

[Translation: Please note that the following purports to be an accurate translation of excerpt contents of the original Japanese document, prepared for foreign shareholders solely as a reference material. In case of any discrepancy between the translation and the Japanese original, the latter shall prevail. Please also be advised that certain explanations for the domestic voting procedures are omitted or modified in this translation.]

## **SEKISUI CHEMICAL CO., LTD.**

Stock Exchange Code: 4204

May 30, 2024

To Our Shareholders:

### **NOTICE OF CONVOCATION OF THE 102ND ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

SEKISUI CHEMICAL CO., LTD. (the “Company”) hereby notifies you of that the 102nd Annual General Meeting of Shareholders of the Company as follows.

Please exercise your voting rights by mail or via the Internet after studying the Reference Document Concerning the General Meeting of Shareholders before 5:30 p.m. on June 19, 2024 (Wednesday, JST).

Yours very truly,

By: **KEITA KATO**  
President and Representative Director  
**SEKISUI CHEMICAL CO., LTD.**  
4-4 Nishitemma 2-Chome,  
Kita-ku, Osaka 530-8565

## PARTICULARS

**1. Date and Time of the Meeting:** 10:00 a.m. on June 20, 2024 (Thursday, JST)

**2. Place of the Meeting:** Manyo no Ma Room  
3rd Floor  
ANA Crowne Plaza Osaka Hotel  
1-3-1 Dojimahama, Kita-ku, Osaka

**3. Agenda of the Meeting:**

**Matters for Reporting:**

Report on the Business Report, the Consolidated Accounting Documents, the Non-Consolidated Accounting Documents and the report on the Results of the Audits of Consolidated Accounting Documents by the Accounting Auditor and the Audit & Supervisory Board for the 102nd Business Term (from April 1, 2023 to March 31, 2024).

**Matters for Resolution:**

**First Item of Business:** Appropriation of Surplus  
**Second Item of Business:** Election of Twelve (12) Directors

**4. Matters regarding Measures for Providing Information in Electronic Format**

For the convocation of this General Meeting of Shareholders, we have taken measures for providing information that constitutes the content of the reference documents for the General Meeting of Shareholders, etc. (items subject to measures for providing information in electronic format) in electronic format. The items are posted on each of the following websites on the Internet, and we invite you to check them by accessing either of the websites.

- The Company's website  
[https://www.sekisuichemical.com/ir/stock/shareholder\\_info/](https://www.sekisuichemical.com/ir/stock/shareholder_info/)
- Website for posted informational materials for the general meeting of shareholders  
<https://d.sokai.jp/4204/teiji/> (in Japanese)

- End -

For those attending, please present Voting Rights Exercise Form (not enclosed in this translation) at the reception desk on arrival at the Meeting. For saving natural resources, please take this notice of convocation with you to the Meeting.

(For Reference Only)

REGISTERED SHAREHOLDERS IN JAPAN may exercise voting rights by means of either of the following:

[In case of exercising voting rights by mail]

Please indicate on the Voting Right Exercise Form enclosed herewith your approval or disapproval of each of the items listed thereon and return the form to the Company before 5:30 p.m. on June 19, 2024 (Wednesday, JST).

[In case of exercising voting rights via the Internet, etc.]

Please access the website for exercising voting rights designated by the Company (<https://evote.tr.mufg.jp/>) (in Japanese), indicate your approval or disapproval of each of the items by following the guidance on the display after entering the "log-in ID" and "password" shown on the enclosed Voting Right Exercise Form.

The Company cordially requests the shareholders who exercise voting rights via the Internet, etc. to understand the Guidance for the Exercise of Voting Rights via the Internet, etc. below. (omitted)

## ■ Reference Documents Concerning the General Meeting of Shareholders

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### (Items and Matters for Reference)

#### First Item of Business

#### Appropriation of Surplus

One of the Company's primary policies in the management is to increase the corporate value, with an emphasis on returning the Company's profits to the shareholders proactively. In connection with returning the Company's profits to the shareholders, the Company's basic policy is to ensure the consolidated payout ratio of at least 40% of the consolidated profit, the Dividend-On-Equity (DOE) ratio of at least 3%, and the total return ratio of at least 50% (when the debt to equity (D/E) ratio is 0.5 or less), and to implement its stable dividend policy depending upon the business results.

Based on its capital policy and the basic policy regarding dividends from surplus as described above, the Company proposes that the year-end dividend for the business term under review be ¥39 per share.

The annual dividend for the business term under review is ¥74 per share, together with the interim dividend of ¥35 per share that was paid in December 2023, and a ¥15 increase per share from the previous business term.

#### Matters Concerning the Year-End Dividend

##### 1. Type of Dividend Assets:

Cash

##### 2. Matters Concerning Distribution of Dividend Assets and the Aggregate Amount:

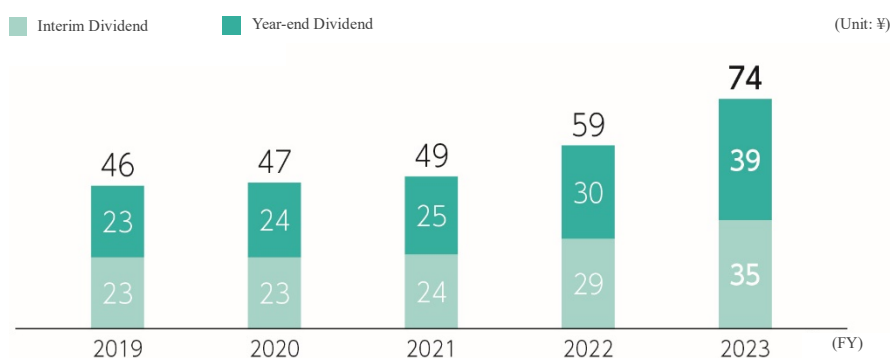
¥39 per share of common stock of the Company

Aggregate amount of dividends: ¥16,478,984,535

##### 3. The Date When Dividends from Surplus Take Effect:

June 21, 2024

#### Changes in the Dividends Per Share



The terms of offices of all the twelve (12) Directors will expire at the closing of this Annual General Meeting of Shareholders. Therefore, the Company proposes that the following twelve (12) Directors be newly elected. The following candidates for Directors have been determined by the Board of Directors based on the recommendations of the Nomination and Remuneration Advisory Committee (a majority of Independent Outside Directors), which is chaired by an Independent Outside Officer.

Five (5) candidates out of twelve (12) are candidates for Outside Directors. All of the five (5) candidates have expertise in each domain and international mindset, including abundant experience and past achievements as management executives. Therefore, the Company has judged that they would be able to duly fulfill their duties as Outside Directors including provision of advice with respect to the business management of the Company and supervision of business execution, etc. The five (5) candidates for Outside Directors meet the conditions of the Company's "Criteria for Independence of Outside Board Members" (refer to page 21) and the conditions of Independent Directors stipulated by Tokyo Stock Exchange, Inc.

The candidates are as follows.

Candidate Number	Name	Current Position and Duty at the Company		Number of Years (At the closing of this Annual General Meeting of Shareholders)	
1	Teiji Koge	Chairman of the Board	Renominated	19 years	
2	Keita Kato	President and Representative Director Chief Executive Officer	Renominated	10 years	
3	Futoshi Kamiwaki	Representative Director Senior Managing Executive Officer	Renominated	4 years	
4	Yoshiyuki Hirai	Director Senior Managing Executive Officer	Renominated	9 years	
5	Ikusuke Shimizu	Director Senior Managing Executive Officer	Renominated	5 years	
6	Masahide Yoshida	Managing Executive Officer	Newly Nominated	—	
7	Kazuya Murakami	Director Executive Officer	Renominated	3 years	
8	Hiroshi Oeda	Outside Director	Candidate for Independent Outside Director	Renominated	6 years
9	Haruko Nozaki	Outside Director	Candidate for Independent Outside Director	Renominated	2 years
10	Miharu Koezuka	Outside Director	Candidate for Independent Outside Director	Renominated	2 years
11	Machiko Miyai	Outside Director	Candidate for Independent Outside Director	Renominated	2 years
12	Yoshihiko Hatanaka	Outside Director	Candidate for Independent Outside Director	Renominated	1 year

**Career Summary, Position and Duty**

- Apr. 1976: Joined the Company
- Jun. 2005: Director of the Company  
President of Nagoya Sekisui Heim Co., Ltd.
- Oct. 2005: Director of the Company  
Head of President's Office of Housing Company
- Apr. 2006: Director of the Company  
Head of Planning & Control Department of Housing Company
- Apr. 2007: Director of the Company  
Head of Housing Division and Planning & Control Department of Housing Company
- Jul. 2007: Director of the Company  
Responsible for Sales Department, Head of Housing Division of Housing Company
- Feb. 2008: Director of the Company  
President of Housing Company  
Responsible for Sales Department, Head of Housing Division
- Apr. 2008: Director of the Company  
Managing Executive Officer of the Company  
President of Housing Company
- Apr. 2009: Director of the Company  
Senior Managing Executive Officer of the Company  
President of Housing Company
- Mar. 2014: Director of the Company  
Senior Managing Executive Officer of the Company  
Head of CSR Department  
Head of Corporate Communication Department
- Mar. 2015: President and Representative Director of the Company  
Chief Executive Officer of the Company
- Mar. 2020: Chairman of the Board and Representative Director of the Company
- Jun. 2022: Chairman of the Board of the Company [incumbent]
- Mar. 2023: Outside Director of EBARA CORPORATION [incumbent]

■ **Number of Shares of the Company Owned**

134,941 shares

■ **Number of Attendance of the Board of Directors Meetings of the Company**

17 out of 17 Board of Directors meetings

(Attendance rate: 100%)

(The business term under review)

**Important Position of Other Organizations Concurrently Assumed**

Outside Director of EBARA CORPORATION

**Reasons for Nomination of the Candidate for Director**

Since Mr. Teiji Koge was appointed as President and Representative Director in 2015, he has served as the driving force of the Group by implementing his strong leadership in demonstrating the new long-term vision which aims for ESG management and doubling of the business scale, with the aim of maintaining Sekisui Chemical Group's strong corporate presence for 100 years and beyond premised on the Group's management principles. Furthermore, since June 2018, he has presided over Board of Directors meetings, encouraged constructive discussions on management strategies by increasing the involvement of Outside Directors, executed governance reform, and endeavored to ensure the effectiveness of the Board of Directors. Since March 2020, he has been properly supervising the Company's management as Inside Director who is not concurrently responsible for business execution. Therefore, the Company has judged that he is expected to further contribute to the establishment of the basic management policy and the proper supervision of management by the Board of Directors of the Company and thus renominated him as a candidate for Director.



■ **Number of Shares of the Company Owned**  
96,218 shares

■ **Number of Attendance of the Board of Directors Meetings of the Company**

17 out of 17 Board of Directors meetings  
(Attendance rate: 100%)

(The business term under review)

**Career Summary, Position and Duty**

- Apr. 1980: Joined the Company
- Apr. 2008: Executive Officer of the Company  
Head of Interlayer Film Division of High Performance Plastics Company
- Jul. 2011: Executive Officer of the Company  
Head of New Business Promotion Division of High Performance Plastics Company
- Mar. 2013: Executive Officer of the Company  
Head of New Business Promotion Division and Head of Research & Development Institute of High Performance Plastics Company
- Oct. 2013: Executive Officer of the Company  
Head of Research & Development Institute of High Performance Plastics Company
- Mar. 2014: Managing Executive Officer of the Company  
President of High Performance Plastics Company
- Jun. 2014: Director of the Company  
Managing Executive Officer of the Company  
President of High Performance Plastics Company
- Apr. 2015: Director of the Company  
Senior Managing Executive Officer of the Company  
President of High Performance Plastics Company
- Jan. 2019: Representative Director of the Company  
Senior Managing Executive Officer of the Company  
Head of Business Strategy Department
- Apr. 2019: Representative Director of the Company  
Senior Managing Executive Officer of the Company  
Responsible for ESG Management Department  
Head of Business Strategy Department
- Jul. 2019: Representative Director of the Company  
Senior Managing Executive Officer of the Company  
Responsible for ESG Management Department  
Head of Business Strategy Department  
Head of New Business Development Department
- Jan. 2020: Representative Director of the Company  
Senior Managing Executive Officer of the Company  
Responsible for ESG Management Department  
Head of Business Strategy Department
- Mar. 2020: President and Representative Director of the Company  
Chief Executive Officer of the Company [incumbent]

**Reasons for Nomination of the Candidate for Director**

Since Mr. Keita Kato was appointed as Director in 2014, he has implemented his leadership and made significant achievements as President of High Performance Plastics Company. Additionally, as Head of Business Strategy Department since January 2019, he has overseen Sekisui Chemical Group's management in general as well as administrative supervision functions of overseas businesses and properly supervising business execution from a global perspective. Since he was appointed as President and Representative Director in March 2020, he has been engaged in formulation/deliberation and supervision of management strategies, etc. in the Board of Directors while also promoting the long-term vision which aims for ESG management and doubling of the business scale. Therefore, the Company has judged that he would be qualified as Chief Executive Officer of the Company and thus renominated him as a candidate for Director.

**Career Summary, Position and Duty**

- Apr. 1983: Joined the Company
- Apr. 2011: Executive Officer of the Company  
Head of Planning & Control Department of Housing Company
- Oct. 2012: Executive Officer of the Company  
Responsible for Public Relations & External Relations Department  
Head of Planning & Control Department of Housing Company
- Jan. 2013: Executive Officer of the Company  
Head of Housing Product Research & Development Department of Housing Company
- Jan. 2014: Executive Officer of the Company  
Head of Product Research & Development Department of Housing Company
- Apr. 2017: Managing Executive Officer of the Company  
Head of Product Research & Development Department of Housing Company
- Mar. 2018: Managing Executive Officer of the Company  
Head of Housing Renovation Sales Management Division  
Head of Administrative Management & Control Department of Housing Company
- Mar. 2019: Managing Executive Officer of the Company  
Head of Administrative Management & Control Department of Housing Company
- Jan. 2020: Managing Executive Officer of the Company  
Head of New Business Development Department
- Mar. 2020: Managing Executive Officer of the Company  
Responsible for ESG Management Department and New Business Development Department  
Head of Business Strategy Department
- Apr. 2020: Senior Managing Executive Officer of the Company  
Responsible for ESG Management Department, Digital Transformation Department, and New Business Development Department  
Head of Business Strategy Department
- Jun. 2020: Director of the Company  
Senior Managing Executive Officer of the Company  
Responsible for ESG Management Department, Digital Transformation Department, and New Business Development Department  
Head of Business Strategy Department
- Jun. 2022: Representative Director of the Company  
Senior Managing Executive Officer of the Company  
Responsible for ESG Management Department, Digital Transformation Department, and New Business Development Department  
Head of Business Strategy Department
- Apr. 2024: Representative Director of the Company  
Senior Managing Executive Officer of the Company  
Responsible for ESG Management Department and New Business Development Department  
Head of Business Strategy Department [incumbent]

**Reasons for Nomination of the Candidate for Director**

Mr. Futoshi Kamiwaki has been engaged in the operations of product development, sales management, and administrative management and control as Head of Product Research & Development Department, Head of Housing Renovation Sales Management Division, and Head of Administrative Management & Control Department of the Housing Company, and has abundant experience in strategy planning and management. Leveraging the aforementioned experience, since he was appointed as Head of New Business Development Department within the corporate organization in January 2020 and Head of Business Strategy Department in March 2020, he has been performing his duties by applying his deep insight and advanced management capabilities by leveraging the broad experience he has gained to date, having been appointed as Director in 2020. Therefore, the

Company has judged that he has high capabilities necessary for deliberating and overseeing the Board of Directors' business strategy, and further enhancing the corporate value of the Sekisui Chemical Group by utilizing his experience, especially in the area of ESG management promotion and digital transformation, and thus renominated him as a candidate for Director.





#### Career Summary, Position and Duty

- Apr. 1985: Joined the Company
- Apr. 2014: Executive Officer of the Company  
Head of Foam Division of High Performance Plastics Company
- Apr. 2015: Executive Officer of the Company  
Responsible for CSR Promotion Department  
Head of Business Strategy Department
- Jun. 2015: Director of the Company  
Executive Officer of the Company  
Responsible for CSR Promotion Department  
Head of Business Strategy Department
- Apr. 2017: Director of the Company  
Managing Executive Officer of the Company  
Responsible for Corporate Finance & Accounting Department  
Head of Business Strategy Department
- Apr. 2018: Director of the Company  
Managing Executive Officer of the Company  
Head of Business Strategy Department
- Jan. 2019: Director of the Company  
Managing Executive Officer of the Company  
President of Urban Infrastructure & Environmental Products Company
- Apr. 2020: Director of the Company  
Senior Managing Executive Officer of the Company  
President of Urban Infrastructure & Environmental Products Company  
[incumbent]

■ **Number of Shares of the Company Owned**  
52,750 shares

■ **Number of Attendance of the Board of Directors Meetings of the Company**

17 out of 17 Board of Directors meetings  
(Attendance rate: 100%)

(The business term under review)

#### Reasons for Nomination of the Candidate for Director

Since Mr. Yoshiyuki Hirai was appointed as Director in 2015, he has made such achievements as strengthening the foundation of global management structure and promoting constructive engagement with shareholders as Head of Business Strategy Department by leveraging the knowledge fostered through his abundant experience so far. As President of Urban Infrastructure & Environmental Products Company since January 2019, he has been performing his duties by applying his deep insight. He is also highly knowledgeable of the stakeholders' expectations and issues surrounding the Sekisui Chemical Group and has been performing his duties by applying his advanced management capabilities. Therefore, the Company has judged that he would be able to contribute to further enhancing the corporate value of the Sekisui Chemical Group and thus renominated him as a candidate for Director.



### Career Summary, Position and Duty

- Apr. 1987: Joined the Company
- Apr. 2015: Executive Officer of the Company  
Head of Foam Division of High Performance Plastics Company
- Apr. 2016: Executive Officer of the Company  
Responsible for Automobiles & Transportation field  
Head of Foam Division of High Performance Plastics Company
- Apr. 2018: Executive Officer of the Company  
Responsible for Electronics  
Head of Foam Division of High Performance Plastics Company
- Jan. 2019: Managing Executive Officer of the Company  
President of High Performance Plastics Company  
Responsible for Electronics of High Performance Plastics Company  
Director of SEKISUI FULLER CO., LTD. [incumbent]
- Apr. 2019: Managing Executive Officer of the Company  
President of High Performance Plastics Company
- Jun. 2019: Director of the Company  
Managing Executive Officer of the Company  
President of High Performance Plastics Company
- Apr. 2021: Director of the Company  
Senior Managing Executive Officer of the Company  
President of High Performance Plastics Company [incumbent]

■ **Number of Shares of the Company Owned**  
61,479 shares

■ **Number of Attendance of the Board of Directors Meetings of the Company**  
17 out of 17 Board of Directors meetings  
(Attendance rate: 100%)

(The business term under review)

### Important Position of Other Organizations Concurrently Assumed

Director of SEKISUI FULLER CO., LTD.

### Reasons for Nomination of the Candidate for Director

Mr. Ikusuke Shimizu is highly knowledgeable of the High Performance Plastics Company's strategic fields including the overseas segment, having served as Head of Foam Division, Responsible for Automobiles & Transportation field, Responsible for Electronics of High Performance Plastics Company as well as President of SEKISUI TA INDUSTRIES, LLC, etc. Since he was appointed as President of High Performance Plastics Company in January 2019, he has been performing his duties by applying his deep insight and advanced management capabilities by leveraging the broad experience he has gained to date, having been appointed as Director in 2019. Therefore, the Company has judged that he has high capabilities necessary for deliberating and overseeing the Board of Directors' business strategy, and further enhancing the corporate value of the Sekisui Chemical Group by utilizing his experience, especially in the area of global business, and thus renominated him as a candidate for Director.



■ **Number of Shares of the Company Owned**  
21,017 shares

#### **Career Summary, Position and Duty**

- Apr. 1989: Joined the Company
- Apr. 2017: Executive Officer of the Company  
President of SEKISUI HEIM CHUBU CO., LTD.
- Jan. 2020: Executive Officer of the Company  
Head of Housing Sales Management Division of Housing Company  
President of TOKYO SEKISUI HEIM CO., LTD.
- Apr. 2020: Executive Officer of the Company  
Head of Housing Business Management Division of Housing Company  
President of TOKYO SEKISUI HEIM CO., LTD.
- Apr. 2022: Managing Executive Officer of the Company  
Head of Housing Business Management Division of Housing Company  
President of TOKYO SEKISUI HEIM CO., LTD.
- Apr. 2023: Managing Executive Officer of the Company  
Head of East Japan Sales Management Division of Housing Company  
President of TOKYO SEKISUI HEIM CO., LTD.
- Jan. 2024: Managing Executive Officer of the Company  
President of Housing Company  
Head of East Japan Sales Management Division of Housing Company  
President of TOKYO SEKISUI HEIM CO., LTD.
- Mar. 2024: Managing Executive Officer of the Company  
President of Housing Company  
Head of East Japan Sales Management Division of Housing Company
- Apr. 2024: Managing Executive Officer of the Company  
President of Housing Company [incumbent]

#### **Reasons for Nomination of the Candidate for Director**

Mr. Masahide Yoshida has been engaged in the operations of the Housing Company for many years and has extensive management experience, including serving as President of SEKISUI HEIM CHUBU CO., LTD., President of TOKYO SEKISUI HEIM CO., LTD. and Head of Housing Sales Management Division of Housing Company. He promoted both management strategy and structural reforms in the overseeing organization and greatly contributed to expanding and strengthening the foundation of the housing business. Since January 2024, he has been performing his duties by applying his deep insight as President of Housing Company. Therefore, the Company has judged that Mr. Yoshida would be able to contribute to enhancing the corporate value of the Sekisui Chemical Group and thus nominated him as a candidate for Director.

**Career Summary, Position and Duty**

- Apr. 1989: Joined the Company
- Mar. 2014: Head of Human Resources Development Division of High Performance Plastics Company
- Apr. 2020: Executive Officer of the Company  
Head of Human Resources Development Division of High Performance Plastics Company
- Oct. 2020: Executive Officer of the Company  
Head of Human Resources Department
- Jun. 2021: Director of the Company  
Executive Officer of the Company  
Head of Human Resources Department [incumbent]

■ **Number of Shares of the Company Owned**  
15,279 shares

■ **Number of Attendance of the Board of Directors Meetings of the Company**

17 out of 17 Board of Directors meetings  
(Attendance rate: 100%)

(The business term under review)

**Reasons for Nomination of the Candidate for Director**

Mr. Kazuya Murakami has been engaged in back-office operations mainly at the human resources department, including serving as Head of Human Resources Development Division of High Performance Plastics Company, and has abundant experience in global policy enforcement and management. Leveraging the aforementioned experience, since his appointment as Head of Human Resources Department in October 2020, Mr. Murakami has exercised his strong leadership in the personnel system reform and in the promotion of diversity management, as well as working to create the Company's organizational culture and to improve employees' engagement. In addition to performing his duties by applying his deep insight and advanced management capabilities by leveraging the experience he has gained to date, Mr. Murakami has been working on the personnel system reform and health management utilizing such experience since he was appointed as Director in 2021. Therefore, the Company has judged that he would be able to contribute to further enhancing the corporate value of the Sekisui Chemical Group and thus renominated him as a candidate for Director.



### Career Summary, Position and Duty

Candidate for Independent Outside Director

- Apr. 1980: Joined Nisshin Flour Milling Inc. (currently Nisshin Seifun Group Inc.)
- Jun. 2008: Executive Officer of Nisshin Seifun Group Inc.
- Jun. 2009: Director of Nisshin Seifun Group Inc.
- Apr. 2011: Director and President of Nisshin Seifun Group Inc.
- Apr. 2017: Director and Executive Advisor of Nisshin Seifun Group Inc.
- Jun. 2017: Special Advisor of Nisshin Seifun Group Inc. [incumbent]  
President of Seifun Kaikan Inc. [resigned in 2022]
- Mar. 2018: Outside Director of EBARA CORPORATION
- Jun. 2018: Outside Director of the Company [incumbent]
- Jun. 2019: President of Hitotsubashi University Koenkai [incumbent]
- Mar. 2022: Outside Director, Chairman of the Board of Directors of EBARA CORPORATION [incumbent]
- Jun. 2023: Outside Director of Japan Post Holdings Co., Ltd. [incumbent]

■ **Number of Shares of the Company Owned**  
7,000 shares

■ **Number of Years in Office of the Company**  
6 years (At the closing of this Annual General Meeting of Shareholders)

■ **Number of Attendance of the Board of Directors Meetings of the Company**  
17 out of 17 Board of Directors meetings  
(Attendance rate: 100%)

(The business term under review)

### Important Position of Other Organizations Concurrently Assumed

- Special Advisor of Nisshin Seifun Group Inc.
- Outside Director, Chairman of the Board of Directors of EBARA CORPORATION
- Outside Director of Japan Post Holdings Co., Ltd.
- President of Hitotsubashi University Koenkai

### Reasons for Nomination of the Candidate for Outside Director and Duties Expected to Be Performed

Since his appointment as Outside Director in 2018, Mr. Hiroshi Oeda has provided advice with respect to the business management of the Company and has appropriately supervised business execution at Board of Directors meetings. The Company has judged that Mr. Oeda would be able to continue to contribute to further enhancing the corporate value of the Sekisui Chemical Group through providing advice with respect to the business management of the Company and appropriately supervising business execution at Board of Directors meetings, by leveraging his broad experience and skill in global corporate management, business strategy, execution of overseas M&A, etc. gained from serving as a management executive of the largest milling company in Japan. The Company has thus renominated Mr. Oeda as a candidate for Outside Director.

### Independence of the Candidate for Outside Director

The Company has no business relationship with Nisshin Seifun Group Inc., Japan Post Holdings Co., Ltd. and Hitotsubashi University Koenkai where Mr. Hiroshi Oeda concurrently holds a position. While the Company has business transactions with EBARA CORPORATION, the ratio of the transaction value to the net sales of EBARA CORPORATION and the Company for the business year last closed was less than 1% for each of both parties. As the “Criteria for Independence of Outside Board Members” of the Company and the criteria for independent directors/auditors prescribed by the Tokyo Stock Exchange have been met, his independence as Outside Director is deemed to be sufficiently secured. The Company has registered Mr. Oeda as an Independent Officer with the Tokyo Stock Exchange. If his appointment is approved, it is planned that he will continue to act as an Independent Officer.

### Limiting Liability Agreement

So that Directors (excluding Executive Directors) may fully fulfil their expected roles, the Company has entered into an agreement with Mr. Oeda limiting his liabilities to compensate, under Paragraph 1 of Article 423 of the Companies Act, under which his liabilities for compensations are limited to the minimum limited liability amount provided in the laws and ordinances. Furthermore, in the event that the election of Mr. Oeda is approved, the Company will continue the limiting liability agreement with him.



### Career Summary, Position and Duty

Candidate for Independent Outside Director

- Apr. 1978: Joined HORIBA Community Corporation
- Mar. 1980: Reassigned to HORIBA, Ltd.
- Apr. 2001: General Manager, Human Resources Department of HORIBA, Ltd.
- Jan. 2008: Deputy General Manager in charge of personnel, General Administration Division of HORIBA, Ltd.
- Apr. 2014: Junior Corporate Officer of HORIBA, Ltd. [resigned in 2022]
- Jul. 2015: Chairman of HORIBA, Ltd. Health Insurance Association [resigned in 2022]
- Jun. 2020: External Director of West Japan Railway Company [incumbent]
- Jun. 2021: Special Appointment Professor of International Academic Research Institute of Kyoto University of Advanced Science [resigned in 2022]
- Apr. 2022: Executive Vice-President of Kyoto University [incumbent]
- Jun. 2022: Outside Director of the Company [incumbent]

■ **Number of Shares of the Company Owned**

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■ **Number of Years in Office of the Company**

2 years (At the closing of this Annual General Meeting of Shareholders)

■ **Number of Attendance of the Board of Directors Meetings of the Company**

16 out of 17 Board of Directors meetings  
(Attendance rate: 94%)

(The business term under review)

### Important Position of Other Organizations Concurrently Assumed

- Executive Vice-President of Kyoto University
- External Director of West Japan Railway Company

### Reasons for Nomination of the Candidate for Outside Director and Duties Expected to Be Performed

Since her appointment as Outside Director in 2022, Ms. Haruko Nozaki has provided advice with respect to the business management of the Company and has appropriately supervised business execution at Board of Directors meetings. The Company has judged that Ms. Nozaki would be able to continue to contribute to further enhancing the corporate value of the Sekisui Chemical Group through providing advice with respect to the business management of the Company and appropriately supervising business execution at Board of Directors meetings, by leveraging her experience and past achievements in personnel affairs and education, and deep insight on promotion of diversity, development of the next generation, etc. The Company has thus renominated Ms. Nozaki as a candidate for Outside Director.

### Independence of the Candidate for Outside Director

There is no business relationship between West Japan Railway Company, where Ms. Nozaki concurrently holds office, and the Company. Moreover, business relationships exist between Kyoto University, where she concurrently holds office, and the Company, but the amount of such transactions in the most recent fiscal year has been less than 1% of either ordinary profit of the said university or net sales of the Company, and as the “Criteria for Independence of Outside Board Members” and the criteria for independent directors/auditors prescribed by the Tokyo Stock Exchange have been met, her independence as Outside Director is deemed to be sufficiently secured. The Company has registered Ms. Nozaki as an Independent Officer with the Tokyo Stock Exchange. If her appointment is approved, it is planned that she will continue to act as an Independent Officer.

### Limiting Liability Agreement

So that Directors (excluding Executive Directors) may fully fulfil their expected roles, the Company has entered into an agreement with Ms. Nozaki limiting her liabilities to compensate, under Paragraph 1 of Article 423 of the Companies Act, under which her liabilities for compensations are limited to the minimum limited liability amount provided in the laws and ordinances. Furthermore, in the event that the election of Ms. Nozaki is approved, the Company will continue the limiting liability agreement with her.



### Career Summary, Position and Duty

Candidate for Independent Outside Director

■ **Number of Shares of the Company Owned**  
4,000 shares

■ **Number of Years in Office of the Company**  
2 years (At the closing of this Annual General Meeting of Shareholders)

■ **Number of Attendance of the Board of Directors Meetings of the Company**  
17 out of 17 Board of Directors meetings  
(Attendance rate: 100%)

(The business term under review)

- Apr. 1979: Joined Takashimaya Company, Limited
- May 2007: Executive Officer, General Manager of Public and Investor Relations Office, Planning Headquarters of Takashimaya Company, Limited
- Mar. 2009: Senior Executive Officer, General Manager of Sales Planning Division of Takashimaya Company, Limited
- Feb. 2010: President (Representative Director) of Okayama Takashimaya Co., Ltd.
- May 2013: Director of Takashimaya Company, Limited
- Sep. 2013: Senior Managing Director (Representative Director), General Manager of Planning Headquarters (General Manager of Reform Promotion Headquarters), in charge of General Affairs Headquarters, CSR Promotion Office, IT Promotion Office, Nihombashi Redevelopment Planning Office of Takashimaya Company, Limited
- Director of Okayama Takashimaya Co., Ltd. [resigned in 2021]
- Mar. 2014: Senior Managing Director (Representative Director), General Manager of Sales Headquarters of Takashimaya Company, Limited
- May 2015: Member of the Strategic Headquarters for the Promotion of an Advanced Information and Telecommunications Network Society, Information Technology (IT) Strategy Planning Office, Cabinet Secretariat [resigned in 2019]
- Mar. 2016: Director of Takashimaya Company, Limited
- May 2016: Consultant of Takashimaya Company, Limited
- Jun. 2018: Outside Director of Japan Post Holdings Co., Ltd. [incumbent]
- Jun. 2019: Outside Director of Nankai Electric Railway Co., Ltd. [incumbent]
- Mar. 2020: Counselor of Takashimaya Company, Limited [resigned in 2021]
- Outside Director of Nippon Paint Holdings Co., Ltd. [resigned in 2023]
- Jun. 2022: Outside Director of the Company [incumbent]

### Important Position of Other Organizations Concurrently Assumed

- Outside Director of Japan Post Holdings Co., Ltd.  
Outside Director of Nankai Electric Railway Co., Ltd.

### Reasons for Nomination of the Candidate for Outside Director and Duties Expected to Be Performed

Since her appointment as Outside Director in 2022, Ms. Miharu Koezuka has provided advice with respect to the business management of the Company and has appropriately supervised business execution at Board of Directors meetings. The Company has judged that Ms. Koezuka would be able to continue to contribute to further enhancing the corporate value of the Sekisui Chemical Group through providing advice with respect to the business management of the Company and appropriately supervising business execution at Board of Directors meetings, by leveraging her extensive experience in the management of department stores in addition to her experience and past achievements in management in various industries. The Company has thus renominated Ms. Koezuka as a candidate for Outside Director.

### Independence of the Candidate for Outside Director

The Company has no business relationship with Japan Post Holdings Co., Ltd. and Nankai Electric Railway Co., Ltd. where Ms. Miharu Koezuka concurrently holds a position. As the “Criteria for Independence of Outside Board Members” of the Company and the criteria for independent directors/auditors prescribed by the Tokyo Stock Exchange have been met, her independence as Outside Director is deemed to be sufficiently secured. The Company has registered Ms. Koezuka as an Independent Officer with the Tokyo Stock Exchange. If her appointment is approved, it is planned that she will continue to act as an Independent Officer.

**Matters concerning the candidate for Outside Director**

Japan Post Holdings Co., Ltd. at which Ms. Miharu Koezuka serves as Outside Director received a business improvement order each from the Minister for Internal Affairs and Communications and the Financial Services Agency in December 2019 in relation to the case in which many inappropriate solicitations of insurance products occurred in JAPAN POST INSURANCE Co., Ltd., a subsidiary of the said company. Although Ms. Koezuka was not aware of the aforementioned fact until the fact was found out, she has usually fulfilled her duties through the Board of Directors, etc. from the standpoint of legal compliance and makes efforts so that execution of operations that violates any laws or regulations is not conducted, and after the fact was revealed, she confirmed the content of the said company's measures for recurrence prevention.

**Limiting Liability Agreement**

So that Directors (excluding Executive Directors) may fully fulfil their expected roles, the Company has entered into an agreement with Ms. Koezuka limiting her liabilities to compensate, under Paragraph 1 of Article 423 of the Companies Act, under which her liabilities for compensations are limited to the minimum limited liability amount provided in the laws and ordinances. Furthermore, in the event that the election of Ms. Koezuka is approved, the Company will continue the limiting liability agreement with her.





### Career Summary, Position and Duty

Candidate for Independent Outside Director

■ **Number of Shares of the Company Owned**

-

■ **Number of Years in Office of the Company**

2 years (At the closing of this Annual General Meeting of Shareholders)

■ **Number of Attendance of the Board of Directors Meetings of the Company**

17 out of 17 Board of Directors meetings  
(Attendance rate: 100%)

(The business term under review)

- Apr. 1983: Joined Matsushita Electric Industrial Co., Ltd. (Panasonic Corporation from 2008; currently Panasonic Holdings Corporation)
- Oct. 2001: Director-General of Life Research Institute of Matsushita Electric Industrial Co., Ltd.
- Apr. 2005: Executive Director of Matsushita Electric Industrial Co., Ltd.
- Apr. 2006: Executive Director, General Manager of Cooking Equipment Business Unit of Matsushita Electric Industrial Co., Ltd.
- Apr. 2011: Executive Officer, Director of Environment Division of Panasonic Corporation
- Oct. 2012: Executive Officer, in charge of Lifestyle Research for New Markets, R&D Division of Panasonic Corporation
- Apr. 2014: Corporate Advisor of Panasonic Corporation [resigned in 2016]
- Jun. 2014: Outside Director of MORINAGA & CO., LTD. [resigned in 2018]
- Dec. 2014: Outside Director of KATO SANGYO CO., LTD. [resigned in 2018]
- May 2015: Outside Director of YOSHINOYA HOLDINGS CO., LTD. [resigned in 2019]
- Feb. 2016: Commissioner of Personal Information Protection Commission, an external bureau of the Cabinet Office [resigned in 2021]
- Jun. 2018: Director, Managing Operating Officer of MORINAGA & CO., LTD.
- Feb. 2019: Chairman of Sustainability Forum Japan [incumbent]
- Apr. 2022: Auditor of Ochanomizu University [incumbent]
- Jun. 2022: Outside Director of the Company [incumbent]
- Apr. 2024: Director of MORINAGA & CO., LTD. [scheduled to resign in June 2024]

### Important Position of Other Organizations Concurrently Assumed

Director of MORINAGA & CO., LTD. [scheduled to resign in June 2024]  
Chairman of Sustainability Forum Japan  
Auditor of Ochanomizu University

### Reasons for Nomination of the Candidate for Outside Director and Duties Expected to Be Performed

Since her appointment as Outside Director in 2022, Ms. Machiko Miyai has provided advice with respect to the business management of the Company and has appropriately supervised business execution at Board of Directors meetings. The Company has judged that Ms. Miyai would be able to continue to contribute to further enhancing the corporate value of the Sekisui Chemical Group through providing advice with respect to the business management of the Company and appropriately supervising business execution at Board of Directors meetings, by leveraging her broad job experience in industries that are different from that of the Company, in particular her consumer-focused work as an internal officer of several listed companies. The Company has thus renominated Ms. Miyai as a candidate for Outside Director.

### Independence of the Candidate for Outside Director

The Company has no business relationship with MORINAGA & CO., LTD., Sustainability Forum Japan, and Ochanomizu University where Ms. Machiko Miyai concurrently holds a position. As the “Criteria for Independence of Outside Board Members” of the Company and the criteria for independent directors/auditors prescribed by the Tokyo Stock Exchange have been met, her independence as Outside Director is deemed to be sufficiently secured. The Company has registered Ms. Miyai as an Independent Officer with the Tokyo Stock Exchange. If her appointment is approved, it is planned that she will continue to act as an Independent Officer.

### Limiting Liability Agreement

So that Directors (excluding Executive Directors) may fully fulfil their expected roles, the Company has entered into an agreement with Ms. Miyai limiting her liabilities to compensate, under Paragraph 1 of Article 423 of the Companies Act, under which her liabilities for compensations are limited to the minimum limited liability amount provided in

the laws and ordinances. Furthermore, in the event that the election of Ms. Miyai is approved, the Company will continue the limiting liability agreement with her.

(Note) Ms. Machiko Miyai is a candidate for outside Director in the proposal for the election of Directors at the Annual General Meeting of Shareholders of ISUZU MOTORS LIMITED to be held in June 2024.



■ **Number of Shares of the Company Owned**  
1,000 shares

■ **Number of Years in Office of the Company**  
1 year (At the closing of this Annual General Meeting of Shareholders)

■ **Number of Attendance of the Board of Directors Meetings of the Company**

13 out of 13 Board of Directors meetings  
(Attendance rate: 100%)

(The business term under review)

**Career Summary, Position and Duty**

Candidate for Independent Outside Director

- Apr. 1980: Joined Fujisawa Pharmaceutical Co., Ltd. (currently Astellas Pharma Inc.)
- Jun. 2005: Corporate Executive, Head of Corporate Planning Department, Strategy Division of Astellas Pharma Inc.
- Apr. 2006: Executive Officer of Astellas Pharma Inc.  
President & CEO of Astellas US LLC  
President & CEO of Astellas Pharma US, Inc.
- Jun. 2008: Senior Corporate Executive of Astellas Pharma Inc.  
President & CEO of Astellas US LLC  
President & CEO of Astellas Pharma US, Inc.
- Apr. 2009: Senior Corporate Executive, Chief Strategy Officer and Chief Financial Officer (CStO & CFO) of Astellas Pharma Inc.
- Jun. 2011: Representative Director, President and CEO of Astellas Pharma Inc.
- Jun. 2016: President of Japan Pharmaceutical Manufacturers Association [resigned in 2018]
- Apr. 2018: Representative Director, Chairman of the Board of Astellas Pharma Inc. [resigned in 2022]
- Jun. 2018: Vice Chair of the Board of Councillors, KEIDANREN (Japan Business Federation) [resigned in 2022]
- Jun. 2019: Outside Director of Sony Corporation (currently Sony Group Corporation) [incumbent]
- Jun. 2020: Chairman of the Pharmaceutical Manufacturers' Association of Tokyo [resigned in 2022]
- Mar. 2023: Outside Director of Shiseido Company, Limited [incumbent]
- Jun. 2023: Outside Director of the Company [incumbent]

**Important Position of Other Organizations Concurrently Assumed**

- Outside Director of Sony Group Corporation  
Outside Director of Shiseido Company, Limited

**Reasons for Nomination of the Candidate for Outside Director and Duties Expected to Be Performed**

Since his appointment as Outside Director in 2023, Mr. Yoshihiko Hatanaka has provided advice with respect to the business management of the Company and has appropriately supervised business execution at Board of Directors meetings. The Company has judged that Mr. Hatanaka would be able to continue to contribute to further enhancing the corporate value of the Sekisui Chemical Group through providing advice with respect to the business management of the Company and appropriately supervising business execution at Board of Directors meetings, by leveraging his wide-ranging knowledge of global corporate management cultivated through serving as an executive at Astellas Pharma Inc. and his wealth of experience overseas, including in Europe and the United States, in addition to his extensive knowledge in matters including corporate integration based on his experience as a corporate planning officer. The Company has thus renominated Mr. Hatanaka as a candidate for Outside Director.

**Independence of the Candidate for Outside Director**

The Company has no business relationship with Sony Group Corporation and Shiseido Company, Limited, where Mr. Yoshihiko Hatanaka concurrently holds a position. As the "Criteria for Independence of Outside Board Members" of the Company and the criteria for independent directors/auditors prescribed by the Tokyo Stock Exchange have been met, his independence as Outside Director is deemed to be sufficiently secured. The Company has registered Mr. Hatanaka as an Independent Officer with the Tokyo Stock Exchange. If his appointment is approved, it is planned that he will continue to act as an Independent Officer.

**Limiting Liability Agreement**

So that Directors (excluding Executive Directors) may fully fulfil their expected roles, the Company has entered into an agreement with Mr. Hatanaka limiting his liabilities to compensate, under Paragraph 1 of Article 423 of the Companies Act, under which his liabilities for compensations are limited to the minimum limited liability amount provided in the laws and ordinances. Furthermore, in the event that the election of Mr. Hatanaka is approved, the Company will continue the limiting liability agreement with him.

(Note) Each of the candidates has no interest with the Company.

## <Criteria for Independence of Outside Board Members>

The Company has established the following “Criteria for Independence of Outside Board Members” and the Company has nominated a candidate satisfying all of the criteria.

<b>Criteria for Independence of Outside Board Members</b>	
1)	The candidate has never been an executive director, an executive officer, a manager or any other employee of the Company or any of the companies within the Group.
2)	The candidate is not receiving compensation more than ¥10 million per year from the Group other than the compensation as an officer.
3)	The candidate and the main company of the candidate <sup>(Note 1)</sup> is not a major shareholder <sup>(Note 2)</sup> of the Company.
4)	The business of the main company of the candidate does not compete with the main business(es) <sup>(Note 3)</sup> of the Company.
5)	The main company of the candidate is not a major business partner <sup>(Note 4)</sup> of the Company.
6)	The main company of the candidate is not a major lender of the Company.
7)	The candidate has never worked for an accounting auditor of the Company for the period of five years immediately preceding the scheduled date of assumption of office.
8)	None of the executive directors of the Company is concurrently serving as a director of the main company of the candidate.
9)	The candidate is not a relative <sup>(Note 5)</sup> of any of the officers or employees of the Company who has not fallen under any of 1 through 8 above.
(Notes)	<ol style="list-style-type: none"><li>1. Main company of the candidate shall mean the company, if any, at which the candidate for an outside board member is an executive director, executive officer, or manager or other employee.</li><li>2. Major shareholder shall mean top 10 shareholders of the Company.</li><li>3. Main business(es) of the Company shall mean business(es) disclosed as main business(es) of Company on the business report of the Company.</li><li>4. Major business partner shall mean the business partner whose transaction with the Company is not less than 2% of consolidated gross sales of the Company or such business partner.</li><li>5. Relative shall mean the person’s spouse, partner, relative within the second degree of kinship or relative who lives with the person.</li></ol>

## <Overview of Directors’ and Officers’ Liability Insurance Contract>

The Company has executed a directors’ and officers’ liability insurance contract as defined in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. If the appointment of the twelve Directors as proposed in the Second Item of Business is approved, the appointed Directors will be insureds under the insurance contract. The insureds under the insurance contract are Directors, Audit & Supervisory Board Members, Executive Officers, etc. of the Company and its domestic subsidiaries. The Company pays the insurance premiums for all the insureds. The insurance covers legal claims for damages, legal expenses, etc. In order to prevent the duties expected to be performed by Directors, etc. from being compromised, the contract sets deductibles, exclusions, and reduced coverage rate.

## (Reference) List of Officers [subject to approval of this Annual General Meeting of Shareholders]

Name	Position at the Company	Number of Years (At the closing of this Annual General Meeting of Shareholders)	Number of Attendance of the Board of Directors Meetings of the Company (The business term under review)	Number of Attendance of the Audit & Supervisory Board Meetings of the Company (The business term under review)	Number of Attendance of the Nomination and Remuneration Advisory Committee of the Company (The business term under review)	Number of Attendance of the Diversity Promotion Committee of the Company (The business term under review)
Teiji Koge	Chairman of the Board	19 years	●100% (17 out of 17)	—	100% (6 out of 6)	100% (3 out of 3)
Keita Kato	President and Representative Director Chief Executive Officer	10 years	100% (17 out of 17)	—	100% (6 out of 6)	100% (3 out of 3)
Futoshi Kamiwaki	Representative Director Senior Managing Executive Officer	4 years	100% (17 out of 17)	—	—	100% (3 out of 3)
Yoshiyuki Hirai	Director Senior Managing Executive Officer	9 years	100% (17 out of 17)	—	—	—
Ikusuke Shimizu	Director Senior Managing Executive Officer	5 years	100% (17 out of 17)	—	—	—
Masahide Yoshida	Director Managing Executive Officer	—	—	—	—	—
Kazuya Murakami	Director Executive Officer	3 years	100% (17 out of 17)	—	—	100% (3 out of 3)
Hiroshi Oeda	Independent Outside Director	6 years	100% (17 out of 17)	—	●100% (6 out of 6)	100% (3 out of 3)
Haruko Nozaki	Independent Outside Director	2 years	94% (16 out of 17)	—	100% (6 out of 6)	●100% (3 out of 3)
Miharu Koezuka	Independent Outside Director	2 years	100% (17 out of 17)	—	100% (6 out of 6)	100% (3 out of 3)
Machiko Miyai	Independent Outside Director	2 years	100% (17 out of 17)	—	100% (6 out of 6)	100% (3 out of 3)
Yoshihiko Hatanaka	Independent Outside Director	1 year	100% (13 out of 13)	—	100% (5 out of 5)	100% (3 out of 3)
Hiroyuki Taketomo	Fulltime Audit & Supervisory Board Member	3 years	100% (17 out of 17)	●100% (14 out of 14)	—	—
Tomoyasu Izugami	Fulltime Audit & Supervisory Board Member	1 year	100% (13 out of 13)	100% (11 out of 11)	—	—
Yoshikazu Minomo	Independent Outside Audit & Supervisory Board Member	2 years	100% (17 out of 17)	100% (14 out of 14)	—	—
Wakyu Shinmen	Independent Outside Audit & Supervisory Board Member	1 year	100% (13 out of 13)	100% (11 out of 11)	—	—

Name	Position at the Company	Number of Years (At the closing of this Annual General Meeting of Shareholders)	Number of Attendance of the Board of Directors Meetings of the Company (The business term under review)	Number of Attendance of the Audit & Supervisory Board Meetings of the Company (The business term under review)	Number of Attendance of the Nomination and Remuneration Advisory Committee of the Company (The business term under review)	Number of Attendance of the Diversity Promotion Committee of the Company (The business term under review)
Kenji Tanaka	Independent Outside Audit & Supervisory Board Member	1 year	100% (13 out of 13)	100% (11 out of 11)	—	—

(Notes) 1. ● indicates the chairman or the committee chair.

2. The above list does not present all knowledge held by the candidates.

• Ratio of Outside Directors/Audit & Supervisory Board Members:47%

• No. of Inside Directors/Audit & Supervisory Board Members: 9

Outside Directors/Audit & Supervisory Board Members: 8

• Ratio of Female Directors/Audit & Supervisory Board Members: 18%

• No. of Male Directors/Audit & Supervisory Board Members: 14

Female Directors/Audit & Supervisory Board Members: 3

• Ratio of Outside Directors:42%

• No. of Inside Directors: 7

Outside Directors: 5

• Ratio of Female Directors:25%

• No. of Male Directors: 9

Female Directors: 3

Name	Directors' and Audit & Supervisory Board Members' Outstanding Expertise, Experience and Capabilities									
	Management	Core Function of Manufacturing Business		Preparations for Long-term Growth			Strengthening the Management Base			
	Corporate Management/ Management Strategy	Manufacturing/Safety/ Quality	Marketing/ Sales	Environment	Innovation (Research & Development/ New Business Development/ Alliance)	Global Business	DX (Digital Transformation)	Legal Affairs/ Compliance	Financial Affairs/ Accounting	Human Resources/ Diversity/ Human Rights
Teiji Koge	●		●	●						●
Keita Kato	●	●	●	●	●	●			●	
Futoshi Kamiwaki	●		●	●	●		●		●	
Yoshiyuki Hirai	●		●	●	●	●			●	
Ikusuke Shimizu	●	●	●			●				
Masahide Yoshida	●		●							
Kazuya Murakami	●									●
Hiroshi Oeda	●					●			●	●
Haruko Nozaki	●									●
Miharu Koezuka	●		●	●			●			
Machiko Miyai	●		●	●	●	●				
Yoshihiko Hatanaka	●		●			●			●	
Hiroyuki Taketomo	●							●		●
Tomoyasu Izugami		●	●				●			
Yoshikazu Minomo								●		●
Wakyu Shinmen									●	
Kenji Tanaka		●			●		●			



(Reference)

Reasons for description of each item for the skills matrix on the following pages

The revision of the Corporate Governance Code in June 2021 has required companies to disclose combinations of skills, etc. possessed by Directors after the Board of Directors identifies skills, etc. with which it should be equipped in the context of the business strategy.

In response to this requirement, the Company has set items for the skills matrix based on the context of the “Drive 2.0” Medium-term Management Plan.

Under the “Drive 2.0” Medium-term Management Plan, in order to demonstrate the feasibility of our long-term vision “VISION 2030,” the Company will implement the following three initiatives to improve corporate value:

- (i) Organic Growth
- (ii) Strategic Innovation
- (iii) Strengthen Sustainability

Based on the above,

- (i) As skills matrix items derived from “Organic Growth,” “Manufacturing/Safety/Quality” and “Marketing/Sales” have been set as the two items to cover the whole set of functions from manufacturing, the core of the manufacturing business, to sales.
- (ii) As skills matrix items derived from “Strategic Innovation,” “Environment,” “Innovation,” “Global Business,” and “DX” have been set as the four items to clarify the attitude aiming for creation and acquisition of new business areas.
- (iii) As skills matrix items derived from “Strengthen Sustainability,” “Legal Affairs/Compliance,” “Financial Affairs/Accounting,” and “Human Resources/Diversity/Human Rights” have been set. In particular, under “Human Resources/Diversity/Human Rights,” the Company has clarified its stance to further promote diversity in the Board of Directors and core human resources.

## Business Report

(from April 1, 2023 to March 31, 2024)

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<b>1</b>	<b>Basic Management Policy</b>
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### 1. Management Principles and Code of Conduct

The SEKISUI CHEMICAL Group has a set of management principles. They comprise elements such as our “Corporate Philosophy,” “Group Vision” that expresses the ideal form aimed for by the Group in the medium to long term, and our concrete “Management Strategies” to realize the Group Vision.

#### (1) Corporate Philosophy: The “3S Principles”

Our company symbol comprises the three S’s of the Company’s original name, adopted at the time of its foundation, “SEKISUI SANGYO” enclosed in a hexagonal shape resembling a tortoise shell (the chemical symbol for benzene), symbolizing the Chinese character meaning “water.” In November 1959, this mark was defined as the “3S Principles” and formally established as the company creed.

The “3S Principles” of “creating social, environmental and economic value through responsible business practices (Service),” “accelerating innovation by eagerly taking on new challenges, adapting to change and staying ahead of the times (Speed),” and “contributing to society by helping to solve social issues with our superior technologies and quality (Superiority)” is the base of the SEKISUI CHEMICAL Group’s principles and is shared among its roughly 27,000 employees.

<Corporate Philosophy: The “3S Principles”>

• Service	At SEKISUI, we serve our stakeholders by creating social, environmental and economic value through responsible business practices.
• Speed	At SEKISUI, we accelerate innovation by eagerly taking on new challenges, adapting to change and staying ahead of the times.
• Superiority	At SEKISUI, we contribute to society by helping to solve social issues with our superior technologies and quality.

#### (2) Group Vision

The SEKISUI CHEMICAL Group aims to create social value as expected by its stakeholders and contribute to society through its business activities.

We aim to continue creating value conducive to resolving these social challenges by tapping into experience and knowledge in residential and social infrastructure creation and chemical solutions that have been accumulated by the Group to date. We will do so at a time when population growth and climate change on a global basis, an aging population and aging urban infrastructure mainly in developed nations, and energy resource issues related to all of them are becoming social challenges more pressing than ever.

<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.

(3) SEKISUI CHEMICAL Group Corporate Activity Guidelines

We established the "SEKISUI CHEMICAL Group Corporate Activity Guidelines," behavior guidelines to be obeyed by its officers and employees, and aim to enhance the confidence that society places in us through our day-to-day business activities and become an evermore highly acclaimed enterprise.

<Corporate Activity Guidelines>

- 1 Our business activities contribute to the positive development of our global society.
- 2 We activate our operations by maximizing each employee's personal abilities.
- 3 We maintain an enterprise in which society has confidence, and which is highly regarded by our customers, business partners, shareholders, local communities and the general public.
- 4 We comply with the laws and the spirit therein, and act with sincerity, in all aspects of our business activities.
- 5 We, as a good corporate citizen, work for global environmental protection and contribute to the well-being of society from the viewpoint of sustainability.

2. Management Strategies Aimed at Realizing Our Group Vision

We aim to grow, driven by both residential and social infrastructure creation and chemical solutions, which are set out in our Group Vision, under the Corporate Philosophy of the "3S Principles." To this end, the SEKISUI CHEMICAL Group established "VISION 2030," a long-term vision, and "Drive 2.0," a Medium-term Management Plan for the period of three years from fiscal 2023 to fiscal 2025, and is engaged in the following initiatives.

(1) Long-term Vision "VISION 2030"

"VISION 2030," the Group's long-term vision, presents the vision statement of "Innovation for the Earth," which incorporates the Group's resolute will to continuously drive innovation as a means of "supporting the basis of LIFE and continuing to create 'peace of mind for the future' in order to realize a sustainable society." This Vision lays down the four business domains of Residential (Housing), Advanced Lifeline (Social Infrastructure), Innovative Mobility (Electric/Mobility), and Life Science (Health and Medical), and aims to double business by 2030 through the expansion of existing business while taking on the challenge of new domains along the strategy axis of "business growth, reform, and creation centered on ESG management."

<ESG Management>

The SEKISUI CHEMICAL Group aims to balance the improvement of social sustainability with the profitable growth of the SEKISUI CHEMICAL Group. We work with our stakeholders on strengthening the following three forces.

- (i) Development of "three prominences" (Environment, CS & quality, Human Resources) and "governance"
- (ii) Accelerate the solution of social issues through three approaches (increasing quantity, improving quality, and providing sustainably)
- (iii) Create and expand "peace of mind for the future" in four business domains

In order to accelerate our ESG management, we formulated the medium-term and long-term plans for the SEKISUI CHEMICAL Group's main measures and set the ESG strengthening expenses at ¥55.0 billion (capital investment and expenses) in the current Medium-term Management Plan. We are working on initiatives to lower risks potentially leading to serious incidents, and strengthening our management platform for digital transformation (DX), human resources and the environment.

(2) Medium-term Management Plan “Drive 2.0”

Under the Medium-term Management Plan “Drive 2.0,” which is the second phase of the Long-term Vision, the Company has set aiming to realize the long-term vision through “sustainable growth” and “enhanced preparation” toward the SEKISUI CHEMICAL Group doubling our business as our basic policy, and we will work on the three basic strategies of (i) strategic innovation, (ii) organic growth, and (iii) strengthening sustainability to promote the improvement of corporate value.

Numerical targets for the Medium-term Management Plan

Item	Fiscal 2025 Targets	
	Medium-term Management Plan	Medium-term increase
Net Sales	¥1,410.0 billion	+¥167.4 billion
Operating profit (ratio)	¥115.0 billion (8.2%)	+¥23.3 billion (+0.8%)
Profit	¥82.0 billion	+¥12.7 billion
ROIC (return on invested capital)	8.5%	+0.9%
ROE (return on equity)	11.0%	+1.0%
Overseas Sales (ratio)	¥480.0 billion (34%)	+¥104.9 billion (+4%)
EBITDA (Earnings before interest, taxes, depreciation, and amortization)	¥175.0 billion	+¥32.9 billion

- (Notes) 1. Profit means profit attributable to owners of parent.  
2. The numerical targets shown above exclude new merger & acquisition (M&A) activities.  
3. The plan for fiscal 2024 is as stated on page 52 of the Notice of Convocation.

<Basic Strategies>

The basic strategy of the Medium-term Management Plan “Drive 2.0” is to address the three issues of (i) strategic innovation, (ii) organic growth, and (iii) strengthening sustainability as the second phase of our long-term vision in order to promote ESG management and sustainable enhancement of corporate value, and will accelerate the creation and expansion of products to enhance sustainability as the driver that will drive this.

(i) Strategic Innovation

Realization of preparation aimed at creating new business areas

(ii) Organic Growth

Steady growth of existing businesses and refinement of the portfolio

(iii) Strengthen Sustainability

Strengthening of ESG management that will contribute to sustainable growth and enhanced preparation

<Investment and Financial Strategies>

In addition to the cash generated during the three years of the Medium-term Management Plan Drive 2.0, the Company will establish an investment limit of ¥600.0 billion in order to procure funds in an appropriate and flexible manner. The Company has set an investment limit of ¥300.0 billion each for capital investment (strategic investment and normal Investment) and M&A investment, which will be used for investment in increased production associated with market development, technology and know-how through M&A, and acquisition of global sales channels. Moreover, we have set the ESG strengthening expenses at ¥55.0 billion (capital investment and expenses) to control long-term capital costs and contribute to greater corporate value through reduced environmental impact, human capital investment, and digital transformation (DX)

(Billions of yen)

Item	Results of the previous medium-term plan	New Medium-term Plan
Strategic Investment	41.7	(Limit) 450.0
M&A, etc.	0	(Limit) 300.0
Capital Expenditures	41.7	150.0
ESG Investment (amounts also reflected in Strategic Investment and Normal Capital Investment)	31.4	30.0
Normal Capital Investment	126.3	150.0
Total	168.0	600.0
R&D Expenses	112.5	140.0

## &lt;Returns to Shareholders&gt;

In the Medium-term Management Plan “Drive 2.0,” we revised the Basic Policy Regarding Dividends from Surplus for shareholders, and strengthened and clarified our commitment to distributing profits to them. The Company will seek to secure a dividend payout ratio of 40% or higher, a total return ratio of 50% or higher (when the debt to equity (D/E) ratio is 0.5 or less), and a dividend-on-equity (DOE) ratio of 3% or higher all on a consolidated basis, and implement stable dividend measures in line with its performance.

## (3) Initiatives towards climate change issues

The SEKISUI CHEMICAL Group recognizes that climate change is both a major social issue and a major risk for the Group, and has been actively working to resolve it. In 2018, we became the first company in the chemical industry to obtain SBT certification (Note), and set a target of reducing GHG (greenhouse gases: gases such as CO<sub>2</sub> and methane that contribute to the greenhouse effect) emissions of Scope 1 + 2 by 50% and of Scope 3 by 30% compared to fiscal 2019 levels by 2030, and we have focused on “energy consumption innovation,” such as promoting the renewal of aging equipment, as well as “energy procurement innovation,” such as converting purchased electricity to renewable energy and introducing in-house solar power generation equipment.

Going forward, we aim to achieve our medium- and long-term GHG emissions reduction targets by promoting the electrification of fuel-using facilities and the shift to low-carbon fuels, as well as the technically challenging task of reducing fuel-derived GHG emissions through production process innovation. In addition, SBT certification has been acquired for our target values.

(Note) SBT (Science Based Targets) certification: Certification by a joint initiative which includes the United Nations Global Compact that the greenhouse gas reduction targets set by a company are scientifically consistent with their contribution to long-term climate change countermeasures

## • GHG emission reduction targets

	2030 targets	Method of achieving the target
Scope 1 + 2	Base year: 2019 Reduction ratio: 50% (1.5°C target)	Initiatives to reduce GHG emissions derived from fuels through the conversion of purchased electricity to renewable energy, the conversion to low-carbon fuels, electrification, and manufacturing innovation will be promoted
Scope 3	Base year: 2019 Reduction ratio: 30%	Add resource recycling initiatives (conversion to non-fossil raw materials, expanded use of recycled materials, and recycling of waste) to promote reductions in raw materials, production processes, and when customers make disposals

- (Notes) 1. Scope 1: Direct emissions of greenhouse gases by business operators themselves  
(fuel combustion, industrial processes)
2. Scope 2: Indirect emissions associated with the use of electricity, heat and steam supplied by other companies
3. Scope 3: Indirect emissions other than Scope 1 and Scope 2  
(Emissions by other companies related to the business' activities)

In the Medium-term Plan started in fiscal 2023, we are working toward the following targets for fiscal 2025, the final year of the plan.

[Decarbonization]

GHG emission reduction rate (Scope 1 + 2): 33% (base year 2019)

Renewable energy ratio of electric power: 70%

As for the GHG emissions reduction rate for fiscal 2023, a decrease in production volume and a shift to renewable energy progressed. In addition, as a result of promoting energy procurement innovation, 31 business sites in Japan and overseas have switched 100% of purchased electricity to renewable energy, and 19 business sites have installed in-house solar power generation equipment. The renewable energy ratio of electric power across the entire Group is progressing according to plan.

(4) Measures to achieve resource recycling

The SEKISUI CHEMICAL Group aims to achieve a circular economy and a sustainable society by 2050. To achieve this long-term goal, we have established the following resource recycling policies in fiscal 2020.

1. Drive resource recycling-related innovations
2. Expand the use of non-fossil-based and recycled materials in business activities
3. Maximize the recycling of waste generated during the life cycle into resource materials

In the Medium-term Plan started in fiscal 2023, we are working toward the following targets for fiscal 2025, the final year of the plan.

[Promotion of recycling]

Material recycling rate of waste plastic (Japan) 65%

The material recycling rate of waste plastic (Japan) for fiscal 2023 is progressing as planned since we re-investigated the properties of waste at each business base and reconsidered recyclers by matching them based on a review of the applicable scope of recyclers with regeneration technologies.

(5) Contributing to achieving sustainable development goals (SDGs) through products to enhance sustainability

As societal issues such as climate change are becoming more serious, there is a growing demand for companies to contribute to the realization of a sustainable society. Through a variety of products and businesses, the SEKISUI CHEMICAL Group is also involved in corporate activities to achieve the sustainable development goals (SDGs), which the world must attain by 2030.

There are products with a high degree of contribution to resolving environmental challenges for natural and social environments, including interlayer films for sound insulation and heat insulation for automobiles, solar power generation system-equipped homes, and products using the SPR method (to rehabilitate sewage pipes). These in particular were designated as products to enhance sustainability. We are boosting sales of these products as a percentage of our total consolidated net sales.

As a company that declared, in its Group Vision statement, that it will contribute to improving the lives of the people of the world and the Earth's environment, our aim is to contribute to solving social issues, including the SDGs, and to achieve further growth as a company, through the creation and market expansion of products to enhance sustainability.

(6) Human capital management initiatives

Our Human Resources Philosophy states that employees are precious assets bestowed on us by society, and we regard human capital as a source of corporate value enhancement. In order to realize our long-term vision and a company full of vitality where all employees want to take on challenges, we have been implementing various

measures in the current medium term that are in line with our personnel strategies of fostering a culture of challenge, placing the right people in the right place, and achieving diversity. We will also invest ¥12.0 billion in human capital over the three-year period to for employee career advancement and to secure human resources for each Group company (improving labor conditions, reinforcing personnel, and upgrading the working environment).

(i) Fostering a culture of challenge

As part of our efforts to foster an environment in which employees can take on new challenges, we are providing opportunities for new challenges, including career advancement opportunities for group personnel and introducing an in-house entrepreneurship system. As for encouraging employees to take on new challenges, we are continuing to develop a long-term vision to raise the awareness of supervisors as well as strengthen career-related discussions between supervisors and subordinates. We measure the status of fostering a culture of challenge once a year in terms of the “degree of challenging behavior expression,” and we are constantly striving for improvement.

(ii) Placing the right people in the right place

For an organization to be sustainable, the baton of human resources must be passed down to the next generation. To train business leaders, we appoint the most suitable personnel as line managers, regardless of seniority, based on a role-based personnel system, and the entire company works to identify and train successor candidates. As for securing professional human resources, we are striving to secure highly specialized human resources who will be the source of our competitiveness, and from fiscal 2023, we have started training programs in digital transformation and global domains to enhance their skills in accordance with our business needs.

(iii) Achieving diversity

In terms of promoting the participation of diverse human resources, we are working to create an environment that welcomes and employs diverse human resources (women, people with disabilities, mid-career hires, etc.), as well as providing support for balancing work and family life (child, nursing, and illness care) and retention support. To create an environment that enhances the vitality of individuals and workplaces, we are striving to create comfortable working environments through work style reforms as well as promote health management (body, mind, and organization) to ensure working environments in which employees can continue to work with peace of mind.

TOPICS

32 subsidiary companies certified as Health & Productivity Management Outstanding Organizations (White 500) for the eighth year in a row

The Group works as a whole to promote health management, and in March 2024, SEKISUI CHEMICAL CO., LTD. along with 32 affiliated companies in Japan was certified as a 2024 Health & Productivity Management Outstanding Organization in the large enterprise category (White 500) for the eighth year in a row.

3. Capital Policy

The Company’s basic thinking on its capital policy is as follows.

- (i) We consider our capital policy to be one of the most important challenges for our corporate governance.
- (ii) We will not conduct any capital policy not thought to be conducive to generating shareholder value in the long term in a sustained manner. When intending to conduct any capital policy that will alter or greatly dilute controlling rights, the Board of Directors will properly deliberate on its objectiveness, necessity, and reasonableness, make sure to secure adequate procedures, and brief shareholders amply and clearly.
- (iii) In our Medium-term Management Plan, we set and present the targets for capital efficiency indicators such as return on equity (ROE).
- (iv) We will always pay attention to optimizing our balance sheet and seek to strike an optimal balance between shareholder returns and investments as we aim for sustained growth of the Company.

- (v) We will return profits to our shareholders in accordance with our business performance and in consideration of an optimal balance between a stable dividend policy and a flexible acquisition of treasury stock while considering ROE, DOE, and total return ratio.

#### 4. Basic Policy on Cross-Shareholdings and Criteria for the Exercise of Voting Rights

##### (1) Basic policy on cross-shareholdings

SEKISUI CHEMICAL Group shall strategically hold listed shares of other companies, to a limited extent, that are important business partners provided that it made the judgment on such holdings to be beneficial and important for the purpose of maximizing its medium- to long-term enhancement of corporate value as well as that of business partners. Strategic rationale shall be reviewed in an appropriate and timely manner and SEKISUI CHEMICAL Group reduces those holdings without sufficient strategic benefits or that are inconsistent with its capital policies as necessary.

##### (2) Verification of the necessity of cross-shareholdings

SEKISUI CHEMICAL conducted an assessment of the individual holdings in accordance with the aforementioned basic policy to examine specific benefits by such shareholdings (listed companies) and consistency with the risk-benefit evaluation of such individual holdings over the cost of capital and other factors, and made a judgment for appropriateness of holding them at the Board of Directors meeting held on June 12, 2023. The total number of shareholdings of listed companies was 25 as of the end of March 2023. In fiscal 2023, one shareholding was sold, but the number of shareholdings increased by one due to the exclusion of one company from the Company's equity-method affiliates, bringing the total to 25 as of the end of March 2024.

##### (3) Criteria for the exercise of voting rights concerning cross-shareholdings

SEKISUI CHEMICAL performs its monitoring function as a shareholder by exercising voting rights at shareholder meetings of the shareholding companies in accordance with the specific standards with respect to its established voting rights to reflect perspectives of connecting the medium- to long-term enhancement of its corporate value with the corporate value enhancement of the above companies based on the strategic position of such holding and dialogue and so forth with them.

As to the exercise of voting rights, SEKISUI CHEMICAL Group applies a judgment standard, considering significance of agendas proposed by companies (including special resolution items, etc.), business performance (equity ratio, profit/loss condition, etc.) in their current fiscal year, and their business sustainability. SEKISUI CHEMICAL then makes the final comprehensive decision on proposals based in part on dialogue with those companies.

#### 5. Returns to Shareholders

##### (1) Basic policy regarding dividends from surplus

The Company considers increasing corporate value and actively returning profits to shareholders as an important management issue, and the basic policy is to implement a stable dividend policy in line with business performance while taking into consideration ROE, DOE (dividend on equity), and total return ratio in order to meet the expectations of our shareholders.

Under the Medium-term Management Plan that started in fiscal 2023, the Company's policy is to secure a dividend payout ratio that is increased to 40%, a DOE of 3% or higher, and a total return ratio of 50% or higher (when D/E ratio is 0.5 or less) all on a consolidated basis. From now on also, we will continue active business investment and consider additional returns to shareholders as appropriate, taking into account the progress of investments under the Medium-term Management Plan, cash position, and stock price.

##### (2) Dividends of surplus

Based on its capital policy and the basic policy regarding dividends from surplus as described above, the Company proposes that the year-end dividend for the business term under review be ¥39 per share, which is an agenda item to be approved at the Annual General Meeting of Shareholders. The annual dividend for the business term under review is ¥74 per share, together with the interim dividend of ¥35 per share that was paid in December 2023. We will work on a stable distribution of dividend assets with an emphasis on returning profits to shareholders.



(3) Purchase of treasury shares

We attach importance to purchasing treasury stock as part of our shareholder return measures, coupled with the dividend policy, and will purchase treasury stock flexibly in consideration of the outlook for the business environment and our financial position.

In order to improve capital efficiency and to allow flexible capital policies corresponding to changes in the business environment, the Company decided at the meeting of its Board of Directors held on April 28, 2023 to purchase up to 4,000,000 shares of its common stock for up to ¥8,000 million (maximum). The Company acquired 4,000,000 shares of its common stock for ¥7,832 million in total on May 31, 2023. In addition, the Company decided at the meeting of its Board of Directors held on October 30, 2023 to purchase up to 4,000,000 shares of its common stock for up to ¥8,800 million (maximum), and acquired 4,000,000 shares of its common stock for ¥8,338 million in total on December 5, 2023.

The Company also decided at the meeting of its Board of Directors held on April 26, 2024 to acquire up to 4,000,000 shares of its common stock for up to ¥9,200 million (maximum).

6. Basic Policy on Control of Stock Company

The Company believes that its shareholders should be determined through open transactions in the market. Therefore, it believes whether to accept offers for large-scale acquisition of shares entailing transfer of control of a stock company should ultimately be determined based on the decisions of the shareholders. However, purchases of large volumes of shares of listed companies or purchase proposals are assumed to contain ones that are likely to evidently destroy the long-term shareholder value for the target company, such as: i) one in which, in light of its purpose and method, etc., the purchaser undoubtedly pursues only its profits without paying attention to the corporate value of the company and the common interest of the shareholders; ii) one that in effect forces the shareholders to sell shares; and iii) one that fails to provide sufficient information and time for the shareholders and the board of directors of the target company to consider the details, etc. of the purchase of the large volume of shares or for the board of directors of the target company to put forward an alternative proposal.

From the perspective of securing the common interest of shareholders and preventing destruction of the corporate value of the Company, when anyone attempts to acquire a large volume of the Company's shares, the Company will request the purchaser to provide necessary and sufficient information for shareholders to make appropriate judgment. The Company will also publish an opinion, etc. from the Board of Directors, make efforts to secure enough information and time for consideration by shareholders, and take appropriate measures, as allowed by the Financial Instruments and Exchange Act, Companies Act, and other related laws and regulations.

7. Basic Policy for Constructive Dialogue with Shareholders

It is highly important to have dialogue with shareholders toward achieving sustainable growth and medium- to long-term enhancement of the Company's corporate value. We work to have constructive dialogue with shareholders by arranging for mainly the President and the Director in charge of the Business Strategy Department to proactively conduct a general meeting of shareholders, have quarterly results briefings, and hold meetings with domestic and foreign investors.

The Company aims to achieve sustainable growth and medium- to long-term enhancement of its corporate value. Hence, the Company has adopted the following basic policy for constructive dialogue with shareholders.

- (1) The Company appoints the Director in charge of the Business Strategy Department who is in charge of the overall supervision of the development of medium- to long-term management strategies and investor relations as the person responsible, and develops the framework and undertakes initiatives for the realization of constructive dialogue with investors under his/her leadership.
- (2) The Director in charge of the Business Strategy Department is responsible for ensuring organic coordination among departments that support dialogue, by, for example, ensuring information-sharing among them, while ensuring that insider information is not leaked particularly through each divisional company, the Corporate Finance & Accounting Department, the Legal Department, the Corporate Communication Department, and other departments concerned.

- (3) To promote constructive dialogue with shareholders, the Company strives to understand the shareholder structure and to enhance the dialogue by implementing the following measures as a means to have dialogue.
  - (i) To conduct quarterly results briefings by the President and the Director in charge of the Business Strategy Department
  - (ii) To hold one-on-one meetings with domestic and foreign investors
  - (iii) To conduct business briefings for shareholders and investors as appropriate
  - (iv) To enhance the disclosure of corporate information on the website of the Company targeting both domestic and foreign investors (including integrated reports, materials for results briefings and voice recordings from such briefings)
  - (v) To secure opportunities to post an opinion through the website of the Company
- (4) The Director in charge of the Business Strategy Department shall, in accordance with the “Corporate Information Disclosure Regulations,” summarize the opinions and comments of investors obtained from the dialogue with them and share them in the meetings of the Board of Directors and on other occasions as appropriate on a timely basis so that they can be reflected in the management of the Company.
- (5) The Company will strengthen its information management pursuant to the “Corporate Information Disclosure Regulations” and “Insider Trading Restriction Regulations.” The Company will pay close attention when having dialogue with shareholders.

## Promoting Constructive Dialogue with Shareholders and Investors

### (1) Dialogue with shareholders

The management briefing for shareholders was held in Tokyo in December 2023 and attended by the President and Representative Director, the Director, Head of Business Strategy Department, and the Executive Officer in charge of R&D of the Company, and the Group's Medium-term Management Plan and standout technologies were explained. This was followed by a talk session and Q&A.

### (2) Dialogue with institutional investors

The Company engages in dialogue through hosting various briefings and one-on-one meetings. Questions and opinions received from institutional investors at briefings and one-on-one meetings are reported regularly at the Board of Directors meetings.

- Business briefings (quarterly)
- One-on-one meetings in Japan and abroad (approximately 300 times annually)
- Medium-term Management Plan briefing (May 2023)
- Minase Innovation Center tour (August 2023)
- European plant tour (November 2023)
- Shiga-Minakuchi Plant/Shiga-Ritto Plant tour (March 2024)

### (3) Enhancement of the IR website

As seen in being selected once again as an “All Markets Ranking AAA Website” in the “All Japanese Listed Companies' Website Ranking of 2023” of Nikko Investor Relations Co., Ltd., the Company endeavors to disclose easy-to-understand IR information.

## Information disclosure through the Integrated Report

The Company prepares the Integrated Report for the purpose of specifically introducing and explaining initiatives that lead to enhancement of the long-term corporate value by combining financial information and non-financial information. Furthermore, continuing from the previous year, the Company received an outstanding performance award of “NIKKEI Integrated Report Award 2024” in March 2024.

Japanese version <https://www.sekisui.co.jp/ir/document/annual/>

English version <https://www.sekisuichemical.com/ir/report/annual/>

## 2 Corporate Governance Initiatives

### 1. Basic Policy for Corporate Governance

The Company sets forth as the basic policy for corporate governance the promotion of sustainable corporate growth and the increase of corporate value over medium- to long-term. To achieve this, the Company will continue to meet the expectations of five stakeholder categories it deemed important, namely, customers, shareholders, employees, business partners, and local communities and the environment. It will do so by improving business transparency and fairness, seeking to make decisions swiftly, and creating social value.

### 2. Corporate Governance Systems

#### (1) Organizational structure

As an organizational structure under the Companies Act, the Company has chosen to be a company with Audit & Supervisory Board.

Under the Divisional Company System, in order to respond to changes in business environment at the divisional companies, the Company has adopted the Executive Officer System in order to clearly distinguish the business execution function (Executive Officers) from the monitoring function in management (Directors).

#### (2) Roles and responsibilities of the Board of Directors

The Board of Directors continually strives to strengthen its role as a body responsible for decision-making concerning the Company's fundamental policies and upper-level management issues, and supervising the execution of business. The Board includes Outside Directors, who have sufficient independence, to build a highly viable monitoring system for Directors and to ensure transparency in management and fairness in business decisions and operations.

#### (3) Composition of the Board of Directors

The number of Directors shall not exceed 15, and two or more of them shall be independent Outside Directors.

The Board of Directors of the Company is composed of Directors who have excellent personality and insights, and a strong sense of ethics and are well equipped with knowledge, experience, and skills. In addition, all Audit & Supervisory Board Members including Outside Audit & Supervisory Board Members shall attend the meetings of the Board of Directors. A meeting of the Board of Directors is chaired by the Chairman of the Board who is 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 two or more Independent Outside Directors who have broad knowledge and experience, they effectively perform the roles and responsibilities of the Board of Directors, taking the balance with respect to diversity, optimal size, and capabilities, with Audit & Supervisory Board Members with strong expertise.

#### (4) Outside Directors

The Company appointed Independent Outside Directors who met the "Criteria for Independence of Outside Board Members" it laid down and had broad knowledge and experience in company management and corporate governance. As for the ratio of Independent Outside Directors on the Board of Directors, we continue to have five out of the 12 Directors as Independent Outside Directors (an Independent Outside Director ratio of 42%) since the 100th Annual General Meeting of Shareholders held on June 22, 2022, in comprehensive consideration of the size of our future business, the expansion of our business domains, and the environment surrounding the Company.

#### (5) Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee deliberates on the appointment/dismissal of senior executives such as Representative Directors and Directors, etc., appointment of candidates for Audit &

Supervisory Board Members, and the remuneration system and remuneration levels, etc. for Directors. Moreover, the Committee deliberates on material business challenges as required and gives its opinion and advice to the Board of Directors. The Committee also deliberates on the appointment/dismissal and remuneration of Executive Advisors and Advisors, including former Presidents and Representative Directors, thereby enhancing them further. The Committee consists of seven members, the majority of which must be Independent Outside Officers and the chairperson of which must be elected from among the Independent Outside Officers.

(6) Diversity Promotion Committee

The Diversity Promotion Committee will strengthen the supervisory function and objectivity of the Board of Directors regarding the basic policy and target values concerning the securing of diversity of human resources in management, the execution of various measures, and the disclosure of these inside and outside of the Company, and also supervising and advising on management execution. The Committee consists of nine members, the majority of which must be Independent Outside Officers and the chairperson of which must be elected from among the Independent Outside Officers.

(7) Transactions between interested parties

To prevent any transaction that is done between the Company and an officer of the Company or a major shareholder, etc. of it from harming the interest of the Company or the common interest of the shareholders, the Board of Directors Regulations stipulates a conflict of interest transaction between the Company and its Director as the matter requiring the resolution of the Board of Directors. Actual individual transactions are monitored by the Board of Directors through the approval or reporting processes. The Audit & Supervisory Board also audits such transactions in accordance with the Note of Audit & Supervisory Board Member Auditing Standards.

(8) Knowledge refinement for Directors and Audit & Supervisory Board Members

The Company intends to provide, as required, Directors and Audit & Supervisory Board Members with opportunities to acquire and refine the knowledge required for fulfilling their roles and responsibilities properly, and will assist them in paying for the expenses required, etc.

3. Policy and Procedures Concerning Appointment/Dismissal of Officers

(1) Policy and procedure concerning appointment/dismissal of Directors and Audit & Supervisory Board Members

The Company appoints professionals who have excellent personality and insights, and a strong sense of ethics and are well equipped with knowledge, experience, and skills as candidates for Directors. In appointing Directors, the Nomination and Remuneration Advisory Committee deliberates and submits an opinion to the Board of Directors, which then determines the appointment in order to enhance transparency and fairness.

The Company nominates at least one person equipped with knowledge and insights in corporate finance and accounting and at least one person equipped with them in the legal system as candidates for Audit & Supervisory Board Members.

(2) Development and determination of presidential successor

Presidential succession planning for, and supervision of, a presidential successor are conducted appropriately in light of our management principles and management strategies. To enhance the objectivity, timeliness, and transparency for the procedures, the Nomination and Remuneration Advisory Committee takes sufficient time to deliberate and judge whether the candidate is equipped with qualities showing him/her to be suitable for the post of President, and expresses an opinion to the Board of Directors, which then makes a decision.

(3) Thinking on concurrent service by Directors and Audit & Supervisory Board Members

When a Director or an Audit & Supervisory Board Member intends to serve concurrently as officer at another listed company, he/she is allowed to do so at only up to four companies, an extent not inconveniencing the Company's operations, as the officer is required to secure time and effort needed for fulfilling his/her roles and

responsibilities appropriately (the status of significant concurrent services by Directors and Audit & Supervisory Board Members is shown on pages 42 to 43 of the Notice of Convocation).

#### 4. Criteria for Independence of Outside Officers

The Company believes Outside Directors and Outside Audit & Supervisory Board Members are required to be highly independent in order to enhance management transparency and fairness important for its corporate governance. The Company laid down the “Criteria for Independence of Outside Board Members.” Any Outside Officer not meeting any of the requirements is judged to be not sufficiently independent for the Company (“Criteria for Independence of Outside Board Members” is shown on page 21 of the Notice of Convocation).

#### 5. Remuneration for Directors and Audit & Supervisory Board Members

##### (1) Policy regarding determination of remuneration and other compensation

###### (i) Basic policy

The remuneration system policy for officers of the Company is defined as follows in keeping with the corporate philosophy of the SEKISUI CHEMICAL Group.

- The policy should contribute to sustainable 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 a diverse variety of management talent in order to increase the competitiveness of the Group

###### (ii) Remuneration mindset

Remuneration and other compensation for executive directors of the Company is made up of basic remuneration, bonuses, and shared-based compensation. For Outside Directors and Audit & Supervisory Board Members, remuneration is made up of basic remuneration only.

Category of remuneration, etc.	Basic remuneration	Bonuses	Share-based compensation
Description	Fixed remuneration	Short-term incentive	Medium- to long-term incentive
	<ul style="list-style-type: none"> <li>Fixed monthly remuneration*</li> <li>Is paid in a certain amount corresponding to each Director's roles and responsibilities within a limit on officers' remuneration</li> </ul> <p>* For executive directors, a portion of the basic remuneration is required to be used for the purpose of buying the Company's stock through the Officers Stock Ownership Plan</p>	<ul style="list-style-type: none"> <li>Is paid if certain standard for ROE or dividend is met</li> <li>Is determined by reflecting a multiplier set by job function and a divisional company-specific multiplier (60 to 120%) linked to the achievement of targets for financial indicators (operating income, ROIC, etc.) and non-financial indicators (environment, human capital, etc.) on a base amount linked to the company-wide operating profit amount</li> </ul>	<ul style="list-style-type: none"> <li>Is intended to further motivate officers to contribute to improving the Company's financial results and growing its corporate value in the medium- to long-term</li> <li>Points corresponding to a given officer's title are annually granted to him/her, and at the time of resigning he/she is given shares commensurate with the points accumulated during the period of service</li> </ul>

(Table) Indicators, targets, and results of the bonus for the fiscal year under review

Category	Indicator	Evaluation weight	Targets	Results
Financial indicators	Company-wide and divisional company financial results (Operating profit)	18%	100.0 billion yen	94.3 billion yen
	EBITDA	12%	153.0 billion yen	147.0 billion yen
	Marginal profit per capita	4%	18.8 million yen	19.5 million yen
	ROIC	4%	8.0%	7.3%
	Sales growth rate	4%	105.6%	101.1%
	Sales of products to enhance sustainability (Total/Premium Framework)	8%	956.0 billion yen of which Premium Framework: 492.6 billion yen	947.1 billion yen of which Premium Framework: 501.4 billion yen
Non-financial indicators	GHG emission reduction rate	6%	Achieved	
	Material recycling rate of waste plastic	4%	Not achieved	
	Degree of challenging behavior expression	5%	Not achieved	
	Employee retention rate	5%	Not achieved	
	Open innovation	4%	Achieved	

	Others (direct and indirect productivity, governance, divisional company-specific indicators)	26%	67%
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- (Notes) 1. Results for sales of products to enhance sustainability (Total/Premium Framework), GHG emission reduction rate, and material recycling rate of waste plastic are preliminary results as of April 2024.
2. Governance is indicated by the presence of major incidents.
3. The figure for others in non-financial indicators is the percentage of indicators that achieved the target.

(2) Process of determining officers' remuneration

To achieve the objective of the officers' remuneration system, the Company has the Nomination and Remuneration Advisory Committee as an advisory body to the Board of Directors, running the system through objective and transparent procedures with the Committee deliberating on the remuneration structure-levels for Directors and the reasonableness of individual payouts.

The specific amount, timing, and method of payment of individual remunerations of Directors are determined by the Board of Directors based on the report of the Nomination and Remuneration Advisory Committee, in order to further strengthen the supervisory function of the Board of Directors and to ensure objectivity and transparency.

The Board of Directors concluded that individual remunerations for the fiscal year under review, etc. are consistent with the decision policy, based on the procedures described above.

<Outline of the Nomination and Remuneration Advisory Committee and how remuneration, etc. is determined>

- A meeting of the Nomination and Remuneration Advisory Committee is convened by the chairperson (Outside Director).
- A proposal to the meeting is put forward by committee members and the secretariat compiles them before submitting them to the chairperson.
- The result of deliberations by the meeting is reported to the Board of Directors by the chairperson.
- The decision policy for Directors' remuneration, etc. is determined ultimately by the Board of Directors by adhering to the report. In determining the policy, members of the committee and Directors are required to do so from a perspective of whether it will help enhance the Company's corporate value and ultimately the common interest of shareholders, and they must not aim for their own individual interests or those of a third party such as the Company's management.

The indicators for performance-linked remuneration are financial indicators including operating profit, divisional company performance, ROE and ROIC and non-financial indicators including environmental and human capital, and dividends that motivate returns to shareholders.

The reason for selecting these indicators is because we believe that they function effectively as an incentive for the Directors of the Company to improve corporate value and achieve management plans, and also that they can ensure a highly objective and transparent remuneration process.

The amount of payment is determined to keep the balance with the above indicators by utilizing the executive remuneration data of outside research agencies and periodically making comparisons with companies similar in size and business performance to the Group.



### (3) Description of officers' remunerations

(Millions of yen)

Category	Basic remuneration		Bonuses		Share-based compensation		Total	
	Target officers	Amount	Target officers	Amount	Target officers	Amounts expensed	Target officers	Total amount
Directors	13	426	7	320	7	83	13	829
Of whom, Outside Directors	6	72	–	–	–	–	6	72
Audit & Supervisory Board Members	8	79	–	–	–	–	8	79
Of whom, Outside Audit & Supervisory Board Members	5	36	–	–	–	–	5	36

- (Notes) 1. The above includes one Director and three Audit & Supervisory Board Members who resigned at the conclusion of the 101st Annual General Meeting of Shareholders held on June 22, 2023.
2. The amounts of remuneration, etc. shown above do not include ¥46 million in employee bonus portion paid to Directors concurrently serving as employees.

### (4) Date of resolving officers' remuneration, etc. at General Meeting of Shareholders

As regards officers' remuneration, etc., it was resolved at the 85th Annual General Meeting of Shareholders held on June 28, 2007 to pay up to an annual total of ¥1,100 million in remuneration, etc. for Directors and up to an annual total of ¥120 million in remuneration, etc. for Audit & Supervisory Board Members. The numbers of officers involved in the decision at the time of the resolution were 21 for Directors and five for Audit & Supervisory Board Members.

As regards share-based compensation (Board Incentive Plan trust) to be granted to Directors excluding Outside Directors, it was resolved at the 94th Annual General Meeting of Shareholders held on June 28, 2016 to pay up to ¥330 million in such compensation for a period of three years. The numbers of officers involved in the decision at the time of the resolution were 10 for Directors and five for Audit & Supervisory Board Members.

## 6. Names of Directors and Audit & Supervisory Board Members

### (1) Status of Directors and Audit & Supervisory Board Members

Name	Position	Duty and important position of other organizations concurrently assumed
Teiji Koge	Chairman of the Board	Outside Director of EBARA CORPORATION
Keita Kato	President and Representative Director Chief Executive Officer	
Futoshi Kamiwaki	Representative Director Senior Managing Executive Officer	Responsible for ESG Management Department, Digital Transformation Department, and New Business Development Department Head of Business Strategy Department
Yoshiyuki Hirai	Director Senior Managing Executive Officer	President of Urban Infrastructure & Environmental Products Company
Toshiyuki Kamiyoshi	Director Senior Managing Executive Officer	Responsible for CEO's special mission
Ikusuke Shimizu	Director Senior Managing Executive Officer	President of High Performance Plastics Company Director of SEKISUI FULLER CO., LTD.
Kazuya Murakami	Director Executive Officer	Head of Human Resources Department
Hiroshi Oeda	Outside Director	Special Advisor of Nisshin Seifun Group Inc. Outside Director, Chairman of the Board of Directors of EBARA CORPORATION Outside Director of Japan Post Holdings Co., Ltd. President of Hitotsubashi University Koenkai
Haruko Nozaki	Outside Director	Executive Vice-President of Kyoto University External Director of West Japan Railway Company
Miharu Koezuka	Outside Director	Outside Director of Japan Post Holdings Co., Ltd. Outside Director of Nankai Electric Railway Co., Ltd.
Machiko Miyai	Outside Director	Director, Managing Operating Officer of MORINAGA & CO., LTD. Chairman of Sustainability Forum Japan Auditor of Ochanomizu University
Yoshihiko Hatanaka	Outside Director	Outside Director of Sony Group Corporation Outside Director of Shiseido Company, Limited

Name	Position	Duty and important position of other organizations concurrently assumed
Hiroyuki Taketomo	Fulltime Audit & Supervisory Board Member	Outside Audit & Supervisory Board Member of Sekisui Jushi Corporation
Tomoyasu Izugami	Fulltime Audit & Supervisory Board Member	
Yoshikazu Minomo	Outside Audit & Supervisory Board Member	Partner of MIYAKE IMAI IKEDA LAW OFFICE
Wakyu Shinmen	Outside Audit & Supervisory Board Member	Representative, Shinmen Certified Public Accountant Office Outside Corporate Auditor of TOYOBO Co., Ltd.
Kenji Tanaka	Outside Audit & Supervisory Board Member	Specially Appointed Professor and Vice Chair, Center for Industrial and Governmental Relations, University of Electro-Communications

- (Notes) 1. Directors Mr. Hiroshi Oeda, Ms. Haruko Nozaki, Ms. Mihar Koezuka, Ms. Machiko Miyai, and Mr. Yoshihiko Hatanaka are Outside Directors as set forth in Article 2, Item 15 of the Companies Act.
2. Audit & Supervisory Board Members Mr. Yoshikazu Minomo, Mr. Wakyu Shinmen, and Mr. Kenji Tanaka are Outside Audit & Supervisory Board Members as set forth in Article 2, Item 16 of the Companies Act.
3. Audit & Supervisory Board Member Mr. Wakyu Shinmen is a Certified Public Accountant and is equipped with significant knowledge in finance and accounting.
4. Directors Mr. Hiroshi Oeda, Ms. Haruko Nozaki, Ms. Mihar Koezuka, Ms. Machiko Miyai, and Mr. Yoshihiko Hatanaka as well as Audit & Supervisory Board Members Mr. Yoshikazu Minomo, Mr. Wakyu Shinmen, and Mr. Kenji Tanaka were designated as Independent Officers under the provisions of the Tokyo Stock Exchange, and it was informed of their names.
5. At the 101st Annual General Meeting of Shareholders held on June 22, 2023, Mr. Yoshihiko Hatanaka was newly elected as Director, and Mr. Tomoyasu Izugami, Mr. Wakyu Shinmen and Mr. Kenji Tanaka were newly elected as Audit & Supervisory Board Members, and each took office.
6. At the conclusion of the 101st Annual General Meeting of Shareholders held on June 22, 2023, Director Mr. Yutaka Kase and Audit & Supervisory Board Members Mr. Kazuyuki Suzuki and Ms. Ryoko Shimizu retired from office due to expiration of their terms of office, and Audit & Supervisory Board Member Mr. Toshitaka Fukunaga retired from office due to resignation.

(2) Outline of limiting liability agreement

Shown below is an outline of the limiting liability agreement entered into with all the Directors (excluding executive directors, etc.) and Audit & Supervisory Board Members pursuant to the Articles of Incorporation of the Company.

If any of Directors (excluding executive directors, etc.) or Audit & Supervisory Board Members has caused damage to the Company by failing to perform his/her tasks and if he/she has been in good faith when conducting his/her duties and has not committed serious negligence, he/she shall be held liable for an amount not more than the minimum liability as set forth in Article 425, Paragraph 1 of the Companies Act.

(3) Outline of directors' and officers' liability insurance contract

The Company has executed a directors' and officers' liability insurance contract as defined in Article 430-3, Paragraph 1 of the Companies Act with an insurance company, and an outline of the contract is as shown on page 21 of the Notice of Convocation.

(4) Executive Officers

Shown below are the titles and names of Executive Officers of the Company (excluding Executive Officers concurrently serving as Directors).

Category	Title	Name
Housing Company	Managing Executive Officer	Kenji Yagi
	Executive Officer	Satoru Maruyama, Masaru Fujimoto, Kenichi Tadokoro, Ken Miyashita, Jun Oda, Kiminori Sato
Urban Infrastructure & Environmental Products Company	Executive Officer	Takeo Kishitani, Hiroki Okubo, Toru Kurita, Jitsuo Kitamura, Masataka Uemura, Katsumi Take, Shigeo Toyama
High Performance Plastics Company	Executive Officer	Akira Asano, Masayuki Inoue, Takashi Muramatsu, Hiroyuki Yamashita, Yoshitaka Miyake, Yoshiaki Tanaka, Yoshio Aoshima
Headquarters	Managing Executive Officer	Tatsuya Nishida
	Executive Officer	Yoshiki Deguchi, Meiko Koga, Naoko Fukutomi, Eiichi Takahashi, Hisahiko Kashihara

(Note) Executive Officers are shown with the titles and names as of April 1, 2024.

## 7. Matters Regarding Outside Officers

### (1) Main activities during the fiscal year under review

Shown below are the main activities conducted by Outside Officers during fiscal 2023.

Name	Title	Main activities
Hiroshi Oeda  <u>Board of Directors meeting attendance rate:</u> 100%	Director	Mr. Oeda attended all 17 Board of Directors meetings held during the fiscal year under review, and advised on the Company's management on such occasions. He supervised its business execution properly by leveraging the diverse experience and skills such as in global corporate management and management strategies and mergers and acquisitions results that he had accumulated as a top manager of the biggest flour-milling company in Japan. As the chairperson of the Nomination and Remuneration Advisory Committee and a member of the Diversity Promotion Committee, he gave the necessary comments as appropriate at meetings of each Committee.
Haruko Nozaki  <u>Board of Directors meeting attendance rate:</u> 94%	Director	Ms. Nozaki attended 16 out of 17 Board of Directors meetings held during the fiscal year under review, and advised on the Company's management on such occasions. She supervised its business execution properly by leveraging her experience and results regarding human resources and training, and her deep insight regarding matters including promoting diversity and the development of the next generation. As a member of the Nomination and Remuneration Advisory Committee and the chairperson of the Diversity Promotion Committee, she gave the necessary comments as appropriate at meetings of each Committee.
Miharu Koezuka  <u>Board of Directors meeting attendance rate:</u> 100%	Director	Ms. Koezuka attended all 17 Board of Directors meetings held during the fiscal year under review, and advised on the Company's management on such occasions. She supervised its business execution properly by leveraging her extensive experience in the management of department stores in addition to her experience and results in management in various industries. As a committee member of the Nomination and Remuneration Advisory Committee and the Diversity Promotion Committee, she gave the necessary comments as appropriate at meetings of each Committee.

Name	Title	Main activities
<p>Machiko Miyai</p> <p><u>Board of Directors meeting attendance rate:</u> 100%</p>	Director	Ms. Miyai attended all 17 Board of Directors meetings held during the fiscal year under review, and advised on the Company's management on such occasions. She supervised its business execution properly by leveraging her wide practical experience in industries that differ from the Company's, in particular her consumer-focused work as an internal officer of several listed companies. As a committee member of the Nomination and Remuneration Advisory Committee and the Diversity Promotion Committee, she gave the necessary comments as appropriate at meetings of each Committee.
<p>Yoshihiko Hatanaka</p> <p><u>Board of Directors meeting attendance rate:</u> 100%</p>	Director	Mr. Hatanaka attended all 13 Board of Directors meetings held after his assumption of office on June 22, 2023, and advised on the Company's management on such occasions. He supervised its business execution properly by leveraging the diverse experience and skills such as in global corporate management, management and financial strategies, and mergers and acquisitions results that he had accumulated as a top manager of a major pharmaceutical company. As a committee member of the Nomination and Remuneration Advisory Committee and the Diversity Promotion Committee, he gave the necessary comments as appropriate at meetings of each Committee.
<p>Yoshikazu Minomo</p> <p><u>Board of Directors meeting attendance rate:</u> 100%</p> <p><u>Audit &amp; Supervisory Board meeting attendance rate:</u> 100%</p>	Audit & Supervisory Board Member	Mr. Minomo attended all 17 meetings of the Board of Directors and 14 meetings of the Audit & Supervisory Board that were held during the fiscal year under review. He gave comments on the establishment and maintenance of the compliance framework of the Group mainly from an expert perspective as a lawyer.
<p>Wakyu Shinmen</p> <p><u>Board of Directors meeting attendance rate:</u> 100%</p> <p><u>Audit &amp; Supervisory Board meeting attendance rate:</u> 100%</p>	Audit & Supervisory Board Member	Mr. Shinmen attended all 13 meetings of the Board of Directors and all 11 meetings of the Audit & Supervisory Board that were held after his assumption of office on June 22, 2023. As a Certified Public Accountant, he gave comments required for deliberation on proposals mainly from the perspective of an expert in finance and accounting.
<p>Kenji Tanaka</p> <p><u>Board of Directors meeting attendance rate:</u> 100%</p> <p><u>Audit &amp; Supervisory Board meeting attendance rate:</u> 100%</p>	Audit & Supervisory Board Member	Mr. Tanaka attended all 13 meetings of the Board of Directors and all 11 meetings of the Audit & Supervisory Board that were held after his assumption of office on June 22, 2023. He gave comments required for deliberation on proposals from the perspective of safety and quality control by leveraging his excellent knowledge and extensive experience in safety engineering and reliability engineering.

(2) Relationship between a significant entity concurrently served at and the Company

There is no such relationship between an entity concurrently served at by Outside Officers and the Company that is required to be disclosed.

8. System to Secure the Appropriateness of Operations

At a Board of Directors meeting, the Company resolved as follows on the "System to Secure Conformity of Execution of Duties by Directors to Laws and the Articles of Incorporation and Secure the Appropriateness of Other Operations."

- (1) System to secure conformity of execution of duties by Directors, Executive Officers, and employees of the Company and Group companies to laws and the Articles of Incorporation

The Board of Directors deliberates and makes resolutions on the Fundamental Compliance Policies. The Compliance Sub-committee was established as a specialized sub-committee to the Sustainability Committee that is chaired by the President, and plans, considers, and decides on important matters on compliance for the purpose of building and practicing a compliance system at the Company and Group companies. The Sub-committee is to be chaired by a Director or an Executive Officer appointed by the President, and the chairperson supervises compliance initiatives by the Company and Group companies on a group-wide basis.

We established the SEKISUI CHEMICAL Group Compliance Manual, which presents guidelines under which the Directors, Executive Officers, and employees of the Company and Group companies are supposed to act in accordance with laws, the Articles of Incorporation, and corporate ethics. We provide the Directors, Executive Officers, and employees of the Company and Group companies with training courses on various laws and corporate ethics in the form of group training and e-learning. In addition to building an internal system to avoid damage from antisocial forces, the Company uses the “SEKISUI CHEMICAL Group Compliance Manual” to demonstrate that Directors, Executive Officers and employees of the Company and Group companies should avoid having any relationship with any antisocial force and act sternly when receiving any unfair demand from one.

The Company has in place a system in which, if any compliance issue arises, an employee can directly report it to an internal contact point and lawyer contact via the Sekisui Compliance Assist Network (SCAN).

- (2) System to store and manage information on the execution of duties of Directors and Executive Officers of the Company and Group companies

In accordance with the Document Management Rules, information on the execution of duties of Directors and Executive Officers of the Company and Group companies is recorded in document or electromagnetic media format and stored and managed in an appropriate manner.

- (3) Rules and other systems related to management of risk of loss of the Company and Group companies

The Company strives to prevent risks from arising by identifying significant risks through the collection and evaluation of risk information in a centralized/complete manner based on the “SEKISUI CHEMICAL Group Risk Management Guidelines.” In the event a significant risk has arisen, the Company will establish the emergency response headquarters to take prompt and appropriate measures based on the “SEKISUI CHEMICAL Group Crisis Management Guidelines.”

- (4) System to ensure that Directors and Executive Officers of the Company and Group companies execute their duties in an efficient manner

The meeting of the Board of Directors shall be held at regular intervals—i.e., once a month—and shall also be held whenever necessary. Important matters relating to the Company’s management policy and management strategy are discussed at the meeting of the Policy Committee separately, and following its deliberation, they are determined at the meeting of the Board of Directors.

Furthermore, the Company has delegated authority by adopting the divisional company system and Executive Officer system. Each divisional company sets up an Executive Officers Committee, which serves as the company’s highest decision-making body, to facilitate prompt decision-making in the company. In addition, meetings of senior-level employees, etc. are held within the divisional company as necessary, and reports are made in a prompt and precise manner to the divisional company’s president, who is responsible for the execution of duties in the divisional company.

- (5) System to ensure proper business operations of the Company and Group companies

The Company and Group companies collaborate closely with each other in terms of supervision, directives and communication, having formulated the “Corporate Activity Guidelines” based on the Group’s management principles in order to improve the corporate value of the Group as a whole and fulfill its social responsibility. The

Company also seeks to conduct business operations in an appropriate manner on a Group-wide scale while guiding, advising and assessing Group companies.

In regards to the business management of Group companies, monitoring is conducted by Audit & Supervisory Board Members, the Corporate Audit Department, etc., and enhancements are made to the system for Group companies to seek approval from and make reports to the Company based on the “Rules for handling affiliated companies” and “Guidelines for final decisions at affiliated companies.”

In addition, if misconduct arises at the Company or a Group company, thoroughgoing efforts will be made to prevent it from occurring again by requiring that a report on the nature of the misconduct be made to the divisional company in charge or the Compliance Promotion Sub-committee at the corporate headquarters without fail and that the Compliance Sub-committee be contacted by the Compliance Promotion Sub-committee so that all information will be collected and brought to the Director or Executive Officer appointed as the chairperson of the Compliance Sub-committee.

- (6) Matters concerning employees to assist in the duties of Audit & Supervisory Board Members if such employees are requested by Audit & Supervisory Board Members

If Audit & Supervisory Board Members request employees to assist in their duties, the Company shall take appropriate action such as appointing employees to serve as their assistants subject to consultation with the Audit & Supervisory Board Members.

- (7) Matters concerning independence of the employees referred to in (6) from Directors and Executive Officers

In cases where employees are to be appointed to assist in the duties of Audit & Supervisory Board Members, the evaluation and transfer of such employees shall require the prior approval of the Audit & Supervisory Board Members.

- (8) Matters related to ensuring effectiveness of instructions to the employees referred to in (6)

In cases where employees are to be appointed to assist in the duties of Audit & Supervisory Board Members, such employees shall follow the directions and orders of the Audit & Supervisory Board Members.

- (9) System for Directors, Executive Officers, Audit & Supervisory Board Members and employees of the Company and Group companies or recipients of their report to make a report to Audit & Supervisory Board Members and other systems for making a report to Audit & Supervisory Board Members

Directors, Executive Officers, Audit & Supervisory Board Members and employees of the Company and Group companies make a report on the following matters to the Audit & Supervisory Board:

(i) Matters that are important in the context of monthly management status; (ii) matters that may inflict significant damage to the Company or Group companies; (iii) important matters related to risk management; (iv) material breaches of laws, regulations or the Articles of Incorporation; (v) whistle-blowing status of the intra-company whistle-blower system; and (vi) other matters that are important in terms of compliance.

Also, the Corporate Audit Department of the Company conducts operational audits and accounting audits with respect to the Company and Group companies, and reports the audit results to the Representative Director and the Audit & Supervisory Board of the Company on every occasion.

- (10) System to ensure that the person who made a report to Audit & Supervisory Board Members, etc. will not be treated unfairly on the grounds of making such report

The Company prohibits the unfair treatment of anyone who works at the Company or Group company on the grounds that he/she has made a report to Audit & Supervisory Board Members, etc., and makes this thoroughly known among Directors, Executive Officers, Audit & Supervisory Board Members and employees of the Company and Group companies.

- (11) Matters regarding policy on handling advance payment or repayment of expenses resulting from Audit & Supervisory Board Members' execution of duties or other expenses or debts arising from the said execution of duties

Expenses deemed necessary for the execution of duties by Audit & Supervisory Board Members shall be budgeted for in advance. However, it shall not be required in cases where unplanned duties should be executed.

- (12) Other systems under which audit by Audit & Supervisory Board Members is ensured efficiently to be performed

A group-wide internal framework has been put in place to enable Audit & Supervisory Board Members to exercise without any obstacle their authorities by, among others, attending various important meetings, conducting an investigation into divisions concerned including affiliates, and examining the approval documents of important projects. Sufficient information-sharing and exchange of opinions take place among the members of Audit & Supervisory Board (including Outside Audit & Supervisory Board Members). Audit & Supervisory Board Members also hold a regular meeting with the Representative Directors to exchange opinions on, among others, the issues that the Company should resolve, the status of the improvement of the environment for audit by Audit & Supervisory Board Members, and important audit issues and to make requests deemed necessary to enhance mutual understanding with the Representative Directors.

## 9. Outline of the Administration of a System to Secure the Appropriateness of Operations

Through the above-mentioned systems, the Company endeavors to administrate its internal control system appropriately. Shown below are initiatives important for internal control that were conducted during fiscal 2023.

### (1) Compliance

As the operational arm of the Sustainability Committee that is chaired by the President, we operate a Compliance Sub-committee with the Legal Department serving as the secretariat. In addition to the general managers of Compliance Section at divisional companies and headquarters, the Heads of the Corporate Audit Department are also serving as members on this Sub-committee, and this organization is reporting compliance activity results and matters for Compliance Advisory Board deliberation, as well as discussing future activity policies.

In fiscal 2023, we have designated the introduction and dissemination of policies concerning the Antimonopoly Law and confidential information management overseas, as well as the establishment and introduction of the SEKISUI CHEMICAL Group Global Hotline, a multilingual whistle-blowing system, as important items for implementation, and carried out these activities in cooperation with the regional headquarters in the United States, China, Europe, and Thailand.

Additionally, as part of Compliance Reinforcement Month activities, the President's message was distributed globally, and compliance and human rights e-learning were conducted globally. In addition, compliance training and other activities were carried out not only in Japan but also for local employees at overseas locations such as the United States, Europe, China, ASEAN, and India.

### (2) Execution of duties by Directors

The Board of Directors met 17 times in fiscal 2023 to ensure the efficiency of duties of Directors. In addition, discussions of important matters related to our management policies and strategies were carried out at meetings of the Policy Committee, which is made up of Inside Director members. These matters were decided by the Board of Directors following these discussions.

### (3) Execution of duties by Audit & Supervisory Board Members

Audit & Supervisory Board Members attended not only the Board of Directors meetings but also other important meetings, confirming the maintenance and operating conditions of the internal control system through operations such as investigating related departments, including at Group companies, and confirming approval documents for major projects. In addition, they also receive reports from each headquarters department that has jurisdiction over internal control. The Audit & Supervisory Board met 14 times in fiscal 2023 and shared the information from these reports.



Audit & Supervisory Board Members regularly reported information to and exchanged opinions with the Accounting Auditor, cooperating closely to improve the effectiveness of auditing efforts. They received reports from and exchanged opinions with the Corporate Audit Department of the Company on audit policy, an audit plan and audit results. In addition, we have held three-way meetings involving the Accounting Auditor, the Corporate Audit Department, and the Audit & Supervisory Board Members to strengthen cooperation among the three auditors. Liaison meetings were held with Audit & Supervisory Board Members of Group companies to improve coordination with auditors and enhance the quality of auditing, and Audit & Supervisory Board Members received reports on results of audits of Group companies. In addition, regular meetings were held with the Representative Director, and Audit & Supervisory Board Members also exchanged opinions with Outside Directors.

(4) Risk management

The SEKISUI CHEMICAL Group has established a risk management structure for integrated management of measures to prevent risk events from occurring (risk management) and to respond when risk events occur (crisis management).

In our risk management activities, we comprehensively identify risks related to our corporate value based on the SEKISUI CHEMICAL Group Risk Management guidelines as the business environment becomes increasingly uncertain and complex. Each of these risks is scored in terms of the three dimensions of impact, likelihood of occurrence, and ripple effects in the value chain, and risks to be addressed on a priority basis are identified, and an ERM (enterprise risk management) system has been constructed for sharing and managing risks within the Group. Company-wide risks and specific risks identified for each organization are analyzed and evaluated. We then determine countermeasures for these risks and carry out repeated periodic review and revision, which will be run through the PDCA management cycle every year. In fiscal 2023, we introduced a digital dashboard of risk management activity tools to our overseas organizations and established a system that enables monitoring of all domestic and overseas offices.

In the event of a major incident, crisis management activities are carried out based on the SEKISUI CHEMICAL Group Crisis Management Guidelines. Crisis Management Liaison Meetings are held regularly with each specialized department of headquarters and divisional company representatives in attendance to ensure appropriate handling measures are implemented rapidly, and we also continually carry out cash studies and training sessions.

The BCM (BCP), which has been developed as a company-wide initiative, has been established as an effort to make each organization more independent and to spiral up their details in order to establish regular reviews of BCP documents, while in fiscal 2023, we confirmed the emergency decision-making process between divisional company headquarters and each organization.

(Note)BCM (Business Continuity Management): A series of management activities that include developing, implementing, operating, reviewing, and continuously improving the business continuity plan in order to address risks that may hinder business continuity.

BCP (Business Continuity Plan): A business continuity plan that defines methods to enable a company to continue doing business and recover quickly while minimizing damage in the event of an emergency situation, such as a disaster.

(5) Group company business management

Through rules such as our domestic and overseas affiliate company handling regulations and decision-making authority standard requirements, we have constructed a framework for receiving decision-making and reports from Group companies to the Company.

10. Evaluation of the Effectiveness of the Board of Directors

The Company deems the Board of Directors to be the body responsible for decision-making concerning the Company's fundamental policies and upper-level management issues, and supervising the execution of business. We believe that the role and responsibility of the Board of Directors is to ensure transparency in management and

fairness in business decisions and operations by building a highly effective supervision system for Directors through appointing multiple Outside Directors who are sufficiently independent.

(1) Initiatives for securing the effectiveness of the Board of Directors

Starting from 2007, we shortened the term of office of Directors from two years to one year in order to further clarify management's responsibility to shareholders.

To separate our supervision function from our executive function, we in 2008 introduced an Executive Officer system while changing the number of Directors from 21 to nine, and appointed two Outside Directors meeting independent officer requirements. The Board of Directors was clarified as a body that decides a basic policy for the SEKISUI CHEMICAL Group, makes advanced business judgments and supervises the state of our business execution. We seek to sufficiently provide information to, and ensure collaboration for, Outside Directors by providing them with opportunities to exchange opinions with the management of the Company and its Audit & Supervisory Board and Accounting Auditor and have a tour of our works and on a regular basis.

In 2016, we set up the Nomination and Remuneration Advisory Committee the majority of whose members were Independent Officers and which was chaired by an Independent Outside Officer in order to further enhance transparency and objectivity for determining presidential successor candidates, director candidates, and the remuneration for Directors.

We stepped up our governance in 2018 by increasing our Independent Outside Directors by one in order to strengthen the supervision of the Board of Directors from a shareholder perspective and further improve its effectiveness.

After 2022, in consideration of the ratio of Outside Directors and ensuring diversity, including gender diversity, we have increased the number of Independent Outside Directors to five (including three women), in an ongoing effort to ensure the diversity of the Board of Directors.

(2) Evaluation of the effectiveness of the Board of Directors

We think the Board of Directors contributes to improving the corporate value of the SEKISUI CHEMICAL Group and functions appropriately, judging from the fact that appropriate agendas are set for Board of Directors meetings, sufficient time is secured for them, and opinions and suggestions are actively given by Directors, including Outside Directors, and by Audit & Supervisory Board Members.

During fiscal 2023, the Board of Directors deliberated sufficiently on growth strategies (such as for R&D, large new businesses, and large capital investments), foundation strategies (such as for sustainability, DX, safety, compliance, and CS quality) by bringing up their subjects as significant management issues. In addition, we conducted a questionnaire survey on the effectiveness evaluation for the Board of Directors, targeting Directors and Audit & Supervisory Board Members, and identified important management issues that should be the subject of expanded deliberation.

The Nomination and Remuneration Advisory Committee deliberated on appointment of candidates for Directors and Audit & Supervisory Board Members and individual evaluations and remunerations, and then the Board of Directors determined them upon receiving its recommendation. The Nomination and Remuneration Advisory Committee met six times such as for discussing the composition and effectiveness of the Board of Directors and governance enhancement initiatives.

During fiscal 2024 as well, we will seek to secure the transparency and fairness of our management by further enhancing our deliberations on significant business issues and arranging for the Board of Directors to make decisions appropriately.

### 3 Matters on the Current State of the SEKISUI CHEMICAL Group

#### 1. Business Processes and Their Results as Well as Issues Required to Be Addressed

##### Financial results of the SEKISUI CHEMICAL Group for fiscal 2023

	[Billions of yen]	Year on year [%]
Net Sales	1,256.5	+1.1
Operating Profit	94.3	+3.0
Profit	77.9	+12.5

As for the business environment in fiscal 2023, the first year of the “Drive 2.0” Medium-term Management Plan formulated based on the SEKISUI CHEMICAL Group’s Long-term Vision “VISION 2030,” despite a prolonged slump in the domestic new housing market, there was a certain recovery in automobile related demands. In fiscal 2023, the first year of the “Drive 2.0” Medium-term Management Plan formulated based on the SEKISUI CHEMICAL Group’s Long-term Vision “VISION 2030,” despite a prolonged slump in the domestic new housing market, there was a certain recovery in automobile related demands.

Under these circumstances, net sales reached a record high due to increased sales of high value-added products as well as positive foreign exchange effects.

Operating profit increased as a result of efforts to expand sales of high value-added products, secure profit, and control fixed costs, and positive effects from foreign exchange rates. Ordinary profit reached a record high mainly due to foreign exchange gains. Profit attributable to owners of parent reached a record high mainly due to gains on the sale of investment securities.

As a result, net sales for the fiscal year under review rose 1.1% to ¥1,256.5 billion, operating profit rose 3.0% to ¥94.3 billion, ordinary profit increased 1.6% to ¥105.9 billion, and profit attributable to owners of parent rose 12.5% year on year, to ¥77.9 billion.

Outline of our fiscal 2024 plans		
	[Billions of yen]	Year on year [%]
Net Sales	1,326.7	+5.6
Operating Profit	102.0	+8.1
Profit	78.0	+0.1

In fiscal 2024, the second year of the “Drive 2.0” Medium-term Management Plan, the Company, while continuing initiatives to reform the business portfolio, will accelerate its shift toward growth.

Market conditions are expected to gradually recover. We will continue to expand sales of high value-added businesses and products that contribute to resolving social issues, maintain margins, and steadily implement business structure reforms to improve profitability in the Housing business. Through such measures, we strive for higher sales and profit in all segments, a new record high for companywide net sales, and record high operating profit and profit attributable to owners of parent.

Through these efforts, we aim to record net sales of ¥1,326.7 billion, ¥70.1 billion higher than the previous year, operating profit of ¥102.0 billion, ¥7.6 billion higher than the previous year, ordinary profit of ¥102.5 billion, ¥3.4 billion lower than the previous year, and profit attributable to owners of parent of ¥78.0 billion, the same level as the previous year.

In addition, we will accelerate investments in long-term growth, including commercializing film-type perovskite solar cells and biorefineries, promoting DX, and reinforcing research and development, and human capital investments such as wage increases.

We kindly ask shareholders to continue supporting the SEKISUI CHEMICAL Group strongly as it aims to grow in a sustained manner.

### Financial results of the Housing Company for fiscal 2023

Financial results for fiscal 2023

	[Billions of yen]	Year on year [%]
Net Sales	529.6	-1.4
Operating Profit	27.7	-15.5

Housing Renovation and Real Estate businesses saw increases in sales, while in the Housing business, the number of houses ordered decreased year on year, and net sales decreased 1.4% from the previous fiscal year to ¥529.6 billion, slightly lower year on year. Operating profit was down 15.5% from the previous fiscal year to ¥27.7 billion, due to factors such as rising prices for component parts, including the effects of foreign exchange rates, resulting in lower sales and lower profit.

Measures such as pursuing the qualities of “smart” and “resilient” were carried out for the Housing, Housing Renovation, and Town and Community Development businesses.

In the Housing business, the number of houses ordered decreased year on year due to effects from declined purchasing intent caused by higher commodity prices and other factors. In addition to focusing on marketing activities that linked the company’s website with model houses, showrooms, factory tours, and events, we took measures to enhance product and subdivision designs. Furthermore, the measures to strengthen the profitability of the Housing business advanced, particularly by shifting personnel to growth areas such as the Housing Renovation business.

In the Housing Renovation business, orders increased year on year due to reinforcement of sales structures, and higher sales from renovations with a focus on insulation and others.

### Outline of our fiscal 2024 plans

Fiscal 2024 plan

	[Billions of yen]	Year on year [%]
Net Sales	536.0	+1.2
Operating Profit	30.0	+8.2

In fiscal 2024, we aim to record higher sales and profit as a result of increased sales in the Housing Renovation, Real Estate, and Town and Community Development businesses and cost reductions in the Housing business.

In the Housing business, net sales are expected to remain at the same level as fiscal 2023, despite some impact from a decline in the number of houses ordered. We will continue to strengthen the profitability by shifting personnel to growth areas such as the Housing Renovation business, and taking other measures. We will also increase the number of houses ordered and unit prices by promoting product development and sales strategies that cater to the needs of each area.

In the Housing Renovation business, we will increase sales personnel and expand sales from renovations with a focus on insulation. We will also make efforts to capture demand in the general renovation market from customers other than SEKISUI HEIM owners.

In the Real Estate business, we will focus on expanding the rental business by increasing the number of residential units under management, and the distribution business, such as brokerage business and purchase and resale business.

In the Town and Community Development business, we will increase sales by launching a new project.

## SEKISUI HEIM Recycling-Based Model receives Fujisankei Group Award at the 32nd Global Environment Awards

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In March 2024, we received the Fujisankei Group Award at The 32nd Grand Prize For The Global Environment Award in recognition of our efforts to establish and implement the SEKISUI HEIM Recycling-Based Model, which considers the global environment throughout the life of a house, both when it is built and after it is built. By taking advantage of SEKISUI HEIM's strengths in factory production and unit construction methods, we contribute to the reduction of CO2 emissions at every stage, from construction and production, occupancy and living, to disposal when the housing is no longer needed or discarded, such as through the use of renewable energy in factories and the disassembly and rebuilding of housing exhibitions in units. We will continue to contribute to the realization of environmentally friendly housing and a sustainable society by expanding and promoting businesses that follow the recycling-based model.

## Financial results of the Urban Infrastructure & Environmental Products Company for fiscal 2023

Financial results for fiscal 2023

	[Billions of yen]	Year on year [%]
Net Sales	234.7	+0.2
Operating Profit	22.1	+4.4

Despite the sluggish domestic housing and non-housing construction market as well as the impact from weak demand for chlorinated polyvinyl chloride (CPVC) resin, as a result of securing profit through selling price improvements and the sales growth of prioritized products, such as polyethylene pipes for water supply, construction and factories, and fire protection materials, net sales increased 0.2% year on year to ¥234.7 billion, and operating profit rose 4.4% year on year to ¥22.1 billion, reaching a record high for the second consecutive fiscal year, with increases in both sales and profit.

In the Pipe Systems field, demand for both residential and non-residential applications in Japan was below expectations, but as a result of establishing improved selling prices and expanding sales of prioritized products, net sales increased year on year.

In the Buildings and Infrastructures Composite Materials field, net sales decreased year on year due to sluggish demand for housing products, despite progress in improving domestic selling prices for prioritized products including fire protection and non-combustible materials and large high-capacity drainage systems, and synthetic lumber (FFU), as well as strong orders.

In the Infrastructure Renovation field, net sales increased year on year due to acquiring new overseas contracts for pipeline renewal, a recovery in demand for panel tanks, and other factors.

## Outline of our fiscal 2024 plans

Fiscal 2024 plan

	[Billions of yen]	Year on year [%]
Net Sales	245.4	+4.5
Operating Profit	24.0	+8.5

In fiscal 2024, we expect the domestic residential and non-residential construction markets to remain weak in the first half of the year, with a gradual recovery in the second half. We pursue higher sales and profits by focusing on expanding sales of prioritized products that contribute to resolving social issues, and sales overseas. We will also improve selling prices in line with overall cost increases related to the business, including rising prices for various raw materials, transportation costs and wage increases.

In the Pipe Systems field, we will continue to expand sales of prioritized products that contribute to resolving social issues, such as chronic labor shortages and aging infrastructure. In addition, we will capture demand for capital investment for semiconductor plants, which is expected to recover in the second half of the year, and focus on expanding the sales area for CPVC resin.

In the Buildings and Infrastructures Composite Materials field, we will expand the fire protection materials business with a focus on non-combustible urethane products and expand sales of large high-capacity drainage systems and nursing care products. We will also accelerate the overseas adoption of FFU for railway sleepers and early realization of stable production at our plant in Europe.

In the Infrastructure Renovation field, we will take action to expand overseas orders for pipeline renewal and to reinforce sales of high-performance panel tanks.

## TOPICS

Opening a European production plant to manufacture synthetic lumber for railway sleepers made from long glass-fiber-reinforced foamed urethane (FFU)

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The production plant for FFU railway sleepers that had been under construction at the Netherlands-based group company SEKISUI ESLON B.V. was completed in October 2023.

The FFU that we manufacture is a synthetic lumber that combines the advantages of natural wood and plastic, such as light weight, durability, weather resistance, and workability. It has been used for a variety of applications since its launch in 1974, but its use for railway sleepers has continued for over 40 years, with many Japanese railroad companies adopting it. It has also been sold in 34 countries worldwide, with business expanding primarily in Europe, including major railroad nations such as Germany and the United Kingdom, where demand is expected to rise.

To date, almost all FFU railway sleepers have been manufactured at the Shiga-Ritto Plant in Japan, but with the opening of a plant in Europe, the highest-demand area in the railroad sector overseas, we will further expand our business and promote globalization.



### Financial results of the High Performance Plastics Company for fiscal 2023

Financial results for fiscal 2023

	[Billions of yen]	Year on year [%]
Net Sales	412.8	+4.2
Operating Profit	50.9	+27.0

Despite the impact of sluggish demand for building materials and consumer goods in Europe, the U.S., and Japan, net sales increased 4.2% year on year to ¥412.8 billion due to a recovery in automobile-related demand, foreign exchange effects, efforts to maintain or improve selling prices, and other factors. Operating profit increased 27.0% from the previous fiscal year to ¥50.9 billion, resulting in higher sales and higher profit.

In the Electronics field, net sales increased year on year mainly due to progress in expanding non-LCD product sales under market conditions that saw a certain recovery in the smartphone market while semiconductor-related demand remained sluggish.

In the Mobility field, net sales increased significantly year on year due to progress in improving selling prices, foreign exchange effects, a recovery in automobile-related demand, expanded sales of high-performance interlayer films, mainly for heads-up displays, and other factors. In addition, efforts at SEKISUI AEROSPACE to improve its productivity progressed.

In the Industrial field, net sales decreased year on year due to continued sluggish demand for building materials and consumer goods in Europe, the U.S., and Japan.

### Outline of our fiscal 2024 plans

Fiscal 2024 plan

	[Billions of yen]	Year on year [%]
Net Sales	452.5	+9.6
Operating Profit	56.7	+11.3

In fiscal 2024, we aim to record higher sales and profits from a significant increase in sales volumes due to the expected recovery in the Mobility field and in electronics-related demand particularly in semiconductors, as well as the foreign exchange effects, despite the impact of higher labor costs and rising raw material costs.

In the Electronics field, we expect similar market conditions for smartphones to fiscal 2023, while the semiconductor-related demand to gradually recover. We will seek to expand sales by accelerating expansion of sales of non-LCD products including substrate and semiconductor-related products.

In the Mobility field, we expect the automobile-related demand to remain strong and expand sales of high-performance interlayer films with a focus on head-up displays. We also anticipate some recovery in aircraft demand and aim to increase sales.

In the Industrial field, a market recovery in the second half of the year is expected despite continued sluggish demand for building materials and consumer goods in Europe, the U.S., and Japan. We will expand sales of construction labor-saving and environmentally friendly products, such as insulation materials and long craft tapes, which have been designated as growth sectors, and continue to improve selling prices to achieve higher sales.

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**Launching NEZAMEL™, an extension of the ANSIEL™ monitoring sensor for nursing care facilities**

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In November 2023, we released NEZAMEL, an extension of the ANSIEL monitoring sensor for nursing care facilities, which can detect wakefulness and sleep and acquire related data.

ANSIEL is a monitoring support device with a high-precision sensor developed by our company. It can detect and analyze the movements of people who require nursing care in bed by installing it under mattresses. It is equipped with functions to detect movements in bed, such as getting up, and to collect vital data, including heartbeat, respiration, and presence or absence in bed, and it has been adopted by many nursing care facilities since its launch in 2020. In order to respond to more needs, we have developed and launched a service that can detect and monitor wakefulness, shallow sleep, and sleep states by keeping the hardware of ANSIEL and upgrading its software. This expanded functionality is expected to reduce the number of nighttime visits to patients' rooms, thereby reducing caregiver workload and ensuring restful sleep for patients.

Medical Business

Financial results for fiscal 2023			Fiscal 2024 plan		
	[Billions of yen]	Year on year [%]		[Billions of yen]	Year on year [%]
Net Sales	92.6	+3.3	Net Sales	103.8	+12.1
Operating Profit	10.9	-12.5	Operating Profit	12.6	+15.0

In fiscal 2023, revenues increased while profits declined. Net sales increased 3.3% year-on-year to ¥92.6 billion due to steadily capturing higher domestic demand for diagnostics primarily of infectious diseases, steady sales of new active pharmaceutical ingredients in the Pharmaceuticals and Fine Chemicals business, a focus on sales expansion of blood coagulation equipment and diagnostic reagents in China, as well as foreign exchange effects. Operating profit, meanwhile, decreased 12.5% to ¥10.9 billion due to the large impact of a decline in COVID-19 test kit sales in the U.S. and other factors.

In fiscal 2024, we will steadily capture the diagnostics demand in the domestic and overseas market, and focus on obtaining new orders in the Pharmaceuticals & Fine Chemicals business. We project drastically higher sales and record high profits by focusing on sales expansion of blood coagulation equipment and diagnostic reagents in Japan and China, as well as influenza and COVID-19 combo test kits which is to be a new product in the U.S.

Cases of research & development (R&D) initiative

Japan's first mounting of perovskite solar cells on the exterior walls of a building - Renovation of Osaka Head Office -

In October 2023, we became the first company in Japan to install film-type perovskite solar cells (PSCs) in the Dojima Kanden Building, where our Osaka Head Office is located (as of October 4, 2023 as a permanent installation of PSCs on building exterior walls, according to our research).

As the expansion of renewable energy is required to realize carbon neutrality by 2050, the PSCs that we are developing are lightweight and flexible, enabling installation on the exterior walls of buildings and other places where it is difficult to install silicon solar cells.

The Dojima Kanden Building is currently undergoing a large-scale renovation, with completion scheduled for April 2025. PSCs will be installed on the walls of the building in conjunction with this construction work to reduce the environmental impact of the building, and they will also be used for long-term quality assessment, including monitoring the amount of power generated by the cells and changes over time.

The world's first mega solar power generation plan in a high-rise building using PSCs

In November 2023, we announced that our PSCs under development would be installed on the South Tower, which will be constructed in Uchisaiwaicho, Chiyoda-ku, Tokyo.

PSCs with a rated power generation capacity of over 1,000 kW will be installed on the South Tower's spandrels, making it the world's first high-rise building equipped with a mega solar power generation system using PSCs. This will contribute to maximizing energy generation and expanding local energy production for local consumption in the city center.

Until now, various issues such as weight, wind pressure, and high replacement costs have limited the installation of solar cells on the walls of high-rise buildings. However, our new installation method, which takes advantage of the thinness, lightness, and flexibility of PSCs, is expected to solve these current challenges.

Through this project, we will enhance our PSC installation technologies (construction, maintenance, and replacement), accelerate the spread and expansion of PSCs, and contribute significantly to the achievement of carbon neutrality.

## 2. Principal business activities

SEKISUI CHEMICAL Group is composed of the Housing Company, the Urban Infrastructure & Environmental Products Company, the High Performance Plastics Company, and the Medical Business. Their principal business activities are as follows.

Housing Company	
Housing Business	Stock Business
Provides steel-framed and wood-framed housing that takes into account comfort, safety and security, and the environment by making full use of the unit construction method, which realizes housing that meets design performance through factory production	Exerts SEKISUI CHEMICAL Group's comprehensive capabilities to meet all possible kinds of housing-related needs of mainly customers living in modular houses from the Company such as the need to support renovation and house moves corresponding to one's life stages as well as management and guarantee services for rental homes
Town and Community Development Business	Residential Service Business
Aims to develop a sustainable town and community setting that is secure and safe and friendly to the environment by fully tapping into the comprehensive capabilities of the SEKISUI CHEMICAL Group	Supplies buildings and services to suit every life stage including construction and operation of housing for the elderly with support and day nursing care services
Overseas Business	
Provides valuable housing attentive to local needs Plans to cultivate the Thai housing market and expand to neighboring countries	

Urban Infrastructure & Environmental Products Company		
Pipe Systems Field		
Contributes to achieving a secure, safe, and comfortable housing environment by offering building water supply and hot water supply piping materials that do not suffer from rust and corrosion, are long-life and are easy to work with, which is useful for worker shortages on construction sites and shortening of construction periods.	Develops various pipe materials and valves with excellent chemical resistance, antistatic plates used in semiconductor factory equipment, and plastic pipe deterioration diagnosis which uses our extensive knowledge. Contributes to the stable operation of factories.	Flood damage has become more frequent and severe in recent years. Minimizes the damage to the town by the combination of CROSS-WAVE plastic underground rainwater storage tanks and RCP large-diameter rainwater storage pipes.
Buildings and Infrastructure Composite Materials Field		Infrastructure Renovation Field
Synthetic lumber (FFU) railway sleepers are also increasingly being used overseas. They combine the advantages of natural wood and plastic, such as light weight, durability, weather resistance, and workability, and contribute to reducing environmental impact.	PUXFLAME is a non-combustible polyurethane foam insulation material that is the first in Japan to be certified as a non-combustible organic spray insulation material. It can be easily sprayed onto complex structures, realizing the shortening of constructions period and cost reduction.	Measures to address aging sewage pipes have become an urgent issue not only in Japan but also overseas. The SPR method, which minimizes noise and traffic congestion and produces little waste, continues to evolve.

High Performance Plastics Company	
Electronics Field	Mobility Field
Provides advanced materials such as conductive fine particles and liquid crystal sealants that are ranked top in global market shares as well as double-sided tapes and various semiconductor materials	Provides molding resin and other products for automobiles, with an interlayer film for laminated glass used in automobiles that is ranked top in global market share as its flagship product.
Industrial Business Field	
Provides products and materials such as resin molded products which use adhesives and recycled materials, centered on labor-saving products that reduce workload and environmentally friendly products for various industries that support life and society.	

Medical Business	
Diagnostics Business	Pharmaceutical Sciences Business
Provides various analysis devices such as plastic vacuum blood collection tubes and automated blood coagulation analysis devices that are essential for types of clinical testing drugs and clinical testing mainly for the fields of blood coagulation, lifestyle disease, and infection	The Pharmaceuticals and Enzymes Business manufactures and supplies pharmaceutical companies with active pharmaceutical ingredients, pharmaceutical intermediates, pharmaceutical amino acids, and enzymes for manufacturing pharmaceuticals. In addition, the Drug Development Solution Business provides comprehensive support for drug development, as well as expanding newborn screening tests to detect congenital diseases in newborns and sells reagents.

### 3. Main Business Bases and Plants

Housing Company		
Business bases	Subsidiaries	HOKKAIDO SEKISUI HEIM CO., LTD. (Sapporo City) SEKISUI HEIM TOHOKU CO., LTD. (Sendai City) TOKYO SEKISUI HEIM CO., LTD. (Shinjuku-ku, Tokyo) GUNMA SEKISUI HEIM CO., LTD. (Maebashi City) SEKISUI HEIM SHINETSU CO., LTD. (Matsumoto City) SEKISUI HEIM CHUBU CO., LTD. (Nagoya City) SEKISUI HEIM KINKI CO., LTD. (Osaka City) SEKISUI HEIM CHUSHIKOKU CO., LTD. (Okayama City) SEKISUI HEIM KYUSHU CO., LTD. (Fukuoka City) SEKISUI HEIM REAL ESTATE CO., LTD. (Shinjuku-ku, Tokyo)
Production plants	Subsidiaries	SEKISUI HEIM INDUSTRY CO., LTD. (Hasuda City)
Research institutes	The Company	Housing Technology Institute (Tsukuba City)

Urban Infrastructure & Environmental Products Company		
Business bases	The Company	Higashinohon Branch (Minato-ku, Tokyo), Chubu Branch (Nagoya City), Nishinohon Branch (Osaka City), Kyushu Branch (Fukuoka City)
	Subsidiaries	SEKISUI HOMETECHNO CO., LTD. (Osaka City) SEKISUI AQUA SYSTEMS CO., LTD. (Osaka City)
Production plants	The Company	Shiga-Ritto Plant (Ritto City), Gunma Plant (Isesaki City)
	Subsidiaries	TOKUYAMA SEKISUI CO., LTD. (Shunan City)
Research institutes	The Company	General Institute (Kyoto City)

High Performance Plastics Company		
Business bases	The Company	Electronic Business Strategy Department (Minato-ku, Tokyo) Mobility Business Strategy Department (Minato-ku, Tokyo) Industrial Business Strategy Department (Minato-ku, Tokyo)
	Subsidiaries	SEKISUI POLYMATECH CO., LTD. (Saitama City) SEKISUI SEIKEI CO., LTD. (Osaka City) SEKISUI FULLER CO., LTD. (Minato-ku, Tokyo)
Production plants	The Company	Musashi Plant (Hasuda City), Shiga-Minakuchi Plant (Koga City), Taga Plant (Taga-cho, Inukami-gun, Shiga)
Research institutes	The Company	Research & Development Institute (Shimamoto-cho, Mishima-gun, Osaka)
Overseas bases	Subsidiaries	SEKISUI AEROSPACE CORPORATION (U.S.) SEKISUI SPECIALTY CHEMICALS AMERICA, LLC. (U.S.) SEKISUI ALVEO AG (Switzerland) SEKISUI S-LEC B.V. (Netherlands) SEKISUI SPECIALTY CHEMICALS EUROPE S.L. (Spain) SEKISUI S-LEC (SUZHOU) CO., LTD. (China) YOUNGBO CHEMICAL CO., LTD. (South Korea)

Headquarters		
Head Office		Head Office (4-4 Nishitemma 2-Chome, Kita-ku, Osaka, Japan) Tokyo Head Office (10-4 Toranomom 2-Chome, Minato-ku, Tokyo, Japan)
Business bases	Subsidiaries	SEKISUI MEDICAL CO., LTD. (Chuo-ku, Tokyo)
Research institutes	The Company	Advanced Technology Institute (Tsukuba City)
Overseas bases	Subsidiaries	SEKISUI DIAGNOSTICS, LLC (U.S.) SEKISUI EUROPE B.V. (Netherlands) SEKISUI AMERICA CORPORATION (U.S.) SEKISUI CHEMICAL (CHINA) CO., LTD. (China) SEKISUI SOUTHEAST ASIA CO., LTD. (Thailand)

#### 4. Assets and Profit and Loss

Category	98th Business Term (FY2019)	99th Business Term (FY2020)	100th Business Term (FY2021)	101st Business Term (FY2022)	102nd Business Term (The fiscal year under review) (FY2023)
Net Sales (Millions of yen)	1,129,254	1,056,560	1,157,945	1,242,521	1,256,538
Operating Profit (Millions of yen)	87,974	67,300	88,879	91,666	94,399
Ordinary Profit (Millions of yen)	87,202	62,649	97,001	104,241	105,921
Profit (Millions of yen)	59,181	41,544	37,067	69,263	77,930
Profit per Share (Yen)	128.80	91.92	83.17	159.19	183.48
Total Assets (Millions of yen)	1,105,781	1,150,143	1,198,921	1,228,131	1,323,243
Net Assets (Millions of yen)	634,219	694,392	702,753	732,525	820,925
Net Assets per Share (Yen)	1,333.76	1,485.89	1,519.19	1,642.67	1,880.30
ROE (return on equity) (%)	9.7	6.5	5.5	10.0	10.4

- (Notes) 1. Profit per share was calculated in accordance with the average total number of shares outstanding for the fiscal year under review, and net assets per share was calculated in accordance with the ending total number of shares outstanding. The average total number of shares outstanding for the fiscal year under review and the ending total number of shares outstanding exclude shares of treasury stock.
2. Profit represents profit attributable to owners of parent.
3. As the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of fiscal 2021, each figure for fiscal 2021 and onward is the figure, etc. after applying the accounting standard.

#### 5. Capital Expenditures

Capital expenditures totaled ¥60.6 billion (up 6.8% year on year), mainly for DX-related investments, the construction of a European production plant for manufacturing synthetic lumber for railway sleepers, and the establishment of a new production base in the United States for thermally conductive products.

#### 6. Procurement of Funds

For fiscal 2023, we did not conduct any significant fund procurement by means of capital increase and/or issuance of bonds.

#### 7. Main Lenders

Lenders	Loan amount (Millions of yen)
MUFG Bank, Ltd.	16,000
The Norinchukin Bank	10,000

## 8. Employees

Unit	Number of employees	Year-on-year change
Housing Company	10,991	Down 377
Urban Infrastructure & Environmental Products Company	4,640	Up 103
High Performance Plastics Company	8,111	Up 147
Medical	2,264	Up 137
Others	491	Up 29
Corporate (common)	432	Up 52
Total	26,929	Up 91

(Note) Of the above, the number of the Company's employees stood at 2,992, up 174 compared with the end of the previous fiscal year.

## 9. Significant Subsidiaries, Etc.

### (1) Significant affiliates

Company name	Paid-in capital	Equity interest ratio	Principal business activities
	Millions of yen	%	
Sekisui Kasei Co., Ltd.	16,533	21.78	Manufacture and sales of foamed styrene molding materials and styrene foam products

(Notes) 1. The equity interest ratios include those of shares held by subsidiaries of the Company.  
 2. Sekisui Jushi Corporation was an affiliate of the Company, but is no longer an equity-method affiliate as the Company sold a portion of its shares on August 1, 2023.

### (2) Significant subsidiaries

Company name	Paid-in capital	Equity interest ratio	Principal business activities
	Millions of yen	%	
SEKISUI MEDICAL CO., LTD.	1,275	100.00	Manufacture and sales of diagnostic reagents, testing devices, and pharmaceuticals
TOKUYAMA SEKISUI CO., LTD.	1,000	70.00	Manufacture and sales of polyvinyl chloride resins
SEKISUI POLYMATECH CO., LTD.	990	100.00	Manufacture and sales of mold and thermally conductive products
SEKISUI HEIM INDUSTRY CO., LTD.	500	100.00	Manufacture and sales of unit housing materials
SEKISUI SEIKEI CO., LTD.	450	100.00	Manufacture, processing and sales of various synthetic resin products
TOKYO SEKISUI HEIM CO., LTD.	400	100.00	Contract construction work service and real estate sales
SEKISUI HEIM KINKI CO., LTD.	400	100.00	Contract construction work service and real estate sales
SEKISUI FULLER CO., LTD.	400	50.00	Manufacture and sales of industrial and general adhesives



Company name	Paid-in capital	Equity interest ratio	Principal business activities
SEKISUI HOMETECHNO CO., LTD.	360	100.00	Assembling, processing, and sales of housing equipment
SEKISUI HEIM TOHOKU CO., LTD.	300	100.00	Contract construction work service and real estate sales
SEKISUI HEIM SHINETSU CO., LTD.	300	100.00	Contract construction work service and real estate sales
SEKISUI HEIM CHUBU CO., LTD.	300	100.00	Contract construction work service and real estate sales
SEKISUI HEIM CHUSHIKOKU CO., LTD.	300	100.00	Contract construction work service and real estate sales
SEKISUI HEIM KYUSHU CO., LTD.	300	100.00	Contract construction work service and real estate sales
HOKKAIDO SEKISUI HEIM CO., LTD.	200	100.00	Contract construction work service and real estate sales
GUNMA SEKISUI HEIM CO., LTD.	200	100.00	Contract construction work service and real estate sales
SEKISUI AQUA SYSTEMS CO., LTD.	200	83.96	Construction of various industrial plants, manufacture, sales, and work for water environmental engineering facilities such as water supply and drainage tanks
SEKISUI HEIM REAL ESTATE CO., LTD.	200	100.00	Real estate leasing management, trading, and brokerage services
SEKISUI DIAGNOSTICS, LLC	Thousands of U.S. dollars 132,000	100.00	Development, manufacture, and sales of diagnostic reagents
SEKISUI SPECIALTY CHEMICALS AMERICA, LLC.	Thousands of U.S. dollars 107,000	100.00	Manufacture and sales of polyvinyl alcohol resins
SEKISUI AMERICA CORPORATION	Thousands of U.S. dollars 8,421	100.00	Management of affiliated companies in the Americas
SEKISUI AEROSPACE CORPORATION	Thousands of U.S. dollars —	100.00	Development, manufacture, and sales of composite material mold products for aircraft and drones
SEKISUI SPECIALTY CHEMICALS EUROPE S.L.	Thousands of euros 18,000	100.00	Manufacture and sales of polyvinyl alcohol resins
SEKISUI S-LEC B.V.	Thousands of euros 11,344	100.00	Manufacture and sales of interlayer films for laminated glasses
SEKISUI EUROPE B.V.	Thousands of euros 1,000	100.00	Management of affiliated companies in Europe

Company name	Paid-in capital	Equity interest ratio	Principal business activities
SEKISUI ALVEO A.G.	Thousands of Swiss francs 21,000	100.00	Sales of foam polyolefins and foams
YOUNGBO CHEMICAL CO., LTD.	Hundreds of millions of won 100	52.30	Manufacture, processing and sales of synthetic resin products
SEKISUI CHEMICAL (CHINA) CO., LTD.	Thousands of yuan 361,447	100.00	Management of affiliated companies in China
SEKISUI S-LEC (SUZHOU) CO., LTD.	Thousands of yuan 195,979	100.00	Manufacture and sales of interlayer films for laminated glasses
SEKISUI SOUTHEAST ASIA CO., LTD.	Thousands of baht 10,000	100.00	Management of affiliated companies in South East Asia

- (Notes) 1. The equity interest ratios include those of shares held by subsidiaries of the Company.  
2. The consolidated subsidiaries of the Company as of the end of the fiscal year under review totaled 143, including those shown above.

#### 4 Stock Information

(1) Total number of shares authorized to be issued 1,187,540,000

(2) Total number of shares outstanding 448,507,285

(Note) We resolved at a Board of Directors meeting held on April 26, 2024 to retire shares of treasury stock, which will likely reduce the total number of shares outstanding by 4 million shares to 444,507,285 shares.

(Planned date of retirement: May 24, 2024)

(3) Number of shareholders 55,658

(4) Major shareholders (top 10)

Name of shareholder	Number of shares held (Thousands of shares)	Percentage of ownership (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	61,578	14.57
Custody Bank of Japan, Ltd. (Trust Account)	21,555	5.10
The Dai-ichi Life Insurance Company, Limited	12,793	3.02
Employees Stock Ownership Plan	11,599	2.74
Asahi Kasei Corp.	9,744	2.30
STATE STREET BANK WEST CLIENT - TREATY 505234	9,034	2.13
Sekisui House, Ltd.	7,998	1.89
THE BANK OF NEW YORK MELLON 140042	7,475	1.76
National Mutual Insurance Federation of Agricultural Cooperatives	7,302	1.72
Tokio Marine & Nichido Fire Insurance Co., Ltd.	5,805	1.37

(Notes) 1. The Company maintains 25,969,220 shares of treasury stock, which are not included in the major shareholders above. Shares of treasury stock account for 5.79% of the total number of shares outstanding.

2. The treasury stocks exclude 148,000 shares held by an Employee Stock Ownership Plan trust and 784,000 shares held by the Board Incentive Plan trust as an officer remuneration system.

3. The percentage of ownership is calculated after subtracting the treasury stock from the total number of outstanding shares.

(5) Stock price (Tokyo Stock Exchange, First Section and Prime Market)

■ Highest and lowest stock prices by fiscal year for the past five years

(Yen)

By fiscal year	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023
Highest stock price	1,986	2,243	2,187	2,019	2,287
Lowest stock price	1,142	1,267	1,648	1,613	1,786

■ Highest and lowest stock prices by month for the past one year

(Yen)

By month	2023									2024		
	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Highest stock price	1,932	2,033	2,105.5	2,171.5	2,272	2,286.5	2,187.5	2,178	2,132	2,219.5	2,151	2,287
Lowest stock price	1,786	1,868	1,913	1,981	2,132	2,145.5	1,959	2,033	1,951.5	2,021.5	2,028	2,075

<b>5</b>	<b>Accounting Auditor</b>
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1. Name of Accounting Auditor

KPMG AZSA LLC

2. Amount of Fee, Etc. for the Accounting Auditor

Amount of accounting auditor fee for the fiscal year under review ¥155 million

Total amount of money and asset profits required to be paid by the Company and its subsidiaries ¥239 million

(Note) Of our significant subsidiaries, 11 overseas subsidiaries were audited by KPMG, which belongs to the network which the Accounting Auditor of the Company belongs to.

3. Reason for Consent by the Audit & Supervisory Board to the Fee, Etc. for the Accounting Auditor

The Audit & Supervisory Board confirmed the content of the Accounting Auditor's audit plan and conducted the necessary verification of the appropriateness of the basis for calculating the estimated amount of fees while considering the results of the previous fiscal year. As a result, it was determined that the number of man-hours is necessary to ensure audit quality, as the Accounting Auditor is working to address global fraud risks and establish an audit system while promoting efficiency by utilizing their understanding of the Company in the previous fiscal year.

4. Decision Policy for Dismissal or Non-re-election of Accounting Auditor

At the Company, if any of the dismissal reasons set forth in Article 340 of the Companies Act applies to the Accounting Auditor, the Audit & Supervisory Board dismisses it with the consent of all the Audit & Supervisory Board Members. If it is deemed to be challenging for the Accounting Auditor to execute its duties properly or if it is judged to be inappropriate for an Accounting Auditor to be reappointed, the Audit & Supervisory Board determines a proposal for dismissal or non-re-election to be submitted to General Meeting of Shareholders.

5. Standard for the Audit & Supervisory Board to Select and Evaluate the Accounting Auditor in an Appropriate Manner

The Audit & Supervisory Board identifies conducted audits through audit reports from the Accounting Auditor and onsite audits, and evaluates it and resolves to re-elect it under a standard that takes into account matters such as quality control, audit team, and audit fees at an Audit & Supervisory Board meeting each fiscal year.

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(Note) Any number less than the display unit has been truncated to present values, numbers of shares, equity interest ratios, and shareholding ratios that are shown in this Business Report.

## Consolidated Financial Statements

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### Consolidated Balance Sheets

(Millions of yen)

	End Fiscal Year 2023 (As of March 31, 2024)	End Fiscal Year 2022 (For Reference) (As of March 31, 2023)
<b>(Assets)</b>		
<b>Current assets</b>	<b>685,564</b>	<b>621,650</b>
Cash and deposits	138,572	101,080
Notes receivable - trade	43,109	38,400
Accounts receivable - trade	168,864	153,380
Contract assets	1,486	752
Merchandise and finished goods	112,748	104,091
Land for sale in lots	67,693	64,154
Work in process	61,087	62,604
Raw materials and supplies	56,704	55,950
Advance payments to suppliers	4,122	4,055
Prepaid expenses	5,793	8,414
Short-term loans receivable	1,115	114
Other	25,044	29,616
Allowance for doubtful accounts	(776)	(965)
<b>Non-current assets</b>	<b>637,679</b>	<b>606,481</b>
<b>Property, plant and equipment</b>	<b>392,485</b>	<b>377,381</b>
Buildings and structures	123,499	120,761
Machinery, equipment and vehicles	114,194	109,933
Land	85,931	83,828
Leased assets	21,750	19,961
Construction in progress	33,599	31,338
Other	13,510	11,558
<b>Intangible assets</b>	<b>59,097</b>	<b>51,003</b>
Goodwill	8,636	11,028
Software	17,410	15,614
Leased assets	107	117
Other	32,944	24,242
<b>Investments and other assets</b>	<b>186,096</b>	<b>178,096</b>
Investment securities	127,421	137,314
Long-term loans receivable	1,097	1,163
Long-term prepaid expenses	2,130	1,970
Retirement benefit asset	35,368	15,284
Deferred tax assets	4,223	10,034
Other	17,136	14,483
Allowance for doubtful accounts	(1,280)	(2,154)
<b>Total assets</b>	<b>1,323,243</b>	<b>1,228,131</b>

(Note) The amounts presented above have been rounded down to the nearest million yen.

(Millions of yen)

	<b>End Fiscal Year 2023 (As of March 31, 2024)</b>	<b>End Fiscal Year 2022 (For Reference) (As of March 31, 2023)</b>
<b>(Liabilities)</b>		
<b>Current liabilities</b>	<b>344,597</b>	<b>327,978</b>
Notes payable - trade	578	759
Electronically recorded obligations - operating	15,567	28,777
Accounts payable - trade	107,713	107,067
Short-term borrowings	11,569	3,569
Current portion of bonds payable	30	-
Lease liabilities	5,433	5,156
Accrued expenses	43,107	41,177
Income taxes payable	25,086	11,817
Provision for bonuses	19,628	19,198
Provision for bonuses for directors (and other officers)	474	354
Provision for warranties for completed construction	2,445	3,105
Provision for share awards	112	115
Advances received	57,436	53,514
Other	55,414	53,364
<b>Non-current liabilities</b>	<b>157,720</b>	<b>167,627</b>
Bonds payable	40,000	40,030
Long-term borrowings	46,270	56,187
Lease liabilities	17,421	15,515
Deferred tax liabilities	4,757	4,046
Retirement benefit liability	41,344	42,731
Provision for share awards	1,083	900
Other	6,843	8,216
<b>Total liabilities</b>	<b>502,318</b>	<b>495,606</b>
<b>(Net assets)</b>		
<b>Shareholders' equity</b>	<b>661,889</b>	<b>630,041</b>
Share capital	100,002	100,002
Capital surplus	108,621	108,583
Retained earnings	501,945	468,094
Treasury shares	(48,679)	(46,637)
<b>Accumulated other comprehensive income</b>	<b>130,440</b>	<b>74,984</b>
Valuation difference on available-for-sale securities	51,197	37,836
Deferred gains or losses on hedges	(15)	(24)
Revaluation reserve for land	320	321
Foreign currency translation adjustment	67,826	39,253
Remeasurements of defined benefit plans	11,111	(2,402)
<b>Non-controlling interests</b>	<b>28,595</b>	<b>27,498</b>
<b>Total net assets</b>	<b>820,925</b>	<b>732,525</b>
<b>Total liabilities and net assets</b>	<b>1,323,243</b>	<b>1,228,131</b>

(Note) The amounts presented above have been rounded down to the nearest million yen.

## Consolidated Statements of Income

(Millions of yen)

	Fiscal Year 2023 (From April 1, 2023 to March 31, 2024)	Fiscal Year 2022 (For Reference) (From April 1, 2022 to March 31, 2023)
<b>Net sales</b>	<b>1,256,538</b>	<b>1,242,521</b>
<b>Cost of sales</b>	<b>864,343</b>	<b>865,281</b>
<b>Gross profit</b>	<b>392,195</b>	<b>377,240</b>
<b>Selling, general and administrative expenses</b>	<b>297,795</b>	<b>285,574</b>
<b>Operating profit</b>	<b>94,399</b>	<b>91,666</b>
<b>Non-operating profit</b>	<b>16,733</b>	<b>16,915</b>
Interest income	1,854	1,211
Dividend income	3,603	3,677
Share of profit of entities accounted for using equity method	843	2,254
Foreign exchange gains	6,958	5,195
Miscellaneous income	3,472	4,576
<b>Non-operating expenses</b>	<b>5,211</b>	<b>4,339</b>
Interest expenses	1,103	871
Miscellaneous expenses	4,108	3,468
<b>Ordinary profit</b>	<b>105,921</b>	<b>104,241</b>
<b>Extraordinary profit</b>	<b>14,242</b>	<b>1,189</b>
Gain on sale of investment securities	13,701	319
Gain on sale of shares of subsidiaries and associates	540	870
<b>Extraordinary losses</b>	<b>8,684</b>	<b>5,937</b>
Impairment losses	4,128	468
Loss on valuation of investment securities	2,453	-
Loss on valuation of shares of subsidiaries and associates	330	1,319
Amortization of goodwill	-	1,974
Loss on sale and retirement of non-current assets	1,773	2,174
<b>Profit before income taxes</b>	<b>111,479</b>	<b>99,494</b>
Income taxes - current	38,399	27,325
Income taxes - deferred	(5,974)	1,401
Profit	79,054	70,767
Profit attributable to non-controlling interests	1,123	1,504
<b>Profit attributable to owners of parent</b>	<b>77,930</b>	<b>69,263</b>

(Note) The amounts presented above have been rounded down to the nearest million yen.



## Consolidated Statements of Changes in Equity; Statements of Shareholders' Equity

(From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
<b>Balance at beginning of period</b>	<b>100,002</b>	<b>108,583</b>	<b>468,094</b>	<b>(46,637)</b>	<b>630,041</b>
<b>Changes during period</b>					
Dividends of surplus			(27,845)		(27,845)
Profit attributable to owners of parent			77,930		77,930
Change in scope of equity method			(2,377)	34	(2,343)
Changes resulting from merger of consolidated subsidiaries and unconsolidated subsidiaries			78		78
Cancellation of treasury shares		(13,935)		13,935	–
Purchase of treasury shares				(16,173)	(16,173)
Disposal of treasury shares		0		161	161
Transfer from retained earnings to capital surplus		13,935	(13,935)		–
Change in ownership interest of parent due to transactions with non-controlling interests		38			38
Net changes in items other than shareholders' equity					–
<b>Total changes during period</b>	<b>–</b>	<b>38</b>	<b>33,851</b>	<b>(2,042)</b>	<b>31,847</b>
<b>Balance at end of period</b>	<b>100,002</b>	<b>108,621</b>	<b>501,945</b>	<b>(48,679)</b>	<b>661,889</b>

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
<b>Balance at beginning of period</b>	<b>37,836</b>	<b>(24)</b>	<b>321</b>	<b>39,253</b>	<b>(2,402)</b>	<b>74,984</b>	<b>27,498</b>	<b>732,525</b>
<b>Changes during period</b>								
Dividends of surplus								(27,845)
Profit attributable to owners of parent								77,930
Change in scope of equity method								(2,343)
Changes resulting from merger of consolidated subsidiaries and unconsolidated subsidiaries								78
Cancellation of treasury shares								–
Purchase of treasury shares								(16,173)
Disposal of treasury shares								161
Transfer from retained earnings to capital surplus								–
Change in ownership interest of parent due to transactions with non-controlling interests								38
Net changes in items other than shareholders' equity	13,361	8	(1)	28,572	13,514	55,455	1,097	56,552
<b>Total changes during period</b>	<b>13,361</b>	<b>8</b>	<b>(1)</b>	<b>28,572</b>	<b>13,514</b>	<b>55,455</b>	<b>1,097</b>	<b>88,400</b>
<b>Balance at end of period</b>	<b>51,197</b>	<b>(15)</b>	<b>320</b>	<b>67,826</b>	<b>11,111</b>	<b>130,440</b>	<b>28,595</b>	<b>820,925</b>

(Note) The amounts presented above have been rounded down to the nearest million yen.

**(For Reference) Summary of Consolidated Statements of Cash Flows**

(Millions of yen)

	<b>Fiscal Year 2023 (From April 1, 2023 to March 31, 2024)</b>	<b>Fiscal Year 2022 (From April 1, 2022 to March 31, 2023)</b>
<b>Net cash provided by (used in) operating activities</b>	<b>106,632</b>	<b>71,543</b>
<b>Net cash provided by (used in) investing activities</b>	<b>(18,515)</b>	<b>(59,430)</b>
<b>Net cash provided by (used in) financing activities</b>	<b>(53,023)</b>	<b>(62,906)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>6,058</b>	<b>2,262</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>41,151</b>	<b>(48,531)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>85,207</b>	<b>133,739</b>
<b>Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation</b>	<b>8</b>	<b>–</b>
<b>Cash and cash equivalents at end of period</b>	<b>126,367</b>	<b>85,207</b>

(Note) The amounts presented above have been rounded down to the nearest million yen.

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### Non-Consolidated Balance Sheets

(Millions of yen)

	End Fiscal Year 2023 (As of March 31, 2024)	End Fiscal Year 2022 (For Reference) (As of March 31, 2023)
<b>(Assets)</b>		
<b>Current assets</b>	<b>230,968</b>	<b>225,006</b>
Cash and deposits	9,168	8,604
Notes receivable - trade	8,009	7,377
Accounts receivable - trade	84,600	72,844
Merchandise and finished goods	25,559	26,626
Land for sale in lots	20,427	17,087
Work in process	6,245	6,418
Raw materials and supplies	8,360	8,796
Advance payments to suppliers	875	1,119
Prepaid expenses	810	748
Short-term loans receivable	26,708	23,676
Accounts receivable - other	39,753	50,704
Other current assets	461	1,012
Allowance for doubtful accounts	(12)	(11)
<b>Non-current assets</b>	<b>505,776</b>	<b>490,215</b>
<b>Property, plant and equipment</b>	<b>109,640</b>	<b>104,984</b>
Buildings	35,690	34,908
Structures	2,698	2,616
Machinery and equipment	22,426	23,267
Vehicles	108	115
Tools, furniture and fixtures	4,269	3,306
Land	38,448	37,012
Leased assets	467	426
Construction in progress	5,531	3,331
<b>Intangible assets</b>	<b>28,991</b>	<b>21,531</b>
Industrial property	51	175
Right to use facilities	104	104
Software	12,180	12,749
Leased assets	-	0
Other intangible fixed assets	16,655	8,502
<b>Investments and other assets</b>	<b>367,145</b>	<b>363,698</b>
Investment securities	96,965	86,203
Shares of subsidiaries and associates	256,731	263,747
Long-term loans receivable	406	407
Long-term prepaid expenses	1,177	784
Prepaid pension costs	9,714	10,333
Leasehold and guarantee deposits	1,847	1,886
Other investments	511	610
Allowance for doubtful accounts	(209)	(274)
<b>Total assets</b>	<b>736,745</b>	<b>715,221</b>

(Note) The amounts presented above have been rounded down to the nearest million yen.

(Millions of yen)

	<b>End Fiscal Year 2023 (As of March 31, 2024)</b>	<b>End Fiscal Year 2022 (For Reference) (As of March 31, 2023)</b>
<b>(Liabilities)</b>		
<b>Current liabilities</b>	<b>234,713</b>	<b>245,496</b>
Notes payable - trade	–	0
Electronically recorded obligations - operating	–	6,147
Accounts payable - trade	94,742	101,909
Short-term borrowings	86,042	99,708
Lease liabilities	139	118
Accounts payable - other	9,473	8,480
Accrued expenses	18,191	16,047
Income taxes payable	12,202	199
Advances received	249	506
Deposits received	6,410	5,611
Provision for bonuses	4,670	4,187
Provision for bonuses for directors (and other officers)	320	209
Provision for warranties for completed construction	1,684	2,078
Provision for share awards	112	115
Other current liabilities	473	175
<b>Non-current liabilities</b>	<b>123,897</b>	<b>129,487</b>
Bonds payable	40,000	40,000
Long-term borrowings	45,500	55,100
Lease liabilities	338	307
Deferred tax liabilities	12,801	9,347
Provision for retirement benefits	24,097	23,766
Provision for share awards	1,083	900
Other non-current liabilities	77	66
<b>Total liabilities</b>	<b>358,611</b>	<b>374,983</b>

(Note) The amounts presented above have been rounded down to the nearest million yen.

(Millions of yen)

	<b>End Fiscal Year 2023 (As of March 31, 2024)</b>	<b>End Fiscal Year 2022 (For Reference) (As of March 31, 2023)</b>
<b>(Net assets)</b>		
<b>Shareholders' equity</b>	<b>328,695</b>	<b>304,580</b>
<b>Share capital</b>	<b>100,002</b>	<b>100,002</b>
<b>Capital surplus</b>	<b>109,234</b>	<b>109,234</b>
Legal capital surplus	109,234	109,234
<b>Retained earnings</b>	<b>168,063</b>	<b>141,871</b>
Legal retained earnings	10,363	10,363
Other retained earnings	157,700	131,508
Reserve for tax purpose reduction entry of land	4,141	4,141
Reserve for tax purpose reduction entry of depreciable assets	2,063	2,192
Reserve for open innovation promotion	–	53
General reserve	39,471	39,471
Retained earnings brought forward	112,025	85,651
<b>Treasury shares</b>	<b>(48,605)</b>	<b>(46,528)</b>
<b>Valuation and translation adjustments</b>	<b>49,439</b>	<b>35,657</b>
<b>Valuation difference on available-for-sale securities</b>	<b>49,439</b>	<b>35,657</b>
<b>Total net assets</b>	<b>378,134</b>	<b>340,237</b>
<b>Total liabilities and net assets</b>	<b>736,745</b>	<b>715,221</b>

(Note) The amounts presented above have been rounded down to the nearest million yen.

## Non-Consolidated Statements of Income

(Millions of yen)

	Fiscal Year 2023 (From April 1, 2023 to March 31, 2024)	Fiscal Year 2022 (For Reference) (From April 1, 2022 to March 31, 2023)
<b>Net sales</b>	<b>386,059</b>	<b>382,513</b>
<b>Cost of sales</b>	<b>282,796</b>	<b>289,242</b>
<b>Gross profit</b>	<b>103,263</b>	<b>93,271</b>
<b>Selling, general and administrative expenses</b>	<b>93,710</b>	<b>85,858</b>
<b>Operating profit</b>	<b>9,552</b>	<b>7,413</b>
<b>Non-operating profit</b>	<b>53,057</b>	<b>50,864</b>
Interest and dividend income	36,025	34,547
Miscellaneous income	17,031	16,317
<b>Non-operating expenses</b>	<b>3,288</b>	<b>993</b>
Interest expenses	366	342
Interest on bonds	88	88
Miscellaneous expenses	2,834	563
<b>Ordinary profit</b>	<b>59,321</b>	<b>57,284</b>
<b>Extraordinary profit</b>	<b>26,002</b>	<b>699</b>
Gain on sale of investment securities	13,714	319
Gain on sale of shares of subsidiaries and associates	12,288	380
<b>Extraordinary losses</b>	<b>3,826</b>	<b>5,110</b>
Loss on valuation of investment securities	2,453	-
Loss on valuation of shares of subsidiaries and associates	554	4,248
Impairment losses	195	165
Loss on sale and retirement of non-current assets	623	696
<b>Profit before income taxes</b>	<b>81,497</b>	<b>52,873</b>
Income taxes - current	16,203	3,341
Income taxes - deferred	(2,678)	2,152
<b>Profit</b>	<b>67,971</b>	<b>47,379</b>

(Note) The amounts presented above have been rounded down to the nearest million yen.



## Non-Consolidated Statements of Changes in Equity

(From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity										
	Share capital	Capital surplus			Retained earnings						
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings					Total retained earnings
						Reserve for tax purpose reduction entry of land	Reserve for tax purpose reduction entry of depreciable assets	Reserve for open innovation promotion	General reserve	Retained earnings brought forward	
<b>Balance at beginning of period</b>	100,002	109,234	–	109,234	10,363	4,141	2,192	53	39,471	85,651	141,871
<b>Changes during period</b>											
Reversal of reserve for tax purpose reduction entry of depreciable assets							(129)			129	–
Reversal of reserve for open innovation promotion								(53)		53	–
Dividends of surplus										(27,845)	(27,845)
Profit										67,971	67,971
Cancellation of treasury shares			(13,935)	(13,935)							
Purchase of treasury shares											
Disposal of treasury shares			0	0							
Transfer from retained earnings to capital surplus			13,935	13,935						(13,935)	(13,935)
Net changes in items other than shareholders' equity											
<b>Total changes during period</b>	–	–	–	–	–	–	(129)	(53)	–	26,373	26,191
<b>Balance at end of period</b>	100,002	109,234	–	109,234	10,363	4,141	2,063	–	39,471	112,025	168,063

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
<b>Balance at beginning of period</b>	<b>(46,528)</b>	<b>304,580</b>	<b>35,657</b>	<b>35,657</b>	<b>340,237</b>
<b>Changes during period</b>					
Reversal of reserve for tax purpose reduction entry of depreciable assets		–			–
Reversal of reserve for open innovation promotion		–			–
Dividends of surplus		(27,845)			(27,845)
Profit		67,971			67,971
Cancellation of treasury shares	13,935	–			–
Purchase of treasury shares	(16,173)	(16,173)			(16,173)
Disposal of treasury shares	161	161			161
Transfer from retained earnings to capital surplus		–			–
Net changes in items other than shareholders' equity			13,781	13,781	13,781
<b>Total changes during period</b>	<b>(2,076)</b>	<b>24,115</b>	<b>13,781</b>	<b>13,781</b>	<b>37,896</b>
<b>Balance at end of period</b>	<b>(48,605)</b>	<b>328,695</b>	<b>49,439</b>	<b>49,439</b>	<b>378,134</b>

(Note) The amounts presented above have been rounded down to the nearest million yen.