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Quarterly Securities Report

Second Quarter of the 101st Business Term

**From July 1, 2022
to September 30, 2022**

SEKISUI CHEMICAL CO., LTD.

(E00820)

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Place of filing	Director-General of the Kanto Local Finance Bureau
Filing date	November 9, 2022
Quarterly accounting period	Second quarter of the 101st business term (from July 1, 2022 to September 30, 2022)
Company name	積水化学工業株式会社 (<i>Sekisui Kagaku Kogyo Kabushiki Kaisha</i>)
Company name in English	Sekisui Chemical Co., Ltd. (the Company)
Job title and name of representative	Keita Kato, President and Representative Director, and Chief Executive Officer
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Name of contact person	Naoko Fukutomi, Executive Officer and Head of Legal Department
Place for public inspection	Tokyo Head Office of Sekisui Chemical Co., Ltd.* (10-4 Toranomom 2-Chome, Minato-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo)

(Note) Although the place marked with an asterisk (*) is not required by the Financial Instruments and Exchange Act to make this document available for public inspection, it is prepared to provide this document for inspection by shareholders, etc., for their convenience.

Part 1. Company Information

I. Overview of Company

1. Key financial data

Term		100th Business Term Six months ended September 30, 2021	101st Business Term Six months ended September 30, 2022	100th Business Term
Accounting period		From April 1, 2021 to September 30, 2021	From April 1, 2022 to September 30, 2022	From April 1, 2021 to March 31, 2022
Net sales	(Millions of yen)	547,942	607,765	1,157,945
Ordinary profit	(Millions of yen)	40,968	53,900	97,001
Profit (loss) attributable to owners of parent	(Millions of yen)	(3,914)	39,101	37,067
Comprehensive income	(Millions of yen)	(19,105)	59,997	41,509
Net assets	(Millions of yen)	657,147	734,851	702,753
Total assets	(Millions of yen)	1,120,775	1,234,937	1,198,921
Basic earnings (loss) per share	(Yen)	(8.76)	89.18	83.17
Equity-to-asset ratio	(%)	56.29	57.34	56.27
Net cash provided by (used in) operating activities	(Millions of yen)	56,225	35,434	105,023
Net cash provided by (used in) investing activities	(Millions of yen)	20,739	(22,949)	2,694
Net cash provided by (used in) financing activities	(Millions of yen)	(25,702)	(31,879)	(54,729)
Cash and cash equivalents at end of period	(Millions of yen)	127,571	118,336	133,739

Term		Second quarter of 100th Business Term	Second quarter of 101st Business Term
Accounting period		From July 1, 2021 to September 30, 2021	From July 1, 2022 to September 30, 2022
Basic earnings (loss) per share	(Yen)	(36.87)	55.21

- (Notes) 1. Since the Company prepares quarterly consolidated financial statements, key financial data of the reporting company are not provided.
2. Diluted earnings per share is not provided because there are no potential shares.

2. Description of business

There were no significant changes in the businesses conducted by the Company and its subsidiaries (the Group) and associates during the six months ended September 30, 2022.

There were no changes in major subsidiaries and associates.

II. Overview of Business

1. Business risks

No new business risks arose during the six months ended September 30, 2022.

In addition, there were no significant changes in the business risks, etc. stated in the Annual Securities Report for the previous fiscal year.

2. Management analysis of financial position, business results and cash flows

(1) Financial position and business results

(i) Financial position

Assets, liabilities and net assets

Total assets as of the end of the second quarter of the current fiscal year stood at 1,234,937 million yen, an increase of 36,016 million yen from the end of the previous fiscal year.

(Assets)

Current assets stood at 626,496 million yen, 17,100 million yen higher than the balance as of the end of the previous fiscal year. This was primarily due to increases in the balances of total inventories of 28,236 million yen, and total trade receivables of 745 million yen, offset against a decrease in the balance of cash and deposits of 12,800 million yen.

In addition, non-current assets increased 18,915 million yen to 608,441 million yen.

(Liabilities)

Despite a decrease of 9,936 million yen in income taxes payable, total liabilities increased 3,918 million yen to 500,086 million yen, mainly due to an increase of 11,998 million yen in advances received and an increase of 839 million yen in total interest-bearing debt.

(Net Assets)

Net assets stood at 734,851 million yen as of the end of the second quarter of the current fiscal year, an increase of 32,097 million yen. This mainly reflected the posting of profit attributable to owners of parent of 39,101 million yen and an increase in foreign currency translation adjustment of 20,238 million yen, despite dividends paid of 11,126 million yen and the purchase of treasury shares of 14,072 million yen.

(ii) Business results

In the first half of fiscal 2022, the market was weaker than expected at the beginning of the period due to automobile production cutbacks and inventory adjustments of smartphones caused by material shortages, but a certain recovery was seen in semiconductor-related products, construction materials, and diagnostic reagents. Under these circumstances, in addition to expanded sales of high-value-added products, the positive effect of a substantially weaker yen on exchange rates also contributed to a record high of net sales for the first half of a fiscal year.

Although higher prices of raw materials, fuel, and component parts continued longer than expected, the Group recovered by improving selling prices, expanding sales of high-value-added products, and reducing costs. There were also positive effects from foreign exchange rates, and operating profit was up substantially. Ordinary profit and profit attributable to owners of parent reached record highs for the first half of a fiscal year.

In terms of consolidated operating results for the six months ended September 30, 2022, net sales were 607,765 million yen (up 10.9% year on year), operating profit was 40,344 million yen (up 13.6% year on year), ordinary profit was 53,900 million yen (up 31.6% year on year), and profit attributable to owners of parent was 39,101 million yen (loss attributable to owners of parent of 3,914 million yen in the same period of the previous fiscal year).

Business results by segment were as follows.

a) Housing business

In the first half of fiscal 2022, the Housing, Housing Renovation, Real Estate, and Town and Community Development businesses each posted higher sales, resulting in an overall increase in sales, but operating profit remained flat year-on-year due to the impact of surging prices for component parts in the Housing business.

As for orders received in the Housing business, the number of houses ordered decreased year on year due to the impact of COVID-19, etc. Orders received in the Housing Renovation business increased year on year due to expanded sales of storage batteries, etc.

In terms of measures, we have appealed smart and resilience in the Housing, Housing Renovation, and Town and Community Development businesses amid growing concerns regarding energy against a backdrop of intensifying natural disasters and so on. In the Housing business, the Group focused on expanding sales of homes with ZEH specifications and storage batteries and launched the GRAND TO YOU V (Five) GREENMODEL, an energy self-sufficient wood-framed product, in July. In addition to strengthening web marketing through its own website, the Group focused on expanding sales of subdivision and ready-built houses, demand for which continues to be strong. In the Housing Renovation business, the Group strove to expand periodic diagnoses and strengthen its proposal skills.

As a result, net sales were 260,179 million yen (up 4.2% year on year) and operating profit was 14,766 million yen (down 0.4% year on year).

b) Urban Infrastructure and Environmental Products business

In the first half of fiscal 2022, the Group continued to be affected by soaring raw material and fuel prices. Even so, it increased sales due to expanded sales volume and improved selling prices, resulting in a record-high operating profit.

In the Piping and Infrastructure field, sales increased year on year due to a gradual recovery trend, mainly in demand for non-residential applications, as well as steady sales of industrial piping material uses following increased capital investment in semiconductor-related facilities both in Japan and overseas.

In the Building and Living Environment field, sales increased year on year due to sales expansion of highly prioritized products against the backdrop of firm renovation demand.

In the Advanced Materials field, sales of synthetic lumber for railway sleepers to domestic railroad companies were sluggish, but overseas sales showed signs of recovery. As for thermoplastic sheets, demand recovered in the aircraft sector. With regard to containers for liquid transportation, sales for medical and electronic materials remained strong, resulting in a year-on-year increase in overall sales in the field.

As a result, net sales were 107,381 million yen (up 11.8% year on year) and operating profit was 6,023 million yen (up 87.7% year on year).

c) High Performance Plastics business

In the first half of fiscal 2022, sales increased due to firm demand for semiconductors and building materials as well as the positive effect of foreign exchange rates, despite the impact of automobile production cutbacks caused by lockdowns in China due to the COVID-19 and the situation in Ukraine, as well as inventory adjustments in smartphones in the second quarter. Despite the continued sharp rise in raw materials and fuel prices, the Group was able to recover by improving selling prices, expanding sales of high-performance products, and reducing costs, resulting in an increase in profit.

In the Electronics field, sales increased year-on-year due to strong sales of semiconductor-related products and the positive effect of foreign exchange rates, despite the impact of inventory adjustments in smartphones in the second quarter.

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

In the Buildings and Infrastructure Materials field, demand for chlorinated polyvinyl chloride (CPVC) was firm, especially in India, while the market for fire protection materials and non-combustible materials used in homes in Japan also recovered and selling prices improved favorably, resulting in a year-on-year increase in sales.

As a result, net sales were 204,959 million yen (up 20.5% year on year) and operating profit was 21,832 million yen (up 13.0% year on year).

d) Medical business

In the first half of fiscal 2022, both sales and profits increased due to a recovery in the market for diagnostic reagents, etc. following a recovery in the number of outpatients, despite the impact of the lockdown in China.

In the Diagnostics business, sales increased significantly year on year due to a recovery in sales of lifestyle disease-related diagnostic reagents in Japan and overseas, as well as increased demand for diagnostic reagents in Japan following the outbreak

of RS virus infection and for outpatient diagnostic reagents in Europe and the United States. In the Pharmaceuticals & Fine Chemicals business, sales increased year-on-year due to steady orders for new active pharmaceutical ingredients.

As a result, net sales were 42,881 million yen (up 8.1% year on year) and operating profit was 5,484 million yen (up 12.2% year on year).

e) Other businesses

In terms of the business results for the six months ended September 30, 2022, net sales were 4,146 million yen (up 115.6% year on year) and operating loss was 5,438 million yen (operating loss of 5,185 million yen in the same period of the previous fiscal year).

(2) Cash flows

Cash and cash equivalents (“net cash”) in the six months ended September 30, 2022 decreased 15,402 million yen from the end of the previous fiscal year to 118,336 million yen at the end of the second quarter of the current fiscal year.

Factors influencing cash flow accounts during the six months ended September 30, 2022 were as follows.

(Operating activities)

Net cash provided by operating activities during the six months ended September 30, 2022 amounted to 35,434 million yen, compared with net cash provided of 56,225 million yen during the same period of the previous year. This was due to cash inflows, which included profit before income taxes of 53,530 million yen, depreciation of 24,230 million yen, and an increase in advances received of 11,875 million yen, exceeding cash outflows such as an increase in inventories of 22,057 million yen, income taxes paid of 21,784 million yen, and a decrease in trade payables of 6,145 million yen.

(Investing activities)

Net cash used in investing activities during the six months ended September 30, 2022 amounted to 22,949 million yen, compared with net cash provided of 20,739 million yen during the same period of the previous year. This was mainly due to expenditures of 20,221 million yen for the purchase of property, plant and equipment, centered mainly on priority and growth fields, and 4,302 million yen for the purchase of intangible assets.

(Financing activities)

Net cash used in financing activities during the six months ended September 30, 2022 amounted to 31,879 million yen, compared with net cash used of 25,702 million yen during the same period of the previous year. This was due to cash outflows from the purchase of treasury shares of 14,072 million yen, dividends paid (including dividends paid to non-controlling interests) of 12,339 million yen, and a net decrease in interest-bearing debt of 3,740 million yen.

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

During the six months ended September 30, 2022, there were no significant changes in the business and financial issues to be addressed on a priority basis, nor did any such issues newly arise.

(4) Research and development activities

The amount of research and development activities of the entire Group during the six months ended September 30, 2022 amounted to 19,615 million yen.

During the six months ended September 30, 2022, there were no significant changes in the status of the Group’s research and development activities.

3. Material contracts, etc.

There were no decisions on, conclusion, etc. of material contracts, etc. during the second quarter of the current fiscal year.

III. Information about Reporting Company

1. Company's shares, etc.

(1) Total number of shares

(i) Total number of shares

Class	Total number of shares authorized to be issued (shares)
Common shares	1,187,540,000
Total	1,187,540,000

(ii) Issued shares

Class	Number of issued shares as of the end of the second quarter of the current fiscal year (shares) (September 30, 2022)	Number of issued shares as of filing date (shares) (November 9, 2022)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Description
Common shares	463,507,285	463,507,285	Tokyo Stock Exchange Prime Market	Number of shares constituting one unit 100
Total	463,507,285	463,507,285	–	–

(2) Share acquisition rights

(i) Employee share option plans

Not applicable.

(ii) Share acquisition rights for other uses

Not applicable.

(3) Exercise of moving strike convertible bonds, etc.

Not applicable.

(4) Changes in the total number of issued shares, share capital, etc.

Date	Change in the total number of issued shares (thousands of shares)	Balance of the total number of issued shares (thousands of shares)	Change in share capital (millions of yen)	Balance of share capital (millions of yen)	Change in legal capital surplus (millions of yen)	Balance of legal capital surplus (millions of yen)
From July 1, 2022 to September 30, 2022	–	463,507	–	100,002	–	109,234

(5) Major shareholders

As of September 30, 2022

Name	Address	Number of shares held (thousands of shares)	Shareholding ratio (excluding treasury shares) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	63,635	14.54
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo	25,207	5.76
The Dai-ichi Life Insurance Company, Limited (Standing proxy: Custody Bank of Japan, Ltd.)	1-13-1, Yuraku-cho, Chiyoda-ku, Tokyo (1-8-12, Harumi, Chuo-ku, Tokyo)	18,681	4.26
Asahi Kasei Corp.	1-1-2, Yuraku-cho, Chiyoda-ku, Tokyo	13,848	3.16
Employees Stock Ownership Plan	2-4-4 Nishitemma, Kita-ku, Osaka	10,716	2.44
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/FIM/LUXEMBOURG FUNDS/UCITS ASSETS (Standing proxy: The Hong Kong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Department)	33 RUE DE GASPERICH, L-5826 HOWALD-HESPERANGE, LUXEMBOURG 3-11-1, Nihonbashi, Chuo-ku, Tokyo	10,629	2.42
THE BANK OF NEW YORK MELLON 140042 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	240 GREENWICH STREET, NEW YORK, NY 10286, U.S.A. (2-15-1, Konan, Minato-ku, Tokyo)	8,661	1.97
Sekisui House, Ltd.	1-1-88, Oyodonaka, Kita-ku, Osaka	7,998	1.82
J.P. MORGAN BANK LUXEMBOURG S.A. 381572 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	EUROPEAN BANK AND BUSINESS CENTER 6, ROUTE DE TREVES, L-2633 SENNINGERBERG, LUXEMBOURG (2-15-1, Konan, Minato-ku, Tokyo)	7,400	1.69
National Mutual Insurance Federation of Agricultural Cooperatives (Standing proxy: The Master Trust Bank of Japan, Ltd.)	2-7-9, Hirakawa-cho, Chiyoda-ku, Tokyo (2-11-3, Hamamatsu-cho, Minato-ku, Tokyo)	7,302	1.66
Total	—	174,081	39.78

(Note) 25,926 thousand treasury shares (excluding those held by the BIP trust for remuneration for directors (and other officers) and by the ESOP trust for share granting) held by the Company are excluded from the above list of major shareholders.

(6) Voting rights
(i) Issued shares

As of September 30, 2022

Category	Number of shares (shares)	Number of voting rights (rights)	Description
Shares without voting rights	–	–	–
Shares with restricted voting rights (treasury shares, etc.)	–	–	–
Shares with restricted voting rights (other)	–	–	–
Shares with full voting rights (treasury shares, etc.)	Common shares 25,979,200	–	Standard Sekisui Chemical shares not subject to any restriction on rights Number of shares constituting one unit: 100
Shares with full voting rights (other)	Common shares 437,328,700	4,373,287	Same as above
Shares less than one unit	Common shares 199,385	–	–
Total number of issued shares	463,507,285	–	–
Voting rights held by all shareholders	–	4,373,287	–

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

BIP trust for remuneration for directors (and other officers):	811,000 shares (8,110 units)
ESOP trust for share granting:	211,400 shares (2,114 units)

(ii) Treasury shares, etc.

As of September 30, 2022

Name of shareholder	Address of shareholder	Number of shares held in own name	Number of shares held in others' names	Total number of shares held	Shareholding ratio (%)
(Shares held by the Company)					
Sekisui Chemical Co., Ltd.	2-4-4 Nishitemma, Kita-ku, Osaka	25,926,300	–	25,926,300	5.59
(Reciprocal holding)					
Tochigi Sekisui Heim Co., Ltd.	5-3-4, Higashishukugo, Utsunomiya, Tochigi	41,100	–	41,100	0.00
Sekisui Heim Higashishikoku Co., Ltd.	4-1-16, Kazurashima, Kochi, Kochi	11,800	–	11,800	0.00
Total	–	25,979,200	–	25,979,200	5.60

- (Notes) 1. The number of shares is included in the number of shares with full voting rights (treasury shares, etc.) in the “(i) Issued shares” section above.
2. Sekisui Chemical shares held by the BIP trust for remuneration for directors (and other officers) and the ESOP trust for share granting are not included in the treasury shares mentioned above.

2. Directors (and other officers)

Not applicable.

IV. Financial Information

1. Methods of preparing quarterly consolidated financial statements

Quarterly consolidated financial statements of the Group are prepared based on the Regulation on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Order No. 64 of 2007).

2. Note on independent audit

Pursuant to the provisions in Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the quarterly consolidated financial statements for the second quarter of the current fiscal year (from July 1, 2022 to September 30, 2022) and the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022) of the Group have been subjected to a quarterly review by KPMG AZSA LLC.

The Company has changed its audit firm, as described below.

100th Business Term: Ernst & Young ShinNihon LLC

Second quarter and first six months of the 101st Business Term: KPMG AZSA LLC

1. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	144,534	131,734
Notes receivable - trade	36,999	33,678
Accounts receivable - trade	148,748	153,009
Contract assets	721	527
Merchandise and finished goods	86,262	98,460
Land for sale in lots	55,364	56,686
Work in process	56,611	64,359
Raw materials and supplies	45,600	52,568
Advance payments to suppliers	4,551	5,013
Prepaid expenses	8,092	9,174
Short-term loans receivable	182	2
Other	22,984	22,360
Allowance for doubtful accounts	(1,257)	(1,077)
Total current assets	609,395	626,496
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	120,810	121,490
Machinery, equipment and vehicles, net	108,218	109,361
Land	83,059	82,814
Leased assets, net	19,618	20,716
Construction in progress	21,606	32,268
Other, net	11,939	11,888
Total property, plant and equipment	365,254	378,541
Intangible assets		
Goodwill	10,736	10,727
Software	10,561	15,643
Leased assets	137	136
Other	25,298	21,495
Total intangible assets	46,733	48,002
Investments and other assets		
Investment securities	130,688	131,849
Long-term loans receivable	1,157	1,093
Long-term prepaid expenses	2,030	2,208
Retirement benefit asset	21,066	21,163
Deferred tax assets	10,909	14,261
Other	14,038	13,634
Allowance for doubtful accounts	(2,352)	(2,313)
Total investments and other assets	177,537	181,897
Total non-current assets	589,525	608,441
Total assets	1,198,921	1,234,937

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes payable - trade	1,386	997
Electronically recorded obligations - operating	28,335	29,824
Accounts payable - trade	108,460	106,730
Short-term borrowings	4,293	5,298
Lease liabilities	5,000	4,989
Accrued expenses	43,500	40,724
Income taxes payable	23,678	13,741
Provision for bonuses	19,709	18,270
Provision for bonuses for directors (and other officers)	290	196
Provision for warranties for completed construction	1,482	3,236
Provision for share awards	138	57
Advances received	46,068	58,066
Other	47,350	51,189
Total current liabilities	329,694	333,322
Non-current liabilities		
Bonds payable	40,000	40,000
Long-term borrowings	58,093	56,622
Lease liabilities	15,170	16,486
Deferred tax liabilities	4,624	4,806
Retirement benefit liability	41,840	41,893
Provision for share awards	773	789
Other	5,971	6,164
Total non-current liabilities	166,473	166,764
Total liabilities	496,168	500,086
Net assets		
Shareholders' equity		
Share capital	100,002	100,002
Capital surplus	109,042	108,583
Retained earnings	447,958	462,816
Treasury shares	(44,592)	(45,315)
Total shareholders' equity	612,409	626,086
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	33,726	33,846
Deferred gains or losses on hedges	(18)	(18)
Revaluation reserve for land	322	321
Foreign currency translation adjustment	25,507	45,746
Remeasurements of defined benefit plans	2,687	2,107
Total accumulated other comprehensive income	62,226	82,004
Non-controlling interests	28,116	26,760
Total net assets	702,753	734,851
Total liabilities and net assets	1,198,921	1,234,937

(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income

Quarterly consolidated statement of income

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	547,942	607,765
Cost of sales	377,993	424,951
Gross profit	169,949	182,813
Selling, general and administrative expenses	*	* 142,469
Operating profit	35,520	40,344
Non-operating income		
Interest income	250	488
Dividend income	3,391	3,205
Share of profit of entities accounted for using equity method	1,546	1,203
Foreign exchange gains	958	8,977
Miscellaneous income	1,379	1,554
Total non-operating income	7,527	15,428
Non-operating expenses		
Interest expenses	374	371
Miscellaneous expenses	1,705	1,501
Total non-operating expenses	2,079	1,872
Ordinary profit	40,968	53,900
Extraordinary income		
Gain on sale of investment securities	22,102	–
Gain on sale of shares of subsidiaries and associates	–	669
Total extraordinary income	22,102	669
Extraordinary losses		
Impairment losses	50,001	–
Loss on sale and retirement of non-current assets	656	1,039
Total extraordinary losses	50,657	1,039
Profit before income taxes	12,414	53,530
Income taxes	15,549	13,747
Profit (loss)	(3,135)	39,782
Profit attributable to non-controlling interests	778	681
Profit (loss) attributable to owners of parent	(3,914)	39,101

Quarterly consolidated statement of comprehensive income

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit (loss)	(3,135)	39,782
Other comprehensive income		
Valuation difference on available-for-sale securities	(14,998)	(55)
Deferred gains or losses on hedges	18	5
Foreign currency translation adjustment	(908)	20,678
Remeasurements of defined benefit plans, net of tax	145	(578)
Share of other comprehensive income of entities accounted for using equity method	(226)	165
Total other comprehensive income	(15,969)	20,214
Comprehensive income	(19,105)	59,997
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(19,395)	58,879
Comprehensive income attributable to non-controlling interests	290	1,118

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	12,414	53,530
Depreciation	22,350	24,230
Amortization of goodwill	2,195	608
Impairment losses	50,001	–
Loss on retirement of non-current assets	618	973
Loss (gain) on sale of non-current assets	37	66
Increase or decrease in retirement benefit asset and liability	(1,924)	(173)
Loss (gain) on sale of investment securities	(22,102)	–
Loss (gain) on sale of shares of subsidiaries and associates	–	(669)
Interest and dividend income	(3,642)	(3,694)
Interest expenses	374	371
Share of loss (profit) of entities accounted for using equity method	(1,546)	(1,203)
Decrease (increase) in trade receivables and contract assets	12,736	6,572
Decrease (increase) in inventories	(9,432)	(22,057)
Increase (decrease) in trade payables	(2,005)	(6,145)
Increase (decrease) in advances received	10,991	11,875
Other, net	(9,794)	(10,812)
Subtotal	61,271	53,472
Interest and dividends received	4,180	4,153
Interest paid	(371)	(406)
Income taxes paid	(8,855)	(21,784)
Net cash provided by (used in) operating activities	56,225	35,434
Cash flows from investing activities		
Purchase of property, plant and equipment	(16,782)	(20,221)
Proceeds from sale of property, plant and equipment	781	918
Payments into time deposits	(4,976)	(7,610)
Proceeds from withdrawal of time deposits	7,487	5,685
Purchase of investment securities	(596)	(351)
Proceeds from sale and redemption of investment securities	38,387	0
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	–	2,518
Purchase of shares of subsidiaries	(6)	–
Purchase of intangible assets	(3,575)	(4,302)
Decrease (increase) in short-term loans receivable	43	180
Other, net	(22)	232
Net cash provided by (used in) investing activities	20,739	(22,949)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,386)	257
Repayments of lease liabilities	(2,657)	(2,811)
Repayments of long-term borrowings	(2,764)	(1,186)
Dividends paid	(10,798)	(11,138)
Dividends paid to non-controlling interests	(1,428)	(1,201)
Purchase of treasury shares	(5,645)	(14,072)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(29)	(1,865)
Other, net	7	138
Net cash provided by (used in) financing activities	(25,702)	(31,879)
Effect of exchange rate change on cash and cash equivalents	(341)	3,992
Net increase (decrease) in cash and cash equivalents	50,920	(15,402)
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	1	–
Cash and cash equivalents at end of period	* 127,571	* 118,336

Notes to quarterly consolidated financial statements

(Change in scope of consolidation or application of the equity method)

In the second quarter of the current fiscal year, two subsidiaries of Sekisui Polymatech (Shanghai) Co., Ltd. and Sekisui Polymatech (Shanghai) Trading Co., Ltd. merged, and Sekisui Polymatech (Shanghai) Co., Ltd. was the surviving company.

PT. Sekisui Polymatech Indonesia and PT. Sekisui Polymatech Trading Indonesia merged, and PT. Sekisui Polymatech Indonesia was the surviving company.

Sekisui XenoTech, LLC. is no longer within the scope of consolidation due to transfer of all shares thereof.

(Specific accounting methods applied in the preparation of quarterly consolidated financial statements)

(Calculation of tax expenses)

Tax expenses are calculated by reasonably estimating the effective tax rate after applying tax effect accounting to profit before income taxes for the fiscal year, including the second quarter under review, and multiplying profit before income taxes (quarterly) by the estimated effective tax rate. However, if the calculation of tax expenses using such estimated effective tax rate would significantly lack rationality, tax expenses are calculated using the statutory tax rate.

Income taxes - deferred are included in income taxes.

(Additional information)

(Provision for warranties for completed construction)

In the previous fiscal year, provision for warranties for completed construction of current liabilities was recorded by the estimated amount of future compensation for net sales of completed construction contracts based on the past compensation rates. However, from the first quarter of the current fiscal year, the estimated amount of future compensation for individual projects is also included in provision for warranties for completed construction from the viewpoint of clarity of disclosure. The estimated amount of future compensation for individual projects was included in accrued expenses in the previous fiscal year.

(Notes to quarterly consolidated balance sheet)

Guarantee obligations

The following liabilities are guaranteed:

		(Millions of yen)
	FY2021 (as of March 31, 2022)	Second quarter of FY2022 (as of September 30, 2022)
(1) Guarantee obligations of housing loans for prefabricated modular housing purchasers and the promotion of the employee house ownership plan	60,373	66,126
(2) Other guarantee obligations	7,911	7,268

(Notes to quarterly consolidated statement of income)

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

		(Millions of yen)
	Six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)	Six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)
Freight costs, packing expenses, and storage fees	14,122	16,922
Employees' salaries, allowance and bonuses	41,898	43,153
Provision for bonuses	10,649	11,074
Retirement benefit expenses	2,404	2,376
Depreciation	6,997	7,338
Research and development expenses	17,898	19,615

Research and development expenses only include general and administrative expenses.

(Notes to quarterly consolidated statement of cash flows)

* Reconciliation of cash and cash equivalents at end of period and the related account on the quarterly consolidated balance sheet

		(Millions of yen)
	Six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)	Six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)
Cash and deposits	136,087	131,734
Time deposits with maturity over 3 months	(8,516)	(13,397)
Cash and cash equivalents	127,571	118,336

(Notes to shareholders' equity, etc.)

I. Six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

(1) Dividends paid

(Resolution)	Classes of shares	Total amount of dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date	Source of dividends
June 23, 2021 Annual General Meeting of Shareholders	Common shares	10,801	24	March 31, 2021	June 24, 2021	Retained earnings

(Note) The total amount of dividends resolved by the Annual General Meeting of Shareholders held on June 23, 2021 includes dividends of 19 million yen for shares of the Company held by the BIP trust as an officer remuneration system and held by the ESOP trust.

(2) Dividends whose effective date falls after the end of the second quarter of the current fiscal year following the first six months of the current fiscal year of the record date

(Resolution)	Classes of shares	Total amount of dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date	Source of dividends
October 28, 2021 Board of Directors	Common shares	10,729	24	September 30, 2021	December 1, 2021	Retained earnings

(Note) The total amount of dividends resolved by the Board of Directors meeting held on October 28, 2021 includes dividends of 15 million yen for shares of the Company held by the BIP trust as an officer remuneration system and held by the ESOP trust.

II. Six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

(1) Dividends paid

(Resolution)	Classes of shares	Total amount of dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date	Source of dividends
June 22, 2022 Annual General Meeting of Shareholders	Common shares	11,126	25	March 31, 2022	June 23, 2022	Retained earnings

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

(2) Dividends whose effective date falls after the end of the second quarter of the current fiscal year following the first six months of the current fiscal year of the record date

(Resolution)	Classes of shares	Total amount of dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date	Source of dividends
October 27, 2022 Board of Directors	Common shares	12,689	29	September 30, 2022	December 1, 2022	Retained earnings

(Note) The total amount of dividends resolved by the Board of Directors meeting held on October 27, 2022 includes dividends of 29 million yen for shares of the Company held by the BIP trust as an officer remuneration system and held by the ESOP trust.

(Segment information)

Segment information

I. Six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

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

(Millions of yen)

	Reportable segments					Other (Notes 1, 2)	Total
	Housing (Note 1)	Urban Infrastructure and Environmental Products	High Performance Plastics	Medical	Reportable segments		
Net sales							
Japan	249,098	74,582	53,074	17,383	394,139	1,608	395,748
North America	–	6,458	30,327	11,844	48,631	8	48,639
Europe	–	2,704	29,124	3,645	35,475	–	35,475
China	–	2,169	26,882	5,253	34,305	188	34,493
Asia	624	2,816	23,940	1,142	28,523	64	28,588
Other	–	877	3,727	393	4,998	–	4,998
Net sales to external customers	249,723	89,609	167,077	39,662	546,072	1,869	547,942
Intersegment sales or transfers	50	6,478	3,035	0	9,565	52	9,618
Total	249,773	96,088	170,113	39,662	555,638	1,922	557,560
Segment profit (loss)	14,828	3,209	19,315	4,887	42,240	(5,185)	37,055

(Note 1) Net sales in “Housing” include 19,497 million yen that does not correspond to revenue from contracts with customers under “Japan.”

Net sales in “Other” include 424 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.

2. Difference between the total amount of profit or loss of the reportable segments and the amount recorded in the quarterly consolidated statement of income, and descriptions of such difference (matters on difference adjustment)

(Millions of yen)

Profit	Amount
Reportable segment total	42,240
Profit in “other”	(5,185)
Intersegment eliminations	125
Corporate expenses (Note)	(1,659)
Operating profit in the quarterly consolidated statement of income	35,520

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

II. Six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

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

(Millions of yen)

	Reportable segments					Other (Notes 1, 2)	Total
	Housing (Note 1)	Urban Infrastructure and Environmental Products	High Performance Plastics	Medical	Reportable segments		
Net sales							
Japan	259,291	79,433	55,198	19,907	413,831	1,040	414,872
North America	–	9,115	43,175	10,790	63,081	–	63,081
Europe	–	3,910	34,647	4,649	43,207	–	43,207
China	–	3,921	32,610	5,887	42,419	870	43,290
Asia	778	3,482	31,450	1,067	36,779	21	36,800
Other	–	1,135	4,796	580	6,512	–	6,512
Net sales to external customers	260,070	100,999	201,880	42,881	605,832	1,932	607,765
Intersegment sales or transfers	109	6,382	3,078	–	9,570	2,213	11,783
Total	260,179	107,381	204,959	42,881	615,402	4,146	619,548
Segment profit (loss)	14,766	6,023	21,832	5,484	48,107	(5,438)	42,669

(Note 1) Net sales in “Housing” include 21,312 million yen that does not correspond to revenue from contracts with customers under “Japan.”

Net sales in “Other” include 447 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.

2. Difference between the total amount of profit or loss of the reportable segments and the amount recorded in the quarterly consolidated statement of income, and descriptions of such difference (matters on difference adjustment)

(Millions of yen)

Profit	Amount
Reportable segment total	48,107
Profit in “other”	(5,438)
Intersegment eliminations	213
Corporate expenses (Note)	(2,537)
Operating profit in the quarterly consolidated statement of income	40,344

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

(Revenue recognition)

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

(Per share information)

Quarterly basic earnings (loss) per share and the basis for calculation are as shown below.

	Six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)	Six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)
Basic earnings (loss) per share (yen)	(8.76)	89.18
(Basis for calculation)		
Profit (loss) attributable to owners of parent (millions of yen)	(3,914)	39,101
Amount not attributable to common shareholders (millions of yen)	–	–
Profit (loss) attributable to owners of common shares of parent (millions of yen)	(3,914)	39,101
Average number of outstanding common shares during the period (thousands of shares)	446,967	438,435

(Notes) 1. The amount of quarterly diluted earnings per share is not provided because there are no potential shares.

2. 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 quarterly basic earnings per share.

The average number of treasury shares during the period deducted for the calculation of quarterly basic earnings per share was 471,000 shares in the six months ended September 30, 2021 and 683,000 shares in the six months ended September 30, 2022.

(Significant subsequent events)

(Purchase of treasury shares)

The Company resolved at its Board of Directors meeting on October 27, 2022 the following matters associated with the acquisition of treasury shares based on the provision of Article 156, paragraph 1 of the Companies Act to be applied mutatis mutandis pursuant to the provision of Article 165, paragraph 3 of the said Act.

(1) Reasons for executing purchase of treasury shares

For the purpose of implementing an agile capital strategy and as part of the shareholder return policy

(2) Contents of resolution of the Board of Directors regarding the acquisition of treasury shares

(i) Class of shares to be acquired

Common shares of the Company

(ii) Total number of shares to be acquired

Up to 7,000,000 shares

(iii) Acquisition period

From October 28, 2022 to March 31, 2023

(iv) Total acquisition amount

Up to 14,000 million yen

(v) Acquisition method

Purchase through the market including an advance-notice-type market buying system (ToSTNeT)

(Cancellation of treasury shares)

The Company resolved at its Board of Directors meeting on October 27, 2022 the following matters associated with the cancellation of treasury shares based on the provision of Article 178 of the Companies Act.

(1) Reasons for cancelling treasury shares

For the purpose of strengthening the initiatives to enhance capital efficiency and as part of the shareholder return policy

(2) Contents of resolution of the Board of Directors regarding the cancellation of treasury shares

- (i) Class of shares to be cancelled
Common shares of the Company
- (ii) Number of shares to be cancelled
7,000,000 shares
- (iii) Planned date of cancellation
November 25, 2022
- (iv) Total number of issued shares after cancellation
456,507,285 shares

2. Other

(Dividend)

The Company resolved at its Board of Directors meeting on October 27, 2022 as follows.

Matters concerning the common shares dividend

- | | |
|-------------------------------|--------------------|
| (1) Total amount of dividends | 12,689 million yen |
| (2) Dividend per share | 29 yen |
| (3) Record date | September 30, 2022 |
| (4) Effective date | December 1, 2022 |
| (5) Source of dividends | Retained earnings |

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

Not applicable.