

Consolidated Financial Summary

(For the First Quarter Ended June 30, 2018 (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: 81-3-5533-7144

Date of the release of quarterly report (schedule): August 8, 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 First Quarter Ended June 30, 2018 (April 1, 2018 through June 30, 2018)

(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	
First quarter ended:	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2018	168,932	11.1	9,854	(27.7)	11,373	(25.2)	8,417	(26.6)	8,178	(26.9)	8,791	(35.5)
June 30, 2017	152,042	21.6	13,624	13.2	15,204	50.1	11,474	58.2	11,193	54.9	13,627	-

Item	Basic earnings per share	Diluted earnings per share
First quarter ended:	Yen	Yen
June 30, 2018	39.28	-
June 30, 2017	53.75	-

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 cost of sales and selling, general and administrative expenses from the figure for revenues noted in the consolidated statements of income, was 13,642 million yen in the first quarter ended June 30, 2017. The consolidated result for earnings capacity of the Company's ordinary operations calculated by this method was 11,651 million yen in the first quarter ended June 30, 2018.

(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 June 30, 2018	701,985	412,207	403,537	57.5
As of March 31, 2018	701,163	409,059	400,383	57.1

2. Dividend

Item	Dividend per Share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Total
	Yen	Yen	Yen	Yen	Yen
March, 2018	-	30.00	-	30.00	60.00
March, 2019	-	-	-	-	-
March, 2019 (Forecast)	-	30.00	-	30.00	60.00

Note: Revision of the latest dividend forecast: None

3. Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 through March 31, 2019)
 (% 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
	710,000	6.1	59,000	27.7	62,000	26.7	47,000	26.6	46,000	26.6	220.91

Note: Revision of the latest consolidated financial forecast: None

Note: The consolidated forecast for earnings capacity of the Company's ordinary operations, calculated by deducting the amounts for cost of sales and selling, general and administrative expenses from the figure for revenues noted in the consolidated statements of income, is 65,000 million yen for the fiscal year ending March 31, 2019.

* Notes

(1) Changes in significant subsidiaries during the term

(changes in specified subsidiaries resulting in the change in scope of consolidation): None

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

(a) Changes of accounting policies required by IFRS: Yes

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

(c) Changes in accounting estimates: None

Note: Adoption of IFRS 9 (2014) "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers"

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

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

(Including treasury stock)

June 30, 2018:	March 31, 2018:
208,364,913 shares	208,364,913 shares
June 30, 2018:	March 31, 2018:
141,316 shares	140,908 shares
April - June 2018:	April - June 2017:
208,223,774 shares	208,227,686 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, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and cash equivalents	84,037	74,755
Trade receivables	156,504	154,758
Inventories	85,410	91,217
Other financial assets	22,350	23,631
Other current assets	4,782	6,660
Total current assets	353,083	351,021
Non-current assets		
Property, plant and equipment	210,210	212,163
Intangible assets	76,495	75,692
Net defined benefit assets	13,489	13,648
Deferred tax assets	15,187	15,167
Investments accounted for using the equity method	6,495	7,495
Other financial assets	18,083	18,905
Other non-current assets	8,121	7,894
Total non-current assets	348,080	350,964
Total assets	701,163	701,985

(Million yen)

Item	As of March 31, 2018	As of June 30, 2018
Liabilities		
Current liabilities		
Trade payables	85,293	83,547
Bonds and borrowings	42,951	45,729
Accrued expenses	27,945	23,140
Income tax payables	4,204	5,062
Other financial liabilities	21,095	20,926
Other current liabilities	5,737	6,830
Total current liabilities	187,225	185,234
Non-current liabilities		
Bonds and borrowings	53,493	53,774
Retirement and severance benefits	17,237	17,330
Provisions	1,737	1,769
Other financial liabilities	24,363	23,627
Other non-current liabilities	8,049	8,044
Total non-current liabilities	104,879	104,544
Total liabilities	292,104	289,778
Equity		
Common stock	15,454	15,454
Capital surplus	—	588
Treasury stock, at cost	(246)	(247)
Retained earnings	367,999	369,937
Accumulated other comprehensive income	17,176	17,805
Total equity attributable to owners of the parent	400,383	403,537
Non-controlling interests	8,676	8,670
Total equity	409,059	412,207
Total liabilities and equity	701,163	701,985

(2) Condensed Quarterly Consolidated Statement of Income and Condensed Quarterly Consolidated Statement of Comprehensive Income
(Condensed Quarterly Consolidated Statement of Income)
(First quarter ended June 30, 2018) (Million yen)

Item	First quarter ended June 30, 2017 (April 1, 2017 - June 30, 2017)	First quarter ended June 30, 2018 (April 1, 2018 - June 30, 2018)
Revenues	152,042	168,932
Cost of sales	(112,090)	(126,276)
Gross profit	39,952	42,656
Selling, general and administrative expenses	(26,310)	(31,005)
Other income	1,185	1,124
Other expenses	(1,203)	(2,921)
Operating income	13,624	9,854
Financial income	1,029	1,040
Financial expenses	(431)	(363)
Share of profits of investments accounted for using the equity method	982	842
Income before income taxes	15,204	11,373
Income taxes	(3,730)	(2,956)
Net income	11,474	8,417
Net income attributable to:		
Owners of the parent	11,193	8,178
Non-controlling interests	281	239
Earnings per share attributable to owners of the parent (yen)		
Basic	53.75	39.28
Diluted	—	—

(Condensed Quarterly Consolidated Statement of Comprehensive Income)

(First quarter ended June 30, 2018)

(Million yen)

Item	First quarter ended June 30, 2017 (April 1, 2017 - June 30, 2017)	First quarter ended June 30, 2018 (April 1, 2018 - June 30, 2018)
Net income	11,474	8,417
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	257	547
Remeasurements of defined benefit obligations	—	(18)
Total items that cannot be reclassified into profit or loss	257	529
Items that can be reclassified into profit or loss		
Foreign currency translation adjustments	1,887	(470)
Cash flow hedges	8	96
Share of OCI of investments accounted for using the equity method	1	219
Total items that can be reclassified into profit or loss	1,896	(155)
Other comprehensive income (OCI)	2,153	374
Comprehensive income	13,627	8,791
Comprehensive income attributable to:		
Owners of the parent	13,377	8,807
Non-controlling interests	250	(16)

(3) Condensed Quarterly Consolidated Statement of Cash Flows

(Million yen)

Item	First quarter ended June 30, 2017 (April 1, 2017 - June 30, 2017)	First quarter ended June 30, 2018 (April 1, 2018 - June 30, 2018)
Cash flows from operating activities		
Net income	11,474	8,417
Depreciation and amortization	7,694	9,198
Income tax expense	3,730	2,956
Interest and dividend income	(384)	(382)
Interest expenses paid	368	341
Share of profits of investments accounted for using the equity method	(982)	(842)
(Increase) decrease in trade receivables	878	1,477
(Increase) decrease in accounts receivables other	4,093	978
(Increase) decrease in inventories	(6,608)	(6,222)
Increase (decrease) in trade payables	1,487	(1,698)
Increase (decrease) in retirement and severance benefits	(122)	(22)
Other	(6,731)	(3,683)
Subtotal	14,897	10,518
Interest and dividends received	426	417
Interest paid	(250)	(447)
Income taxes paid	(6,797)	(2,634)
Net cash provided by operating activities	8,276	7,854
Cash flows from investing activities		
Expenses for property, plant and equipment acquired	(10,453)	(12,007)
Income from sale of property, plant and equipment	786	232
Proceeds from redemption and sale of investments in securities	764	67
Purchase of investments in subsidiaries	(8,325)	—
Expenses for investment securities acquired	(130)	(94)
Other	(1,668)	(3,064)
Net cash provided by (used in) investing activities	(19,026)	(14,866)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	2,608	3,635
Proceeds from long-term debt	11,697	763
Payments on long-term debt	(2,808)	(784)
Dividends paid to stockholders	(6,247)	(6,247)
Dividends paid to non-controlling interests	(141)	—
Other	(707)	106
Net cash used in financing activities	4,402	(2,527)
Effect of exchange rate changes on cash and cash equivalents	662	257
Net increase (decrease) in cash and cash equivalents	(5,686)	(9,282)
Cash and cash equivalents at beginning of year	107,649	84,037
Cash and cash equivalents at end of year	101,963	74,755

(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

First quarter ended June 30, 2017 (April 1, 2017 through June 30, 2017)

(Million yen)

Item	Reportable segment			Adjustment (Note)	Total
	Functional Materials	Advanced Components and Systems	Total		
Revenue					
Revenue from outside customers	71,184	80,858	152,042	—	152,042
Intersegment revenue	1,145	352	1,497	(1,497)	—
Total	72,329	81,210	153,539	(1,497)	152,042
Segment profit (loss)	11,172	2,469	13,641	(17)	13,624
Financial income	—	—	—	—	1,029
Financial expenses	—	—	—	—	(431)
Share of profits of investments accounted for using the equity method	—	—	—	—	982
Income before income taxes	—	—	—	—	15,204

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

First quarter ended June 30, 2018 (April 1, 2018 through June 30, 2018)

(Million yen)

Item	Reportable segment			Adjustment (Note)	Total
	Functional Materials	Advanced Components and Systems	Total		
Revenue					
Revenue from outside customers	73,212	95,720	168,932	—	168,932
Intersegment revenue	1,278	383	1,661	(1,661)	—
Total	74,490	96,103	170,593	(1,661)	168,932
Segment profit (loss)	10,486	(637)	9,849	5	9,854
Financial income	—	—	—	—	1,040
Financial expenses	—	—	—	—	(363)
Share of profits of investments accounted for using the equity method	—	—	—	—	842
Income before income taxes	—	—	—	—	11,373

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