

SEKISUIKASEI

Our Planet. Our Tomorrow.

Integrated Report

2023



Return to Origin

In October 2009 we formulated SEKISUI KASEI Group's 100th Year Vision. Six years later, in October 2015, we revised some of its content to reflect changes in the operating environment.

We are currently living in an era of uncertainty, where significant modifications are taking place simultaneously in multiple domains at a rapid rate.

For this very reason, we had once again returned to origin to engage in discussions that take us back to our Founding spirit and Group culture as part of the process of revising our 100th Year Vision.

Our Planet. Our Tomorrow.



In Publishing Integrated Report 2023

We are deeply grateful to all stakeholders for their valuable opinions regarding our Integrated Report.

As a leading company in the foamed plastics industry, SEKISUI KASEI Group offers a wide variety of products and services that support people's daily lives. From our Industry segment that supports the electronics, mobility, and medical/healthcare fields, to our Human Life segment, which supports the food, housing, and energy fields, we contribute to the creation of solutions for society by leveraging the material development and molding technologies honed since our founding and by practicing our Group culture of “Zen-in Keiei.”

In FY2022, COVID-19 control measures and lockdowns were eased worldwide, paving the way for the resumption of economic activity. On the other hand, inflationary pressures remain due chiefly to the prolonged crisis in Ukraine and soaring energy prices, and it is evident that we have entered an era of considerable uncertainty, characterized by significant changes that are occurring faster than ever before. It is precisely because of these times of uncertainty that we feel we need to go back to basics, which is why we have partially revised SEKISUI KASEI Group's 100th Year Vision and established the “Target 2030” as our business direction.

Our Integrated Report serves as a means to communicate how we are working to improve corporate value, and as a management matter, it is produced with the involvement of the entire organization. We will continue to value dialogue with all stakeholders in an effort to reflect their requests and feedback in order to improve the production of future reports. We therefore warmly welcome the honest opinions of all readers.



Katsumi Sasaki

Publication Officer
Director and Senior Managing Executive Officer
Head of Corporate Strategic Headquarters,
In charge of Administration Headquarters

Editorial Policy

For the purpose of communicating the sustainable growth potential of SEKISUI KASEI to all readers, this report presents company information, including from an ESG perspective, with a focus on medium- to long-term value creation.

Scope of the Report

Applicable Period: April 1, 2022 – March 31, 2023 (some activities from after April 2023 are also included)
Organizations Covered: SEKISUI KASEI CO., LTD. and its 39 consolidated subsidiaries (as of March 31, 2023)

Guidelines Referenced

- International Integrated Reporting Council (IIRC): International Integrated Reporting Framework
- Ministry of Economy, Trade and Industry: Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation 2.0
- Ministry of the Environment: Environmental Reporting Guidelines 2018
- ISO 26000 (guidance on social responsibility)

Cautionary Note on Forward-looking Statements

Results forecasts, plans, business strategies, awareness and assessments of facts, and other forward-looking statements concerning the Company, or the Group are assumptions that the Company's management believes to be reasonable based on currently available information. Actual outcomes may differ materially from those expressed in these forward-looking statements due to various factors. The Company undertakes no obligation to publish revised forward-looking statements to reflect new events, conditions, or circumstances.

C O N T E N T S

SEKISUI KASEI's Value Creation	5	SEKISUI KASEI Group's Principles
	7	Message from the President
	13	SEKISUI KASEI's Accomplishments
	15	Value Creation Model
	17	Earnings Model
Strategies for Value Creation	19	Materiality (Key Management Issues)
	21	Materiality and Medium- to Long-term Risks and Opportunities
	23	Our Business Direction for 2030 “Target 2030”
	25	Medium-Term Management Plan “Spiral-up 2024”
	27	Financial and Non-Financial Highlights
	29	Business Overview
	29	Industry Segment
	31	Human Life Segment
	33	Research & Development Strategy
	35	Human Resources Strategy
Foundation of Value Creation	37	DX Strategy
	39	SEKISUI KASEI's ESG
	39	Environment
	47	Social
	51	Governance
Other Information	55	Directors & Auditors
	57	Discussion between Three Outside Directors
	61	Consolidated Financial Statements
	69	Notes to Consolidated Financial Statements
	95	11 Years Summary
	97	Company Information
	97	Our Group Network
	97	Company Profile
	98	Stock Information

SEKISUI KASEI Group's Principles

We have partially revised our "Vision of 100th Year" of where we want to be in 2059, the 100th year of our founding. Our management philosophy system has been defined, and we have established Target 2030 as our business direction for the year 2030 (▶P23).

Philosophy System



Management Philosophy

We, SEKISUI KASEI, practice "Zen-in Keiei" based on respect for people and mutual trust. We are always innovating in our aim of "new happiness."

We have valued the philosophy of "respect for people and mutual trust," which are based on respect for the diversity of people and for the positions of others, and on the idea that deepening understanding forms bonds of mutual trust, and the Group culture of "Zen-in Keiei" since our foundation.

In addition, we will continue to take on the challenge of driving all kinds of innovation and working to provide new value for the global environment, society, and people's lives, so that we can bring happiness to people around the world.

Revision Points

Revised Corporate Vision

Corporate Vision

A new chemical solutions company that cares for people and the planet as it creates new value

Based on the "spirit of respect for people" that has been in our DNA since our founding, as well as the "consideration for the global environment" that we have always focused on, we take on the challenge of realizing a sustainable society by creating "new value" and "solving environmental and social issues through chemical technologies." The Corporate Vision reflects our strong determination to create a virtuous cycle of this challenge and the sustainable growth of the Group

Revised Code of Conduct

Code of Conduct

Entrepreneurship

We value high motivation, original thinking, a desire to create, a high degree of independence, and a bold attitude toward risk, in pursuit of new growth opportunities such as innovative business models and materials development.

Honesty

We not only ensure that everyone is honest, but also comply with laws and regulations, fulfill our social responsibility, and adhere to business ethics.

Harmony

We value harmony with people, harmony with society, and harmony with the environment.

Based on the existing Code of Conduct, we have revised the Code of Conduct to make it clearer and easier to understand in a single word as a new Code of Conduct to realize our management philosophy and corporate vision, with a strong awareness of the widespread understanding among our global Group employees.

Clearly defined our Founding spirit and Group culture as a basis that support the practice of our philosophy.

Founding Spirit

"For happiness of people working for the company"

The value we create makes everyone in society happy, including ourselves, our families, customers, and related parties, which leads to the "happiness of workers."

Group Culture

Zen-in Keiei

Each individual fully recognizes the goal of the entire Group and achieves goals by joining forces as a team and cooperate each other while optimizing personality and strength of individuals. Mutual Improvement will bring more success to the Group.

Message from the President

Revising SEKISUI KASEI Group's 100th Year Vision, setting “Target 2030” as our business direction towards 2030, and targeting sustainable growth over the medium- to long-term.

Masato Kashiwabara

President and Chief Executive Officer



Revise to our 100th Year Vision and set of “Target 2030”

We have partially revised SEKISUI KASEI Group's 100th Year Vision that was formulated back in 2009 as our corporate goal for the 100th year in 2059. This vision was established on the occasion of our 50th year and we revised it once in 2015 to reflect some changes in the operating environment.

The decision to revisit our vision is due to dramatic changes in the business and social environment. We believe that now is the time to reconsider the future of SEKISUI KASEI Group, given the increasing uncertainty of these times marked by the disruption and fragmentation of global supply chains caused by the prolonged and widespread impact of the COVID-19 pandemic, as well as changes in, and diversification of, people's values, often referred to as the new normal.

In discussing the revision of our vision, we made sure to involve not only the management team, but also our junior and mid-level employees. Over a project period of more than one year, the high degree of uncertainty in these times was what made

us realize that we need to return to our origins, and we also reexamined our founding spirit and Group culture.

We have defined our philosophy system. The management philosophy is at the top, followed by our corporate vision, which represents the corporate goal we want to achieve based on the management philosophy. Then we have the code of conduct, which outlines the actions to take and awareness to have in order to realize our management philosophy and corporate vision. At the bottom, we defined founding spirit and group culture “Zen-in Keiei” as the basis that supports the practice of our philosophy.

SEKISUI KASEI Group has long been committed to the conservation of resources, energy efficiency, and the recycling of resources, thereby pursuing sustainable manufacturing practices that coexist with the natural environment. In fact, we are delving deeper into this field by positioning the environment as a key point in our new corporate vision.

We want to embrace our founding spirit of valuing people and our ongoing commitment to environmental stewardship which has always been our focus, and our corporate vision reflects our aspiration of being a company that solves environmental and social issues by leveraging the unique chemical technologies of SEKISUI KASEI Group to create new value.

At the same time, as part of the journey towards our 100th year in 2059, we have established “Target 2030” as our business direction to aim for in the nearer future, specifically the year 2030.

We are currently pressing ahead with our medium-term management plan “Spiral-up 2024,” which we have positioned as the first step in achieving “Target 2030.”

Understanding of external environment

To achieve our corporate goal, I believe it is crucial not only to meet annual earnings targets, but also to engage in medium- to long-term thinking by forecasting changes in the external environment. We also understand the importance of being able to respond swiftly when unforeseen events do occur.

The COVID-19 pandemic was one such change in the external environment. When the first cases were reported, it was seen to be a localized epidemic. However, it quickly spread worldwide and made us realize how interconnected the world had become. Also, the Russian invasion of Ukraine in 2022 pushed up fuel prices and caused havoc in supply chains, which further accelerated inflation. Not just global affairs, but news of events and occurrences happening overseas, whether positive or negative, reach other countries, including Japan, instantaneously.

This, in other words, highlights the need to anticipate both potential risks and opportunities. It has made us realize the

Message from the President



growing importance of being able to respond quickly to unexpected changes.

As for environmental issues, in addition to climate change measures, concepts related to the recycling of resources are gaining traction and taking root worldwide. Various policies, strategies, and practices have been adopted by international organizations like the United Nations and at international conferences, while progress is also being made on enacting relevant legislation.

Progress on our medium-term management plan “Spiral-up 2024”

In FY2022, the first year of the plan, we recorded net sales of ¥124.7 billion, operating income of ¥0.79 billion, and net income of ¥0.45 billion. ROE remained at 0.8%, and even though net sales were in line with our initial forecasts, profits were well below plan. Accordingly, the first year of the first step towards 2030 did not yield the results we had hoped for. While we were able to pass on the higher costs of raw materials as planned, the increase in energy costs exceeded our forecasts, and we were unable to respond adequately.

In addition, there were some unforeseen developments in the semiconductor industry where an improvement in the supply-demand environment had been anticipated, and as a result, our earnings were impacted considerably. Earnings were also negatively affected by the fire at Sekisui Kasei Oita in April 2022. We have investigated the causes of the accident and taken steps to prevent a recurrence, and we are also carrying out checks at other plants to ensure that safety and quality standards are being met.

As such, the first year of “Spiral-up 2024,” our medium-term management plan, did not go so smoothly. However, we remain confident in our approach to generating stronger earnings in the

I believe that the fundamental problem with plastic in the global environment lies in their ease of use and disposal as single-use items.

Is the elimination of plastic, which supports prosperous societies and livelihoods, the fundamental solution to this problem? I believe that the proper course of action to take is to build a well-organized mechanism for recycling resources to deal with the negative aspects of plastic, like the depletion of resources and waste, while still enjoying their positive aspects, such as necessity and convenience.

In fact, expandable polystyrene (EPS) foam, which supports people's lives, has a recycling rate of over 90% in Japan, because of industry-wide efforts. This resource recycling system for EPS is robust and stands up well when compared to other materials that form the foundation of people's daily lives.

SEKISUI KASEI Group is shifting to businesses that solve environmental and social issues, and by leveraging the chemical technologies we have long honed and continuing to provide products that harness the excellent properties of plastics, I believe we can realize co-existence of “Contribution to a sustainable society” and “Sustainable enhancement of our corporate value.”

5 designated priority areas through to 2030, as well as in the competitiveness of our products in each business area.

Considering into account market forecasts for the next few years and the slower-than-expected recovery in Proseat Group earnings, we have lowered our profit targets for FY2024, the final year of the plan. Moving forward, however, we will look to strengthen our earnings capabilities and improve safety, whilst also preparing to accelerate the pace of growth when the demand environment begins to recover.



Circumstances in Proseat business

Based on FY2022 earnings and an analysis of the current external environment, we are conducting a drastic review of Proseat business.

Proseat, which mainly operates in Europe, was the business most affected by the COVID-19 pandemic, with some of its facilities suspending operations for several months at a time.

Automobile production volume also plummeted to around 70% of the pre-pandemic level. Currently, automobile production volume in Western Europe is recovering, but remains sluggish and is unlikely to return to levels seen in 2019 when we acquired Proseat business, during the period of the current medium-term management plan.

In response, we are implementing a wide range of measures. These include across-the-board improvement measures in sales, production, procurement, and labor costs, business structure reforms centering on withdrawals from low-profitability businesses and a management structure transformation, and decisive measures for each of the LWC, Trim, and Foam divisions. By boosting profitability with these measures, we are targeting a return to operating profitability in Proseat business in FY2024.

Meanwhile, we are taking steps to ensure growth for the future. The aim of Proseat business acquisition was to leverage the mutual strengths of SEKISUI KASEI Group's material development capability and Proseat Group's development proposal capability in a bid to accelerate development activities with the leading European EV manufacturers and develop light weight components (LWC) that will become the de facto standard for next-generation mobility.

Even though earnings have been stagnant primarily because of COVID-19 lockdowns, semiconductor supply shortages, and the Ukraine crisis, the development of new materials and applications in the mobility sector supported by synergies between SEKISUI KASEI Group and the Proseat Group is progressing steadily. In the automotive components business, a certain amount of time is usually required for development with automakers before sales commence, which is why it will take a bit more time for earnings to materialize, but given that some contracts have already been confirmed, I believe we will start to see concrete results in the next medium-term management plan that kicks off in FY2025.

Environmental initiatives centering on Sustainable Star Product

Since its founding, SEKISUI KASEI Group has always sought to help bring about a low-carbon and recycling-based society and has long practiced sustainable manufacturing in harmony with the natural environment, mainly by conserving energy use and recycling resources. We are currently implementing the 5Rs, which include the traditional 3Rs (Reduce, Reuse and Recycle) and the Group's own 2Rs (Replace and Re-create), as part of our SKG-5R promotion to help solve problems on a global scale.

To make social and environmental contributions through our business activities, we have set our sights on achieving the following three targets by fiscal year 2030: (1) create Sustainable Star Product and expand their business; (2) increase recycled/biomass raw material usage ratio of 50% or higher; and (3) reduce CO₂ emissions.

In terms of creating Sustainable Star Product and expanding their business, we are currently tracking ahead of the initial plan

Message from the President

after making solid progress in FY2022, with the weighting of Sustainable Star Product as a percentage of net sales reaching 17%, while the number of registered products climbed to 48. These results primarily owed to a higher production ratio for recycled products, such as ESLEN sheet.

In FY2023, we plan to expand sales of ESLEN beads and PIOCELAN, both of which are recycled products. We feel we are making steady progress towards our FY2030 targets of a 50% net sales weighting for Sustainable Star Product and 100 registered products.

With regard to the target of a recycling/biomass raw materials ratio of

50% or higher, the ratio stood at 16% in FY2022, and we are currently pushing forward with activities to increase it to 20% by FY2024.

As for reducing CO₂ emissions, we have made better-than-expected progress owing mainly to the achievement of higher production efficiency and installation of solar power generation equipment and other forms of renewable energy. This result in FY2022 translates to a 23% reduction in CO₂ emissions compared to the base year of FY2018. By continuing to make further improvements in production efficiency and adopting sources of renewable energy, we are confident of achieving our goal of a 27% reduction by FY2030.

Society—human resource initiatives

As defined in SEKISUI KASEI Group's management philosophy, we seek happiness of people working for the Company based on respect and mutual trust, and we have long focused on initiatives related to human resources as part of our approach to sustainability.

This fiscal year we established a new Human Resources Policy, and we are engaging in the practice of human capital management. More specifically, we are promoting diversity initiatives through the active participation of women and senior

employees, and the development of global management personnel, as well as health management, work-life balance, and workstyle reforms geared towards flexible ways of working. In recognition of our health management initiatives in FY2022, we were selected in the 2023 Certified Health and Productivity Management Organizations Recognition Program (Large Enterprise Category) as an organization having outstanding health and productivity management.

Digitalization initiatives

We are keenly aware that digitalization is progressing worldwide. For SEKISUI KASEI Group's R&D, we are making use of simulations for the building of Materials Informatics (MI), as well as Artificial Intelligence (AI) that incorporates machine learning. Although it was a few years ago when we launched ST-gel, we have since brought to market cosmetic masks and other products made from these materials by using AI technology to derive the formulations required.



As we go about incorporating digital technology into our R&D, we are also currently introducing IT tools to digitally transform our operations, starting with the visualization of the supply chain. Our previous activities have enabled us to digitalize data related to orders and all the processes that follow, including production, inventory, shipment, distribution, and sales. As a result, we have gained a better understanding of how one problem occurring somewhere might have a ripple effect on preceding and subsequent processes.

Up ahead, we will not only focus on how to deal with problems after they occur, but also carry out a series of operational reviews pertaining to the supply chain. This includes considering how to minimize the impact of problems when they do occur and how to prevent them from happening in the first place. At the same time, we plan to make improvements to production methods and the way employees work as part of these revisions.

During the period of the current medium-term management plan, we aim to build model cases. In the next plan, we will roll out the systems and initiatives and establish a framework for evaluation. After that, we will continue to develop them to the point that they contribute to earnings improvements by the year 2030.



Shareholder returns

SEKISUI KASEI Group regards the distribution of profits to shareholders as an important management issue. Accordingly, our basic policy is to return profits to shareholders by providing stable dividends while securing a certain level of internal reserves for growth.

Even though earnings moved into positive territory in FY2022,

profits remained well short of plan, which is why we paid an annual dividend of 12 yen per share, the same as in FY2021 when we recorded a net loss. We believe a bit more time is needed for a full-fledged earnings recovery, so for FY2023 we will most likely pay the same dividend amount as in FY2022.

To our stakeholders

In these highly uncertain times, to make our corporate goal even clearer, we have partially revised SEKISUI KASEI Group's 100th Year Vision and established the "Target 2030" business direction for 2030. Even though we managed to get our bottom line back into the black in the first year of the "Spiral-up 2024" plan, the level of profit remains extremely low.

That said, I believe we have made steady progress in laying the groundwork for future growth, including measures aimed at a radical improvement in profitability in the Proseat business, which has been a major contributor to earnings deterioration. Businesses with a connection to plastics are facing challenging conditions, or headwinds, but I believe in the future of plastics, and I think their true contributions to society have not been fully communicated.

We will do our utmost to achieve the targets in our medium-term management plan "Spiral-up 2024," mainly by actively expanding into high-value-added businesses, solving issues in the environment and society, and reinforcing our management foundation. At the same time, we hope to broadly communicate the social value of plastics and the value we can provide in this integrated report and other similar publications.

Masato Kashiwabara

President and Chief Executive Officer

SEKISUI
KASEI's
Value
Creation

SEKISUI KASEI's Accomplishments

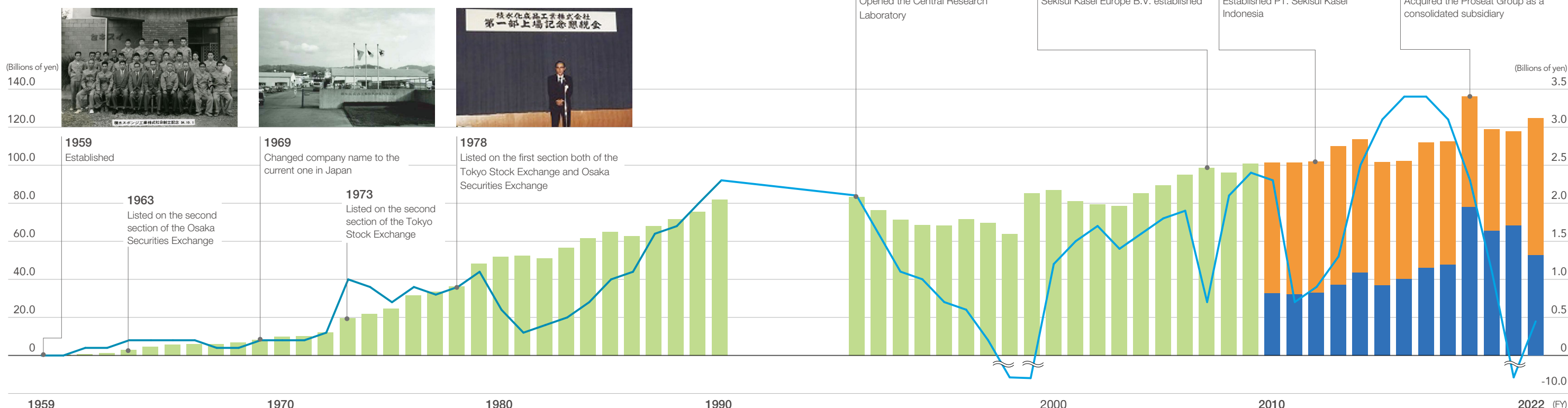
Over 60 years have passed since 1959, when we started the production and sale of Japan's first expandable polystyrene (EPS) beads made with domestic technology. As a pioneer in the foaming business, we have provided a wide variety of products and services that enrich people's lives, ranging from food packaging to cushioning, housing-related materials, and lightweight automotive components. Going forward, we will be committed to pursuing state-of-the-art technology to help solve environmental and social challenges.

Business Results

Net Sales (left) ■ Whole company (1959-2009) ■ Industry segment (2010-2022) ■ Human Life segment (2010-2022)

Net Income (right)

Note: Non-consolidated results until FY1998, consolidated results from FY1999 onward listed.



History of Challenges and Growth

1959– Foundation

Established and started the production of Japan's first EPS beads made with domestic technology

Background
Rapid Economic Growth
First Oil Crisis

In 1960, we started the production and sale of Japan's first EPS beads "ESLEN Beads" made with domestic technology. In 1962, we developed our own manufacturing method for ESLEN Sheets, an expanded polystyrene sheet product, and started the production of the sheets. By providing useful products such as fish boxes, farm produce boxes, food trays, packaging, and cushioning, we contributed to improving people's lives. Overcoming campaigns to ban EPS foam through recycling initiatives and public outreach, we were successfully listed on the first section of the Tokyo Stock Exchange in 1978.

1980– Development

Expanding production sites and business operations

Background
Steady Economic Growth
Bubble Economy

The 1980s saw the rapid expansion of the convenience store network, which led to a significant increase in demand for our products, particularly in the food field. In response, we established production sites in Nara, Ibaraki, Okayama, and other locations, and innovated our production facilities. As a new business venture, we brought to market the EDO-EPS construction system, which uses ESLEN Blocks as filling materials for housing and energy applications. Expanding our business in the medical and health fields, we started the sales of our TECHPOLYMER organic polymer microparticles, which are added to base makeup and color cosmetics.

1990– Resurgence

Restructuring business vision

Background
Collapse of the Bubble Economy

In 1992, the Japanese economy entered a recession. We have had two consecutive periods of consolidated losses since 1998. We had been pursuing business opportunities in a variety of areas but decided to implement a policy of selection and concentration. Aiming to rebuild, we worked to streamline our organization. At the same time, we not only strove to improve revenue, but also proceeded with R&D, improving our lineup of highly functional materials in the medical and health fields by releasing our ST-gel, which is high-functionality gel material and other products. These efforts enabled us to resume dividend payments in 2000.

2000– Growth

Branching out into the mobility field and accelerated globalization

Background
The Lehman Shock

Since the 1970s, our overseas activities have focused on technology exports to a wide range of customers, including the US, India, South Korea, Hong Kong, and France. After that, in the 1990s, our foray into overseas markets took shape. Although it was yet to be a full-fledged global operation, we began establishing sites in Taiwan, Thailand, and other parts of Asia. In 2000, we have made our overseas strategy as one of our priority policies. Our products, especially PIOCELAN, were subsequently adopted for use in automobile components and packaging, which led to the opening of our plants in the US and Europe.

2010– New Challenges

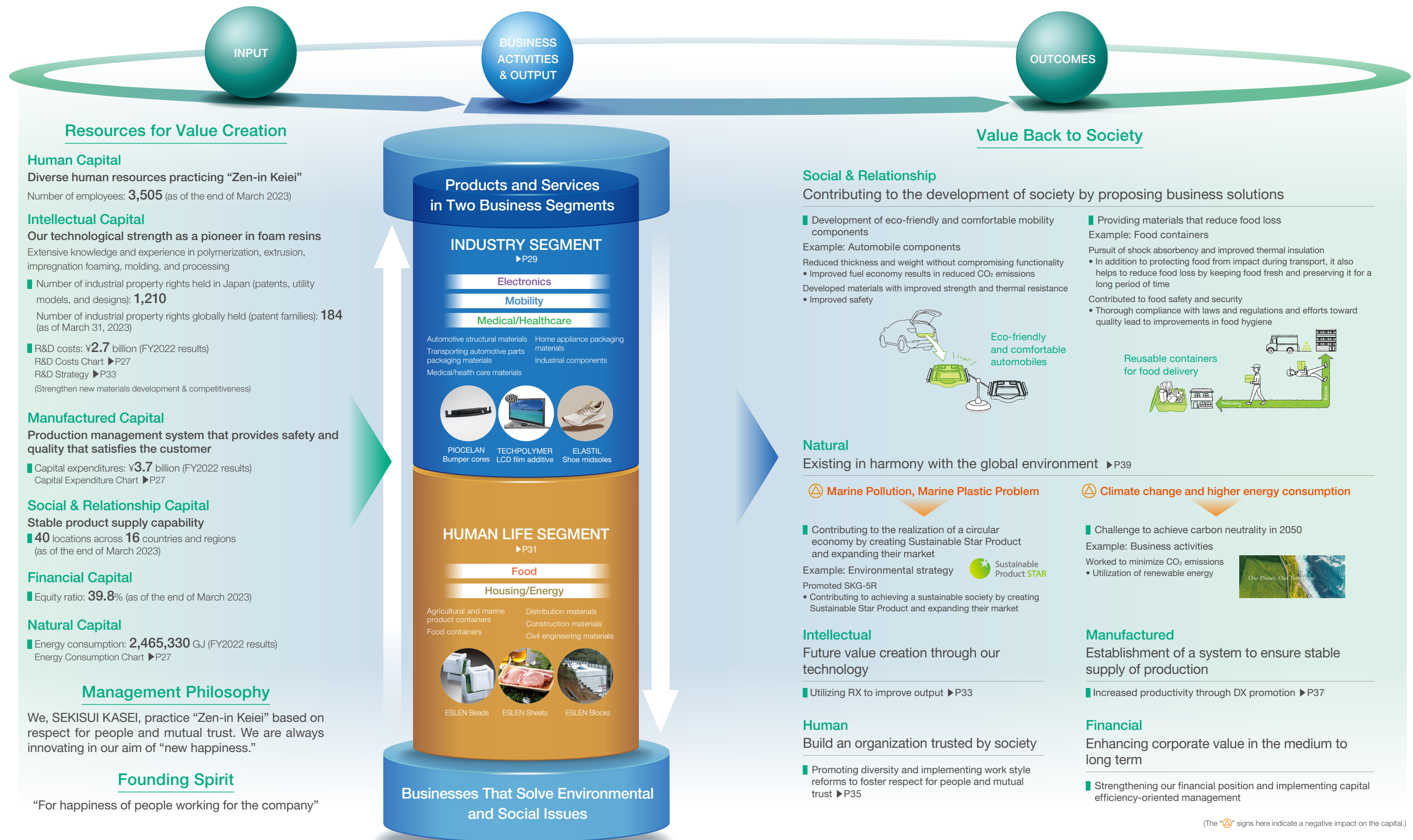
Restructuring our business portfolios and shifting to businesses that solve environmental and social issues

Background
The Great East Japan Earthquake
COVID-19 Pandemic

In 2009, we formulated SEKISUI KASEI Group's 100th Year Vision, our corporate goal for 2059, the 100th year of our founding. We restructured our business into industry and human life segments and achieved a record operating income in FY2017. In 2019, we acquired European automobile component maker Proseat Group as a consolidated subsidiary and worked to expand our business in the mobility field. In January 2023, we revised part of the 100th Year Vision in order to ensure steady future progress. We also established Target 2030, our new business direction for 2030.

Value Creation Model

We leverage the unique management resources of SEKISUI KASEI Group to provide sustainable value to society through our two business segments and the business activities that support them.



SEKISUI
KASEI's
Value
Creation

Earnings Model

SEKISUI KASEI Group generates stable earnings through an integrated business that extends from the production of foam resin as an intermediate material to the manufacture and sale of finished products for a variety of applications in various markets.



Materiality (Key Management Issues)

SEKISUI KASEI conducts business with the goal of becoming “a new chemical solutions company that cares for people and the planet as it creates new value,” as stated in its corporate vision. We believe that this vision can be achieved by pursuing “contribution to a sustainable society” and “sustainable enhancement of corporate value” and creating a virtuous cycle between the two, as described in our basic policy of Target 2030, and have identified and are addressing Materiality (key management issues) to this end.

SEKISUI KASEI’s Sustainability Goals

We are working to go beyond traditional corporate social responsibility (CSR) and shifting to businesses that solve environmental and social issues with the aim of “enhancing environmental value, social value, and economic value for sustainable development.” We formulated a Sustainability Policy in January 2023 and are accelerating efforts to bring about a sustainable society.

Sustainability Policy

SEKISUI KASEI Group is committed to fulfilling our social responsibility to all stakeholders, including the global environment, by putting our management philosophy into practice. We strive to contribute to the sustainable development of society globally and to enhance the sustainable corporate value.



Responsibility to Stakeholders

Stakeholder	Responsibility of SEKISUI KASEI Group
Customers	At SEKISUI KASEI, we not only supply safe/reliable products but also bring comfort and convenience to the lives of people by always creating new functions/value and proposing materials/services as solutions for customers.
Group Members	At SEKISUI KASEI, we place emphasis on respect for people and mutual trust and pursues the happiness of people working for the company. For the purpose, we will improve fairness to skill development and rating, and make efforts to create a healthy/safe work environment, and a good balance between work and family.
Local Communities	At SEKISUI KASEI, we believe being a safe workplace is the most important to communities. In addition, as a member of local communities, we aim to be a company trusted and loved by the whole community.
Shareholders	At SEKISUI KASEI, we meet expectations from shareholders with returns by improving its corporate value. Furthermore, we focus on the active disclosure of our management information and dialogue with shareholders.
Business Partners	At SEKISUI KASEI, we build trust in relationships with business partners through fair, honest business practices with sincerity as our motto. Also, we aim at co-existence and co-prosperity as a better partner for the partners.
Global Environment	At SEKISUI KASEI, we actively endeavor to improve environment to protect our precious earth. In particular, we contribute to develop the recycling-based society and the low-carbon level centering on foam plastics which are eco materials.

Materiality Identification Process

The Group has identified Materiality (Key Management Issues) that should be addressed as priority business issues through the process outlined below. These issues are periodically reviewed in order to better focus on solving environmental and social issues while growing our corporate value.

STEP 1

Extracting Issues

We extracted issues based on international guidelines on sustainability, various issues emphasized by ESG rating agencies, and the SDGs.

Non-financial information disclosure standards and other sources consulted

Global standards

- “The International Integrated Reporting Framework,” International Integrated Reporting Council (IIRC)
- United Nations Global Compact
- ISO 26000 (Guidelines for Corporate Social Responsibility)
- “GRI Standards,” Global Reporting Initiative
- “SASB Standards,” Sustainability Accounting Standards Board

ESG evaluation indicators

- DJSI, FTSE, MSCI

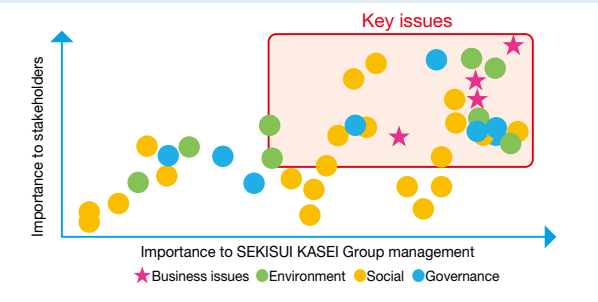
SDGs

Benchmarks for leading CSR companies

STEP 2

Rate Their Importance

We evaluated the importance of the extracted issues along two axes: “importance to stakeholders (expected value)” and “importance to SEKISUI KASEI Group management.”



Examples of Extracting Issues

- ★ Business expansion to solve environmental and social issues, business model resilience, DX, and Developmental innovation (AI, Materials Informatics, and Open innovation)
- Climate change action, Resource recycling, Resource and energy conservation, More efficient resource and energy use, Waste/hazardous material management, and Water resource conservation
- Work style reform, Work-life balance, HR management, Diversity inclusion, Work engagement, Human rights, Product quality and safety, Security and disaster prevention, and Contribution to society
- Internal controls, The effectiveness of the Board of Directors, Compliance, Risk management, BCP, Dialogue, and disclosure.

STEP 3















Authorizing Key Management Issues of the Board of Directors

The identified Key Management Issues have been approved by the Board of Directors after a review by the Sustainable Committee through consultation between relevant departments and the committee.

Process for Authorizing Materiality



Materiality and Medium- to Long-term Risks and Opportunities

Categories			Materiality	Action Items			Opportunities	Risks
E	Environment		Creating Sustainable Star Product and expanding their business	SKG-5R promotion (Increasing Sustainable Star Product)	P39-44	   	<ul style="list-style-type: none"> Increased business demand and business field expansion due to priority use of Sustainable Star Product (products and systems that contribute to the environment) Increased corporate value by implementing environmental initiatives such as development of new products using biomass, regenerated materials, or other similar resources Increased collaboration with corporate customers on efforts to reduce GHG emissions 	<ul style="list-style-type: none"> Reduced demand for single-use plastic products due to increased awareness of environmental issues such as marine pollution, ocean plastic problems, and the accelerating transition to a circular economy and sustainable society. Supply chain disruptions and factory shutdowns due to the impact of extreme weather events caused by climate change Increased costs due to introduction of carbon tax Tighter regulations on CO₂ emissions
			Responding to climate change	SKG-5R promotion (Achieve carbon neutrality by energy saving and utilization of renewable energy)				
			Reduction of environmental impact	Proper management of air, water, waste, and hazardous substances	P39-44			
S		Innovation	Business model resilience	Open innovation, external cooperation/ collaboration	P33-34	 	<ul style="list-style-type: none"> Increased opportunities for innovation creation by leveraging diverse perspectives and external resources 	<ul style="list-style-type: none"> Lost opportunities for innovation due to ineffective use of external resources
			DX promotion	Production innovation, business innovation, marketing innovation, R&D innovation	P37-38		<ul style="list-style-type: none"> Creation of new value for society through production, operational, marketing, R&D, and other business innovation efforts 	<ul style="list-style-type: none"> Reduced competitiveness, higher running costs, and greater security risks due to delayed DX promotion
	Social	Human resources	Diversity	Diverse workforce (women, seniors, non-Japanese)	P35-36, 50	   	<ul style="list-style-type: none"> Built corporate culture of creating new technology and value by fostering diversity and inclusion Improved health, motivation, and work productivity of the Group members by creating a rewarding work environment. Improved organizational strength through increased work engagement 	<ul style="list-style-type: none"> Possible loss of value creation opportunities and damage to corporate brand image due to a lack of promotion of diversity and inclusion Human rights risks, including human rights violations, forced labor, child labor, and more throughout the supply chain Drop in motivation of the Group members due to lack of engagement surveys and efforts to improve work engagement Reduced labor productivity and loss of human resources
			Workstyle reform	Promotion of health management, various systems for work-life balance, and diverse and flexible workstyles				
			Work engagement	Personnel system design that promotes the growth of workers				
		Quality / Security and disaster prevention	Providing safety and security	Promote zero accidents and zero quality complaints	P47-49	 	<ul style="list-style-type: none"> Increased corporate customer satisfaction as a result of Group-wide quality improvement initiatives Creation of systems to maintain safety and accumulation of preventive maintenance technologies 	<ul style="list-style-type: none"> Events that affect society and the environment, such as chemical leaks or accidents Increased disaster prevention costs at business locations Quality assurance for product defects and failures
G	Governance		Enhancing corporate governance	Strengthen internal controls, improve the effectiveness of the Board of Directors, and enhance group governance	P51-60	 	<ul style="list-style-type: none"> Established a management foundation by improving decision transparency and responding appropriately to changing times Improved corporate image by earning social trust Increased stakeholders' trust 	<ul style="list-style-type: none"> Possible ineffectiveness of internal controls Damage to corporate value and decline in external reputation due to insufficient dialogues and information disclosures
			Compliance	Prevent problems and improve reporting system				<ul style="list-style-type: none"> Sluggish business activities and loss of public trust due to non-compliance
			Risk Management	Promote BCP initiatives				<ul style="list-style-type: none"> Business interruption due to larger-than-expected earthquakes, typhoons, or other natural disasters; fires, explosions, or other disasters at business locations; or supply chain disruptions or system failures Potential pandemics threatening humanity

Our Business Direction for 2030 “Target 2030”

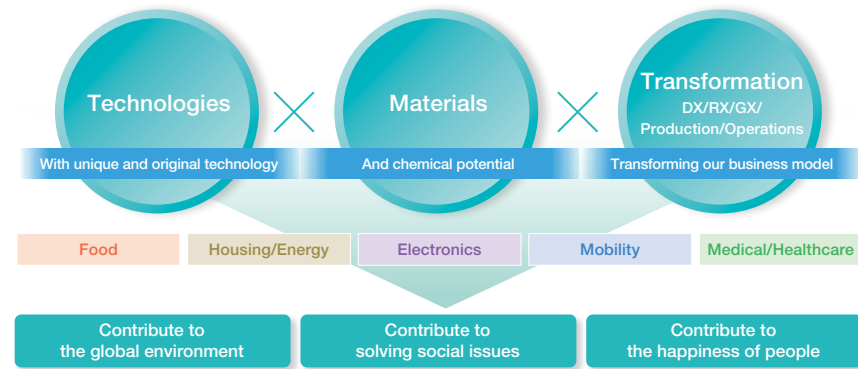
Given that the world we live in is changing drastically, we have established “Target 2030” as our business direction to aim for in the nearer future, specifically the year 2030, with a view to realizing SEKISUI KASEI Group’s 100th Year Vision which was partially revised recently. “Target 2030” will be implemented over a period of nine years with three separate medium-term management plan steps. The current medium-term management plan, “Spiral-up 2024 (FY2022-FY2024),” has been positioned as the first step.



Basic Policy

Realize co-existence of “Contribution to a Sustainable Society” and “Sustainable Enhancement of Corporate Value.”

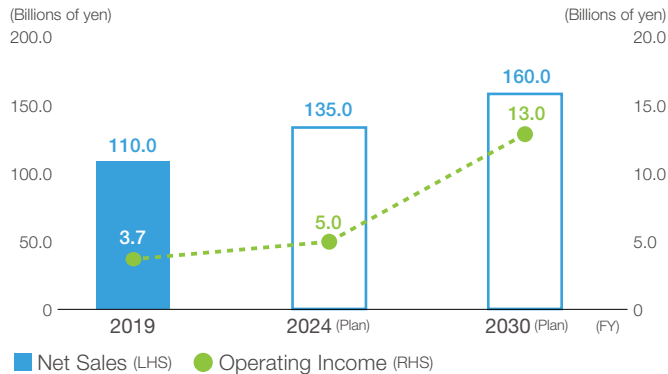
Business Domains



Basic Strategy

- 1 Enhancement of corporate value by pursuing a highly profitable structure
- 2 Promotion of ESG management that supports sustainable growth

2030 Quantitative Goals



* Benchmark is FY2019 earnings prior to the COVID-19 pandemic

Financial Targets

Operating Income Ratio	8% or more (3% in 2019)
ROE	8% or more (3% in 2019)

Environmental Targets

Sustainable Star Product as percentage of net sales	50% or more (11% in 2019)
Percentage of reductions in CO ₂ emissions	27% or more (versus 2018)

Envisioned business development in 5 priority fields

Industry Segment	Electronics Business Mission Propose solutions in the fields of advanced telecommunications equipment and electronic components and contribute to industrial development Components <ul style="list-style-type: none">Strengthen the customized development of fine particles to drive technological innovation in the display/lighting fieldExpand globally to meet growth in demand for new fine particles and structural components owing to advancements in high-speed telecommunications technology Packaging <ul style="list-style-type: none">Accelerate the proposal of total solutions tailored to the needs of component distribution, such as precision equipment packagingContribute to global logistics with Sustainable Star Product that comply with environmental regulations in each country
	Mobility Business Mission Enhance environmental value through technological innovation in next-generation mobility and the optimization of structural component logistics efficiency Components <ul style="list-style-type: none">Strengthen proposals at all global locations to meet growing demand for lightweight components with the shift to EVsAccelerate product development to contribute to the creation of comfortable mobility spaces Component Logistics <ul style="list-style-type: none">Give shape to highly profitable businesses with proposals for material and design solutions geared towards distribution efficiency and the establishment of resource recycling systems
	Medical/Healthcare Business Mission Provide products and services that leverage our technological advantage and contribute to the promotion of people's health Medical <ul style="list-style-type: none">Pursue external partnerships in the fields of advanced medicine, telehealth, and in-vitro diagnostic reagents and strengthen development and product differentiation for high-performance gel materials Healthcare <ul style="list-style-type: none">Globally expand high value-added products for sports materials, such as shoes, by addressing wearable and personal needs
Human Life Segment	Food Business Mission Develop products and sustainable resource-recycling business models to ensure food safety and reduce food waste Food Logistics <ul style="list-style-type: none">Contribute to reducing food loss with temperature-controlled designs that maintain freshness during transportationProvide distribution materials to ensure that all kinds of food reach people's tables safely Food Containers <ul style="list-style-type: none">Aim to conserve resources with the use of foaming technology and promote the recycling of resourcesLaunch products made with biodegradable or biomass-derived plastics in global markets
	Housing/Energy Business Mission Provide products to the renewable energy sector and contribute to sustainable and comfortable living Disaster Prevention/Mitigation <ul style="list-style-type: none">Develop products to prevent road flooding caused by torrential rain and to help emergency response efforts Infrastructure Development <ul style="list-style-type: none">Contribute to the replacement of aging social infrastructure and the development of green infrastructure in urban areas Housing Equipment <ul style="list-style-type: none">Develop thermal insulation products with added functionality with the use of composites and contribute to greater energy efficiency in homes Energy <ul style="list-style-type: none">Develop composite materials that are both light and durable for use in renewable energy equipment

Medium-Term Management Plan “Spiral-up 2024”

Covering the three years from FY2022 to FY2024, “Spiral-up 2024” is the first step towards achieving the “Target 2030,” our business direction for fiscal year 2030. In addition to implementing the PDCA cycle, we are committed to creating a virtuous cycle between the challenge of realizing a sustainable society and the sustainable enhancement of our corporate value.

Basic Policy

To contribute to a sustainable society, and to achieve the sustainable enhancement of our corporate value, we will establish a resilient earnings base based on ESG management

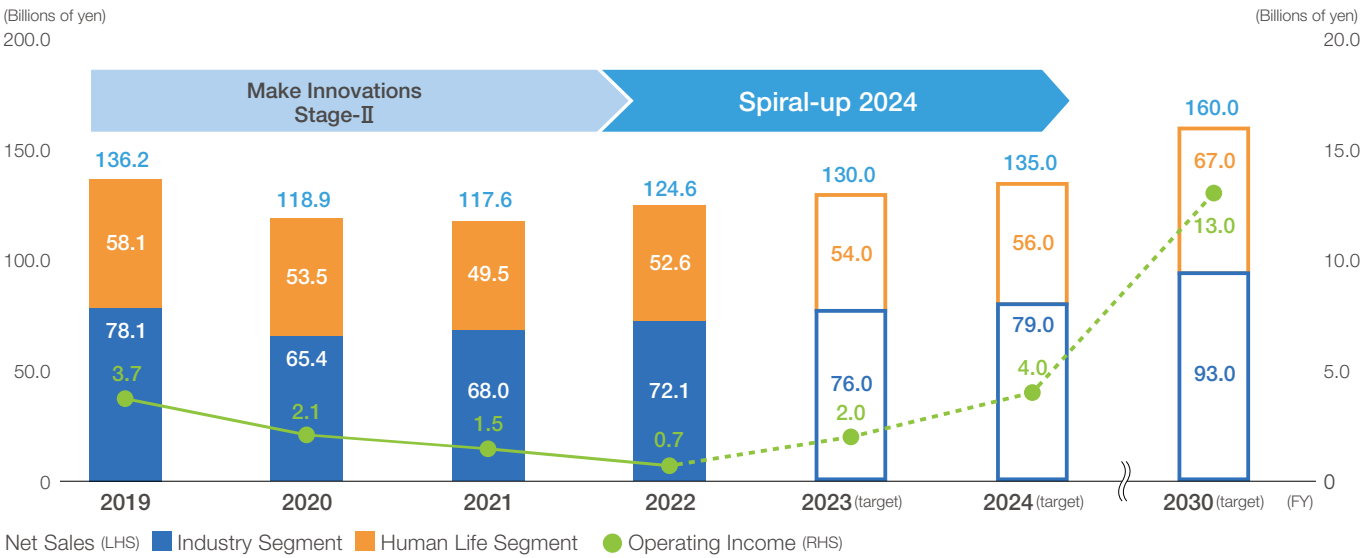
Review of FY2022

We continued to help bring about a sustainable society mainly by expanding our product category brands BIO Cellular and ReNew*. We also endeavored to strengthen the Group’s management foundation by promoting human capital management. Accordingly, we were selected as one of the companies in the 2023 Certified Health & Productivity Management Outstanding Organization Recognition Program (Large Enterprise Category). However, our efforts to reduce production costs, cut fixed costs, and pass on to prices of products in response to sluggish market conditions caused by supply chain disruptions and sharp increases in raw material and fuel prices were not enough to offset the negative factors. As a result, net sales increased but profit declined year on year.

Key Issues

	FY2022 Results	Challenges for Next Fiscal Year
Strengthen the earnings structure	<div>1 Restructuring the business portfolio (5 priority fields as our targeted fields) Strengthened business expansion centering on environmental contributions and carried out organizational restructuring with a focus on the 5 priority fields</div>	<div>• Further reassess low-profit businesses and inject management resources into medium- to long-term growth businesses</div>
	<div>2 Constructing a highly profitable structure in the Proseat business ▶P30 Combined the two production sites in Poland into a single location and streamlined fixed costs in production to cope with fluctuations in demand</div>	<div>• Make all-out improvements to production, sales, procurement, and labor costs, withdraw from low-profit businesses, and overhaul the management structure</div>
	<div>3 Strengthening cost competitiveness through innovations in production ▶P37 Promoted production process innovation and the development of recycling technology, and pushed ahead with digital technology-driven SCM</div>	<div>• Drastically reform production technology by adopting innovative technology and driving Digital Transformation</div>
	<div>4 Rapidly generating profits from developed products ▶P33 Enhanced pre-marketing (combining real and digital means)</div>	<div>• Improve development efficiency with Materials Informatics</div>
	FY2022 Results	Challenges for Next Fiscal Year
Shift to businesses that solve environmental and social issues	<div>5 Expanding Sustainable Star Product through recycling-based business ▶P41 Made steady progress towards targets for net sales weighting for Sustainable Star Product and number of such products registered</div>	<div>• Establish closed-loop recycling systems with users and engage in co-creation with other industries</div>
	<div>6 Striving to achieve carbon neutrality ▶P43 Made steady progress towards target for CO₂ emission reduction, disclosed information in line with the TCFD recommendations, and endorsed the GX League</div>	<div>• Continuously promote more effective measures and further enhance TCFD disclosures</div>
	FY2022 Results	Challenges for Next Fiscal Year
Reinforce our management foundations	<div>7 Strengthening efforts to address Materiality (key management issues) ▶P19 Set KPIs in each category, assigned an officer in charge, and established a framework to facilitate oversight by the Board of Directors</div>	<div>• Examine and review items of Materiality in response to changes in social circumstances</div>
	<div>8 Enhancing financial health Implemented cash flow management measures geared towards capital efficiency</div>	<div>• Execute various measures to boost profitability and improve capital efficiency, and accelerate initiatives aimed at improving ROE</div>

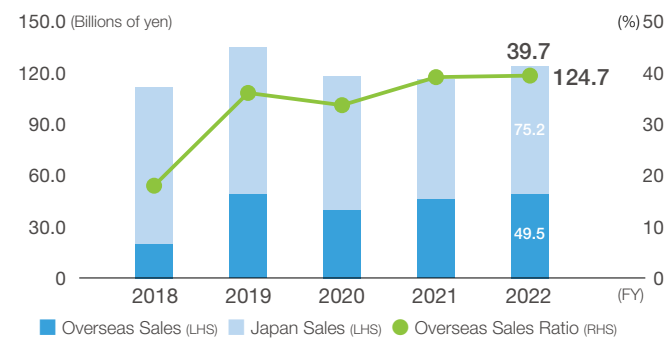
Net Sales/ Operating Income



Financial and Non-Financial Highlights

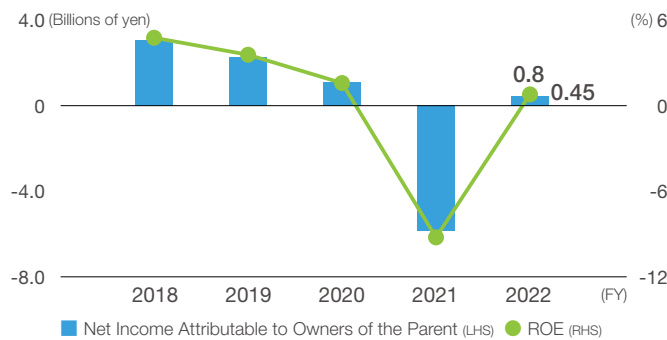
Net Sales/Overseas Sales Ratio

At least ¥160.0 billion in net sales in FY2030 has been set as one of the quantitative targets for Target 2030. The Spiral-up 2024 medium-term management plan (FY2022–2024)—positioned as the first step towards achieving Target 2030—calls for net sales of ¥135.0 billion. Also, with a view to global expansion over the long term, we are working to increase our weighting of overseas sales.



Net Income Attributable to Owners of the Parent/ROE

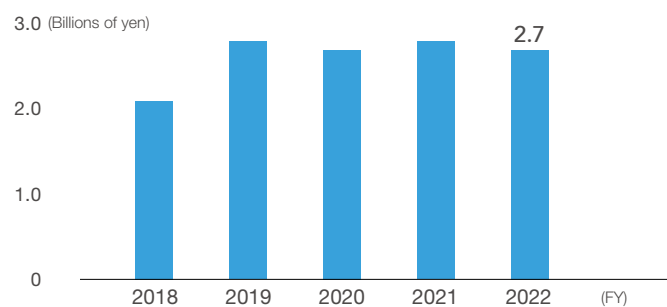
An ROE of 8.0% or more in FY2030 has been set as one of the quantitative targets for Target 2030. One of the Key Issues in Spiral-up 2024 (FY2022–2024) is to reinforce our management foundations. With the goal of strengthening our current financial position, we are aiming to improve ROE by not only focusing on P/L, but by engaging in capital efficiency-oriented management and emphasizing improvements in cash flow and working capital efficiency.



Research and Development Costs

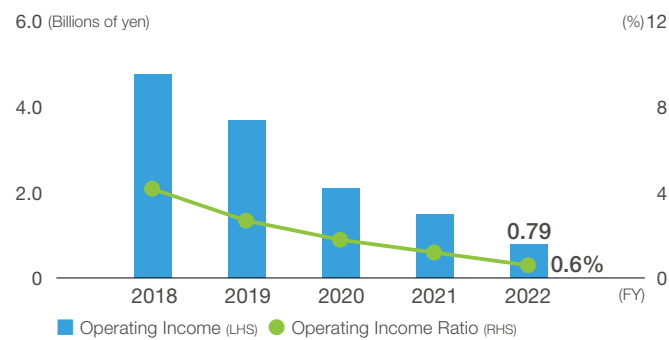
In order to strike the right balance between contributing to a sustainable society and achieving the sustainable enhancement of our corporate value in a sustained manner, our focus is on shifting to businesses that solve environmental and social issues. Our R&D costs in FY2022 were flat year on year in light of changes in the market environment, but we plan to ramp up our R&D investments in order to progress toward 2030 target of creating Sustainable Star Product and expanding their business.

► P33 R&D Strategy



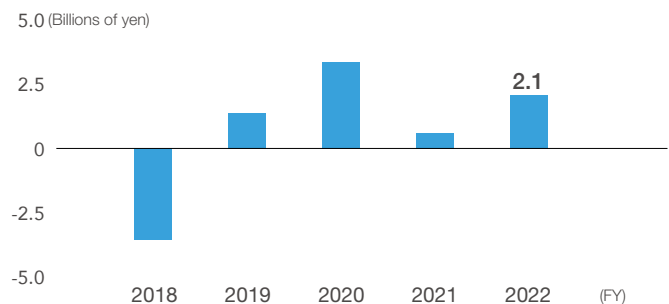
Operating Income/Operating Income Ratio

Operating income in FY2022, the first year of Spiral-up 2024 (FY2022–2024), was dented mainly by the impact of lower sales volumes owing to flagging market conditions and the fire at Sekisui Kasei Oita. We have lowered our FY2024 profit targets to reflect future market forecasts and the slower-than-expected recovery in Proseal Group earnings, but we will continue to strengthen our earnings structure and management foundation in order to establish a resilient earnings base underpinned by ESG management.



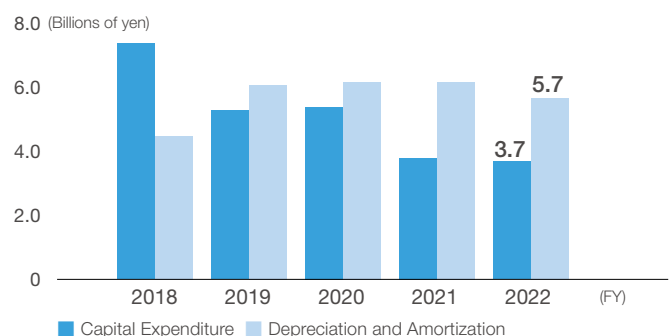
Free Cash Flow

We aim to improve free cash flow, the ability to earn cash, as an indicator for judging corporate performance in addition to accounting profits.



Capital Expenditure/Depreciation and Amortization

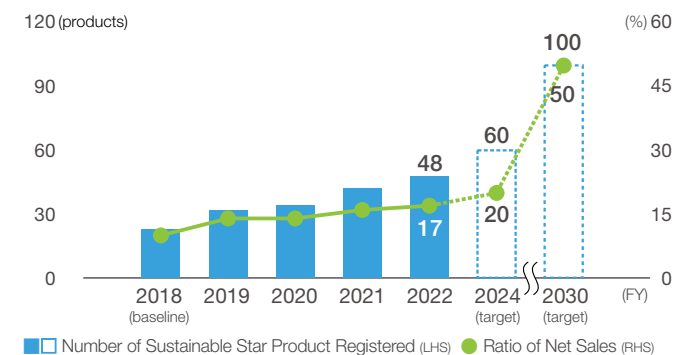
During the period of Spiral-up 2024 (FY2022–2024), we plan to actively carry out capital investments in medium- to long-term growth, including initiatives related to DX, production capacity expansion, and other measures for reinforcing our management foundations. We have plans to invest ¥22.0 billion over the three-year period, which is 80% more than the previous medium-term management plan, however, the amount we invested in FY2022 was roughly the same as the year-earlier level because of earnings and changes in the market environment.



Number of Sustainable Star Product Registered/Ratio of Net Sales

We designate products with particularly high environmental contributions as Sustainable Star Product and we set benchmarks for their creation and expansion. For FY2023 we are targeting 100 registered and a net sales weighting of 50%. To that end, we are tackling the practical application of new materials and the evolution of existing products.

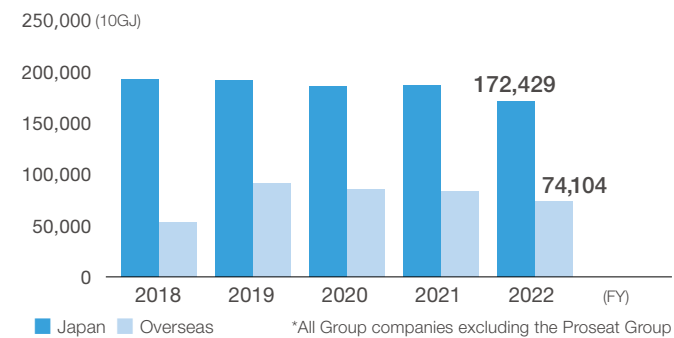
► P39 Environment



Energy Consumption

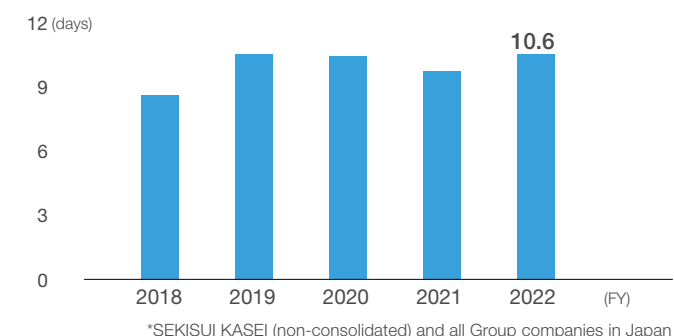
We recognize the importance of conserving resources and energy during the production and use of our products in connection with our business activities. We therefore aim to reduce the amount of energy we consume.

► P44 Environment



Number of Paid Vacation Days Taken

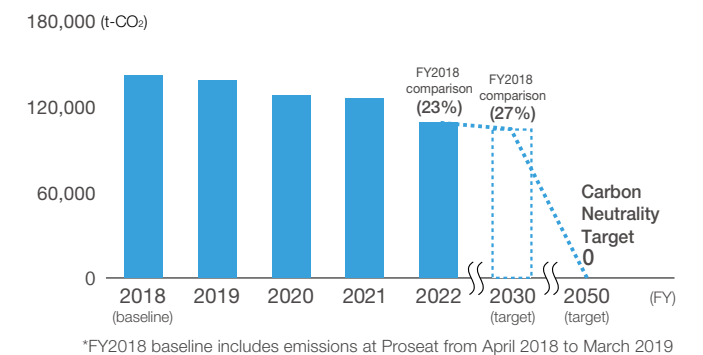
We are pressing ahead with workstyle reforms to give tangible form to the words of our founding spirit: "For happiness of people working for the Company." We believe that creating an environment that respects diversity, where every individual can work creatively and enthusiastically whilst striving to achieve a work-life balance, will contribute to the sustainable enhancement of our corporate value.



CO₂ Emissions (Scope 1+2)

FY2030 target: Milestone of 27% reduction in Scope 1+2 CO₂ emissions compared to FY2018 on the way to achieving carbon neutrality by 2050. We made better-than-expected progress in FY2022 by virtue of achieving higher production efficiency and adopting renewable energy sources. Going forward, we will strive to further reduce our CO₂ emissions.

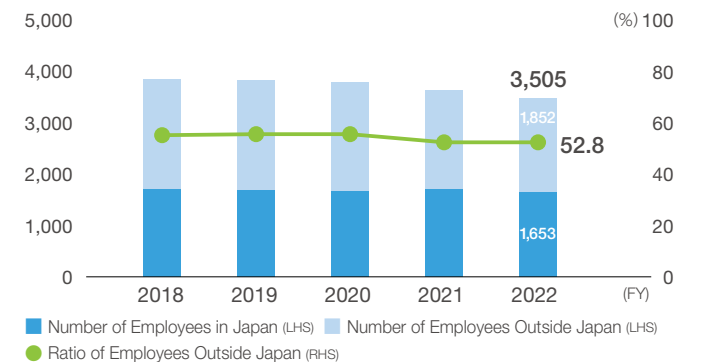
► P39 Environment



*FY2018 baseline includes emissions at Proseal from April 2018 to March 2019

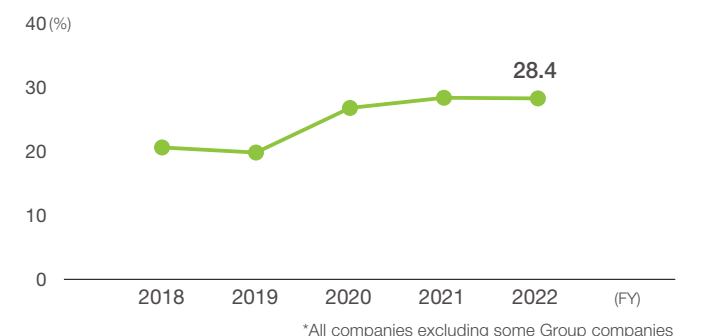
Number of Employees

To drive the creation of new value and the transformation of our business model, we require a diverse workforce that is capable of delivering solutions and thriving in various settings worldwide. With a view to our global expansion over the long term, we are working to bolster the number of Group employees who can work outside of Japan. We also aim to foster mutual growth between people and the Company.



Ratio of Female Employees

As part of our initiatives in the area of diversity & inclusion, we are endeavoring to improve the ratio of female employees with the aim of advancing the active participation of women throughout the Group. Also, an action plan (2022–2024) on promoting women's participation and advancement in the workplace and supporting the development of the next generation has been established at SEKISUI KASEI (non-consolidated) and initiatives are being implemented to improve the ratio of female managers, the ratio of female employees, and the ratio of female recruits.

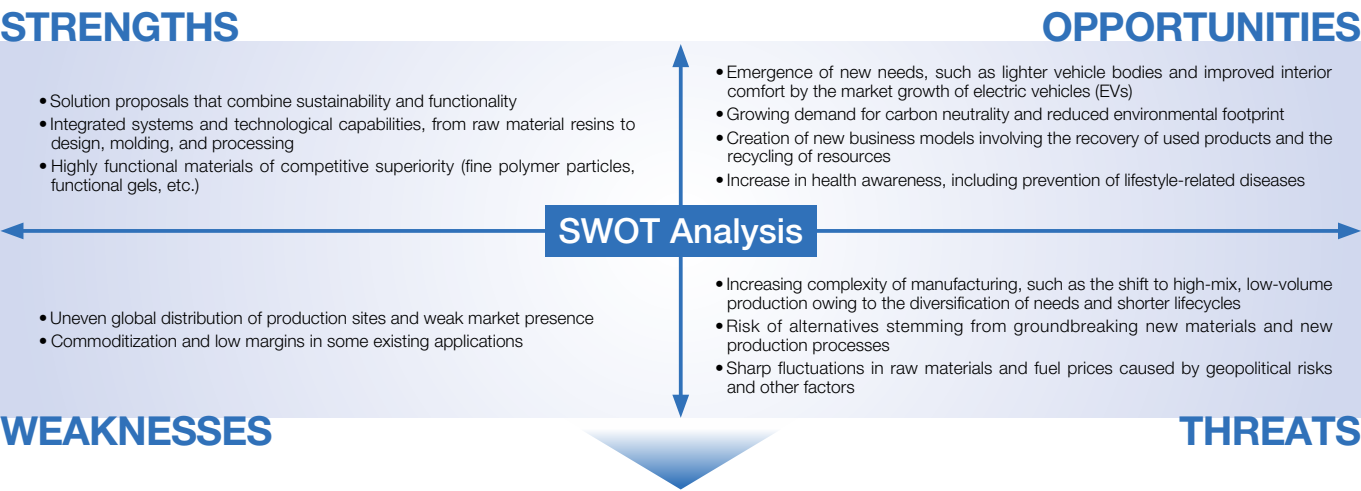


Business Overview: Industry Segment



We contribute to technological innovation in the fields of electronics, mobility, and medical/healthcare. We also aim to create new value by developing materials and applications that combine sustainability and functionality.

Young Soo, Han
Managing Executive Officer
Head of the 2nd Business Headquarters



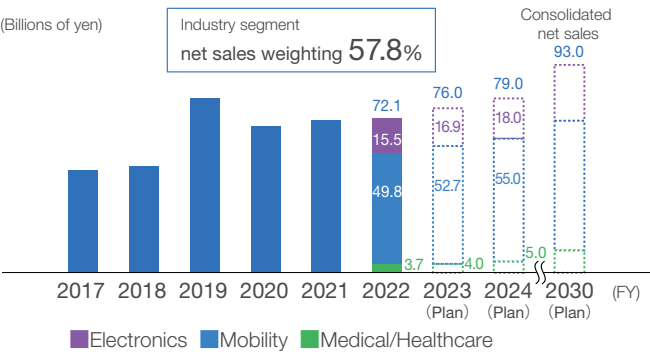
FY2023 Growth Strategies

Electronics			
Strategic Areas		Growth Strategies	
Contribute to the development of industries by providing solutions encompassing functional materials, structural components, and packaging materials for advanced telecommunications equipment and electronic component applications		PIOCELAN	Packaging materials: Provide solutions with materials that deliver exceptional cushioning, and by leveraging our accumulated design know-how Launch ReNew+, begin shift to resource-recycling business model
		TECHPOLYMER	•Maintain and strengthen competitive advantage in optical applications for LCD displays •Expand into new business areas, such as electronic materials
Mobility			
Strategic Areas		Growth Strategies	
Contribute to lightweight vehicle bodies and passenger comfort in the mobility field, as well as greater environmental value by providing packaging materials that facilitate increased efficiency in the distribution of automobile components		PIOCELAN	Components: Contribute to lighter automobile components with our further evolved PIOCELAN 2.0 Packaging materials: Provide distribution materials that guarantee the quality of components in the global logistics industry
		ST-Eleveat	•Address different development needs with novel and highly functional foam materials and by expanding Sustainable Star Products •Accelerate the development of new applications by leveraging Proseat's wide range of channels as a Tier 1 supplier
Medical/Healthcare			
Strategic Areas		Growth Strategies	
Develop and provide high value-added materials and finished products to address social issues and changes in demand in the medical/healthcare field and realize the creation of new value on a global scale		ST-gel	•Capitalize on open innovation to develop new materials for biosensors and wearables
		ELASTIL	•Expand sales for shoe material applications and ramp up development of new applications

Actual Results vs. Plan

Net Sales

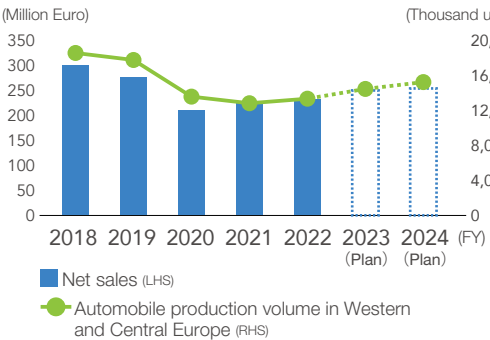
Automotive demand was sluggish due to the impact of decreased production by automakers as a result of lockdowns in multiple locations in China and semiconductor shortages. We will focus on expanding products to meet an anticipated recovery in demand.



Note: The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) was applied to net sales from FY2021 onwards.

Proseat

Proseat business is one of our medium- to long-term growth strategies in Mobility field. Since we acquired this business in 2019, we have continued to implement initiatives aimed at generating synergies between SEKISUI KASEI Group's material development capabilities and Proseat Group's development proposal capabilities targeting the European automotive manufacturers. The adoption of our products by European automakers, who are leading the global race to develop EVs, will have a significant impact on other brands, and we think they could become the de facto standard in EVs in the future. Some contracts have already been confirmed and we believe we have gained a solid foothold for further growth in Mobility field.



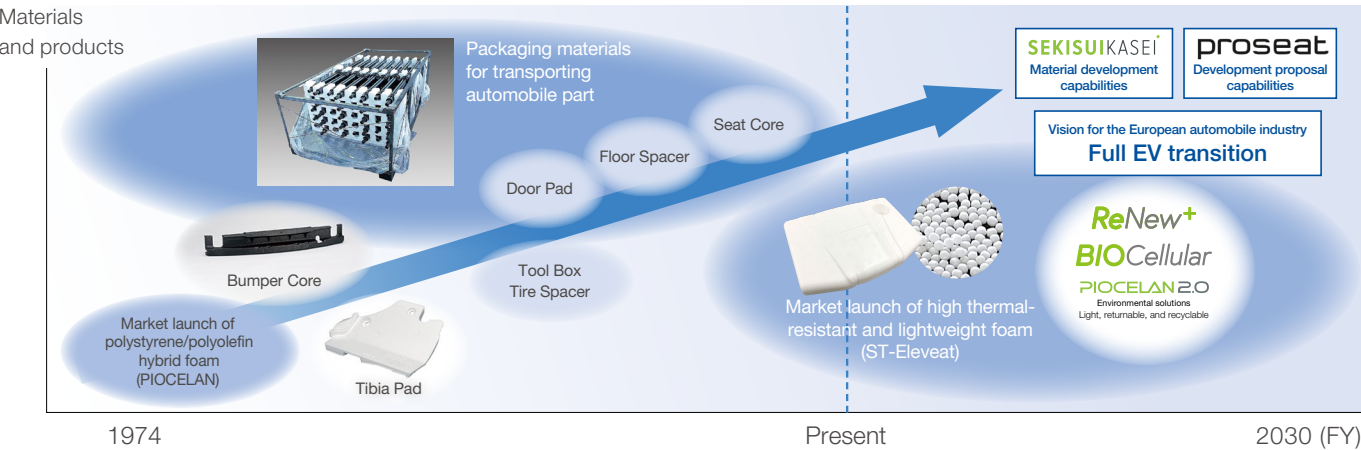
FY2023 Growth Strategy

- Implement across-the-board improvement measures in sales, production, procurement, labor costs, and other aspects
- Reform business structure by withdrawing from low-profitability businesses and transforming management structure
- Implement decisive measures for each of the LWC*, Trim, and Foam divisions

Goal (Competitive advantage)	Respond to increasingly sophisticated requirements of European OEMs by providing solutions differentiated by using both SEKISUI KASEI's material development capabilities and Proseat's development proposal capabilities
Growth Strategy	Enter the market for weight-saving components and materials used around the battery, mostly for BEVs, to escape from commoditized areas and transform into a high-profitability business

* LWC: Light Weight Component

Expansion of Mobility Field



Business Overview: Human Life Segment



As we look to shift to businesses that solve environmental and social issues, we will continue to support different lifestyles by actively developing products to meet the needs of the times and materials suitable for a circular economy.

Yasunobu Furubayashi
Director and Managing Executive Officer
Head of the 1st Business Headquarters

STRENGTHS

- Leading share of the domestic market for foamed polystyrene sheets
- Polymerization, extrusion, impregnation foaming technology, molding and processing technology
- Product designs that take advantage of the lightweight, thermal insulation, and cushioning properties of foam products
- An integrated system that can handle everything from material development to molding to the supply of final products

OPPORTUNITIES

- Growing demand for the conservation of resources (foam products) driven by the need to reduce plastic consumption
- Growth in demand for environmentally-friendly products (recycled and bioplastics)
- Creation of new business models involving the recovery of used items and the recycling of resources
- Heightening demand for infrastructure to stave off (or limit) the growing number of disasters caused by climate change

SWOT Analysis

- Consumer perception that plastics are bad for the environment
- Low general recognition that EPS foam can be recycled

- Sharp fluctuations in raw materials and fuel prices caused by geopolitical risks and other factors
- Negative impacts of climate change on fisheries and agricultural produce
- Tighter restrictions on the use of plastics owing to environmental problems

WEAKNESSES

THREATS

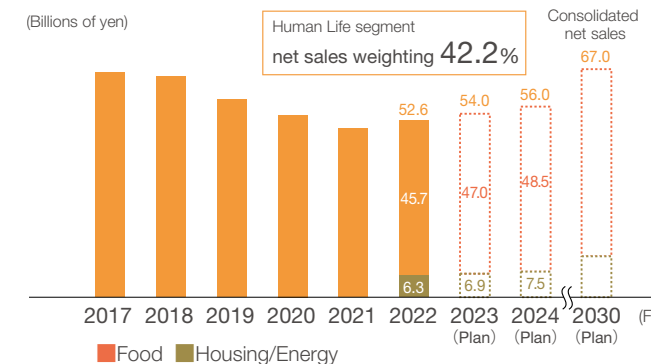
FY2023 Growth Strategies

Food			
Strategic Areas		Growth Strategies	
Provide products that help ensure food safety and reduce food waste to support people's daily meals, and contribute to a sustainable society by operating recycling-based businesses through the development of Sustainable Star Product		Sheets	<ul style="list-style-type: none">• Expand sales of foam products to accommodate customers' need to reduce their use of plastic and CO₂ emissions• Expand business in Sustainable Star Products, such as ESLEN Sheet RNW and INTERFORM BIO• Propose materials tailored to the needs of new markets such as take-out, delivery, and e-commerce• Increase supply chain resilience (SCM, expansions in production capacity to support growth in sales)
	 	Beads	<ul style="list-style-type: none">• Expand sales of ESLEN Beads RNW• Roll out recycled products using our proprietary technology and handle related materials• Expand into aquaculture applications and applications for exports of agricultural produce
Housing/Energy			
Strategic Areas		Growth Strategies	
Ensure the safety of people's lives and contribute to the creation of sustainable and attractive living spaces		Housing	Roll out unique products mainly for developing infrastructure and preventing/mitigating disasters (E.g. measures to address torrential rain = Aquaroad; disaster recovery = EPS method/EPS slope)
	 	Energy	Roll out and expand sales of materials for renewable energy facilities (floating solar panels and projects under development)

Actual Results vs. Plan

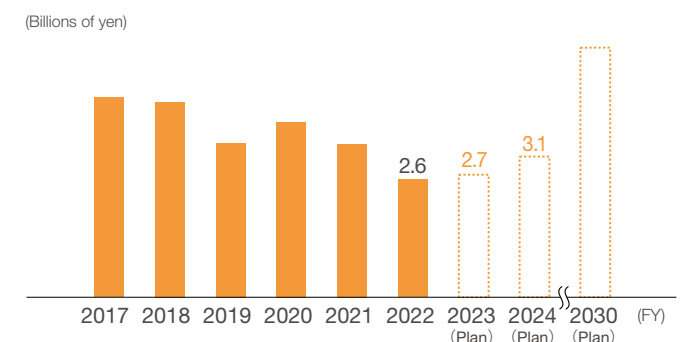
Net Sales

In terms of food container applications, demand for eating at home and ready-made meals has weakened slightly, but net sales overall increased year on year by virtue of price revisions. We will endeavor to expand the market by capitalizing on demand for materials related to excursions and travel, which is set to increase on the back of an anticipated recovery in inbound tourism.



Operating Income

Operating income declined primarily as a result of the impact of lower sales volumes stemming from sluggish market conditions, despite passing along costs to offset repeated increases in raw materials, fuel, and energy prices. We will aim to strengthen our earnings structure by continuing to expand sales of high value-added materials and Sustainable Star Products.



Note: The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) was applied to net sales from FY2021 onwards.

TOPICS

Strengthening EPS foam Material Recycling — For Our Transition to Circular Economy Business Activities. —

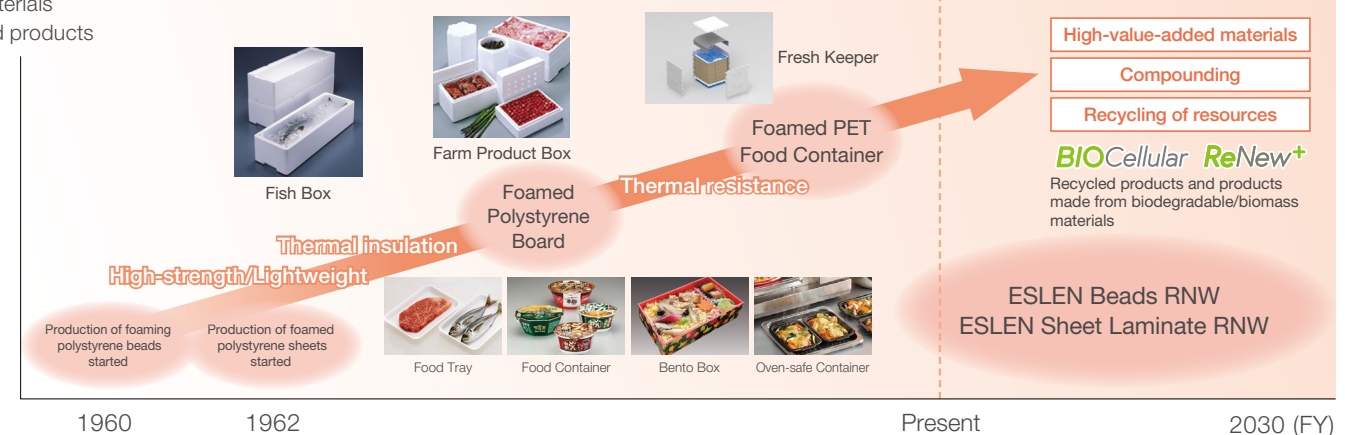
Japan's recycling rate for EPS foam reached 92.3% in FY2022, but challenges remain for the materials used to hold food (fish boxes, etc.), which account for roughly 50% of EPS foam applications. This meant the material recycling applications were limited. We addressed one of the challenges—the identification and removal of odorous components in fish boxes—and subsequently established recycling technology for these used fish boxes. We have since commenced mass production as a recycled raw material of ESLEN Beads RNW.

To further strengthen the recycling of these resources, we intend to explore ways to achieve horizontal recycling of EPS foam that minimizes, as much as possible, the use of virgin raw materials.



Expansion of Food Field

Materials and products



Research & Development Strategy



We are undertaking R&D unique to SEKISUI KASEI with a view to achieving “Target 2030.”

We believe that coming up with various proposals centering on SKG-5R and then testing and nurturing them into new businesses will lead to the coexistence of environmental and social contributions and economic value. Our researchers will contribute to the achievement of Target 2030 by always keeping an eye on the market, sensing what is going on in the world, imagining how potential customers will be impressed with our offerings, and driving profit-generating development with a passion. To that end, we will enhance the technology we have cultivated thus far with digital tools and external knowledge and harness our human capabilities to drive SEKISUI KASEI's unique research and development.

Hideyuki Asada

Director and Managing Executive Officer
Head of Research & Development Center, General Manager of GX Development Department

Research & Development Policy

Develop new products that contribute to the growth of SEKISUI KASEI

Sharpen marketing thinking and promote development based on hypothetical needs and actively utilize and promote interaction with other industries

Engage in technological development that leads to enhancement and expansion of existing businesses

Promote solution development and technological innovation that will help enhance existing businesses from the three perspectives of “economic value,” “social value,” and “environmental value”

Foster the development of creative personnel who think about and experiment with the business

Be self-motivated to take action to achieve something

SEKISUI KASEI's R&D Process

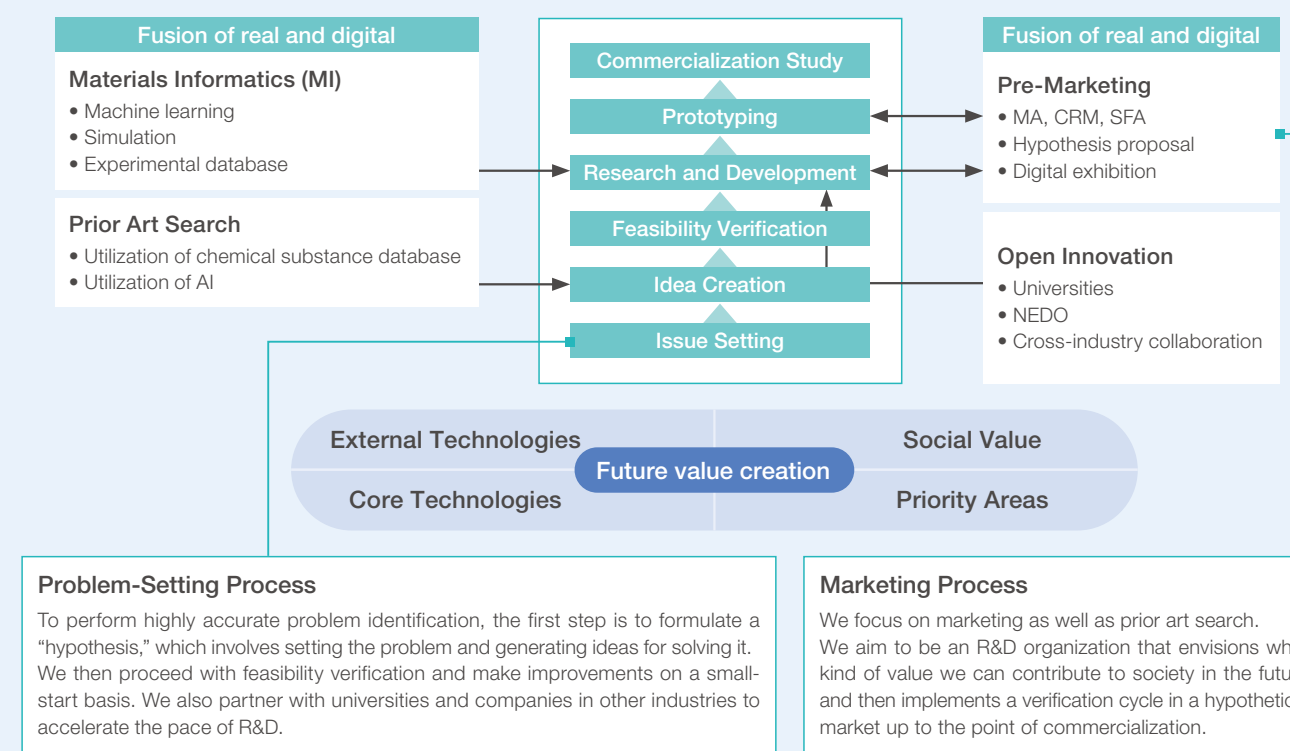
In today's highly uncertain and unpredictable world, it is easy to focus on the negative aspects. On the hand, it can also be said that conventional wisdom is being overturned, and that there is plenty of potential for the emergence of new businesses and services. As the pace of change continues to accelerate, we are pressing ahead with the following initiatives in order to draw up a roadmap for quickly turning research and development into practical applications.

Embodying the Research Transformation (RX) Mindset

Target for earnings generated by developed products:
10% or more of operating income in FY2024

Embodying RX

We actively incorporate RX into our series of R&D processes. We aim to improve our output by making use of simulations for the building of Materials Informatics (MI) and Artificial Intelligence (AI) that incorporates machine learning, and also by conducting pre-marketing linked to Marketing Automation (MA) and Sales Force Automation (SFA).



Strengthening the Framework Behind RX

Centering on the R&D Planning Dept. within the Research & Development Center, we provide opportunities for all Group companies to participate in discussions about development topics. We select and promote topics with an eye on future value and lead approaches to market viability and potential customers from various angles. In promoting R&D, the Basic Research Laboratory is focused on

MI initiatives and is working to not only speed up development, but also strengthen the talent and organizational structure that contributes to solving technical challenges across the entire Company. The Intellectual Property Dept. undertakes activities whereby intangible assets are leveraged for new developments under the concept of intellectual property DX. These activities also include AI-powered prior art searches.

TOPIC

Embodying RX Partnership with the HighChem

Expanding the biodegradable plastics market

In 2022 we entered into a basic strategic partnership agreement with the HighChem Co., Ltd. to mutually cooperate on developing and expanding sales of biodegradable materials. We are currently working together to chart a course from R&D to practical application.

HighChem was an early mover in opening up the market for biodegradable plastics. It currently boasts a sales structure for seven types of biodegradable plastics, including Poly-Lactic Acid resin (PLA) and PHBV. The latter can break down even in the ocean.

Under this partnership, we aim to collaborate in the field of biodegradable materials by combining our expertise in resin modification and our long-standing experience in developing recycled products with the HighChem's capabilities in importing and market development. In doing so, we will look to create new value and accelerate the path towards achieving a sustainable society.

New product RETONA FOAM BIO showcased at the HighChem's booth at EcoPro 2022

RETONA FOAM BIO is the collective term for our biodegradable plastic foams derived from resins such as PLA or PBS and developed with our proprietary resin modification technology. At EcoPro 2022, held at Tokyo Big Sight from December 7 to 9, it was showcased as a material for display applications at the HighChem's exhibition booth.

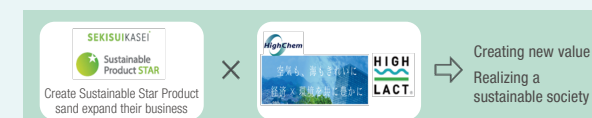


Exhibition Booth
(design, construction, and production handled by NHK Art, Inc.)



The material can be applied to flexible and curved surfaces. It can also be formed into 3D shapes.

The enormous amount of waste generated by booth decorations at events like exhibitions and trade shows is currently an issue that needs solving. RETONA FOAM BIO can be used in such displays, but with less of an impact on the environment. After it is disposed, it breaks down to water and carbon dioxide under the right environmental conditions.



Strategies for
Value
Creation

Human Resources Strategy



By practicing human capital management, we aim to offer opportunities and environments in which a diverse workforce can thrive, thereby creating new value.

We consider human resources to be indispensable to the execution of strategies if we are to achieve a balance between contributing to a sustainable society and achieving the sustainable enhancement of our corporate value. Given that “human resources” is one of the categories in our materiality (key management issues), we are focused on putting human capital management into practice in line with our Human Resources Policy. We will create new value by respecting the diversity of every individual and providing opportunities and work environments where their capabilities can be fully unleashed.

Toshie Amaki
Managing Executive Officer
Head of Administration Headquarters

Human Resources Policy

SEKISUI KASEI Group considers the inherent potential in each and every employee to be invaluable “capital.” That is why we practice human capital management to continuously create opportunities and environments conducive to sustained growth. To achieve this, we have established the following items as part of our HR policy. We also ensure that Group employees conduct themselves in accordance with our Code of Conduct so that we can develop an environment where their capabilities can be fully maximized.

Human Resources development	Supporting self-driven career formation and realizing growth of both individuals and the Group
Health and productivity management	Creating a workplace environment where employees can work energetically and are physically and mentally healthy
Evaluation/Compensation/Recruitment/Placement	Providing fair evaluations and compensation and hiring/appointing the right person for the right job
Engagement improvement	Providing a rewarding workplace and growth opportunities so that employees can be self-motivated to serve the Group
Diversity	Respecting the diversity of every individual and providing opportunities and environments where they can actively participate
Workstyle reforms	Pursuing highly productive ways of working and flexible working styles

SEKISUI KASEI’s Human Capital Management

Having established a Human Resources Policy, SEKISUI KASEI Group is focused on practicing human capital management. One such initiative in this area is supporting the self-driven career formation efforts of employees and the nurturing of human resources that leads to growth for both individuals and the Group.

Training system to promote Human Resources development

Our personnel systems and education and training programs clearly define the knowledge and experience needed by employees, from the time they join the Company as a new recruit, through to their appointment to a management position. We have established job-class-specific training programs for each of the entry, managerial, and management positions. Also, with the specialist system that we introduced in 2019, we have established a multi-track career path that allows not only management personnel but also specialists to further their careers. In this way we have expanded the system to allow all kinds of employees to develop their identity and play an active role in the organization. We are also focused on supporting the self-development efforts of employees, mainly with the use of external seminars, distance learning, and language training, so they have the opportunity to acquire the skills required for their self-driven career formation.

Training Program (SEKISUI KASEI non-consolidated)



*SK Juku is a fixed-term, hands-on, and screening-type training program designed to develop next-generation leaders.

Promotion of Health Management

Guided by SEKISUI KASEI Group’s founding spirit—For happiness of people working for the Company—we aim to create a workplace environment in which all Group employees can work energetically. Having made a declaration to engage in health and productivity management, we have appointed a person in charge of health promotion at each business site and in each Group company. Together with the Health Committee and the Company Business Promotion Committee (Shasui Kai), we are implementing initiatives geared towards maintaining and improving the physical and mental well-being of Group employees.

In recognition of our initiatives in 2022, we were selected by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi in the 2023 Certified Health & Productivity Management Outstanding Organization Recognition Program (Large Enterprise Category). Going forward, we will continue to engage in health and productivity management through various activities.



Diversity & Inclusion Initiatives

SEKISUI KASEI Group believes that an understanding of diversity centering on respect and mutual trust is crucial if we are to respond swiftly and flexibly in these times of uncertainty and enhance corporate value. We are therefore implementing numerous initiatives in line with our HR policy. The entire Group is committed to increasing the proportion of female employees by establishing systems under which women can actively participate with greater enthusiasm. At SEKISUI KASEI (non-consolidated), a three-year “Action Plan on the Promotion of Women’s Participation and Advancement in the Workplace and Advancement of Measures to Support Raising Next Generation Children” was formulated and launched in April 2022 was formulated and launched in April 2022, and the Company is pressing ahead with the development of talent and the creation of suitable environments to drive the active recruitment of women and increase the pool of female candidates for managerial positions. At the same time, we recognize that supporting families with children in society as a whole and making it easier for employees

to raise their children is one challenge companies should address. We are therefore putting various personnel systems in place and encouraging a workplace understanding of male employees taking parental leave. In FY2024 we aim to achieve a paternity leave ratio of 100% (83.3% in FY2022). The employment rate for people with disabilities across the entire Group stood at 1.8% in FY2022. Going forward, we will continue to share recruitment experiences throughout the Group in an effort to promote the hiring of people with disabilities.

	FY2021	FY2022	FY2024 (target)
Ratio of women in management positions	4.7%	5.8%	7.0% or higher
Ratio of female employees	16.1%	16.8%	18.0% or higher
Ratio of women to total hires	23.1%	22.2%	25.0%
Ratio of paternity leave taken	37.5%	83.3%	100%

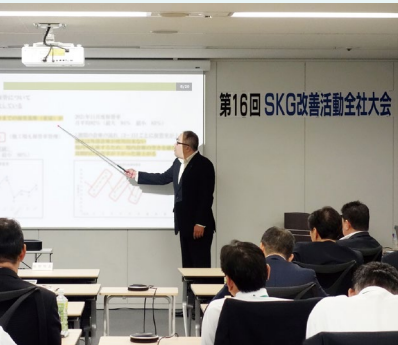
Note: All data above is for SEKISUI KASEI (non-consolidated).

TOPIC

Practicing “Zen-in Keiei”: SKG* Kaizen Activities Tournament

Based on the concept that “monozukuri” begins with the development of human resources, and with the aim of nurturing Group employees and strengthening the manufacturing capabilities of the Group as a whole, we are pursuing improvements in productivity and workability in all aspects of our operations. Every year we hold the SKG Kaizen Activities Tournament so that employees have an opportunity to present to everyone their ideas and actions for improving operations. This year, 188 teams worldwide entered the

competition. The 11 teams that passed the qualifying round at each business site then participated in the Group-wide tournament. Following the presentations, the best teams are recognized, and the details of their initiatives are shared mainly via the Group’s intranet portal and newsletter. This kind of setting for showcasing how operations can be improved is one example of our initiatives to practice “Zen-in Keiei” that drives the growth of people and SEKISUI KASEI Group. *SKG: SEKISUI KASEI Group



DX Strategy



Driven by IT, we leverage DX to create new value.

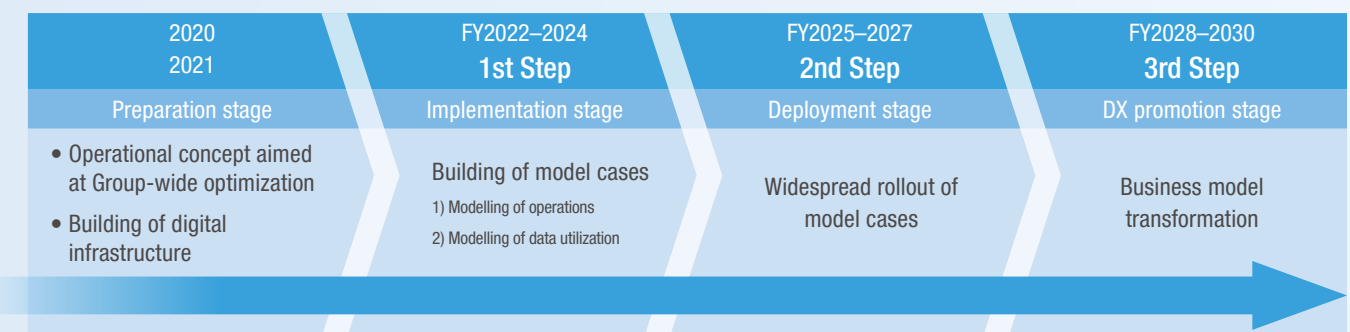
One of our Materiality (Key management issues) is innovation through DX. By viewing of digital technology as a tool and promoting the adoption of Information Technology, we aim to construct a framework that maximizes the technological capabilities and manufacturing expertise that we have cultivated since our founding, and ultimately transform people's lives for the better.

With an eye on business optimization, we will implement manufacturing and operational innovations to create new value through IT-enabled proposing solutions and services.

Tetsuharu Hirota

Director and Managing Executive Officer
In charge of PX Development Department and Information System Department,
Supervising the 2nd Business Headquarters

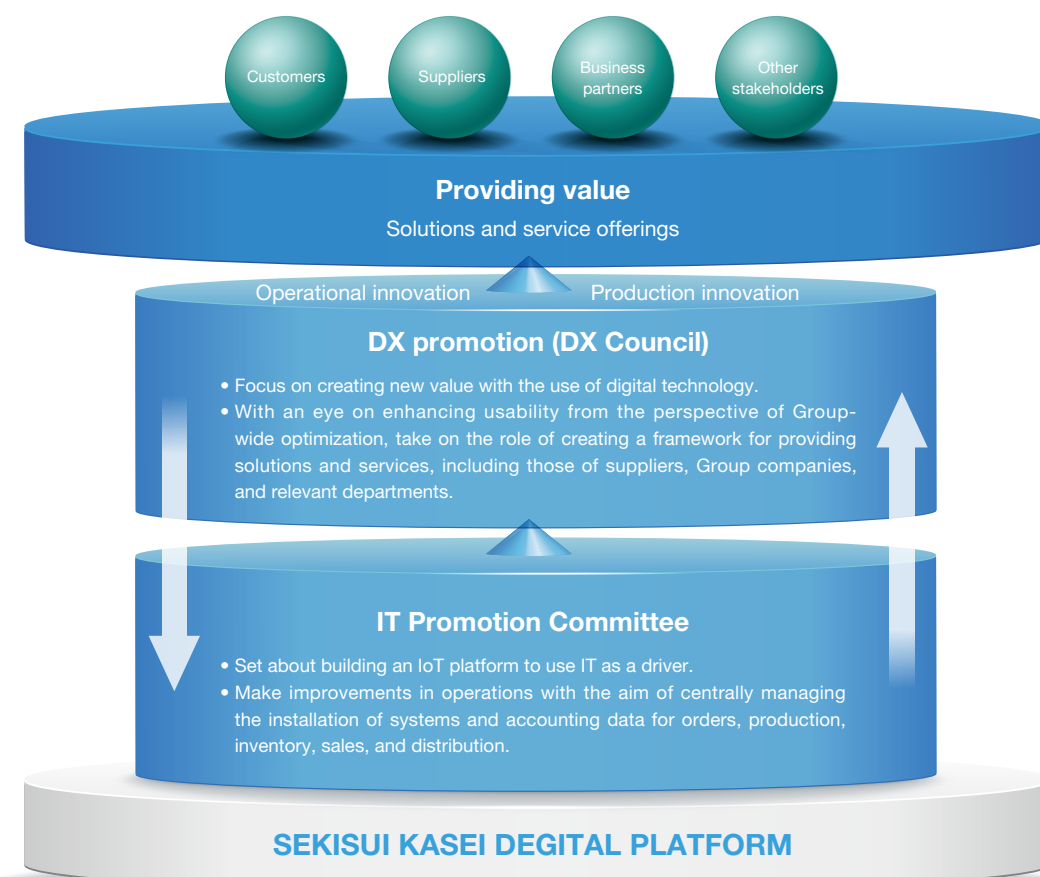
Overview of DX Roadmap



SEKISUI KASEI's DX Process

To maximize the use of our technological capabilities and manufacturing expertise as a pioneer of foamed resins, we are embracing the use of digital technology as a means of transformation.

Accordingly, in our pursuit of DX, we formulated a roadmap. While we designated the period up until 2021 as the preparation stage, we will execute a three-step process involving implementation, deployment, and DX promotion for each three-year plan from FY2022 through to FY2030. In the first step, which corresponds to the period of the "Spiral-up 2024" medium-term management plan (FY2022–2024), we are moving away from legacy systems and transforming our corporate culture. At the same time, strengthening of our cost competitiveness has been identified as a priority issue, and we have kicked off some initiatives that aim to reinforce production innovation and manufacturing capabilities, including the utilization of technology.



DX Promotion Framework

The primary driver of DX promotion is the DX Council, an organization that conceives the grand designs for creating new value with the use of digital technology. Of the three DX pillars (strengthening business management, reinforcing production management, and optimizing indirect operations) recommended by the IT Promotion Committee, the DX Council makes decisions with the specific aim of establishing those

projects which contribute to the provision of services and new businesses at an early stage.

The Information System Dept. collaborates with the Production Technology Center and the Mechanical & Engineering Dept. across the entire organization to carry out the series of tasks to implement the digital technology required to drive DX.

TOPIC

Case Example of DX

Focus on building model cases utilizing digital technology

Against the backdrop of ongoing globalization and these times of uncertainty, centralized management of corporate resources that underpins more accurate and agile business decisions, along with Supply Chain Management (SCM) capable of generating added value from a customer perspective, is growing increasingly important. We are implementing SCM with the use of IoT, and by "visualizing" all of the processes related to our products, we believe it not only optimizes production and inventory linked to sales, but it also leads to the creation of new value and the provision of services through digital means. Thus, with a view to the Group's expansion in the future, we kicked off a project aimed at realizing DX, starting with the SCM for ESLEN Sheet, for which operations can be easily standardized. In the preparation stage from 2020 to 2021, we commenced in earnest the development of infrastructure for digitizing information pertaining to production sites and set about gathering real-time information and

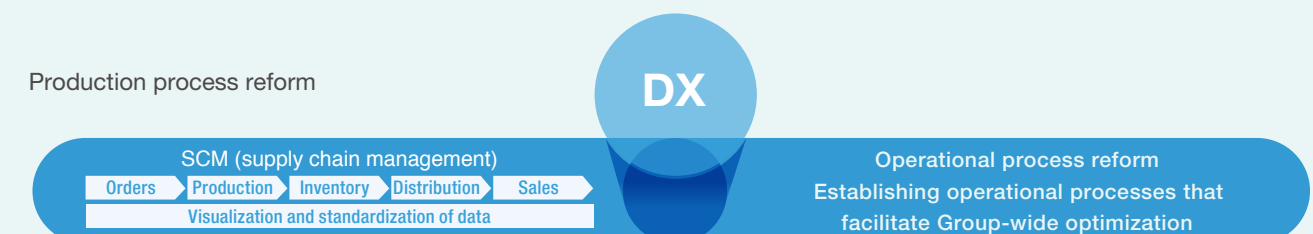
analyzing data.

In FY2022, the first year of the implementation stage, we selected the Group company Sekisui Kasei Omi to be the standard model case. We employed a trial-and-error approach to designing a Group-wide optimization process, mainly by introducing a PSI system (production, sales, inventory management), utilizing product-specific profit data, and streamlining indirect operations.

By concentrating investments in DX-related resources to build this standard model, we aim to uncover problems in the implementation and operation of SCM. We are also targeting a rapid transition to the deployment stage from FY2025 onwards and the acceleration of DX promotion.

Up ahead, we intend to develop digital-savvy employees and establish a cross-department organization in the lead up to the deployment and DX promotion stages.

Production process reform



SEKISUI KASEI's ESG:

E Environment

The starting point is *monozukuri* in harmony with the natural environment

Since its founding, SEKISUI KASEI Group has advanced its foaming and polymerization technologies while also working on *monozukuri* in harmony with the natural environment, including energy conservation and recycling, with the aim of creating a low-carbon and recycling-based society.

For instance, we utilize foam product features, including lightweight and high thermal insulation, to enhance automobile fuel efficiency and reduce CO₂ emissions, contributing towards

decreasing food waste.

But given the severity of climate change, ocean pollution, and other global challenges, we must explore new possibilities and create solutions to our environmental problems.

For the realization of our corporate message “Our planet. Our tomorrow.” we are promoting SKG-5R and working to innovate not only our products and services but also our business activities.

Environmental Policy

Basic Policy

SEKISUI KASEI Group, through its business activities, contributes to realizing a sustainable society where people and our planet continue to live harmoniously.

1 Addressing Climate Change

In our business activities and throughout the life-cycle of our products and services, we aim to achieve carbon neutrality through reductions in energy usage and effective utilization of resources.

2 Resource Circulation

With the aim of building a society with material circulation, we pursue innovations that lead to “Reduce, Reuse, Recycle” and “Replace, Re-Create” based on our unique technologies.

3 Ecosystems Conservation

By making efforts for the secure management, treatment and reuse of the chemical substances used and the waste generated, we will contribute to the conservation of rich ecosystems.

4 Compliance and Information Disclosure

We comply with laws, regulations, ordinances and international rules and we disclose the information relating to the environment timely for the communication and mutual understanding with society.

5 Education and Enlightenment

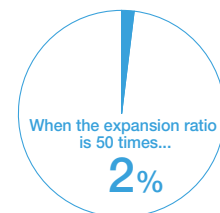
We make efforts for the continuous education and enlightenment to improve the knowledge of our employees and promote the activities to mitigate environmental impacts through management by all members' participation (Zen-in Keiei).

Features of foam products

Saving Resource

The material itself accounts for only **2%** of the volume

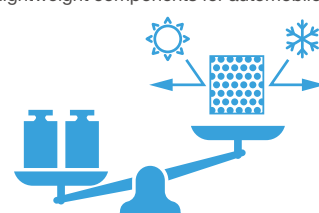
We make our foam products by inflating material beads derived from oil to several dozen times their original size, so that air accounts for most of the product volume. A real resource saver.



Energy saving effect

Thermal insulation effect & lightweight

Our foam products are excellent at thermal insulation, enabling energy saving temperature control. They are utilized as food containers to maintain freshness in food and to manufacture lightweight components for automobiles.

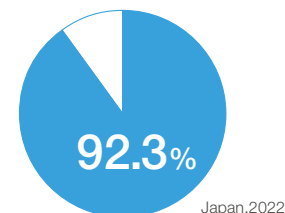


Resource circulation

The recycling rate is **92.3%**

We started recycling EPS in 1971. Today, used PET is recycled through various methods.

* Data source: JEPSA



SKG-5R

For the creation of a sustainable society, we have set targets to be achieved by FY2030. Toward the achievement, we will apply the SKG-5Rs (SEKISUI KASEI Group-5R) comprised of the 2Rs (Replace, Re-create) using the unique technologies of

the SEKISUI KASEI Group added to the 3Rs (Reduce, Reuse, Recycle) we have been focusing our efforts on for some time, thereby contributing to the solution of global issues as listed in the SDGs.

Corporate Vision

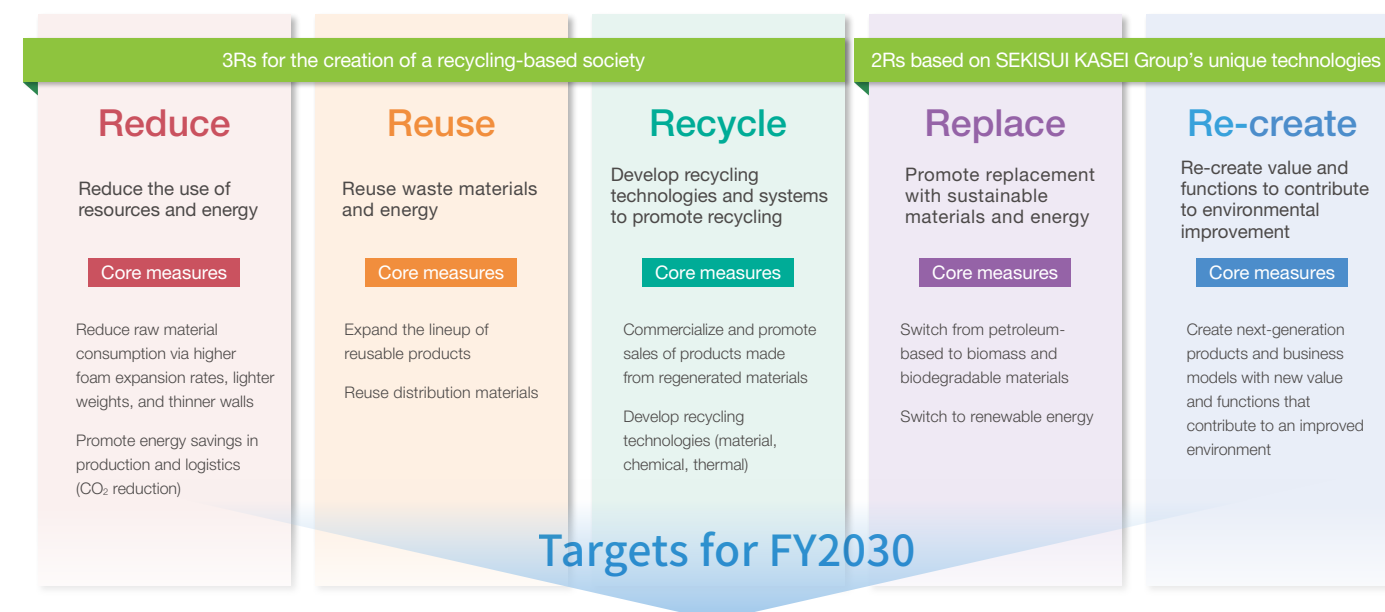
A new chemical solutions company that cares for people and the planet as it creates new value

Business Direction for 2030

Target 2030

Basic Policy: Realize co-existence of “Contribution to a Sustainable Society” and “Sustainable Enhancement of Corporate Value.”

SKG-5R



Target I

Create Sustainable Star Product and expand their business

Total number of registrations

100

Share of net sales

50%



Target II

Recycling and biomass materials usage ratio

50% or higher

ReNew+ BIOCellular

Target III

Reduction of CO₂ emissions

Scope1+2 **-27%**
(Compared to FY2018)

Targets for FY2050
Carbon neutrality achieved

FY2022 Results

Target
I

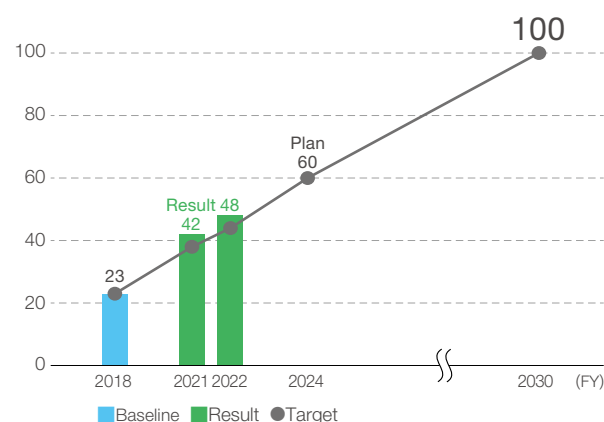
Create Sustainable Star Product and expand their business

In SKG-5R, we have set the targets of expanding the number of Sustainable Star Product (environmentally friendly products) registered to a cumulative total of 100 and their ratio of net sales to 50% by FY2030. Furthermore, as a target by FY2024, which is the final fiscal year of the medium-term management plan “Spiral-up 2024,” we have stipulated a cumulative total number

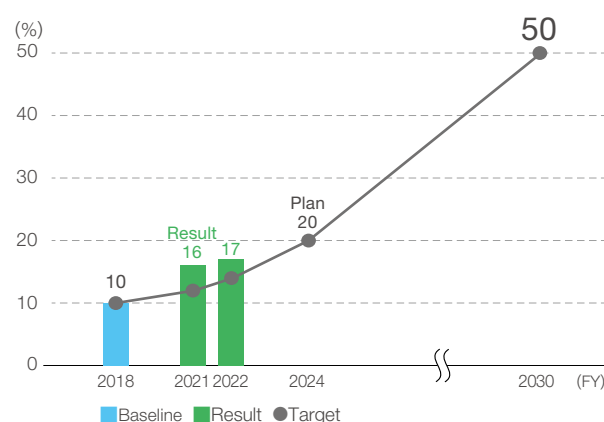
of registrations of 60 and a ratio of net sales of 20%.

In FY2022 the cumulative total number of registrations was 48 and the ratio of net sales accounted for by Sustainable Star Product was 17%, 1.0 percentage points up compared to the previous fiscal year, so both the number of registrations and the ratio of net sales are largely as planned.

Targets and actual results for the number of registrations



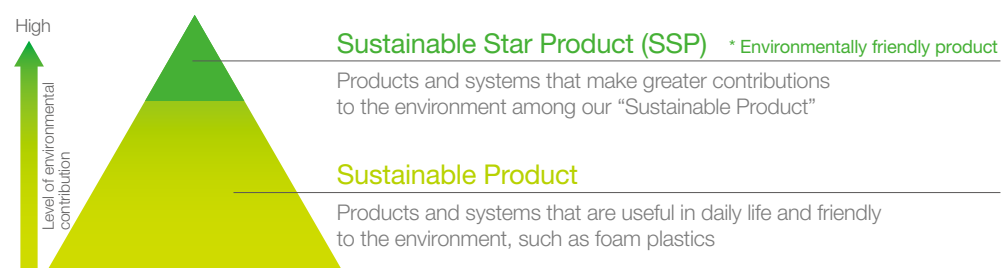
Targets and actual results for the share of net sales



Sustainable Star Product

We develop and design products that consider the limited resources they use and their environmental impact throughout the life cycle, starting from the procurement of raw materials and use stages, up to disposal and recycling. In SKG-5R, we

certify those products that make even greater contributions to the environment as “Sustainable Star Product” (environmentally friendly product), aiming to create and expand their business in line with the indicators set to this end.

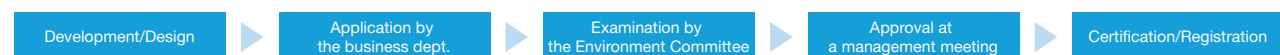


Examination/Certification/Registration

The process of registering a Sustainable Star Product is as follows. After receiving the application from the department in charge, the Environment Committee examines it, and those that meet the criteria as a result of the examination

are certified and registered after approval at a management meeting. A third party evaluates the validity of the certification and registration process.

Flow for examination, certification, and registration

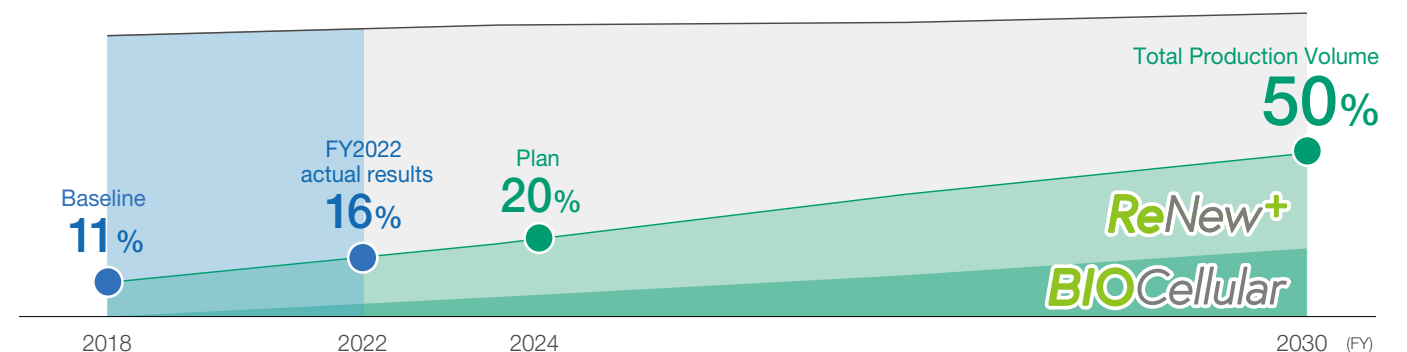
Target
II

Recycled and biomass material usage ratio

In order to realize the creation and expansion of Sustainable Star Product (environmentally friendly product), we have set a target of replacing 50% of the raw materials we use with raw materials recycled or biodegradable/biomass-derived

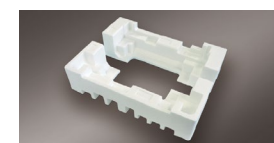
raw materials from virgin raw materials in all of the products manufactured by the SEKISUI KASEI Group by FY2030.

Targets and actual results of raw material usage ratio to the total production volume



ReNew+

We recover used products and the offcuts from manufacturing processes, carry out regenerative treatment so that they are easy to use, and use them as raw materials in new products. In development materials that use recycled raw materials, it's essential to solve a variety of technical challenges to achieve the same level of performance as conventional products, but we believe this is one important initiative from the perspective of the reduction of waste.



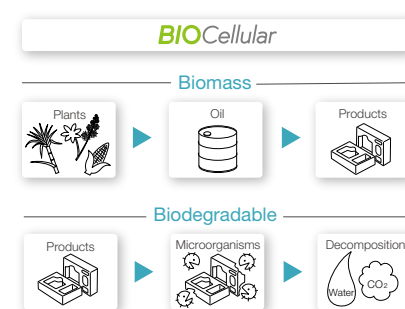
ESLEN (EPS) beads RNW
EPS (expandable polystyrene) beads

We collect the polystyrene (PS) components of discarded household appliances* and polystyrene foam molded products using our original recycling system and then turn them into raw materials.

*Discarded household appliances: discarded home appliances such as TVs and refrigerators

BIOCellular

Bioplastic is the collective term for biomass plastic and biodegradable plastic. Biomass plastic is made from recyclable organic materials such as plants, while biodegradable plastic is eventually broken down by CO₂ and water through the action of microorganisms, etc.



ST-Eleveat BIO
High Heat-Resistant Lightweight Foam

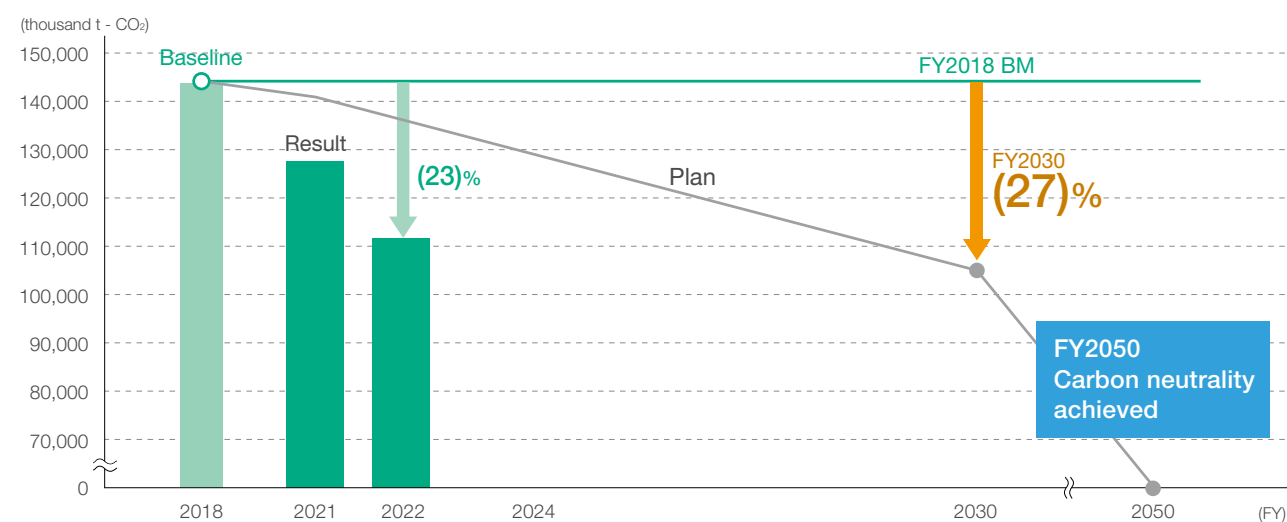
These are foamed plastics with a biomass ratio of 25% or more by replacing conventional raw materials with plant-derived materials. We also offer a range of High Flame-retardant grade with a biomass content of 15% or more.

Target
IIIReduction of CO₂ emissions

In SKG-5R, we have set a target to reduce our Scope 1 + 2 CO₂ emissions in our business activities by 27% by FY2030 from FY2018 levels, that was based on the criteria set by the Science Based Targets (SBT) initiative. We are proactively implementing measures across the Group in accordance with the reduction plan, including promoting more energy-saving production and reviewing our energy procurement method, and we are aiming

for zero substantial CO₂ emissions by FY2050 with the 2030 reduction target as a milestone.

In FY2022 the actual results progressed at a higher level than the plan due to the higher efficiency of production and the introduction of renewable energy, among other factors, and we reduced CO₂ emissions by 23% from FY2018 levels.

CO₂ emissions (Scope 1+ 2) reduction targets and actual results

TOPICS

Initiatives for achievement of the targets

We are promoting the introduction of solar power generation systems as needed across the Group

In order to achieve our targets for CO₂ emissions reduction, SEKISUI KASEI Group is promoting the introduction of facilities to switch the energy used in our production activities from fossil energy to renewable energy.

We have introduced solar power generation systems in the five locations of Sekisui Kasei Tenri (Head Office), Sekisui Kasei Kanto (Shimodate), Sekisui Kasei Saitama, Sekisui Kasei Toubu (Head Office, Kanuma) to date, and the systems are providing a part of the electricity used in the production activities at each location. Going forward, we will continue to promote their introduction in locations across the Group, to not only reduce the emissions of our company but also to contribute to the strengthening of electricity supply stability in the plants and regions and the realization of carbon neutral.



Sekisui Kasei Kanto (Shimodate)



Sekisui Kasei Toubu (Head Office)

We support the Task Force on Climate-related Financial Disclosure (TCFD) recommendations

We are encouraging the enhancement of information disclosure for the realization of a decarbonized society

We support the recommendations of the Task Force on Climate-related Financial Disclosures and are carrying out information disclosure as needed.



Information disclosure through the website



Inputs/Outputs (FY2022 Results)

SEKISUI KASEI Group manages the environmental impact arising from business activities in “output/unit consumption,” which expresses environmental loadings per production volume.



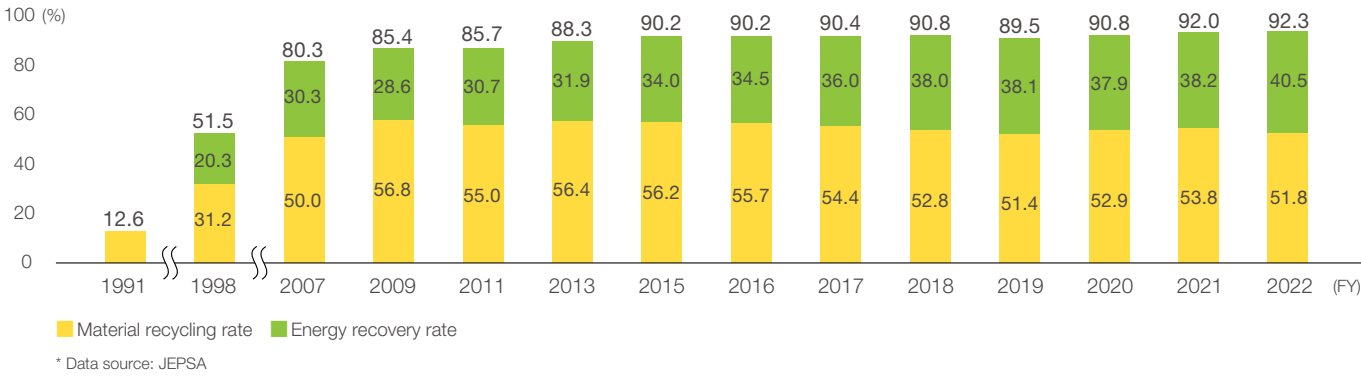
Inputs/Outputs (FY2021 Results)

Fiscal Year	2018	2019	2020	2021	2022
Number of production sites					
Japan	39	39	39	38	38
Overseas	19	19	19	19	18
Inputs (Japan)					
Energy consumption (GJ)	1,935,760	1,930,170	1,866,910	1,875,160	1,724,290
Unit consumption/output (GJ/sales in millions of yen)	21.0	22.2	23.8	26.3	22.9
Water consumption (thousand m³)	3,401	3,457	3,252	3,302	3,068
Unit consumption/output (thousand m³/sales in millions of yen)	36.9	39.8	41.4	46.4	40.8
Outputs (Japan)					
CO₂ emissions (Production) (t-CO₂)	101,909	95,760	89,571	92,140	79,416
Unit consumption/output (kg-CO₂/sales in millions of yen)	1,105	1,103	1,140	1,294	1,056
CO₂ emissions (Logistics) (t-CO₂)	8,304	8,180	7,634	9,086	10,314
Unit consumption/output (kg-CO₂/t)	36.3	36.3	33.7	39.9	48.0
CO₂ emissions (Office) (t-CO₂)	264	234	249	267	284
Unit consumption/output (kg-CO₂/m²)	25.5	22.6	22.6	24.2	21.3
Effluent (thousand m³)	3,269	3,272	2,962	2,975	2,708
Unit consumption/output (thousand m³/sales in millions of yen)	35.4	37.7	37.7	41.8	36.0
COD discharge (t)	17.0	15.8	14.0	12.8	13.2
Industrial waste (t)	8,780	10,436	9,764	10,098	9,618
Recycling rate (%)	97.2	95.4	95.6	96.2	96.9
Inputs (Overseas)					
Energy consumption (GJ)	539,150	890,200	834,620	810,170	741,040
Unit consumption/output (GJ/sales in millions of yen)	26.5	18.0	20.7	17.5	15.0
Water consumption (thousand m³)	163	253	221	194	172
Unit consumption/output (thousand m³/sales in millions of yen)	8.0	5.1	5.5	4.2	3.5
Outputs (Overseas)					
CO2 emissions (Production) (t-CO₂)	25,178	41,883	38,503	33,847	29,901
Unit consumption/output (kg-CO₂/sales in millions of yen)	1,236	848	956	730	605
Effluent (thousand m³)	81	214	166	144	132
Unit consumption/output (thousand m³/sales in millions of yen)	4.0	4.3	4.1	3.1	2.7
COD discharge (t)	7.5	13.6	16.0	14.1	15.8
Industrial waste (t)	1,494	3,511	2,958	2,886	2,921
Recycling rate (%)	80.7	78.8	81.8	79.4	79.6

Note 1: SEKISUI KASEI Group ascertains and manages the environmental impact that arises in various aspects of its business activities in terms of “unit consumption/ output,” which expresses environmental loadings per production volume.

Note 2: The Group-wide total including Proseat Group, which became a consolidated subsidiary in FY2018 (January 2019).

Recycling of Expandable Polystyrene Foam (EPS)



Environmental Accounting (Japan)

Environmental Conservation Costs					(Millions of yen)
Category	Major activities	FY2021		FY2022	
		Investment	Costs	Investment	Costs
1) Costs in business area					
(1) Pollution control	Control measures for air/water quality	6	114	26	116
(2) Global environment	Energy saving	125	14	126	6
(3) Recycling	Recycling, industrial waste treatment	0.2	353	4.0	281
Subtotal		131	481	156	403
2) Up-/down-steam	Product recycling	0	43	0	81
3) Management costs	Departmental costs associated with introducing environment management system	3	72	3	72
4) R&D costs	R&D for environmental conservation products	0	44	0	45
5) Social Activity cost	Greening, social supports	0.1	1	0	1
6) Environmental damage fixing cost	Nature restoration	0	0	0	0
Total		134	641	159	602

Environmental Conservation Effects (in terms of volume)

Details of effects (Unit)	FY2021	FY2022
1) Effects on costs in business area		
(1) Electricity consumption (MWh)	122,351	114,521
(2) Crude oil consumption (kl)	17,235	16,159
(3) Total effluent (thousand m3)	3,272	2,708
(4) Amount of COD discharge (t)	16	13.2
2) Effects on Up-/down-steam costs		
Amount of recycled polystyrene foam (t)	201	203

Economic Effects Related to Environmental Conservation Measures

Details of effects	FY2021	FY2022
1) Cost reduction through energy-saving activities	(11)	15
2) Income from recycling	280	224
Total	269	239

Cost Effectiveness of Environmental Conservation Activities

FY2021	FY2022
42.0%	39.7 %

Investment figures are for construction completed during the period. Expense figures do not include depreciation and amortization.

Compliance with the Chemical Substances Management Act

We promote improvements in compliance with the PRTR* system under the Chemical Substances Management Act (the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof).

* PRTR: Pollutant Release and Transfer Register

Emissions of Chemical Substances (PRTR substances: Rounded to one decimal place)																					(t)
Substance		Styrene					Toluene					Methyl methacrylate					Ethyl benzene				
Fiscal Year		2018	2019	2020	2021	2022	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
Emission	Air	4.7	6.7	5.0	5.4	5.1	0.4	0.5	0.3	0.4	0.3	1.4	1.4	1.2	1.3	1.0	0.1	0.1	0.1	0.1	0.1
	Water	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Soil	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
移動量		3.4	3.1	1.6	3.2	1.7	0.0	0.0	0.0	0.0	0.0	0.0	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

SEKISUI KASEI's ESG:

S Social

Safety

Based on its Corporate Vision of “a new chemical solutions company that cares for people and the planet as it creates new value,” SEKISUI KASEI Group is giving priority to safety and health and implementing safety activities in all its business activities. In FY2022 we revised the “Management Policies Related to the Environment, Safety, and Quality” into new “Safety Policy,” and we are promoting initiatives in this area under the Safety Management System.

Going forward we will continue to comply with laws and regulations, take measures to meet new challenges to carry out continuous improvements, endeavor to release information, and make efforts to ensure that we can gain the understanding and trust of society.

Safety Policy

Basic Policy

SEKISUI KASEI Group prioritizes health and safety above all else, promotes safety activities with the objective of achieving zero accidents and zero disasters, and seeks to become a safe and secure company that is trusted by employees and society.

1 Creating a Safe and Secure Workplace

We promote the creation of a comfortable workplace environment in which all employees are healthy in both body and mind and feel that their work is worthwhile.

2 Compliance

We comply with laws, regulations and ordinances related to health and safety, and security and disaster prevention, aiming a company trusted by society.

3 Evolution of Safety Activities

Investigating danger and hazards in the working environment and reducing the risks with new perspectives without been obsessed with current condition, we continue to evolve our safety activities.

4 Communication with Society

We aim good communication with authorities and local communities, and timely information disclosure.

5 Education and Enlightenment

We aim rising awareness for the health and safety through enhancing educational and enlightenment activities and work on leveling up of every individual.

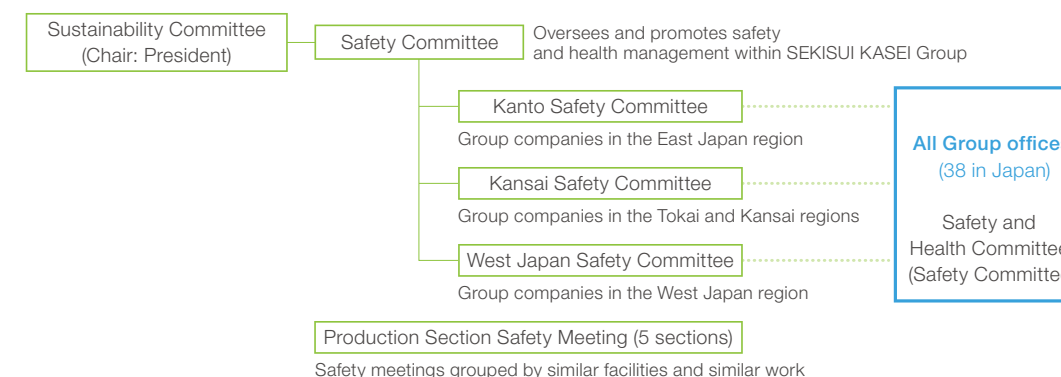


SEKISUI KASEI Group has set the basic policy to realize co-existence of “Contribution to a Sustainable Society” and “Sustainable Enhancement of Corporate Value” in Target 2030, the business direction we are aiming for by 2030, which we established in January 2023. Therefore, the Group has identified “providing safety and security” as one of its Materiality that are key management issues and is focusing its energies on initiatives to this end. In April 2022, a fire accident occurred in Sekisui Kasei Oita, a group company. We perceive the occurrence of this kind of accident to be a serious risk, so we are taking improvement measures for the prevention of recurrence to evolve the safety activities by the Group as a whole and we are working hard on enlightenment activities to raise awareness of safety.

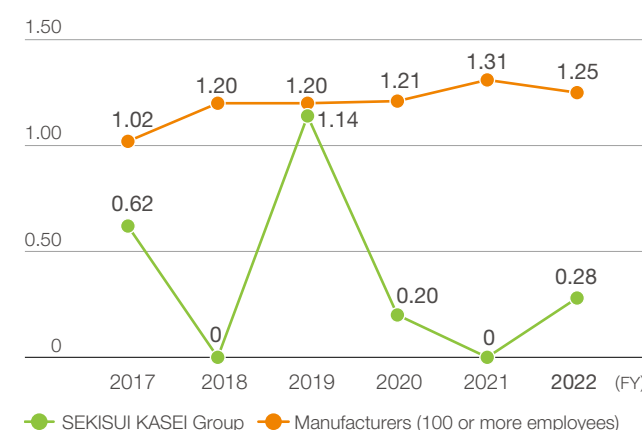
Yasumasa Asano

Managing Executive Officer
Head of Production Technology Center,
In charge of Quality & Safety Control Center

Safety Management System

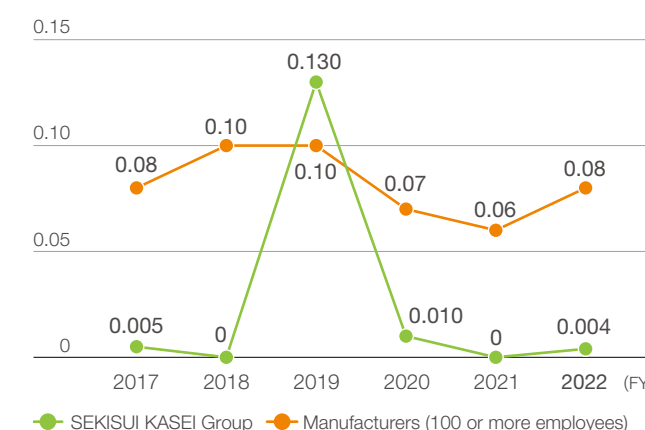


Lost Time Injury Frequency Rates*



* Lost Time Injury Frequency Rate: The number of absent employees due to industrial accidents per 1 million working hours
Lost Time Injury Frequency Rates of Manufacturers (100 or more employees): Excerpted from statistics in the Ministry of Health, Labour and Welfare's Survey on Industrial Accidents

Accident Severity Rates*



* Accident Severity Rate: The number of lost workdays per 1,000 working hours
Accident Severity Rates of Manufacturers (100 or more employees): Excerpted from statistics in the Ministry of Health, Labour and Welfare's Survey on Industrial Accidents

TOPICS

Holding the SKG safety convention and safety lecture meetings

We are regularly holding the SKG safety convention and safety lecture meetings with the aim of spreading best practices by sharing disaster prevention and safety activities independently implemented by each business site with the entire Group. We implemented the SKG safety convention in the current fiscal year comprised of two parts, a lecture titled “Safety communication for worksites” by a visiting lecturer and a workshop concerning fire prevention, and we mutually confirmed once again the importance of safety. We plan to hold these tournaments on a regular basis to raise safety awareness throughout the organization.

Distribution of safety information

Key safety-related activities and initiatives are sent out every Monday as the “Safety Activity of the Week.” Regarding the contents which is sent out, in addition to introducing safety activities at each business site, the bulletin provides a wide range of information which will raise safety and health awareness, from lessons learned from past accidents to information on the government’s “National Safety Week” and “Disaster Prevention Week.”



The scene at a SKG safety tournament lecture

Quality

The Group pursues quality from the customer's perspective and promotes quality management activities in accordance with its management philosophy and quality policy. In order to manage the quality of our products and services, we have established a quality assurance system for each product according to its characteristics. Starting from the R&D phase, we clarify the customer's specifications and focus on improving product quality from the development stage.

We have also developed internal regulations to deal with product accidents. In the unlikely event of a product accident, responsible departments take the lead in promptly responding in line with regulations, with full consideration of the customer's perspective, and related departments cooperate in finding a solution as necessary. In the event of a particularly serious product accident, the situation is immediately reported to top management for prompt and appropriate action.

Quality Policy

Basic Policy

SEKISUI KASEI Group pursue the quality with customer perspective and provides valuable products and services that satisfy our customers and society.

1 Providing Satisfactory Quality

Building in the quality which satisfies customers requirements, we provide safe and secure products and services that satisfy the customers.

2 Thorough Quality Control

By thorough quality control from procurement of raw materials to delivery of products, we work on prevention and recurrence prevention of defects by all the Group members in pursuit of higher-quality manufacturing.

3 Perform Quality Assurance

We take the opinions and assessments of the customer seriously and use them for the improvements and we aim appropriate information disclosure and quick resolution with customer perspective for the complaints and requests for improvements from the customers.

4 Compliance

We comply with laws, regulations and ordinances relating to the quality, and we work to maintain and enhance thorough quality management.

5 Education and Enlightenment

Through continuous educational and enlightenment programs, we promote improvement quality awareness and strengthen management capabilities.

TOPICS

Chemical Substance Initiatives

In order to provide information swiftly to our customers, we use ChemSHERPA that is a scheme for standardizing information handling in Japan to manage the chemical substances contained in our products. SEKISUI KASEI Group has also established a green procurement standard for raw materials and strives not only to thoroughly comply with laws and regulations, but also to develop products that take into account the environment, safety, and health.

Response to Food Sanitation Act Revisions

The revision of the Food Sanitation Act introduced a "Positive List" system for food utensils, containers, and packaging. The Group has filed notifications at applicable manufacturing sites and complies

with the revised Food Sanitation Act for all products that fall under the category of food utensils, containers, and packaging.

Quality Training and Awareness-raising Activity

As quality enlightenment, we conducted the Group-wide e-learning session on quality management, quality control techniques, and management of measuring equipment in October, to further raise awareness of product quality. In addition, to improve the level of quality knowledge throughout the Group, we promote the acquisition of QC certification*, which tests knowledge of quality management.

* The exams are certified by The Japanese Society for Quality Control, and are administered by the Japanese Standards Association (JSA) Group and the Union of Japanese Scientists and Engineers.

Human Rights/Labor Practices

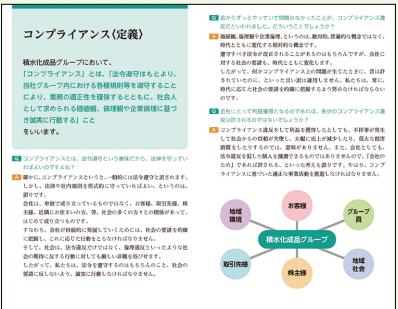
SEKISUI KASEI Group respects fundamental human rights and is committed to ensuring that all individuals are free from discrimination based on any factors, including but not limited to birth, nationality, race, ethnicity, creed, religion, gender, or age. Our management philosophy states that "we, SEKISUI KASEI Group, practice "Zen-in Keiei" based on respect for people and mutual trust. We are always innovating in our aim of "new

happiness." To implement this philosophy, we respect the human rights of all those involved in our business activities.

TOPICS

Training and Education

We publish a Compliance Manual regarding infringements of human rights and the prohibition of discrimination, and these ideas are widely entrenched among the Group's employees. In addition, we implement e-learning programs for all Group employees once a year, and we continue to remind them that the issues of human rights and harassment can occur in a variety of circumstances around us. We are aiming to foster awareness by continuously carrying out appropriate enlightenment and education through various training programs.



Human Rights Reporting and Consultation Contact Point

The internal reporting system "SKG Clean Network" is receiving all reporting and consultations, including about human rights.

Shasui Kai, Carried Forward the Founding Spirit of "For Happiness of People Working for the Company" to the Present

About "Shasui Kai"

The Committee was launched in 1961 as an organization pursuing the "happiness of people working for the Company" and as a committee participated in by all the Group employees, including the managers.

We are striving to realize our founding spirit of "For happiness of people working for the company" and to contribute to society through our business activities based on the concepts of "Respect for People" and "Mutual Trust," which state that mutual understanding is deepened and trust is established when we respect each other's positions and talk to each other thoroughly.



Stone monument inscribed with the Founding spirit

Foundation of Value Creation

SEKISUI KASEI's ESG:

G Governance

Our Basic Approach to Corporate Governance

To fulfill its social responsibility to all stakeholders, SEKISUI KASEI Group aims to make its corporate governance function effectively, ensure management transparency, and establish a management structure capable of promptly adapting to changes in the business environment.

To realize these goals, we are working to enhance corporate

governance. We believe that the essence of corporate governance is ensuring the transparency and fairness of decision-making from the perspective of working to enhance sustainable growth and long-term corporate value, and utilizing the management resources we possess sufficiently effectively to increase management dynamism through prompt and decisive decision making.

Corporate Governance System

We adopt a corporate auditor system, with supervision and audits of business execution conducted by the Board of Directors and Audit & Supervisory Board.

Of the eight directors, three are outside directors, who supervise management from an objective perspective while ensuring the appropriateness and transparency of the Board of Directors' decision making.

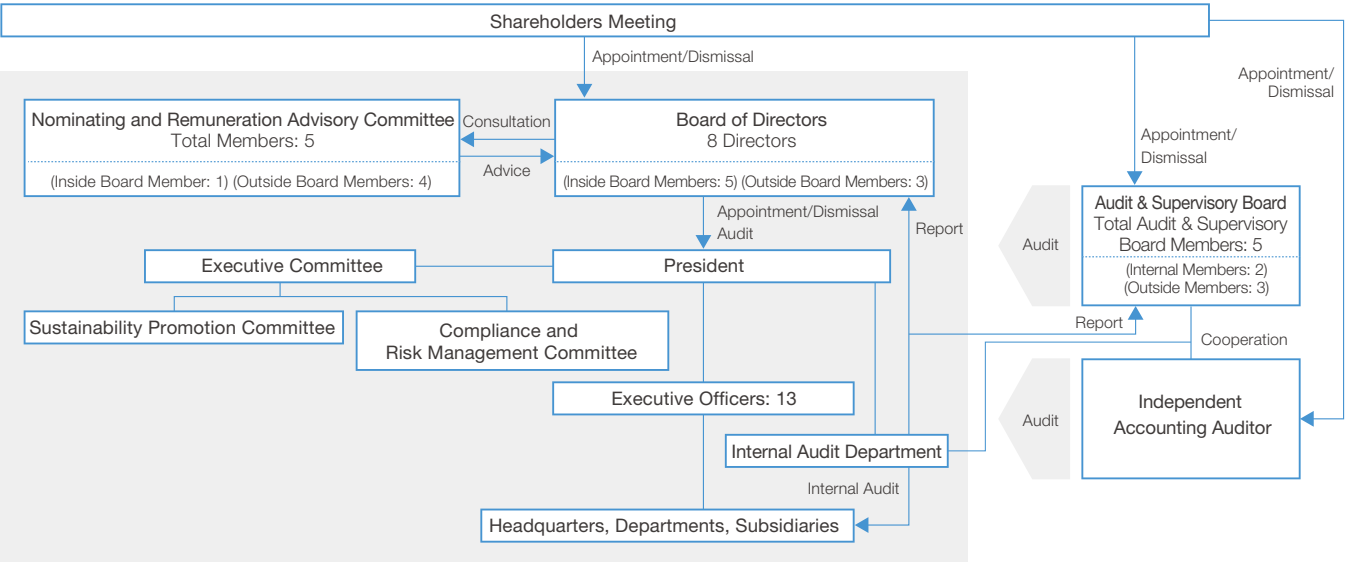
Of the five members of the Audit & Supervisory Board, three are outside members. By establishing a system of timely and appropriate reporting of significant matters to the Audit & Supervisory Board and its members, we have strengthened the

auditing function and ensure the rationality, transparency, and fairness of management decisions.

Further, we established Nominating and Remuneration Advisory Committee of which a majority of members are independent outside officers, which deliberates matters including candidates to succeed the president, director candidates, and director remuneration.

Through this current system, we have put in place a structure that functions both to ensure the rationality, transparency, and fairness of management decisions and to supervise management from an objective and neutral perspectives.

Chart of SEKISUI KASEI Corporate Governance System (As of June 26, 2023)



Nominating and Remuneration Advisory Committee

As an advisory body to the Board of Directors, the Nominating and Remuneration Advisory Committee is comprised of the President and six outside officers. It strengthens the fairness and objectivity of procedures concerning the nomination and remuneration of directors and advances discussions in order to fulfill its accountability to stakeholders. The chair is elected from among the independent outside officers by an internal vote. (FY2022: held 5 times)

Executive Committee

As an advisory body to the President, the Executive Committee deliberates on matters pertaining to basic management measures and management policies and the important execution cases of the departments in order to make decision making faster and streamline business operation and to respond to important business execution. (FY2022: held 16 times)

Board of Directors

The Board of Directors consists of eight directors with the President serving as its chairperson, and in addition all five Audit & Supervisory Board members, including the three outside members, attend the meeting and express their opinions as appropriate. In order to clarify the management responsibilities of directors, we have set their term of office at one year and to build a management structure that can quickly respond to changes in the business environment, we have introduced an executive officer system. (FY2022: held 16 times)

Audit & Supervisory Board

The Audit & Supervisory Board has stipulated an auditing policy and auditing plan, etc. for auditing of the execution of duties by the directors and the business and financial position of the Group companies. Furthermore, it fulfills a management supervision function. (FY2022: held 12 times)

Skill Matrix of Directors

The Board of Directors ensures that its roles and responsibilities are effectively fulfilled by having a well-balanced mix of directors with a wide range of knowledge and experience, to accurately assess the business situation and make appropriate decisions.

With regard to our policy for selecting director candidates and specific candidate selection proposals, the Nominating and Remuneration Advisory Committee prepares a skill matrix of each director's knowledge, experience, and abilities, and then comprehensively deliberates and prepares a draft

proposal, taking into consideration the balance, qualifications, and diversity of each director in relation to each function and business of the Company, as well as management experience at other companies in the case of independent outside directors, and submits the draft proposal to the Board of Directors. The Board of Directors then takes the proposal into consideration when making its decision.

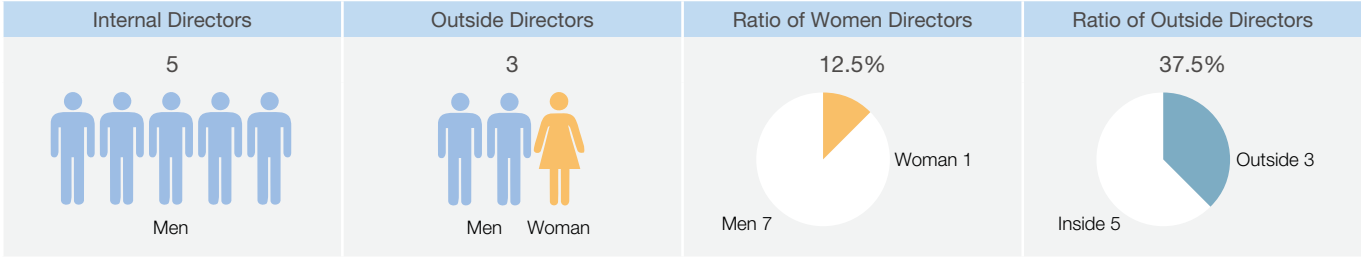
Going forward, we will revise the items in the skill matrix in accordance with the business environment and other factors.

Name	Position and Duties at the Company	Gender	Corporate Management/Management Strategy	Financial/Accounting	Legal Affairs/Governance	HR	Internationality/Overseas Business	Sales/Marketing	Development/Production/Quality	Environment/Energy	Insight into Other Industries
Masato Kashiwabara	Representative Director President and Chief Executive Officer	Men	○	○	○	○			○	○	
Katsumi Sasaki	Director Senior Managing Executive Officer	Men	○	○	○	○					
Tetsuharu Hirota	Director Managing Executive Officer	Men	○				○	○	○		
Hideyuki Asada	Director Managing Executive Officer	Men	○				○		○	○	
Yasunobu Furubayashi	Director Managing Executive Officer	Men	○	○		○		○			
Morio Kubota	Independent Outside Director	Men	○	○			○	○			○
Michiko Uehara	Independent Outside Director	Woman			○	○					
Ichiro Wakabayashi	Independent Outside Director	Men	○		○		○	○			○

* The "○" above does not indicate all insights held by each Director

Men Woman

Composition of Board of Directors



Improving the Effectiveness of the Board of Directors

As a structure for the transmission of information to outside directors, the secretariat of the Board of Directors sends out and explains in advance the materials regarding the matters for deliberation by the Board of Directors and a sufficient explanation is given by the internal directors regarding particularly important proposals.

As a structure for the transmission of information to outside

Audit & Supervisory Board members, the full-time Audit & Supervisory Board members give explanations to the outside Audit & Supervisory Board members about the matters for deliberation by the Board of Managing Directors. Moreover, the outside Audit & Supervisory Board members implement on-site audits of each business site with the full-time Audit & Supervisory Board members as necessary.

Evaluation of the Effectiveness of the Board of Directors

To analyze and evaluate the overall effectiveness of the Board of Directors, we conducted a survey of all the directors as well as Audit & Supervisory Board members based on the advice and guidance of a third party, with the results of the survey discussed at a Board meeting.

Subsequently, it has been evaluated that the Board of Directors is generally functioning, and efforts to improve effectiveness, such as management, deliberation, and setting of proposals, were also evaluated. On the other hand, some issues were pointed out, so we have formulated the next action plan to further improve the effectiveness of the Board of Directors.

Review of the FY2022 action plan

- 1 Enhance discussions on medium to long term business directions and management strategies
 - We held off-site meetings (a total of three times), implemented environmental efforts, and held discussions concerning profitability improvement.
 - We debated important medium to long term themes such as organization of the Management Philosophy System, partial revisions of the 100th Year Vision and other documents, and the strengthening of efforts for Sustainable Star Product (environmentally-friendly product).
- 2 Discuss and consider non-financial agenda items
 - We consulted on agenda items concerning non-financial aspects such as the Report on ESG Materiality, Personnel Policies Based on Human Capital Management, Risk Incident Progress Reports, and Matters related to Digital Transformation (DX).
 - We continuously raised agenda items with respect to the environment, starting with the Response based on the TCFD Recommendations.
- 3 Conduct executive training
 - We held executive training on the themes of "decarbonization and the plastics problem," "consideration of the 100th Year Vision," "human capital management" and "compliance" (a total of four times), expanded the knowledge of the executives, and held discussions concerning a variety of management problems.

FY2023 action plan

- 1 Enhance the supervision function from a medium to long term perspective
 - Monitor the steady execution of the medium-term management plan "Spiral-up 2024"
 - Hold discussions concerning ESG efforts
- 2 Share information among the members of the Board of Directors
 - Hold off-site meetings
 - Encourage understanding of the financial and non-financial situation in SEKISUI KASEI Group

Officer Remuneration

The status of officer remuneration in FY2022

The amounts of remuneration, etc. for Directors and Audit & Supervisory Board members in FY2022

	(Millions of yen)				
Classification	Eligible Personnel	Basic Remuneration	Performance-based Remuneration	Restricted Stock Remuneration	Total
Directors (excluding outside directors)	5	83	14	17	116
Audit & Supervisory Board members (excluding outside members)	2	43	—	—	43
Outside officers	8	43	—	—	43

Notes: 1. The above includes one outside director and one outside Audit & Supervisory Board member who stepped down at the conclusion of the 78th Ordinary General Meeting of Shareholders held June 23, 2022.

2. Director remuneration amounts do not include employee salaries for directors concurrently serving as company employees.

Director remuneration

The Board of Directors has resolved as follows regarding the policy for determining the individual remuneration of directors and other details based on the report from the Nominating and Remuneraiton Advisory Committee.

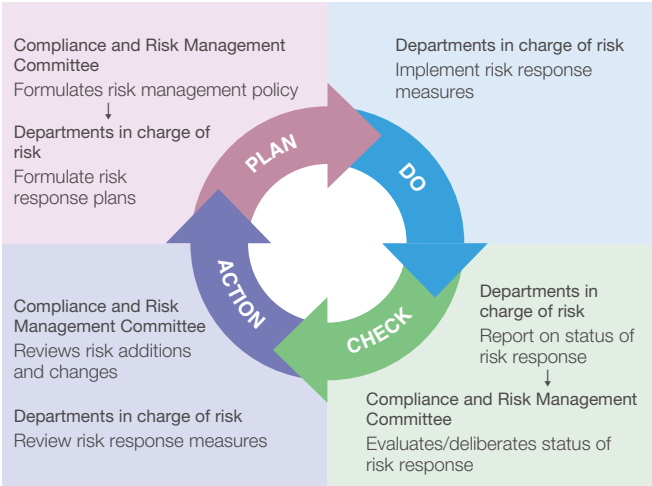
Basic policy

The link between director remuneration and the Company's shareholder value shall be clarified to further promote value sharing with shareholders in order to contribute to improved medium to long term business performance and increased corporate value. In addition, the remuneration system shall emphasize the proportion of remuneration determined through a comprehensive analysis, including in regard to the degree to contribution toward performance and progress in achieving targets.

Specifically, remuneration of directors responsible for business execution shall consist of basic remuneration, performance-based remuneration, and stock-based remuneration, while remuneration of outside directors responsible for supervisory functions shall consist only of basic remuneration. Furthermore, the policy for determining director remuneration shall be based on the discussions of the Nominating and Remuneration Advisory Committee, of which independent outside officers comprise the majority.

Risk Management System

In SEKISUI KASEI Group, the departments, and committees in charge of each type of risk formulate response plans and take specific countermeasures under the basic policy on risk management established by the Compliance and Risk Management Committee, which manages all risks. Further, the Compliance and Risk Management Committee evaluates and deliberates on the response status based on reports from the departments in charge of each risk about the degree of severity of currently assumed risks. The committee then operates on a system of reviewing the risk response measures and repeating the PDCA cycle depending on the results of their evaluations and deliberations. In addition, the management status of each risk is reported and shared with the Board of Directors and Executive Committee.



Compliance Promotion

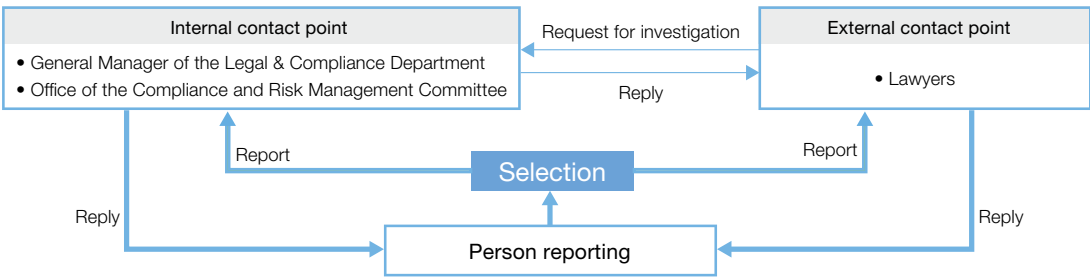
SEKISUI KASEI Group defines compliance as not only complying with laws and regulations, but also ensuring that operations within SEKISUI KASEI Group are carried out in an appropriate manner by complying with related rules and regulations while acting with integrity based on the values, personal ethics, and corporate ethics required by the society in which we operate. SEKISUI KASEI Group Compliance Action Guidelines define how we should act as a corporate entity. With the goal of strengthening and promoting compliance throughout the Group, we established the Compliance and

Risk Management Committee to ensure ongoing compliance with all laws and regulations. The Compliance and Risk Management Committee meets in principle once every six months to discuss compliance issues within SEKISUI KASEI Group and to report any items for attention to the Executive Committee. We have also established Compliance Committees or Compliance officers at Group companies, depending on their size, with the goal of further promoting cooperation with the Compliance and Risk Management Committee.

SKG Clean Network

To fulfill its corporate social responsibilities, SEKISUI KASEI Group set up the "SKG Clean Network" as an internal reporting system in line with our effort to build a fair and active organization.

Users can choose between an internal or external contact points and can issue their report either anonymously or under their own name.



Foundation of
Value
Creation

Directors & Auditors



Osamu Matsumoto
Audit & Supervisory Board Member

1985 Joined the Company
2021 Audit & Supervisory Board Member of the Company [incumbent]

Michinori Nawa
Outside Audit & Supervisory Board Member

1983 Joined Tohmatsu Awoki & Co. *
1987 Registered as certified public accountant and certified tax accountant
2023 Audit & Supervisory Board Member of the Company [incumbent]

* Now Deloitte Touche Tohmatsu LLC

Mamoru Akashi
Outside Audit & Supervisory Board Member

1988 Joined The Dai-ichi Mutual Life Insurance Company
2013 Director of The Dai-ichi Frontier Life Insurance Co., Ltd.
2015 Director, Managing Executive Officer of The Dai-ichi Frontier Life Insurance Co., Ltd.
2016 Vice President and Representative Director, Vice-chief Executive Officer of The Dai-ichi Frontier Life Insurance Co., Ltd.
2020 Managing Executive Officer of Dai-ichi Life Holdings, Inc.
Director, Managing Executive Officer of The Dai-ichi Life Insurance Company
2021 Director, Managing Executive Officer of Dai-ichi Life Holdings, Inc.
2022 Outside Audit & Supervisory Board Member of the Company [incumbent]
2023 Representative Director, President of The Dai-ichi Frontier Life Insurance Co., Ltd. [incumbent]
Managing Executive Officer of Dai-ichi Life Holdings, Inc. [incumbent]

*Currently The Daiichi Life Insurance Company, Limited

Yasunobu Furubayashi
Director
Managing Executive Officer

Head of the 1st Business Headquarters
1992 Joined the Company
2021 Director, Managing Executive Officer of the Company [incumbent]

Hideyuki Asada
Director
Managing Executive Officer

Head of Research & Development Center, General Manager of GX Development Department
1989 Joined the Company
2020 Director, Managing Executive Officer of the Company [incumbent]

Keizo Kousaka
Outside Audit & Supervisory Board Member

1970 Admitted to the bar
Joined Irokawa Law Office
2001 Chairman of Irokawa Law Office
2009 Outside Director of Sumitomo Rubber Industries, Ltd. [incumbent]
2012 Outside Audit & Supervisory Board Member of the Company [incumbent]
2016 Outside Audit & Supervisory Board Member of Techno Associe Co., Ltd.
2020 Chairman of Irokawa Law Office [incumbent]
Outside Audit & Supervisory Board Member of Seiren Co., Ltd. [incumbent]

Kojiro Takekoshi
Audit & Supervisory Board Member

1978 Joined the Company
2020 Audit & Supervisory Board Member of the Company [incumbent]

Tetsuharu Hirota
Director
Managing Executive Officer

In charge of PX Development Department and Information System Department, Supervising the 2nd Business Headquarters
1984 Joined the Company
2016 Director, Managing Executive Officer of the Company [incumbent]

Ichiro Wakabayashi
Outside Director

Please refer to page 60 for detailed profile.

Michiko Uehara
Outside Director

Please refer to page 60 for detailed profile.

Masato Kashiwabara
President and Representative Director
Chief Executive Officer

1983 Joined the Company
2014 Representative Director, President and Chief Executive Officer of the Company [incumbent]

Morio Kubota
Outside Director

Please refer to page 60 for detailed profile.

Katsumi Sasaki
Director
Senior Managing Executive Officer

Head of Corporate Strategic Headquarters, In charge of Administration Headquarters
1983 Joined the Company
2021 Director, Senior Managing Executive Officer of the Company [incumbent]

Discussion between Three Outside Directors



Ichiro Wakabayashi
Outside Director

Michiko Uehara
Outside Director

Morio Kubota
Outside Director

Aiming to become businesses that solves environmental and social issues

SEKISUI KASEI is working to enhance corporate governance with the aim of achieving sustainable growth and improving corporate value over the medium- to long-term. We invited outside directors Morio Kubota, Michiko Uehara, and Ichiro Wakabayashi to share their views on the announcement of the “Target 2030” as our business direction for 2030 and the first-year progress of our medium-term management plan “Spiral-up 2024.”

Announcement of “Target 2030” and progress of “Spiral-up 2024”

What are your thoughts on the “Target 2030,” which was announced in January 2023, and its relationship with the medium-term management plan “Spiral-up 2024” that kicked off last year?

Kubota SEKISUI KASEI Group’s 100th Year Vision was established at the time of the Company’s 50th anniversary in 2009, but the target year for the Vision is 2059, when the Company will celebrate its 100th anniversary, which is still a long way off. The thinking, therefore, was to consider management strategy with a focus on the near-term future. This approach aligned with the considerations undertaken for the current medium-term management plan “Spiral-up 2024” and fitted in with the process for drawing up a plan by back casting from where we want to be in the future. “Target 2030” outlines the business direction SEKISUI KASEI is aiming to achieve by 2030 and “Spiral-up 2024” is positioned as the first step towards achieving it. Going forward, the Group will look to achieve “Target 2030” by completing the second step of three-year period from FY2025 to FY2027 and third steps of FY2028 to FY2030.

One year has passed since the commencement of the medium-term management plan “Spiral-up 2024.” How would you rate the progress made so far?

Uehara After I assumed the role of outside director in June 2022, I was brought up to speed about “Spiral-up 2024,” including factors related to the external environment. I got the impression that it was a plan that thoroughly reflects the business environment of SEKISUI KASEI Group. Net sales were more or less on target in the first year of the plan, but profits were lackluster mainly as a result of higher-than-expected prices for raw materials and fuel and sky-high utility costs. Nevertheless, in an operating environment characterized by instability in market prices and demand, I openly appreciate the dedicated efforts of the Group’s execution side to pass on costs to prices of products and promote streamline of operations.

Mr. Wakabayashi, you were appointed to the position of outside director in June 2023. What is your view of SEKISUI KASEI’s management?

Wakabayashi The results of the first year of the medium-term management plan were from the time before my appointment to the board, but in terms of progress made towards achieving the FY2024 targets set out in the plan, I do not feel that things have been progressing very smoothly. SEKISUI KASEI will need to shift up a gear to achieve its targets, but in the context of discussing what has been lacking and what needs to be done, I hope to be able to provide some suggestions based on my own experience and insight that I gained from my previous position in the chemical field.

What aspects of the Proseat business in Europe over the past year can you evaluate positively, and what issues still need to be addressed?

Kubota Regarding to Proseat Group, which operates primarily in Europe, not only is automobile production in the European market currently sluggish, but some of the planned production and business customs considered standard practice in the automotive business have been disrupted to some extent in the European region, which is greatly hampering an earnings recovery. Over the past year, a whole host of initiatives have been undertaken, including a change in leadership, the withdrawal from unprofitable businesses, and organizational restructuring. Also, Proseat Group’s earnings and measures aimed at improving profitability are reported and discussed at the meetings of the Board of Directors every month. It is said that the downturn in automobile production in the European market has bottomed out, but it will be some time before production returns to the pre-pandemic demand level. Various other issues are also piling up, such as surging inflation and an energy crisis. To address the most pressing issue at hand—earnings structure improvement—the Board is discussing not only the implementation of product price revisions, but also productivity enhancements and margin improvements from a financial perspective.

The recovery of the European automotive market has been weak, and management will most likely face some challenges in the short term, however it appears a new development project leveraging synergies between SEKISUI KASEI Group and Proseat Group is underway. Balancing profitability improvements in the near term with synergy-driven business growth over the medium- to long-term will be key, in my opinion.

Foundation of
Value
Creation

Discussion between Three Outside Directors

SEKISUI KASEI Group’s sustainability

How would you rate the progress over the past year regarding the strengthening of efforts to address Materiality that are key management issues?

Uehara Given the growing importance of human capital management, SEKISUI KASEI is engaged in management practices with human resources as one of Materiality. One such initiative is the promotion of diversity, and in particular, the active participation of women. Management has established numerical targets for this item of Materiality, and we regularly receive progress reports.

I also believe the promotion of diversity was a key factor in my appointment as an outside director last year. I think one of the topics that has been assigned to me in this context is how to develop future female leaders and officers, particularly in terms of utilizing their talent. A progress report came out in April of this year, which indicated that the current level is still far from satisfactory. Going forward, I am eager to see what kind of scheme will be used to propel the appointment of female employees who can contribute to the growth and development of SEKISUI KASEI Group.



Wakabayashi The Group is also implementing numerous activities concerning the environment, another category of Materiality. The world often portrays plastics as being detrimental to the global environment. I wonder what the real situation is. The practical application of cars, smartphones, and computers—all of which are essential to people’s lives—would not be possible without plastics. Even in the food industry, the existence of functional plastic food packaging materials means safe food is easily available and food loss is reduced. SEKISUI KASEI Group needs to be more forthright in communicating the convenience of plastics and the contributions they make to people’s social life. It should also continue to promote the development of products that save natural resources, improvements in recycling and reuse, and the development of plant-based products that can replace those derived from petroleum.

The Group is focusing its resources on the development and sales expansion of such environmentally friendly products under “Sustainable Star Product” brand, so I have high expectations for SEKISUI KASEI in this area.

That said, it might be worthwhile to be more open about conveying the convenience of its products and materials and the contributions they make to social life. On this point, I think there is certainly room for improvement.

Uehara As Mr. Wakabayashi just said, I also agree with the idea of further enhancing the information communicated externally. I have been emphasizing the importance of disseminating information at offsite meetings and Board meetings, but it would be better if there is more of a focus on PR activities that reach the Group’s intended audience.

Kubota I think what Mr. Wakabayashi said perfectly sums up the risks and opportunities for SEKISUI KASEI Group when it comes to the topic of the environment.

From a somewhat different, external perspective, I feel that SEKISUI KASEI tends to be slightly conservative because of its earnest and sincere nature.

I think it should adopt a bit more of an aggressive approach to the key issues of shifting to businesses that solve environmental and social issues and strengthening the earnings structure.

For example, in shifting to businesses that solve environmental and social issues, I would like to see management embrace more ambitious challenges that extend beyond its traditional playing field, such as creating new businesses and opening up new markets.



PROFILE		
Morio Kubota	Michiko Uehara	Ichiro Wakabayashi
Apr. 1977 Joined Okura & Co., Ltd. (until August 1998)	Apr. 1976 Assistant Judge at Kobe District Court	Apr. 1981 Joined NAGASE & CO., LTD.
Mar. 1996 Director of ORBCOMM Japan Planning Limited (now ORBCOMM Japan Limited)	Apr. 1979 Assistant Judge at Kobe District Court Amagasaki Branch	Apr. 2010 Executive Officer of NAGASE & CO., LTD.
Jun. 2002 Representative Director and Managing Director of ORBCOMM Japan Limited	Apr. 1982 Assistant Judge at Osaka District Court	Jun. 2015 Director, Executive Officer of NAGASE & CO., LTD.
Oct. 2007 Resigned from post of Managing Director of ORBCOMM Japan Limited	Apr. 1986 Judge at Fukuoka District Court (until March 1989)	Apr. 2016 Director, Managing Executive Officer of NAGASE & CO., LTD.
Sep. 2017 Resigned from post of Representative Director of ORBCOMM Japan Limited	May 1989 Admitted to the bar Joined The Miyake Joint Partnership Law Office (currently Miyake & Partners)	Apr. 2019 Representative Director, Managing Executive Officer of NAGASE & CO., LTD.
Oct. 2017 Counselor of ORBCOMM Japan Limited (until August 2018)	Mar. 1992 Established The Uehara Joint Partnership Law Office	Jun. 2021 Resigned from post of Representative Director, Managing Executive Officer of NAGASE & CO., LTD., Advisor at NAGASE & CO., LTD. (until June 2022)
Jun. 2018 Outside Director of SEKISUI KASEI CO., LTD. [incumbent]	Jun. 2016 Outside Audit & Supervisory Board Member, Sumitomo Electric Industries, Ltd. [incumbent]	Jun. 2023 Outside Director of SEKISUI KASEI CO., LTD. [incumbent]
	Feb. 2017 Outside Audit & Supervisory Board Member, The Japan Wool Textile Co., Ltd. [incumbent]	
	Jun. 2022 Outside Director of SEKISUI KASEI CO., LTD. [incumbent]	

Other Information

Consolidated Financial Statements

Financial information

1. Methods of preparing consolidated and non-consolidated financial statements

(1) Consolidated financial statements of the Company are prepared in accordance with the “Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Order No. 28 of 1976).

(2) Non-consolidated financial statements of the Company are prepared in accordance with the “Regulation on Terminology, Forms and Preparation Methods of Financial Statements” (Ministry of Finance Order No. 59 of 1963; hereinafter referred to as the “Regulation on Financial Statements”).

In addition, the Company falls under the category of a special company submitting financial statements and prepares its non-consolidated financial statements pursuant to the provisions of Article 127 of the Regulation on Financial Statements.

2. Audit certification

Based on the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the consolidated financial statements for the fiscal year (from April 1, 2022 to March 31, 2023) and non-consolidated financial statements for the fiscal year (from April 1, 2022 to March 31, 2023) of the Company have been audited by Ernst & Young ShinNihon LLC.

3. Special measures to ensure appropriateness of consolidated financial statements, etc.

The Company has made special measures to ensure the appropriateness of its consolidated financial statements, etc. Specifically, the Company has joined the Financial Accounting Standards Foundation and participated in seminars in order to develop a system that can properly understand the details of accounting standards, etc. and appropriately respond to changes in such standards, etc.

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Assets			
Current assets			
Cash and deposits	¥ 10,510	¥ 11,080	\$ 82,977
Notes receivable	4,335	3,085	23,103
Accounts receivable	23,565	23,727	177,690
Contract assets	1,092	1,575	11,795
Electronically recorded monetary claims - operating	6,526	7,930	59,387
Merchandise and finished goods	8,633	9,253	69,295
Work in process	1,785	1,909	14,296
Raw materials and supplies	4,756	5,127	38,395
Other	2,617	3,227	24,166
Allowance for doubtful accounts	(52)	(42)	(314)
Total current assets	63,771	66,874	500,816
Non-current assets			
Property, plant and equipment			
Buildings and structures	*3 48,614	*3 49,140	*3 368,007
Accumulated depreciation	(33,165)	(34,336)	(257,140)
Buildings and structures, net	15,448	14,804	110,866
Machinery, equipment and vehicles	89,839	90,482	677,615
Accumulated depreciation	(76,102)	(77,729)	(582,108)
Machinery, equipment and vehicles, net	13,737	12,753	95,506
Land	*2, *3 21,413	*2, *3 21,492	*2, *3 160,952
Construction in progress	1,743	1,472	11,023
Other	18,664	19,815	148,393
Accumulated depreciation	(15,354)	(16,635)	(124,578)
Other, net	3,309	3,180	23,814
Total property, plant and equipment	55,652	53,702	402,171
Intangible assets			
Software	665	1,277	9,563
Other	465	486	3,639
Total intangible assets	1,131	1,763	13,203
Investments and other assets			
Investments in securities	*1 14,849	*1 14,041	*1 105,152
Deferred income taxes	822	851	6,373
Assets for retirement benefits	6,155	6,936	51,943
Other	973	1,053	7,885
Allowance for doubtful accounts	(47)	(47)	(351)
Total investments and other assets	22,752	22,834	171,002
Total non-current assets	79,536	78,301	586,392
Total assets	¥ 143,308	¥ 145,175	\$ 1,087,208

Other
Information

Consolidated Balance Sheet

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Liabilities			
Current liabilities			
Notes and accounts payable	¥ 16,065	¥ 17,026	\$ 127,506
Electronically recorded obligations - operating	9,145	8,263	61,881
Short-term loans	*3 16,252	*3 13,026	*3 97,551
Accrued expenses	3,357	3,420	25,612
Accrued income and enterprise taxes	767	1,338	10,020
Contract liabilities	405	684	5,122
Accrued consumption taxes	259	265	1,984
Provision for bonuses to employees	1,046	1,010	7,563
Provision for bonuses to directors and audit and supervisory board members	6	42	314
Notes payable - facilities	71	46	344
Electronically recorded obligations - non-operating	691	724	5,422
Other	2,646	2,246	16,820
Total current liabilities	50,715	48,096	360,188
Long-term liabilities			
Bonds payable	7,000	7,000	52,422
Long-term loans	*3 13,863	*3 18,094	*3 135,505
Deferred income taxes	4,410	4,593	34,396
Deferred income taxes for land revaluation	*2 1,596	*2 1,596	*2 11,952
Provision for product warranty	108	82	614
Liabilities for retirement benefits	3,608	3,728	27,918
Other	3,763	3,521	26,368
Total long-term liabilities	34,349	38,614	289,178
Total liabilities	85,065	86,711	649,374
Net assets			
Shareholders' equity			
Common stock	16,533	16,533	123,814
Capital surplus	16,503	16,445	123,155
Retained earnings	16,602	16,602	124,331
Treasury stock	(1,448)	(1,382)	(10,349)
Total shareholders' equity	48,190	48,199	360,960
Accumulated other comprehensive income			
Net unrealized gains on securities	7,442	7,440	55,717
Surplus arising from land revaluation	*2 1,479	*2 1,479	*2 11,076
Translation adjustments	745	562	4,208
Retirement benefits liability adjustments	(332)	41	307
Total accumulated other comprehensive income	9,334	9,524	71,324
Non-controlling interests	717	740	5,541
Total net assets	58,242	58,464	437,834
Total liabilities and net assets	¥ 143,308	¥ 145,175	\$ 1,087,208

Other
Information

Consolidated Financial Statements

Consolidated Statement of Income

SEKISUI KASEI Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Net sales	¥ 117,567	¥ 124,683	\$ 933,745
Cost of sales	92,831	100,072	749,434
Gross profit	24,735	24,611	184,310
Selling, general and administrative expenses	*1, *2 23,271	*1, *2 23,818	*1, *2 178,371
Operating income	1,463	793	5,938
Non-operating income			
Interest income	13	19	142
Dividend income	328	349	2,613
Foreign exchange gain, net	288	143	1,070
Subsidy income	58	29	217
Compensation income	—	210	1,572
Other	330	273	2,044
Total non-operating income	1,019	1,025	7,676
Non-operating expenses			
Interest expense	386	538	4,029
Loss on sales and retirement of non-current assets	214	31	232
Commission fee	57	14	104
Compensation expenses	114	12	89
Loss on fire	—	228	1,707
Other	309	289	2,164
Total non-operating expenses	1,082	1,114	8,342
Ordinary income	1,401	704	5,272
Extraordinary income			
Gain on sales of investments in securities	445	1,632	12,221
Total extraordinary income	445	1,632	12,221
Extraordinary loss			
Impairment loss	*3 6,407	*3 50	*3 374
Total extraordinary losses	6,407	50	374
Net income (loss) before income taxes	(4,560)	2,287	17,127
Income taxes - current	1,436	1,846	13,824
Income taxes - deferred	(120)	(13)	(97)
Total income taxes	1,316	1,833	13,727
Net income (loss)	(5,876)	453	3,392
Net income (loss) attributable to non-controlling interests	41	0	0
Net income (loss) attributable to owners of the parent	¥ (5,917)	¥ 452	\$ 3,385

Other
Information

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

SEKISUI KASEI Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Net income (loss)	¥ (5,876)	¥ 453	\$ 3,392
Other comprehensive income			
Net unrealized gains on securities	(4,417)	(1)	(7)
Translation adjustments	720	(183)	(1,370)
Retirement benefits liability adjustments	(1,860)	374	2,800
Total other comprehensive income	*1 (5,557)	*1 189	*1 1,415
Comprehensive income	(11,433)	642	4,807
Comprehensive income attributable to:			
Owners of parent	¥ (11,460)	¥ 641	\$ 4,800
Non-controlling interests	27	0	0

Other
Information

Consolidated Financial Statements

Consolidated Statement of Changes in Net Assets

SEKISUI KASEI Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2022 and 2023

From April 1, 2021 to March 31, 2022

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2021	¥ 16,533	¥ 16,515	¥ 23,523	¥ (1,493)	¥ 55,077
Changes during the period					
Dividends of surplus			(1,002)		(1,002)
Net income (loss) attributable to owners of the parent			(5,917)		(5,917)
Purchase of shares of consolidated subsidiaries					—
Acquisition of treasury stock				(0)	(0)
Disposal of treasury stock		(12)		45	33
Net changes of items other than shareholders' equity					
Total changes during the period	—	(12)	(6,920)	45	(6,886)
Balance at March 31, 2022	¥ 16,533	¥ 16,503	¥ 16,602	¥ (1,448)	¥ 48,190

	Millions of yen						
	Accumulated other comprehensive income						
	Net unrealized gains on securities	Surplus arising from land revaluation	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2021	¥ 11,859	¥ 1,479	¥ 11	¥ 1,527	¥ 14,877	¥ 702	¥ 70,657
Changes during the period							
Dividends of surplus							(1,002)
Net income (loss) attributable to owners of the parent							(5,917)
Purchase of shares of consolidated subsidiaries							—
Acquisition of treasury stock							(0)
Disposal of treasury stock							33
Net changes of items other than shareholders' equity	(4,417)	—	734	(1,860)	(5,543)	14	(5,528)
Total changes during the period	(4,417)	—	734	(1,860)	(5,543)	14	(12,415)
Balance at March 31, 2022	¥ 7,442	¥ 1,479	¥ 745	¥ (332)	¥ 9,334	¥ 717	¥ 58,242

From April 1, 2022 to March 31, 2023

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2022	¥ 16,533	¥ 16,503	¥ 16,602	¥ (1,448)	¥ 48,190
Changes during the period					
Dividends of surplus			(452)		(452)
Net income attributable to owners of the parent			452		452
Purchase of shares of consolidated subsidiaries		(24)			(24)
Acquisition of treasury stock				(0)	(0)
Disposal of treasury stock		(32)		65	33
Net changes of items other than shareholders' equity					
Total changes during the period	—	(57)	0	65	8
Balance at March 31, 2023	¥ 16,533	¥ 16,445	¥ 16,602	¥ (1,382)	¥ 48,199

	Millions of yen						
	Accumulated other comprehensive income						
	Net unrealized gains on securities	Surplus arising from land revaluation	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2022	¥ 7,442	¥ 1,479	¥ 745	¥ (332)	¥ 9,334	¥ 717	¥ 58,242
Changes during the period							
Dividends of surplus							(452)
Net income attributable to owners of the parent							452
Purchase of shares of consolidated subsidiaries							(24)
Acquisition of treasury stock							(0)
Disposal of treasury stock							33
Net changes of items other than shareholders' equity	(1)	—	(183)	374	189	23	212
Total changes during the period	(1)	—	(183)	374	189	23	221
Balance at March 31, 2023	¥ 7,440	¥ 1,479	¥ 562	¥ 41	¥ 9,524	¥ 740	¥ 58,464

Other
Information

Consolidated Statement of Changes in Net Assets

From April 1, 2022 to March 31, 2023

	Thousands of U.S. dollars						
	Shareholders' equity						Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock			
Balance at April 1, 2022	\$ 123,814	\$ 123,590	\$ 124,331	\$ (10,844)			\$ 360,892
Changes during the period							
Dividends of surplus			(3,385)				(3,385)
Net income attributable to owners of the parent			3,385				3,385
Purchase of shares of consolidated subsidiaries		(179)					(179)
Acquisition of treasury stock				0			0
Disposal of treasury stock		(239)		486			247
Net changes of items other than shareholders' equity							
Total changes during the period	—	(426)	0	486			59
Balance at March 31, 2023	\$ 123,814	\$ 123,155	\$ 124,331	\$ (10,349)			\$ 360,960

	Thousands of U.S. dollars						
	Accumulated other comprehensive income						Total net assets
	Net unrealized gains on securities	Surplus arising from land revaluation	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	
Balance at April 1, 2022	\$ 55,732	\$ 11,076	\$ 5,579	\$ (2,486)	\$ 69,901	\$ 5,369	\$ 436,171
Changes during the period							
Dividends of surplus							(3,385)
Net income attributable to owners of the parent							3,385
Purchase of shares of consolidated subsidiaries							(179)
Acquisition of treasury stock							0
Disposal of treasury stock							247
Net changes of items other than shareholders' equity	(7)	—	(1,370)	2,800	1,415	172	1,587
Total changes during the period	(7)	—	(1,370)	2,800	1,415	172	1,655
Balance at March 31, 2023	\$ 55,717	\$ 11,076	\$ 4,208	\$ 307	\$ 71,324	\$ 5,541	\$ 437,834

Other
Information

Consolidated Financial Statements

Consolidated Statement of Cash Flows

SEKISUI KASEI Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars
	2022	2023	
Cash flows from operating activities			
Net income (loss) before income taxes	¥ (4,560)	¥ 2,287	\$ 17,127
Depreciation and amortization	6,176	5,650	42,312
Amortization of goodwill	128	—	—
Impairment loss	6,407	50	374
Increase (decrease) in allowance for doubtful accounts	(11)	(12)	(89)
Interest and dividend income	(342)	(369)	(2,763)
Interest expenses	386	538	4,029
Increase (decrease) in provision for bonuses to employees	(9)	(36)	(269)
Increase (decrease) in provision for product warranty	(23)	(26)	(194)
Increase (decrease) in net liabilities for retirement benefits	(1,058)	(142)	(1,063)
Loss (gain) on sales of investments in securities	(445)	(1,632)	(12,221)
Loss (gain) on sales and retirement of property, plant and equipment	210	24	179
Subsidy income	(58)	(29)	(217)
Loss on fire	—	228	1,707
Decrease (increase) in notes and accounts receivable	(892)	108	808
Decrease (increase) in inventories	(1,544)	(788)	(5,901)
Increase (decrease) in notes and accounts payable	2,209	(170)	(1,273)
Other, net	(1,041)	(1,417)	(10,611)
Subtotal	5,530	4,262	31,917
Interest and dividends received	342	369	2,763
Interest paid	(357)	(458)	(3,429)
Proceeds from casualty insurance claims	157	174	1,303
Proceeds from subsidy income	58	29	217
Income taxes (paid) refunded	(1,899)	(1,266)	(9,481)
Net cash provided by (used in) operating activities	3,831	3,110	23,290
Cash flows from investing activities			
Proceeds from withdrawal of time deposits	26	—	—
Purchases of property, plant and equipment	(3,700)	(3,070)	(22,991)
Proceeds from sales of property, plant and equipment	37	75	561
Purchases of investments in securities	(4)	(4)	(29)
Proceeds from sales of investments in securities	581	2,444	18,303
Increase in short-term and long-term loans receivable	(7)	(18)	(134)
Collection of short-term and long-term loans receivable	17	5	37
Other, net	(137)	(424)	(3,175)
Net cash provided by (used in) investing activities	(3,186)	(993)	(7,436)
Cash flows from financing activities			
Net increase (decrease) in short-term loans	2,243	1,342	10,050
Proceeds from long-term loans	2,751	8,807	65,955
Repayment of long-term loans	(5,570)	(10,278)	(76,971)
Dividends paid	(993)	(453)	(3,392)
Dividends paid to non-controlling shareholders	(2)	(1)	(7)
Other, net	(1,002)	(959)	(7181)
Net cash provided by (used in) financing activities	(2,573)	(1,542)	(11,547)
Effect of exchange rate change on cash and cash equivalents	(67)	(4)	(29)
Net increase (decrease) in cash and cash equivalents	(1,995)	569	4,261
Cash and cash equivalents at the beginning of the year	12,498	10,503	78,656
Cash and cash equivalents at the end of the year	*1 ¥ 10,503	*1 ¥ 11,072	*1 \$ 82,917

Other
Information

Notes to Consolidated Financial Statements

SEKISUI KASEI Co., Ltd. and Consolidated Subsidiaries
March 31, 2023

Basis of preparation of consolidated financial statements

1. Scope of consolidation

Number of consolidated subsidiaries: 39
The names of major consolidated subsidiaries are omitted since they are listed in “I. Overview of company, 4. Subsidiaries and affiliates” in the annual securities report prepared in Japanese.”
Number of unconsolidated subsidiaries: 0

2. Application of the equity method

(1) Number of affiliates accounted for by the equity method: 0
(2) The five affiliates not accounted for by the equity method (the principal company is Yusui Kasei Kogyo Co., Ltd.) are excluded from the scope of application of the equity method since their impact on profit or loss (amount corresponding to the equity interest) and retained earnings (amount corresponding to the equity interest), etc. is insignificant and they are not material as a whole.

3. Fiscal year of consolidated subsidiaries

The fiscal-year end of 14 of the overseas subsidiaries is December 31. The preparation of consolidated financial statements of five overseas subsidiaries is based on financial statements that were provisionally prepared as of March 31, which is the consolidated balance sheet date. For the nine overseas subsidiaries, the financial statements as of their respective closing dates are used as the basis for the consolidated financial statements. However, for important transactions that occurred between the consolidated balance sheet date and their respective closing dates, necessary adjustments are made on a consolidated basis.

4. Accounting policies

(1) Valuation basis and methods for significant assets
Marketable securities
Other securities
Securities other than shares etc. without market price
Market value method (Valuation difference is booked directly to net assets. Cost of securities sold is calculated using the moving-average method.)
Shares, etc. without market price
Stated at cost using the moving-average method
Derivatives
Market value method
Inventories
Mainly stated at cost using the moving-average method (balance sheet values are calculated by reducing the book value based on decreased profitability).
(2) Depreciation method for significant depreciable assets
Property, plant and equipment (excluding leased assets)
Buildings, facilities attached to buildings and structures
The straight-line method is applied.
Other
The Company and consolidated subsidiaries mainly apply the straight-line method, and some consolidated subsidiaries apply the declining-balance method.
The estimated useful lives of major equipment are as follows.
Building Mainly 31-38 years
Machinery and equipment Mainly 8 years
Intangible assets (excluding leased assets)
Software (for internal use)
The straight-line method is applied based on the internal usable period (5 years).
Other
The straight-line method is applied.
Leased assets
Leased assets related to finance lease transactions that do not transfer ownership
The straight-line method is applied with the lease period as the useful life and the residual value as zero.

(3) Accounting policy for significant provisions
Allowance for doubtful accounts
To prepare for credit losses on receivables, an estimated uncollectible amount is provided in the amount estimated either by using historical bad debt ratio for general receivables, or based on individual consideration of collectability for specific receivables such as highly doubtful receivables.
Provision for bonuses to employees
To provide for bonuses to employees, the expected amount of payment corresponding to the fiscal year under review is recorded.
Provision for bonuses to directors and audit and supervisory board members
To provide for bonuses to directors and audit and supervisory board members, the expected amount of payment corresponding to the fiscal year under review is recorded.
Provision for product warranty
In order to provide for the payment of compensation expenses related to product quality, the reporting company records the amount expected to be necessary in the future.

(4) Accounting method for retirement benefits
(i) Method of attributing expected retirement benefits to periods
In calculating the retirement benefit obligations, the benefit formula basis is used to attribute the estimated amount of retirement benefits to the period until the end of fiscal year under review.
(ii) Accounting method for actuarial gains and losses
Actuarial gains and losses are amortized on a straight-line method over a certain number of years (five years) within the average remaining years of service of the employees at the time of accrual in each fiscal year, starting from the fiscal year following the year in which the gains and losses are accrued.

(5) Recognition of significant revenues and expenses
The Group's main business is the manufacture and sale of products in the Human Life and Industry segments. With respect to the sale of these products, the Group recognizes revenue at the time of delivery of the products because the Group determines that the customer acquires control over the products at the time of delivery and the performance obligations are satisfied. Revenue is measured at the amount of consideration promised in the contract with the customer, less returns, discounts and rebates.
The consideration for the transaction is received within one year after the fulfillment of the performance obligation and does not include any significant financial elements.

(6) Standards for translation of significant assets or liabilities denominated in foreign currencies into Japanese currency
All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the spot exchange rate at the balance sheet date, and the resulting translation gains or losses are recognized in the consolidated statements of income. Assets and liabilities of overseas subsidiaries are translated into Japanese yen at the spot exchange rate at the balance sheet date, and revenue and expenses are translated at the average exchange rate during the fiscal year. Translation gains or losses are included in foreign currency translation adjustments and non-controlling interests in net assets.

(7) Significant hedge accounting methods
(i) Hedge accounting method
The Group adopts the integral treatment (special treatment) for interest-rate swaps since they satisfy the requirements for such treatment.

(ii) Hedging instruments and hedged items

Hedging instrument	Hedged item
Interest-rate swaps	Long-term loans denominated in foreign currencies

(iii) Hedging policy
The Group hedges the risk of interest-rate fluctuation based on the risk management policy specified in the internal control regulations.
(iv) Assessing hedge effectiveness
With regard to interest-rate currency swaps accounted for by the special treatment, evaluation of hedge effectiveness is omitted.

(8) Scope of cash and cash equivalents in the consolidated statements of cash flows
Cash and cash equivalents include cash on hand, bank deposits that can be withdrawn at any time, and short-term investments with maturities of three months or less at the time of acquisition that are readily convertible to cash and that are exposed to insignificant risk of changes in value.

Significant accounting estimates
(Impairment of non-current assets)
The Group determined that there were indications of impairment of non-current assets held by Proseat Europe GmbH, a European automotive parts manufacturing company acquired in February 2019, and its subsidiaries due to a decline in profitability in line with recent changes in the business environment. The determination was made as follows.

(1) Amount recorded in the consolidated financial statements for the fiscal year under review

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year	Fiscal year under review	Fiscal year under review
Impairment loss	¥ 6,407	¥ 50	\$ 374
Property, plant and equipment	3,320	3,396	25,432
Intangible assets	177	270	2,022
Investments and other assets	—	77	576

An impairment loss was recorded due to a decline in profitability resulting from changes in the business environment.

(2) Other information that contributes to the understanding of users of consolidated financial statements
(i) Calculation method
The assets are grouped by business segment, and future cash flows by business segment are estimated based on the business plan for the following fiscal year approved by the Board of Directors and the market growth rate thereafter.
(ii) Major assumptions
The major assumptions used in the calculation of future cash flows are i) forecasts of product sales volume, ii) changes in selling prices, iii) growth rate after the business plan, iv) changes in gross profit margin, and v) the impact of COVID-19 and the situation in Ukraine, which are the basis of the business plan. The growth rate is examined by referring to the market growth rate using external data.
(iii) Impact on the consolidated financial statements for the following fiscal year
The growth rate, which is one of the major assumptions, is highly uncertain, and there is a possibility of additional impairment loss on non-current assets depending on fluctuations in these assumptions.

(Changes in accounting policies)
Not applicable.

(Accounting Standards issued but not yet effective)
• “Accounting Standard for Current Income Taxes” Accounting Standards Board of Japan (“ASBJ”) Statement No. 27, October 28, 2022.
• “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, October 28, 2022).
• “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022).

(1) Outline
In February 2018, ASBJ Statement No. 28, “Partial Amendments to Accounting Standard for Tax Effect Accounting” (“ASBJ Statement No. 28”) was released, and the transfer of the Practical Guidelines on Tax Effect Accounting by the Japanese Institute of Certified Public Accountants to the Accounting Standards Board of Japan was completed. In the process of the deliberation, the following two points, which had been to be reconsidered after the publication of ASBJ Statement No. 28, were deliberated and released.
• Classification of tax expenses (taxation on other comprehensive income)
• Tax effects on sales of shares of subsidiaries, etc. (shares of subsidiaries or shares of affiliates) in cases where the group corporation tax system is applied

(2) Scheduled date of adoption
The Company expects to adopt the accounting standards and related implementation guidance from the beginning of the fiscal year ending March 31, 2025.

(3) Impact of adoption of revised accounting standard and related implementation guidance.
The Company is currently evaluating the effect of the adoption of the “Accounting Standard for Current Income Taxes and related implementation guidance on its consolidated financial statements.

Change in presentation method
(Consolidated balance sheets)
“Provision for loss on business withdrawal of a subsidiary” in “Current liabilities,” which was presented separately in the previous fiscal year, is included in “Other” in the fiscal year under review because the was immaterial. To reflect this change in presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.
As a result, the amount of 446 million yen presented in “Provision for loss on business withdrawal of a subsidiary” under “Current liabilities” in the consolidated balance sheet for the previous fiscal year has been reclassified as “Other.”

(Consolidated statements of cash flows)
“Purchases of treasury stock” in “Cash flows from financing activities,” which was presented separately in the previous fiscal year, is included in “Other” in the fiscal year under review because the amount was immaterial. To reflect this change in presentation method, the consolidated financial statements for the previous fiscal year have been reclassified. As a result, (0) million yen presented in “Purchases of treasury stock” under “Cash flows from financing activities,” in the Consolidated Statements of Cash Flows for the previous fiscal year has been reclassified as “Other.”

Other Information

Notes to Consolidated Financial Statements

(Notes to consolidated balance sheet)

*1 Investments in unconsolidated subsidiaries and affiliates are as follows.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)	Fiscal year under review (March 31, 2023)
Investments in securities (stocks)	¥ 35	¥ 35	\$ 262

*2 In accordance with the Law Concerning Revaluation of Land (Act No. 34 promulgated on March 31, 1998 and partially amended by Act No. 19 promulgated on March 31, 2001), the Company revalued land for business use. Of the valuation difference, the amount equivalent to taxes on the valuation difference is recorded as deferred income taxes for land revaluation in the liabilities section, and the amount obtained by deducting such amount is recorded as surplus arising from land revaluation in the net assets section.

- Method of revaluation: Calculated by the method based on the assessed value of fixed asset tax specified in Article 2, Item 3 of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119 of March 31, 1998).
- Date of revaluation: March 31, 2002

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)	Fiscal year under review (March 31, 2023)
Difference between the market value of the revalued land at the end of the period and the book value after the revaluation	¥ (3,552)	¥ (3,573)	\$ (26,758)

*3 Collateralized assets and secured liabilities

Assets pledged as collateral are as follows.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)	Fiscal year under review (March 31, 2023)
Land	¥ 166	¥ 166	\$ 1,243
Building	47	45	337
Total	¥ 213	¥ 211	\$ 1,580

Secured liabilities are as follows.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)	Fiscal year under review (March 31, 2023)
Short-term loans	¥ 7	¥ 1	\$ 7
Long-term loans	1	—	—
Total	¥ 9	¥ 1	\$ 7

(Notes to consolidated statement of income)

*1 The major expense items and their amount included in selling, general and administrative expenses are as follows.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Storage and transportation costs	¥ 5,621	¥ 5,680	\$ 42,537
Salaries, allowances and bonuses	6,518	6,565	49,164
Provision for bonuses	429	380	2,845
Provision of allowance for doubtful accounts	(0)	14	104
Provision for directors' bonuses	2	37	277
Retirement benefit expenses	(510)	(34)	(254)

*2 Total research and development expenses included in general and administrative expenses

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
	¥ 2,784	¥ 2,707	\$ 20,272

*3 Impairment loss

In the previous fiscal year, the Group recorded impairment loss on the following asset groups.

(1) Overview of asset group for which impairment loss was recognized

Use	Location	Asset category	Millions of yen
			Impairment loss
Business assets (Form)	Czech Republic and other	Machinery and tangible leased assets	¥ 895
Business assets (Trim)	Poland and other	Machinery and tangible leased assets	1,922
Business assets (Foamed molding)	Germany	Machinery and tangible leased assets	1,416
Other	—	Goodwill and intangible assets	2,173

(2) Background of recognition of impairment loss

The Proseat Group, one of the Company's consolidated subsidiaries in Europe, has been affected by a significant decrease in orders due to the impact of the price hike of raw materials used for its mainstay of automotive parts and materials since the end of the previous year, as well as the impact of reduced production by European-based automobile manufacturers due to a shortage of semiconductors.

As a result of a review of the timing of market recovery in Europe and

other factors in light of these circumstances, the Company determined the carrying amount of the asset groups was not recoverable over the estimated period of future cash flows. Therefore, the Company reduced the carrying amount of the goodwill recorded when it acquired the Proseat Group in February 2019 and the carrying amount of non-current assets held by the Proseat Group to the recoverable amount, and recorded the amount of the reduction as an impairment loss in extraordinary loss.

(3) Amount of impairment loss and breakdown by type of assets

An impairment loss of 6,407 million yen was recorded as “Impairment loss” under extraordinary loss, and the breakdown is as follows.

	Millions of yen	Thousands of U.S. dollars
Building	¥ 234	\$ 1,752
Machinery	1,297	9,713
Land	16	119
Tangible leased assets	2,432	18,213
Other tangible assets	185	1,385
Goodwill	1,137	8,514
Other intangible assets	1,103	8,260
Total	¥ 6,407	\$ 47,981

(4) Grouping method of assets

As a general rule, the Group categorizes assets for business use based on the classification for management accounting units. When there is an indication of impairment in goodwill or shared assets, etc., the Group considers recognition of impairment loss by grouping in a larger unit, such as including goodwill or shared assets, etc. to multiple assets or asset groups to which goodwill or shared assets, etc. are related.

(5) Calculation method of recoverable amount

The recoverable amount is calculated based on the value in use and is calculated based on the future cash flows discounted by the rates from 10.8% to 14.3%. However, the carrying amount is reduced to the memorandum value if the value in use was negative.

Other Information

Notes to Consolidated Financial Statements

In the current fiscal year, the Group recorded impairment loss on the following asset groups.

(1) Overview of asset group for which impairment loss was recognized

Use	Location	Asset category	Millions of yen	Thousands of U.S. dollars
			Impairment loss	Impairment loss
Business assets (Foamed molding)	Germany	Machinery	¥ 50	\$ 374

(2) Background of recognition of impairment loss

The Proseat Group, one of the Company's consolidated subsidiaries in Europe, has been affected by a significant decrease in orders due to the impact of the price hike of raw materials used for its mainstay of automotive parts and materials, the impact of energy costs, as well as the impact of reduced production by European-based automobile manufacturers due to a shortage of semiconductors.

As a result of a review of the timing of market recovery in Europe and

other factors in light of these circumstances, the Company determined the carrying amount of the asset groups was not recoverable over the estimated period of future cash flows. Therefore, the carrying amount of non-current assets held by the Proseat Group that were impaired in the previous fiscal year was reduced to the recoverable amount, and the amount of the reduction was recorded as an impairment loss in extraordinary loss.

(3) Amount of impairment loss and breakdown by type of assets

An impairment loss of 50 million yen was recorded as “Impairment loss” under extraordinary loss and the breakdown is as follows.

	Millions of yen	Thousands of U.S. dollars
Building	¥ 0	\$ 0
Machinery	24	179
Construction in progress	1	7
Other tangible assets	22	164
Other intangible assets	1	7
Other investments and other assets	0	0
Total	¥ 50	\$ 374

(4) Grouping method of assets

As a general rule, the Group categorizes assets for business use based on the classification for management accounting units. When there is an indication of impairment in shared assets, etc., the Group considers recognition of impairment loss by grouping in a larger unit, such as including shared assets, etc. to multiple assets or asset groups to which shared assets, etc. are related.

(5) Calculation method of recoverable amount

The recoverable amount is calculated based on the value in use. If the value in use is negative, the recoverable amount is assessed as zero.

(Notes to consolidated statement of comprehensive income)

* 1 Reclassification adjustments and tax effects on other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (From April 1, 2021 To March 31, 2022)	Fiscal year under review (From April 1, 2022 To March 31, 2023)	Fiscal year under review (From April 1, 2022 To March 31, 2023)
Valuation difference on available-for-sale securities:			
Amount incurred for the fiscal year	¥ (5,965)	¥ 1,112	\$ 8,327
Reclassification adjustment	(404)	(1,113)	(8,335)
Before-tax-effect adjustment	(6,369)	(0)	(0)
Tax effect amount	1,952	(0)	(0)
Valuation difference on available-for-sale securities	(4,417)	(1)	(7)
Foreign currency translation adjustment:			
Amount incurred for the fiscal year	720	(183)	(1,370)
Reclassification adjustment	—	—	—
Before-tax-effect adjustment	720	(183)	(1,370)
Tax effect amount	—	—	—
Foreign currency translation adjustment	720	(183)	(1,370)
Remeasurements of defined benefit plans			
Amount incurred for the fiscal year	(2,065)	654	4,897
Reclassification adjustment	(616)	(115)	(861)
Before-tax-effect adjustment	(2,681)	538	4,029
Tax effect amount	821	(164)	(1,228)
Remeasurements of defined benefit plans	(1,860)	374	2,800
Total other comprehensive income	¥ (5,557)	¥ 189	\$ 1,415

(Notes to consolidated statements of changes in net assets)

Previous Fiscal Year (from April 1, 2021 to March 31, 2022)

1. Class and total number of issued shares, and class and number of treasury shares

	Thousand shares			
	Number of shares at the beginning of the fiscal year	Increase in number of shares during the fiscal year	Decrease in number of shares during the fiscal year	Number of shares at the end of the fiscal year
Issued stock				
Common stock	46,988	—	—	46,988
Total	46,988	—	—	46,988
Treasury stock				
Common stock (Notes 1,2).	1,850	0	56	1,794
Total	1,850	0	56	1,794

(Notes) 1. The increase of 0 thousand of treasury stock of common stock is due to the purchase of shares less than one unit.

2. The decrease of 56 thousand shares in the number of treasury stock of common stock is due to 56 thousand shares allocated under the restricted stock-linked remuneration system.

2. Dividends

(1) Dividends paid

(Resolution)	Class of shares	Millions of yen	Yen	Record date	Effective date
		Total amount of dividends	Dividends per share		
Ordinary General Meeting of Shareholders held on June 24, 2021	Common stock	¥ 767	¥ 17.00	March 31, 2021	June 25, 2021
Board of Directors meeting held on November 2, 2021	Common stock	¥ 225	¥ 5.00	September 30, 2021	December 2, 2021

(2) Dividends whose effective date falls in the fiscal year following the fiscal year of the record date

(Resolution)	Class of shares	Millions of yen	Source of dividends	Yen	Record date	Effective date
		Total amount of dividends		Dividends per share		
Ordinary General Meeting of Shareholders held on June 23, 2022	Common stock	¥ 316	Retained earnings	¥ 7.00	March 31, 2022	June 24, 2022

Fiscal year under review (from April 1, 2022 to March 31, 2023)

1. Class and total number of issued shares, and class and number of treasury shares

	Thousand shares			
	Number of shares at the beginning of the fiscal year	Increase in number of shares during the fiscal year	Decrease in number of shares during the fiscal year	Number of shares at the end of the fiscal year
Issued stock				
Common stock	46,988	—	—	46,988
Total	46,988	—	—	46,988
Treasury stock				
Common stock (Notes 1,2)	1,794	1	81	1,714
Total	1,794	1	81	1,714

(Notes) 1. The increase in the number of treasury stock of common stock of 1 thousand shares is due to the purchase request for shares less than one unit and the acquisition of restricted stock without consideration.

2. The decrease of 81 thousand shares in the number of treasury stock of common stock is due to 81 thousand shares allocated under the restricted stock-linked remuneration system.

2. Dividends

(1) Dividends paid

(Resolution)	Class of shares	Millions of yen	Yen	Record date	Effective date
		Total amount of dividends	Dividends per share		
Ordinary General Meeting of Shareholders held on June 23, 2022	Common stock	¥ 316	¥ 7.00	March 31, 2022	June 24, 2022
Board of Directors meeting held on October 31, 2022	Common stock	¥ 135	¥ 3.00	September 30, 2022	December 2, 2022

(2) Dividends whose effective date falls in the fiscal year following the fiscal year of the record date

(Resolution)	Class of shares	Millions of yen	Source of dividends	Yen	Record date	Effective date
		Total amount of dividends		Dividends per share		
Ordinary General Meeting of Shareholders held on June 23, 2023	Common stock	407	Retained earnings	9.00	March 31, 2023	June 26, 2023

Other Information

Notes to Consolidated Financial Statements

(Notes to consolidated statements of cash flows)

* 1 Reconciliation of cash and cash equivalents at the end of the period and related account on the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Cash and deposits	¥ 10,510	¥ 11,080	\$ 82,977
Time deposits with maturity over 3 months	(7)	(7)	(52)
Cash and cash equivalents	¥ 10,503	¥ 11,072	\$ 82,917

(Leases)
Information is omitted due to a lack of materiality.

Financial instruments

1. Status of financial instruments

(1) Policy on financial instruments

The Group raises funds through bank borrowings and bonds, limiting its management of funds to short-term deposits and others.

(2) Types of financial instruments and their risks, and risk management

With respect to trade receivables, such as notes and accounts receivable and electronically recorded monetary claims, the Company's business section and sales supervisory department respond to customer credit risks by regularly monitoring the credit status of customers and managing the collection status, due dates, and outstanding balance for each customer in accordance with the Company's internal business management rules. In addition, each group company of the Company also manages the credit risk in accordance with the Company's internal business management rules.

Investments in securities are mainly stocks of companies with which the Company has business relationships, and although these are subject to the risk of market price fluctuations, the Company's finance and

accounting department monitors their market values on a quarterly basis.

All notes and accounts payable and electronically recorded obligations - operating are due within one year.

Of the loans, short-term loans are mainly for financing related to operating activities, and long-term loans are mainly for financing related to capital investment. For some long-term loans, the Company enters into interest-rate swaps to hedge the risk of interest rate and foreign currency exchange rate fluctuations.

Bonds are funds for repayment of loans and for working capital. Derivative transactions are conducted only for the purpose of appropriately managing market risks that may be involved in conducting transactions of financial instruments in the course of business and reducing such risks, and speculative transactions are not conducted.

In addition, although trade payables and loans are accompanied by liquidity risk, the Company strives to facilitate and diversify fund procurement, and each company of the Group also avoid such risk by preparing cash flow plans on a monthly basis.

2. Fair value of financial instruments

The carrying amount in the consolidated balance sheet, the fair value and the difference between them are as follows. "Cash and deposits" are omitted as fair value of cash is the same as the carrying amount, and deposits are settled within a short term and their fair value approximates the carrying amount.

Fiscal year ended March 31, 2022

	Millions of yen		
	Carrying amount in the consolidated balance sheet	Fair value	Difference
(1) Notes receivable	¥ 4,335	¥ 4,335	¥ —
(2) Accounts receivable	23,565	23,565	—
(3) Electronically recorded monetary claims	6,526	6,526	—
(4) Investments in securities	14,779	14,779	—
Other securities (*1)			
Total assets	¥ 49,207	¥ 49,207	¥ —
(1) Notes and accounts payable	16,065	16,065	—
(2) Electronically recorded obligations - operating	9,145	9,145	—
(3) Short-term loans	6,086	6,086	—
(4) Bond	7,000	6,953	(46)
(5) Long-term loans (*2)	24,030	24,123	93
Total liabilities	¥ 62,328	¥ 62,374	¥ 46

(*1) Stocks, etc. without market price are not included in "(4) Investments in securities and other securities."
The carrying amount of financial instruments on the consolidated balance sheet is as follows.

Category	Millions of yen
	Previous fiscal year (March 31, 2022)
Unlisted stocks	¥ 69

(*2) Includes the current portion of long-term loans of 10,166 million yen.

Fiscal year ended March 31, 2023

	Millions of yen		
	Carrying amount in the consolidated balance sheet	Fair value	Difference
(1) Notes receivable	¥ 3,085	¥ 3,085	¥ —
(2) Accounts receivable	23,727	23,727	—
(3) Electronically recorded monetary claims	7,930	7,930	—
(4) Investments in securities	13,972	13,972	—
Other securities (*1)			
Total assets	¥ 48,715	¥ 48,715	¥ —
(1) Notes and accounts payable	17,026	17,026	—
(2) Electronically recorded obligations - operating	8,263	8,263	—
(3) Short-term loans	7,878	7,878	—
(4) Bond	7,000	6,941	(58)
(5) Long-term loans (*2)	23,242	23,476	233
Total liabilities	¥ 63,411	¥ 63,586	¥ 175
Derivative transactions (*3)	(49)	(49)	—

(*1) Stocks, etc. without market price are not included in "(4) Investments in securities and other securities."
The carrying amount of financial instruments on the consolidated balance sheet is as follows.

Category	Millions of yen
	Current fiscal year (March 31, 2023)
Unlisted stocks	¥ 69

(*2) Includes the current portion of long-term loans of 5,148 million yen.
(*3) Net receivables and payables arising from derivative transactions are shown as net amounts with total net liabilities shown in parentheses.

Fiscal year ended March 31, 2023

	Thousands of U.S. dollars		
	Carrying amount in the consolidated balance sheet	Fair value	Difference
(1) Notes receivable	\$ 23,103	\$ 23,103	\$ —
(2) Accounts receivable	177,690	177,690	—
(3) Electronically recorded monetary claims	59,387	59,387	—
(4) Investments in securities	104,635	104,635	—
Other securities (*1)			
Total assets	\$ 364,824	\$ 364,824	\$ —
(1) Notes and accounts payable	127,506	127,506	—
(2) Electronically recorded obligations - operating	61,881	61,881	—
(3) Short-term loans	58,997	58,997	—
(4) Bond	52,422	51,980	(434)
(5) Long-term loans (*2)	174,058	175,810	1,744
Total liabilities	\$ 474,882	\$ 476,192	\$ 1,310
Derivative transactions (*3)	(366)	(366)	—

Other Information

Notes to Consolidated Financial Statements

(Note) 1. Redemption schedule for monetary receivables after the consolidated balance sheet date
Fiscal year ended March 31, 2022

	Millions of yen			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Bank deposits	¥ 10,490	¥ —	¥ —	¥ —
Notes receivable	4,335	—	—	—
Accounts receivable	23,565	—	—	—
Electronically recorded monetary claims	6,526	—	—	—
Total	¥ 44,918	¥ —	¥ —	¥ —

Fiscal year ended March 31, 2023

	Millions of yen			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Bank deposits	¥ 11,060	¥ —	¥ —	¥ —
Notes receivable	3,085	—	—	—
Accounts receivable	23,727	—	—	—
Electronically recorded monetary claims	7,930	—	—	—
Total	¥ 45,803	¥ —	¥ —	¥ —

Fiscal year ended March 31, 2023

	Thousands of U.S. dollars			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Bank deposits	\$ 82,827	\$ —	\$ —	\$ —
Notes receivable	23,103	—	—	—
Accounts receivable	177,690	—	—	—
Electronically recorded monetary claims	59,387	—	—	—
Total	\$ 343,016	\$ —	\$ —	\$ —

(Note) 2. Repayment schedule for short-term loans, bond and long-term loans after the consolidated balance sheet date
Fiscal year ended March 31, 2022

	Millions of yen					
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans	¥ 6,086	¥ —	¥ —	¥ —	¥ —	¥ —
Bond	—	—	—	—	7,000	—
Long-term loans	10,166	5,040	4,603	1,185	1,988	1,045
Total	¥ 16,252	¥ 5,040	¥ 4,603	¥ 1,185	¥ 8,988	¥ 1,045

Fiscal year ended March 31, 2023

	Millions of yen					
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans	¥ 7,878	¥ —	¥ —	¥ —	¥ —	¥ —
Bond	—	—	—	7,000	—	—
Long-term loans	5,148	5,790	8,243	2,188	1,128	743
Total	¥ 13,026	¥ 5,790	¥ 8,243	¥ 9,188	¥ 1,128	¥ 743

Fiscal year ended March 31, 2023

	Thousands of U.S. dollars					
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans	\$ 58,997	\$ —	\$ —	\$ —	\$ —	\$ —
Bond	—	—	—	52,422	—	—
Long-term loans	38,553	43,361	61,731	16,385	8,447	5,564
Total	\$ 97,551	\$ 43,361	\$ 61,731	\$ 68,808	\$ 8,447	\$ 5,564

3. Breakdown of fair value of financial instruments by level

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of the inputs used to calculate the fair value.

Level 1: Fair value calculated by (unadjusted) quoted price in an active market for an identical asset or liability.

Level 2: Fair value calculated using directly or indirectly observable inputs other than Level 1 inputs.

Level 3: Fair value calculated using significant unobservable inputs.

If more than one input that has a significant impact on the calculation of fair value is used, the fair value is classified into the lowest priority level in the calculation of fair value among the levels to which each of those inputs belongs.

(1) Financial instruments recorded in the consolidated balance sheet at fair value

Fiscal year as of March 31, 2022

Category	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Other securities	¥ 14,779	¥ —	¥ —	¥ 14,779
Total assets	¥ 14,779	¥ —	¥ —	¥ 14,779

Fiscal year as of March 31, 2023

Category	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Other securities	¥ 13,972	¥ —	¥ —	¥ 13,972
Total assets	¥ 13,972	¥ —	¥ —	¥ 13,972
Derivative transactions				
Currency-related (*)	—	(49)	—	(49)

(*) Net receivables and payables arising from derivative transactions are shown as net amounts with total net liabilities shown in parentheses.

Fiscal year as of March 31, 2023

Category	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Other securities	\$ 104,635	\$ —	\$ —	\$ 104,635
Total assets	\$ 104,635	\$ —	\$ —	\$ 104,635
Derivative transactions				
Currency-related (*)	—	(366)	—	(366)

Other Information

Notes to Consolidated Financial Statements

(2) Financial instruments other than those recorded in the consolidated balance sheet at fair value
Fiscal year as of March 31, 2022

Category	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Notes receivable	¥ —	¥ 4,335	¥ —	¥ 4,335
Accounts receivable	—	23,565	—	23,565
Electronically recorded monetary claims	—	6,526	—	6,526
Total assets	¥ —	¥ 34,427	¥ —	¥ 34,427
Notes and accounts payable	—	16,065	—	16,065
Electronically recorded obligations	—	9,145	—	9,145
Short-term loans	—	6,086	—	6,086
Bond	—	6,953	—	6,953
Long-term loans	—	24,123	—	24,123
Total liabilities	¥ —	¥ 62,374	¥ —	¥ 62,374

Fiscal year as of March 31, 2023

Category	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Notes receivable	¥ —	¥ 3,085	¥ —	¥ 3,085
Accounts receivable	—	23,727	—	23,727
Electronically recorded monetary claims	—	7,930	—	7,930
Total assets	¥ —	¥ 34,743	¥ —	¥ 34,743
Notes and accounts payable	—	17,026	—	17,026
Electronically recorded obligations	—	8,263	—	8,263
Short-term loans	—	7,878	—	7,878
Bond	—	6,941	—	6,941
Long-term loans	—	23,476	—	23,476
Total liabilities	¥ —	¥ 63,586	¥ —	¥ 63,586

(Note) Valuation methodology used in the calculation of fair value and explanation of inputs relating to the calculation of fair value

Investments in securities
Listed shares are valued using quoted prices. Since listed shares are traded on active markets, the fair value is classified as Level 1.

Derivative transactions
The fair value of forward exchange contracts is calculated based on the price provided by the correspondent financial institution and is classified as Level 2.

Notes receivable, accounts receivable, and electronically recorded monetary claims
The fair value is calculated by the discounted present value method based on the amount of receivables, period to maturity and interest rate that takes into account the credit risk for each asset classified by certain period, and is classified as Level 2.

Notes and accounts payable, electronically recorded obligations, and short-term loans
The fair value is calculated by the discounted present value method based on its future cash flows, period to maturity, and interest rate that takes in account the credit risk for each liability classified by certain period, and is classified as Level 2.

Bond
The fair value of bond is calculated based on prices and yield information published by industry associations and is classified as Level 2.

Long-term loans (including the current portion of long-term loans)
The fair value is calculated using the discounted present value method based on the total amount of principal and interests that takes into account the remaining term of the loans and credit risk, and is classified as Level 2.

Fiscal year as of March 31, 2023

Category	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Notes receivable	\$ —	\$ 23,103	\$ —	\$ 23,103
Accounts receivable	—	177,690	—	177,690
Electronically recorded monetary claims	—	59,387	—	59,387
Total assets	\$ —	\$ 260,188	\$ —	\$ 260,188
Notes and accounts payable	—	127,506	—	127,506
Electronically recorded obligations	—	61,881	—	61,881
Short-term loans	—	58,997	—	58,997
Bond	—	51,980	—	51,980
Long-term loans	—	175,810	—	175,810
Total liabilities	\$ —	\$ 476,192	\$ —	\$ 476,192

Securities

1. Other securities

Fiscal year as of March 31, 2022

Type		Millions of yen		
		Carrying amount recorded in the consolidated balance sheet	Acquisition cost	Difference
Securities whose carrying amount exceeds their acquisition cost	Stock	¥ 14,779	¥ 4,073	¥ 10,706
	Bond	—	—	—
	Other	—		
	Subtotal	14,779	4,073	10,706
Securities whose carrying amount does not exceed their acquisition cost	Stock	0	0	0
	Bond	—	—	—
	Other	—	—	—
	Subtotal	0	0	0
Total		¥ 14,779	¥ 4,073	¥ 10,706

(Note) Since unlisted stocks (carrying amount on the consolidated balance sheet: 33 million yen) do not have market prices, they are not included in “Other securities” in the above table.

Fiscal year as of March 31, 2023

		Millions of yen		
Type		Carrying amount recorded in the consolidated balance sheet	Acquisition cost	Difference
Securities whose carrying amount exceeds their acquisition cost	Stock	¥ 13,971	¥ 3,265	¥ 10,706
	Bond	—	—	—
	Other	—	—	—
	Subtotal	13,971	3,265	10,706
Securities whose carrying amount does not exceed their acquisition cost	Stock	0	0	(0)
	Bond	—	—	—
	Other	—	—	—
	Subtotal	0	0	(0)
Total		¥ 13,972	¥ 3,266	¥ 10,706

(Note) Since unlisted stocks (carrying amount on the consolidated balance sheet: 33 million yen) do not have market prices, they are not included in “Other securities” in the above table.

Fiscal year as of March 31, 2023

		Thousands of U.S. dollars		
Type		Carrying amount recorded in the consolidated balance sheet	Acquisition cost	Difference
Securities whose carrying amount exceeds their acquisition cost	Stock	\$ 104,628	\$ 24,451	\$ 80,176
	Bond	—	—	—
	Other	—	—	—
	Subtotal	104,628	24,451	80,176
Securities whose carrying amount does not exceed their acquisition cost	Stock	0	0	(0)
	Bond	—	—	—
	Other	—	—	—
	Subtotal	0	0	(0)
Total		\$ 104,635	\$ 24,458	\$ 80,176

2. Other securities sold

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Type	Millions of yen		
	Sales proceeds	Total gain on sales	Total loss on sales
Stock	¥ 581	¥ 445	¥ —
Bond	—	—	—
Other	—	—	—
Total	¥ 581	¥ 445	¥ —

Other Information

Notes to Consolidated Financial Statements

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

Type	Millions of yen		
	Sales proceeds	Total gain on sales	Total loss on sales
Stock	¥ 2,444	¥ 1,632	¥ —
Bond	—	—	—
Other	—	—	—
Total	2,444	¥ 1,632	¥ —

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

Type	Thousands of U.S. dollars		
	Sales proceeds	Total gain on sales	Total loss on sales
Stock	\$ 18,303	\$ 12,221	\$ —
Bond	—	—	—
Other	—	—	—
Total	\$ 18,303	\$ 12,221	\$ —

Derivative transactions

1. Derivative transactions for which hedge accounting is not applied

Currency-related
Fiscal year ended March 31, 2022
Not applicable.

Fiscal year ended March 31, 2023

Category	Transaction type	Millions of yen			
		Contract amount, etc.	Contract amount, etc., over 1 year	Fair value	Valuation loss
Transactions other than market transactions	Forward exchange contracts				
	Short position				
	Euro	¥ 1,660	¥ —	¥ (49)	¥ (49)
Total		¥ 1,660	¥ —	¥ (49)	¥ (49)

Fiscal year ended March 31, 2023

Category	Transaction type	Thousands of U.S. dollars			
		Contract amount, etc.	Contract amount, etc., over 1 year	Fair value	Valuation loss
Transactions other than market transactions	Forward exchange contracts				
	Short position				
	Euro	\$ 12,431	\$ —	\$ (366)	\$ (366)
Total		\$ 12,431	\$ —	\$ (366)	\$ (366)

2. Derivative transactions for which hedge accounting is applied

Interest rate currency-related
Fiscal year ended March 31, 2022

Accounting methods for hedging	Transaction type	Major hedged items	Millions of yen		
			Contract amount, etc.	Contract amount, etc., over 1 year	Fair value
Integral treatment (special treatment) for interest-rate swaps	Interest-rate swaps				
	Floating interest rate for receipt/ Fixed interest rate for payment	Long-term loans	¥ 1,030	¥ 128	(Note)

(Note) Since interest-rate swaps that are accounted for by an integral treatment are accounted for by applying swap rates to hedged long-term loans, their fair value is included in the fair value of the relevant long-term loans.

Fiscal year ended March 31, 2023
Not applicable.

Retirement benefits

1. Outline of retirement benefit system adopted

The Company and its consolidated subsidiaries have established plans similar to cash balance pension plans, corporate pension plans (contract-type) and retirement lump-sum payment plans as defined benefit plans. In addition, when an employee retires, the Company may pay premium benefits that are not subject to retirement benefit obligations based on actuarial calculations in accordance with retirement benefit accounting.

The Company has established retirement benefit trusts.

Certain consolidated subsidiaries have defined contribution plans and certain consolidated subsidiaries have defined benefit plans and retirement lump-sum payment plans for which liabilities for retirement benefits and retirement benefit expenses are calculated using the simplified method.

2. Defined benefit plans

(1) Changes in retirement benefit obligation (excluding plans for which the simplified method is applied)

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Balance of retirement benefit obligation at beginning of year	¥ 8,772	¥ 8,596	\$ 64,375
Service cost	262	228	1,707
Interest cost	31	39	292
Actuarial gains and losses accrued	114	(361)	(2,703)
Retirement benefits paid	(617)	(731)	(5,474)
Other	33	68	509
Balance of retirement benefit obligation at end of year	¥ 8,596	¥ 7,840	\$ 58,713

(2) Changes in plan assets (excluding plans for which the simplified method is applied)

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Balance of plan assets at beginning of year	¥ 16,341	¥ 14,438	\$ 108,125
Expected return on plan assets	253	254	1,902
Actuarial gains and losses	(1,937)	292	2,186
Contributions by the employer	383	235	1,759
Retirement benefit paid	(602)	(720)	(5,392)
Balance of plan assets at end of year	¥ 14,438	¥ 14,501	\$ 108,597

(3) Changes in liabilities for retirement benefits under the plan for which the simplified method is applied

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Balance of liabilities for retirement benefits at beginning of year	¥ 3,386	¥ 3,295	\$ 24,676
Retirement benefit expense	257	406	3,040
Retirement benefit paid	(292)	(163)	(1,220)
Contributions to the plan	(16)	(22)	(164)
Other	(39)	(62)	(464)
Balance of liabilities for retirement benefits at end of year	¥ 3,295	¥ 3,452	\$ 25,851

Other Information

Notes to Consolidated Financial Statements

(4) Reconciliation between the ending balance of retirement benefit obligations and plan assets, and retirement benefit liabilities and assets recorded in the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)	Fiscal year under review (March 31, 2023)
Funded retirement benefit obligation	¥ 8,794	¥ 8,036	\$ 60,181
Plan assets	(14,623)	(14,687)	(109,990)
	(5,829)	(6,651)	(49,809)
Unfunded retirement benefit obligation	3,282	3,442	25,776
Net amount of liabilities and assets recorded in the consolidated balance sheet	(2,547)	(3,208)	(24,024)
Liabilities for retirement benefits	3,608	3,728	27,918
Assets for retirement benefits	(6,155)	(6,936)	(51,943)
Net amount of liabilities and assets recorded in the consolidated balance sheet	(2,547)	(3,208)	(24,024)

(Note) Includes plans for which the simplified method is applied.

(5) Retirement benefit expense and their components

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Service cost	¥ 262	¥ 228	\$ 1,707
Interest cost	31	39	292
Expected return on plan assets	(253)	(254)	(1,902)
Amortization of actuarial gains and losses	(616)	(115)	(861)
Retirement benefit expenses calculated by the simplified method	257	406	3,040
Retirement benefit expense relating to defined benefit plans	(318)	304	2,276

(6) Remeasurements of defined benefit plans

The components of remeasurements of defined benefit plans (before tax effects) are as follows.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Actuarial gains and losses	¥ (2,681)	¥ 538	\$ 4,029
Total	¥ (2,681)	¥ 538	\$ 4,029

(7) Remeasurements of defined benefit plans included in accumulated other comprehensive income

The components of remeasurements of defined benefit plans (before tax effects) are as follows.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)	Fiscal year under review (March 31, 2023)
Unrecognized actuarial gains and losses	¥ (479)	¥ 59	\$ 441
Total	¥ (479)	¥ 59	\$ 441

(8) Plan assets

(i) Major category of plan assets

The ratio of each major category to total plan assets is as follows.

	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)
Bond	20%	20%
Equities	46%	47%
General accounts at life insurance companies	13%	13%
Cash and deposits	6%	5%
Other	15%	15%
Total	100%	100%

(Note) The total pension plan assets include 27% and 31% of the retirement benefits trust for the corporate pension fund plans as of March 31, 2022 and 2023, respectively.

(ii) Method for setting the expected long-term rates of return on plan assets

To determine the expected long-term rates of return on plan assets, the Company considers the current and expected allocation of plan assets and the current and expected long-term rates of return on the various assets comprising the plan assets.

(9) Actuarial assumptions

Major actuarial assumptions (expressed as a weighted average)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Discount rate	0.4%	0.8%
Expected long-term rates of return on plan assets	1.6%	1.7%
Expected rate of salary increase	2.6%	2.6%

3. Defined contribution plans

The amounts of required contributions to the defined contribution plans of the consolidated subsidiaries are 20 million yen for the previous fiscal year (from April 1, 2021 to March 31, 2022) and 11 million yen for the fiscal year under review (from April 1, 2022 to March 31, 2023).

Other Information

Notes to Consolidated Financial Statements

Tax effect accounting

1. Major components of deferred tax assets and liabilities

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)	Fiscal year under review (March 31, 2023)
Deferred tax assets			
Tax loss carryforwards (Note 1)	¥ 3,907	¥ 4,794	\$ 35,902
Provision for bonuses to employees	338	326	2,441
Unrealized profit on intercompany transactions	532	546	4,088
Impairment loss	1,074	1,036	7,758
Loss on devaluation of inventories	98	81	606
Acquisition related cost of acquired companies	93	93	696
Other	578	640	4,792
Gross deferred tax assets	6,622	7,519	56,309
Valuation allowance for tax loss carryforwards (Note 1)	(3,733)	(4,600)	(34,449)
Valuation allowance for temporary differences	(1,344)	(1,302)	(9,750)
Valuation allowance	(5,078)	(5,903)	(44,207)
Total deferred tax assets	1,544	1,615	12,094
Deferred tax liabilities			
Differences on land revaluation	(999)	(957)	(7,166)
Net unrealized holding gain on securities	(3,264)	(3,265)	(24,451)
Gain on marketable securities contributed to employees' retirement benefit trust	(146)	(145)	(1,085)
Assets for retirement benefits	(148)	(335)	(2,508)
Other	(573)	(653)	(4,890)
Total deferred tax liabilities	(5,132)	(5,357)	(40,118)
Net deferred tax assets (liabilities)	¥ (3,587)	¥ (3,741)	\$ (28,016)

(Note) 1. Tax loss carryforwards and their deferred tax assets by expiration date
Fiscal year as of March 31, 2022

	Millions of yen						
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years	Total
Tax loss carryforwards (*)	¥ 20	¥ 110	¥ 98	¥ 42	¥ 102	¥ 3,532	¥ 3,907
Valuation allowance	(14)	(101)	(87)	(29)	(80)	(3,419)	(3,733)
Deferred tax assets	5	8	11	13	21	112	173

Fiscal year as of March 31, 2023

	Millions of yen						
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years	Total
Tax loss carryforwards (*)	¥ 41	¥ 50	¥ 113	¥ 276	¥ 277	¥ 4,034	¥ 4,794
Valuation allowance	(22)	(23)	(84)	(274)	(270)	(3,924)	(4,600)
Deferred tax assets	18	26	28	2	7	110	193

(*) The amount of tax loss carryforwards is calculated by multiplying the statutory tax rate.

Fiscal year as of March 31, 2023

	Thousands of U.S. dollars						
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years	Total
Tax loss carryforwards (*)	\$ 307	\$ 374	\$ 846	\$ 2,066	\$ 2,074	\$ 30,210	\$ 35,902
Valuation allowance	(164)	(172)	(629)	(2,051)	(2,022)	(29,386)	(34,449)
Deferred tax assets	134	194	209	14	52	823	1,445

(Note) 2. Net deferred tax assets (liabilities) for the previous fiscal year and the fiscal year under review are included in the following items on the consolidated balance sheet.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)	Fiscal year under review (March 31, 2023)
Non-current assets - Deferred income taxes	¥ 822	¥ 851	\$ 6,373
Long-term liabilities - Deferred income taxes	(4,410)	(4,593)	(34,396)

(Note) 3. In addition to the above, the amount equivalent to taxes on land revaluation is recorded as "Deferred income taxes for land revaluation" as follows.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)	Fiscal year under review (March 31, 2023)
Deferred income taxes for land revaluation	¥ (1,596)	¥ (1,596)	\$ (11,952)

2. Major factors underlying the differences between the statutory tax rate and the effective tax rate after the application of tax effect accounting.

	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)
Statutory tax rate	—	30.6%
(Adjustment)		
Non-deductible expenses such as entertainment expenses	—	4.0
Per capita portion of inhabitants' tax	—	1.5
Tax credit of research and development costs	—	(5.5)
Loss carryforwards of overseas subsidiaries for which tax effects are not recognized	—	53.3
Tax rate differences of overseas subsidiaries	—	(5.2)
Denial of impairment loss	—	0.7
Other	—	0.8
Effective tax rate after application of tax effect accounting	—	80.2

(Note) Presentation for the previous fiscal year is omitted because the Group recorded a loss before income taxes.

3. Accounting treatment for corporation tax and local corporation tax, and accounting treatment for tax effect accounting related these taxes

The Company and certain domestic consolidated subsidiaries have adopted the group tax sharing system from the fiscal year under review. In accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, August 12, 2021), the Company and certain domestic consolidated subsidiaries account for and disclose corporation tax, local corporation tax as well as related tax effect accounting.

Notes to Consolidated Financial Statements

Business combinations

(Acquisition of additional shares of subsidiaries)
At Board of Directors held on April 28, 2022, the Company resolved to acquire additional shares of Proseat Europe GmbH, one of the Company's consolidated subsidiaries, and made it a wholly-owned subsidiary on May 20, 2022.

1. Name and business description of the company in business combination

(1) **Name of the company:** Proseat Europe GmbH
Business description: Management of Proseat Group policies and administration

(2) **Date of business combination**
May 20, 2022

(3) **Legal form of business combination**
Share acquisition from non-controlling shareholders

(4) **Company name after business combination**
Unchanged

(5) **Other matters related to the outline of the transaction.**
As a result of the exercise of the put option from Recticel NA/SA, a non-controlling shareholder of Proseat Europe GmbH, the ratio of voting rights of the additionally acquired shares is 25%, and the ratio of voting rights of Proseat Europe GmbH of the Company is 100%.

2. Outline of the accounting treatment to be applied

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on the Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019), the Company accounted for the transaction as a transaction with non-controlling interests among transactions under common control.

3. Matters concerning the acquisition of additional shares of subsidiary

Acquisition cost of the acquired company and breakdown by consideration for acquisition
Consideration for acquisition: Cash and deposits of 1 Euro
Acquisition cost: 1 Euro

4. Changes in the equity of the Company related to the transaction with non-controlling shareholders

(1) **Major components of changes in capital surplus**
Acquisition of additional shares of a subsidiary

(2) **Amount of decrease in capital surplus due to transactions with non-controlling shareholders**
24 million yen

(Asset retirement obligations)
Information is omitted due to a lack of materiality.

(Real estate such as rentals)
Information is omitted due to a lack of materiality.

Revenue recognition

1. Disaggregation of revenue from contracts with customers

Previous fiscal year (from April 1, 2021 to March 31, 2022)

	Millions of yen		
	Reportable segments		Total
	Human Life	Industry	
Japan	¥ 49,391	¥ 21,801	¥ 71,193
Europe	—	30,254	30,254
Asia	137	13,561	13,698
Other	1	2,419	2,420
Revenue from contracts with customers	49,530	68,036	117,567
Other revenue	—	—	—
Total	¥ 49,530	¥ 68,036	¥ 117,567

Fiscal year under review (from April 1, 2022 to March 31, 2023)

	Millions of yen		
	Reportable segments		Total
	Human Life	Industry	
Japan	¥ 52,470	¥ 22,764	¥ 75,234
Europe	—	33,103	33,103
Asia	131	12,524	12,655
Other	—	3,689	3,689
Revenue from contracts with customers	52,602	72,081	124,683
Other revenue	—	—	—
Total	¥ 52,602	¥ 72,081	¥ 124,683

Fiscal year under review (from April 1, 2022 to March 31, 2023)

	Thousands of U.S. dollars		
	Reportable segments		Total
	Human Life	Industry	
Japan	\$ 392,945	\$ 170,478	\$ 563,423
Europe	—	247,906	247,906
Asia	981	93,791	94,772
Other	—	27,626	27,626
Revenue from contracts with customers	393,933	539,811	933,745
Other revenue	—	—	—
Total	\$ 393,933	\$ 539,811	\$ 933,745

2. Information that serves as a basis for understanding revenue from contracts with customers

The Group identifies distinct goods or services included in contracts with customers and identifies performance obligations as a unit of transaction.

(1) Sales of merchandise and products

As described in "(Basis of preparation of consolidated financial statements) 4. Accounting Policies (5) Recognition of significant revenues and expenses."

(2) Agent transactions

If the performance obligation is to arrange for the provision of specified goods or services by another party, the revenue is presented in the consolidated statement of income in the amount of fee or commission or the net amount of consideration as an agent.

3. Information to understand the amount of revenue for the fiscal year under review and subsequent fiscal years

Contract assets are primarily revenue recognized prior to billing customers.

Contract liabilities are primarily consideration received from customers prior to the delivery of products.

Previous fiscal year (from April 1, 2021 to March 31, 2022)

The amount of contract liabilities at the beginning of the fiscal year included in the revenue recognized for the fiscal year ended March 31, 2022 is not material. The amount of revenue recognized in the fiscal year under review, whose obligations were satisfied in the past periods is not material.

Fiscal year under review (from April 1, 2022 to March 31, 2023)

The amount of contract liabilities at the beginning of the fiscal year included in the revenue recognized for the fiscal year ended March 31, 2023 is not material. The amount of revenue recognized in the fiscal year under review, whose obligations were satisfied in the past periods is not material.

Notes to Consolidated Financial Statements

Segment information

[Segment information]

1. Overview of reportable segments

The Company's reportable segments are components of the Company for which separate financial information is available, and are subject to periodic reviews by the Board of Directors in order to make decisions on the allocation of management resources and evaluate business performance.

The Company has established departments by product market or product function in order to globally develop business in the two fields of “Human Life” and “Industry,” with plastics as its core business. Each department plans comprehensive strategies in cooperation with subsidiaries and develops business activities.

Accordingly, the Group is composed of segments by product market and product function based on departments, and has two reportable segments: “Human Life” and “Industry.”

The “Human Life Segment” mainly manufactures and sells boxes/trays for agricultural/fishery products, food containers, housing and civil engineering materials, etc. The “Industry Segment” mainly manufactures and sells automobile components, digital consumer electronics components, packaging materials, and other related products.

2. Calculation methods used for sales, profit or loss, assets and other items of each reportable segment

The accounting method used for reportable segments is the same as that described in “Basis of preparation of consolidated financial statements.” Income of reportable segments is based on ordinary income. Inter-segment sales and transfers are based on prevailing market prices.

3. Information on sales, profit or loss, assets and other items of each reportable segment, and information on disaggregation of revenue

Previous fiscal year (from April 1, 2021 to March 31, 2022)

	Millions of yen			Adjustments and eliminations (Note 1)	Total (Note 2)
	Reportable segments				
	Human Life	Industry	Total		
Net sales					
Japan	¥ 49,391	¥ 21,801	¥ 71,193	¥ —	¥ 71,193
Europe	—	30,254	30,254	—	30,254
Asia	137	13,561	13,698	—	13,698
Other	1	2,419	2,420	—	2,420
Revenue from contracts with customers	49,530	68,036	117,567	—	117,567
Other revenue	—	—	—	—	—
Sales to third parties	49,530	68,036	117,567	—	117,567
Inter-segment sales and transfers	611	133	745	(745)	—
Total	¥ 50,141	¥ 68,170	¥ 118,312	¥ (745)	¥ 117,567
Segment income (loss)	3,376	(1,777)	1,598	(196)	1,401
Segment assets	66,050	59,708	125,758	17,549	143,308
Other items					
Depreciation and amortization	1,903	3,535	5,438	738	6,176
Amortization of goodwill	—	128	128	—	128
Interest income	0	11	12	1	13
Interest expense	0	264	264	121	386
Increase in property, plant and equipment and intangible assets	1,229	1,856	3,086	739	3,825

(Notes) 1. Adjustments and eliminations are as follows.
(1) Segment income in the amount of (196) million yen consists of inter-segment eliminations of 1 million yen and (198) million yen in corporate expenses that are not allocated to each reportable segment.
(2) Segment assets in the amount of 17,549 million yen mainly consists of investments in securities of the reporting company and assets related to administrative departments and the Research and Development Center.
(3) Depreciation and amortization include amortization of long-term prepaid expenses. The amount of 738 million yen mainly consists of depreciation of assets related to administrative departments and the Research and Development Center.
(4) Internal interests are allocated to assets owned by each segment. The adjustment to interest expense is the difference between the actual interest expense and the amount of internal interests allocated to each segment.
(5) Increase in property, plant and equipment and intangible assets in the amount of 739 million yen mainly consist of assets related to Research and Development Center.
2. Segment income (loss) is adjusted with ordinary income on the consolidated statement of income.
3. Names of major products in each segment
• Human Life ESLEN Beads, ESLEN Sheet, ESLEN Wood, INTERFOAM, other foamed/molded products, ES Dan Mat, ESLEN Block, etc.
• Industry PIOCELAN, LIGHTLON, NEOMICROLEN, CELPET, TECHPOLYMER, ST-gel, TECHEATER, ELASTIL, FOAMAC, ST-LAYER, ST-Eleveat, other foamed/molded products, etc.

Fiscal year under review (from April 1, 2022 to March 31, 2023)

	Millions of yen			Adjustments and eliminations (Note 1)	Total (Note 2)
	Reportable segments				
	Human Life	Industry	Total		
Net sales					
Japan	¥ 52,470	¥ 22,764	¥ 75,234	¥ —	¥ 75,234
Europe	—	33,103	33,103	—	33,103
Asia	131	12,524	12,655	—	12,655
Other	—	3,689	3,689	—	3,689
Revenue from contracts with customers	52,602	72,081	124,683	—	124,683
Other revenue	—	—	—	—	—
Sales to third parties	52,602	72,081	124,683	—	124,683
Inter-segment sales and transfers	565	161	726	(726)	—
Total	¥ 53,167	¥ 72,242	¥ 125,410	¥ (726)	¥ 124,683
Segment income (loss)	2,585	(400)	2,185	(1,481)	704
Segment assets	67,063	60,314	127,378	17,796	145,175
Other items					
Depreciation and amortization	1,852	3,024	4,877	773	5,650
Amortization of goodwill	—	—	—	—	—
Interest income	0	19	19	0	19
Interest expense	0	340	340	197	538
Increase in property, plant and equipment and intangible assets	1,387	1,614	3,002	680	3,682

(Notes) 1. Adjustments and eliminations are as follows.
(1) Segment income in the amount of (1,481) million yen consists of inter-segment eliminations of (1) million yen and (1,480) million yen in corporate expenses that are not allocated to each reportable segment.
(2) Segment assets in the amount of 17,796 million yen mainly consists of investments in securities of the reporting company and assets related to administrative departments and the Research and Development Center.
(3) Depreciation and amortization include amortization of long-term prepaid expenses. The amount of 773 million yen mainly consists of depreciation of assets related to administrative departments and the Research and Development Center.
(4) Internal interests are allocated to assets owned by each segment. The adjustment to interest expense is the difference between the actual interest expense and the amount of internal interests allocated to each segment.
(5) Increase in property, plant and equipment and intangible assets in the amount of 680 million yen mainly consist of assets related to Research and Development Center.
2. Segment income (loss) is adjusted with ordinary income on the consolidated statement of income.
3. Names of major products in each segment
• Human Life ESLEN Beads, ESLEN Sheet, ESLEN Wood, INTERFOAM, other foamed/molded products, ES Dan Mat, ESLEN Block, etc.
• Industry PIOCELAN, LIGHTLON, NEOMICROLEN, CELPET, TECHPOLYMER, ST-gel, TECHEATER, ELASTIL, FOAMAC, ST-LAYER, ST-Eleveat, other foamed/molded products, etc.

Fiscal year under review (from April 1, 2022 to March 31, 2023)

	Thousands of U.S. dollars			Adjustments and eliminations (Note 1)	Total (Note 2)
	Reportable segments				
	Human Life	Industry	Total		
Net sales					
Japan	\$ 392,945	\$ 170,478	\$ 563,423	\$ —	\$ 563,423
Europe	—	247,906	247,906	—	247,906
Asia	981	93,791	94,772	—	94,772
Other	—	27,626	27,626	—	27,626
Revenue from contracts with customers	393,933	539,811	933,745	—	933,745
Other revenue	—	—	—	—	—
Sales to third parties	393,933	539,811	933,745	—	933,745
Inter-segment sales and transfers	4,231	1,205	5,436	(5,436)	—
Total	\$ 398,165	\$ 541,016	\$ 939,189	\$ (5,436)	\$ 124,683
Segment income (loss)	19,358	(2,995)	16,363	(11,091)	5,272
Segment assets	502,231	451,688	953,927	133,273	1,087,208
Other items					
Depreciation and amortization	13,869	22,646	36,523	5,788	42,312
Amortization of goodwill	—	—	—	—	—
Interest income	0	142	142	0	142
Interest expense	0	2,546	2,546	1,475	4,029
Increase in property, plant and equipment and intangible assets	10,387	12,087	22,481	5,092	27,574

Other Information

Notes to Consolidated Financial Statements

[Related information]

Previous fiscal year (from April 1, 2021 to March 31, 2022)

1. Information by product and service

Segment information is omitted because the classification is the same as the reportable segment.

2. Information by geographic area

(1) Net sales

Millions of yen				
Japan	Europe	Asia	Other	Total
¥ 71,193	¥ 30,254	¥ 13,698	¥ 2,420	¥ 117,567

(Note) Net sales are classified into regions based on the location of customers.

(2) Property, plant and equipment

Millions of yen				
Japan	Europe	Asia	Other	Total
¥ 45,016	¥ 4,159	¥ 4,506	¥ 1,970	¥ 55,652

3. Information by major customer

Customer	Millions of yen	
	Net sales	Related segment
FP Corporation	¥ 15,467	Human Life

Fiscal year under review (from April 1, 2022 to March 31, 2023)

1. Information by product and service

Segment information is omitted because the classification is the same as the reportable segment.

2. Information by geographic area

(1) Net sales

Millions of yen				
Japan	Europe	Asia	Other	Total
¥ 75,234	¥ 33,103	¥ 12,655	¥ 3,689	¥ 124,683

(Note) Net sales are classified into regions based on the location of customers.

Thousands of U.S. dollars				
Japan	Europe	Asia	Other	Total
\$ 563,423	\$ 247,906	\$ 94,772	\$ 27,626	\$ 933,745

(2) Property, plant and equipment

Millions of yen				
Japan	Europe	Asia	Other	Total
¥ 43,271	¥ 4,201	¥ 4,239	¥ 1,990	¥ 53,702

Thousands of U.S. dollars				
Japan	Europe	Asia	Other	Total
\$ 324,054	\$ 31,461	\$ 31,745	\$ 14,903	\$ 402,171

3. Information by major customer

Customer	Millions of yen	
	Net sales	Related segment
FP Corporation	¥ 17,381	Human Life

Customer	Thousands of U.S. dollars	
	Net sales	Related segment
FP Corporation	\$ 130,165	Human Life

[Information on impairment loss of non-current assets by reportable segment]

Previous fiscal year (from April 1, 2021 to March 31, 2022)

	Millions of yen			
	Human Life	Industry	Corporate and elimination	Total
Impairment loss	¥ —	¥ 6,407	¥ —	¥ 6,407

Fiscal year under review (from April 1, 2022 to March 31, 2023)

	Millions of yen			
	Human Life	Industry	Corporate and elimination	Total
Impairment loss	¥ —	¥ 50	¥ —	¥ 50

	Thousands of U.S. dollars			
	Human Life	Industry	Corporate and elimination	Total
Impairment loss	\$ —	\$ 374	\$ —	\$ 374

[Information on amortization of goodwill and unamortized balance by reportable segment]

Previous fiscal year (from April 1, 2021 to March 31, 2022)

	Millions of yen			
	Human Life	Industry	Corporate and elimination	Total
Amortization during the period	¥ —	¥ 128	¥ —	¥ 128
Balance at end of period	—	—	—	—

Fiscal year under review (from April 1, 2022 to March 31, 2023)

Not applicable.

[Information on gain on negative goodwill by reportable segment]

Not applicable.

[Related party information]

Related party transactions

Information is omitted due to a lack of materiality.

(Per share information)

	Yen	
	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Net assets per share	1,272.86	1,275.00
Net income (loss) per share	(130.99)	10.00

(Note) 1. Diluted net income (loss) per share is not stated as there are no dilutive shares.

(Note) 2. The basis for calculating net assets per share is as follows.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)	Fiscal year under review (March 31, 2023)
Total net assets	¥ 58,242	¥ 58,464	\$ 437,834
Deductions from total net assets	717	740	5,541
(Non-controlling interests)	(717)	(740)	(5,541)
Net assets related to common stock at the end of the period	¥ 57,525	¥ 57,723	\$ 432,284
Thousand shares			
Number of shares of common stock outstanding	46,988	46,988	
Number of shares of treasury stock	1,794	1,714	
Number of shares of common stock at the end of the period used in the calculation of net assets per share	45,193	45,273	

Other
Information

Notes to Consolidated Financial Statements

(Note) 3.The basis for calculating net income (loss) per share is as follows.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Net income (loss) per share			
Net income (loss) attributable to owners of the parent	¥ (5,917)	¥ 452	\$ 3,385
Amount not attributable to common shareholders	—	—	—
Net income (loss) related to common stock attributable owners of the parent	(5,917)	452	3,385
	Thousand shares		
Average number of shares of common stock during the period	45,176	45,250	

(Significant subsequent events)
Not applicable.

(v) Annexed consolidated detailed schedules
[Detailed schedule of corporate bonds]

Company name	Issue	Date of issuance	Millions of yen		Interest rate (%)	Secured/ unsecured	Maturity
			Balance at beginning of period	Balance at end of period			
Sekisui Kasei Co., Ltd.	No.1 unsecured bonds	2019.12.12	¥ 7,000	¥ 7,000	0.500	N/A	2026.12.11
Total	—	—	¥ 7,000	¥ 7,000	—	—	—

(Note) The scheduled amount of redemption of bonds for the five years after the consolidated balance sheet date is as follows.

Millions of yen				
Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years
¥ —	¥ —	¥ —	¥ 7,000	¥ —

[Detailed schedule of loans]

Category	Millions of yen		Thousands of U.S. dollars	Average interest rate (%)	Repayment date
	Balance at beginning of period	Balance at end of period	Balance at end of period		
Short-term loans	¥ 6,086	¥ 7,878	\$ 58,997	2.70%	—
Current portion of long-term loans	10,166	5,148	38,553	0.29%	—
Current portion of lease liabilities	807	846	6,335	—	—
Long-term loans (excluding the current portion)	13,863	18,094	135,505	0.91%	2024 to 2030
Lease liabilities (excluding the current portion)	3,663	3,423	25,634	—	2024 to 2044
Other interest-bearing debt	—	—	—	—	—
Total	¥ 34,588	¥ 35,390	\$ 265,034	—	—

(Notes) 1. “Average interest rate” is the weighted average interest rate on the balance of loans at the end of the period.
2. The average interest rate of lease liabilities is not recorded because lease liabilities are recorded in the consolidated balance sheet at the amount before deducting the amount equivalent to interest included in the total lease payment.
3. The repayment schedule of long-term loans and lease liabilities (excluding the current portion) within five years after the consolidated balance sheet date is as follows.

	Millions of yen			
	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years
Long-term loans	¥ 5,790	¥ 8,243	¥ 2,188	¥ 1,128
Lease liabilities	685	513	391	322

	Thousands of U.S. dollars			
	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years
Long-term loans	\$ 43,361	\$ 61,731	\$ 16,385	\$ 8,447
Lease liabilities	5,129	3,841	2,928	2,411

[Detailed schedule of asset retirement obligations]
Since the amount of asset retirement obligations at the beginning of the fiscal year under review and at the end of the fiscal year under review is 1/100 or less of the total amount of liabilities and net assets at the end of the fiscal year under review, the description is omitted.

(2) Other
Quarterly information for the fiscal year under review

(Cumulative period)	Millions of yen			
	Q1	Q2	Q3	Fiscal year under review
Net sales	¥ 28,441	¥ 60,917	¥ 93,089	¥ 124,683
Net income (loss) before income taxes	(320)	301	1,033	2,287
Net income (loss) attributable to owners of the parent	(569)	(345)	(245)	452
	Yen			
Net income (loss) per share (yen)	¥ (12.61)	¥ (7.65)	¥ (5.43)	¥ 10.00

(Accounting period)	Yen			
	Q1	Q2	Q3	Fiscal year under review
Net income (loss) per share	¥ (12.61)	¥ 4.95	¥ 2.21	¥ 15.42

(Cumulative period)	Thousands of U.S. dollars			
	Q1	Q2	Q3	Fiscal year under review
Net sales	\$ 212,993	\$ 456,204	\$ 697,139	\$ 933,745
Net income (loss) before income taxes	(2,396)	2,254	7,736	17,127
Net income (loss) attributable to owners of the parent	(4,261)	(2,583)	(1,834)	3,385

Other
Information

11 Years Summary

Fiscal Year	2012	2013	2014 ^{*2}	2015	2016	2017	2018	2019	2020	2021	2022	2022	
For the year:	Millions of yen											Thousands of U.S. dollars ^{*1}	
Net Sales	¥ 101,784	¥ 109,923	¥ 113,660	¥ 101,559	¥ 102,398	¥ 112,101	¥ 112,593	¥ 136,155	¥ 118,851	¥ 117,567	¥ 124,683	\$ 933,745	
Operating Income	1,152	2,124	3,930	5,118	5,401	5,284	4,784	3,725	2,091	1,463	793	5,938	
Ordinary Income	1,237	2,206	4,180	4,862	5,049	5,154	4,776	3,391	1,956	1,401	704	5,272	
Net Income Attributable to Owners of the Parent	926	1,264	2,530	3,147	3,404	3,448	3,129	2,323	1,126	(5,917)	452	3,385	
Capital Expenditures	6,849	3,434	5,908	4,424	5,836	7,762	7,368	5,261	5,377	3,825	3,682	27,574	
Depreciation and Amortization	3,940	3,856	3,999	3,937	3,591	4,087	4,517	6,071	6,217	6,176	5,650	42,312	
Research and Development Costs	1,993	1,936	1,877	1,856	1,916	2,104	2,145	2,769	2,655	2,784	2,707	20,272	
At year-end:													
Total Assets	¥ 105,562	¥ 110,687	¥ 116,201	¥ 114,892	¥ 119,670	¥ 131,774	¥ 152,845	¥ 149,103	¥ 158,439	¥ 143,308	¥ 145,175	\$ 1,087,208	
Total Net Assets	50,929	54,036	58,275	58,800	61,363	66,145	66,771	67,217	70,657	58,242	58,464	437,834	
Interest-bearing Debt	18,492	18,566	19,467	18,274	18,424	19,096	35,229	39,583	41,704	41,588	42,390	317,456	
Per Share Data ^{*3} :													U.S. dollars ^{*1}
Net Income	¥ 19.72	¥ 26.96	¥ 54.14	¥ 67.34	¥ 73.03	¥ 75.33	¥ 69.09	¥ 51.29	¥ 24.86	¥(130.99)	¥ 10.00	\$ 0.07	
Net Assets	1,063.68	1,136.52	1,231.36	1,243.30	1,322.14	1,444.28	1,439.43	1,450.32	1,549.84	1,272.86	1,275.00	9.54	
Cash Dividends	8.00	14.00	18.00	24.00	24.00	27.00	30.00	30.00	21.00	12.00	12.00	0.08	
Other Data (financial):													
Operating Income Ratio (%)	1.1	1.9	3.5	5.0	5.3	4.7	4.2	2.7	1.8	1.2	0.6		
ROE (%)	1.9	2.5	4.6	5.4	5.7	5.5	4.8	3.6	1.6	(9.3)	0.8		
ROA (%)	1.2	2.0	3.7	4.2	4.3	4.1	3.4	2.2	1.3	0.9	0.5		
Equity Ratio (%)	47.4	48.0	49.5	50.6	50.7	49.6	42.7	44.1	44.2	40.1	39.8		
Other Data (non-financial):													
Number of Employees as of March 31	1,813	1,833	1,859	1,895	2,011	2,101	3,881	3,855	3,808	3,658	3,505		
Number of Employees in Japan as of March 31	1,646	1,609	1,539	1,545	1,633	1,680	1,723	1,695	1,676	1,726	1,653		
Number of Employees outside Japan as of March 31	167	224	320	350	378	421	2,158	2,160	2,132	1,932	1,852		
Ratio of Women (%) ^{*4}	N.A.	N.A.	N.A.	16.9	18.1	18.9	20.7	19.9	26.9	28.5	28.4		

^{*1} U.S. dollar amounts represent translations of Japanese yen, for readers' convenience only, at the rate of ¥133.53 = U.S.\$1.00, the prevailing exchange rate at March 31, 2023.

^{*2} In order to synchronize accounting periods of overseas group companies with the accounting period in Japan beginning in FY2014, the FY2014 results for overseas group companies are based on a 15-month accounting period.

^{*3} SEKISUI KASEI CO., LTD. consolidated its common share at the ratio of two shares to one, effective on October 1, 2016.

^{*4} Excluding subsidiaries in Europe and the Americas that are not publicly listed.



Our Group Network

Overseas Subsidiaries 21 Companies

- 1

Sekisui Kasei Korea Co., Ltd.
- 2

Sekisui Kasei Taiwan Co., Ltd.
- 3

Sekisui Kasei Tianjin Co., Ltd.
- 4

Sekisui Kasei Suzhou Co., Ltd.
- 5

Sekisui Kasei Shanghai International Trading Co., Ltd.
- 6

Sekisui Kasei Shanghai Precision Forming Co., Ltd
- 7

Sekisui Kasei Hong Kong Trading Co., Ltd.
- 8

PT. Sekisui Kasei Indonesia
- 9

Sekisui Kasei (Thailand) Co., Ltd.
- 10

Sekisui Kasei U.S.A., Inc.
- 11

Sekisui Kasei Mexico S.A. de C.V.
- 12

Sekisui Kasei Europe B.V.
- 13

Proseat Europe GmbH
- 14

Proseat GmbH + Co. KG
- 15

Proseat Verwaltung GmbH
- 16

Proseat Schwarzhelde GmbH
- 17

Proseat LLP
- 18

Proseat SAS
- 19

Proseat Foam Manufacturing, S.L.U.
- 20

Proseat Mladá Boleslav s.r.o.
- 21

Proseat Sp.zo.o

Domestic Subsidiaries 18 Companies

- 1

Sekisui Kasei Hokkaido Co., Ltd.
- 2

Sekisui Kasei Tohoku Co., Ltd.
- 3

Sekisui Kasei Toubu Co., Ltd.
- 4

Sekisui Kasei Urethane Co., Ltd.
- 5

Sekisui Kasei Kanto Co., Ltd.
- 6

Sekisui Kasei Gunma Co., Ltd.
- 7

Sekisui Kasei Saitama Co., Ltd.
- 8

Shonan Sekisui Kogyo Co., Ltd.
- 9

Sekisui Kasei Yamakyu Co., Ltd.
- 10

Sekisui Kasei Chubu Co., Ltd.
- 11

Sekisui Kasei Omi Co., Ltd.
- 12

Sekisui Kasei Shiga Co., Ltd.
- 13

Sekisui Kasei Sakai Co., Ltd.
- 14

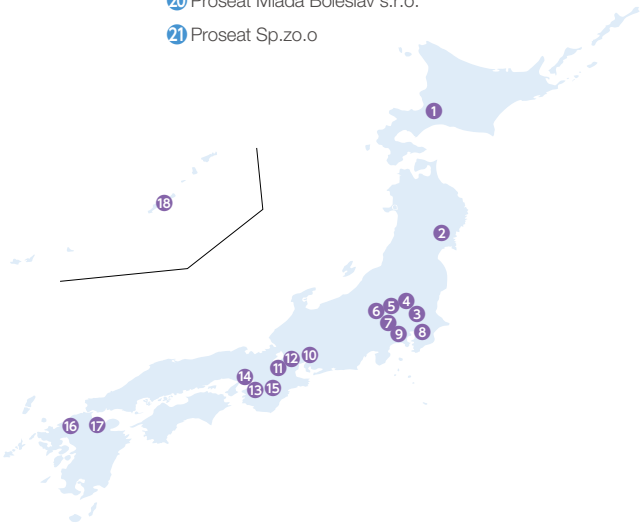
Sekisui Kasei Kansai Co., Ltd.
- 15

Sekisui Kasei Tenri Co., Ltd.
- 16

Sekisui Kasei Seibu Co., Ltd.
- 17

Sekisui Kasei Oita Co., Ltd.
- 18

Sekisui Kasei Okinawa Co., Ltd.



Company Profile (As of March 31, 2023)

Name	SEKISUI KASEI CO., LTD.
Head Office	2-4-4 Nishi-tenma Kita-ku, Osaka, Japan
Headquarters	2-7-1 Nishi-Shinjuku Shinjuku-ku, Tokyo, Japan
Establishment	October 1, 1959
Paid-in Capital	16,533 million yen
President and Representative Director	Masato Kashiwabara
Number of Employees	410 (non-consolidated) 3,505 (consolidated)
Consolidated Subsidiaries	(Japan) 18 companies (Overseas) 21 companies
Equity Method Affiliates	None
Fiscal Year	Ended March 31

Business Lines in Each Segment

Industry	
Market/ Application	Automotive components, packaging materials for transporting automotive parts, industrial components, industrial packaging, electric part materials, medical and health care materials
Major Products	PIOCELAN, LIGHTLON, NEOMICROLEN, CELPET, TECHPOLYMER, ST-gel, TECHEATER, ELASTIL, FOAMAC, ST-LAYER, ST-Eleveat, other foamed/molded products
Human Life	
Market/ Application	Agricultural and marine product containers, food containers, distribution materials, construction materials, civil engineering materials
Major Products	ESLEN Beads, ESLEN Sheet, ESLEN Wood, INTERFOAM, other foamed/molded products, ES Dan Mat, ESLEN Block, etc.

Stock Information (As of March 31, 2023)

Basic Information

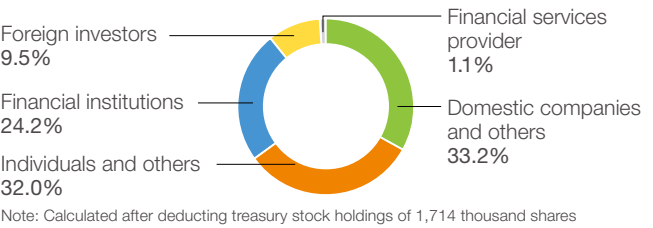
Ordinary general meeting of shareholders	June
Record date	Ordinary general meeting of shareholders: March 31 Year-end dividend: March 31 Interim dividend: September 30
Listings	Prime Market, Tokyo Stock Exchange
Securities code	4228
Common stock—issued	46,988,109 shares
Number of shareholders	9,268
Transfer agent	Mitsubishi UFJ Trust and Banking Corporation
Independent auditor	Ernst & Young ShinNihon LLC

Major Shareholders

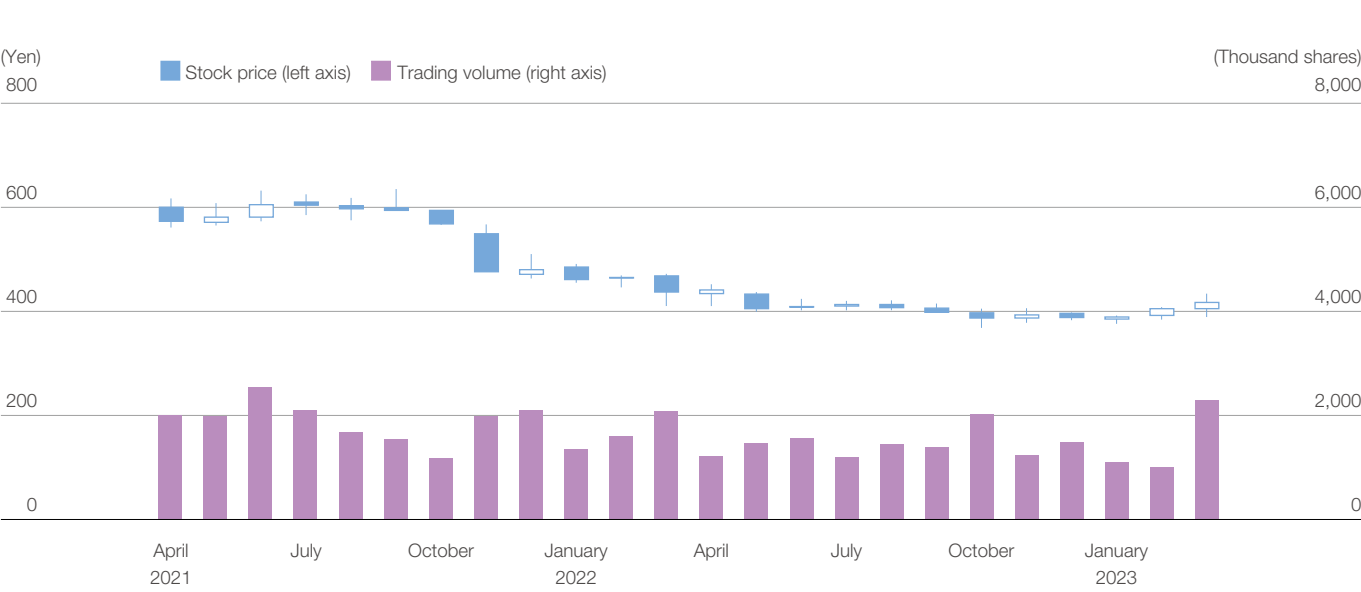
Name	Number of Shares Held (thousands)	Percentage of Ownership (%)
SEKISUI CHEMICAL CO., LTD.	9,855	21.77
The Master Trust Bank of Japan, Ltd.	3,524	7.79
The Dai-ichi Life Insurance Company, Limited	2,273	5.02
Employees' Shareholding	1,945	4.30
Sekisui Jushi Corporation	1,419	3.14
Daido Life Insurance Company	1,418	3.13
FP Corporation	1,348	2.98
MUFG Bank Ltd.	1,327	2.93
Business Partners Shareholding	1,210	2.67
Custody Bank of Japan, Ltd.	990	2.19

Note: The Company maintains 1,714,000 shares of treasury stock, which dose not include the holdings of the major shareholders in the above list.

Breakdown of Shareholder



Stock Price/Trading Volume



You can find the latest information of corporation, shareholder and investor relations as well as details of our products and green activities on the Website of SEKISUI KASEI.

<https://www.sekisui-kasei.com/en/>

SEKISUI KASEI CO., LTD.

Contact

Corporate Communications Dept.
Corporate Strategic HQ.
2-7-1 Nishi-Shinjuku, Shinjuku-ku,
Tokyo 163-0727, Japan
Tel. +81-3-3347-9711

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