaces), and other (to be specified by the organization).</p> <p>c. The impacts of significant spills.</p>	Not applicable for the fiscal year under review	
306-4	<p>Transportation of hazardous waste</p> <p>a. Total weight for each of the following:</p> <p>i. Hazardous waste transported</p> <p>ii. Hazardous waste imported</p> <p>iii. Hazardous waste exported</p> <p>iv. Hazardous waste treated</p> <p>b. Percentage of hazardous waste shipped internationally.</p> <p>c. Standards, methods, and assumptions used.</p>	<ul style="list-style-type: none"> <li>• Environment &gt; Chemical Substance Management &gt; Performance Data</li> </ul>	
306-5	<p>Water bodies affected by water discharges and / or runoff</p> <p>a. Water bodies and related habitats that are significantly affected by water discharges and / or runoff, including information on:</p> <p>i. Size of water body and related habitat</p> <p>ii. Whether the water body and related habitat is designated as a protected area (nationally or internationally)</p> <p>iii. Biodiversity value (such as total number of protected species)</p>	—	Because there are a vast number of business sites and data collection is difficult, we have not disclosed these figures.



## Environmental Compliance

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
DMA (103)	Reporting management approach relating to compliance with laws and regulations concerning the environment using "GRI 103: Management Approach"	<ul style="list-style-type: none"> <li>• Sekisui Chemical Group's Sustainability &gt; Identifying Key Issues</li> <li>• Environment &gt; Environmental Management System &gt; Complying with Environmental Laws and Regulations</li> </ul>	
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 laws or regulations, a brief statement of this fact is sufficient.</p>	<p>Environment &gt; Environmental Management System &gt; Complying with Environmental Laws and Regulations</p>	

## Assessments of Suppliers in Environmental Terms

Code No.	General Standard Disclosures	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"> <li>• Sekisui Chemical Group's Sustainability &gt; Identifying Key Issues</li> <li>• Environment &gt; Environmental Management System &gt; Environmental Management across the Supply Chain</li> </ul>	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
308-1	<p>New suppliers that were screened using environmental criteria</p> <p>Percentage of new suppliers that were screened using environmental criteria.</p>	<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.</p>	
308-2	<p>Negative environmental impacts in the supply chain and actions taken</p> <p>a. Number of suppliers subject to environmental impact assessments.</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>	—	<p>Because each Company has different suppliers and data collection is difficult, we have not disclosed these figures.</p>

## Employment

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
DMA (103)	Reporting management approach relating to employment using "GRI 103: Management Approach"	<ul style="list-style-type: none"> <li>■Sekisui Chemical Group's Sustainability</li> <li>• Identifying Key Issues</li> <li>• CSR Medium-term Plan (2017-2019) and Key Measures Concerning ESG Management (2020-2022)</li> <li>■Human Resources</li> <li>• Our Philosophy</li> <li>• Diversity Management &gt; Formulated a Diversity Management Policy</li> <li>• Diversity Management &gt; Created a Statement of Work Style Reform</li> <li>• Building a Diverse Organizational Structure &gt; Organization-wide Initiatives</li> <li>• Building a Diverse Organizational Structure &gt; Diversity Management Promotional Structure</li> <li>• Allowing Diverse Human Resources to Excel &gt; Basic Concept</li> <li>• Basis for Fostering Personnel</li> </ul>	
401-1	<p>New employee hires and employee turnover</p> <p>a. Total number and rate of new employee hires during the reporting period, by age group, gender and region.</p> <p>b. Total number and rate of employee turnover during the reporting period, by age group, gender and region.</p>	<ul style="list-style-type: none"> <li>■Human Resources</li> <li>• Basis for Fostering Personnel &gt; Performance Data</li> <li>• Data on Employees</li> </ul>	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
401-2	<p>Benefits provided to full-time employees that are not provided to temporary or part-time employees</p> <p>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:</p> <ol style="list-style-type: none"> <li>i. Life insurance</li> <li>ii. Healthcare</li> <li>iii. Disability and invalidity coverage</li> <li>iv. Parental leave</li> <li>v. Retirement provision</li> <li>vi. Stock ownership</li> <li>vii. Others</li> </ol> <p>b. The definition used for 'significant locations of operation'.</p>	<ul style="list-style-type: none"> <li>• Human Resources &gt; Basis for Fostering Personnel &gt; Benefits</li> <li>*Significant locations of operation are defined for "Sekisui Chemical" on a non-consolidated basis</li> </ul>	
401-3	<p>Parental leave</p> <ol style="list-style-type: none"> <li>a. Total number of employees that were entitled to parental leave, by gender.</li> <li>b. Total number of employees that took parental leave, by gender.</li> <li>c. Total number of employees who returned to work in the reporting period after parental leave ended, by gender.</li> <li>d. Total number of employees who returned to work after parental leave ended who were still employed twelve months after their return to work, by gender.</li> <li>e. Return to work and retention rates of employees who took parental leave, by gender.</li> </ol>	<ul style="list-style-type: none"> <li>• Human Resources &gt; Allowing Diverse Human Resources to Excel &gt; Main Systems Allowing Various Workstyles and Their Use</li> </ul>	

## Labor > Management Relations

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
402-1	<p>Minimum notice periods regarding operational changes</p> <p>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.</p> <p>b. For organizations with collective bargaining agreements, report whether the notice period and provisions for consultation and negotiation are specified in collective agreements.</p>	<ul style="list-style-type: none"> <li>• Human Resources &gt; Workplace Environment &gt; Notifications of Major HR-related Changes</li> </ul>	

## Occupational Health and Safety

Code No.	General Standard Disclosures	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"> <li>■Sekisui Chemical Group's Sustainability</li> <li>• Identifying Key Issues</li> <li>• CSR Medium-term Plan (2017-2019) and Key Measures Concerning ESG Management (2020-2022)</li> <li>■Governance &gt; Safety</li> <li>• Basic Concept</li> <li>• Activity Policy and Promotion System</li> <li>• Safety Audits</li> <li>• Occupational Safety Assessments</li> <li>• Safety Management Along Supply Chains</li> </ul>	
403-1	<p>Occupational Health and Safety Management System</p> <p>a. A statement of whether an occupational health and safety management system has been implemented, including whether</p> <ol style="list-style-type: none"> <li>i. the system has been implemented because of legal requirements and, if so, a list of the requirements;</li> <li>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.</li> </ol> <p>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.</p>	<ul style="list-style-type: none"> <li>■Governance &gt; Safety</li> <li>• Activity Policy and Promotion System</li> <li>• Occupational Safety Committee Held</li> </ul>	

Code No.	General Standard Disclosures	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"> <li>■ Governance &gt; Safety</li> <li>• Occupational Safety Assessments</li> <li>• Review of Equipment Safety Standards</li> <li>• Early Detection of Risks</li> <li>• Measures to Prevent Fires and Explosions</li> </ul>	
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"> <li>■ Governance &gt; Safety</li> <li>• Example in Safety Activities</li> <li>• Review of Equipment Safety Standards</li> <li>• Early Detection of Risks</li> <li>• Safety &amp; Environment Conference and Safety Awards</li> <li>• Measures to Prevent Fires and Explosions</li> </ul>	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
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"> <li>• Governance &gt; Safety &gt; Occupational Safety Committee Held</li> </ul>	
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"> <li>■ Governance &gt; Safety</li> <li>• Development of Human Resources to Take the Initiative in Safety Activities</li> <li>• Emergency Response Measures</li> <li>• Safety Management Along Supply Chains</li> </ul>	
403-6	<p>Promotion of worker health</p> <p>a. An explanation of how the organization facilitates workers' access to non-occupational medical and healthcare services, and the scope of access provided.</p> <p>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.</p>	<ul style="list-style-type: none"> <li>■ Human Resources</li> <li>• Workplace Environment &gt; Health Management</li> <li>• Workplace Environment &gt; Stress Checks</li> <li>• Workplace Environment &gt; Successful case studies of workplace environment improvements</li> </ul>	



Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
403-7	<p>Prevention and mitigation of occupational health and safety impacts directly linked by business relationships</p> <p>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.</p>	<p>■Governance &gt; Safety</p> <ul style="list-style-type: none"> <li>• Occupational Safety Committee Held</li> <li>• Deployment of Basic Safety Principles</li> <li>• Overseas Business Site Safety Audits</li> <li>• Human Resources &gt; Workplace Environment &gt; Regulation of Long Working Hours</li> </ul>	
403-8	<p>Workers covered by an occupational health and safety management system</p> <p>a. If the organization has implemented an occupational health and safety management system based on legal requirements and/or recognized standards/guidelines:</p> <ul style="list-style-type: none"> <li>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;</li> <li>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;</li> <li>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.</li> </ul> <p>b. Whether and, if so, why any workers have been excluded from this disclosure, including the types of worker excluded.</p> <p>c. 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"> <li>• Governance &gt; Safety &gt; Activity Policy and Promotion System</li> <li>• Governance &gt; Safety &gt; Occupational Safety Committee Held</li> </ul>	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
403-9	<p>Work-related injuries</p> <p>a. For all employees:</p> <ul style="list-style-type: none"> <li>i. The number and rate of fatalities as a result of work-related injury;</li> <li>ii. The number and rate of high-consequence work-related injuries (excluding fatalities);</li> <li>iii. The number and rate of recordable work-related injuries;</li> <li>iv. The main types of work-related injury;</li> <li>v. The number of hours worked.</li> </ul> <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"> <li>i. The number and rate of fatalities as a result of work-related injury;</li> <li>ii. The number and rate of high-consequence work-related injuries (excluding fatalities);</li> <li>iii. The number and rate of recordable work-related injuries;</li> <li>iv. The main types of work-related injury;</li> <li>v. The number of hours worked.</li> </ul> <p>c. The work-related hazards that pose a risk of high-consequence injury, including:</p> <ul style="list-style-type: none"> <li>i. how these hazards have been determined;</li> <li>ii. which of these hazards have caused or contributed to high-consequence injuries during the reporting period;</li> <li>iii. actions taken or underway to eliminate these hazards and minimize risks using the hierarchy of controls.</li> </ul> <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>	<ul style="list-style-type: none"> <li>• Governance &gt; Safety &gt; Performance Data</li> </ul>	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
403-10	<p>Work-related ill health</p> <p>a. For all employees:</p> <p>i. The number of fatalities as a result of work-related ill health;</p> <p>ii. The number of cases of recordable work-related ill health;</p> <p>iii. The main types of work-related ill health.</p> <p>b. For all workers who are not employees but whose work and/or workplace is controlled by the organization:</p> <p>i. The number of fatalities as a result of work-related ill health;</p> <p>ii. The number of cases of recordable work-related ill health;</p> <p>iii. The main types of work-related ill health.</p> <p>c. The work-related hazards that pose a risk of ill health, including:</p> <p>i. how these hazards have been determined;</p> <p>ii. which of these hazards have caused or contributed to cases of ill health during the reporting period;</p> <p>iii. actions taken or underway to eliminate these hazards and minimize risks using the hierarchy of controls.</p> <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>	<ul style="list-style-type: none"> <li>• Governance &gt; Safety &gt; Performance Data</li> </ul>	

## Training and Education

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
DMA (103)	Reporting management approach relating to personnel development using "GRI 103: Management Approach"	<ul style="list-style-type: none"> <li>■Sekisui Chemical Group's Sustainability</li> <li>• Identifying Key Issues</li> <li>• CSR Medium-term Plan (2017-2019) and Key Measures Concerning ESG Management (2020-2022)</li> <li>■Human Resources &gt; Basis for Fostering Personnel</li> <li>• Basic Concept</li> <li>• Medium-term Plan</li> </ul>	
404-1	<p>Average hours of training per year per employee</p> <p>a. Average hours of training that the organization's employees have undertaken during the reporting period, by:</p> <p>i. Gender</p> <p>ii. Employee category</p>	<ul style="list-style-type: none"> <li>■Human Resources &gt; Basis for Fostering Personnel</li> <li>• Training Systems to Support Our Businesses</li> <li>• Performance Data</li> </ul>	

Code No.	General Standard Disclosures	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>	<ul style="list-style-type: none"> <li>■ Human Resources &gt; <ul style="list-style-type: none"> <li>Allowing Diverse Human Resources to Excel</li> <li>• Allowing Diverse Human Resources to Excel (Depending on the Individual Career Orientation)</li> <li>• Developing Business Leaders</li> <li>• Follow-up Training for New, Mid-career Employees</li> <li>• Support System for Diverse Career Paths</li> <li>• Performance Data</li> <li>• Allowing Diverse Human Resources to Excel (Gender)</li> <li>• New Female Hire Assignment Support Seminars</li> <li>• Female Subordinate Management Seminar</li> <li>• Fostering Women's Candidacy for Management Positions</li> <li>• Allowing Diverse Human Resources to Excel (Age)</li> <li>• Retaining and Utilizing Young Employees</li> <li>• Promote the Active Participation of Seniors</li> <li>• Career Plan Training by Age (Sekisui Chemical Group)</li> <li>• Allowing Diverse Human Resources to Excel (Global)</li> <li>• Developing Personnel Who Can Succeed on the Global Stage</li> <li>• Global Talent Employee System</li> <li>• Global Trainee Program</li> </ul> </li> </ul>	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
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>	<ul style="list-style-type: none"> <li>Human Resources &gt; Basis for Fostering Personnel &gt; Periodic Evaluation of Individual Performance and Career Development</li> </ul>	

## Diversity and Equal Opportunity

Code No.	General Standard Disclosures	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"> <li>■Sekisui Chemical Group's Sustainability</li> <li>• Identifying Key Issues</li> <li>• CSR Medium-term Plan (2017-2019) and Key Measures Concerning ESG Management (2020-2022)</li> <li>• Governance               <ul style="list-style-type: none"> <li>&gt; Corporate Governance &gt; Board of Directors</li> </ul> </li> <li>■Human Resources</li> <li>• Our Philosophy</li> <li>• Diversity Management               <ul style="list-style-type: none"> <li>&gt; Formulated a Diversity Management Policy</li> <li>&gt; Created a Statement of Work Style Reform</li> </ul> </li> <li>• Building a Diverse Organizational Structure &gt; Organization-wide Initiatives</li> <li>• Building a Diverse Organizational Structure &gt; Diversity Management Promotional Structure</li> <li>• Allowing Diverse Human Resources to Excel &gt; Basic Concept</li> <li>• Basis for Fostering Personnel</li> </ul>	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
405-1	<p>Diversity in governance bodies and among employees</p> <p>a. Percentage of individuals within the organization's governance bodies in each of the following diversity categories:</p> <p>i. Gender</p> <p>ii. Age group: under 30 years old, 30-50 years old, over 50 years old</p> <p>iii. Other indicators of diversity where relevant (such as minority or vulnerable groups)</p> <p>b. Percentage of employees per employee category in each of the following diversity categories:</p> <p>i. Gender</p> <p>ii. Age group: under 30 years old, 30-50 years old, over 50 years old</p> <p>iii. Other indicators of diversity where relevant (such as minority or vulnerable groups)</p>	<ul style="list-style-type: none"> <li>• Governance &gt; Corporate Governance &gt; About the Age-group Composition of Corporate Officers</li> <li>• Human Resources &gt; Data on Employees</li> </ul>	
405-2	<p>Ratio of basic salary and remuneration of women to men</p> <p>a. Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation.</p> <p>b. The definition used for 'significant locations of operation'</p>	<ul style="list-style-type: none"> <li>• Human Resources &gt; Basis for Fostering Personnel &gt; Benefits</li> </ul>	In part because the number of employees is large and was difficult to collect data during this fiscal year, we have not disclosed figures concerning ratios for total amounts of compensation.



## Non-discrimination

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
406-1	<p>Incidents of discrimination and corrective actions taken</p> <p>a. Total number of incidents of discrimination during the reporting period.</p> <p>b. Status of the incidents and actions taken with reference to the following:</p> <p>i. Incident reviewed by the organization</p> <p>ii. Remediation plans being implemented</p> <p>iii. Remediation plans have been implemented and results reviewed through routine internal management review processes</p> <p>iv. Incident no longer subject to action</p>	Not applicable for the fiscal year under review	

## Freedom of Association and Collective Bargaining

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
407-1	<p>Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk</p> <p>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:</p> <p>i. Type of operation (such as manufacturing plant) and supplier</p> <p>ii. Countries or geographic areas with operations and suppliers considered at risk.</p> <p>b. Measures taken by the organization in the reporting period intended to support rights to exercise freedom of association and collective bargaining.</p>	<p>■ Sekisui Chemical Group's Sustainability &gt; Respect for Human Rights</p> <ul style="list-style-type: none"> <li>Identifying Human Rights Risks Within the Group</li> <li>Initiatives Geared Toward Suppliers</li> </ul>	Because it is difficult to acquire supplier data, we have not disclosed these figures.

## Child Labor

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
408-1	<p>Operations and suppliers at significant risk for incidents of child labor</p> <p>a. Operations and suppliers considered to have significant risk for incidents of:</p> <ol style="list-style-type: none"> <li>i. Child labor</li> <li>ii. Young workers exposed to hazardous work</li> </ol> <p>b. Operations and suppliers considered to have significant risk for incidents of child labor either in terms of:</p> <ol style="list-style-type: none"> <li>i. Type of operation (such as manufacturing plant) and supplier</li> <li>ii. Countries or geographic areas with operations and suppliers considered at risk</li> </ol> <p>c. Measures taken by the organization in the reporting period intended to contribute to the effective abolition of child labor.</p>	<ul style="list-style-type: none"> <li>■ Sekisui Chemical Group's Sustainability &gt; Respect for Human Rights</li> <li>• Identifying Human Rights Risks Within the Group</li> <li>• Assessing the Human Rights Situation at Our Suppliers</li> <li>• Initiatives Geared Toward Suppliers</li> </ul>	

## Forced or Compulsory Labor

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
409-1	<p>Operations and suppliers at significant risk for incidents of forced or compulsory labor</p> <p>Operations and suppliers at significant risk for incidents of forced or compulsory labor</p> <p>a. Operations and suppliers considered to have significant risk for incidents of forced or compulsory labor either in terms of:</p> <ol style="list-style-type: none"> <li>i. Type of operation (such as manufacturing plant) and supplier</li> <li>ii. Countries or geographic areas with operations and suppliers considered at risk</li> </ol> <p>b. Measures taken by the organization in the reporting period intended to contribute to the elimination of all forms of forced or compulsory labor.</p>	<ul style="list-style-type: none"> <li>■ Sekisui Chemical Group's Sustainability &gt; Respect for Human Rights</li> <li>• Identifying Human Rights Risks Within the Group</li> <li>• Assessing the Human Rights Situation at Our Suppliers</li> <li>• Initiatives Geared Toward Suppliers</li> </ul>	

## Security Practices

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
410-1	<p>Security personnel trained in human rights policies or procedures</p> <p>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.</p> <p>b. Whether the same training requirements also apply to third-party organizations providing security personnel.</p>	—	

## Rights of Indigenous Peoples

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
411-1	<p>Incidents of violations involving rights of indigenous peoples</p> <p>a. Total number of identified incidents of violations involving the rights of indigenous peoples during the reporting period.</p> <p>b. Status of the incidents and actions taken with reference to the following:</p> <p>i. Incident reviewed by the organization</p> <p>ii. Remediation plans being implemented</p> <p>iii. Remediation plans have been implemented and results reviewed through routine internal management review processes</p> <p>iv. Incident no longer subject to action</p>	Not applicable for the fiscal year under review	

## Human Rights Assessment

Code No.	General Standard Disclosures	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"> <li>■ Sekisui Chemical Group's Sustainability</li> <li>• Identifying Key Issues</li> <li>• Respect for Human Rights &gt; Basic Concept</li> <li>• Respect for Human Rights &gt; Human Rights Policy Formulation</li> <li>• Respect for Human Rights &gt; Actions in regard to the UK Modern Slavery Act</li> </ul>	
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"> <li>• Sekisui Chemical Group's Sustainability &gt; Respect for Human Rights &gt; Identifying Human Rights Risks Within the Group</li> </ul>	
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 on human rights policies or procedures concerning aspects of human rights that are relevant to operations.	<ul style="list-style-type: none"> <li>■ Sekisui Chemical Group's Sustainability &gt; Respect for Human Rights</li> <li>• Engagement with External Stakeholders</li> <li>• Initiatives Geared Toward Employees</li> <li>• Governance &gt; Compliance &gt; List of Results Relating to Compliance Training</li> <li>• Human Resources &gt; Basis for Fostering Personnel &gt; Performance Data</li> </ul>	Because the total number of hours of training and the proportion of employees who have undergone training are, at the time of this writing, difficult to acquire information regarding, we have not disclosed anything on this matter.

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
412-3	<p>Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening</p> <p>a. Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.</p> <p>b. The definition used for 'significant investment agreements'.</p>	—	

## Local Communities

Code No.	General Standard Disclosures	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"> <li>■ Sekisui Chemical Group's Sustainability</li> <li>• Identifying Key Issues</li> <li>• CSR Medium-term Plan (2017-2019) and Key Measures Concerning ESG Management (2020-2022)</li> <li>• Social Contribution Activities &gt; Our Philosophy</li> </ul>	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
413-1	<p>Operations with implemented local community engagement, impact assessments, and development programs</p> <p>a. Percentage of operations with implemented local community engagement, impact assessments, and development programs, including the use of:</p> <ul style="list-style-type: none"> <li>i. Social impact assessments, including gender impact assessments, based on participatory processes</li> <li>ii. Environmental impact assessments and ongoing monitoring</li> <li>iii. Public disclosure of results of environmental and social impact assessments</li> <li>iv. Local community development programs based on local communities' needs</li> <li>v. Stakeholder engagement plans based on stakeholder mapping</li> <li>vi. Broad based local community consultation committees and processes that include vulnerable groups</li> <li>vii. Works councils, occupational health and safety committees and other employee representation bodies to deal with impacts</li> <li>viii. Formal local community grievance processes</li> </ul>	—	We are currently considering evaluation methods for measuring impacts on local communities.
413-2	<p>Operations with significant actual and potential negative impacts on local communities</p> <p>a. Operations with significant actual and potential negative impacts on local communities, including:</p> <ul style="list-style-type: none"> <li>i. The location of the operations</li> <li>ii. The significant actual and potential negative impacts of operations</li> </ul>	—	We are currently considering evaluation methods for measuring impacts on local communities.

## Supplier Assessment for Impacts on Society

Code No.	General Standard Disclosures	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"> <li>■ Sekisui Chemical Group's Sustainability</li> <li>• Basic Policies &gt; Sekisui Chemical Group "Basic Procurement Policy"</li> <li>• Respect for Human Rights &gt; Assessing the Human Rights Situation at our Suppliers</li> </ul>	
414-1	<p>New suppliers that were screened using social criteria</p> <p>a. Percentage of new suppliers that were screened using social 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.	

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
414-2	<p>Negative social impacts in the supply chain and actions taken</p> <p>a. Number of suppliers assessed for social impacts.</p> <p>b. Number of suppliers identified as having significant actual and potential negative social impacts.</p> <p>c. Significant actual and potential negative social impacts identified in the supply chain.</p> <p>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.</p> <p>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.</p>	—	

## Public Policy

Code No.	General Standard Disclosures	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	<p>Political contributions</p> <p>a. Total monetary value of financial and inkind political contributions made directly and indirectly by the organization by country and recipient / beneficiary.</p> <p>b. If applicable, how the monetary value of inkind contributions was estimated.</p>	<ul style="list-style-type: none"> <li>• Governance &gt;</li> <li>Compliance &gt;</li> <li>Donations Relating to Governmental Policies</li> </ul>	



## Customer Health and Safety

Code No.	General Standard Disclosures	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"> <li>• Sekisui Chemical Group's Sustainability &gt; CSR Medium-term Plan (2017-2019) and Key Measures Concerning ESG Management (2020-2022)</li> <li>■ Governance &gt; CS &amp; Quality</li> <li>• Our Philosophy</li> <li>• CS &amp; Quality Management Promotion System</li> <li>• Creating Customer-oriented Products</li> <li>• Quality Assurance System</li> <li>• Product Safety</li> </ul>	
416-1	<p>Assessment of the health and safety impacts of product and service categories</p> <p>a. Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.</p>	<ul style="list-style-type: none"> <li>• Governance &gt; CS &amp; Quality &gt; Preventing Quality Fraud</li> </ul>	Since it is currently difficult to calculate values for proportions in this area, disclosure of information will be considered for the following fiscal year and beyond.

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
416-2	<p>Incidents of non-compliance concerning the health and safety impacts of products and services</p> <p>a. Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services within the reporting period, by:</p> <p>i. Incidents of non-compliance with regulations resulting in a fine or penalty</p> <p>ii. Incidents of non-compliance with regulations resulting in a warning</p> <p>iii. Incidents of non-compliance with voluntary codes</p> <p>b. If the organization has not identified any non-compliance with regulations and voluntary codes, a brief statement of this fact is sufficient.</p> <p>c. Percentage of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon as a result of assessment.</p> <p>d. 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.</p> <p>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.</p>	<ul style="list-style-type: none"> <li>■ Governance &gt; CS &amp; Quality</li> <li>• Preventing Quality Fraud</li> <li>• Product Safety</li> </ul>	

## Marketing and Labeling

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
DMA (103)	Reporting management approach relating to marketing using "GRI 103: Management Approach"	<ul style="list-style-type: none"> <li>• Sekisui Chemical Group's Sustainability &gt; CSR Medium-term Plan (2017-2019) and Key Measures Concerning ESG Management (2020-2022)</li> </ul> Governance > CS & Quality > Products Information Disclosure and Labeling	
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 / social impacts v. Others (Explain in detail) b. Percentage of significant product or service categories covered by and assessed for compliance with such procedures.	—	Because it is currently difficult to ascertain various types of information concerning all products and to calculate the percentage values for procedure compliance evaluations, disclosure of information will be considered for the following fiscal year and beyond.

Code No.	General Standard Disclosures	Locations Posted	Reason for Omitting
417-2	<p>Incidents of non-compliance concerning product and service information and labeling</p> <p>a. Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by:</p> <p>i. Incidents of non-compliance with regulations resulting in a fine or penalty</p> <p>ii. Incidents of non-compliance with regulations resulting in a warning</p> <p>iii. Incidents of non-compliance with voluntary codes</p> <p>b. If the organization has not identified any non-compliance with regulations and voluntary codes, a brief statement of this fact is sufficient.</p>	<ul style="list-style-type: none"> <li>• Governance &gt; CS &amp; Quality &gt; Products Information Disclosure and Labeling</li> </ul>	
417-3	<p>Incidents of non-compliance concerning marketing communications</p> <p>a. Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by:</p> <p>i. Incidents of non-compliance with regulations resulting in a fine or penalty</p> <p>ii. Incidents of non-compliance with regulations resulting in a warning</p> <p>iii. Incidents of non-compliance with voluntary codes</p> <p>b. If the organization has not identified any non-compliance with regulations and voluntary codes, a brief statement of this fact is sufficient.</p>	<ul style="list-style-type: none"> <li>• Governance &gt; Compliance &gt; Marketing Communications</li> </ul>	

## Customer Privacy

Code No.	General Standard Disclosures	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"> <li>■ Sekisui Chemical Group's Sustainability</li> <li>• Identifying Key Issues</li> <li>• CSR Medium-term Plan (2017-2019) and Key Measures Concerning ESG Management (2020-2022)</li> <li>• Governance &gt; Cyber Security &gt; Protecting Personal Information</li> </ul>	
418-1	<p>Substantiated complaints concerning breaches of customer privacy and losses of customer data</p> <p>a. Total number of substantiated complaints received concerning breaches of customer privacy, categorized by:</p> <ul style="list-style-type: none"> <li>i. Complaints received from outside parties and substantiated by the organization</li> <li>ii. Complaints from regulatory bodies</li> </ul> <p>b. Total number of identified leaks, thefts, or losses of customer data.</p>	Not applicable for the fiscal year under review	

## Socioeconomic Compliance

Code No.	General Standard Disclosures	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"> <li>■ Sekisui Chemical Group's Sustainability</li> <li>• Identifying Key Issues</li> <li>• CSR Medium-term Plan (2017-2019) and Key Measures Concerning ESG Management (2020-2022)</li> <li>■ Governance &gt; Compliance</li> <li>• Our Approach to Compliance Management</li> <li>• Growing Awareness Toward Compliance</li> <li>• Putting Compliance Management Efforts into Practice</li> <li>• Compliance Training</li> </ul>	
419-1	<p>Non-compliance with laws and regulations in the social and economic area</p> <p>a. Significant fines and non-monetary sanctions for non-compliance with laws and regulations in the social and economic area 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 laws or regulations, a brief statement of this fact is sufficient.</p> <p>c. The context against which significant fines and non-monetary sanctions were incurred.</p>	Not applicable for the fiscal year under review	

# Independent Practitioner's Assurance Report

**Deloitte.**  
**デロイト トーマツ**

(TRANSLATION)

## Independent Practitioner's Assurance Report

July 7, 2020

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, 2020 (the "Sustainability Information") included in the "CSR Report 2020 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**

## References

### | Top Message

I became President of Sekisui Chemical Co., Ltd. in March 2020. Since its foundation in 1947, Sekisui Chemical Group has always taken on the challenge of exploring new businesses and fields. As a result, we have grown by offering various products and services that enrich society.

Today, the business environment is undergoing drastic change and exhibiting signs of increasing uncertainty. Leveraging its prominent technology and quality developed over the years as a springboard, Sekisui Chemical Group will continue to maximize the use of its management resources to develop each of the “Creation of Housing/Social Infrastructure” and “Chemical Solutions” frontiers in order to create innovations that contribute toward people’s lives around the world and the global environment. To this end, we will focus on the following three areas.

SEKISUI CHEMICAL CO., LTD.  
President and Representative Director  
Keita Kato

### Drive for growth

I recognize that my mission is to further drive forward those growth strategies that the Group has implemented to date and to reinforce ongoing efforts aimed at improving profitability. In order to showcase the importance of further stepping up a gear, we have given the new Medium-term Management Plan a “Drive” title and theme. Highlighted by the current slump in market conditions, I also recognize the need for further structural reform. With this in mind, we will strengthen the systems necessary to anticipate and respond to rapid change while bolstering our ability to constantly innovate. Despite efforts to reinforce the Group, I am aware that endurance alone cannot guarantee growth. With an eye to the future, we will therefore prepare for growth with a steady resolve and strong sense of courage. In adopting the “Drive” title and theme, we will work to combine preparations for growth with efforts to improve profitability. We will accelerate the pace of growth in line with profits while engaging in balanced management and operations.

### Creating innovation

Since its founding, Sekisui Chemical Group has created many products that help resolve social issues. From this social issue perspective, Japan is recognized as an advanced country, confronting various problems including a declining birthrate and aging population as well as severe disasters. Seeing this as an opportunity, we will continue to create businesses and products that help resolve social issues through innovation in an effort to secure sustainable growth.



## **My goal is for the Company to be distinguished by its excellence, energy, and enthusiasm.**

The energetic and enthusiastic 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 through such wide-ranging measures as digital transformation, automation of the plant floor, work style reforms that allow diverse human resources to excel, 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.

# SEKISUI CHEMICAL CO., LTD.

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Date of issue: July 2020; 1st printing

(Previous report published June 2019/Next report scheduled to be published in July 2021)