

Presentation of Financial Results and  
Progress under Management Plan  
for the Second Quarter of Fiscal Year 2018, which ending March 31, 2019

Teiji Koge  
President

29 October, 2018

Results for 1H FY2018

Forex Rate	1H FY2017	1H FY2018	FY2018 Initial Plan
Assumption	¥112/US\$ ¥123/€	¥109/US\$ ¥132/€	¥108/US\$ ¥134/€
Results (Avg. rate for each term)	¥111/US\$ ¥126/€	¥110/US\$ ¥130/€	-

## Overview of 1H FY2018 Results

- Despite a substantial increase due to higher sales of high-performance products, an upswing in the number of houses sold, the impact of companies newly included in the Company's scope of consolidation, and other factor, net sales fell well short of plans owing to the effects of natural disasters
- Operating income fell short, ordinary income and the bottom line exceeded plans

(Billions of yen)	1H FY2017		1H FY2018		Difference		1H FY2018 Plan (July 2018)		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Net Sales	534.1		554.9		+20.8		566.0		-11.1	
Operating Income	46.0		42.2		-3.8		44.5		-2.3	
Ordinary Income	48.6		45.9		-2.7		45.0		+0.9	
Net Income Attributable to Owners of the Parent	34.2		32.6		-1.6		29.5		+3.1	
Dividend per Share (Yen)	19*		21		+2		21		0	

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

## 1H FY2018 Results: Net Sales and Operating Income by Divisional Company

- Despite the impact of natural disasters and high raw material costs, movement in profits at all three divisional companies held to a small decline
- Factors that have not reached the operating income plan

- HPP: Deterioration in market conditions in the Building and Infrastructure field and other factor
- Housing: Delays in the construction and handover of newly built houses caused by natural disasters
- UIEP: Construction project delays and the deferral of shipments caused by natural disasters

(Billions of yen)	1H FY2017		1H FY2018		Difference		1H FY2018 Plan (July 2018)		Difference	
	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	205.5	27.5	+20.0	-1.3	205.0	28.5	+0.5	-1.0
Housing*	244.4	17.8	246.9	17.2	+2.5	-0.6	252.0	17.8	-5.1	-0.6
UIEP*	112.1	4.8	111.0	4.3	-1.1	-0.5	114.5	4.9	-3.5	-0.6
Others	2.7	-4.8	2.7	-5.7	0	-0.8	3.5	-5.7	-0.8	0
Eliminations or Unallocatable Accounts	-10.6	-0.6	-11.1	-1.2	-0.6	-0.6	-9.0	-1.0	-2.1	-0.2
Total	534.1	46.0	554.9	42.2	+20.8	-3.8	566.0	44.5	-11.1	-2.3

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

# 1Q & 2Q FY2018 Results: Net Sales and Operating Income by Divisional Company

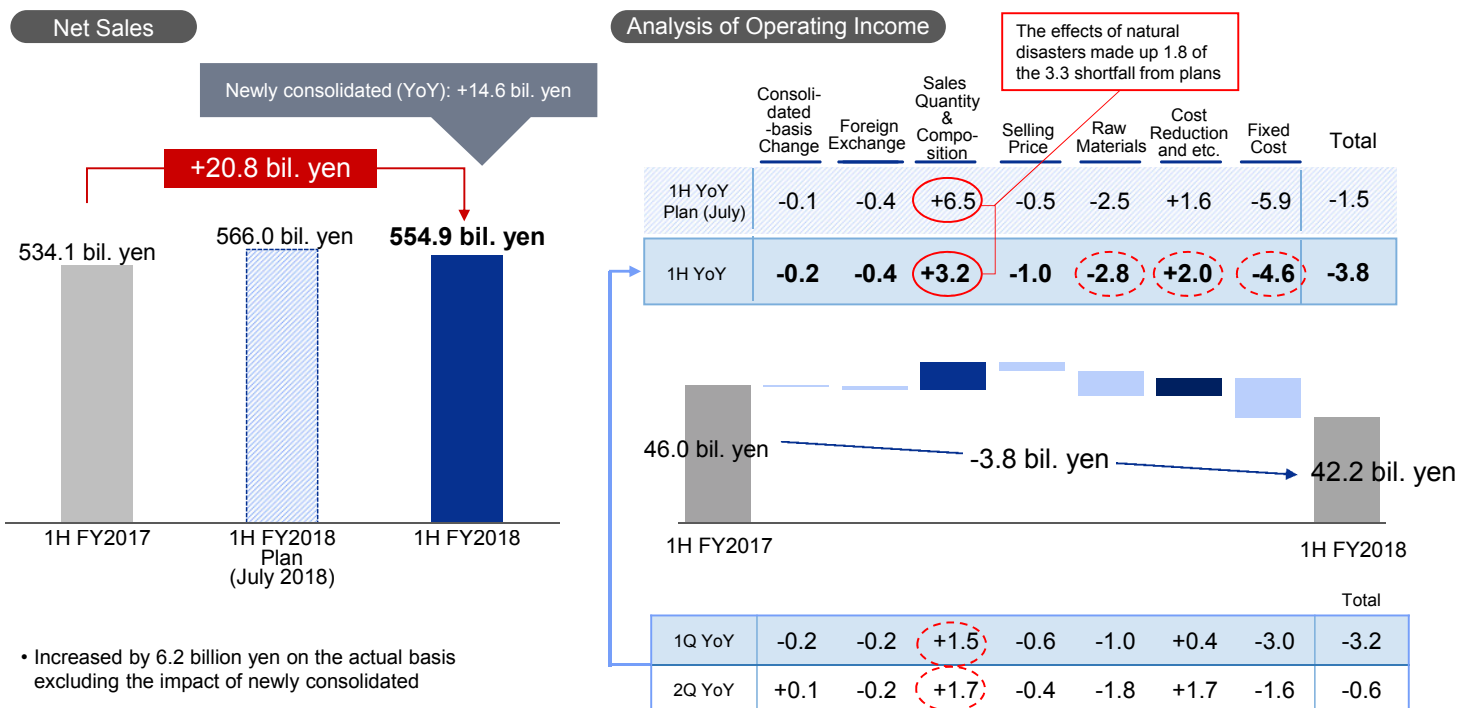
■ As a period during which fixed expenses, high raw material costs increases had a significant impact, profits declined in the 1Q; for the most part, profits recovered at all three divisional companies in the 2Q

- HPP: Despite the effects of the high cost of raw materials, results in the 2Q were in line with the previous year owing to increases in sales volumes and improvements in the product mix in the Automobiles and Transportation as well as Life Science fields
- Housing: Despite the impact of natural disasters, profit shifted to an upward trajectory in the 2Q; while operating income fell short of plans in the 1H, the balance of orders increased as of the end of the 2Q (+3%, YoY)
- UIEP: Despite the impact of natural disasters in the 2Q, steady recovery overseas; small decline in profit for the 1H in total
- Other: Research and development in line with plans; increase in film-type lithium-ion battery production capacity for the housing market

(Billions of yen)	1Q FY2017		1Q FY2018		2Q FY2017		2Q FY2018	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
HPP	91.2	14.4	101.1	13.2	94.4	14.4	104.4	14.3
Housing	94.9	-0.4	94.0	-1.6	149.5	18.2	152.8	18.7
UIEP	51.7	1.4	50.6	1.1	60.3	3.5	60.4	3.2
Others	1.1	-2.5	1.3	-2.6	1.6	-2.4	1.4	-3.1
Eliminations or Unallocatable Accounts	-4.9	-0.3	-5.0	-0.8	-5.6	-0.3	-6.1	-0.4
<b>Total</b>	<b>233.9</b>	<b>12.6</b>	<b>241.9</b>	<b>9.4</b>	<b>300.2</b>	<b>33.4</b>	<b>313.0</b>	<b>32.7</b>

## 1H FY2018 Results: Analysis of Net Sales and Operating Income

■ While a period during which fixed expenses, high raw material costs increases had a significant impact, growing trend toward increases in sales volumes and improvements in the product mix in the 1H; mechanisms aimed at accelerating the pace of this growth in the 2H and beyond progressing in line with plans

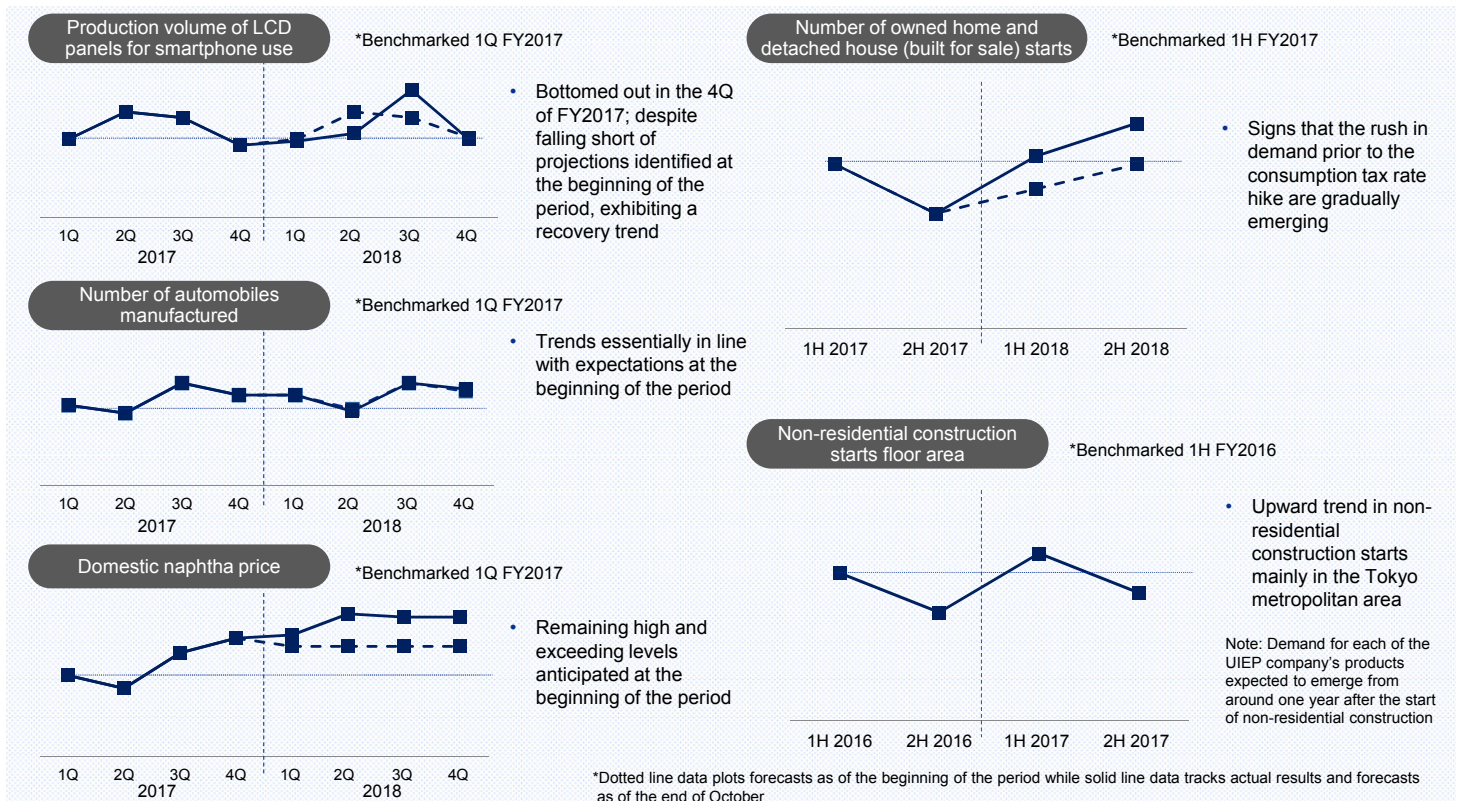


# 2H FY2018 Forecasts and Revised Annual Plan

Forex Rate	2H FY2017	2H FY2018 Plan	FY2018 Initial Plan
Assumption	¥112/US\$ ¥132/€	¥111/US\$ ¥127/€	¥108/US\$ ¥134/€
Results (Avg. rate for each term)	¥111/US\$ ¥133/€	-	-

## 2H FY2018: Outlook for Market Conditions

Against the underlying signs of further increases in raw material costs, business conditions are essentially in line with expectations identified at the beginning of the period





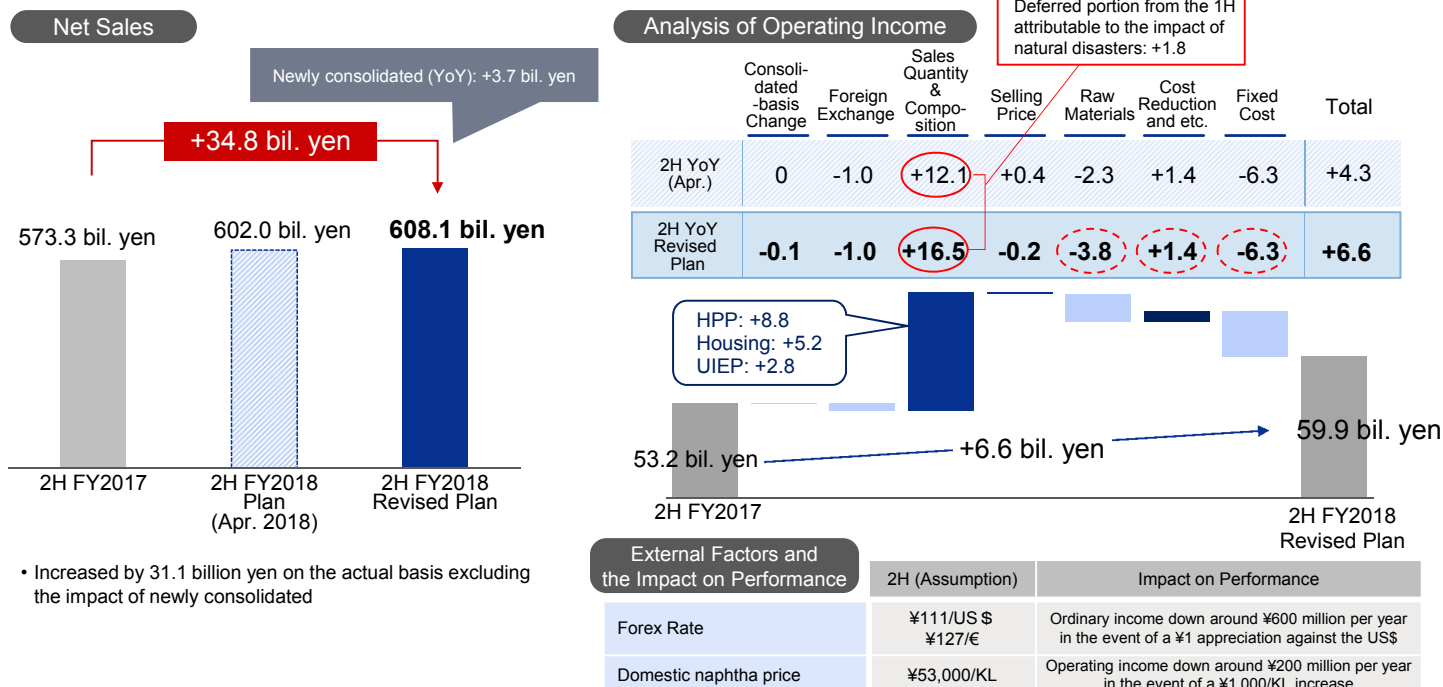
## 2H FY2018 Revised Plan: Net Sales and Operating Income by Divisional Company

- Shift to an increase in sales and profits at all three divisional companies; projecting record high profits in the 2H
- Work to quickly turnaround and recover from the impact of natural disasters in the 1H in the Housing and UIEP companies; further pickup in recovery at the HPP Company

(Billions of yen)	2H FY2017		2H FY2018 Revised Plan		Difference		2H FY2018 Plan (Apr. 2018)		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
HPP	200.6	29.0	213.5	32.0	+12.9	+3.0	213.0	31.0	+0.5	+1.0
Housing	253.4	20.1	267.1	22.3	+13.7	+2.2	263.0	21.7	+4.1	+0.6
UIEP	127.2	9.9	132.5	12.2	+5.3	+2.2	132.5	11.6	0	+0.6
Others	3.1	-4.9	4.3	-5.6	+1.2	-0.7	4.0	-5.6	+0.3	0
Eliminations or Unallocatable Accounts	-11.0	-0.9	-9.4	-1.0	+1.7	-0.1	-10.5	-1.2	+1.1	+0.2
<b>Total</b>	<b>573.3</b>	<b>53.2</b>	<b>608.1</b>	<b>59.9</b>	<b>+34.8</b>	<b>+6.6</b>	<b>602.0</b>	<b>57.5</b>	<b>+6.1</b>	<b>+2.4</b>

## 2H FY2018 Revised Plan: Analysis of Net Sales and Operating Income

- Projecting substantial increases in sales volumes and improvements in the product mix due to a variety of factors including successful efforts to realize the effects of strategic investments, an increase in the number of houses sold
- Minimize the effects of high raw material costs through cost reductions; continue to aggressively engage in investment in order to accelerate growth



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

- Increase in sales and profits at all three divisional companies; expecting to achieve record high profits at the HPP and UIEP companies for the full fiscal year
- Ramp up new business and other research and development investments Group-wide

(Billions of yen)	FY2017		FY2018 Revised Plan		Difference		FY2018 Plan (Apr.2018)		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
HPP	386.2	57.8	419.0	59.5	+32.8	+1.7	418.0	59.5	+1.0	0
Housing	497.8	37.9	514.0	39.5	+16.2	+1.6	516.0	39.5	-2.0	0
UIEP	239.2	14.8	243.5	16.5	+4.2	+1.7	247.0	16.5	-3.5	0
Others	5.9	-9.8	7.0	-11.3	+1.2	-1.5	7.5	-11.3	-0.5	0
Eliminations or Unallocatable Accounts	-21.6	-1.6	-20.5	-2.2	+1.1	-0.6	-20.5	-2.2	0	0
<b>Total</b>	<b>1,107.4</b>	<b>99.2</b>	<b>1,163.0</b>	<b>102.0</b>	<b>+55.6</b>	<b>+2.8</b>	<b>1,168.0</b>	<b>102.0</b>	<b>-5.0</b>	<b>0</b>

## Overview of FY2018 Revised Plan

- Substantial increase in sales; projecting an increase in operating income for a tenth consecutive fiscal year
- Projecting 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 Revised Plan	Difference	FY2018 Plan (Apr. 2018)	Difference
Net Sales	1,107.4	1,163.0	+55.6	1,168.0	-5.0
Operating Income	99.2	102.0	+2.8	102.0	0
Ordinary Income	93.9	100.0	+6.1	100.0	0
Net Income Attributable to Owners of Parent	63.5	67.0	+3.6	67.0	0
Dividend per Share (Yen)	40*	42	+2	42	0

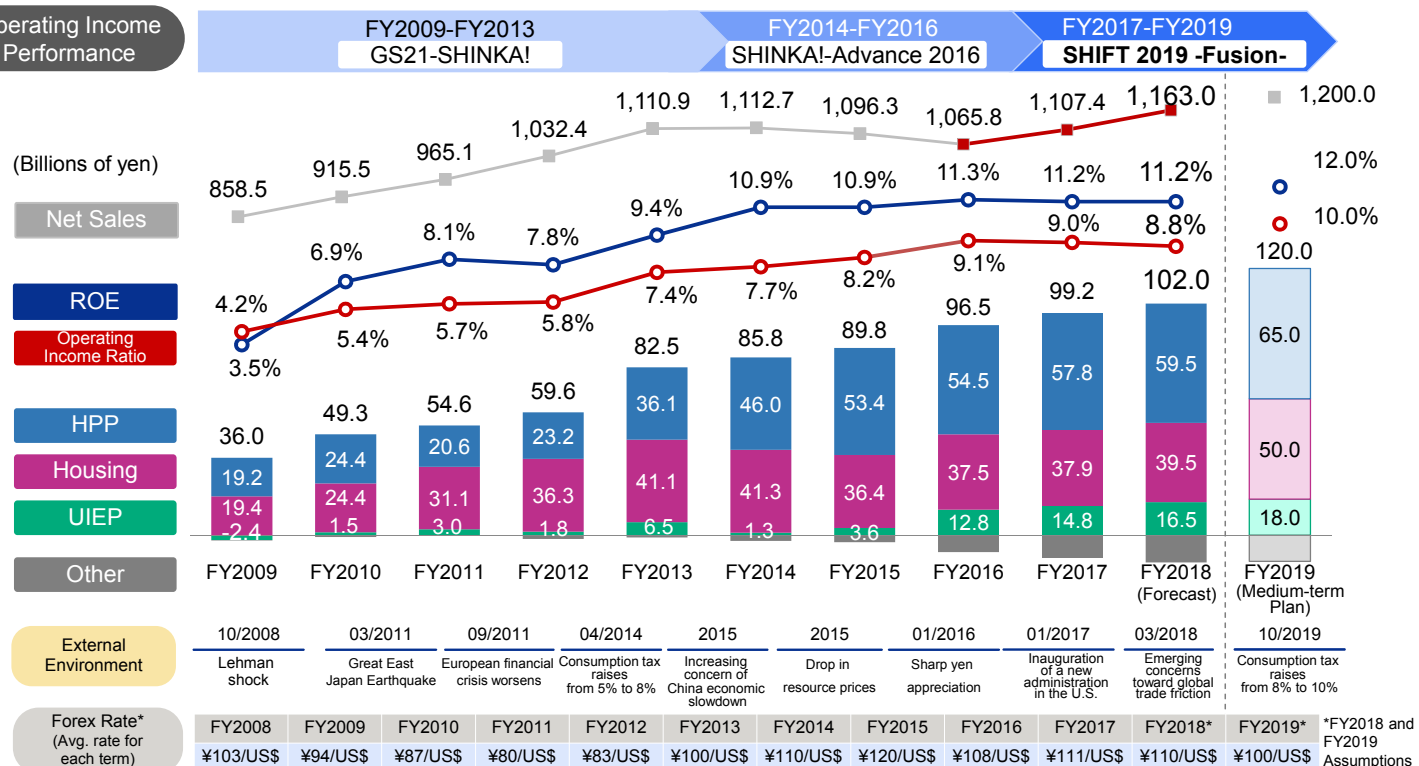
\*Including 70th anniversary commemorative dividend of 1 yen per share.

# Progress under Medium-term Management Plan

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

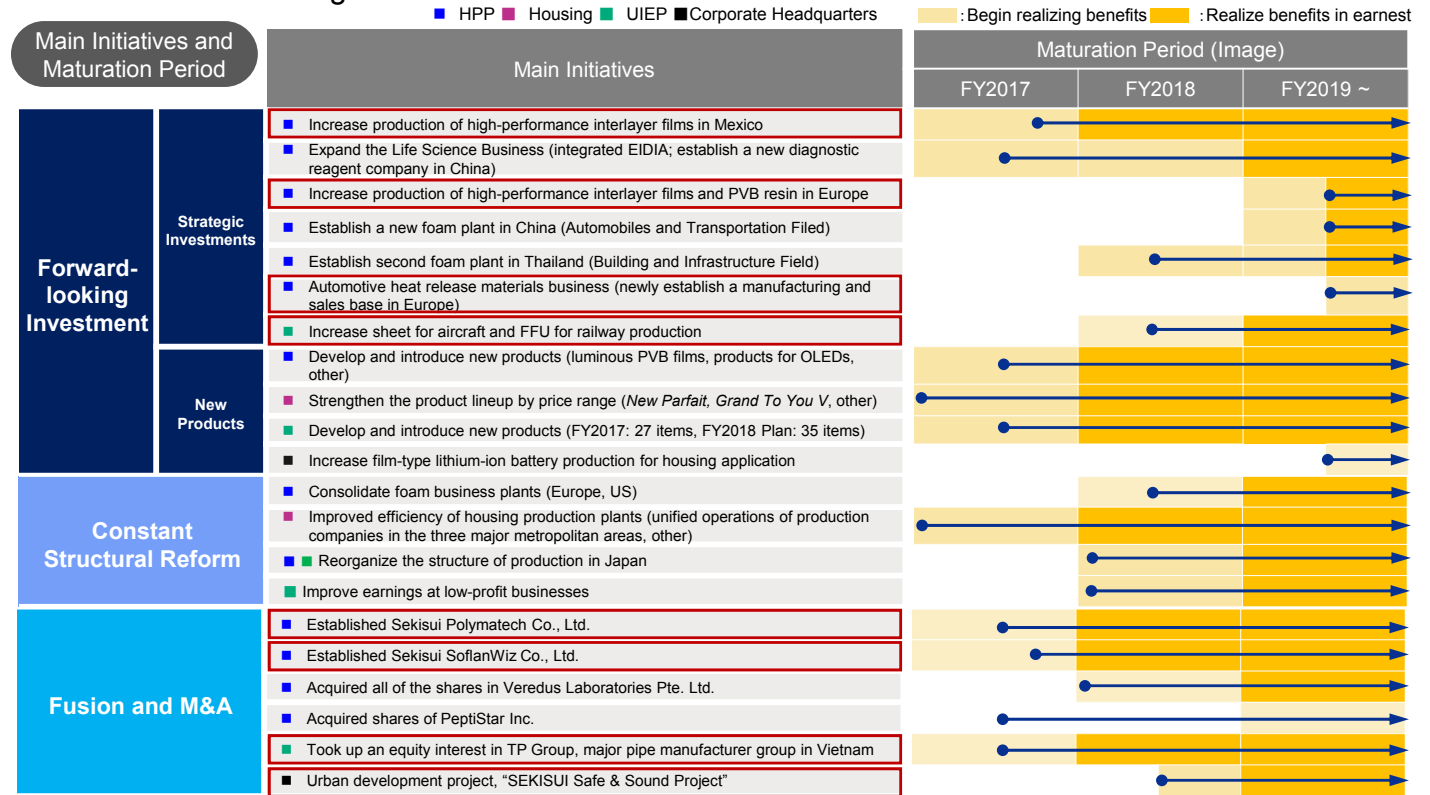
- Achieve a continuous upswing in net sales, an increase in operating income for a 10th consecutive fiscal year, and record high profit for a sixth consecutive fiscal year in FY2018; position the year as a step toward achieving the FY2019 Medium-term Management Plan

### 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



\*Items bordered in red in particular have a significant impact on earnings

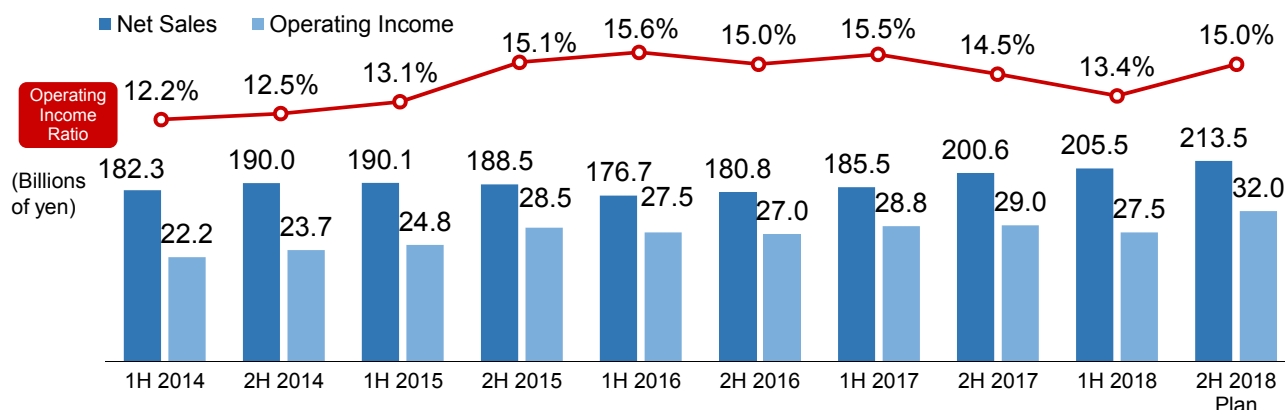


### Overview of 1H FY2018 Results

HPP Company

- Despite a decrease in the 1Q, profit recovered to the previous year's level in the 2Q; profit declined for the 1H in total
- Projecting record high profit for the full fiscal year for a sixth consecutive period due to the continued recovery in earnings in the 2H
- Forward progress with mechanisms aimed at accelerating the pace of growth

#### Performance Trends



Foreign Exchange Rate  
\*Avg. rate for each fiscal year

¥103/\$	¥117/\$	¥122/\$	¥119/\$	¥105/\$	¥111/\$	¥111/\$	¥111/\$	¥110/\$	¥111/\$*
¥139/€	¥139/€	¥135/€	¥130/€	¥118/€	¥119/€	¥126/€	¥133/€	¥130/€	¥127/€*

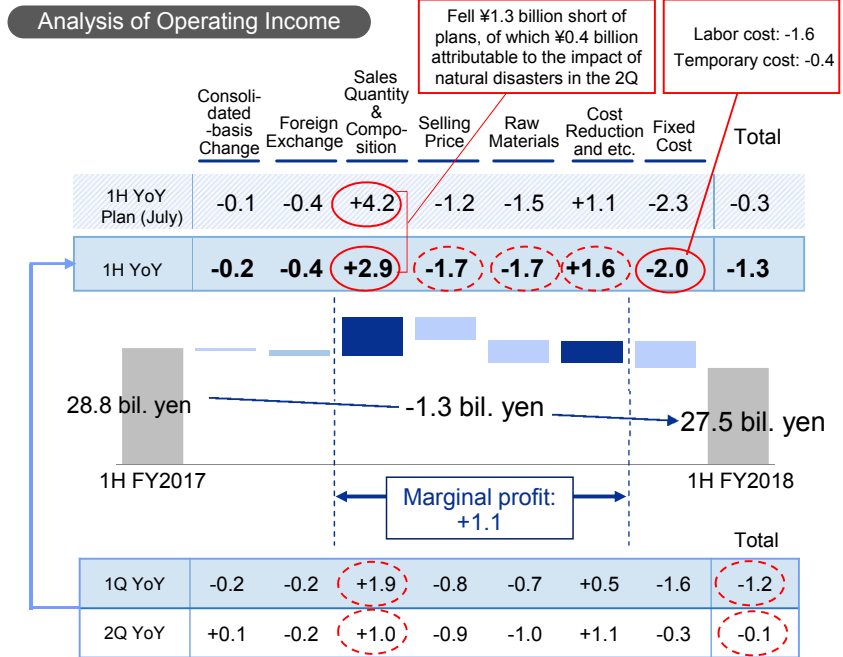
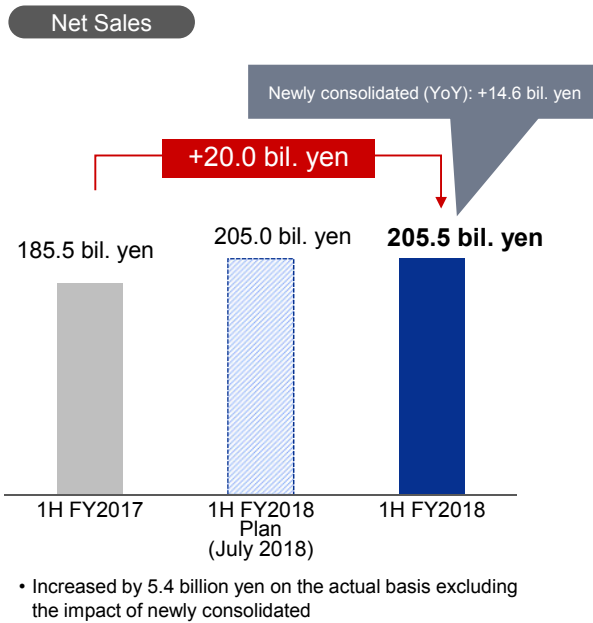
\*2H FY2018 Assumptions

Main M&As and Strategic Investments

06/2015	11/2015	09/2017	12/2017	03/2018	12/2017	2H 2019
Started operations at the Thai CPVC factory	EIDIA	Polymatech Japan	SoflanWiz	Veredus Laboratories	Started operations at a new interlayer film production line (Mexico)	Plans to start operations at a new interlayer production line (Europe)

# 1H FY2018 Results: Analysis of Net Sales and Operating Income

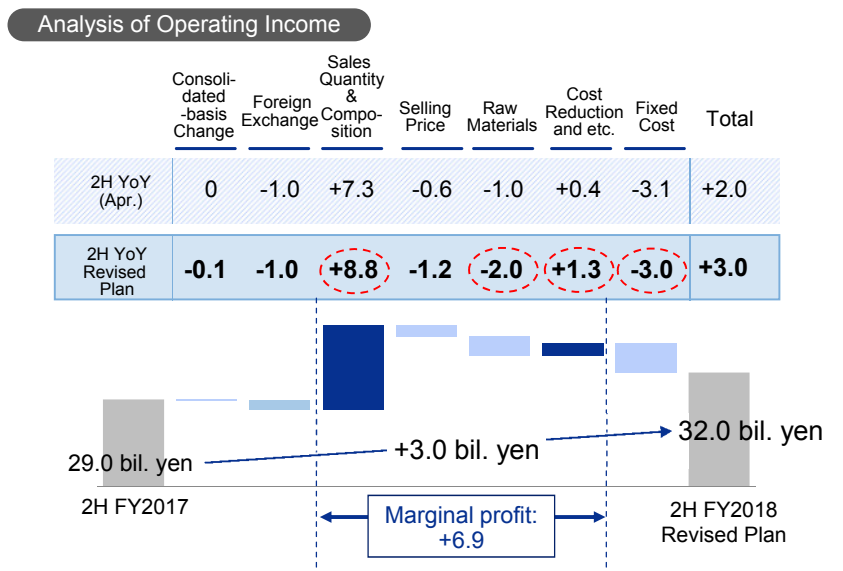
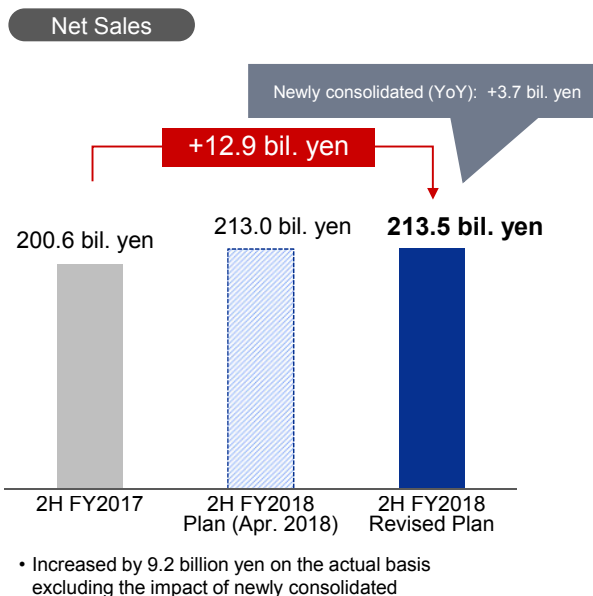
- While a period during which fixed expenses, high raw material costs increases had a significant impact, growing trend toward increases in sales volumes and improvements in the product mix overall; forward progress with cost reduction endeavors
- Operating income fell short of plans due to a variety of factors including difficulties in the Building and Infrastructure field
- Operating income came in at the same level as the previous year in the 2Q



# 2H FY2018 Plan: Analysis of Net Sales and Operating Income

- Projecting an improvement in market conditions in the Electronics field in the 2H; anticipating substantial increases in sales volumes and improvements in the product mix through successful efforts to realize the effects of strategic investments (increase in production capacity, M&A synergies) mainly in the four strategic fields
- Minimize the burden of further increases in raw material costs through cost reductions; implement measures aimed at controlling costs (fixed expenses) as required

\*Four strategic fields; Electronics, Building and Infrastructure, Automobiles and Transportation, and Life Science fields

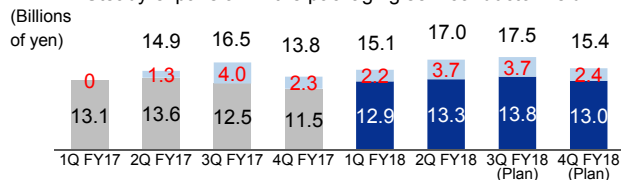


Progress in line with plans in the Automobiles and Transportation, and Life Science fields; difficulties in the Building and Infrastructure field in line with the deterioration in business conditions

## Trends of Sales and 2H Forecasts in the Four Strategic Fields

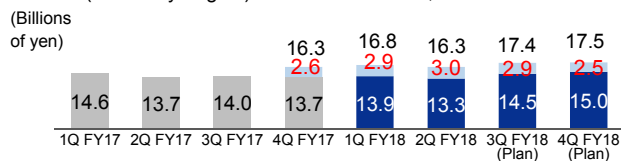
### Electronics

- While falling below expectations identified at the beginning of the period, smartphone-related product demand exhibiting a recovery trend after bottoming out in the 4Q of FY2017; firm demand for TV-related products
- Steady expansion in the packaging/semiconductor field



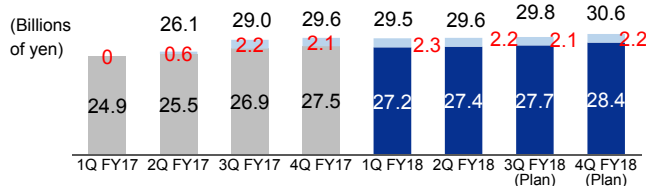
### Building and Infrastructure

- CPVC: Slowdown in demand in the Middle East and South Korea; increasingly fierce price competition in India; target an increase in market share in the Americas in the 2H of FY2018
- Fire-resistant materials: Forward progress with efforts to "fuse" (realize synergies) with SoflanWiz Co., Ltd.



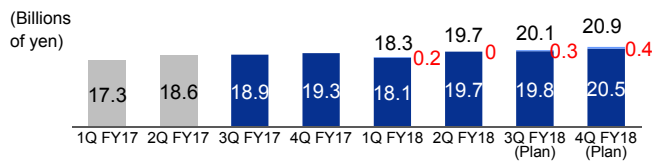
### Automobiles and Transportation

- Firm global demand; slowdown in demand in China partially factored into 2H plans
- The pace of high-performance product growth outstripping that of the automobile market



### Life Science

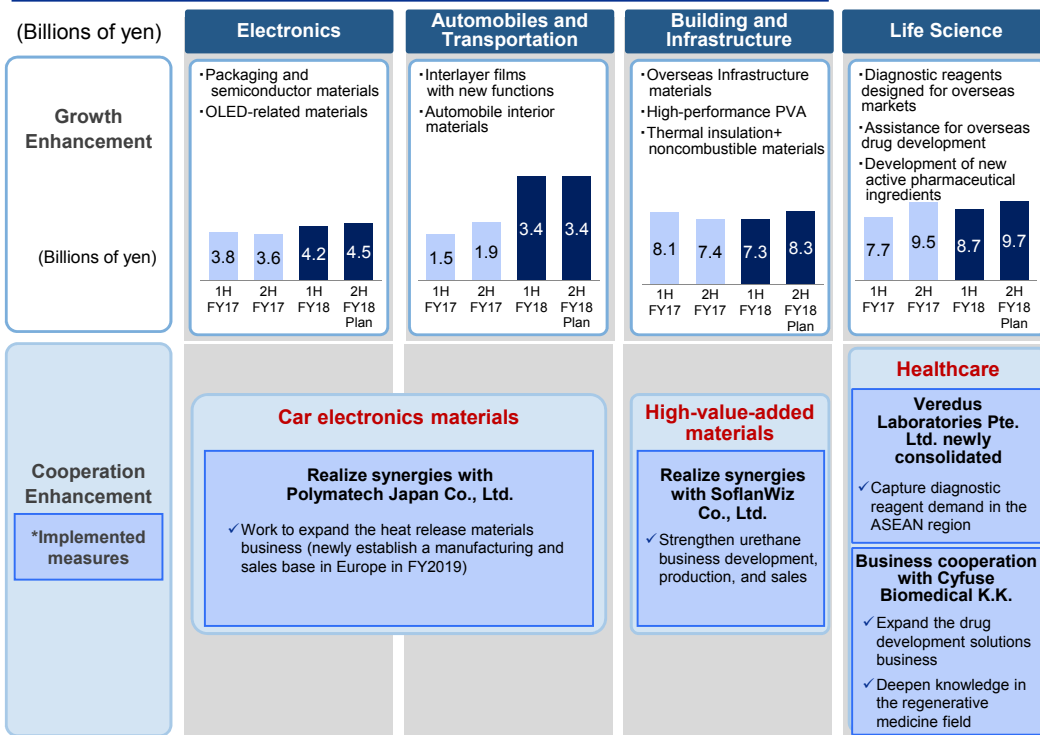
- Growth in diagnostic reagents mainly overseas (US and China)
- Speed up in pharmaceuticals and drug development solutions business growth



# Enhancement Areas

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

## Enhancement Areas

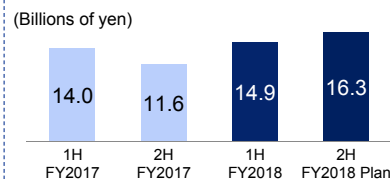


## New Products and New Business

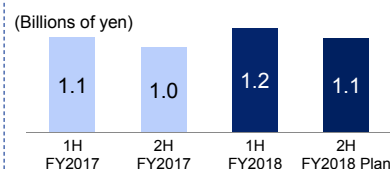
- New products: Bottoming out; pick up in the pace of development and market release
- New businesses: Work to expand sales of implementation/semiconductor-related materials

### New Products\* Sales

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



### New Business Sales



## Overview of 1H FY2018 Results

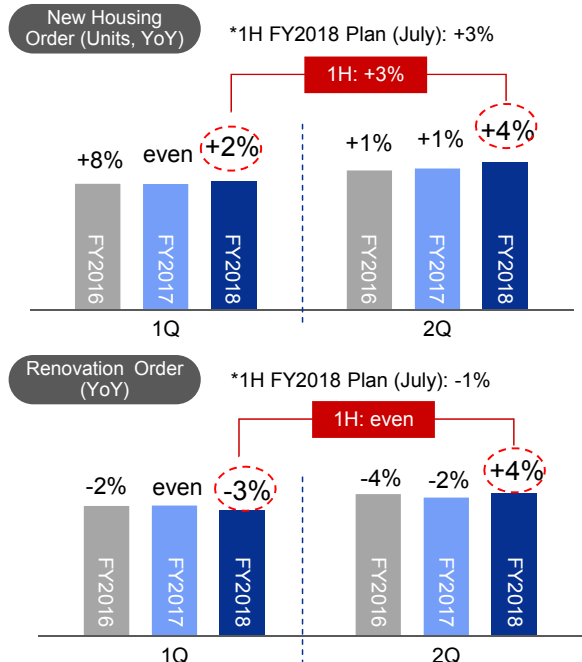
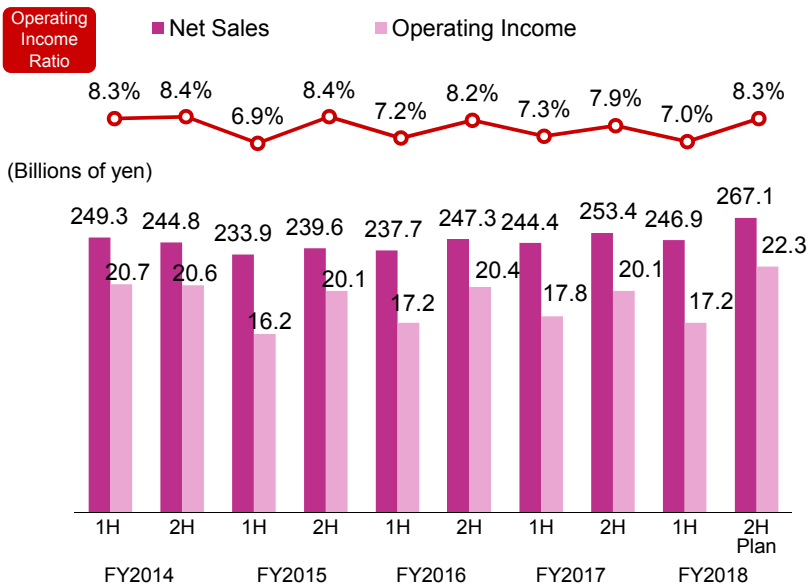
Housing Company

■ Despite a decrease in profit owing to the impact of natural disasters in the 1H, expecting to achieve operating income plans for the full fiscal year on the back of a substantial increase in profit in the 2H

- Incidence of nationwide delays in construction owing to the succession of natural disasters; failed to achieve plans for the number of houses sold (approximately 120 houses)
- Achieved both new housing and renovation order plans; new housing continued to increase YoY; while down in the 1Q, shift to an upward trajectory in the renovation field in the 2Q

⇒ Increase in the balance of orders in the 2H (+3%, YoY)

### Performance Trends

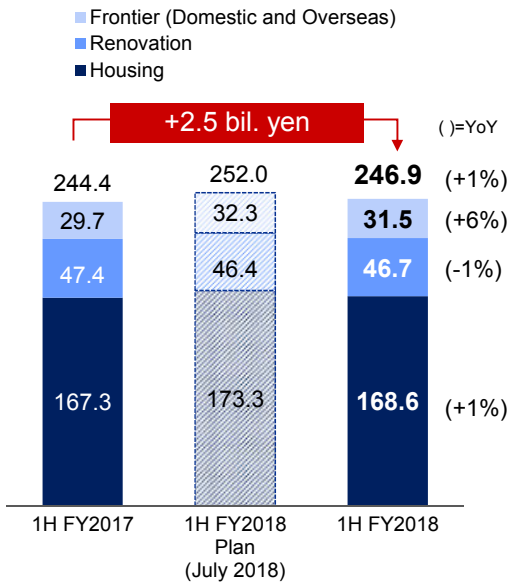


# 1H FY2018 Results: Analysis of Net Sales and Operating Income

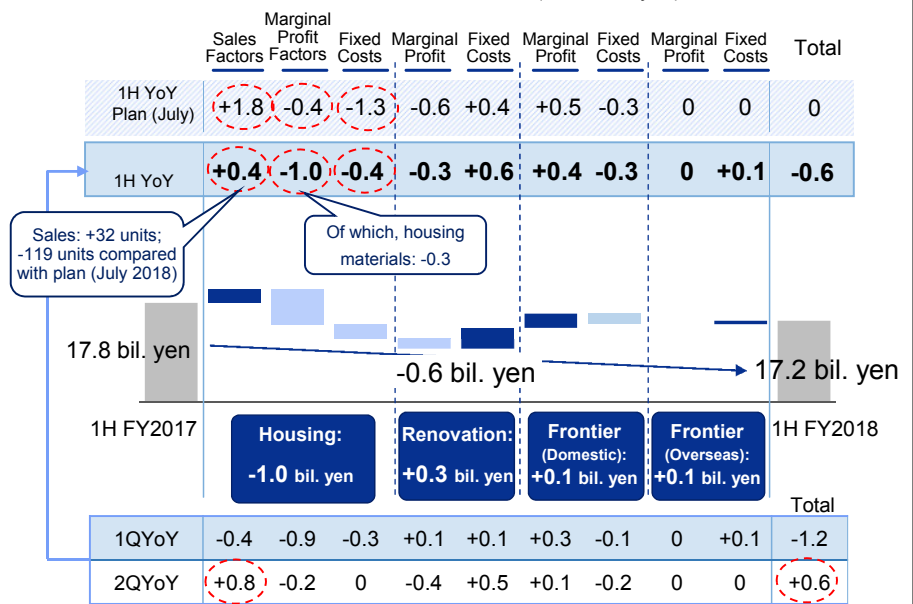
Failed to achieve plans in the Housing Business due to the effects of natural disasters which resulted in delays in construction as well as settlement and handover; other businesses essentially in line with plans

- Housing: While the number of houses sold increased, costs also increased due to such factors as high component costs and forward-looking investments aimed at expanding orders
- Renovation: Shift to an increase in profits as a result of efforts to strengthen earning power focusing mainly on increasing the efficiency of indirect functions
- Frontier: Firm results mainly in the real estate field

Net Sales by Business (Billions of yen)



Analysis of Operating Income (Billions of yen)



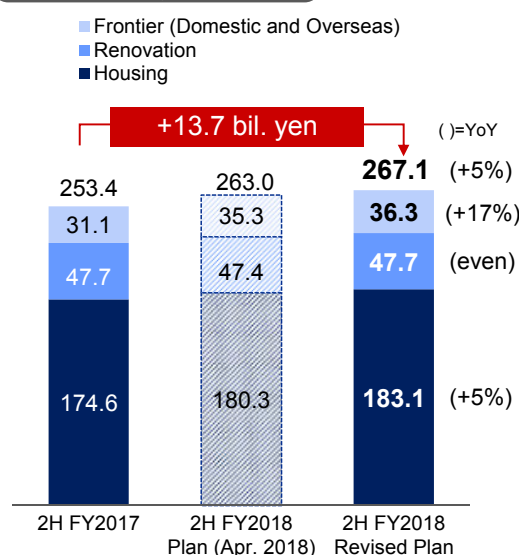
# 2H FY2018 Plan: Analysis of Net Sales and Operating Income

Projecting substantial increases in profits in the Housing Business owing mainly to an increase in the number of houses sold

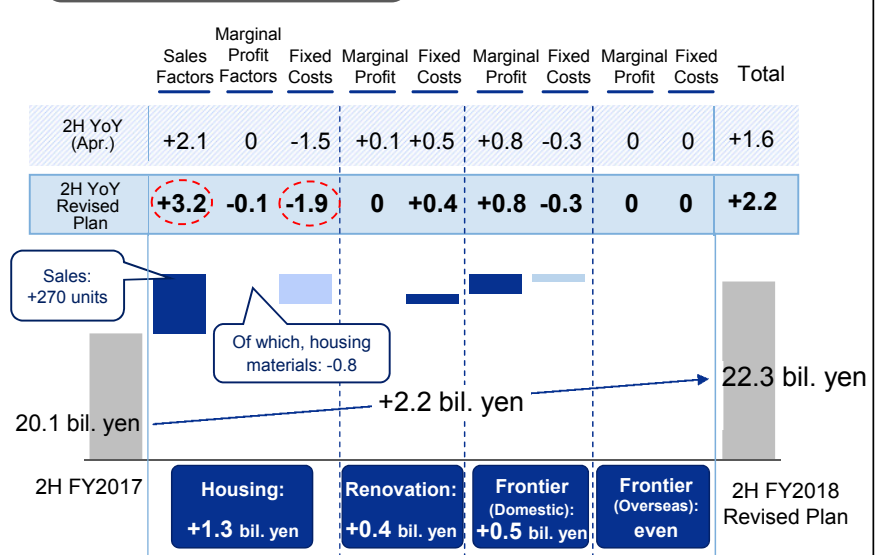
- Housing: Substantial increase in the number of houses sold; continue to engage in forward-looking investments aimed at increasing market share
- Renovation: Continue to promote efforts aimed at strengthening earning power focusing mainly on increasing the efficiency of indirect functions
- Frontier: Continued expansion mainly in the real estate field

Maximize orders; work to secure an order balance with an eye toward FY2019

Net Sales by Business (Billions of yen)



Analysis of Operating Income (Billions of yen)





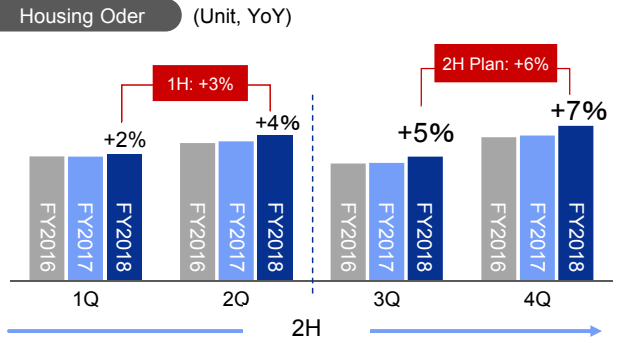
In addition to maximizing orders in the 2H by capturing business opportunities, work to put in place mechanisms with an eye toward the next fiscal year (secure an increase in the number of visitors; organize land/subdivision for sale)

## Overview of 1H Results and Market Outlook in 2H

- Orders for detached houses exceeded plans offsetting the substantial decline in housing complex orders
- Growth in both steel-frame and wood-frame housing orders
- Successfully secured visitors by reinforcing sales capabilities (personnel and model houses). 2Q: +13% (YoY)
- Projecting a ramp up in the rush in demand moving toward the end of the 2H

Type	YoY Change
Steel-frame housing	+5%
Wood-frame housing	+6%
Housing complex	-16%
Total	+3%

## 2H Housing Order Plan



## Measure to Acquire Orders in 2H

Area	1H	2H																				
Product Strategies	<ul style="list-style-type: none"> <li>Completion of lineup by price range</li> </ul> <table border="1"> <thead> <tr> <th>High Price zone</th> <th>Product</th> <th>Strategy</th> </tr> </thead> <tbody> <tr> <td></td> <td><b>New Parfait</b> (July)</td> <td>Acquire rush demand focusing on rebuilding demand</td> </tr> <tr> <td></td> <td><b>SPS GR</b> (Apr.)</td> <td>Strengthening ZEH measures</td> </tr> <tr> <td></td> <td><b>Grand To You V</b></td> <td>Acquire first buyer's demand</td> </tr> </tbody> </table>	High Price zone	Product	Strategy		<b>New Parfait</b> (July)	Acquire rush demand focusing on rebuilding demand		<b>SPS GR</b> (Apr.)	Strengthening ZEH measures		<b>Grand To You V</b>	Acquire first buyer's demand	<ul style="list-style-type: none"> <li>Further strengthened the lineup by price range</li> </ul> <table border="1"> <thead> <tr> <th>Product</th> <th>Strategy</th> </tr> </thead> <tbody> <tr> <td><b>Strengthen steel-frame products (3Q)</b></td> <td>Simple modern exterior targeting the millennial generation</td> </tr> <tr> <td><b>Strengthen housing complex products (3Q)</b></td> <td>Differentiate through the appeal of zero-energy housing (ZEH)</td> </tr> <tr> <td><b>Strengthen wood-frame products (4Q)</b></td> <td>Differentiate through the appeal of zero-energy housing (ZEH)</td> </tr> </tbody> </table>	Product	Strategy	<b>Strengthen steel-frame products (3Q)</b>	Simple modern exterior targeting the millennial generation	<b>Strengthen housing complex products (3Q)</b>	Differentiate through the appeal of zero-energy housing (ZEH)	<b>Strengthen wood-frame products (4Q)</b>	Differentiate through the appeal of zero-energy housing (ZEH)
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Land and Subdivision Housing Strategies	<ul style="list-style-type: none"> <li>Orders robust for Company-owned land and subdivision housing (+11%, YoY)</li> <li>Secure sales stock moving toward the 2H (+8% as of the end of the 1H, YoY)</li> </ul>	<ul style="list-style-type: none"> <li>In anticipation up to the 1H of FY2019, further strengthen the procurement of land</li> </ul>																				
Sales Force	<ul style="list-style-type: none"> <li>Increase sales personnel: +6% as of the end of the 1H (YoY)</li> <li>Number of model and open houses: +6% (YoY) as of the end of the 1H (YoY)</li> </ul>	<ul style="list-style-type: none"> <li>Further strengthen model and open houses</li> <li>Roll out nationwide experience-based showrooms (AV/AR) in nine locations</li> </ul>																				

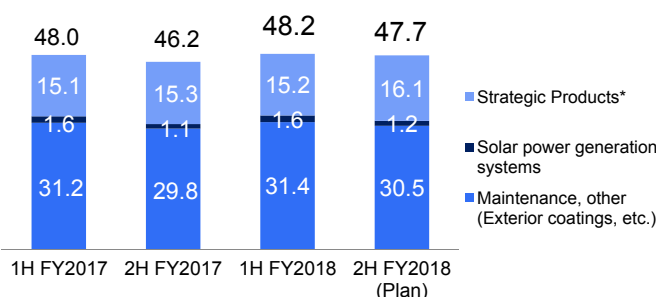
# Renovation and Frontier (Domestic), and Overseas Business

## Renovation

- Products**
  - Focus thoroughly on expanding sales of basic products and materials (exterior coatings, new exterior walls, bathrooms)
  - Strengthen energy self-sufficiency (solar power generation system, storage battery) proposals with an eye toward the end of the FIT program
- Sales Force**
  - Increase orders per person by reinforcing points of customer contact
  - Strengthen management and technology support
- Cost Control**
  - Continue to increase the efficiency of indirect functions

### Orders by Products

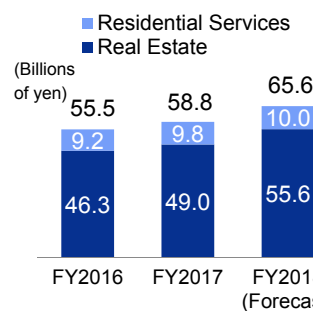
(Billions of yen)



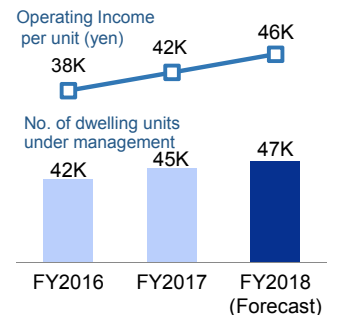
\*Strategic products: for exterior areas, new external walls, bathrooms and kitchens, extensions, and etc.

## Frontier (Domestic)

### Net Sales by Business Segment



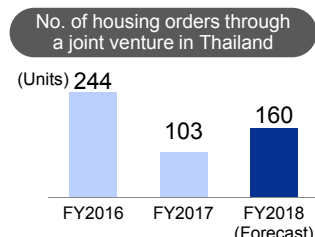
### Rental Management Indicator



- 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

- Orders showing signs of a steady recovery (FY2018 forecasts: +55% YoY)
- Steady progress in the subdivision housing business through the joint venture in Thailand



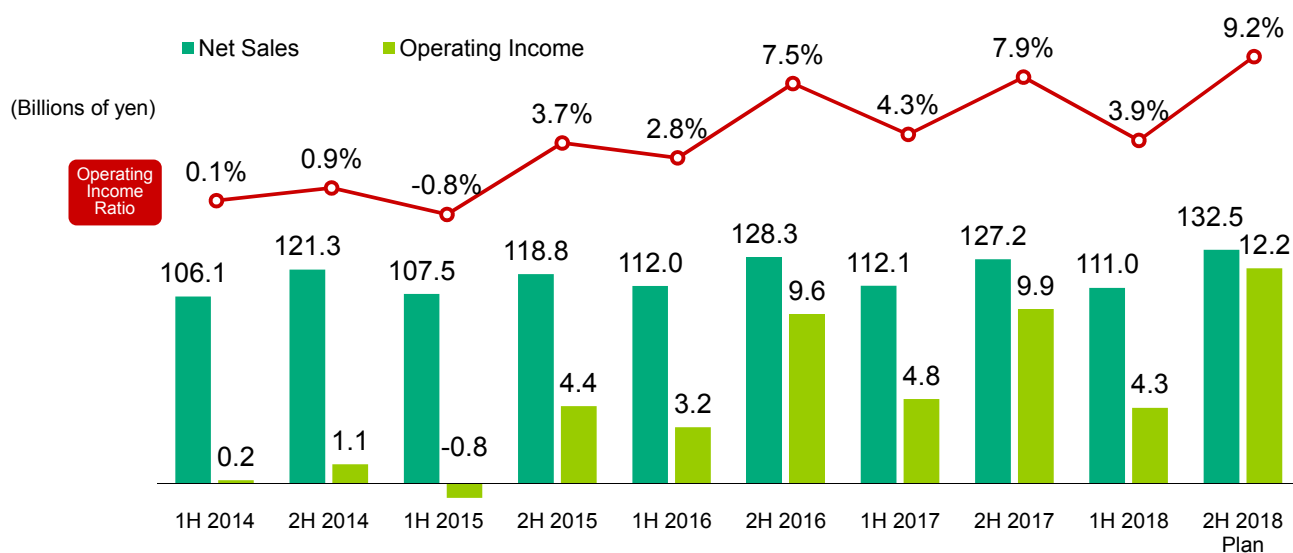
## Overview of 1H FY2018 Results

UIEP  
Company

■ While profit declined due to the effects of such factors as natural disasters in the 1H, projecting record high divisional company profits for the third consecutive period for the full fiscal year

- Launched new products according to plans
- Overseas sales expanded steadily thanks also to the recovery in the sheet business

### Performance Trends



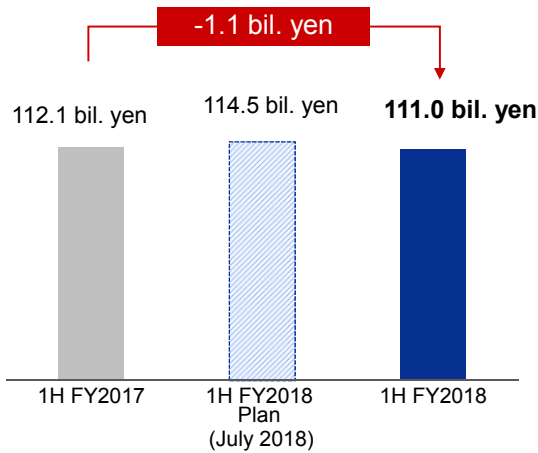
# 1H FY2018 Results: Analysis of Net Sales and Operating Income

## Net sales fell short of plans due to the effects of such factors as natural disasters in Japan and overseas as well as the drop in housing complex construction starts

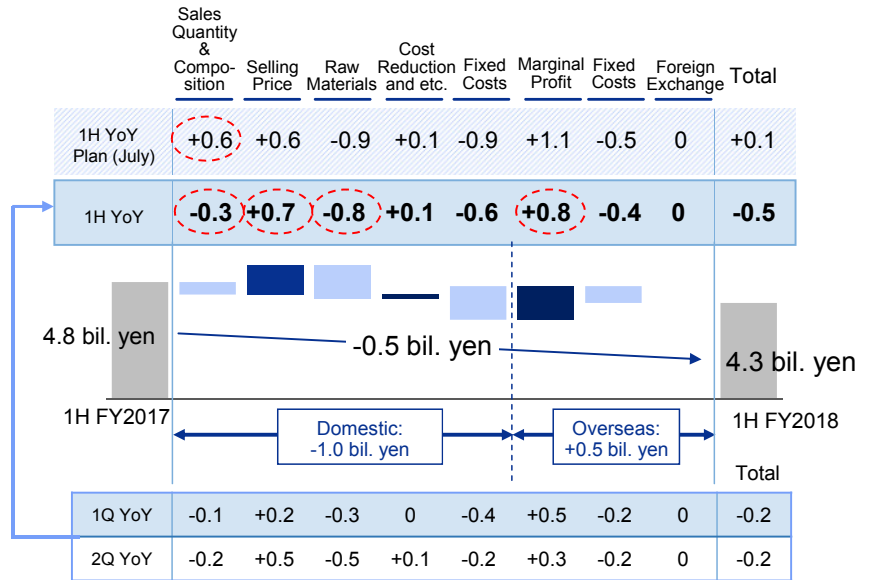
- Despite steady expansion focusing mainly on non-residential facilities and the public sector, prioritized products\* impacted by delays in construction projects
- Gradual penetration of increased PVC product prices from the 2Q
- Despite a recovery in aircraft sheets in North America, shipments deferred due to the effects of flood disaster
- Pickup in the adoption of FFU and SPR products targeting the overseas market; ASEAN alliance strategies also progress in piping/Industrial piping materials

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

### Net Sales



### Analysis of Operating Income

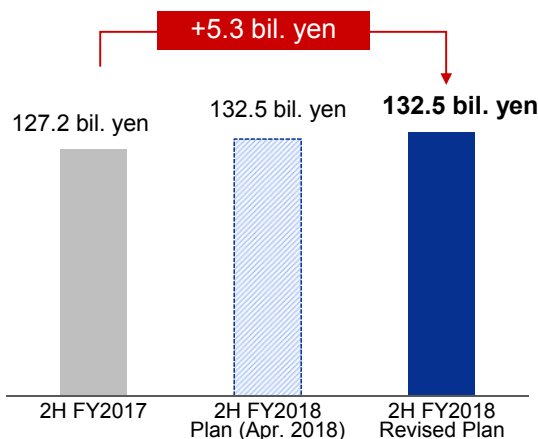


# 2H FY2018 Plan: Analysis of Net Sales and Operating Income

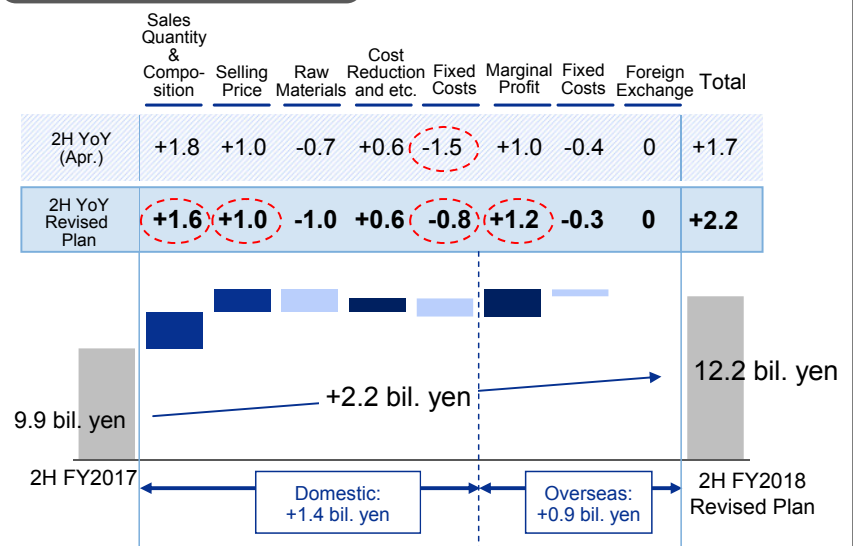
## Forward progress in efforts to increase sales volumes and improve the product mix as well as the penetration of product price increases in Japan; continued recovery overseas; on this basis, projecting record high results in the 2H

- Work to steadily capture demand including the 1H delayed portion in Japan; focus especially on continued efforts to expand sales of prioritized products
- Transfer the surge in raw material costs to selling prices
- Promote the consolidation of production bases in light of the drop in demand following the consumption tax rate hike
- Aircraft sheets: Expand the number of new customers; cultivate new applications targeting the medical, railway, and other fields; FFU and SPR products: Promote overseas alliance strategies

### Net Sales



### Analysis of Operating Income

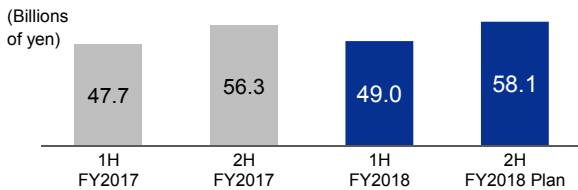


- Firm overall in the pipes/infrastructure and advanced materials fields; accelerating the pace of structural reform impacted by a deterioration in business conditions in the Building and Living Environment field
- Steady expansion in overseas sales

## Net Sales in the Three Strategic Fields and 2H Outlook

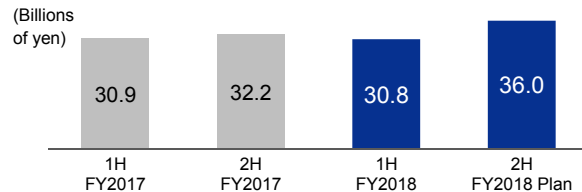
### Piping and Infrastructure

- General product sales volume recovery; priorities and new products contribute to growth
- Pipeline renewal business in Japan and overseas remain robust
- ASEAN sales expansion (piping/industrial piping materials) due to the effects of alliance strategies



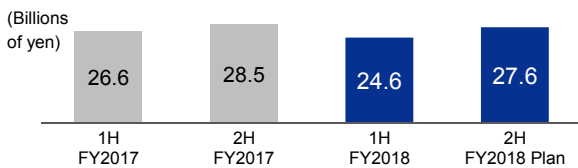
### Advanced Materials

- Steady recovery in aircraft sheet demand; the effects of investments aimed at increasing production capacity expected to emerge in the 2H
- Increase in the use of FFU railway sleepers also in the US following on from Europe; the effects of investments aimed at increasing production capacity to materialize from the 4Q



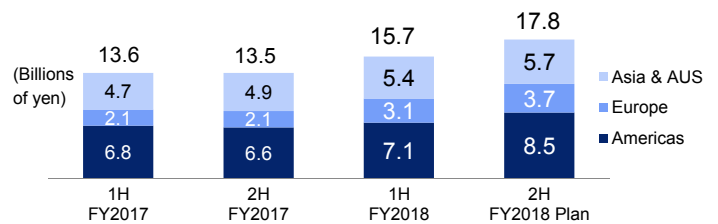
### Building and Living Environment

- Decrease in sales of building materials and modular bathrooms owing to the effects of the downturn in housing complex starts
- Focus on structural reforms (including consolidation of items produced and increasing production efficiency)



### Sales by Overseas Area\*

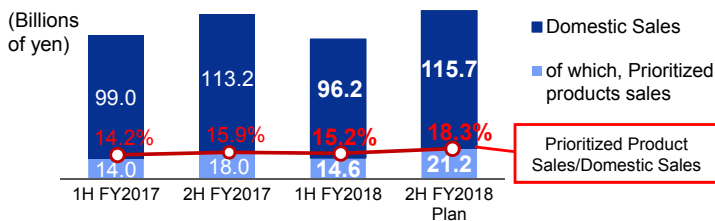
\*Including the export of domestic products



# Growth Strategies, Overseas Strategies, and Platform Efficiency

## Prioritized Products Sales

- Steady expansion of prioritized product sales
- Steady introduction of new products (1H:15 products, 2H: 20 products) (FY2016: 18 products → FY2017: 27 products → FY2018: 35 products)



## Strategies by Overseas Area

- Further promote area-specific strategies

Products	Strategies	Europe	Americas	Asia	AUS
Pipeline Renovation	Expand orders in Europe and the US through the use of bases in Australia	○	○	○	◎
Piping/Industrial piping materials	Cultivate the ASEAN market through collaboration the TP Group			◎	
Sheet	Accelerate the pace of expansion in the aviation field and expand application domains into other fields	○	◎		
FFU	Expand applications and consider a local production in Europe	◎	◎	○	○

## Strengthen Strategic Investments and Platform Efficiency

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

	Main Initiatives	Maturation Period (Image)		
		FY2018	FY2019	FY2020 and after
Strategic Investments	■ Promote synergies with TP Group (industrial materials and piping materials)	●	→	→
	■ Increase aircraft sheet production (15% increase in production capacity compared with present)	●	→	→
	■ Increase FFU production in Japan (40% increase in production capacity compared with present); consider overseas bases	●	→	→
	■ Construct R&D facilities	●	→	→
Platform Efficiency	■ Reorganize production in Japan (including efforts to consolidate production, put in place and upgrade ICT platforms, other)	●	→	→
	■ Improved profit at low-profit businesses	●	→	→

## Results for 1H FY2018

## Consolidated Companies

### Number of Consolidated Companies

	Mar. 31, 2018	Sept. 30, 2018	Difference
Consolidated Subsidiaries	151	153	Increased: 2 Subsidiaries* Decreased: 0 Subsidiaries
Affiliates (Equity Method)	8	8	Increased: 0 Subsidiaries Decreased: 0 Subsidiaries

\*1: SEKISUI MEDICAL TECHNOLOGY(SUZHOU) LTD. and Veredus Laboratories

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

	1H FY2018 (YoY)	Difference
Net Sales	+14.6 bil. yen	• Sekisui Polymatch Co., Ltd.* • Sekisui SoflanWiz Co., Ltd.* and etc.
Operating Income	-0.2 bil. yen	

\*2: Newly Consolidated from 2Q FY2017

\*3: Newly Consolidated from 3Q FY2017



## Summary of Profit and Loss

(Billions of yen)	1H FY2017	1H FY2018	Difference	
Net Sales	534.1	554.9	+20.8	
Gross Profit	173.9	178.2	+4.4	
Gross Profit Rate	32.6%	32.1%	-0.4%	
Selling, Gen. and Admin. Expenses	127.9	136.1	+8.2	
Operating Income	46.0	42.2	-3.8	
Equity in Earnings of Affiliates	1.4	1.1	-0.3	
Other Non-operating Income and Expenses	1.2	2.6	+1.4	Foreign exchange gain and loss ▶ +1.9 bil. yen
Ordinary Income	48.6	45.9	-2.7	
Extraordinary Income	2.5	-	-2.5	Incidence of a gain on sales of property, plant and equipment (1H FY2017)
Extraordinary Loss	0.9	0.8	-0.1	
Income before Income Taxes	50.2	45.0	-5.1	
Corporate Income Tax, etc.	13.7	11.3	-2.4	
Net Income Attributable to Non-controlling Interests	2.2	1.1	-1.1	
Net Income Attributable to Owners of the Parent	34.2	32.6	-1.6	
Foreign Exchange (Avg. rate)				
1US\$	111 yen	110 yen		
1€	126 yen	130 yen		

## Balance Sheets (Assets)

(Billions of yen)	Mar. 31, 2018	Sept. 30, 2018	Difference	
Cash and Deposits	78.0	70.6	-7.4	
Account Receivable on Sales	183.3	181.4	-1.8	
Inventories	170.5	184.5	+14.0	Increase of land for sale and work-in-process of housing, and etc.
Other Current Assets	27.5	26.7	-0.7	Capital investment/ M&A and etc.
Tangible Non-Current Assets	279.7	302.2	+22.5	At fair value and etc.
Intangible Non-Current Assets	51.1	53.3	+2.2	
Investments in Securities	177.7	169.5	-8.2	Influence of change of consolidated companies ▶ +1.9 bil. yen
Investments & Other Assets	26.4	29.7	+3.3	
Total Assets	994.1	1,018.0	+23.9	Foreign exchange ▶ +6.7 bil. yen <b>Actual basis; +15.3 bil. yen</b>

## Balance Sheets (Liabilities & Net Assets)

(Billions of yen)	Mar. 31, 2018	Sept. 30, 2018	Difference
Non-Interest-Bearing Liabilities	335.0	339.0	+3.9
Interest-Bearing Liabilities	46.3	57.3	+10.9
<b>Total Liabilities</b>	<b>381.4</b>	<b>396.2</b>	<b>+14.9</b>
Capital Stock etc.	209.0	209.0	0
Retained Earning	374.1	384.3	+10.2
Treasury Stock	-42.5	-42.8	-0.4
Unrealized Holding Gain on Securities	46.3	40.4	-5.9
Non-controlling Interests	24.7	25.1	+0.4
Other Net Assets	1.0	5.7	+4.7
<b>Total Net Assets</b>	<b>612.8</b>	<b>621.8</b>	<b>+9.0</b>
<b>Total Liabilities, Net Assets</b>	<b>994.1</b>	<b>1,018.0</b>	<b>+23.9</b>

Net income  
▶ **32.6 bil. yen**

Dividends paid  
▶ **-9.9 bil. yen**

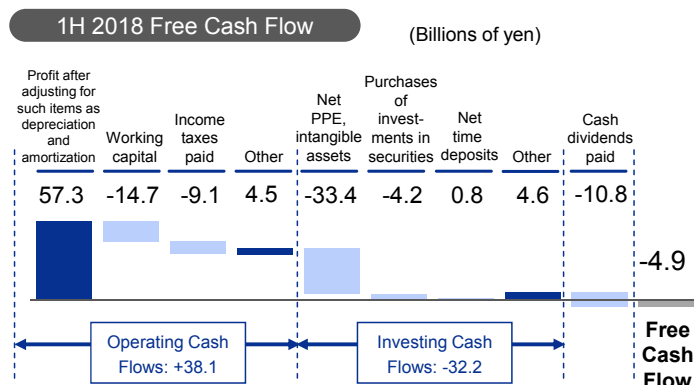
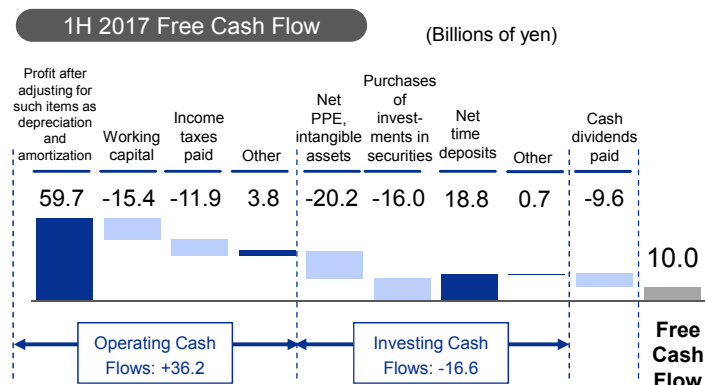
Retirement of treasury stock  
▶ **-11.9 bil. yen**

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

Retirement of treasury stock  
▶ **+11.9 bil. yen**

## Consolidated Cash Flows

(Billions of yen)	1H FY2017	1H FY2018
Operating Cash Flows	36.2	38.1
Investing Cash Flows	-16.6	-32.2
Financing Cash Flows	-24.8	-14.6
Net Increase in Cash and Cash Equivalents	-2.5	-7.2
Cash and Cash Equivalents at the End of Term	88.0	69.9
Free Cash Flow =Operating Cash Flows + Investing Cash Flows -Dividends Paid	10.0	-4.9



## Depreciation and Capital Expenditures

(Billions of yen)	Depreciation			Capital Expenditures		
	1H FY2017	1H FY2018	Difference	1H FY2017	1H FY2018	Difference
Housing	4.5	4.5	0	6.3	8.4	+2.1
UIEP	3.0	3.3	+0.3	5.1	7.5	+2.4
HPP	8.9	9.3	+0.4	12.3	22.5	+10.3
Others	0.6	0.8	+0.2	1.4	2.4	+1.0
Eliminations or Unallocatable Accounts	0.5	0.5	0	0.4	0.3	0
<b>Total</b>	<b>17.6</b>	<b>18.5</b>	<b>+0.9</b>	<b>25.5</b>	<b>41.1</b>	<b>+15.6</b>

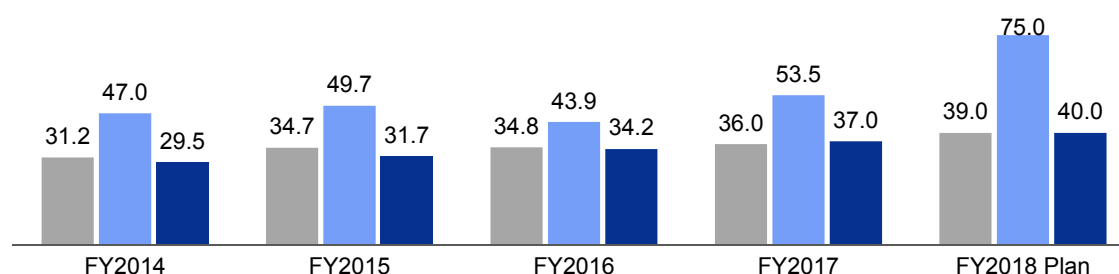
## Depreciation, Capital Expenditures, and Research and Development Expenditure

(Billions of yen)	FY2017	FY2018 (Plan)	Difference
Depreciation	36.0	39.0	+3.0
Capital Expenditures	53.5	75.0	+21.5
Research and Development Expenditure	37.0	40.0	+3.0

### Depreciation, Capital Expenditures, and Research and Development Expenditure

(Billions of yen)

■ Depreciation ■ Capital Expenditures ■ Research and Development Expenditure



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

	FY2018			FY2017			FY2016
	1H	2H (plan)	Annual (plan)	1H	2H	Full Year	Annual
<b>CONSOLIDATED</b>							
Net Sales (Billions of yen)	246.9	267.1	514.0	244.4	253.4	497.8	485.0
Housing	168.6	183.1	351.7	167.3	174.6	341.9	330.7
Renovation	46.7	47.7	94.4	47.4	47.7	95.1	96.9
Frontier (Domestic)	30.7	34.9	65.6	28.7	30.2	58.8	55.5
Real estate	26.0	29.6	55.6	23.9	25.1	49.0	46.3
Residential Services	4.7	5.3	10.0	4.7	5.1	9.8	9.2
Overseas	0.8	1.4	2.2	1.0	0.9	1.9	1.9
<b>OTHERS</b>							
1.Number of houses sold (Housing units)	5,380	5,670	11,050	5,360	5,460	10,820	10,600
Detached houses	5,030	5,280	10,310	4,940	4,940	9,880	9,560
Heim	4,080	4,340	8,420	4,200	4,070	8,270	7,770
Two-U	950	940	1,890	740	870	1,610	1,790
Apartments (housing complex)	350	390	740	420	520	940	1,040
2. Main data							
Prices <Sales subsidiaries: Detached houses>/ Unit (Millions of yen)	30.9	-	-	31.0	31.1	31.1	30.6
Prices <Sales subsidiaries: Detached houses>/ Tsubo (3.3 Square meter)(Thousands of yen)	841	-	-	832	836	835	822
Floor space (Square meter)	121.3	-	-	123.0	122.8	122.9	122.9
Exhibition places (Units)	429	-	443	416	-	419	414
Sales staff (Number of person)	2,646	-	2,550	2,495	-	2,367	2,370
Rebuilding ratio (%)*	30%	30%	30%	28%	28%	29%	30%
Referral sales ratio (%)*	33%	34%	33%	32%	33%	33%	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			FY2017			FY2016		
	1H	2H (plan)	Annual (plan)	1H	2H	Annual	1H	2H	Annual
Year-start Backlog	206,900	213,900	-	206,000	207,800	-	205,500	207,500	-
Growth Rate	±0%	+3%	-	±0%	±0%	-	+1%	+1%	-
New Orders	206,423	216,757	423,180	202,957	207,061	410,018	202,457	207,529	409,987
Growth Rate	+2%	+5%	+3%	±0%	±0%	±0%	+1%	+2%	+1%
Sales of Housing/Renovation	199,423	215,457	414,880	201,157	207,961	409,118	200,457	209,029	409,487
Growth Rate	-1%	+4%	+1%	±0%	±0%	±0%	+1%	+2%	+2%
Balance at the end	213,900	215,200	-	207,800	206,900	-	207,500	206,000	-
Growth Rate	+3%	+4%	-	±0%	±0%	-	+1%	±0%	-

## 3. Housing starts

(Units)	FY2018			FY2017			FY2016
	1H	2H (plan)	Annual (plan)	1H	2H	Annual	Annual
Housing starts*	497,575	452,000	949,575	496,840	449,556	946,396	974,137
Privately-owned houses* (included in above) =A	146,747	149,000	295,747	148,266	133,845	282,111	291,783
Detached house sales by our company=B	5,030	5,280	10,310	4,940	4,940	9,880	9,560
Our share in Detached houses=B/A	3.4%	3.5%	3.5%	3.3%	3.7%	3.5%	3.3%

\*\*Housing starts" and "Privately-owned houses" after 1H of FY2018 are based on forecasts.

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

	FY2018			FY2017			FY2016
	1H	2H (plan)	Annual (plan)	1H	2H	Annual	Annual
Solar power generation systems installed	75%	77%	76%	75%	73%	74%	78%
Tiled exterior walls (Heim type JX)	73%	75%	74%	71%	71%	71%	67%
Storage battery installed	30%	30%	30%	21%	21%	21%	24%
Comfortable Air System	76%	78%	77%	75%	78%	76%	75%