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Quarterly Securities Report

Second Quarter of the 102nd Business Term

**From July 1, 2023
to September 30, 2023**

SEKISUI CHEMICAL CO., LTD.

(E00820)

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Filing document	Quarterly Securities Report
Clause of stipulation	Article 24-4-7, paragraph 1 of the Financial Instruments and Exchange Act
Place of filing	Director-General of the Kanto Local Finance Bureau
Filing date	November 14, 2023
Quarterly accounting period	Second quarter of the 102nd business term (from July 1, 2023 to September 30, 2023)
Company name	積水化学工業株式会社 (<i>Sekisui Kagaku Kogyo Kabushiki Kaisha</i>)
Company name in English	Sekisui Chemical Co., Ltd.
Job title and name of representative	Keita Kato, President and Representative Director, and Chief Executive Officer
Address of registered headquarters	4-4 Nishitemma 2-Chome, Kita-ku, Osaka, Japan
Telephone number	+81-6-6365-4105
Name of contact person	Tatsuya Nishida, Executive Officer and Head of Corporate Finance & Accounting Department
Nearest place of contact	10-4 Toranomom 2-Chome, Minato-ku, Tokyo, Japan
Telephone number	+81-3-6748-6460
Name of contact person	Naoko Fukutomi, Executive Officer and Head of Legal Department
Place for public inspection	Tokyo Head Office of Sekisui Chemical Co., Ltd.* (10-4 Toranomom 2-Chome, Minato-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo)

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

Part 1. Company Information

I. Overview of Company

1. Key financial data

Term		101st Business Term Six months ended September 30, 2022	102nd Business Term Six months ended September 30, 2023	101st Business Term
Accounting period		From April 1, 2022 to September 30, 2022	From April 1, 2023 to September 30, 2023	From April 1, 2022 to March 31, 2023
Net sales	(Millions of yen)	607,765	611,294	1,242,521
Ordinary profit	(Millions of yen)	53,900	51,536	104,241
Profit attributable to owners of parent	(Millions of yen)	39,101	44,450	69,263
Comprehensive income	(Millions of yen)	59,997	65,947	84,008
Net assets	(Millions of yen)	734,851	774,777	732,525
Total assets	(Millions of yen)	1,234,937	1,268,765	1,228,131
Basic earnings per share	(Yen)	89.18	104.18	159.19
Equity-to-asset ratio	(%)	57.34	58.84	57.41
Net cash provided by (used in) operating activities	(Millions of yen)	35,434	49,334	71,543
Net cash provided by (used in) investing activities	(Millions of yen)	(22,949)	6,794	(59,430)
Net cash provided by (used in) financing activities	(Millions of yen)	(31,879)	(26,164)	(62,906)
Cash and cash equivalents at end of period	(Millions of yen)	118,336	119,842	85,207

Term		Second quarter of 101st Business Term	Second quarter of 102nd Business Term
Accounting period		From July 1, 2022 to September 30, 2022	From July 1, 2023 to September 30, 2023
Basic earnings per share	(Yen)	55.21	47.77

- (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, 2023.

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, 2023.

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 1,268,765 million yen, an increase of 40,633 million yen from the end of the previous fiscal year.

(Assets)

Current assets stood at 665,185 million yen, 43,535 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 cash and deposits of 37,132 million yen, total inventories of 9,353 million yen, and total trade receivables of 8,489 million yen.

Non-current assets decreased 2,901 million yen to 603,580 million yen.

(Liabilities)

Despite increases of 9,564 million yen in income taxes payable and 6,624 million yen in advances received, total liabilities decreased 1,617 million yen to 493,988 million yen, mainly due to a total decrease of 16,189 million yen in trade payables and others consisting of notes payable - trade, electronically recorded obligations - operating, accounts payable - trade, accrued expenses.

(Net Assets)

Net assets stood at 774,777 million yen as of the end of the second quarter of the current fiscal year, an increase of 42,251 million yen. This mainly reflected the posting of profit attributable to owners of parent of 44,450 million yen and an increase in foreign currency translation adjustment of 22,091 million yen, despite dividends paid of 12,916 million yen and the purchase of treasury shares of 7,833 million yen.

(ii) Business results

In the six months ended September 30, 2023, despite sluggish domestic demand for new housing resulting in a decreased number of houses sold as well as stagnant demand for building materials and consumer goods in Europe and the U.S., sales increased as a result of a certain level of recovery of automobile production as well as growth of sales of high value-added products and positive effects from foreign exchange rates.

Operating profit increased as a result of efforts to expand sales of high value-added products, secure profit, and control fixed costs, and positive effects from foreign exchange rates.

Ordinary profit decreased due to a year-on-year decrease in foreign exchange gains, while profit attributable to owners of parent reached a record high due to gains on the sale of investment securities.

In terms of consolidated operating results for the six months ended September 30, 2023, net sales were 611,294 million yen (up 0.6% year on year), operating profit was 41,155 million yen (up 2.0% year on year), ordinary profit was 51,536 million yen (down 4.4% year on year), and profit attributable to owners of parent was 44,450 million yen (up 13.7% year on year).

Business results by business segment were as follows.

From the third quarter of the previous fiscal year, the classification of reportable segments was changed. Details are as stated in "Notes to quarterly consolidated financial statements (Segment information)" of "1. Quarterly consolidated financial statements" in "IV. Financial Information." The following year-on-year comparisons were based on the figures for the same period of the previous fiscal year, which were restated according to the new segment classifications.

a) Housing business

In the six months ended September 30, 2023, sales increased in the Housing Renovation business, Real Estate business, and Town and Community Development business, while net sales of the Group as the whole increased and profit decreased due to the impacts of a year-on-year decrease in the number of houses ordered and rising prices for component parts, including the effect of exchange rates, in the new housing construction business.

In the new housing construction business, the number of houses ordered decreased year-on-year due to lower purchasing intent caused by higher prices and other factors. In the Housing Renovation business, orders increased year-on-year due to reinforcement of sales structures, higher sales of photovoltaic cells and storage batteries, and increased sales of insulation renovations.

In terms of measures, we promoted “smart and resilience” in the new housing construction, Housing Renovation, and Town and Community Development businesses. In the new housing construction business, in addition to focusing on marketing activities that linked the Group’s website with model houses, showrooms, factory tours, and events, we took measures to enhance product and subdivision designs. The Group worked to reinforce sales structures in the Housing Renovation business, and initiated measures to strengthen the profitability of the Housing business, particularly by shifting personnel to growth areas such as the Housing Renovation business.

As a result, net sales were 264,826 million yen (up 1.8% year on year) and operating profit was 12,972 million yen (down 12.2% year on year).

b) Urban Infrastructure and Environmental Products business

In the six months ended September 30, 2023, while net sales remained flat year-on-year due to the impact of sluggish domestic housing and non-housing markets, profit reached a record high as a result of securing profit, controlling fixed costs, and taking other measures.

In the Pipe Systems field, while the Group worked to secure profit and expand sales of domestic industrial piping materials, demand for which was firm, and chlorinated polyvinyl chloride (CPVC), mainly in India, domestic housing and non-housing demand and overseas polyvinyl chloride (PVC) markets were sluggish, resulting in a year-on-year decrease in overall net sales in the field.

In the Buildings and Infrastructures Composite Materials field, despite sluggish demand for housing, we focused on securing profit by improving selling prices. Steady progress in domestic orders for synthetic lumber (FFU) contributed to a year-on-year increase in overall net sales in the field, despite slow sales overseas due to delayed orders and other factors.

In the Infrastructure Renovation field, net sales overall increased year-on-year due to solid overseas orders for pipeline renewal, a recovery in domestic demand for water receiving tanks (panel tanks), and other factors.

As a result, net sales were 109,654 million yen (down 0.7% year on year) and operating profit was 8,058 million yen (up 8.5% year on year).

c) High Performance Plastics business

In the six months ended September 30, 2023, net sales remained flat year-on-year due to the impact of sluggish demand for building materials and consumer goods in Europe, the U.S., and Japan, while profit increased as a result of a recovery in automobile-related demand, foreign exchange effects, lower prices of raw materials, and efforts to maintain or improve selling prices.

In the Electronics field, net sales decreased year-on-year as semiconductor-related demand remained sluggish and smartphone sales were below expectations despite the market trend started to recover in the second quarter.

In the Mobility field, net sales increased year-on-year due to progress in improving selling prices, a recovery in aircraft-related demand, expanded sales of high-performance interlayer films, mainly for heads-up displays, and other factors.

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

As a result, net sales were 200,279 million yen (down 0.6% year on year) and operating profit was 22,971 million yen (up 12.4% year on year).

d) Medical business

In the six months ended September 30, 2023, sales increased, while profit decreased due to the impacts of delayed approval for the COVID-19 test kit in the U.S., the product mix, and other factors, despite demand remaining firm in both the Diagnostics business and the Pharmaceuticals & Fine Chemicals business.

In the Diagnostics business, net sales increased year-on-year due to higher demand for POC testing in the domestic market, expanded sales of blood coagulation diagnostic reagents in the Chinese market, and other factors.

In the Pharmaceuticals & Fine Chemicals business, net sales increased year-on-year due to increased demand for new active pharmaceutical ingredients.

As a result, net sales were 43,678 million yen (up 1.9% year on year) and operating profit was 5,126 million yen (down 6.5% year on year).

e) Other businesses

In terms of the business results for the six months ended September 30, 2023, net sales were 3,181 million yen (down 23.3% year on year) and operating loss was 5,107 million yen (operating loss of 5,438 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, 2023 increased 34,635 million yen from the end of the previous fiscal year to 119,842 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, 2023 were as follows.

(Operating activities)

Net cash provided by operating activities during the six months ended September 30, 2023 amounted to 49,334 million yen, compared with net cash provided of 35,434 million yen during the same period of the previous year. This was due to cash inflows, which included profit before income taxes of 64,940 million yen, depreciation of 24,792 million yen, and income taxes refund of 7,980 million yen, exceeding cash outflows such as a decrease in trade payables of 21,651 million yen, income taxes paid of 16,308 million yen, and a gain on sale of investment securities of 13,701 million yen.

(Investing activities)

Net cash provided by investing activities during the six months ended September 30, 2023 amounted to 6,794 million yen, compared with net cash used of 22,949 million yen during the same period of the previous fiscal year. This was due to cash inflows, which included cash proceeds from sale and redemption of investment securities of 22,000 million yen and cash proceeds from sale of shares of subsidiaries and associates of 16,739 million yen, exceeding cash outflows such as expenditures of 24,332 million yen for the purchase of property, plant, and equipment centered mainly on priority and growth fields, and 5,267 million yen for the purchase of intangible assets.

(Financing activities)

Net cash used in financing activities during the six months ended September 30, 2023 amounted to 26,164 million yen, compared with net cash used of 31,879 million yen during the same period of the previous fiscal year. This was mainly due to cash outflows from dividends paid (including dividends paid to non-controlling interests) of 13,763 million yen, the purchase of treasury shares of 7,833 million yen, and a net decrease in interest-bearing debt of 4,646 million yen.

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

During the six months ended September 30, 2023, 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, 2023 amounted to 20,306 million yen.

During the six months ended September 30, 2023, 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, etc.

(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, 2023)	Number of issued shares as of filing date (shares) (November 14, 2023)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Description
Common shares	452,507,285	452,507,285	Tokyo Stock Exchange Prime Market	Number of shares constituting one unit: 100
Total	452,507,285	452,507,285	–	–

(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, 2023 to September 30, 2023	–	452,507	–	100,002	–	109,234

(5) Major shareholders

As of September 30, 2023

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	62,029	14.54
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo	23,343	5.47
The Dai-ichi Life Insurance Company, Limited (Standing proxy: Custody Bank of Japan, Ltd.)	1-13-1, Yuraku-cho, Chiyoda-ku, Tokyo (1-8-12, Harumi, Chuo-ku, Tokyo)	12,793	2.99
Employees Stock Ownership Plan	2-4-4 Nishitemma, Kita-ku, Osaka	11,294	2.64
Asahi Kasei Corp.	1-1-2, Yuraku-cho, Chiyoda-ku, Tokyo	11,149	2.61
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (2-15-1, Konan, Minato-ku, Tokyo)	8,542	2.00
Sekisui House, Ltd.	1-1-88, Oyodonaka, Kita-ku, Osaka	7,998	1.87
THE BANK OF NEW YORK MELLON 140042 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	240 GREENWICH STREET, NEW YORK, NY 10286, U.S.A. (2-15-1, Konan, Minato-ku, Tokyo)	7,420	1.73
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	1.71
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2-6-4, Otemachi, Chiyoda-ku, Tokyo	5,805	1.36
Total	—	157,678	36.96

(Notes) 1. According to the statements of large-volume holdings disclosed on May 19, 2023, Sumitomo Mitsui Trust Bank, Limited holds shares in the Company's stock as of May 15, 2023 as follows. However, we do not include Sumitomo Mitsui Trust Bank, Limited in the major shareholders listed above as we could not confirm the actual number of shares held by Sumitomo Mitsui Trust Bank, Limited as of September 30, 2023. Details of the statements of large-volume holdings are as follows

Name	Address	Number of shares held (thousands of shares)	Ownership ratio of share certificates, etc. (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1-1-1 Shibakoen, Minato-ku, Tokyo	14,023	3.07
Nikko Asset Management Co., Ltd.	9-7-1, Akasaka, Minato-ku, Tokyo	8,906	1.95
Total	—	22,929	5.02

2. According to the Change Report disclosed on June 6, 2023, BlackRock Japan Co., Ltd. holds shares in the Company's stock as of May 31, 2023 as follows. However, we do not include BlackRock Japan Co., Ltd. in the major shareholders listed above as we could not confirm the actual number of shares held by BlackRock Japan Co., Ltd. as of September 30, 2023. Details of the Change Report are as follows:

Name	Address	Number of shares held (thousands of shares)	Ownership ratio of share certificates, etc. (%)
BlackRock Japan Co., Ltd.	1-8-3, Marunouchi, Chiyoda-ku, Tokyo	7,839	1.73
Blackrock Financial Management Inc.	251 Little Falls Dr., Wilmington, DE 19808, U.S.A.	699	0.15
BlackRock (Netherlands) B.V.	Amstelplein 1, Amsterdam HA1096 Netherlands	1,758	0.39
BlackRock Fund Managers Limited	12 Throgmorton Avenue. London, EC2N 2DL, UK	1,889	0.42
BlackRock Asset Management Canada Limited	161 Bay Street, Suite 2500, Toronto, Ontario M5J 2S1, Canada	606	0.13
BlackRock Asset Management Ireland Limited	1st Floor, 2 Ballsbridge Park, Ballsbridge, Dublin, D04 YW83, Ireland	2,366	0.52
BlackRock Fund Advisors	400 Howard Street San Francisco, CA 94105, U.S.A.	7,703	1.70
BlackRock Institutional Trust Company, N. A.	400 Howard Street San Francisco, CA 94105, U.S.A.	5,269	1.16
BlackRock Investment Management (UK) Limited	12 Throgmorton Avenue. London, EC2N 2DL, UK	561	0.12
Total	–	28,694	6.34

3. According to the Change Report disclosed on September 8, 2023, Mondrian Investment Partners Limited holds shares in the Company's stock as of September 5, 2023 as follows. However, we do not include Mondrian Investment Partners Limited in the major shareholders listed above as we could not confirm the actual number of shares held by Mondrian Investment Partners Limited as of September 30, 2023. Details of the Change Report are as follows:

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

(6) Voting rights
(i) Issued shares

As of September 30, 2023

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 25,980,200	–	The Company's standard shares not subject to any restriction on rights Number of shares constituting one unit: 100
Shares with full voting rights (other)	Common shares 426,308,400	4,263,084	Same as above
Shares less than one unit	Common shares 218,685	–	–
Total number of issued shares	452,507,285	–	–
Total voting rights held by shareholders	–	4,263,084	–

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

BIP trust for remuneration for directors (and other officers):	784,000 shares (7,840 rights)
ESOP trust for share granting:	148,300 shares (1,483 rights)

(ii) Treasury shares, etc.

As of September 30, 2023

Name of shareholder	Address of shareholder	Number of shares held in own name (shares)	Number of shares held in others' names (shares)	Total number of shares held (shares)	Shareholding ratio to total number of issued shares (%)
(Shares held by the Company)					
Sekisui Chemical Co., Ltd.	2-4-4 Nishitemma, Kita-ku, Osaka	25,968,400	–	25,968,400	5.73
(Reciprocal holding)					
Sekisuiheim Higashishikoku Co., Ltd.	4-1-16, Kazurashima, Kochi, Kochi	11,800	–	11,800	0.00
Total	–	25,980,200	–	25,980,200	5.74

- (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. The Company’s 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, 2023 to September 30, 2023) and the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023) of the Group have been subjected to a quarterly review by KPMG AZSA LLC.

1. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	101,080	138,213
Notes receivable - trade	38,400	*3 39,414
Accounts receivable - trade	153,380	160,855
Contract assets	752	851
Merchandise and finished goods	104,091	110,073
Land for sale in lots	64,154	65,157
Work in process	62,604	65,295
Raw materials and supplies	55,950	55,626
Advance payments to suppliers	4,055	4,414
Prepaid expenses	8,414	4,862
Short-term loans receivable	114	1,216
Other	29,616	20,292
Allowance for doubtful accounts	(965)	(1,088)
Total current assets	621,650	665,185
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	120,761	121,452
Machinery, equipment and vehicles, net	109,933	114,460
Land	83,828	85,948
Leased assets, net	19,961	21,913
Construction in progress	31,338	35,717
Other, net	11,558	12,418
Total property, plant and equipment	377,381	391,911
Intangible assets		
Goodwill	11,028	9,358
Software	15,614	15,487
Leased assets	117	139
Other	24,242	31,692
Total intangible assets	51,003	56,678
Investments and other assets		
Investment securities	137,314	107,091
Long-term loans receivable	1,163	1,132
Long-term prepaid expenses	1,970	1,973
Retirement benefit asset	15,284	15,247
Deferred tax assets	10,034	13,482
Other	14,483	17,395
Allowance for doubtful accounts	(2,154)	(1,332)
Total investments and other assets	178,096	154,989
Total non-current assets	606,481	603,580
Total assets	1,228,131	1,268,765

(Millions of yen)

	As of March 31, 2023		As of September 30, 2023
Liabilities			
Current liabilities			
Notes payable - trade	759	*3	782
Electronically recorded obligations - operating	28,777	*3	14,755
Accounts payable - trade	107,067		104,000
Short-term borrowings	3,569		11,890
Current portion of bonds payable	-		30
Lease liabilities	5,156		5,335
Accrued expenses	41,177		42,054
Income taxes payable	11,817		21,381
Provision for bonuses	19,198		18,477
Provision for bonuses for directors (and other officers)	354		249
Provision for warranties for completed construction	3,105		2,710
Provision for share awards	115		55
Advances received	53,514		60,139
Other	53,364		56,272
Total current liabilities	327,978		338,133
Non-current liabilities			
Bonds payable	40,030		40,000
Long-term borrowings	56,187		46,745
Lease liabilities	15,515		17,457
Deferred tax liabilities	4,046		1,200
Retirement benefit liability	42,731		42,682
Provision for share awards	900		970
Other	8,216		6,799
Total non-current liabilities	167,627		155,855
Total liabilities	495,606		493,988
Net assets			
Shareholders' equity			
Share capital	100,002		100,002
Capital surplus	108,583		108,611
Retained earnings	468,094		490,433
Treasury shares	(46,637)		(47,379)
Total shareholders' equity	630,041		651,666
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	37,836		35,706
Deferred gains or losses on hedges	(24)		(16)
Revaluation reserve for land	321		321
Foreign currency translation adjustment	39,253		61,345
Remeasurements of defined benefit plans	(2,402)		(2,451)
Total accumulated other comprehensive income	74,984		94,905
Non-controlling interests	27,498		28,204
Total net assets	732,525		774,777
Total liabilities and net assets	1,228,131		1,268,765

(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, 2022	Six months ended September 30, 2023
Net sales	607,765	611,294
Cost of sales	424,951	423,144
Gross profit	182,813	188,150
Selling, general and administrative expenses	*	*
Operating profit	40,344	41,155
Non-operating income		
Interest income	488	894
Dividend income	3,205	2,816
Share of profit of entities accounted for using equity method	1,203	382
Foreign exchange gains	8,977	6,493
Miscellaneous income	1,554	1,853
Total non-operating income	15,428	12,440
Non-operating expenses		
Interest expenses	371	616
Miscellaneous expenses	1,501	1,442
Total non-operating expenses	1,872	2,059
Ordinary profit	53,900	51,536
Extraordinary income		
Gain on sale of investment securities	–	13,701
Gain on sale of shares of subsidiaries and associates	669	540
Total extraordinary income	669	14,242
Extraordinary losses		
Loss on sale and retirement of non-current assets	1,039	838
Total extraordinary losses	1,039	838
Profit before income taxes	53,530	64,940
Income taxes	13,747	19,879
Profit	39,782	45,061
Profit attributable to non-controlling interests	681	611
Profit attributable to owners of parent	39,101	44,450

Quarterly consolidated statement of comprehensive income

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	39,782	45,061
Other comprehensive income		
Valuation difference on available-for-sale securities	(55)	(989)
Deferred gains or losses on hedges	5	0
Foreign currency translation adjustment	20,678	23,056
Remeasurements of defined benefit plans, net of tax	(578)	(71)
Share of other comprehensive income of entities accounted for using equity method	165	(1,109)
Total other comprehensive income	20,214	20,885
Comprehensive income	59,997	65,947
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	58,879	64,370
Comprehensive income attributable to non-controlling interests	1,118	1,576

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	53,530	64,940
Depreciation	24,230	24,792
Amortization of goodwill	608	713
Loss on retirement of non-current assets	973	832
Loss (gain) on sale of non-current assets	66	5
Increase or decrease in retirement benefit asset and liability	(173)	(22)
Loss (gain) on sale of investment securities	–	(13,701)
Loss (gain) on sale of shares of subsidiaries and associates	(669)	(540)
Interest and dividend income	(3,694)	(3,710)
Interest expenses	371	616
Share of loss (profit) of entities accounted for using equity method	(1,203)	(382)
Decrease (increase) in trade receivables and contract assets	6,572	(1,034)
Decrease (increase) in inventories	(22,057)	(2,244)
Increase (decrease) in trade payables	(6,145)	(21,651)
Increase (decrease) in advances received	11,875	6,448
Other, net	(10,812)	(877)
Subtotal	53,472	54,184
Interest and dividends received	4,153	4,211
Interest paid	(406)	(733)
Income taxes refund	–	7,980
Income taxes paid	(21,784)	(16,308)
Net cash provided by (used in) operating activities	35,434	49,334
Cash flows from investing activities		
Purchase of property, plant and equipment	(20,221)	(24,332)
Proceeds from sale of property, plant and equipment	918	406
Payments into time deposits	(7,610)	(9,940)
Proceeds from withdrawal of time deposits	5,685	8,363
Purchase of investment securities	(351)	(371)
Proceeds from sale and redemption of investment securities	0	22,000
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	2,518	314
Proceeds from sale of shares of subsidiaries and associates	–	16,739
Purchase of intangible assets	(4,302)	(5,267)
Decrease (increase) in short-term loans receivable	180	(1,060)
Other, net	232	(56)
Net cash provided by (used in) investing activities	(22,949)	6,794
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	257	15
Repayments of lease liabilities	(2,811)	(2,896)
Repayments of long-term borrowings	(1,186)	(1,765)
Dividends paid	(11,138)	(12,905)
Dividends paid to non-controlling interests	(1,201)	(858)
Purchase of treasury shares	(14,072)	(7,833)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(1,865)	(2)
Other, net	138	80
Net cash provided by (used in) financing activities	(31,879)	(26,164)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Effect of exchange rate change on cash and cash equivalents	3,992	4,662
Net increase (decrease) in cash and cash equivalents	(15,402)	34,627
Cash and cash equivalents at beginning of period	133,739	85,207
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	–	8
Cash and cash equivalents at end of period	* 118,336	* 119,842

Notes to quarterly consolidated financial statements

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

In the first quarter of the current fiscal year, two subsidiaries of Nishi Nihon Sekisui Industry Co., Ltd. and Sekisui Kanzai Technics Co., Ltd. merged, and Nishi Nihon Sekisui Industry Co., Ltd. was the surviving company. Although Sekisui Kanzai Technics Co., Ltd. had previously been an unconsolidated subsidiary, it is now included in the scope of consolidation as Nishi Nihon Sekisui Industry Co., Ltd. due to the said merger.

The liquidation of Sekisui (Shanghai) Environmental Technology Co., Ltd. has been completed, so it is no longer included within the scope of consolidation.

In the second quarter of the current fiscal year, three subsidiaries of NIPPON INSIEK CO., LTD., e-Hosh CO., LTD., and NARAGIKEN CO., LTD. merged, and NIPPON INSIEK CO., LTD. was the surviving company. Although e-Hosh CO., LTD. and NARAGIKEN CO., LTD. had previously been unconsolidated subsidiaries, they are now included in the scope of consolidation as NIPPON INSIEK CO., LTD. due to the said merger.

The liquidation of PT HD Limited has been completed, so it is no longer included within the scope of consolidation.

Sanin-Sekisui Shoji Co., Ltd. is no longer within the scope of consolidation due to transfer of all shares thereof.

Sekisui Jushi Corporation is no longer within the scope of application of the equity method due to sale of shares.

(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.

(Notes to quarterly consolidated balance sheet)

1. Guarantee obligations

The following liabilities are guaranteed:

	(Millions of yen)	
	As of March 31, 2023	As of September 30, 2023
(1) Guarantee obligations of housing loans		
for prefabricated modular housing	58,544	67,180
purchasers and the promotion of the		
employee house ownership plan		
(2) Other guarantee obligations	6,516	4,221

2. Trade notes receivable transferred by endorsement

	(Millions of yen)	
	As of March 31, 2023	As of September 30, 2023
Trade notes receivable transferred by endorsement	–	3

*3. Notes maturing at the end of the quarterly consolidated accounting period

For accounting treatment of notes maturing at the end of the quarterly consolidated accounting period, they are settled on the clearance date of the notes. In this regard, since the end of the second quarter of the current fiscal year fell on a bank holiday, the following matured notes were included in the balance at the end of the second quarter of the current fiscal year.

	(Millions of yen)	
	As of March 31, 2023	As of September 30, 2023
Notes receivable - trade	–	2,334
Notes payable - trade	–	44
Electronically recorded obligations - operating	–	305

(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, 2022 (from April 1, 2022 to September 30, 2022)	Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)
Freight costs, packing expenses, and storage fees	16,922	14,151
Employees' salaries, allowance and bonuses	43,153	44,536
Provision for bonuses	11,074	11,320
Retirement benefit expenses	2,376	2,731
Depreciation	7,338	7,895
Research and development expenses	19,615	20,306

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, 2022 (from April 1, 2022 to September 30, 2022)	Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)
Cash and deposits	131,734	138,213
Time deposits with maturity over 3 months	(13,397)	(18,370)
Cash and cash equivalents	118,336	119,842

(Notes to shareholders' equity, etc.)

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

(1) Dividends paid

(Resolution)	Class 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 for remuneration for directors (and other officers) and held by the ESOP trust.

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

(Resolution)	Class 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 for remuneration for directors (and other officers) and held by the ESOP trust.

II Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

(1) Dividends paid

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

(Note) The total amount of dividends resolved by the Annual General Meeting of Shareholders held on June 22, 2023 includes dividends of 30 million yen for shares of the Company held by the BIP trust for remuneration for directors (and other officers) 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)	Class of shares	Total amount of dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date	Source of dividends
October 30, 2022 Board of Directors	Common shares	14,928	35	September 30, 2023	December 1, 2023	Retained earnings

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

(Segment information, etc.)

Segment information

I 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	Total		
Net sales							
Japan	259,291	81,967	53,216	19,907	414,383	1,040	415,424
North America	–	1,617	50,673	10,790	63,081	–	63,081
Europe	–	2,608	35,949	4,649	43,207	–	43,207
China	–	3,230	32,749	5,887	41,867	870	42,738
Asia	778	13,660	21,272	1,067	36,779	21	36,800
Other	–	1,131	4,800	580	6,512	–	6,512
Net sales to external customers	260,070	104,216	198,662	42,881	605,832	1,932	607,765
Intersegment sales or transfers	109	6,182	2,848	–	9,140	2,213	11,353
Total	260,179	110,399	201,511	42,881	614,972	4,146	619,119
Segment profit (loss)	14,766	7,426	20,429	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.

II Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

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	Total		
Net sales							
Japan	264,100	83,843	55,933	22,489	426,366	1,064	427,430
North America	–	1,260	48,671	9,185	59,118	–	59,118
Europe	–	2,809	36,859	4,212	43,880	–	43,880
China	–	2,636	31,568	6,472	40,676	711	41,387
Asia	564	11,470	21,391	915	34,341	36	34,378
Other	–	1,327	3,367	402	5,098	–	5,098
Net sales to external customers	264,664	103,347	197,791	43,678	609,482	1,811	611,294
Intersegment sales or transfers	161	6,306	2,487	–	8,955	1,369	10,325
Total	264,826	109,654	200,279	43,678	618,438	3,181	621,619
Segment profit (loss)	12,972	8,058	22,971	5,126	49,128	(5,107)	44,021

(Note 1) Net sales in “Housing” include 21,704 million yen that does not correspond to revenue from contracts with customers under “Japan.”

Net sales in “Other” include 430 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	49,128
Profit in “other”	(5,107)
Intersegment eliminations	169
Corporate expenses (Note)	(3,035)
Operating profit in the quarterly consolidated statement of income	41,155

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

3. Changes in reportable segments

From the third quarter of the previous fiscal year, 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 Urban Infrastructure and Environmental Products (“UIEP”) Segment from High Performance Plastics (“HPP”) Segment, also the Group revised to classify SEKISUI SEIKEI CO., LTD. and SEKISUI KYDEX LLC. into “HPP” Segment from “UIEP” Segment.

Segment information for the six months ended September 30, 2022 is disclosed based on the new segment classifications.

(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 per share and the basis for calculation are as shown below.

	Six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)	Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)
Quarterly basic earnings per share (yen)	89.18	104.18
(Basis for calculation)		
Profit attributable to owners of parent (millions of yen)	39,101	44,450
Amount not attributable to common shareholders (millions of yen)	—	—
Profit attributable to owners of common shares of parent (millions of yen)	39,101	44,450
Average number of outstanding common shares during the period (thousands of shares)	438,435	426,648

(Notes) 1. The 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 which are recorded as treasury shares under shareholders’ equity are included in treasury shares to be deducted from the average number of outstanding 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 683,000 shares in the six months ended September 30, 2022 and 981,000 shares in the six months ended September 30, 2023.

(Significant subsequent events)

(Purchase of treasury shares)

The Company resolved at its Board of Directors meeting on October 30, 2023 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 4,000,000 shares

(iii) Acquisition period

From November 1, 2023 to March 29, 2024

(iv) Total acquisition amount

Up to 8,800 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 30, 2023 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

4,000,000 shares

(iii) Planned date of cancellation

November 24, 2023

(iv) Total number of issued shares after cancellation

448,507,285 shares

2. Other

(Dividend)

The Company resolved at its Board of Directors meeting on October 30, 2023 as follows.

Matters concerning the common shares dividend

(1) Total amount of dividends	14,928 million yen
(2) Dividend per share	35 yen
(3) Record date	September 30, 2023
(4) Effective date	December 1, 2023
(5) Source of dividends	Retained earnings

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

Not applicable.