

Consolidated Financial Summary

(For the Third Quarter Ended December 31, 2017 (IFRS basis))

Listed company: Hitachi Chemical Co., Ltd.

(Code number: 4217 Stock exchange: Tokyo)

(URL <http://www.hitachi-chem.co.jp/english/index.html>)

Representative: Hisashi Maruyama

Position of the person: President, Chief Executive Officer and Director

Person in charge of the reference: Masahiko Okamura

Position of the person: General Manager, Corporate Communication Center

Tel: 81-3-5533-7143

Date of the release of quarterly report (schedule): February 9, 2018

Date of the start of dividend payment: -

Creates supplemental explanatory materials for quarterly financial summaries: Yes

(Amounts rounded to the nearest million yen)

1. Consolidated Financial Highlights for the Third Quarter Ended December 31, 2017 (April 1, 2017 through December 31, 2017)

(1) Consolidated Financial Results

(% indicates the rate of +/- compared with the same term of the previous fiscal year)

Item	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent		Comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended:												
Dec. 31, 2017	497,786	24.2	35,942	(11.8)	38,939	(6.8)	30,132	(4.7)	29,555	(5.6)	41,696	27.9
Dec. 31, 2016	400,859	(3.5)	40,730	9.3	41,792	7.1	31,621	10.5	31,323	11.6	32,606	62.7

Item	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended:		
Dec. 31, 2017	141.94	—
Dec. 31, 2016	150.42	—

Note: Basic earnings per share is calculated based on net income attributable to owners of the parent.

Note: The earnings capacity of the Company's ordinary operations, calculated by deducting the amounts for other income and other expenses from the figure for operating income noted in the consolidated statements of income, was 40,781 million yen in the third quarter ended December 31, 2016. The consolidated result for earnings capacity of the Company's ordinary operations calculated by this method was 45,356 million yen in the third quarter ended December 31, 2017.

(2) Consolidated Financial Position

Item	Total assets	Total equity	Total equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets
	Million yen	Million yen	Million yen	%
As of Dec. 31, 2017	695,108	410,000	401,370	57.7
As of Mar. 31, 2017	609,155	381,438	375,001	61.6

Note: In the third quarter ended December 31, 2017, the provisional accounting treatments related to the management integration were finalized, and figures for the fiscal year ended March 31, 2017, have been restated accordingly.

2. Dividend

Item	Dividend per Share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Total
	Yen	Yen	Yen	Yen	Yen
March, 2017	—	25.00	—	30.00	55.00
March, 2018	—	30.00	—		
March, 2018 (Forecast)				30.00	60.00

Note: Revision of the latest dividend forecast: None

3. Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2018 (April 1, 2017 through March 31, 2018)

(% indicates the rate of +/- compared with the same term of the previous fiscal year)

Item	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent		Basic earnings per share
Fiscal year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	670,000	20.9	49,000	(7.8)	52,500	(3.5)	40,500	(0.5)	40,000	(0.5)	192.10

Note: Revision of the latest consolidated financial forecast: Yes

Note: The consolidated forecast for earnings capacity of the Company's ordinary operations, calculated by deducting the amounts for other income and other expenses from the figure for operating income noted in the consolidated statements of income, is 59,000 million yen for the fiscal year ending March 31, 2018.

* Notes

(1) Changes in significant subsidiaries during the term

(changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

Inclusion: 1 company (Hitachi Chemical Advanced Therapeutics Solutions, LLC)

Exclusion: 1 company (Japan Brake (Thailand) Co., Ltd.)

(2) Changes of Accounting Policies Applied, Changes in Accounting Estimates

(a) Changes of accounting policies required by IFRS: None

(b) Changes of accounting policies other than (a): None

(c) Changes in accounting estimates: None

(3) Number of Shares Issued (Common Stock):

(a) Number of shares at the end of the term

(Including treasury stock)

Dec. 31, 2017:	Mar. 31, 2017:
208,364,913 shares	208,364,913 shares
Dec. 31, 2017:	Mar. 31, 2017:
140,405 shares	136,862 shares
Apr. - Dec. 2017:	Apr. - Dec. 2016:
208,226,389 shares	208,230,877 shares

(b) Number of treasury stock at the end of the term

(c) Average number of shares during the term

*These quarterly financial results are not subject to quarterly review procedures.

* Explanation on the appropriate use of financial forecasts and other important items

The financial forecasts shown on this report are estimated based on information available as of the issuing date of this report, and therefore the actual results for the future terms may differ from these forecasted figures due to various unknown factors.

Condensed Quarterly Consolidated Financial Statements
(1) Condensed Quarterly Consolidated Statement of Financial Position

(Million yen)

Item	As of March 31, 2017	As of December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	107,649	93,045
Trade receivables	133,520	158,994
Inventories	65,182	85,108
Other financial assets	21,687	21,412
Other current assets	4,251	5,285
Total current assets	332,289	363,844
Non-current assets		
Property, plant and equipment	186,633	206,629
Intangible assets	33,687	65,825
Net defined benefit assets	10,001	10,496
Deferred tax assets	14,069	14,176
Investments accounted for using the equity method	8,484	5,871
Other financial assets	17,819	19,993
Other non-current assets	6,173	8,274
Total non-current assets	276,866	331,264
Total assets	609,155	695,108

(Million yen)

Item	As of March 31, 2017	As of December 31, 2017
Liabilities		
Current liabilities		
Trade payables	80,924	88,613
Bonds and borrowings	27,351	42,807
Accrued expenses	27,251	26,260
Income tax payables	11,940	3,707
Other financial liabilities	22,934	18,644
Other current liabilities	3,787	5,865
Total current liabilities	174,187	185,896
Non-current liabilities		
Bonds and borrowings	18,545	55,846
Retirement and severance benefits	15,047	16,141
Provisions	1,368	1,683
Other financial liabilities	14,865	18,480
Other non-current liabilities	3,705	7,062
Total non-current liabilities	53,530	99,212
Total liabilities	227,717	285,108
Equity		
Common stock	15,454	15,454
Capital surplus	—	—
Treasury stock, at cost	(234)	(245)
Retained earnings	345,827	361,807
Accumulated other comprehensive income	13,954	24,354
Total equity attributable to owners of the parent	375,001	401,370
Non-controlling interests	6,437	8,630
Total equity	381,438	410,000
Total liabilities and equity	609,155	695,108

(2) Condensed Quarterly Consolidated Statement of Income and Condensed Quarterly Consolidated Statement of Comprehensive Income
(Condensed Quarterly Consolidated Statement of Income)
(Nine months ended December 31, 2017) (Million yen)

Item	Nine months ended Dec. 31, 2016 (Apr. 1, 2016 - Dec. 31, 2016)	Nine months ended Dec. 31, 2017 (Apr. 1, 2017 - Dec. 31, 2017)
Revenues	400,859	497,786
Cost of sales	(289,622)	(366,884)
Gross profit	111,237	130,902
Selling, general and administrative expenses	(70,456)	(85,546)
Other income	4,081	4,358
Other expenses	(4,132)	(13,772)
Operating income	40,730	35,942
Financial income	732	1,520
Financial expenses	(2,271)	(1,519)
Share of profits of investments accounted for using the equity method	2,601	2,996
Income before income taxes	41,792	38,939
Income taxes	(10,171)	(8,807)
Net income	31,621	30,132
Net income attributable to:		
Owners of the parent	31,323	29,555
Non-controlling interests	298	577
Earnings per share attributable to owners of the parent (yen)		
Basic	150.42	141.94
Diluted	—	—

(Condensed Quarterly Consolidated Statement of Comprehensive Income)

(Nine months ended December 31, 2017)

(Million yen)

Item	Nine months ended Dec. 31, 2016 (Apr. 1, 2016 - Dec. 31, 2016)	Nine months ended Dec. 31, 2017 (Apr. 1, 2017 - Dec. 31, 2017)
Net income	31,621	30,132
Other comprehensive income (OCI)		
Items that cannot be reclassified into profit or loss		
Net gains and losses from financial assets measured at fair value through OCI	1,042	1,865
Remeasurements of defined benefit obligations	—	72
Total items that cannot be reclassified into profit or loss	1,042	1,937
Items that can be reclassified into profit or loss		
Foreign currency translation adjustments	(439)	9,636
Cash flow hedges	155	(85)
Share of OCI of investments accounted for using the equity method	227	76
Total items that can be reclassified into profit or loss	(57)	9,627
Other comprehensive income (OCI)	985	11,564
Comprehensive income	32,606	41,696
Comprehensive income attributable to:		
Owners of the parent	32,224	40,382
Non-controlling interests	382	1,314

(3) Condensed Quarterly Consolidated Statement of Cash Flows

(Million yen)

Item	Nine months ended Dec. 31, 2016 (Apr. 1, 2016 - Dec. 31, 2016)	Nine months ended Dec. 31, 2017 (Apr. 1, 2017 - Dec. 31, 2017)
Cash flows from operating activities		
Net income	31,621	30,132
Depreciation and amortization	20,536	25,695
Income tax expense	10,171	8,807
Interest and dividend income	(705)	(811)
Interest expenses paid	736	1,178
Share of profits of investments accounted for using the equity method	(2,601)	(2,996)
(Increase) decrease in trade receivables	(18,527)	(16,235)
(Increase) decrease in accounts receivables other	(1,150)	2,422
(Increase) decrease in inventories	(4,012)	(10,075)
Increase (decrease) in trade payables	12,244	1,258
Increase (decrease) in retirement and severance benefits	(40)	(360)
Other	(1,543)	(4,194)
Subtotal	46,730	34,821
Interest and dividends received	3,368	4,685
Interest paid	(725)	(1,016)
Income taxes paid	(13,865)	(18,360)
Net cash provided by operating activities	35,508	20,130
Cash flows from investing activities		
Expenses for property, plant and equipment acquired	(23,649)	(31,117)
Income from sale of property, plant and equipment	2,250	978
Proceeds from redemption and sale of investments in securities	118	1,861
Purchase of investments in subsidiaries	—	(25,027)
Purchase of investments accounted for using the equity method	—	(8,061)
Expenses for investment securities acquired	(1,791)	(1,207)
Other	(625)	(4,516)
Net cash provided by (used in) investing activities	(23,697)	(67,089)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	(1,320)	10,426
Proceeds from long-term debt	707	26,389
Payments on long-term debt	(2,837)	(14,425)
Proceeds from issuance of bonds payable	—	19,906
Redemption of bonds	(10,000)	—
Dividends paid to stockholders	(10,412)	(12,494)
Dividends paid to non-controlling interests	(102)	(152)
Other	(682)	(656)
Net cash used in financing activities	(24,646)	28,994
Effect of exchange rate changes on cash and cash equivalents	(643)	3,361
Net increase (decrease) in cash and cash equivalents	(13,478)	(14,604)
Cash and cash equivalents at beginning of year	119,988	107,649
Cash and cash equivalents at end of year	106,510	93,045

(4) Items Regarding Condensed Quarterly Consolidated Financial Statements

(Notes on premise of going concern)

Not applicable

(Segment Information)

Information related to revenue and profit (loss) for each reportable segments

Nine months ended December 31, 2016 (April 1, 2016 through December 31, 2016)

(Million yen)

Item	Reportable segment			Adjustment (Note)	Total
	Functional Materials	Advanced Components and Systems	Total		
Revenue					
Revenue from outside customers	205,072	195,787	400,859	—	400,859
Intersegment revenue	2,915	1,758	4,673	(4,673)	—
Total	207,987	197,545	405,532	(4,673)	400,859
Segment profit (loss)	33,707	6,942	40,649	81	40,730
Financial income	—	—	—	—	732
Financial expenses	—	—	—	—	(2,271)
Share of profits of investments accounted for using the equity method	—	—	—	—	2,601
Income before income taxes	—	—	—	—	41,792

Note: Segment profit adjustments are the amounts eliminated for intersegment transactions.

Nine months ended December 31, 2017 (April 1, 2017 through December 31, 2017)

(Million yen)

Item	Reportable segment			Adjustment (Note)	Total
	Functional Materials	Advanced Components and Systems	Total		
Revenue					
Revenue from outside customers	227,791	269,995	497,786	—	497,786
Intersegment revenue	3,474	1,085	4,559	(4,559)	—
Total	231,265	271,080	502,345	(4,559)	497,786
Segment profit (loss)	38,348	(2,405)	35,943	(1)	35,942
Financial income	—	—	—	—	1,520
Financial expenses	—	—	—	—	(1,519)
Share of profits of investments accounted for using the equity method	—	—	—	—	2,996
Income before income taxes	—	—	—	—	38,939

Note: Segment profit adjustments are the amounts eliminated for intersegment transactions.