

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

October 27, 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
 Inquiries: Mr. Yoshiyuki Hirai, Director, Executive Officer
 TEL: +81-3- 5521-0522
 Scheduled date for submission of quarterly financial statement: November 9, 2016
 Scheduled date for payment of dividends: December 1, 2016
 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, 2016 to September 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 H of FY2016	517,854	-3.9	43,653	14.2	40,015	1.3	26,073	-20.5
1st H of FY2015	538,909	-1.3	38,238	-8.5	39,493	-13.9	32,792	13.4

Note. Comprehensive Income: September 30, 2016: 171 million yen (-99.4%), September 30, 2015: 27,423 million yen (-26.4%)

	Net Income Attributable to Owners of Parent per Share	Net Income Attributable to Owners of Parent per Share (Diluted)
	yen	yen
1st H of FY2016	53.67	53.60
1st H of FY2015	66.05	65.92

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
1st H of FY2016	910,674	526,749	55.6
FY2015	936,043	544,156	55.9

Note. Shareholders' Equity: September 30, 2016: 506,147 million 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	-	16.00	-	-	-
FY2016 (outlook)	-	-	-	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
Full Year	1,066,000	-2.8	94,000	4.7	88,000	8.4	59,000	4.1	122.49

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):	2nd Q of FY2016	510,507,285 shares
	FY2015	510,507,285 shares
b) Treasury stock at the end of term:	2nd Q of FY2016	28,850,664 shares
	FY2015	22,236,633 shares
c) Average outstanding shares in the period (quarterly consolidated cumulative total):	2nd Q of FY2016	485,794,357 shares
	2nd Q of FY2015	496,453,214 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 27, 2016.
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 Second Quarter of FY2016.
<http://www.sekisuichemical.com/ir/pdf/20161027kge.pdf>

[The Presentation Meeting is scheduled to be held on October 27, 2016, at 3:30 p.m. Japan time]

2. Consolidated Financial Position

1) Financial Position (April 1, 2016 to September 30, 2016)

Total assets stood at ¥910.6 billion as of September 30, 2016, a decrease of ¥25.3 billion compared with the end of the previous fiscal year. While current assets increased ¥6.8 billion, this decrease in total assets was mainly due to the downturn in investments in securities and other non-current assets of ¥32.2 billion.

Liabilities amounted to ¥383.9 billion, a decrease of ¥7.9 billion compared with the end of the previous fiscal year. This largely reflected the drop in interest-bearing debt and accounts payable.

Net assets came to ¥526.7 billion, down ¥17.4 billion compared with the end of the previous fiscal year. Equity after deducting noncontrolling interest from net assets amounted to ¥506.1 billion. The shareholders' equity ratio was 55.6%.

2) Cash Flows (April 1, 2016 to September 30, 2016)

Net cash provided by operating activities amounted to 59.8 billion. Major cash inflows included income before income taxes of ¥38.6 billion, depreciation and amortization of ¥16.9 billion, and a decrease notes and accounts receivable of ¥8.3 billion, which exceeded the principal cash outflows, which included of a decrease in the gain on sales of investments in securities of ¥6.8 billion.

Net cash used in investing activities came to ¥9.6 billion. While Sekisui Chemical reported proceeds from sales or redemption of investment in securities of ¥17.7 billion, largely reflecting the sale of a portion of the share of Sekisui House. Ltd. held by the Company, this decrease was primarily due to purchases of property, plant and equipment of ¥17.9 billion mainly in the priority and growth fields as well as net payments into time deposits of ¥4.1 billion.

Net cash used in financing activities amounted to ¥24.5 billion. The major cash outflows were ¥9.9 billion for the purchase of treasury stock, ¥8.3 billion in cash dividends paid, and the net decrease in interest-bearing debt of ¥7.0 billion.

Accounting for each of the aforementioned activities, cash and cash equivalents as of September 30, 2016 stood at ¥86.1 billion.

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

The Company has decided to revise its consolidated results forecasts for the full fiscal year announced on April 27, 2016. This largely reflects changes in foreign currency exchange rates and the strong yen.

	Revised Forecast	Previous Forecast (Announced on April 27, 2016)
Net Sales (millions of yen)	1,066,000	1,097,000
Operating Income (millions of yen)	94,000	94,000
Ordinary Income (millions of yen)	88,000	88,000
Net Income Attributable to Owners of the Parent (millions of yen)	59,000	59,000
Net Income Per Share (yen)	122.49	120.83

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 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. 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 (Second Quarter, Fiscal Year 2016)

(1) Consolidated Balance Sheets

(Millions of Yen)

	End Fiscal Year 2015 (As of March 31, 2016)	End Second Quarter, Fiscal 2016 (As of September 30, 2016)
(Assets)		
Current Assets		
Cash and deposits	68,007	91,037
Notes receivable, trade	35,168	29,890
Accounts receivable, trade	140,828	127,621
Marketable securities	107	0
Merchandise and finished goods	58,917	56,323
Land for sale	25,405	27,465
Work in process	38,204	41,594
Raw materials and supplies	28,233	26,776
Advance payments	4,679	977
Prepaid expenses	3,766	4,082
Deferred tax assets	12,540	12,680
Short-term loans receivable	974	4,551
Other current assets	19,377	19,620
Allowance for doubtful accounts	-1,698	-1,224
Total current assets	434,513	441,398
Non-current assets		
Property, plant and equipment, net		
Buildings & structures	90,767	89,711
Machinery, equipment and vehicles	78,352	75,692
Land	71,203	69,774
Leased assets	9,402	9,713
Construction in progress	12,244	8,102
Other	8,004	8,188
Total property, plant and equipment, net	269,974	261,182
Intangible assets		
Goodwill	16,783	15,556
Software	8,108	8,278
Leased assets	271	265
Other	18,559	16,647
Total intangible assets	43,722	40,748
Investments and other assets		
Investments in securities	168,262	143,895
Long-term loans receivable	696	654
Long-term prepaid expenses	1,421	1,326
Asset for retirement benefits	625	523
Deferred tax assets	4,925	8,630
Other	14,424	14,949
Allowance for doubtful accounts	-2,521	-2,634
Total investments and other assets	187,833	167,345
Total non-current assets	501,530	469,275
Total assets	936,043	910,674

(Millions of Yen)

	End Fiscal Year 2015 (As of March 31, 2016)	End Second Quarter, Fiscal 2016 (As of September 30, 2016)
(Liabilities)		
Current liabilities		
Notes payable, trade	5,021	4,222
Electronically recorded obligations	14,781	17,987
Accounts payable, trade	105,232	94,652
Short-term debt and current portion of long-term debt	22,899	15,318
Current portion of bonds	10,016	16
Lease obligations	3,227	3,293
Accrued expenses	38,242	37,243
Accrued income taxes and other taxes	5,686	12,684
Deferred tax liabilities	-	0
Allowance for bonuses to employees	16,745	15,686
Allowance for bonuses to directors and audit and supervisory board members	259	-
Provision for compensation for completed constructions	1,209	1,227
Provision for loss on transfer of business	3,241	4,948
Advances received	40,534	44,279
Other	47,845	46,235
Total current liabilities	314,944	297,795
Long-term liabilities		
Bonds	69	10,061
Long-term debt less current portion	9,569	11,240
Lease obligations	6,555	6,754
Deferred tax liabilities	3,782	3,567
Liability for retirement benefits	51,455	48,977
Other	5,509	5,527
Total long-term liabilities	76,942	86,128
Total liabilities	391,887	383,924
(Net assets)		
Shareholders' equity		
Common stock	100,002	100,002
Capital surplus	109,183	109,207
Retained earnings	295,659	313,915
Treasury stock, at cost	-25,970	-35,540
Total shareholders' equity	478,874	487,584
Accumulated other comprehensive income:		
Unrealized holding gain on securities	40,054	31,172
Deferred loss on hedges	-116	-61
Unrealized gain on land revaluation	321	321
Translation adjustments	5,817	-11,377
Retirement benefit adjustments	-1,894	-1,492
Total accumulated other comprehensive income	44,182	18,563
Stock acquisition rights	512	517
Noncontrolling interests	20,586	20,085
Total net assets	544,156	526,749
Total liabilities and net assets	936,043	910,674

(2) Consolidated Statements of Income and Statement of Comprehensive Income
 Consolidated Statements of Income
 First Half, Fiscal Year 2016

	(Millions of Yen)	
	First Half, Fiscal 2015 (From April 1, 2015 to September 30, 2015)	First Half, Fiscal 2016 (From April 1, 2016 to September 30, 2016)
Net sales	538,909	517,854
Cost of sales	372,488	346,600
Gross profit	166,420	171,253
Selling, general & administrative expenses	128,182	127,599
Operating Income	38,238	43,653
Non-operating income		
Interest income	439	366
Dividend income	3,322	3,430
Equity in earnings of affiliates	973	1,472
Foreign exchange gain, net	383	-
Miscellaneous income	1,247	1,610
Total non-operating income	6,367	6,880
Non-operating expenses		
Interest expenses	644	307
Sales discounts	153	190
Foreign exchange loss, net	-	4,018
Miscellaneous expenses	4,314	6,001
Total non-operating expenses	5,113	10,518
Ordinary income	39,493	40,015
Extraordinary income		
Gain on sales of investments in securities	10,342	6,875
Total extraordinary income	10,342	6,875
Extraordinary loss		
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 impairment of fixed assets	666	404
Loss on sales or disposal of property, plant and equipment	1,048	361
Total extraordinary loss	1,714	8,285
Income before income taxes	48,121	38,605
Income taxes	14,948	11,587
Net Income	33,173	27,017
Net Income Attributable:		
Non-controlling interests	380	944
Owners of Parent	32,792	26,073

Consolidated Statement of Comprehensive Income
First Half, Fiscal Year 2016

	(Millions of Yen)	
	First Half, Fiscal 2015 (From April 1, 2015 to September 30, 2015)	First Half, Fiscal 2016 (From April 1, 2016 to September 30, 2016)
Net income	33,173	27,017
Other comprehensive loss (income)		
Unrealized holding loss on securities	-2,036	-9,134
Deferred gain (loss) on hedges	-47	55
Translation adjustments	-3,196	-18,429
Retirement benefit adjustments	-264	266
Comprehensive income (loss) of affiliates accounted for by the equity method attributable to the Company	-203	395
Total other comprehensive loss	-5,749	-26,846
Comprehensive income	27,423	171
Comprehensive income attributable to:		
Owners of Parent	27,903	454
Non-controlling interests	-479	-283

(3) Consolidated Statements of Cash Flows
First Half, Fiscal Year 2016

	(Millions of Yen)	
	First Half, Fiscal 2015 (From April 1, 2015 to September 30, 2015)	First Half, Fiscal 2016 (From April 1, 2016 to September 30, 2016)
Operating activities:		
Income before income taxes	48,121	38,605
Depreciation and amortization	16,984	16,904
Amortization of goodwill	1,058	1,071
Loss on impairment of fixed assets	666	404
Loss on disposal of property, plant and equipment	565	334
Loss on sales of property, plant and equipment, net	482	26
Decrease in liability for retirement benefits	-1,639	-1,644
Gain on sales of investments in securities	-10,342	-6,875
Loss on devaluation of investment in securities	-	4,460
Interest and dividends income	-3,762	-3,797
Interest expenses	798	498
Equity in earnings of affiliates	-973	-1,472
Provision of reserve for loss on transfer of business	-	2,067
Loss on transfer of business	-	991
Decrease in notes and accounts receivable	11,926	8,345
Increase (decrease) in inventories	1,644	-6,689
Decrease in notes and accounts payable	-6,888	-2,771
Increase in advances received	1,572	3,894
Other	-6,538	1,655
Subtotal	53,674	56,010
Interest and dividends received	4,093	4,164
Interest paid	-757	-528
Income taxes refund	-	4,440
Income taxes paid	-11,738	-4,281
Net cash provided by operating activities	45,271	59,805
Investing activities:		
Purchases of property, plant and equipment	-21,935	-17,951
Proceeds from sales of property, plant and equipment	841	148
Payments into time deposits	-27,641	-4,106
Proceeds from withdrawal of time deposits	24,006	6
Purchases of investments in securities	-8,072	-1,932
Proceeds from sales or redemption of investments in securities	20,663	17,772
Purchases of intangible assets	-2,415	-2,119
Acquisitions of securities in subsidiaries	-862	-603
Other	215	-820
Net cash used in investing activities	-15,202	-9,606
Financing activities:		
Decrease in short-term debt, net	-757	-1,045
Repayments of lease obligations	-1,727	-1,841
Proceeds from long-term debt	1,554	3,806
Repayment of long-term debt	-3,753	-7,990
Proceeds from issuance of bonds	-	10,000
Payment for redemption of bonds	-	-10,008
Cash dividends paid	-6,996	-7,814
Cash dividends paid to non-controlling interests	-466	-501
Purchase of treasury stock	-16,781	-9,938
Other	412	744
Net cash used in financing activities	-28,515	-24,589
Effect of exchange rate changes on cash and cash equivalents	-966	-6,595
Net increase in cash and cash equivalents	587	19,013
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	64,622	86,117

(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 2016 (April 1, 2016 to September 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	237,657	105,257	173,657	516,572	1,281	517,854
(2) Intersegment	50	6,750	3,068	9,870	20	9,890
Total	237,708	112,008	176,726	526,442	1,302	527,744
Operating income (loss)	17,176	3,185	27,504	47,866	-3,856	44,009

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	47,866
Other Business income (loss)	-3,856
Inter-segment elimination total	103
Corporate expenses (Note)	-459
Total operating income reported in the quarterly consolidated statements of income	43,653

Note: Corporate expenses are mainly general administrative expenses not attributable to a reporting segment.

3. Matters regarding changes in reporting segments

Following a review of its organizational structure and systems, the operations of Hinomaru Co., Ltd. and Sekisui Seikei Ltd., which were previously included in "Other," have been included in the Urban Infrastructure & Environmental Products segment effective from the first quarter of the fiscal year ending March 31, 2017.

4. Regional Information

Net sales

	Japan	U.S.	Europe	Asia	Others	Total
Net sales (millions of yen)	394,039	36,296	28,242	53,432	5,844	517,854