

Summary of Consolidated Financial Results for the Third Quarter of Fiscal Year 2021 Ending March 31, 2022
<Under Japanese GAAP>

January 31, 2022

Company Name: SEKISUI CHEMICAL CO., LTD.
 Stock Listings: Tokyo Stock Exchange
 Code Number: 4204
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 Scheduled date for submission of quarterly financial statement: February 9, 2022
 Scheduled date for payment of dividends: -
 Quarterly earnings supplementary explanatory documents: Yes
 Quarterly earnings results briefing: Yes

(Figures rounded down to the nearest million yen)

1. Consolidated Business Results for the Third Quarter (April 1, 2021 to December 31, 2021)

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2021 (First 9 months)	838,651	10.9	57,453	44.1	62,800	85.6	12,734	-38.4
FY2020 (First 9 months)	756,422	-8.1	39,876	-31.5	33,830	-43.2	20,656	-48.5

Note. Comprehensive Income: FY2021 (First 9 months): 6,478 million yen (-84.3%) FY2020 (First 9 months): 41,159 million yen (-20.3%)

	Net Income Attributable to Owners of the Parent per Share	Net Income Attributable to Owners of the Parent per Share (Diluted)
	yen	yen
FY2021 (First 9 months)	28.54	-
FY2020 (First 9 months)	45.60	-

Note. The Companies have adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020) and related implementation guidance from the beginning of the fiscal year ending March 31, 2022 and figures for the year ended March 31, 2022 reflect this change of accounting method.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity to Total Assets
	Millions of yen	Millions of yen	%
3rd Q of FY2021	1,135,237	667,849	56.4
FY2020	1,150,143	694,392	58.0

(Reference) Equity: 3rd Q of FY2021: 640,818 million yen, FY2020: 667,066 million yen
 Equity: Shareholders' Equity including Accumulated Other Comprehensive Income

Note. The Companies have adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020) and related implementation guidance from the beginning of the fiscal year ending March 31, 2022 and figures for the year ended March 31, 2022 reflect this change of accounting method.

2. Dividend Status

(Date of Record)	Dividend per Share				
	At the end of 1st Q	At the end of 2nd Q	At the end of 3rd Q	Year-end	Full year
	yen	yen	yen	yen	yen
FY2020	-	23.00	-	24.00	47.00
FY2021	-	24.00	-		
FY2021 (outlook)				25.00	49.00

Note. Recent revision of dividend estimates: No

3. Consolidated Outlook for FY2021 (April 1, 2021 to March 31, 2022)

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

	Net Sales		Operating Income		Ordinary Income		Net income Attributable to Owners of the Parent		Net income Attributable to Owners of the Parent per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Full Year	1,164,100	10.2	90,000	33.7	94,000	50.0	34,000	-18.2	76.56

Note. Recent revision of consolidated earnings estimates: Yes

Notes

- (1) Significant change of subsidiary companies during the term
(change of specified subsidiaries that affected the scope of consolidated reporting): No
- (2) Application of special methods for quarterly consolidated financial statements: Yes

Note: For further details please refer to “(4) Notes to Consolidated Financial Statements (Application of special accounting methods for the preparation of quarterly consolidated financial statements) on page 11 of the attached document “II. Consolidated Financial Statement and Notes.

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

Note: For further details please refer to “(4) Notes to Consolidated Financial Statements (Changes in Accounting Policies) on page 11 of the attached document “II. Consolidated Financial Statement and Notes.”

- (4) Number of shares outstanding (common stock)
- | | | |
|--|-----------------|--------------------|
| a) Number of shares outstanding at the end of term (including treasury stock): | 3rd Q of FY2021 | 471,507,285 shares |
| | FY2020 | 476,507,285 shares |
| b) Treasury stock at the end of term: | 3rd Q of FY2021 | 27,430,826 shares |
| | FY2020 | 27,573,735 shares |
| c) Average outstanding shares in the period (quarterly consolidated cumulative total): | 3rd Q of FY2021 | 446,232,875 shares |
| | 3rd Q of FY2020 | 452,954,646 shares |

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

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

1. This report contains revisions to the consolidated forecasts for the fiscal year announced on October 28, 2021.
2. The earnings forecasts and other forward-looking statements presented in this report are based on information available at the time of its issue and on certain assumptions that the Company considers reasonable. Forward-looking statements in no capacity represent a guarantee that the Company will achieve the stated amounts. Various factors can cause actual results to differ materially from the forecasts. For important matters regarding the conditions associated with the assumptions of these forecasts and their appropriate use, please see “2. Revision to the consolidated results forecast and other forward-looking information” on page 4 of the Quarterly Financial Report (Supplementary Material).

I. Qualitative Information and Financial Review

1. Consolidated Business Results

(1) Group Overview (April 1, 2021 to December 31, 2021)

Net Sales: 838.6 billion yen (+10.9%), Operating Income: 57.4 billion yen (+44.1%), Ordinary Income: 62.8 billion yen (+85.6%), Net Income Attributable to Owners of the Parent: 12.7 billion yen (-38.4%)

In the first three quarters of fiscal 2021, besides the effects from COVID-19, there was also impact from factors such as the shortage of semiconductors and production delays due to logistics stagnation. However, sales increased due to a certain level of recovery in the domestic and overseas automobile, electronics, and construction markets, as well as in new housing constructions in Japan. Although the prices of raw materials and components rose significantly higher than expected, expanding sales volume, improving selling prices, and reducing costs led to substantial increases in operating income and ordinary income.

Net income attributable to owners of the parent decreased due to the recording of an impairment loss in the second quarter of the current fiscal year at a consolidated subsidiary in the U.S. that manufactures composite molded products such as carbon fiber reinforced plastics (CFRP).

Effective from the first quarter of the current fiscal year, we have adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020). Details are described in “II.

Consolidated Financial Statement and Notes, (4) Notes to Consolidated Financial Statements (Changes in Accounting Policies).”

(2) Overview by Business Segments (April 1, 2021 to December 31, 2021)

[Housing Company]

Net Sales: 373.0 billion yen (+8.3%), Operating Income: 21.3 billion yen (+28.9%)

In the first three quarters of fiscal 2021, sales increased due to a recovery in orders for housing and renovation, as well as contributions such as from the smooth expansion in earnings from the Town and Community Development business. Although operating income was affected by the sharp rise in the prices of components, it increased due to the expansion of sales volume and progress in cost reduction. In terms of orders, the Housing business saw a favorable trends in subdivision and ready-built houses, resulting in a significant year-on-year increase. In the Renovation business as well, the number of opportunities to contact customers recovered, resulting in a significant increase over the same period last year.

In addition, our announcement of the project commemorating the 50th anniversary of the establishment of SEKISUI HEIM and promotion of smart and resilient products throughout the entire business helped to strengthen the brand. In the Housing business, in addition to developing experience-based facilities, attracting customers via the Web, and strengthening online seminars and business negotiations, we focused on expanding sales of subdivision and ready-built houses, for which demand continues to be strong. In terms of products, we launched the New Smart Power Station FR GREENMODEL in October. It has high-capacity storage batteries that use cells made by SEKISUI CHEMICAL. We also strengthened variations such as single-story houses, and promoted products that respond to the new

normal, such as ventilation and air conditioning systems equipped with anti-virus filters. In the Renovation business, in addition to expanding periodic checkups, we worked to expand sales of proposal-based products such as exterior wall painting and bathrooms by opening and utilizing experience-based showrooms. In the Town and Community Development business, we commenced sales for two new projects (Moriya City and Tsukuba City) in Ibaraki Prefecture. In the Real Estate business, we strengthened initiatives toward the nationwide deployment of the purchase and resale BeHeim brand.

[Urban Infrastructure and Environmental Products Company]

Net Sales: 149.6 billion yen (+1.8%), Operating Income: 6.2 billion yen (+10.3%)

In the first three quarters of fiscal 2021, while there were effects including delays in properties overseas, sales increased due to strong demand in public works projects and capital investment within and outside Japan, as well as trend of recovery in the housing market. We secured an increase in income by working on improvement of selling prices, even though prices of raw materials rose higher than expected.

In Piping and Infrastructure field, non-residential demand in Japan was sluggish and there were effects from delays in properties overseas. However, sales were strong for pipe materials for housing in Japan, pipe materials for plants due to increased capital investment in Japan and overseas, and civil engineering-related products for public works projects. This resulted in a year-on-year increase in net sales.

With regard to Building and Living Environment field, net sales increased from the same period of the previous fiscal year due to strong sales in products for detached houses and condominiums, although there was impact from construction delays arising from a shortages in housing construction equipment.

In Advanced Materials field, sales of synthetic lumber for railway sleepers were significantly affected by factors such as delays in overseas properties. In the area of thermo plastic sheets, although there were effects from the shortage of raw materials, transportation delays, and other factors, the development of applications for railway and construction sectors progressed in line with the economic recovery in the United States. For high-performance molded products such as clean containers, sales were strong for medical and other applications. As a result, overall net sales for the field, excluding the impact of structural reforms (business transfers), increased from the same period of the previous fiscal year.

[High Performance Plastics Company]

Net Sales: 263.5 billion yen (+16.9%), Operating Income: 31.5 billion yen (+53.2%)

In the first three quarters of fiscal 2021, despite the growing impact of the semiconductor shortage, sales increased due to some recovery of market conditions in the automotive, electronics and other sectors.

Although raw material prices continued to rise higher than expected, the Company was able to recover by expanding sales volume of high-performance products, improving selling prices, and reducing costs, resulting in a significant increase in profit.

In Electronics field, sales of products for LCD panels were strong due to the recovery of the market conditions for mobile devices such as smartphones and tablets, and sales expansion in the non-LCD sector also progressed steadily, resulting in a year-on-year increase in net sales.

In Mobility field, although there was further increase in the impact of the shortage of semiconductors and automobile demand in the third quarter was lower than expected, sales of high-performance

products grew, especially interlayer films for head-up displays, resulting in a significant year-on-year increase in net sales. As for SEKISUI AEROSPACE CORPORATION, we recorded an impairment loss in the second quarter of fiscal 2021 as we do not expect an early recovery in demand for aircraft due to COVID-19 affection. However, we are continuing to promote business structure reform and expansion of applications for medical equipment, etc.

In Buildings and Infrastructure Materials field, there was strong demand for chlorinated polyvinyl chloride (CPVC) resin centered on India and the Middle East, and sales of fire-resistant and non-combustible materials were also strong due to recovery in the construction market, resulting in a significant year-on-year increase in net sales.

[Medical Business]

Net Sales: 63.7 billion yen (+23.7%), Operating Income: 8.5 billion yen (+75.7%)

In the first three quarters of fiscal 2021, sales and profits increased due to the recovery of demand for diagnostics in Japan and overseas.

In the Diagnostics business, there was significant growth in sales of COVID-19 test kits in the United States and reagents for blood coagulation in China, as well as strong demand in Japan for fields such as Clinical Chemistry/Immunology, resulting in a year-on-year increase in net sales.

In Pharmaceuticals & Fine Chemicals business, orders in the drug development solutions recovered and net sales increased year on year.

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

For the full-year consolidated results forecast, although the impact of COVID-19 and shortage of semiconductors are being prolonged further than expected, a certain level of recovery is expected in some market conditions. At the same time, raw material prices are rising higher than expected and we foresee there will continue to be significant impact. However, we also expect effects such as from improved selling prices, improved product composition by expanding sales of high-performance products, and promotion of cost reduction. In addition, fixed costs are expected to decrease as a result of the revision of the simplified method of accounting for retirement benefits. Taking these factors into consideration, the forecast numbers published on October 28, 2021 have been revised as follows:

Revision to Consolidated Results Forecast for the Fiscal Year Ending March 31, 2022 (April 1, 2021 to March 31, 2022)

	Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of the Parent	Net Income per Share
Previous forecast (A)	1,155,500	90,000	94,000	34,000	76.22
Revised forecast (B)	1,164,100	90,000	94,000	34,000	76.56
Change (B - A)	8,600	0	0	0	
Change (%)	+0.7	0.0	0.0	0.0	
(Reference) Results for the previous fiscal year (Fiscal year ended March 31, 2021)	1,056,560	67,300	62,649	41,544	91.92

Although the financial forecast is revised, no revision has been made to the dividend forecast (total annual dividend of 49 yen (interim dividend: 24 yen, year-end dividend: 25 yen)).

II. Consolidated Financial Statement and Notes

Consolidated Financial Statement (Third Quarter, Fiscal Year 2021)

(1) Consolidated Balance Sheets

	(Millions of Yen)	
	End Fiscal Year 2020	End Third Quarter,
	(As of March 31, 2021)	Fiscal 2021
		(As of December 31, 2021)
(Assets)		
Current assets:		
Cash and deposits	87,454	116,936
Notes receivable, trade	34,810	39,941
Accounts receivable, trade	135,821	137,894
Marketable securities	0	-
Merchandise and finished goods	79,652	86,311
Land for sale	58,767	56,142
Work in process	50,469	60,255
Raw materials and supplies	34,021	42,222
Advance payments	3,362	4,046
Prepaid expenses	7,121	7,584
Short-term loans receivable	2	193
Other current assets	15,259	23,741
Allowance for doubtful accounts	-1,172	-1,158
Total current assets	505,571	574,109
Fixed assets:		
Property, plant and equipment, net:		
Buildings and structures	116,433	118,708
Machinery, equipment and vehicles	96,844	105,730
Land	80,079	82,184
Leased assets	19,203	18,532
Construction in progress	27,228	17,164
Other	11,607	11,568
Total property, plant and equipment, net	351,397	353,887
Intangible assets:		
Goodwill	50,914	10,819
Software	10,520	10,413
Leased assets	150	134
Other	36,063	24,787
Total intangible assets	97,649	46,155
Investments and other assets:		
Investments in securities	174,656	135,812
Long-term loans receivable	1,613	1,092
Long-term prepaid expenses	2,021	2,162
Asset for retirement benefits	312	598
Deferred tax assets	5,347	9,863
Other	13,908	13,766
Allowance for doubtful accounts	-2,334	-2,214
Total investments and other assets	195,525	161,083
Total fixed assets	644,571	561,127
Total assets	1,150,143	1,135,237

(Millions of Yen)

	End Fiscal Year 2020 (As of March 31, 2021)	End Third Quarter, Fiscal 2021 (As of December 31, 2021)
(Liabilities)		
Current liabilities:		
Notes payable, trade	1,744	1,486
Electronically recorded obligations	25,052	28,960
Accounts payable, trade	90,798	98,805
Short-term debt and current portion of long-term debt	7,278	3,705
Lease obligations	4,625	4,675
Accrued expenses	43,910	39,843
Accrued income taxes and other taxes	10,658	22,756
Allowance for bonuses to employees	17,620	10,537
Allowance for bonuses to directors and audit and supervisory board members	245	245
Provision for compensation for completed construction	1,403	1,464
Provision for stock-based compensation	157	104
Advances received	40,227	57,425
Other	38,555	46,175
Total current liabilities	282,278	316,185
Long-term liabilities:		
Bonds	40,000	40,000
Long-term debt less current portion	71,207	58,598
Lease obligations	15,057	14,320
Deferred tax liabilities	10,362	4,179
Liability for retirement benefits	30,402	28,159
Provision for stock-based compensation	648	726
Other	5,793	5,218
Total long-term liabilities	173,472	151,202
Total liabilities	455,751	467,387
(Net assets)		
Shareholders' equity:		
Common stock	100,002	100,002
Capital surplus	109,021	109,042
Retained earnings	441,087	423,624
Treasury stock, at cost	-43,414	-44,592
Total shareholders' equity	606,696	588,076
Accumulated other comprehensive income:		
Unrealized holding gain on securities	50,781	37,300
Deferred loss on hedges	-33	-23
Unrealized gain on land revaluation	323	322
Translation adjustments	6,647	12,338
Retirement benefit adjustments	2,650	2,803
Total accumulated other comprehensive income	60,370	52,741
Non-controlling interests	27,325	27,030
Total net assets	694,392	667,849
Total liabilities and net assets	1,150,143	1,135,237

(2) Consolidated Statements of Income and Statement of Comprehensive Income
 (Consolidated Statements of Income)
 First 9 months, Fiscal Year 2021

	(Millions of Yen)	
	First 9 months, Fiscal 2020 (From April 1, 2020 to December 31, 2020)	First 9 months, Fiscal 2021 (From April 1, 2021 to December 31, 2021)
Net sales	756,422	838,651
Cost of sales	520,489	578,858
Gross profit	235,932	259,792
Selling, general and administrative expenses	196,056	202,338
Operating income	39,876	57,453
Non-operating income:		
Interest income	332	447
Dividends income	4,119	3,791
Equity in earnings of affiliates	1,283	166
Foreign exchange gain, net	-	2,028
Miscellaneous income	2,046	2,236
Total non-operating income	7,782	8,670
Non-operating expenses:		
Interest expenses	616	560
Sales discounts	284	-
Foreign exchange loss, net	2,944	-
Miscellaneous expenses	9,983	2,764
Total non-operating expenses	13,828	3,324
Ordinary income	33,830	62,800
Extraordinary income:		
Gain on sales of investments in securities	-	25,883
Total extraordinary income	-	25,883
Extraordinary loss:		
Loss on impairment of fixed assets and goodwill	2,097	50,087
Loss on sales or disposal of property, plant and equipment	1,054	1,024
Total extraordinary loss	3,151	51,111
Income before income taxes	30,678	37,572
Income taxes	8,936	23,503
Net income	21,742	14,069
Net income attributable to:		
Non-controlling interests	1,085	1,334
Owners of the parent	20,656	12,734

Third Quarter, Fiscal Year 2021

(Millions of Yen)

	Third Quarter, Fiscal 2020 (From October 1, 2020 to December 31, 2020)	Third Quarter, Fiscal 2021 (From October 1, 2021 to December 31, 2021)
Net sales	266,381	290,708
Cost of sales	182,319	200,865
Gross profit	84,061	89,842
Selling, general and administrative expenses	66,588	67,909
Operating income	17,472	21,933
Non-operating income		
Interest income	102	196
Dividends income	416	399
Equity in earnings of affiliates	238	–
Foreign exchange gain, net	–	1,070
Miscellaneous income	814	856
Total non-operating income	1,572	2,523
Non-operating expenses		
Interest expenses	192	185
Sales discounts	100	–
Equity in earnings of affiliates	–	1,379
Foreign exchange loss, net	1,484	–
Miscellaneous expenses	4,108	1,059
Total non-operating expenses	5,886	2,624
Ordinary income	13,159	21,831
Extraordinary income		
Gain on sales of investments in securities	–	3,780
Total extraordinary income	–	3,780
Extraordinary loss		
Loss on impairment of fixed assets	1,726	86
Loss on sales or disposal of property, plant and equipment	201	367
Total extraordinary loss	1,928	454
Income before income taxes	11,230	25,158
Income taxes	3,218	7,953
Net income	8,011	17,204
Net income attributable to:		
Non-controlling interests	387	556
Owners of the parent	7,624	16,648

(Consolidated Statement of Comprehensive Income)
First 9 months, Fiscal Year 2021

(Millions of Yen)

	First 9 months, Fiscal 2020 (From April 1, 2020 to December 31, 2020)	First 9 months, Fiscal 2021 (From April 1, 2021 to December 31, 2021)
Net income	21,742	14,069
Other comprehensive income (loss)		
Unrealized holding gain (loss) on securities	13,876	-12,876
Deferred (loss) gain on hedges	-26	20
Translation adjustments	3,158	5,669
Retirement benefit adjustments	1,299	-7
Comprehensive income (loss) of affiliates accounted for by the equity method attributable to the Company	1,108	-397
Total other comprehensive income (loss)	19,416	-7,590
Comprehensive income	41,159	6,478
Comprehensive income attributable to:		
Owners of the parent	39,478	5,105
Non-controlling interests	1,680	1,372

(3) Consolidated Statements of Cash Flows

(Millions of Yen)

	First 9 months, Fiscal 2020 (From April 1, 2020 to December 31, 2020)	First 9 months, Fiscal 2021 (From April 1, 2021 to December 31, 2021)
Operating activities:		
Income before income taxes	30,678	37,572
Adjustments for:		
Depreciation and amortization	33,334	34,060
Amortization of goodwill	3,316	2,493
Loss on impairment of fixed assets and goodwill	2,097	50,087
Loss on disposal of property, plant and equipment	1,045	1,011
Loss on sales of property, plant and equipment	9	12
Decrease in liability for retirement benefits	-2,255	-2,555
Gain on sales of investments in securities	-	-25,883
Decrease in allowance for bonuses	-8,394	-7,138
Interest and dividends income	-4,452	-4,239
Interest expenses	900	560
Equity in earnings of affiliates	-1,283	-166
Decrease (increase) in notes and accounts receivable	9,767	-3,619
Increase in inventories	-17,592	-21,440
(Decrease) increase in notes and accounts payable	-16,373	5,942
Increase in advances received	5,188	17,100
Other	1,902	-6,883
Subtotal	37,890	76,913
Interest and dividends received	4,479	5,070
Interest paid	-831	-569
Income taxes paid	-14,526	-15,682
Net cash provided by operating activities	27,011	65,731
Investing activities:		
Purchases of property, plant and equipment	-41,887	-25,931
Proceeds from sales of property, plant and equipment	608	1,371
Payments into time deposits	-7,730	-8,151
Proceeds from withdrawal of time deposits	3,450	10,496
Purchases of investments in securities	-506	-639
Proceeds from sales or redemption of investments in securities	837	45,763
Acquisition of investments in subsidiaries	-	-6
Purchases of intangible assets	-4,534	-5,394
Decrease in short-term loans receivable	14	14
Other	3,976	87
Net cash (used in) provided by investing activities	-45,772	17,609
Financing activities:		
Increase (decrease) in short-term debt, net	16,728	-2,378
Repayments of lease obligations	-3,892	-4,073
Decrease in commercial paper	-6,000	-
Proceeds from long-term debt	50,759	-
Repayment of long-term debt	-3,224	-13,833
Redemption of bonds	-8	-
Cash dividends paid	-20,962	-21,533
Cash dividends paid to non-controlling interests	-1,211	-1,577
Purchase of treasury stock	-12,199	-9,498
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation Proceeds	-1,935	-39
from issuance of common stock	2,632	-
Other	209	-203
Net cash provided by (used in) financing activities	20,895	-53,138
Effect of exchange rate change on cash and cash equivalents	1,630	995
Net increase in cash and cash equivalents	3,765	31,198
Cash and cash equivalents at beginning of term	74,721	76,649
Increase in cash and cash equivalents from newly consolidated subsidiaries	138	36
Cash and cash equivalents at end of term	78,625	107,885

(4) Notes to Consolidated Financial Statements

(Notes regarding the premise of a going concern)

No significant changes during the term under review.

(Significant Change in Shareholder Equity)

No significant changes during the term under review.

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

Calculation of tax expense

Income taxes are determined based on the amount of income before income taxes for the current Third Quarter ended December 31, 2021 multiplied by the effective tax rate, after adoption of tax-effect accounting, estimated for the entire fiscal year ending March 31, 2022. In case where the estimated effective tax rate is notably lacking rationality, statutory tax rate is used. Deferred income taxes are included in income taxes.

(Changes in Accounting Policies)

Adoption of the Accounting Standard for Revenue Recognition

The Companies have adopted “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020) and related implementation guidance from the beginning of the fiscal year ending March 31, 2022, and recognize revenue at the amount expected to be received in exchange for its goods or services when the dominance of the promised goods or services is transferred to a customers.

As a result of its change, Rebate which was conventionally recorded as Selling, general and administrative expenses and Sales discounts which was conventionally recorded as Non-operating expenses, has been deducted from Net sales.

And if a contract includes a variable amount, the Companies include it in the transaction price only when a significant reversal in the amount of cumulative revenue recognized will not occur once the uncertainty related to the variable consideration is subsequently resolved.

For Charged supplying, annihilation of inventories was conventionally recognized when it is paid to the suppliers, but the Companies has changed its accounting method to not to recognize the annihilation, as it was substantially bearing the obligation to buy the supplied products.

With regard to the adoption of the Revenue Recognition Standards, in accordance with the transitional treatment stipulated in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retroactively adopting the new accounting policy prior to the beginning of the fiscal year ending March 31, 2022, has been added to or deducted from retained earnings at the beginning of the fiscal year ending March 31, 2022 and the new accounting policy has been adopted from the beginning balance of the fiscal year ending March 31, 2022.

As a result, for First 9 months of the fiscal year ending March 31, 2022, Net Sales decreased by ¥2,727 million, Cost of Sales decreased by ¥503 million, Selling, general and administrative expenses decreased by ¥1,835 million, and Non-operating expenses decreased by ¥311 million. Therefore, Operating income decreased by ¥387 million, Ordinary income and Income before income taxes decreased by ¥76 million respectively.

Furthermore, retained earnings at the beginning of the fiscal year ending March 31, 2022 has been decreased by ¥587 million.

Adoption of the Accounting Standard for Fair Value Measurement

The Companies have adopted “Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30, July 4, 2019) and related implementation guidance from the beginning of the fiscal year ending March 31, 2022. Based on the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No.10, July 4, 2019), the Companies have decided to apply the new accounting policies set forth by the Accounting Standard for Fair Value Measurement into the future. These changes had no impact on the quarterly consolidated financial statements.

(Segment Information)

Consolidated First 9 months, Fiscal 2021 (April 1, 2021 to December 31, 2021)

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

(Millions of Yen)

	Reportable Segments					Other (Note1・2)	Total
	Housing (Note1)	Urban Infrastructure & Environmental Products	High Performance Plastics	Medical	Total		
Net Sales:							
Japan	372,121	117,041	82,135	26,855	598,155	2,495	600,650
North America	-	9,946	46,416	21,056	77,419	13	77,432
Europe	-	3,950	44,050	5,027	53,027	-	53,027
China	-	3,864	43,496	8,228	55,589	315	55,905
Asia	873	4,208	36,827	1,997	43,906	72	43,979
Others	-	1,194	5,861	599	7,654	-	7,654
Sales to third parties	372,995	140,204	258,787	63,765	835,753	2,897	838,651
Intersegment sales or transfers	102	9,404	4,806	0	14,314	92	14,407
Net sales	373,098	149,609	263,594	63,766	850,068	2,989	853,058
Segment income (loss)	21,394	6,260	31,534	8,517	67,705	-7,605	60,100

Notes

- Net Sales of Housing segment in Japan includes ¥29,936 million that does not correspond to revenue generated from contracts with customers.
Net Sales of other segment in Japan includes ¥628 million that does not correspond to revenue generated from contracts with customers.
- Other represents segments other than the reportable segments, which includes provision of services and manufacturing and sales of film-type lithium-ion batteries and products not included in the company's reportable segments.

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

(Items related to the difference)

Income	(Millions of Yen)
Total of reportable segments	67,705
Other loss	-7,605
Eliminations	291
Corporate expenses (Note)	-2,938
Total operating income reported in the consolidated statements of income	57,453

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

3. Notes relating to changes in reportable segments

As described in (Changes in Accounting Policies), the Companies have adopted the accounting standard and related implementation guidance from the beginning of the fiscal year ending March 31, 2022, and changed the accounting method for revenue recognition. The method for measuring profit or loss in the reportable segment was also changed.

As a result, amounts for First 9 months of the fiscal year ending March 31, 2022 has been decreased by below:

(Housing) Net sales decreased by ¥727 million and Segment income decreased by ¥46 million.

(Urban Infrastructure & Environmental Products) Net sales decreased by ¥899 million and Segment income decreased by ¥115 million.

(High Performance Plastics) Net sales decreased by ¥1,005 million and Segment income decreased by ¥131 million.

(Medical) Net sales decreased by ¥93 million and Segment income decreased by ¥93 million.

4. Information on impairment loss on Fixed assets or Goodwill, etc., for each reporting segments

(The impairment loss on Fixed assets)

As a result of reviewing the timing of market recovery in the aircraft industry in light of the prolonged impact of the COVID-19 pandemic on a consolidated subsidiary (SEKISUI AEROSPACE CORPORATION Group), which belongs to High Performance Plastics Segment and develops, manufactures, and sells carbon fiber reinforced plastic (CFRP) and other composite molded products for aircraft in the United States, the Companies recorded impairment loss.

The amount of impairment loss recorded in the First 9 months of the fiscal year ending March 31, 2022 was ¥49,548 million.

(Important change in the amount of Goodwill)

SEKISUI AEROSPACE CORPORATION Group, which belongs to High Performance Plastics Segment, recorded impairment loss on Goodwill and decreased the amount of Goodwill.

The amount of impairment loss recorded in the First 9 months of the fiscal year ending March 31, 2022 was ¥37,419 million.

Consolidated Third Quarter, Fiscal 2021 (October 1, 2021 to December 31, 2021)

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

(Millions of Yen)

	Reportable Segments					Other (Note1•2)	Total
	Housing (Note1)	Urban Infrastructure & Environmental Products	High Performance Plastics	Medical	Total		
Net Sales:							
Japan	123,023	42,458	29,061	9,472	204,015	886	204,902
North America	-	3,487	16,088	9,211	28,787	5	28,793
Europe	-	1,245	14,925	1,382	17,552	-	17,552
China	-	1,695	16,613	2,975	21,284	127	21,412
Asia	248	1,391	12,886	855	15,383	8	15,391
Others	-	316	2,133	205	2,656	-	2,656
Sales to third parties	123,272	50,595	91,709	24,103	289,680	1,027	290,708
Intersegment sales or transfers	52	2,926	1,770	0	4,749	39	4,789
Net sales	123,324	53,521	93,480	24,103	294,430	1,067	295,497
Segment income (loss)	6,565	3,050	12,219	3,629	25,464	-2,419	23,045

Notes

- Net Sales of Housing segment in Japan includes ¥10,438 million that does not correspond to revenue generated from contracts with Net Sales of other segment in Japan includes ¥204 million that does not correspond to revenue generated from contracts with
- Other represents segments other than the reportable segments, which includes provision of services and manufacturing and sales of film-type lithium-ion batteries and products not included in the company's reportable segments.

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

(Items related to the difference)

Income	(Millions of Yen)
Total of reportable segments	25,464
Other loss	-2,419
Eliminations	166
Corporate expenses (Note)	-1,278
Total operating income reported in the consolidated statements of income	21,933

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

3. Notes relating to changes in reportable segments

As described in (Changes in Accounting Policies), the Companies have adopted the accounting standard and related implementation guidance from the beginning of the fiscal year ending March 31, 2022, and changed the accounting method for revenue recognition. The method for measuring profit or loss in the reportable segment was also changed.

As a result, amounts for the Third Quarter of the fiscal year ending March 31, 2022 has been decreased by below:

(Housing) Net sales decreased by ¥183 million and Segment income decreased by ¥28 million.

(Urban Infrastructure & Environmental Products) Net sales decreased by ¥220 million and Segment income decreased by ¥44 million.

(High Performance Plastics) Net sales decreased by ¥316 million and Segment income decreased by ¥43 million.

(Medical) Net sales decreased by ¥68 million and Segment income decreased by ¥68 million.