Disclaimer: This document is a translation of part of the Japanese original. The Japanese original has been disclosed in Japan in accordance with Japanese accounting standards and the Financial Instruments and Exchange Act. This document does not contain or constitute any guarantee and the Company will not compensate any losses and/or damage stemming from actions taken based on this document. In the case that there is any discrepancy between the Japanese original and this document, the Japanese original shall prevail.

Annual Securities Report

The 101st Business Term

From April 1, 2022
to March 31, 2023

SEKISUI CHEMICAL CO., LTD.

E00820

Table of Contents

[Cover]

Part 1. Company Information 4
I. Overview of Company 4
1. Key financial data 4
2. History 6
3. Description of business 8
4. Subsidiaries and associates 12
5. Employees 17
II. Overview of Business 21
1. Management policy, business environment, and issues to be addressed 21
2. Thinking on sustainability and sustainability initiatives 28
3. Business risks 42
4. Management Analysis of Financial Position, Business Results and Cash Flows 46
5. Material contracts, etc. 51
6. Research and development activities 51
III. Information About Facilities 54
1. Overview of capital expenditures 54
2. Major facilities 54
3. Planned addition, retirement, and other changes of facilities 60
IV. Information About Reporting Company 61
1. Company's shares, etc. 61
(1) Total number of shares 61
(2) Share acquisition rights 61
(3) Exercise of moving strike convertible bonds, etc. 61
(4) Changes in the total number of issued shares, share capital, etc. 61
(5) Shareholding by shareholder category 62
(6) Major shareholders 63
(7) Voting rights 64
(8) Share ownership plan for directors (and other officers) and employees 64
2. Acquisition and disposal of treasury shares 67
3. Dividend policy 69
4. Corporate governance 70
(1) Overview of corporate governance 70
(2) Directors (and other officers) 75
(3) Audit 90
(4) Remuneration, etc. for Directors (and other officers) 94
(5) Shareholdings 97
V. Financial Information 103
1. Consolidated financial statements and other information 104
(1) Consolidated financial statements 104
(2) Other 157
2 Non-consolidated financial statements and other information 158
(1) Non-consolidated financial statements 158
(2) Components of major assets and liabilities 174
(3) Other 174
VI. Outline of Share-Related Administration of Reporting Company 175
VII. Reference Information of Reporting Company 176
Part 2 Information About Reporting Company's Guarantor, Etc. 177

Cover page

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Filing date	June 22, 2023
Fiscal year	101st Business Term (from April 1, 2022 to March 31, 2023)
Company name	積水化学工業株式会社 (*Sekisuikagakukogyo kabushiki-kaisha*)
Company name in English	Sekisui Chemical Co., Ltd.
Job title and name of representative	Keita Kato, President and Representative Director, and Chief Executive Officer
Address of registered headquarter	4-4 Nishitemma 2-Chome, Kita-ku, Osaka, Japan
Telephone number	+81-6-6365-4105
Name of contact person	Tatsuya Nishida, Executive Officer and Head of Corporate Finance & Accounting Department
Nearest place of contact	10-4 Toranomon 2-Chome, Minato-ku, Tokyo, Japan
Telephone number	+81-3-6748-6460
Name of contact person	Naoko Fukutomi, Executive Officer and Head of Legal Department
Place for public inspection	Tokyo Head Office of Sekisui Chemical Co., Ltd.* (10-4 Toranomon 2-Chome, Minato-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo)

(Note) Although the place marked with an asterisk (*) is not required by the Financial Instruments and Exchange Act to make this document available for public inspection, it is prepared to provide this document for inspection by shareholders, etc., for their convenience.

Part 1. Company Information

I. Overview of Company

1. Key financial data

(1) Key financial data (consolidated)

Term		97th Business Term	98th Business Term	99th Business Term	100th Business Term	101st Business Term
Year ended		March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023
Net sales	(Millions of yen)	1,142,713	1,129,254	1,056,560	1,157,945	1,242,521
Ordinary profit	(Millions of yen)	93,146	87,202	62,649	97,001	104,241
Profit attributable to owners of parent	(Millions of yen)	66,093	59,181	41,544	37,067	69,263
Comprehensive income	(Millions of yen)	55,648	36,364	93,956	41,509	84,008
Net assets	(Millions of yen)	632,746	634,219	694,392	702,753	732,525
Total assets	(Millions of yen)	1,023,706	1,105,781	1,150,143	1,198,921	1,228,131
Net assets per share	(Yen)	1,307.75	1,333.76	1,485.89	1,519.19	1,642.67
Basic earnings per share	(Yen)	141.74	128.80	91.92	83.17	159.19
Diluted earnings per share	(Yen)	141.64	128.77	–	–	–
Equity-to-asset ratio	(%)	59.31	55.10	58.00	56.27	57.41
Rate of return on equity	(%)	11.06	9.73	6.51	5.53	10.04
Price-earnings ratio	(Times)	12.55	11.17	23.12	21.15	11.78
Net cash provided by operating activities	(Millions of yen)	85,213	92,647	75,271	105,023	71,543
Net cash provided by (used in) investing activities	(Millions of yen)	(62,553)	(100,562)	(58,495)	2,694	(59,430)
Net cash provided by (used in) financing activities	(Millions of yen)	(31,539)	15,450	(19,157)	(54,729)	(62,906)
Cash and cash equivalents at end of period	(Millions of yen)	68,613	74,721	76,649	133,739	85,207
Number of employees	(Persons)	26,486	27,003	26,577	26,419	26,838

(Notes) 1. The amount of diluted earnings per share in the 99th Business Term is not provided because there are no potential shares with dilutive effects, and the amounts of diluted earnings per share in the 100th Business Term and the 101st Business Term are not provided because there are no potential shares.

2. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the 100th Business Term, and the key financial data for the 100th Business Term and thereafter are those after applying such accounting standard and relevant ASBJ regulations.

(2) Key financial data of reporting company

Term		97th Business Term	98th Business Term	99th Business Term	100th Business Term	101st Business Term
Year ended		March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023
Net sales	(Millions of yen)	359,993	354,633	333,064	359,176	382,513
Ordinary profit	(Millions of yen)	42,395	42,995	47,074	42,598	57,284
Profit	(Millions of yen)	38,454	33,484	41,210	55,915	47,379
Share capital	(Millions of yen)	100,002	100,002	100,002	100,002	100,002
Total number of issued shares	(Thousands of shares)	492,507	484,507	476,507	471,507	456,507
Net assets	(Millions of yen)	307,021	299,612	330,410	339,641	340,237
Total assets	(Millions of yen)	593,435	646,079	690,848	668,738	715,221
Net assets per share	(Yen)	660.50	655.27	735.43	764.25	792.14
Dividend per share (Interim dividend per share)	(Yen)	44.00 (21.00)	46.00 (23.00)	47.00 (23.00)	49.00 (24.00)	59.00 (29.00)
Basic earnings per share	(Yen)	82.41	72.82	91.11	125.36	108.81
Diluted earnings per share	(Yen)	82.35	72.80	–	–	–
Equity-to-asset ratio	(%)	51.71	46.36	47.83	50.79	47.57
Rate of return on equity	(%)	12.45	11.04	13.08	16.69	13.94
Price-earnings ratio	(Times)	21.59	19.68	23.32	14.03	17.24
Payout ratio	(%)	53.39	63.17	51.59	39.09	54.22
Number of employees	(Persons)	2,617	2,666	2,745	2,761	2,818
Total shareholder return	(%)	98.2	82.1	121.9	104.8	114.3
(Comparative index: dividend-included TOPIX)	(%)	(95.0)	(85.9)	(122.1)	(124.6)	(131.8)
Highest stock price	(Yen)	2,114	1,986	2,243	2,187	2,019
Lowest stock price	(Yen)	1,532	1,142	1,267	1,648	1,613

(Notes) 1. The amount of diluted earnings per share in the 99th Business Term is not provided because there are no potential shares with dilutive effects, and the amounts of diluted earnings per share in the 100th Business Term and the 101st Business Term are not provided because there are no potential shares.

2. The highest and lowest stock prices from April 4, 2022 were those recorded on the Prime market of the Tokyo Stock Exchange, and those before the date were recorded on the first section of the Tokyo Stock Exchange.

3. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the 100th Business Term, and the key financial data for the 100th Business Term and thereafter are those after applying such accounting standard and relevant ASBJ regulations.

2. History

Mar. 1947	Sekisui Sangyo Co., Ltd. was established by employees of Nippon Chisso Hiryo K.K. (currently Chisso Corporation) under a plan to run a general plastic business
Jan. 1948	Opened Nara Plant, and started the first automatic plastic injection molding business in Japan Changed company name to Sekisui Chemical Co., Ltd.
Mar. 1953	Listed on the Osaka Securities Exchange
Sept. 1953	Opened Tokyo Plant, and commenced production of molded plastic products
Apr. 1954	Listed on the Tokyo Stock Exchange
June 1956	Opened Central Research Laboratory (currently Research & Development Institute)
Aug. 1960	Opened Shiga Ritto Plant, and commenced production of PVC pipes and PVC building material products
Nov. 1960	Opened Shiga Minakuchi Plant, and commenced production of polyvinyl butyral and interlayer films
July 1962	Opened Musashi Plant, and commenced production of plastic tape and PVC tape
Jan. 1964	Established Tokuyama Sekisui Industry Co., Ltd. (currently a consolidated subsidiary), and commenced production of polyvinyl chloride resins
Feb. 1971	Entered the housing business with the launch of steel frame prefabricated modular house “Heim”
Oct. 1971	Established Naseki Industry Co., Ltd. (currently Sekisui Heim Industry Co., Ltd., a consolidated subsidiary) and commenced production of prefabricated modular houses
Mar. 1972	Established SAN-ES Heim Manufacturing Co., Ltd. (currently Sekisui Heim Industry Co., Ltd., a consolidated subsidiary) and commenced production of prefabricated modular houses
May 1977	Adopted the divisional organizational structure
Mar. 1982	Launched wooden-frame prefabricated modular house Two-U Home
Apr. 1982	Opened Gunma Plant, and commenced production of PVC pipes and exterior paneling for prefabricated modular houses
Dec. 1983	Established Sekisui America Corporation in the United States (currently a consolidated subsidiary)
July 1987	Opened Applied Electronics Research Center (currently Advanced Technology Institute, R&D Center)
Sept. 1990	Opened Housing Research & Development Institute (currently Housing Technology Institute) in the Housing Division (currently Housing Company)
Apr. 1992	Established Kyoto Technology Center (currently General Institute)
Aug. 1997	Acquired Komatsu Kasei Co., Ltd. (currently Vantec Co., Ltd., a consolidated subsidiary) to strengthen pipes business
Jan. 2000	Acquired Hinomaru Co., Ltd. (currently Kyushu Sekisui Shoji Infratec Co., Ltd., a consolidated subsidiary) to strengthen sales system in the Kyushu region
Mar. 2000	Established new divisions by restructuring seven business divisions into three: Housing Division, Urban Infrastructure & Environmental Products Division, and High Performance Plastics Division
Oct. 2000	Changed the housing sales structure by restructuring housing sales organizations in the metropolitan area and the Kinki region into sales companies
Mar. 2001	Implemented Divisional Company Organization System, and the three business divisions (Housing Division, Urban Infrastructure & Environmental Products Division, and High Performance Plastics Division) were renamed Housing Company, Urban Infrastructure & Environmental Products Company, and High Performance Plastics Company
Apr. 2002	Reorganized the head office functions into five departments and two offices
Apr. 2003	Reorganized the housing sales structure in the Chugoku region by establishing Sekisui Heim Chugoku Co., Ltd. (currently Sekisui Heim Chushikoku Co., Ltd., a consolidated subsidiary) Acquired South Korea’s Youngbo Chemical Co., Ltd. (consolidated subsidiary listed on the Korea Exchange) to enhance global competitiveness
Aug. 2004	Reorganized the housing sales structure in the Tohoku region by establishing Sekisui Heim Tohoku Co., Ltd. (currently a consolidated subsidiary)
July 2005	Reorganized the housing sales structure in the Kyushu region by establishing Sekisui Heim Kyushu Co., Ltd. (currently a consolidated subsidiary)
Oct. 2006	Acquired Daiichi Pure Chemicals Co., Ltd. (currently Sekisui Medical Co., Ltd., a consolidated subsidiary) to strengthen the life science field of the High Performance Plastics Company
Jan. 2007	Reorganized the head office functions into five departments and one office, and established the CSR Department
July 2007	Reorganized the housing sales structure in the metropolitan area, the Chubu region and the Kinki region by establishing Tokyo Sekisui Heim Co., Ltd. (currently a consolidated subsidiary), Sekisui Heim Chubu Co., Ltd. (currently a consolidated subsidiary) and Sekisui Heim Kinki Co., Ltd. (currently a consolidated subsidiary)

Apr. 2008	Introduced an executive officers system
Oct. 2008	Opened Taga Plant, and commenced production of film and tape product lines for IT use
July 2009	Acquired the polyvinyl alcohol resin business from group companies of Celanese Corporation, a chemical company based in the United States, to develop a stable raw material supply system for the laminated glass interlayer business
Jan. 2011	Acquired the diagnostics business from Genzyme Corporation, a pharmaceutical company based in the United States, and established a new company to accelerate full-scale global business expansion in the medical field
Dec. 2012	Acquired the pipe materials business from Mitsubishi Plastics, Inc. (currently Mitsubishi Chemical Corporation) to strengthen the business foundation centering on pipe materials
Mar. 2013	Opened a prefabricated modular house mass-production plant in Thailand for full-scale entry into housing business in Thailand
Dec. 2015	Acquired Eidia Co., Ltd. (currently Sekisui Medical Co., Ltd., a consolidated subsidiary), a diagnostic reagents subsidiary of Eisai Co., Ltd., to strengthen the life science field of the High Performance Plastics Company
Dec. 2016	Established Sekisui Chemical (Shanghai) Investment Co., Ltd., (currently Sekisui Chemical (China) Co., Ltd., a consolidated subsidiary) as regional headquarters in China
Apr. 2017	Merged Sekisui Medical Co., Ltd. and Eidia Co., Ltd., achieved synergy effects at an early stage Established Sekisui Heim Industry Co., Ltd. (currently a consolidated subsidiary) by merging four housing production companies in the three metropolitan areas of Kanto, Chubu and Kinki
Aug. 2017	Expanded business into automobiles, transportation and other fields and strengthened core technologies including materials formulation and processing technologies by acquiring rights of group management of Polymatech Japan Co., Ltd. (currently Sekisui Polymatech Co., Ltd., a consolidated subsidiary)
Dec. 2017	Acquired Soflan Wiz Co., Ltd. (currently Sekisui Soflan Wiz Co., Ltd., a consolidated subsidiary) from Toyo Tire & Rubber Co., Ltd. (currently Toyo Tire Corporation) to strengthen development and sales of fireproof and non-flammable products
Mar. 2018	Acquired all the outstanding shares in Veredus Laboratories Pte. Ltd. (currently a consolidated subsidiary), a genetic testing company in Singapore to accelerate the development of promising markets in areas such as China and other Asian countries
Apr. 2018	Reorganized production subsidiaries managed by the Urban Infrastructure & Environmental Products Company throughout the Kanto and Tohoku region, and established Higashi Nihon Sekisui Industry Co., Ltd. (currently a consolidated subsidiary)
Jan. 2019	Established Sekisui Town Management Co., Ltd. (currently Sekisui Gojinsha Town Management Co., Ltd., a consolidated subsidiary) as part of the Town and Community Development Business
Apr. 2019	Reorganized production subsidiaries managed by the Urban Infrastructure & Environmental Products Company in the Western Japan area, and established Nishi Nihon Sekisui Industry Co., Ltd. (currently a consolidated subsidiary) Reorganized the head office functions into seven departments, one office and two centers, and established the ESG Management Department Started marketing Sekisui's SmartHeim Denki Power Trading Service to customers
Nov. 2019	Acquired AIM Aerospace Corporation in the United States (currently Sekisui Aerospace Corporation, a consolidated subsidiary) to accelerate expansion of the mobility material field for automobiles, aircraft, etc., marked as a growth sector
Apr. 2022	Changed listing from the First Section of the Tokyo Stock Exchange to the Prime Market due to the exchange's market reorganization

3. Description of business

The Company and its subsidiaries and associates (consisting of 94 domestic subsidiaries, 71 foreign subsidiaries, and 15 associates (as of March 31, 2023)) carry out businesses mainly in the five segments of Housing, Urban Infrastructure & Environmental Products, High Performance Plastics, Medical, and Other Businesses. Roles of the Company and its subsidiaries and associates in each business are as follows:

From the fiscal year under review, for the purpose of optimizing the business portfolio in pursuit of greater synergies, the Group changed to classify and disclose Fire Protection Materials Division, CPVC-related business fields and Crosswave products into Urban Infrastructure and Environmental Products ("UIEP") Segment from High Performance Plastics ("HPP") Segment, also the Group revised to classify and disclose SEKISUI SEIKEI CO., LTD. and SEKISUI KYDEX, LLC. into "HPP" Segment from "UIEP" Segment.

[Housing Business]

The Housing business is engaged in manufacturing, construction and sales of steel frame and wooden-frame prefabricated modular houses, sales of subdivision, refurbishing, real-estate brokerage, leasing management, interior and exterior decoration, caregiving service for the elderly, electric power trading, and town and community development business, among others.

Major subsidiaries and associates:

(Procurement of raw materials)

Sekisui Global Trading Co., Ltd.

(Procurement of building materials)

Sekisui Heim Supply Co., Ltd.

(Product manufacturing)

Hokkaido Sekisui Heim Industry Co., Ltd., Tohoku Sekisui Heim Industry Co., Ltd., Sekisui Heim Industry Co., Ltd., Chushikoku Sekisui Heim Industry Co., Ltd., Kyushu Sekisui Heim Industry Co., Ltd., Sekisui Board Co., Ltd., Sekisui-SCG Industry Co., Ltd.

(Product sales and construction)

Hokkaido Sekisui Heim Co., Ltd., Sekisui Heim Tohoku Co., Ltd., Tochigi Sekisui Heim Co., Ltd., Gunma Sekisui Heim Co., Ltd.,
Sekisui Heim Shinetsu Co., Ltd., Tokyo Sekisui Heim Co., Ltd., Sekisui Heim Chubu Co., Ltd., Sekisui Heim Kinki Co., Ltd., Sekisui Heim Chushikoku Co., Ltd., Sekisui Heim Kyushu Co., Ltd., Ibaraki Sekisui Heim Co., Ltd., Sekisui Heim Tokai Co., Ltd.,
Sekisui Heim Sanyo Co., Ltd., Sekisui Heim Higashishikoku Co., Ltd.

(Construction of products, services, etc.)

Hokkaido Sekisui Fami S Co., Ltd., Sekisui Fami S Tohoku Co., Ltd., Sekisui Fami S Shinetsu Co., Ltd.,
Tokyo Sekisui Fami S Co., Ltd., Sekisui Fami S Chubu Co., Ltd., Sekisui Fami S Kinki Co., Ltd.,
Sekisui Fami S Chushikoku Co., Ltd., Sekisui Fami S Kyushu Co., Ltd., Sekisui Design Works Corporation,
Tohoku Sekisui Heim Real Estate Co., Ltd., Sekisui Heim Real Estate Co., Ltd., Chushikoku Sekisui Heim Real Estate Co., Ltd.,
Kyushu Sekisui Heim Real Estate Co., Ltd., Sekisui Unidea Co., Ltd., Sekisui Oasis Co., Ltd., HealthyService Corporation,
Tokyo Sekisui Heim Sekou Co., Ltd., Kinki Sekisui Heim Sekou Co., Ltd., Sekisui Heim Real Estate SSI Co., Ltd.

(Sales of products, services, etc.)

Sekisui Gojinsha Town Management Co., Ltd.

[Urban Infrastructure & Environmental Products Business]

The Urban Infrastructure & Environmental Products business is engaged in manufacturing, sales and construction of PVC pipes and joints, polyethylene pipes and joints, plastic valves, reinforced plastic pipes, chlorinated PVC resin compound, material for underground rainwater storage systems, building materials (for gutters and home exteriors), nursing-care equipment, prefabricated bath, fiber-reinforced foamed urethane (FFU), vibration absorbing and soundproofing material, non-flammable polyurethane foam, fire protection materials, pipeline and drain renewal materials and construction methods, panel tanks, etc.

Major subsidiaries and associates:

(Production of materials)

Tokuyama Sekisui Co., Ltd.

(Product manufacturing)

Higashi Nihon Sekisui Industry, Co., Ltd., Yamanashi Sekisui Co., Ltd. Chiba Sekisui Industry Co., Ltd., Nishi Nihon Sekisui Industry Co., Ltd., Shikoku Sekisui Industry Co., Ltd., Kyushu Sekisui Industry Co., Ltd.
Nara Sekisui Industry Co., Ltd., Sekisui (Wuxi) Plastics Technology Co., Ltd.

(Product sales)

Vantec Co., Ltd., Higashinihon Sekisui Shoji Co., Ltd., Chubu Sekisui Shoji Co., Ltd., Nishinihon Sekisui Shoji Co., Ltd.,

Sanin Sekisui Shoji Co., Ltd.,
Kyushu Sekisui Shoji Infratec Co., Ltd.,
Sekisui SPR Americas, LLC., Sekisui Chemical G.m.b.H., Sekisui Singapore Pte. Ltd., Sekisui Vietnam Co., Ltd.

(Manufacturing, sales, etc. of products)
Sekisui Aqua Systems Co., Ltd., Sekisui Home Techno Co., Ltd., Sekisui Chemical Hokkaido Co., Ltd., Sekisui Soflan Wiz Co., Ltd., Toto Sekisui Co., Ltd.
Rehabilitation Research Laboratory Co., Ltd., Nippon Insiek Co., Ltd.
SEKISUI ESLON B.V., Sekisui Rib Loc Group Pty. Ltd.
Sekisui Rib Loc Australia Pty, Ltd., Sekisui (Shanghai) Environmental Technology Co., Ltd., Sekisui Industrial Piping Co., Ltd.
Sekisui Specialty Chemicals (Thailand) Co., Ltd., S and L Specialty Polymers Co., Ltd.

[High Performance Plastics Business]

The High Performance Plastics business involves manufacture and sales of LCD microparticles, photosensitive materials, semiconductor materials, optical films, industrial tapes, interlayer films for laminated glass, polyolefin foam, molded resin and rubber products for automobiles, industrial tapes, heat dissipation materials (grease sheets), composite molded products using carbon fiber reinforced plastic (CFRP), etc., decorative sheets, polyvinyl alcohol resin, blow-molded containers, construction materials, adhesives, packaging tapes, plastic containers, resin *tatami* mats, sanitary materials, and other products.

Major subsidiaries and associates:

(Manufacture of raw materials and products)
*(Tokuyama Sekisui Co., Ltd.)

(Product manufacturing)
Sekisui Musashi Kako Co., Ltd., Sekisui Minakuchi Kako Co., Ltd., Sekisui Taga Chemical Industry Co., Ltd., Naseki Seimitsukako Co., Ltd.

(Product sales)
Sekisui Material Solutions Co., Ltd., Sekisui Alveo A.G., Sekisui Alveo G.m.b.H.
Sekisui Alveo (Benelux) B.V., Sekisui Alveo S.A., Sekisui Alveo S.r.L., Sekisui Alveo (GB) Ltd.
Sekisui Specialty Chemicals Mexico, S.de R.L.de C.V.
* (Sekisui Chemical G.m.b.H., Sekisui Singapore Pte. Ltd., Sekisui Vietnam Co., Ltd.
Sekisui Korea Co., Ltd., Sekisui Products, LLC., Sekisui (Shanghai) International Trading Co., Ltd.
Sekisui (Hong Kong) Ltd., Sekisui Chemical (Taiwan) Co., Ltd., PT. Sekisui Indonesia
Sekisui Chemical India Private Ltd.)

(Manufacture and sales of products)
Sekisui Nano Coat Technology Co., Ltd., Sekisui Techno Molding Co., Ltd., Sekisui Fuller Company, Ltd., Sekisui Polymatech Co., Ltd.
SumikaSekisui Film Co., Ltd., Sekisui Seikei Co., Ltd., Sekisui Seikei Ibaraki Co., Ltd., Sekisui Seikei Chiba Co., Ltd., Sekisui Seikei Hyogo Co., Ltd., Sekisui Seikei Izumo Co., Ltd.
Sekisui Voltek, LLC., Sekisui Alveo B.V., Sekisui Alveo BS G.m.b.H., Youngbo Chemical Co., Ltd.
Youngbo HPP (Langfang) Co., Ltd., Sekisui Youngbo HPP (Wuxi) Co., Ltd., Thai Sekisui Foam Co., Ltd.
Sekisui Pilon Pty. Ltd., Sekisui S-Lec America, LLC., Sekisui S-Lec B.V., Sekisui S-LEC (Suzhou) Co., Ltd.
Sekisui S-Lec (Thailand) Co., Ltd., Sekisui S-Lec Mexico S.A. de C.V.
Sekisui Specialty Chemicals America, LLC., Sekisui Specialty Chemicals Europe, S.L.
SEKISUI DLJM MOLDING PRIVATE LIMITED, Sekisui Polymatech (Shanghai) Co., Ltd.
Sekisui Polymatech (Thailand) Co., Ltd., PT. Sekisui Polymatech Indonesia,
Sekisui Polymatech America, LLC., Sekisui Polymatech Europe B.V., Sekisui Aerospace Corporation
AIM Group USA Inc., AIM Aerospace Renton, Inc., AIM Aerospace Auburn, Inc.
AIM Aerospace Sumner, Inc., AIM Aerospace Atlanta, Inc., Quatro Composites, LLC.
SEKISUI KYDEX, LLC.

(Services, etc.)
PT HD Limited, PT Asia HD Limited

Subsidiaries and associates marked with an asterisk (*) and in parentheses are also engaged in manufacture and sales in the Urban Infrastructure & Environmental Products business.

[Medical business]

The Medical business involves manufacture and sales of diagnostic reagents, automated analyzers, blood collection tubes, pharmaceutical ingredients and intermediates, drug discovery support, enzyme raw materials, etc.

Major subsidiaries and associates:

(Product manufacturing)

Sekisui Medical Technology (Suzhou) Co., Ltd.

(Manufacture and sales of products)

Sekisui Medical Co., Ltd., Sekisui Diagnostics LLC, Sekisui Diagnostics P.E.I. Inc.
Sekisui Diagnostics (UK) Limited, Sekisui Diagnostics G.m.b.H., Sekisui Medical Technology (China) Ltd.,
Veredus Laboratories Pte. Ltd.

[Other Businesses]

The Other Businesses segment involves manufacture and sales of and provision of services for film-type lithium-ion batteries and products not included in the above four business segments.

Major subsidiaries and associates:

(Product manufacturing)

Sekisui LB Tech Co., Ltd.

(Manufacture and sales of products)

Research Laboratory of Plastics Technology Co., Ltd., Sekisui Bio Refinery Co., Ltd.

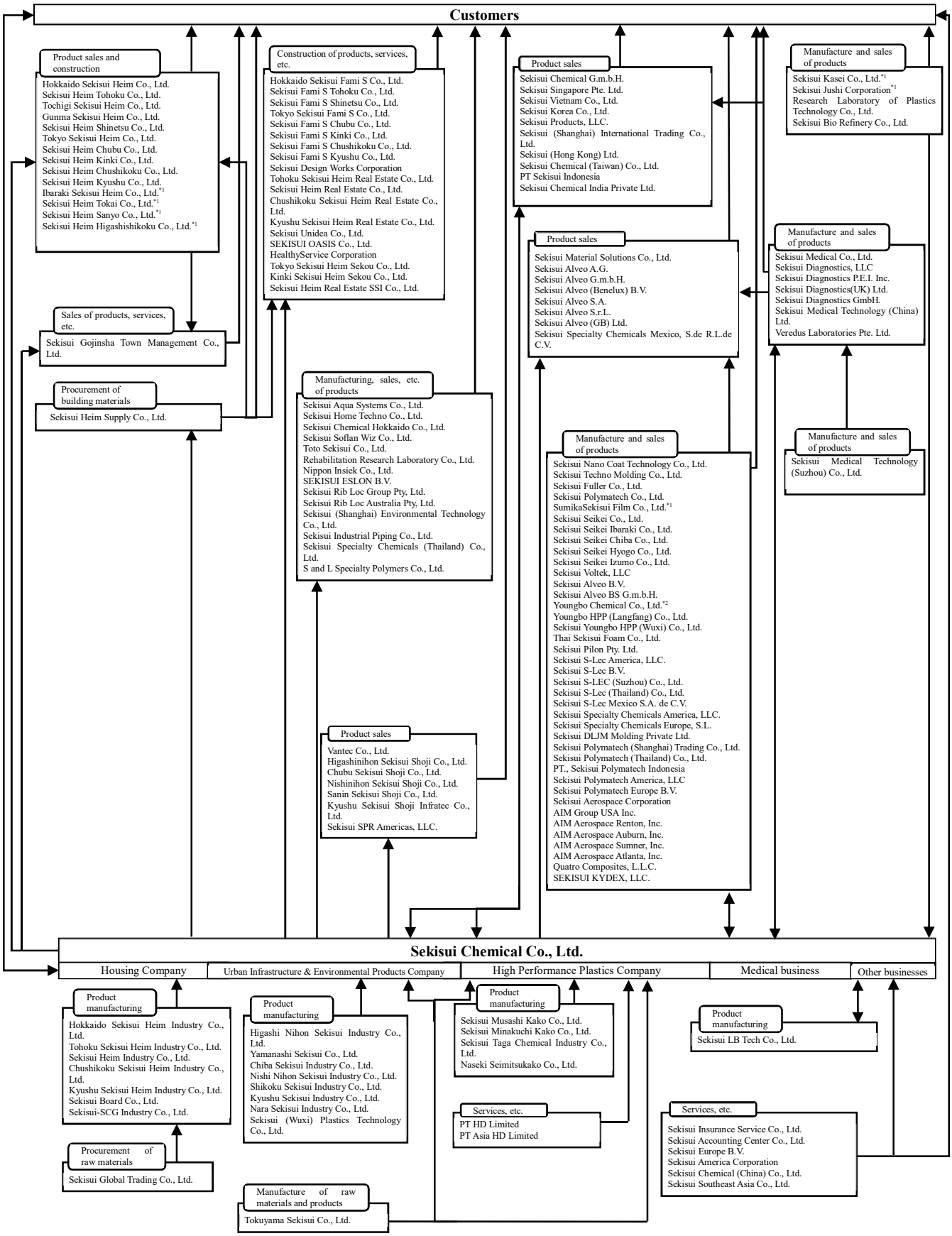
(Services, etc.)

Sekisui Insurance Service Co., Ltd., Sekisui Accounting Center Co., Ltd.
Sekisui Europe B.V., Sekisui America Corporation, Sekisui Chemical (China) Co., Ltd.,
Sekisui Southeast Asia Co., Ltd.

Other major associates are Sekisui Kasei Co., Ltd. and Sekisui Jushi Corporation.

Organizational chart

The above matters are shown in the organizational chart below.



→ Flow of Products and Services

Without notation: Consolidated subsidiary, *1: Equity method affiliate, *2: Consolidated subsidiary listed on Korea Exchange

4. Subsidiaries and associates

(1) Consolidated subsidiaries

Name	Address	Share capital (millions of yen)	Principal businesses	Voting rights ownership ratio (%)	Remarks
Sekisui Medical Co., Ltd.	Chuo-ku, Tokyo	1,275	Manufacture and sales of diagnostic reagents, testing devices, and pharmaceuticals	100.0	Concurrent office-holding by officer(s): Yes
Tokuyama Sekisui Co., Ltd.	Kita-ku, Osaka	1,000	Manufacture and sales of polyvinyl chloride resins	70.0	The Company purchases this company's products as raw materials and finished goods. Concurrent office-holding by officer(s): Yes
Sekisui Polymatech Co., Ltd.	Sakura-ku, Saitama	990	Manufacture and sales of mold and thermally conductive products	100.0	Concurrent office-holding by officer(s): Yes
Sekisui Heim Industry Co., Ltd. (Note 1)	Hasuda, Saitama	500	Manufacture and sales of unit housing materials	100.0	The Company purchases parts and materials that this company manufactures and processes on a consignment basis using the raw materials provided by the Company. Concurrent office-holding by officer(s): Yes
Sekisui Seikei Co., Ltd.	Kita-ku, Osaka	450	Manufacture, processing, and sales of various synthetic resin products	100.0	The Company purchases some of the products that this company manufactures and processes partially using the raw materials provided by the Company. Concurrent office-holding by officer(s): Yes
Tokyo Sekisui Heim Co., Ltd.	Taito-ku, Tokyo	400	Contract construction work service and real estate sales	100.0	This company constructs and sells prefabricated modular houses using the Company's housing materials. Concurrent office-holding by officer(s): Yes
Sekisui Heim Kinki Co., Ltd.	Yodogawa-ku, Osaka	400	Contract construction work service and real estate sales	100.0	This company constructs and sells prefabricated modular houses using the Company's housing materials. Concurrent office-holding by officer(s): Yes

Name	Address	Share capital (millions of yen)	Principal businesses	Voting rights ownership ratio (%)	Remarks
Sekisui Fuller Co., Ltd.	Minato-ku, Tokyo	400	Manufacture and sales of industrial and general adhesives	50.0	Concurrent office-holding by officer(s): Yes
Sekisui Hometechno Co., Ltd.	Yodogawa-ku, Osaka	360	Assembling, processing, and sales of housing equipment	100.0	This company constructs and sells the Company's products. Concurrent office-holding by officer(s): Yes
Sekisui Heim Tohoku Co., Ltd.	Aoba-ku, Sendai	300	Contract construction work service and real estate sales	100.0	This company constructs and sells prefabricated modular houses using the Company's housing materials. Concurrent office-holding by officer(s): Yes
Sekisui Heim Shinetsu Co., Ltd.	Matsumoto, Nagano	300	Contract construction work service and real estate sales	100.0	This company constructs and sells prefabricated modular houses using the Company's housing materials. Concurrent office-holding by officer(s): Yes
Sekisui Heim Chubu Co., Ltd.	Higashi-ku, Nagoya	300	Contract construction work service and real estate sales	100.0	This company constructs and sells prefabricated modular houses using the Company's housing materials. Concurrent office-holding by officer(s): Yes
Sekisui Heim Chushikoku Co., Ltd.	Kita-ku, Okayama	300	Contract construction work service and real estate sales	100.0	This company constructs and sells prefabricated modular houses using the Company's housing materials. Concurrent office-holding by officer(s): Yes
Sekisui Heim Kyushu Co., Ltd.	Chuo-ku, Fukuoka	300	Contract construction work service and real estate sales	100.0	This company constructs and sells prefabricated modular houses using the Company's housing materials. Concurrent office-holding by officer(s): Yes
Hokkaido Sekisui Heim Co., Ltd.	Kita-ku, Sapporo	200	Contract construction work service and real estate sales	100.0	This company constructs and sells prefabricated modular houses using the Company's housing materials. Concurrent office-holding by officer(s): Yes

Name	Address	Share capital (millions of yen)	Principal businesses	Voting rights ownership ratio (%)	Remarks
Gunma Sekisui Heim Co., Ltd.	Maebashi, Gunma	200	Contract construction work service and real estate sales	100.0	This company constructs and sells prefabricated modular houses using the Company's housing materials. Concurrent office-holding by officer(s): Yes
Sekisui Aqua Systems Co., Ltd.	Kita-ku, Osaka	200	Construction of various industrial plants, manufacture, sales, and work for water environmental engineering facilities such as water supply and drainage tanks	83.9	This company constructs, processes and sells the Company's products. Concurrent office-holding by officer(s): Yes
Sekisui Heim Real Estate Co., Ltd.	Taito-ku, Tokyo	200	Real estate leasing management, trading, and brokerage services	100.0	Concurrent office-holding by officer(s): Yes
Sekisui Diagnostics, LLC (Notes 1, 2)	Lexington, Massachusetts, U.S.A.	Thousands of U.S. dollars 132,000	Development, manufacture, and sales of diagnostic reagents	100.0 (100.0)	Concurrent office-holding by officer(s): Yes
Sekisui Specialty Chemicals America, LLC. (Notes 1, 2)	Dallas, Texas, U.S.A.	Thousands of U.S. dollars 107,000	Manufacture and sales of polyvinyl alcohol resins	100.0 (100.0)	Concurrent office-holding by officer(s): Yes
Sekisui America Corporation (Note 1)	Wilmington, Delaware, U.S.A.	Thousands of U.S. dollars 8,421	Management of affiliated companies in the Americas	100.0	This company supervises affiliated companies in the Americas and has financial functions to manage them. Concurrent office-holding by officer(s): Yes
Sekisui Aerospace Corporation (Note 2)	Renton, Washington, U.S.A.	Thousands of U.S. dollars –	Development, manufacture, and sales of composite material mold products for aircraft and drones	100.0 (100.0)	Concurrent office-holding by officer(s): Yes
Sekisui Specialty Chemicals Europe, S.L. (Note 2)	Tarragona, Spain	Thousands of euros 18,000	Manufacture and sales of polyvinyl alcohol resins	100.0 (100.0)	Concurrent office-holding by officer(s): Yes

Name	Address	Share capital (millions of yen)	Principal businesses	Voting rights ownership ratio (%)	Remarks
Sekisui S-Lec B.V. (Note 2)	Roermond, the Netherlands	Thousands of euros 11,344	Manufacture and sales of interlayer films for laminated glasses	100.0 (100.0)	This company manufactures and sells the Company's products. Concurrent office-holding by officer(s): Yes
Sekisui Europe B.V. (Note 1)	Roermond, the Netherlands	Thousands of euros 1,000	Management of affiliated companies in Europe	100.0	This company supervises affiliated companies in Europe and has financial functions to manage them. Concurrent office-holding by officer(s): Yes
Sekisui Alveo A.G. (Note 2)	Adligenswil, Switzerland	Thousands of francs 21,000	Sales of foam polyolefins and foams	100.0 (100.0)	Concurrent office-holding by officer(s): Yes
Youngbo Chemical Co., Ltd.	Cheongju, Chungcheongbuk-do, South Korea	Millions of won 10,000	Manufacture, processing, and sales of synthetic resin products	52.3	Concurrent office-holding by officer(s): Yes
Sekisui Chemical (China) Co., Ltd.	Shanghai, China	Thousands of yuan 361,447	Management of affiliated companies in China	100.0	This company supervises affiliated companies in China and has financial functions to manage them. Concurrent office-holding by officer(s): Yes
Sekisui S-LEC (Suzhou) Co., Ltd. (Note 2)	Suzhou, China	Thousands of yuan 195,979	Manufacture and sales of interlayer films for laminated glasses	100.0 (100.0)	Concurrent office-holding by officer(s): Yes
Sekisui Southeast Asia Co., Ltd.	Bangkok, Thailand	Thousands of baht 10,000	Management of affiliated companies in South East Asia	100.0	This company supervises affiliated companies in South East Asia and has financial functions to manage them. Concurrent office-holding by officer(s): Yes
118 other companies					

(Notes) 1. These companies fall under the category of specified subsidiaries.
2. Of the voting rights ownership ratio, the figure in parentheses shows the ratio indirectly held, which is included in the total holding.

(2) Entities accounted for using the equity method

Name	Address	Share capital (millions of yen)	Principal businesses	Voting rights ownership ratio (%)	Remarks
Sekisui Kasei Co., Ltd. (Notes 1, 2)	Kita-ku, Osaka	16,533	Manufacture and sales of foamed styrene molding materials and styrene foam products	21.8 (0.0)	The Company sells its products to this company, and purchases this company's products. Concurrent office-holding by officer(s): Yes
Sekisui Jushi Corporation (Notes 1, 2)	Kita-ku, Osaka	12,334	Manufacture and sales of synthetic resin products and group associates' products	22.5 (0.1)	The Company sells its products to this company, and purchases this company's products. Concurrent office-holding by officer(s): Yes
SumikaSekisui Film Co., Ltd.	Taito-ku, Tokyo	2,750	Development, manufacture, and sales of polyolefin films and related products	35.0	Concurrent office-holding by officer(s): Yes
Sekisui Heim Tokai Co., Ltd.	Naka-ku, Hamamatsu	198	Contract construction work service and real estate sales	36.3	This company constructs and sells prefabricated modular houses using the Company's housing materials. Concurrent office-holding by officer(s): Yes
Ibaraki Sekisui Heim Co., Ltd.	Mito, Ibaraki	105	Contract construction work service and real estate sales	40.0	This company constructs and sells prefabricated modular houses using the Company's housing materials. Concurrent office-holding by officer(s): Yes
Sekisui Heim Sanyo Co., Ltd.	Himeji, Hyogo	100	Contract construction work service and real estate sales	43.3	This company constructs and sells prefabricated modular houses using the Company's housing materials. Concurrent office-holding by officer(s): Yes
Sekisui Heim Higashishikoku Co., Ltd.	Kochi, Kochi	100	Contract construction work service and real estate sales	25.1	This company constructs and sells prefabricated modular houses using the Company's housing materials. Concurrent office-holding by officer(s): Yes

(Notes) 1. These companies file their own annual securities report.
2. Of the voting rights ownership ratio, the figure in parentheses shows the ratio indirectly held, which is included in the total holding.

5. Employees

(1) Information about consolidated companies

As of March 31, 2023

Segment name	Number of employees (persons)
Housing	11,368
Urban Infrastructure & Environmental Products	4,537
High Performance Plastics	7,964
Medical	2,127
Reportable segment total	25,996
Other	462
Corporate (common)	380
Total	26,838

(Notes) 1. The number of employees is the number of workers (excluding people seconded from the Group to companies other than the Group and including people seconded from companies other than the Group to the Group).
2. The number of employees for the "Corporate (common)" item is the number of people working at an administrative department, etc. that does not belong to any of the reportable segments.

(2) Information about reporting company

As of March 31, 2023

Number of employees (persons)	Average age (years)	Average length of service (years)	Average annual salary (yen)
2,818	43.9	16.2	9,129,939

Segment name	Number of employees (persons)
Housing	294
Urban Infrastructure & Environmental Products	963
High Performance Plastics	980
Medical	–
Reportable segment total	2,237
Other	253
Corporate (common)	328
Total	2,818

(Notes) 1. The number of employees is the number of workers (excluding people seconded from the Company to other companies and including people seconded from other companies to the Company).
2. The average annual salary includes bonuses and extra wages.
3. The number of employees for the "Corporate (common)" item is the number of people working at an administrative department, etc. that does not belong to any of the reportable segments.

(3) Information about labor union

The labor union organized by the Group's employees has 5,393 members.

There are no special remarks about labor-management relations.

(4) Proportion of women in managerial posts, rate of childcare leave taken by men, and gap in wages between men and women

(i) Reporting company

Fiscal year ended March 31, 2023				
Proportion of women in managerial posts (%) (Note 1)	Rate of childcare leave taken by men (%) (Note 2)	Gap in wages between men and women (%) (Notes 1, 3)		
		All employees	Full-time employees	Part-time or fixed-term employees
4.5	68.1	68.6	67.6	101.2

(Notes) 1. The percentage is calculated in accordance with the provision of Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).

2. The rate calculated refers to a rate of childcare leave, etc. taken as stipulated in Article 71-4, paragraph (1) of Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991), in accordance with the provision of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

3. The gaps in wages are not due to the personnel system but due to the composition of workers' qualification (including ages and certification).

(ii) Consolidated subsidiaries

a) Proportion of women in managerial posts

Fiscal year ended March 31, 2023	
Name	Proportion of women in managerial posts (%) (Note 1)
Sekisui Medical Co., Ltd.	14.2
Sekisui Heim Industry Co., Ltd.	2.3
Tokyo Sekisui Heim Co., Ltd.	6.7
Sekisui Heim Kyushu Co., Ltd.	3.2
Sekisui Heim Kinki Co., Ltd.	4.0
HealthyService Corporation	3.8
Tokyo Sekisui Fami S Co., Ltd.	3.6
Sekisui Heim Chubu Co., Ltd.	2.7
Hokkaido Sekisui Heim Co., Ltd.	3.4
Nippon Insiek Co., Ltd.	1.0
Sekisui Heim Tohoku Co., Ltd.	6.7
Sekisui Heim Chushikoku Co., Ltd.	1.3
Sekisui Fami S Kinki Co., Ltd.	1.4
Sekisui Fami S Chubu Co., Ltd.	1.1
Sekisui Home Techno Co., Ltd.	2.3
Sekisui Fami S Kyushu Co., Ltd.	4.1
Sekisui Fami S Tohoku Co., Ltd.	2.4
Sekisui Minakuchi Kako Co., Ltd.	0.0
Gunma Sekisui Heim Co., Ltd.	8.1
Sekisui Material Solutions Co., Ltd.	2.4
Tokuyama Sekisui Co., Ltd.	4.2
Sekisui Heim Shinetsu Co., Ltd.	7.9
Tochigi Sekisui Heim Co., Ltd.	6.3
Sekisui Musashi Kako Co., Ltd.	0.0
Sekisui Heim Real Estate Co., Ltd.	5.2
Nishi Nihon Sekisui Industry Co., Ltd.	0.0
Sekisui Fami S Chushikoku Co., Ltd.	2.4
Sekisui Seikei Co., Ltd.	1.3
Chushikoku Sekisui Heim Industry Co., Ltd.	0.0
Tohoku Sekisui Heim Industry Co., Ltd.	0.0
Sekisui Polymatech Co., Ltd.	1.9
Kyushu Sekisui Heim Industry Co., Ltd.	5.0
Sekisui Aqua Systems Co., Ltd.	1.4
Sekisui Fuller Co., Ltd.	9.8
Sekisui Taga Chemical Industry Co., Ltd.	0.0
Sekisui Techno Molding Co., Ltd.	0.0
Higashinihon Sekisui Shoji Co., Ltd.	0.0
Sekisui Fami S Shinetsu Co., Ltd.	5.9
Sekisui Chemical Hokkaido Co., Ltd.	3.1
Yamanashi Sekisui Co., Ltd.	0.0

Fiscal year ended March 31, 2023	
Name	Proportion of women in managerial posts (%) (Note 1)
Higashi Nihon Sekisui Industry Co., Ltd.	0.0
Hokkaido Sekisui Heim Industry Co., Ltd.	0.0
Toto Sekisui Co., Ltd.	0.0
Sekisui Soflan Wiz Co., Ltd.	4.5
Nara Sekisui Industry Co., Ltd.	0.0
Kyushu Sekisui Shoji Infratec Co., Ltd.,	3.3

(Notes) 1. The percentage is calculated in accordance with the provision of Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).

2. Eligible companies are domestic consolidated subsidiaries with 101 or more full-time employees.

b) Rate of childcare leave taken by men

Fiscal year ended March 31, 2023	
Name	Rate of childcare leave taken by men (%) (Notes 1, 2)
Sekisui Medical Co., Ltd.	31.3
Sekisui Heim Industry Co., Ltd.	30.0
Tokyo Sekisui Heim Co., Ltd.	18.0
Sekisui Heim Kyushu Co., Ltd.	4.2
Sekisui Heim Kinki Co., Ltd.	0.0
HealthyService Corporation	0.0
Tokyo Sekisui Fami S Co., Ltd.	6.0
Sekisui Heim Chubu Co., Ltd.	4.3
Hokkaido Sekisui Heim Co., Ltd.	0.0
Nippon Insiek Co., Ltd.	50.0
Sekisui Heim Tohoku Co., Ltd.	35.7
Sekisui Heim Chushikoku Co., Ltd.	0.0
Sekisui Fami S Kinki Co., Ltd.	0.0
Sekisui Fami S Chubu Co., Ltd.	0.0
Sekisui Home Techno Co., Ltd.	66.7
Sekisui Fami S Kyushu Co., Ltd.	0.0
Sekisui Fami S Tohoku Co., Ltd.	28.6
Sekisui Minakuchi Kako Co., Ltd.	17.0
Gunma Sekisui Heim Co., Ltd.	40.0
Sekisui Material Solutions Co., Ltd.	33.0
Sekisui Heim Shinetsu Co., Ltd.	0.0
Tochigi Sekisui Heim Co., Ltd.	0.0
Sekisui Musashi Kako Co., Ltd.	0.4
Sekisui Heim Real Estate Co., Ltd.	0.0
Nishi Nihon Sekisui Industry Co., Ltd.	11.0
Sekisui Seikei Co., Ltd.	0.0
Sekisui Aqua Systems Co., Ltd.	100.0
Sekisui Fuller Co., Ltd.	33.3
Sekisui Techno Molding Co., Ltd.	0.0
Sekisui Fami S Shinetsu Co., Ltd.	25.0
Higashi Nihon Sekisui Industry Co., Ltd.	–
Toto Sekisui Co., Ltd.	0.0

(Notes) 1. The rate calculated refers to a rate of childcare leave, etc. taken as stipulated in Article 71-4, paragraph (1) of Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991), in accordance with the provision of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

2. "-" indicates that the company has no male employee who is eligible for childcare leave.

c) Gap in wages between men and women

Fiscal year ended March 31, 2023			
Name	Gap in wages between men and women (%) (Notes 1, 2, 3)		
	All employees	Full-time employees	Part-time or fixed-term employees
Sekisui Medical Co., Ltd.	68.8	73.0	61.8
Sekisui Heim Industry Co., Ltd.	68.6	73.6	53.1
Tokyo Sekisui Heim Co., Ltd.	58.9	60.9	44.9

Fiscal year ended March 31, 2023			
Name	Gap in wages between men and women (%) (Notes 1, 2, 3)		
	All employees	Full-time employees	Part-time or fixed-term employees
Sekisui Heim Kyushu Co., Ltd.	56.4	63.6	31.3
Sekisui Heim Kinki Co., Ltd.	59.2	64.7	57.5
HealthyService Corporation	67.3	89.9	89.9
Tokyo Sekisui Fami S Co., Ltd.	54.6	63.0	55.3
Sekisui Heim Chubu Co., Ltd.	52.5	53.7	44.9
Hokkaido Sekisui Heim Co., Ltd.	54.1	61.8	37.3
Nippon Insiek Co., Ltd.	68.9	64.6	72.0
Sekisui Heim Tohoku Co., Ltd.	67.1	71.1	33.7
Sekisui Heim Chushikoku Co., Ltd.	58.2	64.4	35.2
Sekisui Fami S Kinki Co., Ltd.	47.8	56.1	46.6
Sekisui Fami S Chubu Co., Ltd.	55.9	57.9	56.9
Sekisui Home Techno Co., Ltd.	63.4	63.0	115.3
Sekisui Fami S Kyushu Co., Ltd.	57.3	61.9	50.3
Sekisui Fami S Tohoku Co., Ltd.	65.2	68.4	46.9
Sekisui Minakuchi Kako Co., Ltd.	80.2	81.1	98.4
Gunma Sekisui Heim Co., Ltd.	59.6	60.0	41.6
Sekisui Material Solutions Co., Ltd.	67.8	67.3	73.1
Tokuyama Sekisui Co., Ltd.	35.4	45.8	49.1

(Notes) 1. The percentage is calculated in accordance with the provision of Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).

2. Eligible companies are domestic consolidated subsidiaries with 301 or more full-time employees.

3. The gaps in wages are not due to the personnel system but due to the composition of workers' qualification (including ages and certification).

II. Overview of Business

1. Management policy, business environment, and issues to be addressed

Management policy, business environment, and issues to be addressed of the Group are as follows.
Forward-looking statements in this document are based on the Group's views as of the end of the fiscal year under review.

(1) Management principles and code of conduct

The SEKISUI CHEMICAL Group has a set of management principles. They comprise elements such as our "Corporate Philosophy," "Group Vision" that expresses the ideal form aimed for by the Group in the medium to long term, and our concrete "Management Strategies" to realize the Group Vision.

(i) Corporate Philosophy: The "3S Principles"

Our company symbol comprises the three S's of the Company's original name, adopted at the time of its foundation, "SEKISUI SANGYO" enclosed in a hexagonal shape resembling a tortoise shell (the chemical symbol for benzene), symbolizing the Chinese character meaning "water." In November 1959, this mark was defined as the "3S Principles" and formally established as the company creed.
The "3S Principles" of "creating social, environmental and economic value through responsible business practices (Service)," "accelerating innovation by eagerly taking on new challenges, adapting to change and staying ahead of the times (Speed)," and "contributing to society by helping to solve social issues with our superior technologies and quality (Superiority)" is the base of the SEKISUI CHEMICAL Group's principles and is shared among its roughly 27,000 employees.

Corporate Philosophy: The "3S Principles"

- Service: At SEKISUI, we serve our stakeholders by creating social, environmental and economic value through responsible business practices. - Speed: At SEKISUI, we accelerate innovation by eagerly taking on new challenges, adapting to change and staying ahead of the times. - Superiority: At SEKISUI, we contribute to society by helping to solve social issues with our superior technologies and quality.

(ii) Group Vision

The SEKISUI CHEMICAL Group aims to create social value as expected by its stakeholders and contribute to society through its business activities.
We aim to continue creating value conducive to resolving these social challenges by tapping into experience and knowledge in residential and social infrastructure creation and chemical solutions that have been accumulated by the Group to date. We will do so at a time when population growth and climate change on a global basis, an aging population and aging urban infrastructure mainly in developed nations, and energy resource issues related to all of them are becoming social challenges more pressing than ever.

Group Vision

Through prominence in technology and quality, SEKISUI CHEMICAL Group will contribute to improving the lives of the people of the world and the Earth's environment by continuing to open up new frontiers in residential and social infrastructure creation and chemical solutions.

(iii) SEKISUI CHEMICAL Group Corporate Activity Guidelines

We established the "SEKISUI CHEMICAL Group Corporate Activity Guidelines," behavior guidelines to be obeyed by its officers and employees, and aim to enhance the confidence that society places in us through our day-to-day business activities and become an evermore highly acclaimed enterprise.

Corporate Activity Guidelines

1 Our business activities contribute to the positive development of our global society. 2 We activate our operations by maximizing each employee's personal abilities. 3 We maintain an enterprise in which society has confidence, and which is highly regarded by our customers, business partners, shareholders, local communities and the general public. 4 We comply with the laws and the spirit therein, and act with sincerity, in all aspects of our business activities. 5 We, as a good corporate citizen, work for global environmental protection and contribute to the well-being of society from the viewpoint of sustainability.

(2) Management strategies aimed at realizing our Group Vision

We aim to grow, driven by both residential and social infrastructure creation and chemical solutions, which are set out in our Group Vision, under the Corporate Philosophy of the "3S Principles." To this end, the SEKISUI CHEMICAL Group established "Vision 2030," a long-term vision, and "Drive 2.0," a medium-term management plan for the period of three years from fiscal 2023 to fiscal 2025, and is engaged in the following initiatives.

(i) Long-term vision "Vision 2030"

"Vision 2030," the Group's long-term vision, presents the vision statement of "Innovation for the Earth," which incorporates the Group's resolute will to continuously drive innovation as a means of "supporting the basis of LIFE and continuing to create 'peace of mind for the future' in order to realize a sustainable society." This Vision lays down the four business domains of Residential (Housing), Advanced Lifeline (Social Infrastructure), Innovative Mobility (Electric/Mobility), and Life Science (Health and Medical), and aims to double business by 2030 through the expansion of existing business while taking on the challenge of new domains along the strategy axis of "business growth, reform, and creation centered on ESG management."

ESG management

ESG management of the SEKISUI CHEMICAL Group aims to balance the improvement of social sustainability with the profitable growth of the SEKISUI CHEMICAL Group. We work with our stakeholders on strengthening the following three forces.

a) Development of "three prominences" (Environment, CS & Quality, Human Resources) and "governance"

b) Accelerate the solution of social issues through three approaches (increasing quantity, improving quality, and providing sustainably)

c) Create and expand the value of "peace of mind for the future" in four business domains

In order to accelerate our ESG management, we formulated the medium-term and long-term plans for the SEKISUI CHEMICAL Group's main measures and set the ESG strengthening expenses at 55.0 billion yen (capital investment and expenses) in the current Medium-term Management Plan. We are working on initiatives to lower risks potentially leading to serious incidents, and strengthening our management platform for digital transformation (DX), human resources and the environment.

(ii) Medium-term Management Plan "Drive 2.0"

Overview of the Medium-term Management Plan "Drive 2.0"

Under the Medium-term Management Plan "Drive 2.0," which is the second phase of the Long-term Vision, the Company has set aiming to realize the long-term vision through "sustainable growth" and "enhanced preparation" toward the SEKISUI CHEMICAL Group doubling our business as our basic policy, and we will work on the three basic strategies of (i) strategic innovation, (ii) organic growth, and (iii) strengthening sustainability to promote the improvement of corporate value.

Numerical targets for the Medium-term Management Plan

	Fiscal 2025 Targets	
	Medium-term Management Plan	Medium-term increase
Net sales	1,410.0 billion yen	+167.4 billion yen
Operating profit (ratio)	115.0 billion yen (8.2%)	+23.3 billion yen (+0.8%)
Profit attributable to owners of parent	82.0 billion yen	+12.7 billion yen
ROIC (return on invested capital)	8.5%	+0.9%
ROE (return on equity)	11.0%	+1.0%

Overseas Sales (ratio)	480.0 billion yen (34%)	+104.9 billion yen (+4%)
EBITDA (Earnings before interest, taxes, depreciation, and amortization)	175.0 billion yen	+32.9 billion yen

Basic strategies

The basic strategy of the Medium-term Management Plan "Drive 2.0" is to address the three issues of (i) strategic innovation, (ii) organic growth, and (iii) strengthening sustainability as the second phase of our long-term vision in order to promote ESG management and sustainable enhancement of corporate value, and will accelerate the creation and expansion of products to enhance sustainability as the driver that will drive this.

(i) Strategic Innovation
Realization of preparation aimed at creating new business areas

(ii) Organic Growth
Steady growth of existing businesses and refinement of the portfolio

(iii) Strengthen Sustainability
Strengthening of ESG management that will contribute to sustainable growth and enhanced preparation

Investment and financial strategies

In addition to the cash generated during the three years of the Medium-term Management Plan Drive 2.0, the Company will establish an investment limit of 600.0 billion yen in order to procure funds in an appropriate and flexible manner. The Company has set an investment limit of 300.0 billion yen each for capital investment (strategic investment and normal Investment) and M&A investment, which will be used for investment in increased production associated with market development, technology and know-how through M&A, and acquisition of global sales channels. Moreover, we have set the ESG strengthening expenses at 55.0 billion yen (capital investment and expenses) to control long-term capital costs and contribute to greater corporate value through reduced environmental impact, human capital investment, and digital transformation (DX).

Item		Results of the previous medium-term plan (Billions of yen)	Medium-term Plan (Billions of yen)
Strategic Investment		41.7	(Limit) 450.0
	M&A, etc.	0	(Limit) 300.0
	Capital expenditures	41.7	150.0
ESG Investment (amounts also reflected in Strategic Investment and Normal Capital Investment)		31.4	30.0
Normal Capital Investment		126.3	150.0
Total		168.0	600.0
R&D Expenses		112.5	140.0

Returns to shareholders

In the Medium-term Management Plan "Drive 2.0," we revised the Basic Policy Regarding Dividends from Surplus for shareholders, and strengthened and clarified our commitment to distributing profits to them. The Company will seek to secure a consolidated dividend payout ratio of 40% or higher, a total return ratio of 50% or higher (when the debt to equity (D/E) ratio is 0.5 or less), and a dividend-on-equity (DOE) ratio of 3% or higher, all on a consolidated basis, and implement stable dividend measures in line with its performance.

(iii) Initiatives toward climate change issues

The Group recognizes that climate change is both a major social issue and a major risk for the Group, and has been actively working to resolve it. In 2018, we became the first company in the chemical industry to obtain SBT certification (Note), and set a target of reducing GHG emissions by 26% compared to fiscal 2013 levels by 2030. In the previous mid-term, we focused on "energy consumption innovation," such as promoting the renewal of aging equipment, and in the current medium-term, we have promoted "energy procurement innovation" such as converting purchased electricity to renewable energy and introducing

in-house solar power generation equipment.

(Note) SBT (Science Based Targets) certification: Certification by a joint initiative which includes the United Nations Global Compact that the greenhouse gas reduction targets set by a company are scientifically consistent with their contribution to long-term climate change countermeasures.

As climate change becomes an even more pressing social issue, in October 2022 the Company decided to take on technologically difficult initiatives ahead of the original schedule, such as electrification of equipment that uses fuel and conversion to low-carbon fuels, and reduction of fuel-derived GHG emissions through production process innovation, and raise the GHG emission reduction rate for 2030 as described below. In addition, SBT certification has been re-acquired for these target values (March 2023).

	Previous target	New target	Method of achieving the new target
Scope 1 + 2	Base year: 2013 Target year: 2030 Reduction ratio: 26% (2°C target)	Base year: 2019 Target year: 2030 (No change) Reduction ratio: 50% (1.5°C target)	In addition to the previously planned conversion of purchased electricity to renewable energy, initiatives to reduce GHG emissions derived from fuels through the conversion to low-carbon fuels, electrification, and manufacturing innovation will be addressed ahead of schedule
Scope 3	Base year: 2016 Target year: 2030 Reduction ratio: 27%	Base year: 2019 Target year: 2030 (No change) Reduction ratio: 30%	Add resource recycling initiatives (conversion to non-fossil raw materials, expanded use of recycled materials, and recycling of waste) to promote reductions in raw materials, production processes, and when customers make disposals

(Notes) 1. Scope 1: Direct emissions of greenhouse gases by business operators themselves
(fuel combustion, industrial processes)
2. Scope 2: Indirect emissions associated with the use of electricity, heat and steam supplied by other companies
3. Scope 3: Indirect emissions other than Scope 1 and Scope 2
(Emissions by other companies related to the business activities)

(iv) Contributing to achieving sustainable development goals (SDGs) through products to enhance sustainability

There are increasingly more serious social challenges such as climate change and growing voices calling on companies to contribute to achieving a sustainable society. In response, the SEKISUI CHEMICAL Group is engaged in corporate activities aimed at helping achieve the sustainable development goals (SDGs) the world must attain by 2030 to realize a sustainable society. It is doing so through its various products and businesses as a company that declared, in its Group Vision statement, that it will contribute to improving the lives of the people of the world and the Earth's environment.

There are products with a high degree of contribution to resolving environmental challenges for the global and social environments, including interlayer films for sound insulation and heat insulation for automobiles, solar power generation system-equipped homes, and products using the SPR method (to rehabilitate sewage pipes). These in particular were designated as products to enhance sustainability. We are boosting sales of these products as a percentage of our total consolidated net sales.

(v) Diversity management initiatives

Toward the realization of the long-term vision, the SEKISUI CHEMICAL Group aims to be an "excellent and vibrant company where all employees thrive on challenges." The activity in which superiors themselves communicate the long-term vision of each organization to their subordinates has been continued at all organizations of the SEKISUI CHEMICAL Group to promote awareness of the vision. In addition, all Group companies constitute the project, aiming to solve common issues such as diversity, work-style reforms, and health management.

a) Diversity

The Company is promoting the active participation of diverse human resources (women, work-life balance support, seniors, etc.) to respond to social issues. In fiscal 2022, we established a Diversity Promotion Committee as an advisory body under the direct control of the Board of Directors, which is conducting various deliberations. Regarding the core issue of promotion

of female empowerment, in fiscal 2022 the Company implemented a development program for managerial candidates and career training for young and mid-career employees. In addition, in order to increase opportunities for older employees to play an active role, as of March 2023 the retirement age has been extended (from 60 to 65 years old) at the Company and 28 subsidiary companies. We plan to extend the retirement age at all subsidiary companies by the end of fiscal 2025.

b) Work-style reforms

We have sought to reduce the working hours of Group employees by striving to improve productivity and flexible work styles (remote work, paperless format, etc.). Through various policies and tools, we have a work style not bound by time and place. From fiscal 2022, the Company has been promoting initiatives to improve productivity by having each employee work autonomously in order to improve the quality of labor.

c) Health management

We improve the fulfillment, rewards and productivity of the employees through working via health management (healthy minds and bodies of employees and organizational health). Under the Basic Policy for Health and Productivity Management laid out in fiscal 2019, in addition to healthcare-application-based "Seven Health Habits" support programs, we have conducted mental health training targeting all employees, managerial levels and HR employees.

(3) Business and financial issues to be addressed on a priority basis

Fiscal 2023 Targets	Consolidated net sales	1,312.0 billion yen	Profit attributable to owners of parent	70.0 billion yen
	Consolidated operating profit	100.0 billion yen	ROE (return on equity)	10.0%

In fiscal 2023, the first year of the "Drive 2.0" Medium-term Management Plan, the Group will implement measures to achieve sustainable growth and reinforce its ESG management foundations.

Although there are uncertain factors in the business environment, global market conditions for automobiles, smartphones, and other products and the number of housing starts are expected to gradually recover into the second half. We will steadily identify changes in the environment, expand sales of high value-added businesses and products that contribute to resolve social issues, implement measures to strengthen profitability, such as reducing fixed costs, optimizing production, and implementing business structure reforms. We project higher sales and profit in all segments, a new record high for companywide sales, and record high operating profit and profit attributable to owners of parent.

In addition, we will accelerate growth investment to achieve our long-term vision, including commercializing perovskite solar cells and biorefineries, promoting DX, and reinforcing research and development, and human capital investments such as wage increases.

Housing Company

We anticipate an extremely challenging business environment in fiscal 2023 including the continuation of high prices, but we project higher sales and profit as a result of increased sales in the Housing, Housing Renovation, Real Estate, and other businesses and cost reductions.

In the Housing business, we will take measures to enhance competitiveness by launching products with smart and resilient and improved designs to expand sales by increasing the number of orders received and unit prices. In addition, we will focus our efforts on reinforcing management structures by taking action to improve productivity through leveling of construction work and to improve profitability through optimization of production systems.

In the Housing Renovation business, we will increase sales personnel, expand periodic diagnoses and expand sales of smart and resilient products to increase profit. We will also make efforts to capture the general renovation demand from customers other than SEKISUI HEIM owners.

In the Real Estate business, we will focus on expanding the Be HEIM purchase and resale business.

On April 1, we implemented organizational restructuring of the Housing Company, established the East Japan Sales Management Division and West Japan Sales Management Division, reinforced governance of Group sales companies nationwide, and renamed the Town and Community Development Promotion Department to the Town and Community Development Department with a focus on expanding business.

Urban Infrastructure & Environmental Products Company

In fiscal 2023, we expect the slump in the domestic non-residential and residential markets to become prolonged, but we will

focus on expanding sales of prioritized products that contribute to resolve social issues and expanding overseas businesses and assure profit by improving selling prices in response to rising prices for raw materials and fuel, and we project higher sales and record high profits. We will also seek to achieve early manifestation of synergy effects from the business portfolio reorganization implemented in the second half of fiscal 2022.

In the Pipe Systems field, we will seek to expand sales of prioritized products that contribute to solutions to social issues, such as chronic labor shortages and aging infrastructure, and increase sales by capturing demand for capital investment for plants used for semiconductors and demand for chlorinated polyvinyl chloride (CPVC) resin, which are expected to grow.

In the Buildings and Infrastructures Composite Materials field, we will expand the fire protection materials business with a focus on noncombustible urethane products and further expand sales of large high-capacity drainage systems and nursing care products. We will also accelerate the overseas adoption of FFU for railway sleepers and steadily advance preparations for the start of production at our production plant in Europe, which is currently under construction, in the second half of fiscal 2023.

In the Infrastructure Renovation field, we will take action to expand overseas orders for pipeline renewal and to reinforce sales of tank renewals.

High Performance Plastics Company

In fiscal 2023, while there is a sense of pause in the sharp rise in raw material and fuel prices, we expect higher sales and profits as a result of making a shift to further growth measures in strategic segments and achieving continued effects from improved selling prices.

In the Electronics field, we expect a recovery in the smartphone market, which remains stagnant, toward the second half, and we will seek to expand sales by accelerating expansion of sales of non-LCD products including substrate and semiconductor related products.

In the Mobility field, we anticipate a market recovery and will maintain selling prices and expand sales of high-performance interlayer films with a focus on head-up displays to achieve an increase in sales. We will also make steady preparations for full-scale operation of our heat dissipation material production site in North America.

In the Industrial field, a gradual market recovery is expected, and we will expand sales of construction labor-saving and environmentally friendly products, such as foam materials and long craft tapes, which have been designated as growth sectors, and continue to improve selling prices to achieve higher sales.

Medical Business

In fiscal 2023, we anticipate a recovery in domestic and overseas diagnostics demand and project higher sales and record high profits for the third consecutive year. In the United States, we will enter the over-the-counter (OTC) market for COVID-19 diagnostics, and in China, we will expand the blood coagulation field by increasing sales of blood coagulation analyzers and reagents. In the Pharmaceuticals & Fine Chemicals business, we will continue to focus our efforts on expanding sales of new pharmaceutical ingredients and obtaining new orders.

(4) Basic policy for constructive dialogue with shareholders

It is highly important to have dialogue with shareholders toward achieving sustainable growth and medium- to long-term enhancement of the Company's corporate value. We work to have constructive dialogue with shareholders by arranging for mainly the President and the Director in charge of the Business Strategy Department to proactively conduct a general meeting of shareholders, have quarterly results briefings, and hold meetings with domestic and foreign investors.

The Company aims to achieve sustainable growth and medium- to long-term enhancement of its corporate value. Hence, the Company has adopted the following basic policy for constructive dialogue with shareholders.

(i) The Company appoints the Director in charge of the Business Strategy Department who is in charge of the overall supervision of the development of medium- to long-term management strategies and investor relations as the person responsible, and develops the framework and undertakes initiatives for the realization of constructive dialogue with investors under his/her leadership.

(ii) The Director in charge of the Business Strategy Department is responsible for ensuring organic coordination among departments that support dialogue, by, for example, ensuring information-sharing among them, while ensuring that insider information is not leaked particularly through each divisional company, the Corporate Finance & Accounting Department, the Legal Department, the Corporate Communication Department, and other departments concerned.

(iii) To promote constructive dialogue with shareholders, the Company strives to understand the shareholder structure and to enhance the dialogue by implementing the following measures as a means to have dialogue.

a) To conduct quarterly results briefings by the President and the Director in charge of the Business Strategy Department

b) To hold one-on-one meetings with domestic and foreign investors

c) To conduct business briefings for shareholders and investors as appropriate

d) To enhance the disclosure of corporate information on the website of the Company targeting both domestic and foreign investors (including integrated reports, materials for results briefings and voice recordings from such briefings)

e) To secure opportunities to post an opinion through the website of the Company

(iv) The Director in charge of the Business Strategy Department shall, in accordance with the "Corporate Information Disclosure Regulations," summarize the opinions and comments of investors obtained from the dialogue with them and share them in the meetings of the Board of Directors and on other occasions as appropriate on a timely basis so that they can be reflected in the management of the Company.

(v) The Company will strengthen its information management pursuant to the "Corporate Information Disclosure Regulations" and "Insider Trading Restriction Regulations." The Company will pay close attention when having dialogue with shareholders.

2. Thinking on sustainability and sustainability initiatives

Thinking on sustainability and sustainability initiatives of the Group are as follows.

Forward-looking statements in this document are based on certain assumption that the Group considers to be reasonable as of the date of submission of the annual securities report, and therefore, may differ from actual results due to various factors.

(1) Overall sustainability issues

(i) Governance

The Group's ESG management is promoted uniformly with the Board of Directors as a supervisory body, and the Sustainability Committee and seven affiliate sub-committees as execution bodies.

Board of Directors:

The Board of Directors makes final decisions on policies and strategies, and company-wide risks deliberated at the Sustainability Committee and reported semiannually, while supervising the execution concerning sustainability.

Sustainability Committee:

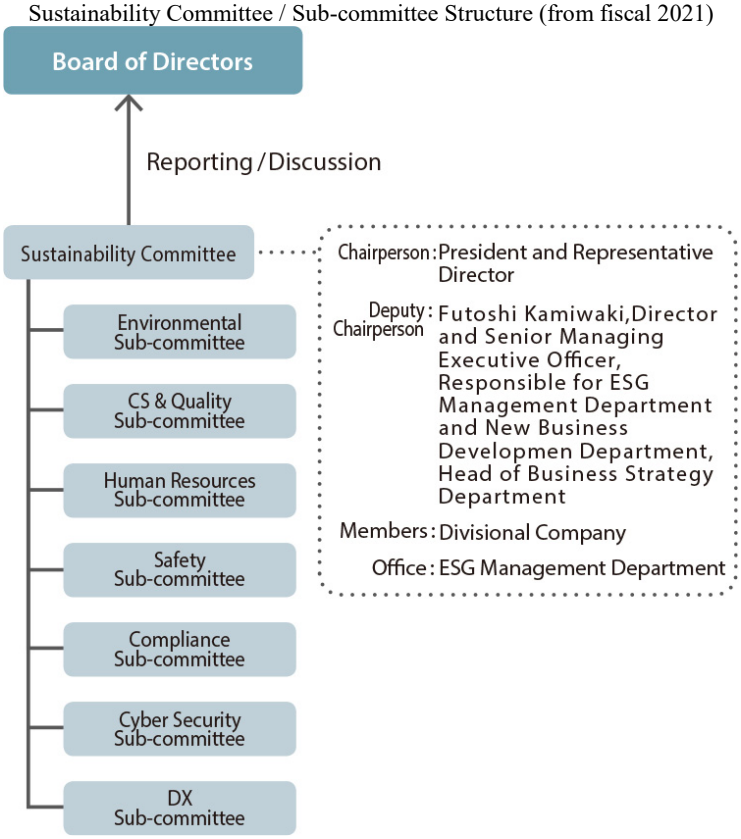
The Sustainability Committee is held semi-annually, chaired by the President, vice-chaired by the Senior Managing Executive Officer in charge of ESG Management Department, and composed of Executive Directors including the President of Housing Company, the President of Urban Infrastructure & Environmental Products Company, and the President of High Performance Plastics Company.

The Sustainability Committee extracts and identifies company-wide risks and opportunities that the Group may face in the future and reviews their materiality, and determines policies and KPIs and formulates action plans of the whole company. The Committee also monitors the state of materiality initiatives based on reports by chairpersons of sub-committees.

Sub-committees:

The Sustainability Committee has seven sub-committees for "Environment," "CS & Quality," "Human Resources," "Safety," "Compliance," "Cyber Security," and "Digital Transformation" on the Group's materiality. The sub-committees are held semi-annually, chaired by an officer in charge in Headquarters, and composed of officers in charge in the three companies and responsible divisional managers of the companies, Headquarters, and the medical business of Headquarters. The sub-committees formulate specific measures at a company level and put together an action plan in light of the decisions made by the Sustainability Committee, and monitor the progress of actions. The results are reported by chairpersons of the sub-committees who participate in the Sustainability Committee for deliberation.

Sustainability Committee / Sub-committee Structure (from fiscal 2021)



(ii) Strategies

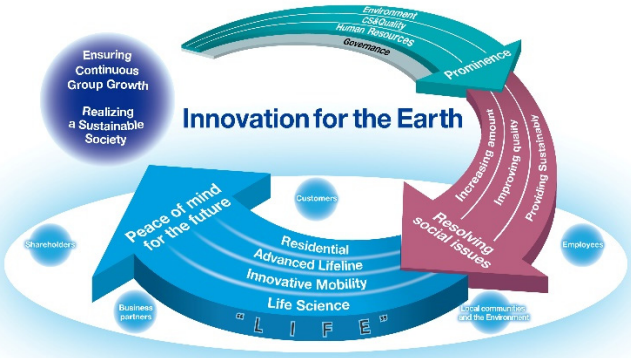
The Group believes that addressing social issues directly links to improving social sustainability, and net sales, the compensation

for contribution, can be considered a quantity of contribution to addressing social issues. The Group also believes that its sustainable profitable growth can be achieved by improving the quantity of contribution, and this will expand our contribution to all stakeholders including customers, shareholders, employees, and business partners, as well as local communities and global environment.

• SEKISUI CHEMICAL's ESG management

The Company's ESG management centers on the statement of "Innovation for the Earth," in pursuit of achieving compatibility between "realization of a sustainable society" and "sustainable growth of the Group," and practicing its key three steps, "I. securing prominence," "II. solving social issues," and "III. creating peace of mind for the future" with our stakeholders.

To realize the long-term vision "Vision 2030," the Company has identified its ESG materiality as DX, environment, human resources (human capital), fusion and innovation, and works onto achieve KPIs set on each materiality.



Conceptual diagram of ESG management

Three steps

Ⅰ. Securing prominence

Putting in place a corporate structure that is trusted by society through Governance (Internal Control) and driven by the challenge of its prominence in human resources to create products and services that are overwhelmingly different in terms of the environment as well as CS & Quality.

Ⅱ. Solving social issues

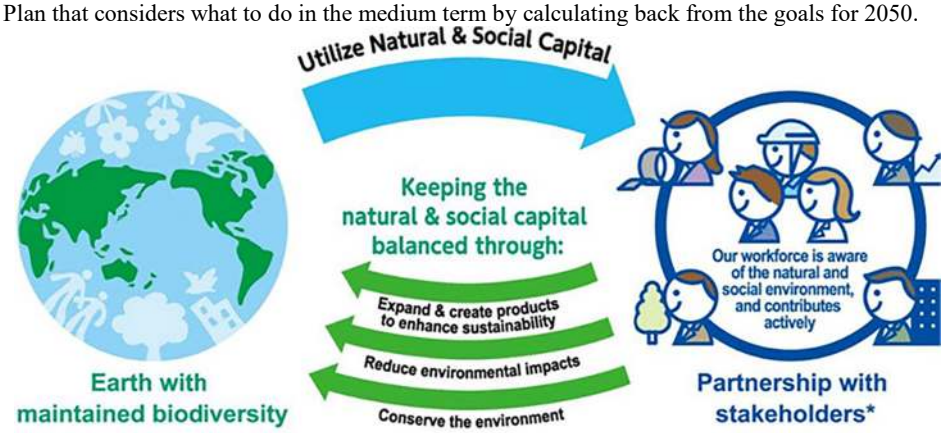
Based on its prominence, accelerating the solving of social issues by means of three approaches (increasing the quantity of contributions, improving the quality of contributions, and providing both quantity and quality in a sustainable manner).

Ⅲ. Creating peace of mind for the future

Creating and expanding the value that delivers peace of mind for the future to all generations, including those of the future, through four domains (Residential, Advanced Lifeline, Innovative Mobility, and Life Science).

• SEKISUI Environment Sustainable Vision 2050

The direction toward 2050 regarding climate change and other environmental issues is stated in the SEKISUI Environment Sustainable Vision 2050. Moreover, recognizing materiality issues in "Environment," we have formulated the Environment Medium-term Plan that considers what to do in the medium term by calculating back from the goals for 2050.



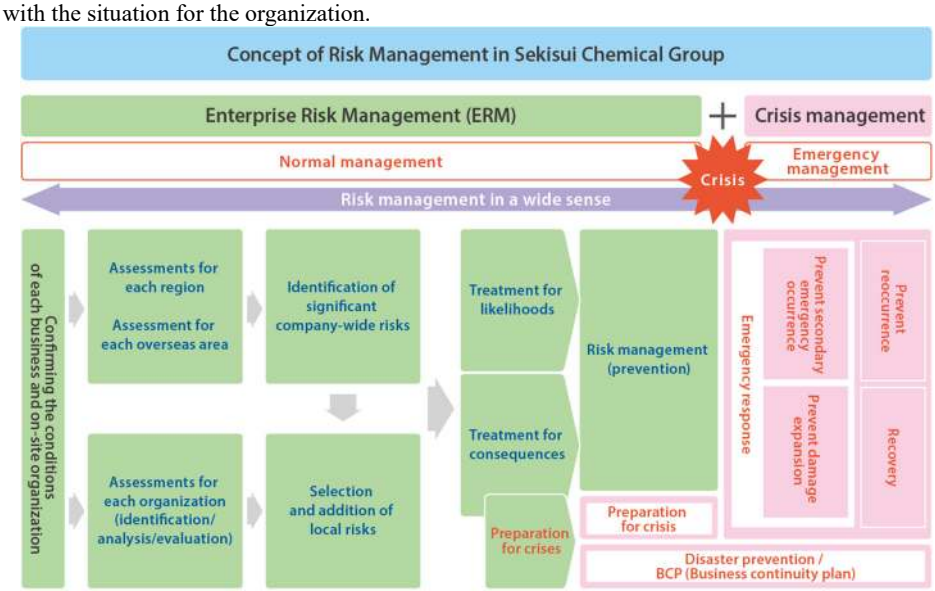
* Stakeholders: "Customers," "Shareholders," "Employees," "Business partners," and "Local communities and the Environment"

An ideal earth that the Group aims to realize in 2050 is "an earth with biodiversity" where biodiversity is maintained in a healthy

condition by simultaneously achieving goals of all environmental issues concerning climate change, resource circulation and water risk. Recognizing that we use natural and social capital on earth in performing our business activities, we aim to contribute to the returns of natural and social capital through three activities including (1) Expand and create markets for Products to Enhance Sustainability; (2) Reduce environmental impact; and (3) Conserve the natural and social environments, and contribute to the solution of climate change, resource circulation, water risk, biodiversity and other issues on earth. And to accelerate the contribution to the return, we will promote the efforts not only by ourselves but also in collaboration with our stakeholders.

(iii) Risks management

The Group comprehensively collects risk information by specialty domain and overseas region to assess "the likelihood of occurrence" and "impact." Based on the results, a company-wide risk discussion meeting held by officers in charge of specific expertise makes uniform assessment and specifies a company-wide material risk. We run the risk management structure for integrated management of measures to prevent these risk events from occurring (enterprise risk management: ERM) and to respond when one occurs (crisis management). This integration let us set up a structure to adapt to ever-changing risks and crises in accordance with the situation for the organization.



(iv) Indicators and targets

Regarding governance (internal control), digital transformation, environment, human resources (human capital), fusion and innovation that are identified as ESG materiality, the Company has determined company-wide KPIs and set company-wide medium- to long-term goals and company-specific medium and annual targets respectively, which are incorporated into company-wide and company-specific action plans.

The progress of measures and KPIs toward the achievement of targets is monitored by individual sub-committees and budget meetings of individual companies and reported to the Sustainability Committee and the Board of Directors semi-annually. The progress is also reflected on the bonus of management personnel and certain employees in managerial positions.

Materiality	KPI	Fiscal 2022 Targets
Governance Systems (Internal Control)	Number of serious incidents occurred in five business domains	0
	Ratio of BCP operation	100%
DX	Change in sales per direct personnel and indirect personnel	FY2030: 40% increase by indirect personnel and 15% increase by direct personnel (from FY2019)
Environment	Percentage of renewable energy to purchased electricity	20% (2030: 100%)
Human resources and human capital	Degree of challenging behavior expression	17%
Fusion and innovation	Increase in sales due to fusion	+50.0 billion yen (from FY2019)
(Output)	Sales of products that enhance sustainability	800.0 billion yen

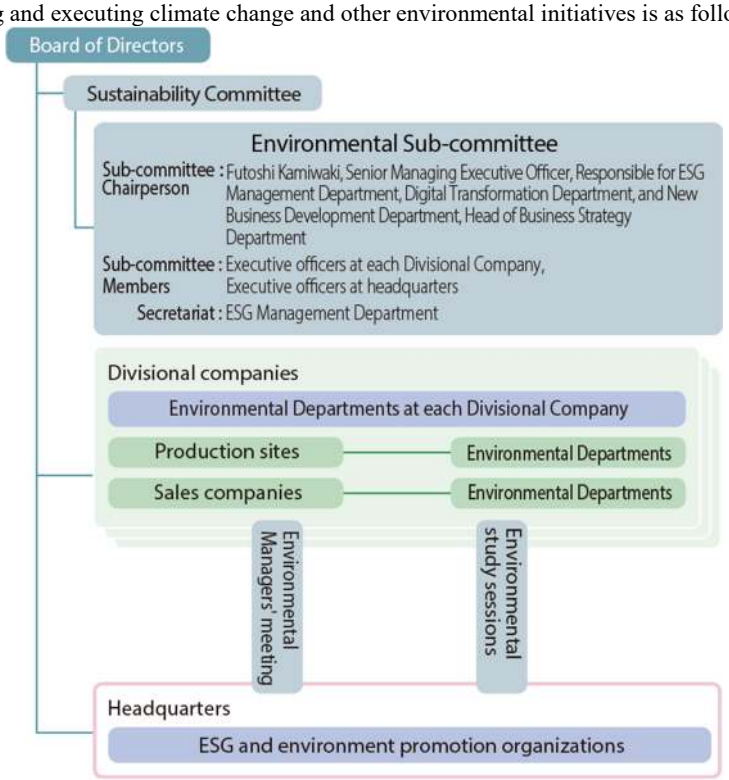
* Details of sustainability initiatives are disclosed on the Sustainability Report 2022 which is posted on the Company's website.

The Sustainability Report 2023 is scheduled to be issued in July 2023.
Sustainability Report
https://www.sekisui.co.jp/sustainability_report/

(2) Responses to climate change (climate change-related disclosure in accordance with the TCFD recommendations)

(i) Governance

Climate change-related governance is incorporated into governance of overall sustainability issues mentioned above. In particular, the system for supervising and executing climate change and other environmental initiatives is as follows:



Environmental Manager's Meeting:
To be set for each of the severe issues including renewable energy and resource circulation, and held periodically (on a monthly basis). Personnel responsible for environmental issues in Headquarters and each company participate in the Meeting to confirm the progress of issue solution, and discuss solutions.

(ii) Strategies

The United Nations IPCC (Intergovernmental Panel on Climate Change) Fifth and Sixth Assessment Reports have been used to identify the risks that climate change poses to the Group and its businesses and to identify strategies to prepare for long-term risks.

Climate change scenarios

		Societies that have made progress in mitigating climate change	Societies that have failed in mitigating climate change
Referential scenarios	Transition scenarios	IEA NZE2050 IRENA	–
	Physical climate scenarios	RCP1.9 SSP1	RCP8.5 SSP5
Temperature rise		Less than 1.5°C	4°C or higher
Heat wave and torrential rains		Less extreme weather events	Many extreme weather events
Social and economic trends		A world of growth and equality with a focus on sustainability	A world of rapid and unlimited growth in economic output and energy consumption
Energy transformation		Energy transformation will reduce GHG emissions by 70% in 2050	–
Economic events		Increasing Carbon Prices, Increasing Fuel Prices	–
Risks	Regulatory risks	Large	Small
	Physical risks	Small	Large

Based on the climate change scenarios set, impacts of climate change risks were analyzed and strategies were considered to

prepare for long-term risks for each business domain. Based on the 1.5°C and 4°C scenario, analysis two axes were set; one is whether climate change mitigation progresses or not; and the other is decentralization of social systems in rural areas or centralization to large cities. Using these two axes, and considering their mutual influence, four climate change scenarios were envisaged.

Result of climate change risk impact analysis

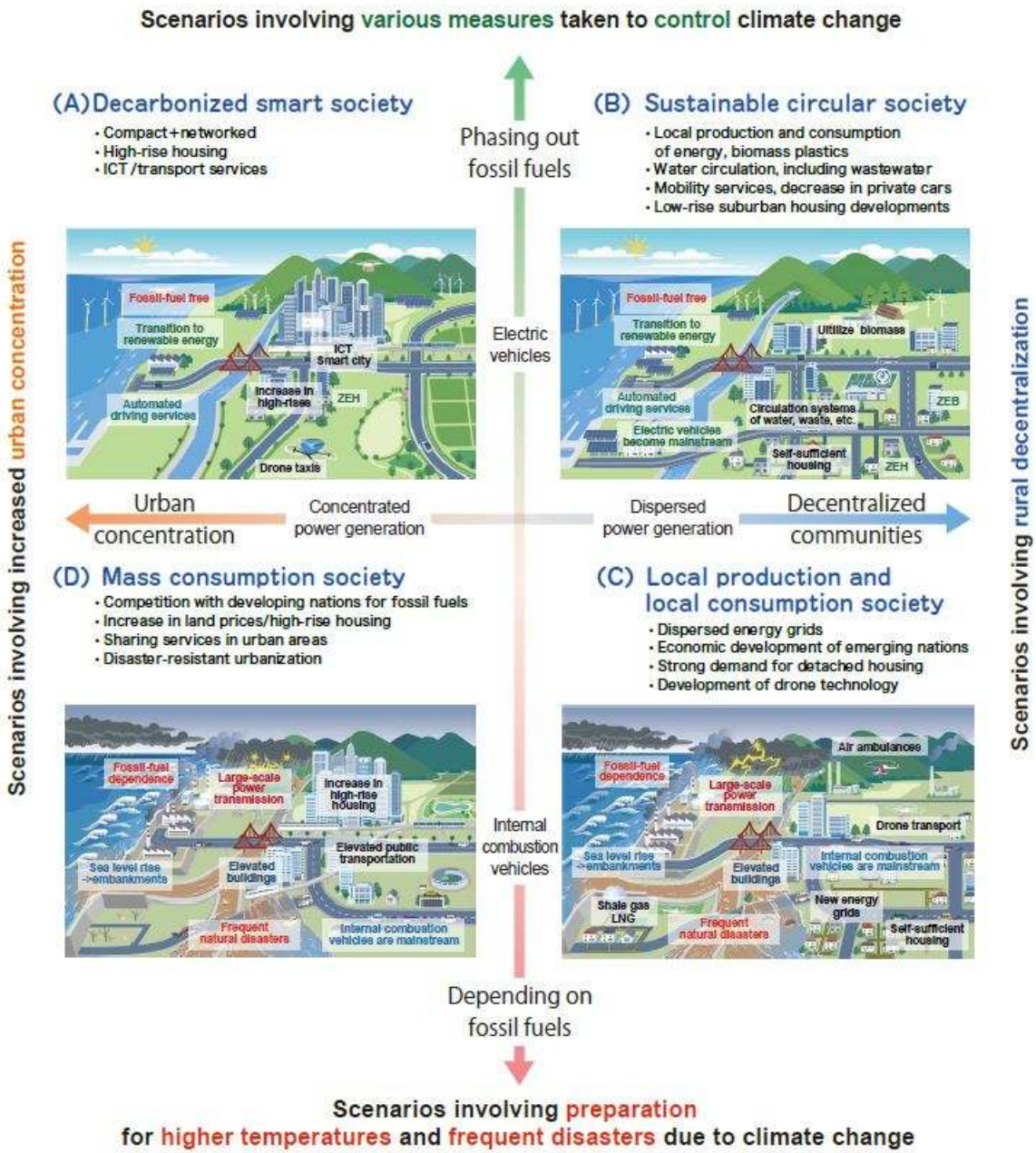
Type		Climate change risks	Financial Impact	Business risks	Business opportunities	Responses / Actions by SEKISUI	Correlation analysis of environmental issues: Climate Change	Resource Circulation	Water Risks	Biodiversity
Transition	Policy regulations	Carbon tax increase	Large	Medium- to long-term • Increase in energy procurement costs • Decrease in sales due to adding costs to product prices	Medium- to long-term • Acquire business opportunities by differentiating through early response • Stabilization of energy costs by introducing renewable energy	• Accelerate the shift to renewable energy and change the internal awareness by adopting operation of an internal carbon price system through the Measure to Promote the Adoption of Renewable Energy	Mitigation	–	–	–
						Improve effectiveness through public commitments such as SBT certification	Mitigation	–	–	–
		Regulations for energy savings/ low carbon	Large	Short-term • Increase in capital investment to strengthen energy conservation and renewable energy initiatives Medium- to long-term • Increase in introduction costs for renewable energy certificates, etc.	Short-term • Increased sales from energy conservation/storage/ creation businesses • Increased sales from CO_2-regulation compliant products	•Establish ESG investment framework (40.0 billion yen/3 years), including investment for climate change measures	Mitigation	–	–	–
						• Develop new energy creation technologies (e.g., perovskite solar cells)	Mitigation	–	–	–
						• Review green procurement standards as appropriate	Mitigation	All	Business	All
						• Standardize housing with ZEH specifications	Mitigation	–	–	–
		Policies	Large	Short-term • Increase in renewable energy procurement and waste treatment costs Medium- to long-term • Lose market share from loss of differentiation due to mandating of low-carbon products such as ZEH • Reduction of business opportunities due to stricter laws and regulations related to resource recycling	Short-term • Increased need for technologies to reduce CO_2 during waste incineration Medium- to long-term • Increase in sales of new homes due to expansion of ZEH market due to from mandatory ZEH specs • Expanding opportunities for horizontally recycled products such as in-house and industry-wide collection	**• Develop technology for creating ethanol from garbage (e.g., BR)**	Mitigation	Disposal	–	Living organisms
						• Use purchased power after FIT (e.g., SmartHeimDenki)	Mitigation	–	–	–
						• Expand products that enhance sustainability	Both	All	Products	All
						• Consideration of expanding horizontal recycling of in-house plastic products (e.g., KYDEX buyback system, etc.)	Mitigation	Disposal	–	–
						• Development of services to improve the recycling value of housing products (e.g., Be-Heim)	Mitigation	Disposal	–	–
		Litigations	Medium	Medium- to long-term • Lawsuits against companies using fossil fuels	Medium- to long-term • Increase in business opportunities due to consumer trust earned from commitments to society	• Disclose environmental vision and long-term GHG emissions reduction targets	Mitigation	All	–	–
						• Improve scores in various external benchmarking systems	Both	All	All	All
	Technology	Replacement to low carbon products	Large	Short-term •Increase in re-certification costs due to change of low- carbon materials Medium- to long-term • Changeover to lower carbon materials and processes	Short- to medium-term • Increase in business opportunities for products that enhance sustainability that contribute to low carbonization Long-term • Business expansion through prioritized procurement of resource recycling friendly designed products	• Use of LCA in planning, development and marketing (CFP, environmental impact other than climate change)	Mitigation	All	–	All
						• Use of "learn from nature" technologies and continuation of researcher subsidies	Both	All	Products	All
						• Promotion of renewable energy in factories (e.g., SmartHeimDenki)	Mitigation	Manufacturing	–	–
						• Reduction of factory waste and acceleration of resource recycling	Mitigation	Manufacturing	–	–
						• Product development using bio-derived materials	Mitigation	Raw materials	–	Plants
						• Product development using recycled materials and increasing their use	Mitigation	Raw materials	–	–
		Development of decarbonization technology	Large	Medium- to long-term • Opportunity loss due to delay in introduction of decarbonization technologies	Medium- to long-term • Expand business opportunities by decarbonization of in-house products • Creation of new businesses utilizing decarbonization technologies	**• Development of CCU technologies in collaboration with different industries (e.g., collaboration with ArcelorMittal, S.A.)**	Mitigation	Disposal	–	–

Type		Climate change risks	Financial Impact	Business risks	Business opportunities	Responses / Actions by SEKISUI	Correlation analysis of environmental issues: Climate Change	Resource Circulation	Water Risks	Biodiversity
	Markets	Change in consumer behavior	Medium	Long-term • Decrease in sale of new cars • Opportunity loss due to inability to recycle resources and use decarbonization incentives	Medium-term • Acquisition of incentives through resource recycling and visualization of decarbonized value Long-term • Increase in profitability from shift to higher-performance products • Expansion of market for ICT-related products	• Efforts to improve resource recycling value through industry collaboration (e.g., CLOMA (for marine plastic issues))	Mitigation	Use	–	Living organisms
						• Development of highly heat resistant and durable, and other high performance products	Mitigation	Use	–	–
						• Development of lightweight solar cells, heat dissipating products	Mitigation	Use	–	–
		Market uncertainty	Medium	Long-term • Investments to stabilize power supply for dispersed renewable energies	Long-term • Increase in sales of products to support a more dispersed society	• Sales of houses that realize energy self-sufficiency	Mitigation	–	–	–
						• Development of resource recycling technologies (e.g., BR, mat'l waste recycle)	Mitigation	Disposal	–	–
	Reputation	Change in consumer preferences	Medium	Short- to medium-term • Sales decline due to inability to keep up with sustainable lifestyle preferences Long-term • Decrease in sales due to increased preference for "sharing" over "owning"	Short- to medium-term • Improve corporate brand and expand sales with products that support sustainable living Long-term • Creation of new businesses to meet consumer preferences	• Promotion of sustainable town development business (e.g., ABINC certification of Asaka Lead Town)	Both	All	Products	All
						• Begin services using housing big data (e.g., SmartHeim Denki)	Both	All	Products	All
		Industry criticism	Large	Medium- to long-term • Investor valuation decline for companies that do not decarbonize Long-term • Decline in evaluation of companies that do not understand the biodiversity impact of decarbonization solutions	Short- to medium-term • Secure stable financing by demonstrating compatibility with resource circulation Long-term • Consideration of nature-positive decarbonization solutions and high evaluation for product development	• Use of renewable energy by purchasing electricity after FIT	Mitigation	–	–	–
						• Promotion of reform and use of in-house system for planning and R&D (product environmental impact assessment)	Both	–	–	All
						• Promotion of efforts to reduce the impact of nature and information disclosure (e.g., use of Land Use Score Card®)	Both	–	–	All

Type		Climate change risks	Financial Impact	Business risks	Business opportunities	Responses / Actions by SEKISUI	Correlation analysis of environmental issues			
							Climate Change	Resource Circulation	Water Risks	Biodiversity
Physical	Acute	Frequent typhoons Heavy rain/ droughts	Large Large	Short-term • Increase in damage such as plant shutdowns and sales decrease • Increase in costs to control flooding and overflows • Decrease in sales due to supply chain disruption Medium- to long-term • Increase in insurance premiums	Short-term • Increase in needs for resilient infrastructure • Increase in sales of products in areas with a high level of water-related risks • Increase in needs for equipment/facilities for disaster preparedness	• Understand water risks and implement countermeasures **• Development of highly durable infrastructure** • Accelerate infrastructure renewal in developed nations (e.g., SPR Method) • Expand infrastructural business in developing nations **• Development of disaster response products (e.g., drinking water storage systems)** • In-house fusion mechanism for adaptive product development, task force projects	Adaptation Adaptation Adaptation Adaptation Adaptation Adaptation	– – – – – –	Business Products Products Products Products Products	– – – – – –
	Chronic	Changes in rainfall patterns Rise in sea level Rise in average temperatures	Medium Medium Medium	Short-term • Increase in costs for restructuring supply chain Medium- to long-term • Increase in heat stroke/other illnesses related to warming • Increase in air conditioning/cooling costs	Short-term • Increase in sales of heat insulating/heat shielding products Medium- to long-term • Increase in needs for pharmaceutical products/diagnostic drugs that contribute to treatments	• Explain procurement guides to raw material suppliers • Globally disperse production bases • Reinforcement of OEM structure in accordance with increase in illnesses	Adaptation Adaptation Adaptation	– – –	Business Business Business	– – –

Green: Matters that arise due to the updating to the 1.5°C scenario

Bold: Innovation-related items



The possible risks and opportunities for the Group in these assumed societies were analyzed, and the results of considering the Group's strategies for adapting to the realization of the society envisioned in each scenario are outlined in the four diagrams below.

Scenario A) Decarbonized smart society scenario (1.5°C & urban concentration scenario)

Opportunities	• Increased demand for smart infrastructure, remote control systems, etc. • Increased demand for power generation/storage products • Expanding needs for decarbonized products and technologies	=> Advanced technology utilization and expand services for infrastructure => Higher performance of electronic/energy related products => Advance development of decarbonization technologies and expand products sales
Risks	• Decreased car sales due to transition to mobility services • Accelerate conversion to renewable energy • Decreased demand for low-rise housing	=> Decreased sales of housing and mobility related products => Energy procurement costs increase due to increased demand for renewable energy => Decreased sales of housing related products
Response by SEKISUI	[Production activities] Begin converting to renewable energy (installation of large-scale solar panels (USA), use of SmartHeim Denki) [Housing business] Standardize ZEH specs [Energy] Expand storage battery business [IT] Material development to promote improvement of ICT (heat dissipating materials, materials for LED and OLED) [Resource Recycling] Development of services to improve the recycling value of housing products ("Be-Heim"), consideration of expansion of horizontal recycling system for plastic products	

Scenario B) Sustainable circular society scenario (1.5°C & decentralized communities scenario)

Opportunities	• Localized power generation • Expanded circulation of resources such as electric power, water, carbon, etc. • Increased demand for housing with ZEH specs • Expanding needs for decarbonized products and technologies	=> Increased demand for power generation, storage and related technologies => Increased demand for circulation infrastructure => Advance development of decarbonization technologies and expand products sales
Risks	• Decreased car sales due to transition to mobility services • Accelerate conversion to renewable energy (decentralized) • Decreased reputation among customers and investors due to failure to decarbonize	=> Decreased sales of housing and mobility related products => Energy procurement costs increase due to increased demand for renewable energy => Decreased fund-raising ability
Response by SEKISUI	[Production activities] Begin converting to renewable energy (installation of large-scale solar panels (USA), use of SmartHeim Denki) [Housing business] Standardization of ZEH specs, expansion and promotion of sustainable town development business [Energy] Promote the spread of energy self-sufficient housing (solar panels, storage batteries) Also contribute to local energy production and consumption through TEMS [Vehicles] Provide highly functional materials that provide additional performance to vehicles and aircrafts. (S-LEC wedge-shaped HUD interlayers, KYDEX sheets, CFTRP) -Establish technologies for CCU systems (BR) [Resource recycling] Full scale implementation of BR technology, development of CCU technologies in collaboration with other companies	

Scenario C) Local production and local consumption society scenario (4°C & decentralized communities scenario)

Opportunities	• Promoting resilient infrastructure and autonomous driving infrastructures • Creation of market of new energy grids	=> Increased sales of highly durable infrastructure materials and construction services => Needs for control systems and energy infrastructure technologies
Risks	• Increased raw material and energy costs due to disaster-resilient supply chain, logistics, and energy security measures • Increased factory relocation costs in locations vulnerable to natural disasters • increased manufacturing costs and raw material costs caused by deterioration of ecosystem services due to disasters • Increased human costs due to increasing diseases caused by global warming • Extensive damages due to fragmentation of infrastructure in the area	
Response by SEKISUI	• At the managers level of operating companies/business sites, understand risks in each region and site, formulate BCPs, and consider risk reduction measures [Water infrastructure] Expand businesses that contribute to more resilient water infrastructure (Renewal: SPR method, New construction: Collaboration with Vietnamese companies) [Transportation infrastructure] Improve durability of transportation infrastructure (“Utsuku Sheet,” “InfraGuard”) • Reinforcement of OEM structure for pharmaceutical products • Explore HEMS and TEMS technology for building smart grids (SmartHeim Denki) • Develop urban planning businesses (expand services) • Reinforce sustainable raw material procurement system	

Scenario D) Mass consumption society scenario (4°C & urban concentration scenario)

Opportunities	• Promoting resilient infrastructure and autonomous driving infrastructures • Increased needs for energy-related products for large-scale power generation	=> Increased sales of highly durable infrastructure materials and construction services => Increased sales of products related to stabilizing systems and improving efficiency of power generation
Risks	• Increased raw material and energy costs due to disaster-resilient supply chain, logistics, and energy security measures • Increased factory relocation costs in locations vulnerable to natural disasters • Increased human costs due to increase in diseases caused by global warming [Housing] Decreased demand for low-rise housing => Decreased sales of housing related products • Increase in manufacturing costs and raw material costs caused by deterioration of ecosystem services due to disasters	
Response by SEKISUI	• At the managers level of operating companies/business sites, understand risks in each region and site, formulate BCPs, and consider risk reduction measures [Water infrastructure] Expand businesses that contribute to more resilient water infrastructure (Renewal: SPR method, New construction: Collaboration with Vietnamese companies) [Transportation infrastructure] Improve durability of transportation infrastructure (“Utsuku Sheet,” “InfraGuard”) • Reinforcement of OEM structure for pharmaceutical products • Contribute to more stable power transmission by burying power cables underground (“CC-Box”) • Reinforce sustainable raw material procurement system	

(iii) Risk Management

Management of risks related to climate change is incorporated into management of risks of overall sustainability issues mentioned above.

(iv) Indicators and Targets

The Group recognizes that climate change is both a major social issue and a major risk for the Group, and has been actively working to resolve it. In 2018, we became the first company in the chemical industry to obtain SBT certification, and set a target of reducing GHG emissions by 26% compared to fiscal 2013 levels by 2030. Since then, we have promoted “energy consumption innovation,” such as promoting the renewal of aging equipment, and “energy procurement innovation” such as converting purchased electricity to renewable energy and introducing in-house solar power generation equipment.

As climate change becomes an even more pressing social issue, in October 2022 the Company decided to take on technologically difficult initiatives ahead of the original schedule, such as electrification of equipment that uses fuel and conversion to low-carbon fuels, and reduction of fuel-derived GHG emissions through production process innovation, and raise the GHG emission reduction rate for 2030 as described below. In addition, SBT certification has been re-acquired for these target value. (March 2023)

• New GHG emission reduction targets

	Previous target	New target	Method of achieving the new target
Scope 1 + 2	Base year: 2013 Target year: 2030 Reduction ratio: 26% (2°C target)	Base year: 2019 Target year: 2030 (No change) Reduction ratio: 50% (1.5°C target)	In addition to the previously planned conversion of purchased electricity to renewable energy, initiatives to reduce GHG emissions derived from fuels through the conversion to low-carbon fuels, electrification, and manufacturing innovation will be addressed ahead of schedule
Scope 3	Base year: 2016 Target year: 2030 Reduction ratio: 27%	Base year: 2019 Target year: 2030 (No change) Reduction ratio: 30%	Add resource recycling initiatives (conversion to non-fossil raw materials, expanded use of recycled materials, and recycling of waste) to promote reductions in raw materials, production processes, and when customers make disposals

• Progress of Fiscal 2021

	Total emissions (Thousands t-CO_2)	Reduction ratio
Scope 1	220	Reduction of 16.9% (from FY2013)
Scope 2	523	
Scope 3	4,343	Reduction of 1.3% (from FY2016)

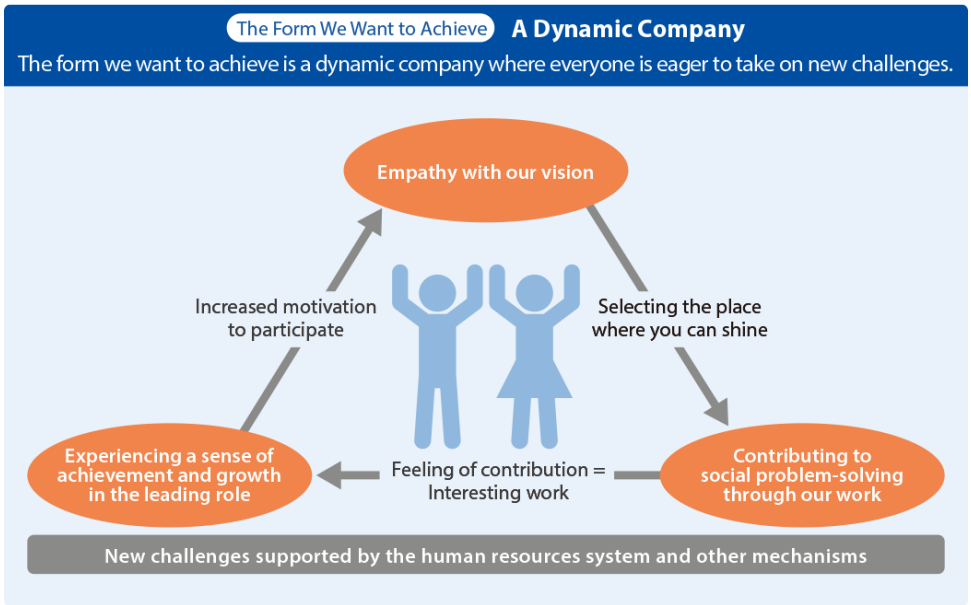
* Details of climate change-related disclosure in accordance with the TCFD recommendations are included in the TCFD Report 2022 which is posted on the Company's website. The TCFD Report 2023 is scheduled to be issued in August 2023.
TCFD Report
https://www.sekisui.co.jp/sustainability_report/report/#tcfd

(3) Policy on human resources development including the security of diversification in human resources and policy on internal environmental improvement of the SEKISUI CHEMICAL Group

Based on our belief that employees are precious assets bestowed on us by society, we strive to ensure that our workplace is vibrant, and offer various opportunities through which we help individual employees to enhance their unique skills and grow through taking on challenges.

(i) Fundamental Mindset

Toward the realization of Vision 2030, the Group aims to be a "company where all employees thrive on challenges," in other words, a "company whose contribution to social solutions expands through innovation and creation," promoting human resources strategies through the transformation of human resources management (a role-oriented human resources system and promotion of challenges).



(ii) Governance

In fiscal 2022, we established the Diversity Promotion Committee toward the realization of our human resource strategies. The Diversity Promotion Committee is a supervisory and advisory body to business execution on issues related to the security of diversified human resources in corporate management. With the participation of outside Directors who have professional knowledge, we have become capable of pursuing diversification initiatives strongly. The governance can be strengthened by clarifying the division of duties between the supervisory side and the execution side.

As an execution body, the Human Resources Sub-committee has been established under the Sustainability Committee, chaired by an officer in charge of human resources, and composed of managers of human resources divisions of individual companies.

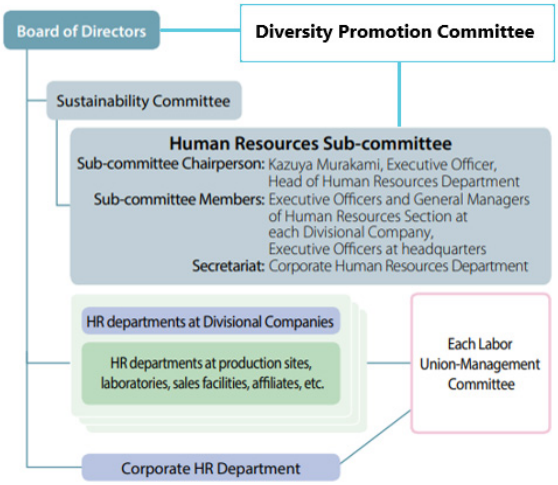
Diversity Promotion Committee

Sub-committee Chairperson: Nozaki Outside Director

Sub-committee Members: Chairman, President, Senior Managing Executive Officer Kamiwaki, and Outside Director Murakami, Head of the Human Resources Department (four members)

Secretariat: Corporate Human Resources Department

Human Resource / Promotional Structure (since fiscal 2021)



(iii) Strategies

Toward the realization of an excellent and vibrant company where all employees thrive on challenges, we develop human resources that can respond to the growth speed of and changes in business and promote injecting the suitable personnel in the right places under the human resources development policy (*1). We also aim to boost diverse work-styles corresponding to each country and region and create workplaces where employees can work without undue worries in accordance with an internal

environment improvement policy (*2).

*1. Human resources development policy

A) Promotion of diversity

We create corporate culture which encourages individual employees to demonstrate their strengths energetically.

B) Encouragement of challenges

We support personnel who continue taking on challenges proactively.

C) Development of outstanding human resources

We support personnel who proactively learn and grow, and have unique skills.

*2. Internal environment improvement policy (diversity management policy)

With a recognition that promotion of diversification is essential to maintain our profile after 100 years, we understand, accept, and even utilize actively the variance in individual employees' preference on the aspects of work and life, and their unique skills.

To create such organization and corporate culture, we will continue making dialogue with employees to offer opportunities for employment and participation and create various workplaces that support their growth.

(iv) Major initiatives

a) Realization of an energetic company

・Promotion of challenges

We believe it is important for each and every employee to break free from convention while continuously taking on challenges in order to realize our Long-term Vision, and therefore adopt the degree of challenging behavior expression as a KPI in terms of human capital. We periodically implement questionnaires for employees to see whether they actually take challenging behavior and whether they feel free to take challenging behavior in the organization they belong to, and reflect the results the improvement of individual workplaces.

・Improvement of engagement

We periodically implement questionnaires for employees to measure "enthusiasm at work" and "attachment to the company," an engagement in the company which is the foundation of challenges.

The results of the surveys are analyzed by individual company, group companies, and each organization, served as the basis for formulating and implementing improvement measures.

As a cross-organizational effort, the human resource departments of group companies across the country conduct improvement activities toward the deepening of engagement. This project holds a workshop to share outstanding case studies of competitors, shares successful internal case studies and grants an award to them, and holds a seminar of organization development methods, etc.

b) Promotion of diversity (active participation by diverse human resources)

・Supporting active participation by diverse human resources (female, people with disabilities, work-life balance)

In accordance with the "Diversity Management Policy," in addition to differences in outward appearance such as gender, age, and race, we focus on differences based on careers, values, and personality in terms of diversity. We understand, recognize, and interpret the differences between each and every employee as strengths.

In particular, we have been advancing initiatives to empower women in four stages: "strengthening recruitment of women," "established practice and active participation," "creating managerial positions," and "education after assigning a managerial position." The ratio of women to total new graduates hired has reached about 30% for the last five years, and we are committed to maintain this ratio or higher in the future. To this end, we hire more women for the business career course who are expected to play a key role, offer training programs, including hands-on training cycles and career building, for females in their first through their fourth years of employment. This training fosters greater awareness while enabling women to take on leadership roles from an early stage, as well as to learn and take on challenges on their own. As an initiative for supporting work and childcare balancing, among various balancing supports, we responded to the revised Act on the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave, and established an environment to encourage men to take childcare leave including "IkuBoss e-learning" for managerial personnel (participated by 3,237 persons). We also advance the recruitment of people with disabilities and promote building a pleasant work environment and supporting career development for them. In hiring people with disabilities, we seek for professional support in accordance with the needs of each group company, from assignment of appropriate operation to a work environment where they find it easy to work.

・Work-style reforms and health management

We promote work-style reforms and health management to improve the environment that encourages active

participation of diverse human resources.

Our work-style reforms include an effort to reduce working hours and improve work productivity. From a health management perspective, we develop a basic policy for health management and implement initiatives to resolve employees' mental and physical health issues.

(v) Metrics and targets (non-consolidated basis *1)

Item	KPI	Actual (FY2022)	Target (FY2025)
Human resources management	Percentage of Succession candidates prepared *2	77.0%	100.0%
	Training hours *3	6.1 hours	10.0 hours
Transformation into an energetic company	Degree of challenging behavior expression *4	60.0%	70.0%
Promotion of diversity	Percentage of females hired	28.0%	35.0%
	Percentage of females in core positions	4.5%	5.0%
	Gap in wages between men and women *5	68.6%	–
	Rate of childcare leave taken by men	68.1%	75.0%

*1 We have disclosed the metrics and targets of individual companies on a non-consolidated basis because it is difficult to compile them on a consolidated basis.

*2 Number of succession candidates for business leaders in the highest posts ÷ number of available posts

*3 Number of hours for training per employee during the fiscal year

*4 A questionnaire was conducted to survey whether the employees expressed challenging behavior toward the realization of the long-term vision.

*5 The gap in wages is due to the composition of workers' qualification (including ages and certification) and is not due to the personnel system.

3. Business risks

Matters related to the overview of business and financial information contained in the Annual Securities Report that could materially influence investment decisions include the following. The Company is endeavoring to establish a system for anticipating potential risks for the Group, preventing their occurrence, and promptly and appropriately dealing with them if they occur.

Forward-looking statements contained herein are based upon assessments made by SEKISUI CHEMICAL Group as of the end of the fiscal year under review.

(1) Business environmental risk

To quickly respond to changes in social environment including economy, market, finance, disasters, and global environment described from (i) to (v) below, the Company discusses countermeasures based on reports by individual business divisions at the Board of Directors held monthly and the Budget Formulation Meeting held quarterly and makes decisions. The Company also strives to review and disclose management indicators and financial conditions in the management plan in a timely and appropriate manner.

(i) Economy and product market trends

The Group's business results and financial position could be affected by the trends of economic environment of the business areas of the Group's products, such as Japan, North America, Europe, and Asia, and those of such market as mobility, electronics, housing, construction, and infrastructure.

In specific, the state of COVID-19 infection which appears to be in the process of being put down globally, raw materials prices hikes stemming from Russia's invasion to Ukraine and associated high prices are halting buying power, and could affect the Group's business results depending on future trends.

By sector, among the business of the High Function Plastic Company, markets where business is undertaken in the mobility field are easily affected by conditions and demand trends in the global automotive and aerospace industries. Markets for businesses in the electronics field, technological progress is fast and demand fluctuates widely, might shrink over a short period of time. In addition, the Housing Company's activities are subject to the policies and taxation systems that apply to the acquisition of houses in Japan. The Housing Company's business can also be affected by trends in the tax systems, interest rates, private consumption, and economies of individual areas. As far as the Urban Infrastructure & Environmental Products Company is concerned, activities, which encompass the public sector, could be impacted by trends in public investment, which are determined by governments at both the national and local levels.

While the Group hedges the risks by diversifying its business and globalize the business areas, material fluctuations in product demand may significantly affect the performance of the Group.

(ii) Raw material price volatility and procurement

The prices of steel, timber, polyvinyl chloride, olefin, and other petroleum-related raw materials used in the Group's production activities are affected by the economic environment of other countries, tightened or delayed supply due to the changes in the balance between demand and supply, and trade policies of supplier countries. In addition, some scarce resources pose a risk regarding stable procurement.

A sharp rise in the price of raw materials could lead to higher production costs, while demand trends for scarce resources and problems at suppliers could interfere with the Group's ability to supply products.

The Group strives to ensure stable procurement by diversifying the source of raw materials, and continuously implements cost reduction measures to deal with rising raw materials prices, enhances added value of products, and revises sale prices if needed, thereby hedging these risks. However, massive price fluctuations, etc., could influence the Group's business results significantly.

(iii) Foreign currency, interest rate, and owned asset price fluctuations

The Group operates and expands its business globally, with a percentage of overseas net sales for the fiscal year ended March 31, 2023 at 30.2%. As a result, fluctuations in the value of the yen against foreign currencies could have a significant impact on the yen-translated amount of foreign currency-denominated transactions and items of financial statements of overseas consolidated subsidiaries. Internal currency exchange rates are used in foreign currency-denominated transactions, and those of U.S. dollar and euro are reviewed quarterly to avoid discrepancies between plan and actual. Considering the expansion and scale of the current business, our disclosure recognizes that the amount of impacts on operating profit due to discrepancies would be about 500 million yen caused by 1 yen per U.S. dollar and about 100 million yen caused by 1 yen per euro.

Fluctuations in interest rates could also impact the amounts of interest income and interest expense by the Group, as well as housing business demand.

In the event of a change in the market and business environments, there is a risk that the Group's real estate holdings including land, other inventories, property, plant and equipment, intangible assets including goodwill, and investments and other assets such as investment securities might need to be written down.

Each of the aforementioned has the potential to impact the Group's business results and financial position.

(iv) Major earthquake, natural disaster, and other incident

Natural disasters as earthquakes and tsunamis at the Group's business sites, together with the spread of infectious diseases could interrupt the Group's business activities.

Any resulting loss of public confidence, expenses in responding to industrial accidents, including compensation and other costs, opportunity loss attributable to the suspension of production, compensation paid to customers, and other factors might affect the Group's performance and financial position.

(v) Politics and society

Engaging in manufacturing and sales activities through an overseas network that currently spans 22 countries, the Group is promoting the development of its global business as a key growth strategy.

In addition to trends in the overall global economy, the Group's overseas business activities are subject to the risk of social and political disruption due to political turmoil such as terrorism and war, tariff retaliation measures, unexpected changes in policies, laws and regulations, tax changes, industrial base fragility, natural disasters, infectious diseases, racial discrimination, product boycotts, and other factors.

In the event that these risks materialize, the Group's overseas business activities could be impeded and its performance and future plans affected.

The Group has established four regional headquarters in the United States, Europe, China, and ASEAN regions to gather information on the economic, social, and political conditions and trends in the laws and regulations of each country in which it has a base of operations.

Should an event that requires a response occur, the Group company, regional headquarters, and specialized department at the Company's head office in Japan work together to respond as appropriate.

(2) Operational risks and others

The SEKISUI CHEMICAL Group positions especially serious risks among risks which would damage the Company's sustainable growth and corporate value as serious risks for the whole Company. After the discussion at sub-committees of individual business areas, the Sustainability Committee, and the Board of Directors, policies and countermeasures to be taken are determined and incorporated into action plans of individual departments. The Company also conducts a "Sustainable Procurement" survey, etc. for suppliers to develop responsible supply chain, in an effort to realize and maintain sustainable procurement.

(i) Safety and health, industrial accident

Major industrial accidents including fires, explosions, and the leakage of harmful substances that affect the areas surrounding the Group's factories and R&D facilities, and the resulting loss of public confidence and expenses in responding to industrial accidents could incur.

In order to prevent industrial accidents including fires, explosions, and the leakage of harmful substances, the Group identifies and responds to risks through risk management activities at production sites that also include simulations of natural disasters, and has a dedicated head office department that periodically conducts onsite audits while providing remedial guidance (securing facility nature, etc.) on a global basis.

Taking the lead, the Overseas Crisis Management Office at the same time shares natural disaster and other crisis management information with regional headquarters, alerting them to the need for timely action.

(ii) Products and quality

The Group continues to engage in assurance and improvement activities to ensure that its products and services are of the utmost quality.

However, despite these activities, the Group continues to run the risk of a product recall, discontinuation, payment of compensation, and loss of customer confidence should a major product-related incident occur; should product safety, environmental, statutory and regulatory compliance, or other issues arise; and in the event of a dispute over intellectual property that results in a decision that is unfavorable to the Group.

In this event, the possibility exists that the Group's business results and financial position could be affected.

The Group engages in CS & Quality Management to consistently deliver value to customers so that they will always choose its products and services. We have also positioned "zero major quality issues" as one of our key indicators, and are working diligently to improve the level of consistent quality control across the entire value chain by preventing the incidence of a quality issue occurring through advance prediction of potential quality-related risks at the development stage after a product has been commercialized, and ensuring that basic guidelines for day-to-day management are being strictly adhered to by production departments.

At the same time, the Group places the utmost importance on its intellectual property strategy in order to make the most of its prominence in technology. In striving to secure business competitiveness through the acquisition of strong patents, we conduct

investigations to ensure that we do not infringe on the intellectual property of others and take appropriate measures to avoid or prevent intellectual property infringement.

(iii) Compliance

The Group is subject to a variety of statutory and regulatory requirements in the conduct of its business.

In the event that the Group should seriously violate any of these laws following an amendment or unexpected introduction of a law or regulation, or undertake an action or carry out an injustice caused by pressure to achieve performance targets, it could suffer a loss of customer confidence and incur costs in order to address the infraction thereby impacting its business results and financial position.

The Group established its "Compliance Declaration" in 2003 based on principles such as "contributing to society," "being a trusted company," and "adherence to the letter and spirit of the law." In keeping with the spirit of the Group Principles and our Corporate Code of Ethics, we defined our stance for the acquisition of high social trust through compliance. In October 2020, under the leadership of President Kato, the Group declared that it regards compliance as the foundation for growth, and that each and every officer and employee must act with a high sense of ethics and responsibility and behave in ways that conform to community expectations.

In addition, the Board of Directors deliberates on "Fundamental Compliance Policies" that require the approval of the Board of Directors, and has established a designated Compliance Subcommittee, which reports to the Sustainability Committee chaired by the President, to plan, consider, and decide on important compliance-related matters, with the aim of establishing and implementing a compliance system for the Company and its Group companies. Furthermore, the Group has a dedicated head office department that periodically conducts audits while providing remedial guidance on a global basis.

In order to ensure the Group will be widely trusted by society, we will continue to carry out initiatives for improving compliance awareness.

(iv) Information management

As the Group makes efficient use of IT in a wide range of business processes including production, sales, research and development, procurement, and accounting, it is becoming increasingly dependent on IT systems. Moreover, and in addition to confidential business process information, we handle personal information about many of our customers due to the nature of the Housing business.

Taking these circumstances into consideration, the Group is subject to such risks as cyberattacks, power outages, natural disasters, business interruptions and damages resulting from equipment and software failures or defects, and the leakage of confidential including personal information. In the event that any of these risks should materialize, the Group's business activities could be impeded affecting its business results and financial position.

After putting in place certain guidelines codified in its Cyber Security Policy, the Group established a Computer Security Incident Response Team (CSIRT) to strengthen its response and constantly monitor the incidence or otherwise of system-based incidents. In addition, we have developed a system to take appropriate action and prevent recurrence in the event that an incident should arise, and are working to prevent the leakage of human-related information through employee training.

To counter the risk of backbone system stoppages due to such natural disasters as a major earthquake, we have taken a wide range of measures including the decentralization of data centers to multiple locations and the complete duplication of critical business operations.

(v) Climate change and environmental issues

Recognizing that climate change caused by greenhouse gases, resource depletion, water risk, and marine plastic waste are common social issues worldwide, the Group promotes ESG management to improve social and global environmental sustainability through solutions to social issues, as well as its own sustainable growth, in a bid to realize its Long-term Vision 2030 and the Sekisui Environment Sustainability Vision 2050.

In the event that efforts aimed at addressing these issues prove inadequate, the Group could suffer a loss of public trust and a deterioration of its reputation and competitiveness, thereby impacting sales.

We are working to create, certify, and expand the market for products to enhance sustainability that contribute to the sustainability of the global environment and society by helping to resolve environmental and social issues. As a measure to combat global warming, we have set the target of increasing our utilization ratio for renewable energy from electricity purchased to 100% by 2030, and work to convert fuels used by facilities to electricity and low carbon fuels, expand the use of non-fossil energy and renewable materials, and recycle wastes, etc. in collaboration with suppliers to realize a circular economy. Among a host of other initiatives, we are also undertaking activities to promote solutions to the marine plastic problem through industry-government-academia collaboration. This includes participation in the CLOMA*1 and JaIME*2 corporate initiatives.

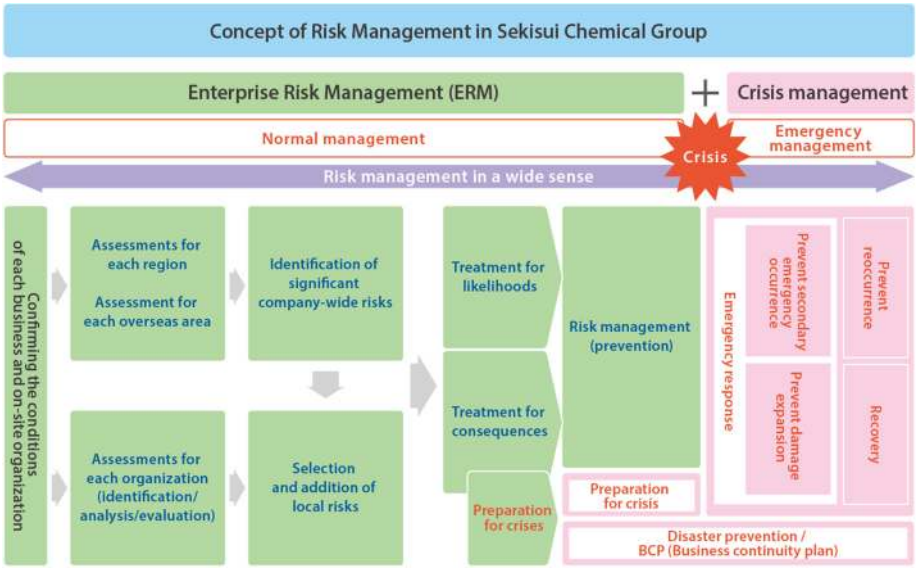
*1 CLOMA: Japan Clean Ocean Material Alliance.

*2 JaIME: Japan Initiative for Marine Environment.

(3) Risk identification and management

The SEKISUI CHEMICAL Group comprehensively collects risk information by specialty domain and overseas region to assess "the likelihood of occurrence" and "impact." Based on the results, a company-wide risk discussion meeting held by officers in charge of specific expertise makes uniform assessment and specifies a company-wide material risk. We run the risk management structure for integrated management of measures to prevent these risk events from occurring (enterprise risk management: ERM) and to respond when one occurs (crisis management). This integration let us set up a structure to adapt to ever-changing risks and crises in accordance with the situation for the organization.

In addition, we have built a system that allows us to determine the state of disasters and accidents quickly should they occur through a global emergency contact network, and have strengthened employee training to ensure an appropriate initial response.



4. Management Analysis of Financial Position, Business Results and Cash Flows

(1) Overview of business results, etc.

An overview of the financial position, business results and cash flows (hereinafter referred to as "Business Results, Etc.") of the Group (comprised of the Company, its consolidated subsidiaries and entities accounted for using the equity method) is as follows.

(i) Financial position and business results

As for the business environment in fiscal 2022, the final year of the "Drive 2022" Medium-term Management Plan formulated based on the Sekisui Chemical Group's Long-term Vision "VISION 2030," automobile production remained at a higher level than the previous fiscal year, despite the impact of production cuts due to the semiconductor shortage. Smartphone shipment volumes were significantly lower than in the previous fiscal year due to inventory adjustments mainly in China that continued from the second quarter onward. The number of domestic housing starts remained below the level of the previous fiscal year.

Under these circumstances, net sales reached a record high due to increased sales of high value-added products as well as progress in improving selling prices and positive foreign exchange effects.

Although results were significantly affected by soaring prices of raw materials, fuels, and component parts, these effects were offset by improvement of selling prices, increased sales of high value-added products, cost reductions, and other factors, and operating profit increased. Ordinary profit increased due in part to the effect of foreign exchange rates. Profit attributable to owners of parent increased significantly as a result of the effect of recording impairment losses in the previous fiscal year. Ordinary profit and profit attributable to owners of parent both reached new record highs.

As a result, net sales for the fiscal year under review rose 7.3% to 1,242,521 million yen, operating profit rose 3.1% to 91,666 million yen, ordinary profit increased 7.5% to 104,241 million yen, and profit attributable to owners of parent rose 86.9% year on year, to 69,263 million yen.

From the fiscal year under review, the classification of reportable segments was changed. Details are as stated in "(1) Notes to consolidated financial statements (Segment information)" of "1. Consolidated financial statements" in "V. Financial Information." The following year-on-year comparisons were based on the figures for the previous fiscal year, which were restated according to the new segment classifications.

Business results by segment are as follows.

a) Housing business

Net sales during the fiscal year under review increased to 537,371 million yen, up 4.3% compared with the previous fiscal year, and operating profit amounted to 32,831 million yen, down 7.0% compared with the previous fiscal year. Housing, Housing Renovation, Real Estate, and Town and Community Development businesses all saw increases in net sales for the fiscal year under review, a new record high for the Company. On the other hand, operating profit was down due to the impact of soaring component prices, especially in the Housing business, resulting in higher sales and lower profit.

Measures such as pursuing the qualities of "smart" and "resilient" were carried out for the Housing, Housing Renovation, and Town and Community Development businesses amid growing concerns regarding energy instability against a backdrop of intensifying natural disasters.

In the Housing business, the number of houses ordered decreased year on year due to effects from COVID-19 and lower purchasing intent caused by higher commodity prices and other factors. In October 2022, we launched United Heim Park, a new subdivision brand. In addition, we reinforced online marketing through our own website and focused on expanding sales of subdivision and ready-built houses.

In the Housing Renovation business, orders increased year on year due to increased sales of storage batteries and other factors. We strove to expand periodic checkups and strengthen proposal capabilities.

b) Urban Infrastructure & Environmental Products business

Net sales during the fiscal year under review increased to 234,296 million yen, up 8.5% compared with the previous fiscal year, and operating profit amounted to 21,192 million yen, up 39.2% compared with the previous fiscal year. In the fiscal year under review, the domestic non-housing market was sluggish and there was an impact from a decline in housing demand starting in the third quarter, but as a result of securing profit through selling price improvements, solid capital investment demand in semiconductors in Japan and overseas, and other factors, net sales increased, and operating profit reached a new record high, with increases in both sales and profit.

In the Pipe Systems field, demand for both residential and non-residential applications in Japan was below expectations, but as a result of firm sales of piping materials for plants, at which demand for capital investment in semiconductors is increasing in Japan and overseas, and of chlorinated polyvinyl chloride (CPVC) resin overseas, particularly in India, sales increased year on year.

In the Buildings and Infrastructures Composite Materials field, despite lower-than-expected housing demand, sales increased year on year due to increased sales of highly prioritized products including fire protection and non-combustible materials and large high-capacity drainage systems as well as expanded overseas sales of FFU for railway sleepers, particularly in Europe and the United States.

In the Infrastructure Renovation field, sales increased year on year, supported by an overseas recovery in demand for pipeline renewal, improvements in selling prices in Japan and overseas, and gradual recovery of demand for panel tanks.

c) High Performance Plastics business

Net sales during the fiscal year under review increased to 396,389 million yen, up 12.1% compared with the previous fiscal year, and operating profit amounted to 40,091 million yen, down 2.7% compared with the previous fiscal year. Despite the impact of automobile production cutbacks resulting from lockdowns in China in response to COVID-19, the situation in Ukraine, and other factors as well as a downturn in the electronics market due to smartphone inventory adjustments starting in the second quarter, net sales during the fiscal year under review increased due to expanded sales of high-performance products, improved selling prices, positive effects from foreign exchange rates, and other factors. The impact of the sharp rise in raw material and fuel prices and the slump in the electronics market was substantial, and the Company worked to offset these factors by improving selling prices, expanding sales of high-performance products, and reducing costs. Despite these efforts, operating profit decreased, resulting in higher sales and lower profit.

In the Electronics field, sales decreased year on year as a result of effects from a significant market slump that was greater than expected due to smartphone inventory adjustments in China from the second quarter onward as well as a downturn in the non-LCD sector, which had been firm until then.

In the Mobility field, sales increased year on year due to growth of high-performance products, mainly interlayer films for head-up displays, and the positive effects of foreign exchange rates, despite stagnation in the automobile market, mainly in China, caused by the impact of COVID-19, a shortage of parts, and other factors.

In the Industrial Business field, sales increased year on year despite effects from a downturn in the packaging materials market, as a result of the Company promoting expanded sales of labor-saving and environmentally friendly products, such as foam materials and long craft tapes, steadily improving selling prices, and positive effects of foreign exchange rates.

d) Medical business

Net sales during the fiscal year under review increased to 89,680 million yen, up 1.3% compared with the previous fiscal year, and operating profit amounted to 12,511 million yen, up 11.9% compared with the previous fiscal year. In the fiscal year under review, diagnostics demand from outpatient suffering from lifestyle-related diseases recovered in Japan and overseas, sales of influenza test kits increased in the United States, and sales of new pharmaceutical ingredients in the Pharmaceutical Sciences business were firm, and net sales increased, and operating profit reached a new record high.

e) Other businesses

Net sales during the fiscal year under review amounted to 7,388 million yen, up 49.4% compared with the previous fiscal year, and operating loss amounted to 10,894 million yen, up 578 million yen from the previous fiscal year.

(ii) Cash flows

Cash and cash equivalents amounted to 85,207 million yen as of the end of the fiscal year under review, a decrease of 48,531 million yen compared with the end of the previous fiscal year.

Factors influencing cash flow accounts during the fiscal year under review were as follows.

(Operating activities)

Net cash provided by operating activities during the fiscal year under review amounted to 71,543 million yen, compared with net cash provided of 105,023 million yen during the previous fiscal year. This was due to cash inflows, which included profit before income taxes of 99,494 million yen, depreciation of 48,995 million yen, and an increase in advances received of 7,512 million yen, exceeding cash outflows such as income taxes paid of 37,897 million yen, an increase in inventories of 36,718 million yen, and a decrease in trade payables of 5,114 million yen.

(Investing activities)

Net cash used in investing activities during the fiscal year under review amounted to 59,430 million yen, compared with net cash provided of 2,694 million yen during the previous fiscal year. This was mainly due to expenditures of 44,674 million yen for the purchase of property, plant and equipment, centered mainly on priority and growth fields, and 11,733 million yen for the purchase of intangible assets.

(Financing activities)

Net cash used in financing activities during the fiscal year under review was 62,906 million yen, compared with net cash used of 54,729 million yen during the previous fiscal year. This was due to the purchase of treasury shares of 27,410 million yen, cash outflows from dividends paid (including dividends paid to non-controlling interests) of 25,100 million yen, and a net decrease in interest-bearing debt of 8,665 million yen.

(iii) Production, orders received and sales

a) Production results

Production results by segment during the fiscal year under review were as follows.

Segment name	Amount (millions of yen)	Year-on-year (%)
Housing	561,978	9.9
Urban Infrastructure & Environmental Products	234,157	7.9
High Performance Plastics	415,628	14.0
Medical	89,181	(2.0)
Reportable segment total	1,300,946	9.9
Other	8,264	47.2
Total	1,309,210	10.1

(Note) Amounts are approximate values based on sales prices and before internal transfers among segments.

b) Orders received

Orders received by the Housing business during the fiscal year under review were as follows.

Production of products that are handled by segments other than the Housing business is primarily based on estimated orders.

Segment name	Orders received (millions of yen)	Year-on-year (%)	Backlog of orders received (millions of yen)	Year-on-year (%)
Housing	398,196	(0.3)	164,300	(11.2)

c) Sales results

Sales results by segment during the fiscal year under review were as follows.

Segment name	Amount (millions of yen)	Year-on-year (%)
Housing	537,067	4.3
Urban Infrastructure & Environmental Products	221,305	8.9
High Performance Plastics	390,812	12.3
Medical	89,680	1.3
Reportable segment total	1,238,866	7.3
Other	3,654	14.8
Total	1,242,521	7.3

(Note) Inter-segment transactions have been eliminated.

(2) Analysis & review regarding Business Results, Etc. from the management's perspective

Recognition and analysis & review regarding Business Results, Etc. of the Group from the management's perspective are as follows.

Forward-looking statements in this document are based on the views as of the end of the fiscal year under review.

(i) Recognition and analysis & review regarding financial position and business results

(Financial position)

Total assets as of the end of the fiscal year under review stood at 1,228,131 million yen, an increase of 29,209 million yen from the previous fiscal year.

a) Assets

Current assets stood at 621,650 million yen, 12,254 million yen higher than the balance as of the end of the previous fiscal year. This was primarily due to increases in the balances of total inventories of 42,961 million yen, and total trade receivables of 6,064 million yen, offset against a decrease in the balance of cash and deposits of 43,453 million yen.

In addition, non-current assets increased 16,955 million yen to 606,481 million yen.

b) Liabilities

The liabilities decreased 561 million yen to 495,606 million yen, due to an increase of 7,446 million yen in advances received and an increase of 1,623 million yen in provision for warranties for completed construction, despite a decrease of 11,861 million yen in income taxes payable.

c) Net assets

Net assets stood at 732,525 million yen as of the end of the fiscal year under review, an increase of 29,771 million yen. This mainly reflected the profit attributable to owners of parent of 69,263 million yen and an increase in foreign currency translation adjustment of 13,746 million yen, despite dividends paid of 23,816 million yen and the purchase of treasury shares of 27,454 million yen.

(Business results)

a) Net sales and operating profit

Net sales during the fiscal year under review amounted to 1,242,521 million yen (up 84,576 million yen, or 7.3%, compared with the previous fiscal year).

Operating profit during the fiscal year under review amounted to 91,666 million yen (up 2,786 million yen, or 3.1%, compared with the previous fiscal year).

Further details of net sales and operating profit are included in "(1) Overview of business results, etc."

b) Non-operating expenses and income

Non-operating income increased 2,915 million yen compared with the previous fiscal year, due to an increase in share of profit of entities accounted for using equity method of 2,145 million yen, an increase in interest income of 666 million yen, and an increase in foreign exchange gains of 378 million yen. Non-operating expenses decreased 1,537 million yen compared with the previous fiscal year due to factors including a decrease in expenses for exterior wall inspections and maintenance of 489 million yen.

c) Extraordinary income and loss

Gain on sale of shares of subsidiaries and associates of 870 million yen and gain on sale of investment securities of 319 million yen were posted for extraordinary income.

Meanwhile, extraordinary loss of 5,937 million yen was recorded in total, including a loss on sale or retirement of non-current assets of 2,174 million yen, amortization of goodwill of 1,974 million yen, loss on valuation of shares of subsidiaries and associates of 1,319 million yen, and impairment losses of 468 million yen.

A breakdown of a loss on sale or retirement of non-current assets is as per the description in "V. Financial Information, 1. Consolidated financial statements and other information, (1) Consolidated financial statements, Notes to consolidated financial statements, (Notes to consolidated statement of income)."

d) Profit attributable to owners of parent

As a result of the above, profit before income taxes before taxes during the fiscal year under review totaled 99,494 million yen, an increase of 29,634 million yen compared with the previous fiscal year. After deducting income tax expense and profit attributable to non-controlling interests, profit attributable to owners of parent amounted to 69,263 million yen.

(ii) Analysis & review of cash flows as well as information pertaining to the sources of capital and fund liquidity

Analysis & review regarding cash flows of the Group during the fiscal year under review are included in "(ii) Cash Flows" in "(1) Overview of business results, etc."

With respect to the sources of capital and fund liquidity of the Group, the Medium-term Management Plan sets out its basic policy of "leveraging debt to invest aggressively in growth," and using external financing through borrowings and bond issuance, etc. as needed in addition to internal funds for financing. With regard to external financing, working capital is financed through borrowings or commercial papers while long-term financing needs are dealt with by long-term borrowings or the issuance of straight bonds.

(iii) Significant accounting estimates and assumptions used in such estimates

Significant accounting estimates and assumptions used in such estimates in preparing the Consolidated Financial Statements are as per the description in "V. Financial Information, 1. Consolidated financial statements and other information, (1) Consolidated financial statements, Notes to consolidated financial statements, (Significant accounting estimates)."

5. Material contracts, etc.

Agreements on licensing of marks

Agreements on licensing of marks that the Company has entered into are as follows.

(i) Parties to the contracts Sekisui House, Ltd., Sekisui Kasei Co., Ltd., Sekisui Jushi Corporation, and others

(ii) Contents of the agreements Licensing of the Company's marks (including trademarks)

(iii) Compensation A certain amount of money for each subsidiary, associate, etc.

6. Research and development activities

The Group worked on research and development, from basic research and application technologies to the development of new businesses, for the targets set by the business units in each field of Housing, Urban Infrastructure & Environmental Products, High Performance Plastics, and Medical to maintain prominence in advanced technology.

Research and development expenses for the entire Group during the fiscal year under review amounted to 40,471 million yen. Details of research and development as well as research and development expenses by segment were as follows.

(1) Housing business

In the Housing business, based on the principle of providing environmentally friendly housing for safe and comfortable living for at least 60 years, we have been working to develop new products and element technologies for steel-framed and wood-framed unit housing in the Housing field, and develop renovation technologies and menus aimed at strengthening the stock-based housing business in the Housing Renovation field.

Major achievements during the fiscal year under review were as follows.

In the Housing field, we launched the Letoit AZ "ZEH-M" Model (in April) of a family-oriented housing complex for rent that complies with "ZEH," the highest rank of the ZEH classification as a normal feature and has enhanced environmental and disaster-prevention capabilities. We also launched the GRAND TO YOU V GREENMODEL (in July), a wood-based unit house with higher energy self-sufficiency with large-capacity solar power generation systems and large-capacity storage batteries (in July).

In the Housing Renovation field, we worked to expand the product lineup, primarily in exterior walls, baths and storage batteries, better respond to needs, and renovations for heat insulation.

Research and development expenses for the business amounted to 3,356 million yen.

(2) Urban Infrastructure & Environmental Products business

In the Urban Infrastructure & Environmental Products business, we have been working to improve the profitability of general-purpose articles significantly, establish a successful pattern with an engine for growth, visualize the effects of productivity improvement measures and strengthen the governance system, aiming for toughening the management's ability and re-building the business portfolio.

The research and development unit contributes to the expansion of profit with its basic technology and development of new products with social solutions supported by the technology.

In establishing basic technology, for 11 themes of production technology innovation that contribute to the improvement of profitability of general-purpose articles and the visualization of productivity improvement measures, 7 themes of the development of Key Technology essential to new product development which is an engine for growth, and one theme of the development of resources circulation technology that provide global environmental contribution, we implemented technology

transfer to factories and new product development. 17 products were launched as for the development of new products that contribute to an engine for growth and raising a top line.
In the Pipe Systems field, we launched a high-discharge system with a strong UV-resistant feature that can un-water large rainfalls caused by torrential rains, etc. with bore pipes smaller than conventional ones by utilizing siphon technology in highway bridges, etc. In the Buildings and Infrastructure Composite Materials field, we launched an advanced noise barrier that can insulate sound from express railways, etc. In the Infrastructure Renovation field, we launched a new version of the SPR-NX01 Method for renewing aged sewage line and other pipes without turning off sewage lines, which can shorten the construction period and reduce construction costs compared with our conventional methods.

Research and development expenses for the business amounted to 6,817 million yen.

(3) High Performance Plastics business

The High Performance Plastics business promotes the development of high-performance materials, new products of and materials for molding processing products, and production technologies.
Major achievements by the three strategic fields during the fiscal year under review were as follows.
In the Electronics field, we launched components including a processing material (Selfa®) and interlayer insulation films which are necessary for high-speed communication infrastructure in the semiconductor/mounting-related area which is considered the next growth domain, and are continuing with development activities.
In the Telecommunications field, we are working to develop new products for transparent flexible radio-wave reflective films aimed at eliminating spots with no 5G signals.
Also, in car electronics components (cross-field) which is considered a priority fusion domain, we are working to expand sales and develop new products of thermally conductive products for lithium-ion batteries for environmentally friendly vehicles.
In the Mobility field, efforts are being made to develop new products that respond to lighter weight, energy-saving, and advanced information automobiles. Specifically, the development of optimal products for displays which are being more frequently installed, in addition to new products with high heat and sound insulation performance for automotive interlayer films, is in progress. In addition, we are working to develop new products such as components using foam molding technology that contribute to weight reduction of automobiles, and radio wave absorbers using thin-film technology that are used for millimeter wave radars for ADAS, and to cultivate the markets for them.
In the Industrial field, we also developed a sensor that reduces the burdens of care workers (ANSIEL®) for the aging society. We are advancing collaboration with peripheral technology including care work recording software, etc. by boosting their market penetration as a solution for further reduction of burden in caregiving and improvement of safety. Other than these, in response to increased needs for antivirus products due to the recent COVID-19 pandemic, we are working to develop products that comply with the SIAA standards for the construction materials market (such as walls and floor materials).

Research and development expenses for the business amounted to 13,801 million yen.

(4) Medical business

The Medical business is working to promote research and development in the Diagnostics business and Pharmaceutical Sciences business.
In the field of the Diagnostics business, we have been focusing on developing new platforms to enter into new domains and further grow the equipment business. Specifically, we have been striving to expand the cancer domain through high-sensitivity immunological measurement technology, and enter into the genetic testing market through a genetic system for infectious disease point-of-care testing (POCT).
In the field of the Pharmaceutical Sciences business, we have been working to develop peptide manufacturing technology based on new technology of peptide synthesis and cultivate a market for high-sensitivity nucleic acid analysis using our original PALSAR nucleic acid measurement technology.

Research and development expenses for the business amounted to 8,822 million yen.

(5) Other businesses

In other businesses, we have been focusing on producing innovation that leads to solutions to social issues, mainly in the Environmental Products and Energy field and Life Science field, aiming to create new social values and contribute to society through the creation of new businesses.
Meanwhile, in the Environment and Energy field, toward the utilization of renewable energy, we have confirmed that the

outdoor durability, the crucial part of the development of film-type perovskite solar cells, is about ten years, and have been developing a 30 cm-wide roll-to-roll manufacturing process using our proprietary technologies such as encapsulation, film deposition, material, and process technologies. We started a joint demonstrative test with the Tokyo metropolitan government, NTT Data, and JERA, a leading electricity generation utility in the world, taking advantage of its light and flexible features. At the same time, utilizing the Green Innovation Fund of NEDO, we will establish a manufacturing process for film with a width of 1 m and proceed with development to further improve durability and power generation efficiency, with the aim of commercialization in 2025.

In addition, in the stationary lithium-ion battery business, we put efforts into development of storage batteries for housing resilient to natural disasters, and they were adopted in a large-capacity storage battery system dedicated to energy self-sufficient living.

A demonstrative operation of a commercial plant in one tenth the size constructed in Kuji, Iwate Prefecture, started for commercialization of bio-refinery technology (that creates ethanol using microorganisms from gas emitted from a waste), a carbon resource recycling system that is expected to contribute significantly to a sustainable society. Moreover, we have been engaging in the development of technology that separates, collects and reuses CO_2 from gas emitted in the ironmaking process, and started international joint research and development of carbon recycling to be used in the steel process with ArcelorMittal, S.A., a globally leading steel and mining company.

In the Life Science field, we have been working to develop scaffold materials and others as cell culture solutions.

Research and development expenses for the business amounted to 7,673 million yen.

III. Information About Facilities

1. Overview of capital expenditures

Capital expenditures in the fiscal year ended March 31, 2023 were 59,349 million yen (including intangible assets). For the High Performance Plastics business, we made capital investment mainly in buildup of production facilities.
There was no retirement, sale, etc. of facilities during the fiscal year under review that would significantly influence the production capacity.

2. Major facilities

Major facilities of the Group (the Company and its consolidated subsidiaries) are as follows.

(1) Reporting company

As of March 31, 2023

Business office name (Location)	Segment name	Facility type	Carrying amount (millions of yen)						Number of employees (persons)
			Buildings and structures	Machinery, equipment and vehicles	Land (1,000 square meters)	Leased assets	Other (Note 1)	Total	
Shiga-Minakuchi Plant (Koga City, Shiga) (Note 2)	Housing business High Performance Plastics business	Production facilities for exterior paneling for unit housing, high-performance resin, LCD microparticle products, and interlayer films	5,984	7,559	4,618 (355.0)	4	1,516	19,684	538
Shiga-Ritto Plant (Ritto City, Shiga) (Note 3)	Urban Infrastructure & Environmental Products business	Production facilities for polyvinyl chloride pipes, FFU, etc.	4,163	4,459	1,634 (178.5) [18.3]	46	837	11,142	368
Musashi Plant (Hasuda City, Saitama) (Note 4)	High Performance Plastics business	Production facilities for various tapes, foam polyolefins, and multilayer films	3,505	5,262	156 (109.1) [1.6]	34	513	9,471	521
Taga Plant (Taga-cho, Inukami-gun, Shiga)	High Performance Plastics business	Production facilities for various tapes, etc.	3,896	1,633	2,989 (95.6)	0	355	8,875	257
Gunma Plant (Isesaki City, Gunma)	Housing business Urban Infrastructure & Environmental Products business	Production facilities for exterior paneling for unit housing and polyvinyl chloride pipes	1,468	1,832	3,329 (230.2)	11	763	7,405	176
General Institute (Minami-ku, Kyoto City, Kyoto)	Urban Infrastructure & Environmental Products business	Research facilities	4,942	259	385 (17.6)	–	235	5,823	356
Advanced Technology Institute (Tsukuba City, Ibaraki)	Other businesses	Research facilities	1,615	1,385	1,734 (66.3)	–	393	5,128	154

Business office name (Location)	Segment name	Facility type	Carrying amount (millions of yen)						Number of employees (persons)
			Buildings and structures	Machinery, equipment and vehicles	Land (1,000 square meters)	Leased assets	Other (Note 1)	Total	
Research & Development Institute (Shimamoto-cho, Mishima-gun, Osaka)	High Performance Plastics business	Research facilities	3,300	186	760 (26.0)	–	691	4,938	349
General Institute (Ritto City, Shiga)	Urban Infrastructure & Environmental Products business	Research facilities	1,865	402	–	–	100	2,368	157

(2) Domestic subsidiaries

As of March 31, 2023

Company name	Business office name (Location)	Segment name	Facility type	Carrying amount (millions of yen)						Number of employees (persons)
				Buildings and structures	Machinery, equipment and vehicles	Land (1,000 square meters)	Leased assets	Other (Note 1)	Total	
SEKISUI BIO REFINERY CO., LTD.	Kuji Plant	Other businesses	Production facilities for bio refinery ethanol	365	158	–	3	10,002	10,530	45
SEKISUI MEDICAL CO., LTD.	Iwate Plant (Hachimantai City, Iwate)	Medical business	Facilities for production of and research on pharmaceutical ingredients and intermediates, and related matters	2,647	4,205	219 (461.1)	–	285	7,357	115
SEKISUI SEIKEI CO., LTD.	Kanto Plant (Itakura-machi, Ora-gun, Gunma)	High Performance Plastics business	Facilities for blow molding	3,208	1,456	655 (33.0)	49	1,111	6,481	66
TOKUYAMA SEKISUI CO., LTD.	Main Plant (Shunan City, Yamaguchi)	Urban Infrastructure & Environmental Products business	Production facilities for polyvinyl chloride resins and medical devices	1,919	1,849	252 (59.0)	0	1,615	5,637	174
SEKISUI HEIM INDUSTRY CO., LTD.	Chubu Plant (Toyohashi City, Aichi)	Housing business	Production facilities for unit housing	1,448	662	3,178 (89.4)	34	314	5,637	251
SEKISUI MEDICAL CO., LTD.	Tsukuba Plant (Ryugasaki City, Ibaraki)	Medical business	Facilities for production of and research on diagnostic agents	1,103	431	2,047 (75.3)	–	651	4,233	239
KYUSHU SEKISUI HEIM INDUSTRY CO., LTD.	Main Plant (Tosu City, Saga)	Housing business	Production facilities for unit housing	3,056	959	56 (1.3)	53	11	4,137	185
SEKISUI LB TECH CO., LTD.	Chubu Plant (Tokoname City, Aichi)	Other businesses	Production facilities for lithium-ion storage batteries	1,598	2,180	–	130	227	4,136	59
SEKISUI HEIM INDUSTRY CO., LTD.	Tokyo Plant (Hasuda City, Saitama)	Housing business	Production facilities for unit housing	1,473	1,881	199 (5.7)	23	250	3,827	459
YAMANASHI SEKISUI CO., LTD.	Main Plant (Kofu City, Yamanashi)	Urban Infrastructure & Environmental Products business	Production facilities for polyvinyl chloride fittings	1,363	912	216 (35.2)	232	340	3,065	180
TOTO SEKISUI CO., LTD.	Main Plant (Ota City, Gunma)	Urban Infrastructure & Environmental Products business	Production facilities for building material products	1,118	1,103	591 (24.8)	33	209	3,057	175
CHIBA SEKISUI INDUSTRY CO., LTD.	Head Office and Plant (Ichihara City, Chiba)	Urban Infrastructure & Environmental Products business	Facilities for extrusion molding	1,154	685	210 (63.7)	26	241	2,318	93

Company name	Business office name (Location)	Segment name	Facility type	Carrying amount (millions of yen)						Number of employees (persons)
				Buildings and structures	Machinery, equipment and vehicles	Land (1,000 square meters)	Leased assets	Other (Note 1)	Total	
SEKISUI HEIM INDUSTRY CO., LTD.	Kinki Plant (Nara City, Nara)	Housing business	Production facilities for unit housing	1,142	928	–	15	33	2,120	292
SEKISUI MEDICAL CO., LTD.	Ami Office (Ami-machi, Inashiki-gun, Ibaraki)	Medical business	Facilities for production of and research on diagnostic agents	1,390	166	178 (13.6)	–	319	2,055	85

(3) Foreign subsidiaries

As of March 31, 2023

Company name	Business office name (Location)	Segment name	Facility type	Carrying amount (millions of yen)						Number of employees (persons)
				Buildings and structures	Machinery, equipment and vehicles	Land (1,000 square meters)	Leased assets	Other (Note 1)	Total	
SEKISUI S-LEC B.V.	Raw material plant (Geleen City, Netherlands)	High Performance Plastics business	Production facilities for interlayer film raw materials	4,899	10,212	–	486	65	15,664	45
SEKISUI S-LEC B.V.	Main Plant (Roermond City, Netherlands)	High Performance Plastics business	Production facilities for interlayer film products	2,924	6,985	246 (16.9)	–	233	10,390	198
Sekisui Alveo B.V.	Main Plant (Roermond City, Netherlands)	High Performance Plastics business	Production facilities for foam products	3,306	5,402	298 (115.0)	31	1,035	10,075	315
YOUNGBO CHEMICAL CO., LTD.	Cheongwon Plant (Cheongju City, Chungcheongbuk, South Korea)	High Performance Plastics business	Production facilities for foam products	2,588	1,257	3,133 (211.5)	4	221	7,205	260
SEKISUI SPECIALTY CHEMICALS AMERICA, LLC.	Calvert City Plant (Kentucky, United States)	High Performance Plastics business	Production facilities for polyvinyl alcohol resins	211	5,665	64 (143.6)	3	514	6,459	67
SEKISUI S-LEC MEXICO S.A. de C.V.	Main Plant (Morelos, Mexico)	High Performance Plastics business	Production facilities for interlayer film products	1,798	2,971	149 (17.5)	12	112	5,043	139
SEKISUI SPECIALTY CHEMICALS AMERICA, LLC.	Pasadena Plant (Texas, United States)	High Performance Plastics business	Production facilities for polyvinyl alcohol resins	187	3,900	433 (125.8)	23	259	4,804	49
SEKISUI ESLON B.V.	Main Plant (Roermond City, Netherlands)	Urban Infrastructure & Environmental Products business	Production facilities for building material products	278	248	54 (22.0)	–	4,188	4,769	53
SEKISUI VOLTEK, LLC.	Coldwater Plant (Michigan, United States)	High Performance Plastics business	Production facilities for foam products	931	3,000	29 (136.6)	4	624	4,590	180
SEKISUI KYDEX, LLC.	The Third Plant (Pennsylvania, United States)	High Performance Plastics business	Production facilities for decorative sheet products	2,001	1,535	40 (230.0)	–	131	3,708	34
SEKISUI DIAGNOSTICS (UK) LIMITED	Main Plant (Kent, United Kingdom)	Medical business	Production facilities for pharmaceuticals	323	701	124 (9.9)	6	1,950	3,106	52
SEKISUI YOUNGBO HPP (WUXI) CO., LTD.	Main Plant (Wuxi City, Jiangsu, China)	High Performance Plastics business	Production facilities for foam products	1,067	1,644	–	7	202	2,923	60
SEKISUI- SCG INDUSTRY CO., LTD.	Main Plant (Saraburi, Thailand)	Housing business	Production facilities for unit housing	1,403	150	798 (150.4)	26	6	2,385	91
SEKISUI POLYMATECH (SHANGHAI) CO., LTD.	Shanghai Plant (Shanghai City, China)	High Performance Plastics business	Facilities for resin molding, coating, etc.	1,076	1,021	–	–	264	2,363	502

Company name	Business office name (Location)	Segment name	Facility type	Carrying amount (millions of yen)						Number of employees (persons)
				Buildings and structures	Machinery, equipment and vehicles	Land (1,000 square meters)	Leased assets	Other (Note 1)	Total	
S AND L SPECIALTY POLYMERS CO., LTD.	Main Plant (Rayong, Thailand)	Urban Infrastructure & Environmental Products business	Production facilities for chlorinated polyvinyl chloride resins	694	1,183	375 (25.6)	–	87	2,340	52
SEKISUI DLJM MOLDING PRIVATE LIMITED	Chennai Plant (Chennai City, India)	High Performance Plastics business	Facilities for injection molding	1,066	813	197 (36.8)	90	118	2,285	316
SEKISUI S-LEC (SUZHOU) CO., LTD.	Main Plant (Suzhou City, Jiangsu, China)	High Performance Plastics business	Production facilities for interlayer film products	290	1,577	–	1	206	2,075	131

(Notes) 1. "Other" in the carrying amount is the total of construction in progress and tools, furniture and fixtures.

2. The land area includes land of 2,311 million yen (45,100 square meters), which is leased out to companies other than consolidated companies.

3. The land and buildings are partially leased. The annual rent expenses are 36 million yen. The leased land area is put in brackets and shown separately.

4. The land and buildings are partially leased. The annual rent expenses are 357 million yen. The leased land area is put in brackets and shown separately.

3. Planned addition, retirement, and other changes of facilities

Capital investment of the Group (the Company and consolidated subsidiaries) is formulated by segment centering on divisional companies, and comprehensively planned while considering investment allocation for each function, etc. Funds necessary for planned investment as of the end of the fiscal year under review will be financed mainly by funds on hand and borrowings, and important plans regarding the establishment of new facilities are as follows.

Company name	Business office name (Location)	Segment name	Facility type	Planned investment amount		Method of financing	Scheduled date of commencement and completion	
				Total amount (millions of yen)	Amount paid (millions of yen)		Commencement	Completion
SEKISUI BIO REFINERY CO., LTD.	Kuji Plant (Kuji City, Iwate)	Other businesses	Production facilities for bio refinery ethanol	12,521	9,809	Funds on hand and borrowings	March 2020	December 2023
SEKISUI ESLON B.V.	Main Plant (Kent, United Kingdom)	Urban Infrastructure & Environmental Products business	Production facilities for advanced material products	4,650	3,533	Funds on hand and borrowings	October 2020	March 2024
SEKISUI VOLTEK, LLC.	Main Plant (Michigan, United States)	High Performance Plastics business	Production facilities for foam products	3,965	69	Funds on hand and borrowings	September 2022	March 2025
SEKISUI POLYMATECH AMERICA, LLC.	Main Plant (Kentucky, United States)	High Performance Plastics business	Heat dissipation materials production equipment	2,271	158	Funds on hand and borrowings	November 2022	October 2024
SEKISUI DIAGNOSTICS (UK) LIMITED	Main Plant (Kent, United Kingdom)	Medical business	Production facilities for pharmaceuticals	2,241	1,399	Funds on hand and borrowings	July 2020	March 2024

IV. Information About Reporting Company

1. Company's shares, etc.

(1) Total number of shares

(i) Total number of shares

Class	Total number of shares authorized to be issued (shares)
Common shares	1,187,540,000
Total	1,187,540,000

(ii) Issued shares

Class	Number of issued shares as of fiscal year end (shares) (March 31, 2023)	Number of issued shares as of filing date (shares) (June 22, 2023)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Description
Common shares	456,507,285	452,507,285	Tokyo Stock Exchange Prime Market	Number of shares constituting one unit 100
Total	456,507,285	452,507,285	–	–

(2) Share acquisition rights

(i) Employee share option plans

Not applicable.

(ii) Rights plans

Not applicable.

(iii) Share acquisition rights for other uses

Not applicable.

(3) Exercise of moving strike convertible bonds, etc.

Not applicable.

(4) Changes in the total number of issued shares, share capital, etc.

Date	Change in the total number of issued shares (thousands of shares)	Balance of the total number of issued shares (thousands of shares)	Change in share capital (millions of yen)	Balance of share capital (millions of yen)	Change in legal capital surplus (millions of yen)	Balance of legal capital surplus (millions of yen)
May 25, 2018	(8,000)	492,507	–	100,002	–	109,234
May 27, 2019	(8,000)	484,507	–	100,002	–	109,234
May 25, 2020	(8,000)	476,507	–	100,002	–	109,234
May 25, 2021	(5,000)	471,507	–	100,002	–	109,234
May 25, 2022	(8,000)	463,507	–	100,002	–	109,234
November 25, 2022	(7,000)	456,507	–	100,002	–	109,234

(Notes) 1. A decrease was recorded as the Company used profit for cancelation of treasury shares

2. The total number of issued shares decreased by 4,000,000 as we canceled treasury shares on May 25, 2023 after the end of the fiscal year under review.

(5) Shareholding by shareholder category

As of March 31, 2023

Category	Shares (one unit comprises 100 shares)								Shares less than one unit (shares)
	National and local governments	Financial institution	Financial service provider	Other corporation	Foreign corporation		Individual and other	Total	
					Non-individual	Individual			
Number of shareholders (persons)	–	81	40	387	727	31	24,670	25,936	–
Number of shares held (units)	–	1,631,444	105,941	345,773	1,746,261	416	733,214	4,563,049	202,385
Proportion of the number of shares held (%)	–	35.75	2.32	7.58	38.27	0.01	16.07	100.00	–

(Note) With regard to 25,967,970 treasury shares (excluding those held by the BIP trust for remuneration for directors (and other officers) and by the ESOP trust for share granting), 259,679 units are included in “Individual and other.”

(6) Major shareholders

As of March 31, 2023

Name	Address	Number of shares held (thousands of shares)	Shareholding ratio (excluding treasury shares) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	63,924	14.84
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo	24,085	5.59
The Dai-ichi Life Insurance Company, Limited (Standing proxy: Custody Bank of Japan, Ltd.)	1-13-1, Yuraku-cho, Chiyoda-ku, Tokyo (1-8-12, Harumi, Chuo-ku, Tokyo)	15,737	3.65
Asahi Kasei Corp.	1-1-2, Yuraku-cho, Chiyoda-ku, Tokyo	11,149	2.58
Employees Stock Ownership Plan	2-4-4 Nishitemma, Kita-ku, Osaka	11,115	2.58
J.P. Morgan Bank Luxembourg S.A. 381572 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	European Bank and Business Center 6, Route De Treves, L (2633) Senningerberg, Luxembourg (2-15-1, Konan, Minato-ku, Tokyo)	8,216	1.90
Sekisui House, Ltd.	1-1-88, Oyodonaka, Kita-ku, Osaka	7,998	1.85
The Bank of New York Mellon 140042 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	240 Greenwich Street, New York, NY 10286, U.S.A. (2-15-1, Konan, Minato-ku, Tokyo)	7,603	1.76
National Mutual Insurance Federation of Agricultural Cooperatives (Standing proxy: The Master Trust Bank of Japan, Ltd.)	2-7-9, Hirakawa-cho, Chiyoda-ku, Tokyo (2-11-3, Hamamatsu-cho, Minato-ku, Tokyo)	7,302	1.69
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	1776 Heritage Drive, North Quincy, MA 02171, U.S.A. (2-15-1, Konan, Minato-ku, Tokyo)	7,140	1.65
Total	–	164,272	38.15

(Note) 1. According to the statements of large-volume holdings disclosed on June 27, 2022, Mondrian Investment Partners Limited holds shares in the Company's stock as of June 20, 2022 as follows. However, we do not include Mondrian Investment Partners Limited in the major shareholders listed above as we have not confirmed the actual number of shares held by Mondrian Investment Partners Limited as of March 31, 2023. Details of the statements of large-volume holdings are as follows:

Name	Address	Number of shares held (Thousands of shares)	Shareholding ratio (%)
Mondrian Investment Partners Limited	Sixty London Wall, Floor 10, London, EC2M 5TQ, UK	23,317	5.03

(7) Voting rights

(i) Issued shares

As of March 31, 2023

Category	Number of shares (shares)	Number of voting rights (rights)	Description
Shares without voting rights	–	–	–
Shares with restricted voting rights (treasury shares, etc.)	–	–	–
Shares with restricted voting rights (other)	–	–	–
Shares with full voting rights (treasury shares, etc.)	Common shares 25,979,700	–	Standard Sekisui Chemical shares not subject to any restriction on rights Number of shares constituting one unit: 100
Shares with full voting rights (other)	Common shares 430,325,200	4,303,252	Ditto
Shares less than one unit	Common shares 202,385	–	–
Total number of issued shares	456,507,285	–	–
Voting rights held by all shareholders	–	4,303,252	–

(Note) Shares with full voting rights (other) include the following shares (voting rights).
BIP trust for remuneration for directors (and other officers): 811,000 shares (8,110 rights)
ESOP trust for share granting: 211,400 shares (2,114 rights)

(ii) Treasury shares, etc.

As of March 31, 2023

Name of shareholder	Address of shareholder	Number of shares held in own name	Number of shares held in others' names	Total number of shares held	Shareholding ratio (%)
(Shares held by the Company)					
Sekisui Chemical Co., Ltd.	2-4-4 Nishitemma, Kita-ku, Osaka	25,967,900	–	25,967,900	5.68
(Reciprocal holding)					
Sekisui Heim Higashishikoku Co., Ltd.	4-1-16, Kazurashima, Kochi, Kochi	11,800	–	11,800	0.00
Total	–	25,979,700	–	25,979,700	5.69

(Note) The number of shares is included in the number of shares with full voting rights (treasury shares, etc.) in the "(i) Issued shares" section above.
Sekisui Chemical shares held by the BIP trust for remuneration for directors (and other officers) and the ESOP trust for share granting are not included in the treasury shares mentioned above.

(8) Share ownership plan for directors (and other officers) and employees

(i) Share granting plan for senior employees, etc. of the Company

Through resolution by a Board of Directors meeting held on April 27, 2016, we introduced a share granting plan for senior employees, etc. of the Company as a share granting plan that closely tracks its business performance and is highly transparent and objective in order to: i) further incentivize them to help boost the whole Group's business performance in the medium to

long term and raise its corporate value; and ii) greatly enhance their business awareness while attaching importance to shareholders. In introducing the plan, we adopted a scheme called Employee Stock Ownership Plan (ESOP) trust for share granting ("ESOP Trust").

1. Outline of share granting plan

The Company set up a trust in which senior employees, etc. satisfying beneficiary requirements (ESOP trust) are the beneficiaries. During a trust period, senior employees will be given certain points each year pursuant to the Share Granting Rules of the Company. Senior employees, etc. satisfying certain beneficiary requirements will be annually granted Sekisui Chemical shares in a number corresponding to a certain portion of given points, and remaining shares will be converted into cash in the ESOP trust, which will then be paid to them.

2. Description of trust contract

- Category of trust	Money trust other than individually operated designated money trusts (third-party benefit trust)
- Purpose of trust	Give incentive to eligible employees for the plan
- Settlor	The Company
- Trustee	Mitsubishi UFJ Trust and Banking Corporation (Joint trustee: The Master Trust Bank of Japan, Ltd.)
- Beneficiaries	Employees satisfying beneficiary requirements among eligible employees for the plan
- Trust administrator	A third party who has no interest in the Company (CPA).
- Date of trust contract execution	August 31, 2016
- Trust period	From August 31, 2016 to August 31, 2025 (planned)
- Commencement date of the Plan	August 31, 2016
- Exercise of voting rights	The trustees shall exercise voting rights of shares of the Company in accordance with trust administrator instructions reflecting beneficiary candidates' intent.
- Class of shares acquired	Common shares of the Company
- Amount of additional trust money	299,697,000 yen
- Date of additional acquisition of shares	August 29, 2022
- Method of acquisition of shares	Acquisition of treasury shares via third-party allotment
- Attributable right holder	The Company

3. Total number of shares planned to be granted to beneficiaries from the trust

211,400 shares (The number of shares and book value in the trust is 211,400 shares and 385 million yen as of the end of the fiscal year under review.)

4. Scope of persons entitled to beneficiary rights and other rights under the share granting plan

Persons satisfying beneficiary requirements among senior employees of the Company, representative directors, certain directors and senior employees of subsidiaries of the Company, and representative directors of its equity method subsidiaries in which the Company has voting rights of over 35% and less than 50%.

(ii) Share remuneration plan for Directors and Executive Officers of the Company

Targeting our Directors (excluding Outside Directors and non-residents of Japan) and Executive Officers (excluding non-residents of Japan; collectively "Directors, etc."), we introduced the plan as a share granting plan that closely tracks its business performance and is highly transparent and objective in order to: i) further incentivize them to help boost the whole Group's business performance in the medium to long term and raise its corporate value; and ii) greatly enhance their business awareness while attaching importance to shareholders. This was through resolution by a Board of Directors meeting held on April 27, 2016, and the 94th General Meeting of Shareholders held on June 28 of the same year. In introducing the plan, we adopted a scheme called Board Incentive Plan (BIP) trust for remuneration for directors (and other officers) ("BIP Trust").

1. Outline of share remuneration plan

The Company set up a trust in which money is entrusted up to an amount approved and resolved by a general meeting of

shareholders or a Board of Directors meeting and senior employees, etc. satisfying beneficiary requirements are beneficiaries (BIP trust). During a trust period, directors (and other officers) will be given certain points each year in accordance with their titles. Directors (and other officers), etc. satisfying certain beneficiary requirements will be granted Sekisui Chemical shares when resigning in a number corresponding to a certain portion of given cumulative points, and remaining shares will be converted into cash in the BIP trust, which will then be paid to them.

2. Description of trust contract

- Category of trust	Money trust other than individually operated designated money trusts (third-party benefit trust)
- Purpose of trust	Give incentive to eligible employees for the plan
- Settlor	The Company
- Trustee	Mitsubishi UFJ Trust and Banking Corporation (Joint trustee: The Master Trust Bank of Japan, Ltd.)
- Beneficiaries	Employees satisfying beneficiary requirements among eligible employees for the plan
- Trust administrator	A third party who has no interest in the Company (CPA).
- Date of trust contract execution	August 31, 2016
- Trust period	From August 31, 2016 to August 31, 2025 (planned)
- Commencement date of the Plan	August 31, 2016
- Exercise of voting rights	Voting rights shall not be exercised throughout the trust period.
- Class of shares acquired	Common shares of the Company
- Amount of additional trust money	559,290,000 yen
- Date of additional acquisition of shares	August 29, 2022
- Method of acquisition of shares	Acquisition of treasury shares via third-party allotment
- Attributable right holder	The Company

3. Total number of shares planned to be granted to beneficiaries from the trust
811,000 shares (The number of shares and book value in the trust is 811,000 shares and 1,378 million yen as of the end of the fiscal year under review.)

4. Scope of persons entitled to beneficiary rights and other rights under the share granting plan
Persons satisfying beneficiary requirements among those who served as Director (or other officer) during the plan period and has since retired

2. Acquisition and disposal of treasury shares

Class of shares, etc.: Acquisition of common shares to which Article 155, Item 3 of the Companies Act applies and repurchase request-based acquisition of common shares less than a unit to which Article 155, Item 7 of the Companies Act applies

(1) Acquisition by resolution of shareholders meeting
Not applicable.

(2) Acquisition by resolution of board of directors meeting

Category	Number of shares (shares)	Total amount (yen)
Resolution at a Board of Directors meeting (April 27, 2022) (Acquisition period: From April 28, 2022 to March 31, 2023)	8,000,000	16,000,000,000
Treasury shares acquired prior to the fiscal year under review	–	–
Treasury shares acquired in the fiscal year under review	8,000,000	14,071,670,800
Total number and total amount of shares remaining to be purchased by resolution	–	1,928,329,200
Non-exercise ratio on the last day of the fiscal year under review (%)	–	12.0
Treasury shares acquired in the period	–	–
Non-exercise ratio on the day of filing (%)	–	12.0

Category	Number of shares (shares)	Total amount (yen)
Resolution at a Board of Directors meeting (October 27, 2022) (Acquisition period: From October 28, 2022 to March 31, 2023)	7,000,000	14,000,000,000
Treasury shares acquired prior to the fiscal year under review	–	–
Treasury shares acquired in the fiscal year under review	7,000,000	13,336,888,400
Total number and total amount of shares remaining to be purchased by resolution	–	663,111,600
Non-exercise ratio on the last day of the fiscal year under review (%)	–	4.7
Treasury shares acquired in the period	–	–
Non-exercise ratio on the day of filing (%)	–	4.7

Category	Number of shares (shares)	Total amount (yen)
Resolution at a Board of Directors meeting (April 28, 2023) (Acquisition period: From May 1, 2023 to March 29, 2024)	4,000,000	8,000,000,000
Treasury shares acquired prior to the fiscal year under review	–	–
Treasury shares acquired in the fiscal year under review	–	–
Total number and total amount of shares remaining to be purchased by resolution	–	–
Non-exercise ratio on the last day of the fiscal year under review (%)	–	–
Treasury shares acquired in the period	4,000,000	7,832,000,000
Non-exercise ratio on the day of filing (%)	–	2.1

(Note) The number of treasury shares acquired in the period does not include the number of treasury shares acquired from June 1, 2023 to the day of filing this Annual Securities Report.

(3) Acquisition not based on resolution of shareholders meeting or board of directors meeting

Category	Number of shares (shares)	Total amount (yen)
Treasury shares acquired in the fiscal year under review	42,009	46,115,686
Treasury shares acquired in the period	277	534,586

(Note) The number of treasury shares acquired in the period does not include the number of treasury shares less than a unit acquired from June 1, 2023 to the day of filing this Annual Securities Report.

(4) Disposal of acquired treasury shares and number of treasury shares held

Category	The fiscal year under review		The period	
	Number of shares (shares)	Total amount of shares disposed of (yen)	Number of shares (shares)	Total amount of shares disposed of (yen)
Treasury shares acquired for which subscription solicitation was made	–	–	–	–
Treasury shares acquired that were retired	15,000,000	25,258,760,000	4,000,000	6,895,400,000
Treasury shares acquired that were merged, swapped, or granted, or were transferred due to a company split	–	–	–	–
Other (Disposal of treasury shares by third allotment of shares to BIP trust as an officer remuneration system and ESOP trust)	512,100	957,627,000		
(Sale due to demand for increase of purchase of shares less than one unit)	20	34,407	–	–
Number of treasury shares held by the Company	25,967,970	–	25,968,247	–

(Notes) 1. The number of treasury shares disposed of in the period does not include the number of treasury shares less than a unit that were sold due to increased purchase demand from June 1, 2023 to the day of filing this Annual Securities Report.
2. The number of treasury shares held during the period does not include the number of treasury shares less than a unit that were purchased and such shares that were sold due to increased purchase demand from June 1, 2023 to the day of filing this Annual Securities Report.
3. The number of treasury shares held during the fiscal year under review and the period does not include the number of those held by the BIP trust for remuneration for directors (and other officers) and by the ESOP trust for share granting.

3. Dividend policy

One of the Company's primary policies in its management is to increase its corporate value, with an emphasis on proactively returning the Company's profits to the shareholders. In connection with returning the Company's profits to the shareholders, the Company's basic policy on dividends of surplus until fiscal 2022 is to have consolidated payout ratio to 35% or higher of consolidated profit and total return ratio to at least 50% (when debt to equity (D/E) ratio is 0.5 or less), and ensure a Dividend-On-Equity (DOE) ratio of at least 3%, implementing a stable dividend policy depending upon its business results.

The Company has a basic policy to pay an interim dividend and year-end dividend each fiscal year with the former being decided by a Board of Directors meeting and the latter by an annual general meeting of shareholders.

The 101st Annual General Meeting of Shareholders held on June 22, 2023 resolved to pay a year-end common dividend of 30 yen per share for the fiscal year under review. This means the annual dividend for the fiscal year under review will be 59 yen per share, including the interim dividend of 29 yen per share.

The Company intends to use its internal reserves for research & development, capital expenditures, strategic investments, and loans & investments, which are essential for boosting its corporate value, going forward.

The Articles of Incorporation of the Company stipulate that it may pay an interim dividend as set forth in Article 454, Paragraph 5 of the Companies Act. Shown below is the dividend of surplus for the fiscal year under review.

Date of resolution	Total amount of dividends (millions of yen)	Dividend per share (yen)
October 27, 2022 Resolution of a Board of Directors meeting	12,689	29
June 22, 2023 Resolution of an Annual General Meeting of Shareholders	12,916	30

4. Corporate governance

(1) Overview of corporate governance

<Basic Policy for Corporate Governance>

The SEKISUI CHEMICAL Group (the "Group") has, as its basic policy for corporate governance, the promotion of sustainable corporate growth and the increase of corporate value over the medium to long term. To achieve this, the Company will continue to meet the expectations of five stakeholder categories it deems important, namely, customers, shareholders, employees, business partners, and local communities and the environment. It will do so by improving business transparency and fairness, seeking to make decisions swiftly, and creating social value.

The Group laid down the Sekisui Corporate Governance Principles that systematically outline its thinking and efforts on corporate governance, and they are presented below.

(http://www.sekisui.com/company/outline/governance/index.html)

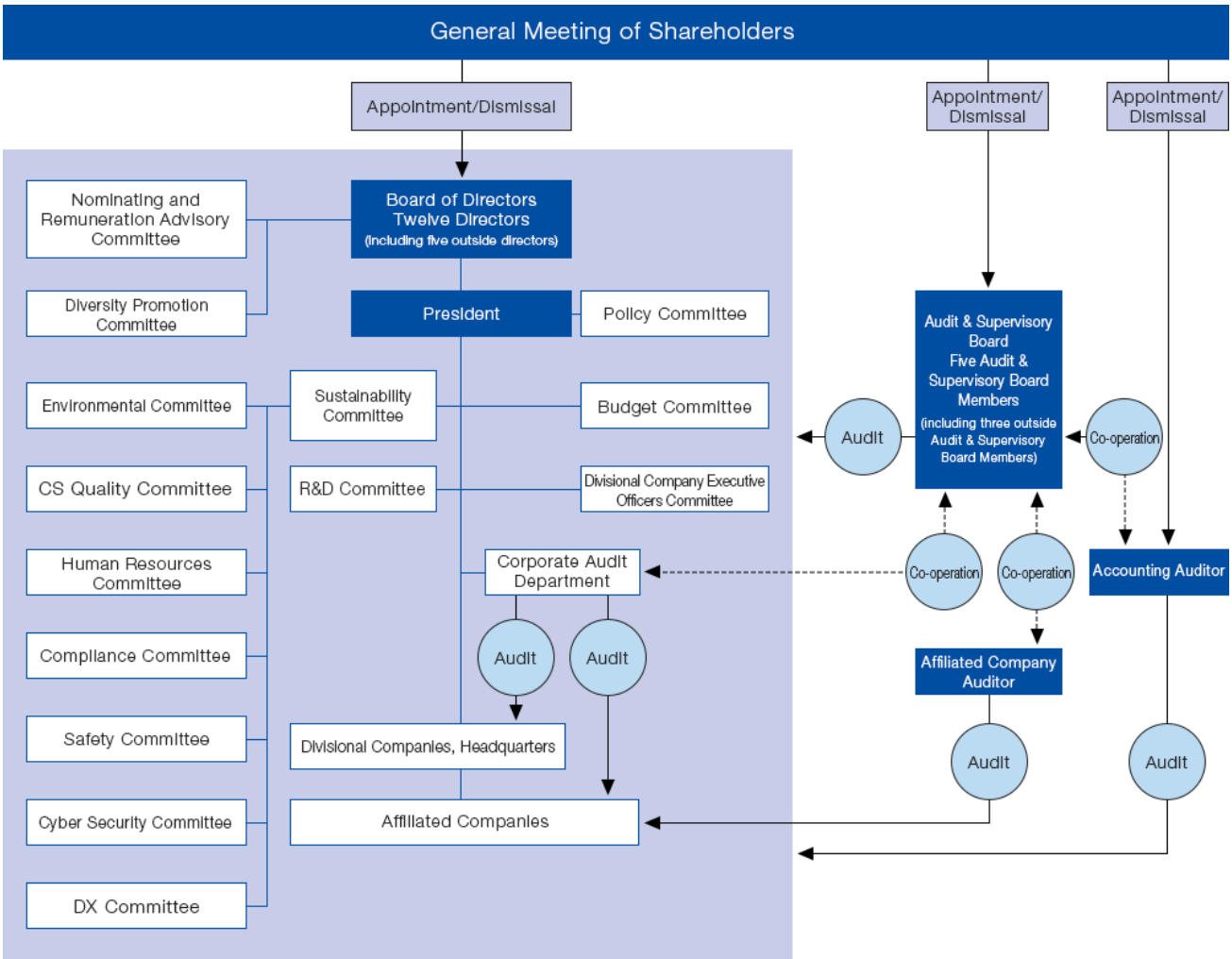
Corporate governance system

(i) Overview of corporate governance system

The Company chose to be a company with an Audit & Supervisory Board. Its corporate governance system is as follows.

(As of June 22, 2023)

Diagram of corporate governance system



Board of Directors

We see the Board of Directors as a body that decides the Company's fundamental policies and upper-level management issues and supervises the execution of business. In addition, we secure transparency and fairness of our business management by using multiple Outside Directors.

The Articles of Incorporation stipulate that; i) the number of Directors shall be at least three and up to 15 persons; ii) to resolve a proposal for election of Directors requires it to be done at a general meeting of shareholders attended by shareholders holding at least one-third of the voting rights of shareholders entitled to exercise voting rights and by a majority of the voting rights of the attending shareholders; iii) no cumulative voting shall be used for such resolution

The major issues for deliberation at the Board of Directors held in fiscal 2022 include the new Medium-term Management Plan

(FY2023 − FY2025), growth strategies (such as for R&D, large new businesses, and large-scale capital investment), and foundation strategies (such as for sustainability, digital innovation, safety, compliance, CS quality, and environment).
The Company held 17 meetings of the Board of Directors during fiscal 2022. Attendance by individual Directors is as follows:

Name	Number of meetings held	Number of meetings attended
Teiji Koge	17	17
Keita Kato	17	17
Futoshi Kamiwaki	17	17
Yoshiyuki Hirai	17	17
Toshiyuki Kamiyoshi	17	17
Ikusuke Shimizu	17	17
Kazuya Murakami	17	17
Yutaka Kase	17	17
Hiroshi Oeda	17	17
Haruko Nozaki	13	13
Miharu Koezuka	13	13
Machiko Miyai	13	11

Business Execution System

Under the Divisional Company System, in order to respond to changes in the business environment at the divisional companies, the Company has adopted the Executive Officer System in order to clearly distinguish the business execution function from the monitoring function in management. We set up an Executive Officers Committee at each divisional company as its highest decision-making body with authority being greatly delegated from the Board of Directors to each committee.

Nomination and Remuneration Advisory Committee

The Company has voluntarily established the Nomination and Remuneration Advisory Committee in place in order to enhance the transparency and fairness of its business management.
The Nomination and Remuneration Advisory Committee deliberates on the appointment/dismissal of senior executives such as Representative Directors and Directors, etc., appointment of candidates for Audit & Supervisory Board Members, and the appointment/dismissal of the Executive Advisor and Advisor (former Representative Director, etc.) and the remuneration system and remuneration levels, etc. for Directors.
The Committee consists of seven members, the majority of whom must be Independent Outside Officers and the chairperson of which must be elected from among the Independent Outside Officers.
Chairperson: Yutaka Kase
Committee members: Hiroshi Oeda, Haruko Nozaki, Miharu Koezuka, Machiko Miyai, Teiji Koge, and Keita Kato
As noted above, the number of meetings of the Nomination and Remuneration Advisory Committee is five in fiscal 2022, all of these were attended by all the Committee members.

Diversity Promotion Committee

The Diversity Promotion Committee has been established for the purpose of strengthening the supervisory function and objectivity of the Board of Directors regarding the basic policy and target values concerning the securing of diversity of human resources in management, the execution of various measures, and the disclosure of these inside and outside of the Company, and also supervising and advising on management execution.
The major issues for deliberation at the Diversity Promotion Committee include: (1) formulation of basic policy and target values concerning empowerment of diverse human resources; (2) human development policy and accompanying environmental consideration policy; (3) setting various major indicators and methods to use them; (4) issues related to the disclosure of these inside and outside the Company; and (5) monitoring the execution status.
The Committee consists of nine members, the majority of whom must be Independent Outside Officers and the chairperson of which must be elected from among the Independent Outside Officers.
Chairperson: Haruko Nozaki
Committee members: Hiroshi Oeda, Miharu Koezuka, Machiko Miyai, Yoshihiko Hatanaka, Teiji Koge, and Keita Kato, Futoshi Kamiwaki, and Kazuya Murakami
As noted above, the number of meetings of the Diversity Promotion Committee is three in fiscal 2022, all of these were attended by all the Committee members.

Audit System
We have the Audit & Supervisory Board in place, and regard it as a body with a function to monitor the Board of Directors and our business execution system. In addition, we secure a broad perspective as well as impartiality by using Outside Directors. The Company has in place the Corporate Audit Department as a unit directly reporting the President and Representative, and the department conducts internal audits on group-wide operations.

The Company entered into a limited liability agreement with all the Directors (excluding executive directors, etc.) and Audit & Supervisory Board Members. Its outline is as follows.
If any of the Directors (excluding executive directors, etc.) or Audit & Supervisory Board Members has caused damage to the Company by failing to perform his/her tasks and if he/she has acted in good faith when conducting his/her duties and has not committed serious negligence, he/she shall be held liable for an amount not more than the minimum liability as set forth in Article 425, Paragraph 1 of the Companies Act.
(ii) Reason for having adopted the corporate governance system
The Company has been continuing to reinforce its Board of Directors, business execution function, and audit system as described above in the belief that it is important to enhance the transparency and fairness of its business management and seek to make decisions swiftly in order to keep improving its corporate value amid marked changes in the operating environment for the organization. We think the Company boosts its function to monitor its business management and remains objective and impartial under the corporate governance system.

(iii) Other matters on corporate governance
- Status of development of internal control system
At a Board of Directors meeting, the Company resolved as follows on the "System to Secure Conformity of Execution of Duties by Directors to Laws and the Articles of Incorporation and Secure Appropriateness of Other Operations." Under this resolution, we work to operate our internal control system appropriately. Its outline is as follows:
The Board of Directors deliberates and makes resolutions on the Fundamental Compliance Policies. The Compliance Sub-committee, having been established as a specialized sub-committee to the Sustainability Committee chaired by the President to rigorously secure compliance with laws and regulations at the Company and Group companies, plans, considers, and decides important matters for compliance.
We established the SEKISUI CHEMICAL Group Compliance Manual, which presents guidelines under which the Directors, Executive Officers, and employees of the Company and Group companies are supposed to act in accordance with laws, the Articles of Incorporation, and corporate ethics. In addition, we provide training on various laws and regulations as well as corporate ethics. In addition to building an internal system to avoid damage from antisocial forces, the Company stresses avoiding having any relationship with any antisocial force and acting sternly when receiving any unfair demand from one.
We have in place an internal whistleblowing platform comprising: i) an internal whistleblowing contact point; ii) a whistleblowing contact point independent from the Company at an external lawyer's office; and iii) internal whistleblowing contact points dedicated to employees of overseas subsidiaries in the United States, China, ASEAN, Europe, South Korea, and Taiwan. We built a system to prevent a whistleblower from being disadvantaged by stipulating protection of whistleblowers in the Internal Whistleblowing Rules of the Company and concealing whistleblower information, except for whistleblowing contact points.

- Status of development of risk management structure
We run the company-wide risk management structure for integrated management of measures to prevent a risk event from occurring (risk management) and to respond when one occurs (crisis management). This integration let us set up a structure to adapt to ever-changing risks and crises in accordance with the situation for the organization.
Since April 2020, the Director in charge of the ESG Management Department, concurrently in office as Head of the Business Strategy Department, has been serving as top manager for risk management with the Risk Management Group, ESG Management Department being a unit dedicated to risk management. The Company strives to prevent risks from arising by identifying significant risks through the collection and evaluation of risk information in a centralized and complete manner. This is while we widely publicize the "SEKISUI CHEMICAL Group Risk Management Guidelines" laid down under the "Sekisui Chemical Basic Policy on Internal Control System," updated in April 2015, to Directors, Executive Officers, and employees of the Company and Group companies.
This activity, having begun in FY2011 at 27 units mainly in departments under divisional companies before being done by a growing number of units year after year, was done by 171 units, including in relevant subsidiaries in and outside Japan for FY2022. They keep running a PDCA cycle conforming to ISO 31000, an international standard for risk management. From the current mid-term business plan, we collect risk information comprehensively by specialty domain and overseas

region, uniformly assess by officers in charge in individual specialty domain at a company-wide risk discussion meeting, identify company-wide material risks, and integrate these company-wide material risks into risk management activities by individual activity groups in implementing company-wide ERM.

As regards our crisis management, under the "SEKISUI CHEMICAL Group's Crisis Management Guidelines," we have built a system to deal with a crisis swiftly and aptly by setting up an emergency measure headquarters in the event of an emergency occurring that is found to affect the business continuity of the Group, and we review and revise the system and provide training on a periodic basis. We have also built a system to report in a timely way to the Board of Directors regarding any serious incident that has occurred or any potentially serious incident.

Since fiscal 2021, as a Company-wide initiative, the Group has been revising and developing documents for an emergency response plan (ERP) that places the protection of human life as the highest priority at all organizations. In fiscal 2022, we revised the ERP based on the self-training results of individual divisions. We aim to build a business continuity management (BCM) platform suitable for the characteristics of a wide range of businesses in and outside Japan.

We ensure that individual employees can take an appropriate emergency response step in the event of an emergency by making all employees, including temporary ones, carry a copy of the Emergency Response Manual and by providing training in preparation for an emergency that could potentially occur. A safety check system is installed on the mobile phones of all Group employees so that we can check employee safety swiftly in the event of an emergency.

Given that overseas business bases continue growing in number and importance year after year, we set up regional headquarters in four major regions and appointed managers there as the regional head. The Overseas Crisis Management Office leads emergency response for crises occurring overseas in liaison with them. Under the Internal rules for Overseas Safety Management and the Crisis Management Guidelines of the Company, the Overseas Crisis Management Office leads a move to share crisis management information, alert personnel in a timely way, and issue instructions on overseas travel restrictions, among other emergency steps, thus supporting those on business trips, expatriates, and local employees.

Although it is extremely difficult to correctly predict risks potentially occurring in the future in corporate activities rising in complexity, we ensure that employees share a code of conduct they should reference in preparation for an emergency, and raise their awareness through position-level-based training. This is in the belief that it is essential to step up employees' risk sensitivity in order to handle such risks.

- Development of the system to ensure proper business operations of the Company and Group companies

The Company and Group companies collaborate closely with each other in terms of supervision, directives and communication, having formulated the "Corporate Activity Guidelines" based on the Group's management principles in order to improve the corporate value of the Group as a whole and fulfill its social responsibility. The Company also seeks to conduct business operations in an appropriate manner on a Group-wide scale while guiding, advising and assessing Group companies.

In regards to the business management of Group companies, monitoring is conducted by Audit & Supervisory Board Members, the Corporate Audit Department, etc., and enhancements are made to the system for Group companies to seek approval from and make reports to the Company based on the "Rules for handling affiliated companies" and "Guidelines for final decisions at affiliated companies."

In addition, if misconduct arises at the Company or a Group company, thoroughgoing efforts will be made to prevent it from occurring again by requiring that a report on the nature of the misconduct be made to the divisional company in charge or the Compliance Promotion Sub-committee at the corporate headquarters without fail and that the Compliance Sub-committee be contacted by the Compliance Promotion Sub-committee so that all information will be collected and brought to the Director or Executive Officer appointed as the chairperson of the Compliance Sub-committee.

- Outline of directors' and officers' liability insurance contract

The Company has executed a directors' and officers' liability insurance contract as defined in Article 430-3, Paragraph (1) of the Companies Act with an insurance company. The insureds under the insurance contract are Directors, Audit & Supervisory Board Members, Executive Officers, etc. of the Company and its domestic subsidiaries. The Company pays the insurance premiums for all the insureds. The insurance covers legal claims for damages, legal expenses, etc.

In order to prevent the duties expected to be performed by Directors, etc. from being compromised, the contract sets deductibles, exclusions, and reduced coverage rate.

- Basic Policy on Control of Stock Company

As regards shareholders, the Company believes that its shareholders should be determined through open transactions in the market. Therefore, it believes whether to accept offers for large-scale acquisition of shares entailing transfer of control

of a stock company should ultimately be determined based on the decisions of the shareholders. However, purchases of large volumes of shares of listed companies or purchase proposals are assumed to contain ones that are likely to evidently destroy the long-term shareholder value for the target company, such as: i) one in which, in light of its purpose and method, etc., the purchaser undoubtedly pursues only its own profits without paying attention to the corporate value of the company and the common interest of the shareholders; ii) one that in effect forces the shareholders to sell shares; and iii) one that fails to provide sufficient information and time for the shareholders and the board of directors of the target company to consider the details, etc. of the purchase of the large volume of shares or for the board of directors of the target company to put forward an alternative proposal.

From the perspective of securing the common interest of shareholders and preventing destruction of the corporate value of the Company, when anyone attempts to acquire a large volume of the Company's shares, the Company will request the purchaser to provide necessary and sufficient information for shareholders to make appropriate judgment. The Company will also publish an opinion, etc. from the Board of Directors, make efforts to secure enough information and time for consideration by shareholders, and take appropriate measures, as allowed by the Financial Instruments and Exchange Act, Companies Act, and other related laws and regulations.

(2) Directors (and other officers)

List of officers

14 men, 3 women (Ratio of female directors (and other officers): 17%)

Job title	Name	Date of birth	Career summary	Term of office	Number of shares owned (Thousands of shares)
Chairman of the Board	Teiji Koge	Date of birth: November 14, 1953	Apr. 1976 Joined the Company June 2005 Director of the Company; President of Nagoya Sekisui Heim Co., Ltd. Oct. 2005 Director of the Company; Head of President's Office of Housing Company Apr. 2006 Director of the Company; Head of Planning & Control Department of Housing Company Apr. 2007 Director of the Company; Head of Housing Division and Planning & Control Department of Housing Company July 2007 Director of the Company; Responsible for Sales Department, Head of Housing Division of Housing Company Feb. 2008 Director of the Company; President of Housing Company; Responsible for Sales Department; Head of Housing Division Apr. 2008 Director of the Company; Managing Executive Officer of the Company; President of Housing Company Apr. 2009 Director of the Company; Senior Managing Executive Officer of the Company; President of Housing Company Mar. 2014 Director of the Company; Senior Managing Executive Officer of the Company; Head of CSR Department; Head of Corporate Communication Department Mar. 2015 President and Representative Director of the Company; Chief Executive Officer of the Company Mar. 2020 Chairman of the Board and Representative Director of the Company June 2022 Chairman of the Board of the Company (incumbent) Mar. 2023 Outside Director of EBARA CORPORATION (incumbent)	(Note 3)	133

Job title	Name	Date of birth	Career summary		Term of office	Number of shares owned (Thousands of shares)
President and Representative Director Chief Executive Officer	Keita Kato	Date of birth: January 11, 1958	Apr. 1980 Apr. 2008 July 2011 Mar. 2013 Oct. 2013 Mar. 2014 June 2014 Apr. 2015 Jan. 2019 Apr. 2019 July 2019 Jan. 2020 Mar. 2020	Joined the Company Executive Officer of the Company; Head of Interlayer Film Division of High Performance Plastics Company Executive Officer of the Company; Head of New Business Promotion Division of High Performance Plastics Company Executive Officer of the Company; Head of New Business Promotion Division and Head of Research & Development Institute of High Performance Plastics Company Executive Officer of the Company; Head of Research & Development Institute of High Performance Plastics Company Managing Executive Officer of the Company; President of High Performance Plastics Company Director of the Company; Managing Executive Officer of the Company; President of High Performance Plastics Company Director of the Company; Senior Managing Executive Officer of the Company; President of High Performance Plastics Company Representative Director of the Company; Senior Managing Executive Officer of the Company; Head of Business Strategy Department Representative Director of the Company; Senior Managing Executive Officer of the Company; Responsible for ESG Management Department; Head of Business Strategy Department Representative Director of the Company; Senior Managing Executive Officer of the Company; Responsible for ESG Management Department; Head of Business Strategy Department; Head of New Business Development Department Representative Director of the Company; Senior Managing Executive Officer of the Company; Responsible for ESG Management Department; Head of Business Strategy Department President and Representative Director of the Company; Chief Executive Officer of the Company (incumbent)	(Note 3)	93

Representative Director of the Company; Senior Managing Executive Officer of the Company; Responsible for ESG Management Department, Digital Transformation Department, and New Business Development Department; Head of Business Strategy Department	Futoshi Kamiwaki	Date of birth: August 10, 1960	Apr. 1983 Apr. 2011 Oct. 2012 Jan. 2013 Jan. 2014 Apr. 2017 Mar. 2018 Mar. 2019 Jan. 2020 Mar. 2020 Apr. 2020 June 2020 June 2022	Joined the Company Executive Officer of the Company; Head of Planning & Control Department of Housing Company Executive Officer of the Company; Responsible for Public Relations & External Relations Department; Head of Planning & Control Department of Housing Company Executive Officer of the Company; Head of Housing Product Research & Development Department of Housing Company Executive Officer of the Company; Head of Product Research & Development Department of Housing Company Managing Executive Officer of the Company; Head of Product Research & Development Department of Housing Company Managing Executive Officer of the Company; Head of Housing Renovation Sales Management Division; Head of Administrative Management & Control Department of Housing Company Managing Executive Officer of the Company; Head of Administrative Management & Control Department of Housing Company Managing Executive Officer of the Company; Head of New Business Development Department Managing Executive Officer of the Company; Responsible for ESG Management Department and New Business Development Department Head of Business Strategy Department Senior Managing Executive Officer of the Company; Responsible for ESG Management Department, Digital Transformation Department, and New Business Development Department; Head of Business Strategy Department Director of the Company; Senior Managing Executive Officer of the Company; Responsible for ESG Management Department, Digital Transformation Department, and New Business Development Department; Head of Business Strategy Department Representative Director of the Company; Senior Managing Executive Officer of the Company; Responsible for ESG Management Department, Digital Transformation Department, and New Business Development Department; Head of Business Strategy Department (incumbent)	(Note 3)	83

Job title	Name	Date of birth	Career summary	Term of office	Number of shares owned (Thousands of shares)
Director of the Company; Senior Managing Executive Officer of the Company; President of Urban Infrastructure & Environmental Products Company	Yoshiyuki Hirai	Date of birth: February 4, 1963	Apr. 1985 Joined the Company Apr. 2014 Executive Officer of the Company; Head of Foam Division of High Performance Plastics Company Apr. 2015 Executive Officer of the Company; Responsible for CSR Promotion Department; Head of Business Strategy Department June 2015 Director of the Company; Executive Officer of the Company; Responsible for CSR Promotion Department; Head of Business Strategy Department Apr. 2017 Director of the Company; Managing Executive Officer of the Company; Responsible for Corporate Finance & Accounting Department; Head of Business Strategy Department Apr. 2018 Director of the Company; Managing Executive Officer of the Company; Head of Business Strategy Department Jan. 2019 Director of the Company; Managing Executive Officer of the Company; President of Urban Infrastructure & Environmental Products Company Apr. 2020 Director of the Company; Senior Managing Executive Officer of the Company; President of Urban Infrastructure & Environmental Products Company (incumbent)	(Note 3)	49

Job title	Name	Date of birth	Career summary		Term of office	Number of shares owned (Thousands of shares)
Director of the Company; Senior Managing Executive Officer of the Company; President of Housing Company	Toshiyuki Kamiyoshi	Date of birth: March 1, 1961	Apr. 1983 Apr. 2013 Jan. 2014 Jan. 2015 Jan. 2018 Mar. 2018 Apr. 2018 Jan. 2019 June 2019 Jan. 2020 Apr. 2020	Joined the Company Executive Officer of the Company; President of Sekisui Heim Tohoku Co., Ltd. Executive Officer of the Company; Head of Sales Management Division of Housing Company Executive Officer of the Company; President of Tokyo Sekisui Heim Co., Ltd. Executive Officer of the Company; Head of Housing Sales Management Division; Head of Housing Renovation Sales Management Division; Head of Administrative Management & Control Department of Housing Company Executive Officer of the Company; Head of Housing Sales Management Division of Housing Company Managing Executive Officer of the Company; Head of Housing Sales Management Division of Housing Company Managing Executive Officer of the Company; President of Housing Company; Head of Housing Sales Management Division and Head of Town and Community Development Department of Housing Company Director of the Company; Managing Executive Officer of the Company; President of Housing Company; Head of Housing Sales Management Division and Head of Town and Community Development Department of Housing Company Director of the Company; Managing Executive Officer of the Company; President of Housing Company Director of the Company; Senior Managing Executive Officer of the Company; President of Housing Company (incumbent)	(Note 3)	65

Job title	Name	Date of birth	Career summary		Term of office	Number of shares owned (Thousands of shares)
Director of the Company; Senior Managing Executive Officer of the Company; President of High Performance Plastics Company	Ikusuke Shimizu	Date of birth: December 12, 1964	Apr. 1987 Apr. 2015 Apr. 2016 Apr. 2018 Jan. 2019 Apr. 2019 June 2019 Apr. 2021	Joined the Company Executive Officer of the Company; Head of Foam Division of High Performance Plastics Company Executive Officer of the Company; Responsible for Automobiles & Transportation field; Head of Foam Division of High Performance Plastics Company Executive Officer of the Company; Responsible for Electronics; Head of Foam Division of High Performance Plastics Company Managing Executive Officer of the Company; President of High Performance Plastics Company; Responsible for Electronics Director of SEKISUI FULLER CO., LTD. (incumbent) Managing Executive Officer of the Company; President of High Performance Plastics Company Director of the Company; Managing Executive Officer of the Company; President of High Performance Plastics Company Director of the Company; Senior Managing Executive Officer of the Company; President of High Performance Plastics Company (incumbent)	(Note 3)	57
Director of the Company; Executive Officer of the Company; Head of Human Resources Department	Kazuya Murakami	Date of birth: June 4, 1966	Apr. 1989 Mar. 2014 Apr. 2020 Oct. 2020 June 2021	Joined the Company Head of Human Resources Development Division of High Performance Plastics Company Executive Officer of the Company; Head of Human Resources Development Division of High Performance Plastics Company Executive Officer of the Company; Head of Human Resources Department Director of the Company; Executive Officer of the Company; Head of Human Resources Department (incumbent)	(Note 3)	14

Job title	Name	Date of birth	Career summary		Term of office	Number of shares owned (Thousands of shares)
Director	Hiroshi Oeda	Date of birth: March 12, 1957	Apr. 1980 June 2008 June 2009 Apr. 2011 Apr. 2017 June 2017 Mar. 2018 June 2018 June 2019 Mar. 2022	Joined Nisshin Flour Milling Inc. (currently Nisshin Seifun Group Inc.) Executive Officer of Nisshin Seifun Group Inc. Director of Nisshin Seifun Group Inc. Director and President of Nisshin Seifun Group Inc. Director and Executive Advisor of Nisshin Seifun Group Inc. Special Advisor of Nisshin Seifun Group Inc. (incumbent) President of Seifun Kaikan Inc. (resigned in 2022) Outside Director of EBARA CORPORATION Director of the Company (incumbent) President of Hitotsubashi University Koenkai (incumbent) Outside Director, Chairman of the Board of Directors of EBARA CORPORATION (incumbent)	(Note 3)	7
Director	Haruko Nozaki	Date of birth: June 19, 1955	Apr. 1978 Mar. 1980 Apr. 2001 Jan. 2008 Apr. 2014 July 2015 June 2020 June 2021 Apr. 2022 June 2022	Joined Horiba Community Corporation Reassigned to Horiba, Ltd. General Manager, Human Resources Department of Horiba, Ltd. Deputy General Manager in charge of personnel, General Administration Division of Horiba, Ltd. Junior Corporate Officer of Horiba, Ltd. (resigned in 2022) Chairman of Horiba, Ltd. Health Insurance Association (resigned in 2022) External Director of West Japan Railway Company (incumbent) Special Appointment Professor of International Academic Research Institute of Kyoto University of Advanced Science (resigned in 2022) Executive Vice-President of Kyoto University (incumbent) Director of the Company (incumbent)	(Note 3)	–

Job title	Name	Date of birth	Career summary		Term of office	Number of shares owned (Thousands of shares)
Director	Miharu Koezuka	Date of birth: September 2, 1955	Apr. 1979	Joined Takashimaya Company, Limited	(Note 3)	4
			May 2007	Executive Officer, General Manager of Public and Investor Relations Office, Planning Headquarters of Takashimaya Company, Limited		
			Mar. 2009	Senior Executive Officer, General Manager of Sales Planning Division of Takashimaya Company, Limited		
			Feb. 2010	President (Representative Director) of Okayama Takashimaya Co., Ltd.		
			May 2013	Director of Takashimaya Company, Limited		
			Sept. 2013	Senior Managing Director (Representative Director), General Manager of Planning Headquarters (General Manager of Reform Promotion Headquarters), in charge of General Affairs Headquarters, CSR Promotion Office, IT Promotion Office, Nihombashi Redevelopment Planning Office of Takashimaya Company, Limited Director of Okayama Takashimaya Co., Ltd. (resigned in 2021)		
			Mar. 2014	Senior Managing Director (Representative Director) General Manager of Sales Headquarters of Takashimaya Company, Limited		
			May 2015	Member of the Strategic Headquarters for the Promotion of an Advanced Information and Telecommunications Network Society, Information Technology (IT) Strategy Planning Office, Cabinet Secretariat (resigned in 2019)		
			Mar. 2016	Director of Takashimaya Company, Limited		
			May 2016	Consultant of Takashimaya Company, Limited		
			June 2018	Outside Director of Japan Post Holdings Co., Ltd. (incumbent)		
			June 2019	Outside Director of Nankai Electric Railway Co., Ltd. (incumbent)		
			Mar. 2020	Counselor of Takashimaya Company, Limited (resigned in 2021) Outside Director of Nippon Paint Holdings Co., Ltd. (resigned in 2023)		
			June 2022	Director of the Company (incumbent)		

Job title	Name	Date of birth	Career summary		Term of office	Number of shares owned (Thousands of shares)
Director	Machiko Miyai	Date of birth: September 29, 1960	Apr. 1983	Joined Matsushita Electric Industrial Co., Ltd. (Panasonic Corporation from 2008; currently Panasonic Holdings Corporation)	(Note 3)	–
			Oct. 2001	Director-General of Life Research Institute of Matsushita Electric Industrial Co., Ltd.		
			Apr. 2005	Executive Director of Matsushita Electric Industrial Co., Ltd.		
			Apr. 2006	Executive Director, General Manager of Cooking Equipment Business Unit of Matsushita Electric Industrial Co., Ltd.		
			Apr. 2011	Executive Officer, Director of Environment Division of Panasonic Corporation		
			Oct. 2012	Executive Officer, in charge of Lifestyle Research for New Markets, R&D Division of Panasonic Corporation		
			Apr. 2014	Corporate Advisor of Panasonic Corporation (resigned in 2016)		
			June 2014	Outside Director of Morinaga & Co., Ltd. (resigned in 2018)		
			Dec. 2014	Outside Director of Kato Sangyo Co., Ltd. (resigned in 2018)		
			May 2015	Outside Director of Yoshinoya Holdings Co., Ltd. (resigned in 2019)		
			Feb. 2016	Commissioner of Personal Information Protection Commission, an external bureau of the Cabinet Office (resigned in 2021)		
			June 2018	Director, Managing Operating Officer of Morinaga & Co., Ltd. (incumbent)		
			Feb. 2019	Chairman of Sustainability Forum Japan (incumbent)		
			Apr. 2022	Auditor of Ochanomizu University (incumbent)		
			June 2022	Director of the Company (incumbent)		

Job title	Name	Date of birth	Career summary		Term of office	Number of shares owned (Thousands of shares)
Director	Yoshihiko Hatanaka	Date of birth: April 20, 1957	Apr. 1980	Joined Fujisawa Pharmaceutical Co., Ltd. (currently Astellas Pharma Inc.)	(Note 3)	1
			June 2005	Corporate Executive, Head of Corporate Planning Department, Strategy Division of Astellas Pharma Inc.		
			Apr. 2006	Executive Officer of Astellas Pharma Inc. President & CEO of Astellas US LLC President & CEO of Astellas Pharma US, Inc.		
			June 2008	Senior Corporate Executive of Astellas Pharma Inc. President & CEO of Astellas US LLC President & CEO of Astellas Pharma US, Inc.		
			Apr. 2009	Senior Corporate Executive, Chief Strategy Officer and Chief Financial Officer (CStO & CFO) of Astellas Pharma Inc.		
			June 2011	Representative Director, President and CEO of Astellas Pharma Inc.		
			June 2016	President of Japan Pharmaceutical Manufacturers Association (resigned in 2018)		
			Apr. 2018	Representative Director, Chairman of the Board of Astellas Pharma Inc. (resigned in 2022)		
			June 2018	Vice Chair of the Board of Councillors, KEIDANREN (Japan Business Federation) (resigned in 2022)		
			June 2019	Outside Director of Sony Corporation (currently Sony Group Corporation) (incumbent)		
			June 2020	Chairman of the Pharmaceutical Manufacturers' Association of Tokyo (resigned in 2022)		
			Mar. 2023	Outside Director of Shiseido Company, Limited (incumbent)		
			June 2023	Director of the Company (incumbent)		

Job title	Name	Date of birth	Career summary		Term of office	Number of shares owned (Thousands of shares)
Fulltime Audit & Supervisory Board Member	Hiroyuki Taketomo	Date of birth: July 8, 1961	Apr. 1985 Apr. 2015 Apr. 2016 June 2016 Apr. 2017 Oct. 2020 Apr. 2021 June 2021	Joined the Company Executive Officer of the Company; Head of Human Resources Department Executive Officer of the Company; Responsible for Legal Department; Head of Human Resources Department Director of the Company; Executive Officer of the Company; Responsible for Legal Department; Head of Human Resources Department Director of the Company; Managing Executive Officer of the Company; Responsible for Legal Department; Head of Human Resources Department Director of the Company; Managing Executive Officer of the Company; Head of Legal Department Director of the Company; Responsible for CEO's Special Mission Fulltime Audit & Supervisory Board Member of the Company (incumbent)	(Note 4)	29
Fulltime Audit & Supervisory Board Member	Tomoyasu Izugami	Date of birth: November 18, 1962	Apr. 1987 Apr. 2016 Apr. 2020 Apr. 2021 Mar. 2023 June 2023	Joined the Company Head of Device Materials Business Division of High Performance Plastics Company President and Representative Director of Sekisui Nano Coat Technology Co., Ltd. Head of Purchasing Division of High Performance Plastics Company Head of Digital Transformation Division of High Performance Plastics Company Assistant to the President of High Performance Plastics Company Fulltime Audit & Supervisory Board Member of the Company (incumbent)	(Note 5)	14
Audit & Supervisory Board Member	Yoshikazu Minomo	Date of birth: December 13, 1969	Apr. 1996 Jan. 2004 June 2022	Registered as an attorney at law Joined MIYAKE IMAI IKEDA LAW OFFICE Partner of MIYAKE IMAI IKEDA LAW OFFICE (incumbent) Audit & Supervisory Board Member of the Company (incumbent)	(Note 6)	–
Audit & Supervisory Board Member	Wakyu Shinmen	Date of birth: January 14, 1957	Oct. 1982 Mar. 1983 Aug. 1997 Oct. 2013 Sept. 2022 June 2023	Joined Tohmatsu Awoki & Co. (currently Deloitte Touche Tohmatsu LLC) Registered as CPA Became a member (currently partner) of Deloitte Touche Tohmatsu LLC Head of Kansai Business Department, Auditing Division of Deloitte Touche Tohmatsu LLC (resigned in 2021) Established Shinmen Certified Public Accountant Office (incumbent) Audit & Supervisory Board Member of the Company (incumbent)	(Note 5)	–

Job title	Name	Date of birth	Career summary		Term of office	Number of shares owned (Thousands of shares)
Audit & Supervisory Board Member	Kenji Tanaka	Date of birth: April 14, 1957	May 2004 Apr. 2012 Apr. 2023 June 2023	Professor of Graduate School of Information System (currently Graduate School of Informatics and Engineering), University of Electro-Communications (resigned in 2023) Vice-president of University of Electro-Communications (resigned in 2014) Specially Appointed Professor and Vice Chair, Center for Industrial and Governmental Relations, University of Electro-Communications (incumbent) Audit & Supervisory Board Member of the Company (incumbent)	(Note 5)	–
Total						554

(Notes) 1. Directors Hiroshi Oeda, Haruko Nozaki, Miharu Koezuka, Machiko Miyai, and Yoshihiko Hatanaka are Outside Directors.
2. Audit & Supervisory Board Members Yoshikazu Minomo, Wakyu Shinmen, and Kenji Tanaka are Outside Audit & Supervisory Board Members.
3. One year from the conclusion of the Annual General Meeting of Shareholders held on June 22, 2023.
4. Four years from the conclusion of the Annual General Meeting of Shareholders held on June 23, 2021.
5. Four years from the conclusion of the Annual General Meeting of Shareholders held on June 22, 2023.
6. Four years from the conclusion of the Annual General Meeting of Shareholders held on June 22, 2022.

Outside Directors and Outside Audit & Supervisory Board Members

Of the 12 Directors of the Company, five are Outside Directors, and of the five Audit & Supervisory Board Members, three are Outside Audit & Supervisory Board Members. (As of June 22, 2023)

There are no human, capital or transaction relationships of interest between each individual and the Company.

We select multiple Outside Directors and Outside Audit & Supervisory Board Members in order for them to utilize their management experience and specialized knowledge with a background different from that of the Company to provide fair advice as well as supervision and audit services and contribute to improving the corporate value of the Group.

Outside Directors and Outside Audit & Supervisory Board Members, being provided with operational support by the headquarters in charge of internal control as required, can liaise with relevant units just as is done by other Directors and Audit & Supervisory Board Members.

- Outside Directors

Hiroshi Oeda

Since his appointment as Outside Director in June 2018, Mr. Hiroshi Oeda has provided advice with respect to the business management of the Company and has appropriately supervised business execution at Board of Directors meetings. The Company has judged that Mr. Oeda is able to continue further enhancing the corporate value of the SEKISUI CHEMICAL Group through providing advice with respect to the business management of the Company and appropriately supervising business execution at Board of Directors meetings. The Company believes he can do this by leveraging his broad experience and skill in global corporate management, business strategy, execution of overseas M&A, etc. gained from serving as a management executive of the largest milling company in Japan. The Company thus elected Mr. Oeda as an Outside Director.

The Company has no business transactions with Nisshin Seifun Group Inc., and Hitotsubashi University supporters' association where Mr. Oeda concurrently holds a position. While the Company has business transactions with Ebara Corporation where Mr. Oeda concurrently holds a position, the ratio of the transaction value to the net sales of Nisshin Seifun Group Inc. and the Company for the business year last closed was less than 1% for both parties; likewise, said ratio of Ebara Corporation and the Company for the business year last closed was less than 1% for both parties, and thus his independence as Outside Director is deemed to be sufficiently secured.

Haruko Nozaki

Since her appointment as Outside Director in June 2022, Ms. Haruko Nozaki has provided advice with respect to the business management of the Company and has appropriately supervised business execution at Board of Directors meetings. The Company has judged that Ms. Nozaki would be able to continue to contribute to further enhancing the

corporate value of the SEKISUI CHEMICAL Group through providing advice with respect to the business management of the Company and appropriately supervising business execution at Board of Directors meetings, by leveraging her experience and past achievements in personnel affairs and education, and deep insight on promotion of diversity, development of the next generation, etc. The Company thus elected Ms. Nozaki as an Outside Director.
The Company has no business transactions with West Japan Railway Company, where Ms. Nozaki concurrently holds a position. Transactions exist between Kyoto University, where she concurrently holds a position, and the Company, but the amount of such transactions in the most recent fiscal year was less than 1% of ordinary revenue of the said university or net sales of the Company, so her independence as Outside Director is deemed to be sufficiently secured.

Miharu Koezuka
Since her appointment as Outside Director in June 2022, Ms. Miharu Koezuka has provided advice with respect to the business management of the Company and has appropriately supervised business execution at Board of Directors meetings. The Company has judged that Ms. Koezuka would be able to continue to contribute to further enhancing the corporate value of the SEKISUI CHEMICAL Group through providing advice with respect to the business management of the Company and appropriately supervising business execution at Board of Directors meetings, by leveraging her extensive experience in the management of department stores in addition to her experience and past achievements in management in various industries. The Company thus elected Ms. Koezuka as an Outside Director.
The Company has no transactions with Japan Post Holdings Co., Ltd. and Nankai Electric Railway Co., Ltd. where Ms. Koezuka concurrently holds a position, so her independence as Outside Director is deemed to be sufficiently secured.

Machiko Miyai
Since her appointment as Outside Director in June 2022, Ms. Machiko Miyai has provided advice with respect to the business management of the Company and has appropriately supervised business execution at Board of Directors meetings. The Company has judged that Ms. Miyai would be able to continue to contribute to further enhancing the corporate value of the SEKISUI CHEMICAL Group through providing advice with respect to the business management of the Company and appropriately supervising business execution at Board of Directors meetings, by leveraging her broad job experience in industries that are different from that of the Company, in particular her consumer-focused work as an internal officer of several listed companies. The Company thus elected Ms. Miyai as an Outside Director.
The Company has no transactions with Morinaga & Co., Ltd., Sustainability Forum Japan, and Ochanomizu University where Ms. Miyai concurrently holds a position, so her independence as Outside Director is deemed to be sufficiently secured.

Yoshihiko Hatanaka
Mr. Yoshihiko Hatanaka has served as an executive at Astellas Pharma Inc., and in addition to his wide-ranging knowledge of global corporate management cultivated through his wealth of experience overseas, including in Europe and the United States, he also has extensive knowledge in matters including corporate integration based on his experience as a corporate planning officer. Based on this experience and past records, the Company has judged that Mr. Hatanaka would be able to continue to contribute to further enhancing the corporate value of the SEKISUI CHEMICAL Group and elected him as an Outside Director.
The Company has no transactions with Sony Group Corporation and Shiseido Company, Limited where Mr. Hatanaka concurrently holds a position, so his independence as Outside Director is deemed to be sufficiently secured.

To secure independence of its Outside Directors, the Company laid down an independence standard for them, stipulating that it shall not nominate as a candidate for Outside Director any person from among its major shareholders and personnel of its main business partners. Mr. Hiroshi Oeda, Ms. Haruko Nozaki, Ms. Miharu Koezuka, Ms. Machiko Miyai, and Mr. Yoshihiko Hatanaka are designated as Independent Officers under the provisions of the Tokyo Stock Exchange.
The Business Strategy Department, which is the secretariat to the Board of Directors, provides support to Outside Directors such as distributing in advance presentation documents for a Board of Directors meeting and providing prior briefing.

- Outside Audit & Supervisory Board Members

Yoshikazu Minomo
Mr. Yoshikazu Minomo as an attorney at law is equipped with a wealth of achievements and significant knowledge concerning overall corporate legal affairs such as business revitalization, corporate reorganization, mergers & acquisitions, compliance, and internal control. The Company has judged that Mr. Minomo can be expected to reflect such a proven record and insight in audits of the Company, check appropriateness of management judgment particularly from a perspective of compliance, and contribute to improving the Company's social trust, and thus elected Mr. Minomo as an Outside Audit & Supervisory Board Member.

The Company has no transactions with Mr. Minomo and the firm where he currently holds a position, so his independence as Outside Audit & Supervisory Board Member is deemed to be sufficiently secured.

Wakyu Shinmen
Mr. Wakyu Shinmen has specialized knowledge and a wealth of auditing experience as a certified public accountant and is an appropriate person for the Group's aim for sustainable improvement of corporate value. In addition, he has experience in management as a partner of a major auditing firm, and judging that he will appropriately perform his duties as an Outside Audit & Supervisory Board Member, the Company has appointed him as an Outside Audit & Supervisory Board Member.
The Company has no transactions with Mr. Shinmen and the firm where he currently holds a position, so his independence as Outside Audit & Supervisory Board Member is deemed to be sufficiently secured.

Kenji Tanaka
Mr. Kenji Tanaka has a high level of insight and extensive experience in quality control, system reliability and safety, and a track record of joint research with many companies, and in order to have this reflected in the Company's auditing, the Company has appointed him as an Outside Audit & Supervisory Board Member.
The Company has no transactions with Mr. Tanaka and the firm where he currently holds a position, so his independence as Outside Audit & Supervisory Board Member is deemed to be sufficiently secured.

To secure independence of its Outside Audit & Supervisory Board Members, the Company laid down an independence standard for them, stipulating that it shall not nominate as a candidate for Outside Audit & Supervisory Board Member any person from among its major shareholders and personnel of its main business partners. Mr. Yoshikazu Minomo, Mr. Wakyu Shinmen, and Mr. Kenji Tanaka are designated as Independent Officers under the provisions of the Tokyo Stock Exchange.
We set up the Secretariat for Outside Audit & Supervisory Board Members, who are provided with operational support by units of headquarters as required. The Secretariat to the Audit & Supervisory Board, while distributing in advance presentation documents for a Board of Directors meeting and providing prior briefing, has built a platform in which Outside Audit & Supervisory Board Members can view important documents and interview unit heads.

Criteria for Independence of Outside Board Members

Sekisui Chemical Co., Ltd. (the "Company") believes Outside Directors and Outside Audit & Supervisory Board Members ("Outside Officers") should be independent in order to enhance management transparency and fairness important for its corporate governance.

The Company laid down the following independence standard for candidates for outside officers. If any of the requirements are not met, a candidate is judged to be not sufficiently independent for the Company

(i) The candidate has never been an executive director, an executive officer, a manager or any other employee of the Company or any of the companies within the Group.
(ii) The candidate is not receiving compensation more than 10 million yen per year from the Group other than the compensation as an officer.
(iii) The candidate and the main company of the candidate(Note 1) is not a major shareholder(Note 2) of the Company.
(iv) The business of the main company of the candidate does not compete with the main business(es)(Note 3) of the Company.
(v) The main company of the candidate is not a major business partner(Note 4) of the Company.
(vi) The main company of the candidate is not a major lender of the Company.
(vii) The candidate has never worked for an accounting auditor of the Company for the period of five years immediately preceding the scheduled date of assumption of office.
(viii) None of the executive directors of the Company is concurrently serving as a director of the main company of the candidate.
(ix) The candidate is not a relative(Note 5) of any of the officers or employees of the Company and has not fallen under any of i through viii above.

(Note 1) Main company of the candidate shall mean the company, if any, at which the candidate for an outside board member is an executive director, executive officer, or manager or other employee.
(Note 2) Major shareholder shall mean the top 10 shareholders of the Company.
(Note 3) Main business(es) of the Company shall mean business(es) disclosed as main business(es) of the Company on the business report of the Company.
(Note 4) Major business partner shall mean the business partner whose transaction with the Company is not less than 2% of consolidated gross sales of the Company or such business partner.
(Note 5) Relative shall mean the person's spouse, partner, relative within the second degree of kinship or relative who lives with the person.

7. The Company adopted the Executive Officer System in order to clearly separate the function to supervise decision-making and business execution by the Board of Directors from the business execution function of Divisional Companies and vitalize the Board and boost its functions.

Shown below are the titles, names, and positions of Executive Officers of the Company (excluding Executive Officers concurrently serving as Directors).

Title		Name	Position
Housing Company	Managing Executive Officer	Kenji Yagi	Head of West Japan Sales Management Division, President of SEKISUI HEIM CHUBU CO., LTD. and SEKISUI HEIM KINKI CO., LTD.
	Managing Executive Officer	Masahide Yoshida	Head of East Japan Sales Management Division, President of TOKYO SEKISUI HEIM CO., LTD.
	Executive Officer	Shinichi Jose	Head of Development Division
	Executive Officer	Akira Maruyama	Head of Business Strategy Department
	Executive Officer	Masaru Fujimoto	Head of Corporate Finance & Accounting Department
	Executive Officer	Kenichi Tadokoro	Head of Technology & CS Division
	Executive Officer	Ken Miyashita	Head of Residential Stock Business Management Division, President of SEKISUI HEIM REAL ESTATE
Urban Infrastructure & Environmental Products Company	Executive Officer	Takeo Kishitani	Head of Building & Pipe Systems Division and New Business Development Division
	Executive Officer	Hiroki Okubo	Head of Management Planning Department
	Executive Officer	Toru Kurita	Head of Technology & CS Promotion Department
	Executive Officer	Jitsuo Kitamura	Head of Higashinihon Branch
	Executive Officer	Masataka Uemura	Head of Pipeline Renewal Division
	Executive Officer	Katsumi Take	Head of General Institute
High Performance Plastics Company	Executive Officer	Toshio Konno	Head of Corporate Planning Department
	Executive Officer	Akira Asano	Chairman of the Board of SEKISUI AEROSPACE CORPORATION and SEKISUI KYDEX, LLC
	Executive Officer	Masayuki Inoue	Responsible for Industrial Business field, Head of Industrial Business Strategy Department, President of SEKISUI MATERIAL SOLUTIONS CO., LTD.
	Executive Officer	Takashi Muramatsu	Responsible for Electronic field, Head of Electronic Business Strategy Department
	Executive Officer	Hiroyuki Yamashita	Responsible for Mobility field, Head of Mobility Business Strategy Department
	Executive Officer	Yoshitaka Miyake	Head of Specialty Chemicals Division
Headquarters	Executive Officer	Katsunori Mukai	Head of R&D Center
	Executive Officer	Tatsuya Nishida	Head of Corporate Finance & Accounting Department
	Executive Officer	Yoshiki Deguchi	Head of Manufacturing Infrastructure Enhancement Center
	Executive Officer	Meiko Koga	Head of Corporate Communication Department
	Executive Officer	Naoko Fukutomi	Head of Legal Department
	Executive Officer	Eiichi Takahashi	President & CEO of SEKISUI MEDICAL CO., LTD.

(3) Audit

(i) Audit by Audit & Supervisory Board Members

The Company's Audit & Supervisory Board consists of five members comprising two full-time Audit & Supervisory Board Members and three part-time Outside Audit & Supervisory Board Members. We have elected an attorney at law, a CPA, and a quality expert as Outside Audit & Supervisory Board Members. Ms. Ryoko Shimizu as a CPA is equipped with specialized knowledge in accounting in and outside Japan and a wealth of audit experience, and is well-versed in finance and accounting. The Audit & Supervisory Board conducts audit in accordance with an audit policy and plan decided through consideration and deliberations done each fiscal year, based on an audit standard it laid down.

The Company held 17 meetings of the Audit & Supervisory Board during the fiscal year under review. Attendance by individual Audit & Supervisory Board Members is as follows:

Job title	Name	Attendance (attendance ratio)
Fulltime Audit & Supervisory Board Member	Hiroyuki Taketomo	17/17 (100%)
Fulltime Audit & Supervisory Board Member	Toshitaka Fukunaga	17/17 (100%)
Outside Audit & Supervisory Board Member	Tetsuo Ozawa (Note)	5/5 (100%)
Outside Audit & Supervisory Board Member	Ryoko Shimizu	17/17 (100%)
Outside Audit & Supervisory Board Member	Kazuyuki Suzuki	16/17 (94%)
Outside Audit & Supervisory Board Member	Yoshikazu Minomo (Note)	12/12 (100%)

Note: At an Annual General Meeting of Shareholders held on June 22, 2022, Mr. Tetsuo Ozawa retired as Outside Audit & Supervisory Board Member due to expiration of his term of office and Mr. Yoshikazu Minomo was elected as Outside Audit & Supervisory Member and took office.

Subjects considered by a meeting of the Audit & Supervisory Board are: i) the decision-making procedures for mergers & acquisitions and strategic investments, coupled with a subsequent follow-up; ii) verification and confirmation of execution of duties by Directors through checking of design and operation of internal control; and iii) checking of the method and result of an audit by the Accounting Auditor.

Audit & Supervisory Board Members attend important meetings such as a Board of Directors meeting to view and check significant approval documents, among others, receive reports from headquarters in charge of internal control, and inspect the operations and financial position of main bases in and outside Japan, including the head office, plants, and subsidiaries, by auditing them onsite. Audit & Supervisory Board Members also hold a regular meeting with the Representative Directors to exchange opinions on, among others, the issues that the Company should resolve, the status of the improvement of the environment for audit by Audit & Supervisory Board Members, and important audit issues and to make requests deemed necessary to enhance mutual understanding. Audit & Supervisory Board Members seek to become more effective and efficient by engaging in close liaison through keenly exchanging information and opinions mutually while deliberating on individual subjects such as key audit matters (KAM). This is in addition to checking an audit plan with accounting audit firm KPMG AZSA LLC and receiving an audit result report. Audit & Supervisory Board Members identify internal problems by periodically exchanging opinions with the internal audit unit while directly receiving reports from it on an audit policy as well as an audit plan and result. In addition, from fiscal 2022, we have held three-way audit meetings involving the Accounting Auditor, the Internal Audit Department, and the Audit & Supervisory Board Members to strengthen cooperation among the three auditors.

(ii) Internal audit

The Company has in place the Corporate Audit Department (with 17 members) as an internal audit department. The internal audit unit conducts an audit in accordance with the Internal Audit Policy, annual audit guidelines, and a written audit plan before reporting the audit result to the President and Representative Director, Directors responsible for business lines, relevant Directors, full-time Audit & Supervisory Board Members, and relevant departments. Audit results are also reported to the Management Meeting on a regular basis. The Management Meeting is participated by inside Directors of the internal audit departments to discuss management issues. In addition, the unit obtains written answers on the audit result from audited departments and conducts a follow-up audit as required.

(iii) Accounting audit

a. Name of audit firm
KPMG AZSA LLC

b. Period of continued audit
1 year

c. CPAs who conducted the audit
Yoshihide Takehisa
Hiroto Kawase
Miho Shibasaki

d. Breakdown of audit assistants
Assistants participating in the accounting audit of the Company consist of 23 CPAs, 15 assistants who have passed CPA examination, and 28 other assistants.

e. Policy on audit firm selection and the reason thereof
We believe that the audit firm is appropriate for reinforcing our audit platform given that the firm seeks to improve the quality of its audit while better understanding the Company's operations in addition to working to remain independent.

f. Audit firm evaluation by Audit & Supervisory Board Members and the Audit & Supervisory Board
Audit firm evaluation is conducted by Audit & Supervisory Board Members and the Audit & Supervisory Board. The Audit & Supervisory Board puts together accounting auditor evaluation criteria, which is done through exchanging opinions upon receiving reports on the audit firm's full-year activities and audit details.

g. Change in audit firm
The Company has changed its audit firm as described below.
Audit of the consolidated financial statements and the non-consolidated financial statements for the 100th Business Term: Ernst & Young ShinNihon LLC
Audit of the consolidated financial statements and the non-consolidated financial statements for the 101st Business Term: KPMG AZSA LLC

The matters reported in the Extraordinary Securities Report are as follows:
(1) Names of Accounting Auditors involved in the change
i) Name of Accounting Auditor to be appointed
KPMG AZSA LLC
ii) Name of retiring Accounting Auditor
Ernst & Young ShinNihon LLC

(2) Date of change
June 22, 2022

(3) Date of most recent appointment of the retiring Accounting Auditor as Accounting Auditor
June 29, 1989

(4) Matters relating to opinions, etc., in the audit report, etc., created by the retiring Accounting Auditor in the past three years
Not applicable.

(5) Reason and background regarding decision for change
Term of office of Ernst & Young ShinNihon LLC, the Accounting Auditor of the Company, will have expired at the closing of the 100th Annual General Meeting of Shareholders to be held on June 22, 2022. The Audit & Supervisory Board determined to obtain proposals from multiple audit firms, including the current audit firm, in view of the number of consecutive years the current audit firm has been the Accounting Auditor. Audits made from a new standpoint can be expected by appointing KPMG AZSA LLC, and in addition, the Audit & Supervisory Board considers KPMG AZSA LLC qualified as a result of comprehensively examining the quality control system, auditing system including global measures, auditing methods, independence, etc., in order to further enhance accounting governance of the Group.

(6) Opinion for reason and background described in (5) above

(i) Opinion of retiring Accounting Auditor

The retiring Accounting Auditor has replied that they have no opinion in particular.

(ii) Opinion of the Audit & Supervisory Board

The opinion of the Audit & Supervisory Board is in line with the background and results of the review conducted by it, and it made the judgment that the decision is appropriate.

(iv) Description of audit fees

a. Audit fees for CPAs

Category	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
	Fee for audit certification service (millions of yen)	Fee for non-audit services (millions of yen)	Fee for audit certification service (millions of yen)	Fee for non-audit services (millions of yen)
Reporting company	133	4	150	3
Consolidated subsidiaries	62	2	79	1
Total	195	6	230	5

Description of non-audit services for which the Company and its consolidated subsidiaries pay fees to audit CPAs is omitted here since it is of little importance. Fees paid in the fiscal year ended March 31, 2022 are for Ernst & Young ShinNihon LLC, and those paid in the fiscal year ended March 31, 2023 are for KPMG AZSA LLC.

b. Fees for a network identical to audit CPAs (excluding "a")

Category	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
	Fee for audit certification service (millions of yen)	Fee for non-audit services (millions of yen)	Fee for audit certification service (millions of yen)	Fee for non-audit services (millions of yen)
Reporting company	–	–	–	0
Consolidated subsidiaries	348	70	322	25
Total	348	70	322	26

Non-audit services for which the Company and consolidated subsidiaries of the Company pay fees to a network identical to audit CPAs consist mainly of tax-related services. Fees paid in the fiscal year ended March 31, 2022 are for Ernst & Young and those paid in the fiscal year ended March 31, 2023 are for KPMG.

c. Description of fee for important audit certification service (millions of yen)

(Fiscal year ended March 31, 2022)

Not applicable

(Fiscal year ended March 31, 2023)

Not applicable

d. Policy on deciding audit fees

Fees the Company pays to audit CPAs are decided by consulting with the audit firm in light of the reasonableness of the number of auditing days and service description and upon obtaining approval of the Audit & Supervisory Board.

e. Reason for approval by the Audit & Supervisory Board to the fee, etc. for the accounting auditor

The Audit & Supervisory Board approved the fee, etc. for the Accounting Auditor pursuant to Article 399, Paragraph 1 of the Companies Act because, after verifying its audit plan and conducting the necessary verification of the appropriateness of the basis for calculating the estimated amount of fees, it was determined that the number of man-hours is necessary to deal with global fraud risks and establish an audit system, as the Accounting Auditor has been changed from the fiscal year under review and audits are expected to be conducted from a new perspective.

(4) Remuneration, etc. for Directors (and other officers)

(i) Matters on policy regarding determination of the computation method for remuneration, etc. for Directors (and other officers)

<Basic policy>

The remuneration system policy for officers of the Company is defined as follows in keeping with the corporate philosophy of the Group.

- The remuneration system should contribute to sustainable growth and medium- to long-term improvement of corporate value for the Group
- The remuneration system should make the officers of the Company share value with shareholders and increase their awareness of shareholder-focused management
- The remuneration system should be highly connected to business performance, providing motivation for officers of the Company to achieve management plan goals
- The remuneration system should provide a framework and baseline which enables the Company to acquire and keep on staff a diverse variety of management talent in order to increase the competitiveness of the Group

<Remuneration mindset>

Remuneration, etc. for executive directors of the Company are made up of basic remuneration, bonuses, and share remuneration. For Outside Directors and Audit & Supervisory Board Members, remuneration is made up of basic remuneration only.

- Basic remuneration is paid in a certain amount corresponding to roles and responsibilities within a limit on officers' remuneration. For executive directors, a portion of the basic remuneration is required to be used for the purpose of buying the Company's shares through the Officers Stock Ownership Plan, thereby raising their business awareness that attaches importance to stock price.
- Bonus is profit-linked remuneration determined within a range of payment rate (0% to 100%) tracking target achievement rates for operating profit, ROIC and divisional company financial results if a certain standard for ROE and dividend is met and in accordance with the business results for a given fiscal year.
- Share remuneration is an incentive plan in which the number of shares to be granted is specified by officer responsibility in order to further motivate officers to contribute to improving the Group's financial results and growing its corporate value in the medium to long term. The share granting plan is designed to more closely track the Group's medium- to long-term shareholder value due to being structured to give shares mirrored by share value at the time of the officer resigning as a reward for having contributed to improving the Group's corporate value in the medium to long term.
- Remuneration for Directors (and other officers) of the Company is decided in accordance with title and responsibilities. Remuneration for Directors is arranged in a manner that ensures that the higher a person is in position, the greater his/her performance-linked remuneration portion is. The responsibilities element reflects the business performance of the Divisional Company for which he/she is responsible.
- Basic remuneration and bonus that constitute cash compensation are paid periodically during the person's term of office with shares being granted to him/her in a lump sum at the time he/she resigns from the Company.

Shown below are targets and results of the performance-linked remuneration indicator for the fiscal year under review.

Indicator		Targets	Results
Group financial results (operating profit)		100.0 billion yen	91.6 billion yen
Financial results by operating segment (Operating profit)	Housing	38.0 billion yen	32.8 billion yen
	Urban Infrastructure & Environmental Products	18.0 billion yen	21.1 billion yen
	High Performance Plastics	48.0 billion yen	40.0 billion yen
	Medical	12.5 billion yen	12.5 billion yen
ROE		9.7%	10.0%
ROIC		8.6%	7.6%
Dividend		53 yen	59 yen

Process of determining officers' remuneration

In deciding a policy on the amount of remuneration, etc. for Directors of the Company and on determining a method for computing it, the Nomination and Remuneration Advisory Committee has deliberations in advance before giving a recommendation to the Board of Directors. Upon receiving the recommendation from the committee, the Board of Directors decides a policy. Remuneration for Directors of the Company is composed of performance-linked remuneration and other remuneration. The Nomination and Remuneration Advisory Committee controls performance-based remuneration in a manner that makes it function effectively to incentivize Directors of the Company to improve the Group's corporate value and achieve its business plans. Shown below is an outline of procedures by the Nomination and Remuneration Advisory Committee.

- A meeting of the Nomination and Remuneration Advisory Committee is convened by the chairperson (Outside Director).
- Proposals to the meeting are put forward by committee members and the secretariat compiles them before submitting them to the chairperson.
- The result of deliberations by the meeting is reported to the Board of Directors by the chairperson.
- The decision policy for Directors' remuneration, etc. is determined ultimately by the Board of Directors by adhering to the report. In determining the policy, members of the committee and Directors are required to do so from a perspective of whether it will help enhance the Company's corporate value and ultimately the common interest of shareholders, and they must not aim for their own individual interests or those of a third party such as the Company's management.
- In accordance with the change in the process of determining the specific amount, timing, and method of payment of individual remunerations of Directors, remuneration for fiscal 2022 will be paid as follows. All of these have obtained reports from the Nomination and Remuneration Advisory Committee.
(Since the Board of Directors considered that the President and Representative Director was the most appropriate person to evaluate each Director's responsibilities while overlooking the Company's overall business performance, the Board of Directors took measures to ensure that the authority was properly exercised by obtaining the report of the Nomination and Remuneration Advisory Committee and entrusted President and Representative Director Keita Kato with the decision on the specific amounts, timing and method of payment of basic remuneration and share-based compensation.)
- Basic remuneration and share-based compensation are paid upon resolution of discretionary authority to President and Representative Director Keita Kato.
- Bonuses will be paid upon resolution at the Board of Directors meeting scheduled in June 2023.
For the indicators for performance-based remuneration, the Company has selected operating profit, which is the business performance target of the Company; the business performance of the divisional companies, which reflects the business performance of the Group's unique divisional company system; ROE, an assessment criteria for the improvement of the Group's corporate value; ROIC; dividends, which provide incentive to return these management results to shareholders; etc., as these will enable the performance-based remuneration to function effectively as an incentive for the Directors of the Company to improve the Group's corporate value and achieve the management plan, as well as to ensure a high level of objectivity and transparency of the remuneration process. The amount of payment is determined to keep the balance with the above indicators by utilizing the executive remuneration data of outside research agencies and periodically making comparisons with companies similar in size and business performance to the Group.

<Date of resolving officers' remuneration, etc. at General Meeting of Shareholders>
As regards officers' remuneration, etc., it was resolved at the 85th Annual General Meeting of Shareholders held on June 28, 2007 to pay up to an annual total of 1,100 million yen in remuneration, etc. for Directors and up to an annual total of 120 million yen in remuneration, etc. for Audit & Supervisory Board Members. As regards share-based compensation (Board Incentive Plan trust) to be granted to Directors excluding Outside Directors, it was resolved at the 94th Annual General Meeting of Shareholders held on June 28, 2016 to pay up to 330 million yen in such compensation for a period of three years.

(ii) Total remuneration amounts by category of director (and other officer), total remuneration amounts by type of remuneration, and the number of Directors

Officer category	Total amount of remuneration by type (millions of yen)				Number of recipient directors (and other officers) (persons)
	Basic remuneration	Bonus	Share remuneration	Total	
Directors (excluding Outside Directors)	321	209	83	614	7
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	40	–	–	40	2
Outside Directors and Outside Audit & Supervisory Board Members	97	–	–	97	9

(Notes) 1. The amounts of remuneration for Directors do not include 68 million yen in employee salaries (including employee bonuses) paid to Directors concurrently serving as employees (two persons).

2. The above includes one Audit & Supervisory Board Member who resigned at the conclusion of the 100th Annual General Meeting of Shareholders held on June 22, 2022.

(iii) Individual remunerations paid by the Group to Directors (or other officers) in an amount of at least 100 million yen

Name	Officer category	Category of company	Amount of remuneration by type (millions of yen)			Total amount of remuneration (millions of yen)
			Basic remuneration	Bonus	Share remuneration	
Teiji Koge	Director	Reporting company	51	37	14	102
Keita Kato	Director	Reporting company	72	49	18	139
Futoshi Kamiwaki	Director	Reporting company	57	32	11	100

(5) Shareholdings

(i) Standard and thinking on investment stock category

Shares invested in mainly for the purpose of earning profit due to share price fluctuations and/or dividend on them are deemed by the Company to be pure-investment-purpose shares whereas shares held for some other purpose are deemed to be non-pure-investment-purpose shares.

As of March 31, 2023, the Company held no pure-investment-purpose shares.

(ii) Non-pure-investment-purpose shares

a. Method of verifying the reasonableness of holding policy and holding and verification by the Board of Directors as to whether it is appropriate to hold individual stocks

SEKISUI CHEMICAL Group strategically holds listed shares of other companies, to a limited extent, that are deemed to be important business partners if it judges such holdings to be beneficial and important for the purpose of boosting their corporate value and maximizing its own corporate value in the medium to long term. The strategic rationale shall be reviewed in an appropriate and timely manner and SEKISUI CHEMICAL Group reduces those holdings without sufficient strategic benefits or that are inconsistent with its capital policies as necessary.

As regards periodic review, Sekisui Chemical at a Board of Directors meeting conducts an assessment of the individual holdings annually to examine specific benefits from such shareholdings and their consistency with its risk-benefit evaluation of such individual holdings over the cost of capital and other factors, and discloses an outline of the examination.

Overview of verification result

At a Board of Directors meeting held in June 2023, we examined non-pure-investment-purpose shares and checked to see whether it was appropriate to hold them in accordance with the investment ratio, officer dispatch, transactions, partner relationship, and dividend income on a stock-by-stock basis under the basic policy described above.

The total number of shareholdings of listed companies was 25 as of the end of March 2022, and was 25 as of the end of March 2023 as a result of the sale of two holdings during fiscal 2022 and the addition of two holdings in conjunction with the public listing of their shares which were previously unlisted.

b. Stocks and their carrying amount in balance sheet

	Number of stocks (Issues)	Total carrying amount in the consolidated balance sheet (millions of yen)
Unlisted stocks	74	4,989
Stocks other than those not listed	25	79,360

(Stocks of which the number of shares increased in the fiscal year under review)

	Number of stocks (Issues)	Total acquisition cost for increased shares (millions of yen)	Reason for increase in number of shares
Unlisted stocks	4	2,746	Acquisition due to business collaboration
Stocks other than those not listed	2	–	New listing of unlisted stocks held

(Note) An increase of two stocks other that those not listed is due to new listing of unlisted stocks held, and therefore no acquisition cost incurred.

(Stocks of which the number of shares decreased in the fiscal year under review)

	Number of stocks (Issues)	Total sale amount for decreased shares (millions of yen)
Unlisted stocks	5	0
Stocks other than those not listed	2	529

(Note) A decrease of two unlisted stocks is due to new listing, and therefore no proceeds of disposition are recorded.

c. Numbers of shares of specified investment stocks and deemed shareholdings as well as their carrying amount in balance sheet

Specified investment stocks

Stock	Fiscal year ended March 31, 2023 Number of shares (shares) Carrying amount in balance sheet (millions of yen)	Fiscal year ended March 31, 2022 Number of shares (shares) Carrying amount in balance sheet (millions of yen)	Purpose of shareholding, outline of business alliances, quantitative effects of shareholding and reason for increase in number of shares	Holding of shares of the Company
Sekisui House, Ltd.	22,168,727 59,811	22,168,727 52,562	In addition to receiving dividends (2,194 million yen for the fiscal year under review for a dividend yield of 3.7%), the Company's holding of shares in Sekisui House, Ltd. is intended to enhance corporate value of both parties through partnership for joint development and supply of housing products.	Yes
Dexerials Corporation	2,520,000 6,773	2,520,000 8,429	In addition to receiving dividends (151 million yen for the fiscal year under review for a dividend yield of 2.2%), the Company's holding of shares in Dexerials Corporation is intended to enhance corporate value of both parties through partnership for supply of electronic products.	No
Senko Group Holdings Co., Ltd.	3,393,000 3,206	3,393,000 3,046	In addition to receiving dividends (115 million yen for the fiscal year under review for a dividend yield of 3.6%), the Company's holding of shares in Senko Group Holdings is intended to enhance corporate value of both parties through partnership for logistics operations such as delivery and storage of products.	Yes
Mitsubishi UFJ Financial Group	2,339,400 1,983	2,339,400 1,778	In addition to receiving dividends (71 million yen for the fiscal year under review for a dividend yield of 3.6%), the Company's holding of shares in Mizuho Financial Group, Inc. is intended to enhance corporate value of both parties through partnership for funding and investment.	Yes
Asahi Kasei Corp.	1,716,574 1,590	1,716,574 1,823	In addition to receiving dividends (60 million yen for the fiscal year under review for a dividend yield of 3.8%), the Company's holding of shares in Asahi Kasei Corp. is intended to enhance corporate value of both parties through partnership for supply of housing products and procurement of raw materials.	Yes
Tosoh Corporation	725,650 1,303	725,650 1,316	In addition to receiving dividends (65 million yen for the fiscal year under review for a dividend yield of 5.0%), the Company's holding of shares in Tosoh Corporation is intended to enhance corporate value of both parties through partnership for procurement of raw materials and management of joint venture.	Yes

Stock	Fiscal year ended March 31, 2023 Number of shares (shares) Carrying amount in balance sheet (millions of yen)	Fiscal year ended March 31, 2022 Number of shares (shares) Carrying amount in balance sheet (millions of yen)	Purpose of shareholding, outline of business alliances, quantitative effects of shareholding and reason for increase in number of shares	Holding of shares of the Company
Nomura Micro Science Co., Ltd.	300,000 1,246	300,000 1,276	In addition to receiving dividends (31 million yen for the fiscal year under review for a dividend yield of 2.5%), the Company's holding of shares in Nomura Micro Science Co., Ltd. is intended to enhance corporate value of both parties through partnership for procurement of plant-related products.	No
ERI Holdings Co., Ltd.	351,000 525	351,000 542	In addition to receiving dividends (15 million yen for the fiscal year under review for a dividend yield of 3.0%), the Company's holding of shares in ERI Holdings Co., Ltd. is intended to enhance corporate value of both parties through partnership for performance assessment and inspection of homes supply of electronic products.	No
LanzaTech Global, INC.	967,621 501	– –	The Company's holding of shares in LanzaTech Global, INC. is intended to enhance corporate value of both parties through partnership for bio-refinery-related products. Increase due to new listing	No
Cyfuse Biomedical K.K.	340,000 415	– –	The Company's holding of shares in Cyfuse Biomedical K.K. is intended to enhance corporate value of both parties through partnership for life science-related products. Increase due to new listing	No
AGC Inc.	73,600 362	73,600 361	In addition to receiving dividends (15 million yen for the fiscal year under review for a dividend yield of 4.3%), the Company's holding of shares in AGC Inc. is intended to enhance corporate value of both parties through partnership for development and supply of double-glazed glass interlayer and procurement of home window glasses.	No
Central Japan Railway Company	20,400 322	20,400 325	In addition to receiving dividends (2 million yen for the fiscal year under review for a dividend yield of 0.8%), the Company's holding of shares in Central Japan Railway Company is intended to enhance corporate value of both parties through partnership for development and supply of railway-related products.	No

Stock	Fiscal year ended March 31, 2023 Number of shares (shares) Carrying amount in balance sheet (millions of yen)	Fiscal year ended March 31, 2022 Number of shares (shares) Carrying amount in balance sheet (millions of yen)	Purpose of shareholding, outline of business alliances, quantitative effects of shareholding and reason for increase in number of shares	Holding of shares of the Company
Almetax Manufacturing Co., Ltd.	703,910 252	703,910 191	In addition to receiving dividends (7 million yen for the fiscal year under review for a dividend yield of 2.8%), the Company's holding of shares in Almetax Manufacturing Co., Ltd. is intended to enhance corporate value of both parties through partnership for supply and purchase of housing products.	Yes
Hashimoto Sogyo Holdings Ltd.	181,500 204	90,750 172	In addition to receiving dividends (6 million yen for the fiscal year under review for a dividend yield of 3.3%), the Company's holding of shares in Hashimoto Sogyo Holdings Ltd. is intended to enhance corporate value of both parties through partnership for sales of construction and civil engineering products. An increase in the number of shares is due to stock split.	Yes
Resona Holdings, Inc.	268,525 171	268,525 140	In addition to receiving dividends (5 million yen for the fiscal year under review for a dividend yield of 3.3%), the Company's holding of shares in Resona Holdings, Inc. is intended to enhance corporate value of both parties through partnership for funding and investment.	Yes
Sharp Corporation	155,500 145	155,500 178	In addition to receiving dividends (6 million yen for the fiscal year under review for a dividend yield of 4.3%), the Company's holding of shares in Sharp Corporation is intended to enhance corporate value of both parties through partnership for procurement of housing products and supply of electronic materials.	Yes
Daito Trust Construction Co., Ltd.	10,000 131	10,000 129	In addition to receiving dividends (5 million yen for the fiscal year under review for a dividend yield of 4.0%), the Company's holding of shares in Daito Trust Construction Co., Ltd. is intended to enhance corporate value of both parties through partnership for supply of housing products.	No
East Japan Railway Company	14,900 109	14,900 105	In addition to receiving dividends (1 million yen for the fiscal year under review for a dividend yield of 1.4%), the Company's holding of shares in East Japan Railway Company is intended to enhance corporate value of both parties through partnership for development and supply of railway-related products.	No

Stock	Fiscal year ended March 31, 2023 Number of shares (shares) Carrying amount in balance sheet (millions of yen)	Fiscal year ended March 31, 2022 Number of shares (shares) Carrying amount in balance sheet (millions of yen)	Purpose of shareholding, outline of business alliances, quantitative effects of shareholding and reason for increase in number of shares	Holding of shares of the Company
Central Glass Co., Ltd.	26,200 76	26,200 54	In addition to receiving dividends (1 million yen for the fiscal year under review for a dividend yield of 2.6%), the Company's holding of shares in Central Glass Co., Ltd. is intended to enhance corporate value of both parties through partnership for supply of double-glazed glass interlayer and procurement of raw materials.	No
Sumitomo Mitsui Financial Group, Inc.	11,356 60	11,356 44	In addition to receiving dividends (2 million yen for the fiscal year under review for a dividend yield of 4.2%), the Company's holding of shares in Sumitomo Mitsui Financial Group, Inc. is intended to enhance corporate value of both parties through partnership for funding and investment.	Yes
Kuwazawa Holdings Corporation	124,014 59	124,014 68	In addition to receiving dividends (1 million yen for the fiscal year under review for a dividend yield of 2.1%), the Company's holding of shares in Kuwazawa Holdings Corporation is intended to enhance corporate value of both parties through partnership for sales of construction and civil engineering products.	No
Shimojima Co., Ltd.	37,440 36	37,440 35	In addition to receiving dividends (0 million yen for the fiscal year under review for a dividend yield of 2.2%), the Company's holding of shares in Shimojima Co., Ltd. is intended to enhance corporate value of both parties through partnership for sales of functional tape products.	Yes
Zeon Corporation	25,000 34	25,000 34	In addition to receiving dividends (0 million yen for the fiscal year under review for a dividend yield of 2.4%), the Company's holding of shares in Zeon Corporation is intended to enhance corporate value of both parties through partnership for procurement of raw materials.	Yes
EPCO Co., Ltd.	40,000 28	40,000 29	In addition to receiving dividends (1 million yen for the fiscal year under review for a dividend yield of 4.5%), the Company's holding of shares in EPCO Co., Ltd. is intended to enhance corporate value of both parties through partnership that includes assistance in plumbing design during sales of home water supply-drainage products.	No

Stock	Fiscal year ended March 31, 2023 Number of shares (shares) Carrying amount in balance sheet (millions of yen)	Fiscal year ended March 31, 2022 Number of shares (shares) Carrying amount in balance sheet (millions of yen)	Purpose of shareholding, outline of business alliances, quantitative effects of shareholding and reason for increase in number of shares	Holding of shares of the Company
Mizuho Financial Group, Inc.	2,978	2,978	In addition to receiving dividends (0 million yen for the fiscal year under review for a dividend yield of 4.4%), the Company's holding of shares in Mizuho Financial Group, Inc. is intended to enhance corporate value of both parties through partnership for funding and investment.	Yes
	5	4		
Dai-ichi Life Insurance Company	–	119,400	–	Yes
	–	298		
Inabata Co., Ltd.	–	92,000	–	No
	–	189		

(Note) Dividend yield is determined by dividing dividend income for the fiscal year under review by carrying amount on balance sheet (while subtracting from the dividend income a dividend amount for discrepancy shares if, due to a partial share sale in the year, there is any difference between the number of shares on a dividend right allotment date for dividend received in the fiscal year and the number of shares at the end of the fiscal year).

V. Financial Information

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

(1) Consolidated financial statements of the Company are prepared based on the Regulation on Terminology, Forms, and Methods of Preparing Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976).

(2) Non-consolidated financial statements of the Company are prepared based on the Regulation on Terminology, Forms, and Methods of Preparing Financial Statements (Ministry of Finance Order No. 59 of 1963, "Regulation on Financial Statements").
In addition, the Company falls under a special company submitting financial statements, and prepares its non-consolidated financial statements pursuant to Article 127 of the Regulation on Financial Statements.

2. Note on independent audit

Based on the provisions in Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, the consolidated financial statements for the fiscal year (from April 1, 2022 to March 31, 2023) and non-consolidated financial statements for the fiscal year (from April 1, 2022 to March 31, 2023) of the Company have been audited by KPMG AZSA LLC.
The Company has changed its audit firm, as described below.
100th Business Term: Ernst & Young ShinNihon LLC
101st Business Term: KPMG AZSA LLC

3. Remarkable efforts to ensure fair presentation of consolidated financial statements, etc.

The Company makes remarkable efforts to ensure fair presentation of consolidated financial statements, etc. Specifically, the Company has joined the Financial Accounting Standards Foundation in order to establish a system to correctly understand the details of accounting standards, etc. or appropriately respond to changes in accounting standards, etc.

1. Consolidated financial statements and other information

(1) Consolidated financial statements

(i) Consolidated balance sheets

(Millions of yen)

		As of March 31, 2022		As of March 31, 2023
Assets				
Current assets				
Cash and deposits		144,534		101,080
Notes receivable - trade	*1	36,999	*1	38,400
Accounts receivable - trade	*1	148,748	*1	153,380
Contract assets		721		752
Merchandise and finished goods		86,262		104,091
Land for sale in lots		55,364		64,154
Work in process		56,611		62,604
Raw materials and supplies		45,600		55,950
Advance payments to suppliers		4,551		4,055
Prepaid expenses		8,092		8,414
Short-term loans receivable		182		114
Other		22,984		29,616
Allowance for doubtful accounts		(1,257)		(965)
Total current assets		609,395		621,650
Non-current assets				
Property, plant and equipment				
Buildings and structures, net	*4	120,810	*4	120,761
Machinery, equipment and vehicles, net		108,218		109,933
Land	*4	83,059	*4	83,828
Leased assets, net		19,618		19,961
Construction in progress		21,606		31,338
Other, net	*4	11,939	*4	11,558
Total property, plant and equipment	*2	365,254	*2	377,381
Intangible assets				
Goodwill		10,736		11,028
Software		10,561		15,614
Leased assets		137		117
Other		25,298		24,242
Total intangible assets		46,733		51,003
Investments and other assets				
Investment securities	*3	130,688	*3	137,314
Long-term loans receivable		1,157		1,163
Long-term prepaid expenses		2,030		1,970
Retirement benefit asset		21,066		15,284
Deferred tax assets		10,909		10,034
Other		14,038		14,483
Allowance for doubtful accounts		(2,352)		(2,154)
Total investments and other assets		177,537		178,096
Total non-current assets		589,525		606,481
Total assets		1,198,921		1,228,131

(Millions of yen)

		As of March 31, 2022		As of March 31, 2023
Liabilities				
Current liabilities				
Notes payable - trade		1,386		759
Electronically recorded obligations - operating		28,335		28,777
Accounts payable - trade	*4	108,460	*4	107,067
Short-term borrowings	*4	4,293	*4	3,569
Lease liabilities		5,000		5,156
Accrued expenses		43,500		41,177
Income taxes payable		23,678		11,817
Provision for bonuses		19,709		19,198
Provision for bonuses for directors (and other officers)		290		354
Provision for warranties for completed construction		1,482		3,105
Provision for share awards		138		115
Advances received	*6	46,068	*6	53,514
Other		47,350		53,364
Total current liabilities		329,694		327,978
Non-current liabilities				
Bonds payable		40,000		40,030
Long-term borrowings	*4	58,093	*4	56,187
Lease liabilities		15,170		15,515
Deferred tax liabilities		4,624		4,046
Retirement benefit liability	*7	41,840	*7	42,731
Provision for share awards		773		900
Other		5,971		8,216
Total non-current liabilities		166,473		167,627
Total liabilities		496,168		495,606
Net assets				
Shareholders' equity				
Share capital		100,002		100,002
Capital surplus		109,042		108,583
Retained earnings		447,958		468,094
Treasury shares		(44,592)		(46,637)
Total shareholders' equity		612,409		630,041
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		33,726		37,836
Deferred gains or losses on hedges		(18)		(24)
Revaluation reserve for land	*8	322	*8	321
Foreign currency translation adjustment		25,507		39,253
Remeasurements of defined benefit plans		2,687		(2,402)
Total accumulated other comprehensive income		62,226		74,984
Non-controlling interests		28,116		27,498
Total net assets		702,753		732,525
Total liabilities and net assets		1,198,921		1,228,131

(ii) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income

(Millions of yen)

		Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023
Net sales	*1	1,157,945	*1	1,242,521
Cost of sales		801,994		865,281
Gross profit		355,950		377,240
Selling, general and administrative expenses	*2	267,071	*2	285,574
Operating profit		88,879		91,666
Non-operating income				
Interest income		544		1,211
Dividend income		3,813		3,677
Share of profit of entities accounted for using equity method		108		2,254
Foreign exchange gains		4,816		5,195
Miscellaneous income		4,715		4,576
Total non-operating income		13,999		16,915
Non-operating expenses				
Interest expenses		774		871
Loss on tax purpose reduction entry of non-current assets		–		706
Miscellaneous expenses		5,102		2,761
Total non-operating expenses		5,877		4,339
Ordinary profit		97,001		104,241
Extraordinary income				
Gain on sale of investment securities		25,909		319
Gain on sale of shares of subsidiaries and associates		–		870
Total extraordinary income		25,909		1,189
Extraordinary losses				
Amortization of goodwill		–	*3	1,974
Loss on valuation of shares of subsidiaries and associates		–		1,319
Impairment losses	*4	51,508	*4	468
Loss on sale and retirement of non-current assets	*5	1,544	*5	2,174
Total extraordinary losses		53,052		5,937
Profit before income taxes		69,859		99,494
Income taxes - current		35,995		27,325
Income taxes - deferred		(4,896)		1,401
Total income taxes		31,098		28,726
Profit		38,760		70,767
Profit attributable to non-controlling interests		1,692		1,504
Profit attributable to owners of parent		37,067		69,263

Consolidated statement of comprehensive income

(Millions of yen)

		Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023
Profit		38,760		70,767
Other comprehensive income				
Valuation difference on available-for-sale securities		(15,811)		4,097
Deferred gains or losses on hedges		25		7
Foreign currency translation adjustment		19,691		14,177
Remeasurements of defined benefit plans, net of tax		225		(5,108)
Share of other comprehensive income of entities accounted for using equity method		(1,382)		66
Total other comprehensive income	*	2,748	*	13,241
Comprehensive income		41,509		84,008
Comprehensive income attributable to				
Comprehensive income attributable to owners of parent		38,924		82,021
Comprehensive income attributable to non-controlling interests		2,585		1,987

(iii) Consolidated statement of changes in equity

(From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	100,002	109,021	441,087	(43,414)	606,696
Cumulative effects of changes in accounting policies			(587)		(587)
Restated balance	100,002	109,021	440,500	(43,414)	606,109
Changes during period					
Dividends of surplus			(21,531)		(21,531)
Profit attributable to owners of parent			37,067		37,067
Increase and decrease in retained earnings resulting from inclusion of subsidiaries in consolidation			17		17
Cancellation of treasury shares		(8,096)		8,096	–
Purchase of treasury shares				(9,499)	(9,499)
Disposal of treasury shares		0		223	223
Transfer from retained earnings to capital surplus		8,096	(8,096)		–
Change in ownership interest of parent due to transactions with non-controlling interests		21			21
Net changes in items other than shareholders' equity					–
Total changes during period	–	21	7,458	(1,178)	6,301
Balance at end of period	100,002	109,042	447,958	(44,592)	612,409

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income		
Balance at beginning of period	50,781	(33)	323	6,647	2,650	60,370	27,325	694,392
Cumulative effects of changes in accounting policies								(587)
Restated balance	50,781	(33)	323	6,647	2,650	60,370	27,325	693,804
Changes during period								
Dividends of surplus								(21,531)
Profit attributable to owners of parent								37,067
Increase and decrease in retained earnings resulting from inclusion of subsidiaries in consolidation								17
Cancellation of treasury shares								–
Purchase of treasury shares								(9,499)
Disposal of treasury shares								223
Transfer from retained earnings to capital surplus								–
Change in ownership interest of parent due to transactions with non-controlling interests								21
Net changes in items other than shareholders' equity	(17,054)	15	(1)	18,860	36	1,856	791	2,647
Total changes during period	(17,054)	15	(1)	18,860	36	1,856	791	8,947
Balance at end of period	33,726	(18)	322	25,507	2,687	62,226	28,116	702,753

(From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	100,002	109,042	447,958	(44,592)	612,409
Cumulative effects of changes in accounting policies					–
Restated balance	100,002	109,042	447,958	(44,592)	612,409
Changes during period					
Dividends of surplus			(23,816)		(23,816)
Profit attributable to owners of parent			69,263		69,263
Increase and decrease in retained earnings resulting from inclusion of subsidiaries in consolidation					–
Increase and decrease in retained earnings resulting from exclusion of subsidiaries in consolidation			(152)		(152)
Cancellation of treasury shares		(25,258)		25,258	–
Purchase of treasury shares				(27,454)	(27,454)
Disposal of treasury shares		99		150	250
Transfer from retained earnings to capital surplus		25,158	(25,158)		–
Change in ownership interest of parent due to transactions with non-controlling interests		(459)			(459)
Net changes in items other than shareholders' equity					–
Total changes during period	–	(459)	20,135	(2,044)	17,631
Balance at end of period	100,002	108,583	468,094	(46,637)	630,041

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income		
Balance at beginning of period	33,726	(18)	322	25,507	2,687	62,226	28,116	702,753
Cumulative effects of changes in accounting policies								–
Restated balance	33,726	(18)	322	25,507	2,687	62,226	28,116	702,753
Changes during period								
Dividends of surplus								(23,816)
Profit attributable to owners of parent								69,263
Increase and decrease in retained earnings resulting from inclusion of subsidiaries in consolidation								–
Increase and decrease in retained earnings resulting from exclusion of subsidiaries in consolidation								(152)
Cancellation of treasury shares								–
Purchase of treasury shares								(27,454)
Disposal of treasury shares								250
Transfer from retained earnings to capital surplus								–
Change in ownership interest of parent due to transactions with non-controlling interests								(459)
Net changes in items other than shareholders' equity	4,109	(6)	(0)	13,746	(5,090)	12,758	(618)	12,139
Total changes during period	4,109	(6)	(0)	13,746	(5,090)	12,758	(618)	29,771
Balance at end of period	37,836	(24)	321	39,253	(2,402)	74,984	27,498	732,525

(iv) Consolidated statement of cash flows

(Millions of yen)

		Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023
Cash flows from operating activities				
Profit before income taxes		69,859		99,494
Depreciation		45,912		48,995
Amortization of goodwill		2,792		3,411
Impairment losses		51,508		468
Loss on retirement of non-current assets		1,522		2,088
Loss (gain) on sales of non-current assets		21		86
Increase or decrease in retirement benefit asset and liability		(8,323)		352
Loss (gain) on sale of investment securities		(25,909)		(319)
Loss (gain) on sale of shares of subsidiaries and associates		–		(870)
Loss on valuation of shares of subsidiaries and associates		–		1,319
Interest and dividend income		(4,358)		(4,888)
Interest expenses		774		871
Share of loss (profit) of entities accounted for using equity method		(108)		(2,254)
Decrease (increase) in trade receivables and contract assets		(7,289)		(1,547)
Decrease (increase) in inventories		(16,835)		(36,718)
Increase (decrease) in trade payables		13,153		(5,114)
Increase (decrease) in advances received		5,638		5,389
Increase (decrease) in deposits received		(772)		7,512
Other, net		(3,977)		(13,581)
Subtotal		123,607		104,695
Interest and dividends received		5,250		5,618
Interest paid		(790)		(872)
Income taxes paid		(23,044)		(37,897)
Net cash provided by (used in) operating activities		105,023		71,543
Cash flows from investing activities				
Purchase of property, plant and equipment		(36,997)		(44,674)
Proceeds from sale of property, plant and equipment		1,449		1,605
Payments into time deposits		(12,609)		(22,453)
Proceeds from withdrawal of time deposits		13,876		17,390
Purchase of investment securities		(1,108)		(3,156)
Proceeds from sale and redemption of investment securities		45,796		816
Purchase of shares of subsidiaries resulting in change in scope of consolidation		–		(1,256)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation		–		2,784
Purchase of shares of subsidiaries		(6)		–
Purchase of intangible assets		(7,617)		(11,733)
Proceeds from sale of intangible assets		2		1,091
Decrease (increase) in short-term loans receivable		(9)		24
Other, net		(83)		129
Net cash provided by (used in) investing activities		2,694		(59,430)
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings		(2,490)		(1,199)
Repayments of lease liabilities		(5,408)		(5,692)
Proceeds from long-term borrowings		–		502
Repayments of long-term borrowings		(13,905)		(2,276)
Dividends paid		(21,532)		(23,816)
Dividends paid to non-controlling interests		(1,643)		(1,283)
Purchase of treasury shares		(9,499)		(27,410)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation		(45)		(1,868)
Other, net		(202)		138
Net cash provided by (used in) financing activities		(54,729)		(62,906)
Effect of exchange rate change on cash and cash equivalents		4,064		2,262
Net increase (decrease) in cash and cash equivalents		57,052		(48,531)
Cash and cash equivalents at beginning of period		76,649		133,739
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation		36		–
Cash and cash equivalents at end of period	*1	133,739	*1	85,207

Notes to consolidated financial statements

(Basis of preparation of consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries and names of major consolidated subsidiaries

Number of consolidated subsidiaries 148

The names of major consolidated subsidiaries are omitted here, since they are presented in "4 Subsidiaries and associates" in "I. Overview of company."

In the fiscal year under review, two subsidiaries of Sekisui Polymatech (Shanghai) Co., Ltd. and Sekisui Polymatech (Shanghai) Trading Co., Ltd. merged, and Sekisui Polymatech (Shanghai) Co., Ltd. was the surviving company. PT. Sekisui Polymatech Indonesia and PT. Sekisui Polymatech Trading Indonesia merged, and PT. Sekisui Polymatech Indonesia was the surviving company.

Tochigi Sekisui Heim Co., Ltd. is included in the scope of consolidation, since it became a consolidated subsidiary due to additional acquisition of shares.

Sekisui High Performance Packaging (Langfang) Co., Ltd., Sekisui Systembath Industry (Thailand) Co., Ltd., and Sekisui P2 Nanotech Co., Ltd. are no longer within the scope of consolidation since their liquidation has been completed. Sekisui XenoTech, LLC., Seiryu Maintenance Inc., and SEKISUI (QINGDAO) PLASTIC CO., LTD. are no longer within the scope of consolidation due to transfer of all shares thereof.

(2) Names of major unconsolidated subsidiaries

Sekisui Heim Create Co., Ltd., Sekisui Kanzai Technics Co., Ltd.

(Reasons for exclusion from the scope of consolidation)

Unconsolidated subsidiaries are excluded from the scope of consolidation, because any total amount in terms of their total assets, net sales and profit or loss (amount corresponding to the Company's ownership interest) as well as retained earnings (amount corresponding to the Company's ownership interest) and others does not significantly affect the consolidated financial statements.

2 Application of the equity method

(1) Number of entities accounted for using the equity method and names of major entities accounted for using the equity method

7 associates

Names of major companies

Sekisui Kasei Co., Ltd., Sekisui Jushi Corporation

From the fiscal year under review, Tochigi Sekisui Heim Co., Ltd. is no longer within the scope of application of the equity method because the company is within the scope of consolidation due to additional acquisition of shares.

(2) Names of major entities not accounted for using the equity method

Unconsolidated subsidiaries not accounted for using the equity method (Sekisui Heim Create Co., Ltd., etc.) and associates not accounted for using the equity method (NTT Data Sekisui Systems Corporation, etc.) are excluded from the scope of application of the equity method. This is because they have only an immaterial effect on profit or loss (amount corresponding to the Company's ownership interest) and retained earnings (amount corresponding to the Company's ownership interest), and their effects have no significance as a whole.

3. Fiscal year of consolidated subsidiaries and entities accounted for using the equity method

The fiscal year-end of 16 overseas subsidiaries among consolidated subsidiaries is December 31. The preparation of consolidated financial statements is based on financial statements that were provisionally prepared as of March 31, which is the consolidated balance sheet date. The fiscal year-end of other consolidated subsidiaries and entities accounted for using the equity method is the same as the consolidated balance sheet date.

4. Accounting policies

(1) Valuation basis and methods for significant assets

(i) Securities

Held-to-maturity debt securities...Amortized cost method

Available-for-sale securities

Other than shares, etc. without market price

...Stated at fair value

(Valuation differences are mainly booked directly in a separate component of net assets, and cost of securities sold is determined by the moving average method)

Shares, etc. without market price

...Mainly stated at cost based on the moving average method

(ii) Derivatives...Stated at fair value

(iii) Inventories

Inventories held for regular sales

...Mainly stated at cost based on the gross average method

However, real estate for sale is stated at cost based on the specific identification method

(Balance sheet values are calculated by devaluating book values based on lowered profitability)

(2) Accounting methods for depreciation of significant depreciable assets

(i) Property, plant and equipment (excluding leased assets)

The straight-line method is applied.

Major useful lives are as follows:

Buildings and structures 3 to 60 years

Machinery, equipment and vehicles 4 to 17 years

(ii) Intangible assets (excluding leased assets)

The straight-line method is applied.

Software for internal use is amortized over its useful life as internally determined (mainly five years).

(iii) Leased assets

Leased assets related to finance lease transactions that do not transfer ownership

The straight-line method is applied assuming the lease period to be the useful life without residual value.

(3) Accounting policy for significant provisions

(i) Allowance for doubtful accounts...To prepare for credit losses on receivables, an estimated uncollectable amount is provided in the amount estimated either by using the historical rate of credit loss for general receivables, or based on individual consideration of collectability for specific receivables such as highly doubtful receivables.

(ii) Provision for bonuses...To provide for payment of employees' bonuses (including the employee bonus portion paid to Directors concurrently serving as employees), the estimated amount is provided mainly based on the payment amount immediately before the end of the fiscal year.

(4) Accounting methods for retirement benefits

(i) Method of attributing expected retirement benefits to periods

In the calculation of retirement benefit obligations, expected retirement benefits are attributed to the period up to the end of the fiscal year under review on a benefit formula basis.

(ii) Method of amortizing actuarial gains and losses and past service cost

Actuarial gains and losses are amortized using the straight-line method over a certain number of years (five years) within the average remaining service years of employees when incurred in each fiscal year, from the fiscal year following the accrual of each gain or loss.

Past service cost is amortized using the straight-line method over a certain number of years (five years) within the average remaining service years of employees when incurred.

(iii) Accounting for other costs

For the calculation of retirement benefit liabilities and retirement benefit expenses, certain consolidated subsidiaries apply the simplified method using a method that regards the amount to be paid for voluntary retirement at the end of the fiscal year related to retirement benefit as retirement benefit liabilities.

In addition, in order to provide for payment of retirement benefits for directors (and other officers) at consolidated subsidiaries, the amount calculated based on each company's internal rules is included in retirement benefit liabilities.

(5) Accounting policy for recognition of significant revenues and expenses

The following are the details of major performance obligations in the Group's major businesses and the regular points in time when the Group is to satisfy the said performance obligations (the regular points in time to recognize revenues). The Group received proceeds of sales-related transactions within one year from the time the Company has satisfied performance obligations, and therefore, no significant financial factors are included.

(i) Revenues related to sale of merchandise and finished goods

Sale of merchandise, etc. mainly includes sale of land for sale in lots and ready-built houses, etc. in the Housing business, sale of polyvinyl pipes, etc. in the Urban Infrastructure & Environmental Products Business, sale of interlayer films for laminated glass, etc. in the High Performance Plastics Business, and sale of clinical testing drugs, etc. in the Medical Business. For these sales of merchandise, etc., it is determined that the customer obtains control over the applicable merchandise, etc. and the performance obligations are satisfied at the time of delivery, and the revenue is recognized as of that point in time.

In domestic sales, if the length of time from shipment to transfer of control over merchandise, etc. to the customer is normal, the revenue is recognized at the time of shipment.

For sale of equipment in the Urban Infrastructure & Environmental Products Business, clinical testing devices in the Medical Business, and other items where the installation or acceptance inspection requires a significant length of time, it is determined that the customer obtains control over the applicable equipment, etc. and the performance obligations are satisfied at the time of the acceptance inspection, and the revenue is recognized at that point in time.

(ii) Revenues related to construction contracts

Construction contracts mainly include contracts for manufacture, construction, sale, renovation, etc. of modular houses in the Housing business, and obligations to construct various industrial plants, etc. in the Urban Infrastructure & Environmental Products Business. Under these construction contracts, as assets are created by the Group's performance of obligations, the customer controls those assets, which means that these performance obligations are satisfied over a certain length of time and according to the progress of construction under the contract. The revenue is, therefore, recognized based on the progress of construction. The progress towards satisfaction of performance obligations is estimated mainly by the input method based on incurred cost.

For construction contracts whose construction period is very short, however, the revenue is recognized at the time when performance obligations have been completely satisfied.

(iii) Revenues related to sale of services and others

Sale of services and others includes brokerage and agent commissions in the Housing business, and maintenance services related to the Residential Services Business, etc. and sale of merchandise and finished goods. The revenue is recognized at the time when the provision of services has been completed in the case that performance obligations are satisfied at a single point in time, and recognized as a fixed amount over the service provision period or according to the degree of progress in the case that performance obligations are satisfied over time.

(6) Accounting policy for translation of significant foreign currency assets or liabilities into Japanese yen

Monetary receivables and payables in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing as of the balance sheet date, and translation differences are accounted for as profit or loss. Assets and liabilities of foreign subsidiaries are translated into Japanese yen at the spot exchange rate prevailing as of the balance sheet date, and their revenue and expenses are translated into Japanese yen at the average exchange rate during the period. Translation differences are included in foreign currency translation adjustment and non-controlling interests under net assets.

(7) Accounting methods for significant hedging

(i) Accounting methods for hedging

The deferral hedge accounting is mainly adopted. The *furiate-shori* (designated exceptional hedge accounting under the Japanese GAAP) is applied to forward exchange contracts and currency swaps that meet the requirements for the *furiate-shori*, and the exceptional accounting method is applied to interest rate swaps that meet the requirements for the exceptional accounting method.

(ii) Hedging instruments and hedged items

(a) Interest rate fluctuation risks related to financing

Borrowings are used as hedged items, and interest rate swaps are used as hedging instruments.

(b) Foreign currency exchange risks related to foreign currency assets and liabilities

Monetary receivables and payables related to purchase and sales in foreign currencies are used as hedged items, and forward exchange contracts are used as hedging instruments.

(c) Risks arising from fluctuations in interest rates and foreign exchange rates related to financing in foreign currencies

Foreign currency borrowings are used as hedged items, and interest rate swaps and currency swaps are used as hedging instruments.

(iii) Policy for hedging

Derivative transactions are used only to appropriately manage and mitigate market risks that may be taken for transactions of financial instruments during the course of business.

(iv) Method of evaluating hedge effectiveness

Hedge effectiveness is evaluated by comparing aggregated cash flow fluctuations or exchange rate fluctuations of hedged items with aggregated cash flow fluctuations or exchange rate fluctuations of hedging instruments, and based on changes in both, etc. In the case of those subject to the *furiate-shori* or the exceptional accounting method, however, the evaluation of effectiveness is omitted.

(8) Amortization of goodwill

For amortization of goodwill, a period in which its effect will be realized is estimated reasonably, and goodwill is amortized in equal amounts over the number of years not exceeding 20 years. If the amount is immaterial, it is accounted for as gains or losses in the fiscal year in which the applicable goodwill arose.

(9) Scope of cash and cash equivalents in consolidated statement of cash flows

Cash and cash equivalents in the consolidated statement of cash flows are comprised of cash in hand, demand deposits and short-term investments with maturities of three months or less from the acquisition date that are readily convertible into cash and are exposed to only an insignificant risk of fluctuations in value.

(10) Other significant matters for preparing consolidated financial statements

(i) Accounting for non-deductible consumption taxes, etc. related to assets

Non-deductible consumption taxes and local consumption taxes related to assets are accounted for as period expenses for the fiscal year under review.

(ii) Application of the group tax sharing system

The Company and certain consolidated subsidiaries apply the group tax sharing system from the fiscal year under review. Accordingly, regarding the treatment of accounting and disclosure of income taxes, local income taxes, and tax effect accounting, the Company complies with the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Practical Solution No. 42, August 12, 2021). The Company also deems to have no effect of changes in accounting policies due the application of Practical Solution No. 42.

(Significant accounting estimates)

FY2021 (from April 1, 2021 to March 31, 2022)

1. Valuation of goodwill of the Sekisui Aerospace Corporation Group

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

Impairment losses 37,419 million yen Goodwill 2,110 million yen

The said goodwill was recognized when the Company acquired the AIM Aerospace Corporation (currently Sekisui Aerospace Corporation) Group in 2019 for the purpose of expanding the mobility material field and strengthening fundamental technology.

(2) Information on the details of significant accounting estimates related to identified items

(i) Calculation method

If a judgment is made about whether to recognize impairment losses for assets or groups of assets that show an indicator of impairment and where it has been judged that impairment losses should be recognized, the carrying amount is written down to a recoverable amount and impairment losses are recognized.

The group of assets of the Sekisui Aerospace Corporation Group including goodwill is calculated based on value in use that is calculated with the recoverable amount as the discounted present value of future cash flows. For the fiscal year under review, taking prolonged impacts of the COVID-19 pandemic into consideration, impairment losses of 37,419 million yen have been recognized as a result of revising the timing of market recovery in the aircraft industry.

(ii) Major assumptions

Major assumptions used for calculating the value in use include estimated recovery of the market in the aircraft industry, estimated orders received from customers, the growth rate after the period covered by the business plan, and the discount rate. The growth rate was assumed to be 2.3%, taking impacts of COVID-19 on the average long-term growth rate of the market into consideration. The discount rate was assumed to be 12.5% based on the weighted average cost of capital before tax.

(iii) Effect on the consolidated financial statements for the next fiscal year

Deteriorating market conditions in the aircraft industry may significantly affect the future performance of the Sekisui Aerospace Corporation Group. Any changes in major assumptions that are the basis of accounting estimates may cause impairment losses for the group of assets including goodwill.

2. Valuation of intangible assets of the Sekisui Aerospace Corporation Group

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

Impairment losses 12,128 million yen

The intangible assets for which impairment losses were recognized are customer-related assets that were recognized when the Company acquired the AIM Aerospace Corporation (currently Sekisui Aerospace Corporation) Group in 2019 for the purpose of expanding the mobility material field and strengthening fundamental technology.

(2) Information on the details of significant accounting estimates related to identified items

(i) Calculation method

Customer-related assets of the Sekisui Aerospace Corporation Group are calculated based on fair value after less costs of disposal that is calculated as the discounted present value of future cash flows, and impairment losses are recognized if the said fair value is below the corresponding carrying amount. For the fiscal year under review, U.S. aircraft manufacturers, which are major customers of the Sekisui Aerospace Corporation Group and account for a vast majority of orders it receives, have been facing increasing uncertainty in their management environment due to prolonged impacts of the COVID-19 pandemic, and it has been revealed that orders received from those customers will be significantly below the business plan developed at the time of the acquisition. Therefore, the relevant business plan was revised and impairment losses of 12,128 million yen were recognized for the total amount of customer-related assets.

(ii) Major assumptions

Major assumptions used for calculating the fair value less costs of disposal include an estimated recovery of the market in the aircraft industry, estimated orders received from customers, and the discount rate. The discount rate was assumed to be 12.5% based on the weighted average cost of capital before tax.

(iii) Effect on the consolidated financial statements for the next fiscal year

Since impairment losses were recognized for the total amount of customer-related assets of the Sekisui Aerospace Corporation Group, it is assumed that the impact is insignificant.

3. Valuation of land for sale in lots

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

Land for sale in lots 55,364 million yen

(2) Information on the details of significant accounting estimates related to identified items

(i) Calculation method

For land for sale in lots held for selling houses, the acquisition cost is used as the consolidated balance sheet value, and if the net selling price at the end of the fiscal year is below the acquisition cost, the said amount is used as the consolidated balance sheet value. The net selling price is calculated based on the selling price for each property (in principle, the minimum publicly offered price). In addition, there are rules in place to systematically reduce the carrying amount according to the number of years that have elapsed since the start of sale.

(ii) Major assumptions

The major assumption used for valuation of land for sale in lots is the price of secondary distribution on the basis of subjective judgment based on a forecast or expectation of the management grounded on the market conditions of housing sales.

(iii) Effect on the consolidated financial statements for the next fiscal year

In valuation of land for sale in lots, the price of secondary distribution may need to be revised as appropriate due to deteriorating market conditions of housing sales or poor sales. Any changes in major assumptions that are the basis of accounting estimates may cause losses in land for sale in lots.

FY2022 (from April 1, 2022 to March 31, 2023)

1. Valuation of land for sale in lots

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

Land for sale in lots 64,154 million yen

(2) Information on the details of significant accounting estimates related to identified items

(i) Calculation method

For land for sale in lots held for selling houses, the acquisition cost is used as the consolidated balance sheet value, and if the net selling price at the end of the fiscal year is below the acquisition cost, the said amount is used as the consolidated balance sheet value. The net selling price is calculated based on the selling price for each property (in principle, the minimum publicly offered price). In addition, there are rules in place to systematically reduce the carrying amount according to the number of years that have elapsed since the start of sale.

(ii) Major assumptions

The major assumption used for valuation of land for sale in lots is the price of secondary distribution on the basis of subjective judgment based on a forecast or expectation of the management grounded on the market conditions of housing sales.

(iii) Effect on the consolidated financial statements for the next fiscal year

The price of secondary distribution may need to be revised as appropriate due to deteriorating market conditions of housing sales or poor sales. Any changes in major assumptions that are the basis of accounting estimates may cause losses in land for sale in lots.

(Accounting standards issued but not yet applied)

- “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022, Accounting Standards Board of Japan)
- “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, October 28, 2022, Accounting Standards Board of Japan)
- “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022, Accounting Standards Board of Japan)

(1) Outline

ASBJ Guidance No. 28 “Implementation Guidance on Tax Effect Accounting” (hereinafter referred to as ASBJ Guidance No. 28, etc.) was published in February 2018. During the course of a discussion until the transfer of JICPA’s overall practical guideline on tax effect accounting to ASBJ was completed, the following two points were discussed and published in accordance with the plan that they would be examined after the publication of the ASBJ Guidance No. 28, etc.

Categories in which income tax expense should be recorded (taxes on other comprehensive income)

Tax effect regarding the sales of the stock of subsidiaries, etc. when the group taxation regime is applied

(2) Scheduled date of application

These accounting standards and relevant ASBJ regulations will be applied effective from the beginning of the fiscal year ending March 31, 2025.

(3) Effects of application of the accounting standards, etc.

The effects of application of "Accounting Standard for Current Income Taxes," etc. on the consolidated financial statements are currently under evaluation.

(Additional information)

(Provision for warranties for completed construction)

In the previous fiscal year, provision for warranties for completed construction of current liabilities was recorded by the estimated amount of future compensation for net sales of completed construction contracts based on the past compensation rates. However, from the fiscal year under review, the estimated amount of future compensation for individual projects is also included in provision for warranties for completed construction from the viewpoint of clarity of disclosure. The estimated amount of future compensation for individual projects was included in accrued expenses in the previous fiscal year.

(Notes to consolidated balance sheet)

*1 The amounts of receivables that arose from contracts with customers in "Notes receivable-trade" and "Accounts receivable-trade" are as follows:

(Millions of yen)

	FY2021 (as of March 31, 2022)	FY2022 (as of March 31, 2023)
Notes receivable - trade	36,999	38,400
Accounts receivable - trade	148,553	153,259

*2 Accumulated depreciation of property, plant and equipment

(Millions of yen)

	FY2021 (as of March 31, 2022)	FY2022 (as of March 31, 2023)
Accumulated depreciation of property, plant and equipment	618,064	648,703

*3 "Investment securities" invested in unconsolidated subsidiaries and associates are as follows:

(Millions of yen)

	FY2021 (as of March 31, 2022)	FY2022 (as of March 31, 2023)
Investment securities (shares)	52,208	49,986

*4. Assets pledged as collateral and secured liabilities

Assets pledged as collateral are as follows:

(Millions of yen)

	FY2021 (as of March 31, 2022)	FY2022 (as of March 31, 2023)
Buildings and structures	818	814
Land	10	10
Other	1	4
Total	830	828

Secured liabilities are as follows:

(Millions of yen)

	FY2021 (as of March 31, 2022)	FY2022 (as of March 31, 2023)
Accounts payable - trade	95	14
Short-term borrowings	201	65
Long-term borrowings	1	3
Total	298	83

5. Guarantee obligations

The following liabilities are guaranteed:

(Millions of yen)

	FY2021 (as of March 31, 2022)	FY2022 (as of March 31, 2023)
(1) Guarantee obligations of housing loans for prefabricated modular housing purchasers and the promotion of the employee house ownership plan	60,373	58,544
(2) Other guarantee obligations	7,911	6,516

*6. In advances received, the amount of contract liabilities is as follows:

(Millions of yen)

	FY2021 (as of March 31, 2022)	FY2022 (as of March 31, 2023)
Contract liabilities	43,033	50,413

*7. The portion for directors and officers in retirement benefit liability is as follows:

(Millions of yen)

	FY2021 (as of March 31, 2022)	FY2022 (as of March 31, 2023)
Portion for directors and officers in retirement benefit liabilities	703	1,004

*8. Sekisui Kasei Co., Ltd., which is an entity accounted for using the equity method, revaluates land for business use based on the Act on Revaluation of Land (Act No. 34 of March 31, 1998, and the partial amendment thereof, Act No. 19 of March 31, 2001), and accounts for its share of the revaluation difference as "Revaluation reserve for land" in net assets.

- Revaluation method...Revaluation is calculated by the method using assessed value for fixed asset tax as provided for 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

(Notes to consolidated statement of income)

*1. Revenue from contracts with customers

Net sales are not categorized into "Revenue from contracts with customers" or "Other revenue." The amount of "Revenue from contracts with customers" is stated in "1. Information on disaggregation of revenue from contracts with customers" in "1 Consolidated financial statements, Notes to consolidated financial statements, (Revenue recognition)."

*2. The major expense items and their amount in "Selling, general and administrative expenses" are as follows:

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Freight costs, packing expenses, and storage fees	30,284	32,641
Employees' salaries, allowance and bonuses	91,950	96,823
Provision for bonuses	13,536	12,109
Retirement benefit expenses	(126)	4,963
Depreciation	14,120	14,936
Provision of allowance for doubtful accounts	135	(31)
Research and development expenses	37,010	40,471

Research and development expenses only include general and administrative expenses.

*3. Amortization of goodwill is as follows.

FY2021 (from April 1, 2021 to March 31, 2022)

Not applicable.

FY2022 (from April 1, 2022 to March 31, 2023)

Amortization of goodwill recognized as extraordinary losses is a write-down of goodwill due to the recording of impairment losses on equity shares of its subsidiary pursuant to the provision of paragraph 32 "Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements" (JICPA's Accounting Practice Committee Statement No. 7, October 28, 2022).

*4. Impairment losses

The Group recorded impairment losses mainly for the following assets:

FY2021 (from April 1, 2021 to March 31, 2022)

Used for	Type	Location
Other	Intangible assets	United States
Goodwill	Goodwill	United States

The Group classifies assets or groups of assets by cash generating unit, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of other assets or groups of assets (for unemployed capital, by each property).

The Group has written down the carrying amount of intangible assets recorded upon acquiring the mobility field business in the United States to a recoverable amount as a result of revising the timing of market recovery in the aircraft industry based on the prolongation of the impact of the spread of COVID-19. As a result, the Group recorded a reduction in the amount as impairment losses under extraordinary losses in the amount of 12,128 million yen. The recoverable amount is calculated based on fair value less costs of disposal, and was calculated by discounting future cash flows by 12.5%. Because future cash flows are no longer expected, an impairment loss was recorded on their entire amount.

The Group has written down the carrying amount of goodwill to a recoverable amount as a result of revising the timing of market recovery in the aircraft industry based on the prolongation of the impact of the spread of COVID-19. As a result, the Group recorded a reduction in the amount as impairment losses under extraordinary losses in the amount of 37,419 million yen. The recoverable amount was calculated based on the value in use, and was calculated by discounting future cash flows by 12.5%.

FY2022 (from April 1, 2022 to March 31, 2023)

Not applicable.

*5. The major components of loss on sale and retirement of non-current assets are as follows:

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Buildings and structures	443	1,003
Machinery, equipment and vehicles	770	855

(Notes to consolidated statement of comprehensive income)

* Reclassification adjustments and tax effects relating to other comprehensive income

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Valuation difference on available-for-sale securities:		
Amount incurred for the fiscal year	2,901	6,233
Reclassification adjustment	(25,796)	(319)
Before-tax-effect adjustment	(22,894)	5,913
Tax effect amount	7,083	(1,815)
Valuation difference on available-for-sale securities	(15,811)	4,097
Deferred gains or losses on hedges:		
Amount incurred for the fiscal year	25	7
Deferred gains or losses on hedges	25	7
Foreign currency translation adjustment:		
Amount incurred for the fiscal year	19,691	14,971
Reclassification adjustment	–	(793)
Foreign currency translation adjustment	19,691	14,177
Remeasurements of defined benefit plans, net of tax:		
Amount incurred for the fiscal year	2,065	(6,727)
Reclassification adjustment	(1,579)	(814)
Before-tax-effect adjustment	486	(7,541)
Tax effect amount	(260)	2,433
Remeasurements of defined benefit plans, net of tax	225	(5,108)
Share of other comprehensive income of entities accounted for using the equity method:		
Amount incurred for the fiscal year	(1,273)	378
Reclassification adjustment	(109)	(312)
Share of other comprehensive income of entities accounted for using the equity method	(1,382)	66
Total other comprehensive income	2,748	13,241

(Notes to consolidated statement of changes in equity)

FY2021 (from April 1, 2021 to March 31, 2022)

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

(Shares)

	Number of shares at the beginning of the fiscal year	Increase in the number of shares in the fiscal year	Decrease in the number of shares in the fiscal year	Number of shares at the end of the fiscal year
Issued shares				
Common shares (Note 2)	476,507,285	–	5,000,000	471,507,285
Total	476,507,285	–	5,000,000	471,507,285
Treasury shares				
Common shares (Notes 1, 3, 4)	27,573,735	5,002,119	5,144,743	27,431,111
Total	27,573,735	5,002,119	5,144,743	27,431,111

(Notes) 1. The number of treasury shares of common shares includes shares of the Company held by the BIP trust as an officer remuneration system and held by an ESOP trust (795,200 shares at the beginning of the fiscal year under review, and 656,600 shares at the end of the fiscal year under review).

2. Breakdown of decrease in the number of issued common shares

Decrease due to cancellation of treasury shares	5,000,000 shares

3. Breakdown of increase in the number of treasury shares of common shares

Increase due to purchase of treasury shares resolved by the Board of Directors	5,000,000 shares
Increase due to purchase of shares less than one unit	2,119 shares

4. Breakdown of decrease in the number of treasury shares of common shares

Decrease due to cancellation of treasury shares	5,000,000 shares
Share issuance by BIP trust as an officer remuneration system and ESOP trust	138,600 shares
Decrease due to change in equity of entities accounted for by using the equity method	6,046 shares
Decrease due to demand for increase of purchase of shares less than one unit	97 shares

2. Share acquisition rights and treasury share acquisition rights

Not applicable.

3. Dividends

(1) Dividends paid

(Resolution)	Classes of shares	Total amount of dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 23, 2021	Common shares	10,801	24	March 31, 2021	June 24, 2021
Board of Directors meeting held on October 28, 2021	Common shares	10,729	24	September 30, 2021	December 1, 2021

(Notes) 1. The total amount of dividends resolved by the Annual General Meeting of Shareholders held on June 23, 2021 includes dividends of 19 million yen for shares of the Company held by the BIP trust as an officer remuneration system and held by the ESOP trust.

2. The total amount of dividends resolved by the Board of Directors meeting held on October 28, 2021 includes dividends of 15 million yen for shares of the Company held by the BIP trust as an officer remuneration system and held by the ESOP trust.

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

(Resolution)	Classes of shares	Total amount of dividends (millions of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 22, 2022	Common shares	11,126	Retained earnings	25	March 31, 2022	June 23, 2022

(Note) The total amount of dividends resolved by the Annual General Meeting of Shareholders held on June 22, 2022 includes dividends of 16 million yen for shares of the Company held by the BIP trust as an officer remuneration system and held by the ESOP trust.

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

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

(Shares)

	Number of shares at beginning of the fiscal year	Increase in the number of shares in the fiscal year	Decrease in the number of shares in the fiscal year	Number of shares at the end of the fiscal year
Issued shares				
Common shares (Note 2)	471,507,285		15,000,000	456,507,285
Total	471,507,285		15,000,000	456,507,285
Treasury shares				
Common shares (Notes 1, 3, 4)	27,431,111	15,554,109	15,673,301	27,311,919
Total	27,431,111	15,554,109	15,673,301	27,311,919

(Notes) 1. The number of treasury shares of common shares includes shares of the Company held by the BIP trust as an officer remuneration system and held by an ESOP trust (656,600 shares at beginning of the fiscal year under review, and 1,022,400 shares at end of the fiscal year under review).

2. Breakdown of decrease in the number of issued common shares

Decrease due to cancellation of treasury shares	15,000,000 shares

3. Breakdown of increase in the number of treasury shares of common shares

Increase due to purchase of treasury shares resolved by the Board of Directors	15,000,000 shares
Share purchase by BIP trust as an officer remuneration system and ESOP trust	512,100 shares
Increase due to purchase of cross-held shares	41,155 shares
Increase due to purchase of shares less than one unit	854 shares

4. Breakdown of decrease in the number of treasury shares of common shares

Decrease due to cancellation of treasury shares	15,000,000 shares
Disposal of treasury shares by third-party allotment of shares to BIP trust as an officer remuneration system and ESOP trust	512,100 shares
Share issuance by BIP trust as an officer remuneration system and ESOP trust	146,300 shares
Decrease due to change in equity of entities accounted for by using the equity method	14,881 shares
Decrease due to demand for increase of purchase of shares less than one unit	20 shares

2. Share acquisition rights and treasury share acquisition rights

Not applicable.

3. Dividends

(1) Dividends paid

(Resolution)	Classes of shares	Total amount of dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 22, 2022	Common shares	11,126	25	March 31, 2022	June 23, 2022
Board of Directors meeting held on October 27, 2022	Common shares	12,689	29	September 30, 2022	December 1, 2022

(Notes) 1. The total amount of dividends resolved by the Annual General Meeting of Shareholders held on June 22, 2022 includes dividends of 16 million yen for shares of the Company held by the BIP trust as an officer remuneration system and held by the ESOP trust.

2. The total amount of dividends resolved by the Board of Directors meeting held on October 27, 2022 includes dividends of 29 million yen for shares of the Company held by the BIP trust for remuneration for directors (and other officers) and held by the ESOP trust.

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

(Resolution)	Classes of shares	Total amount of dividends (millions of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 22, 2023	Common shares	12,916	Retained earnings	30	March 31, 2023	June 23, 2023

(Note) The total amount of dividends resolved by the Annual General Meeting of Shareholders held on June 22, 2023 includes dividends of 30 million yen for shares of the Company held by the BIP trust as an officer remuneration system and held by the ESOP trust.

(Notes to consolidated statement of cash flows)

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

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Cash and deposits	144,534	101,080
Time deposits with maturity over 3 months	(10,795)	(15,873)
Cash and cash equivalents	133,739	85,207

2 Description of significant transactions not requiring use of cash or cash equivalents

Amount of assets and liabilities related to newly recorded finance lease transactions

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Amount of assets related to finance lease transactions	5,624	5,359
Amount of liabilities related to finance lease transactions	5,624	5,359

(Leases)

Finance lease transactions (lessee side)

Lease transactions that do not transfer ownership

(1) Components of leased assets

(i) Property, plant and equipment

House exhibition buildings and fixtures for house exhibitions in the Housing business, production plant equipment in the Urban Infrastructure & Environmental Products Business, and metal molds in the High Performance Plastics Business ("Buildings and structures," "Machinery, equipment and vehicles," and "Other property, plant and equipment"), among others.

(ii) Intangible assets

Software.

(2) Accounting method for depreciation of leased assets

The accounting method for depreciation of leased assets is as described in "(2) Accounting methods for depreciation of significant depreciable assets" in "4. Accounting policies" in "Basis of Preparation of Consolidated Financial Statements."

(Financial instruments)

1. Status of financial instruments

(1) Policy on financial instruments

The SEKISUI CHEMICAL Group raises funds through bank loans and bonds (including short-term bonds), limiting its management of funds to short-term deposits and others. Derivatives are used for the purposes of managing foreign currency exchange risk related to sales and purchases of products, provision of services, etc. in commercial transactions and avoiding the risk of fluctuations in interest rates related to debt, and not for speculative or trading purposes.

(2) Types of financial instruments and related risks

Notes and accounts receivable - trade, which are trade receivables, are exposed to credit risk in relation to customers. In addition, foreign-currency-denominated trade receivables arising in transactions with overseas customers are exposed to foreign exchange fluctuation risk. Equity securities, which are investment securities, are mainly issued by companies that have business relationships with the Group, and these securities are exposed to the risk of fluctuation in market prices.

Notes payable - trade, electronically recorded obligations - operating, and accounts payable - trade, which are trade payables, mostly have payment due dates within one year.

A portion of trade payables denominated in foreign currencies are exposed to foreign exchange fluctuation risk.

Short-term borrowings among borrowings and bonds payable are mainly for financing in connection with business activities.

Long-term borrowings and bonds payable are mainly for financing in connection with acquiring the shares of subsidiaries and have maturity dates within seven years, at the longest, after the consolidated balance sheet date. Borrowings with variable interest rates are exposed to interest rate fluctuation risk.

(3) Risk management for financial instruments

(i) Management of credit risk (the risk that customers or business partners may default)

In accordance with the credit management policy of the Group, the creditworthiness of main business partners and customers is managed periodically through monitoring due dates and outstanding balances by business partner/customer.

To minimize the credit risk when entering into derivative transactions, counterparties are limited to financial institutions with high ratings.

(ii) Management of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)

For equity securities, which are investment securities, the fair values of these securities are periodically reviewed and reported to the Board of Directors.

In conducting and managing derivative transactions, the Accounting Department confirms the effectiveness of hedging and obtains approval of the authorized person, depending on the notional contract value, based on the “Policy on Market Risk Management for Financial Instruments.”

(iii) Management of liquidity risk (the risk of not being able to meet payment obligations on the scheduled due dates)

The SEKISUI CHEMICAL Group companies manage liquidity risk through monthly cash flow plans and taking other steps.

(4) Supplementary explanation on fair values, etc. of financial instruments

Regarding the amounts recorded in the consolidated balance sheet related to derivative transactions in “2. Fair values, etc. of financial instruments,” the amounts themselves do not indicate the market risk relating to derivative transactions.

2. Fair values, etc. of financial instruments

The carrying amounts recorded in the consolidated balance sheet, fair values and the differences between them are as follows.

FY2021 (as of March 31, 2022)

(Millions of yen)

	Carrying amount in the consolidated balance sheet	Fair value	Difference
(1) Securities and investment securities (*2)	106,324	99,691	(6,632)
Total assets	106,324	99,691	(6,632)
(2) Long-term borrowings (*3)	60,283	59,547	(736)
(3) Bonds payable	40,000	39,584	(416)
Total liabilities	100,283	99,131	(1,152)
Derivatives (*4)			
(1) Derivatives for which hedge accounting is not applied	–	–	–
(2) Derivatives for which hedge accounting is applied	(18)	(18)	–
Total derivatives	(18)	(18)	–

(*1) Recording is omitted for “cash and deposits,” “notes receivable - trade,” “accounts receivable - trade,” “notes payable - trade,” “electronically recorded obligations-operating,” “accounts payable - trade” and “short-term borrowings” (excluding the current portion of long-term borrowings), because they are cash, and their fair values are equivalent to book values as they are settled in a short period of time.

(*2) Shares, etc. without market price are not included in “(1) Securities and investment securities.” The carrying amounts of these financial instruments in the consolidated balance sheet are as follows.

Category	FY2022 (millions of yen)
Unlisted stocks	23,000

(*3) The current portion of long-term borrowings (2,189 million yen) included in short-term borrowings in the consolidated balance sheet are included in “(2) Long-term borrowings” in this table.

(*4) Net receivables and payables arising from derivatives are presented on a net basis.

(*5) Recording of investment in capital of a union or an equivalent business entity that records the share of entities accounted for using the equity method in net in the consolidated balance sheet is omitted. The carrying amount of such investment in the consolidated balance sheet is 1,363 million yen.

FY2022 (as of March 31, 2023)

(Millions of yen)

	Carrying amount in the consolidated balance sheet	Fair value	Difference
(1) Securities and investment securities (*2)	113,429	106,617	(6,812)
Total assets	113,429	106,617	(6,812)
(2) Long-term borrowings (*3)	58,709	57,934	(774)
(3) Bonds payable	40,030	39,407	(623)
Total liabilities	98,739	97,341	(1,397)
Derivatives (*4)			
(1) Derivatives for which hedge accounting is not applied	–	–	–
(2) Derivatives for which hedge accounting is applied	(24)	(24)	–
Total derivatives	(24)	(24)	–

(*1) Recording is omitted for "cash and deposits," "notes receivable-trade," "accounts receivable-trade," "notes payable-trade," "electronically recorded obligations-operating," "accounts payable-trade" and "short-term borrowings" (excluding the current portion of long-term borrowings), because they are cash, and their fair values are equivalent to book values as they are settled in a short period of time.

(*2) Shares, etc. without market price are not included in "(1) Securities and investment securities." The carrying amounts of these financial instruments in the consolidated balance sheet are as follows.

Category	FY2022 (millions of yen)
Unlisted stocks	22,163

(*3) The current portion of long-term borrowings (2,521 million yen) included in short-term borrowings in the consolidated balance sheet are included in "(2) Long-term borrowings" in this table.

(*4) Net receivables and payables arising from derivatives are presented on a net basis.

(*5) Recording of investment in capital of a union or an equivalent business entity that records the share of entities accounted for using the equity method in net in the consolidated balance sheet is omitted. The carrying amount of such investment in the consolidated balance sheet is 1,722 million yen.

Notes: 1. Redemption schedule for monetary receivables and securities with maturity after the consolidated balance sheet date

FY2021 (as of March 31, 2022)

(Millions of yen)

	Due within 1 year	Due after 1 year but within 5 years	Due after 5 years but within 10 years	Due after 10 years
Cash and deposits	144,534	–	–	–
Notes receivable - trade	36,999	–	–	–
Accounts receivable - trade	148,748	–	–	–
Securities and investment securities				
Held-to-maturity debt securities (Other)	–	14	–	–
Total	330,281	14	–	–

FY2022 (as of March 31, 2023)

(Millions of yen)

	Due within 1 year	Due after 1 year but within 5 years	Due after 5 years but within 10 years	Due after 10 years
Cash and deposits	101,080	–	–	–
Notes receivable - trade	38,400	–	–	–
Accounts receivable - trade	153,380	–	–	–
Securities and investment securities				
Held-to-maturity debt securities (Other)	0	15	–	–
Total	292,862	15	–	–

2. Repayment schedule for borrowings and bonds payable after the consolidated balance sheet date

FY2021 (as of March 31, 2022)

(Millions of yen)

	Due within 1 year	After 1 year but within 2 years	After 2 years but within 3 years	After 3 years but within 4 years	After 4 years but within 5 years	Due after 5 years
Short-term borrowings	2,103	–	–	–	–	–
Long-term borrowings	2,189	2,449	10,005	290	15,348	30,000
Bonds payable	–	–	–	–	10,000	30,000
Total	4,293	2,449	10,005	290	25,348	60,000

FY2022 (as of March 31, 2023)

(Millions of yen)

	Due within 1 year	After 1 year but within 2 years	After 2 years but within 3 years	After 3 years but within 4 years	After 4 years but within 5 years	Due after 5 years
Short-term borrowings	1,048	–	–	–	–	–
Long-term borrowings	2,521	10,010	338	15,838	–	30,000
Bonds payable	–	30	–	10,000	–	30,000
Total	3,569	10,040	338	25,838	–	60,000

3. Breakdown of fair values of financial instruments by level

Fair values of financial instruments are categorized into three levels according to the observability and importance of inputs relating to the calculation of fair values.

Level 1 fair value: A fair value calculated based on observable inputs relating to the calculation of fair value that reflects quoted prices for assets or liabilities relevant to the calculation of the fair value in active markets.

Level 2 fair value: A fair value calculated based on observable inputs relating to the calculation of fair value other than the inputs relating to the fair value calculation in Level 1.

Level 3 fair value: A fair value calculated based on unobservable inputs relating to the calculation of fair value.

If multiple key influential inputs are used in the calculation of a fair value, the fair value is categorized in the level for which the order of priority is the lowest in the calculation of the fair value, among the levels to which each of those inputs belong.

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

FY2021 (as of March 31, 2022)

Category	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Shares	73,911	–	–	73,911
Total assets	73,911	–	–	73,911
Derivatives				
Currency related	–	18	–	18
Total liabilities	–	18	–	18

FY2022 (as of March 31, 2023)

Category	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Shares	80,284	–	–	80,284
Total assets	80,284	–	–	80,284
Derivatives				
Currency related	–	24	–	24
Total liabilities	–	24	–	24

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

FY2021 (as of March 31, 2022)

Category	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Held-to-maturity debt securities				
Other	–	14	–	14
Shares of subsidiaries and associates				
Shares	25,765	–	–	25,765
Total assets	25,765	14	–	25,780
Long-term borrowings	–	59,547	–	59,547
Bonds payable	–	39,584	–	39,584
Total liabilities	–	99,131	–	99,131

FY2022 (as of March 31, 2023)

Category	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Held-to-maturity debt securities				
Other	–	15	–	15
Shares of subsidiaries and associates				
Shares	26,317	–	–	26,317
Total assets	26,317	15	–	26,332
Long-term borrowings	–	57,934	–	57,934
Bonds payable	–	39,407	–	39,407
Total liabilities	–	97,341	–	97,341

Note: Valuation methodology used for the calculation of fair value and explanation on inputs relating to the calculation of fair value

Securities and investment securities

Listed shares are valued using quoted prices. Since listed shares are traded on active markets, their fair values are categorized under Level 1. Meanwhile, since the trading frequency of municipal bonds on the market is low, and quoted prices on active markets cannot be recognized, their fair values are categorized under Level 2.

Long-term borrowings

Fair values of long-term borrowings are calculated by discounting the total of principal and interest at an interest rate that would be assumed for loans with a similar residual period and are categorized under Level 2.

Bonds payable

Fair values of bonds issued by the Company are calculated based on market prices and are categorized under Level 2.

Derivatives

Fair values of currency swaps are calculated based on observable input including interest rates and foreign exchange rates, etc. using the discounted cash flows method and are categorized under Level 2.

(Securities)

I. FY2021 (as of March 31, 2022)

1. Held-to-maturity debt securities

	Description	Carrying amount in the consolidated balance sheet (millions of yen)	Fair value (millions of yen)	Difference (millions of yen)
Securities whose fair value does not exceed the carrying amount in the consolidated balance sheet	Other	14	14	–
Total		14	14	–

2. Available-for-sale securities

	Description	Carrying amount in the consolidated balance sheet (millions of yen)	Acquisition cost (millions of yen)	Difference (millions of yen)
Securities whose carrying amount in the consolidated balance sheet exceeds the acquisition cost	Shares	73,552	28,177	45,375
Securities whose carrying amount in the consolidated balance sheet does not exceed the acquisition cost	Shares	358	425	(66)
Total		73,911	28,602	45,309

(Note 1) Since unlisted shares (carrying amount in the consolidated balance sheet: 3,189 million yen) are shares, etc. without market price, they are not included in “Available-for-sale securities” in the above table.

(Note 2) Investment in capital of a union or an equivalent business entity that records the share of entities accounted for using the equity method in net (carrying amount in the consolidated balance sheet: 1,363 million yen) in the consolidated balance sheet is not included in “Available-for-sale securities” in the above table.

3. Available-for-sale securities sold in the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Description	Sales amount (millions of yen)	Total gain on sales (millions of yen)	Total loss on sales (millions of yen)
Shares	43,726	25,822	–
Total	43,726	25,822	–

II. FY2022 (as of March 31, 2023)

1. Held-to-maturity debt securities

	Description	Carrying amount in the consolidated balance sheet (millions of yen)	Fair value (millions of yen)	Difference (millions of yen)
Securities whose fair value does not exceed the carrying amount in the consolidated balance sheet	Other	15	15	–
Total		15	15	–

2. Available-for-sale securities

	Description	Carrying amount in the consolidated balance sheet (millions of yen)	Acquisition cost (millions of yen)	Difference (millions of yen)
Securities whose carrying amount in the consolidated balance sheet exceeds the acquisition cost	Shares	79,430	28,132	51,298
Securities whose carrying amount in the consolidated balance sheet does not exceed the acquisition cost	Shares	853	950	(96)
Total		80,284	29,082	51,201

(Note 1) Since unlisted shares (carrying amount in the consolidated balance sheet: 5,307 million yen) are shares, etc. without market price, they are not included in “Available-for-sale securities” in the above table.

(Note 2) Investment in capital of a union or an equivalent business entity that records the share of entities accounted for using the equity method in net (carrying amount in the consolidated balance sheet: 1,722 million yen) in the consolidated balance sheet is not included in “Available-for-sale securities” in the above table.

3. Available-for-sale securities sold in the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

Description	Sales amount (millions of yen)	Total gain on sales (millions of yen)	Total loss on sales (millions of yen)
Shares	534	319	–
Total	534	319	–

(Derivatives)
I. FY2021 (as of March 31, 2022)
1. Derivatives for which hedge accounting is not applied
Not applicable.

2. Derivatives for which hedge accounting is applied
(1) Currency-related

Accounting methods for hedging	Transaction type	Major hedged item	Contract amount, etc. (millions of yen)	Over 1 year (millions of yen)	Fair value (millions of yen)
Principle treatment method	Currency swaps U.S. dollars/Indian rupees Fixed interest rate for receipt / Fixed interest rate for payment	Long-term borrowings	308	308	(18)
Total			308	308	(18)

II. FY2022 (as of March 31, 2023)
1. Derivatives for which hedge accounting is not applied
Not applicable.

2. Derivatives for which hedge accounting is applied
(1) Currency-related

Accounting methods for hedging	Transaction type	Major hedged item	Contract amount, etc. (millions of yen)	Over 1 year (millions of yen)	Fair value (millions of yen)
Principle treatment method	Currency swaps U.S. dollars/Indian rupees Fixed interest rate for receipt / Fixed interest rate for payment	Long-term borrowings	180	59	(24)
Total			180	59	(24)

(Retirement benefits)

1. Overview of retirement benefit plans adopted

The Company and its domestic consolidated subsidiaries have set up funded and unfunded defined benefit plans and defined contribution plans to provide for employees' retirement benefits.

Under the defined benefit pension plans, which are funded, lump-sum payments or pensions are provided mainly based on the salary amounts and service periods.

Under the lump-sum payment plans, which are unfunded, lump-sum payments are provided mainly based on the merit points acquired until the time of retirement.

Certain overseas consolidated subsidiaries have defined benefit plans and defined contribution plans to provide for employees' retirement benefits. Some consolidated subsidiaries calculate retirement benefit liability and retirement benefit expenses for defined benefit pension plans and lump-sum payment plans using the simplified method.

Some consolidated subsidiaries that participate in multi-employer pension plans used to apply an accounting treatment corresponding to that for defined contribution plans when the amount of plan assets corresponding to the company's contribution cannot be reasonably determined. However, since the requirements under paragraph 64 of the Guidance on Accounting Standard for Retirement Benefits cannot be satisfied due to the completion of special contribution relating to unamortized past service liability uniformly set at March 31, 2022, the subsidiaries have changed their policy to adopt the accounting treatment for defined benefit plans at March 31, 2022. In conjunction with this change, matters concerning the said multi-employer pension plans are included in the notes to defined benefit plans from the fiscal year ended March 31, 2022.

As a result, retirement benefit assets at the end of the fiscal year ended March 31, 2022 were up 5,155 million yen and retirement benefit expenses decreased 5,155 million yen.

Certain consolidated subsidiaries changed the calculation method for retirement benefit obligations from the simplified method to the principle method as of the end of the fiscal year ended March 31, 2022, considering that the number of employees continued to be over 300 among other factors.

As a result, at the end of the fiscal year ended March 31, 2022, retirement benefit assets decreased 250 million yen, retirement benefit liabilities increased 591 million yen, and retirement benefit expenses increased 842 million yen.

One consolidated subsidiary is no longer able to perform duly reliable actuarial calculation due to a significant decrease in the number of employees as a result of reorganization. As a result, the subsidiary changed the calculation method for retirement benefit obligations from the principle method to the simplified method as of the end of the fiscal year ended March 31, 2023.

2. Defined benefit plans

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

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Balance of retirement benefit obligations at beginning of period	147,807	151,441
Service cost	6,913	7,001
Interest cost	950	1,075
Actuarial gains and losses accrued	(2,096)	(1,957)
Retirement benefits paid	(7,342)	(6,019)
Past service cost incurred	(1,024)	(47)
Amount of transfer in conjunction with the change from the principle method to the simplified method	–	(1,016)
Amount of decrease in conjunction with the change from the principle method to the simplified method	–	(297)
Amount of transfer in conjunction with the change from the simplified method to the principle method	3,986	–
Expenses treated in conjunction with the change from the simplified method to the principle method	842	–
Other	1,403	341
Balance of retirement benefit obligations at end of period	151,441	150,522

(Note) The major component of "other" is foreign currency translation adjustment

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

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Balance of plan assets at beginning of period	126,441	134,295
Expected return on plan assets	2,751	3,020
Actuarial gains and losses accrued	(1,054)	(8,537)
Contribution from employer	6,924	3,977
Retirement benefits paid	(5,644)	(5,252)
Amount of transfer in conjunction with the change from the principle method to the simplified method	–	(881)
Amount of transfer in conjunction with the change from the simplified method to the principle method	3,839	–
Other	1,038	985
Balance of plan assets at end of period	134,295	127,606

(Note) The major component of "other" is foreign currency translation adjustment

(3) Changes in retirement benefit liability for which the simplified method is applied

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Balance of retirement benefit liability at beginning of period	8,025	2,923
Retirement benefit expenses	2,651	1,693
Retirement benefits paid	(539)	(572)
Contribution to the plans	(1,936)	(979)
Amount of transfer in conjunction with the change from the principle method to the simplified method	–	134
Change in accounting treatment for multi-employer pension plans	(5,155)	–
Amount of transfer in conjunction with the change from the simplified method to the principle method	(146)	–
Increase due to business restructuring, etc.	24	326
Balance of retirement benefit liability at end of period	2,923	3,526

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

(Millions of yen)

	FY2021 (as of March 31, 2022)	FY2022 (as of March 31, 2023)
Retirement benefit obligations of funded plans	142,582	142,567
Plan assets	159,728	153,995
	(17,146)	(11,427)
Retirement benefit obligations of unfunded plans	37,215	37,870
Net amount of liabilities and assets recorded in the consolidated balance sheet	20,069	26,442
Retirement benefit liability	41,136	41,727
Retirement benefit asset	21,066	15,284
Net amount of liabilities and assets recorded in the consolidated balance sheet	20,069	26,442

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

(5) Amounts of retirement benefit expenses and their components

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Service cost	6,913	7,001
Interest cost	950	1,075
Expected return on plan assets	(2,751)	(3,020)
Amortization of actuarial gains and losses	(1,184)	(586)
Amortization of past service cost	(146)	(217)
Expenses treated in conjunction with the change from the principle method to the simplified method	–	(157)
Change in accounting treatment for multi-employer pension plans	(5,155)	–
Expenses treated in conjunction with the change from the simplified method to the principle method	842	–
Retirement benefit expenses calculated by simplified method	2,651	1,693
Retirement benefit expenses relating to defined benefit plans	2,120	5,779

(6) Remeasurements of defined benefit plans, net of tax

The components of remeasurements of defined benefit plans, net of tax (before deduction of tax effects) are as follows:

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Past service cost	(878)	169
Actuarial gains and losses	392	7,372
Total	(486)	7,541

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

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

(Millions of yen)

	FY2021 (as of March 31, 2022)	FY2022 (as of March 31, 2023)
Unrecognized past service cost	(878)	(708)
Unrecognized actuarial gains and losses	(3,864)	3,508
Total	(4,742)	2,799

(8) Plan assets (excluding plans for which the simplified method is applied)

(i) Major components of plan assets

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

	FY2021 (as of March 31, 2022)	FY2022 (as of March 31, 2023)
Debt securities	38%	39%
Shares	23%	24%
Life insurance general account	16%	12%
Cash and deposits	5%	4%
Other	15%	19%
Total	100%	100%

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

To determine the long-term expected rate of return on plan assets, the Company takes into account current and expected allocation of plan assets, and current and expected long-term return rate on various types of assets constituting plan assets.

(9) Actuarial assumptions

Major actuarial assumptions

	FY2021 (as of March 31, 2022)	FY2022 (as of March 31, 2023)
Discount rate	0.2–0.7%	0.2–0.7%
Long-term expected rate of return	1.5–2.0%	1.5–2.0%
Expected rate of salary increase	2.9%	2.8%

3. Multi-employer pension plans

The amounts of required contributions to multi-employer pension plans that are accounted for similarly to defined contribution plans were 1,600 million yen in the fiscal year ended March 31, 2022 and 606 million yen in the fiscal year ended March 31, 2023.

As previously stated (1. Overview of retirement benefit plans adopted), the accounting treatment for defined pension plans was changed at March 31, 2022. In conjunction with this change, matters concerning the said multi-employer pension plans are included in the notes to defined benefit plans from the fiscal year ended March 31, 2022.

4. Defined contribution plans

The amounts of required contributions to defined contribution plans of the Company and certain consolidated subsidiaries were 1,732 million yen in the fiscal year ended March 31, 2022 and 2,095 million yen in the fiscal year ended March 31, 2023.

(Tax effect accounting)

1. Major components of deferred tax assets and liabilities

(Millions of yen)

	FY2021 (as of March 31, 2022)	FY2022 (as of March 31, 2023)
Deferred tax assets		
Retirement benefit liability	12,833	13,430
Unrealized gains	6,435	6,621
Provision for bonuses	5,398	5,372
Impairment losses	2,618	2,390
Loss on valuation of investment securities	2,175	1,825
Tax loss carryforwards (Note)	4,556	6,307
Accrued enterprise tax	1,525	836
Assets adjustment	91	91
Other	13,100	14,014
Total gross deferred tax assets	48,736	50,891
Valuation allowance for tax loss carryforwards (Note)	(3,507)	(4,222)
Valuation allowance for total future deductible temporary differences, etc.	(3,044)	(3,451)
Total valuation allowance	(6,551)	(7,674)
Total deferred tax assets	42,184	43,217
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(13,900)	(15,592)
Accelerated depreciation of property, plant and equipment	(3,644)	(3,957)
Retained profit	(2,380)	(3,896)
Temporary differences arising from consolidation without tax effect	(3,674)	(3,461)
Reserve for tax-purpose reduction entry of non-current assets	(2,950)	(2,881)
Valuation difference on shares of subsidiaries and associates	(1,469)	(1,469)
Other	(7,881)	(5,971)
Total deferred tax liabilities	(35,899)	(37,230)
Net deferred tax assets (liabilities)	6,284	5,987

(Note) Tax loss carryforwards and their deferred tax assets by expiry date

FY2021 (as of March 31, 2022)

	Due within 1 year (millions of yen)	After 1 year but within 2 years (millions of yen)	After 2 years but within 3 years (millions of yen)	After 3 years but within 4 years (millions of yen)	After 4 years but within 5 years (millions of yen)	After 5 years (millions of yen)	Total (millions of yen)
Tax loss carryforwards *	218	200	23	6	5	4,101	4,556
Valuation allowance	218	200	23	6	5	3,052	3,507
Deferred tax assets	–	–	–	–	–	1,048	1,048

*The amount of tax loss carryforwards is derived by multiplying by the statutory tax rate.

FY2022 (as of March 31, 2023)

	Due within 1 year (millions of yen)	After 1 year but within 2 years (millions of yen)	After 2 years but within 3 years (millions of yen)	After 3 years but within 4 years (millions of yen)	After 4 years but within 5 years (millions of yen)	After 5 years (millions of yen)	Total (millions of yen)
Tax loss carryforwards *	199	23	6	5	0	6,072	6,307
Valuation allowance	199	23	6	5	0	3,987	4,222
Deferred tax assets	–	–	–	–	–	2,084	2,084

*The amount of tax loss carryforwards is derived by multiplying by the statutory tax rate.

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

	FY2021 (as of March 31, 2022)	FY2022 (as of March 31, 2023)
Statutory tax rate	30.5%	30.5%
(Adjustments)		
Tax credit	(3.4)%	(4.3)%
Impairment losses on goodwill	13.2%	–
Other	4.2%	2.7%
Effective income tax rate after application of tax effect accounting	44.5%	28.8%

(Revenue recognition)

1. Information on disaggregation of revenue from contracts with customers

Information on disaggregation of revenue from contracts with customers is as stated in "Notes to consolidated financial statements, (Segment information)"

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

Information that serves as a basis for understanding revenue from contracts with customers is as described in "(5) Accounting policy for recognition of significant revenues and expenses" in "4. Accounting policies" in "Notes to consolidated financial statements, (Basis of preparation of consolidated financial statements)."

3. Information on the relationship between the fulfillment of performance obligations based on contracts with customers and cash flows from those contracts as well as the amount and time of revenue expected to be recognized in and after the fiscal year following the contracts with customers that exist at the end of the fiscal year under review

(1) Balance of contract assets and contract liabilities

FY2021 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Fiscal year ended March 31, 2022	
	Beginning balance	Ending balance
Receivables arising from contracts with customers	170,028	185,552
Contract assets	447	721
Contract liabilities	37,310	43,033

Of the revenue recognized in the fiscal year ended March 31, 2022, revenue included in the balance of contract liabilities at the beginning of the period was 36,346 million yen.

FY2022 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Fiscal year ended March 31, 2023	
	Beginning balance	Ending balance
Receivables arising from contracts with customers	185,552	191,659
Contract assets	721	752
Contract liabilities	43,033	50,413

Of the revenue recognized in the fiscal year ended March 31, 2023, revenue included in the balance of contract liabilities at the beginning of the period was 41,574 million yen.

Contract assets mainly concern the consideration for works which have been fulfilled on the reporting date, but which have not been invoiced to customers in the construction contracts in the Urban Infrastructure & Environmental Products Business and Other Businesses. Contract assets will be transferred to claims at the time when the Group's right with respect to consideration becomes unconditional. Consideration for the net sales of such completed construction contracts is invoiced and received in accordance with the payment terms under construction contracts.

Contract liabilities mainly concern advances received from customers for consignment contracts with respect to manufacture, construction, sale, renovation, etc. of modular houses in the Housing business, and construction work for various industrial plants, etc. in the Urban Infrastructure & Environmental Products business. Contract liabilities are liquidated as revenue is recognized.

(2) Transaction price allocated to the remaining performance obligations

The total transaction amount allocated to remaining performance obligations and the period in which revenue recognition is expected are as follows, and they pertain to construction contracts mainly including contracts for manufacture, construction, sale, renovation, etc. of modular houses in the Housing business, and obligations to construct various industrial plants, etc. in the Urban Infrastructure & Environmental Products Business.

The Group uses the practical expedient and does not include contracts which are initially expected to have a contract period of one year or less in Notes.

(Millions of yen)

	FY2021	FY2022
Within 1 year	12,601	15,141
Over 1 year but within 2 years	1,065	2,255
Over 2 years	440	801
Total	14,106	18,197

(Segment information)

Segment information

1. Overview of reportable segments

The reportable segments of the Company are determined on the basis that separate financial information of such segments of the Company is available and examined periodically by the Board of Directors of the Company to make decisions regarding the allocation of management resources and assess the business performances of such segments. The Company has divided the business operations into the four segments of Housing, Urban Infrastructure and Environmental Products (UIEP), High Performance Plastics (HPP), and Medical based on manufacturing methods, products, sales channels, and other business similarities. Each business segment formulates comprehensive strategies and develops business activities for its products in Japan and overseas.

The Housing business comprises manufacturing of prefabricated housing, construction, sales, refurbishing, real estate, residential service business, electric power trading, and town and community development, etc.

The UIEP business comprises manufacturing, sales, and construction operations related to PVC pipes and joints, polyethylene pipes and joints, pipe and drain renewal materials and construction methods, reinforced plastic pipes, chlorinated PVC resin compound, construction materials, and FFU.

The HPP business comprises manufacturing and sales of interlayer films for laminated glass, polyolefin foam, tape, LCD microparticles and photosensitive materials, diagnostic drugs and other products.

The Medical business comprises manufacturing and sales of diagnostic reagents, pharmaceutical ingredients and intermediates.

(Changes in reportable segments)

From the fiscal year under review, for the purpose of optimizing the business portfolio in pursuit of greater synergies, the Group changed to classify Fire Protection Materials Division, CPVC-related business fields and Crosswave products into “UIEP” Segment from “HPP” Segment, also the Group revised to classify SEKISUI SEIKEI CO., LTD. and SEKISUI KYDEX, LLC. into “HPP” Segment from “UIEP” Segment.

Segment information for the fiscal year ended March 31, 2022 and the fiscal year ended March 31, 2023 is disclosed based on the new segment classifications.

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

The accounting methods for the reportable segments are presented principally in accordance with those described in “Basis of Preparation of Consolidated Financial Statements.” Profit of the reportable segments are figures based on operating profit. Intersegment sales and transfers are presented based on the current market prices.

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

FY2021 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segments					Other (Notes 1, 2)	Total
	Housing (Note 1)	Urban Infrastructure & Environmental Products	High Performance Plastics	Medical	Total		
Net sales							
Japan	513,861	170,644	105,692	38,332	828,530	2,076	830,607
North America	–	1,289	77,535	28,523	107,348	13	107,361
Europe	–	4,229	61,514	7,412	73,155	–	73,155
China	–	4,807	59,291	11,007	75,106	1,005	76,112
Asia	1,177	20,479	36,270	2,332	60,260	88	60,349
Other	–	1,682	7,769	908	10,359	–	10,359
Sales to external customers	515,038	203,132	348,073	88,516	1,154,761	3,183	1,157,945
Intersegment sales or transfers	152	12,759	5,659	0	18,571	1,761	20,332
Total	515,191	215,891	353,732	88,517	1,173,333	4,944	1,178,278
Segment profit (loss)	35,318	15,223	41,189	11,180	102,911	(10,316)	92,595
Segment assets	349,106	228,537	403,503	134,635	1,115,782	33,702	1,149,484
Other items							
Depreciation	9,878	8,156	19,682	4,489	42,206	2,554	44,760
Investments in entities accounted for by the equity method	11,147	–	2,916	–	14,063	–	14,063
Increase in property, plant and equipment and intangible assets	12,964	8,101	18,379	5,616	45,061	5,885	50,947

(Note 1) Net sales in "Housing" include 40,930 million yen that does not correspond to revenue from contracts with customers under "Japan."
Net sales in "Other" include 935 million yen that does not correspond to revenue from contracts with customers under "Japan."

(Note 2) "Other" represents segments other than the reportable segments and includes provision of services and manufacturing and sales of film-type lithium-ion batteries and products not included in the reportable segments.

FY2022 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segments					Other (Notes 1, 2)	Total
	Housing (Note 1)	Urban Infrastructure & Environmental Products	High Performance Plastics	Medical	Total		
Net sales							
Japan	535,427	179,576	107,663	42,619	865,287	2,168	867,456
North America	–	3,102	97,439	23,060	123,601	–	123,601
Europe	–	5,126	71,772	9,126	86,026	–	86,026
China	–	5,954	63,143	11,815	80,913	1,443	82,356
Asia	1,640	25,339	41,811	1,963	70,755	42	70,798
Other	–	2,205	8,982	1,094	12,282	–	12,282
Sales to external customers	537,067	221,305	390,812	89,680	1,238,866	3,654	1,242,521
Intersegment sales or transfers	303	12,990	5,576	–	18,870	3,733	22,603
Total	537,371	234,296	396,389	89,680	1,257,737	7,388	1,265,125
Segment profit (loss)	32,831	21,192	40,091	12,511	106,626	(10,894)	95,731
Segment assets	376,083	238,851	436,805	138,900	1,190,640	32,230	1,222,871
Other items							
Depreciation	11,067	8,438	20,966	4,935	45,407	2,487	47,894
Investments in entities accounted for by the equity method	9,824	–	3,037	–	12,861	–	12,861
Increase in property, plant and equipment and intangible assets	10,043	9,035	18,021	11,456	48,555	4,417	52,973

(Note 1) Net sales in "Housing" include 42,925 million yen that does not correspond to revenue from contracts with customers under "Japan."
Net sales in "Other" include 891 million yen that does not correspond to revenue from contracts with customers under "Japan."

(Note 2) "Other" represents segments other than the reportable segments and includes provision of services and manufacturing and sales of film-type lithium-ion batteries and products not included in the reportable segments.

4. Differences between the total amount of reportable segments and the amount in consolidated financial statements and descriptions on such differences (matters on difference adjustments)

(Millions of yen)

Net sales	FY2021	FY2022
Reportable segment total	1,173,333	1,257,737
Net sales in "other"	4,944	7,388
Intersegment eliminations	(20,332)	(22,603)
Net sales in consolidated statement of income	1,157,945	1,242,521

(Millions of yen)

Profit	FY2021	FY2022
Reportable segment total	102,911	106,626
Profit (loss) in "other"	(10,316)	(10,894)
Intersegment eliminations	294	417
Corporate expenses (Note)	(4,010)	(4,483)
Operating profit in consolidated statement of income	88,879	91,666

(Note) Corporate expenses are mainly general and administrative expenses not attributable to each reportable segment.

(Millions of yen)

Assets	FY2021	FY2022
Reportable segment total	1,115,782	1,190,640
Assets in "other"	33,702	32,230
Intersegment eliminations	(340,352)	(365,970)
Corporate assets (Note)	389,789	371,230
Total assets in the consolidated balance sheet	1,198,921	1,228,131

(Note) Corporate assets are mainly assets that are not attributable to each reportable segment and are associated with the administrative department.

(Millions of yen)

Other items	Reportable segment total		Other		Adjustments (Note)		Carrying amount in consolidated financial statements	
	FY2021	FY2022	FY2021	FY2022	FY2021	FY2022	FY2021	FY2022
Depreciation	42,206	45,407	2,554	2,487	1,151	1,099	45,912	48,995
Investments in entities accounted for by the equity method	14,063	12,861	–	–	30,272	31,004	44,336	43,866
Increase in property, plant and equipment and intangible assets	45,061	48,555	5,885	4,417	2,976	6,376	53,923	59,349

(Note) Adjustments in investments in entities accounted for by the equity method are such investments not attributable to each reportable segment.

Related information

FY2021 (from April 1, 2021 to March 31, 2022)

1. Information by product and service

The information is omitted because the same information is disclosed in “Segment information.”

2. Information by geographic area

(1) Net sales

The information is omitted because the same information is disclosed in “Segment information.”

(2) Property, plant and equipment

(Millions of yen)

Japan	North America	Europe	China	Asia	Other	Total
243,213	38,522	46,755	13,003	21,921	1,837	365,254

(Note) Property, plant and equipment of the Europe segment includes that of Netherland of 39,423 million yen which constitutes more than 10% of the property, plant and equipment in the Consolidated Balance Sheets.

FY2022 (from April 1, 2022 to March 31, 2023)

1. Information by product and service

The information is omitted because the same information is disclosed in “Segment information.”

2. Information by geographic area

(1) Net sales

The information is omitted because the same information is disclosed in “Segment information.”

(2) Property, plant and equipment

(Millions of yen)

Japan	North America	Europe	China	Asia	Other	Total
247,741	42,372	52,009	11,998	21,465	1,796	377,381

(Note) Property, plant and equipment of the Europe segment includes that of Netherland of 42,720 million yen which constitutes more than 10% of the property, plant and equipment in the Consolidated Balance Sheets.

Information on impairment losses of non-current assets by reportable segment

FY2021 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Housing	Urban Infrastructure & Environmental Products	High Performance Plastics	Medical	Other	Corporate and elimination	Total
Impairment losses	85	494	49,843	859	–	225	51,508

(Note) The amount of "Corporate and elimination" denotes impairment losses pertaining to corporate assets not attributable to any reportable segment.

FY2022 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Housing	Urban Infrastructure & Environmental Products	High Performance Plastics	Medical	Other	Corporate and elimination	Total
Impairment losses	66	47	165	97	91	–	468

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

FY2021 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Housing	Urban Infrastructure & Environmental Products	High Performance Plastics	Medical	Other	Corporate and elimination	Total
Amortization during the period	–	209	1,630	947	4	–	2,792
Balance at end of period	–	367	4,509	5,860	–	–	10,736

FY2022 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Housing	Urban Infrastructure & Environmental Products	High Performance Plastics	Medical	Other	Corporate and elimination	Total
Amortization during the period	117	209	596	2,488	–	–	3,411
Balance at end of period	1,288	157	4,109	5,473	–	–	11,028

(Related party information)

FY2021 (from April 1, 2021 to March 31, 2022)

Related party transactions

Transactions between the Company's consolidated subsidiaries and their related parties

The Company's officers and principal shareholders (individuals only), etc.

Description	Name of company, person, etc.	Location	Share capital or investment (millions of yen)	Description of business or occupation	Voting rights ownership (owned) ratio (%)	Relationship with related party	Description of transaction	Transaction amount (millions of yen)	Item	Ending balance (millions of yen)
Company, etc. in which a near relative of officers holds the majority of voting rights	Musashi Kougyousha Co., Ltd.	Fushimi-ku, Kyoto	10	Manufactur-ing	–	Processing of metal parts	Processing of metal parts (Note)	11	Accounts payable - trade	0
									Accrued expenses	4

(Note) Transaction conditions and policies for determination of transaction conditions, etc.

Transaction conditions have been determined after both parties consulted by reference to market price, etc.

FY2022 (from April 1, 2022 to March 31, 2023)

Related party transactions

Transactions between the Company's consolidated subsidiaries and their related parties

The Company's officers and principal shareholders (individuals only), etc.

Description	Name of company, person, etc.	Location	Share capital or investment (millions of yen)	Description of business or occupation	Voting rights ownership (owned) ratio (%)	Relationship with related party	Description of transaction	Transaction amount (millions of yen)	Item	Ending balance (millions of yen)
Company, etc. in which a near relative of officers holds the majority of voting rights	Musashi Kougyousha Co., Ltd.	Fushimi-ku, Kyoto	10	Manufactur-ing	–	Processing of metal parts	Processing of metal parts (Note)	37	Accounts payable - trade	–
									Accrued expenses	–

(Note) Transaction conditions and policies for determination of transaction conditions, etc.

Transaction conditions have been determined after both parties consulted by reference to market price, etc.

(Per share information)

FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Net assets per share ¥1,519.19	Net assets per share ¥1,642.67
Basic earnings per share ¥83.17	Basic earnings per share ¥159.19

(Notes) 1. The diluted earnings per share for the fiscal year under review is not provided because there are no potential shares.

2. The basis for calculating basic earnings per share is as shown below.

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Basic earnings per share		
Profit attributable to owners of parent (millions of yen)	37,067	69,263
Amount not attributable to common shareholders (millions of yen)	–	–
Profit attributable to owners of parent relating to common shares (millions of yen)	37,067	69,263
Average number of outstanding common shares during the period (thousands of shares)	445,701	435,097

3. The basis for calculating net assets per share is as shown below.

	FY2021 (as of March 31, 2022)	FY2022 (as of March 31, 2023)
Total amount of net assets (millions of yen)	702,753	732,525
Amount deducted from the total amount of net assets (millions of yen)	28,116	27,498
(of which, non-controlling interests) (millions of yen)	(28,116)	(27,498)
Net assets relating to common shares at year-end (millions of yen)	674,636	705,026
Number of common shares at year-end used for the calculation of net assets per share (thousands of shares)	444,076	429,195

4. The Company's shares remaining in the BIP trust and the ESOP trust and recorded as treasury shares under shareholders' equity are included in treasury shares to be deducted from the average number of shares during the period for the calculation of basic earnings per share and are included in treasury shares to be deducted from the total number of shares issued and outstanding at year-end for the calculation of net assets per share.
The average number of treasury shares during the period deducted for the calculation of basic earnings per share was 852,000 shares in the fiscal year ended March 31, 2023 and 563,000 shares in the fiscal year ended March 31, 2022, and the number of treasury shares at year-end deducted for the calculation of net assets per share was 1,022,000 shares in the fiscal year ended March 31, 2023 and 656,000 shares in the fiscal year ended March 31, 2022.

(Significant subsequent events)

(Purchase of treasury shares)

The Company resolved at its Board of Directors meeting on April 28, 2023 the following matters associated with the acquisition of treasury shares based on the provision of Article 156, paragraph 1 of the Companies Act to be applied mutatis mutandis pursuant to the provision of Article 165, paragraph 3 of the said Act.

(1) Reasons for executing purchase of treasury shares

For the purpose of implementing an agile capital strategy and as part of the shareholder return policy

(2) Contents of resolution of the Board of Directors regarding the acquisition of treasury shares

(i) Class of shares to be acquired

Common shares of the Company

(ii) Total number of shares to be acquired

Up to 4,000,000 shares

(iii) Acquisition period

From May 1, 2023 to March 29, 2024

(iv) Total acquisition amount

Up to ¥8,000 million

(v) Acquisition method

Purchase through the market including an advance-notice-type market buying system (ToSTNeT)

(3) Purchase of treasury shares

(i) Class of shares acquired

Common shares of the Company

(ii) Total number of shares acquired

4,000,000 shares

(iii) Total acquisition amount

¥7,832 million

(iv) Acquisition date

May 31, 2023

(v) Acquisition method

Market buying

(Cancellation of Treasury Shares)

The Company resolved at its Board of Directors meeting on April 28, 2023 the following matters associated with the cancellation of treasury shares based on the provision of Article 178 of the Companies Act, and executed cancellation on May 25, 2023.

(1) Reasons for cancelling treasury shares

For the purpose of strengthening the initiatives to enhance capital efficiency and as part of the shareholder return policy

(2) Contents of resolution of the Board of Directors regarding the cancellation of treasury shares

(i) Class of shares to be cancelled

Common shares of the Company

(ii) Number of shares to be cancelled

4,000,000 shares

(iii) Cancellation date

May 25, 2023

(iv) Total number of issued shares after cancellation

452,507,285 shares

(v) Annexed consolidated detailed schedules

Detailed schedule of corporate bonds

Company name	Issue	Date of issuance	Balance at beginning of period (millions of yen)	Balance at end of period (millions of yen)	Interest rate (%)	Secured/unsecured	Maturity
Sekisui Chemical Co., Ltd.	No. 6 unsecured bonds	June 14, 2016	10,000	10,000	0.28	N/A	June 12, 2026
Sekisui Chemical Co., Ltd.	No. 7 unsecured bonds	September 13, 2019	30,000	30,000	0.20	N/A	September 13, 2029
Tochigi Sekisui Heim Co., Ltd.	No. 2 unsecured bonds	April 26, 2021	–	30	0.12	N/A	April 26, 2024
Total	–	–	40,000	40,030	–	–	–

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

Within 1 year (millions of yen)	After 1 year but within 2 years (millions of yen)	After 2 years but within 3 years (millions of yen)	After 3 years but within 4 years (millions of yen)	After 4 years but within 5 years (millions of yen)
–	30	–	10,000	–

Detailed schedule of borrowings

Category	Balance at beginning of period (millions of yen)	Balance at end of period (millions of yen)	Average interest rate (%)	Repayment due
Short-term borrowings	2,103	1,048	1.02	–
Current portion of long-term borrowings	2,189	2,521	1.68	–
Current portion of lease liabilities	5,000	5,156	–	–
Long-term borrowings (excluding the current portion of long-term borrowings)	58,093	56,187	0.26	2024 to 2030
Lease liabilities (excluding the current portion of lease liabilities)	15,170	15,515	–	2024 to 2059
Total	82,557	80,429	–	–

(Notes) 1. "Average interest rate" represents the weighted average interest rate with respect to the balance at the end of the period.

2. The average interest rate of lease liabilities is not recorded because the amount equivalent to interest included in total lease payments is allocated to each fiscal year by the straight-line method.

3. The repayment schedule of long-term borrowings and lease liabilities (excluding the current portion) within five years after the consolidated balance sheet date is as follows:

	After 1 year but within 2 years	After 2 years but within 3 years	After 3 years but within 4 years	After 4 years but within 5 years
Long-term borrowings (millions of yen)	10,010	338	15,838	–
Lease liabilities (millions of yen)	4,067	2,999	2,201	1,521

Detailed schedule of asset retirement obligations

Not applicable.

(2) Other

(Quarterly information for the fiscal year ended March 31, 2023)

(Cumulative period)	First quarter	Second quarter	Third quarter	FY2022
Net sales (millions of yen)	282,271	607,765	912,231	1,242,521
Profit before income taxes (millions of yen)	20,911	53,530	73,128	99,494
Profit attributable to owners of parent (millions of yen)	14,578	39,101	52,802	69,263
Basic earnings per share (yen)	33.08	89.18	120.88	159.19

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Quarterly basic earnings per share (yen)	33.08	55.21	31.59	38.28

2 Non-consolidated financial statements and other information

(1) Non-consolidated financial statements

(i) Non-consolidated balance sheet

(Millions of yen)

		As of March 31, 2022		As of March 31, 2023
Assets				
Current assets				
Cash and deposits		9,864		8,604
Notes receivable - trade	*1	6,295	*1	7,377
Accounts receivable - trade	*1	72,943	*1	72,844
Merchandise and finished goods		22,050		26,626
Land for sale in lots		12,886		17,087
Work in process		5,247		6,418
Raw materials and supplies		6,212		8,796
Advance payments to suppliers		924		1,119
Prepaid expenses		840		748
Short-term loans receivable	*1	11,101	*1	23,676
Accounts receivable - other	*1	42,501	*1	50,704
Other		1,524		1,012
Allowance for doubtful accounts		(9)		(11)
Total current assets		192,383		225,006
Non-current assets				
Property, plant and equipment				
Buildings	*2	36,181	*2	34,908
Structures	*2	2,710	*2	2,616
Machinery and equipment	*2	24,587	*2	23,267
Vehicles		131	*2	115
Tools, furniture and fixtures	*2	3,665	*2	3,306
Land	*2	36,651	*2	37,012
Leased assets		610		426
Construction in progress		2,403		3,331
Total property, plant and equipment		106,941		104,984
Intangible assets				
Industrial property		279		175
Right to use facilities		105		104
Software	*2	7,453	*2	12,749
Leased assets		0		0
Other		8,545		8,502
Total intangible assets		16,384		21,531
Investments and other assets				
Investment securities		77,514		86,203
Shares of subsidiaries and associates		261,772		263,747
Long-term loans receivable	*1	2,780		407
Long-term prepaid expenses		1,103		784
Prepaid pension costs		9,689		10,333
Leasehold and guarantee deposits	*1	1,941	*1	1,886
Other		676		610
Allowance for doubtful accounts		(2,449)		(274)
Total investments and other assets		353,028		363,698
Total non-current assets		476,355		490,215
Total assets		668,738		715,221

(Millions of yen)

		As of March 31, 2022		As of March 31, 2023
Liabilities				
Current liabilities				
Notes payable - trade		6		0
Electronically recorded obligations - operating		5,508		6,147
Accounts payable - trade	*1	95,697	*1	101,909
Short-term borrowings	*1	46,860	*1	99,708
Lease liabilities		240		118
Accounts payable - other		6,745		8,480
Accrued expenses	*1	18,789	*1	16,047
Income taxes payable	*1	18,340	*1	199
Advances received		210		506
Deposits received	*1	3,441	*1	5,611
Provision for bonuses		4,341		4,187
Provision for bonuses for directors (and other officers)		161		209
Provision for warranties for completed construction		836		2,078
Provision for share awards		138		115
Other		193		175
Total current liabilities		201,512		245,496
Non-current liabilities				
Bonds payable		40,000		40,000
Long-term borrowings	*1	57,600	*1	55,100
Lease liabilities		370		307
Deferred tax liabilities		5,541		9,347
Provision for retirement benefits		23,224		23,766
Provision for share awards		773		900
Other		73		66
Total non-current liabilities		127,583		129,487
Total liabilities		329,096		374,983
Net assets				
Shareholders' equity				
Share capital		100,002		100,002
Capital surplus				
Legal capital surplus		109,234		109,234
Total capital surplus		109,234		109,234
Retained earnings				
Legal retained earnings		10,363		10,363
Other retained earnings				
Reserve for tax purpose reduction entry of land		4,141		4,141
Reserve for tax purpose reduction entry of depreciable assets		2,344		2,192
Reserve for open innovation promotion		53		53
General reserve		39,471		39,471
Retained earnings brought forward		87,095		85,651
Total retained earnings		143,467		141,871
Treasury shares		(44,466)		(46,528)
Total shareholders' equity		308,238		304,580
Valuation and translation adjustments				
Valuation difference on available-for-sale securities		31,403		35,657
Total valuation and translation adjustments		31,403		35,657
Total net assets		339,641		340,237
Total liabilities and net assets		668,738		715,221

(ii) Non-consolidated statement of income

(Millions of yen)

		Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023
Net sales	*1	359,176	*1	382,513
Cost of sales	*1	264,531	*1	289,242
Gross profit		94,645		93,271
Selling, general and administrative expenses	*2	83,020	*2	85,858
Operating profit		11,625		7,413
Non-operating income				
Interest and dividend income	*1	21,718	*1	34,547
Miscellaneous income	*1	13,175	*1	16,317
Total non-operating income		34,894		50,864
Non-operating expenses				
Interest expenses	*1	281	*1	342
Interest expenses on bonds		87		88
Miscellaneous expenses	*1	3,553	*1	563
Total non-operating expenses		3,922		993
Ordinary profit		42,598		57,284
Extraordinary income				
Gain on sale of shares of subsidiaries and associates		1,462		380
Gain on sale of investment securities		25,822		319
Total extraordinary income		27,284		699
Extraordinary losses				
Loss on valuation of shares of subsidiaries and associates		–		4,248
Impairment losses		497		165
Loss on sale and retirement of non-current assets		622		696
Total extraordinary losses		1,120		5,110
Profit before income taxes		68,762		52,873
Income taxes - current		14,928		3,341
Income taxes - deferred		(2,081)		2,152
Total income taxes		12,847		5,493
Profit		55,915		47,379

(iii) Non-consolidated statement of changes in equity

FY2021 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for special account for tax purpose reduction entry of non-current assets	Reserve for tax purpose reduction entry of land	Reserve for tax purpose reduction entry of depreciable assets	Reserve for open innovation promotion
Balance at beginning of period	100,002	109,234	–	109,234	10,363	750	4,141	1,801	–
Cumulative effects of changes in accounting policies									
Restated balance	100,002	109,234	–	109,234	10,363	750	4,141	1,801	–
Changes during period									
Reversal of reserve for special account for tax purpose reduction entry of non-current assets						(750)			
Provision of reserve for tax purpose reduction entry of depreciable assets								700	
Reversal of reserve for tax purpose reduction entry of depreciable assets								(157)	
Provision of reserve for open innovation promotion									53
Dividends of surplus									
Profit									
Cancellation of treasury shares			(8,096)	(8,096)					
Purchase of treasury shares									
Disposal of treasury shares			0	0					
Transfer from retained earnings to capital surplus			8,096	8,096					
Net changes in items other than shareholders' equity									
Total changes during period	–	–	–	–	–	(750)	–	543	53
Balance at end of period	100,002	109,234	–	109,234	10,363	–	4,141	2,344	53

	Shareholders' equity					Valuation and translation adjustments		Total net assets
	Retained earnings			Treasury shares	Total share-holders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
	Other retained earnings		Total retained earnings					
	General reserve	Retained earnings brought forward						
Balance at beginning of period	39,471	60,822	117,348	(43,286)	283,299	47,110	47,110	330,410
Cumulative effects of changes in accounting policies		(167)	(167)		(167)			(167)
Restated balance	39,471	60,654	117,180	(43,286)	283,131	47,110	47,110	330,242
Changes during period								
Reversal of reserve for special account for tax purpose reduction entry of non-current assets		750	–		–			–
Provision of reserve for tax purpose reduction entry of depreciable assets		(700)	–		–			–
Reversal of reserve for tax purpose reduction entry of depreciable assets		157	–		–			–
Provision of reserve for open innovation promotion		(53)	–		–			–
Dividends of surplus		(21,531)	(21,531)		(21,531)			(21,531)
Profit		55,915	55,915		55,915			55,915
Cancellation of treasury shares				8,096	–			–
Purchase of treasury shares				(9,499)	(9,499)			(9,499)
Disposal of treasury shares				221	221			221
Transfer from retained earnings to capital surplus		(8,096)	(8,096)		–			–
Net changes in items other than shareholders' equity						(15,707)	(15,707)	(15,707)
Total changes during period	–	26,440	26,286	(1,180)	25,106	(15,707)	(15,707)	9,399
Balance at end of period	39,471	87,095	143,467	(44,466)	308,238	31,403	31,403	339,641

FY2022 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for special account for tax purpose reduction entry of non-current assets	Reserve for tax purpose reduction entry of land	Reserve for tax purpose reduction entry of depreciable assets	Reserve for open innovation promotion
Balance at beginning of period	100,002	109,234	–	109,234	10,363	–	4,141	2,344	53
Cumulative effects of changes in accounting policies									
Restated balance	100,002	109,234	–	109,234	10,363	–	4,141	2,344	53
Changes during period									
Reversal of reserve for special account for tax purpose reduction entry of non-current assets									
Provision of reserve for tax purpose reduction entry of depreciable assets									
Reversal of reserve for tax purpose reduction entry of depreciable assets								(152)	
Provision of reserve for open innovation promotion									
Dividends of surplus									
Profit									
Cancellation of treasury shares			(25,258)	(25,258)					
Purchase of treasury shares									
Disposal of treasury shares			99	99					
Transfer from retained earnings to capital surplus			25,158	25,158					
Net changes in items other than shareholders' equity									
Total changes during period	–	–	–	–	–	–	–	(152)	–
Balance at end of period	100,002	109,234	–	109,234	10,363	–	4,141	2,192	53

	Shareholders' equity					Valuation and translation adjustments		Total net assets
	Retained earnings			Treasury shares	Total share-holders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
	Other retained earnings		Total retained earnings					
	General reserve	Retained earnings brought forward						
Balance at beginning of period	39,471	87,095	143,467	(44,466)	308,238	31,403	31,403	339,641
Cumulative effects of changes in accounting policies					–			–
Restated balance	39,471	87,095	143,467	(44,466)	308,238	31,403	31,403	339,641
Changes during period								
Reversal of reserve for special account for tax purpose reduction entry of non-current assets			–		–			–
Provision of reserve for tax purpose reduction entry of depreciable assets			–		–			–
Reversal of reserve for tax purpose reduction entry of depreciable assets		152	–		–			–
Provision of reserve for open innovation promotion			–		–			–
Dividends of surplus		(23,816)	(23,816)		(23,816)			(23,816)
Profit		47,379	47,379		47,379			47,379
Cancellation of treasury shares				25,258				–
Purchase of treasury shares				(27,454)	(27,454)			(27,454)
Disposal of treasury shares				133	233			233
Transfer from retained earnings to capital surplus		(25,158)	(25,158)		–			–
Net changes in items other than shareholders' equity						4,254	4,254	4,254
Total changes during period	–	(1,443)	(1,595)	(2,062)	(3,658)	4,254	4,254	596
Balance at end of period	39,471	85,651	141,871	(46,528)	304,580	35,657	35,657	340,237

Notes to non-consolidated financial statements

(Significant accounting policies)

1. Valuation basis and methods for assets

(1) Valuation basis and methods for securities

(i) Held-to-maturity debt securities

· · · · · · Amortized cost method

(ii) Shares of subsidiaries and associates

· · · · · · Stated at cost based on the moving average method

(iii) Available-for-sale securities

Other than shares, etc. without market price

· · · · · · Stated at fair value

(Valuation differences are all booked directly in a separate component of net assets, and cost of securities sold is determined by the moving average method)

Shares, etc. without market price

· · · · · · Stated at cost based on the moving average method

(2) Valuation basis and methods for derivatives

· · · · · · Stated at fair value

(3) Valuation basis and methods for inventories

Inventories held for regular sales

(i) Merchandise and finished goods · · · · · · Stated at cost based on the periodic average method

(ii) Work in process · · · · · · Stated at cost based on the moving average method (partly the specific identification method)

(iii) Raw materials and supplies · · · · · · Stated at cost based on the moving average method

(iv) Real estate for sale · · · · · · Stated at cost based on the specific identification method

(Balance sheet values are calculated by devaluating book values based on lowered profitability)

2. Accounting method for depreciation of non-current assets

(1) Property, plant and equipment (excluding leased assets)

The straight-line method is applied.

Major useful lives are as follows:

Buildings: · · · · · · 3 to 50 years

Machinery and equipment: · · · · · · 4 to 17 years

(2) Intangible assets (excluding leased assets)

The straight-line method is applied.

Software for internal use is amortized over its useful life as internally determined (five years).

(3) Leased assets

Leased assets related to finance lease transactions that do not transfer ownership

The straight-line method is applied assuming the lease period to be the useful life without residual value.

(4) Long-term prepaid expenses

The straight-line method is applied.

3. Accounting policy for provisions

(1) Allowance for doubtful accounts

To prepare for credit losses on receivables, an estimated uncollectable amount is provided in the amount estimated either by using the historical rate of credit loss for general receivables, or based on individual consideration of collectability for specific receivables such as highly doubtful receivables.

(2) Provision for bonuses

To provide for payment of employees' bonuses (including the employee bonus portion paid to Directors concurrently serving as employees), the estimated amount is provided based on the amount paid immediately before the end of the fiscal year.

(3) Provision for bonuses for directors (and other officers)

To provide for payment of bonuses for directors (and other officers), the expected payment amount is recorded.

(4) Provision for warranties for completed construction

To provide for payment associated with non-conformance liabilities, etc. for prefabricated housing, the expected amount of future

payment based on past repair costs is recorded.

(5) Provision for share awards

To prepare for the issuance of the Company's shares to Directors and other employees in senior positions based on the share issuance regulations, the estimated value of the Company's shares corresponding to the share issuance points granted to eligible persons at the end of the fiscal year under review is recorded.

(6) Provision for retirement benefits

To prepare for payment of retirement benefits for employees, the expected amounts of retirement benefit obligations and pension assets as of the end of the fiscal year under review are recorded.

In the calculation of retirement benefit obligations, expected retirement benefits are attributed to the period up to the end of the fiscal year under review on a benefit formula basis.

Actuarial gains and losses are amortized using the straight-line method over a certain number of years (five years) within the average remaining service years of employees when incurred in each fiscal year, from the fiscal year following the accrual of each gain or loss.

Past service cost is amortized using the straight-line method over a certain number of years (five years) within the average remaining service years of employees when incurred.

To prepare for payment of retirement benefits associated with re-employment of elderly persons, the expected amount of retirement benefit obligations as of the end of the fiscal year under review is recorded.

4. Accounting policy for recognition of revenues and expenses

The following are the details of major performance obligations in the Company's major businesses and the regular points in time when the Company is to satisfy the said performance obligations (the regular points in time to recognize revenues). The Group received proceeds of sales-related transactions within one year from the time the Company has satisfied performance obligations, and therefore, no significant financial factors are included.

(1) Revenues related to sale of merchandise and finished goods

Sale of merchandise, etc. mainly includes sale of land for sale in lots and multi-family housing, etc. in the Housing business, sale of polyvinyl pipes, etc. in the Urban Infrastructure & Environmental Products Business, and sale of interlayer films for laminated glass, etc. in the High Performance Plastics Business. For these sales of merchandise, etc., it is determined that the customer obtains control over the applicable merchandise, etc. and the performance obligations are satisfied at the time of delivery, and the revenue is recognized as of that point in time.

In domestic sales, if the length of time from shipment to transfer of control over merchandise, etc. to the customer is normal, the revenue is recognized at the time of shipment.

For sale of equipment in the Urban Infrastructure & Environmental Products Business and other items where the installation or acceptance inspection requires a significant length of time, it is determined that the customer obtains control over the applicable equipment, etc. and the performance obligations are satisfied at the time of the acceptance inspection, and the revenue is recognized at that point in time.

(2) Revenues related to construction contracts

Construction contracts mainly set out obligations to construct various industrial plants, etc. in the Urban Infrastructure & Environmental Products Business. Under these construction contracts, as assets are created by the Company's performance of obligations, the customer controls those assets, which means that these performance obligations are satisfied over a certain length of time and according to the progress of construction under the contract. The revenue is, therefore, recognized based on the progress of construction. The progress towards satisfaction of performance obligations is estimated mainly by the input method based on incurred cost.

For construction contracts whose construction period is very short, however, the revenue is recognized at the time when performance obligations have been completely satisfied.

(3) Revenues related to sale of services and others

Sale of services and others mainly includes maintenance services related to the sale of merchandise and finished goods in the Housing business. The revenue is recognized at the time when the provision of services has been completed in the case that performance obligations are satisfied at a single point in time, and recognized as a fixed amount over the service provision period or according to the degree of progress in the case that performance obligations are satisfied over time.

5. Other basis of preparation of non-consolidated financial statements

(1) Accounting for non-deductible consumption taxes, etc. related to assets

Non-deductible consumption taxes and local consumption taxes related to assets are accounted for as period expenses for the fiscal year ended March 31, 2023.

(2) Application of the group tax sharing system

The Company applies the group tax sharing system from the fiscal year under review. Accordingly, regarding the treatment of accounting and disclosure of income taxes, local income taxes, and tax effect accounting, the Company complies with the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Practical Solution No. 42, August 12, 2021). The Company also deems to have no effect of changes in accounting policies due the application of Practical Solution No. 42.

(3) Accounting treatment for retirement benefits

The method of accounting for unrecognized actuarial gains and losses and past service cost relating to retirement benefits differs from the method of accounting for these items in the consolidated balance sheet.

(Significant accounting estimates)

I. FY2021 (from April 1, 2021 to March 31, 2022)

Valuation of land for sale in lots

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

Land for sale in lots: ¥12,886 million

(2) Information on the details of significant accounting estimates related to identified items

Details are as per the description in Notes to consolidated financial statements, (Significant Accounting Estimates), “3. Valuation of land for sale in lots.”

II. FY2022 (from April 1, 2022 to March 31, 2023)

Valuation of land for sale in lots

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

Land for sale in lots: ¥17,087 million

(2) Information on the details of significant accounting estimates related to identified items

Details are as per the description in Notes to consolidated financial statements, (Significant Accounting Estimates), “1. Valuation of land for sale in lots.”

(Additional information)

(Provision for warranties for completed construction)

In the previous fiscal year, provision for warranties for completed construction of current liabilities was recorded by the estimated amount of future compensation for net sales of completed construction contracts based on the past compensation rates. However, from the fiscal year under review, the estimated amount of future compensation for individual projects is also included in provision for warranties for completed construction from the viewpoint of clarity of disclosure. The estimated amount of future compensation for individual projects was included in accrued expenses in the previous fiscal year.

(Notes to non-consolidated balance sheet)

*1. Assets and liabilities regarding transactions with subsidiaries and associates

Items regarding transactions with subsidiaries and associates are as follows:

(Millions of yen)

	FY2021 (as of March 31, 2022)	FY2022 (as of March 31, 2023)
Short-term monetary claims	104,590	114,386
Long-term monetary claims	2,374	1
Short-term monetary obligations	105,169	162,222
Long-term monetary obligations	1,000	0

*2. Amount of tax-purpose reduction entry

With the receipt of national subsidies, the following amount of tax-purpose reduction entry is deducted from the acquisition value of relevant assets.

The amount of tax-purpose reduction entry based on expropriation is included respectively in the following: 440 million yen in buildings, 61 million yen in structures, and 1,430 million yen in land.

(Millions of yen)

	FY2021 (as of March 31, 2022)	FY2022 (as of March 31, 2023)
Buildings	736	823
Structures	68	72
Machinery and equipment	296	533
Vehicles	–	1
Tools, furniture and fixtures	48	86
Land	1,430	1,430
Software	76	76

3. Guarantee obligations

The following liabilities are guaranteed:

(Millions of yen)

	FY2021 (as of March 31, 2022)	FY2022 (as of March 31, 2023)
Guarantee obligations of housing loans for prefabricated modular housing purchasers and the promotion of the employee house ownership plan	38,868	39,007
Guarantees for loans from financial institutions, etc. of subsidiaries and associates	15,498	14,607
Total	54,367	53,614

(Notes to non-consolidated statement of income)

*1. Items regarding transactions with subsidiaries and associates are as follows.

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Net sales	273,371	286,510
Purchase of goods	227,418	242,157
Transactions other than business-related transactions	35,101	46,804

*2. Of which, the ratio of expenses categorized under selling expenses is approximately 19% for FY2021 and 19% for FY2022.

The major expense items and their amounts in selling, general and administrative expenses are as follows:

(Millions of yen)

	FY2021 (from April 1, 2021 to March 31, 2022)	FY2022 (from April 1, 2022 to March 31, 2023)
Freight costs, storage fees and packing expenses	11,496	11,843
Employees' salaries, allowance and bonuses	13,840	14,190
Provision for bonuses	2,417	2,376
Retirement benefit expenses	241	502
Depreciation	4,321	5,323
Commission	12,914	13,548
Research and development expenses	27,328	27,690

(Securities)

I. FY2021 (as of March 31, 2022)

Shares of subsidiaries and associates

(Millions of yen)

Category	Carrying amount in balance sheet	Fair value	Difference
Shares of subsidiaries	2,019	5,021	3,001
Shares of associates	12,386	25,765	13,378
Total	14,406	30,787	16,380

Note: Shares, etc. without market price that are not included in the above

Category	Carrying amount in balance sheet (millions of yen)
Shares of subsidiaries	240,419
Shares of associates	6,946

II. FY2022 (as of March 31, 2023)

Shares of subsidiaries and associates

(Millions of yen)

Category	Carrying amount in balance sheet	Fair value	Difference
Shares of subsidiaries	2,019	3,740	1,720
Shares of associates	12,386	26,323	13,936
Total	14,406	30,063	15,656

Note: Shares, etc. without market price that are not included in the above

Category	Carrying amount in balance sheet (millions of yen)
Shares of subsidiaries	244,198
Shares of associates	5,142

(Tax effect accounting)

1. Major components of deferred tax assets and liabilities

(Millions of yen)

	FY2021 (as of March 31, 2022)	FY2022 (as of March 31, 2023)
Deferred tax assets		
Loss on valuation of shares of subsidiaries and associates	9,074	9,706
Provision for retirement benefits	7,083	7,248
Impairment losses	3,379	3,350
Other	8,630	6,671
Total gross deferred tax assets	28,167	26,977
Valuation allowance	(12,226)	(13,064)
Total deferred tax assets	15,941	13,913
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(13,781)	(15,435)
Prepaid pension costs	(2,955)	(3,151)
Reserve for tax-purpose reduction entry of non-current assets	(2,845)	(2,778)
Valuation difference on shares of subsidiaries and associates	(1,469)	(1,469)
Other	(432)	(425)
Total deferred tax liabilities	(21,483)	(23,260)
Net deferred tax liabilities	(5,541)	(9,347)

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

	FY2021 (as of March 31, 2022)	FY2022 (as of March 31, 2023)
Statutory tax rate	30.5%	30.5%
(Adjustments)		
Expenses not deductible permanently, such as entertainment expenses	0.4	0.6
Income not taxable permanently, such as dividend income	(8.1)	(17.8)
Tax credit	(2.6)	(4.5)
Valuation allowance	(1.7)	1.6
Other	0.2	0.0
Effective income tax rate after application of tax effect accounting	18.7	10.4

(Revenue recognition)

Information that serves as the basis for understanding revenue from contracts with customers is omitted because it is as per the description in Notes to consolidated financial statements, (Revenue recognition), “2. Information that serves as the basis for understanding revenue from contracts with customers.”

(Significant subsequent events)

(Purchase of treasury shares)

The Company resolved at its Board of Directors meeting on April 28, 2023 the following matters associated with the acquisition of treasury shares based on the provision of Article 156, paragraph 1 of the Companies Act to be applied mutatis mutandis pursuant to the provision of Article 165, paragraph 3 of the said Act.

(1) Reasons for executing purchase of treasury shares

For the purpose of implementing an agile capital strategy and as part of the shareholder return policy

(2) Contents of resolution of the Board of Directors regarding the acquisition of treasury shares

(i) Class of shares to be acquired

Common shares of the Company

(ii) Total number of shares to be acquired

Up to 4,000,000 shares

(iii) Acquisition period

From May 1, 2023 to March 29, 2024

(iv) Total acquisition amount

Up to ¥8,000 million

(v) Acquisition method

Purchase through the market including an advance-notice-type market buying system (ToSTNeT)

(3) Purchase of treasury shares

(i) Class of shares acquired

Common shares of the Company

(ii) Total number of shares acquired

4,000,000 shares

(iii) Total acquisition amount

¥7,832 million

(iv) Acquisition date

May 31, 2023

(v) Acquisition method

Market buying

(Cancellation of Treasury Shares)

The Company resolved at its Board of Directors meeting on April 28, 2023 the following matters associated with the cancellation of treasury shares based on the provision of Article 178 of the Companies Act, and executed cancellation on May 25, 2023.

(1) Reasons for cancelling treasury shares

For the purpose of strengthening the initiatives to enhance capital efficiency and as part of the shareholder return policy

(2) Contents of resolution of the Board of Directors regarding the cancellation of treasury shares

(i) Class of shares to be cancelled

Common shares of the Company

(ii) Number of shares to be cancelled

4,000,000 shares

(iii) Cancellation date

May 25, 2023

(iv) Total number of issued shares after cancellation

452,507,285 shares

(iv) Annexed detailed schedule

Detailed schedule of property, plant and equipment, etc.

Category of assets	Carrying amount at beginning of period (millions of yen)	Increase during the period (millions of yen)	Decrease during the period (millions of yen)	Depreciation during the period (millions of yen)	Carrying amount at end of period (millions of yen)	Accumulated depreciation (millions of yen)	Acquisition cost at end of period (millions of yen)
Property, plant and equipment:							
Buildings	36,181	1,512	169 (2)	2,616	34,908	62,040	96,948
Structures	2,710	177	12	258	2,616	10,700	13,317
Machinery and equipment	24,587	5,437	201 (27)	6,556	23,267	141,277	164,545
Vehicles	131	35	0	51	115	792	908
Tools, furniture and fixtures	3,665	1,235	42	1,552	3,306	26,594	29,901
Land	36,651	364	3	–	37,012	–	37,012
Leased assets	610	69	5	248	426	365	792
Construction in progress	2,403	9,691	8,763	–	3,331	–	3,331
Total property, plant and equipment:	106,941	18,524	9,197 (29)	11,283	104,984	241,772	346,757
Intangible assets							
Industrial property	279	20	–	124	175	2,071	2,246
Right to use facilities	105	–	0	0	104	326	430
Software	7,453	9,437	8	4,132	12,749	35,721	48,471
Leased assets	0	–	0	0	0	0	0
Other intangible assets	8,545	9,414	9,457	–	8,502	–	8,502
Total intangible assets	16,384	18,872	9,467	4,257	21,531	38,119	59,651

Notes:

1. The figures in parentheses under “Decrease during the period” represent the impairment loss component of the stated decreases.

2. Major items in increase and decrease during the period are as follows.

Category of assets	Increase or decrease	Business office or location	Description	Amount (millions of yen)
Software	Increase	Housing	House design system	5,642
Other intangible assets	Increase	Headquarters	ERP system	4,833

Detailed schedule of provisions

Category	Balance at beginning of period (millions of yen)	Increase during the period (millions of yen)	Decrease during the period (millions of yen)	Balance at end of period (millions of yen)
Allowance for doubtful accounts	2,458	7	2,180	285
Provision for bonuses	4,341	4,187	4,341	4,187
Provision for bonuses for directors (and other officers)	161	209	161	209
Provision for warranties for completed construction	836	3,251	2,009	2,078
Provision for share awards	912	335	232	1,015

(2) Components of major assets and liabilities

Description is omitted since consolidated financial statements are prepared.

(3) Other

Not applicable.

VI. Outline of Share-Related Administration of Reporting Company

Fiscal year	From April 1 to March 31
Annual general meeting of shareholders	June
Record date	March 31
Record date for dividends of surplus	September 30 March 31
Number of shares constituting one unit	100 shares
Purchase and sale of shares less than one unit	(Note)
Place for purchase and sale	(Special account) 6-3, Fushimimachi 3-chome, Chuo-ku, Osaka, Japan Osaka Securities Agency Division, Mitsubishi UFJ Trust and Banking Corporation
Shareholder register administrator	(Special account) 4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo, Japan Mitsubishi UFJ Trust and Banking Corporation
Contact place	-
Purchase/sale commission	Free
Method of public notice	Electronic public notice
Shareholder benefits	Not applicable

(Note) For shares less than one unit that the Company's shareholders own, they may not exercise any rights except for the rights under each item of Article 189, paragraph 2 of the Companies Act, the right to make a demand under Article 166, paragraph 1 of the Companies Act, the right to the allotment of the shares for subscription and share options for subscription in accordance with the number of shares they own, and the right to make a demand for purchasing shares less than one unit which, together with the shares less than one unit that they own, will constitute one share unit.

VII. Reference Information of Reporting Company

1 Information about parent of reporting company

The Company has no parent company.

2 Other reference information

The Company submitted the documents below from the start date of the fiscal year under review to the filing date of this Annual Securities Report.

(1) Securities registration statement

Submitted to the Director-General of the Kanto Local Finance Bureau on July 28, 2022

(2) Amended securities registration statement

Submitted to the Director-General of the Kanto Local Finance Bureau on August 8, 2022

The Company filed an amendment to the Securities Registration Statement submitted on July 28, 2022.

(3) Amended shelf registration statement

Submitted to the Director-General of the Kanto Local Finance Bureau on May 16, 2022

Submitted to the Director-General of the Kanto Local Finance Bureau on June 22, 2022

(4) Annual securities report and attached documents and confirmation letter

For the 100th Business Term (from April 1, 2021 to March 31, 2022), submitted to the Director-General of the Kanto Local Finance Bureau on June 22, 2022

(5) Internal control report and attached documents

Submitted to the Director-General of the Kanto Local Finance Bureau on June 22, 2022

(6) Quarterly securities report and confirmation letter

For first quarter of the 101st Business Term (from April 1, 2022 to June 30, 2022), submitted to the Director-General of the Kanto Local Finance Bureau on August 8, 2022

For second quarter of the 101st Business Term (from July 1, 2022 to September 30, 2022), submitted to the Director-General of the Kanto Local Finance Bureau on November 9, 2022

For third quarter of the 101st Business Term (from October 1, 2022 to December 31, 2022), submitted to the Director-General of the Kanto Local Finance Bureau on February 9, 2023

(7) Extraordinary report

Submitted to the Director-General of the Kanto Local Finance Bureau on June 22, 2022

An extraordinary report under Article 19, paragraph 2, item 9-2 of the Cabinet Office Order on Disclosure of Corporate Affairs (a result of exercise of voting rights at a shareholders meeting)

(8) Share buyback report

Submitted to the Director-General of the Kanto Local Finance Bureau on July 6, 2022

Submitted to the Director-General of the Kanto Local Finance Bureau on August 8, 2022

Submitted to the Director-General of the Kanto Local Finance Bureau on September 7, 2022

Submitted to the Director-General of the Kanto Local Finance Bureau on October 7, 2022

Submitted to the Director-General of the Kanto Local Finance Bureau on November 9, 2022

Submitted to the Director-General of the Kanto Local Finance Bureau on December 8, 2022

Submitted to the Director-General of the Kanto Local Finance Bureau on January 12, 2023

Submitted to the Director-General of the Kanto Local Finance Bureau on February 13, 2023

Submitted to the Director-General of the Kanto Local Finance Bureau on March 7, 2023

Submitted to the Director-General of the Kanto Local Finance Bureau on April 11, 2023

Submitted to the Director-General of the Kanto Local Finance Bureau on May 12, 2023

Submitted to the Director-General of the Kanto Local Finance Bureau on June 13, 2023

Part 2 Information About Reporting Company's Guarantor, Etc.

Not applicable.