SEKISUIKASEI

Our Planet. Our Tomorrow.

Integrated Report 2024

CONTENTS

I Who we are
SEKISUI KASEI's Value Creation

4 Philosophy System
5 Message from the President
11 SEKISUI KASEI's Accomplishments
13 Value Creation Model
15 Earnings Model

II What we aim for
Strategies for Value Creation

18 Management Strategy
19 Promotion of Sustainability and 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
37 Management with Focused on Capital Costs and Stock Prices

III Why we make it possible
Foundation of Value Creation

40 Basis that supports the practice of our philosophy
41 SEKISUI KASEI's ESG
41 Environment
49 Social
53 Governance
57 Directors & Auditors
59 Discussion between Three Outside Directors

Other Information

63 Consolidated Financial Statements
71 Notes to Consolidated Financial Statements
97 11 Years Summary
99 Company Information
99 Our Group Network
99 Company Profile
100 Stock Information

In Publishing Integrated Report 2024

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 has consistently provided 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. Looking ahead, we aim to create new value and solve environmental and social challenges through the power of chemistry, working towards the realization of a sustainable society.

Our management philosophy, based on "practicing 'Zen-in Keiei' based on respect for people and mutual trust, and always innovating in our aim of 'new happiness'," serves as the foundation of our corporate purpose. Each member of the Group will utilize their individuality and strengths to contribute to a sustainable society and the enhancement of corporate value over the long term as a corporate entity.

The Integrated Report is our means of communicating how we have pursued corporate value enhancement—past, present, and future. The Board of Directors, the Executive Committee, and each department on the executive side work in close collaboration, approaching this as a key management matter and engaging across the organization in the report's production. We also reflect the feedback and survey results from our stakeholders in each edition of the report. Moving forward, we will continue to value our dialogue with you and strive for continuous improvement to make the report even better. We sincerely welcome your candid opinions and feedback.

Katsumi Sasaki
Publication Officer
Director and Senior Managing Executive Officer
Head of Corporate Strategic Headquarters

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

Scope of the Report
Applicable Period: April 1, 2023 – March 31, 2024 (some activities from after April 2024 are also included)
Organizations Covered: SEKISUI KASEI CO., LTD. and its 39 consolidated subsidiaries (as of March 31, 2024)

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
- Japanese Standards Association "Guidance on Social Responsibility JIS Z 26000" (ISO 26000)

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.

I Who we are

SEKISUI KASEI's Value Creation

Key points of this chapter

- The reason for SEKISUI KASEI's existence (its meaning, value, and importance)
- The DNA of the company since its founding, the culture we cherish, and the historical background and reasons behind it
- Mechanisms for generating value and giving back to society

CONTENTS

Philosophy System 4

Message from the President 5

SEKISUI KASEI's Accomplishments 11

Value Creation Model 13

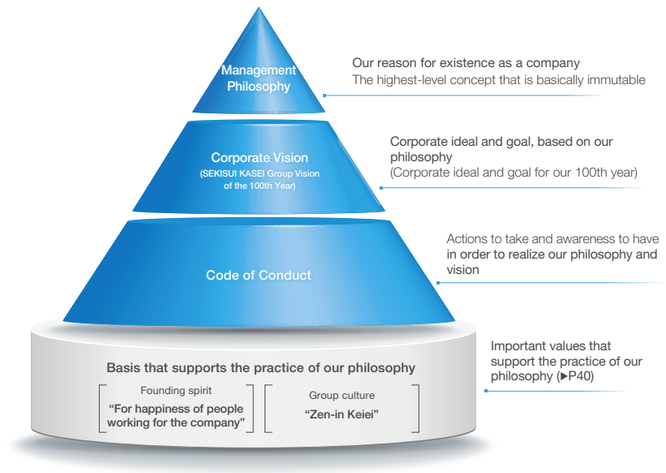
Earnings Model 15

Philosophy System

SEKISUI KASEI's philosophy system consists of our management philosophy, corporate vision, code of conduct, and the basis that supports the practice of our philosophy.

Our management philosophy clearly states the reason for SEKISUI KASEI Group's existence and its purpose.
Our corporate vision outlines the "SEKISUI KASEI Group's 100th Year Vision," which represents our aspirations for 2059, our 100th anniversary, based on the management philosophy. The code of conduct succinctly describes the actions we should take to put the management philosophy and corporate vision into practice. Our founding spirit, "For happiness of people working for the Company," and the Group culture of "Zen-in Keiei" are core values passed down since our founding and will continue to be cherished as the foundation that supports our philosophy system.

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.

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

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.

Founding Spirit (▶P40)

"For happiness of people working for the company"

Group Culture (▶P40)

Zen-in Keiei

Message from the President

Tackling the three key issues in the medium-term management plan, focusing on the keywords of the Group's regeneration and renewed growth

President and Chief Executive Officer

First step towards "Target 2030" for regeneration and renewed growth

Two years have passed since we kicked off our medium-term management plan, "Spiral-up 2024." Covering the three years from FY2022 to FY2024, "Spiral-up 2024" is the first step towards achieving our "Target 2030" goal for the year 2030.
While "Target 2030" charts a course for our business in the near future, we also have SEKISUI KASEI Group's 100th Year Vision (established in 2009), which outlines the kind of company we aspire to become by 2059.

In the midst of unprecedented changes in the business environment, such as instability in global affairs, sky-high raw fuel prices, and ongoing inflation, I believe it is precisely because of these challenging circumstances that we must look at the bigger picture and drive SEKISUI KASEI Group toward regeneration and renewed growth.

Our medium-term management plan "Spiral-up 2024" second-year summary

In FY2023, we posted net sales of ¥130.3 billion, operating income of ¥1.26 billion, recurring income of ¥2.73 billion, and net income attributable to owners of the parent of ¥1.08 billion. Despite recording year-on-year growth in sales and profit, our financial results over the last two years undeniably indicate that our regeneration is off the pace.
In the Industry segment, net sales increased year on year, reflecting an improvement in market conditions in the mobility and electronics fields. In addition, even though earnings improved from last year in the Proseat business in Europe, this business has been impacted by a sluggish European automotive market and rising labor and energy costs. We recognize the importance of further strengthening efforts to optimize sales prices in order to quickly turn the Proseat business into a profitable operation.
In the Human Life segment, a recovery in people's comings and goings drove stronger demand from the restaurant industry and inbound tourism, as expected. However, demand softened for products like bead cushioning, which had previously been underpinned by stay-at-home consumption demand. Also, in the agriculture and fisheries sector, the impact of climate change has led to smaller fish catches, particularly in Japan's coastal waters, which is having a significant impact on our earnings in the food field.
On the other hand, the number of the Group's registered Sustainable Star Products is steadily increasing. We anticipate that initiatives aimed at reducing impacts on the natural environment will gain further momentum up ahead, so we are quite confident that demand for these products will undoubtedly increase.
In "Spiral-up 2024," we listed three key issues.
The first is strengthening the earnings structure. While we continue to reassess unprofitable businesses in terms of individual items in each business department and among Group companies in Japan and overseas, accelerating the pace of these improvements presents a challenge.
The second key issue is shifting to businesses that solve environmental and social issues. Our efforts to create and expand Sustainable Star Products that can have an impact through our business activities have gone mostly to plan.
The third key issue is reinforcing our management foundation. We have set target KPIs for each item of materiality (key management issues), and by monitoring progress and regularly identifying challenges, we have been able to implement measures for improvement and make steady progress. However, progress on enhancing the Company's financial health has been delayed, partly due to the slow earnings recovery. The current operating environment is challenging, but we will make every effort to improve management efficiency with a view to achieving sustainable corporate growth.

Revised forecasts for "Spiral-up 2024" and earnings outlook for FY2024

For FY2024, the final year of "Spiral-up 2024," we forecast net sales of ¥132.0 billion, operating income of ¥2.5 billion, and recurring income of ¥2.2 billion. These figures have been downwardly revised from the targets that were set when we initially formulated the plan.

The factors behind our lower forecasts include a sharp decline in demand for bead products in the fisheries sector, the absence of an optimistic outlook for a recovery within the year, slower-than-expected economic recoveries in Europe and China, and the adoption and rollout of newly developed products taking

Message from the President

longer than initially planned due to client company scheduling and model changes. In addition to these factors, accelerated inflation has driven up fixed costs, and as a result, we were faced with no choice but to lower our targets.
Compared to the previous fiscal year, in FY2024 we forecast growth in net sales and operating income in the Industry segment in our core business and the Proseat business. In the human life segment as well, we expect to record sales and profit growth on the back of price revisions and higher sheet sales volumes.

On the other hand, we forecast a year-on-year decline in recurring income, primarily due to the impact of forex volatility.
Despite the tough market conditions, we are injecting capital into promising businesses to ensure that we steadily improve profitability. Moreover, in aiming to generate profits from new products as soon as possible, we are endeavoring to shorten development lead times by actively bringing forward the processes required for a product to be adopted, including the trialing and evaluation testing of prototypes and development products.

Shifting to businesses that solve environmental and social issues

SEKISUI KASEI Group is currently focused on the SKG-5R (▶P42), an action plan for increasing the number of businesses that address environmental and social issues. Creating and expanding Sustainable Star Products is an integral part of this initiative.
By FY2030 we aim to increase the weighting of Sustainable Star Products as a percentage of net sales to over 50% and elevate the number of registered products to 100.
In FY2023, the sales weighting reached 19%, while the number of registered products was 54, both ahead of our targets.
In particular, the market adoption of products using recycled materials, such as lightweight banking materials used in the construction of the facilities for Expo 2025 Osaka, Kansai, Japan and returnable materials used by Toyota Motor Corporation for distributing electric components, is a promising development in terms of future demand and a positive sign for the future.
Having expanded our lineup of the product category brands BIO Cellular (product line using biodegradable or biomass-derived plastic) and ReNew+ (product line using recycled materials) and brought to market products such as high-strength containers that contribute to weight reduction and resource conservation, we believe we are making solid progress on creating and expanding our Sustainable Star Products.

Development pipeline driving renewed growth

As a driver of renewed growth, we are focusing on the development of strategic products to support future growth.
The PZ series of ESLEN sheet, a low-foam polystyrene sheet, has the potential to be used as an alternative to conventional non-foamed plastics. Compared to non-foamed plastics, it is 50%–60% lighter and can drastically reduce the use of plastic. It is used in food packaging, like large sushi containers, for example. Shipments of this product have been brisk after we launched sales during the year-end shopping season of 2023.
In the mobility field, the heat-resistant foam ST-Eleveat was used for the first time in mass-produced vehicles as a seat component material. When used as a core material in carbon fiber reinforced plastic (CFRP), it has shown to be superior in terms of lightweight properties and strength compared to structures made solely of CFRP. This is why it has been adopted for use in vehicles.
In addition, we are promoting the use of TECHPOLYMER in new fields alongside its usual applications. These polymer microparticles are used as a diffusion film in liquid crystal displays and as a light diffusion material in LED lighting. Leveraging its notable characteristics, such as insulating and lightweight properties, low density, and a low refractive index, we are stepping up sample work for customers, targeting semiconductor materials as a low-dielectric material that can be expected to reduce transmission loss in high-speed transmission circuits for 5G networks.
We are also working on the practical application of a non-fluorinated dispersant developed as an alternative to the organic fluorine compound PFAS, which is increasingly being regulated, mainly in Europe. This dispersant has the potential to be used in paints, coatings, lubricants, medical devices, electronic materials, and many other applications.
Furthermore, we are pressing ahead with the development of applications for ST-gel, a high-performance gel material. For example, we are targeting the field of electroencephalography in an effort to open up sales channels in the brain tech market, a space where neuroscience meets IT.
In this way, by developing products that connect the Group's technologies to new demand in areas outside of our longstanding Industry and Human Life segments, I believe the seeds of the next growth phase are steadily beginning to sprout.

Capital expenditure

Aside from getting production capacity back on track at Sekisui Kasei Oita, where a fire accident occurred in 2022, we invested a total of ¥5.1 billion in FY2023, primarily on the installation of energy-saving and labor-saving equipment, environmental investments related to a resource recovery project and other recycling initiatives, IT investments in information systems, and investments in R&D aimed at propelling the development of new products.

In FY2024, we plan to adopt a slightly more aggressive capex plan and have therefore earmarked a total of ¥8.4 billion for investment. We will augment production capacity at Sekisui Kasei Oita, install equipment for new product development in production innovation and R&D investment, and renovate SEKISUI KASEI Head Office in Osaka to create a workplace environment more conducive to value creation.

Founding spirit: "For happiness of people working for the company"

To set in motion a positive cycle between "Contribution to a Sustainable Society" and "Sustainable Enhancement of Corporate Value," SEKISUI KASEI Group has identified 12 items of materiality (key management issues). Three of these items (diversity, workstyle reforms, and work engagement) are related to human resources. For each of them, we have established specific measures and goals, which we manage with a PDCA approach. Further, our commitment to practicing human capital management is provided for in our Human Resources Policy, and we have also established six specific actions that we seek to implement.
We are guided by our longstanding founding spirit—"For happiness of people working for the company"—which, together with our Group culture called "*Zen-in Keiei*," are the important values that support the practice of our philosophy.
In 2023, we formed the *Zen-in Keiei* Team for the purpose of taking a fresh look at our Group culture and exhaustively discussing the kind of company we aspire to become.
Management philosophy, corporate vision, and corporate culture can quickly lose substance and become mere "decorations" if left unattended. It was therefore extremely pleasing to see that immediately after we partially revised our corporate vision and tidied up philosophy system, a team was formed from the bottom up to make sure that our corporate culture of *Zen-in Keiei* takes root throughout the organization.
Personally, I want to make SEKISUI KASEI an even more exciting company with the Group's positive culture that is *Zen-in Keiei*. I believe that by harnessing the power of every person,

Message from the President

Zen-in Keiei can transform individual efforts into the collective strength of the Group, thereby maximizing human capital. Even in a highly uncertain business environment, I believe that the culture of *Zen-in Keiei* is the source that enables the Group to continuously generate value.
There have also been cases where actions for improvement were made possible through the practice of *Zen-in Keiei*. Since the COVID-19 pandemic, the way Group employees have gone about their work and tackled tasks has changed significantly. As a result of utilizing digital tools and implementing IT systems, we have been able to identify unnecessary tasks. In addition to sorting through those tasks by taking stock of our operations, the option of outsourcing has also increased, so there have been more cases in which employees have moved away from self-reliance irrespective of their line of work.
While it is difficult to quantify every single initiative, the fact that we received a 3 star rating in the 7th Nikkei Smart Work Management Survey says to me that SEKISUI KASEI Group is heading in the right direction in terms of new ways of working.

Strengthening corporate governance

As part of our efforts to strengthen corporate governance, we are working to enhance the effectiveness of the Board of Directors. Every year we conduct a questionnaire-based survey developed with advice from a third-party organization. The results of the survey are discussed by the Board, and then the matters that need to be strengthened in terms of effectiveness are prioritized and updated.
According to the survey report, the evaluation of the Board's effectiveness is gradually improving. This is likely due to the positive impact of Board members having more opportunities to share information in various ways and communicate with each other, including with outside directors and outside auditors, in addition to discussing agenda items at meetings. In my view, the directors discussing the key points of reforms from a medium-to-long-term perspective, advancing the execution of the medium-term management plan, and discussing the activities thereof, have also been effective.
On top of this, from a global governance point of view, we have implemented measures geared towards strengthening the Group's governance structure, starting with the development of systems for labor and financial management.

Global environmental conservation

As for our environmental protection initiatives, in addition to the aforementioned creation and expansion of our Sustainable Star Products and a target of at least 50% recycled/biomass raw materials, we are actively working to reduce the CO_2 emissions generated by our business activities by setting targets to guide our progress.
Two years ago, we established the GX Development Department, and the Group as a whole is focused on achieving our targets ahead of schedule by systematically implementing initiatives, including production efficiency improvements and switching to renewable energy.
In FY2023, we achieved a 21% reduction in CO_2 emissions compared to the base year of FY2018. With the goal of carbon neutrality by 2050 firmly in our sights, we are steadily approaching our FY2030 reduction target of 27%.
In April of this year, we were certified as an "eco-first company" under the Ministry of the Environment's Eco-First Program.
This program certifies companies recognized by the Minister of the Environment as leading businesses in the field of environmental activities.
As part of our eco-first "promise," we committed to (1) replacing 50% of the raw materials we use with recycled materials and biodegradable or biomass-derived materials by 2030, (2) obtaining certification for our self-collection and recycling business plan based on Plastic Recycling Promotion Law in Japan and expanding our EPS recycling activities nationwide, and (3) creating a cumulative total of 100 Sustainable Star Products and achieving a sales weighting thereof of over 50% by FY2030. Going forward, the Group as a whole will continue to step up its efforts to address environmental issues.

Being mindful of capital costs and the share price

Even though we are targeting an ROE of at least 8% by FY2030, it was still only 1.9% in FY2023. The P/B ratio is also currently below 1.0x. The slow improvement in profitability and a low capital efficiency are seen as the main reasons for this.
To improve this situation, it will be imperative that we rebuild unprofitable businesses as quickly as possible, shift our focus to growth businesses, and improve capital efficiency. In particular, I believe it is essential that we hasten the development of growth businesses in order to achieve a major turnaround in profitability. The share price reflects the expectations of a company's growth, so in considering what steps to take, we have positioned our strategy on what we must do to deliver results that meet the expectations of the market.
From that perspective, we have identified some improvement measures based on three strategic pillars: growth strategy, financial strategy, and IR strategy. While we have already disclosed this information in our Corporate Governance Report and on our website, we plan to provide more detailed information regarding our strategies, indicators, and targets in relation to this matter when we release our next medium-term management plan (FY2025–FY2027).
To reach an ROE of 8% or more by FY2030, we will aim to get the businesses and development projects we are currently working on up and running during the period of the next medium-term management plan and demonstrate a clear pathway to achieving the targets of "Target 2030."

Shareholder returns

Our basic policy is to return profits to shareholders in line with trends in consolidated earnings, while also taking into account the stability of dividends.
Even though profitability is still low, we paid an annual dividend of ¥13, which was ¥1 higher than in FY2022, considering the growth in both sales and profit in FY2023 and the stability of dividends. We think a bit more time is needed for a full-fledged earnings recovery, so for FY2024 we will most likely pay the same dividend amount.

To our stakeholders

In the current tough market environment, we have struggled to make headway with strengthening our earnings structure, as called for as one of the key issues in the medium-term management plan, "Spiral-up 2024." Nevertheless, reforms are underway in the Proseat business and things are looking up for our development pipeline and strategic products, which have the potential to become future business pillars, so I can say that we are steadily moving towards a better earnings structure.
Also, our efforts on shifting to businesses that solve environmental and social issues—also a key issue in the plan—are progressing as planned, and we are also steadily advancing measures to reinforce our management foundations.
Going forward, we will focus even more on sustainably enhancing our corporate value by addressing each challenge through constructive dialogue with all stakeholders. For example, we will practice a style of management that is mindful of capital costs and the share price, we will implement human capital management, and we will make contributions with businesses that solve environmental and social issues.
I am confident that we are laying the groundwork to overcome persistently weak earnings and make the transition towards a stronger earnings structure. I kindly ask all stakeholders for their continued patience and support as we strive to achieve greater things for SEKISUI KASEI Group.

Masato Kashiwabara
President and Chief Executive Officer

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 (2010-2023) Human Life segment (2010-2023)
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 EDOEPS 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. 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. Additionally, our environmental initiatives were recognized, and in 2024, we were certified as an "Eco-First Company."

Value Creation Model

SEKISUI KASEI Group has developed a value creation model by leveraging the management resources it has accumulated over more than 60 years of continuous business operations, navigating through the turbulent changes of different eras. Based on this model, we will continue to focus on giving back value to society, while accelerating our efforts toward realizing a sustainable society and enhancing long-term corporate value.

INPUT

BUSINESS ACTIVITIES & OUTPUT

OUTCOMES

Source of Value Creation

Human Capital

Diverse human resources practicing "Zen-in Keiei" ▶P40

- Number of employees: **3,460** (as of the end of March 2024)
- Number of Employees Outside Japan **1,808** (as of the end of March 2024)
- Ratio of Female Employees: **26.3**% (as of the end of March 2024)

Annual trends ▶P28

Intellectual Capital

Our technological strength as a pioneer in foam resins

Extensive knowledge and experience in polymerization, extrusion, impregnation foaming, molding, and processing

- Number of industrial property rights held in Japan (patents, utility models, and designs): **1,184**

Number of industrial property rights globally held patent families*): **191** (as of March 31, 2024)

*A group of patents based on a single invention that has been filed in multiple countries.

- R&D costs: ¥**2.6** billion (FY2023 results)

Annual trend ▶P27 R&D Strategy ▶P33

Manufactured Capital

Production management system that provides safety and quality that satisfies the customer

- Capital expenditures: ¥**5.1** billion (FY2023 results)

Capital Expenditure/Depreciation and Amortization Trends ▶P27

Financial Capital

A stable financial structure supporting management

- Equity ratio: **38.3**% (FY2023)

ROE trends ▶P27

Social & Relationship Capital

A system that promotes global product supply capabilities and innovation

- **40** locations across **16** countries and regions (as of the end of March 2024)
- Open Innovation

R&D Strategy ▶P33

Natural Capital

Business activities with consideration for the global environment

- **21**% Reduction in CO_2 Emissions (Compared to FY2018) (FY2023 results)

Annual trends ▶P28

Products and Services in Two Business Segments

INDUSTRY SEGMENT

▶P29

Electronics

Mobility

Medical/Healthcare

Automotive structural materials
Transporting automotive parts packaging materials
Medical/health care materials
Home appliance packaging materials
Industrial components

PIOCELAN Bumper cores | TECHPOLYMER LCD film additive | ELASTIL Shoe midsoles

HUMAN LIFE SEGMENT

▶P31

Food

Housing/Energy

Agricultural and marine product containers
Food containers
Distribution materials
Construction materials
Civil engineering materials

ESLEN Beads | ESLEN Sheets | ESLEN Blocks

Businesses That Solve Environmental and Social Issues

Value back to Society

Human

Build an organization trusted by society

- Promoting diversity and implementing work style reforms to foster respect for people and mutual trust ▶P35, 36

Intellectual

Future value creation through our technology

- Utilizing RX to improve output ▶P33

(Strengthen new materials development & competitiveness)

Manufactured

Establishment of a system to ensure stable supply of production

- Increased productivity through DX promotion ▶P52

Financial

Enhancing corporate value in the medium to long term

- Strengthening our financial position and implementing capital efficiency-oriented management ▶P37

Social & Relationship

Proposing solutions to address environmental and social challenges ▶P25, 26

△ Global warming and climate change

- Development of eco-friendly and comfortable mobility Components ▶P29, 30

Example: Automobile components

Reduced thickness and weight without compromising functionality
→ Improved fuel economy contributes to reduced CO_2 emissions

Developed materials with improved strength and thermal resistance
→ Improved safety

△ Food loss

- Development of materials to ensure food safety ▶P31

Example: Food containers

Pursuit of shock absorbency and improved thermal insulation
→ In addition to protecting food from impact during transport, it also helps to reduce food loss by maintaining freshness and enabling long-term storage

Thorough compliance with laws and regulations and efforts toward quality
→ Contributed to food safety and security

Natural

Efforts toward existing in harmony with the global environment ▶P25, 41

△ Resource depletion and the marine plastic problem

- Expansion of products contributing to the realization of a circular economy

Example: Creation of "Sustainable Star Products"

Sustainable Product STAR

Increase in the use of recycled and biomass materials

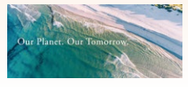
Promoting environmental strategies based on SKG-5R, contributing to the realization of a sustainable society through our business activities ▶P43,44

△ Global warming and climate change

- Challenge to achieve carbon neutrality in 2050

Example: Energy-saving in production activities
Utilization of renewable energy

In efforts to realize a decarbonized society, we worked to minimize CO_2 emissionss ▶P45

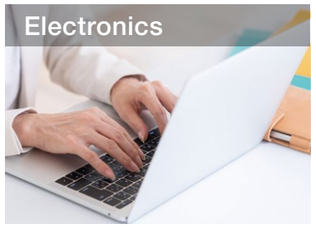
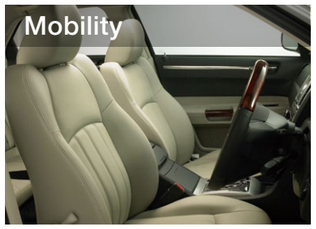


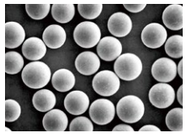
(The "△" signs here indicate a negative impact on the capital.)

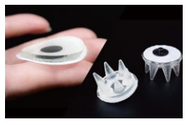
Earnings Model

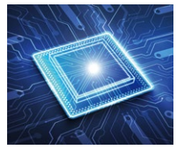
SEKISUI KASEI Group operates an integrated business model that extends from the production of foam resin as an intermediate material to the manufacture and sale of finished products for a variety of applications in various markets. In addition to providing products, we focus on offering customized solutions tailored to customer needs and addressing their challenges. Through this approach, we continue to be a company that customers choose.

Major Raw Materials	Business Segment and Field	Share of Sales by Business Field	Major Products	Major Customer	End Use	Value Offered
Industry Segment						
Various monomers styrene, MMA, acrylamide, etc. Various polymers polystyrene, polyethylene, elastomer, etc.	Electronics	13.9 %	• Polystyrene/polyolefin hybrid foam • Polymer particles (additive)	Electric and electronic component manufacturers Industrial and telecommunications equipment manufacturers Optical film and paint manufacturers	Electronics and telecommunications devices LCDs	Contribute to the diffusion and advancement of digital technologies
	Mobility	45.1 %	• Polystyrene/polyolefin hybrid foam • Polystyrene bead foam	Automotive manufacturers Automotive parts manufacturers	Automobile components Packaging materials for transporting automotive parts	Contribute to next-generation mobility technology innovation
	Medical/Healthcare	2.7 %	• Hydrogel electrode pads • Hydrogel masks • Elastomer bead foam	Medical equipment manufacturers Cosmetics and skincare product companies Footwear manufacturers	Biosensing Shoe sole	Contribute to comfortable lives and a healthy society
Human Life Segment						
	Food	33.3 %	• EPS sheet • EPS beads	Food container manufacturers Fisheries associations, agricultural cooperatives	Fish and agricultural produce boxes Noodle cups	Assist in providing food safety and security and reducing food loss
	Housing/Energy	5.0 %	• EPS foam blocks for lightweight embankment method • Underground stormwater sank system • EPS foam floats/pontoons	Civil engineering, construction, and landscaping czontractors Floating solar power system manufacturers	Floating solar power systems Green infrastructure	Contribute to sustainable society by launching products for disaster prevention and mitigation and infrastructure development







SEKISUIKASEI

II What we aim for

Strategies for Value Creation

Key Points of This Section

- Recognition of the External Environment and Selection of Management Issues for the Future
- Medium- to Long-Term Strategies
- Short-Term Plans (Medium-Term Management Plan), Performance, and Review

CONTENTS

Promotion of Sustainability and Materiality (Key Management Issues) 19

Materiality and Medium- to Long-term Risks and Opportunities 21

Our Business Direction for 2030 "Target 2030" 23

Medium-Term Management Plan "Spiral-up 2024" 25

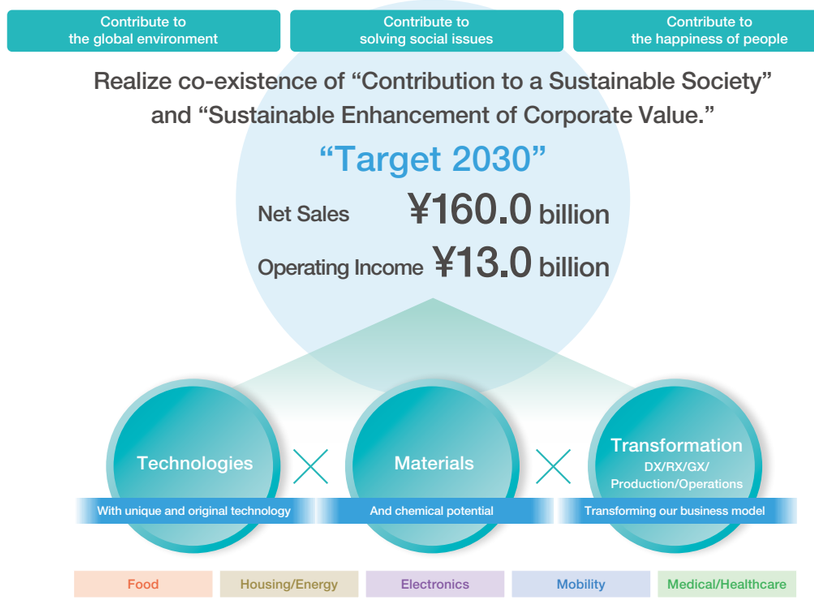
Financial and Non-Financial Highlights 27

Business Overview 29
(Industry Segment/Human Life Segment)

Various Strategies 33
(Research & Development Strategy/Human Resources Strategy/
Management with Focused on Capital Costs and Stock Prices

Management Strategy

Although our 2059 targets remain unchanged, we have established "Target 2030" as our business direction for 2030. We aim to achieve ¥160.0 billion in net sales and ¥13.0 billion in operating profits by 2030 through realizing a virtuous cycle of contributing to a sustainable society and sustainable enhancement of corporate values. The current medium-term management plan, "Spiral-up 2024" (FY2022–2024), is positioned as the first step towards achieving "Target 2030."



Promotion of Sustainability and Materiality (Key Management Issues)

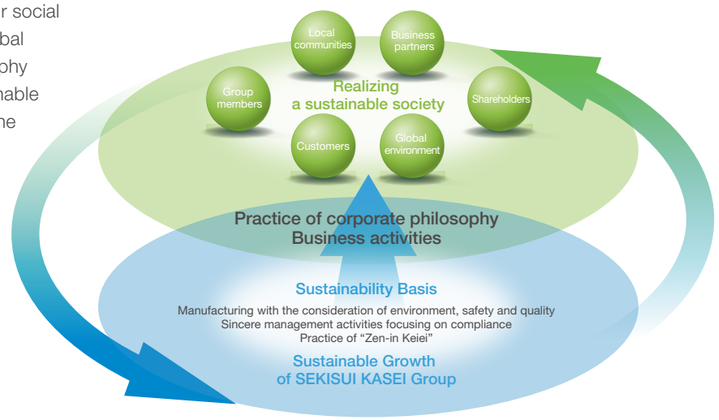
SEKISUI KASEI promotes sustainability management in line with its Sustainability Policy, which is based on its management philosophy, corporate vision, and changes in the external environment. We will contribute to a sustainable society and achieve sustainable enhancement of our corporate value, which is the Basic Policy of "Target 2030." At the same time, we will identify and address the Materiality (Key Management Issues) that our Group should prioritize to create a virtuous cycle of sustainability.

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

In line with our Sustainability Policy, the Group has identified Materiality (Key Management Issues) that should be addressed as priority business themes through the process outlined below. These Materiality items are periodically reviewed to better focus on solving environmental and social issues while growing our corporate value. Additionally, specific initiatives are being carried out for each of the identified items of Materiality, with responsible departments formulating and executing action plans for each item. Furthermore, progress reports are regularly presented to the Board of Directors, and the PDCA cycle is implemented.

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

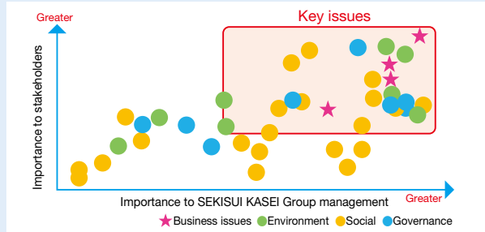
- DJSI, FTSE, MSCI

SDGs

Benchmarks for leading CSR companies

STEP 2 Rate Their Importance

We evaluated the priority and 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 Sustainability Committee through consultation between relevant departments and the committee.

Process for Authorizing Materiality

Relevant Departments ↔ (Consult) → Sustainability Committee (▶P53) → Board of Directors (▶P53)

Sustainability Committee: Deliberate

Board of Directors: Deliberate and Authorize

Materiality and Medium- to Long-term Risks and Opportunities

Materiality (Key Management Issues) is periodically reviewed to better focus on solving environmental and social issues while also striving to grow our corporate value. Additionally, specific initiatives are being carried out for each of the identified items of Materiality, with responsible departments formulating and executing action plans for each item. Furthermore, progress reports are regularly presented to the Board of Directors, and the PDCA cycle is implemented.

Categories			Opportunities	Risks	Materiality	Action Items		
E	Environment		• 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	• 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 CO_2 emissions	Creating Sustainable Star Product and expanding their business	SKG-5R promotion (Increasing Sustainable Star Product)	P41-48	12 Responsible Consumption and Production 13 Climate Action 14 Life Below Water 15 Life on Land
					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	P41-48	
S	Social	Innovation	• Increased opportunities for innovation creation by leveraging diverse perspectives and external resources	• Lost opportunities for innovation due to ineffective use of external resources	Business model resilience	Open innovation, external cooperation/ collaboration	P33-34	9 Industry, Innovation and Infrastructure 17 Partnerships for the Goals
			• Creation of new value for society through business innovation efforts, such as production, operations, marketing, and R&D	• Reduced competitivity, higher running costs, and greater security risks due to delayed DX promotion	DX promotion	Production innovation, business innovation, marketing innovation, R&D innovation	P52	
		Human resources	• 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	• 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 a lack of measures for engagement surveys and efforts to improve work engagement • Reduced labor productivity and loss of human resources	Diversity	Diverse workforce (women, seniors, non-Japanese)	P35-36, 51	3 Good Health and Well-Being 5 Gender Equality 8 Decent Work and Economic Growth 10 Reduced Inequalities
					Workstyle reform	Various systems for the promotion of health management, work-life balance, and diverse and flexible workstyles		
					Work engagement	Personnel system design that promotes the growth of workers		
		Quality / Security and disaster prevention	• 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	• Events that affect the environment and society, such as chemical leaks or accidents • Increased disaster prevention costs at business locations • Quality assurance for product defects and failures	Providing safety and security	Promote zero accidents and zero quality complaints	P49-51	8 Decent Work and Economic Growth 12 Responsible Consumption and Production
G	Governance		• Established a management foundation by improving decision transparency and responding appropriately to changing times • Improved corporate image by earning social trust • Increased stakeholders' trust	• Possible ineffectiveness of internal controls • Damage to corporate value and decline in external reputation due to insufficient dialogues and information disclosures	Enhancing corporate governance	Strengthen internal controls, improve the effectiveness of the Board of Directors, and enhance group governance	P 53-62	10 Reduced Inequalities 16 Peace, Justice and Strong Institutions
				• Sluggish business activities and loss of public trust due to non-compliance	Compliance	Prevent problems and improve reporting system		
				• 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	Risk Management	Promote BCP initiatives		

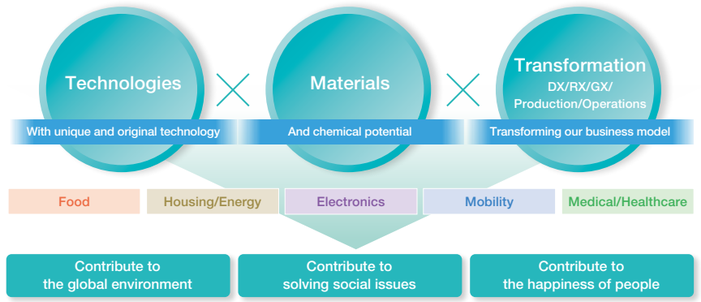
Our Business Direction for 2030 “Target 2030”

To attain our corporate vision by 2059, SEKISUI KASEI Group’s 100th anniversary, and the reason for our existence, we established “Target 2030” in January 2023 as our business direction to aim for in the nearer future, specifically the year 2030. “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,” 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

We will promote two key strategies to achieve “Target 2030.”

1 Enhancement of corporate value by pursuing a highly profitable structure

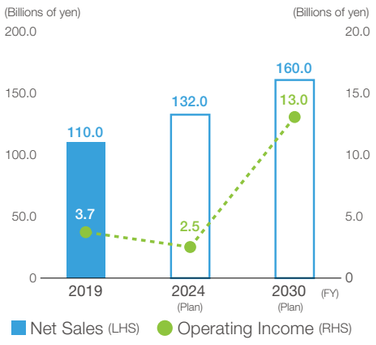
2 Promotion of ESG management that supports sustainable growth

Management targets for 2030

		Targets for 2030	Results for 2019
Financial Targets	Net Sales	¥160.0 billion or more	¥110.0 billion
	Operating Income	¥13.0 billion or more	¥3.7 billion
	Operating Income Ratio	8% or more	3%
	ROE	8% or more	3%
Environmental Targets	Sustainable Star Product as percentage of net sales	50% or more	11%
	Percentage of reductions in CO_2 emissions	27% or more	Compared to 2018

* Targets use FY2019 benchmarks of earnings prior to the COVID-19 pandemic.

2030 Quantitative Goals



▶P26 Results and Outlook

Business development and strategies in 5 priority fields

To achieve “sustainable enhancement of corporate value,” we will reconstruct our business portfolio and attempt to achieve regrowth in 5 priority fields: the Industry Segment (Electronics, Mobility, and Medical/Healthcare) and the Human Life Segment (Food and Housing/Energy).

Industry Segment

Electronics

Business Mission

Propose solutions in the fields of advanced telecommunications equipment and electronic components and contribute to industrial development

Components

- Strengthen the customized development of fine particles to drive technological innovation in the display/lighting field
- Expand globally to meet growth in demand for new fine particles and structural components owing to advancements in high-speed telecommunications technology

Packaging

- Accelerate the proposal of total solutions tailored to the needs of component distribution, such as precision equipment packaging
- Contribute 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

- Strengthen proposals at all global locations to meet growing demand for lightweight components with the shift to EVs
- Accelerate product development to contribute to the creation of comfortable mobility spaces

Component Logistics

- 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

- 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

- 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

- Contribute to reducing food loss with temperature-controlled designs that maintain freshness during transportation
- Provide distribution materials to ensure that all kinds of food reach people’s tables safely

Food Containers

- Aim to conserve resources with the use of foaming technology and promote the recycling of resources
- Launch 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

- Develop products to prevent road flooding caused by torrential rain and to help emergency response efforts

Infrastructure Development

- Contribute to the replacement of aging social infrastructure and the development of green infrastructure in urban areas

Housing Equipment

- Develop thermal insulation products with added functionality with the use of composites and contribute to greater energy efficiency in homes

Energy

- Develop composite materials that are both light and durable for use in renewable energy equipment

Medium-Term Management Plan “Spiral-up 2024”

“Spiral-up 2024” is the first step towards attaining “Target 2030,” which is the business direction we aim to achieve by 2030. Over the three years from FY2022 to FY2024, we will work on three key issues: strengthening the earnings structure, shifting to businesses that solve environmental and social issues, and reinforcing our management foundation. We aim to establish a robust profit foundation based on ESG management that contributes to a sustainable society and achieves 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

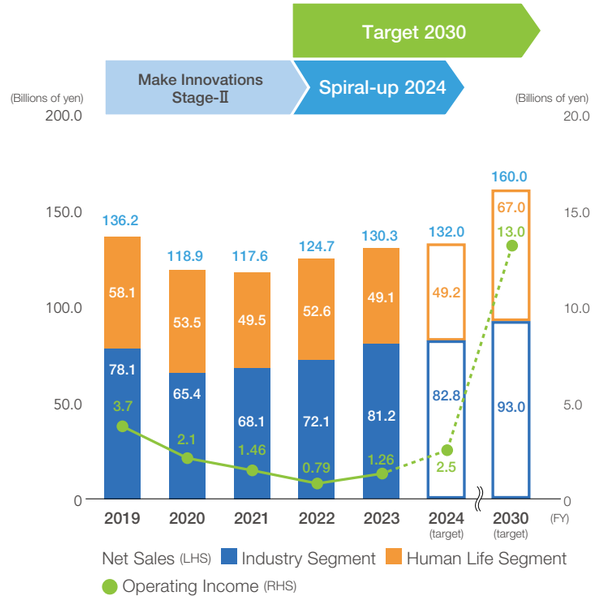
Review of FY2023

Of the three key issues, we worked on restructuring our business portfolio through the selection and concentration of management resources, along with fundamental efforts toward production innovation and early monetization of developed products to strengthen the profit structure. For the shift to businesses that solve environmental and social issues, we have set goals for expanding “Sustainable Star Product” that are environmentally friendly products through recycling-based businesses and striving to achieve carbon neutrality while further reinforcing SKG-5R efforts. To reinforce our management foundations, we have established the SEKISUI KASEI Group Human Rights Policy with the aim of promoting initiatives to respect human rights. However, there is an ongoing sense of uncertainty about the future due to concerns over an economic slowdown driven by inflation, monetary tightening, and unstable international affairs. As a result, while we achieved year-on-year growth for both revenue and profit, with sales meeting the disclosed forecast, our operating profit fell below the revised forecast announced on October 27, 2023.

Consolidated business results and outlook

Taking into account the future market forecasts and the delayed recovery of the Proseat Group’s performance, we are reviewing the performance targets for FY2024, the final year of the medium-term management plan “Spiral-up 2024.”

	Previous medium-term	Spiral-up 2024		
	FY2021 Results	FY2022 Results	FY2023 Results	FY2024 Outlook (Latest disclosed figures)
Net Sales	¥117.6 bn	¥124.7 bn	¥130.3 bn	¥132.0 bn (¥135.0 bn)
Industry	¥68.1 bn	¥72.1 bn	¥81.2 bn	¥82.8 bn
Human Life	¥49.5 bn	¥52.6 bn	¥49.1 bn	¥49.2 bn
Operating Income	¥1.46 bn	¥0.79 bn	¥1.26 bn	¥2.5 bn (¥4.0 bn)
Industry	¥-1.33 bn	¥-0.1 bn	¥1.9 bn	¥2.9 bn
Human Life	¥3.38 bn	¥2.6 bn	¥1.8 bn	¥2.2 bn
Ordinary Income	¥1.40 bn	¥0.7 bn	¥2.73 bn	¥2.2 bn (¥3.7 bn)
Net Income for the Period	¥-5.92 bn	¥0.45 bn	¥1.08 bn	¥0.85 bn (¥2.4 bn)
ROE	–	0.8%	1.9%	1.5% (3.0%)



Key Issues

	FY2023 Results	Challenges for Next Fiscal Year
1. Strengthen the earnings structure		
1	Restructuring the business portfolio (5 priority fields as our targeted fields) Despite strengthening business expansion centering on environmental contributions, there have been delays in profitability improvements	• Streamlining underperforming businesses and reallocating management resources according to growth and profitability Identifying and streamlining underperforming businesses and products, and implementing a monitoring system Clarifying capital returns and formulating growth scenarios with a view toward the next medium-term management plan
2	Constructing a highly profitable structure in the Proseat business ▶P30 Profits are showing signs of improvement with the execution of thorough structural reforms and price revisions	• Transitioning to a new state with OEM towards improving profitability Promoting fundamental price revisions, especially for unprofitable programs Continuing and promoting internal reforms, such as enhancements in production efficiency
3	Strengthening cost competitiveness through innovations in production ▶P52 Focusing on production technology reform towards the introduction of innovative technologies and promotion of DX	• Continuing the evolution and application of innovative production technologies, including DX, along with cost reduction Aiming to achieve production optimization and best cost performance through production innovation and manufacturing with DX Enhancing manufacturing capabilities through the development of skilled talent in production process construction and transfer of technologies
4	Rapidly generating profits from developed products ▶P33-34 Improve development efficiency with Materials Informatics	• Completing and realizing the initial state of research and development Continuing marketing activities in the five business areas and contributing to business with newly developed products Looking forward to 2030, implementing development themes that the market seeks to drive revenue expansion
2. Shift to businesses that solve environmental and social issues		
5	Expanding “Sustainable Star Product” that are environmentally friendly products through recycling-based business ▶P42-44 Made steady progress towards targets for net sales weighting for Sustainable Star Product and number of such products registered	• Transitioning to a business style that links environmental value with profitability Expanding the lineup of Sustainable Star Product and visualizing their value Configuring environmental challenges demanded by society and customers and enhancing added value through proposing solutions
6	Striving to achieve carbon neutrality ▶P45 Making steady progress toward targets (CO_2 emissions reduction) while strengthening TCFD disclosures	• Reexamining the validity of the 2030 CO_2 emissions reduction targets and making efforts toward higher reduction goals Promoting energy conservation at each business site and production facility and visualizing energy conservation activities Formulating a CO_2 reduction roadmap
3. Reinforce our management foundations		
7	Strengthening efforts to address Materiality (key management issues) ▶P19-22 Promoting Materiality items	• Thoroughly implementing PDCA management for Materiality Monitoring progress, extracting issues, and implementing improvement measures for target KPIs in each Materiality item Reviewing Materiality items toward the next medium-term management plan
8	Enhancing financial health ▶P37-38 Despite efforts to reinforce profitability and improve capital efficiency, there was a delay in progress	• Developing a foundation to improve ROE and PBR (promotion of activities focused on capital efficiency) Visualizing standards and rules for various management indicators that aim for management to be mindful of capital costs Permeating capital-efficient management through internal education promotion that includes company newsletters

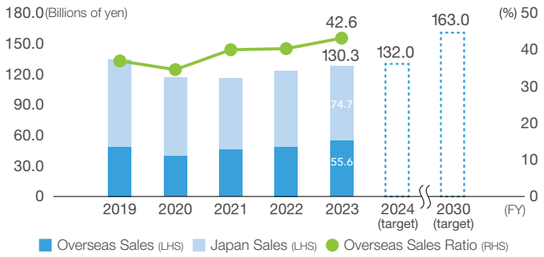
Financial and Non-Financial Highlights

These are the financial and non-financial indicators that management prioritizes toward the medium-term management plan, "Spiral-up 2024" (FY2022–2024), which is the first step towards achieving "Target 2030," our business direction for fiscal year 2030. These indicators will be introduced in conjunction with the six capitals that are the source of value creation.

Financial Capital

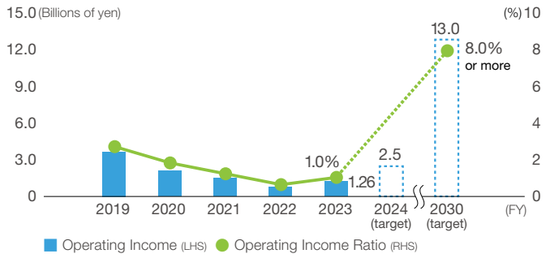
Net Sales/Overseas Sales Ratio

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, positioned as the first step towards achieving Target 2030, had been aiming for net sales of ¥135.0 billion, but this has been revised to ¥132.0 billion after considering our business situation. Also, with a view to global expansion over the long term, we are working to increase the proportion of our overseas sales.



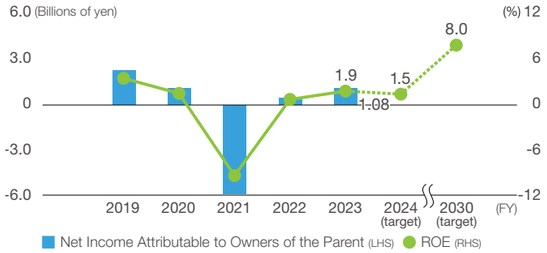
Operating Income/Operating Income Ratio

Operating income in FY2023, the second year of Spiral-up 2024, increased as we worked toward improving profitability through cost reductions, cutting down on fixed costs, and passing on the increased energy costs to sales prices. We have lowered our FY2024 profit targets to reflect future market forecasts and the sluggish recovery of Proseat Group earnings. Nonetheless, we will continue to strengthen our earnings structure and management foundation to establish a resilient earnings base underpinned by ESG management.



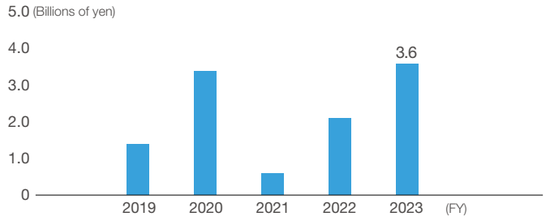
Net Income Attributable to Owners of the Parent/ROE

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 is to reinforce our management foundations. Although the current trend remains below the cost of capital, with the goal of strengthening our current financial position, we are aiming to improve ROE by not only focusing on P/L management but also engaging in capital efficiency-oriented management and emphasizing improvements in cash flow and working capital efficiency.



Free Cash Flow

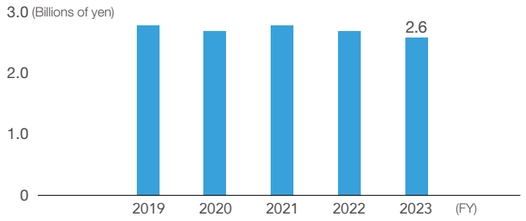
We aim to improve free cash flow, the ability to earn cash, as an indicator for judging corporate performance in addition to accounting profits. The generated cash will be used for growth investments aimed at achieving value creation, such as research and development costs and capital expenditures, towards achieving Target 2030.



Intellectual Capital

Research and Development Costs

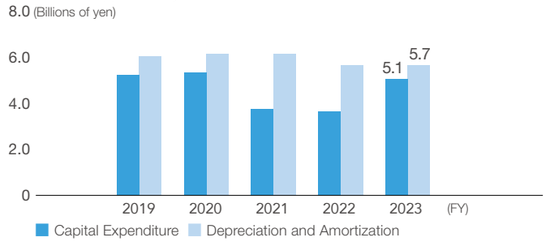
In order to strike the right balance between contributing to a sustainable society and achieving the sustainable enhancement of our corporate value in a sustained manner, our focus is on shifting to businesses that solve environmental and social issues. Our R&D costs in FY2023 were flat year on year 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



Manufactured Capital

Capital Expenditure/Depreciation and Amortization

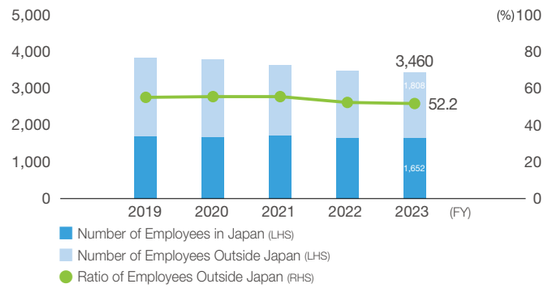
In Spiral-up 2024, there were plans to make capital investments for medium- to long-term growth, including reinforcing management foundations such as expansions for DX and production capabilities, with 1.8 times the investments compared to the previous medium-term management plan (¥22.0 billion over three years). However, based on current profitability, actual investments in FY2023 were ¥5.1 billion, 1.38 times more than the previous year, regarding production, the environment, and information systems. We plan to invest approximately ¥8.4 billion in FY2024.



Human Capital

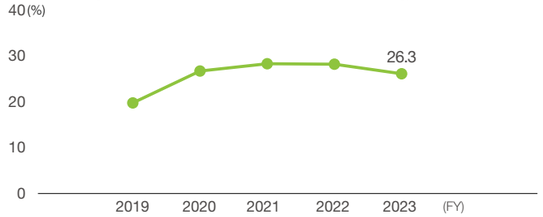
Number of Employees

We are working to find talent who can provide solutions and play active roles worldwide, contributing to the creation of new values and the transformation of business models. As part of SEKISUI KASEI Group's Sustainability Policy, we have configured diversity as one of our Materiality (Key Management Issues). We aim to achieve mutual growth of people and the company through talent that can play active roles internationally regardless of gender, age, or nationality.



Ratio of Female Employees

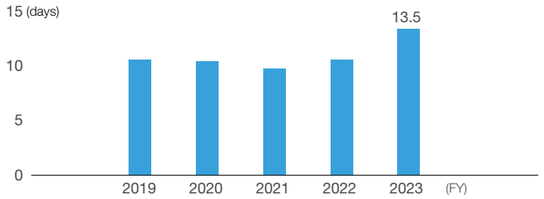
As part of our initiatives in the area of diversity and inclusion that were in line with our human resources policies, we are endeavoring to increase the ratio of female employees with the aim of advancing women's active participation throughout the Group. Also, an action plan (2022–2024) on promoting women's participation and advancement in the workplace and supporting the development of the next generation has been established at SEKISUI KASEI (non-consolidated). The targets were set at 7% or more for female managers, 18% or more for the ratio of female employees, and 25% or more for the ratio of female recruits, and efforts are being made toward this. ▶ P35 Human Resources Strategy



*All companies excluding some Group companies

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 achieving sustainability management.

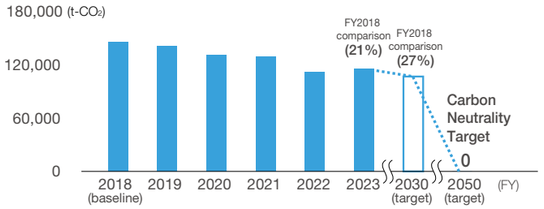


*SEKISUI KASEI (non-consolidated) and all Group companies in Japan

Natural Capital

CO_2 Emissions (Scope 1+2)

FY2030 target: Milestone of 27% reduction regarding Scope 1+2 CO_2 emissions compared to FY2018 on the way to achieving carbon neutrality by 2050. We made better-than-expected progress in FY2023 by virtue of achieving production efficiency and adopting renewable energy sources. Going forward, we will strive to continue reducing our CO_2 emissions. ▶ P45 Environment

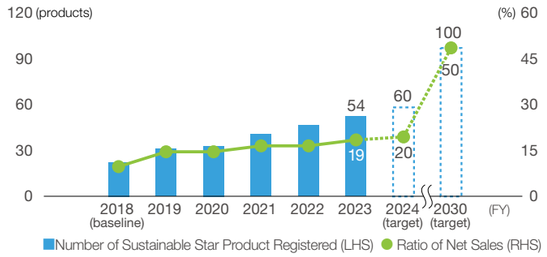


*FY2018 baseline includes emissions at Proseat from April 2018 to March 2019

Natural Capital/Social & Relationship Capital

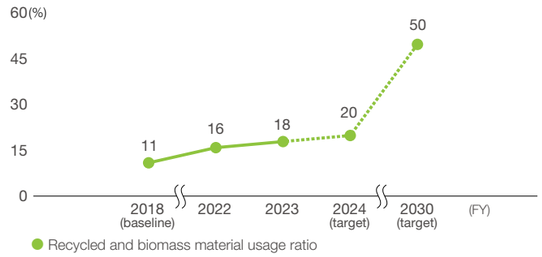
Number of Sustainable Star Product Registered/Ratio of Net Sales

We designate products with particularly high environmental contributions as Sustainable Star Product and we set benchmarks for their creation and expansion. For FY2030, 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. For FY2023, both registration numbers and sales ratio steadily progressed with growing environmental demands. ▶ P43 Environment



Recycled and biomass material usage ratio

To realize sustainable business management, we have set a target of replacing 50% of the raw materials that we use with raw materials recycled or biodegradable/biomass-derived raw materials from virgin raw materials in all of the products manufactured by SEKISUI KASEI Group by FY2030. For FY2023, we saw steady growth and increased sales for the ReNEW+ brand lineup, which uses recycled materials. ▶ P44 Environment



* With the addition of the recycled and biomass material usage ratio to the SKG-5R targets for FY2030, we have replaced the published non-financial highlights data. Trends for "Energy Consumption," which had been published on this page until last year, can now be found in the Environmental Data section at ▶ P.47.

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

SWOT Analysis

STRENGTHS

- Solution proposals that combine sustainability and functionality
- Integrated systems and technological capabilities, from raw material resins to design, molding, and processing
- Highly functional materials of competitive superiority (fine polymer particles, functional gels, etc.)

OPPORTUNITIES

- Emergence of new automobile components due to changes in vehicle structures with the transition to EV
- Growing demand for carbon neutrality and reduced environmental footprint
- Increase in demand for recycling business models that reuse items that have been retrieved

WEAKNESSES

- The sluggish speed in addressing needs at various global regions, due to the development system being centered in Japan
- Commoditization and low margins in some existing applications

THREATS

- Increasing complexity of manufacturing, such as the shift to high-mix, low-volume production owing to the diversification of needs and shorter lifecycles
- Risk of alternatives stemming from groundbreaking new materials and new production processes
- Sharp fluctuations in raw materials and fuel prices caused by geopolitical risks and other factors

FY2024 Growth Strategies

Along with reviewing our business portfolio, we will invest management resources into growth segments, accelerate the development of new materials and applications, and reinforce our global revenue foundation. By expanding sales of "Sustainable Star Product" that are environmentally friendly products and establishing business models that resolve social issues, we aim to contribute to the realization of a sustainable society, enhance our presence in the industrial sector, and achieve medium- to-long-term growth.

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	
We propose automobile components that contribute to further vehicle weight reduction and interior comfort in the Mobility sector, along with packaging materials that ensure transport quality for components in global logistics while contributing to CO_2 reduction.		PIOCELAN	Components: Ensuring the required quality elements while offering further weight reduction with PIOCELAN 2.0 Packaging materials: Construction of recycling business models by establishing services that collect and reuse materials
		ST-Eleveat	Development of new production technologies and materials that focus on environmental contributions and proposals that address demands

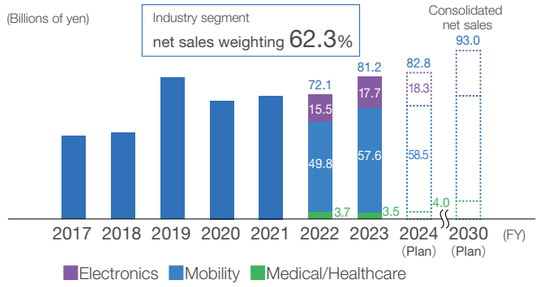
Medical/Healthcare

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 • Development and proposal of gel pack materials that meet the required functions in cosmetic medical applications
		ELASTIL	• Expand sales for shoe material applications and ramp up development of new applications

Actual Results vs. Plan

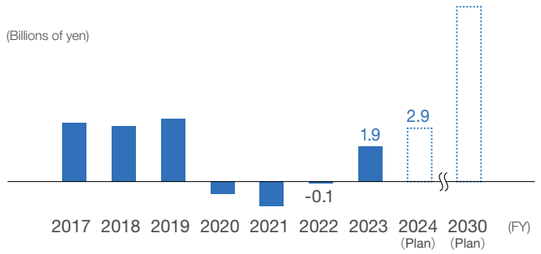
Net Sales

Net sales showed steady growth, driven by the recovery in the number of automobile unit production in the Mobility field and recovery in demand for liquid crystal panel applications in the Electronics sector.



Operating Income

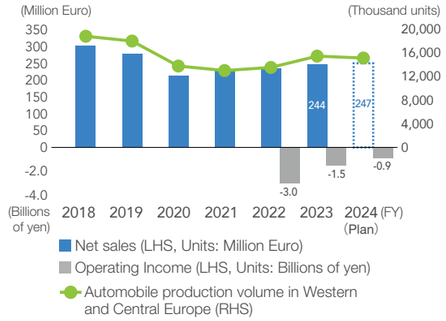
Within our recovery trend, our efforts to improve productivity, reduce fixed costs, and pass on price increases resulted in profitability. In the Proseat business, we are pressing ahead mainly with business restructuring and streamlining efforts.



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.
With the gradual recovery of the European automobile market, although we have attained a significant improvement in performance by increasing the production volume, improving productivity, reducing fixed costs, and passing on price increases to automakers to address rising energy and labor costs, we are still in the red.
Meanwhile, 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 the Mobility field.



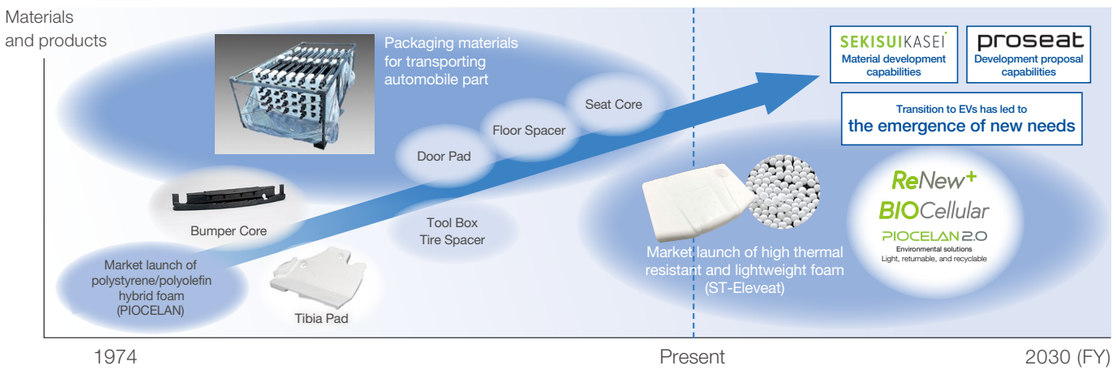
FY2024 Growth Strategy

We will finalize the revision of product prices for corporate customers and implement thorough productivity improvements through large-scale restructuring and rationalization investments to optimize site operations, which will enable us to get out of the red and grow once more.

- Completed the revision of underperforming businesses and revision of raw fuel prices
- Increased costs of wages, etc., were suppressed and optimized through rationalization investments and restructuring

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

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 Senior Managing Executive Officer
Head of the 1st Business Headquarters

SWOT Analysis

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

WEAKNESSES

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

THREATS

- 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
- Rise in costs necessary to sustain businesses

FY2024 Growth Strategies

With environmental contributions at the core of our business and by leveraging the foaming technology we have cultivated, we will utilize high foam expansion and weight reduction to promote the reduction of plastics used. Furthermore, by offering products that recycle resources, we will develop environmentally friendly products to create new markets. At the same time, we aim to achieve further growth by providing safety, security, and sustainability in resolving social issues in the Human Life segment.

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	• Replace non-foam materials by promoting the use of the ESLEN Sheet PZ series • Expand business in "Sustainable Star Product" that address the demand for reducing plastic usage and CO_2 emissions • 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	• 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

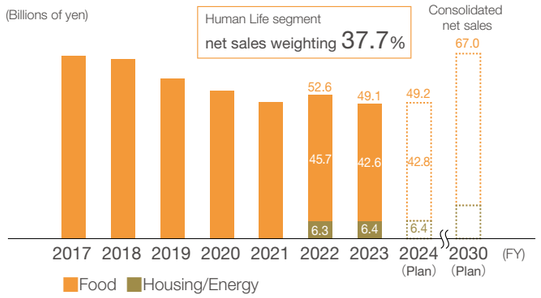
Housing/Energy

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; urban landscaping: rooftop greenery methods) • Road disaster recovery: EPS method
Contribute to carbon neutrality by providing products to the renewable energy sector	Energy	• Roll out and expand sales of materials for renewable energy facilities (floating solar panels and projects under development)

Actual Results vs. Plan

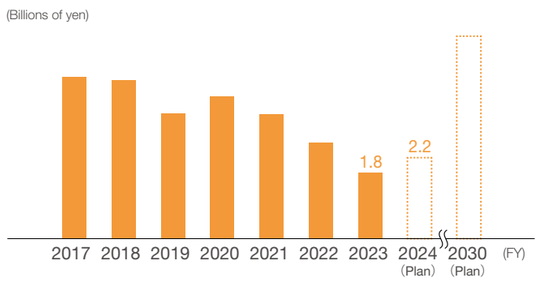
Net Sales

In the food container market, demand has become sluggish due to rising ingredient prices, changes in consumer behavior, and the effects of climate change on markets. This led to a decline in net sales compared to the previous year. We are aiming to expand the market by capturing new demands, developing "Sustainable Star Product" that are environmentally friendly products, and expanding the sales of newly developed products.



Operating Income

Although we made efforts to improve profitability, such as reducing costs and fixed expenses, passing costs on to selling prices, and reducing logistics costs, profits fell due to a decline in sales volume and soaring raw materials and fuel costs. We will strive to strengthen the earnings structure by promoting appropriate price revisions and expanding the sales of high value-added materials and "Sustainable Star Product" that are environmentally friendly products.



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

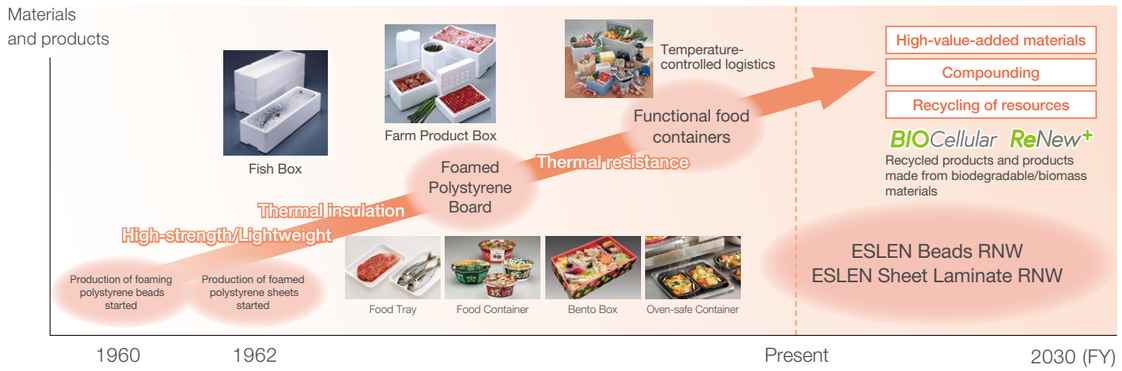
TOPICS

Joint Development of the ESLEN Sheet PZ Series with FP Corporation

We developed the ESLEN Sheet PZ Series in collaboration with FP Corporation as a new material for large food containers. Our resin modification and extrusion technologies improved impact resistance, surface smoothness, and moldability, which was combined with FP Corporation's molding and mold design technologies. This made it possible for us to participate in the non-foam container market, with products such as large sushi containers that require snug-fitting lids, which was previously believed impossible. The ESLEN Sheet PZ Series does not only reduce the volume of plastics used, but it is also 50 to 60% lighter than conventional non-foaming products.

FP Corporation's "SUSHI TRAY" series of large food containers that use the ESLEN Sheet PZ Series as raw material

Expansion of Food Field



Research & Development Strategy

In this era where value creation is required, we will focus on SEKISUI KASEI's unique R&D.

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 development for the future with passion. We will enhance the technology we have cultivated thus far with digital tools and external technologies 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

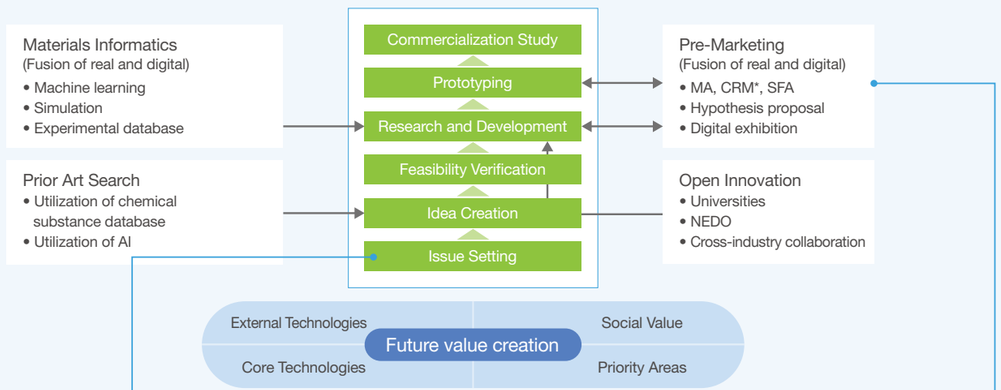
SEKISUI KASEI's R&D Process

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 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).



Problem-Setting Process
To perform highly accurate problem identification, the first step is to formulate a "hypothesis," which involves setting the problem and generating ideas for solving it.
We then proceed with feasibility verification and make improvements on a small-start basis. We also partner with universities and companies in other industries to accelerate the pace of R&D.

Marketing Process
We focus on marketing as well as prior art search.
We aim to be an R&D organization that envisions what kind of value we can contribute to society in the future and then implements a verification cycle in a hypothetical market up to the point of commercialization.

* CRM: Customer relationship management

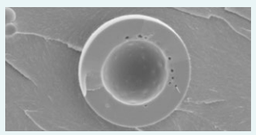
Strengthening the Framework Behind RX

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. In this era in which creating value to address social and environmental needs enables us to grasp business opportunities, 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, and contribute toward RX through the integration of real and virtual elements.
We will create values that lead to solutions by focusing on SEKISUI KASEI's unique R&D.

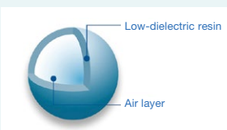
TOPICS

Embodying RX Case Example of Open Innovation Development

Polyimide is a material that has high heat resistance, mechanical strength, chemical stability, and insulating properties, making it widely used in fields such as electrical and electronic materials and aerospace. Polyimide can offer benefits such as insulation, lighter weights, lower density, and a low refractive index if it can be converted into particles with internal layers of air. It is expected to be a highly heat-resistant, low-dielectric material that can suppress transmission loss in high-speed transmission circuits for 5G (fifth generation mobile communication system), which features high speed, large capacity, low latency, and a large number of connections. However, due to its high heat resistance, polyimide is difficult to process, and there had been almost no reports on the successful creation of hollow particles.
For this highly challenging development, we have been conducting joint research with Professor Hideto Minami's team from the Graduate School of Engineering at Kobe University, and have become the first in the world to uncover mass production techniques for hollow particles with a polyimide shell, and are making efforts to commercialize spherical polyimide hollow particles with excellent insulation and heat resistance.
Through active open innovation as seen in this example, we are making efforts to swiftly promote research and development into practical applications that will create new values that will brilliantly light the future of both the global environment and society.



Electron microscope image of a polyimide hollow particle (cross-section)



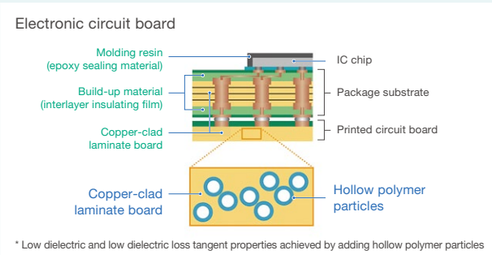


Illustration of the application of polyimide hollow particles

Human Resources Strategy

SEKISUI KASEI has established its Human Resources Policy and promotes human capital management that strives to enhance sustainable corporate value.

SEKISUI KASEI Group supports the growth and development of each Group member and clearly outlines six areas to promote the creation of a workplace environment in which diverse human resources can play active roles.
By following the founding spirit of "For happiness of people working for the Company" and the Group culture of "Zen-in Keiei," we are striving to enhance sustainable corporate value.

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 and compensation/Recruitment and 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

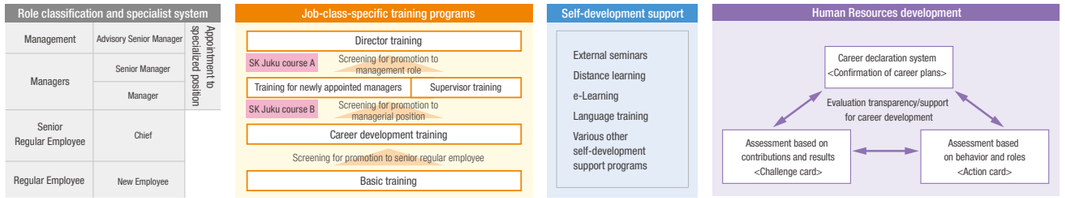
In January 2023, we partially revised the SEKISUI KASEI Group's 100th Year Vision, and newly established Target 2030, which is the direction of our business towards 2030. In line with this, we have revised our personnel systems from April 2024, to further enhance human resources, which is a key Group management foundation, and to improve employee engagement.

A new personnel system and the training system to promote Human Resources development

In this revision of the personnel system, we have clarified the definitions and requirements for role classification. Furthermore, the evaluation system has been revised to place more weight on behavioral assessments that meet definitions and requirements, with clear distinction on performance results to be reflected in compensation. A multi-track career path has been established and linked to the specialist system introduced in 2019, which allows not only management personnel but also specialists to play active roles.

We have also established a new career declaration system to support individual career development. We have also developed a job-class-specific training programs that span from new recruits to management, as part of a training system to promote human resource development. Furthermore, we also make efforts to support self-development in order to enable our diverse personnel to develop their strengths and learn how to create autonomous careers.

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.
Our initiatives were recognized in 2023 and we were selected by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi in the 2024 Certified Health & Productivity Management Outstanding Organization Recognition Program (Large Enterprise Category). Sekisui Kasei Kanto, Sekisui Kasei Chubu, Sekisui Kasei Shiga, and Sekisui Kasei Tenri were selected for the same award in the SME Category. Going forward, we will continue to engage in health and productivity management through various activities.

2024 健康経営優良法人 Health and productivity

2024 健康経営優良法人 Health and productivity

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% (88.9%* in FY2023).
The employment rate for people with disabilities across the entire Group stood at 1.9% in FY2023. Going forward, we will continue to share recruitment experiences throughout the Group in an effort to promote diversity and inclusive hiring.

	FY2021	FY2022	FY2023	FY2024 (plan)
Ratio of women in management positions	4.7%	5.8%	5.5%	7.0% or higher
Ratio of female employees	16.1%	16.8%	16.3%	18.0% or higher
Ratio of women to total hires	23.1%	22.2%	29.4%	25.0%
Ratio of paternity leave taken	37.5%	83.3%	88.9%	100%

Note: All data above is for SEKISUI KASEI (non-consolidated).
* As some employees are scheduled to take leave in FY2024, the ratio has not reached 100%. Note that the ratio of employees taking leave with spouses who gave birth in FY2022 was 100% by the end of FY2023.

TOPICS

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, 199 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 awarded, and the details of their improvement initiatives are shared across the entire Group.

*SKG: SEKISUI KASEI Group

Management with Focused on Capital Costs and Stock Prices

SEKISUI KASEI promotes efforts to improve management efficiency and realize sustainable corporate growth.

To realize the SEKISUI KASEI Group's 100th Year Vision, we are focusing on achieving the business direction described in Target 2030, in the near future of 2030 by promoting initiatives to improve management efficiency with an eye on sustainable corporate growth and medium- to-long-term value enhancement.

Katsumi Sasaki
Director and Senior Managing Executive Officer
Head of Corporate Strategic Headquarters

Goals and policies for improvement

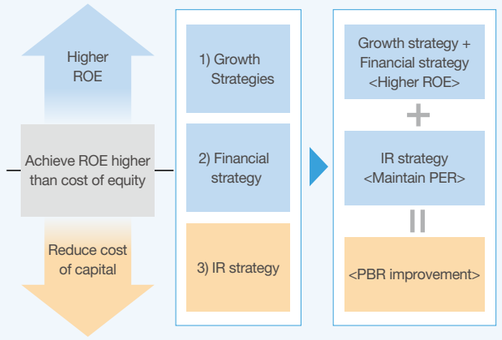
Target

FY2030: ROE of 8.0% or more, operating income ratio of 8.0% or more
FY2024: ROE of 1.5% or more, operating income ratio of 1.9% or more

FY2024 policy

1) Growth strategy: Accelerate shift to high-profitability businesses, growth markets
2) Financial strategy: Build a stable financial position by improving capital efficiency
3) IR strategy: Enhance disclosure, expand constructive dialogue with investors

* This year, in preparation for the next Medium-Term Management Plan starting in FY2025, we will undertake further investigations and set targets



Actions to achieve management with a focus on capital costs and stock prices

We will promote initiatives to improve management efficiency with the aim of achieving sustainable corporate growth and medium- to-long-term value enhancement. Goals have been set for FY2030, and as the first step, we have established policies for FY2024 and are implementing management with a focus on capital costs and stock prices.
For the following fiscal year onward, we plan to make deliberations in conjunction with the next mid-term management plan starting in FY2025, and establish various indicators and targets to implement.

Our Perception of the Current Situation

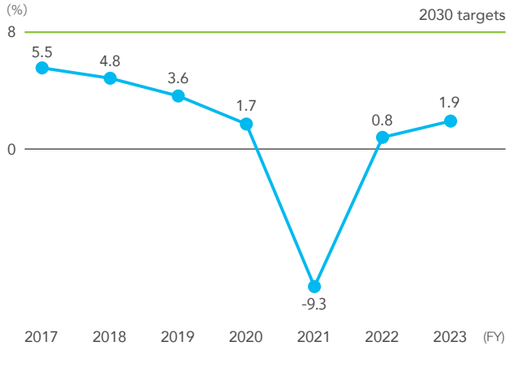
- Our target for FY2030 is ROE of 8.0% or more (announced in January 2023)
- Actuals for both ROE and PBR both remain at low levels (ROE of 1.9 %, PBR of 0.41× in FY2023)

Main reasons for low PBR

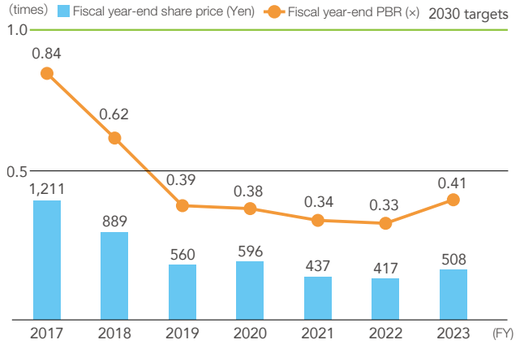
Delays in improving profitability, and low capital efficiency
→ Issues are prompt improvements to unprofitable businesses, shift to growth businesses, and improvements in capital efficiency

ROE for FY2023 was 1.9% and PBR (price-to-book ratio), which reflects the stock market's evaluation, stayed at a low 0.41, which was under 1. The major reasons for this low PBR are delays in profitability improvements and low capital efficiency, which means that our key challenges are improving underperforming businesses early, shifting towards growth businesses, and improving capital efficiency.
Going forward, we will promote initiatives that focus on both profitability and growth, aiming to increase corporate value.

ROE
Trend of ROE tracking below cost of equity continues



PBR
Is both less than 1.0× and remains at an extremely low level



Direction and strategy of initiatives

Striving for early improvement, we have set growth, financial, and IR strategies, with a target ROE of 1.5% or higher and an operating income of 1.9% for FY2024, and a target ROE of 8.0% or higher and an operating income of 8.0% or higher for FY2030. As our growth strategy, we will leverage our strengths in technologies including foaming, polymerization, particle production, and gelation to accelerate the transition to high-profit businesses and growth markets. Along with focusing our resources on highly profitable businesses, we are also committed to developing new markets that will lead to businesses that resolve environmental/social issues and technological innovation. Furthermore, to construct a stable financial structure, we will make efforts to improve capital efficiency and enhance information disclosure and constructive dialogue with investors as part of our IR activities.

1. Growth Strategies

Basic Approach
Accelerate shift to high-profitability businesses, growth markets

(1) Speed up execution of measures to improve profitability
Drastic reforms of low-profitability businesses
Prioritize allocation of resources to high value-added businesses
Open up new markets, invest for growth, etc.

(2) Promote growth strategy that is integrated with sustainability strategy
Create competitive advantage through Sustainable Star Product portfolio
Approach environmental regulations as an opportunity to develop new businesses, etc.

(3) Reinforce our management foundations
Promote DX, SCM reforms
Strengthen human capital management, etc.

→ Expand in 5 business fields

Growth markets	• Environmental and social issues Global warming, climate change, marine waste problem, food loss problem, depletion of fishery resources, PFAS regulations, falling birth rate and aging society, labor shortages, extension of healthy life, nursing care problem, natural disasters, aging infrastructure… • Technological innovation high-speed & high-capacity communication, CASE, foodtech, braintech, technology for using natural energy...
Our strength	Foaming/polymerization/nanoparticle/gelling technology, integrated production from materials to processed products, global network

Direction of business expansion	Food	Electronics	Mobility	Medical/Healthcare	Housing/Energy
	Materials for industrial-type agriculture/fisheries Technology for retaining freshness	Functional materials (low-permittivity materials, etc.)	Materials for reducing weight Materials to absorb sound/insulate heat	Remote medical equipment Wearable devices	Disaster prevention/mitigation construction methods Materials for renewable energy facilities
	Sustainable Star Product				
2030 targets	Operating income of ¥13.0 billion, operating income ratio of 8.0%, ROE of 8.0% or more				

2. Financial strategy

Basic Approach
Build a stable financial position by improving capital efficiency

(1) Stable shareholder returns
Dividend policy: Dividends are determined in accordance with the trend in consolidated results, and after taking a comprehensive view of the balance between dividend stability and internal reserves
Dividend payout ratio: Target consolidated dividend payout ratio of 30-40%

(2) Improve capital efficiency by making judgments concerning the effectiveness of assets
Validate both growth investments and assets owned in terms of effectiveness and future cash flows

(3) Reduction of strategic shareholdings
Board of Directors to confirm meaning of holding positions at regular intervals, continue discussions on reductions

(4) Improve efficiency of working capital
Enhanced functionality of SCM through promotion of DX → reduce inventories, speed up collection of accounts receivable

3. IR strategy

Basic Approach
Enhance disclosure and constructive dialogue with investors

(1) Enhance provision of IR information and dialogue
Continue constructive dialogue with shareholders and investors (earnings results briefings, one-on-one meetings)
Make video from earnings results briefings available on website, create pages for individual investors

(2) Simultaneous disclosure in English
Implement simultaneous disclosure in English of earning releases, briefing materials, and other timely disclosure materials (from April 1, 2025 onward)

(3) Close the gap to investor expectations
Share content of dialogue with investors and discuss in more depth on Board of Directors (quarterly/four times a year)
Enhance information disclosure related to dialogue with investors

(4) Convince investors of the likelihood of achieving targets for 2030
Expand business growth scenarios and value (including non-financial) creation scenarios for 2030 (next medium-term management plan, integrated report)

* Strategies, indicators and targets will be disclosed again in the next medium-term management plan to be formulated this fiscal year.

Why we make it possible

Foundation of Value Creation

Key Points of This Section

- Introducing the basis that supports the practice of our philosophy
- Introducing the Group's management foundation to achieve medium- to long-term strategies from an ESG perspective
- Corporate governance for sound management

CONTENTS

Basis that supports the practice of our philosophy 40

SEKISUI KASEI's ESG 41

Directors & Auditors 57

Discussion between Three Outside Directors 59

Basis that supports the practice of our philosophy

The founding spirit of "For happiness of people working for the Company" and the Group culture of "Zen-in Keiei" are values that have been passed down since the company's founding. These values will continue to be cherished, and are the foundation that supports 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.

"Shasui Kai"

—An organization pursuing the "happiness of people working for the Company" —

Shasui Kai was launched in 1961 as a committee in which all the Group employees, including the managers participated. We are striving 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.

Transforming adversity into strengths

—Implementing *monozukuri* in harmony with the natural environment with Zen-in Keiei—

The movement to eliminate EPS (expandable polystyrene) foam was triggered by waste disposal issues at the 1970 Expo. With support from major home appliance manufacturers, we started to collect EPS foam the following year and advanced the research and development of recycled products, which paved the way for new products and market expansion.
There is currently a global movement to reduce single-use plastics due to issues such as the marine plastic problem. At a glance, although this may seem like an adversity, it can be perceived as an excellent opportunity if we take proactive steps. We will continue developing "Sustainable Star Product" that are environmentally friendly products (▶P43) and continue to create products and services that society demands through the spirit of enterprise.

We began collecting EPS foam waste from home appliances in March 1971

ReNew+ BIOCellular

Lineup of the product brands "ReNew+" and "BIO Cellular," which utilize recycled materials along with biodegradable and biomass-based materials (▶P44)

Masao Fukumoto, the third president and the person who was effectively in charge of the Company from the time of its founding, spoke about "Zen-in Sanka Keiei," in which all employees take part in management, as follows.

A company is a sacred place for those who seek to be happy as human beings through the rewards they earn by working hard and earning by their own hands. Those who seek happiness can only receive a greater and fairer share of the profits if they think about how the company should be managed, make proposals, actively participate, and work with their own hands and sweat. The "Zen-in Sanka Keiei" philosophy and system was established to enable this.

Masao Fukumoto
The 3rd President

SEKISUI KASEI's ESG: E Environment

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

Since its founding, SEKISUI KASEI 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.
Currently, in our efforts to achieve sustainability management, we have identified materiality (key management issues) (▶P19), defining targets such as creation of "Sustainable Star Product" that are environmentally friendly products and expansion of their business, addressing climate change, and reducing environmental impact. We are promoting SKG-5R and implementing proper management for environmental impact, including air and water, along with waste and hazardous substances that are generated through various 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).

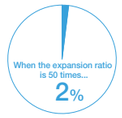
Features of foam products

Foam products have characteristics such as resource and energy conservation and recycling of resources, and these characteristics are applied across various sectors.

For example, when foam products are used as automobile components, their lightweight properties help to reduce the vehicle's weight. This also results in less fuel consumption, leading to less CO_2 emissions that contribute to global warming.

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.



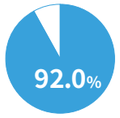
Energy saving effect — Thermal insulation effect & lightweight

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 — Effective recycling rate 92.0%*

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

*Data source: JEPSA



(Japanese Domestic) 2023

TOPICS

Launch of the demonstration project for horizontal recycling—from EPS foam to EPS foam

We have launched a demonstration project for horizontal recycling toward mass production of reusable EPS foam.

The goal is to develop a system that creates pellets from ingots of used EPS foam. These are impregnated and polymerized with styrene monomers to regenerate raw materials to a better quality than before.

This initiative was selected as a "FY2023 Subsidy for Projects to Reduce Carbon Dioxide Emissions: Decarbonization Circular Economy System Development Promotion Project (Among these, the Demonstration Project to Establish a Plastic Resource Recycling System).

A diagram depicting horizontal recycling of EPS foam

SKG-5R and three environmental targets

SEKISUI KASEI has established three targets to be achieved by 2030: the creation of "Sustainable Star Product" that are environmentally friendly products and expanding their business, the ratio of recycled and biomass materials, and reduction of CO_2 emissions.
To realize a sustainable society, we are proactively making efforts to address environmental and social issues on a global level through implementing SKG-5R (SEKISUI KASEI Group-5R), which adds the two SEKISUI KASEI proprietary "Rs" of Replace and Re-create to the conventional three Rs of Reduce, Reuse, and Recycle.

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

3Rs for the creation of a recycling-based society			2Rs based on SEKISUI KASEI Group's unique technologies	
Reduce	**Reuse**	**Recycle**	**Replace**	**Re-create**
Reduce the use of resources and energy	Reuse waste materials and energy	Develop recycling technologies and systems to promote recycling	Promote replacement with sustainable materials and energy	Re-create value and functions to contribute to environmental improvement
Core measures	Core measures	Core measures	Core measures	Core measures
Reduce raw material consumption via higher foam expansion rates, lighter weights, and thinner walls Promote energy savings in production and logistics (CO_2 reduction)	Expand the lineup of reusable products Reuse distribution materials	Commercialize and promote sales of products made from regenerated materials Develop recycling technologies (material, chemical)	Switch from petroleum based to biomass and biodegradable materials Switch to renewable energy	Create next-generation products and business models with new value and functions that contribute to an improved environment

Targets for FY2030

Target I — Create Sustainable Star Product and expand their business Actual results ▶P43

Total number of registrations **100** | Share of net sales **50%** | Sustainable Product STAR

Target II — Recycling and biomass materials usage ratio Actual results ▶P44

50% or higher | ReNew+ BIOCellular

Target III — Reduction of CO_2 emissions Actual results ▶P45

Scope 1+2 **-27%** (Compared to FY2018)

Targets for FY2050
Carbon neutrality achieved

E Environment

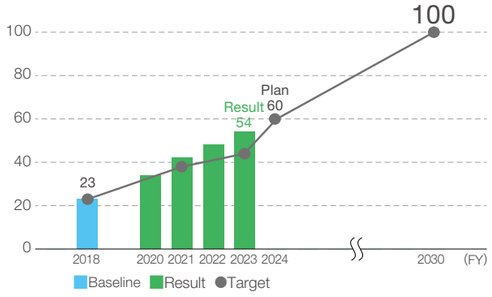
FY2023 Results

Target I Create Sustainable Star Product and expand their business

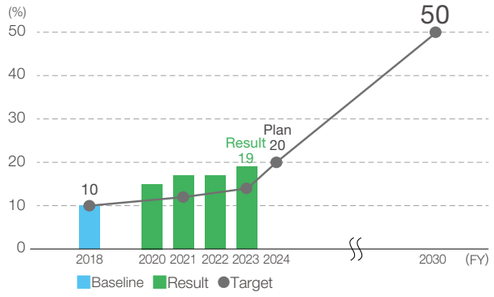
In SKG-5R, we have set the targets for "Sustainable Star Product" that are environmentally friendly products registered to a cumulative total of 100 and their ratio of net sales to 50% by FY2030. Furthermore, as a target by FY2024, which is the final fiscal year of the medium-term management plan "Spiral-up 2024," we have stipulated a cumulative total number of registrations of 60 and a ratio of net sales of 20%.

In FY2023, the rising demand for environmental needs pushed the cumulative number of registrations to 54, and the ratio of net sales increased by 2.0 points year-on-year to 19%, and both the number of registrations and net sales showed steady growth.

Targets and actual results for the number of registrations



Targets and actual results for the share of net sales



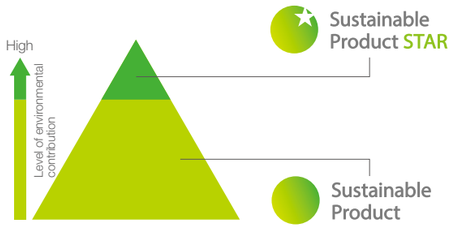
Sustainable Star Product

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.

Furthermore, when registering Sustainable Star Product, applications are submitted by the business units in charge before undergoing reviews by the Environmental Committee. Products that pass criteria are given approval from the management committee, after which it is certified and registered.

Sustainable Star Product

Products and systems that make greater contributions to the environment among our "Sustainable Product"



Sustainable Product

Products and systems that are useful in daily life and friendly to the environment, such as foam plastics

TOPICS

The first issue of "GAZE"

We publish the SKG-5R report magazine "GAZE" as a tool to enable people to take an interest in and thoroughly understand our environmental efforts. The magazine highlights our thoughts and initiatives for Sustainable Star Products and introduces the voices of Group employees at work sites along with collaborative processes with customers.

* "GAZE" can be viewed here.
https://www.sekisuikasei.com/jp/sustainability/esg/environment/gaze/

Six issues have been published since its launch in 2022

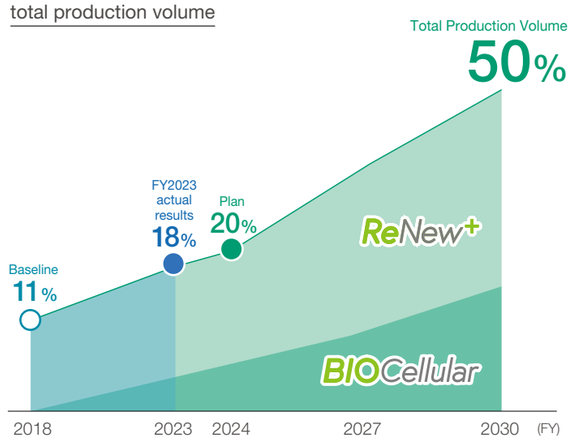
Target II Recycled and biomass material usage ratio

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.

Toward these goals, we are accelerating the development of new materials along with expanding the lineup of both category brands, "ReNew+" and "BIO Cellular," while promoting the shift to businesses that solve environmental and social issues.

Our result for FY2023 was 18%, showing steady progress toward the FY2024 target of 20%.

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.

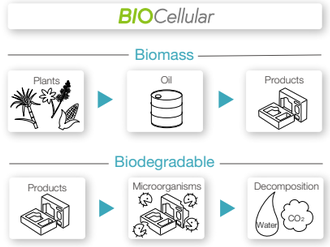
ESLEN wood panel RNW PRC grade
Foamed Polystyrene Board

An Eco Mark-certified polystyrene foam board made from recycled materials. It provides the same workability, quality, and white finish as panels using virgin raw materials, and offers a wide range of uses from POP displays to advertisements, displays, models, and crafts.

BIOCellular

Bioplastic is the collective team 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 CO_2 and water through the action of microorganisms, etc.



RETONA FOAM BIO
Biodegradable foam

A foam made from biodegradable resins such as PLA and PBS. It breaks down into water and carbon dioxide through microorganism activity found in nature, such as in compost. It is flexible and pliable, allowing it to be formed into 3D shapes, such as adhering to curved surfaces.

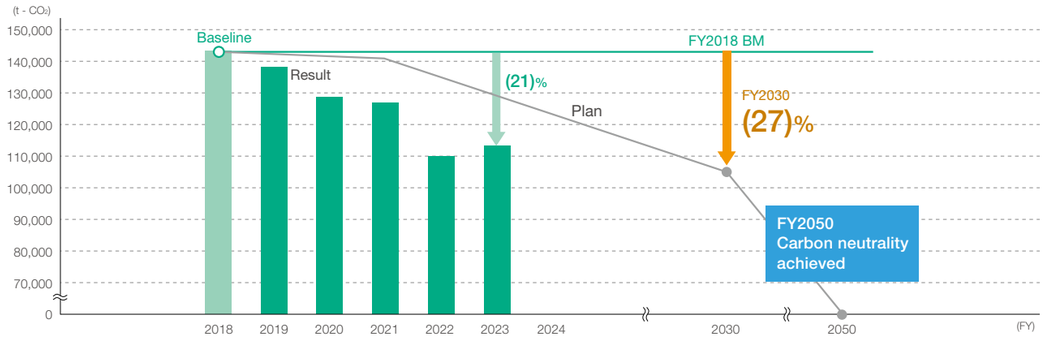
E Environment

Target III Reduction of CO_2 emissions

In SKG-5R, we have set a target to reduce our Scope 1 + 2 CO_2 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 CO_2 emissions by FY2050 with the 2030 reduction target as a milestone.

In FY2023 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 CO_2 emissions by 21% from FY2018 levels.

CO_2 emissions (Scope 1+ 2) reduction targets and actual results



* The FY2018 baseline includes the contribution from Proseat for the period between April 2018 and March 2019

Organizational chart for resolving climate change issues

For climate change issues, we have adopted a governance and risk management structure in which issues are discussed by the Board of Managing Directors and its subcommittees (Sustainability Promotion Committee, Compliance and Risk Management Committee) before being deliberated, approved and supervised by the Board of Directors. The Sustainability Promotion Committee identifies issues and measures to take, while the Compliance and Risk Management Committee assesses each risk and action to address them, and both deliberate the content proposed by the Environmental Committee before submitting it to the Board of Managing Directors and the Board of Directors. The Environmental Committee leads the implementation of policies and measures approved by the Board of Directors and enables each department and subsidiary to carry out various initiatives.

TOPICS

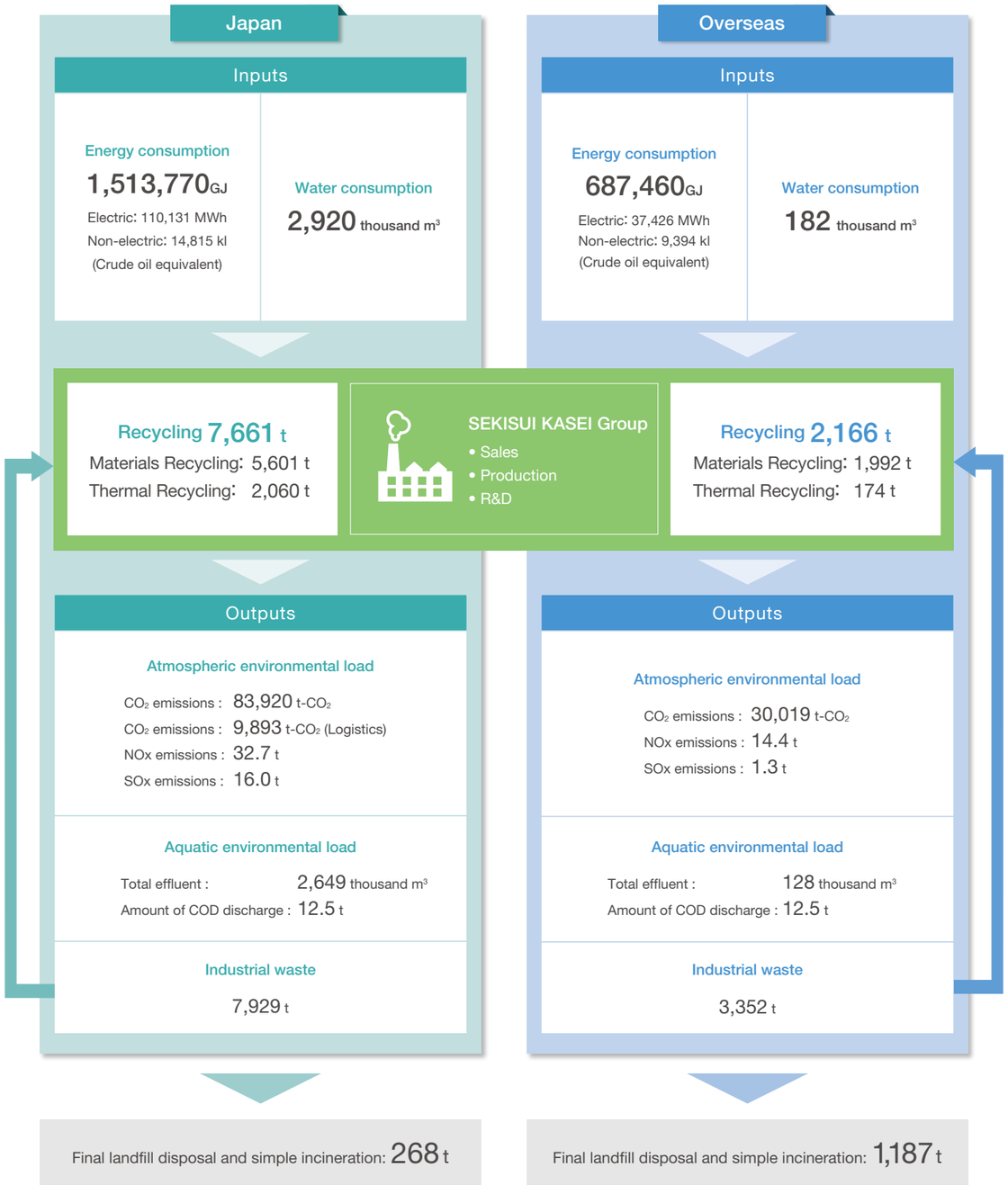
We support the Task Force on Climate-related Financial Disclosure (TCFD) recommendations

We support the recommendations of the Task Force on Climate-related Financial Disclosures and are committed to enhancing our information disclosure efforts for the realization of a decarbonized society.

Information disclosure through the website

Inputs/Outputs (FY2023 Results)

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



E Environment

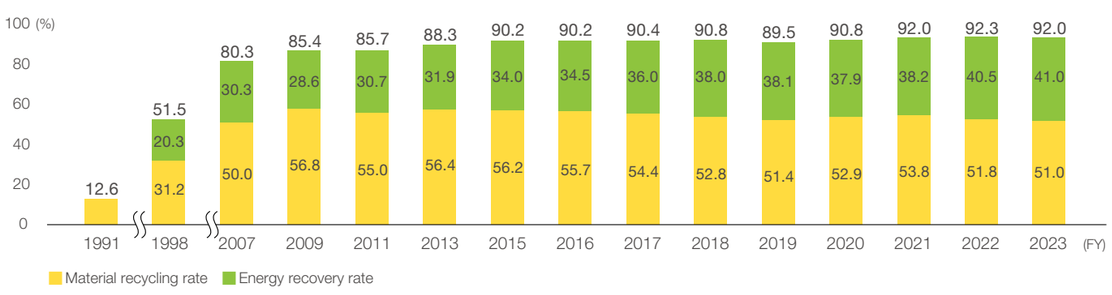
Inputs/Outputs (FY2023 Results)

Fiscal Year	2019	2020	2021	2022	2023
Number of production sites					
Japan	39	39	38	38	38
Overseas	19	19	19	18	18
Inputs (Japan)					
Energy consumption (GJ)	1,930,170	1,866,910	1,875,160	1,724,290	1,513,770
Unit consumption/output (GJ/sales in millions of yen)	22.2	23.8	26.3	22.9	20.3
Water consumption (thousand m^3)	3,457	3,252	3,302	3,068	2,920
Unit consumption/output (thousand m^3/sales in millions of yen)	39.8	41.4	46.4	40.8	39.1
Outputs (Japan)					
CO_2 emissions (Production) (t-CO_2)	95,760	89,571	92,140	79,416	83,628
Unit consumption/output (kg-CO_2/sales in millions of yen)	1,103	1,140	1,294	1,056	1,123
CO_2 emissions (Logistics) (t-CO_2)	8,180	7,634	9,086	10,314	9,893
Unit consumption/output (kg-CO_2/t)	36.3	33.7	39.9	48.0	47.7
CO_2 emissions (Office) (t-CO_2)	234	249	267	234	292
Unit consumption/output (kg-CO_2/m^2)	22.6	22.6	24.2	21.3	26.7
Effluent (thousand m^3)	3,272	2,962	2,975	2,708	2,649
Unit consumption/output (thousand m^3/sales in millions of yen)	37.7	37.7	41.8	36.0	35.5
COD discharge (t)	15.8	14.0	12.8	13.2	12.5
Industrial waste (t)	10,436	9,764	10,098	9,618	7,929
Recycling rate (%)	95.4	95.6	96.2	96.9	96.6
Inputs (Overseas)					
Energy consumption (GJ)	890,200	834,620	810,170	741,040	687,460
Unit consumption/output (GJ/sales in millions of yen)	18.0	20.7	17.5	15.0	12.4
Water consumption (thousand m^3)	253	221	194	172	182
Unit consumption/output (thousand m^3/sales in millions of yen)	5.1	5.5	4.2	3.5	3.3
Outputs (Overseas)					
CO_2 emissions (Production) (t-CO_2)	41,883	38,503	33,847	29,901	29,975
Unit consumption/output (kg-CO_2/sales in millions of yen)	848	956	730	605	540
Effluent (thousand m^3)	214	166	144	132	128
Unit consumption/output (thousand m^3/sales in millions of yen)	4.3	4.1	3.1	2.7	2.3
COD discharge (t)	13.6	16.0	14.1	15.8	12.5
Industrial waste (t)	3,511	2,958	2,886	2,921	3,352
Recycling rate (%)	78.8	81.8	79.4	79.6	59.4

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)



* Data source: JEPSA

Environmental Accounting (Japan)

Environmental Conservation Costs

(Millions of yen)

Category	Major activities	FY2022 Investment	FY2022 Costs	FY2023 Investment	FY2023 Costs
1) Costs in business area					
(1) Pollution control	Control measures for air/water quality	26	116	16	107
(2) Global environment	Energy saving	126	6	226	7
(3) Recycling	Recycling, industrial waste treatment	4.0	281	0.5	239
	Subtotal	156	403	243	353
2) Up-/down-steam	Product recycling	0	81	0	78
3) Management costs	Departmental costs associated with introducing environment management system	3	72	1	72
4) R&D costs	R&D for environmental conservation products	0	45	0	52
5) Social Activity cost	Greening, social supports	0	1	0	0
6) Environmental damage fixing cost	Nature restoration	0	0	0	1
	Total	159	602	244	556

Environmental Conservation Effects (in terms of volume)

Details of effects (Unit)	FY2022	FY2023
1) Effects on costs in business area		
(1) Electricity consumption (MWh)	114,521	110,131
(2) Crude oil consumption (kl)	8,591	7,808
(3) Total effluent (thousand m^3)	2,708	2,649
(4) Amount of COD discharge (t)	13.2	12.5
2) Effects on Up-/down-steam costs		
Amount of recycled polystyrene foam (t)	203	207

Economic Effects Related to Environmental Conservation Measures

(Millions of yen)

Details of effects	FY2022	FY2023
1) Cost reduction through energy-saving activities	15	20
2) Income from recycling	224	201
Total	239	221

Cost Effectiveness of Environmental Conservation Activities

FY2022	FY2023
39.7%	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	2023	2018	2019	2020	2021	2022	2023	2018	2019	2020	2021	2022	2023	2018	2019	2020	2021	2022	2023
Emission	Air	4.7	6.7	5.0	5.4	5.1	5.7	0.4	0.5	0.3	0.4	0.3	0.3	1.4	1.4	1.2	1.3	1.0	1.4	0.1	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	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	0.0	0.0	0.0	0.0
Transfer		3.4	3.1	1.6	3.2	1.7	1.1	0.0	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	0.0	0.0

SEKISUI KASEI's ESG: S Social

Safety

SEKISUI KASEI has established its safety policies on its Corporate Vision of being "a new chemical solutions company that cares for people and the planet as it creates new value." Priority is given to safety and health in all business activities, and a Safety Management System has been established to promote safety activities to ensure zero accidents and disasters.

We will continue to make improvements in our efforts to be a workplace environment in which all employees are healthy both in body and mind, and find fulfillment in their work. We will also conduct appropriate information disclosure to be a company that earns the trust and understanding of regional communities and 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.

Safety Management System

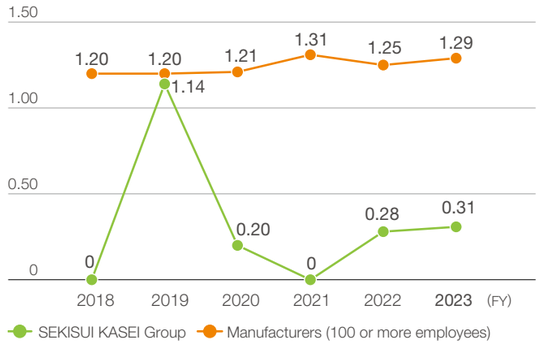
At the Group, the Safety Committee, which is a subordinate organization under the Sustainability Promotion Committee (▶P53) has been established to formulate safety activity policies across the entire Group. Furthermore, activities such as safety patrols, safety awareness campaigns, safety education, and various training are planned and carried out in our efforts to achieve zero accidents and zero disasters through all of our business activities.

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

In SEKISUI KASEI Group's business direction for 2030, "Target 2030," we have identified "providing safety and security" as a Materiality item, and are actively making efforts to provide safety and security to both society and our employees.
For FY2023, we raised "In Pursuit of Inherent Safety: Group-Wide Initiatives to Achieve Zero Accidents" as the policy for safety-related activities. Efforts were made for the following three items in particular: 1) Developing safety activities to prevent accidents resulting from unsafe behavior or unsafe conditions; 2) Developing and enhancing systems in preparation for large-scale natural disasters; and 3) Promoting physical and mental health through diversity to protect employee health and safety.
To create a workplace in which all employees are able to stay healthy in both body and mind and find fulfillment in their work, we promote safety activities from two perspectives—inherent safety based on risk assessment, and conducting awareness campaigns to polish each individual's safety awareness.
We will continue to promote new safety initiatives and conduct activities that enhance safety awareness throughout the entire Group, in pursuit of the "new happiness" described in our Management Philosophy.

SEKISUI KASEI Group promotes safety activities to achieve zero accidents and zero industrial accidents.
Furthermore, to ascertain the status of industrial accident occurrences, we monitor annual lost time injury frequency rates and accident severity rates, and make efforts to reduce these factors. In FY2023, the lost time injury frequency rate and accident severity rate remained below the level of the manufacturing industry (businesses with 100 or more employees)—as they were the previous year—with a lost time injury frequency rate of 0.31, and an accident severity rate of 0.003.
When an accident or industrial accident occurs, we investigate and identify the causes in each case, and implement safety measures from the three perspectives of hardware, software, and human factors (mentally and physically).
In FY2024, we are conducting a zero-accident activity with participation from all employees in our efforts to create a safer and more secure workplace by improving our performance from FY2023.

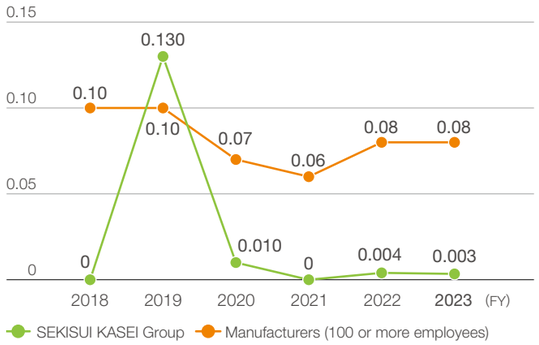
Lost Time Injury Frequency Rates*



* 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

We regularly offer group-wide events such as the SKG Safety Convention and safety seminars, with the aim of expanding the safety activities conducted independently at each business site. To encourage as many people to participate as possible, remote technology is used and event times are adjusted accordingly.
At this year's SKG Safety Convention, we organized a lecture by an external speaker on "Developing the Brain to Take Safe Actions," and shared points to note from SEKISUI KASEI Group's past disaster trends and safety and disaster prevention information from Group companies.
We plan to hold this event regularly going forward, to raise safety awareness throughout the organization.

Implementation of Web KYT

To raise the safety awareness in each individual, we hold Web KYT sessions once every two months. Each session features a specific theme to which participants fill out a survey on risks and their countermeasures. These responses are collected and shared at a later date as feedback, leading to further insights.

A scene from the SKG Safety Convention held on February 1, 2024

S Social

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 specifications and focus on improving product quality from the development stage.

We have 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 TOPICS

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.

Quality Policy: https://www.sekisuikasei.com/en/sustainability/esg/society/quality/

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

To raise awareness on quality, we conduct e-learning on quality management activities and Web KYT (quality hazard prediction training) to further enhance employee awareness towards quality. In addition, to improve the level of quality knowledge of Group employees, we encourage the acquisition of QC certification*, which tests the 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

SEKISUI KASEI Group upholds respect and mutual trust as values that we cherish within our Management Philosophy. We believe in always being sincere in our interactions with other people and our actions, so that no discrimination based on birth, nationality, race, ethnicity, beliefs, religion, gender, or age occurs. This leads to increased trust from society, which will contribute to the long-term sustainability of the company.

Human Rights Policy (excerpt)

SEKISUI KASEI Group's management philosophy states: "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.'" Under this philosophy, we strive to be "a new chemical solutions company that cares for people and the planet as it creates new value." We understand that, in order to truly contribute to the creation of a sustainable society, we must respect the human rights of all individuals who may be affected by the business activities of SEKISUI KASEI Group. Accordingly, for the purpose of promoting respect for human rights, with the approval of the Board of Directors, we hereby establish the "SEKISUI KASEI Group Human Rights Policy" based on the "Guiding Principles on Business and Human Rights" adopted by the United Nations Human Rights Council in June 2011.

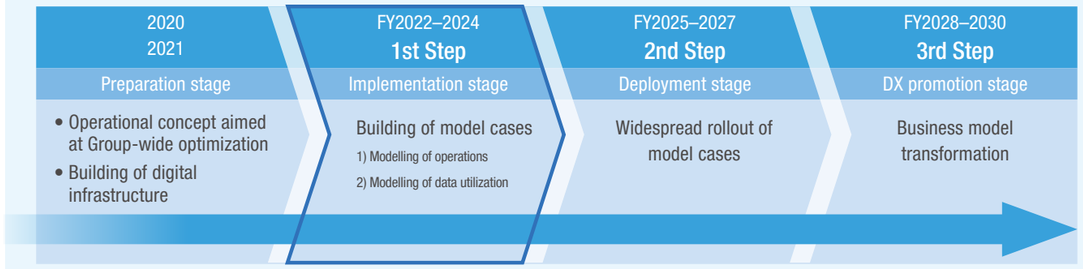
Human Rights Policy: https://www.sekisuikasei.com/en/sustainability/esg/society/

DX

SEKISUI KASEI Group has formulated a roadmap to promote DX (digital transformation) through FY2030. From FY2022 to FY2030, a three-step process involving introduction, deployment, and DX promotion will be conducted, with each step spanning three years.

In the first step of the mid-term management plan's "Spiral-up 2024," we promoted the introduction of supply chain management (SCM) that utilizes IoT, and launched initiatives to enhance innovation in production and *monozukuri* (manufacturing craftsmanship) through the use of technology.

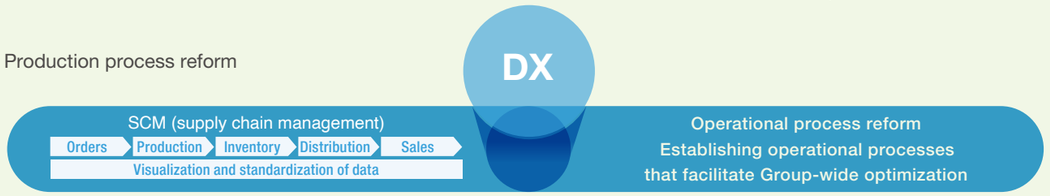
Overview of DX Roadmap



TOPICS

Focus on building model cases utilizing digital technology

We are implementing supply chain management (SCM) with the use of IoT. 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 corporate customer perspectives. In FY2023, 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 our investments in DX-related resources to build this standard model, we aim to uncover problems in the implementation and operation of SCM. We also aim to transition quickly to the deployment stage from FY2025 onwards and to accelerate DX promotion.



One of SEKISUI KASEI Group's Materiality (Key management issues) is innovation through DX. By viewing 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 to 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 solution proposals and services.

Tetsuharu Hirota
Director, Managing Executive Officer, in charge of PX Development Department and Information System

SEKISUI KASEI's ESG: G Governance

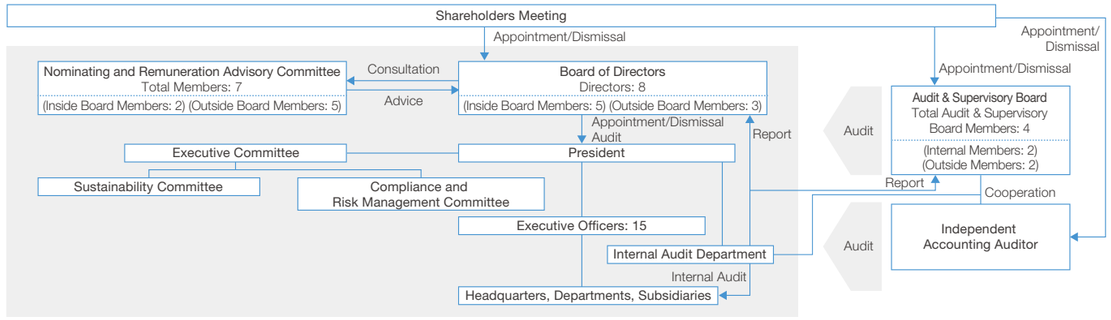
Our Basic Approach to Corporate Governance

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 always pursuing optimal corporate governance. Furthermore, 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 properly and effectively to increase management dynamism through prompt and decisive decision making, to continuously enhance these goals.

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 four members of the Audit & Supervisory Board, two 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 enhanced the rationality, transparency, and fairness of management decisions. Furthermore, we have established a Nominating and Remuneration Advisory Committee, of which the majority are independent outside officers, to deliberate on the selection of successor candidates for presidents and directors, along with director renumeration.
We believe this current system is functioning effectively, and it ensures the rationality, transparency, and fairness of management decisions and supervises management from an objective and neutral perspective.

Chart of SEKISUI KASEI Corporate Governance System (As of June 24, 2024)



Board of Directors

The Board of Directors consists of eight directors (of which three are outside directors) with the President serving as its chairperson. In addition, all four Audit & Supervisory Board members, including the two 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. (FY2023: held 16 times)

Executive Committee

As an advisory body to the President, the Executive Committee is composed of all five internal directors and ten executive officers (excluding executive officers who are also directors). Furthermore, two full-time auditors participate and provide their opinions as appropriate. The committee deliberates on matters pertaining to basic management measures and management policies, as well as important cases of departments in order to make decisions faster, streamline business operations and respond to important business execution. (FY2023: held 16 times)

Sustainability Promotion Committee

As a subcommittee of the Executive Committee, the Sustainability Promotion Committee has the president serving as chair and is composed of the heads of various headquarters and centers. The Committee deliberates on key issues and countermeasures related to the execution of sustainability-related activities throughout the Group. Its subcommittees include the Environmental Committee, the Safety Committee, and the Quality Committee, which the Sustainability Promotion Committee oversees. (FY2023: held 12 times)

Compliance and Risk Management Committee (FY2023: held 4 times) ▶P56

Audit & Supervisory Board

The Audit & Supervisory Board follows audit policies and plans to audit the execution of directors' duties along with the operations and financial conditions of Group companies. Full-time auditors participate in important meetings in addition to conducting legal compliance audits, and offer assessments of processes and results of management issues. They also provide insights based on accurate analysis to enhance the effectiveness of management oversight. Outside auditors offer useful opinions for the management of the Company from an objective and independent perspective. (FY2023: held 12 times)

Nominating and Remuneration Advisory Committee

The Nominating and Remuneration Advisory Committee is a voluntary committee that acts as an advisory body to the Board of Directors. It is comprised of the President and outside officers to strengthen the fairness and objectivity of procedures concerning the nomination and remuneration of directors and to promote discussions in order to fulfil its accountability to stakeholders. The chair is elected from among the independent outside officers by an internal vote. (FY2023: held 4 times)

Initiatives to enhance corporate governance

- 2009: Formulation of the 100-Year Vision
- 2012: Appointment of three outside auditors
- 2013: Introduction of the executive officer system
- 2014: Term for directors shortened from two years to one
- 2015: Appointment of two outside directors; Formulation of the Corporate Governance Guideline
- 2018: Appointment of three outside directors
- 2019: Establishment of the Nominating and Remuneration Advisory Committee
- 2023: Revision of the 100-Year Vision

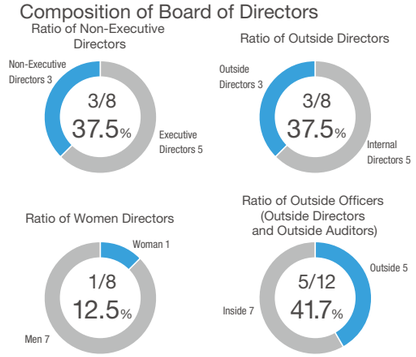
Skill Matrix of Directors

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	Man	○	○	○	○			○	○	
Katsumi Sasaki	Director Senior Managing Executive Officer	Man	○	○	○	○					
Yasunobu Furubayashi	Director Senior Managing Executive Officer	Man	○	○		○		○			
Tetsuharu Hirota	Director Managing Executive Officer	Man	○				○	○	○		
Hideyuki Asada	Director Managing Executive Officer	Man	○				○		○	○	
Michiko Uehara	Independent Outside Director	Woman			○	○					○
Ichiro Wakabayashi	Independent Outside Director	Man	○		○		○	○			○
Satoru Ogura	Independent Outside Director	Man	○		○	○	○		○		○

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

Composition of Board of Directors



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 FY2023 action plan

1 Enhance the supervision function from a medium to long term perspective
- Along with monitoring the steady execution of the medium-term management plan "Spiral-up 2024," discussions were also made on the direction of R&D along with initiatives related to production.
- Hold discussions concerning ESG efforts
  Discussions are held regularly twice a year regarding the plans and progress of ESG materiality.
  Environmental topics, including information disclosure based on TCFD recommendations, have continuously been raised.

2 Share information among the members of the Board of Directors
- Hold off-site meetings
  A total of four offsite meetings featuring discussions focusing on initiatives concerning business and DX were held.
- Encourage understanding of the financial and non-financial situation in SEKISUI KASEI Group
  Reports and discussions regarding external evaluations of corporate value and dialogues with institutional investors, along with active work site inspections for manufacturing facilities, were implemented.

<Issues>
○ Enhancing discussions seen from a medium- to-long-term perspectives
○ Promoting understanding of businesses and work sites, and creating opportunities for communication between executives
○ Expanding and enhancing the knowledge necessary for management

FY2024 action plan

1 Enhancing discussions made from a medium- to-long-term perspective
- Expanding opportunities for reporting and deliberation regarding materialities to improve the corporate value over the medium term
  Monitoring initiatives towards improving PBR
  Reporting and reviewing status of dialogues with shareholders and investors
  Discussions on key issues with a focus on "Target 2030"

2 Enhancing information sharing among the members of the Board of Directors
- Enhancing opportunities for communication between directors, executive officers, and outside officers to deliberate on important matters and share business status information
  1) Continuing to hold offsite meetings
  Sharing of market environments and competitor information while keeping in mind the next mid-term management plan, and discussing the ideal business portfolios based on various insights
  2) Enhancing opportunities for communication
  - Continuing to provide opportunities to visit production companies and Group companies
  - Establishing opportunities to share information and foster relationships with other companies' board members

3 Continuing executive training
- Held four times a year
  Study sessions conducted by external lecturers and in-depth discussions between executive officers

G Governance

Improving the Effectiveness of the Board of Directors

As a structure for the transmission of information to outside directors and outside auditors, 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.

To further enhance corporate governance and ensure the effectiveness of the Board of Directors' decision-making, we have been conducting evaluations of the Board's effectiveness every year since FY2019, and these results are applied to improve operations in the following years.

Officer Remuneration

Policy for determining the amount and calculation methods for remuneration

At the Company, 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 Remuneration Advisory Committee.

Policy (excerpt)

1. Basic policy

At the Company, 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.

Information regarding director remuneration

The status of officer remuneration in FY2023

Total amount of remuneration for each officer category for FY2023

(Millions of yen)

Classification	Eligible Personnel	Basic Remuneration	Performance-based	Remuneration Restricted Stock Remuneration	Total
Directors (excluding outside directors)	5	72	14	19	105
Audit & Supervisory Board members (excluding outside members)	2	43	–	–	43
Outside officers	8	48	–	–	48

Notes: 1. The above includes one outside director and one outside Audit & Supervisory Board member who stepped down at the conclusion of the 79th Ordinary General Meeting of Shareholders held June 23, 2023.
2. Director remuneration amounts do not include employee salaries for directors concurrently serving as company employees.

Strategic shareholdings

i) Policy regarding strategic shareholdings

The Company strategically holds selected listed shares that are deemed beneficial and significant, in our efforts to enhance the corporate value of key business partners and maximize our medium- to-long-term corporate value.

ii) Details of verification

For each strategically held share, we annually verify the rationale of holding them from qualitative perspectives, such as maintaining smooth business relationships based on the above holding policy, along with quantitative factors, including unrealized gains and losses and cash dividends received. Next, a comprehensive assessment of whether we should hold these shares is made and the results are reported to the Board of Directors. If the rationale is deemed to be insufficient, discussions will be held with the other company before selling shares as seen appropriate. Regarding the shares currently held, the Board of Directors meeting held in February 2024 has confirmed that there is a rational basis to continue holding these shares.

iii) Basic policy on exercising voting rights

The Company carefully examines each proposal when exercising its voting rights for strategic shareholdings. This is to assess whether it will lead to the improvement of the corporate value for the relevant company, or whether there is a possibility of damaging our corporate value, after which decisions are made to oppose or support the proposal.

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.
Furthermore, the Compliance and Risk Management Committee evaluates and deliberates on the response status based on matrix 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.

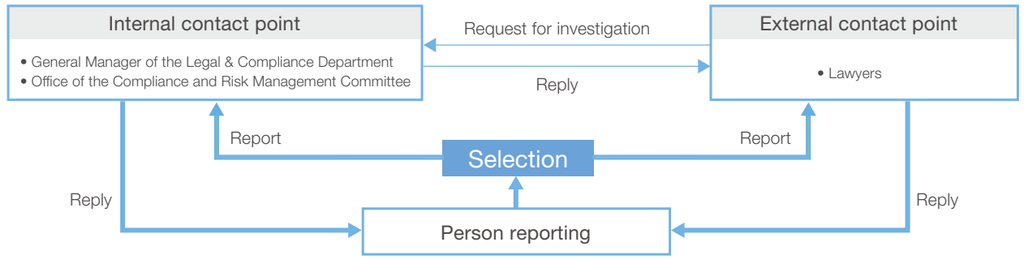
Compliance Promotion

SEKISUI KASEI Group defines compliance as not only complying with laws and regulations, but also ensuring that operations within the 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 to promote good relationships with society.
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 Group.

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.



Directors & Auditors

Takahiko Fujiwara
Audit & Supervisory Board Member

1986 Joined the Company
2024 Audit & Supervisory Board Member of the Company [incumbent]

Mamoru Akashi
Outside Audit & Supervisory Board Member

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.
2024 Senior Managing Executive Officer of Dai-ichi Life Holdings, Inc. [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]

Tetsuharu Hirota
Director
Managing Executive Officer

In charge of PX Development Department and Information System Department
1984 Joined the Company
2016 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]

Osamu Matsumoto
Audit & Supervisory Board Member

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

Yasunobu Furubayashi
Director
Senior Managing Executive Officer

Head of the 1st Business Headquarters
1992 Joined the Company
2024 Director, Senior Managing Executive Officer of the Company [incumbent]

Satoru Ogura
Outside Director

Please refer to page 62 for detailed profile.

Michiko Uehara
Outside Director

Please refer to page 62 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]

Ichiro Wakabayashi
Outside Director

Please refer to page 62 for detailed profile.

Katsumi Sasaki
Director
Senior Managing Executive Officer

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

Discussion between Three Outside Directors

Satoru Ogura
Outside Director

Michiko Uehara
Outside Director

Ichiro Wakabayashi
Outside Director

For the sustainable enhancement of SEKISUI KASEI Group's corporate value

SEKISUI KASEI Group aims to achieve sustainable growth and enhance corporate value over the medium- to-long-term and is therefore endeavoring to strengthen its corporate governance. We invited outside directors Michiko Uehara, Ichiro Wakabayashi, and Satoru Ogura to share their views on the progress of the medium-term management plan, "Spiral-up 2024," efforts to address the 12 items of materiality (key management issues), and the effectiveness of the Board of Directors.

How do you see the progress of the business plans in the Company's medium-term management plan, "Spiral-up 2024"?

Wakabayashi SEKISUI KASEI Group's overall earnings in FY2023 indicate that a turnaround is coming. Results are steadily being achieved in the fields of mobility and electronics in the Industry segment. On the other hand, the Proseat business which is operated in Europe is struggling, and on top of that, conditions are also tough in the Human Life segment.
While earnings in some businesses are sluggish, I think a considerable amount of progress is being made on the development of new products, as called for in the medium-term management plan, "Spiral-up 2024." For example, a number of interesting new products have emerged, such as non-fluorinated materials developed in response to PFAS regulations, polymer particles for high-speed, high-capacity electronic materials, and environmentally friendly materials. Currently, the Group is in a transitional phase, with products and businesses undergoing changes. Even though earnings have been weak recently, the development progress of new products suggests to me that signs of a brighter future have appeared as we head towards 2030.
At the meetings of the Board of Directors, I am encouraging efforts aimed at generating profits from newly launched products. I am also advising a shift away from self-reliance and promoting the establishment of new business models through co-creation with other companies.

Uehara Unfortunately, the profit targets called for in the medium-term management plan, "Spiral-up 2024," have been lowered to half of the initial guidance. Aside from the fact that the surrounding conditions have changed considerably after the earnings targets were initially set, it now appears that they were based on slightly optimistic estimates. The probability of the Company achieving its targets is now quite low, and it is important that we take this situation seriously. We now need to clarify the reasons that led to the downward revisions and try and make up the shortfall as much as possible.

Wakabayashi The Company is targeting an ROE of 8% by 2030, but it is currently well off the pace. To get closer to this target, it will need to focus on expanding businesses with growth potential while also making decisions about underperforming businesses from a medium- to-long-term perspective. From the viewpoint of optimizing overall operations in order to achieve an 8% ROE, what we should do with unprofitable businesses is a topic currently being discussed during the meetings of the Board.

Key issues across three items and eight themes were highlighted in the medium-term management plan, "Spiral-up 2024." What kind of progress has been made on these do you think?

Uehara While it seems that progress is being made on all eight themes, the reality is that this has not directly translated into earnings improvement. In saying that, it either indicates a poor selection of key issues or a slow pace in addressing them. I believe a greater sense of urgency is needed. In some cases, initiatives ought to be brought forward so that goals can be achieved sooner. For example, of all the key issues, strengthening efforts to address Materiality (key management issues) is an important theme. Particularly regarding human resources, in terms of diversity, there is a shortage of both women and foreigners in the Company. As for the recruitment of women, 29.4% of new hires in FY2023 (at SEKISUI KASEI only) were women, which is commendable, but further momentum is needed here. Also, with regard to restructuring the business portfolio and rapidly generating profits from developed products, there is also a shortage of engineers engaged in research and development, as well as personnel for driving new businesses. Identifying the right person for the right job and working out how best to bring together individuals with the necessary skills, all the while executing these actions with a sense of urgency, are key points, in my view.

Wakabayashi One of the themes, shifting to businesses that solve environmental and social issues, must certainly be achieved considering the future of the Group. The Company has shown that it is making steady progress on increasing the number of products registered as Sustainable Star Products, along with a higher weighting of overall sales from these products. At the same time, in its production processes as well, the Company is pressing ahead with initiatives aimed at reducing CO_2 emissions, for example, by improving production efficiency and installing energy-saving equipment. These actions too are commendable for achieving reductions.
The winds of change are starting to blow in the business community now, particularly in terms of how companies see environmental and social issues. They no longer view environmental and social issues as "risks" they need to

Discussion between Three Outside Directors

address as part of their social responsibilities. Instead, they see "opportunities" in solving such issues. The idea that the Company must aggressively inject talent and capital into this field, where there is significant potential, remains unchanged. I also have high expectations for the Company to continue expanding the number of Sustainable Star Products.

What are your views on the effectiveness of the Board of Directors?

Wakabayashi The Company conducts an annual survey to evaluate the effectiveness of the Board, and based on the results, implements initiatives to enhance effectiveness. The main initiatives in FY2023 were enhancing the supervisory function of the Board from a medium- to-long-term perspective and improving information sharing among the members of the Board.
What needs to be done now to enhance the supervisory function of the Board from a medium- to-long-term perspective is to monitor the outcomes of the medium-term management plan. As Ms. Uehara mentioned, the profit targets of the medium-term management plan, "Spiral-up 2024," have been downwardly revised on several occasions. Even though the plan is still in play, Board discussions are currently focused on delving deep into the real factors as to why the targets will probably not be met, what the underlying causes are, and what

efforts have been made to bridge any gaps. The aim of these discussions is to ensure that the lessons learned will be applied in the formulation of the next medium-term management plan.

Uehara On the issue of improving information sharing among the members of the Board, I feel that we have been able to engage in quite in-depth discussions at off-site meetings. I believe that having dialogues outside of formal settings is important for advancing discussions. For instance, information gained from conversations before or after Board meetings, or even during lunch, is valuable as well. At the SEKISUI KASEI office, the three of us share the same room, so we can easily exchange opinions with each other when we gather for meetings. With the renovation of the Osaka head office scheduled for July 2024, not only us outside directors, but also the outside Audit & Supervisory Board members have been in the same room. This means we will be able to talk more with the Audit & Supervisory Board members, with whom we have had little interaction so far. Given this situation, I believe the sharing of information between directors is steadily improving.

Wakabayashi In FY2024, based on the activities of FY2023, the focus will continue to be on enhancing the monitoring function of the Board from a medium- to-long-term perspective and the strengthening of information sharing among the members of the Board. In particular, I want to be able to more closely monitor the measures being implemented to improve the P/B ratio.

Mr. Ogura, you were appointed to the position of outside director this year. What is your view of the Company?

Ogura After being approached about assuming the position of outside director, I took the time to learn about the Company on my own, and based on the explanations provided to me from SEKISUI KASEI, I get the impression that it is a very diligent company. This is clearly reflected in the Company's efforts to address environmental issues. In 1970, the year of the Osaka Expo, a movement to boycott EPS (expandable polystyrene) foam, which is the Company's mainstay product, emerged, and the following year, the Company independently began collecting so-called EPS foam waste. That initiative spread throughout the entire EPS foam industry and now 92% of used EPS foam in Japan is being effectively utilized. Even though the boycott movement served as a starting point, the ability to promote recycling to this extent can only be attributed to the diligent and persistent actions of the Company over time. I should also add that it is highly applaudable that over 50 years ago, the Company had the foresight to see that environmental issues would become key challenges for society in the future and was bold enough to take action as a manufacturer ahead of its competitors. While I understand that earnings are currently

lackluster, with the Company's DNA of foreseeing the future and earnestly working toward an outcome, it should be able to develop products which we have never seen before. Going forward, I hope to gradually gain an understanding of the uniqueness and strengths of SEKISUI KASEI Group by visiting the manufacturing sites myself and provide some realistic advice to the Company.

PROFILE

Satoru Ogura

Apr. 1982	Joined Sumitomo Electric Industries, Ltd.
Jun. 2009	Executive Officer of Sumitomo Electric Industries, Ltd.
Jun. 2015	Full-time Audit & Supervisory Board Member of Sumitomo Electric Industries, Ltd.
Jun. 2022	Advisor at Sumitomo Electric Industries, Ltd.
Jun. 2023	Corporate Auditor of TECHNO ASSOCIE Co., Ltd. [incumbent]
Jun. 2024	Outside Director of SEKISUI KASEI CO., LTD. [incumbent]

Michiko Uehara

Apr. 1976	Assistant Judge at Kobe District Court
Apr. 1979	Assistant Judge at Kobe District Court Amagasaki Branch
Apr. 1982	Assistant Judge at Osaka District Court
Apr. 1986	Judge at Fukuoka District Court (until March 1989)
May 1989	Admitted to the bar Joined The Miyake Joint Partnership Law Office (currently Miyake & Partners)
Mar. 1992	Established The Uehara Joint Partnership Law Office
Jun. 2016	Outside Audit & Supervisory Board Member, Sumitomo Electric Industries, 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]

Ichiro Wakabayashi

Apr. 1981	Joined NAGASE & CO., LTD.
Apr. 2010	Executive Officer of NAGASE & CO., LTD.
Jun. 2015	Director, Executive Officer of NAGASE & CO., LTD.
Apr. 2016	Director, Managing Executive Officer of NAGASE & CO., LTD.
Apr. 2019	Representative Director, Managing Executive Officer of NAGASE & CO., LTD.
Jun. 2021	Advisor at NAGASE & CO., LTD.
Jun. 2023	Outside Director of SEKISUI KASEI CO., LTD. [incumbent] Outside Audit & Supervisory Board Member, Dainichiseika Color & Chemicals Mfg. Co., Ltd. [incumbent]

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, 2023 to March 31, 2024) and non-consolidated financial statements for the fiscal year (from April 1, 2023 to March 31, 2024) 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.

4. U.S. Dollar Amounts

The U.S. dollar amounts in the consolidated financial statements have been translated from yen solely for convenience and, as a matter of arithmetic computation only, at ¥151.41 = U.S. $1.00, the exchange rate prevailing on March 31, 2024. This translation should not be construed as a representation that the yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

Consolidated Financial Statements

Consolidated Balance Sheet

SEKISUI KASEI CO., LTD. and Consolidated Subsidiaries
March 31, 2023 and 2024

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Assets			
Current assets			
Cash and deposits	¥ 11,080	¥ 10,904	$ 72,016
Notes receivable	3,085	*4 2,274	15,018
Accounts receivable	23,727	25,853	170,748
Contract assets	1,575	1,248	8,242
Electronically recorded monetary claims - operating	7,930	*4 9,141	60,372
Merchandise and finished goods	9,253	8,604	56,825
Work in process	1,909	2,420	15,983
Raw materials and supplies	5,127	5,220	34,475
Other	3,227	3,496	23,089
Allowance for doubtful accounts	(42)	(56)	(369)
Total current assets	66,874	69,110	456,442
Non-current assets			
Property, plant and equipment			
Buildings and structures	*3 49,140	49,665	328,016
Accumulated depreciation	(34,336)	(35,315)	(233,240)
Buildings and structures, net	14,804	14,350	94,775
Machinery, equipment and vehicles	90,482	93,041	614,497
Accumulated depreciation	(77,729)	(80,277)	(530,196)
Machinery, equipment and vehicles, net	12,753	12,763	84,294
Land	*2, *3 21,492	*2 21,510	142,064
Construction in progress	1,472	1,914	12,641
Other	19,815	20,332	134,284
Accumulated depreciation	(16,635)	(17,158)	(113,321)
Other, net	3,180	3,174	20,962
Total property, plant and equipment	53,702	53,712	354,745
Intangible assets			
Software	1,277	1,302	8,599
Other	486	633	4,180
Total intangible assets	1,763	1,935	12,779
Investments and other assets			
Investments in securities	*1 14,041	*1 13,045	86,156
Deferred income taxes	851	854	5,640
Assets for retirement benefits	6,936	6,711	44,323
Other	1,053	1,159	7,654
Allowance for doubtful accounts	(47)	(55)	(363)
Total investments and other assets	22,834	21,715	143,418
Total non-current assets	78,301	77,363	510,950
Total assets	¥ 145,175	¥ 146,473	$ 967,393

Consolidated Balance Sheet

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Liabilities			
Current liabilities			
Notes and accounts payable	¥ 17,026	*4 ¥ 18,437	$ 121,768
Electronically recorded obligations - operating	8,263	*4 8,611	56,872
Short-term loans	*3 13,026	14,466	95,541
Accrued expenses	3,420	3,217	21,246
Accrued income and enterprise taxes	1,338	742	4,900
Contract liabilities	684	842	5,561
Accrued consumption taxes	265	586	3,870
Provision for bonuses to employees	1,010	1,080	7,132
Provision for bonuses to directors and audit and supervisory board members	42	33	217
Notes payable - facilities	46	*4 44	290
Electronically recorded obligations - non-operating	724	*4 950	6,274
Other	2,246	3,957	26,134
Total current liabilities	48,096	52,971	349,851
Long-term liabilities			
Bonds payable	7,000	7,000	46,232
Long-term loans	18,094	16,413	108,401
Deferred income taxes	4,593	4,218	27,858
Deferred income taxes for land revaluation	*2 1,596	*2 1,596	10,540
Provision for product warranty	82	57	376
Liabilities for retirement benefits	3,728	3,916	25,863
Other	3,521	3,478	22,970
Total long-term liabilities	38,614	36,681	242,262
Total liabilities	86,711	89,652	592,114
Net assets			
Shareholders' equity			
Common stock	16,533	16,533	109,193
Capital surplus	16,445	16,408	108,368
Retained earnings	16,602	17,142	113,215
Treasury stock	(1,382)	(1,301)	(8,592)
Total shareholders' equity	48,199	48,783	322,191
Accumulated other comprehensive income			
Net unrealized gains on securities	7,440	6,880	45,439
Surplus arising from land revaluation	*2 1,479	*2 1,479	9,768
Translation adjustments	562	(778)	(5,138)
Retirement benefits liability adjustments	41	(304)	(2,007)
Total accumulated other comprehensive income	9,524	7,277	48,061
Non-controlling interests	740	760	5,019
Total net assets	58,464	56,821	375,279
Total liabilities and net assets	¥ 145,175	¥ 146,473	$ 967,393

Consolidated Financial Statements

Consolidated Statement of Income

SEKISUI KASEI CO., LTD. and Consolidated Subsidiaries
Year ended March 31, 2023 and 2024

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Net sales	¥ 124,683	¥ 130,265	$ 860,346
Cost of sales	100,072	103,816	685,661
Gross profit	24,611	26,448	174,678
Selling, general and administrative expenses	*1, *2 23,818	*1, *2 25,187	166,349
Operating income	793	1,261	8,328
Non-operating income			
Interest income	19	51	336
Dividend income	349	305	2,014
Foreign exchange gain, net	143	1,323	8,737
Subsidy income	29	179	1,182
Compensation income	210	157	1,036
Insurance income	63	634	4,187
Other	210	228	1,505
Total non-operating income	1,025	2,879	19,014
Non-operating expenses			
Interest expense	538	928	6,129
Loss on fire	228	—	—
Additional retirement benefit	—	183	1,208
Other	348	295	1,948
Total non-operating expenses	1,114	1,407	9,292
Ordinary income	704	2,733	18,050
Extraordinary income			
Gain on sales of investments in securities	1,632	208	1,373
Total extraordinary income	1,632	208	1,373
Extraordinary loss			
Loss on valuation of investments in securities	—	2	13
Loss on business liquidation	—	117	772
Impairment loss	*3 50	*3 199	1,314
Total extraordinary losses	50	318	2,100
Net income before income taxes	2,287	2,623	17,323
Income taxes - current	1,846	1,573	10,389
Income taxes - deferred	(13)	(56)	(369)
Total income taxes	1,833	1,517	10,019
Net income	453	1,105	7,298
Net income attributable to non-controlling interests	0	22	145
Net income attributable to owners of the parent	¥ 452	¥ 1,083	$ 7,152

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

SEKISUI KASEI CO., LTD. and Consolidated Subsidiaries
Year ended March 31, 2023 and 2024

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Net income	¥ 453	**¥ 1,105**	**$ 7,298**
Other comprehensive income			
Net unrealized gains (losses) on securities	(1)	**(559)**	**(3,691)**
Translation adjustments	(183)	**(1,341)**	**(8,856)**
Retirement benefits liability adjustments	374	**(345)**	**(2,278)**
Total other comprehensive income	*1 189	***1 (2,246)**	**(14,833)**
Comprehensive income	642	**(1,141)**	**(7,535)**
Comprehensive income attributable to:			
Owners of parent	¥ 641	**¥ (1,163)**	**$ (7,681)**
Non-controlling interests	0	**22**	**145**

Consolidated Financial Statements

Consolidated Statement of Changes in Net Assets

SEKISUI KASEI CO., LTD. and Consolidated Subsidiaries
Year ended March 31, 2023 and 2024

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

From April 1, 2023 to March 31, 2024

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2023	**¥ 16,533**	**¥ 16,445**	**¥ 16,602**	**¥ (1,382)**	**¥ 48,199**
Changes during the period					
Dividends of surplus			**(543)**		**(543)**
Net income attributable to owners of the parent			**1,083**		**1,083**
Purchase of shares of consolidated subsidiaries					**—**
Acquisition of treasury stock				**(0)**	**(0)**
Disposal of treasury stock		**(37)**		**80**	**43**
Net changes of items other than shareholders' equity					
Total changes during the period	**—**	**(37)**	**539**	**80**	**583**
Balance at March 31, 2024	**¥ 16,533**	**¥ 16,408**	**¥ 17,142**	**¥ (1,301)**	**¥ 48,783**

	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, 2023	**¥ 7,440**	**¥ 1,479**	**¥ 562**	**¥ 41**	**¥ 9,524**	**¥ 740**	**¥ 58,464**
Changes during the period							
Dividends of surplus							**(543)**
Net income attributable to owners of the parent							**1,083**
Purchase of shares of consolidated subsidiaries							**—**
Acquisition of treasury stock							**(0)**
Disposal of treasury stock							**43**
Net changes of items other than shareholders' equity	**(559)**	**—**	**(1,341)**	**(345)**	**(2,246)**	**20**	**(2,226)**
Total changes during the period	**(559)**	**—**	**(1,341)**	**(345)**	**(2,246)**	**20**	**(1,642)**
Balance at March 31, 2024	**¥ 6,880**	**¥ 1,479**	**¥ (778)**	**¥ (304)**	**¥ 7,277**	**¥ 760**	**¥ 56,821**

Consolidated Statement of Changes in Net Assets

From April 1, 2023 to March 31, 2024

	Thousands of U.S. dollars				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2023	$ 109,193	$ 108,612	$ 109,649	$ (9,127)	$ 318,334
Changes during the period					
Dividends of surplus			(3,586)		(3,586)
Net income attributable to owners of the parent			7,152		7,152
Purchase of shares of consolidated subsidiaries					—
Acquisition of treasury stock				(0)	(0)
Disposal of treasury stock		(244)		528	283
Net changes of items other than shareholders' equity					
Total changes during the period	—	(224)	3,559	528	3,850
Balance at March 31, 2024	$ 109,193	$ 108,368	$ 113,215	$ (8,592)	$ 322,191

	Thousands of U.S. dollars						
	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, 2023	$ 49,138	$ 9,768	$ 3,711	$ 270	$ 62,902	$ 4,887	$ 386,130
Changes during the period							
Dividends of surplus							(3,586)
Net income attributable to owners of the parent							7,152
Purchase of shares of consolidated subsidiaries							—
Acquisition of treasury stock							(0)
Disposal of treasury stock							283
Net changes of items other than shareholders' equity	(3,691)	—	(8,856)	(2,278)	(14,833)	132	(14,701)
Total changes during the period	(3,691)	—	(8,856)	(2,278)	(14,833)	132	(10,844)
Balance at March 31, 2024	$ 45,439	$ 9,768	$ (5,138)	$ (2,007)	$ 48,061	$ 5,091	$ 375,279

Consolidated Financial Statements

Consolidated Statement of Cash Flows

SEKISUI KASEI CO., LTD. and Consolidated Subsidiaries
Year ended March 31, 2023 and 2024

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Cash flows from operating activities			
Net income before income taxes	¥ 2,287	¥ 2,623	$ 17,323
Depreciation and amortization	5,650	5,716	37,751
Impairment loss	50	199	1,314
Increase (decrease) in allowance for doubtful accounts	(12)	19	125
Interest and dividend income	(369)	(356)	(2,351)
Interest expenses	538	928	6,129
Increase (decrease) in provision for bonuses to employees	(36)	68	449
Increase (decrease) in provision for product warranty	(26)	(24)	(158)
Increase (decrease) in net liabilities for retirement benefits	(142)	(95)	(627)
Loss (gain) on sales of investments in securities	(1,632)	(208)	(1,373)
Loss (gain) on valuation of investments in securities	—	2	13
Subsidy income	(29)	(179)	(1,182)
Loss on fire	228	—	—
Loss on liquidation of business	—	117	772
Decrease (increase) in notes and accounts receivable	108	(1,780)	(11,756)
Decrease (increase) in inventories	(788)	628	4,147
Increase (decrease) in notes and accounts payable	(170)	968	6,393
Other, net	(1,392)	252	1,664
Subtotal	4,262	8,880	58,648
Interest and dividends received	369	356	2,351
Interest paid	(458)	(964)	(6,366)
Proceeds from casualty insurance claims	174	1,021	6,743
Proceeds from subsidy income	29	179	1,182
Income taxes (paid) refunded	(1,266)	(2,097)	(13,849)
Net cash provided by (used in) operating activities	3,110	7,375	48,708
Cash flows from investing activities			
Payments into time deposits	—	(28)	(184)
Purchases of property, plant and equipment	(3,070)	(3,822)	(25,242)
Proceeds from sales of property, plant and equipment	75	120	792
Purchases of investments in securities	(4)	(4)	(26)
Proceeds from sales of investments in securities	2,444	404	2,668
Increase in short-term and long-term loans receivable	(18)	(18)	(118)
Collection of short-term and long-term loans receivable	5	24	158
Other, net	(424)	(453)	(2,991)
Net cash provided by (used in) investing activities	(993)	(3,779)	(24,958)
Cash flows from financing activities			
Net increase (decrease) in short-term loans	1,342	(428)	(2,826)
Proceeds from long-term loans	8,807	3,500	23,116
Repayment of long-term loans	(10,278)	(5,196)	(34,317)
Dividends paid	(453)	(544)	(3,592)
Dividends paid to non-controlling shareholders	(1)	(1)	(6)
Other, net	(959)	(986)	(6,512)
Net cash provided by (used in) financing activities	(1,542)	(3,658)	(24,159)
Effect of exchange rate change on cash and cash equivalents	(4)	(143)	(944)
Net increase (decrease) in cash and cash equivalents	569	(205)	(1,353)
Cash and cash equivalents at the beginning of the year	10,503	11,072	73,125
Cash and cash equivalents at the end of the year	*1 ¥ 11,072	*1 ¥ 10,867	*1 $ 71,772

Notes to Consolidated Financial Statements

SEKISUI KASEI CO., LTD. and Consolidated Subsidiaries
March 31, 2024

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 Section "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 four affiliates not accounted for by the equity method (JAPAN CHEMICAL INDUSTRIES Co., Ltd. and others) 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 and past service cost
Past service cost is amortized by the straight-line method over a certain number of years (5 years) within the average remaining service years of employees at the time of accrual.
Actuarial gains and losses are amortized by the straight-line method over a certain number of years (5 years) within the average remaining service years of 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. For domestic transactions, the Group determines that the control of the products is transferred to the customer at the time of delivery of the products. However, since there is a normal period of time from the time of shipment to the time of delivery, the Group applies alternative treatment regarding materiality, etc. and recognizes revenue at the time of shipment. 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. The determination was made as follows.

(1) Amount recorded in the consolidated financial statements for the fiscal year under review (from April 1, 2023 to March 31, 2024)

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year	Fiscal year under review	Fiscal year under review
Impairment loss	¥ 50	¥ 159	$ 1,050
Property, plant and equipment	3,396	3,867	25,539
Intangible assets	270	286	1,888
Investments and other assets	77	250	1,651

(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) selling prices, iii) growth rate after the business plan, iv) gross profit margin, and v) forecasts of selling, general and administrative expenses, 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 statement of income)
"Insurance income," which was included in "Other" under "Non-operating income" in the previous fiscal year, is presented separately from the fiscal year under review as the amount exceeded 10% of total non-operating income. To reflect this change in presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.
As a result, 273 million yen presented in "Other" under "Non-operating income" in the consolidated statement of income for the previous fiscal year has been reclassified as "Insurance income" of 63 million yen and "Other" of 210 million yen.
"Loss on sales and retirement of non-current assets," "Commission fee" and "Compensation expenses," which were presented separately under "Non-operating expenses" in the previous fiscal year, are included in "Other" in the fiscal year under review because the amount has become immaterial. To reflect this change in presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.
As a result, 31 million yen presented in "Loss on sales and retirement of non-current assets" under "Non-operating expenses," 14 million yen presented in "Commission fee" under "Non-operating expenses," and 12 million yen presented in "Compensation expenses" under "Non-operating expenses" in the consolidated statement of income for the previous fiscal year have been reclassified as "Other."

Notes to Consolidated Financial Statements

(Consolidated statements of cash flows)
"Loss (gain) on sales and retirement of property, plant and equipment" in "Cash flows from operating activities," which was presented separately in the previous fiscal year, is included in "Other" in the fiscal year under review because the amount has become immaterial. To reflect this change in presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.
As a result, 24 million yen presented in "Loss (gain) on sales and retirement of property, plant and equipment" under "Cash flows from operating activities," in the Consolidated Statements of Cash Flows for the previous fiscal year has been reclassified as "Other."

(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, 2023)	**Fiscal year under review (March 31, 2024)**	**Fiscal year under review (March 31, 2024)**
Investments in securities (stocks)	¥ 35	**¥ 3**	**$ 19**

*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, 2023)	**Fiscal year under review (March 31, 2024)**	**Fiscal year under review (March 31, 2024)**
Difference between the market value of the revalued land at the end of the period and the book value after the revaluation	¥ (3,573)	**¥ (3,590)**	**$ (23,710)**

*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, 2023)	**Fiscal year under review (March 31, 2024)**	**Fiscal year under review (March 31, 2024)**
Land	¥ 166	**—**	**—**
Building	45	**—**	**—**
Total	¥ 211	**—**	**—**

Secured liabilities are as follows.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2023)	**Fiscal year under review (March 31, 2024)**	**Fiscal year under review (March 31, 2024)**
Short-term loans	¥ 1	**—**	**—**
Total	¥ 1	**—**	**—**

* 4 Notes due at the end of the fiscal year
Notes due at the end of the fiscal year are settled on the date of exchange. Since the balance sheet date for the fiscal year under review fell on a bank holiday, the following notes due at the end of the fiscal year are included in the respective balances in the consolidated balance sheet at the fiscal year under review.

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (March 31, 2023)	**Fiscal year under review (March 31, 2024)**	**Fiscal year under review (March 31, 2024)**
Notes receivable	—	**¥ 177**	**$ 1,169**
Electronically recorded monetary claims-operating	—	**795**	**5,250**
Notes payable	—	**435**	**2,872**
Electronically recorded obligations-operating and electronically recorded obligations-non-operating	—	**881**	**5,818**

(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, 2022 to March 31, 2023)	**Fiscal year under review (From April 1, 2023 to March 31, 2024)**	**Fiscal year under review (From April 1, 2023 to March 31, 2024)**
Storage and transportation costs	¥ 5,680	**¥ 5,419**	**$ 35,790**
Salaries, allowances and bonuses	6,565	**6,801**	**44,917**
Provision for bonuses	380	**440**	**2,906**
Provision of allowance for doubtful accounts	14	**6**	**39**
Provision for directors' bonuses	37	**30**	**198**
Retirement benefit expenses	(34)	**44**	**290**

* 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, 2022 to March 31, 2023)	**Fiscal year under review (From April 1, 2023 to March 31, 2024)**	**Fiscal year under review (From April 1, 2023 to March 31, 2024)**
	¥ 2,707	**¥ 2,578**	**$ 17,026**

* 3 Impairment loss
In the previous fiscal year (from April 1, 2022 to March 31, 2023) 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	Thousands of U.S. dollars Impairment loss
Business assets (Foamed molding)	Germany	Machinery	¥ 50	$ 330

(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
Building	¥ 0
Machinery	24
Construction in progress	1
Other tangible assets	22
Other intangible assets	1
Investments and other assets	0
Total	¥ 50

(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 Financial Statements

In the current fiscal year under review, 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	Thousands of U.S. dollars Impairment loss
Business assets (Foamed molding)	Germany	Machinery	¥ 159	$ 1,050

(2) Background of recognition of impairment loss

While the European automobile market is slowly recovering, the Proseat Group, one of the Company's consolidated subsidiaries in Europe, has made significant recovery in its business performance due to an increase in production volume, and efforts to improve production, reduce fixed costs, and price pass-through to automobile manufacturers in response to soaring energy and labor costs. However, the Proseat Group continued to record losses.

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 159 million yen was recorded as "Impairment loss" under extraordinary loss, and the breakdown is as follows.

	Millions of yen	Thousands of U.S. dollars
Machinery	¥ 12	$ 79
Construction in progress	85	561
Other tangible assets	61	402
Total	¥ 159	$ 1,050

(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 Previous fiscal year (From April 1, 2022 To March 31, 2023)	Millions of yen **Fiscal year under review (From April 1, 2023 To March 31, 2024)**	Thousands of U.S. dollars **Fiscal year under review (From April 1, 2023 To March 31, 2024)**
Valuation difference on available-for-sale securities:			
Amount incurred for the fiscal year	¥ 1,112	**¥ (593)**	**$ (3,916)**
Reclassification adjustment	(1,113)	**(208)**	**(1,373)**
Before-tax-effect adjustment	(0)	**(802)**	**(5,296)**
Tax effect amount	(0)	**242**	**1,598**
Valuation difference on available-for-sale securities	(1)	**(559)**	**(3,691)**
Foreign currency translation adjustment:			
Amount incurred for the fiscal year	(183)	**(1,341)**	**(8,856)**
Reclassification adjustment	—	**—**	**—**
Before-tax-effect adjustment	(183)	**(1,341)**	**(8,856)**
Tax effect amount	—	**—**	**—**
Foreign currency translation adjustment	(183)	**(1,341)**	**(8,856)**
Remeasurements of defined benefit plans			
Amount incurred for the fiscal year	654	**(464)**	**(3,064)**
Reclassification adjustment	(115)	**(25)**	**(165)**
Before-tax-effect adjustment	538	**(490)**	**(3,236)**
Tax effect amount	(164)	**144**	**951**
Remeasurements of defined benefit plans	374	**(345)**	**(2,278)**
Total other comprehensive income	¥ 189	**¥ (2,246)**	**$ (14,833)**

(Notes to consolidated statements of changes in net assets)

FY2023 (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 Total amount of dividends	Yen Dividends per share	Record date	Effective date
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 Total amount of dividends	Source of dividends	Yen Dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 23, 2023	Common stock	¥ 407	Retained earnings	¥ 9.00	March 31, 2023	June 26, 2023

FY2024 (from April 1, 2023 to March 31, 2024)

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)	**1,714**	**0**	**100**	**1,614**
Total	**1,714**	**0**	**100**	**1,614**

(Notes) 1. The increase in the number of treasury stock of common stock of 0 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 100 thousand shares in the number of treasury stock of common stock is due to 100 thousand shares allocated under the restricted stock-linked remuneration system.

2. Dividends

(1) Dividends paid

(Resolution)	Class of shares	Millions of yen Total amount of dividends	Yen Dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 23, 2023	Common stock	**¥ 407**	**¥ 9.00**	March 31, 2023	June 23, 2023
Board of Directors meeting held on October 31, 2023	Common stock	**¥ 136**	**¥ 3.00**	September 30, 2023	December 4, 2023

(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 Total amount of dividends	Source of dividends	Yen Dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 21, 2024	Common stock	**¥ 453**	Retained earnings	**¥ 10.00**	March 31, 2024	June 24, 2024

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, 2022 to March 31, 2023)	**Fiscal year under review (From April 1, 2023 to March 31, 2024)**	**Fiscal year under review (From April 1, 2023 to March 31, 2024)**
Cash and deposits	¥ 11,080	**¥ 10,904**	**$ 72,016**
Time deposits with maturity over 3 months	(7)	**(37)**	**(244)**
Cash and cash equivalents	¥ 11,072	**¥ 10,867**	**$ 71,772**

(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, 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			
Other securities (*1)	13,972	13,972	—
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.

	Millions of yen
Category	Previous 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, 2024

	Millions of yen		
	Carrying amount in the consolidated balance sheet	Fair value	Difference
(1) Notes receivable	**¥ 2,274**	**¥ 2,274**	**¥ —**
(2) Accounts receivable	**25,853**	**25,853**	**—**
(3) Electronically recorded monetary claims	**9,141**	**9,141**	**—**
(4) Investments in securities			
Other securities (*1)	**12,978**	**12,978**	**—**
Total assets	**¥ 50,249**	**¥ 50,249**	**¥ —**
(1) Notes and accounts payable	**18,437**	**18,437**	**—**
(2) Electronically recorded obligations - operating	**8,611**	**8,611**	**—**
(3) Short-term loans	**8,184**	**8,184**	**—**
(4) Bond	**7,000**	**6,925**	**(74)**
(5) Long-term loans (*2)	**22,696**	**22,823**	**127**
Total liabilities	**¥ 64,929**	**¥ 64,982**	**¥ 52**
Derivative transactions (*3)	**(362)**	**(362)**	**—**

(*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.

	Millions of yen
Category	**Current fiscal year (March 31, 2024)**
Unlisted stocks	**¥ 66**

(*2) Includes the current portion of long-term loans of 6,282 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, 2024

	Thousands of U.S. dollars		
	Carrying amount in the consolidated balance sheet	Fair value	Difference
(1) Notes receivable	**$ 15,018**	**$ 15,018**	**$ —**
(2) Accounts receivable	**170,748**	**170,748**	**—**
(3) Electronically recorded monetary claims	**60,372**	**60,372**	**—**
(4) Investments in securities			
Other securities (*1)	**85,714**	**85,714**	**—**
Total assets	**$ 331,873**	**$ 331,873**	**$ —**
(1) Notes and accounts payable	**121,768**	**121,768**	**—**
(2) Electronically recorded obligations - operating	**56,872**	**56,872**	**—**
(3) Short-term loans	**54,051**	**54,051**	**—**
(4) Bond	**46,232**	**45,736**	**(488)**
(5) Long-term loans (*2)	**149,897**	**150,736**	**838**
Total liabilities	**$ 428,829**	**$ 429,179**	**$ 343**
Derivative transactions (*3)	**(2,390)**	**(2,390)**	**—**

Notes to Consolidated Financial Statements

(Note) 1. Redemption schedule for monetary receivables after the consolidated balance sheet date

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
Cash and bank deposits	¥ 11,080	¥ —	¥ —	¥ —
Notes receivable	3,085	—	—	—
Accounts receivable	23,727	—	—	—
Electronically recorded monetary claims	7,930	—	—	—
Total	¥ 45,823	¥ —	¥ —	¥ —

Fiscal year ended March 31, 2024

	Millions of yen			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and bank deposits	**¥ 10,904**	**¥ —**	**¥ —**	**¥ —**
Notes receivable	**2,274**	**—**	**—**	**—**
Accounts receivable	**25,853**	**—**	**—**	**—**
Electronically recorded monetary claims	**9,141**	**—**	**—**	**—**
Total	**¥ 48,175**	**¥ —**	**¥ —**	**¥ —**

Fiscal year ended March 31, 2024

	Thousands of U.S. dollars			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and bank deposits	**$ 72,016**	**$ —**	**$ —**	**$ —**
Notes receivable	**15,018**	**—**	**—**	**—**
Accounts receivable	**170,748**	**—**	**—**	**—**
Electronically recorded monetary claims	**60,372**	**—**	**—**	**—**
Total	**$ 318,175**	**$ —**	**$ —**	**$ —**

(Note) 2. Repayment schedule for short-term loans, bond and long-term loans after the consolidated balance sheet date

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, 2024

	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	**¥ 8,184**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Bond	**—**	**—**	**7,000**	**—**	**—**	**—**
Long-term loans	**6,282**	**8,777**	**4,143**	**1,460**	**1,616**	**416**
Total	**¥ 14,466**	**¥ 8,777**	**¥ 11,143**	**¥ 1,460**	**¥ 1,616**	**¥ 416**

Fiscal year ended March 31, 2024

	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	**$ 54,051**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Bond	**—**	**—**	**46,232**	**—**	**—**	**—**
Long-term loans	**41,489**	**57,968**	**27,362**	**9,642**	**10,673**	**2,747**
Total	**$ 95,541**	**$ 57,968**	**$ 73,594**	**$ 9,642**	**$ 10,673**	**$ 2,747**

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

As of March 31, 2023

	Millions of yen			
	Fair value			
Category	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.

As of March 31, 2024

	Millions of yen			
	Fair value			
Category	Level 1	Level 2	Level 3	Total
Investments in securities				
Other securities	**¥ 12,978**	**¥ —**	**¥ —**	**¥ 12,978**
Total assets	**¥ 12,978**	**¥ —**	**¥ —**	**¥ 12,978**
Derivative transactions				
Currency-related (*)	**—**	**(362)**	**—**	**(362)**

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

As of March 31, 2024

	Thousands of U.S. dollars			
	Fair value			
Category	Level 1	Level 2	Level 3	Total
Investments in securities				
Other securities	**$ 85,714**	**$ —**	**$ —**	**$ 85,714**
Total assets	**$ 85,714**	**$ —**	**$ —**	**$ 85,714**
Derivative transactions				
Currency-related (*)	**—**	**(2,390)**	**—**	**(2,390)**

Notes to Consolidated Financial Statements

(2) Financial instruments other than those recorded in the consolidated balance sheet at fair value

As of March 31, 2023

	Millions of yen			
	Fair value			
Category	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

As of March 31, 2024

	Millions of yen			
	Fair value			
Category	Level 1	Level 2	Level 3	Total
Notes receivable	**¥ —**	**¥ 2,274**	**¥ —**	**¥ 2,274**
Accounts receivable	**—**	**25,853**	**—**	**25,853**
Electronically recorded monetary claims	**—**	**9,141**	**—**	**9,141**
Total assets	**¥ —**	**¥ 37,270**	**¥ —**	**¥ 37,270**
Notes and accounts payable	**—**	**18,437**	**—**	**18,437**
Electronically recorded obligations	**—**	**8,611**	**—**	**8,611**
Short-term loans	**—**	**8,184**	**—**	**8,184**
Bond	**—**	**6,925**	**—**	**6,925**
Long-term loans	**—**	**22,823**	**—**	**22,823**
Total liabilities	**¥ —**	**¥ 64,982**	**¥ —**	**¥ 64,982**

As of March 31, 2024

	Thousands of U.S. dollars			
	Fair value			
Category	Level 1	Level 2	Level 3	Total
Notes receivable	**$ —**	**$ 15,018**	**$ —**	**$ 15,018**
Accounts receivable	**—**	**170,748**	**—**	**170,748**
Electronically recorded monetary claims	**—**	**60,372**	**—**	**60,372**
Total assets	**$ —**	**$ 246,152**	**$ —**	**$ 246,152**
Notes and accounts payable	**—**	**121,768**	**—**	**121,768**
Electronically recorded obligations	**—**	**56,872**	**—**	**56,872**
Short-term loans	**—**	**54,051**	**—**	**54,051**
Bond	**—**	**45,736**	**—**	**45,736**
Long-term loans	**—**	**150,736**	**—**	**150,736**
Total liabilities	**$ —**	**$ 429,179**	**$ —**	**$ 429,179**

(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, the remaining term of the loans, and interest rate that takes into account the credit risk, and is classified as Level 2.

Securities

1. Other securities

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.

As of March 31, 2024

		Millions of yen		
Type		Carrying amount recorded in the consolidated balance sheet	Acquisition cost	Difference
Securities whose carrying amount exceeds their acquisition cost	Stock	**¥ 12,978**	**¥ 3,074**	**¥ 9,903**
	Bond	**—**	**—**	**—**
	Other	**—**	**—**	**—**
	Subtotal	**¥ 12,978**	**¥ 3,074**	**¥ 9,903**
Securities whose carrying amount does not exceed their acquisition cost	Stock	**—**	**—**	**—**
	Bond	**—**	**—**	**—**
	Other	**—**	**—**	**—**
	Subtotal	**—**	**—**	**—**
Total		**¥ 12,978**	**¥ 3,074**	**¥ 9,903**

As of March 31, 2024

		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	**$ 85,714**	**$ 20,302**	**$ 65,405**
	Bond	**—**	**—**	**—**
	Other	**—**	**—**	**—**
	Subtotal	**$ 85,714**	**$ 20,302**	**$ 65,405**
Securities whose carrying amount does not exceed their acquisition cost	Stock	**—**	**—**	**—**
	Bond	**—**	**—**	**—**
	Other	**—**	**—**	**—**
	Subtotal	**—**	**—**	**—**
Total		**$ 85,714**	**$ 20,302**	**$ 65,405**

(Note) Since unlisted stocks (carrying amount on the consolidated balance sheet: 63 million yen) do not have market prices, they are not included in "Other securities" in the above table.

2. Other securities sold

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

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

Notes to Consolidated Financial Statements

Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

Type	Millions of yen		
	Sales amount	Total gain on sales	Total loss on sales
Stock	¥ 405	¥ 208	¥ —
Bond	—	—	—
Other	—	—	—
Total	¥ 405	¥ 208	¥ —

Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

Type	Thousands of U.S. dollars		
	Sales amount	Total gain on sales	Total loss on sales
Stock	$ 2,674	$ 1,373	$ —
Bond	—	—	—
Other	—	—	—
Total	$ 2,674	$ 1,373	$ —

Derivative transactions

1. Derivative transactions for which hedge accounting is not applied

Currency-related

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)
	Long position				
	Euro	—	—	—	—
Total		¥ 1,660	¥ —	¥ (49)	¥ (49)

Fiscal year ended March 31, 2024

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	¥ 5,252	¥ —	¥ (359)	¥ (359)
	Long position				
	Euro	394	—	(2)	(2)
Total		¥ 5,646	¥ —	¥ (362)	¥ (362)

Fiscal year ended March 31, 2024

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	$ 34,687	$ —	$ (2,371)	$ (2,371)
	Long position				
	Euro	2,602	—	(13)	(13)
Total		$ 37,289	$ —	$ (2,390)	$ (2,390)

2. Derivative transactions for which hedge accounting is applied

Interest rate currency-related

Fiscal year ended March 31, 2023

Not applicable.

Fiscal year ended March 31, 2024

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. The Company and some of its consolidated subsidiaries revised the defined benefit plan in the fiscal year under review in accordance with the extension of the retirement age from 60 to 65.

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, 2022 to March 31, 2023)	Fiscal year under review (From April 1, 2023 to March 31, 2024)	Fiscal year under review (From April 1, 2023 to March 31, 2024)
Balance of retirement benefit obligation at beginning of year	¥ 8,596	¥ 7,840	$ 51,779
Service cost	228	237	1,565
Interest cost	39	77	508
Actuarial gains and losses accrued	(361)	142	937
Retirement benefits paid	(731)	(642)	(4,240)
Other	68	101	667
Balance of retirement benefit obligation at end of year	¥ 7,840	¥ 7,755	$ 51,218

(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, 2022 to March 31, 2023)	Fiscal year under review (From April 1, 2023 to March 31, 2024)	Fiscal year under review (From April 1, 2023 to March 31, 2024)
Balance of plan assets at beginning of year	¥ 14,438	¥ 14,501	$ 95,773
Expected return on plan assets	254	246	1,624
Actuarial gains and losses	292	(322)	(2,126)
Contributions by the employer	235	191	1,261
Retirement benefits paid	(720)	(565)	(3,731)
Balance of plan assets at end of year	¥ 14,501	¥ 14,051	$ 92,801

(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, 2022 to March 31, 2023)	Fiscal year under review (From April 1, 2023 to March 31, 2024)	Fiscal year under review (From April 1, 2023 to March 31, 2024)
Balance of liabilities for retirement benefits at beginning of year	¥ 3,295	¥ 3,452	$ 22,799
Retirement benefit expense	406	387	2,555
Retirement benefits paid	(163)	(157)	(1,036)
Contributions to the plan	(22)	(24)	(158)
Other	(62)	(180)	(1,188)
Balance of liabilities for retirement benefits at end of year	¥ 3,452	¥ 3,477	$ 22,964

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 (From April 1, 2022 to March 31, 2023)	**Fiscal year under review (From April 1, 2023 to March 31, 2024)**	**Fiscal year under review (From April 1, 2023 to March 31, 2024)**
Funded retirement benefit obligation	¥ 8,036	**¥ 7,999**	**$ 52,830**
Plan assets	(14,687)	**(14,324)**	**(94,604)**
	(6,651)	**(6,324)**	**(41,767)**
Unfunded retirement benefit obligation	3,442	**3,529**	**21,524**
Net amount of liabilities and assets recorded in the consolidated balance sheet	(3,208)	**(2,794)**	**(18,453)**
Liabilities for retirement benefits	3,728	**3,916**	**25,863**
Assets for retirement benefits	(6,936)	**(6,711)**	**(44,323)**
Net amount of liabilities and assets recorded in the consolidated balance sheet	(3,208)	**(2,794)**	**(18,453)**

(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, 2022 to March 31, 2023)	**Fiscal year under review (From April 1, 2023 to March 31, 2024)**	**Fiscal year under review (From April 1, 2023 to March 31, 2024)**
Service cost	¥ 228	**¥ 237**	**$ 1,565**
Interest cost	39	**77**	**508**
Expected return on plan assets	(254)	**(246)**	**(1,624)**
Amortization of actuarial gains and losses	(115)	**(25)**	**(165)**
Amortization of past service cost	—	**(4)**	**(26)**
Retirement benefit expenses calculated by the simplified method	406	**387**	**2,555**
Retirement benefit expense relating to defined benefit plans	304	**426**	**2,813**

(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, 2022 to March 31, 2023)	**Fiscal year under review (From April 1, 2023 to March 31, 2024)**	**Fiscal year under review (From April 1, 2023 to March 31, 2024)**
Actuarial gains and losses	¥ 538	**¥ (490)**	**$ (3,236)**
Total	¥ 538	**¥ (490)**	**$ (3,236)**

(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, 2023)	**Fiscal year under review (March 31, 2024)**	**Fiscal year under review (March 31, 2024)**
Unrecognized actuarial gains and losses	¥ 59	**¥ (431)**	**$ (2,846)**
Total	¥ 59	**¥ (431)**	**$ (2,846)**

(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, 2023)	**Fiscal year under review (March 31, 2024)**
Bond	20%	**22%**
Equities	47%	**45%**
General accounts at life insurance companies	13%	**13%**
Cash and deposits	5%	**7%**
Other	15%	**14%**
Total	100%	**100%**

(Note) The total pension plan assets include 31% and 28% of the retirement benefits trust for the corporate pension fund plans as of March 31, 2023 and 2024, 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, 2022 to March 31, 2023)	**Fiscal year under review (From April 1, 2023 to March 31, 2024)**
Discount rate	0.8%	**1.1%**
Expected long-term rates of return on plan assets	1.7%	**1.8%**
Expected rate of salary increase	2.6%	**2.0%**

3. Defined contribution plans

The amounts of required contributions to the defined contribution plans of the consolidated subsidiaries are 11 million yen for the previous fiscal year (from April 1, 2022 to March 31, 2023) and 17 million yen for the fiscal year under review (from April 1, 2023 to March 31, 2024).

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, 2023)	**Fiscal year under review (March 31, 2024)**	**Fiscal year under review (March 31, 2024)**
Deferred tax assets			
Tax loss carryforwards (Note 1)	¥ 4,794	**¥ 5,741**	**$ 37,916**
Provision for bonuses to employees	326	**343**	**2,265**
Unrealized profit on intercompany transactions	546	**549**	**3,625**
Impairment loss	1,036	**1,077**	**7,113**
Loss on devaluation of inventories	81	**138**	**911**
Acquisition related cost of acquired companies	93	**93**	**614**
Other	640	**504**	**3,328**
Gross deferred tax assets	7,519	**8,449**	**55,802**
Valuation allowance for tax loss carryforwards (Note 1)	(4,600)	**(5,560)**	**(36,721)**
Valuation allowance for temporary differences	(1,302)	**(1,299)**	**(8,579)**
Valuation allowance	(5,903)	**(6,860)**	**(45,307)**
Total deferred tax assets	1,615	**1,589**	**10,494**
Deferred tax liabilities			
Differences on land revaluation	(957)	**(957)**	**(6,320)**
Net unrealized holding gain on securities	(3,265)	**(3,023)**	**(19,965)**
Gain on marketable securities contributed to employees' retirement benefit trust	(145)	**(145)**	**(957)**
Assets for retirement benefits	(335)	**(254)**	**(1,677)**
Other	(653)	**(572)**	**(3,777)**
Total deferred tax liabilities	(5,357)	**(4,952)**	**(32,705)**
Net deferred tax assets (liabilities)	¥ (3,741)	**¥ (3,363)**	**$ (22,211)**

(Note) 1. Tax loss carryforwards and their deferred tax assets by expiration date
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	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

Fiscal year ended March 31, 2024

	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 (*)	**¥ 48**	**¥ 149**	**¥ 450**	**¥ 362**	**¥ 261**	**¥ 4,470**	**¥ 5,741**
Valuation allowance	**(17)**	**(141)**	**(448)**	**(360)**	**(259)**	**(4,332)**	**(5,560)**
Deferred tax assets	**30**	**7**	**1**	**1**	**1**	**138**	**181**

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

Fiscal year ended March 31, 2024

	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 (*)	**$ 317**	**$ 984**	**$ 2,972**	**$ 2,390**	**$ 1,723**	**$ 29,522**	**$ 37,916**
Valuation allowance	**(112)**	**(931)**	**(2,958)**	**(2,377)**	**(1,710)**	**(28,611)**	**(36,721)**
Deferred tax assets	**198**	**46**	**6**	**6**	**6**	**911**	**1,195**

(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, 2023)	**Fiscal year under review (March 31, 2024)**	**Fiscal year under review (March 31, 2024)**
Non-current assets - Deferred income taxes	¥ 851	**¥ 854**	**$ 5,640**
Long-term liabilities - Deferred income taxes	(4,593)	**(4,218)**	**(27,858)**

(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, 2023)	**Fiscal year under review (March 31, 2024)**	**Fiscal year under review (March 31, 2024)**
Deferred income taxes for land revaluation	¥ (1,596)	**¥ (1,596)**	**$ (10,540)**

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, 2023)	**Fiscal year under review (March 31, 2024)**
Statutory tax rate	30.6%	**30.6%**
(Adjustment)		
Non-deductible expenses such as entertainment expenses	4.0	**4.5**
Per capita portion of inhabitants' tax	1.5	**1.3**
Tax credit of research and development costs	(5.5)	**(1.8)**
Loss carryforwards of overseas subsidiaries for which tax effects are not recognized	53.3	**25.8**
Tax rate differences of overseas subsidiaries	(5.2)	**(2.6)**
Denial of impairment loss	0.7	**1.9**
Other	0.8	**(1.8)**
Effective tax rate after application of tax effect accounting	80.2	**57.9**

(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, and 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.

(Business combinations)
Not applicable.

(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.

Notes to Consolidated Financial Statements

Revenue recognition

1. Disaggregation of revenue from contracts with customers

Previous fiscal year (from April 1, 2022 to March 31, 2023)

	Millions of yen		
	Reportable segments		
	Human Life	Industry	Total
Japan	¥ 52,470	¥ 22,764	¥ 75,234
Germany	—	9,860	9,860
Other European countries	—	23,243	23,243
Asia	131	12,524	12,655
Other	—	3,689	3,689
Revenue from contracts with customers	52,602	72,081	124,683
Other revenue	—	—	—
Sales to third parties	52,602	72,081	124,683

Fiscal year under review (from April 1, 2023 to March 31, 2024)

	Millions of yen		
	Reportable segments		
	Human Life	Industry	Total
Japan	**¥ 49,073**	**¥ 25,634**	**¥ 74,708**
Germany	**—**	**13,109**	**13,109**
Other European countries	**—**	**25,718**	**25,718**
Asia	**29**	**12,148**	**12,177**
Other	**—**	**4,550**	**4,550**
Revenue from contracts with customers	**49,103**	**81,161**	**130,265**
Other revenue	**—**	**—**	**—**
Sales to third parties	**49,103**	**81,161**	**130,265**

Fiscal year under review (from April 1, 2023 to March 31, 2024)

	Thousands of U.S. dollars		
	Reportable segments		
	Human Life	Industry	Total
Japan	**$ 324,106**	**$ 169,301**	**$ 493,415**
Germany	**—**	**86,579**	**86,579**
Other European countries	**—**	**169,856**	**169,856**
Asia	**191**	**80,232**	**80,424**
Other	**—**	**30,050**	**30,050**
Revenue from contracts with customers	**324,304**	**536,034**	**860,346**
Other revenue	**—**	**—**	**—**
Sales to third parties	**324,304**	**536,034**	**860,346**

(Change in presentation method)
"Germany," which was included in "Europe" in the previous fiscal year, is presented separately since it exceeded 10% of net sales in the consolidated statement of income from the fiscal year under review. In addition, the name of the region has been changed from "Europe" to "Other European countries." In order to reflect this change in presentation method, the previous fiscal year has been reclassified under the new classification.

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.

FY2023 (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, whose obligations were satisfied in the past periods is not material.

FY2024 (from April 1, 2023 to March 31, 2024)
The amount of contract liabilities at the beginning of the fiscal year included in the revenue recognized for the fiscal year ended March 31, 2024 is not material. The amount of revenue recognized in the fiscal year, 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

FY2023 (from April 1, 2022 to March 31, 2023)

	Millions of yen				
	Reportable segments			Adjustments and eliminations (Note 1)	Total (Note 2)
	Human Life	Industry	Total		
Net sales					
Japan	¥ 52,470	¥ 22,764	¥ 75,234	¥ —	¥ 75,234
Germany	—	9,860	9,860	—	9,860
Other European countries	—	23,243	23,243	—	23,243
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
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 (loss) 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 using these materials, 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 using these materials, etc.

FY2024 (from April 1, 2023 to March 31, 2024)

	Millions of yen				
	Reportable segments			Adjustments and eliminations (Note 1)	Total (Note 2)
	Human Life	Industry	Total		
Net sales					
Japan	¥ 49,073	¥ 25,634	¥ 74,708	¥ —	¥ 74,708
Germany	—	13,109	13,109	—	13,109
Other European countries	—	25,718	25,718	—	25,718
Asia	29	12,148	12,177	—	12,177
Other	—	4,550	4,550	—	4,550
Revenue from contracts with customers	49,103	81,161	130,265	—	130,265
Other revenue	—	—	—	—	—
Sales to third parties	49,103	81,161	130,265	—	130,265
Inter-segment sales and transfers	595	127	723	(723)	—
Total	¥ 49,699	¥ 81,289	¥ 130,988	¥ (723)	¥ 130,265
Segment income	1,787	2,363	4,151	(1,417)	2,733
Segment assets	65,798	65,385	131,184	15,289	146,473
Other items					
Depreciation and amortization	1,923	3,027	4,951	765	5,716
Interest income	0	50	50	0	51
Interest expense	0	563	563	365	928
Increase in property, plant and equipment and intangible assets	2,178	2,289	4,468	593	5,062

FY2024 (from April 1, 2023 to March 31, 2024)

	Thousands of U.S. dollars				
	Reportable segments			Adjustments and eliminations (Note 1)	Total (Note 2)
	Human Life	Industry	Total		
Net sales					
Japan	$ 324,106	$ 169,301	$ 493,415	$ —	$ 493,415
Germany	—	86,579	86,579	—	86,579
Other European countries	—	169,856	169,856	—	169,856
Asia	191	80,232	80,424	—	80,424
Other	—	30,050	30,050	—	30,050
Revenue from contracts with customers	324,304	536,034	860,346	—	860,346
Other revenue	—	—	—	—	—
Sales to third parties	324,304	536,034	860,346	—	860,346
Inter-segment sales and transfers	3,929	838	4,775	(4,775)	—
Total	$ 328,241	$ 536,879	$ 865,121	$ (4,775)	$ 860,346
Segment income	11,802	15,606	27,415	(9,358)	18,050
Segment assets	434,568	431,840	866,415	100,977	967,393
Other items					
Depreciation and amortization	12,700	19,992	32,699	5,052	37,751
Interest income	0	330	330	0	336
Interest expense	0	3,718	3,718	2,410	6,129
Increase in property, plant and equipment and intangible assets	14,384	15,117	29,509	3,916	33,432

(Notes) 1. Adjustments and eliminations are as follows.
(1) Segment income in the amount of (1,417) million yen consists of inter-segment eliminations of (1) million yen and (1,415) million yen in corporate expenses that are not allocated to each reportable segment.
(2) Segment assets in the amount of 15,289 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 765 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 593 million yen mainly consist of assets related to Research and Development Center.
2. Segment income 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, CELPET, other foamed/molded products using these materials, ES Dan Mat, ESLEN Block, etc.
• Industry PIOCELAN, LIGHTLON, NEOMICROLEN, TECHPOLYMER, ST-gel, TECHEATER, ELASTIL, FOAMAC, ST-LAYER, ST-Eleveat, other foamed/molded products using these materials, etc.
4. Change in presentation method
"Germany," which was included in "Europe" in the previous fiscal year, is presented separately since it exceeded 10% of net sales in the consolidated statement of income from the fiscal year under review. In addition, the name of the region has been changed from "Europe" to "Other European countries." In order to reflect this change in presentation method, the segment information for the previous fiscal year has been reclassified under the new classification.

Notes to Consolidated Financial Statements

[Related information]

FY2023 (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	Germany	Other European countries	Asia	Other	Total
¥ 75,234	¥ 9,860	¥ 23,243	¥ 12,655	¥ 3,689	¥ 124,683

(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
¥ 43,271	¥ 4,201	¥ 4,239	¥ 1,990	¥ 53,702

3. Information by major customer

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

FY2024 (from April 1, 2023 to March 31, 2024)

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	Germany	Other European countries	Asia	Other	Total
¥ 74,708	**¥ 13,109**	**¥ 25,718**	**¥ 12,177**	**¥ 4,550**	**¥ 130,265**

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

Thousands of U.S. dollars					
Japan	Germany	Other European countries	Asia	Other	Total
$ 493,415	**$ 86,579**	**$ 169,856**	**$ 80,424**	**$ 30,050**	**$ 860,346**

(Change in presentation method)
"Germany," which was included in "Europe" in the previous fiscal year, is presented separately since it exceeded 10% of net sales in the consolidated statement of income from the fiscal year under review. In addition, the name of the region has been changed from "Europe" to "Other European countries." In order to reflect this change in presentation method, the segment information for the previous fiscal year has been reclassified under the new classification.

(2) Property, plant and equipment

Millions of yen				
Japan	Europe	Asia	Other	Total
¥ 42,442	**¥ 4,691**	**¥ 4,314**	**¥ 2,264**	**¥ 53,712**

Thousands of U.S. dollars				
Japan	Europe	Asia	Other	Total
$ 280,311	**$ 30,982**	**$ 28,492**	**$ 14,952**	**$ 354,745**

3. Information by major customer

	Millions of yen	
Customer	Net sales	Related segment
FP Corporation	**¥ 17,190**	Human Life

	Thousands of U.S. dollars	
Customer	Net sales	Related segment
FP Corporation	**$ 113,532**	Human Life

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

FY2023 (from April 1, 2022 to March 31, 2023)

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

FY2024 (from April 1, 2023 to March 31, 2024)

	Millions of yen			
	Human Life	Industry	Corporate and elimination	Total
Impairment loss	**¥ 39**	**¥ 159**	**¥ —**	**¥ 199**

	Thousands of U.S. dollars			
	Human Life	Industry	Corporate and elimination	Total
Impairment loss	**$ 257**	**$ 1,050**	**$ —**	**$ 1,314**

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

FY2023 (from April 1, 2022 to March 31, 2023)
Not applicable.

FY2024 (from April 1, 2023 to March 31, 2024)
Not applicable.

[Information on gain on negative goodwill by reportable segment]

FY2023 (from April 1, 2022 to March 31, 2023)
Not applicable.

FY2024 (from April 1, 2023 to March 31, 2024)
Not applicable.

[Related party information]

Related party transactions
Information is omitted due to a lack of materiality.

(Per share information)

	Yen	
	FY2023 (From April 1, 2022 to March 31, 2023)	**FY2024 (From April 1, 2023 to March 31, 2024)**
Net assets per share	¥ 1,275.00	**¥ 1,235.52**
Net income per share	10.00	**23.90**

(Note) 1. Diluted net income 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
	FY2023 (as of March 31, 2023)	**FY2024 (as of March 31, 2024)**	**FY2024 (as of March 31, 2024)**
Total net assets	¥ 58,464	**¥ 56,821**	**$ 375,279**
Deductions from total net assets	740	**760**	**5,019**
(Non-controlling interests)	(740)	**(760)**	**(5,019)**
Net assets related to common stock at the end of the period	¥ 57,723	**¥ 56,060**	**$ 370,252**
	Thousand shares		
Number of shares of common stock outstanding	46,988	**46,988**	
Number of shares of treasury stock	1,714	**1,614**	
Number of shares of common stock at the end of the period used in the calculation of net assets per share	45,273	**45,373**	

Notes to Consolidated Financial Statements

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

	Millions of yen		Thousands of U.S. dollars
	Previous fiscal year (From April 1, 2022 to March 31, 2023)	**Fiscal year under review (From April 1, 2023 to March 31, 2024)**	**Fiscal year under review (From April 1, 2023 to March 31, 2024)**
Net income (loss) per share			
Net income attributable to owners of the parent	¥ 452	**¥ 1,083**	**$ 7,152**
Amount not attributable to common shareholders	—	**—**	**—**
Net income (loss) related to common stock attributable owners of the parent	452	**1,083**	**7,152**
	Thousand shares		
Average number of shares of common stock during the period	45,250	**45,343**	

(Significant subsequent events)
Not applicable.

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

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

(Note) The scheduled amount of redemption of bonds for the 5 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]

	Millions of yen		Thousands of U.S. dollars		
Category	Balance at beginning of period	Balance at end of period	Balance at end of period	Average interest rate (%)	Repayment date
Short-term loans	¥ 7,878	¥ 8,184	$ 54,051	4.00%	—
Current portion of long-term loans	5,148	6,282	41,489	0.71%	—
Current portion of lease liabilities	846	929	6,135	—	—
Long-term loans (excluding the current portion)	18,094	16,413	108,401	1.04%	2025 to 2029
Lease liabilities (excluding the current portion)	3,423	3,386	22,363	—	2025 to 2044
Total	¥ 35,390	¥ 35,196	$ 232,454	—	—

(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 5 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	**¥ 8,777**	**¥ 4,143**	**¥ 1,460**	**¥ 1,616**
Lease liabilities	**918**	**491**	**386**	**331**

	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	**$ 57,968**	**$ 27,362**	**$ 9,642**	**$ 10,673**
Lease liabilities	**6,063**	**3,242**	**2,549**	**2,186**

[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.

Other

Quarterly information for the fiscal year ended March 31, 2024

	Millions of yen			
(Cumulative period)	Q1	Q2	Q3	Fiscal year under review
Net sales	**¥ 30,788**	**¥ 64,996**	**¥ 97,592**	**¥ 130,265**
Net income (loss) before income taxes	**(88)**	**1,168**	**728**	**2,623**
Net income (loss) attributable to owners of the parent	**(374)**	**459**	**(244)**	**1,083**
	Yen			
Net income (loss) per share	**¥ (8.28)**	**¥ 10.15**	**¥ (5.40)**	**¥ 23.90**

	Yen			
(Accounting period)	Q1	Q2	Q3	Fiscal year under review
Net income (loss) per share	**¥ (8.28)**	**¥ 18.41**	**¥ (15.53)**	**¥ 29.27**

	Thousands of U.S. dollars			
(Cumulative period)	Q1	Q2	Q3	Fiscal year under review
Net sales	**$ 203,341**	**$ 429,271**	**$ 644,554**	**$ 860,346**
Net income (loss) before income taxes	**(581)**	**7,714**	**4,808**	**17,323**
Net income (loss) attributable to owners of the parent	**(2,470)**	**(3,031)**	**(1,611)**	**7,152**

11 Years Summary

Fiscal Year	2013	2014*2	2015	2016	2017	2018	2019	2020	2021	2022	2023	2023
For the year:											Millions of yen	Thousands of U.S. dollars*1
Net Sales	¥ 109,923	¥ 113,660	¥ 101,559	¥ 102,398	¥ 112,101	¥ 112,593	¥ 136,155	¥ 118,851	¥ 117,567	¥ 124,683	**¥ 130,265**	**$ 860,346**
Operating Income	2,124	3,930	5,118	5,401	5,284	4,784	3,725	2,091	1,463	793	**1,261**	**8,328**
Ordinary Income	2,206	4,180	4,862	5,049	5,154	4,776	3,391	1,956	1,401	704	**2,733**	**18,050**
Net Income Attributable to Owners of the Parent	1,264	2,530	3,147	3,404	3,448	3,129	2,323	1,126	(5,917)	452	**1,083**	**7,152**
Capital Expenditures	3,434	5,908	4,424	5,836	7,762	7,368	5,261	5,377	3,825	3,682	**5,062**	**33,432**
Depreciation and Amortization	3,856	3,999	3,937	3,591	4,087	4,517	6,071	6,217	6,176	5,650	**5,716**	**37,751**
Research and Development Costs	1,936	1,877	1,856	1,916	2,104	2,145	2,769	2,655	2,784	2,707	**2,578**	**17,026**
At year-end:												
Total Assets	¥ 110,687	¥ 116,201	¥ 114,892	¥ 119,670	¥ 131,774	¥ 152,845	¥ 149,103	¥ 158,439	¥ 143,308	¥ 145,175	**¥ 146,473**	**$ 967,393**
Total Net Assets	54,036	58,275	58,800	61,363	66,145	66,771	67,217	70,657	58,242	58,464	**56,821**	**375,279**
Interest-bearing Debt	18,566	19,467	18,274	18,424	19,096	35,229	39,583	41,704	41,588	42,390	**42,196**	**278,687**
Per Share Data*3:											Yen	U.S. dollars*1
Net Income	¥ 26.96	¥ 54.14	¥ 67.34	¥ 73.03	¥ 75.33	¥ 69.09	¥ 51.29	¥ 24.86	¥ (130.99)	¥ 10.00	**¥ 23.90**	**$ 0.15**
Net Assets	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	**1,235.52**	**8.16**
Cash Dividends	14.00	18.00	24.00	24.00	27.00	30.00	30.00	21.00	12.00	12.00	**13.00**	**0.08**
Other Data (financial):												
Operating Income Ratio (%)	1.9	3.5	5.0	5.3	4.7	4.2	2.7	1.8	1.2	0.6	**1.0**	
ROE (%)	2.5	4.6	5.4	5.7	5.5	4.8	3.6	1.6	(9.3)	0.8	**1.9**	
ROA (%)	2.0	3.7	4.2	4.3	4.1	3.4	2.2	1.3	0.9	0.5	**1.9**	
Equity Ratio (%)	48.0	49.5	50.6	50.7	49.6	42.7	44.1	44.2	40.1	39.8	**38.3**	
Other Data (non-financial):												
Number of Employees as of March 31	1,833	1,859	1,895	2,011	2,101	3,881	3,855	3,808	3,658	3,505	**3,460**	
Number of Employees in Japan as of March 31	1,609	1,539	1,545	1,633	1,680	1,723	1,695	1,676	1,726	1,653	**1,652**	
Number of Employees outside Japan as of March 31	224	320	350	378	421	2,158	2,160	2,132	1,932	1,852	**1,808**	
Ratio of Women (%)*4	N.A.	N.A.	16.9	18.1	18.9	20.7	19.9	26.9	28.5	28.4	**26.3**	

*1 U.S. dollar amounts represent translations of Japanese yen, for readers' convenience only, at the rate of ¥151.41 = U.S.$1.00, the prevailing exchange rate at March 31, 2024.
*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.

Company Information

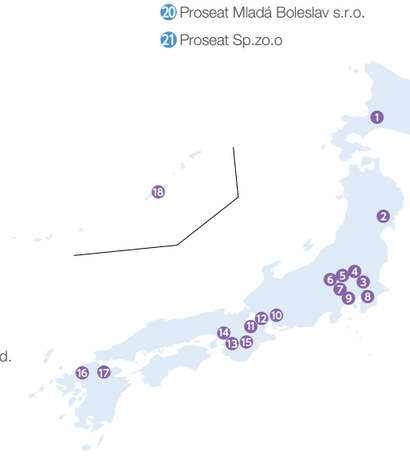
Our Group Network

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 Schwarzheide 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, 2024)

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	441 (non-consolidated) 3,460 (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

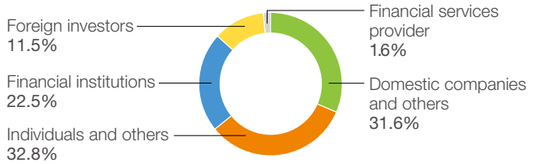
Human Life	
Market/ Application	Agricultural and marine product containers, food containers, distribution materials, construction materials, civil engineering materials
Major Products	ESLEN Beads, ESLEN Sheet, ESLEN Wood, INTERFOAM, other foamed/molded products, ES Dan Mat, ESLEN Block, etc.

Stock Information (As of March 31, 2024)

Basic Information

Ordinary general meeting of shareholders	June	
Record date	Ordinary general meeting of shareholders: Year-end dividend: Interim dividend:	March 31 March 31 September 30
Listings	Prime Market, Tokyo Stock Exchange	
Securities code	4228	
Common stock—issued	46,988,109 shares	
Number of shareholders	9,676	
Transfer agent	Mitsubishi UFJ Trust and Banking Corporation	
Independent auditor	Ernst & Young ShinNihon LLC	

Breakdown of Shareholder



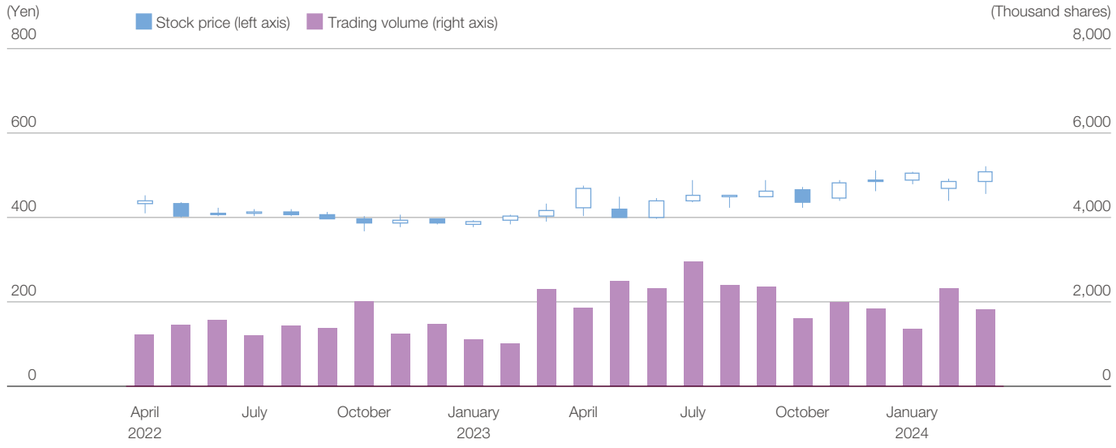
Note: Calculated after deducting treasury stock holdings of 1,614 thousand shares

Major Shareholders

Name	Number of Shares Held (thousands)	Percentage of Ownership (%)
SEKISUI CHEMICAL CO., LTD.	9,855	21.72
The Master Trust Bank of Japan, Ltd.	3,226	7.11
Employees' Shareholding	1,979	4.36
The Dai-ichi Life Insurance Company, Limited	1,970	4.34
Interactive Brokers LLC	1,562	3.44
Sekisui Jushi Corporation	1,419	3.13
Daido Life Insurance Company	1,418	3.13
FP Corporation	1,348	2.97
MUFG Bank Ltd.	1,327	2.93
Business Partners Shareholding	1,266	2.79

Note: The Company maintains 1,614,000 shares of treasury stock, which dose not include the holdings of the major shareholders in the above list.

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.sekisuikasei.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

Integrated Report 2024 Published in October 2024

Easy-to-read universal design fonts are used in this report.

2410SD410.5-0