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Quarterly Securities Report

Third Quarter of the 101st Business Term

**From October 1, 2022
to December 31, 2022**

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	February 9, 2023
Quarterly accounting period	Third quarter of the 101st business term (from October 1, 2022 to December 31, 2022)
Company name	積水化学工業株式会社 (<i>Sekisui Kagaku Kogyo Kabushiki Kaisha</i>)
Company name in English	Sekisui Chemical Co., Ltd. (the Company)
Job title and name of representative	Keita Kato, President and Representative Director, and Chief Executive Officer
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Name of contact person	Naoko Fukutomi, Executive Officer and Head of Legal Department
Place for public inspection	Tokyo Head Office of Sekisui Chemical Co., Ltd.* (10-4 Toranomom 2-Chome, Minato-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo)

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

Part 1. Company Information

I. Overview of Company

1. Key financial data

Term		100th Business Term Nine months ended December 31, 2021	101st Business Term Nine months ended December 31, 2022	100th Business Term
Accounting period		From April 1, 2021 to December 31, 2021	From April 1, 2022 to December 31, 2022	From April 1, 2021 to March 31, 2022
Net sales	(Millions of yen)	838,651	912,231	1,157,945
Ordinary profit	(Millions of yen)	62,800	73,427	97,001
Profit attributable to owners of parent	(Millions of yen)	12,734	52,802	37,067
Comprehensive income	(Millions of yen)	6,478	60,883	41,509
Net assets	(Millions of yen)	667,849	711,866	702,753
Total assets	(Millions of yen)	1,135,237	1,219,593	1,198,921
Basic earnings per share	(Yen)	28.54	120.88	83.17
Equity-to-asset ratio	(%)	56.45	56.14	56.27
Net cash provided by (used in) operating activities	(Millions of yen)	65,731	34,076	105,023
Net cash provided by (used in) investing activities	(Millions of yen)	17,609	(41,194)	2,694
Net cash provided by (used in) financing activities	(Millions of yen)	(53,138)	(47,505)	(54,729)
Cash and cash equivalents at end of period	(Millions of yen)	107,885	80,433	133,739

Term		Third quarter of 100th Business Term	Third quarter of 101st Business Term
Accounting period		From October 1, 2021 to December 31, 2021	From October 1, 2022 to December 31, 2022
Basic earnings per share	(Yen)	37.43	31.59

- (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 nine months ended December 31, 2022.

There were no changes in major subsidiaries and associates.

From the third quarter of the current 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.”

II. Overview of Business

1. Business risks

No new business risks arose during the nine months ended December 31, 2022.

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

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

(1) Financial position and business results

(i) Financial position

Assets, liabilities and net assets

Total assets as of the end of the third quarter of the current fiscal year stood at 1,219,593 million yen, an increase of 20,671 million yen from the end of the previous fiscal year.

(Assets)

Current assets stood at 614,105 million yen, 4,709 million yen higher than the balance as of the end of the previous fiscal year. This was primarily due to increases in the balances of total inventories of 44,985 million yen, and total trade receivables of 448 million yen, offset against a decrease in the balance of cash and deposits of 49,867 million yen.

Non-current assets increased 15,962 million yen to 605,488 million yen.

(Liabilities)

Despite a decrease of income taxes payable by 14,229 million yen, a decrease in provision for bonuses by 9,180 million yen, and a total decrease in trade payables and others consisting of notes payable - trade, electronically recorded obligations - operating, accounts payable - trade, and accrued expenses by 4,089 million yen, total liabilities increased by 11,559 million yen to 507,727 million yen, mainly due to an increase of 16,869 million yen in advances received and an increase of 9,593 million yen in total interest-bearing debt.

(Net Assets)

Net assets stood at 711,866 million yen as of the end of the third quarter of the current fiscal year, an increase of 9,112 million yen. This mainly reflected the profit attributable to owners of parent of 52,802 million yen and an increase in foreign currency translation adjustment of 8,517 million yen, despite dividends paid of 23,831 million yen and the purchase of treasury shares of 25,198 million yen.

(ii) Business results

With regard to the market conditions in the nine months ended December 31, 2022, automobile production was higher than the level of the same period of the previous fiscal year despite effects from reduced production resulting from the shortage of semiconductors. Smartphone shipments remained far below the level of the same period of the previous fiscal year due to the impact of inventory adjustments that continued from the second quarter, mainly in China. The number of domestic housing construction starts was down slightly year-on-year. Under these circumstances, sales increased due to expanded sales of high-value-added products and further improvement of selling prices in addition to positive effects from foreign exchange rates.

Although higher prices of raw materials, fuel, and component parts continued, the Group recovered by improving selling prices, expanding sales of high-value-added products, and reducing costs. There were also positive effects from foreign exchange rates, resulting in a substantial increase in each level of profit.

In terms of consolidated operating results for the nine months ended December 31, 2022, net sales were 912,231 million yen (up 8.8% year on year), operating profit was 62,466 million yen (up 8.7% year on year), ordinary profit was 73,427 million yen (up 16.9% year on year), and profit attributable to owners of parent was 52,802 million yen (up 314.7% year on year).

Business results by segment were as follows:

From the third quarter of the current 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 nine months ended December 31, 2022, the New construction, Housing Renovation, Real Estate, and Town and Community Development businesses each posted higher sales, resulting in an overall increase in sales, but operating profit remained flat year-on-year due to the impact of surging prices for component parts.

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

In terms of measures, we have appealed smart and resilience in the New construction, Housing Renovation, and Town and Community Development businesses amid growing concerns regarding energy against a backdrop of intensifying natural disasters and so on in the Housing business. In the New construction business, the Group launched the new subdivision brand “United Heim Park” in October. In addition to strengthening web marketing through its own website, the Group focused on expanding sales of subdivision and ready-built houses, demand for which continues to be strong. In the Housing Renovation business, the Group strove to expand periodic diagnoses and strengthen its proposal skills.

As a result, net sales were 389,168 million yen (up 4.3% year on year) and operating profit was 21,427 million yen (up 0.2% year on year).

b) Urban Infrastructure and Environmental Products business

In the nine months ended December 31, 2022, the Group was affected by factors such as soaring raw material and fuel prices, a decline in domestic housing demand starting in the third quarter, and delays in construction associated with a shortage of construction workers. Even so, both sales and profits increased due in part to further improvement of selling prices, higher sales of highly prioritized products, and firm overseas demand.

In the Pipe Systems field, demand was lower than expected for both non-residential and residential applications. Nevertheless, sales increased year-on-year, backed by firm sales of piping materials for plants amid increasing capital investment demand in Japan and overseas, as well as strong sales of chlorinated polyvinyl chloride (CPVC) overseas, especially in India.

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

In the Infrastructure Renovation field, sales increased year-on-year, backed by ongoing solid demand in Japan and recovery of overseas demand for pipeline renewal, and gradual recovery of demand for renewal of panel tanks.

As a result, net sales were 169,609 million yen (up 11.0% year on year) and operating profit was 13,288 million yen (up 85.8% year on year).

c) High Performance Plastics business

In the nine months ended December 31, 2022, sales increased due to firm demand for semiconductors and the positive effect of foreign exchange rates, despite the impact of automobile production cutbacks caused by lockdowns in China due to the COVID-19 and the situation in Ukraine, as well as inventory adjustments in smartphones in the second quarter. Despite the continued sharp rise in raw materials and fuel prices, the Group was able to recover by improving selling prices, expanding sales of high-performance products, and reducing costs. As a result, operating profit remained flat year-on-year.

In the Electronics field, sales decreased year-on-year, affected by the marked and greater-than-expected market stagnation, largely associated with smartphone inventory adjustments in China from the second quarter onwards.

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

In the Industrial field, sales increased year-on-year as a result of the Group promoting expanded sales of labor-saving and environmentally friendly products, such as for foam materials and long craft tapes, and steadily improving selling prices, in addition to the positive effects of foreign exchange rates.

As a result, net sales were 299,438 million yen (up 15.3% year on year) and operating profit was 30,910 million yen (up 0.9% year on year).

d) Medical business

In the nine months ended December 31, 2022, both sales and profits increased due to a recovery in diagnostics demand in Japan and overseas.

In the domestic Diagnostics business, sales increased year-on-year as demand remained solid for outpatient diagnostic reagents and COVID-19 test kits.

In the overseas Diagnostics business, sales decreased year-on-year, affected by the lockdown in China and a delay in approval of COVID-19 test kits in the United States, despite solid demand for outpatient diagnostic reagents in Europe and the United States and flu test kits in the United States.

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

As a result, net sales were 65,322 million yen (up 2.4% year on year) and operating profit was 8,841 million yen (up 3.8% year on year)

e) Other businesses

In terms of the business results for the nine months ended December 31, 2022, net sales were 5,636 million yen (up 88.5% year on year) and operating loss was 8,255 million yen (operating loss of 7,605 million yen in the same period of the previous fiscal year).

(2) Cash flows

Cash and cash equivalents (“net cash”) in the nine months ended December 31, 2022 decreased 53,305 million yen from the end of the previous fiscal year to 80,433 million yen at the end of the third quarter of the current fiscal year.

Factors influencing cash flow accounts during the nine months ended December 31, 2022 were as follows:

(Operating activities)

Net cash provided by operating activities during the nine months ended December 31, 2022 amounted to 34,076 million yen, compared with net cash provided of 65,731 million yen during the same period of the previous year. This was due to cash inflows, which included profit before income taxes of 73,128 million yen, depreciation of 36,527 million yen, and an increase in advances received of 14,793 million yen, exceeding cash outflows such as an increase in inventories of 39,894 million yen, income taxes paid of 37,403 million yen, and a decrease in provision for bonuses of 9,468 million yen.

(Investing activities)

Net cash used in investing activities during the nine months ended December 31, 2022 amounted to 41,194 million yen, compared with net cash provided of 17,609 million yen during the same period of the previous year. This was mainly due to expenditures of 34,265 million yen for the purchase of property, plant and equipment, centered mainly on priority and growth fields, and 7,402 million yen for the purchase of intangible assets.

(Financing activities)

Net cash used in financing activities during the nine months ended December 31, 2022 amounted to 47,505 million yen, compared with net cash used of 53,138 million yen during the same period of the previous year. This was mainly due to cash outflows from the purchase of treasury shares of 25,198 million yen, dividends paid (including dividends paid to non-controlling interests) of 25,032 million yen, while there was a net increase in interest-bearing debt of 4,456 million yen.

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

During the nine months ended December 31, 2022, there were no significant changes in the business and financial issues to be addressed on a priority basis, nor did any such issues newly arise.

(4) Research and development activities

The amount of research and development activities of the entire Group during the nine months ended December 31, 2022 amounted to 30,312 million yen.

During the nine months ended December 31, 2022, there were no significant changes in the status of the Group’s research and development activities.

3. Material contracts, etc.

There were no decisions on, conclusion, etc. of material contracts, etc. during the third 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 third quarter of the current fiscal year (shares) (December 31, 2022)	Number of issued shares as of filing date (shares) (February 9, 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	456,507,285	456,507,285	Tokyo Stock Exchange Prime Market	Number of shares constituting one unit: 100
Total	456,507,285	456,507,285	–	–

(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)
November 25, 2022 (Note)	(7,000)	456,507	–	100,002	–	109,234

(Note) This is a decrease due to the cancellation of treasury shares.

(5) Major shareholders

Since the current quarterly accounting period is the third quarterly accounting period, there are no matters to be stated.

(6) Voting rights

Information on voting rights as of the end of the third quarter of the current fiscal year is based on the shareholder registry as of the immediately prior record date (September 30, 2022), since the shareholder registry as of December 31, 2022 is not available for confirmation.

(i) Issued shares

As of September 30, 2022

Category	Number of shares (shares)	Number of voting rights (rights)	Description
Shares without voting rights	–	–	–
Shares with restricted voting rights (treasury shares, etc.)	–	–	–
Shares with restricted voting rights (other)	–	–	–
Shares with full voting rights (treasury shares, etc.)	Common shares 25,979,200	–	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 437,328,700	4,373,287	Same as above
Shares less than one unit	Common shares 199,385	–	–
Total number of issued shares	463,507,285	–	–
Total voting rights held by shareholders	–	4,373,287	–

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

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

(ii) Treasury shares, etc.

As of September 30, 2022

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	25,926,300	–	25,926,300	5.59
(Reciprocal holding)					
Tochigi Sekisuiheim Inc.	5-3-4, Higashishukugo, Utsunomiya, Tochigi	41,100	–	41,100	0.00
Sekisuiheim Higashishikoku Co., Ltd.	4-1-16, Kazurashima, Kochi, Kochi	11,800	–	11,800	0.00
Total	–	25,979,200	–	25,979,200	5.60

- (Notes) 1. The number of shares is included in the number of shares with full voting rights (treasury shares, etc.) in the “(i) Issued shares” section above.
2. 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.
3. Mainly due to the acquisition of 5,782,400 shares and cancellation of 7,000,000 shares of treasury shares in November 2022, the Company held 24,709,000 shares of treasury shares as of the end of the third quarter of the current fiscal year.

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, “Regulation on Quarterly Consolidated Financial Statements”).

The quarterly consolidated statement of cash flows is prepared in accordance with Article 5-2, Paragraph 3 of the Regulation on Quarterly Consolidated Financial Statements.

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 third quarter of the current fiscal year (from October 1, 2022 to December 31, 2022) and the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022) of the Group have been subjected to a quarterly review by KPMG AZSA LLC.

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

100th Business Term: Ernst & Young ShinNihon LLC

Third quarter and first nine months of the 101st Business Term: KPMG AZSA LLC

1. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	144,534	94,666
Notes receivable - trade	36,999	*2 42,360
Accounts receivable - trade	148,748	144,197
Contract assets	721	359
Merchandise and finished goods	86,262	102,318
Land for sale in lots	55,364	59,318
Work in process	56,611	71,033
Raw materials and supplies	45,600	56,154
Advance payments to suppliers	4,551	4,604
Prepaid expenses	8,092	8,707
Short-term loans receivable	182	25
Other	22,984	31,446
Allowance for doubtful accounts	(1,257)	(1,088)
Total current assets	609,395	614,105
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	120,810	120,439
Machinery, equipment and vehicles, net	108,218	104,909
Land	83,059	83,654
Leased assets, net	19,618	20,039
Construction in progress	21,606	33,657
Other, net	11,939	11,454
Total property, plant and equipment	365,254	374,154
Intangible assets		
Goodwill	10,736	11,603
Software	10,561	15,542
Leased assets	137	122
Other	25,298	22,927
Total intangible assets	46,733	50,196
Investments and other assets		
Investment securities	130,688	126,943
Long-term loans receivable	1,157	1,091
Long-term prepaid expenses	2,030	2,268
Retirement benefit asset	21,066	21,858
Deferred tax assets	10,909	16,841
Other	14,038	14,375
Allowance for doubtful accounts	(2,352)	(2,242)
Total investments and other assets	177,537	181,137
Total non-current assets	589,525	605,488
Total assets	1,198,921	1,219,593

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes payable - trade	1,386	*2 975
Electronically recorded obligations - operating	28,335	*2 30,800
Accounts payable - trade	108,460	106,606
Short-term borrowings	4,293	14,980
Lease liabilities	5,000	4,947
Accrued expenses	43,500	39,211
Income taxes payable	23,678	9,449
Provision for bonuses	19,709	10,528
Provision for bonuses for directors (and other officers)	290	292
Provision for warranties for completed construction	1,482	2,992
Provision for share awards	138	86
Advances received	46,068	62,937
Other	47,350	56,760
Total current liabilities	329,694	340,567
Non-current liabilities		
Bonds payable	40,000	40,030
Long-term borrowings	58,093	56,401
Lease liabilities	15,170	15,792
Deferred tax liabilities	4,624	4,571
Retirement benefit liability	41,840	43,259
Provision for share awards	773	844
Other	5,971	6,259
Total non-current liabilities	166,473	167,159
Total liabilities	496,168	507,727
Net assets		
Shareholders' equity		
Share capital	100,002	100,002
Capital surplus	109,042	108,583
Retained earnings	447,958	451,785
Treasury shares	(44,592)	(44,453)
Total shareholders' equity	612,409	615,917
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	33,726	32,340
Deferred gains or losses on hedges	(18)	(17)
Revaluation reserve for land	322	321
Foreign currency translation adjustment	25,507	34,025
Remeasurements of defined benefit plans	2,687	2,139
Total accumulated other comprehensive income	62,226	68,809
Non-controlling interests	28,116	27,139
Total net assets	702,753	711,866
Total liabilities and net assets	1,198,921	1,219,593

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

Quarterly consolidated statement of income

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	838,651	912,231
Cost of sales	578,858	635,395
Gross profit	259,792	276,835
Selling, general and administrative expenses	202,338	214,369
Operating profit	57,453	62,466
Non-operating income		
Interest income	447	832
Dividend income	3,791	3,655
Share of profit of entities accounted for using equity method	166	1,061
Foreign exchange gains	2,028	5,312
Miscellaneous income	2,236	3,138
Total non-operating income	8,670	13,999
Non-operating expenses		
Interest expenses	560	595
Miscellaneous expenses	2,764	2,442
Total non-operating expenses	3,324	3,038
Ordinary profit	62,800	73,427
Extraordinary income		
Gain on sale of investment securities	25,883	319
Gain on sale of shares of subsidiaries and associates	–	871
Total extraordinary income	25,883	1,191
Extraordinary losses		
Impairment losses	50,087	–
Loss on sale and retirement of non-current assets	1,024	1,490
Total extraordinary losses	51,111	1,490
Profit before income taxes	37,572	73,128
Income taxes	23,503	19,237
Profit	14,069	53,891
Profit attributable to non-controlling interests	1,334	1,088
Profit attributable to owners of parent	12,734	52,802

Quarterly consolidated statement of comprehensive income

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit	14,069	53,891
Other comprehensive income		
Valuation difference on available-for-sale securities	(12,876)	(1,618)
Deferred gains or losses on hedges	20	6
Foreign currency translation adjustment	5,669	8,878
Remeasurements of defined benefit plans, net of tax	(7)	(493)
Share of other comprehensive income of entities accounted for using equity method	(397)	219
Total other comprehensive income	(7,590)	6,991
Comprehensive income	6,478	60,883
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,105	59,385
Comprehensive income attributable to non-controlling interests	1,372	1,497

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Cash flows from operating activities		
Profit before income taxes	37,572	73,128
Depreciation	34,060	36,527
Amortization of goodwill	2,493	947
Impairment losses	50,087	–
Loss on retirement of non-current assets	1,011	1,408
Loss (gain) on sale of non-current assets	12	82
Increase or decrease in retirement benefit asset and liability	(2,555)	(233)
Loss (gain) on sale of investment securities	(25,883)	(319)
Loss (gain) on sale of shares of subsidiaries and associates	–	(871)
Increase (decrease) in provision for bonuses	(7,138)	(9,468)
Interest and dividend income	(4,239)	(4,488)
Interest expenses	560	595
Share of loss (profit) of entities accounted for using equity method	(166)	(1,061)
Decrease (increase) in trade receivables and contract assets	(3,619)	2,525
Decrease (increase) in inventories	(21,440)	(39,894)
Increase (decrease) in trade payables	5,942	(3,614)
Increase (decrease) in advances received	17,100	14,793
Other, net	(6,883)	(3,141)
Subtotal	76,913	66,913
Interest and dividends received	5,070	5,162
Interest paid	(569)	(596)
Income taxes paid	(15,682)	(37,403)
Net cash provided by (used in) operating activities	65,731	34,076
Cash flows from investing activities		
Purchase of property, plant and equipment	(25,931)	(34,265)
Proceeds from sale of property, plant and equipment	1,371	1,455
Payments into time deposits	(8,151)	(14,158)
Proceeds from withdrawal of time deposits	10,496	10,434
Purchase of investment securities	(639)	(658)
Proceeds from sale and redemption of investment securities	45,763	533
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(1,310)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	–	2,655
Purchase of shares of subsidiaries	(6)	–
Purchase of intangible assets	(5,394)	(7,402)
Proceeds from sale of intangible assets	3	1,094
Decrease (increase) in short-term loans receivable	14	173
Other, net	83	254
Net cash provided by (used in) investing activities	17,609	(41,194)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,378)	10,328
Repayments of lease liabilities	(4,073)	(4,247)
Repayments of long-term borrowings	(13,833)	(1,627)
Dividends paid	(21,533)	(23,831)
Dividends paid to non-controlling interests	(1,577)	(1,201)
Purchase of treasury shares	(9,498)	(25,198)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(39)	(1,868)
Other, net	(203)	140
Net cash provided by (used in) financing activities	(53,138)	(47,505)
Effect of exchange rate change on cash and cash equivalents	995	1,318
Net increase (decrease) in cash and cash equivalents	31,198	(53,305)
Cash and cash equivalents at beginning of period	76,649	133,739
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	36	–
Cash and cash equivalents at end of period	* 107,885	* 80,433

Notes to quarterly consolidated financial statements

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

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

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

From the third quarter of the current fiscal year, Tochigi Sekisuiheim Inc. is included in the scope of consolidation, since it is no longer within the scope of application of the equity method due to additional acquisition of shares.

Seiryu Maintenance Inc. is no longer within the scope of consolidation due to transfer of all shares thereof. In addition, Sekisui High Performance Packaging (Langfang) Co., Ltd. and Sekisui Systembath Industry (Thailand) Co., Ltd. are no longer within the scope of consolidation, since their liquidation has been completed.

(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 third 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.

(Additional information)

(Provision for warranties for completed construction)

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

(Notes to quarterly consolidated balance sheet)

1. Guarantee obligations

The following liabilities are guaranteed:

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
(1) Guarantee obligations of housing loans for prefabricated modular housing purchasers and the promotion of the employee house ownership plan	60,373	54,803
(2) Other guarantee obligations	7,911	7,217

*2. 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 third 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 third quarter of the current fiscal year.

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Notes receivable - trade	—	2,496
Notes payable - trade	—	22
Electronically recorded obligations - operating	—	665

(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)

	Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)	Nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)
Cash and deposits	116,936	94,666
Time deposits with maturity over 3 months	(9,051)	(14,233)
Cash and cash equivalents	107,885	80,433

(Notes to shareholders' equity, etc.)

I. Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

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 23, 2021 Annual General Meeting of Shareholders	Common shares	10,801	24	March 31, 2021	June 24, 2021	Retained earnings
October 28, 2021 Board of Directors	Common shares	10,729	24	September 30, 2021	December 1, 2021	Retained earnings

- (Notes)
1. The total amount of dividends resolved by the Annual General Meeting of Shareholders held on June 23, 2021 includes dividends of 19 million yen for shares of the Company held by the BIP trust for remuneration for directors (and other officers) and held by the ESOP trust.
 2. The total amount of dividends resolved by the Board of Directors meeting held on October 28, 2021 includes dividends of 15 million yen for shares of the Company held by the BIP trust for remuneration for directors (and other officers) and held by the ESOP trust.

II. Nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

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
October 27, 2022 Board of Directors	Common shares	12,689	29	September 30, 2022	December 1, 2022	Retained earnings

- (Notes)
1. 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. 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.

(Segment information, etc.)

Segment information

I. Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

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

(Millions of yen)

	Reportable segments					Other (Notes 1, 2)	Total
	Housing (Note 1)	Urban Infrastructure and Environmental Products	High Performance Plastics	Medical	Total		
Net sales							
Japan	372,121	120,448	78,729	26,855	598,155	2,495	600,650
North America	–	964	55,397	21,056	77,419	13	77,432
Europe	–	3,058	44,941	5,027	53,027	–	53,027
China	–	3,618	43,742	8,228	55,589	315	55,905
Asia	873	14,403	26,631	1,997	43,906	72	43,979
Other	–	1,201	5,853	599	7,654	–	7,654
Net sales to external customers	372,995	143,695	255,296	63,765	835,753	2,897	838,651
Intersegment sales or transfers	102	9,137	4,380	0	13,621	92	13,713
Total	373,098	152,832	259,677	63,766	849,374	2,989	852,364
Segment profit (loss)	21,394	7,152	30,641	8,517	67,705	(7,605)	60,100

(Note 1) Net sales in “Housing” include 29,936 million yen that does not correspond to revenue from contracts with customers under “Japan.”

Net sales in “Other” include 628 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 products not included in the reportable segments such as film-type lithium-ion batteries.

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	67,705
Profit (loss) in “other”	(7,605)
Intersegment eliminations	291
Corporate expenses (Note)	(2,938)
Operating profit in the quarterly consolidated statement of income	57,453

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

II. Nine months ended December 31, 2022 (from April 1, 2022 to December 31, 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	387,698	127,787	80,399	30,436	626,322	1,427	627,750
North America	–	2,319	73,323	16,949	92,592	–	92,592
Europe	–	3,543	52,949	6,711	63,204	–	63,204
China	–	5,341	49,360	8,819	63,521	1,132	64,654
Asia	1,243	19,572	31,890	1,586	54,293	35	54,328
Other	–	1,610	7,271	818	9,700	–	9,700
Net sales to external customers	388,942	160,175	295,195	65,322	909,635	2,596	912,231
Intersegment sales or transfers	225	9,434	4,242	–	13,902	3,040	16,942
Total	389,168	169,609	299,438	65,322	923,538	5,636	929,174
Segment profit (loss)	21,427	13,288	30,910	8,841	74,468	(8,255)	66,213

(Note 1) Net sales in “Housing” include 32,029 million yen that does not correspond to revenue from contracts with customers under “Japan.”

Net sales in “Other” include 619 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 products not included in the reportable segments such as film-type lithium-ion batteries.

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	74,468
Profit (loss) in “other”	(8,255)
Intersegment eliminations	335
Corporate expenses (Note)	(4,082)
Operating profit in the quarterly consolidated statement of income	62,466

(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 current 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 nine months ended December 31, 2021 and the nine months ended December 31, 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)

The basis for calculation for quarterly basic earnings per share is as shown below.

	Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)	Nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)
Quarterly basic earnings per share (yen)	28.54	120.88
(Basis for calculation)		
Profit attributable to owners of parent (millions of yen)	12,734	52,802
Amount not attributable to common shareholders (millions of yen)	—	—
Profit attributable to owners of common shares of parent (millions of yen)	12,734	52,802
Average number of outstanding common shares during the period (thousands of shares)	446,232	436,828

(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 such treasury shares during the period deducted for the calculation of quarterly basic earnings per share was 533,000 shares in the nine months ended December 31, 2021 and 796,000 shares in the nine months ended December 31, 2022.

(Significant subsequent events)

Not applicable.

2. Other

(Dividend)

The Company’s Board of Directors resolved on October 27, 2022 as follows:

Matters concerning the common shares dividend

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

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

Not applicable.