

Consolidated Financial Summary

(For the First Half Ended September 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): November 9, 2018

Date of the start of dividend payment: November 28, 2018

Creates supplemental explanatory materials for quarterly financial summaries: Yes

(Amounts rounded to the nearest million yen)

1. Consolidated Financial Highlights for the First Half Ended September 30, 2018 (April 1, 2018 through September 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 half ended:	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Sep. 30, 2018	343,518	7.4	20,526	4.3	23,280	6.1	16,818	(1.1)	16,413	(2.1)	20,854	(10.8)
Sep. 30, 2017	319,864	24.4	19,684	(22.5)	21,933	(6.2)	17,010	0.8	16,768	(0.0)	23,376	—

Item	Basic earnings per share	Diluted earnings per share
First half ended:	Yen	Yen
Sep. 30, 2018	78.82	—
Sep. 30, 2017	80.53	—

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 29,035 million yen in the first half ended September 30, 2017. The consolidated result for earnings capacity of the Company's ordinary operations calculated by this method was 24,801 million yen in the first half ended September 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 Sep. 30, 2018	723,215	423,752	414,766	57.4
As of Mar. 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	—	30.00	—	—	—
March, 2019 (Forecast)	—	—	—	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): Yes

Exclusion: 1 company (CSB Battery(GUANGZHOU)Co.,Ltd.)

(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)

Sep. 30, 2018:	208,364,913 shares	Mar. 31, 2018:	208,364,913 shares
Sep. 30, 2018:	141,993 shares	Mar. 31, 2018:	140,908 shares
Apr. - Sep. 2018:	208,223,470 shares	Apr. - Sep. 2017:	208,227,075 shares

* 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 September 30, 2018
Assets		
Current assets		
Cash and cash equivalents	84,037	90,636
Trade receivables	156,504	155,481
Inventories	85,410	93,924
Other financial assets	22,350	19,695
Other current assets	4,782	6,335
Total current assets	353,083	366,071
Non-current assets		
Property, plant and equipment	210,210	218,894
Intangible assets	76,495	74,694
Net defined benefit assets	13,489	13,842
Deferred tax assets	15,187	15,694
Investments accounted for using the equity method	6,495	8,684
Other financial assets	18,083	18,008
Other non-current assets	8,121	7,328
Total non-current assets	348,080	357,144
Total assets	701,163	723,215

(Million yen)

Item	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Trade payables	85,293	83,383
Bonds and borrowings	42,951	51,851
Accrued expenses	27,945	28,534
Income tax payables	4,204	6,480
Other financial liabilities	21,095	19,214
Other current liabilities	5,737	5,819
Total current liabilities	187,225	195,281
Non-current liabilities		
Bonds and borrowings	53,493	53,272
Retirement and severance benefits	17,237	17,416
Provisions	1,737	1,776
Other financial liabilities	24,363	23,940
Other non-current liabilities	8,049	7,778
Total non-current liabilities	104,879	104,182
Total liabilities	292,104	299,463
Equity		
Common stock	15,454	15,454
Capital surplus	—	422
Treasury stock, at cost	(246)	(248)
Retained earnings	367,999	378,392
Accumulated other comprehensive income	17,176	20,746
Total equity attributable to owners of the parent	400,383	414,766
Non-controlling interests	8,676	8,986
Total equity	409,059	423,752
Total liabilities and equity	701,163	723,215

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

Item	First half ended Sep. 30, 2017 (Apr. 1, 2017 - Sep. 30, 2017)	First half ended Sep. 30, 2018 (Apr. 1, 2018 - Sep. 30, 2018)
Revenues	319,864	343,518
Cost of sales	(235,599)	(256,211)
Gross profit	84,265	87,307
Selling, general and administrative expenses	(55,230)	(62,506)
Other income	3,301	1,592
Other expenses	(12,652)	(5,867)
Operating income	19,684	20,526
Financial income	1,358	1,734
Financial expenses	(1,055)	(825)
Share of profits of investments accounted for using the equity method	1,946	1,845
Income before income taxes	21,933	23,280
Income taxes	(4,923)	(6,462)
Net income	17,010	16,818
Net income attributable to:		
Owners of the parent	16,768	16,413
Non-controlling interests	242	405
Earnings per share attributable to owners of the parent (yen)		
Basic	80.53	78.82
Diluted	—	—

(Condensed Quarterly Consolidated Statement of Comprehensive Income)
 (First half ended September 30, 2018)

(Million yen)

Item	First half ended Sep. 30, 2017 (Apr. 1, 2017 - Sep. 30, 2017)	First half ended Sep. 30, 2018 (Apr. 1, 2018 - Sep. 30, 2018)
Net income	17,010	16,818
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	862	170
Remeasurements of defined benefit obligations	—	(18)
Total items that cannot be reclassified into profit or loss	862	152
Items that can be reclassified into profit or loss		
Foreign currency translation adjustments	5,531	3,635
Cash flow hedges	(85)	(159)
Share of OCI of investments accounted for using the equity method	58	408
Total items that can be reclassified into profit or loss	5,504	3,884
Other comprehensive income (OCI)	6,366	4,036
Comprehensive income	23,376	20,854
Comprehensive income attributable to:		
Owners of the parent	22,890	20,203
Non-controlling interests	486	651

(3) Condensed Quarterly Consolidated Statement of Cash Flows

(Million yen)

Item	First half ended Sep. 30, 2017 (Apr. 1, 2017 - Sep. 30, 2017)	First half ended Sep. 30, 2018 (Apr. 1, 2018 - Sep. 30, 2018)
Cash flows from operating activities		
Net income	17,010	16,818
Depreciation and amortization	16,318	18,480
Income tax expense	4,923	6,462
Impairment losses	18	2,787
Interest and dividend income	(562)	(674)
Interest expenses paid	757	717
Share of profits of investments accounted for using the equity method	(1,946)	(1,845)
(Increase) decrease in trade receivables	(10,916)	2,694
(Increase) decrease in accounts receivables other	3,012	(216)
(Increase) decrease in inventories	(6,926)	(7,576)
Increase (decrease) in trade payables	(942)	(3,393)
Increase (decrease) in retirement and severance benefits	(236)	(217)
Other	5,896	(1,713)
Subtotal	26,406	32,324
Interest and dividends received	600	727
Interest paid	(630)	(806)
Income taxes paid	(12,797)	(4,685)
Net cash provided by operating activities	13,579	27,560
Cash flows from investing activities		
Expenses for property, plant and equipment acquired	(21,524)	(24,967)
Income from sale of property, plant and equipment	966	309
Proceeds from redemption and sale of investments in securities	1,136	106
Purchase of investments in subsidiaries	(24,422)	—
Purchase of investments accounted for using the equity method	(8,061)	—
Expenses for investment securities acquired	(216)	(293)
Other	(2,424)	1,895
Net cash provided by (used in) investing activities	(54,545)	(22,950)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	9,476	7,437
Proceeds from long-term debt	22,127	1,320
Payments on long-term debt	(12,450)	(1,825)
Dividends paid to stockholders	(6,247)	(6,247)
Dividends paid to non-controlling interests	(152)	(178)
Other	(1,050)	(12)
Net cash used in financing activities	11,704	495
Effect of exchange rate changes on cash and cash equivalents	1,937	1,494
Net increase (decrease) in cash and cash equivalents	(27,325)	6,599
Cash and cash equivalents at beginning of year	107,649	84,037
Cash and cash equivalents at end of year	80,324	90,636

(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 half ended September 30, 2017 (April 1, 2017 through September 30, 2017)

(Million yen)

Item	Reportable segment			Adjustment (Note)	Total
	Functional Materials	Advanced Components and Systems	Total		
Revenue					
Revenue from outside customers	149,401	170,463	319,864	—	319,864
Intersegment revenue	2,323	719	3,042	(3,042)	—
Total	151,724	171,182	322,906	(3,042)	319,864
Segment profit (loss)	24,618	(4,931)	19,687	(3)	19,684
Financial income	—	—	—	—	1,358
Financial expenses	—	—	—	—	(1,055)
Share of profits of investments accounted for using the equity method	—	—	—	—	1,946
Income before income taxes	—	—	—	—	21,933

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

First half ended September 30, 2018 (April 1, 2018 through September 30, 2018)

(Million yen)

Item	Reportable segment			Adjustment (Note)	Total
	Functional Materials	Advanced Components and Systems	Total		
Revenue					
Revenue from outside customers	151,974	191,544	343,518	—	343,518
Intersegment revenue	2,705	2,623	5,328	(5,328)	—
Total	154,679	194,167	348,846	(5,328)	343,518
Segment profit (loss)	21,067	(555)	20,512	14	20,526
Financial income	—	—	—	—	1,734
Financial expenses	—	—	—	—	(825)
Share of profits of investments accounted for using the equity method	—	—	—	—	1,845
Income before income taxes	—	—	—	—	23,280

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