

Consolidated Financial Results for the Fiscal Year Ended March 31, 2023
<Under Japanese GAAP>

April 28, 2023

Company Name: SEKISUI CHEMICAL CO., LTD.
 Listing: Tokyo Stock Exchange
 Securities code: 4204 URL: <https://www.sekisuichechemical.com>
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 Scheduled date of annual general meeting of shareholders: June 22, 2023
 Scheduled date to commence dividend payments: June 23, 2023
 Scheduled date to file annual securities report: June 22, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes

(Figures rounded down to the nearest million yen)

1. Consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Consolidated operating results (% figures represent changes from the previous year.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	1,242,521	7.3	91,666	3.1	104,241	7.5	69,263	86.9
March 31, 2022	1,157,945	9.6	88,879	32.1	97,001	54.8	37,067	-10.8
Note: Comprehensive Income	For the fiscal year ended March 31, 2023 :				84,008 million yen		(102.4%)	
	For the fiscal year ended March 31, 2022 :				41,509 million yen		(-55.8%)	

Fiscal year ended	Profit attributable to owners of parent per share	Profit attributable to owners of parent per share (Diluted)	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	yen	yen	%	%	%
March 31, 2023	159.19	-	10.0	8.6	7.4
March 31, 2022	83.17	-	5.5	8.3	7.7

Reference: Share of profit (loss) of entities accounted for using equity method

For the fiscal year ended March 31, 2023 : 2,254 million yen
 For the fiscal year ended March 31, 2022 : 108 million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity to asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
As of March 31, 2023	1,228,131	732,525	57.4	1,642.67
As of March 31, 2022	1,198,921	702,753	56.3	1,519.19
Reference: Equity	As of March 31, 2023	705,026 million yen	As of March 31, 2022	674,636 million yen

(3) Consolidated Cash Flows

Fiscal year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2023	71,543	(59,430)	(62,906)	85,207
March 31, 2022	105,023	2,694	(54,729)	133,739

2. Dividend Status

(Date of Record)	Annual dividends per share					Total	Total cash dividends (Total)	Payout Ratio (consolidated)	Ratio of dividends to net assets (Consolidated)
	At the end of 1st Q	At the end of 2nd Q	At the end of 3rd Q	Fiscal year-end					
Fiscal year ended	yen	yen	yen	yen	yen	Millions of yen	%	%	
March 31, 2022	-	24.00	-	25.00	49.00	21,856	58.9	3.3	
March 31, 2023	-	29.00	-	30.00	59.00	25,607	37.0	3.7	
March 31, 2024 (Forecast)	-	33.00	-	33.00	66.00		40.5		

3. Consolidated Outlook for Fiscal 2023 (April 1, 2023 to March 31, 2024)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit attributable to owners of the parent per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
1st Half	630,000	3.7	42,200	4.6	45,300	-16.0	30,400	-22.3	70.83
Full Year	1,312,000	5.6	100,000	9.1	103,000	-1.2	70,000	1.1	163.10

4. Notes

(1) Changes in significant subsidiaries during the period
(changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in the accounting policies, changes in accounting estimates, and restatement

- | | |
|---|------|
| a) Changes in accounting policies due to revisions to accounting standards and other regulations: | None |
| b) Changes other than a): | None |
| c) Changes in accounting estimates: | None |
| d) Restatements: | None |

(3) Number of shares issued (common shares)

a) Number of shares issued at the end of the period (including treasury shares):	As of March 31, 2023	456,507,285	As of March 31, 2022	471,507,285
b) Number of treasury shares at the end of the period:	As of March 31, 2023	27,311,919	As of March 31, 2022	27,431,111
c) Average number of outstanding shares during the period (cumulative from the beginning of the fiscal year):	Fiscal year ended March 31, 2023	435,097,378	Fiscal year ended March 31, 2022	445,701,110

Note: For further details, please refer to "(5) Notes to Consolidated Financial Statements" (Per share information)

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Non-consolidated operating results (% figures represent changes from the previous year.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	382,513	6.5	7,413	-36.2	57,284	34.5	47,379	-15.3
March 31, 2022	359,176	7.8	11,625	-35.1	42,598	-9.5	55,915	35.7

Fiscal year ended	Profit per Share		Profit per Share (Diluted)	
	yen		yen	
March 31, 2023	108.81		-	
March 31, 2022	125.36		-	

(2) Non-consolidated financial position

	Total assets		Net assets		Equity to asset ratio		Net assets per share	
	Millions of yen		Millions of yen		%		yen	
As of March 31, 2023	715,221		340,237		47.6		792.14	
As of March 31, 2022	668,738		339,641		50.8		764.25	
Reference: Equity	As of March 31, 2023	340,237	million yen	As of March 31, 2022	339,641	million yen		

Note: Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

Note: Proper use of earnings forecasts, and other special matters

The earnings forecasts and other forward-looking statements contained in this report are based on information available as of the date of this report and on certain assumptions that the Group believes are reasonable.

Forward-looking statements are not guarantees that the Group will achieve the amounts indicated. Various factors could cause actual results to differ materially from those projected.

1. Business Results

(1) Analysis of Business Results

1) Overview of Fiscal 2022

a. Group Overview

Net Sales: 1,242.5 billion yen (+7.3%), Operating Profit: 91.6 billion yen (+3.1%), Ordinary Profit: 104.2 billion yen (+7.5%), Profit Attributable to Owners of Parent: 69.2 billion yen (+86.9%)

In fiscal 2022, automobile production exceeded those of the previous year despite effects from lower production in the automobile industry due to the semiconductor shortage. Smartphone shipment volumes decreased sharply from the previous fiscal year as a result of inventory adjustments that continued from the second quarter, mainly in China. The number of domestic housing starts also decreased from the previous fiscal year.

Under these circumstances, there were effects from increased sales of high value-added products as well as progress in improving selling prices and positive foreign exchange effects. As a result, sales reached a record high.

Results were substantially impacted by soaring prices for raw materials, fuel, and component parts, but these effects were covered by improvement of selling prices, increased sales of high value-added products, cost reductions, and other factors, and operating profit increased. Ordinary profit also increased due to the positive foreign exchange effects. Profit attributable to owners of the parent increased significantly as a result of the effect of recording impairment losses in the previous fiscal year. Ordinary profit and profit attributable to owners of the parent both reached new record highs.

From this fiscal year under review, the company has changed its classification of reportable segments. The details are described in "(5) Notes to Consolidated Financial Statements (Segment Information, etc.)" of "5. Consolidated Financial Statements and Notes." For the year-on-year comparisons below, the figures for the corresponding period of the previous fiscal year have been reclassified according to the revised segment classification.

b. Overview by Business Segment

Housing Company

Net Sales: 537.3 billion yen (+4.3%), Operating Profit: 32.8 billion yen (-7.0%)

In fiscal 2022, sales increased in the Housing, Housing Renovation, Real Estate, and Town and Community Development businesses, and the Company achieved a new record high for sales, but the housing business in particular was impacted by effects from soaring component prices, and operating profit decreased.

In the Housing business, the number of houses ordered decreased year-on-year due to effects from COVID-19 and lower purchasing intent caused by higher commodity prices and other factors. In the Housing Renovation business, orders increased year-on-year due to increased sales of storage batteries and other factors.

Measures taken during the fiscal year included highlighting "smart and resilient" in the Housing, Housing Renovation, and Town and Community Development businesses amid growing concerns regarding energy instability against a backdrop of intensifying natural disasters. In the Housing business, the Company launched United Heim Park, a new subdivision brand, in October. In addition, the Company reinforced online marketing through its own website and focused on expanding sales of subdivision and ready-built houses. In the Housing Renovation business, the Company strove to expand periodic diagnoses and strengthen proposal capabilities.

Urban Infrastructure and Environmental Products Company

Net Sales: 234.2 billion yen (+8.5%), Operating Profit: 21.1 billion yen (+39.2%)

In fiscal 2022, the domestic non-housing market was sluggish and there was an impact from a decline in housing

demand starting in the third quarter, but as a result of securing profit through selling price improvements, solid capital investment demand in semiconductors in Japan and overseas, and other factors, net sales increased and operating profit reached a new record high.

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

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

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

High Performance Plastics Company

Net Sales: 396.3 billion yen (+12.1%), Operating Profit: 40.0 billion yen (-2.7%)

In fiscal 2022, despite the impact of automobile production cutbacks resulting from lockdowns in China in response to COVID-19, the situation in Ukraine, and other factors as well as a downturn in the electronics market due to smartphone inventory adjustments starting in the second quarter, sales increased as a result of expanded sales of high-performance products, improved selling prices, positive effects from foreign exchange rates, and other factors. The impact of the extreme rise in raw material and fuel prices and the slump in the electronics market was substantial and the Company worked to recover by improving selling prices, expanding sales of high-performance products, and reducing costs, but profit decreased year-on-year.

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

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

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

Medical Business

Net Sales: 89.6 billion yen (+1.3%), Operating Profit: 12.5 billion yen (+11.9%)

In fiscal 2022, diagnostics demand from outpatient suffering from lifestyle-related diseases recovered in Japan and overseas, sales of influenza test kits increased in the United States, and sales of new pharmaceutical ingredients in the Pharmaceuticals & Fine Chemicals business were firm, resulting in record high sales and profit.

2) Forecast for Fiscal 2023

a. Group Forecast

Net Sales: 1,312.0 billion yen (+5.6%), Operating Profit: 100.0 billion yen (+9.1%), Ordinary Profit: 103.0 Billion yen (-1.2%), Profit Attributable to Owners of Parent: 70.0 billion yen (+1.1%)

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

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

b. Forecasts by Business Segment

Housing Company

Net Sales: 561.0 billion yen (+4.4%), Operating Profit: 35.0 billion yen (+6.6%)

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

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

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

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

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

Urban Infrastructure and Environmental Products Company

Net sales: 241.6 billion yen (+3.1%), Operating profit: 22.2 billion yen (+4.8%)

In fiscal 2023, we expect the slump in the domestic non-residential and residential markets to become prolonged, but we will focus on expanding sales of prioritized products that contribute to resolve social issues and expanding overseas businesses and assure profit by improving selling prices in response to rising prices for raw materials and

fuel, and we project higher sales and record high profits. We will also seek to achieve early manifestation of synergy effects from the business portfolio reorganization implemented in the second half of fiscal 2022.

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

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

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

High Performance Plastics Company

Net sales: 427.7 billion yen (+7.9%), Operating profit: 48.0 billion yen (+19.7%)

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

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

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

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

Medical Business

Net sales: 95.0 billion yen (+5.9%), Operating profit: 13.5 billion yen (+7.9%)

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

(2) Basic Policy on Distribution of Profits and Dividends for Fiscal 2022 and Fiscal 2023

SEKISUI CHEMICAL positions increasing corporate value and actively returning profits to shareholders as priority management objectives. With regard to shareholder returns, we expressed the following policy in April 2020, reinforcing and clarifying our commitment.

- Dividend payout ratio: 35% or higher
- DOE: 3% or higher
- Total payout ratio: If the D/E ratio is no higher than 0.5, 50% or higher
- Retirement of treasury shares: Retirement of new acquisitions of treasury shares such that treasury shares are no more than 5% of the total number of issued shares

Under the Medium-term Management Plan, which started in April 2023, we plan to actively provide even greater returns to shareholders.

The record dates for payment of dividends will remain the last day of the first half and the last day of the fiscal year, and the policy of paying dividends twice annually will continue.

In consideration of the above policies, SEKISUI CHEMICAL plans to pay a fiscal year-end dividend of ¥30 per share, the same amount as the most recent forecast, for a total dividend for the fiscal year of ¥59.

	Annual Dividend Per share (yen)		
	End of 1H	Fiscal Year-End	Total
Current forecast	—	30.00	59.00
Fiscal 2022 results	29.00	—	—
Fiscal 2021 results	24.00	25.00	49.00

In fiscal 2023, SEKISUI CHEMICAL plans to pay a first half period-end dividend of ¥33 per share and a fiscal year-end dividend of ¥33 for a full fiscal year dividend distribution of ¥66 per share.

2. Management Policies

(1) Basic Management Policies

SEKISUI CHEMICAL Group aims to meet the expectations of our stakeholders, create social value, and contribute to society through our business activities. The Group makes efforts to prepare management strategies, achieve a sustainable society and continued growth by the Group, and enhance our corporate value based on the Group Vision that the Group will contribute to people's lives around the world and the global environment on the frontiers of "Creation of Housing/Social Infrastructure" and "Chemical Solutions."

(2) Medium- and Long-Term Company Management Strategies

SEKISUI CHEMICAL Group took action under the "VISION 2030" Long-term vision and the "Drive 2022" Medium-term Management Plan covering the three-year period through fiscal 2022 (ending in March 2022) starting in fiscal 2020 (ended in March 2021). The Long-term Vision, "VISION 2030," involves the Vision Statement, "Innovation for the Earth: In order to realize a sustainable society, we support the basis of LIFE and continue to create 'peace of mind for the future,'" which is backed by our strong commitment to continuous innovation. The Group has set four business domains: Residential (Housing); Advanced Lifeline (Social Infrastructure); Innovative Mobility (Electric/ Mobile); and Life Science (Health/ Medical) and makes efforts to expand the existing business and take on the challenges of new business domains based on strategies focused on "Innovation and Creation centered on ESG Management," which will result in doubling the Group's business volume by 2030.

The fundamental policy under the "Drive 2022" Medium-term Management Plan was to drive growth, reforms, and preparation to achieve the Long-Term Vision, and we sought to build a corporate structure capable of implementing ESG management and sustainably increasing corporate value by addressing three key drive issues: (1) business growth and reform, (2) preparation for the long-term, and (3) reinforcing ESG management base.

Despite an unpredictable market environment including the spread of COVID-19, soaring prices for raw materials, fuel, and various component parts, and rapid fluctuations in exchange rates, we were able to return profitability to the level of fiscal 2019 before the start of the Medium-term Management Plan by expanding business with a focus on high value-added products, steadily making necessary investments to prepare for future growth, and moving up structural reforms. With respect to management foundations, we identified companywide materiality (key management issues) and reinforced measures to address these issues, and we believe that we have successfully enhanced our ability to respond to changes in the environment.

In fiscal 2022 (ended in March 2023), we formulated a new Medium-term Management Plan for fiscal 2023 (ending in March 2024) and onwards as the second phase of our efforts to achieve the Long-term Vision referenced above. We will fully demonstrate the capabilities that we have cultivated and take action to carry out the Long-term Vision and Medium-term Management Plan (scheduled to be announced in May 2023) for the future.

3. Basic Principle for Selection of Accounting Standards

In consideration of comparability of consolidated financial statements over different accounting periods and among companies, SEKISUI CHEMICAL Group currently prepares consolidated financial statements based on Japanese GAAP.

With regard to the application of International Financial Reporting Standards (IFRS), the Group is looking into policies and establishment of systems as well as the application date.

5. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(Millions of yen)

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

(Millions of yen)

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

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

(Consolidated Statements of Income)

(Millions of yen)

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

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

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

(3) Consolidated Statement of changes in equity

Fiscal year ended March 31, 2022

(Millions of yen)

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

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

Fiscal year ended March 31, 2023

(Millions of yen)

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

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

(4) Consolidated Statement of Cash Flows

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

(5) Notes to Consolidated Financial Statements

(Notes regarding the premise of a going concern)

Not applicable.

(Notes to Consolidated Statement of Income)

I. Fiscal 2021 (from April 1, 2021 to March 31, 2022)

Impairment losses

The Group reported Impairment losses in the fiscal year ended March 31, 2022 mainly for the following assets:

Item	Type	Location
Other	Intangible assets	United States of America
Goodwill	Goodwill	United States of America

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

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

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

I. Fiscal 2022 (from April 1, 2022 to March 31, 2023)

Impairment losses

No significant impairment losses.

(Segment Information, etc.)

I Segment Information

a. Overview of the Reportable Segments

The reportable segments of the Group are determined on the basis that separate financial information of such segments is available and examined periodically by the Board of Directors of the Company to make decisions regarding the allocation of management resources and assess the business performances of such segments.

The Group have divided the business operations into the four segments of Housing, Urban Infrastructure and Environmental Products (UIEP), High Performance Plastics (HPP), and Medical based on manufacturing methods, products, sales channels, and other business similarities.

Each business segment formulates comprehensive strategies and develops business activities for its products in Japan and overseas.

The Housing business comprises manufacturing, construction and sales of prefabricated modular houses, refurbishing, and other operations related to real estate, residential service, electric power trading and town and community development.

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

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

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

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

The accounting methods for the reportable segments are based on the amounts in accordance with the accounting standards adopted for the preparation of consolidated financial statements. Profit of the reportable segments are figures based on operating profit. Intersegment sales and transfers are presented based on the current market prices.

(Changes in Reportable Segments)

From fiscal year ended March 31, 2023, for the purpose of optimizing the business portfolio in pursuit of greater synergies, the Group changed to classify Fire Protection Materials Division, CPVC-related business fields and Crosswave products into “UIEP” Segment from “HPP” Segment, also the Group revised to classify SEKISUI SEIKEI CO., LTD. and SEKISUI KYDEX LLC. into “HPP” Segment from “UIEP” Segment.

The segment information of fiscal year ended March 31, 2022 and fiscal year ended March 31, 2023, was prepared and disclosed based on the revised classification of the reportable segments.

c. Information on the amounts of net sales, and profit or loss, assets and other items for each reportable segment and information on disaggregation of revenue

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

(Millions of yen)

	Reportable Segments					Other (Notes 1,2)	Total
	Housing (Note 1)	UIEP	HPP	Medical	Total		
Net Sales							
Japan	513,861	170,644	105,692	38,332	828,530	2,076	830,607
North America	—	1,289	77,535	28,523	107,348	13	107,361
Europe	—	4,229	61,514	7,412	73,155	—	73,155
China	—	4,807	59,291	11,007	75,106	1,005	76,112
Asia	1,177	20,479	36,270	2,332	60,260	88	60,349
Others	—	1,682	7,769	908	10,359	—	10,359
Net sales to external customers	515,038	203,132	348,073	88,516	1,154,761	3,183	1,157,945
Intersegment sales or transfers	152	12,759	5,659	0	18,571	1,761	20,332
Total	515,191	215,891	353,732	88,517	1,173,333	4,944	1,178,278
Segment profit (loss)	35,318	15,223	41,189	11,180	102,911	(10,316)	92,595
Segment assets	349,106	228,537	403,503	134,635	1,115,782	33,702	1,149,484
Other items:							
Depreciation and amortization	9,878	8,156	19,682	4,489	42,206	2,554	44,760
Investment in entities accounted for by the equity method	11,147	—	2,916	—	14,063	—	14,063
Increase in property, plant and equipment, and intangible assets	12,964	8,101	18,379	5,616	45,061	5,885	50,947

Note 1: Net sales in “Housing” include 40,930 million yen that does not correspond to revenue from contracts with customers under “Japan.”

Net sales in “Other” include 935 million yen that does not correspond to revenue from contracts with customers under “Japan.”

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

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

(Millions of yen)

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

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

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

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

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

(Millions of yen)

Net Sales	Fiscal 2021	Fiscal 2022
Reportable segment total	1,173,333	1,257,737
Net Sales in “other”	4,944	7,388
Intersegment eliminations	(20,332)	(22,603)
Net sales in consolidated statement of income	1,157,945	1,242,521

(Millions of yen)

Profit	Fiscal 2021	Fiscal 2022
Reportable segment total	102,911	106,626
Profit (loss) in “other”	(10,316)	(10,894)
Intersegment eliminations	294	417
Corporate expenses (Note)	(4,010)	(4,483)
Operating profit in consolidated statement of income	88,879	91,666

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

(Millions of yen)

Assets	Fiscal 2021	Fiscal 2022
Reportable segment total	1,115,782	1,190,640
Assets in “other”	33,702	32,230
Intersegment eliminations	(340,352)	(365,970)
Corporate assets (Note)	389,789	371,230
Total assets in the consolidated balance sheet	1,198,921	1,228,131

Note: Corporate assets are mainly assets that are not attributable to each reportable segment and are associated with the administrative department.

(Millions of yen)

Other items	Reportable Segment total		Other		Adjustments (Note)		Carrying amount in consolidated financial statements	
	Fiscal 2021	Fiscal 2022	Fiscal 2021	Fiscal 2022	Fiscal 2021	Fiscal 2022	Fiscal 2021	Fiscal 2022
Depreciation and amortization	42,206	45,407	2,554	2,487	1,151	1,099	45,912	48,995
Investment in entities accounted for by the equity method	14,063	12,861	—	—	30,272	31,004	44,336	43,866
Increase in property, plant and equipment, and intangible assets	45,061	48,555	5,885	4,417	2,976	6,376	53,923	59,349

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

II Related Information

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

a. Information by product and service

The information is omitted because the same information is disclosed in “Segment information.”

b. Information by geographic area

1. Net Sales

The information is omitted because the same information is disclosed in “Segment information.”

2. Property, plant and equipment

(Millions of yen)

Japan	North America	Europe	China	Asia	Others	Total
243,213	38,522	46,755	13,003	21,921	1,837	365,254

c. Information on impairment losses of non-current assets

(Millions of yen)

	Housing	UIEP	HPP	Medical	Other	Corporate and elimination	Total
Impairment losses	85	494	49,843	859	–	225	51,508

Note: The amount of “Corporate and elimination” denotes impairment losses pertaining to corporate assets not attributable to any reportable segment.

d. Information on goodwill

(Millions of yen)

	Housing	UIEP	HPP	Medical	Other	Corporate and elimination	Total
Amortization during the period	–	209	1,630	947	4	–	2,792
Balance as of March 31, 2022	–	367	4,509	5,860	–	–	10,736

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

a. Information by product and service

The information is omitted because the same information is disclosed in “Segment information”.

b. Information by geographic area

1. Net Sales

The information is omitted because the same information is disclosed in “Segment information.”

2. Property, plant and equipment

(Millions of yen)

Japan	North America	Europe	China	Asia	Others	Total
247,741	42,372	52,009	11,998	21,465	1,795	377,381

c. Information on impairment losses of non-current assets

(Millions of yen)

	Housing	UIEP	HPP	Medical	Other	Corporate and elimination	Total
Impairment losses	66	47	165	97	91	–	468

s

d. Information on goodwill

(Millions of yen)

	Housing	UIEP	HPP	Medical	Other	Corporate and elimination	Total
Amortization during the period	117	209	596	2,488	–	–	3,411
Balance as of March 31, 2023	1,288	157	4,109	5,473	–	–	11,028

(Per share information)

Fiscal 2021 (from April 1, 2021 to March 31, 2022)	Fiscal 2022 (from April 1, 2022 to March 31, 2023)
Net assets per share 1,519.19 yen	Net assets per share 1,642.67 yen
Profit per share 83.17 yen	Profit per share 159.19 yen

Note 1. Diluted profit per share is not stated because there were no diluted shares.

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

	Fiscal 2021 (from April 1, 2021 to March 31, 2022)	Fiscal 2022 (from April 1, 2022 to March 31, 2023)
Profit per share		
Profit attributable to owners of parent (millions of yen)	37,067	69,263
Amount not attributable to common shareholders (millions of yen)	—	—
Profit attributable to owners of parent relating to common shares (millions of yen)	37,067	69,263
Average number of outstanding common shares during the period (thousands of shares)	445,701	435,097

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

	Fiscal 2021 (as of March 31, 2022)	Fiscal 2022 (as of March 31, 2023)
Total amount of net assets (millions of yen)	702,753	732,525
Amount deducted from the total amount of net assets (millions of yen)	28,116	27,498
(of which, non-controlling interests) (millions of yen)	[28,116]	[27,498]
Net assets relating to common shares at year-end (millions of yen)	674,636	705,026
Number of common shares at yearend used for the calculation of net assets per share (thousands of shares)	444,076	429,195

4. The Company's shares remaining in the BIP trust and the ESOP trust and recorded as treasury shares under shareholders' equity are included in treasury shares to be deducted from the average number of shares during the period for the calculation of basic earnings per share and are included in treasury shares to be deducted from the total number of shares issued and outstanding at year-end for the calculation of net assets per share. The average number of treasury shares during the period deducted for the calculation of profit per share was 852,000 shares in Fiscal year ended March 31, 2023 and 563,000 shares in Fiscal year ended March 31, 2022, and the number of treasury shares at year-end deducted for the calculation of net assets per share was 1,022,000 shares as of March 31, 2023 and 656,000 shares as of March 31, 2022.

(Significant subsequent events)

Not applicable.