

Presentation of Financial Results for the Third Quarter of FY2015

Yoshiyuki Hirai

Director

Executive Officer

Head of Business Strategy Department

SEKISUI CHEMICAL CO., LTD.

28 January, 2016

	First 9 months of FY2014	First 9 months of FY2015	Difference	(Billions of yen) Full-year plan for FY2015 (Oct. 2015)
Net Sales	812.0	799.7	-12.3	1,120.0
Operating Income	57.9	55.4	-2.5	90.0
Ordinary Income	65.6	54.4	-11.3	89.0
Net Income attributable to Shareholders	43.9	40.5	-3.4	58.0

- ◆ Earnings progressed in line with the full-year plan
- ◆ Ordinary income declined ¥11.3 billion; however, the actual decline was ¥4.5 billion as the forex impact was ¥6.8 billion
- ◆ Profit from the sales of stock was booked in 1Q (pre-tax income of ¥10.3 billion)
- ◆ Restructuring costs for the UIEP Company's overseas business were booked in 3Q

(Billions of yen)

	3Q FY2014		3Q FY2015		Difference		First 9 months of FY2014		First 9 months of FY2015		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
HPP*1	95.9	12.9	94.9	14.4	-1.0	+1.4	278.2	35.1	285.0	39.2	+6.8	+4.0
Housing	109.9	5.4	102.6	2.9	-7.3	-2.6	359.2	26.1	336.5	19.1	-22.7	-7.0
UIEP*2	55.5	-1.4	58.2	0.8	+2.7	+2.2	161.9	-1.2	165.7	0	+3.8	+1.2
Others	9.5	-0.7	9.6	-1.2	+0.1	-0.5	27.5	-1.6	27.2	-2.8	-0.3	-1.2
Eliminations or Unallocatable Accounts	-4.8	-0.2	-4.6	0.3	+0.2	+0.5	-14.9	-0.5	-14.7	-0.1	+0.2	+0.4
Total	266.0	16.1	260.8	17.2	-5.3	+1.1	812.0	57.9	799.7	55.4	-12.3	-2.5

*1: High Performance Plastics Company, *2: Urban Infrastructure & Environmental Products Company

Overview of 3Q: The lower term-start housing order backlog reduced revenues for all companies, but overall profit grew on the contributions of the UIEP and HPP companies.

- HPP** •Record quarterly profit was achieved as strong business in the automobile and transportation field and life science field made up for the stagnant demand in the electronics field.
- Housing** •3Q sales and profit declined owing to the smaller order backlog at the 2H start, but both sales and profit beat our plan
- UIEP** •Measures to strengthen the domestic earning structure increased the marginal profit rate, generating substantial sales and profit growth.

(Billions of yen)

	1H of FY2015		2H of FY2015 (Forecasts)		FY2015 (Forecasts)			
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Difference	Operating Income	Difference
HPP	190.1	24.8	197.9	27.2	388.0	+15.7	52.0	+6.0
Housing	233.9	16.2	246.1	20.8	480.0	-14.1	37.0	-4.3
UIEP	107.5	-0.8	126.5	5.8	234.0	+6.3	5.0	+3.7
Others	17.6	-1.6	21.4	-1.4	39.0	+0.1	-3.0	-1.0
Eliminations or Unallocatable Accounts	-10.1	-0.4	-10.9	-0.6	-21.0	-0.7	-1.0	-0.2
Total	538.9	38.2	581.1	51.8	1,120.0	+7.3	90.0	+4.2

The full-year sales and profit guidance is unchanged from the October announcement.
We anticipate posting record-high profit.

(Billions of yen)

	2H of FY2014		2H of FY2015 (Forecasts)		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
HPP	190.0	23.7	197.9	27.2	+8.0	+3.4
Housing	244.8	20.6	246.1	20.8	+1.3	+0.1
UIEP	121.3	1.1	126.5	5.8	+5.2	+4.7
Others	20.9	-1.0	21.4	-1.4	+0.5	-0.4
Eliminations or Unallocatable Accounts	-10.2	-0.5	-10.9	-0.6	-0.7	-0.2
Total	566.8	44.0	581.1	51.8	+14.3	+7.8

Forex rate assumptions for the 2H FY2015 forecasts are ¥124/US\$ and ¥137/€

Forecasts for the 2H of FY2015: forecast for sales and profit growth for all three divisional companies

HPP

•Although some risk exists, such as in the Electronics field, we expect to achieve record-high half-year profit for a fifth straight term

Housing

•3Q orders ensure we will reach the sales target in 2H. In line with the plan, we forecast maintaining sales and profits at previous year levels.

UIEP

•We forecast an improved bottom line from the widening effects of the fortified domestic earning structure and structural reform of the pipeline rehabilitation business in Europe.

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Priority Strategies for the 2H FY2015

- HPP Company: Realize the effects of growth investment while further strengthening earning power.
- Housing Company: Efforts will focus on revitalizing new housing construction and renovation orders
- UIEP Company: Strategies will be implemented to advance the reform of the business portfolio.
- Company overall: Accelerate development of new products and businesses.

Key measures for the 3Q
HPP

- Broadened the medical business; acquired EIDIA Co., LTD., established new company in China, expanded the Tokuyama medical plant

Housing

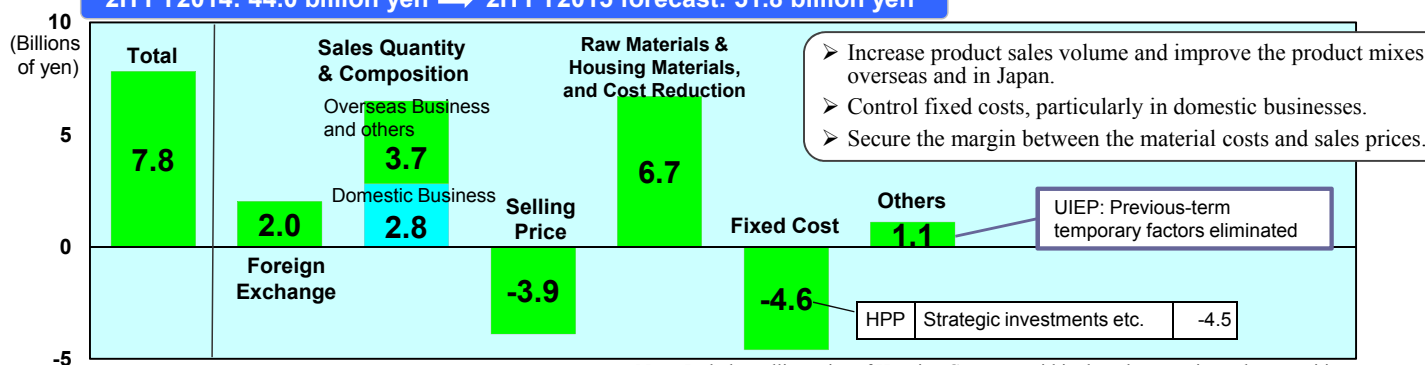
- Boost visitors through a coordinated nationwide marketing campaign
- Secured real estate held for sale

UIEP

- Transferred of the pipeline rehabilitation sales and contractor companies in Europe

Analysis of Operating Income for the 2H of FY2015 (YoY)

2H FY2014: 44.0 billion yen → 2H FY2015 forecast: 51.8 billion yen



3Q Results (YoY)

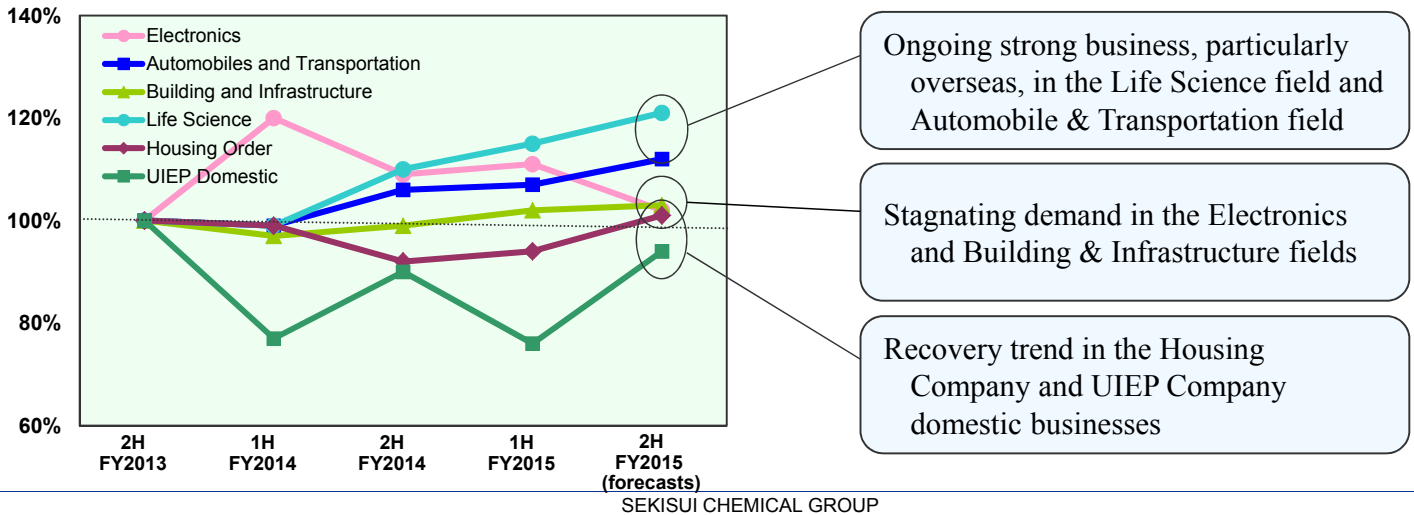
Total	Foreign Exchange	Sales Quantity & Composition (overseas) and others	Sales Quantity & Composition (domestic)	Selling Price	Raw Materials & Housing Materials, and Cost Reduction	Fixed Cost	Others
1.1	1.1	1.8	-0.9	-2.0	3.2	-3.3	1.1

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Business Field		Businesses Progress for 2H FY2015
Global	Electronics	<ul style="list-style-type: none"> Demand, particularly for smartphone-related demand was sluggish in 3Q. We expect it to continue low in 4Q.
	Automobiles and Transportation	<ul style="list-style-type: none"> Demand continuing steady in the Americas and recovering in Europe. Growing global demand for high-performance products.
	Building and Infrastructure	<ul style="list-style-type: none"> CPVC demand is declining in the Middle East; competition is increasing in India
	Life Science	<ul style="list-style-type: none"> Expand diagnostics demand globally, centering on the US and developing countries.
Domestic	Housing	<ul style="list-style-type: none"> Decreasing impact from the FIT system revision, recovering smart house orders Living Environment business sales roughly on par with last year
	Water Infrastructure	<ul style="list-style-type: none"> Steady private demand supported by rising new housing construction starts and other factors. Public demand holding at the previous-year level.

Sales Trends at the Core Businesses (Index with 2H FY2013=100)



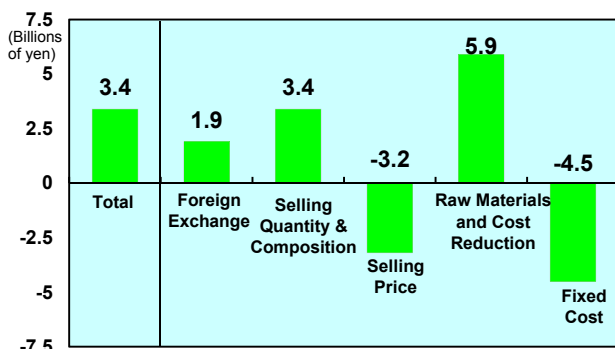
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Business Field	Businesses Progress for 2H FY2015	Key Measures for 4Q FY2015
Electronics	<ul style="list-style-type: none"> Profit growth is slowing from the stagnant mobile market 	<ul style="list-style-type: none"> Accelerate entry to the semiconductor market
Automobiles and Transportation	<ul style="list-style-type: none"> High-performance product sales are steadily growing 	<ul style="list-style-type: none"> Increase sales and strengthen development of high-performance products
Building and Infrastructure	<ul style="list-style-type: none"> CPVC demand is declining in the Middle East, and competition is intensifying in India 	<ul style="list-style-type: none"> Developing new regions for CPVC and fire-resistant materials business. Accelerating development of non-flammable urethane
Life Science	<ul style="list-style-type: none"> Diagnostic reagent and medical business is steady Acquired EIDIA Co., LTD. 	<ul style="list-style-type: none"> Expand the diagnostics business globally

Analysis of Operating Income for the 2H FY2015 Forecast (YoY)

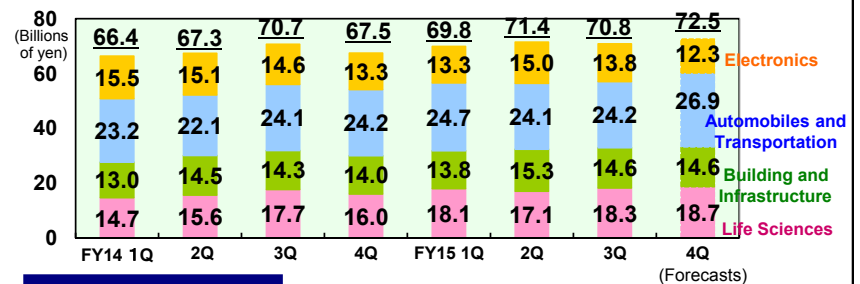
2H FY2014: 23.7 bn. yen → 2H FY2015 Forecast: 27.2 bn. yen



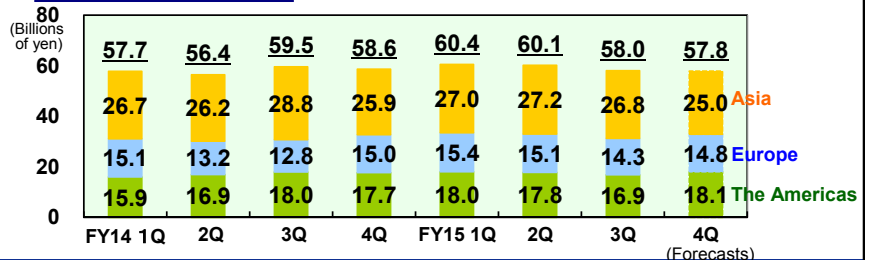
3Q Results (YoY)

Total	Foreign Exchange	Selling Quantity & Composition	Selling Price	Raw Materials and Cost Reduction	Fixed Cost
1.4	1.1	1.1	-1.7	2.9	-2.0

Sales in Strategic Business Fields



Overseas Sales



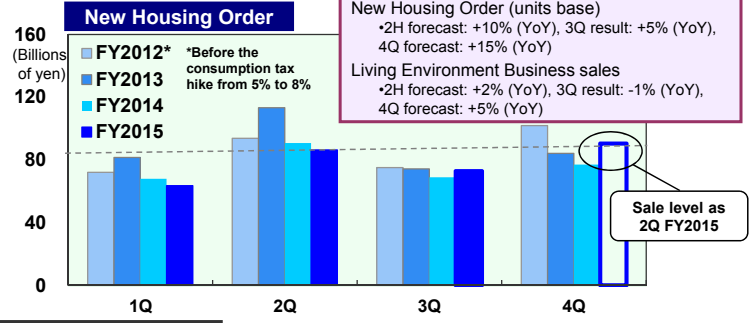
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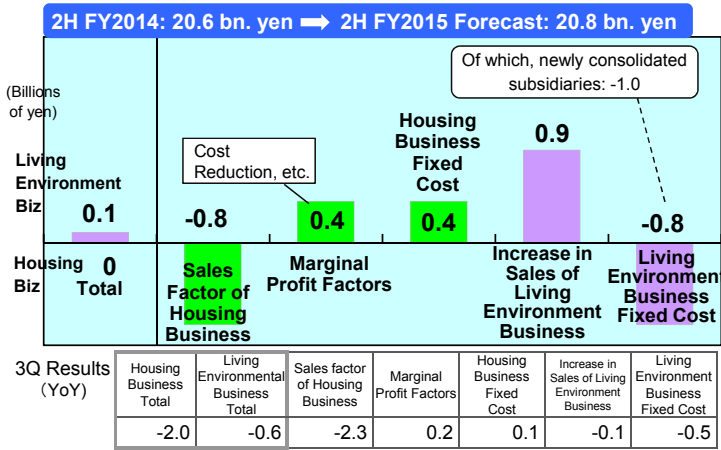
Overview of 3Q FY2015

- Third quarter new housing construction orders were slightly below the plan but on a recovery track
 - Smart house orders steadily recovered; Smart Power Station orders rose 16% YoY in 3Q
 - The plan to build up the subdivision order progressed smoothly. Orders for housing complexes and wood-framed detached houses stopped growing due to upcoming new product launches; (3Q orders) subdivision: +19% YoY, wood-framed detached houses: -2% YoY, housing complexes: -10% YoY
 - The coordinated nationwide marketing campaign has set the pace for growing visitor numbers for 4Q; visitor numbers rose 15% in 3Q
- The living environment business progressed generally as planned

Plan and Measures to Acquire Housing Orders



Analysis of Operating Income for the 2H FY2015 Forecast (YoY)



Measures in 4Q

Third quarter gradual market recovery continuing in 4Q

New Housing Construction

Concentrated new product launches (January)

- Fortify the Smart Power Station series products
 - Strengthen promotion of the energy self-sufficient lifestyle, particularly in snowy regions
- Launch the new wood-framed, high cost-performance *GRAND TO YOU f* products
 - Reducing construction man-hours by 20% lowered costs to the level of two-by-four construction and set the standard for "zero energy homes" (ZEHs)
- Launch the new *WITTHEIM FII* urban apartment product
 - We plan to differentiate our products aimed at families with children seeking long-term housing from rival products

Amplify the built-for-sale housing sales structure

- Prepare marketable properties in 4Q (+17%, YoY)

Enhance the sales capabilities of new sales staff

Housing Renovation

- Warm Heim Renovation
- *GREENSHIFT!* (large solar, storage battery, and HEMS)

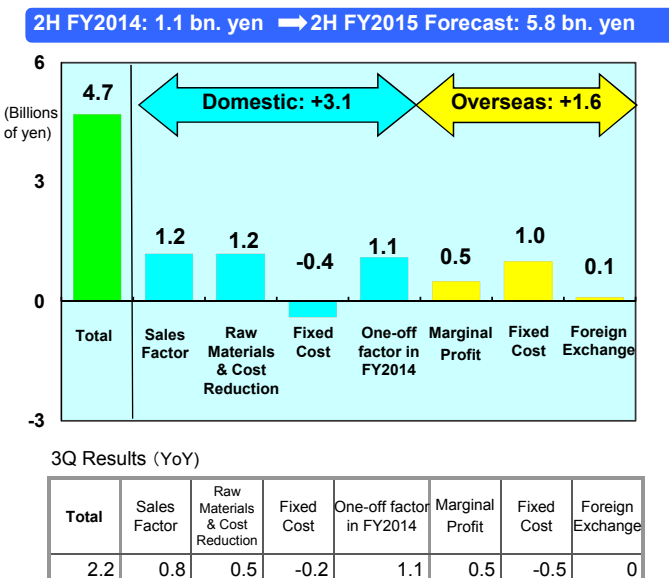
Commercial Materials

Proposal Capabilities

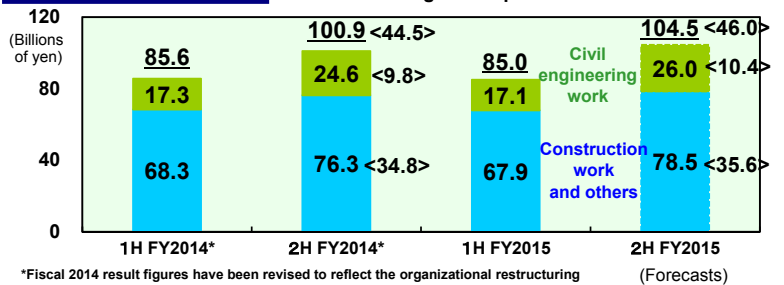
- Focus on generating large renovation orders.
- Basic sales activities are being strengthened including the business organization and systems.

Business Field	Businesses Progress for 2H FY2015	Key Measures for 4Q FY2015
Domestic	<ul style="list-style-type: none"> • New housing construction starts are increasing and public sector investment is accelerating • Measures to strengthen the earning structure are improving earnings 	<ul style="list-style-type: none"> • Secure margins through customer-based profit management • Continue to progress with distributor inventory adjustments
Overseas	<ul style="list-style-type: none"> • Structural reform is progressing as planned • The China water infrastructure business is struggling in the deteriorating market conditions • The sheet business offset the dip in aircraft industry sales with other product applications. 	<ul style="list-style-type: none"> • Complete the structural reforms of the China water infrastructure and North America pipeline rehabilitation businesses • Sheet business: Strengthen ability to capture aircraft industry orders.

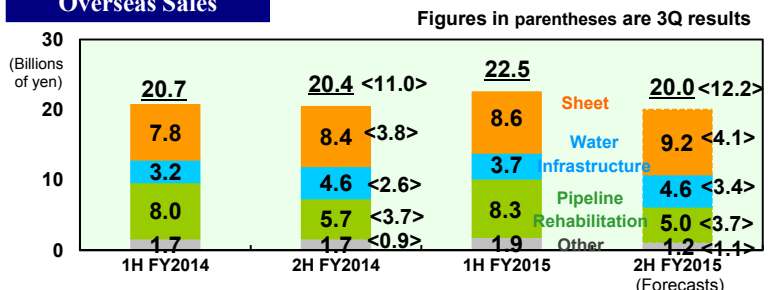
Analysis of Operating Income for the 2H FY2015 Forecast (YoY)



Domestic Sales



Overseas Sales



(Billions of yen)

	FY2014	FY2015 (Oct. 2015)	FY2015 (Forecasts)	Difference
Net Sales	1,112.7	1,120.0	1,120.0	+7.3
Operating Income	85.8	90.0	90.0	+4.2
Ordinary Income	88.0	89.0	89.0	+1.0
Net Income attributable to Shareholders	53.0	58.0	58.0	+5.0

Financial Results

for the Third Quarter of FY2015

Moritoshi Naganuma
Executive Officer
Head of Corporate Finance & Accounting Department

Number of Consolidated Companies

	March 31, 2015	December 31, 2015	Difference
Consolidated Subsidiaries	166	168	Increased: 6 Subsidiaries* ¹ Decreased: 4 Subsidiaries
Affiliates (Equity Method)	8	8	-

Influence of Change in the Number of Consolidated Companies *² (Billions of yen)

Net Sales	+4.6	SSC Thailand* ³ , S and L Specialty Polymers* ³ , Healthy Service* ³ , and etc.
Operating Income	-0.2	

*¹: EIDIA is included in the consolidated balance sheet; EIDIA is not included in other consolidated financial statements

*²: The impact amount on 1Q-3Q FY2015 results

*³: Newly consolidated from the first quarter of FY2015

Summary of Profit and Loss

(Billions of yen)

	First 9 months of FY2014	First 9 months of FY2015	Difference	
Net Sales	812.0	799.7	-12.3	
Gross Profit	246.1	248.2	2.1	
Gross Profit Rate	30.3%	31.0%	0.7%	
Selling, Gen. and Admin. Expenses	188.2	192.8	4.5	
Operating Income	57.9	55.4	-2.5	
Equity in Earnings of Affiliates	1.1	1.2	0.1	
Other Non-operating Income and Expenses	6.6	-2.2	-8.8	
Ordinary Income	65.6	54.4	-11.3	
Extraordinary Income	5.1	10.8	5.7	
Extraordinary Loss	0.6	12.7	12.0	
Income before Income Taxes	70.0	52.4	-17.6	
Corporate Income Tax, etc.	25.2	11.3	-13.9	
Net Income attributable to Non-controlling Interests	1.0	0.7	-0.3	
Net Income attributable to Shareholders	43.9	40.5	-3.4	
Foreign Exchange (Avg. rate)	1US\$ 1€	107yen 140yen	122yen 134yen	15yen -6yen

Foreign exchange gain and loss: -6.8

Gain on sales of securities

Loss on transfer of business, and etc.

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Balance Sheets (Assets)

(Billions of yen)

	March 31, 2015	December 31, 2015	Difference
Cash and Deposits	87.2	73.4	-13.8
Account Receivable on Sales	186.4	180.1	-6.3
Inventories	157.6	163.9	6.3
Other Current Assets	35.0	49.9	14.9
Tangible Non-Current Assets	263.9	272.5	8.7
Intangible Non-Current Assets	34.1	43.6	9.5
Investments in Securities	182.0	179.3	-2.8
Investments & Other Assets	21.8	19.9	-1.9
Total Assets	968.0	982.5	14.5

Housing Company : +7.6

Newly consolidated: +7.8

 Purchase and investment: +9.2
 Sales: -10.5
 Newly consolidated: -7.8

 EIDIA: +25.1
 Foreign exchange: -7.1

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Balance Sheets (Liabilities & Net Assets)

(Billions of yen)

	March 31, 2015	December 31, 2015	Difference
Non-Interest-Bearing Liabilities	369.6	362.4	-7.1
Interest-Bearing Liabilities	63.1	72.6	9.5
Total Liabilities	432.7	435.1	2.4
Capital Stock etc.	209.2	209.2	-0.1
Retained Earning	265.2	279.4	14.2
Treasury Stock	-21.8	-26.1	-4.3
Unrealized Holding Gain on Securities	43.7	47.7	4.0
Non-controlling Interests	18.6	20.8	2.3
Other Net Assets	20.3	16.4	-3.9
Total Net Assets	535.3	547.5	12.2
Total Liabilities, Net Assets	968.0	982.5	14.5

Net income: +40.5

Dividends paid: -13.8

 Retirement of treasury stock:
-11.8

 Purchases of treasury stock:
-16.8

 Retirement of treasury stock:
-11.8

 Foreign currency translation
adjustment: -3.3

Consolidated Cash Flows

(Billions of yen)

	First 9 months of FY2014	First 9 months of FY2015
Operating Activities Cash Flows	22.2	42.8
Investing Activities Cash Flows	30.0* ¹	-10.7* ²
Financing Activities Cash Flows	-48.3	-22.4
Net Increase in Cash and Cash Equivalents	8.5	8.3
Cash and Cash Equivalents at the End of Term	59.8	72.4
Free Cash Flow =Operating Activities Cash Flows +Investing Activities Cash Flows -Dividends Paid	39.1	17.7

*¹ Included ¥45.1 billion in (net) proceeds from withdrawal of time deposits

*² Includes ¥23.4 billion net increase from repayment of time deposits and a ¥12.4 billion decrease for the purchase of EIDIA Co., Ltd.

Depreciation and Capital Expenditures

(Billions of yen)

	FY2014		FY2015		Difference	
	First 9 Months	Full Year	First 9 Months	Full Year (Forecasts)	First 9 Months	Full year
Depreciation	23.5	31.2	25.8	36.5	2.3	5.3
Capital Expenditures	31.0	47.0	33.4	47.0	2.3	0

(Billions of yen)

	FY2014	FY2015 (Forecasts)	Difference
Net Sales	1,112.7	1,120.0	7.3
Operating Income	85.8	90.0	4.2
Ordinary Income	88.0	89.0	1.0
Net Income attributable to Shareholders	53.0	58.0	5.0
Dividend per Share (Yen)	27	28	1

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.

1. Main data in Housing business

Housing Company Results and Plan

	FY2015				FY2014				FY2013
	1 H	3Q	2 H(Plan)	Annual (Plan)	1 H	3Q	2 H	Annual	Annual
CONSOLIDATED									
Net Sales (Billions of yen)	233.9	102.6	246.1	480.0	249.3	109.9	244.8	494.1	496.8
Housing	157.8	66.4	169.1	326.9	173.0	73.2	169.3	342.3	348.5
Houses	145.6	60.4	157.0	302.6	162.8	67.8	158.3	321.1	328.8
Land	10.4	5.5	11.3	21.7	9.0	4.5	9.8	18.7	19.7
Living Environment	76.0	36.2	77.1	153.1	76.3	36.6	75.5	151.8	148.3
Refurbishing	50.2	23.8	50.8	101.0	53.9	25.5	52.0	105.9	105.7
Interior-Exterior	2.9	1.2	2.8	5.8	2.8	1.3	2.8	5.7	5.8
Real estate	21.2	10.4	21.7	42.9	18.8	9.4	20.0	38.8	36.8
OTHERS									
1. Number of houses sold (Housing units)	6,480	2,550	7,070	13,550	7,170	2,860	7,320	14,490	14,510
Detached houses	4,630	1,980	4,870	9,500	5,210	2,190	4,910	10,120	10,820
Heim	3,660	1,550	3,830	7,490	4,110	1,760	3,970	8,080	8,250
Two-U	970	430	1,040	2,010	1,100	430	940	2,040	2,570
Apartments (housing complex)	1,850	570	2,200	4,050	1,960	670	2,410	4,370	3,690
2. Main data									
Prices<Sales subsidiaries: Detached houses>/ Unit (Millions of yen)	30.6	30.6	-	-	30.2	30.6	30.4	30.3	30.6
Prices <Sales subsidiaries: Detached houses>/ Tsubo (3.3 Square meter) (Thousands of yen)	805	810	-	-	792	798	796	794	794
Floor space (Square meter)	125.4	124.6	-	-	125.8	126.6	126.0	125.9	127.2
Exhibition places (Units)	425	414	-	414	429	425	-	425	423
Sales staff (Number of person)	2,503	2,446	-	2,380	2,549	2,466	-	2,488	2,376
Rebuilding ratio (%)	26%	27%	29%	28%	29%	28%	29%	29%	32%
Referral sales ratio (%)	39%	37%	40%	40%	37%	38%	38%	38%	39%

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

2. Housing orders

(Millions of yen)

	FY2015				FY2014				FY2013		
	1H	3Q	2 H(Plan)	Annual (Plan)	1H	3Q	2 H	Annual	1H	2 H	Annual
Year-start Backlog	204,300	205,500	205,500	-	232,000	222,400	222,400	-	211,900	244,000	-
Growth Rate	-12%	-8%	-8%	-	+10%	-9%	-9%	-	+13%	+24%	-
New Orders	199,914	97,564	214,136	414,050	209,943	95,037	195,011	404,954	248,426	211,995	460,421
Growth Rate	-5%	+3%	+10%	+2%	-15%	-8%	-8%	-12%	+16%	-6%	+4%
Sales of houses	198,714	85,464	210,636	409,350	219,543	94,637	213,111	432,654	216,326	223,995	440,321
Growth Rate	-9%	-10%	-1%	-5%	+1%	-11%	-5%	-2%	+5%	+6%	+6%
Balance at the end	205,500	217,600	209,000	-	222,400	222,800	204,300	-	244,000	232,000	-
Growth Rate	-8%	-2%	+2%	-	-9%	-7%	-12%	-	+24%	+10%	-

3. Housing starts

(in number of unit)

	FY2015				FY2014				FY2013
	1H	3Q	2 H(Plan)	Annual (Plan)	1H	3Q	2 H	Annual	Annual
Housing starts*	471,845	233,450	458,000	930,000	441,367	233,951	439,103	880,470	987,254
Privately-owned houses* (included in above) =A	148,339	73,940	152,000	300,000	143,342	72,432	134,879	278,221	352,841
Sales by our company	6,480	2,550	7,070	13,550	7,170	2,860	7,320	14,490	14,510
Detached house sales by our company=B	4,630	1,980	4,870	9,500	5,210	2,190	4,910	10,120	10,820
Our share in Detached houses=B/A	3.1%	2.7%	3.2%	3.2%	3.6%	3.0%	3.6%	3.6%	3.1%

*“The housing starts” and “Privately-owned houses” after 3Q of FY2015 are based on a forecast.

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

	FY2015				FY2014				FY2013
	1H	3Q	2 H(Plan)	Annual (Plan)	1H	3Q	2 H	Annual	Annual
Solar power generation systems installed	80%	80%	83%	81%	85%	79%	79%	82%	83%
Tiled exterior walls (Heim type JX)	65%	66%	68%	66%	65%	62%	64%	64%	67%
All-electric housing	87%	87%	88%	88%	87%	87%	87%	87%	88%
Comfortable Air System	67%	69%	71%	69%	66%	66%	70%	68%	67%