

**Summary of Consolidated Financial Results for the Second Quarter of Fiscal Year 2019 Ending March 31, 2020**  
**<Under Japanese GAAP>**

October 30, 2019

Company Name: Sekisui Chemical Co., Ltd.  
 Stock Listings: Tokyo Stock Exchange  
 Code Number: 4204  
 URL: <https://www.sekisuichemical.com>  
 Representative Director: Mr. Teiji Koge, President  
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 Scheduled date for submission of quarterly financial statement: November 11, 2019  
 Scheduled date for payment of dividends: December 2, 2019  
 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, 2019 to September 30, 2019)

(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 FY2019	556,515	0.3	41,497	-1.6	42,122	-8.2	29,633	-9.0
1st Half of FY2018	554,911	3.9	42,165	-8.3	45,860	-5.6	32,572	-4.8

Note. Comprehensive Income: September 30, 2019: 24,828 million yen (-24.8%), September 30, 2018: 33,009 million yen (-34.0%)

	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 FY2019	64.17	64.15
1st Half of FY2018	69.64	69.58

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity to Total Assets
	Millions of yen	Millions of yen	%
2nd Q of FY2019	1,060,004	636,962	57.8
FY2018	1,023,706	632,746	59.3

Note. Equity: September 30, 2019: 612,345 million yen, March 31, 2019: 607,123 million yen

Equity: Shareholders' Equity including Other comprehensive income

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
FY2018	-	21.00	-	23.00	44.00
FY2019	-	23.00	-	-	-
FY2019 (outlook)	-	-	-	23.00	46.00

Note. Recent revision of dividend estimates: No

3. Consolidated Outlook for FY2019 (April 1, 2019 to March 31, 2020)

(% 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	1,150,000	0.6	100,000	4.5	97,000	4.1	67,000	1.4	146.09	

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

For further details please refer to “(4) Notes to Consolidated Financial Statements (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: Yes

b) Changes other than a): No

c) Amendments to accounting estimates: No

d) Restatements: No

Note: For further details please refer to “(4) Notes to Consolidated Financial Statements (Changes in Accounting Policies) on page 9

(4) Number of shares outstanding (common stock)

a) Number of shares outstanding at the end of term (including treasury stock):	2nd Q of FY2019	484,507,285 shares
	FY2018	492,507,285 shares
b) Treasury stock at the end of term:	2nd Q of FY2019	25,885,212 shares
	FY2018	28,256,058 shares
c) Average outstanding shares in the period (quarterly consolidated cumulative total):	2nd Q of FY2019	461,813,518 shares
	2nd Q of FY2018	467,723,030 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. This report contains revisions to the consolidated forecasts for the fiscal year announced on April 25, 2019.
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 FY2019.

[https://www.sekisuichemical.com/ir/library/event\\_account/index.html](https://www.sekisuichemical.com/ir/library/event_account/index.html)

[The Presentation Meeting is scheduled to be held on October 30, 2019, at 3:30 p.m. Japan time]

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

Taking into consideration trends in foreign currency exchange rates including an appreciation in the value of the yen, as well as the delayed recovery in overseas market conditions, Sekisui Chemical has revised its consolidated results forecasts for the full fiscal year ending March 31, 2020 previously announced on April 25, 2019. Details of revised forecasts are presented in table format as follows.

	<b>Revised Forecast</b>	<b>Previous Forecast</b> (April 25, 2019)
Net Sales (millions of yen)	1,150,000	1,175,000
Operating Income (millions of yen)	100,000	103,000
Ordinary Income (millions of yen)	97,000	100,000
Net Income Attributable to Owners of the Parent (millions of yen)	67,000	69,000
Net Income Per Share (yen)	146.09	149.21

## 3. Consolidated Financial Statement and Notes to Consolidated Financial Statements (Second Quarter, Fiscal Year 2019)

## (1) Consolidated Balance Sheets

(Millions of Yen)

	End Fiscal Year 2018	End Second Quarter, Fiscal 2019
	As of March 31, 2019	As of September 30, 2019
<b>(Assets)</b>		
Current assets		
Cash and deposits	69,882	107,366
Notes receivable, trade	44,624	36,558
Accounts receivable, trade	142,349	131,635
Marketable securities	0	-
Merchandise and finished goods	66,516	69,903
Land for sale	38,266	42,137
Work in process	53,207	54,555
Raw materials and supplies	34,198	34,122
Advance payments	1,950	2,037
Prepaid expenses	4,323	4,796
Short-term loans receivable	2,095	1,021
Other current assets	14,015	19,936
Allowance for doubtful accounts	-1,394	-1,324
Total current assets	470,037	502,746
Non-current assets		
Property, plant and equipment, net		
Buildings and structures	101,189	99,027
Machinery, equipment and vehicles	82,923	83,245
Land	78,266	79,744
Leased assets	10,357	15,962
Construction in progress	25,400	32,981
Other	11,318	11,918
Total property, plant and equipment, net	309,455	322,879
Intangible assets		
Goodwill	16,953	15,540
Software	9,612	9,152
Leased assets	175	156
Other	24,034	23,591
Total intangible assets	50,775	48,441
Investments and other assets		
Investments in securities	163,334	158,886
Long-term loans receivable	2,281	1,717
Long-term prepaid expenses	1,487	1,489
Asset for retirement benefits	202	236
Deferred tax assets	12,797	10,784
Other	15,535	13,807
Allowance for doubtful accounts	-2,200	-984
Total investments and other assets	193,438	185,936
Total non-current assets	553,669	557,257
Total assets	1,023,706	1,060,004

	(Millions of Yen)	
	End Fiscal Year 2018	End Second Quarter, Fiscal 2019
	As of March 31, 2019	As of September 30, 2019
<b>(Liabilities)</b>		
Current liabilities		
Notes payable, trade	4,268	2,597
Electronically recorded obligations	27,626	26,460
Accounts payable, trade	98,546	96,722
Short-term debt and current portion of long-term debt	7,685	8,654
Commercial paper	17,000	-
Current portion of bonds	16	16
Lease obligations	3,607	4,745
Accrued expenses	41,400	39,316
Accrued income taxes and other taxes	10,968	13,279
Allowance for bonuses to employees	17,918	17,364
Allowance for bonuses to directors and audit and supervisory board members	272	162
Provision for compensation for completed construction	1,311	1,390
Provision for stock-based compensation	133	70
Advances received	43,069	47,409
Other	37,356	38,489
Total current liabilities	311,180	296,681
Long-term liabilities		
Bonds	10,019	40,010
Long-term debt less current portion	8,603	22,046
Lease obligations	6,916	11,639
Deferred tax liabilities	3,860	3,656
Liability for retirement benefits	44,585	43,326
Provision for stock-based compensation	395	370
Other	5,398	5,308
Total long-term liabilities	79,779	126,360
Total liabilities	390,960	423,041
<b>(Net assets)</b>		
Shareholders' equity		
Common stock	100,002	100,002
Capital surplus	109,221	109,226
Retained earnings	408,008	414,337
Treasury stock, at cost	-44,337	-40,529
Total shareholders' equity	572,894	583,036
Accumulated other comprehensive income:		
Unrealized holding gain on securities	36,828	40,499
Deferred loss on hedges	-32	-30
Unrealized gain on land revaluation	321	321
Translation adjustments	2,123	-6,726
Retirement benefit adjustments	-5,011	-4,755
Total accumulated other comprehensive income	34,229	29,308
Stock acquisition rights	156	81
Non-controlling interests	25,465	24,535
Total net assets	632,746	636,962
Total liabilities and net assets	1,023,706	1,060,004

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

## Consolidated Statements of Income

(First Half, Fiscal Year 2019)

	(Millions of Yen)	
	First Half, Fiscal 2018 (From April 1, 2018 to September 30, 2018)	First Half, Fiscal 2019 (From April 1, 2019 to September 30, 2019)
Net sales	554,911	556,515
Cost of sales	376,675	377,117
Gross profit	178,236	179,397
Selling, general and administrative expenses	136,071	137,900
Operating income	42,165	41,497
Non-operating income		
Interest income	524	515
Dividends income	4,013	3,917
Equity in earnings of affiliates	1,105	1,422
Foreign exchange gain, net	2,121	-
Miscellaneous income	1,445	1,209
Total non-operating income	9,209	7,064
Non-operating expenses		
Interest expenses	241	372
Sales discounts	199	197
Foreign exchange loss, net	-	1,208
Miscellaneous expenses	5,073	4,661
Total non-operating expenses	5,513	6,439
Ordinary income	45,860	42,122
Extraordinary income		
Gain on sales of investments in securities	-	5,101
Total extraordinary income	-	5,101
Extraordinary loss		
Loss on devaluation of investment in securities	-	2,888
Loss on impairment of fixed assets and goodwill	191	2,164
Loss on sales or disposal of property, plant and equipment	636	1,008
Total extraordinary loss	827	6,060
Income before income taxes	45,033	41,163
Income taxes	11,349	10,643
Net income	33,683	30,520
Net income attributable to:		
Non-controlling interests	1,111	886
Owners of the parent	32,572	29,633

Consolidated Statement of Comprehensive Income  
(First Half, Fiscal Year 2019)

	(Millions of Yen)	
	First Half, Fiscal 2018 (From April 1, 2018 to September 30, 2018)	First Half, Fiscal 2019 (From April 1, 2019 to September 30, 2019)
Net income	33,683	30,520
Other comprehensive loss		
Unrealized holding (loss) gain on securities	-5,849	3,486
Deferred gain on hedges	40	3
Translation adjustments	5,514	-9,615
Retirement benefit adjustments	-296	371
Comprehensive (loss) income of affiliates accounted for by the equity method attributable to the Company	-83	61
Total other comprehensive loss	-674	-5,692
Comprehensive income	33,009	24,828
Comprehensive income attributable to:		
Owners of the parent	31,460	24,713
Non-controlling interests	1,549	115

## (3) Consolidated Statements of Cash Flows

	(Millions of Yen)	
	First Half, Fiscal 2018 (From April 1, 2018 to September 30, 2018)	First Half, Fiscal 2019 (From April 1, 2019 to September 30, 2019)
Operating activities:		
Income before income taxes	45,033	41,163
Adjustment for:		
Depreciation and amortization	18,459	20,580
Amortization of goodwill	1,424	1,367
Loss on impairment of fixed assets	191	2,164
Loss on disposal of property, plant and equipment	623	999
Loss on sales of property, plant and equipment, net	12	9
Decrease in liability for retirement benefits	-2,730	-1,105
Gain on sales of investments in securities	-	-5,101
Loss on devaluation of investment in securities	-	2,888
Interest and dividends income	-4,537	-4,432
Interest expenses	440	569
Equity in earnings of affiliates	-1,105	-1,422
Decrease in notes and accounts receivable	4,965	15,287
Increase in inventories	-12,480	-10,473
Decrease in notes and accounts payable	-7,590	-5,185
Increase in advances received	5,126	4,302
Other	-5,263	-5,293
Subtotal	42,568	56,316
Interest and dividends received	4,971	4,898
Interest paid	-424	-586
Income taxes paid	-9,050	-8,870
Net cash provided by operating activities	38,064	51,758
Investing activities:		
Purchases of property, plant and equipment	-30,744	-27,103
Proceeds from sales of property, plant and equipment	605	387
Payments into time deposits	-401	-3,066
Proceeds from withdrawal of time deposits	1,246	2,472
Purchases of investments in securities	-2,729	-174
Proceeds from sales or redemption of investments in securities	15	10,470
Acquisition of investments in subsidiaries	-1,483	-45
Purchases of intangible assets	-3,238	-2,408
Decrease (increase) in short-term loans receivable	4,643	-981
Other	-105	2,198
Net cash used in investing activities	-32,190	-18,252
Financing activities:		
Decrease in short-term debt, net	-959	-261
Repayments of lease obligations	-1,887	-2,477
Increase (decrease) in commercial paper	12,000	-17,000
Proceeds from long-term debt	1,800	16,423
Repayment of long-term debt	-2,257	-1,632
Proceeds from issuance of bonds	-	30,000
Redemption of bonds	-8	-8
Cash dividends paid	-9,922	-10,696
Cash dividends paid to non-controlling interests	-882	-1,114
Purchase of treasury stock	-12,867	-9,514
Other	411	266
Net cash (used in) provided by financing activities	-14,573	3,983
Effect of exchange rate change on cash and cash equivalents	1,491	-2,161
Net (decrease) increase in cash and cash equivalents	-7,208	35,327
Cash and cash equivalents at beginning of term	76,723	68,613
Increase in cash and cash equivalents from newly consolidated subsidiaries	403	1,646
Cash and cash equivalents at end of term	69,918	105,587



## (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.

(Changes in Accounting Policies)

**Adopted IFRS No. 16 “Leases”**

Effective from the first quarter of the fiscal year under review, overseas subsidiaries that are applying International Financial Reporting Standards (IFRS) have adopted IFRS No. 16 “Leases” issued on January 13, 2016. Due to the application of IFRS No. 16 “Leases,” lessees, in principle, recognize and record all leases as assets and liabilities on the balance sheet. The impact of the application of IFRS No. 16 “Leases” on the Company’s second quarter consolidated financial statements is immaterial.

(Segment Information)

Consolidated First Half, Fiscal 2019 (April 1, 2019 to September 30, 2019)

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

(Millions of Yen)

	Reportable Segments					Other (Note)	Total
	Housing	Urban Infrastructure & Environmental Products	High Performance Plastics	Medical	Total		
Sales:							
(1) Sales to third parties	256,876	106,228	156,845	34,263	554,213	2,301	556,515
(2) Intersegment sales or transfers	49	7,009	3,595	0	10,655	80	10,736
Net sales	256,925	113,238	160,440	34,264	564,868	2,382	567,251
Segment income (loss)	18,578	5,445	19,736	4,409	48,170	-5,321	42,849

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.

**2. Information on the difference between the total amount of the reportable segments in the above tables and the corresponding amount reported in the consolidated financial statements**

(Items related to the difference)

Income	(Millions of Yen)
Total of reportable segments	48,170
Other loss	-5,321
Eliminations	302
Corporate expenses (Note)	-1,654
Total operating income reported in the consolidated statements of income	41,497

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

**3. Information on changes for reporting segment**

Effective from the first quarter of the fiscal year under review, the main portion of the Life Science field previously included in the High Performance Plastics segment is being presented as the Medical Business segment in an effort to accelerate the pace its growth as a new divisional company candidate.

**4. Regional information by geographic area**

Net sales

	Japan	America	Europe	Asia	Others	Total
Net sales (Millions of yen)	421,854	38,013	28,946	60,109	7,592	556,515