

Disclaimer: This document is a translation of part of the Japanese original. The Japanese original has been disclosed in Japan in accordance with Japanese accounting standards and the Financial Instruments and Exchange Act. This document does not contain or constitute any guarantee and the Company will not compensate any losses and/or damage stemming from actions taken based on this document. In the case that there is any discrepancy between the Japanese original and this document, the Japanese original shall prevail.

Quarterly Securities Report

First Quarter of the 102nd Business Term

**From April 1, 2023
to June 30, 2023**

SEKISUI CHEMICAL CO., LTD.

(E00820)

Table of Contents

[Cover Page]

| | |
|---|----|
| Part 1. Company Information | 4 |
| I. Overview of Company | 4 |
| 1. Key financial data | 4 |
| 2. Description of business | 4 |
| II. Overview of Business | 5 |
| 1. Business risks | 5 |
| 2. Management analysis of financial position, business results and cash flows | 5 |
| 3. Material contracts, etc. | 7 |
| III. Information about Reporting Company | 8 |
| 1. Company's shares, etc. | 8 |
| (1) Total number of shares, etc. | 8 |
| (2) Share acquisition rights | 8 |
| (3) Exercise of moving strike convertible bonds, etc. | 8 |
| (4) Changes in the total number of issued shares, share capital, etc. | 8 |
| (5) Major shareholders | 8 |
| (6) Voting rights | 9 |
| 2. Directors (and other officers) | 10 |
| IV. Financial Information | 11 |
| 1. Quarterly consolidated financial statements | 12 |
| (1) Quarterly consolidated balance sheets | 12 |
| (2) Quarterly consolidated statement of income and consolidated statement of comprehensive income | 14 |
| Quarterly consolidated statement of income | 14 |
| Quarterly consolidated statement of comprehensive income | 15 |
| (3) Quarterly consolidated statement of cash flows | 16 |
| 2. Other | 22 |
| Part 2: Information About Reporting Company's Guarantor, Etc. | 23 |

[Cover page]

| | |
|--------------------------------------|--|
| 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 | August 9, 2023 |
| Quarterly accounting period | First quarter of the 102nd business term (from April 1, 2023 to June 30, 2023) |
| Company name | 積水化学工業株式会社 (<i>Sekisui Kagaku Kogyo Kabushiki Kaisha</i>) |
| Company name in English | Sekisui Chemical Co., Ltd. (the Company) |
| Job title and name of representative | Keita Kato, President and Representative Director, and Chief Executive Officer |
| Address of registered headquarters | 4-4 Nishitemma 2-Chome, Kita-ku, Osaka, Japan |
| Telephone number | +81-6-6365-4105 |
| Name of contact person | Tatsuya Nishida, Executive Officer and Head of Corporate Finance & Accounting Department |
| Nearest place of contact | 10-4 Toranomom 2-Chome, Minato-ku, Tokyo, Japan |
| Telephone number | +81-3-6748-6460 |
| Name of contact person | Naoko Fukutomi, Executive Officer and Head of Legal Department |
| Place for public inspection | Tokyo Head Office of Sekisui Chemical Co., Ltd.* (10-4 Toranomom 2-Chome, Minato-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo) |
| (Note) | Although the place marked with an asterisk (*) is not required by the Financial Instruments and Exchange Act to make this document available for public inspection, it is prepared to provide this document for inspection by shareholders, etc., for their convenience. |

Part 1. Company Information

I. Overview of Company

1. Key financial data

| Term | | 101st Business Term Three months ended June 30, 2022 | 102nd Business Term Three months ended June 30, 2023 | 101st Business Term |
|--|----------------------|--|--|---|
| Accounting period | | From April 1, 2022 to June 30, 2022 | From April 1, 2023 to June 30, 2023 | From April 1, 2022 to March 31, 2023 |
| Net sales | (Millions of yen) | 282,271 | 285,393 | 1,242,521 |
| Ordinary profit | (Millions of yen) | 21,361 | 22,180 | 104,241 |
| Profit attributable to owners of parent | (Millions of yen) | 14,578 | 24,129 | 69,263 |
| Comprehensive income | (Millions of yen) | 31,398 | 38,836 | 84,008 |
| Net assets | (Millions of yen) | 707,133 | 750,690 | 732,525 |
| Total assets | (Millions of yen) | 1,200,380 | 1,237,364 | 1,228,131 |
| Basic earnings per share | (Yen) | 33.08 | 56.40 | 159.19 |
| Equity-to-asset ratio | (%) | 56.60 | 58.36 | 57.41 |
| Net cash provided by (used in) operating activities | (Millions of yen) | (2,131) | 11,087 | 71,543 |
| Net cash provided by (used in) investing activities | (Millions of yen) | (10,205) | 7,923 | (59,430) |
| Net cash provided by (used in) financing activities | (Millions of yen) | (28,531) | (23,335) | (62,906) |
| Cash and cash equivalents at end of period | (Millions of yen) | 96,148 | 84,399 | 85,207 |

- (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 three months ended June 30, 2023.

There were no changes in major subsidiaries and associates.

II. Overview of Business

1. Business risks

No new business risks arose during the three months ended June 30, 2023.

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

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

(1) Financial position and business results

(i) Financial position

Assets, liabilities and net assets

Total assets as of the end of the first quarter of the current fiscal year stood at 1,237,364 million yen, an increase of 9,232 million yen from the end of the previous fiscal year.

(Assets)

Current assets stood at 629,904 million yen, 8,254 million yen higher than the balance as of the end of the previous fiscal year. This was primarily due to an increase in the balance of total inventories of 17,665 million yen offset against a total decrease of 10,586 million yen in trade receivables and contract assets.

Non-current assets increased 978 million yen to 607,459 million yen.

(Liabilities)

Despite an increase of 8,445 million yen in advances received, total liabilities decreased 8,932 million yen to 486,674 million yen, mainly due to a total decrease of 17,082 million yen in trade payables and others consisting of notes payable - trade, electronically recorded obligations - operating, accounts payable - trade, and accrued expenses.

(Net Assets)

Net assets stood at 750,690 million yen as of the end of the first quarter of the current fiscal year, an increase of 18,164 million yen. This mainly reflected the posting of profit attributable to owners of parent of 24,129 million yen and an increase in foreign currency translation adjustment of 18,529 million yen, despite dividends paid of 12,916 million yen, purchase of treasury shares of 7,832 million yen and a decrease in valuation difference on available-for-sale securities of 5,022 million yen.

(ii) Business results

In the three months ended June 30, 2023, the slump in the detached housing market continued and the number of houses ordered decreased year-on-year. In addition, despite sluggish demand for building materials, consumer goods, and semiconductors in Europe, the U.S., and Japan and automobile production slightly below expectations, sales increased as a result of the leveling of sales and growth of sales of high value-added products.

As a result of thoroughly securing profit, controlling fixed costs, and taking other measures, both operating profit and ordinary profit increased. Quarterly profit attributable to owners of the parent was up substantially as a result of gains on the sale of investment securities.

In terms of consolidated operating results for the three months ended June 30, 2023, net sales were 285,393 million yen (up 1.1% year on year), operating profit was 15,285 million yen (up 10.4% year on year), ordinary profit was 22,180 million yen (up 3.8% year on year), and profit attributable to owners of parent was 24,129 million yen (up 65.5% year on year).

Business results by segment were as follows:

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

a) Housing business

During the three months ended June 30, 2023, in the Housing business, despite a year-on-year decrease in the number of houses ordered, unit prices were higher and there were effects from the leveling of construction work, and sales increased in the Housing Renovation business and the Town and Community Development business, resulting in higher sales and profit in this segment.

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 photovoltaic cells and storage batteries, and increased sales for 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, the Group focused on marketing activities that linked the Group’s website with model houses, showrooms, plant tours, and events and we took measures to enhance products and subdivision designs. In the Housing Renovation business, the Group worked to reinforce sales structures.

As a result, net sales were 121,003 million yen (up 4.6% year on year) and operating profit was 3,989 million yen (up 38.8% year on year).

b) Urban Infrastructure and Environmental Products business

In the three months ended June 30, 2023, the slump in the domestic housing and non-housing markets continued longer than expected, but sales increased as a result of comprehensively securing profit through the expansion of selling price improvements as well as solid demand for fire protection and non-combustible materials, domestic pipeline renewal, and other products, and operating profit reached a record high.

In the Pipe Systems field, the Group was able to capture robust demand for plant facilities (semiconductor related), and the market for chlorinated polyvinyl chloride (CPVC) was firm, but domestic housing and non-housing demand was sluggish and the overseas market for polyvinyl chloride (PVC) slumped, and as a result, sales decreased year-on-year.

In the Buildings and Infrastructures Composite Materials field, despite effects from sluggish housing demand, the fire protection materials business expanded, particularly noncombustible urethane products. Sales of Synthetic lumber increased year-on-year due to steady progress in domestic orders, despite the impact of sluggish orders overseas.

In the Infrastructure Renovation field, sales increased year-on-year as a result of solid domestic demand for pipeline renewal, a recovery in demand for water receiving tanks (panel tanks), and other factors.

As a result, net sales were 51,286 million yen (up 2.4% year on year) and operating profit was 3,355 million yen (up 66.8% year on year).

c) High Performance Plastics business

In the three months ended June 30, 2023, despite a recovery in automobile-related demand and benefits from foreign exchange effects and lower prices for raw materials, sales and profits were down due to sluggish demand for building materials and consumer goods in Europe, the U.S., and Japan.

In the Electronics field, semiconductor related demand did not recover, and sales were down year-on-year.

In the Mobility field, sales increased year-on-year due to progress in improving selling prices, a recovery in aircraft-related demand, and other factors.

In the Industrial field, sales decreased year-on-year as a result of sluggish demand for building materials and consumer goods in Europe, the U.S., and Japan.

As a result, net sales were 96,089 million yen (down 3.0% year on year) and operating profit was 9,923 million yen (down 4.2% year on year).

d) Medical business

In the three months ended June 30, 2023, despite firm diagnostics demand in Japan and overseas, sales and profit were down year-on-year due to mismatches in the timing of product shipments and other factors.

In the Diagnostics business, although there were some impacts from delays in launching new products in the U.S., sales increased year on year due to efforts to steadily capture demand for outpatient testing including POC in Japan, and to focus on expanding sales of blood coagulation diagnostic reagents in China.

In the Pharmaceuticals & Fine Chemicals business, we focused on sales of new pharmaceutical ingredients, but sales declined year-on-year due to mismatches in the timing of product shipments and other factors.

As a result, net sales were 20,482 million yen (down 0.7% year on year) and operating profit was 1,956 million yen (down 26.0% year on year).

e) Other businesses

In terms of the business results for the three months ended June 30, 2023, net sales were 1,537 million yen (down 17.6% year on year) and operating loss was 2,336 million yen (operating loss of 2,693 million yen in the same period of the previous fiscal year).

(2) Cash flows

Cash and cash equivalents (“net cash”) in the three months ended June 30, 2023 decreased 808 million yen from the end of the previous fiscal year to 84,399 million yen at the end of the first quarter of the current fiscal year.

Factors influencing cash flow accounts during the three months ended June 30, 2023 were as follows.

(Operating activities)

Net cash provided by operating activities during the three months ended June 30, 2023 amounted to 11,087 million yen, compared with net cash used of 2,131 million yen during the same period of the previous fiscal year. This was due to cash inflows, which included profit before income taxes of 35,590 million yen, depreciation of 12,180 million yen, and a decrease in trade receivables and contract assets of 16,618 million yen, exceeding cash outflows such as a decrease in trade payables of 21,807 million yen, income taxes paid of 14,826 million yen, and a gain on sale of investment securities of 13,701 million yen.

(Investing activities)

Net cash provided by investing activities during the three months ended June 30, 2023 amounted to 7,923 million yen, compared with net cash used of 10,205 million yen during the same period of the previous fiscal year. This was due to cash inflows, which included cash proceeds from sale and redemption of investment securities of 22,000 million yen, exceeding cash outflows such as expenditures of 11,667 million yen for the purchase of property, plant, and equipment centered mainly on priority and growth fields, and 1,535 million yen for the purchase of intangible assets.

(Financing activities)

Net cash used in financing activities during the three months ended June 30, 2023 amounted to 23,335 million yen, compared with net cash used of 28,531 million yen during the same period of the previous fiscal year. This was mainly due to cash outflows from dividends paid (including dividends paid to non-controlling interests) of 13,014 million yen, the purchase of treasury shares of 7,832 million yen, and a net decrease in interest-bearing debt of 2,568 million yen.

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

During the three months ended June 30, 2023, there were no significant changes in the business and financial issues to be addressed on a priority basis, nor did any such issues newly arise.

(4) Research and development activities

The amount of research and development activities of the entire Group during the three months ended June 30, 2023 amounted to 9,884 million yen.

During the three months ended June 30, 2023, there were no significant changes in the status of the Group’s research and development activities.

3. Material contracts, etc.

There were no decisions on, conclusion, etc. of material contracts, etc. during the first 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 first quarter of the current fiscal year (shares) (June 30, 2023) | Number of issued shares as of filing date (shares) (August 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 | 452,507,285 | 452,507,285 | Tokyo Stock Exchange Prime Market | Number of shares constituting one unit: 100 |
| Total | 452,507,285 | 452,507,285 | – | – |

(2) Share acquisition rights

(i) Employee share option plans

Not applicable.

(ii) Share acquisition rights for other uses

Not applicable.

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

Not applicable.

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

| Date | Change in the total number of issued shares (thousands of shares) | Balance of the total number of issued shares (thousands of shares) | Change in share capital (millions of yen) | Balance of share capital (millions of yen) | Change in legal capital surplus (millions of yen) | Balance of legal capital surplus (millions of yen) |
|---------------------|---|--|---|--|---|--|
| May 25, 2023 (Note) | (4,000) | 452,507 | – | 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 first quarterly accounting period, there are no matters to be stated.

(6) Voting rights

Information on voting rights as of the end of the first quarter of the current fiscal year is based on the shareholder registry as of the immediately prior record date (March 31, 2023), since the shareholder registry as of June 30, 2023 is not available for confirmation.

(i) Issued shares

As of March 31, 2023

| Category | Number of shares (shares) | Number of voting rights (rights) | Description |
|--|---------------------------|----------------------------------|---|
| Shares without voting rights | – | – | – |
| Shares with restricted voting rights (treasury shares, etc.) | – | – | – |
| Shares with restricted voting rights (other) | – | – | – |
| Shares with full voting rights (treasury shares, etc.) | Common shares 25,979,700 | – | 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 430,325,200 | 4,303,252 | Same as above |
| Shares less than one unit | Common shares 202,385 | – | – |
| Total number of issued shares | 456,507,285 | – | – |
| Total voting rights held by shareholders | – | 4,303,252 | – |

(Notes) 1. 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)

2. Due to the cancellation of 4,000,000 shares of treasury shares on May 25, 2023, the total number of issued shares as of the end of the first quarter of the current fiscal year was 452,507,285.

(ii) Treasury shares, etc.

As of March 31, 2023

| Name of shareholder | Address of shareholder | Number of shares held in own name (shares) | Number of shares held in others' names (shares) | Total number of shares held (shares) | Shareholding ratio to total number of issued shares (%) |
|--------------------------------------|-----------------------------------|--|---|--------------------------------------|---|
| (Shares held by the Company) | | | | | |
| Sekisui Chemical Co., Ltd. | 2-4-4 Nishitemma, Kita-ku, Osaka | 25,967,900 | – | 25,967,900 | 5.68 |
| (Reciprocal holding) | | | | | |
| Sekisuiheim Higashishikoku Co., Ltd. | 4-1-16, Kazurashima, Kochi, Kochi | 11,800 | – | 11,800 | 0.00 |
| Total | – | 25,979,700 | – | 25,979,700 | 5.69 |

- (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 cancellation of 4,000,000 shares of treasury shares on May 25, 2023, the Company held 25,968,264 shares of treasury shares as of the end of the first 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 2 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 first quarter of the current fiscal year (from April 1, 2023 to June 30, 2023) and the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023) of the Group have been subjected to a quarterly review by KPMG AZSA LLC.

1. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(Millions of yen)

| | As of March 31, 2023 | As of June 30, 2023 |
|--|----------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 101,080 | 101,400 |
| Notes receivable - trade | 38,400 | 37,428 |
| Accounts receivable - trade | 153,380 | 143,845 |
| Contract assets | 752 | 673 |
| Merchandise and finished goods | 104,091 | 114,872 |
| Land for sale in lots | 64,154 | 65,707 |
| Work in process | 62,604 | 66,323 |
| Raw materials and supplies | 55,950 | 57,562 |
| Advance payments to suppliers | 4,055 | 3,720 |
| Prepaid expenses | 8,414 | 9,654 |
| Short-term loans receivable | 114 | 218 |
| Other | 29,616 | 29,539 |
| Allowance for doubtful accounts | (965) | (1,041) |
| Total current assets | 621,650 | 629,904 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 120,761 | 122,109 |
| Machinery, equipment and vehicles, net | 109,933 | 114,226 |
| Land | 83,828 | 85,870 |
| Leased assets, net | 19,961 | 21,206 |
| Construction in progress | 31,338 | 33,901 |
| Other, net | 11,558 | 12,195 |
| Total property, plant and equipment | 377,381 | 389,509 |
| Intangible assets | | |
| Goodwill | 11,028 | 9,661 |
| Software | 15,614 | 15,549 |
| Leased assets | 117 | 106 |
| Other | 24,242 | 29,007 |
| Total intangible assets | 51,003 | 54,324 |
| Investments and other assets | | |
| Investment securities | 137,314 | 121,974 |
| Long-term loans receivable | 1,163 | 1,327 |
| Long-term prepaid expenses | 1,970 | 2,015 |
| Retirement benefit asset | 15,284 | 15,200 |
| Deferred tax assets | 10,034 | 10,656 |
| Other | 14,483 | 13,704 |
| Allowance for doubtful accounts | (2,154) | (1,253) |
| Total investments and other assets | 178,096 | 163,625 |
| Total non-current assets | 606,481 | 607,459 |
| Total assets | 1,228,131 | 1,237,364 |

(Millions of yen)

| | As of March 31, 2023 | As of June 30, 2023 |
|--|----------------------|---------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes payable - trade | 759 | 901 |
| Electronically recorded obligations - operating | 28,777 | 20,804 |
| Accounts payable - trade | 107,067 | 100,579 |
| Short-term borrowings | 3,569 | 11,802 |
| Current portion of bonds payable | – | 30 |
| Lease liabilities | 5,156 | 5,326 |
| Accrued expenses | 41,177 | 38,414 |
| Income taxes payable | 11,817 | 9,781 |
| Provision for bonuses | 19,198 | 13,236 |
| Provision for bonuses for directors (and other officers) | 354 | 220 |
| Provision for warranties for completed construction | 3,105 | 2,898 |
| Provision for share awards | 115 | 143 |
| Advances received | 53,514 | 61,960 |
| Other | 53,364 | 64,076 |
| Total current liabilities | 327,978 | 330,176 |
| Non-current liabilities | | |
| Bonds payable | 40,030 | 40,000 |
| Long-term borrowings | 56,187 | 47,112 |
| Lease liabilities | 15,515 | 16,664 |
| Deferred tax liabilities | 4,046 | 1,160 |
| Retirement benefit liability | 42,731 | 42,758 |
| Provision for share awards | 900 | 956 |
| Other | 8,216 | 7,845 |
| Total non-current liabilities | 167,627 | 156,497 |
| Total liabilities | 495,606 | 486,674 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 100,002 | 100,002 |
| Capital surplus | 108,583 | 108,620 |
| Retained earnings | 468,094 | 472,490 |
| Treasury shares | (46,637) | (47,494) |
| Total shareholders' equity | 630,041 | 633,619 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 37,836 | 32,813 |
| Deferred gains or losses on hedges | (24) | (17) |
| Revaluation reserve for land | 321 | 321 |
| Foreign currency translation adjustment | 39,253 | 57,783 |
| Remeasurements of defined benefit plans | (2,402) | (2,391) |
| Total accumulated other comprehensive income | 74,984 | 88,510 |
| Non-controlling interests | 27,498 | 28,560 |
| Total net assets | 732,525 | 750,690 |
| Total liabilities and net assets | 1,228,131 | 1,237,364 |

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

Quarterly consolidated statement of income

(Millions of yen)

| | Three months ended June 30, 2022 | Three months ended June 30, 2023 |
|---|-------------------------------------|-------------------------------------|
| Net sales | 282,271 | 285,393 |
| Cost of sales | 197,729 | 197,783 |
| Gross profit | 84,541 | 87,609 |
| Selling, general and administrative expenses | 70,697 | 72,323 |
| Operating profit | 13,844 | 15,285 |
| Non-operating income | | |
| Interest income | 171 | 419 |
| Dividend income | 1,987 | 1,862 |
| Share of profit of entities accounted for using equity method | 34 | 362 |
| Foreign exchange gains | 5,526 | 4,371 |
| Miscellaneous income | 472 | 671 |
| Total non-operating income | 8,193 | 7,686 |
| Non-operating expenses | | |
| Interest expenses | 183 | 277 |
| Miscellaneous expenses | 492 | 513 |
| Total non-operating expenses | 675 | 791 |
| Ordinary profit | 21,361 | 22,180 |
| Extraordinary income | | |
| Gain on sale of investment securities | – | 13,701 |
| Total extraordinary income | – | 13,701 |
| Extraordinary losses | | |
| Loss on sale and retirement of non-current assets | 450 | 291 |
| Total extraordinary losses | 450 | 291 |
| Profit before income taxes | 20,911 | 35,590 |
| Income taxes | 6,075 | 11,075 |
| Profit | 14,835 | 24,515 |
| Profit attributable to non-controlling interests | 257 | 385 |
| Profit attributable to owners of parent | 14,578 | 24,129 |

Quarterly consolidated statement of comprehensive income

(Millions of yen)

| | Three months ended June 30, 2022 | Three months ended June 30, 2023 |
|--|-------------------------------------|-------------------------------------|
| Profit | 14,835 | 24,515 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 286 | (4,983) |
| Deferred gains or losses on hedges | 2 | (0) |
| Foreign currency translation adjustment | 16,715 | 19,317 |
| Remeasurements of defined benefit plans, net of tax | (335) | 12 |
| Share of other comprehensive income of entities accounted for using equity method | (105) | (25) |
| Total other comprehensive income | 16,562 | 14,321 |
| Comprehensive income | 31,398 | 38,836 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 30,478 | 37,654 |
| Comprehensive income attributable to non-controlling interests | 919 | 1,181 |

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

| | Three months ended June 30, 2022 | Three months ended June 30, 2023 |
|---|-------------------------------------|-------------------------------------|
| Cash flows from operating activities | | |
| Profit before income taxes | 20,911 | 35,590 |
| Depreciation | 11,766 | 12,180 |
| Amortization of goodwill | 302 | 320 |
| Loss on retirement of non-current assets | 437 | 288 |
| Loss (gain) on sale of non-current assets | 13 | 3 |
| Increase (decrease) in provision for bonuses | (6,965) | (6,096) |
| Increase or decrease in retirement benefit asset and liability | (120) | 36 |
| Loss (gain) on sale of investment securities | – | (13,701) |
| Interest and dividend income | (2,159) | (2,281) |
| Interest expenses | 183 | 277 |
| Share of loss (profit) of entities accounted for using equity method | (34) | (362) |
| Decrease (increase) in trade receivables and contract assets | 14,442 | 16,618 |
| Decrease (increase) in inventories | (21,357) | (11,726) |
| Increase (decrease) in trade payables | (10,046) | (21,807) |
| Increase (decrease) in advances received | 12,220 | 8,357 |
| Increase (decrease) in deposits received | 7,977 | 6,939 |
| Other, net | (11,197) | (1,027) |
| Subtotal | 16,373 | 23,608 |
| Interest and dividends received | 2,584 | 2,667 |
| Interest paid | (203) | (363) |
| Income taxes paid | (20,886) | (14,826) |
| Net cash provided by (used in) operating activities | (2,131) | 11,087 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (7,890) | (11,667) |
| Proceeds from sale of property, plant and equipment | 308 | 213 |
| Payments into time deposits | (2,755) | (4,963) |
| Proceeds from withdrawal of time deposits | 2,633 | 4,337 |
| Purchase of investment securities | (147) | (161) |
| Proceeds from sale and redemption of investment securities | 0 | 22,000 |
| Purchase of intangible assets | (2,631) | (1,535) |
| Decrease (increase) in short-term loans receivable | 180 | (242) |
| Other, net | 97 | (55) |
| Net cash provided by (used in) investing activities | (10,205) | 7,923 |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | 87 | (25) |
| Repayments of lease liabilities | (1,448) | (1,413) |
| Repayments of long-term borrowings | (55) | (1,129) |
| Dividends paid | (11,130) | (12,916) |
| Dividends paid to non-controlling interests | (163) | (98) |
| Purchase of treasury shares | (14,071) | (7,832) |
| Purchase of shares of subsidiaries not resulting in change in scope of consolidation | (1,865) | – |
| Other, net | 115 | 80 |
| Net cash provided by (used in) financing activities | (28,531) | (23,335) |
| Effect of exchange rate change on cash and cash equivalents | 3,277 | 3,513 |
| Net increase (decrease) in cash and cash equivalents | (37,591) | (810) |
| 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 | – | 2 |
| Cash and cash equivalents at end of period | * 96,148 | * 84,399 |

Notes to quarterly consolidated financial statements

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

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

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

(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 first quarter under review, and multiplying profit before income taxes (quarterly) by the estimated effective tax rate. However, if the calculation of tax expenses using such estimated effective tax rate would significantly lack rationality, tax expenses are calculated using the statutory tax rate.

Income taxes - deferred are included in income taxes.

(Notes to quarterly consolidated balance sheet)

Guarantee obligations

The following liabilities are guaranteed:

(Millions of yen)

| | As of March 31, 2023 | As of June 30, 2023 |
|---|----------------------|---------------------|
| (1) Guarantee obligations of housing loans for prefabricated modular housing purchasers and the promotion of the employee house ownership plan | 58,544 | 53,076 |
| (2) Other guarantee obligations | 6,516 | 6,416 |

(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)

| | Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022) | Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023) |
|---|---|---|
| Cash and deposits | 107,699 | 101,400 |
| Time deposits with maturity over 3 months | (11,550) | (17,001) |
| Cash and cash equivalents | 96,148 | 84,399 |

(Notes to shareholders' equity, etc.)

I Three months ended June 30, 2022 (from April 1, 2022 to June 30, 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 |

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

II Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

Dividends paid

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

(Note) The total amount of dividends resolved by the Annual General Meeting of Shareholders held on June 22, 2023 includes dividends of 30 million yen for shares of the Company held by the BIP trust for remuneration for directors (and other officers) and held by the ESOP trust.

(Segment information, etc.)

Segment information

I Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

- 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 | 115,227 | 37,217 | 26,971 | 9,472 | 188,888 | 427 | 189,316 |
| North America | – | 909 | 24,137 | 5,678 | 30,725 | – | 30,725 |
| Europe | – | 1,217 | 18,090 | 2,259 | 21,567 | – | 21,567 |
| China | – | 1,095 | 15,637 | 2,427 | 19,161 | 511 | 19,673 |
| Asia | 397 | 6,476 | 10,444 | 482 | 17,801 | 14 | 17,815 |
| Other | – | 588 | 2,285 | 299 | 3,172 | – | 3,172 |
| Net sales to external customers | 115,624 | 47,504 | 97,567 | 20,620 | 281,317 | 953 | 282,271 |
| Intersegment sales or transfers | 48 | 2,591 | 1,517 | – | 4,157 | 912 | 5,070 |
| Total | 115,673 | 50,096 | 99,084 | 20,620 | 285,474 | 1,866 | 287,341 |
| Segment profit (loss) | 2,873 | 2,012 | 10,356 | 2,643 | 17,885 | (2,693) | 15,192 |

(Note 1) Net sales in “Housing” include 10,646 million yen that does not correspond to revenue from contracts with customers under “Japan.”

Net sales in “Other” include 226 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.

- 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 | 17,885 |
| Profit in “other” | (2,693) |
| Intersegment eliminations | 138 |
| Corporate expenses (Note) | (1,486) |
| Operating profit in the quarterly consolidated statement of income | 13,844 |

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

II Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

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

(Millions of yen)

| | Reportable segments | | | | | Other (Notes 1, 2) | Total |
|---------------------------------|---------------------|---|---------------------------------|---------|---------|-----------------------|---------|
| | Housing (Note 1) | Urban Infrastructure and Environmental Products | High Performance Plastics | Medical | Total | | |
| Net sales | | | | | | | |
| Japan | 120,719 | 39,448 | 27,691 | 10,212 | 198,071 | 519 | 198,590 |
| North America | – | 487 | 24,493 | 4,480 | 29,461 | – | 29,461 |
| Europe | – | 1,257 | 18,222 | 1,909 | 21,389 | – | 21,389 |
| China | – | 1,222 | 13,050 | 3,182 | 17,455 | 344 | 17,800 |
| Asia | 213 | 5,245 | 9,822 | 478 | 15,759 | 26 | 15,786 |
| Other | – | 554 | 1,589 | 220 | 2,364 | – | 2,364 |
| Net sales to external customers | 120,933 | 48,216 | 94,870 | 20,482 | 284,502 | 890 | 285,393 |
| Intersegment sales or transfers | 70 | 3,070 | 1,218 | – | 4,359 | 646 | 5,006 |
| Total | 121,003 | 51,286 | 96,089 | 20,482 | 288,862 | 1,537 | 290,400 |
| Segment profit (loss) | 3,989 | 3,355 | 9,923 | 1,956 | 19,224 | (2,336) | 16,888 |

(Note 1) Net sales in “Housing” include 10,882 million yen that does not correspond to revenue from contracts with customers under “Japan.”

Net sales in “Other” include 235 million yen that does not correspond to revenue from contracts with customers under “Japan.”

(Note 2) “Other” represents segments other than the reportable segments and includes provision of services and manufacturing and sales of film-type lithium-ion batteries and products not included in the reportable segments.

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

(Millions of yen)

| Profit | Amount |
|--|---------|
| Reportable segment total | 19,224 |
| Profit in “other” | (2,336) |
| Intersegment eliminations | 113 |
| Corporate expenses (Note) | (1,716) |
| Operating profit in the quarterly consolidated statement of income | 15,285 |

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

3. Changes in reportable segments

From the third quarter of the previous fiscal year, for the purpose of optimizing the business portfolio in pursuit of greater synergies, the Group changed to classify Fire Protection Materials Division, CPVC-related business fields and Crosswave products into Urban Infrastructure and Environmental Products (“UIEP”) Segment from High Performance Plastics (“HPP”) Segment, also the Group revised to classify SEKISUI SEIKEI CO., LTD. and SEKISUI KYDEX LLC. into “HPP” Segment from “UIEP” Segment.

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

(Revenue recognition)

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

(Per share information)

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

| | Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022) | Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023) |
|--|---|---|
| Quarterly basic earnings per share (yen) | 33.08 | 56.40 |
| (Basis for calculation) | | |
| Profit attributable to owners of parent (millions of yen) | 14,578 | 24,129 |
| Amount not attributable to common shareholders (millions of yen) | — | — |
| Profit attributable to owners of common shares of parent (millions of yen) | 14,578 | 24,129 |
| Average number of outstanding common shares during the period (thousands of shares) | 440,692 | 427,833 |

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

2. The Company’s shares remaining in the BIP trust and the ESOP trust which are recorded as treasury shares under shareholders’ equity are included in treasury shares to be deducted from the average number of outstanding shares during the period for the calculation of quarterly basic earnings per share.

The average number of treasury shares during the period deducted for the calculation of quarterly basic earnings per share was 655,000 shares in the three months ended June 30, 2022 and 1,021,000 shares in the three months ended June 30, 2023.

(Significant subsequent events)

Not applicable.

2. Other

Not applicable.

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

Not applicable.