May 22, 2020

Press Release

SEKISUI CHEMICAL CO., LTD.

SEKISUI CHEMICAL Group's New Medium-term Management Plan "Drive 2022"

SEKISUI CHEMICAL CO., LTD. (Head Office: Osaka City; President and Representative Director: Keita Kato; hereinafter, "SEKISUI CHEMICAL") has formulated its new medium-term management plan "Drive 2022" as given below. As the first step in the SEKISUI CHEMICAL Group Long-term Vision "Vision 2030," the plan seeks to enhance the SEKISUI CHEMICAL Group's business base and accelerate preparations for the next stage of growth through full-scale ESG management. The plan covers all companies under the SEKISUI CHEMICAL Group and will be implemented over the three-year period from fiscal 2020 to fiscal 2022.

■SEKISUI CHEMICAL Group Medium-term Management Plan "Drive 2022"

1. Overview of Drive 2022

Policy	Drive sustainable growth, reform, and preparation toward realization of Vision 2030
Basic Strategy	◆Promote ESG management and build a corporate system that allows sustainable enhancement of corporate value ◆Undertake the "Three **Drives**" as the first step of the long-term vision "Existing Business **Drive**" (1) Business growth & reform "New Business **Drive**" (2) Create & acquire new business for long term growth "Business Base **Drive**" (3) Strengthen ESG management base ◆Accelerated by Fusion & Digital transformation
Target	Fiscal 2022 Net sales: ¥1,220 billion Operating income: ¥110 billion ROIC: 8.6% ROE: 10.6%

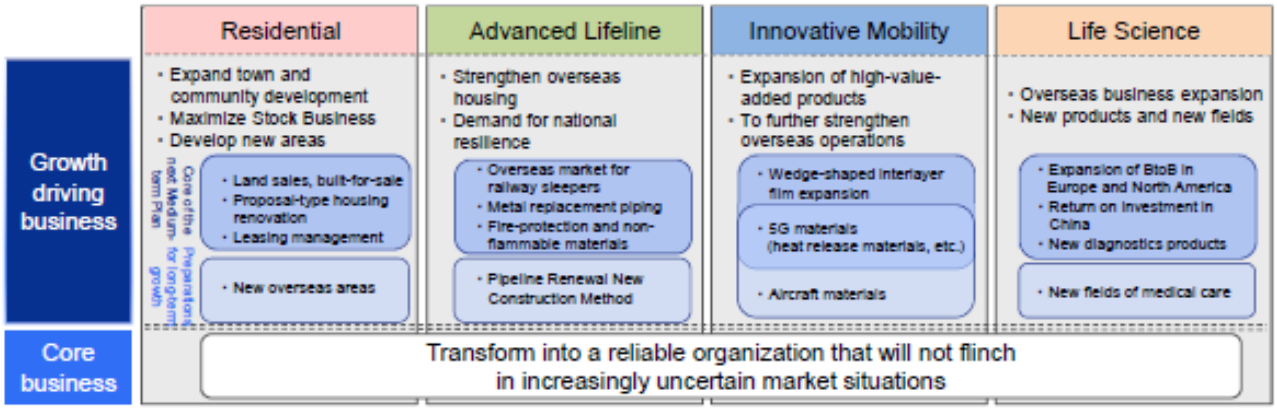


2. Basic Strategy Details

1) Business growth & reform—Existing Business Drive

◆Growth strategy

The SEKISUI CHEMICAL Group aims to increase group-wide net sales by approximately 90 billion yen compared to fiscal 2019. Investment for growth of each domain centered overseas will be expanded in hope of securing early returns. The core business centered in Japan will be transformed to steadily deliver profits even under an uncertain environment.



◆Structural reform

The SEKISUI CHEMICAL Group aims to ensure profitability that achieves 10% group-wide operating income ratio. It will continuously undertake manufacturing innovation—such as cost innovation across the entire supply chain—as well as structural reform of products and businesses with low profitability.

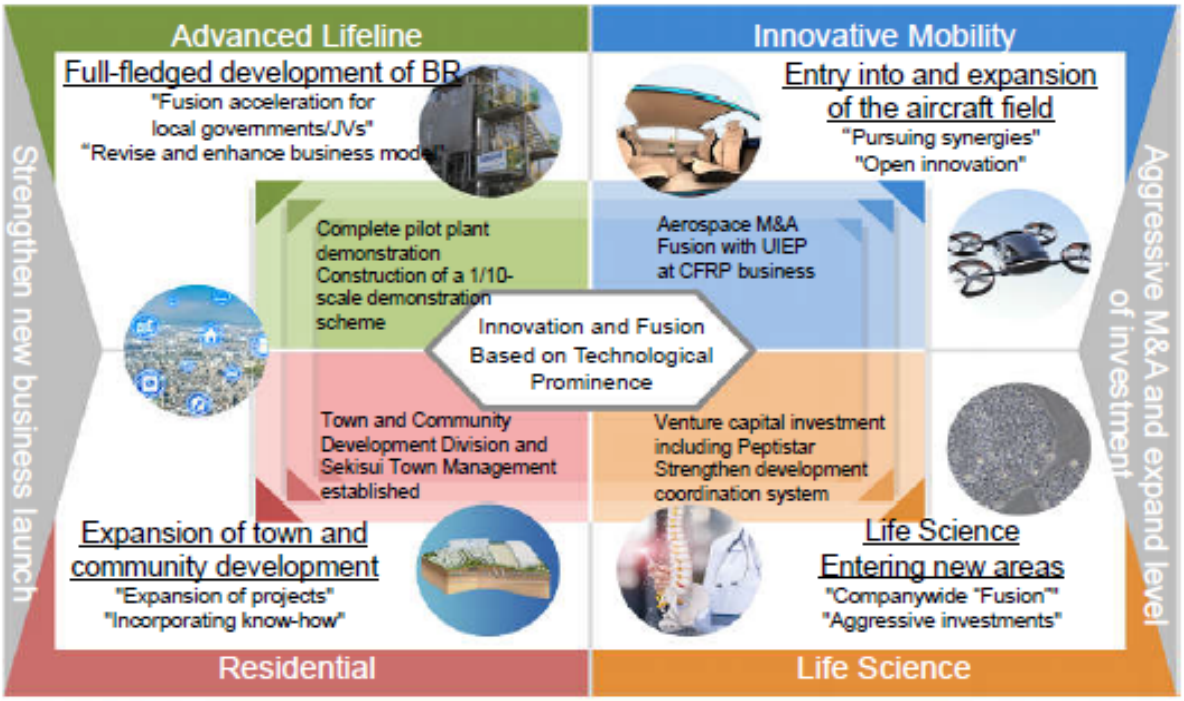
◆Digital transformation

The SEKISUI CHEMICAL Group will support the growth strategy and structural reform by strengthening the promotion system—such as by establishing the Digital Transformation Department—as well as through proactive investments.

2) Create & acquire new business for long term growth— New Business Drive

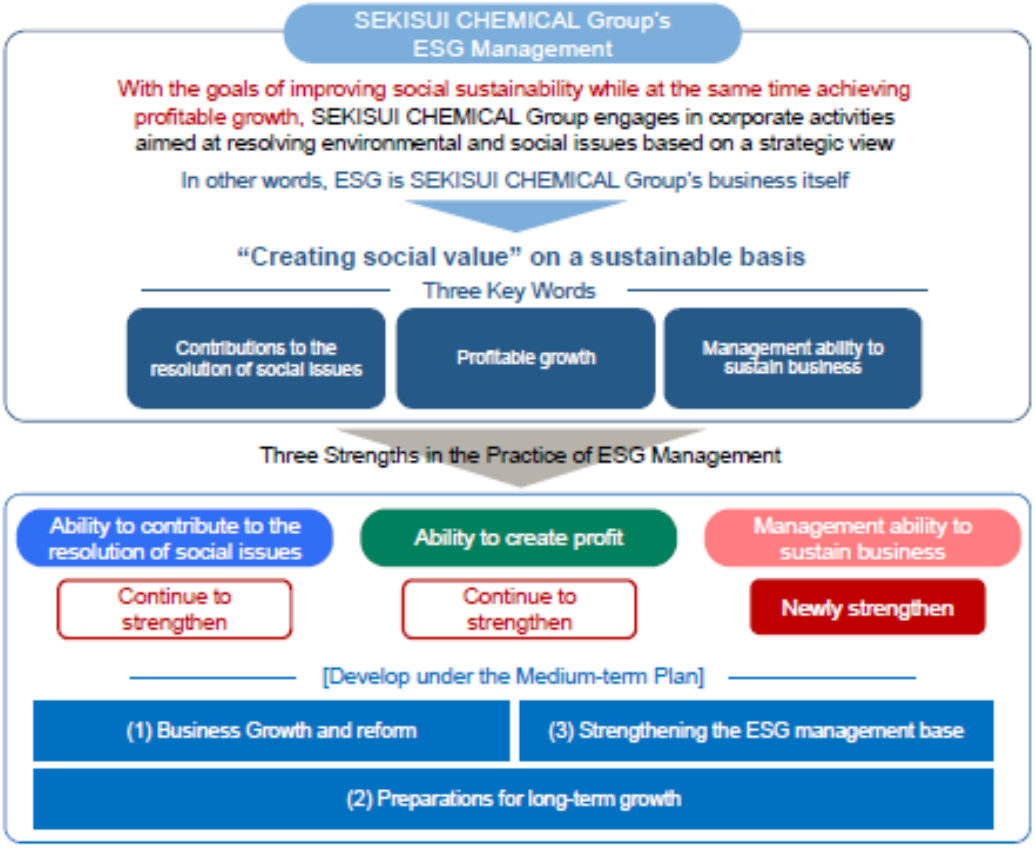
The SEKISUI CHEMICAL Group will promote innovation and fusion based on technological prominence. The creation and obtaining of new business bases in each domain will be sought by strengthening new business launches, aggressive M&A, and expanding the level of investment.

In the residential domain, the SEKISUI CHEMICAL Group will undertake expansion and deepening of project through the establishment of a town and community development division and a town management company. In the advanced lifeline domain, it will shift toward full-fledge demonstration after completing small-scale demonstration of technology that converts waste to ethanol. In the innovative mobility domain, the profitability of SEKISUI AEROSPACE CORPORATION—which was acquired for full-fledged entry into the aircraft field—will be strengthened. Synergy will be pursued within this initiative, including fusion with the thermoplastic CFRP developed by SEKISUI CHEMICAL. In the life science domain, the SEKISUI CHEMICAL Group will aim to build the next pillar of growth. Aggressive M&A will continue to be considered while fusing group-wide expertise in the undertaking this search.



3) Strengthening ESG management base—Business Base **Drive**

The SEKISUI CHEMICAL Group's ESG management—which aims to balance the improvement of social sustainability with the profitable growth of the SEKISUI CHEMICAL Group—refers to business practices (i.e. work itself) undertaken to solve environmental and social issues which are considered more strategically. Under Vision 2030, in addition to the ability to contribute to solving social issues and the ability to create profit, management capability to sustain business has been newly established to form the three driving forces for promoting ESG management, and the SEKISUI CHEMICAL Group will work on strengthening these three forces.



3. Investment and Financial Strategies

In addition to the cash obtained during the three years of Drive 2022, appropriate and agile procurement of funds will be carried out with the investment limit set as 500 billion yen. Strategic investment has been raised to 400 billion yen, which is more than twice that of the previous medium-term management plan, of which the investment limit for M&A has been set at 300 billion yen, and will be used for purposes such as technologies, know-how, and securing global sales channels.

At the same time, capital will be used with even more awareness of efficiency and turnover than before through the introduction and emphasis of ROIC. Furthermore, the ESG investment limit has been set at 40 billion yen by positioning the promotion of digital transformation (DX), work style reforms, reduction of environmental impact and other initiatives as upfront investments that contribute toward keeping capital costs down in the long term and improving corporate value.

- ◆ Strategic investment: 400 billion yen (of which 300 billion yen for M&A, etc.)
- ◆ Normal investment: 100 billion yen

  Total investment: 500 billion yen (with 40 billion yen for ESG investment set as part of strategic and normal investments)
- ◆ R&D expenses: 130 billion yen

4. Profit Distribution

The SEKISUI CHEMICAL Group will strengthen and clarify its commitment to profit distribution.

- ◆ Dividend payout ratio: 35% or higher
- ◆ DOE: 3% or higher
- ◆ Total return ratio: 50% or higher when D/E ratio is 0.5 or less
- ◆ Retirement of treasury stock: Retire newly acquired treasury stock to a level equivalent to less than 5% of the total number of shares issued and outstanding

5. Business Target Values (unit: 100 million yen)

- ◆ Group-wide

	Fiscal 2019 results	**Fiscal 2022**	Difference
Net sales	11,293	**12,200**	907
Operating income	878	**1,100**	222
Operating income ratio	7.8%	**9.0%**	1.2%
Net income	589	**700**	111
ROIC	7.7%	**8.6%**	0.9%
ROE	9.7%	**10.6%**	0.9%
Overseas sales	2,747	**3,200**	453
EBITDA	1,332	**1,700**	368

◆ By segment

Housing Company

	Fiscal 2019 results	**Fiscal 2022**
Net sales	5,129	**5,480**
Operating income	378	**440**
Operating income ratio	7.4%	**8.0%**
ROIC	19.9%	**20.8%**

Urban Infrastructure and Environmental Products Company

	Fiscal 2019 results	**Fiscal 2022**
Net sales	2,374	**2,400**
Operating income	155	**200**
Operating income ratio	6.5%	**8.3%**
ROIC	7.3%	**7.8%**

High Performance Plastics Company

	Fiscal 2019 results	**Fiscal 2022**
Net sales	3,224	**3,600**
Operating income	372	**480**
Operating income ratio	11.5%	**13.3%**
ROIC	9.1%	**10.5%**

Medical

	Fiscal 2019 results	**Fiscal 2022**
Net sales	726	**850**
Operating income	92	**125**
Operating income ratio	12.7%	**14.7%**
ROIC	8.4%	**10.2%**