

Presentation of Financial Results and  
Progress under Management Plan  
for the Fiscal Year 2017, which ended March 31, 2018

Teiji Koge  
President

26 April, 2018

Copyright© SEKISUI CHEMICAL CO., LTD. All Rights Reserved.

## Results for FY2017

Forex Rate	FY2016		FY2017	
	1H	2H	1H	2H
<b>Assumption</b>	¥111/US\$ ¥125/€	¥109/US\$ ¥113/€	¥112/US\$ ¥123/€	¥112/US\$ ¥132/€
<b>Results</b> (Avg. rate for each term)	¥105/US\$ ¥118/€	¥111/US\$ ¥119/€	¥111/US\$ ¥126/€	¥111/US\$ ¥133/€

## FY2017 Results

- Reported a substantial increase in net sales and record highs at each level of profit (record high operating income and bottom line profit for a fifth consecutive fiscal year)
- Each level of profit fell short of plans
- Increased the period-end dividend ¥2 per share compared with forecasts

(Billions of yen)	FY2016		FY2017		Difference		FY2017 Plan (Jan. 2018)		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Net Sales	1,065.8		1,107.4		+41.7		1,114.0		-6.6	
Operating Income	96.5		99.2		+2.8		102.0		-2.8	
Ordinary Income	91.5		93.9		+2.4		101.0		-7.1	
Net Income Attributable to Owners of the Parent	60.9		63.5		+2.6		67.0		-3.5	
Dividend per Share (Yen)	35*		40*		+5		38*		+2	

\*Including 70th anniversary commemorative dividend of 1 yen per share

## FY2017 Results: Net Sales and Operating Income by Divisional Company

- Despite achieving an increase in profit at all three divisional companies (record high profit at the HPP and UIEP companies), fell short of operating income plans

- HPP: Fell short of operating income plans due to a slowdown in demand in the electronics field
- Housing: Offset a weak renovation business performance by implementing various measures including the control of fixed costs in the new housing business; results essentially in line with operating income plans
- UIEP: Fell short of operating income plans due to delays in aircraft sheet recovery
- Other, Eliminations or Unallocatable Accounts: Actively invested in research and development

(Billions of yen)	FY2016		FY2017		Difference		FY2017 Plan (Jan. 2018)		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
HPP*	357.5	54.5	386.2	57.8	+28.6	+3.3	388.0	59.0	-1.8	-1.2
Housing*	485.0	37.5	497.8	37.9	+12.8	+0.4	497.5	38.0	+0.3	-0.1
UIEP*	240.3	12.8	239.2	14.8	-1.1	+2.0	241.0	15.0	-1.8	-0.2
Other	2.7	-7.6	5.9	-9.8	+3.1	-2.1	6.0	-9.0	-0.1	-0.8
Eliminations or Unallocatable Accounts	-19.8	-0.8	-21.6	-1.6	-1.8	-0.7	-18.5	-1.0	-3.1	-0.6
Total	1,065.8	96.5	1,107.4	99.2	+41.7	+2.8	1,114.0	102.0	-6.6	-2.8

\*HPP: High Performance Plastics Company, Housing: Housing Company, UIEP: Urban Infrastructure & Environmental Products Company

# FY2017 Results (1H & 2H): Net Sales and Operating Income by Divisional Company

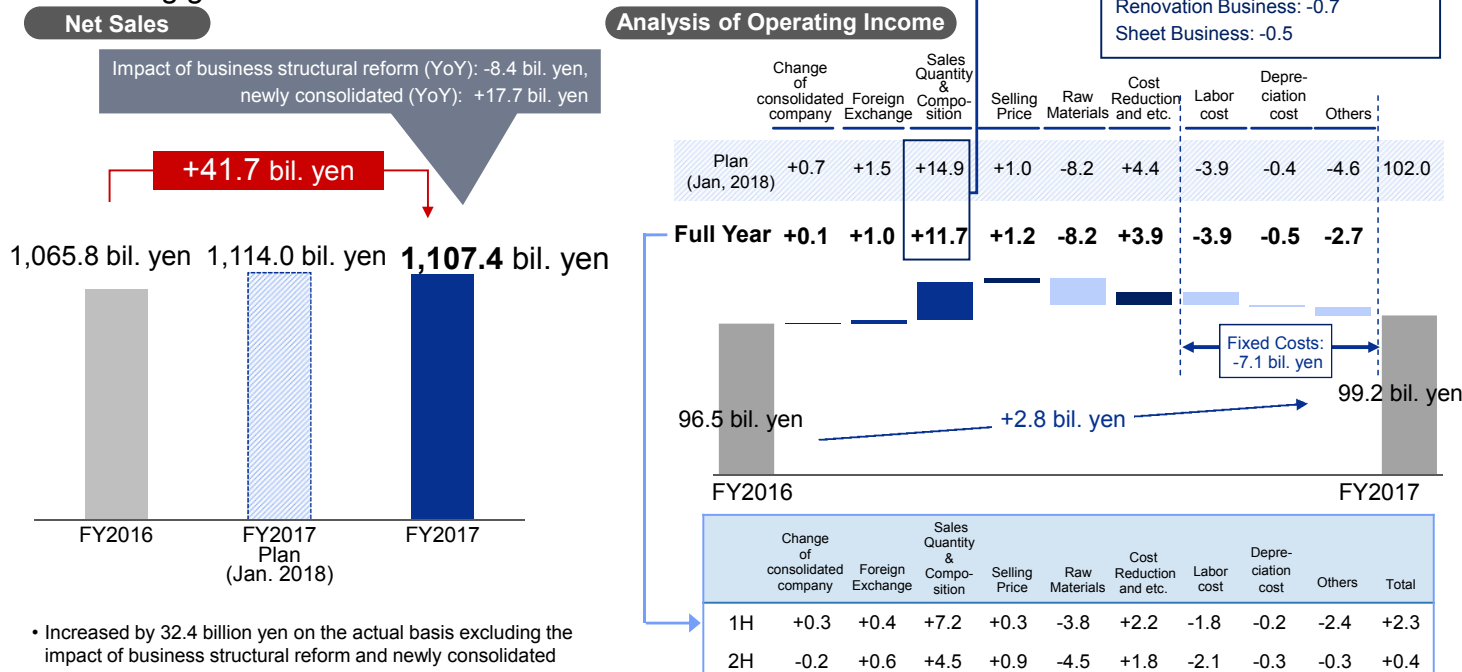
Profit held to a narrow increase in the 2H of FY2017 due to the impact of such factors as the upswing in raw material costs, which hovered at a high level, and a deterioration in the business environment

- HPP: Despite a sharp slowdown in demand in the electronics field, profit grew in the 2H due to an increase in sales volume, improvements in the product mix, and reductions in costs
- Housing: While the new housing business offset the slump in sales in the renovation business, profit decreased in the 2H
- UIEP: Despite the continued slump in aircraft sheets, secured an increase in profit in the 2H due to the increase in sales volume and improvements in the product mix in Japan
- Other, Eliminations or Unallocatable Accounts: Increased investments to expand film-type lithium-ion battery production capacity; accelerated the pace of biorefinery (BR) development

(Billions of yen)	1H FY2016		1H FY2017		Difference		2H FY2016		2H FY2017		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	176.7	27.5	185.5	28.8	+8.8	+1.3	180.8	27.0	200.6	29.0	+19.8	+2.0
Housing	237.7	17.2	244.4	17.8	+6.7	+0.6	247.3	20.4	253.4	20.1	+6.1	-0.2
UIEP	112.0	3.2	112.1	4.8	0	+1.7	128.3	9.6	127.2	9.9	-1.1	+0.3
Other	1.3	-3.9	2.7	-4.8	+1.4	-1.0	1.4	-3.8	3.1	-4.9	+1.7	-1.2
Eliminations or Unallocatable Accounts	-9.9	-0.4	-10.6	-0.6	-0.7	-0.3	-9.9	-0.5	-11.0	-0.9	-1.1	-0.5
<b>Total</b>	<b>517.9</b>	<b>43.7</b>	<b>534.1</b>	<b>46.0</b>	<b>+16.3</b>	<b>+2.3</b>	<b>547.9</b>	<b>52.8</b>	<b>573.3</b>	<b>53.2</b>	<b>+25.4</b>	<b>+0.4</b>

## FY2017 Results: Analysis of Net Sales and Operating Income

- Achieved a substantial increase in net sales
- Despite a substantial increase in sales volumes and significant improvement in the product mix mainly in the HPP company, fell short of plans
- Minimized the impact of high raw material costs by adjusting product prices and reducing costs; undertook steps to control fixed costs excluding growth investments



## Plan for FY2018

Forex Rate	FY2017		FY2018	
	1H	2H	1H	2H
<b>Assumption</b>	¥112/US\$ ¥123/€	¥112/US\$ ¥132/€	¥108/US\$ ¥134/€	¥108/US\$ ¥134/€
<b>Results</b> (Avg. rate for each term)	¥111/US\$ ¥126/€	¥111/US\$ ¥133/€	-	-

## FY2018 Plan

- Work to secure a substantial increase in net sales; planning record highs at each level of profit (record high operating income and bottom line profit for a sixth consecutive fiscal year)
- Plans to increase dividends for a ninth consecutive fiscal year

(Billions of yen)	FY2017	FY2018 (Plan)	Difference
Net Sales	1,107.4	1,168.0	+60.6
Operating Income	99.2	102.0	+2.8
Ordinary Income	93.9	100.0	+6.1
Net Income Attributable to Owners of Parent	63.5	67.0	+3.5
Dividend per Share (Yen)	40*	42	+2

\*Including 70th anniversary commemorative dividend of 1 yen per share.

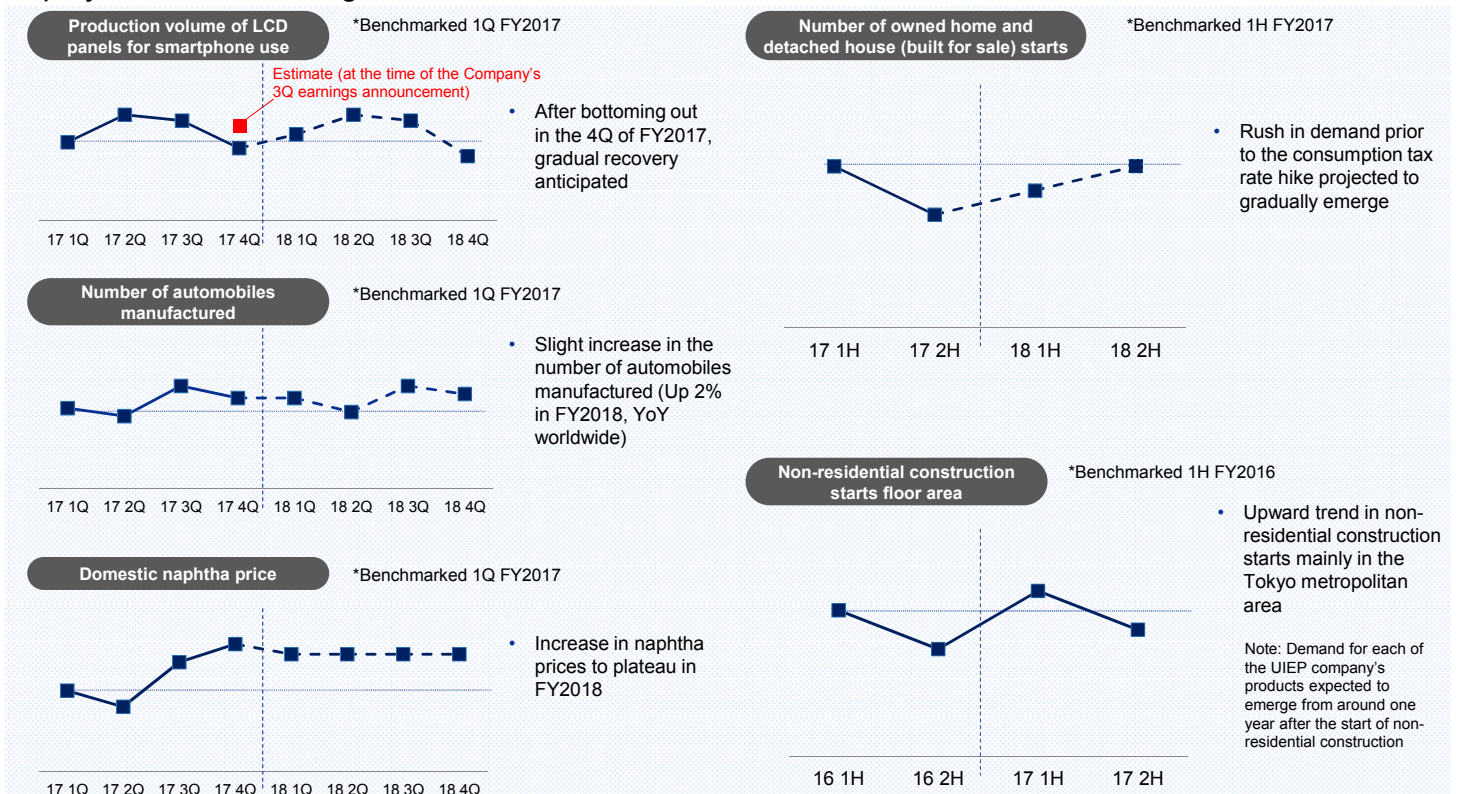
# FY2018 Plan: Net Sales and Operating Income by Divisional Company

- Plans to respond appropriately to a harsh business environment; net sales and profits forecast to increase at all three divisional companies
- Continue to actively undertake Group-wide R&D investments

(Billions of yen)	FY2017		FY2018 (Plan)		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
HPP	386.2	57.8	418.0	59.5	+31.8	+1.7
Housing	497.8	37.9	516.0	39.5	+18.2	+1.6
UIEP	239.2	14.8	247.0	16.5	+7.8	+1.7
Other	5.9	-9.8	7.5	-11.3	+1.6	-1.5
Eliminations or Unallocatable Accounts	-21.6	-1.6	-20.5	-2.2	+1.1	-0.6
<b>Total</b>	<b>1,107.4</b>	<b>99.2</b>	<b>1,168.0</b>	<b>102.0</b>	<b>+60.6</b>	<b>+2.8</b>

## FY2018 Plan: Outlook for Market Conditions

- Overall improvement in the business environment leading up to the 2H; raw material costs projected to remain high



## FY2018 Plan (1H & 2H): Net Sales and Operating Income by Divisional Company

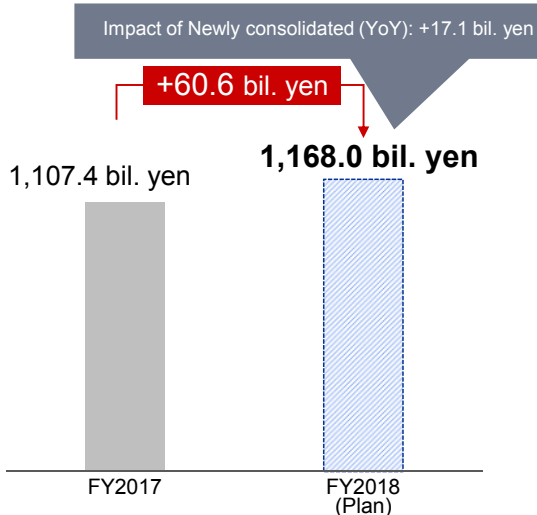
- Anticipating a difficult business environment (from each of the raw material, foreign currency exchange rate, and market condition perspective) and an increase in fixed costs; aim to secure 1H results on par with the previous year at all three divisional companies
- Plans for an increase in profit in the 2H of FY2018 on the back of improvements in the business environment, strategic investments and the positive effects of structural reforms
- Looking to undertake R&D in line with plans

(Billions of yen)	1H FY2017		1H FY2018 (Plan)		Difference		2H FY2017		2H FY2018 (Plan)		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	185.5	28.8	205.0	28.5	+19.5	-0.3	200.6	29.0	213.0	31.0	+12.4	+2.0
Housing	244.4	17.8	253.0	17.8	+8.6	0	253.4	20.1	263.0	21.7	+9.6	+1.6
UIEP	112.1	4.8	114.5	4.9	+2.4	+0.1	127.2	9.9	132.5	11.6	+5.3	+1.7
Other	2.7	-4.8	3.5	-5.7	+0.8	-0.9	3.1	-4.9	4.0	-5.6	+0.9	-0.7
Eliminations or Unallocatable Accounts	-10.6	-0.6	-10.0	-1.0	+0.6	-0.4	-11.0	-0.9	-10.5	-1.2	+0.5	-0.3
<b>Total</b>	<b>534.1</b>	<b>46.0</b>	<b>566.0</b>	<b>44.5</b>	<b>+31.9</b>	<b>-1.5</b>	<b>573.3</b>	<b>53.2</b>	<b>602.0</b>	<b>57.5</b>	<b>+28.7</b>	<b>+4.3</b>

## FY2018 Plan: Analysis of Net Sales and Operating Income

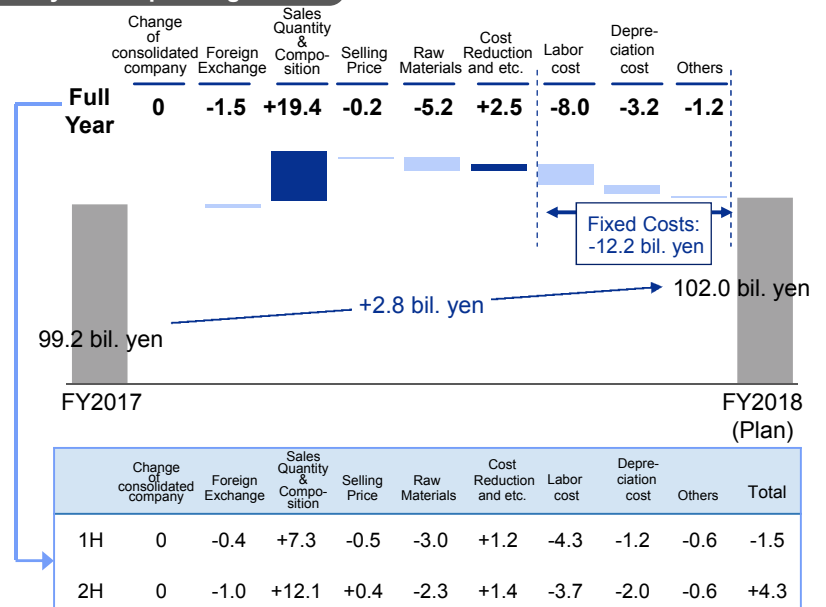
- Plans of a substantial increase in net sales on a Group-wide basis
- Plans for a substantial increase in sales volumes and significant improvement in the product mix at all three divisional companies (HPP: Focus mainly on the four strategic fields; Housing: Increase of 360 in the number of houses sold; UIEP: Increase sales of prioritized products; overseas recovery)
- Accelerate the pace of investments aimed at continuous growth; reduce to some extent the impact of high raw material costs through the reduction of costs

### Net Sales



• Increased by 43.5 billion yen on the actual basis excluding the impact of newly consolidated

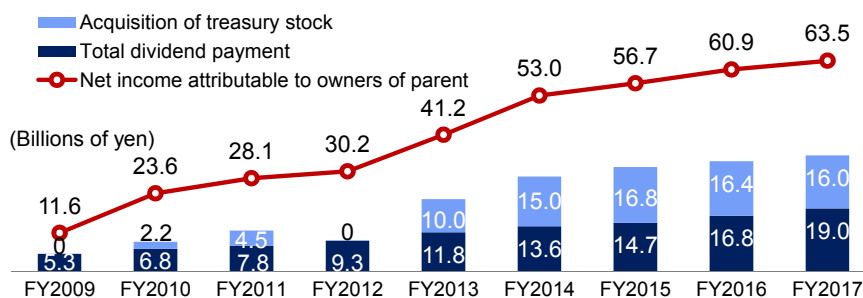
### Analysis of Operating Income



## Returns to Shareholders

- Again, ensure the stable increase in dividends and implement measures designed to enhance capital efficiency in a bid to achieve ROE of 12%, a target under the Medium-term Management Plan in FY2018

### Returns to Shareholders Track Record



### FY2018 Plan

Cash dividends per share (Yen)	42
Acquisition of treasury stock	¥ 16.0 billion Maximize 8 million shares
Treasury stock retired	8 million shares

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net income attributable to owners of parent per share (yen)	22.1	44.9	54.0	58.5	80.1	104.7	115.1	126.1	133.8
Cash dividends per share (yen)	10	13	15	18	23	27	30	35	40
Dividends payout ratio	45.2%	28.9%	27.8%	30.8%	28.7%	25.8%	26.1%	27.7%	29.9%
Acquisition of treasury stock (billions of yen)	0	2.2	4.5	0	10.0	15.0	16.8	16.4	16.0
Total return ratio*	45.2%	38.2%	43.7%	30.8%	52.9%	54.0%	55.5%	54.5%	55.1%
DOE**	1.6%	2.0%	2.3%	2.4%	2.7%	2.8%	2.8%	3.1%	3.3%
Treasury stock retired (thousand of shares)				7,000		12,000	10,000		10,000

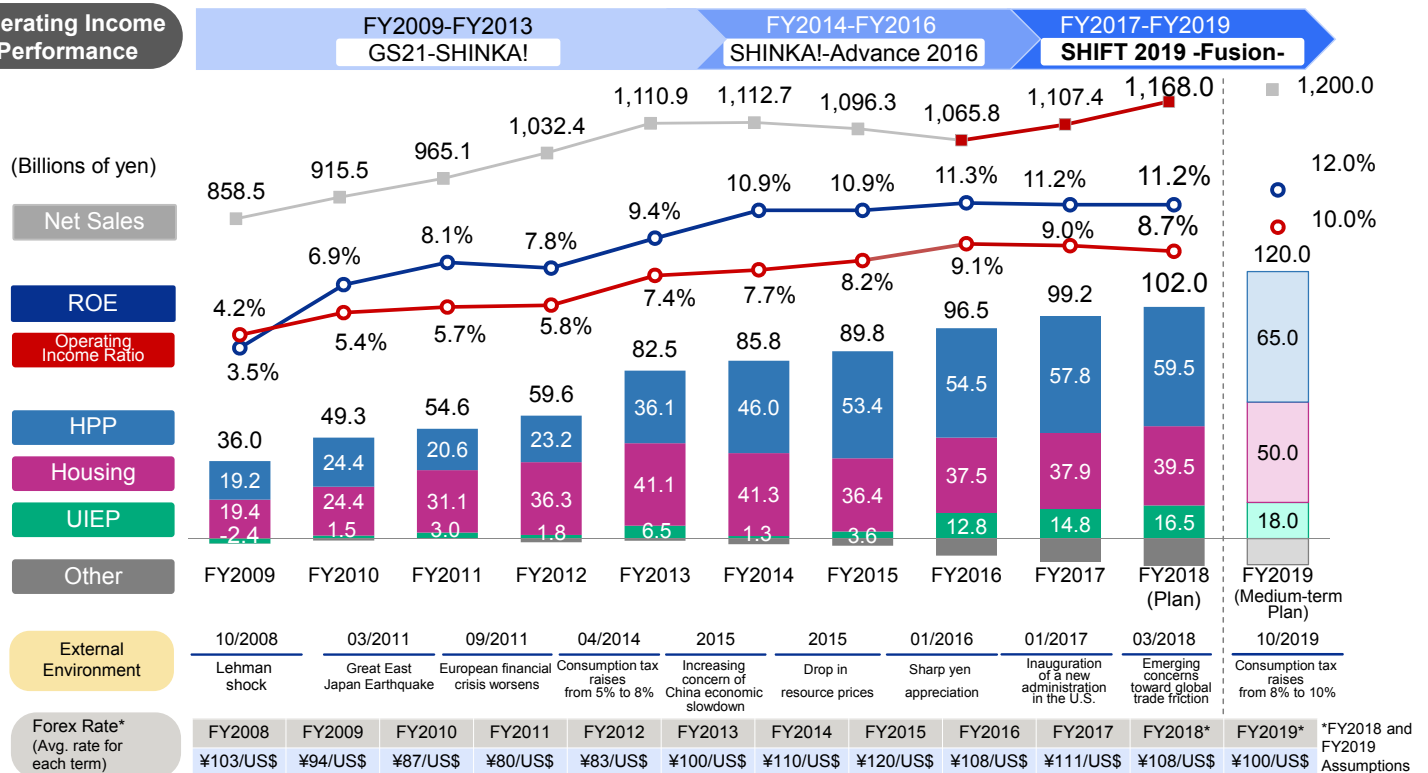
\*Total return ratio = (Amount of treasury stock acquired + Total Dividends) / Net income attributable to owners of parent

\*\*DOE=Total dividend payment / Average shareholders' equity

# Progress under Medium-term Management Plan, *SHIFT 2019 -Fusion-*

Achieve a continuous upswing in net sales, an increase in operating income for a 10th consecutive fiscal year, and record high profit for a sixth consecutive fiscal year in FY2018; position the year as a step toward achieving the FY2019 Medium-term Management Plan

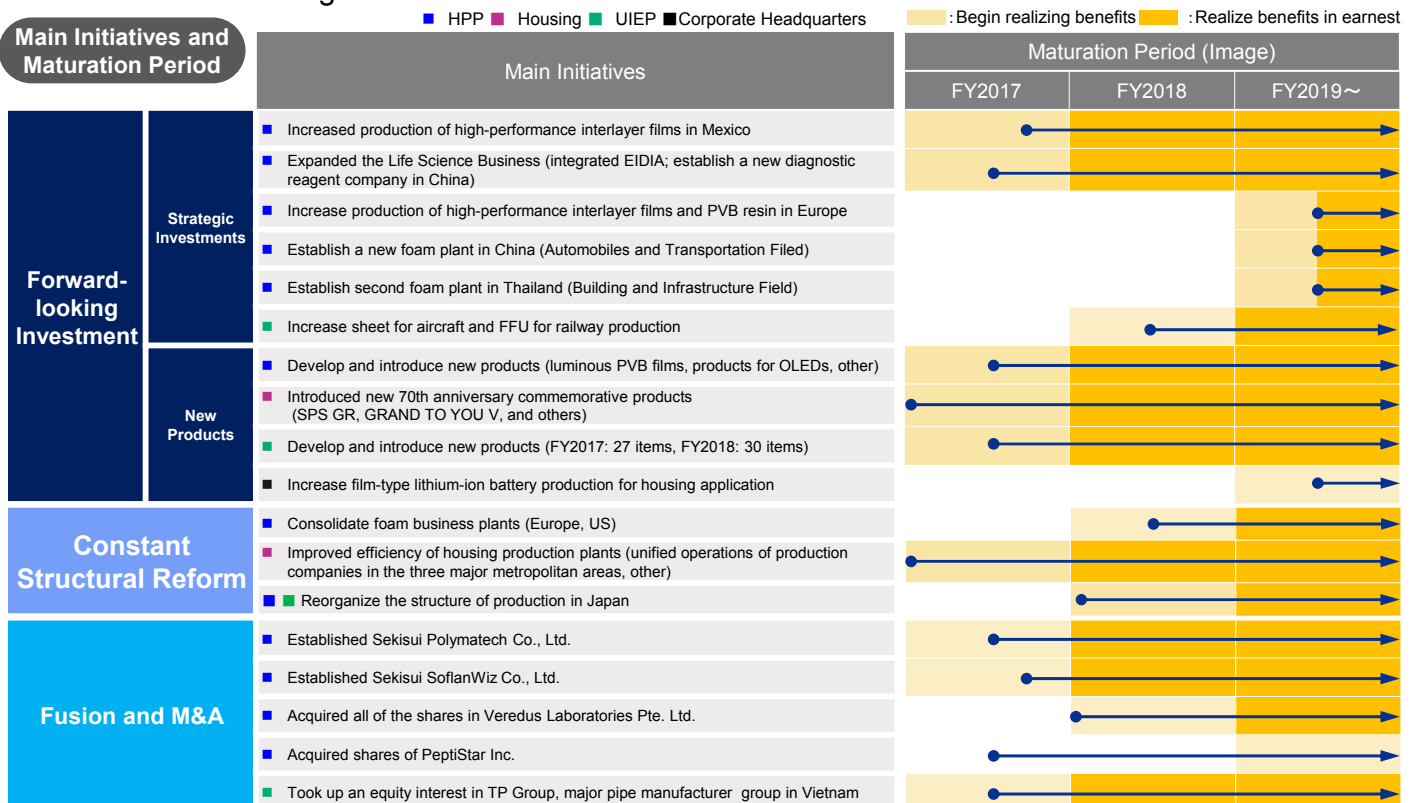
## Operating Income Performance



# Progress under Medium-term Management Plan, *SHIFT 2019 -Fusion-*

Steady progress in growth investments and structural reforms; implement “fusion” and M&As in order to accelerate growth

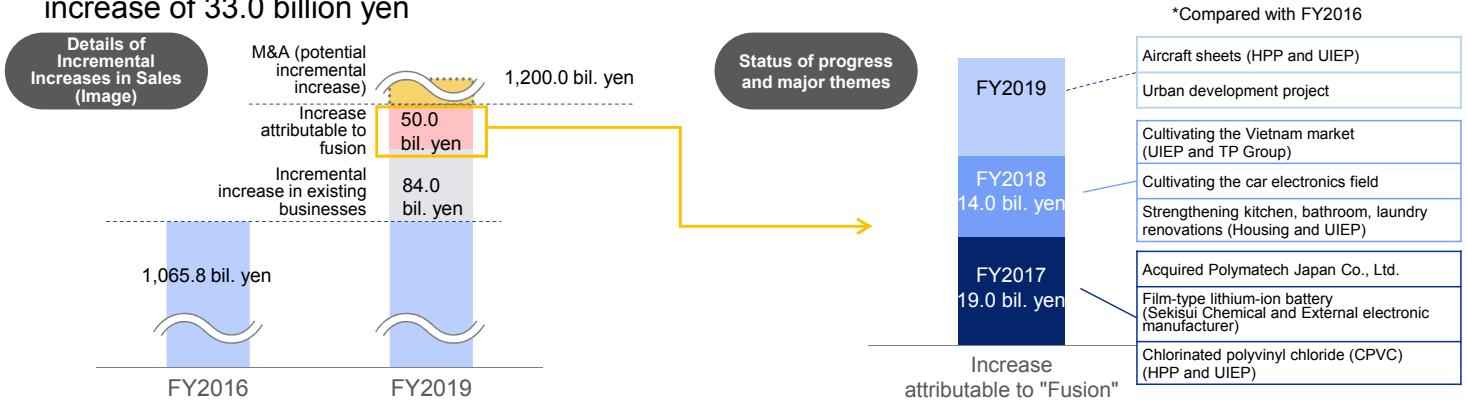
## Main Initiatives and Maturation Period





# Progress under Medium Term Management Plan, *SHIFT 2019 -Fusion-*

Steady progress in "Fusion" measures; expecting a FY2017-FY2018 cumulative increase of 33.0 billion yen



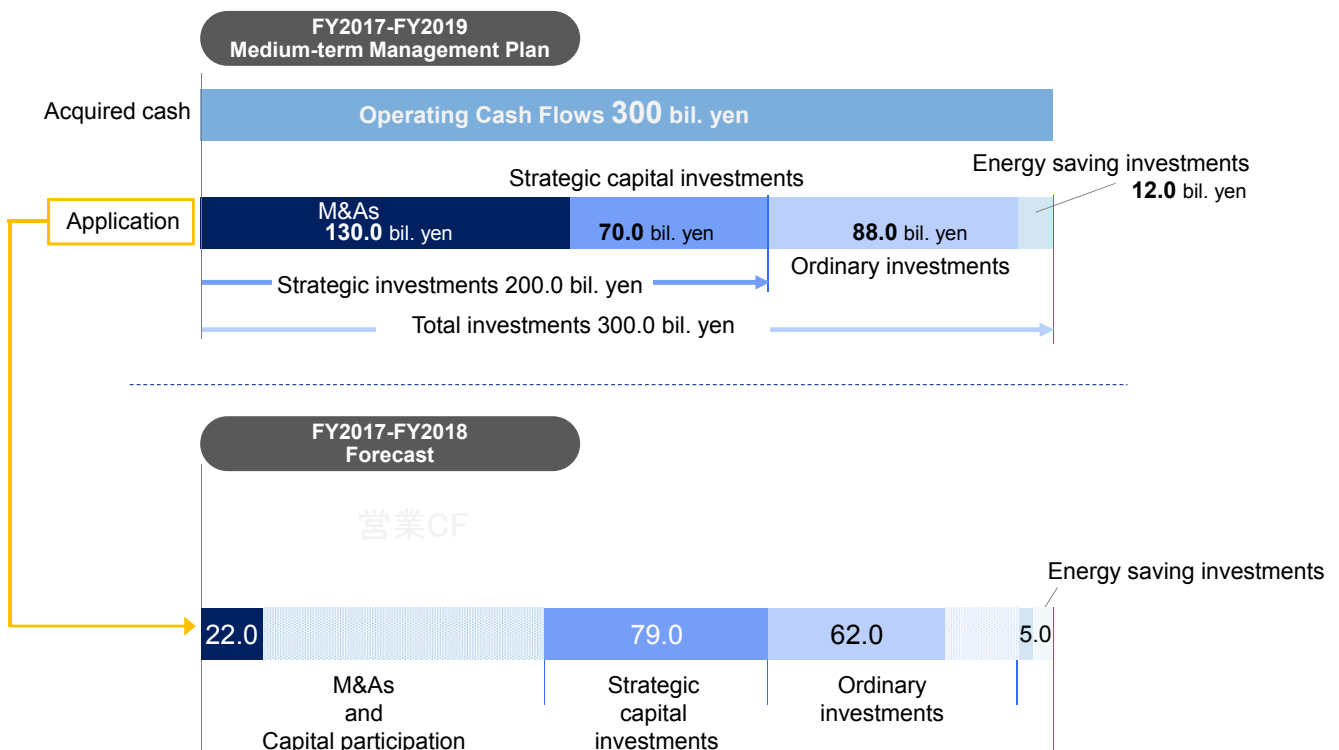
Steady progress overall in *Development & Creation* themes; also announce details of new themes

Typical Examples of Development Themes	FY2016	FY2017	FY2018	FY2019	FY2020 and after
<ul style="list-style-type: none"> <li><b>Film-type lithium-ion battery</b> (Housing, Corporate R&amp;D, and External electronic manufacturer)</li> </ul>	Launch products for stationary use	Stationary use: Increase investments to expand production capacity and variation for housing (Automotive use: Commence sample work with users)		Launch products for automobile use	
<ul style="list-style-type: none"> <li><b>Urban development project</b> (Housing, UIEP, HPP, and Corporate R&amp;D)</li> </ul>		Design completion; commence preparation of land	Commence built-for-sale housing activities	Push forward urban development proposals that seamlessly combine the collective strengths of our Group's technologies and products nationwide	
<ul style="list-style-type: none"> <li><b>Next-generation solar cell</b> (Corporate R&amp;D and advanced User Candidates)</li> </ul>	Partial commercialization for indoor use	Indoor: Improve performance and production technologies; conduct user verification tests → Expand applications Outdoor: Promote progress in weather resistance development activities			
<ul style="list-style-type: none"> <li><b>Carbon fiber reinforced thermal plastic</b> (UIEP and Corporate R&amp;D)</li> </ul>	Partial commercialization in the civil engineering field	Consider application in other areas including vehicles and vessels			
<ul style="list-style-type: none"> <li><b>Technologies (BR) that convert waste into ethanol</b> (Corporate R&amp;D)</li> </ul>	Develop technologies	Consider business models; identify partners			

**New Theme**

# Progress under Medium-term Management Plan, *SHIFT 2019 -Fusion-*

Steady progress in strategic capital investments, ordinary investments, and environmental contribution investments



## Consolidated Companies

### Number of Consolidated Companies

	Mar. 31, 2017	Mar. 31, 2018	Difference
Consolidated Subsidiaries	143	151	Increased: 17 Subsidiaries* Decreased: 9 Subsidiaries**
Affiliates (Equity Method)	8	8	Increased: 0 Subsidiaries Decreased: 0 Subsidiaries

\*1: ENAX,INC., Sekisui Polymatech Co., Ltd., Sekisui SoflanWiz Co., Ltd., and etc.

\*\*2: Includes the integration of three Sekisui Heim Real Estate companies into a single company and four Sekisui Heim Industry companies into a separate single company.

### Influence of Change in the Number of Consolidated Companies

	FY2017	Difference
Net Sales	+9.1 bil. yen	<ul style="list-style-type: none"> <li>• Sekisui Film**3</li> <li>• Nippon No-Dig Technology**4</li> <li>• Sekisui Polymatech Co., Ltd.**5</li> <li>• Sekisui SoflanWiz Co., Ltd.**6 and etc.</li> </ul>
Operating Income	+0.9 bil. yen	

\*\*3: Removed from consolidation from 2Q FY2016

\*\*4: Removed from consolidation from 4Q FY2016

\*\*5: Newly Consolidated from 2Q FY2017

\*\*6: Newly Consolidated from 3Q FY2017

## Summary of Profit and Loss

		FY2016	FY2017	Difference	
(Billions of yen)					
Net Sales		1,065.8	1,107.4	+41.7	
Gross Profit		353.5	362.1	+8.6	
Gross Profit Rate		33.2%	32.7%	-0.5%	
Selling, Gen. and Admin. Expenses		257.0	262.9	+5.8	
Operating Income		96.5	99.2	+2.8	
Equity in Earnings of Affiliates		2.5	2.5	0	
Other Non-operating Income and Expenses		-7.4	-7.8	-0.4	
Ordinary Income		91.5	93.9	+2.4	
Extraordinary Income		6.9	2.5	-4.5	Gain on sales of investments in securities (FY2016)
Extraordinary Loss		15.6	2.1	-13.5	Loss on devaluation of investments in securities and impact of business structural reform (FY2016)
Income before Income Taxes		82.9	94.3	+11.5	
Corporate Income Tax, etc.		21.0	27.6	+6.7	
Net Income Attributable to Non-controlling Interests		1.1	3.3	+2.2	
Net Income Attributable to Owners of the Parent		60.9	63.5	+2.6	
Foreign Exchange (Avg. rate)	1US\$	108	111		
	1€	119	130		

## Balance Sheets (Assets)

		Mar. 31, 2017	Mar. 31, 2018	Difference	
(Billions of yen)					
Cash and Deposits		109.9	78.0	-31.9	Increase of land for sale, and etc.
Account Receivable on Sales		164.1	183.3	+19.2	
Inventories		153.6	170.5	+16.9	Capital investment, M&A, and etc.
Other Current Assets		38.6	41.6	+3.0	Purchases and investment in securities, at fair value, and etc.
Tangible Non-Current Assets		261.8	279.7	+18.0	
Intangible Non-Current Assets		39.6	51.1	+11.5	
Investments in Securities		156.9	177.7	+20.8	Influence of Change of Consolidated Companies
Investments & Other Assets		19.3	17.3	-2.0	► <b>+27.4 bil. yen</b>
Total Assets		943.6	999.1	+55.5	Foreign exchange ► <b>+2.8 bil. yen</b>  <b>Actual basis; +25.3 bil. yen</b>

## Balance Sheets (Liabilities & Net Assets)

(Billions of yen)	Mar. 31, 2017	Mar. 31, 2018	Difference
Non-Interest-Bearing Liabilities	329.4	340.0	+10.7
Interest-Bearing Liabilities	43.7	46.3	+2.6
Total Liabilities	373.1	386.4	+13.3
Capital Stock etc.	209.2	209.0	-0.2
Retained Earning	341.0	374.1	+33.1
Treasury Stock	-41.0	-42.5	-1.5
Unrealized Holding Gain on Securities	39.5	46.3	+6.9
Non-controlling Interests	20.8	24.7	+3.9
Other Net Assets	1.1	1.0	0
Total Net Assets	570.5	612.8	+42.2
Total Liabilities, Net Assets	943.6	999.1	+55.5

Net income  
▶ **63.5 bil. yen**

Dividends paid  
▶ **-18.1 bil. yen**

Retirement of treasury stock  
▶ **-12.9 bil. yen**

Purchases of treasury stock  
▶ **-16.0 bil. yen**

Retirement of treasury stock  
▶ **12.9 bil. yen**

## Consolidated Cash Flows

(Billions of yen)	FY2016	FY2017
Operating Cash Flows	108.2	82.3
Investing Cash Flows	-44.1	-60.9
Financing Cash Flows	-39.6	-36.0
Net Increase in Cash and Cash Equivalents	22.8	-13.8
Cash and Cash Equivalents at the End of Term	89.9	76.7
Free Cash Flow =Operating Cash Flows + Investing Cash Flows - Dividends Paid	48.1	2.3

Working Capital and Increase in corporate tax payment, and etc.

Capital investment, M&A, and etc.

## Depreciation and Capital Expenditures

(Billions of yen)	Depreciation			Capital Expenditures		
	FY2016	FY2017	Difference	FY2016	FY2017	Difference
Housing	8.9	9.3	+0.4	13.5	14.4	+0.9
UIEP	6.4	6.4	0	6.7	9.8	+3.1
HPP	17.7	18.0	+0.3	20.8	25.7	+4.9
Other	0.8	1.3	+0.4	2.1	2.5	+0.5
Eliminations or Unallocatable Accounts	1.0	1.0	+0.1	1.0	1.1	+0.1
<b>Total</b>	<b>34.8</b>	<b>36.0</b>	<b>+1.2</b>	<b>43.9</b>	<b>53.5</b>	<b>+9.6</b>

## Depreciation, Capital Expenditures, Research and Development Expenditure

(Billions of yen)	FY2017	FY2018 (Plan)	Difference
Depreciation	36.0	40.0	+4.0
Capital Expenditures	53.5	75.0	+21.5
Research and Development Expenditure	37.0	40.0	+3.0

## FY2018 Plan

(Billions of yen)	FY2017	FY2018 (Plan)	Difference
Net Sales	1,107.4	1,168.0	+60.6
Operating Income	99.2	102.0	+2.8
Ordinary Income	93.9	100.0	+6.1
Net Income Attributable to Owners of Parent	63.5	67.0	+3.5
Dividend per Share (Yen)	40*	42	+2

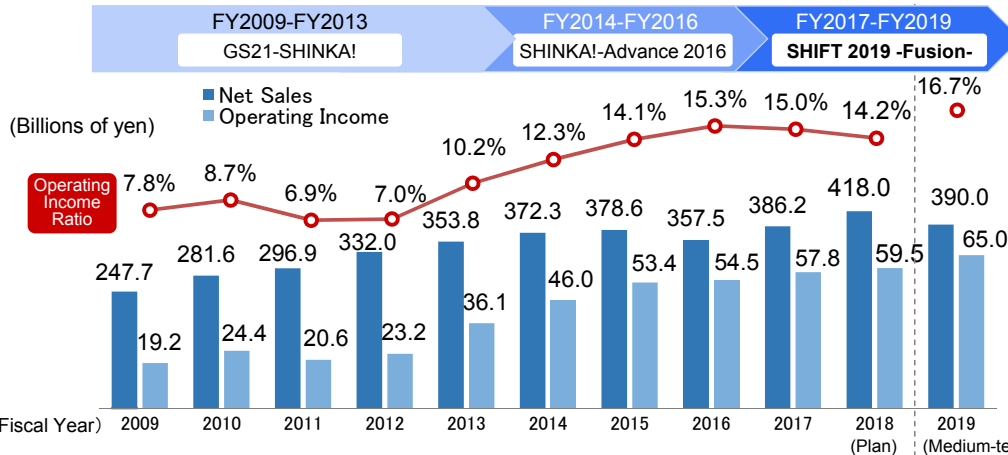
\*Including 70th anniversary commemorative dividend of 1 yen per share

### Performance Trends

HPP Company

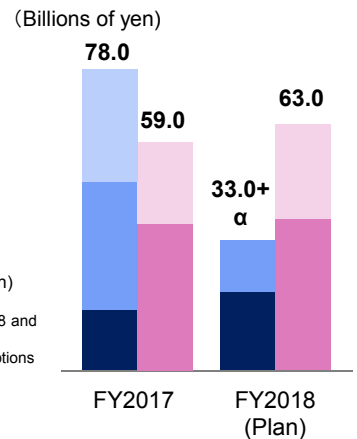
- Overcame the effects of high raw material costs and reported record high company profits for a fifth consecutive fiscal year in FY2017
- Respond flexibly and swiftly to changes in the global economic environment and target a sixth consecutive fiscal year of record high profit in FY2018

#### Performance Trends



#### Investment and Return

- Ordinary Investment
- Strategic capital investments
- M&As
- Operating income after tax
- Depreciation and amortization



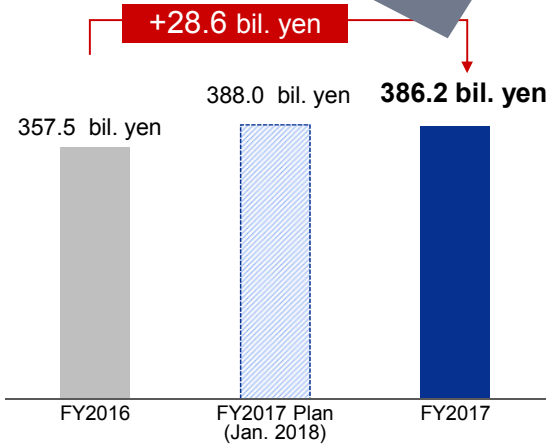
Foreign Exchange Rate	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018*	FY2019*
¥94/US\$	¥87/US\$	¥80/US\$	¥83/US\$	¥100/US\$	¥110/US\$	¥120/US\$	¥108/US\$	¥113/US\$	¥108/US\$	¥100/US\$	
*Avg. rate for each fiscal year	¥115/€	¥111/€	¥107/€	¥134/€	¥139/€	¥133/€	¥119/€	¥121/€	¥134/€	¥113/€	
Main M&As and Strategic Investments	07/2008 XenoTech	07/2009 PVA Business of Celanese	02/2011 Sekisui Diagnostics	11/2015 EIDIA	09/2017 Polymatech Japan	12/2017 SoflanWiz	03/2018 Veredus Laboratories	06/2015 Started operations at the Thai CPVC factory	12/2017 Started operations at a new interlayer film production line (Mexico)	2H 2019 Plans to start operations at a new interlayer production line (Europe)	

# FY2017 Results: Analysis of Net Sales and Operating Income

- Despite continued progress through substantial increases in sales volumes and significant improvements in the product mix mainly in the automobiles and transportation field, fell short of operating income plans due to a slowdown in demand in the electronics field
- Minimized the impact of high raw material costs through cost reduction endeavors; controlled fixed costs excluding growth investments

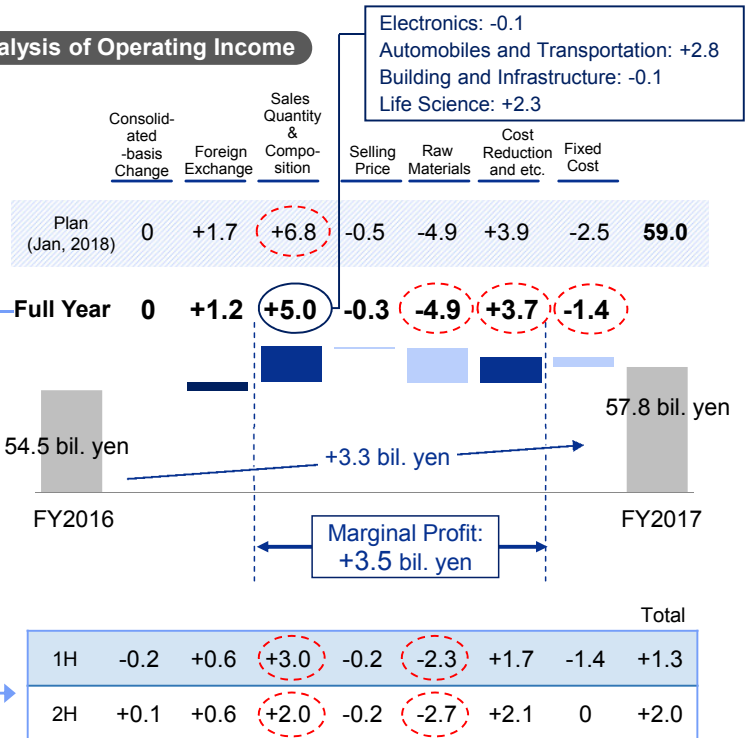
## Net Sales

Impact of business structural reform (YoY): -3.3 bil. yen, newly consolidated (YoY): +15.1 bil. yen



• Increased by 16.9 billion yen on the actual basis excluding the impact of business structural reform and newly consolidated

## Analysis of Operating Income

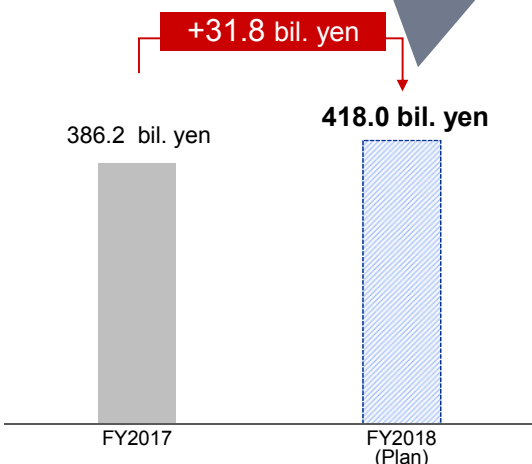


# FY2018 Plan: Analysis of Net Sales and Operating Income

- Plans to secure a substantial increase in sales volumes and significant improvements in the product mix by realizing the effects of strategic investments (increase in production capacity, M&A synergies) mainly in the four strategic fields
- Respond flexibly and swiftly to changes in market conditions (deterioration and recovery); offset any increase in raw material expenses through an increase in selling prices and reductions in costs as and when required and secure an appropriate spread while at the same time implementing cost control measures

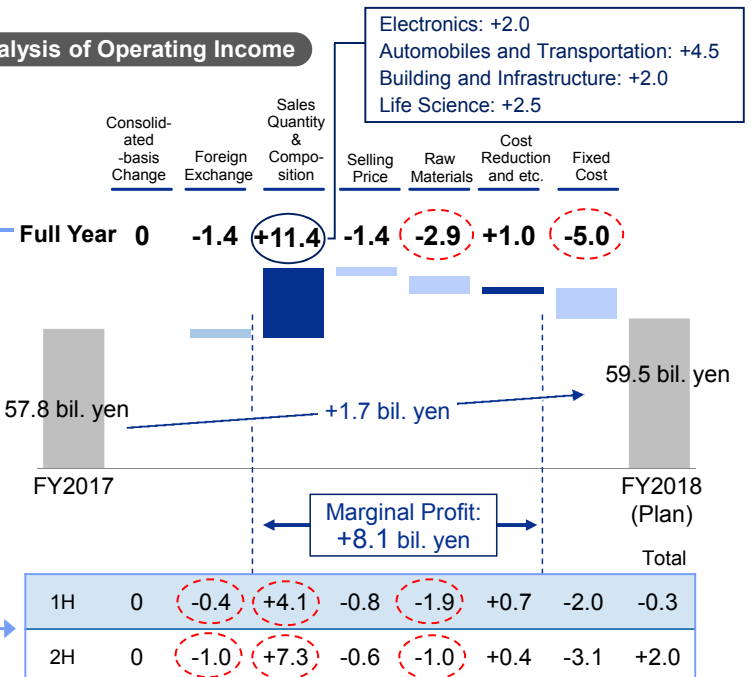
## Net Sales

Newly consolidated (YoY): +17.1 bil. yen



• Increased by 14.7 billion yen on the actual basis excluding the impact of newly consolidated

## Analysis of Operating Income





- Secure increases in net sales and profit mainly in the automobiles and transportation as well as life science fields; substantial recovery in electronics market conditions not expected
- Hasten the effects of strategic investments (increase in production capacity, M&A synergies) in each of the four strategic fields

## Net Sales in the Four Strategic Fields and Key Measures in FY2018

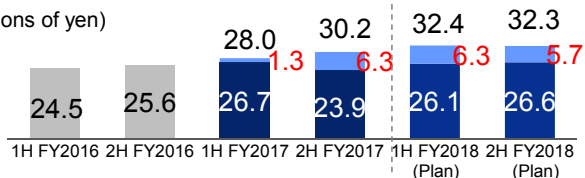
\*The increase owing to M&A is marked in red

### Electronics

✓ Hasten the shift to non-liquid fields

- No prospect of a substantial recovery in FPD market conditions in FY2018
- Focus on increasing market share in mainstay products and expanding the customer base
- Consider investments to expand production capacity of semiconductor- and OLED-related products

(Billions of yen)

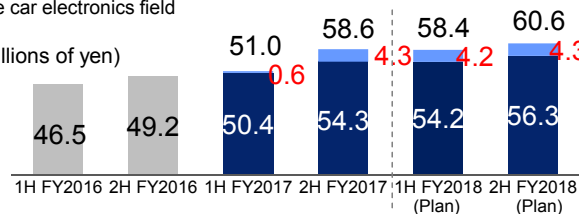


### Automobiles and Transportation

✓ Maximize the effects of investments to expand production capacity

- Despite stable growth in global market conditions, uncertainty from region to region
- Increase global sales of high-performance products; work toward full capacity interlayer film production line in Mexico
- Accelerate the pace of product rollout (and especially heat dissipation products) in the car electronics field

(Billions of yen)

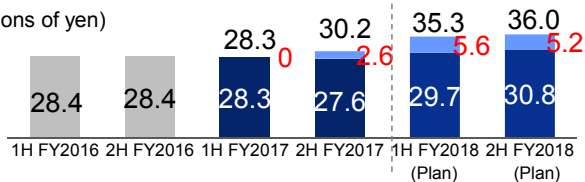


### Building and Infrastructure

✓ Work to increase market share in mainstay products and expand in peripheral fields

- CPVC: Middle East experiencing a recovery trend despite increased competition in India; target expansion mainly in the Americas
- Fire-resistant materials: Aim to quickly realize synergies with SoflanWiz Co., Ltd.

(Billions of yen)

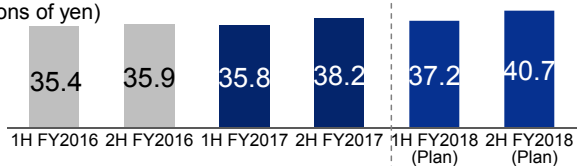


### Life Science

✓ Expand the frontier business field

- Firm diagnostics demand in developed countries; work to expand demand in emerging countries
- Acquire a diagnostics business company in Singapore; promote expansion of the diagnostics domain and commence steps to develop business in the ASEAN region
- Entry into the child health field and special peptide pharmaceutical ingredients business

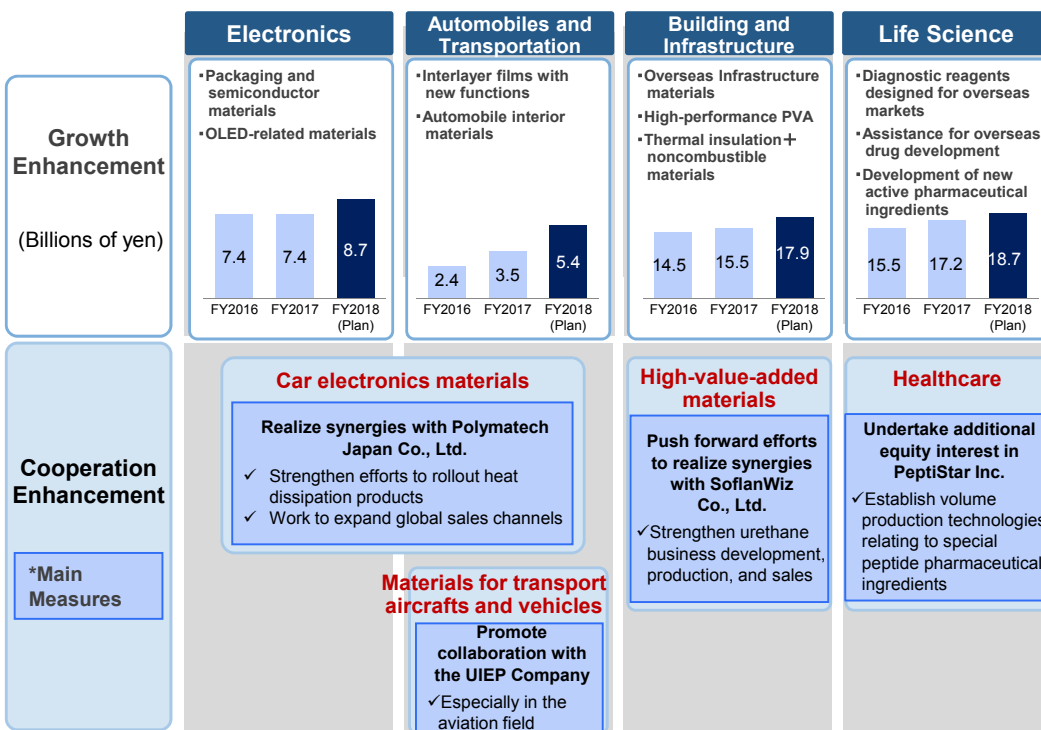
(Billions of yen)



# Growth Enhancement Areas and other Areas

- Steady increase in sales in growth enhancement areas; advances in growth strategy mechanisms in cooperation enhancement areas

## Enhancement Area



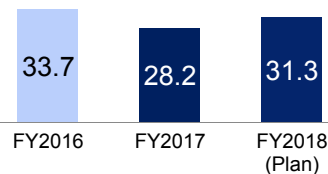
## New products\* and New businesses

- New products: Anticipating a bottoming out; pick up the pace of development and market release
- New businesses: Work to expand sales of implementation/semiconductor-related materials

### New products Sales

\*Definition of new product: up to 5 years after being placed on the market

(Billions of yen)



### New businesses Sales

(Billions of yen)



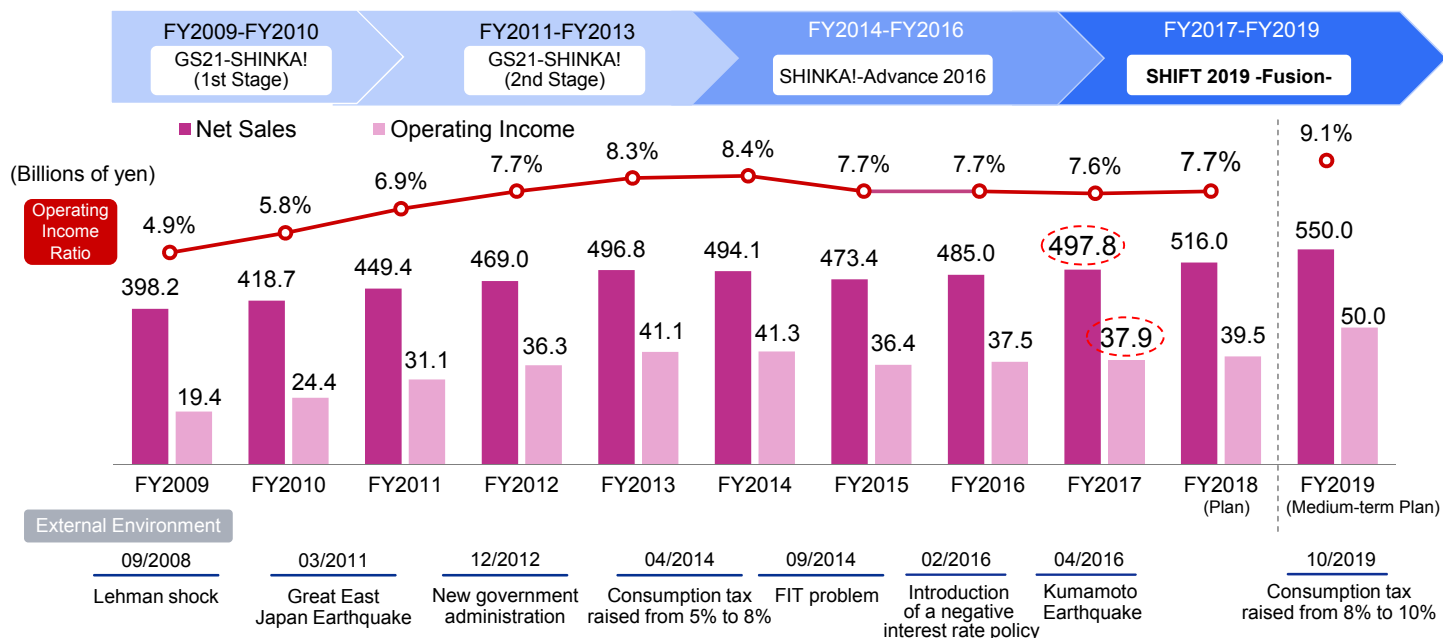
## Performance Trends

Housing Company

### Secured an increase in both sales and profit for a second consecutive fiscal year in FY2017

- Cultivated a new customer base through the new products "GRAND TO YOU V" that are capable of capturing a share of the volume zone; increase in housing orders (unit base) for a second consecutive fiscal year (FY2016 and FY2017)
- YoY decrease in renovation orders and sales; work to transform the business model in FY2018
- Secured an increase both sales and profit in the domestic and overseas frontier business

### Performance Trends



# FY2017 Results: Analysis of Net Sales and Operating Income

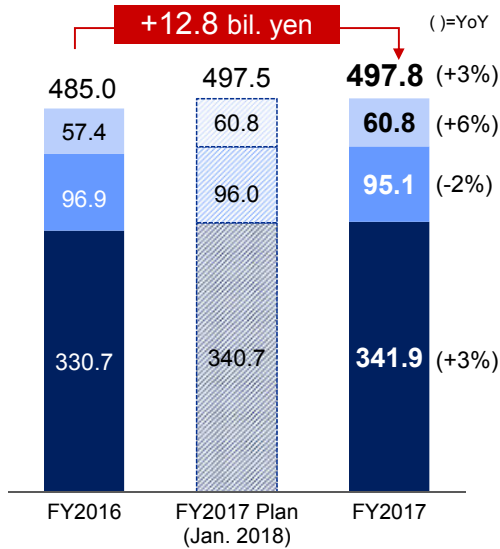
## Secured an increase in both sales and profit in FY2017; results came roughly in line with operating income plans

- Housing: Despite the impact of high component costs, achieved an increase in sales and profit on the back of an upswing in the number of houses sold; orders also up 1%\* YoY (unit base)
- Renovation: Decrease in sales and profit due to the slump in orders; fell substantially below operating income plans

### Net Sales by Business

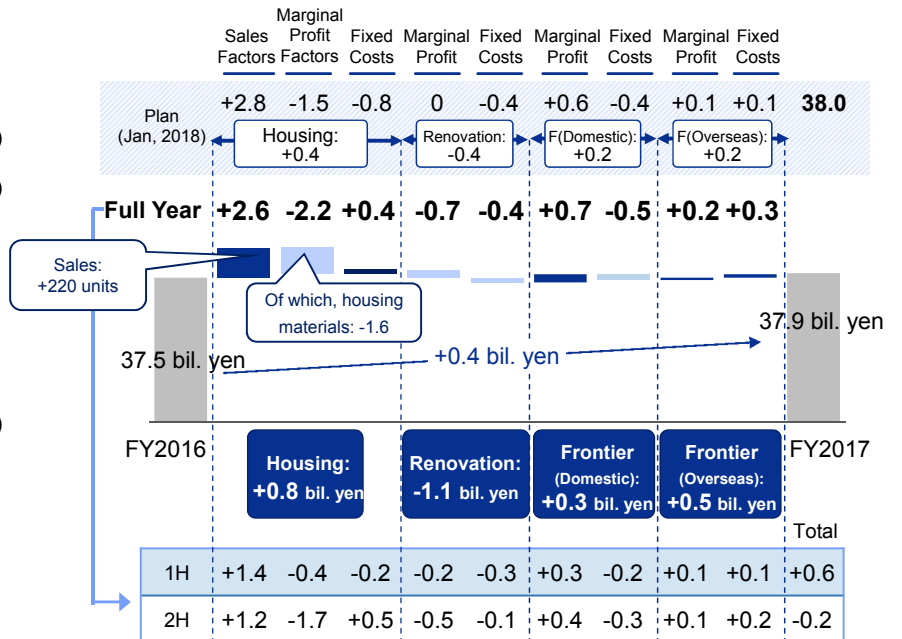
(Billions of yen)

- Frontier (Domestic and Overseas)
- Renovation
- Housing



### Analysis of Operating Income

(Billions of yen)



# FY2018 Plan: Analysis of Net Sales and Operating Income

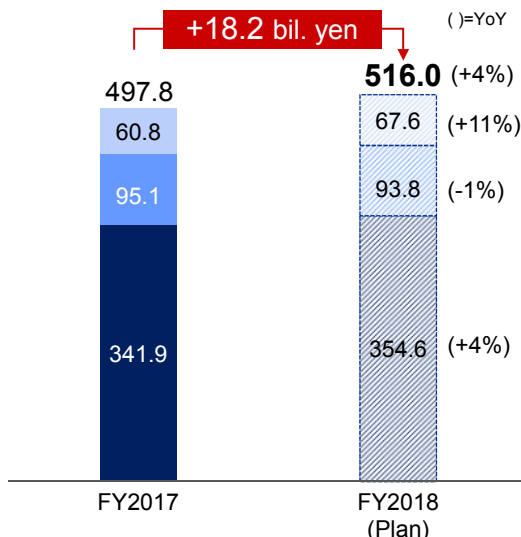
## Forecast third consecutive fiscal year of sales and profit growth; work to secure an order balance commensurate with a substantial upswing in profit in FY2019

- Housing: Increase in the number of houses sold; strengthen marketing resources (sales personnel and model houses) in a bid to increase market share
- Renovation: Promote the return to an upward trend in profit by transforming the business model and increasing the efficiency of indirect functions thereby reducing fixed costs

### Net Sales by Business

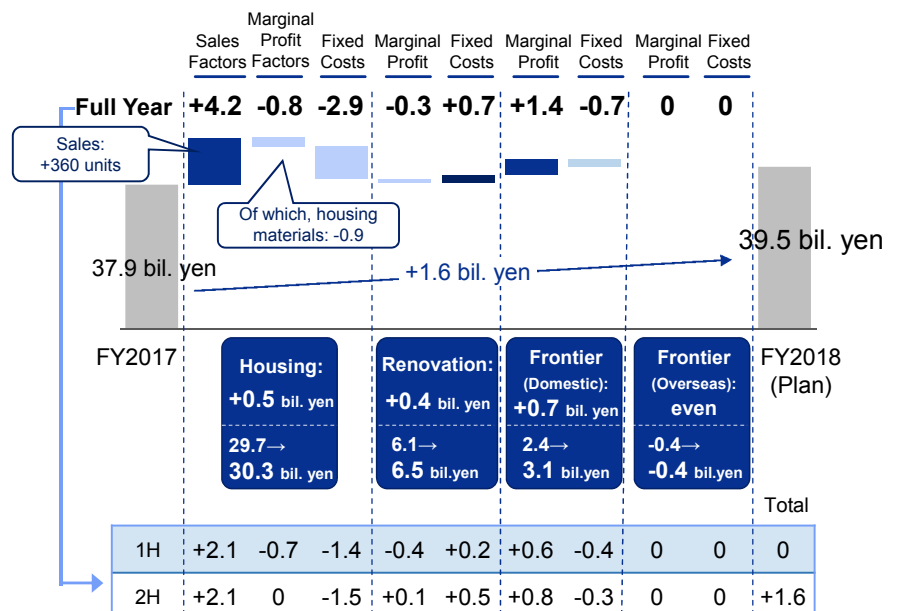
(Billions of yen)

- Frontier (Domestic and Overseas)
- Renovation
- Housing



### Analysis of Operating Income

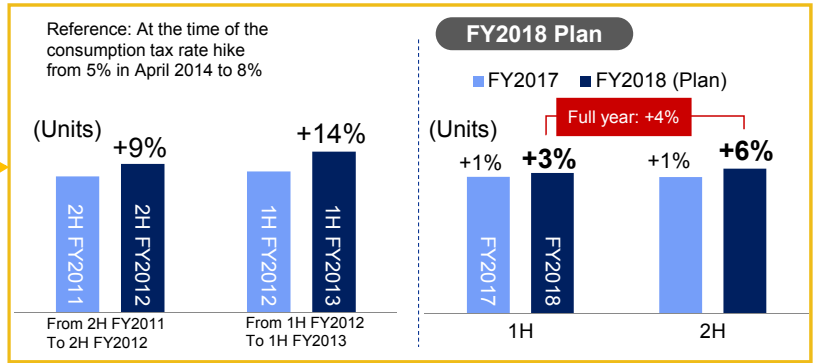
(Billions of yen)



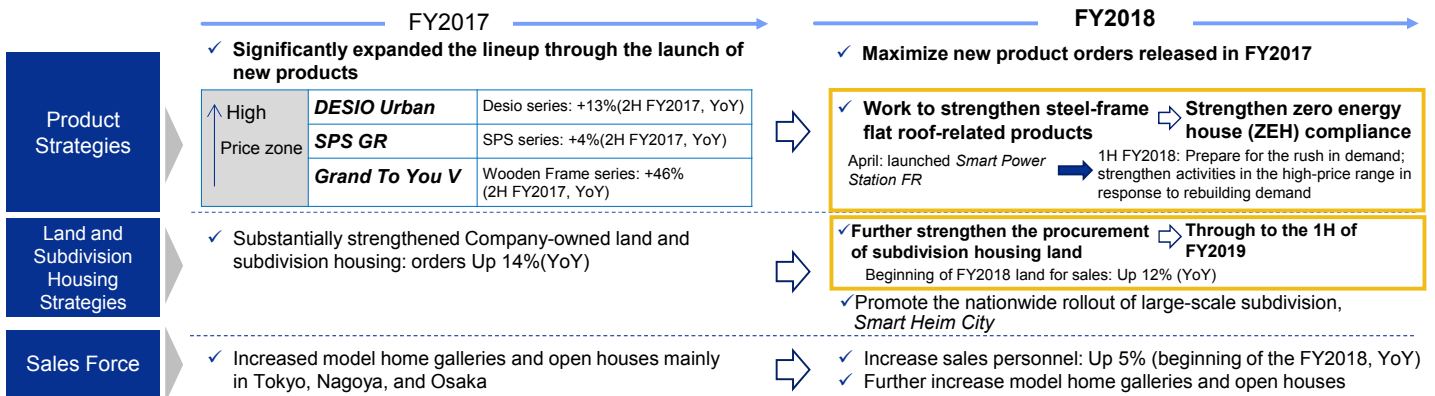
Further strengthen products, the land and subdivision housing business, and sales force; work to capture the rush in demand

## FY2018 Market Environment Outlook and Housing Order Plans

- Market projected to exhibit modest vitality in the lead up to the consumption tax rate hike
- Rush in demand in FY2018 not expected to reach the levels experienced prior to the previous tax rate hike
- Successfully secured an increase in the number of visitors in the 2H of FY2017 (Up 6%, YoY) on the back of various measures including the renewal of model home galleries and efforts to diversify promotion tools to attract customers



## FY2018 Initiatives Aimed at Securing Orders



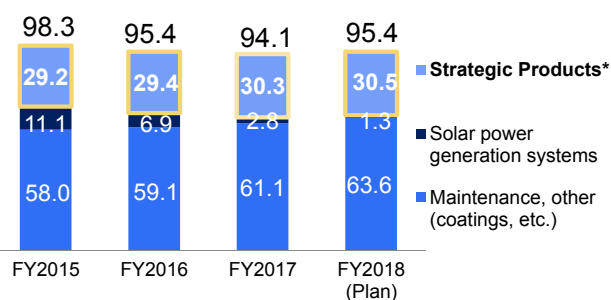
# Renovation and Frontier (Domestic), and Overseas Business

## Renovation

- |                     |   |
|---------------------|---|
| <b>Products</b>     | <ul style="list-style-type: none"> <li>Concentrate on expanding sales of high-value-added strategic products</li> <li>Rollout attractive new housing products into the renovations business</li> <li>Strengthen energy self-sufficiency proposals with an eye toward the period following the end of the FIT system (strengthen storage battery variations and other)</li> <li>Promote repeat orders</li> </ul> |
| <b>Sales Force</b>  | <ul style="list-style-type: none"> <li>Complete the separation of responsibilities between sales and after care services</li> </ul>   |
| <b>Cost Control</b> | <ul style="list-style-type: none"> <li>Work to increase the efficiency of indirect functions</li> </ul>   |

### Orders by Products

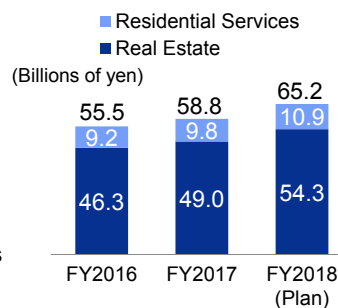
(Billions of yen)



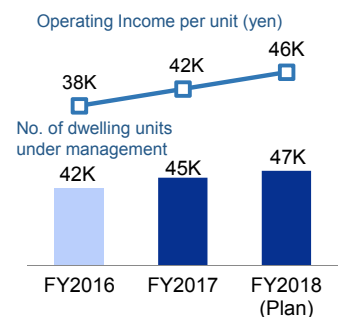
\*Strategic products: for exterior areas, new external walls, bathrooms and kitchens, extensions, and etc.

## Frontier (Domestic)

### Net Sales by Business Segment



### Rental Management Indicator

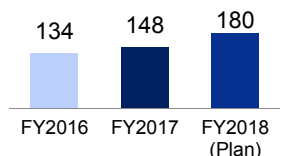


- Maximize the integration effects of Tokyo, Nagoya, and Osaka real estate companies
- Horizontally deploy the Tokyo area high profitability model
- Bring in Heim properties that are not currently managed (increase the coverage ratio)

## Overseas

- Strengthen the sales structure
- Work to expand the subdivision housing business

### No. of housing units sold through a joint venture in Thailand

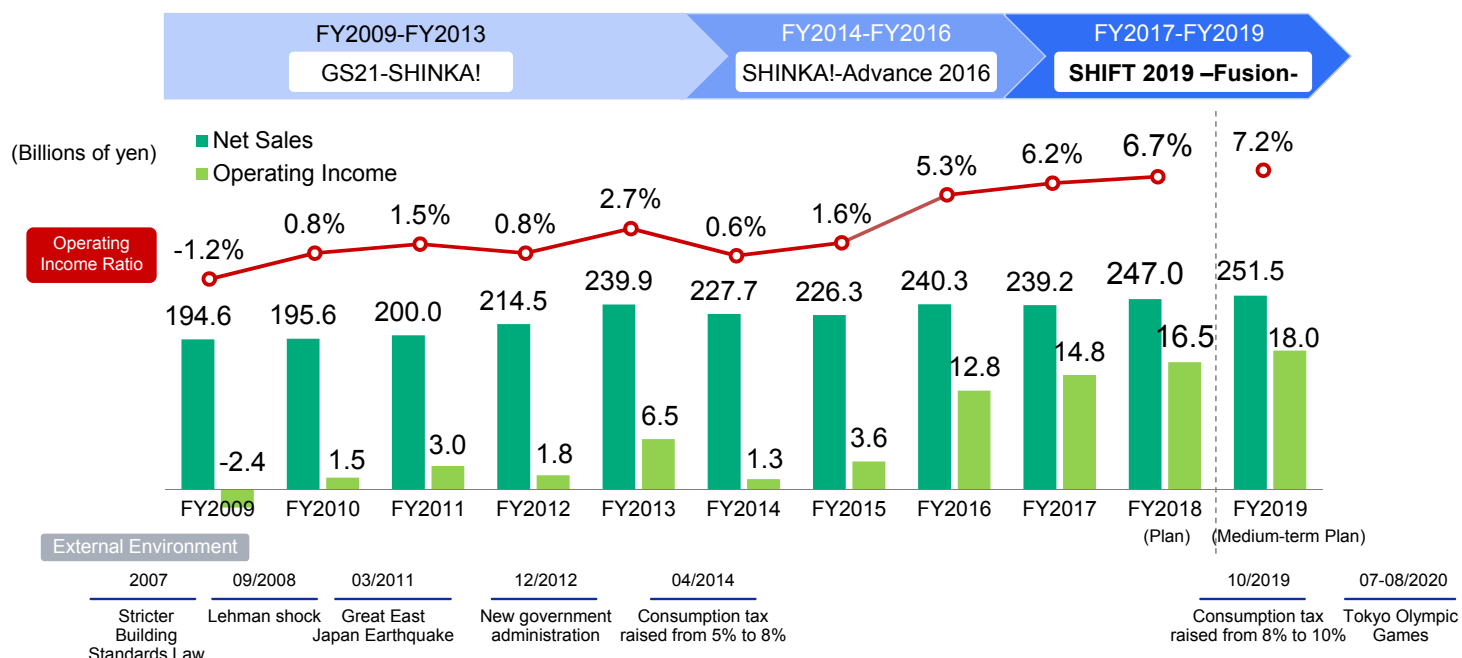


## Performance Trends

UIEP  
Company

- In FY2017, reported record high profit at the company level for a second consecutive fiscal year; also achieved further improvement in the profit margin
- In FY2018, work to accelerate the pace of growth and pursue continuous improvement in the profit foundation; target a third consecutive fiscal year of record high profit

### Performance trends



# FY2017 Results: Analysis of Net Sales and Operating Income

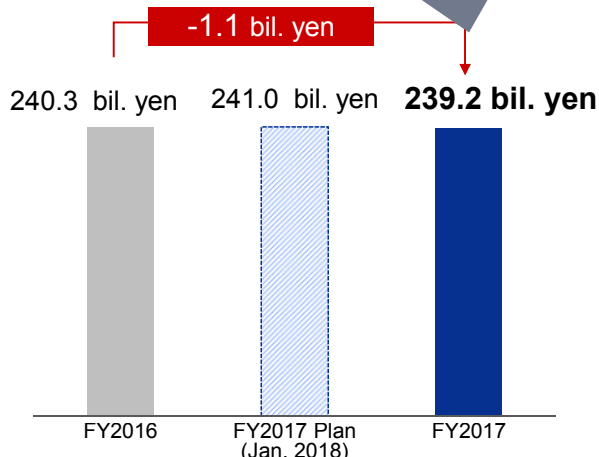
## ■ Despite achieving plans in Japan, fell short of overseas plans owing to delays in aircraft sheet recovery

- Steadily expanded sales of prioritized products\*; substantial increase in sales volume; significant improvement in the product mix in Japan
- Secured a general improvement in spreads through ongoing profitability improvement measures; progress in improving low-profit businesses
- Delays in overseas aircraft sheet recovery; progress in alliance strategies (TP Group in Vietnam; overseas pipeline renewal business) and investments to expand production capacity (sheets, FFU)

\* Prioritized products: High-value-added products with the potential for market growth and substitutability

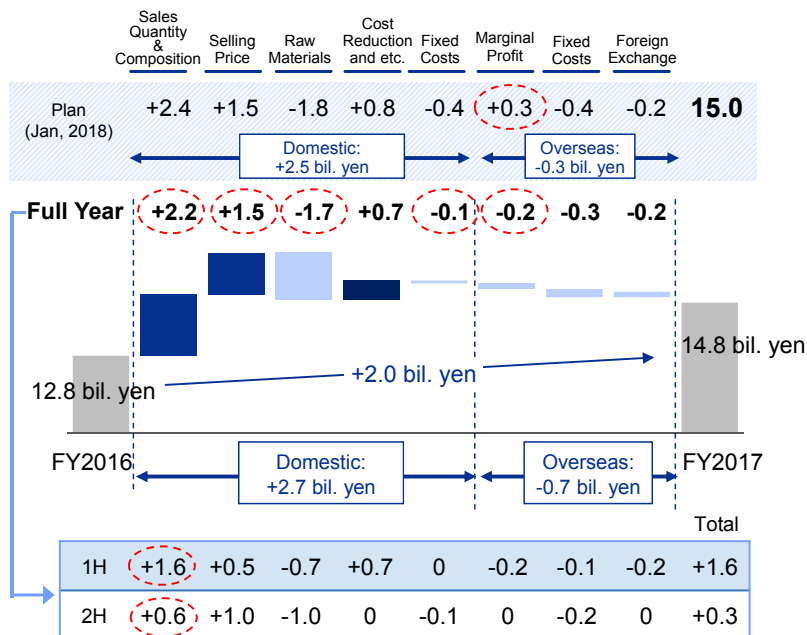
### Net Sales

Impact of business structural reform (YoY): -5.1 bil. yen



• Increased by 4.0 billion yen on the actual basis excluding the impact of business structural reform and newly consolidated

### Analysis of Operating Income

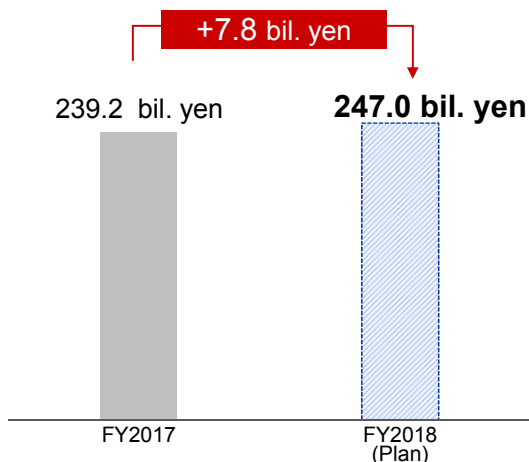


# FY2018 Plan: Analysis of Net Sales and Operating Income

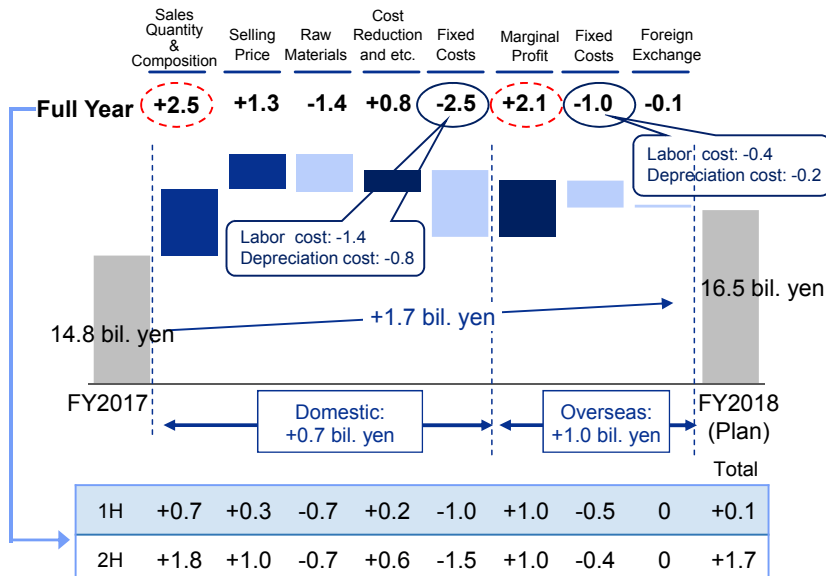
## ■ Plan for a third consecutive fiscal year of record high profit on the back of continuous increases in sales volume and improvement in the product mix in Japan and an increase in marginal profit attributable to the recovery in overseas conditions

- Accelerate the pace of growth (Japan): Increase sales of prioritized products; work to accelerate the pace of new product launch
- Accelerate the pace of growth (overseas): Accelerate the pace of product strategy implementation by area; work to realize the effects of strategic investments
- Continue to improve the profit foundation: Promote efforts to optimize production capacity taking into account the drop in demand following the consumption tax rate hike

### Net Sales



### Analysis of Operating Income

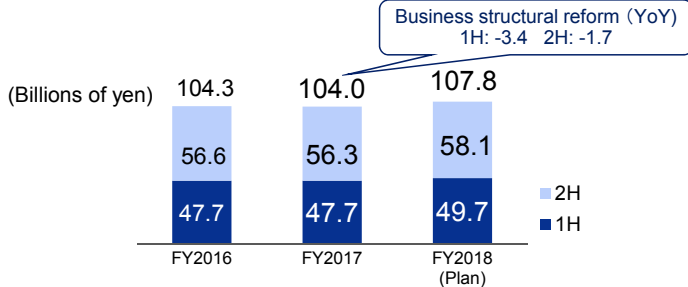


## Accelerate the pace of growth in each of the three business fields

### Net Sales in the Three Strategic Fields and Key Measures in FY2018

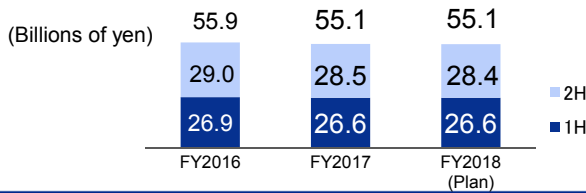
#### Piping and Infrastructure

- Japan: Capture expanding building and infrastructure demand mainly in the Tokyo metropolitan area
- Overseas: Accelerate the pace of industrial materials, fittings, and catch basin rollout; strengthen efforts to rollout the pipeline renewal business overseas



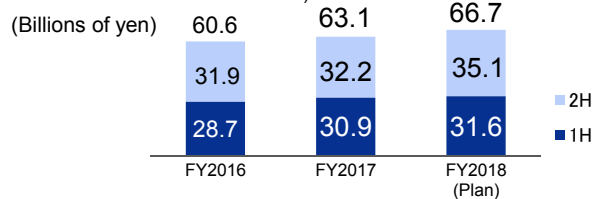
#### Building and Living Environment

- Work to increase sales of new products (new rain gutters, new modular bathroom)
- Strengthen the lineup of prioritized products

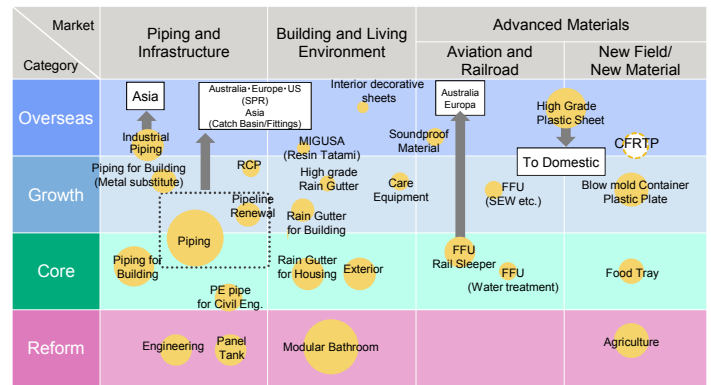


#### Advanced Materials

- Capitalize on aircraft sheet recovery; work to cultivate other fields (railway, medical equipment, other)
- In FFU products, accelerate the pace of railway sleeper rollout overseas and capture domestic infrastructure demand
- Expand the blow-molded container business field (regenerative medicine, electronic material fields)



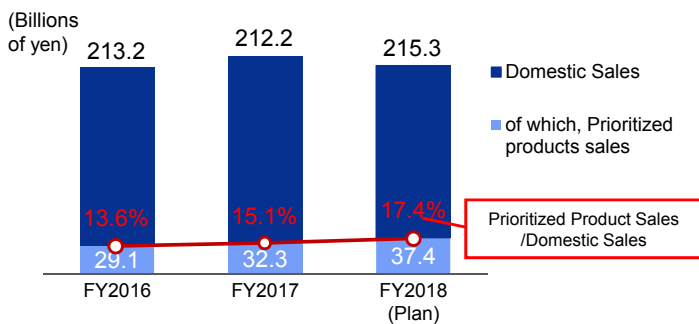
(Reference: Strategic Portfolio under Medium-term Management Plan "SHIFT 2019 -Fusion-")



# Growth Strategies, Overseas Strategies, and Platform Efficiency

### Prioritized Products Sales

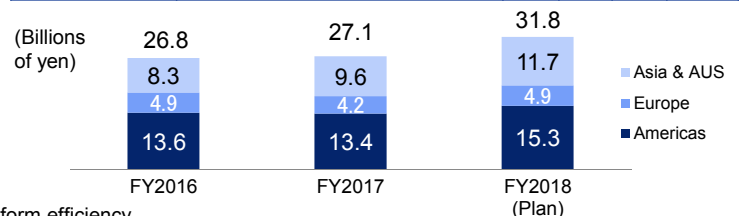
- Steady expansion; accelerate the pace of new product launch in FY2018 (FY2016: 18 products → FY2017: 27 products → FY 2018: 30 products)



### Sales by Overseas Area\*

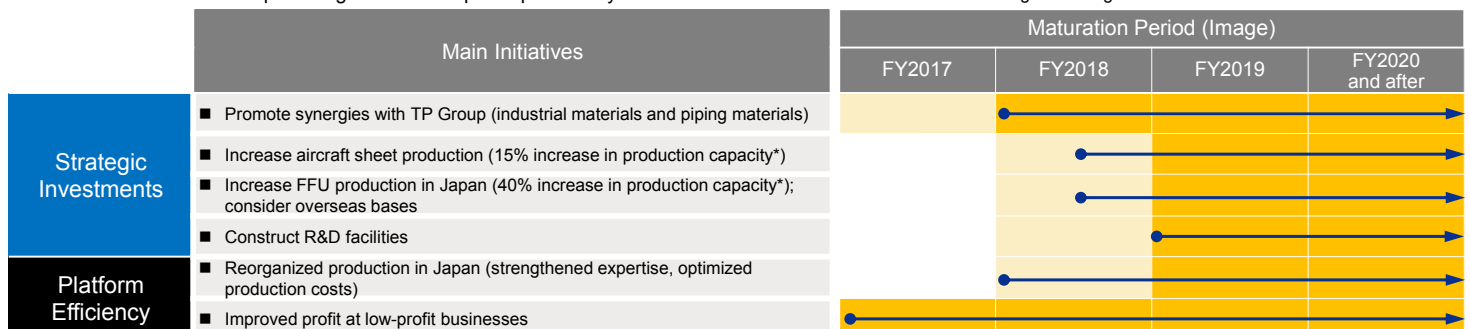
- Accelerate the pace of area-specific product strategy implementation

Products	Strategies	Europe	Americas	Asia	AUS
Pipeline Renovation	Return to profit in FY2017; promote business with Australia as a production hub	○	○	○	◎
Piping and Infrastructure	Promote synergies with TP Group in the ASEAN region			◎	
Sheet	Expand the aviation and three priority fields	○	◎		
FFU	Expand applications by area and upgrade production bases	◎	○	○	○



### Strengthen Strategic Investments and Platform Efficiency

- Implement measures aimed at strengthening strategic investments and platform efficiency in order to accelerate the pace of growth and improve profitability



\*Compared with current production capacity

- Cultivate new fields and domains through conventional material (metals, wood, glass) substitutes using plastic products

Field	Piping and Infrastructure	Building and Living Environment	Advanced Materials
<b>Product</b>	Polyvinyl chloride pipes, construction piping materials, industrial piping materials, pipeline renewal, etc.	Designer rain gutters, interior decorative sheets, nursing care equipment, etc.	Sheets, FFU, blow-molded containers, CFRTP etc.
<b>Roll out</b>	<ul style="list-style-type: none"> <li>• Metal substitute: Lightweight, easy installation, corrosion-resistant</li> <li>• Area: Japan; Expand application domains Overseas; Focus on Southeast Asia</li> </ul>	<ul style="list-style-type: none"> <li>• Metal substitutes: Helping to reduce the weight and enhancing the easy installation of non-residential rain gutters</li> <li>• Wood substitutes: Enhancing design through interior decorative sheets</li> </ul>	<ul style="list-style-type: none"> <li>• Sheets: Increase production targeting the aviation field 3 expansion fields (railroad, medicine, construction)</li> <li>• Glass substitutes (low elution sterilization container for medical use)</li> </ul>

**Examples of new products in FY2017**

**Examples of Prioritized Products**

<b>ESLO HYPER AWHP</b> 	<b>SPR-SE</b> 	<b>UVS-VP</b> 	<b>Fire-resistant VP</b> 	<b>Functional flooring</b> 	<b>Sheets for aviation</b> 
<b>High Flowrate Drainage system</b> 	<b>CHOUSHIN LEVEL</b> 	<b>Infrastructure GUARD</b> 	<b>Industrial piping</b> 	<b>FFU Railway Sleepers</b> 	<b>Low elution sterilization container for medical use</b> 



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. Main data in Housing business

	FY2017			FY2016		
	1H	2H	Annual	1H	2H	Annual
<b>CONSOLIDATED</b>						
Net Sales (Billions of yen)	244.4	253.4	497.8	237.7	247.3	485.0
Housing	167.3	174.6	341.9	161.4	169.3	330.7
Renovation	47.4	47.7	95.1	48.3	48.6	96.9
Frontier (Domestic)	28.7	30.2	58.8	27.2	28.3	55.5
Real estate	23.9	25.1	49.0	22.7	23.6	46.3
Residential Services	4.7	5.1	9.8	4.4	4.7	9.2
Overseas	1.0	0.9	1.9	0.8	1.0	1.9
1. Number of houses sold (Housing units)	5,360	5,460	10,820	5,220	5,380	10,600
Detached houses	4,940	4,940	9,880	4,740	4,820	9,560
Heim	4,200	4,070	8,270	3,790	3,980	7,770
Two-U	740	870	1,610	950	840	1,790
Apartments (housing complex)	420	520	940	480	560	1,040
<b>OTHERS</b>						
2. Main data						
Prices <Sales subsidiaries: Detached houses>/ Unit (Millions of yen)	31.0	31.1	31.1	30.4	30.8	30.6
Prices <Sales subsidiaries: Detached houses>/ Tsubo (3.3 Square meter)(Thousands of yen)	832	836	835	818	826	822
Floor space (Square meter)	123.0	122.8	122.9	122.7	123.0	122.9
Exhibition places (Units)	416	-	419	412	-	414
Sales staff (Number of person)	2,495	-	2,367	2,522	-	2,370
Rebuilding ratio (%)*	28%	28%	29%	30%	30%	30%
Referral sales ratio (%)*	32%	33%	33%	37%	34%	35%

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

# Housing Company Results and Plan

## 2. Housing orders

(Millions of yen)	FY2018 (Plan)			FY2017			FY2016		
	1H	2H	Annual	1H	2H	Annual	1H	2H	Annual
Year-start Backlog	206,900	208,700	-	206,000	207,800	-	205,500	207,500	-
Growth Rate	±0%	±0%		±0%	±0%		+1%	+1%	-
New Orders	207,840	216,000	423,840	202,957	207,061	410,018	202,457	207,529	409,987
Growth Rate	+2%	+4%	+3%	±0%	±0%	±0%	+1%	+2%	+1%
Sales of Housing/Renovation	206,040	212,700	418,740	201,157	207,961	409,118	200,457	209,029	409,487
Growth Rate	+2%	+2%	+2%	±0%	±0%	±0%	+1%	+2%	+2%
Balance at the end	208,700	212,000	-	207,800	206,900	-	207,500	206,000	-
Growth Rate	±0%	+3%	-	±0%	±0%	-	+1%	±0%	-

## 3. Housing starts

(Units)	FY2017			FY2016			FY2015
	1H	2H	Annual	1H	2H	Annual	Annual
Housing starts*	496,840	453,160	950,000	500,151	473,986	974,137	920,537
Privately-owned houses* (included in above) =A	148,266	141,734	290,000	152,836	138,947	291,783	284,441
Detached house sales by our company=B (Unit base)	4,940	4,940	9,880	4,740	4,820	9,560	9,410
Our share in Detached houses=B/A	3.3%	3.5%	3.4%	3.1%	3.5%	3.3%	3.3%

\*\*The housing starts\* and \*Privately-owned houses\* after 2H of FY2017 are based on forecasts.

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

	FY2017			FY2016			FY2015
	1H	2H	Annual	1H	2H	Annual	Annual
Solar power generation systems installed	75%	73%	74%	77%	78%	78%	79%
Tiled exterior walls (Heim type JX)	71%	71%	71%	67%	68%	67%	66%
Storage battery installed	21%	21%	21%	21%	27%	24%	25%
Comfortable Air System	75%	78%	76%	73%	77%	75%	70%