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# Quarterly Securities Report

**Third Quarter of the 102nd Business Term**

**From October 1, 2023  
to December 31, 2023**

**SEKISUI CHEMICAL CO., LTD.**

(E00820)

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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, 2024
Quarterly accounting period	Third quarter of the 102nd business term (from October 1, 2023 to December 31, 2023)
Company name	積水化学工業株式会社 ( <i>Sekisui Kagaku Kogyo Kabushiki Kaisha</i> )
Company name in English	Sekisui Chemical Co., Ltd.
Job title and name of representative	Keita Kato, President and Representative Director, and Chief Executive Officer
Address of registered headquarters	4-4 Nishitemma 2-Chome, Kita-ku, Osaka, Japan
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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		101st Business Term Nine months ended December 31, 2022	102nd Business Term Nine months ended December 31, 2023	101st Business Term
Accounting period		From April 1, 2022 to December 31, 2022	From April 1, 2023 to December 31, 2023	From April 1, 2022 to March 31, 2023
Net sales	(Millions of yen)	912,231	923,931	1,242,521
Ordinary profit	(Millions of yen)	73,427	72,814	104,241
Profit attributable to owners of parent	(Millions of yen)	52,802	58,432	69,263
Comprehensive income	(Millions of yen)	60,883	79,511	84,008
Net assets	(Millions of yen)	711,866	764,720	732,525
Total assets	(Millions of yen)	1,219,593	1,252,474	1,228,131
Basic earnings per share	(Yen)	120.88	137.22	159.19
Equity-to-asset ratio	(%)	56.14	58.80	57.41
Net cash provided by (used in) operating activities	(Millions of yen)	34,076	64,753	71,543
Net cash provided by (used in) investing activities	(Millions of yen)	(41,194)	(2,597)	(59,430)
Net cash provided by (used in) financing activities	(Millions of yen)	(47,505)	(50,946)	(62,906)
Cash and cash equivalents at end of period	(Millions of yen)	80,433	100,077	85,207

Term		Third quarter of 101st Business Term	Third quarter of 102nd Business Term
Accounting period		From October 1, 2022 to December 31, 2022	From October 1, 2023 to December 31, 2023
Basic earnings per share	(Yen)	31.59	32.96

(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, 2023.

There were no changes in major subsidiaries and associates.

## II. Overview of Business

### 1. Business risks

No new business risks arose during the nine months ended December 31, 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 third quarter of the current fiscal year stood at 1,252,474 million yen, an increase of 24,342 million yen from the end of the previous fiscal year.

##### (Assets)

Current assets stood at 647,128 million yen, 25,477 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 15,542 million yen, cash and deposits of 10,098 million yen, and total trade receivables of 7,180 million yen, offset against a decrease in the balance of prepaid expenses of 3,616 million yen.

Non-current assets decreased 1,135 million yen to 605,345 million yen.

##### (Liabilities)

Despite increases of 8,135 million yen in advances received and 7,724 million yen in income taxes payable, total liabilities decreased 7,852 million yen to 487,753 million yen, mainly due to a total decrease of 16,672 million yen in trade payables and others consisting of notes payable - trade, electronically recorded obligations - operating, accounts payable - trade, accrued expenses, as well as a decrease of 8,603 million yen in provision for bonuses.

##### (Net Assets)

Net assets stood at 764,720 million yen as of the end of the third quarter of the current fiscal year, an increase of 32,194 million yen. This mainly reflected the posting of profit attributable to owners of parent of 58,432 million yen and an increase in foreign currency translation adjustment of 16,567 million yen, despite dividends paid of 27,845 million yen and the purchase of treasury shares of 16,171 million yen.

##### (ii) Business results

In the nine months ended December 31, 2023, net sales reached a record high 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, despite a sluggish domestic new housing market in a decreased number of houses ordered.

Operating profit reached a record high 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.

In terms of consolidated operating results for the nine months ended December 31, 2023, net sales were 923,931 million yen (up 1.3% year on year), operating profit was 65,834 million yen (up 5.4% year on year), ordinary profit was 72,814 million yen (down 0.8% year on year), and profit attributable to owners of parent was 58,432 million yen (up 10.7% year on year).

Business results by business segment were as follows.

#### a) Housing business

In the nine months ended December 31, 2023, net sales increased in the Housing Renovation business and Real Estate business, while in the New Housing Construction business, the number of houses ordered decreased year-on-year, and overall net sales remained flat year-on-year. Operating profit decreased due to rising prices for component parts, including the effects of foreign exchange rates.

As for orders received in the New Housing Construction business, the number of houses ordered decreased year-on-year due to lower purchasing intent caused by higher prices and other factors. In the Housing Renovation business, orders increased year-on-year due to reinforcement of sales structures, and higher sales of storage batteries and insulation renovations.

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

As a result, net sales were 391,547 million yen (up 0.6% year on year) and operating profit was 19,440 million yen (down 9.3% year on year).

b) Urban Infrastructure and Environmental Products business

In the nine months ended December 31, 2023, while net sales remained flat year-on-year due to the impacts of the sluggish domestic housing market and delays in non-housing construction associated with labor shortages, profit reached a record high as a result of securing profit, controlling fixed costs, and taking other measures.

In the Pipe Systems field, overall net sales in the field remained flat year-on-year as a result of efforts to secure profit and expand sales of domestic industrial piping materials, for which demand was firm, despite the sluggish domestic housing market and chlorinated polyvinyl chloride (CPVC) market in India, as well as the impact of delays in non-housing construction. Also, the acquisition of the pipe materials business of Shin-Etsu Polymer Co., Ltd. was completed.

In the Buildings and Infrastructures Composite Materials field, despite sluggish demand for housing equipment such as prefabricated baths and rain gutters, we focused on securing profit by improving selling prices. For synthetic lumber (FFU), orders progressed steadily in Japan and overseas. In addition, FFU production plant for railway sleepers started operation in October in Europe. For fire protection and noncombustible materials, demand remained steady, mainly for highly prioritized products. Accordingly, net sales overall remained flat year-on-year.

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

As a result, net sales were 169,457 million yen (down 0.1% year on year) and operating profit was 13,934 million yen (up 4.9% year on year).

c) High Performance Plastics business

In the nine months ended December 31, 2023, both sales and profits increased as a result of a recovery in automobile-related demand, foreign exchange effects, and efforts to maintain or improve selling prices, despite the impact of sluggish demand for building materials and consumer goods in Europe, the U.S., and Japan.

In the Electronics field, net sales remained flat year-on-year as semiconductor-related demand remained sluggish, while a certain level of recovery was seen in the smartphone market.

In the Mobility field, net sales increased year-on-year due to progress in improving selling prices, a recovery in automobile-related demand, expanded sales of high-performance interlayer films, mainly for heads-up displays, and other factors. In addition, SEKISUI AEROSPACE’s efforts to improve its productivity progressed.

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

As a result, net sales were 306,276 million yen (up 2.3% year on year) and operating profit was 37,557 million yen (up 21.5% year on year).

d) Medical business

In the nine months ended December 31, 2023, net sales increased year-on-year as a result of demand remaining firm in both the Diagnostics business and the Pharmaceuticals & Fine Chemicals business, while profit decreased due to the impacts of delayed sales expansion of new products in the U.S., increased research and development costs, raising raw materials prices, the product mix, and other factors.

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

In the Pharmaceuticals & Fine Chemicals business, net sales increased year-on-year due to increased demand for new active pharmaceutical ingredients and steady orders in the drug development solutions business.

As a result, net sales were 67,352 million yen (up 3.1% year on year) and operating profit was 8,006 million yen (down 9.4% year on year).

e) Other businesses

In terms of the business results for the nine months ended December 31, 2023, net sales were 4,519 million yen (down 19.8% year on year) and operating loss was 7,987 million yen (operating loss of 8,255 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, 2023 increased 14,870 million yen from the end of the previous fiscal year to 100,077 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, 2023 were as follows.

(Operating activities)

Net cash provided by operating activities during the nine months ended December 31, 2023 amounted to 64,753 million yen, compared with net cash provided of 34,076 million yen during the same period of the previous year. This was due to cash inflows, which included profit before income taxes of 85,867 million yen, depreciation of 37,801 million yen, and an increase in advances received of 8,004 million yen, exceeding cash outflows such as income taxes paid of 26,862 million yen, a decrease in trade payables of 20,045 million yen, and a gain on sale of investment securities of 13,701 million yen.

(Investing activities)

Net cash used in investing activities during the nine months ended December 31, 2023 amounted to 2,597 million yen, compared with net cash used of 41,194 million yen during the same period of the previous fiscal year. This was due to cash outflows, which included expenditures of 34,129 million yen for the purchase of property, plant, and equipment centered mainly on priority and growth fields, and 11,095 million yen for the purchase of intangible assets, exceeding cash inflows such as cash proceeds from sale and redemption of investment securities of 22,012 million yen and cash proceeds from sale of shares of subsidiaries and associates of 16,739 million yen.

(Financing activities)

Net cash used in financing activities during the nine months ended December 31, 2023 amounted to 50,946 million yen, compared with net cash used of 47,505 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 29,057 million yen, the purchase of treasury shares of 16,171 million yen, and a net decrease in interest-bearing debt of 5,793 million yen.

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

During the nine months ended December 31, 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 nine months ended December 31, 2023 amounted to 30,893 million yen.

During the nine months ended December 31, 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 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, 2023)	Number of issued shares as of filing date (shares) (February 9, 2024)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Description
Common shares	448,507,285	448,507,285	Tokyo Stock Exchange Prime Market	Number of shares constituting one unit: 100
Total	448,507,285	448,507,285	–	–

##### (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 24, 2023 (Note)	(4,000)	448,507	–	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, 2023), since the shareholder registry as of December 31, 2023 is not available for confirmation.

(i) Issued shares

As of September 30, 2023

Category	Number of shares (shares)	Number of voting rights (rights)	Description
Shares without voting rights	–	–	–
Shares with restricted voting rights (treasury shares, etc.)	–	–	–
Shares with restricted voting rights (other)	–	–	–
Shares with full voting rights (treasury shares, etc.)	Common shares 25,980,200	–	The Company's standard shares not subject to any restriction on rights Number of shares constituting one unit: 100
Shares with full voting rights (other)	Common shares 426,308,400	4,263,084	Same as above
Shares less than one unit	Common shares 218,685	–	–
Total number of issued shares	452,507,285	–	–
Total voting rights held by shareholders	–	4,263,084	–

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

BIP trust for remuneration for directors (and other officers): 784,000 shares (7,840 rights)

ESOP trust for share granting: 148,300 shares (1,483 rights)

## (ii) Treasury shares, etc.

As of September 30, 2023

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

- (Notes)
1. The number of shares is included in the number of shares with full voting rights (treasury shares, etc.) in the “(i) Issued shares” section above.
  2. The Company’s shares held by the BIP trust for remuneration for directors (and other officers) and the ESOP trust for share granting are not included in the treasury shares mentioned above.
  3. Mainly due to the cancellation of 4,000,000 shares and acquisition of the same number of shares of treasury shares in November and December 2023, respectively, the Company held 25,968,700 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, 2023 to December 31, 2023) and the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 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 December 31, 2023
<b>Assets</b>			
Current assets			
Cash and deposits	101,080		111,179
Notes receivable - trade	38,400	*3	43,313
Accounts receivable - trade	153,380		155,648
Contract assets	752		670
Merchandise and finished goods	104,091		112,659
Land for sale in lots	64,154		65,113
Work in process	62,604		68,140
Raw materials and supplies	55,950		56,429
Advance payments to suppliers	4,055		3,750
Prepaid expenses	8,414		4,797
Short-term loans receivable	114		1,107
Other	29,616		25,399
Allowance for doubtful accounts	(965)		(1,081)
Total current assets	621,650		647,128
Non-current assets			
Property, plant and equipment			
Buildings and structures, net	120,761		122,822
Machinery, equipment and vehicles, net	109,933		113,462
Land	83,828		85,643
Leased assets, net	19,961		21,395
Construction in progress	31,338		31,694
Other, net	11,558		13,137
Total property, plant and equipment	377,381		388,155
Intangible assets			
Goodwill	11,028		8,883
Software	15,614		15,558
Leased assets	117		123
Other	24,242		32,575
Total intangible assets	51,003		57,140
Investments and other assets			
Investment securities	137,314		113,658
Long-term loans receivable	1,163		1,094
Long-term prepaid expenses	1,970		1,980
Retirement benefit asset	15,284		15,189
Deferred tax assets	10,034		12,373
Other	14,483		17,111
Allowance for doubtful accounts	(2,154)		(1,359)
Total investments and other assets	178,096		160,049
Total non-current assets	606,481		605,345
Total assets	1,228,131		1,252,474

(Millions of yen)

	As of March 31, 2023		As of December 31, 2023
<b>Liabilities</b>			
Current liabilities			
Notes payable - trade	759	*3	787
Electronically recorded obligations - operating	28,777	*3	15,674
Accounts payable - trade	107,067		105,275
Short-term borrowings	3,569		11,776
Current portion of bonds payable	-		30
Lease liabilities	5,156		5,170
Accrued expenses	41,177		39,373
Income taxes payable	11,817		19,541
Provision for bonuses	19,198		10,595
Provision for bonuses for directors (and other officers)	354		360
Provision for warranties for completed construction	3,105		2,568
Provision for share awards	115		83
Advances received	53,514		61,650
Other	53,364		59,214
<b>Total current liabilities</b>	<b>327,978</b>		<b>332,102</b>
Non-current liabilities			
Bonds payable	40,030		40,000
Long-term borrowings	56,187		46,612
Lease liabilities	15,515		17,080
Deferred tax liabilities	4,046		1,156
Retirement benefit liability	42,731		42,888
Provision for share awards	900		1,026
Other	8,216		6,886
<b>Total non-current liabilities</b>	<b>167,627</b>		<b>155,651</b>
<b>Total liabilities</b>	<b>495,606</b>		<b>487,753</b>
Net assets			
Shareholders' equity			
Share capital	100,002		100,002
Capital surplus	108,583		108,621
Retained earnings	468,094		482,447
Treasury shares	(46,637)		(48,678)
<b>Total shareholders' equity</b>	<b>630,041</b>		<b>642,392</b>
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	37,836		40,321
Deferred gains or losses on hedges	(24)		(16)
Revaluation reserve for land	321		320
Foreign currency translation adjustment	39,253		55,821
Remeasurements of defined benefit plans	(2,402)		(2,325)
<b>Total accumulated other comprehensive income</b>	<b>74,984</b>		<b>94,121</b>
Non-controlling interests	27,498		28,205
<b>Total net assets</b>	<b>732,525</b>		<b>764,720</b>
<b>Total liabilities and net assets</b>	<b>1,228,131</b>		<b>1,252,474</b>

## (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, 2022	Nine months ended December 31, 2023
Net sales	912,231	923,931
Cost of sales	635,395	635,919
Gross profit	276,835	288,012
Selling, general and administrative expenses	214,369	222,178
Operating profit	62,466	65,834
Non-operating income		
Interest income	832	1,378
Dividend income	3,655	3,359
Share of profit of entities accounted for using equity method	1,061	–
Foreign exchange gains	5,312	2,859
Miscellaneous income	3,138	2,199
Total non-operating income	13,999	9,797
Non-operating expenses		
Interest expenses	595	860
Share of loss of entities accounted for using equity method	–	4
Miscellaneous expenses	2,442	1,951
Total non-operating expenses	3,038	2,816
Ordinary profit	73,427	72,814
Extraordinary income		
Gain on sale of investment securities	319	13,701
Gain on sale of shares of subsidiaries and associates	871	540
Total extraordinary income	1,191	14,242
Extraordinary losses		
Loss on sale and retirement of non-current assets	1,490	1,190
Total extraordinary losses	1,490	1,190
Profit before income taxes	73,128	85,867
Income taxes	19,237	26,337
Profit	53,891	59,529
Profit attributable to non-controlling interests	1,088	1,096
Profit attributable to owners of parent	52,802	58,432

Quarterly consolidated statement of comprehensive income

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	53,891	59,529
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,618)	3,527
Deferred gains or losses on hedges	6	0
Foreign currency translation adjustment	8,878	17,425
Remeasurements of defined benefit plans, net of tax	(493)	31
Share of other comprehensive income of entities accounted for using equity method	219	(1,003)
Total other comprehensive income	6,991	19,982
Comprehensive income	60,883	79,511
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	59,385	77,569
Comprehensive income attributable to non-controlling interests	1,497	1,942

## (3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
<b>Cash flows from operating activities</b>		
Profit before income taxes	73,128	85,867
Depreciation	36,527	37,801
Amortization of goodwill	947	1,107
Loss on retirement of non-current assets	1,408	1,122
Loss (gain) on sale of non-current assets	82	68
Increase or decrease in retirement benefit asset and liability	(233)	236
Loss (gain) on sale of investment securities	(319)	(13,701)
Loss (gain) on sale of shares of subsidiaries and associates	(871)	(540)
Increase (decrease) in provision for bonuses	(9,468)	(8,759)
Interest and dividend income	(4,488)	(4,737)
Interest expenses	595	860
Share of loss (profit) of entities accounted for using equity method	(1,061)	4
Decrease (increase) in trade receivables and contract assets	2,525	(1,771)
Decrease (increase) in inventories	(39,894)	(8,845)
Increase (decrease) in trade payables	(3,614)	(20,045)
Increase (decrease) in advances received	14,793	8,004
Other, net	(3,141)	2,782
Subtotal	66,913	79,453
Interest and dividends received	5,162	5,149
Interest paid	(596)	(967)
Income taxes refund	-	7,980
Income taxes paid	(37,403)	(26,862)
Net cash provided by (used in) operating activities	34,076	64,753
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(34,265)	(34,129)
Proceeds from sale of property, plant and equipment	1,455	571
Payments into time deposits	(14,158)	(11,636)
Proceeds from withdrawal of time deposits	10,434	17,061
Purchase of investment securities	(658)	(791)
Proceeds from sale and redemption of investment securities	533	22,012
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	314
Payments for acquisition of businesses	-	(790)
Proceeds from sale of shares of subsidiaries and associates	-	16,739
Purchase of intangible assets	(7,402)	(11,095)
Proceeds from sale of intangible assets	1,094	-
Decrease (increase) in short-term loans receivable	173	(912)
Other, net	254	57
Net cash provided by (used in) investing activities	(41,194)	(2,597)



(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	10,328	425
Repayments of lease liabilities	(4,247)	(4,319)
Proceeds from long-term borrowings	–	5
Repayments of long-term borrowings	(1,627)	(1,904)
Dividends paid	(23,831)	(27,846)
Dividends paid to non-controlling interests	(1,201)	(1,211)
Purchase of treasury shares	(25,198)	(16,171)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(1,868)	(3)
Other, net	140	80
Net cash provided by (used in) financing activities	(47,505)	(50,946)
Effect of exchange rate change on cash and cash equivalents	1,318	3,651
Net increase (decrease) in cash and cash equivalents	(53,305)	14,861
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	* 80,433	* 100,077

## Notes to quarterly consolidated financial statements

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

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

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

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

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

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

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

From the third quarter of the current fiscal year, the liquidation of Rehabilitation Research Laboratory Co., Ltd. has been completed, 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 third quarter under review, and multiplying profit before income taxes (quarterly) by the estimated effective tax rate. However, if the calculation of tax expenses using such estimated effective tax rate would significantly lack rationality, tax expenses are calculated using the statutory tax rate.

Income taxes - deferred are included in income taxes.

(Notes to quarterly consolidated balance sheet)

1. Guarantee obligations

The following liabilities are guaranteed:

	(Millions of yen)	
	As of March 31, 2023	As of December 31, 2023
(1) Guarantee obligations of housing loans for prefabricated modular housing purchasers and the promotion of the employee house ownership plan	58,544	53,341
(2) Other guarantee obligations	6,516	3,889

2. Trade notes receivable transferred by endorsement

	(Millions of yen)	
	As of March 31, 2023	As of December 31, 2023
Trade notes receivable transferred by endorsement	–	143

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

For accounting treatment of notes maturing at the end of the quarterly consolidated accounting period, they are settled on the clearance date of the notes. In this regard, since the end of the 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, 2023	As of December 31, 2023
Notes receivable - trade	–	2,471
Notes payable - trade	–	24
Electronically recorded obligations - operating	–	251

(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, 2022 (from April 1, 2022 to December 31, 2022)	Nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)
Cash and deposits	94,666	111,179
Time deposits with maturity over 3 months	(14,233)	(11,102)
Cash and cash equivalents	80,433	100,077

(Notes to shareholders' equity, etc.)

I 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.

II Nine months ended December 31, 2023 (from April 1, 2023 to December 31, 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
October 30, 2023 Board of Directors	Common shares	14,928	35	September 30, 2023	December 1, 2023	Retained earnings

- (Notes)
1. The total amount of dividends resolved by the Annual General Meeting of Shareholders held on June 22, 2023 includes dividends of 30 million yen for shares of the Company held by the BIP trust for remuneration for directors (and other officers) and held by the ESOP trust.
  2. The total amount of dividends resolved by the Board of Directors meeting held on October 30, 2023 includes dividends of 32 million yen for shares of the Company held by the BIP trust for remuneration for directors (and other officers) and held by the ESOP trust.

(Segment information, etc.)

Segment information

I 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 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	74,468
Profit 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.

II Nine months ended December 31, 2023 (from April 1, 2023 to December 31, 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	390,415	131,518	84,658	33,883	640,475	1,415	641,891
North America	–	2,134	72,983	15,257	90,375	–	90,375
Europe	–	3,963	55,265	6,261	65,489	–	65,489
China	–	3,909	51,123	9,962	64,995	1,017	66,013
Asia	949	16,604	33,559	1,348	52,461	48	52,509
Other	–	2,143	4,869	639	7,651	–	7,651
Net sales to external customers	391,365	160,272	302,459	67,352	921,449	2,481	923,931
Intersegment sales or transfers	182	9,184	3,816	–	13,183	2,037	15,221
Total	391,547	169,457	306,276	67,352	934,633	4,519	939,152
Segment profit (loss)	19,440	13,934	37,557	8,006	78,939	(7,987)	70,951

(Note 1) Net sales in “Housing” include 32,600 million yen that does not correspond to revenue from contracts with customers under “Japan.”

Net sales in “Other” include 616 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	78,939
Profit in “other”	(7,987)
Intersegment eliminations	296
Corporate expenses (Note)	(5,413)
Operating profit in the quarterly consolidated statement of income	65,834

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

(Revenue recognition)

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

(Per share information)

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

	Nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)	Nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)
Quarterly basic earnings per share (yen)	120.88	137.22
(Basis for calculation)		
Profit attributable to owners of parent (millions of yen)	52,802	58,432
Amount not attributable to common shareholders (millions of yen)	—	—
Profit attributable to owners of common shares of parent (millions of yen)	52,802	58,432
Average number of outstanding common shares during the period (thousands of shares)	436,828	425,833

(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 796,000 shares in the nine months ended December 31, 2022 and 965,000 shares in the nine months ended December 31, 2023.

(Significant subsequent events)

Not applicable.

2. Other

(Dividend)

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

Matters concerning the common shares dividend

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

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

Not applicable.