



**Integrated Report 2016** Year Ended March 31, 2016

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**Move on toward  
our destination.**

SEKISUI CHEMICAL CO., LTD.

**A new frontier, a new lifestyle**



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**Figures in the Integrated Report** For charts and graphs in this integrated report denominated in billions of yen, numbers below a billion are rounded up or down to the nearest hundred million. For those denominated in millions of yen, numbers below a million are rounded off to the nearest hundred thousand.

# Publication of the Integrated Report 2016

Fiscal Year Ended March 31, 2016

The Sekisui Chemical Group aims for sustained growth by continuing to create new value worldwide using the strengths it derives from prominence in technology and quality. We also aim to become a more compelling company that is trusted even more by society as a result of our corporate activities.

Beginning with the 2016 edition of this report, the Group will publish an integrated report that explains its economic value, the outcomes of activities to create social value, Group strategies, its medium-term vision, as well as a discuss its financial strategy, shareholder return policy and other measures that form the basis of corporate activities. We hope this integrated report is a useful tool for deepening your understanding of the Group.

This report can be downloaded from our website in PDF format. Moreover, the main content of this report can be viewed on the Investor Relations section of our website, from the SEKISUI Overview menu.

**Integrated Report** (PDF version)

<http://www.sekisuichemical.com/ir/library/annual/index.html>

**SEKISUI Overview**

[http://www.sekisuichemical.com/ir/sekisui\\_overview/index.html](http://www.sekisuichemical.com/ir/sekisui_overview/index.html)

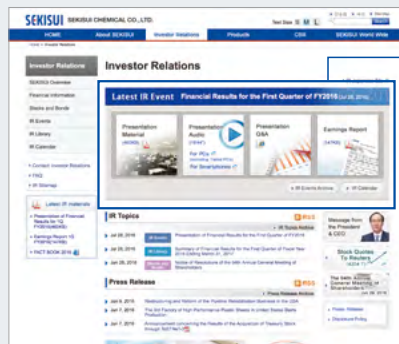
This report covers fiscal 2015, the period from April 2015 to March 2016. Some parts of this report contain qualitative information as of June 2016.

The forecasts, plans, outlooks, and other forward-looking statements in this report are based on management's judgment of information available at the time this report was produced. Changes in key factors may cause actual performance results to differ materially from these forward-looking statements.

## Introduction to Other Related Materials

Other related materials have been made available on our website to address the diverse interests of our readers in order to further their understanding of the Group.

### Investor Relations Information <http://www.sekisuichemical.com/ir/>



#### For Analysts and Institutional Investors

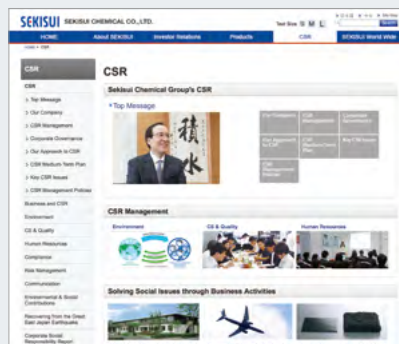
The latest results presentation materials are available here. An audio recording of the presentation can be listened to online as well.

#### Fact Book, Financial Analysis Tools

Ten years of historical financial data and indicators can be viewed in graphs and tables here.



### CSR Management <http://www.sekisuichemical.com/csr/index.html>



#### CSR Report

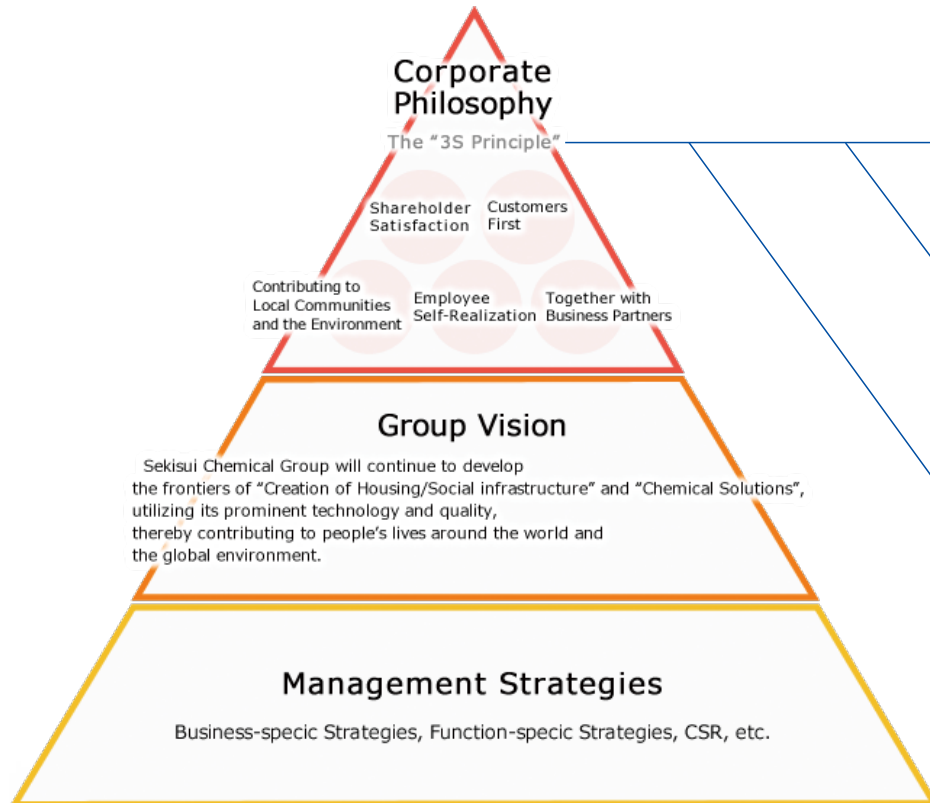
This publication is a digest version of priority CSR issues.

For more information about CSR, please visit the CSR section of our website.

# Our Principles

The Sekisui Chemical Group’s principles embody our Corporate Philosophy, which expresses the concepts and policies at the root of our corporate activities, Group Vision, which expresses the ideal form of the Group aimed for over the medium to long term based on the Corporate Philosophy, and specific Management Strategies, such as Midterm Management Plans, to realize the Group Vision.

We are able to manage operations in a consistent manner by taking a comprehensive view and adopting a systematic approach that extends from our Corporate Philosophy that expresses our long-term priorities through to the Management Strategies created to address changes in market conditions and modern society.



## • Service

We create social\* values through our corporate activities.

## • Speed

We bring reform to the market at “a speed like the bursting of pent-up waters into a chasm thousand fathoms deep.”

## • Superiority

We gain the society’s\* confidence in us with our superior technologies and quality.

\*Social and society: The entire society including “five stakeholders” (“customers,” “shareholders,” “employees,” “business partners,” “local community and the environment”) which have been prescribed in the “corporate philosophy” to date.



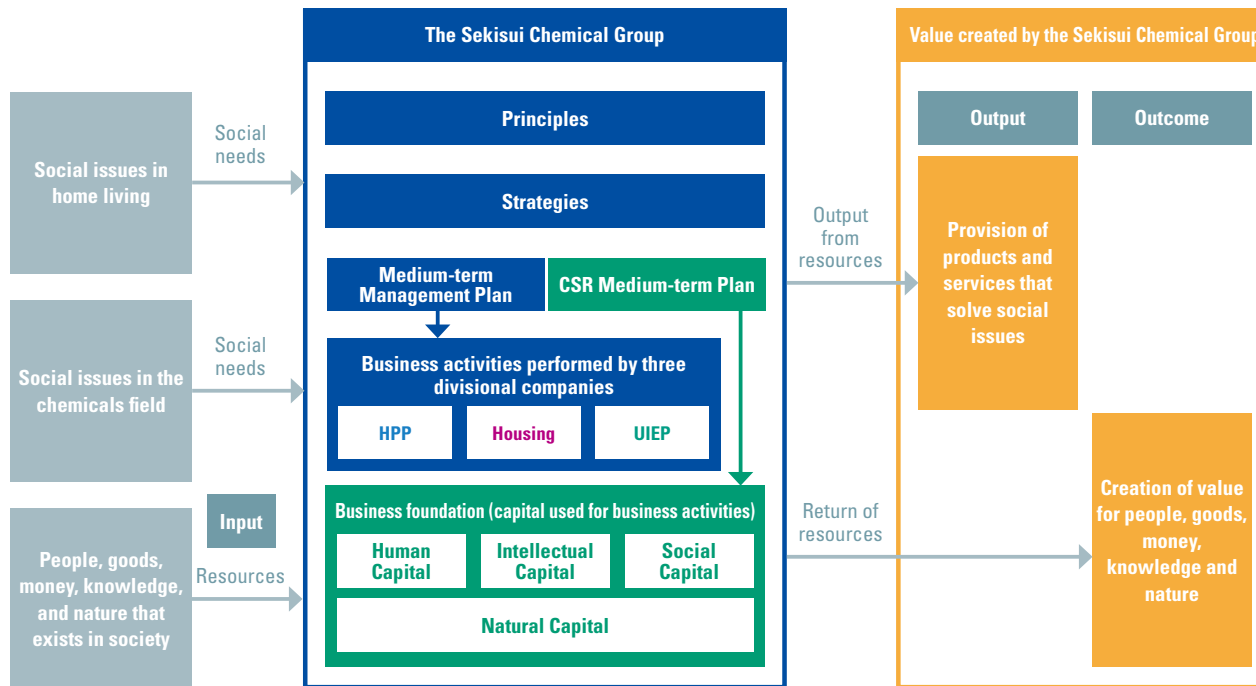
Please see the following website for further details about Sekisui Chemical Company’s Corporate Philosophy, Group Vision, and other elements of our Group Principles.

<http://www.sekisuichemical.com/about/principles/index.html>

# Value Creation Model

The Sekisui Chemical Group provides products and services that help solve issues that arise in home living and social issues in the chemicals field, by utilizing resources from society such as people (human capital), goods (manufacturing capital), money (financial capital), knowledge (intellectual capital), the environment (natural capital), and the trust of customers (social capital).

The Group aims to create value within the context of the human capital, intellectual capital and natural capital that it used in the process of providing products and services. At the same time, the Group realizes growth in financial capital from the value (i.e. profit) of its products and services.



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

# Group Position

Since introducing the divisional company system in 2001, the Sekisui Chemical Group has pursued growth strategies and structural reforms based on three strongly independent divisional companies: the High Performance Plastics Company, the Housing Company, and the Urban Infrastructure & Environmental Products Company. Each divisional company offers a large number of high-value-added products based on our superior technologies.

Many products have top-class shares of global and domestic markets, such as interlayer films for automobiles, cholesterol diagnostic reagents and homes with solar-power generation systems. The Group has grown in scale to exceed net sales of ¥1 trillion and operating income of ¥80 billion, while steadily developing global business to account for more than 25% of total sales.

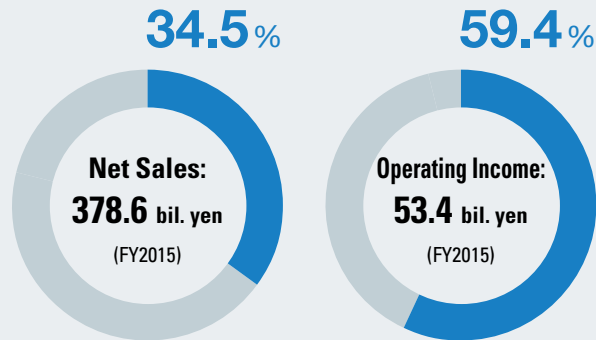
## High Performance Plastics (HPP) Company

### Main Products

- Micropearl (Conductive fine particles)
- S-LEC (Interlayer film)
- Softlon (Foaming material)
- Cholestest (Cholesterol diagnostic reagent)



### Net Sales, Operating Income (Composition Ratio)



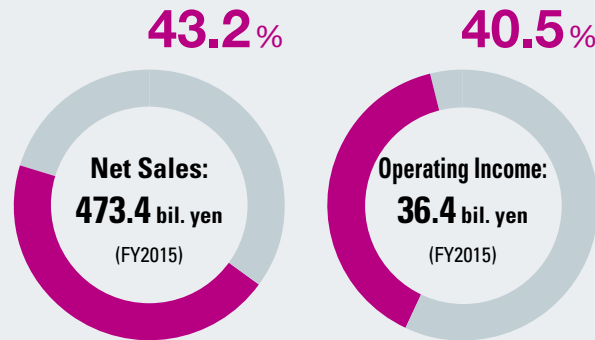
## Housing Company

### Main Products

- Sekisui Heim (Steel-frame detached houses)
- Two-U Home (Wood-frame detached houses)
- Letoit, Harvestment series (Housing complexes)



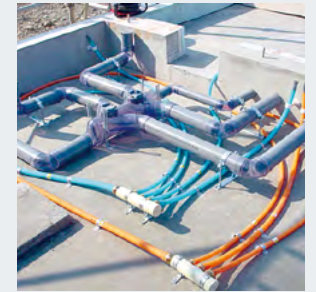
### Net Sales, Operating Income (Composition Ratio)



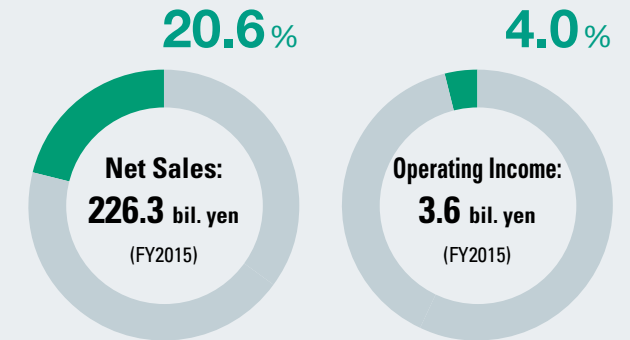
## Urban Infrastructure & Environmental Products (UIEP) Company

### Main Products

- ESLON pipes (Water supply and drainage pipes)
- SPR Method, Omega-Liner Method (Pipeline rehabilitation)
- ESLON valves (Industrial equipment)
- KYDEX, ALLEN (Interior and exterior materials for aircraft and vehicle)

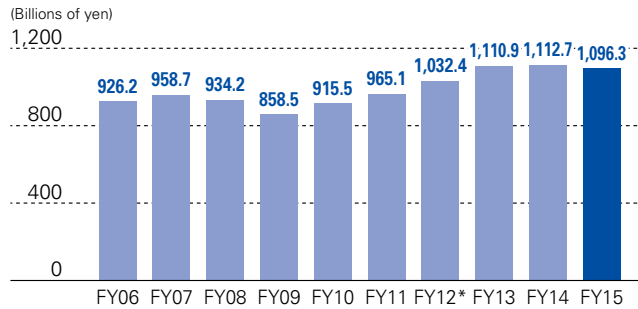


### Net Sales, Operating Income (Composition Ratio)



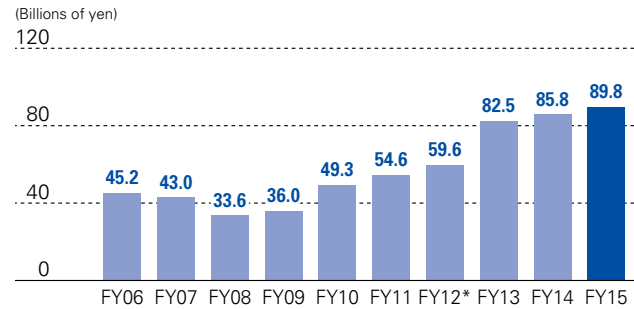
# Financial Highlights

## Net Sales



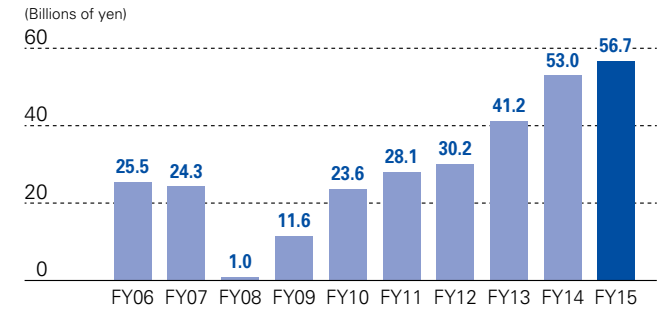
\*Includes impact from fiscal year changeover at overseas subsidiaries implemented in fiscal year 2012.

## Operating Income

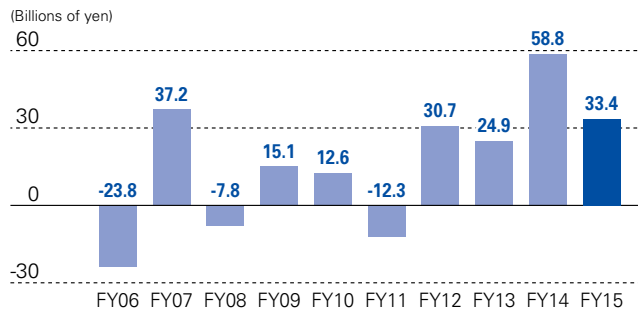


\*Includes impact from fiscal year changeover at overseas subsidiaries implemented in fiscal year 2012.

## Net Income Attributable to Owners of Parent

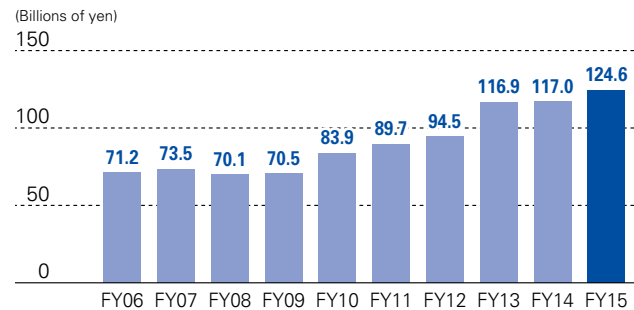


## Free Cash Flow



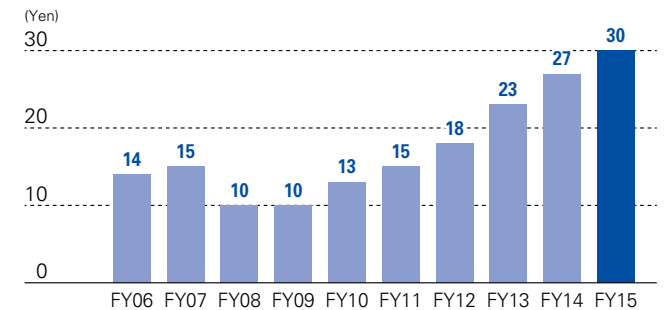
Free Cash Flow = Operating Activities CF + Investing Activities CF - Dividend Paid

## EBITDA



EBITDA = Operating Income + Depreciation and Amortization

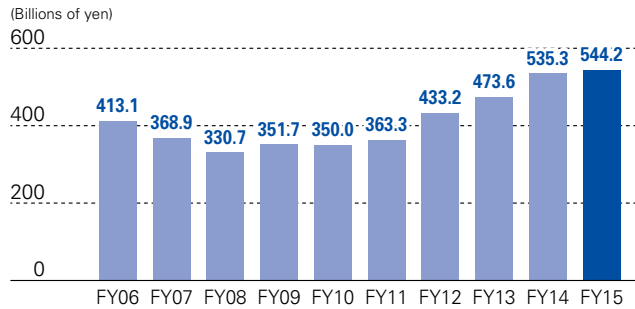
## Dividends per Share



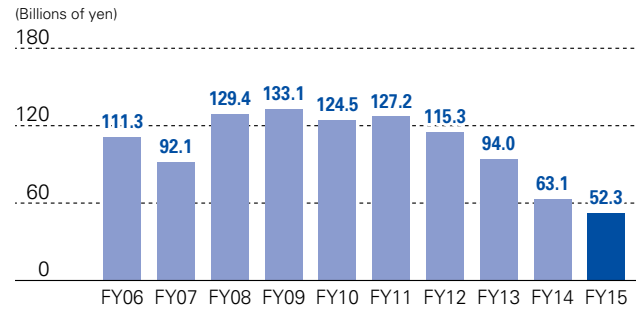


## Financial Highlights

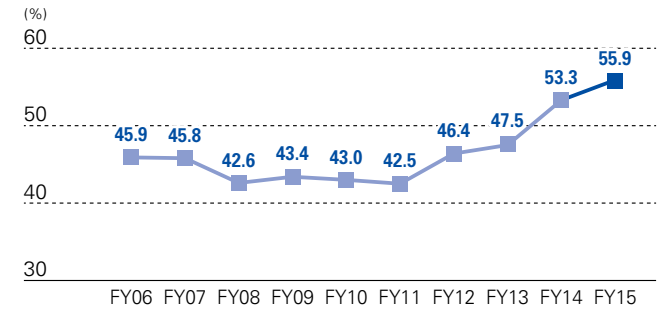
### Net Assets



### Interest-bearing Debt

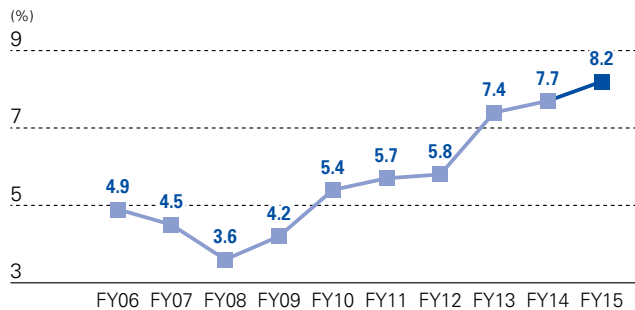


### Shareholders' Equity to Total Assets

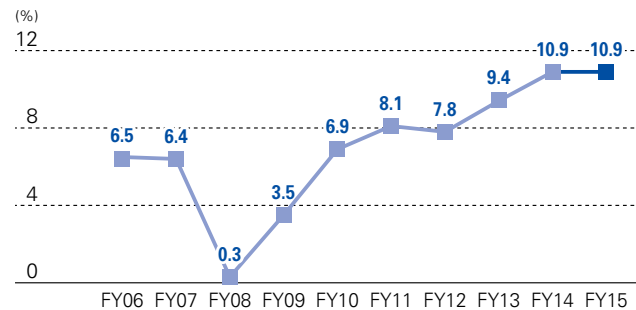


Shareholders' Equity to Total Assets = Shareholders' Equity including Accumulated Other Comprehensive Income/Total Assets

### Operating Income Ratio

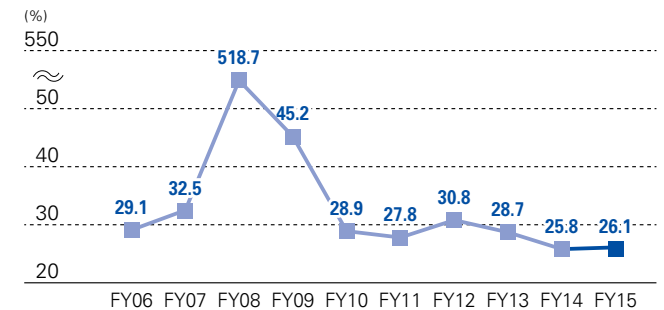


### Return on Equity (ROE)



Return on Equity = Net Income Attributable to Owners of Parent/Average Shareholders' Equity

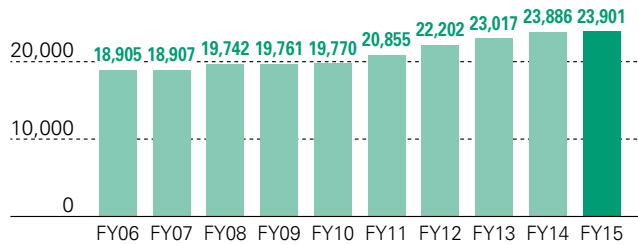
### Dividends Payout Ratio



# Non-Financial Highlights

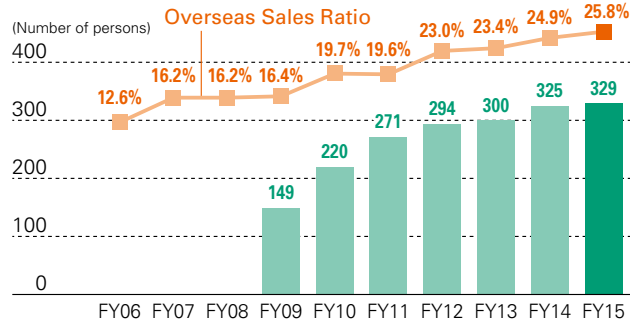
## Number of Employees

(Number of persons)  
30,000



## Global Talent Employees

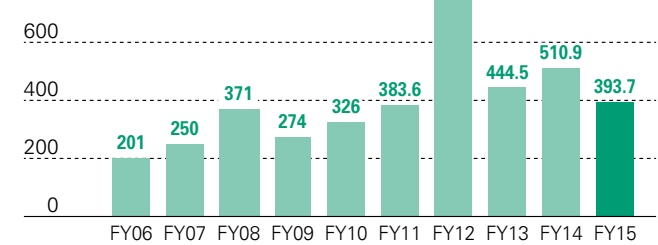
(Number of persons)



Global talent employees: Japanese employees with experience working overseas (including overseas trainees)  
The Company introduced a global talent employees program in fiscal 2009.

## Loss Costs

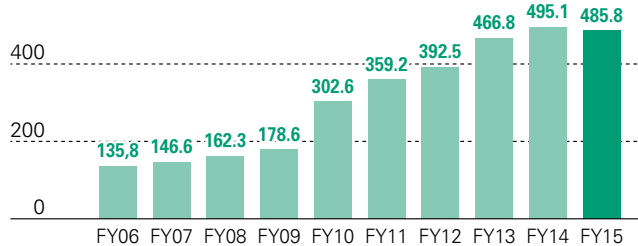
(Millions of yen)



Loss costs: Domestic production site, R&D facility, Headquarters department, and indirect company department expenses including man-hours required to respond to occupational accidents, equipment-related accidents, and commuting accidents as well as long-term illness absences

## Environment-Contributing Products

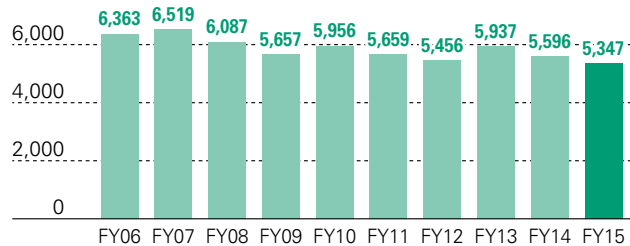
(Billions of yen)



Environment-contributing products: Products that have demonstrated a high level of environmental contribution and that have been certified as having an effect when used by customers under the Company's internal certification system

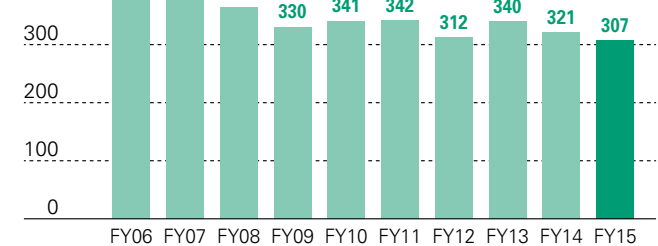
## Energy Usage during Manufacturing (Japan)

(TJ)



## Greenhouse Gas Emissions during Manufacturing (Japan)

(Kilotons-CO<sub>2</sub>)



## Message from the President & CEO

# Providing value to society through business activities based on prominence in technology and quality

As one of the “3S principles” embodied in its Corporate Philosophy, the Sekisui Chemical Group has endeavored since its founding in 1947 to create value for society through business activities by providing various products and services that help solve problems that arise in people’s daily lives and throughout society.

By putting its Corporate Philosophy into practice, the group has been able to expand economic value while being a valuable contributor to society. Our Group Vision, which embodies our aims as a group over the medium and long terms, supports the realization of our Group mission. Detailed management strategies (i.e., the Medium-term Management Plan) bring us closer to making our Group Vision a reality.

Under the current Medium-term Management Plan, SHINKAI!-Advance 2016 (fiscal 2014-2016), we aim to continue providing both economic and social value through business activities that pursue corporate value and CSR activities that create social value.

In fiscal 2015, the group posted record-high profits as a result of business activities based on this concept. We have allocated the cash generated from our business activities in future growth investments as well as in shareholder returns. At the same time, the group made progress on CSR management, advancing its business foundation with corporate activities that enhance value over the medium and long terms. We also implemented measures to reinforce corporate governance, the basis of our future business activities.



### Record-High Operating Income for a Third Year

Fiscal 2015 started out with tailwinds provided by a moderate recovery undertone in advanced economies. However, the business environment deteriorated amid a slowdown in the Chinese economy and weakness in the economies of resource-rich nations and emerging countries. At the outset of 2016 in particular, the operating environment worsened even further from the sharp appreciation of the yen and rekindled concerns about financial instability in Europe and economic growth in the U.S.

In fiscal 2015, sales and profits decreased in the Housing Company, owing to an insufficient order backlog at the start of the fiscal year because domestic orders for smart houses in 2014 were dulled by the rise of excessive concerns about the future of the feed-in tariff (FIT) system. This decline, however, was offset by profit growth that resulted from steady expansion in global strategic fields, such as the Automobiles and Transportation field, which has positioned “eco-friendly materials for a comfortable ride” as a growth domain, in the High Performance Plastics Company, as well as the Life Sciences field, where the focus has been on growth in diagnostic reagent systems that help in the early detection of diseases. Steady improvement in earnings at the Urban Infrastructure & Environmental Products Company, which has been reorganizing its portfolio, also contributed to profit growth. As a result, consolidated operating income grew ¥4.1 billion compared with the previous fiscal year to ¥89.8 billion, setting a new record high. Ordinary income was adversely affected by losses on foreign currency translation adjustments due to sharp exchange rate fluctuations. Nonetheless, net income reached a new record high of ¥56.7 billion.

Sekisui Chemical proactively allocates profits for investments to sustain growth and for shareholder returns. Based on its dividend policy of emphasizing stable dividends that

reflect performance, the Company distributed an annual dividend of ¥30 per share, an increase of ¥3 per share compared with the previous year, in fiscal 2015, a record-setting year for performance.

### Firm Progress in Strengthening Business Foundations

While attaining record-high profits in fiscal 2015, the group also implemented measures to secure personnel and intellectual property that will support growth over the longer term, and took steps to preserve the environment. We advanced specific measures and initiatives related to human resources, intellectual property and the environment in line with our CSR Medium-Term Plan (fiscal 2014-2016). In fiscal 2015, the second year of this plan, we saw measureable progress on the human resources front in terms of fostering global personnel and promoting diversity.

In the environment field, the group focused efforts on reducing environmental impact by expanding products that contribute to the environment, while also working to reduce our burden on the environment and preserve the natural environment. In fiscal 2015, the Company completed the development of a high-capacity film-type lithium ion battery that achieves both safety and long operating life, as a product that should contribute to the environment and help reduce greenhouse gases. We aim to start shipping this product in fiscal 2016.

Moreover, we encouraged our business partners throughout the supply chain to pay more attention to issues related to human rights, labor and the environment. In fiscal 2015, through CSR procurement, we made sure that our business partners are properly addressing the environment, human rights, compliance and occupational safety and



hygiene. While winding down this effort in Japan, we launched similar initiatives overseas, beginning with North America and Central America.

### Aiming for Record-High Profits in Fiscal 2016

Fiscal 2016 is the last year of the current Medium-term Management Plan. The Company has already achieved its medium-term targets for an operating income ratio of 8% and ROE of 10%. As of the end of 2015, we had thought that one more target was within reach, for consolidated operating income of ¥100 billion in the final year. At the outset of fiscal 2016, however, we set our sights on growth of 5% in operating income to ¥94 billion, still a record high, based on conservative macro assumptions for foreign exchange rates and the domestic housing market share that reflected changes in the business environment since the start of 2016, such as yen appreciation and uncertainties about whether the consumption tax would be raised as planned.

In the High Performance Plastics Company, profits increased in line with our forecast, despite the adverse impact of foreign exchange rates, on account of global improvement in both volume and the sales mix for the strategic field of high-performance products, in continuation from the previous year. In the Housing Company, profits expanded on a tailwind of negative interest rates, which firmed up orders for smart houses and led to year-on-year growth in the second half of fiscal 2015. In the Urban Infrastructure & Environmental Products Company, the bulk of profit growth was attributable to overseas operations seeing benefits from restructuring implemented in the previous fiscal year. In addition to its profit targets, for key management benchmarks the Company aims to achieve an operating income ratio of 8.6% (up 0.4 percentage point) and ROE of 11.0%

(up 0.1 percentage point).

In fiscal 2016, the Group aims to attain record-high profits again as benefits steadily emerge from measures implemented to date, including investments and restructuring, despite the chaotic business environment. The group is in position to sustain profit growth by focusing efforts on accelerating the solidification of a foundation for future growth through the three policies that we have strongly pursued since I became president, namely strengthen earning power (business selection and concentration, management efficiency), forge new frontiers (create new markets), and foster innovation (create new products and businesses).

### Virtuous Cycle of Earnings and Evolution, the Basics of Sustained Value Creation

In fiscal 2015, the group attained record-high profits despite tough business conditions, and we aim to break this record again in fiscal 2016. We attribute this constant achievement of new record highs in profits to the smooth building out and reshuffling of our business portfolios so that volatility in one product does not have an outsized impact on overall performance.

Our current business portfolio is the result of a major strategic transformation we decided to undertake after posting losses for two consecutive years in fiscal 2000 and 2001, owing to earnings volatility in the housing business, which had generated the bulk of profits, following the consumption tax hike in fiscal 1997.

In this strategic transformation, we aimed to create a virtuous cycle, where cash generated by strong-performing businesses in tune with market needs is invested to evolve



businesses by creating products that address emerging needs and reforming business models, setting the stage for these businesses to generate cash in the future. By divisional company, we were able to create this virtuous cycle from an early stage at the Housing Company and the High Performance Plastics Company, and this drove the steady growth in profits over the past decade. In the Urban Infrastructure & Environmental Products Company, however, our overseas growth strategy, which aimed to leverage our leading domestic technologies, faltered and fell slightly behind other divisional companies, but a rapid pivot in strategy and sweeping restructuring in fiscal 2015 has put the Company on a path towards earnings growth.

Our emphasis is on sustained and reliable growth in earnings, not a windfall of profits in a single fiscal year. We therefore aim to create a series of hit products, instead of a single runaway hit product, like a home run. To achieve this goal, the Company has taken a hard and calculated look at whether it can create competitive advantages using its unique “prominences,” and whether it can enter markets with genuine growth potential. This process of trial and error has led to our current business portfolio.

However, we will not let our success today impede our progress in the future. As the outlook for the domestic market is certainly not optimistic after the end of the 2020 Tokyo Olympics, we must keep moving and forge new paths of growth. The group must constantly refresh the virtuous cycle of reinvesting profits to evolve its businesses in order to maintain sustainable growth in profits. With this objective in mind, the entire group is concentrating efforts along the three key concepts of strengthening earning power (business selection and concentration, management efficiency), forging new frontiers (create new markets), and fostering innovation (create new products and businesses).

In a position to supervise the three divisional companies, I will periodically assess the reshuffling of business portfolios at each divisional company while making final decisions on M&A deals and business divestures within the context of building an optimal business portfolio for the entire group.

### **Strong Corporate Governance Indispensable to Continued Value Creation**

These initiatives to provide value, our growth strategies and restructuring, as well as the rapid decision-making of top management would not be possible without a corporate governance structure that strikes a balance between offensive and defensive postures.

In June 2015, the Corporate Governance Code came into effect for companies listed on the Tokyo Stock Exchange. As this Code aligns with the direction of our own corporate governance, we have taken this event as an opportunity to reinforce corporate governance at the Company via the implementation of necessary measures to comply with the Code.

The Group has formulated and published the Corporate Governance Principles for the purpose of guiding its capital policy, including for strategic shareholdings and the execution of voting rights, enhancing two-way communications based on constructive dialog with shareholders, as well as deciding on a corporate governance system with basic policies

that ensure transparency and fairness in management while rapidly addressing changes in the business environment.

As the debate about corporate governance continues, we have introduced a new system for determining the compensation of directors and other levels of management. Under this new system, instead of stock options, we have introduced a stock-swap incentive system based on employee stock ownership plan (ESOP) trusts with stock grants. We believe this incentive system will further motivate management to increase the earnings of the group over the medium and long term, contribute more to corporate activities, and focus more on shareholders.

### **Aiming to Enhance Corporate Value and Provide More Value to Society**

In fiscal 2016, the group will continue to pursue its growth strategies while restructuring operations with the aim of posting record-high profits for a fourth consecutive year. From the perspective of enhancing corporate value over the longer term, the group will continue to focus efforts on fostering personnel (Prominence in Human Resources), improving customer satisfaction (Prominence in CS & Quality), and returning natural capital (Prominence in the Environment).

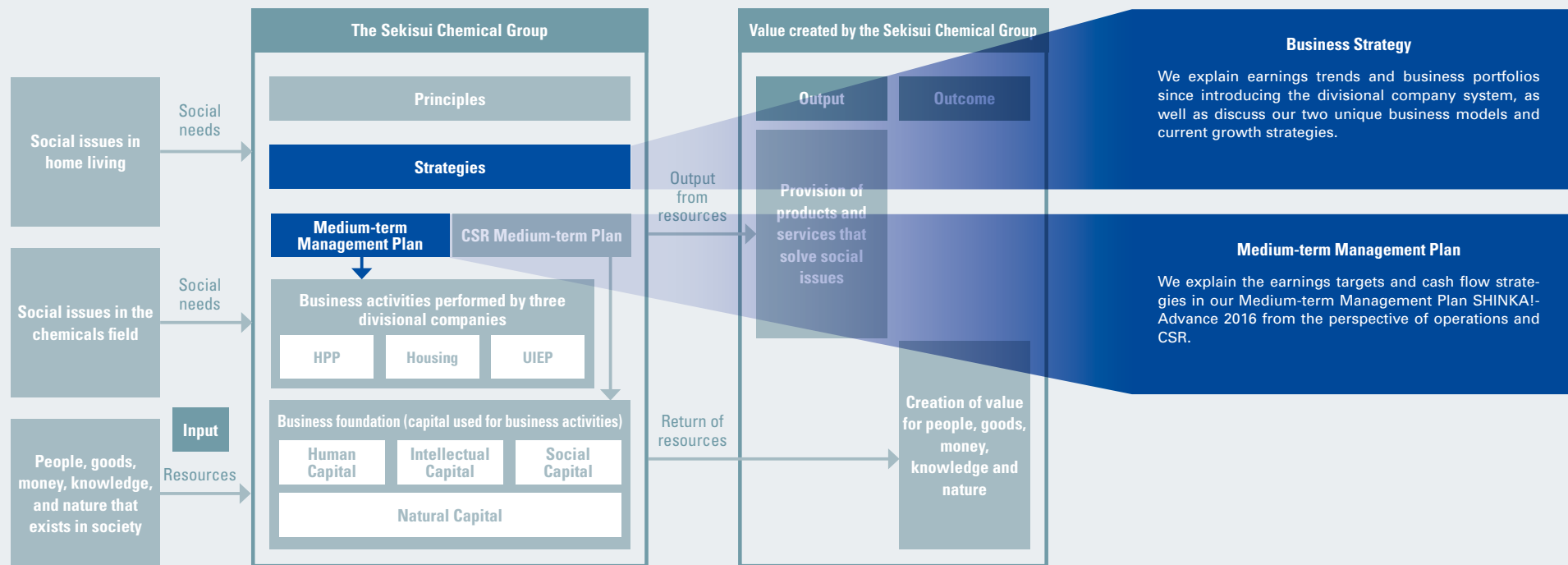
The entire group is in position to enhance corporate value and provide more value to society. We are thankful for the continued understanding and support of our stakeholders.



Teiji Koge  
President and Representative Director

# Strategy

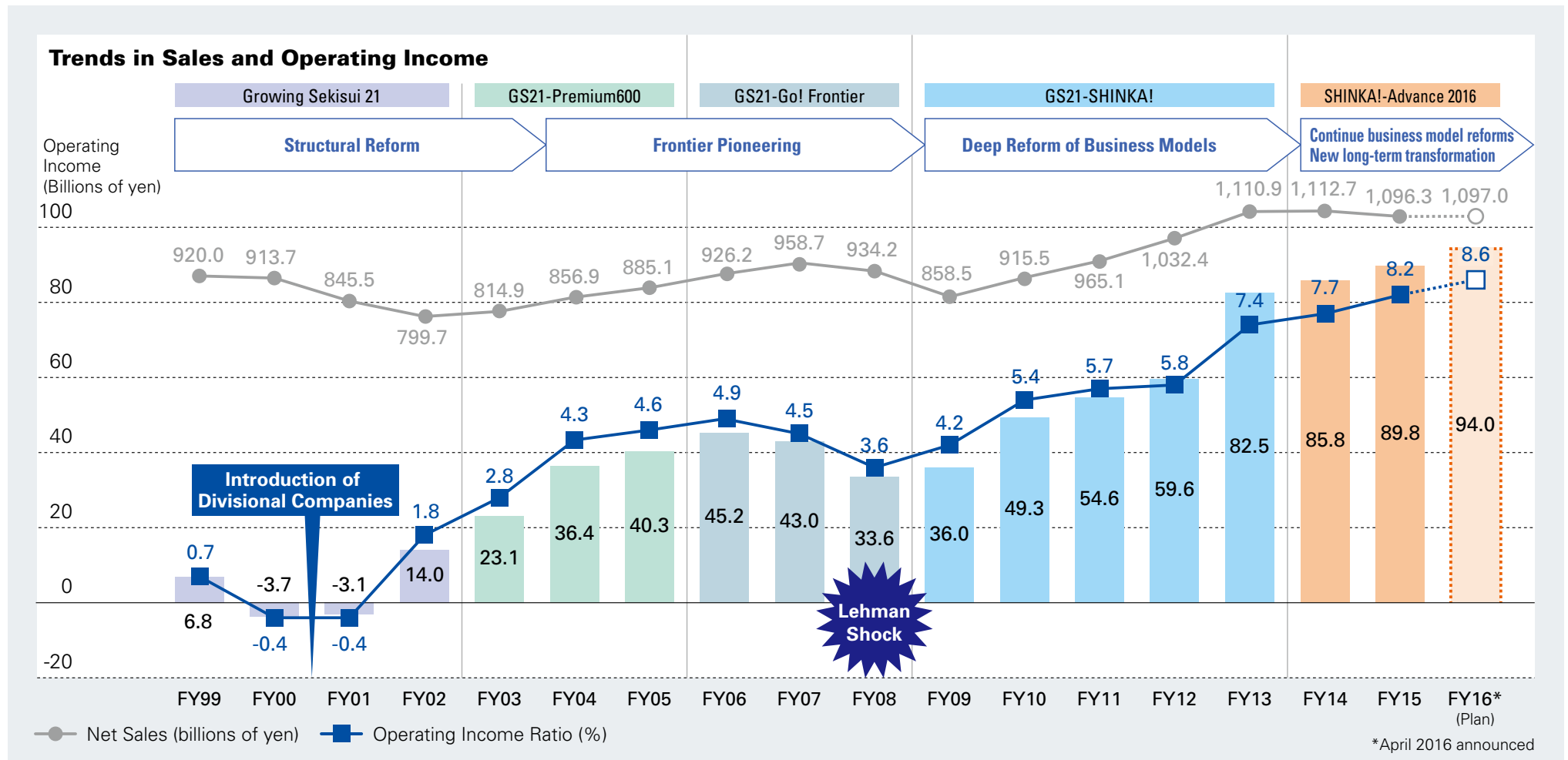
The Sekisui Chemical Group aims to ensure sustained growth over the medium and long terms. Within this context, in this section we explain the nature of our businesses (i.e., our business portfolios), the way we conduct business in these areas (i.e., our business models), and initiatives to strengthen and shuffle businesses in these areas (i.e., our growth strategy). As an embodiment of specific measures, our Medium-term Management Plan outlines our earnings targets and cash flow strategies.



# Performance Trends

The Sekisui Chemical Group introduced a divisional company system and pivoted strategically toward expanding new businesses in order to break out of an earnings slump following the consumption tax hike in 1997. As a result, productivity improved and growth was reignited, allowing the Group to avoid posting losses during the 2008 financial crisis

and the 2014 consumption tax hike. We have strengthened the business structure to the point of achieving record-setting profits over the past few years. In fiscal 2016, the Group has set its sights on posting record-high profits again for a fourth consecutive fiscal year.

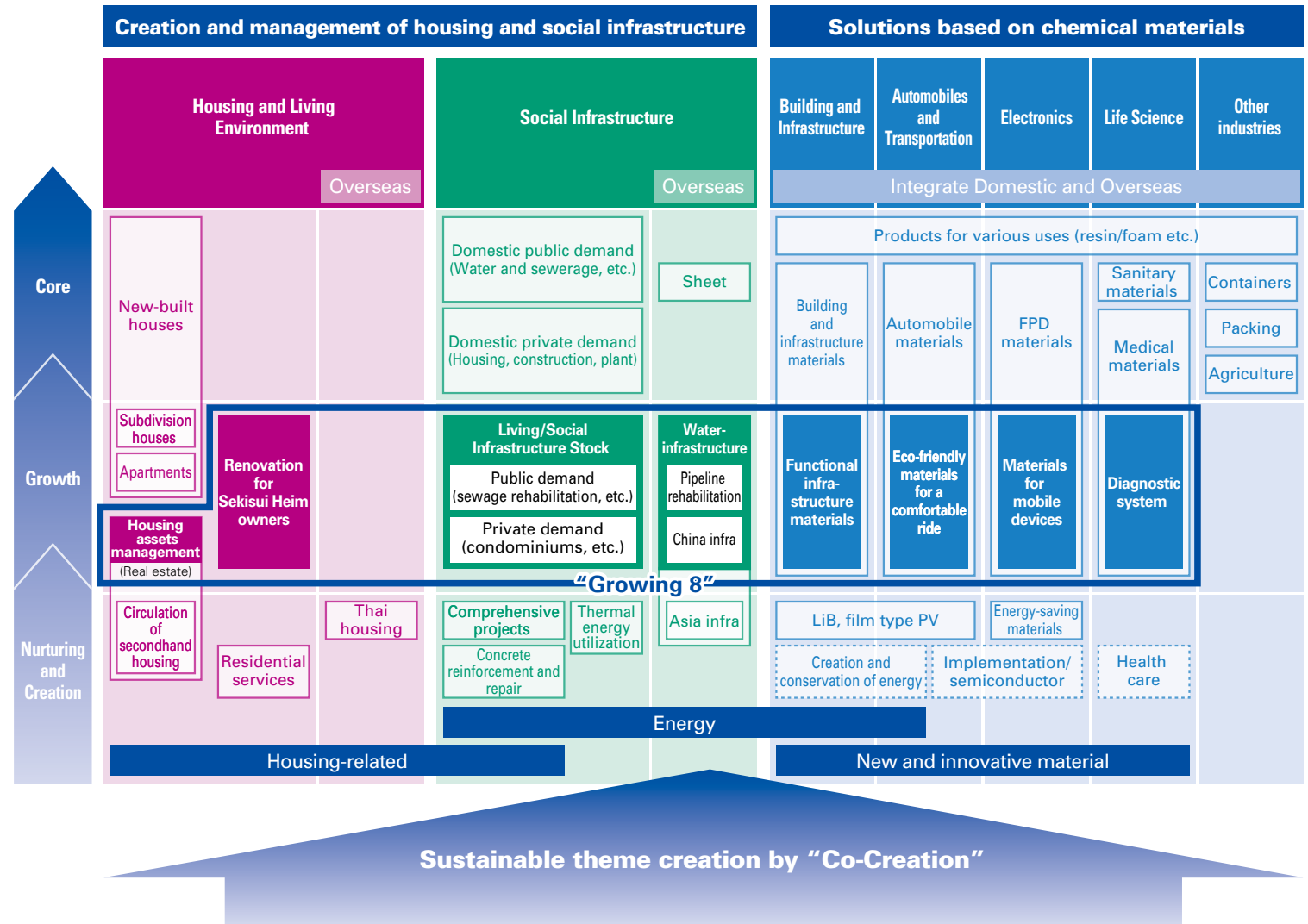




# Business Portfolio (Business Domains)

The Sekisui Chemical Group has created a business portfolio centered on the "Creation and Management of Housing and Social Infrastructure" and "Chemical Solutions." We aim to realize sustained growth with business strategies aligned with the "Core," "Growth," and "Nurturing & Creation" stages\* of development.

\*Core Stage: business supporting company-wide profit; Growth Stage: business that drives company-wide growth; Nurturing and Creation Stage: en route to becoming a growth business and next-generation theme.



# Business Models

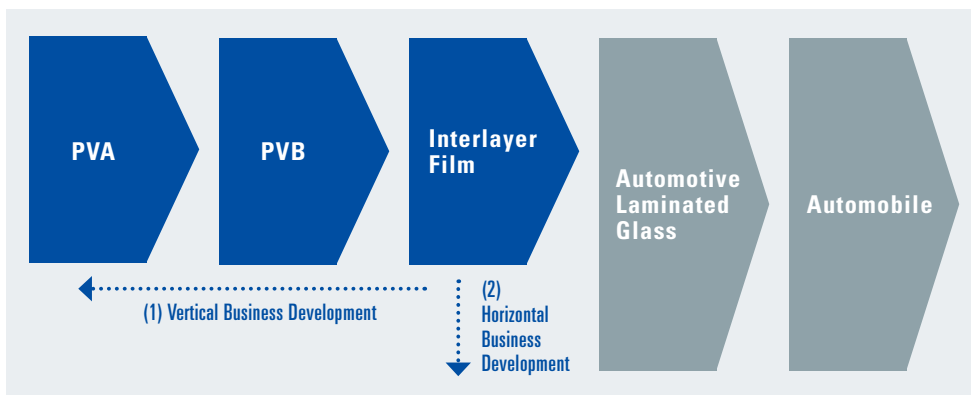
The Sekisui Chemical Group is engaged in a broad range of businesses, from large items like houses to small items like LCD materials. One business model cannot encompass all of our products. Here, we explain our two primary business models.

## Supply Chain Business Model for Interlayer Film

The Group's products derive their competitiveness from prominence in technology. In the interlayer film business, we differentiate from the competition with our materials technologies, such as resin design. To maintain this competitive edge and sustain growth, we intend to further hone competitiveness through vigorous horizontal and vertical business development.

As a specific example of vertical business development, we have acquired PVA resin operations, a starting material for interlayer films. In terms of horizontal business development, we are constantly reviewing its allocation of resources to achieve an optimal production system through a production network in the major regions of Japan, the U.S., Europe and Asia, in order to address specific needs in markets where demand is growing worldwide. In the interlayer film business, we have created higher value added with new and improved product performance, while at the same time rapidly and appropriately pursuing vertical and horizontal business development as well as building out a supply chain with zero gaps. These achievements have become sources of strength in the business.

## Supply Chain Business Model (Interlayer Films)

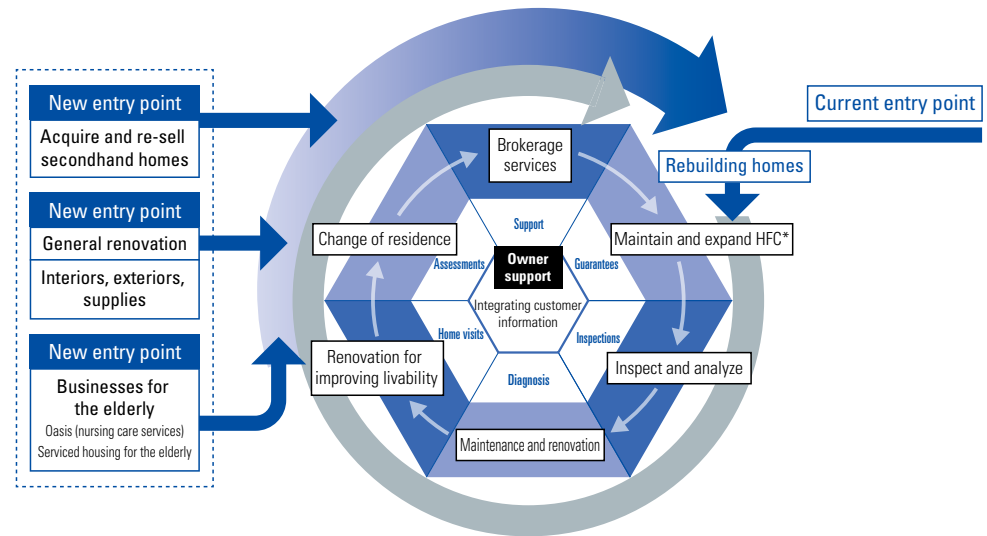


## Cyclical Business Model for Housing and Living Environment Businesses

Our modular housing is highly industrialized housing (in-factory production ratio of 80%) with excellent features stemming from our ability to design all of the homes to high standards for basic performance in terms of airtightness and heat insulation. The unit construction method is a method that separates the skeleton (structural frame) of the home from its infill (interiors, equipment, etc.). Based on modular units comprising robust structural frames that last many long years, interiors can be readily altered and converted, a major advantage of this construction method. In addition, the parts and materials used in the construction of the home and other relevant data is managed and stored for each residence, another advantage of factory production.

Based on these advantages, we have established a cyclical business model that begins in the new housing construction business, where we are able to provide closed-loop hardware and services (i.e., renovation and circulation of pre-owned homes) by addressing the age of the building and changes in family compositions, so that residents can live safely and comfortably in their homes for 60 years or longer.

## Cyclical Business Model (Housing and Living Environment Businesses)



\*HFC: Heim Family Circle, Owner of our housing.

# Growth Strategy

The Sekisui Chemical Group has created a business portfolio with distinctive strengths in the fields of new housing construction, home renovation, water-related social infrastructure, building materials, automobiles and transportation, electronics and life science, centered on the two major concepts of “Creation and Management of Housing and Social Infrastructure” and “Chemical Solutions.”

We have classified each business in its portfolio into one of three stages of development, “Core,” “Growth,” and “Nurturing & Creation”, based on their relative strengths and potential for growth. We have created growth strategies using these classifications that combined together will enable us to realize sustained growth over the medium and long term.

For example, new home construction is the “Core” of the housing business, and home renovation is the “Growth” part of the business.

“Growth” businesses are businesses likely to see strong growth during the Medium-term Management Plan. To realize their growth, these businesses are prioritized in the allocation of budgets for R&D, capital investment, and M&A in relevant areas.

“Core” businesses are businesses in which we have already established a firm footing in markets, and are likely to have stable earnings. From a cash flow perspective, the cash generated by “Core” businesses is reinvested in “Growth” and “Nurturing & Creation” businesses in order to achieve growth as a Group over the medium and long terms.

We are advancing growth strategies that strike a balance between current earnings and future earnings potential. On occasion, “Growth” businesses have lost their growth potential due to recent technological advances or rapid changes in the market. Meanwhile, “Core” businesses are unlikely to generate earnings if we just sit around idly.

For these reasons, we are still focused on the future markets for “Growth” businesses (i.e., business growth potential), but are now paying more attention to “Core” businesses, constantly working to hone the businesses while looking for ways to delve deeper into new domains. We revise our growth strategies when the need arises.



# Medium-term Management Plan SHINKA!-Advance 2016

## Basic Strategies

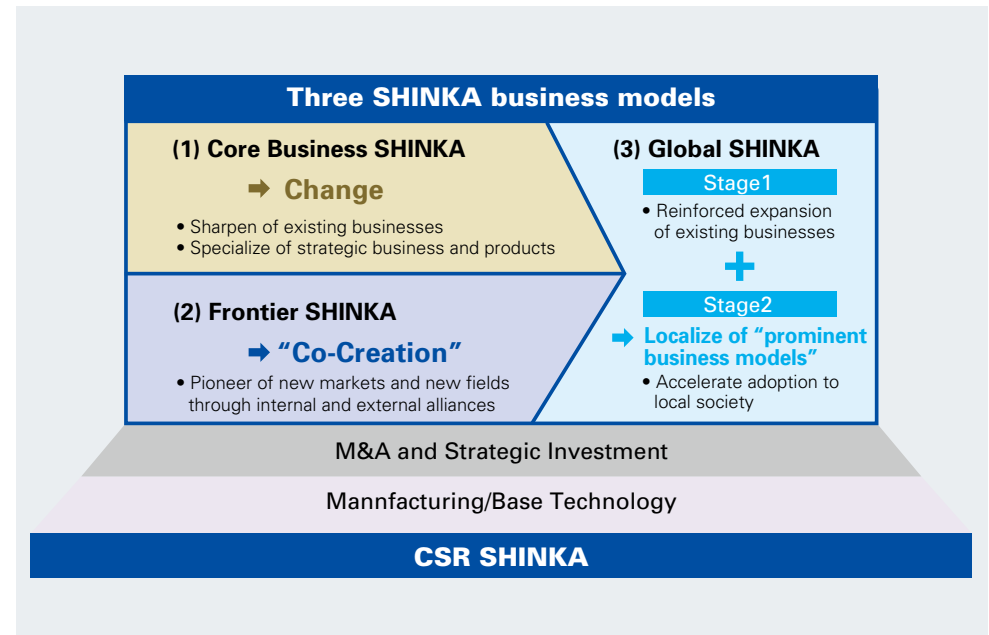
After reporting record high operating income for the first time in 19 years in fiscal 2013, Sekisui Chemical put in place the SHINKA!-Advance 2016 Medium-term Management Plan, which covers the three-year period from fiscal 2014 to fiscal 2016. Under this plan, the Company has outlined initiatives aimed at enhancing its corporate value from a long-term perspective with the ongoing goal of increasing earnings.

The SHINKA!-Advance 2016 comprises two basic strategies aimed at advancing the Company's evolution: the three SHINKA business models for corporate operations and CSR SHINKA.

## Profit Plan

At the start of the SHINKA!-Advance 2016 Medium-term Management Plan, the Company set the operating income target of ¥100 billion for fiscal 2016, the final year of the plan. In working toward this target, the plan calls for 10% average annual growth in the Company's Growth stage businesses. The plan has also set the target to raise the operating income ratio, which the Group uses as an earnings barometer, by 0.6 of percentage point from 7.4% in fiscal 2013 to 8.0% in fiscal 2016.

As we expand Growth stage businesses, we will also aim to raise ROE by a full percentage point from 9.0% in fiscal 2013 to 10.0% or higher in fiscal 2016. After achieving record-high operating income for the first time in 19 years in fiscal 2013, the new medium-term management plan calls for continuing to build income to new record levels.



(Billions of yen, %)

	FY2013			FY2016 (Medium-term Management Plan SHINKA!-Advance 2016 Target)*			Difference		
	Net Sales	Operating Income	Operating Income Ratio	Net Sales	Operating Income	Operating Income Ratio	Net Sales	Operating Income	Operating Income Ratio
<b>Housing Company</b>	496.8	41.1	8.3	<b>550.0</b>	<b>50.0</b>	<b>9.1</b>	+53.2	+8.9	+0.8
<b>Urban Infrastructure &amp; Environmental Products (UIEP) Company</b>	239.9	6.5	2.7	<b>300.0</b>	<b>15.0</b>	<b>5.0</b>	+60.1	+8.5	+2.3
<b>High Performance Plastics (HPP) Company</b>	353.8	36.1	10.2	<b>390.0</b>	<b>45.0</b>	<b>11.5</b>	+36.2	+8.9	+1.3
<b>Other</b>	20.3	-1.1	—	<b>10.0</b>	<b>-10.0</b>	—	-10.3	-8.9	—
<b>Total</b>	1,110.9	82.5	7.4	<b>1,250.0</b>	<b>100.0</b>	<b>8.0</b>	+139.1	+17.5	+0.6

\*April 2014 announced

**Cash Flow Strategy**

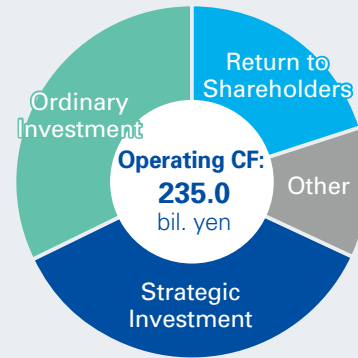
Under the SHINKA!-Advance 2016, the Sekisui Chemical Group is continuing its policy to strengthen and enhance the Group's financial position through expenditures centered on strategic investment within the limits of cash flow accumulated primarily from operating cash flow and to provide stable returns to shareholders.

Drawing on the cash flow accumulated over the three-year, fiscal 2014 to fiscal 2016, period of the plan, we are stepping up our strategic investment activities. In specific terms, we are primarily focusing on large-scale capital investments in Growth stage businesses as well as M&As aimed at developing new markets and business fields. We are also considering strategic investments in areas necessary to foster next growth businesses as well as major next-generation themes.

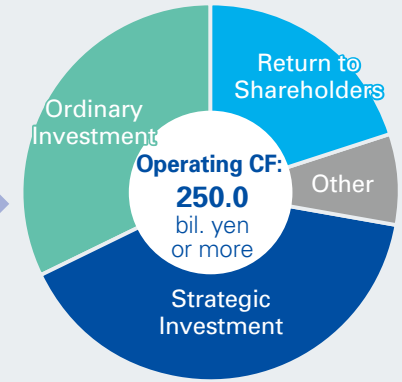
Our shareholder return policy will remain unchanged as we continue to provide a stable level of dividend payments while targeting a dividend payout ratio of 30% on a consolidated basis. Management will adopt a flexible and long-term approach toward repurchasing Company shares, taking into consideration share price trends, demand for investment-related funds, and the benefits of raising capital efficiency.

**Use of Cash Flow**

GS21-SHINKA! 2nd Stage (FY2011-FY2013)

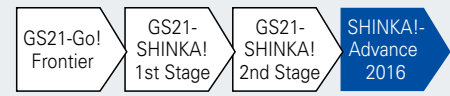
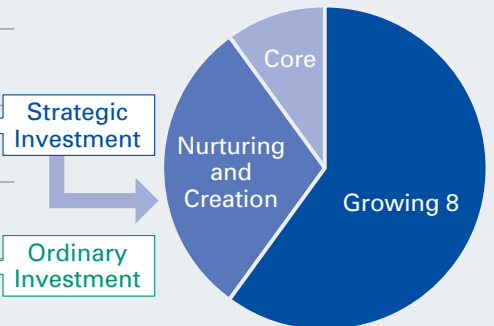
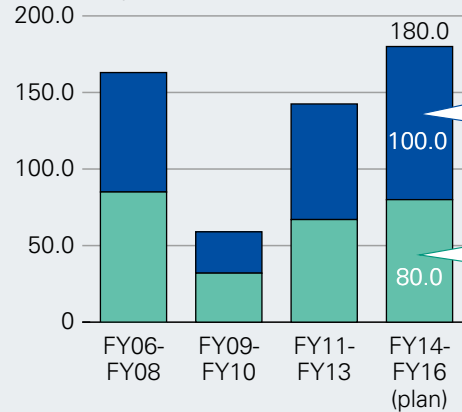


SHINKA!-Advance 2016 (FY2014-FY2016)



**Investment Amount and Breakdown of Strategic Investment**

(Billions of yen)



## Financial Strategies

The Sekisui Chemical Group is committed to promoting a financial strategy that balances efforts to improve its management efficient with the aim of securing sustainable growth and enhancing its corporate value with measure designed to actively return profits to shareholders.

### Basic Stance toward Financial Strategies

Sekisui Chemical has positioned efforts to enhance its corporate value as an important priority of management. In order to carry out this priority, the Company is committed to achieving the targets identified under its Medium-term Management Plan "SHINKA!-Advance 2016." Guided by this plan, the Company is endeavoring to secure sustainable growth while building a robust business platform that is resilient to any deterioration in its operating environment by promoting the continued evolution of its business model and CSR management. Based on this understanding, every effort is being made to ensure that funds are applied from a finance perspective to thoroughly improve management efficiency and actively return profits to shareholders. Through these means, the Group is working to increase capital efficiency and improve its ROE.

### Interest-bearing Debt

In the process of carrying out successive medium-term management plans, Sekisui Chemical has continued to promote strategies designed to generate growth and worked diligently to fortify its financial position. As a result, the Company has maintained a negative interest-bearing debt balance on a net basis since March 31, 2014. In real terms, the Company remains debt free.

As of the end of March 2016, the balances of interest-bearing debt and cash on hand

### Interest-bearing Debt

(Billions of yen, %)

	As of the end of Mar. 2013	As of the end of Mar. 2014	As of the end of Sep. 2014	As of the end of Mar. 2015	As of the end of Sep. 2015	As of the end of Mar. 2016
Cash on Hand	91.1	107.7	98.3	87.2	92.6	68.0
Interest-bearing Debt	115.3	94.0	73.9	63.1	58.8	52.3
Net Interest-bearing Debt	24.2	-13.7	-24.4	-24.1	-33.8	-15.7

were ¥52.3 billion and ¥68.0 billion, respectively. Accordingly, the Company had a net interest-bearing debt balance of negative ¥15.7 billion as of the end of the fiscal year under review. Taking into account these factors, the Company continues to maintain a robust financial position.

### M&As

The Company recognizes the importance of pursuing M&A opportunities in order to secure further growth. With this in mind, the Company will actively engage in projects that align with its business strategies focusing mainly on growth fields.

From a business strategy perspective, each company and the designated divisions of the Company's headquarters are each working to uncover M&A proposals. As a part of these efforts, the divisional companies and divisions constantly engage in the exchange of information. In order to increase the speed and precision at which each M&A proposal is pursued, the Company has prepared an in-house M&A manual. In this manner, the Company is endeavoring to share details of the execution process and know-how throughout its organization. In addition, investments are made in various funds with a view to sowing the seeds of future businesses.

In undertaking an M&A, the Company adopts the capital cost (the weighted average of equity and liability costs) attributable to each country as quantitative criteria in its decision-making process. Steps are taken to evaluate the value of each company together with potential synergy effects. In adopting this procedure, the Company is better positioned to make a flexible and informed investment decision while at the same time broadening the depth of its prime project selection pool.

### Main M&As

Date	Acquired Companies and Businesses	Acquisition Purpose
Oct. 2006	Daiichi Pure Chemicals Co., Ltd. (currently SEKISUI CHEMICAL CO., LTD.)	Strengthen the medical business
Jul. 2009	Polyvinyl alcohol resin business acquired from group companies of the Celanese Corporation chemical company of the United States.	Stable raw material supply structure for the interlayer film
Jan. 2011	Acquired the diagnostic business from US-based Genzyme Corporation.	Strengthen the medical business
Apr. 2011	Suzutora Corporation (currently Sekisui Nano Coat Technology Co., Ltd.)	Strengthen thin membrane manufacturing with a focus on ITO film business
Jun. 2015	ENAX	Promoting the development of lithium-ion batteries
Dec. 2015	EIDIA Co., Ltd (Eisai subsidiary)	Strengthen the diagnostic business

## ROE

The Company recognized the importance that investors place on ROE as an index to measure the management efficiency of a company. As such, the Company has positioned ROE as one of its priority financial benchmarks.

Put simply, there are two broad methods to improve ROE (net income attributable to owners of parent/average shareholders' equity). Based on this calculation, the first is to reduce the balance of the denominator of the equation, shareholders' equity, and the second to increase the numerator, net income. For the most part, the Company focuses on effort to secure growth. Accordingly, the Company works diligently to increase the numerator, net income, in its bid to improve ROE.

In recent years, the Company has successfully implemented its growth strategies. Against the established ROE target of 10%, the Company has reported two consecutive fiscal years where its ROE has surpassed this 10% benchmark. In specific terms, ROE came in at 10.9% in both fiscal 2014 and fiscal 2015. Looking ahead, the Company will continue to make strategic investments in growth businesses and promote the effective application of assets. Through these means, the Company will actively target further improvements in ROE.

## Acquisition of Own Shares

The Company adopts a flexible approach toward the acquisition of its own shares. While taking into consideration the balance between stock price trends and the demand for investment funds, the Company believes that the acquisition of its own shares is a means to improve capital efficiency and to complement the payment of dividends thereby providing adequate returns to shareholders from a long-term perspective.

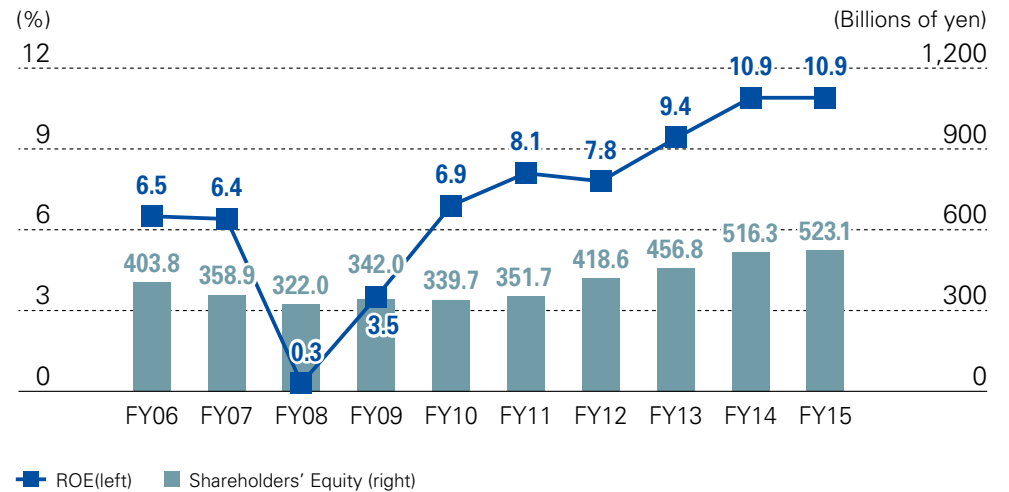
The Company does not have a fixed policy relating to the Company's actions after the acquisition of its own shares. Steps are taken, however, to retire treasury stock on a flexible basis taking into account operating conditions. With this in mind, the Company held roughly 21,890,000 shares of treasury stock as of March 31, 2016. During the fiscal year ending March 31, 2017, the Company plans to acquire its own shares to maximum limit of 15,000,000 shares.



### Moritoshi Naganuma

Executive Officer  
Head of Corporate Finance &  
Accounting Department

## ROE and Shareholders' Equity

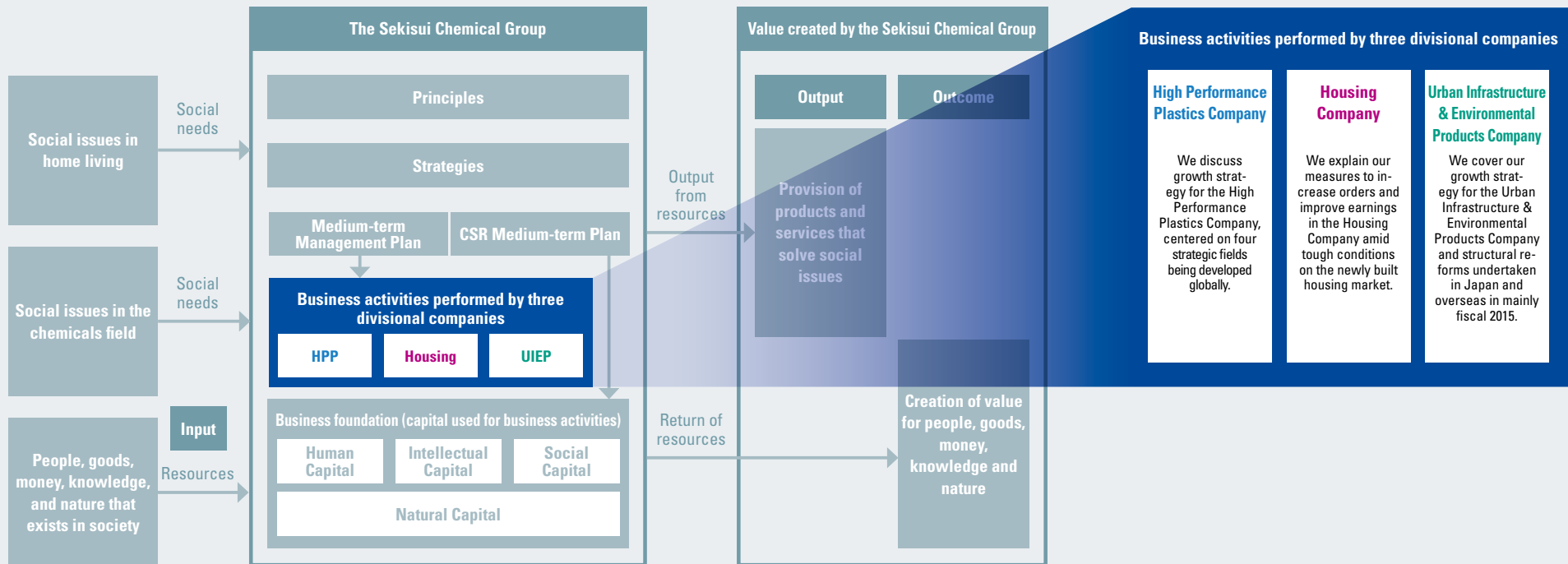


## Status of Treasury Stock

	As of the end of Mar. 2014	As of the end of Sep. 2014	As of the end of Mar. 2015	As of the end of Sep. 2015	As of the end of Mar. 2016
Treasury Stock	22,994	22,418	20,582	32,137	21,892
(Treasury Stock Acquisition)	8,714		10,633	12,000	
(Retirement of Treasury Stocks)			-12,000		-10,000
Number of Shares Outstanding	532,507	532,507	520,507	520,507	510,507
Treasury Stock Holdings Ratio	4.31	4.21	3.95	6.17	4.28

# Performance —Reports from Divisional Companies—

The Sekisui Chemical Group comprises three strongly independent divisional companies that aim to differentiate from the competition through prominence based on innovative technologies: the High Performance Plastics Company in terms of global business development, the Housing Company in terms of improving the functionality of homes, and the Urban Infrastructure & Environmental Products Company in terms of solutions for aging infrastructure. Here, we review performance in fiscal 2015 and discuss our growth strategies for the future.

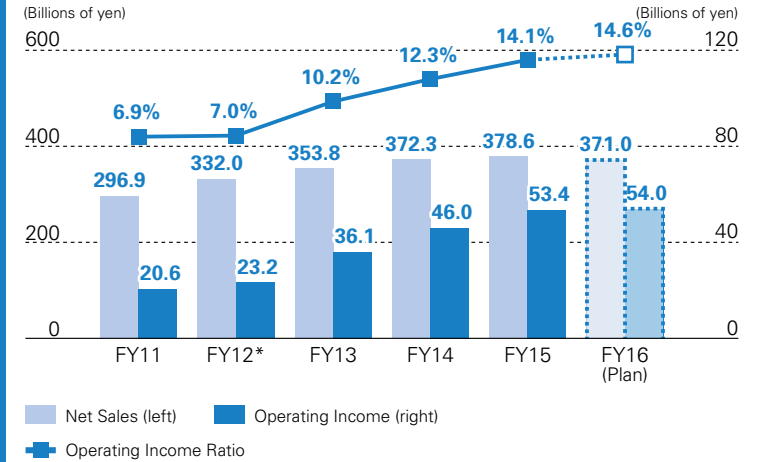






# High Performance Plastics (HPP) Company

## Performance Highlights



\*Amount includes ¥32.7 billion in sales and ¥1.3 billion in operating income for the period of January to March 2012 due to the revised accounting period for overseas subsidiaries effected in fiscal year 2012.

(Billions of yen)	FY11	FY12	FY13	FY14	FY15
Assets	296.3	321.3	341.2	357.7	382.4
Depreciation and Amortization	18.8	19.2	18.4	16.6	18.1
Capital Expenditures	16.7	14.5	17.6	17.9	23.5
R&D Expenditures	11.9	13.5	14.6	15.9	16.7
Number of Employees	6,443	6,545	6,858	7,051	7,453
Consolidated Subsidiaries (Overseas Companies)	59(46)	57(44)	59(46)	60(47)	62(48)

- 1 Automotive bumper components
- 2 Foaming material for automotive interiors
- 3 Interlayer film for automotive laminated glass
- 4 Blood coagulation analyzers
- 5 Cholesterol diagnostic reagents
- 6 Double-sided LED fixed placement tape used in smartphones and tablet computers
- 7 Conductive fine particles
- 8 Thermal expansion fire-resistant materials
- 9 Chlorinated polyvinyl chloride (CPVC) resin compound



## Keita Kato

President of High Performance  
Plastics Company

## Business Strategies

**We will introduce high-value-added products using our unmatched “prominent” technology in markets and fields with prospects for high future growth with the aim of establishing the HPP Company as the global leader in those fields. We will also flexibly develop global operations geared to specific market conditions and characteristics.**

## Business Overview

The High Performance Plastics (HPP) Company's strengths are its original fine particle, adhesion, precise synthesis, and other technologies upon which it develops a wide range of businesses centered on providing materials for advanced technology fields.

The HPP Company focuses on business development driven by high value-added products and commands top global market shares for products ranging from conductive fine particles and liquid crystal sealants to interlayer films for automotive laminated glass, polyolefin foam for automobile interiors, and cholesterol diagnostic reagents.

The HPP Company is the primary operating income generator for the Sekisui Chemical Group and is introducing competitive products into global markets with the aim of achieving earnings growth that outpaces the global economic growth rate. Under the new medium-term management plan, the HPP Company will fortify its current core products, develop new products, augment its operations through M&A and other measures in its four strategic fields of Electronics, Automobiles and Transportation, Building and Infrastructure, and Life Sciences.

## Press Releases on HPP Company's Topics



# Fiscal 2015 Performance

## Record high profit for three consecutive fiscal years

The HPP Company reported a substantial increase in earnings posting record high profit for a third consecutive fiscal year in fiscal 2015. This was largely attributable to steady growth in net sales across all four of the company's strategic fields. Among a host of factors, the increase in sales volume in the Automobiles and Transportation field supported by an improved product mix thanks to the shift to high value-added products in particular contributed to the strong result. Moreover, the company's operating income ratio hit an unprecedented level, climbing 1.8 percentage points compared with the previous fiscal year, to 14.1%.

Looking at the HPP Company's four strategic fields in light of the market environment throughout fiscal 2015, trends in interlayer films for automotive laminated glass in the Automobiles and Transportation business in Europe and the United States were sound. Sales growth was especially strong for high-performance and high value-added products for use in the head-up displays mounted on luxury models.

In the Life Science field, sales of cholesterol diagnostic reagents, where demand remains firm, diagnostic reagent systems including influenza test kits, and testing equipment grew steadily both in Japan and overseas.

Meanwhile, results in the Electronics field were impacted by adjustments in the manufacture of mobile devices due mainly to the slowdown in economic growth in China. Despite the startup of operations at the company's CPVC plant in Thailand, the HPP Company inevitably struggled in the building and infrastructure business owing mainly to political instability in the Middle East, which triggered a slump in the construction market.

While growth in the four strategic business fields was uneven in fiscal 2015, profit for the HPP Company as a whole exceeded initial plans. At the same time, efforts to rationalize underperforming products by reforming the business structure helped to improve the operating

income ratio. Looking at the factors that contributed to the increase in operating income in fiscal 2015, the company's results were buoyed by the upswing in sales volume, the increase in marginal profit on the back of improvements in the product mix, and successful efforts to reduce costs thanks to the decrease in raw material prices. As a result, operating income climbed ¥7.4 billion compared with the previous fiscal year.

## Steady progress in carrying out medium- to long-term strategies

In the fiscal year under review, the HPP Company achieved an increase in revenue and earnings. At the same time, the company took definitive steps to push forward three growth strategies and was successful in further fortifying the four strategic fields, strengthening the overseas business, and creating new products and businesses.

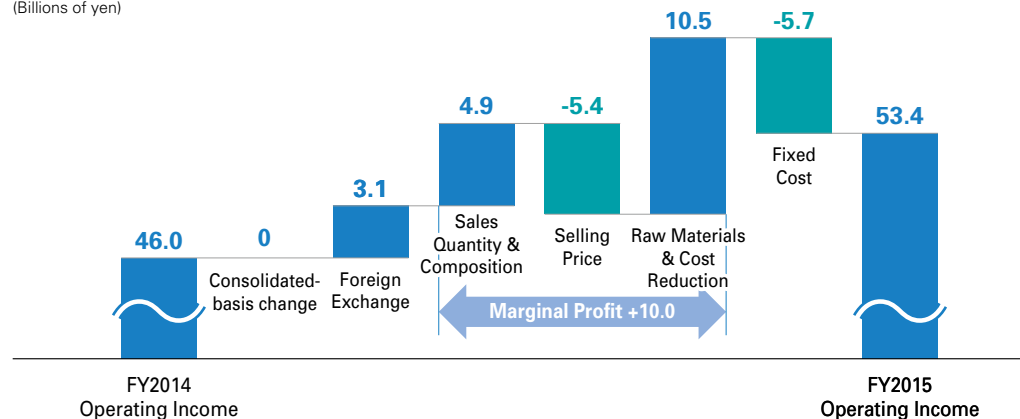
In order to further fortify its four strategic fields, the HPP Company undertook active investments in expanding its interlayer film plant in Mexico and acquiring EIDIA Co., Ltd.

with the aim of boosting the diagnostic reagent business. Moreover, steps were taken to reform the structure of the company's electronics business by shifting to semiconductors thereby alleviating the dependence on mobile devices in the HPP Company's overseas operations. Successful efforts were also made to reinforce the company's global purchasing structure. As far as the company's new product and business activities are concerned, considerable progress was made in the development of promising products including self-luminous interlayer films for use in head-up displays.

Drawing on the underlying strengths of sound performance trends as well as steady progress in the promotion of growth strategies, the HPP Company recognized the importance of strengthening its business foundation in anticipation of entering the next stage of growth. As a result, the company took steps to reform its business structure by reorganizing domestic sales companies and the tape business, integrating the film business, and investing in funds as well as Dexerials Corporation in a bid to uncover the seeds for new business activities.

## Analysis of Operating Income for FY2015 (year-on-year)

(Billions of yen)



# Fiscal 2016 Plan

## Targeting an increase in operating income despite a harsh market environment

The Sekisui Chemical Group is aware that business conditions in each of the HPP Company's mainstay markets including Japan will become difficult throughout fiscal 2016, the fiscal year ending March 31, 2017. The company is also anticipating a turnaround in the foreign currency exchange market with value of the yen appreciating sharply.

Under these circumstances, the HPP Company plans to further bolster its earning power by shifting to high-performance, high value-added products in the global markets of each of its four strategic fields. Cognizant of the difficulties involved in continuously working toward a high-profit company, the HPP Company is determined to take on each new challenge in a bid to further strengthen its earning power.

Net sales in fiscal 2016 are projected to fall ¥7.6 billion year on year, to ¥371 billion. This is largely due to the impact of foreign currency conversion. Despite this decline in sales, the HPP Company is targeting a fourth consecutive fiscal year of record earnings growth. The goal is to secure operating income of ¥54 billion, up ¥0.6 billion, and an operating income ratio of 14.6%. These targets for both operating income and the operating income ratio significantly exceed the forecasts set when the Company's Medium-Term Management Plan was first launched.

Looking at factors that affect the company's operating income, movements in foreign currency exchange rates are expected to have a negative impact of ¥5 billion. In contrast, the quantity and composition of sales is projected to have a positive impact of ¥9.8 billion. The negative impact of movements in foreign currency exchange rates reflects appreciation in the value of the yen against the U.S. dollar from ¥120 in fiscal 2015 to ¥110 in fiscal 2016.

Turning to the quantity and composition of sales in fiscal 2015 in more detail, the Automobiles and Transportation field as well as the Life Science field experienced steady growth. On the other hand, sales in the Electronics field

declined substantially owing mainly to adjustments in the manufacture of mobile devices. Accounting for each of these factors, sales climbed ¥4.9 billion year on year. In fiscal 2016, the Automobiles and Transportation as well as the Life Science fields are again expected to expand. The HPP Company is also targeting an upswing in the Electronics field on the back of an increase in the pickup of new mobile device models. Based on the aforementioned, profits are forecast to climb ¥9.8 billion year on year.

## Securing an upswing in profit on the back of life science business growth

Fiscal 2016 is the final year of the current Medium-Term Management Plan. As such, the HPP Company will put the finishing touches on ongoing measures during fiscal 2016. In addition to bolstering measures in the company's four strategic fields, overseas as well as new product and business engines of growth, energies will be channeled toward completing the current Medium-Term Management Plan and putting in place a new Medium-Term Management Plan in a timely fashion.

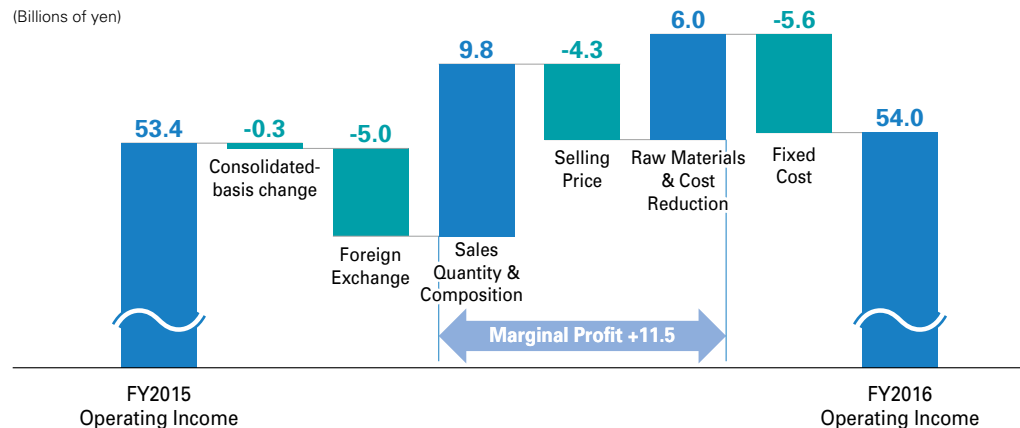
In the Electronics business, the HPP Company will focus on the liquid crystal and mobile device sectors, areas

in which the company excels. At the same time, the company will lower its dependence on markets where conditions are volatile. Steps will be taken to accelerate the pace of development in the semiconductor and organic EL fields in a bid to broaden the scope of the company's activities. In the Automobiles and Transportation business, the HPP Company will continue to pioneer new product fields and regions while strengthening global collaboration. Taking into consideration the limited product scope in the building and infrastructure business, the company will continue to expand by focusing on core and peripheral products including CPVC. In the Life Science field, the HPP Company will make the most of synergies with the newly acquired EIDIA Co., Ltd. as the means to generate sales growth.

In the overseas business, every effort will be made to step up activities aimed at becoming an approved global vendor for semiconductors.

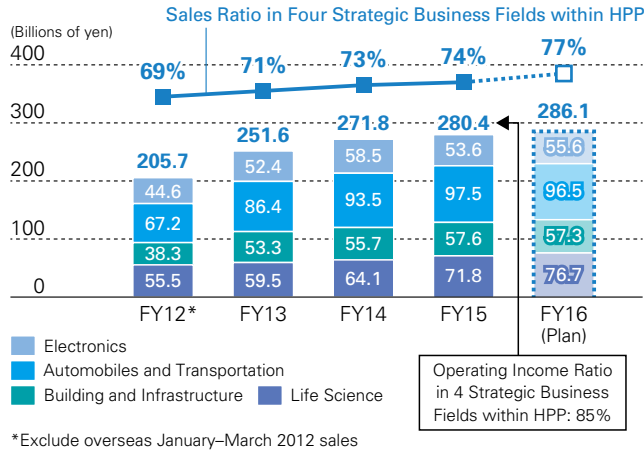
Turning to new products and new businesses, the HPP Company will accelerate the priority allocation to high-quality themes while continuing to increase new product brought to the market. Furthermore, the company will pursue new businesses by utilizing investment in funds and other activities undertaken during the previous fiscal year.

## Analysis of Operating Income for FY2016 (year-on-year)

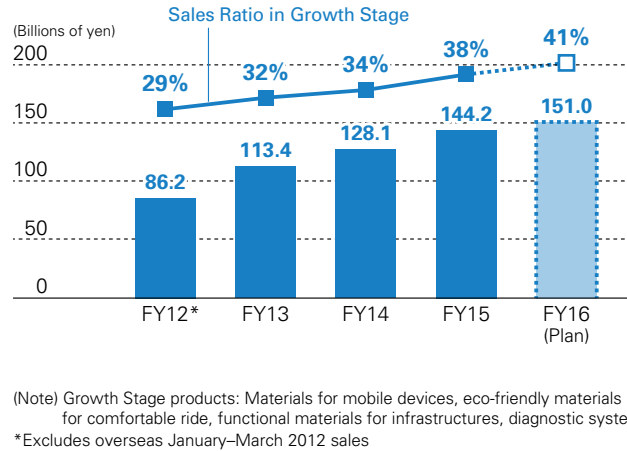


# HPP Company and Market Data

## Sales in 4 Strategic Fields

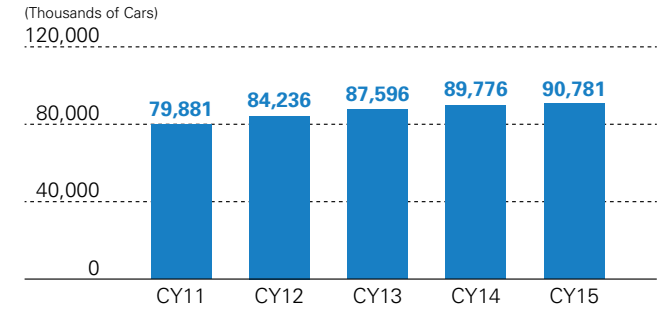


## Sales in Growth Stage (Note)

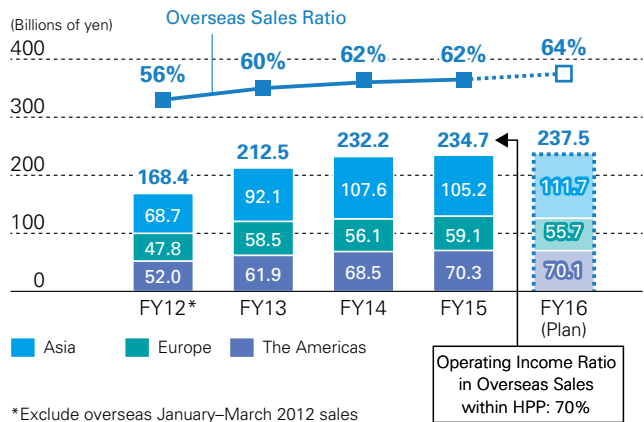


### Market Data

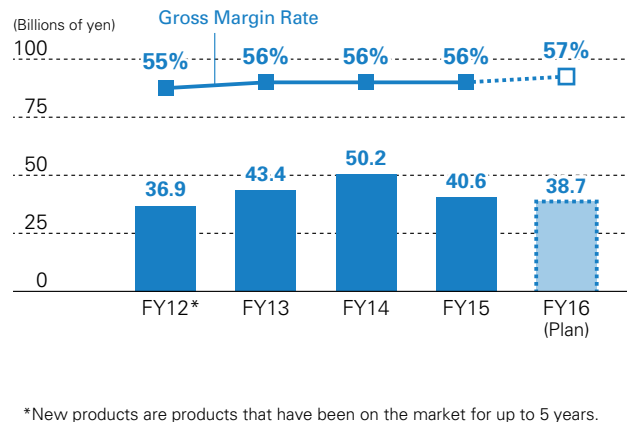
## World Motor Vehicle Production Volume



## Overseas Sales

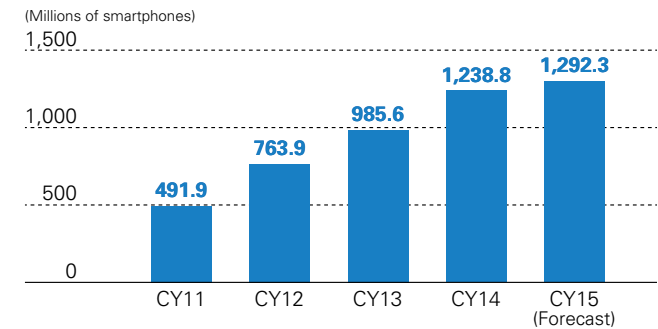


## New Products Sales\*



### Market Data

## Global Smartphone Production Volume

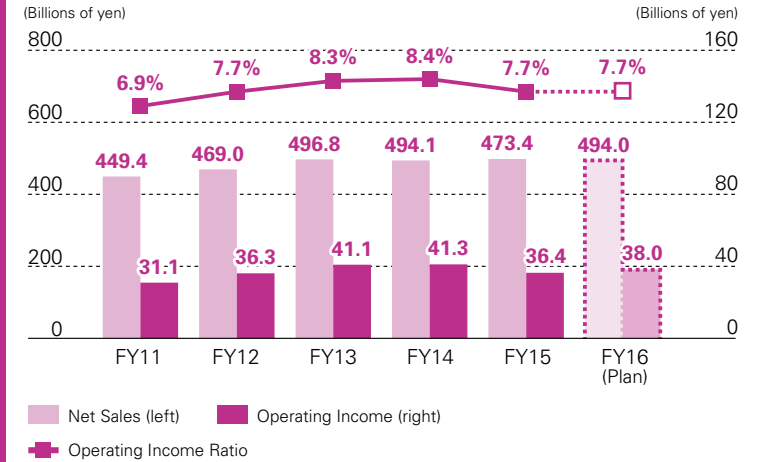


Housing Company



# Housing Company

## Performance Highlights



(Billions of yen)	FY11	FY12	FY13	FY14	FY15
Assets	217.5	239.3	256.1	249.1	265.5
Depreciation and Amortization	7.0	7.0	7.7	6.7	8.0
Capital Expenditures	8.6	12.3	11.1	9.8	14.4
R&D Expenditures	4.1	4.1	4.7	4.9	4.8
Number of Employees	8,820	9,775	9,840	10,442	10,419
Consolidated Subsidiaries (Overseas Companies)	38(1)	38(1)	38(1)	40(1)	41(1)

**1 2 3** In-house production in progress inside the Housing Unit Factory **4** A housing unit being installed **5** The Smart Power Station series is aimed at enabling energy self-sufficiency **6 7 8** come as standard features for the Smart Heim series **6** A large-capacity solar power generation system **7** The e-Pocket large-capacity storage battery system **8** The Company's Smart Heim Navi Consulting HEMS **9** The housing production factory in Thailand **10** Kitchen renovation **11** Bath renovation



**Shunichi Sekiguchi**

President of Housing Company

## Business Strategies

**In the housing business, we aim to increase orders by improving product differentiation, such as with energy self-sufficient smart houses, and increase profit by maximizing the in-factory production ratio to boost cost competitiveness. We plan to increase the Living Environment business by leveraging the features of industrialized products to offer optimized renovation proposals.**

## Business Overview

The Housing Company has established a unique position in Japan in new housing construction as a specialist in the Unit Construction Method, an advanced factory-built approach that enables short construction periods and delivers functions in accordance with design plans.

Responding to the increasingly sophisticated needs of customers, the Housing business has moved high-performance housing forward, guided by the concepts of environment, reliability, and comfort. It was in particular an early mover in housing with solar-power generation systems, going back to 1997 when it first scaled up such initiatives, and its cumulative sales of such residences exceeded 170,000 units as of the end of 2015.

The company achieved another milestone in April 2012 with the release of its Smart Heim models with standard features such as built-in storage batteries and the Smart Heim Navi Home Energy Management System (HEMS).

In the Living Environment business, it draws on the features of its factory-built housing products and its database of the housing stock it has constructed to offer renovation proposals best suited to the life stage of each homeowner. We are also developing our management of existing home sales, leasing and management, and other housing asset management operations as well as residential services, including the construction and operation of housing with support services for senior citizens. In addition, the company is expanding its new construction housing operation overseas.

## Press Releases on Housing Company's Topics



# Fiscal 2015 Performance

## Decline in sales and profit owing mainly to the slump in orders in fiscal 2014 and the first half of fiscal 2015

The Housing Company incurred a downturn in sale and profit in fiscal 2015. In specific terms, net sales came to ¥473.4 billion, a decrease of ¥20.7 billion compared with the previous fiscal year. Operating income totaled ¥36.4 billion, down ¥4.9 billion year on year. The company was unable to avoid a downturn in sales and profit in the first half of the fiscal year under review. This was largely due to the insufficient order backlog at the start of the term as a result of the slump in orders in fiscal 2014. Amid the recovery in orders, the Housing Company took steps to control non-essential fixed costs. On this basis, operating income in the second half of fiscal 2015 amounted to ¥20.1 billion, coming close to the record level of ¥20.6 billion reported for the second half of fiscal 2014. Taking each of these factors into consideration, the order backlog as of the start of fiscal 2016 exhibited a positive turnaround.

## Shift in housing orders from a self-sufficiency concept to a recovery trends

Turning to order activities in fiscal 2015, excessive concerns following a review of the energy feed-in tariff (FIT) system introduced the previous year had a temporary negative impact on the smart house market. Against this backdrop, the Housing Company took thoroughgoing steps to promote an energy self-sufficiency concept thereby alleviating any dependence on revenues from the sale of electric power by making the most of the unique high in-factory production ratio features of its products.

During the fiscal year under review, the Housing Company vigorously pushed forward a series of initiatives. In addition to the introduction of new products, the company undertook a variety of activities including simultaneous nationwide sales promotions. Through factory tours and other initiatives, the Housing Company also

effectively differentiated itself from competitors. Drawing on the underlying strength of demand from first-time buyers, the company actively marketed properties with houses built for sale. Thanks to the success of these measures, orders exhibited a modest recovery. As a result, the year-on-year decline in orders was held to 5% for the first half of the fiscal year under review. This improved to a year-on-year increase of 5% in the second half. Looking at the order backlog at the start of fiscal 2016, the Housing Company reported a positive turnaround and increase for the first time in four business terms on an interim basis.

Orders for Smart Power Station homes, an iconic smart house product that combines solar power generation, storage battery, and home energy management system (HEMS) features increases 4% compared with the previous fiscal year. In specific terms, orders decreased 12% in the first half and surged 26% in the second half. Orders for properties with houses built for sale climbed 9% year on year.

In January 2016, the Housing Company launched the GRAND TO YOU f series of high cost performance Smart Power Station homes as a part of its built-for-sale housing activities. The company has also initiated measures aimed at further increasing the volume orders in the next fiscal year.

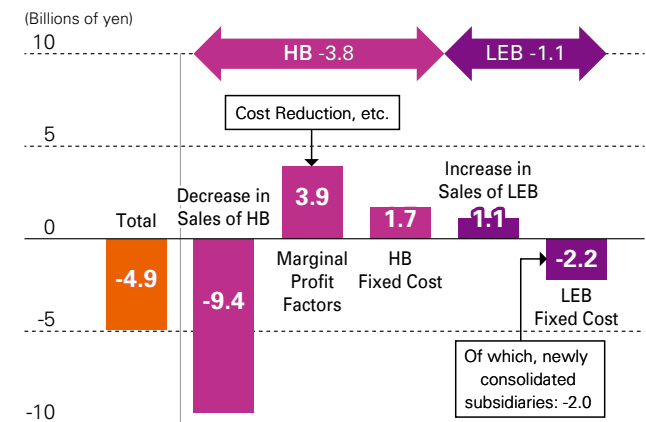
## Downturn in solar power generation systems offset by renovation product and real estate business activities in the Living Environment business

In the renovation business, the Housing Company was successful in conducting sales promotions of packaged products (baths, vanities, toilets, and related products) aimed at bolstering its lineup of mainstay products (including the new release of storage batteries) and upgrading and expanding customer proposals. However, net sales declined 5% compared with the previous fiscal year as the 12% year-on-year increase in renovation products failed to

offset the drop in solar power generation systems reflecting excessive concerns following the review of the FIT system in similar fashion to the housing business. Buoyed by efforts to strengthen the company's focus on periodic diagnosis activities, the renovation of old houses continues to increase. As such, these activities provide a stepping-stone for capturing additional orders in the next fiscal year.

Meanwhile, the company's real estate activities (leasing and management, rental management, and existing home sales), which are included in the Living Environment business, exhibited steady trends. Net sales for the fiscal year under review grew 10% compared with the previous fiscal year. Looking at net sales of the Living Environment business as a whole, results for both the first and second halves were essentially unchanged compared with the previous fiscal year.

### Analysis of Operating Income for FY2015 (year-on-year)



\*HB: Housing Business, LEB: Living Environment Business



# Fiscal 2016 Plan

## Promoting inherently unique “Sekisui Heim” strengths to further boost profit

In fiscal 2016, the Housing Company’s goals are to become Japan’s No. 1 provider of smart houses and to return to its original unit product approach. The company’s competitive advantage stems from the high fundamental functions of its unit housing and product strengths of its smart houses. By implementing measures that make the most of its unique Sekisui Heim features, the Housing Company is targeting a return to increased profit.

In addition, the business environment in which the company operates is experiencing favorable trends as the focus on self-sufficiency continues to mount. This is largely attributable to growing interest in energy efficiency against the backdrop of a negative interest rate environment and liberalization of the electricity sector. Taking into consideration each of these factors, net sales in fiscal 2016 are projected to reach ¥494 billion, an increase of ¥20.6 billion. Operating income is forecast to come in at ¥38 billion, up ¥1.6 billion year on year.

## Incorporating the attributes of geographic regions and customers to enhance product development capabilities in the Housing business

The Housing Company is introducing products to the market that are tailored to the needs of each region and customers. At the same time, the company is expanding sales of smart houses. In January 2016, the Housing Company launched the GRAND TO YOU f series of detached houses for regional areas and other detached houses with increased security features. Targeting the urban market, the company released the G series of detached houses that boast strengthened zero energy home (ZEH) features and a sophisticated design in April 2016. Financial initiatives including the negative interest rate policy adopted by the Bank of Japan are motivating first-time buyers to purchase a new home. In an effort to capitalize on this positive operating environment, the Housing Company will introduce 2,400 subdivisions of marketable properties, an increase of 26% compared with the previous fiscal year. In addition, the company will increase the number of sales personnel by 250 as a part of efforts to boost its marketing capabilities.

Buoyed by the introduction of new products and the pickup in demand, coupled with aggressive efforts to market land with houses built for sale and an increase in the number of sales personnel, the Housing Company is targeting a 5% improvement in order in the fiscal 2016.

Moving forward the company will continue to advance the Factory Efficiency and Presentation Upgrade Plan, an initiative that commenced in fiscal 2014. Efforts will also be made to conduct simultaneous tours across the company’s nationwide network of plants in order to promote the high level of housing production quality management as well as the growing attractiveness and cutting-edge appeal of the company’s manufacturing facilities. In addition to placing considerable weight on campaigns as well as the Sekisui Heim Series 45th anniversary and other events, energies will be channeled toward continuously increasing orders.

## Returning to our roots in unit housing while undertaking a review of production and supply structures and systems

Steps will be taken to initiate structural reforms in the Housing business that look beyond fiscal 2017. Trends in personnel expenses, which continue to hover at a high level, have extended through to the housing construction frontline. After reducing on-site construction by 15% compared with fiscal 2013 over the past two years, the Housing Company will look to achieve a reduction of 30% by the end of fiscal 2016. The company will endeavor to further distinguish itself by returning to the original unit product approach and maximizing the in-factory production ratio. Moreover, the Housing Company will fine tune its production and supply systems for the perspective of total optimization in anticipation of a further drop in housing starts in the not too distant future.

## Rolling out measures to capture renovation orders in line with the age of each building in the Living Environment business

In the renovation business, the Housing Company mainly targets customers residing in Sekisui Heim homes. Buoyed by robust trends in new housing starts, the volume of the company’s newly sold homes reach a peak around the 1990s. These properties are now entering a renovation phase with an effective age of between 15 and 25 years. The Housing

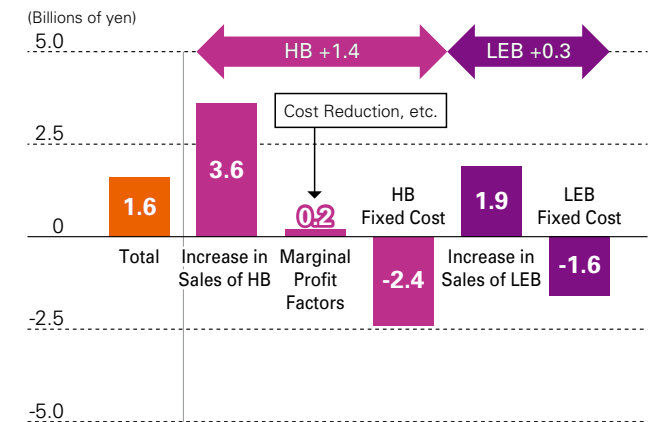
Company is marketing new renovation product packages that encompass large-scale expansions and renovation, water-related facilities, and exterior work to customers residing in homes in this effective age bracket. By leveraging product packages, the company is lifting the unit price per renovation project and improving operating efficiency.

From a marketing perspective, the Housing Company is introducing 60 new sales personnel while adhering strictly to a sales policy that focuses on each commercial products and home construction years’ category. At the same time, the company is conducting education and training to strengthen its customer relations structure and boost proposal capabilities. Through these means, and by making the most of the Famis 20th anniversary campaign to increase customer contact, the Housing Company is working to expand orders.

In the real estate business, which is enjoying robust conditions, the Housing Company is endeavoring to further expand sales by taking on unmanaged rental properties and increasing the number of staff for real-estate transactions.

Drawing on the underlying strengths of these initiatives, the Living Environment business as a whole is targeting an increase in net sales of 3% compared with fiscal 2015.

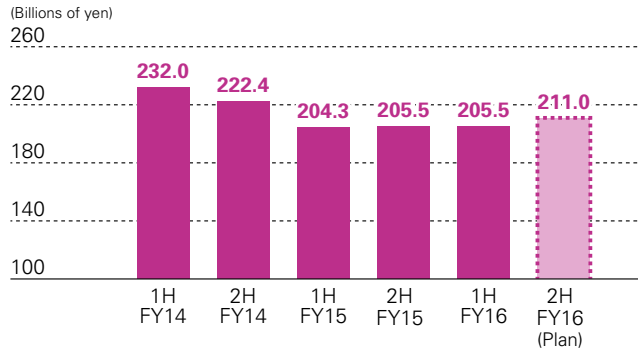
Analysis of Operating Income for FY2016 (year-on-year)



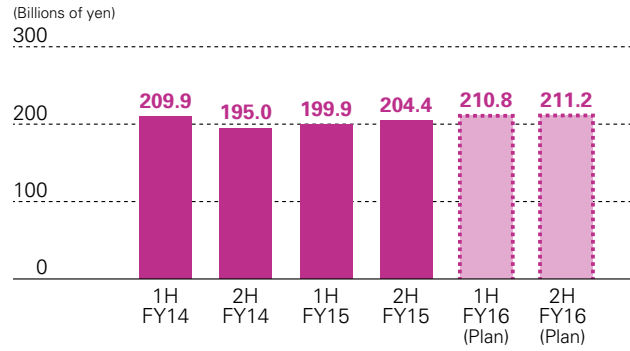
\*HB: Housing Business, LEB: Living Environment Business

# Housing Company and Market Data

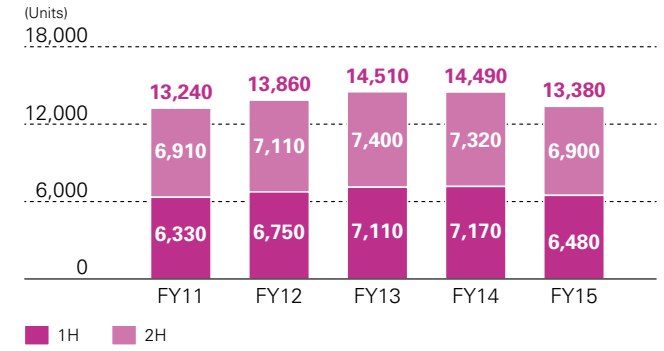
## Year-start Backlog



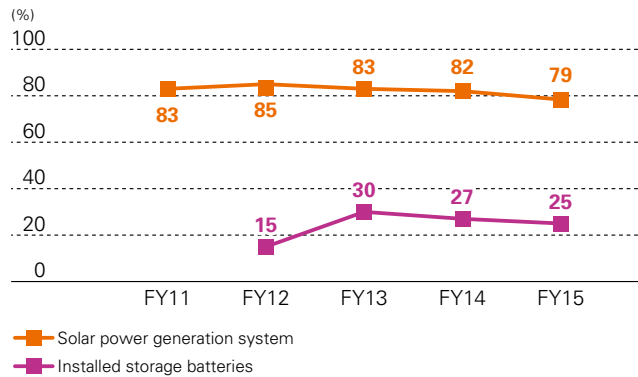
## New Housing Orders



## Number of Houses Sold

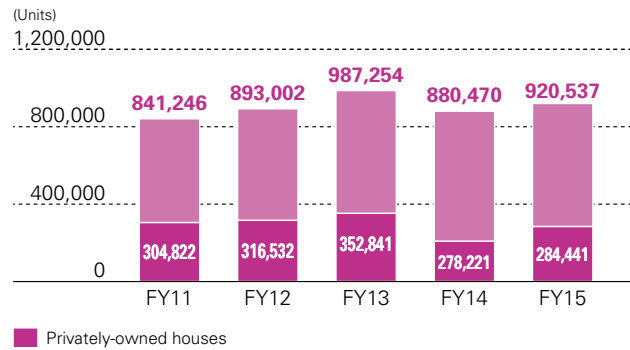


## Differentiated Tool Load Ratio



## Market Data

### Housing Starts



### Renovation Business: "Sekisui Heim" Housing Stock Breakdown by Effective Age

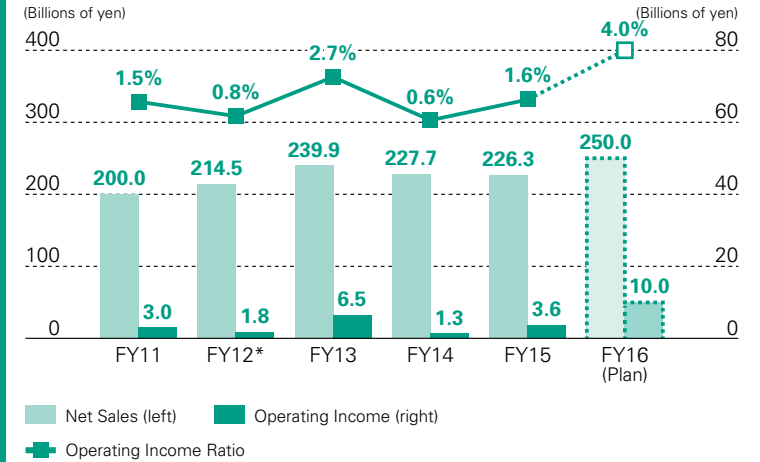


Source: "New construction starts of dwellings," Ministry of Land, Infrastructure, Transport and Tourism



# Urban Infrastructure & Environmental Products (UIEP) Company

## Performance Highlights



\*Amount includes ¥4.9 billion in sales and ¥0.7 billion in operating loss for the period of January to March 2012 due to the revised accounting period for overseas subsidiaries effected in fiscal year 2012.

(Billions of yen)	FY11	FY12	FY13	FY14	FY15
Assets	164.0	180.2	200.3	198.8	179.1
Depreciation and Amortization	6.6	6.1	6.1	6.2	6.4
Capital Expenditures	5.1	7.7	10.5	15.4	8.5
R&D Expenditures	5.3	5.1	5.1	5.1	5.3
Number of Employees	4,570	4,887	5,363	5,453	5,044
Consolidated Subsidiaries (Overseas Companies)	51(27)	62(37)	60(36)	56(32)	43(19)

1 Residential water supply and drainage system 2 High corrosion resistant and chemical performance brand products 3 Recycled PVC pipe 4 Water supply pipe (polyethylene pipe) construction site 5 Pharmaceutical and related product storage and sterile transportation bags 6 Sewage heat recovery system 7 Geothermal heat system 8 Sewage pipe rehabilitation 9 Sewage pipe maintenance operations 10 High-performance seismic polyethylene pipe 11 Plastic sheet for an aircraft interior 12 FFU synthetic railway sleepers



## Hajime Kubo

President of Urban Infrastructure & Environmental Products Company

## Business Strategies

The Urban Infrastructure & Environmental Products (UIEP) Company commands leading market shares from comprehensive strength in its fundamental businesses and is creating an operating structure to maintain steady profit in contracting markets. It also seeks to boost earnings by applying the technologies of its fundamental businesses to the existing stock field and other growth fields.

## Business Overview

The Urban Infrastructure & Environmental Products (UIEP) Company is a manufacturing and sales leader in Japan in water sewerage and supply pipe systems as well as construction materials supply businesses, which collectively form the company's core operating platform.

In recent years, Japan's construction-related markets have experienced shrinking demand for new construction. On a positive note, signs of an increase in demand in the stock field continue to emerge on the back of such factors as the aging of existing machinery and equipment. Under these circumstances, the UIEP Company has positioned this field as a growth domain and is concentrating its efforts on this area.

As part of its medium- and long-term growth strategy, the UIEP Company is channeling management resources to its sheet business for high-performance plastic molds as well as its industrial piping materials, performance materials typically used in railway sleepers, and other businesses while drawing on the underlying strengths of technologies nurtured through its fundamental business activities. At the same time, the company is concentrating on efforts to expand activities in high profitability fields and to cultivate overseas markets.

In its general-purpose products business, the UIEP Company is continuing to create fully streamlined operations in anticipation of declining demand. In low revenue businesses, the company remains committed to a policy of selection and concentration while carrying out structural reforms. Taking each of the aforementioned into consideration, the company is entering a phase during which it will shift its focus firmly toward accelerating the pace of growth.

## Press Releases on UIEP Company's Topics



# Fiscal 2015 Performance

## Profits increased for the first time in two business terms on the back of structural reforms in Japan and overseas

The UIEP Company positioned fiscal 2015 as a year during which it would rebuild its business structure in order to attain an operating income ratio of 5%. Throughout the fiscal year under review, the company took steps to clarify profits by product and technology, and to restructure its organization by transitioning toward business departments based on individual product categories in a bid to establish sound initiatives. Complementing these endeavors, the UIEP Company implemented a variety of measures aimed at fortifying its profit structure both in Japan and overseas. Accounting for each of these factors, operating income increased ¥2.3 billion compared with the previous fiscal year, to ¥3.6 billion, despite the year-on-year decline in net sales of ¥1.4 billion, to ¥226.3 billion in fiscal 2015. This increase in profit reversed the downward trend that had lasted for two business terms.

## Adhering strictly to a policy of profit improvement by product in Japan

Turning to the specific measures implemented throughout fiscal 2015, the UIEP Company shifted to a profit margin-driven sales policy by strictly engaging in customer-based profit management on a business department basis by product in Japan. At the same time, the company worked diligently to expand sales of growth products.

In light of the usual operating practice and concentration of sales at the end of each business term in March each year, the UIEP Company pushed forward measures aimed at securing a more even distribution of sales throughout the period. As a result, signs of an increasingly even impact on manufacturing and distribution are beginning to emerge. This in turn is contributing

to improvements in the manufacturing and distribution costs. As part of the company's structural reforms, the UIEP Company also made every effort to reduce inventories at distributors. Moreover, steps were taken to cut-back distribution costs and direct sales expenses.

## Completed overseas structural reforms in Europe and the inland areas of China

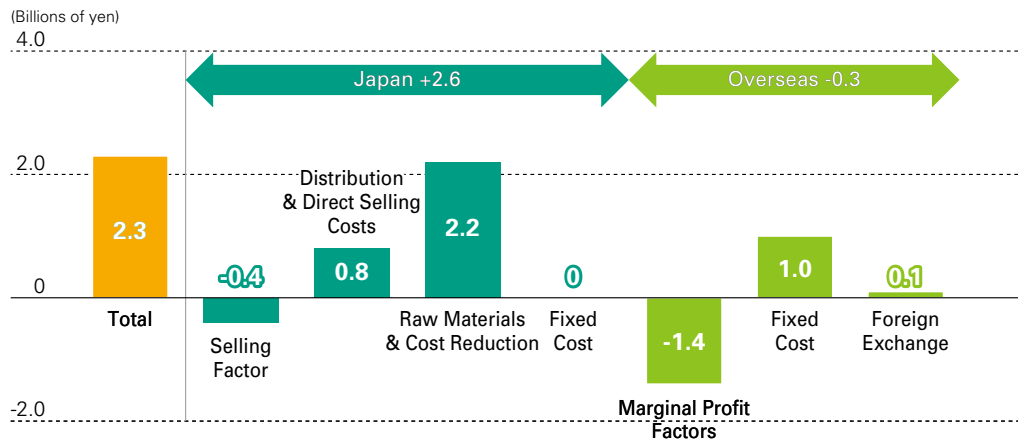
Meanwhile, the UIEP Company implemented full-fledged structural reforms in its Pipeline Rehabilitation business in Europe and its Water Infrastructure business in China.

In the Pipeline Rehabilitation business in Europe, the company has traditionally undertaken the supply of components combined with installation. Buffeted by the downturn in public works attributable to the prolonged deterioration in economic conditions in Europe, and the limited prospect of a turnaround in the decline in prices reflecting intense

competition, the UIEP Company completed the transfer of this business. In the inland areas of China, the company was engaged in the manufacture and sale of wide-diameter reinforced compound plastic pipes commonly used in irrigation and related activities. Due again to the prolonged contraction in local public works, the UIEP Company determined that there was little likelihood of a profit recovery in near future. Accordingly, steps were taken to sell the company's equity stake in the operating entity and to withdraw from the water infrastructure business.

As far as the company's other overseas business activities are concerned, energies were channeled toward restructuring the Pipeline Rehabilitation business in the United States as well as operations in the coastal regions of China. In contrast, the UIEP Company undertook capital investments targeting the aircraft sector in the sheet business where growth is expected.

### Analysis of Operating Income for FY2015 (year-on-year)



# Fiscal 2016 Plan

## Carry out structural reforms and position fiscal 2016 as a year to establish a robust earnings structure

In fiscal 2016, the UIEP Company completed structural reforms that continued in earnest throughout fiscal 2015. With this completion, fiscal 2016 has been positioned as a year during which the company will pursue new growth. As a result, every effort will be made to complete structural reforms in the Pipeline Rehabilitation business in the United States, the Water Infrastructure business in the coastal regions of China, and the low revenue businesses remaining in Japan in the current fiscal year. Furthermore, the UIEP Company will expand investment in the development of products and services in areas that offer the potential for growth both in Japan and overseas while working to strengthen sales.

As a result of these outcomes, and the transfer of control over Sekisui Seikei Ltd. and Hinomaru Co., Ltd., which were previously classified under the Company's other businesses, net sales of the UIEP Company are projected to reach ¥250 billion, up ¥23.7 billion compared with fiscal 2015. From a profit perspective, operating income is forecast to total ¥10 billion, an increase of ¥6.4 billion year on year. These forecast results represent an upswing in revenue following a downturn over the past three business terms, and an increase in profit for a second consecutive fiscal year.

Signs of an improvement in operating income of ¥3.2 billion owing to the effects of structural reforms implemented in fiscal 2015 are already being seen against the full fiscal year forecast upswing of ¥6.4 billion. In addition to the ¥1.8 billion attributable to the aforementioned transfer of two companies, the UIEP Company has identified improvements totaling ¥5 billion with a high degree of certainty.

## Strengthen the company's earning power in Japan and overseas by introducing high-value-added products

Looking at the business environment in Japan in fiscal 2016, condominium sales are projected to remain firm. Housing starts and public investment, on the other hand, are expected to fall below the levels recorded in fiscal 2015. Against this backdrop, the UIEP Company will pursue growth by actively introducing high-value-added products to the market in Japan and increasing the amount of development investment. Furthermore, the company

will build on its customer-based profit management from the previous fiscal year and introduce a new cost management method in a bid to lift efficiency to the next level.

In the sheet business conducted overseas, the UIEP Company will pursue growth in those fields in which it has the potential to excel through technologies in such areas as Industrial Piping and Performance Materials. The company will also look to expand sales in the aircraft field following the start of operations at a new plant in the Sheet business, and cultivate new markets in Asia, Europe, and the United States for Industrial Piping and Performance Materials. Outside Japan, the UIEP Company is considering rebuilding its Pipeline Rehabilitation business, which engages in the manufacture and sale of products using the proprietary high-value-added SPR method.

Accounting for each of these factors, plans are in place to increase the number of businesses that generate an operating income ratio of 10% or higher from three in fiscal 2015 to five in fiscal 2016.

## Growth strategies going forward

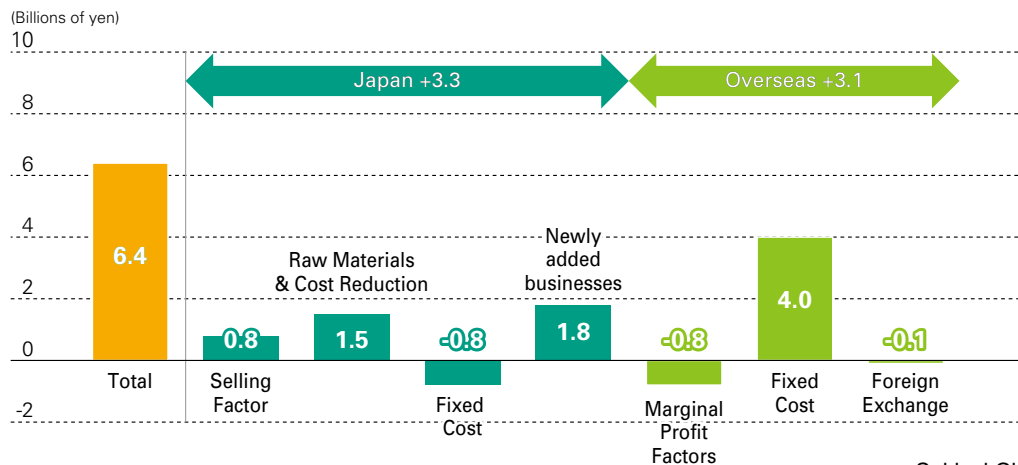
In its quest for future growth, the UIEP Company will leverage the strengths of its technologies to expand activities in high profitability fields while cultivating markets overseas. To this end, the company will concentrate management resources into areas where it can differentiate its products and boost sales through metal alternative, all-plastic product, chemical-, corrosion-, weather-resistant, and other technologies in the pipe &

related products, performance materials, sheet, functional case, and other fields. In the general-purpose products and low revenue business, the UIEP Company will continue to implement structural reforms by further promoting efficiency and adopting a strict selection and concentration policy.

In specific terms, the UIEP Company will pursue a variety of initiatives in the pipe & related products field. The company will promote the shift to all-plastic products and other metal alternatives for use in water supply and drainage, air conditioning, and other systems in the construction and civil engineering sector and broaden the product domain by introducing new products in a bid to fill the product line shortfall in the field of Industrial Piping materials. Moreover, the company will work to expand its overseas business focusing mainly on Southeast Asia. In the Performance Materials field, the company will advance the development of FFUs as railway sleepers for use in Europe and Australia in earnest while evaluating applications other than as railway sleepers. In the sheet business, where the company has been active in the overseas aircraft field, operations will commence at a new plant in North America in fiscal 2016. At the same time, the UIEP Company will work to capture demand in the railcar and medical equipment fields while entering markets in Japan.

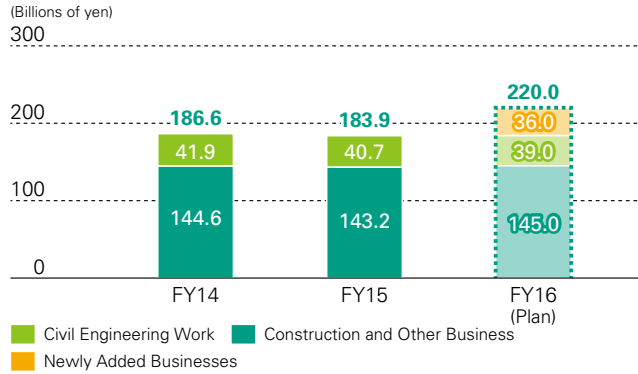
The company is assessing opportunities across a wide range of other fields. While the scale of each business remains small at this stage, the UIEP company will accelerate the pace of growth from fiscal 2016 and beyond by specializing in high profitability fields.

## Analysis of Operating Income for FY2016 (year-on-year)



# UIEP Company and Market Data

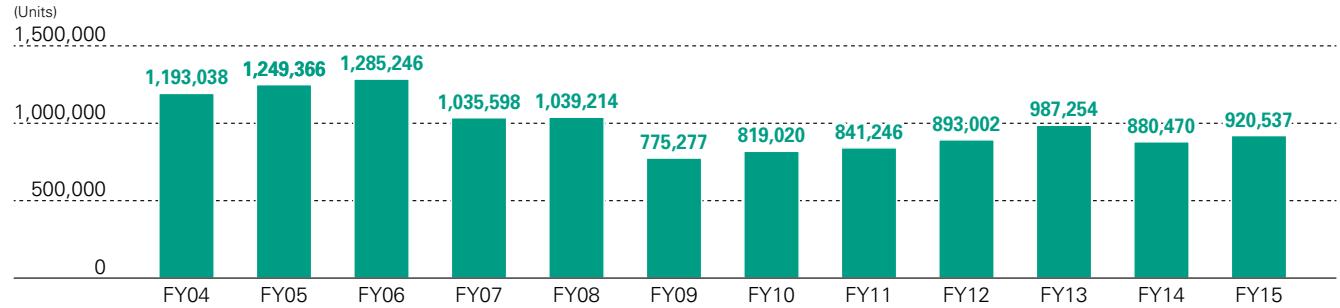
## Japan Sales



\*Fiscal year 2015 results are revised to reflect the subsequent reorganization.

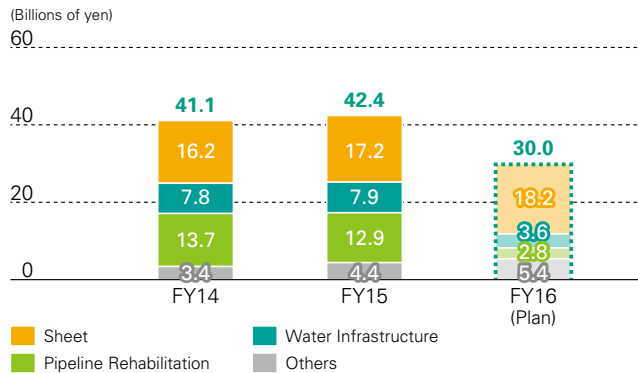
## Market Data

### Housing Starts



Source: "New construction starts of dwellings," Ministry of Land, Infrastructure, Transport and Tourism

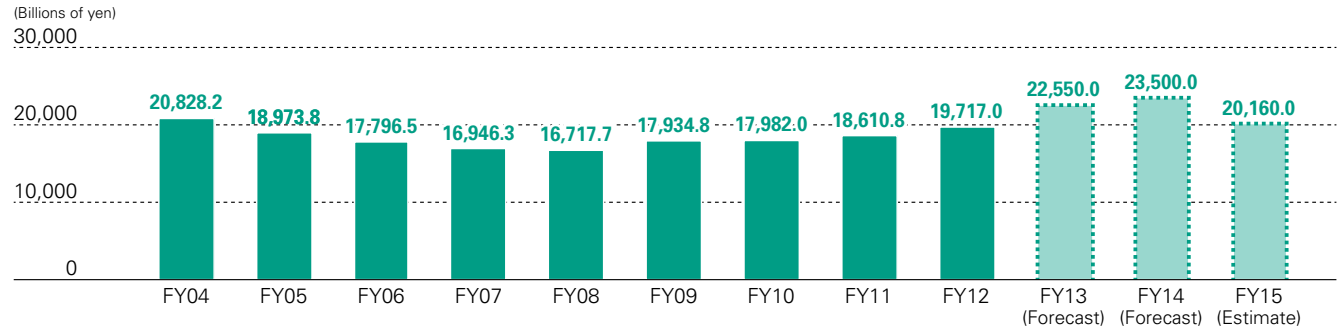
## Overseas Sales



\*Fiscal year 2015 results are revised to reflect the subsequent reorganization.

## Market Data

### Government Construction Investment (nominal value)



Source: "Fiscal 2015 estimate of construction investment," Ministry of Land, Infrastructure, Transport and Tourism (October 2015 announced)

# Review and Analysis of Consolidated Results for Fiscal 2015

Fiscal year ended March 31, 2016

## Business Environment

During fiscal 2015, trends in the global economy were mixed. Throughout 2014, economic growth in most developed countries stalled following the worldwide financial crisis. In contrast, emerging markets including China and Asia as well as such resource-rich countries as Brazil and Russia provided the impetus for a recovery. Entering 2015, the table was reversed. Economic conditions in the United States enjoyed a positive turnaround. The slowdown in the rate of economic growth in China, however, placed downward pressure on the economies of emerging markets in Asia. Accounting for these factors, the global economy as a whole was held to a modest recovery. Over the ensuing period, economic conditions throughout the world as a whole have remained subdued with the outlook for the future shrouded in uncertainty. This largely reflects the downside risk of a prolonged slowdown in the economies of

China and resource-rich countries.

Turning to the domestic economy, Japan has been unable to break free from the market correction that following the rush in demand prior to the consumption tax rate hike. As a result, private consumption has remained weak since autumn 2013. On a positive note, export activity by the manufacturing industry including the automobile and electric appliance sectors has been robust, buoyed by the favorable flow on effects of movements in foreign currency exchange rates and in particular depreciation in the value of yen compared with fiscal 2014. Accounting for these factors, the underlying strengths of the corporate sector has remained intact.

Looking at the market environment from each of the Company's individual business segment perspectives, the housing business field in Japan enjoyed a gradual improvement in new housing starts following the market correction in the wake of the rush in demand leading

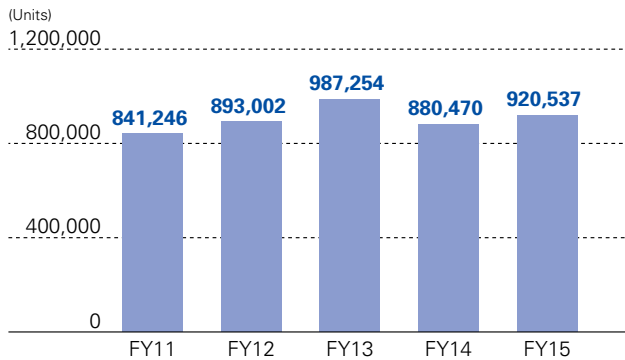
up to Japan's consumption tax rate hike. As a result, the number of construction starts in fiscal 2015 rebounded after a hiatus of two business terms and increased 4.6% to 920,537 units.

Trends in the Water Infrastructure field, which includes PVC piping materials, were also relatively firm. This was largely due to new condominium construction starts, which experienced a positive turnaround for the first time in three business terms. Overall trends remained relatively firm. Meanwhile, construction labor costs continued to hover at a high level. As a result, demand for public works continued to languish at a low level.

Overseas business conditions by industry were patchy. In the Electronics field, demand stalled negatively impacting the pace of smartphone growth, which had driven market in recent years. In the Automobiles and Transportation fields, trends in the mainstay automobile market in the United States were firm despite signs of stagnant conditions in certain developing countries. Turning to the Life science field, which in relative terms is less affected by movements in economic conditions, demand for diagnostic reagents in emerging markets grew in line with the upswing in living standards. At the same time, demand in developed countries was generally stable.

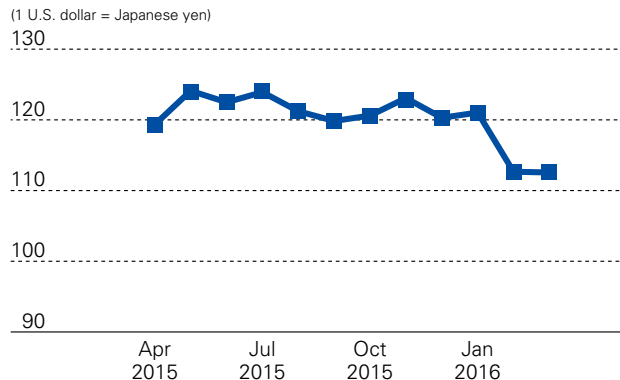
As far as foreign currency exchange rates are concerned, the yen/U.S. dollar rate which continued to hover around ¥120 throughout 2015, saw a sudden and rapid rise in the value of the yen entering 2016. As of March 31, 2016, the value of the yen had appreciated to the ¥112 level. Taking into consideration the annual average foreign currency exchange rates of ¥120 to the U.S. dollar and ¥133 to the euro in fiscal 2015, the value of the yen to the U.S. dollar has depreciated around ¥10 compared with the previous fiscal year.

## Housing starts



Source: "New construction starts of dwellings," Ministry of Land, Infrastructure, Transport and Tourism

## Exchange rate



The exchange rate is the closing rate at month end.



**Analysis of Business Results and Financial Position**

**1. Analysis of Business Results for Fiscal 2015**

**(1) Net sales**

Net sales in fiscal 2015 came to ¥1,096,317 million, a decrease of ¥16,430 million, or 1.5%, compared with the previous fiscal year.

Of this total, the Housing Company accounted for ¥473,441 million, down 4.2%. In the fiscal year under review, sales and profit declined. This was largely due to the drop off in the market in fiscal 2014, which led to a downturn in the order backlog at the start of the term. Sales in the second half, however, were improved to even with the corresponding period of the previous fiscal year. As a result, the Housing Company experienced an improvement in profit. In the Housing Company's new housing construction business, the number of orders was unchanged compared with the previous fiscal year. Despite steady trends in built-for-sale housing orders, this result was mainly due to the substantial drop off in orders for detached houses in the first half of fiscal 2015.

Under these circumstances, the Housing Company focused its efforts on promoting the Smart Power Station series of homes that answer the market's calls for integrated solar power generation systems and storage batteries. Over and above increasing sales through the launch of the new wood-frame GRAND TO YOU f series, which in addition to complying with the Net Zero Energy House (ZEH) standards offers superior energy efficiency at a low cost, steps were taken to strengthen built-for-sale housing activities. For its part, the Living Environment business worked to bolster points of contact with customers through periodic diagnoses. At the same time, energies were directed toward rolling out original renovation menus that help to improve the thermal environments of homes.

The UIEP Company posted net sales of ¥226,279 million in fiscal 2015. This was 0.6% lower than the amount recorded in fiscal 2014. The company's domestic business sales were essentially unchanged from the previous fiscal year. This largely reflected inventory adjustments by distributors in line with restrained shipments in the Pipeline

Rehabilitation business and efforts to standardize shipments of general products. In the fiscal year under review, the UIEP Company took steps to reorganize its overall structure. Rather than focus on business fields, the company transitioned to a structure that is based on products. In addition to strengthening profit management by product, considerable weight was also placed on increasing the profitability of general products. While the company's overseas business struggled under the burden of expenses attributable to structural reforms implemented in the Pipeline Rehabilitation business in the United States as well as the deterioration in market conditions in the Water Infrastructure business in China, every effort was made to promote drastic structural reforms including the transfer of the Pipeline Rehabilitation business in Europe.

Net sales in the HPP Company amounted to ¥378,552 million in fiscal 2015, an increase of 1.7% compared with the previous fiscal year. Despite difficult conditions in the Electronics field, the HPP Company reported a fourth consecutive fiscal year of increased sales and profit due mainly to profit growth in the three Automobiles and Transportation, Building and Infrastructure, and Life Science fields. In specific terms, sales of liquid-crystal materials including fine particles and sealants as well as double-sided tapes and

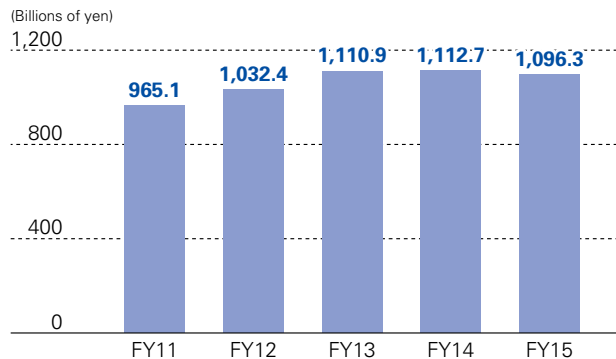
other products declined. This was mainly due to the impact of adjustments in the production of such mobile devices as smartphones and tablets reflecting the downturn in the pace of economic growth in China and other factors in the Electronics field. In the Automobiles and Transportation field, results were positively affected by such factors as stable overseas demand and especially Europe and the United States. As a result, sales of high-performance products were particularly high. In the Building and Infrastructure field, construction work was completed on facilities in Thailand. In the fiscal year under review, operations at a chlorinated polyvinyl chloride (CPVC) resin factory and a resin compound factory commenced in earnest. Focusing mainly on diagnostic reagents and testing equipment, net sales in the life science field increased substantially in Japan and overseas.

Net sales in Other Businesses in fiscal 2015 declined 1.6% compared with the previous fiscal year, to ¥38,300 million.

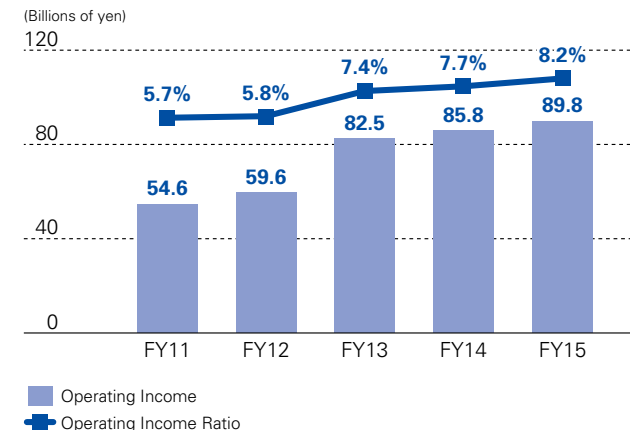
**(2) Operating income**

Operating income in fiscal 2015 amounted to ¥89,823 million, an increase of ¥4,058 million, or 4.7%, compared with the previous fiscal year.

**Net Sales**



**Operating Income and Operating Income Ratio**



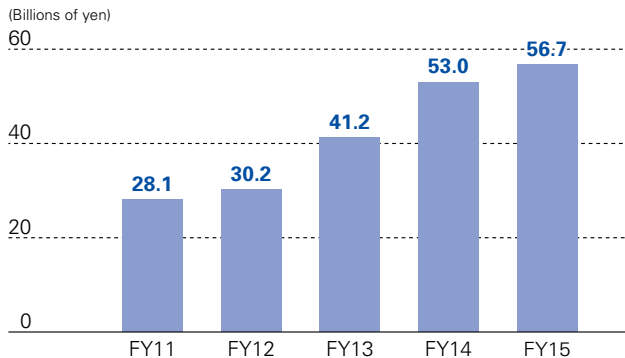
### (3) Non-operating income and expenses

Non-operating income decreased ¥8,763 million compared with the previous fiscal year. In addition to the absence of the foreign exchange gain posted in the previous fiscal year, this decrease was mainly attributable to the drop in dividend income of ¥309 million. Non-operating expenses increased ¥2,059 million compared with the previous fiscal year, primarily owing to a ¥3,155 million increase in foreign exchange loss.

### (4) Extraordinary income and loss

The Company recorded a gain on sales of investments in securities of ¥10,769 million as extraordinary income in the fiscal year under review. The Company also incurred various extraordinary losses including a loss on transfer of business totaling ¥6,638 million, the provision for loss on transfer of business of ¥3,241 million, a loss on impairment of fixed assets and goodwill of ¥2,313 million, and a loss on sales or disposal of property, plant and equipment of ¥1,838 million. As a result, the Company posted a total extraordinary loss of ¥14,032 million, up ¥5,201 million, or 58.9%, compared with the previous fiscal year.

## Net Income Attributable to Owners of Parent



### (5) Net income attributable to owners of parent

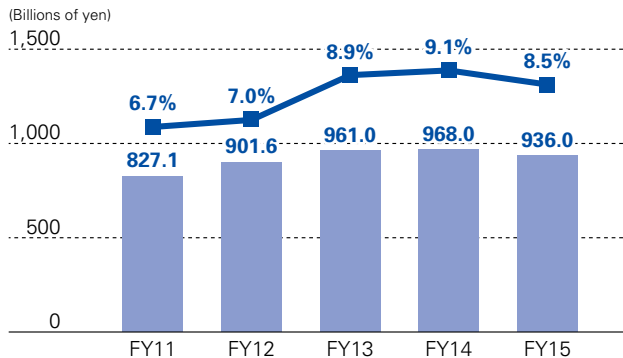
Accounting for each of these factors, income before income taxes came to ¥77,950 million, a decrease of ¥6,281 million compared with the previous fiscal year. After deducting taxes and net income attributable to non-controlling interests, net income attributable to owners of parent came in at ¥56,653 million, up ¥3,658 million, or 6.9%, compared with the previous fiscal year. Effective from the fiscal year under review, the Company has adopted the Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No. 21 issued on September 13, 2013) and reclassified net income as net income attributable to owners of parent.

## 2. Financial Position

### (1) Assets, liabilities, and net assets

Total assets as of March 31, 2016 stood at ¥936,043 million, a decrease of ¥31,967 million compared with the end of the previous fiscal year.

## Total Assets and Return on Total Assets



■ Total Assets  
 ■ Return on Total Assets

Return on Total Assets = Ordinary Income/Average Total Assets

### (Assets)

Current assets stood at ¥434,513 million as of the end of fiscal 2015, ¥31,651 million lower than the balance as of the previous fiscal year-end. The main factor was a ¥19,162 million decrease in the balance of cash and deposits. Non-current assets declined ¥316 million to ¥501,530 million.

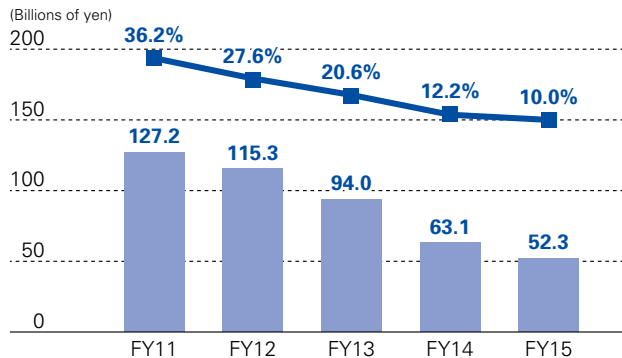
### (Liabilities)

Liabilities declined ¥40,831 million year on year to ¥391,887 million as of the end of fiscal 2015. The main components were decreases of a combined ¥8,939 million in notes payable, electronically recorded obligations, accounts payable, and accrued expenses, ¥7,498 million in accrued income taxes and other taxes, and ¥2,669 million in advances received along with a decrease of ¥10,782 million in interest-bearing debt.

### (Net assets)

Net assets stood at ¥544,156 million as of the end of fiscal 2015, an increase of ¥8,863 million compared with

## Interest-bearing Debt and Debt/Equity Ratio



■ Interest-bearing Debt  
 ■ Debt/Equity Ratio

Debt/Equity Ratio = Interest-bearing Debt/Shareholders' Equity

the previous fiscal year-end. The main factors were a ¥30,413 million increase in retained earnings due largely to net income attributable to owners of parent of ¥56,653 million and a decrease of ¥13,836 million from dividend payments. Appreciation in the value of the yen led to downward translation adjustments of ¥10,600 million.

## (2) Cash flows

Cash and cash equivalents on a consolidated basis amounted to ¥67,104 million as of the end of fiscal 2015, an increase of ¥4,323 million compared with the end of the previous fiscal year.

Factors influencing fiscal 2015 cash flow accounts were as follows.

### (Operating activities)

Net cash provided by operating activities came to ¥71,389 million, up from ¥67,760 million compared with the previous fiscal year. This increase in net cash provided by operating activities was largely because principal cash outflows, which included income taxes paid of ¥30,707

million and decrease in deposits of ¥10,801 million were more than offset by major cash inflows, which comprised income before income taxes of ¥77,950 million, depreciation and amortization of ¥34,735 million, and loss on transfer of business of ¥6,638 million.

### (Investing activities)

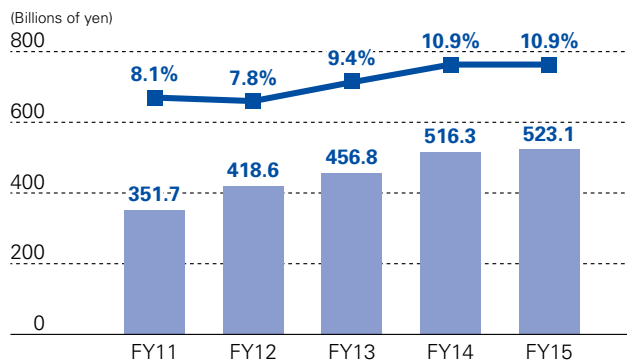
Net cash used in investing activities totaled ¥23,715 million in fiscal 2015. This was compared with net cash provided by investing activities of ¥4,127 million in fiscal 2014. Major cash inflows came from proceeds from sales or redemption of investments in securities of ¥21,408 million, which included a portion of shareholders in Sekisui House, Ltd., and a ¥23,412 million net decrease in time deposits. Cash outflows primarily comprised ¥39,444 million for purchases of property, plant and equipment focused on priority and growth fields, ¥12,232 million for the acquisition of investments in a subsidiary resulting in change in scope of consolidation following the purchase of shares of EIDIA Co., Ltd., a company which engages in the manufacture and sale of clinical diagnostic reagents,

and its inclusion in the Company's scope of consolidation as a subsidiary company, and ¥8,314 million for purchases of investments in securities.

### (Financing activities)

Net cash used in financing activities amounted to ¥41,726 million compared with ¥63,856 million for the previous fiscal year. The principal cash outflows comprised ¥16,783 million for purchases of treasury stock, ¥14,299 million for cash dividends paid including cash dividends paid to noncontrolling shareholders of consolidated subsidiaries, and a net decrease in interest-bearing debt of ¥11,360 million.

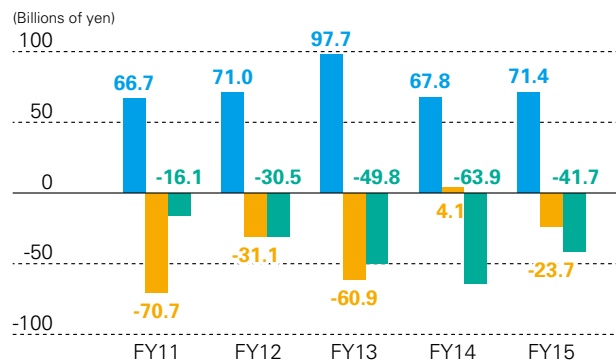
## Shareholders' Equity and Return on Equity



■ Shareholders' Equity  
 ■ Return on Equity

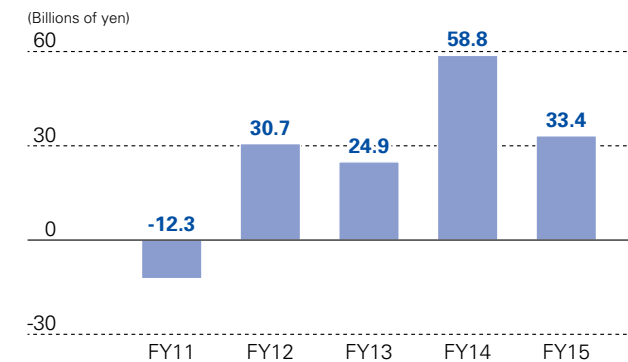
\*Return on Equity = Net income attributable to owners of parent/Average Shareholders' Equity

## Cash Flows



■ Operating Activities Cash Flows  
 ■ Investing Activities Cash Flows  
 ■ Financing Activities Cash Flows

## Free Cash Flow



\*Free Cash Flow = Operating Activities CF + Investing Activities CF - Dividend Paid

## Business Risks

The following factors related to our business and accounting practices may materially influence investment decisions. The Company is endeavoring to establish a system for anticipating potential risks for the Group, preventing their occurrence, and promptly and appropriately dealing with them if they occur.

Forward-looking statements contained herein are based upon assessments made by the Sekisui Chemical Group at the end of consolidated fiscal year 2015.

### 1) Foreign Currency Fluctuations

Exchange rates may affect the value of the Group's overseas assets held in foreign currencies when converted into yen. The Group employs hedging strategies as needed in response to currency fluctuations. However, the business results and the financial position of the Group may be affected if the exchange rates diverge significantly from the forecasted levels.

### 2) Raw Material Price Volatility

The Group's business results and financial position may be affected in the event that the Group, especially the Urban Infrastructure & Environmental Products Company, is unable to transfer changes in prices of polyvinyl chloride, olefin, steel, or other raw materials to product prices in a timely manner and is unable to maintain sufficient margin.

### 3) Overseas Business Activities

Unforeseeable changes in laws and regulations, fragility in the industrial base, and social or political turmoil such as terrorism, war, or other factors may affect the Group's overseas business activities. The emergence of such risks may disrupt the Group's overseas business activities, which would affect the business results and future plans of the Group.

### 4) Housing Related Tax and Interest Rate Trends

The Group's housing-related businesses are affected by domestic taxes and consumption taxes on house purchases and by interest rate trends. These trends may impact our housing-related businesses and affect the Group's business results and financial position.

### 5) Electronics Market Trends

The electronics industry, a market for the Group's High Performance Plastics Company, is characterized by severe fluctuations in demand. A rapid drop in demand within a short period could affect the Group's business results and financial position.

### 6) Trends in Public Works

The Group's Urban Infrastructure & Environmental Products Company includes products used in the public sector. Trends in public works therefore influence the Company's business performance. Public investment is determined by government policy at the national and local levels, and decisions to reduce public investment may impact the Group's business performance and financial position.

### 7) Industrial Accidents and Disasters

A fire, explosion, or other industrial accident at one of the Group's facilities that causes a major impact on the Group's business capability and on the local community could damage society's trust in the Company and incur response costs, including compensation costs directly related to the accident, business opportunity costs from the stoppage of production activity, and compensation costs from payments to customers. Such an event may affect the Group's business results and financial position.

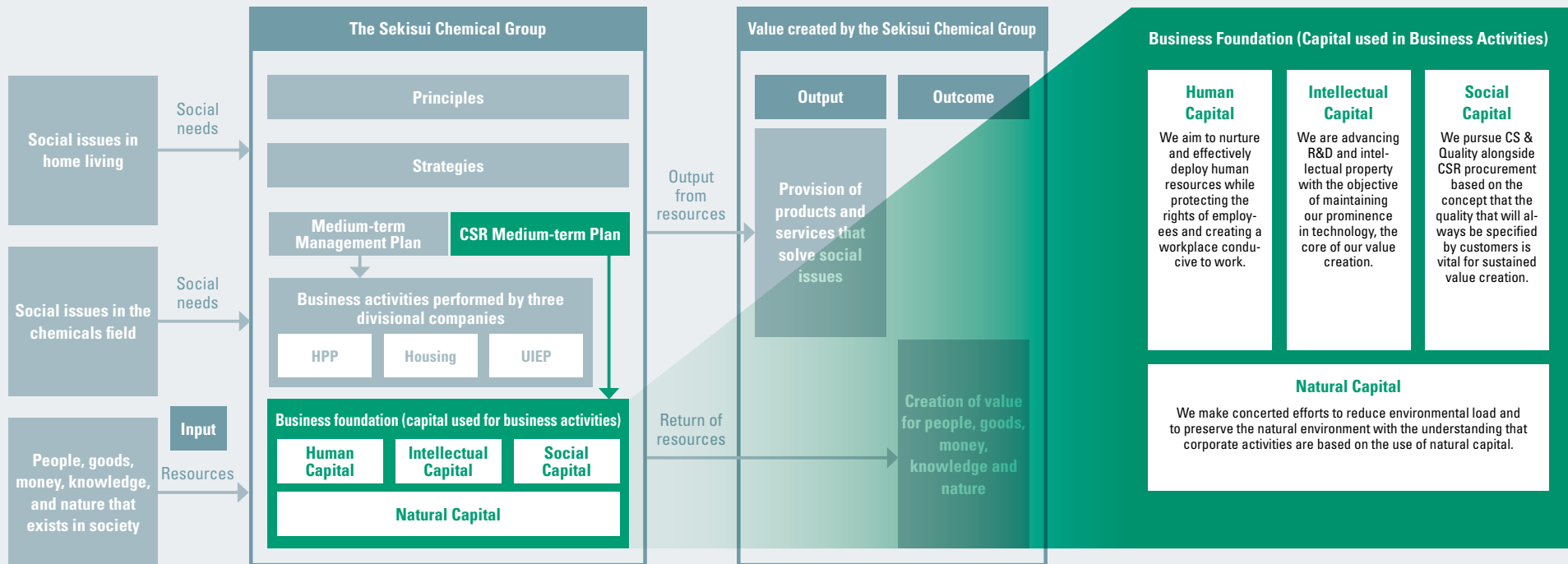
### 8) Intellectual Property and Product Liability

In the event that a dispute arises concerning the Group's intellectual property, the dispute resolution may not be favorable to the Group. The discovery of defects in the Group's products may require large-scale product recalls and compensation for damages. The possibility exists that insurance may not be able to cover associated costs, which could impact the Group's business results and financial position.

# Foundation —CSR for Strengthening Our Business Foundation—

For the Sekisui Chemical Group, CSR means contributing to society through business activities while meeting the expectations of stakeholders. We believe promoting CSR management is an essential element of expanding earnings through business activities and improving overall corporate value.

With this awareness, we diligently strive to maintain constructive relationships with people, the environment, intellectual property and suppliers regardless of the business environment, based on the core themes of “Three Prominences” and “Three Attitudes of Sincerity.”



# Human Resources Strategy (Human Capital)

The Sekisui Chemical Group works to develop its human resources and apply the skills of its employees to maximum effect. At the same time, every effort is made to protect the rights of all staff and to provide a comfortable and rewarding workplace environment. Through these means, the Group is actively endeavoring to enhance its corporate value.

## Stance toward Human Resources and the CSR Medium-Term Plan

Based on our concept of enabling human resources to perform and grow, the Group supports employees' independent career development by providing a variety of opportunities for them to become prominent human resources.

We are deploying measures to raise employee awareness and encourage employee growth on a daily basis from each of the three Group, Global, and Diversity perspectives to draw out the potential of each of the Group's diverse employees working in Japan and around the world.

Based on this understanding, the Group is advancing measures to hire and train employees for the entire group on a global scale under its CSR medium-term plan (fiscal 2014-2016).

## A Safe and Secure Workplace

At the core of safety, it is important that each and every employee has the ability to identify dangerous situations and take appropriate steps to protect themselves and fellow employees. At the same time, constructing a work environment in which employees can work with safety and security is our responsibility as a company and one of the most important priorities for management. The Group is implementing total safety activities (i.e. zero occupational injuries, zero equipment-related accidents, zero commuting-related accidents, and zero extended sick leave) based on five themes\*.

As one such activity, we develop human resources

who put business activities into practice with a high awareness of safety and who can demonstrate this to their subordinates. In fiscal 2015, we planned and implemented an educational program with the aim of fostering a sense of ownership among supervisors, managers, and assistant managers, and providing them with the skills to revitalize business. As a disaster should focus particularly on prevention, we implemented emergency response training in the core processes for the following scenarios: getting caught or entangled at a production facility, tumbling or falling down at a worksite, and a fire or explosion in the chemical process. We also promoted rigorous compliance with scaffolding work rules at construction sites.

To prevent fires and explosions that, once they occur, have a major impact on the surrounding environment and on business continuity, in addition to the safety audit performed thus far, we began an Emergency Audit to which we invite outside disaster experts. We verify the storage of hazardous materials and handling status and the recovery system at the time of disaster including natural disaster, thereby detecting the risk of natural disaster at an early stage and making improvements.

At the Group, we conduct training to fortify the decision-making abilities of all our employees in emergency situations. More specifically, emergency crews are given scenarios where equipment designed to prevent danger fails and challenges trainees to ask questions to solve the problem on the spot. This training has been applied on various occasions including to handle problems, and in

evacuation and emergency drills. In fiscal 2015, a total of 681 people participated in that was held a total of 91 times at six business sites including Sekisui Board Co., Ltd., Okayama Sekisui Co., Ltd., and the Musashi Plant.

\*Five themes: Intrinsic safety of equipment, management using OHSMS, safety education of employees, risk prevention through risk detection activities and other initiatives, and auditing of health, safety, and accident prevention.

## Diversity Management

The Group promotes diversity (advocating the employment of diverse people including women, young people, non-Japanese, veterans and challenged persons) and work-life balance (allowing various work styles). We believe these traits are key to achieving our aim of sustainable development and increasing competitiveness by nurturing personnel and organizations able to address the diverse needs of our customers and stakeholders in the global marketplace, in addition to helping people grow and realize their full potential.

The Group started diversity management in fiscal 2015 and established a new Diversity Management Policy. The Group also held a study meeting for about 200 management-level employees of the domestic Sekisui Chemical Group and another study meeting for nearly 1,900 managers of groups and sections.

Among a host of diversity management initiatives, we are paying particular attention to efforts aimed at helping women excel at their jobs. The Group continues a variety of efforts to enable women employees to continue to work vigorously. As a result, we have achieved a substantial improvement in the ratio of women employees and retention rates and the number of women in management positions has increased. In fiscal 2015, we sought to become an organization where women can truly thrive throughout the entire Group and established specific numerical targets for the ratio of women employees including mid-career employment, and women in management positions.

We also implemented educational programs for female assistant managers and their managers. Women

employee participants developed awareness about management positions and learned skills, shared growth challenges and experiences with each other, and deepened their understanding by sharing ideas. The managers of the women employee participants learned new methods to effectively develop woman managers.

In helping women staff excel at their jobs, we are pushing forward support measures that target our younger employees. Pre-assignment training of new women staff, provided for staff responsible for training and support of new women employees, and management training for women subordinates provided for their superiors, are intended as a means of raising the retention rate of young women employees and helping them to thrive in the workplace. A total of 526 people has undergone these training programs. The management training for women subordinates had participants perform role playing to bring home the importance of having managers provide guidance to young women employees.

After the seminars ended, the participants applied the takeaways they learned to their actual work, and reported to the training center any issues or ideas that came up during their implementation. With this feedback, we continue to provide effective training.

### Improving Group Human Resource Capabilities

The Group has developed a consistent training system covering all stages from new hires to management positions, in order to systematically train business leaders to power the Group into the future. Based on the concept that the foundations of growth are the experience gained through everyday business activities and learning from such experience, we have developed a training system that links these two elements together. Through this system we will enhance each individual's mastery of the skills required of business leaders, by running through the cycle of growth through experience.

In addition to the training of business leaders, we will at the same time nurture the human resources necessary to support the frontline and to enhance frontline

capabilities. The human resources who will support the foundations of management in practical terms in the workplace must undergo self-growth as highly capable practitioners by accumulating experience over the long term and acquiring highly specialized knowledge and skills. Based on this concept, the Group hires human resources who will support the workplace as full-time, permanent employees, creates an environment in which they can demonstrate their abilities with peace of mind over the long term, and deploys the Meister System to strengthen their abilities in the workplace.

### Personnel who can Succeed on the Global Stage

In fiscal 2015, 25.8% of consolidated sales were generated overseas, and this ratio has been increasing every year. We have over 90 production and marketing sites in approximately 27 countries. We believe that all the businesses of the Group depend on each and every employee working around the world growing through their work and providing excellent products and services in tune with local needs.

Based on this belief, we train our employees so that each and every one of them has the skills to succeed in their jobs. We have training and personnel systems in place tailored to local conditions in North America/Mexico, Europe, China, and the ASEAN Region.

In Japan, the Group has established the Global Trainee Program to enable participants to build up real-world experience overseas. This program sends applicants with sufficient levels of experience in specific positions such as sales, accounting, and development to actual positions at overseas affiliates. In fiscal 2015, four employees enlisted in this program and were newly assigned overseas. In the future, we will strive to enhance these systems so that greater numbers of employees can build up work experience around the world.

Meanwhile, with the rapid expansion of business globalization, overseas human resource development has become an urgent task. Therefore, in fiscal 2015, we implemented the Global Saijuku School to develop the

next generation of management personnel who will play an active role in global markets. Twelve executives from Group companies in North America/Mexico, Europe, Asia, and Japan, as well as from our laboratories, took part in a program to enhance the management skills required for personnel to play an active role on the global stage by teaching them about Sekisui's values while reinforcing management and business creation capabilities.

### Industrial Relations

The Group strives to understand the positions of labor unions and respects the opinions of employees. Through close communications, we believe good relations between labor and management are essential for sharing the objective of advancing the company. In Japan, as of July 1, 2016, there were 4,430 employees in the All-Sekisui Chemical Labor Union Federation.

# Research & Development/ Intellectual Property Strategy (Intellectual Capital)

The Sekisui Chemical Group recognizes that maintaining a prominence in technology is the bedrock for creating value. This is particularly the case in the housing/social infrastructure and chemical solutions fields, where the Group's technology platform provides the underlying strength of its competitive advantage. In order to maintain this prominence in technology, the Group is committed to consistently strengthen its human resources and organizational structure in both the research and development as well as intellectual property fields.

## R&D Strategy

### Sekisui Chemical's Approach to R&D and its R&D System

The Group, following its belief that a solid core of essential technologies is crucial to realizing the Group Vision for the medium and long term and to creating value on a sustained basis, has set R&D focused on "reinforcing and nurturing essential technologies" as a top priority in the SHINKA!-Advance 2016, its three-year medium-term management plan that began in fiscal 2014.

The Group has also set "co-creation for new businesses" as a top priority for R&D in the belief that collaboration with companies inside and outside the Group to develop new markets and fields in its business domains is also key to developing future business for the Group. The Group is actively looking to address these two priority issues.

To reinforce and nurture essential technologies, management has designated six essential technologies and 23 technological platforms with direct links to specific solutions in the Group's two business domains: The Creation of Housing and Social Infrastructure and Chemical Solutions. While further developing and honing

each technological platform, we will also look to combine platforms to develop products and services to spearhead advances into new markets and business domains.

Co-creation for new businesses will include cross-over projects for divisional companies for the specific purpose of developing new businesses. The "Advanced Community Development" R&D project, for example, is

### Six Essential Technology Groups

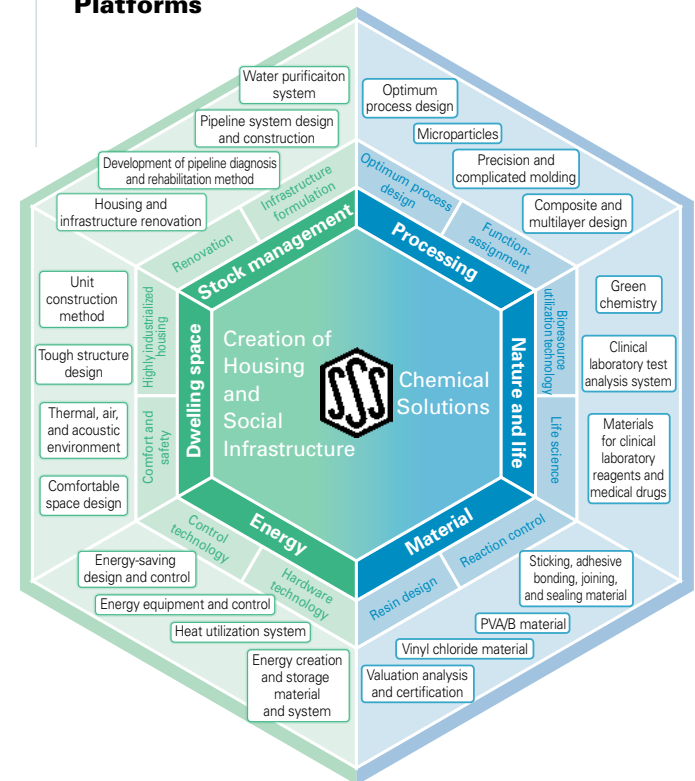
Creation of Housing and Social Infrastructure	
Dwelling space	<ul style="list-style-type: none"> <li>Pursuit of industrialized housing advantages</li> <li>Environment, comfort, safety</li> </ul>
Stock management	<ul style="list-style-type: none"> <li>Enrichment of housing and social infrastructure</li> <li>Maintenance, renewal, and renovation</li> </ul>
Energy	<ul style="list-style-type: none"> <li>Use of renewable energy</li> <li>Hardware + control technology</li> </ul>
Chemical Solutions	
Material	<ul style="list-style-type: none"> <li>Deepening of essential plastic technology</li> <li>New material design and evaluation technology</li> </ul>
Processing	<ul style="list-style-type: none"> <li>Increased process efficiency and increased precision</li> <li>Functionalization by compounding and multilayer</li> </ul>
Nature and life	<ul style="list-style-type: none"> <li>Reagent materials and systems for clinical laboratory</li> <li>Creation of microorganisms utilizing chemicals</li> </ul>

combining housing and energy concepts to generate new ideas and products without focusing on a particular divisional company. The project also integrates new themes in areas outside the standard growth directions of existing businesses and includes actively utilizing sources from outside the company, such as alliances, M&A, and industry-academia collaborations, to accelerate co-creation.

The Group operates four primary R&D centers within the Housing Company, the UIEP Company, the HPP Company, and the Corporate headquarters. In addition, Sekisui Medical Co., Ltd., and other key affiliated companies maintain independent R&D divisions and facilities.

The three divisional companies' R&D activities primarily focus on researching themes closely related to product

### 23 Technological Platforms





development, production engineering, and management technologies, and the Corporate R&D works as an independent research unit researching key themes for medium- and long-term time frames, themes that will become links for divisional company collaboration, and new business domain themes for the Group. One successful research theme into a new domain is the Group's work on high-capacity film-type lithium-ion batteries. In order to accelerate the pace of commercialization, and to nurture the Group's work in high-capacity film-type lithium-ion batteries into a Core business, work in this area has been structured into an independent unit reporting directly to the president.

Product development is the key to a manufacturer's competitiveness. We established the Manufacturing Development Innovation Center at the Corporate R&D Center in 2006 to enhance our product development capabilities. In fiscal 2009, the manufacturing development departments were shifted from the Corporate R&D Center to the new Total Manufacturing Innovation Center comprising the Safety Group, the Quality Management Group, the Manufacturing Development Innovation Center, and the Purchasing Group and are operating under the guiding principle of "No quality without safety. No productivity without safety and quality." The system is structured for all departments, including the Purchasing Group, to support innovation in manufacturing. In fiscal 2013, the Company revised its human resource development system for manufacturing production and commenced full operation of the expanded factory management training program for plant managers.

### R&D Human Resources and Benefits

The Group presents Great Invention Awards to acknowledge researchers and engineers that have created highly unique and innovative inventions with the potential to become profitable technologies and products. These awards and the accompanying monetary endowment are one way the Group demonstrates its recognition of and appreciation for its talented researchers and engineers. In fiscal 2015, several innovations were recognized and the inventors presented with awards and benefits. This included the Smart Power Station home roof.

The Group has also established a specialist position system to recognize and reward researchers and engineers with highly specialized skills. The system selects exceptional

individuals who have been recognized as possessing highly advanced skills and appoints them to uniquely defined specialist positions. The system promotes ongoing development and aims to cultivate outstanding researchers and engineers recognized both inside and outside the Company. As of July 2015, 14 people held specialist positions.

The Group introduced the Meister position in fiscal 2009 to recognize individuals that exemplify the range of manufacturing skills and technical objectives of the Group. The position is intended to promote the Group tradition of high skill and craftsmanship and increase the motivation of each and every technician. As of July 2015, seven people held Meister positions. Cultivating and encouraging the Group's talented manufacturing technicians by acknowledging their highly refined skills inspires motivation and will further elevate the Group's high level of manufacturing expertise.

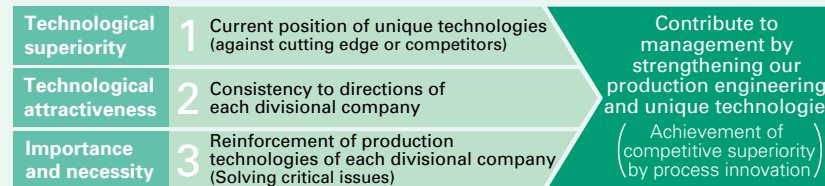
### Strengthening Manufacturing Development Capabilities

The Group is working to promote R&D that helps to create new products. At the same time, the Group is placing equal emphasis on strengthening its manufacturing development capabilities in a bid to reinforce the competitive advantage of its existing products.

The SHINKA!-Advance 2016 medium-term management plan sets a policy for promoting manufacturing development activities to "contribute to management by strengthening our production engineering and unique technologies" by improving existing processes and innovating new processes to make the production process more efficient. The plan also includes further advancing existing measures to reinforce our core strengths and workforce. The Company took the further step in fiscal 2015 to fortify its ability to provide quality assurance from

### Contribute to management by strengthening our production engineering and unique technologies

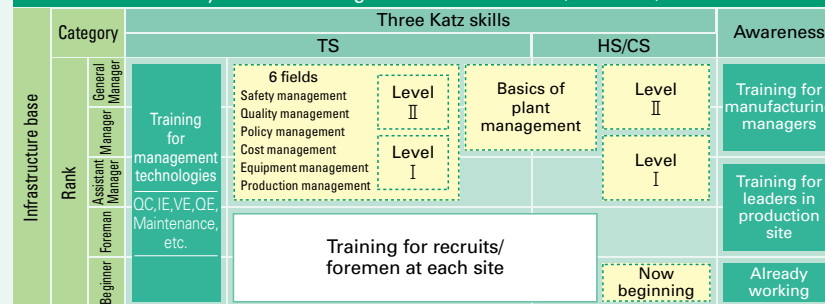
#### Leading themes for process innovation



#### Reinforcement of manufacturing foundation with Sekisui-style

- (continuous promotion in domestic and overseas)
- Continuous promotion of STPM activities for maintenance
  - Energy-creating (or stabilizing) and development of energy-saving (ex. ECO-JIT) activities
  - Activation of group improvement activities (Kaizen)

#### System of training for human resource (domestic)



TS: Technical skill  
HS: Human skill  
CS: Conceptual skill

#### Reinforcement of human resources for manufacturing

- Promotion of new trainings for production managers
- Personnel training with production and unique technologies

the customer’s perspective by combining the Customer Satisfaction Department and Quality Management Group into a single CS & Quality Management Group entity. Through its VOICE publication, the Group is also distributing the comments received from customer throughout the Group. Through these and other means, every effort is being made to enhance the quality of the Group’s human resources, products, and systems.

This organizational approach will enable the Group to engage its prominent technologies and quality in the continuous development of new frontiers in the domains of “Creation of Housing and Social Infrastructure” and “Chemical Solutions” for the betterment of the environment and the people of the world.

## Intellectual Property Strategy

### Intellectual Property Strategy Objectives and Fundamental Policy

The intellectual property cultivated from our R&D activities is an important management resource that underpins the Group’s growth and revenue and contributes to optimizing corporate value. An intellectual property strategy is vital to maximizing the Group’s technological prominence.

In the Principles on Intellectual Property formulated in March 2005, the Group clearly stated that the objectives of its intellectual property management are to contribute to business growth and to increase corporate value by encouraging the creation, protection, and utilization of intellectual property, which is to be achieved by respecting the Group’s proprietary intellectual property and that of others and by clearly laying out an approach toward intellectual property management. This management mandate is further reinforced by our fundamental policy of ensuring business competitiveness by acquiring highly beneficial patents.

Sekisui Chemical adopted a new Group-wide Intellectual Property Management Medium-term Plan in March 2014 to foster activities related to the intellectual properties that

contribute to our management and business strategies. The plan focuses on three directives.

1. Fortify the ability to respond to intellectual property risk from domestic and foreign litigation and from the accelerated technical advances in China and South Korea.
2. Conduct broad-ranging analysis of intellectual property information to contribute to the creation and development of new businesses.
3. Create highly exclusive intellectual property and amass a stock of intellectual property with a high degree of contribution to our businesses.

### Framework for Promoting Our Intellectual Property Strategy and Major Activities

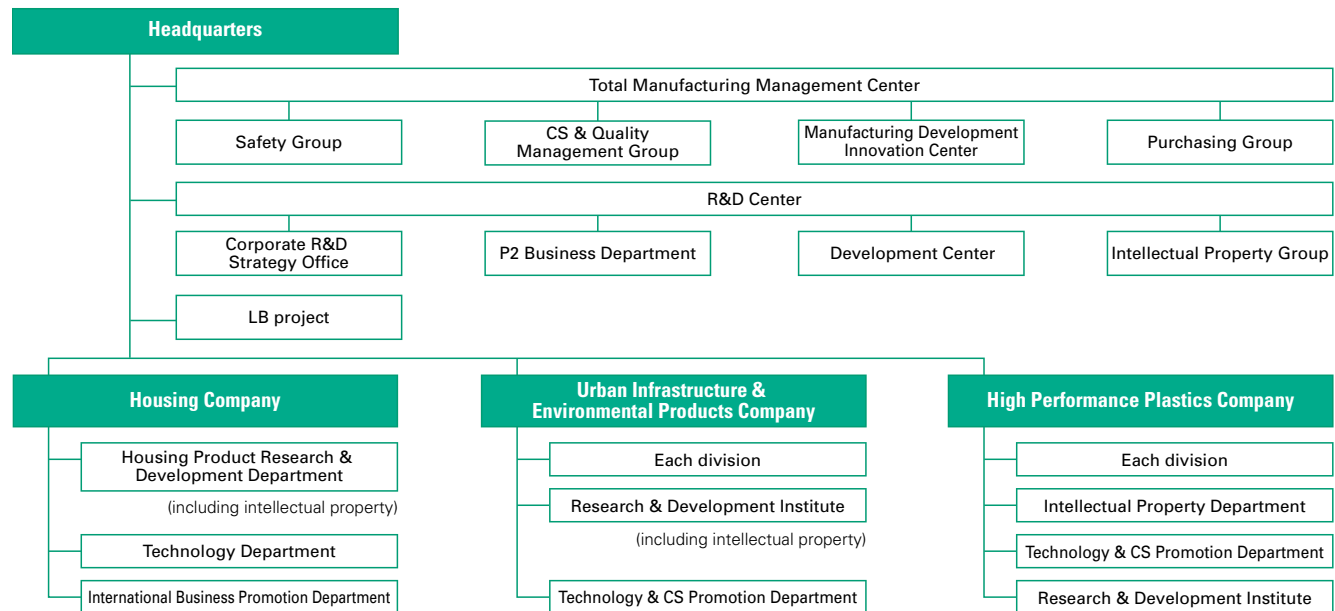
The Group advances a uniform intellectual property strategy through intellectual property divisions at the headquarters and each divisional company that covers all levels of operation from the planning of basic strategy to

the acquisition, management, and utilization of patents.

Each divisional company’s intellectual property and R&D division holds periodic Development and Intellectual Property Strategy Committee meetings to review the orientation and direction of its intellectual property strategies. The Intellectual Property Group at the headquarters supports each divisional company from a Companywide business strategy perspective to optimize the intellectual property portfolio.

The Group also proactively cooperates and seeks the advice of patent agents, lawyers, and other external experts regarding the acquisition, management, and utilization of intellectual property to ensure each step is conducted in an appropriate manner. The Group is actively working with specialists in both Japan and overseas with the aim of further expanding the development of its global business. Along with this effort, we are hiring and training local personnel to serve as intellectual property staff promoting intellectual property activities at our operating sites around the world.

### R&D and Intellectual Property Management System



## Social Capital

The Sekisui Chemical Group recognizes the importance of providing products and services that consistently satisfy and appeal to customers. Only in this way, can the Group truly strengthen ties with society and stakeholders. Accordingly, every effort is made to enhance the quality of our human resources, products, and systems while working the quality that will always be specified by customers. At the same time, we adhere strictly to a policy of CSR procurement when seeking to purchase raw materials. We also refrain from the use of conflict minerals associated with inhumane acts. Cognizant that the Company is a member of society, we engage vigorously in environmental and social contribution activities in each of the three environment, next generation, and local community fields.

### CS & Quality Management Pursuing a level of quality that is always specified by customers

Since 1999, the Group has practiced customer satisfaction (CS) management. In 2004, we began CS & Quality Management to consistently deliver value to our customers so that they will always choose our products and services, by focusing on quality innovations in all of our businesses. Based on the motto "we consider customer feedback as the beginning of our manufacturing," we improve the Attractive Qualities and Basic Qualities provided to customers by enhancing the Quality of People, Quality of Products, and Quality of Systems. The Group is working together to pursue the quality that will always be specified by customers.

The Group has identified two themes for CS & Quality Management. One of these is external failure costs\*<sup>1</sup> and the other is the number of major quality issues\*<sup>2</sup>. Under the CSR Medium-Term Plan (FY2014-2016), we are targeting zero major quality issues and a 50% reduction in external failure costs (compared with fiscal 2013) by fiscal 2016.

In fiscal 2015, the second year of the Medium-Term Plan, we achieved zero major quality issues. External failure costs were roughly the same level as in fiscal

2014. To maintain zero major quality issues, we aim to improve basic quality by ensuring thorough adherence to the Development Guidelines and Everyday Management Guidelines throughout the entire Group.

We aim to further cut external failure costs by continuing to enhance Group-wide quality assurance systems and to deploy activities to reduce quality-related risks.

\*1 External failure costs: Costs arising from responding to product-related complaints.

\*2 Major quality issues: Problems related to product and service quality that could cause significant damage to customers, society, or the Group if not thoroughly resolved on an urgent basis.

### Materials Procurement

The Group procures materials based on the five fundamental concepts of openness; fairness and equity; legal compliance; mutual trust; and consideration for the environment. We will strengthen our harmonious and mutually beneficial partnership with our business partners through fair transactions. Also, the Group is engaging in the promotion of CSR procurement. In other words, activities that are conducted by collaborating with business partners.

Moreover, in an effort to secure the highest quality from its business partners, suppliers are requested to take into consideration the environment as well as

compliance with all laws, regulations and societal norms, and ensure health and safety in their own companies.

### Addressing the Issue of Conflict Minerals

Guided by the provisions of the Dodd-Frank Act in the United States, the Group is committed to eradicating the use of conflict minerals including gold (Au), tantalum (Ta), tungsten (W), and tin (Sn) associated with inhumane acts committed by armed groups on the ground in the Democratic Republic of the Congo or any of its neighboring countries. If any concerns that conflict minerals are being used come to light during commercial distribution inspections, robust steps will be taken to promote responsible procurement and to implement the necessary remedial measures in collaboration with business partners.

Companies that are registered with the US Securities and Exchange Commission (SEC) fall within the scope of the Dodd-Frank Act. Sekisui Chemical is not an SEC registered company and accordingly is not obligated to disclose details of conflict mineral use. The Company is, however, implementing surveys and inspections to ascertain the status of conflict mineral use.

### Social Contributions As a company in tune with local communities

The Group contributes to the environment and society primarily through activities in the areas of the environment, the next generation, and local communities. We position these activities as a hallmark of our initiatives as a corporate citizen in tune with the needs of society. We support the activities of Group employees to give back to society.

# Environmental Strategy (Natural Capital)

The Sekisui Chemical Group aims for a planet in which the air, water, and land provide a healthy living environment for its inhabitants and fosters robust biodiversity. Our daily lives and economic activities have been sustained by the natural capital\* provided by our planet. The Group's business activities use the resources (natural capital) of our planet, such as petroleum and timber, while also building plants and office buildings on the land. Being aware of this, we engage in a wide range of activities aimed at paying back the natural capital that we use.

\* Natural capital: A term that refers to the Earth's various resources, such as soil, air, water, minerals, flora, and fauna, that human beings are incapable of creating themselves.

## Long-Term Environmental Management Vision Sekisui Environment Sustainability Vision 2030

The Group is aware that its business activities depend on resources (natural capital). Each and every executive and employee is working to evolve into a pool of talented personnel with excellent environmental activity promotional skills and will promote environmental management based on contributions in three areas in order to "give back more to the Earth than is taken" in 2030. In specific terms, energies will be channeled toward expanding and creating markets for Environment-Contributing Products, reducing environmental impact, and conserving the natural environment.

In addition, the Group is generating prominent value toward the realization of "the Earth with maintained biodiversity" by contributing to the return of natural capital.

We are undertaking initiatives aimed at resiliently and sustainably solving climate change and energy issues raised as Sustainable Development Goals (SDGs) by the UN.

## Integrated Index Trial Calculations Sekisui Environment Sustainability Index

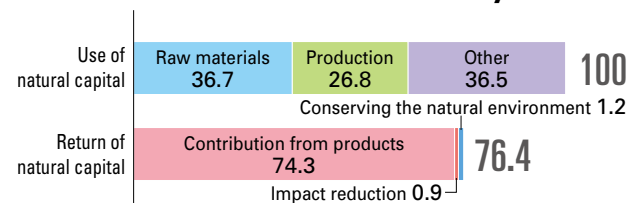
The Group has been using the Sekisui Environment Sustainability Index since fiscal 2014 as a single indicator of the level of environmental impact by its corporate activities (i.e. use of natural capital) and contributions back to the environment (i.e. return of natural capital).

Based on fiscal 2015 performance, the Sekisui Environment Sustainability Index was calculated as follows. With environmental impact equal to 100 representing the use of natural capital, the return of natural capital as contributions back to the environment came to 76.4 (+11.9% compared with fiscal 2014).

## Environmental Medium-Term Plan The Sekisui Environment Sustainability Plan: Take-Off (FY2014-2016)

The Group has formulated the new environmental medium-term plan Sekisui Environment Sustainability Plan: Take-Off (FY2014-2016) based on back-casting from the Sekisui Environment Sustainability Vision 2030. The Group has identified specific targets under the plan and is engaging in a wide range of activities.

### Sekisui Environment Sustainability Index



## Environment Management System

The CSR Committee, headed by the President, and the Environmental Subcommittee of the Group meet twice a year to decide on environmental policies and key initiatives for the entire Group. Matters decided by these two bodies are then transformed into specific action plans in meetings of environmental managers from corporate headquarters and each divisional company. Each business site manages its environmental activities through an environment management system based on ISO 14001.

As of March 31, 2016, 54 business sites in Japan and 32 overseas have been ISO 14001 certified. The number of employees working at these business sites represented 50% of the total for the Group.

## Reduction in Greenhouse Gas Emissions

The Group strives to reduce greenhouse gas emissions at each stage, from the purchase of raw materials through development, production, shipping, and use. We ascertain emissions throughout the entire supply chain, including not just our own business sites, but also raw material suppliers and the use of our products sold.

Aiming to keep the overall volume of greenhouse gas emitted during manufacturing pegged to the fiscal 2013 level, we pay particular attention to reducing by 1% every year the amount of energy consumed per unit of output and focus on energy conservation activities especially at our overseas business sites, which have increased in recent years.

As a result, we reduced total emissions by 4.5% in fiscal 2015. Looking ahead, we will continue reducing greenhouse gases at every stage of our business activities with the aim of reaching COP 21 objectives.

## Reduction of Waste

The Group sets the ambitious target of reducing the amount of waste generated per unit of output by 4% every year compared with the fiscal 2013 level. Changing our perspective on reducing waste by improving production efficiency, we are taking on the challenge of shifting

our emphasis from simply selling waste materials as valuable materials to generating additional value using resin processing technologies developed to date.

The Group is promoting zero emissions at overseas production sites. While domestic Group facilities have been certified under standards calling for zero direct land-fill waste and no incineration without heat recovery in Japan, many sites overseas still bury or incinerate waste. Under these circumstances, five business sites beginning with our SPI Bloomsburg plant in America were certified in fiscal 2015.

### Preservation of Water Resources

Water resources are a form of natural capital that is vital for maintaining sustainable business activities. Accordingly, we are not only reducing the amount of water extracted, but also identifying risks posed to biodiversity and business sustainability by water discharge. In fiscal 2015, we reduced water usage at our production sites by 5.8% compared with fiscal 2013 and conducted additional Whole Effluent Toxicity (WET) assessments regarding water discharge at four business sites. As for water risk surveys, we confirmed that no business sites require emergency measures after follow-up surveys were conducted mainly at overseas facilities.

### Natural Environment Conservation

Employees across the Group's global network of business sites are actively promoting measures aimed at conserving the natural environment. In particular, the Group holds the SEKISUI Environment Week annually during the week

starting on August 1 as an opportunity for all employees to participate in environmental contribution activities.

SEKISUI Environment Week was held for the third time in fiscal 2015, with 19,677 employees taking part. This event comprised a wide array of activities, such as local cleanup drives, energy conservation initiatives in offices, tree planting, and providing environmental education at elementary schools. In addition, the European Children's Eco Summit 2015 held in Germany was an event that symbolized the Group's efforts. Executives led by the chairman and president along with roughly 80 employees and their families took part in tree planting and environmental training during SEKISUI Environment Week.

### Environment-Contributing Products

Contributing to the environment through its products and businesses is an essential mission of the Group, which uses this planet's natural resources. The Group returns natural capital to the Earth by creating and the expanding markets of its Environment-Contributing Products.

Environment-Contributing Products are internally certified products that have demonstrated a high level of environment contribution especially when used by customers.

The Group endeavors to increase the consolidated sales ratio of Environment-Contributing Products as well as the number of newly certified products. In fiscal 2015, sales of houses installed with solar panels declined. As a result, sales of Environment-Contributing Products came in at ¥485.8 billion and the ratio of Environment-Contributing Product sales to total sales declined to 44.3%. Meanwhile, we identified approaches for area

contributions that take into account the circumstances of each area with a particular focus on our overseas operations. The products that play a leading role in promoting environmental contributions in various areas of the Group are registered, such as houses in Thailand. In fiscal 2015, 15 products were registered.

Note: Please refer to the Data section of this report (P58-61) for quantitative information concerning the environment.

# Corporate Governance

The Sekisui Chemical Group sets forth as the basic policy for corporate governance the promotion of sustainable corporate growth and the increase of corporate value. To realize this, the Group will enhance the transparency/fairness of management, pursue prompt decision-making, and continue to fulfill the expectations of “customers,” “shareholders,” “employees,” “business partners,” and “local communities and the environment,” the five major categories of stakeholders that the Company values most, through the creation of values to the society.

## Overview of the Corporate Governance System

### (1) Organizational Structure and business execution system

As an organizational structure under the Companies Act, the Company has chosen to be a company with Audit & Supervisory Board.

Under the Divisional Company System, the Company has adopted the Executive Officer System in order to clearly distinguish the business execution function from the decision-making function in management. Each divisional company has an Executive Officers Committee, which serves as the company’s highest decision-making body. The Executive Officers Committee has been delegated substantial authority previously entrusted to the Board of Directors. Executive Officers are appointed by a resolution of the Board of Directors, and their term of office is one year.

### (2) Board of Directors

The Board of Directors continually strives to strengthen its role as a body responsible for decision-making concerning the Company’s fundamental policies and upper-level management issues, and supervising the execution of business. The Board includes two Outside Directors to ensure transparency in management and fairness in business decisions and operations.

The number of directors shall not exceed 15, and two or more of them shall be independent outside directors. The Company ensures diversity among board members

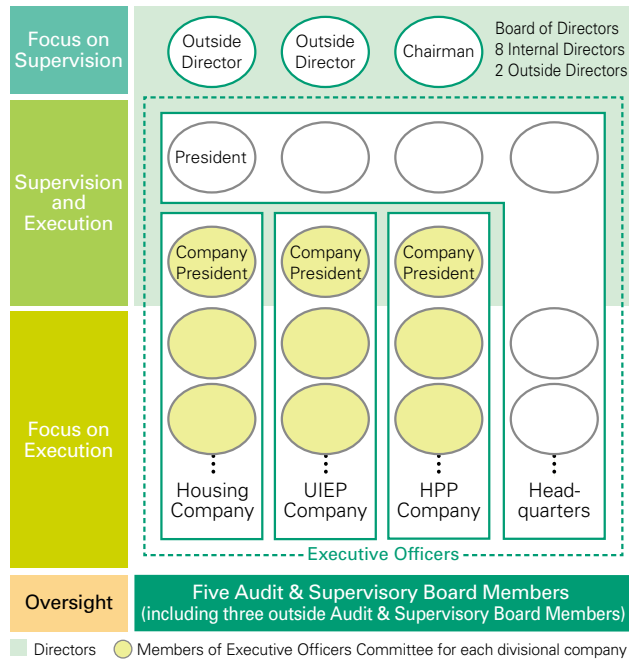
and keeps the number of directors at an optimal level for appropriate decision-making that is commensurate with the business domain and size. The presidents of the divisional companies who are the top management of each business and senior corporate officers with significant experience and strong expertise are appointed as inside directors. Together with the outside directors who have broad knowledge and Audit & Supervisory Board Members with strong experience, they effectively perform the roles and responsibilities of the Board of Directors, taking the balance with respect to diversity, optimal size, and capabilities, with Audit & Supervisory Board Member with strong expertise.

### (3) Auditing System

The Company has established a Audit & Supervisory Board Member Board as a supervisory body to oversee the Board of Directors and business execution system. Together with the adoption of outside Audit & Supervisory Board Members, the system ensures wide-ranging viewpoints and fairness.

A group-wide internal framework has been put in place to enable Audit & Supervisory Board Members to exercise without any obstacle its authorities by, among others, attending various important meetings, conducting an investigation into divisions concerned including affiliates, and examining the approval documents of important projects. Sufficient information sharing and exchange

## Management System



of opinions take place among the members of Audit & Supervisory Board (including Outside Audit & Supervisory Board Members). Audit & Supervisory Board Members also hold a regular meeting with the representative directors, directors, and executive officers to exchange opinions on, among others, the issues that the Company should resolve, the status of the improvement of the environment for audit by Audit & Supervisory Board Members, and important audit issues and to make necessary requests to enhance mutual understanding.

The Corporate Audit Department has been established under the direct control of the President, and conducts internal audits on the operations of the entire Group. Internal audit field work is conducted in accordance with the internal audit regulations and based on the audit policy and the audit

plan for the year. The findings are reported to the President, directors, Audit & Supervisory Board Members and divisions concerned. The Corporate Audit Department receives action plans for improvement from the audited parties or conducts follow-up audits where necessary, through which it streamlines and improves the internal control system.

The Company's accounting auditor is Ernst & Young ShinNihon LLC, and certified public accountants who execute the accounting audit work are Mikio Konishi, Yoshio Ogawa and Hiroshi Matsuura; each certified public accountant is replaced in a timely manner in accordance with the replacement plan formulated with Ernst & Young ShinNihon LLC.

**(4) Nominating and Remuneration Advisory Committee**

The Company has established an optional advisory committee on nominations and remuneration policies as a complementary function to the Board of Directors, and for the purpose of enhancing fairness and transparency.

The Nomination and Remuneration Advisory Committee deliberates and makes recommendations to the Board of Directors on important management issues as necessary, in addition to the nomination of senior executives including Representative Directors and other directors, etc. and adequacy of the system and the level of remuneration for the directors. The Committee consists of five members, the majority of which must be independent outside directors and the chairperson of which must be elected from among the independent outside directors.

**Compliance**

Chaired by the president, the CSR Committee deliberates on the Fundamental Compliance Policies and other important matters. As an executive organization, the CSR Committee also manages a Compliance Sub-committee with the Legal Department serving as the secretariat. In addition to having Group company and Headquarters executive officers as well as the head of the Corporate Audit Department join its members, the Compliance Sub-committee reports on the results of compliance initiatives

and on matters discussed at the Compliance Advisory Board, and discusses future initiative policy.

In fiscal 2015, training and education activities with regard to accounting compliance were strengthened by the implementation of accounting compliance training for the full-time directors and full-time Audit & Supervisory Board Members at Group companies. Furthermore, internal reporting rules were revised and these made known to all Group directors and employees: the filing of a report was made mandatory for cases in which fraudulent or other behavior was not being corrected; the disadvantageous treatment for reasons that a person had reported an issue prohibited; and the revised rules added to matters subject to reporting at major suppliers. In October 2015, which was deemed Compliance Reinforcement

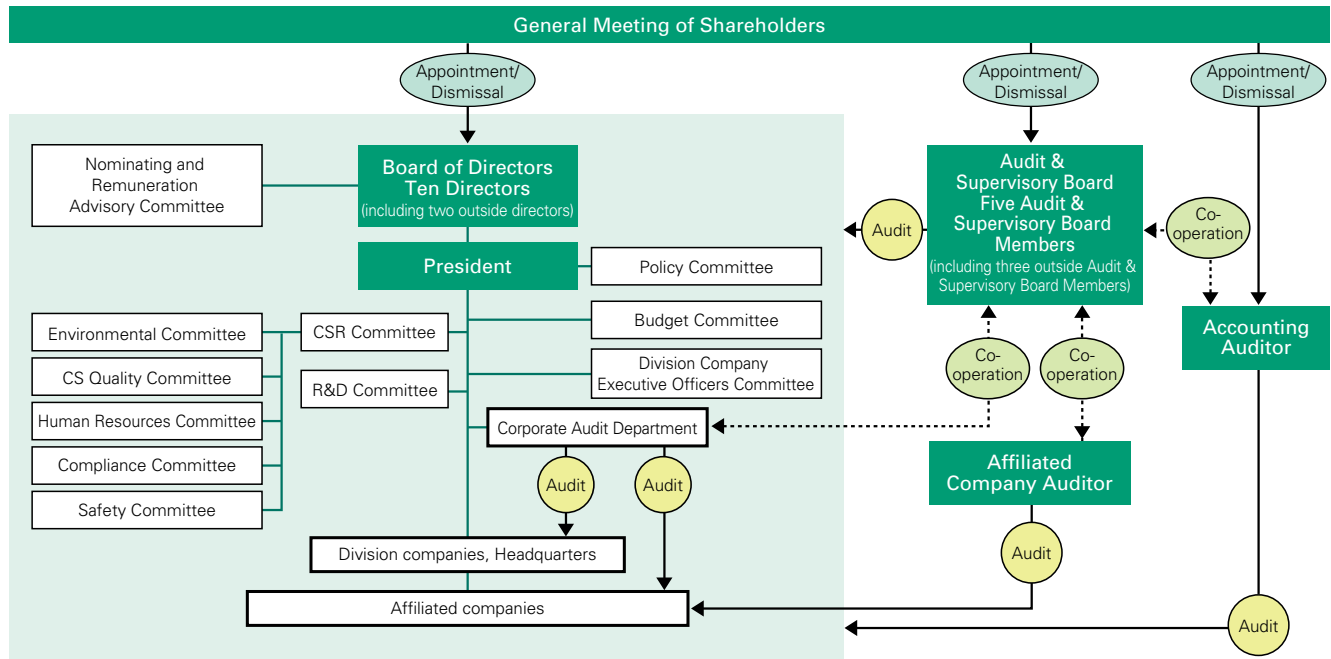
Month, the Company sent out messages from senior management and implemented e-learning and educational programs (open seminars).

In 2002, the Group developed the S.C.A.N. (Sekisui Compliance Assist Network) intra-company whistle-blowing system and since then has made it available for use by all Group employees.

**Reinforcement of the Risk Management Structure**

Sekisui Chemical maintains a companywide risk management structure for integrated management of measures to prevent risk events from occurring (risk management) and to respond when risk events occur (crisis management). The Risk Management Group of the Human Resources Department maintains and refines the risk

**Corporate Governance System**



management structure and disseminates information to all directors, executive officers, and employees of the Company and Group companies.

Based on the Sekisui Chemical Group Risk Management Guidelines, 156 task forces are working (fiscal 2016) to reduce and eliminate risk by analyzing and assessing conditions and implementing risk management measures followed by periodic reviews and implementation of the PDCA cycle of risk management for ongoing improvement. The Risk Management Group addresses risk expediently and systematically, reports to the CSR Committee, and considers measures for implementation throughout the Company.

Crisis management activities are carried out following the Sekisui Chemical Group Crisis Management Guidelines. Risk management officers of each department regularly hold crisis management liaison meetings to research incidents and reinforce practices. In addition, the Company works to ensure that the emergency systems at 800 domestic business sites are sufficient. The Company's overseas crisis management activities are overseen by the Global Crisis Management Office and Regional Crisis Management Responsibility in each of the Company's eight regions in line with the Global Crisis Management Guidelines.

### Information Disclosure

In order to deepen mutual trust with all of our shareholders, we believe it is important not only to actively disclose information in a timely and appropriate manner, but also to enhance two-way communications with our shareholders. To steadily put this belief into practice throughout the Group, we established the "Principle of Corporate Information Disclosure" and beefed up our internal information disclosure framework. For instance, we have set up the "Corporate Information Disclosure Regulations" which specify the content and system of disclosure. In the Group, the Investor Relations Group within the Business Strategy Department is working hard to strengthen two-way communications with our shareholders and investors, not only by disclosing financial

statements in a timely and appropriate manner but also by actively reflecting feedback from our shareholders and investors in our management. For example, we hold quarterly briefings on financial results where our management team explains these figures. Also, we pay heed to the voice of capital markets by holding one-on-one meetings with analysts and investors.

To ensure information is provided in a fair manner, the Group posts its financial statements and results briefings on the Company website in Japanese and English simultaneously and additionally provides an audio recording of briefings and a transcript of the question and answer session.

### Dialog with Stakeholders

We are working to reflect appropriately in our business the evaluations and comments we receive through dialogue with stakeholders.

We are doing so through efforts including Customer And Top (CAT) Meeting, at which top management in housing sales companies meet customers to receive feedback directly (3,613 persons took part in fiscal 2015), Dialogue with Top Management where the president and top management talk directly with employees, the Employee CS & Quality Assessment, by which employees are surveyed on their awareness of CS & Quality and the results fed back, the Heim Mutual Prosperity Group and other venues of communication with suppliers, and through contact with investors and research organizations.

The Group continues to communicate directly with SRI rating agencies in Europe and other regions. We believe it is important to take the time to explain to each agency our wide-ranging businesses and CSR initiatives in order to convey a sufficient and accurate understanding of our operations.

In fiscal 2015, we talked directly with four SRI rating agencies in Japan and abroad.

### Response to the Corporate Governance Code

The Company has established and disclosed the SEKISUI Corporate Governance Principles for the purpose of further evolving the initiatives of the Group to improve its corporate governance and communicating our corporate governance approach and initiatives to our stakeholders.

In addition to the above Principles, the status of the Company's initiatives and its approach with respect to all 73 items of the Corporate Governance Code consisting of the General Principles, Principles and Supplementary Principles have been summarized and disclosed in the form of the Initiatives to Each of Principles of the Corporate Governance Code, including the items for which the implementation method is currently being considered. Please refer to the following.



# Directors, Audit & Supervisory Board Members and Executive Officers

## Board of Directors



**Naofumi Negishi**  
Chairman of the Board and Representative Director

- Apr. 1971: Joined the Company
- Jun. 2003: Director of the Company, General Manager of Corporate Finance & Accounting and Planning Department
- Apr. 2005: Managing Director of the Company\*, Senior Managing Executive Officer & CFO of the Company, in Charge of Corporate Finance & Accounting and Planning Department
- Oct. 2007: Managing Director of the Company\*, in Charge of Corporate Communication Department, General Manager of Corporate Finance & Accounting and Planning Department
- Apr. 2008: Managing Director of the Company\*, Senior Managing Executive Officer & CFO of the Company, in Charge of Corporate Communication Department, General Manager of Corporate Finance & Accounting and Planning Department
- Jun. 2008: Director of the Company, Senior Managing Executive Officer & CFO of the Company, in Charge of Corporate Communication Department, General Manager of Corporate Finance & Accounting and Planning Department
- Oct. 2008: Vice President & Director of the Company, Senior Managing Executive Officer & CFO of the Company, in Charge of Corporate Communication Department and Corporate Finance & Accounting and Planning Department
- Mar. 2009: President and Representative Director, Chief Executive Officer of the Company
- Mar. 2015: Chairman of the Board and Representative Director of the Company [incumbent]

### Reasons for Election of the Director

He has mainly been engaged in finance and accounting affairs. He formerly assumed office as President and Representative Director for six years from 2009 to 2015. Since 2015 when he was appointed as Chairman of the Board and Representative Director, he has been engaged in external affairs as the Chairman of the Board and representative of the Sekisui Chemical Group. He has been elected as a Director as the Company has judged that he would be able to further fortify the Board's functions of decision-making and supervision based on his abundant business experience and past achievements in the Company.

\*The title of managing director of the Company was in use until the April 2008 introduction of the Executive Officer System.



**Teiji Koge**  
President and Representative Director  
*Chief Executive Officer*

- Apr. 1976: Joined the Company
- Jun. 2005: Director of the Company, President of Nagoya Sekisui Heim Co., Ltd.
- Oct. 2005: Director of the Company, Head of President's Office of Housing Company
- Apr. 2006: Director of the Company, General Manager of Planning & Control Department of Housing Company
- Apr. 2007: Director of the Company, General Manager of Housing Division and Planning & Control Department of Housing Company
- Jul. 2007: Director of the Company, in Charge of Sales Department, General Manager of Housing Division of Housing Company
- Feb. 2008: Director of the Company, President of Housing Company, in Charge of Sales Department, General Manager of Housing Division
- Apr. 2008: Director of the Company, Managing Executive Officer of the Company, President of Housing Company
- Apr. 2009: Director of the Company, Senior Managing Executive Officer of the Company, President of Housing Company
- Mar. 2014: Director of the Company, Senior Managing Executive Officer of the Company, Head of CSR Department, Head of Corporate Communication Department
- Mar. 2015: President and Representative Director, Chief Executive Officer of the Company [incumbent]

### Reasons for Election of the Director

He has been engaged in the housing business for many years. He formerly assumed office as Head of the CSR Department and Head of the Corporate Communication Department and has served as President and Representative Director since 2015. He has been elected as a Director in the position of Chief Executive Officer as the Company has judged that he would be able to contribute to enhance the corporate value of the Sekisui Chemical Group with his abundant business experience acquired until today and expertise in the Company's management.



**Hajime Kubo**  
Director  
*Senior Managing Executive Officer*

- Apr. 1980: Joined the Company
- Apr. 2008: Executive Officer of the Company, General Manager of Administrative Management & Control Department of High Performance Plastics Company
- Jan. 2010: Executive Officer of the Company, General Manager of CSR Department
- Jun. 2010: Director of the Company, Executive Officer of the Company, in Charge of Corporate Communication Department, General Manager of External Affairs Department and CSR Department
- Apr. 2011: Director of the Company, Managing Executive Officer of the Company, in Charge of Corporate Communication Department, General Manager of External Affairs Department and CSR Department
- Apr. 2012: Director of the Company, Managing Executive Officer of the Company, in Charge of Legal Department, General Manager of CSR Department and Corporate Communication Department
- Apr. 2013: Director of the Company, Managing Executive Officer of the Company, General Manager of CSR Department and Corporate Communication Department
- Mar. 2014: Director of the Company, Managing Executive Officer of the Company, Responsible for Corporate Finance Accounting Department, Head of Business Planning Department
- Apr. 2014: Director of the Company, Senior Managing Executive Officer of the Company, Responsible for Corporate Finance Accounting Department, Head of Business Planning Department
- Mar. 2015: Director of the Company, Senior Managing Executive Officer of the Company, Responsible for Corporate Finance Accounting Department, Head of Business Planning Department, Head of CSR Department, Head of Corporate Communication Department
- Apr. 2015: Director of the Company, Senior Managing Executive Officer of the Company, President of Urban Infrastructure & Environmental Products Company [incumbent]

### Reasons for Election of the Director

He has mainly been engaged in the high performance plastics business. He previously assumed office as Director in charge of the Corporate Communication Department, Legal Department and Corporate Finance Accounting Department. He currently serves as President of Urban Infrastructure & Environmental Products Company. He has been elected as a Director as he has abundant business experience and expertise regarding business management in general.



**Satoshi Uenoyama**  
Director  
*Senior Managing Executive Officer*

- Apr. 1980: Joined the Company
- Apr. 2009: Executive Officer of the Company, Head of R&D Center
- Apr. 2011: Managing Executive Officer of the Company, Head of R&D Center
- Jun. 2011: Director of the Company, Managing Executive Officer of the Company, Head of R&D Center
- Apr. 2014: Director of the Company, Senior Managing Executive Officer of the Company, Head of R&D Center
- Apr. 2016: Director of the Company Senior Managing Executive Officer of the Company Head of R&D Center and Head of LB Project [incumbent]

### Reasons for Election of the Director

He has been engaged in the R&D business of the Company for many years. Since 2009 when he was appointed as Head of the R&D Center, he has been the Company's driving force to launch products in markets that win society's confidence with its outstanding technology and product quality. He has been elected as a Director as the Company has judged that he would be able to further contribute to enhance the corporate value of the Sekisui Chemical Group with his expertise acquired through said experience.



**Shunichi Sekiguchi**  
Director  
*Senior Managing Executive Officer*

- Apr. 1978: Joined the Company
- Apr. 2008: Executive Officer of the Company, General Manager of Living Environment Division and Head of Diversified Business Group of Housing Company
- Jul. 2010: Executive Officer of the Company, General Manager of Living Environment Division of Housing Company
- Jan. 2013: Executive Officer of the Company, Responsible for Public Relations & External Relations Department, General Manager of Living Environment Division and Head of President Office of Housing Company
- Apr. 2013: Managing Executive Officer of the Company, Responsible for Public Relations & External Relations Department, Head of Sales Management Division and Head of President Office of Housing Company
- Jan. 2014: Managing Executive Officer of the Company, Responsible for Public Relations & External Relations Department and Head of President Office of Housing Company
- Mar. 2014: Managing Executive Officer of the Company, President of Housing Company
- Jun. 2014: Director of the Company, Managing Executive Officer of the Company, President of Housing Company
- Apr. 2015: Director of the Company, Senior Managing Executive Officer of the Company, President of Housing Company [incumbent]

### Reasons for Election of the Director

He has mainly been engaged in the housing business. He previously assumed office as General Manager of the Living Environment Division, person responsible for the Public Relations & External Relations Department, Head of the Sales Management Division and Head of the President Office. He currently serves as President of Housing Company. He has been elected as a Director as he has the abundant experience in the housing business, which is the Company's core business, and expertise regarding business management in general.

**Board of Directors**


- Apr. 1980: Joined the Company
- Apr. 2008: Executive Officer of the Company, Head of Interlayer Film Division of High Performance Plastics Company
- Jul. 2011: Executive Officer of the Company, Head of New Business Promotion Division of High Performance Plastics Company
- Mar. 2013: Executive Officer of the Company, Head of New Business Promotion Division and Head of Research & Development Institute of High Performance Plastics Company
- Oct. 2013: Executive Officer of the Company, Head of Research & Development Institute of High Performance Plastics Company
- Mar. 2014: Managing Executive Officer of the Company, President of High Performance Plastics Company
- Jun. 2014: Director of the Company, Managing Executive Officer of the Company, President of High Performance Plastics Company
- Apr. 2015: Director of the Company, Senior Managing Executive Officer of the Company, President of High Performance Plastics Company [incumbent]

**Reasons for Election of the Director**

He has mainly been engaged in the high performance plastics business. He previously assumed office as Head of the Interlayer Film Division, Head of the New Business Promotion Division and Head of the Research & Development Institute. He currently serves as President of High Performance Plastics Company. He has been elected as a Director as he has abundant experience in global business for many years and expertise regarding business management in general, as well as the globalization that the Company strives to strengthen and expand.



- Apr. 1985: Joined the Company
- Mar. 2009: Head of Foam Division of High Performance Plastics Company
- Apr. 2014: Executive Officer of the Company, Head of Foam Division of High Performance Plastics Company
- Apr. 2015: Executive Officer of the Company, Responsible for CSR Promotion Department, Head of Business Strategy Department
- Jun. 2015: Director of the Company, Executive Officer of the Company, Responsible for CSR Promotion Department, Head of Business Strategy Department [incumbent]

**Reasons for Election of the Director**

He has mainly been engaged in the high performance plastics business. He previously assumed office as Head of the Foam Division. He currently serves as the person responsible for the CSR Promotion Department and Head of the Business Strategy Department. He has been elected as a Director as the Company has judged that he would be able to contribute to enhance the corporate value of the Sekisui Chemical Group by utilizing his expertise acquired through his past abundant experience in the planning of management strategy from a company-wide perspective.



- Apr. 1985: Joined the Company
- Oct. 2003: Head of General Administration Department of High Performance Plastics Company
- Apr. 2011: Director of SEKISUI MEDICAL CO., LTD.
- Sep. 2014: Head of HR Group of CSR Department
- Apr. 2015: Executive Officer of the Company, General Manager of HR Department
- Apr. 2016: Executive Officer of the Company, in charge of Legal Department, General Manager of HR Department [incumbent]

**Reasons for Election of the Director**

He has mainly been engaged in HR affairs. He previously assumed office as Director of SEKISUI MEDICAL CO., LTD. He currently serves as Executive Officer in charge of the Legal Department and General Manager of the HR Department. He has been elected as a Director as the Company has judged that he would be able to further contribute to enhance the corporate value of the Sekisui Chemical Group through the promotion of diversity management and the establishment of the compliance system by utilizing his expertise acquired through his past abundant experience.



- May 1972: Joined Mitsukoshi, Ltd.
- Feb. 2003: Executive Officer, General Manager of Operations Department of Mitsukoshi, Ltd.
- Mar. 2004: Senior Executive Officer, General Manager of Corporate Planning Division of Mitsukoshi, Ltd.
- Mar. 2005: Managing Executive Officer, General Manager of Business Planning Division of Mitsukoshi, Ltd.
- May 2005: President and Representative Director, Executive Officer, General Manager of Business Planning Division of Mitsukoshi, Ltd.
- Feb. 2006: President and Representative Director, Executive Officer of Mitsukoshi, Ltd.
- Apr. 2008: President and Representative Director, Executive Officer of Isetan Mitsukoshi Holdings, Ltd.
- Feb. 2012: Chairman and Representative Director, Executive Officer of Isetan Mitsukoshi Holdings Ltd. [incumbent]
- Apr. 2012: Chairman and Representative Director, Executive Officer of Isetan Mitsukoshi, Ltd. [incumbent]
- Jun. 2013: Director of the Company [incumbent]

**Reasons for Election of the Director**

He serves as Chairman and Representative Director and Executive Officer of Isetan Mitsukoshi Holdings Ltd. and Chairman and Representative Director and Executive Officer of Isetan Mitsukoshi, Ltd. He plays an important role as an Outside Director of the Company and gives advice to the Company by utilizing his experience and knowledge as a management executive in the leading retail and service industry. He has been elected again as an Outside Director as we believe that his considerable insight on corporate management would be reflected in the management of the Sekisui Chemical Group.



- May 1970: Joined Nissho Iwai Corporation
- Jun. 2001: Executive Officer of Nissho Iwai Corporation
- Apr. 2003: Director and Managing Executive Officer of Nissho Iwai Corporation
- Apr. 2004: Representative Director and Senior Managing Executive Officer of Former Sojitz Corporation
- Aug. 2004: Representative Director and Executive Vice President of Former Sojitz Corporation
- Oct. 2005: Representative Director and Executive Vice President of Sojitz Corporation
- Apr. 2007: President & CEO of Sojitz Corporation
- Apr. 2012: Representative Director and Chairman of Sojitz Corporation [incumbent]
- Jun. 2016: Director of the Company [incumbent]

**Reasons for Election of the Director**

As Representative Director and Chairman of Sojitz Corporation, he has abundant experience and past achievements regarding global corporate management and business strategy, which were developed as a corporate manager of a general trading company. He has been elected as an Outside Director as we believe that his advice given with his international knowledge and experience would be useful to promote the globalization of the Sekisui Chemical Group.

**Audit & Supervisory Board Members**
**Takashi Goto**

*Audit & Supervisory Board Member*

**Yuichi Hamabe**

*Audit & Supervisory Board Member*

**Tetsuo Ozawa**

*Outside Audit & Supervisory Board Member*  
Attorney at Law

**Yasuhiro Nishi**

*Outside Audit & Supervisory Board Member*  
Certified Public Accountant

**Kazuyuki Suzuki**

*Outside Audit & Supervisory Board Member*  
Professor, University of  
Electro-Communications, Tokyo

**Executive Officers**
**Teiji Koge**

*Chief Executive Officer*

**Housing Company**
**Shunichi Sekiguchi**

*Senior Managing Executive Officer*  
President of Housing Company

**Hiroyuki Watanabe**

*Executive Officer*  
President of Sekisui Heim Tohoku Co., Ltd.

**Futoshi Kamiwaki**

*Executive Officer*  
Head of Housing Product Research &  
Development Department

**Kazukiyo Kuroki**

*Executive Officer*  
President of Sekisui Heim Kyushu Co., Ltd.

**Toshiyuki Kamiyoshi**

*Executive Officer*  
President of Tokyo Sekisui Heim Co., Ltd.

**Kenji Yagi**

*Executive Officer*  
President of Sekisui Heim Kinki Co., Ltd.

**Satoru Oketani**

*Executive Officer*  
Head of Sales Management Division

**Shinichiro Koga**

*Executive Officer*  
Head of Technology Department

**Urban Infrastructure &  
Environmental Products Company**
**Hajime Kubo**

*Senior Managing Executive Officer*  
President of Urban Infrastructure &  
Environmental Products Company

**Masaru Noriki**

*Executive Officer*  
Responsible for Overseas Pipeline Renewal  
Division  
Head of Sheet Division

**Kimitsu Sato**

*Executive Officer*  
Head of Asia Management Department

**Akira Nishimura**

*Executive Officer*  
Head of Management Planning Department

**High Performance Plastics Company**
**Keita Kato**

*Senior Managing Executive Officer*  
President of High Performance Plastics  
Company

**Toshitaka Fukunaga**

*Executive Officer*  
Responsible for Electronics field  
Head of Technology & CS Promotion Department

**Katsuhisa Yokura**

*Executive Officer*  
Head of Purchasing Department

**Katsunori Mukai**

*Executive Officer*  
Head of New Business Promotion Division and  
Research & Development Institute

**Ikusuke Shimizu**

*Executive Officer*  
Responsible for Automobiles and  
Transportation field  
Head of Foam Division

**Toshio Konno**

*Executive Officer*  
Responsible for Building and Infrastructure  
Materials field  
Head of Specialty Chemicals Division

**Headquarters**
**Satoshi Uenoyama**

*Senior Managing Executive Officer*  
Head of R&D Center and LB Project

**Yoshiyuki Hirai**

*Executive Officer*  
Responsible for CSR Promotion Department  
Head of Business Strategy Department

**Moritoshi Naganuma**

*Executive Officer*  
Head of Corporate Finance & Accounting  
Department

**Hiroyuki Taketomo**

*Executive Officer*  
Responsible for Legal Department  
Head of Human Resources Department

**Hitoshi Kobayashi**

*Executive Officer*  
Head of Total Manufacturing Management  
Center

## Data (Key Financial and CSR Data)

	FY2011	FY2012	FY2013	FY2014	FY2015
<b>Financial Data</b>					
Net Sales	965,090 mil. yen	1,032,431 mil. yen	1,110,851 mil. yen	1,112,748 mil. yen	<b>1,096,317 mil. yen</b>
(Housing)	449,391 mil. yen	469,036 mil. yen	496,790 mil. yen	494,116 mil. yen	<b>473,441 mil. yen</b>
(Urban Infrastructure & Environmental Products)	200,002 mil. yen	214,516 mil. yen	239,941 mil. yen	227,689 mil. yen	<b>226,279 mil. yen</b>
(High Performance Plastics)	296,876 mil. yen	332,017 mil. yen	353,782 mil. yen	372,296 mil. yen	<b>378,552 mil. yen</b>
Operating Income	54,610 mil. yen	59,621 mil. yen	82,541 mil. yen	85,764 mil. yen	<b>89,823 mil. yen</b>
(Housing)	31,090 mil. yen	36,333 mil. yen	41,108 mil. yen	41,327 mil. yen	<b>36,387 mil. yen</b>
(Urban Infrastructure & Environmental Products)	2,957 mil. yen	1,800 mil. yen	6,460 mil. yen	1,264 mil. yen	<b>3,610 mil. yen</b>
(High Performance Plastics)	20,582 mil. yen	23,249 mil. yen	36,098 mil. yen	45,951 mil. yen	<b>53,353 mil. yen</b>
Ordinary Income	54,158 mil. yen	60,670 mil. yen	83,310 mil. yen	87,978 mil. yen	<b>81,213 mil. yen</b>
Net Income Attributable to Owners of Parent	28,116 mil. yen	30,174 mil. yen	41,190 mil. yen	52,995 mil. yen	<b>56,653 mil. yen</b>
Comprehensive Income	24,652 mil. yen	77,437 mil. yen	57,944 mil. yen	91,587 mil. yen	<b>37,080 mil. yen</b>
Operating Income Ratio	5.7 %	5.8 %	7.4 %	7.7 %	<b>8.2 %</b>
Total Assets	827,103 mil. yen	901,564 mil. yen	961,009 mil. yen	968,011 mil. yen	<b>936,043 mil. yen</b>
Net Assets	363,299 mil. yen	433,228 mil. yen	473,555 mil. yen	535,292 mil. yen	<b>544,156 mil. yen</b>
Net cash provided by operating activities	66,652 mil. yen	71,016 mil. yen	97,720 mil. yen	67,760 mil. yen	<b>71,389 mil. yen</b>
Net cash used in (provided by) investing activities	-70,727 mil. yen	-31,133 mil. yen	-60,914 mil. yen	4,127 mil. yen	<b>-23,715 mil. yen</b>
Net cash used in financing activities	-16,077 mil. yen	-30,520 mil. yen	-49,803 mil. yen	-63,856 mil. yen	<b>-41,726 mil. yen</b>
Free Cash Flow	-12,332 mil. yen	30,650 mil. yen	24,915 mil. yen	58,810 mil. yen	<b>33,375 mil. yen</b>
Capital Expenditures	33,076 mil. yen	36,842 mil. yen	41,827 mil. yen	46,993 mil. yen	<b>49,740 mil. yen</b>
Depreciation and Amortization	35,102 mil. yen	34,895 mil. yen	34,376 mil. yen	31,203 mil. yen	<b>34,735 mil. yen</b>
R&D Expenditures	25,611 mil. yen	25,894 mil. yen	27,720 mil. yen	29,452 mil. yen	<b>31,693 mil. yen</b>
Net Assets per Share	682.46 yen	810.76 yen	897.18 yen	1,033.49 yen	<b>1,071.24 yen</b>
Net Income Attributable to Owners of Parent per Share	53.96 yen	58.53 yen	80.13 yen	104.73 yen	<b>115.08 yen</b>
Dividends per Share	15.00 yen	18.00 yen	23.00 yen	27.00 yen	<b>30.00 yen</b>

Free Cash Flow = Operating Activities CF + Investing Activities CF - Dividend Paid

## Data

	FY2011	FY2012	FY2013	FY2014	FY2015
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## Financial Data

## Financial Index

	FY2011	FY2012	FY2013	FY2014	FY2015
Dividends Payout Ratio	27.8 %	30.8 %	28.7 %	25.8 %	<b>26.1 %</b>
Shareholders' Equity to Total Assets	42.5 %	46.4 %	47.5 %	53.3 %	<b>55.9 %</b>
Current Ratio	123.5 %	131.1 %	127.4 %	139.8 %	<b>138.0 %</b>
Fixed Ratio	121.4 %	110.3 %	102.1 %	97.2 %	<b>95.9 %</b>
Interest-bearing Debt	127,188 mil. yen	115,320 mil. yen	94,010 mil. yen	63,120 mil. yen	<b>52,338 mil. yen</b>
Debt/Equity Ratio	36.2 %	27.6 %	20.6 %	12.2 %	<b>10.0 %</b>
Total Assets Turnover	1.19 times	1.19 times	1.19 times	1.15 times	<b>1.15 times</b>
Inventory Turnover	7.71 times	7.57 times	7.50 times	7.09 times	<b>7.11 times</b>
Tangible Fixed Assets Turnover	4.13 times	4.38 times	4.51 times	4.31 times	<b>4.11 times</b>
R&D Expenditures to Revenues	2.65 %	2.51 %	2.50 %	2.65 %	<b>2.89 %</b>
Return on Equity	8.1 %	7.8 %	9.4 %	10.9 %	<b>10.9 %</b>
Return on Total Assets	6.7 %	7.0 %	8.9 %	9.1 %	<b>8.5 %</b>
EBITDA	89,712 mil. yen	94,516 mil. yen	116,918 mil. yen	116,967 mil. yen	<b>124,558 mil. yen</b>
Interest Coverage Ratio	20.7 times	21.7 times	33.2 times	51.7 times	<b>64.5 times</b>
Dividend to Equity Ratio	2.3 %	2.4 %	2.7 %	2.8 %	<b>2.9 %</b>
PER	13.31 times	17.63 times	13.39 times	14.89 times	<b>12.04 times</b>
Net Sales per Employee	47.51 mil. yen	47.96 mil. yen	49.13 mil. yen	47.44 mil. yen	<b>45.88 mil. yen</b>

## Human Rights

## Compliance Training

	FY2011	FY2012	FY2013	FY2014	FY2015
Number of Employees Participating in e-Learning	18,649	19,617	20,210	20,450	<b>20,275</b>
e-learning Training (participation rate)	80.6 %	82.4 %	81.8 %	81.2 %	<b>80.8 %<sup>(Note)</sup></b>

Note: Implemented on four occasions in fiscal 2015. However, as the third and fourth occasions are under way, data is the average of the results from for the first and second round of classes.

Shareholders' Equity to Total Assets = Shareholders' Equity including Accumulated Other Comprehensive Income/Total Assets, Current Ratio = Current Assets/Current Liabilities, Fixed Ratio = Fixed Assets/Shareholders' Equity, Debt/Equity Ratio = Interest-bearing Debt/Shareholders' Equity, Total Assets Turnover = Net Sales/Average Total Assets, Inventory Turnover = Net Sales/Average Inventory, Tangible Fixed Assets Turnover = Net Sales/Average Tangible Fixed Assets, R&D Expenditures to Revenues = R&D Expenditures/Net Sales, Return on Equity = Net Income Attributable to Owners of Parent/Average Shareholders' Equity, Return on Total Assets = Ordinary Income/Average Total Assets, EBITDA = Operating Income + Depreciation and Amortization, Interest Coverage Ratio = (Operating Income + Interest and Dividends)/Interest Expense, Dividend to Equity Ratio = Dividend per Share/Average Net per Share, PER = Stock prices at the end of fiscal year/Net Income Attributable to Owners of Parent per Share, Net Sales per Employee = Net Sales/Average Number of Employees

Data

	FY2011	FY2012	FY2013	FY2014	FY2015
<b>Labor Practices</b>					
Number of Employees	20,855	22,202	23,017	23,886	<b>23,901</b>
By Divisional Company					
(Housing)	8,820	9,775	9,840	10,442	<b>10,419</b>
(Urban Infrastructure & Environmental Products)	4,570	4,887	5,363	5,453	<b>5,044</b>
(High Performance Plastics)	6,443	6,545	6,858	7,051	<b>7,453</b>
(Headquarters)	1,022	995	956	940	<b>985</b>
By Region					
(Japan)	15,747	16,813	17,047	17,743	<b>18,065</b>
(North America, Central and South America)	1,483	1,553	1,544	1,579	<b>1,512</b>
(Europe)	1,512	1,462	1,432	1,425	<b>1,048</b>
(Asia/Pacific (including China))	2,113	2,374	2,994	3,139	<b>3,276</b>
Diversity					
Employment Ratio of People with Disabilities (Sekisui Chemical) *1	2.03 %	1.99 %	2.55 %	2.40 %	<b>2.21 %</b>
Number of Elderly Employees Reemployed (Sekisui Chemical)	27	65	56	83	<b>104</b>
Elderly Employees Reemployment Rate (Sekisui Chemical)	52.9 %	72.2 %	87.5 %	82.2 %	<b>82.5 %</b>
Global Talent Employees*2	271	294	300	325	<b>329</b>
Work-life Balance					
Number of people using work-life balance related programs*3 (Sekisui Chemical)	143	143	154	164	<b>176</b>
Health and Safety					
Loss Costs (Japan)*4	383.6 mil. yen	775.4 mil. yen	444.5 mil. yen	510.9 mil. yen	<b>393.7 mil. yen</b>

\*1: Including special provision subsidiary

\*2: Japanese employees with experience working overseas (including overseas trainees)

\*3: Next-generation development support programs including childcare leave, shorter working hours, use of flexible working hours, and family leave

\*4: Domestic production site, R&D facility, Headquarters department, and indirect company department expenses including man-hours required to respond to occupational accidents, equipment-related accidents, and commuting accidents as well as long-term illness absences

## Data

	FY2011	FY2012	FY2013	FY2014	FY2015
<b>Environment*1</b>					
Greenhouse-gas Emissions during Manufacturing (Japan)	342 kilotons-CO <sub>2</sub>	312 kilotons-CO <sub>2</sub>	340 kilotons-CO <sub>2</sub>	321 kilotons-CO <sub>2</sub>	<b>307 kilotons-CO<sub>2</sub></b>
Greenhouse-gas Emissions during Manufacturing (Overseas)	452 kilotons-CO <sub>2</sub>	441 kilotons-CO <sub>2</sub>	471 kilotons-CO <sub>2</sub>	470 kilotons-CO <sub>2</sub>	<b>468 kilotons-CO<sub>2</sub></b>
Energy Usage during Manufacturing (Japan)	5,659 TJ	5,456 TJ	5,937 TJ	5,596 TJ	<b>5,347 TJ</b>
Energy Usage during Manufacturing (Overseas)	7,539 TJ	7,365 TJ	7,840 TJ	7,836 TJ	<b>7,741 TJ</b>
Wastes Generated by Production Sites (Japan)	36.1 kilotons	35.2 kilotons	35.0 kilotons	34.1 kilotons	<b>31.7 kilotons</b>
Wastes Generated by Production Sites (Overseas)	18.7 kilotons	22.2 kilotons	25.6 kilotons	27.5 kilotons	<b>25.9 kilotons</b>
Wastes Generated by New House Construction (Japan)	1.76 tons per units	1.88 tons per units	1.90 tons per units	1.87 tons per units	<b>1.73 tons per units</b>
(New House Sonstruction Site)	1.08 tons per units	1.17 tons per units	1.22 tons per units	1.31 tons per units	<b>1.34 tons per units</b>
(Exterior Wall Plant)	0.45 tons per units	0.46 tons per units	0.44 tons per units	0.34 tons per units	<b>0.16 tons per units</b>
(Assembly Plant)	0.23 tons per units	0.25 tons per units	0.24 tons per units	0.22 tons per units	<b>0.23 tons per units</b>
NOx Emission Volume (Japan)	217 tons	205 tons	217 tons	197 tons	<b>193 tons</b>
SOx Emission Volume (Japan)	15 tons	14 tons	13 tons	10 tons	<b>15 tons</b>
Soot and Dust Emission Volume (Japan)	2.5 tons	9.5 tons	4 tons	3 tons	<b>2.3 tons</b>
COD Discharge Volume (Japan)	63 tons	51 tons	70 tons	71 tons	<b>76 tons</b>
Discharge of Volatile Organic Compounds (VOCs) into the Atmosphere (Japan)	1,391 tons	1,219 tons	1,368 tons	1,259 tons	<b>1,262 tons</b>
Amount of Water Extracted for Use at Production Site (Japan)	16,413 kilotons	15,712 kilotons	17,041 kilotons	16,019 kilotons	<b>15,954 kilotons</b>
Amount of Water Extracted for Use at Production Site (Overseas)	4,499 kilotons	4,715 kilotons	4,662 kilotons	4,629 kilotons	<b>4,489 kilotons</b>
<b>Environment-Contributing Products</b>					
Ratio of Sales of Environment-Contributing Products	37.2 %	38.0 %	42.0 %	44.5 %	<b>44.3 %</b>
Net Sales	359.2 bil. yen	392.5 bil. yen	466.8 bil. yen	495.1 bil. yen	<b>485.8 bil. yen</b>
(Housing)	246.2 bil. yen	268.7 bil. yen	306.8 bil. yen	305.8 bil. yen	<b>280.6 bil. yen</b>
(Urban Infrastructure & Environmental Products)	77.1 bil. yen	79.9 bil. yen	99.6 bil. yen	99.8 bil. yen	<b>103.5 bil. yen</b>
(High Performance Plastics)	34.9 bil. yen	42.8 bil. yen	59.1 bil. yen	88.1 bil. yen	<b>99.8 bil. yen</b>
Number of Solar Powered Houses*2 Built (accumulated total, as of the end of December)	105,885 units	124,413 units	142,996 units	161,013 units	<b>170,095 units</b>

**Community Involvement and Development**

Charitable Contributions	228 mil. yen	102 mil. yen	255 mil. yen	179 mil. yen	<b>148 mil. yen</b>
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**Consumer Issues**

External Failure Costs (Costs responding to product-related claims) (FY2008=100)		96	54	53	<b>52</b>
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\*1 Due to the revised scope of summation, overseas figures have been revised retroactively.

\*2 Sales of housing with solar power generation systems commenced in 1997.

# Corporate Information and Stock Information

As of March 31, 2016

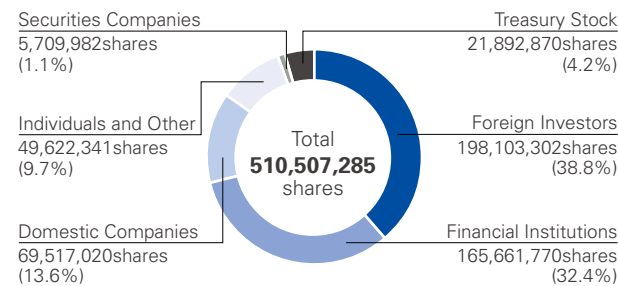
**Head Office:** 4-4, Nishitenma 2-Chome, Kita-ku, Osaka 530-8565  
**Tokyo Head Office:** 3-17, Toranomom 2-Chome, Minato-ku, Tokyo 105-8450  
**Founded:** March 3, 1947  
**President and Representative Director:** Teiji Koge  
**Employees:** 23,901  
**Consolidated Subsidiaries:** 155  
**Affiliates (Equity Method):** 8  
**Paid-in Capital:** 100,002,375,657 yen  
**Fiscal Year:** Ended March 31  
**Authorized:** 1,187,540,000 shares  
**Issued:** 510,507,285 shares  
**Listings:** Common stock listed on the Tokyo Stock Exchange  
**Stock Ticker Number:** 4204  
**Number of Shareholders:** 18,761  
**Manager of the Register of Shareholders:** Mitsubishi UFJ Trust and Banking Corporation  
**Accounting Auditor:** Ernst & Young ShinNihon LLC

## Major Shareholders

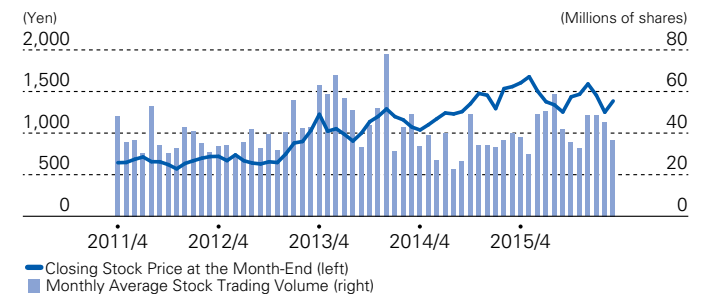
Name of Shareholder	Number of Shares Held (Thousands of Shares)	Percentage of Ownership (%)
Asahi Kasei Corporation	31,039	6.08
Japan Trustee Services Bank, Ltd. (Trust Account)	24,883	4.87
The Dai-ichi Life Insurance Company, Limited	19,681	3.85
The Master Trust Bank of Japan, Ltd. (Trust Account)	15,216	2.98
Sekisui House, Ltd.	11,998	2.35
Tokio Marine & Nichido Fire Insurance Co., Ltd.	11,946	2.34
State Street Bank and Trust Company 505225	9,462	1.85
Employees Stock Ownership Plan	8,846	1.73
JP Morgan Chase Bank 385164	7,970	1.56
Pictet and Cie (Europe) S. A.	7,735	1.51

Notes: 1. The Company maintains 21,892,870 shares of treasury stock, which does not include the holdings of the major shareholders in the above list.  
 2. The number of shares held is rounded down to the nearest thousand.

## Breakdown of Shareholders



## Sekisui Chemical Stock Price and Trading Volume



## Additional Information

	FY2011	FY2012	FY2013	FY2014	FY2015
Open	661	729	1,028	1,087	1,544
High	731	1,042	1,448	1,619	1,752
Low	553	590	900	1,002	1,193
Close	718	1,032	1,073	1,559	1,386
Issued (thousands of shares)	539,507	532,507	532,507	520,507	510,507
Market value (billions of yen)	387.4	549.5	571.4	811.5	707.6



# Corporate History

<b>Mar. 1947</b>	Sekisui Industry Co., Ltd. formed as a general plastics company by former employees of Nippon Chisso Hiryo K.K. (currently Chisso Corporation)	<b>Oct. 2000</b>	Housing sales system reorganized, with the Tokyo and Kinki regional sales companies overseeing local regional sales networks
<b>Jan. 1948</b>	Nara Plant opened, started the first plastic automatic injection molding business in Japan	<b>Mar. 2001</b>	New "company" system introduced, renaming the Housing, Urban Infrastructure & Environmental Products, and High Performance Plastics Divisions as the Housing Company, Urban Infrastructure & Environmental Products Company, and High Performance Plastics Company
<b>Jan. 1948</b>	Changed the name to Sekisui Chemical Co., Ltd.	<b>Apr. 2002</b>	Head office functions reorganized into 7 departments
<b>Mar. 1953</b>	Listed on the Osaka Securities Exchange	<b>Apr. 2003</b>	Chugoku region housing business sales structure reorganized, Sekisui Heim Chugoku Co., Ltd., (currently Sekisui Heim Chushikoku Co., Ltd., consolidated subsidiary) established
<b>Sep. 1953</b>	Tokyo Plant opened, began production of molded plastic products	<b>Apr. 2003</b>	Youngbo Chemical Co., Ltd. (listed on the Korea Exchange, consolidated subsidiary) acquired, strengthening global competitiveness
<b>Apr. 1954</b>	Listed on the Tokyo Stock Exchange	<b>Aug. 2004</b>	Tohoku region housing business sales structure reorganized, Sekisui Heim Tohoku Co., Ltd. (currently a consolidated subsidiary) established
<b>Jun. 1956</b>	Central Research Laboratory (currently Research & Development Institute) established	<b>Jul. 2005</b>	Kyushu region housing business sales structure reorganized, Sekisui Heim Kyushu Co., Ltd. (currently a consolidated subsidiary) established
<b>Aug. 1960</b>	Shiga Ritto Plant opened, began production of PVC pipe and PVC building materials	<b>Oct. 2006</b>	Daiichi Pure Chemicals Co., Ltd. (currently Sekisui Medical Co., Ltd., a consolidated subsidiary) acquired to strengthen the medical business of the High Performance Plastics Company
<b>Nov. 1960</b>	Shiga Minakuchi Plant opened, began production of polyvinyl butyral and interlayer film	<b>Jan. 2007</b>	Head office functions reorganized into 6 departments, and CSR department established
<b>Jul. 1962</b>	Musashi Plant opened, began production of plastic tape and PVC tape	<b>Jul. 2007</b>	Tokyo, Chubu and Kinki region housing business sales structures reorganized, Tokyo Sekisui Heim Co., Ltd., (currently a consolidated subsidiary) Sekisui Heim Chubu Co., Ltd. (currently a consolidated subsidiary) and Sekisui Heim Kinki Co., Ltd. (currently a consolidated subsidiary) established
<b>Jan. 1964</b>	Tokuyama Sekisui Industry Co., Ltd. (currently a consolidated subsidiary) established and began production of PVC resins	<b>Apr. 2008</b>	Introduction of the Executive Officer System
<b>Feb. 1971</b>	Entered the housing business with the launch of steel frame unit housing "Heim"	<b>Jul. 2009</b>	Polyvinyl alcohol resin business acquired from group companies of the Celanese Corporation chemical company of the United States, stable raw material supply structure for the interlayer film for laminated glass business established
<b>Oct. 1971</b>	Naseki Industry Co., Ltd. (currently Kinki Sekisui Heim Industry Co., Ltd., consolidated subsidiary) established and began production of unit housing	<b>Jan. 2011</b>	Diagnostics business acquired from pharmaceutical company Genzyme Corporation of the United States and new company established accelerating full-fledged global development in the medical business
<b>Mar. 1972</b>	3S (San-es) Heim Manufacturing Co., Ltd. (currently Tokyo Sekisui Heim Industry Co., Ltd., consolidated subsidiary) established and began production of unit housing	<b>Dec. 2012</b>	Pipeline business acquired from Mitsubishi Plastics, Inc., core businesses centered on piping materials strengthened
<b>May 1977</b>	Introduction of a new divisional head office system	<b>Mar. 2013</b>	Thailand unit housing mass production factory constructed, full-fledged development of the housing business in Thailand
<b>Mar. 1982</b>	Launch of wooden frame unit housing "Two-U Home"	<b>Dec. 2015</b>	Eidia Co., Ltd. (currently a consolidated subsidiary), which manufactures and sells diagnostic reagents, acquired from Eisai Co., Ltd. to strengthen the Life Science Business of the High Performance Plastics Company.
<b>Apr. 1982</b>	Gunma Plant opened, began production of PVC pipe and exterior paneling for unit construction housing		
<b>Dec. 1983</b>	Sekisui America Corporation (currently a consolidated subsidiary) established		
<b>Jul. 1987</b>	Applied Electronics Research Center (currently Development Center, R&D Center) established		
<b>Sep. 1990</b>	Housing Research & Development Institute (currently Housing Technology Institute) established in the Housing Division (currently Housing Company)		
<b>Apr. 1992</b>	Kyoto Technology Center (currently Kyoto R&D Laboratory) established		
<b>Aug. 1997</b>	Komatsu Kasei Co., Ltd. (currently Vantec Co., Ltd., consolidated subsidiary) acquired to strengthen pipe business		
<b>Jan. 2000</b>	Hinomaru Co., Ltd. (currently a consolidated subsidiary) acquired to strengthen operations in the Kyushu region		
<b>Mar. 2000</b>	Seven divisions combined into three: Housing Division, Urban Infrastructure & Environmental Products Division, and High Performance Plastics Division; New Business Headquarters established		

# The Process of Identifying Key CSR Issues (Materiality) and Evaluation of CSR Activities

## The Process of Identifying Key CSR Issues (Materiality)

As venues for deliberation on CSR management, we have set up the CSR Committee and five subcommittees: the Environmental Subcommittee, the CS & Quality Subcommittee, the Human Resources Subcommittee, the Safety Subcommittee, and the Compliance Subcommittee.

### Step1 Sort candidates for key CSR issues

Candidates for key CSR issues were identified through considering global guidelines, SRI surveys, and developments at other companies, and then analyzing the opinions and expectations of each stakeholder. These candidates and CSR issues already addressed were sorted into key CSR issues for the future.

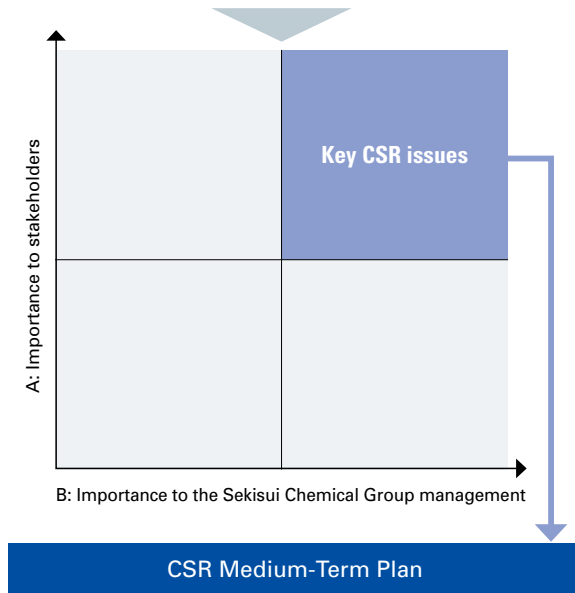
### Step2 Assess the importance of candidates for key CSR issues

The candidates for key CSR issues sorted in Step 1 were subjected to overall evaluation along the two axes of their importance to stakeholders (A) and importance to the Sekisui Chemical Group management (B). Along axis A, candidates were assessed from the perspectives of expectations of each stakeholder, world trends, and positive and negative impacts on the planet and society, while along axis B they were assessed from the perspectives of consistency with management policies and management strategies, correspondence to CSR issues, risk and reputation, and priorities based on a timeline.

### Step3 Formulate the CSR medium-term plan

Following deliberation in the CSR Committee, key performance indicators (KPIs) were set by the responsible departments for the identified key CSR issues. The CSR medium-term plan was formulated and approved by the Committee.

List used in assessing the importance of CSR issues



## Support for the United Nations Global Compact

The Group announced its support for the principles of the United Nations Global Compact in 2009. The Group conducts its CSR activities with consideration to the compact's platform for evaluations and principles.



## Main evaluations from society (FY2015)

Selection to key SRI Indices



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