

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

October 30, 2014

Company Name: Sekisui Chemical Co., Ltd.  
 Stock Listings: Tokyo Stock Exchange  
 Code Number: 4204  
 URL: <http://www.sekisuichemical.com>  
 Representative Director: Mr. Naofumi Negishi, President  
 Inquiries: Mr. Teiji Koge, Director, Senior Managing Executive Officer  
 TEL: +81-3- 5521-0522  
 Scheduled date for submission of quarterly financial statement: November 13, 2014  
 Scheduled date for payment of dividends: December 1, 2014  
 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, 2014 to September 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 H of FY2014	545,921	2.4	41,779	11.4	45,865	17.6	28,927	26.7
1st H of FY2013	533,056	3.3	37,518	49.9	38,989	73.0	22,826	78.2

Note. Comprehensive Income: September 30, 2014: 37,258 million yen (11.4%), September 30, 2013: 33,444 million yen (175.9%)

	Net Income per Share	Net Income per Share (Diluted)
	yen	yen
1st H of FY2014	56.79	56.70
1st H of FY2013	44.16	44.05

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
1st H of FY2014	949,979	502,214	51.0
FY2013	961,009	473,555	47.5

Note: Shareholders' Equity: September 30, 2014: 484,580 million 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	-	13.00	-	-	-
FY2014 (outlook)	-	-	-	13.00	26.00

Note: Revision of dividend estimates in the second quarter: Yes

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
Full Year	1,132,000	1.9	89,000	7.8	89,000	6.8	51,000	23.8	100.05

Note: Revision of consolidated earnings estimates in the second quarter: 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 page6 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 page6 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):	2nd Q of FY2014	532,507,285 shares
	FY2013	532,507,285 shares
b) Treasury stock at the end of term:	2nd Q of FY2014	22,762,237 shares
	FY2013	23,337,707 shares
c) Average outstanding shares in the period (quarterly consolidated cumulative total):	2nd Q of FY2014	509,407,994 shares
	2nd Q of FY2013	516,889,846 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. The full-year consolidated forecasts presented in this report are changed from the forecasts announced on April 28, 2014.
2. This report contains revised dividend distribution amounts from those announced on April 28, 2014, for the first half and fiscal year end (projected).
3. 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. Information Concerning the Consolidated Earnings Forecast and Forward-looking Statements” on page4 and “4. Revision to the Dividend Projection” on page5 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 FY2014.

<http://www.sekisuichemical.com/ir/pdf/20141030kge.pdf>

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

**2. Consolidated Financial Position**

**1) Financial Position (April 1, 2014, to September 30, 2014)**

Total assets amounted to ¥949.9 billion at the end of the first half of fiscal year 2014, representing a decrease of ¥11.0 billion from the end of fiscal year 2013. The decrease was due to a decline of ¥19.1 billion in current assets, primarily accounts receivable, trade and cash and deposits, and an increase of ¥8.1 billion in non-current assets.

Liabilities amounted to ¥447.7 billion, a decrease of ¥39.6 billion from the end of the fiscal year 2013, owing mainly to declines in interest-bearing debt and accounts payable.

Net assets amounted to ¥502.2 billion, an increase of ¥28.6 billion from the end of fiscal year 2013. Equity after deducting minority interests from net assets amounted to ¥484.5 billion. The shareholders' equity ratio was 51.0%.

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

Net cash provided by operating activities amounted to ¥36.0 billion. Cash inflows included ¥45.4 billion in income before income taxes and minority interests, ¥15.1 billion in depreciation and amortization, and a ¥19.8 billion decrease in notes and accounts receivable. These exceeded cash outflows, which included ¥18.0 billion in income taxes paid, decreases of ¥10.8 billion in notes and accounts payable and ¥6.8 billion in advances received, a ¥2.2 billion increase in inventories, and a ¥1.9 billion decrease in liability for retirement benefits.

Net cash provided by investing activities amounted to ¥11.9 billion. The increase was primarily due to a ¥30.0 billion net decrease in time deposits while ¥16.8 billion was utilized for purchases of property, plant, and equipment focused on priority and growth fields.

Net cash provided by financing activities amounted to ¥29.6 billion. The main elements were ¥6.4 billion in cash dividends paid and a ¥23.8 billion net decrease in interest-bearing debt.

The result of the above was cash and cash equivalents of ¥71.8 billion at the end of the first half of fiscal year 2014.

### **3. Information Concerning the Consolidated Earnings Forecast and Forward-looking Statements**

The Company has revised the consolidated earnings forecasts for the full fiscal year 2014 as shown below from the figures announced on April 28, 2014. The revision reflects strong sales of the High Performance Plastics Company, particularly for high-performance products, and the Company's overall progress improving business efficiency.

	Current Forecast	Previous Forecast (announced April 28, 2014)
Net Sales (Millions of yen)	1,132,000	1,154,000
Operating Income (Millions of yen)	89,000	87,000
Ordinary Income (Millions of yen)	89,000	85,000
Net Income (Millions of yen)	51,000	46,000
Net Income per Share (Yen)	100.05	90.34

#### 4. Revision to the Dividend Projection

Increasing corporate value and actively returning profit to its shareholders are fundamental management objectives at Sekisui Chemical. The Company's objective for shareholder return is to maintain a stable dividend level with a target consolidated-basis dividend payout ratio of 30%.

In line with this policy, the Company has revised its projected dividend payments as shown below for the current term to reflect the first half performance results and the revised performance forecasts for the full fiscal year.

	Dividend Per Share (Yen)				
	End of 1Q	End of 2Q	End of 3Q	End of Fiscal Year	Total
Previous Forecast (Announced April 28, 2014)	—	12.00	—	12.00	24.00
Revised Forecast	—	—	—	13.00	26.00
Results	—	13.00	—	—	—
Previous Year Dividends (Fiscal Year ended March 2014)	—	11.00	—	12.00	23.00

## **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 half 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 at the start 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 half 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 SHINKA!–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 ¥2,005 million in the first half of the current consolidated fiscal year.



## III. Consolidated Financial Statement (Second Quarter, Fiscal Year 2014)

## 1. Consolidated Balance Sheets

(Millions of Yen)

	End Fiscal Year 2013 (As of March 31, 2014)	End Second Quarter, Fiscal 2014 (As of September 30, 2014)
(Assets)		
Current Assets		
Cash and deposits	107,673	98,289
Notes receivable, trade	39,643	33,408
Accounts receivable, trade	152,591	141,996
Marketable securities	0	0
Merchandise and finished goods	54,209	58,053
Land for sale	21,716	22,161
Work in process	47,730	46,451
Raw materials and supplies	32,690	33,306
Advance payments	1,115	1,325
Prepaid expenses	3,030	3,853
Deferred income taxes	17,243	16,206
Short-term loans receivable	467	600
Other current assets	19,296	22,739
Allowance for doubtful accounts	-2,748	-2,893
Total current assets	494,660	475,501
Non-current assets		
Property, plant and equipment, net		
Buildings & structures, net	86,451	86,964
Machinery, equipment and vehicles, net	68,461	70,404
Land	69,419	69,669
Leased assets, net	9,045	10,314
Construction in progress	13,133	14,013
Other, net	5,540	6,487
Total property, plant and equipment, net	252,051	257,854
Intangible assets		
Goodwill	12,893	11,825
Software	6,173	6,936
Leased assets	325	297
Other	20,436	20,237
Total intangible assets	39,828	39,297
Investments and other assets		
Investments in securities	151,724	155,033
Long-term loans receivable	967	1,073
Long-term prepaid expenses	1,177	1,222
Deferred income taxes	8,964	8,270
Other	12,712	12,984
Allowance for doubtful accounts	-1,078	-1,258
Total investments and other assets	174,468	177,326
Total non-current assets	466,349	474,478
Total assets	961,009	949,979

(Millions of Yen)

	End Fiscal Year 2013 (As of March 31, 2014)	End Second Quarter, Fiscal 2014 (As of September 30, 2014)
<b>(Liabilities)</b>		
Current liabilities		
Notes payable, trade	8,453	6,781
Electronically recorded obligations	6,520	6,220
Accounts payable, trade	133,861	125,070
Short-term debt and current portion of long-term debt	44,146	35,103
Current portion of bonds	10,000	-
Lease obligations	2,907	3,154
Accrued expenses	32,056	34,014
Accrued income taxes and other taxes	18,286	14,091
Deferred income taxes	371	80
Allowance for bonuses to employees	17,250	16,285
Allowance for bonuses to directors and corporate auditors	261	-
Provision for compensation for completed constructions	1,132	1,195
Advances received	57,365	50,547
Other	55,752	55,792
Total current liabilities	388,365	348,338
Long-term liabilities		
Bonds	10,000	10,000
Long-term debt less current portion	20,459	18,132
Lease obligations	6,496	7,507
Deferred income taxes	4,923	5,236
Liability for retirement benefits	51,100	52,577
Other	6,109	5,973
Total long-term liabilities	99,089	99,426
Total liabilities	487,454	447,765
<b>(Net assets)</b>		
Shareholders' equity		
Common stock	100,002	100,002
Capital surplus	109,234	109,234
Retained earnings	240,231	260,402
Treasury stock	-20,347	-19,844
Total shareholders' equity	429,120	449,795
Accumulated other comprehensive income:		
Unrealized holding gain on securities	19,001	20,982
Deferred gain on hedges	7	46
Unrealized gain on land revaluation	261	262
Translation adjustments	6,959	12,438
Retirement benefit adjustments	1,468	1,055
Total accumulated other comprehensive income	27,698	34,785
Stock acquisition rights	267	319
Minority interests	16,468	17,314
Total net assets	473,555	502,214
Total liabilities, net assets	961,009	949,979

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

	(Millions of Yen)	
	First Half, Fiscal 2013 (From April 1, 2013 to September 30, 2013)	First Half, Fiscal 2014 (From April 1, 2014 to September 30, 2014)
Net sales	533,056	545,921
Cost of sales	372,265	379,754
Gross profit	160,790	166,166
Selling, general & administrative expenses	123,272	124,386
Operating Income	37,518	41,779
Non-operating income		
Interest income	475	484
Dividend income	2,910	3,823
Equity in earnings of affiliates	803	810
Foreign exchange gain, net	801	2,054
Miscellaneous income	1,626	1,650
Total non-operating income	6,618	8,823
Non-operating expenses		
Interest expenses	1,144	793
Sales discounts	163	160
Miscellaneous expenses	3,838	3,783
Total non-operating expenses	5,146	4,737
Ordinary income	38,989	45,865
Extraordinary loss		
Loss on impairment of fixed assets and goodwill	652	-
Loss on sales or disposal of property, plant and equipment	476	411
Total extraordinary loss	1,128	411
Income before income taxes and minority interests	37,861	45,454
Income taxes	14,404	15,956
Income before minority interests	23,457	29,498
Minority interests	630	570
Net income	22,826	28,927

(Consolidated Statement of Comprehensive Income)  
(First Half, Fiscal Year 2014)

	(Millions of Yen)	
	First Half, Fiscal 2013 (From April 1, 2013 to September 30, 2013)	First Half, Fiscal 2014 (From April 1, 2014 to September 30, 2014)
Income before minority interests	23,457	29,498
Other comprehensive income (loss)		
Unrealized holding gain on securities	2,687	1,690
Deferred gain (loss) on hedges	-52	38
Translation adjustments	7,024	6,146
Retirement benefit adjustments	-	-368
Comprehensive income of affiliates accounted for by the equity method attributable to the Company	327	252
Total other comprehensive income	9,987	7,759
Comprehensive income	33,444	37,258
Comprehensive income attributable to:		
Shareholders of the Company	32,273	36,014
Minority shareholders	1,170	1,243

## 3. Consolidated Statements of Cash Flows

(First Half, Fiscal Year 2014)

(Millions of Yen)

	First Half, Fiscal 2013 (From April 1, 2013 to September 30, 2013)	First Half, Fiscal 2014 (From April 1, 2014 to September 30, 2014)
Operating activities		
Income before income taxes and minority interests	37,861	45,454
Depreciation and amortization	16,248	15,185
Amortization of goodwill	1,485	1,221
Loss on impairment of fixed assets and goodwill	652	-
Loss on disposal of property, plant and equipment	426	327
Decrease in accrued retirement benefits	-1,634	-
Decrease in liability for retirement benefits	-	-1,944
Interest and dividends income	-3,386	-4,308
Interest expenses	1,308	953
Equity in earnings of affiliates	-803	-810
Decrease in notes and accounts receivable	10,029	19,847
Increase in inventories	-8,205	-2,254
Decrease in notes and accounts payable	-4,686	-10,847
Decrease (increase) in advances received	12,185	-6,851
Other	-397	-5,369
Subtotal	61,084	50,604
Interest and dividends received	3,597	4,632
Interest paid	-1,296	-1,135
Income taxes refund	2,195	-
Income taxes paid	-6,217	-18,096
Net cash provided by operating activities	59,363	36,005
Investing activities		
Purchases of property, plant and equipment	-14,480	-16,821
Proceeds from sales of property, plant and equipment	204	761
Payments into time deposits	-49,104	-4,009
Proceeds from withdrawal of time deposits	18,157	34,018
Purchases of investments in securities	-557	-1,492
Proceeds from sales or redemption of investments in securities	120	1,416
Purchases of intangible assets	-916	-1,942
Increase in short-term loans receivable	-47	-16
Other	-141	-8
Net cash provided by (used in) investing activities	-46,764	11,904
Financing activities		
Decrease (increase) in short-term debt, net	1,015	-4,728
Repayments of lease obligations	-1,699	-1,698
Proceeds from long-term debt	4,075	2,403
Repayment of long-term debt	-10,558	-9,831
Payments for redemption of bonds	-	-10,000
Proceeds from stock issuance to minority shareholders	389	-
Cash dividends paid	-4,651	-6,113
Cash dividends paid to minority shareholders of consolidated subsidiaries	-1,327	-334
Other	762	657
Net cash used in financing activities	-11,994	-29,646
Effect of exchange rate changes on cash and cash equivalents	1,407	2,309
Net increase in cash and cash equivalents	2,011	20,572
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	63,186	71,872

## 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 Half, Fiscal 2014 (April 1, 2014 to September 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	249,234	100,018	179,144	528,396	17,524	545,921
(2)Intersegment	47	6,390	3,191	9,629	471	10,101
Total	249,282	106,408	182,335	538,026	17,996	556,022
Operating income (loss)	20,685	158	22,224	43,067	-928	42,139

Note 1. The Other segment is not a reporting segment, which includes manufacturing and sales of industrial materials, 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 ¥312 million, the UIEP Company by ¥440 million, the HPP Company by ¥1,045 million, and Other Businesses by ¥206 million in the first half 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	43,067
Other Business loss	-928
Inter-segment elimination total	149
Corporate expenses (Note)	-509
Total 1Q-2Q operating income reported in the quarterly consolidated statements of income	41,779

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)	406,368	43,342	33,874	57,246	5,088	545,921