

Summary of Consolidated Financial Results for the Second Quarter of Fiscal Year 2020 Ending March 31, 2021
<Under Japanese GAAP>

October 29, 2020

Company Name: SEKISUI CHEMICAL CO., LTD.
 Stock Listings: Tokyo Stock Exchange
 Code Number: 4204
 URL: <https://www.sekisuichechemical.com>
 Representative Director: Mr. Keita Kato, President
 Inquiries: Mr. Futoshi Kamiwaki, Senior Managing Executive Officer
 TEL: +81-3- 6748-6467
 Scheduled date for submission of quarterly financial statement: November 10, 2020
 Scheduled date for payment of dividends: December 1, 2020
 Quarterly earnings supplementary explanatory documents: Yes
 Quarterly earnings results briefing: Yes

(Figures rounded down to the nearest million yen)

1. Consolidated Business Results for the First Half (April 1, 2020 to September 30, 2020)

(1) Consolidated Business Results (% figures represent changes from the same period of the previous year.)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1st Half of FY2020	490,041	-11.9	22,149	-46.6	20,417	-51.5	12,690	-57.2
1st Half of FY2019	556,515	0.3	41,497	-1.6	42,122	-8.2	29,633	-9.0

Note. Comprehensive Income: September 30, 2020: 23,525 million yen (-5.2%), September 30, 2019: 24,828 million yen (-24.8%)

	Net Income Attributable to Owners of the Parent per Share	Net Income Attributable to Owners of the Parent per Share (Diluted)
	yen	yen
1st Half of FY2020	27.93	-
1st Half of FY2019	64.17	64.15

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity to Total Assets
	Millions of yen	Millions of yen	%
2nd Q of FY2020	1,108,936	639,839	55.4
FY2019	1,102,352	634,275	55.3

Note. Equity: September 30, 2020: 614,230 million yen, March 31, 2020: 609,309 million yen

Equity: Shareholders' Equity including Accumulated Other Comprehensive Income

2. Dividend Status

(Date of Record)	Dividend per Share				
	At the end of 1st Half	At the end of 2nd Q	At the end of 3rd Q	Year-end	Full year
	yen	yen	yen	yen	yen
FY2019	-	23.00	-	23.00	46.00
FY2020	-	23.00	-	-	-
FY2020 (outlook)	-	-	-	24.00	47.00

Note. Recent revision of dividend estimates: No

3. Consolidated Outlook for FY2020 (April 1, 2020 to March 31, 2021)

(% figures represent changes from the same period of the previous year.)

	Net Sales		Operating Income		Ordinary Income		Net income Attributable to Owners of the Parent		Net income Attributable to Owners of the Parent per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Full Year	1,053,600	-6.7	70,000	-20.2	69,000	-20.7	43,500	-26.2	96.27

Note. Recent revision of consolidated earnings estimates: No

Notes

- (1) Significant change of subsidiary companies during the term (change of specified subsidiaries that affected the scope of consolidated reporting): No

- (2) Application of special methods for quarterly consolidated financial statements: Yes

Note: For further details please refer to “(4) Notes to Consolidated Financial Statements (Application of special accounting methods for the preparation of quarterly consolidated financial statements) on page 8 of the attached document “II. Consolidated Financial Statement and Notes.

- (3) Changes to the accounting policy, changes or restatements of the accounting estimates
 - a) Changes caused by revisions to accounting principles: No
 - b) Changes other than a): No
 - c) Amendments to accounting estimates: No
 - d) Restatements: No

- (4) Number of shares outstanding (common stock)
 - a) Number of shares outstanding at the end of term (including treasury stock):

2nd Q of FY2020	476,507,285 shares
FY2019	484,507,285 shares
 - b) Treasury stock at the end of term:

2nd Q of FY2020	24,662,986 shares
FY2019	27,712,523 shares
 - c) Average outstanding shares in the period (quarterly consolidated cumulative total):

2nd Q of FY2020	454,307,115 shares
2nd Q of FY2019	461,813,518 shares

Note: The Financial Instruments and Exchange Law does not require this brief announcement of the most recent financial statements to be subject to audit review.

Remarks on appropriate use of forecasted results of operation and other special matters

1. This report has not changed the consolidated forecasts for the fiscal year announced on October 26, 2020.

2. The earnings forecasts and other forward-looking statements presented in this report are based on information available at the time of its issue and on certain assumptions that the Company considers reasonable. Forward-looking statements in no capacity represent a guarantee that the Company will achieve the stated amounts. Various factors can cause actual results to differ materially from the forecasts. For important matters regarding the conditions associated with the assumptions of these forecasts and their appropriate use, please see “2. Revision to the consolidated results forecast and other forward-looking information” on page 2 of the Quarterly Financial Report (Supplementary Material).

I. Qualitative Information and Financial Review

1. Consolidated Business Results

(1) Group Overview (April 1 to September 30, 2020)

Net Sales: 490.0 billion yen (-11.9%), Operating Income: 22.1 billion yen (-46.6%), Ordinary Income: 20.4 billion yen (-51.5%), Net Income Attributable to Owners of the Parent: 12.6 billion yen (-57.2%)

In the second quarter of fiscal 2020, sales and income in each stage decreased due to impacts from the spread of COVID-19, such as the downturn in domestic and overseas demand for automobile and aircraft, suspensions and delays in construction related to buildings and infrastructure, a decline in commencements of new housing construction in Japan, and restrictions on sales activities. However, as announced on October 26, 2020, due to the bringing forward of fixed cost reductions and structural reforms, the operating incomes of all segments as well as the Group's income in each stage were significantly higher than the forecast figures announced on July 30, 2020.

(2) Overview by Business Segments (April 1 to September 30, 2020)

[Housing Company]

Net Sales: 230.6 billion yen (-10.2%), Operating Income: 13.0 billion yen (-29.9%)

In the second quarter of fiscal 2020, sales and income decreased due to factors such as reduction in orders and construction delays caused by the spread of COVID-19 in addition to a reduction in year-start backlog.

Regarding the Housing business, there was a reduction in the attracting of customers—centered on model houses—due to the impact of COVID-19. This resulted in less orders being received compared to the same period of the previous year. Steady demand for ready-built houses resulted in more orders being received compared to the same period of the previous year. In the Housing Renovation business, net sales were lower than the same period of the previous year due to fewer opportunities for contact with our customers arising from voluntary restraint in visiting customers and other factors.

As for measures, in the Housing business, together with attracting customers and carrying out negotiations through online means, we launched the STAY & WORK model—which strengthened resilience function—in July 2020 and advertised smart houses adapted to the new normal. In addition, we enhanced our stock of land and ready-built houses toward steady sales expansion of subdivision and ready-built houses. In the Housing Renovation business, together with working on establishing systems such as appointing dedicated personnel for periodic diagnosis, we strengthened backlog management and promoted the leveling of construction and sales.

[Urban Infrastructure and Environmental Products Company]

Net Sales: 96.1 billion yen (-15.1%), Operating Income: 2.5 billion yen (-54.0%)

In the second quarter of fiscal 2020, sales and income decreased as market recovery from the impact of COVID-19 was slower than the initial forecast and the return of demand was sluggish. Structural reforms, optimization of operations, and fixed costs reductions made steady progress.

In Piping and Infrastructure field, there was steady demand for infrastructure-related products and piping materials for plants in China and South Korea. However, net sales were lower than the same period of the previous year due to significant impact from the reduction in demand for construction-related (residential and non-residential facilities) products.

Regarding Building and Living Environment field, net sales were lower than the same period of the previous year due to a decline in commencements of new housing construction as well as structural reforms.

In Advanced Materials field, there is growth in the sales of synthetic lumber for tunnel construction (Shield Earth Retaining Wall System) within Japan together with meeting the demand for thermoforming plastic sheets for medical equipment such as ventilators. However, net sales were lower than the same period of the previous year due to reasons such as the impact of structural reforms in addition to downturn in demand within the aircraft domain.

[High Performance Plastics Company]

Net Sales: 139.1 billion yen (-13.3%), Operating Income: 8.9 billion yen (-54.8%)

In the second quarter of fiscal 2020, sales and income decreased due to significant downturn in demand arising from the impact of COVID-19, but we strived to secure profits through thorough cost reduction measures.

In Electronics field, even though the demand for mobile devices did not reach the initial forecast level, net sales were slightly higher than the same period of the previous year due to smooth progress in sales expansion of non-liquid-crystal-related products such as substrate and semiconductor products, products for fixing parts, and heat release products.

In Mobility field, while there was smooth progress in sales expansion of high-performance products, net sales were significantly lower than the same period of the previous year due to a large reduction in demand for automobiles and aircraft.

In Building and Infrastructure materials field, while there was a certain amount of recovery in demand during the second quarter of fiscal 2020, net sales were lower than the same period of the previous year due to reduction in demand for chlorinated polyvinyl chloride (CPVC) resin and fire-resistant materials in Japan and overseas.

[Medical Business]

Net Sales: 31.9 billion yen (-6.9%), Operating Income: 2.5 billion yen (-43.2%)

In the second quarter of fiscal 2020, sales and income decreased due to the impact of COVID-19.

In the mainstay diagnostics business, net sales were lower than the same period of the previous year due to reasons such as a reduction in the number of patients seeking outpatient treatment in Japan and overseas. Steady progress was made in the sales expansion of COVID-19 test kits in the United States and Asia. In addition, progress was made in the launch of new products in Japan and overseas. In the pharmaceuticals & fine chemicals business, net sales were maintained at essentially the same level as the previous year due to recovery in orders of drug development solutions and enzymes even though there was impact from the lockdown in the United States.

2. Revision to the consolidated results forecast and other forward-looking information

The consolidated results forecasts for the full fiscal year ending March 31, 2021 have not changed from the revised forecasts announced in the Notice of Changes to Earnings Forecast released on October 26, 2020.

II. Consolidated Financial Statement and Notes

Consolidated Financial Statement (Second Quarter, Fiscal Year 2020)

(1) Consolidated Balance Sheets

Second Quarter, Fiscal Year 2020

(Millions of Yen)

	End Fiscal Year 2019 As of March 31, 2020	End Second Quarter, Fiscal 2020 As of September 30, 2020
(Assets)		
Current Assets:		
Cash and deposits	76,819	83,533
Notes receivable, trade	39,436	30,197
Accounts receivable, trade	134,688	114,956
Marketable securities	0	1
Merchandise and finished goods	73,744	79,350
Land for sale	50,580	55,152
Work in process	56,554	59,749
Raw materials and supplies	36,311	35,174
Advance payments	2,631	2,467
Prepaid expenses	5,237	4,753
Short-term loans receivable	1,466	521
Other current assets	15,789	19,843
Allowance for doubtful accounts	-1,377	-1,246
Total current assets	491,883	484,454
Non-current assets:		
Property, plant and equipment, net		
Buildings and structures	104,206	115,947
Machinery, equipment and vehicles	84,284	91,977
Land	79,708	80,715
Leased assets	18,520	18,841
Construction in progress	38,905	29,310
Other	11,624	11,727
Total property, plant and equipment, net	337,250	348,520
Intangible assets:		
Goodwill	57,346	52,891
Software	9,571	10,588
Leased assets	135	130
Other	34,015	31,617
Total intangible assets	101,069	95,227
Investments and other assets:		
Investments in securities	140,862	151,348
Long-term loans receivable	1,379	878
Long-term prepaid expenses	1,394	1,437
Asset for retirement benefits	125	104
Deferred tax assets	16,536	15,542
Other	13,884	13,595
Allowance for doubtful accounts	-2,034	-2,172
Total investments and other assets	172,148	180,734
Total non-current assets	610,468	624,482
Total assets	1,102,352	1,108,936

	(Millions of Yen)	
	End Fiscal Year 2019	End Second Quarter, Fiscal 2020
	As of March 31, 2020	As of September 30, 2020
(Liabilities)		
Current liabilities:		
Notes payable, trade	3,002	1,588
Electronically recorded obligations	26,859	24,243
Accounts payable, trade	101,914	83,321
Short-term debt and current portion of long-term debt	8,446	7,815
Commercial paper	28,000	14,000
Current portion of bonds	19	10
Lease obligations	4,694	4,613
Accrued expenses	41,097	39,308
Accrued income taxes and other taxes	11,855	9,734
Allowance for bonuses to employees	18,162	16,642
Allowance for bonuses to directors and audit and supervisory board members	275	132
Provision for compensation for completed construction	1,382	1,400
Provision for stock-based compensation	166	78
Advances received	42,180	43,134
Other	46,155	42,850
Total current liabilities	334,212	288,875
Long-term liabilities:		
Bonds	40,000	40,000
Long-term debt less current portion	22,368	70,513
Lease obligations	14,137	14,655
Deferred tax liabilities	4,291	4,116
Liability for retirement benefits	47,170	45,178
Provision for stock-based compensation	479	550
Other	5,416	5,207
Total long-term liabilities	133,864	180,221
Total liabilities	468,076	469,097
(Net assets)		
Shareholders' equity:		
Common stock	100,002	100,002
Capital surplus	109,273	108,899
Retained earnings	433,017	422,518
Treasury stock, at cost	-44,139	-38,330
Total shareholders' equity	598,153	593,089
Accumulated other comprehensive income:		
Unrealized holding gain on securities	27,463	35,674
Deferred loss on hedges	-16	-37
Unrealized gain on land revaluation	321	321
Translation adjustments	-8,193	-7,216
Retirement benefit adjustments	-8,419	-7,601
Total accumulated other comprehensive income	11,155	21,140
Stock acquisition rights	64	-
Non-controlling interests	24,901	25,608
Total net assets	634,275	639,839
Total liabilities and net assets	1,102,352	1,108,936

(2) Consolidated Statements of Income and Statement of Comprehensive Income

Consolidated Statements of Income

First Half, Fiscal Year 2020

	(Millions of Yen)	
	First Half Fiscal 2019 (From April 1, 2019 to September 30, 2019)	First Half Fiscal 2020 (From April 1, 2020 to September 30, 2020)
Net sales	556,515	490,041
Cost of sales	377,117	338,169
Gross profit	179,397	151,871
Selling, general and administrative expenses	137,900	129,722
Operating income	41,497	22,149
Non-operating income:		
Interest income	515	230
Dividends income	3,917	3,702
Equity in earnings of affiliates	1,422	1,044
Miscellaneous income	1,209	1,232
Total non-operating income	7,064	6,209
Non-operating expenses:		
Interest expenses	372	423
Sales discounts	197	183
Foreign exchange loss, net	1,208	1,459
Miscellaneous expenses	4,661	5,874
Total non-operating expenses	6,439	7,942
Ordinary income	42,122	20,417
Extraordinary income:		
Gain on sales of investments in securities	5,101	-
Total extraordinary income	5,101	-
Extraordinary loss:		
Loss on impairment of fixed assets	2,164	370
Loss on devaluation of investment in securities	2,888	-
Loss on sales or disposal of property, plant and equipment	1,008	852
Total extraordinary loss	6,060	1,222
Income before income taxes	41,163	19,194
Income taxes	10,643	5,804
Net income	30,520	13,389
Net income attributable to:		
Non-controlling interests	886	698
Owners of the parent	29,633	12,690

Consolidated Statement of Comprehensive Income
First Half, Fiscal Year 2020

	(Millions of Yen)	
	First Half, Fiscal 2019 (From April 1, 2019 to September 30, 2019)	First Half, Fiscal 2020 (From April 1, 2020 to September 30, 2020)
Net income	30,520	13,389
Other comprehensive income		
Unrealized holding gain on securities	3,486	7,160
Deferred gain (loss) on hedges	3	-41
Translation adjustments	-9,615	1,149
Retirement benefit adjustments	371	821
Comprehensive income of affiliates accounted for by the equity method attributable to the Company	61	1,045
Total other comprehensive (loss) income	-5,692	10,135
Comprehensive income	24,828	23,525
Comprehensive income attributable to:		
Owners of the parent	24,713	22,675
Non-controlling interests	115	849

(3) Consolidated Statements of Cash Flows

(Millions of Yen)

	First Half, Fiscal 2019 (From April 1, 2019 to September 30, 2019)	First Half, Fiscal 2020 (From April 1, 2020 to September 30, 2020)
Operating activities:		
Income before income taxes	41,163	19,194
Adjustments for:		
Depreciation and amortization	20,580	22,091
Amortization of goodwill	1,367	2,251
Loss on impairment of fixed assets	2,164	370
Loss on disposal of property, plant and equipment	999	844
Loss on sales of property, plant and equipment, net	9	8
Decrease in liability for retirement benefits	-1,105	-1,788
Gain on sales of investments in securities	-5,101	-
Loss on devaluation of investments in securities	2,888	-
Interest and dividends income	-4,432	-3,933
Interest expenses	569	607
Equity in earnings of affiliates	-1,422	-1,044
Decrease in notes and accounts receivable	15,287	25,827
Increase in inventories	-10,473	-12,594
Decrease in notes and accounts payable	-5,185	-21,774
Increase in advances received	4,302	952
Other	-5,293	-3,329
Subtotal	56,316	27,682
Interest and dividends received	4,898	3,984
Interest paid	-586	-550
Income taxes paid	-8,870	-9,166
Net cash provided by operating activities	51,758	21,951
Investing activities:		
Purchases of property, plant and equipment	-27,103	-29,492
Proceeds from sales of property, plant and equipment	387	494
Payments into time deposits	-3,066	-2,053
Proceeds from withdrawal of time deposits	2,472	2,717
Purchases of investments in securities	-174	-229
Proceeds from sales or redemption of investments in securities	10,470	382
Acquisitions of investments in subsidiaries	-45	-
Purchases of intangible assets	-2,408	-3,316
(Increase) decrease in short-term loans receivable	-981	169
Other	2,198	2,740
Net cash used in investing activities	-18,252	-28,589
Financing activities:		
Decrease in short-term debt, net	-261	-151
Repayments of lease obligations	-2,477	-2,429
Decrease in commercial paper	-17,000	-14,000
Proceeds from long-term debt	16,423	50,759
Repayment of long-term debt	-1,632	-3,188
Proceeds from issuance of bonds	30,000	-
Redemption of bonds	-8	-8
Cash dividends paid	-10,696	-10,534
Cash dividends paid to non-controlling interests	-1,114	-1,165
Purchase of treasury stock	-9,514	-7,157
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-4	-1,909
Proceeds from issuance of common stock	-	2,632
Other	270	189
Net cash provided by financing activities	3,983	13,035
Effect of exchange rate change on cash and cash equivalents	-2,161	822
Net increase in cash and cash equivalents	35,327	7,219
Cash and cash equivalents at beginning of term	68,613	74,721
Increase in cash and cash equivalents from newly consolidated subsidiaries	1,646	138
Cash and cash equivalents at end of term	105,587	82,079

(4) Notes to Consolidated Financial Statements

(Notes regarding the premise of a going concern)

No significant changes during the term under review.

(Significant Change in Shareholder Equity)

No significant changes during the term under review.

(Application of special accounting methods for the preparation of quarterly consolidated financial statements)

Calculation of tax expense

Income taxes are determined based on the amount of income before income taxes for the current second quarter ended September 30, 2020 multiplied by the effective tax rate, after adoption of tax-effect accounting, estimated for the entire fiscal year ending March 31, 2021. In case where the estimated effective tax rate is notably lacking rationality, statutory tax rate is used.

Deferred income taxes are included in income taxes.

(Segment Information)

Consolidated First Half, Fiscal 2020 (April 1, 2020 to September 30, 2020)

1. Information as to sales and income (loss) on each reportable segment

(Millions of Yen)

	Reportable Segments					Other (Note)	Total
	Housing	Urban Infrastructure & Environmental Products	High Performance Plastics	Medical	Total		
Sales:							
(1) Sales to third parties	230,553	90,104	136,056	31,902	488,616	1,424	490,041
(2) Intersegment sales or transfers	66	6,086	3,048	0	9,201	59	9,261
Net sales	230,619	96,191	139,104	31,902	497,818	1,483	499,302
Segment income (loss)	13,016	2,507	8,912	2,504	26,940	-4,166	22,774

Note: Other represents segments other than the reportable segments, which includes provision of services and manufacturing and sales of film-type lithium-ion batteries and products not included in the company's reportable segments.

2. Information on the difference between the total amount of the reportable segments in the above tables and the corresponding amount reported in the consolidated financial statements

(Items related to the difference)

Income	(Millions of Yen)
Total of reportable segments	26,940
Other loss	-4,166
Eliminations	243
Corporate expenses (Note)	-868
Total operating income reported in the consolidated statements of income	22,149

Note: Corporate expenses are mainly general administrative expenses not attributable to each reportable segment.

3. Regional information

Net sales

(Millions of Yen)

	Japan	America	Europe	Asia	Others	Total
Net sales	372,801	33,777	24,601	53,432	5,427	490,041