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Annual Securities Report

The 100th Business Term

**From April 1, 2021
to March 31, 2022**

SEKISUI CHEMICAL CO., LTD.

E00820

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Filing date	June 22, 2022
Fiscal year	100th Business Term (from April 1, 2021 to March 31, 2022)
Company name	積水化学工業株式会社 (<i>Sekisui Kagaku Kogyo Kabushiki Kaisha</i>)
Company name in English	Sekisui Chemical Co., Ltd.
Job title and name of representative	Keita Kato, President and Representative Director, and Chief Executive Officer
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(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		96th Business Term	97th Business Term	98th Business Term	99th Business Term	100th Business Term
Year ended		March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022
Net sales	(Millions of yen)	1,107,429	1,142,713	1,129,254	1,056,560	1,157,945
Ordinary profit	(Millions of yen)	93,929	93,146	87,202	62,649	97,001
Profit attributable to owners of parent	(Millions of yen)	63,459	66,093	59,181	41,544	37,067
Comprehensive income	(Millions of yen)	73,898	55,648	36,364	93,956	41,509
Net assets	(Millions of yen)	612,757	632,746	634,219	694,392	702,753
Total assets	(Millions of yen)	994,137	1,023,706	1,105,781	1,150,143	1,198,921
Net assets per share	(Yen)	1,245.91	1,307.75	1,333.76	1,485.89	1,519.19
Basic earnings per share	(Yen)	133.80	141.74	128.80	91.92	83.17
Diluted earnings per share	(Yen)	133.58	141.64	128.77	–	–
Equity-to-asset ratio	(%)	59.12	59.31	55.10	58.00	56.27
Rate of return on equity	(%)	11.16	11.06	9.73	6.51	5.53
Price-earnings ratio	(Times)	13.87	12.55	11.17	23.12	21.15
Net cash provided by operating activities	(Millions of yen)	82,272	85,213	92,647	75,271	105,023
Net cash provided by (used in) investing activities	(Millions of yen)	(60,881)	(62,553)	(100,562)	(58,495)	2,694
Net cash provided by (used in) financing activities	(Millions of yen)	(35,981)	(31,539)	15,450	(19,157)	(54,729)
Cash and cash equivalents at end of period	(Millions of yen)	76,723	68,613	74,721	76,649	133,739
Number of employees	(Persons)	26,080	26,486	27,003	26,577	26,419

- (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 amount of diluted earnings per share in the 100th Business Term is 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 are those after applying such accounting standard and relevant ASBJ regulations.

(2) Key financial data of reporting company

Term	96th Business Term	97th Business Term	98th Business Term	99th Business Term	100th Business Term
Year ended	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022
Net sales (Millions of yen)	356,785	359,993	354,633	333,064	359,176
Ordinary profit (Millions of yen)	43,192	42,395	42,995	47,074	42,598
Profit (Millions of yen)	37,807	38,454	33,484	41,210	55,915
Share capital (Millions of yen)	100,002	100,002	100,002	100,002	100,002
Total number of issued shares (Thousands of shares)	500,507	492,507	484,507	476,507	471,507
Net assets (Millions of yen)	311,286	307,021	299,612	330,410	339,641
Total assets (Millions of yen)	592,484	593,435	646,079	690,848	668,738
Net assets per share (Yen)	658.79	660.50	655.27	735.43	764.25
Dividend per share (Interim dividend per share) (Yen)	40.00 (19.00)	44.00 (21.00)	46.00 (23.00)	47.00 (23.00)	49.00 (24.00)
Basic earnings per share (Yen)	79.66	82.41	72.82	91.11	125.36
Diluted earnings per share (Yen)	79.53	82.35	72.80	–	–
Equity-to-asset ratio (%)	52.49	51.71	46.36	47.83	50.79
Rate of return on equity (%)	12.36	12.45	11.04	13.08	16.69
Price-earnings ratio (Times)	23.30	21.59	19.68	23.32	14.03
Payout ratio (%)	50.21	53.39	63.17	51.59	39.09
Number of employees (Persons)	2,615	2,617	2,666	2,745	2,761
Total shareholder return (%)	101.3	99.6	83.5	123.0	106.1
(Comparative index: dividend-included TOPIX) (%)	(115.9)	(110.0)	(99.6)	(141.5)	(144.3)
Highest stock price (Yen)	2,350	2,114	1,986	2,243	2,187
Lowest stock price (Yen)	1,732	1,532	1,142	1,267	1,648

- (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 amount of diluted earnings per share in the 100th Business Term is not provided because there are no potential shares.
2. The highest and lowest stock prices were those 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 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 95 domestic subsidiaries, 78 foreign subsidiaries, and 17 associates (as of March 31, 2022)) 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:

[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, sales and construction of real estate, housing for the elderly with services and interior and exterior decoration, electric power trading, and town and community development.

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)

Hokkaido Sekisui Heim Co., Ltd., Sekisui Heim Tohoku Co., Ltd., Tokyo Sekisui Heim Co., Ltd., Gunma Sekisui Heim Co., Ltd.,

Sekisui Heim Shinetsu 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., Tochigi 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., Tokyo Sekisui Fami S Co., Ltd.,

Sekisui Fami S Shinetsu 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, pipe and drain renewal materials and construction methods, reinforced plastic pipes, water tanks, building materials (for gutters and home exteriors), nursing-care equipment, bath units, decorative sheets, synthetic lumber, sound-proof and vibration-proof materials, blow-molded containers, construction materials, functional *tatami* mats, etc.

Major subsidiaries and associates:

(Production of materials)

Tokuyama Sekisui Co., Ltd.

(Product manufacturing)

Chiba Sekisui Industry Co., Ltd., Nishi Nihon Sekisui Industry Co., Ltd., Shikoku Sekisui Industry Co., Ltd., Kyushu Sekisui Industry Co., Ltd., Higashi Nihon Sekisui Industry Co., Ltd.,

Yamanashi Sekisui Co., Ltd., Nara Sekisui Industry Co., Ltd., Sekisui (Wuxi) Plastics Technology Co., Ltd.

(Product sales)

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

Vantec Co., Ltd., Sekisui Chemical G.m.b.H., Sekisui Vietnam Co., Ltd., Sekisui Singapore Pte. Ltd.

(Manufacturing, sales, etc. of products)

Sekisui Aqua Systems Co., Ltd., Seiryu Maintenance Co., Ltd., Sekisui Home Techno Co., Ltd., Sekisui Seikei Co., Ltd., Sekisui Seikei Izumo Co., Ltd.,

Sekisui Seikei Chiba Co., Ltd., Sekisui Seikei Ibaraki Co., Ltd., Sekisui Seikei Hyogo Co., Ltd., Kyushu Sekisui Shoji Infratec Co., Ltd., Sekisui Chemical Hokkaido Co., Ltd.,
Toto Sekisui Co., Ltd., Nippon Insiek Co., Ltd., Rehabilitation Research Laboratory Co., Ltd.,
SEKISUI KYDEX,LLC. Sekisui SPR Americas, LLC. SEKISUI ESLON B.V. Sekisui Rib Loc Group Pty.Ltd.
Sekisui Rib Loc Australia Pty. Ltd., Sekisui Systembath Industry Co., Ltd.,
Sekisui (Shanghai) Environmental Technology Co., Ltd., Sekisui (Qingdao) Plastic Co., Ltd., Sekisui Industrial Piping 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, heat dissipation materials (grease sheets), composite molded products using carbon fiber reinforced plastic (CFRP), etc., functional resin for infrastructure materials, fire resistant materials, non-flammable polyurethane, polyurethane, panels for livestock, adhesives, packaging tapes, plastic containers, polyvinyl alcohol resin, sanitary materials, and other products.

Major subsidiaries and associates:

(Manufacture of raw materials and products)

*(Tokuyama Sekisui Co., Ltd.)

(Product manufacturing)

Naseki Seimitsukako Co., Ltd., Sekisui Taga Chemical Industry Co., Ltd., Sekisui Musashi Kako Co., Ltd., Sekisui Minakuchi Kako Co., Ltd., Sekisui Polymatech (Shanghai) Co., Ltd.,
Sekisui Polymatech (Thailand) Co., Ltd., PT., Sekisui Polymatech Indonesia,
Sekisui Polymatech Europe B.V.

(Product sales)

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

(Manufacture and sales of products)

Sekisui Techno Molding Co., Ltd., Sekisui Nano Coat Technology Co., Ltd., Sekisui Fuller Company, Ltd.,
SumikaSekisui Film Co., Ltd., Sekisui Polymatech Co., Ltd., Sekisui Soflan Wiz Co., Ltd.,
Sekisui Voltek, LLC, Sekisui Alveo B.V.,
Sekisui Alveo BS G.m.b.H., Sekisui S-Lec America, LLC, Sekisui S-Lec Mexico S.A. de C.V.,
Sekisui S-Lec B.V., Sekisui Specialty Chemicals America, LLC,
Sekisui Specialty Chemicals Europe, S.L., Thai Sekisui Foam Co., Ltd., Sekisui S-Lec Thailand Co., Ltd.,
Sekisui Specialty Chemicals (Thailand) Co., Ltd., S and L Specialty Polymers Co., Ltd.,
Sekisui DLJM Molding Private Limited, Sekisui Pilon Pty. Ltd., Youngbo Chemical Co., Ltd.,
Youngbo HPP (Langfang) Co., Ltd., Sekisui Youngbo HPP (Wuxi) Co., Ltd., Sekisui S-LEC (Suzhou) Co., Ltd.,
Sekisui High Performance Packaging (Langfang) Co., Ltd., 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

(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, analyzers, pharmaceutical ingredients and intermediates, drug discovery support, enzyme raw materials, etc.

Major subsidiaries and associates:

(Manufacture and sales of products)

Sekisui Medical Co., Ltd., Sekisui XenoTech, LLC, Sekisui Diagnostics G.m.b.H., Sekisui Diagnostics, LLC, Sekisui Diagnostics P.E.I. Inc., Sekisui Diagnostics (UK) Limited, Sekisui Medical Technology (China) Ltd., Sekisui Medical Technology (Suzhou) Co., 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 P2 Nanotech Co., Ltd., Sekisui LB Tech Co., Ltd., Sekisui Bio Refinery Co., Ltd.

(Manufacture and sales of products)

Research Laboratory of Plastics Technology Co., Ltd.

(Services, etc.)

Sekisui Accounting Center Co., Ltd., Sekisui Insurance Service Co., Ltd.,

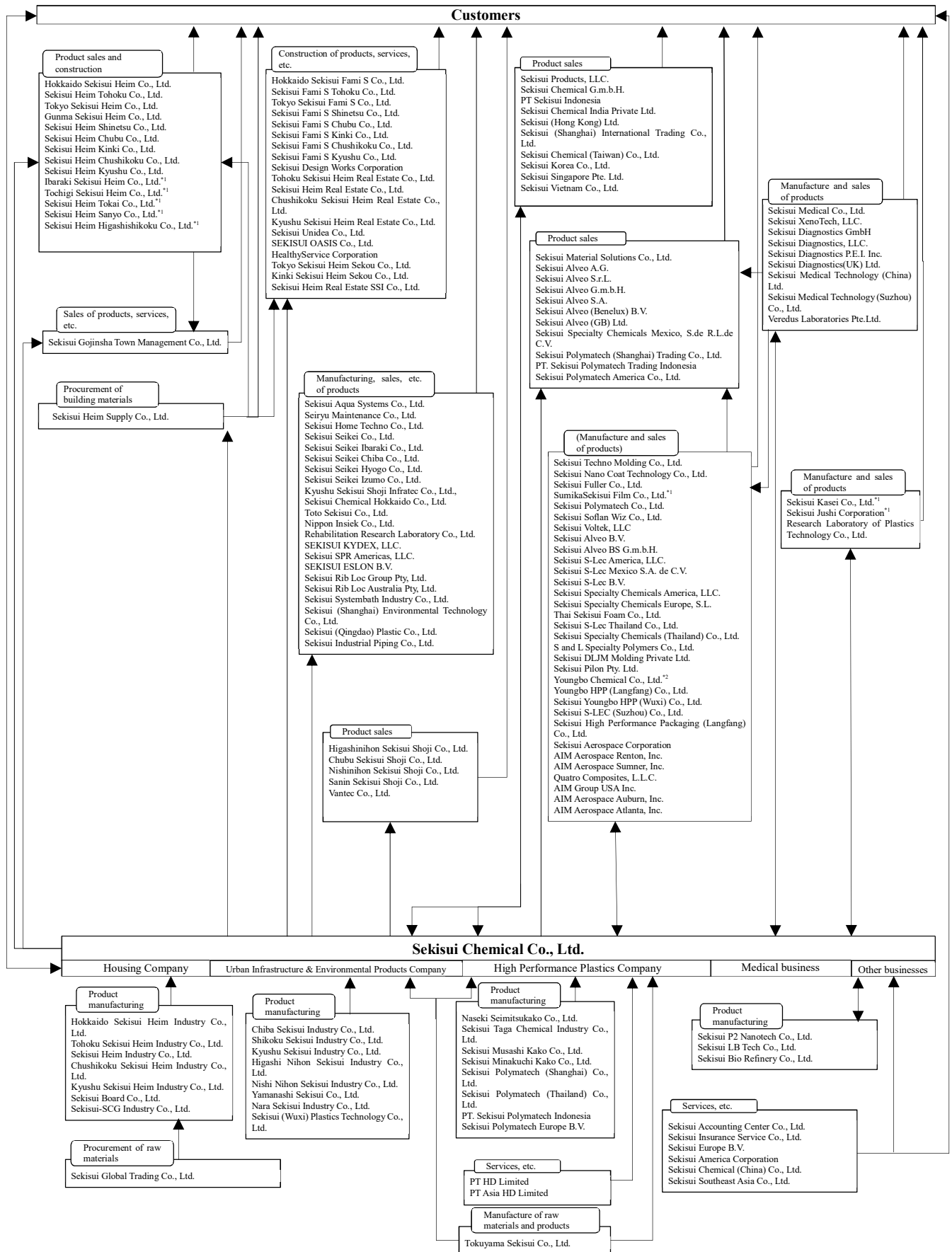
Sekisui Europe B.V., Sekisui America Corporation, Sekisui Chemical (China) Co., Ltd.,

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, pharmaceuticals, etc.	100.0	Concurrent office-holding by officer(s): Yes
Sekisui Polymatech Co., Ltd.	Sakura-ku, Saitama	1,110	Manufacture and sales of mold products and thermally conductive products	91.0	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 Heim Industry Co., Ltd. (Note 1)	Hasuda, Saitama	500	Production of prefabricated modular houses	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 and sales of 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	Housing sales and construction	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	Housing sales and construction	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	Sales and construction 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	Housing sales and construction	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	Housing sales and construction	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	Housing sales and construction	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	Housing sales and construction	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	Housing sales and construction	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	Housing sales and construction	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	Housing sales and construction	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	83.8	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 trading, leasing, 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 United States	100.0	This company supervises affiliated companies in the United States 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 glass	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, Chungcheongb uk-do, South Korea	Millions of won 10,000	Manufacture 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 glass	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
125 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 synthetic resin 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	22.1 (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	Housing sales and construction	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	Housing sales and construction	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	Housing sales and construction	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	Housing sales and construction	25.1	This company constructs and sells prefabricated modular houses using the Company's housing materials. Concurrent office-holding by officer(s): Yes
Tochigi Sekisui Heim Co., Ltd.	Utsunomiya, Tochigi	80	Housing sales and construction	40.0	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, 2022

Segment name	Number of employees (persons)
Housing	11,017
Urban Infrastructure & Environmental Products	4,897
High Performance Plastics	7,506
Medical	2,214
Reportable segment total	25,634
Other	423
Corporate (common)	362
Total	26,419

- (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, 2022

Number of employees (persons)	Average age (years)	Average length of service (years)	Average annual salary (yen)
2,761	43.6	15.7	8,972,634

Segment name	Number of employees (persons)
Housing	295
Urban Infrastructure & Environmental Products	897
High Performance Plastics	1,018
Medical	–
Reportable segment total	2,210
Other	235
Corporate (common)	316
Total	2,761

- (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 5,341 members.

There are no special remarks about labor-management relations.

II. Overview of Business

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

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 26,000 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 2022,” a medium-term management plan for the period of three years from fiscal 2020 to fiscal 2022, 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 Group-wide main measures and established a 40.0 billion yen ESG investment framework in the current Medium-term Management Plan. We are promoting 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 2022”

Overview of the Medium-term Management Plan “Drive 2022”

In the Medium-term Management Plan “Drive 2022” formulated under our long-term vision, there is a basic policy of driving sustainable growth, reform and preparation with the aim of doubling the SEKISUI CHEMICAL Group’s business. By practicing ESG management, we will work on three key challenges globally: (i) achieve growth & reform; (ii) create & acquire new business for long-term growth; and (iii) strengthen ESG management base.

Business targets under the Medium-term Management Plan

	Fiscal 2022 Targets	
	Medium-term Management Plan	Medium-term increase
Net sales	1,220.0 billion yen	+90.7 billion yen
Operating profit (ratio)	110.0 billion yen (9.0%)	+22.2 billion yen (+1.2%)
Profit attributable to owners of parent	70.0 billion yen	+11.1 billion yen
ROIC (return on invested capital)	8.6%	+0.9%
ROE (return on equity)	10.6%	+0.9% (keep in excess of 10%)

Overseas Sales (ratio)	320.0 billion yen (26%)	+45.3 billion yen
EBITDA (Earnings before interest, taxes, depreciation, and amortization)	170.0 billion yen	+36.8 billion yen

Basic strategies

The basic strategies of the Medium-term Management Plan Drive 2022 are to build a corporate structure that is able to practice ESG management and enhance corporate value on a sustainable basis, address the three key Drive issues of (i) business growth and reform, (ii) preparation for long-term growth, and (iii) strengthening the ESG management base as a first step toward realizing the long-term vision while also accelerating efforts through fusion and digital transformation.

a) Business growth and reform (Existing Business Drive)

- Growth strategy: Achieve an incremental increase in Group-wide net sales of approximately 90.0 billion yen
- Structural reforms: Ensure profitability at a Group-wide operating profit ratio around the 10% level
- DX: Strengthen the promotion system and support growth strategies and structural reforms

b) Preparation for long-term growth (New Business Drive)

We will build business platforms in new fields in domains.

- Advanced Lifeline: Fully fledged biorefinery development verification
- Innovative Mobility: Enter the aircraft field and grow there
- Residential: Expand the Town & Community Development business
- Life Science: Secure the next pillar

c) Strengthening the ESG management base (Business Base Drive)

- Introduce ROIC as a KPI to strengthen sustainable management capabilities
- Enhance management's ability to sustain business by improving capital efficiency and reducing capital costs over the long term

Investment and financial strategies

In addition to the cash generated during the three years of the Medium-term Management Plan Drive 2022, the Company will establish an investment limit of 500.0 billion yen in order to procure funds in an appropriate and flexible manner. Strategic investment has been raised to 400.0 billion yen, more than doubling that under the previous medium-term management plan. Of this total, 300.0 billion yen has been set aside for M&A investment, which will be used to acquire a wide range of resources including technology, know-how, and global sales channels. Moreover, we have set the ESG investment limit at 40.0 billion yen. This ESG investment serves to control long-term capital costs and contribute to greater corporate value through reduced environmental impact, work-style reforms, and digital transformation (DX).

Target item	Results of the previous medium-term plan (Billions of yen)	Target item	Medium-term Plan (FY2020-2022) (Billions of yen)
Strategic Investment	172.1	Strategic Investment	Limit 400.0
M&A, etc.	78.2	M&A, etc.	Limit 300.0
Capital Expenditures	93.9	Capital Expenditures	100.0
Normal Investment	93.1	ESG Investment*	Limit 40.0
Environmental Contribution	9.1	Normal Investment	100.0
Work-style Reforms	6.5	Investment Limit Totals	500.0
Investment Limit Totals	265.2	R&D Expenses	130.0
R&D Expenses	112.9		

* ESG investments: Advance investments that will restrain capital cost and contribute to improving our corporate value in the long term (such as investments for the environment, work-style reforms, and DX)

Returns to shareholders

In the Medium-term Management Plan "Drive 2022," 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 35% 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) 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.

(iv) Diversity management initiatives

Toward the realization of the long-term vision, the 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, working together with the aim of solving common issues such as diversity, work-style reforms, and health management.

a) Diversity

We focus on empowerment of women, support to maintain a work-life balance, and support for active participation of senior workers. To address challenges of the Company and society, the Company and eight Group companies extended the retirement age (from 60 to 65) in October 2021. All Group companies will have the retirement age extended during fiscal 2025 to support active participation of people regardless of their age.

b) Work-style reforms

We seek to reduce the working hours of Group employees by striving to improve productivity and flexible work styles (remote work, paperless format, etc.). Furthermore, we continue to promote development of various infrastructure and systems like remote work system to prevent COVID-19 from spreading. Through these efforts, we have a work style not bound by time and place.

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, we have organized healthcare-application-based “Seven Health Habits”—support programs and mental health training (targeting all employees, and mandatory for those in managerial positions).

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

Fiscal 2022 Targets	Consolidated net sales	1,241.6 billion yen	Profit attributable to owners of parent	66.5 billion yen
	Consolidated operating profit	100.0 billion yen	ROE (return on equity)	9.7%

Fiscal 2022 will be the final year of the Medium-term Management Plan “Drive 2022.” We intend to enhance management ability to sustain business by strengthening ESG management, and steadily implement growth measures.

The direct impact of the Russia-Ukraine crisis on business results will be de-minimis, and we are monitoring the impacts caused by the crisis including resource shortages, prolongation of the increase in raw material prices, and a slump in the European automobile market. Although there are uncertain factors in the business environment, in conjunction with the diminution of effects from COVID-19, we anticipate moderate recovery in the global automotive, smartphone, and other markets as well as new housing starts in Japan. We will work to increase high added value business and expand sales of high added value products that contribute to solving social issues while implementing measures to strengthen profit structures including steady improvements in sales prices, fixed cost reductions, production optimization, and business structure reforms. Through these efforts, we aim to record net sales of 1,241.6 billion yen, 83.6 billion yen higher than the previous year, operating profit of 100.0 billion yen, 11.1 billion yen higher than the previous year, ordinary profit of 100.0 billion yen, 2.9 billion yen higher than the previous year, and profit attributable to owners of parent of 66.5 billion yen, 29.4 billion yen higher than the previous year, and seek to achieve an increase in operating profit in all segments and record highs in all measures of profit for the Group.

In addition, we also will further accelerate preparations and growth investment for the next Medium-term Management Plan and onward while implementing measures for the commercialization of biorefineries, a technology for converting waste into ethanol, DX promotion, and reinforcement of research and development.

Housing Company

In fiscal 2022, an extremely demanding business environment including an expansion of rising prices for components is expected, but we aim to post higher sales and profit through increased sales and cost reductions in the Housing and Housing Renovation businesses.

In the Housing business, we will increase customers by reinforcing web-based marketing and work to enhance methods of creating and developing customers including development and utilization of experience-based facilities. In addition, we will introduce products with enhanced smart and resilience functions and functions that respond to the new normal, work to increase sales of subdivision and ready-built houses, and take action to raise sales. We will also strengthen foundations through leveling of construction and other measures.

In the Housing Renovation business, we will reinforce sales structures by expanding periodic diagnoses, using showrooms and the Web, and other measures. In addition, we will raise sales by expanding sales of smart and resilient products and products that respond to the new normal and improving productivity.

Furthermore, we will continue to focus our efforts on expanding frontier business including the Town and Community Development and Be HEIM purchase and resale businesses.

Urban Infrastructure & Environmental Products Company

In fiscal 2022, we aim to record higher sales and profit through continued efforts to extend sales of prioritized products that contribute to solutions to social issues and expand overseas business, and steady efforts to match sales prices with soaring raw materials prices. In addition, we will materialize the effects at an early stage through productivity improvements and production automation utilizing DX.

In the Piping and Infrastructure field, we will make continued efforts to extend sales of prioritized products that contribute to the solution to social issues such as labor shortages and infrastructure deterioration and increase sales from measures to reliably convert delayed projects into earnings and absorb demand for capital investment for plants.

In the Building and Living Environment field, we will further increase sales of disaster-response products and nursing care products.

In the Advanced Materials field, we will work to increase sales by promoting overseas adoption of synthetic lumber for use as railway sleepers, developing applications for thermoplastic sheets, and expanding products such as liquid transportation containers. We will also steadily continue preparations for the start of production at our synthetic lumber plant in Netherlands in fiscal 2022.

High Performance Plastics Company

In fiscal 2022, despite an uncertain business environment resulting from soaring raw materials prices, the Company aims to achieve higher sales and profit by promoting a further shift to growth measures in strategic segments and improving sales prices.

In the Electronics field, we will accelerate the increase of sales of non-LCD products including substrate and semiconductor-related products against a background of firm smartphone markets to achieve continued growth in sales.

In the Mobility field, although risk factors remain, we will continue to promote increased sales of high-performance interlayer films with a focus on head-up displays to achieve an increase in sales.

In the Building and Infrastructure field, as overseas demand remains firm and domestic demand is on track to recovery, we will increase overseas sales of chlorinated polyvinyl chloride (CPVC), expand the fire protection materials business with a focus on nonflammable urethane products, and continue to improve sales prices to achieve higher sales.

Medical Business

In fiscal 2022, net sales are expected to decrease due to decreasing demand for COVID-19 diagnostics. On the other hand, we aim to record higher profit through efforts to increase sales of new automated coagulation analyzers and high-value-added products in the Diagnostics business, and through efforts to win new orders for drug development solutions along with promotion of increasing sales of new pharmaceutical ingredients in the Pharmaceutical Sciences business.

(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 Public Relations 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 and facility tours such as plants for shareholders 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. 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) Major market trends

The Group's business results and financial position could be affected should an unforeseen event arise. This includes a downturn in demand in markets such as mobility, electronics, housing, construction, and infrastructure, or an economic slowdown in such business areas as Japan, North America, Europe, and Asia.

For example, 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, which are characterized by volatile fluctuations in demand, 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 consumption tax rates, interest rates, private consumption, and regional economies. 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.

(2) Raw material price volatility and procurement

The market prices of steel, timber, polyvinyl chloride, olefin, and other petroleum-related raw materials used in the Group's production activities are affected by a variety of factors including trends in the global economy, the balance between demand and supply, and fluctuations in foreign currency exchange rates. In addition, some of the raw materials used in the Group's products comprise scarce resources, which 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. As a result, the Group's business results and financial position could be affected.

In response to rising raw material prices, the Group is implementing cost-reduction measures. At the same time, efforts are being directed toward maintaining a sufficient margin between selling and raw material prices, mainly in the Urban Infrastructure & Environmental Products Company and High Performance Plastics Company.

(3) 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 the necessary 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.

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

Operating and expanding its business globally, fluctuations in the value of the yen against foreign currencies could have a significant impact on the Group's foreign currency-denominated sales, raw material procurement costs, and the assets and

liabilities of overseas subsidiaries and associates.

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

The Group continues to promote local production by its businesses seeking to expand globally. Under these circumstances, every effort is being made to manage the balance of the Group's foreign currency holdings by converting them into yen and utilizing intra-Group loans and other means to reduce foreign currency exchange risk.

(5) Overseas business activities

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.

(6) Major earthquake, natural disaster, industrial accident, and other incident

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, as well as such 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.

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 on a global basis.

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

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

(7) Information security

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.

(8) Legal and other 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 that violates societal norms 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 Sustainability Committee, chaired by the President, 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, 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.

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

(9) Climate change and environmental issues

Recognizing that climate change caused by greenhouse gases, resource depletion, a circular economy, 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 to promote various other measures including collaboration with suppliers to procure raw materials with low environmental impact. 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.

(10) Impact of COVID-19

The global spread of COVID-19 restricts the activities of people in many countries around the world, thereby affecting economic activities including a shrinkage in demand and restrictions on supply. This is similarly applicable to the employees of the Group. It could restrict our business activities such as sales, production and development, thereby affecting the Group’s business results.

At the High Performance Plastics Company that engages in business activities globally, the infection status in various regions could affect demand for automobiles and electronic devices and progress in infrastructure works in respective markets, and also significantly affect demand for the aircraft industry for inter-regional transportation. Further, in the housing, construction and infrastructure businesses that are primarily domestic businesses, restrictions on activities in Japan could lead to stagnation and delay in sales activities and construction works of the Group. On the other hand, they could also have an effect of increasing the number of tests for the Medical business which deals with COVID-19 test kits.

3. 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

In fiscal 2021, the second year of the Medium-term Management Plan “Drive 2022” which was formulated based on the SEKISUI CHEMICAL Group Long-term Vision “VISION 2030,” in addition to effects from COVID-19, there were also impacts from factors such as the semiconductor shortage and production delays due to logistics stagnation. However, sales increased due to a certain level of recovery in the domestic and overseas automobile, electronics, and construction markets as well as in new housing construction in Japan.

In addition, although prices for raw materials and components rose significantly more than expected, higher sales volumes, improving selling prices, and cost reductions resulted in higher operating profit.

As a result, net sales for the fiscal year under review rose 9.6% to 1,157,945 million yen, operating profit grew 32.1% to 88,879 million yen, and ordinary profit was up 54.8% to result in another record high of 97,001 million yen. Profit attributable to owners of parent fell 10.8% year on year, to 37,067 million yen due to the recording of impairment losses by a consolidated subsidiary in the U.S. that manufactures composite molded products such as carbon fiber reinforced plastics (CFRP).

With regard to the Russia-Ukraine crisis, the Group has no business sites in the affected region and sales in the region are low, and consequently, the effects on business results were de-minimis.

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the fiscal year under review. Details are as per the description in “V. Financial Information, 1. Consolidated financial statements and other information, Notes to consolidated financial statements, (Changes in accounting policies).”

Business results by segment are as follows.

a) Housing business

Net sales during the fiscal year under review increased to 515,191 million yen, up 6.2% compared with the previous fiscal year, and operating profit amounted to 35,318 million yen, up 15.6% compared with the previous fiscal year. Net sales increased during the fiscal year under review due to a recovery in orders for new housing construction and housing renovation as well as contributions such as from the Town and Community Development business and Real Estate business. Operating profit increased due to higher sales volume and cost reduction, while it was negatively affected by soaring prices for components.

The Housing business saw favorable trends in subdivision and ready-built houses, resulting in a year-on-year increase in orders. Announcement of the project commemorating the 50th anniversary of the establishment of SEKISUI HEIM helped strengthen the brand. In addition to developing experience-based facilities, attracting customers via the Web, and strengthening online seminars and business negotiations, we focused on expanding sales of subdivision and ready-built houses, for which demand remains strong. In terms of products, we launched the New Smart Power Station FR GREENMODEL, a new large-capacity storage battery product that uses cells made by SEKISUI CHEMICAL. We also promoted smart and resilient products and products that respond to the new normal, such as ventilation and air conditioning systems equipped with anti-virus filters.

Orders were up year on year in the Housing Renovation business due to the recovery in opportunities for contact with customers. In addition to expanding periodic checkups, we worked to expand sales of proposal-based products such as exterior wall painting and bathroom renovation by opening and utilizing experience-based showrooms.

In the Town and Community Development business, we started sales of four new projects.

In the Real Estate business, we strengthened initiatives to expand business relating to the Be HEIM purchase and resale brand.

b) Urban Infrastructure & Environmental Products business

Net sales during the fiscal year under review increased to 211,776 million yen, up 3.5% compared with the previous fiscal year, and operating profit amounted to 14,061 million yen, up 25.0% compared with the previous fiscal year. In the fiscal year under review, the domestic non-residential market was sluggish due to effects of COVID-19 and there were also delays in construction projects overseas. In addition, prices of raw materials increased more than anticipated, but sales volume increased due to a firm domestic housing market and capital investment demand including strong demand for semiconductors in Japan and overseas and progress was made on improving sales prices, resulting in higher sales and profit.

In the Piping and Infrastructure field, there were effects from delays in construction projects due to effects of COVID-19 as well as sluggish domestic non-housing (construction related) demand, but the domestic housing market and sales to domestic and overseas plants (semiconductors and LCDs) remained firm, and as a result, net sales were up year on year. In addition, sales price improvements were steadily implemented in response to soaring prices for raw materials.

In the Building and Living Environment field, sales of products for detached houses, condominiums, and renovation were strong, and net sales were up year on year.

In the Advanced Materials field, sales of synthetic lumber for railway sleepers were significantly affected by factors including sluggish domestic demand and delays in overseas construction projects. Progress was made in the development of medical devices and railway applications for thermoplastic sheets in the United States. Sales of liquid transportation containers for medical applications were firm. As a result of these factors, net sales for the field as a whole were up year on year when the impact of structural reforms (business transfers) is excluded.

c) High Performance Plastics business

Net sales during the fiscal year under review increased to 358,809 million yen, up 15.8% compared with the previous fiscal year, and operating profit amounted to 42,351 million yen, up 46.4% compared with the previous fiscal year. Despite effects from the semiconductor shortage and transportation container shortage, a certain degree of recovery from the impact of COVID-19 in the automotive, electronics, and other sectors resulted in higher sales during the fiscal year under review. Though operating profit was affected by prices for raw materials rising more than anticipated, the Company was able to recover by expanding sales volume, mainly of high-performance products, improving selling prices, and reducing costs, resulting in increased profit.

In the Electronics field, sales of finished goods for LCD panels were strong in conjunction with recovery of the markets for mobile devices including smartphones and tablets and in addition, sales expansion in the non-LCD sector such as 5G and semiconductor-related products also progressed steadily, resulting in a year-on-year increase in net sales.

In the Mobility field, although the decline in automobile production due to effects of the semiconductor shortage and other factors was greater than anticipated, sales of high-performance products, particularly interlayer films for head-up displays, increased, resulting in a significant year-on-year increase in net sales. SEKISUI AEROSPACE CORPORATION reported impairment losses in the fiscal year under review as an early recovery in demand for aircraft is not expected, but business structure reforms are being implemented and expansion of applications for medical equipment and other uses is ongoing.

In the Building and Infrastructure field, there was strong demand globally for chlorinated polyvinyl chloride (CPVC), particularly in India and the Middle East, and sales of fire retardant and noncombustible materials were also strong due to recovery of the construction market. As a result, net sales increased substantially year on year.

d) Medical business

Net sales during the fiscal year under review increased to 88,517 million yen, up 22.4% compared with the previous fiscal year, and operating profit amounted to 11,180 million yen, up 59.5% compared with the previous fiscal year. We achieved higher sales and profit during the fiscal year under review due to a recovery in demand from outpatients having lifestyle-related diseases in Japan and abroad, expansion in the sales of COVID-19 test kits in the United States, and steady expansion of the sales of new pharmaceutical ingredients in the Pharmaceutical Sciences business.

e) Other businesses

Net sales during the fiscal year under review amounted to 4,944 million yen, up 36.9% compared with the previous fiscal year, and operating loss amounted to 10,316 million yen, up 1,569 million yen from the previous fiscal year.

(ii) Cash flows

Cash and cash equivalents amounted to 133,739 million yen as of the end of the fiscal year under review, an increase of 57,089 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 105,023 million yen, compared with net cash provided of 75,271 million yen during the previous fiscal year. This was due to cash inflows, which included profit before income taxes of 69,859 million yen, impairment losses of 51,508 million yen, and depreciation of 45,912 million yen, exceeding cash outflows such as a gain on sale of investment securities of 25,909 million yen, income taxes paid of 23,044 million yen, and an increase in inventories of 16,835 million yen.

(Investing activities)

Net cash provided by investing activities during the fiscal year under review amounted to 2,694 million yen, compared with net cash used of 58,495 million yen during the previous fiscal year. This was due to cash proceeds from sale and redemption of investment securities of 45,796 million yen exceeding cash outflows, which were due to the purchase of property, plant, and equipment worth 36,997 million yen focusing mainly on priority and growth fields, and to the purchase of intangible assets of 7,617 million yen.

(Financing activities)

Net cash used in financing activities during the fiscal year under review was 54,729 million yen, compared with net cash used of 19,157 million yen during the previous fiscal year. This was due to cash outflows from dividends paid (including dividends paid to non-controlling interests) of 23,176 million yen, a net decrease in interest-bearing debt of 21,804 million yen, and the purchase of treasury shares of 9,499 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	511,169	1.5
Urban Infrastructure & Environmental Products	213,573	6.2
High Performance Plastics	369,032	22.5
Medical	90,982	22.7
Reportable segments total	1,184,757	9.7
Other	5,613	42.7
Total	1,190,371	9.8

(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	399,457	9.1	185,000	0.1

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	515,038	6.2
Urban Infrastructure & Environmental Products	198,840	3.5
High Performance Plastics	352,365	16.1
Medical	88,516	22.4
Reportable segments total	1,154,761	9.7
Other	3,183	(8.1)
Total	1,157,945	9.6

(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 1,198,921 million yen, an increase of 48,778 million yen from the previous fiscal year.

a) Assets

Current assets stood at 609,395 million yen, 103,823 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 cash and deposits of 57,079 million yen, total inventories of 20,928 million yen, and total trade receivables of 15,837 million yen.

In addition, non-current assets decreased 55,045 million yen to 589,525 million yen.

b) Liabilities

Total liabilities increased 40,417 million yen to 496,168 million yen, due to a combined increase of 20,175 million yen in the balances of notes payable - trade, electronically recorded obligations - operating, accounts payable - trade, and accrued expenses, as well as an increase in income taxes payable of 13,019 million yen, despite a decrease in total interest-bearing debt of 15,610 million yen.

c) Net assets

Net assets stood at 702,753 million yen as of the end of the fiscal year under review, an increase of 8,361 million yen. This mainly reflected the posting of profit attributable to owners of parent of 37,067 million yen and an increase in foreign currency translation adjustment of 18,860 million yen, despite dividends paid of 21,531 million yen, purchase of treasury shares of 9,499 million yen and a decrease in valuation difference on available-for-sale securities of 17,054 million yen.

(Business results)

a) Net sales and operating profit

Net sales during the fiscal year under review amounted to 1,157,945 million yen (up 101,385 million yen, or 9.6%, compared with the previous fiscal year).

Operating profit during the fiscal year under review amounted to 88,879 million yen (up 21,578 million yen, or 32.1%, 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 2,962 million yen compared with the previous fiscal year, due to an increase in foreign exchange gains of 4,273 million yen despite a decrease in share of profit of entities accounted for using equity method of 2,644 million yen. Non-operating expenses decreased 9,810 million yen compared with the previous fiscal year due to factors including a decrease in expenses for exterior wall inspections and maintenance of 4,522 million yen.

c) Extraordinary income and loss

Gain on sale of investment securities of 25,909 million yen was posted for extraordinary income.

Meanwhile, extraordinary loss of 53,052 million yen was recorded in total, including impairment losses of 51,508 million yen and a loss on sale or retirement of non-current assets of 1,544 million yen.

A breakdown of impairment losses and 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 69,859 million yen, an increase of 6,679 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 37,067 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).”

4. 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. |

5. 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 37,010 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 Resilience 100 STAY & WORK Model TS (in July) that features enhanced capabilities in addressing new lifestyles. It has improved functions of air ventilation systems and building materials as well as enhanced lifestyle proposals, in addition to resilience functions for an era in which living to the age of 100 is not uncommon. We also launched the New Smart Power Station FR GREEN MODEL (in October) equipped with newly developed large-capacity storage batteries and large-capacity solar power generation systems to significantly enhance three smart functions of contribution to the environment, economy, and resilience.

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

Research and development expenses for the business amounted to 3,410 million yen.

(2) Urban Infrastructure & Environmental Products business

In the Urban Infrastructure & Environmental Products business, we have been working to re-build the business foundation and drastically reform productivity while improving the top line of sales and profit, aiming for enhancing the management’s ability to sustain business and achieving new growth. Toward such goals, the research and development unit implemented BCP and productivity improvement in the development of production innovation technologies, and also launched 21 new products during fiscal 2021.

In the Piping and Infrastructure field, we have been working to acquire a new market through replacement of metal pipes and to expand our share by enhancing the lineup for products launched in the past to respond to customers’ needs. We enhanced the lineup for drainage systems of Eslon single-pipe type that are adopted in buildings, apartment buildings, hotels and others in the drainage pipe market, and launched additional products for Drop Shaft that are easy to inspect in the rainwater measures market. In the plant market, we launched Thermoform DC Plate, which is highly antistatic transparent Eslon DC plate that is used in semiconductor plants, etc. and maintains antistatic performance even after being shaped through vacuum forming.

In the Building and Living Environment field, we launched additional products for bathtubs with an automated washing

function and bathing equipment for the elderly.

In the Advanced Materials field, we launched European railway EN standard products that satisfy the European railway interior combustion standard (EN45545), targeting interior materials for European high-speed trains.

Research and development expenses for the business amounted to 6,244 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 increased integration of circuits 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 Building and Infrastructure field, we are focusing on development of new products related to fire prevention and fire resistance. Since the fiscal year under review, we have been working to expand sales and develop new products of non-combustible thermal insulating urethane foam material for onsite use, the first organic material to receive non-combustible certification in Japan, that capitalizes on the features of non-combustible polyurethane foam (PUXFLAME®). We also developed a sensor that reduces the burdens of care workers (ANSiEL®) for the aging society. It is an originally developed high-precision sensor with high detection speed and rare erroneous information, and thus it has been highly evaluated in the market. We are working on the development of peripheral apps in addition to the product. 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 14,180 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 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 6,943 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.

In the Environmental Products and Energy field, operation of a pilot plant constructed in Kuji, Iwate Prefecture, started for commercialization of bio-refinery technology (that creates ethanol using microorganisms from gas emitted from a waste incineration facility), an ultimate resource recycling system that is expected to contribute significantly to reductions in CO₂ emissions. Moreover, we have been engaging in the development of technology that separates, collects and reuses CO₂ 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.

Meanwhile, we have been working on development of perovskite solar cells for the wider use of renewable energy. They can be installed on walls or roofs of plants with weight constraints because they are ultra-lightweight. 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.

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 6,231 million yen.

III. Information About Facilities

1. Overview of capital expenditures

Capital expenditures in the fiscal year ended March 31, 2022 were 53,923 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, 2022

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	6,175	8,233	4,618 (355.0)	6	1,492	20,526	533
Shiga-Ritto Plant (Ritto City, Shiga) (Note 3)	Urban Infrastructure & Environmental Products business	Production facilities for polyvinyl chloride pipes, synthetic lumber, etc.	4,320	4,560	1,634 (178.5) [18.3]	44	922	11,483	371
Taga Plant (Taga-cho, Inukami-gun, Shiga)	High Performance Plastics business	Production facilities for various tapes, etc.	4,169	1,886	2,989 (95.6)	0	293	9,340	262
Musashi Plant (Hasuda City, Saitama) (Note 4)	High Performance Plastics business	Production facilities for various tapes, foam polyolefins, and multilayer films	3,434	5,220	93 (107.1) [1.6]	28	365	9,143	553
Gunma Plant (Isesaki City, Gunma)	Housing business Urban Infrastructure & Environmental Products business	Production facilities for exterior paneling for unit housing and polyvinyl chloride pipes	1,627	2,035	3,329 (230.2)	12	406	7,411	180
General Institute (Minami-ku, Kyoto City, Kyoto)	Urban Infrastructure & Environmental Products business	Research facilities	4,901	257	385 (17.6)	–	208	5,753	343
Advanced Technology Institute (Tsukuba City, Ibaraki)	Other businesses	Research facilities	1,672	1,456	1,734 (66.3)	117	358	5,340	136

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	3,364	331	760 (26.0)	–	705	5,162	349
General Institute (Ritto City, Shiga)	Urban Infrastructure & Environmental Products business	Research facilities	1,975	361	–	–	35	2,372	163

(2) Domestic subsidiaries

As of March 31, 2022

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 (Kuji City, Iwate)	Other businesses	Production facilities for bio refinery ethanol	377	183	–	166	7,103	7,830	53
SEKISUI SEIKEI CO., LTD.	Kanto Plant (Itakura-machi, Ora-gun, Gunma)	Urban Infrastructure & Environmental Products business	Facilities for blow molding	3,349	1,456	655 (33.0)	57	66	5,586	54
SEKISUI HEIM INDUSTRY CO., LTD.	Chubu Plant (Toyohashi City, Aichi)	Housing business	Production facilities for unit housing	1,445	628	3,178 (89.4)	59	125	5,436	294
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	1,606	2,045	219 (461.1)	5	1,403	5,281	101
TOKUYAMA SEKISUI CO., LTD.	Main Plant (Shunan City, Yamaguchi)	Urban Infrastructure & Environmental Products business High Performance Plastics business Medical business	Production facilities for polyvinyl chloride resins and medical devices	2,039	1,952	252 (59.0)	1	376	4,623	175
SEKISUI LB TECH CO., LTD.	Chubu Plant (Tokoname City, Aichi)	Other businesses	Production facilities for lithium-ion storage batteries	1,683	2,635	–	–	300	4,620	66
KYUSHU SEKISUI HEIM INDUSTRY CO., LTD.	Main Plant (Tosu City, Saga)	Housing business	Production facilities for unit housing	3,217	1,197	56 (1.3)	64	17	4,553	187
SEKISUI MEDICAL CO., LTD.	Tsukuba Plant (Ryugasaki City, Ibaraki)	Medical business	Facilities for production of and research on diagnostic agents	1,165	499	2,047 (75.3)	–	622	4,335	222
SEKISUI HEIM INDUSTRY CO., LTD.	Tokyo Plant (Hasuda City, Saitama)	Housing business	Production facilities for unit housing	1,544	1,825	205 (5.7)	38	180	3,794	493
TOTO SEKISUI CO., LTD.	Main Plant (Ota City, Gunma)	Urban Infrastructure & Environmental Products business	Production facilities for building material products	1,178	1,233	591 (24.8)	35	180	3,219	177
YAMANASHI SEKISUI CO., LTD.	Main Plant (Kofu City, Yamanashi)	Urban Infrastructure & Environmental Products business	Production facilities for polyvinyl chloride fittings	1,433	1,076	216 (38.8)	305	148	3,180	229

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	
CHIBA SEKISUI INDUSTRY CO., LTD.	Head Office and Plant (Ichihara City, Chiba)	Urban Infrastructure & Environmental Products business	Facilities for extrusion molding	1,218	743	210 (63.7)	42	216	2,432	92
SEKISUI MEDICAL CO., LTD.	Ami Office (Ami-machi, Inashiki-gun, Ibaraki)	Medical business	Facilities for production of and research on diagnostic agents	1,454	162	178 (13.6)	1	446	2,242	83
SEKISUI HEIM INDUSTRY CO., LTD.	Kinki Plant (Nara City, Nara)	Housing business	Production facilities for unit housing	1,189	952	–	13	25	2,181	259

(3) Foreign subsidiaries

As of March 31, 2022

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	4,758	10,261	–	484	55	15,559	45
SEKISUI S-LEC B.V.	Main Plant (Roermond City, Netherlands)	High Performance Plastics business	Production facilities for interlayer film products	2,851	7,102	234 (16.9)	–	229	10,419	195
SEKISUI ALVEO A.G.	Main Plant (Roermond City, Netherlands)	High Performance Plastics business	Production facilities for foam products	3,218	4,971	280 (115.0)	69	717	9,256	322
YOUNGBO CHEMICAL CO., LTD.	Cheongwon Plant (Cheongju City, Chungcheongbuk, South Korea)	High Performance Plastics business	Production facilities for foam products	2,659	1,240	3,072 (211.5)	12	194	7,178	265
SEKISUI SPECIALTY CHEMICALS AMERICA, LLC.	Calvert City Plant (Kentucky, United States)	High Performance Plastics business	Production facilities for polyvinyl alcohol resins	216	4,923	58 (143.6)	–	494	5,694	70
SEKISUI S-LEC MEXICO S.A. de C.V.	Main Plant (Morelos, Mexico)	High Performance Plastics business	Production facilities for interlayer film products	1,603	2,691	124 (17.6)	47	151	4,619	145
SEKISUI VOLTEK, LLC.	Coldwater Plant (Michigan, United States)	High Performance Plastics business	Production facilities for foam products	866	3,085	25 (136.6)	22	278	4,278	187
SEKISUI SPECIALTY CHEMICALS AMERICA, LLC.	Pasadena Plant (Texas, United States)	High Performance Plastics business	Production facilities for polyvinyl alcohol resins	173	3,352	397 (125.8)	20	334	4,277	52
SEKISUI KYDEX, LLC.	The Third Plant (Pennsylvania, United States)	Urban Infrastructure & Environmental Products business	Production facilities for decorative sheet products	1,826	1,623	37 (230.0)	–	178	3,666	33
SEKISUI YOUNGBO HPP (WUXI) CO., LTD.	Main Plant (Wuxi City, Jiangsu, China)	High Performance Plastics business	Production facilities for foam products	608	1,392	–	4	694	2,699	37

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)	High Performance Plastics business	Production facilities for chlorinated polyvinyl chloride resins	715	1,498	353 (25.6)	–	79	2,646	52
SEKISUI POLYMATECH (SHANGHAI) CO., LTD.	Shanghai Plant (Shanghai City, China)	High Performance Plastics business	Facilities for resin molding, coating, etc.	1,209	1,062	–	12	341	2,626	589
SEKISUI DLJM MOLDING PRIVATE LIMITED	Chennai Plant (Chennai City, India)	High Performance Plastics business	Facilities for injection molding	1,136	1,051	192 (36.8)	123	110	2,614	354
SEKISUI ESLON B.V.	Main Plant (Roermond City, Netherlands)	Urban Infrastructure & Environmental Products business	Production facilities for polyvinyl chloride pipes, etc.	258	251	51 (374.4)	–	1,991	2,553	49
SEKISUI-SCG INDUSTRY CO., LTD.	Main Plant (Saraburi, Thailand)	Housing business	Production facilities for unit housing	1,363	200	751 (150.4)	13	3	2,331	98
SEKISUI S-LEC (SUZHOU) CO., LTD.	Main Plant (Suzhou City, Jiangsu, China)	High Performance Plastics business	Production facilities for interlayer film products	347	1,732	–	17	229	2,327	129

- (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 37 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	12,470	8,270	Funds on hand and borrowings	March 2020	December 2022
SEKISUI MEDICAL CO., LTD.	Iwate Plant (Hachimantai City, Iwate)	Medical business	Production facilities for pharmaceuticals	3,940	1,222	Funds on hand and borrowings	August 2020	March 2023
SEKISUI ESLON B.V.	Main Plant (Roermond City, Netherlands)	Urban Infrastructure & Environmental Products business	Production facilities for advanced material products	3,844	1,770	Funds on hand and borrowings	October 2020	June 2023
SEKISUI DIAGNOSTICS (UK) LIMITED	Main Plant (Kent, United Kingdom)	Medical business	Production facilities for pharmaceuticals	2,053	730	Funds on hand and borrowings	July 2020	September 2022

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, 2022)	Number of issued shares as of filing date (shares) (June 22, 2022)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Description
Common shares	471,507,285	463,507,285	Tokyo Stock Exchange First Section (as of fiscal year end) Prime Market (as of filing date)	Number of shares constituting one unit 100
Total	471,507,285	463,507,285	–	–

(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, 2017	(10,000)	500,507	–	100,002	–	109,234
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

- (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 8,000,000 as we canceled treasury shares on May 25, 2022 after the end of the fiscal year under review.

(5) Shareholding by shareholder category

As of March 31, 2022

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)	–	91	37	373	696	19	20,319	21,535	–
Number of shares held (units)	–	1,732,977	86,188	390,204	1,783,263	285	720,170	4,713,087	198,585
Proportion of the number of shares held (%)	–	36.77	1.83	8.28	37.83	0.01	15.28	100.00	–

(Note) With regard to 26,438,081 treasury shares (excluding those held by the BIP trust for remuneration for directors (and other officers) and by the ESOP trust for share granting), 264,380 units are included in “Individual and other.”

(6) Major shareholders

As of March 31, 2022

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	66,404	14.91
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo	23,638	5.31
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)	18,681	4.19
Asahi Kasei Corp.	1-1-2, Yuraku-cho, Chiyoda-ku, Tokyo	15,153	3.40
BNP Paribas Securities Services Luxembourg/Jasdec/Fim/Luxembourg Funds/Ucits Assets (Standing proxy: The Hong Kong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Department)	33 Rue De Gasperich, L-5826 Howald-Hesperange, Luxembourg 3-11-1, Nihonbashi, Chuo-ku, Tokyo	12,254	2.75
Employees Stock Ownership Plan	2-4-4 Nishitemma, Kita-ku, Osaka	10,262	2.30
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)	9,395	2.11
Sekisui House, Ltd.	1-1-88, Oyodonaka, Kita-ku, Osaka	7,998	1.79
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)	7,806	1.75
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	1.64
Total	—	178,897	40.19

(7) Voting rights
(i) Issued shares

As of March 31, 2022

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 26,490,900	–	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 444,817,800	4,448,178	Ditto
Shares less than one unit	Common shares 198,585	–	–
Total number of issued shares	471,507,285	–	–
Voting rights held by all shareholders	–	4,448,178	–

(Note) Shares with full voting rights (other) include the following shares (voting rights).

BIP trust for remuneration for directors (and other officers):	532,000 shares (5,320 units)
ESOP trust for share granting:	124,600 shares (1,246 units)

(ii) Treasury shares, etc.

As of March 31, 2022

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	26,438,000	–	26,438,000	5.60
(Reciprocal holding)					
Tochigi Sekisui Heim Co., Ltd.	5-3-4, Higashishukugo, Utsunomiya, Tochigi	41,100	–	41,100	0.00
Sekisui Heim Higashishikoku Co., Ltd.	4-1-16, Kazurashima, Kochi, Kochi	11,800	–	11,800	0.00
Total	–	26,490,900	–	26,490,900	5.61

(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, 2022 (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	369,500,000 yen
- Date of additional acquisition of shares	December 5, 2019
- 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 323,700 shares

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 four 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, 2022 (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	593,750,000 yen
- Date of additional acquisition of shares	December 5, 2019
- 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

593,000 shares

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, 2021) (Acquisition period: From April 28, 2021 to March 31, 2022)	5,000,000	10,000,000,000
Treasury shares acquired prior to the fiscal year under review	–	–
Treasury shares acquired in the fiscal year under review	5,000,000	9,495,000,000
Total number and total amount of shares remaining to be purchased by resolution	–	505,000,000
Non-exercise ratio on the last day of the fiscal year under review (%)	–	5.0
Treasury shares acquired in the period	–	–
Non-exercise ratio on the day of filing (%)	–	5.0

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	–	–
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	6,788,700	11,789,874,500
Non-exercise ratio on the day of filing (%)	15.1	26.3

(Note) The number of treasury shares acquired in the period does not include the number of treasury shares acquired from June 1, 2022 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	2,119	4,140,150
Treasury shares acquired in the period	139	238,269

(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, 2022 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	5,000,000	8,096,850,000	8,000,000	13,216,240,000
Treasury shares acquired that were merged, swapped, or granted, or were transferred due to a company split	–	–	–	–
Other (Sale due to demand for increase of purchase of shares less than one unit)	97	159,330	–	–
Number of treasury shares held by the Company	26,438,081	–	25,226,920	–

- (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, 2022 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, 2022 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 shareholders, the Company's basic policy on dividend of surplus is to raise 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. This was while the Company put together a new long-term vision and a new medium-term management plan.

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 100th Annual General Meeting of Shareholders held on June 22, 2022 resolved to pay a year-end common dividend of 25 yen per share for the fiscal year under review. This means the annual dividend for the fiscal year under review will be 49 yen per share, including the interim dividend of 24 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 28, 2021 Resolution of a Board of Directors meeting	10,729	24
June 22, 2022 Resolution of an Annual General Meeting of Shareholders	11,126	25

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>)

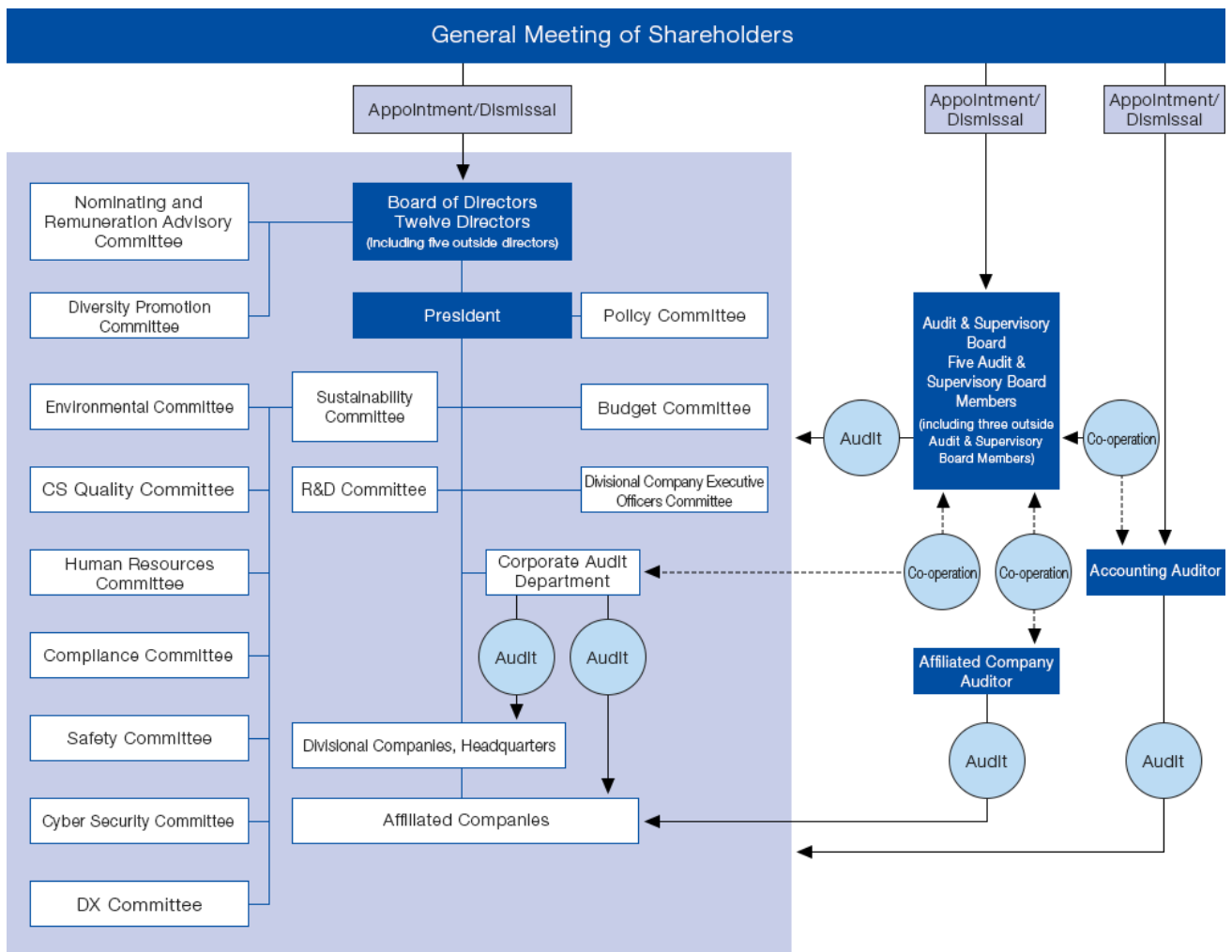
Corporate governance system

a) 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, 2022)

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

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, Miharuko Koezuka, Machiko Miyai, Teiji Takashita, and Keita Kato

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.

b) 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.

c) 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 Sustainability Committee chaired by the President deliberates on the "Fundamental Compliance Policies" requiring approval from the Board of Directors. The Compliance Sub-committee, having been established as a specialized sub-committee to the Sustainability Committee 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 173 units, including in relevant subsidiaries in and outside Japan for FY2021. They keep running a PDCA cycle conforming to ISO 31000, an international standard for risk management. Risks identified by units are classified and arranged in a timely way by the dedicated unit before being reported to subcommittees of the Sustainability Committee, which in turn deliberate on response measures for the entire Company. During the ongoing medium-term period (2020–2022), we further run an ERM system combining unit-by-unit risk management activities and company-wide risk management to date. We plan to put together an action plan, set entity-level numerical targets, and manage progress in light of identification and assessment of serious risks for the whole Company after newly conducting risk assessments by specialty domain and region as a company-wide risk management action. 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 addition, 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 financial closing 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 of the Companies Act with an insurance company. The insured parties under the insurance contract are the Company’s Directors, Audit & Supervisory Board Members, Executive Officers, etc. The Company pays the insurance premiums for all the insured parties. The insurance covers legal claims for damages and 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 a 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

13 men, 4 women (Ratio of female directors (and other officers): 23%)

Job title	Name	Date of birth	Career summary	Term of office	Number of shares owned (thousands of shares)
Chairman of the Board and Representative Director	Teiji Koge	Date of birth: November 14, 1953	<p>Apr. 1976 Joined the Company</p> <p>June 2005 Director of the Company; President of Nagoya Sekisui Heim Co., Ltd.</p> <p>Oct. 2005 Director of the Company; Head of President's Office of Housing Company</p> <p>Apr. 2006 Director of the Company; Head of Planning & Control Department of Housing Company</p> <p>Apr. 2007 Director of the Company; Head of Housing Division and Planning & Control Department of Housing Company</p> <p>July 2007 Director of the Company; Responsible for Sales Department, Head of Housing Division of Housing Company</p> <p>Feb. 2008 Director of the Company; President of Housing Company; Responsible for Sales Department; Head of Housing Division</p> <p>Apr. 2008 Director of the Company; Managing Executive Officer of the Company; President of Housing Company</p> <p>Apr. 2009 Director of the Company; Senior Managing Executive Officer of the Company; President of Housing Company</p> <p>Mar. 2014 Director of the Company; Senior Managing Executive Officer of the Company; Head of CSR Department; Head of Corporate Communication Department</p> <p>Mar. 2015 President and Representative Director of the Company; Chief Executive Officer of the Company</p> <p>Mar. 2020 Representative Director and Chairman of the Company</p> <p>June 2022 Chairman of the Board and Representative Director of the Company (incumbent)</p>	(Note 3)	132

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	<p>Apr. 1980 Joined the Company</p> <p>Apr. 2008 Executive Officer of the Company; Head of Interlayer Film Division of High Performance Plastics Company</p> <p>July 2011 Executive Officer of the Company; Head of New Business Promotion Division of High Performance Plastics Company</p> <p>Mar. 2013 Executive Officer of the Company; Head of New Business Promotion Division and Head of Research & Development Institute of High Performance Plastics Company</p> <p>Oct. 2013 Executive Officer of the Company; Head of Research & Development Institute of High Performance Plastics Company</p> <p>Mar. 2014 Managing Executive Officer of the Company; President of High Performance Plastics Company</p> <p>June 2014 Director of the Company; Managing Executive Officer of the Company; President of High Performance Plastics Company</p> <p>Apr. 2015 Director of the Company; Senior Managing Executive Officer of the Company; President of High Performance Plastics Company</p> <p>Jan. 2019 Representative Director of the Company; Senior Managing Executive Officer of the Company; Head of Business Strategy Department</p> <p>Apr. 2019 Representative Director of the Company; Senior Managing Executive Officer of the Company; Responsible for ESG Management Department; Head of Business Strategy Department</p> <p>July 2019 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</p> <p>Jan. 2020 Representative Director of the Company; Senior Managing Executive Officer of the Company; Responsible for ESG Management Department; Head of Business Strategy Department</p> <p>Mar. 2020 President and Representative Director of the Company; Chief Executive Officer of the Company (incumbent)</p>	(Note 3)	90

<p>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</p>	<p>Futoshi Kamiwaki</p>	<p>Date of birth: August 10, 1960</p>	<p>Apr. 1983 Joined the Company Apr. 2011 Executive Officer of the Company; Head of Planning & Control Department of Housing Company Oct. 2012 Executive Officer of the Company; Responsible for Public Relations & External Relations Department; Head of Planning & Control Department of Housing Company Jan. 2013 Executive Officer of the Company; Head of Housing Product Research & Development Department of Housing Company Jan. 2014 Executive Officer of the Company; Head of Product Research & Development Department of Housing Company Apr. 2017 Managing Executive Officer of the Company; Head of Product Research & Development Department of Housing Company Mar. 2018 Managing Executive Officer of the Company; Head of Housing Renovation Sales Management Division; Head of Administrative Management & Control Department of Housing Company Mar. 2019 Managing Executive Officer of the Company; Head of Administrative Management & Control Department of Housing Company Jan. 2020 Managing Executive Officer of the Company; Head of New Business Development Department Mar. 2020 Managing Executive Officer of the Company Responsible for ESG Management Department and New Business Development Department Head of Business Strategy Department Apr. 2020 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 June 2020 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 June 2022 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)</p>	<p>(Note 3)</p>	<p>82</p>
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Job title	Name	Date of birth	Career summary	Term of office	Number of shares owned (thousands of shares)
Director Senior Managing Executive Officer of the Company; President of Urban Infrastructure & Environmental Products Company	Yoshiyuki Hirai	Date of birth: February 4, 1963	<p>Apr. 1985 Joined the Company</p> <p>Apr. 2014 Executive Officer of the Company; Head of Foam Division of High Performance Plastics Company</p> <p>Apr. 2015 Executive Officer of the Company; Responsible for CSR Promotion Department; Head of Business Strategy Department</p> <p>June 2015 Director of the Company; Executive Officer of the Company; Responsible for CSR Promotion Department; Head of Business Strategy Department</p> <p>Apr. 2017 Director of the Company; Managing Executive Officer of the Company; Responsible for Corporate Finance & Accounting Department; Head of Business Strategy Department</p> <p>Apr. 2018 Director of the Company; Managing Executive Officer of the Company; Head of Business Strategy Department</p> <p>Jan. 2019 Director of the Company; Managing Executive Officer of the Company; President of Urban Infrastructure & Environmental Products Company</p> <p>Apr. 2020 Director of the Company; Senior Managing Executive Officer of the Company; President of Urban Infrastructure & Environmental Products Company (incumbent)</p>	(Note 3)	45

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	<p>Apr. 1983 Joined the Company</p> <p>Apr. 2013 Executive Officer of the Company; President of Sekisui Heim Tohoku Co., Ltd.</p> <p>Jan. 2014 Executive Officer of the Company; Head of Sales Management Division of Housing Company</p> <p>Jan. 2015 Executive Officer of the Company; President of Tokyo Sekisui Heim Co., Ltd.</p> <p>Jan. 2018 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</p> <p>Mar. 2018 Executive Officer of the Company; Head of Housing Sales Management Division of Housing Company</p> <p>Apr. 2018 Managing Executive Officer of the Company; Head of Housing Sales Management Division of Housing Company</p> <p>Jan. 2019 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</p> <p>June 2019 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</p> <p>Jan. 2020 Director of the Company; Managing Executive Officer of the Company; President of Housing Company</p> <p>Apr. 2020 Director of the Company; Senior Managing Executive Officer of the Company; President of Housing Company (incumbent)</p>	(Note 3)	64

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	<p>Apr. 1987 Joined the Company</p> <p>Apr. 2015 Executive Officer of the Company; Head of Foam Division of High Performance Plastics Company</p> <p>Apr. 2016 Executive Officer of the Company; Responsible for Automobiles & Transportation field; Head of Foam Division of High Performance Plastics Company</p> <p>Apr. 2018 Executive Officer of the Company; Responsible for Electronics; Head of Foam Division of High Performance Plastics Company</p> <p>Jan. 2019 Managing Executive Officer of the Company; President of High Performance Plastics Company; Responsible for Electronics Director of SEKISUI FULLER CO., LTD. (incumbent)</p> <p>Apr. 2019 Managing Executive Officer of the Company; President of High Performance Plastics Company</p> <p>June 2019 Director of the Company; Managing Executive Officer of the Company; President of High Performance Plastics Company</p> <p>Apr. 2021 Director of the Company; Senior Managing Executive Officer of the Company; President of High Performance Plastics Company (incumbent)</p>	(Note 3)	53
Director of the Company; Executive Officer of the Company; Head of Human Resources Department	Kazuya Murakami	Date of birth: June 4, 1966	<p>Apr. 1989 Joined the Company</p> <p>Mar. 2014 Head of Human Resources Development Division of High Performance Plastics Company</p> <p>Apr. 2020 Executive Officer of the Company; Head of Human Resources Development Division of High Performance Plastics Company</p> <p>Oct. 2020 Executive Officer of the Company; Head of Human Resources Department</p> <p>June 2021 Director of the Company; Executive Officer of the Company; Head of Human Resources Department (incumbent)</p>	(Note 3)	12

Job title	Name	Date of birth	Career summary	Term of office	Number of shares owned (thousands of shares)
Director	Yutaka Kase	Date of birth: February 19, 1947	<p>May 1970 Joined Nissho Iwai Corporation</p> <p>June 2001 Executive Officer of Nissho Iwai Corporation</p> <p>Apr. 2003 Director and Managing Executive Officer of Nissho Iwai Corporation</p> <p>Apr. 2004 Representative Director and Senior Managing Executive Officer of former Sojitz Corporation</p> <p>Aug. 2004 Representative Director and Executive Vice President of former Sojitz Corporation</p> <p>Oct. 2005 Representative Director and Executive Vice President of Sojitz Corporation</p> <p>Apr. 2007 President & CEO of Sojitz Corporation</p> <p>Apr. 2012 Representative Director and Chairman of Sojitz Corporation</p> <p>June 2013 Outside Director of Astellas Pharma Inc. (resigned in 2017)</p> <p>Mar. 2016 Outside Director of JAC Recruitment Co., Ltd. (incumbent)</p> <p>June 2016 Director of the Company (incumbent)</p> <p>June 2017 Senior Advisor of Sojitz Corporation</p> <p>June 2018 Advisor of Sojitz Corporation (incumbent)</p>	(Note 3)	—
Director	Hiroshi Oeda	Date of birth: March 12, 1957	<p>Apr. 1980 Joined Nisshin Flour Milling Inc. (currently Nisshin Seifun Group Inc.)</p> <p>June 2008 Executive Officer of Nisshin Seifun Group Inc.</p> <p>June 2009 Director of Nisshin Seifun Group Inc.</p> <p>Apr. 2011 Director and President of Nisshin Seifun Group Inc.</p> <p>Apr. 2017 Director and Executive Advisor of Nisshin Seifun Group Inc.</p> <p>June 2017 Special Advisor of Nisshin Seifun Group Inc. (incumbent) President of Seifun Kaikan Inc. (incumbent)</p> <p>Mar. 2018 Outside Director of Ebara Corporation (incumbent)</p> <p>June 2018 Director of the Company (incumbent)</p> <p>June 2019 President of Hitotsubashi University Koenkai (incumbent)</p>	(Note 3)	7

Job title	Name	Date of birth	Career summary	Term of office	Number of shares owned (thousands of shares)
Director	Haruko Nozaki	Date of birth: June 19, 1955	<p>Apr. 1978 Joined Horiba Community Corporation</p> <p>Mar. 1980 Joined Horiba, Ltd.</p> <p>Apr. 2001 General Manager, Human Resources Department of Horiba, Ltd.</p> <p>Jan. 2008 Deputy General Manager in charge of personnel, General Administration Division of Horiba, Ltd.</p> <p>Apr. 2014 Junior Corporate Officer of Horiba, Ltd. (resigned in March 2022)</p> <p>July 2015 Chairman of Horiba, Ltd. Health Insurance Association (resigned in March 2022)</p> <p>June 2020 External Director of West Japan Railway Company (incumbent)</p> <p>June 2021 Special Appointment Professor of International Academic Research Institute of Kyoto University of Advanced Science (resigned in March 2022)</p> <p>Apr. 2022 Executive Vice-President of Kyoto University (incumbent)</p> <p>June 2022 Director of the Company (incumbent)</p>	(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	<p>Apr. 1979 Joined Takashimaya Company, Limited</p> <p>May. 2007 Executive Officer, General Manager of Public and Investor Relations Office, Planning Headquarters of Takashimaya Company, Limited</p> <p>Mar. 2009 Senior Executive Officer, General Manager of Sales Planning Division of Takashimaya Company, Limited</p> <p>Feb. 2010 President (Representative Director) of Okayama Takashimaya Co., Ltd.</p> <p>May 2013 himaya Company, Limited</p> <p>Sept. 2013 Senior Managing Director (Representative Director), General Manager of Planning Headquarters (Reform Promotion Headquarters), in charge of General Affairs Headquarters, CSR Promotion Office, IT Promotion Office, Nihombashi Redevelopment Planning Office of Takashimaya Company, Limited</p> <p>Mar. 2014 Director (Representative Director), General Manager of Sales Headquarters of Takashimaya Company, Limited</p> <p>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)</p> <p>Mar. 2016 Director of Takashimaya Company, Limited</p> <p>May. 2016 Consultant of Takashimaya Company, Limited</p> <p>June 2018 Outside Director of Japan Post Holdings Co., Ltd. (incumbent)</p> <p>June 2019 Outside Director of Nankai Electric Railway Co., Ltd. (incumbent)</p> <p>Mar. 2020 Counselor of Takashimaya Company, Limited (resigned in 2021)</p> <p>June 2022 Outside Director of Nippon Paint Holdings Co., Ltd. (incumbent) Director of the Company (incumbent)</p>	(Note 3)	4

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	<p>Apr. 1983 Joined Matsushita Electric Industrial Co., Ltd. (currently Panasonic Holdings Corporation)</p> <p>Oct. 2001 Director-General of Life Research Institute of Matsushita Electric Industrial Co., Ltd.</p> <p>Apr. 2005 Executive Director of Matsushita Electric Industrial Co., Ltd.</p> <p>Apr. 2006 Executive Director, General Manager of Cooking Equipment Business Unit of Matsushita Electric Industrial Co., Ltd.</p> <p>Apr. 2011 ; Director of Environment Division of Panasonic Corporation</p> <p>Oct. 2012 Executive Officer, in charge of Lifestyle Research for New Markets, R&D Division of Panasonic Corporation</p> <p>Apr. 2014 Corporate Advisor of Panasonic Corporation (resigned in 2016)</p> <p>June 2014 Outside Director of Morinaga & Co., Ltd. (resigned in 2018)</p> <p>Dec. 2014 Outside Director of Kato Sangyo Co., Ltd. (resigned in 2018)</p> <p>May 2015 Outside Director of Yoshinoya Holdings Co., Ltd. (resigned in 2019)</p> <p>Feb. 2016 Commissioner of Personal Information Protection Commission, an external bureau of the Cabinet Office (resigned in 2021)</p> <p>June 2018 Director, Managing Operating Officer of Morinaga & Co., Ltd. (incumbent)</p> <p>Feb. 2019 Chairman of Sustainability Forum Japan (incumbent)</p> <p>Apr. 2022 Auditor of Ochanomizu University (incumbent)</p> <p>June 2022 Director of the Company (incumbent)</p>	(Note 3)	—
Fulltime Audit & Supervisory Board Member	Hiroyuki Taketomo	Date of birth: July 8, 1961	<p>Apr. 1985 Joined the Company</p> <p>Apr. 2015 Executive Officer of the Company; Head of Human Resources Department</p> <p>Apr. 2016 Executive Officer of the Company; Responsible for Legal Department; Head of Human Resources Department</p> <p>June 2016 Director of the Company; Executive Officer of the Company; Responsible for Legal Department; Head of Human Resources Department</p> <p>Apr. 2017 Director of the Company; Managing Executive Officer of the Company; Responsible for Legal Department; Head of Human Resources Department</p> <p>Oct. 2020 Director of the Company; Managing Executive Officer of the Company; Head of Legal Department</p> <p>Apr. 2021 Director of the Company; Responsible for CEO's Special Mission</p> <p>June 2021 Fulltime Audit & Supervisory Board Member of the Company (incumbent)</p>	(Note 4)	29

Job title	Name	Date of birth	Career summary	Term of office	Number of shares owned (thousands of shares)
Fulltime Audit & Supervisory Board Member	Toshitaka Fukunaga	Date of birth: April 7, 1956	<p>Apr. 1979 Joined the Company</p> <p>Apr. 2011 Executive Officer of the Company; Head of Shiga-Mizuguchi Plant of High Performance Plastics Company</p> <p>Mar. 2014 Executive Officer of the Company; Head of Technology and CS Division of High Performance Plastics Company</p> <p>Apr. 2016 Executive Officer of the Company; Responsible for Electronics, Head of Technology and CS Division of High Performance Plastics Company</p> <p>Apr. 2017 Managing Executive Officer of the Company; Responsible for Electronics, Head of Technology and CS Division of High Performance Plastics Company</p> <p>Apr. 2018 Managing Executive Officer of the Company; Head of Technology and CS Division of High Performance Plastics Company</p> <p>Apr. 2020 Full-time Consultant of the Company</p> <p>June 2020 Fulltime Audit & Supervisory Board Member of the Company (incumbent)</p>	(Note 5)	81
Audit & Supervisory Board Member	Kazuyuki Suzuki	Date of birth: August 12, 1950	<p>Apr. 2000 Professor of Graduate School of Information System (currently Graduate School of Informatics and Engineering), University of Electro-Communications</p> <p>Oct. 2009 Chairman of The Japanese Society for Quality Control</p> <p>Apr. 2010 Professor of Graduate School of Informatics and Engineering, University of Electro-Communications</p> <p>June 2012 Chairman of Reliability Engineering Association of Japan</p> <p>June 2015 Audit & Supervisory Board Member of the Company (incumbent)</p> <p>Apr. 2016 Professor Emeritus of Graduate School of Informatics and Engineering, University of Electro-Communications (incumbent)</p> <p> Specially appointed professor of Graduate School of Informatics and Engineering, University of Electro-Communications (incumbent)</p> <p>July 2020 Visiting Professor of Institute of Statistical Mathematics, Research Organization of Information and Systems (incumbent)</p>	(Note 6)	—

Job title	Name	Date of birth	Career summary	Term of office	Number of shares owned (thousands of shares)
Audit & Supervisory Board Member	Ryoko Shimizu	Date of birth: September 7, 1958	Apr. 1982 Joined Citibank, N.A., Tokyo Branch Apr. 1989 Joined Chuo Shinko Audit Corporation Aug. 1992 Registered as CPA Jan. 2004 Japan Representative, International Federation of Accountants, International Public Sector Accounting Standards Board Apr. 2007 Full-time Professor of Graduate School of Accountancy, Kansai University June 2019 Audit & Supervisory Board Member of the Company (incumbent) Apr. 2020 Full-time Professor of Graduate School of Accountancy and Faculty of Business and Commerce, Kansai University (incumbent) June 2020 Outside Director of Sumitomo Densetsu Co., Ltd. (incumbent)	(Note 6)	—
Audit & Supervisory Board Member	Yoshikazu Minomo	Date of birth: December 13, 1969	Apr. 1996 Registered as an attorney at law Joined MIYAKE IMAI IKEDA LAW OFFICE Jan. 2004 Partner of Miyake Imai Ikeda Law Office (incumbent) June 2022 Audit & Supervisory Board Member of the Company (incumbent)	(Note 7)	—
Total					603

- (Notes)
1. Directors Yutaka Kase, Hiroshi Oeda, Haruko Nozaki, Miharu Koezuka, and Machiko Miyai are Outside Directors.
 2. Audit & Supervisory Board Members Kazuyuki Suzuki, Ryoko Shimizu, and Yoshikazu Minomo are Outside Audit & Supervisory Board Members.
 3. One year from the conclusion of the Annual General Meeting of Shareholders held on June 22, 2022.
 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 23, 2020.
 6. Four years from the conclusion of the Annual General Meeting of Shareholders held on June 20, 2019.
 7. 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, 2022)

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

Yutaka Kase

Since his appointment as Outside Director in June 2016, Mr. Yutaka Kase 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. Kase 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 his abundant experience and past achievements in global corporate management and business strategy fostered through his position as a corporate manager of a general trading company. The Company thus appointed Mr. Kase as Outside Director.

The Company has no business transactions with JAC Recruitment Co., Ltd., where Mr. Kase concurrently holds a position. While the Company has transactions with Sojitz Corporation, the ratio of the transaction value to the net sales of

Sojitz 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.

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 Seifun Kaikan Inc., and Hitotsubashi University supporters' association where Mr. Oeda concurrently holds a position. While the Company has transactions with Nisshin Seifun Group Inc. and Ebara Corporation, 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

The Company expects she will provide pertinent advice at meetings of the Board of Directors regarding medium- to long-term issues based on her insight in human resources, and judging that she will contribute in this way to improving the corporate value of the Group. The Company has thus elected Ms. Nozaki as an Outside Director.

The Company has no 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

The Company expects that Ms. Koezuka will utilize her experience in diverse industries in Board of Directors meetings to provide multifaceted and pertinent advice, and judging that she will contribute in this way to improving the corporate value of the Group, the Company elected Ms. Koezuka as an Outside Director.

The Company has no transactions with Japan Post Holdings Co., Ltd., Nankai Electric Railway Co., Ltd., and Nippon Paint Holdings Co., Ltd. where Ms. Koezuka concurrently holds a position, so her independence as Outside Director is deemed to be sufficiently secured.

Machiko Miyai

The Company expects that Ms. Miyai will utilize her abundant experience and wide-ranging knowledge in Board of Directors meetings to provide pertinent advice, and judging that she will contribute in this way to improving the corporate value of the Group, the Company 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.

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. Yutaka Kase, Mr. Hiroshi Oeda, Ms. Haruko Nozaki, Ms. Miharu Koezuka, and Ms. Machiko Miyai 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

Kazuyuki Suzuki

Mr. Kazuyuki Suzuki is equipped with significant knowledge and a wealth of experience in quality control and reliability engineering. Since his appointment as Audit & Supervisory Board Member in June 2015, he gave useful opinions and advice at meetings of the Board of Directors and the Audit & Supervisory Board from a perspective of quality control as an expert, helping enhance the supervision functions of these bodies. For this reason, the Company elected Mr. Suzuki as

an Outside Audit & Supervisory Board Member.

The Company has no transactions with the Graduate School of Informatics and Engineering, University of Electro-Communications and Research Organization of the Information and Systems Institute of Statistical Mathematics where Mr. Kazuyuki Suzuki concurrently holds a position, so his independence as Outside Audit & Supervisory Board Member is deemed to be sufficiently secured.

Ryoko Shimizu

Ms. Ryoko Shimizu as a CPA is equipped with specialized knowledge in accounting in and outside Japan and a wealth of audit experience, and we think she is a professional appropriate for the Group in aiming to expand its global operations and enhance its corporate value continuously. For this reason, the Company has elected Ms. Shimizu as an Outside Audit & Supervisory Board Member.

The Company has no transactions with the Graduate School of Accountancy, Kansai University and Sumitomo Densetsu Co., Ltd. where Ms. Shimizu concurrently holds a position, so her independence as Outside Director is deemed to be sufficiently secured.

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 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.

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. Kazuyuki Suzuki, Ms. Ryoko Shimizu, and Mr. Yoshikazu Minomo 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 of Directors, 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 partners shall mean the business partners whose transactions with the Company are at least 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.

8. 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	Responsible for West Japan; President of Sekisui Heim Kinki Co., Ltd.
	Managing Executive Officer	Masahide Yoshida	Head of Housing business, Management Division; President of Tokyo Sekisui Heim Co., Ltd.
	Executive Officer	Akinori Kawase	Head of Development Division
	Executive Officer	Shinichi Jose	Head of Manufacturing & Materials Division, President of Sekisui Heim Industry Co., Ltd.
	Executive Officer	Akira Maruyama	President of Sekisui Heim Chubu Co., Ltd.
	Executive Officer	Masaru Fujimoto	Head of Administrative Management & Control Division
	Executive Officer	Kenichi Tadokoro	Head of Technology & CS Division
Urban Infrastructure & Environmental Products Company	Executive Officer	Takeo Kishitani	Head of Sheet 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 Higashinohon Branch and Sales DX Management Division
	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
	Executive Officer	Masayuki Inoue	Responsible for Building & Infrastructure Materials field, Head of Building & Infrastructure Materials Business Strategy Department
	Executive Officer	Takashi Muramatsu	Responsible for Electronic field, Head of Electronic Business Strategy Department and New Business Promotion Division
	Executive Officer	Hiroyuki Yamashita	Responsible for Mobility field, Head of Mobility Business Strategy Department
Headquarters	Executive Officer	Yoshitaka Miyake	Head of Specialty Chemicals Division
	Executive Officer	Katsunori Mukai	Head of R&D Center and Intellectual Property Group
	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 Public Relations Department
	Executive Officer	Naoko Fukutomi	Head of Legal Department

(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. 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 19 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	Toshitaka Fukunaga	19/19 (100%)
Fulltime Audit & Supervisory Board Member	Moritoshi Naganuma (Note)	6/6 (100%)
Fulltime Audit & Supervisory Board Member	Hiroyuki Taketomo (Note)	13/13 (100%)
Outside Audit & Supervisory Board Member	Tetsuo Ozawa	19/19 (100%)
Outside Audit & Supervisory Board Member	Kazuyuki Suzuki	18/19 (95%)
Outside Audit & Supervisory Board Member	Ryoko Shimizu	19/19 (100%)

Note: At an Annual General Meeting of Shareholders held on June 23, 2021, Mr. Moritoshi Naganuma retired as full-time Audit & Supervisory Board Member due to expiration of his term of office and Mr. Hiroyuki Taketomo was elected as full-time Audit & Supervisory Member and took office.

Main 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 Ernst & Young ShinNihon 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.

(ii) Internal audit

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. 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

Ernst & Young ShinNihon LLC

b. Period of continued audit

33 years

The above-mentioned period of continued audit is a time frame for which record is confirmed by the Company, and the actual period of continued audit could potentially be longer than that.

c. CPAs who conducted the audit

Kazuomi Nakamura
Satoshi Uchida
Takao Oshitani

d. Breakdown of audit assistants

Assistants participating in the accounting audit of the Company consist of 20 CPAs, 7 assistants who have passed CPA examination, and 43 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 expire 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 improve 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, 2021		Fiscal year ended March 31, 2022	
	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	5	133	4
Consolidated subsidiaries	72	2	62	2
Total	206	7	195	6

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.

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

Category	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	
	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	–	–	–	–
Consolidated subsidiaries	318	92	348	70
Total	318	92	348	70

Non-audit services for which consolidated subsidiaries of the Company pay fees to a network identical to audit CPAs consist mainly of tax-related services.

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

(Fiscal year ended March 31, 2021)

Not applicable

(Fiscal year ended March 31, 2022)

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 of the fee, etc. for the accounting auditor pursuant to Article 399, Paragraph 1 of the Companies Act because, after verifying its audit plan and past years' audit plans and execution and examining the reasonableness of the computation basis for the fee estimation as required, it concluded they were appropriate.

(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)	86.0 billion yen	88.8 billion yen
Financial results by operating segment (Operating profit)	Housing	37.0 billion yen
	Urban Infrastructure & Environmental Products	15.0 billion yen
	High Performance Plastics	38.0 billion yen
	Medical	10.0 billion yen
ROE	8.8%	5.5%
ROIC	6.8%	7.3%
Dividend	49 yen	49 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.
- The specific amounts of individual remunerations of Directors, the payment timing, and the payment methods, etc. are left to the discretion of Keita Kato, President and Representative Director. This is because the President and Representative Director is the most suitable person to evaluate the duties of Directors while taking a broad look at the financial results of the Company as a whole. The Board of Directors obtains an opinion from the Nomination and Remuneration Advisory Committee as described above so that the authority is exercised properly.

The Board of Directors decided the levels of remuneration for Directors as well as their individual evaluations and remuneration after they were deliberated on by the Nomination and Remuneration Advisory Committee at meetings held in June 2021 and June 2022 in the process of deciding remuneration for Directors for the 100th fiscal year.

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)	305	161	76	543	8
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	40	—	—	40	3
Outside Directors and Outside Audit & Supervisory Board Members	70	—	—	70	6

(Notes) 1. The amounts of remuneration for Directors do not include 86 million yen in employee salaries (including employee bonuses) paid to Directors concurrently serving as employees (two persons).

2. The number of eligible Directors includes one Director and one Audit & Supervisory Board Member who retired at

conclusion of the 99th Annual General Meeting of Shareholders held on June 23, 2021, and one Director who retired as of August 31, 2021.

(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	60	32	13	106
Keita Kato	Director	Reporting company	72	39	17	128

(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, 2022, 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 2022, 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 March 31, 2022, compared with 26 holdings as of the end of March 2021 as a result of the disposition of one holding in fiscal 2021. We revised holding levels for three stocks held by selling portions of them.

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	75	3,009
Stocks other than those not listed	25	73,141

(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	899	Acquisition due to business collaboration
Stocks other than those not listed	—	—	—

(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	1	30
Stocks other than those not listed	4	43,692

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, 2022	Fiscal year ended March 31, 2021	Purpose of shareholding, quantitative effects of shareholding and reason for increase in number of shares	Holding of shares of the Company
	Number of shares (shares)	Number of shares (shares)		
	Carrying amount in balance sheet (millions of yen)	Carrying amount in balance sheet (millions of yen)		
Sekisui House, Ltd.	22,168,727	37,168,727	In addition to receiving dividends (2,765 million yen for the fiscal year under review for a dividend yield of 3.5%), 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
	52,562	88,238		
Dexerials Corporation	2,520,000	5,040,000	In addition to receiving dividends (211 million yen for the fiscal year under review for a dividend yield of 1.7%), 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
	8,429	9,535		
Senko Group Holdings Co., Ltd.	3,393,000	6,785,900	In addition to receiving dividends (159 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
	3,046	7,111		
Asahi Kasei Corp.	1,716,574	1,716,574	In addition to receiving dividends (58 million yen for the fiscal year under review for a dividend yield of 3.2%), 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
	1,823	2,187		
Mitsubishi UFJ Financial Group	2,339,400	2,339,400	In addition to receiving dividends (60 million yen for the fiscal year under review for a dividend yield of 3.4%), the Company's holding of shares in Mitsubishi UFJ Financial Group is intended to enhance corporate value of both parties through partnership for funding and investment.	Yes
	1,778	1,384		

Stock	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Purpose of shareholding, quantitative effects of shareholding and reason for increase in number of shares	Holding of shares of the Company
	Number of shares (shares)	Number of shares (shares)		
	Carrying amount in balance sheet (millions of yen)	Carrying amount in balance sheet (millions of yen)		
Tosoh Corporation	725,650	725,650	In addition to receiving dividends (44 million yen for the fiscal year under review for a dividend yield of 3.4%), 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
	1,316	1,536		
Nomura Micro Science Co., Ltd.	300,000	300,000	In addition to receiving dividends (28 million yen for the fiscal year under review for a dividend yield of 2.2%), 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
	1,276	1,102		
ERI Holdings Co., Ltd.	351,000	351,000	In addition to receiving dividends (10 million yen for the fiscal year under review for a dividend yield of 1.9%), 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
	542	212		
AGC Inc.	73,600	73,600	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
	361	340		
Central Japan Railway Company	20,400	20,400	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
	325	337		

Stock	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Purpose of shareholding, quantitative effects of shareholding and reason for increase in number of shares	Holding of shares of the Company
	Number of shares (shares)	Number of shares (shares)		
	Carrying amount in balance sheet (millions of yen)	Carrying amount in balance sheet (millions of yen)		
Dai-ichi Life Insurance Company	119,400	119,400	In addition to receiving dividends (7 million yen for the fiscal year under review for a dividend yield of 2.5%), the Company's holding of shares in Dai-ichi Life Insurance Company is intended to enhance corporate value of both parties through partnership for risk control and funding.	Yes
	298	227		
Almetax Manufacturing Co., Ltd.	703,910	703,910	In addition to receiving dividends (3 million yen for the fiscal year under review for a dividend yield of 1.8%), 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
	191	188		
Inabata Co., Ltd.	92,000	92,000	In addition to receiving dividends (6 million yen for the fiscal year under review for a dividend yield of 3.5%), the Company's holding of shares in Inabata Co., Ltd. is intended to enhance corporate value of both parties through partnership for sales of electronic materials and procurement of housing parts and materials.	Yes
	189	152		
Sharp Corporation	155,500	155,500	In addition to receiving dividends (4 million yen for the fiscal year under review for a dividend yield of 2.6%), 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
	178	297		
Hashimoto Sogyo Holdings Ltd.	90,750	90,750	In addition to receiving dividends (6 million yen for the fiscal year under review for a dividend yield of 3.5%), the Company's holding of shares in Hashimoto Sogyo Holdings Ltd. Corporation is intended to enhance corporate value of both parties through partnership for sales of construction and civil engineering products.	Yes
	172	247		
Resona Holdings, Inc.	268,525	268,525	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 Resona Holdings, Inc. is intended to enhance corporate value of both parties through partnership for funding and investment.	Yes
	140	124		

Stock	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Purpose of shareholding, quantitative effects of shareholding and reason for increase in number of shares	Holding of shares of the Company
	Number of shares (shares)	Number of shares (shares)		
	Carrying amount in balance sheet (millions of yen)	Carrying amount in balance sheet (millions of yen)		
Daito Trust Construction Co., Ltd.	10,000	10,000	In addition to receiving dividends (4 million yen for the fiscal year under review for a dividend yield of 3.7%), 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
	129	128		
East Japan Railway Company	14,900	14,900	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
	105	116		
Kuwazawa Holdings Corporation	124,014	124,014	In addition to receiving dividends (0 million yen for the fiscal year under review for a dividend yield of 1.1%), 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
	68	85		
Central Glass Co., Ltd.	26,200	26,200	In addition to receiving dividends (1 million yen for the fiscal year under review for a dividend yield of 3.6%), 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
	54	61		
Sumitomo Mitsui Financial Group, Inc.	11,356	11,356	In addition to receiving dividends (2 million yen for the fiscal year under review for a dividend yield of 5.1%), 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
	44	45		
Shimajima Co., Ltd.	37,440	37,440	In addition to receiving dividends (0 million yen for the fiscal year under review for a dividend yield of 2.3%), the Company's holding of shares in Shimajima Co., Ltd. is intended to enhance corporate value of both parties through partnership for sales of functional tape products.	Yes
	35	48		

Stock	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Purpose of shareholding, quantitative effects of shareholding and reason for increase in number of shares	Holding of shares of the Company
	Number of shares (shares)	Number of shares (shares)		
	Carrying amount in balance sheet (millions of yen)	Carrying amount in balance sheet (millions of yen)		
Zeon Corporation	25,000	25,000	In addition to receiving dividends (0 million yen for the fiscal year under review for a dividend yield of 1.8%), 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
	34	44		
EPCO Co., Ltd.	40,000	40,000	In addition to receiving dividends (1 million yen for the fiscal year under review for a dividend yield of 4.4%), 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
	29	39		
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 4.9%), 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
	4	4		
Kidswell Bio Corporation	-	52,000	-	No
	-	26		

(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, 2021 to March 31, 2022) and non-consolidated financial statements for the fiscal year (from April 1, 2021 to March 31, 2022) of the Company have been audited by Ernst & Young ShinNihon 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, 2021		As of March 31, 2022
Assets			
Current assets			
Cash and deposits	87,454		144,534
Notes receivable - trade	34,810	*1	36,999
Accounts receivable - trade	135,821	*1	148,748
Contract assets	—		721
Securities	0		—
Merchandise and finished goods	79,652		86,262
Land for sale in lots	58,767		55,364
Work in process	50,469		56,611
Raw materials and supplies	34,021		45,600
Advance payments to suppliers	3,362		4,551
Prepaid expenses	7,121		8,092
Short-term loans receivable	2		182
Other	15,259		22,984
Allowance for doubtful accounts	(1,172)		(1,257)
Total current assets	505,571		609,395
Non-current assets			
Property, plant and equipment			
Buildings and structures, net	*4 116,433	*4	120,810
Machinery, equipment and vehicles, net	96,844		108,218
Land	*4 80,079	*4	83,059
Leased assets, net	19,203		19,618
Construction in progress	27,228		21,606
Other, net	11,607	*4	11,939
Total property, plant and equipment	*2 351,397	*2	365,254
Intangible assets			
Goodwill	50,914		10,736
Software	10,520		10,561
Leased assets	150		137
Other	36,063		25,298
Total intangible assets	97,649		46,733
Investments and other assets			
Investment securities	*3 174,656	*3	130,688
Long-term loans receivable	1,613		1,157
Long-term prepaid expenses	2,021		2,030
Retirement benefit asset	312		21,066
Deferred tax assets	5,347		10,909
Other	13,908		14,038
Allowance for doubtful accounts	(2,334)		(2,352)
Total investments and other assets	195,525		177,537
Total non-current assets	644,571		589,525
Total assets	1,150,143		1,198,921

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes payable - trade	*4 1,744	1,386
Electronically recorded obligations - operating	25,052	28,335
Accounts payable - trade	*4 90,798	*4 108,460
Short-term borrowings	*4 7,278	*4 4,293
Lease liabilities	4,625	5,000
Accrued expenses	43,910	43,500
Income taxes payable	10,658	23,678
Provision for bonuses	17,620	19,709
Provision for bonuses for directors (and other officers)	245	290
Provision for warranties for completed construction	1,403	1,482
Provision for share awards	157	138
Advances received	40,227	*7 46,068
Other	38,555	47,350
Total current liabilities	282,278	329,694
Non-current liabilities		
Bonds payable	40,000	40,000
Long-term borrowings	71,207	*4 58,093
Lease liabilities	15,057	15,170
Deferred tax liabilities	10,362	4,624
Retirement benefit liability	*8 30,402	*8 41,840
Provision for share awards	648	773
Other	5,793	5,971
Total non-current liabilities	173,472	166,473
Total liabilities	455,751	496,168
Net assets		
Shareholders' equity		
Share capital	100,002	100,002
Capital surplus	109,021	109,042
Retained earnings	441,087	447,958
Treasury shares	(43,414)	(44,592)
Total shareholders' equity	606,696	612,409
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	50,781	33,726
Deferred gains or losses on hedges	(33)	(18)
Revaluation reserve for land	*9 323	*9 322
Foreign currency translation adjustment	6,647	25,507
Remeasurements of defined benefit plans	2,650	2,687
Total accumulated other comprehensive income	60,370	62,226
Non-controlling interests	27,325	28,116
Total net assets	694,392	702,753
Total liabilities and net assets	1,150,143	1,198,921

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

Consolidated statement of income

(Millions of yen)

	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	
Net sales		1,056,560	*1	1,157,945
Cost of sales		726,174		801,994
Gross profit		330,385		355,950
Selling, general and administrative expenses	*2	263,084	*2	267,071
Operating profit		67,300		88,879
Non-operating income				
Interest income		484		544
Dividend income		4,368		3,813
Share of profit of entities accounted for using equity method		2,753		108
Foreign exchange gains		543		4,816
Miscellaneous income		2,886		4,715
Total non-operating income		11,036		13,999
Non-operating expenses				
Interest expenses		861		774
Inspection and maintenance expenses for external walls	*3	5,011	*3	489
Sales discounts		378		—
Miscellaneous expenses		9,436		4,613
Total non-operating expenses		15,687		5,877
Ordinary profit		62,649		97,001
Extraordinary income				
Gain on sale of investment securities		2,258		25,909
Gain on sale of non-current assets	*4	3,128		—
Total extraordinary income		5,387		25,909
Extraordinary losses				
Impairment losses	*5	2,428	*5	51,508
Loss on sale of investment securities		728		—
Loss on sale and retirement of non-current assets	*6	1,700	*6	1,544
Total extraordinary losses		4,857		53,052
Profit before income taxes		63,179		69,859
Income taxes - current		20,029		35,995
Income taxes - deferred		(127)		(4,896)
Total income taxes		19,902		31,098
Profit		43,277		38,760
Profit attributable to non-controlling interests		1,733		1,692
Profit attributable to owners of parent		41,544		37,067

Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit	43,277	38,760
Other comprehensive income		
Valuation difference on available-for-sale securities	22,450	(15,811)
Deferred gains or losses on hedges	(32)	25
Foreign currency translation adjustment	16,297	19,691
Remeasurements of defined benefit plans, net of tax	11,068	225
Share of other comprehensive income of entities accounted for using equity method	894	(1,382)
Total other comprehensive income	* 50,679	* 2,748
Comprehensive income	93,956	41,509
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	91,064	38,924
Comprehensive income attributable to non-controlling interests	2,892	2,585

(iii) Consolidated statement of changes in equity
(From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	100,002	109,273	433,266	(44,139)	598,403
Cumulative effects of changes in accounting policies					–
Restated balance	100,002	109,273	433,266	(44,139)	598,403
Changes during period					
Dividends of surplus			(20,953)		(20,953)
Profit attributable to owners of parent			41,544		41,544
Increase and decrease in retained earnings resulting from inclusion of subsidiaries in consolidation			(117)		(117)
Cancellation of treasury shares		(12,699)		12,699	–
Purchase of treasury shares				(12,202)	(12,202)
Disposal of treasury shares		1		228	229
Transfer from retained earnings to capital surplus		12,651	(12,651)		–
Change in ownership interest of parent due to transactions with non-controlling interests		(206)			(206)
Net changes in items other than shareholders' equity					–
Total changes during period	–	(252)	7,820	725	8,293
Balance at end of period	100,002	109,021	441,087	(43,414)	606,696

	Accumulated other comprehensive income						Share acquisition rights	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	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	27,463	(16)	321	(8,499)	(8,419)	10,850	64	24,901	634,219
Cumulative effects of changes in accounting policies									–
Restated balance	27,463	(16)	321	(8,499)	(8,419)	10,850	64	24,901	634,219
Changes during period									
Dividends of surplus									(20,953)
Profit attributable to owners of parent									41,544
Increase and decrease in retained earnings resulting from inclusion of subsidiaries in consolidation									(117)
Cancellation of treasury shares									–
Purchase of treasury shares									(12,202)
Disposal of treasury shares									229
Transfer from retained earnings to capital surplus									–
Change in ownership interest of parent due to transactions with non-controlling interests									(206)
Net changes in items other than shareholders' equity	23,318	(16)	1	15,146	11,069	49,519	(64)	2,424	51,879
Total changes during period	23,318	(16)	1	15,146	11,069	49,519	(64)	2,424	60,173
Balance at end of period	50,781	(33)	323	6,647	2,650	60,370	–	27,325	694,392

(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						Share acquisition rights	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	Remeasurements of defined benefit plans	Total accumulated other comprehensive 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

(iv) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	63,179	69,859
Depreciation	44,926	45,912
Amortization of goodwill	4,419	2,792
Impairment losses	2,428	51,508
Loss on retirement of non-current assets	1,672	1,522
Loss (gain) on sales of non-current assets	(3,101)	21
Increase (decrease) in retirement benefit liability	(1,495)	(8,323)
Loss (gain) on sale of investment securities	(1,530)	(25,909)
Interest and dividend income	(4,853)	(4,358)
Interest expenses	1,239	774
Share of loss (profit) of entities accounted for using equity method	(2,753)	(108)
Decrease (increase) in trade receivables	4,629	(7,289)
Decrease (increase) in inventories	(4,165)	(16,835)
Increase (decrease) in trade payables	(11,246)	13,153
Increase (decrease) in advances received	(2,024)	5,638
Increase (decrease) in deposits received	280	(772)
Other, net	1,144	(3,977)
Subtotal	92,750	123,607
Interest and dividends received	5,208	5,250
Interest paid	(1,190)	(790)
Income taxes paid	(21,497)	(23,044)
Net cash provided by (used in) operating activities	75,271	105,023
Cash flows from investing activities		
Purchase of property, plant and equipment	(55,359)	(36,997)
Proceeds from sale of property, plant and equipment	3,940	1,449
Payments into time deposits	(14,619)	(12,609)
Proceeds from withdrawal of time deposits	6,463	13,876
Purchase of investment securities	(620)	(1,108)
Proceeds from sale and redemption of investment securities	3,478	45,796
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	880	-
Purchase of shares of subsidiaries	-	(6)
Purchase of intangible assets	(6,708)	(7,617)
Decrease (increase) in short-term loans receivable	15	(9)
Other, net	4,035	(80)
Net cash provided by (used in) investing activities	(58,495)	2,694
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(823)	(2,490)
Repayments of lease liabilities	(4,947)	(5,408)
Increase (decrease) in commercial papers	(28,000)	-
Proceeds from long-term borrowings	51,531	-
Repayments of long-term borrowings	(3,256)	(13,905)
Redemption of bonds	(19)	-
Dividends paid	(20,952)	(21,532)
Dividends paid to non-controlling interests	(1,240)	(1,643)
Purchase of treasury shares	(12,201)	(9,499)
Proceeds from issuance of shares	2,632	-
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(2,099)	(45)
Other, net	219	(202)
Net cash provided by (used in) financing activities	(19,157)	(54,729)
Effect of exchange rate change on cash and cash equivalents	4,171	4,064
Net increase (decrease) in cash and cash equivalents	1,789	57,052
Cash and cash equivalents at beginning of period	74,721	76,649
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	138	36
Cash and cash equivalents at end of period	*1 76,649	*1 133,739

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 155

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 companies of Sekisui Chemical Hokkaido Co., Ltd. and North Solution Technology Co., Ltd. merged, and Sekisui Chemical Hokkaido Co., Ltd. was the surviving company. Although North Solution Technology Co., Ltd. had previously been an unconsolidated subsidiary, it is now included in the scope of consolidation as Sekisui Chemical Hokkaido Co., Ltd. due to the said merger. In addition, two companies of Sekisui Aqua Systems Co., Ltd. and AS Engineering Co., Ltd. merged, and Sekisui Aqua Systems Co., Ltd. was the surviving company. Although AS Engineering Co., Ltd. had previously been an unconsolidated subsidiary, it is now included in the scope of consolidation as Sekisui Aqua Systems Co., Ltd. due to the said merger.

Six companies of Muhan Co., Ltd., Sekisui Integrated Bathroom (Shenyang) Co., Ltd., Sekisui Chemical (Thailand) Co., Ltd., Sekisui Refresh Co., Ltd., Sekisui Polymatech Trading (Thailand) Co., Ltd., and I-Net Co., Ltd. are excluded from the scope of consolidation, since their liquidation has been completed.

(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

8 associates

Names of major companies

Sekisui Kasei Co., Ltd., Sekisui Jushi Corporation

(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 19 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 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).

(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.

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 consolidated taxation system

The Company and certain consolidated subsidiaries apply the consolidated taxation system.

(iii) Application of tax effect accounting for transition from the consolidated taxation system to the group tax sharing system

The Company and certain consolidated subsidiaries in Japan will make a transition from the consolidated taxation system to the group tax sharing system in the next fiscal year. However, for items for which a transition was made to the group tax sharing system established in the Act Partially Amending the Income Tax Act (Act No. 8 of 2020) and for which the non-consolidated taxation system was revised in line with the transition to the group tax sharing system, the provisions in paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018) are not applied in accordance with the treatment in paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (Practical Solution No. 39, March 31, 2020), and the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax law before amendment.

From the beginning of the next fiscal year, the Company plans to apply the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Practical Solution No. 42, August 12, 2021), which stipulates the treatment of accounting and disclosure of income taxes, local income taxes, and tax effect accounting in the case of applying the group tax sharing system.

(Significant accounting estimates)

For the fiscal year ended March 31, 2021

1. Valuation of goodwill of the Sekisui Aerospace Corporation Group

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

Goodwill ¥40,802 million

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. For the fiscal year under review, impairment losses related to the said goodwill have not been recorded.

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

(i) Calculation method

For the fiscal year under review, impairment losses have not been recorded, since the total amount of future cash flows before discount obtained from the group of assets, including goodwill of the Sekisui Aerospace Corporation Group, exceeded the carrying amount of the said group of assets. Future cash flows before discount are based on the business plan approved by the management. After the period covered by the business plan, future cash flows before discount are calculated based on the growth rate estimated within the range of the average long-term growth rate of the market.

(ii) Major assumptions

Major assumptions used for calculating future cash flows before discount include estimated recovery of the market in the aircraft industry, estimated orders received from customers, and the growth rate after the period covered by the business plan. The growth rate was assumed to be 2%, taking impacts of COVID-19 on the average long-term growth rate of the market into consideration.

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

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 affected by a sharp decline in demand from air passengers due to the COVID-19 pandemic, and their management environment is becoming increasingly uncertain. The deteriorating management environment of major customers may significantly affect 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 ¥1,693 million Intangible assets ¥12,564 million

The said intangible assets 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 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, impairment losses of 1,693 million yen were recorded as a result of a deterioration in profitability caused by a change in the business environment.

(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%, and this was calculated based on the weighted average cost of capital before tax.

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

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 affected by a sharp decline in demand from air passengers due to the COVID-19 pandemic, and their management environment is becoming increasingly uncertain. The deteriorating management environment of major customers may significantly affect the valuation of customer-related assets of the Sekisui Aerospace Corporation Group. Any changes in major assumptions that are the basis of accounting estimates may cause impairment losses for customer-related assets.

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 ¥58,767 million

(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 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.

For the fiscal year ended 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	Goodwill	¥2,110 million
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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 capita 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
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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

(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.

(Changes in accounting policies)

(Application of accounting standard for revenue recognition, etc.)

The Group has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the fiscal year under review, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

As a result of this adoption, part of sales commissions, which was previously recorded in selling, general and administrative expenses, and sales discounts, which were previously recorded in non-operating expenses, have been deducted from net sales. Furthermore, in cases where consideration in contracts with customers includes variable consideration, when the uncertainty associated with the variable consideration is subsequently resolved, the Group has included the variable consideration in the transaction price only by the portion that is highly unlikely to cause a significant reduction in revenue which was recorded by the time of the resolution.

In accounting of subcontract processing with charged materials, although the inventories were previously derecognized at the time when the materials were provided to the party receiving them, the supplied materials are now not derecognized as the Group substantially bears an obligation to repurchase the supplied materials.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the fiscal year under review, was added to or deducted from the opening balance of retained earnings of the fiscal year under review, and thus the new accounting policy was applied from such opening balance.

Due to the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations, “Notes receivable - trade” and “Accounts receivable - trade” under current assets of the consolidated balance sheet as of the end of the previous fiscal year have been presented as “Notes receivable - trade,” “Accounts receivable - trade,” and “Contract assets” from the consolidated balance sheet as of the end of the fiscal year under review. In accordance with the transitional treatment provided for in paragraph

89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated based on the new approach to presentation.

As a result of this change, and compared with the figures before the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations, for the fiscal year under review, net sales decreased 3,718 million yen, cost of sales decreased 665 million yen, selling, general and administrative expenses decreased 2,632 million yen and non-operating expenses decreased 416 million yen, while operating profit decreased 419 million yen, and ordinary profit and profit before income taxes each decreased 3 million yen. In addition, because the cumulative effect was reflected in net assets as of the beginning of the fiscal year under review, the balance of retained earnings at the beginning of the period in the consolidated statement of changes in equity decreased 587 million yen.

The impact on per share information was immaterial.

In accordance with the transitional treatment provided for in paragraph 89-3 of the Accounting Standard for Revenue Recognition, “Notes to consolidated financial statements, (Revenue recognition)” for the previous fiscal year have not been stated.

(Application of accounting standard for fair value measurement, etc.)

The Group has adopted the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the fiscal year under review, and it has decided to apply the new accounting policy provided for by the Accounting Standard for Fair Value Measurement and relevant ASBJ regulations prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard For Fair Value Measurement and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This application has no effect on the consolidated financial statements.

In addition, in “Notes to consolidated financial statements, (Financial instruments),” the Company has decided to state notes to items regarding the breakdown by level of fair value of financial instruments, among others. However, in accordance with the transitional measures provided for in paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019), notes regarding the previous fiscal year among those notes have not been stated.

(Accounting standards issued but not yet applied)

- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021, Accounting Standards Board of Japan)

(1) Outline

The amendment of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, Accounting Standards Board of Japan) on June 17, 2021, was made and published in accordance with the plan at the time of publication on July 4, 2019, that the Guidance would be examined for approximately one year after the publication of the Accounting Standard for Fair Value Measurement, since the examination of “the measurement of fair value of investment trust” might require a certain length of time for consultation with interested parties, and notes to fair value of “investments in partnerships, etc. recorded at the amount (net) equivalent to the equity ownership portion in the balance sheet” also require certain examination.

(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, 2023.

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

The effects of applying the “Implementation Guidance on Accounting Standard for Fair Value Measurement” on the consolidated financial statements are currently under evaluation.

(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)	
Notes receivable - trade		36,999
Accounts receivable - trade		148,553

*2 Accumulated depreciation of property, plant and equipment

	(Millions of yen)	
	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Accumulated depreciation of property, plant and equipment	594,486	618,064

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

	(Millions of yen)	
	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Investment securities (shares)	56,500	52,208

*4. Assets pledged as collateral and secured liabilities

Assets pledged as collateral are as follows:

	(Millions of yen)	
	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Buildings and structures	1,133	818
Land	682	10
Other	-	1
Total	1,816	830

Secured liabilities are as follows:

	(Millions of yen)	
	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Notes payable - trade	64	-
Accounts payable - trade	26	95
Short-term borrowings	545	201
Long-term borrowings	-	-
Total	636	298

5. Guarantee obligations

The following liabilities are guaranteed:

	(Millions of yen)	
	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
(1) Guarantee obligations of housing loans for prefabricated modular housing purchasers and the promotion of the employee house ownership plan	54,894	60,373
(2) Other guarantee obligations	9,004	7,911

6. Trade notes receivable transferred by endorsement

(Millions of yen)

	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Trade notes receivable transferred by endorsement	12	–

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

(Millions of yen)

	FY2021 (as of March 31, 2022)
Contract liabilities	43,033

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

(Millions of yen)

	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Portion for directors and officers in retirement benefit liabilities	699	703

*9. 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

10. Commitment line agreement

In order to finance working capital in an efficient and agile manner, a commitment line agreement had been concluded with a bank. Due to its expiration on May 19, 2021, however, the said agreement has terminated.

(Millions of yen)

	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Total amount of commitment line	100,000	–
Outstanding balance of used commitment line	–	–
Difference	100,000	–

(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)

	FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)
Freight costs, packing expenses, and storage fees	25,868	30,284
Employees’ salaries, allowance and bonuses	90,590	91,950
Provision for bonuses	10,924	13,536
Retirement benefit expenses	8,813	(126)
Depreciation	14,673	14,120
Provision of allowance for doubtful accounts	162	135
Research and development expenses	35,110	37,010

Research and development expenses only include general and administrative expenses.

*3. Inspection and maintenance expenses for specified exterior walls

Inspection and maintenance expenses for specified exterior walls include inspection expenses for specified external walls of houses that were sold by the Group in the past and repair expenses for exterior walls that are expected to be subject to repair due to failure.

*4. The major components of gain on sale of non-current assets are as follows:

(Millions of yen)

	FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)
Land	3,077	–

*5. Impairment losses

The Group recorded impairment losses mainly for the following assets:

FY2020 (from April 1, 2020 to March 31, 2021)

Used for	Type	Location
Other	Intangible assets	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).

In so doing, 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 the income projected in the business plan that was considered when acquiring shares was no longer expected. As a result, the Group recorded a reduction in the amount as impairment losses under extraordinary losses in the amount of 1,693 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%.

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%.

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

	(Millions of yen)	
	FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)
Machinery, equipment and vehicles	840	770
Buildings and structures	597	443

(Notes to consolidated statement of comprehensive income)

* Reclassification adjustments and tax effects relating to other comprehensive income

(Millions of yen)

	FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)
Valuation difference on available-for-sale securities:		
Amount incurred for the fiscal year	33,857	2,901
Reclassification adjustment	(1,530)	(25,796)
Before-tax-effect adjustment	32,326	(22,894)
Tax effect amount	(9,876)	7,083
Valuation difference on available-for-sale securities	22,450	(15,811)
Deferred gains or losses on hedges:		
Amount incurred for the fiscal year	(32)	25
Deferred gains or losses on hedges	(32)	25
Foreign currency translation adjustment:		
Amount incurred for the fiscal year	15,976	19,691
Reclassification adjustment	321	–
Foreign currency translation adjustment	16,297	19,691
Remeasurements of defined benefit plans, net of tax:		
Amount incurred for the fiscal year	12,956	2,065
Reclassification adjustment	2,727	(1,579)
Before-tax-effect adjustment	15,683	486
Tax effect amount	(4,615)	(260)
Remeasurements of defined benefit plans, net of tax	11,068	225
Share of other comprehensive income of entities accounted for using the equity method:		
Amount incurred for the fiscal year	746	(1,273)
Reclassification adjustment	148	(109)
Share of other comprehensive income of entities accounted for using the equity method	894	(1,382)
Total other comprehensive income	50,679	2,748

(Notes to consolidated statement of changes in equity)

FY2020 (from April 1, 2020 to March 31, 2021)

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)	484,507,285	–	8,000,000	476,507,285
Total	484,507,285	–	8,000,000	476,507,285
Treasury shares				
Common shares (Notes 1, 3, 4)	27,712,523	8,003,741	8,142,529	27,573,735
Total	27,712,523	8,003,741	8,142,529	27,573,735

(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

(916,700 shares at the beginning of the fiscal year under review, 795,200 shares at the end of the fiscal year).

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

Decrease due to cancellation of treasury shares 8,000,000 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 8,000,000 shares

Increase due to purchase of shares less than one unit 1,643 shares

Increase due to change in equity of entities accounted for by using the equity method 2,098 shares

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

Decrease due to cancellation of treasury shares 8,000,000 shares

Decrease due to exercise of employee share options 21,000 shares

Share issuance by BIP trust as an officer remuneration system and Employee Stock Ownership Plan trust 121,500 shares

Decrease due to demand for increase of purchase of shares less than one unit 29 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, 2020	Common shares	10,535	23	March 31, 2020	June 24, 2020
Board of Directors meeting held on October 29, 2020	Common shares	10,418	23	September 30, 2020	December 1, 2020

(Notes) 1. The total amount of dividends resolved by the Annual General Meeting of Shareholders held on June 23, 2020 includes dividends of 21 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 29, 2020 includes dividends of 18 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 23, 2021	Common shares	10,801	Retained earnings	24	March 31, 2021	June 24, 2021

(Note) 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.

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 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, 656,600 shares at the end of the fiscal year).

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.

(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)

	FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)
Cash and deposits	87,454	144,534
Time deposits with maturity over 3 months	(10,805)	(10,795)
Cash and cash equivalents	76,649	133,739

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)

	FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)
Amount of assets related to finance lease transactions	5,835	5,624
Amount of liabilities related to finance lease transactions	5,835	5,624

(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 eight 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.

FY2020 (as of March 31, 2021)

(Millions of yen)

	Carrying amount in the consolidated balance sheet	Fair value	Difference
(1) Securities and investment securities (*2)	152,079	144,673	(7,405)
Total assets	152,079	144,673	(7,405)
(2) Long-term borrowings (*3)	74,034	73,959	(75)
(3) Bonds payable	40,000	39,704	(296)
Total liabilities	114,034	113,663	(371)
Derivatives (*4)			
(1) Derivatives for which hedge accounting is not applied	–	–	–
(2) Derivatives for which hedge accounting is applied	(33)	(33)	–
Total derivatives	(33)	(33)	–

(*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) Since the following financial instruments do not have market prices, and it is extremely difficult to determine their fair values, they 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	FY2020 (millions of yen)
Unlisted stocks	22,577

(*3) The current portion of long-term borrowings (2,826 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.

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	FY2021 (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.

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

FY2020 (as of March 31, 2021)

(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	87,454	–	–	–
Notes and accounts receivable - trade	170,631	–	–	–
Securities and investment securities				
Held-to-maturity debt securities (Other)	0	14	–	–
Total	258,086	14	–	–

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	–	–

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

FY2020 (as of March 31, 2021)

(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	4,451	–	–	–	–	–
Long-term borrowings	2,826	2,267	2,424	20,947	270	45,298
Bonds payable	–	–	–	–	–	40,000
Total	7,278	2,267	2,424	20,947	270	85,298

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

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

(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

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 and municipal bonds 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 prices, etc. provided by correspondent financial institutions and are categorized under Level 2.

(Securities)

I. FY2020 (as of March 31, 2021)

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	114,508	46,261	68,246
Securities whose carrying amount in the consolidated balance sheet does not exceed the acquisition cost	Shares	191	229	(38)
Total		114,699	46,491	68,208

(Note) Since unlisted shares (carrying amount in the consolidated balance sheet: 3,442 million yen) do not have market prices, and it is deemed extremely difficult to determine their fair values, they are not included in “Available-for-sale securities” in the above table.

3. Available-for-sale securities sold in the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

Description	Sales amount (millions of yen)	Total gain on sales (millions of yen)	Total loss on sales (millions of yen)
Shares	3,478	2,258	0
Total	3,478	2,258	0

II. 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	–

(Derivatives)

I. FY2020 (as of March 31, 2021)

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	Long-term borrowings			
	U.S. dollars/Indian rupees Fixed interest rate for receipt / Fixed interest rate for payment		850	329	(33)
Total			850	329	(33)

II. 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	Long-term borrowings			
	U.S. dollars/Indian rupees Fixed interest rate for receipt / Fixed interest rate for payment		308	308	(18)
Total			308	308	(18)

(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, 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.

2. Defined benefit plans

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

	(Millions of yen)	
	FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)
Balance of retirement benefit obligations at beginning of period	150,764	147,807
Service cost	6,764	6,913
Interest cost	949	950
Actuarial gains and losses accrued	(1,257)	(2,096)
Retirement benefits paid	(7,693)	(7,342)
Past service cost incurred	-	(1,024)
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
Decrease due to business restructuring, etc.	(2,241)	-
Other	522	1,403
Balance of retirement benefit obligations at end of period	147,807	151,441

(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)

	FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)
Balance of plan assets at beginning of period	112,565	126,441
Expected return on plan assets	2,346	2,751
Actuarial gains and losses accrued	11,460	(1,054)
Contribution from employer	7,015	6,924
Retirement benefits paid	(5,819)	(5,644)
Amount of transfer in conjunction with the change from the simplified method to the principle method		3,839
Decrease due to business restructuring, etc.	(1,676)	–
Other	550	1,038
Balance of plan assets at end of period	126,441	134,295

(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)

	FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)
Balance of retirement benefit liability at beginning of period	8,027	8,025
Retirement benefit expenses	2,453	2,651
Retirement benefits paid	(914)	(539)
Contribution to the plans	(2,099)	(1,936)
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.	558	24
Balance of retirement benefit liability at end of period	8,025	2,923

(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)

	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Retirement benefit obligations of funded plans	124,983	142,582
Plan assets	132,455	159,728
	(7,472)	(17,146)
Retirement benefit obligations of unfunded plans	36,862	37,215
Net amount of liabilities and assets recorded in the consolidated balance sheet	29,390	20,069
Retirement benefit liability	29,702	41,136
Retirement benefit asset	312	21,066
Net amount of liabilities and assets recorded in the consolidated balance sheet	29,390	20,069

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

(5) Amounts of retirement benefit expenses and their components

(Millions of yen)

	FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)
Service cost	6,764	6,913
Interest cost	949	950
Expected return on plan assets	(2,346)	(2,751)
Amortization of actuarial gains and losses	2,846	(1,184)
Amortization of past service cost	1	(146)
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	3,011	2,651
Retirement benefit expenses relating to defined benefit plans	11,226	2,120

(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)	
	FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)
Past service cost	(1)	(878)
Actuarial gains and losses	(15,682)	392
Total	(15,683)	(486)

(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)	
	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Unrecognized past service cost	–	(878)
Unrecognized actuarial gains and losses	(4,256)	(3,864)
Total	(4,256)	(4,742)

(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:

	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Debt securities	36%	38%
Shares	25%	23%
Life insurance general account	19%	16%
Cash and deposits	7%	5%
Other	11%	15%
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

	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
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%	2.9%

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 1,586 million yen in the fiscal year ended March 31, 2021 and 1,600 million yen in the fiscal year ended March 31, 2022.

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.

(1) Latest funded status for multi-employer pension plans

	(Millions of yen)
	FY2020 (as of March 31, 2021)
Amount of plan assets	120,416
Amount of actuarial obligations calculated under pension financing	109,486
Difference	10,930

(2) Ratio of benefit obligations under pension financing of the Group in multi-employer pension plans FY2020 (from April 1, 2020 to March 31, 2021) Approximately 15%

(3) Supplementary explanation

The above (1) and (2) are based on the latest available information (as of March 31, 2020 for FY2020)

The ratio of benefit obligations in (2) is not consistent with the actual ratio of the Group's obligation.

4. Defined contribution plans

The amounts of required contributions to defined contribution plans of the Company and certain consolidated subsidiaries were 1,708 million yen in the fiscal year ended March 31, 2021 and 1,732 million yen in the fiscal year ended March 31, 2022.

(Share options, etc.)

Amount recorded as income resulting from forfeiture due to non-exercise of option

(Millions of yen)

	FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)
Miscellaneous income	62	—

(Tax effect accounting)

1. Major components of deferred tax assets and liabilities

(Millions of yen)

	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Deferred tax assets		
Retirement benefit liability	9,001	9,099
Unrealized gains	6,485	6,435
Provision for bonuses	5,030	5,398
Impairment losses	2,398	2,618
Loss on valuation of investment securities	1,067	2,175
Accrued enterprise tax	853	1,525
Tax loss carryforwards (Note)	1,472	1,112
Assets adjustment	93	91
Other	12,411	13,822
Total gross deferred tax assets	38,816	42,281
Valuation allowance for tax loss carryforwards (Note)	(1,239)	(911)
Valuation allowance for total future deductible temporary differences, etc.	(3,170)	(3,133)
Total valuation allowance	(4,410)	(4,045)
Total deferred tax assets	34,405	38,235
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(20,834)	(13,900)
Temporary differences arising from consolidation without tax effect	(5,817)	(3,674)
Accelerated depreciation of property, plant and equipment	(3,490)	(3,644)
Reserve for tax-purpose reduction entry of non-current assets	(3,005)	(2,950)
Retained profit	(2,843)	(2,380)
Valuation difference on shares of subsidiaries and associates	(1,921)	(1,469)
Other	(1,508)	(3,932)
Total deferred tax liabilities	(39,421)	(31,950)
Net deferred tax assets (liabilities)	(5,015)	6,284

(Note) Tax loss carryforwards and their deferred tax assets by expiry date
FY2020 (as of March 31, 2021)

	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 *	525	300	282	23	6	333	1,472
Valuation allowance	455	218	200	23	6	333	1,239
Deferred tax assets	69	81	81	–	–	–	232

* The amount of tax loss carryforwards is derived by multiplying by the statutory tax rate.

FY2021 (as of March 31, 2022)

	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	657	1,112
Valuation allowance	218	200	23	6	5	456	911
Deferred tax assets	–	–	–	–	–	200	200

* 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

	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Statutory tax rate (Adjustments)	Description is omitted since the differences between the statutory tax rate and the effective income tax rate after application of tax effect accounting is no more than 5% of the statutory tax rate.	30.5%
Impairment losses on goodwill		13.2%
Other		0.9%
Effective income tax rate after application of tax effect accounting		44.5%

(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

(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.

(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)

	Fiscal year ended March 31, 2022
Within 1 year	12,601
Over 1 year but within 2 years	1,065
Over 2 years	440
Total	14,106

(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, and other operations related to unit housing, real estate, and residential service business.

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, construction materials, and fiber-reinforced foamed urethane.

The HPP business comprises manufacturing and sales of interlayer films for laminated glass, polyolefin foam, tape, LCD microparticles and photosensitive materials, functional resin for infrastructure, diagnostic drugs and other products.

The Medical business comprises manufacturing and sales of diagnostic reagents, analyzers, pharmaceutical ingredients and intermediates.

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.

As described in “Changes in accounting policies,” 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 fiscal year under review, and changed the accounting treatment for revenue recognition. Accordingly, the Company has changed the method of measuring profit or loss of reportable segments.

As a result of this change, and compared with the results when the conventional method was applied, in the Housing business, net sales and segment profit decreased 1,062 million yen and 73 million yen respectively, in the Urban Infrastructure and Environmental Products business, net sales and segment profit decreased 1,310 million yen and 155 million yen respectively, in the High Performance Plastics business, net sales and segment profit decreased 1,328 million yen and 174 million yen respectively, and in the Medical business, net sales and segment profit decreased 16 million yen respectively, in the fiscal year ended March 31, 2022.

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
FY2020 (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable segments					Other (Note)	Total
	Housing	Urban Infrastructure & Environmental Products	High Performance Plastics	Medical	Total		
Net sales							
Sales to external customers	485,124	192,069	303,559	72,341	1,053,095	3,465	1,056,560
Intersegment sales or transfers	140	12,516	6,307	0	18,966	146	19,112
Total	485,265	204,586	309,867	72,342	1,072,061	3,611	1,075,672
Segment profit (loss)	30,546	11,251	28,935	7,010	77,744	(8,746)	68,997
Segment assets	324,795	210,361	422,924	123,656	1,081,738	28,410	1,110,149
Other items							
Depreciation	9,688	8,667	19,347	4,079	41,783	2,199	43,982
Investments in entities accounted for by the equity method	10,304	–	2,872	–	13,177	–	13,177
Increase in property, plant and equipment and intangible assets	13,761	14,076	17,184	6,519	51,543	4,634	56,177

(Note) “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.

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	166,556	109,780	38,332	828,530	2,076	830,607
North America	–	14,074	64,749	28,523	107,348	13	107,361
Europe	–	5,550	60,193	7,412	73,155	–	73,155
China	–	5,143	58,955	11,007	75,106	1,005	76,112
Asia	1,177	5,845	50,904	2,332	60,260	88	60,349
Other	–	1,669	7,781	908	10,359	–	10,359
Sales to external customers	515,038	198,840	352,365	88,516	1,154,761	3,183	1,157,945
Intersegment sales or transfers	152	12,936	6,443	0	19,533	1,761	21,294
Total	515,191	211,776	358,809	88,517	1,174,295	4,944	1,179,239
Segment profit (loss)	35,318	14,061	42,351	11,180	102,911	(10,316)	92,595
Segment assets	349,106	227,415	404,624	134,635	1,115,782	33,702	1,149,484
Other items							
Depreciation	9,878	8,879	18,959	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	8,814	17,666	5,616	45,061	5,885	50,947

(Notes: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.”

(Notes: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	FY2020	FY2021
Reportable segment total	1,072,061	1,174,295
Net sales in "other"	3,611	4,944
Intersegment eliminations	(19,112)	(21,294)
Net sales in consolidated statement of income	1,056,560	1,157,945

(Millions of yen)

Profit	FY2020	FY2021
Reportable segment total	77,744	102,911
Profit in "other"	(8,746)	(10,316)
Intersegment eliminations	447	294
Corporate expenses (Note)	(2,144)	(4,010)
Operating profit in consolidated statement of income	67,300	88,879

(Note) Corporate expenses are mainly general and administrative expenses not attributable to each reportable segment.

(Millions of yen)

Assets	FY2020	FY2021
Reportable segment total	1,081,738	1,115,782
Assets in "other"	28,410	33,702
Intersegment eliminations	(316,651)	(340,352)
Corporate assets (Note)	356,645	389,789
Total assets in the consolidated balance sheet	1,150,143	1,198,921

(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	
	FY2020	FY2021	FY2020	FY2021	FY2020	FY2021	FY2020	FY2021
Depreciation	41,783	42,206	2,199	2,554	943	1,151	44,926	45,912
Investments in entities accounted for by the equity method	13,177	14,063	–	–	35,239	30,272	48,417	44,336
Increase in property, plant and equipment and intangible assets	51,543	45,061	4,634	5,885	1,867	2,976	58,044	53,923

(Note) Adjustments in investments in entities accounted for by the equity method are such investments not attributable to each reportable segment.

Related information

FY2020 (from April 1, 2020 to March 31, 2021)

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

(Millions of yen)

Japan	North America	Europe	China	Asia	Other	Total
791,247	80,279	56,773	65,395	55,159	7,704	1,056,560

(Note) Net sales are classified by country or region based on the customer’s location.

(2) Property, plant and equipment

(Millions of yen)

Japan	North America	Europe	China	Asia	Other	Total
238,128	35,675	42,036	12,115	21,591	1,848	351,397

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.”

(Changes in presentation)

In order to enhance the clarity of disclosure, certain net sales that were classified under “Other” and net sales that were presented under “U.S.” in the fiscal year ended March 31, 2021 are presented under “North America” effective from the fiscal year ended March 31, 2022. In addition, net sales of “China” that were included in “Asia” are independently presented effective from the fiscal year ended March 31, 2022. The scope of each geographical area has been changed in part. To reflect these changes in the presentation method, items were reclassified in “(1) Net sales” of “2. Information by geographical area” for the fiscal year ended March 31, 2021.

As a result, for the fiscal year ended March 31, 2021, net sales of 790,537 million yen in “Japan,” 76,359 million yen in “United States,” 57,673 million yen in “Europe,” 119,359 million yen in “Asia” and 12,630 million yen in “Other” have been reclassified as stated in “(1) Net sales” of “2. Information by geographical area” of FY2020.

(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

(Changes in presentation)

In order to enhance the clarity of disclosure, certain property, plant and equipment that were included in “Other” and those presented under “United States” are presented under “North America” effective from the fiscal year ended March 31, 2022. In addition, property, plant and equipment of “China” that were included in “Asia” are independently presented effective from the fiscal year ended March 31, 2022. To reflect these changes in the presentation method, items were reclassified in “(2) Property, plant and equipment” of “2. Information by geographical area” of FY2020.

As a result, for the fiscal year ended March 31, 2021, property, plant and equipment of 31,347 million yen in “United States,” 33,707 million yen in “Asia” and 6,176 million yen in “Other” have been reclassified as stated in “(2) Property, plant and equipment” of “2. Information by geographical area” of FY2020.

Information on impairment losses of non-current assets by reportable segment
FY2020 (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Housing	Urban Infrastructure & Environment al Products	High Performance Plastics	Medical	Other	Corporate and elimination	Total
Impairment losses	–	373	2,001	54	–	–	2,428

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

(Millions of yen)

	Housing	Urban Infrastructure & Environment al 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.

Information on amortization of goodwill and unamortized balance of goodwill by reportable segment
FY2020 (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Housing	Urban Infrastructure & Environment al Products	High Performance Plastics	Medical	Other	Corporate and elimination	Total
Amortization during the period	–	–	2,801	1,588	29	–	4,419
Balance at end of period	–	–	44,275	6,634	4	–	50,914

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

(Millions of yen)

	Housing	Urban Infrastructure & Environment al Products	High Performance Plastics	Medical	Other	Corporate and elimination	Total
Amortization during the period	–	–	1,840	947	4	–	2,792
Balance at end of period	–	–	4,876	5,860	–	–	10,736

(Related party information)

FY2020 (from April 1, 2020 to March 31, 2021)

Not applicable.

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 Kougyou-sha Co., Ltd.	Fushimi-ku, Kyoto	10	Manufacturing	-	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.

These have been determined in the same manner as general transaction conditions.

(Per share information)

FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)
Net assets per share ¥1,485.89	Net assets per share ¥1,519.19
Basic earnings per share ¥91.92	Basic earnings per share ¥83.17

Notes: 1. Diluted earnings per share for the fiscal year ended March 31, 2021 is not stated because there were no diluted shares with a dilutive effect, and diluted earnings per share for the fiscal year ended March 31, 2022 is not stated because there were no diluted shares.

2. The basis for calculating basic earnings per share is as shown below.

	FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)
Basic earnings per share		
Profit attributable to owners of parent (millions of yen)	41,544	37,067
Amount not attributable to common shareholders (millions of yen)	–	–
Profit attributable to owners of parent relating to common shares (millions of yen)	41,544	37,067
Average number of outstanding common shares during the period (thousands of shares)	451,961	445,701
Overview of diluted shares not included in the calculation of diluted earnings per share because they have no dilutive effect	One type of share acquisition rights (Number of share acquisition rights: 622 (622,000 shares of common shares))	–

3. The basis for calculating net assets per share is as shown below.

	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Total amount of net assets (millions of yen)	694,392	702,753
Amount deducted from the total amount of net assets (millions of yen)	27,325	28,116
(of which, non-controlling interests) (millions of yen)	[27,325]	[28,116]
Net assets relating to common shares at year-end (millions of yen)	667,066	674,636
Number of common shares at year-end used for the calculation of net assets per share (thousands of shares)	448,933	444,076

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 563,000 shares in the fiscal year ended March 31, 2022 and 835,000 shares in the fiscal year ended March 31, 2021,

and the number of treasury shares at year-end deducted for the calculation of net assets per share was 656,000 shares in the fiscal year ended March 31, 2022 and 795,000 shares in the fiscal year ended March 31, 2021.

5. As described in “Changes in accounting policies,” the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations and complies with the transitional treatment set forth in the proviso to paragraph 84 of the “Accounting Standard for Revenue Recognition.” The impact of this treatment on net assets per share and basic earnings per share is minimal.

(Significant subsequent events)

(Purchase of treasury shares)

The Company resolved at its Board of Directors meeting on April 27, 2022 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 8,000,000 shares

(iii) Acquisition period

From April 28, 2022 to March 31, 2023

(iv) Total acquisition amount

Up to ¥16,000 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

8,000,000 shares

(iii) Total acquisition amount

¥14,071 million

(iv) Acquisition period

From May 19, 2022 to June 6, 2022

(v) Acquisition method

Market buying

(Cancellation of Treasury Shares)

The Company resolved at its Board of Directors meeting on April 27, 2022 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, 2022.

(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

8,000,000 shares

(iii) Cancellation date

May 25, 2022

(iv) Total number of issued shares after cancellation

463,507,285 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
Total	–	–	40,000	40,000	–	–	–

(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)
–	–	–	–	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	4,451	2,103	1.22	–
Current portion of long-term borrowings	2,826	2,189	0.58	–
Current portion of lease liabilities	4,625	5,000	–	–
Long-term borrowings (excluding the current portion of long-term borrowings)	71,207	58,093	0.27	2023 to 2030
Lease liabilities (excluding the current portion of lease liabilities)	15,057	15,170	–	2023 to 2059
Total	98,168	82,557	–	–

- (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)	2,449	10,005	290	15,348
Lease liabilities (millions of yen)	3,705	2,895	2,211	1,633

Detailed schedule of asset retirement obligations

Not applicable.

(2) Other

(Quarterly information for the fiscal year ended March 31, 2022)

(Cumulative period)	First quarter	Second quarter	Third quarter	FY2021
Net sales (millions of yen)	248,596	547,942	838,651	1,157,945
Profit before income taxes (millions of yen)	18,987	12,414	37,572	69,859
Profit (loss) attributable to owners of parent (millions of yen)	12,533	(3,914)	12,734	37,067
Basic earnings (loss) per share (yen)	28.02	(8.76)	28.54	83.17

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share (yen)	28.02	(36.87)	37.43	54.80

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, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	8,239	9,864
Notes receivable - trade	*1 6,141	*1 6,295
Accounts receivable - trade	*1 73,444	*1 72,943
Merchandise and finished goods	20,324	22,050
Land for sale in lots	13,642	12,886
Work in process	3,424	5,247
Raw materials and supplies	5,340	6,212
Advance payments to suppliers	818	924
Prepaid expenses	983	840
Short-term loans receivable	*1 30,221	*1 11,101
Accounts receivable - other	*1 37,925	*1 42,501
Other	1,388	1,524
Allowance for doubtful accounts	(11)	(9)
Total current assets	201,882	192,383
Non-current assets		
Property, plant and equipment		
Buildings	*2 35,997	*2 36,181
Structures	*2 2,708	*2 2,710
Machinery and equipment	*2 26,167	*2 24,587
Vehicles	76	131
Tools, furniture and fixtures	*2 3,787	*2 3,665
Land	*2 34,625	*2 36,651
Leased assets	722	610
Construction in progress	2,586	2,403
Total property, plant and equipment	106,672	106,941
Intangible assets		
Industrial property	405	279
Right to use facilities	107	105
Software	*2 7,716	*2 7,453
Leased assets	1	0
Other	5,006	8,545
Total intangible assets	13,238	16,384
Investments and other assets		
Investment securities	116,922	77,514
Shares of subsidiaries and associates	246,833	261,772
Long-term loans receivable	*1 3,448	*1 2,780
Long-term prepaid expenses	1,043	1,103
Prepaid pension costs	-	9,689
Leasehold and guarantee deposits	*1 2,012	*1 1,941
Other	637	676
Allowance for doubtful accounts	(1,844)	(2,449)
Total investments and other assets	369,054	353,028
Total non-current assets	488,965	476,355
Total assets	690,848	668,738

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes payable - trade	11	6
Electronically recorded obligations - operating	4,773	5,508
Accounts payable - trade	*1 80,233	*1 95,697
Short-term borrowings	*1 60,006	*1 46,860
Lease liabilities	214	240
Accounts payable - other	*1 7,743	*1 6,745
Accrued expenses	*1 21,274	*1 18,789
Income taxes payable	5,882	18,340
Advances received	139	210
Deposits received	*1 3,647	*1 3,441
Provision for bonuses	3,974	4,341
Provision for bonuses for directors (and other officers)	115	161
Provision for warranties for completed construction	567	836
Provision for share awards	157	138
Other	180	193
Total current liabilities	188,921	201,512
Non-current liabilities		
Bonds payable	40,000	40,000
Long-term borrowings	*1 100,400	*1 57,600
Lease liabilities	509	370
Deferred tax liabilities	14,589	5,541
Provision for retirement benefits	15,288	23,224
Provision for share awards	648	773
Other	80	73
Total non-current liabilities	171,516	127,583
Total liabilities	360,437	329,096
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 special account for tax purpose reduction entry of non-current assets	750	—
Reserve for tax purpose reduction entry of land	4,141	4,141
Reserve for tax purpose reduction entry of depreciable assets	1,801	2,344
Reserve for open innovation promotion	—	53
General reserve	39,471	39,471
Retained earnings brought forward	60,822	87,095
Total retained earnings	117,348	143,467
Treasury shares	(43,286)	(44,466)
Total shareholders' equity	283,299	308,238
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	47,110	31,403
Total valuation and translation adjustments	47,110	31,403
Total net assets	330,410	339,641
Total liabilities and net assets	690,848	668,738

(ii) Non-consolidated statement of income

(Millions of yen)

		Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022
Net sales	*1	333,064	*1	359,176
Cost of sales	*1	232,826	*1	264,531
Gross profit		100,238		94,645
Selling, general and administrative expenses	*2	82,313	*2	83,020
Operating profit		17,924		11,625
Non-operating income				
Interest and dividend income	*1	24,463	*1	21,718
Miscellaneous income	*1	13,708	*1	13,175
Total non-operating income		38,171		34,894
Non-operating expenses				
Interest expenses	*1	309	*1	281
Interest on bonds		88		87
Miscellaneous expenses	*1	8,624	*1	3,553
Total non-operating expenses		9,021		3,922
Ordinary profit		47,074		42,598
Extraordinary income				
Gain on sale of investment securities		369		25,822
Gain on sale of shares of subsidiaries and associates		–		1,462
Gain on sale of non-current assets		3,067		–
Total extraordinary income		3,437		27,284
Extraordinary losses				
Loss on sale of shares of subsidiaries and associates		1,118		–
Impairment losses		–		497
Loss on sale and retirement of non-current assets		670		622
Total extraordinary losses		1,788		1,120
Profit before income taxes		48,723		68,762
Income taxes - current		6,434		14,928
Income taxes - deferred		1,079		(2,081)
Total income taxes		7,513		12,847
Profit		41,210		55,915

(iii) Non-consolidated statement of changes in equity
 FY2020 (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity									
	Share capital	Capital surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				
						Reserve for special depreciation	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	46	109,281	10,363	2	–	3,881	1,098	–
Cumulative effects of changes in accounting policies										
Restated balance	100,002	109,234	46	109,281	10,363	2	–	3,881	1,098	–
Changes during period										
Reversal of reserve for special depreciation						(2)				
Provision of reserve for special account for tax purpose reduction entry of non-current assets							750			
Reversal of reserve for special account for tax purpose reduction entry of non-current assets										
Provision of reserve for tax purpose reduction entry of land								260		
Provision of reserve for tax purpose reduction entry of depreciable assets									703	
Reversal of reserve for tax purpose reduction entry of depreciable assets										
Provision of reserve for open innovation promotion										
Dividends of surplus										
Profit										
Cancellation of treasury shares			(12,699)	(12,699)						
Purchase of treasury shares										
Disposal of treasury shares			1	1						
Transfer from retained earnings to capital surplus			12,651	12,651						
Net changes in items other than shareholders' equity										
Total changes during period	–	–	(46)	(46)	–	(2)	750	260	703	–
Balance at end of period	100,002	109,234	–	109,234	10,363	–	750	4,141	1,801	–

	Shareholders' equity					Valuation and translation adjustments		Share acquisition rights	Total net assets
	Retained earnings			Treasury shares	Total shareholders' 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	54,929	109,744	(44,012)	275,015	24,532	24,532	64	299,612
Cumulative effects of changes in accounting policies					–				–
Restated balance	39,471	54,929	109,744	(44,012)	275,015	24,532	24,532	64	299,612
Changes during period									
Reversal of reserve for special depreciation		2	–		–				–
Provision of reserve for special account for tax purpose reduction entry of non-current assets		(750)	–		–				–
Reversal of reserve for special account for tax purpose reduction entry of non-current assets			–		–				–
Provision of reserve for tax purpose reduction entry of land		(260)	–		–				–
Provision of reserve for tax purpose reduction entry of depreciable assets		(703)	–		–				–
Reversal of reserve for tax purpose reduction entry of depreciable assets			–		–				–
Provision of reserve for open innovation promotion			–		–				–
Dividends of surplus		(20,953)	(20,953)		(20,953)				(20,953)
Profit		41,210	41,210		41,210				41,210
Cancellation of treasury shares				12,699	–				–
Purchase of treasury shares				(12,201)	(12,201)				(12,201)
Disposal of treasury shares				228	229				229
Transfer from retained earnings to capital surplus		(12,651)	(12,651)		–				–
Net changes in items other than shareholders' equity						22,577	22,577	(64)	22,513
Total changes during period	–	5,893	7,604	725	8,284	22,577	22,577	(64)	30,797
Balance at end of period	39,471	60,822	117,348	(43,286)	283,299	47,110	47,110	–	330,410

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

(Millions of yen)

	Shareholders' equity									
	Share capital	Capital surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				
						Reserve for special depreciation	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 depreciation										
Provision of reserve for special account for tax purpose reduction entry of non-current assets										
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 land										
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		Share acquisition rights	Total net assets
	Retained earnings			Treasury shares	Total shareholders' 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 depreciation			–		–				–
Provision of reserve for special account for tax purpose reduction entry of non-current assets			–		–				–
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 land			–		–				–
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

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 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 satisfies the said performance obligations (the regular points in time to recognize revenues).

(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.

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, 2022.

(2) Application of the consolidated taxation system

The consolidated taxation system is applied.

(3) Application of tax effect accounting for transition from the consolidated taxation system to the group tax sharing system

The Company will make a transition from the consolidated taxation system to the group tax sharing system in the fiscal year ending March 31, 2023. However, for items for which a transition was made to the group tax sharing system established in the Act Partially Amending the Income Tax Act (Act No. 8 of 2020) and for which the non-consolidated taxation system was revised in line with the transition to the group tax sharing system, the provisions in paragraph 44 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018) are not applied in accordance with the treatment in Paragraph 3 of the Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (Practical Solution No. 39, March 31, 2020), and the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax law before amendment.

From the beginning of the fiscal year ending March 31, 2023, the Company plans to apply the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Practical Solution No. 42, August 12, 2021), which stipulates the treatment of accounting and disclosure of income taxes, local income taxes, and tax effect accounting in the case of applying the group tax sharing system.

(4) 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. FY2020 (from April 1, 2020 to March 31, 2021)

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: ¥13,642 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. 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.”

(Changes in accounting policies)

(Application of accounting standard for revenue recognition, etc.)

The Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the fiscal year ended March 31, 2022, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

As a result of this adoption, part of sales commissions, which was previously recorded in selling, general and administrative expenses, and sales discounts, which were previously recorded in non-operating expenses, have been deducted from net sales. Furthermore, in cases where consideration in contracts with customers includes variable consideration, when the uncertainty associated with the variable consideration is subsequently resolved, the Company has included the variable consideration in the transaction price only by the portion that is highly unlikely to cause a significant reduction in revenue which was recorded by the time of the resolution.

With respect to a free repair during the warranty period of prefabricated housing, the conventional method of recording the repair cost expected to be incurred in the future as provision for warranties for completed construction was changed to the method of recording as provision for warranties for completed construction in cases where the warranty for property or services conforms to the spec agreed upon.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional

treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the fiscal year ended March 31, 2022, was added to or deducted from the carryforward balance of retained earnings at the beginning of the fiscal year ended March 31, 2022, and thus the new accounting policy was applied from such opening balance.

As a result of this change, and compared with the figures before the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations, for the fiscal year ended March 31, 2022, net sales decreased 2,755 million yen, cost of sales decreased 2 million yen, selling, general and administrative expenses decreased 2,361 million yen and non-operating expenses decreased 393 million yen, while operating profit decreased 391 million yen, and ordinary profit and profit before income taxes were up 2 million yen, respectively. In addition, because the cumulative effect was reflected in net assets as of the beginning of the fiscal year ended March 31, 2022, the balance of retained earnings brought forward at the beginning of period in the non-consolidated statement of changes in equity decreased 167 million yen.

The impact on per share information was immaterial.

In accordance with the transitional treatment provided for in paragraph 89-3 of the Accounting Standard for Revenue Recognition, “Notes to non-consolidated financial statements, (Revenue recognition)” for the previous fiscal year have not been stated.

(Application of accounting standard for fair value measurement, etc.)

The Company has adopted the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the fiscal year ended March 31, 2022, and it has decided to apply the new accounting policy provided for by the Accounting Standard for Fair Value Measurement and relevant ASBJ regulations prospectively in accordance with the transitional measures provided for in paragraph 19 of the “Accounting Standard For Fair Value Measurement” and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This application has no effect on the non-consolidated financial statements.

(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)

	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Short-term monetary claims	117,986	104,590
Long-term monetary claims	3,040	2,374
Short-term monetary obligations	112,305	105,169
Long-term monetary obligations	31,000	1,000

- *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)

	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Buildings	704	736
Structures	68	68
Machinery and equipment	240	296
Tools, furniture and fixtures	40	48
Land	1,430	1,430
Software	76	76

3. Guarantee obligations

The following liabilities are guaranteed:

(Millions of yen)

	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Guarantee obligations of housing loans for prefabricated modular housing purchasers and the promotion of the employee house ownership plan	34,299	38,868
Guarantees for loans from financial institutions, etc. of subsidiaries and associates	14,605	15,498
Total	48,905	54,367

4. Commitment line agreement

In order to finance working capital in an efficient and agile manner, a commitment line agreement had been concluded with banks. Due to its expiration on May 19, 2021, however, the said agreement has terminated.

(Millions of yen)

	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Total amount of commitment line	100,000	–
Outstanding balance of used commitment line	–	–
Difference	100,000	–

(Notes to non-consolidated statement of income)

*1. Items regarding transactions with subsidiaries and associates are as follows.

	(Millions of yen)	
	FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)
Net sales	253,233	273,371
Purchase of goods	212,658	227,418
Transactions other than business-related transactions	43,598	35,101

*2 Of which, the ratio of expenses categorized under selling expenses is approximately 20% for FY2020 and 19% for FY2021.

The major expense items and their amounts in selling, general and administrative expenses are as follows:

	(Millions of yen)	
	FY2020 (from April 1, 2020 to March 31, 2021)	FY2021 (from April 1, 2021 to March 31, 2022)
Freight costs, storage fees and packing expenses	9,994	11,496
Employees' salaries, allowance and bonuses	13,443	13,840
Provision for bonuses	2,255	2,417
Retirement benefit expenses	1,747	241
Depreciation	4,056	4,321
Commission	11,358	12,914
Research and development expenses	27,721	27,328

(Securities)

I. FY2020 (as of March 31, 2021)

Shares of subsidiaries and associates

(Millions of yen)

Category	Carrying amount in balance sheet	Fair value	Difference
Shares of subsidiaries	2,019	4,169	2,149
Shares of associates	12,994	29,933	16,939
Total	15,014	34,103	19,089

Note: Shares of subsidiaries and associates whose fair value is deemed extremely difficult to determine

Category	Carrying amount in balance sheet (millions of yen)
Shares of subsidiaries	224,466
Shares of associates	7,353

Since these items do not have market prices, and it is extremely difficult to determine their fair values, they are not included in "Shares of subsidiaries and associates."

II. 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

(Tax effect accounting)

1. Major components of deferred tax assets and liabilities

	(Millions of yen)	
	FY2020 (as of March 31, 2021)	FY2021 (as of March 31, 2022)
Deferred tax assets		
Loss on valuation of shares of subsidiaries and associates	8,950	9,074
Provision for retirement benefits	4,662	7,083
Impairment losses	3,277	3,379
Other	8,148	8,630
Total gross deferred tax assets	25,038	28,167
Valuation allowance	(13,367)	(12,226)
Total deferred tax assets	11,671	15,941
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(20,674)	(13,781)
Prepaid pension costs	–	(2,955)
Reserve for tax-purpose reduction entry of non-current assets	(2,908)	(2,845)
Valuation difference on shares of subsidiaries and associates	(1,921)	(1,469)
Other	(756)	(432)
Total deferred tax liabilities	(26,260)	(21,483)
Net deferred tax liabilities	(14,589)	(5,541)

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

	FY2020 (as of March 31, 2021)		FY2021 (as of March 31, 2022)	
Statutory tax rate	30.5%		30.5%	
(Adjustments)				
Expenses not deductible permanently, such as entertainment expenses	0.4		0.4	
Income not taxable permanently, such as dividend income	(13.3)		(8.1)	
Tax credit	(3.3)		(2.6)	
Valuation allowance	0.0		(1.7)	
Other	1.0		0.2	
Effective income tax rate after application of tax effect accounting	15.4		18.7	

(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 27, 2022 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 8,000,000 shares

(iii) Acquisition period

From April 28, 2022 to March 31, 2023

(iv) Total acquisition amount

Up to ¥16,000 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

8,000,000 shares

(iii) Total acquisition amount

¥14,071 million

(iv) Acquisition period

From May 19, 2022 to June 6, 2022

(v) Acquisition method

Market buying

(Cancellation of Treasury Shares)

The Company resolved at its Board of Directors meeting on April 27, 2022 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, 2022.

(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

8,000,000 shares

(iii) Cancellation date

May 25, 2022

(iv) Total number of issued shares after cancellation

463,507,285 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	35,997	2,930	206 (138)	2,540	36,181	60,036	96,217
Structures	2,708	286	34 (1)	250	2,710	10,677	13,387
Machinery and equipment	26,167	5,240	419 (183)	6,400	24,587	142,035	166,623
Vehicles	76	102	0	47	131	799	931
Tools, furniture and fixtures	3,787	1,672	79 (2)	1,713	3,665	26,554	30,220
Land	34,625	2,193	166 (166)	–	36,651	–	36,651
Leased assets	722	148	0	260	610	502	1,113
Construction in progress	2,586	12,241	12,424	–	2,403	–	2,403
Total property, plant and equipment:	106,672	24,816	13,332 (492)	11,214	106,941	240,606	347,548
Intangible assets							
Industrial property	405	–	0	125	279	1,946	2,226
Right to use facilities	107	–	1	1	105	325	430
Software	7,716	2,754	11 (5)	3,006	7,453	31,916	39,369
Leased assets	1	–	–	1	0	2	2
Other intangible assets	5,006	6,293	2,754	–	8,545	–	8,545
Total intangible assets	13,238	9,048	2,767 (5)	3,134	16,384	34,191	50,575

Notes:

- The figures in parentheses under “Decrease during the period” represent the impairment loss component of the stated decreases.
- 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)
Other intangible assets	Increase	Headquarters	ERP system	1,851
Buildings	Increase	Musashi Plant	New general business office	787
Buildings	Increase	General Institute	Experiment Building at Chiba Solution Center	487

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	1,855	1,180	577	2,458
Provision for bonuses	3,974	4,341	3,974	4,341
Provision for bonuses for directors (and other officers)	115	161	115	161
Provision for warranties for completed construction	567	836	567	836
Provision for share awards	805	329	222	912

(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) Shelf registration statement

Submitted to the Director-General of the Kanto Local Finance Bureau on December 23, 2021

(2) Amended shelf registration statement

Submitted to the Director-General of the Kanto Local Finance Bureau on June 23, 2021

Submitted to the Director-General of the Kanto Local Finance Bureau on October 28, 2021

Submitted to the Director-General of the Kanto Local Finance Bureau on May 16, 2022

(3) Annual securities report and attached documents and confirmation letter

For the 99th Business Term (from April 1, 2020 to March 31, 2021), submitted to the Director-General of the Kanto Local Finance Bureau on June 23, 2021

(4) Internal control report and attached documents

Submitted to the Director-General of the Kanto Local Finance Bureau on June 23, 2021

(5) Quarterly securities report and confirmation letter

For first quarter of the 100th Business Term (from April 1, 2021 to June 30, 2021), submitted to the Director-General of the Kanto Local Finance Bureau on August 6, 2021

For second quarter of the 100th Business Term (from July 1, 2021 to September 30, 2021), submitted to the Director-General of the Kanto Local Finance Bureau on November 10, 2021

For third quarter of the 100th Business Term (from October 1, 2021 to December 31, 2021), submitted to the Director-General of the Kanto Local Finance Bureau on February 9, 2022

(6) Extraordinary report

Submitted to the Director-General of the Kanto Local Finance Bureau on June 23, 2021

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)

Submitted to the Director-General of the Kanto Local Finance Bureau on October 28, 2021

An extraordinary report under Article 19, paragraph 2, item 19 of the Cabinet Office Order on Disclosure of Corporate Affairs (an event that may have serious effects on the financial position, business performance and cash flows of the relevant consolidated companies)

Submitted to the Director-General of the Kanto Local Finance Bureau on May 16, 2022

An extraordinary report under Article 19, paragraph 2, item 9-4 of the Cabinet Office Order on Disclosure of Corporate Affairs (a change to the certified public accountant, etc. for audits)

(7) Share buyback report

Submitted to the Director-General of the Kanto Local Finance Bureau on July 8, 2021

Submitted to the Director-General of the Kanto Local Finance Bureau on August 6, 2021

Submitted to the Director-General of the Kanto Local Finance Bureau on September 6, 2021

Submitted to the Director-General of the Kanto Local Finance Bureau on October 13, 2021

Submitted to the Director-General of the Kanto Local Finance Bureau on November 10, 2021

Submitted to the Director-General of the Kanto Local Finance Bureau on December 13, 2021

Submitted to the Director-General of the Kanto Local Finance Bureau on January 11, 2022

Submitted to the Director-General of the Kanto Local Finance Bureau on February 9, 2022

Submitted to the Director-General of the Kanto Local Finance Bureau on March 10, 2022

Submitted to the Director-General of the Kanto Local Finance Bureau on April 11, 2022

Submitted to the Director-General of the Kanto Local Finance Bureau on May 10, 2022

Submitted to the Director-General of the Kanto Local Finance Bureau on June 2, 2022

Part 2 Information About Reporting Company's Guarantor, Etc.

Not applicable.