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Summary of Consolidated Financial Results for the Second Quarter of Fiscal Year 2023 Ending March 31, 2024 <Under Japanese GAAP>

October 31, 2023

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 Stock Listings: Tokyo Stock Exchange
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 Scheduled date for submission of quarterly financial statement: December 4, 2023
 Scheduled date for payment of dividends: Yes
 Quarterly earnings supplementary explanatory documents: Yes
 Quarterly earnings results briefing: Yes (For securities analysts, institutional investor fund managers)

(Figures rounded down to the nearest million yen)

1. Consolidated Business Results for the First Half (April 1, 2023 to September 30, 2023)

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1st Half of FY 2023	64,996	6.7	338	-	1,168	-	459	-
1st Half of FY 2022	60,917	2.5	(312)	-	73	(90.2)	(345)	-

Note. Comprehensive Income: 1st Half of FY2023: (1,530) million yen [- %] 1st Half of FY2022: 1,125 million yen [- %]

	Net Income Attributable to Owners of the Parent per Share	Net Income Attributable to Owners of the Parent per Share (Diluted)
	yen	yen
1st Half of FY 2023	10.15	-
1st Half of FY 2022	(7.65)	-

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity to Total Assets
	Millions of yen	Millions of yen	%
2nd Q of FY 2023	147,280	56,568	37.9
FY 2022	145,175	58,464	39.8

Reference: Equity: 2nd Q of FY2023: 55,825 million yen FY2022: 57,723 million yen
 Equity: Shareholders' Equity including Accumulated Other Comprehensive Income

2. Dividend Status

(Date of Record)	Dividend per Share				
	At the end of 1st Q	At the end of 2nd Q	At the end of 3rd Q	Year-end	Full year
	yen	yen	yen	yen	yen
FY 2022	-	3.00	-	9.00	12.00
FY 2023	-	3.00	-	-	-
FY 2023 (outlook)	-	-	-	9.00	12.00

Note. Recent revision of dividend estimates: No

3. Consolidated Outlook for FY2023 (April 1, 2023 to March 31, 2024)

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent		Net Income Attributable to Owners of the Parent per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Full Year	130,000	4.3	1,300	63.9	1,700	141.3	550	21.5	12.15

Note. Recent revision of consolidated earnings estimates: No

Note:

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

2nd Q of FY2023	46,988,109 shares
FY2022	46,988,109 shares
 - b) Treasury stock at the end of term:

2nd Q of FY2023	1,614,133 shares
FY2022	1,714,425 shares
 - c) Average outstanding shares in the period (quarterly consolidated cumulative total):

1st Half of FY2023	45,316,666 shares
1st Half of FY2022	45,228,750 shares

Note: Execution chart for audit procedures

The Financial instruments and Exchange Law does not require this brief announcement of the most recent financial statements to be subject to audit review.

Note: Remarks on appropriate use of forecasted resulted of operation and other special matters

(Cautionary statement regarding forward-looking statements)

The earnings forecasts and other forward-looking statement presented in this report are based on information available at the time of its issue and on certain assumption that the Group considers reasonable. Forward-looking statements in no capacity represent a guarantee that the Group will achieve the stated amounts. Various factors can cause actual results to differ materially from the forecasts. For important matters regarding the conditions associated with the assumptions of these forecasts and their appropriate use, please see “1. Qualitative Information on Quarterly Financial Results, (4) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Information” on page 4.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the six months ended September 30, 2023, despite signs of recovery centered on personal consumption following the easing of restrictions on behavior imposed as a result of novel coronavirus infectious disease (COVID-19), the prolongation of the situation in Ukraine, rising inflationary pressure caused by soaring resource prices and logistics costs, and concerns about the slowing of the Chinese economy led to continued uncertainty for the global economy. In the automotive industry, the recovery of semiconductors and other automotive part supply chains has led to a general trend of recovery, although there are variances in automotive production activity by region and manufacturer. In the area of electronics, demand for television and monitor applications is on a recovery trend. On the other hand, although the reclassification as COVID-19 as a Class 5 infectious disease and the easing of restrictions on entering the country has led to a normalization of socio-economic activities and a moderate recovery trend in the Japanese economy, soaring resource prices and the impact of the weaker yen have led to continued uncertainty. In addition, responses to environmental issues, such as reductions in greenhouse gas emissions and the problem of climate change, are becoming increasingly important.

In Japan's foam plastics industry, although there has been an increase in flows of people, food container-related demand has been affected by high prices and other factors, and demand related to home meals and home-meal replacements is slowing. Conversely, demand for parts, transport materials and packaging materials is trending toward recovery.

Against this business environment, the Group has been working as one on the three Key Issues of the three-year medium-term management plan, "Spiral-up 2024," which was launched in the previous fiscal year. In terms of "Strengthen the earnings structure," by selecting and concentrating management resources we are working to restructure the business portfolio, implement bold innovations in production, and generate profits rapidly from newly developed products. In terms of "Shift to businesses that solve environmental and social issues," we have also positioned "expanding Sustainable Star Product through recycling-based business" and "striving to achieve carbon neutrality" as out issues, while further striving to strengthen the promotion of SKG-5R*. It is in this context that our "ESLEN Block RNW," which is made from used, recovered, and recycled expanded polystyrene using technology developed in-house, has been adopted for facilities at the Osaka, Kansai World Expo. Furthermore, in terms of "Reinforcing our management foundation," we are taking steps to enhance our workplaces to enable each and every employee to contribute their energy and enthusiasm, such as by joining the "IkuBoss Corporate Alliance" as one of the initiatives in Materiality (our key management issues) related to human resources.

In terms of sales, in the Human Life Segment we worked to expand sales of Sustainable Star Product despite declining demand, and in the Industry Segment we worked to capture recovering demand in various areas. In terms of profits, to improve profitability we responded to soaring energy prices by reducing costs and cutting fixed expenses, as well as passing on higher inputs to selling prices.

As a result, for the six months ended September 30, 2023, the Group posted net sales of ¥64,996 million (up 6.7% year on year), operating income of ¥338 million (compared to an operating loss of ¥312 million in the same period of the previous fiscal year), and ordinary income of ¥1,168 million (compared to an income of ¥73 million year on year). After making adjustments to income taxes, this resulted in a net income attributable to owners of the parent of ¥459 million (compared to a net loss of ¥345 million for the same period the previous fiscal year).

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

The results for each segment are as follows.

<Human Life Segment>

Net sales in the Human Life Segment reached ¥24,538 million (down 4.3% year on year), with a segment income of ¥933 million (up 39.7% year on year).

The Food area was affected by the increase in prices of materials for food container applications, but demand related to home meals and home-meal replacements was strong. In agricultural applications, the impact of poor crops and weather contributed to a lack of growth in shipments, and fishery remained weak due to the continuation of the trend towards declining catches. Net sales increased due to price revisions, but results overall were lower year on year.

In the Housing/Energy field, we made progress in winning projects related to green roofs, but construction materials and civil engineering were weak due to delays in the progress of construction projects and other factors.

Overall sales volume of “ESLEN Sheets” (foamed polystyrene sheets), our mainstay product, declined year on year despite strong sales of containers for natto (a fermented bean product) due to weak demand in supermarket food tray applications and trends in the instant noodle market. We also worked on the development of new foam sheets aimed at making lighter products for use in non-foam container applications. Sales volume of “ESLEN Beads” (expandable polystyrene beads) recorded a year-on-year decline overall, with beads for cushions and other life goods posting a decline in shipments, and weakness being seen in demand related to fishery.

Profits increased due to efforts made to reduce costs and fixed expenses, pass higher inputs on to selling prices, and cut costs associated with transfers of products.

<Industry Segment>

Net sales in the Industry segment reached ¥40,457 million (up 14.7% year on year), with a segment income of ¥1,049 million (compared to a loss of ¥342 million in the same period of the previous fiscal year).

In the Mobility field, despite the residual impact of parts shortages at some automakers in the earlier part of the first half, sales of “PIOCELAN” (polystyrene/polyolefin hybrid resin foam) for automotive parts applications were strong as a result of the recovery in automobile production volume. In parts packaging applications, there was a slowdown in packaging applications for electrical components, which recorded significant growth in the previous fiscal year, leading to a year-on-year decline in sales, but we made progress in winning new applications in the latter part of the first half, and overall sales were strong. FRP (fiber-reinforced plastic) parts and related materials for use in trucks and buses performed well due to our success in capturing new demand. Production volume at Proseat Group in Europe is increasing following a moderate recovery in the European automobile market. In this environment eat Group worked to offset rising energy and personnel costs by improving productivity, cutting fixed costs, and passing on higher prices to automakers, but it continues to lose money.

In the Electronics field, demand for “TECHPOLYMER” (polymer particles) used in light diffusion applications for LCD panels, etc. recovered due to progress made by LCD panel manufacturers in correcting their inventories. In “PIOCELAN” used in panel transport materials and packaging materials applications, a recovery in demand led to strength in Taiwan but the weakness in domestic consumption in China led to a delay in the recovery of demand, which was flat year on year.

In the Medical/Healthcare field, “ELASTIL” (thermoplastic elastomer foam) used in midsoles for running shoes was weak due to delays in the launch of new models. Following the recovery in demand for medical examinations, sales of “ST-gel” (functional high-polymer gel) were strong in such areas as medical electrodes, but sales to China decreased. In terms of profits, the segment returned to the black as a result of the trend towards demand recovery in the Electronics field and higher automotive production volume in the Mobility field, improvements in productivity, reductions in fixed costs, and the passing-on of higher input prices, amongst other efforts.

(2) Explanation of Financial Position

At the end of the second quarter under review, total assets had increased by ¥2,105 million to ¥147,280 million. In assets, increases in notes and accounts receivable - trade resulted in current assets rising by ¥3,361 million. Non-current assets decreased by ¥1,255 million due mainly to a decrease in the valuation of investments in securities.

In liabilities, current liabilities rose by ¥5,448 million as a result of increases in short-term loans and other items. Conversely, mainly as a result of a decrease in long-term loans, long-term liabilities decreased by ¥1,447 million. Net assets decreased by ¥1,895 million to ¥56,568 million, due mainly to decline in items such as net unrealized holding gain on securities. As a result, the equity ratio was 37.9%.

As for cash flows for the six months ended September 30, 2023, cash flows from operating activities saw proceeds increase by ¥898 million year on year, resulting in ¥1,251 million in net cash provided by operating activities, due mainly to the increase in income before income taxes. Due mainly to the decline in proceeds from sales of investments in securities that was recorded in the same period of the previous fiscal year, net cash used in investing activities increased by ¥881 million to ¥1,541 million. Cash inflows associated with financing activities decreased by ¥1,425 million year on year, resulting in ¥1,298 million in net cash used in financing activities, due mainly to decreases in proceeds from long-term loans. As a result, the balance of cash and cash equivalents as of September 30, 2023 decreased by ¥1,457 million from the end of the previous fiscal year to ¥9,615 million.

(3) Explanation of Interim Dividend

We have traditionally considered the return of profits to shareholders an important management issue. The situation remains challenging, but with the emphasis on a stable dividend, we will pay a dividend of 3 yen per share in line with our initial announcement.

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

Consolidated earnings forecasts for the full year of the fiscal year ending March 31, 2024 are unchanged from the figures announced on October 27, 2023.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	11,080	9,622
Notes and accounts receivable - trade, and contract assets	28,388	31,742
Electronically recorded monetary claims - operating	7,930	8,735
Merchandise and finished goods	9,253	9,030
Work in process goods	1,909	2,802
Raw materials and supplies	5,127	5,050
Other current assets	3,227	3,292
Less allowance for doubtful accounts	(42)	(41)
Total current assets	66,874	70,235
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	14,804	14,551
Machinery, equipment and vehicles, net	12,753	12,979
Land	21,493	21,605
Other, net	4,653	5,123
Total property, plant and equipment	53,702	54,259
Intangible assets		
Other intangible assets	1,763	1,834
Total intangible assets	1,763	1,834
Investments and other assets		
Investments in securities	14,041	12,201
Assets for retirement benefits	6,936	7,005
Other assets	1,905	1,791
Less allowance for doubtful accounts	(47)	(47)
Total investments and other assets	22,834	20,951
Total non-current assets	78,301	77,045
Total assets	145,175	147,280

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,026	18,873
Electronically recorded obligations - operating	8,263	7,834
Short-term loans	13,026	15,434
Accrued income taxes	1,338	757
Provision for bonuses to employees	1,010	1,016
Provision for bonuses to directors and audit and supervisory board members	42	31
Other current liabilities	7,388	9,597
Total current liabilities	48,096	53,545
Long-term liabilities		
Bond	7,000	7,000
Long-term loans	18,094	16,789
Liabilities for retirement benefits	3,728	3,874
Provision for product warranty	82	67
Other long-term liabilities	9,710	9,436
Total long-term liabilities	38,614	37,167
Total liabilities	86,711	90,712
Net assets		
Shareholders' equity		
Common stock	16,533	16,533
Capital surplus	16,445	16,408
Retained earnings	16,602	16,655
Treasury stock	(1,382)	(1,301)
Total shareholders' equity	48,199	48,295
Accumulated other comprehensive income		
Net unrealized holding gain on securities	7,440	6,163
Surplus arising from land revaluation	1,479	1,479
Translation adjustments	562	(136)
Retirement benefits liability adjustments	41	23
Total accumulated other comprehensive income	9,524	7,529
Non-controlling interests	740	743
Total net assets	58,464	56,568
Total liabilities and net assets	145,175	147,280

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

First Half, Fiscal Year 2023

(Millions of yen)

	First Half, FY2022 (From April 1, 2022 to September 30, 2022)	First Half, FY2023 (From April 1, 2023 to September 30, 2023)
Net sales	60,917	64,996
Cost of sales	49,441	51,906
Gross profit	11,475	13,090
Selling, general and administrative expenses	11,788	12,751
Operating income (loss)	(312)	338
Non-operating income		
Interest income	9	31
Dividend income	204	174
Foreign exchange gains	411	665
Subsidy income	22	185
Other non-operating income	98	275
Total non-operating income	746	1,332
Non-operating expenses		
Interest expense	225	369
Loss on sales or disposal of equipment	14	32
Other non-operating expenses	121	99
Total non-operating expenses	360	501
Ordinary income	73	1,168
Extraordinary income		
Gain on sales of investments in securities	227	-
Total extraordinary income	227	-
Net income before income taxes	301	1,168
Income taxes	644	704
Net income (loss)	(343)	464
Net income attributable to non-controlling interests	2	4
Net income (loss) attributable to owners of the parent	(345)	459

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	First Half, FY2022 (From April 1, 2022 to September 30, 2022)	First Half, FY2023 (From April 1, 2023 to September 30, 2023)
Net income (loss)	(343)	464
Other comprehensive (loss) income		
Net unrealized holding gain on securities	1,110	(1,276)
Translation adjustments	405	(699)
Retirement benefits liability adjustments	(46)	(18)
Total other comprehensive (loss) income	1,468	(1,994)
Comprehensive income	(1,125)	(1,530)
Comprehensive income attributable to:		
Owners of parent	1,123	(1,534)
Non-controlling interests	2	4

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	First Half, FY2022 (From April 1, 2022 to September 30, 2022)	First Half, FY2023 (From April 1, 2023 to September 30, 2023)
Cash flows from operating activities		
Net income before income taxes	301	1,168
Depreciation and amortization	2,800	2,826
Increase (decrease) in allowance for doubtful accounts	(24)	(2)
Interest and dividend income	(213)	(205)
Interest expense	225	369
Increase (decrease) in provision for bonuses to employees	(63)	4
Increase (decrease) in provision for product warranty	(11)	(14)
Changes in assets and liabilities for retirement benefits, net	(106)	22
(Gain) loss on sales of investments in securities	(227)	-
(Gain) loss on sales or disposal of equipment, net	12	29
Subsidy income	(22)	(185)
(Increase) decrease in notes and accounts receivable	(543)	(3,334)
(Increase) decrease in inventories	(872)	1
Increase (decrease) in notes and accounts payable	714	699
Other, net	(1,138)	181
Subtotal	828	1,560
Interest and dividends received	213	206
Interest paid	(214)	(335)
Proceeds from casualty insurance claims	122	856
Proceeds from subsidy income	22	185
Income taxes	(618)	(1,223)
Net cash used in operating activities	352	1,251
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,141)	(1,409)
Proceeds from sales of property, plant and equipment	65	12
Purchases of investments in securities	(2)	(2)
Proceeds from sales of investments in securities	425	-
Increase in short-term and long-term loans receivable	(1)	(6)
Collection of short-term and long-term loans receivable	0	10
Other, net	(6)	(146)
Net cash used in investing activities	(660)	(1,541)
Cash flows from financing activities		
Net increase in short-term loans	511	1,954
Proceeds from long-term loans	5,307	1,500
Repayment of long-term loans	(4,904)	(3,860)
Dividends paid	(316)	(407)
Dividends paid to non-controlling shareholders	(1)	(1)
Other, net	(468)	(482)
Net cash (used in) provided by financing activities	127	(1,298)
Effect of exchange rate changes on cash and cash equivalents	112	131
Net (decrease) increase in cash and cash equivalents	(68)	(1,457)
Cash and cash equivalents at the beginning of the period	10,503	11,072
Cash and cash equivalents at the end of the period	10,434	9,615

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

(Segment information, etc.)

(Segment information)

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

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

	Reportable segments			Adjustments (Note 1)	(Millions of yen) Amounts recorded in the Quarterly Consolidated Statements of Income (Note 2)
	Human Life	Industry	Total		
Net sales					
Japan	25,567	10,546	36,113	-	36,113
Europe	-	16,014	16,014	-	16,014
Asia	77	6,929	7,006	-	7,006
Other	0	1,783	1,783	-	1,783
Revenue from contracts with customers	25,644	35,273	60,917	-	60,917
Other revenue	-	-	-	-	-
Net sales to third parties	25,644	35,273	60,917	-	60,917
Inter-segment net sales or transfers	286	74	360	(360)	-
Total	25,930	35,347	61,278	(360)	60,917
Segment income (loss)	667	(342)	325	(251)	73

Notes: 1. Adjustments were as follows:

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

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

3. Major products in each segment

- Human Life Segment:

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

- Industry Segment:

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

II. For Half, Fiscal Year 2023 (from April 1, 2023 to September 30, 2023)

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

	Reportable segments			Adjustments (Note 1)	(Millions of yen)
	Human Life	Industry	Total		Amounts recorded in the Quarterly Consolidated Statements of Income (Note 2)
Net sales					
Japan	24,515	12,520	37,036	-	37,036
Europe	-	19,778	19,778	-	19,778
Asia	22	5,931	5,954	-	5,954
Other	-	2,227	2,227	-	2,227
Revenue from contracts with customers	24,538	40,457	64,996	-	64,996
Other revenue	-	-	-	-	-
Net sales to third parties	24,538	40,457	64,996	-	64,996
Inter-segment net sales or transfers	306	57	364	(364)	-
Total	24,845	40,514	65,360	(364)	64,996
Segment income (loss)	933	1,049	1,982	(813)	1,168

Notes: 1. Adjustments were as follows:

Adjustments for segment income (loss) of ¥ (813) million consisted of inter-segment eliminations of ¥ 0 million and corporate expenses not allocated to reportable segments of ¥ (814) million.

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

3. Major products in each segment

- Human Life Segment:

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

- Industry Segment:

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