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Summary of Consolidated Financial Results for the Second Quarter of Fiscal Year 2022 Ending March 31, 2023 <Under Japanese GAAP>

October 31, 2022

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 Stock Listings: Tokyo Stock Exchange
 Code Number: 4228
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 Scheduled date for submission of quarterly financial statement: December 2, 2022
 Scheduled date for payment of dividends: Yes
 Quarterly earnings supplementary explanatory documents: Yes
 Quarterly earnings results briefing: Yes (For securities analysts, institutional investor fund managers)

(Figures rounded down to the nearest million yen)

1. Consolidated Business Results for the First Half (April 1, 2022 to September 30, 2022)

(1) Consolidated Business Results (% figures represent changes from the same period of the previous year.)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1st Half of FY 2022	60,917	2.5	(312)	-	73	(90.2)	(345)	-
1st Half of FY 2021	59,419	-	653	77.3	750	145.1	336	143.0

Note. Comprehensive Income: 1st Half of FY2022: 1,125 million yen [- %] 1st Half of FY2021: (722) million yen [- %]

	Net Income Attributable to Owners of the Parent per Share	Net Income Attributable to Owners of the Parent per Share (Diluted)
	yen	yen
1st Half of FY 2022	(7.65)	-
1st Half of FY 2021	7.46	-

Note. The Company have applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020) and related implementation guidance from the beginning of the first quarter of the previous fiscal year. The percentage change in net sales for the six months ended September 30, 2021, which were affected by this change, is not shown.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity to Total Assets
	Millions of yen	Millions of yen	%
2nd Q of FY 2022	148,809	59,082	39.2
FY 2021	143,308	58,242	40.1

Reference: Equity: 2nd Q of FY2022: 58,340 million yen FY2021: 57,525 million yen

Equity: Shareholders' Equity including Accumulated Other Comprehensive Income

2. Dividend Status

(Date of Record)	Dividend per Share				
	At the end of 1st Q	At the end of 2nd Q	At the end of 3rd Q	Year-end	Full year
	yen	yen	yen	yen	yen
FY 2021	-	5.00	-	7.00	12.00
FY 2022	-	3.00	-	-	-
FY 2022 (outlook)	-	-	-	9.00	12.00

Note. Recent revision of dividend estimates: No

3. Consolidated Outlook for FY2022 (April 1, 2022 to March 31, 2023)

(% figures represent changes from the same period of the previous year.)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent		Net Income Attributable to Owners of the Parent per Share	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen	
Full Year	125,000	6.3	950	(35.1)	1,080	(23.0)	100	-	2.21	

Note. Recent revision of consolidated earnings estimates: No

Note:

- (1) Significant change of subsidiary companies during the term
(Change of specified subsidiaries that affected the scope of consolidated reporting): No
- (2) Application of special methods for quarterly consolidated financial statements: No
- (3) Changes to the accounting policy, changes or restatements of the accounting estimates
- a) Changes caused by revisions to accounting principles: No
 - b) Changes other than a) : No
 - c) Amendments to accounting estimates : No
 - d) Restatements : No
- (4) Number of shares outstanding (common stock)
- a) Number of shares outstanding at the end of term (including treasury stock):

2nd Q of FY2022	46,988,109 shares
FY2021	46,988,109 shares
 - b) Treasury stock at the end of term:

2nd Q of FY2022	1,712,841 shares
FY2021	1,794,266 shares
 - c) Average outstanding shares in the period (quarterly consolidated cumulative total):

1st Half of FY2022	45,228,750 shares
1st Half of FY2021	45,161,450 shares

Note: Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

Note: Proper use of financial results forecasts, and other special matters

(Cautionary statement regarding forward-looking statements)

The forward-looking statements in this document, including financial results forecasts, are based on information currently available to the Company and certain assumptions that the Company considers reasonable, and are not intended as a promise by the Company that they will be achieved. In addition, actual results may differ significantly due to various factors. Please refer to “1. Qualitative Information on Quarterly Financial Results, (3) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Information” on page 4 for the assumptions used in financial results forecasts, as well as precautionary statements regarding the use of financial results forecasts.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the six months ended September 30, 2022, despite the easing of restrictions on behavior imposed as a result of novel coronavirus infectious disease (COVID-19) and signs of recovery centered on personal consumption, the prolongation of the situation in Ukraine and rising inflationary pressure caused by soaring resource prices and logistics costs led to continued uncertainty for the global economy. In the automotive industry, shortages of semiconductors and disruption to supply chains across the world has continued to affect production activities. In the area of electronics, there has been a softening of demand for personal computers (PCs) and other products, and LCD panel manufacturers have begun to implement inventory corrections. Although the Japanese economy is showing signs of recovery toward a normalization of socio-economic activities, partly due to the spread of vaccinations and the effects of various policies, uncertainty continues to linger primarily due to soaring raw material and fuel prices, and the depreciation of the yen. In addition, responses to environmental issues, such as reductions in greenhouse gas emissions and the problem of climate change, are becoming increasingly important.

In Japan's foam plastics industry, although the increase in food container-related demand primarily for home meals and home-meal replacements is showing signs of slowing, it remains strong. Conversely, due to the impact of the continued shortage of semiconductors and logistics disruption, demand for parts, transport materials and packaging materials has not experienced a full-fledged recovery. In addition, the global rise in resource and energy prices continues to drive cost increases, which urgently need to be addressed.

Against this challenging business environment, the Group is working to establish a resilient earnings base based on ESG management in order to contribute to a sustainable society and achieve a sustainable enhancement of its corporate value, as stated in the basic policy of the three-year mid-term management plan, "Spiral-up 2024," which was launched this fiscal year. At the same time, the safety and health of our business partners and the Group's employees are our first priority, and we will take measures to avoid risks related to COVID-19 to the maximum extent possible. We have positioned "strengthening the earnings structure" as a key issue of the plan, and will work to restructure our business portfolio through selection and concentration of management resources, make drastic innovations in production and rapidly generate profits from developed products. In order to promote a shift to businesses that solve environmental and social issues, we have also positioned "expanding Sustainable Star Products through recycling-based business" and "striving to achieve carbon neutrality" as key issues, while further striving to strengthen the promotion of SKG-5R(*) activities. As a result of these efforts, our "Lithium-ion Battery: 100% Recycled EPS and Minimized Storage," which uses ESLEN Beads RNW ERS characterized by 100% recycled raw materials, was awarded the "Japan Star Prize" in the 2022 Japan Packaging Contest organized by the Japan Packaging Institute. In relation to "reinforcing our management foundations," we have identified what constitutes materiality for the Group, and are working to thoroughly implement PDCA management.

In terms of profits, we responded to multiple negative impacts such as those of the global supply chain disruption resulting from lockdowns in Shanghai, China and other locations, the fire at Sekisui Kasei Oita Co., Ltd., and soaring prices for raw materials and fuel by passing higher inputs on to selling prices, and working to reduce costs and cut fixed expenses, but we were unable to completely offset these negative impacts.

As a result, for the six months ended September 30, 2022, the Company posted net sales of ¥60,917 million (up 2.5% year on year), operating loss of ¥312 million was recorded (compared to an operating income of ¥653 million in the same period of the previous fiscal year), ordinary income of ¥73 million (down 90.2% year on year). After recording extraordinary income of ¥227 million derived from partial sales of investment securities, and making adjustments to income taxes, this resulted in a net loss attributable to owners of the parent of ¥345 million (compared to a net income of ¥336 million for the same period the previous fiscal year).

* "SKG-5R" refers to SKG as SEKISUI KASEI Group, and 5R as Reduce, Reuse, Recycle, Replace, and Re-create.

The results for each segment are as follows.

We have defined food and housing/energy in the Human Life segment, and mobility, electronics, and medical/healthcare in the Industry segment, as key issue fields. We will work to restructure our business portfolio with the aim of “strengthening the earnings structure,” as stated in the mid-term plan.

<Human Life Segment>

Net sales in the Human Life segment reached ¥25,644 million (up 7.8% year on year), with a segment profit of ¥667 million (down 56.9% year on year).

The Food field declined slightly overall year on year. Food container demand related to home meals and home-meal replacements declined slightly, but flows of people are gradually returning, and we have seen signs of a recovery in lunchboxes and other products related to tourist and restaurant demand. In agricultural applications, earlier timing of harvests and other factors resulted in higher demand and shipments rose year on year, but fishery remained weak due to the trend towards declining catches.

In the Housing/Energy field, civil engineering was weak due to delays in the progress of construction projects, but construction materials performed strongly.

Although demand related to take-out containers remained strong, there were signs of a slowdown in fresh food trays used in supermarkets and elsewhere, which together with a fall in instant noodle-related demand resulted in a year-on-year decline in sales volume of ESLEN Sheets (foamed polystyrene sheets), our mainstay product. Sales volume of ESLEN Beads (expandable polystyrene beads) recorded a year-on-year decline overall, with beads for cushions and other life goods showing a slowing of the demand growth of the previous year, and weakness being seen in fishery-related demand.

In response to repeated sharp increases in the price of raw materials, fuel, and secondary resources, we worked to reduce costs and fixed expenses and also passed higher inputs on to selling prices. However, delays in addressing soaring prices in the first quarter, costs incurred as a result of transferring products from other factories following the fire at Sekisui Kasei Oita in April, and other factors put pressure on margins, and profits declined.

<Industry Segment>

Net sales in the Industry segment reached ¥35,273 million (down 1.0% year on year), with a segment loss of ¥342 million, compared to a loss of ¥563 million for the same quarter of the previous fiscal year.

In the Mobility field, demand for PIOCELAN (polystyrene/polyolefin hybrid resin foam) for automotive component applications were sluggish due to the impact of automakers’ production cutbacks in response to shortages of parts, including semiconductors in countries around the world, and lockdowns in various parts of China, despite continued growth in component packaging material applications. In Europe, the Proseat Group worked on improvements such as reductions in fixed costs and consolidation of production, but orders from European automobile manufacturers stagnated due to shortages of semiconductors and other parts, and as a result of the situation in Ukraine, while the impact of significant increases in energy costs continued to depress earnings.

In the Electronics field, demand for TECHPOLYMER (organic polymer particles) used in light diffusion applications for LCD panels, etc. was initially strong, but began to weaken slightly in the second quarter. Due to the impact of the prolonged lockdowns and inventory corrections for LCD panels mentioned above, demand for panel transport materials and packaging materials using PIOCELAN in China, Taiwan and elsewhere was weak.

In the Medical/Healthcare field, ELASTIL (thermoplastic elastomer foam) performed well due to the expansion of

demand from midsoles for running shoes to other types of shoe. Sales of ST-gel (functional high-polymer gel) for applications such as medical electrodes remained strong.

In terms of profits, although we took steps to improve productivity and cut fixed expenses, and worked to pass soaring prices for raw materials and fuel on to selling prices, the time lag between being affected by higher costs and passing them on to customers resulted in a loss.

In terms of profits, we have worked on productivity improvements and fixed cost reductions. In response to soaring raw material and fuel prices, we have also proceeded to shift such costs to product prices. However, there were delays in this process on a global basis, which resulted in a loss.

(2) Explanation of Financial Position

At the end of the second quarter under review, total assets had increased by ¥5,501 million to ¥148,809 million. In assets, increases in notes receivable and accounts receivable resulted in current assets rising by ¥3,843 million. Non-current assets also increased, by ¥1,657 million, due mainly to a decrease in the valuation of investments in securities. In liabilities, current liabilities rose by ¥2,077 million as a result of increases in notes and accounts payable -trade and other items. In addition, mainly as a result of an increase in long-term loans, long-term liabilities increased by ¥2,584 million. Net assets rose by ¥839 million to ¥59,082 million, due mainly to increases in items such as net unrealized holding gain on securities. As a result, the equity ratio was 39.2%.

As for cash flows for the six months ended September 30, 2022, cash flows from operating activities saw proceeds decrease by ¥586 million year on year, resulting in ¥352 million in net cash provided by operating activities, due mainly to the decline in income before income taxes. Due in part to the decline in capital expenditures and to proceeds from sales of investments in securities, cash outflows associated with investing activities decreased by ¥635 million year on year, resulting in ¥660 million in net cash used in investing activities. Due to repayment of long-term loans and other factors, net cash provided by financing activities decreased by ¥1,668 million year on year, to ¥127 million. As a result, the balance of cash and cash equivalents as of September 30, 2022 decreased by ¥68 million from the end of the previous fiscal year to ¥10,434 million.

(3) Explanation of Interim Dividend

The Company has traditionally considered the return of profits to shareholders an important management issue. Operating conditions in the first half were difficult, but with the emphasis on a stable dividend we will pay an interim dividend of 3 yen per share, in line with the initial announcement.

(4) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Information

Consolidated earnings forecasts for the full year of the fiscal year ending March 31, 2023 are unchanged from the assumptions and figures announced on August 2, 2022.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	10,510	10,442
Notes and accounts receivable - trade, and contract assets	28,993	29,747
Electronically recorded monetary claims - operating	6,526	7,097
Merchandise and finished goods	8,633	9,161
Work in process goods	1,785	2,088
Raw materials and supplies	4,756	5,278
Other current assets	2,617	3,829
Less allowance for doubtful accounts	(52)	(30)
Total current assets	63,771	67,615
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	15,448	15,275
Machinery, equipment and vehicles, net	13,737	13,425
Land	21,413	21,522
Other, net	5,053	5,136
Total property, plant and equipment	55,652	55,358
Intangible assets		
Other intangible assets	1,131	1,346
Total intangible assets	1,131	1,346
Investments and other assets		
Investments in securities	14,849	16,259
Assets for retirement benefits	6,155	6,270
Other assets	1,796	2,006
Less allowance for doubtful accounts	(47)	(47)
Total investments and other assets	22,752	24,489
Total non-current assets	79,536	81,194
Total assets	143,308	148,809

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,065	17,542
Electronically recorded obligations - operating	9,145	8,950
Short-term loans	16,252	16,184
Accrued income taxes	767	699
Provision for bonuses to employees	1,046	984
Provision for bonuses to directors and audit and supervisory board members	6	32
Provision for loss on business withdrawal of a subsidiary	446	77
Other current liabilities	6,985	8,322
Total current liabilities	50,715	52,793
Long-term liabilities		
Bond	7,000	7,000
Long-term loans	13,863	15,771
Liabilities for retirement benefits	3,608	3,712
Provision for product warranty	108	96
Other long-term liabilities	9,769	10,353
Total long-term liabilities	34,349	36,934
Total liabilities	85,065	89,727
Net assets		
Shareholders' equity		
Common stock	16,533	16,533
Capital surplus	16,503	16,445
Retained earnings	16,602	15,940
Treasury stock	(1,448)	(1,382)
Total shareholders' equity	48,190	47,537
Accumulated other comprehensive income		
Net unrealized holding gain on securities	7,442	8,553
Surplus arising from land revaluation	1,479	1,479
Translation adjustments	745	1,150
Retirement benefits liability adjustments	(332)	(379)
Total accumulated other comprehensive income	9,334	10,803
Non-controlling interests	717	741
Total net assets	58,242	59,082
Total liabilities and net assets	143,308	148,809

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

First Half, Fiscal Year 2022

(Millions of yen)

	First Half, FY2021 (From April 1, 2021 to September 30, 2021)	First Half, FY2022 (From April 1, 2022 to September 30, 2022)
Net sales	59,419	60,917
Cost of sales	47,072	49,441
Gross profit	12,347	11,475
Selling, general and administrative expenses	11,693	11,788
Operating income (loss)	653	(312)
Non-operating income		
Interest income	6	9
Dividend income	185	204
Foreign exchange gains	69	411
Subsidy income	23	22
Other non-operating income	241	98
Total non-operating income	527	746
Non-operating expenses		
Interest expense	200	225
Loss on sales or disposal of equipment	108	14
Other non-operating expenses	120	121
Total non-operating expenses	430	360
Ordinary income	750	73
Extraordinary income		
Gain on sales of investments in securities	405	227
Total extraordinary income	405	227
Net income before income taxes	1,155	301
Income taxes	817	644
Net income (loss)	338	(343)
Net income attributable to non-controlling interests	1	2
Net income (loss) attributable to owners of the parent	336	(345)

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	First Half, FY2021 (From April 1,2021 to September 30, 2021)	First Half, FY2022 (From April 1,2022 to September 30, 2022)
Net income (loss)	338	(343)
Other comprehensive (loss) income		
Net unrealized holding gain on securities	(1,166)	1,110
Translation adjustments	320	405
Retirement benefits liability adjustments	(215)	(46)
Total other comprehensive (loss) income	(1,061)	1,468
Comprehensive income	(722)	1,125
Comprehensive income attributable to:		
Owners of parent	(724)	1,123
Non-controlling interests	1	2

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	First Half, FY2021 (From April 1, 2021 to September 30, 2021)	First Half, FY2022 (From April 1, 2022 to September 30, 2022)
Cash flows from operating activities		
Net income (loss) before income taxes	1,155	301
Depreciation and amortization	3,141	2,800
Amortization of goodwill	88	-
Decrease in allowance for doubtful accounts	(4)	(24)
Interest and dividend income	(192)	(213)
Interest expense	200	225
Decrease in provision for bonuses to employees	(26)	(63)
Decrease in provision for product warranty	(18)	(11)
Changes in assets and liabilities for retirement benefits, net	(483)	(106)
(Gain) loss on sales of investments in securities	(405)	(227)
Loss on sales or disposal of equipment, net	107	12
Subsidy income	(23)	(22)
(Increase) decrease in notes and accounts receivable	(970)	(543)
Increase in inventories	(1,568)	(872)
Increase (decrease) in notes and accounts payable	1,941	714
Other, net	(990)	(1,138)
Subtotal	1,949	828
Interest and dividends received	191	213
Interest paid	(198)	(214)
Proceeds from casualty insurance claims	141	122
Proceeds from subsidy income	23	22
Income taxes	(1,169)	(618)
Net cash used in operating activities	939	(352)
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,838)	(1,141)
Proceeds from sales of property, plant and equipment	23	65
Purchases of investments in securities	(2)	(2)
Proceeds from sales of investments in securities	485	425
Increase in short-term and long-term loans receivable	(7)	(1)
Collection of short-term and long-term loans receivable	9	0
Other, net	33	(6)
Net cash used in investing activities	(1,296)	(660)
Cash flows from financing activities		
Net increase in short-term loans	6,044	511
Proceeds from long-term loans	-	5,307
Repayment of long-term loans	(2,965)	(4,904)
Dividends paid	(767)	(316)
Dividends paid to non-controlling shareholders	(2)	(1)
Other, net	(512)	(468)
Net cash (used in) provided by financing activities	(1,796)	127
Effect of exchange rate changes on cash and cash equivalents	75	112
Net (decrease) increase in cash and cash equivalents	1,514	(68)
Cash and cash equivalents at the beginning of the period	12,498	10,503
Cash and cash equivalents at the end of the period	14,012	10,434

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Segment information, etc.)

(Segment information)

I. First Half, Fiscal Year 2022 (from April 1, 2021 to September 30, 2021)

1. Information on net sales and income (loss) by reportable segment, and information on disaggregation of revenue

	Reportable segments			Adjustments (Note 1)	(Millions of yen)
	Human Life	Industry	Total		Amounts recorded in the Quarterly Consolidated Statements of Income (Note 2)
Net sales					
Japan	23,720	10,668	34,388	-	34,388
Europe	-	16,820	16,820	-	16,820
Asia	73	6,953	7,027	-	7,027
Other	0	1,182	1,183	-	1,183
Revenue from contracts with customers	23,794	35,624	59,419	-	59,419
Other revenue	-	-	-	-	-
Net sales to third parties	23,794	35,624	59,419	-	59,419
Inter-segment net sales or transfers	285	61	346	(346)	-
Total	24,080	35,686	59,766	(346)	59,419
Segment income (loss)	1,548	(563)	985	(235)	750

Notes: 1. Adjustments were as follows:

Adjustments for segment income (loss) of ¥(235) million consisted of inter-segment eliminations of ¥0 million and company-wide expenses not allocated to reportable segments of ¥(235) million.

2. Segment income (loss) was adjusted for ordinary income in the Quarterly Consolidated Statements of Income.

3. Major products in each segment

- Human Life Segment:

ESLEN Beads, ESLEN Sheet, ESLEN Wood, INTERFOAM, other foamed/molded products, ES Dan Mat, ESLEN Block, etc.

- Industry Segment:

PIOCELAN, LIGHTLON, NEOMICROLEN, CELPET, TECHPOLYMER, ST-gel, TECHEATER, ELASTIL, FOAMAC, ST-LAYER, ST-Eleveat, other foamed/molded products, etc.

II. For Half, Fiscal Year 2022 (from April 1, 2022 to September 30, 2022)

1. Information on net sales and income (loss) by reportable segment, and information on disaggregation of revenue

	Reportable segments			Adjustments (Note 1)	(Millions of yen) Amounts recorded in the Quarterly Consolidated Statements of Income (Note 2)
	Human Life	Industry	Total		
Net sales					
Japan	25,567	10,546	36,113	-	36,113
Europe	-	16,014	16,014	-	16,014
Asia	77	6,929	7,006	-	7,006
Other	-	1,783	1,783	-	1,783
Revenue from contracts with customers	25,644	35,273	60,917	-	60,917
Other revenue	-	-	-	-	-
Net sales to third parties	25,644	35,273	60,917	-	60,917
Inter-segment net sales or transfers	286	74	360	(360)	-
Total	25,930	35,347	61,278	(360)	60,917
Segment income (loss)	667	(342)	325	(251)	73

Notes: 1. Adjustments were as follows:

Adjustments for segment income (loss) of ¥ (251) million consisted of inter-segment eliminations of ¥(1) million and company-wide expenses not allocated to reportable segments of ¥ (250) million.

2. Segment income (loss) was adjusted for ordinary loss in the Quarterly Consolidated Statements of Income.

3. Major products in each segment

- Human Life Segment:

ESLEN Beads, ESLEN Sheet, ESLEN Wood, INTERFOAM, other foamed/molded products, ES Dan Mat, ESLEN Block, etc.

- Industry Segment:

PIOCELAN, LIGHTLON, NEOMICROLEN, CELPET, TECHPOLYMER, ST-gel, TECHEATER, ELASTIL, FOAMAC, ST-LAYER, ST-Eleveat, other foamed/molded products, etc.