

Special Feature 1: Dialogue; Ensuring SEKISUI CHEMICAL Group's Sustainability through ESG Management

Dialogue

Ensuring SEKISUI CHEMICAL Group's Sustainability through ESG Management

With ESG concerns driving management, SEKISUI CHEMICAL Group will take the next leap forward. Well versed in environmental finance as it pertains to such wide-ranging topics as climate change, we welcomed Ms. Mari Yoshitaka to join us in a discussion on SEKISUI CHEMICAL Group's current and future initiatives.



Keita Kato

Representative Director
Senior Managing Executive Officer,
Responsible for ESG Management Department,
Head of Business Strategy Department
Head of New Business Development Department

Ms. Mari Yoshitaka

Chief Environmental & Social Strategist
Environmental Strategy Advisory Division
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

The Role that SEKISUI CHEMICAL Group Should Be Expected to Play

Yoshitaka: I have been engaged in environmental finance consulting focusing on the climate change field for close to two decades. Interest in this issue from institutional investors has grown rapidly from around 2014.

Well prior to the start of this movement, SEKISUI CHEMICAL Group has promoted a wide range of initiatives since clarifying its stance toward corporate social responsibility (CSR) with an emphasis on the environment in 2000. What led you to pioneer efforts in the leadup to this current era?

Kato: Our inspiration comes from the president before last Naotake Okubo, who spearheaded the Company from 1999. Mr. Okubo advocated efforts aimed at “co-existence of ecology and the economy.” While this remains the cornerstone of our current approach toward CSR, SEKISUI CHEMICAL Group's endeavors began several years prior. We launched, for example, poly-pail plastic garbage bins made from polyethylene as early 1964, around the time of the Tokyo Olympics. Through efforts to address the issue of waste disposal that had continued to plague Tokyo, these products helped spur a beautification campaign that blossomed into a so-called “cleaning revolution.”

Over the ensuing period, we have developed and

brought to market a variety of products that help resolve environmental and social issues. In addition to introducing the SPR Method, a trenchless sewage pipeline renewal technique that facilitates the efficient application of backfill materials in the space between existing and rehabilitation pipes, SEKISUI CHEMICAL Group released an automotive interlayer film that controls the cabin temperatures of cars by cutting ultraviolet as well as infrared rays thereby increasing air conditioning efficiency. Among a host of products, the Group also launched a heat shielding interlayer film that helps reduce CO₂ emissions and an interlayer film for head-up display use that significantly improves safety.

Resolving social issues through business activities

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is now second nature and a part of our DNA. SEKISUI CHEMICAL Group is not a raw materials company. We provide additional functionality through processing, which in turn leads to added value, and ultimately solutions to social issues. Receiving high praise for these endeavors, our business and earnings as a result have grown substantially. Recently, we have become especially aware that solutions to social issues leads to sustainable growth.

Yoshitaka: In recent years, the trend toward ESG investment has become increasingly prominent worldwide together with an appreciation of growth in other than financial terms. I am pleased that steps to secure growth by resolving issues through business activities are being linked to the pursuit of earnings.

Kato: Our awareness toward ESG concerns may also reflect our shareholder profile. SEKISUI CHEMICAL Group's ratio of overseas institutional investors to total shareholders is around 10 percentage points higher than the average of all companies listed on the Tokyo Stock Exchange. Calling on overseas institutional investors on several occasions each year, we have noticed a significant increase in the number of ESG-related questions and proposals.

Yoshitaka: A substantial portion of the corporate sector is today engaging in ESG management. What do you see is your role as a company?

Kato: Taking into consideration our status and position within the manufacturing sector, it is our responsibility to help address environmental and social issues through the development of innovative products and technologies and to pursue every opportunity. Working to fulfill the requirements of customers and society, it is our role to provide high-value-added solutions.

In this context, we are endeavoring to create and expand Environment-Contributing Products that contribute substantially to resolving environmental and social issues. Critical to efforts aimed at the ongoing promotion of environment-based management is the Group's underlying technological and human resource assets as well as initiatives undertaken with customers. Drawing on the strengths of these assets and initiatives, we will work to resolve a host

of issues. We remain confident in our ability to balance the need for sustainable growth and business expansion with efforts to address social problems.

On another note, the issue of marine plastic waste has been picked up by various forms of media of late. SEKISUI CHEMICAL Group is also committed to resolving this concern.

About ESG Management

Yoshitaka: Interest in how companies address ESG concerns among investors is wide ranging. In addition to the defensive measures that companies are ethically bound to undertake, investors are calling for the disclosure of ESG information that includes details of companies' offensive measures and how efforts will contribute to growth.

However, the vast majority of companies have yet to clarify their levels of contribution to the environment and the impact on earnings. How has SEKISUI CHEMICAL Group responded to this wide-ranging interest and calls for increased information disclosure?

Kato: We do, for example, disclose details of various indicators including sales targets for Environment-Contributing Products. We would of course like to declare that our entire lineup is comprised of Environment-Contributing Products. In reality, however, as assessment is made on an objective basis by a panel of outside experts with products registered progressively. Employees are also better positioned to gauge the level of growth attributable to contributions to society as the ratio of Environment-Contributing Products increases. With this in mind, I look forward to the day when the Company can indeed declare that its entire lineup is comprised of Environment-Contributing Products. I believe this will help boost the number of employees who take pride in pursuing the sustainable growth of the Company through efforts to address ESG concerns.

In addition, SEKISUI CHEMICAL Group announces details of various integrated indices including its rate of return on natural capital. This index measures the level of



Ms. Mari Yoshitaka

After working for an IT company and a U.S. investment bank, she received M.S from the Department of Natural Resources and Environment at the University of Michigan. She was engaged in research work at the Technology and Environment Department of the World Bank Group's International Finance Corporation and was involved in a research for one of the first eco-funds in Japan. She joined Mitsubishi UFJ Morgan Stanley Securities in August 2000 to start up the climate finance related business and recently she has been conducting SDGs and ESG investment advisory business. She also teaches environmental business design at Graduate School of Media and Governance, Keio University. Also she is a member of Global Environment Committee, Central Environment Council.

contribution to the natural environment generated by our corporate activities as a whole. The goal is to convey our approach toward addressing ESG concerns by disclosing details of the burden imposed on the environment by our corporate activities including production processes, and the degree to which we contribute to society.

Yoshitaka: Speaking with the senior executives of over 150 companies each year, ESG concerns clearly play an integral

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role in shaping management. In this regard, today's leaders are struggling with how best to set the tone, and to balance contributions to the environment and society with earnings growth. It is difficult at this stage to categorically state that a balance has been achieved. Here, I would like to see SEKISUI CHEMICAL Group play a leadership role.

From my experience as a university professor, the motivation behind students, who engage in research without an understanding of how a technology can be used, and those who pursue a clearly defined objective, are poles apart. Have you had the same experience?

Kato: My involvement with automotive interlayer films is extensive and covers a lengthy period. SEKISUI CHEMICAL Group's competitive advantage stems from successful efforts to provide added value in such areas as sound and heat insulation and to differentiate its products from other companies. In developing new products, we also placed considerable emphasis on resolving social issues, which as a result helped drive business growth. The fact that our efforts were contributing to the Company's expansion was both rewarding and a source of motivation.

On the anniversary of the Company's founding this year, the message that "the very essence of SEKISUI CHEMICAL Group's business is grounded in the environment, society,

and governance" was broadcast to all employees. "Of paramount importance is the need to link solutions to society's problems with efforts to achieve sustainable development goals (SDGs)."

We would ask the frontlines of our operations to carry out their duties with an increased awareness toward ESG concerns. Our role as management is to showcase the appeal of these activities to the outside world. This message has become all the more prominent since our current president, Mr. Koge, took up office. Among several recent initiatives, for example, "Shift to the 'Next Stage' — With ESG concerns driving our management, we will take the next leap forward" has been adopted as the Group's slogan in fiscal 2019. In addition, the ESG Management Department was established and included in the Group's organization in April 2019. Redoubling our efforts, the goal is to move beyond the scope of just CSR management, and to clarify the importance of the environment, society, and governance with a focus on growth.

Should the Group's mindset evolve, and an acceptance toward the direct link between the Group's business and its products to addressing ESG concerns emerge, I am confident that the Group's ability to move forward including next-generation development themes will grow increasingly powerful.

Medium-term Management Plan and Long-term Vision

Kato: SEKISUI CHEMICAL Group will launch its next Medium-term Management Plan in fiscal 2020. We are also in the process of formulating a long-term vision that will carry the Group through to 2030 and plan to announce details.

More than just the disclosure of financial information such as sales and earnings targets, we recognize the importance of ESG-related non-financial key performance indicators (KPIs). By providing details that link both financial and non-financial data, we will better showcase the Group's efforts to expand its business scope while at the same time

helping to address ESG concerns as well as our strong commitment in an easy to understand manner.

Yoshitaka: Providing an accurate picture of the Company's evolution going forward, as well as the intentions of top management, are extremely important to investors that adopt a long-term perspective such as pension funds. Shining a light, for example, on the Group's lineup of Environment-Contributing Products in 2030 and the volume of sales will convey to one and all that SEKISUI CHEMICAL Group's activities are the epitome of ESG management.

Kato: A long-term vision that covers the next decade through to 2030 equates ostensibly to three medium-term management plans. In our medium-term management plans to date, results were computed on the amount of sales and earnings accumulated on an annual basis. In this instance, SEKISUI CHEMICAL Group is putting in place a long-term vision from which it will formulate a plan using the back-casting method. Under this method, we will consider steps that should be taken in the present by envisioning a goal for the future and working backward to the present. Rather than just an annual earnings plan, I am therefore hoping that this approach will help generate and identify milestones including the development of technologies that look to the future.

Yoshitaka: It is exactly this kind of long-term thinking that investors as well as millennial/post-millennial students, who are charged with the responsibility for our future, are looking for and hold in high esteem. Companies with a vision and plan that are able to not only survive, but thrive through to 2030 and beyond, are more likely to attract the talented young people. By securing excellent human resources, the potential for a company to grow further improves exponentially.

Climate Change

Yoshitaka: What are your thoughts on the Group's decision to adopt a 2030 environmental long-term vision index?

Kato: Under its long-term environmental management vision, "Sekisui Environment Sustainability Vision 2030,"



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SEKISUI CHEMICAL Group has positioned efforts to “expand and create markets for Environment-Contributing Products,” “reduce environmental impact,” and “conserve the natural environment” as three core underlying pillars. Under this vision, the Group has also established and is promoting the Sekisui Environmental Sustainability Index. Setting the use of natural capital (the impact on the environment) at 100, this index plots the return of natural capital (contributions to the environment). In fiscal 2018, SEKISUI CHEMICAL Group achieved a rate of return to natural capital target as reflected in the Sekisui Environmental Sustainability Index of 92%. This was one year ahead of its fiscal 2019 target of 90% set under its current medium-term plan.

This result reflects the substantial return attributable to Environment-Contributing Products as well as growth in high-value-added products. Meanwhile, SEKISUI CHEMICAL Group fell short of its environmental impact reduction plans

in fiscal 2018. Ultimately, the Group is targeting a reduction in greenhouse gas (GHG) emissions by 26% by 2030 compared with the level recorded in fiscal 2013. Taking into consideration, our ongoing growth through various means including M&As, this is proving to be an extremely challenging target.

Yoshitaka: Investors quite naturally look for companies to grow. However, growth also contributes to an increase in energy consumption. While one train of thought suggests that the massive expenditure required to reduce energy consumption is a negative factor, it can be argued that cutbacks in CO₂ emissions amid corporate growth helps to boost the efficiency of business activities.

Kato: Without a doubt, manufacturing and energy consumption efficiencies have improved considerably. We recognize that these efficiencies are extremely useful from an economic standpoint. While we are indeed behind plans

with respect to the volume of GHG emissions, reduction levels exceed plans on a basic unit basis.

Plans for the renewal of machinery and equipment utilizing the portion of Environment-Contributing Investments earmarked for GHG reduction is currently progressing in line with plan. I believe it is important to beef up measures which includes reviewing energy consumption patterns as well as procurement methods if we are to achieve our objectives.

Yoshitaka: I suspect that a better understanding of the relationship between your long-term vision and finances would make it easier to grasp the Group's growth potential. I believe SEKISUI CHEMICAL Group has also adopted science based targets (SBTs*!).

Kato: Looking back on the rate of natural capital return mentioned a moment ago, roughly 80% of the GHG emissions attributable to the Company's corporate activities are linked to both upstream and downstream operations along the supply chain. SEKISUI CHEMICAL Group took steps to acquire SBT Initiative certification last year in a bid to promote GHG reduction activities along the entire supply chain.

Yoshitaka: I have participated each year in the Conference of the Parties (COP) on climate change for over 10 years. I have seen an upswing in recent applicable agenda items. Without question, climate change is a reality. Interest continues to mount toward the manner in which business is responding to the relevant physical risks as well as the opportunities that arise. I refer, for example, to resilient business models that look to address natural disasters.

Kato: Our Sekisui Heim lineup using the Unit Construction Method, products handled by the Urban Infrastructure & Environmental Products (UIEP) Company, the High Performance Plastics (HPP) Company's CROSSWAVE which reduces rainwater runoff following periods of torrential rain, and other offerings precisely hit the mark. SEKISUI CHEMICAL Group's unit housing boasts a high in-factory production ratio. Less susceptible to the weather conditions attributable to climate change, our unit housing falls consistently within established construction schedules compared with rival products. Laid underground,



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CROSSWAVE helps adjust rainwater volumes by preventing the sudden rush of rainwater into waterways at the time of torrential rain. It also helps prevent damage to waterways while controlling overflow.

The Japanese government has provided supplementary budgets to reinforce the nation's infrastructure and land. Through the widespread use of these products, we hope to not only expand sales in Japan, but also promote applications overseas. In doing so, we see ample opportunities for growth. **Yoshitaka:** With a number of businesses and products designed to address the impacts of climate change, clearly SEKISUI CHEMICAL Group is exhibiting considerable foresight. I have heard that you are now venturing into the power business.

Kato: Japan's Feed-in Tariff (FIT) System for renewable energy will soon come to an end. We are looking to purchase surplus electricity from customers living in the Group's solar panel housing and to on-sell to the customers in need and/or supply to production sites in Japan. The goal is for all domestic production sites to meet their power consumption needs through the purchase of this renewable energy. For this reason, we sought approval to amend our Articles of Incorporation allowing the Group to undertake power business activities at this year's General Meeting of Shareholders.

During blackouts caused by natural disasters, for example, customers equipped with solar panels and storage batteries can consumer power as normal. I believe that the Group is well positioned to contribute during emergencies especially in the areas of security and safety.

Yoshitaka: Turning to other environment-related themes, there is growing pressure for the corporate sector to address the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD^{*2}). Companies are also being asked to prepare for multiple atmospheric warming scenarios. This includes the forecast 2°C rise in temperatures set under the Paris Agreement. Where does SEKISUI CHEMICAL Group stand on these issues?

Kato: We are examining the risks and opportunities associated with increases in temperatures of 2°C and 4°C. We are, for example, looking at in-company emission reduction

levels. In addition, we are pulling together a wide range of information including the impact of our products on the environment, our options and possible initiatives, and any effects that are likely to arise.

Meanwhile, in the event that a 4°C increase in temperatures should materialize, rather than focus on emission reduction levels and contributions to the environment, we are looking at what products and services to provide in order to contribute to security and safety in the event of an emergency such as a natural disaster attributable to global warming. On this basis, we are conducting various simulations from a variety of perspectives.

As I have mentioned, SEKISUI CHEMICAL Group maintains a broad lineup of Environment-Contributing Products. In this regard, customers are selecting our products for their value-added contributions to the environment and society. I am convinced that business opportunities will only continue to expand in this field.

^{*1} SBT: SBT (short for Science-Based Targets). Called for by joint initiatives, including the UN Global Compact, in response to the adoption of the Paris Agreement. Through the SBT Initiative, greenhouse gas reduction targets established by companies are certified as science-based targets (SBT) that contribute to long-term measures combating climate change.

^{*2} TCFD: The Task Force on Climate-related Financial Disclosures was established in 2015 by the Financial Stability Board (FSB), which is an international organization that seeks to stabilize the financial system. The TCFD recommends analyzing the impact of climate change on a company's finances and information disclosure with regard to response strategies.

Taking Up the Challenge of a Circular Economy while Targeting a Sustainable Society

Yoshitaka: In addition to the microplastics that are polluting the world's oceans, plastic in its various forms is attracting a growing amount of negative attention. What are your thoughts on measures aimed at addressing this issue?

Kato: As a company with its roots in the manufacturing sector, we believe it is important to upgrade and expand 3R principle endeavors. For this to happen, we recognize the need to play a responsible role in changing society's awareness

and to modify existing systems. Steps have therefore begun to bring the sector together in an effort to consider essential measures. As a pinnacle technology in the recycling of chemicals that eliminates the need to sort waste, SEKISUI CHEMICAL Group has developed a biorefinery (BR) technology that converts the gases generated at garbage disposal facilities into ethanol. In addition to its use as a fuel, the ethanol generated by this exceptional technology can be reapplied as a raw material for the manufacturer of plastic.

Initial steps are currently being taken to operate a one-tenth scale waste disposal pilot plant. Moving forward, we hope to contribute significantly to resolving the issue of plastic waste through large-scale collection activities and the subsequent conversion into ethanol. Today, talk of a resource recycling society is quite prevalent. We believe that the Group's BR technology has the potential to play a trump card role in realizing this kind of circular economy.

Yoshitaka: Historically, Japan's social climate has made it difficult to specify the link between increases in earnings and efforts to resolve environmental and social issues. The fact that companies like yourself are confronting these difficulties head on, and declaring their commitment to addressing ESG concerns through business activities, is a welcome trend. The fact that SEKISUI CHEMICAL Group also maintains BR and other technologies is also a source of mounting expectation.

As investors grow to appreciate these types of companies, the possibility exists for ESG initiatives that have been historically categorized as an external diseconomy to be internalized within the market. Should this happen, I expect the future will be bright. I can see a brisk upswing in ESG initiatives based on market mechanisms and a substantial increase in efforts aimed at resolving social issues. Taking the lead in these endeavors, I look forward to SEKISUI CHEMICAL Group further growth in this field.

Kato: SEKISUI CHEMICAL Group recognizes efforts to address ESG concerns as a driving force behind its sustainable growth. Today's dialogue only reaffirms that recognition. We will continue to do our utmost in meeting expectations and ask for your continued support and counsel.

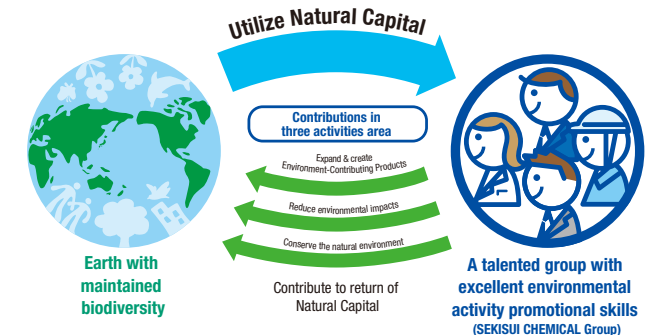
Special Feature 2: Realizing a Sustainable Society while Working to Become a Resilient Company

Realizing a Sustainable Society while Working to Become a Resilient Company



SEKISUI CHEMICAL promotes stakeholder engagement with constructive dialogue to improve corporate value and build relationships of trust with stakeholders, and it has set a policy of actively disclosing important corporate information from the viewpoint of financial, environmental and social concerns. Also, as a basic strategy in its Medium-term Management Plan, “SHIFT 2019 -Fusion-,” SEKISUI CHEMICAL Group has set up and works to promote the building of a sustainable management foundation from an environmental, social and governance (ESG) perspective. In particular, in relation to the environmental (E) viewpoint, the Group is actively tackling climate change and other environmental issues in its Environmental Medium-term Plan for fiscal years 2017 to 2019, “SEKISUI Environmental Sustainability Plan: Accelerate.” In June 2018, SEKISUI CHEMICAL acquired SBT initiative certification and the company as well as its supply chain are promoting activities toward a major reduction of greenhouse gas (GHG) emissions by the 2030 fiscal year.

The SEKISUI Environment Sustainability Vision 2030



2030 Target

- Secure a rate of return on natural capital: 100% or more
- Reduce greenhouse gas emission: 26% or more (vs. FY2013)

* Formulated in 2013 and published in 2014.
Adopt with the Natural Capital Protocol approach.

Special Feature 2: Realizing a Sustainable Society while Working to Become a Resilient Company

SEKISUI CHEMICAL Group places the utmost importance on efforts aimed at analyzing those risks and opportunities that a company is likely to encounter over the long term, together with the need to consider and implement countermeasures and strategies that address a wide range of issues, on the understanding that both are essential to increasing corporate and global sustainability. With this in mind, we expressed our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) regarding the analysis and disclosure of information relating to the impact of climate change on corporations'

financial affairs in January 2019. By supporting the stance on information disclosure sought by the TCFD recommendations and promoting the disclosure of related information, SEKISUI CHEMICAL Group is building a sustainable management foundation that includes relationships of trust with its stakeholders while at the same time engaging in increasingly sophisticated activities that facilitate its evolution toward a resilient company.

Identifying "SHIFT to the 'Next Stage'—With ESG concerns driving our management, we will take the next leap forward" as our policy from FY2019, we will steadily implement

forward-looking investment and constant structural reforms while at the same time working to strengthen our business base with a long-term vision.

SEKISUI CHEMICAL Group also acknowledges the critical need properly grasp issues and promote solutions from each of the environmental, social, and governance (ESG) perspectives in order to practice sustainable corporate management. To this end, we are upgrading and expanding our activities while accelerating the pace of implementation. As one initiative, SEKISUI CHEMICAL Group launched the ESG Management Department.

Medium-term Management Plan SHIFT 2019 -Fusion-

- Make it compatible quantitative growth and qualitative transition

- Sustainable growth with social responsibility



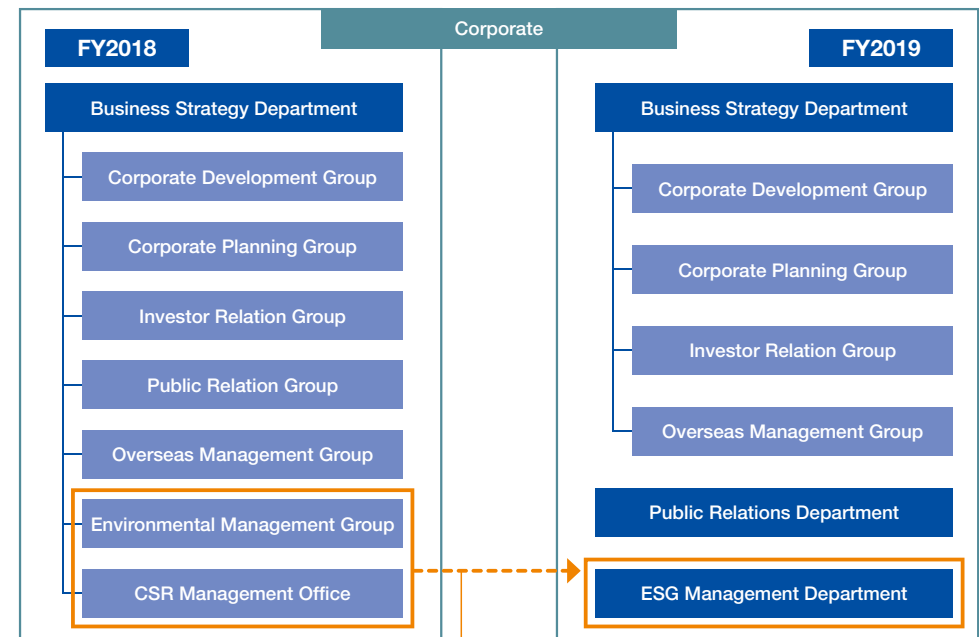
Basic Strategy

Strengthen the business base

3 actions
Accelerate "3 actions" with "Fusion"

- Technology Fusion
- Opportunity Fusion
- Resources Fusion

Organizational Change geared toward "With ESG concerns driving our management, we will take the next leap forward"



SEKISUI CHEMICAL Group launched the ESG Management Department in an effort to further accelerate the pace of activities that focus on "the environment" and are aligned to the Group's mainstay operations.

Special Feature 2: Realizing a Sustainable Society while Working to Become a Resilient Company

Contributing to the SDGs through Business Activities

Overview of Environmental Initiatives

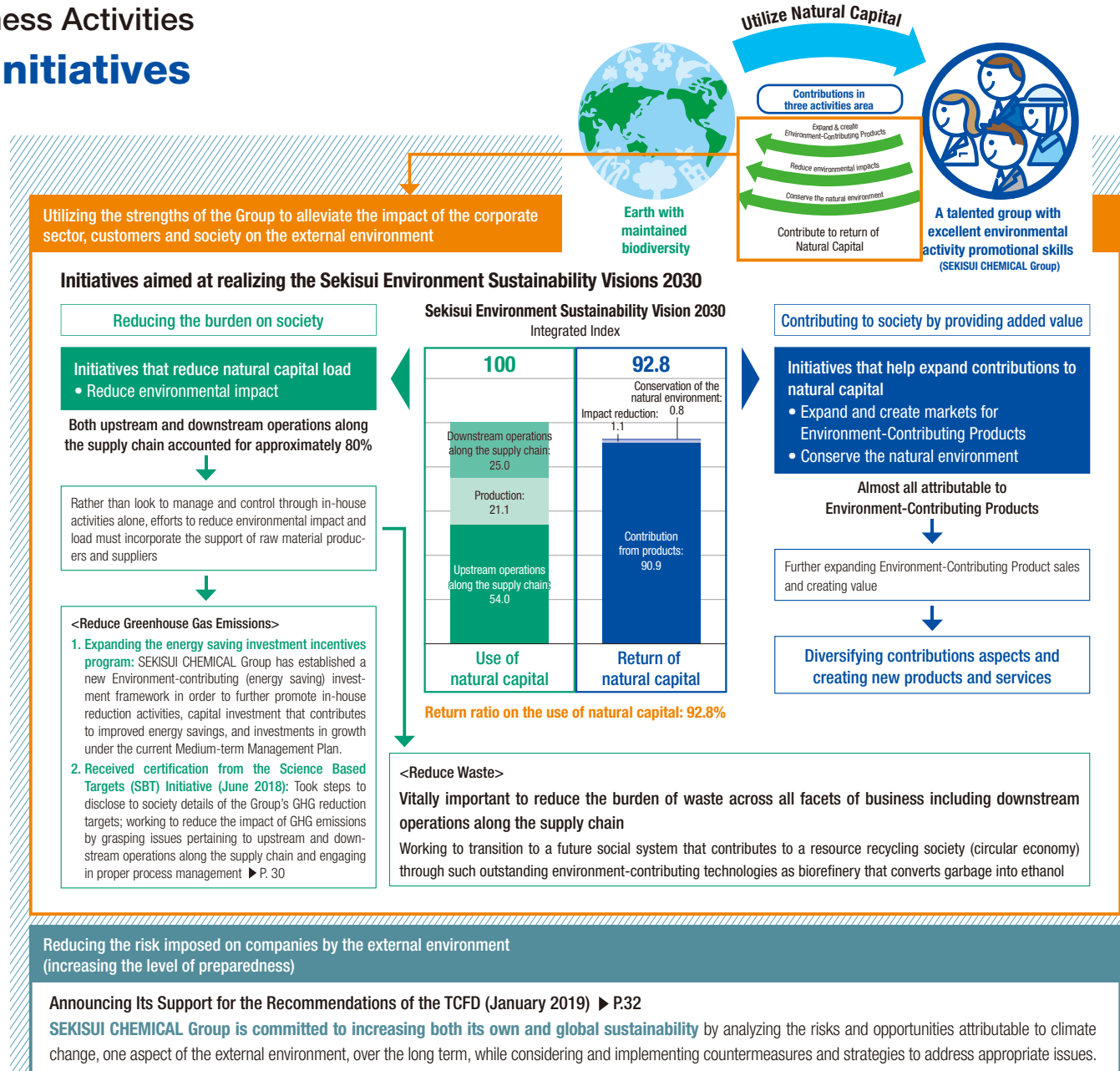
SEKISUI CHEMICAL Group is aware that its business activities depend on resources (natural capital). Each and every executive and employee is working to develop into talented personnel with excellent environmental activity promotional skills and will engage in environmental management based on contributions in three areas (“Expand and create markets for Environment-Contributing Products”, “Reduce environmental impact”, and “Conserve the natural environment”) to “give back more to the Earth than is taken” by 2030. With a view toward the return of natural capital, energies will continue to be directed toward creating prominent value as a part of efforts to realize a planet where biodiversity is preserved.

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

For details on environmental initiatives, please see CSR Report 2019.

<https://www.sekisuichemical.com/csr/report/index.html>

Sekisui Environment Sustainability Vision 2030



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Contributing to the SDGs through Business Activities

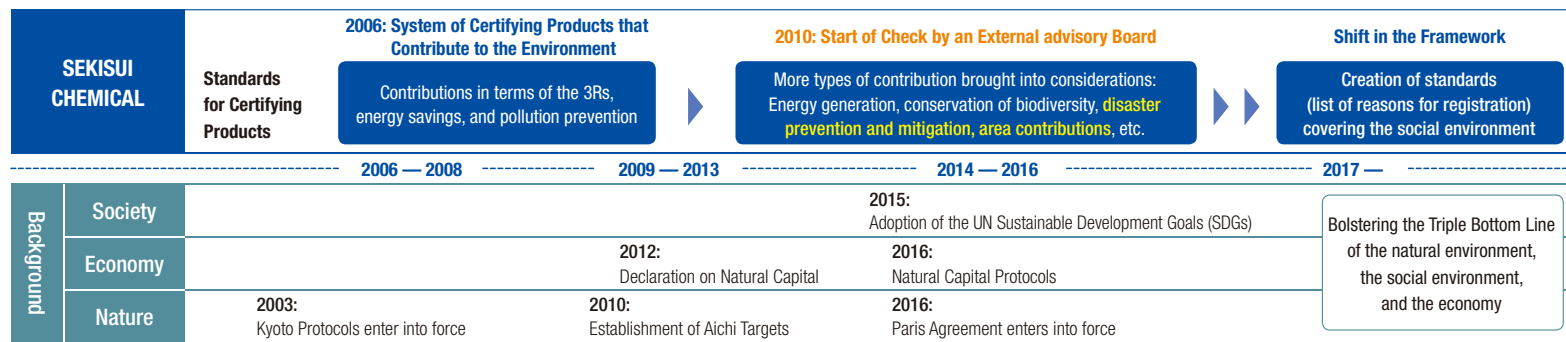
Initiatives Expand and create markets for Environment-Contributing Products

Since its foundation, SEKISUI CHEMICAL Group has continued to adopt a bold approach when confronting social issues. In working to put forward a wide range of solutions, the Group has consistently provided products that help improve people's lives around the world while also contributing to the global environment. Recognizing the universal need to address the global-scale issues advocated under the sustainable development goals (SDGs) adopted by

the United Nations, we are convinced that its growth and development is best served by helping to realize a sustainable society through its business activities. In its Group Vision statement, we have declared that it will contribute, through its primary business activities, to "improving the global environment" and "improving the lives of people around the globe"—that is, the resolution of issues called for in the SDGs. Hitherto, we designated products with a

high degree of contribution to issue resolution as Environment-Contributing Products, and strove to create and expand markets where we should increase contributions to "improving the Earth's environment." Since fiscal 2017, we have looked back on changes to business content and the social environment, and have declared the creation and expansion of products that heighten contributions to "improving life for everyone around the world."

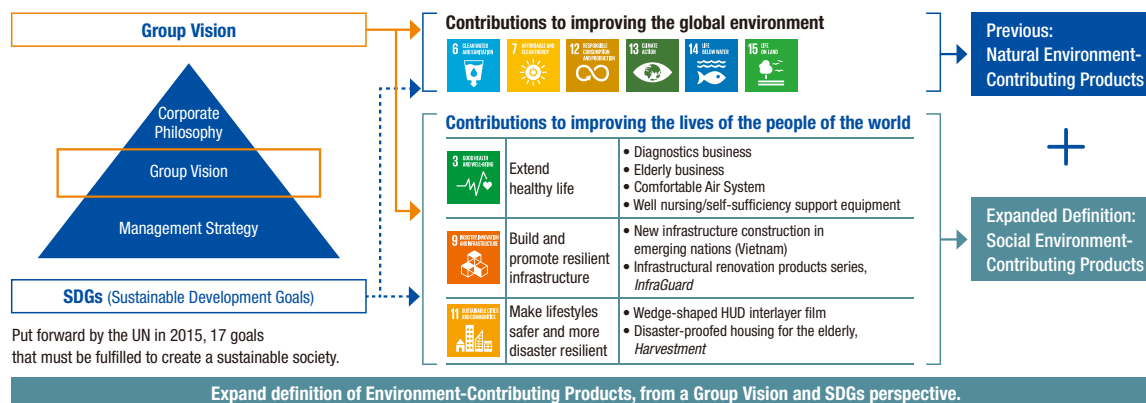
Involvement History



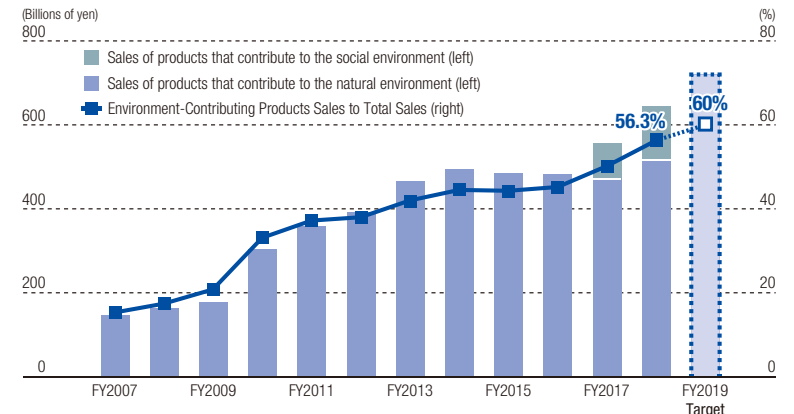
Definition

- Products and business that demonstrably assist our customers and society to reduce their environmental impact.
- Environment-Contributing Products refer to products that achieve a certain level of environmental impact reduction in comparison to previous products and systems.
- Ensure transparency with respect to in-house standards and registration through oversight meetings conducted by outside experts

Environment-Contributing Products—Expanded Definition



Environment-Contributing Products Sales



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Contributing to the SDGs through Business Activities

Environment-Contributing Products spread throughout the group

SEKISUI CHEMICAL Group has been promoting active involvement in international organizations and international rules, including the declaring of our support for the UN Global Compact in 2009. At this point, we would like to showcase the products and services that the Group contributes through its business operations under the Sustainable Development Goals (SDGs) agenda compiled by the United Nations.



12 RESPONSIBLE CONSUMPTION AND PRODUCTION

EsloHYPER Series Polyethylene Pipes

A water supply pipe that does not leak water, because the pipes and fittings are joined by electrofusion. Contributes to resource recycling by preventing water leakage and improving resource (water) utilization efficiency



13 CLIMATE ACTION

Housing Equipped with Solar Power Generation Systems

Housing made possible by creating, saving, and storing energy by means of solar power generation, storage batteries, and HEMS. Reduces CO₂ emissions in residential areas and contributes to climate change mitigation



11 SUSTAINABLE CITIES AND COMMUNITIES

CROSS-WAVE

CROSS-WAVE is an underground rainwater storage system material that facilitates the reuse and management of rainwater outflows. Introduced by the Japanese government (Ministry of Economy, Trade and Industry) as a climate change application example 10 at the COP23 Japan Pavilion.



13 CLIMATE ACTION

Film-type Lithium-ion Battery

Enables larger capacity by being of the film type, promotes effective utilization of re-energy, contributes to climate change mitigation



11 SUSTAINABLE CITIES AND COMMUNITIES

Eco-friendly, Sustainable Town and Community Development

The SEKISUI Safe & Sound Project is a Town and Community Development undertaking that encompasses a mix of houses for sale, commercial facilities, and an apartment complex in Asaka City, Saitama Prefecture. This project brings together the Group's collective strengths in products, technologies, and know-how to create a secure and safe, eco-friendly, and sustainable town.



Special Feature 2: Realizing a Sustainable Society while Working to Become a Resilient Company

Environment-Contributing Products

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CLIMATE ACTION

**Housing in Thailand**

Durable, energy-saving housing manufactured and sold in Thailand. Contributes to reduced CO₂ emissions and climate change mitigation in Thailand

11

SUSTAINABLE CITIES AND COMMUNITIES



9

INDUSTRY, INNOVATION AND INFRASTRUCTURE

**Sewage (Spirally) Pipe Renewal (SPR) Method**

Rehabilitates and strengthens ageing sewage pipes in a short period of time by a non-excavation method

6

CLEAN WATER AND SANITATION



11

SUSTAINABLE CITIES AND COMMUNITIES



12

RESPONSIBLE CONSUMPTION AND PRODUCTION



13

CLIMATE ACTION



13

CLIMATE ACTION

**Automotive Sound Insulation/Solar Control Interlayer Film**

Reduces CO₂ when vehicle is in motion and contributes to climate change mitigation by means of improved air conditioning efficiency and thinner glass

11

SUSTAINABLE CITIES AND COMMUNITIES



3

GOOD HEALTH AND WELL-BEING

**Diagnostic Reagents for Patients Suffering from Viral Diseases**

Diagnostic reagents to diagnose whether someone is infected with a virus. Lead to early detection of illness and extend healthy lifespans

1

NO POVERTY



9

INDUSTRY, INNOVATION AND INFRASTRUCTURE

**FFU Synthetic Wood**

Synthetic wood with high durability. Used for railway sleepers and enhancing safety of mobility travel

11

SUSTAINABLE CITIES AND COMMUNITIES



12

RESPONSIBLE CONSUMPTION AND PRODUCTION



12

RESPONSIBLE CONSUMPTION AND PRODUCTION

**Convert Garbage into Ethanol**

SEKISUI CHEMICAL has developed a technology that gasifies combustible waste accumulated at waste disposal facilities without any sorting, and converts this gas into ethanol using a microbial catalyst. By facilitating the processing of waste without emitting greenhouse gas or other harmful emissions and the use of oil resources, this technology is expected to contribute to the creation of the ultimate resource recycling system.

9

INDUSTRY, INNOVATION AND INFRASTRUCTURE



13

CLIMATE ACTION



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PARTNERSHIPS FOR THE GOALS



Special Feature 2: Realizing a Sustainable Society while Working to Become a Resilient Company

Efforts to Reduce Environmental Impact

Promotion by Receiving SBT Initiative Certification

SEKISUI CHEMICAL Group conducts its business using natural assets (natural capital), such as fossil fuels and wood. To balance the irreplaceable global environment and sustainable business as well as to reduce environmental impact, we are working to reduce greenhouse gas (GHG) emissions from the procurement of raw materials through each stage of development, production,

transportation and use.

With regard to efforts to resolve climate change issues, we applied for certification under the Science-based Targets (SBT) Initiative, to demonstrate that our medium-to long-term goals for GHG emission reductions for the entire business and supply chain are scientifically based, ambitious targets under an international framework. The

Group thus became the first in the chemical industry world-wide to receive this certification.

In the years to come, we will continue to recognize our responsibility as an industry prime mover while dedicating ourselves to the activities and initiatives that will spearhead the society-wide efforts to combat climate change.

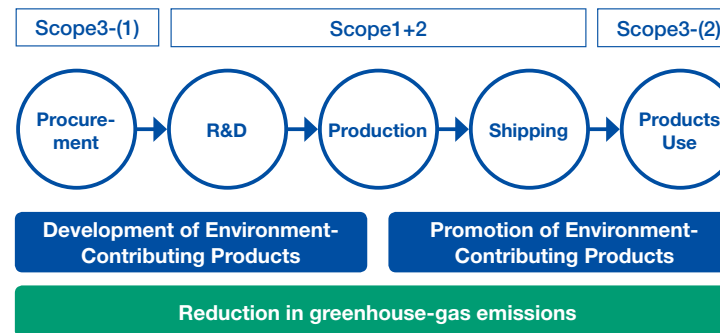
Science-Based Targets (SBT)

	GHG Emission Reduction Target	
Scope1+2	Reduce 26% in FY2030 (relative to FY2013)	
Scope3 (Supply chain)	Reduce 27% in FY2030 (relative to FY2016)	
	Purchased raw materials	Reduce 20% in FY2030 (relative to FY2016)
	Use of sold products	Reduce 50% in FY2030 (relative to FY2016)



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

Reducing Emissions throughout the Supply Chain



	Definition	Specific initiatives to achieve GHG emission reduction targets
Scope1	Direct emissions and fuel used in production processes, etc. by business	To reduce GHG emissions, initiatives on energy consumption reform and energy procurement reform will be implemented, in addition to promoting energy saving investment program. <ul style="list-style-type: none"> • Environmental Contribution Investment Framework: Set as strategic investment in the current Medium-term Plan to promote capital investment that contributes to energy conservation • Energy consumption reform: Production innovation, reducing GHG by reducing energy consumption • Energy procurement reform: Reducing GHG by changing energy procurement, energy creation, and energy use
Scope2	Indirect emissions from energy resources, electricity purchased in production processes, etc.	
Scope3	Other indirect emissions, supply chain production, transport, customer use of product, disposal, etc.	(1) In the procured raw materials, along with reconsidering selection criteria for selecting new materials, activities will be promoted involving supply chain for materials procured in bulk in order to reduce GHG emissions by 20% by FY2030 compared to FY 2016. (2) In terms of emissions at the stage of product usage, we will contribute to energy usage reductions from occupied housing by increasing the proportion of net-zero energy houses (ZEH) among the housing units that we sell, achieving 50% reductions, relative to FY 2016, by FY 2030.

Special Feature 2: Realizing a Sustainable Society while Working to Become a Resilient Company

Initiatives toward Realizing Resource Recycling-based Society (Circular Economy)

The Ultimate Environment-Friendly Technology for Resource-recycling Society “Biorefinery”—Converting Garbage into Ethanol

As the ultimate in environment-friendly technologies for a resource recycling society, the Company has established innovative production technology for a biorefinery, a technology that converts garbage into ethanol, and is accelerating commercialization as the first step in changing social systems.

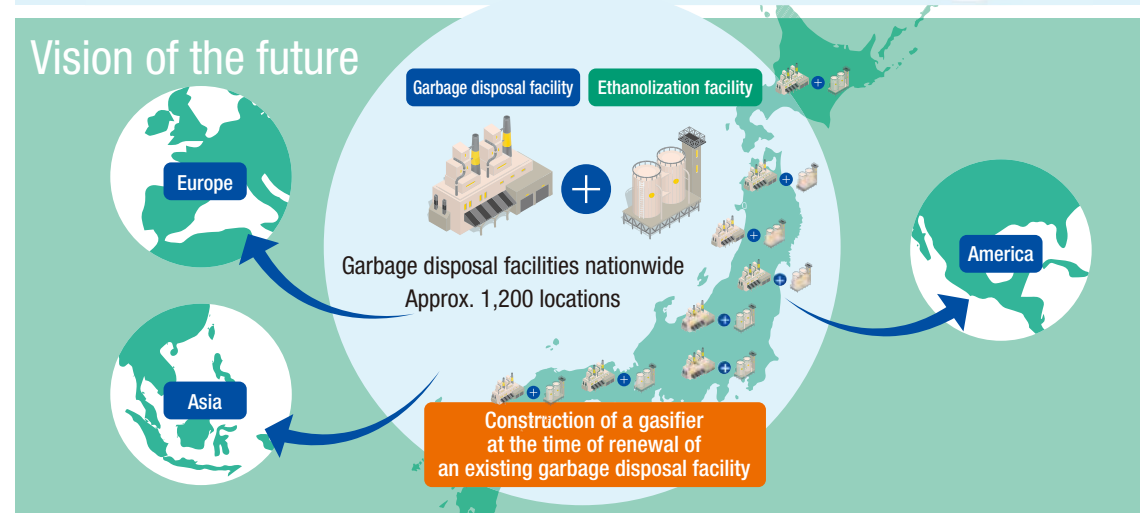
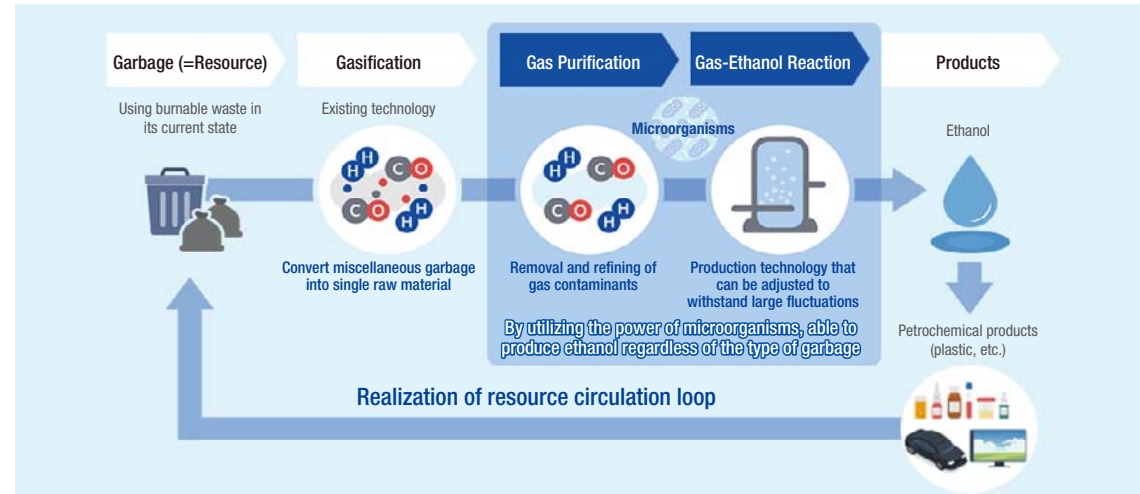


In fiscal 2019, we will start construction of a practical-use plant that will be one tenth of the final expected scale (photo shows the 1/1000th scale pilot plant)

Response to Marine Pollution Problems Caused by Microplastics Social Responsibility with Regard to Waste

SEKISUI CHEMICAL Group confirms that waste discharged from its production processes is handled properly by exchanging manifests with waste contractors. Marine pollution caused by microplastics has recently become a problem, but the Group does not manufacture and sell primary microplastics for applications on the assumption that they will undergo an extraction process. However, should a sold product be used in society, or not be properly disposed of after use, the possibility that the product will undergo a miniaturization process cannot be denied. To carry out appropriate waste disposal, we are collaborating with industry, government, and academia, and considering options as we aim for an early solution to this problem.

Biorefinery (BR), the World's First Technology to Convert Garbage into Ethanol The Ultimate System for a Resource-recycling Society



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To Become a Resilient Company

Statement of Support for TCFD and Response to Climate Change Issues

SEKISUI CHEMICAL Group recognizes that, among environmental issues, climate change is a high priority that must be addressed and represents an important external environmental factor affecting management. The Group thus declared its support for the recommendations of the TCFD* (disclosure of the impact of climate change on corporations' financial affairs) in January 2019, and its related initiatives are gaining momentum.

* TCFD: The Task Force on Climate-related Financial Disclosures was established in 2015 by the Financial Stability Board (FSB), which is an international organization that seeks to stabilize the financial system. The TCFD recommends analyzing the impact of climate change on a company's finances and information disclosure with regard to response strategies.

Having discussed the risks that the external environment poses to management and its sustainability, the Board of Directors examine how to adapt to the impact (risk) of climate change on the Company and whether to increase the sustainability of our business. Specifically, the transition and physical risks were identified for five fields (housing, infrastructure, automobiles and transportation, medical, energy), based on 2°C and 4°C climate change scenarios, their impact analyzed, and consideration given to the risks and opportunities for our business.

After due consideration, in July 2019 we disclosed the Group's response to climate change issues under the four items recommended by the TCFD: Governance Systems Related to Climate Change, Strategy, Risk Management as well as Indices and Targets.

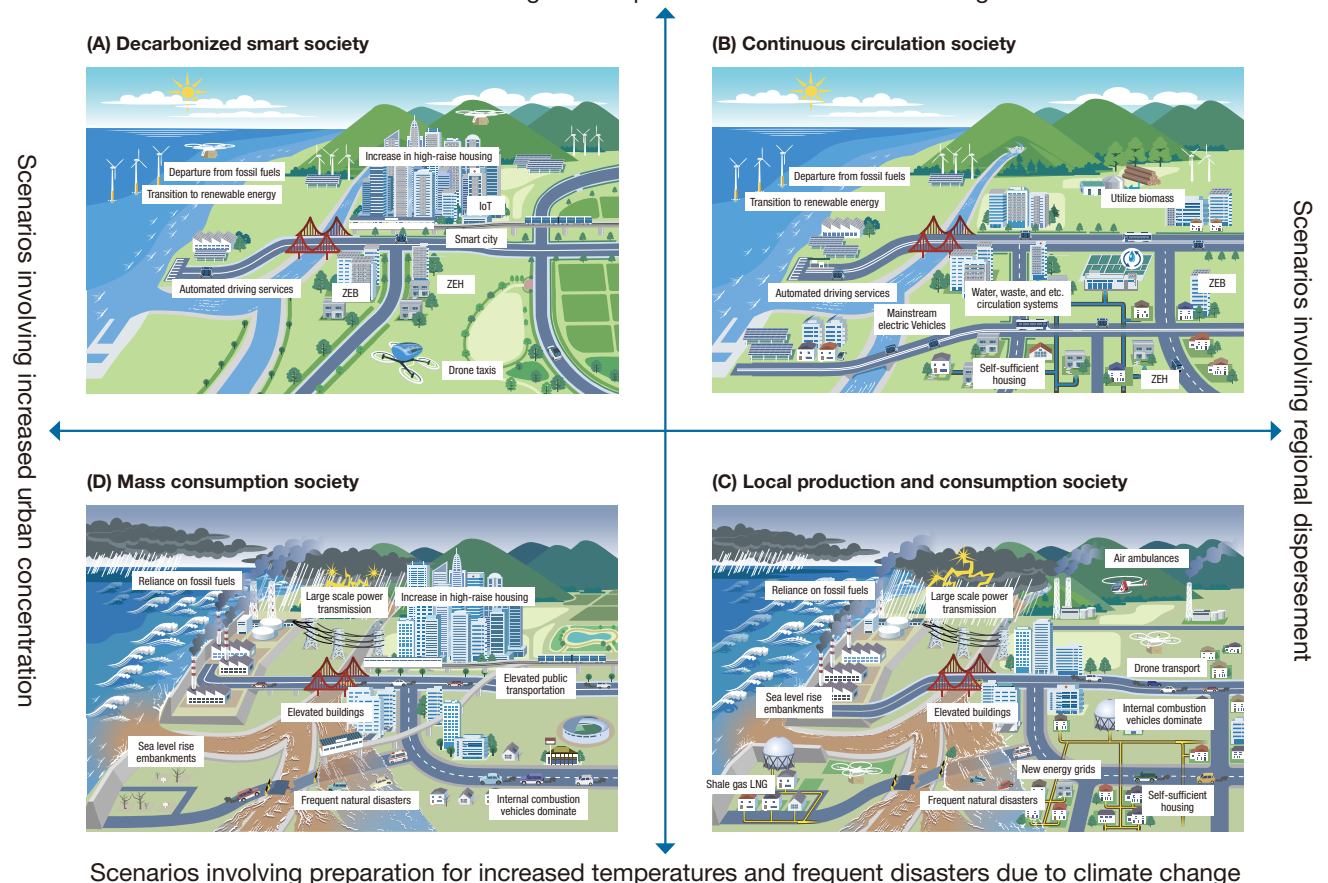
In the years to come, we will continue with TCFD-based disclosure while working to remain a highly sustainable company that can contribute to a more sustainable Earth and achieve continuous growth regardless of whatever scenario presents itself.

Please download and refer to more details on "Information Disclosure based upon on the TCFD Statement of Support" from our CSR website.

https://www.sekisuichemical.com/csr/assets/images/csr_tcf_d_e.pdf

Four assumed society scenarios

Scenarios involving various policies to control climate change



Special Feature 2: Realizing a Sustainable Society while Working to Become a Resilient Company

External Evaluations in FY2018

CSR in general

- Earned selection to the Dow Jones Sustainability Indices (DJSI) World
- Earned RobecoSAM sustainability rating Bronze Class
- Earned selection to the FTSE4Good Index
- Earned selection to the FTSE Blossom Japan Index
- Earned selection to the MSCI ESG Leaders Index
- Earned selection to the MSCI Japan ESG Select Leaders Index
- Earned selection to the Ethibel PIONEER and Ethibel EXCELLENCE Investment Registers
- Selected as one of the “2019 Global 100 Most Sustainable Corporations in the World index”
- Earned selection to the S&P / JPX Carbon Efficient Index Composite

Environment

Earned selection to the 2018 “CDP Climate Change A-List”



FTSE4Good

<https://www.ftserussell.com/products/indices/FTSE4good>



FTSE Blossom
Japan

<https://www.ftserussell.com/ja/index/spotlight/ftse-blossom-japan-index>



“SEKISUI CHEMICAL CO., LTD. has been reconfirmed for inclusion in the Ethibel PIONEER and Ethibel EXCELLENCE Investment Registers since 09/12/2016.

This selection by Forum ETHIBEL (www.forumethibel.org) indicates that the company can be qualified as a sector leader in terms of Corporate Social Responsibility (CSR).”



<https://www.corporateknights.com/reports/global-100/>



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