

Summary of Consolidated Financial Results for the Second Quarter of Fiscal Year 2022 Ending March 31, 2023
 <Under Japanese GAAP>

October 27, 2022

Company Name: SEKISUI CHEMICAL CO., LTD. Stock Listings: Tokyo Stock Exchange
 Code Number: 4204 URL: <https://www.sekisuiche.com>
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 Scheduled date for submission of quarterly financial statement: November 9, 2022 Scheduled date for payment of dividends: December 1, 2022
 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, 2022 to September 30, 2022)

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

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1st Half of FY2022	607,765	10.9	40,344	13.6	53,900	31.6	39,101	—
1st Half of FY2021	547,942	11.8	35,520	58.5	40,968	98.2	-3,914	—

Note. Comprehensive Income: 1st Half of FY2022: 59,997 million yen (—%) 1st Half of FY2021: -19,105 million yen (—%)

	Profit Attributable to Owners of Parent per Share	Profit Attributable to Owners of Parent per Share (Diluted)
	yen	yen
1st Half of FY2022	89.18	—
1st Half of FY2021	-8.76	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity to Total Assets
	Millions of yen	Millions of yen	%
2nd Q of FY2022	1,234,937	734,851	57.3
FY2021	1,198,921	702,753	56.3

(Reference) Equity: 2nd Q of FY2022: 708,090 million yen, FY2021: 674,636 million yen

Equity: Shareholders' Equity including Accumulated Other Comprehensive Income

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
FY2021	—	24.00	—	25.00	49.00
FY2022	—	29.00	—	—	—
FY2022 (outlook)	—	—	—	30.00	59.00

Note. Recent revision of dividend estimates: Yes

3. Consolidated Outlook for FY2022 (April 1, 2022 to March 31, 2023)

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

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent		Profit Attributable to Owners of Parent per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Full Year	1,276,000	10.2	100,000	12.5	108,000	11.3	73,000	96.9	167.35

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 10 of the attached document "2. 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 : No
 - b) Changes other than a) : No
 - c) Amendments to accounting estimates : No
 - d) Restatements : No

(4) Number of shares outstanding (common stock)

a) Number of shares outstanding at the end of term (including treasury shares):

2nd Q of FY2022	463,507,285	FY2021	471,507,285
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b) Treasury shares at the end of term:

2nd Q of FY2022	27,286,288	FY2021	27,431,111
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c) Average outstanding shares in the period (quarterly consolidated cumulative total):

2nd Q of FY2022	438,435,788	2nd Q of FY2021	446,967,105
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Note: Execution chart for audit procedures

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

Note: 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 July 28, 2022.
2. This report contains revisions to the dividend estimates at the end of 2nd Q and year-end for the fiscal year announced on April 27, 2022.
3. The earnings forecasts and other forward-looking statements presented in this report are based on information available at the time of its issue and on certain assumptions that the 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 of 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, 2022 to September 30, 2022)

Net Sales: 607.7 billion yen (+10.9%), Operating profit: 40.3 billion yen (+13.6%), Ordinary profit: 53.9 billion yen (+31.6%), Profit Attributable to Owners of Parent: 39.1 billion yen (previous year: -3.9 billion yen)

In the first half of fiscal 2022, the market was weaker than expected at the beginning of the period due to automobile production cutbacks and inventory adjustments of smartphones caused by material shortages, but a certain recovery was seen in semiconductor-related products, construction materials, and diagnostic reagents. Under these circumstances, in addition to expanded sales of high-value-added products, the positive effect of a substantially weaker yen on exchange rates also contributed to a record high of net sales for the first half of a fiscal year.

Although higher prices of raw materials, fuel, and component parts continued longer than expected, the company recovered by improving selling prices, expanding sales of high-value-added products, and reducing costs. There were also positive effects from foreign exchange rates, and operating profit was up substantially. Ordinary profit and profit attributable to owners of parent reached record highs for the first half of a fiscal year.

(2) Overview by Business Segment (April 1, 2022 to September 30, 2022)

[Housing Company]

Net Sales: 260.1 billion yen (+4.2%), Operating Profit: 14.7 billion yen (-0.4%)

In the first half of fiscal 2022, the Housing, Housing Renovation, Real Estate, and Town and Community Development businesses each posted higher sales, resulting in an overall increase in sales, but operating profit remained flat year-on-year due to the impact of surging prices for component parts in the Housing business.

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

In terms of measures, we have appealed smart and resilience in the Housing, Housing Renovation, and Town and Community Development businesses amid growing concerns regarding energy against a backdrop of intensifying natural disasters and so on in the Housing business. The Company focused on expanding sales of homes with ZEH specifications and storage batteries and launched the GRAND TO YOU V (Five) GREENMODEL, an energy self-sufficient wood-framed product, in July. In addition to strengthening web marketing through its own website, the Company focused on expanding sales of subdivision and ready-built houses, demand for which continues to be strong. In the Housing Renovation business, the Company strove to expand periodic diagnoses and strengthen its proposal skills.

[Urban Infrastructure and Environmental Products Company]

Net Sales: 107.3 billion yen (+11.8%), Operating Profit: 6.0 billion yen (+87.7%)

In the first half of fiscal 2022, the Company continued to be affected by soaring raw material and fuel prices. Even so, it increased sales due to expanded sales volume and improved selling prices, resulting in a record-high operating profit.

In the Piping and Infrastructure field, sales increased year on year due to a gradual recovery trend, mainly in

demand for non-residential applications, as well as steady sales of industrial piping material uses following increased capital investment in semiconductor-related facilities both in Japan and overseas.

In the Building and Living Environment field, sales increased year on year due to sales expansion of highly prioritized products against the backdrop of firm renovation demand.

In the Advanced Materials field, sales of synthetic lumber for railway sleepers to domestic railroad companies were sluggish, but overseas sales showed signs of recovery. As for thermoplastic sheets, demand recovered in the aircraft sector. With regard to containers for liquid transportation, sales for medical and electronic materials remained strong, resulting in a year-on-year increase in overall sales in the field.

[High Performance Plastics Company]

Net Sales: 204.9 billion yen (+20.5%), Operating profit: 21.8 billion yen (+13.0%)

In the first half of fiscal 2022, sales increased due to firm demand for semiconductors and building materials as well as the positive effect of foreign exchange rates, despite the impact of automobile production cutbacks caused by lockdowns in China due to the COVID-19 and the situation in Ukraine, as well as inventory adjustments in smartphones in the second quarter. Despite the continued sharp rise in raw materials and fuel prices, the Company was able to recover by improving selling prices, expanding sales of high-performance products, and reducing costs, resulting in an increase in profit.

In the Electronics field, sales increased year-on-year due to strong sales of semiconductor-related products and the positive effect of foreign exchange rates, despite the impact of inventory adjustments in smartphones in the second quarter.

In the Mobility field, sales increased year-on-year due to sales growth of high-performance products, mainly interlayer films for heads-up displays, and the positive effect of foreign exchange rates, despite stagnation in the automobile market caused by the impact of COVID-19 and the shortage of parts supply in China, Europe, Japan, and other regions.

In the Buildings and Infrastructure Materials field, demand for chlorinated polyvinyl chloride (CPVC) was firm, especially in India, while the market for fire protection materials and non-combustible materials used in homes in Japan also recovered and selling prices improved favorably, resulting in a year-on-year increase in sales.

[Medical Business]

Net Sales: 42.8 billion yen (+8.1%), Operating Profit: 5.4 billion yen (+12.2%)

In the first half of fiscal 2022, both sales and profits increased due to a recovery in the market for diagnostic reagents, etc. following a recovery in the number of outpatients, despite the impact of the lockdown in China.

In the Diagnostics business, sales increased significantly year on year due to a recovery in sales of lifestyle disease-related diagnostic reagents in Japan and overseas, as well as increased demand for diagnostic reagents in Japan following the outbreak of RS virus infection and for outpatient diagnostic reagents in Europe and the United States. In the Pharmaceuticals & Fine Chemicals business, sales increased year-on-year due to steady orders for new active pharmaceutical ingredients.

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

With regard to the full-year consolidated results forecast, the market for smartphones and other products is expected to remain below expectations, and prices of raw materials, fuels, and component parts are expected to continue to soar. However, the company expects to make progress in expanding sales of high-value-added products, improving selling prices, and reducing costs. As for foreign exchange rates, the yen has weakened significantly. Taking these factors into consideration, the company has revised the forecast figures announced on July 28, 2022, as shown in the table below.

Revision to Consolidated Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

	Net sales	Operating profit	Ordinary profit	Profit (loss) attributable to owners of parent	Profit attributable to owners of parent per share
Previous forecast (A)	Millions of yen 1,260,700	Millions of yen 100,000	Millions of yen 105,000	Millions of yen 70,000	Yen 160.50
Revised forecast (B)	1,276,000	100,000	108,000	73,000	167.35
Change (B-A)	15,300	0	3,000	3,000	—
Change (%)	+1.2	0.0	+2.9	+4.3	—
Reference: Results for the previous fiscal year (Fiscal year ended March 31, 2022)	1,157,945	88,879	97,001	37,067	83.17

(3) Revision of Dividend Forecast

SEKISUI CHEMICAL positions increasing corporate value and actively returning profits to shareholders as priority management objectives. With regard to shareholder returns, we expressed the following policy in our Medium-term Management Plan “Drive 2022”, reinforcing and clarifying our commitment.

- Dividend payout ratio: 35% or higher
- DOE: 3% or higher
- Total payout ratio: If the D/E ratio is no higher than 0.5, 50% or higher
- Cancellation of treasury shares: Retirement of new acquisitions of treasury shares such that treasury shares are no more than 5% of the total number of issued shares.

In accordance with the above policy and taking into consideration the facts that profit attributable to owners of parent per share in the first half was significantly higher than the initial forecast and that the consolidated earnings forecast for the fiscal year was revised upward, at the end of the second quarter the company has decided to revise

its dividend forecast for the fiscal year ending March 31, 2023 from the previous forecast announced on April 27, 2022, raising the forecast for interim dividend by three yen to 29 yen and the forecast for the year-end dividend by three yen to 30 yen.

As a result, the dividend forecast for the fiscal year ending March 31, 2023 is 59 yen, a 10 yen increase.

	Annual dividend (yen)		
	End of 2nd quarter	End of period	Total
Previous forecast (Announced on April 27, 2022)	26.00	27.00	53.00
Revised forecast	—	30.00	59.00
Results for the current fiscal year	29.00	—	—
Results for the previous fiscal year (Fiscal year ended March 31, 2022)	24.00	25.00	49.00

2. Consolidated Financial Statement and Notes

Consolidated Financial Statement (Second Quarter, Fiscal Year 2022)

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	144,534	131,734
Notes receivable - trade	36,999	33,678
Accounts receivable - trade	148,748	153,009
Contract assets	721	527
Merchandise and finished goods	86,262	98,460
Land for sale in lots	55,364	56,686
Work in process	56,611	64,359
Raw materials and supplies	45,600	52,568
Advance payments to suppliers	4,551	5,013
Prepaid expenses	8,092	9,174
Short-term loans receivable	182	2
Other	22,984	22,360
Allowance for doubtful accounts	-1,257	-1,077
Total current assets	609,395	626,496
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	120,810	121,490
Machinery, equipment and vehicles, net	108,218	109,361
Land	83,059	82,814
Leased assets, net	19,618	20,716
Construction in progress	21,606	32,268
Other, net	11,939	11,888
Total property, plant and equipment	365,254	378,541
Intangible assets		
Goodwill	10,736	10,727
Software	10,561	15,643
Leased assets	137	136
Other	25,298	21,495
Total intangible assets	46,733	48,002
Investments and other assets		
Investment securities	130,688	131,849
Long-term loans receivable	1,157	1,093
Long-term prepaid expenses	2,030	2,208
Retirement benefit asset	21,066	21,163
Deferred tax assets	10,909	14,261
Other	14,038	13,634
Allowance for doubtful accounts	-2,352	-2,313
Total investments and other assets	177,537	181,897
Total non-current assets	589,525	608,441
Total assets	1,198,921	1,234,937

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes payable - trade	1,386	997
Electronically recorded obligations - operating	28,335	29,824
Accounts payable - trade	108,460	106,730
Short-term borrowings	4,293	5,298
Lease liabilities	5,000	4,989
Accrued expenses	43,500	40,724
Income taxes payable	23,678	13,741
Provision for bonuses	19,709	18,270
Provision for bonuses for directors (and other officers)	290	196
Provision for warranties for completed construction	1,482	3,236
Provision for share awards	138	57
Advances received	46,068	58,066
Other	47,350	51,189
Total current liabilities	329,694	333,322
Non-current liabilities		
Bonds payable	40,000	40,000
Long-term borrowings	58,093	56,622
Lease liabilities	15,170	16,486
Deferred tax liabilities	4,624	4,806
Retirement benefit liability	41,840	41,893
Provision for share awards	773	789
Other	5,971	6,164
Total non-current liabilities	166,473	166,764
Total liabilities	496,168	500,086
Net assets		
Shareholders' equity		
Share capital	100,002	100,002
Capital surplus	109,042	108,583
Retained earnings	447,958	462,816
Treasury shares	-44,592	-45,315
Total shareholders' equity	612,409	626,086
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	33,726	33,846
Deferred gains or losses on hedges	-18	-18
Revaluation reserve for land	322	321
Foreign currency translation adjustment	25,507	45,746
Remeasurements of defined benefit plans	2,687	2,107
Total accumulated other comprehensive income	62,226	82,004
Non-controlling interests	28,116	26,760
Total net assets	702,753	734,851
Total liabilities and net assets	1,198,921	1,234,937

(2) Consolidated Statements of Income and Statement of Comprehensive Income

(Consolidated Statements of Income)

First Half, Fiscal Year 2022

(Millions of yen)

	First Half, Fiscal 2021 (From April 1, 2021 to September 30, 2021)	First Half, Fiscal 2022 (From April 1, 2022 to September 30, 2022)
Net sales	547,942	607,765
Cost of sales	377,993	424,951
Gross profit	169,949	182,813
Selling, general and administrative expenses	134,428	142,469
Operating profit	35,520	40,344
Non-operating income		
Interest income	250	488
Dividend income	3,391	3,205
Share of profit of entities accounted for using equity method	1,546	1,203
Foreign exchange gains	958	8,977
Miscellaneous income	1,379	1,554
Total non-operating income	7,527	15,428
Non-operating expenses		
Interest expenses	374	371
Miscellaneous expenses	1,705	1,501
Total non-operating expenses	2,079	1,872
Ordinary profit	40,968	53,900
Extraordinary income		
Gain on sale of investment securities	22,102	—
Gain on sale of shares of subsidiaries and associates	—	669
Total extraordinary income	22,102	669
Extraordinary losses		
Impairment losses	50,001	—
Loss on sale and retirement of non-current assets	656	1,039
Total extraordinary losses	50,657	1,039
Profit before income taxes	12,414	53,530
Income taxes	15,549	13,747
Profit (loss)	-3,135	39,782
Profit attributable to non-controlling interests	778	681
Profit (loss) attributable to owners of parent	-3,914	39,101

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	First Half, Fiscal 2021 (From April 1, 2021 to September 30, 2021)	First Half, Fiscal 2022 (From April 1, 2022 to September 30, 2022)
Profit (loss)	-3,135	39,782
Other comprehensive income		
Valuation difference on available-for-sale securities	-14,998	-55
Deferred gains or losses on hedges	18	5
Foreign currency translation adjustment	-908	20,678
Remeasurements of defined benefit plans, net of tax	145	-578
Share of other comprehensive income of entities accounted for using equity method	-226	165
Total other comprehensive income	-15,969	20,214
Comprehensive income	-19,105	59,997
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	-19,395	58,879
Comprehensive income attributable to non-controlling interests	290	1,118

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	First Half, Fiscal 2021 (From April 1, 2021 to September 30, 2021)	First Half, Fiscal 2022 (From April 1, 2022 to September 30, 2022)
Cash flows from operating activities		
Profit before income taxes	12,414	53,530
Depreciation	22,350	24,230
Amortization of goodwill	2,195	608
Impairment losses	50,001	—
Loss on retirement of non-current assets	618	973
Loss (gain) on sale of non-current assets	37	66
Increase or decrease in retirement benefit asset and liability	-1,924	-173
Loss (gain) on sale of investment securities	-22,102	—
Loss (gain) on sale of shares of subsidiaries and associates	—	-669
Interest and dividend income	-3,642	-3,694
Interest expenses	374	371
Share of loss (profit) of entities accounted for using equity method	-1,546	-1,203
Decrease (increase) in trade receivables and contract assets	12,736	6,572
Decrease (increase) in inventories	-9,432	-22,057
Increase (decrease) in trade payables	-2,005	-6,145
Increase (decrease) in advances received	10,991	11,875
Other, net	-9,794	-10,812
Subtotal	61,271	53,472
Interest and dividends received	4,180	4,153
Interest paid	-371	-406
Income taxes paid	-8,855	-21,784
Net cash provided by (used in) operating activities	56,225	35,434
Cash flows from investing activities		
Purchase of property, plant and equipment	-16,782	-20,221
Proceeds from sale of property, plant and equipment	781	918
Payments into time deposits	-4,976	-7,610
Proceeds from withdrawal of time deposits	7,487	5,685
Purchase of investment securities	-596	-351
Proceeds from sale and redemption of investment securities	38,387	0
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	—	2,518
Purchase of shares of subsidiaries	-6	—
Purchase of intangible assets	-3,575	-4,302
Decrease (increase) in short-term loans receivable	43	180
Other, net	-22	232
Net cash provided by (used in) investing activities	20,739	-22,949
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-2,386	257
Repayments of lease liabilities	-2,657	-2,811
Repayments of long-term borrowings	-2,764	-1,186
Dividends paid	-10,798	-11,138
Dividends paid to non-controlling interests	-1,428	-1,201
Purchase of treasury shares	-5,645	-14,072
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-29	-1,865
Other, net	7	138
Net cash provided by (used in) financing activities	-25,702	-31,879
Effect of exchange rate change on cash and cash equivalents	-341	3,992
Net increase (decrease) in cash and cash equivalents	50,920	-15,402
Cash and cash equivalents at beginning of period	76,649	133,739
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	1	—
Cash and cash equivalents at end of period	127,571	118,336

(4) Notes to Consolidated Financial Statement

(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, 2022 multiplied by the effective tax rate, after adoption of tax-effect accounting, estimated for the entire fiscal year ending March 31, 2023. 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.

(Segment Information)

First Half, of Fiscal 2022 (From April 1, 2022 to September 30, 2022)

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

(Millions of yen)

	Reportable Segments					Other (Note1 and 2)	Total
	Housing (Note 1)	UIEP	HPP	Medical	Total		
Sales							
Japan	259,291	79,433	55,198	19,907	413,831	1,040	414,872
North America	—	9,115	43,175	10,790	63,081	—	63,081
Europe	—	3,910	34,647	4,649	43,207	—	43,207
China	—	3,921	32,610	5,887	42,419	870	43,290
Asia	778	3,482	31,450	1,067	36,779	21	36,800
Others	—	1,135	4,796	580	6,512	—	6,512
Sales to third parties	260,070	100,999	201,880	42,881	605,832	1,932	607,765
Intersegment sales or transfers	109	6,382	3,078	—	9,570	2,213	11,783
Total	260,179	107,381	204,959	42,881	615,402	4,146	619,548
Segment profit (loss)	14,766	6,023	21,832	5,484	48,107	-5,438	42,669

Note 1: Net Sales of Housing segment in Japan includes ¥21,312 million that does not correspond to revenue generated from contracts with customers.

Net Sales of other segment in Japan includes ¥447 million that does not correspond to revenue generated from contracts with customers.

Note 2: 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

(Millions of yen)

Profit	Amount
Total of reportable segments	48,107
Other net Sales	-5,438
Eliminations	213
Corporate expenses (Note)	-2,537
Operating Profit	40,344

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