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Consolidated Financial Results for the Three Months Ended June 30, 2024 <Under Japanese GAAP>

July 31, 2024

Company Name:	SEKISUI KASEI CO., LTD.
Stock Listings:	Tokyo Stock Exchange
Code Number:	4228
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Scheduled date to commence dividend payments:	-
Preparation of supplementary material on quarterly financial results:	No
Holding of quarterly financial results briefing:	No

(Figures rounded down to the nearest million yen)

1. Consolidated Financial Results for the Three Months Ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(1) Consolidated Operating 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	%
Three months ended June 30, 2024	33,792	9.8	(220)	-	517	-	124	-
June 30, 2023	30,788	8.3	(588)	-	(88)	-	(374)	-

Note: Comprehensive Income: For the three months ended June 30, 2024: (1,352) million yen [- %]

For the three months ended June 30, 2023: (1,268) 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
Three months ended June 30, 2024	2.75	-
June 30, 2023	(8.28)	-

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity to Asset Ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	146,930	55,012	36.9
As of March 31, 2024	146,473	56,821	38.3

Reference: Equity As of June 30, 2024: 54,250 million yen As of March 31, 2024: 56,060 million yen

Equity: Shareholders' Equity including Accumulated Other Comprehensive Income

2. Dividend Status

(Date of Record)	Annual Dividends per Share				
	At the end of 1st Q	At the end of 2nd Q	At the end of 3rd Q	Fiscal year-end	Total
Fiscal year ended March 31, 2024	yen -	Yen 3.00	yen -	yen 10.00	yen 13.00
March 31, 2025	-	-	-	-	-
March 31, 2025 (Forecast)	-	3.00	-	10.00	13.00

Note: Revisions to the forecast of cash dividends most recently announced: No

3. Consolidated Outlook for FY2024 (April 1, 2024 to March 31, 2025)

(% 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
1st Half	66,000	1.5	800	136.5	700	(40.1)	200	(56.5)	4.41
Full Year	132,000	1.3	2,500	98.2	2,200	(19.5)	850	(21.6)	18.73

Note: Revisions to the forecast of consolidated earnings estimates most recently announced: No

Note:

- (1) Significant changes in the scope of consolidation during the period: None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in the accounting policy, changes in the accounting estimates, and restatement
- a) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - b) Changes other than a): None
 - c) Changes in accounting estimates: None
 - d) Restatements: None
- Note: Please see “2. (4) Notes on Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” on page 10 for details.
- (4) Number of shares issued (common shares)
- a) Number of shares issued at the end of the period (including treasury shares):

As of June 30, 2024	46,988,109 shares
As of March 31, 2024	46,988,109 shares
 - b) Number of treasury shares at the end of period:

As of June 30, 2024	1,614,394 shares
As of March 31, 2024	1,614,299 shares
 - c) Average number of outstanding shares during the period (cumulative from the beginning of the fiscal year):

Three months ended June 30, 2024	45,373,762 shares
Three months ended June 30, 2023	45,273,684 shares

Note: Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

Note: Proper use of earning forecasts, and other special matters

(Cautionary statement regarding forward-looking statements)

The earnings forecasts and other forward-looking statements presented in this report are based on information available at the time of its issue and on certain assumptions 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 forecast. For important matters regarding the conditions associated with the assumptions of these forecasts and their appropriate use, please see “1. (3) Consolidated Financial Results Forecasts and Other Forward-looking Information” on page 4 of the Quarterly Financial Report (Attached document).

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1. Qualitative Information and Financial Review

(1) Consolidated Business Results

During the three months ended June 30, 2024, the outlook for the global economy remained uncertain due to concerns about the economic slowdown arising from such factors as the progression of inflation and the unstable international situation. In the automotive industry, automotive production is generally trending toward recovery despite variances by region and manufacturer. In the area of electronics, demand for television and monitor applications appears to have bottomed and is showing signs of a recovery. On the other hand, although there has been a moderate recovery trend in the Japanese economy, the situation is one of continued uncertainty due to such factors as the weakening of household consumption caused by stubbornly high prices driven in turn by soaring resource prices and the impact of the weaker yen. In addition, responses to environmental issues, such as reductions in greenhouse gas emissions and the problem of climate change, are becoming increasingly important.

In Japan's foam plastics industry, food container-related demand and demand related to home meals and home-meal replacements is slowing as a result of personal consumption, which is showing signs of stalling due in part to increases in prices. Conversely, in the industry area, demand for parts, transport materials, and packaging materials is trending toward recovery.

In 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 FY2022. 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 (our environmentally friendly product brand) through recycling-based business" and "striving to achieve carbon neutrality" as key issues, while striving to further strengthen SKG-5R activities. We recently obtained ISCC (International Sustainability & Carbon Certification) PLUS, which is an international certification system for sustainable products, for extruded foam products such as ELEN Sheets and LIGHTLON. This is a system for guaranteeing that the mass-balance method is being managed appropriately in the supply chain, which includes product manufacturer, for recycled, biomass, and other products. Going forward we will engage even more closely with such efforts to reduce environmental impacts through business activities.

In terms of sales, in the Human Life Segment we made efforts to expand sales of Sustainable Star Product, but fishery-related demand was weak, resulting in a year-on-year decline. On the other hand, in the Industry Segment we promoted efforts to capture the recovery in demand, leading to year-on-year growth and to an increase in revenue overall. In terms of profits, to improve profitability we responded to soaring energy prices by reducing costs and cutting fixed expenses, as well as revising selling prices.

For the three months ended June 30, 2024, the Group posted net sales of ¥33,792 million (up 9.8% year on year), operating loss of ¥220 million (compared to an operating loss of ¥588 million for the same period of the previous fiscal year), and ordinary income, including foreign exchange gains caused by depreciation of the yen, of ¥517 million (compared to an ordinary loss of ¥88 million for the same period of the previous fiscal year), and net income attributable to owners of the parent of ¥124 million (compared to a net loss attributable to owners of the parent of ¥374 million for the same period of the previous fiscal year).

* The "SKG" in "SKG-5R" represents SEKISUI KASEI Group, and the "5R" stands for 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 ¥12,324 million (up 4.3% year on year), with a segment income of ¥117 million (down 53.4% year on year).

Food field	<p>“ESLEN Sheets”</p> <ul style="list-style-type: none"> • Strong shipments of containers for supermarket food applications • Robust shipments of the PZ series of materials made with reduced resources, which we co-developed with FP Corporation, and containers for natto (a fermented bean product) • Shipments of products for instant noodle applications were weak, due to falling demand
	<p>“ESLEN Beads”</p> <ul style="list-style-type: none"> • Shipments for agricultural applications were sluggish due to the effects of weather • Fishery shipments were weak due to the effect of declining catches • In life goods, shipments declined due to falling demand in cushion applications
Housing/Energy field	<ul style="list-style-type: none"> • Sales were weak in civil engineering-related materials due to delays in the progress of construction projects • Materials for rainwater storage applications performed well, due to success in capturing demand related to disaster prevention and mitigation

- * PZ series: foamed polystyrene sheets that help to reduce the use of plastics by seeking to achieve reductions in weight of 50-60% compared to traditional non-foamed molded products
- * “ESLEN Sheets”: low-foam polystyrene sheets
- * “ESLEN Beads”: expandable polystyrene beads

<Industry Segment>

Net sales in the Industry Segment reached ¥21,467 million (up 13.2% year on year), with a segment income of ¥618 million (compared to a loss of ¥155 million in the same period of the previous fiscal year).

Mobility field	<ul style="list-style-type: none"> • Despite reductions in production by automotive manufacturers due to the impact of the Noto Peninsula earthquake and other factors, PIOCELAN for automotive applications recorded strong results due to the global recovery in demand • Parts packaging applications saw a year-on-year recovery in southeast Asia, resulting in strong sales of PIOCELAN and other products • Sales of FRP and related materials for tracks and buses were strong • At the Proseat Group, sales were weak due to the lack of growth in vehicle production volumes, which was caused by the delayed recovery of consumption in the European market. Despite improvements in performance derived from revisions to prices and progress in productivity enhancements, it continued to make losses
Electronics field	<ul style="list-style-type: none"> • LCD panel transportation material grew in Asia, and sales of PIOCELAN and other products were strong • Healthy demand for monitors resulted in strong sales of TECHPOLYMER
Medical/Healthcare field	<ul style="list-style-type: none"> • Sales of ELASTIL were strong due to sales for use with protective sneakers and other applications • Despite the delayed recovery in demand for medical and healthcare applications, gel roll shipments recovered and sales of ST-gel were strong

- * PIOCELAN: polystyrene/polyolefin hybrid resin foam
- * TECHPOLYMER: polymer particles
- * ELASTIL: thermoplastic elastomer foam
- * ST-gel: functional high-polymer gel
- * FRP parts: fiber-reinforced plastic

(2) Overview of Quarterly Financial Position

At the end of the first quarter under review, total assets had increased by ¥457 million to ¥146,930 million. In assets, increases in notes and accounts receivable - trade, and contract assets, etc., resulted in current assets rising by ¥594 million.

Liabilities increased by ¥2,265 million to ¥91,918 million, due to an increase in short-term loans and other factors.

Net assets decreased by ¥1,808 million to ¥55,012 million, due mainly to declines in items such as net unrealized gains on securities. Equity, which is net assets after deducting non-controlling interests, came to ¥54,250 million, and the equity ratio was 36.9%.

As for cash flows for the three months ended June 30, 2024, net cash used in operating activities was ¥685 million, compared to ¥77 million in net cash provided by operating activities in the same period of the previous fiscal year. This was due mainly to an increase in notes and accounts receivable.

Net cash used in investing activities increased by ¥409 million over the same period of the previous fiscal year to ¥1,131 million, due mainly to an increase in purchases of property, plant and equipment.

Net cash used in financing activities decreased by ¥1,361 million year on year to ¥213 million, due mainly to increases in proceeds from long-term loans. As a result, the balance of cash and cash equivalents as of June 30, 2024 decreased by ¥2,273 million from the end of the previous fiscal year to ¥8,594 million.

(3) Consolidated Financial Results Forecasts and Other Forward-looking Information

Consolidated earnings forecasts for the fiscal year ending March 31, 2025 are unchanged from the figures announced on April 30, 2024.

(4) Research and Development Activities

The amount of R&D expenses recorded by the Group during the three months ended June 30, 2024 was ¥688 million.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	10,904	8,634
Notes and accounts receivable - trade, and contract assets	29,377	31,098
Electronically recorded monetary claims - operating	9,141	8,669
Merchandise and finished goods	8,604	9,152
Work in process	2,420	2,110
Raw materials and supplies	5,220	5,360
Other	3,496	4,725
Allowance for doubtful accounts	(56)	(45)
Total current assets	69,110	69,704
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	14,350	14,546
Machinery, equipment and vehicles, net	12,763	13,299
Land	21,510	21,583
Other, net	5,088	5,210
Total property, plant and equipment	53,712	54,639
Intangible assets		
Other intangible assets	1,935	1,900
Total intangible assets	1,935	1,900
Investments and other assets		
Investments in securities	13,045	11,961
Assets for retirement benefits	6,711	6,762
Other	2,014	2,022
Allowance for doubtful accounts	(55)	(60)
Total investments and other assets	21,715	20,686
Total non-current assets	77,363	77,225
Total assets	146,473	146,930

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable – trade	18,437	18,857
Electronically recorded obligations - operating	8,611	8,272
Short-term loans	14,466	16,449
Accrued income and enterprise taxes	742	446
Provision for bonuses to employees	1,080	645
Provision for bonuses to directors and audit and supervisory board members	33	18
Other	9,599	11,542
Total current liabilities	52,971	56,232
Long-term liabilities		
Bonds payable	7,000	7,000
Long-term loans	16,413	15,803
Liabilities for retirement benefits	3,916	3,960
Provision for product warranty	57	57
Other	9,293	8,863
Total long-term liabilities	36,681	35,685
Total liabilities	89,652	91,918
Net assets		
Shareholders' equity		
Common stock	16,533	16,533
Capital surplus	16,408	16,408
Retained earnings	17,142	16,813
Treasury stock	(1,301)	(1,301)
Total shareholders' equity	48,783	48,454
Accumulated other comprehensive income		
Net unrealized holding gains on securities	6,880	6,127
Surplus arising from land revaluation	1,479	1,479
Translation adjustments	(778)	(1,519)
Retirement benefits liability adjustments	(304)	(290)
Total accumulated other comprehensive income	7,277	5,796
Non-controlling interests	760	761
Total net assets	56,821	55,012
Total liabilities and net assets	146,473	146,930

(2) Quarterly Consolidated Statements of Income and Statements of Comprehensive Income

Quarterly Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	30,788	33,792
Cost of sales	25,098	27,544
Gross profit	5,689	6,248
Selling, general and administrative expenses	6,278	6,468
Operating income (loss)	(588)	(220)
Non-operating income		
Interest income	15	12
Dividend income	161	196
Foreign exchange gains, net	247	788
Subsidy income	170	0
Other	108	62
Total non-operating income	702	1,060
Non-operating expenses		
Interest expense	142	259
Loss on sales or disposal of equipment	6	9
Other	53	52
Total non-operating expenses	202	322
Ordinary income (loss)	(88)	517
Extraordinary loss		
Impairment loss	-	16
Total extraordinary loss	-	16
Net income (loss) before income taxes	(88)	501
Income taxes	278	373
Net income (loss)	(367)	127
Net income attributable to non-controlling interests	7	3
Net income (loss) attributable to owners of the parent	(374)	124

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net income (loss)	(367)	127
Other comprehensive (loss) income		
Net unrealized holding gains on securities	(381)	(752)
Translation adjustments	(516)	(741)
Retirement benefits liability adjustments	(3)	13
Total other comprehensive income	(901)	(1,480)
Comprehensive income	(1,268)	(1,352)
Comprehensive income attributable to:		
Owners of parent	(1,276)	(1,355)
Non-controlling interests	7	3

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Cash flows from operating activities		
Net income (loss) before income taxes	(88)	501
Impairment loss	-	16
Depreciation and amortization	1,397	1,475
Increase (decrease) in allowance for doubtful accounts	(6)	(7)
Interest and dividend income	(176)	(208)
Interest expense	142	259
Interest (decrease) in provision for bonuses to employees	(443)	(434)
Interest (decrease) in provision for product warranty	(3)	(0)
Increase (decrease) in net liabilities for retirement benefits	22	(9)
Loss (gain) on sales and retirement of property, plant, equipment	6	5
Subsidy income	(170)	(0)
Decrease (Increase) in notes and accounts receivable	508	(835)
Decrease (Increase) in inventories	(389)	(107)
Increase (decrease) in notes and accounts payable	(567)	(209)
Other, net	271	(374)
Subtotal	503	69
Interest and dividends received	176	208
Interest paid	(195)	(248)
Proceeds from casualty insurance claims	610	2
Proceeds from subsidy income	170	0
Income taxes (paid) refunded	(1,188)	(718)
Net cash provided by (used in) operating activities	77	(685)
Cash flows from investing activities		
Purchases of property, plant and equipment	(639)	(1,065)
Proceeds from sales of property, plant and equipment	0	3
Purchases of investments in securities	(0)	(0)
Increase in short-term and long-term loans receivable	(4)	(2)
Collection of short-term and long-term loans receivable	4	7
Other, net	(82)	(74)
Net cash provided by (used in) investing activities	(721)	(1,131)
Cash flows from financing activities		
Net increase (decrease) in short-term loans	1,186	1,800
Proceeds from long-term loans	1,500	2,200
Repayment of long-term loans	(3,639)	(3,534)
Dividends paid	(388)	(434)
Dividends paid to non-controlling shareholders	(1)	(1)
Other, net	(232)	(242)
Net cash provided by (used in) financing activities	(1,575)	(213)
Effect of exchange rate change on cash and cash equivalents	243	(242)
Net increase (decrease) in cash and cash equivalents	(1,976)	(2,273)
Cash and cash equivalents at the beginning of the period	11,072	10,867
Cash and cash equivalents at the end of the period	9,096	8,594

(4) Notes to Quarterly Consolidated Financial Statements

(Changes in Accounting Policies)

(Application of “Accounting Standard for Current Income Taxes,” etc.)

“Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022; hereinafter “the revised 2022 accounting standard”) and relevant regulations have been applied from the beginning of the first quarter under review. Revisions to the category in which income tax, etc. is recorded (in cases where other comprehensive income is subject to tax) are subject to the transitional treatment stipulated in the provisos to paragraph 20-3 of the revised 2022 accounting standard, and paragraph 65-2 (2) of the Implementation Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022; hereinafter “the revised 2022 implementation guidance”). These changes in accounting policies have no impact on the quarterly consolidated financial statements.

With regard to revisions related to changes in the treatment in the consolidated financial statement of cases involving the deferral of taxes associated with gains or losses arising from the sale of shares, etc. of subsidiaries between consolidated companies, the revised 2022 implementation guidance has been applied from the beginning of the first quarter under review. These changes to accounting policies have been applied retrospectively and consolidated financial statements for the same quarter of the previous fiscal year and for the previous fiscal year reflect this retrospective application. These changes to accounting policies have no impact on consolidated financial statements for the same quarter of the previous fiscal year or for the previous fiscal year.

(The Premise of a Going Concern)

Not applicable.

(Significant Change in Shareholder Equity)

Not applicable.

(Segment Information)

I. Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

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

(Millions of yen)

	Reportable Segments			Adjustments (Note 1)	Amounts recorded in the Quarterly Consolidated Statements of Income (Note 2)
	Human Life	Industry	Total		
Net sales					
Japan	11,815	5,931	17,746	-	17,746
Germany	-	2,751	2,751	-	2,751
Other Europe	-	6,542	6,542	-	6,542
Asia	4	2,696	2,701	-	2,701
Others	-	1,046	1,046	-	1,046
Revenue from contracts with customers	11,819	18,968	30,788	-	30,788
Other revenue	-	-	-	-	-
Net sales to external customers	11,819	18,968	30,788	-	30,788
Intersegment sales or transfers	142	26	169	(169)	-
Total	11,962	18,995	30,957	(169)	30,788
Segment income (loss)	251	(155)	96	(184)	(88)

(Note 1) Adjustments were as follows:

Adjustments for segment income (loss) of ¥ (184) million consisted of inter-segment eliminations of ¥ (0) million and company-wide expenses not allocated to reportable segments of ¥ (185) million.

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

(Note 3) Major products in each segment

- Human Life Segment:

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

- Industry Segment:

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

II. Three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

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	12,317	5,674	17,992	-	17,992
Germany	-	3,105	3,105		3,105
Other Europe	-	8,047	8,047		8,047
Asia	7	3,230	3,237	-	3,237
Others	-	1,410	1,410	-	1,410
Revenue from contracts with customers	12,324	21,467	33,792	-	33,792
Other revenue	-	-	-	-	-
Net sales to external customers	12,324	21,467	33,792	-	33,792
Intersegment sales or transfers	106	68	175	(175)	-
Total	12,431	21,536	33,967	(175)	33,792
Segment income (loss)	117	618	736	(218)	517

(Note 1) Adjustments were as follows:

Adjustments for segment income (loss) of ¥ (218) million consisted of inter-segment eliminations of ¥ 3 million and company-wide expenses not allocated to reportable segments of ¥ (222) million.

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

(Note 3) Major products in each segment

- Human Life Segment:

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

- Industry Segment:

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

(Note 4) Change of display method

In the three months ended June 30, 2024, "Germany," which had previously been included in "Europe," was broken out as a separate item due to its importance having increased in terms of net sales recorded in the consolidated statement of income during the previous fiscal year. In addition, the previous name of the region of "Europe" was changed to "Other Europe." In order to reflect these changes in presentation, figures for the three months ended in June 30, 2023 have been restated using the categories from after the change.