

Summary of Consolidated Financial Results for the First Quarter of Fiscal Year 2019 Ending March 31, 2020
<Under Japanese GAAP>

July 30, 2019

Company Name: Sekisui Chemical Co., Ltd.
 Stock Listings: Tokyo Stock Exchange
 Code Number: 4204
 URL: <https://www.sekisuichemical.com>
 Representative Director: Mr. Teiji Koge, President
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 Scheduled date for submission of quarterly financial statement: August 7, 2019
 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, 2019 to June 30, 2019)

(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 FY2019	249,655	3.2	10,829	14.9	11,372	-2.7	2,951	-61.2
1st Q of FY2018	241,887	3.4	9,425	-25.3	11,682	-16.4	7,602	-23.3

Note. Comprehensive Income: June 30, 2019: -5,287 million yen (-), June 30, 2018: 7,781 million yen (-62.5%)

	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 FY2019	6.37	6.37
1st Q of FY2018	16.16	16.15

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity to Total Assets
	Millions of yen	Millions of yen	%
1st Q of FY2019	1,025,263	613,836	57.4
FY2018	1,023,706	632,746	59.3

Note. Equity: June 30, 2019: 588,417 million yen, March 31, 2019: 607,123 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
FY2018	-	21.00	-	23.00	44.00
FY2019	-	-	-	-	-
FY2019 (outlook)	-	23.00	-	23.00	46.00

Note. Recent revision of dividend estimates: No

3. Consolidated Outlook for FY2019 (April 1, 2019 to March 31, 2020)

(% 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	564,000	1.6	43,000	2.0	43,000	-6.2	29,000	-11.0	62.71
Full Year	1,175,000	2.8	103,000	7.6	100,000	7.4	69,000	4.4	149.21

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):	1st Q of FY2019	484,507,285 shares
	FY2018	492,507,285 shares
b) Treasury stock at the end of term:	1st Q of FY2019	22,058,235 shares
	FY2018	28,256,058 shares
c) Average outstanding shares in the period (quarterly consolidated cumulative total):	1st Q of FY2019	463,389,925 shares
	1st Q of FY2018	470,412,628 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 25, 2019. 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 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).

(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 FY2019.

https://www.sekisuichemical.com/ir/library/event_account/index.html

[The Presentation Meeting is scheduled to be held on July 30, 2019, at 3:30 p.m. Japan time]

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

Turning to consolidated forecast figures for the mid-term of the fiscal year ending March 31, 2020, Sekisui Chemical has revised forecasts previously announced on April 25, 2019. This largely reflects trends in foreign currency exchange rates and appreciation in the value of the yen. Details are presented in table format as follows.

	Revised Forecast	Previous Forecast (April 25, 2019)
Net Sales (millions of yen)	564,000	569,000
Operating Income (millions of yen)	43,000	43,000
Ordinary Income (millions of yen)	43,000	43,000
Net Income Attributable to Owners of the Parent (millions of yen)	29,000	29,000
Net Income Per Share (yen)	62.71	62.47

There is no change to consolidated forecast figures for the full fiscal year ending March 31, 2020.

II. Consolidated Financial Statement and Notes

Consolidated Financial Statement (First Quarter, Fiscal Year 2019)

(1) Consolidated Balance Sheets

First Quarter, Fiscal Year 2019

(Millions of Yen)

	End Fiscal Year 2018	End First Quarter, Fiscal 2019
	As of March 31, 2019	As of June 30, 2019
(Assets)		
Current Assets		
Cash and deposits	69,882	73,634
Notes receivable, trade	44,624	43,883
Accounts receivable, trade	142,349	122,655
Marketable securities	0	0
Merchandise and finished goods	66,516	72,999
Land for sale	38,266	40,413
Work in process	53,207	59,345
Raw materials and supplies	34,198	34,609
Advance payments	1,950	1,841
Prepaid expenses	4,323	5,030
Short-term loans receivable	2,095	1,406
Other current assets	14,015	18,672
Allowance for doubtful accounts	-1,394	-1,377
Total current assets	470,037	473,117
Non-current assets		
Property, plant and equipment, net		
Buildings and structures	101,189	99,694
Machinery, equipment and vehicles	82,923	82,356
Land	78,266	78,192
Leased assets	10,357	16,048
Construction in progress	25,400	30,371
Other	11,318	11,496
Total property, plant and equipment, net	309,455	318,160
Intangible assets		
Goodwill	16,953	16,239
Software	9,612	9,560
Leased assets	175	289
Other	24,034	23,622
Total intangible assets	50,775	49,711
Investments and other assets		
Investments in securities	163,334	153,714
Long-term loans receivable	2,281	1,825
Long-term prepaid expenses	1,487	1,599
Asset for retirement benefits	202	218
Deferred tax assets	12,797	14,163
Other	15,535	13,945
Allowance for doubtful accounts	-2,200	-1,192
Total investments and other assets	193,438	184,273
Total non-current assets	553,669	552,145
Total assets	1,023,706	1,025,263

(Millions of Yen)

	End Fiscal Year 2018	End First Quarter, Fiscal 2019
	As of March 31, 2019	As of June 30, 2019
(Liabilities)		
Current liabilities		
Notes payable, trade	4,268	3,665
Electronically recorded obligations	27,626	26,464
Accounts payable, trade	98,546	90,426
Short-term debt and current portion of long-term debt	7,685	25,650
Commercial paper	17,000	22,000
Current portion of bonds	16	16
Lease obligations	3,607	4,697
Accrued expenses	41,400	38,318
Accrued income taxes and other taxes	10,968	6,082
Allowance for bonuses to employees	17,918	13,836
Allowance for bonuses to directors and audit and supervisory board members	272	163
Provision for compensation for completed construction	1,311	1,333
Provision for stock-based compensation	133	166
Advances received	43,069	51,074
Other	37,356	42,328
Total current liabilities	311,180	326,225
Long-term liabilities		
Bonds	10,019	10,019
Long-term debt less current portion	8,603	9,658
Lease obligations	6,916	11,757
Deferred tax liabilities	3,860	3,754
Liability for retirement benefits	44,585	44,178
Provision for stock-based compensation	395	432
Other	5,398	5,400
Total long-term liabilities	79,779	85,201
Total liabilities	390,960	411,426
(Net assets)		
Shareholders' equity		
Common stock	100,002	100,002
Capital surplus	109,221	109,226
Retained earnings	408,008	387,654
Treasury stock, at cost	-44,337	-34,528
Total shareholders' equity	572,894	562,355
Accumulated other comprehensive income:		
Unrealized holding gain on securities	36,828	33,885
Deferred loss on hedges	-32	-28
Unrealized gain on land revaluation	321	321
Translation adjustments	2,123	-3,286
Retirement benefit adjustments	-5,011	-4,830
Total accumulated other comprehensive income	34,229	26,061
Stock acquisition rights	156	123
Non-controlling interests	25,465	25,296
Total net assets	632,746	613,836
Total liabilities and net assets	1,023,706	1,025,263

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

Consolidated Statements of Income

First Quarter, Fiscal Year 2019

	(Millions of Yen)	
	First Quarter, Fiscal 2018 (From April 1, 2018 to June 30, 2018)	First Quarter, Fiscal 2019 (From April 1, 2019 to June 30, 2019)
Net sales	241,887	249,655
Cost of sales	163,928	169,213
Gross profit	77,958	80,441
Selling, general and administrative expenses	68,533	69,613
Operating Income	9,425	10,829
Non-operating income		
Interest income	272	227
Dividends income	2,283	2,100
Equity in earnings of affiliates	124	369
Foreign exchange gain, net	988	-
Miscellaneous income	551	704
Total non-operating income	4,220	3,402
Non-operating expenses		
Interest expenses	121	208
Sales discounts	98	98
Foreign exchange loss, net	-	819
Miscellaneous expenses	1,742	1,732
Total non-operating expenses	1,963	2,859
Ordinary income	11,682	11,372
Extraordinary loss		
Loss on devaluation of investment in securities	-	2,879
Loss on impairment of fixed assets and goodwill	191	1,736
Loss on sales or disposal of property, plant and equipment	283	363
Total extraordinary loss	474	4,979
Income before income taxes	11,208	6,392
Income taxes	3,084	3,026
Net Income	8,123	3,366
Net Income Attributable to;		
Non-controlling interests	520	414
Owners of the Parent	7,602	2,951

Consolidated Statement of Comprehensive Income
First Quarter, Fiscal Year 2019

	(Millions of Yen)	
	First Quarter, Fiscal 2018 (From April 1, 2018 to June 30, 2018)	First Quarter, Fiscal 2019 (From April 1, 2019 to June 30, 2019)
Net income	8,123	3,366
Other comprehensive income (loss)		
Unrealized holding loss on securities	-291	-2,941
Deferred gain on hedges	45	7
Translation adjustments	160	-5,892
Retirement benefit adjustments	-76	202
Comprehensive loss of affiliates accounted for by the equity method attributable to the Company	-180	-29
Total other comprehensive loss	-341	-8,653
Comprehensive income	7,781	-5,287
Comprehensive income (loss) attributable to:		
Owners of the parent	7,396	-5,216
Non-controlling interests	385	-71

(3) Consolidated Statements of Cash Flows

First Quarter, Fiscal Year 2019

(Millions of Yen)

	First Quarter, Fiscal 2018 (From April 1, 2018 to June 30, 2018)	First Quarter, Fiscal 2019 (From April 1, 2019 to June 30, 2019)
Operating activities:		
Income before income taxes	11,208	6,392
Adjustment for:		
Depreciation and amortization	9,135	9,947
Amortization of goodwill	711	710
Loss on impairment of fixed assets and goodwill	191	1,736
Loss on disposal of property, plant and equipment	230	355
Loss on sales of property, plant and equipment, net	52	7
Decrease in allowance for bonuses	-3,381	-4,115
Decrease in liability for retirement benefits	-489	-365
Loss on devaluation of investment in securities	-	2,879
Interest and dividends income	-2,541	-2,327
Interest expenses	220	307
Equity in earnings of affiliates	-124	-369
Decrease in notes and accounts receivable	13,384	18,791
Increase in inventories	-20,249	-16,318
Decrease in notes and accounts payable	-14,484	-12,008
Decrease in consumption tax payable	-3,303	-419
Increase in advances received	14,602	7,955
Other	2,924	1,062
Subtotal	8,088	14,222
Interest and dividends received	2,962	2,756
Interest paid	-216	-309
Income taxes paid	-9,658	-8,326
Net cash provided by operating activities	1,176	8,342
Investing activities:		
Purchases of property, plant and equipment	-19,473	-11,713
Proceeds from sales of property, plant and equipment	237	76
Payments into time deposits	-342	-2,045
Proceeds from withdrawal of time deposits	190	621
Purchases of investments in securities	-2,454	-5
Proceeds from sales or redemption of investments in securities	12	249
Purchases of intangible assets	-865	-1,219
Acquisitions of investments in subsidiaries	-1,104	-45
Increase (decrease) in short-term loans receivable	3,910	-1,162
Other	406	411
Net cash used in investing activities	-19,483	-14,834
Financing activities:		
Increase in short-term debt, net	24,868	18,927
Repayments of lease obligations	-971	-1,066
Increase in commercial paper	15,000	5,000
Proceeds from long-term debt	-	1,207
Repayment of long-term debt	-25	-1,411
Cash dividends paid	-9,930	-10,703
Cash dividends paid to non-controlling interests	-101	-168
Purchase of treasury stock	-12,866	-3,272
Other	313	11
Net cash provided by financing activities	16,286	8,523
Effect of exchange rate changes on cash and cash equivalents	-378	-1,282
Net (decrease) increase in cash and cash equivalents	-2,398	750
Cash and cash equivalents at beginning of term	76,723	68,613
Increase in cash and cash equivalents from newly consolidated subsidiaries	403	1,646
Cash and cash equivalents at end of term	74,729	71,009

(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 change during the term under review.

(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.

(Changes in Accounting Policies)

Adopted IFRS No. 16 “Leases”

Effective from the first quarter of the fiscal year under review, overseas subsidiaries that are applying International Financial Reporting Standards (IFRS) have adopted IFRS No. 16 “Leases” issued on January 13, 2016. Due to the application of IFRS

No. 16 “Leases,” lessees, in principle, recognize and record all leases as assets and liabilities on the balance sheet. The impact of the application of IFRS No. 16 “Leases” on the Company’s first quarter consolidated financial statements is immaterial.

(Segment Information)

Consolidated First Quarter, Fiscal 2019 (April 1, 2019 to June 30, 2019)

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

(Millions of Yen)

	Reportable Segments					Other (Note)	Total
	Housing	Urban Infrastructure & Environmental Products	High Performance Plastics	Medical	Total		
Sales:							
(1) Sales to third parties	107,393	48,015	76,882	16,171	248,463	1,192	249,655
(2) Intersegment sales or transfers	21	3,313	1,674	81	5,090	17	5,108
Net sales	107,414	51,328	78,557	16,253	253,554	1,209	254,764
Segment income (loss)	2,446	1,458	8,983	1,662	14,550	-2,657	11,893

Note: 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	14,550
Other loss	-2,657
Eliminations	54
Corporate expenses (Note)	-1,118
Total operating income reported in the consolidated statements of income	10,829

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

3. Information on changes for reporting segment

Effective from the first quarter of the fiscal year under review, the main portion of the Life Science field previously included in the High Performance Plastics Company is being presented as the Medical Business segment in an effort to accelerate the pace its growth as a new divisional company candidate.

4. Regional information by geographic area

Net sales

	Japan	America	Europe	Asia	Others	Total
Net sales (Millions of Yen)	183,172	19,273	14,492	28,955	3,762	249,655