

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

October 30, 2017

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 9, 2017
 Scheduled date for payment of dividends: December 1, 2017
 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, 2017 to September 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	%
2nd Q of FY2017	534,136	3.1	46,000	5.4	48,603	21.5	34,206	31.2
2nd Q of FY2016	517,854	-3.9	43,653	14.2	40,015	1.3	26,073	-20.5

Note. Comprehensive Income: September 30, 2017: 50,036 million yen (-%), September 30, 2016: 171 million yen (-99.4%)

	Net Income Attributable to Owners of the Parent per Share	Net Income Attributable to Owners of the Parent per Share (Diluted)
	yen	yen
2nd Q of FY2017	71.90	71.76
2nd Q of FY2016	53.67	53.60

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
2nd Q of FY2017	977,460	603,490	59.3
FY2016	943,640	570,549	58.2

Note. Shareholders' Equity: September 30, 2017: 579,202 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	-	19.00	-	-	-
FY2017 (outlook)	-	-	-	19.00	38.00

Note. Recent revision of dividend estimates: No

3. Consolidated Outlook for FY2017 (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
Full Year	1,114,000	4.5	102,000	5.7	101,000	10.4	67,000	10.1	141.36

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. Items Concerning the Information in the Summary Report (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):	2nd Q of FY2017	500,507,285 shares
	FY2016	510,507,285 shares
b) Treasury stock at the end of term:	2nd Q of FY2017	26,542,438 shares
	FY2016	31,948,436 shares
c) Average outstanding shares in the period (quarterly consolidated cumulative total):	2nd Q of FY2017	475,748,454 shares
	2nd Q of FY2016	485,794,357 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 full-year announced on April 27, 2017.
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 second Quarter of FY2017.

<http://www.sekisuichemical.com/ir/pdf/20171030kge.pdf>

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

2. Consolidated Financial Position

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

Total assets stood at ¥977.4 billion as of September 30, 2017, an increase of ¥33.8 billion compared with the end of the previous fiscal year. This increase was mainly due to the upswing in both current assets and non-current assets of ¥5.7 billion and ¥28.1 billion, respectively.

Liabilities amounted to ¥373.9 billion, an increase of ¥0.8 billion compared with the previous fiscal year-end.

Net assets came to ¥603.4 billion, up ¥32.9 billion compared with the end of the previous fiscal year. Equity after deducting noncontrolling interest from net assets amounted to ¥579.2 billion. The shareholders' equity ratio was 59.3%.

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

Net cash provided by operating activities amounted to ¥36.2 billion. Major cash inflows included such items as income before income taxes of ¥50.1 billion as well as depreciation and amortization of ¥17.5 billion, which exceeded principal cash outflows including income taxes paid of ¥11.8 billion, an increase in inventories totaling ¥7.5 billion, and a decrease in notes and accounts payable of ¥7.0 billion.

Net cash used in investing activities came to ¥16.6 billion. While Sekisui Chemical reported such cash inflows as a net decrease in time deposits of ¥18.8 billion, this was more than offset by major cash outflows including purchases of property, plant and equipment of ¥21.8 billion focusing mainly on priority and growth fields, and payments for the acquisition of management rights to Polymatech Japan Co., Ltd. Group, a company that manufactures and sells electronics parts for automobiles and mobile.

Net cash used in financing activities amounted to ¥24.7 billion. In addition to the purchase of treasury stock of ¥10.5 billion and cash dividends paid of ¥9.6 billion, this largely reflected such cash outflows as the net decrease in interest-bearing debt of ¥4.9 billion.

Accounting for each of the aforementioned activities, cash and cash equivalents as of September 30, 2017 stood at ¥87.9 billion.

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

Sekisui Chemicals has revised its consolidated results forecast for the full fiscal year ending March 31, 2018 previously announced on April 27, 2017 as follows. This is mainly due to such factors as higher than initially forecast non-operating income and expenses as well as extraordinary income and loss.

	Revised Forecast	Previous Forecast (April 27, 2017)
Net Sales (millions of yen)	1,114,000	1,104,000
Operating Income (millions of yen)	102,000	102,000
Ordinary Income (millions of yen)	101,000	97,000
Net Income Attributable to Owners of the Parent (millions of yen)	67,000	63,000
Net Income Per Share (yen)	141.36	131.65

3. Consolidated Financial Statement (Second Quarter, Fiscal Year 2017)

(1) Consolidated Balance Sheets

(Millions of Yen)

	End Fiscal Year 2016	End Second Quarter, Fiscal 2017
	As of March 31, 2017	As of September 30, 2017
(Assets)		
Current Assets		
Cash and deposits	109,891	89,702
Notes receivable, trade	32,960	39,488
Accounts receivable, trade	131,111	133,664
Marketable securities	1	1
Merchandise and finished goods	56,619	59,072
Land for sale	30,879	29,982
Work in process	38,349	47,583
Raw materials and supplies	27,704	29,048
Advance payments	1,687	1,336
Prepaid expenses	3,388	4,115
Deferred tax assets	13,870	14,432
Short-term loans receivable	5,128	5,234
Other current assets	15,688	20,128
Allowance for doubtful accounts	-1,179	-1,979
Total current assets	466,101	471,811
Non-current assets		
Property, plant and equipment, net		
Buildings & structures	88,882	93,153
Machinery, equipment and vehicles	73,615	76,605
Land	70,426	71,362
Leased assets	10,126	10,252
Construction in progress	9,388	12,876
Other	9,323	10,216
Total property, plant and equipment, net	261,765	274,468
Intangible assets		
Goodwill	14,627	20,084
Software	8,167	8,214
Leased assets	216	196
Other	16,579	17,463
Total intangible assets	39,591	45,959
Investments and other assets		
Investments in securities	156,916	166,954
Long-term loans receivable	1,789	1,097
Long-term prepaid expenses	1,211	1,245
Asset for retirement benefits	179	9
Deferred tax assets	4,840	3,597
Other	13,058	13,700
Allowance for doubtful accounts	-1,815	-1,383
Total investments and other assets	176,181	185,221
Total non-current assets	477,538	505,648
Total assets	943,640	977,460

(Millions of Yen)

	End Fiscal Year 2016	End Second Quarter, Fiscal 2017
	As of March 31, 2017	As of September 30, 2017
(Liabilities)		
Current liabilities		
Notes payable, trade	4,320	4,307
Electronically recorded obligations	22,116	25,108
Accounts payable, trade	93,684	92,954
Short-term debt and current portion of long-term debt	13,274	11,280
Current portion of bonds	16	16
Lease obligations	3,413	3,436
Accrued expenses	39,115	39,228
Accrued income taxes and other taxes	12,361	15,116
Allowance for bonuses to employees	16,740	16,506
Allowance for bonuses to directors and audit and supervisory board members	308	-
Provision for compensation for completed constructions	1,222	1,202
Provision for stock-based compensation	133	69
Advances received	41,623	42,761
Other	41,750	39,351
Total current liabilities	290,081	291,340
Long-term liabilities		
Bonds	10,052	10,044
Long-term debt less current portion	9,991	9,407
Lease obligations	6,985	7,015
Deferred tax liabilities	3,364	4,201
Liability for retirement benefits	47,069	46,180
Provision for stock-based compensation	135	204
Other	5,410	5,574
Total long-term liabilities	83,009	82,628
Total liabilities	373,090	373,969
(Net assets)		
Shareholders' equity		
Common stock	100,002	100,002
Capital surplus	109,192	109,198
Retained earnings	341,009	354,148
Treasury stock, at cost	-40,969	-37,609
Total shareholders' equity	509,234	525,739
Accumulated other comprehensive income:		
Unrealized holding gain on securities	39,463	45,366
Deferred loss on hedges	-52	-31
Unrealized gain on land revaluation	321	321
Translation adjustments	941	8,723
Retirement benefit adjustments	-565	-916
Total accumulated other comprehensive income	40,109	53,462
Stock acquisition rights	418	345
Noncontrolling interests	20,787	23,942
Total net assets	570,549	603,490
Total liabilities and net assets	943,640	977,460

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

	(Millions of Yen)	
	First Half, Fiscal 2016 (From April 1, 2016 to September 30, 2016)	First Half, Fiscal 2017 (From April 1, 2017 to September 30, 2017)
Net sales	517,854	534,136
Cost of sales	346,600	360,256
Gross profit	171,253	173,879
Selling, general & administrative expenses	127,599	127,879
Operating Income	43,653	46,000
Non-operating income		
Interest income	366	466
Dividend income	3,430	3,459
Equity in earnings of affiliates	1,472	1,449
Foreign exchange gain, net	-	187
Miscellaneous income	1,610	2,352
Total non-operating income	6,880	7,916
Non-operating expenses		
Interest expenses	307	267
Sales discounts	190	197
Foreign exchange loss, net	4,018	-
Miscellaneous expenses	6,001	4,848
Total non-operating expenses	10,518	5,313
Ordinary income	40,015	48,603
Extraordinary income		
Gain on sales of investments in securities	6,875	-
Gain on sales of property, plant and equipment	-	2,469
Total extraordinary income	6,875	2,469
Extraordinary loss		
Loss on impairment of fixed assets	404	284
Loss on devaluation of investments in securities	4,460	-
Provision for loss on transfer of business	2,067	-
Loss on transfer of business	991	-
Loss on sales or disposal of property, plant and equipment	361	621
Total extraordinary loss	8,285	906
Income before income taxes	38,605	50,166
Income taxes	11,587	13,710
Net Income	27,017	36,455
Net Income Attributable to:		
Non-controlling interests	944	2,249
Owners of the Parent	26,073	34,206

Consolidated Statement of Comprehensive Income

	(Millions of Yen)	
	First Half, Fiscal 2016 (From April 1, 2016 to September 30, 2016)	First Half, Fiscal 2017 (From April 1, 2017 to September 30, 2017)
Net income	27,017	36,455
Other comprehensive income (loss)		
Unrealized holding gain (loss) on securities	-9,134	5,413
Deferred gain on hedges	55	20
Translation adjustments	-18,429	7,998
Retirement benefit adjustments	266	-380
Comprehensive income of affiliates accounted for by the equity method attributable to the Company	395	528
Total other comprehensive income (loss)	-26,846	13,580
Comprehensive income	171	50,036
Comprehensive income (loss) attributable to:		
Owners of the Parent	454	47,559
Non-controlling interests	-283	2,476

(3) Consolidated Statements of Cash Flows

	(Millions of Yen)	
	First Half, Fiscal 2016 (From April 1, 2016 to September 30, 2016)	First Half, Fiscal 2017 (From April 1, 2017 to September 30, 2017)
Operating activities:		
Income before income taxes	38,605	50,166
Depreciation and amortization	16,904	17,599
Amortization of goodwill	1,071	1,133
Loss on impairment of fixed assets	404	284
Loss on disposal of property, plant and equipment	334	534
Gain (loss) on sales of property, plant and equipment, net	26	-2,382
Decrease in liability for retirement benefits	-1,644	-1,442
Gain on sales of investments in securities	-6,875	-
Loss on devaluation of investments in securities	4,460	-
Interest and dividends income	-3,797	-3,926
Interest expenses	498	465
Equity in earnings of affiliates	-1,472	-1,449
Provision for loss on transfer of business	2,067	-
Loss on transfer of business	991	-
Decrease in notes and accounts receivable	8,345	2,565
Increase in inventories	-6,689	-7,543
Decrease in notes and accounts payable	-2,771	-7,017
Increase in advances received	3,894	1,072
Other	1,655	-5,729
Subtotal	56,010	44,331
Interest and dividends received	4,164	4,278
Interest paid	-528	-477
Income taxes refund	4,440	-
Income taxes paid	-4,281	-11,895
Net cash provided by operating activities	59,805	36,237
Investing activities:		
Purchases of property, plant and equipment	-17,951	-21,817
Proceeds from sales of property, plant and equipment	148	3,835
Payments into time deposits	-4,106	-221
Proceeds from withdrawal of time deposits	6	19,066
Purchases of investments in securities	-1,932	-2,428
Proceeds from sales or redemption of investments in securities	17,772	770
Acquisition of investments in subsidiaries resulting in change in scope of consolidation	-	-12,843
Acquisitions of investments in subsidiaries	-603	-727
Purchases of intangible assets	-2,119	-2,171
Increase in short-term loans receivable	0	-847
Other	-820	766
Net cash used in investing activities	-9,606	-16,619
Financing activities:		
Decrease in short-term debt, net	-1,045	-2,299
Repayments of lease obligations	-1,841	-1,923
Proceeds from long-term debt	3,806	1,576
Repayment of long-term debt	-7,990	-2,246
Proceeds from issuance of bonds	10,000	-
Redemption of bonds	-10,008	-8
Cash dividends paid	-7,814	-9,109
Cash dividends paid to non-controlling interests	-501	-536
Purchase of treasury stock	-9,938	-10,536
Other	744	316
Net cash used in financing activities	-24,589	-24,768
Effect of exchange rate changes on cash and cash equivalents	-6,595	2,632
Net decrease (increase) in cash and cash equivalents	19,013	-2,517
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	86,117	87,982

(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 second quarter under review, is a reasonable estimate based on the estimated effective tax rate after applying tax effect accounting to income before income taxes 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 Half, Fiscal 2017 (April 1, 2017 to September 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. Sales:						
(1) Sales to third parties	243,992	105,371	182,132	531,496	2,639	534,136
(2) Intersegment sales or transfers	398	6,682	3,391	10,472	91	10,563
Net Sales	244,390	112,054	185,524	541,968	2,730	544,699
Segment income (loss)	17,802	4,843	28,809	51,456	-4,832	46,623

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. 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	51,456
Other loss	-4,832
Eliminations	-82
Corporate expenses (Note)	-540
Total operating income reported in the quarterly consolidated statements of income	46,000

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

3. Information on impairment loss on fixed assets or good will, etc., for each reporting segment

(Significant change in the amount of goodwill)

The Company acquired the shares of PT Cayman Limited and made the company a subsidiary in the High Performance Plastics segment. The acquisition increased the amount of goodwill by 6,430 million yen in the consolidated cumulative second quarter of the fiscal year ending March 31, 2018. This is a provisional amount because the allocation of the cost of acquisition has not been finalized.