

**Summary of Consolidated Financial Results for the Second Quarter of Fiscal Year 2015 Ending March 31, 2016**  
**<Under Japanese GAAP>**

October 29, 2015

Company Name: Sekisui Chemical Co., Ltd.  
 Stock Listings: Tokyo Stock Exchange  
 Code Number: 4204  
 URL: <http://www.sekisuichemical.com/>  
 Representative Director: Mr. Teiji Koge, President  
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 Scheduled date for submission of quarterly financial statement: November 10, 2015  
 Scheduled date for payment of dividends: December 1, 2015  
 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, 2015 to September 30, 2015)

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

	Net Sales		Operating Income		Ordinary Income		Net Income attributable to Shareholders	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1st H of FY2015	538,909	-1.3	38,238	-8.5	39,493	-13.9	32,792	13.4
1st H of FY2014	545,921	2.4	41,779	11.4	45,865	17.6	28,927	26.7

Note. Comprehensive Income: September 30, 2015: 27,423 million yen (-26.4%), September 30, 2014: 37,258 million yen (11.4%)

	Net Income per Share	Net Income per Share (Diluted)
1st H of FY2015	66.05 yen	65.92 yen
1st H of FY2014	56.79	56.70

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
1st H of FY2015	956,806	541,029	54.4%
FY2014	968,011	535,292	53.3%

Note. Shareholders' Equity: September 30, 2015: 520,295 million yen, March 31, 2015: 516,312 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
FY2014	-	13.00	-	14.00	27.00
FY2015	-	14.00	-	-	-
FY2015 (outlook)	-	-	-	14.00	28.00

Note. Recent revision of dividend estimates: No

3. Consolidated Outlook for FY2015 (April 1, 2015 to March 31, 2016)

(% change from the previous year)

	Net Sales		Operating Income		Ordinary Income		Net income attributable to shareholders		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Full Year	1,120,000	0.7	90,000	4.9	89,000	1.2	58,000	9.4	118.85

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 5 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): No

c) Amendments to accounting estimates: No

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):	2nd Q of FY2015	520,507,285 shares
	FY2014	520,507,285 shares
b) Treasury stock at the end of term:	2nd Q of FY2015	32,481,393 shares
	FY2014	20,926,419 shares
c) Average outstanding shares in the period (quarterly consolidated cumulative total):	2nd Q of FY2015	496,453,214 shares
	2nd Q of FY2014	509,407,994 shares

## 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.

## 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, 2015.
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 FY2015.  
<http://www.sekisuichemical.com/ir/pdf/20151029kge.pdf>

[The Presentation Meeting is scheduled to be held on October 29, 2015, at 3:30 p.m. Japan time]

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

##### **1) Financial Position (April 1 to September 30, 2015)**

Total assets amounted to ¥956.8 billion at the end of the first half of fiscal year 2015, representing a decrease of ¥11.2 billion from the end of fiscal year 2014. The decrease was due to declines of ¥4.7 billion in current assets and ¥6.4 billion in non-current assets.

Liabilities amounted to ¥415.7 billion, a decrease of ¥16.9 billion from the end of the fiscal year 2014, owing mainly to a decline in accounts payable, trade.

Net assets amounted to ¥541.0 billion, an increase of ¥5.7 billion from the end of fiscal year 2014. Equity after deducting noncontrolling interests from net assets amounted to ¥520.2 billion. The shareholders' equity ratio was 54.4%.

##### **2) Cash Flows (April 1 to September 30, 2015)**

Net cash provided by operating activities amounted to ¥45.2 billion. Cash inflows included ¥48.1 billion in income before income taxes and noncontrolling interests, ¥16.9 billion in depreciation and amortization, and a ¥11.9 billion decrease in notes and accounts receivable. These exceeded cash outflows, which included ¥11.7 billion in income taxes paid, a ¥10.3 billion gain on the sale of investments in securities, and a decrease of ¥6.8 billion in notes and accounts payable.

Net cash used in investing activities amounted to ¥15.2 billion. The decrease was primarily due to ¥20.6 billion in proceeds from the sale of investments in securities including a portion of the holdings of Sekisui House Ltd. while ¥21.9 billion was utilized for purchases of property, plant, and equipment focused on priority and growth fields and ¥8.9 billion was used for purchases of investments in securities.

Net cash used in financing activities amounted to ¥28.5 billion. The main elements in the decrease were ¥16.7 billion to purchase of treasury stock, ¥7.4 billion in cash dividends paid, and a ¥4.6 billion net decrease in interest-bearing debt.

The result of the above was cash and cash equivalents of ¥64.6 billion at the end of the first half of fiscal year 2015.

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

The Company has revised the consolidated earnings forecasts for the full fiscal year 2015 as shown below from the figures announced on April 28, 2015. The revision primarily reflects the housing orders, which were less than our initial plan, and the booking of a ¥10.3 billion gain on the sale of investment securities in the first quarter of the current fiscal year.

	<b>Revised forecasts</b>	<b>Previous forecast</b> announced April 28, 2015
Net Sales (Millions of yen)	1,120,000	1,144,000
Operating Income (Millions of yen)	90,000	92,000
Ordinary Income (Millions of yen)	89,000	91,000
Net income attributable to shareholders (millions of yen)	58,000	55,000
Net Income per Share (Yen)	118.85	110.09

## 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 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 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 Revised Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No. 21, issued September 13, 2013), Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, issued September 13, 2013), and Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7, issued September 13, 2013) beginning with the consolidated fiscal year period started on April 1, 2015. In addition, the Company booked as capital reserves the differences arising from the changes in the equity holdings of subsidiaries in which the Company has controlling interest and changed the method of accounting for costs related to acquisitions during the consolidated fiscal year.

Due to the corporate integration effected at the start of the current consolidated fiscal year, the Company also changed the method for presenting the revised amount allocated for the acquisition cost based on the established provisional accounting treatment to reflect the periods for the consolidated quarters associated with the date of corporate integration in the quarterly consolidated financial statements.

Presentations of the quarterly net income and other amounts were changed, and minority interest was changed to noncontrolling interest. The consolidated cumulative second quarter and full year amounts for the previous fiscal year were reclassified in the quarterly consolidated financial statements and the consolidated financial statements to reflect these changes.

In the consolidated statements of quarterly cash flows for the consolidated cumulative second quarter, cash flow associated with the acquisition or sale of stocks of subsidiaries that do not affect the scope of consolidation are reported in “net cash provided by (used in) financing activities,” and cash flow associated with expenses associated with the acquisition of stocks of subsidiaries that affect the scope of consolidation or expenses associated with the acquisition or sale of stocks of subsidiaries that do not affect the scope of consolidation are reported in “net cash provided by (used in) operating activities.”

The application of the corporate accounting standards is in line with the transitional measures provided the Accounting Standard for Business Combinations Paragraph 58-2 (4), Accounting Standard for Consolidated Financial Statements Paragraph 44-5 (4), and Accounting Standard for Business Divestitures Paragraph 57-4 (4) and is effected beginning with the consolidated fiscal year period started on April 1, 2015.

These changes had no material effect on the operating income, ordinary income, or income before income taxes and minority interests amounts for the current consolidated cumulative second quarter or on the capital surplus amount at the end of the current consolidated cumulative second quarter.

## 3. Consolidated Financial Statement (Second Quarter, Fiscal Year 2015)

## (1) Consolidated Balance Sheets

	(Millions of Yen)	
	End Fiscal Year 2014	End Second Quarter, Fiscal 2015
	(As of March 31, 2015)	(As of September 30, 2015)
(Assets)		
Current Assets		
Cash and deposits	87,169	92,613
Notes receivable, trade	40,026	33,528
Accounts receivable, trade	146,353	140,474
Marketable securities	0	7
Merchandise and finished goods	61,922	59,585
Land for sale	22,382	22,900
Work in process	40,990	41,150
Raw materials and supplies	32,309	32,244
Advance payments	2,733	2,347
Prepaid expenses	2,964	3,751
Deferred tax assets	14,718	14,316
Short-term loans receivable	2,010	797
Other current assets	15,707	20,363
Allowance for doubtful accounts	-3,126	-2,637
Total current assets	466,164	461,443
Non-current assets		
Property, plant and equipment, net		
Buildings & structures	88,709	89,672
Machinery, equipment and vehicles	75,503	80,629
Land	70,055	69,737
Leased assets	9,894	9,301
Construction in progress	12,370	12,927
Other	7,324	7,706
Total property, plant and equipment, net	263,857	269,974
Intangible assets		
Goodwill	10,787	12,227
Software	7,241	7,780
Leased assets	264	257
Other	15,812	15,629
Total intangible assets	34,106	35,894
Investments and other assets		
Investments in securities	182,049	170,258
Long-term loans receivable	715	626
Long-term prepaid expenses	1,601	1,487
Asset for retirement benefits	844	978
Deferred tax assets	7,131	4,259
Other	12,305	12,602
Allowance for doubtful accounts	-764	-719
Total investments and other assets	203,883	189,493
Total non-current assets	501,847	495,362
Total assets	968,011	956,806

(Millions of Yen)

	End Fiscal Year 2014 (As of March 31, 2015)	End Second Quarter, Fiscal 2015 (As of September 30, 2015)
<b>(Liabilities)</b>		
Current liabilities		
Notes payable, trade	7,541	4,421
Electronically recorded obligations	6,886	10,830
Accounts payable, trade	121,544	110,076
Short-term debt and current portion of long-term debt	25,830	28,106
Current portion of bonds	-	10,016
Lease obligations	3,169	3,097
Accrued expenses	36,244	38,176
Accrued income taxes and other taxes	13,184	16,239
Deferred tax liabilities	44	77
Allowance for bonuses to employees	16,570	15,740
Allowance for bonuses to directors and corporate auditors	258	-
Provision for compensation for completed constructions	1,161	1,131
Advances received	43,204	44,877
Other	57,785	57,551
Total current liabilities	333,426	340,343
Long-term liabilities		
Bonds	10,000	78
Long-term debt less current portion	17,111	10,984
Lease obligations	7,009	6,515
Deferred tax liabilities	10,591	5,503
Liability for retirement benefits	48,637	47,030
Other	5,941	5,321
Total long-term liabilities	99,291	75,433
Total liabilities	432,718	415,776
<b>(Net assets)</b>		
Shareholders' equity		
Common stock	100,002	100,002
Capital surplus	109,234	109,183
Retained earnings	265,246	290,462
Treasury stock, at cost	-21,770	-38,062
Total shareholders' equity	452,712	461,585
Accumulated other comprehensive income:		
Unrealized holding gain on securities	43,713	41,533
Deferred gain on hedges	33	-14
Unrealized gain on land revaluation	301	301
Translation adjustments	16,417	14,081
Retirement benefit adjustments	3,133	2,807
Total accumulated other comprehensive income	63,599	58,709
Stock acquisition rights	414	460
Noncontrolling interests	18,566	20,273
Total net assets	535,292	541,029
Total liabilities and net assets	968,011	956,806



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

## Consolidated Statements of Income

First Half, Fiscal Year 2015

	(Millions of Yen)	
	First Half, Fiscal 2014 (From April 1, 2014 to September 30, 2014)	First Half, Fiscal 2015 (From April 1, 2015 to September 30, 2015)
Net sales	545,921	538,909
Cost of sales	379,754	372,488
Gross profit	166,166	166,420
Selling, general & administrative expenses	124,386	128,182
Operating Income	41,779	38,238
Non-operating income		
Interest income	484	439
Dividend income	3,823	3,322
Equity in earnings of affiliates	810	973
Foreign exchange gain, net	2,054	383
Miscellaneous income	1,650	1,247
Total non-operating income	8,823	6,367
Non-operating expenses		
Interest expenses	793	644
Sales discounts	160	153
Miscellaneous expenses	3,783	4,314
Total non-operating expenses	4,737	5,113
Ordinary income	45,865	39,493
Extraordinary income		
Gain on sales of investments in securities	-	10,342
Total extraordinary income	-	10,342
Extraordinary loss		
Loss on impairment of fixed assets and goodwill	-	666
Loss on sales or disposal of property, plant and equipment	411	1,048
Total extraordinary loss	411	1,714
Income before income taxes and noncontrolling interests	45,454	48,121
Income taxes	15,956	14,948
Net Income	29,498	33,173
Net income attributable to noncontrolling interests	570	380
Net income attributable to shareholders	28,927	32,792

Consolidated Statement of Comprehensive Income  
First Half, Fiscal Year 2015

	(Millions of Yen)	
	First Half, Fiscal 2014 (From April 1, 2014 to September 30, 2014)	First Half, Fiscal 2015 (From April 1, 2015 to September 30, 2015)
Net income	29,498	33,173
Other comprehensive income (loss)		
Unrealized holding gain on securities	1,690	-2,036
Deferred loss (gain) on hedges	38	-47
Translation adjustments	6,146	-3,196
Retirement benefit adjustments	-368	-264
Comprehensive income of affiliates accounted for by the equity method attributable to the Company	252	-203
Total other comprehensive income	7,759	-5,749
Comprehensive income	37,258	27,423
Comprehensive income attributable to:		
Shareholders of the Company	36,014	27,903
Noncontrolling interests	1,243	-479

## (3) Consolidated Statements of Cash Flows

First Half, Fiscal Year 2015

(Millions of Yen)

	First Half, Fiscal 2014 (From April 1, 2014 to September 30, 2014)	First Half, Fiscal 2015 (From April 1, 2015 to September 30, 2015)
Operating activities		
Income before income taxes	45,454	48,121
Depreciation and amortization	15,185	16,984
Amortization of goodwill	1,221	1,058
Loss on impairment of fixed assets and goodwill	-	666
Loss on disposal of property, plant and equipment	327	565
Loss on sales of property, plant and equipment, net	84	482
Decrease in liability for retirement benefits	-1,944	-1,639
Gain on sales of investments in securities	-	-10,342
Interest and dividends income	-4,308	-3,762
Interest expenses	953	798
Equity in earnings of affiliates	-810	-973
Decrease in notes and accounts receivable	19,847	11,926
Decrease (increase) in inventories	-2,254	1,644
Decrease in notes and accounts payable	-10,847	-6,888
Increase (decrease) in advances received	-6,851	1,572
Other	-5,453	-6,538
Subtotal	50,604	53,674
Interest and dividends received	4,632	4,093
Interest paid	-1,135	-757
Income taxes paid	-18,096	-11,738
Net cash provided by operating activities	36,005	45,271
Investing activities		
Purchases of property, plant and equipment	-16,821	-21,935
Proceeds from sales of property, plant and equipment	761	841
Payments into time deposits	-4,009	-27,641
Proceeds from withdrawal of time deposits	34,018	24,006
Purchases of investments in securities	-1,492	-8,935
Proceeds from sales or redemption of investments in securities	1,416	20,663
Purchases of intangible assets	-1,942	-2,415
Decrease (increase) in short-term loans receivable	-16	76
Other	-8	138
Net cash used in (provided by) investing activities	11,904	-15,202
Financing activities		
Decrease in short-term debt, net	-4,728	-757
Repayments of lease obligations	-1,698	-1,727
Proceeds from long-term debt	2,403	1,554
Repayment of long-term debt	-9,831	-3,753
Payments for redemption of bonds	-10,000	-
Cash dividends paid	-6,113	-6,996
Cash dividends paid to noncontrolling shareholders of consolidated subsidiaries	-334	-466
Purchases of treasury stock	-10	-16,781
Other	667	412
Net cash used in financing activities	-29,646	-28,515
Effect of exchange rate changes on cash and cash equivalents	2,309	-966
Net increase in cash and cash equivalents	20,572	587
Cash and cash equivalents at beginning of term	51,248	62,780
Increase in cash and cash equivalents from newly consolidated subsidiary	52	1,255
Decrease in cash and cash equivalents resulting from exclusion of a subsidiary from consolidation	-	-0
Cash and cash equivalents at end of term	71,872	64,622

## (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 2015 (April 1, 2015 to September 30, 2015)

**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	233,839	101,035	186,874	521,749	17,159	538,909
(2) Intersegment	24	6,452	3,214	9,691	438	10,129
Total	233,863	107,488	190,089	531,441	17,598	549,039
Operating income (loss)	16,241	-836	24,830	40,235	-1,607	38,628

Note: The Others segment comprises items not included in the Company's other reporting segments; among these items are services, production materials, and the production and sales of agricultural/construction materials.

**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	40,235
Other Business income (loss)	-1,607
Inter-segment elimination total	44
Corporate expenses (Note)	-433
Total operating income reported in the quarterly consolidated statements of income	38,238

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)	392,407	44,509	35,524	60,785	5,682	538,909