

**SEKISUI JUSHI GROUP
SUSTAINABILITY REPORT | 2023**
(Excerpt version)



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Editorial Policy

This report is intended to report on matters concerning the sustainability of the SJC Group and to improve our initiatives further while communicating with all relevant stakeholders.

This report also serves as a corporate introduction, reporting on the Group's philosophy, business activities, products, and other information.

Reference Guideline

In disclosing sustainability-related information, the following reporting guidelines and frameworks are referenced.

- Ministry of the Environment, Environmental Reporting Guidelines (Fiscal 2012 Version)
- Ministry of the Environment, Environmental Reporting Guidelines (Fiscal 2018 Version)
- SDG Compass
- TCFD (Task Force on Climate-related Financial Disclosures)

Date of Publication

October 2023

Department Responsible for Publication

General Affairs & Public Relations Department

Scope of This Report

Sekisui Jushi Corporation and consolidated domestic and overseas group companies

* Material matters also cover group companies not mentioned above.

Period Covered

FY2022

- Domestic group subsidiaries:
From April 1, 2022 to March 31, 2023
- Overseas group subsidiaries:
From January 1, 2022 to December 31, 2022

* Material matters also cover before and after FY2022.

Disclaimer Regarding Forward-Looking Statements

All forward-looking statements in this report are based on information available at the time of preparation, with no guarantees or promises as to their accuracy or completeness, and are subject to change due to future changes in the business environment and other factors.

Business Domain

SJC Group is expanding its business in a wide range of public and private sectors through manufacturing, which contributes to safety, security, and environmental preservation by utilizing composite technologies.

Public Sector

31,891 million yen

Contribute to the creation of safe, secure, and beautiful roads and cities

Urban Environment Business



Sound absorbing board, transparent board, advanced modified sound absorbing board, tunnel sound absorbing interior board, soundproof wall for bullet train (transparent board, sound absorbing board, sound absorbing sound insulation board), etc.

Traffic Environment-related Businesses



Road marking materials, road signs, signs, traffic safety materials, electronic system products, etc.

Urban Landscaping Business



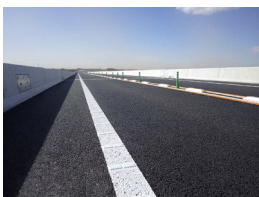
Pedestrian protective fences, vehicle protective fences, wind and snow protection fences, car stops, assembly sidewalks, railings, park materials, shelters, solar-powered lights, artificial wood, etc.

Sports Facility Products Business

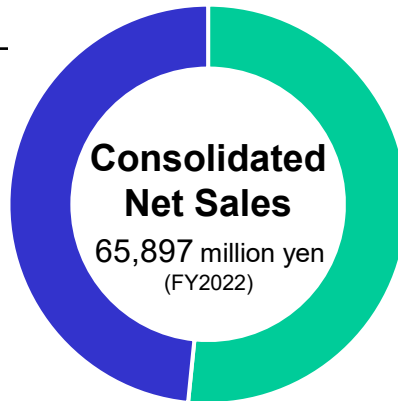


Non-fill artificial turf, artificial turf field watering system, artificial turf field high-speed drainage system, natural material filler, etc.

Group Company Businesses



Thermal insulation pavement, concrete chip spalling protection systems, road signs, signs, signboards, road marking materials, etc.



Private Sector

34,006 million yen

Contribute to solving issues in the residential environment, such as noise and privacy, as well as issues in the logistics and agri-fields, such as labor shortages

Exterior Products Business



Mesh fences, privacy walls, soundproof privacy walls, vertical lattice fences, bicycle parking lots, railing products, etc.

Material Handling Systems & Supplies



Package strapping bands and films, packaging materials, packaging machinery, safety fences, etc.

Agribusiness



Agricultural materials, facility gardening materials, wildlife damage prevention equipment, etc.

Group Company Businesses

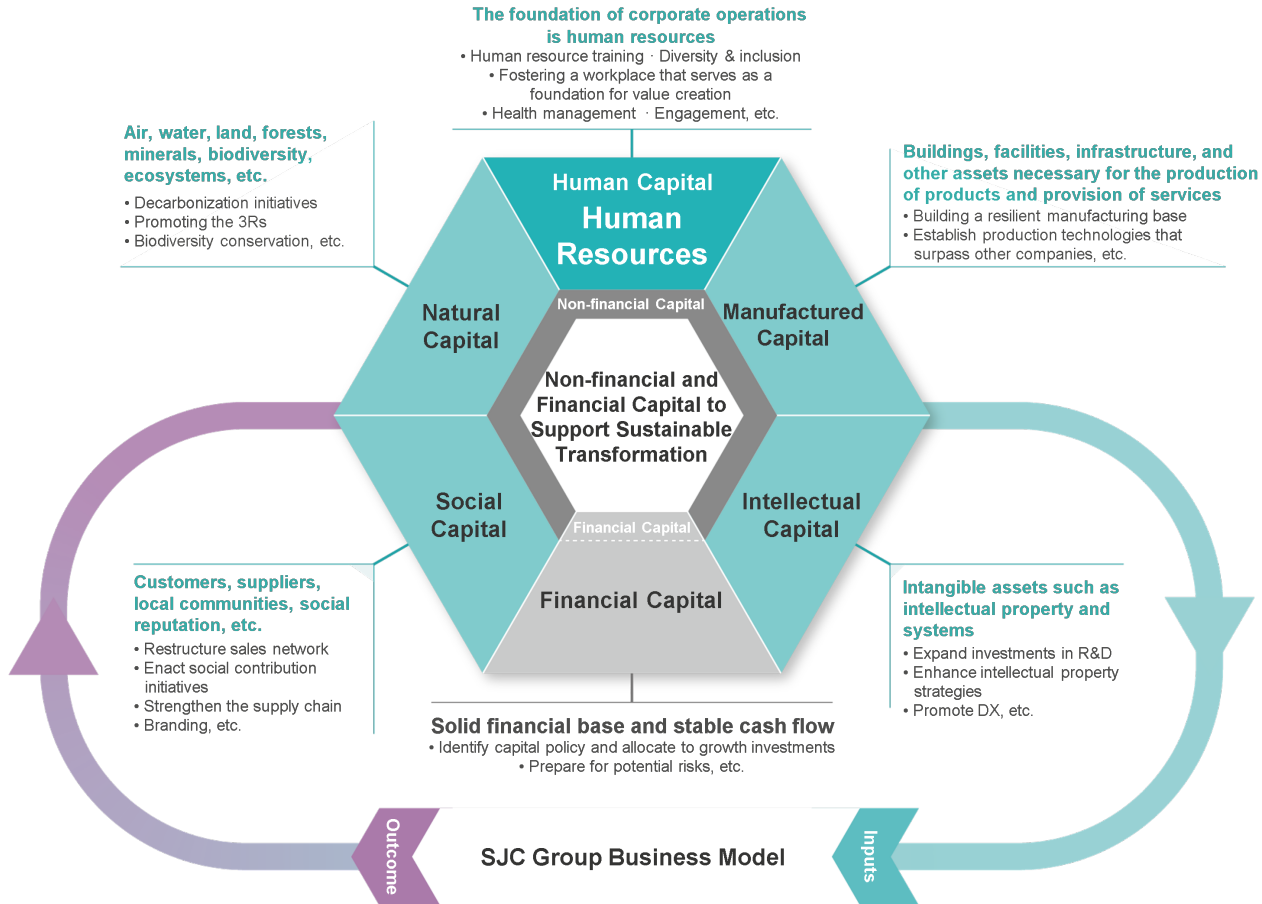


Aluminum composite panels, decorative construction materials, ready-to-assemble system pipes, digital picking systems, automobile parts and related products, etc.



Financial and Non-financial Capital to Support Sustainable Transformation

Management capital that serves as the foundation for creating value and achieving sustainability in the SJC Group



Human Capital

Consolidated number of employees (March 31, 2023)
1,282 employees

Intellectual Capital

R&D expenses (FY2022)
985 million yen

Number of intellectual property rights owned (*1)
(March 31, 2023)
1,657

Manufactured Capital

Manufacturing sites

Shiga Plant
(Shiga Plant, Ryuo Plant, Kagami Plant)
Tsuchiura-Tsukuba Plant
(Tsuchiura Plant, Tsukuba Plant, Hiroshima Tojo Plant)
Ishikawa Plant
Other manufacturing sites of domestic and overseas affiliates

Financial Capital

Equity (March 31, 2023)
110,009 million yen

Equity ratio (March 31, 2023)
78.9%

Social Capital

Japan, Europe, and Southeast Asia group companies and supply chain

Communication with stakeholders

Natural Capital

Energy consumption (FY2022)
492 GJ (*2)

(*1) Total patents, utility model rights, and design rights held
(*2) GJ (gigajoule) = 1 billion times the unit of energy J (joule)



Formulating a Long-term Vision

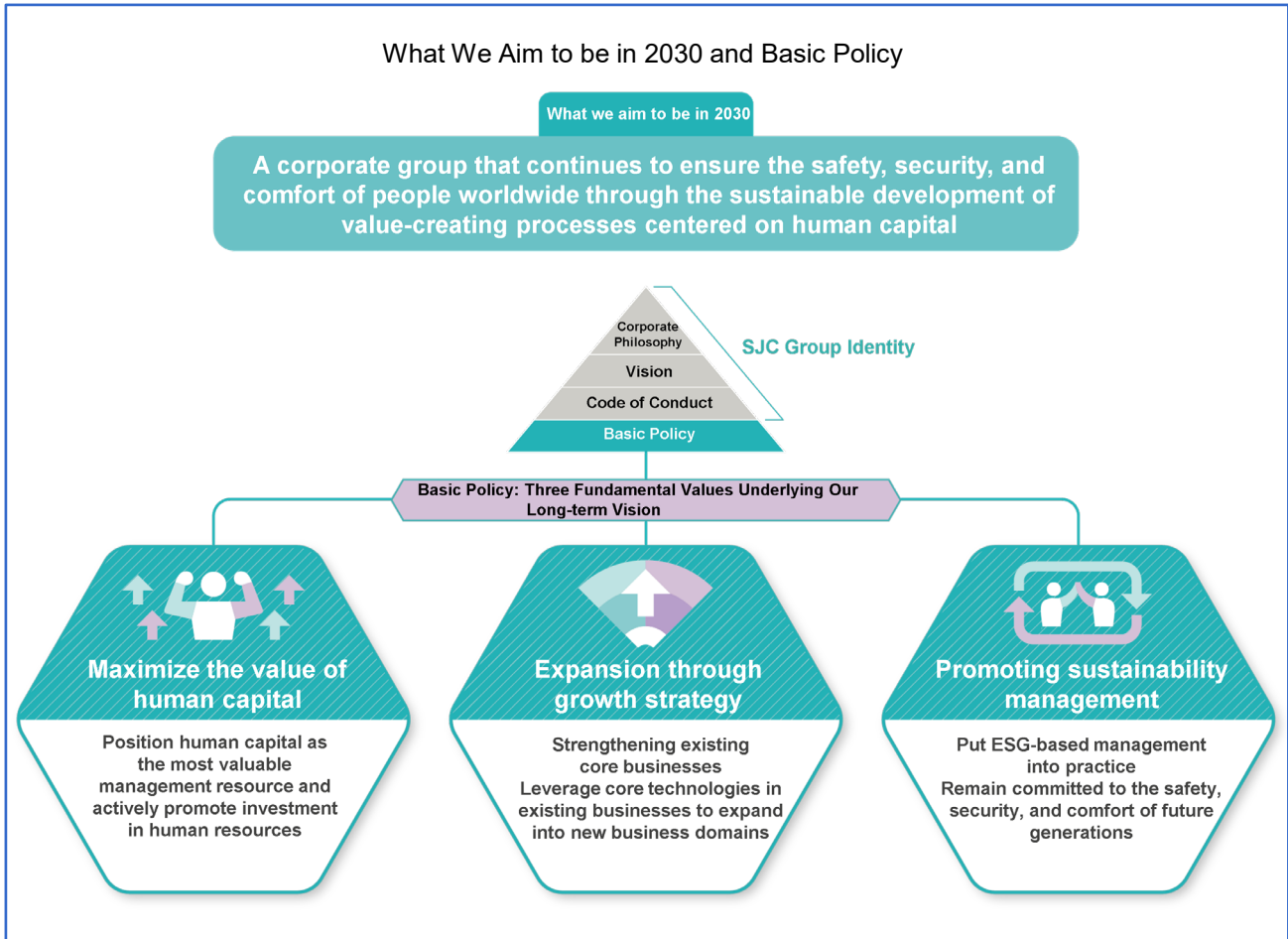
At SJC, we have clarified what we aim to be in 2030, and devised strategies to achieve this.

Since our founding in 1954, SJC Group has been creating high-value products and services based on our unique composite technologies and has responded to needs for reduction of traffic accidents, disaster prevention and mitigation, and national resilience in both the public and private sectors. As a manufacturer, we are aware of our responsibilities and have been striving to conduct our business activities in an environmentally friendly manner.

Social issues, such as the intensification of natural disasters caused by climate change, have become increasingly apparent and serious in recent years. In response to this situation, we at SJC Group have formulated the SJC Group Vision 2030, aiming to become a corporate group that continues to help solve new social issues as they emerge and remains indispensable to people for many years to come. The Vision defines what we aim to be in 2030, which is the target year of the United Nations Sustainable Development Goals (SDGs) and also coincides with the 75th anniversary of our Group. Based on strategy determined by backcasting from that point, we will promote business model reform and new value creation.

In formulating our Vision, we have established three basic policies: maximize the value of human capital, expansion through growth strategy, and promoting sustainability management, based on the key issues (materialities) determined through discussions by the management board.

We will continue to maximize our Group's integrated corporate strength to become a corporate group that continues to ensure the safety, security, and comfort of people worldwide.



Basic Policy 1—Maximize the Value of Human Capital

We are committed to maximizing the strength of our human resources, which constitute our most important management resource.

Human capital, which we have positioned as our most important management resource, or in essence, capital that we view as human resources rather than labor, will be strengthened by actively promoting effective investments that will lead to future development.

Our Group’s sustainable growth depends on the growth of our employees. This is the idea behind Human Resources First, and we will review the structure and systems of each organization to ensure that current human resources and future members of our Group can work together to achieve the same goals. By creating an environment where employees can fully exercise their abilities in accordance with their respective aptitudes and expertise, we aim to achieve growth for both our employees and the Company.

- Improve the workplace environment to facilitate diverse work styles, etc.**
- Establish an organization that uses DX to improve operational efficiency**
- Enhance mid-career recruitment and human resource training (including global human resources)**

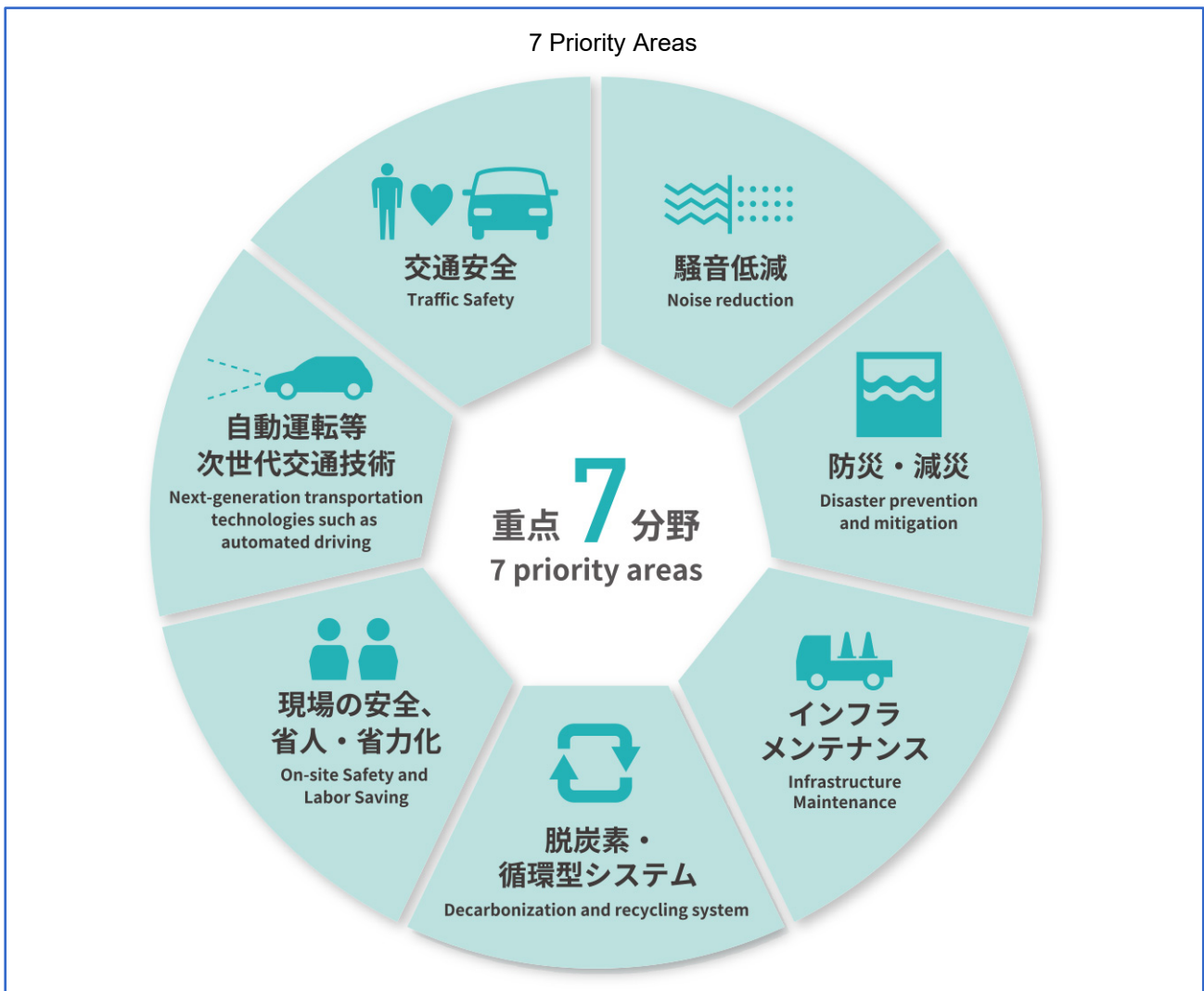
Three valuable keywords in human resources

Basic Policy 2—Expansion through Growth Strategy

While continuing to develop our core business, we will leverage our key technologies to take on new challenges in new areas.

Guided by the core values of safety, security, and comfort, we will accelerate our growth by strengthening our core businesses and leveraging our key technologies to take on new challenges in new areas. Accordingly, we have established seven priority areas based on the expected environmental changes by 2030 and the challenges facing the Group.

The Company will focus on providing products and solutions that contribute to the safety, security, and comfort of future generations in these seven priority areas, including development of acoustic control technology, which we have long cultivated for soundproof walls and other applications; products for disaster prevention and mitigation to cope with increasingly severe natural disasters; construction of decarbonization and recycling systems to help reduce environmental impact; and road products for next-generation transportation technologies such as automated driving expected to be widely used in the future.



Basic Policy 3—Promoting Sustainability Management

Our commitment to sustainability is our responsibility to future generations.



To ensure safety, security, and comfort for people worldwide, it is a prerequisite that the global environment and society remain healthy. SJC Group views our commitment to sustainability as a responsibility to future generations. To achieve this goal, the Company has positioned products that help solve various social issues, including environmental problems, as products contributing to sustainability and is stepping up the development of such products. The Company also identifies risks and opportunities related to climate change in accordance with the TCFD framework and assesses the impact on our business operations and revenues. Moving forward, we will work as a Group to address these issues by incorporating them into specific management issues.

Growth Strategy Framework: Sustainability

Decarbonization



- Contribute to Green Transformation (GX)
- Reduce greenhouse gas emissions throughout the value chain, etc.

3R



- Help build a circular economy
- Construct a product recycling system, etc.

CSV



- Contribute to solving social issues through business operations, etc.

Applicable SDGs Targets

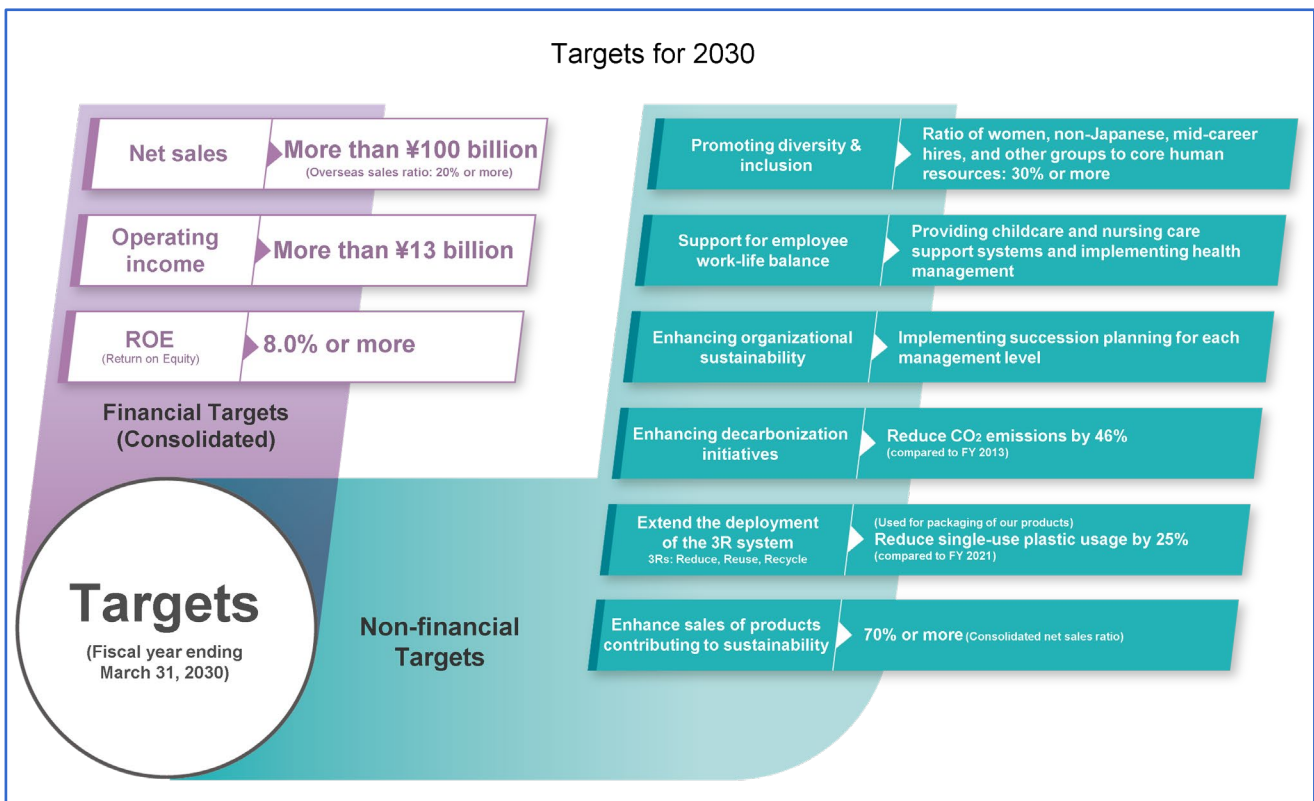


Targets for 2030

We will establish quantitative targets, both financial and non-financial, and work toward achieving them.



To ensure these basic policies and steadily promote sustainability initiatives, in addition to financial targets, the Company will set KPIs for non-financial areas such as human resources and the environment and work toward these targets. To all of our stakeholders, we ask for your continued support and guidance as we strive for sustainable growth of the Group's corporate value.



SJC Group Vision 2030 is available on our website's Corporate Philosophy and Vision page.
<https://www.sekisuijushi.co.jp/corporate/philosophy/>



SJC Group Sustainability

- SJC Group Philosophy and Corporate Code of Conduct
- Sustainability Policy and Promotion System
- Materiality (Key Issues) and Strategies
- Promotion Targets (KPIs) and Initiatives

SJC Group Corporate Philosophy

The aim of the Sekisui Jushi Group is to contribute to a safer, more secure and healthier environment for society by creating valued products and services, through the application of composite technology.

Code of Conduct shared by all Group executives and employees,
based on the Corporate Philosophy

SEKISUI JUSHI GROUP CORPORATE ACTION GUIDELINE

Sekisui Jushi Group is developing its business based on the management philosophy of 'The aim of the Sekisui Jushi Group is to contribute to a safer, more secure and healthier environment for society by creating valued products and services, through the application of composite technology.'

With this Management Philosophy, we establish the following Corporate Action Guideline for the behavior of corporate employees. In doing so, we will enhance awareness of compliance among all managers and employees in the group, push forward further business activities secured with a high degree of transparency, and work toward the realization of a sustainable society.

1. RESPECT DIVERSITY AND HUMAN RIGHTS

- (1) Respect the human rights of all persons, regardless of whether domestic or international, and behave equally and fairly.
- (2) Realize the establishment of an organizational culture that enables challenges toward the creation of new value and of work styles that respect diversity and individuality and strive for the improvement of productivity and the growth of employees.
- (3) Secure safe and easy-to-work working environments that are considerate of health and safety.

2. SOCIAL RESPONSIBILITY

- (1) Supply safe and secure products and services that are useful to society and provide accurate product information correctly to achieve customers' confidence and satisfaction.
- (2) Build reliable relationships with business partners based on fair and appropriate trade relations to contribute to mutual growth and enhance social confidence.
- (3) Disclose corporate information actively and fairly to earn the trust of stakeholders and enhance corporate value.

3. HARMONY WITH THE ENVIRONMENT AND SOCIETY

- (1) Recognize work on environmental issues, including climate change, as a mandatory requirement for the corporate existence and activities, and aim to contribute to society by working on them aggressively.
- (2) Work on the preservation of biodiversity and its sustainable use.
- (3) Value culture and customs, regardless of whether domestic or international, work in harmony with local society, and engage in social contribution activities.

4. LEGAL COMPLIANCE

- (1) Comply with the law and corporate regulations in all business activities and behave with sincerity in accordance with good sense and social norms.
- (2) Secure management of private and corporate confidential information and work to maintain and improve information security.
- (3) Maintain healthy and visible relationships with politics and government.

5. THOROUGH CRISIS MANAGEMENT

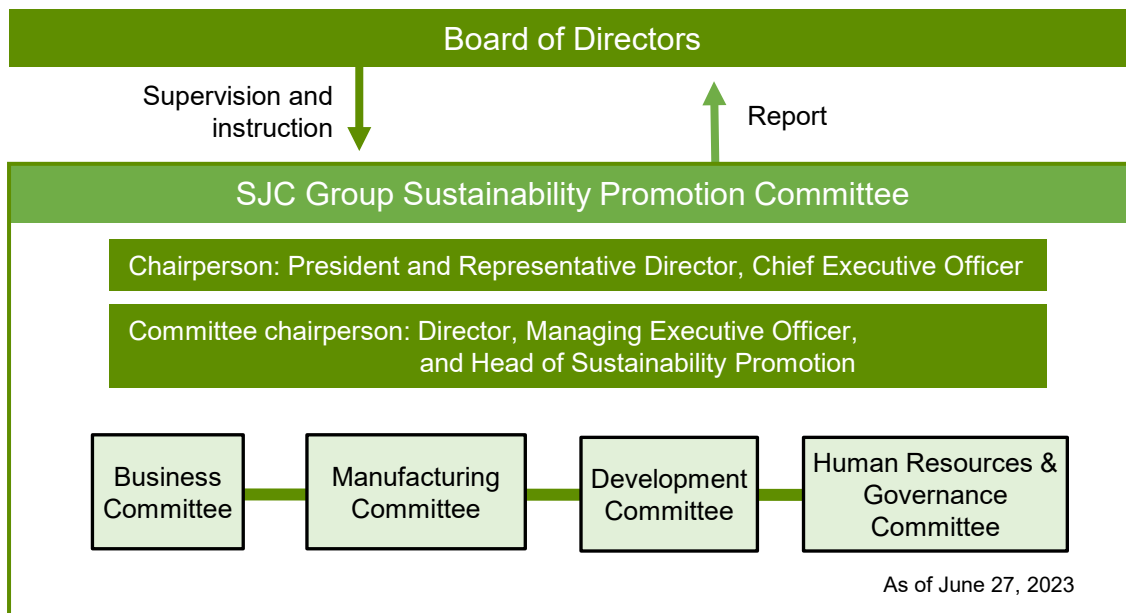
- (1) Recognize that threats that affect corporate activities are becoming increasingly diverse and complex, and work to strengthen organized crisis management and business continuity capabilities.
- (2) Prepare adequately for emergency situations such as natural disasters, epidemics, and cyber attacks and, in the event of an emergency, work to minimize its impact, with priority on securing human lives and safety.
- (3) Never have any relationship with anti-social forces and organizations who disturb the peace and order of society.

SJC Group Sustainability Policy

SJC Group's corporate philosophy stipulates: The aim of the Sekisui Jushi Group is to contribute to a safer, more secure and healthier environment for society by creating valued products and services, through the application of composite technology. Guided by this philosophy, the Company aims to further enhance our corporate value based on sound and transparent management and business activities in harmony with society and the environment, thereby ensuring the trust of all stakeholders, identifying key issues that will lead to the sustainable development of society and the Group, and resolving social issues, including the achievement of the SDGs.

Promotion System

Under the leadership of the SJC Group Sustainability Promotion Committee, the SJC Group is promoting initiatives to help build a sustainable society on a cross-sectional basis.



Message from the Chairperson of the SJC Group Sustainability Promotion Committee



Committee Chairperson
Katsuyoshi Sasaki

The sustainability initiative is a group-wide undertaking to address climate change and other social issues.

SJC Group is engaged in a diverse range of businesses in the public and private sectors that contribute to society's safety, security, and environment. The Group recognizes that the results of each employee's efforts contribute to solving social issues through business activities, new technological development, products, and services.

Promoting sustainability is one of the basic policies of the SJC Group Vision 2030, and the SJC Group Sustainability Promotion Committee serves as the cornerstone of our sustainability management strategy and strengthening of our management foundation.

Through the Committee, we will actively promote sustainability initiatives to contribute to society and enhance the corporate value of SJC Group.

SJC Group’s Materiality (Key Issues)

SJC Group has long been committed to business activities with the aim of creating a sustainable society by facing ever-changing social issues under our corporate philosophy: The aim of the Sekisui Jushi Group is to contribute to a safer, more secure and healthier environment for society by creating valued products and services, through the application of composite technology.

As part of our efforts to continue and develop these initiatives, we have identified key issues (materialities) for the Group and will continue to promote business activities that provide safety and security for people’s lives and harmony with the environment.

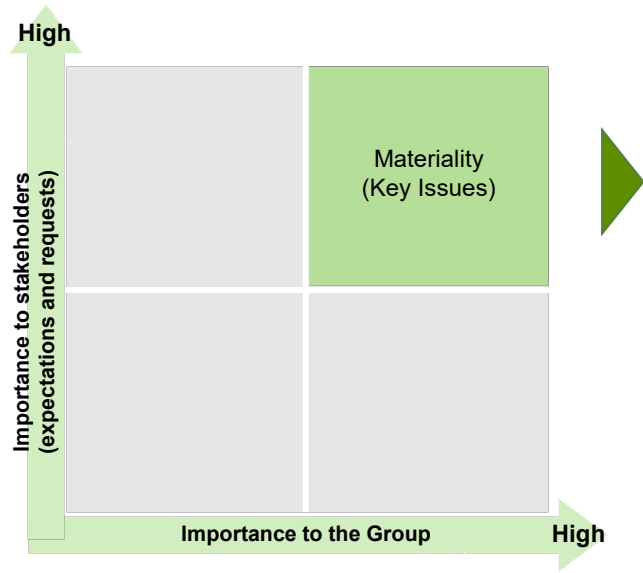
Identification of Materiality to Development of Management Strategies



Extract material items (economic, environmental, and social) by referring to the procedures, etc., indicated in the GRI standards.

Executive officers (including directors concurrently serving as executive officers) and senior management evaluate and score the importance from the perspectives of both importance to stakeholders and importance to the Group.

Materiality identified by SJC Group Sustainability Promotion Committee



Classification	Materiality
Business	Contribution to disaster prevention/mitigation and national resilience
	Elimination of road traffic accidents and disasters
	Adaptation to and mitigation of climate change
	Enhancing R&D capabilities
	Expanding business domain
	Utilization of digital transformation (DX)
E	Decarbonization initiatives
	Contribution to building a sustainable society
	Promoting deplasticization
S	Promoting diversity & inclusion
	Human resource development and expansion of educational opportunities
G	Enhancing governance

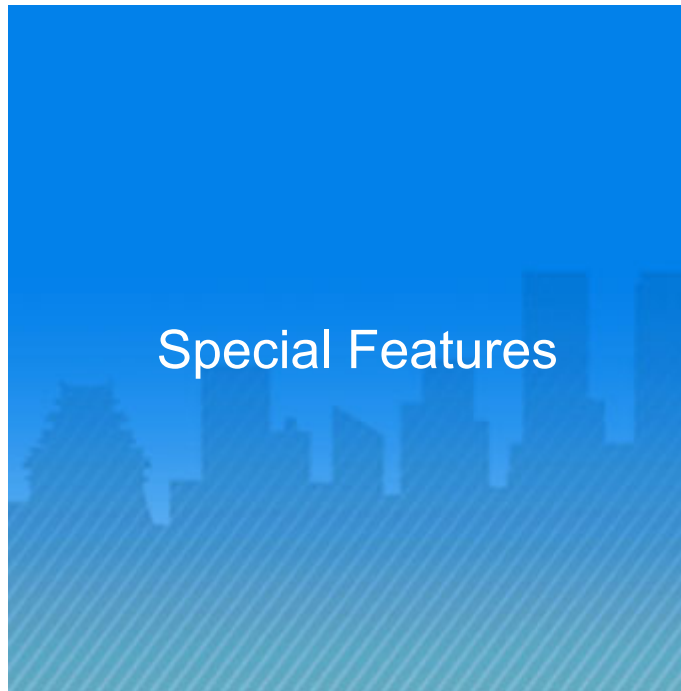
Integration of materialities with the Medium-term Management Plan and long-term vision

Once materialities were identified, the Company linked them to the medium- to long-term management plan and established business strategies, sustainability goals, and key performance indicators (KPIs) for addressing materialities.

Key Performance Indicators (KPIs) for Materiality

SJC Group will further promote ESG management through the PDCA cycle by setting the following KPIs, linked to the sustainability targets of our long-term vision and Medium-term Management Plan, as a part of the integrated management of our medium- and long-term management plans and materiality-related initiatives.

Classification	Materiality	Initiatives to achieve	Indicator	Targets	Fiscal year achieved	FY2022 results	
Business	Contribution to disaster prevention/mitigation and national resilience	Enhancing products and services for preventative maintenance measures for road infrastructure and measures for river, waterway, and watershed flood control in the event of natural disasters	Products contributing to sustainability	Net sales ratio 50%	2023	50.9%	
		Enhancing earthquake and high wind resistance products and services for building exteriors		Net sales ratio 70%	2029		
	Elimination of road traffic accidents and disasters	Enhancing safety products and services for automobile driving support, pedestrians, and bicyclists		Cumulative total of EX registrations: 15	2023		Cumulative total of registrations: 12
	Adaptation to and mitigation of climate change	Enhancing natural disaster and extreme weather monitoring products and services					
E	Decarbonization initiatives	Improving energy efficiency at production facilities	CO ₂ emission	26% reduction (compared to FY2013)	2023	35.0% reduction	
		Expanding the use of renewable energy		46% reduction (compared to FY2013)	2029		
	Contribution to building a sustainable society	Expanding the deployment of reduce, reuse, and recycling systems	Reducing single-use plastic usage	25% reduction (compared to FY2021)	2029	8.0% reduction	
	Promoting deplasticization	Active use of bioplastics	Products contributing to sustainability	Net sales ratio 70%	2029	50.9%	
S	Promoting diversity & inclusion	Creating an organization and culture where diverse employees have the opportunity to play active roles	Ratio of women, non-Japanese, mid-career hires, and other groups to core human resources	30%	2029	24.9%	
G	Enhancing governance	Improving the system in line with each principle of the CG Code	CG Code Standards	Meet the same criteria	—	Explain: 1	
		Ensuring compliance	Severe violation of laws and regulations	0	—	0	
		Enhancing product quality and safety management	Severe product accident Severe industrial accident	0 0	—	0 0	



Special Feature 1:
Solving Social Issues through Business

Special Feature 2:
Allowing Diverse Human Resources to Excel

Special Feature 3:
Addressing Climate Change Issues (TCFD)

Contributing to the creation of a sustainable society through products contributing to sustainability

SJC Group has long been committed to CSV (Creation of Shared Value) and has been working to solve social issues and contribute to a sustainable society. Aiming to further enhance our corporate value by solving key issues proposed in the SDGs and contributing to a sustainable society, from FY2021, we have been expanding our core businesses of safe, secure, and comfortable lives; disaster prevention and mitigation; and environmental measures, while building a new foundation for the future. To contribute to achieving the SDGs, we have positioned products and services that contribute to the creation of a sustainable society as products contributing to sustainability while promoting our business activities.












What Are Products Contributing to Sustainability?

The Company has established criteria in six areas, including contribution areas that lead to the resolution of social issues, in addition to the conventional contribution areas of global environmentally conscious products, and positioned products meeting these criteria as products contributing to sustainability.

- **The Company's conventional environmentally conscious products**
(Products that help reduce environmental impact)

- **Products designed to address social issues**



Areas of Contribution and Description		Applicable SDGs Targets
(1) Disaster prevention/ mitigation and national resilience	Extending ancillary infrastructure longevity Improving resilience and durability against natural disasters	  
(2) Creating safe, secure, and comfortable roads, cities, and working environments	Addressing traffic accidents, traffic congestion countermeasures, automated driving, barrier-free access, and anticrime measures Improving the safety of the work environments	  
(3) Decarbonization	Enhancing and updating the use of renewable energy sources	
(4) Deplasticization	Reducing plastic use Research and development of alternative materials for plastics	
(5) Building a sustainable society	Establishing recycling and reuse schemes	
(6) Biodiversity & ecosystem conservation	Preventing marine pollution Ecosystem conservation	 

Certification criteria and flow for products contributing to sustainability

Certification of products contributing to sustainability is based on an evaluation by the members of the Development Committee, a subordinate body of the SJC Group Sustainability Promotion Committee, followed by a report and certification by the SJC Group Sustainability Promotion Committee. Products that are recognized for their overall quality, especially in terms of degree of contribution to sustainability and technological novelty, are designated as products contributing to sustainability EX and reported to the Board of Directors.



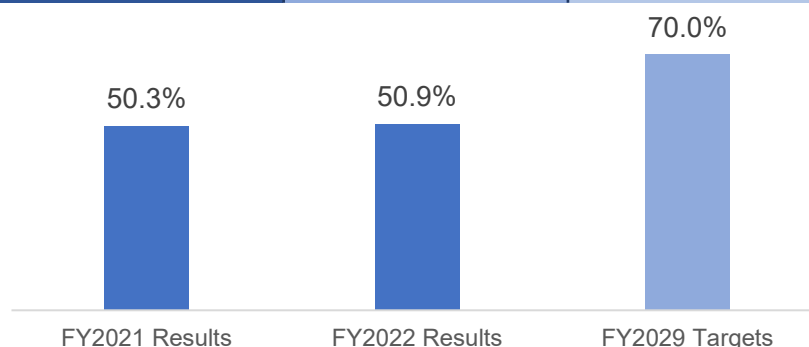
Areas of Contribution	Key Items for Certification
(1) Disaster prevention/ mitigation and national resilience	<ul style="list-style-type: none"> Mitigation of damage caused by natural disasters Thermal barrier and temperature rise control function Contributing to extending the service longevity of existing products
(2) Creating safe, secure, and comfortable roads, cities, and working environments	<ul style="list-style-type: none"> Reducing traffic accidents by offering guided lines of sight to drivers, etc. Contributing to the creation of safe and comfortable working environments Noise, light interference, radio wave reduction functions, monitoring/ warning functions
(3) Decarbonization	<ul style="list-style-type: none"> Employing clean energy sources such as solar, wind, hydro, geothermal, pressure, etc. Improving energy consumption efficiency during product use
(4) Deplasticization	<ul style="list-style-type: none"> Utilizing biomass-derived raw materials Significantly reducing the amount of plastic used compared to conventional products
(5) Building a sustainable society	<ul style="list-style-type: none"> System to collect and recycle used products Using recycled raw materials Reducing the use of raw materials
(6) Biodiversity & ecosystem conservation	<ul style="list-style-type: none"> Reducing pollution of marine and terrestrial environments Contributing to the conservation of marine and natural terrestrial ecosystems

Targets of Products Contributing to Sustainability

Under the SJC Group Medium-term Management Plan established in August 2021, the Group has set a sustainability target of 50% of net sales of products contributing to sustainability (FY2023), which the entire SJC Group is committed to achieving. In FY2022, the sales ratio of products contributing to sustainability was 50.9%.

Products contributing to sustainability targets and results

Item	FY2023 Targets	FY2029 Targets (Fiscal year ending March 31, 2030)
Ratio to net sales of products contributing to sustainability	Net sales ratio 50%	Net sales ratio 70%



Introduction to Products Contributing to Sustainability EX

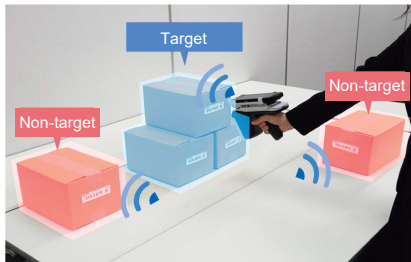
Transparent radio wave absorption/shielding panel to prevent RFID misrecognition

Areas of Contribution (2) **Creating safe, secure, and comfortable roads, cities, and working environments**



RFID systems, using radio waves to capture information from electronic tags on objects without contact, have faced issues whereby the radio waves used to read the tags reflect off walls and other surrounding objects and reach unexpected targets, resulting in misrecognition of data other than the intended tag. Transparent radio wave absorption/shielding panels prevent the reflection of radio waves by absorbing or shielding them, thereby solving issues of false recognition in RFID systems and contributing towards reducing labor in plants and logistics facilities.

<Comparison of electronic tag reading conditions>



Scanner uses radio waves to read electronic tags on the intended object



Accurately reads only the target electronic tag



Transparent radio wave absorption/shielding panel

Synchronized self-luminous visual guidance markers that alert drivers 24 hours a day using natural energy (photovoltaic)

Areas of Contribution (1) **Disaster prevention/mitigation and national resilience**
(2) **Creating safe, secure, and comfortable roads, cities, and working environments**
(5) **Building a sustainable society**



Compared to conventional products, this product emits light over an extended area, making it brighter and more effective in alerting drivers to the road alignment 24 hours a day, supporting safe driving. Equipped with an original energy-saving wireless unit, various synchronized emissions are possible without the need for wiring work. The storage battery uses a nickel-metal hydride battery, which offers longer service and reduces the frequency of battery replacement, and the original energy-saving design, which utilizes natural energy (photovoltaic), helps reduce the environmental impact.

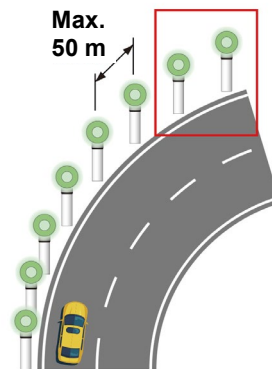


Navilead

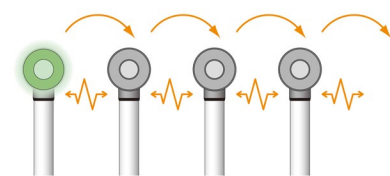
Sandery III



Luminescence during snowfall



Simultaneous luminescence provides a clear line of sight and improves the visual guidance effect.



Signal transmission between adjacent devices

Any number of units can be connected by transmitting signals through wireless communication between adjacent devices.
* Installation interval: max. 50 m (highway)

Introduction to Products Contributing to Sustainability EX

Pole Cone CITY R/Pole Cone Guide R, safety measures for daily-use roads and school routes

Areas of Contribution	(2) Creating safe, secure, and comfortable roads, cities, and working environments (5) Building a sustainable society
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This traffic safety countermeasure product is designed to guide the line of sight and alert drivers and pedestrians to prevent traffic accidents on daily-use roads and school routes. Various installation formats can be selected to suit the intended environment, allowing installation in a wide range of locations, including streets, curbs, and parking lots. The pole can be easily replaced, so it can be used over long periods with few repair parts. By creating safer, more secure, and more comfortable roads and cities, the Company contributes to building a sustainable society.



Installed as a safety measure on busy roads.



Reflective sheets with text and pictograms alert drivers.

Hokkaido Shinkansen hanging soundproof wall with high durability and easy maintenance

Areas of Contribution	(1) Disaster prevention/mitigation and national resilience (2) Creating safe, secure, and comfortable roads, cities, and working environments
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The elevated bridges of the Hokkaido Shinkansen line are designed to prevent snow from accumulating during winter using openings in the floor. Soundproof walls have been installed through the openings to reduce the noise of passing trains. This product was developed through repeated durability tests with accelerated vibration, freezing, and thawing and has been recognized for its high durability. The structure also helps save labor as it is designed for easy installation and maintenance.



Experimentally installed sound-absorbing panels



Introduction to Products Contributing to Sustainability EX

Delivery boxes for apartment complexes to receive packages any time without face-to-face contact

Areas of Contribution

- (2) Creating safe, secure, and comfortable roads, cities, and working environments
- (5) Building a sustainable society



This product helps reduce redelivery of packages, which has become a major social issue in recent years. It also serves as a benefit in terms of crime prevention for people living alone, and by reducing redeliveries, it helps to improve the working environments of delivery drivers and conserve energy.



User-friendly and the PIN automatically reset each time the door is unlocked, preventing the PIN from being leaked.

Topic

Projects utilizing open innovation

We have launched a new project in collaboration with A Inc., in which we utilize their online co-creation platform Wemake to create a new Sekisui Jushi agribusiness that is not limited to Ibotake agricultural poles.

While agriculture and forestry, which are the primary industries subject to our agribusiness, are expanding, becoming more automated, labor-saving, and IT-intensive, they are also facing various challenges such as the aging of the workforce and a lack of successors. By soliciting proposals from approximately 30,000 registered users that represent a diverse range of consumer and cross-industry perspectives with knowledge and ideas not found within the SJC Group, we strive to create new products and businesses in the agribusiness sector that support safe, secure and comfortable lives for people engaged in the agricultural and forestry industries.



Allowing Diverse Human Resources to Excel

Against a social backdrop of declining birthrates, an aging population, and a shrinking labor force, the work styles of companies have changed dramatically over the past several years. To survive into the future, it is essential for companies to respect the diverse personalities of their diverse human resources and become an organization in which employees are highly motivated and satisfied with their work and in which they can demonstrate their abilities.

In light of these circumstances, SJC Group has positioned maximizing the value of human capital as one of its basic management policies and is actively promoting investment in human resources pursuant to its [Human Resource Development Policy](#), [Diversity & Inclusion Policy](#), and [Declaration of Health Management](#).

Human Resource Development Policy

To put the corporate philosophy and Vision of the SJC Group into practice, we will work to develop human resources who independently apply their ideas, take action, and tackle challenges.

Human Resources We Seek

Change the ordinary. Change for the better.

SJC Group is committed to creating more fulfilling everyday lives by contributing to society's safety, security, and environment by creating valuable products and services based on composite technologies. For this purpose, we have defined three valuable keywords that we seek in our human resources as the ideal state of our employees, thereby promoting the development of our human resources.

Three Valuable Keywords in Human Resources (Challenge, Collaboration, and Gratitude)

Challenge	<p>Human resources with curiosity and open-mindedness to continue to take on the challenge of change</p> <p>At SJC, we believe that in order to create the more fulfilling everyday lives that we aspire to, it is imperative to always be future-oriented and continue to innovate without being bound by past values. To achieve this, we are developing human resources with curiosity and open-mindedness to continue to take on the challenge of change.</p>
Collaboration	<p>Human resources who can work together toward a common goal and maximize results</p> <p>We believe that innovative ideas and results can be generated by diverse groups of like-minded employees who work together through good communication, enthusiasm, and persistence to solve problems.</p> <p>To this end, we are fostering human resources who can work together toward a common goal and maximize results.</p>
Gratitude	<p>Human resources who value gratitude and conduct themselves with fairness and integrity</p> <p>We believe it is important to always appreciate everything in society and learn with humility, following the highest ethical principles. Accordingly, we are committed to nurturing human resources who not only contribute to the Group's profits but also conduct themselves with fairness and integrity, valuing high aspirations to contribute to society and a sense of gratitude to all.</p>



Promoting Diversity & Inclusion and Wellbeing Management

Diversity & Inclusion Policy

—Weaving the future of SJC with employees—

The concept of weaving means combining various things to create a single object.

SJC Group has continued to grow through its commitment to supporting people’s safe, secure, and comfortable lives. Diversity & Inclusion is an important management foundation that we will actively address to accelerate our growth as a corporate group that is trusted and inspires people worldwide through the creation of valuable products and services.

1. Harness diverse human resources

While promoting the empowerment of women, we will create an organizational culture that recognizes the diverse values of our diverse human resources, regardless of nationality, age, career, disability, etc., allowing each and every employee to demonstrate their abilities.

2. Realize flexible work styles

The Company supports employees in balancing work with childcare, nursing care, medical treatment, etc., thereby facilitating flexible work styles and work-life balance.

3. Ensure healthy and safe working environments

The safety, security, and health of our employees and their families is our first priority, so the Company endeavors to maintain and promote employee’s mental and physical health and create comfortable working environments.

Declaration of Health Management

—Well-being Management: Where people and the organization shine with vitality and energy—

SJC Group is committed to becoming a corporate group that contributes to the safety, security, and environment of society by creating valuable products and services based on composite technologies. Accordingly, we believe that the most important management foundation is the physical and mental health of our employees working at SJC Group.

The Company will promote well-being management by creating a workplace environment where employees feel satisfaction in their work and where each individual can maximize their abilities.

1. The Company will actively work to maintain and promote its employees’ physical and mental health and support their health maintenance.
2. Employees shall be mindful of their own health as well as their families and work to maintain and promote their well-being.
3. The Company will create safe, secure, and comfortable work environments for employees, where they can take on the challenge of creating new value with a sense of fulfillment.

Promotion System

As part of the SJC Group Sustainability Promotion Committee’s Human Resources & Governance Committee, these activities are being promoted.

SJC Group Sustainability Promotion Committee

Human Resources & Governance Committee

Diversity & inclusion and wellbeing management
[Person responsible] General Manager, Corporate Administration Headquarters
[Promotion secretariat] Human Resources Department



Initiatives to Allow Diverse Human Resources to Excel

Ensuring Diversity in Core Human Resources

The Company is actively recruiting mid-career hires in accordance with our Diversity & Inclusion Policy and is increasing the ratio of employees with experience in different industries and mid-career hires to our core human resources. While promoting the development of global human resources, we are also encouraging our overseas subsidiaries to appoint local employees, including women, to managerial positions, as we have done in Japan.

* Ratio of diversity (women, non-Japanese, mid-career hires, and other) to core human resources 24.9% (as of March 31, 2023, Sekisui Jushi non-consolidated)

Promoting the Empowerment of Women

Recognizing the importance of creating an organizational culture and workplace environment in which employees can work actively and with peace of mind, regardless of gender, for the sustainable development of the Company, SJC Group continues to promote the hiring of female career-track employees and expand systems to support balancing work and life events.

The Company also promotes human resource development that enables employees, regardless of gender, to enhance their career awareness and demonstrate their abilities through a system that allows employees to switch between career-track and general employment courses.

Promoting Employment of People with Disabilities

Through the employment of people with disabilities, the Company hopes to foster a corporate culture that can manage the strengths and weaknesses of all employees, thereby growing into a more diverse organization. Furthermore, we believe that creating comfortable workplace environments for people with disabilities will lead to better working environments for all employees. As of March 31, 2023, our employment rate stands at 3.2%, while the employment rate in our domestic Group is 2.3%. We will continue to actively promote development of employment initiatives by developing case studies of other offices that are making progress in their employment efforts.

Promoting Senior Human Resources

As one of our key tasks, we are promoting the establishment of systems and environments that enable senior human resources to play an active role in the Company. To ensure our Group's continued growth, it is imperative that senior human resources leverage their experience, skills, and expertise and work with a high level of motivation to support the development of all generations. Toward the realization of this goal, in October 2022, the Company implemented a review of the personnel systems regarding the employment of senior employees between the ages of 55 and 60. In April 2023, the Company extended the retirement age from 60 to 65.

Topic Promoting diversity & inclusion

As part of measures to promote diversity and inclusion, training was held in July 2023 for officers, female career-track employees, and their supervisors.

- (1) Diversity management training (for officers)
- (2) Female leadership training (for female career-track employees)
- (3) Diversity management training (for female career-track supervisors)

We will promote the proper understanding and penetration of diversity and inclusion to create an environment where our diverse human resources can play an active role so that employees and the Company can mutually grow.



Information Disclosure Based on the TCFD Framework



SJC Group regards promotion of sustainability management as part of our responsibility to ensure the safety, security, and comfort of future generations, and we believe that addressing sustainability issues is essential to realizing the SJC Group Vision 2030 and ensuring that the Group continues to be valued by society well into the future.

We have identified addressing climate change as one of our materialities (key issues), setting greenhouse gas reduction targets to curb CO₂ emissions, and in September 2022, we announced our endorsement of the TCFD recommendations, analyzing the impact of climate change-related risks and opportunities on our business activities and earnings, while considering measures to minimize risks and ensure opportunities are seized.

This page discloses information on SJC Group's response to climate change issues based on the TCFD's recommendations. The following items have been updated from the information disclosed last year to reflect the new actions in 2023.

- In order to promote sustainability management, which is positioned as one of the basic policies in the SJC Group Vision 2030 announced on April 27, 2023, we conducted scenario analysis, risk and opportunity identification, materiality assessment, and countermeasure consideration with the cooperation of external experts to enhance the effectiveness of our response to climate change, which poses as one of the key issues.
- For risks and opportunities deemed to have particularly large impacts on the Company business, quantitative estimates of the impacts were conducted.

Governance

The Group has a system in place for the Board of Directors to consider various factors related to climate change when discussing management strategies. The SJC Group Sustainability Promotion Committee, consisting of the CEO and other members of the management team in principle, meets once every three months to administer and promote initiatives related to climate change to enhance effective implementation. Under the Committee, to promote these activities, four subcommittees, the Business Committee, Manufacturing Committee, Development Committee, and the Human Resources & Governance Committee have been established to study the direction of sustainability focusing on climate change, identify materiality, setting targets, monitoring progress, and evaluating the results. The head of sustainability promotion also serves concurrently as the chairperson of the Committee.

The Board of Directors receives a report every six months about the activities of the Committee and provides appropriate supervision and guidance on the achievement of targets, while decisions on important issues and indexes are made at Board of Directors meetings to further facilitate such initiatives.

Risk Management

To ensure that the SJC Group's sustainability-related risk management process is appropriate, the SJC Group Sustainability Promotion Committee identifies company-wide risks and opportunities, which includes climate-related risks and opportunities, then evaluates the significance of the risks and opportunities while effectively utilizing outside knowledge and considering the degree of impact on management, timing of manifestation, financial impact, and other factors, and determine the optimal measures to be taken. Since climate change is related to the materiality of the Group, we regard it as a particularly important risk/opportunity that should be managed on a group-wide scale.

The discussions deliberated by the SJC Group Sustainability Promotion Committee are regularly reported to and overseen by the Board of Directors.

Strategy

While we are taking steps to minimize the risks associated with climate change, we believe that ensuring we seize opportunities and link them to profits is an essential process for achieving the SJC Group Vision 2030. Risks and opportunities are analyzed across multiple short-, medium-, and long-term time frames from the perspective of policies, regulations, technologies, and markets during the transition phase to a decarbonized society, as well as the physical impacts of climate change.

(Short-term: through 2025, medium-term: through 2030, long-term: through 2050)

Risks and opportunities identified are assessed for their impact on business and earnings using the +1.5°C and +4.0°C scenarios, drawing on the knowledge of external experts. (Although SJC Group focuses on the transition scenario represented in the +1.5°C scenario, in light of the recent increase in extreme natural disasters in Japan, we are also considering the potential issues under the +4.0°C scenario, which includes a greater impact from climate change.)

* Scenario analysis assumption

Item	Assumption
Potential scenarios	Projected world views of a +1.5°C scenario (IPCC, SSP1-1.9), in which countries adopt climate change measures to reduce global warming, and a +4.0°C scenario (IPCC, SSP3-7.0), in which countries do not take sufficient steps to combat global warming.
Target scope	Non-consolidated business of SJC Group and two major subsidiaries and affiliates
Estimated financial impact	After conducting a qualitative analysis of the impact on the current business, the financial impact is quantitatively estimated for risks and opportunities that are expected to significantly impact the business based on highly reliable external data.

The following is a quantitative assessment of the risks and opportunities that are anticipated to significantly impact the business as a result of the scenario analysis.

(Legend) [Time frame] Long-term: 2050, medium-term: 2030, short-term: 2025
 [Severity of impact] Large: more than 500 million yen, medium: 100 to 500 million yen, small: less than 100 million yen, X : limited impact
 ↓: downward trend in income, ↑: upward trend in income

Category	Risk type	Time frame	Business impact	Severity of impact		
				+1.5°C	+4.0°C	
Risk	Policy and legal	Increase in tax burden on in-house CO ₂ emissions due to the introduction of a carbon tax	Medium to long-term	Increase in manufacturing costs	Large ^{*1} ↓	X
		Increase in electricity prices due to soaring energy costs stemming from low-carbon regulations	Medium to long-term	Increase in manufacturing costs (Improved for +4.0°C)	Small ^{*2} ↓	Small ^{*2} ↑
		Increase in raw material costs due to low-carbon restrictions on steel products and petroleum-derived products or demand fluctuations	Medium to long-term	Increase in manufacturing costs	Large ^{*3} ↓	Large ^{*3} ↓
	Typhoon, torrential rain	Asset damage and opportunity losses due to flooding, damage, and shutdown of production sites from increased flooding and landslides	Short to medium-term	Decrease in net sales Restoration expenses and asset damage	Medium ^{*4} ↓	Medium ^{*4} ↓

*1 The carbon price was sourced from the Net Zero Emissions by 2050 Scenario and the Stated Policies Scenario in the IEA World Energy Outlook 2022 (p. 465) and assumed to be a carbon tax per unit of emissions.

*2 Figures are calculated by estimating the rate of increase in electricity prices from the statistics in the Sustainable Development Scenario and the New Policies Scenario of the IEA World Energy Outlook 2018 (p. 471).

*3 Figures are calculated by estimating the rate of steel price increase based on the GLOBAL PRICE DEVELOPMENT HRC OF CRUDE STEEL (USD/TON) in 2DII The Transition Risk-o-Meter Reference (p. 49).

Figures are calculated by adding the assumed carbon tax impact to the value calculated by estimating the crude oil price increase rate according to the Fossil fuel by scenario in the IEA World Energy Outlook 2021 (p. 101).

*4 Evaluation of inundation risk for production sites was made using the World Resources Institute's (WRI) Aqueduct Floods and hazard maps for each municipality in Japan. Opportunity losses were calculated by multiplying the expected number of outage days per inundation height by the daily production output of the site in question while also taking into account the current status of production sites, with reference to the Physical Risk Evaluation Guide for TCFD Recommendations issued by the Ministry of Land, Infrastructure, Transport, and Tourism.

The SJC Group Sustainability Promotion Committee will play a central role in the company-wide efforts to enhance the organization’s resilience to the impact of climate change by establishing the direction of response to the identified risks and reflecting them in our business strategy.

Risk type	Course of action
Increase in tax burden on in-house CO ₂ emissions due to the introduction of a carbon tax	Reduction of GHG emissions · Reduction of energy consumption through production process reforms · Utilization of renewable energy · Continuing energy conservation initiatives · Enhancement of production efficiency through DX utilization, equipment maintenance, and productivity improvement
Increase in electricity prices due to soaring energy costs stemming from low-carbon regulations	
Increase in raw material costs due to low-carbon restrictions on steel products and petroleum-derived products or demand fluctuations	Early identification of the status of regulated materials and consideration of alternative materials · Early collection of information through enhanced cooperation with suppliers · Development of products focused on recycling, resource conservation, and biomass feedstock
Asset damage and opportunity losses due to flooding, damage, and shutdown of production sites from increased flooding and landslides	Strengthening the supply chain · Identifying risks at each production site and promoting countermeasures · Promotion of multiple purchasing, inventory strategies, and material switchovers based on purchasing strategies

Opportunities for climate change impacts are also considered as follows.

Category		Opportunity type	Time frame	Impact +1.5°C
Opportunity	Market	Increase in net sales due to higher market share of products contributing to sustainability	Medium-term	↑
		Description of impact		
		The Company has set a goal of achieving a 70% net sales ratio of products contributing to sustainability by FY2029 and is developing products that contribute to building a decarbonized society to achieve this goal. In the +1.5°C scenario, demand for such products is expected to be even stronger, which will have an incremental impact on the Company’s net sales. Currently, the degree of impact has not been quantified due to a lack of information to assess the expected degree of demand fluctuation. Information will continue to be collected and analyzed going forward.		

Category		Opportunity type	Time frame	Impact +4.0°C
Opportunity	Market	Increase in net sales due to increase in flood control works	Medium-term	↑
		Description of impact		
		Although the Company currently sells a line of products to meet the demand for flood control measures designed to prevent roads from flooding and rivers from rising, if the +4.0°C scenario is adopted, the demand for such products is likely to increase as typhoons and torrential rains are expected to cause greater damage. In response to such demand, the Company expects increased opportunities to contribute to minimizing damage and creating disaster-resistant cities. Currently, the degree of impact has not been quantified due to a lack of information to assess the expected degree of demand fluctuation. Information will continue to be collected and analyzed going forward.		

Index and Targets

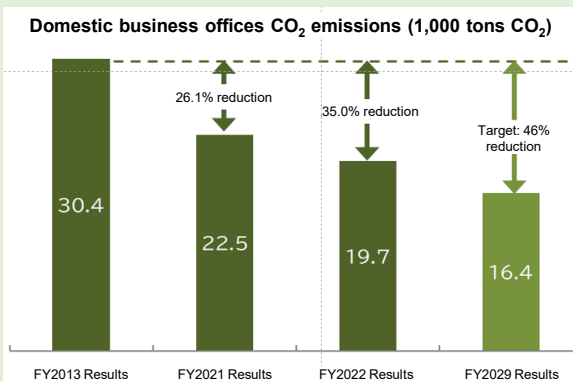
As a means to perform integrated management of climate change initiatives, the SJC Group has set non-financial targets as stated in the SJC Group Vision 2030, with progress managed and promoted by the SJC Group Sustainability Promotion Committee.

《Non-financial Targets of the SJC Group Vision 2030》

Index		Targets		Actual
Index for risk	CO ₂ emission	Scope 1, 2	FY2029: 46% reduction compared to FY2013 FY2023: 26% reduction compared to FY2013	FY2022 results: 35.0% reduction
Index for opportunity	Sales ratio of products contributing to sustainability		FY2029: Net sales ratio 70% FY2023: Net sales 50%	FY2022 results: 50.9%

● CO₂ emissions

CO₂ emissions (1,000 tons CO₂) targets and results



Key Initiatives

<Installation/upgrading energy-saving equipment>

- Installation of photovoltaic power generation system
- Upgrading to high-efficiency transformers
- Upgrading to high-efficiency motors
- Integration and upgrade of compressors
- Upgrading cubicles, etc.

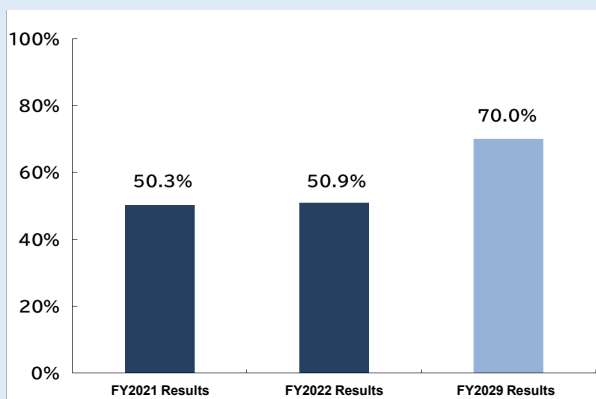
<Enhancing productivity>

- Reduction of energy consumption through improvement of good product ratio
- Improving efficiency of cooling facilities
- Integration of production lines
- Electrification at the time of equipment upgrade
- Upgrading high-frequency welding machines, etc.

We will continue to introduce and upgrade energy-saving equipment and improve productivity while promoting the application of renewable energy.

● Sales ratio of products contributing to sustainability

Targets and results for sales ratio of products contributing to sustainability



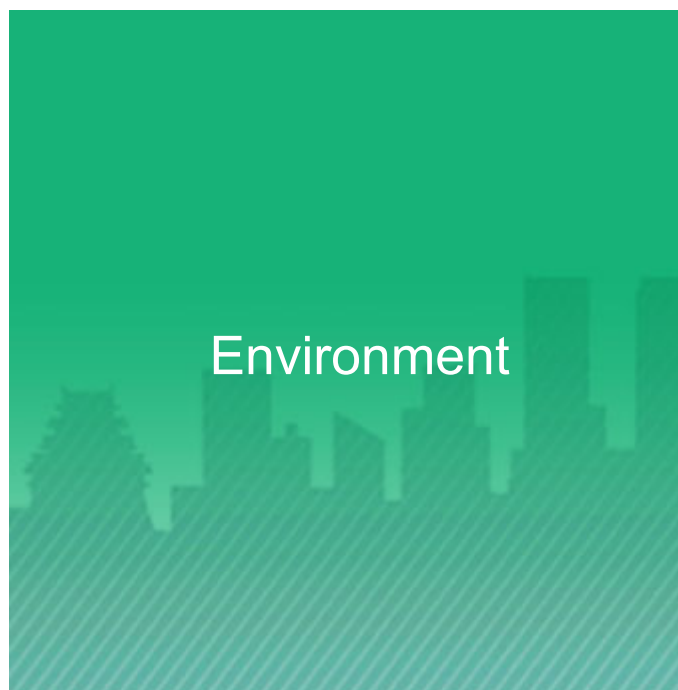
The Company has established criteria in six areas and positioned products and services meeting these criteria as products contributing to sustainability.

<6 areas>

- Disaster prevention/mitigation and national resilience
- Creating safe, secure, and comfortable roads, cities, and working environments
- Decarbonization
- Deplasticization
- Building a sustainable society
- Biodiversity & ecosystem conservation

Through the development and distribution of products contributing to sustainability, we will contribute to the safety, security, and environment of society.

Sustainability Activities Report



- Environmental Management Policy and Management
- Overall Environmental Impact
- Environmental Activity Plans and Results
- Reducing Greenhouse Gas Emissions
- Biodiversity Conservation

SJC Group Environmental Management Philosophy

The Company acknowledges that protecting the invaluable Earth from environmental issues such as environmental destruction and resource depletion is of utmost importance. Through our environmentally friendly and conscious products and business activities, we will contribute to the lasting harmony between the Earth and humankind and the creation of a living environment rich in humanity.

Environmental Management Policy

Conserve and recycle resources, zero waste, and improve and preserve the environment

1. We will fulfill our social responsibility to the global environment by working toward our goal of zero waste and improving and preserving the environment.
2. We will contribute to conserving and recycling resources by developing environmentally conscious products.

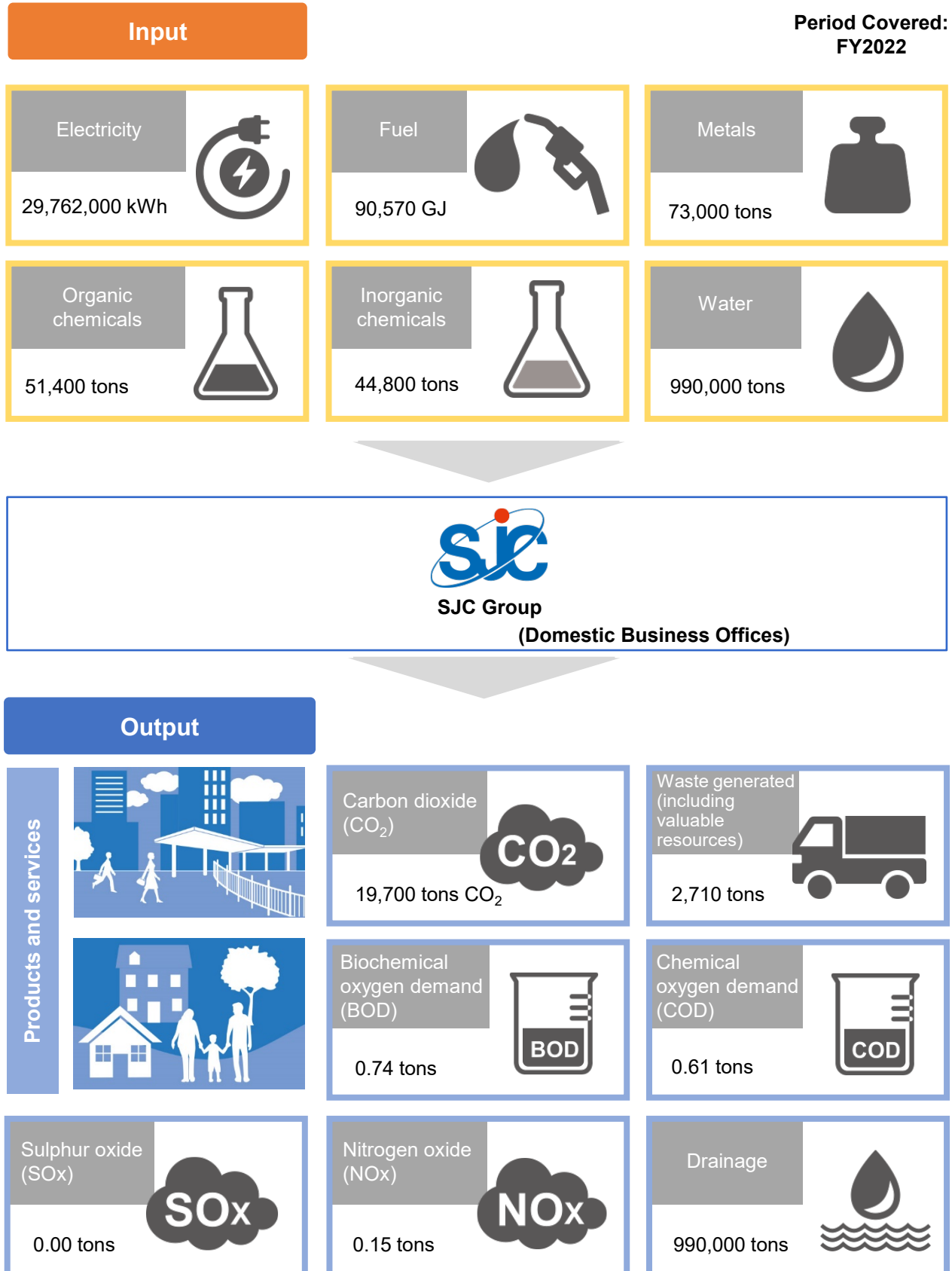
SJC Group Policy on Biodiversity Conservation Initiatives

SJC Group recognizes that biodiversity conservation is one of our key social responsibilities, and we are committed to biodiversity conservation and its sustainable use through recognizing, preventing, and reducing the impact of our business activities on biodiversity.

1. We contribute to biodiversity conservation by developing and promoting environmentally conscious products.
2. We will strive to reduce our environmental impact through continued initiatives to conserve energy and resources and to reduce waste and the use of hazardous chemical substances.
3. As part of our social contribution initiatives, we strive to promote the conservation of ecosystems appropriate to the natural environment in which our business offices are located.
4. We will deepen cooperation with organizations engaged with biodiversity and actively disseminate information to promote biodiversity conservation.

Material Balance

Material balance refers to the input of energy, resources, and other resources used in business activities and the output of emissions associated with those activities. By quantitatively assessing the environmental impact generated throughout our business activities, we strive to reduce and appropriately control the environmental impact.



8th Environmental Plan (FY2022 - FY2023) Results

The results for FY2022 in the 8th Environmental Plan targeting FY2023 are as follows.

Items of Key Initiatives		8th Environmental Plan (Target values for FY2023)	FY2022 Results		
Environmental contribution through business and products	Products contributing to sustainability	Enhancing products contributing to sustainability	Ratio to net sales of products contributing to sustainability 50% or more	50.9%	
	(*)	Number of registered products contributing to sustainability EX	Cumulative total of registrations: More than 15	Cumulative total of registrations: 12 (2021: 5, 2022: 7)	
Minimizing the environmental impact of business activities	Reducing greenhouse gas emissions	Reducing CO ₂ emissions	Reducing CO ₂ emissions Domestic business offices Scope 1, 2	Over 26% reduction compared to FY2013	35.0% reduction
		Promoting energy conservation	Domestic business offices + Overseas business offices	Energy consumption per unit Over 2% reduction compared to FY2021	3.4% reduction
	Efficient use of resources	Promoting the 3Rs	Reducing single-use plastic usage	Over 3% reduction compared to FY2021	8.0% reduction
		Reducing waste	Domestic business offices + Overseas business offices	Waste generated per unit Over 2% reduction compared to FY2021 (excludes onsite recycling, includes valuables)	6.7% increase
Environmental contribution initiatives	Biodiversity conservation initiatives		Implementation of natural environment conservation initiatives · Forest conservation · Aquatic environment conservation	Preserving the beauty of pine forests along the coast of the Sea of Japan Forest foster parent agreement Forest maintenance activities, etc.	
			Conservation of rare species inhabiting the business site	Biodiversity Biwako Network Conservation of rare species in artificial ponds Improving the environment of habitats for rare species	
	Enhancement of environmental communication		Continued collaboration with nature conservation groups and support for their activities	Continued support for and participation in Japan Conference for 2030 Global Biodiversity Framework (J-GBF), 30by30 Alliance for Biodiversity, and Japan Network for Promoting the SATOYAMA Initiative	
			Environmental communication with local communities (community beautification, community environmental events, etc.)	Community beautification activities at each business site Dragonfly observation event with the local library	

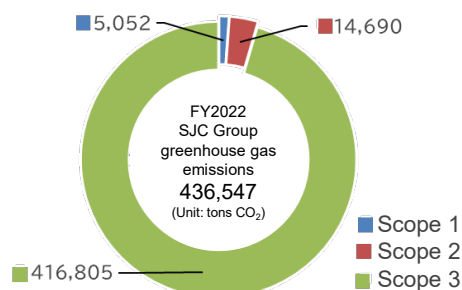
(*) SJC Group has targeted the expansion of environmental products (environmentally conscious products) in its 7th Three-Year Environmental Plan, and since FY2021, the Company has set a new target as products contributing to sustainability. We are pursuing the same target as part of our 8th Environmental Plan.

Products contributing to sustainability are listed on page 19.

Tracking Greenhouse Gas Emissions through the Supply Chain

The Company has established internal calculation standards complying with the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain (Ministry of the Environment and Ministry of Economy, Trade and Industry) to monitor greenhouse gas emissions throughout the entire supply chain, from raw material procurement to disposal.

FY2022 GHG emissions throughout the supply chain (domestic business offices)



Category	Emission (Unit: tons CO ₂)	Definition	Subject of calculation
Scope 1	5,052	Direct emission from fuel use	Fuel purchased
Scope 2	14,690	Indirect emission from electricity use	Electricity consumed
Scope 3	416,805	Indirect emissions not included above	See below

Scope 3 category	Emission (Unit: tons CO ₂)	Definition	Subject of calculation	Unit of emission used
1	346,153	Emissions generated from activities prior to the production of raw materials, parts, purchased products, materials related to sales, etc.	Amount of raw materials, molded products, etc. purchased	Ministry of the Environment Emission Intensity Database (Ver. 3.1) IDEA v2
2	2,050	Emissions generated from construction and manufacture of the company's capital products	Increase in tangible and intangible fixed assets	Ministry of the Environment Emission Intensity Database (Ver. 3.1)
3	2,006	Emissions generated from procurement of fuels necessary for power generation, etc., such as electricity and heat, sourced from other parties	Purchased amount of energy	Ministry of the Environment Emission Intensity Database (Ver. 3.1)
4	1,680	Emissions generated from logistics for raw materials, parts, purchased products, materials related to sales, etc., up to the time they reach the company	Weight and transport distance of purchased raw materials, etc.	Act on the Rational Use of Energy (ton-kilometer method)
5	342	Emissions from the transportation and disposal of waste generated by the company	Weight of waste by type	Ministry of the Environment Emission Intensity Database (Ver. 3.1)
6	167	Emissions from employees' business travel	Number of employees	Ministry of the Environment Emission Intensity Database (Ver. 3.1)
7	1,506	Emissions generated by employees commuting to and from the office	Commuter pass expenses and gasoline fee associated with commuting to and from the office	Ministry of the Environment Emission Intensity Database (Ver. 3.1)
8	—	Emissions generated from operation of leased assets leased by the company (Exclude cases calculated under Scopes 1 and 2)	(Excluded from calculation)	—
9	3,278	Emissions generated during transportation, storage, loading, and retailing of products	Weight of product at time of shipment and transportation distance	Act on the Rational Use of Energy (ton-kilometer method)
10	—	Emissions generated from processing of semi-manufactured products by the company	(Not calculated)	—
11	617	Emissions generated by users (consumers and businesses) as a result of use of products	Energy consumption during product use	Ministry of the Environment Emission Intensity Database (Ver. 3.1)
12	56,522	Emissions generated by users (consumers and businesses) during transportation and processing of products for disposal	Amount of raw materials, parts, etc. purchased	Ministry of the Environment Emission Intensity Database (Ver. 3.1)
13	—	Emissions generated from operation of leased assets	(Excluded from calculation)	—
14	—	Emissions generated in franchisees	(Excluded from calculation)	—
15	2,484	Management of equity investments, fixed income investments, project finance, etc.	Equity investment (applicable to production offices with at least 20% shareholding) Investment Scopes 1 and 2 Emission × investment equity ratio	Ministry of the Environment Emission Intensity Database (Ver. 3.1)

(Items excluded from calculation)

Category 8: Leased assets are calculated as Scope 1 and 2 emissions

Category 13, 14: N/A

Environmental Communication

Continuing to support and participate in Japan Conference for 2030 Global Biodiversity Framework

In an effort to support activities that contribute to biodiversity conservation and its sustainable use, since 2010, the Company has offered continuous aid to the Japan Committee for the United Nations Decade on Biodiversity (UNDB-J). We continue to support the successor organization, the Japan Conference for 2030 Global Biodiversity Framework, aiming for the year 2030.



Participation in the 30by30 Alliance for Biodiversity

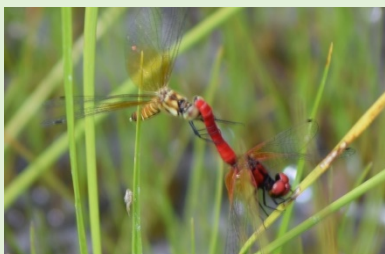
Since its establishment in April 2022, we have participated in and supported the 30by30 Alliance for Biodiversity, a coalition of volunteers established by the Ministry of the Environment, calling on governments, corporations, NPOs, and other organizations to achieve the 30by30(*1), a new international goal to halt and restore biodiversity loss.



Topic

Initiatives to be certified as a Site Living in Harmony with Nature by the Ministry of the Environment (first stage)

The Shiga Plant participated as a conservation area in the Site Living in Harmony with Nature (tentative name) certification trial (latter stage) initiated by the Ministry of the Environment in FY2022 as a domestic initiative to achieve the new global biodiversity conservation target 30by30 (target to conserve at least 30% of terrestrial and marine areas by 2030). In the evaluation conducted by the panel of experts, the rare oligotrophic wetlands that the Company is conserving received a very high level of interest and were evaluated as equivalent to recognition in the pilot project. Leveraging the experience gained from this trial, during the official application for certification that began in FY2023, we submitted an application to register two sites for certification, the Shiga Plant and the Logistics Center. Oligotrophic wetlands, which are rapidly diminishing due to land development and other factors, are found in both conservation areas and are home to a large number of scarlet dwarf dragonflies and wetland vegetation. While the Shiga Plant Conservation Area (2.6 ha) and Logistics Center (2.3 ha) are marginal sites when considered on a global scale, certification as a site living in harmony with nature will allow both locations to be registered in the international database as an OECM under the global 30by30 target.



Scarlet dwarf dragonfly
(Shiga Prefecture RDB 2020: Species of concern)



Shield sundew
(Ministry of the Environment RL 2020: Semi-endangered)

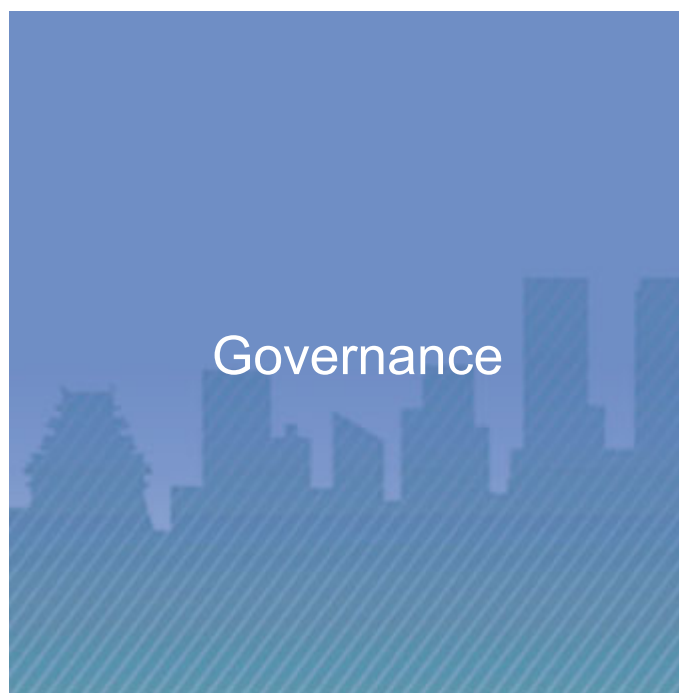


Little grebe warming its eggs in a retention basin
(Shiga Prefecture RDB 2020: Semi-endangered)

(*1) 30by30:

The international target to conserve at least 30% of terrestrial and marine areas by 2030

Sustainability Activities Report



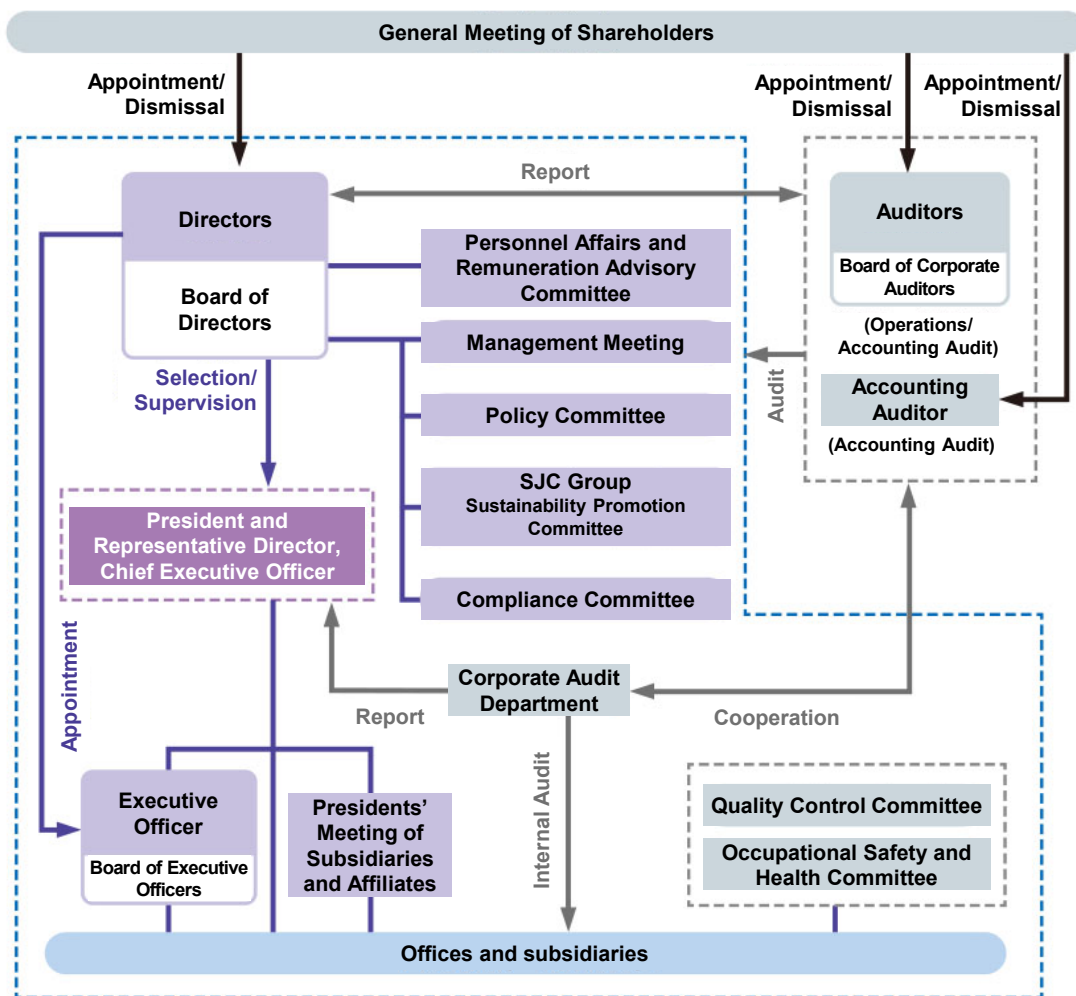
■ Corporate Governance

Basic Policy on Corporate Governance

The Company recognizes that efficient management is indispensable to respond to the drastically changing business environment and that establishing corporate governance is important to improve management transparency and speed up decision-making. Based on the principles of the corporate governance code, we will strive to further improve the efficiency of the system.

Corporate Governance Structure

The Company recognizes that an audit structure by auditors, including outside auditors, and supervision by the Board of Directors, including outside directors, are effective as management monitoring functions and has therefore adopted a corporate structure with a Board of Corporate Auditors in place.



As of June 27, 2023

The basic policy and other related matters are available on the Corporate Governance page of the Company's website.
https://www.sekisuijushi.co.jp/shareholder_investor/management/governance/

Board of Directors

The Board of Directors consists of a small number of members and, in principle, meets once a month to facilitate prompt decision-making regarding management. The Company has appointed three outside directors to strengthen the supervisory function and decision-making of the Board of Directors.

[Board of Directors consists of 8 people (7 men, 1 woman)]
(As of June 27, 2023)

Board of Executive Officers

In principle, the Board of Executive Officers meeting is held six times a year and comprises executive officers. The meeting discusses important matters related to business execution, disseminates decisions made by the Board of Directors and the Management Meeting, reports on the status of execution by executive officers, shares relevant information, and discusses other issues among directors and executive officers.

Board of Corporate Auditors

The Board of Corporate Auditors consists of five auditors, three of whom are outside auditors. The Board of Corporate Auditors meets regularly to report and exchange opinions on audit results and other relevant matters.

[Board of Corporate Auditors consists of 5 people (5 men, 0 women)]
(As of June 27, 2023)

Internal Audit

The internal audit division, known as the Corporate Audit Department, conducts accounting audits of the Company and its affiliates and operational audits focusing on the internal control system and reports the results to the Representative Director and full-time auditors.

Management Meeting

In principle, the meeting is held once a month and is composed of full-time directors and executive officers appointed by the chairman and attended by the full-time auditors. The meeting discusses and makes decisions on key management matters and the company's business execution policies and deliberates in advance on matters to be discussed at the Board of Directors meetings.

Policy Committee

In principle, the committee is held once a month and consists of full-time directors and executive officers appointed by the chairman. The committee reviews important matters of management policy and strategy.

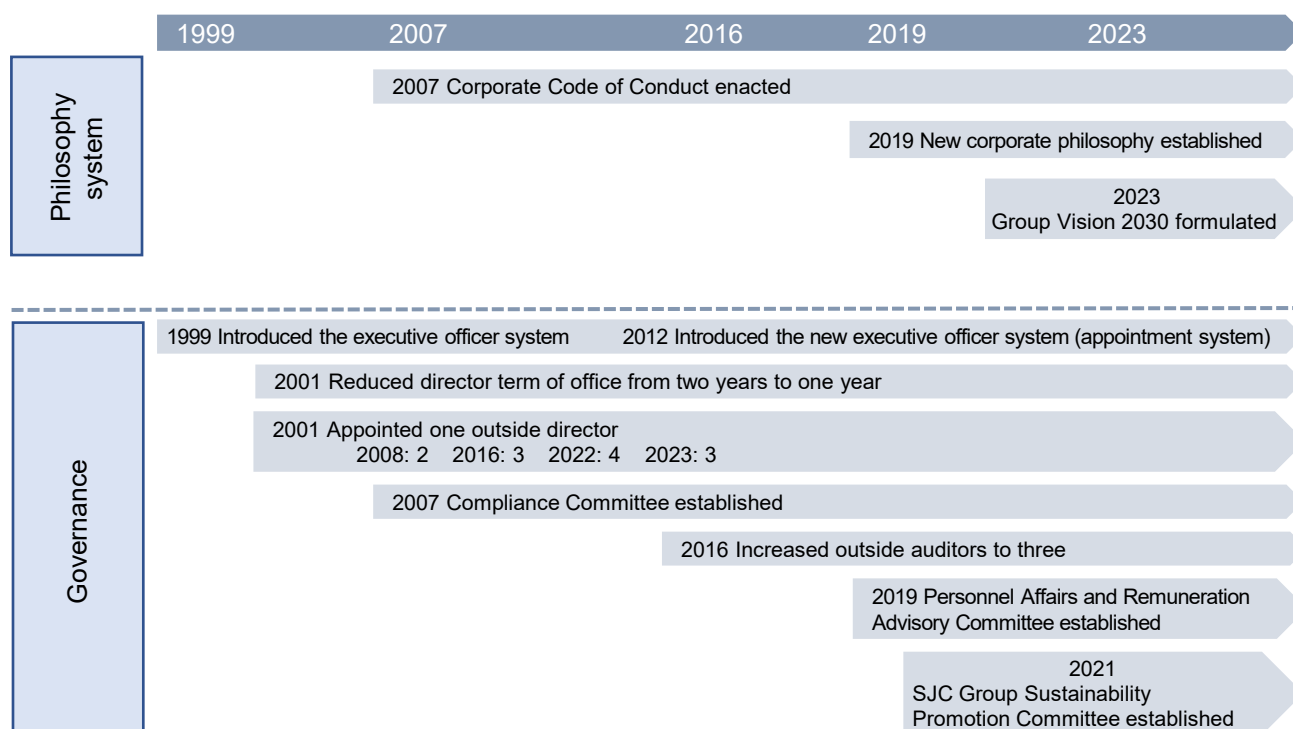
Presidents' Meeting of Subsidiaries and Affiliates

In principle, the meeting is held twice a year and consists of the Company's full-time directors, full-time auditors, and presidents of main Group companies. The meeting deliberates on the business execution of group companies to ensure management decisions are made appropriately.

Accounting Auditor

The accounting auditor provides regular explanations of the account audits to the auditors and exchanges information, as well as conducts auditing of business offices under the mandate of the auditors to enhance auditing in cooperation and coordination with the auditors.

Changes in Initiatives to Strengthen Corporate Governance



Officers

■ Directors

**President and Representative Director, Chief Executive Officer
Hiroshi Baba**

Career summary
 April 1987 Joined the Company
 June 2009 Director of the Company
 April 2022 President and Representative Director,
 Chief Executive Officer of the Company

**Outside Director
Toshitaka Miyata**

Career summary
 June 2022 Director of the Company

**Outside Director
Hiroshi Takano**

Career summary
 June 2018 Director of the Company

**Outside Director
Satoko Ito**

Career summary
 June 2019 Director of the Company

**Director, Senior Managing Executive Officer
Yutaka Shibamura**

Career summary
 April 1982 Joined the Company
 June 2012 Director of the Company
 April 2023 Senior Managing Executive Officer of
 the Company

**Director, Managing Executive Officer
Katsuyoshi Sasaki**

Career summary
 April 1991 Joined the Company
 June 2019 Director of the Company
 April 2021 Managing Executive Officer of the
 Company

**Executive Officer
Tomoyuki Kikuchi**

Career summary
 April 1990 Joined the Company
 April 2014 Executive Officer of the Company
 June 2023 Director of the Company

**Executive Officer
Nagaaki Miyoshi**

Career summary
 April 1991 Joined the Company
 April 2018 Executive Officer of the Company
 June 2023 Director of the Company

■ Auditors

**Full-time Auditor
Yoshimasa Inaba**

Career summary
 April 1979 Joined the Company
 June 2020 Auditor of the Company

**Full-time Auditor
Akihito Tada**

Career summary
 April 1987 Joined the Company
 June 2021 Auditor of the Company

**Auditor (Outside)
Hiroyuki Taketomo**

Career summary
 June 2021 Auditor of the Company

**Auditor (Outside)
Tsuchikazu Oonaka**

Career summary
 June 2016 Auditor of the Company

**Auditor (Outside)
Akira Tsujiuchi**

Career summary
 June 2020 Auditor of the Company

Skills Matrix for Directors and Auditors

The Company believes that to facilitate prompt decision-making regarding management, it is appropriate for the Board of Directors to be composed of a small number of members. In appointing directors, we identified the skills required to constitute the Board of Directors in light of the Group's corporate philosophy and management strategy, under the belief that the balance of knowledge, experience, and abilities of the Board of Directors as a whole and the diversity of its values, will contribute to the sustainable enhancement of the Company's corporate value.

Name	Knowledge, experience, and skills particularly expected							
	Corporate management	Business strategy, sales and marketing	Manufacturing, technology, R&D	Environment and society	Internationality	Finance and accounting	Personnel, labor and human resources development	Compliance and risk management
[Directors]								
Hiroshi Baba	✓	✓	✓	✓			✓	✓
[Outside Director] Toshitaka Miyata	✓				✓			✓
[Outside Director] Hiroshi Takano	✓	✓			✓			
[Outside Director] Satoko Ito		✓		✓	✓		✓	
Yutaka Shibamura		✓	✓					
Katsuyoshi Sasaki			✓	✓				
Tomoyuki Kikuchi	✓	✓				✓		✓
Nagaaki Miyoshi	✓		✓		✓			
[Auditors]								
Yoshimasa Inaba	✓	✓						
Akihito Tada						✓	✓	✓
[Outside Auditor] Hiroyuki Taketomo	✓						✓	✓
[Outside Auditor] Tsuchikazu Oonaka							✓	✓
[Outside Auditor] Akira Tsujiuchi						✓		✓

Expected Roles of Outside Officers

The Company expects its outside officers to play a key role in its corporate governance by providing valuable insights into the management of the Company based on their extensive knowledge and experience, and to ensure the legality of decision-making from a neutral standpoint and fulfill a supervisory function in management.

Name	Expected roles of outside officers
[Directors]	
Toshitaka Miyata	Toshitaka Miyata held important posts over many years at the Ministry of Land, Infrastructure, Transport and Tourism. He has broad insights into the development of social infrastructure and transport policy, and he has experience as President and Representative Director of Metropolitan Expressway Co., Ltd. We expect that he will be able to offer valuable advice concerning the Company's management based on his extensive management experience.
Hiroshi Takano	Hiroshi Takano has served as Senior Managing Director of Toyota Tsusho Corporation as well as President and CEO of Toyotsu Logistics Service Co., Ltd. We expect that he will be able to offer valuable advice concerning the management of the Company based on his extensive management experience.
Satoko Ito	Satoko Ito has worked as a newscaster on news programs, held seminars and lectures for managers, and teaches at a university. In addition, she has deep knowledge in the fields of environment and energy and has served as a committee member of related governmental agencies and organizations. Based on her experience and knowledge, we expect that she will be able to offer valuable advice concerning the management of the Company.
[Auditors]	
Hiroyuki Taketomo	Hiroyuki Taketomo has extensive management experience serving as a director of SEKISUI CHEMICAL CO., LTD., where he was primarily involved in human resources, legal affairs, and other administrative matters. Given this extensive experience and knowledge, we expect that he will be able to offer valuable advice concerning the corporate governance of the Company.
Tsuchikazu Oonaka	Tsuchikazu Oonaka is widely active in the legal field as a university professor and an attorney at law, and given his extensive experience and knowledge, we expect that he will be able to offer valuable advice concerning the corporate governance of the Company.
Akira Tsujiuchi	Akira Tsujiuchi has worked for Deloitte Touche Tohmatsu LLC for many years, and based on his extensive experience in auditing various companies and his advanced knowledge of finance and accounting, we expect that he will be able to offer valuable advice concerning the corporate governance of the Company.

Personnel Affairs and Remuneration Advisory Committee

To strengthen the Company's corporate governance and further improve management objectivity, we have established a voluntary Personnel Affairs and Remuneration Advisory Committee as an advisory body for the Board of Directors.

Chaired by an independent outside director to enhance transparency and objectivity, the Personnel Affairs and Remuneration Advisory Committee thoroughly evaluates and reports to the Board of Directors on personnel matters and remuneration of directors in response to inquiries from the Board of Directors.

[Chairperson]	Toshitaka Miyata (Independent Outside Director)
[Committee Members]	Hiroshi Baba (President and Representative Director, CEO), Hiroshi Takano (Independent Outside Director), Satoko Ito (Independent Outside Director), Tomoyuki Kikuchi (Internal Director)
[Observer]	Tsuchikazu Oonaka (Independent Outside Auditor)

As of June 27, 2023

Details of discussion at the Personnel Affairs and Remuneration Advisory Committee

Matters related to personnel affairs	Matters related to remuneration
1. Policy of director personnel change	1. Director remuneration policy
2. Appointment/dismissal of directors	2. Remuneration system for directors
3. Selection/dismissal of the representative director and directors with management positions	3. Remuneration of individual directors
4. Appointment/dismissal of executive officers	4. Remuneration system for executive officers
	5. Remuneration of individual executive officers

Officer Remuneration

Policy for Determining Director Remuneration and Other Compensation

To establish a remuneration system that is linked to shareholder returns and serves as an incentive to continuously enhance corporate value, a discussion was held at the Personnel Affairs and Remuneration Advisory Committee Meeting to draft a policy for determining the details of remuneration and other compensation for each individual director (the "Determination Policy"), and the Board of Directors, upon careful consideration of the Committee's report, resolved to adopt the Determination Policy.

[Basic Policy]

The Company's remuneration system for directors is linked to shareholder returns to serve as an incentive to sustainably enhance corporate value, and the basic policy upon determining the remuneration of individual directors is set appropriately based on their position, responsibilities, and other relevant factors. The remuneration for directors responsible for business execution consists of basic remuneration, bonuses, and restricted stock compensation, while the remuneration for outside directors consists only of basic remuneration, which is paid within the range of the total amount of remuneration approved at the General Meeting of Shareholders.

[Policy for Determining the Details of Individual Basic Remuneration (Monetary Remuneration)]

The basic remuneration for directors shall be determined within the remuneration limit approved at the General Meeting of Shareholders, based on monthly remuneration per their position and responsibilities, and shall be revisited as necessary in consideration of business performance, the level of other companies, social conditions, and other factors.

Officer Remuneration

(FY2022)

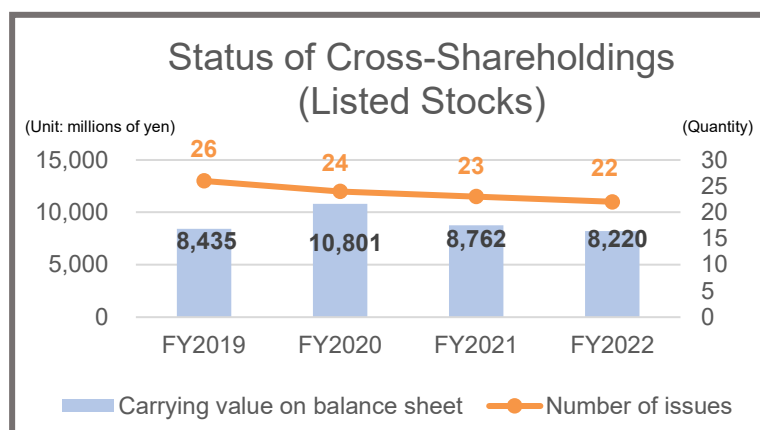
Classification	Total amount of remuneration	Total amount of remuneration by type			Number of eligible officers
		Basic remuneration	Bonus	Restricted stock compensation	
Directors	129 million yen	57 million yen	60 million yen	11 million yen	6
Auditors	18 million yen	18 million yen	—	—	2
Outside Officers	55 million yen	55 million yen	—	—	7

(*) Total amount of remuneration does not include employee salary, etc., of directors who concurrently serve as employees.

Status of Reducing Cross-Shareholdings

To ensure sustainable growth into the future, the Company recognizes that cooperative relationships with various companies are indispensable in many areas, including production, development, and sales. To this end, we will pursue a policy of holding shares in business partners only when the Company deems it beneficial and essential for creating new business fields and establishing and strengthening business relationships. The rationale for holding these assets is closely evaluated and reviewed regularly, considering the purposes for which they are held, the benefits and risks associated with holding these assets, and the cost of capital.

In FY2022, the Company sold three listed stocks (including partial sale) for a total sale value of 1,103 million yen. As a result, as of March 31, 2023, the number of listed stocks held by the Company for purposes other than pure investment stands at 22, and the amount recorded on the balance sheet is 8,220 million yen.



(Reference) Shareholder Returns

Acquisition and cancellation of treasury stock

The Company repurchased its shares in FY2022 as follows as part of its efforts to execute flexible capital policies in response to changes in the business environment while improving capital efficiency and increasing earnings per share.

[Acquisition of treasury stock]	Number of shares	Total value (yen)
Status of resolutions at the Board of Directors meeting (April 28, 2022)	1,000,000 (Maximum quantity)	2,100,000,000 (Maximum value)
Treasury stock acquired	810,000	1,409,590,000
Acquisition implementation (%)	81.0	67.1

In FY2023, the Company also repurchased and canceled treasury stock as follows.

(As of September 30, 2023)

[Acquisition of treasury stock]	Number of shares	Total value (yen)
Status of resolutions at the Board of Directors meeting (July 31, 2023)	8,500,000 (Maximum quantity)	20,400,000,000 (Maximum value)
Treasury stock acquired	7,500,000	16,740,000,000
Acquisition implementation (%)	88.2	82.1
[Cancellation of treasury stock]	Number of shares	Total value (yen)
Canceled shares (May 25, 2023)	2,000,000	—
Canceled shares (September 15, 2023)	8,000,000	—

SJC Group Sustainability Report 2023
(Excerpt version)

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