

**Summary of Consolidated Financial Results for the Second Quarter of Fiscal Year 2018 Ending March 31, 2019**  
**<Under Japanese GAAP>**

October 29, 2018

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 8, 2018  
 Scheduled date for payment of dividends: December 3, 2018  
 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, 2018 to September 30, 2018)

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1st Half of FY2018	554,911	3.9	42,165	-8.3	45,860	-5.6	32,572	-4.8
1st Half of FY2017	534,136	3.1	46,000	5.4	48,603	21.5	34,206	31.2

Note. Comprehensive Income: September 30, 2018: 33,009 million yen (-34.0%), September 30, 2017: 50,036 million yen (-)

	Net Income Attributable to Owners of the Parent per Share	Net Income Attributable to Owners of the Parent per Share (Diluted)
	yen	yen
1st Half of FY2018	69.64	69.58
1st Half of FY2017	71.90	71.76

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity to Total Assets
	Millions of yen	Millions of yen	%
2nd Q of FY2018	1,018,036	621,789	58.6
FY2017	994,137	612,757	59.1

Note. Shareholders' Equity: September 30, 2018: 596,488 million yen, March 31, 2018: 587,766 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
FY2017	-	19.00	-	21.00	40.00
FY2018	-	21.00	-	-	-
FY2018 (outlook)	-	-	-	21.00	42.00

Note. Recent revision of dividend estimates: No

3. Consolidated Outlook for FY2018 (April 1, 2018 to March 31, 2019)

(% change from the previous year)

	Net Sales		Operating Income		Ordinary Income		Net income Attributable to Owners of the Parent		Net income Attributable to Owners of the Parent per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Full Year	1,163,000	5.0	102,000	2.8	100,000	6.5	67,000	5.6	144.04

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 “Application of special accounting methods for the preparation of quarterly consolidated financial statements” on page 9.

(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 FY2018	492,507,285 shares
	FY2017	500,507,285 shares
b) Treasury stock at the end of term:	2nd Q of FY2018	27,367,451 shares
	FY2017	28,750,482 shares
c) Average outstanding shares in the period (quarterly consolidated cumulative total):	2nd Q of FY2018	467,723,030 shares
	2nd Q of FY2017	475,748,454 shares

Note: The Financial Instruments and Exchange Law does not require this brief announcement of the most recent financial statements to be subject to audit review.

**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 26, 2018.
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 “2. Revision to the consolidated results forecast and other forward-looking information” on page 3 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 FY2018.

<http://www.sekisuichemical.com/ir/pdf/20181029kge.pdf>

[The Presentation Meeting is scheduled to be held on October 29, 2018, at 3:30 p.m. Japan time]

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

Net sales have fallen below forecasts identified at the beginning of the period due to the effects of delays in construction attributable to such factors as natural disasters. As a result, Sekisui Chemical has decided to revise forecast figures announced on April 26, 2018 as indicated in the following table.

	<b>Revised Forecast</b>	<b>Previous Forecast</b> (April 26, 2018)
Net Sales (millions of yen)	1,163,000	1,168,000
Operating Income (millions of yen)	102,000	102,000
Ordinary Income (millions of yen)	100,000	100,000
Net Income Attributable to Owners of the Parent (millions of yen)	67,000	67,000
Net Income Per Share (yen)	144.04	142.02

## 3. Consolidated Financial Statement and Notes to Consolidated Financial Statements (Second Quarter, Fiscal Year 2018)

## (1) Consolidated Balance Sheets

(Millions of Yen)

	End Fiscal Year 2017	End Second Quarter, Fiscal 2018
	As of March 31, 2018	As of September 30, 2018
<b>(Assets)</b>		
Current assets		
Cash and deposits	77,996	70,565
Notes receivable, trade	45,959	41,903
Accounts receivable, trade	137,304	139,534
Marketable securities	0	0
Merchandise and finished goods	62,185	66,209
Land for sale	30,926	33,520
Work in process	46,984	51,957
Raw materials and supplies	30,362	32,810
Advance payments	1,547	2,072
Prepaid expenses	3,762	4,746
Short-term loans receivable	7,230	1,803
Other current assets	16,537	19,417
Allowance for doubtful accounts	-1,597	-1,296
Total current assets	459,201	463,246
Non-current assets		
Property, plant and equipment, net		
Buildings and structures	93,140	96,789
Machinery, equipment and vehicles	77,803	80,541
Land	73,299	75,916
Leased assets	10,146	10,378
Construction in progress	14,890	27,412
Other	10,457	11,197
Total property, plant and equipment, net	279,738	302,236
Intangible assets		
Goodwill	17,640	18,430
Software	8,177	8,056
Leased assets	208	182
Other	25,071	26,664
Total intangible assets	51,097	53,333
Investments and other assets		
Investments in securities	177,707	169,537
Long-term loans receivable	1,048	1,011
Long-term prepaid expenses	1,519	1,593
Asset for retirement benefits	200	238
Deferred tax assets	12,078	14,846
Other	13,587	14,042
Allowance for doubtful accounts	-2,042	-2,048
Total investments and other assets	204,099	199,221
Total non-current assets	534,935	554,790
Total assets	994,137	1,018,036

	(Millions of Yen)	
	End Fiscal Year 2017	End Second Quarter, Fiscal 2018
	As of March 31, 2018	As of September 30, 2018
<b>(Liabilities)</b>		
Current liabilities		
Notes payable, trade	4,972	3,849
Electronically recorded obligations	26,639	27,378
Accounts payable, trade	99,208	96,251
Short-term debt and current portion of long-term debt	10,974	8,875
Commercial paper	7,000	19,000
Current portion of bonds	16	16
Lease obligations	3,317	3,352
Accrued expenses	40,942	39,506
Accrued income taxes and other taxes	11,109	13,828
Allowance for bonuses to employees	16,886	16,772
Allowance for bonuses to directors and audit and supervisory board members	343	144
Provision for compensation for completed construction	1,191	1,215
Provision for stock-based compensation	138	67
Advances received	38,798	43,929
Other	37,511	42,087
Total current liabilities	299,050	316,277
Long-term liabilities		
Bonds	10,036	10,027
Long-term debt less current portion	7,966	8,785
Lease obligations	7,016	7,216
Deferred tax liabilities	4,750	4,077
Liability for retirement benefits	46,501	43,919
Provision for stock-based compensation	282	319
Other	5,774	5,623
Total long-term liabilities	82,328	79,969
Total liabilities	381,379	396,247
<b>(Net assets)</b>		
Shareholders' equity		
Common stock	100,002	100,002
Capital surplus	109,031	109,035
Retained earnings	374,101	384,281
Treasury stock, at cost	-42,461	-42,811
Total shareholders' equity	540,673	550,508
Accumulated other comprehensive income:		
Unrealized holding gain on securities	46,346	40,448
Deferred loss on hedges	-49	-8
Unrealized gain on land revaluation	321	321
Translation adjustments	3,116	8,194
Retirement benefit adjustments	-2,643	-2,975
Total accumulated other comprehensive income	47,092	45,980
Stock acquisition rights	271	173
Non-controlling interests	24,720	25,127
Total net assets	612,757	621,789
Total liabilities and net assets	994,137	1,018,036

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

	(Millions of Yen)	
	First Half, Fiscal 2017 (From April 1, 2017 to September 30, 2017)	First Half, Fiscal 2018 (From April 1, 2018 to September 30, 2018)
Net sales	534,136	554,911
Cost of sales	360,256	376,675
Gross profit	173,879	178,236
Selling, general and administrative expenses	127,879	136,071
Operating income	46,000	42,165
Non-operating income		
Interest income	466	524
Dividends income	3,459	4,013
Equity in earnings of affiliates	1,449	1,105
Foreign exchange gain, net	187	2,121
Miscellaneous income	2,352	1,445
Total non-operating income	7,916	9,209
Non-operating expenses		
Interest expenses	267	241
Sales discounts	197	199
Miscellaneous expenses	4,848	5,073
Total non-operating expenses	5,313	5,513
Ordinary income	48,603	45,860
Extraordinary income		
Gain on sales of property, plant and equipment	2,469	-
Total extraordinary income	2,469	-
Extraordinary loss		
Loss on impairment of fixed assets	284	191
Loss on sales or disposal of property, plant and equipment	621	636
Total extraordinary loss	906	827
Income before income taxes	50,166	45,033
Income taxes	13,710	11,349
Net income	36,455	33,683
Net income attributable to:		
Non-controlling interests	2,249	1,111
Owners of the parent	34,206	32,572

## Consolidated Statement of Comprehensive Income

	(Millions of Yen)	
	First Half, Fiscal 2017 (From April 1, 2017 to September 30, 2017)	First Half, Fiscal 2018 (From April 1, 2018 to September 30, 2018)
Net income	36,455	33,683
Other comprehensive income (loss)		
Unrealized holding loss (gain) on securities	5,413	-5,849
Deferred gain on hedges	20	40
Translation adjustments	7,998	5,514
Retirement benefit adjustments	-380	-296
Comprehensive loss (income) of affiliates accounted for by the equity method attributable to the Company	528	-83
Total other comprehensive loss (income)	13,580	-674
Comprehensive income	50,036	33,009
Comprehensive income attributable to:		
Owners of the parent	47,559	31,460
Non-controlling interests	2,476	1,549

## (3) Consolidated Statements of Cash Flows

	(Millions of Yen)	
	First Half, Fiscal 2017 (From April 1, 2017 to September 30, 2017)	First Half, Fiscal 2018 (From April 1, 2018 to September 30, 2018)
<b>Operating activities:</b>		
Income before income taxes	50,166	45,033
<b>Adjustment for:</b>		
Depreciation and amortization	17,599	18,459
Amortization of goodwill	1,133	1,424
Loss on impairment of fixed assets	284	191
Loss on disposal of property, plant and equipment	534	623
Loss (gain) on sales of property, plant and equipment, net	-2,382	12
Decrease in liability for retirement benefits	-1,442	-2,730
Interest and dividends income	-3,926	-4,537
Interest expenses	465	440
Equity in earnings of affiliates	-1,449	-1,105
Decrease in notes and accounts receivable	2,565	4,965
Increase in inventories	-7,543	-12,480
Decrease in notes and accounts payable	-7,017	-7,590
Increase in advances received	1,072	5,126
Other	-5,729	-5,263
Subtotal	44,331	42,568
Interest and dividends received	4,278	4,971
Interest paid	-477	-424
Income taxes paid	-11,895	-9,050
Net cash provided by operating activities	36,237	38,064
<b>Investing activities:</b>		
Purchases of property, plant and equipment	-21,817	-30,744
Proceeds from sales of property, plant and equipment	3,835	605
Payments into time deposits	-221	-401
Proceeds from withdrawal of time deposits	19,066	1,246
Purchases of investments in securities	-2,428	-2,729
Proceeds from sales or redemption of investments in securities	770	15
Acquisition of investments in subsidiaries resulting in change in scope of consolidation	-12,843	-
Acquisition of investments in subsidiaries	-727	-1,483
Purchases of intangible assets	-2,171	-3,238
Decrease (increase) in short-term loans receivable	-847	4,643
Other	766	-105
Net cash used in investing activities	-16,619	-32,190
<b>Financing activities:</b>		
Decrease in short-term debt, net	-2,299	-959
Repayments of lease obligations	-1,923	-1,887
Increase in commercial paper	-	12,000
Proceeds from long-term debt	1,576	1,800
Repayment of long-term debt	-2,246	-2,257
Redemption of bonds	-8	-8
Cash dividends paid	-9,109	-9,922
Cash dividends paid to non-controlling interests	-536	-882
Purchase of treasury stock	-10,536	-12,867
Other	316	411
Net cash used in financing activities	-24,768	-14,573
Effect of exchange rate change on cash and cash equivalents	2,632	1,491
Net decrease in cash and cash equivalents	-2,517	-7,208
Cash and cash equivalents at beginning of term	89,856	76,723
Increase in cash and cash equivalents from newly consolidated subsidiaries	644	403
Cash and cash equivalents at end of term	87,982	69,918



## (4) Notes to Consolidated Financial Statements

(Notes regarding the premise of a going concern)

No significant changes during the term under review.

(Significant Change in Shareholder Equity)

No significant change during the term under review.

(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.

(Additional Information)

**Application of Partial Amendments to the Accounting Standard for Tax Effect Accounting**

Effective from the first quarter of FY2018, the fiscal year ending March 31, 2019, The Company has applied the partial amendments to the accounting standard for tax effect accounting (the Accounting Standards Board of Japan (ASBJ) Guidance No.28 revised on February 16, 2018). Moreover, deferred tax assets have been classified as investments and other assets and deferred tax liabilities as long-term liabilities.

(Segment Information)

Consolidated First Half, Fiscal 2018 (April 1, 2018 to September 30, 2018)

**a) Information as to sales and income (loss) on each reportable segment**

(Millions of Yen)

	Reportable Segments				Other (Note)	Consolidated
	Housing	Urban Infrastructure & Environmental Products	High Performance Plastics	Total		
I. Sales:						
Sales to third parties	246,804	104,322	201,215	552,342	2,569	554,911
Intersegment sales or transfers	58	6,681	4,273	11,013	128	11,141
Net Sales	246,863	111,003	205,488	563,356	2,697	566,053
Segment income (loss)	17,182	4,337	27,513	49,033	-5,668	43,365

Note: Other represents segments other than the reportable segments, which includes provision of services and manufacturing and sales of film-type lithium-ion batteries and products not included in the Company's reportable segments.

**b) Difference between the total amount of the reportable segments in income (loss) and the corresponding amount reported in the quarterly consolidated financial statements**

Income	(Millions of Yen)
Total of reportable segments	49,033
Other loss	-5,668
Eliminations	-145
Corporate expenses (Note)	-1,054
Total operating income reported in the quarterly consolidated statements of income	42,165

Note: Corporate expenses are mainly general administrative expenses not attributable to each reportable segment.

**c) Regional Information**

Net sales

	Japan	U.S.	Europe	Asia	Others	Total
Net sales (millions of yen)	409,496	41,000	32,228	64,919	7,266	554,911