

Summary of Consolidated Financial Results for the First Quarter of Fiscal Year 2017 Ending March 31, 2018
<Under Japanese GAAP>

July 27, 2017

Company Name: Sekisui Chemical Co., Ltd.
 Stock Listings: Tokyo Stock Exchange
 Code Number: 4204
 URL: <http://www.sekisuichemical.com>
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 Scheduled date for submission of quarterly financial statement: August 8, 2017
 Scheduled date for payment of dividends: -
 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 Quarter (April 1, 2017 to June 30, 2017)

(1) Consolidated Business Results (% change from 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 Q of FY2017	233,938	2.7	12,611	12.6	13,981	128.3	9,911	-
1st Q of FY2016	227,774	-5.6	11,198	33.8	6,124	-38.8	65	-99.5

Note. Comprehensive Income: June 30, 2017: 20,774 million yen (-%), June 30, 2016: -21,207 million yen (-%)

	Net Income Attributable to Owners of the Parent per Share	Net Income Attributable to Owners of the Parent per Share (Diluted)
	yen	yen
1st Q of FY2017	20.75	20.71
1st Q of FY2016	0.13	0.13

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
1st Q of FY2017	942,841	573,057	58.4
FY2016	943,640	570,549	58.2

Note. Shareholders' Equity: June 30, 2017: 550,186 million yen, March 31, 2017: 549,344 million yen

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
FY2016	-	16.00	-	19.00	35.00
FY2017	-	-	-	-	-
FY2017 (outlook)	-	19.00	-	19.00	38.00

Note. Recent revision of dividend estimates: No

3. Consolidated Outlook for FY2016 (April 1, 2017 to March 31, 2018)

(% change from 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
Mid-Term	535,000	3.3	44,500	1.9	43,500	8.7	28,000	7.4	59.13
Full Year	1,104,000	3.6	102,000	5.7	97,000	6.0	63,000	3.5	133.03

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 “(6) Application of special accounting methods for the preparation of quarterly consolidated financial statements” on page 10 of the attached document “II. Consolidated Financial Statement and Significant 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 stock):	1st Q of FY2017	500,507,285 shares
	FY2016	510,507,285 shares
b) Treasury stock at the end of term:	1st Q of FY2017	26,943,655 shares
	FY2016	31,948,436 shares
c) Average outstanding shares in the period (quarterly consolidated cumulative total):	1st Q of FY2017	477,687,261 shares
	1st Q of FY2016	487,579,391 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 first half of the fiscal year announced on April 27, 2017. The full-year forecasts are unchanged.
2. The earnings forecasts and other forward-looking statements presented in this report are based on information available at the time of the report 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 the forecasts and the appropriate use of the forecasts, please see “3. Revision to the consolidated results forecast and other forward-looking information” on page 4 of the Quarterly Financial Report (Supplementary Material).

(Supplementary Material)

I. Qualitative Information and Financial Review

1. Consolidated Business Results

Please see the following attachment of materials from presentation of Financial Results for the First Quarter of FY2017.

<http://www.sekisuichemical.com/ir/pdf/20170727kce.pdf>

[The Presentation Meeting is scheduled to be held on July 27, 2017, at 3:30 p.m. Japan time]

2. Consolidated Financial Position

1) Financial Position (April 1, 2017 to June 30, 2017)

Total assets stood at ¥942.8 billion as of June 30, 2017, a decrease of ¥0.7 billion compared with the end of the previous fiscal year. While non-current assets climbed ¥7.3 billion, this decrease was due to the downturn in current assets of ¥8.1 billion.

Liabilities amounted to ¥369.7 billion, a decrease of ¥3.3 billion compared with the previous fiscal year-end.

Net assets came to ¥ 573.0 billion, up ¥2.5 billion compared with the end of the previous fiscal year. Equity after deducting noncontrolling interest from net assets amounted to ¥550.1 billion. The shareholders' equity ratio was 58.4%.

2) Cash Flows (April 1, 2017 to June 30, 2017)

Net cash provided by operating activities amounted to ¥4.6 billion. In addition to income before income taxes of ¥16.1 billion as well as depreciation and amortization of ¥8.8 billion, major cash inflows included such items as decrease in notes and accounts receivable of ¥14.0 billion and increase in advances received of ¥11.0 billion, which exceeded principal cash outflows attributable to an increase in inventories totaling ¥13.9 billion, income taxes paid of ¥12.1 billion, a decrease in notes and accounts payable of ¥11.1 billion, and a decrease in reserve for bonuses of ¥3.4 billion.

Net cash provided by investing activities came to ¥11.5 billion. While Sekisui Chemical reported purchases of property, plant and equipment of ¥11.4 billion focusing mainly on priority and growth fields, this increase was primarily due to proceeds from withdrawal of time deposits of ¥19.0 billion as well as proceeds from sales of property, plant and equipment of ¥4.0 billion.

Net cash used in financing activities amounted to ¥15.6 billion. The major cash inflow was net increase in interest-bearing debt of ¥3.7 billion. This was more than offset by principal cash outflows for the purchase of treasury stock of ¥10.5 billion and cash dividends paid of ¥9.2 billion.

Accounting for each of the aforementioned activities, cash and cash equivalents as of June 30, 2017 stood at ¥92.2 billion.

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

Turning to the Company's consolidated forecast figures for the cumulative second quarter period of the fiscal year under review, trends in each company are progressing in line with plans. As a result, forecasts for net sales, operating income, and ordinary income identified at the beginning of the period remain unchanged. As far as net income attributable to owners of the parent is concerned, Sekisui Chemical has decided to revise upward its forecast announced on April 27, 2017. This largely reflects the posting of a gain on sales of property, plant and equipment of ¥2.4 billion.

	Revised Forecast	Previous Forecast
Net Sales (millions of yen)	535,000	535,000
Operating Income (millions of yen)	44,500	44,500
Ordinary Income (millions of yen)	43,500	43,500
Net Income Attributable to Owners of the Parent (millions of yen)	28,000	27,000
Net Income Per Share (yen)	59.13	56.42

There is no change to consolidated forecast figures for the full fiscal year ending March 31, 2018.

II. Consolidated Financial Statement and Significant Notes

(1) Consolidated Balance Sheets

First Quarter, Fiscal Year 2017

(Millions of Yen)

	End Fiscal Year 2016	End First Quarter, Fiscal 2017
	As of March 31, 2017	As of June 30, 2017
(Assets)		
Current Assets		
Cash and deposits	109,891	93,693
Notes receivable, trade	32,960	33,818
Accounts receivable, trade	131,111	119,446
Marketable securities	1	1
Merchandise and finished goods	56,619	58,526
Land for sale	30,879	30,518
Work in process	38,349	50,861
Raw materials and supplies	27,704	28,941
Advance payments	1,687	1,763
Prepaid expenses	3,388	3,854
Deferred tax assets	13,870	14,975
Short-term loans receivable	5,128	4,319
Other current assets	15,688	18,469
Allowance for doubtful accounts	-1,179	-1,261
Total current assets	466,101	457,929
Non-current assets		
Property, plant and equipment, net		
Buildings & structures	88,882	88,646
Machinery, equipment and vehicles	73,615	74,585
Land	70,426	70,332
Leased assets	10,126	10,395
Construction in progress	9,388	12,219
Other	9,323	9,607
Total property, plant and equipment, net	261,765	265,787
Intangible assets		
Goodwill	14,627	14,231
Software	8,167	7,984
Leased assets	216	209
Other	16,579	16,619
Total intangible assets	39,591	39,045
Investments and other assets		
Investments in securities	156,916	163,022
Long-term loans receivable	1,789	1,796
Long-term prepaid expenses	1,211	1,189
Deferred tax assets	4,840	2,915
Other	13,238	13,186
Allowance for doubtful accounts	-1,815	-2,029
Total investments and other assets	176,181	180,080
Total non-current assets	477,538	484,912
Total assets	943,640	942,841

(Millions of Yen)

	End Fiscal Year 2016	End First Quarter, Fiscal 2017
	As of March 31, 2017	As of June 30, 2017
(Liabilities)		
Current liabilities		
Notes payable, trade	4,320	4,701
Electronically recorded obligations	22,116	22,622
Accounts payable, trade	93,684	86,384
Short-term debt and current portion of long-term debt	13,274	18,139
Current portion of bonds	16	16
Lease obligations	3,413	3,475
Accrued expenses	39,115	34,338
Accrued income taxes and other taxes	12,361	7,080
Allowance for bonuses to employees	16,740	13,383
Allowance for bonuses to directors and audit and supervisory board members	308	-
Provision for compensation for completed constructions	1,222	1,213
Advances received	41,623	52,718
Other	41,884	42,601
Total current liabilities	290,081	286,677
Long-term liabilities		
Bonds	10,052	10,052
Long-term debt less current portion	9,991	10,074
Lease obligations	6,985	7,166
Deferred tax liabilities	3,364	3,674
Liability for retirement benefits	47,069	46,542
Other	5,545	5,595
Total long-term liabilities	83,009	83,106
Total liabilities	373,090	369,784
(Net assets)		
Shareholders' equity		
Common stock	100,002	100,002
Capital surplus	109,192	109,198
Retained earnings	341,009	329,780
Treasury stock, at cost	-40,969	-38,177
Total shareholders' equity	509,234	500,804
Accumulated other comprehensive income:		
Unrealized holding gain on securities	39,463	45,421
Deferred loss on hedges	-52	-23
Unrealized gain on land revaluation	321	321
Translation adjustments	941	4,496
Retirement benefit adjustments	-565	-834
Total accumulated other comprehensive income	40,109	49,382
Stock acquisition rights	418	393
Noncontrolling interests	20,787	22,478
Total net assets	570,549	573,057
Total liabilities and net assets	943,640	942,841

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

Consolidated Statements of Income

First Quarter, Fiscal Year 2017

	(Millions of Yen)	
	First Quarter, Fiscal 2016 (From April 1, 2016 to June 30, 2016)	First Quarter, Fiscal 2017 (From April 1, 2017 to June 30, 2017)
Net sales	227,774	233,938
Cost of sales	152,731	157,679
Gross profit	75,043	76,258
Selling, general & administrative expenses	63,844	63,646
Operating Income	11,198	12,611
Non-operating income		
Interest income	190	237
Dividend income	1,890	1,843
Equity in earnings of affiliates	132	278
Miscellaneous income	486	1,230
Total non-operating income	2,699	3,589
Non-operating expenses		
Interest expenses	160	139
Sales discounts	96	98
Foreign exchange loss, net	3,435	25
Miscellaneous expenses	4,080	1,956
Total non-operating expenses	7,773	2,219
Ordinary income	6,124	13,981
Extraordinary income		
Gain on sales of investments in securities	2,202	-
Gain on sales of property, plant and equipment	-	2,494
Total extraordinary income	2,202	2,494
Extraordinary loss		
Loss on devaluation of investments in securities	4,460	-
Loss on sales or disposal of property, plant and equipment	176	349
Total extraordinary loss	4,636	349
Income before income taxes	3,689	16,126
Income taxes	3,268	4,608
Net Income	421	11,517
Net Income Attributable:		
Non-controlling interests	356	1,605
Owners of the Parent	65	9,911

Consolidated Statement of Comprehensive Income
First Quarter, Fiscal Year 2017

	(Millions of Yen)	
	First Quarter, Fiscal 2016 (From April 1, 2016 to June 30, 2016)	First Quarter, Fiscal 2017 (From April 1, 2017 to June 30, 2017)
Net income	421	11,517
Other comprehensive income (loss)		
Unrealized holding gain (loss) on securities	-5,114	5,567
Deferred gain (loss) on hedges	-45	28
Translation adjustments	-16,503	3,536
Retirement benefit adjustments	214	-316
Comprehensive income (loss) of affiliates accounted for by the equity method attributable to the Company	-181	441
Total other comprehensive income	-21,629	9,257
Comprehensive income (loss)	-21,207	20,774
Comprehensive income (loss) attributable to:		
Owners of the Parent	-20,330	19,184
Non-controlling interests	-877	1,590

(3) Consolidated Statements of Cash Flows

First Quarter, Fiscal Year 2017

(Millions of Yen)

	First Quarter, Fiscal 2016 (From April 1, 2016 to June 30, 2016)	First Quarter, Fiscal 2017 (From April 1, 2017 to June 30, 2017)
Operating activities:		
Income before income taxes	3,689	16,126
Depreciation and amortization	8,418	8,818
Amortization of goodwill	547	530
Loss on disposal of property, plant and equipment	156	341
Loss (gain) on sales of property, plant and equipment, net	20	-2,485
Decrease in reserve for bonuses	-3,359	-3,433
Decrease in liability for retirement benefits	-476	-684
Gain on sales of investments in securities	-2,202	-
Loss on devaluation of investments in securities	4,460	-
Interest and dividends income	-2,080	-2,080
Interest expenses	257	237
Equity in earnings of affiliates	-132	-278
Decrease in notes and accounts receivable	15,074	14,073
Increase in inventories	-17,459	-13,955
Decrease in notes and accounts payable	-9,943	-11,187
Decrease in consumption tax payable	-2,205	-2,350
Increase in advances received	12,070	11,086
Other	5,471	-48
Subtotal	12,307	14,708
Interest and dividends received	2,453	2,421
Interest paid	-265	-262
Income taxes paid	-3,935	-12,186
Net cash provided by operating activities	10,560	4,681
Investing activities:		
Purchases of property, plant and equipment	-9,374	-11,472
Proceeds from sales of property, plant and equipment	56	4,052
Proceeds from withdrawal of time deposits	6	19,047
Proceeds from sales or redemption of investments in securities	5,229	770
Purchases of intangible assets	-1,004	-709
Acquisitions of investments in subsidiaries	-601	-135
Increase in short-term loans receivable	-34	-71
Other	-194	93
Net cash provided by (used in) investing activities	-5,917	11,575
Financing activities:		
Increase in short-term debt, net	4,103	4,791
Repayments of lease obligations	-902	-949
Increase in commercial paper	17,000	-
Proceeds from long-term debt	1,011	-
Repayment of long-term debt	-3,367	-46
Proceeds from issuance of bonds	10,000	-
Redemption of bonds	-10,000	-
Cash dividends paid	-7,824	-9,121
Cash dividends paid to non-controlling interests	-108	-100
Purchase of treasury stock	-4,275	-10,534
Other	303	299
Net cash used in (provided by) financing activities	5,939	-15,661
Effect of exchange rate changes on cash and cash equivalents	-6,686	1,161
Net increase in cash and cash equivalents	3,895	1,757
Cash and cash equivalents at beginning of term	67,104	89,856
Increase in cash and cash equivalents from newly consolidated subsidiaries	-	644
Cash and cash equivalents at end of term	70,999	92,257

(4) Notes regarding the premise of a going concern

No significant changes during the term under review.

(5) Significant Change in Shareholder Equity

No significant change during the term under review.

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

Estimated tax expenses

The tax rate used in the consolidated financial statement for the consolidated fiscal year, including for the first quarter under review, is a reasonable estimate based on the estimated effective tax rate after applying tax effect accounting to income before income taxes and minority interests for the full year and for the quarter under review. Deferred income taxes are included in the income tax amount.

(7) Segment Information

Consolidated First Quarter, Fiscal 2017 (April 1, 2017 to June 30, 2017)

1. Net sales and income (loss) data by reporting segment

(Millions of Yen)

	Reporting Segment				Other (Note)	Total
	Housing	Urban Infrastructure & Environmental Products	High Performance Plastics	Total		
I. Net sales:						
(1)To third parties	94,705	48,607	89,555	232,868	1,069	233,938
(2)Intersegment	187	3,104	1,598	4,890	58	4,948
Total	94,892	51,712	91,153	237,759	1,127	238,887
Operating income (loss)	-384	1,360	14,395	15,371	-2,479	12,892

Note: The Others segment encompasses business segments not included in the Company's reporting segments including the manufacture, sale, and service of film-type lithium-ion batteries and products not included in the Company's reporting segments.

2. Difference between the total of reporting segments in incomes (losses) and the corresponding amounts reported in the quarterly consolidated statements of income, and the primary items contributing to the difference

(Items related to the difference)

Income	(Millions of Yen)
Total of reporting segments	15,371
Other Business loss	-2,479
Inter-segment elimination total	-15
Corporate expenses (Note)	-265
Total operating income reported in the quarterly consolidated statements of income	12,611

Note: Corporate expenses are mainly general administrative expenses not attributable to a reporting segment.

3. Regional Information

Net sales

	Japan	U.S.	Europe	Asia	Others	Total
Net sales (millions of yen)	168,233	19,626	14,907	28,127	3,043	233,938