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Annual Securities Report

102nd Business Term

**From April 1, 2023
to March 31, 2024**

SEKISUI CHEMICAL CO., LTD.

E00820

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Clause of stipulation	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
Place of filing	Director-General of the Kanto Local Finance Bureau
Filing date	June 20, 2024
Fiscal year	102nd Business Term (from April 1, 2023 to March 31, 2024)
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
Address of registered headquarter	4-4 Nishitemma 2-Chome, Kita-ku, Osaka, Japan
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Nearest place of contact	10-4 Toranomom 2-Chome, Minato-ku, Tokyo, Japan
Telephone number	+81-3-6748-6460
Name of contact person	Naoko Fukutomi, Executive Officer and Head of Legal Department
Place for public inspection	Tokyo Head Office of Sekisui Chemical Co., Ltd.* (10-4 Toranomom 2-Chome, Minato-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo)
(Note)	Although the place marked with an asterisk (*) is not required by the Financial Instruments and Exchange Act to make this document available for public inspection, it is prepared to provide this document for inspection by shareholders, etc., for their convenience.

Part 1. Company Information

I. Overview of Company

1. Key financial data

(1) Key financial data (consolidated)

Term		98th Business Term	99th Business Term	100th Business Term	101st Business Term	102nd Business Term
Year ended		March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024
Net sales	(Millions of yen)	1,129,254	1,056,560	1,157,945	1,242,521	1,256,538
Ordinary profit	(Millions of yen)	87,202	62,649	97,001	104,241	105,921
Profit attributable to owners of parent	(Millions of yen)	59,181	41,544	37,067	69,263	77,930
Comprehensive income	(Millions of yen)	36,364	93,956	41,509	84,008	135,737
Net assets	(Millions of yen)	634,219	694,392	702,753	732,525	820,925
Total assets	(Millions of yen)	1,105,781	1,150,143	1,198,921	1,228,131	1,323,243
Net assets per share	(Yen)	1,333.76	1,485.89	1,519.19	1,642.67	1,880.30
Basic earnings per share	(Yen)	128.80	91.92	83.17	159.19	183.48
Diluted earnings per share	(Yen)	128.77	—	—	—	—
Equity-to-asset ratio	(%)	55.10	58.00	56.27	57.41	59.88
Rate of return on equity	(%)	9.73	6.51	5.53	10.04	10.41
Price-earnings ratio	(Times)	11.17	23.12	21.15	11.78	12.15
Net cash provided by operating activities	(Millions of yen)	92,647	75,271	105,023	71,543	106,632
Net cash provided by (used in) investing activities	(Millions of yen)	(100,562)	(58,495)	2,694	(59,430)	(18,515)
Net cash provided by (used in) financing activities	(Millions of yen)	15,450	(19,157)	(54,729)	(62,906)	(53,023)
Cash and cash equivalents at end of period	(Millions of yen)	74,721	76,649	133,739	85,207	126,367
Number of employees	(Persons)	27,003	26,577	26,419	26,838	26,929

- (Notes) 1. The amount of diluted earnings per share in the 99th Business Term is not provided because there are no potential shares with dilutive effects, and the amounts of diluted earnings per share in the 100th Business Term, 101st Business Term, and 102nd Business Term are not provided because there are no potential shares.
2. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the 100th Business Term, and the key financial data for the 100th Business Term and thereafter are those after applying such accounting standard and relevant ASBJ regulations.

(2) Key financial data of reporting company

Term		98th Business Term	99th Business Term	100th Business Term	101st Business Term	102nd Business Term
Year ended		March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024
Net sales	(Millions of yen)	354,633	333,064	359,176	382,513	386,059
Ordinary profit	(Millions of yen)	42,995	47,074	42,598	57,284	59,321
Profit	(Millions of yen)	33,484	41,210	55,915	47,379	67,971
Share capital	(Millions of yen)	100,002	100,002	100,002	100,002	100,002
Total number of issued shares	(Thousands of shares)	484,507	476,507	471,507	456,507	448,507
Net assets	(Millions of yen)	299,612	330,410	339,641	340,237	378,134
Total assets	(Millions of yen)	646,079	690,848	668,738	715,221	736,745
Net assets per share	(Yen)	655.27	735.43	764.25	792.14	896.89
Dividend per share (Interim dividend per share)	(Yen)	46.00 (23.00)	47.00 (23.00)	49.00 (24.00)	59.00 (29.00)	74.00 (35.00)
Basic earnings per share	(Yen)	72.82	91.11	125.36	108.81	159.95
Diluted earnings per share	(Yen)	72.80	—	—	—	—
Equity-to-asset ratio	(%)	46.36	47.83	50.79	47.57	51.32
Rate of return on equity	(%)	11.04	13.08	16.69	13.94	18.92
Price-earnings ratio	(Times)	19.68	23.32	14.03	17.24	13.94
Payout ratio	(%)	63.17	51.59	39.09	54.22	46.26
Number of employees	(Persons)	2,666	2,745	2,761	2,818	2,992
Total shareholder return (Comparative index: dividend-included TOPIX)	(%) (%)	83.1 (90.5)	124.7 (128.6)	106.9 (131.2)	116.8 (138.8)	140.8 (196.2)
Highest stock price	(Yen)	1,986	2,243	2,187	2,019	2,287
Lowest stock price	(Yen)	1,142	1,267	1,648	1,613	1,786

- (Notes) 1. The amount of diluted earnings per share in the 99th Business Term is not provided because there are no potential shares with dilutive effects, and the amounts of diluted earnings per share in the 100th Business Term, 101st Business Term, and 102nd Business Term are not provided because there are no potential shares.
2. The highest and lowest stock prices from April 4, 2022 were those recorded on the Prime market of the Tokyo Stock Exchange, and those before the date were recorded on the first section of the Tokyo Stock Exchange.
3. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the 100th Business Term, and the key financial data for the 100th Business Term and thereafter are those after applying such accounting standard and relevant ASBJ regulations.

2. History

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

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

3. Description of business

The Company and its subsidiaries and associates (consisting of 88 domestic subsidiaries, 68 foreign subsidiaries, and 14 associates (as of March 31, 2024)) 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, real-estate brokerage, leasing management, interior and exterior decoration, caregiving service for the elderly, and town and community development business, among others.

Major subsidiaries and associates:

(Procurement of raw materials)

Sekisui Global Trading Co., Ltd.

(Procurement of building materials)

Sekisui Heim Supply Co., Ltd.

(Product manufacturing)

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

(Product sales and construction)

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

Sekisui Heim Shinetsu Co., Ltd., Tokyo Sekisui Heim Co., Ltd., Sekisui Heim Chubu Co., Ltd., Sekisui Heim Kinki Co., Ltd., Sekisui Heim Chushikoku Co., Ltd., Sekisui Heim Kyushu Co., Ltd., Ibaraki Sekisui Heim Co., Ltd., Sekisui Heim Tokai Co., Ltd.,

Sekisui Heim Sanyo Co., Ltd., Sekisui Heim Higashishikoku Co., Ltd.

(Construction of products, services, etc.)

Hokkaido Sekisui Fami S Co., Ltd., Sekisui Fami S Tohoku Co., Ltd., Sekisui Fami S Shinetsu Co., Ltd.,

Tokyo Sekisui Fami S Co., Ltd., Sekisui Fami S Chubu Co., Ltd., Sekisui Fami S Kinki Co., Ltd.,

Sekisui Fami S Chushikoku Co., Ltd., Sekisui Fami S Kyushu Co., Ltd., Sekisui Design Works Corporation,

Tohoku Sekisui Heim Real Estate Co., Ltd., Sekisui Heim Real Estate Co., Ltd., Chushikoku Sekisui Heim Real Estate Co., Ltd.,

Kyushu Sekisui Heim Real Estate Co., Ltd., Sekisui Unidea Co., Ltd., Sekisui Oasis Co., Ltd., HealthyService Corporation,

Tokyo Sekisui Heim Sekou Co., Ltd., Kinki Sekisui Heim Sekou Co., Ltd., Sekisui Heim Real Estate SSI Co., Ltd.

(Sales of products, services, etc.)

Sekisui Gojinsha Town Management Co., Ltd.

[Urban Infrastructure & Environmental Products Business]

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

Major subsidiaries and associates:

(Production of materials)

(* Tokuyama Sekisui Co., Ltd.)

(Product manufacturing)

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

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

(Product sales)

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

Kyushu Sekisui Shoji Infratec Co., Ltd.

Sekisui SPR Americas, LLC. Sekisui Chemical G.m.b.H. Sekisui Singapore Pte. Ltd.

Sekisui Vietnam Co., Ltd.

(Manufacturing, sales, etc. of products)

Sekisui Aqua Systems Co., Ltd., Sekisui Home Techno Co., Ltd., Sekisui Chemical Hokkaido Co., Ltd., Sekisui Soflan Wiz

Co., Ltd., Toto Sekisui Co., Ltd.
Nippon Insiek Co., Ltd.
SEKISUI ESLON B.V. Sekisui Rib Loc Group Pty. Ltd. Sekisui Rib Loc Australia Pty. Ltd.
Sekisui Industrial Piping Co., Ltd.
Sekisui Specialty Chemicals (Thailand) Co., Ltd., S and L Specialty Polymers Co., Ltd.

Subsidiaries and associates marked with an asterisk (*) and in parentheses are also engaged in manufacturing raw materials and products for the High Performance Plastics business.

[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., decorative sheets, polyvinyl alcohol resin, blow-molded containers, construction materials, adhesives, packaging tapes, plastic containers, “MIGUSA” resin *tatami* mats, sanitary materials, and other products.

Major subsidiaries and associates:

(Manufacture of raw materials and products)

Tokuyama Sekisui Co., Ltd.

(Product manufacturing)

Sekisui Musashi Kako Co., Ltd., Sekisui Minakuchi Kako Co., Ltd., Sekisui Taga Chemical Industry Co., Ltd., Naseki Seimitsukako Co., Ltd.

(Product sales)

Sekisui Material Solutions Co., Ltd., Sekisui Alveo A.G., Sekisui Alveo G.m.b.H.

Sekisui Alveo (Benelux) B.V., Sekisui Alveo S.A., Sekisui Alveo S.r.L., Sekisui Alveo (GB) Ltd.

Sekisui Specialty Chemicals Mexico, S.de R.L.de C.V.

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

Sekisui Korea Co., Ltd., Sekisui Products, LLC., Sekisui (Shanghai) International Trading Co., Ltd.

Sekisui (Hong Kong) Ltd., Sekisui Chemical (Taiwan) Co., Ltd., PT. Sekisui Indonesia

Sekisui Chemical India Private Ltd.)

(Manufacture and sales of products)

Sekisui Nano Coat Technology Co., Ltd., Sekisui Techno Molding Co., Ltd., Sekisui Fuller Company, Ltd., Sekisui Polymatech Co., Ltd.

SumikaSekisui Film Co., Ltd., Sekisui Seikei Co., Ltd., Sekisui Seikei Ibaraki Co., Ltd., Sekisui Seikei Chiba Co., Ltd., Sekisui Seikei Hyogo Co., Ltd., Sekisui Seikei Izumo Co., Ltd.

Sekisui Voltek, LLC., Sekisui Alveo B.V., Sekisui Alveo BS G.m.b.H., Youngbo Chemical Co., Ltd.

Sekisui Youngbo HPP (Wuxi) Co., Ltd., Thai Sekisui Foam Co., Ltd.

Sekisui Pilon Pty. Ltd., Sekisui S-Lec America, LLC., Sekisui S-Lec B.V., Sekisui S-LEC (Suzhou) Co., Ltd.

Sekisui S-Lec (Thailand) Co., Ltd., Sekisui S-Lec Mexico S.A. de C.V.

Sekisui Specialty Chemicals America, LLC., Sekisui Specialty Chemicals Europe, S.L.

SEKISUI DLJM MOLDING PRIVATE LIMITED, Sekisui Polymatech (Shanghai) Co., Ltd.

Sekisui Polymatech (Thailand) Co., Ltd., PT. Sekisui Polymatech Indonesia,

Sekisui Polymatech America, LLC., Sekisui Polymatech Europe B.V., Sekisui Aerospace Corporation

AIM Group USA Inc., AIM Aerospace Renton, Inc., AIM Aerospace Auburn, Inc.

AIM Aerospace Sumner, Inc., AIM Aerospace Atlanta, Inc., Quatro Composites, LLC.

SEKISUI KYDEX, LLC.

(Services, etc.)

PT Asia HD Limited

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

[Medical business]

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

Major subsidiaries and associates:

(Product manufacturing)

Sekisui Medical Technology (Suzhou) Co., Ltd.

(Manufacture and sales of products)

Sekisui Medical Co., Ltd., Sekisui Diagnostics LLC, Sekisui Diagnostics P.E.I. Inc.

Sekisui Diagnostics (UK) Limited, Sekisui Diagnostics G.m.b.H., Sekisui Medical Technology (China) Ltd.,

Veredus Laboratories Pte. Ltd.

[Other Businesses]

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

Major subsidiaries and associates:

(Product manufacturing)

Sekisui LB Tech Co., Ltd.

(Manufacture and sales of products)

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

(Services, etc.)

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

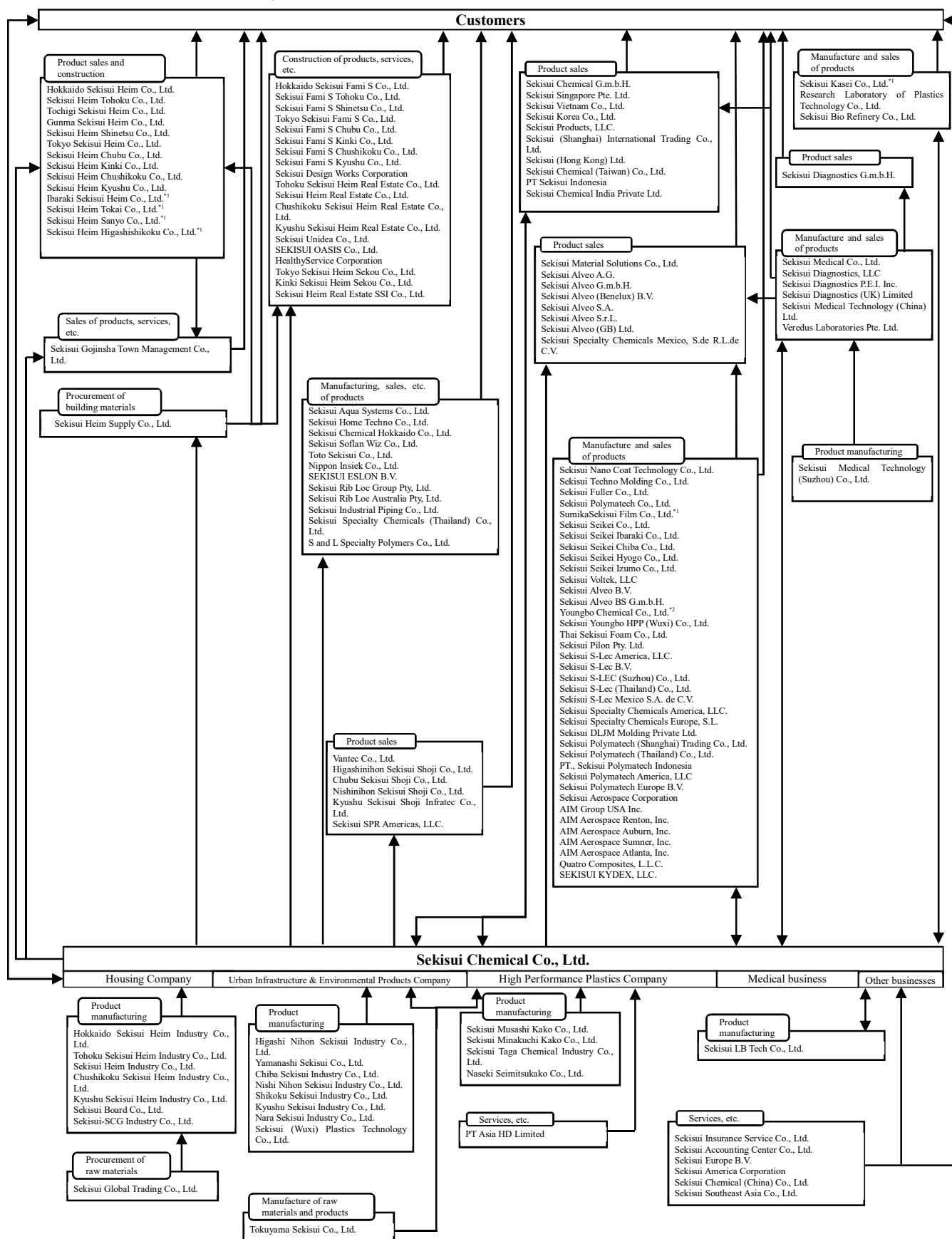
Sekisui Europe B.V., Sekisui America Corporation, Sekisui Chemical (China) Co., Ltd.,

Sekisui Southeast Asia Co., Ltd.

Other major associate is Sekisui Kasei Co., Ltd.

Organizational chart

The above matters are shown in the organizational chart below.



→ Flow of Products and Services

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

4. Subsidiaries and associates

(1) Consolidated subsidiaries

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

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

Name	Address	Share capital (millions of yen)	Principal businesses	Voting rights ownership ratio (%)	Remarks
Sekisui Aqua Systems Co., Ltd.	Kita-ku, Osaka	200	Construction of various industrial plants, manufacture, sales, and work for water environmental engineering facilities such as water supply and drainage tanks	83.9	This company constructs, processes, and sells the Company's products. Concurrent office-holding by officer(s): Yes
Sekisui Heim Real Estate Co., Ltd.	Taito-ku, Tokyo	200	Real estate leasing management, trading, and brokerage services	100.0	Concurrent office-holding by officer(s): Yes
Sekisui Diagnostics, LLC (Notes 1, 2)	Lexington, Massachusetts, U.S.A.	Thousands of U.S. dollars 132,000	Development, manufacture, and sales of diagnostic reagents	100.0 (100.0)	Concurrent office-holding by officer(s): Yes
Sekisui Specialty Chemicals America, LLC. (Notes 1, 2)	Dallas, Texas, U.S.A.	Thousands of U.S. dollars 107,000	Manufacture and sales of polyvinyl alcohol resins	100.0 (100.0)	Concurrent office-holding by officer(s): Yes
Sekisui America Corporation (Note 1)	Wilmington, Delaware, U.S.A.	Thousands of U.S. dollars 8,421	Management of affiliated companies in the Americas	100.0	This company supervises affiliated companies in the Americas and has financial functions to manage them. Concurrent office-holding by officer(s): Yes
Sekisui Aerospace Corporation (Note 2)	Renton, Washington, U.S.A.	Thousands of U.S. dollars -	Development, manufacture, and sales of composite material mold products for aircraft and drones	100.0 (100.0)	Concurrent office-holding by officer(s): Yes
Sekisui Specialty Chemicals Europe, S.L. (Note 2)	Tarragona, Spain	Thousands of euros 18,000	Manufacture and sales of polyvinyl alcohol resins	100.0 (100.0)	Concurrent office-holding by officer(s): Yes
Sekisui S-Lec B.V. (Note 2)	Roermond, the Netherlands	Thousands of euros 11,344	Manufacture and sales of interlayer films for laminated glasses	100.0 (100.0)	This company manufactures and sells the Company's products. Concurrent office-holding by officer(s): Yes

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

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

(2) Entities accounted for using the equity method

Name	Address	Share capital (millions of yen)	Principal businesses	Voting rights ownership ratio (%)	Remarks
Sekisui Kasei Co., Ltd. (Notes 1, 2)	Kita-ku, Osaka	16,533	Manufacture and sales of foamed styrene molding materials and styrene foam products	21.8 (0.0)	The Company sells its products to this company, and purchases this company's products. Concurrent office-holding by officer(s): Yes
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.	Chuo-ku, Hamamatsu	198	Contract construction work service and real estate sales	36.3	This company constructs and sells prefabricated modular houses using the Company's housing materials. Concurrent office-holding by officer(s): Yes
Ibaraki Sekisui Heim Co., Ltd.	Mito, Ibaraki	105	Contract construction work service and real estate sales	40.0	This company constructs and sells prefabricated modular houses using the Company's housing materials. Concurrent office-holding by officer(s): Yes
Sekisui Heim Sanyo Co., Ltd.	Himeji, Hyogo	100	Contract construction work service and real estate sales	43.3	This company constructs and sells prefabricated modular houses using the Company's housing materials. Concurrent office-holding by officer(s): Yes
Sekisui Heim Higashishikoku Co., Ltd.	Kochi, Kochi	100	Contract construction work service and real estate sales	25.1	This company constructs and sells prefabricated modular houses using the Company's housing materials. Concurrent office-holding by officer(s): Yes

(Notes) 1. This company files its 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, 2024)

Segment name	Number of employees (persons)
Housing	10,991
Urban Infrastructure & Environmental Products	4,640
High Performance Plastics	8,111
Medical	2,264
Reportable segment total	26,006
Other	491
Corporate (common)	432
Total	26,929

- (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, 2024)

Number of employees (persons)	Average age (years)	Average length of service (years)	Average annual salary (yen)
2,992	43.9	16.1	9,128,795

Segment name	Number of employees (persons)
Housing	314
Urban Infrastructure & Environmental Products	994
High Performance Plastics	1,043
Medical	-
Reportable segment total	2,351
Other	281
Corporate (common)	360
Total	2,992

- (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 5,524 members.

There are no special remarks about labor-management relations.

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

(i) Reporting company

Fiscal year ended March 31, 2024				
Proportion of women in managerial posts (%) (Note 1)	Rate of childcare leave taken by men (%) (Note 2)	Gap in wages between men and women (%) (Notes 1, 3)		
		All employees	Full-time employees	Part-time or fixed-term employees
4.9	69.8	71.7	70.9	110.0

- (Notes) 1. The percentage is calculated in accordance with the provision of Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).
2. The rate calculated refers to a rate of childcare leave, etc. taken as stipulated in Article 71-4, paragraph (1) of Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991), in accordance with the provision of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).
3. The gaps in wages are not due to the personnel system but due to the composition of workers' qualification (including ages and certification).

(ii) Consolidated subsidiaries

a) Proportion of women in managerial posts

Fiscal year ended March 31, 2024	
Name	Proportion of women in managerial posts (%) (Note 1)
Sekisui Medical Co., Ltd.	14.5
Sekisui Heim Industry Co., Ltd.	1.3
Tokyo Sekisui Heim Co., Ltd.	7.1
Sekisui Heim Kinki Co., Ltd.	2.6
Sekisui Heim Kyushu Co., Ltd.	6.0
Tokyo Sekisui Fami S Co., Ltd.	3.8
HealthyService Corporation	7.9
Sekisui Heim Chubu Co., Ltd.	2.9
Nippon Insiek Co., Ltd.	3.1
Sekisui Fami S Kinki Co., Ltd.	1.3
Hokkaido Sekisui Heim Co., Ltd.	3.8
Sekisui Fami S Kyushu Co., Ltd.	3.1
Sekisui Fami S Chubu Co., Ltd.	1.1
Sekisui Heim Tohoku Co., Ltd.	4.7
Sekisui Heim Chushikoku Co., Ltd.	1.4
Sekisui Home Techno Co., Ltd.	3.0
Sekisui Fami S Tohoku Co., Ltd.	4.7
Sekisui Minakuchi Kako Co., Ltd.	0.0
Gunma Sekisui Heim Co., Ltd.	5.0
Tochigi Sekisui Heim Co., Ltd.	6.3
Sekisui Heim Shinetsu Co., Ltd.	9.1
Sekisui Heim Real Estate Co., Ltd.	6.1
Sekisui Musashi Kako Co., Ltd.	0.0
Sekisui Material Solutions Co., Ltd.	3.5
Sekisui Fami S Chushikoku Co., Ltd.	2.1
Sekisui Seikei Co., Ltd.	1.3
Nishi Nihon Sekisui Industry Co., Ltd.	0.0
Sekisui Aqua Systems Co., Ltd.	2.8
Sekisui Polymatech Co., Ltd.	1.9
Chushikoku Sekisui Heim Industry Co., Ltd.	0.0
Tohoku Sekisui Heim Industry Co., Ltd.	0.0
Sekisui Taga Chemical Industry Co., Ltd.	0.0
Kyushu Sekisui Heim Industry Co., Ltd.	5.3
Sekisui Fuller Co., Ltd.	3.7
Sekisui Techno Molding Co., Ltd.	0.0
Sekisui Fami S Shinetsu Co., Ltd.	6.3
Tokuyama Sekisui Co., Ltd.	6.3
Higashinihon Sekisui Shoji Co., Ltd.	0.0
Higashi Nihon Sekisui Industry Co., Ltd.	0.0
Toto Sekisui Co., Ltd.	0.0

Fiscal year ended March 31, 2024	
Name	Proportion of women in managerial posts (%) (Note 1)
Sekisui Chemical Hokkaido Co., Ltd.	3.7
Hokkaido Sekisui Heim Industry Co., Ltd.	0.0
Yamanashi Sekisui Co., Ltd.	0.0
Hokkaido Sekisui Fami S Co., Ltd.	11.1
Sekisui Soflan Wiz Co., Ltd.	4.8
Kyushu Sekisui Shoji Infratec Co., Ltd.,	3.3
Nara Sekisui Industry Co., Ltd.	0.0

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

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

b) Rate of childcare leave taken by men

Fiscal year ended March 31, 2024	
Name	Rate of childcare leave taken by men (%) (Note 1)
Sekisui Medical Co., Ltd.	61.9
Sekisui Heim Industry Co., Ltd.	54.5
Tokyo Sekisui Heim Co., Ltd.	29.0
Sekisui Heim Kinki Co., Ltd.	4.5
Sekisui Heim Kyushu Co., Ltd.	54.5
Tokyo Sekisui Fami S Co., Ltd.	27.3
Sekisui Heim Chubu Co., Ltd.	0.0
Nippon Insiek Co., Ltd.	100.0
Hokkaido Sekisui Heim Co., Ltd.	100.0
Sekisui Fami S Kyushu Co., Ltd.	27.3
Sekisui Heim Tohoku Co., Ltd.	100.0
Sekisui Heim Chushikoku Co., Ltd.	22.2
Sekisui Home Techno Co., Ltd.	0.0
Sekisui Minakuchi Kako Co., Ltd.	72.7
Gunma Sekisui Heim Co., Ltd.	33.3
Tochigi Sekisui Heim Co., Ltd.	16.7
Sekisui Heim Shinetsu Co., Ltd.	28.6
Sekisui Heim Real Estate Co., Ltd.	20.0
Sekisui Musashi Kako Co., Ltd.	100.0
Sekisui Material Solutions Co., Ltd.	100.0
Sekisui Fami S Chushikoku Co., Ltd.	40.0
Nishi Nihon Sekisui Industry Co., Ltd.	33.3
Chushikoku Sekisui Heim Industry Co., Ltd.	100.0
Sekisui Taga Chemical Industry Co., Ltd.	50.0
Sekisui Fami S Shinetsu Co., Ltd.	50.0
Tokuyama Sekisui Co., Ltd.	81.8
Higashi Nihon Sekisui Industry Co., Ltd.	50.0
Toto Sekisui Co., Ltd.	100.0
Hokkaido Sekisui Heim Industry Co., Ltd.	0.0

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

c) Gap in wages between men and women

Fiscal year ended March 31, 2024			
Name	Gap in wages between men and women (%) (Notes 1, 2, 3)		
	All employees	Full-time employees	Part-time or fixed-term employees
Sekisui Medical Co., Ltd.	61.0	74.0	47.1
Sekisui Heim Industry Co., Ltd.	66.9	69.8	53.9
Tokyo Sekisui Heim Co., Ltd.	60.9	63.1	41.9
Sekisui Heim Kinki Co., Ltd.	65.3	68.7	53.4
Sekisui Heim Kyushu Co., Ltd.	55.6	61.6	31.6
Tokyo Sekisui Fami S Co., Ltd.	56.1	63.9	58.0

Fiscal year ended March 31, 2024			
Name	Gap in wages between men and women (%) (Notes 1, 2, 3)		
	All employees	Full-time employees	Part-time or fixed-term employees
HealthyService Corporation	67.2	84.6	85.3
Sekisui Heim Chubu Co., Ltd.	51.0	53.1	33.0
Nippon Insiek Co., Ltd.	67.2	65.9	65.5
Sekisui Fami S Kinki Co., Ltd.	47.0	55.9	52.2
Hokkaido Sekisui Heim Co., Ltd.	54.4	60.4	27.6
Sekisui Fami S Kyushu Co., Ltd.	56.7	61.1	45.7
Sekisui Fami S Chubu Co., Ltd.	59.6	61.4	57.8
Sekisui Heim Tohoku Co., Ltd.	64.3	68.3	23.2
Sekisui Heim Chushikoku Co., Ltd.	56.4	60.0	38.9
Sekisui Home Techno Co., Ltd.	60.0	61.9	92.7
Sekisui Fami S Tohoku Co., Ltd.	63.4	62.8	53.6
Sekisui Minakuchi Kako Co., Ltd.	76.0	74.8	151.2
Gunma Sekisui Heim Co., Ltd.	60.1	61.0	39.5
Tochigi Sekisui Heim Co., Ltd.	55.1	58.1	32.6
Sekisui Heim Real Estate Co., Ltd.	56.4	56.1	69.1
Sekisui Material Solutions Co., Ltd.	64.5	60.7	46.0
Sekisui Fami S Chushikoku Co., Ltd.	57.1	56.0	59.3

- (Notes)
1. The percentage is calculated in accordance with the provision of Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).
 2. Eligible companies are domestic consolidated subsidiaries with 301 or more full-time employees.
 3. The gaps in wages are not due to the personnel system but due to the composition of workers' qualification (including ages and certification).

II. Overview of Business

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

Management policy, business environment, and issues to be addressed of the Group are as follows.

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

(1) Management principles and code of conduct

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

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

Our company symbol comprises the three S's of the Company's original name, adopted at the time of its foundation, "SEKISUI SANGYO" enclosed in a hexagonal shape resembling a tortoise shell (the chemical symbol for benzene), symbolizing the Chinese character meaning "water." In November 1959, this mark was defined as the "3S Principles" and formally established as the company creed.

The "3S Principles" of "creating social, environmental and economic value through responsible business practices (Service)," "accelerating innovation by eagerly taking on new challenges, adapting to change and staying ahead of the times (Speed)," and "contributing to society by helping to solve social issues with our superior technologies and quality (Superiority)" is the base of the SEKISUI CHEMICAL Group's principles and is shared among its roughly 27,000 employees.

Corporate Philosophy: The "3S Principles"

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

(ii) Group Vision

The SEKISUI CHEMICAL Group aims to create social value as expected by its stakeholders and contribute to society through its business activities.

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

Group Vision

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

(iii) SEKISUI CHEMICAL Group Corporate Activity Guidelines

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

Corporate Activity Guidelines

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

(2) Management strategies aimed at realizing our Group Vision

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

(i) Long-term Vision “Vision 2030”

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

ESG management

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

- a) Development of “three prominences” (Environment, CS & Quality, Human Resources) and “governance”
- b) Accelerate the solution of social issues through three approaches (increasing quantity, improving quality, and providing sustainably)
- c) Create and expand the value of “peace of mind for the future” in four business domains

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

(ii) Medium-term Management Plan “Drive 2.0”

Overview of the Medium-term Management Plan “Drive 2.0”

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

Numerical targets for the Medium-term Management Plan

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

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

Basic strategies

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

- (i) Strategic Innovation
Realization of preparation aimed at creating new business areas
- (ii) Organic Growth
Steady growth of existing businesses and refinement of the portfolio
- (iii) Strengthen Sustainability
Strengthening of ESG management that will contribute to sustainable growth and enhanced preparation

Investment and financial strategies

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

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

Returns to shareholders

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

(iii) Initiatives towards climate change issues

The Group recognizes that climate change is both a major social issue and a major risk for the Group, and has been actively working to resolve it. In 2018, we became the first company in the chemical industry to obtain SBT certification (Note), and set a target of reducing GHG (greenhouse gases: gases such as CO₂ and methane that contribute to the greenhouse effect) emissions of Scope 1 + 2 by 50% and of Scope 3 by 30% compared to fiscal 2019 levels by 2030, and we have focused on “energy consumption innovation,” such as promoting the renewal of aging equipment, as well as “energy procurement

innovation,” such as converting purchased electricity to renewable energy and introducing in-house solar power generation equipment.

Going forward, we aim to achieve our medium- and long-term GHG emissions reduction targets by promoting the electrification of fuel-using facilities and the shift to low-carbon fuels, as well as the technically challenging task of reducing fuel-derived GHG emissions through production process innovation. In addition, SBT certification has been acquired for our target values.

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

	2030 targets	Method of achieving the target
Scope 1 + 2	Base year: 2019 Reduction ratio: 50% (1.5°C target)	Initiatives to reduce GHG emissions derived from fuels through the conversion of purchased electricity to renewable energy, the conversion to low-carbon fuels, electrification, and manufacturing innovation will be promoted
Scope 3	Base year: 2019 Reduction ratio: 30%	Add resource recycling initiatives (conversion to non-fossil raw materials, expanded use of recycled materials, and recycling of waste) to promote reductions in raw materials, production processes, and when customers make disposals

(Notes) 1. Scope 1: Direct emissions of greenhouse gases by business operators themselves

(fuel combustion, industrial processes)

2. Scope 2: Indirect emissions associated with the use of electricity, heat and steam supplied by other companies

3. Scope 3: Indirect emissions other than Scope 1 and Scope 2

(Emissions by other companies related to the business activities)

In the Medium-term Plan started in fiscal 2023, we are working toward the following targets for fiscal 2025, the final year of the plan.

Decarbonization: GHG emission reduction rate (Scope 1 + 2) -33% (Base year: Fiscal 2019)

Renewable energy ratio of electric power: 70%

In fiscal 2023, regarding the reduction rate of GHG emissions, the decrease in production volume and the progress in switching to renewable energy for electricity led to 31 domestic and international sites switching 100% of their purchased electricity to renewable energy and 19 sites installing in-house solar power generation equipment. The renewable energy ratio of electric power across the entire Group is progressing according to plan.

(iv) Measures to achieve resource recycling

The Group aims to achieve a circular economy and a sustainable society by 2050. To achieve this long-term goal, we have established the following resource recycling policies in fiscal 2020.

- Drive resource recycling-related innovations
- Expand the use of non-fossil-based and recycled materials in business activities
- Maximize the recycling of waste generated during the life cycle into resource materials

In the Medium-term Plan started in fiscal 2023, we are working toward the following targets for fiscal 2025, the final year of the plan.

Promotion of recycling

Material recycling rate of waste plastic (Japan) 65%

The material recycling rate of waste plastic (Japan) for fiscal 2023 is progressing as planned since we re-investigated the properties of waste at each business base and reconsidered recyclers by matching them based on a review of the applicable scope of recyclers with regeneration technologies.

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

As societal issues such as climate change are becoming more serious, there is a growing demand for companies to contribute to the realization of a sustainable society. Through a variety of products and businesses, the SEKISUI CHEMICAL Group is also involved in corporate activities to achieve the sustainable development goals (SDGs), which the world must attain by

2030.

There are products with a high degree of contribution to resolving environmental challenges for natural 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.

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, our aim is to contribute to solving social issues, including the SDGs, and to achieve further growth as a company, through the creation and market expansion of products to enhance sustainability.

(vi) Human capital management initiatives

The SEKISUI CHEMICAL Group Human Resources Philosophy states that employees are precious assets bestowed on us by society, and we regard human capital as a source of corporate value enhancement. In order to realize our long-term vision and a company full of vitality where all employees want to take on challenges, we have been implementing various measures in the current medium term that are in line with our personnel strategies of fostering a culture that embraces challenge, achieving the right talent in the right position, and achieving diversity. We will also invest 12.0 billion yen in human capital over the three-year period to for employee career advancement and to secure human resources for each Group company (improving labor conditions, reinforcing personnel, and upgrading the working environment).

a) Foster a culture that embraces challenge

As part of our efforts to foster an environment in which employees can take on new challenges, we are providing opportunities for new challenges, including career advancement opportunities for group personnel and introducing an in-house entrepreneurship system. As for encouraging employees to take on new challenges, we are continuing to develop a long-term vision to raise the awareness of supervisors as well as strengthen career-related discussions between supervisors and subordinates. We measure the status of fostering a culture that embraces challenge once a year in terms of the "degree of challenging behavior expression," and we are constantly striving for improvement.

b) Achieve the right talent in the right position

For an organization to be sustainable, the baton of human resources must be passed down to the next generation. To train business leaders, we appoint the most suitable personnel as line managers, regardless of seniority, based on a role-based personnel system, and the entire company works to identify and train successor candidates. As for securing professional human resources, we are striving to secure highly specialized human resources who will be the source of our competitiveness, and from fiscal 2023, we have started training programs in digital transformation and global domains to enhance their skills in accordance with our business needs.

c) Achieve diversity

In terms of promoting the participation of diverse human resources, we are working to create an environment that welcomes and employs diverse human resources (women, people with disabilities, mid-career hires, etc.), as well as providing support for balancing work and family life (child, nursing, and illness care) and retention support. To create an environment that enhances the vitality of individuals and workplaces, we are striving to create comfortable working environments through work style reforms as well as promote health management (body, mind, and organization) to ensure working environments in which employees can continue to work with peace of mind.

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

Fiscal 2024 Targets	Consolidated net sales	1,326.7 billion yen	Profit attributable to owners of parent	78.0 billion yen
	Consolidated operating profit	102.0 billion yen	ROE (return on equity)	10.0%

In fiscal 2024, the second year of the "Drive 2.0" Medium-term Management Plan, the Company, while continuing initiatives to reform the business portfolio, will accelerate its shift toward growth.

Market conditions are expected to gradually recover. We will continue to expand sales of high value-added businesses and products that contribute to resolving social issues, maintain margins, and steadily implement business structure reforms to improve profitability in the New Housing Construction business. Through such measures, we predict higher sales and profit in all segments, a new record high for companywide net sales, and record high operating profit and profit attributable to owners of parent.

Housing Company

In fiscal 2024, we project higher sales and profit as a result of increased sales in the Housing Renovation, Real Estate, and Town and Community Development businesses and cost reductions in the New Housing Construction business.

In the New Housing Construction business, net sales is expected to remain at the same level as fiscal 2023, despite some impact from a decline in the number of houses ordered. We will continue to strengthen the profitability by shifting personnel to growth areas such as the Housing Renovation business, and taking other measures. We will also increase the number of houses ordered and unit prices by promoting product development and sales strategies that cater to the needs of each area.

In the Housing Renovation business, we will increase sales personnel and expand sales from renovations with a focus on insulation. We will also make efforts to capture the general renovation demand from customers other than SEKISUI HEIM owners.

In the Real Estate business, we will focus on expanding the rental business by increasing the number of residential units under management, and the distribution business, such as agency business and purchase and resale business.

In the Town and Community Development business, we will increase sales by launching a new project.

Urban Infrastructure & Environmental Products Company

In fiscal 2024, we expect the domestic residential and non-residential construction markets to remain weak in the first half of the year, with a gradual recovery in the second half. We project higher sales and profits by focusing on expanding sales of prioritized products that contribute to resolving social issues and sales overseas. We will also improve selling prices in line with overall cost increases related to the business, including rising prices for various raw materials, transportation costs and wage increases.

In the Pipe Systems field, we will continue to expand sales of prioritized products that contribute to resolving social issues, such as labor shortages and aging infrastructure. In addition, we will capture demand for capital investment for semiconductor plants, which is expected to recover in the second half of the year, and focus on expanding the sales area for CPVC resin.

In the Buildings and Infrastructures Composite Materials field, we will expand the fire protection materials business with a focus on noncombustible urethane products and expand sales of large high-capacity drainage systems and nursing care products. We will also accelerate the overseas adoption of FFU for railway sleepers and early realization of stable production at our plant in Europe.

In the Infrastructure Renovation field, we will take action to expand overseas orders for pipeline renewal and to reinforce sales of high-performance panel tanks.

High Performance Plastics Company

In fiscal 2024, we expect higher sales and profits from the foreign exchange effects, as well as a significant increase in sales volumes due to the expected recovery in the Mobility field and in electronics-related demand particularly in semiconductors, despite the impact of higher labor costs and rising raw material costs.

In the Electronics field, we expect similar market conditions for smartphones to fiscal 2023, while the semiconductor-related demand to gradually recover. We will seek to expand sales by accelerating expansion of sales of non-LCD products including substrate and semiconductor-related products.

In the Mobility field, we expect the automobile-related demand to remain strong and expand sales of high-performance interlayer films with a focus on head-up displays. We also anticipate some recovery in aircraft demand and aim to increase sales.

In the Industrial field, a market recovery in the second half of the year is expected despite continued sluggish demand for building materials and consumer goods in Europe, the U.S., and Japan. We will expand sales of construction labor-saving and environmentally friendly products, such as foam materials and long craft tapes, which have been designated as growth sectors, and continue to improve selling prices to achieve higher sales.

Medical Business

In fiscal 2024, we will steadily capture the diagnostics demand in the domestic and overseas market, and focus on obtaining new orders in the Pharmaceuticals & Fine Chemicals business. We project drastically higher sales and record high profits by focusing on sales expansion of blood coagulation equipment and diagnostic reagents in Japan and China, as well as influenza and COVID-19 combo test kits which is to be a new product in the U.S.

(4) Basic policy for constructive dialogue with shareholders

It is highly important to have dialogue with shareholders toward achieving sustainable growth and medium- to long-term enhancement of the Company's corporate value. We work to have constructive dialogue with shareholders by arranging for

mainly the President and the Director in charge of the Business Strategy Department to proactively conduct a general meeting of shareholders, have quarterly results briefings, and hold meetings with domestic and foreign investors.

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

- (i) The Company appoints the Director in charge of the Business Strategy Department who is in charge of the overall supervision of the development of medium- to long-term management strategies and investor relations as the person responsible, and develops the framework and undertakes initiatives for the realization of constructive dialogue with investors under his/her leadership.
- (ii) The Director in charge of the Business Strategy Department is responsible for ensuring organic coordination among departments that support dialogue, by, for example, ensuring information-sharing among them, while ensuring that insider information is not leaked particularly through each divisional company, the Corporate Finance & Accounting Department, the Legal Department, the Corporate Communication Department, and other departments concerned.
- (iii) To promote constructive dialogue with shareholders, the Company strives to understand the shareholder structure and to enhance the dialogue by implementing the following measures as a means to have dialogue.
 - a) To conduct quarterly results briefings by the President and the Director in charge of the Business Strategy Department
 - b) To hold one-on-one meetings with domestic and foreign investors
 - c) To conduct business briefings for shareholders and investors as appropriate
 - d) To enhance the disclosure of corporate information on the website of the Company targeting both domestic and foreign investors (including integrated reports, materials for results briefings and voice recordings from such briefings)
 - e) To secure opportunities to post an opinion through the website of the Company
- (iv) The Director in charge of the Business Strategy Department shall, in accordance with the “Corporate Information Disclosure Regulations,” summarize the opinions and comments of investors obtained from the dialogue with them and share them in the meetings of the Board of Directors and on other occasions as appropriate on a timely basis so that they can be reflected in the management of the Company.
- (v) The Company will strengthen its information management pursuant to the “Corporate Information Disclosure Regulations” and “Insider Trading Restriction Regulations.” The Company will pay close attention when having dialogue with shareholders.

2. Thinking on sustainability and sustainability initiatives

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

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

(1) Overall sustainability issues

(i) Governance

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

Board of Directors:

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

Sustainability Committee:

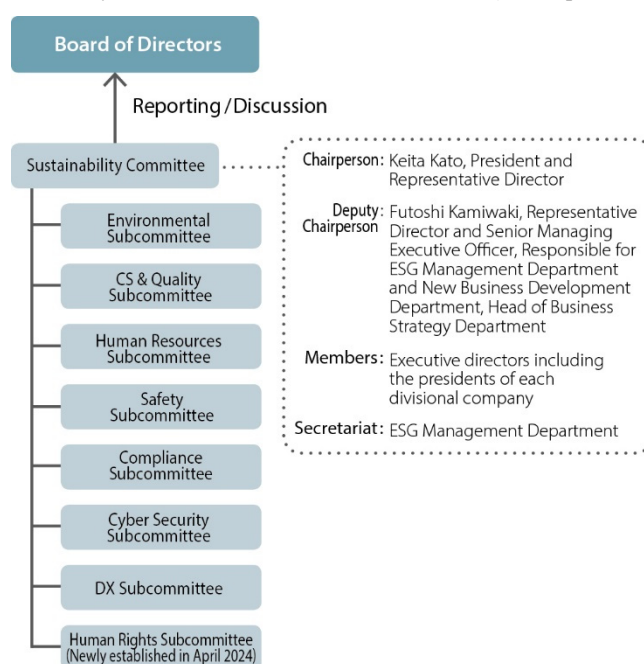
The Sustainability Committee is held semi-annually, chaired by the President, vice-chaired by the Senior Managing Executive Officer in charge of ESG Management Department, and composed of Executive Directors including the President of Housing Company, the President of Urban Infrastructure & Environmental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

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

Sub-committees:

The Sustainability Committee has eight sub-committees for the Group's materiality: "Environment," "CS & Quality," "Human Resources," "Safety," "Compliance," "Cyber Security," "Digital Transformation," and the newly established "Human Rights" in April 2024. Each of the seven sub-committees, excluding the Human Rights Sub-committee, is chaired by an officer in charge of Headquarters and comprises the responsible officers of the three companies and the responsible divisional managers of each company, Headquarters, and the medical business of Headquarters. These sub-committees are held twice a year in principle. The Corporate Executive Officer, Head of Human Resources Department chairs the Human Rights Sub-committee, which comprises executive officers responsible for various areas at Headquarters. Each sub-committee formulates and implements specific measures for each company based on the decisions of the "Sustainability Committee" and monitors the implementation status. The results are reported by chairpersons of the sub-committees who participate in the "Sustainability Committee" for deliberation.

Sustainability Committee / Sub-committee Structure (as of April 1, 2024)



(ii) Strategies

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

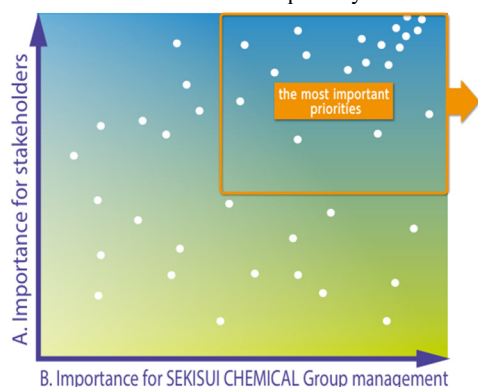
for contribution, can be considered a quantity of contribution to addressing social issues. The Group also believes that its sustainable profitable growth can be achieved by improving the quantity of contribution, and this will expand our contribution to all stakeholders including customers, shareholders,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

• SEKISUI CHEMICAL's ESG management

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

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

SEKISUI CHEMICAL Group's Key Issues



< Governance (Internal Control)>

—Reduce operational risks that may damage corporate value on a Group and global basis—

- Reducing serious incidents (safety, quality, accounting, legal/ethical, information management)
- Risk management
- Reduce supply chain risk
- Implement human rights due diligence

< DX>

—Revise work processes and drastically increase productivity triggered by DX—

- Visualize and standardize (standardize operations, introduce ERP, renew infrastructure and networks)
- Increase productivity (automation / unmanned shifts, improve operational efficiency through the use of digital technology, ICT and AI)
- Sophisticate (increase the sophistication of operational control, introduce ERP, renew infrastructure and networks)

< Environment>

—Reduce GHG emissions and waste through business activities and shift to sustainable management—

- Mitigate and adapt to climate change
- Promote a circular economy
- Reduce water-related risks
- Reduce environmental degradation

< Human capital>

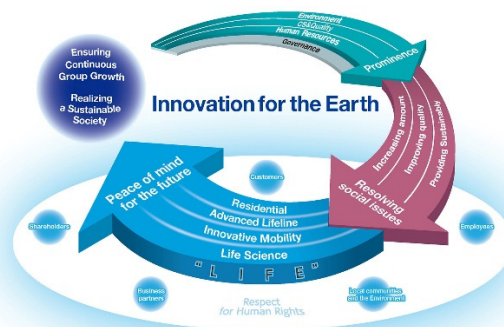
—Boldly take on challenges based on thoroughgoing preparations (human capital) in a bid to realize the Group's management strategy—

- Foster a challenging corporate culture
- Achieve the right talent in the right position
- Realize diversity

< Innovation>

—Steadily develop and launch new products and projects in existing areas; maximize speed and impact by breaking away from a new business area process that relies solely on closed innovation—

- Create and expand the market for products to enhance sustainability
- Promote open innovation
- Strengthen intellectual property strategies
- Promote activities that contribute to the solving of issues through cooperation with local communities



Three steps

I. Securing prominence

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

II. Solving social issues

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

III. Creating peace of mind for the future

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

• SEKISUI Environment Sustainable Vision 2050

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



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

An ideal earth that the Group aims to realize in 2050 is “an earth with biodiversity” where biodiversity is maintained in a healthy condition by simultaneously achieving goals of all environmental issues concerning climate change, resource circulation and water risk. Recognizing that we use natural and social capital on earth in performing our business activities, we aim to contribute to the returns of natural and social capital through three activities including (1) Expand and create markets for Products to Enhance Sustainability; (2) Reduce environmental impact; and (3) Conserve the natural and social environments, and contribute to the solution of climate change, resource circulation, water risk, biodiversity and other issues on earth. To accelerate the contribution to the return, the Group will promote the efforts not only by ourselves but also in collaboration with our stakeholders.

(iii) Risk Management

The Group regularly monitors risks and opportunities based on their importance. First, we comprehensively identify the issues relevant to society and the Group, including national laws and regulations, soft laws, disclosure regulations, stakeholder engagement, and expert dialogues. Then, we score these issues based on three axes: “likelihood,” “impact,” and “ripple effect on

the value chain” and map them onto a company-wide risk map. This map is discussed at the company-wide risk review meeting (held once a year) attended by the chairpersons of each sub-committee. In this meeting, we identify and prioritize short-, medium-, and long-term issues that could be risks or opportunities for societal sustainability and the sustainable growth of the Group. The identified issues are reviewed by the Sustainability Committee, approved by the Board of Directors, recognized as important, and reflected in the strategies and execution plans of the entire Company and each business unit. Among these, we mandate the assessment of “company-wide critical risks,” which have a high potential to lead to major incidents, in organizational risk management activities to prevent the occurrence of such major incidents.

(iv) Indicators and Targets

The Group has set “net sales from sustainability-contributing products” as a KPI symbolizing ESG management (balancing societal sustainability improvement and our Group’s sustainable growth), with a target of over 1 trillion yen in the current Medium-term Management Plan. In addition, we have set KPIs and targets for critical issues such as governance (internal control), digital transformation, environment, human capital, and innovation.

Materiality	KPI	Medium- to long-term Targets
Governance Systems (Internal Control)	Number of serious incidents occurred in five business domains	Fiscal 2025: 0
DX	Change in sales per direct personnel and indirect personnel	Fiscal 2030: 30% increase in direct productivity, 43% increase in indirect productivity (compared to fiscal 2019)
Environment	Climate change: GHG emission reduction rate	Fiscal 2025: -33% (from FY2019)
	Resource circulation: Material recycling rate of waste plastic	Fiscal 2025: Domestic 65%
Human Capital	Degree of challenging behavior expression	Fiscal 2025: 60%
	Rate of successor candidate preparation	Fiscal 2025: 100%
	Retention rate	Maintaining and improving year-on-year performance
Innovation	Number of open innovations	Confidential
(Output)	Sales of products that enhance sustainability	Fiscal 2025: Over 1 trillion yen

* Details of sustainability initiatives are disclosed on the Sustainability Report 2023 which is posted on the Company’s website. The Sustainability Report 2024 is scheduled to be issued in July 2024.

Sustainability Report

https://www.sekisui.co.jp/sustainability_report/

(i) Governance

Board of Directors

Sustainability Committee

Environmental Subcommittee

Chairperson : Futoshi Kamiwaki
Representative Director and Senior Managing Executive Officer,
Responsible for ESG Management Department and New Business
Development Department, Head of Business Strategy Department

Members : Executive officers at each divisional company,
executive officers at headquarters

Secretariat : ESG Management Department

Divisional companies

Environmental departments at each Divisional Company

Production sites — Environmental departments

Sales companies — Environmental departments

Environmental managers' meeting

Environmental study sessions

Headquarters

ESG and environment promotion organizations

To be set for each of the severe issues including renewable energy and resource circulation, and held periodically (on a monthly basis). Personnel responsible for environmental issues in Headquarters and each company participate in the Meeting, confirming the progress of issue solutions and discussing solutions.

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

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

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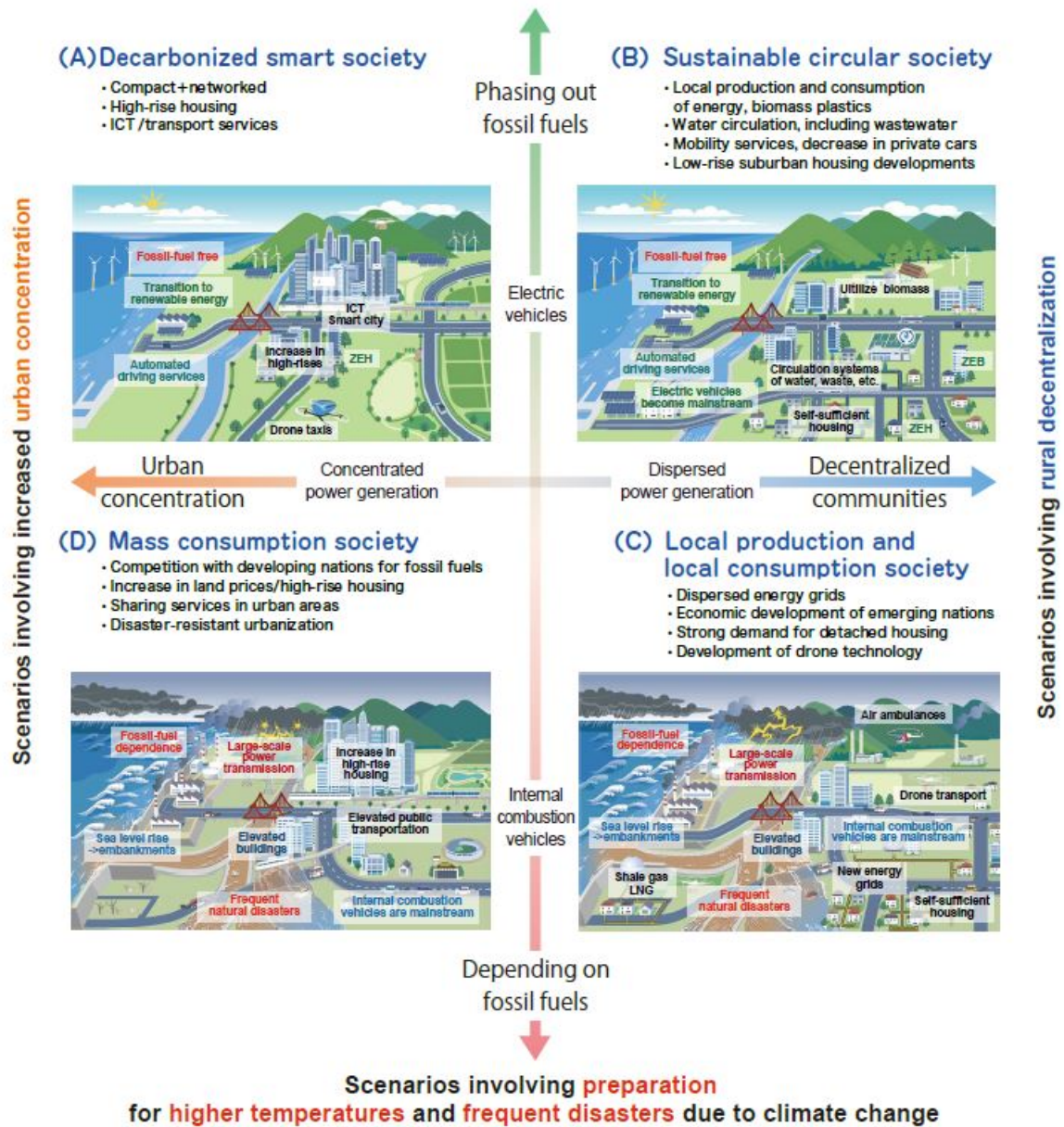
Results of impact analysis of climate change risks

Type	Climate change risks	Financial impacts	Business risks	Business opportunities	Response / Actions by SEKISUI	Correlation analysis of environmental issues			
						Climate Change	Resource Circulation	Water Risks	Biodiversity
Transition	Policy regulations	Carbon tax increase	<Medium- to long-term> -Increase in energy procurement costs -Decrease in sales due to adding costs to product prices	<Medium- to long-term> -Acquire business opportunities by differentiating through early response -Stabilization of energy costs by introducing renewable energy	-Develop plans to promote converting purchased power to renewable energy, using ESG investment framework -Improve effectiveness through public commitments such as SBT certification	Mitigation	—	—	—
		Regulations for energy savings/low carbon	<Short-term> -Increase in capital investment to strengthen energy conservation and renewable energy initiatives <Medium- to long-term> -Increase in introduction costs for renewable energy certificates, etc.	<Short-term> -Increased sales from energy conservation/storage/creation businesses -Increased sales from CO ₂ -regulation compliant products	-Establish ESG investment framework (40 billion yen/3years) -Develop new energy creation technologies (e.g., perovskite solar cells) -Review green procurement standards as appropriate -Standardize housing with ZEH specifications	Mitigation	—	—	—
		Policies	<Short-term> -Increase in renewable energy procurement and waste treatment costs <Medium- to long-term> -Lose market share from loss of differentiation due to mandating of low-carbon products such as ZEH -Reduction of business opportunities due to stricter laws and regulations related to resource recycling	<Short-term> -Increased need for technologies to reduce CO ₂ during waste incineration <Medium- to long-term> -Increase in sales of new homes due to expansion of ZEH market due to from mandatory ZEH specs -Expanding opportunities for horizontally recycled products such as in-house and industry-wide collection	-Develop technology for creating ethanol from garbage (e.g., BR) -Use purchased power after FIT (e.g., Smart Heim Denki) -Expand products that enhance sustainability -Consideration of expanding horizontal recycling of in-house plastic products (e.g., KYDEX buyback system, etc.) -Development of services to improve the recycling value of housing products (e.g., Be-Heim)	Mitigation	Deposited	—	Living organisms
		Litigations	<Medium- to long-term> -Lawsuits against companies using fossil fuels	<Medium- to long-term> -Increase in business opportunities due to consumer trust earned from commitments to society	-Disclose environmental vision and 2050 GHG emissions reduction targets -Improve scores in various external benchmarking systems	Mitigation	All	—	—
						Both	All	All	All
	Technologies	Replacement to low carbon products	<Short-term> -Increase in re-certification costs due to change of low-carbon materials <Medium-term> -Changeover to lower carbon materials and processes	<Short- to medium-term> -Increase in business opportunities for products that enhance sustainability that contribute to low carbonization <Long-term> -Business expansion through prioritized procurement of resource recycling friendly designed products	-Use of LCA in planning, development and marketing (CFP, environmental impact other than climate change) -Use of "learn from nature" technologies and continuation of research subsidies -Promotion of renewable energy in factories (e.g., Smart Heim Denki) -Reduction of factory waste and acceleration of resource recycling -Product development using bio-derived materials -Product development using recycled materials and increasing their use	Mitigation	All	—	All
		Development of decarbonization technology	<Medium- to long-term> -Opportunity loss due to delay in introduction of decarbonization technologies	<Medium- to long-term> -Expand business opportunities by decarbonizing products -Creation of new businesses utilizing decarbonization technologies	-Development of CCU technologies in collaboration with different industries (e.g., collaboration with ArcelorMittal, S.A.)	Mitigation	Deposited	—	—
	Markets	Change in consumer behavior	<Long-term> -Decrease in sale of new cars -Opportunity loss due to inability to recycle resources and use decarbonization incentives	<Medium-term> -Acquisition of incentives through resource recycling and visualization of decarbonized value <Long-term> -Increase in profitability from shift to higher-performance products -Expansion of market for ICT-related products	-Efforts to improve resource recycling value through industry collaboration (e.g., CLOMA (for marine plastic issues)) -Development of highly heat resistant and durable, and other high performance products -Development of lightweight solar cells, heat dissipating products	Mitigation	Use	—	Living organisms
		Market uncertainty	<Long-term> -Investments to stabilize power supply for dispersed renewable energies	<Long-term> -Increase in sales of products to support a more dispersed society	-Sales of houses that realize energy self-sufficiency -Development of resource recycling technologies (e.g., BR, mat'l waste recycle)	Mitigation	—	—	Living organisms
						Mitigation	Deposited	—	—
Physical	Acute	Frequent typhoons	<Short-term> -Increase in damage such as plant shutdowns and sales decrease -Increase in costs to control flooding and overflows -Decrease in sales due to supply chain disruption	<Short-term> -Increase in needs for resilient infrastructure -Increase in sales of products in areas with a high level of water-related risks -Increase in needs for equipment/facilities for disaster preparedness	-Understand water risks and implement countermeasures -Development of highly durable infrastructure -Accelerate infrastructure renewal in developed nations (e.g., SPR Method) -Expand infrastructural business in developing nations -Development of disaster response products (e.g., drinking water storage systems) -In-house fusion mechanism for adaptive product development, task force projects	Adaptation	—	Business	—
		Heavy rains/droughts	<Medium- to long-term> -Increase in insurance premiums			Adaptation	—	Products	—
						Adaptation	—	Products	—
	Chronic	Changes in rainfall patterns	<Short-term> -Increase in costs for restructuring supply chain <Medium- to long-term> -Increase in heat stroke/other illnesses related to warming -Increase in air conditioning/cooling costs	<Short-term> -Increase in sales of heat insulating/heat shielding products <Medium- to long-term> -Increase in needs for pharmaceutical products/diagnostic drugs that contribute to treatments	-Explain procurement guides to raw material suppliers -Globally disperse production bases -Reinforcement of OEM structure in accordance with increase in illnesses	Adaptation	—	Business	—
		Rise in sea level				Adaptation	—	Business	—
		Rise in average temperatures				Adaptation	—	Business	—
	Reputation	Changes in consumer preferences	<Short- to medium-term> -Sales decline due to inability to keep up with sustainable lifestyle preferences <Long-term> -Decrease in sales due to increased preference for "sharing" over "owning"	<Short- to medium-term> -Improve corporate brand and expand sales with products that support sustainable living <Long-term> -Creation of new businesses to meet consumer preferences	-Promotion of sustainable town development business (e.g., ABINC certification of Asaka Lead Town) -Begin services using housing big data (e.g., Smart Heim Denki)	Both	All	Products	All
		Industry criticism	<Medium- to long-term> -Investor valuation decline for companies that do not decarbonize <Long-term> -Decline in evaluation of companies that do not understand the biodiversity impact of decarbonization solutions	<Short- to medium-term> -Secure stable financing by demonstrating compatibility with resource circulation <Long-term> -Consideration of nature-positive decarbonization solutions and high evaluation for product development	-Use of renewable energy by purchasing electricity after FIT -Promotion of reform and use of in-house system for planning and R&D (product environmental impact assessment) -Promotion of efforts to reduce the impact of nature and information disclosure (e.g., use of Land Use Score Card®)	Both	—	—	All
						Both	—	—	All
						Both	—	—	All

Green: New revisions in line with updating to the 1.5 °C scenario

Bold: Innovation-related items

Scenarios involving various measures taken to control climate change



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

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

Opportunities	<ul style="list-style-type: none"> Increased demand for smart infrastructure, remote control systems, etc. → Advanced technology utilization and expand services for infrastructure Increased demand for power generation/storage products → Higher performance of electronic/energy related products Expanding needs for decarbonized products and technologies → Advance development of decarbonization technologies and expand products sales
Risks	<ul style="list-style-type: none"> Decreased car sales due to transition to mobility services → Decreased sales of housing and mobility related products Accelerate conversion to renewable energy → Energy procurement costs increase due to increased demand for renewable energy Decreased demand for low-rise housing → Decreased sales of housing related products
Response by SEKISUI	[Production activities] Begin converting to renewable energy (installation of large-scale solar panels (USA), use of Smart Heim Denki) [Housing business] Standardize ZEH specs [Energy] Expand storage battery business [IT] Material development to promote improvement of ICT(heat dissipating materials, materials for LED and OLED) [Resource Recycling] Development of services to improve the recycling value of housing products ("Be-Heim"), consideration of expansion of horizontal recycling system for plastic products

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

Opportunities	<ul style="list-style-type: none"> Localized power generation → Increased demand for power generation, storage and related technologies Expanded circulation of resources such as electric power, water, carbon, etc. → Increased demand for circulation infrastructure Expanding needs for decarbonized products and technologies → Advance development of decarbonization technologies and expand product sales expansion Increased demand for housing with ZEH specs
Risks	<ul style="list-style-type: none"> Decreased car sales due to transition to mobility services → Decreased sales of housing and mobility related products Accelerate conversion to renewable energy (decentralized) → Energy procurement costs increase due to increased demand for renewable energy Decreased reputation among customers and investors due to failure to decarbonize
Response by SEKISUI	[Production activities] Begin converting to renewable energy (installation of large-scale solar panels (USA), use of Smart Heim Denki) [Housing business] Standardization of ZEH specs, expansion and promotion of sustainable town development business [Energy] Promote the spread of energy self-sufficient housing (solar panels, storage batteries) Also contribute to local energy production and consumption through TEMS [Vehicles] Provide highly functional materials that provide additional performance to vehicles and aircrafts. (S-LEC wedge-shaped HUD interlayers, KYDEX sheets, CFTRP) · Establish technologies for CCU systems (BR) [Resource recycling] Full scale implementation of BR technology, development of CCU technologies in collaboration with other companies

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

Opportunities	<ul style="list-style-type: none"> Promoting resilient infrastructure and autonomous driving infrastructures → Increased sales of highly durable infrastructure materials and construction services Creation of market of new energy grids → Needs for control systems and energy infrastructure technologies
Risks	<ul style="list-style-type: none"> Increased raw material and energy costs due to disaster-resilient supply chain, logistics, and energy security measures Increased factory relocation costs in locations vulnerable to natural disasters Increased manufacturing costs and raw material costs caused by deterioration of ecosystem services due to disasters Increased human cost due to increase in diseases caused by global warming Extensive damages due to fragmentation of infrastructure in the area
Response by SEKISUI	<ul style="list-style-type: none"> At the managers level of operating companies/business sites, understand risks in each region and site, formulate BCPs, and consider risk reduction measures [Water infrastructure] Expand businesses that contribute to more resilient water infrastructure (Renewal: SPR method, New construction: Collaboration with Vietnamese companies) [Transportation infrastructure] Improve durability of transportation infrastructure ("Utsuku Sheet", "InfraGuard") · Reinforcement of OEM structure for pharmaceutical products · Explore HEMS and TEMS technology for building smart grids (Smart Heim Denki) · Develop urban planning businesses (expand services) · Reinforce sustainable raw material procurement system

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

Opportunities	<ul style="list-style-type: none"> Promoting resilient infrastructure and autonomous driving infrastructures → Increased sales of highly durable infrastructure materials and construction services Increased needs for energy-related products for large-scale power generation → Increased sales of products related to stabilizing systems and improving efficiency of power generation
Risks	<ul style="list-style-type: none"> Increased raw material and energy costs due to disaster-resilient supply chain, logistics, and energy security measures Increased factory relocation costs in locations vulnerable to natural disasters Increased human cost due to increase in diseases caused by global warming [Housing] Decreased demand for low-rise housing → Decreased sales of housing related products · Increase in manufacturing costs and raw material costs caused by deterioration of ecosystem services due to disasters
Response by SEKISUI	<ul style="list-style-type: none"> At the managers level of operating companies/business sites, understand risks in each region and site, formulate BCPs, and consider risk reduction measures [Water infrastructure] Expand businesses that contribute to more resilient water infrastructure (Renewal: SPR method, New construction: Collaboration with Vietnamese companies) [Transportation infrastructure] Improve durability of transportation infrastructure ("Utsuku Sheet", "InfraGuard") · Reinforcement of OEM structure for pharmaceutical products · Contribute to more stable power transmission by burying power cables underground ("CC-Box") · Reinforce sustainable raw material procurement system

(iii) Risk Management

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

(iv) Indicators and Targets

The Group recognizes that climate change is a significant social issue and a substantial risk for the Group. We have been updating aging facilities and switching fuel-using equipment to electricity or low-carbon fuels. Going forward, we will undertake the technically challenging task of reducing GHG emissions from fuel through "production process innovation" and aim to achieve

medium- and long-term GHG emission reduction targets. The SBT certification (Note) has been acquired for the targets listed below.

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

• GHG emission reduction targets

	Targets	Method of achieving the target
Scope 1 + 2	Base year: 2019 Target year: 2030 Reduction ratio: 50% (1.5°C target)	Initiatives to reduce GHG emissions derived from fuels through the conversion of purchased electricity to renewable energy, the conversion to low-carbon fuels, electrification, and manufacturing innovation will be promoted
Scope 3	Base year: 2019 Target year: 2030 Reduction ratio: 30%	Add resource recycling initiatives (conversion to non-fossil raw materials, expanded use of recycled materials, and recycling of waste) to promote reductions in raw materials, production processes, and when customers make disposals

(Note) Scope 1: Direct emissions of greenhouse gases by business operators themselves (fuel combustion, industrial processes)

Scope 2: Indirect emissions associated with the use of electricity, heat and steam supplied by other companies

Scope 3: Indirect emissions other than Scope 1 and Scope 2 (Emissions by other companies related to the business activities)

• Progress of Fiscal 2022

	Total emissions (Thousands t-CO ₂)	Reduction ratio
Scope 1	187	Reduction of 24.4% (from FY2019)
Scope 2	468	
Scope 3	3,917	Reduction of 4.8% (from FY2019)

* Details of sustainability initiatives are disclosed on the Sustainability Report 2023 which is posted on the Company's website. The Sustainability Report 2024 is scheduled to be issued in July 2024.

Sustainability Report

https://www.sekisui.co.jp/sustainability_report/

* Details of climate change-related disclosure in accordance with the TCFD recommendations are included in the TCFD Report 2023 which is posted on the Company's website. The Japanese version of the TCFD Report 2024 will be issued in August 2024, and the English version in September.

TCFD Report

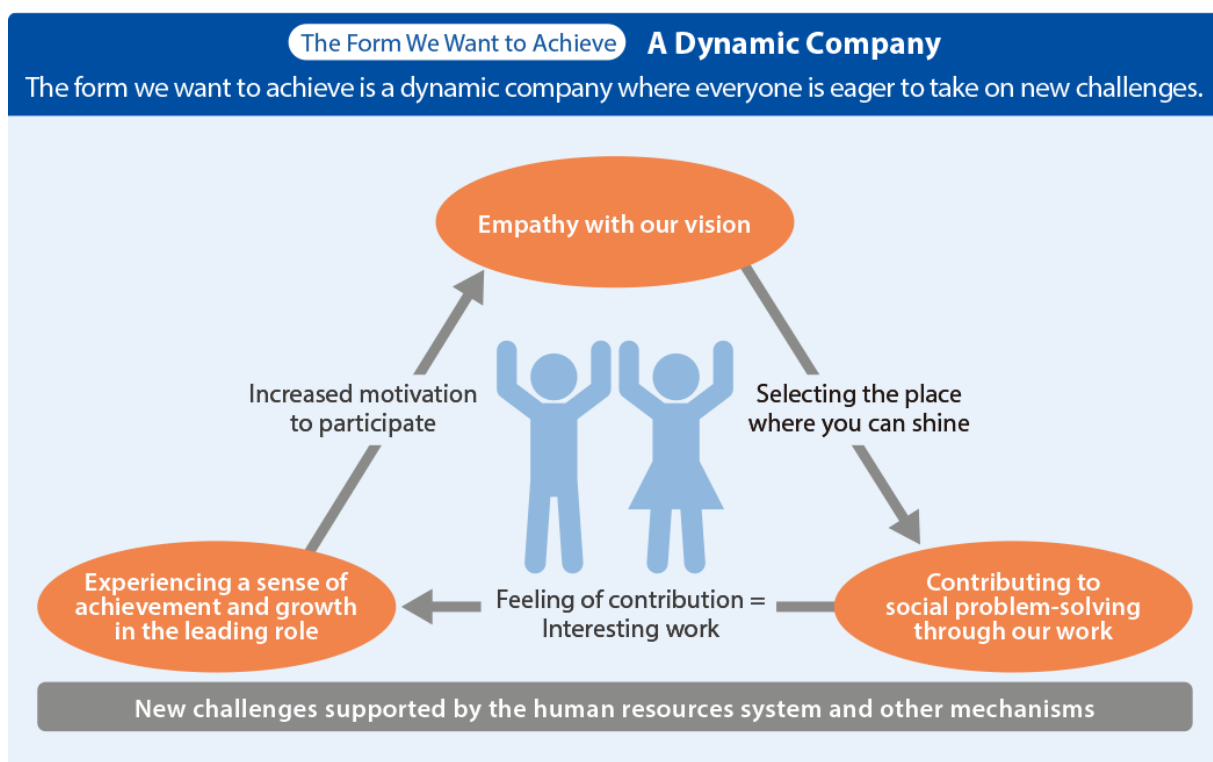
https://www.sekisui.co.jp/sustainability_report/report/#tcfd

(3) Disclosure on Human Capital

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

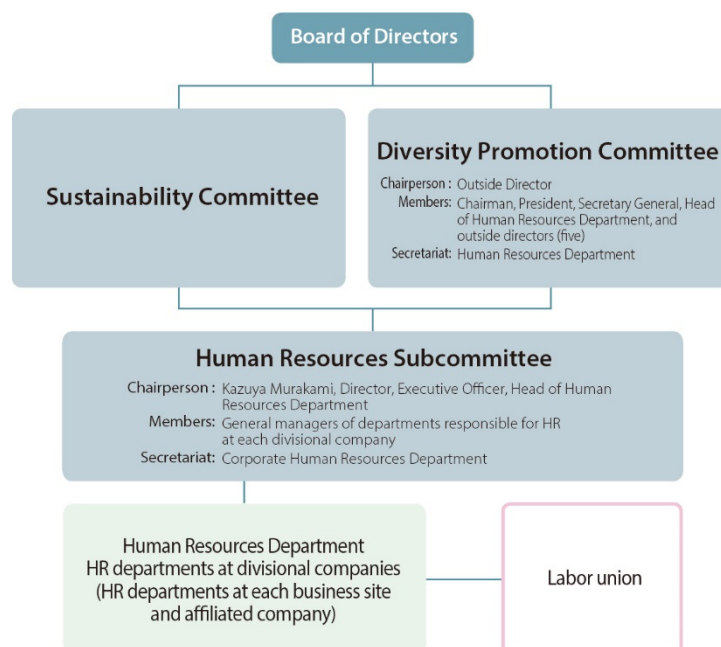
(i) Fundamental Mindset

To realize Vision 2030, we aim to become a “company where all employees thrive on challenges,” in other words, a “company whose contribution to social solutions expands through innovation and creation.” We will transform human resource management (role-oriented human resource management and promotion of challenges). In conjunction with systematically acquiring and promoting talent, we will develop personnel who can respond to the speed and changes of business growth, achieving the right talent in the right position. We have also started focused investment in human capital (approximately 12.0 billion yen over three years in the Medium-term Management Plan) to expand employee careers and improve working conditions.



(ii) Governance

In fiscal 2022, we established the Diversity Promotion Committee toward the realization of our human capital strategies. The committee meets twice a year, clarifying the roles of oversight and execution and strengthening strategies, information disclosure, and diversity promotion. The oversight side supervises and advises on matters related to human capital management and securing diverse talent. The execution side, in the “Human Resources Sub-committee” consisting of the heads of each company’s HR department and set up under the Sustainability Committee, decides on implementing human capital management measures determined by the oversight body. In cooperation with labor unions, corporate and company HR departments promptly implement these measures.



(iii) Strategies

Toward the realization of an excellent and vibrant company where all employees thrive on challenges, we develop personnel capable of responding to business growth speed and changes under the human resource development policy (*1). Under the internal environment improvement policy (*2), we aim to create diverse working styles and a safe working environment that is appropriate for different countries and regions.

Specific human capital strategies (*3) include fostering a culture that embraces challenge, achieving the right talent in the right

position, and achieving diversity. We utilize our vital preparation (human capital) to boldly take on challenges, realizing our management strategies of “strategic innovation” and “organic growth.”

*1. Human resources development policy

A) Promotion of diversity

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

B) Encouragement of challenges

We support personnel who continue taking on challenges proactively.

C) Development of outstanding human resources

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

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

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

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

*3. Human capital strategies



(iv) Major initiatives

a) “Foster a culture that embraces challenge”

1) Create opportunities to pursue challenges

- Accelerate the pace at which employees realize their careers by raising their hands

We started a job application system in 2000 for a system that balances “individual self-fulfillment” and “company growth.” We achieve matching between employees and departments by conducting this four times a year. Employees think about their careers and engage in skill development and self-improvement. They also volunteer for opportunities to step-up and challenge themselves. The company selects the necessary personnel from those who volunteer.

- Provide opportunities to take on challenge

With the retirement age extended from 60 to 65, a side business system has been introduced for employees over 60. By increasing work style options, we are expanding opportunities for each individual to thrive and providing a transition to a second life.

2) Encourage employees to pursue challenges

- Further strengthen activities to foster a culture that embraces challenge

To draw out employees’ willingness to take on challenges, “autonomous career development” is crucial, and we conduct “career interviews” with all employees. Through understanding of each employee’s career aspirations, including by not only their superiors but also by department heads and the HR department, we consider career development for employees. To effectively utilize the interviews, we provide training for supervisors and employees. Additionally, career education, previously held by age group, is now conducted by role to align with the transformation in human resources management.

- Foster a culture of career autonomy

We measure engagement with the Company annually, which forms the foundation for challenges. The score for fiscal 2023 improved to 133 compared to the previous year (the score for fiscal 2019 was 100, and 114 for fiscal 2022). Each organizational unit analyzes the survey results, and improvement measures tailored to each organization's issues are implemented. As a cross-organizational effort, the HR departments of domestic Group companies gather to conduct the "Engagement Drive Project." This project shares advanced external case studies and internal best practices, conducts seminars on organizational development methods, and aims to enhance activity levels.

b) Achieve the right talent in the right position

1) Develop ambidextrous business leaders

- Strengthen selection and training of management candidates

It is essential to secure business leaders who can drive both the "creation of new businesses (exploration)" and the "steady growth and refinement of existing businesses (transformation)."

To promote strengthening the selection and training of management candidates, we have established a "Human Resources Committee." This committee aims to appropriately manage roles necessary for realizing business strategies and continuously develop the personnel and successors for those roles. We accelerate age-independent selection by introducing a role-based grading system and eliminating the probationary period for appointments.

- Visualize and undertake multifaceted evaluation of management roles

To promote the "visualization of roles," we use the HR system to define each position's roles and mission requirements and progressively make them public. This aims to visualize internal career paths, identify areas to target and promote autonomous career development.

2) Secure professional talent who exhibit prominent skills

- Strengthen efforts to secure highly specialized human resources

We have established an S-Position (Specialty Position) system to secure highly specialized human resources within the Company continuously. In addition to deepening the expertise that serves as the source of our competitiveness, we promote business contributions by leading technological enhancements and nurturing the next generation. In fiscal 2023, we accelerated the recruitment of highly specialized talent by introducing specialized qualification allowances for professionals such as lawyers and defining specialist roles in staff departments such as digital transformation and legal affairs.

- Strengthen reskilling in line with business needs

We are promoting specialized skill education in line with changes in business needs, including global, digital transformation, and manufacturing. In particular, for global education, in addition to skill training directly connected to practical work, we hold career events where employees can hear directly from expatriates to make global work feel more accessible. We also offer numerous opportunities to work abroad, such as short-term traineeships and academic dispatches to overseas research institutions.

c) Achieve Diversity

1) Promote the active participation of diverse human resources

- Promote the employment and retention of diverse human resources

We are advancing long-term recruitment of new graduates to strengthen sustainable management capabilities. We are simultaneously focusing on expanding career recruitment in response to changes in the business environment. For retention promotion, we are establishing systems that accommodate diverse work styles, such as flexible working hours and telecommuting, to ensure the retention of diverse human resources, including women, persons with disabilities, and seniors. We also support balancing life events such as caregiving, childcare, and illness with work.

- Promote diversity and support work-life balance

Promoting gender diversity

To promote advancing initiatives to empower women, we are working on four stages: "strengthening recruitment of women," "retention and active participation," "creating managerial positions," and "education after promotion to core positions." The recruitment ratio for fiscal 2023 was 31.4% on a non-consolidated basis (an increase of 3.3% from the previous fiscal year). We revamped our recruitment website and added a page introducing our diversity initiatives to accelerate this further. To support the promotion to management positions, we have been continuously holding Career Development Program training since 2014, and 116 employees have been promoted to management positions. Additionally, as an initiative to support the active participation of women across the Group, we hold various seminars annually for all employees.

- Promote the active participation of persons with disabilities

We are working on two aspects, recruitment and retention, to promote the active participation of persons with

disabilities. In recruitment, we consider the characteristics of disabilities and carry out assignments through multiple steps, including workplace tours, practical training, and recruitment training, to match the suitability of the work and the workplace. In fiscal 2023, we started an agricultural model (farm), expanding job opportunities. We hold information exchange meetings for HR personnel across the Group for retention. We share points about disability characteristics and recruitment to promote employment and support retention.

2) Realize an environment that enhances individual and workplace vitality

• Create a safe and secure work environment

In addition to efforts to reduce working hours, we are working to improve work productivity. To pursue productive work styles that maximize outcomes in a limited time, it is essential for employees to work autonomously and for managers to support autonomous management. We are rolling out “Work Style Reforms Guidelines,” “Work Style Reforms e-learning,” and “Training for Managers to Coach Employees’ Self-support.” To realize flexible working styles, we are implementing systems for telecommuting and flexible working hours across the Group, establishing the coexistence of office work and remote work.

• Ensure a healthy and comfortable working environment

Based on the idea that “employees are valuable assets entrusted to us by society,” we are promoting our employees’ physical and mental health. In March 2019, we formulated the “Declaration of Health” and “Basic Policy for Health and Productivity Management,” summarizing the philosophy and approach to health management our Group aims for, and we are deploying various measures.

(v) Metrics and targets

While specific measures and data management of related indicators are being implemented regarding the 14 Guidelines on Human Capital listed below, they are not implemented across the entire consolidated group. Therefore, only the metrics and targets for the reporting company are disclosed when it is difficult to present them for the SEKISUI CHEMICAL Group.

14 Human Capital-related Guiding Principles

Policies			
1	Human resources development		
2	Internal environmental improvement policy		
KPIs			
No.	Items	Category	Targets (2025)
1	Degree of challenging behavior expression	Priority	60%
2	Rate of successor candidate preparation	Priority	100%
3	Retention rate	Priority	Maintain/Improve from previous year
4	Engagement score	Major	Maintain/Improve from previous year
5	Training hours	Major	10 hours
6	Ratio of women in management position	Major	5%
7	Number of hires	Major	Ratio of female employees: 35%
8	Gender wage gap	Major	Maintain/Improve from previous year
9	Percentage of male employees taking childcare leave	Major	75%
10	Employment ratio of people with disabilities	Major	2.5% (above the legally stipulated ratio)
11	Total working hours	Major	Less than 2000 hours/year
12	Rate of long-term leave due to mental health problems	Major	1.0%

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

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

*3 $(1 - (\text{Number of retirees in a year} / \text{Number of employees as of April that year})) \times 100$

*4 The index representing the ratio of employees who averaged 4.5 points or more when answering 6 engagement-related behavior questions (6 points max.), with the fiscal 2019 results set at 100

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

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

*7 Prescribed working hours (7.5 hours) + overtime hours - paid leave hours taken

*8 The ratio of employees who took more than one month of leave due to mental health issues in that year

3. Business risks

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

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

(1) Business environmental risk

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

(i) Economy and product market trends

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

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

By sector, among the business of the High Function Plastic Company, markets where business is undertaken in the mobility field are easily affected by conditions and demand trends in the global automotive and aerospace industries. Markets for businesses in the electronics field, technological progress is fast and demand fluctuates widely, demand might shrink over a short period of time. As a response to these risks, we are continuously working on cost innovation in the supply chain and exploring the strengthening of R&D centers, new technologies, and M&A candidates. In the Housing Company business, we are affected by domestic policies and tax systems related to housing acquisition, interest rate trends, individual consumption, and economic trends in each area. However, we mitigate these risks by adopting product strategies tailored to each location. Furthermore, due to the declining number of construction workers, there is a risk of not securing the necessary labor, leading to delays in construction schedules and rising labor costs. To address this, we are advancing production innovation plans, such as improving logistics efficiency within production plants of prefabricated modular houses and researching ways to reduce on-site construction work. The Urban Infrastructure & Environmental Products Company business, which includes transactions with government agencies, is potentially influenced by public investment trends determined by government and local government policies. Additionally, the business may be affected by trends in the number of housing and non-housing starts. To mitigate these risks, we manage and diversify the portfolio by area (domestic/overseas) and customer (public/private). In the Life Science field, we may be influenced by healthcare system reforms driven by changes in the social environment. We focus on expanding business areas and developing new products to hedge these risks.

Our Group also hedges risks through business diversification and globalization of operational areas. However, significant fluctuations in product demand may significantly impact performance.

(ii) Raw material price volatility and procurement

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

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

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

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

The Group operates and expands its business globally, with a percentage of overseas net sales for the fiscal year ended March 31, 2024 at 30.8%. As a result, fluctuations in the value of the yen against foreign currencies could have a significant impact on the yen-translated amount of foreign currency-denominated transactions and items of financial statements of overseas consolidated subsidiaries. Internal currency exchange rates are used in foreign currency-denominated transactions, and those of U.S. dollar and euro are reviewed quarterly to avoid discrepancies with actual rates. Considering the expansion and scale of the

current business, our disclosure recognizes that the amount of impacts on operating profit due to discrepancies would be about 500 million yen caused by 1 yen per U.S. dollar and about 100 million yen caused by 1 yen per euro.

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

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

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

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

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

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

(v) Politics and society

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

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

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

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

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

(2) Operational Risks

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

(i) Safety and health, industrial accident

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

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

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

(ii) Products and quality

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

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

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

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

At the same time, the Group places the utmost importance on its intellectual property strategy in order to make the most of its prominence in technology. In striving to secure business competitiveness through the acquisition of strong patents, we conduct investigations to ensure that we do not infringe on the intellectual property of others and take appropriate measures to avoid or prevent intellectual property infringement.

(iii) Compliance

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

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

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

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

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

(iv) Information management

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

Taking these circumstances into consideration, the Group is subject to such risks as cyberattacks, power outages, natural disasters, business interruptions and damages resulting from equipment and software failures or defects, and the leakage of confidential including personal information and secret technical 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.

Furthermore, in specific highly confidential businesses, we promote information management with the support of relevant ministries.

(v) Climate change and environmental issues

As global recognition grows that climate change, resource depletion, water risk, and marine plastic waste are common societal issues, delays in responding to policies and regulations supporting environmental protection could lead to higher energy procurement costs due to carbon taxes, difficulty in procuring materials necessary for product decarbonization, loss of trust and reputation in society, decreased competitiveness, and potential impacts on financial conditions.

We are working to create, certify, and expand the market for products to enhance sustainability that contribute to the sustainability of the global environment and society by helping to resolve environmental and social issues. As a measure to combat global

warming, we have set the target of increasing our utilization ratio for renewable energy from electricity purchased to 100% by 2030, and work to convert fuels used by facilities to electricity and low carbon fuels, expand the use of non-fossil energy and renewable materials, and recycle wastes, etc. in collaboration with suppliers to realize a circular economy. Among a host of other initiatives, we are also undertaking activities to promote solutions to the marine plastic problem through industry-government-academia collaboration. This includes participation in the CLOMA*1 and JaIME*2 corporate initiatives.

*1 CLOMA: Japan Clean Ocean Material Alliance.

*2 JaIME: Japan Initiative for Marine Environment.

(vi) Human Capital

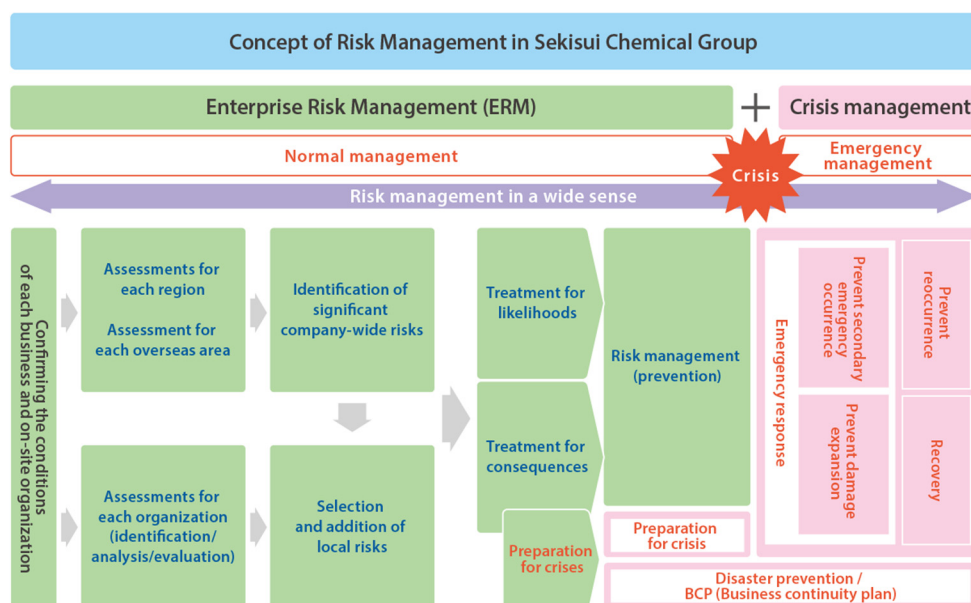
For the long-term vision, our Group aims to double its contribution by 2030, promoting growth acceleration through strategic innovation and strengthening existing businesses. Conversely, due to a potential decline in recruitment competitiveness, increased turnover, lack of challenging opportunities or management experience, lack of or imbalance in human capital, or mismatch between skills and business needs, there may be a risk of failing to achieve business plans or the expected growth rate. To address this, we are promoting “fostering a culture that embraces challenge,” “achieving the right talent in the right position,” and “achieving diversity.” We aim to create a sustainable organization that realizes the long-term vision by providing opportunities for challenges such as a job application system, fostering a culture of career autonomy, early development and selection of business leader candidates, securing highly specialized talent, reskilling aligned with business needs, promoting the active participation of diverse talent, and creating a healthy and safe working environment.

(3) Strategic Risks

While seeking to enter new businesses through partnerships, mergers and acquisitions, and R&D activities, there are risks that these initiatives may fail or may take longer than expected. Additionally, risks in the new business environment may emerge in the relevant markets even if new business entries succeed.

(4) Risk Identification and Management

The SEKISUI CHEMICAL Group comprehensively collects risk information by specialty domain and overseas region and evaluates it based on three axes: “likelihood of occurrence,” “impact,” and “ripple effect on the value chain.” Based on the results, a company-wide risk discussion meeting held by officers in charge of specific expertise makes uniform assessment and specifies a company-wide material risk. We run the risk management structure for integrated management of measures to prevent these risk events from occurring (enterprise risk management: ERM) and to respond when one occurs (crisis management). This integration let us set up a structure to adapt to ever-changing risks and crises in accordance with the situation for the organization. In addition, we have built a system that allows us to determine the state of disasters and accidents quickly should they occur through a global emergency contact network, and have strengthened employee training to ensure an appropriate initial response.



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

(1) Overview of business results, etc.

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

(i) Financial position and business results

In fiscal 2023, the first year of the “Drive 2.0” Medium-term Management Plan formulated based on the SEKISUI CHEMICAL Group’s Long-term Vision “Vision 2030,” despite a prolonged slump in the domestic new housing market, there was a certain recovery in automobile related demands.

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

Operating profit increased as a result of efforts to expand sales of high value-added products, secure profit, and control fixed costs, and positive effects from foreign exchange rates. Ordinary profit reached a record high mainly due to foreign exchange gains. Profit attributable to owners of parent reached a record high mainly due to gain on sale of investment securities.

As a result, net sales for the fiscal year under review rose 1.1% to 1,256,538 million yen, operating profit rose 3.0% to 94,399 million yen, ordinary profit increased 1.6% to 105,921 million yen, and profit attributable to owners of parent rose 12.5% year on year, to 77,930 million yen.

Business results by segment are as follows.

a) Housing business

Net sales during the fiscal year under review were 529,693 million yen, down 1.4% compared with the previous fiscal year, and operating profit amounted to 27,729 million yen, down 15.5% compared with the previous fiscal year. In the fiscal year under review, sales declined slightly compared to the previous fiscal year due to a decrease in the number of new housing orders in the New Housing Construction business, even though there was an increase in sales in the Housing Renovation and Real Estate businesses. Operating profit also decreased due to the rise in component prices, including the impact of exchange rates.

Measures such as pursuing the qualities of “smart” and “resilient” were carried out for the New Housing Construction, Housing Renovation, and Town and Community Development businesses.

In the New Housing Construction business, the number of houses ordered decreased year on year due to effects from declined purchasing intent caused by higher commodity prices and other factors. In addition to focusing on marketing activities that linked the company’s website with model houses, showrooms, factory tours, and events, we took measures to enhance product and subdivision designs. Furthermore, we have made progress in profitability enhancement measures, such as shifting personnel to growth areas such as the Housing Renovation business.

In the Housing Renovation business, orders increased year on year due to reinforcement of sales structures, and higher sales from renovations with a focus on insulation and others.

b) Urban Infrastructure & Environmental Products business

Net sales during the fiscal year under review increased to 234,787 million yen, up 0.2% compared with the previous fiscal year, and operating profit amounted to 22,129 million yen, up 4.4% compared with the previous fiscal year. In the fiscal year under review, despite the sluggish domestic housing and non-housing construction market and the declining demand for chlorinated polyvinyl chloride (CPVC) resin, we achieved increased sales and record-high operating profit for the second consecutive year. This was due to securing spreads through price improvements and increased sales of prioritized products such as polyethylene pipes for water supply, construction and factories, and fire protection materials.

In the Pipe Systems field, demand for both residential and non-residential applications in Japan was below expectations, but as a result of establishing improved selling prices and expanding sales of prioritized products, net sales increased year on year.

In the Buildings and Infrastructures Composite Materials field, net sales decreased year on year due to sluggish demand for housing products, despite progress in improving domestic selling prices for prioritized products including fire protection and non-combustible materials and large high-capacity drainage systems, and synthetic lumber (FFU), as well as strong orders.

In the Infrastructure Renovation field, net sales increased year on year due to acquiring new overseas contracts for pipeline renewal, a recovery in demand for panel tanks, and other factors.

c) High Performance Plastics business

Net sales during the fiscal year under review increased to 412,897 million yen, up 4.2% compared with the previous fiscal year, and operating profit amounted to 50,931 million yen, up 27.0% compared with the previous fiscal year. In the fiscal year under review, despite the sluggish demand for building and consumer goods in Europe, the U.S., and Japan, we achieved increased sales and profit due to the recovery in automotive-related demand, the positive effect of exchange rates, and efforts to maintain and improve selling prices.

In the Electronics field, net sales increased year on year mainly due to progress in expanding non-LCD product sales under market conditions that saw a certain recovery in the smartphone market while semiconductor-related demand remained sluggish.

In the Mobility field, net sales increased significantly year on year due to progress in improving selling prices, foreign exchange effects, a recovery in automobile-related demand, expanded sales of high-performance interlayer films, mainly for heads-up displays, and other factors. In addition, efforts at Sekisui Aerospace Corporation to improve its productivity progressed.

In the Industrial field, net sales decreased year on year due to continued sluggish demand for building materials and consumer goods in Europe, the U.S., and Japan.

d) Medical business

Net sales during the fiscal year under review increased to 92,620 million yen, up 3.3% compared with the previous fiscal year, and operating profit amounted to 10,952 million yen, down 12.5% compared with the previous fiscal year. In the fiscal year under review, we successfully captured the increased domestic demand for testing, mainly due to infectious diseases, and achieved steady sales of new active pharmaceutical ingredients in the medical business. Additionally, we focused on expanding sales of blood coagulation devices and reagents in China, and together with the impact of exchange rates, sales revenue increased. On the other hand, operating profit decreased significantly due to the decline in sales of COVID-19 test kits in the U.S.

e) Other businesses

Net sales during the fiscal year under review amounted to 7,252 million yen, down 1.8% compared with the previous fiscal year, and operating loss amounted to 10,821 million yen, down 73 million yen from the previous fiscal year.

(ii) Cash flows

Cash and cash equivalents amounted to 126,367 million yen as of the end of the fiscal year under review, an increase of 41,160 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 106,632 million yen, compared with net cash provided of 71,543 million yen during the previous fiscal year. This was due to cash inflows, which included profit before income taxes of 111,479 million yen, depreciation of 51,195 million yen, and income tax refunds of 10,453 million yen, exceeding cash outflows such as income tax payments of 27,717 million yen, a decrease in trade payables of 17,858 million yen, and an increase in trade receivables and contract assets of 11,355 million yen.

(Investing activities)

Net cash used in investment activities during the fiscal year under review was 18,515 million yen, compared with net cash used of 59,430 million yen during the previous fiscal year. This was due to cash outflows, which included expenditures of 46,070 million yen for the purchase of property, plant, and equipment centered mainly on priority and growth fields, and 14,385 million yen for the purchase of intangible assets, exceeding cash inflows such as cash proceeds from sale and redemption of investment securities of 22,073 million yen and cash proceeds from sale of shares of subsidiaries and associates of 16,739 million yen.

(Financing activities)

Net cash used in financing activities during the fiscal year under review was 53,023 million yen, compared with net cash used of 62,906 million yen during the previous fiscal year. This was due to expenditures such as dividend payments of 29,094 million yen (including dividends paid to non-controlling shareholders), expenditure of 16,173 million yen for purchasing treasury stock, and expenditure of 5,701 million yen for repayment of lease liabilities.

(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	537,919	(4.3)
Urban Infrastructure & Environmental Products	236,451	1.0
High Performance Plastics	415,982	0.1
Medical	99,543	11.6
Reportable segment total	1,289,897	(0.8)
Other	8,212	(0.6)
Total	1,298,110	(0.8)

(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	393,025	(1.3)	139,200	(15.3)

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	529,416	(1.4)
Urban Infrastructure & Environmental Products	221,949	0.3
High Performance Plastics	407,894	4.4
Medical	92,620	3.3
Reportable segment total	1,251,880	1.1
Other	4,657	27.4
Total	1,256,538	1.1

(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 1,323,243 million yen, an increase of 95,112 million yen from the previous fiscal year.

a) Assets

Current assets stood at 685,564 million yen, 63,914 million yen higher than the balance as of the end of the previous fiscal year. This was primarily due to the 37,491 million yen increase in cash and deposits and the 20,926 million yen total increase in operating receivables.

In addition, non-current assets increased 31,198 million yen to 637,679 million yen.

b) Liabilities

While income taxes payable increased by 13,269 million yen and advances received increased by 3,921 million yen, total liabilities increased by 6,712 million yen due to a decrease in notes payable, electronically recorded obligations, and accounts payable by 12,745 million yen, reaching 502,318 million yen.

c) Net assets

Net assets stood at 820,925 million yen as of the end of the fiscal year under review, an increase of 88,400 million yen. This mainly reflected the profit attributable to owners of parent of 77,930 million yen, increases in foreign currency translation adjustments by 28,572 million yen, accumulated remeasurements of defined benefit plans by 13,514 million yen, and valuation difference on available-for-sale securities by 13,361 million yen, offset by decreases due to dividend payments of 27,845 million yen and the acquisition of treasury stock of 16,173 million yen.

(Business results)

a) Net sales and operating profit

Net sales during the fiscal year under review amounted to 1,256,538 million yen (up 14,016 million yen, or 1.1%, compared with the previous fiscal year).

Operating profit during the fiscal year under review amounted to 94,399 million yen (up 2,733 million yen, or 3.0%, 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

Regarding non-operating income, while foreign exchange gains increased by 1,762 million yen, share of profit of entities accounted for using equity method decreased by 1,410 million yen, and gains on the sale of non-current assets decreased by 954 million yen, resulting in a decrease of 181 million yen compared with the previous fiscal year. Regarding non-operating expenses, interest expenses increased by 231 million yen, resulting in an increase of 871 million yen compared with the previous fiscal year.

c) Extraordinary income and losses

Extraordinary income included 13,701 million yen in gain on sale of investment securities and 540 million yen in gains on the sale of shares of subsidiaries and associates.

Extraordinary losses included impairment losses of 4,128 million yen, loss on valuation of investment securities of 2,453 million yen, loss on sale and retirement of non-current assets of 1,773 million yen, and loss on valuation of shares of subsidiaries and associates of 330 million yen, totaling 8,684 million yen.

A breakdown of a loss on sale and 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 111,479 million yen, an increase of 11,984 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 77,930 million yen.

(ii) Analysis & review of cash flows as well as information pertaining to the sources of capital and fund liquidity
Analysis & review regarding cash flows of the Group during the fiscal year under review are included in “(ii) Cash Flows” in “(1) Overview of business results, etc.”

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

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

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

5. Material contracts, etc.

Agreements on licensing of marks

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

- | | |
|---------------------------------|---|
| (i) Parties to the contracts | Sekisui House, Ltd., Sekisui Kasei Co., Ltd., Sekisui Jushi Corporation, and others |
| (ii) Contents of the agreements | Licensing of the Company’s marks (including trademarks) |
| (iii) Compensation | A certain amount of money for each subsidiary, associate, etc. |

6. Research and development activities

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

Research and development expenses for the entire Group during the fiscal year under review amounted to 41,701 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 New Housing Construction 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 New Housing Construction sector, in addition to high insulation performance equivalent to ZEH+ standards and thermal insulation grade 6, we released the environmentally friendly housing package “MIRAI-Class+” (in March), which has resilience performance for disasters. We also focused on developing detached houses and condominiums that meet the needs of snowy, urban, and rural regions.

In the Housing Renovation sector, we expanded the product lineup and improved responsiveness centered on exterior walls, baths, and storage batteries. We also released “Attaka Heim TR (Thermal Renovation)” (in October), aiming for ZEH-level insulation performance for existing “Sekisui Heim” steel frame housing.

Research and development expenses for the business amounted to 3,414 million yen.

(2) Urban Infrastructure & Environmental Products business

In the Urban Infrastructure & Environmental business, our R&D efforts focus on growing into a technology group that continuously tackles social issues and contributes to the construction of sustainable social infrastructure through innovation. We are involved in planning and developing new products, market introduction, base technology development, and building intellectual property rights in the three strategic areas of Pipe Systems, Buildings and Infrastructures Composite Materials, Infrastructure Renovation, as well as innovation fields.

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

In the Buildings and Infrastructures Composite Materials field, new type A products contributing to the top line of sales included “Supercore V-MAX,” which uses siphon technology for efficient rainwater drainage in large buildings, and

“PUXFLAME-UNI” conforming to our self-regulations and a new formula product in the PUXFLAME series for non-combustible polyurethane. In the Infrastructure Renovation field, we launched SPR-TF to strengthen price competitiveness in the aging pipe renewal market. To increase overseas sales, we mainly targeted the U.S. market.

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

In one of the innovation fields, Water Utilization and Water Circulation, we aim to create and expand the water treatment business contributing to the global environment by introducing and evaluating MABR-type water treatment membranes (Membrane-Aerated Biofilm Reactor), which are low in power consumption and sludge generation and easy to maintain, to users and our water treatment facilities.

Research and development expenses for the business amounted to 7,605 million yen.

(3) High Performance Plastics business

The High Performance Plastics Company promotes the development of high-performance materials, new products of and materials for molding processing products, and production technologies.

Major achievements by the three strategic fields during the fiscal year under review were as follows.

In the Electronics field, we launched components including a processing material (Selfa®) and interlayer insulation films which are necessary for high-speed communication 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 heat dissipation materials 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, in the automotive interlayer film sector, we launched new products with high-performance sound and heat insulation suitable for the expanding EV market and the development of ADAS. In addition, we are working to develop new products such as components using foam molding technology that contribute to weight reduction of automobiles, and radio wave absorbers using thin-film technology that are used for millimeter wave radars for ADAS, and to cultivate the markets for them.

In the Industrial Business field, we developed and launched a sensor (product name ANSIEL®) with new features to detect and monitor states such as “wakefulness,” “shallow sleep,” and “deep sleep” to reduce the burden on caregivers in an aging society. This functionality is expected to reduce the number of nighttime visits to patients’ rooms, thereby reducing caregiver workload and ensuring restful sleep for patients. Other than these, in response to increased needs for antivirus products due to the recent COVID-19 pandemic, we are working to develop products that comply with the SIAA standards for the construction materials market (such as walls and floor materials).

Research and development expenses for the business amounted to 13,837 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 and hormone domain through high-sensitivity immunological measurement technology, and enter into the genetic testing market through a genetic system for infectious disease point-of-care testing (POCT).

In the Pharmaceutical Sciences business, we focus on acquiring pharmaceutical synthesis and drug discovery support technologies tailored to pharmaceutical modalities. Specifically, we are promoting the development of new proprietary pharmaceutical synthesis technologies and expanding in vitro toxicity assessment technologies.

Research and development expenses for the business amounted to 9,089 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 Environment and Energy field, we are leveraging our proprietary “encapsulation, film deposition, material, and process technologies” to use renewable energy, establishing a roll-to-roll manufacturing process (30 cm width) for film-type perovskite solar cells with 15% power generation efficiency and durability equivalent to 10 years. We are promoting joint demonstration experiments in various fields, including Tokyo (sewage systems), NTT Data (existing building walls), JERA, one of the world’s largest power generation companies (coastal facilities), and West Japan Railway Company (general shared facilities). Additionally, we have implemented the first installation on the exterior walls of existing buildings in Japan at our Osaka Head Office building and have started using the generated electricity. At the same time, utilizing the Green Innovation Fund of NEDO, we will establish a manufacturing process for film with a width of 1m and proceed with development to further improve durability and power generation efficiency, with the aim of commercialization in 2025.

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

A demonstrative operation of a commercial plant in one tenth the size constructed in Kuji, Iwate Prefecture, started for commercialization of bio-refinery technology (that creates ethanol using microorganisms from gas emitted from a waste), a carbon resource recycling system that is expected to contribute significantly to a sustainable society. Moreover, we have been engaging in the development of technology that separates, collects, and reuses 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.

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

Research and development expenses for the business amounted to 7,754 million yen.

III. Information About Facilities

1. Overview of capital expenditures

Capital expenditures in the fiscal year ended March 31, 2024 were 60,606 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, 2024

Business office name (Location)	Segment name	Facility type	Carrying amount (millions of yen)						Number of employees (persons)
			Buildings and structures	Machinery, equipment and vehicles	Land (1,000 square meters)	Leased assets	Other (Note 1)	Total	
Shiga-Minakuchi Plant (Koga City, Shiga) (Note 2)	Housing business High Performance Plastics business	Production facilities for exterior paneling for unit housing, high- performance resin, LCD microparticle products, and interlayer films	5,780	7,440	4,618 (355.0)	7	1,656	19,503	533
Shiga-Ritto Plant (Ritto City, Shiga) (Note 3)	Urban Infrastructure & Environmental Products business	Production facilities for polyvinyl chloride pipes, FFU, etc.	4,126	4,061	1,634 (178.5) [18.3]	75	1,784	11,681	378
Musashi Plant (Hasuda City, Saitama) (Note 4)	Urban Infrastructure & Environmental Products business High Performance Plastics business	Production facilities for fire protection materials, various tapes, foam polyolefins, and multilayer films	3,511	5,060	156 (109.1) [1.6]	22	741	9,492	523
Taga Plant (Taga-cho, Inukami- gun, Shiga)	High Performance Plastics business	Production facilities for various tapes, etc.	3,666	1,420	2,989 (95.6)	—	1,225	9,302	273
Gunma Plant (Isesaki City, Gunma)	Housing business Urban Infrastructure & Environmental Products business	Production facilities for exterior paneling for unit housing and polyvinyl chloride pipes	2,672	1,822	3,329 (230.2)	59	374	8,257	191
Research & Development Institute (Shimamoto-cho, Mishima-gun, Osaka)	High Performance Plastics business	Research facilities	3,194	360	2,309 (30.9)	—	952	6,817	375

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	
General Institute (Minami-ku, Kyoto City, Kyoto)	Urban Infrastructure & Environmental Products business	Research facilities	4,897	258	385 (17.6)	3	307	5,852	350
Advanced Technology Institute (Tsukuba City, Ibaraki)	Other businesses	Research facilities	1,647	1,297	1,734 (66.3)	–	759	5,439	165
General Institute (Ritto City, Shiga)	Urban Infrastructure & Environmental Products business	Research facilities	1,743	365	–	–	105	2,213	150

(2) Domestic subsidiaries

As of March 31, 2024

Company name	Business office name (Location)	Segment name	Facility type	Carrying amount (millions of yen)						Number of employees (persons)
				Buildings and structures	Machinery, equipment and vehicles	Land (1,000 square meters)	Leased assets	Other (Note 1)	Total	
SEKISUI BIO REFINERY CO., LTD.	Kuji Plant	Other businesses	Production facilities for bio refinery ethanol	350	141	–	2	10,847	11,341	32
SEKISUI MEDICAL CO., LTD.	Iwate Plant (Hachimantai City, Iwate)	Medical business	Facilities for production of and research on pharmaceutical ingredients and intermediates, and related matters	2,560	3,571	219 (461.1)	–	1,228	7,579	127
SEKISUI SEIKEI CO., LTD.	Kanto Plant (Itakura-machi, Ora-gun, Gunma)	High Performance Plastics business	Facilities for blow molding	3,122	2,120	655 (33.0)	40	86	6,025	54
SEKISUI HEIM INDUSTRY CO., LTD.	Chubu Plant (Toyohashi City, Aichi)	Housing business	Production facilities for unit housing	1,448	831	3,178 (89.4)	–	135	5,594	266
SEKISUI MEDICAL CO., LTD.	Tsukuba Plant (Ryugasaki City, Ibaraki)	Medical business	Facilities for production of and research on diagnostic agents	1,043	458	2,047 (75.3)	–	594	4,143	261
KYUSHU SEKISUI HEIM INDUSTRY CO., LTD.	Main Plant (Tosu City, Saga)	Housing business	Production facilities for unit housing	2,899	735	56 (1.3)	54	13	3,759	179
SEKISUI HEIM INDUSTRY CO., LTD.	Tokyo Plant (Hasuda City, Saitama)	Housing business	Production facilities for unit housing	1,422	1,766	188 (5.4)	62	167	3,607	491
YAMANASHI SEKISUI CO., LTD.	Main Plant (Kofu City, Yamanashi)	Urban Infrastructure & Environmental Products business	Production facilities for polyvinyl chloride fittings	1,403	998	216 (35.2)	162	562	3,343	171
TOKUYAMA SEKISUI CO., LTD.	Main Plant (Shunan City, Yamaguchi)	Urban Infrastructure & Environmental Products business	Production facilities for polyvinyl chloride resins	745	1,079	252 (59.0)	–	933	3,011	110
TOTO SEKISUI CO., LTD.	Main Plant (Ota City, Gunma)	Urban Infrastructure & Environmental Products business	Production facilities for building material products	1,087	1,002	591 (24.8)	27	276	2,985	173
SEKISUI MEDICAL CO., LTD.	Tokuyama Plant (Shunan City, Yamaguchi)	Medical business	Production facilities for medical equipment	1,798	832	–	–	174	2,805	58
CHIBA SEKISUI INDUSTRY CO., LTD.	Head Office and Plant (Ichihara City, Chiba)	Urban Infrastructure & Environmental Products business	Facilities for extrusion molding	1,075	675	210 (63.7)	16	286	2,264	93

(3) Foreign subsidiaries

As of March 31, 2024

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	5,286	10,589	–	510	151	16,538	62
SEKISUI ALVEO B.V.	Main Plant (Roermond City, Netherlands)	High Performance Plastics business	Production facilities for foam products	3,486	5,919	334 (115.0)	261	1,503	11,505	270
SEKISUI S-LEC B.V.	Main Plant (Roermond City, Netherlands)	High Performance Plastics business	Production facilities for interlayer film products	3,112	7,197	272 (16.9)	–	523	11,105	213
YOUNGBO CHEMICAL CO., LTD.	Cheongwon Plant (Cheongju City, Chungcheongbuk, South Korea)	High Performance Plastics business	Production facilities for foam products	2,702	1,478	3,437 (211.5)	6	220	7,844	238
SEKISUI SPECIALTY CHEMICALS AMERICA, LLC.	Calvert City Plant (Kentucky, United States)	High Performance Plastics business	Production facilities for polyvinyl alcohol resins	231	6,680	83 (143.6)	2	252	7,251	71
SEKISUI ESLON B.V.	Main Plant (Roermond City, Netherlands)	Urban Infrastructure & Environmental Products business	Production facilities for building and advanced material products	2,507	3,235	61 (22.0)	–	650	6,455	53
SEKISUI VOLTEK, LLC.	Coldwater Plant (Michigan, United States)	High Performance Plastics business	Production facilities for foam products	1,162	3,303	33 (136.6)	–	1,833	6,333	170
SEKISUI S-LEC MEXICO S.A.DE C.V.	Main Plant (Morelos, Mexico)	High Performance Plastics business	Production facilities for interlayer film products	2,093	3,232	184 (17.5)	2	152	5,666	131
SEKISUI SPECIALTY CHEMICALS AMERICA, LLC.	Pasadena Plant (Texas, United States)	High Performance Plastics business	Production facilities for polyvinyl alcohol resins	192	4,389	506 (125.8)	27	300	5,416	58
SEKISUI DIAGNOSTICS (UK) LIMITED	Main Plant (Kent, United Kingdom)	Medical business	Production facilities for pharmaceuticals	339	1,170	143 (9.9)	–	3,033	4,687	53
SEKISUI KYDEX, LLC.	The Third Plant (Pennsylvania, United States)	High Performance Plastics business	Production facilities for decorative sheet products	2,064	1,504	45 (230.0)	–	381	3,996	33
SEKISUI YOUNGBO HPP (WUXI) CO., LTD.	Main Plant (Wuxi City, Jiangsu, China)	High Performance Plastics business	Production facilities for foam products	1,085	1,574	–	7	161	2,829	65
SEKISUI SPECIALTY CHEMICALS EUROPE, S.L.	Main Plant (Catalonia, Spain)	High Performance Plastics business	Production facilities for polyvinyl alcohol resins	–	1,616	415 (8.4)	234	329	2,596	66

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- SCG INDUSTRY CO., LTD.	Main Plant (Saraburi, Thailand)	Housing business	Production facilities for unit housing	1,420	160	849 (150.4)	37	7	2,475	87
SEKISUI DIAGNOSTICS P.E.I. INC.	Main Plant (Prince Edward Island, Canada)	Medical business	Production facilities for pharmaceuticals	143	776	–	1,376	73	2,369	197
SEKISUI POLYMATECH (SHANGHAI) CO., LTD.	Shanghai Plant (Shanghai City, China)	High Performance Plastics business	Facilities for resin molding, coating, etc.	1,000	1,007	–	–	268	2,277	480
SEKISUI DLJM MOLDING PRIVATE LIMITED	Chennai Plant (Chennai City, India)	High Performance Plastics business	Facilities for injection molding	1,098	777	217 (36.8)	16	104	2,214	308
SEKISUI S-LEC (SUZHOU) CO., LTD.	Main Plant (Suzhou City, Jiangsu, China)	High Performance Plastics business	Production facilities for interlayer film products	246	1,827	–	30	79	2,185	131
SEKISUI AEROSPACE CORPORATION	Main Plant (Washington, United States)	High Performance Plastics business	Manufacturing facilities for composite material mold products for aircraft and drones	133	336	–	79	1,590	2,139	155
S AND L SPECIALTY POLYMERS CO., LTD.	Main Plant (Rayong, Thailand)	Urban Infrastructure & Environmental Products business	Production facilities for chlorinated polyvinyl chloride resins	673	843	399 (25.6)	–	98	2,015	55

- (Notes)
1. “Other” in the carrying amount is the total of construction in progress and tools, furniture, and fixtures.
 2. The land area includes land of 2,311 million yen (45,100 square meters), which is leased out to companies other than consolidated companies.
 3. The land and buildings are partially leased. The annual rent expenses are 36 million yen. The leased land area is put in brackets and shown separately.
 4. The land and buildings are partially leased. The annual rent expenses are 357 million yen. The leased land area is put in brackets and shown separately.

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

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

Company name	Business office name (Location)	Segment name	Facility type	Planned investment amount		Method of financing	Scheduled date of commencement and completion	
				Total amount (millions of yen)	Amount paid (millions of yen)		Commencement	Completion
SEKISUI BIO REFINERY CO., LTD.	Kuji Plant (Kuji City, Iwate)	Other businesses	Production facilities for bio refinery ethanol	13,070	11,497	Funds on hand and borrowings	March 2020	September 2024
SEKISUI ESLON B.V.	Main Plant (Roermond City, Netherlands)	Urban Infrastructure & Environmental Products business	Production facilities for advanced material products	4,650	4,312	Funds on hand and borrowings	October 2020	June 2024
SEKISUI VOLTEK, LLC.	Main Plant (Michigan, United States)	High Performance Plastics business	Production facilities for foam products	3,965	674	Funds on hand and borrowings	September 2022	March 2025
SEKISUI CHEMICAL CO., LTD.	Musashi Plant (Hasuda City, Saitama)	High Performance Plastics business	Production facilities for semiconductor products	3,158	0	Funds on hand and borrowings	February 2024	September 2029
SEKISUI POLYMATECH AMERICA, LLC.	Main Plant (Kentucky, United States)	High Performance Plastics business	Heat dissipation materials production equipment	2,271	1,471	Funds on hand and borrowings	November 2022	October 2024
SEKISUI DIAGNOSTICS (UK) LIMITED	Main Plant (Kent, United Kingdom)	Medical business	Production facilities for pharmaceuticals	2,241	2,061	Funds on hand and borrowings	July 2020	March 2025

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, 2024)	Number of issued shares as of filing date (shares) (June 20, 2024)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Description
Common shares	448,507,285	444,507,285	Tokyo Stock Exchange Prime Market	Number of shares constituting one unit 100
Total	448,507,285	444,507,285	—	—

(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 27, 2019	(8,000)	484,507	—	100,002	—	109,234
May 25, 2020	(8,000)	476,507	—	100,002	—	109,234
May 25, 2021	(5,000)	471,507	—	100,002	—	109,234
May 25, 2022	(8,000)	463,507	—	100,002	—	109,234
November 25, 2022	(7,000)	456,507	—	100,002	—	109,234
May 25, 2023	(4,000)	452,507	—	100,002	—	109,234
November 24, 2023	(4,000)	448,507	—	100,002	—	109,234

- (Notes)
1. A decrease was recorded as the Company used profit for cancellation of treasury shares
 2. The total number of issued shares decreased by 4,000,000 as we canceled treasury shares on May 24, 2024 after the end of the fiscal year under review.

(5) Shareholding by shareholder category

As of March 31, 2024

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)	—	87	50	518	712	63	54,228	55,658	—
Number of shares held (units)	—	1,518,206	154,919	333,275	1,651,792	442	823,920	4,482,554	251,885
Proportion of the number of shares held (%)	—	33.87	3.46	7.43	36.85	0.01	18.38	100.00	—

(Note) With regard to 25,969,220 treasury shares (excluding those held by the BIP trust for remuneration for directors (and other officers) and by the ESOP trust for share granting), 259,692 units are included in “Individual and other.”

(6) Major shareholders

As of March 31, 2024

Name	Address	Number of shares held (thousands of shares)	Shareholding ratio (excluding treasury shares) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	1-8-1, Akasaka, Minato-ku, Tokyo	61,578	14.57
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo	21,555	5.10
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)	12,793	3.02
Employees Stock Ownership Plan	2-4-4 Nishitemma, Kita-ku, Osaka	11,599	2.74
Asahi Kasei Corp.	1-1-2, Yuraku-cho, Chiyoda-ku, Tokyo	9,744	2.30
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	1776 Heritage Drive, North Quincy, MA 02171, U.S.A. (2-15-1, Konan, Minato-ku, Tokyo)	9,034	2.13
Sekisui House, Ltd.	1-1-88, Oyodonaka, Kita-ku, Osaka	7,998	1.89
The Bank of New York Mellon 140042 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	240 Greenwich Street, New York, NY 10286, U.S.A. (2-15-1, Konan, Minato-ku, Tokyo)	7,475	1.76
National Mutual Insurance Federation of Agricultural Cooperatives (Standing proxy: The Master Trust Bank of Japan, Ltd.)	2-7-9, Hirakawa-cho, Chiyoda-ku, Tokyo (1-8-1, Akasaka, Minato-ku, Tokyo)	7,302	1.72
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1-6-4, Otemachi, Chiyoda-ku, Tokyo	5,805	1.37
Total	—	154,887	36.65

(Note) 1. According to the statements of large-volume holdings disclosed on May 19, 2023, Sumitomo Mitsui Trust Bank, Limited holds shares in the Company's stock as of May 15, 2023 as follows. However, we do not include Sumitomo Mitsui Trust Bank, Limited in the major shareholders listed above as we could not confirm the actual number of shares held by Sumitomo Mitsui Trust Bank, Limited as of March 31, 2024. Details of the statements of large-volume holdings are as follows:

Name	Address	Number of shares held (thousands of shares)	Shareholding ratio (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1-1-1 Shibakoen, Minato-ku, Tokyo	14,023	3.07
Nikko Asset Management Co., Ltd.	9-7-1, Akasaka, Minato-ku, Tokyo	8,906	1.95

2. According to the statements of large-volume holdings disclosed on September 8, 2023, Mondrian Investment Partners Limited holds shares in the Company's stock as of September 5, 2023 as follows. However, we do not include Mondrian Investment Partners Limited in the major shareholders listed above as we have not confirmed the actual number of shares held by Mondrian Investment Partners Limited as of March 31, 2024. Details of the statements of large-volume holdings are as follows:

Name	Address	Number of shares held (thousands of shares)	Shareholding ratio (%)
Mondrian Investment Partners Limited	Sixty London Wall, Floor 10, London, EC2M 5TQ, UK	18,130	4.01

3. According to the statements of large-volume holdings disclosed on March 22, 2024, BlackRock Japan Co., Ltd. holds shares in the Company's stock as of March 15, 2024 as follows. However, we do not include BlackRock Japan Co., Ltd. in the major shareholders listed above as we could not confirm the actual number of shares held by BlackRock Japan Co., Ltd. as of March 31, 2024. Details of the statements of large-volume holdings are as follows:

Name	Address	Number of shares held (thousands of shares)	Shareholding ratio (%)
BlackRock Japan Co., Ltd.	1-8-3, Marunouchi, Chiyoda-ku, Tokyo	9,329	2.08
Blackrock Financial Management Inc.	251 Little Falls Dr., Wilmington, DE 19808, U.S.A.	1,043	0.23
BlackRock (Netherlands) B.V.	Amstelplein 1, Amsterdam HA1096 Netherlands	2,003	0.45
BlackRock Fund Managers Limited	12 Throgmorton Avenue. London, EC2N 2DL, UK	2,266	0.51
BlackRock Asset Management Canada Limited	161 Bay Street, Suite 2500, Toronto, Ontario M5J 2S1, Canada	627	0.14
BlackRock Asset Management Ireland Limited	1st Floor, 2 Ballsbridge Park, Ballsbridge, Dublin, D04 YW83, Ireland	2,601	0.58
BlackRock Fund Advisors	400 Howard Street San Francisco, CA 94105, U.S.A.	8,865	1.98
BlackRock Institutional Trust Company, N. A.	400 Howard Street San Francisco, CA 94105, U.S.A.	5,846	1.30
BlackRock Investment Management (UK) Limited	12 Throgmorton Avenue. London, EC2N 2DL, UK	453	0.10

(7) Voting rights

(i) Issued shares

As of March 31, 2024

Category	Number of shares (shares)	Number of voting rights (rights)	Description
Shares without voting rights	—	—	—
Shares with restricted voting rights (treasury shares, etc.)	—	—	—
Shares with restricted voting rights (other)	—	—	—
Shares with full voting rights (treasury shares, etc.)	Common shares 25,981,000	—	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 422,274,400	4,222,744	Ditto
Shares less than one unit	Common shares 251,885	—	—
Total number of issued shares	448,507,285	—	—
Voting rights held by all shareholders	—	4,222,744	—

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

BIP trust for remuneration for directors (and other officers): 784,000 shares (7,840 rights)

ESOP trust for share granting: 148,300 shares (1,483 rights)

(ii) Treasury shares, etc.

As of March 31, 2024

Name of shareholder	Address of shareholder	Number of shares held in own name	Number of shares held in others' names	Total number of shares held	Shareholding ratio (%)
(Shares held by the Company)					
Sekisui Chemical Co., Ltd.	2-4-4 Nishitemma, Kita-ku, Osaka	25,969,200	—	25,969,200	5.79
(Reciprocal holding)					
Sekisui Heim Higashishikoku Co., Ltd.	4-1-16, Kazurashima, Kochi, Kochi	11,800	—	11,800	0.00
Total	—	25,981,000	—	25,981,000	5.79

(Note) The number of shares is included in the number of shares with full voting rights (treasury shares, etc.) in the “(i) Issued shares” section above.

Sekisui Chemical shares held by the BIP trust for remuneration for directors (and other officers) and the ESOP trust for share granting are not included in the treasury shares mentioned above.

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

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

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

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

1. Outline of share granting plan

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

2. Description of trust contract

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

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

148,300 shares (The number of shares and book value in the trust is 148,300 shares and 270 million yen as of the end of the fiscal year under review.)

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

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

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

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

1. Outline of share remuneration plan

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

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

2. Description of trust contract

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

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

784,000 shares (The number of shares and book value in the trust is 784,000 shares and 1,332 million yen as of the end of the fiscal year under review.)

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

Persons satisfying beneficiary requirements among those who served as Director (or other officer) during the plan period and has since retired

2. Acquisition and disposal of treasury shares

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

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

(2) Acquisition by resolution of board of directors meeting

Category	Number of shares (shares)	Total amount (yen)
Resolution at a Board of Directors meeting (April 28, 2023) (Acquisition period: From May 1, 2023 to March 29, 2024)	4,000,000	8,000,000,000
Treasury shares acquired prior to the fiscal year under review	—	—
Treasury shares acquired in the fiscal year under review	4,000,000	7,832,000,000
Total number and total amount of shares remaining to be purchased by resolution	—	168,000,000
Non-exercise ratio on the last day of the fiscal year under review (%)	—	2.1
Treasury shares acquired in the period	—	—
Non-exercise ratio on the day of filing (%)	—	2.1

Category	Number of shares (shares)	Total amount (yen)
Resolution at a Board of Directors meeting (October 30, 2023) (Acquisition period: From November 1, 2023 to March 29, 2024)	4,000,000	8,800,000,000
Treasury shares acquired prior to the fiscal year under review	—	—
Treasury shares acquired in the fiscal year under review	4,000,000	8,338,000,000
Total number and total amount of shares remaining to be purchased by resolution	—	462,000,000
Non-exercise ratio on the last day of the fiscal year under review (%)	—	5.2
Treasury shares acquired in the period	—	—
Non-exercise ratio on the day of filing (%)	—	5.2

Category	Number of shares (shares)	Total amount (yen)
Resolution at a Board of Directors meeting (April 26, 2024) (Acquisition period: From April 30, 2024 to March 31, 2025)	4,000,000	9,200,000,000
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	3,999,800	8,917,554,100
Non-exercise ratio on the day of filing (%)	0.0	3.0

(Note) The number of treasury shares acquired in the period does not include the number of treasury shares acquired from June 1, 2024 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	1,446	3,021,085
Treasury shares acquired in the period	633	1,414,057

(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, 2024 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	8,000,000	13,935,120,000	4,000,000	6,895,400,000
Treasury shares acquired that were merged, swapped, or granted, or were transferred due to a company split	—	—	—	—
Other (Sale due to demand for increase of purchase of shares less than one unit)	196	350,396	60	108,596
Number of treasury shares held by the Company	25,969,220	—	25,969,593	—

(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, 2024 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, 2024 to the day of filing this Annual Securities Report.
3. The number of treasury shares held during the fiscal year under review and the period does not include the number of those held by the BIP trust for remuneration for directors (and other officers) and by the ESOP trust for share granting.

3. Dividend policy

One of the Company's primary policies in its management is to increase its corporate value, with an emphasis on proactively returning the Company's profits to the shareholders. In connection with returning the Company's profits to the shareholders, the Company's basic policy on dividends of surplus for fiscal 2023 is to maintain a consolidated dividend payout ratio of 40% or higher, a DOE (Dividend on Equity) of at least 3%, and a total return ratio of at least 50% (when the D/E ratio is 0.5 or less), implementing a stable dividend policy depending upon its business results.

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

The 102nd Annual General Meeting of Shareholders held on June 20, 2024 resolved to pay a year-end common dividend of 39 yen per share for the fiscal year under review. This means the annual dividend for the fiscal year under review will be 74 yen per share, including the interim dividend of 35 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 30, 2023 Resolution of a Board of Directors meeting	14,928	35
June 20, 2024 Resolution of an Annual General Meeting of Shareholders	16,478	39

4. Corporate governance

(1) Overview of corporate governance

<Basic Policy for Corporate Governance>

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

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

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

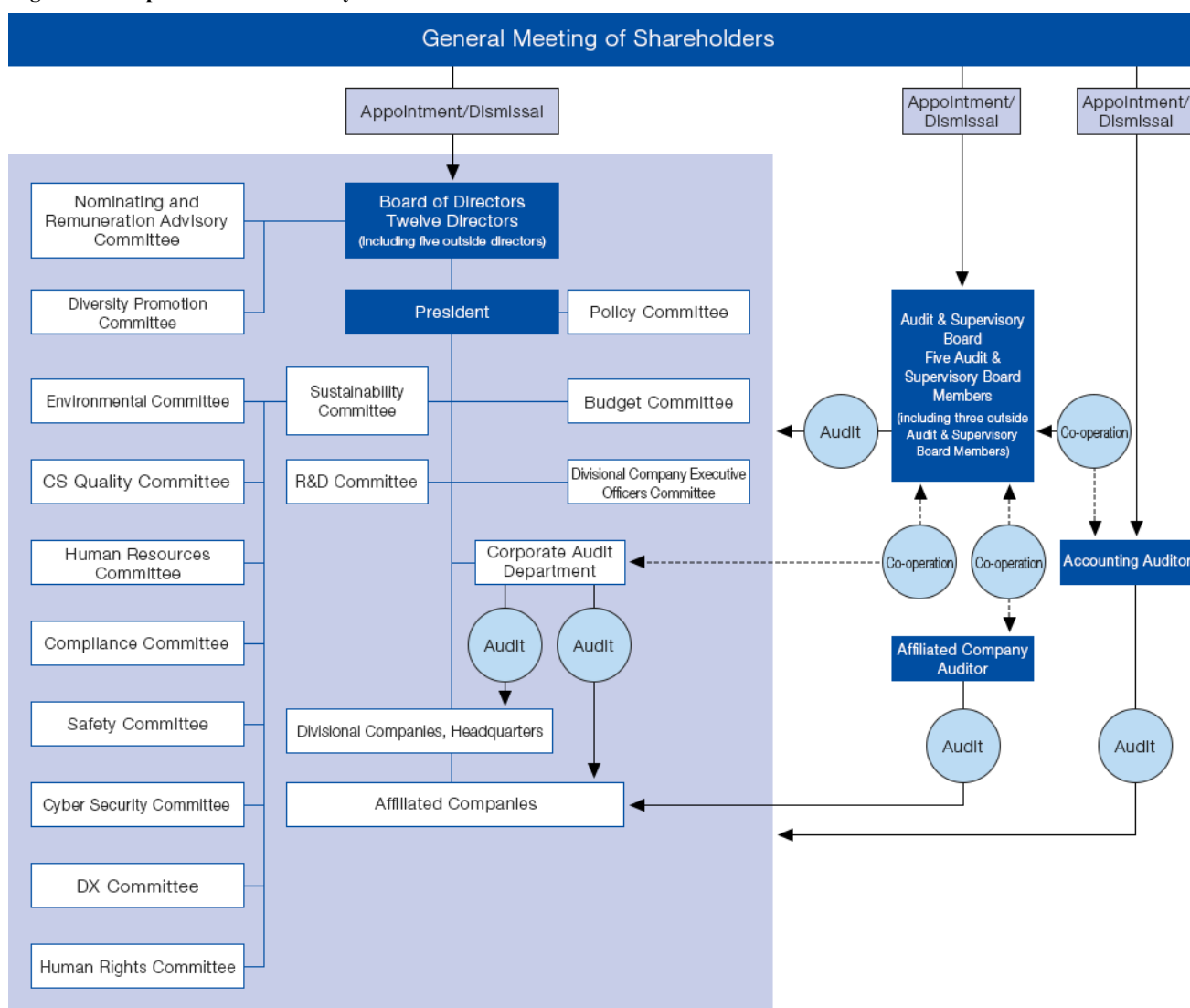
Corporate governance system

(i) Overview of corporate governance system

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

(As of June 20, 2024)

Diagram of Corporate Governance System



Board of Directors

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

The Articles of Incorporation stipulate that; i) the number of Directors shall be at least three and up to 15 persons; ii) to resolve a proposal for election of Directors requires it to be done at a general meeting of shareholders attended by shareholders holding

at least one-third of the voting rights of shareholders entitled to exercise voting rights and by a majority of the voting rights of the attending shareholders; iii) no cumulative voting shall be used for such resolution

The major issues for deliberation at the Board of Directors held in fiscal 2023 include growth strategies (such as for R&D, large new businesses, and large-scale capital investment), and foundation strategies (such as for sustainability, digital innovation, safety, compliance, and CS quality).

The Company held 17 meetings of the Board of Directors during fiscal 2023. Attendance by individual Directors is as follows:

Name	Number of meetings held	Number of meetings attended
Teiji Koge	17	17
Keita Kato	17	17
Futoshi Kamiwaki	17	17
Yoshiyuki Hirai	17	17
Toshiyuki Kamiyoshi	17	16
Ikusuke Shimizu	17	17
Kazuya Murakami	17	17
Yutaka Kase	4	4
Hiroshi Oeda	17	17
Haruko Nozaki	17	16
Miharu Koezuka	17	17
Machiko Miyai	17	17
Yoshihiko Hatanaka	13	13

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: Hiroshi Oeda

Committee members: Haruko Nozaki, Miharu Koezuka, Machiko Miyai, Yoshihiko Hatanaka, Teiji Koge, Keita Kato

As noted above, the number of meetings of the Nomination and Remuneration Advisory Committee is six in fiscal 2023, all of these were attended by all the Committee members.

Diversity Promotion Committee

The Diversity Promotion Committee has been established for the purpose of strengthening the supervisory function and objectivity of the Board of Directors regarding the basic policy and target values concerning the securing of diversity of human resources in management, the execution of various measures, and the disclosure of these inside and outside of the Company, and also supervising and advising on management execution.

The major issues for deliberation at the Diversity Promotion Committee include: (1) formulation of basic policy and target values concerning empowerment of diverse human resources; (2) human development policy and accompanying environmental consideration policy; (3) setting various major indicators and methods to use them; (4) issues related to the disclosure of these inside and outside the Company; and (5) monitoring the execution status.

The Committee consists of nine members, the majority of whom must be Independent Outside Officers and the chairperson of which must be elected from among the Independent Outside Officers.

Chairperson: Haruko Nozaki

Committee members: Hiroshi Oeda, Miharu Koezuka, Machiko Miyai, Yoshihiko Hatanaka, Teiji Koge, and Keita Kato,

Futoshi Kamiwaki, and Kazuya Murakami

As noted above, the number of meetings of the Diversity Promotion Committee is three in fiscal 2023, all of these were attended by all the Committee members.

Audit System

We have the Audit & Supervisory Board in place, and regard it as a body with a function to monitor the Board of Directors and our business execution system. In addition, we secure a broad perspective as well as impartiality by using Outside Audit & Supervisory Board Members.

The Company has in place the Corporate Audit Department as a unit directly reporting the President and Representative, and the department conducts internal audits on group-wide operations.

The Company entered into a limited liability agreement with all the Directors (excluding executive directors, etc.) and Audit & Supervisory Board Members. Its outline is as follows.

If any of the Directors (excluding executive directors, etc.) or Audit & Supervisory Board Members has caused damage to the Company by failing to perform his/her tasks and if he/she has acted in good faith when conducting his/her duties and has not committed serious negligence, he/she shall be held liable for an amount not more than the minimum liability as set forth in Article 425, Paragraph 1 of the Companies Act.

(ii) Reason for having adopted the corporate governance system

The Company has been continuing to reinforce its Board of Directors, business execution function, and audit system as described above in the belief that it is important to enhance the transparency and fairness of its business management and seek to make decisions swiftly in order to keep improving its corporate value amid marked changes in the operating environment for the organization. We think the Company boosts its function to monitor its business management and remains objective and impartial under the corporate governance system.

(iii) Other matters on corporate governance

- Status of development of internal control system

At a Board of Directors meeting, the Company resolved as follows on the “System to Secure Conformity of Execution of Duties by Directors to Laws and the Articles of Incorporation and Secure Appropriateness of Other Operations.” Under this resolution, we work to operate our internal control system appropriately. Its outline is as follows:

The Board of Directors deliberates and makes resolutions on the Fundamental Compliance Policies. The Compliance Subcommittee, having been established as a specialized sub-committee to the Sustainability Committee chaired by the President to rigorously secure compliance with laws and regulations at the Company and Group companies, plans, considers, and decides important matters for compliance.

We established the SEKISUI CHEMICAL Group Compliance Manual, which presents guidelines under which the Directors, Executive Officers, and employees of the Company and Group companies are supposed to act in accordance with laws, the Articles of Incorporation, and corporate ethics. In addition, we provide training on various laws and regulations as well as corporate ethics. In addition to building an internal system to avoid damage from antisocial forces, the Company stresses avoiding having any relationship with any antisocial force and acting sternly when receiving any unfair demand from one.

We have in place an internal whistleblowing platform comprising: i) an internal whistleblowing contact point; ii) a whistleblowing contact point independent from the Company at an external lawyer’s office; and iii) internal whistleblowing contact points dedicated to employees of overseas subsidiaries in the United States, China, ASEAN, Europe, South Korea, Taiwan, and Australia. 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 started in fiscal year 2011, focusing on the divisions under the Company, and has been expanding its framework annually. In fiscal year 2023, the organization, including related domestic and international subsidiaries, covered 99% of consolidated sales and continues to operate the PDCA cycle in line with ISO 31000, an international standard for risk management. From the current mid-term business plan, the company-wide risk review committee, comprised of the officers in charge of each specialized field, conducts a centralized evaluation to identify company-wide critical risks. These critical risks are integrated into the risk management activities of each operating organization to implement company-wide ERM.

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

Since fiscal 2021, as a Company-wide initiative, the Group has been revising and developing documents for an emergency response plan (ERP) that places the protection of human life as the highest priority at all organizations. In fiscal 2023, we revised the ERP based on the self-training results of individual divisions, and 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.

While accurately understanding future potential risks in increasingly complex corporate activities is difficult, improving employees’ “risk sensitivity” is essential for handling such risks. We continuously raise awareness through training for risk managers who promote activities in each organization and share a code of conduct with all employees to prepare for emergencies.

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

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

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

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

- Outline of directors’ and officers’ liability insurance contract

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

In order to prevent the duties expected to be performed by Directors, etc. from being compromised, the contract sets

deductibles, exclusions, and reduced coverage rate.

- Basic Policy on Control of Stock Company

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

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

(2) Directors (and other officers)

List of officers

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

Job title	Name	Date of birth	Career summary	Term of office	Number of shares owned (Thousands of shares)
Chairman of the Board	Teiji Koge	Date of birth: November 14, 1953	<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 Chairman of the Board and Representative Director of the Company</p> <p>June 2022 Chairman of the Board of the Company (incumbent)</p> <p>Mar. 2023 Outside Director of EBARA CORPORATION (incumbent)</p>	(Note 3)	135

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)	96

Job title	Name	Date of birth	Career summary	Term of office	Number of shares owned (Thousands of shares)
Representative Director; Senior Managing Executive Officer; Responsible for ESG Management Department and New Business Development Department; Head of Business Strategy Department	Futoshi Kamiwaki	Date of birth: August 10, 1960	<p>Apr. 1983 Joined the Company</p> <p>Apr. 2011 Executive Officer of the Company; Head of Planning & Control Department of Housing Company</p> <p>Oct. 2012 Executive Officer of the Company; Responsible for Public Relations & External Relations Department; Head of Planning & Control Department of Housing Company</p> <p>Jan. 2013 Executive Officer of the Company; Head of Housing Product Research & Development Department of Housing Company</p> <p>Jan. 2014 Executive Officer of the Company; Head of Product Research & Development Department of Housing Company</p> <p>Apr. 2017 Managing Executive Officer of the Company; Head of Product Research & Development Department of Housing Company</p> <p>Mar. 2018 Managing Executive Officer of the Company; Head of Housing Renovation Sales Management Division; Head of Administrative Management & Control Department of Housing Company</p> <p>Mar. 2019 Managing Executive Officer of the Company; Head of Administrative Management & Control Department of Housing Company</p> <p>Jan. 2020 Managing Executive Officer of the Company; Head of New Business Development Department</p> <p>Mar. 2020 Managing Executive Officer of the Company; Responsible for ESG Management Department and New Business Development Department Head of Business Strategy Department</p> <p>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</p> <p>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</p>	(Note 3)	84

Job title	Name	Date of birth	Career summary	Term of office	Number of shares owned (Thousands of shares)
			<p>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</p> <p>Apr. 2024 Representative Director of the Company; Senior Managing Executive Officer of the Company; Responsible for ESG Management Department and New Business Development Department; Head of Business Strategy Department (incumbent)</p>		
Director of the Company; Senior Managing Executive Officer of the Company; President of Urban Infrastructure & Environmental Products Company	Yoshiyuki Hirai	Date of birth: February 4, 1963	<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)	53

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)	61

Job title	Name	Date of birth	Career summary	Term of office	Number of shares owned (Thousands of shares)
Director of the Company; Managing Executive Officer of the Company; President of Housing Company	Masahide Yoshida	Date of birth: July 9, 1966	<p>Apr. 1989 Joined the Company</p> <p>Apr. 2017 Executive Officer of the Company; President of Sekisui Heim Chubu Co., Ltd.</p> <p>Jan. 2020 Executive Officer of the Company; Head of Housing Sales Management Division of Housing Company; President of Tokyo Sekisui Heim Co., Ltd.</p> <p>Apr. 2020 Executive Officer of the Company; Head of the Housing Business Division of Housing Company; President of Tokyo Sekisui Heim Co., Ltd.</p> <p>Apr. 2022 Managing Executive Officer of the Company; Head of the Housing Business Division of Housing Company; President of Tokyo Sekisui Heim Co., Ltd.</p> <p>Apr. 2023 Managing Executive Officer of the Company; Head of East Japan Sales Management Division of Housing Company; President of Tokyo Sekisui Heim Co., Ltd.</p> <p>Jan. 2024 Managing Executive Officer of the Company; President of Housing Company; Head of East Japan Sales Management Division of Housing Company; President of Tokyo Sekisui Heim Co., Ltd.</p> <p>Mar. 2024 Managing Executive Officer of the Company; President of Housing Company; Head of East Japan Sales Management Division of Housing Company</p> <p>Apr. 2024 Managing Executive Officer of the Company; President of Housing Company</p> <p>June 2024 Director of the Company; Managing Executive Officer of the Company; President of Housing Company (incumbent)</p>	(Note 3)	21
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)	15

Job title	Name	Date of birth	Career summary	Term of office	Number of shares owned (Thousands of shares)
Director	Hiroshi Oeda	Date of birth: March 12, 1957	<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)</p> <p>President of Seifun Kaikan Inc. (resigned in 2022)</p> <p>Mar. 2018 Outside Director of EBARA CORPORATION</p> <p>June 2018 Director of the Company (incumbent)</p> <p>June 2019 President of Hitotsubashi University supporters' association (incumbent)</p> <p>Mar. 2022 Outside Director, Chairman of the Board of Directors of EBARA CORPORATION (incumbent)</p> <p>June 2023 Outside Director of Japan Post Holdings Co., Ltd. (incumbent)</p>	(Note 3)	7
Director	Haruko Nozaki	Date of birth: June 19, 1955	<p>Apr. 1978 Joined Horiba Community Corporation</p> <p>Mar. 1980 Reassigned to 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 2022)</p> <p>July 2015 Chairman of Horiba, Ltd. Health Insurance Association (resigned in 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 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 Director of Takashimaya Company, Limited</p> <p>Sept. 2013 Senior Managing Director (Representative Director), General Manager of Planning Headquarters (General Manager of Reform Promotion Headquarters), in charge of General Affairs Headquarters, CSR Promotion Office, IT Promotion Office, Nihombashi Redevelopment Planning Office of Takashimaya Company, Limited</p> <p>Director of Okayama Takashimaya Co., Ltd. (resigned in 2021)</p> <p>Mar. 2014 Senior Managing 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>Outside Director of Nippon Paint Holdings Co., Ltd. (resigned in 2023)</p> <p>June 2022 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. (Panasonic Corporation from 2008; 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 Executive Officer, 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.</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> <p>Apr. 2024 Director of Morinaga & Co., Ltd. (scheduled to resign in June 2024)</p>	(Note 3)	—

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

Job title	Name	Date of birth	Career summary		Term of office	Number of shares owned (Thousands of shares)
Fulltime Audit & Supervisory Board Member	Hiroyuki Taketomo	Date of birth: July 8, 1961	Apr. 1985 Apr. 2015 Apr. 2016 June 2016 Apr. 2017 Oct. 2020 Apr. 2021 June 2021	Joined the Company Executive Officer of the Company; Head of Human Resources Department Executive Officer of the Company; Responsible for Legal Department; Head of Human Resources Department Director of the Company; Executive Officer of the Company; Responsible for Legal Department; Head of Human Resources Department Director of the Company; Managing Executive Officer of the Company; Responsible for Legal Department; Head of Human Resources Department Director of the Company; Managing Executive Officer of the Company; Head of Legal Department Director of the Company; Responsible for CEO's Special Mission Fulltime Audit & Supervisory Board Member of the Company (incumbent)	(Note 4)	29
Fulltime Audit & Supervisory Board Member	Tomoyasu Izugami	Date of birth: November 18, 1962	Apr. 1987 Apr. 2016 Apr. 2020 Apr. 2021 Mar. 2023 June 2023	Joined the Company Head of Device Materials Business Division of High Performance Plastics Company; President and Representative Director of Sekisui Nano Coat Technology Co., Ltd. Head of Purchasing Division of High Performance Plastics Company Head of Digital Transformation Division of High Performance Plastics Company Assistant to the President of High Performance Plastics Company Fulltime Audit & Supervisory Board Member of the Company (incumbent)	(Note 5)	15
Audit & Supervisory Board Member	Yoshikazu Minomo	Date of birth: December 13, 1969	Apr. 1996 Jan. 2004 June 2022	Registered as an attorney at law Joined MIYAKE IMAI IKEDA LAW OFFICE Partner of MIYAKE IMAI IKEDA LAW OFFICE (incumbent) Audit & Supervisory Board Member of the Company (incumbent)	(Note 6)	—
Audit & Supervisory Board Member	Wakyu Shinmen	Date of birth: January 14, 1957	Oct. 1982 Mar. 1983 Aug. 1997 Oct. 2013 Sept. 2022 June 2023	Joined Tohmatsu Awoki & Co. (currently Deloitte Touche Tohmatsu LLC) Registered as CPA Became a member (currently partner) of Deloitte Touche Tohmatsu LLC Head of Kansai Business Department, Auditing Division of Deloitte Touche Tohmatsu LLC (resigned in 2021) Established Shinmen Certified Public Accountant Office (incumbent) Audit & Supervisory Board Member of the Company (incumbent) Outside Corporate Auditor of TOYOBO Co., Ltd. (incumbent)	(Note 5)	—

Job title	Name	Date of birth	Career summary	Term of office	Number of shares owned (Thousands of shares)
Audit & Supervisory Board Member	Kenji Tanaka	Date of birth: April 14, 1957	<p>May 2004 Professor of Graduate School of Information System (currently Graduate School of Informatics and Engineering), University of Electro-Communications (resigned in 2023)</p> <p>Apr. 2012 Vice-president of University of Electro-Communications (resigned in 2014)</p> <p>Apr. 2023 Specially Appointed Professor and Vice Chair, Center for Industrial and Governmental Relations, University of Electro-Communications (incumbent)</p> <p>June 2023 Audit & Supervisory Board Member of the Company (incumbent)</p>	(Note 5)	—
Total					521

- (Notes)
1. Directors Hiroshi Oeda, Haruko Nozaki, Mihar Koezuka, Machiko Miyai, and Yoshihiko Hatanaka are Outside Directors.
 2. Audit & Supervisory Board Members Yoshikazu Minomo, Wakyu Shinmen, and Kenji Tanaka are Outside Audit & Supervisory Board Members.
 3. One year from the conclusion of the Annual General Meeting of Shareholders held on June 20, 2024.
 4. Four years from the conclusion of the Annual General Meeting of Shareholders held on June 23, 2021.
 5. Four years from the conclusion of the Annual General Meeting of Shareholders held on June 22, 2023.
 6. Four years from the conclusion of the Annual General Meeting of Shareholders held on June 22, 2022.

Outside Directors and Outside Audit & Supervisory Board Members

Of the 12 Directors of the Company, five are Outside Directors, and of the five Audit & Supervisory Board Members, three are Outside Audit & Supervisory Board Members (as of June 20, 2024).

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

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

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

- Outside Directors

Hiroshi Oeda

Since his appointment as Outside Director in June 2018, Mr. Hiroshi Oeda has provided advice with respect to the business management of the Company and has appropriately supervised business execution at Board of Directors meetings. The Company has judged that Mr. Oeda 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 broad experience and skill in global corporate management, business strategy, execution of overseas M&A, etc. gained from serving as a management executive of the largest milling company in Japan. The Company thus elected Mr. Oeda as an Outside Director.

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

Haruko Nozaki

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

corporate value of the SEKISUI CHEMICAL Group through providing advice with respect to the business management of the Company and appropriately supervising business execution at Board of Directors meetings, by leveraging her experience and past achievements in personnel affairs and education, and deep insight on promotion of diversity, development of the next generation, etc. The Company thus elected Ms. Nozaki as an Outside Director.

The Company has no business transactions with West Japan Railway Company, where Ms. Nozaki concurrently holds a position. Transactions exist between Kyoto University, where she concurrently holds a position, and the Company, but the amount of such transactions in the most recent fiscal year was less than 1% of ordinary revenue of the said university or net sales of the Company, so her independence as Outside Director is deemed to be sufficiently secured.

Miharu Koezuka

Since her appointment as Outside Director in June 2022, Ms. Miharu Koezuka has provided advice with respect to the business management of the Company and has appropriately supervised business execution at Board of Directors meetings. The Company has judged that Ms. Koezuka would be able to continue to contribute to further enhancing the corporate value of the SEKISUI CHEMICAL Group through providing advice with respect to the business management of the Company and appropriately supervising business execution at Board of Directors meetings, by leveraging her extensive experience in the management of department stores in addition to her experience and past achievements in management in various industries. The Company thus elected Ms. Koezuka as an Outside Director.

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

Machiko Miyai

Since her appointment as Outside Director in June 2022, Ms. Machiko Miyai has provided advice with respect to the business management of the Company and has appropriately supervised business execution at Board of Directors meetings. The Company has judged that Ms. Miyai would be able to continue to contribute to further enhancing the corporate value of the SEKISUI CHEMICAL Group through providing advice with respect to the business management of the Company and appropriately supervising business execution at Board of Directors meetings, by leveraging her broad job experience in industries that are different from that of the Company, in particular her consumer-focused work as an internal officer of several listed companies. The Company thus elected Ms. Miyai as an Outside Director.

The Company has no transactions with Morinaga & Co., Ltd., Sustainability Forum Japan, and Ochanomizu University where Ms. Miyai concurrently holds a position, so her independence as Outside Director is deemed to be sufficiently secured.

* Ms. Miyai is a candidate for outside Director in the proposal for the election of Directors at the Annual General Meeting of Shareholders of ISUZU MOTORS LIMITED to be held in June 2024.

Yoshihiko Hatanaka

Since his appointment as Outside Director in June 2023, Mr. Yoshihiko Hatanaka 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. Hatanaka 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 wide-ranging knowledge of global corporate management cultivated through serving as an executive at Astellas Pharma Inc. and his wealth of experience overseas, including in Europe and the United States, in addition to his extensive knowledge in matters including corporate integration based on his experience as a corporate planning officer. The Company thus elected Mr. Hatanaka as an Outside Director.

The Company has no transactions with Sony Group Corporation and Shiseido Company, Limited where Mr. Hatanaka concurrently holds a position, so his independence as Outside Director is deemed to be sufficiently secured.

To secure independence of its Outside Directors, the Company laid down an independence standard for them, stipulating that it shall not nominate as a candidate for Outside Director any person from among its major shareholders and personnel of its main business partners. Mr. Hiroshi Oeda, Ms. Haruko Nozaki, Ms. Miharu Koezuka, Ms. Machiko Miyai, and Mr. Yoshihiko Hatanaka are designated as Independent Officers under the provisions of the Tokyo Stock Exchange.

The Business Strategy Department, which is the secretariat to the Board of Directors, provides support to Outside Directors such as distributing in advance presentation documents for a Board of Directors meeting and providing prior briefing.

- Outside Audit & Supervisory Board Members

Yoshikazu Minomo

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

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

Wakyu Shinmen

Mr. Wakyu Shinmen has specialized knowledge and a wealth of auditing experience as a certified public accountant and is an appropriate person for the Group's aim for sustainable improvement of corporate value. In addition, he has experience in management as a partner of a major auditing firm, and judging that he will appropriately perform his duties as an Outside Audit & Supervisory Board Member, the Company has appointed him as an Outside Audit & Supervisory Board Member.

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

Kenji Tanaka

Mr. Kenji Tanaka has a high level of insight and extensive experience in quality control, system reliability and safety, and a track record of joint research with many companies, and in order to have this reflected in the Company's auditing, the Company has appointed him as an Outside Audit & Supervisory Board Member.

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

To secure independence of its Outside Audit & Supervisory Board Members, the Company laid down an independence standard for them, stipulating that it shall not nominate as a candidate for Outside Audit & Supervisory Board Member any person from among its major shareholders and personnel of its main business partners. Mr. Yoshikazu Minomo, Mr. Wakyu Shinmen, and Mr. Kenji Tanaka are designated as Independent Officers under the provisions of the Tokyo Stock Exchange.

We set up the Secretariat for Outside Audit & Supervisory Board Members, who are provided with operational support by units of headquarters as required. The Secretariat to the Audit & Supervisory Board, while distributing in advance presentation documents for a Board of Directors meeting and providing prior briefing, has built a platform in which Outside Audit & Supervisory Board Members can view important documents and interview unit heads.

Criteria for Independence of Outside Board Members

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

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

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

(Note 1) Main company of the candidate shall mean the company, if any, at which the candidate for an outside board member is an executive director, executive officer, or manager or other employee.

(Note 2) Major shareholder shall mean the top 10 shareholders of the Company.

(Note 3) Main business(es) of the Company shall mean business(es) disclosed as main business(es) of the Company on the business report of the Company.

(Note 4) Major business partner shall mean the business partner whose transaction with the Company is not less than 2% of consolidated gross sales of the Company or such business partner.

(Note 5) Relative shall mean the person’s spouse, partner, relative within the second degree of kinship or relative who lives with the person.

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

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

Title		Name	Position
Housing Company	Managing Executive Officer	Kenji Yagi	President of SEKISUI HEIM CHUBU CO., LTD. and SEKISUI HEIM KINKI CO., LTD.
	Executive Officer	Akira Maruyama	Head of Public Relations and Procurement
	Executive Officer	Masaru Fujimoto	Head of Corporate Finance & Accounting Department
	Executive Officer	Kenichi Tadokoro	Head of Technology & CS Division
	Executive Officer	Ken Miyashita	Head of New Construction Business Division and Residential Stock Business Management Division, President of SEKISUI HEIM REAL ESTATE
	Executive Officer	Jun Oda	President of Tokyo Sekisui Heim Co., Ltd.
	Executive Officer	Kiminori Sato	President of Sekisui Heim Industry Co., Ltd.
Urban Infrastructure & Environmental Products Company	Executive Officer	Takeo Kishitani	Head of Building & Pipe Systems Division and New Business Development Division
	Executive Officer	Hiroki Okubo	Head of Management Planning Department
	Executive Officer	Toru Kurita	Head of Technology & CS Promotion Department
	Executive Officer	Jitsuo Kitamura	General Manager of East Japan Sales Headquarters
	Executive Officer	Masataka Uemura	Head of Pipeline Renewal Division
	Executive Officer	Katsumi Take	Head of General Institute
	Executive Officer	Shigeo Toyama	Head of the Fire Protection Materials Business
High Performance Plastics Company	Executive Officer	Akira Asano	Chairman of the Board of SEKISUI AEROSPACE CORPORATION and SEKISUI KYDEX, LLC
	Executive Officer	Masayuki Inoue	Responsible for Industrial Business field, Head of Industrial Business Strategy Department, President of SEKISUI MATERIAL SOLUTIONS CO., LTD.
	Executive Officer	Takashi Muramatsu	Responsible for Electronic field, Head of Electronic Business Strategy Department
	Executive Officer	Hiroyuki Yamashita	Responsible for Mobility field, Head of Mobility Business Strategy Department
	Executive Officer	Yoshitaka Miyake	Head of Management Planning Department and Specialty Chemicals Division
	Executive Officer	Yoshiaki Tanaka	General Manager of Shiga-Minakuchi Plant
	Executive Officer	Yoshio Aoshima	Head of Interlayer Film Business
Headquarters	Managing Executive Officer	Tatsuya Nishida	Responsible for Digital Transformation Department, Head of Corporate Finance & Accounting Department
	Executive Officer	Yoshiki Deguchi	Head of Manufacturing Infrastructure Enhancement Center
	Executive Officer	Meiko Koga	Head of Corporate Communication Department
	Executive Officer	Naoko Fukutomi	Head of Legal Department
	Executive Officer	Eiichi Takahashi	President & CEO of SEKISUI MEDICAL CO., LTD.
	Executive Officer	Hisahiko Kashihara	Head of R&D Center

(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. Mr. Wakyu Shinmen as a CPA is equipped with specialized knowledge in accounting in and outside Japan and a wealth of audit experience, and is well-versed in finance and accounting. The Audit & Supervisory Board conducts audit in accordance with an audit policy and plan decided through consideration and deliberations done each fiscal year, based on an audit standard it laid down.

The Company held 14 meetings of the Audit & Supervisory Board during the fiscal year under review. Attendance by individual Audit & Supervisory Board Members is as follows:

Job title	Name	Attendance (attendance ratio)
Fulltime Audit & Supervisory Board Member	Hiroyuki Taketomo	14/14 (100%)
Fulltime Audit & Supervisory Board Member	Toshitaka Fukunaga (Note)	3/3 (100%)
Fulltime Audit & Supervisory Board Member	Tomoyasu Izugami (Note)	11/11 (100%)
Outside Audit & Supervisory Board Member	Ryoko Shimizu (Note)	3/3 (100%)
Outside Audit & Supervisory Board Member	Kazuyuki Suzuki (Note)	3/3 (100%)
Outside Audit & Supervisory Board Member	Yoshikazu Minomo	14/14 (100%)
Outside Audit & Supervisory Board Member	Wakyu Shinmen (Note)	11/11 (100%)
Outside Audit & Supervisory Board Member	Kenji Tanaka (Note)	11/11 (100%)

Note: At the Annual General Meeting of Shareholders on June 22, 2023, Outside Audit & Supervisory Board Members Ryoko Shimizu and Kazuyuki Suzuki retired upon completion of their terms, and Fulltime Audit & Supervisory Board Member Toshitaka Fukunaga resigned. Wakyu Shinmen and Kenji Tanaka were newly appointed as Outside Audit & Supervisory Board Members, and Tomoyasu Izugami was elected and assumed office as a Fulltime Audit & Supervisory Board Member.

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

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

(ii) Internal audit

The Company has in place the Corporate Audit Department (with 18 members) as an internal audit department. The internal audit department 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. The internal audit department also reports its

audit results to the Management Meeting on a regular basis, which is participated by inside Directors to discuss management issues. Additionally, the internal audit department obtains written answers on the audit result from audited departments and conducts a follow-up audit as required.

(iii) Accounting audit

a. Name of audit firm
KPMG AZSA LLC

b. Period of continued audit
2 years

c. CPAs who conducted the audit
Yoshihide Takehisa
Hiroto Kawase
Yusuke Okamoto
Additionally, Miho Shibasaki conducted the quarterly review until the third quarter, after which Yusuke Okamoto has replaced her.

d. Breakdown of audit assistants
Assistants participating in the accounting audit of the Company consist of 21 CPAs, 9 assistants who have passed CPA examination, and 27 other assistants.

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

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

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

The matters reported in the Extraordinary Securities Report are as follows:

(1) Names of Accounting Auditors involved in the change

i) Name of Accounting Auditor to be appointed

KPMG AZSA LLC

ii) Name of retiring Accounting Auditor

Ernst & Young ShinNihon LLC

(2) Date of change

June 22, 2022

(3) Date of most recent appointment of the retiring Accounting Auditor as Accounting Auditor

June 29, 1989

(4) Matters relating to opinions, etc., in the audit report, etc., created by the retiring Accounting Auditor in the past three years

Not applicable.

(5) Reason and background regarding decision for change

Term of office of Ernst & Young ShinNihon LLC, the Accounting Auditor of the Company, will have expired at the closing of the 100th Annual General Meeting of Shareholders to be held on June 22, 2022. The Audit & Supervisory Board determined to obtain proposals from multiple audit firms, including the current audit firm, in view of the

number of consecutive years the current audit firm has been the Accounting Auditor. Audits made from a new standpoint can be expected by appointing KPMG AZSA LLC, and in addition, the Audit & Supervisory Board considers KPMG AZSA LLC qualified as a result of comprehensively examining the quality control system, auditing system including global measures, auditing methods, independence, etc., in order to further enhance accounting governance of the Group.

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

(i) Opinion of retiring Accounting Auditor

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

(ii) Opinion of the Audit & Supervisory Board

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

(iv) Description of audit fees

a. Audit fees for CPAs

Category	Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024	
	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	150	3	155	2
Consolidated subsidiaries	79	1	81	0
Total	230	5	236	3

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, 2023		Fiscal year ended March 31, 2024	
	Fee for audit certification service (millions of yen)	Fee for non-audit services (millions of yen)	Fee for audit certification service (millions of yen)	Fee for non-audit services (millions of yen)
Reporting company	–	0	–	0
Consolidated subsidiaries	322	25	442	29
Total	322	26	442	30

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

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

(Fiscal year ended March 31, 2023)

Not applicable

(Fiscal year ended March 31, 2024)

Not applicable

d. Policy on deciding audit fees

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

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

The Audit & Supervisory Board approved the fee, etc. for the Accounting Auditor pursuant to Article 399, Paragraph 1 of the Companies Act because, after verifying its audit plan and conducting the necessary verification of the appropriateness of the basis for calculating the estimated amount of fees, it was determined that the number of man-hours is necessary to deal with global fraud risks and establish an audit system, as the Accounting Auditor has been changed from the 101st term fiscal year and audits are expected to be conducted from a new perspective.

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

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

<Basic policy>

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

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

<Remuneration mindset>

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

- Basic remuneration is paid in a certain amount corresponding to roles and responsibilities within a limit on officers' remuneration. For executive directors, a portion of the basic remuneration is required to be used for the purpose of buying the Company's shares through the Officers Stock Ownership Plan, thereby raising their business awareness that attaches importance to stock price.
- Bonuses are paid if certain standard for ROE and dividend amounts is met. The amount is determined by reflecting a multiplier set by job function and a divisional company-specific multiplier (60 to 120%) linked to the achievement of targets for financial indicators (operating profit, ROIC, etc.) and non-financial indicators (environment, human capital, etc.) on a base amount linked to the company-wide operating profit amount.
- Share remuneration is an incentive plan in which the number of shares to be granted is specified by Director's responsibility in order to further motivate Directors 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 Director 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.

Category	Indicator	Evaluation weight	Targets	Results
Financial indicators	Company-wide and divisional company financial results (Operating profit)	18%	100.0 billion yen	94.3 billion yen
	EBITDA	12%	153.0 billion yen	147.0 billion yen
	Marginal profit per capita	4%	18.8 million yen	19.5 million yen
	ROIC	4%	8.0%	7.3%
	Sales growth rate	4%	105.6%	101.1%
	Sales of products to enhance sustainability (Total/Premium Framework)* ¹	8%	956.0 billion yen of which Premium Framework: 492.6 billion yen	947.1 billion yen of which Premium Framework: 501.4 billion yen

Category	Indicator	Evaluation weight	Targets	Results
Non-financial indicators	GHG emission reduction rate* ¹	6%		Achieved
	Material recycling rate of waste plastic* ¹	4%		Not achieved
	Degree of challenging behavior expression	5%		Not achieved
	Employee retention rate	5%		Not achieved
	Open innovation	4%		Achieved
	Others (direct and indirect productivity, governance* ² , divisional company-specific indicators)	26%		67% * ³

*¹ Results for sales of products to enhance sustainability (Total/Premium Framework), GHG emission reduction rate, and material recycling rate of waste plastic are preliminary results as of April 2024.

*² Governance is indicated by the presence of major incidents.

*³ The ratio of indicators that achieved the targets is noted.

<Process of determining officers' remuneration>

To achieve the objective of the officers' remuneration system, the Company has the Nomination and Remuneration Advisory Committee as an advisory body to the Board of Directors, running the system through objective and transparent procedures with the Committee deliberating on the remuneration structure-levels for Directors and the reasonableness of individual payouts.

The specific amount, timing, and method of payment of individual remunerations of Directors are determined by the Board of Directors based on the report of the Nomination and Remuneration Advisory Committee, in order to further strengthen the supervisory function of the Board of Directors and to ensure objectivity and transparency.

The Board of Directors concluded that individual remunerations for the fiscal year under review, etc. are consistent with the decision policy, based on the procedures described above.

Outline of the Nomination and Remuneration Advisory Committee and how remuneration, etc. is determined

- 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 indicators for performance-linked remuneration are operating profit, divisional company performance, ROE, ROIC, non-financial indicators including environment and human capital, and dividends that motivate returns to shareholders.

The reason for selecting these indicators is because we believe that they function effectively as an incentive for the Directors of the Company to improve corporate value and achieve management plans, and that they can ensure a highly objective and transparent 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)	354	320	83	757	7
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	43	—	—	43	3
Outside Directors and Outside Audit & Supervisory Board Members	108	—	—	108	11

- (Notes) 1. The amounts of remuneration for Directors do not include 46 million yen in employee salaries (including employee bonuses) paid to Directors concurrently serving as employees (one person).
2. The above includes one Director and three Audit & Supervisory Board Members who resigned at the conclusion of the 101st Annual General Meeting of Shareholders held on June 22, 2023.

(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	43	14	117
Keita Kato	Director	Reporting company	84	61	18	163
Futoshi Kamiwaki	Director	Reporting company	60	38	11	109

(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, 2024, 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 2024, we examined non-pure-investment-purpose shares and checked to see whether it was appropriate to hold them in accordance with the investment ratio, officer dispatch, transactions, partner relationship, and dividend income on a stock-by-stock basis under the basic policy described above.

The total number of shareholdings of listed companies was 25 as of the end of March 2023, and was 25 as of the end of March 2024 due to the sale of one holding and the addition of one holding excluded from entities accounted for using the equity method during fiscal 2023.

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	3,055
Stocks other than those not listed	25	91,804

(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	588	Acquisition due to business collaboration
Stocks other than those not listed	1	—	Due to the exclusion from entities accounted for using the equity method

(Note) An increase of one stock, other than unlisted stocks, is due to its exclusion from entities accounted for using the equity method, and therefore no acquisition cost incurred.

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

	Number of stocks (Issues)	Total sale amount for decreased shares (millions of yen)
Unlisted stocks	3	59
Stocks other than those not listed	2	22,000

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, 2024	Fiscal year ended March 31, 2023	Purpose of shareholding, outline of business alliances, quantitative effects of shareholding, and reason for increase in number of shares	Holding of shares of the Company
	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.	14,168,727	22,168,727	In addition to receiving dividends (2,121 million yen for the fiscal year under review for a dividend yield of 3.3%), 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
	49,803	59,811		
Dexerials Corporation	2,520,000	2,520,000	In addition to receiving dividends (176 million yen for the fiscal year under review for a dividend yield of 1.0%), 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
	16,851	6,773		
Nomura Micro Science Co., Ltd.	1,200,000	300,000	In addition to receiving dividends (51 million yen for the fiscal year under review for a dividend yield of 0.7%), 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. An increase in the number of shares is due to stock split.	No
	7,128	1,246		
Senko Group Holdings Co., Ltd.	3,393,000	3,393,000	In addition to receiving dividends (122 million yen for the fiscal year under review for a dividend yield of 3.1%), 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
	3,891	3,206		
Sekisui Jushi Corporation	1,533,791	—	In addition to receiving dividends (339 million yen for the fiscal year under review for a dividend yield of 2.7%), the Company's holding of shares in Sekisui Jushi Corporation is intended to enhance corporate value of both parties through partnership for supply of synthetic resin products. An increase in shares is due to exclusion from entities accounted for using the equity method.	Yes
	3,655	—		

Stock	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023	Purpose of shareholding, outline of business alliances, quantitative effects of shareholding, and reason for increase in number of shares	Holding of shares of the Company
	Number of shares (shares)	Number of shares (shares)		
	Carrying amount in balance sheet (millions of yen)	Carrying amount in balance sheet (millions of yen)		
Mitsubishi UFJ Financial Group	2,339,400	2,339,400	In addition to receiving dividends (85 million yen for the fiscal year under review for a dividend yield of 2.3%), 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
	3,642	1,983		
Asahi Kasei Corp.	1,716,574	1,716,574	In addition to receiving dividends (61 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
	1,908	1,590		
Tosoh Corporation	725,650	725,650	In addition to receiving dividends (58 million yen for the fiscal year under review for a dividend yield of 3.9%), 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
	1,496	1,303		
ERI Holdings Co., Ltd.	351,000	351,000	In addition to receiving dividends (24 million yen for the fiscal year under review for a dividend yield of 4.0%), the Company's holding of shares in ERI Holdings Co., Ltd. is intended to enhance corporate value of both parties through partnership for performance assessment and inspection of homes supply of electronic products.	No
	609	525		
LanzaTech Global, INC.	967,621	967,621	The Company's holding of shares in LanzaTech Global, INC. is intended to enhance corporate value of both parties through partnership for bio-refinery-related products.	No
	453	501		
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 3.8%), 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
	406	362		

Stock	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023	Purpose of shareholding, outline of business alliances, quantitative effects of shareholding, and reason for increase in number of shares	Holding of shares of the Company
	Number of shares (shares)	Number of shares (shares)		
	Carrying amount in balance sheet (millions of yen)	Carrying amount in balance sheet (millions of yen)		
Central Japan Railway Company	102,000	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. An increase in the number of shares is due to stock split.	No
	380	322		
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 2.3%), the Company's holding of shares in Resona Holdings, Inc. is intended to enhance corporate value of both parties through partnership for funding and investment.	Yes
	255	171		
Hashimoto Sogyo Holdings Ltd.	181,500	181,500	In addition to receiving dividends (7 million yen for the fiscal year under review for a dividend yield of 2.9%), the Company's holding of shares in Hashimoto Sogyo Holdings Ltd. is intended to enhance corporate value of both parties through partnership for sales of construction and civil engineering products.	Yes
	253	204		
Almetax Manufacturing Co., Ltd.	703,910	703,910	In addition to receiving dividends (5 million yen for the fiscal year under review for a dividend yield of 2.6%), 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
	214	252		
Daito Trust Construction Co., Ltd.	10,000	10,000	In addition to receiving dividends (5 million yen for the fiscal year under review for a dividend yield of 3.0%), the Company's holding of shares in Daito Trust Construction Co., Ltd. is intended to enhance corporate value of both parties through partnership for supply of housing products.	No
	174	131		
East Japan Railway Company	44,700	14,900	In addition to receiving dividends (1 million yen for the fiscal year under review for a dividend yield of 1.2%), 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. An increase in the number of shares is due to stock split.	No
	130	109		

Stock	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023	Purpose of shareholding, outline of business alliances, quantitative effects of shareholding, and reason for increase in number of shares	Holding of shares of the Company
	Number of shares (shares)	Number of shares (shares)		
	Carrying amount in balance sheet (millions of yen)	Carrying amount in balance sheet (millions of yen)		
Sharp Corporation	155,500	155,500	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
	129	145		
Kuwazawa Holdings Corporation	124,014	124,014	In addition to receiving dividends (1 million yen for the fiscal year under review for a dividend yield of 1.3%), 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
	114	59		
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 2.9%), 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
	101	60		
Central Glass Co., Ltd.	26,200	26,200	In addition to receiving dividends (3 million yen for the fiscal year under review for a dividend yield of 4.7%), 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
	76	76		
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 1.6%), 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
	51	36		
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 3.7%), 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
	35	28		

Stock	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023	Purpose of shareholding, outline of business alliances, quantitative effects of shareholding, and reason for increase in number of shares	Holding of shares of the Company
	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 2.9%), 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
	33	34		
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 3.0%), 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
	9	5		
Cyfuse Biomedical K.K.	—	340,000	The Company's holding of shares in Cyfuse Biomedical K.K. is intended to enhance corporate value of both parties through partnership for life science-related products.	No
	—	415		

(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, 2023 to March 31, 2024) and non-consolidated financial statements for the fiscal year (from April 1, 2023 to March 31, 2024) of the Company have been audited by KPMG AZSA LLC.

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

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

1. Consolidated financial statements and other information

(1) Consolidated financial statements

(i) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	101,080	138,572
Notes receivable - trade	*1 38,400	*1, *7 43,109
Accounts receivable - trade	*1 153,380	*1 168,864
Contract assets	752	1,486
Merchandise and finished goods	104,091	112,748
Land for sale in lots	64,154	67,693
Work in process	62,604	61,087
Raw materials and supplies	55,950	56,704
Advance payments to suppliers	4,055	4,122
Prepaid expenses	8,414	5,793
Short-term loans receivable	114	1,115
Other	29,616	25,044
Allowance for doubtful accounts	(965)	(776)
Total current assets	621,650	685,564
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	*4 120,761	*4 123,499
Machinery, equipment and vehicles, net	109,933	114,194
Land	*4 83,828	85,931
Leased assets, net	19,961	21,750
Construction in progress	31,338	33,599
Other, net	*4 11,558	*4 13,510
Total property, plant and equipment	*2 377,381	*2 392,485
Intangible assets		
Goodwill	11,028	8,636
Software	15,614	17,410
Leased assets	117	107
Other	24,242	32,944
Total intangible assets	51,003	59,097
Investments and other assets		
Investment securities	*3 137,314	*3 127,421
Long-term loans receivable	1,163	1,097
Long-term prepaid expenses	1,970	2,130
Retirement benefit asset	15,284	35,368
Deferred tax assets	10,034	4,223
Other	14,483	17,136
Allowance for doubtful accounts	(2,154)	(1,280)
Total investments and other assets	178,096	186,096
Total non-current assets	606,481	637,679
Total assets	1,228,131	1,323,243

(Millions of yen)

	As of March 31, 2023		As of March 31, 2024
Liabilities			
Current liabilities			
Notes payable - trade	759	*7	578
Electronically recorded obligations - operating	28,777	*7	15,567
Accounts payable - trade	*4 107,067		107,713
Short-term borrowings	*4 3,569	*4	11,569
Current portion of bonds payable	—		30
Lease liabilities	5,156		5,433
Accrued expenses	41,177		43,107
Income taxes payable	11,817		25,086
Provision for bonuses	19,198		19,628
Provision for bonuses for directors (and other officers)	354		474
Provision for warranties for completed construction	3,105		2,445
Provision for share awards	115		112
Advances received	*8 53,514	*8	57,436
Other	53,364		55,414
Total current liabilities	327,978		344,597
Non-current liabilities			
Bonds payable	40,030		40,000
Long-term borrowings	*4 56,187	*4	46,270
Lease liabilities	15,515		17,421
Deferred tax liabilities	4,046		4,757
Retirement benefit liability	*9 42,731	*9	41,344
Provision for share awards	900		1,083
Other	8,216		6,843
Total non-current liabilities	167,627		157,720
Total liabilities	495,606		502,318
Net assets			
Shareholders' equity			
Share capital	100,002		100,002
Capital surplus	108,583		108,621
Retained earnings	468,094		501,945
Treasury shares	(46,637)		(48,679)
Total shareholders' equity	630,041		661,889
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	37,836		51,197
Deferred gains or losses on hedges	(24)		(15)
Revaluation reserve for land	*10 321	*10	320
Foreign currency translation adjustment	39,253		67,826
Remeasurements of defined benefit plans	(2,402)		11,111
Total accumulated other comprehensive income	74,984		130,440
Non-controlling interests	27,498		28,595
Total net assets	732,525		820,925
Total liabilities and net assets	1,228,131		1,323,243

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

Consolidated statement of income

(Millions of yen)

		Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024
Net sales	*1	1,242,521	*1	1,256,538
Cost of sales		865,281		864,343
Gross profit		377,240		392,195
Selling, general and administrative expenses	*2	285,574	*2	297,795
Operating profit		91,666		94,399
Non-operating income				
Interest income		1,211		1,854
Dividend income		3,677		3,603
Share of profit of entities accounted for using equity method		2,254		843
Foreign exchange gains		5,195		6,958
Miscellaneous income		4,576		3,472
Total non-operating income		16,915		16,733
Non-operating expenses				
Interest expenses		871		1,103
Maintenance expenses for specific construction components		—		826
Loss on tax purpose reduction entry of non-current assets		706		426
Miscellaneous expenses		2,761		2,855
Total non-operating expenses		4,339		5,211
Ordinary profit		104,241		105,921
Extraordinary income				
Gain on sale of investment securities		319		13,701
Gain on sale of shares of subsidiaries and associates		870		540
Total extraordinary income		1,189		14,242
Extraordinary losses				
Impairment losses	*4	468	*4	4,128
Loss on valuation of investment securities		—		2,453
Loss on valuation of shares of subsidiaries and associates		1,319		330
Amortization of goodwill	*3	1,974		—
Loss on sale and retirement of non-current assets	*5	2,174	*5	1,773
Total extraordinary losses		5,937		8,684
Profit before income taxes		99,494		111,479
Income taxes - current		27,325		38,399
Income taxes - deferred		1,401		(5,974)
Total income taxes		28,726		32,424
Profit		70,767		79,054
Profit attributable to non-controlling interests		1,504		1,123
Profit attributable to owners of parent		69,263		77,930

Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Profit	70,767	79,054
Other comprehensive income		
Valuation difference on available-for-sale securities	4,097	14,365
Deferred gains or losses on hedges	7	0
Foreign currency translation adjustment	14,177	29,811
Remeasurements of defined benefit plans, net of tax	(5,108)	13,596
Share of other comprehensive income of entities accounted for using equity method	66	(1,089)
Total other comprehensive income	* 13,241	* 56,683
Comprehensive income	84,008	135,737
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	82,021	133,386
Comprehensive income attributable to non-controlling interests	1,987	2,351

(iii) Consolidated statement of changes in equity
(From April 1, 2022 to March 31, 2023)

(Millions of yen)

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

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

(From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	100,002	108,583	468,094	(46,637)	630,041
Changes during period					
Dividends of surplus			(27,845)		(27,845)
Profit attributable to owners of parent			77,930		77,930
Increase and decrease in retained earnings resulting from exclusion of subsidiaries in consolidation					—
Change in scope of equity method			(2,377)	34	(2,343)
Changes resulting from merger of consolidated subsidiaries and unconsolidated subsidiaries			78		78
Cancellation of treasury shares		(13,935)		13,935	—
Purchase of treasury shares				(16,173)	(16,173)
Disposal of treasury shares		0		161	161
Transfer from retained earnings to capital surplus		13,935	(13,935)		—
Change in ownership interest of parent due to transactions with non-controlling interests		38			38
Net changes in items other than shareholders' equity					—
Total changes during period	—	38	33,851	(2,042)	31,847
Balance at end of period	100,002	108,621	501,945	(48,679)	661,889

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	37,836	(24)	321	39,253	(2,402)	74,984	27,498	732,525
Changes during period								
Dividends of surplus								(27,845)
Profit attributable to owners of parent								77,930
Increase and decrease in retained earnings resulting from exclusion of subsidiaries in consolidation								–
Change in scope of equity method								(2,343)
Changes resulting from merger of consolidated subsidiaries and unconsolidated subsidiaries								78
Cancellation of treasury shares								–
Purchase of treasury shares								(16,173)
Disposal of treasury shares								161
Transfer from retained earnings to capital surplus								–
Change in ownership interest of parent due to transactions with non-controlling interests								38
Net changes in items other than shareholders' equity	13,361	8	(1)	28,572	13,514	55,455	1,097	56,552
Total changes during period	13,361	8	(1)	28,572	13,514	55,455	1,097	88,400
Balance at end of period	51,197	(15)	320	67,826	11,111	130,440	28,595	820,925

(iv) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	99,494	111,479
Depreciation	48,995	51,195
Amortization of goodwill	3,411	1,477
Impairment losses	468	4,128
Loss on retirement of non-current assets	2,088	1,717
Loss (gain) on sale of non-current assets	86	56
Increase or decrease in retirement benefit asset and liability	352	(1,764)
Loss (gain) on sale of investment securities	(319)	(13,701)
Loss (gain) on sale of shares of subsidiaries and associates	(870)	(540)
Loss (gain) on valuation of investment securities	—	2,453
Loss on valuation of shares of subsidiaries and associates	1,319	330
Interest and dividend income	(4,888)	(5,458)
Interest expenses	871	1,103
Share of loss (profit) of entities accounted for using equity method	(2,254)	(843)
Decrease (increase) in accounts receivable - trade, and contract assets	(1,547)	(11,355)
Decrease (increase) in inventories	(36,718)	(2,338)
Increase (decrease) in trade payables	(5,114)	(17,858)
Increase (decrease) in advances received	5,389	3,723
Increase (decrease) in deposits received	7,512	(2,655)
Other, net	(13,581)	(2,205)
Subtotal	104,695	118,939
Interest and dividends received	5,618	6,249
Interest paid	(872)	(1,292)
Income taxes refund	—	10,453
Income taxes paid	(37,897)	(27,717)
Net cash provided by (used in) operating activities	71,543	106,632
Cash flows from investing activities		
Purchase of property, plant and equipment	(44,674)	(46,070)
Proceeds from sale of property, plant and equipment	1,605	885
Payments into time deposits	(22,453)	(13,777)
Proceeds from withdrawal of time deposits	17,390	18,614
Purchase of investment securities	(3,156)	(1,018)
Proceeds from sale and redemption of investment securities	816	22,073
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,256)	—
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	2,784	314
Payments for acquisition of businesses	—	(790)
Proceeds from sale of shares of subsidiaries and associates	—	16,739
Purchase of intangible assets	(11,733)	(14,385)
Proceeds from sale of intangible assets	1,091	8
Decrease (increase) in short-term loans receivable	24	(917)
Other, net	129	(191)
Net cash provided by (used in) investing activities	(59,430)	(18,515)

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,199)	407
Repayments of lease liabilities	(5,692)	(5,701)
Proceeds from long-term borrowings	502	5
Repayments of long-term borrowings	(2,276)	(2,543)
Dividends paid	(23,816)	(27,830)
Dividends paid to non-controlling interests	(1,283)	(1,263)
Purchase of treasury shares	(27,410)	(16,173)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(1,868)	(3)
Other, net	138	81
Net cash provided by (used in) financing activities	(62,906)	(53,023)
Effect of exchange rate change on cash and cash equivalents	2,262	6,058
Net increase (decrease) in cash and cash equivalents	(48,531)	41,151
Cash and cash equivalents at beginning of period	133,739	85,207
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	8
Cash and cash equivalents at end of period	*1 85,207	*1 126,367

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 143

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

For the fiscal year under review, two subsidiaries of Nishi Nihon Sekisui Industry Co., Ltd. and Sekisui Kanzai Technics Co., Ltd. merged, and Nishi Nihon Sekisui Industry Co., Ltd. was the surviving company. Although Sekisui Kanzai Technics Co., Ltd. had previously been an unconsolidated subsidiary, it is now included in the scope of consolidation as Nishi Nihon Sekisui Industry Co., Ltd. due to the said merger. Additionally, three subsidiaries of NIPPON INSIEK CO., LTD., e-Hosh CO., LTD., and NARAGIKEN CO., LTD. merged, and NIPPON INSIEK CO., LTD. was the surviving company. Although e-Hosh CO., LTD. and NARAGIKEN CO., LTD. had previously been unconsolidated subsidiaries, they are now included in the scope of consolidation as NIPPON INSIEK CO., LTD. due to the said merger.

Sekisui (Shanghai) Environmental Technology Co., Ltd., PT HD Limited, Rehabilitation Research Laboratory Co., Ltd., and Youngbo HPP (Langfang) Co., Ltd. were excluded from the scope of consolidation due to their liquidation. Sanin Sekisui Shoji Co., Ltd. was excluded from the scope of consolidation due to the sale of its shares.

(2) Names of major unconsolidated subsidiaries

Sekisui Heim Create 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

6 associates

Names of major companies

Sekisui Kasei Co., Ltd.

During the fiscal year under review, Sekisui Jushi Corporation was excluded from the scope of the equity method due to sale of shares.

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

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

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

The fiscal year-end of 13 overseas subsidiaries among consolidated subsidiaries is December 31. The preparation of consolidated financial statements is based on financial statements that were provisionally prepared as of March 31, which is the consolidated balance sheet date. The fiscal year-end of other consolidated subsidiaries and entities accounted for using the equity method is the same as the consolidated balance sheet date.

4. Accounting policies

(1) Valuation basis and methods for significant assets

(i) Securities

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

Available-for-sale securities

Other than shares, etc. without market price

...Stated at fair value

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

Shares, etc. without market price

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

- (ii) Derivatives...Stated at fair value
- (iii) Inventories
 - Inventories held for regular sales
 - ...Mainly stated at cost based on the gross average method
 - However, real estate for sale is stated at cost based on the specific identification method
 - (Balance sheet values are calculated by devaluating book values based on lowered profitability)
- (2) Accounting methods for depreciation of significant depreciable assets
 - (i) Property, plant and equipment (excluding leased assets)
 - The straight-line method is applied.
 - Major useful lives are as follows:
 - Buildings and structures 3 to 60 years
 - Machinery, equipment and vehicles 4 to 17 years
 - (ii) Intangible assets (excluding leased assets)
 - The straight-line method is applied.
 - Software for internal use is amortized over its useful life as internally determined (mainly five years).
 - (iii) Leased assets
 - Leased assets related to finance lease transactions that do not transfer ownership
 - The straight-line method is applied assuming the lease period to be the useful life without residual value.
- (3) Accounting policy for significant provisions
 - (i) Allowance for doubtful accounts...To prepare for credit losses on receivables, an estimated uncollectable amount is provided in the amount estimated either by using the historical rate of credit loss for general receivables, or based on individual consideration of collectability for specific receivables such as highly doubtful receivables.
 - (ii) Provision for bonuses...To provide for payment of employees' bonuses (including the employee bonus portion paid to Directors concurrently serving as employees), the estimated amount is provided mainly based on the payment amount immediately before the end of the fiscal year.
- (4) Accounting methods for retirement benefits
 - (i) Method of attributing expected retirement benefits to periods
 - In the calculation of retirement benefit obligations, expected retirement benefits are attributed to the period up to the end of the fiscal year under review on a benefit formula basis.
 - (ii) Method of amortizing actuarial gains and losses and past service cost
 - Actuarial gains and losses are amortized using the straight-line method over a certain number of years (five years) within the average remaining service years of employees when incurred in each fiscal year, from the fiscal year following the accrual of each gain or loss.
 - Past service cost is amortized using the straight-line method over a certain number of years (five years) within the average remaining service years of employees when incurred.
 - (iii) Accounting for other costs
 - For the calculation of retirement benefit liabilities and retirement benefit expenses, certain consolidated subsidiaries apply the simplified method using a method that regards the amount to be paid for voluntary retirement at the end of the fiscal year related to retirement benefit as retirement benefit liabilities.
 - In addition, in order to provide for payment of retirement benefits for directors (and other officers) at consolidated subsidiaries, the amount calculated based on each company's internal rules is included in retirement benefit liabilities.

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

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

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

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

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

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

(ii) Revenues related to construction contracts

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

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

(iii) Revenues related to sale of services and others

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

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

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

(7) Accounting methods for significant hedging

(i) Accounting methods for hedging

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

(ii) Hedging instruments and hedged items

(a) Interest rate fluctuation risks related to financing

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

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

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

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

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

(iii) Policy for hedging

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

(iv) Method of evaluating hedge effectiveness

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

(8) Amortization of goodwill

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

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

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

(10) Other significant matters for preparing consolidated financial statements

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

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

(ii) Application of the group tax sharing system

The Company and certain consolidated subsidiaries apply the group tax sharing system. Accordingly, regarding the treatment of accounting and disclosure of income taxes, local income taxes, and tax effect accounting, the Company complies with the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Practical Solution No. 42, August 12, 2021).

(Significant accounting estimates)

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

1. Valuation of land for sale in lots

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

Land for sale in lots 64,154 million yen

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

(i) Calculation method

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

(ii) Major assumptions

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

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

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

FY2023 (from April 1, 2023 to March 31, 2024)

1. Valuation of land for sale in lots

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

Land for sale in lots ¥67,693 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

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

(Accounting standards issued but not yet applied)

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

(1) Outline

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

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

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

(2) Scheduled date of application

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

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

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

(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)	
	FY2022 (ended March 31, 2023)	FY2023 (ended March 31, 2024)
Notes receivable - trade	38,400	43,109
Accounts receivable - trade	153,259	168,717

*2 Accumulated depreciation of property, plant and equipment

	(Millions of yen)	
	FY2022 (ended March 31, 2023)	FY2023 (ended March 31, 2024)
Accumulated depreciation of property, plant and equipment	648,703	694,794

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

	(Millions of yen)	
	FY2022 (ended March 31, 2023)	FY2023 (ended March 31, 2024)
Investment securities (shares)	49,986	28,772

*4. Assets pledged as collateral and secured liabilities

Assets pledged as collateral are as follows:

	(Millions of yen)	
	FY2022 (ended March 31, 2023)	FY2023 (ended March 31, 2024)
Buildings and structures	814	851
Land	10	—
Other	4	8
Total	828	860

Secured liabilities are as follows:

	(Millions of yen)	
	FY2022 (ended March 31, 2023)	FY2023 (ended March 31, 2024)
Accounts payable - trade	14	—
Short-term borrowings	65	215
Long-term borrowings	3	5
Total	83	221

5. Guarantee obligations

The following liabilities are guaranteed:

	(Millions of yen)	
	FY2022 (ended March 31, 2023)	FY2023 (ended March 31, 2024)
(1) Guarantee obligations of housing loans for prefabricated modular housing purchasers	58,544	59,223
(2) Other guarantee obligations	6,516	3,743

6. Trade notes receivable transferred by endorsement

	(Millions of yen)	
	FY2022 (ended March 31, 2023)	FY2023 (ended March 31, 2024)
Trade notes receivable transferred by endorsement	—	251

*7. Notes maturing at the end of the period, etc.

For accounting treatment of notes maturing at the end of the fiscal year under review, they are processed as settled on the clearance date of the notes or the settlement date. In this regard, since the end of the fiscal year under review fell on a bank holiday, the following matured notes were included in the balance at the end of the fiscal year.

	(Millions of yen)	
	FY2022 (ended March 31, 2023)	FY2023 (ended March 31, 2024)
Notes receivable - trade	—	2,913
Notes payable - trade	—	54
Electronically recorded obligations - operating	—	308

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

	(Millions of yen)	
	FY2022 (ended March 31, 2023)	FY2023 (ended March 31, 2024)
Contract liabilities	50,413	55,359

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

	(Millions of yen)	
	FY2022 (ended March 31, 2023)	FY2023 (ended March 31, 2024)
Portion for directors and officers in retirement benefit liabilities	1,004	1,084

- *10. Sekisui Kasei Co., Ltd., which is an entity accounted for using the equity method, revaluates land for business use based on the Act on Revaluation of Land (Act No. 34 of March 31, 1998, and the partial amendment thereof, Act No. 19 of March 31, 2001), and accounts for its share of the revaluation difference as “Revaluation reserve for land” in net assets.
- Revaluation method...Revaluation is calculated by the method using assessed value for fixed asset tax as provided for in Article 2, item 3 of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119 of March 31, 1998).
 - Date of revaluation...March 31, 2002

(Notes to consolidated statement of income)

*1. Revenue from contracts with customers

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

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

(Millions of yen)

	FY2022 (from April 1, 2022 to March 31, 2023)	FY2023 (from April 1, 2023 to March 31, 2024)
Freight costs, packing expenses, and storage fees	32,641	30,591
Employees’ salaries, allowance and bonuses	96,823	100,623
Provision for bonuses	12,109	12,218
Retirement benefit expenses	4,963	3,815
Depreciation	14,936	16,200
Provision of allowance for doubtful accounts	(31)	215
Research and development expenses	40,471	41,701

Research and development expenses only include general and administrative expenses.

*3. Amortization of goodwill is as follows.

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

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

FY2023 (from April 1, 2023 to March 31, 2024)

Not applicable.

*4. Impairment losses

The Group recorded impairment losses mainly for the following assets:

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

Not applicable.

FY2023 (from April 1, 2023 to March 31, 2024)

Used for	Type	Location
Lithium-Ion Battery Business	Machinery, equipment and vehicles, buildings and structures, etc.	Tokoname City, Aichi

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 the Lithium-Ion Battery business, machinery, equipment and vehicles, and buildings and structures, etc., in which capital investment was made, were impaired due to the inability to recover future cash flows. The full book value was impaired and recorded as an impairment loss (3,707 million yen) under extraordinary losses.

The breakdown is as follows: machinery, equipment and vehicles: 1,728 million yen; buildings and structures: 1,543 million yen; and Other: 435 million yen.

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

	(Millions of yen)	
	FY2022	FY2023
	(from April 1, 2022 to March 31, 2023)	(from April 1, 2023 to March 31, 2024)
Buildings and structures	1,003	634
Machinery, equipment and vehicles	855	465

(Notes to consolidated statement of comprehensive income)

* Reclassification adjustments and tax effects relating to other comprehensive income

	(Millions of yen)	
	FY2022 (from April 1, 2022 to March 31, 2023)	FY2023 (from April 1, 2023 to March 31, 2024)
Valuation difference on available-for-sale securities:		
Amount incurred for the fiscal year	6,233	34,223
Reclassification adjustment	(319)	(13,701)
Before-tax-effect adjustment	5,913	20,521
Tax effect amount	(1,815)	(6,156)
Valuation difference on available-for-sale securities	4,097	14,365
Deferred gains or losses on hedges:		
Amount incurred for the fiscal year	7	0
Deferred gains or losses on hedges	7	0
Foreign currency translation adjustment:		
Amount incurred for the fiscal year	14,971	29,967
Reclassification adjustment	(793)	(156)
Foreign currency translation adjustment	14,177	29,811
Remeasurements of defined benefit plans, net of tax:		
Amount incurred for the fiscal year	(6,727)	19,273
Reclassification adjustment	(814)	549
Before-tax-effect adjustment	(7,541)	19,822
Tax effect amount	2,433	(6,226)
Remeasurements of defined benefit plans, net of tax	(5,108)	13,596
Share of other comprehensive income of entities accounted for using the equity method:		
Amount incurred for the fiscal year	378	(64)
Reclassification adjustment	(312)	(1,025)
Share of other comprehensive income of entities accounted for using the equity method	66	(1,089)
Total other comprehensive income	13,241	56,683

(Notes to consolidated statement of changes in equity)

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

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

(Shares)

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

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

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

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

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

Increase due to purchase of treasury shares resolved by the Board of Directors 15,000,000 shares

Share purchase by BIP trust as an officer remuneration system and ESOP trust 512,100 shares

Increase due to purchase of cross-held shares 41,155 shares

Increase due to purchase of shares less than one unit 854 shares

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

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

Disposal of treasury shares by third-party allotment of shares to BIP trust as an officer remuneration system and ESOP trust 512,100 shares

Share issuance by BIP trust as an officer remuneration system and ESOP trust 146,300 shares

Decrease due to change in equity of entities accounted for by using the equity method 14,881 shares

Decrease due to demand for increase of purchase of shares less than one unit 20 shares

2. Share acquisition rights and treasury share acquisition rights

Not applicable.

3. Dividends

(1) Dividends paid

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

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

2. The total amount of dividends resolved by the Board of Directors meeting held on October 27, 2022 includes dividends

of 29 million yen for shares of the Company held by the BIP trust for remuneration for directors (and other officers) and held by the ESOP trust.

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

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

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

FY2023 (from April 1, 2023 to March 31, 2024)

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)	456,507,285	—	8,000,000	448,507,285
Total	456,507,285	—	8,000,000	448,507,285
Treasury shares				
Common shares (Notes 1, 3, 4)	27,311,919	8,001,446	8,191,668	27,121,697
Total	27,311,919	8,001,446	8,191,668	27,121,697

(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 (1,022,400 shares at beginning of the fiscal year under review, and 932,300 shares at end of the fiscal year under review).

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

Decrease due to cancellation of treasury shares 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 1,446 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

Share issuance by BIP trust as an officer remuneration system and ESOP trust 90,100 shares

Decrease due to change in equity of entities accounted for by using the equity method 101,372 shares

Decrease due to demand for increase of purchase of shares less than one unit 196 shares

2. Share acquisition rights and treasury share acquisition rights

Not applicable.

3. Dividends

(1) Dividends paid

(Resolution)	Classes of shares	Total amount of dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 22, 2023	Common shares	12,916	30	March 31, 2023	June 23, 2023
Board of Directors meeting held on October 30, 2023	Common shares	14,928	35	September 30, 2023	December 1, 2023

(Notes) 1. The total amount of dividends resolved by the Annual General Meeting of Shareholders held on June 22, 2023 includes dividends of 30 million yen for shares of the Company held by the BIP trust for remuneration for directors (and other officers) and held by the ESOP trust.

2. The total amount of dividends resolved by the Board of Directors meeting held on October 30, 2023 includes dividends of 32 million yen for shares of the Company held by the BIP trust for remuneration for directors (and other officers) and held by the ESOP trust.

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

(Resolution)	Classes of shares	Total amount of dividends (millions of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 20, 2024	Common shares	16,478	Retained earnings	39	March 31, 2024	June 21, 2024

(Note) The total amount of dividends resolved by the Annual General Meeting of Shareholders held on June 20, 2024 includes dividends of 36 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)

	FY2022	FY2023
	(from April 1, 2022 to March 31, 2023)	(from April 1, 2023 to March 31, 2024)
Cash and deposits	101,080	138,572
Time deposits with maturity over 3 months	(15,873)	(12,204)
Cash and cash equivalents	85,207	126,367

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)

	FY2022	FY2023
	(from April 1, 2022 to March 31, 2023)	(from April 1, 2023 to March 31, 2024)
Amount of assets related to finance lease transactions	5,359	6,432
Amount of liabilities related to finance lease transactions	5,359	6,432

(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 six 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.

FY2022 (ended March 31, 2023)

(Millions of yen)

	Carrying amount in the consolidated balance sheet	Fair value	Difference
(1) Securities and investment securities (*2)	113,429	106,617	(6,812)
Total assets	113,429	106,617	(6,812)
(2) Long-term borrowings (*3)	58,709	57,934	(774)
(3) Bonds payable (*4)	40,030	39,407	(623)
Total liabilities	98,739	97,341	(1,397)
Derivatives (*5)			
(1) Derivatives for which hedge accounting is not applied	—	—	—
(2) Derivatives for which hedge accounting is applied	(24)	(24)	—
Total derivatives	(24)	(24)	—

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

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

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

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

(*4) “(3) Bonds payable” includes the current portion of bonds payable.

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

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

FY2023 (ended March 31, 2024)

(Millions of yen)

	Carrying amount in the consolidated balance sheet	Fair value	Difference
(1) Securities and investment securities (*2)	105,489	103,583	(1,906)
Total assets	105,489	103,583	(1,906)
(2) Long-term borrowings (*3)	56,336	55,147	(1,188)
(3) Bonds payable (*4)	40,030	39,187	(843)
Total liabilities	96,366	94,334	(2,031)
Derivatives (*5)			
(1) Derivatives for which hedge accounting is not applied	—	—	—
(2) Derivatives for which hedge accounting is applied	(15)	(15)	—
Total derivatives	(15)	(15)	—

(*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	FY2023 (millions of yen)
Unlisted stocks	20,235

(*3) The current portion of long-term borrowings (10,065 million yen) included in short-term borrowings in the consolidated balance sheet are included in “(2) Long-term borrowings” in this table.

(*4) “(3) Bonds payable” includes the current portion of bonds payable.

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

(*6) 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 1,696 million yen.

(Notes) 1. Redemption schedule for monetary receivables and securities with maturity after the consolidated balance sheet date FY2022 (ended March 31, 2023)

(Millions of yen)

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

Total	292,862	15	–	–
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FY2023 (ended March 31, 2024)

(Millions of yen)

	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	138,572	–	–	–
Notes receivable - trade	43,109	–	–	–
Accounts receivable - trade	168,864	–	–	–
Securities and investment securities				
Held-to-maturity debt securities (Other)	0	17	–	–
Total	350,546	17	–	–

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

FY2022 (ended March 31, 2023)

(Millions of yen)

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

FY2023 (ended March 31, 2024)

(Millions of yen)

	Within 1 year	After 1 year but within 2 years	After 2 years but within 3 years	After 3 years but within 4 years	After 4 years but within 5 years	Due after 5 years
Short-term borrowings	1,504	–	–	–	–	–
Long-term borrowings	10,065	383	15,884	1	0	30,000
Bonds payable	30	–	10,000	–	–	30,000
Total	11,599	383	25,884	1	0	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

FY2022 (ended March 31, 2023)

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

FY2023 (ended March 31, 2024)

Category	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Shares	93,287	—	—	93,287
Total assets	93,287	—	—	93,287
Derivatives				
Currency related	—	15	—	15
Total liabilities	—	15	—	15

(2) Financial instruments other than those recorded in fair value in the consolidated balance sheet
FY2022 (ended March 31, 2023)

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

FY2023 (ended March 31, 2024)

Category	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Held-to-maturity debt securities				
Other	–	17	–	17
Shares of subsidiaries and associates				
Shares	10,278	–	–	10,278
Total assets	10,278	17	–	10,295
Long-term borrowings	–	55,147	–	55,147
Bonds payable	–	39,187	–	39,187
Total liabilities	–	94,334	–	94,334

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

Securities and investment securities

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

Long-term borrowings

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

Bonds payable

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

Derivatives

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

(Securities)

I. FY2022 (ended March 31, 2023)

1. Held-to-maturity debt securities

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

2. Available-for-sale securities

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

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

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

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

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

II. FY2023 (ended March 31, 2024)

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	17	17	–
Total		17	17	–

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	92,649	20,993	71,655
Securities whose carrying amount in the consolidated balance sheet does not exceed the acquisition cost	Shares	638	775	(137)
Total		93,287	21,769	71,517

(Note 1) Since unlisted shares (carrying amount in the consolidated balance sheet: 3,648 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: 1,696 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, 2024 (from April 1, 2023 to March 31, 2024)

Description	Sales amount (millions of yen)	Total gain on sales (millions of yen)	Total loss on sales (millions of yen)
Shares	22,001	13,701	–
Total	22,001	13,701	–

(Derivatives)

I. FY2022 (ended March 31, 2023)

1. Derivatives for which hedge accounting is not applied

Not applicable.

2. Derivatives for which hedge accounting is applied

(1) Currency-related

Accounting methods for hedging	Transaction type	Major hedged item	Contract amount, etc. (millions of yen)	Over 1 year (millions of yen)	Fair value (millions of yen)
Principle treatment method	Currency swaps	Long-term borrowings			
	U.S. dollars/Indian rupees Fixed interest rate for receipt / Fixed interest rate for payment		180	59	(24)
Total			180	59	(24)

II. FY2023 (ended March 31, 2024)

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		13	–	(15)
Total			13	–	(15)

(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.

One consolidated subsidiary is no longer able to perform duly reliable actuarial calculation due to a significant decrease in the number of employees as a result of reorganization. As a result, the subsidiary changed the calculation method for retirement benefit obligations from the principle method to the simplified method as of the end of the fiscal year ended March 31, 2023.

2. Defined benefit plans

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

	(Millions of yen)	
	FY2022 (from April 1, 2022 to March 31, 2023)	FY2023 (from April 1, 2023 to March 31, 2024)
Balance of retirement benefit obligations at beginning of period	151,441	150,522
Service cost	7,001	6,636
Interest cost	1,075	1,195
Actuarial gains and losses accrued	(1,957)	(11,798)
Retirement benefits paid	(6,019)	(6,026)
Past service cost incurred	(47)	(376)
Amount of transfer in conjunction with the change from the principle method to the simplified method	(1,016)	—
Amount of decrease in conjunction with the change from the principle method to the simplified method	(297)	—
Other	341	1,028
Balance of retirement benefit obligations at end of period	150,522	141,181

(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)	
	FY2022 (from April 1, 2022 to March 31, 2023)	FY2023 (from April 1, 2023 to March 31, 2024)
Balance of plan assets at beginning of period	134,295	127,606
Expected return on plan assets	3,020	2,907
Actuarial gains and losses accrued	(8,537)	7,098
Contribution from employer	3,977	3,962
Retirement benefits paid	(5,252)	(5,090)
Amount of transfer in conjunction with the change from the principle method to the simplified method	(881)	—
Other	985	1,656
Balance of plan assets at end of period	127,606	138,141

(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)	
	FY2022	FY2023
	(from April 1, 2022 to March 31, 2023)	(from April 1, 2023 to March 31, 2024)
Balance of retirement benefit liability at beginning of period	2,923	3,526
Retirement benefit expenses	1,693	(385)
Retirement benefits paid	(572)	(414)
Contribution to the plans	(979)	(889)
Amount of transfer in conjunction with the change from the principle method to the simplified method	134	—
Increase due to business restructuring, etc.	326	13
Balance of retirement benefit liability at end of period	3,526	1,851

(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)	
	FY2022	FY2023
	(ended March 31, 2023)	(ended March 31, 2024)
Retirement benefit obligations of funded plans	142,567	132,448
Plan assets	153,995	165,221
	(11,427)	(32,772)
Retirement benefit obligations of unfunded plans	37,870	37,664
Net amount of liabilities and assets recorded in the consolidated balance sheet	26,442	4,891
Retirement benefit liability	41,727	40,259
Retirement benefit asset	15,284	35,368
Net amount of liabilities and assets recorded in the consolidated balance sheet	26,442	4,891

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

(5) Amounts of retirement benefit expenses and their components

	(Millions of yen)	
	FY2022	FY2023
	(from April 1, 2022 to March 31, 2023)	(from April 1, 2023 to March 31, 2024)
Service cost	7,001	6,636
Interest cost	1,075	1,195
Expected return on plan assets	(3,020)	(2,907)
Amortization of actuarial gains and losses	(597)	914
Amortization of past service cost	(217)	(365)
Expenses treated in conjunction with the change from the principle method to the simplified method	(157)	—
Retirement benefit expenses calculated by simplified method	1,693	(385)
Retirement benefit expenses relating to defined benefit plans	5,779	5,088

(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)

	FY2022 (from April 1, 2022 to March 31, 2023)	FY2023 (from April 1, 2023 to March 31, 2024)
Past service cost	(169)	11
Actuarial gains and losses	(7,372)	19,810
Total	(7,541)	19,822

(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:

	FY2022 (ended March 31, 2023)	FY2023 (ended March 31, 2024)
Unrecognized past service cost	708	720
Unrecognized actuarial gains and losses	(3,508)	16,302
Total	(2,799)	17,023

(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:

	FY2022 (ended March 31, 2023)	FY2023 (ended March 31, 2024)
Debt securities	39%	40%
Shares	24%	26%
Life insurance general account	12%	16%
Cash and deposits	4%	5%
Other	19%	13%
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

	FY2022 (ended March 31, 2023)	FY2023 (ended March 31, 2024)
Discount rate	0.2-0.7%	0.3-1.4%
Long-term expected rate of return	1.5-2.0%	1.5-2.0%
Expected rate of salary increase	2.8%	2.8%

3. Defined contribution plans

The amounts of required contributions to defined contribution plans of the Company and certain consolidated subsidiaries were 2,095 million yen in the fiscal year ended March 31, 2023 and 2,231 million yen in the fiscal year ended March 31, 2024.

(Tax effect accounting)

1. Major components of deferred tax assets and liabilities

	(Millions of yen)	
	FY2022 (ended March 31, 2023)	FY2023 (ended March 31, 2024)
Deferred tax assets		
Retirement benefit liability	13,430	12,601
Unrealized gains	6,621	6,686
Tax loss carryforwards (Note)	6,307	6,678
Provision for bonuses	5,372	5,668
Impairment losses	2,390	3,399
Loss on valuation of investment securities	1,825	2,117
Accrued enterprise tax	836	1,589
Assets adjustment	91	1,045
Other	14,014	17,314
Total gross deferred tax assets	50,891	57,102
Valuation allowance for tax loss carryforwards (Note)	(4,222)	(5,022)
Valuation allowance for total future deductible temporary differences, etc.	(3,451)	(5,775)
Total valuation allowance	(7,674)	(10,798)
Total deferred tax assets	43,217	46,303
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(15,592)	(21,979)
Retirement benefit asset	(5,089)	(10,997)
Accelerated depreciation of property, plant and equipment	(3,957)	(5,651)
Temporary differences arising from consolidation without tax effect	(3,461)	(3,165)
Reserve for tax-purpose reduction entry of non-current assets	(2,881)	(2,822)
Valuation difference on shares of subsidiaries and associates	(1,469)	(686)
Retained profit	(3,896)	(434)
Other	(882)	(1,100)
Total deferred tax liabilities	(37,230)	(46,837)
Net deferred tax assets (liabilities)	5,987	(534)

(Note) Tax loss carryforwards and their deferred tax assets by expiry date
FY2022 (ended March 31, 2023)

	Within 1 year (millions of yen)	After 1 year but within 2 years (millions of yen)	After 2 years but within 3 years (millions of yen)	After 3 years but within 4 years (millions of yen)	After 4 years but within 5 years (millions of yen)	After 5 years (millions of yen)	Total (millions of yen)
Tax loss carryforwards *	199	23	6	5	0	6,072	6,307
Valuation allowance	199	23	6	5	0	3,987	4,222
Deferred tax assets	—	—	—	—	—	2,084	2,084

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

FY2023 (ended March 31, 2024)

	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 *	—	—	—	38	—	6,640	6,678
Valuation allowance	—	—	—	—	—	5,022	5,022
Deferred tax assets	—	—	—	38	—	1,617	1,655

*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

	FY2022 (ended March 31, 2023)	FY2023 (ended March 31, 2024)
Statutory tax rate	30.5%	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.
(Adjustments)		
Tax credit	(4.3)%	
Other	2.7%	
Effective income tax rate after application of tax effect accounting	28.8%	

(Revenue recognition)

1. Information on disaggregation of revenue from contracts with customers

Information on disaggregation of revenue from contracts with customers is as stated in “Notes to consolidated financial statements, (Segment information)”

2. Information that serves as the basis for understanding revenue from contracts with customers

Information that serves as a basis for understanding revenue from contracts with customers is as described in “(5) Accounting policy for recognition of significant revenues and expenses” in “4. Accounting policies” in “Notes to consolidated financial statements, (Basis of preparation of consolidated financial statements).”

3. Information on the relationship between the fulfillment of performance obligations based on contracts with customers and cash flows from those contracts as well as the amount and time of revenue expected to be recognized in and after the fiscal year following the contracts with customers that exist at the end of the fiscal year under review

(1) Balance of contract assets and contract liabilities

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

(millions of yen)

	Fiscal year ended March 31, 2024	
	Beginning balance	Ending balance
Receivables arising from contracts with customers	185,552	191,659
Contract assets	721	752
Contract liabilities	43,033	50,413

Of the revenue recognized in the fiscal year ended March 31, 2024, revenue included in the balance of contract liabilities at the beginning of the period was 41,574 million yen.

Contract assets mainly concern the consideration for works which have been fulfilled on the reporting date, but which have not been invoiced to customers in the construction contracts in the Urban Infrastructure & Environmental Products Business and Other Businesses. Contract assets will be transferred to claims at the time when the Group's right with respect to consideration becomes unconditional. Consideration for the net sales of such completed construction contracts is invoiced and received in accordance with the payment terms under construction contracts.

Contract liabilities mainly concern advances received from customers for consignment contracts with respect to manufacture, construction, sale, renovation, etc. of modular houses in the Housing business, and construction work for various industrial plants, etc. in the Urban Infrastructure & Environmental Products business. Contract liabilities are liquidated as revenue is recognized.

FY2023 (from April 1, 2023 to March 31, 2024)

(millions of yen)

	Fiscal year ended March 31, 2024	
	Beginning balance	Ending balance
Receivables arising from contracts with customers	191,659	211,827
Contract assets	752	1,486
Contract liabilities	50,413	55,359

Of the revenue recognized in the fiscal year ended March 31, 2024, revenue included in the balance of contract liabilities at the beginning of the period was 48,865 million yen.

Contract assets mainly concern the consideration for works which have been fulfilled on the reporting date, but which have not been invoiced to customers in the construction contracts in the Urban Infrastructure & Environmental Products Business and Other Businesses. Contract assets will be transferred to claims at the time when the Group's right with respect to consideration becomes unconditional. Consideration for the net sales of such completed construction contracts is invoiced and received in accordance with the payment terms under construction contracts.

Contract liabilities mainly concern advances received from customers for consignment contracts with respect to manufacture, construction, sale, renovation, etc. of modular houses in the Housing business, and construction work for various industrial plants, etc. in the Urban Infrastructure & Environmental Products business. Contract liabilities are liquidated as revenue is recognized.

(2) Transaction price allocated to the remaining performance obligations

The total transaction amount allocated to remaining performance obligations and the period in which revenue recognition is expected are as follows, and they pertain to construction contracts mainly including contracts for manufacture, construction, sale, renovation, etc. of modular houses in the Housing business, and obligations to construct various industrial plants, etc. in

the Urban Infrastructure & Environmental Products Business.

The Group uses the practical expedient and does not include contracts which are initially expected to have a contract period of one year or less in Notes.

(millions of yen)

	FY2022	FY2023
Within 1 year	15,141	15,093
After 1 year but within 2 years	2,255	2,144
Over 2 years	801	462
Total	18,197	17,700

(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 & Environmental Products (UIEP), High Performance Plastics (HPP), and Medical based on manufacturing methods, products, sales channels, and other business similarities. Each business segment formulates comprehensive strategies and develops business activities for its products in Japan and overseas.

The Housing business comprises manufacturing of prefabricated housing, construction, sales, refurbishing, real estate, residential service business, and town and community development, etc.

The UIEP business comprises manufacturing, sales, and construction operations related to PVC pipes and joints, polyethylene pipes and joints, pipe and drain renewal materials and construction methods, reinforced plastic pipes, chlorinated PVC resin compound, construction materials, and FFU.

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

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

2. Calculation methods used for net sales, profit or loss, assets and the other items on each reportable segment

The accounting methods for the reportable segments are presented principally in accordance with those described in “Basis of Preparation of Consolidated Financial Statements.” Profit of the reportable segments are figures based on operating profit. Intersegment sales and transfers are presented based on the current market prices.

3. Information on the amounts of net sales, profit or loss, assets and other items for each reportable segment and information on disaggregation of revenue
FY2022 (from April 1, 2022 to March 31, 2023)

(millions of yen)

	Reportable segments					Other (Notes 1, 2)	Total
	Housing (Note 1)	Urban Infrastructure & Environmental Products	High Performance Plastics	Medical	Total		
Net sales							
Japan	535,427	179,576	107,663	42,619	865,287	2,168	867,456
North America	—	3,102	97,439	23,060	123,601	—	123,601
Europe	—	5,126	71,772	9,126	86,026	—	86,026
China	—	5,954	63,143	11,815	80,913	1,443	82,356
Asia	1,640	25,339	41,811	1,963	70,755	42	70,798
Other	—	2,205	8,982	1,094	12,282	—	12,282
Sales to external customers	537,067	221,305	390,812	89,680	1,238,866	3,654	1,242,521
Intersegment sales or transfers	303	12,990	5,576	—	18,870	3,733	22,603
Total	537,371	234,296	396,389	89,680	1,257,737	7,388	1,265,125
Segment profit (loss)	32,831	21,192	40,091	12,511	106,626	(10,894)	95,731
Segment assets	376,083	238,851	436,805	138,900	1,190,640	32,230	1,222,871
Other items							
Depreciation	11,067	8,438	20,966	4,935	45,407	2,487	47,894
Investments in entities accounted for by the equity method	9,824	—	3,037	—	12,861	—	12,861
Increase in property, plant and equipment and intangible assets	10,043	9,035	18,021	11,456	48,555	4,417	52,973

(Note 1) Net sales in “Housing” include 42,925 million yen that does not correspond to revenue from contracts with customers under “Japan.”

Net sales in “Other” include 891 million yen that does not correspond to revenue from contracts with customers under “Japan.”

(Note 2) “Other” represents segments other than the reportable segments and includes provision of services and manufacturing and sales of film-type lithium-ion batteries and products not included in the reportable segments.

FY2023 (from April 1, 2023 to March 31, 2024)

(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	528,041	182,499	110,946	45,876	867,364	2,416	869,781
North America	—	2,800	101,150	21,527	125,478	—	125,478
Europe	—	5,432	76,102	8,797	90,332	—	90,332
China	—	5,594	68,146	13,443	87,184	2,171	89,355
Asia	1,374	22,693	44,936	2,207	71,212	69	71,282
Other	—	2,928	6,612	768	10,308	—	10,308
Sales to external customers	529,416	221,949	407,894	92,620	1,251,880	4,657	1,256,538
Intersegment sales or transfers	277	12,838	5,002	—	18,118	2,595	20,714
Total	529,693	234,787	412,897	92,620	1,269,999	7,252	1,277,252
Segment profit (loss)	27,729	22,129	50,931	10,952	111,743	(10,821)	100,921
Segment assets	374,477	261,935	479,355	149,002	1,264,771	30,498	1,295,269
Other items							
Depreciation	11,605	8,663	22,119	5,623	48,011	2,082	50,094
Investments in entities accounted for by the equity method	10,373	—	3,207	—	13,580	—	13,580
Increase in property, plant and equipment and intangible assets	10,192	10,090	22,918	7,082	50,283	2,708	52,992

(Note 1) Net sales in “Housing” include 43,731 million yen that does not correspond to revenue from contracts with customers under “Japan.”

Net sales in “Other” include 908 million yen that does not correspond to revenue from contracts with customers under “Japan.”

(Note 2) “Other” represents segments other than the reportable segments and includes provision of services and manufacturing and sales of film-type lithium-ion batteries and products not included in the reportable segments.

4. Differences between the total amount of reportable segments and the amount in consolidated financial statements and descriptions on such differences (matters on difference adjustments)

(millions of yen)

Net sales	FY2022	FY2023
Reportable segment total	1,257,737	1,269,999
Net sales in “other”	7,388	7,252
Intersegment eliminations	(22,603)	(20,714)
Net sales in consolidated statement of income	1,242,521	1,256,538

(millions of yen)

Profit	FY2022	FY2023
Reportable segment total	106,626	111,743
Profit (loss) in “other”	(10,894)	(10,821)
Intersegment eliminations	417	288
Corporate expenses (Note)	(4,483)	(6,810)
Operating profit in consolidated statement of income	91,666	94,399

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

(millions of yen)

Assets	FY2022	FY2023
Reportable segment total	1,190,640	1,264,771
Assets in “other”	32,230	30,498
Intersegment eliminations	(365,970)	(404,595)
Corporate assets (Note)	371,230	432,569
Total assets in the consolidated balance sheet	1,228,131	1,323,243

(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	
	FY2022	FY2023	FY2022	FY2023	FY2022	FY2023	FY2022	FY2023
Depreciation	45,407	48,011	2,487	2,082	1,099	1,101	48,995	51,195
Investments in entities accounted for by the equity method	12,861	13,580	—	—	31,004	10,060	43,866	23,640
Increase in property, plant and equipment and intangible assets	48,555	50,283	4,417	2,708	6,376	11,281	59,349	64,274

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

Related information

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

1. Information by product and service

The information is omitted because the same information is disclosed in “Segment information.”

2. Information by geographic area

(1) Net sales

The information is omitted because the same information is disclosed in “Segment information.”

(2) Property, plant and equipment

(millions of yen)						
Japan	North America	Europe	China	Asia	Other	Total
247,741	42,372	52,009	11,998	21,465	1,796	377,381

(Note) Property, plant and equipment of the Europe segment includes that of Netherland of 42,720 million yen which constitutes more than 10% of the property, plant and equipment in the Consolidated Balance Sheets.

FY2023 (from April 1, 2023 to March 31, 2024)

1. Information by product and service

The information is omitted because the same information is disclosed in “Segment information.”

2. Information by geographic area

(1) Net sales

The information is omitted because the same information is disclosed in “Segment information.”

(2) Property, plant and equipment

(millions of yen)						
Japan	North America	Europe	China	Asia	Other	Total
245,662	52,245	57,767	12,291	22,531	1,986	392,485

(Notes) 1. Property, plant and equipment of the North America segment includes that of the United States of 44,205 million yen which constitutes more than 10% of the property, plant and equipment in the Consolidated Balance Sheets.

2. Property, plant and equipment of the Europe segment includes that of Netherland of 47,403 million yen which constitutes more than 10% of the property, plant and equipment in the Consolidated Balance Sheets.

Information on impairment losses of non-current assets by reportable segment
FY2022 (from April 1, 2022 to March 31, 2023)

(millions of yen)

	Housing	Urban Infrastructure & Environment al Products	High Performance Plastics	Medical	Other	Corporate and elimination	Total
Impairment losses	66	47	165	97	91	—	468

FY2023 (from April 1, 2023 to March 31, 2024)

(millions of yen)

	Housing	Urban Infrastructure & Environment al Products	High Performance Plastics	Medical	Other	Corporate and elimination	Total
Impairment losses	167	188	64	—	3,707	—	4,128

Information on amortization of goodwill and unamortized balance of goodwill by reportable segment
FY2022 (from April 1, 2022 to March 31, 2023)

(millions of yen)

	Housing	Urban Infrastructure & Environment al Products	High Performance Plastics	Medical	Other	Corporate and elimination	Total
Amortization during the period	117	209	596	2,488	—	—	3,411
Balance at end of period	1,288	157	4,109	5,473	—	—	11,028

FY2023 (from April 1, 2023 to March 31, 2024)

(millions of yen)

	Housing	Urban Infrastructure & Environment al Products	High Performance Plastics	Medical	Other	Corporate and elimination	Total
Amortization during the period	378	157	603	338	—	—	1,477
Balance at end of period	991	—	3,790	3,854	—	—	8,636

(Related party information)

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

Related party transactions

Transactions between the Company's consolidated subsidiaries and their related parties

The Company's officers and principal shareholders (individuals only), etc.

Description	Name of company, person, etc.	Location	Share capital or investment (millions of yen)	Description of business or occupation	Voting rights ownership (owned) ratio (%)	Relationship with related party	Description of transaction	Transaction amount (millions of yen)	Item	Ending balance (millions of yen)
Company, etc. in which a near relative of officers holds the majority of voting rights	Musashi Kougyousha Co., Ltd.	Fushimi-ku, Kyoto	10	Manufacturing	—	Processing of metal parts	Processing of metal parts (Note)	37	Accounts payable - trade	—
									Accrued expenses	—

(Note) Transaction conditions and policies for determination of transaction conditions, etc.

Transaction conditions have been determined after both parties consulted by reference to market price, etc.

FY2023 (from April 1, 2023 to March 31, 2024)

Related party transactions

Transactions between the Company's consolidated subsidiaries and their related parties

The Company's officers and principal shareholders (individuals only), etc.

Description	Name of company, person, etc.	Location	Share capital or investment (millions of yen)	Description of business or occupation	Voting rights ownership (owned) ratio (%)	Relationship with related party	Description of transaction	Transaction amount (millions of yen)	Item	Ending balance (millions of yen)
Company, etc. in which a near relative of officers holds the majority of voting rights	Musashi Kougyousha Co., Ltd.	Fushimi-ku, Kyoto	10	Manufacturing	—	Processing of metal parts	Processing of metal parts (Note)	61	Accounts payable - trade	—
									Accrued expenses	4

(Note) Transaction conditions and policies for determination of transaction conditions, etc.

Transaction conditions have been determined after both parties consulted by reference to market price, etc.

(Per share information)

FY2022 (from April 1, 2022 to March 31, 2023)	FY2023 (from April 1, 2023 to March 31, 2024)
Net assets per share ¥1,642.67	Net assets per share ¥1,880.30
Basic earnings per share ¥159.19	Basic earnings per share ¥183.48

(Notes) 1. The diluted earnings per share for the fiscal year under review is not provided because there are no potential shares.

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

	FY2022 (from April 1, 2022 to March 31, 2023)	FY2023 (from April 1, 2023 to March 31, 2024)
Basic earnings per share		
Profit attributable to owners of parent (millions of yen)	69,263	77,930
Amount not attributable to common shareholders (millions of yen)	—	—
Profit attributable to owners of parent relating to common shares (millions of yen)	69,263	77,930
Average number of outstanding common shares during the period (thousands of shares)	435,097	424,727

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

	FY2022 (ended March 31, 2023)	FY2023 (ended March 31, 2024)
Total amount of net assets (millions of yen)	732,525	820,925
Amount deducted from the total amount of net assets (millions of yen)	27,498	28,595
(of which, non-controlling interests) (millions of yen)	(27,498)	(28,595)
Net assets relating to common shares at year- end (millions of yen)	705,026	792,329
Number of common shares at year-end used for the calculation of net assets per share (thousands of shares)	429,195	421,385

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 957,000 shares in the fiscal year ended March 31, 2024 and 852,000 shares in the fiscal year ended March 31, 2023, and the number of treasury shares at year-end deducted for the calculation of net assets per share was 932,000 shares in the fiscal year ended March 31, 2024 and 1,022,000 shares in the fiscal year ended March 31, 2023.

(Significant subsequent events)

(Purchase of treasury shares)

The Company resolved at its Board of Directors meeting on April 26, 2024 the following matters associated with the acquisition of treasury shares based on the provision of Article 156 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

Execution of agile capital policy in response to changes in the business environment

(2) Contents of resolution of the Board of Directors regarding the acquisition of treasury shares

(i) Class of shares to be acquired

Common shares of the Company

(ii) Total number of shares to be acquired

Up to 4,000,000 shares

(iii) Acquisition period

From April 30, 2024 to March 31, 2025

(iv) Total acquisition amount

Up to ¥9,200 million

(v) Acquisition method

Purchase through the market including an advance-notice-type market buying system (ToSTNeT-3)

(3) Purchase of treasury shares

(i) Class of shares acquired

Common shares of the Company

(ii) Total number of shares acquired

4,000,000 shares

(iii) Total acquisition amount

¥8,918 million

(iv) Acquisition date

From May 29, 2024 to June 5, 2024

(v) Acquisition method

Purchase through the market including off-floor trading of treasury shares (ToSTNeT-3)

(Cancellation of Treasury Shares)

The Company resolved at its Board of Directors meeting on April 26, 2024 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 24, 2024.

(1) Reasons for cancelling treasury shares

Improvement of capital efficiency

(2) Contents of resolution of the Board of Directors regarding the cancellation of treasury shares

(i) Class of shares to be cancelled

Common shares of the Company

(ii) Number of shares to be cancelled

4,000,000 shares

(iii) Cancellation date

May 24, 2024

(iv) Total number of issued shares after cancellation

444,507,285 shares

(v) Annexed consolidated detailed schedules

Detailed schedule of corporate bonds

Company name	Issue	Date of issuance	Balance at beginning of period (millions of yen)	Balance at end of period (millions of yen)	Interest rate (%)	Secured/unsecured	Maturity
Sekisui Chemical Co., Ltd.	No. 6 unsecured bonds	June 14, 2016	10,000	10,000	0.28	N/A	June 12, 2026
Sekisui Chemical Co., Ltd.	No. 7 unsecured bonds	September 13, 2019	30,000	30,000	0.20	N/A	September 13, 2029
Tochigi Sekisui Heim Co., Ltd.	No. 2 unsecured bonds	April 26, 2021	30	30 (30)	0.12	N/A	April 26, 2024
Total	-	-	40,030	40,030 (30)	-	-	-

(Notes) 1. Amounts in parentheses are the scheduled redemption amounts within one year.

2. The scheduled amount of redemption of bonds within five years after the consolidated balance sheet date is as follows:

Within 1 year (millions of yen)	After 1 year but within 2 years (millions of yen)	After 2 years but within 3 years (millions of yen)	After 3 years but within 4 years (millions of yen)	After 4 years but within 5 years (millions of yen)
30	-	10,000	-	-

Detailed schedule of borrowings

Category	Balance at beginning of period (millions of yen)	Balance at end of period (millions of yen)	Average interest rate (%)	Repayment due
Short-term borrowings	1,048	1,504	1.40	-
Current portion of long-term borrowings	2,521	10,065	0.21	-
Current portion of lease liabilities	5,156	5,433	-	-
Long-term borrowings (excluding the current portion of long-term borrowings)	56,187	46,270	0.28	2025 to 2030
Lease liabilities (excluding the current portion of lease liabilities)	15,515	17,421	-	2025 to 2059
Total	80,429	80,695	-	-

(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)	383	15,884	1	0
Lease liabilities (millions of yen)	4,275	3,237	2,369	2,020

Detailed schedule of asset retirement obligations

Not applicable.

(2) Other

(Quarterly information for the fiscal year ended March 31, 2024)

(Cumulative period)	First quarter	Second quarter	Third quarter	FY2023
Net sales (millions of yen)	285,393	611,294	923,931	1,256,538
Profit before income taxes (millions of yen)	35,590	64,940	85,867	111,479
Profit attributable to owners of parent (millions of yen)	24,129	44,450	58,432	77,930
Basic earnings per share (yen)	56.40	104.18	137.22	183.48

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Quarterly basic earnings per share (yen)	56.40	47.77	32.96	46.27

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, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	8,604	9,168
Notes receivable - trade	*1 7,377	*1, *4 8,009
Accounts receivable - trade	*1 72,844	*1 84,600
Merchandise and finished goods	26,626	25,559
Land for sale in lots	17,087	20,427
Work in process	6,418	6,245
Raw materials and supplies	8,796	8,360
Advance payments to suppliers	1,119	875
Prepaid expenses	748	810
Short-term loans receivable	*1 23,676	*1 26,708
Accounts receivable - other	*1 50,704	*1 39,753
Other	1,012	461
Allowance for doubtful accounts	(11)	(12)
Total current assets	225,006	230,968
Non-current assets		
Property, plant and equipment		
Buildings	*2 34,908	*2 35,690
Structures	*2 2,616	*2 2,698
Machinery and equipment	*2 23,267	*2 22,426
Vehicles	*2 115	*2 108
Tools, furniture and fixtures	*2 3,306	*2 4,269
Land	*2 37,012	*2 38,448
Leased assets	426	467
Construction in progress	3,331	5,531
Total property, plant and equipment	104,984	109,640
Intangible assets		
Industrial property	175	51
Right to use facilities	104	104
Software	*2 12,749	*2 12,180
Leased assets	0	-
Other	8,502	16,655
Total intangible assets	21,531	28,991
Investments and other assets		
Investment securities	86,203	96,965
Shares of subsidiaries and associates	263,747	256,731
Long-term loans receivable	407	406
Long-term prepaid expenses	784	1,177
Prepaid pension costs	10,333	9,714
Leasehold and guarantee deposits	*1 1,886	*1 1,847
Other	610	511
Allowance for doubtful accounts	(274)	(209)
Total investments and other assets	363,698	367,145
Total non-current assets	490,215	505,776
Total assets	715,221	736,745

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes payable - trade	0	—
Electronically recorded obligations - operating	6,147	—
Accounts payable - trade	*1 101,909	*1 94,742
Short-term borrowings	*1 99,708	*1 86,042
Lease liabilities	118	139
Accounts payable - other	*1 8,480	*1 9,473
Accrued expenses	*1 16,047	*1 18,191
Income taxes payable	199	12,202
Advances received	506	249
Deposits received	*1 5,611	*1 6,410
Provision for bonuses	4,187	4,670
Provision for bonuses for directors (and other officers)	209	320
Provision for warranties for completed construction	2,078	1,684
Provision for share awards	115	112
Other	175	473
Total current liabilities	245,496	234,713
Non-current liabilities		
Bonds payable	40,000	40,000
Long-term borrowings	*1 55,100	*1 45,500
Lease liabilities	307	338
Deferred tax liabilities	9,347	12,801
Provision for retirement benefits	23,766	24,097
Provision for share awards	900	1,083
Other	66	77
Total non-current liabilities	129,487	123,897
Total liabilities	374,983	358,611
Net assets		
Shareholders' equity		
Share capital	100,002	100,002
Capital surplus		
Legal capital surplus	109,234	109,234
Total capital surplus	109,234	109,234
Retained earnings		
Legal retained earnings	10,363	10,363
Other retained earnings		
Reserve for tax purpose reduction entry of land	4,141	4,141
Reserve for tax purpose reduction entry of depreciable assets	2,192	2,063
Reserve for open innovation promotion	53	—
General reserve	39,471	39,471
Retained earnings brought forward	85,651	112,025
Total retained earnings	141,871	168,063
Treasury shares	(46,528)	(48,605)
Total shareholders' equity	304,580	328,695
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	35,657	49,439
Total valuation and translation adjustments	35,657	49,439
Total net assets	340,237	378,134
Total liabilities and net assets	715,221	736,745

(ii) Non-consolidated statement of income

(Millions of yen)

		Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024
Net sales	*1	382,513	*1	386,059
Cost of sales	*1	289,242	*1	282,796
Gross profit		93,271		103,263
Selling, general and administrative expenses	*2	85,858	*2	93,710
Operating profit		7,413		9,552
Non-operating income				
Interest and dividend income	*1	34,547	*1	36,025
Miscellaneous income	*1	16,317	*1	17,031
Total non-operating income		50,864		53,057
Non-operating expenses				
Interest expenses	*1	342	*1	366
Interest expenses on bonds		88		88
Miscellaneous expenses	*1	563	*1	2,834
Total non-operating expenses		993		3,288
Ordinary profit		57,284		59,321
Extraordinary income				
Gain on sale of investment securities		319		13,714
Gain on sale of shares of subsidiaries and associates		380		12,288
Total extraordinary income		699		26,002
Extraordinary losses				
Loss on valuation of investment securities		—		2,453
Loss on valuation of shares of subsidiaries and associates		4,248		554
Impairment losses		165		195
Loss on sale and retirement of non-current assets		696		623
Total extraordinary losses		5,110		3,826
Profit before income taxes		52,873		81,497
Income taxes - current		3,341		16,203
Income taxes - deferred		2,152		(2,678)
Total income taxes		5,493		13,525
Profit		47,379		67,971

(iii) Non-consolidated statement of changes in equity
FY2022 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Legal retained earnings	Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings		
						Reserve for tax purpose reduction entry of land	Reserve for tax purpose reduction entry of depreciable assets	Reserve for open innovation promotion
Balance at beginning of period	100,002	109,234	–	109,234	10,363	4,141	2,344	53
Changes during period								
Reversal of reserve for tax purpose reduction entry of depreciable assets							(152)	
Reversal of reserve for open innovation promotion								
Dividends of surplus								
Profit								
Cancellation of treasury shares			(25,258)	(25,258)				
Purchase of treasury shares								
Disposal of treasury shares			99	99				
Transfer from retained earnings to capital surplus			25,158	25,158				
Net changes in items other than shareholders' equity								
Total changes during period	–	–	–	–	–	–	(152)	–
Balance at end of period	100,002	109,234	–	109,234	10,363	4,141	2,192	53

	Shareholders' equity					Valuation and translation adjustments		Total net assets
	Retained earnings			Treasury shares	Total 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	87,095	143,467	(44,466)	308,238	31,403	31,403	339,641
Changes during period								
Reversal of reserve for tax purpose reduction entry of depreciable assets		152	—		—			—
Reversal of reserve for open innovation promotion			—		—			—
Dividends of surplus		(23,816)	(23,816)		(23,816)			(23,816)
Profit		47,379	47,379		47,379			47,379
Cancellation of treasury shares				25,258				—
Purchase of treasury shares				(27,454)	(27,454)			(27,454)
Disposal of treasury shares				133	233			233
Transfer from retained earnings to capital surplus		(25,158)	(25,158)		—			—
Net changes in items other than shareholders' equity						4,254	4,254	4,254
Total changes during period	—	(1,443)	(1,595)	(2,062)	(3,658)	4,254	4,254	596
Balance at end of period	39,471	85,651	141,871	(46,528)	304,580	35,657	35,657	340,237

FY2023 (from April 1, 2023 to March 31, 2024)

(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 tax purpose reduction entry of land	Reserve for tax purpose reduction entry of depreciable assets	Reserve for open innovation promotion
Balance at beginning of period	100,002	109,234	–	109,234	10,363	4,141	2,192	53
Changes during period								
Reversal of reserve for tax purpose reduction entry of depreciable assets							(129)	
Reversal of reserve for open innovation promotion								(53)
Dividends of surplus								
Profit								
Cancellation of treasury shares			(13,935)	(13,935)				
Purchase of treasury shares								
Disposal of treasury shares			0	0				
Transfer from retained earnings to capital surplus			13,935	13,935				
Net changes in items other than shareholders' equity								
Total changes during period	–	–	–	–	–	–	(129)	(53)
Balance at end of period	100,002	109,234	–	109,234	10,363	4,141	2,063	–

	Shareholders' equity					Valuation and translation adjustments		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	85,651	141,871	(46,528)	304,580	35,657	35,657	340,237
Changes during period								
Reversal of reserve for tax purpose reduction entry of depreciable assets		129	—		—			—
Reversal of reserve for open innovation promotion		53	—		—			—
Dividends of surplus		(27,845)	(27,845)		(27,845)			(27,845)
Profit		67,971	67,971		67,971			67,971
Cancellation of treasury shares				13,935	—			—
Purchase of treasury shares				(16,173)	(16,173)			(16,173)
Disposal of treasury shares				161	161			161
Transfer from retained earnings to capital surplus		(13,935)	(13,935)		—			—
Net changes in items other than shareholders' equity						13,781	13,781	13,781
Total changes during period	—	26,373	26,191	(2,076)	24,115	13,781	13,781	37,896
Balance at end of period	39,471	112,025	168,063	(48,605)	328,695	49,439	49,439	378,134

Notes to non-consolidated financial statements

(Significant accounting policies)

1. Valuation basis and methods for assets

(1) Valuation basis and methods for securities

(i) Held-to-maturity debt securities

.....Amortized cost method

(ii) Shares of subsidiaries and associates

.....Stated at cost based on the moving average method

(iii) Available-for-sale securities

Other than shares, etc. without market price

.....Stated at fair value

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

Shares, etc. without market price

.....Stated at cost based on the moving average method

(2) Valuation basis and methods for derivatives

.....Stated at fair value

(3) Valuation basis and methods for inventories

Inventories held for regular sales

(i) Merchandise and finished goods.....Stated at cost based on the periodic average method

(ii) Work in process.....Stated at cost based on the moving average method (partly the specific identification method)

(iii) Raw materials and supplies.....Stated at cost based on the moving average method

(iv) Real estate for sale.....Stated at cost based on the specific identification method

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

2. Accounting method for depreciation of non-current assets

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

The straight-line method is applied.

Major useful lives are as follows:

Buildings:.....3 to 50 years

Machinery and equipment:.....4 to 17 years

(2) Intangible assets (excluding leased assets)

The straight-line method is applied.

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

(3) Leased assets

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

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

(4) Long-term prepaid expenses

The straight-line method is applied.

3. Accounting policy for provisions

(1) Allowance for doubtful accounts

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

(2) Provision for bonuses

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

(3) Provision for bonuses for directors (and other officers)

To provide for payment of bonuses for directors (and other officers), the expected payment amount is recorded.

(4) Provision for warranties for completed construction

To provide for payment associated with non-conformance liabilities, etc. for prefabricated housing, the expected amount of future

payment based on past repair costs is recorded.

(5) Provision for share awards

To prepare for the issuance of the Company's shares to Directors and other employees in senior positions based on the share issuance regulations, the estimated value of the Company's shares corresponding to the share issuance points granted to eligible persons at the end of the fiscal year under review is recorded.

(6) Provision for retirement benefits

To prepare for payment of retirement benefits for employees, the expected amounts of retirement benefit obligations and pension assets as of the end of the fiscal year under review are recorded.

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

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

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

To prepare for payment of retirement benefits associated with re-employment of elderly persons, the expected amount of retirement benefit obligations as of the end of the fiscal year under review is recorded.

4. Accounting policy for recognition of revenues and expenses

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

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

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

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

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

(2) Revenues related to construction contracts

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

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

(3) Revenues related to sale of services and others

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

5. Other basis of preparation of non-consolidated financial statements

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

Non-deductible consumption taxes and local consumption taxes related to assets are accounted for as period expenses for the fiscal year ended March 31, 2024.

(2) Application of the group tax sharing system

The group tax sharing system is being applied.

(3) Accounting treatment for retirement benefits

The method of accounting for unrecognized actuarial gains and losses and past service cost relating to retirement benefits differs from the method of accounting for these items in the consolidated balance sheet.

(Significant accounting estimates)

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

Valuation of land for sale in lots

(1) Amount recorded in the non-consolidated financial statements for the fiscal year under review

Land for sale in lots: ¥17,087 million

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

Details are as per the description in Notes to consolidated financial statements, (Significant Accounting Estimates), “1. Valuation of land for sale in lots.”

II. FY2023 (from April 1, 2023 to March 31, 2024)

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: ¥20,427 million

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

Details are as per the description in Notes to consolidated financial statements, (Significant Accounting Estimates), “1. Valuation of land for sale in lots.”

(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:

	FY2022 (ended March 31, 2023)	FY2023 (ended March 31, 2024)
Short-term monetary claims	114,386	126,017
Long-term monetary claims	1	1
Short-term monetary obligations	162,222	137,553
Long-term monetary obligations	0	—

- *2. Amount of tax-purpose reduction entry

With the receipt of national subsidies, the following amount of tax-purpose reduction entry is deducted from the acquisition value of relevant assets.

The amount of tax-purpose reduction entry based on expropriation is included respectively in the following: 440 million yen in buildings, 61 million yen in structures, and 1,430 million yen in land.

	FY2022 (ended March 31, 2023)	FY2023 (ended March 31, 2024)
Buildings	823	823
Structures	72	72
Machinery and equipment	533	778
Vehicles	1	1
Tools, furniture and fixtures	86	94
Land	1,430	1,430
Software	76	76

3. Guarantee obligations

The following liabilities are guaranteed:

	FY2022 (ended March 31, 2023)	FY2023 (ended March 31, 2024)
Guarantee obligations of housing loans for prefabricated modular housing purchasers	39,007	46,952
Guarantees for loans from financial institutions, etc. of subsidiaries and associates	14,607	19,104
Total	53,614	66,056

- *4. Notes maturing at the end of the period

For accounting treatment of notes maturing at the end of the fiscal year, they are settled on the clearance date of the notes. In this regard, since the end of the fiscal year under review fell on a bank holiday, the following matured notes were included in the balance at the end of the fiscal year.

	FY2022 (ended March 31, 2023)	FY2023 (ended March 31, 2024)
Notes receivable - trade	—	750

(Notes to non-consolidated statement of income)

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

	(Millions of yen)	
	FY2022	FY2023
	(from April 1, 2022 to March 31, 2023)	(from April 1, 2023 to March 31, 2024)
Net sales	286,510	290,518
Purchase of goods	242,157	232,693
Transactions other than business-related transactions	46,804	48,988

*2. Of which, the ratio of expenses categorized under selling expenses is approximately 19% for FY2022 and 17% for FY2023.

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

	(Millions of yen)	
	FY2022	FY2023
	(from April 1, 2022 to March 31, 2023)	(from April 1, 2023 to March 31, 2024)
Freight costs, storage fees and packing expenses	11,843	10,594
Employees' salaries, allowance and bonuses	14,190	14,967
Provision for bonuses	2,376	2,764
Retirement benefit expenses	502	1,926
Depreciation	5,323	5,995
Commission	13,548	14,787
Research and development expenses	27,690	28,691

(Securities)

I. FY2022 (ended March 31, 2023)

Shares of subsidiaries and associates

(Millions of yen)

Category	Carrying amount in balance sheet	Fair value	Difference
Shares of subsidiaries	2,019	3,740	1,720
Shares of associates	12,386	26,323	13,936
Total	14,406	30,063	15,656

Note: Shares, etc. without market price that are not included in the above

Category	Carrying amount in balance sheet (millions of yen)
Shares of subsidiaries	244,198
Shares of associates	5,142

II. FY2023 (ended March 31, 2024)

Shares of subsidiaries and associates

(Millions of yen)

Category	Carrying amount in balance sheet	Fair value	Difference
Shares of subsidiaries	2,019	4,199	2,180
Shares of associates	6,826	10,278	3,452
Total	8,846	14,478	5,632

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	243,072
Shares of associates	4,812

(Tax effect accounting)

1. Major components of deferred tax assets and liabilities

	(Millions of yen)	
	FY2022 (ended March 31, 2023)	FY2023 (ended March 31, 2024)
Deferred tax assets		
Loss on valuation of shares of subsidiaries and associates	9,706	9,199
Provision for retirement benefits	7,248	7,349
Impairment losses	3,350	3,246
Other	6,671	8,727
Total gross deferred tax assets	26,977	28,523
Valuation allowance	(13,064)	(12,983)
Total deferred tax assets	13,913	15,540
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(15,435)	(21,567)
Prepaid pension costs	(3,151)	(2,962)
Reserve for tax-purpose reduction entry of non-current assets	(2,778)	(2,721)
Valuation difference on shares of subsidiaries and associates	(1,469)	(686)
Other	(425)	(402)
Total deferred tax liabilities	(23,260)	(28,341)
Net deferred tax liabilities	(9,347)	(12,801)

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

	FY2022 (ended March 31, 2023)	FY2023 (ended March 31, 2024)
Statutory tax rate	30.5%	30.5%
(Adjustments)		
Expenses not deductible permanently, such as entertainment expenses	0.6	0.6
Income not taxable permanently, such as dividend income	(17.8)	(11.6)
Tax credit	(4.5)	(3.2)
Valuation allowance	1.6	(0.1)
Other	0.0	0.4
Effective income tax rate after application of tax effect accounting	10.4	16.6

(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 26, 2024 the following matters associated with the acquisition of treasury shares based on the provision of Article 156 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

Execution of agile capital policy in response to changes in the business environment

(2) Contents of resolution of the Board of Directors regarding the acquisition of treasury shares

(i) Class of shares to be acquired

Common shares of the Company

(ii) Total number of shares to be acquired

Up to 4,000,000 shares

(iii) Acquisition period

From April 30, 2024 to March 31, 2025

(iv) Total acquisition amount

Up to ¥9,200 million

(v) Acquisition method

Purchase through the market including an advance-notice-type market buying system (ToSTNeT-3)

(3) Purchase of treasury shares

(i) Class of shares acquired

Common shares of the Company

(ii) Total number of shares acquired

4,000,000 shares

(iii) Total acquisition amount

¥8,918 million

(iv) Acquisition date

From May 29, 2024 to June 5, 2024

(v) Acquisition method

Purchase through the market including off-floor trading of treasury shares (ToSTNeT-3)

(Cancellation of Treasury Shares)

The Company resolved at its Board of Directors meeting on April 26, 2024 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 24, 2024.

(1) Reasons for cancelling treasury shares

Improvement of capital efficiency

(2) Contents of resolution of the Board of Directors regarding the cancellation of treasury shares

(i) Class of shares to be cancelled

Common shares of the Company

(ii) Number of shares to be cancelled

4,000,000 shares

(iii) Cancellation date

May 24, 2024

(iv) Total number of issued shares after cancellation

444,507,285 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	34,908	3,627	203	2,642	35,690	63,737	99,427
Structures	2,616	355	17	255	2,698	11,010	13,709
Machinery and equipment	23,267	6,032	477 (172)	6,396	22,426	144,066	166,493
Vehicles	115	41	0	49	108	830	938
Tools, furniture and fixtures	3,306	2,643	48 (2)	1,632	4,269	26,595	30,864
Land	37,012	1,565	129 (7)	–	38,448	–	38,448
Leased assets	426	194	13 (13)	140	467	401	868
Construction in progress	3,331	16,467	14,266	–	5,531	–	5,531
Total property, plant and equipment:	104,984	30,928	15,157 (196)	11,116	109,640	246,641	356,281
Intangible assets							
Industrial property	175	0	–	125	51	2,196	2,247
Right to use facilities	104	–	0	0	104	325	430
Software	12,749	3,985	43 (6)	4,511	12,180	39,600	51,781
Leased assets	0	–	–	0	–	–	–
Other intangible assets	8,502	12,139	3,986	–	16,655	–	16,655
Total intangible assets	21,531	16,125	4,029 (6)	4,636	28,991	42,123	71,114

Notes: 1. The figures in parentheses under “Decrease during the period” represent the impairment loss component of the stated decreases.

2. Major items in increase and decrease during the period are as follows.

Category of assets	Increase or decrease	Business office or location	Description	Amount (millions of yen)
Other intangible assets	Increase	Headquarters	ERP system	7,344
Buildings	Increase	Gunma Plant	New main building construction and workplace environment improvement	984
Buildings	Increase	Osaka Head Office	Renovation of Osaka Head Office	590

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	285	387	451	221
Provision for bonuses	4,187	4,670	4,187	4,670
Provision for bonuses for directors (and other officers)	209	320	209	320
Provision for warranties for completed construction	2,078	853	1,246	1,684
Provision for share awards	1,015	339	159	1,195

(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 25, 2023

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

For the 101st Business Term (from April 1, 2022 to March 31, 2023), submitted to the Director-General of the Kanto Local Finance Bureau on June 22, 2023

(3) Internal control report and attached documents

Submitted to the Director-General of the Kanto Local Finance Bureau on June 22, 2023

(4) Quarterly securities report and confirmation letter

For first quarter of the 102nd Business Term (from April 1, 2023 to June 30, 2023), submitted to the Director-General of the Kanto Local Finance Bureau on August 9, 2023

For second quarter of the 102nd Business Term (from July 1, 2023 to September 30, 2023), submitted to the Director-General of the Kanto Local Finance Bureau on November 14, 2023

For third quarter of the 102nd Business Term (from October 1, 2023 to December 31, 2023), submitted to the Director-General of the Kanto Local Finance Bureau on February 9, 2024

(5) Extraordinary report

Submitted to the Director-General of the Kanto Local Finance Bureau on June 23, 2023

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)

(6) Amended extraordinary report

Submitted to the Director-General of the Kanto Local Finance Bureau on July 3, 2023

This is an amended extraordinary report concerning the extraordinary report submitted on June 23, 2023.

(7) Change report

Submitted to the Director-General of the Kanto Local Finance Bureau on August 7, 2023

Submitted to the Director-General of the Kanto Local Finance Bureau on January 10, 2024

(8) Amended change report

Submitted to the Director-General of the Kanto Local Finance Bureau on January 10, 2024

This is an amended change report concerning the change report submitted on August 7, 2023.

Submitted to the Director-General of the Kanto Local Finance Bureau on January 10, 2024

This is an amended change report concerning the change report submitted on November 29, 2019.

(9) Share buyback report

Submitted to the Director-General of the Kanto Local Finance Bureau on July 11, 2023

Submitted to the Director-General of the Kanto Local Finance Bureau on August 9, 2023

Submitted to the Director-General of the Kanto Local Finance Bureau on September 11, 2023

Submitted to the Director-General of the Kanto Local Finance Bureau on October 11, 2023

Submitted to the Director-General of the Kanto Local Finance Bureau on November 10, 2023

Submitted to the Director-General of the Kanto Local Finance Bureau on December 11, 2023

Submitted to the Director-General of the Kanto Local Finance Bureau on January 10, 2024

Submitted to the Director-General of the Kanto Local Finance Bureau on February 8, 2024
Submitted to the Director-General of the Kanto Local Finance Bureau on March 11, 2024
Submitted to the Director-General of the Kanto Local Finance Bureau on April 10, 2024
Submitted to the Director-General of the Kanto Local Finance Bureau on May 10, 2024
Submitted to the Director-General of the Kanto Local Finance Bureau on June 10, 2024

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

Not applicable.