

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

January 30, 2017

Company Name: Sekisui Chemical Co., Ltd.
 Stock Listings: Tokyo Stock Exchange
 Code Number: 4204
 URL: <http://www.sekisuichemical.com>
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 Scheduled date for submission of quarterly financial statement: February 8, 2017
 Scheduled date for payment of dividends: -
 Quarterly earnings supplementary explanatory: Yes
 Quarterly earnings results briefing: Yes

(Figures rounded down to the nearest million yen)

1. Consolidated Business Results for the Third Quarter (April 1, 2016 to December 31, 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	%
FY2016 (First 9 months)	766,224	-4.2	61,514	11.0	63,723	17.2	39,915	-1.3
FY2015 (First 9 months)	799,670	-1.5	55,399	-4.3	54,354	-17.2	40,452	-7.8

Note. Comprehensive Income: December 31, 2016: 41,586 million yen (2.5%), December 31, 2015: 40,554 million yen (-47.2%)

	Net Income Attributable to Owners of Parent per Share	Net Income Attributable to Owners of Parent per Share (Diluted)
	yen	yen
FY2016 (First 9 months)	82.51	82.40
FY2015 (First 9 months)	81.94	81.79

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
3Q of FY2016	942,901	554,331	56.5
FY2015	936,043	544,156	55.9

Note. Shareholders' Equity: December 31, 2016: 532,605 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	1,067,000	-2.7	96,000	6.9	92,000	13.3	59,000	4.1	123.38

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):	3rd Q of FY2016	510,507,285 shares
	FY2015	510,507,285 shares
b) Treasury stock at the end of term:	3rd Q of FY2016	32,302,521 shares
	FY2015	22,236,633 shares
c) Average outstanding shares in the period (quarterly consolidated cumulative total):	3rd Q of FY2016	483,767,726 shares
	3rd Q of FY2015	493,652,515 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 October 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 Third Quarter of FY2016.

<http://www.sekisuichemical.com/ir/pdf/20170130kge.pdf>

[The Presentation Meeting is scheduled to be held on January 30, 2017, at 3:30 p.m. Japan time]

2. Consolidated Financial Position

1) Financial Position (April 1, 2016 to December 31, 2016)

Total assets stood at ¥942.9 billion as of December 31, 2016, an increase of ¥6.8 billion compared with the end of the previous fiscal year. While non-current assets decreased ¥17.2 billion, this increase in total assets was mainly due to an upswing in current assets of ¥24.1 billion.

Liabilities amounted to ¥388.5 billion, a decrease of ¥3.3 billion compared with the end of the previous fiscal year.

Net assets came to ¥554.3 billion, up ¥10.1 billion compared with the end of the previous fiscal year. Equity after deducting noncontrolling interest from net assets amounted to 532.6 billion. The shareholders' equity ratio was 56.5%.

2) Cash Flows (April 1, 2016 to December 31, 2016)

Net cash provided by operating activities amounted to ¥59.0 billion. In addition to income before income taxes of ¥59.5 billion as well as depreciation amortization of ¥25.7 billion, major cash inflows included such items as increase in advances received of ¥13.0 billion, which exceeded the principal cash outflows of increase in inventories of ¥19.6 billion, income taxes paid of ¥9.3 billion, and decrease in allowance for bonuses to employees of ¥7.5 billion.

Net cash used in investing activities came to ¥14.7 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 shares of Sekisui House Ltd. Held by the Company, this cash inflow was exceeded by purchases of property, plant and equipment of ¥26.9 billion mainly in priority and growth fields.

Net cash used in financing activities amounted to ¥37.6 billion. In addition to the purchase of treasury stock totaling ¥16.3 billion as well as cash dividends paid of ¥16.0 billion, other major cash outflows included the net decrease in interest-bearing debt of ¥6.5 billion.

Accounting for each of the aforementioned activities, cash and cash equivalents as of December 31, 2016 stood at ¥73.3 billion.

3. Revision to the Consolidated Results Forecast and Other Forward-Looking Information

Sekisui Chemical is projecting an increase in net sales and operating income at the HPP Company on the back of such factors as changes in foreign currency exchange rates and the weak yen. At the same time, the Company is anticipating an upswing in ordinary income after recording a foreign exchange gain. Meanwhile, ongoing steps will be taken to reform the business structure. After taking into account each of the aforementioned, the Company has decided to revise its consolidated results forecasts for the full fiscal year announced on October 27, 2016 as follows.

	Revised Forecast	Previous Forecast (Announced on October 27, 2016)
Net Sales (millions of yen)	1,067,000	1,066,000
Operating Income (millions of yen)	96,000	94,000
Ordinary Income (millions of yen)	92,000	88,000
Net Income Attributable to owners of the Parent (millions of yen)	59,000	59,000
Net Income per Share (yen)	123.38	122.49

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 third 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. 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 (Third Quarter, Fiscal Year 2016)

(1) Consolidated Balance Sheets

(Millions of Yen)

	End Fiscal Year 2015 (As of March 31, 2016)	End Third Quarter, Fiscal 2016 (As of December 31, 2016)
(Assets)		
Current Assets		
Cash and deposits	68,007	74,351
Notes receivable, trade	35,168	37,860
Accounts receivable, trade	140,828	131,361
Marketable securities	107	0
Merchandise and finished goods	58,917	58,132
Land for sale	25,405	30,341
Work in process	38,204	51,731
Raw materials and supplies	28,233	28,541
Advance payments	4,679	1,050
Prepaid expenses	3,766	4,648
Deferred tax assets	12,540	13,483
Short-term loans receivable	974	4,676
Other current assets	19,377	23,673
Allowance for doubtful accounts	-1,698	-1,222
Total current assets	434,513	458,631
Non-current assets		
Property, plant and equipment, net		
Buildings & structures	90,767	89,418
Machinery, equipment and vehicles	78,352	78,101
Land	71,203	70,358
Leased assets	9,402	9,635
Construction in progress	12,244	8,045
Other	8,004	8,986
Total property, plant and equipment, net	269,974	264,546
Intangible assets		
Goodwill	16,783	15,191
Software	8,108	8,194
Leased assets	271	244
Other	18,559	17,635
Total intangible assets	43,722	41,266
Investments and other assets		
Investments in securities	168,262	159,286
Long-term loans receivable	696	763
Long-term prepaid expenses	1,421	1,289
Asset for retirement benefits	625	526
Deferred tax assets	4,925	4,272
Other	14,424	14,974
Allowance for doubtful accounts	-2,521	-2,655
Total investments and other assets	187,833	178,456
Total non-current assets	501,530	484,269
Total assets	936,043	942,901

(Millions of Yen)

	End Fiscal Year 2015 (As of March 31, 2016)	End Third Quarter, Fiscal 2016 (As of December 31, 2016)
(Liabilities)		
Current liabilities		
Notes payable, trade	5,021	4,995
Electronically recorded obligations	14,781	21,644
Accounts payable, trade	105,232	90,659
Short-term debt and current portion of long-term debt	22,899	16,907
Current portion of bonds	10,016	16
Lease obligations	3,227	3,270
Accrued expenses	38,242	36,707
Accrued income taxes and other taxes	5,686	15,618
Allowance for bonuses to employees	16,745	9,072
Allowance for bonuses to directors and audit and supervisory board members	259	-
Provision for compensation for completed constructions	1,209	1,230
Provision for loss on transfer of business	3,241	2,136
Advances received	40,534	53,534
Other	47,845	46,321
Total current liabilities	314,944	302,116
Long-term liabilities		
Bonds	69	10,061
Long-term debt less current portion	9,569	11,303
Lease obligations	6,555	6,631
Deferred tax liabilities	3,782	3,983
Liability for retirement benefits	51,455	49,054
Other	5,509	5,418
Total long-term liabilities	76,942	86,452
Total liabilities	391,887	388,569
(Net assets)		
Shareholders' equity		
Common stock	100,002	100,002
Capital surplus	109,183	109,281
Retained earnings	295,659	320,033
Treasury stock, at cost	-25,970	-41,425
Total shareholders' equity	478,874	487,891
Accumulated other comprehensive income:		
Unrealized holding gain on securities	40,054	41,859
Deferred gain (loss) on hedges	-116	91
Unrealized gain on land revaluation	321	321
Translation adjustments	5,817	4,323
Retirement benefit adjustments	-1,894	-1,882
Total accumulated other comprehensive income	44,182	44,713
Stock acquisition rights	512	456
Noncontrolling interests	20,586	21,269
Total net assets	544,156	554,331
Total liabilities and net assets	936,043	942,901

(2) Consolidated Statements of Income and Statement of Comprehensive Income
 Consolidated Statements of Income
 First 9 months, Fiscal Year 2016

(Millions of Yen)

	First 9 Months, Fiscal 2015 (From April 1, 2015 to December 31, 2015)	First 9 Months, Fiscal 2016 (From April 1, 2016 to December 31, 2016)
Net sales	799,670	766,224
Cost of sales	551,501	512,325
Gross profit	248,168	253,899
Selling, general & administrative expenses	192,769	192,384
Operating Income	55,399	61,514
Non-operating income		
Interest income	647	560
Dividend income	3,776	3,813
Equity in earnings of affiliates	1,194	1,694
Foreign exchange gain, net	179	806
Miscellaneous income	1,608	2,833
Total non-operating income	7,405	9,708
Non-operating expenses		
Interest expenses	937	443
Sales discounts	237	293
Miscellaneous expenses	7,275	6,763
Total non-operating expenses	8,450	7,500
Ordinary income	54,354	63,723
Extraordinary income		
Gain on sales of investments in securities	10,766	6,875
Total extraordinary income	10,766	6,875
Extraordinary loss		
Loss on devaluation of investments in securities	-	4,460
Loss on transfer of business	-	2,240
Provision for loss on transfer of business	10,506	2,136
Loss on impairment of fixed assets	730	820
Loss on sales or disposal of property, plant and equipment	1,437	1,376
Total extraordinary loss	12,673	11,034
Income before income taxes	52,446	59,564
Income taxes	11,316	18,239
Net Income	41,130	41,325
Net Income Attributable:		
Non-controlling interests	677	1,409
Owners of Parent	40,452	39,915

(2) Consolidated Statements of Income and Statement of Comprehensive Income
 Consolidated Statements of Income
 Third Quarter, Fiscal Year 2016

	(Millions of Yen)	
	Third Quarter, Fiscal 2015 (From October 1, 2015 to December 31, 2015)	Third Quarter, Fiscal 2016 (From October 1, 2016 to December 31, 2016)
Net sales	260,760	248,370
Cost of sales	179,012	165,724
Gross profit	81,748	82,646
Selling, general & administrative expenses	64,587	64,784
Operating Income	17,160	17,861
Non-operating income		
Interest income	207	193
Dividend income	453	382
Equity in earnings of affiliates	220	221
Foreign exchange gain, net	-	4,824
Miscellaneous income	360	1,223
Total non-operating income	1,242	6,846
Non-operating expenses		
Interest expenses	292	136
Sales discounts	83	102
Foreign exchange loss, net	204	-
Miscellaneous expenses	2,960	761
Total non-operating expenses	3,541	1,000
Ordinary income	14,860	23,707
Extraordinary income		
Gain on sales of investments in securities	423	-
Total extraordinary income	423	-
Extraordinary loss		
Loss on transfer of business	-	1,248
Loss on impairment of fixed assets	63	415
Provision for loss on transfer of business	10,506	69
Loss on sales or disposal of property, plant and equipment	388	1,015
Total extraordinary loss	10,959	2,749
Income before income taxes	4,325	20,958
Income taxes	-3,631	6,651
Net Income	7,957	14,307
Net Income Attributable:		
Non-controlling interests	297	464
Owners of Parent	7,659	13,842

Consolidated Statement of Comprehensive Income
First 9 months, Fiscal Year 2016

	(Millions of Yen)	
	First 9 Months, Fiscal 2015 (From April 1, 2015 to December 31, 2015)	First 9 Months, Fiscal 2016 (From April 1, 2016 to December 31, 2016)
Net income	41,130	41,325
Other comprehensive income (loss)		
Unrealized holding income on securities	4,059	1,418
Deferred gain (loss) on hedges	-57	208
Translation adjustments	-3,938	-1,781
Retirement benefit adjustments	-430	59
Comprehensive income (loss) of affiliates accounted for by the equity method attributable to the Company	-207	357
Total other comprehensive income (loss)	-575	261
Comprehensive income	40,554	41,586
Comprehensive income attributable to:		
Owners of Parent	40,468	40,447
Non-controlling interests	86	1,139

(3) Consolidated Statements of Cash Flows

First 9 months, Fiscal Year 2016

(Millions of Yen)

	First 9 Months, Fiscal 2015 (From April 1, 2015 to December 31, 2015)	First 9 Months, Fiscal 2016 (From April 1, 2016 to December 31, 2016)
Operating activities:		
Income before income taxes	52,446	59,564
Depreciation and amortization	25,830	25,727
Amortization of goodwill	1,574	1,593
Loss on impairment of fixed assets	730	820
Loss on disposal of property, plant and equipment	810	1,312
Loss on sales of property, plant and equipment, net	627	63
Decrease in liability for retirement benefits	-1,910	-2,038
Gain on sales of investments in securities	-10,766	-6,875
Loss on devaluation of investment in securities	-	4,460
Decrease in reserve for bonuses	-7,297	-7,569
Interest and dividends income	-4,423	-4,374
Interest expenses	1,174	737
Equity in earnings of affiliates	-1,194	-1,694
Loss on transfer of business	-	2,240
Provision of reserve for loss on transfer of business	10,506	2,136
Increase (decrease) in notes and accounts receivable	7,016	-445
Increase in inventories	-4,989	-19,649
Decrease in notes and accounts payable	-8,464	-6,521
Increase in advances received	4,693	13,048
Other	-5,994	-3,108
Subtotal	60,370	59,428
Interest and dividends received	5,054	5,059
Interest paid	-1,207	-806
Income taxes refund	-	4,661
Income taxes paid	-21,454	-9,325
Net cash provided by operating activities	42,763	59,017
Investing activities:		
Purchases of property, plant and equipment	-31,013	-26,915
Proceeds from sales of property, plant and equipment	968	1,307
Payments into time deposits	-27,642	-4,107
Proceeds from withdrawal of time deposits	51,006	4,006
Purchases of investments in securities	-8,305	-2,027
Proceeds from sales or redemption of investments in securities	21,261	17,774
Acquisition of investments in subsidiaries resulting in change in scope of consolidation	-12,399	-
Acquisitions of securities in subsidiaries	-878	-1,053
Purchases of intangible assets	-3,299	-2,878
Other	-424	-886
Net cash used in investing activities	-10,727	-14,781
Financing activities:		
Increase (decrease) in short-term debt, net	-2,653	591
Repayments of lease obligations	-2,598	-2,774
Increase in commercial paper	17,000	-
Proceeds from long-term debt	1,557	3,806
Repayment of long-term debt	-5,249	-8,145
Proceeds from issuance of bonds	-	10,000
Payment for redemption of bonds	-8	-10,008
Cash dividends paid	-13,838	-15,547
Cash dividends paid to non-controlling interests	-468	-511
Purchase of treasury stock	-16,781	-16,354
Other	599	1,296
Net cash used in financing activities	-22,441	-37,647
Effect of exchange rate changes on cash and cash equivalents	-1,263	-363
Net increase in cash and cash equivalents	8,329	6,225
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	72,364	73,329

- (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 changes during the term under review.

(6) Segment Information

I. Consolidated First 9 Months, Fiscal 2016 (April 1, 2016 to December 31, 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	341,141	161,032	262,163	764,337	1,887	766,224
(2) Intersegment	76	9,661	4,644	14,383	32	14,415
Total	341,218	170,694	266,807	778,720	1,920	780,640
Operating income (loss)	19,611	6,695	41,600	67,907	-5,826	62,080

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	67,907
Other Business income (loss)	-5,826
Inter-segment elimination total	136
Corporate expenses (Note)	-702
Total operating income reported in the quarterly consolidated statements of income	61,514

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)	579,983	53,616	41,017	82,988	8,618	766,224

II. Consolidated Third Quarter, Fiscal 2016 (October 1, 2016 to December 31, 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	103,484	55,775	88,505	247,765	605	248,370
(2) Intersegment	26	2,911	1,575	4,512	12	4,525
Total	103,510	58,686	90,081	252,278	618	252,896
Operating income (loss)	2,435	3,510	14,096	20,041	-1,969	18,071

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	20,041
Other Business income (loss)	-1,969
Inter-segment elimination total	32
Corporate expenses (Note)	-242
Total operating income reported in the quarterly consolidated statements of income	17,861

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 Seiki 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)	185,944	17,320	12,775	29,555	2,774	248,370