

Consolidated Financial Results for the Six Months Ended September 30, 2023
<Under Japanese GAAP>

October 30, 2023

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Listing: Tokyo Stock Exchange
Securities code: 4204 URL <https://www.sekisuicheimical.com>
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Scheduled date to file quarterly securities report: November 14, 2023
Scheduled date to commence dividend payments: December 1, 2023
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results briefing: Yes

(Figures rounded down to the nearest million yen)

1. Consolidated financial results for the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
September 30, 2023	611,294	0.6	41,155	2.0	51,536	-4.4	44,450	13.7
September 30, 2022	607,765	10.9	40,344	13.6	53,900	31.6	39,101	—
Note: Comprehensive Income	For the six months ended September 30, 2023:		65,947 million yen		(9.9%)			
	For the six months ended September 30, 2022:		59,997 million yen		(-%)			

	Profit attributable to owners of parent per share	Profit attributable to owners of parent per share (Diluted)
Six months ended	yen	yen
September 30, 2023	104.18	—
September 30, 2022	89.18	—

(2) Consolidated financial position

	Total assets	Net assets	Equity to asset ratio	
	Millions of yen	Millions of yen	%	
As of September 30, 2023	1,268,765	774,777	58.8	
As of March 31, 2023	1,228,131	732,525	57.4	
Reference: Equity	As of September 30, 2023:	746,572 million yen	As of March 31, 2023:	705,026 million yen

2. Dividend status

(Date of Record)	Annual dividends per share				
	At the end of 1st Q	At the end of 2nd Q	At the end of 3rd Q	Fiscal year-end	Total
Fiscal year ended	yen	yen	yen	yen	yen
March 31, 2023	—	29.00	—	30.00	59.00
March 31, 2024	—	35.00	—	36.00	71.00
March 31, 2024 (Forecast)	—	—	—	36.00	71.00

Note: Revisions to the forecast of cash dividends most recently announced: Yes

3. Consolidated outlook for fiscal 2023 (April 1, 2023 to March 31, 2024)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit attributable to owners of parent per share	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen	
Full Year	1,280,000	3.0	100,000	9.1	103,000	-1.2	75,000	8.3	176.31	

Note: Recent revision of consolidated earnings estimates: Yes

Notes:

- (1) Changes in significant subsidiaries during the period
(changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of 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 10 of the attached document "2. Consolidated Financial Statement and Notes."
- (3) Changes in accounting policy, changes in accounting estimates, and restatement
- a) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - b) Changes other than a): None
 - c) Changes in accounting estimates: None
 - d) Restatements: None

(4) Number of shares issued (common shares)

a) Number of shares issued at the end of the period (including treasury shares):	As of September 30, 2023	452,507,285	As of March 31, 2023	456,507,285
b) Number of treasury shares at the end of the period:	As of September 30, 2023	27,120,968	As of March 31, 2023	27,311,919
c) Average number of outstanding shares during the period (cumulative from the beginning of the fiscal year):	Six months ended September 30, 2023	426,648,579	Six months ended September 30, 2022	438,435,788

Note: Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

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

1. This report contains revisions to the consolidated forecasts for the fiscal year announced on July 28, 2023.
2. This report contains revisions to the dividend estimates at the end of 2nd Q and year-end for the fiscal year announced on April 28, 2023.
3. 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 Group considers reasonable. Forward-looking statements in no capacity represent a guarantee that the Group 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 "1. (2) Revision to the consolidated results forecast and other forward-looking information" on page 3 of the Quarterly Financial Report (Attached document).

I. Qualitative Information and Financial Review

1. Consolidated Business Results

(1) Group Overview (April 1, 2023 to September 30, 2023)

Net Sales: 611.2 billion yen (+0.6%), Operating Profit: 41.1 billion yen (+2.0%), Ordinary Profit: 51.5 billion yen (-4.4%), Profit Attributable to Owners of Parent: 44.4 billion yen (+13.7%)

In the first half of fiscal 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 quarterly profit attributable to owners of the parent reached a record high due to gains on the sale of investment securities.

Reporting segments in some businesses were changed effective October 2022. The year-on-year comparisons below are comparisons with the figures for the corresponding period of the previous fiscal year restated according to the modified segments.

(2) Overview by Business Segment (April 1, 2023 to September 30, 2023)

[Housing Company]

Net Sales: 264.8 billion yen (+1.8%), Operating Profit: 12.9 billion yen (-12.2%)

In the first half of fiscal 2023, sales increased in the Housing Renovation business, Real Estate business, and Town and Community Development business, while net sales of the Company 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 Housing business.

In the Housing 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 solar systems and storage batteries, and increased sales of insulation renovations.

In terms of measures, we promoted “smart and resilience” in the Housing, Housing Renovation, and Town and Community Development businesses. In the Housing business, in addition to focusing on marketing activities that linked the Company’s website with model houses, showrooms, factory tours, and events, we took measures to enhance product and subdivision designs. The Company 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.

[Urban Infrastructure and Environmental Products Company]

Net Sales: 109.6 billion yen (-0.7%), Operating Profit: 8.0 billion yen (+8.5%)

In the first half of fiscal 2023, while net sales remained flat year-on-year due to the impact of sluggish 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 Company 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.

[High Performance Plastics Company]

Net Sales: 200.2 billion yen (-0.6%), Operating Profit: 22.9 billion yen (+12.4%)

In the first half of fiscal 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.

[Medical Business]

Net Sales: 43.6 billion yen (+1.9%), Operating Profit: 5.1 billion yen (-6.5%)

In the first half of fiscal 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.

2. Revision of the Consolidated Results Forecast and Other Forward-Looking Information

With regard to the consolidated forecasts for fiscal 2023 as a whole, a certain level of recovery is expected in the automobile production and smartphone markets, while demand for new housing is below expectations. We will focus on expanding sales of high-performance products and securing profit. In terms of foreign exchange, the yen remains weaker than expected. Taking these factors into consideration, we revised the forecast announced on July 28, 2023 as shown in the tables below.

Revision to the forecast for FY2023 (April 1, 2023 to March 31, 2024)

	Net Sales	Operating Profit	Ordinary Profit	Profit Attributable to Owners of Parent	Profit Attributable to Owners of Parent per Share
Previous forecast (A) (announced on July 28, 2023)	Millions of yen 1,293,500	Millions of yen 100,000	Millions of yen 103,000	Millions of yen 75,000	Yen 176.37
Revised forecast (B)	1,280,000	100,000	103,000	75,000	176.31
Change (B-A)	-13,500	0	0	0	—
Change (%)	-1.0	0.0	0.0	0.0	—
(Reference) Results for the previous year (FY2022)	1,242,521	91,666	104,241	69,263	159.19

3 Revision of Dividend Forecast

SEKISUI CHEMICAL positions increasing corporate value and actively returning profits to shareholders as priority management objectives. With regard to shareholder returns, we expressed the following policy in “Drive 2.0,” our Medium-term Management Plan, reinforcing and clarifying our commitment.

- Dividend payout ratio: 40% or higher
- DOE: 3% or higher
- Total payout ratio: If the D/E ratio is no higher than 0.5, 50% or higher
- Cancellation of treasury shares: Cancel newly acquired shares to the extent that total treasury shares do not exceed 5% of outstanding shares.

In accordance with the above policy and taking into consideration the facts that profit per share in the second half was higher than the initial forecast, at the end of the second quarter the company has decided to revise its dividend forecast for the fiscal year ending March 31, 2024 from the previous forecast announced on April 28, 2023, raising the forecast for interim dividend by two yen to 35 yen and the forecast for the year-end dividend by three yen to 36 yen. As a result, the dividend forecast for the fiscal year ending March 31, 2024 is 71 yen, a 12 yen increase.

	Annual dividend (yen)		
	End of 2nd quarter	Fiscal year end	Total
Previous forecast (announced on April 28, 2023)	33.00	33.00	66.00
Revised forecast	—	36.00	71.00
Results for the current fiscal year	35.00	—	—
Results for the previous year (FY2022)	29.00	30.00	59.00

2. Consolidated Financial Statements and Notes

(1) 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	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	782
Electronically recorded obligations - operating	28,777	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) Consolidated Statements of Income and Statement of Comprehensive Income

(Consolidated Statements 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	142,469	146,995
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

(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) 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)
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

(4) Notes to Consolidated Financial Statements

(The premise of a going concern)

Not applicable.

(Significant Change in Shareholder Equity)

Not applicable.

(Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements)

(Calculation of tax expense)

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 of the current fiscal year, 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.

(Segment Information)

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)	UIEP	HPP	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
Others	—	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 on 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.