

**Summary of Consolidated Financial Results for the First Quarter of Fiscal Year 2016 Ending March 31, 2017**  
**<Under Japanese GAAP>**

July 28, 2016

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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 TEL: +81-3- 5521-0522  
 Scheduled date for submission of quarterly financial statement: August 8, 2016  
 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, 2016 to June 30, 2016)

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1st Q of FY2016	227,774	-5.6	11,198	33.8	6,124	-38.8	65	-99.5
1st Q of FY2015	241,187	-5.7	8,368	-47.2	10,012	-37.0	12,560	52.3

Note. Comprehensive Income: June 30, 2016: -21,207 million yen (-), June 30, 2015: 20,684 million yen (60.3%)

	Net Income Attributable to Owners of Parent per Share	Net Income Attributable to Owners of Parent per Share (Diluted)
	yen	yen
1st Q of FY2016	0.13	0.13
1st Q of FY2015	25.14	25.07

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
1st Q of FY2016	913,030	510,996	53.8
FY2015	936,043	544,156	55.9

Note. Shareholders' Equity: June 30, 2016: 490,864million yen, March 31, 2016: 523,057 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
FY2015	-	14.00	-	16.00	30.00
FY2016	-	-	-	-	-
FY2016 (outlook)	-	16.00	-	16.00	32.00

Note. Recent revision of dividend estimates: No

3. Consolidated Outlook for FY2016 (April 1, 2016 to March 31, 2017)

(% change from the previous year)

	Net Sales		Operating Income		Ordinary Income		Net income Attributable to Owners of Parent		Net income Attributable to Owners of Parent per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Mid-Term	519,000	-3.7	40,000	4.6	36,000	-8.8	24,000	-26.8	49.43
Full Year	1,097,000	0.1	94,000	4.7	88,000	8.4	59,000	4.1	121.52

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: 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):	1st Q of FY2016	510,507,285 shares
	FY2015	510,507,285 shares
b) Treasury stock at the end of term:	1st Q of FY2016	24,974,300 shares
	FY2015	22,236,633 shares
c) Average outstanding shares in the period (quarterly consolidated cumulative total):	1st Q of FY2016	487,579,391 shares
	1st Q of FY2015	499,713,595 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. This report contains revisions to the consolidated forecasts for the first half of the fiscal year announced on April 27, 2016. 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) Revision to the consolidated results forecast and other forward-looking information” on page 4 of the Quarterly Financial Report (Supplementary Material).

## **(Supplementary Material)**

### **I. Consolidated Business Results**

#### **1. Analysis of Operating Results**

Please see the following attachment of materials from presentation of Financial Results for the First Quarter of FY2016.

<http://www.sekisuichemical.com/ir/pdf/20160728kge.pdf>

[The Presentation Meeting is scheduled to be held on July 28, 2016, at 3:30 p.m. Japan time]

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

##### **1) Financial Position (April 1, 2016 to June 30, 2016)**

Total assets stood at ¥913.0 billion as of June 30, 2016, a decrease of ¥23.0 billion compared with the end of the previous fiscal year. This decrease was mainly due to a decline in accounts receivable, trade and other current assets of ¥3.4 billion and a downturn in investments in securities and other non-current assets of ¥19.5 billion.

Liabilities amounted to ¥402.0 billion, an increase of ¥10.1 billion compared with the previous fiscal year-end. This largely reflected the increase in interest-bearing debt.

Net assets came to ¥ 510.9 billion, down ¥33.1 billion compared with the end of the previous fiscal year. Equity after deducting noncontrolling interest from net assets amounted to ¥490.8 billion. The shareholders' equity ratio was 53.8%.

##### **2) Cash Flows (April 1, 2016 to June 30, 2016)**

Net cash provided by operating activities amounted to ¥10.5 billion. Major cash inflows included income before income taxes of ¥3.6 billion, depreciation and amortization of ¥8.4 billion, decrease in notes and accounts receivable of ¥15.0 billion, and increase in advances received of ¥12.0 billion, which exceeded principal cash outflows, which included increase in inventories of ¥17.4 billion, decrease in notes and accounts payable of ¥9.9 billion, and income taxes paid of ¥3.9 billion.

Net cash used in investing activities came to ¥5.9 billion. While Sekisui Chemical reported proceeds from sales or redemption of investments in securities of ¥5.2 billion, largely reflecting the sale of a portion of the shares of Sekisui House, Ltd. held by the Company, this decrease was primarily due to purchases of property, plant and equipment of ¥9.3 billion mainly in the priority and growth fields.

Net cash provided by financing activities amounted to ¥5.9 billion. The major cash outflows were ¥7.9 billion in cash dividends paid and ¥4.2 billion in purchase of treasury stock. This was more than offset by such factors as the net increase in interest-bearing debt of ¥17.8 billion.

Accounting for each of the aforementioned activities, cash and cash equivalents as of June 30, 2016 stood at ¥70.9 billion.

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

Sekisui Chemical has revised its consolidated forecast figures for the cumulative second quarter period of the fiscal year under review from those announced on April 27, 2016. In specific terms, the Company has revised downward its forecast for net sales after factoring in the projected impact of movements in foreign currency exchange rates. Accounting for the anticipated improvement in its product mix as a result of the forecast growth in sales of high-performance products in the Automobiles and Transportation field as well as the expected positive flow-on effects of structural reforms, the previous forecast for operating income remains unchanged. Turning to ordinary income and net income attributable to owners of the parent, Sekisui Chemicals has also revised downward its forecasts after posting a loss on foreign exchange of ¥3.4 billion and a loss on devaluation of investments in securities of ¥4.4 billion in the first quarter of the fiscal year ending March 31, 2017.

	Revised Forecast	Previous Forecast
Net Sales (millions of yen)	519,000	533,000
Operating Income (millions of yen)	40,000	40,000
Ordinary Income (millions of yen)	36,000	38,500
Net Income Attributable to Owners of the Parent (millions of yen)	24,000	26,000
Net Income Per Share (yen)	49.43	53.25

There is no change to consolidated forecast figures for the full fiscal year ending March 31, 2017.

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

1. Significant change of subsidiary companies during the term: 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.
3. Additional Information
  - Application of the Implementation Guidance on Recoverability of Deferred Tax Assets**  
Effective from the first quarter of the current fiscal year, we have applied the "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, issued on March 28, 2016).

## 3. Consolidated Financial Statement (First Quarter, Fiscal Year 2016)

## (1) Consolidated Balance Sheets

First Quarter, Fiscal Year 2016

(Millions of Yen)

	End Fiscal Year 2015	End First Quarter, Fiscal 2016
	As of March 31, 2016	As of June 30, 2016
<b>(Assets)</b>		
<b>Current Assets</b>		
Cash and deposits	68,007	71,814
Notes receivable, trade	35,168	34,051
Accounts receivable, trade	140,828	119,664
Marketable securities	107	0
Merchandise and finished goods	58,917	59,891
Land for sale	25,405	27,576
Work in process	38,204	49,971
Raw materials and supplies	28,233	27,166
Advance payments	4,679	1,034
Prepaid expenses	3,766	3,817
Deferred tax assets	12,540	13,526
Short-term loans receivable	974	1,009
Other current assets	19,377	22,885
Allowance for doubtful accounts	-1,698	-1,358
<b>Total current assets</b>	<b>434,513</b>	<b>431,052</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment, net</b>		
Buildings & structures	90,767	91,200
Machinery, equipment and vehicles	78,352	76,775
Land	71,203	70,519
Leased assets	9,402	10,055
Construction in progress	12,244	8,808
Other	8,004	7,983
<b>Total property, plant and equipment, net</b>	<b>269,974</b>	<b>265,343</b>
<b>Intangible assets</b>		
Goodwill	16,783	16,037
Software	8,108	8,348
Leased assets	271	295
Other	18,559	16,838
<b>Total intangible assets</b>	<b>43,722</b>	<b>41,520</b>
<b>Investments and other assets</b>		
Investments in securities	168,262	153,579
Long-term loans receivable	696	711
Long-term prepaid expenses	1,421	1,449
Asset for retirement benefits	625	587
Deferred tax assets	4,925	6,826
Other	14,424	14,624
Allowance for doubtful accounts	-2,521	-2,664
<b>Total investments and other assets</b>	<b>187,833</b>	<b>175,114</b>
<b>Total non-current assets</b>	<b>501,530</b>	<b>481,978</b>
<b>Total assets</b>	<b>936,043</b>	<b>913,030</b>

(Millions of Yen)

	End Fiscal Year 2015	End First Quarter, Fiscal 2016
	As of March 31, 2016	As of June 30, 2016
<b>(Liabilities)</b>		
Current liabilities		
Notes payable, trade	5,021	4,781
Electronically recorded obligations	14,781	15,420
Accounts payable, trade	105,232	92,633
Short-term debt and current portion of long-term debt	22,899	22,674
Commercial paper	-	17,000
Current portion of bonds	10,016	16
Lease obligations	3,227	3,372
Accrued expenses	38,242	34,507
Accrued income taxes and other taxes	5,686	5,802
Allowance for bonuses to employees	16,745	13,318
Allowance for bonuses to directors and audit and supervisory board members	259	-
Provision for compensation for completed constructions	1,209	1,201
Provision for loss on transfer of business	3,241	3,021
Advances received	40,534	52,464
Other	47,845	48,278
Total current liabilities	314,944	314,493
Long-term liabilities		
Bonds	69	10,069
Long-term debt less current portion	9,569	10,632
Lease obligations	6,555	7,070
Deferred tax liabilities	3,782	3,622
Liability for retirement benefits	51,455	50,611
Other	5,509	5,533
Total long-term liabilities	76,942	87,540
Total liabilities	391,887	402,033
<b>(Net assets)</b>		
Shareholders' equity		
Common stock	100,002	100,002
Capital surplus	109,183	109,183
Retained earnings	295,659	287,825
Treasury stock, at cost	-25,970	-29,933
Total shareholders' equity	478,874	467,078
Accumulated other comprehensive income:		
Unrealized holding gain on securities	40,054	34,777
Deferred loss on hedges	-116	-161
Unrealized gain on land revaluation	321	321
Translation adjustments	5,817	-9,454
Retirement benefit adjustments	-1,894	-1,695
Total accumulated other comprehensive income	44,182	23,786
Stock acquisition rights	512	531
Noncontrolling interests	20,586	19,600
Total net assets	544,156	510,996
Total liabilities and net assets	936,043	913,030

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

## Consolidated Statements of Income

First Quarter, Fiscal Year 2016

	(Millions of Yen)	
	First Quarter, Fiscal 2015 (From April 1, 2015 to June 30, 2015)	First Quarter, Fiscal 2016 (From April 1, 2016 to June 30, 2016)
Net sales	241,187	227,774
Cost of sales	168,666	152,731
Gross profit	72,521	75,043
Selling, general & administrative expenses	64,153	63,844
Operating Income	8,368	11,198
Non-operating income		
Interest income	205	190
Dividend income	1,855	1,890
Equity in earnings of affiliates	147	132
Foreign exchange gain, net	548	-
Miscellaneous income	531	486
Total non-operating income	3,289	2,699
Non-operating expenses		
Interest expenses	304	160
Sales discounts	74	96
Foreign exchange loss, net	-	3,435
Miscellaneous expenses	1,265	4,080
Total non-operating expenses	1,645	7,773
Ordinary income	10,012	6,124
Extraordinary income		
Gain on sales of investments in securities	10,342	2,202
Total extraordinary income	10,342	2,202
Extraordinary loss		
Loss on devaluation of investments in securities	-	4,460
Loss on sales or disposal of property, plant and equipment	372	176
Total extraordinary loss	372	4,636
Income before income taxes	19,982	3,689
Income taxes	7,341	3,268
Net Income	12,641	421
Net Income Attributable:		
Non-controlling interests	80	356
Owners of Parent	12,560	65



Consolidated Statement of Comprehensive Income  
First Quarter, Fiscal Year 2016

	(Millions of Yen)	
	First Quarter, Fiscal 2015 (From April 1, 2015 to June 30, 2015)	First Quarter, Fiscal 2016 (From April 1, 2016 to June 30, 2016)
Net income	12,641	421
Other comprehensive loss (income)		
Unrealized holding loss (gain) on securities	2,919	-5,114
Deferred loss (gain) on hedges	13	-45
Translation adjustments	5,251	-16,503
Retirement benefit adjustments	-124	214
Comprehensive loss of affiliates accounted for by the equity method attributable to the Company	-16	-181
Total other comprehensive income	8,043	-21,629
Comprehensive loss (income)	20,684	-21,207
Comprehensive income attributable to:		
Owners of Parent	20,332	-20,330
Non-controlling interests	351	-877

## (3) Consolidated Statements of Cash Flows

First Quarter, Fiscal Year 2016

(Millions of Yen)

	First Quarter, Fiscal 2015 (From April 1, 2015 to June 30, 2015)	First Quarter, Fiscal 2016 (From April 1, 2016 to June 30, 2016)
<b>Operating activities:</b>		
Income before income taxes	19,982	3,689
Depreciation and amortization	8,141	8,418
Amortization of goodwill	539	547
Loss on disposal of property, plant and equipment	200	156
Loss on sales of property, plant and equipment, net	171	20
Decrease in reserve for bonuses	-2,855	-3,359
Decrease in liability for retirement benefits	-382	-476
Gain on sales of investments in securities	-10,342	-2,202
Loss on devaluation of investment in securities	-	4,460
Interest and dividends income	-2,061	-2,080
Interest expenses	379	257
Equity in earnings of affiliates	-147	-132
Decrease in notes and accounts receivable	16,754	15,074
Increase in inventories	-5,926	-17,459
Decrease in notes and accounts payable	-16,156	-9,943
Decrease in consumption tax payable	-3,200	-2,205
Increase in advances received	7,281	12,070
Other	-152	5,471
Subtotal	12,226	12,307
Interest and dividends received	2,413	2,453
Interest paid	-405	-265
Income taxes paid	-10,116	-3,935
Net cash provided by operating activities	4,118	10,560
<b>Investing activities:</b>		
Purchases of property, plant and equipment	-8,895	-9,374
Proceeds from sales of property, plant and equipment	498	56
Proceeds from sales or redemption of investments in securities	20,659	5,229
Purchases of intangible assets	-1,046	-1,004
Acquisitions of securities in subsidiaries	-	-601
Increase in short-term loans receivable	-29	-34
Other	3,628	-188
Net cash used in (provided by) investing activities	14,813	-5,917
<b>Financing activities:</b>		
Increase (decrease) in short-term debt, net	-3,045	4,103
Repayments of lease obligations	-918	-902
Increase in commercial paper	-	17,000
Proceeds from long-term debt	1,040	1,011
Repayment of long-term debt	-2,267	-3,367
Proceeds from issuance of bonds	-	10,000
Payment for redemption of bonds	-	-10,000
Cash dividends paid	-6,995	-7,824
Cash dividends paid to non-controlling interests	-111	-108
Purchase of treasury stock	-8	-4,275
Other	305	303
Net cash provided by (used in) financing activities	-12,001	5,939
Effect of exchange rate changes on cash and cash equivalents	161	-6,686
Net increase in cash and cash equivalents	7,092	3,895
Cash and cash equivalents at beginning of term	62,780	67,104
Increase in cash and cash equivalents from newly consolidated subsidiaries	1,255	-
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-0	-
Cash and cash equivalents at end of term	71,127	70,999

## (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 2016 (April 1, 2016 to June 30, 2016)

**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	89,613	47,570	89,785	226,969	804	227,774
(2) Intersegment	19	2,881	1,354	4,256	10	4,267
Total	89,633	50,452	91,139	231,225	815	232,041
Operating income (loss)	-1,784	-406	15,473	13,282	-1,892	11,390

Note: The Others segment comprises items not included in the Company's other reporting segments; among these items are services and the production and sales of industrial goods.

**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	13,282
Other Business income (loss)	-1,892
Inter-segment elimination total	23
Corporate expenses (Note)	-215
Total operating income reported in the quarterly consolidated statements of income	11,198

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)	163,889	18,989	15,040	26,875	2,978	227,774