

Consolidated Financial Summary

(For the Third Quarter Ended December 31, 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): February 12, 2019

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, 2018

(April 1, 2018 through December 31, 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	
Nine months ended:	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Dec. 31, 2018	522,366	4.9	31,793	(11.5)	35,146	(9.7)	26,673	(11.5)	26,031	(11.9)	23,276	(44.2)
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

Item	Basic earnings per share	Diluted earnings per share
Nine months ended:	Yen	Yen
Dec. 31, 2018	125.01	—
Dec. 31, 2017	141.94	—

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 45,356 million yen in the third quarter ended December 31, 2017. The consolidated result for earnings capacity of the Company's ordinary operations calculated by this method was 39,275 million yen in the third quarter ended December 31, 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 Dec. 31, 2018	710,314	420,560	411,484	57.9
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
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	
Fiscal year	690,000	3.1	40,000	(13.5)	44,000	(10.1)	33,500	(9.8)	32,500	(10.5)	Yen 156.08

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 cost of sales and selling, general and administrative expenses from the figure for revenues noted in the consolidated statements of income, is 50,000 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: 4 companies (CSB Battery (GUANGZHOU) Co., Ltd., CSB Battery Holding Co., Ltd.,
Enslys Global, Inc., Hitachi Storage Battery (Dongguan) 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)

Dec. 31, 2018:	208,364,913 shares	Mar. 31, 2018:	208,364,913 shares
Dec. 31, 2018:	142,775 shares	Mar. 31, 2018:	140,908 shares
Apr. - Dec. 2018:	208,223,115 shares	Apr. - Dec. 2017:	208,226,389 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 December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	84,037	87,345
Trade receivables	156,504	151,729
Inventories	85,410	91,079
Other financial assets	22,350	21,079
Other current assets	4,782	6,079
Total current assets	353,083	357,311
Non-current assets		
Property, plant and equipment	210,210	220,418
Intangible assets	76,495	72,321
Net defined benefit assets	13,489	14,117
Deferred tax assets	15,187	15,835
Investments accounted for using the equity method	6,495	6,145
Other financial assets	18,083	16,600
Other non-current assets	8,121	7,567
Total non-current assets	348,080	353,003
Total assets	701,163	710,314

(Million yen)

Item	As of March 31, 2018	As of December 31, 2018
Liabilities		
Current liabilities		
Trade payables	85,293	82,107
Bonds and borrowings	42,951	49,780
Accrued expenses	27,945	22,907
Income tax payables	4,204	3,806
Other financial liabilities	21,095	20,809
Other current liabilities	5,737	7,373
Total current liabilities	187,225	186,782
Non-current liabilities		
Bonds and borrowings	53,493	52,447
Retirement and severance benefits	17,237	17,381
Provisions	1,737	1,854
Other financial liabilities	24,363	23,734
Other non-current liabilities	8,049	7,556
Total non-current liabilities	104,879	102,972
Total liabilities	292,104	289,754
Equity		
Common stock	15,454	15,454
Capital surplus	—	574
Treasury stock, at cost	(246)	(250)
Retained earnings	367,999	381,764
Accumulated other comprehensive income	17,176	13,942
Total equity attributable to owners of the parent	400,383	411,484
Non-controlling interests	8,676	9,076
Total equity	409,059	420,560
Total liabilities and equity	701,163	710,314

(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, 2018) (Million yen)

Item	Nine months ended Dec. 31, 2017 (Apr. 1, 2017 - Dec. 31, 2017)	Nine months ended Dec. 31, 2018 (Apr. 1, 2018 - Dec. 31, 2018)
Revenues	497,786	522,366
Cost of sales	(366,884)	(388,881)
Gross profit	130,902	133,485
Selling, general and administrative expenses	(85,546)	(94,210)
Other income	4,358	2,637
Other expenses	(13,772)	(10,119)
Operating income	35,942	31,793
Financial income	1,520	1,814
Financial expenses	(1,519)	(1,258)
Share of profits of investments accounted for using the equity method	2,996	2,797
Income before income taxes	38,939	35,146
Income taxes	(8,807)	(8,473)
Net income	30,132	26,673
Net income attributable to:		
Owners of the parent	29,555	26,031
Non-controlling interests	577	642
Earnings per share attributable to owners of the parent (yen)		
Basic	141.94	125.01
Diluted	—	—

(Condensed Quarterly Consolidated Statement of Comprehensive Income)

(Nine months ended December 31, 2018)

(Million yen)

Item	Nine months ended Dec. 31, 2017 (Apr. 1, 2017 - Dec. 31, 2017)	Nine months ended Dec. 31, 2018 (Apr. 1, 2018 - Dec. 31, 2018)
Net income	30,132	26,673
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	1,865	(904)
Remeasurements of defined benefit obligations	72	61
Total items that cannot be reclassified into profit or loss	1,937	(843)
Items that can be reclassified into profit or loss		
Foreign currency translation adjustments	9,636	(2,606)
Cash flow hedges	(85)	(230)
Share of OCI of investments accounted for using the equity method	76	282
Total items that can be reclassified into profit or loss	9,627	(2,554)
Other comprehensive income (OCI)	11,564	(3,397)
Comprehensive income	41,696	23,276
Comprehensive income attributable to:		
Owners of the parent	40,382	22,782
Non-controlling interests	1,314	494

(3) Condensed Quarterly Consolidated Statement of Cash Flows

(Million yen)

Item	Nine months ended Dec. 31, 2017 (Apr. 1, 2017 - Dec. 31, 2017)	Nine months ended Dec. 31, 2018 (Apr. 1, 2018 - Dec. 31, 2018)
Cash flows from operating activities		
Net income	30,132	26,673
Depreciation and amortization	25,695	28,048
Income tax expense	8,807	8,473
Impairment losses	18	3,199
Interest and dividend income	(811)	(913)
Interest expenses paid	1,178	1,125
Share of profits of investments accounted for using the equity method	(2,996)	(2,797)
(Increase) decrease in trade receivables	(16,235)	3,744
(Increase) decrease in accounts receivables other	2,422	(1,879)
(Increase) decrease in inventories	(10,075)	(6,387)
Increase (decrease) in trade payables	1,258	(2,710)
Increase (decrease) in retirement and severance benefits	(360)	(444)
Other	(4,212)	(5,411)
Subtotal	34,821	50,721
Interest and dividends received	4,685	4,337
Interest paid	(1,016)	(1,173)
Income taxes paid	(18,360)	(9,402)
Net cash provided by operating activities	20,130	44,483
Cash flows from investing activities		
Expenses for property, plant and equipment acquired	(31,117)	(36,312)
Income from sale of property, plant and equipment	978	325
Proceeds from redemption and sale of investments in securities	1,861	673
Purchase of investments in subsidiaries	(25,027)	—
Purchase of investments accounted for using the equity method	(8,061)	—
Expenses for investment securities acquired	(1,207)	(330)
Other	(4,516)	960
Net cash provided by (used in) investing activities	(67,089)	(34,684)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	10,426	9,268
Proceeds from long-term debt	26,389	1,320
Payments on long-term debt	(14,425)	(4,037)
Proceeds from issuance of bonds payable	19,906	—
Dividends paid to stockholders	(12,494)	(12,493)
Dividends paid to non-controlling interests	(152)	(178)
Other	(656)	181
Net cash used in financing activities	28,994	(5,939)
Effect of exchange rate changes on cash and cash equivalents	3,361	(552)
Net increase (decrease) in cash and cash equivalents	(14,604)	3,308
Cash and cash equivalents at beginning of year	107,649	84,037
Cash and cash equivalents at end of year	93,045	87,345

(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, 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.

Nine months ended December 31, 2018 (April 1, 2018 through December 31, 2018)

(Million yen)

Item	Reportable segment			Adjustment (Note)	Total
	Functional Materials	Advanced Components and Systems	Total		
Revenue					
Revenue from outside customers	228,685	293,681	522,366	—	522,366
Intersegment revenue	3,919	2,825	6,744	(6,744)	—
Total	232,604	296,506	529,110	(6,744)	522,366
Segment profit (loss)	31,572	211	31,783	10	31,793
Financial income	—	—	—	—	1,814
Financial expenses	—	—	—	—	(1,258)
Share of profits of investments accounted for using the equity method	—	—	—	—	2,797
Income before income taxes	—	—	—	—	35,146

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