

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

October 28, 2021

Company Name: SEKISUI CHEMICAL CO., LTD.
 Stock Listings: Tokyo Stock Exchange
 Code Number: 4204
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 Scheduled date for submission of quarterly financial statement: November 10, 2021
 Scheduled date for payment of dividends: December 1, 2021
 Quarterly earnings supplementary explanatory documents: Yes
 Quarterly earnings results briefing: Yes

(Figures rounded down to the nearest million yen)

1. Consolidated Business Results for the First Half (April 1, 2021 to September 30, 2021)

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1st Half of FY2021	547,942	11.8	35,520	58.5	40,968	98.2	-3,914	-
1st Half of FY2020	490,041	-11.9	22,403	-46.0	20,671	-50.9	13,032	-56.0

Note. Comprehensive Income: 1st Half of FY2021: -19,105 million yen (- %) , 1st Half of FY2020: 24,411 million yen (-1.7%)

	Net Income Attributable to Owners of the Parent per Share	Net Income Attributable to Owners of the Parent per Share (Diluted)
	yen	yen
1st Half of FY2021	-8.76	-
1st Half of FY2020	28.69	-

Note 1. In FY2020, the Companies determined the provisional accounting treatment related to the business combination. As a result, figures for the year ended March 31, 2021 reflect the revision of the initial allocated amounts of acquisition price as the Companies finalized the provisional accounting treatment for the business combination.

Note 2. The Companies have adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020) and related implementation guidance from the beginning of the fiscal year ending March 31, 2022 and figures for the year ended March 31, 2022 reflect this change of accounting method.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity to Total Assets
	Millions of yen	Millions of yen	%
2nd Q of FY2021	1,120,775	657,147	56.3
FY2020	1,150,143	694,392	58.0

(Reference) Equity: 2nd Q of FY2021: 630,899 million yen, FY2020: 667,066 million yen

Equity: Shareholders' Equity including Accumulated Other Comprehensive Income

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

2. Dividend Status

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

Note. Recent revision of dividend estimates: No

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

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

	Net Sales		Operating Income		Ordinary Income		Net income Attributable to Owners of the Parent		Net income Attributable to Owners of the Parent per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Full Year	1,155,500	9.4	90,000	33.7	94,000	50.0	34,000	-18.2	76.22

Note. Recent revision of consolidated earnings estimates: Yes

Notes

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

Note: For further details please refer to “(4) Notes to Consolidated Financial Statements (Application of special accounting methods for the preparation of quarterly consolidated financial statements) on page 9 of the attached document “II. Consolidated Financial Statement and Notes.

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

Note: For further details please refer to “(4) Notes to Consolidated Financial Statements (Changes in Accounting Policies) on page 9 of the attached document “II. Consolidated Financial Statement and Notes.”

- (4) Number of shares outstanding (common stock)

a) Number of shares outstanding at the end of term (including treasury stock):	2nd Q of FY2021	471,507,285 shares
	FY2020	476,507,285 shares
b) Treasury stock at the end of term:	2nd Q of FY2021	25,430,277 shares
	FY2020	27,573,735 shares
c) Average outstanding shares in the period (quarterly consolidated)	1st Half of FY2021	446,967,105 shares
	1st Half of FY2020	454,307,115 shares

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

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

1. This report contains revisions to the consolidated forecasts for the fiscal year announced on April 27, 2021.
2. The earnings forecasts and other forward-looking statements presented in this report are based on information available at the time of its issue and on certain assumptions that the Company considers reasonable. Forward-looking statements in no capacity represent a guarantee that the Company will achieve the stated amounts. Various factors can cause actual results to differ materially from the forecasts. For important matters regarding the conditions associated with the assumptions of these forecasts and their appropriate use, please see “2. Revision to the consolidated results forecast and other forward-looking information” on page 3 of the Quarterly Financial Report (Supplementary Material).

I. Qualitative Information and Financial Review

1. Consolidated Business Results

(1) Group Overview (April 1, 2021 to September 30, 2021)

Net Sales: 547.9 billion yen (+11.8%), Operating Income: 35.5 billion yen (+58.5%), Ordinary Income: 40.9 billion yen (+98.2%), Net Income Attributable to Owners of the Parent: -3.9 billion yen (previous year: +13 billion yen)

In the second quarter of fiscal 2021, despite some residual effects from COVID-19, there was a significant increase in sales due to a recovery in the domestic and overseas automobile and electronics markets, as well as in new housing constructions and renovation demand in Japan.

Although the prices of raw materials and components continued to rise more than expected, expanding sales volume, improving selling prices, and reducing costs, led to substantial increases in operating income and ordinary income.

Net income attributable to owners of the parent for the current quarter posted a loss due to the recording of an impairment loss at a consolidated subsidiary in the U.S. that manufactures composite molded products such as carbon fiber reinforced plastics (CFRP) in anticipation of a prolonged market slump in the aircraft industry.

Effective from the first quarter of the current fiscal year, we have adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020). Details are described in "II. Consolidated Financial Statement and Notes, (4) Notes to Consolidated Financial Statements (Changes in Accounting Policies)."

(2) Overview by Business Segments (April 1, 2021 to September 30, 2021)

[Housing Company]

Net Sales: 249.7 billion yen (+8.3%), Operating Income: 14.8 billion yen (+13.9%)

In the second quarter of fiscal 2021, despite the impact of construction delays from COVID-19 and climate conditions, sales increased due to a significant recovery in orders for housing and renovation, as well as the full-scale contribution to earnings from the Town and Community Development business. Although operating income was affected by the sharp rise in the prices of components, it increased due to the expansion of sales volume and progress in cost reduction.

In terms of orders, the Housing business saw a recovery in attracting customers and favorable trends in subdivision and ready-built houses, resulting in a significant year-on-year increase. In the Renovation business as well, the number of opportunities to contact customers recovered, resulting in a significant increase over the same period last year.

In addition, our announcement of the project commemorating the 50th anniversary of the establishment of SEKISUI HEIM and promotion of smart and resilient products throughout the entire business helped to strengthen the brand. In the Housing business, in addition to developing experience-based facilities, attracting customers via the Web, and strengthening online seminars and business negotiations, we focused on expanding sales of subdivision and ready-built houses, for which demand continues to be strong. In terms of products, we strengthened variations such as single-story houses, and promoted products that respond to the new normal, such as ventilation and air conditioning systems equipped with anti-virus filters. In the Renovation business, in addition to expanding periodic checkups, we worked to expand sales of proposal-based products such as exterior wall painting and bathrooms by opening and utilizing experience-based showrooms.

[Urban Infrastructure and Environmental Products Company]

Net Sales: 96 billion yen (-0.1%), Operating Income: 3.2 billion yen (+28%)

In the second quarter of fiscal 2021, effects including delays in the recovery of domestic non-residential demand due to COVID-19 and delays in construction periods in some areas overseas remained. However, sales increased in terms of actual results, excluding the impact of structural reforms (business transfer), due to the recovery of the U.S. economy in addition to domestic detached houses and public works projects where demand had started to recover. Operating income was affected by the sharp rise in raw material prices, but increased due to the expansion of sales volume and improvement of selling prices, as well as the promotion of cost reduction by streamlining of operations.

In Piping and Infrastructure field, although non-residential demand in Japan was sluggish, demand for detached houses was on a recovery track, and sales of pipe materials for plants and civil engineering-related products were strong due to increased capital investment in Japan and overseas, resulting in a year-on-year increase in net sales. With regard to Building and Living Environment field, net sales increased from the same period of the previous fiscal year due to expanded sales of high prioritized products in response to demand for detached houses and renovation that had started to recover.

In Advanced Materials field, sales of synthetic lumber for railway sleepers were affected by budget cuts by railway companies in Japan and delays in overseas properties. In the area of thermo plastic sheets, although the recovery of demand in the aircraft industry was slower than expected, the development of applications for non-aircraft sectors (medical, railway, construction) progressed in line with the economic recovery in the United States. In addition, in liquid transportation containers, sales for medical, semiconductor, and lithium-ion battery-related applications were strong, and overall net sales for the field, excluding the impact of structural reforms, increased from the same period of the previous fiscal year.

[High Performance Plastics Company]

Net Sales: 170.1 billion yen (+22.3%), Operating Income: 19.3 billion yen (+110.7%)

In the second quarter of fiscal 2021, despite the growing impact of the semiconductor shortage, sales increased due to the recovery of market conditions in the automotive, electronics and other sectors. Although raw material prices continued to rise higher than expected, the Company was able to recover by expanding sales volume of high-performance products, improving selling prices, and reducing costs, resulting in a significant increase in profit.

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

In Mobility field, although the impact of the shortage of semiconductors rapidly expanded in the automobile market, sales of high-performance products grew, especially interlayer films for head-up displays, resulting in a significant year-on-year increase in net sales. As for SEKISUI AEROSPACE CORPORATION, we do not expect an early recovery in demand for aircraft, so we are continuing to promote business structure reform and expansion of applications for medical equipment, etc.

In Buildings and Infrastructure Materials field, demand for chlorinated polyvinyl chloride (CPVC) resin is on a recovery trend on a global scale, and the market conditions for fire-resistant and non-combustible materials for homes in Japan have recovered, resulting in a significant year-on-year increase in net sales.

[Medical Business]

Net Sales: 39.6 billion yen (+24.3%), Operating Income: 4.8 billion yen (+95.2%)

In the second quarter of fiscal 2021, sales and profits increased due to the recovery of market conditions for diagnostic reagents and other products as outpatient numbers recovered.

In the Diagnostics business, in addition to a recovery in sales of diagnostic reagents for lifestyle-related diseases, there was an increase in demand for diagnostic reagents following the spread of RS virus infection in Japan and for COVID-19 diagnostic reagents in the United States, resulting in a significant year-on-year increase in net sales.

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

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

For the full-year consolidated results forecast, although there are risks such as a further rise in raw material prices and prolonged shortage of semiconductors, sales, operating income and ordinary income are expected to exceed the previous forecast due to improved selling prices, improved product composition by expanding sales of high-performance products, and promotion of cost reduction. On the other hand, net income attributable to owners of the parent is expected to fall below the previous forecast due to the recording of an extraordinary loss (impairment loss) announced on October 25, 2021. Taking these factors into consideration, the forecast numbers published on April 27, 2021 have been revised as follows:

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

	Net sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of the Parent	Net Income per Share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	yen
Previous forecast (A)	1,132,600	86,000	86,000	60,000	134.55
Revised forecast (B)	1,155,500	90,000	94,000	34,000	76.22
Change (B – A)	22,900	4,000	8,000	-26,000	
Change (%)	+2.0	+4.7	+9.3	-43.3	
(Reference) Results for the previous fiscal year (Fiscal year ended March 31, 2021)	1,056,560	67,300	62,649	41,544	91.92

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

II. Consolidated Financial Statement and Notes

Consolidated Financial Statement (Second Quarter, Fiscal Year 2021)

(1) Consolidated Balance Sheets

	(Millions of Yen)	
	End Fiscal Year 2020	End Second Quarter,
	(As of March 31, 2021)	Fiscal 2021
		(As of September 30, 2021)
(Assets)		
Current assets:		
Cash and deposits	87,454	136,087
Notes receivable, trade	34,810	32,216
Accounts receivable, trade	135,821	125,029
Marketable securities	0	-
Merchandise and finished goods	79,652	84,282
Land for sale	58,767	56,563
Work in process	50,469	54,597
Raw materials and supplies	34,021	38,341
Advance payments	3,362	5,967
Prepaid expenses	7,121	7,685
Short-term loans receivable	2	164
Other current assets	15,259	21,127
Allowance for doubtful accounts	-1,172	-1,186
Total current assets	505,571	560,878
Fixed assets:		
Property, plant and equipment, net:		
Buildings and structures	116,433	118,962
Machinery, equipment and vehicles	96,844	106,497
Land	80,079	79,944
Leased assets	19,203	18,083
Construction in progress	27,228	16,713
Other	11,607	11,530
Total property, plant and equipment, net	351,397	351,732
Intangible assets:		
Goodwill	50,914	10,999
Software	10,520	10,598
Leased assets	150	130
Other	36,063	24,152
Total intangible assets	97,649	45,880
Investments and other assets:		
Investments in securities	174,656	137,450
Long-term loans receivable	1,613	1,075
Long-term prepaid expenses	2,021	2,149
Asset for retirement benefits	312	386
Deferred tax assets	5,347	9,582
Other	13,908	13,808
Allowance for doubtful accounts	-2,334	-2,168
Total investments and other assets	195,525	162,284
Total fixed assets	644,571	559,897
Total assets	1,150,143	1,120,775

(Millions of Yen)

	End Fiscal Year 2020 (As of March 31, 2021)	End Second Quarter, Fiscal 2021 (As of September 30, 2021)
(Liabilities)		
Current liabilities:		
Notes payable, trade	1,744	990
Electronically recorded obligations	25,052	25,500
Accounts payable, trade	90,798	91,718
Short-term debt and current portion of long-term debt	7,278	3,241
Lease obligations	4,625	4,671
Accrued expenses	43,910	41,854
Accrued income taxes and other taxes	10,658	20,611
Allowance for bonuses to employees	17,620	17,369
Allowance for bonuses to directors and audit and supervisory board members	245	163
Provision for compensation for completed construction	1,403	1,440
Provision for stock-based compensation	157	69
Advances received	40,227	51,249
Other	38,555	41,313
Total current liabilities	282,278	300,193
Long-term liabilities:		
Bonds	40,000	40,000
Long-term debt less current portion	71,207	70,060
Lease obligations	15,057	13,891
Deferred tax liabilities	10,362	4,535
Liability for retirement benefits	30,402	28,515
Provision for stock-based compensation	648	678
Other	5,793	5,753
Total long-term liabilities	173,472	163,434
Total liabilities	455,751	463,627
(Net assets)		
Shareholders' equity:		
Common stock	100,002	100,002
Capital surplus	109,021	109,042
Retained earnings	441,087	417,705
Treasury stock, at cost	-43,414	-40,739
Total shareholders' equity	606,696	586,011
Accumulated other comprehensive income:		
Unrealized holding gain on securities	50,781	35,345
Deferred loss on hedges	-33	-24
Unrealized gain on land revaluation	323	322
Translation adjustments	6,647	6,222
Retirement benefit adjustments	2,650	3,022
Total accumulated other comprehensive income	60,370	44,888
Non-controlling interests	27,325	26,248
Total net assets	694,392	657,147
Total liabilities and net assets	1,150,143	1,120,775

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

	(Millions of Yen)	
	First Half, Fiscal 2020 (From April 1, 2020 to September 30, 2020)	First Half, Fiscal 2021 (From April 1, 2021 to September 30, 2021)
Net sales	490,041	547,942
Cost of sales	338,169	377,993
Gross profit	151,871	169,949
Selling, general and administrative expenses	129,467	134,428
Operating income	22,403	35,520
Non-operating income:		
Interest income	230	250
Dividends income	3,702	3,391
Equity in earnings of affiliates	1,044	1,546
Foreign exchange gain, net	-	958
Miscellaneous income	1,232	1,379
Total non-operating income	6,209	7,527
Non-operating expenses:		
Interest expenses	423	374
Sales discounts	183	-
Foreign exchange loss, net	1,459	-
Miscellaneous expenses	5,874	1,705
Total non-operating expenses	7,942	2,079
Ordinary income	20,671	40,968
Extraordinary income:		
Gain on sales of investments in securities	-	22,102
Total extraordinary income	-	22,102
Extraordinary loss:		
Loss on impairment of fixed assets and goodwill	370	50,001
Loss on sales or disposal of property, plant and equipment	852	656
Total extraordinary loss	1,222	50,657
Income before income taxes	19,448	12,414
Income taxes	5,717	15,549
Net income (loss)	13,730	-3,135
Net income (loss) attributable to:		
Non-controlling interests	698	778
Owners of the parent	13,032	-3,914

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

(Millions of Yen)

	First Half, Fiscal 2020 (From April 1, 2020 to September 30, 2020)	First Half, Fiscal 2021 (From April 1, 2021 to September 30, 2021)
Net income (loss)	13,730	-3,135
Other comprehensive income (loss)		
Unrealized holding gain (loss) on securities	7,160	-14,998
Deferred (loss) gain on hedges	-41	18
Translation adjustments	1,694	-908
Retirement benefit adjustments	821	145
Comprehensive income (loss) of affiliates accounted for by the equity method attributable to the Company	1,045	-226
Total other comprehensive income (loss)	10,680	-15,969
Comprehensive income (loss)	24,411	-19,105
Comprehensive income (loss) attributable to:		
Owners of the parent	23,561	-19,395
Non-controlling interests	849	290

(3) Consolidated Statements of Cash Flows

	(Millions of Yen)	
	First Half, Fiscal 2020 (From April 1, 2020 to September 30, 2020)	First Half, Fiscal 2021 (From April 1, 2021 to September 30, 2021)
Operating activities:		
Income before income taxes	19,448	12,414
Adjustments for:		
Depreciation and amortization	21,866	22,350
Amortization of goodwill	2,221	2,195
Loss on impairment of fixed assets and goodwill	370	50,001
Loss on disposal of property, plant and equipment	844	618
Loss on sales of property, plant and equipment	8	37
Decrease in liability for retirement benefits	-1,788	-1,924
Gain on sales of investments in securities	-	-22,102
Interest and dividends income	-3,933	-3,642
Interest expenses	607	374
Equity in earnings of affiliates	-1,044	-1,546
Decrease in notes and accounts receivable	25,827	12,736
Increase in inventories	-12,594	-9,432
Decrease in notes and accounts payable	-21,774	-2,005
Increase in advances received	952	10,991
Other	-3,329	-9,794
Subtotal	27,682	61,271
Interest and dividends received	3,984	4,180
Interest paid	-550	-371
Income taxes paid	-9,166	-8,855
Net cash provided by operating activities	21,951	56,225
Investing activities:		
Purchases of property, plant and equipment	-29,492	-16,782
Proceeds from sales of property, plant and equipment	494	781
Payments into time deposits	-2,053	-4,976
Proceeds from withdrawal of time deposits	2,717	7,487
Purchases of investments in securities	-229	-596
Proceeds from sales or redemption of investments in securities	382	38,387
Acquisition of investments in subsidiaries	-	-6
Purchases of intangible assets	-3,316	-3,575
Decrease in short-term loans receivable	169	43
Other	2,740	-22
Net cash (used in) provided by investing activities	-28,589	20,739
Financing activities:		
Decrease in short-term debt, net	-151	-2,386
Repayments of lease obligations	-2,429	-2,657
Decrease in commercial paper	-14,000	-
Proceeds from long-term debt	50,759	-
Repayment of long-term debt	-3,188	-2,764
Cash dividends paid	-10,534	-10,798
Cash dividends paid to non-controlling interests	-1,165	-1,428
Purchase of treasury stock	-7,157	-5,645
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-1,909	-29
Proceeds from issuance of common stock	2,632	-
Other	180	7
Net cash provided by (used in) financing activities	13,035	-25,702
Effect of exchange rate change on cash and cash equivalents	822	-341
Net increase in cash and cash equivalents	7,219	50,920
Cash and cash equivalents at beginning of term	74,721	76,649
Increase in cash and cash equivalents from newly consolidated subsidiaries	138	1
Cash and cash equivalents at end of term	82,079	127,571

(4) Notes to Consolidated Financial Statements

(Notes regarding the premise of a going concern)

No significant changes during the term under review.

(Significant Change in Shareholder Equity)

No significant changes during the term under review.

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

Calculation of tax expense

Income taxes are determined based on the amount of income before income taxes for the current First Half ended September 30, 2021 multiplied by the effective tax rate, after adoption of tax-effect accounting, estimated for the entire fiscal year ending March 31, 2022. In case where the estimated effective tax rate is notably lacking rationality, statutory tax rate is used.

Deferred income taxes are included in income taxes.

(Changes in Accounting Policies)

Adoption of the Accounting Standard for Revenue Recognition

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

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

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

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

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

As a result, for the First Half of the fiscal year ending March 31, 2022, Net Sales decreased by ¥1,939 million, Cost of Sales decreased by ¥350 million, Selling, general and administrative expenses decreased by ¥1,385 million, and Non-operating expenses decreased by ¥205 million. Therefore, Operating income decreased by ¥203 million, Ordinary income increased by ¥1 million and Income before income taxes increased by ¥1 million respectively.

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

Adoption of the Accounting Standard for Fair Value Measurement

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

(Segment Information)

Consolidated First Half, Fiscal 2021 (April 1, 2021 to September 30, 2021)

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

(Millions of Yen)

	Reportable Segments					Other (Note1・2)	Total
	Housing (Note1)	Urban Infrastructure & Environmental Products	High Performance Plastics	Medical	Total		
Net Sales:							
Japan	249,098	74,582	53,074	17,383	394,139	1,608	395,748
North America	–	6,458	30,327	11,844	48,631	8	48,639
Europe	–	2,704	29,124	3,645	35,475	–	35,475
China	–	2,169	26,882	5,253	34,305	188	34,493
Asia	624	2,816	23,940	1,142	28,523	64	28,588
Others	–	877	3,727	393	4,998	–	4,998
Sales to third parties	249,723	89,609	167,077	39,662	546,072	1,869	547,942
Intersegment sales or transfers	50	6,478	3,035	0	9,565	52	9,618
Net sales	249,773	96,088	170,113	39,662	555,638	1,922	557,560
Segment income (loss)	14,828	3,209	19,315	4,887	42,240	-5,185	37,055

Notes

- Net Sales of Housing segment in Japan includes ¥19,497 million that does not correspond to revenue generated from contracts with customers.
Net Sales of other segment in Japan includes ¥424 million that does not correspond to revenue generated from contracts with customers.
- Other represents segments other than the reportable segments, which includes provision of services and manufacturing and sales of film-type lithium-ion batteries and products not included in the company's reportable segments.

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

(Items related to the difference)

Income	(Millions of Yen)
Total of reportable segments	42,240
Other loss	-5,185
Eliminations	125
Corporate expenses (Note)	-1,659
Total operating income reported in the consolidated statements of income	35,520

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

3. Notes relating to changes in reportable segments

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

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

(Housing) Net sales decreased by ¥544 million and Segment income decreased by ¥17 million.

(Urban Infrastructure & Environmental Products) Net sales decreased by ¥679 million and Segment income decreased by ¥71 million.

(High Performance Plastics) Net sales decreased by ¥689 million and Segment income decreased by ¥88 million.

(Medical) Net sales decreased by ¥25 million and Segment income decreased by ¥25 million.

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

(The impairment loss on Fixed assets)

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

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

(Important change in the amount of Goodwill)

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

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