

**Summary of Consolidated Financial Results for the First Quarter of Fiscal Year 2014 Ending March 31, 2015**  
**<Under Japanese GAAP>**

July 30, 2014

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: August 8, 2014  
 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, 2014 to June 30, 2014)

(1) Consolidated Business Results (% change from the previous year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1st Q of FY2014	255,864	5.5	15,860	57.9	15,882	26.3	8,246	20.3
1st Q of FY2013	242,522	-6.7	10,041	74.8	12,574	185.6	6,857	239.9

Note. Comprehensive Income: June 30, 2014: 12,903 million yen (-38.4%), June 30, 2013: 20,951 million yen (-%)

	Net Income per Share	Net Income per Share (Diluted)
	yen	yen
1st Q of FY2014	16.19	16.17
1st Q of FY2013	13.27	13.23

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
1st Q of FY2014	937,887	477,870	49.1
FY2013	961,009	473,555	47.5

Note. Shareholders' Equity: June 30, 2014: 460,826million yen, March 31, 2014: 456,819 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
FY2013	-	11.00	-	12.00	23.00
FY2014	-	-	-	-	-
FY2014 (outlook)	-	12.00	-	12.00	24.00

Note. Recent revision of dividend estimates: No

3. Consolidated Outlook for FY2014 (April 1, 2014 to March 31, 2015)

(% change from the previous year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Mid-Term	557,000	4.5	42,000	11.9	41,500	6.4	23,000	0.8	45.16
Full Year	1,154,000	3.9	87,000	5.4	85,000	2.0	46,000	11.7	90.31

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 “2. Application of special accounting methods for the preparation of quarterly consolidated financial statements” on page 4 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: Yes

b) Changes other than a): Yes

c) Amendments to accounting estimates: Yes

d) Restatements: No

Note: For further details please refer to “(3) Changes to the accounting policy, changes or restatements of the accounting estimates” on page 5 of the attached document “II. Items Concerning the Information in the Summary Report (Notes).”

(4) Number of shares outstanding (common stock)

a) Number of shares outstanding at the end of term (including treasury stock):	1st Q of FY2014	532,507,285 shares
	FY2013	532,507,285 shares
b) Treasury stock at the end of term:	1st Q of FY2014	23,155,206 shares
	FY2013	23,337,707 shares
c) Average outstanding shares in the period (quarterly consolidated cumulative total):	1st Q of FY2014	509,232,277 shares
	1st Q of FY2013	516,639,424 shares

Note: Declaration of the review status of the Quarterly Financial Report

This Quarterly Financial Report is not subject to quarterly review procedures as stipulated in the Financial Instruments and Exchange Act and, at the time of release, review procedures as stipulated in the Financial and Exchange Act had not been completed for the Quarterly Financial Report.

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 first half of the fiscal year announced on April 28, 2014. 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. Consolidated Earnings Forecasts” 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 FY2014.

<http://www.sekisuichemical.com/ir/pdf/20140730kge.pdf>

[Presentation is scheduled to be held on July 30, 2014, at 3:30 p.m. Japan time]

#### **2. Consolidated Financial Position**

##### **1) Financial Position (April 1, 2014, to June 30, 2014)**

Total assets amounted to ¥937.8 billion at the end of the first quarter of fiscal year 2014, representing a decrease of ¥23.1 billion from the end of fiscal year 2013. The decrease was due to a decline of ¥28.1 billion in current assets, primarily accounts receivable, trade and cash and deposits, and an increase of ¥5.0 billion in non-current assets.

Liabilities amounted to ¥460.0 billion, a decrease of ¥27.4 billion from the end of the fiscal year 2013, owing mainly to declines in accounts payable, trade and accrued income taxes and other taxes.

Net assets amounted to ¥477.8 billion, an increase of ¥4.3 billion from the end of fiscal year 2013. Equity after deducting minority interests from net assets amounted to ¥460.8 billion. The shareholders' equity ratio was 49.1%.

##### **2) Cash Flows (April 1, 2014, to June 30, 2014)**

Net cash used in operating activities amounted to ¥5.6 billion. Cash inflows included ¥15.7 billion in income before income taxes and minority interests, ¥7.3 billion in depreciation and amortization, and a ¥19.3 billion decrease in notes and accounts receivable. These were exceeded by cash outflows, which included ¥16.7 billion in income taxes paid, decreases of ¥13.6 billion in notes and accounts payable and ¥7.1 billion in advances received, a ¥4.0 billion increase in inventories, and a ¥3.7 billion decrease in the reserve for bonuses.

Net cash provided by investing activities amounted to ¥12.2 billion. The increase was primarily due to a ¥19.8 billion net decrease in time deposits while ¥8.3 billion was utilized for purchases of property, plant, and equipment focused on priority and growth fields.

Net cash provided by financing activities amounted to ¥0.5 billion. The main elements were ¥6.2 billion in cash dividends paid and a ¥5.7 billion net increase in interest-bearing debt.

The result of the above was cash and cash equivalents of ¥58.5 billion at the end of the first quarter of fiscal year 2014.

### 3. Consolidated Earnings Forecasts

The Company has revised the consolidated earnings forecasts for the first half of fiscal year 2014 as shown below from the figures announced on April 28, 2014. The revision reflects the High Performance Plastics Company's better-than-anticipated sales growth for high-performance products and the overall progress the Company has achieved increasing business efficiency.

(Millions of yen)

	Present forecasts	Previous forecasts
Net sales	557,000	560,000
Operating income	42,000	38,000
Ordinary income	41,500	38,500
Net income	23,000	21,000
Net income per share (yen)	45.16	41.24

The Company has not changed its forecasts for the full fiscal year.

## II. Items Concerning the Information in the Summary Report (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 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.

### **3. Changes to the accounting policy, changes or restatements of the accounting estimates**

#### **(Changes to the accounting policy)**

The Company adopted the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26, issued on May 17, 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, issued on May 17, 2012), subject to provisions stated in Clause 35 of the Accounting Standard for Retirement Benefits and Clause 67 of the Guidance on Accounting Standard for Retirement Benefits, beginning with the consolidated fiscal year started on April 1, 2014. The Company also revised the accounting methodology for the retirement benefit obligation and service costs by changing the term distribution method used for retirement benefit estimates from fixed-amount attribution to the benefit formula method and using a discount-rate computation method.

In accordance with the transitional treatment prescribed in Clause 37 of the Retirement Benefits Accounting Standard, the Company applied the Accounting Standard for Retirement Benefits and reflected the effect of the revision to the accounting methodology for the retirement benefit obligation and service costs in retained earnings at the start of the current consolidated fiscal year.

As a result, the Company reported an increase in liability for retirement benefits of ¥3,397 million and a decrease of ¥2,399 million in retained earnings in the first quarter of the current consolidated fiscal year. These changes had minimal effect on the operating income, ordinary income, and income before income taxes and minority interests amounts in the first quarter of the current consolidated fiscal year.

#### **(Change in accounting policy which is difficult to distinguish from a change in accounting estimate)**

The Company and its domestic consolidated subsidiaries previously applied the declining-balance method for depreciation of other property, plant and equipment other than buildings (except for structures attached to the buildings). The accounting method was changed to the straight-line method at the start of the current consolidated fiscal year.

The new SHINKAI—Advance 2016 medium-term management plan launched this fiscal year outlines specific strategies for each divisional company, and the Company assessed the operating condition outlooks for its primary facilities in line with the fundamental policy to “maintain a corporate presence for a 100 years.”

The Housing Company will differentiate its products by making energy-saving equipment standard features and strengthen its strategies in the subdivision and housing complex markets to offset the effect of the contracting market for custom-built homes as the population in Japan declines. We therefore project its housing unit sales to remain steady and operations at its domestic production facilities to stabilize.

The Urban Infrastructure & Environmental Products Company will strengthen its competitiveness amid declining domestic demand by becoming a value chain business encompassing inspection, diagnostics, design, product sales, construction, maintenance, and management. The company will also increase its market share in the piping materials field through the business transfer while reorganization of its production bases should also help enable the

realization of steady sales volume. We project operations at its domestic production facilities to stabilize.

The High Performance Plastics Company will shift its focus to high value-added products that are expected to draw stable demand and formulate a business base with an optimal allocation of production facilities by shifting production from domestic to overseas bases. We therefore also project operations at its domestic production facilities to stabilize.

For the above reasons, the Company determined that the straight-line method allocating costs evenly over the period of use would better represent the actual usage conditions of the property, plant and equipment of the Company and its domestic consolidated subsidiaries than the previously used declining-balance method.

This change brings the Company in line with overseas subsidiaries using the straight-line method.

In comparison to the previously used method, application of the straight-line method raised each of the operating income, ordinary income, and income before income taxes and minority interests amounts by ¥930 million in the first quarter of the current consolidated fiscal year.

## 3. Consolidated Financial Statement (First Quarter, Fiscal Year 2014)

## (1) Consolidated Balance Sheets

First Quarter, Fiscal Year 2014

(Millions of Yen)

	End Fiscal Year 2013	End First Quarter, Fiscal 2014
	As of March 31, 2014	As of June 30, 2014
(Assets)		
Current Assets		
Cash and deposits	107,673	95,086
Notes receivable, trade	39,643	44,269
Accounts receivable, trade	152,591	127,771
Marketable securities	0	0
Merchandise and finished goods	54,209	57,517
Land for sale	21,716	22,568
Work in process	47,730	47,285
Raw materials and supplies	32,690	32,517
Advance payments	1,115	1,495
Prepaid expenses	3,030	3,447
Deferred income taxes	17,243	16,730
Short-term loans receivable	467	567
Other current assets	19,296	19,931
Allowance for doubtful accounts	-2,748	-2,676
Total current assets	494,660	466,511
Non-current assets		
Property, plant and equipment, net		
Buildings & structures, net	86,451	86,118
Machinery, equipment and vehicles, net	68,461	67,485
Land	69,419	69,550
Leased assets, net	9,045	10,027
Construction in progress	13,133	13,761
Other, net	5,540	5,978
Total property, plant and equipment, net	252,051	252,921
Intangible assets		
Goodwill	12,893	12,296
Software	6,173	6,612
Leased assets	325	300
Other	20,436	19,885
Total intangible assets	39,828	39,095
Investments and other assets		
Investments in securities	151,724	159,720
Long-term loans receivable	967	957
Long-term prepaid expenses	1,177	1,162
Deferred income taxes	8,964	5,496
Other	12,712	13,119
Allowance for doubtful accounts	-1,078	-1,098
Total investments and other assets	174,468	179,358
Total non-current assets	466,349	471,375
Total assets	961,009	937,887

(Millions of Yen)

	End Fiscal Year 2013	End First Quarter, Fiscal 2014
	As of March 31, 2014	As of June 30, 2014
<b>(Liabilities)</b>		
Current liabilities		
Notes payable, trade	8,453	8,217
Electronically recorded obligations	6,520	6,467
Accounts payable, trade	133,861	120,472
Short-term debt and current portion of long-term debt	44,146	43,301
Commercial paper	—	10,000
Current portion of bonds	10,000	10,000
Lease obligations	2,907	3,057
Accrued expenses	32,056	31,307
Accrued income taxes and other taxes	18,286	6,881
Deferred income taxes	371	76
Allowance for bonuses to employees	17,250	13,539
Allowance for bonuses to directors and corporate auditors	261	-
Provision for compensation for completed constructions	1,132	1,187
Advances received	57,365	50,162
Other	55,752	54,206
Total current liabilities	388,365	358,878
Long-term liabilities		
Bonds	10,000	10,000
Long-term debt less current portion	20,459	18,338
Lease obligations	6,496	7,316
Deferred income taxes	4,923	5,492
Liability for retirement benefits	51,100	54,018
Other	6,109	5,971
Total long-term liabilities	99,089	101,138
Total liabilities	487,454	460,016
<b>(Net assets)</b>		
Shareholders' equity		
Common stock	100,002	100,002
Capital surplus	109,234	109,234
Retained earnings	240,231	239,749
Treasury stock	-20,347	-20,188
Total shareholders' equity	429,120	428,798
Accumulated other comprehensive income (loss):		
Unrealized holding gain on securities	19,001	25,386
Deferred gain on hedges	7	-3
Unrealized gain on land revaluation	261	262
Translation adjustments	6,959	5,175
Retirement benefit adjustments	1,468	1,206
Total accumulated other comprehensive income	27,698	32,028
Stock acquisition rights	267	297
Minority interests	16,468	16,747
Total net assets	473,555	477,870
Total liabilities, net assets	961,009	937,887



(2) Consolidated Statements of Income and Statement of Comprehensive Income  
 Consolidated Statements of Income  
 First Quarter, Fiscal Year 2014

	(Millions of Yen)	
	First Quarter, Fiscal 2013 (From April 1, 2013 to June 30, 2013)	First Quarter, Fiscal 2014 (From April 1, 2014 to June 30, 2014)
Net sales	242,522	255,864
Cost of sales	170,730	177,676
Gross profit	71,792	78,188
Selling, general & administrative expenses	61,750	62,328
Operating Income	10,041	15,860
Non-operating income		
Interest income	222	243
Dividend income	1,424	2,009
Equity in earnings of affiliates	248	145
Foreign exchange gain, net	1,318	—
Miscellaneous income	937	943
Total non-operating income	4,151	3,341
Non-operating expenses		
Interest expenses	556	408
Sales discounts	82	83
Foreign exchange loss, net	—	889
Miscellaneous expenses	980	1,936
Total non-operating expenses	1,619	3,318
Ordinary income	12,574	15,882
Extraordinary loss		
Loss on sales or disposal of property, plant and equipment	227	117
Total extraordinary loss	227	117
Income before income taxes and minority interests	12,346	15,765
Income taxes	5,202	7,276
Income before minority interests	7,143	8,488
Minority interests	286	242
Net income	6,857	8,246

Consolidated Statement of Comprehensive Income  
 First Quarter, Fiscal Year 2014

	(Millions of Yen)	
	First Quarter, Fiscal 2013 (From April 1, 2013 to June 30, 2013)	First Quarter, Fiscal 2014 (From April 1, 2014 to June 30, 2014)
Income before minority interests	7,143	8,488
Other comprehensive income (loss)		
Unrealized holding gain on securities	7,838	6,249
Deferred loss on hedges	-22	-11
Translation adjustments	5,819	-1,732
Retirement benefit adjustments	-	-207
Comprehensive income of affiliates accounted for by the equity method attributable to the Company	172	115
Total other comprehensive income	13,807	4,414
Comprehensive income	20,951	12,903
Comprehensive income attributable to:		
Shareholders of the Company	20,264	12,576
Minority shareholders	687	327

## (3) Consolidated Statements of Cash Flows

First Quarter, Fiscal Year 2014

(Millions of Yen)

	First Quarter, Fiscal 2013 (From April. 1, 2013 to June. 30, 2013)	First Quarter, Fiscal 2014 (From April. 1, 2014 to June. 30, 2014)
<b>Operating activities</b>		
Income before income taxes and minority interests	12,346	15,765
Depreciation and amortization	7,887	7,312
Amortization of goodwill	744	626
Loss on disposal of property, plant and equipment	176	97
Decrease in reserve for bonuses	-2,193	-3,704
Decrease in accrued retirement benefits	-496	-
Decrease in liability for retirement benefits	-	-408
Interest and dividends income	-1,647	-2,252
Interest expenses	639	492
Equity in earnings of affiliates	-248	-145
Decrease in notes and accounts receivable	9,325	19,332
Increase in inventories	-9,044	-4,037
Decrease in notes and accounts payable	-10,881	-13,614
Increase (decrease) in consumption tax payable	-759	347
Decrease (increase) in advances received	4,407	-7,197
Other	2,271	-3,499
Subtotal	12,530	9,114
Interest and dividends received	1,904	2,553
Interest paid	-621	-625
Income taxes paid	-5,621	-16,700
Net cash used in (provided by) operating activities	8,191	-5,656
<b>Investing activities</b>		
Purchases of property, plant and equipment	-6,885	-8,383
Proceeds from sales of property, plant and equipment	42	325
Payments into time deposits	-21,001	-1,132
Proceeds from withdrawal of time deposits	18,056	21,018
Purchases of investments in securities	-553	-14
Proceeds from sales or redemption of investments in securities	93	1,355
Purchases of intangible assets	-439	-821
Increase (decrease) in short-term loans receivable	234	-159
Other	-232	77
Net cash provided by (used in) investing activities	-10,685	12,265
<b>Financing activities</b>		
Increase in short-term debt, net	1,075	5,066
Repayments of lease obligations	-837	-1,583
Increase in commercial paper	-	10,000
Proceeds from long-term debt	1,570	1,400
Repayment of long-term debt	-6,098	-9,181
Proceeds from stock issuance to minority shareholders	389	-
Cash dividends paid	-4,651	-6,120
Cash dividends paid to minority shareholders of consolidated subsidiaries	-944	-90
Other	496	1,084
Net cash provided by (used in) financing activities	-9,000	575
Effect of exchange rate changes on cash and cash equivalents	1,219	67
Net increase (decrease) in cash and cash equivalents	-10,275	7,250
Cash and cash equivalents at beginning of term	58,631	51,248
Increase in cash and cash equivalents from newly consolidated subsidiary	2,543	52
Cash and cash equivalents at end of term	50,899	58,551

(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) Segment Information  
Consolidated First Quarter, Fiscal 2014 (April 1, 2014 to June 30, 2014)

### 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	116,686	42,189	88,933	247,809	8,055	255,864
(2) Intersegment	22	2,697	1,441	4,161	235	4,397
Total	116,708	44,887	90,374	251,970	8,291	260,262
Operating income (loss)	7,589	-2,828	11,765	16,526	-555	15,971

Note 1. The Other segment is not a reporting segment, which includes manufacturing and sales of flat panel display manufacturing equipment, agricultural and construction materials, and provision of services.

2. As reported in II. Items Concerning the Information in the Summary Report (Notes), the Company and its domestic consolidated subsidiaries previously applied the declining-balance method for depreciation of other property, plant and equipment (excluding lease assets) other than buildings (except for structures attached to the buildings) but changed the accounting method to the straight-line method at the start of the current consolidated fiscal year. In comparison to the previously used method, application of the straight-line method raised the operating income of the Housing Company by ¥153 million, the UIEP Company by ¥189 million, the HPP Company by ¥493 million, and Other Businesses by ¥93 million in the first quarter of the current consolidated fiscal year.

### 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	16,526
Other Business income (loss)	-555
Inter-segment elimination total	110
Corporate expenses (Note)	-221
Total operating income reported in the quarterly consolidated statements of income	15,860

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)	185,164	21,135	18,383	28,630	2,550	255,864