

# Presentation of Financial Results for the First Quarter of FY2014

**Teiji Koge**

Director

Senior Managing Executive Officer

Head of Corporate Communication Department

SEKISUI CHEMICAL CO., LTD.

30 July, 2014

**Summary of Profit and Loss**

(Billions of yen)

	1Q FY2013	1Q FY2014	Difference
Net Sales	242.5	255.9	+13.3
Operating Income	10.0	15.9	+5.8
Ordinary Income	12.6	15.9	+3.3
Net Income	6.9	8.2	+1.4

## Net Sales and Operating Income by Company

(Billions of yen)

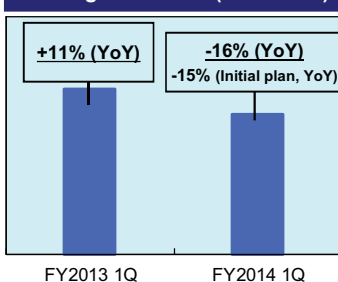
	1Q FY2013		1Q FY2014		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Housing	109.1	5.7	116.7	7.6	+7.6	+1.9
UIEP*1	46.2	-2.5	44.9	-2.8	-1.3	-0.3
HPP*2	83.4	7.6	90.4	11.8	+7.0	+4.1
Others	9.1	-0.7	8.3	-0.6	-0.8	+0.2
Eliminations or Unallocatable Accounts	-5.3	-0.1	-4.4	-0.1	+0.9	0
<b>Total</b>	<b>242.5</b>	<b>10.0</b>	<b>255.9</b>	<b>15.9</b>	<b>+13.3</b>	<b>+5.8</b>

\*1. Urban Infrastructure & Environmental Products Company  
 \*2. High Performance Plastics Company

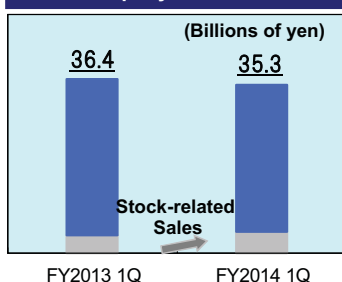
### Domestic Business

Performance progressed generally in line with the 1H plan by effectively responding to demand fluctuations

#### Housing Order Plan (Unit Basis)



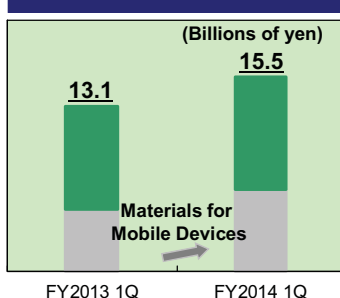
#### UIEP Company Domestic Sales



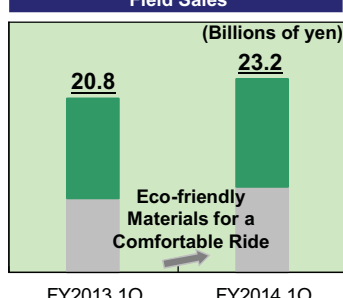
### Global Business

Results advanced slightly ahead of the 1H plan supported by solid demand recovery and growth

#### Electronics Field Sales



#### Automobiles and Transportation Field Sales



### Housing Company

After the April impact from the tax hike, market conditions stabilized in May or after

- New housing construction orders were secured roughly as planned
- Sales were successfully boosted for the Smart Power Station
- Housing complex orders were up YoY, but the subdivision housing sales growth is a slight concern
- Living environment business sales progressed as planned

### Water Infrastructure Business

**Public sector:** Grew steadily on increased government spending  
**Private sector:** New construction demand declined but stock-related demand steadily increased

- Public and private sector demand both progressed in line with the plan
- Public demand expanded, led by stock-related demand
- Demand dipped after temporary rise before previous term end, price increases are gradually producing effects

### Electronics Field

Market for liquid crystal materials is steadily recovering

- Mobile materials led the sales growth as results progressed ahead of plan
- Use in new smartphone models continued growing

### Automobiles and Transportation Field

Strong demand in the U.S. and China; slight impact from the tax hike in Japan

- Rising global sales were ahead of the plan
- Volume expanded led by the U.S. and China
- High-performance product sales grew globally

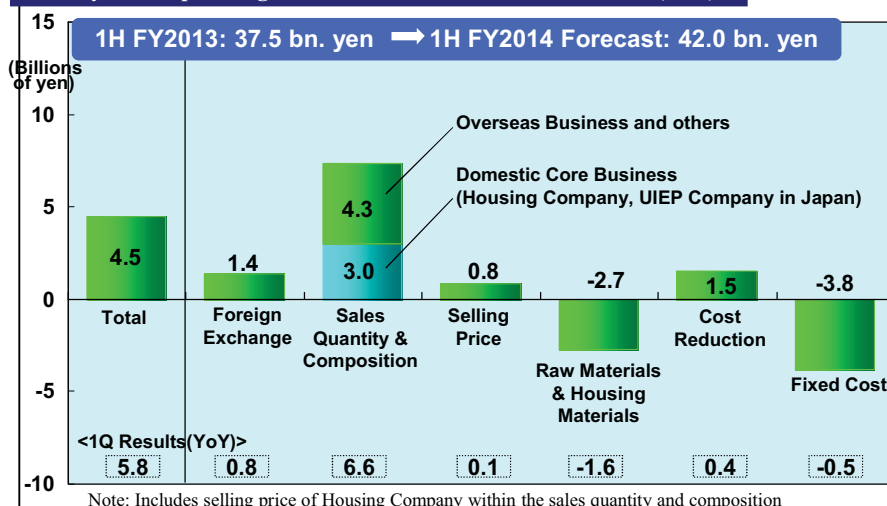
## Net Sales and Operating Income by Company

	1H FY2013 Results		1H FY2014 (Forecasts)		Difference		(Billions of yen) 1H FY2014 (Initial Plan)	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Housing	243.9	20.3	254.0	21.0	+10.1	+0.7	259.0	21.0
UIEP	109.8	1.0	114.0	0.5	+4.2	-0.5	114.0	0.5
HPP	171.8	16.8	184.0	22.0	+12.2	+5.2	182.0	18.5
Others	19.9	-0.6	19.0	-1.0	-0.9	-0.4	19.0	-1.5
Eliminations or Unallocatable Accounts	-12.4	0	-14.0	-0.5	-1.6	-0.5	-14.0	-0.5
<b>Total</b>	<b>533.1</b>	<b>37.5</b>	<b>557.0</b>	<b>42.0</b>	<b>+23.9</b>	<b>+4.5</b>	<b>560.0</b>	<b>38.0</b>

## Main Business Market Trend

	Business Field	1Q FY2014	2Q FY2014
Domestic	Housing	After the April impact from the tax hike, market conditions stabilized in May or after	Improving consumer sentiments supported by expectations of recovering conditions
	Water Infrastructure	Public sector: Demand grew steadily on increased government spending Private sector: New construction demand declined but stock-related demand steadily increased	Public sector orders gaining momentum and stock-related orders continuing to grow
Global	Electronics	Stead recovery in the liquid crystal materials market	Concern of inventory adjustments for liquid crystal materials
	Automobiles and Transportation	Strong demand in the U.S. and China; slight impact from the tax hike in Japan	Global demand moving at the 1Q FY2014 level overall with some regional variation

## Analysis of Operating Income for the 1H FY2014 Forecast (YoY)



### Sales Quantity & Composition

- Japan: Housing Company market environment recovery, UIEP Company aiming to capture emerging demand in 2Q FY2014
- Global: Continue expanding high-performance product sales

### Selling Price

- Focus efforts on price increases centered on the UIEP Company's domestic business

### Raw Materials & Housing Materials / Cost Reduction

- Rising naphtha-derivative material prices from sharply rising crude oil prices
- Continue cutting costs as a hedge

### Fixed Cost

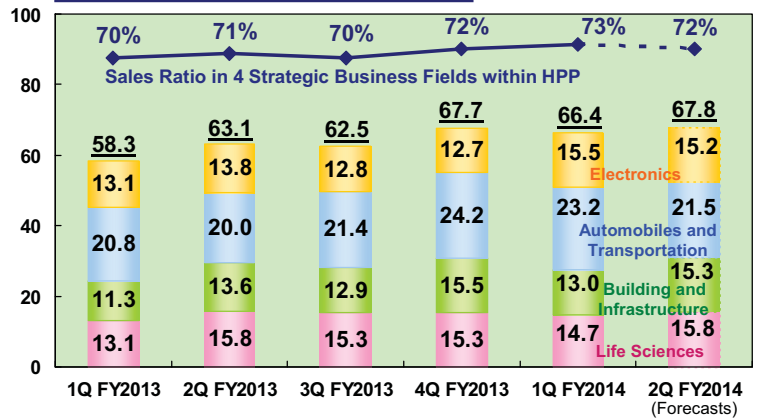
- Invest to fortify businesses
- Strengthen the sales forces in the new housing construction and renovation businesses

### Progress for 1H

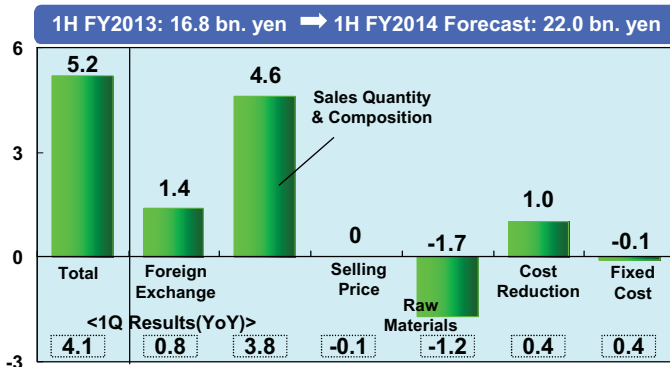
#### < Overview for the 1Q >

- Electronics:** Sales of smartphone components were brisk
- Automobiles and Transportation:** Ongoing strong demand in the U.S. and China
- < New Products >**
  - Developed anisotropic conductive paste
  - Received the first “non-combustible material” certification from the Minister of Land, Infrastructure and Transportation for urethane-based materials
  - Developed a high sensitivity, thin piezoelectric sensor

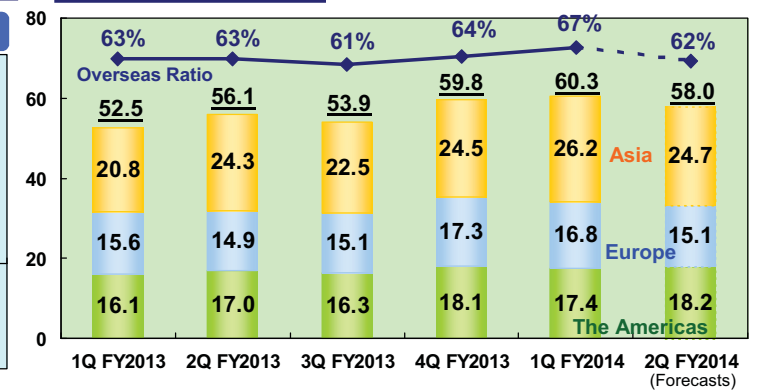
### Sales in Strategic Business Fields



### Analysis of Operating Income for the 1H FY2014 Forecast (YoY)



### Overseas Sales



### Progress for 1H

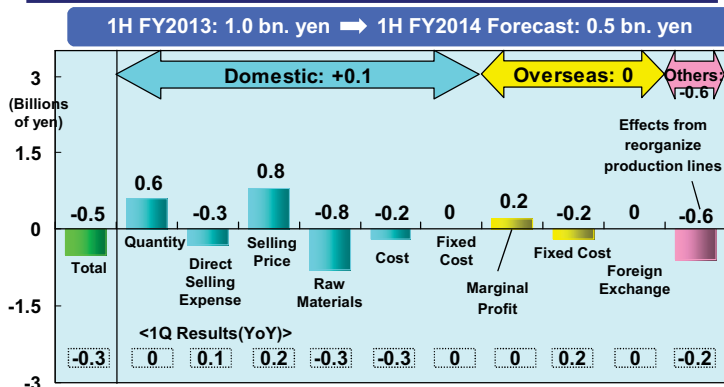
#### Domestic Business

- Public Sector:** Progressed strongly for a 1H supported by Abenomics fiscal spending
- Private Sector:** Demand contracted after the pre-tax hike surge, but results progressed as planned from emerging effects of price increases

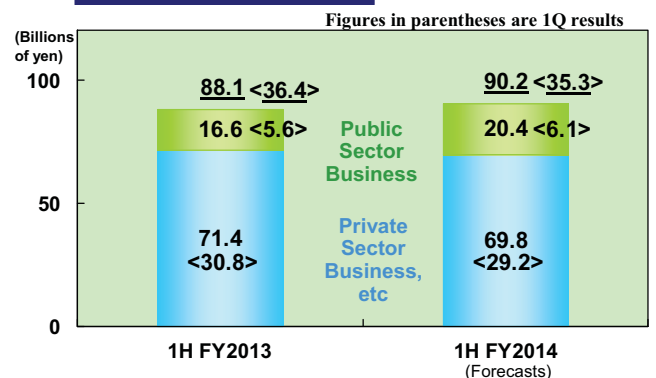
#### Overseas Business

- Sheet Business:** Sales steadily advances centered on aircraft materials
- Water Infrastructure Business:** Continue focus on the water supply field in China
- Pipeline Rehabilitation Business:** Europe market is recovering, and reform is under way

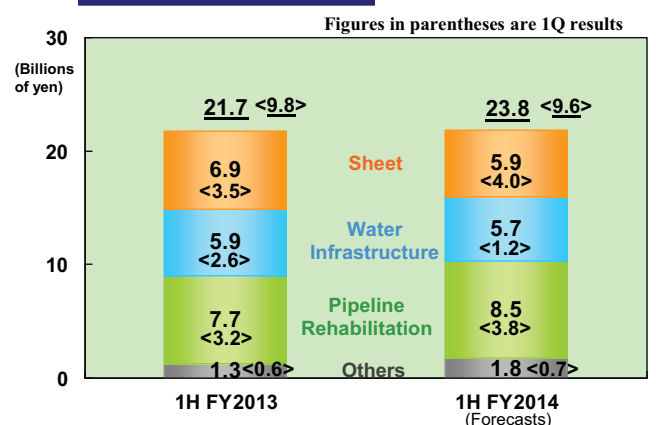
### Analysis of Operating Income for the 1H FY2014 Forecast (YoY)



### Domestic Sales



### Overseas Sales



## Progress for 1H

### Market Trend

Impact in April from the tax hike, stabilized market environment in May or after

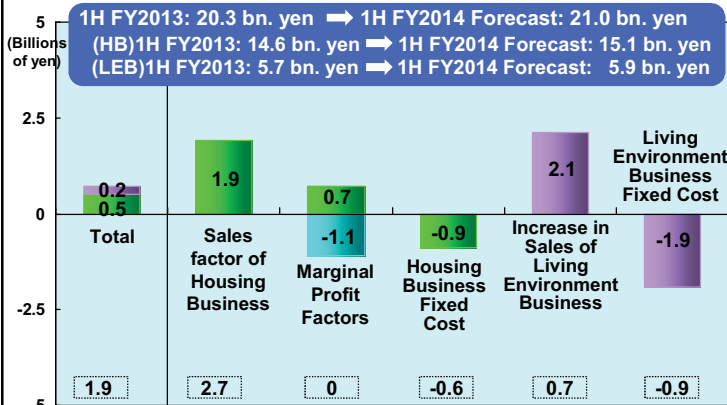
■ New housing construction orders are generally progressing as planned; 1Q Order: -16%(YoY)

- Successfully expanding Smart Power Station sales
- Housing complex orders were up YoY, subdivision property acquisitions are a concern
- Open house\* campaigns enabled potential customer targets to be reached; +5% compared with 1Q FY2012

\*Open house: Promotional events held at Sekisui Chemical homes constructed within the communities rather than at the model home galleries.

■ The Living Environment business is steadily expanding sales; 1Q: +5% (YoY)

### Analysis of Operating Income for the 1H FY2014 Forecast (YoY)



## Measures to Acquire Housing Orders in 2H

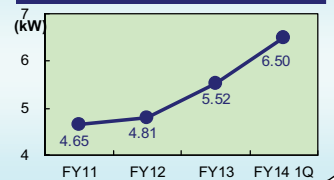
Housing Order Plan (Unit Basis, YoY) 2Q : -9%, 1H: -12%  
 Living Environment Business sales (YoY) 2Q : +8%, 1H: +6%

Market Outlook	Improving consumer sentiment on expectations of recovering conditions, rising stock prices and falling interest rates
	Gradually emerging demand movement from growing awareness of the March 31, 2015, order transition date for the next tax consumption hike
	Outlook for ongoing strong subdivision and housing complex demand. Greater focus on energy issues as electricity costs continue to rise

1. Fortify the attractiveness of the Smart Power Station (SPS) features
2. Strengthen subdivision and housing complex orders to underpin overall housing orders
3. Strengthen renovation business orders

### [SPS related Index]

Solar power generator capacity (Average, Unit)

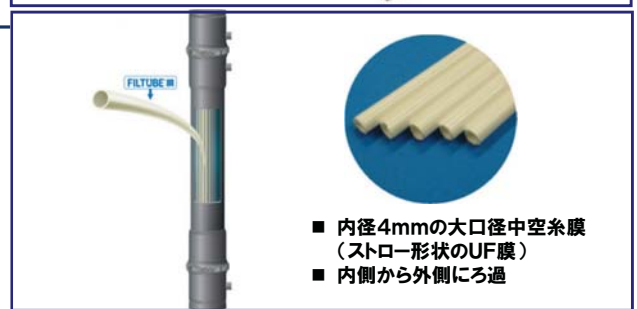
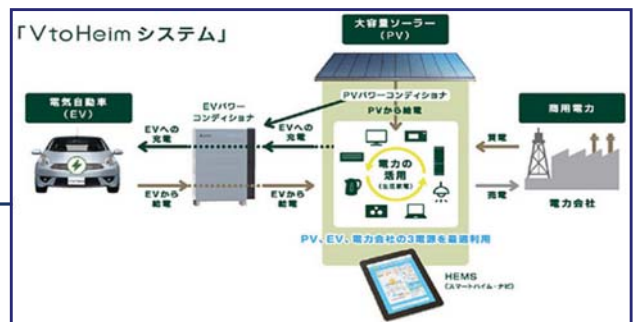


Customer Type	Measures in 2H
Detached Housing	<ul style="list-style-type: none"> <li>Promote the model home galleries and open house events</li> <li>-60 Smart Power Station homes that are open as model homes or as open houses</li> <li>Fortify product variation</li> <li>-Launch sales of the "V to Heim"</li> </ul>
Subdivision	<ul style="list-style-type: none"> <li>Use the Smart Heim City subdivision housing brand to capture demand</li> <li>-Increase sales of company-owned marketable properties for a 3% YoY increase in 2Q FY2014</li> </ul>
Housing Complex	Fortify sales structure to steadily capture demand
Renovation	<ul style="list-style-type: none"> <li>Use the system to strengthen the periodic diagnostic activities and generate demand</li> <li>Plan to increase the lines of core commercial products and fortify sales (Smart Heim Renovation, etc.)</li> </ul>

# SEKISUI <Reference> Measures in 1Q FY2014

## Step up the Core, Growing 8, and Nurturing and Creation activities

Category	Measures
Core	<ul style="list-style-type: none"> <li>•New housing construction: Strengthen smart house-related technologies (Launch sales of the "V to Heim")</li> </ul>
Growing 8	<ul style="list-style-type: none"> <li>•Infrastructure stocks: Launched sales of water treatment membrane modules for water and sewerage and industrial wastewater processing</li> <li>•Electronics: Developed new anisotropic conductive paste products</li> <li>•Building and Infrastructure: Established CPVC JV in Thailand</li> <li>•Building and Infrastructure: Received first "non-combustible material" certification from the for urethane-based materials</li> </ul>
Nurturing and Creation	<ul style="list-style-type: none"> <li>•Launched sales of housing with reduced disaster damage risk and senior housing with services</li> <li>•Developed a high sensitivity, thin piezoelectric sensor</li> </ul>



# Financial Results

## for the First Quarter of FY2014

**Hajime Kubo**  
 Director  
 Senior Managing Executive Officer  
 Responsible for Corporate Finance & Accounting Department

### Number of Consolidated Companies

	June 30, 2014	March 31, 2014	Difference
<b>Consolidated Subsidiaries</b>	<b>169</b>	<b>167</b>	<b>Increased: 4 Subsidiaries</b> <b>Decreased: 2 Subsidiaries</b>
<b>Affiliates (Equity Method)</b>	<b>8</b>	<b>8</b>	-

\* Consolidated subsidiaries result fluctuations had minimal affect on overall performance

**Summary of Profit and Loss**

(Billions of yen)

	1Q of FY2014	1Q of FY2013	Difference
<b>Net Sales</b>	<b>255.9</b>	<b>242.5</b>	<b>13.3</b>
<b>Gross Profit</b>	<b>78.2</b>	<b>71.8</b>	<b>6.4</b>
<b>Gross Profit Rate</b>	<b>30.6%</b>	<b>29.6%</b>	<b>1.0%</b>
<b>Selling, Gen. and Admin. Expenses</b>	<b>62.3</b>	<b>61.8</b>	<b>0.6</b>
<b>Operating Income</b>	<b>15.9</b>	<b>10.0</b>	<b>5.8</b>
<b>Equity in Earnings of Affiliates</b>	<b>0.1</b>	<b>0.2</b>	<b>-0.1</b>
<b>Other Non-operating Income and Expenses</b>	<b>-0.1</b>	<b>2.3</b>	<b>-2.4</b>
<b>Ordinary Income</b>	<b>15.9</b>	<b>12.6</b>	<b>3.3</b>
<b>Extraordinary Income</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Extraordinary Loss</b>	<b>0.1</b>	<b>0.2</b>	<b>-0.1</b>
<b>Income before Income Taxes</b>	<b>15.8</b>	<b>12.3</b>	<b>3.4</b>
<b>Corporate Income Tax, etc.</b>	<b>7.3</b>	<b>5.2</b>	<b>2.1</b>
<b>Income for Minority Shareholders</b>	<b>0.2</b>	<b>0.3</b>	<b>-0</b>
<b>Net Income</b>	<b>8.2</b>	<b>6.9</b>	<b>1.4</b>

Foreign exchange gains and losses: -2.2

Foreign Exchange (Avg. rate)	1US\$	102 yen	99 yen	3 yen
	1€	140 yen	129 yen	11 yen

**Consolidated Cash Flows**

(Billions of yen)

	1Q of FY2014	1Q of FY2013
<b>Operating Activities Cash Flows</b>	<b>-5.7</b>	<b>8.2</b>
<b>Investing Activities Cash Flows</b>	<b>12.3*</b>	<b>-10.7</b>
<b>Financing Activities Cash Flows</b>	<b>0.6</b>	<b>-9.0</b>
<b>Net Increase (decrease) in Cash and Cash Equivalents</b>	<b>7.3</b>	<b>-10.3</b>
<b>Cash and Cash Equivalents at the End of Term</b>	<b>58.6</b>	<b>50.9</b>
<b>Free Cash Flow</b> =Operating Activities Cash Flows +Investing Activities Cash Flows -Dividends Paid	<b>0.4</b>	<b>-8.1</b>

\*Includes 19.9 billion in (net) proceeds from withdrawal of time deposits

**Balance Sheets (Assets)**

(Billions of yen)

	June 30, 2014	March 31, 2014	Difference
Cash and Deposits	95.1	107.7	-12.6
Account Receivable on Sales	172.0	192.2	-20.2
Inventories	159.9	156.3	3.5
Other Current Assets	39.5	38.4	1.1
Tangible Non-Current Assets	252.9	252.1	0.9
Intangible Non-Current Assets	39.1	39.8	-0.7
Investments in Securities	159.7	151.7	8.0
Investments & Other Assets	19.6	22.7	-3.1
<b>Total Assets</b>	<b>937.9</b>	<b>961.0</b>	<b>-23.1</b>

At fair value: +9.5

Foreign exchange: -2.5

**Balance Sheets (Liabilities & Net Assets)**

(Billions of yen)

	June 30, 2014	March 31, 2014	Difference
Non-Interest-Bearing Liabilities	358.0	393.4	-35.4
Interest-Bearing Liabilities	102.0	94.0	8.0
<b>Total Liabilities</b>	<b>460.0</b>	<b>487.5</b>	<b>-27.4</b>
Capital Stock etc.	209.2	209.2	0
Retained Earning	239.7	240.2	-0.5
Treasury Stock	-20.2	-20.3	0.2
Unrealized Holding Loss on Securities	25.4	19.0	6.4
Minority Interests	16.7	16.5	0.3
Other Net Assets	6.9	9.0	-2.0
<b>Total Net Assets</b>	<b>477.9</b>	<b>473.6</b>	<b>4.3</b>
<b>Total Liabilities, Net Assets</b>	<b>937.9</b>	<b>961.0</b>	<b>-23.1</b>

Notes payable, trade and accounts payable, trade: -13.7

Accrued income taxes and other taxes: -11.4

Foreign currency translation adjustment: -1.8



**Depreciation and Capital Expenditures**

(Billions of yen)

	FY2014		FY2013		Difference	
	1Q	Annual (Forecasts)	1Q	Annual	1Q	Annual
<b>Depreciation</b>	7.3*	33.0*	7.9	34.4	-0.6	-1.4
<b>Capital Expenditures</b>	10.2	42.0	8.9	41.8	1.4	0.2

\*Depreciation method changed from the declining-balance method to the straight-line method for the Company and its domestic consolidated subsidiaries beginning in FY2014. The depreciation method change caused a ¥0.9 billion decline in 1Q FY2014.

(Billions of yen)

	1H of FY2014 (Forecasts) *	1H of FY2013	Difference	1H of FY2014 (Initial plan)
<b>Net Sales</b>	557.0	533.1	23.9	560.0
<b>Operating Income</b>	42.0	37.5	4.5	38.0
<b>Ordinary Income</b>	41.5	39.0	2.5	38.5
<b>Net Income</b>	23.0	22.8	0.2	21.0

\* Forex rate assumptions for the 1H FY2014 forecasts are ¥103/US\$ and ¥140/€

This slide presentation may contain forward-looking statements. Such forward-looking statements are based on current expectations and beliefs and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements due to changes in global economic, business, competitive market and regulatory factors.

## Housing Company Results and Plan

### 1. Housing business Main Data

		FY2014		FY2013		
		1Q	1H (Forecasts)	1Q	1H	2H
<b>CONSOLIDATED</b>	Net Sales (Billions of yen)	116.7	254.0	109.1	243.9	252.9
	Housing	80.1	176.8	74.2	171.3	177.2
	Houses	76.2	166.4	69.5	161.8	167.1
	Land	3.4	9.0	4.7	9.5	10.1
	Living environment	36.6	77.2	34.9	72.6	75.6
	Renovation	26.0	54.5	24.9	51.6	54.1
	Interior-Exterior	1.4	3.0	1.2	3.0	2.8
	Real estate	8.9	19.0	8.8	18.1	18.7
<b>OTHERS</b>	1. Number of houses sold (Housing units)	3,150	7,200	2,950	7,110	7,400
	Detached houses	2,420	5,300	2,410	5,420	5,400
	Heim	1,900	4,160	1,820	4,150	4,100
	Two-U	520	1,140	590	1,270	1,300
	Apartments (housing complex)	730	1,900	540	1,690	2,000
	2. Main data					
	Prices<Sales subsidiaries : Detached houses>/ Unit (Millions of yen)	30.0	-	30.2	30.7	30.4
	Prices<Sales subsidiaries : Detached houses>/ Tsubo (3.3 Square meter) (Thousands of yen)	791	-	782	791	794
	Floor space (Square meter)	125.2	-	127.5	128.0	126.4
	Exhibition places (Units)	-	422	-	425	423
	Sales staff (Number of person)	2,601	2,629	2,551	2,518	2,376
	Rebuilding ratio (%)	29%	30%	33%	34%	30%
	Referral sales ratio (%)	36%	36%	38%	38%	39%

\* Rebuilding ratio and Referral sales ratio are based on time of orders received.

### 2. Housing orders

(Millions of yen)

	FY2014		FY2013			FY2012	
	1Q	1H (Forecasts)	1Q	1H	2H	1H	2H
Backlogs at beginning	232,000	-	211,900	-	244,000	187,800	197,000
Growth Rate	+10%	-	+13%	-	+30%	+9%	+4%
New Orders	89,955	224,600	104,511	248,426	211,995	214,657	226,314
Growth Rate	-14%	-10%	+11%	+16%	-6%	+2%	+11%
Net Sales	103,555	223,900	95,311	216,326	223,995	205,457	211,414
Growth Rate	+9%	+4%	+2%	+5%	+6%	+6%	+3%
Balance at the end	218,400	232,700	221,100	244,000	232,000	197,000	211,900
Growth Rate	-1%	-5%	+18%	+24%	+10%	+4%	+13%

### 3. Housing starts

(in number of unit)

	FY2014		FY2013		
	1Q	1H (Forecasts)	1Q	1H	2H
Housing starts*	217,599	410,000	241,349	498,690	488,222
Privately-owned houses* (included in above) =A	70,647	145,000	87,958	182,940	169,901
Sales by our company	3,150	7,200	2,950	7,110	7,400
Detached house sales by our company=B	2,420	5,300	2,410	5,420	5,400
Our share in Detached houses=B/A	3.4%	3.7%	2.7%	3.0%	3.2%

\*The housing starts\* and "Privately-owned houses" after 1Q of FY2014 are based on forecasts.

### 4. The ratio of the houses equipped with the high-performance specifications

	FY2014		FY2013		
	1Q	1H (Forecasts)	1Q	1H	2H
Solar power generation systems installed	85%	87%	84%	83%	83%
Tiled exterior walls (Heim type JX)	65%	66%	69%	70%	64%
All-electric housing	88%	92%	89%	88%	88%
Comfortable Air System	67%	68%	68%	66%	68%