Annual Report 2022

for the year ended March 31, 2022

SEKISUI JUSHI CORPORATION

Corporate Profile

The Sekisui Jushi Group continues its business under its corporate slogan: The aim of the Sekisui Jushi Group is to contribute to a safer, more secure and healthier environment for society by creating valued products and services, through the application of composite technology.

Through original technology and attention to quality, the Group has developed many high value-added products and specialty products, and has grown into a manufacturing enterprise with a wide range of product lines that includes consumer goods as well as industrial and commercial products.

The ubiquitous presence of our products in homes, factories and supermarkets, on farmland and highways, and at construction sites eloquently tells the unique story of the Group's ongoing pioneering efforts.

Contents

Railings to Block Discarded Objects

Amid nationwide efforts to improve infrastructure with the aim of strengthening national resilience, our railings have been selected for their ability to block discarded objects. (Miyagi Prefecture)

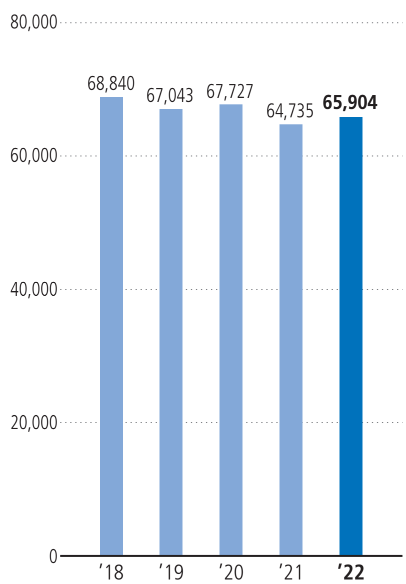
Financial Highlights

Sekisui Jushi Corporation and Consolidated Subsidiaries
Years ended March 31, 2022, 2021, 2020, 2019, 2018

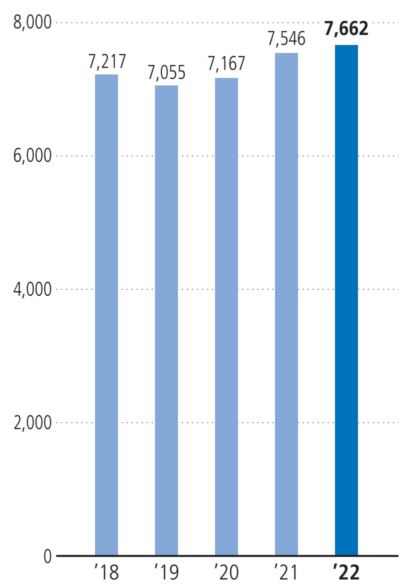
	Millions of Yen					*Thousands of U.S. dollars**
	2018	2019	2020	2021	**2022**	**2022**
For the year:						
Net sales	¥68,840	¥67,043	¥67,727	¥64,735	**¥65,904**	**$538,473**
Operating income	10,345	10,083	10,353	10,669	**10,883**	**88,923**
Net income attributable to owners of parent	7,217	7,055	7,167	7,546	**7,662**	**62,606**
At year-end:						
Total assets	¥125,377	¥129,351	¥129,997	¥138,555	**¥135,607**	**$1,107,988**
Total net assets	95,606	99,761	101,793	108,711	**108,388**	**885,594**
	Yen					*U.S. dollars**
Per share amounts:						
Net income	¥ 162.46	¥ 158.82	¥ 162.62	¥ 174.13	**¥ 184.23**	**$ 1.51**
Net assets	2,125.71	2,216.41	2,316.27	2,494.52	**2,604.27**	**21.28**

* U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥122.39=$1.00 (See Note 1)

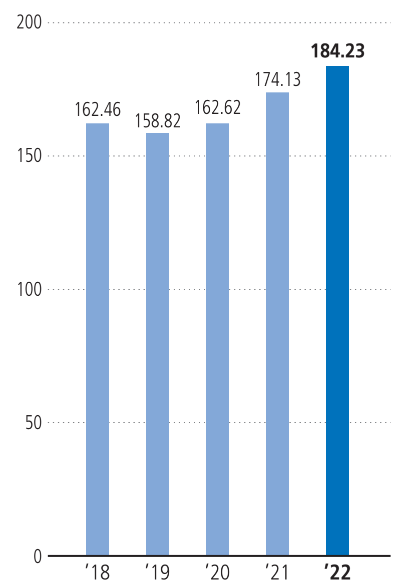
Net sales (Millions of yen)



Net income attributable to owners of parent (Millions of yen)



Net income per share (Yen)



To Our Shareholders

Hiroshi Baba
President and CEO

Jun Hamada
Executive Vice President and COO

We would like to express our heartfelt gratitude for your continued support and confidence in our business.

Before reporting on our performance during the 88th business term, we would like to extend an introduction to each and every one of you.

With the Japanese economy suffering the prolonged impact of the COVID-19 pandemic, the fiscal year under review was expected to bring a recovery in economic activity due to factors such as the vaccination rollout. However, the outlook for the business environment remained unpredictable due mainly to a greater-than-anticipated rise in raw materials prices, a dramatic devaluation of the Japanese yen, a shortage in semiconductors, and the growing impact of the increasingly intense situation in Ukraine, in addition to the renewed spread of COVID-19 due to the Omicron variant.

In this business climate, the Group prioritized the allocation of management resources to the public sector, in response to dramatic environmental changes due to the prolonged COVID-19 crisis. At the same time, we formulated "Medium-term Management Plan 2024," setting forth the basic strategies of expanding the business base, building a new foundation for the future and implementing environmental measures. We engage in business activities under our new vision: "Towards more sustainable societies, aim of Sekisui jushi Group is to win the trust and to keep impressing to the people in the world by creating valued products and services, to contribute to a safer, more secure and healthier human lives."

During the fiscal year under review, we pushed ahead with proposals for natural disaster prevention and mitigation measures, urban development to enable residents to live in security by strengthening national resilience, and traffic safety for pedestrians along residential roads and school routes. We also focused on providing comprehensive proposals of high value-added products aimed at resolving social issues. This included designation of the products that make a substantial contribution to the environment and society as "sustainability contribution products," and efforts to expand sales of these products.

At the same time, we focused our efforts on all facets of cost reduction, revising product prices and engaging in strategic purchasing to respond to escalating raw materials prices. We also implemented measures to improve delivery efficiency to counter soaring transportation costs and engaged in improving productivity through the consolidation and reduction of product types, as part of our initiatives to push forward with business management that gives top priority to profitability. We continued to thoroughly engage in measures to prevent COVID-19 infection in our workplace, and actively pursued more efficient operations through teleworking and digitalization initiatives, such as having online sales negotiations and meetings, and working from home.

During the fiscal year under review, on a consolidated basis, we posted sales of 65,903 million yen (up 1.8% from the previous fiscal year), operating income of 10,883 million yen (up 2.0% from the previous fiscal year), ordinary income of 11,397 million yen (up 1.2% from the previous fiscal year), and net income attributable to owners of the parent of 7,662 million yen (up 1.5% from the previous fiscal year).

Turning to our year-end dividend for the fiscal year under review, at the meeting of the Board of Directors held on April 28, 2022, we decided to pay an ordinary dividend of 28 yen plus a special dividend of 6 yen to express our gratitude to our shareholders for their continued support, for a total of 34 yen per share, in consideration of such factors as consolidated performance and dividend payout ratio. As a result, added to the midterm dividend of 28 yen, the annual dividend paid to shareholders during the fiscal year under review amounts to 62 yen per share, an increase of 6 yen from the previous fiscal year for the second consecutive year (marking our thirteenth consecutive term of dividend increases). The consolidated dividend payout ratio was 33.7%.

There is still no indication of when the COVID-19 pandemic will be brought under control. The economic outlook remains uncertain and the business environment is anticipated to become yet more challenging amid factors such as the rapid rise in resource prices and upheaval in currency markets, as well as the escalating geopolitical risk associated with the situation in Ukraine. At the same time, however, public works, such as disaster prevention and mitigation measures and measures for renewing and improving aging infrastructure, are expected to experience strong demand, based on the government-led “Five-Year Acceleration Plan for Disaster Prevention, Disaster Mitigation, and Building National Resilience.” We also see a further increase in needs related to environmental measures such as the enhancement of green infrastructure to achieve carbon-neutral status in 2050 and realize a decarbonized society.

Under these circumstances, the Group launched a new management structure in the fiscal year under review. We will work to strengthen ESG (Environment, Social, Governance) management to realize the goals of Medium-term Management Plan 2024, which we formulated to achieve steady growth and build a foundation for the future, with our sights on the Vision we have set forth with an awareness of the need to resolve the social issues indicated in the SDGs. As part of these efforts, we will implement initiatives to achieve a sustainable society by, among others, developing and marketing the sustainability contribution products we are promoting across the Group, and by taking measures aimed at a decarbonized and low-carbon society, such as using renewable energy and engaging in activities for the 3Rs (reduce, reuse and recycle).

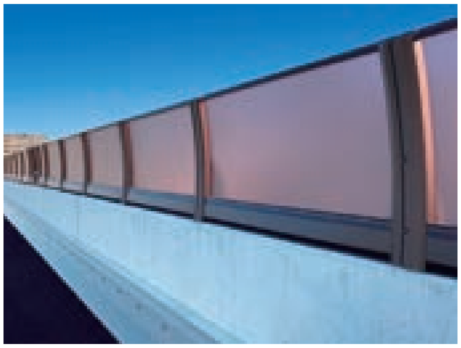
We will leverage digital technology to engage in the DX (digital transformation) of our sales activities, and accelerate work style reforms through greater operational efficiency, reinforcing our business foundation to support these growth strategies.

In conclusion, we would like to express our renewed thanks to all our shareholders and look forward to your continued support and encouragement.

Hiroshi Baba
President and CEO

Jun Hamada
Executive Vice President and COO

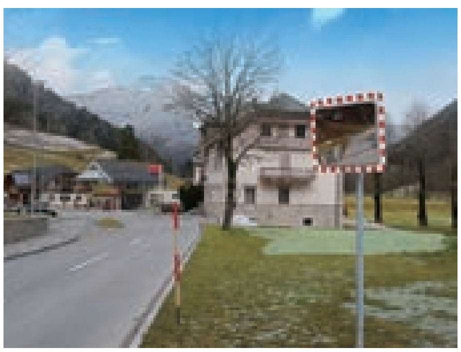
At a Glance (For the period April 1, 2021 through to March 31, 2022)



Railings to Block Discarded Objects

Artificial Timber

Artificial Turf



Ice Prevention Hydro-Mirror

■ Traffic and Urban Landscaping Related Business

Sales of noise-barrier wall materials decreased year on year, mainly due to the completion of projects for high-standard highways and Shinkansen bullet train lines, which had peaked in the previous fiscal year. Sales of traffic safety products also declined compared to the previous fiscal year, with subdued orders of anti-dazzle boards and "Pole Cone" traffic lane dividers for high-standard highways due to a decline in projects to newly install them, and sales of road marking materials also impacted by a drop in bike lane enhancement projects after a peak in the previous fiscal year. Sales of safety fence products were sluggish, impacted by delays in projects to install vehicle safety fences as safety measures at intersections and along school routes, despite these products contributing to earnings thanks to the progressive installation of pedestrian safety fences to prevent falls around rivers and other locations. Meanwhile, railings performed strongly mainly because an increasing number of the railings with the ability to block discarded objects were used on newly-constructed bridges and also in a rising number of bridge repair projects as part of the government's initiative to build national resilience. Sales also grew of artificial timber designed to complement the urban landscape, due to factors such as the installation of benches in pedestrian spaces and its adoption for park improvements.

■ Sports Facilities Related Business

Sales of artificial turf in athletic fields fell significantly year on year due to a decrease in large orders attributable to the COVID-19 crisis, despite our efforts focused on maintenance works. Our artificial turf for tennis also experienced a significant fall in sales due to a decline in new projects, despite one of our customers adopting our environmentally-friendly artificial turf made with plant-derived bio-polyethylene.

■ Exterior Materials & Building Materials Related Business

Sales of mesh fences increased year on year, due mainly to stronger proposals for apartment houses, despite being impacted by a slowdown in construction of shopping malls, etc. Sales of blind fences were also robust, with growth in orders for use in replacing concrete-block walls as safety measures on school routes, and for logistics facilities, as well as the adoption of products with soundproof features to prevent vehicle noise and for use around factories in residential areas, as well as nursery schools and other facilities. Sales of decorative building materials suffered the impact of declining demand for shopping malls and leisure facilities, but our focus on proposing products for high-rise construction led to results on a par with the previous fiscal year.

■ Material Handling Systems, Supplies and Agriculture-Related Business

Sales of packaging strapping bands increased significantly, due to stronger proposals of products to address the 3Rs (reduce, reuse and recycle) amid the growing awareness of environmental issues in the market. However, issues remained in terms of profit, due to a greater-than-anticipated escalation in raw materials prices. Sales of stretch film wrapping machines were robust, with the progressive introduction of fully-automated machines at logistics sites in response to demand for personnel-saving measures due to labor shortages. Safety fences also contributed to sales, with their installation around conveyors and factory equipment. Sales of agriculture-related products were robust, with growth in sales of gardening products due to the increase in stay-at-home demand, and recognition of the quality and safety of farming products made in Japan.

■ Group Company Business

Our concrete flaking and falling prevention system, which prevents flakes of concrete falling from weakened or deteriorating bridges or other concrete structures, performed strongly against the backdrop of an increase in renewal works for highways and other structures. Our fusion-type high-function marking materials featuring enhanced legibility were adopted for lane usage changes in large-scale highway repair works, leading to significant growth in sales. Meanwhile, sales of traffic safety products declined in Europe, despite our new product "ice prevention hydro-mirrors" winning acclaim, with sales of "Pole Cone" traffic lane dividers falling after a peak in demand for bike lane projects in the previous fiscal year. Sales of aluminum composite panels grew substantially year on year, due to a strong performance from products for construction, as well as factors such as the highly acclaimed ease of installation of light-weight temporary soundproof panels and their adoption in the new domain of infrastructure improvement projects. Sales of ready-to-assemble system pipes were strong, thanks partly to product proposals in new domains such as the food industry and the adoption of partitions to prevent infection at vaccination centers, in addition to a recovery in orders from major users in the automotive, electrical appliance and other industries. Results for digital picking system products suffered an unavoidable decline after a peak in large-scale projects for logistics centers in the previous fiscal year, despite an increase in overseas orders.

Mesh Fence

Blind Fence

Packaging Strapping Band

Temporary Soundproof Panel

Sustainability Contribution Products

The Group is engaged in resolving social issues through its business activities, aiming to achieve a sustainable society. We are working to strengthen the development and sales of products that make a substantial contribution to the environment and society, which we have designated as "Sustainability Contribution Products."

Sustainability Contribution Products

Targets

Fiscal year ending March 31, 2024 (Medium-term Management Plan 2024)	Proportion of net sales: **50%**
Target for FY2030	Proportion of net sales: **70%**

Traffic Safety Measures

Pedestrian crossing alert light

We have released the pedestrian crossing alert light "Yuzuru-kun," which can be turned on simply by holding a hand up to it, to support safety at pedestrian crossings without traffic lights on school routes and residential roads.


Disaster Prevention and Mitigation

Mini IoT water level sensor

We launched a mini IoT water level sensor that can detect the water level of rivers remotely. This simple water level sensor can be easily installed on existing structures in small- and medium-sized rivers or irrigation and drainage channels, where it was difficult to install previous water level meters.

Noise Control

Soundproof blind fences

Our blind fence products with soundproof features have been adopted for use around facilities such as nursery schools and factories in residential areas.

The 3Rs and Environmental Burden Reduction

Packaging strapping bands

"Ecocycle," made from used PET bottles, obtained the PET bottle recycling certification mark, the first packaging strapping bands to obtain this certification.

Product made of reused PET bottles Certification number: 9820001

Increased Infrastructure Longevity

Concrete flaking and falling prevention system (Nippon Liner Co., Ltd)

Our concrete flaking and falling prevention system, which prevents flakes of concrete falling from weakened or deteriorating bridges or other concrete structures, has been adopted in numerous applications, against the backdrop of an increase in renewal works for highways and other structures.

Topics

Environment

Biodiversity Initiatives

Support for activities of the Japan Conference for 2030 Global Biodiversity Framework

The Group regards the preservation of biodiversity as an important issue, as has supported the activities of the Japan Committee for the United Nations Decade on Biodiversity (UNDB) together with the Ministry of the Environment since 2010. We will continue to support the activities of its successor, the Japan Conference for 2030 Global Biodiversity Framework.

Participation in the 30by30 Alliance for Biodiversity

We participate in the 30by30 Alliance for Biodiversity established in April 2022.

This alliance aims to achieve "30by30,"* a new international target to stop the loss of biodiversity and recover biodiversity. It is a voluntary alliance initiated by the Ministry of the Environment and established together with government agencies, companies, NPOs and other organizations.

* "30by30" refers to the international target to protect at least 30% of the earth's land and sea area by 2030.

Decarbonization Initiatives

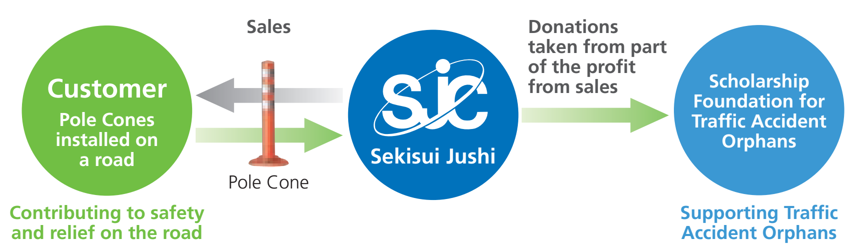
Introduction of a solar power generation system at Dream Way

We have installed and commenced the operation of a solar power generation system at Dream Way, our performance verification testing track at our Shiga Plant.

Social

Ongoing Donations for Scholarship Foundation for Traffic Accident Orphans

As a company involved in transport safety, since 2011, we have been continuing our program to donate part of our profit from sales of "Pole Cone" traffic lane dividers to the Scholarship Foundation for Traffic Accident Orphans, which provides education financing support to children who have lost parents in a traffic accident.



Shareholder Returns

We consider enhancing the return of profits to shareholders while improving corporate strength as the highest-priority task of management.

We will determine future dividends of surplus on the basis of maintaining stable dividends, and will target a consolidated payout ratio of 35% or greater for FY2023. We also regard share repurchases and the cancellation of treasury shares as a valid way to return profits to shareholders. We will implement these measures appropriately, as necessary on consideration of factors such as the business environment and the Company's financial status.

FY2021	**Annual dividend:**	62 yen [13th consecutive year of dividend increases] (Dividend increased by 6 yen for 2nd consecutive year)
	Share repurchases:	Repurchased 1,988,200 shares based on a resolution of the Board of Directors
	Cancellation of treasury shares:	Cancelled 4,000,000 shares based on a resolution of the Board of Directors

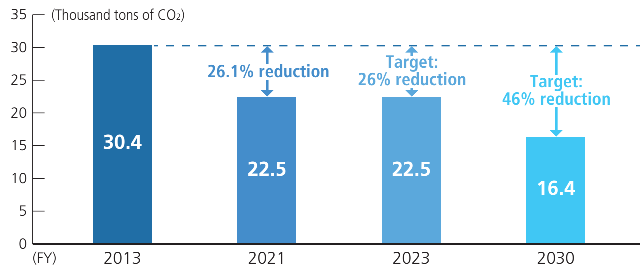
Decarbonization efforts

The Sekisui Jushi Group promotes activities targeting a reduction in CO_2 emissions of 26% in FY2023 and 46% in FY2030, both compared to FY2013 levels. These correspond to the Japanese government's reduction target for greenhouse gas emissions of 46% by FY2030 compared to FY2013 levels. The SJC Group Sustainability Promotion Committee and its subordinate body, the Production and Factories Subcommittee, play a central role in developing cross-organizational initiatives, and we share information across all parts of the Group as we engage in activities to reduce CO_2 emissions.

In FY2021, the amount of CO_2 emissions was down 26.1% from FY2013. We will strive to further reduce CO_2 emissions through aggressive capital expenditure on, for example, upgrading to energy-saving devices and enhancing productivity, to reduce the environmental burden and CO_2 emissions from our business activities.

Item	FY2023 target	FY2030 target
CO_2 emissions (domestic sites)	26% reduction compared to FY2013	46% reduction compared to FY2013

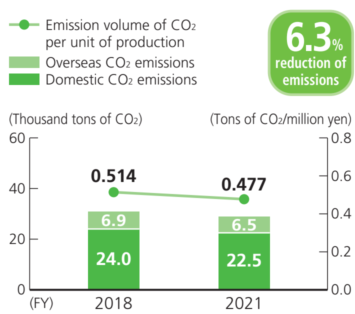
CO_2 emission volume at domestic sites (Thousand tons of CO_2)



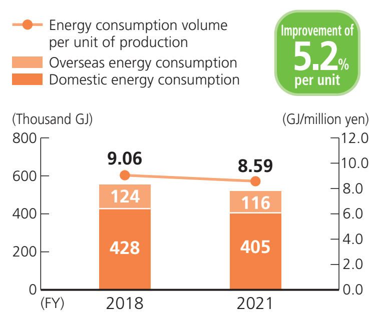
Measures to reduce CO_2 emissions and energy consumption at our production sites

We are working to reduce CO_2 emissions and energy consumption from our business activities through the improvement of production processes, the introduction of more efficient equipment, the conversion to LED lighting in the workplace, and the mitigation of energy losses through equipment upgrading in production sites, and energy-saving and electricity conservation efforts in offices, both in Japan and overseas. In FY2021, we reduced CO_2 emissions by 6.3% and improved energy consumption per unit of production by 5.2% compared to FY2018. Going forward, we will continue to engage in energy-saving activities and improve efficient energy use in both hardware and software.

CO_2 emission volume and unit of production (Domestic and overseas sites)



Energy consumption volume and unit of production (Domestic and overseas sites)

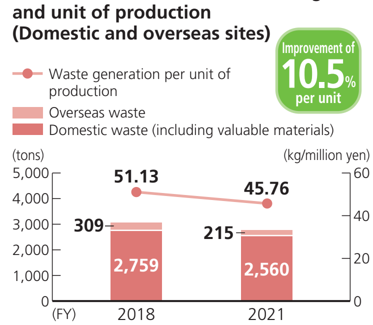


* GJ (gigajoule) = 10^9J (base unit of energy)

Measures to reduce waste at our production sites

Since FY2010, we have been implementing measures aimed at reducing waste, setting a target for reduction of waste containing valuable materials. In FY2021, we improved the waste discharge per unit of production by 10.5% compared with the FY2018 level, a substantial improvement, due to initiatives to reuse materials discarded during manufacturing processes, as well as the installation of new equipment to curb the volume of waste generated. As part of our responsibility as a manufacturer, we will further enhance our efforts to cut the amount of loss generated during production and continue to promote our activities for the 3Rs (reduce, reuse and recycle) and the shift to renewable energy, to reduce the amount of waste to contribute to a recycling-oriented society.

Amount of waste material discharge and unit of production (Domestic and overseas sites)



Responding to the Issue of Climate Change (TCFD)

The Sekisui Jushi Group recognizes responding to climate change as a key management issue. We use the framework recommended by the Task Force on Climate-related Financial Disclosures (TCFD) to collect and analyze the data necessary to ascertain the impact of the risks and profit opportunities associated with climate change on the Group's business activities and revenue, among others.

In September 2022, we declared our support for the TCFD recommendations to further promote our response to the issue of climate change. We will implement scenario analysis, ascertain the financial impact of each risk and opportunity, and progressively consider how to enhance our information disclosure.

Medium-term Management Plan 2024 (FY2021 –FY2023)

Period: FY2021 – FY2023 (3-year plan)
Keywords: Combined strength, involvement, and speed

In August 2021, we established Medium-term Management Plan 2024, a plan to expand the scope of our activities for creating shared value (CSV) and bring the Group together to build a foundation for steady growth and the future, with our sights on the Vision we have clearly set forth.

We are working to further strengthen ESG (Environment, Social, Governance) management and create a sustainable society through our businesses.

Basic Strategies

Expand the business base
- Safety, security, and comfort
- Disaster prevention and mitigation
- Environment

Build a new foundation for the future
- Digital strategy for products and services
- New businesses strategy

Implement environmental measures
- The 3Rs and environmental burden reduction strategy to resolve social issues

8 Key Target Areas

1. Traffic safety
2. Noise reduction
3. Disaster prevention and mitigation
4. Infrastructure maintenance
5. Automatic driving and other next-generation traffic technologies
6. Safe workplaces, personnel- and labor-saving
7. Environmental burden reduction
8. Social coexistence with COVID-19

Strengthening the Management Base

1. Strengthen decarbonization efforts
2. Further strengthen capital expenditure and R&D
3. Strengthen global expansion
4. Strengthen the framework to implement the basic strategies

Investment (Total over 3 Years from FY2021 to FY2023)

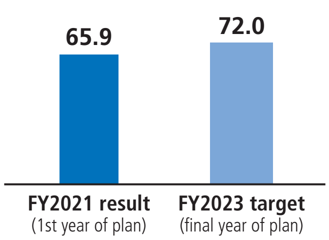
Capital expenditure
6.0 billion yen

Investment in strengthening existing technologies and building new technologies
2.0 billion yen
(partnerships and alliances with external organizations, etc.)

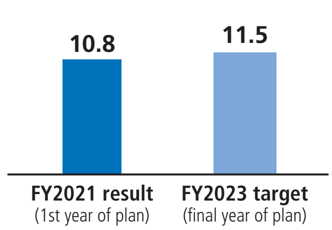
M&A investment
5.0 billion yen

Performance Targets and Status of Progress

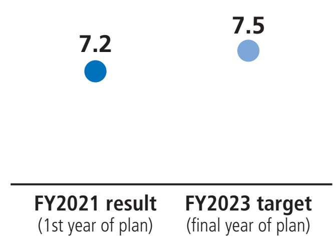
Consolidated net sales
(Billions of yen)



Consolidated operating income
(Billions of yen)



ROE
(%)



Consolidated Balance Sheets

Sekisui Jushi Corporation and Consolidated Subsidiaries
March 31, 2022 and 2021

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Current assets:			
Cash and deposits (Note 12)	**¥ 47,031**	¥ 47,286	**$ 384,274**
Trade notes and accounts receivable	**17,000**	20,927	**138,902**
Electronically recorded monetary claims	**7,013**	5,571	**57,299**
Short-term investments (Note 4)	**—**	400	**—**
Inventories (Note 5)	**7,268**	6,614	**59,386**
Prepaid expenses and other current assets	**1,252**	1,198	**10,229**
Less: allowance for doubtful accounts	**(24)**	(30)	**(200)**
Total current assets	**79,540**	81,966	**649,890**
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates	**3,541**	3,428	**28,934**
Investments in securities (Note 4)	**13,735**	15,845	**112,222**
Long-term time deposits	**22,500**	20,500	**183,839**
Long-term loans receivable	**585**	575	**4,783**
Deferred tax assets (Note 8)	**481**	468	**3,930**
Net defined benefit asset (Note 7)	**825**	717	**6,737**
Other	**874**	768	**7,138**
Less: allowance for doubtful accounts	**(568)**	(391)	**(4,645)**
Total investments and other assets	**41,973**	41,910	**342,938**
Property, plant and equipment:			
Land	**7,273**	7,271	**59,427**
Buildings and structures	**20,524**	20,632	**167,696**
Machinery and equipment	**24,712**	24,492	**201,908**
Tools, furniture, fixtures and other	**5,252**	5,298	**42,916**
Construction in progress	**28**	40	**224**
	57,789	57,733	**472,171**
Less: accumulated depreciation	**(43,695)**	(43,054)	**(357,011)**
Property, plant and equipment, net	**14,094**	14,679	**115,160**
Total assets	**¥135,607**	¥138,555	**$1,107,988**

See the accompanying notes to the consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2022	2021	Thousands of U.S. dollars (Note 1) 2022
Current liabilities:			
Short-term loans (Note 6)	**¥ 1,000**	¥ 1,000	**$ 8,171**
Trade notes and accounts payable	**8,145**	13,677	**66,546**
Electronically recorded obligations	**5,532**	693	**45,203**
Accrued expenses	**1,397**	1,473	**11,417**
Accrued income taxes	**1,582**	2,041	**12,929**
Other current liabilities	**5,484**	6,177	**44,800**
Total current liabilities	**23,140**	25,061	**189,066**
Long-term liabilities:			
Net defined benefit liability (Note 7)	**2,025**	2,604	**16,544**
Deferred tax liabilities (Note 8)	**1,490**	1,998	**12,174**
Other long-term liabilities	**564**	181	**4,610**
Total long-term liabilities	**4,079**	4,783	**33,328**
Total liabilities	**27,219**	29,844	**222,394**
Net assets:			
Shareholders' equity (Note 10):			
Common stock			
Authorized — 128,380,000 shares			
Issued — 43,313,598 shares	**12,335**	12,335	**100,781**
Capital surplus	**13,154**	13,270	**107,479**
Retained earnings	**81,741**	81,264	**667,875**
Treasury stock, at cost			
(2,296,842 shares in 2022 and 4,320,504 shares in 2021)	**(4,619)**	(5,153)	**(37,743)**
Total shareholders' equity	**102,611**	101,716	**838,392**
Accumulated other comprehensive income			
Net unrealized holding gain on securities	**4,015**	5,460	**32,801**
Gain on deferred hedges	**13**	2	**109**
Foreign currency translation adjustments	**194**	7	**1,588**
Remeasurements of defined benefit plans	**(14)**	62	**(118)**
Total accumulated other comprehensive income	**4,208**	5,531	**34,380**
Non-controlling interests	**1,569**	1,464	**12,822**
Total net assets	**108,388**	108,711	**885,594**
Total liabilities and net assets	**¥135,607**	¥138,555	**$1,107,988**

Consolidated Statements of Income

Sekisui Jushi Corporation and Consolidated Subsidiaries
Years ended March 31, 2022 and 2021

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2022	2021	**2022**
Net sales	**¥65,904**	¥64,735	**$538,473**
Cost of sales	**44,365**	43,109	**362,483**
Gross profit	**21,539**	21,626	**175,990**
Selling, general and administrative expenses	**10,656**	10,957	**87,067**
Operating income	**10,883**	10,669	**88,923**
Other income (expenses):			
Interest and dividends income	**353**	364	**2,880**
Interest expenses	**(39)**	(33)	**(321)**
Equity in earnings of affiliates	**140**	195	**1,146**
Gain on sales of investment securities	**304**	121	**2,480**
Foreign exchange gain (losser)	**62**	33	**507**
Provision of allowance for doubtful accounts for subsidiaries	**(165)**	(117)	**(1,344)**
Loss on sales and disposal of fixed assets	**(27)**	(47)	**(218)**
Impairment loss on fixed assets	**(162)**	(6)	**(1,322)**
Others-net	**(2)**	31	**(13)**
	464	541	**3,795**
Income before income taxes	**11,347**	11,210	**92,718**
Income taxes (Note 7):			
Current	**3,366**	3,488	**27,506**
Deferred	**143**	16	**1,166**
	3,509	3,504	**28,672**
Net income	**7,838**	7,706	**64,046**
Net income attributable to non-controlling interests	**(176)**	(159)	**(1,440)**
Net income attributable to owners of parent	**¥ 7,662**	¥ 7,547	**$ 62,606**

	Yen		*U.S. dollars (Note 1)*
Per share:			
Net income	**¥184.23**	¥174.13	**$1.51**
Cash dividends	**62.00**	56.00	**0.51**

Consolidated Statements of Comprehensive Income

Sekisui Jushi Corporation and Consolidated Subsidiaries
Years ended March 31, 2022 and 2021

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2022	2021	**2022**
Net income	**¥7,838**	¥7,706	**$64,046**
Other comprehensive income (Note 11)			
Net unrealized holding gain on securities	**(1,444)**	1,890	**(11,799)**
Gain on deferred hedges	**12**	2	**94**
Foreign currency translation adjustments	**187**	(42)	**1,527**
Remeasurements of defined benefit plans	**(75)**	381	**(612)**
Share of other comprehensive income in equity method affiliates	**(4)**	20	**(30)**
Total other comprehensive income	**(1,324)**	2,251	**(10,820)**
Comprehensive income	**¥6,514**	¥9,957	**$53,226**
Total comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	**¥6,339**	¥9,806	**$51,792**
Comprehensive income attributable to non-controlling interests	**175**	151	**1,434**

See the accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Sekisui Jushi Corporation and Consolidated Subsidiaries
Years ended March 31, 2022 and 2021

	Thousands	*Millions of yen*									
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gain on securities	Gain on deferred hedges	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Non-controlling interests	Total net assets
Balance at March 31, 2020	47,313	¥12,335	¥13,256	¥75,932	¥(4,363)	¥3,569	¥ 0	¥40	¥(337)	¥1,361	¥101,793
Net income attributable to owners of parent for the years	—	—	—	7,547	—	—	—	—	—	—	7,547
Cash dividends	—	—	—	(2,215)	—	—	—	—	—	—	(2,215)
Treasury stock	—	—	14	—	(790)	—	—	—	—	—	(776)
Other changes	—	—	—	—	—	1,891	2	(33)	399	103	2,362
Balance at March 31, 2021	47,313	¥12,335	¥13,270	¥81,264	¥(5,153)	¥5,460	¥ 2	¥ 7	¥ 62	¥1,464	¥108,711
Net income attributable to owners of parent for the years	—	—	—	7,662	—	—	—	—	—	—	7,662
Cash dividends	—	—	—	(2,486)	—	—	—	—	—	—	(2,486)
Treasury stock	(4,000)	—	(116)	(4,699)	534	—	—	—	—	—	(4,281)
Other changes	—	—	—	—	—	(1,445)	11	187	(76)	105	(1,218)
Balance at March 31, 2022	**43,313**	**¥12,335**	**¥13,154**	**¥81,741**	**¥(4,619)**	**¥4,015**	**¥13**	**¥194**	**¥ (14)**	**¥1,569**	**¥108,388**

	Thousands of U.S. dollars (Note 1)									
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gain on securities	Gain on deferred hedges	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Non-controlling interests	Total net assets
Balance at March 31, 2021	$100,781	$108,422	$663,975	$(42,098)	$44,610	$ 14	$57	$513	$11,962	$888,236
Net income attributable to owners of parent for the years	—	—	62,606	—	—	—	—	—	—	62,606
Cash dividends	—	—	(20,312)	—	—	—	—	—	—	(20,312)
Treasury stock	—	(943)	(38,394)	4,355	—	—	—	—	—	(34,982)
Other changes	—	—	—	—	(11,809)	95	1,531	(631)	860	(9,954)
Balance at March 31, 2022	**$100,781**	**$107,479**	**$667,875**	**$(37,743)**	**$32,801**	**$109**	**$1,588**	**$(118)**	**$12,822**	**$885,594**

Consolidated Statements of Cash Flows

Sekisui Jushi Corporation and Consolidated Subsidiaries
Years ended March 31, 2022 and 2021

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2022	2021	**2022**
Cash flows from operating activities:			
Income before income taxes	**¥11,347**	¥11,210	**$92,718**
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**1,122**	1,139	**9,166**
Impairment loss on fixed assets	**162**	6	**1,322**
Decrease (Increase) of accrued bonuses	**(62)**	(1)	**(505)**
Decrease (Increase) in allowance for bonus for directors and statutory auditors	**(11)**	(8)	**(89)**
Increase (Decrease) in provision for directors' retirement benefits	**27**	(10)	**217**
Increase in allowance for doubtful accounts	**172**	128	**1,402**
Decrease (Increase) in net defined benefit liability	**(575)**	29	**(4,699)**
Increase in net defined benefit asset	**(224)**	(159)	**(1,829)**
Interest and dividends income	**(353)**	(364)	**(2,880)**
Equity in earnings of affiliates	**(140)**	(195)	**(1,146)**
Interest expenses	**39**	33	**321**
Unrealized loss (gain) on foreign currency exchange	**(29)**	(24)	**(240)**
Gain on sales of investment securities	**(304)**	(121)	**(2,480)**
Gain on sales of fixed assets	**(4)**	(1)	**(33)**
Loss on sales and disposal of fixed assets	**27**	47	**218**
Decrease (Increase) in trade notes and accounts receivable	**2,503**	(125)	**20,449**
Decrease (Increase) in inventories	**(620)**	56	**(5,064)**
Increase (Decrease) in trade notes and accounts payable	**(696)**	8	**(5,685)**
Other	**(259)**	567	**(2,116)**
Subtotal	**12,122**	12,215	**99,047**
Interest and dividends income received	**374**	384	**3,057**
Interest expenses paid	**(39)**	(34)	**(322)**
Income taxes paid	**(3,664)**	(3,279)	**(29,941)**
Net cash provided by operating activities	**8,793**	9,286	**71,841**
Cash flows from investing activities:			
Proceeds from redemption of securities	**400**	—	**3,268**
Payments for purchase of property, plant and equipment	**(1,009)**	(641)	**(8,241)**
Proceeds from sales of property, plant and equipment	**4**	3	**36**
Payments for purchase of intangible assets	**(70)**	(102)	**(577)**
Payments for purchase of investment securities	**(100)**	(990)	**(817)**
Proceeds from sales of investment securities	**433**	153	**3,538**
Net increase in short-term loans receivable	**0**	1	**0**
Net increase (decrease) in long-term loans receivable	**20**	38	**160**
Payments for long-term time deposits	**(7,000)**	(10,500)	**(57,194)**
Proceeds from long-term time deposits	**5,000**	11,500	**40,853**
Other	**0**	0	**1**
Net cash provided by investing activities	**(2,322)**	(538)	**(18,973)**
Cash flows from financing activities:			
Net decrease in short-term bank loans	**—**	(300)	**—**
Payments for purchase of treasury common stock	**(4,307)**	(803)	**(35,191)**
Cash dividends paid	**(2,482)**	(2,212)	**(20,276)**
Other	**(82)**	(62)	**(672)**
Net cash used in financing activities	**(6,871)**	(3,377)	**(56,139)**
Effect of exchange rate changes on cash and cash equivalents	**145**	9	**1,188**
Net increase in cash and cash equivalents	**(255)**	5,380	**(2,083)**
Cash and cash equivalents at beginning of year	**47,286**	41,906	**386,357**
Cash and cash equivalents at end of year (Note 12)	**¥47,031**	¥47,286	**$384,274**

See the accompanying notes to the consolidated financial statements.

1. Basis of presenting consolidated financial statements

Sekisui Jushi Corporation (the "Company") and its domestic consolidated subsidiaries maintain their accounts and records in accordance with accounting principles generally accepted in Japan. Its overseas consolidated subsidiaries maintain their accounts and records in conformity with the requirements of their respective countries of domicile.

The accompanying consolidated financial statements have been prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued in Japan in order to present them in a format which is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of the readers, using the exchange rate prevailing at March 31, 2022, which was ¥122.39 to US$1.00. These convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of significant accounting policies

(a) Consolidation principles

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries (collectively, the "Group") over which substantial control is exerted through either majority ownership of voting stock and/or by other means. In addition, significant affiliates over which substantial control is significantly affected by the consolidated group in various ways have been accounted for by the equity method. All significant intercompany balances and transactions have been eliminated in consolidation.

The balance sheet date of 6 consolidated subsidiaries is December 31. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from January 1 through March 31 have been adjusted, if necessary.

(b) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rate of exchange in effect at the balance sheet date, except for those hedged by forward foreign exchange contracts which are translated at the contracted rates. Resulting translation gains or losses are charged to income in the year in which they are incurred. Revenue and expenses are translated at the rates of exchange prevailing when transactions are recorded.

Assets and liabilities of overseas subsidiaries are translated into Japanese yen at the exchange rates in effect at the respective balance sheet dates. The components of net assets are translated at the historical exchange rate. Revenue and expenses are translated at the average rates of exchange prevailing during each fiscal year. Translation adjustments resulting from translation of foreign currency financial statements are reported as "Foreign currency translation adjustments" in a separate component of net assets.

(c) Cash and cash equivalents

Cash and cash equivalents are comprised of cash in hand, deposits held at call with banks, net of overdrafts and all highly liquid investments with maturities within three months.

(d) Short-term investments and investment in securities

Short-term investment and investment in securities are classified and accounted for in accordance with management's intent.

Marketable other securities, which are not classified as either trading securities or held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of net assets. Non-marketable other securities are stated at cost.

The cost of other securities sold is determined by the moving-average method.

The Group classified all securities as other securities.

(e) Inventories

Inventories are valued at cost determined by the moving-average method (with book values written down on the balance sheet based on decreased profitability of assets).

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

Property, plant and equipment are stated at cost. Depreciation of the Company and consolidated domestic subsidiaries are computed primarily by the declining-balance method based on the estimated useful lives of assets. However, the straight-line method is used for buildings acquired on or after April 1, 1998 (excluding facilities attached to buildings) and facilities attached to buildings or structures acquired on or after April 1, 2016.

Overseas consolidated subsidiaries depreciate property and equipment using the straight-line method on their estimated useful lives.

The principal estimated useful lives are as follows:

Buildings and structures	3 to 47 years
Machinery and equipment	4 to 10 years

(g) Leased assets

Financial leases other than those that are deemed to transfer the ownership of leased assets to the lessees are accounted for in a similar way to purchases and depreciation for leases assets is computed under the straight-line method with zero residual value over the lease term.

(h) Allowance for doubtful accounts

Allowances for doubtful accounts are provided in amounts sufficient to cover possible losses on collection. Allowances for doubtful accounts of the Company and its consolidated domestic subsidiaries are calculated based on the companies' past credit loss experience or on estimates of the individual uncollectible amounts. Allowances for doubtful accounts of consolidated overseas subsidiaries are calculated based on estimates of the individual uncollectible amounts.

(i) Retirement Benefits

The retirement benefit obligations are attributed to each period by the benefit formula method.

Actuarial gain or loss is amortized by the straight-line method over a certain period within the average remaining years of service of the eligible employees.

(j) Recording revenue and costs

The Company and consolidated subsidiaries are mainly engaged in the manufacture and sale of products in the "Public sector" and "Private sector" fields, and are obliged to deliver the products based on sales contracts with customers.

The performance obligation recognizes revenue at the time of delivery of the product because it is determined that the customer has gained control over the product and the performance obligation is satisfied at the time of delivery of the product. For domestic sales of products, the alternative treatment set forth in "Accounting Standards Guidance for Revenue Recognition" Section 98 is applied, and revenue is recognized at the time of shipment if the period from the time of shipment to the time when control of the product is transferred to the customer is the normal period.

Revenue is measured by deducting discounts, rebates, returns, etc. from the consideration promised in the contract with the customer.

(k) Research and development costs

Research and development costs are charged to income as incurred.

(l) Income taxes

Deferred income taxes are recognized by the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on the difference between financial reporting and the tax basis of the assets and liabilities.

(m) Per share information

Net income per share is computed based on the average number of shares outstanding during each fiscal year.

Diluted net income per share is not presented since there are no residual securities with dilutive effect upon exercise into common stock.

Cash dividends per share are dividends applicable to the respective years including dividends to be paid after the end of the year.

(n) Consumption tax

Consumption tax is not included in the stated amounts of net sales and cost of sales.

3. Changing in accounting policies

(a) Application of Accounting Standards for Revenue Recognition and other related standards

The Company has applied the "Accounting Standards for Revenue Recognition" (ASBJ Statement No.29 March 31, 2020) and other related standards from the beginning of the current consolidated fiscal year.

The Company has recognized revenue at the amount expected to be received in exchange for the good or service when control of the promised good or service is transferred to the customer.

As a result, in transactions that were previously recorded as sales expenses and general management expenses, when the Company and its consolidated subsidiaries are paying to the customer, and the consideration paid to the customer is not a separate good or service from the customer, the consideration is deducted from the transaction price and the profit is measured.

In addition, regarding buy-sell transactions, the Company was aware of the disappearance of paid products, but if obliged to repurchase the supplied products, the Company has changed to a method that does not recognize the disappearance of the supplied products.

Regarding the application of the "Accounting Standard for Revenue Recognition, the transitional treatment stipulated in the proviso of Section 84 of the Accounting Standard for Revenue Recognition is followed, and the cumulative impact of retroactive application of the new accounting policy before the beginning of the current consolidated fiscal year is added to or subtracted from retained earnings at the beginning of the current consolidated fiscal year, and a new accounting policy is applied from the balance at the beginning of the period.

The method stipulated in Section 86 of the Accounting Standard for Revenue Recognition is applied, and the new accounting policy is not retroactively applied to contracts in which the amount of almost all revenue is recognized in accordance with the previous treatment before the beginning of the current consolidated fiscal year.

As a result, sales, selling, general and administrative expenses each decreased by ¥31 million in the current consolidated fiscal year, but operating income and income before income taxes are not affected. In addition, there is no impact on the beginning balance of retained earnings for the current consolidated fiscal year.

(b) Application of Accounting standards for fair value measurement and other related standards

The Company has applied the "Accounting Standards for fair value measurement" (ASBJ Statements No.30 July 4, 2019) and other related standards from beginning of the current consolidated fiscal year.

Based on the transitional treatment prescribed in Paragraph 19 of on the "Accounting Standards for fair value measurement" and Paragraph 44-2 of the "Accounting Standards for Financial Instruments" (ASBJ Statements No.10, July 4,2019), the Company has applied the new accounting policies set forth by the "Accounting Standards for fair value measurement" into the future.

The effect of the above changes on the consolidated financial statements for the fiscal year was nothing.

4. Short-term investments and investments in securities

Other securities with market prices at March 31, 2022 and 2021 were as follows:

	Millions of yen			*Thousands of U.S. dollars*		
	2022			**2022**		
	Acquisition costs	Amount recorded in the balance sheets	Difference	Acquisition costs	Amount recorded in the balance sheets	Difference
Other securities of which market values recorded in the balance sheets exceed their acquisition costs:						
Equity securities	**¥2,767**	**¥ 8,929**	**¥6,162**	**$22,610**	**$72,956**	**$50,346**
Bonds and debentures	**1,090**	**1,093**	**3**	**8,906**	**8,934**	**28**
Subtotal	**¥3,857**	**¥10,022**	**¥6,165**	**$31,516**	**$81,890**	**$50,374**
Other securities of which market values recorded in the balance sheets do not exceed their acquisition costs:						
Equity securities	**¥ 999**	**¥ 637**	**¥ (362)**	**$ 8,166**	**$ 5,199**	**$ (2,967)**
Bonds and debentures	**2,700**	**2,684**	**(16)**	**22,060**	**21,933**	**(127)**
Subtotal	**¥3,699**	**¥ 3,321**	**¥ (378)**	**$30,226**	**$ 27,132**	**$ (3,094)**
Total	**¥7,556**	**¥13,343**	**¥5,787**	**$61,742**	**$109,022**	**$47,280**

	Millions of yen		
	2021		
	Acquisition costs	Amount recorded in the balance sheets	Difference
Other securities of which market values recorded in the balance sheets exceed their acquisition costs:			
Equity securities	¥2,914	¥10,924	¥8,010
Bonds and debentures	1,390	1,399	9
Subtotal	¥4,304	¥12,323	¥8,019
Other securities of which market values recorded in the balance sheets do not exceed their acquisition costs:			
Equity securities	¥ 982	¥ 846	¥ (136)
Bonds and debentures	2,700	2,684	(16)
Subtotal	¥3,682	¥ 3,530	¥ (152)
Total	¥7,986	¥15,853	¥7,867

Securities without market prices at March 31, 2022 and 2021 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2022	2021	**2022**
	Amount recorded in the balance sheets	Amount recorded in the balance sheets	Amount recorded in the balance sheets
Investments in unlisted stocks	**¥392**	¥392	**$3,200**
	¥392	¥392	**$3,200**

5. Inventories

Inventories at March 31, 2022 and 2021 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2022	2021	**2022**
Merchandise	**¥ 281**	¥ 248	**$ 2,301**
Finished goods	**2,232**	2,125	**18,236**
Work in process	**1,097**	1,377	**8,962**
Raw materials and supplies	**3,658**	2,864	**29,887**
	¥7,268	¥6,614	**$59,386**

6. Short-term loans

Short-term loans at March 31, 2022 and 2021 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2022	2021	**2022**
Short-term loans:			
0.230% to 0.385% unsecured loans from banks	**¥1,000**	¥1,000	**$8,171**

7. Retirement Benefits

The Company and consolidated subsidiaries have established funded and unfunded defined benefit plans and defined contribution plans. All defined benefit corporate plans are funded plans, which provide employees a lump-sum payment or pension payments based on salary level and length of service. Under the lump-sum payment plans, which are unfunded, lump-sum payments are provided based on salary level and length of service.

The Company transitioned to defined contribution pension plan for part of the lump-sum payment plans for October 1, 2021. The lump-sum payment plans, all of which are unfunded plans, for certain consolidated subsidiaries are accounted for using a simplified method for calculating the liability for retirement benefits and retirement benefit expenses.

Defined benefit plans

(1) Reconciliation between the beginning balance and the ending balance of retirement benefit obligations were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2022	2021	**2022**
Balance at April 1, 2021	**¥7,174**	¥7,390	**$58,623**
Service cost	**201**	230	**1,644**
Interest cost	**22**	24	**181**
Actuarial differences	**(13)**	(39)	**(110)**
Retirement benefits paid	**(430)**	(430)	**(3,513)**
Decrease due to the transition to the defined contribution plans	**(565)**	—	**(4,618)**
Other	**1**	(1)	**5**
Balance at March 31, 2022	**¥6,390**	¥7,174	**$52,212**

(2) Reconciliation between the beginning balance and the ending balance of plan assets were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2022	2021	**2022**
Balance at April 1, 2021	**¥5,287**	¥4,821	**$43,199**
Expected return on plan assets	**132**	121	**1,080**
Actuarial differences	**(110)**	469	**(900)**
Contributions paid by the employer	**162**	163	**1,324**
Retirement benefits paid	**(281)**	(287)	**(2,297)**
Balance at March 31, 2022	**¥5,190**	¥5,287	**$42,406**

(3) Reconciliation between the beginning balance of retirement benefit obligations and plan assets and net defined benefit liability and asset recorded on the consolidated balance sheet were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2022	2021	**2022**
Funded retirement benefit obligation	**¥4,365**	¥4,570	**$35,669**
Plan assets at fair value	**(5,190)**	(5,287)	**(42,406)**
	(825)	(717)	**(6,737)**
Unfunded retirement benefit obligation	**2,025**	2,604	**16,544**
Total Net liability (assets) for retirement benefit at March 31, 2022	**¥1,200**	¥1,887	**$ 9,807**
Net defined benefit liability	**¥2,025**	¥2,604	**$16,544**
Net defined benefit asset	**(825)**	(717)	**(6,737)**
Total Net liability (assets) for retirement benefit at March 31, 2022	**¥1,200**	¥1,887	**$ 9,807**

(4) Components of retirement benefit costs were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Service cost	**¥201**	¥230	**$1,644**
Interest cost	**22**	24	**181**
Expected return on plan assets	**(132)**	(120)	**(1,080)**
Amortization: Unrecognized actuarial differences	**(6)**	43	**(47)**
Total retirement benefit costs for the fiscal year ended March 31, 2022	**¥ 85**	¥177	**$ 698**
Gains and losses associated with the transition to the defined contribution pension plan	**¥ 3**	—	**$ 27**

(5) Components of remeasurements of defined benefit plan before income tax effect were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Actuarial differences	**¥(109)**	¥551	**$(891)**
Total balance at March 31, 2022	**¥(109)**	¥551	**$(891)**

(6) Components of remeasurements of defined benefit plan before income tax effect were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Unrecognized actuarial differences	**¥(41)**	¥68	**$(338)**
Total balance at March 31, 2022	**¥(41)**	¥68	**$(338)**

(7) Plan assets

① Components plan assets by major categories as a percentage of total plan assets were as follows:

	2022	2021
Bonds	**28%**	29%
General accounts	**20**	20
Equity securities	**21**	24
Other	**31**	27
Total	**100%**	100%

② Method determining expected long-term rate of return on plan assets

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered to determine expected long-term rate of return.

(8) Basic assumptions used for actuarial calculation

	2022	2021
Discount rate	**0.35%**	0.35%
Expected rate of return on plan assets	**2.5%**	2.5%
Expected salary increase rate	**1.9%**	1.9%

Defined contribution plans

Amounts required to contribute to the defined contribution plans of the company and certain consolidated subsidiaries was ¥34 million and ¥67 million for the year ended March 31, 2021 and 2022 respectively.

Other

The amount of assets transferred to the defined contribution plans due to the partial transition from the lump-sum payment plans to the defined contribution plans is ¥574 million, which is scheduled to be transferred in four years.

The untransferred amount of ¥429 million as of the end of the current consolidated fiscal year is recorded in Other current liabilities and Other long-term liabilities.

8. Income taxes

The Company and its domestic subsidiaries are subject to a number of Japanese income taxes, which, in the aggregate, resulted in a statutory tax rate of approximately 30.58% for the year ended March 31, 2022, 30.58% for the year ended March 31, 2021.

(1) Significant components of deferred tax assets and liabilities at March 31, 2022 and 2021 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2022	2021	**2022**
Deferred tax assets:			
Net defined benefit liability	**¥ 639**	¥ 813	**$ 5,222**
Impairment loss on fixed assets	**465**	436	**3,798**
Loss on valuation of investments in unconsolidated subsidiaries	**419**	419	**3,420**
Accrued bonuses	**256**	273	**2,090**
Accounts payable of transition to defined contribution plans	**131**	—	**1,074**
Accrued enterprise tax	**120**	143	**977**
Allowance for doubtful account	**176**	123	**1,441**
Loss on valuation of investments in securities	**65**	69	**534**
Intercompany profits	**25**	31	**203**
Other	**269**	253	**2,200**
Gross deferred tax assets	**2,565**	2,560	**20,959**
Less: valuation allowance	**(1,161)**	(1,101)	**(9,491)**
Total deferred tax assets	**1,404**	1,459	**11,468**
Deferred tax liabilities:			
Net unrealized holding gain on other securities	**(1,772)**	(2,408)	**(14,475)**
Special tax-purpose reserve for condensed booking of fixed assets	**(276)**	(277)	**(2,254)**
Net defined benefit asset	**(252)**	(219)	**(2,060)**
Unrealized gains on consolidated subsidiaries	**(55)**	(55)	**(449)**
Tax deductible reserves	**(41)**	(24)	**(339)**
Other	**(17)**	(6)	**(135)**
Gross deferred tax liabilities	**(2,413)**	(2,989)	**(19,712)**
Net deferred tax assets (liabilities)	**¥ (1,009)**	¥ (1,530)	**$ (8,244)**

(2) The effective tax rates reflected in the accompanying consolidated statement of income for the years ended March 31,2022 and 2021 differs from the above statutory tax rate for the following reasons.
A reconciliation between the above statutory tax rate and the effective tax rate for the year ended March 31, 2022 and 2021 is omitted because the difference is less than 5% of the statutory tax rate.

9. Revenue Recognition

(1) Information that decomposes the revenue from contracts with customers

	Millions of yen		
	Reportable segments		
March 31, 2022	Public Sector	Private sector	Total
Goods at the moment timing revenue recognition	**¥32,508**	**¥33,396**	**¥65,904**
Goods over time the timing revenue recognition	—	—	—
Revenue from contracts with customers	**¥32,508**	**¥33,396**	**¥65,904**
Other Revenue	—	—	—
Sales to customers	**¥32,508**	**¥33,396**	**¥65,904**

	Thousands of U.S.dollars		
	Reportable segments		
March 31, 2022	Public Sector	Private sector	Total
Goods at the moment timing revenue recognition	**$265,609**	**$272,864**	**$538,473**
Goods over time the timing revenue recognition	—	—	—
Revenue from contracts with customers	**$265,609**	**$272,864**	**$538,473**
Other Revenue	—	—	—
Sales to customers	**$265,609**	**$272,864**	**$538,473**

(2) Information that is the basis for understanding the revenue from contracts with customers
The information that is the basis for understanding income is as described in "Summary of significant accounting policies Note 2 (j)Recording revenue and costs".

(3) Regarding the relationship between the fulfillment of performance obligations based on the contract with the customer and the cash flow generated from the contract, and the amount and timing of revenue expected to be recognized from the contract with the customer existing at the end of the current consolidated fiscal year after the next consolidated fiscal year.

① Contract liabilities
Contract liabilities arising from the contract with the customer are as follows.

	Millions of yen		*Thousands of U.S. dollars*
	2022	2021	**2022**
Contract liabilities	**¥ 300**	¥ 840	**$ 2,448**

Contract liabilities are primarily consideration received from customers prior to delivery of the product and are included in other current liabilities on the consolidated balance sheet. Contract liabilities are retired upon recognition of revenue.
The amount included in the contract liabilities balance as of the beginning of the current consolidated fiscal year was ¥840 million yen, all of which is recognized as revenue for the current consolidated fiscal year.

② Transaction price allocated to residual performance obligations
Regarding the transaction price allocated to the remaining performance obligations, since there are no important contracts with an initially expected contract period of more than one year, practical convenience is applied and the description is omitted.

10. Shareholders' Equity

The Corporation Law of Japan (the "Law"), provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of capital stock. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

11. Comprehensive Income

The amount of recycling and amount of income tax effect associated with other comprehensive income at March 31, 2022 and 2021 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2022	2021	**2022**
Net unrealized holding gain on securities:			
Amount recognized in the period under review	**¥(1,777)**	¥2,854	**$(14,517)**
Amount of recycling	**(303)**	(121)	**(2,480)**
Before income tax effect adjustments	**(2,080)**	2,733	**(16,997)**
Amount of income tax effect	**626**	(843)	**5,198**
Net unrealized holding gain on securities	**(1,444)**	1,890	**(11,799)**
Gain on deferred hedges:			
Amount recognized in the period under review	**17**	3	**136**
Amount of recycling	**—**	—	**—**
Before income tax effect adjustments	**17**	3	**136**
Amount of income tax effect	**(5)**	(1)	**(42)**
Gain on deferred hedges	**12**	2	**94**
Foreign currency translation adjustments:			
Amount recognized in the period under review	**187**	(42)	**1,527**
Amount of recycling	**—**	—	**—**
Before income tax effect adjustments	**187**	(42)	**1,527**
Amount of income tax effect	**—**	—	**—**
Foreign currency translation adjustments	**187**	(42)	**1,527**
Remeasurements of defined benefit plans			
Amount recognized in the period under review	**(97)**	508	**(791)**
Amount of recycling	**(12)**	43	**(100)**
Before income tax effect adjustments	**(109)**	551	**(891)**
Amount of income tax effect	**34**	(170)	**279**
Remeasurements of defined benefit plans	**(75)**	381	**(612)**
Share of other comprehensive income in equity method affiliates:			
Amount recognized in the period under review	**(1)**	20	**(3)**
Amount of recycling	**(3)**	0	**(27)**
Share of other comprehensive income in equity method affiliates:	**(4)**	20	**(30)**
Total other comprehensive income	**(1,324)**	2,251	**(10,820)**

12. Supplemental information on statements of cash flows

Reconciliations between cash and cash equivalents in the accompanying consolidated statements of cash flows and cash and deposits in the accompanying consolidated balance sheets at March 31, 2022 and 2021 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2022	2021	**2022**
Cash and deposits	**¥47,031**	¥47,286	**$384,274**
Time deposits with maturities in excess of three months	**—**	—	**—**
Cash and cash equivalents	**¥47,031**	¥47,286	**$384,274**

13. Subsequent event

Board of Directors resolved the following appropriation of retained earnings at the meeting held on April 28, 2022.

	Millions of yen	*Thousands of U.S. dollars*
Cash dividends	**¥1,397**	**$11,416**

14. Financial instruments

Status of financial instruments

(1) Policy on financial instruments

The Company and its significant subsidiaries (the “Group”) raise funds by bank borrowings, and manage funds through short-term deposits and others. The purpose of derivative transactions is avoiding the risks as described hereinafter, and transactions are not carried out for speculative purposes.

(2) Types of financial instruments and related risk

Trade notes and accounts receivable are exposed to credit risk of customers. As the Group operates globally, foreign currency denominated trade notes and accounts receivable are subject to foreign exchange fluctuations. The Group hedges risks arising from fluctuations in foreign exchange rates with foreign forward exchange contracts. Marketable securities and investments in securities are mainly shares of companies, with which the Group has business relationship or has capital affiliations, and are exposed to market price fluctuation risk.

Trade notes and accounts payable and accrued liabilities are mostly payables within one year. While partly exposed to foreign exchange risks from imports of raw materials and others, the Group hedges with forward foreign exchange contracts. Short-term loans are mainly to secure the funding needed for operations.

Derivative transactions are forward foreign exchange contracts entered into in order to avoid the risk arising from fluctuations in foreign currency exchange rates related to trade receivables and payables.

(3) Risk management for financial instruments

(a) Monitoring of credit risk (the risk that counterparties may default)

In keeping with its credit managements rules, The Group regularly monitors the statuses of customers with outstanding operating receivables and oversees dates and balances, while endeavoring to swiftly identify and ameliorate collection concerns that could stem from deteriorating financial positions or other factors.

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

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

The Company and certain consolidated subsidiaries hedge risks arising from fluctuations in foreign exchange rates, which are relevant to trade note receivables and payables, and are analyzed by currency and settlement month, by using forward foreign exchange contracts.

The Group assesses the prices of marketable and investment securities and the financial positions of issuers (business partners).It factors in relationships with business partners in constantly reviewing the necessity of instruments.

For derivative transactions, international division enter into the transaction, and is reported to the responsible directors.

(c) Monitoring of liquidity risk (the risk of being unable to make payment on payment date)

The Accounting division of the Company prepares funding plans in a timely manner based on reports submitted by each department to manage liquidity risk.

(4) Supplementary explanation of the fair value of financial instruments

The amounts of the contracts related to derivative transactions listed in the following section do not in themselves indicate the market risk of derivative transactions.

Fair value of financial instruments

The amounts recorded in the consolidated balance sheets, the fair value and the difference at March 31, 2022 and 2021 were as follows.

March 31, 2022	Book value (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Investments in securities			
Other securities	**13,343**	**13,343**	**—**
(2) Long-term time deposits	**22,500**	**22,500**	**—**
Total assets	**¥35,843**	**¥35,843**	**—**
Total derivative transactions	**¥ 19**	**¥ 19**	**—**

(a) Cash and deposits, Trade notes and accounts receivable, Electronically recorded monetary claims, Trade notes and accounts payable, Electronically recorded obligations, Short-term loans, Other accounts payable the description is omitted because they are cash and their fair value approximates their book value since they are settled over short periods of time.
(b) Stocks without market prices are not included in "(1) Investment in securities".
The amount recorded in the consolidated balance sheet of the financial instruments is as follows.

	Millions of yen	Thousands of U.S. dollars
	2022	**2022**
Investments in unlisted stocks	**¥3,933**	**$32,134**

(c) Net receivables and payables from derivative transactions are presented in net amounts with net payables in totals shown in parentheses.

March 31, 2021	Book value (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Marketable securities and investments in securities			
Other securities	15,853	15,853	—
(2) Long-term time deposits	20,500	20,500	—
Total assets	¥36,353	¥36,353	—
Total derivative transactions	¥ (0)	¥ (0)	—

(a) Cash and deposits, Trade notes and accounts receivable, Electronically recorded monetary claims, Trade notes and accounts payable, Electronically recorded obligations, Short-term loans, Other accounts payable the description is omitted because they are cash and their fair value approximates their book value since they are settled over short periods of time.
(b) The following financial instruments are not include in "(1) Marketable securities and investments securities" because there is no market price and it is extremely difficult to determine the fair value. The amount recorded in the consolidated balance sheet of the financial instrument is as follows.

	Millions of yen
	2021
Investments in unlisted stocks	¥3,820

(c) Net receivables and payables from derivative transactions are presented in net amounts with net payables in totals shown in parentheses.

March 31, 2022	Book value (Thousands of U.S. dollars)	Fair value (Thousands of U.S. dollars)	Difference (Thousands of U.S. dollars)
(1) Investments in securities			
Other securities	**109,022**	**109,022**	**—**
(2) Long-term time deposits	**183,839**	**183,839**	**—**
Total assets	**$292,861**	**$292,861**	**—**
Total derivative transactions	**$ 157**	**$ 157**	**—**

Redemption schedule for monetary claims and investments in securities with maturities March 31, 2022 and 2021.

March 31, 2022	Within 1 year (Millions of yen)	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and deposits	**¥47,031**	**—**	**—**	**—**
Trade notes and accounts receivable	**17,000**	**—**	**—**	**—**
Electronically recorded monetary claims	**7,013**	**—**	**—**	**—**
Investments in securities				
Other securities with maturities (bonds)	**—**	**700**	**3,090**	**—**
Long-term time deposits	**—**	**3,000**	**19,500**	**—**
Total	**¥71,044**	**¥3,700**	**¥22,590**	**—**

March 31, 2021	Millions of yen Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and deposits	¥47,286	—	—	—
Trade notes and accounts receivable	20,927	—	—	—
Electronically recorded monetary claims	5,571	—	—	—
Marketable securities and Investments in securities				
Other securities with maturities (bonds)	400	700	2,990	—
Long-term time deposits	—	—	20,500	—
Total	¥74,184	¥700	¥23,490	—

March 31, 2022	Thousands of U.S. dollars Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and deposits	**$384,274**	**—**	**—**	**—**
Trade notes and accounts receivable	**138,902**	**—**	**—**	**—**
Electronically recorded monetary claims	**57,299**	**—**	**—**	**—**
Investments in securities				
Other securities with maturities (bonds)	**—**	**5,719**	**25,247**	**—**
Long-term time deposits	**—**	**24,512**	**159,327**	**—**
Total	**$580,475**	**$30,231**	**$184,574**	**—**

The breakdown of financial instruments by fair value level

Fair value of financial instruments is classified into the following three levels according to the observability and importance of the inputs used to calculate the fair value.

Level 1 fair value: Of inputs related to the calculation of the observable fair value, the market price calculated based on the fair value of the asset or liabilities for which the market price is to be calculated, which is formed in an fair value.

Level 2 fair value: Of inputs related to the calculation of the observable fair value, the fair value calculated using the inputs related to the calculation of the fair value other than the level 1 input.

Level 3 fair value: Fair value calculated using inputs related to the calculation of unobservable fair value

When multiple inputs that have a significant influence on the fair value calculation are used, the fair value is classified into the lowest priority level in the fair value calculation among the levels to which those inputs belong.

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

March 31, 2022	Millions of yen Level 1	Level 2	Level 3	Total
Investments in securities				
Other securities				
Equity securities	**¥9,566**	**—**	**—**	**¥9,566**
Bonds	**—**	**¥3,777**	**—**	**3,777**
Derivative transactions				
Currency related	**—**	**19**	**—**	**19**
Assets Total	**¥9,566**	**¥3,796**	**—**	**¥13,362**

March 31, 2022	Thousands of U.S. dollars Level 1	Level 2	Level 3	Total
Investments in securities				
Other securities				
Equity securities	**$78,155**	**—**	**—**	**$78,155**
Bonds	**—**	**$30,867**	**—**	**30,867**
Derivative transactions				
Currency related	**—**	**157**	**—**	**157**
Assets Total	**$78,155**	**$31,024**	**—**	**$109,179**

(2) Financial instruments not measured at fair value in the consolidated balance sheet

March 31, 2022	Millions of yen Level 1	Level 2	Level 3	Total
Long-term time deposits	**—**	**¥22,500**	**—**	**¥22,500**
Assets Total	**—**	**¥22,500**	**—**	**¥22,500**

March 31, 2022	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Long-term time deposits	**—**	**$183,839**	**—**	**$183,839**
Assets Total	**—**	**$183,839**	**—**	**$183,839**

Explanation of the valuation technique used to calculate the fair value and the input related to the calculation of the market value follows:

Investments in securities

Listed stocks are valued using market prices. Listed stocks are traded in active markets, so their fair value is classified as Level 1 fair value. On the other hand, the bonds held by the Company are classified as Level 2 because the frequency of transactions in the market is low and the market price is not recognized as the market price in an active market.

Derivative transactions

Fair value of foreign exchange contracts is calculated using observable inputs such as prices submitted by financial institutions with which the company does business, and is classified as Level 2 fair value.

Long-term time deposits

Fair value of long-term time deposits is calculated by discounting the total amount of principal and interest at the interest rate expected when a similar new deposits are made, and is classified as a level 2 fair value.

All are limited to yen-denominated deposits with guaranteed principal, and there is no risk of damage.

15. Business segment information

(a) Description of reportable segments

Reportable segments of the Sekisui Jushi Group are determined as segments whose separate financial information is accessible from among the constituent units of the Sekisui Jushi Group and that are the subject of periodical examinations, in order for management to determine the allocation of management resources.

The reportable segments of the Sekisui Jushi Group are composed of two segments, “Public sector” and “Private sector”.

(b) Method of measurement of the amounts of sales, profit, assets, and other items for each reportable segment

The accounting policies of the reportable segments are consistent with the descriptions in the summary of significant policies.

The reportable segment profit is based on operating income.

Intersegment income and transactions are based on market prices.

(c) Information about net sales, profit, assets and other items by reportable segments for the years ended March 31, 2022 and 2021.

Year ended March 31, 2022	Millions of yen		
	Reportable segments		
	Public sector	Private sector	Reportable segments total
Sales to customers	**¥32,508**	**¥33,396**	**¥65,904**
Intersegment	**1**	**120**	**121**
Total sales	**32,509**	**33,516**	**66,025**
Segment profits	**¥ 5,803**	**¥ 5,671**	**¥11,474**
Segment assets	**¥47,538**	**¥50,640**	**¥98,178**
Other:			
Depreciation and amortization	**442**	**680**	**1,122**
Impairment loss on fixed assets	**0**	**162**	**162**
Increase in property, plant and equipment and intangible assets	**344**	**354**	**698**

Year ended March 31, 2021	Millions of yen		
	Reportable segments		
	Public sector	Private sector	Reportable segments total
Sales to customers	¥33,419	¥31,316	¥ 64,735
Intersegment	2	157	159
Total sales	33,421	31,473	64,894
Segment profits	¥ 5,879	¥ 5,419	¥ 11,298
Segment assets	¥51,341	¥49,393	¥100,734
Other:			
Depreciation and amortization	434	705	1,139
Impairment loss on fixed assets	6	—	6
Increase in property, plant and equipment and intangible assets	487	515	1,002

Year ended March 31, 2022	Thousands of U.S. dollars		
	Reportable segments		
	Public sector	Private sector	Reportable segments total
Sales to customers	**$265,609**	**$272,864**	**$538,473**
Intersegment	**7**	**983**	**990**
Total sales	**265,616**	**273,847**	**539,463**
Segment profits	**$ 47,409**	**$ 46,337**	**$ 93,746**
Segment assets	**$388,415**	**$413,761**	**$802,176**
Other:			
Depreciation and amortization	**3,611**	**5,555**	**9,166**
Impairment loss on fixed assets	**2**	**1,320**	**1,322**
Increase in property, plant and equipment and intangible assets	**2,809**	**2,896**	**5,705**

(d) Differences between total amounts for reportable segments and amounts in the consolidated balance sheets or consolidated statements of income and main details ofthese differences (matters relating to difference adjustments)

Net sales	Millions of yen 2022	Millions of yen 2021	Thousands of U.S. dollars 2022
Reportable segments total	**¥66,025**	¥64,894	**$539,463**
Elimination of intersegment transactions	**(121)**	(159)	**(990)**
Net sales in the consolidated statements of income	**¥65,904**	¥64,735	**$538,473**

Segment profits	Millions of yen 2022	Millions of yen 2021	Thousands of U.S. dollars 2021
Reportable segments total	**¥11,474**	¥11,298	**$93,746**
Head office expenses*	**(591)**	(629)	**(4,823)**
Operating income in the consolidated statements of income	**¥10,883**	¥10,669	**$88,923**

* Head office expenses are mainly general and administrative expenses and research and development costs not attributable to any reportable segments.

Segment assets	Millions of yen 2022	Millions of yen 2021	Thousands of U.S. dollars 2022
Reportable segments total	**¥98,178**	¥100,734	**$ 802,176**
Company-wide assets*	**37,429**	37,821	**305,812**
Total assets in the consolidated balance sheets	**¥135,607**	¥138,555	**$1,107,988**

* Company-wide assets mainly consists of the investments in securities are not attributable to any reportable segments and so on.

Other items	Millions of yen			
	Reportable segments total		The amount in the consolidated financial statements	
	2022	2021	**2022**	2021
Depreciation and amortization	**¥1,122**	¥1,139	**¥1,122**	¥1,139
Impairment loss on fixed assets	**162**	6	**162**	6
Increase in property, plant and equipment and intangible assets	**698**	1,002	**698**	1,002

Other items	Thousands of U.S. dollars	
	Reportable segments total	The amount in the consolidated financial statements
	2022	
Depreciation and amortization	**$9,166**	**$9,166**
Impairment loss on fixed assets	**1,322**	**1,322**
Increase in property, plant and equipment and intangible assets	**5,705**	**5,705**

Report of Independent Auditors

Independent Auditor's Report

To the Board of Directors of Sekisui Jushi Corporation:

Opinion

We have audited the accompanying consolidated financial statements of Sekisui Jushi Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2022, and the consolidated statement of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition (Sales cutoff)	
Description of Key Audit Matter	Auditor's Response
As described in the notes to the consolidated financial statements (Business segment information), the Group recorded sales of ¥32,508 million in the Public sector out of ¥65,904 million in consolidated sales for the current fiscal year. As described in the notes to the consolidated financial statements (Summary of significant accounting policies), the performance obligation recognizes revenue at the time of delivery of the product because it is determined that the customer has gained control over the product and the performance obligation is satisfied at the time of delivery of the product. For domestic sales of products, the period from the time of shipment to the time when control of the product is transferred to the customer is normal. If it is during the period of, the Group recognizes the profit at the time of shipment. Here, the performance in the Public sector is affected by the order status of the government and local governments, and especially for products used for public works such as traffic and urban landscaping related products, the number of shipments around the end of the fiscal year tends to increase relatively. Due to the characteristics of this business, product shipping operations around the end of the fiscal year increase and the transaction amount is also large, so the impact of error in revenue recognition around the end of the fiscal year on consolidated financial statements is large.	We performed the following audit procedures, among others, to verify the appropriateness of the period attribution of sales around the end of the fiscal year in the Public sector. ・We evaluated the design and operating effectiveness of internal controls over the sales process. ・Regarding the actual results such as sales and profit margin, estimated values were calculated based on the company's business plan and the actual results of previous years, and comparative verification was performed, as well as trend analysis and ratio analysis. ・In order to confirm whether sales are recognized in an appropriate period, we extended the sample size of a test of details related to sales transactions around the end of the fiscal year. ・Regarding the sales recognized around the end of the fiscal year, we verified whether there were any returns for unusual patterns or trends in the next fiscal year.

Based on the above, revenue recognition around the end of the fiscal year in the Public sector is particularly important for the audit of the consolidated financial statements for the current fiscal year and we determined this to be a key audit matter.	

Other Information

The other information comprises the information included in the Annual Report that contains audited consolidated financial statements but does not include the consolidated financial statements and our audit report thereon. Management is responsible for preparation and disclosure of the other information. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the

disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ohtemae Audit Corporation

Osaka City, Japan

June 23, 2022

古谷一郎

Ichiro Furutani

Designated Engagement Partner

Certified Public Accountant

田畑昭雄

Akio Tabata

Designated Engagement Partner

Certified Public Accountant

和田裕之

Hiroyuki Wada

Designated Engagement Partner

Certified Public Accountant

Board of Management (As of June 24, 2022)

Directors

President and CEO
Hiroshi Baba

Executive Vice President and COO
Jun Hamada

Outside Directors
Shiro Wakui
Toshitaka Miyata
Hiroshi Takano
Satoko Ito

Directors
Katsuyoshi Sasaki
Yutaka Shibanuma

Auditors

Corporate Auditors
Yoshimasa Inaba
Akihito Tada

Outside Auditors
Hiroyuki Taketomo
Tsuchikazu Oonaka
Akira Tsujiuchi

Executive Officers

President
Hiroshi Baba

Executive Vice President
Jun Hamada

Managing Executive Officers
Katsuyoshi Sasaki
Kaoru Ishida

Executive Officers
Yutaka Shibanuma
Tomoyuki Kikuchi
Shuichiro Takabayashi
Nagaaki Miyoshi
Masayuki Higashinaka
Shigeaki Nishio
Banjo Fujii
Taishi Ueno
Norio Nishimura
Satoshi Arai
Kazuhiko Takatera

Corporate Data (As of March 31, 2022)

Establishment
November 26, 1954

Capital
¥12,334 million

Group Employees
1,295 employees

Common Stock

Authorized:	128,380,000
Issued:	43,313,598
Capital:	¥12,334,565,623

Listings:
Prime Market of Tokyo Stock Exchange (Transferred from the First Section on April 4, 2022)

Transfer agent:
Mitsubishi UFJ Trust and Banking Corporation
3-6-3, Fushimimachi, Chuo-ku,
Osaka 541-8502

Head Office
Dojima Kanden Bldg., 2-4-4,
Nishitenma, Kita-ku,
Osaka 530-8565

Tokyo Head Office
New Pier Takeshiba North Tower,
1-11-1, Kaigan, Minato-ku,
Tokyo 105-0022

Domestic Branches

Kanto First Branch
Minato-ku, Tokyo

Kanto Second Branch
Minato-ku, Tokyo

Kinki Hokuriku First Branch
Osaka

Kinki Hokuriku Second Branch
Osaka

Chubu Branch
Nagoya

Kyushu Branch
Fukuoka

Tohoku Branch
Shibata-cho, Shibata-gun, Miyagi

Chugoku Shikoku Branch
Hiroshima

Plants and Laboratory

Shiga Plant
Ryuo-cho, Gamo-gun, Shiga

Tsuchiura Tsukuba Plant
Tsuchiura, Ibaraki

Ishikawa Plant
Nomi, Ishikawa

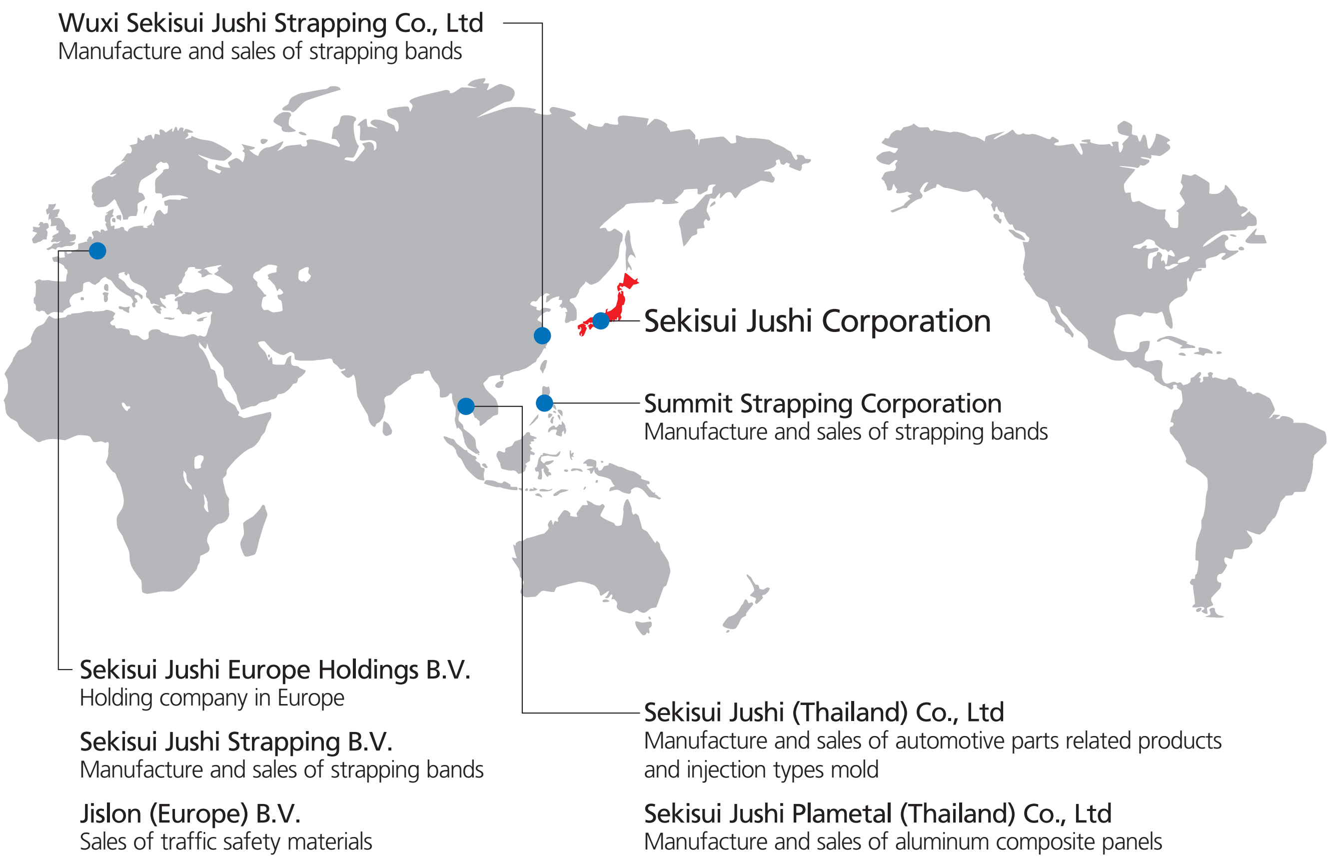
Technical Research Laboratory
Ryuo-cho, Gamo-gun, Shiga

Consolidated subsidiaries
23 companies

Affiliates accounted for using the equity method
2 companies

Global Network of Sekisui Jushi Group (As of March 31, 2022)

International Group Companies



Domestic Group Companies

Tohoku Sekisui Jushi Co.,Ltd.

Kantou Sekisui Jushi Co.,Ltd.

Sekisui Jushi CAP-AI System Co.,Ltd.

Nippon Liner Co.,Ltd

Sekisui Jushi Plametal Corporation

SJC Kotobuki Corporation

Spacio.Co.,Ltd

Ohmi Tec Corporation

Sekisui Jushi Trading Co.,Ltd.

San-ei Polymer Co.,Ltd.

Road Enterprise Co.,Ltd

Tsuchiura-tsukuba Sekisui Jushi Corporation

Hokuriku Sekisui Jushi Co.,Ltd.

Shiga Sekisui Jushi Corporation

Hiroshima Sekisui Jushi Co.,Ltd.

Other functions sharing companies

SEKISUI JUSHI CORPORATION

SEKISUI JUSHI CORPORATION

2-4-4 Nishitenma, Kita-ku, Osaka 530-8565, Japan
Phone: 81-6-6365-3204
URL: https://www.sekisuijushi.co.jp

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