

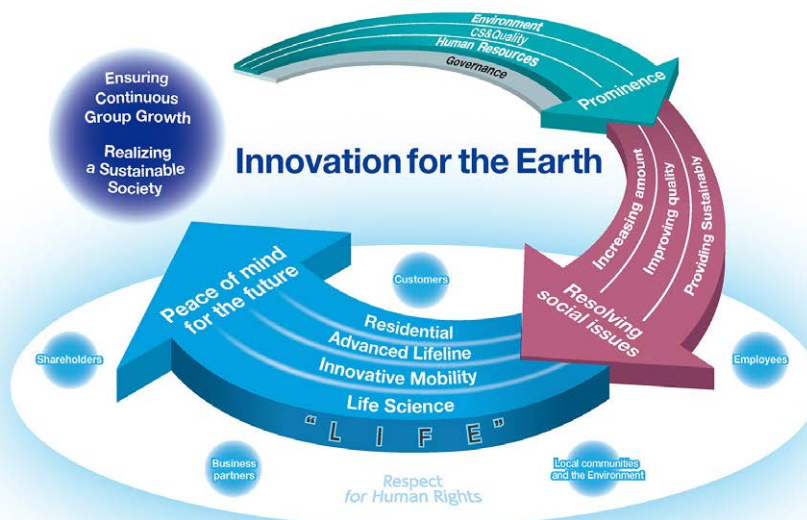


# SEKISUI CHEMICAL Group's Sustainability

## Strategy

### Basic Concept

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



Conceptual Diagram of ESG Management

### Three Steps

#### (1) Securing prominence

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

#### (2) Solving social issues

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

#### (3) Creating peace of mind for the future

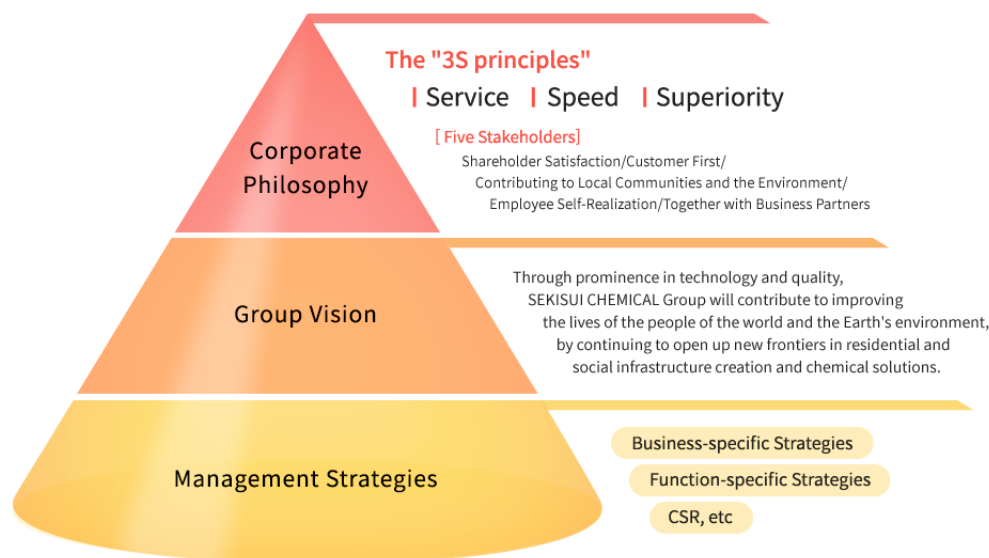
Creating and expanding the value that delivers peace of mind for the future to all generations, including those of the future, through four domains (Residential, Advanced Lifeline, Innovative Mobility, and Life Science).

## Long-term Vision and ESG Management

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

## SEKISUI CHEMICAL Group's Corporate Philosophy System

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



### Corporate Philosophy-The 3S Principles

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

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

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

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

## Group Vision

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

See the following website for details of such elements as the Corporate Philosophy and Group Vision within Our Principles.

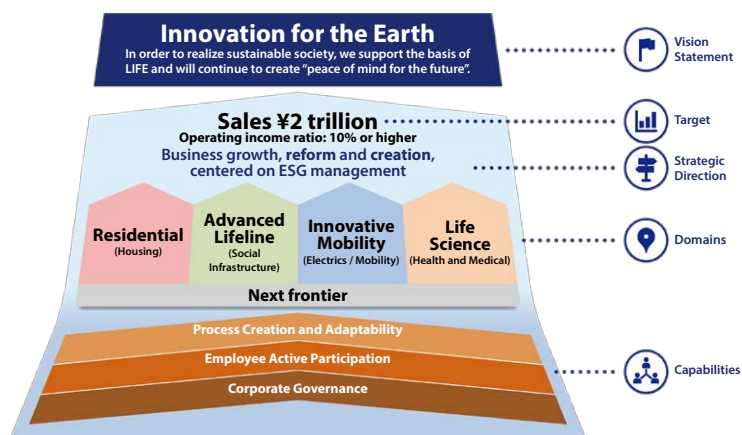
<https://www.sekisuichechemical.com/about/outline/vision/principles/>

## Long-term Vision, Vision 2030

SEKISUI CHEMICAL Group has a vision statement that incorporates a strong determination to innovate. This determination to stimulate innovation is designed to support the basis of LIFE and create peace of mind for the future in order to realize a sustainable society.

With business growth and reform as well as creating new business centered on ESG management at the center of its strategy, SEKISUI CHEMICAL Group aims to contribute more than ever before to resolving social issues by driving innovation through two distinct means: expanding existing businesses\* through product and business reform and creating new businesses through the development and acquisition of new business bases. Drawing on this cycle, we envisage doubling our sales volume by 2030 (to sales of ¥2 trillion and an operating income ratio of 10% or higher).

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



Overview of the Long-term Vision

See the following for materials on the Long-term Vision, Vision 2030.

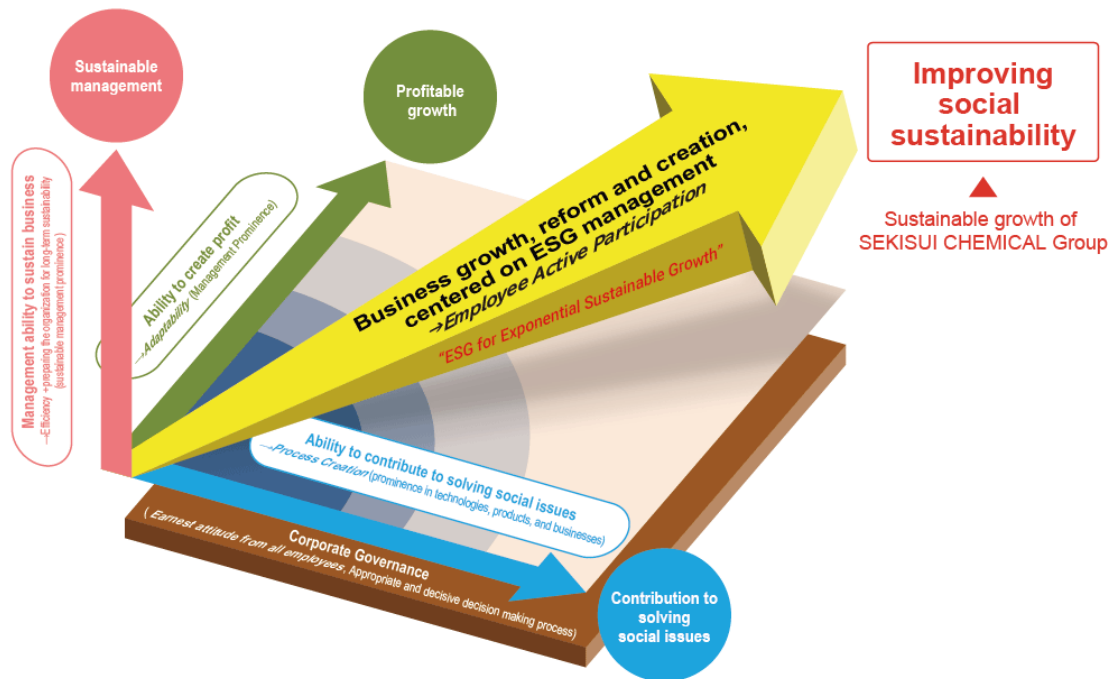
Long-term Vision and Medium-term Management Plan Presentation (May 22, 2020)

[https://www.sekisuichechemical.com/about/outline/vision/principles/pdf/20200522kge\\_2.pdf](https://www.sekisuichechemical.com/about/outline/vision/principles/pdf/20200522kge_2.pdf)

(This link to our Medium-term Management Plan presentation covers Drive 2022, our previous Medium-term Management Plan.)

## ESG Management

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



## The Group's management ability to sustain business

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

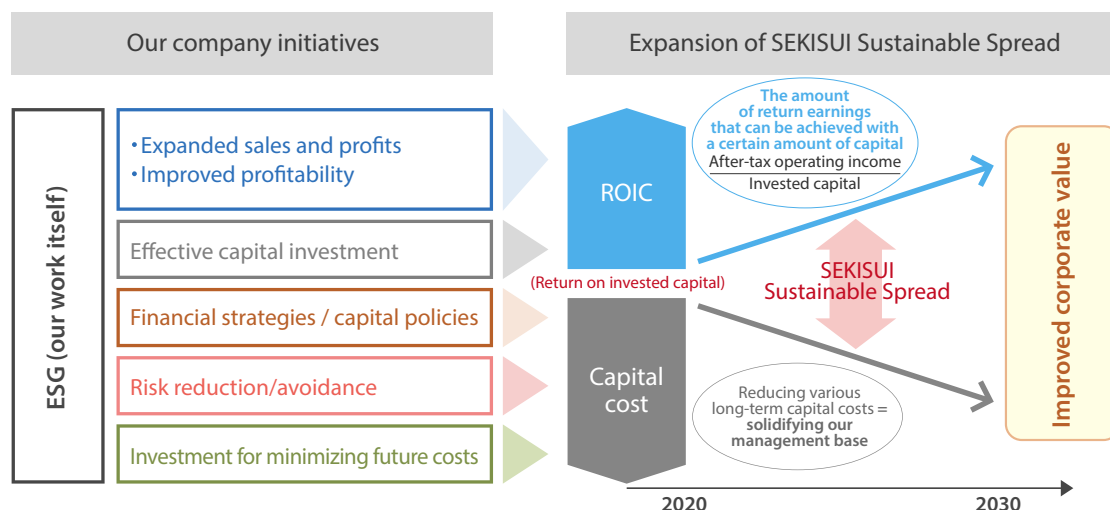
SEKISUI CHEMICAL Group adopted ROIC as an indicator of efficiency and is targeting an improvement over the medium to long term. To this end, we will improve our profit margin by such measures as expanding marginal profit and improving productivity and increase invested capital turnover through various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

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

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

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

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



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



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

## **Strategic Creation (Strategic Innovation)**

SEKISUI CHEMICAL Group is undertaking detailed preparations to create new business domains. In specific terms, we are working to generate innovation in innovation areas and to promote the commercialization of seven major themes as a part of our Strategic Area Map, which was formulated as a compass for realizing our Long-term Vision.

In the area of perovskite solar cells, we are promoting demonstration projects through the establishment of an organization under the direct control of the president and through external collaboration. In the area of next-generation communications components, we have invested in LATYS Intelligence Inc. with a focus on transparent and flexible radio wave reflection film, and are moving toward commercialization in earnest.

Please see the following for details.

- Perovskite solar cells  
<https://www.sekisui.co.jp/news/PSC/> (In Japanese only)
- Next generation communications components  
[https://www.sekisuichemical.com/news/2023/1393394\\_40406.html](https://www.sekisuichemical.com/news/2023/1393394_40406.html)

## **Strengthening Existing Businesses (Organic Growth)**

SEKISUI CHEMICAL Group is promoting efforts to steadily grow existing business and fine tune its portfolio. In particular, we are focusing on expanding enhancement areas, undertaking the balanced allocation of resources through portfolio management, and expanding growth drivers while promoting unrelenting structural reforms.

In our portfolio, we have set roles we expect of each business and manage KPIs according to these roles from the viewpoints of profitability and capital-efficiency. We are strengthening our monitoring of investments and other factors in order to intensively allocate management resources to businesses that will drive growth and businesses that are expected to grow in the future.

## **Strengthening the ESG Management Base (Strengthen Sustainability)**

SEKISUI CHEMICAL Group is engaging in measures to strengthen ESG management in a bid to achieve sustainable growth while expanding and upgrading efforts to create and acquire new businesses.

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

See the following for materials on the Medium-term Management Plan Drive 2.0.

- SEKISUI CHEMICAL Group's Medium-term Management Plan Drive 2.0  
[https://www.sekisuichemical.com/news/2023/\\_\\_icsFiles/afieldfile/2023/05/23/230523\\_en.pdf](https://www.sekisuichemical.com/news/2023/__icsFiles/afieldfile/2023/05/23/230523_en.pdf)
- Medium-term Management Plan Presentation (May 23, 2023)  
[https://www.sekisuichemical.com/ir/presentations/vision/\\_\\_icsFiles/afieldfile/2023/06/19/20230523kge.pdf](https://www.sekisuichemical.com/ir/presentations/vision/__icsFiles/afieldfile/2023/06/19/20230523kge.pdf)



## Identifying Key Issues (Materiality)

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

### Extracting and Identifying Key Issues

Key issues are identified based on the following processes.

#### Step 1: Extracting Issues

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

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

##### (1) SEKISUI CHEMICAL Group

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

##### (2) Social demands

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

##### (3) Other companies' trends

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

#### Step 2: Identifying risks and opportunities

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



### Step 3: Identifying Key Issues

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

\*1 Taking into consideration the magnitude of the positive and negative impact on the earth and society utilizing the SEKISUI Environment Sustainability Index.

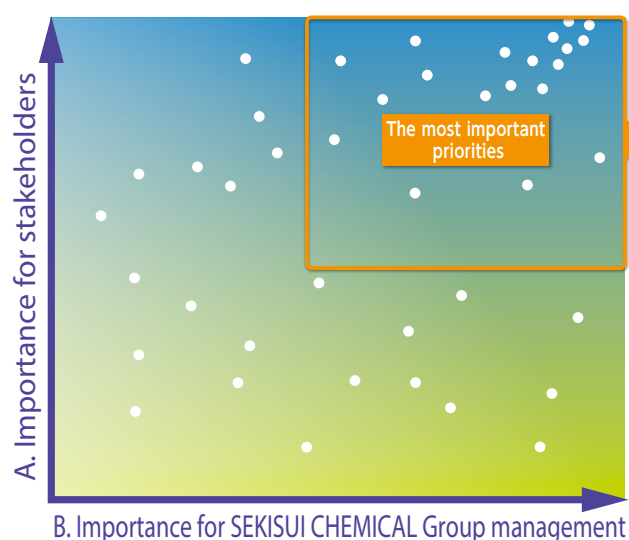
\*2 Utilizing the SEKISUI Sustainable Spread based on the assumption of a substantial financial impact in the future.

### Step 4: Authorizing Key Issues

Key issues deliberated by the Sustainability Committee are ultimately authorized by the Board of Directors.

Regarding important issues, we will consider the necessity for change each year based on changes in the Group's situation, social conditions, etc.

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



#### <Governance (Internal Control)>

##### —Reduce operational risks that may damage corporate value on a Group and global basis—

- Reducing serious incidents (safety, quality, accounting, legal/ethical, information management)
- Risk management
- Reduce supply chain risk
- Implement human rights due diligence

#### <DX>

##### —Revise work processes and drastically increase productivity triggered by DX—

- Visualize and standardize (standardize operations, introduce ERP, renew infrastructure and networks)
- Increase productivity (automation / unmanned shifts, improve operational efficiency through the use of digital technology, ICT and AI)
- Sophisticate (increase the sophistication of operational control, introduce ERP, renew infrastructure and networks)

#### <Environment>

##### —Reduce GHG emissions and waste through business activities and shift to sustainable management—

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

#### <Human capital>

##### —Boldly take on challenges based on thoroughgoing preparations (human capital) in a bid to realize the Group's management strategy—

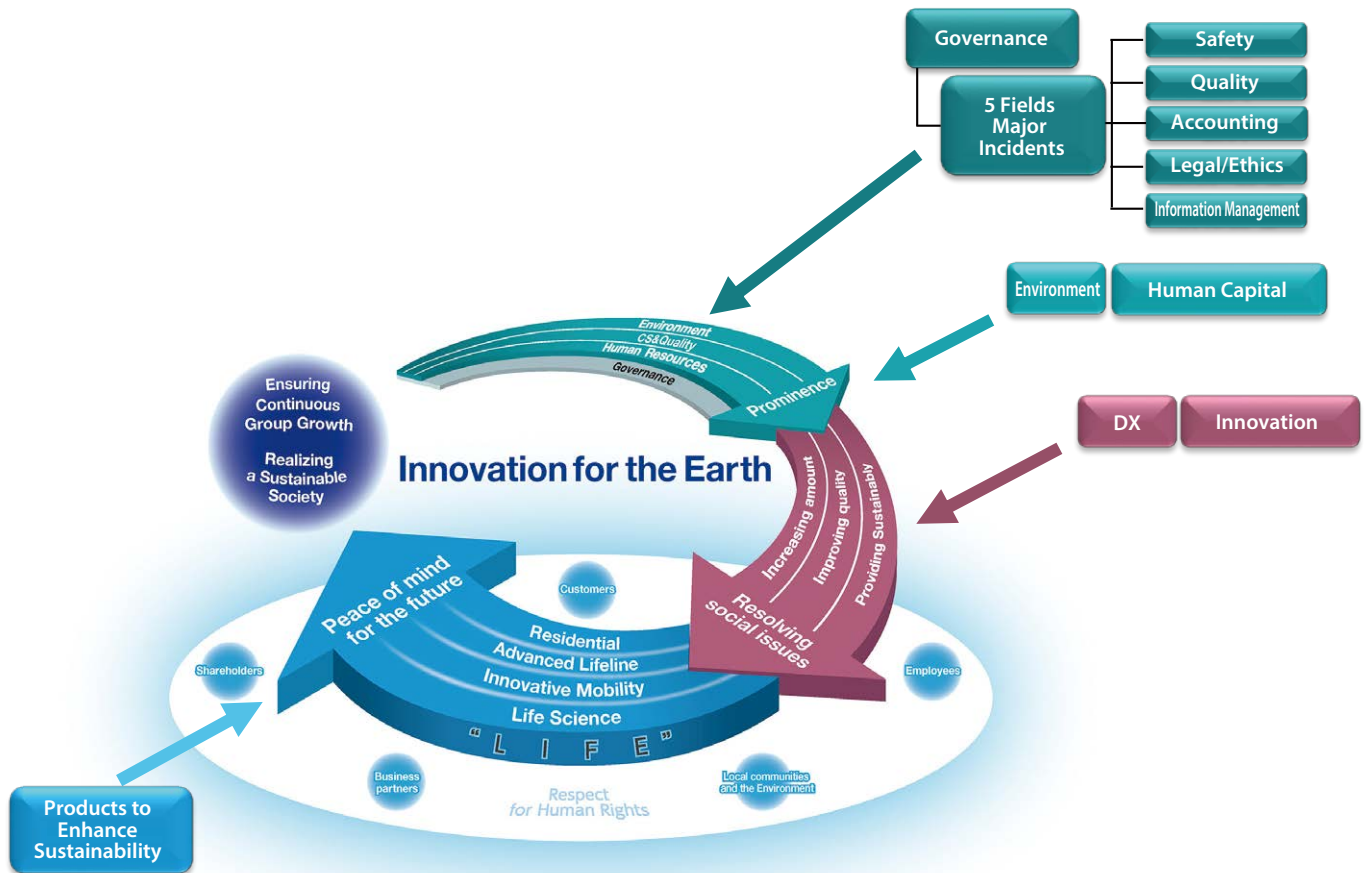
- Foster a challenging corporate culture
- Achieve the right talent in the right position
- Realize diversity

#### <Innovation>

##### —Steadily develop and launch new products and projects in existing areas; maximize speed and impact by breaking away from a new business area process that relies solely on closed innovation—

- Create and expand the market for Products to Enhance Sustainability
- Promote open innovation
- Strengthen intellectual property strategies
- Promote activities that contribute to the solving of issues through cooperation with local communities

## Positioning of key issues in the ESG management conceptual diagram



## Governance

### | Supervisory Promotion System of ESG Management

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

#### Board of Directors:

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

#### Sustainability Committee:

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

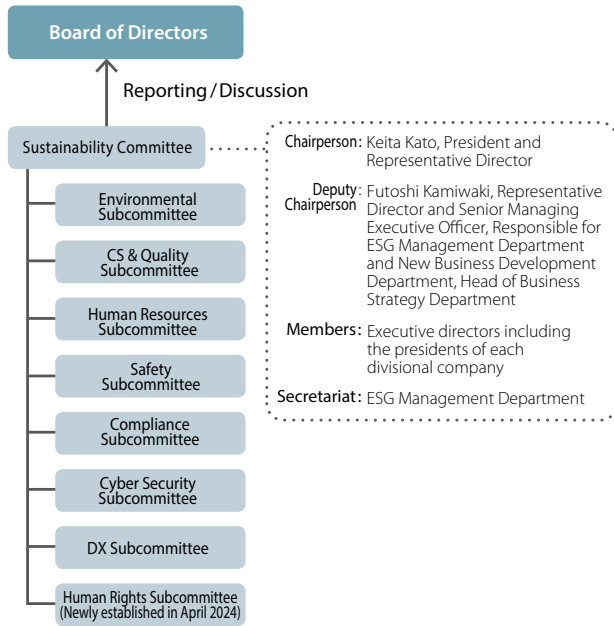
#### Subcommittees:

SEKISUI CHEMICAL Group has established eight subcommittees related to the Group's materialities covering the environment, CS & Quality, human resources, safety, compliance, cyber security, DX, and Human Rights, which was newly established in April 2024, under the umbrella of the Sustainability Committee.

Meeting two times every year, each of the seven subcommittees, excluding the Human Rights Subcommittee, is chaired by the executive in charge of Corporate Headquarters and includes the executives of each divisional company as well as general managers of divisional companies, Corporate Headquarters, and the Medical Business, which falls under the umbrella of Corporate Headquarters. The Human Rights Subcommittee is chaired by the Executive Officer and Head of the Human Resources Department of Corporate Headquarters, and is comprised of executive officers in charge of each related Corporate Headquarters area.

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

## Sustainability Committee / Subcommittee Structure



## Risk Management

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

SEKISUI CHEMICAL Group conducts regular monitoring based on the importance of risks and opportunities.

First, we work to gain a comprehensive understanding of the issues facing society and the Group from the regulations, soft law, and disclosure regulations in each country in which we operate as well as a variety of other means, including stakeholder engagement and dialogue with experts. We then incorporate these issues into a Group-wide risk map after taking such measures as ranking each issue based on the three axes of impact, likelihood of occurrence, and ripple effects on the value chain. With the participation of the chairpersons of each subcommittee, the Group-wide Risk Review Subcommittee, which meets once a year, deliberates on each issue. The Subcommittee identifies and prioritizes short-to long-term issues that may pose risks or opportunities for the sustainability of society as well as the sustainable growth of the Group itself.

The issues identified are then discussed by the Sustainability Committee and approved by the Board of Directors. Issues that are designated as key issues are reflected in the strategies and action plans of the Group and each divisional company. Turning in particular to Group-wide major risks that have a high possibility of leading to serious incidents, SEKISUI CHEMICAL Group has made it mandatory to conduct assessments on risk management activities by organization. In this manner, we are working to prevent the occurrence of serious incidents.

## Indicators and Targets

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

### Group-wide indicators for ESG management

#### Sales of Products to Enhance Sustainability

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

### Key issue KPIs

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

- Governance (internal control)
  - Number of serious incidents in the 5 fields    Zero
- DX
  - Net sales per direct/indirect employee FY2030: Indirect productivity 43% increase; direct productivity 30% increase (compared with FY2019)
- Environment
  - Climate change: Rate of GHG reduction    -33% (compared with FY2019)
  - Resource recycling: Recycling rate for waste plastic materials (Japan) 65% (Overseas:BM+5%)
- Human capital
  - Degree of challenging behavior expression    60%
  - Rate of successor candidate preparation    100%
  - Retention Rate    Maintain or improve compared with the previous year
- Innovation
  - Incidence of open innovation

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

|
 Key ESG Management Issues (Materiality) and KPIs

Current Medium-term Management Plan (FY2023-2025)

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



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

\*1 Undisclosed.

\*2 Targets revised due to the postponement of Enterprise Resources Planning (ERP) implementation.

\*3 CSIRT: Abbreviation for Computer Security Incident Response Team. Plays a role in preventing cybersecurity incidents and a role in rapid response and recovery in the unlikely event of a cybersecurity incident.

\*4 Target after redefining indicator.

\*5 Number of successor candidates to the most senior business leader post ÷ Number of the same post

\*6 Hours of training per employee in the fiscal year

\*7 No institutional wage disparity; differentials based on the composition of labor (age and qualifications) rate

\*8 Indicators other than the degree of challenging behavior expression and the successor candidate readiness rate are disclosed as SEKISUI CHEMICAL non-consolidated targets.

# Products to Enhance Sustainability

## ● System

### | Basic Concept

SEKISUI CHEMICAL Group has positioned Products to Enhance Sustainability as the most appropriate conduit through which to realize both a sustainable society and the sustainable growth of the Group itself.

Through the development and expansion of Products to Enhance Sustainability, we aim to help solve social issues, beginning with efforts to achieve the SDGs, while growing as a company.

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

### | Evolving the Product Evaluation System Based on Internal Strategies

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

• **FY2006: Launched the Environment-Contributing Products system.**

In order to promote the development and expansion of products that contribute to the resolution of natural environment issues, we have launched a product system that certifies and registers products that contribute to the resolution of issues based on internal standards.

• **FY2017: Expanded the scope of products to include products that contribute to the resolution of social- environment issues in addition to the natural environment.**

Also promoted the development and increased use of products that further solve problems. Reaffirmed that the goals are the same as those of the SDGs.

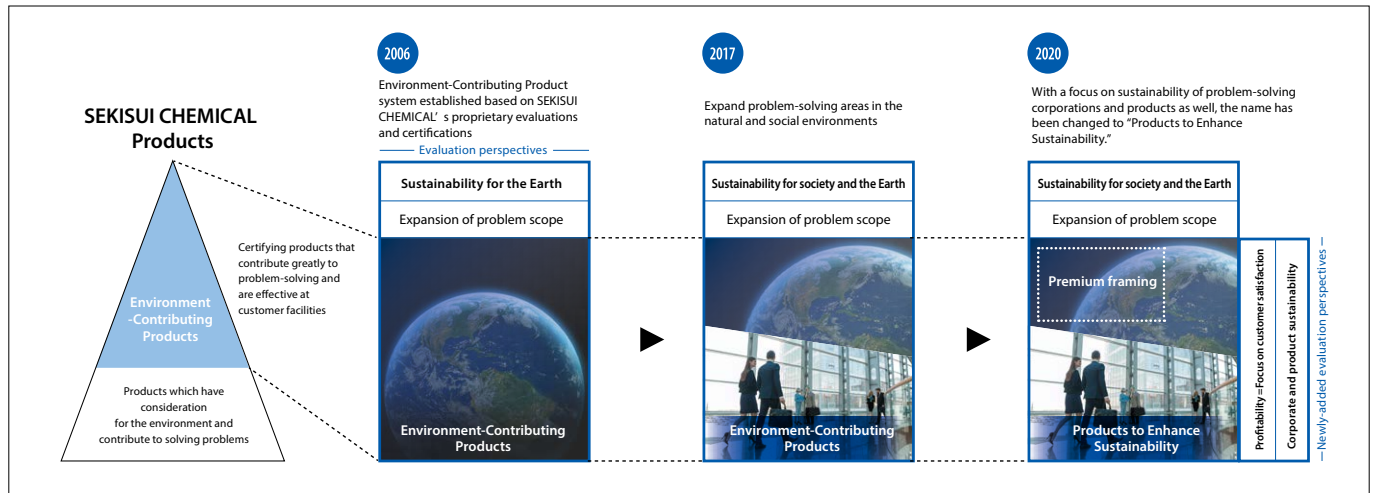
• **FY2020: Worked to evolve as Products to Enhance Sustainability.**

Introduced Premium Framing and sustainability assessments. Sustainability assessments were completed in fiscal 2022.

• **FY2023: Introduced negative checks for environmental issues.**

At the time of registration, confirm whether multiple environmental issues have had a negative impact, or what measures are being considered to prevent a negative impact.

## Evolution of the Product System at SEKISUI CHEMICAL Group



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

### • Establish Premium Framing

To improve profitability, we will match our business portfolio to expand business through products that contribute significantly to solving social issues, and establish Premium Framing in a way that strategically expands contributing products.

### • Conduct sustainability assessments

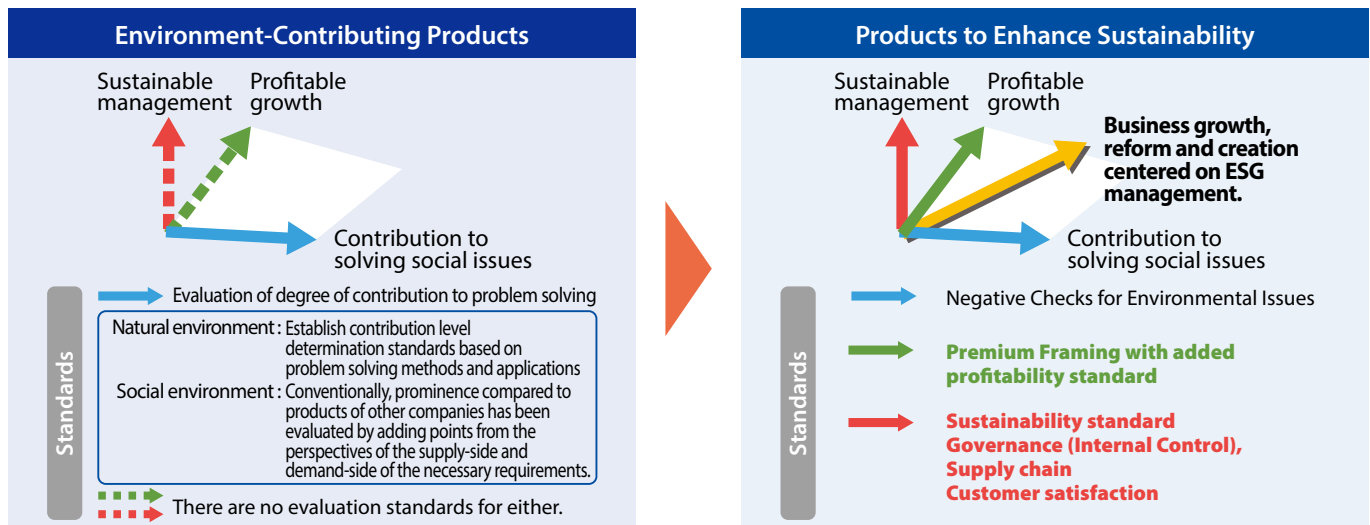
We will conduct sustainability assessments to confirm and evaluate items necessary to improve the sustainability of products and businesses with related departments in a bid to improve sustainable management capabilities.

We are committed to expanding Premium Framing as a medium-term target.

Our goal is to accelerate our contribution to solving social issues by formulating strategies that balance the resolution of social issues with profitability.

In addition, in order to continue producing products that contribute to the resolution of social issues and to further expand their contribution, it is essential for the Group and its products to remain sustainable. To this end, we added a new perspective to the existing certification process to evaluate the sustainability of companies and products from fiscal 2020.

Assessing various initiatives across the supply chain, including profitability, process evaluation, and governance (internal control), steps were taken to confirm the sustainability of and potential risks to the Group and its products. In addition, we introduced negative checks for environmental issues from fiscal 2023, and are confirming whether or not products impose a negative impact on various environmental issues as well as what measures are being considered to prevent any negative impact at the time of registration as Products to Enhance Sustainability.



## Collection and Provision of Product Information

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

### Information Gathering on Raw Material Procurement

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

#### (1) Quality and safety of raw materials

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

#### (2) Sustainability of raw materials

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

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

## Product Impact Assessment

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

### (1) Negative impact

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

### (2) Positive Impact

As described in (1) above, we assess the positive environmental and social impacts of our products prior to the launch of sales through the use of product environmental impact assessments within the DR system.

In particular, the positive impact of our products is refined before commercialization so that it exceeds the standards of the Products to Enhance Sustainability System.

After a product goes on sale, we evaluate whether the environmental and social impact of each product meets the standards for Products to Enhance Sustainability. After clearing these standards, an application is lodged to register the product.

In addition, we employ the LIME2 method for more than 60% of registered Products to Enhance Sustainability. We conduct LCA assessments to quantitatively evaluate environmental and social impacts.

Utilizing DR, we conduct product environmental impact assessments to confirm the environmental and social impacts of all products sold throughout their life cycles.

The results of impact assessments for each product are not disclosed. Certain information is however provided by determining the ratio of negative impact to positive impact for all products on a Group-wide basis and reflecting that information in the calculation of SEKISUI Environment Sustainability Index.

## Providing Information on safety in the use of products

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

## Reducing the Environmental and Social Impacts of Product Disposal

In order to reduce the environmental and social impacts of our products at the time of disposal, we have formulated a resource recycling policy.

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

## ● Promotion System and Management

### ■ Promotion System

Products to Enhance Sustainability are products that make a significant contribution to the resolution of environmental and social issues. SEKISUI CHEMICAL Group's internal committee members evaluate the degree of contribution based on certain internal standards and authorize registration based on the results.

Under Vision 2030, we position the outcomes produced through materiality that has an important impact on management and society as Products to Enhance Sustainability. We also aim to resolve social issues and grow our business by developing Products to Enhance Sustainability and expanding the market.

The Group has set the development of Products to Enhance Sustainability and market expansion\* as a KPI target, and is working toward its achievement.

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

Under the environmental management promotion system (see P.51. Environmental Management Promotion System for details), progress is continuously managed.



## Discussion with External Advisors

SEKISUI CHEMICAL Group has held meetings of the External Advisory Board since fiscal 2010. The External Advisory Board is a meeting of internal and external members organized by the supervising director of the organization in charge of sustainability. These meetings are an opportunity to receive opinions and advice from outside experts on the standards, registration, and future perspectives of Products to Enhance Sustainability.

In-house executives are members of the certification screening committee\* for Products to Enhance Sustainability. Specifically, these include the executive officers who oversee organizations in charge of the technical aspects of each divisional company, and the organization heads who are in charge of management planning operations with a grasp for business conditions as a whole.

We have also invited five experts from outside the Company with various backgrounds in industry, government, and academia, who are engaged in environmental and other sustainability-related work to join the External Advisory Board.

In fiscal 2023, the External Advisory Board held two meetings in October and one in February. At these meetings, we received opinions and advice on the significance of the contribution of newly registered products to the natural and social environment, how to convey that significance, and future expectations.

Name	Affiliated Institution and Position	Specialist Areas	Anticipated Role(s)
Juichi Shibusawa	President of the specified non-profit corporation Network for Coexistence with Nature	<ul style="list-style-type: none"> <li>• Experience in business as a Doctor of Agriculture</li> <li>• As president of an NPO, implements activities for forest, community, and human resource development with environmental NPOs in Japan and other countries</li> </ul>	<p>The giving of opinions/advice on business related to the solving of social issues based on the spirit of three-way benefits (the buyer, seller, and society as a whole)</p> <p>The giving of opinions from a nature-positive perspective</p>
Takehisa Kabeya	Sustainable Management Promotion Organization (SuMPO), Senior Managing Director	<ul style="list-style-type: none"> <li>• Experience as a government official at Japan's Ministry of Economy, Trade and Industry</li> <li>• Promotes social change activities through environmental values, such as LCAs and support for regional revitalization</li> </ul>	<p>The giving of opinions from a life cycle perspective, the giving of opinions/advice based on regulations regarding environmental value and global trends</p>
Minako Oishi	Nippon Association of Consumer Specialists (public corporation), Representative Director, Nippon Association of Consumer Specialist	<ul style="list-style-type: none"> <li>• Knowledge and experience concerning consumers and their demands</li> <li>• Promotes activities that connect consumers, businesses, and government</li> </ul>	<p>From the standpoint of using products, the giving of opinions/advice based on requests, expectations, and matters of concern</p>
Shoichi Saito	Nikkei Business Publications, Inc., Executive Director, ESG Management Forum	<ul style="list-style-type: none"> <li>• Media experience</li> <li>• Ascertains and disseminates global trends in all areas of sustainability</li> </ul>	<p>From a comprehensive perspective, the giving of opinions on future trends with regard to risks and opportunities in ESG management</p>

Name	Affiliated Institution and Position	Specialist Areas	Anticipated Role(s)
<b>Mari Yoshitaka</b>	Virtue Design Representative Director Fellow (Sustainability), Mitsubishi UFJ Research and Consulting Co.,Ltd.,	<ul style="list-style-type: none"> <li>• Experience with regard to ESG investment in financial institutions</li> <li>• Leading figure in SDGs, green business, and climate change finance</li> </ul>	Seen from a financial standpoint, the giving of opinions/advice on risks and opportunities in terms of corporate value and ESG management/green business

Note: Internal certification screening committee

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

## | Negative Checks for Environmental Issues Outside Registration Criteria

We are strengthening and reviewing the operation and criteria of the Products to Enhance Sustainability System to ensure that the product portfolio continues to evolve in line with business strategies that take into account the demands of social and business conditions.

Since fiscal 2023, we conducted negative checks on all environmental issues when registering products.

This is in response to social demands such as the EU Taxonomy and COP15. The goal is to avoid any negative impact on environmental issues, and to secure a positive impact, or in other words, improve the quality of solutions to environmental issues. Moreover, we aim to promote an awareness of issues among business stakeholders through negative checks.

## | Visualization of the Degree of Contribution to Resolving Social Issues

To clarify the amount of return to natural capital up to fiscal 2019, SEKISUI CHEMICAL Group worked to visualize the degree to which each Environment-Contributing Product contributed to the resolution of social issues. We calculated and quantified into a single indicator (damage costs) the various contribution vectors in the life cycle of Environment-Contributing Products. We multiplied the market impact, based on sales, by the environment contribution of each product to arrive at a quantifiable contribution by product, which was then reflected in the SEKISUI Environment Sustainability Index.

In calculating the impact on the environment for each Environment-Contributing Product until fiscal 2016, we broadly classified environmental issues into three areas that should be resolved in our aim to help realize an earth with maintained biodiversity. However, since broadening the scope of Environment-Contributing Products from fiscal 2017, we have since taken steps to integrate contributions across four areas adding the area of human health/social assets.

We began conducting environmental impact assessments based on the contribution to solving issues in the natural and social environments of Products to Enhance Sustainability throughout their respective life cycles from fiscal 2020. These contributions to natural and social capital are reflected in the SEKISUI Environment Sustainability Index. In particular, we started to explore the possibility of evaluating the social value of our products based on impact-weighted accounting.

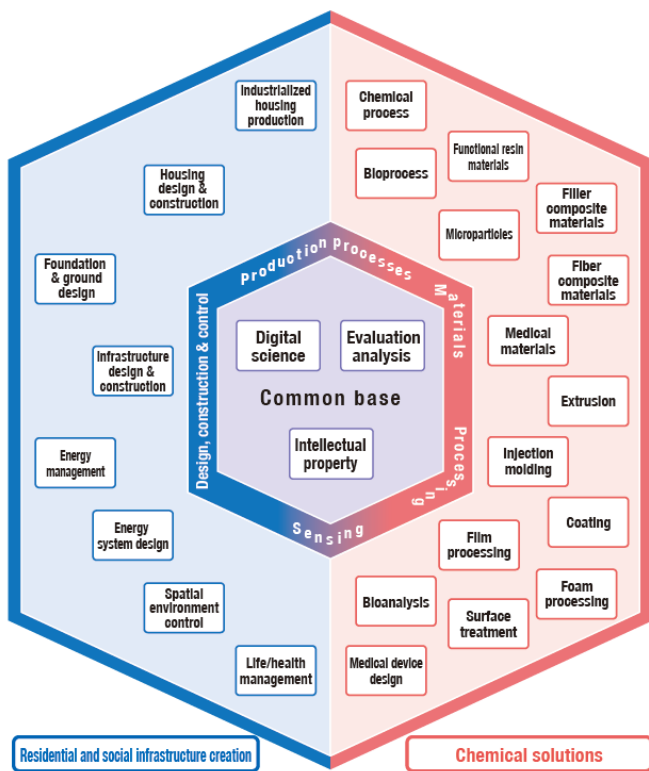
Since fiscal 2023, we have been using the updated IDEA LCA database to calculate the SEKISUI Environment Sustainability Index.

The MiLCAver3.1 LCA calculation system incorporates IDEA database ver. 3.1 and reflects further findings on the impact on biodiversity. By utilizing this system and setting new benchmarks, we aim to accurately grasp the impact on biodiversity. By doing so, we will promote activities that reduce negative impact and increase positive impact.

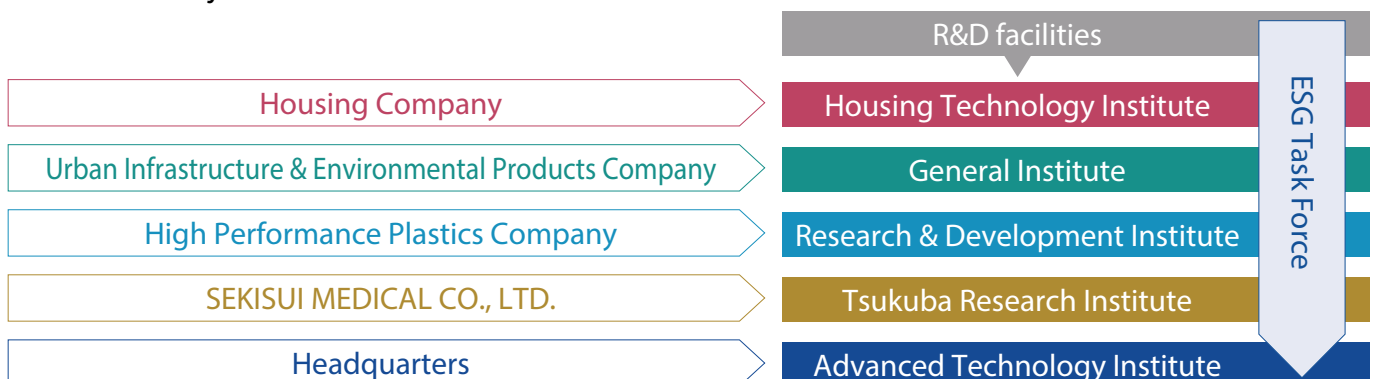
## Revitalizing Liaison Meetings and Workshops for Each Environmental Issue

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

Furthermore, we have launched an in-house entrepreneur development program to help acquire the skills necessary to commercialize the Products to Enhance Sustainability that have been developed.



### R&D Promotion System



## Utilizing ESG Investment

Under the current Medium-term Management Plan, SEKISUI CHEMICAL Group initiated steps to undertake a second set of measures to support the expansion of Products to Enhance Sustainability within its established limit for ESG Investment. These measures are designed to encourage the development of Products to Enhance Sustainability and to spur planning and proposals intended to expand their markets. Climate change, resource recycling, water-related risks, and biodiversity are four environmental issues that the Group would like to strengthen under its current Medium-term Management Plan. In order to strengthen identification endeavors, we reviewed the operational requirements of the second set of support measures related to each of the aforementioned and themes that correspond to innovation areas that we hope to enter in a bid to realize our vision. Furthermore, in a bid to accelerate innovation, we have included requirements for internal fusion and open innovation with external parties.

Under the mechanism for the second set of support measures, the leader planning the theme submits an application and a screening committee decides whether or not to invest. This committee also evaluates the importance attached to solving social issues and the contribution to enhancing sustainable corporate value. Moreover, deliberations are made on how internal fusion or open innovation with external parties has helped accelerate a theme, and how we can expand our corporate value as a result of this fusion.

## Environment-Contributing Products PR

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

### [Promote efforts to mitigate climate change through products]

Introduction and exhibition of film-type perovskite solar cells at the COP28 Japan Pavilion Ministry of Economy, Trade and Industry event "Taking action together with ASEAN"

Press release:

[https://www.sekisuichechemical.com/news/2023/1396739\\_40406.html](https://www.sekisuichechemical.com/news/2023/1396739_40406.html)

## ■ Promoting Products Environmental Value

Taking into consideration the needs of society and customers, we strive to stay one step ahead of the curve by promoting the value of low-carbon, decarbonized products that help mitigate climate change.

To convey the value of low-carbon, decarbonated products to customers, we calculate the carbon footprint of products by means of the Carbon Life Cycle Assessment (C-LCA).

Calculations are made based on the boundary set according to the purpose and product. At this stage, raw materials are calculated using a publicly available database (IDEA) that applies a coefficient for mean GHG emissions. We believe that efforts by raw material manufacturers and cooperation with supply chains will enable us to utilize the low-carbon value of each company's efforts.

The volume of raw materials used and the energy consumed during production are calculated using actual measurement data at production plants.

The importance of low-carbon value as an indicator and LCA assessments is expected to increase in the future. In order to understand and better appreciate the significance of calculation methods, we actively participate in such forums as the LCA Utilization Promotion Forum, the LCA Forum, and the Institute of Life Cycle Assessment to brush up our knowledge on how to handle each method and solution. In addition, we encourage our employees to participate in external training courses, and also conduct LCA training within the Company.

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

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

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

### 2. Activities to increase the reliability of product CFP calculations

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

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

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

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

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

## 5. Participation in the UTOKYO LCA Center for Future Strategy

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

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

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



## ● Indicators and Targets

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

#### Net sales

##### Current Medium-term Management Plan targets (FY2023-2025)

Over ¥1 trillion

##### FY2030 target

Expand sales of problem-solving products and services

##### FY2050 target

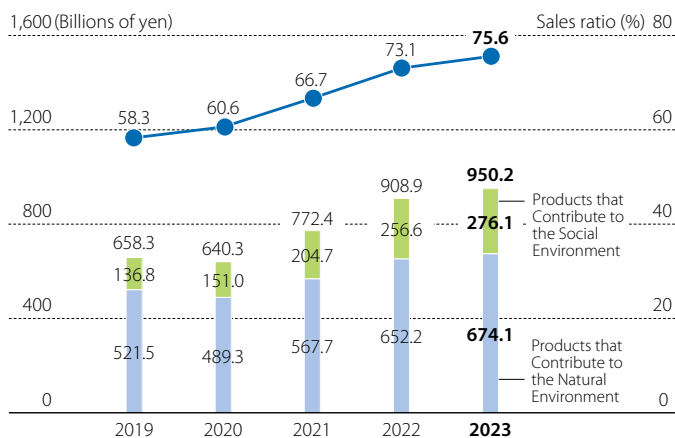
Drive sustainable corporate growth through products and services that improve environmental and social sustainability

#### Performance Data

Note 1: From FY2020, the product system has evolved and renamed Products to Enhance Sustainability.

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

#### Net Sales / Proportion of Products to Enhance Sustainability



## Trends in Net Sales of Products to Enhance Sustainability

(Unit: Billions of yen)

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

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

Index	Calculation Method
Net Sales of Products to Enhance Sustainability	<ul style="list-style-type: none"> <li>Net sales of Products to Enhance Sustainability = Consolidated SEKISUI CHEMICAL Group sales of products internally certified as Products to Enhance Sustainability</li> <li>All businesses of the Group in and outside Japan are subject to assessment</li> </ul>
Proportion of Products to Enhance Sustainability to net sales	<ul style="list-style-type: none"> <li>Proportion of Products to Enhance Sustainability to net sales = Net sales of Products to Enhance Sustainability / Consolidated sales</li> <li>All businesses of the Group in and outside Japan are subject to assessment</li> </ul>

## Number of Products to Enhance Sustainability Newly Registered

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