Presentation of Financial Results for the Second Quarter of FY2014

Naofumi Negishi, President

SEKISUI CHEMICAL CO., LTD.

30 October, 2014

Summary of Profit and Loss

(Billions of yen)

	1H FY2013	1H FY2014	Difference
Net Sales	533.1	545.9	+12.9
Operating Income	37.5	41.8	+4.3
Ordinary Income	39.0	45.9	+6.9
Net Income	22.8	28.9	+6.1

Dividend per Share (Yen)	11	13	+2

Net Sales and Operating Income by Company

(Billions of yen)

	1H of FY2013		1H of FY2014		Difference		1H of FY2014 Forecasts*1	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Housing	243.9	20.3	249.3	20.7	+5.3	+0.4	254.0	21.0
UIEP*2	109.8	1.0	106.4	0.2	-3.4	-0.8	114.0	0.5
HPP*3	171.8	16.8	182.3	22.2	+10.5	+5.4	184.0	22.0
Others	19.9	-0.6	18.0	-0.9	-1.9	-0.3	19.0	-1.0
Eliminations or Unallocatable Accounts	-12.4	0	-10.1	-0.4	+2.3	-0.4	-14.0	-0.5
Total	533.1	37.5	545.9	41.8	+12.9	+4.3	557.0	42.0

*1: Amount reported at the 1Q results announcement, *2: Urban Infrastructure & Environmental Products Company *3: High Performance Plastics Company

Overview for the 1H

Housing: The order backlog at the term start supported rises in sales and profit.

UIEP: Volume declined due to slower new home construction starts. Profit dipped due to costs incurred to improve PVC product efficiency (production reorganization).

HPP: Increased volume in the four strategic business fields while improving the product mix. The effect of these along with the weaker yen produced substantial rises in sales and profit.

Japan: Maintained even YoY volume and composition amid adverse conditions

Housing Company

- New construction and renovation orders were held a slight shortfall of the plan despite a stronger than expected impact from the consumption hike.

Water Infrastructure Business

- Robust public demand and capturing stock demand enabled us to mostly cover the impact from the drop in new home construction starts.

Global: Steady expansion supported by favorable business environments

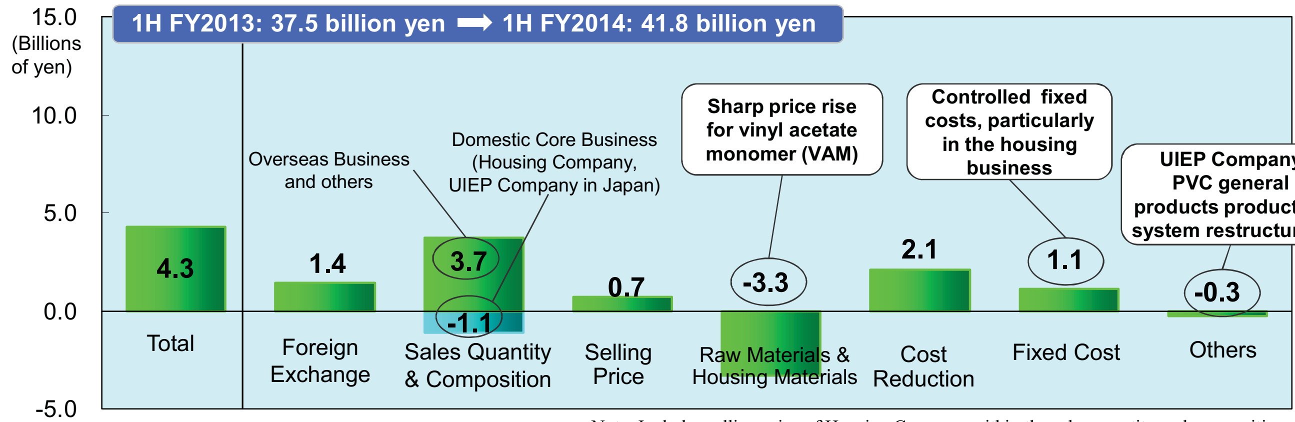
Electronics

- Business expanded centered on mobile materials
- Smartphone component sales continued expanding in China and other countries.

Automobiles and Transportation

- Business remained strong in the U.S. and China and high-performance product sales expanded globally.

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



Note: Includes selling price of Housing Company within the sales quantity and composition

Net Sales and Operating Income by Company

(Billions of yen)

	FY2013		FY2014 (Revised Plan)		Difference		FY2014 (Original Plan)	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Housing	496.8	41.1	506.0	41.5	+9.2	+0.4	524.0	43.0
UIEP	239.9	6.5	240.0	7.0	+0.1	+0.5	247.0	7.5
HPP	353.8	36.1	370.0	44.5	+16.2	+8.4	370.0	40.0
Others	43.8	-0.8	40.0	-3.0	-3.8	-2.2	41.0	-2.5
Eliminations or Unallocatable Accounts	-23.5	-0.3	-24.0	-1.0	-0.5	-0.7	-28.0	-1.0
Total	1,110.9	82.5	1,132.0	89.0	+21.1	+6.5	1,154.0	87.0

Earnings Plan for FY2014

(Billions of yen)

	FY2013	FY2014 (Revised Plan)	Difference	FY2014 (Original Plan)
Net Sales	1,110.9	1,132.0	21.1	1,154.0
Operating Income	82.5	89.0	6.5	87.0
Ordinary Income	83.3	89.0	5.7	85.0
Net Income	41.2	51.0	9.8	46.0

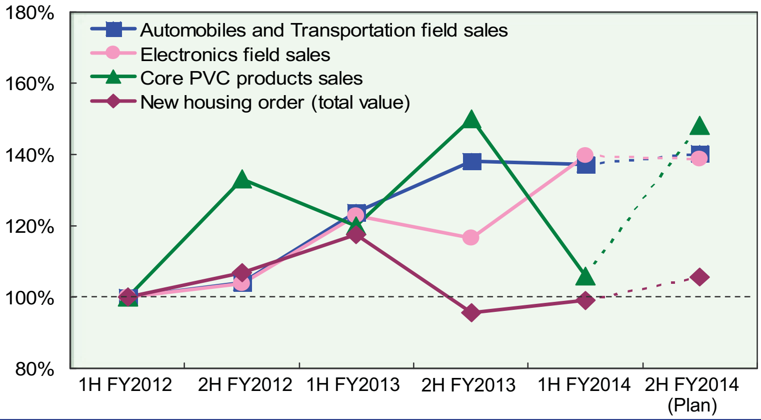
Dividend per Share (Yen)	23	26	3	24

FY2014 Revised Full Year Plan

Market Environment

	Business Field	Forecast for 2H FY2014
Domestic	Housing	Market environment continues unchanged from 2Q FY2014. If another consumption tax hike is approved, advance demand in 4Q FY2014.
Domestic	Water Infrastructure	Public demand orders gain momentum. Further rising trend for stock demand.
Global	Electronics	Overall strong demand centered on mobile materials.
Global	Automobiles and Transportation	Continuing strong business in the U.S. and China, gradual recovery trend in Europe. Weak yen also helps boost results.
Global	Healthcare	Steady demand for diagnostic agents in developed countries and ongoing demand growth in developing countries.
Global	UIEP Overseas	Water infrastructure overseas: Order delays caused by deteriorating social conditions in the Xinjiang Uyghur Autonomous Region. Europe pipeline rehabilitation business: Bottoming out and slowly recovering public works orders.

Main Business Sales and Orders (Index with 1H FY2012=100)



Key Points in the 2H Plan

Housing Company

Step up the "Smart House No.1 Strategy" to increase orders

Water Infrastructure Business

Steadily capture public works and stock demand

Electronics

Continue expanding sales focused on mobile materials

Automobiles and Transportation

Further expand global sales of high-performance products

FY2014 Revised Full Year Plan

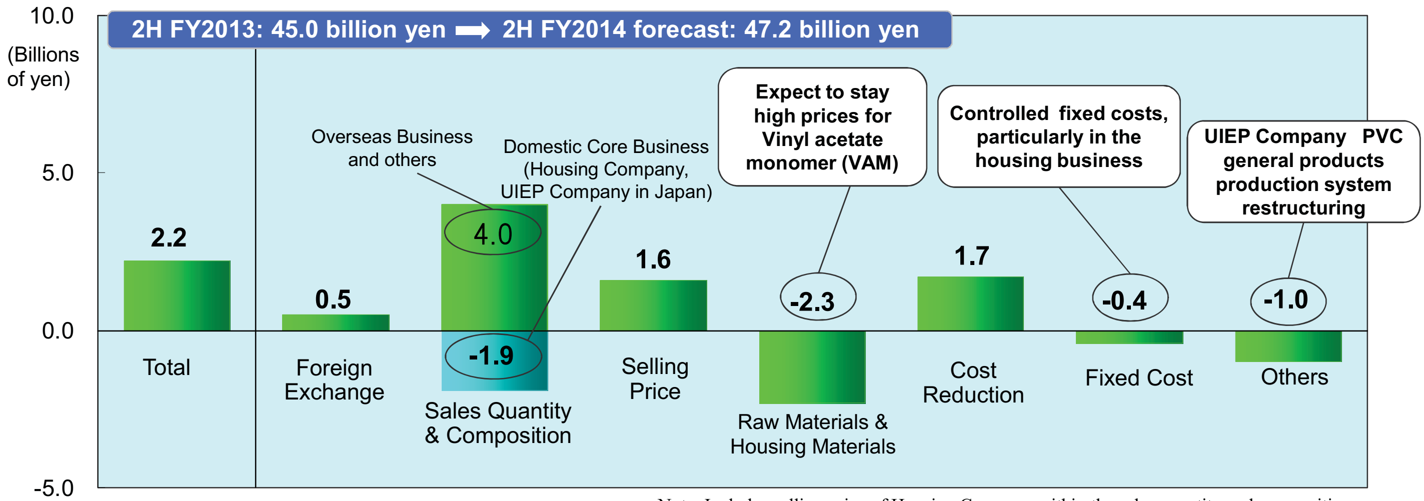
SHINKA!-Advance 2016

- **Japan: Respond to a consumption tax hike and other changes in the business environment**
- **Global: Continue to harness the favorable business environment to expand volume and improve composition ratios**
- **Continue improving operating efficiency focusing on domestic businesses**
- **Implement measures to maintain the profit growth track next term**

Measures to maintain profit growth

Housing	• Secure an order backlog for the next term start
UIEP	• Reorganize the general PVC product production and distribution systems
HPP	• Increase production capacity for mobile materials • Start up new Thailand CPVC factory

Analysis of Operating Income for the 2H of FY2014 (YoY)



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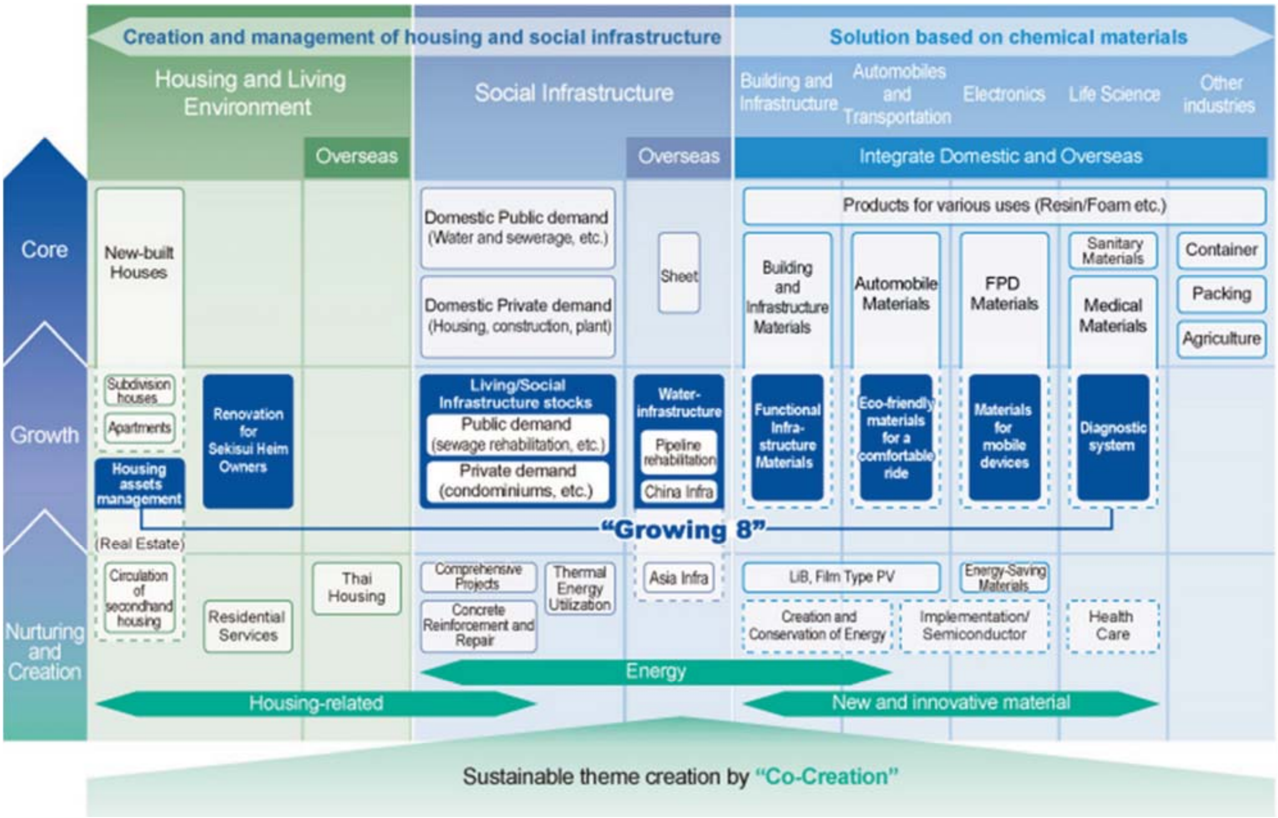
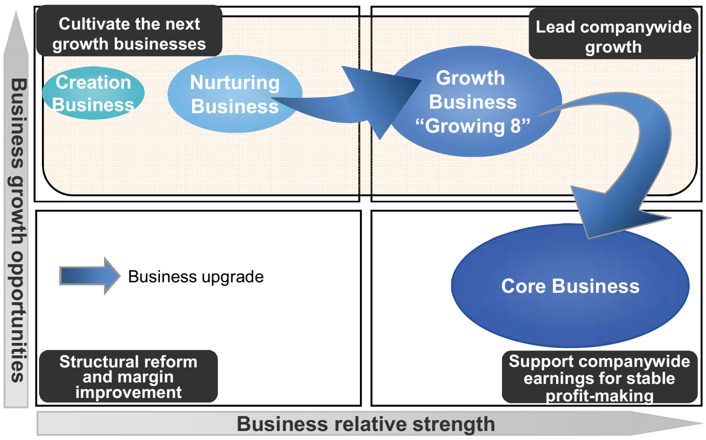
Business Portfolio



Core Strategies in FY2014



Core Business

Further polish the businesses and deeply cultivate new areas, such as existing-stock

New-built houses

•Fortified Smart Power Station products and shifted to energy self-sufficient homes

Water Infrastructure Business

•Reorganized the general PVC product production and distribution systems for improved efficiency.

Growth Business "Growing 8"

Focus on growth areas and areas of strength and aim for high growth

Electronics

• Enhanced production capacity for double-sided adhesive tape for mobile applications

•Developed applications in the mounting field for a new anisotropic conductive paste

Building and Infrastructure materials

• Started operations at the Thai CPVC factory for the Middle East and Asia markets

•Received MLIT certification and broadened applications for "non-flammable urethane"

Healthcare

• Launched a test reagent for measuring blood concentration and diabetes testing equipment

Living and Social Infrastructure stocks

• Market launch of water-treatment membrane and units FILTUBE

Nurturing and Creation Business

Through "co-creation" internally and externally, cultivate the next growth businesses

•Progressed with testing for marketing the film-type lithium-ion battery

•Launched disaster-protected housing with support services for the elderly

•Developed healthcare and other applications for highly sensitive, thin-type piezoelectric sensors

•Established a business for geothermal heating systems

Overview for the First Half of FY2014

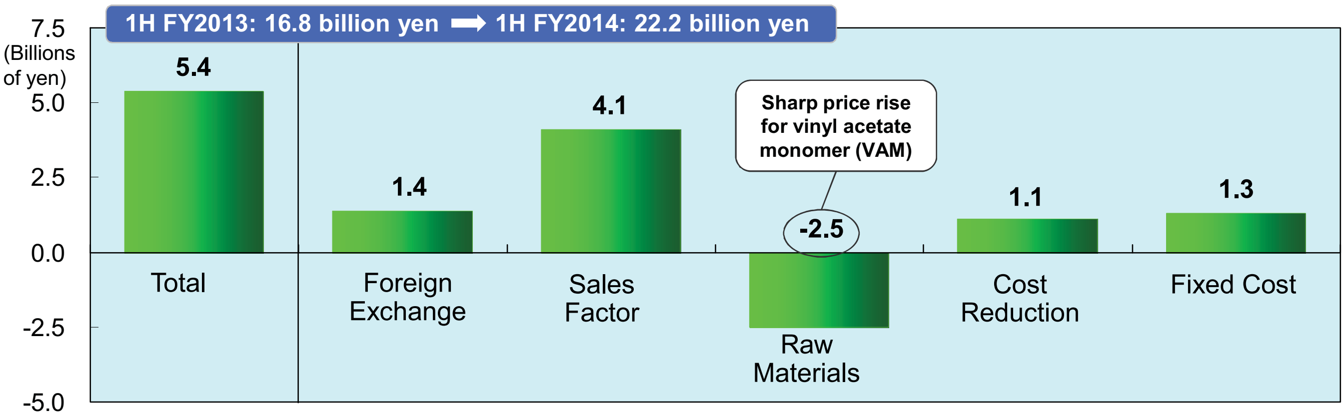
Electronics: Increased smartphone component sales centered on China

Automobiles and Transportation: Sales increased led by high-performance products on strong demand in the U.S. and China and growing sales in Europe

Building and Infrastructure materials: Increased sales of CPVC in India and the Middle East and thermal expansion, fire-resistant materials in Japan

Life Sciences: Global development of the diagnostic reagents, testing equipment, and other business steadily progressed in China and other countries

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



Key Measures for the Second Half of FY2014

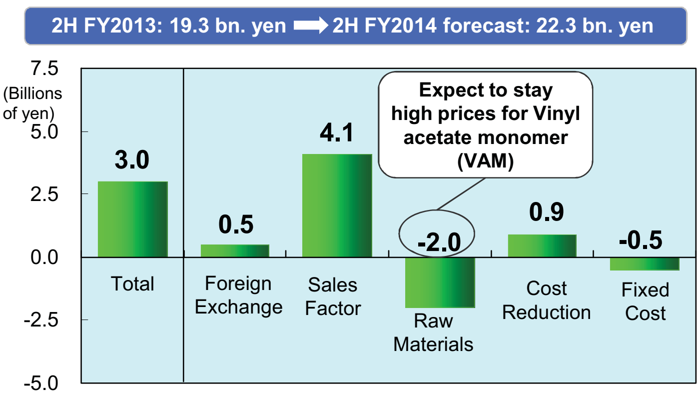
Electronics: Increase production capacity of double-sided tape for mobile applications

Automobiles and Transportation: Grow global sales centered on high-performance products

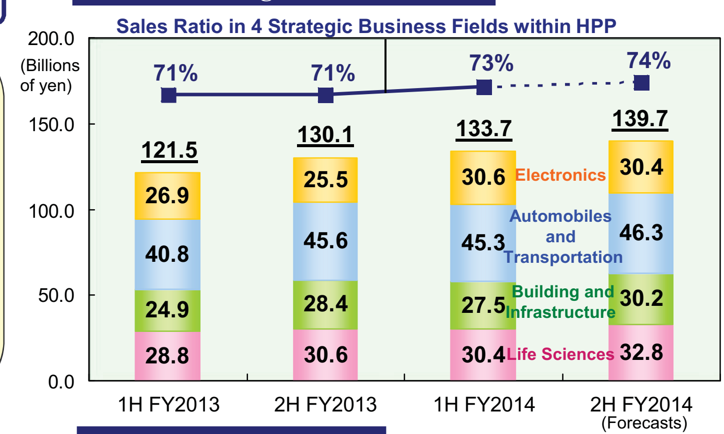
Building and Infrastructure materials: Start CPVC production at the new Thai factory

Life Sciences: Expand global develop of the diagnostic reagent business as a foundation for the equipment business

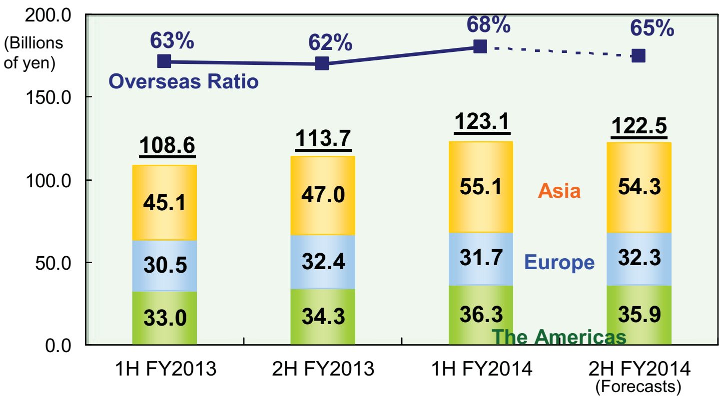
Analysis of Operating Income for the 2H of FY2014 (YoY)



Sales in Strategic Business Fields



Overseas Sales



Overview for the First Half of FY2014

Domestic Business

Public demand: Strong public investment in the infrastructure field, rises in sales and profits

Private demand: Larger than expected impact from the consumption tax hike, general product sales fell short of plan

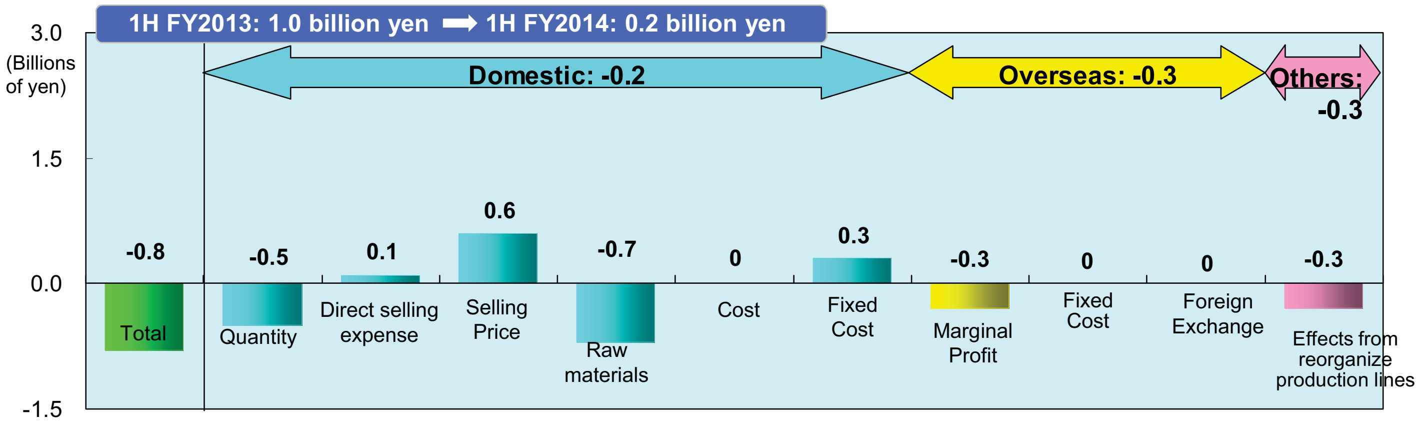
Overseas Business

Sheet business: Sales rose led by aircraft-related demand

Water infrastructure business: Sales plummeted from public investment delayed due to deteriorating social conditions in the Xinjiang Uyghur Autonomous Region

Pipeline rehabilitation business: Construction sales grew in North America and Eastern Europe

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



Key Measures for the Second Half of FY2014

Domestic Business

Accelerate the enhancement of overall efficiency for the general-purpose products; Accelerate the distribution reform, complete the production base restructuring (Tokyo Plant)

Accelerate the shift to the stock segments in all business fields; Fortify the construction and diagnostics staffs, speed up entry to the stock products market

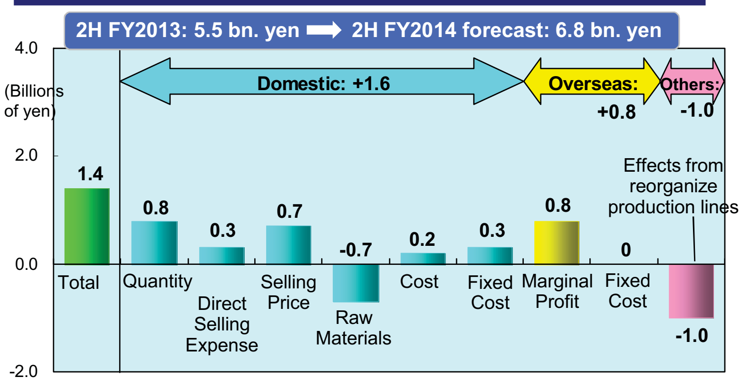
Overseas Business

Sheet business: Activate the integrated synergies of the two U.S. companies

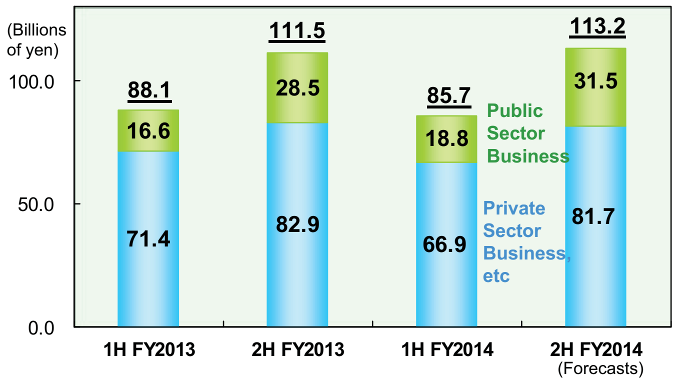
Water infrastructure business: Fortify the local production and sales operations in Asia

Pipeline rehabilitation business: Reorganize the project framework in Europe

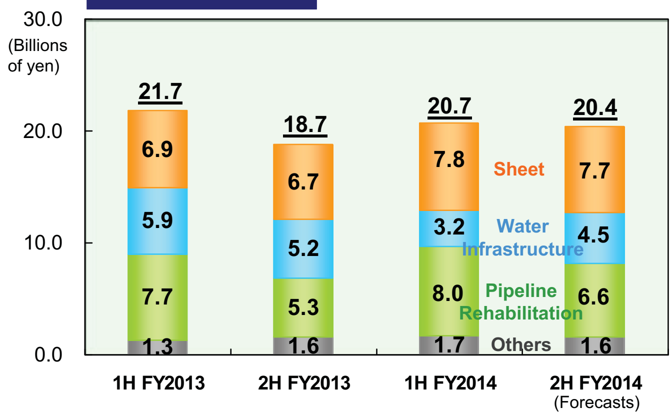
Analysis of Operating Income for the 2H FY2014 Forecast (YoY)



Domestic Sales



Overseas Sales



Overview for the First Half of FY2014

■ **New construction orders fell slightly short of target due to slower than expected market recovery**

- Smart Power Station sales grew further
- Acquiring properties for built-for-sale housing face some difficulties
- Open House promotional events attracted customer traffic exceeding 2Q last year

■ **Raise Living Environment business sales YoY**

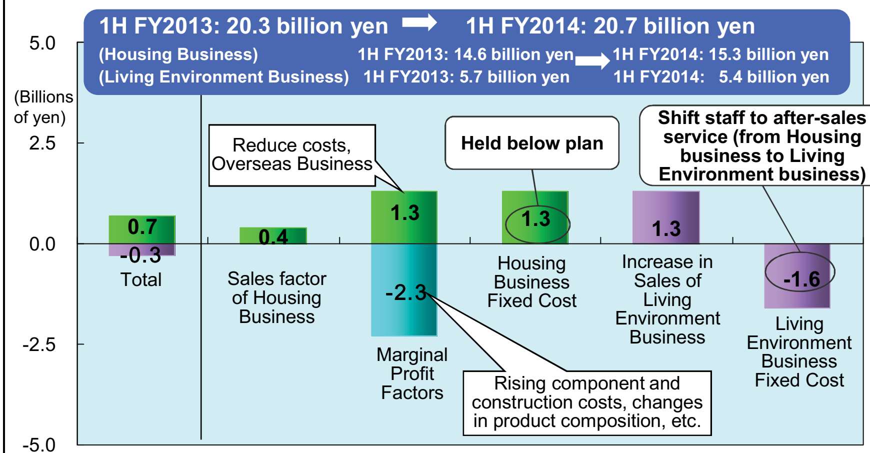
1H FY2014 Results

Housing order (units base): -15%
(YoY, original plan*: -12%)

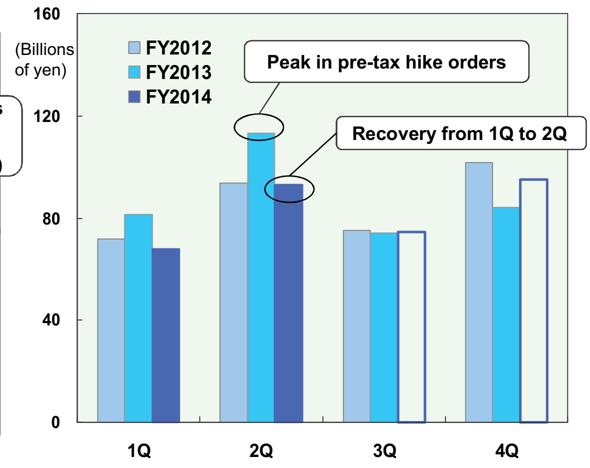
Living Environment business sales: +5%
(YoY, original plan*: +6%)

*Amount reported at the 1Q results announcement

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



New Housing Order



Note: Order after 3Q of FY2014 are based on a forecast.

Key Measures for the Second Half of FY2014

■ **Implement strategies to achieve profit growth for the full year**

- Secure the planned level of 3Q orders
- Secure construction staff capacity in 4Q to achieve the sales target
- Hold down fixed costs to help attain the 2H profit target

■ **Secure an order backlog to as a base for continuing profit growth next term**

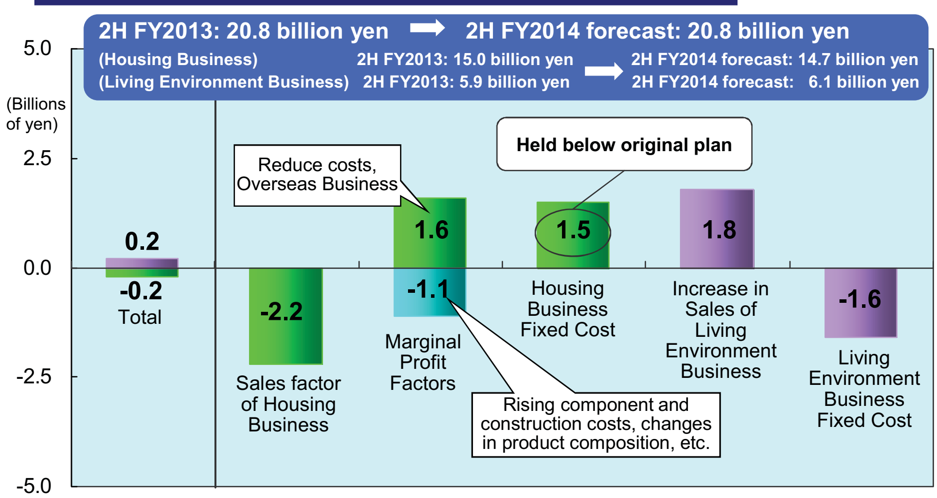
- Fortify the Smart House No.1 strategy
- Continue reinforcing activities to attract renovation orders

2H FY2014 Plan

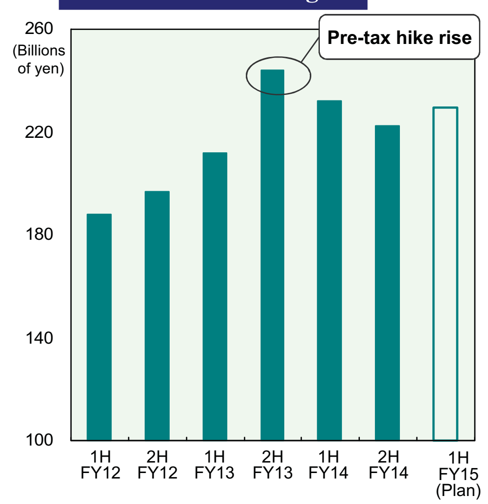
Housing order (units base): +11%
(YoY, 3Q: +4%, 4Q: +16%, Full year: -4%)

Living Environment business sales: +7%
(YoY, Full year: +6%)

Analysis of Operating Income for the 2H of FY2014 (YoY)



Year-start Backlog



Housing Company: Forecast for FY2014

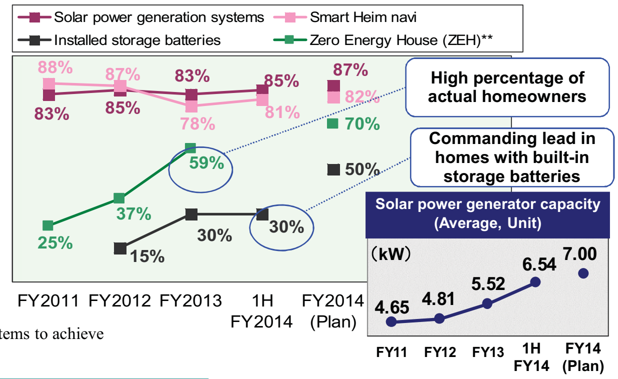
Market Outlook in 2H

Market	The consumption trend is expected to remain generally unchanged from 2Q
Impact of a tax hike decision	**New home construction:** Some advance demand in 4Q **Housing renovation:** Gradually rising demand toward the end of 1H FY2015
Housing Type	**Rebuilding construction:** Some advance demand in 4Q if the tax hike is ratified **Built-for-sale housing:** Strong construction demand for first-time buyers **Housing complexes:** Inheritance tax policy and low interest rates support steady demand
Other factor	Increasing move toward energy self-sufficiency due to increasing attention to energy risk (feed-in tariff * revision, high power costs) and disaster-protected

* Feed-in Tariff: a fixed-price energy purchasing program

** Zero Energy House: housing that integrates superior heat insulation, energy-saving equipment, HEMS, and other systems to achieve net zero primary energy consumption for air conditioning, hot water supply, lighting, and other utilities.

<Reference>Differentiated tool load ratio trend



Measures to acquire housing orders in 2H

Attractiveness of the Smart Heim Energy Self-sufficient Homes

Detached Housing
Take advantage of the trend for energy self-sufficiency
- Built-for-sale housing: Large untapped market
- Housing complexes: Large untapped market

Competitive Products

Fortify dominance in <u>large capacity solar power generation systems + storage batteries + HEMS</u>

Steps to Strengthen Smart Power Station products
- Increase layout variations, further increase solar panel power generation capacity
- Develop the V to Heim series for nationwide sales
- Further strengthen the Smart Heim City built-for-sale brand
- Launch the new Letoit Smart Power Station housing complex line

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Staff & Organizational Strength

Develop professional Smart Heim staff
- Certify 800 new staff in 1H

Strengthen the full-time housing complex sales structure
- Adapt the large city operating structure for mid-size regional cities

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Sales Strategies

Continue strengthening the built-for-sale land acquisition operation
- In 2H, increase investment in Company landholdings by 40% YoY

Conduct marketing campaigns to increase customer traffic and contract closings
- Launch the Warm Heim Campaign and Introduction Campaign

Home renovation:
Gradually recovering demand

Competitive Materials

Continue fortifying the Smart Heim Renovation business
- Develop <u>3-point (solar power generation systems, storage battery, HEMS)</u> Smart products

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Sales & Organizational Strength

Create a system designed specifically to strengthen customer contact points
- Develop a system geared to building age and fortify after-sales service
- Develop a system geared to each product option and fortify proposal ability

Financial Results

for the Second Quarter of FY2014

Hajime Kubo

Director

Senior Managing Executive Officer

Responsible for Corporate Finance & Accounting Department

Number of Consolidated Companies

	March 31, 2014	September 30, 2014	Difference
Consolidated Subsidiaries	167	169	Increased: 4 Subsidiaries Decreased: 2 Subsidiaries
Affiliates (Equity Method)	8	8	-

* Consolidated subsidiaries result fluctuations had minimal affect on overall performance

Summary of Profit and Loss

(Billions of yen)

	1H of FY2013	1H of FY2014	Difference
Net Sales	533.1	545.9	12.9
Gross Profit	160.8	166.2	5.4
Gross Profit Rate	30.2%	30.4%	0.3%
Selling, Gen. and Admin. Expenses	123.3	124.4	1.1
Operating Income	37.5	41.8	4.3
Equity in Earnings of Affiliates	0.8	0.8	0
Other Non-operating Income and Expenses	0.7	3.3	2.6
Ordinary Income	39.0	45.9	6.9
Extraordinary Income	-	-	-
Extraordinary Loss	1.1	0.4	-0.7
Income before Income Taxes	37.9	45.5	7.6
Corporate Income Tax, etc.	14.4	16.0	1.6
Income for Minority Shareholders	0.6	0.6	-0.1
Net Income	22.8	28.9	6.1

Foreign exchange gain and loss: +1.3

	1H of FY2013	1H of FY2014	Difference
Dividend per Share (Yen)	11	13	2

		1H of FY2013	1H of FY2014	Difference
Foreign Exchange (Avg. rate)	1US$	99 yen	103 yen	4 yen
	1€	130 yen	139 yen	9 yen

Consolidated Cash Flows

(Billions of yen)

	1H of FY2013	1H of FY2014
Operating Activities Cash Flows	59.4	36.0
Investing Activities Cash Flows	-46.8*[1]	11.9*[2]
Financing Activities Cash Flows	-12.0	-29.6
Net Increase in Cash and Cash Equivalents	2.0	20.6
Cash and Cash Equivalents at the End of Term	63.2	71.9
Free Cash Flow =Operating Activities Cash Flows +Investing Activities Cash Flows -Dividends Paid	6.6	41.5

*[1]: Includes ¥30.9 billion in (net) payments into time deposits
*[2]: Includes ¥30.0 billion in (net) proceeds from withdrawal of time deposits

Balance Sheets (Assets)

(Billions of yen)

	March 31, 2014	September 30, 2014	Difference
Cash and Deposits	107.7	98.3	-9.4
Account Receivable on Sales	192.2	175.4	-16.8
Inventories	156.3	160.0	3.6
Other Current Assets	38.4	41.8	3.4
Tangible Non-Current Assets	252.1	257.9	5.8
Intangible Non-Current Assets	39.8	39.3	-0.5
Investments in Securities	151.7	155.0	3.3
Investments & Other Assets	22.7	22.3	-0.5
Total Assets	961.0	950.0	-11.0

At fair value: +2.7

Foreign exchange: +9.4

Balance Sheets (Liabilities & Net Assets)

(Billions of yen)

	March 31, 2014	September 30, 2014	Difference
Non-Interest-Bearing Liabilities	393.4	373.9	-19.6
Interest-Bearing Liabilities	94.0	73.9	-20.1
Total Liabilities	487.5	447.8	-39.7
Capital Stock etc.	209.2	209.2	0
Retained Earning	240.2	260.4	20.2
Treasury Stock	-20.3	-19.8	0.5
Unrealized Holding Loss on Securities	19.0	21.0	2.0
Minority Interests	16.5	17.3	0.8
Other Net Assets	9.0	14.1	5.2
Total Net Assets	473.6	502.2	28.7
Total Liabilities, Net Assets	961.0	950.0	-11.0

Bonds: -10.0

Foreign currency translation adjustment: +5.5

Depreciation and Capital Expenditures

(Billions of yen)

	Depreciation			Capital Expenditures		
	1H of FY2013	1H of FY2014*	Difference	1H of FY2013	1H of FY2014	Difference
Housing	3.6	3.6	-0	6.4	5.1	-1.3
UIEP	2.9	2.9	0	4.6	5.3	0.7
HPP	8.7	7.9	-0.8	8.5	9.0	0.5
Others	0.7	0.5	-0.2	0.5	1.1	0.6
Eliminations or Unallocatable Accounts	0.3	0.3	0	0.3	0.5	0.3
Total	16.2	15.2	-1.1	20.3	21.0	0.7

*Depreciation method changed from the declining-balance method to the straight-line method for the Company and its domestic consolidated subsidiaries beginning in FY2014.

Depreciation and Capital Expenditures

(Billions of yen)

	FY2013	FY2014 (Plan)	Difference
Depreciation	34.4	33.0*	-1.4
Capital Expenditures	41.8	42.0	0.2
Research and Development Expenditure	27.7	28.0	0.3

*Depreciation method changed from the declining-balance method to the straight-line method for the Company and its domestic consolidated subsidiaries beginning in FY2014.

Earnings Plan for FY2014

(Billions of yen)

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Net Income	41.2	51.0	9.8	46.0
Dividend per Share (Yen)	23	26	3	24

* Forex rate assumptions for the 2H FY2014 forecasts are ¥102/US$ and ¥138/€.

Housing Company Results and Plan

1. Main data in Housing business

		FY2014			FY2013			FY2012
		1H	2H (Plan)	Annual(Plan)	1H	2H	Annual	Annual
CONSOLIDATED	Net Sales (Billions of yen)	249.3	256.7	506.0	243.9	252.9	496.8	469.0
	Housing	173.0	175.6	348.6	171.3	177.2	348.5	333.7
	Houses	162.8	161.6	324.4	161.8	167.1	328.8	315.5
	Land	9.0	12.2	21.2	9.5	10.1	19.7	18.2
	Living Environment	76.3	81.1	157.4	72.6	75.6	148.3	135.4
	Refurbishing	53.9	56.1	110.0	51.6	54.1	105.7	95.8
	Interior-Exterior	2.8	2.9	5.7	3.0	2.8	5.8	5.6
	Real estate	18.8	21.4	40.0	18.1	18.7	36.8	34.0
OTHERS	1.Number of houses sold (Housing units)	7,170	7,360	14,530	7,110	7,400	14,510	13,860
	Detached houses	5,210	5,160	10,370	5,420	5,400	10,820	10,610
	Heim	4,110	4,070	8,180	4,150	4,100	8,250	8,230
	Two-U	1,100	1,090	2,190	1,270	1,300	2,570	2,380
	Apartments	1,960	2,200	4,160	1,690	2,000	3,690	3,250
	2. Main data							
	Prices<Sales subsidiaries: Detached houses>/ Unit (Millions of yen)	30.2	-	-	30.7	30.4	30.6	30.0
	Prices <Sales subsidiaries: Detached houses>/ Tsubo (3.3 Square meter)(Thousands of yen)	792	-	-	791	794	793	772
	Floor space (Square meter)	125.8	-	-	128.0	126.4	126.9	128.2
	Exhibition places (Units)	429	-	425	425	-	423	407
	Sales staff (Number of person)	2,549	-	2,490	2,518	-	2,376	2,259
	Rebuilding ratio (%)	29%	33%	32%	34%	30%	32%	34%
	Referral sales ratio (%)	37%	42%	40%	38%	39%	39%	41%

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

2. Housing orders

(Millions of yen)

	FY2014			FY2013			FY2012		
	1H	2H (Plan)	Annual (Plan)	1H	2H	Annual	1H	2H	Annual
Year-start Backlog	232,000	222,400	-	211,900	244,000	-	187,800	197,000	-
Growth Rate	+10%	-9%	-	+13%	+30%	-	+9%	+4%	-
New Orders	209,943	227,657	437,600	248,426	211,995	460,421	214,657	226,314	440,971
Growth Rate	-15%	+7%	-5%	+16%	-6%	+4%	+2%	+11%	+6%
Sales of houses	219,543	220,557	440,100	216,326	223,995	440,321	205,457	211,414	416,871
Growth Rate	+2%	-1%	±0%	+5%	+6%	+6%	+6%	+3%	+4%
Balance at the end	222,400	229,500	-	244,000	232,000	-	197,000	211,900	-
Growth Rate	-9%	-1%	-	+24%	+10%	-	+4%	+13%	-

3.Housing starts

(in number of unit)

	FY2014			FY2013			FY2012
	1H	2H (Plan)	Annual (Plan)	1H	2H	Annual	Annual
Housing starts*	442,524	417,000	860,000	498,690	488,222	987,254	893,002
Privately-owned houses* (included in above) =A	143,221	157,000	300,000	182,940	169,901	352,841	316,532
Sales by our company	7,170	7,360	14,530	7,110	7,400	14,510	13,860
Detached house sales by our company=B	5,210	5,160	10,370	5,420	5,400	10,820	10,610
Our share in Detached houses=B/A	3.6%	3.3%	3.5%	3.0%	3.2%	3.1%	3.4%

*"The housing starts" and "Privately-owned houses" after 1H of FY2014 are based on a forecast.

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

	FY2014			FY2013			FY2012
	1H	2H (Plan)	Annual (Plan)	1H	2H	Annual	Annual
Solar power generation systems installed	85%	88%	86%	83%	83%	83%	85%
Tiled exterior walls (Heim type JX)	65%	67%	66%	70%	64%	67%	70%
All-electric housing	87%	92%	90%	88%	88%	88%	89%
Comfortable Air System	66%	70%	68%	66%	68%	67%	68%