Annual Report 2014

Year Ended March31, 2014

SEKISUI CHEMICAL CO., LTD.

About This Report

Annual Report

The Sekisui Chemical Group (the Group) issues an annual report in PDF format available for download from its website for readers interested in learning about the Group from an investor's perspective. In addition to the PDF file, the main content of the annual report may also be accessed online in the Sekisui Overview page of the Investor Relations section on the Sekisui Chemical homepage.

The annual report can be downloaded from the Sekisui Chemical website
www.sekisuichemical.com/ir/library/annual/index.html

or accessed online on the Sekisui Overview page
www.sekisuichemical.com/ir/sekisui_overview/index.html

The Group also provides a variety of other IR materials to provide information for all who are interested in its activities to promote understanding of the Group.

Other IR Materials

1. Reference Materials Our "Prominence"
While the annual reports provide information on the Group's business trends on an annual basis, Reference Materials Our "Prominence" contains data about the three divisional companies, including their strengths in the businesses being developed, their business models, and other qualitative information that is unchanging in the medium and long term.

2. Fact Book
The Fact Book presents graphs of the Group's quantitative corporate data. Primary data for the past 10 years from the consolidated balance sheets, consolidated statements of income, and consolidated statements of cash flows is presented for easy comprehension of trends.

3. Presentation of Financial Results and Other Information
The materials from our four annual financial results briefings for analysts and institutional investors are posted on our website in Japanese and English on the day the meeting is held to provide immediate management discussion on the Group's recent performance. The materials are available in PDF format and a voice recording of the meeting is also provided.

The website is also a source for quarterly earnings reports, financial reports, and other regularly scheduled information disclosure as well as Group reports (Japanese only), press releases, and information from business meetings not regularly scheduled.

www.sekisuichemical.com/ir/index.html

CSR Information

The Group issues an annual CSR report presenting information about the Group's CSR activities. The CSR section of the Group's homepage provides detailed information on the CSR activities that are the foundation of the Group.

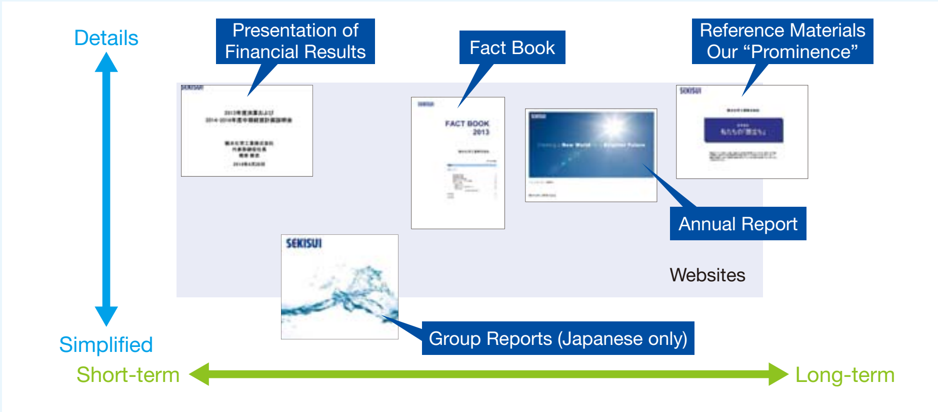
www.sekisuichemical.com/csr/index.html

Selection to key SRI Indices

(As of March 31, 2014)

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.



Disclaimer: The forecasts, plans, outlooks, and other forward-looking statements in this Annual Report are based on management judgment of information available at the time this report was produced. Numerous factors can cause actual performance results to differ materially from the forward-looking statements.

Our Philosophy, Vision, and Strategies

Sekisui Chemical Group Strategy

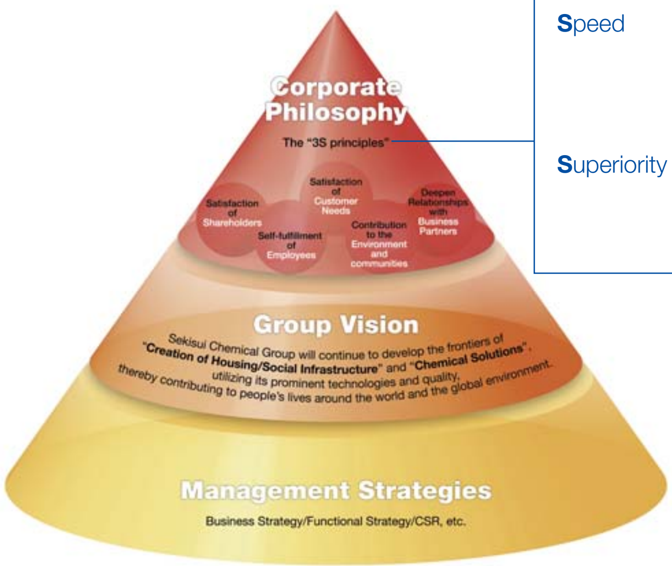
The Sekisui Chemical Group utilizes an internal company system. The Group's business activities are carried out by three divisional companies—High Performance Plastics Company, Urban Infrastructure & Environmental Products Company and Housing Company—each with highly independent operations and prominent technologies & products that are highly differentiated from competitors in their fields.

The Sekisui Chemical Group seeks to contribute to society in its businesses through the manifestation of Mission Statement to "Create social value while fulfilling stakeholder expectations."

The Group seeks to enhance corporate value and contribute to society through our businesses by applying the knowledge the Group has accumulated in Creation of Housing/Social Infrastructure and Chemical Solutions to address the increasingly pressing social challenges of the worldwide rise in populations, climate change, aging societies of developed countries, deteriorating urban infrastructure, and the natural resource and energy issues that are related to all of these.

The Group advances concrete strategies following medium-term management plans, including the recently completed five-year GS21-SHINKA! plan to fiscal year 2013 during which the Group set new records for consolidated earnings and the present SHINKA!-Advance 2016 for fiscal years 2014 to 2016, which sets even higher goals.

Our Principles

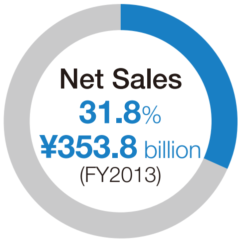


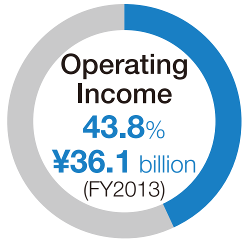
Service	We create social* values through our corporate activities.
Speed	We bring reform to the market at "a speed like the bursting of pent-up waters into a chasm thousand fathoms deep."
Superiority	We gain the society's* confidence in us with our superior technologies and quality.

*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 the Sekisui Chemical Company's Corporate Philosophy, Group Vision, and other elements of our Group Principles.
www.sekisuichemical.com/about/principles/index.html

High Performance Plastics (HPP) Company





Strategy and Results

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 expanding business in its three strategic business fields of information technology materials (IT), automotive materials (AT) and medical products (MD). The Company conducts business development centering on high value-added products and commands top global market shares for conductive fine particles and liquid crystal sealants in the IT field, interlayer films for automotive laminated glass and polyolefin foam for automobile interiors in the AT field, and cholesterol diagnostic reagents in the MD field. The Company plays a vital role in the operating income growth of the Sekisui Chemical Group and will continue introducing products to markets worldwide to realize corporate growth in line with the growth of the global economy.

Under the new medium-term management plan, the Company will fortify its current core products and develop new products in its extensive range of the Electronics, the Automobiles and Transportation, and the Life Sciences offerings in the IT, AT, and MD fields and in the Building and Infrastructure field while also engaging in M&A and other measures to augment its operations.

Target Markets

- Electronics
- Automobiles and Transportation
- Building and Infrastructure
- Life Sciences

Main Products

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

Business Strategies

The HPP Company will introduce high value-added products using its proprietary and prominent technologies to become the world leader in markets and fields expected to continue rapidly expanding. The Company will also develop global operations in line with the specific characteristics and conditions of each market.

Results and Topics in FY2013

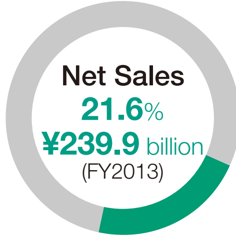
Results

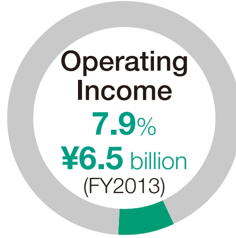
- Net Sales: ¥353.8 billion
- Operating Income: ¥36.1 billion
- Operating Income Ratio: 10.2%

Topics

- Established a new chlorinated polyvinyl chloride (CPVC) resin compound production and marketing company in Thailand.
- Commenced production of molded automotive components at the joint venture Adyawinsa Sekisui Techno Molding in Indonesia.

Urban Infrastructure & Environmental Products (UIEP) Company





Strategy and Results

The Urban Infrastructure & Environmental Products (UIEP) Company is leading supplier in Japan in its fundamental businesses of the manufacture and sale of supply and drainage pipes and other water infrastructure facilities and construction materials.

The UIEP Company's medium- and long-term growth strategy amid the long-term contraction anticipated for the domestic public works and construction-related market is to expand its business focus to developing and expanding its overseas operations by leveraging the technology cultivated in its fundamental businesses in pipeline rehabilitation, sheet used for high-performance plastic molds, industrial piping materials, reinforced compound plastic pipe for infrastructure applications, and other areas.

The pipeline rehabilitation and other highly effective technologies are readily applicable to infrastructure upgrade projects in developed countries, and the Company is embarking on full-fledged overseas expansion including actively pursuing M&A and alliances in related business fields. In recent years, the Company has been responding to the shrinking construction-related market and the trend for project-based orders rather than single-product orders by steadily developing stock management as a fundamental business with an operating system capable of providing products and services encompassing a project's complete value chain.

Target Markets

- Housing equipment for detached houses, condominiums, and other housing types
- Water infrastructure equipment, including water supply and sewerage
- Industrial piping equipment for factories and industrial operations
- Aircraft and vehicle

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)

Business Strategies

The UIEP Company will respond to the market contraction by harnessing the overall strength from its leading domestic market shares to develop value chain and full-package products and services in its core businesses. The Company will also develop its overseas operations in business fields where it can advantageously apply its core business technologies with the aim of steadily expanding earnings through a balance of core and new businesses in Japan and worldwide.

Results and Topics in FY2013

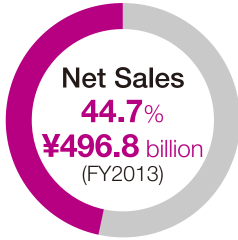
Results

- Net Sales: ¥239.9 billion
- Operating Income: ¥6.5 billion
- Operating Income Ratio: 2.7%

Topics

- Commence operations of the water infrastructure company Sekisui KNT (Hebei) Environmental Technology Co., Ltd. in China targeting sales of glass-reinforced plastic pipe, cooling towers, wastewater treatment tanks, industrial tanks, and other products in the China coastal region.

Housing Company



Strategy and Results

The Housing Company is a leading provider of residential housing in Japan utilizing its specialized Unit Construction Method, which enables short construction periods and highly refined manufacturing methods that provide consistent air-tightness, heat insulation, and other fundamental features of high quality residential housing. The Company's activities developing and manufacturing new-construction housing has enabled it to meet customers' increasingly sophisticated needs and become an industry leader providing high-performance housing guided by the concepts of environment, reliability, and comfort. Lauded by customers for advancing the concept of the zero-utility-cost house, currently over 80% of its housing orders are for models with built-in solar power generation equipment. The Company made another advance with the May 2012 release of its Smart Heim models with built-in storage batteries.

In addition to highly functional housing, the Housing Company is also competitive in the living environment business focused on home refurbishment services. The Company is presently responding to the decline trend in domestic housing construction starts by focusing on high value-added smart houses while also broadening its refurbishment business to existing home sales, leasing and management, and other housing assets management as well as residential services such as housing with services. The Company is developing its overseas business and evolving the circulation business model.

Target Markets

- Domestic new housing construction (Housing business)
- Thailand new housing construction (Housing business)
- Domestic housing refurbishment (Living Environment business)
- Housing assets management (Living Environment business)
- Residential services (Living Environment business)

Main Products

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

Business Strategies

In the housing business, the Housing Company will highlight product differentiation, such as with its smart house products, to increase orders and will deepen its integrated production-sales structure to lower costs and expand revenues. In the living environment business, the Company will leverage the features of its industrialized housing products to offer optimized refurbishing proposals for all customer life stages with the aim of increasing orders.

Results and Topics in FY2013

Results

- Net Sales: ¥496.8 billion
- Operating Income: ¥41.1 billion
- Operating Income Ratio: 8.3%

Topics

- The Housing Company's 142,996 solar powered houses built, including refurbishments, (as of the end of March 2014) is a world record certified by GUINNESS WORLD RECORDS™.
- Recently completed construction and started operations at the housing mass production factory in Thailand, the Company's first housing factory overseas. The factory can produce 1,000 units per year.

Contents

* The figures appearing on page 2-36 are rounded off to the nearest hundred million yen, as in our results briefing presentation materials and other IR materials.

Year in Brief (Performance Highlights)

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
Years ended March 31

	Billions of yen					Millions of U.S. dollars[*1]
	FY2009	FY2010	FY2011	FY2012[*2]	**FY2013**	**FY2013**
OPERATING RESULTS (for the year):						
Net sales	¥ 858.5	¥ 915.5	¥ 965.1	¥ 1,032.4	**¥ 1,110.9**	**$ 10,793**
Operating income	36.0	49.3	54.6	59.6	**82.5**	**802**
Ordinary income	31.1	48.3	54.2	60.7	**83.3**	**809**
Income before income taxes and minority interests	23.3	39.8	49.2	44.5	**72.4**	**704**
Net income	11.6	23.6	28.1	30.2	**41.2**	**400**
FINANCIAL POSITION (at year-end):						
Total assets	¥ 787.3	¥ 790.2	¥ 827.1	¥ 901.6	**¥ 961.0**	**$ 9,337**
Shareholders' equity	342.0	339.7	351.7	418.6	**456.8**	**4,439**
Interest-bearing debt	133.1	124.5	127.2	115.3	**94.0**	**913**
CASH FLOWS:						
Free cash flow	¥ 15.1	¥ 12.6	¥ (12.3)	¥ 30.7	**¥ 24.9**	**$ 242**
	Yen					U.S.dollars[*1]
PER SHARE AMOUNTS						
Net income, non-diluted (EPS)	¥ 22.13	¥ 44.92	¥ 53.96	¥ 58.53	**¥ 80.13**	**$ 0.78**
Dividends	10.00	13.00	15.00	18.00	**23.00**	**0.22**
Net assets	651.08	650.83	682.46	810.76	**897.18**	**8.72**
RATIO						
Operating income ratio[*3] (%)	4.2	5.4	5.7	5.8	**7.4**	
Return on equity (ROE)[*4,5] (%)	3.5	6.9	8.1	7.8	**9.4**	
Return on total assets (ROA)[*4,6] (%)	4.0	6.1	6.7	7.0	**8.9**	
Equity ratio (%)	43.4	43.0	42.5	46.4	**47.5**	
Debt/equity ratio[*7] (%)	38.9	36.6	36.2	27.6	**20.6**	
OTHER DATA:						
Number of employees	19,761	19,770	20,855	22,202	**23,017**	

Notes:
*1: U.S. dollar amounts represent translations of Japanese yen, for the readers' convenience only, at the rate of ¥102.92 = U.S.$1.00, the prevailing exchange rate at March 31, 2014.
*2: 15-month period from January 2012 to March 2013 for overseas subsidiaries (Consolidated subsidiary fiscal years were revised to a March year end beginning in FY2012).
*3: Operating income ratio = Operating income/Net sales
*4: ROE and ROA are calculated using the simple average of the beginning and end of term balance sheet figures.
*5: ROE = Net income/ Shareholders' equity
*6: ROA = Ordinary income/ Total assets
*7: Debt/Equity ratio = Interest-bearing debt/ Shareholders' equity

Year in Brief (Press Releases on Sekisui Chemical Group Topics)

1Q (Apr to Jun 2013)

May 9, 2013
About being selected to the "FTSE4Good Index" for 10 consecutive years
www.sekisuichemical.com/about/whatsnew/2013/1233312_17313.html

Jun 20, 2013
Designation of "RobecoSAM Sustainability award as Bronze Class"
www.sekisuichemical.com/about/whatsnew/2013/1234391_17313.html

2Q (Jul to Sep 2013)

Jul 23, 2013
Business Alliance with Major Vietnamese Plastics Manufacturer
www.sekisuichemical.com/about/whatsnew/2013/1234598_17313.html

Sep 30, 2013
Sekisui Chemical Selected for Dow Jones Sustainability World Index

3Q (Oct to Dec 2013)

Oct 1, 2013
NEC Develops Advanced Lithium Ion Battery with High-Energy Density
www.sekisuichemical.com/about/whatsnew/2013/1237558_17313.html

Oct 21, 2013
Release of the Smart Power Station Series Another Step Toward Future Standard Homes

Nov 6, 2013
Selection to Climate Disclosure Leadership Index and Climate Performance Leadership Index

Nov 12, 2013
Establishment of New Chlorinated Polyvinyl Chloride (CPVC) Compound Production and Sales Company Decided for Thailand
www.sekisuichemical.com/about/whatsnew/2013/1238728_17313.html

Nov 29, 2013
Announcement Concerning Completion of Acquisition of Treasury Stock
www.sekisuichemical.com/about/whatsnew/2013/__icsFiles/afieldfile/2013/12/03/1129_en.pdf

Dec 3, 2013
High-capacity Film-type Lithium-ion Battery Developed Using Coating Process
www.sekisuichemical.com/about/whatsnew/2013/1239025_17313.html

Dec 5, 2013
World First! Successful Trial in Room Temperature Process of Film Dye-sensitized Solar Cell
www.sekisuichemical.com/about/whatsnew/2013/1239106_17313.html

4Q (Jan to Mar 2014)

Jan 15, 2014
Restructuring of Japanese Production Bases of the Urban Infrastructure and Environmental Products Company
www.sekisuichemical.com/about/whatsnew/2014/1239834_19333.html

Feb 27, 2014
Sekisui Chemical Selected as Preferred Company for Negotiations to Become the General Administrator of the Sewerage Duct Facility for Kawachinagano City, Osaka

Mar 4, 2014
METI Names Sekisui Chemical to the Diversity Management Selection 100

Corporate
R&D
HPP
UIEP
Housing

Message from the President & CEO

Record High Earnings Achieved through our Persistent Efforts for “Reform” and “Growth.”

The Sekisui Chemical Group provides products and services in our two domains of strength—Creation of Housing & Social Infrastructure and Chemical Solutions—and through them seeks to contribute to improving people’s lives and the environment around the world and maintain sustaining growth as a company.

Over the last decade, we have advanced four medium-term management plans designed to generate business “reform” and “growth” while responding to the changing market and social environments. In fiscal year 2013, the final year of most recent GS21-SHINKA! plan initiated in fiscal year 2009, expansion of our Frontier 7 businesses*[1] that we believe have promise for future growth helped us reach a record-high ¥82.5 billion in operating income, surpassing the plan’s target of ¥80 billion and the previous high attained 19 years ago. We believe this performance reflects our dedicated efforts to realize “reform” and “growth.”

In this discussion, I would like to review our performance under the GS21-SHINKA! plan and introduce how we will continue seeking “reform” and "growth" as we work toward fulfilling the objectives of the new medium-term management plan SHINKA!-Advance 2016.

Review of the GS21-SHINKA! Plan (fiscal years 2009 to 2013)

Under the GS21-SHINKA! medium-term management plan, we implemented measures to respond to the dramatically changed market and competitive environments after the Lehman Shock with the objective of establishing a business structure capable of generating profit even in severe conditions and rapidly accelerating profit growth when market trends are positive.

GS21-SHINKA! was divided into two phases. The initial Stage 1 covering fiscal years 2009 and 2010 focused on fortifying our business structure, and Stage 2 to fiscal year 2013 aimed to build on the Stage 1 results and boost our profit generation capability.

In Stage 2, we increased the profits of the housing business and other domestic core businesses supported by the structural reform and other Stage 1 initiatives along with steadily growing demand spurred by Japan's Abenomics policies and other factors. We also expanded the production volume and improved the product mixes of the global strategic businesses through the construction of a complete supply system and structural reform. The fiscal year 2013 performance results for reveal how much we accomplished with these initiatives. The progress in expanding production volume and improving product mixes positioned us to meet our initial targets in a market environment characterized by worldwide economic recovery and with the correction to the yen value also providing a profit contribution.

Although we met our overall targets, each divisional company and business had different degrees of success fulfilling the reform and growth objectives. The Housing and HPP Companies generated growth generally in line with expectations. The UIEP Company steadily progressed reforming its domestic business model but time is still needed for the overseas businesses to gain the growth track and then for the full-fledged growth in earnings to get under way.

Fiscal Year 2013 Performance (April 1, 2013, to March 31, 2014)

In fiscal year 2013, the Sekisui Chemical Group achieved quantitative expansions for the domestic core businesses supported by firm housing starts and public sector investment. The global strategic businesses also achieved revenue growth supported by expanding demand in the automotive applications and other growth fields and increased sales of high value-added products. The result was sales growth of ¥78.4 billion to ¥1,110.9 billion marking the second straight year with sales exceeding ¥1,000 billion.

Profits also improved as the effects of the quantitative growth and improved product mix were more than enough to offset the rising costs from the sharp increases in material and component prices, increased fixed costs from the expanded sales force in the housing and renovation fields, and other expenses. An additional boost from the correction to the yen appreciation helped raise operating income to a Company record high of ¥82.5 billion. Net income likewise increased by ¥11.0 billion from the previous fiscal year to ¥41.2 billion in fiscal year 2013.

As we steadily expanded earnings, we also took steps geared for the future. We made great strides during the year toward development of our next business frontiers, including launching a JV in Indonesia making molded resin auto parts, establishing a water infrastructure business JV in China and a new chlorinated polyvinyl chloride (CPVC) resin factory in Thailand, expanding our business presence in Asia, including full-fledged operation of a mass-production housing factory, and preparing for large-scale development of film-type lithium batteries and dye-sensitized solar cells for next-generation technologies.

New SHINKA!-Advance 2016 Plan (fiscal years 2014 to 2016)

The new SHINKA!-Advance 2016 medium-term management plan launched in fiscal year 2014 is a three-year initiative through fiscal year 2016. Retaining the term shinka, evolution, in the plan's name reflects our determination to continue building on and developing the accomplishments of the previous plan. SHINKA!-Advance 2016 sets a course for growth over the next three years and frames measures to position the Group for ongoing growth in the future. While continuing to build on our current success toward targets set for fiscal year 2016, we will also aggressively advance R&D and explore M&A opportunities for accelerating growth in the future.

SHINKA!-Advance 2016 comprises two fundamental strategies: Three SHINKA business models and CSR SHINKA. The three SHINKA business

*1: "Frontier 7" Businesses: HPP's automotive materials (AT), IT-related materials (IT), and medical products (MD); UIEP's pipeline rehabilitation business, water infrastructure business (overseas), and performance materials business; and the Housing Company's Living Environment business.

models aim to advance the evolution of our core businesses, frontier businesses and global businesses with emphasis on the key themes of change, co-creation, and localization of prominent business models. The core businesses will be advanced by further refining the existing businesses that are the pillar's of the Group's overall earnings and enhancing the specialization of our strategic businesses and products to create a structure supporting ongoing earnings growth. In the frontier businesses, we will activate internal and external collaborations to cultivate new markets and domains with the aim of establishing new earnings sources for the future. The expansion of our global operations will be accelerated by applying our the business model we have constructed in Japan, which is one of our strengths, to overseas markets focusing on Asia and speeding up the adaption of our business activities to the local society and conditions.

The management plan is to classify the growth stage of each business being developed as a Core, Growth, or Nurturing and Creation stage and create a new business portfolio incorporating them into the targeted business domains. We will then seek to establish sustaining overall growth by implementing the optimal measures for each stage.

We have identified eight businesses that we believe are the most promising and warrant particular effort. These "Growing 8"*2 are in the growth stage and, like the Frontier 7 under the previous management plan, we will prioritize the allocation of management resources and capital investment to promoting their development. We aim to grow these businesses by an average of 10% annually (compared to the Group's overall 4% annual growth rate) and for them to become the driving forces in our overall growth.

The CSR SHINKA fundamental strategy is to fully activate our human resources and organizational structure supporting the three SHINKA business models and to raise the Group's CSR management another level*3.

Through these strategies, we will continue using our businesses to contribute to society while aiming to attain performance targets of ¥1,250 billion in net sales, ¥100 billion in operating income, and ROE above 10%.

Fiscal Year 2014 Plan (April 1, 2014, to March 31, 2015)

In fiscal year 2014, the first year under the new medium-term management plan SHINKA!-Advance 2016, we aim to continue our performance growth with targets to raise net sales by 3.9% year on year to ¥1,154 billion, operating income by 5.4% to ¥87 billion, and net income by 11.7% to ¥46 billion.

For our overseas businesses, although we are not overly optimistic about the market environment, we do anticipate overall economic recovery and growth, including ongoing improvement in conditions and growth in the United States and Asia and improving conditions amid lingering fiscal and political risk in Europe.

We plan to increase sales and operating income in the Growing 8 businesses by focusing efforts toward specific business objectives. Steps will be taken to ensure we fully benefit from the growing demand in the automotive and other core business fields where our products already command high global market share. We will improve the product mix by shifting to high-performance interlayer films with added environmental and comfort features, broaden our recognition as an approved vendor by amplifying existing M&A synergies to fortify the development of mobile materials, use the sales networks in Europe and the United States to increase sales of diagnostic reagents and systems, and respond to the increasing construction demand in Asia by actively supplying CPVC and capturing combined "package" orders for water infrastructure products.

We believe the key management challenges in the fiscal year will be to determine how best to respond to the demand fluctuations caused by the April 2014 consumption tax hike in Japan and to the impact of the anticipated short-term decline in new construction starts. Demand for new housing construction orders remains stagnant from the downturn in consumer sentiment since October 2013, following the September cutoff date for the pre-hike tax rate to apply to contracts. However, we expect external environment conditions to improve during the year supported by the broadening effect of the government's economic stimulus measures and anticipation of rising interest rates.

In the housing construction field, we plan to expand our market share to minimize the impact from the declining overall housing construction demand by fully leveraging our strength as the country's top provider of smart houses to meet the growing demand for housing with no energy costs and by taking full advantage of our method of using a uniquely high percentage of in-factory construction to improve our cost performance and minimize the impact of soaring on-site labor costs.

We will also respond to the gradual structural-based medium- and long-term decline in domestic construction starts by stepping up measures to

*2: "Growing 8" Businesses: renovation for Sekisui Heim owners and housing assets management (Housing), living/social infrastructure stock, overseas water infrastructure (UIEP), functional infrastructure materials, eco-friendly materials for a comfortable ride, materials for mobile devices, and diagnostic system (HPP). Please see the feature section New Medium-term Management Plan SHINKA!-Advance 2016 on pages 15-18 for further details.

*3: Please see pages 48-51 for more information about our CSR activities.

fulfill our objective to clearly establish our position in Creation of Housing and Social Infrastructure and Management. We plan to fortify our operating structure to steadily capture the rising stock-related demand, such as for refurbishing and renovating aging infrastructure, by shifting resources to detached housing refurbishment, condominium renovation, water and sewage pipeline rehabilitation, and other fields with growing bases of existing stock. We will also focus on developing business in new domains where stock is expanding, such as transportation, agricultural, and disaster prevention. The Urban Infrastructure and Environmental Product Company will continue improving operating efficiency by restructuring the production system and reorganizing the distribution systems for the core general products business in which we hold top share in the domestic market. This drive includes the decision to shut down the Tokyo Plant, which played a central role in the Group's early success, at the end of the current fiscal year.

Through these measures, we plan to continue improving our performance results and kick off the new SHINKA!-Advance 2016 medium-term management plan in fiscal year 2014.

Financial Strategy and Shareholder Return Policy

Our financial strategy is based on the management priority on increasing corporate value and the fundamental policy of proactive distribution of profit to shareholders.

In line with this policy, we retain sufficient internal cash reserves for R&D expenses, capital expenditure, strategic investment, financing activities, and other activities that we consider vital to assuring further enhancing corporate value into the future. Investment focuses on strategic investment to fortify our strategic businesses and for capital expenditures, M&A, and the construction of our overseas business structure that are essential for the Group's future growth. In Stage 2 of the GS21-SHINKA! medium-term management plan, strategic investment accounted for ¥79.0 billion of the total expenditure of ¥144.0 billion.

Our policy is to provide a stable level of dividend payments with a target dividend payout ratio of 30% on a consolidated basis to be returned to shareholders. In Stage 2 of the GS21-SHINKA!, in line with our steadily improving earnings results, we distributed annual per-share dividends of ¥15 (27.8% dividend payout ratio) in fiscal year 2011, ¥18 (30.8%) in fiscal year 2012, and ¥23 (28.7%) in fiscal year 2013. Anticipating business conditions in which we will be able to continue expanding our earnings, management is planning to distribute per-share dividends of ¥12 at the midterm and ¥12 at the yearend for a full-year dividend payout of ¥24 per share in fiscal year 2014.

Management flexibly considers share buybacks, while considering the balance of the share price trend and investment fund reserves for investment, as a method of supplementing the dividend policy from the perspectives of improving capital efficiency and long-term view. In the past three years, the Group has acquired the equivalent of 3.6% of outstanding shares.

In Closing

After achieving the targets and setting a record-high for consolidated operating income in fiscal year 2013, the final year of the previous medium-term management plan, we must now set to new objectives for the Group.

Fiscal year 2014 will mark the start of a new medium-term management plan. The plan sets earnings targets for fiscal year 2016 that will be achievable by maintaining our growth momentum and initiates measures designed to lead us into the long term following themes that we believe will be the main drivers of our future growth.

We believe the initiatives we are setting down will enable us to continue evolving during the enormous changes in the social and economic environments to emerge as a vital force capable of making a meaningful contribution to addressing social issues and thereby ensuring sustaining growth for the Group.

We believe that achieving this objective will also require that management and all of the Group's over 20,000 employees must work to realize change and growth and also to evolve within ourselves.

We thank you for your continued understanding and support of the Sekisui Chemical Group.

July 2014

Naofumi Negishi

Naofumi Negishi, *President*

CSR REPORT 2014

Further Advancing CSR Management as a Pillar of the New Midterm Management Plan

Achieving the Goals of the Midterm Management Plan Amid Severe Changes in the Business Environment

The midterm management plan GS21-SHINKA!, which started in 2009, when I took office as president, has reached completion. Looking back on the five years of that plan, they were a time of severe fluctuations in the business environment, from the slowdown that followed the collapse of Lehman Brothers through the sluggish economy in Europe, the rising value of the yen on international currency markets, the Great East Japan Earthquake, new risks in China, and adapting to the change of government in Japan and the increase in consumption tax.

However, Sekisui Chemical Group was able to achieve the goals of the midterm management plan while earning record profits through reforming its business models to adapt to such changing conditions.

In the housing business, we strived to stay ahead of the competition at all times by promoting the use of homes that realize environmental performance, economic performance, and comfort. Measures such as introducing our Smart Power Station homes aiming for energy self-sufficiency through combining large-capacity solar power, storage cells, and HEMS systems enabled us to set a world record on number of solar-powered homes built. In the infrastructure business, by shifting to a value-chain-based business model we were the first in Japan to receive a contract to provide comprehensive management services to a local government for total solutions including infrastructure repair, renovation, and renewal. In addition, our acquisition of the pipe materials business of Mitsubishi Plastics, Inc. gave us the top market share in the important resin pipes market.

Overseas, in addition to enhancing our global supply structure in the automotive field through strengthening our production capacities for raw materials and products in order to meet booming demand and address foreign-exchange risks, we also constructed systems for developing the businesses of diagnostic reagents and testing equipment in the medical field in Europe and North America.

Sekisui Chemical Group will continue to devote all its strengths to building a sustainable society, not just in Japan but on a global basis.

Looking Back on the CSR Midterm Plan

Sekisui Chemical Group has implemented CSR management in terms of Three Prominences—in the Environment, CS & Quality, and Human Resources—along with the Three Attitudes of Sincerity on which these are based: in Compliance, Risk Management, and Disclosure & Communication.

One of the main achievements of the CSR Midterm Plan has been the increase in sales of Environment-Contributing Products. Sekisui Chemical Group refers to products that not only reflect environmental considerations but also can contribute to lessening society's impacts on the environment as Environment-Contributing Products, and we had set a target of a percentage of 40% or more of net sales consisting of sales of Environment-Contributing Products. In fiscal 2013, we were able to increase this percentage to 42%. We also have made progress on reducing our carbon-dioxide emissions in Japan, and the CO_2 emissions reduction benefits of Environment-Contributing Products reached a level surpassing that of total emissions at the production stage. At the same time, with the broadening of business expansion overseas, our emissions of CO_2 and waste overseas are in an increasing trend. This is an issue we will address in future efforts.

On the subject of major quality issues, unfortunately some customers and related parties were greatly inconvenienced by serious product defects involving products manufactured and sold in the past. We will strive to prevent the reoccurrence of such cases through safety measures during product design and thorough collection of products from the market during product recalls.

Toward Further Permeation of CSR Management Along the Three Axes of Group, Global, and Communication

Through now, our CSR management efforts have been focused on permeation and strengthening of CSR management and on its global deployment. In Japan, CSR is addressed as part of deployment of business policies. For example, each division company and department establishes and addresses its own CSR topics and priorities, all based on discussion and consideration in the CSR Committee and individual subcommittees. Overseas, the meetings of presidents of overseas companies and HR staff conferences have become firmly established as venues for identification of and deliberation on shared issues in each area, but amid the diversification and globalization of our growing overseas businesses one could not necessarily describe as adequate the sharing of Group concepts and values and permeation of CSR management overseas.

The basic strategy of the new midterm management plan SHINKA!-Advance 2016 is SHINKA (evolution) in three business models, with CSR SHINKA serving as a foundation. We have identified three directions for evolving CSR in accordance with our business strategies aimed at growth through further diversification and globalization of our business models: the Group, Global, and Communication approaches. Specifically, these refer to working toward further permeation of CSR management in Sekisui Chemical Group; sharing values and finding solutions to issues on a global basis; and increasing corporate value through enhancing dialogue with stakeholders.

In addition, we will continue supporting the United Nations Global Compact as a platform for deploying CSR management on a global basis.

To Maintain a Strong Corporate Value for the Next 100 Years through CSR SHINKA

The society of the future will need to address and find solutions for issues related to the maturation of global society. These include aging populations in developed countries, aging urban infrastructure, increasingly severe weather, economic growth in Asia, and limits on resources. We believe that under such conditions, there are numerous social issues that we can help solve through our businesses. If we can build prominence in Japan, where many such issues are coming to the forefront sooner than in other countries, then we also could build next-generation businesses that can contribute to the world.

We intend to further intensify the global business development we have carried out through now together with accelerating our adaptation to the communities we serve around the world, to further advance localization of our prominences and both contribute to society and expand our business lines. We will do so by beginning reforms to our existing business models and aiming to create new businesses and advance into new fields through co-creation conducted within the Group and with outside parties.

To do so, we will continue aiming to be a sustainable company that can maintain its strong value for 100 years, as we work to increase our corporate value through CSR SHINKA by both contributing to society and growing our businesses through creating and growing sales of Environment-Contributing Products, developing human resources and enlivening our organizations to support such efforts, and continuing to deliver the quality specified by customers, through improving both Basic and Attractive Qualities.

Naofumi Negishi

Naofumi Negishi, *President*

TO MAINTAIN A CORPORATE PRESENCE FOR A 100 YEARS

In April 2014, the Sekisui Chemical Group launched its new medium-term management plan SHINKA!–Advance 2016. The new plan seeks to build on the momentum achieved by the reform and growth measures of the previous GS21-SHINKA! plan that generated our highest profit in 19 years and continue the earnings growth while advancing long-term initiatives to have Sekisui Chemical maintain a corporate presence for a 100 years.

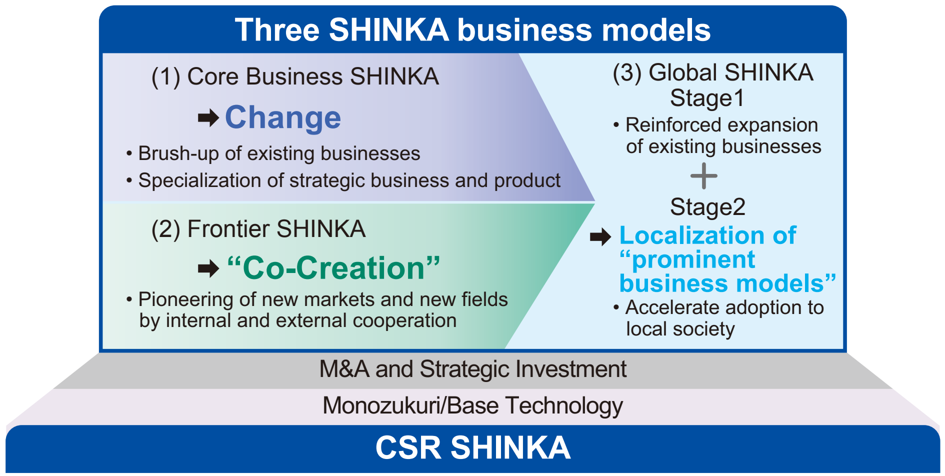
The SHINKA!–Advance 2016 Medium-term Management Plan

Basic Strategies

SHINKA!–Advance 2016 comprises two basic strategies to advance the company's evolution (shinka): the three SHINKA business models for corporate operations and CSR SHINKA.

The three SHINKA business models strategies focus on developing the business models in our three areas of core business SHINKA, frontier SHINKA, and global SHINKA to steadily expand earnings in the areas that are foundations of our business. We will take steps to re-energize the core businesses and not be complacent about the current status of existing businesses. We will also reform the core businesses to increase our focus on strategic businesses and products. The business model for the frontier businesses will be developed to facilitate co-creation to strengthen the Group's organization for internal and external alliances and create new markets and business fields for the medium- and long-term horizon. Development of the global business model will first focus on fortifying the global development of existing businesses and then on advancing the "localization of our prominences" to optimize the businesses for their target countries and regions.

The CSR SHINKA will seek to further develop our CSR management to better contribute to resolving global issues and enhance our dialogue with stakeholders toward the ultimate objective of enhancing corporate value.



New Business Portfolio

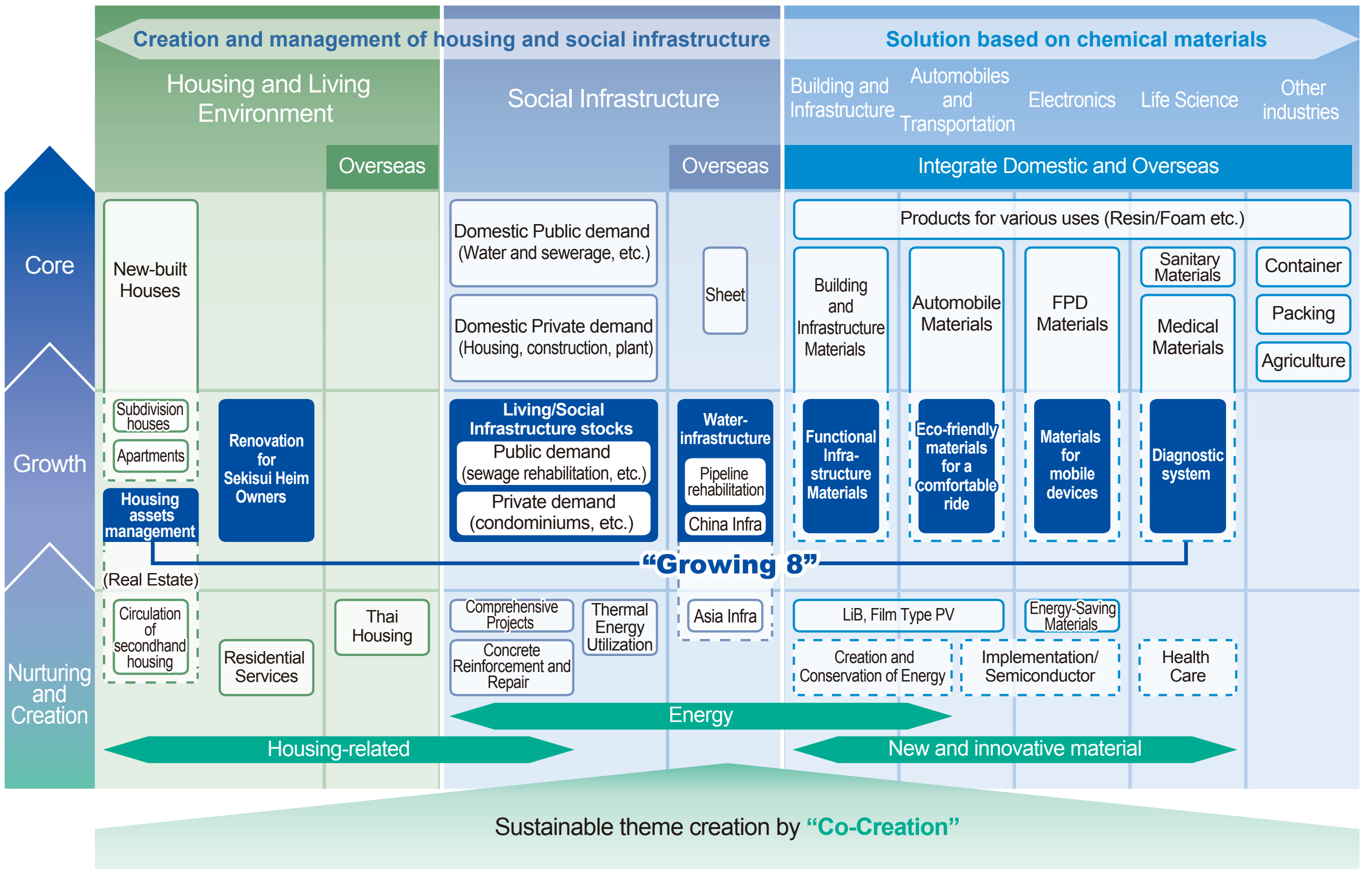
SHINKA!–Advance 2016 calls for each business to be categorized by a growth stage of either Core, Growth, or Nurturing and Creation and the activation of development measures geared to each business' growth stage with the aim of realizing sustaining growth for the Sekisui Chemical Group as a whole.

Core Stage

A business in the Core stage is a primary earnings driver for the Group. Core stage businesses include the new housing construction, domestic water infrastructure, automobile materials, and flat panel display materials businesses, and other fundamental businesses of each divisional company. We will seek to further strengthen the earning power of these core businesses.

Growth Stage

A business in the Growth stage is one that is driving the growth of the Group. The Growth stage businesses are primarily the "Growing 8" businesses identified within the existing Frontier 7 businesses as promising domains that would benefit from additional development. Strategic investment and management resources will be focused on the growth stage businesses.



Nurturing and Creation Stage

A business in the Nurturing and Creation stage shows promise from a long-term perspective of becoming a growth business, a major next-generation business area, or seed business. These businesses will be nurtured and cultivated through internal and external collaborations to create new markets and business fields for the Group.

Profit Plan

The SHINKA!–Advance 2016 sets earnings targets for sales of ¥1,250 billion and operating income of ¥100 billion for fiscal year 2016, the final year of the plan. The operating income targets for the divisional companies are the HPP Company ¥45 billion, the UIEP Company ¥15 billion, and the Housing Company ¥50 billion. The plan sets the target to raise the operating income ratio, which the Group uses as an earnings barometer, by 0.6 point from 7.4% in fiscal year 2013 to 8.0% in fiscal year 2016.

To achieve these targets, the SHINKA!–Advance 2016 calls for growth-related investment focused mainly in the Growth stage businesses—the Growing 8 businesses in particular—that the Company aims to develop into the growth drivers for the Group. The plan is to stimulate 10% average annual growth for the Growing 8 businesses to raise their sales from the ¥330.0 billion in fiscal year 2013 to ¥430 billion in fiscal year 2016. By maintaining double-digit growth for the Growing 8 businesses, we plan for to raise their operating income from the ¥82.5 billion in fiscal year 2013 to represent the majority of our overall operating income target in fiscal year 2016.

Another core strategy of SHINKA!–Advance 2016 is the policy to further advance the development of our global businesses with a target of raising global sales from ¥260.0 billion in fiscal year 2013 to ¥330 billion in fiscal year 2016. Business development for the Asia market will be a primary focus as we aim to raise regional sales from ¥105.0 billion to ¥150 billion and the ratio to overall global sales from 40% to 46% from fiscal year 2013 to fiscal year 2016, respectively. In fulfilling these plans, we aim to raise the ratio of overseas sales to 26% of total Group sales.

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

(Billions of yen, %)

	FY2013 Results			FY2016 Medium-term Target			Difference		
	Net Sales	Operating Income	Operating Income Ratio	Net Sales	Operating Income	Operating Income Ratio	Net Sales	Operating Income	Operating Income Ratio
Housing	496.8	41.1	8.3	**550.0**	**50.0**	**9.1**	53.2	8.9	+0.8
UIEP*1	239.9	6.5	2.7	**300.0**	**15.0**	**5.0**	60.1	8.5	+2.3
HPP*2	353.8	36.1	10.2	**390.0**	**45.0**	**11.5**	36.2	8.9	+1.3
Others	20.3	-1.1	—	**10.0**	**-10.0**	**—**	-10.3	-8.9	—
Total	1,110.9	82.5	7.4	**1,250.0**	**100.0**	**8.0**	139.1	17.5	+0.6

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

Cash Flow Strategy

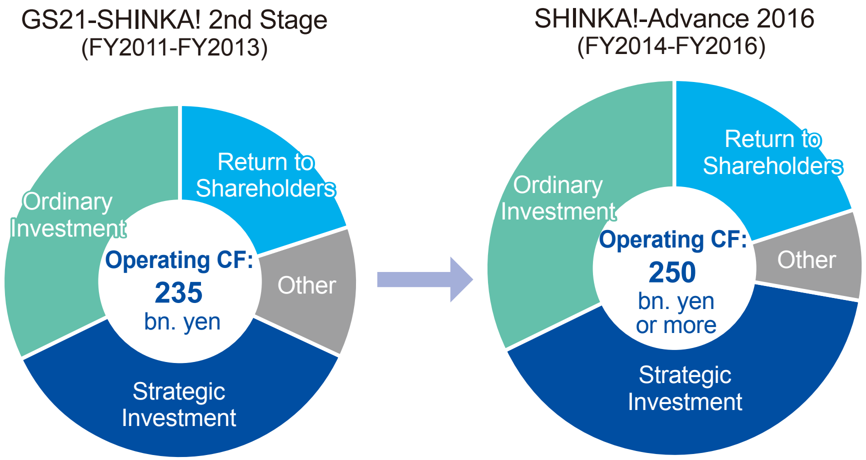
Under SHINKA!–Advance 2016, the Sekisui Chemical Group will continue its policy to strengthen and enhance the Group's financial position through investment centered on strategic investment within the limits of cash flow accumulated primarily from operating cash flow and to provide stable return to shareholders.

We estimate that we will accumulate over ¥250 billion in cash in the fiscal years 2014 to 2016 of SHINKA!–Advance 2016 and plan to utilize a total of ¥180 billion for conventional and strategic investments. The new plan calls for aggressive strategic investment, and the ¥100 billion allocated for strategic investment represents a record level for the Group and a significant increase from the ¥79.0 billion in strategic investments in Stage 2 (fiscal years 2011 to 2013) of the previous GS21-SHINKA! plan.

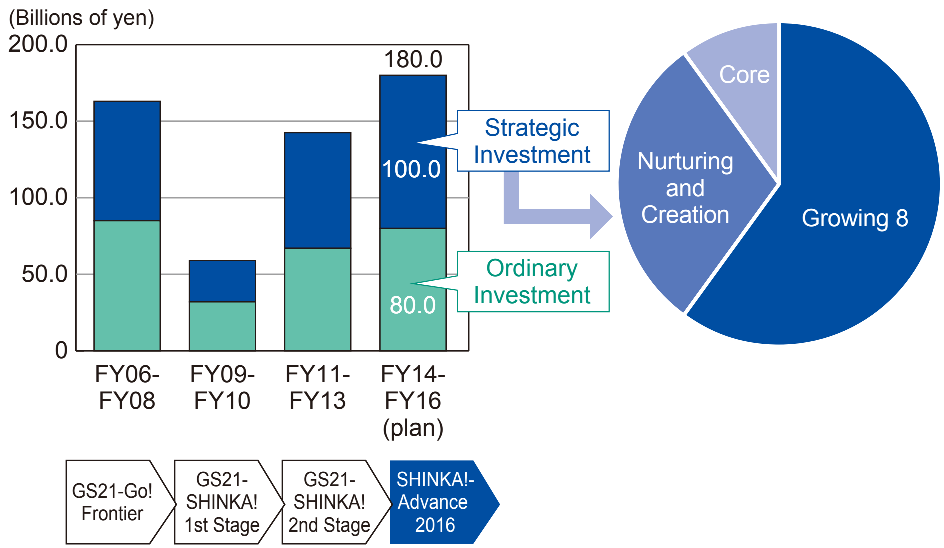
The strategic investment is expected to be primarily in the form of large-scale capital investment in the Growing 8 business and M&A aimed at developing new markets and business fields. We will also consider strategic investment in areas necessary to foster the next growth businesses and for developing Nurturing and Creation stage businesses into major next-generation business areas.

Our shareholder return policy will remain unchanged as we continue to provide a stable level of dividend payments and with a target of a dividend payout ratio of 30% on a consolidated basis. Management will take a flexible and long-term approach to repurchasing company shares taking into consideration the share price trend, fund demand for investment, and the benefits of raising capital efficiency.

Use of Cash Flow



Investment Amount and Breakdown of Strategic Investment

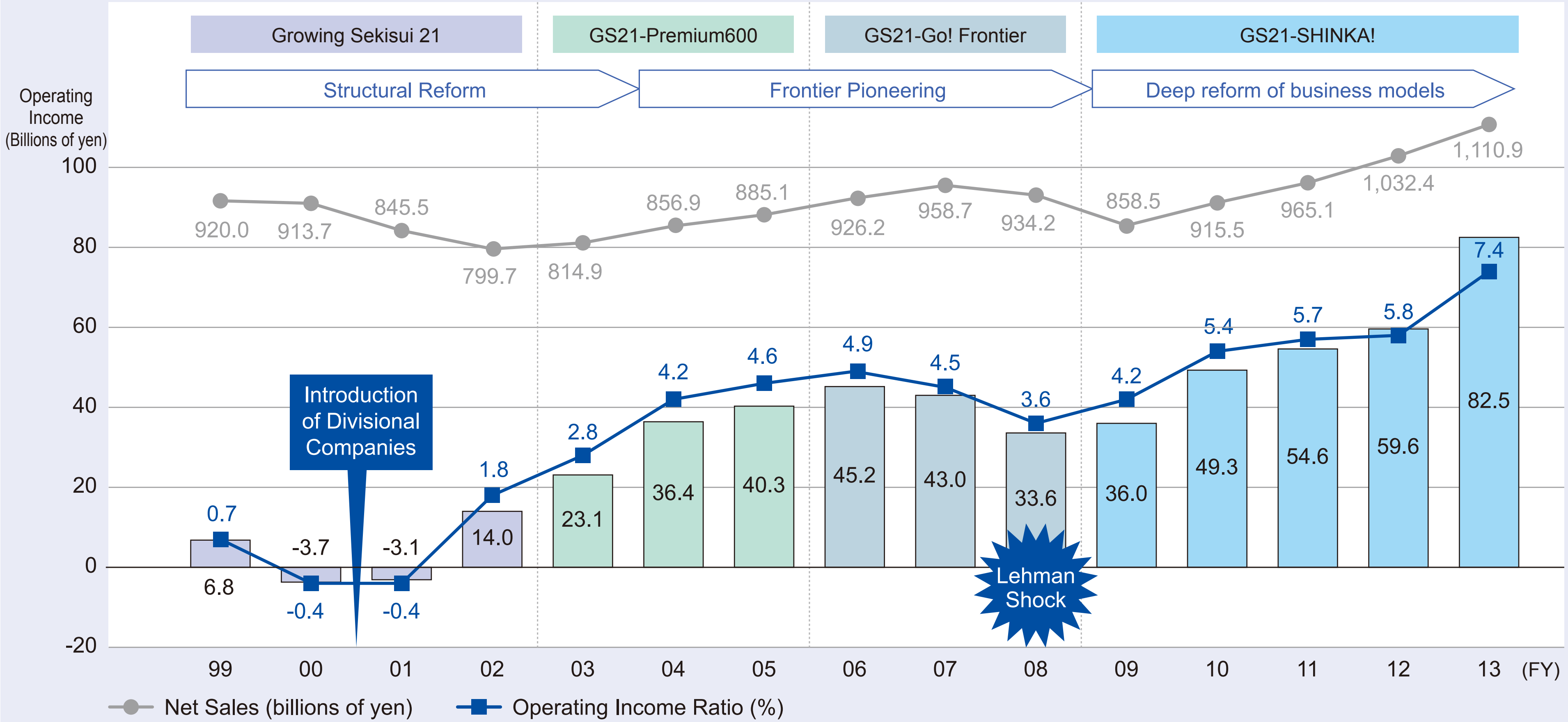


Accomplishments of the Four Recent Medium-term Management Plans

From Growing Sekisui 21 to GS21-SHINKA! (Fiscal years 1999 to 2013)

- Throughout the past four medium-term management plans, volume and profitability have steadily improved.
- Decline from the Lehman Shock was recovered in two years.

Trends in Sales and Operating Income

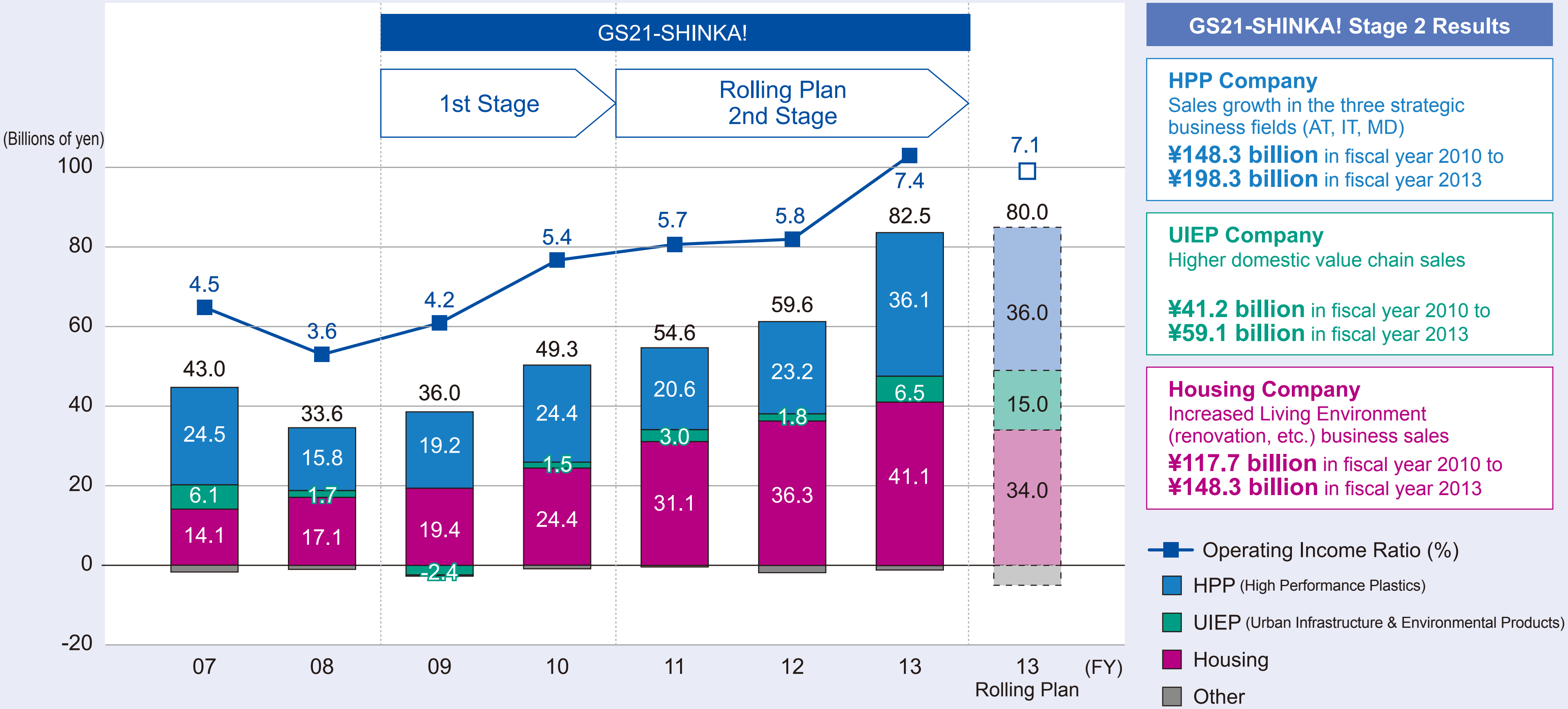


Performance Results During GS21-SHINKA! (Fiscal years 2009 to 2013)

The plan to strengthen our profit-making capability generated the highest profit level in 19 years in fiscal year 2013.

- Successfully reinforced the earning strengths of the domestic core business (the housing business and domestic water infrastructure business)
- On a backdrop of correction to the strong yen, expanded the business volume and improved the products mix of the global strategic businesses
- Progress made preparing the global business framework for further growth

Change of Operating Income



GS21-SHINKA! Stage 2 Results

HPP Company
Sales growth in the three strategic business fields (AT, IT, MD)
¥148.3 billion in fiscal year 2010 to
¥198.3 billion in fiscal year 2013

UIEP Company
Higher domestic value chain sales
¥41.2 billion in fiscal year 2010 to
¥59.1 billion in fiscal year 2013

Housing Company
Increased Living Environment (renovation, etc.) business sales
¥117.7 billion in fiscal year 2010 to
¥148.3 billion in fiscal year 2013

Management Message

Fiscal year 2013 was the final year of the GS21-SHINKA! medium-term management plan for the five years from fiscal year 2009 to 2013. In this section, the presidents of each of the divisional companies discuss their company's performance in fiscal year 2013 and accomplishments under GS21-SHINKA! along with the strategies and objectives of the newly launched SHINKA!-Advance 2016 medium-term management plan for fiscal years 2014 to 2016.

High Performance Plastics Company

Chemical Solutions

Keita Kato
President of High Performance Plastics Company

Performance Highlights

(Billions of yen, %)	FY11	FY12Note	**FY13**	FY14 (Plan)	FY16 (Medium-term Plan)
Net Sales	296.9	332.0	**353.8**	370.0	390.0
Operating Income	20.6	23.2	**36.1**	40.0	45.0
Operating Income Ratio	6.9	7.0	**10.2**	10.8	11.5

Note: FY2012 results encompassed the 15-month period from January 1, 2012, to March 31, 2013, owing to the revision to the overseas subsidiaries' accounting period effected in fiscal year 2012. Overseas subsidiaries earnings in the January–March 2012 quarter included net sales of ¥32.7 billion and operating income of ¥1.3 billion.

GS21-SHINKA! Review and Fiscal Year 2013 Results

The High Performance Plastics (HPP) Company made steady progress in fiscal year 2013 toward realizing its objective of becoming a high-profit operation by providing chemical solutions and through persistent measures to expand business content and fortify the business base.

The HPP Company met its performance targets for the year, the final year of Stage 2 of the GS21-SHINKA! medium-term management plan, including achieving ¥36.1 billion* in operating income, just over the initial ¥36.0 billion target. The Company generated an operating income ratio of 10.2%, the first time it has achieved double digits for the benchmark of profitability.

The GS21-SHINKA! set the IT-related materials (IT), automotive materials (AT) and medical products (MD) fields as the Company's three strategic fields based on the outlook for market growth and potential applications of the Company's technologies. Under the plan, the Company concentrated product launches in these fields and initiated M&A and strategic investment to reinforce its business in areas including supplementing its technologies, establishing sales channels, and penetrating markets in developing countries to actively expand its business around the world. These three strategic fields account for approximately 50% of the Company's sales and 60% of operating income. Steps to fortify the earnings structure while the yen was strong through the end of 2012 successfully positioned the Company to benefit from the yen correction in fiscal year 2013.

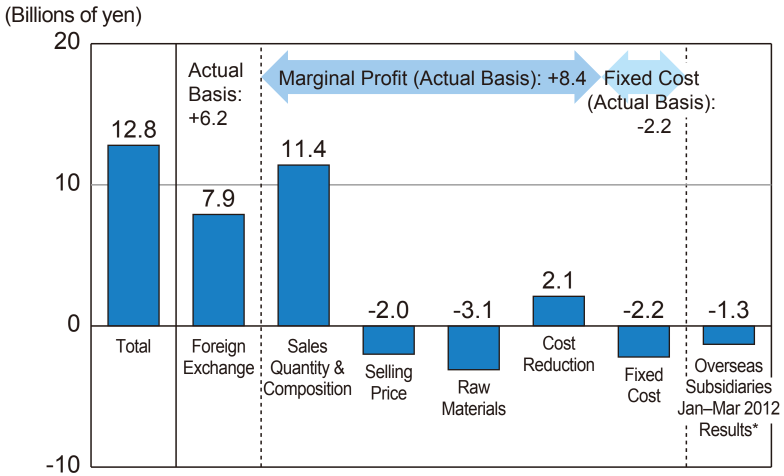
The HPP Company rose to another level under the GS21-SHINKA!, particularly considering that operating income in the plan's final year was 128% higher than in fiscal year 2008, the year before the plan launched.

In fiscal year 2013, the HPP Company raised operating income by ¥12.8 billion over the previous fiscal year through increased sales volume particularly overseas in the three strategic fields, increased margin profit from an improved product mix achieved through an aggressive shift to high value-added products, and a significant contribution from the beneficial foreign exchange effects of the yen correction.

In the three strategic fields, the HPP Company steadily increased sales of its core flat panel display (FPD) materials in the IT field (IT materials) during the year even amid some sharp short-term fluctuations in the supply and demand balance. Business also continued strong in the AT (automotive materials) field supported by recovering demand in Europe and increasing use of the Company's high-performance products, which is the Company's specialty, in the United States and China. In the MD (medical) field, the Company's aggressive efforts to develop overseas markets for its strong-selling products in Japan also produced favorable results.

* This amount includes a ¥1.3 billion decrease due to the revised accounting period for overseas subsidiaries effected in fiscal year 2012.

Analysis of Operating Income for FY2013 (year on year)



* Impact due to the revised accounting period for overseas subsidiaries effected in fiscal year 2012.

SHINKA!-Advance 2016 Strategies and Targets

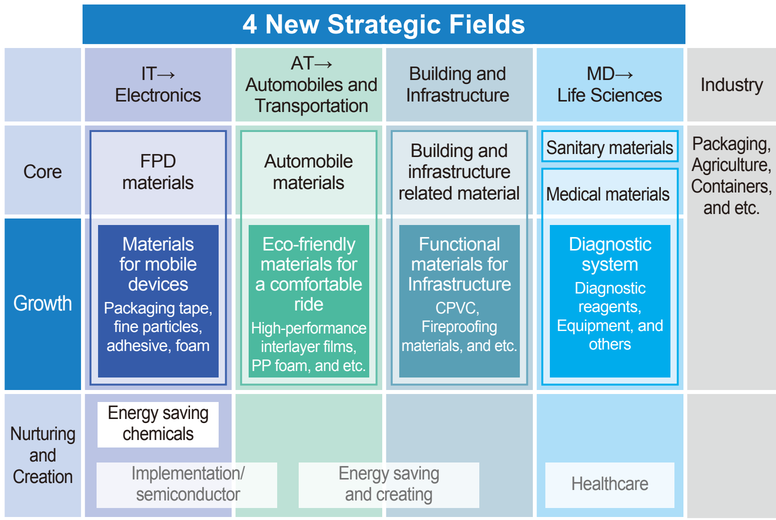
Under the SHINKA!-Advance 2016 plan, the HPP Company is aiming to reach operating income of ¥45.0 billion and an operating income ratio of 11% in the plan's final fiscal year 2016. We plan to realize our objective of making the Company a high earnings operation consistently generating operating income above 10% by focusing on growth fields and providing chemical solutions to continue boosting sales of high value-added products. The three engines for growth will be sales in the strategic fields, sales overseas, and sales of new products.

The new plan redefines the strategic fields to encompass domains with promise for long-term growth and future R&D directions with the aim of positioning the HPP Company for accelerating growth and rising profit margins beyond fiscal year 2016. The new plan adds Building and Infrastructure, an area that grew significantly under the previous plan, to the strategic fields and will focus on capturing the growing demand for chlorinated polyvinyl chloride (CPVC) and other functional resins in developing countries and providing fire-resistant materials and other high value-added products in Japan.

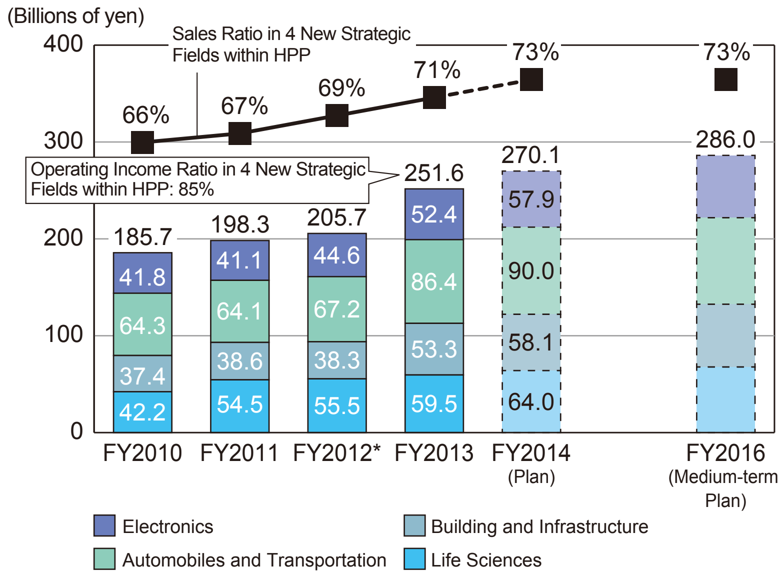
In addition, based on our intention to expand our product offerings to peripheral markets of the IT, AT, and MD fields, we have revised the names of the fields to Electronics, Automobiles and Transportation, and Life Sciences, respectively, to better represent the broader approach. We have also identified areas within these new strategic fields that we believe will be the main growth drivers, specifically mobile materials, eco-friendly materials for a comfortable ride, functional infrastructure materials, and diagnostic system, and in which we will intensify our business efforts.

Looking further into the future, we have also identified fundamental seeds among our technologies for future businesses, which we will seek to fully cultivate and integrate to smoothly and speedily give rise to new technologies and products. In the Nurturing and Creation stage, we will focus

4 New Strategic Fields and Growth Stage



Sales in 4 New Strategic Fields



* Exclude January–March 2012 overseas sales

development efforts on new product lines in implementation and semiconductor materials, energy saving and creation materials, and healthcare products and materials that will become drivers for the HPP Company's medium- and long-term growth.

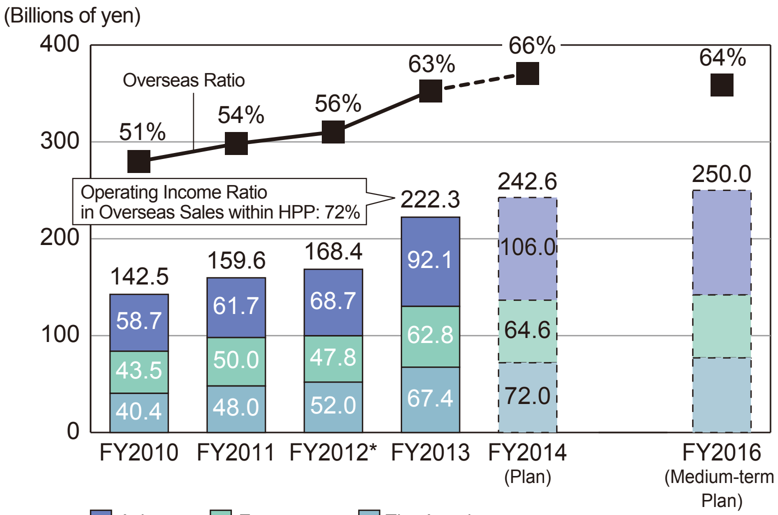
We believe the objectives for fiscal year 2016 can be attained by continuing to execute the fortification measures that are driving the growth of the core businesses, including enhancing earning power, expanding offerings and production capacity for products that have a competitive advantage, and further developing the management and development potential of existing M&A synergies. We will also lay the foundation for stable and rapid earnings growth in the future by concentrating investment in the Growth stage and Nurturing and Creation stage to develop products with unique features and increase profits.

Fiscal Year 2014 Plan

In fiscal year 2014, while concern exists in Japan of a fallback from the demand swell before the consumption tax hike at the end of the previous fiscal year, we anticipate a bottoming out and a gradual recovering in business conditions in Europe along with a continuing strong undertone in the United States and China. In these market conditions, the HPP Company plans to leverage the three growth engines (sales in the strategic fields & overseas and sales of new products) of the SHINKA!-Advance 2016 plan to accelerate its business growth and reinforce its management base.

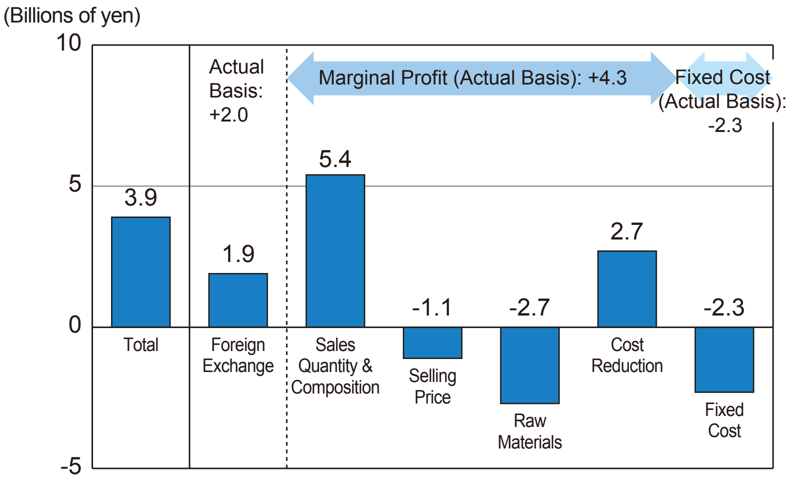
Priority measures in the new strategic fields in fiscal year 2014 will be to broaden our recognition as an approved vendor and revitalize the ITO film business in the Electronics field and to expand sales of high-performance products and increase sales in developing country markets in the Automobiles and Transportation field. In the Building and Infrastructure, we plan to expand CPVC product sales in Asia and the

Overseas Sales



* Exclude overseas January–March 2012 sales

Analysis of Operating Income for FY2014 (year on year)

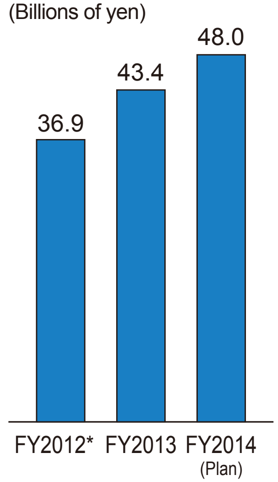


Middle East and begin operations at a CPVC resign and compound factory in Thailand. Priority measures in the Life Sciences will focus on enhancing existing M&A synergies to expand the global business of our diagnostic reagents and diagnostic equipment business.

In overseas operations, we plan to further integrate our technology and expertise and strengthen our global purchasing power to support increasing overseas production, raise the number of expatriate employees and overseas personnel, and expand our business bases to support growth in exports. Expanding our business in Asia will be a primary objective during the year and we plan to implement various measures to that end.

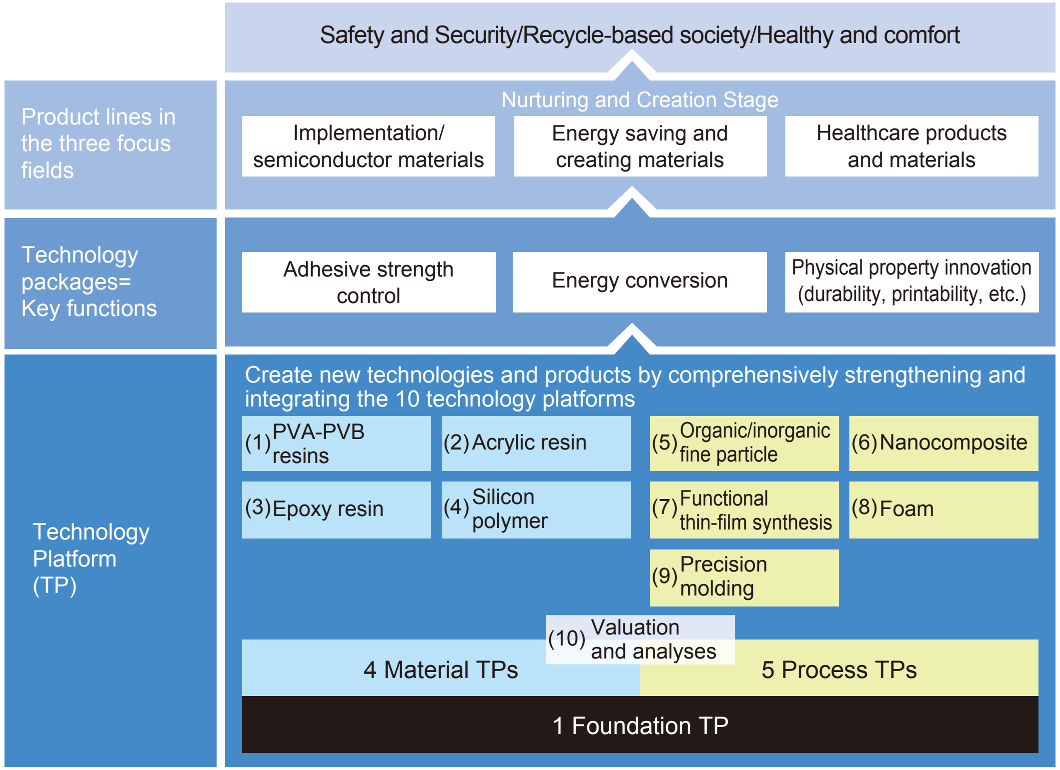
In new products and businesses, we will focus efforts on further expanding sales of thermal expansion fire-resistant materials for fire prevention (FP) projects, which are starting to generate significant sales growth. We will also accelerate development of lithium-ion battery components and other new products to position the HPP Company to take advantage of the growth potential in the Nurturing and Creation stage.

New Products Sales



* Exclude overseas January–March 2012 sales

Technology Platform (TP)



Urban Infrastructure & Environmental Products Company

No.1 Company for Stock Management in Living and Social Infrastructure Field




Kozo Takami
President of Urban Infrastructure & Environmental Products Company

Performance Highlights

(Billions of yen, %)	FY11	FY12[Note]	**FY13**	FY14 (Plan)	FY16 (Medium-term Plan)
Net Sales	200.0	214.5	**239.9**	247.0	300.0
Operating Income	3.0	1.8	**6.5**	7.5	15.0
Operating Income Ratio	1.5	0.8	**2.7**	3.0	5.0

Note: FY2012 results encompassed the 15-month period from January 1, 2012, to March 31, 2013, owing to the revision to the overseas subsidiaries' accounting period effected in fi scal year 2012. Overseas subsidiaries earnings in the January–March 2012 quarter included net sales of ¥4.9 billion and an operating loss of ¥0.7 billion.

GS21-SHINKA! Review and Fiscal Year 2013 Results

The Urban Infrastructure & Environmental Products Company (UIEP) is positioning to become No.1 company for stock management in living and social infrastructure field. Anticipating a long-term diminishing trend in the volume of domestic new construction starts, which to date has been the main demand source for the Company's business, the Company is moving away from commodity and single product business lines to develop business geared to capturing demand from existing stock.

Under the GS21-SHINKA! medium-term management plan, the UIEP Company overhauled its business model to expand beyond product manufacturing and sales for the markets associated with existing stock and formulate a complete value chain from its engineering capabilities in inspection, diagnostics, design, construction, maintenance, and management. Efforts also focused on establishing a framework enabling the full integration of its technical expertise to provide comprehensive services in the water infrastructure field and respond to the growing public investment by federal and local governments.

The UIEP Company significantly improved its operating income result in fiscal year 2013, raising the level by ¥4.7 billion* over the previous fiscal year to ¥6.5 billion, but remained short of the GS21-SHINKA! medium-term management plan's target of ¥15.0 billion.

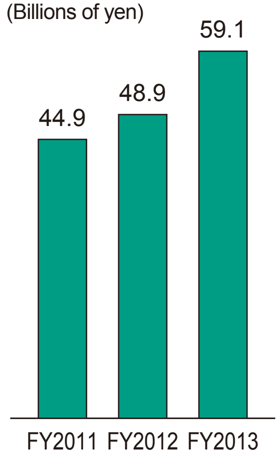
The domestic business performed well and nearly achieved its target supported by brisk construction starts and increased stock demand for water supply and sewerage and other infrastructure renovation along with the boost in market share from the integration of the piping materials business acquired from Mitsubishi Plastics, Inc. The overseas business continues to show significant potential for future growth but fell well short of the plan's operating income target as several issues persisted during the year. The growth of the pipeline rehabilitation business remains on hold due to the constrained fiscal budgets in Europe and limited public sector activity.

While the performance results fell short of expectations, the Company made great strides from a long-term perspective with steady progress developing the value chain business and by quickly establishing a business model for success amid a diminishing volume of new construction starts in the future. The business model's effectiveness is already starting to produce tangible results, including a 43% increase in sales over fiscal year 2010, the last year before the conversion to the new business model began, and winning the comprehensive management contract for the city sewerage duct facility in Kawachinagano, Osaka Prefecture.

Viewed on a single-year basis, domestic business operating income rose ¥1.9 billion year on year in fiscal year 2013 as increased public investment (public sector demand) and brisk construction starts (private sector demand) in Japan supported expanded sales volume while the Mitsubishi Plastics business integration effect, both of which helped boost marginal profit. The improved marginal profit in turn absorbed the negative impacts from high raw material prices and the increase in fixed costs from new consolidations. Overseas business operating income rose ¥2.7 billion year on year. The structural reform of the pipeline rehabilitation business in Europe continued to make progress the operation's profitability improved. We also achieved sales growth in the sheet business in the United States and the overseas water infrastructure business being developed in Asia.

Domestic Value Chain Sales

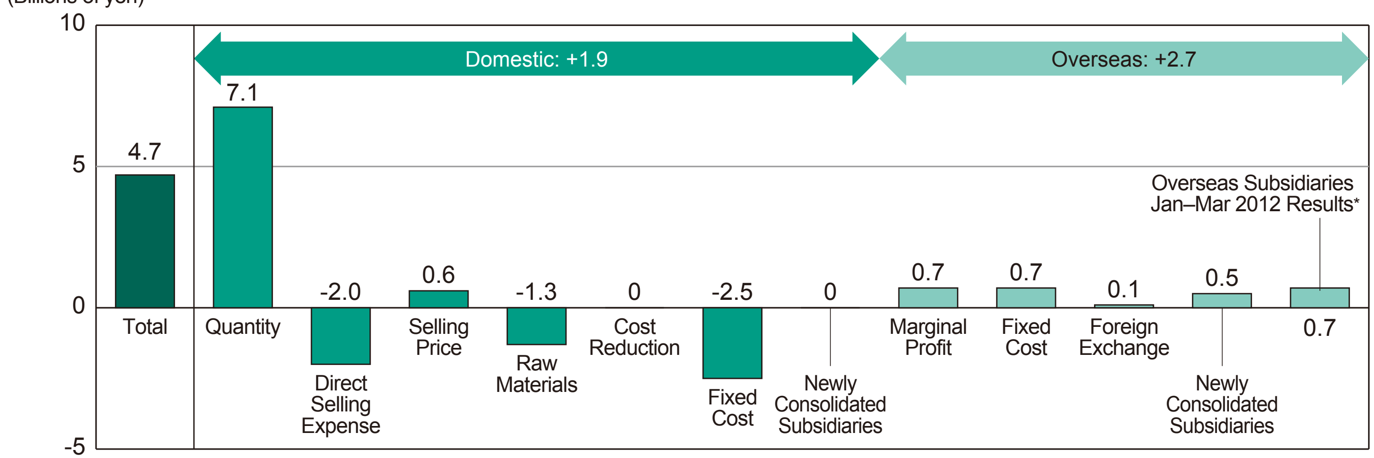
(Billions of yen)



* This amount includes a ¥0.7 billion increase due to the revised accounting period for overseas subsidiaries effected in fiscal year 2012.

Analysis of Operating Income for FY2013 (year on year)

(Billions of yen)



* Impact due to the revised accounting period for overseas subsidiaries effected in fiscal year 2012.

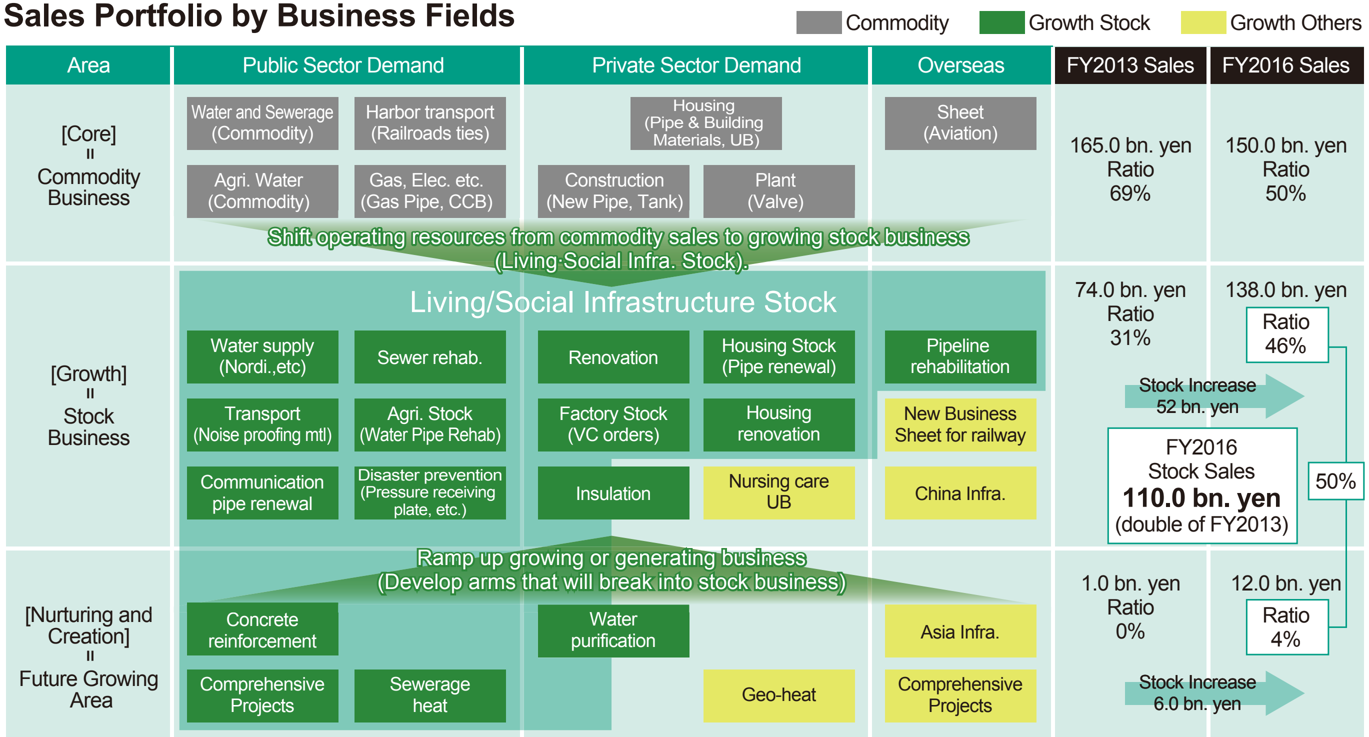
SHINKA!-Advance 2016 Strategies and Targets

The UIEP Company is aiming to reach operating income of ¥15.0 billion under the new medium-term management plan SHINKA!-Advance 2016. The primary business strategies are focused on expanding stock-related sales and fully integrating general products to vastly improve efficiency in Japan and on fortifying the earnings base overseas.

In the past three years under the previous plan, the Company conducted a major transformation through consolidation and reform to build the value chain business into one of the Company's prominent businesses. Under SHINKA!-Advance 2016, the Company will further develop and strengthen the value chain business, focus efforts on the renovation and reconstruction fields in the Housing/Social Infrastructure, where we anticipate particular growth in demand, and fully establish the operating structure of the stock business to support active and expanding business in fiscal year 2017 and beyond.

The growth strategy for the domestic market will be to fully activate the benefits from the ongoing reform of the value chain and increase revenue from the market of existing stock. By actively capturing business opportunities across the whole value chain, developing our business geared to existing stock, and fortifying our development of new business domains, we aim to increase stock-related sales by 100% over the fiscal year 2013 level to ¥110.0 billion in fiscal year 2016. The volume of existing stock-related demand is growing in both the public and private sector markets. The Company will seek to steadily capture demand using its already established strong market position for pipeline rehabilitation and other public sector projects and the revitalized structure realized under the previous management

Sales Portfolio by Business Fields



plan for condominium renovation and other private sector projects.

In the commodity business, we will create an operating structure capable of generating profit growth even in an environment of shrinking demand through initiatives to improve overall efficiency, including maximizing the Mitsubishi Plastics pipe business integration synergies, streamlining the distribution and production systems, and optimizing project management.

We plan to establish an earnings foundation geared toward future growth for the overseas business by bringing the GS21-SHINKA! medium-term management plan's efforts to reform the pipeline rehabilitation business in Europe to completion to be positioned for growth when the lingering economic issues are resolved and by accelerating business development in the robust water infrastructure market in Asia.

Fiscal Year 2014 Plan

Fiscal year 2014 is a critical year for preparations to reach new medium-term management performance targets for fiscal year 2016, the final year of the new medium-term management plan. During the year, we will respond to the volume decline in general products, fortify the overseas business earnings base, and implement other measures to establish the foundation for growth.

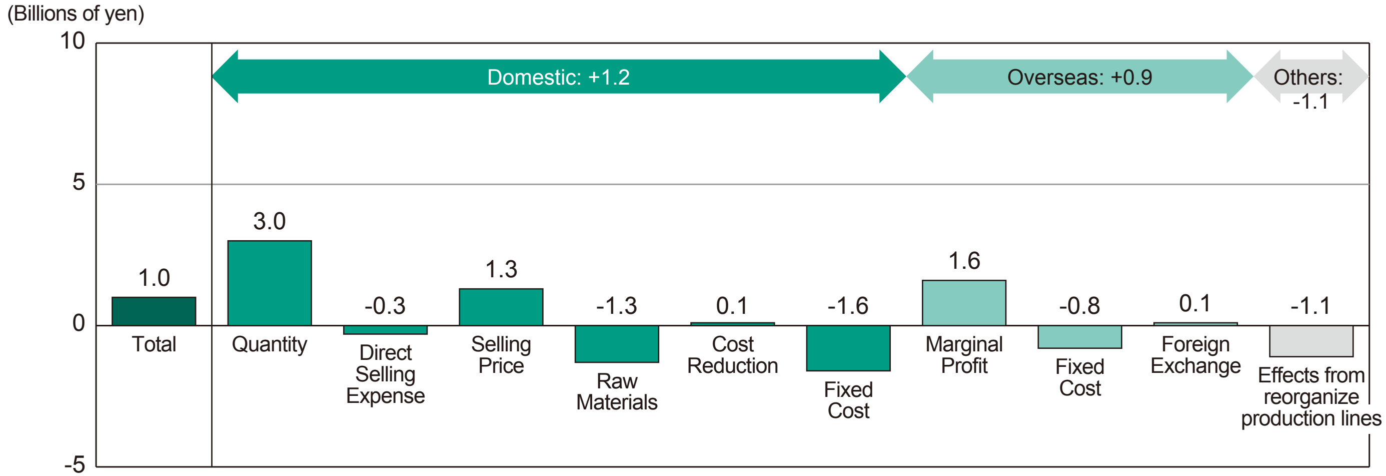
The outlook for the domestic market environment in fiscal year 2014 includes an estimated 13% year-on-year decline to 860,000 new housing starts, the main source of demand for the Company's products, as a fallback from the swell in demand ahead of the hike in the consumption tax in the previous fiscal year. At the same time, the Company expects the government's Abenomics policies to support steady public investment. Investment to renovate aging infrastructure is projected to grow 8% year on year and is a priority policy of the Basic Act on the Plan for National Resilience enacted in December 2013. The decision to hold the Olympics in Tokyo in 2020 also bodes well for stimulating construction of infrastructure and facilities for the event. The pipeline rehabilitation market in Europe is gradually improving but management anticipates no significant upturn in the near future.

In these domestic and overseas market conditions, the UIEP Company will seek to advance the following three initiatives in fiscal year 2014.

1. Improve the overall efficiency of the commodity business

Anticipating a decline in demand for general products, we will reorganize our production bases following a core strategy of "local production for local consumption" with production and distribution optimized to the specific demand

Analysis of Operating Income for FY2014 (year on year)



* FY2014 housing starts forecast: 860,000 units, -13% (YoY)

characteristics of each region. The reorganization will also be the basis for minimizing total costs by cutting production and distribution costs. The project construction system will be reorganized around local production companies and value chains will be created to better respond to local demand.

2. Expand business in the existing infrastructure stock field

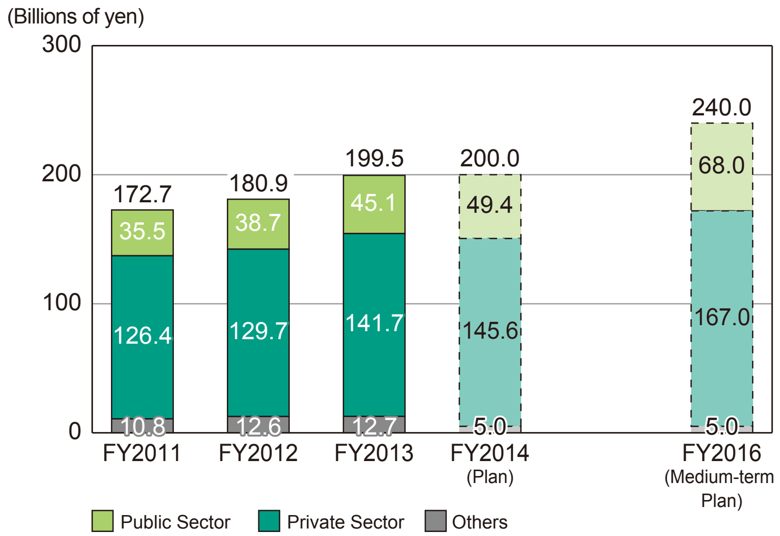
We will supply refurbishment and reconstruction solutions in fields ranging from water supply and sewerage to agriculture, transportation, construction, and housing. Our main focus will be to continue developing markets in the condominium stock and water supply and sewerage stock. In the condominium stock field, a major first step in targeting of the rapidly growing stock-related market was realized in September 2013 with the release of the Marurino renovation package for condominium owners. The package utilizes the Company's unrivaled Refilld Construction Method to create pleasant and comfortable living spaces with superior heat and sound insulation features. Marurino includes sales of resin pipes for the renewal of water supply and sewerage systems as well as pipework diagnostics and pipeline rehabilitation process development. The UIEP Company is developing Marurino as a value chain business encompassing the complete process from diagnostics to final construction.

In the infrastructure stock field for water supply and sewerage, we will continue developing products and methods and our operating structure to provide full-package services encompassing pipeline inspection and diagnostics to design, construction, and maintenance. We will use the comprehensive private-sector consignment contract entered into last fiscal year with Kawachinagano, Osaka Prefecture, as a groundbreaking example for generating orders for our detailed inspection operations and planning services for extending the life of the infrastructure.

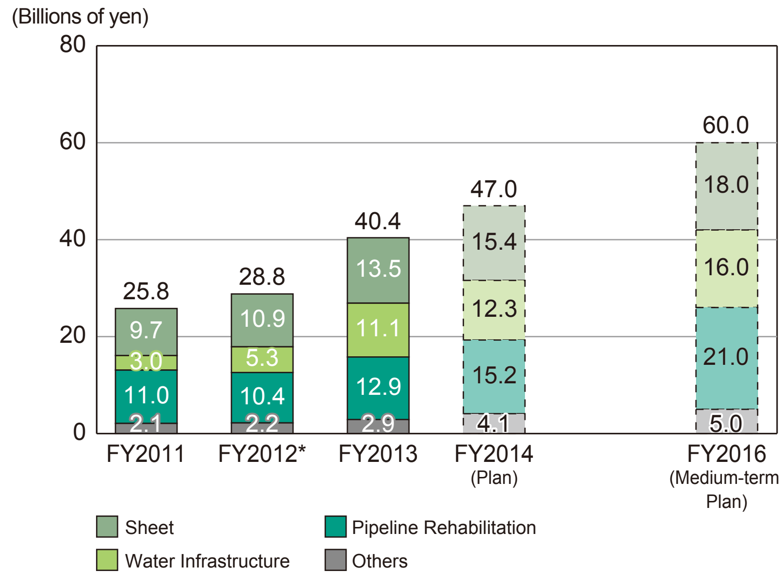
3. Strengthen the foundation of the overseas business

We will continue improving the profit margin and profitability of the pipeline rehabilitation business in Europe through structural reform and enhanced selectivity for order acceptance. In Asia, efforts will focus on constructing a business structure to provide full-package water infrastructure services in developing countries. In the plastic sheet business in the United States, we will aim to increase our market share of sheet material used as fundamental components in aircraft construction and continue developing business for railway applications.

Domestic Sales



Overseas Sales



* Excluding sales of Overseas sub Jan-Mar 2012

Housing Company

Shift from Housing Manufacturer to Living Environment-Creating Company




Shunichi Sekiguchi
President of Housing Company

Performance Highlights

(Billions of yen, %)	FY11	FY12	**FY13**	FY14 (Plan)	FY16 (Medium-term Plan)
Net Sales	449.4	469.0	**496.8**	524.0	550.0
Housing	322.3	333.7	**348.5**	363.5	—
Living Environment	127.1	135.4	**148.3**	160.5	—
Operating Income	31.1	36.3	**41.1**	43.0	50.0
Housing	23.1	26.1	**29.5**	30.0	—
Living Environment	8.0	10.2	**11.6**	13.0	—
Operating Income Ratio	6.9	7.7	**8.3**	8.2	9.1

GS21-SHINKA! Review and Fiscal Year 2013 Results

The Housing Company raised operating income by ¥4.8 billion over the previous fiscal year to ¥41.1 billion in fiscal year 2013, substantially surpassing the GS21-SHINKA! medium-term management plan's initial target of ¥34.0 billion for the final year of the plan. The fiscal year 2013 result includes the boost from the demand swell ahead the consumption tax hike, although the Company had already achieved the operating income target in fiscal year 2012. The Company raised sales and income in each of the medium-term plan's five years, lifting sales by 17% and operating income by 140% over fiscal year 2008, the year before the plan launched. We accomplished this growth through proactive efforts to fortify our earning strength in anticipation of a shrinking market, strategies to expand sales volume such as to differentiate the Company's market leading energy-efficient housing in the Housing business, and meeting our objective to grow the Living Environment business with a focus on renovation operations. These efforts also raised our operating income ratio above 8.0%, putting us on the highest tier for providers of residential housing.

We continued promoting our leading energy-efficient housing as a product strategy highlighting the consistently high level of functionality, such as superior air-tightness and heat insulation in our homes that we can realize because we are the world's sole producer of homes (unit housing) constructed virtually completely inside the factory. Sekisui Chemical is the world's leading producer of solar powered houses with over 140,000 houses built, with a world record 142,966 as of the end of December 2013 (currently under verification). We are also Japan's top provider of smart houses combining solar power generation, storage batteries, and HEMS in the growing market for energy-efficient housing.

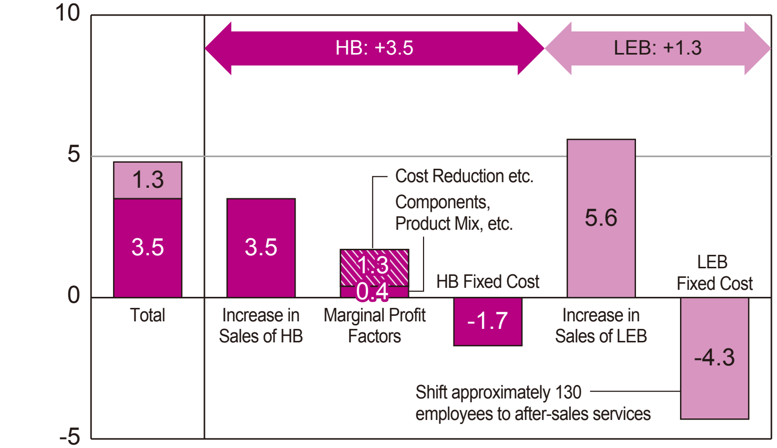
The realization of full-fledged operation at the mass production housing factory in Thailand, where we anticipated significant growth in the housing market in the medium- and long-term, is also expected to begin providing a substantial contribution to the Housing Company's performance.

In fiscal year 2013, the Housing business confronted substantial short-term fluctuation on order activity from the surge in demand ahead of the consumption tax hike on April 1, 2014 (which carried a transitional eligibility cut-off date of October 1, 2013, for construction contracts) and the subsequent fallback in the latter half of the fiscal year. However, the demand fluctuation was within the range of expectations, and the Housing Company successfully minimized the impact from the post-hike fallback with early maneuvers, including fortifying the sales force to increase customer contact points, launching new smart house models with high cost performance, and focusing on the built-for-sale housing and housing complex segments where we anticipated relatively small tax hike repercussions. These efforts generated 14% year-on-year growth in housing unit orders in the first half of the fiscal year to September and limited the decline to 10% in the second half from October to March with the result of a 2% overall increase in housing unit orders from the previous fiscal year. The Living Environment business, which centers on the renovation segment, continued its growth trend by achieving the planned 10% year-on-year increase.

The increased sales produced through these activities raised marginal profit while the fortified earnings structure from the area management system lowered the break-even point by roughly 2%, with both supporting the ¥4.8 billion rise in operating income for the year. The Housing Company is also positioned for further growth with a year-end order backlog 10% higher than a year earlier.

Analysis of Operating Income for FY2013 (year on year)

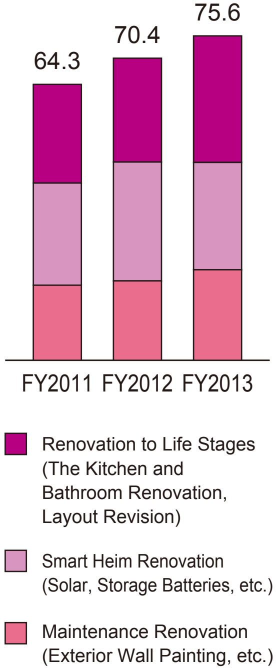
(Billions of yen)



*HB: Housing Business, LEB: Living Environment Business

Living Environment Business Sales of Mainstay Products

(Billions of yen)



SHINKA!-Advance 2016 Strategies and Targets

The Housing Company is fully aware of the challenges presented by the long-term shrinking trend in Japan's new housing construction market and is all the more determined ensure effective and successful implementation of the measures set forth in the new medium-term management plan SHINKA!-Advance 2016 to respond to the present turning point in the market (with a higher consumption tax rate), create a business model for sustaining profit growth, and bring out the full potential of Sekisui Heim concept attain the plan's operating income target of ¥50.0 billion in fiscal year 2016.

We plan to further expand the market share of the Housing business by taking advantage of our position as the leading supplier of smart houses to offer advanced products and by maximizing the in-factory production ratio (shortening on-site construction time) to improve cost performance.

In the medium and long term, even amid a diminishing number of new housing starts in Japan, we expect environmental action, such as reduction of greenhouse gas emissions and energy stability, to generate an expanding market for smart homes.

The Japanese government is promoting net zero energy houses (ZEHs*) with the aim of making such homes standard by 2020. At present, 59% of our housing products are ZEHs and we are aiming for 100% to be ZEHs by 2016. In addition, while a chronic shortage of manpower is causing on-site construction costs to soar, we will focus on maximizing the cost-saving effects of our high in-factory production ratio.

* Net Zero Energy House (ZEH): A ZEH is a house that runs completely on electricity and has the capability or generating more energy than it consumes.

New Business Fields and Business Policy

Present: 3 Businesses	New 5 fields	Business Stage	Business Policy
Housing	(1) Housing New-built Houses, Apartments, Subdivision Houses	Core	Aiming for sales increase through attractive products and skilled human resources ⇒ **No.1 of Detached House Market Share**
		Growth	**Strengthening subdivision houses & apartments** that have room to grow ⇒ Diversification of earnings structure
Living Environment	(2) Renovation for Sekisui Heim Owners	Growth	Providing for Sekisui Heim Owners with attractive products and services ⇒ **The engine of growth** for making next leap forward
	(3) Real Estate (Housing assets management)	Growth	Conduct **circulation of secondhand housing and leasehold property management** on a surefooted basis **as the platform of the circulation business** ⇒ Primary source of highly-stable earnings
	(4) Residential Services Elderly housing with supportive services, Renovation for non-Sekisui Heim, Interior, Exterior	Creation	Providing **through services all stages of life** ⇒ Forming the final shape of circulation business model
Overseas	(5) Overseas	Nurturing	Providing valuable houses meeting local needs ⇒ **Pillar of earnings**

We will also maintain the growth track of the renovation business by increasing the sales force and other measures to steadily respond to segments with growing demand, such as from the expanding stock of existing Sekisui Heim in the prime age bracket for renovation (15 years or more) and standard-home upgrades to energy-efficient smart houses.

We aim to establish sustaining earnings growth for the Housing Company by further developing the renovation business' growing Living Environment business. The current operations will be fortifying and business creation efforts stepped up in the Real Estate (housing assets management) and the Residential Services (elderly housing with supportive services). In addition, we will continue evolving the circulation business model to provide services geared to all life stages of our customers. We will also continue building the overseas businesses toward becoming mainstay revenue sources.

Fiscal Year 2014 Plan

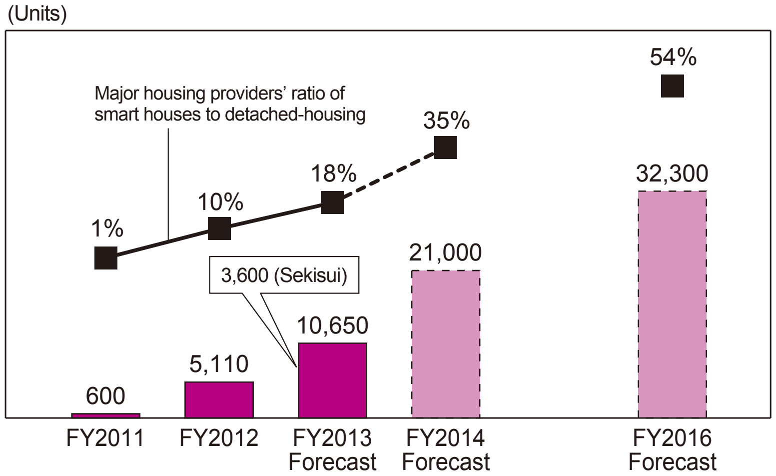
The Housing Company plans to using the turning point in the new housing construction industry brought about by the consumption tax increase as a launching pad for its strategy to become Japan's top smart house builder and to accelerate the growth of its Living Environment business. The Company will augment the sales forces for both businesses to carry out these strategies and set them firmly on a path to success.

In fiscal year 2014, the Housing business is aiming to limit the decline in housing unit orders to 12% from the previous fiscal year level in the first half (with declines of 1Q 15% and 2Q 10%) while the full impact of the consumption tax hike on private consumption is still unclear and then raise orders by 10% year on year in the second half.

Strategic products, "Smart Power Station"

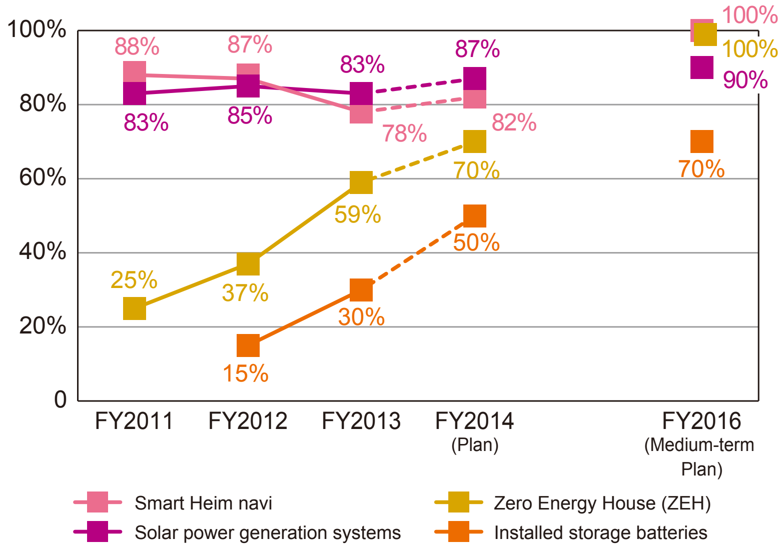
Factory for mass production of detached houses in Thailand

Expanding Smart House Market*



* Sekisui research findings Smart house = built-in solar power equipment + HEMS + storage batteries

Trend in Built-in Equipment Features



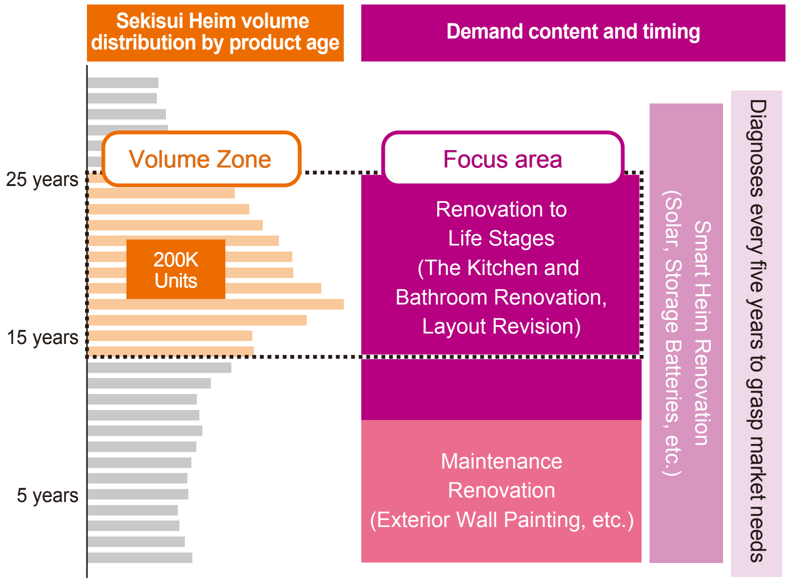
Although consumer sentiment is bound to dip temporarily in the first quarter after the consumption tax hike in April 2014, market conditions should gradually start recovering in the second quarter. If the Abenomics policies provide additional momentum, then an expected cabinet decision on another hike in the consumption tax could generated another surge in demand toward the fiscal year end ahead of the next tax increase.

To minimize the anticipated decline in orders in the first half, we will continue aggressively promoting the new Smart Power Station, which offers excellent price performance and has been selling well since its October 2013 release, to offset the impact from the consumption tax increase and will focus on the built-for-sale housing and housing complex segments where demand is relatively stable.

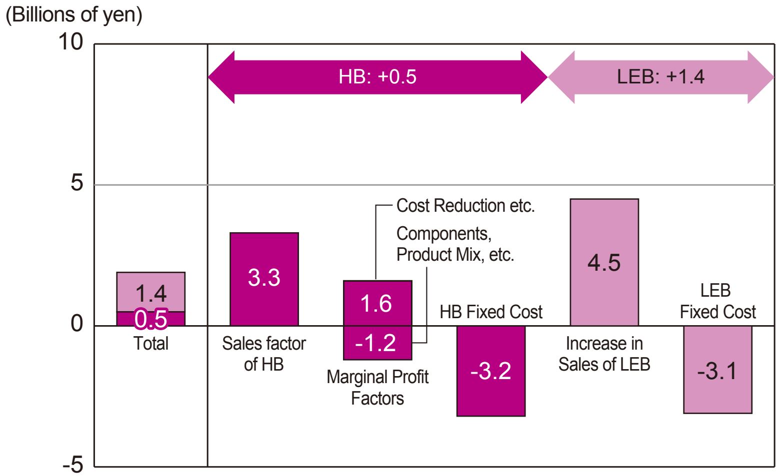
In the Living Environment business, which we also expect to be measurably affected by the downturn in consumer sentiment, we will seek to raise sales 8% year on year by promoting sales of our life stage products, smart house upgrades, and other mainstay products in the volume zone of existing Sekisui Heim stock.

Through the steady implementation of these strategies, we are aiming to raise Housing Company operating income by ¥1.9 billion year on year to ¥43.0 billion in fiscal year 2014. In the Housing business, we will aim to maintain operating income at the previous year level as we seek to position the Living Environment business to lead profit growth. We are determined to overcome the severe market environment for new housing construction to post increases in both sales and profit.

Business Model of the Renovation Business



Analysis of Operating Income for FY2014 (Year on Year)



*HB: Housing Business, LEB: Living Environment Business

(Note) HB include in New Housing Construction, Overseas (Thai) business, LEB include Renovation, Home Equity Management, Residential Services

Review and Analysis of Consolidated Results for Fiscal Year 2013

Year ended March 31, 2014

Business Environment

Global economic conditions gradually improved overall during the year supported in part by economic recovery in the United States and improving conditions in Europe while the growth momentum weakened in China and some developing countries.

In the United States, household debt eased amid improving employment, income, and consumption conditions. European GDP turned to positive growth in the April-June 2013 quarter and settled into a steady rising trend. At the same time, China's economic expansion eased to a 7.7% rate of real economic growth in 2013 and ASEAN growth stalled. India's economy continued expanding at the same sluggish growth rate since 2012.

The Japanese economy remained firm with improving business sentiment, particularly in the manufacturing industry, supporting gradually improving capital investment, production, and employment conditions. Private consumption also improved helped by a surge in demand before the scheduled consumption tax hike. Real GDP notched upward with each term and ultimately regained the pre-Lehman shock level.

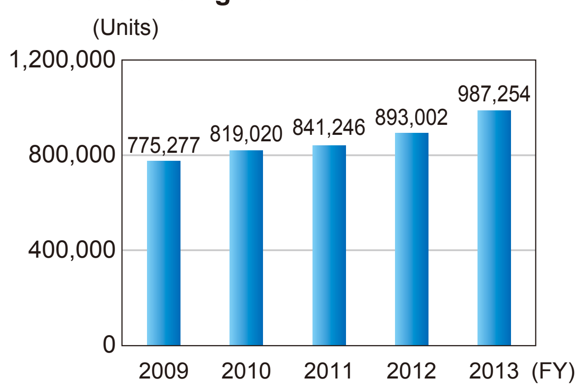
By business segment, housing market conditions benefited from particularly strong demand in the first half fueled by the rush demand associated with the tax hike. Although demand dropped back late in the second half, new housing starts ultimately rose 10.6% year on year to 987,254 units in fiscal year 2013, marking the fourth straight year of year-on-year growth and the first year of double-digit percentage growth in 26 years.

In the water infrastructure field, which includes piping materials, private-sector demand remained strong supported by the buoyant housing construction starts and demand for building and apartment construction. The large supplementary budget in Japan also helped boost domestic demand for piping materials. Overseas business continued to be affected by the low number of projects owing to the decline in public works in Western Europe.

Demand continued growing in the automotive field amid recovering economic conditions in Europe and active automobile production in the United States and China. Conditions in the IT field included production adjustments due to a deteriorating supply and demand balance for liquid-crystal materials, but mobile device-related demand ultimately helped generate growth in our IT business during the year.

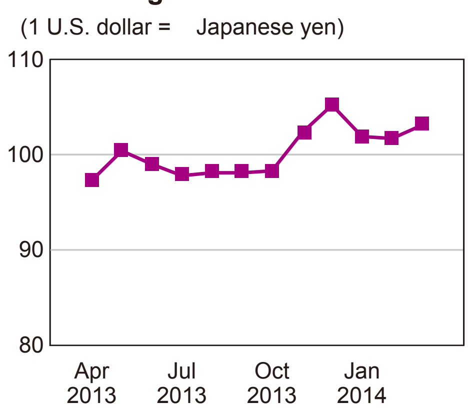
Bank of Japan monetary easing measures and other factors helped hold the foreign exchange rate near ¥100 to the U.S. dollar throughout the year. The fiscal year 2013 foreign exchange rates were ¥100 to the U.S. dollar and ¥134 to the euro.

Housing starts



* Source: Statistical Survey of Housing Starts, the Ministry of Land, Infrastructure, Transport, and Tourism

Exchange rate



Analysis of Business Results and Financial Position

1. Analysis of Business Results for Fiscal Year 2013

1) Net sales

Net sales in fiscal year 2013 amounted to ¥1,110,851 million, an increase of ¥78,419 million or 7.6% from the previous fiscal year.

Housing Company net sales amounted to ¥496,790 million in fiscal year 2013, representing an increase of ¥27,753 million or 5.9% from the previous fiscal year. The Housing Company's new housing construction business responded to the growing emphasis on energy conservation by focusing on expanding sales of the Shin Smart Heim housing featuring large-capacity solar power generation systems, the Smart Heim Navi home energy management system, and the e-Pocket stationary large-capacity storage cell system. The living environment business actively marketed refurbishment concepts and expanded sales for its kitchen, bathroom, and other mainstay products as well as its painting and remodeling operations.

Urban Infrastructure & Environmental Products Company net sales amounted to ¥239,941 million in fiscal year 2013, representing an increase of ¥25,425 million or 11.9% from the previous fiscal year. The UIEP Company boosted domestic sales by effectively capturing the robust construction demand generated by public sector investment and accelerated housing starts spurred by pre-tax hike demand. The piping materials operations acquired from Mitsubishi Plastics, Inc., in fiscal year 2012 was a key contributor to an increase in PVC pipe sales. Overseas earnings were boosted by solid plastic sheet business in the United States and contribution from the new subsidiary Sekisui KNT (Hebei) Environmental Technology Co., Ltd., in China.

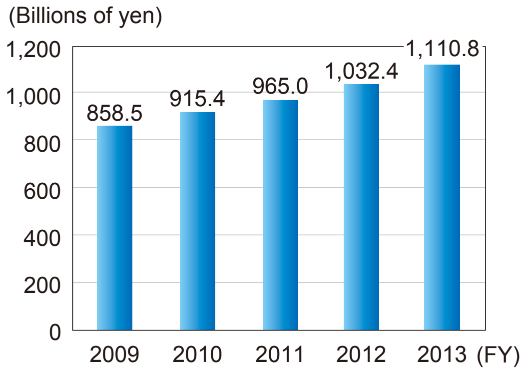
High Performance Plastics Company net sales in fiscal year 2013 amounted to ¥353,782 million, an increase of ¥21,764 million or 6.6% from the previous fiscal year. The HPP Company posted a year-on-year rise in sales in the automotive field led by strong demand overseas and increased sales, particularly for high-performance products. IT field sales also rose on expanded sales of fine particles, photosensitive adhesives, and other liquid-crystal chemical products and of tapes and other products used in mobile devices. Sales also increased year on year in the medical field supported by expanded development of the diagnostic reagent and diagnostic equipment business both overseas and in Japan.

Net sales in Other Businesses in fiscal year 2013 amounted to ¥43,799 million, an increase of ¥3,307 million or 8.2% from the previous fiscal year.

2) Operating income

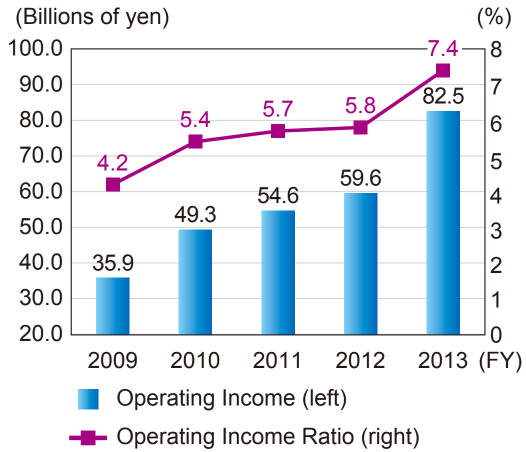
Operating income in fiscal year 2013 amounted to ¥82,541 million, an increase of ¥22,920 million or 38.4% from the previous fiscal year. The growth was largely due to an ¥33,637 million increase in gross profit that accompanied the rise in sales and more than offset the ¥10,717 million increase in selling, general and administrative expenses.

Net Sales



The figures used in the following graphs are rounded down to the nearest hundred million yen.

Operating Income and Operating Income Ratio



3) Non-operating income and expenses

Non-operating income increased by ¥637 million from the previous fiscal year, largely owing to increases of ¥1,019 million in dividend income and ¥821 million in equity in earnings of affiliates, which more than offset a ¥1,554 million decrease in foreign exchange gain. Non-operating expenses increased by ¥917 million from the previous fiscal year, primarily from a ¥1,188 million increase in miscellaneous expenses.

4) Extraordinary income and loss

The Company recorded an extraordinary loss of ¥10,884 million, a decrease of ¥7,106 million or 60.5% from the previous fiscal year, mainly comprising a ¥9,642 million loss on impairment of fixed assets and goodwill and ¥1,241 million loss on sales or disposal of property, plant and equipment.

5) Net income

As a result of the above, income before income taxes and minority interests for fiscal year 2013 increased ¥27,930 million from the previous fiscal year to ¥72,426 million. After taxes and minority interests, net income amounted to ¥41,190 million, an increase of ¥11,016 million or 36.5% from the previous fiscal year.

2. Financial Position

1) Assets, liabilities, and net assets

Total assets at the end of fiscal year 2013 amounted to ¥961,009 million, an increase of ¥59,444 million from the previous fiscal year-end.

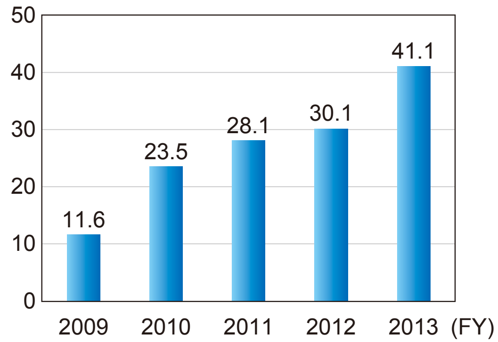
(Assets)

Current assets rose ¥54,696 million from the previous fiscal year to ¥494,660 million at the end of fiscal year 2013. The main element was a ¥20,149 million increase in notes and accounts receivable. Non-current assets increased by ¥4,748 million to ¥466,349 million.

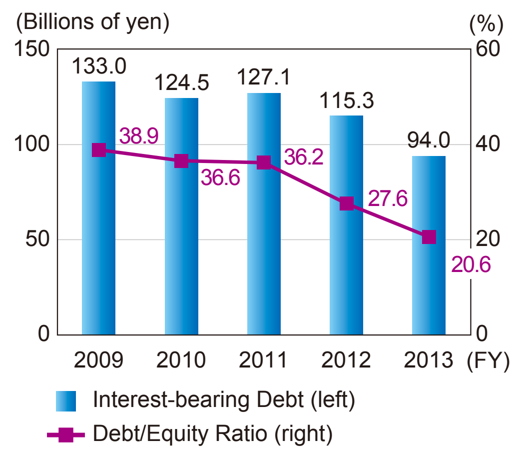
(Liabilities)

Liabilities rose ¥19,118 million year on year to ¥487,454 million at the end of fiscal year 2013. The main elements were increases of a combined ¥12,748 million in notes payable, electronically recorded obligations, accounts payable, and accrued expenses, ¥11,538 million in accrued income taxes and other taxes, and ¥8,241 million in advances received along with a decrease of ¥21,310 million in interest-bearing debt.

Net Income



Interest-bearing Debt and Debt/Equity Ratio



* Debt/Equity Ratio = Interest-bearing Debt/Shareholder's Equity

(Net assets)
Net assets amounted to ¥473,555 million at the end of fiscal year 2013, an increase of ¥40,326 million from the previous fiscal year-end. The main factors was a ¥30,951 million increase in retained earnings, due largely to an increase of ¥41,190 million in net income and a decrease of ¥10,342 million from dividend payments. Yen depreciation led to an upward translation adjustments of ¥13,403 million.

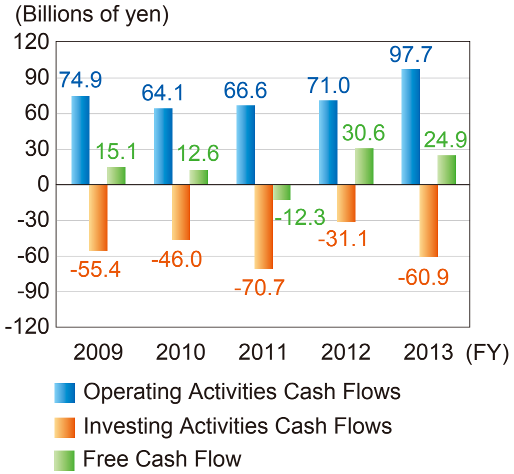
2) Cash flows
Cash and cash equivalents on a consolidated basis (hereinafter "funds") amounted to ¥51,248 million at the end of fiscal year 2013, a decrease of ¥7,383 million or 12.6% from the end of fiscal year 2012. Factors influencing the fiscal year 2013 cash flow accounts were as follows.

(Operating activities)
Funds from operating activities amounted to ¥97,720 million in fiscal year 2013, an increase of ¥26,703 million from the previous fiscal year. Factors increasing cash flow from operating activities included ¥72,426 million in income before income taxes and minority interests and ¥34,376 million in depreciation and amortization along with a ¥9,642 million loss on impairment of fixed assets and goodwill and a ¥2,957 million amortization of goodwill. Factors drawing from cash flow included ¥18,280 million in income taxes paid.

(Investing activities)
Funds used in investing activities amounted to ¥60,914 million in fiscal year 2013, compared with a cash outflow of ¥31,133 million in the previous fiscal year. The cash outflow was primarily the result of aggressive investment activities including ¥28,580 million utilized to acquire property, plant and equipment in priority and growth fields.

(Financing activities)
Funds used in financing activities amounted to ¥49,803 million in fiscal year 2013, compared with a cash outflow of ¥30,520 million in the previous fiscal year. The cash outflow was largely due to ¥11,889 million in dividend payments (including dividends paid to minority shareholders), ¥10,038 million utilized to acquire treasury stock, and a net decrease of ¥29,964 million in interest-bearing debt.

Cash Flows



* 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 2013.

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.

Management System

In addition to the medium-term management plan, fiscal year 2013 was also the final year of the CSR medium-term plan. This section provides a review of the CSR medium-term plan for fiscal years 2009 to 2013 and introduces the new CSR medium-term plan for fiscal years 2014 to 2016. The section also provides information about the management's approach and the corporate framework, R&D structure, and other systems.

Corporate Governance

Sekisui Chemical implements various measures, including the introduction of Outside Directors and the Executive Officer System, to enhance its transparency and fairness and to respond swiftly to business opportunities.

In addition, each Sekisui Chemical Group company implements various programs to heighten the compliance awareness and understanding of all its directors, executive officers, and employees with the intention of maintaining and continuing to earn its status as a company broadly trusted by society.

Corporate Governance Basic Policies and Systems

The Group has created a management framework based on a division company system to maximize corporate value. Amid the rapid changes in the Group's business environment, the Group recognizes that enhancing business transparency and fairness and speeding up management decision-making is essential to sustaining steady growth in corporate value. We have instituted several measures to enhance our corporate governance system, including strengthening the Board of Directors and the business execution function.

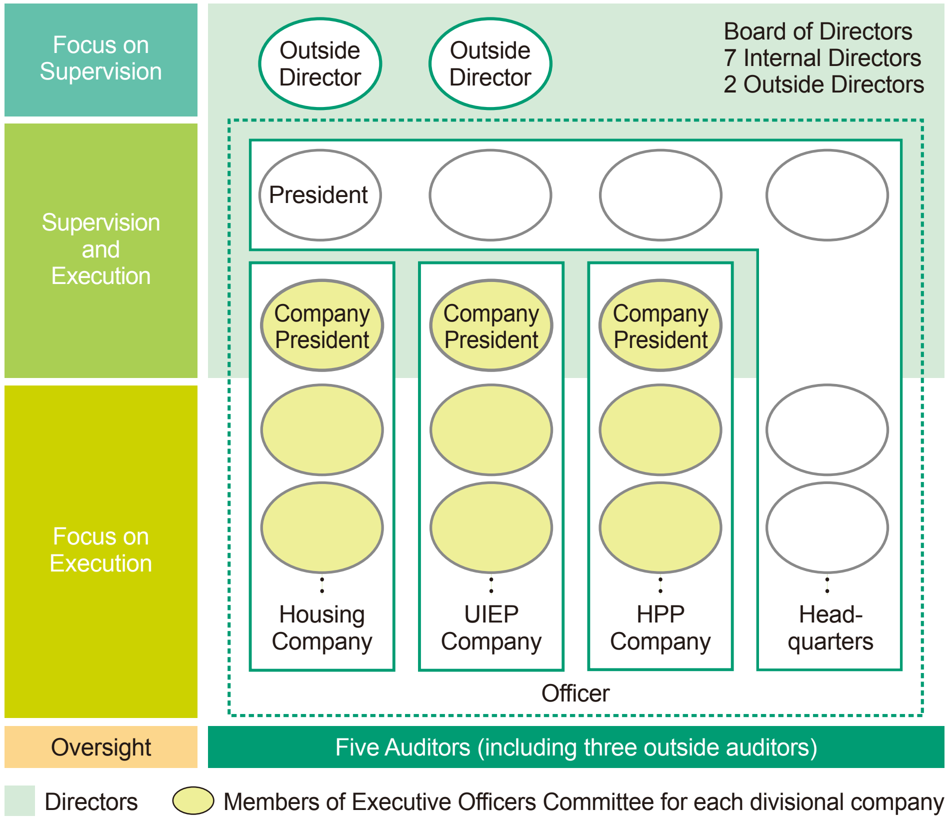
Strengthening the Board of Directors

The Board of Directors comprises nine Directors, and it 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 independent Outside Directors to ensure transparency in management and fairness in business decisions and operations.

Outside Directors

The Company appoints to the Board two Outside Directors with verified independence from the Company who contribute to the enhancement of corporate value by providing advice and oversight based on their extensive administrative experience and specialized knowledge. The Outside Directors provide counsel based on their diverse and objective perspectives on priority management issues, such as global development strategy, business model revisions, and strengthening of CSR management.

Management System



Toru Nagashima, Outside Director

Mr. Nagashima is a Senior Advisor to Teijin Limited. His guidance based on his abundant knowledge and experience as a management executive focused on highly performance products in the basic materials industry is expected to fortify the corporate governance of the Company.

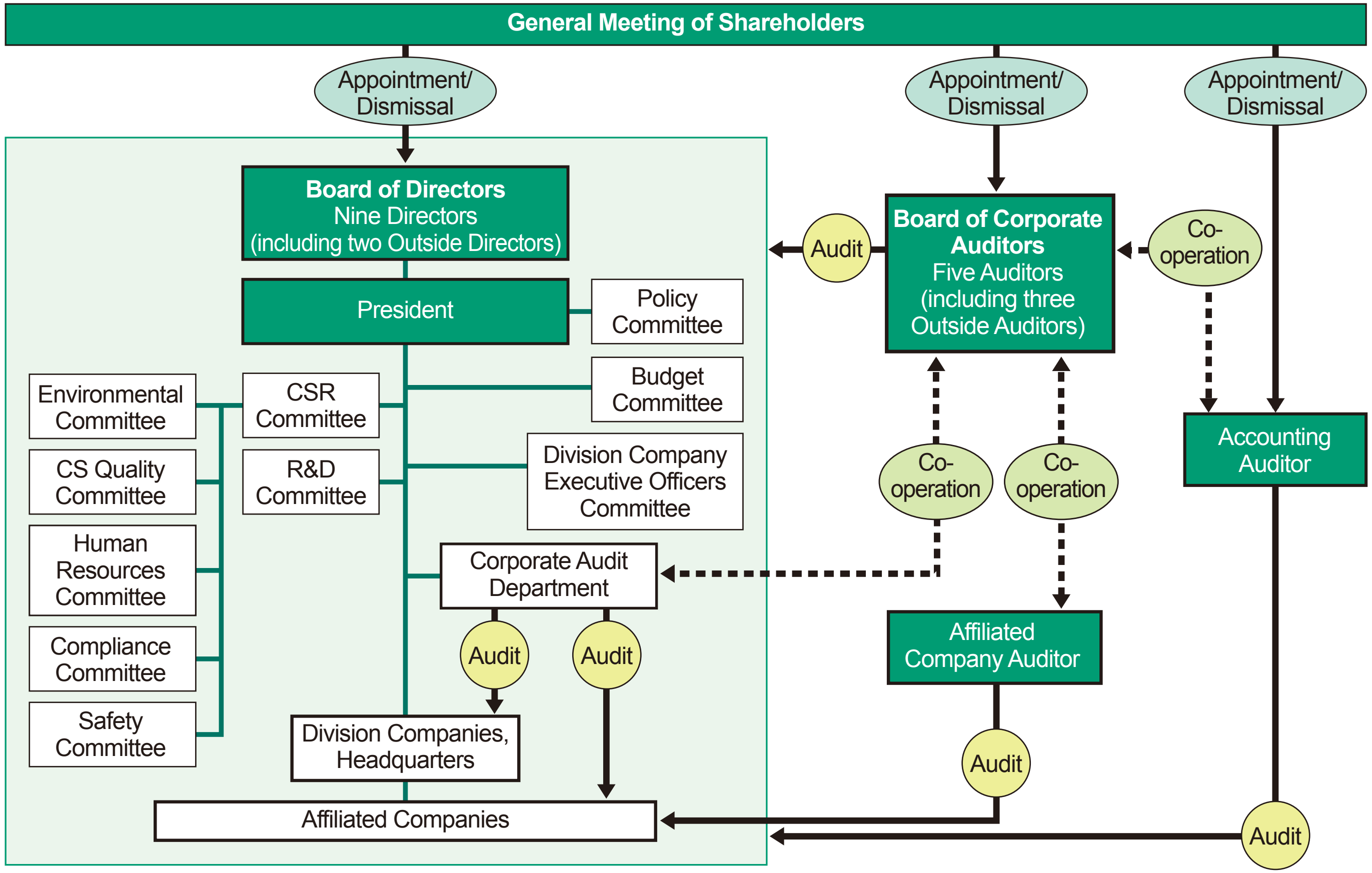
Kunio Ishizuka, Outside Director

Mr. Ishizuka is Chairman and Representative Director of both Isetan Mitsukoshi Holdings Limited and Isetan Mitsukoshi Ltd.. His guidance based on his knowledge and experience as a management executive of a leading retail and service company is expected to fortify the corporate governance of the Company.

Strengthened Business Execution Functions

Under our division company system, we introduced a Executive Officer System, to separate supervisory (Directors) and business execution (Executive Officers) functions, with the aim of enhancing each divisional company's ability to respond swiftly to changing business conditions.

Corporate Governance System



Executive Officer System

The Executive Officer System appoints Executive Officers whose role is to focus solely on business execution and to respond swiftly to business opportunities. 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.

Auditing System

The Company has strengthened its auditing system, designed to harmonize the efforts of corporate auditors and internal audits, ensure the appropriate functioning of the management and operations oversight system. The Board of Corporate Auditors comprises five auditors (including three outside auditors with verified independence from the Company) who undertake extensive audits, which cover the execution of duties by the Board of Directors, and the conduct of business by all divisional companies, and corporate headquarters.

Reinforcement of the Internal Control System

In May 2006, the Board of Directors resolved to adopt a fundamental policy regarding the establishment of an internal control system for ensuring the appropriateness of the Group's business activities. Based on the Corporate Activity Guidelines set forth in accordance with the Group management principles, the Company seeks to realize collaborative interaction concerning the supervision, directives, and communications of the Sekisui Chemical Group (the Company and its subsidiaries), and Sekisui Chemical's duties include providing guidance and counsel, and undertaking evaluations of all Sekisui Chemical Group members to ensure that their business activities are being conducted in an appropriate manner. To further strengthen the Group's compliance activities, the CSR Committee, chaired by the president, deliberates the Fundamental Compliance Policies, which are subject to approval by the Board of Directors. In addition, the Compliance Subcommittee supervises compliance activities group wide, and conducts activities to highlight the importance of compliance as a fundamental aspect of our corporate culture.

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 with risk events occur (crisis management). The Risk Management Group of the CSR Department maintains and refines the risk management structure and disseminates information to all directors, executive officers, and employees of the Company and the Group companies.

In fiscal 2013, some 110 task forces worked 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. 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 seven regions in line with the Global Crisis Management Guidelines.

Information Disclosure and Communication with Stakeholders

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" in December 2005 and simultaneously, 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 order to pursue this principle further, that is to actively disclose more information, since fiscal year 2006 we have been holding meetings with the staff who are responsible for information disclosure at the respective divisions.

In the Sekisui Chemical Group, the Investor Relations Group within the Corporate Communication 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 our shareholders' voice in our management. For example, we hold quarterly briefings on financial results where our management 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 audio recordings of the briefing and a transcript of the question and answer session.

Directors, Auditors and Executive Officers

Board of Directors

Shunichi Sekiguchi
Director
Managing Executive Officer

Hajime Kubo
Director
Senior Managing Executive Officer

Teiji Koge
Director
Senior Managing Executive Officer

Naofumi Negishi
President and Representative Director
Chief Executive Officer

Kozo Takami
Director
Senior Managing Executive Officer

Satoshi Uenoyama
Director
Senior Managing Executive Officer

Keita Kato
Director
Managing Executive Officer

Toru Nagashima
Outside Director
Senior Advisor,Teijin Limited

Kunio Ishizuka
Outside Director
Chairman, Isetan Mitsukoshi Holdings Ltd.

Auditors

Takayoshi Matsunaga
Corporate Auditor

Kiyotaka Tsuji
Corporate Auditor

Hiroshi Osada
Outside Auditor
Professor, Bunkyo University
Professor Emeritus,
Tokyo Institute of Technology

Hirofumi Onishi
Outside Auditor
Certified Public Accountant

Tetsuo Ozawa
Outside Auditor
Attorney at Law

Executive Officers

Naofumi Negishi
Chief Executive Officer

Housing Company

Shunichi Sekiguchi
Managing Executive Officer
President of Housing Company

Hidemi Uno
Managing Executive Officer
Responsible for Overseas Business
President of SEKISUI-SCG INDUSTRY CO., LTD. and President of SCG-SEKISUI SALES CO., LTD.

Hiroyuki Watanabe
Executive Officer
President of Tokyo Sekisui Heim 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
Head of Sales Management Division

Kenji Yagi
Executive Officer
President of Sekisui Heim Chubu Co., Ltd.

Toshiya Nomura
Executive Officer
Head of Technology Department

Urban Infrastructure & Environmental Products Company

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

Torao Ishii
Managing Executive Officer
Responsible for Overseas Pipeline Renewal Division and Administrative Management & Control Department

Kimiatsu Sato
Executive Officer
Head of Global Water Pipe Systems Division

Masao Shimazu
Executive Officer
Responsible for Private Sector Business and Logistics Innovation Project

Shigeki Fujii
Executive Officer
Head of Technology & Development Division

Eiji Nishiie
Executive Officer
Responsible for Public Sector Business
Head of Public Works & Infrastructural Business Division

High Performance Plastics Company

Keita Kato
Managing Executive Officer
President of High Performance Plastics Company

Takeshi Inoue
Executive Officer
President of Sekisui Film Co., Ltd.

Masaru Noriki
Executive Officer
Head of Administrative Management & Control Department

Toshitaka Fukunaga
Executive Officer
Head of Technology & CS Promotion Department

Katsuhisa Yokura
Executive Officer
Head of Purchasing Department

Yoshiyuki Hirai
Executive Officer
Head of Foam Division

Headquarters

Teiji Koge
Senior Managing Executive Officer
Head of CSR Department
Head of Corporate Communication Department

Hajime Kubo
Senior Managing Executive Officer
Responsible for Corporate Finance & Accounting Department
Head of Business Planning Department

Satoshi Uenoyama
Senior Managing Executive Officer
Head of R&D Center

Masaru Kondo
Executive Officer
Head of Total Manufacturing Management Center

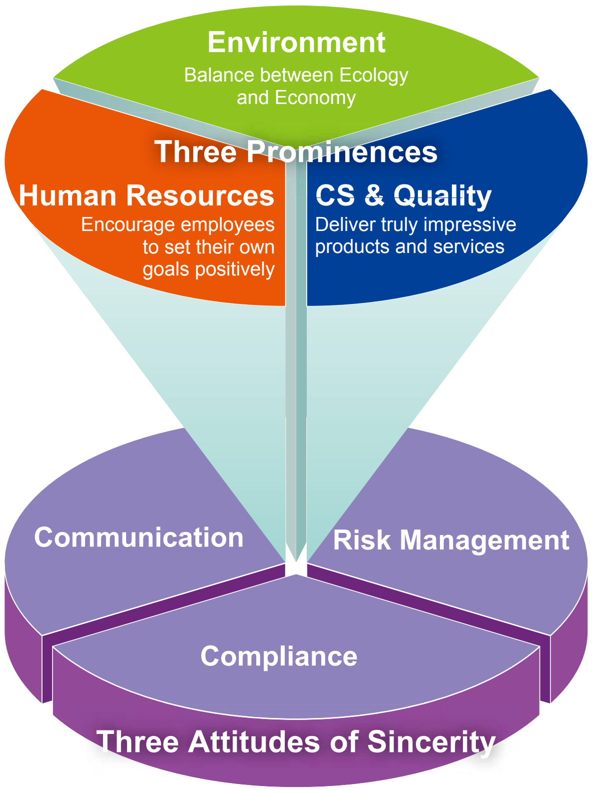
Takashi Goto
Executive Officer
Head of Legal Department

Corporate Social Responsibility (CSR)

The Sekisui Chemical Group's CSR is to contribute to society through its businesses, and fulfilling its CSR is the very embodiment of the Group's corporate philosophy. We believe that advancing our CSR management raises the quality of our corporate management. Based on these perceptions, we must earnestly implement CSR initiatives at all times under any kind of business conditions to realize the ongoing transformation and evolution of the Group.

The Core Themes of the Three Prominences and Three Attitudes of Sincerity

The Group's CSR management is based on the core themes of the Three Prominences of the Environment, Customer Service & Quality, and Human Resources, and the Three Attitudes of Sincerity of Compliance, Risk Management, and Communication. As a member of the manufacturing industry, we believe the Environment and Customer Service & Quality are our inherent responsibilities, and we also consider it our duty to include Human Resources in the three prominences, because it is people who achieve progress in the other two areas.



CSR Activities in Japan and Overseas

The Group is actively advancing its CSR activities in Japan and overseas in line with the development of its global operations. In fiscal year 2010, the Company began holding meetings with presidents of the five business regions of Europe, the United States, Asia/Oceania, China, and South Korea to discuss local issues and solutions and ways to generate business synergies. The meeting content is reported to top management in Japan at the strategic planning meetings held in Japan in March of each year.

The Group aims to ensure all member companies in Japan and worldwide link their diverse business lines and learn best practices from each other for fulfilling their social responsibilities and advancing Group management.

Overview of the CSR Medium-term Management Plan (Fiscal 2009-2013)

Under the environmental plan of the Medium-term Management Plan ended in fiscal 2013, we increased sales of environment-contributing products to a level in which the products' CO_2 reduction benefits exceeded production stage CO_2 emissions in Japan. We also cultivated global talent employees to lead the globalization of our businesses and deepened our CSR management, particularly in Japan, with the introduction of the S.C.A.N. internal reporting system and continuing development of risk-management systems.

However, we were unable to completely eliminate major quality and compliance issues, and issues such as external failure costs still need to be addressed. Overseas, in particular, the growing numbers of companies and employees are creating a larger environmental impact and more workplace accidents. These are issues are being addressed in the next medium-term management plan.

		Items	FY2013 results	FY2013 targets
Three Prominences	Environment	Sales of Environment-Contributing Products	Percentage of net sales: 42%	Percentage of net sales: 40% or more
		Greenhouse-gas emissions reductions (production sites in Japan)	Reduced 17.4% vs. FY2007 (Japan)	Reduce 10% or more vs. FY2007 (Japan)
		Waste reduction (production sites in Japan)	Reduced 19.7% vs. FY2007 per unit of output (Japan)	Reduce 25% or more vs. FY2007 per unit of output (Japan) (Target revised from 40% reduction)
	CS & Quality	Reduce external failure costs	Reduced 66% (vs. FY2004)	Reduce 68% (vs. FY2004)
		Major quality issues	1 incident	0 incidents
	Human Resources	Develop global talent employees	Number of global talent employees: 300	Number of global talent employees: 300
		Opportunities for diverse human resources to thrive	Percentage of women among new hires: 22%	Percentage of women among new hires: 30%

		Items	FY2013 results	FY2013 targets
Three Attitudes of Sincerity	Compliance	Raise awareness and overseas deployment	Matters discussed by Advisory Board: 8 (FY2011-2013) S.C.A.N. system adopted (Japan, U.S., China)	Expand monitoring and expanding use overseas
	Risk Management	Take thorough steps to prevent trouble occurring	Organizations employing risk-management activities: 112	Increase number of organizations conducting risk-management activities (100 organizations)
		Risk-management systems (Japan)	Disaster-prevention system utilization rate: 74%	Enhance disaster-prevention systems
		Risk-management systems (overseas)	Site-specific risk management manuals developed at 104 sites (91%)	Build systems for crisis management overseas (by region)
	Disclosure & Communication	Selection to SRI indices	Maintained selection to SRI indices	Maintain selection to SRI indices

Targets of the New CSR Medium-term Management Plan (Fiscal 2014-2016)

The CSR SHINKA plan is a fundamental part of the new Medium-term Management Plan and aims to further advance our CSR management and the Group's human resource capability as well as pursue Sekisui character of our CSR activities. The CSR SHINKA sets three directions—Group, Global, and Communication—for further deepening CSR management in the diversifying Sekisui Chemical Group, addressing global issues based on shared values, and increasing corporate value through enhancing dialogue with stakeholders.

We have formulated a new Group-wide medium-term plan to enhance our Prominence in the Environment by expanding sales of environmental-contributing products, reducing our environmental impact, and preserving the natural environment to contribute by returning environmental capital.

With will raise our Prominence in CS & Quality by improving the "base quality" and "attractive quality" of our products and services we offer that are already widely lauded for their quality and attractiveness.

We will reinforce our Prominence in Human Resources by augmenting the capabilities of our human resources throughout the Group based on the three axes of Group, Global, and Diversity. This will be achieved by securing and cultivating human resources, advancing Group-wide HR policies, and establishing centralized HR management using IT for Group HR data.

		Key measures	Targets
Overall		Further permeation of CSR management	Deployment in business plans
Three Prominences	Environment	1 Expand sales of Environment-Contributing Products	• Percentage of net sales: 50% or more
		2 Reduce environmental impact 1)Reduce greenhouse-gas emissions 2)Reduce wastes 3)Address water risks	• Identical targets in Japan and overseas ■ Maintain total volume (vs. FY2013) ■ 12% reduction per unit of output (vs. FY2013) ■ Ascertain current conditions and draft countermeasures
		3 Conserve natural environment	• 10-point improvement in Land-Use Report Card
	CS & Quality	1 Improve "Basic Qualities"	• Zero important quality issues • Halve external failure costs (vs. FY2013)
		2 Improve "Attractive Qualities"	• Increase customer satisfaction
	Human Resources	1 Strengthen Group human resources	• Increase internal job postings by 30/year
		2 Train global talent employees	• Number of global talent employees: 400
		3 Promote diversity (women, elderly people, non-Japanese people, people with disabilities)	• Percentage of women among new hires: 30% • Percentage of international hires: 20%
Three Attitudes of Sincerity	Compliance	1 Prevent corruption and fraud	• Zero occurrences
		2 Prevent important compliance issues	• Zero occurrences
	Risk Management	1 Thorough preventive measures	• Improve quality of risk-management activities
		2 Strengthen risk management systems (Japan)	• Disaster-prevention system utilization rate: 90%
		3 Strengthen risk management systems (overseas)	• Site-specific risk management manuals developed at 100% of sites
	Communication	1 Enhance dialogue with stakeholders	• Maintain selection to key SRI indices
		2 Address human-rights and supply chain initiatives (child labor, discrimination)	• Promote CSR procurement globally
		3 Promote social-contribution activities	• Increase employee participation

Creating value for society

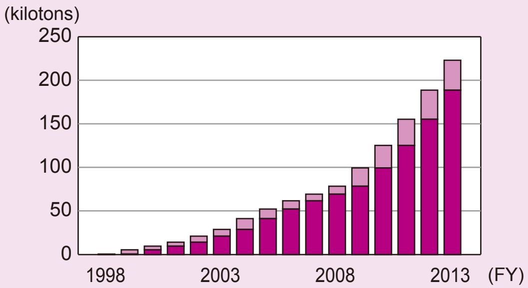
Our society is facing issues on a global scale related to the maturing of societies, including issues arising from the aging societies of developed countries, deteriorating urban infrastructure, and expanding Asian economies as well as depleting resources and increasingly extreme weather events. We believe our Group can contribute to resolving these issues through our business operations. In this section, we introduce products from each of the three divisional companies and show how they are contributing to resolving social issues (social value) and promoting our corporate growth (corporate value).

Housing Company

The Housing Company's smart houses are environmentally and economically efficient with solar power generation systems efficiently producing energy, storage batteries efficiently storing energy, and HEMS efficiently utilizing energy.

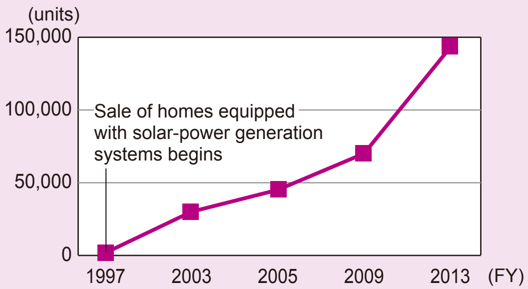
Value for Society

CO_2 emissions reductions (cumulative)



Value for the Group

Number of solar homes built (cumulative)

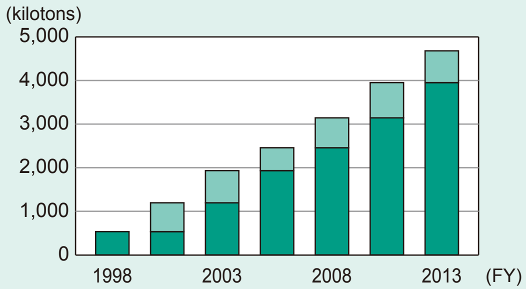


Urban Infrastructure & Environmental Products Company

The UIEP Company's efficient, one-stop pipeline services apply proven technology to rehabilitate aging sewer systems to help resolve emerging water infrastructure issues of developed countries.

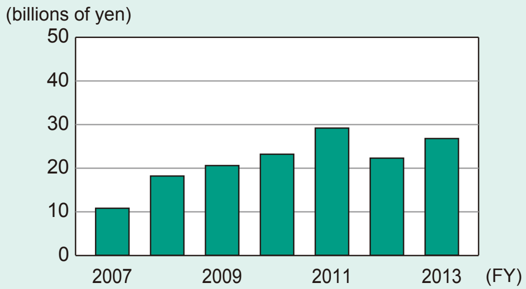
Value for Society

Waste reductions from using the SPR method (cumulative total)



Value for the Group

Net sales of Sekisui Chemical Group's pipeline rehabilitation business

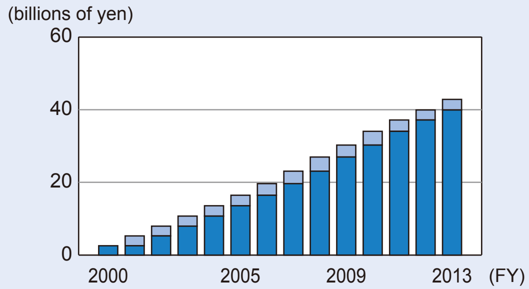


High Performance Plastics Company

The HPP Company's quest to become a global medical company includes providing cholesterol diagnostic reagents that contribute to improving medical treatment capabilities and quality of life by addressing an element of the growing epidemic of lifestyle diseases particularly in developed countries.

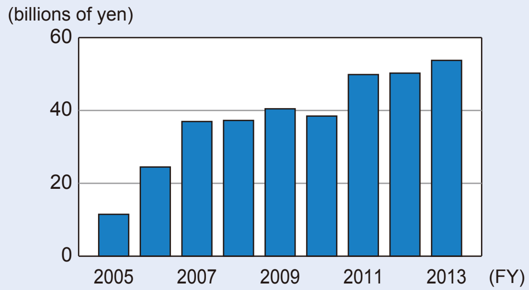
Value for Society

Cholesterol diagnostic reagent sales (cumulative)



Value for the Group

Sales in the medical field



Research & Development/Intellectual Property

The Sekisui Chemical Group promotes the innovations achieved in the pursuit of prominence to enhance its earning power and cultivate growth businesses. Improving the value of our R&D and the intellectual property it produces is indispensable to maintaining our prominence and is of paramount importance to our management strategy.

R&D Strategy

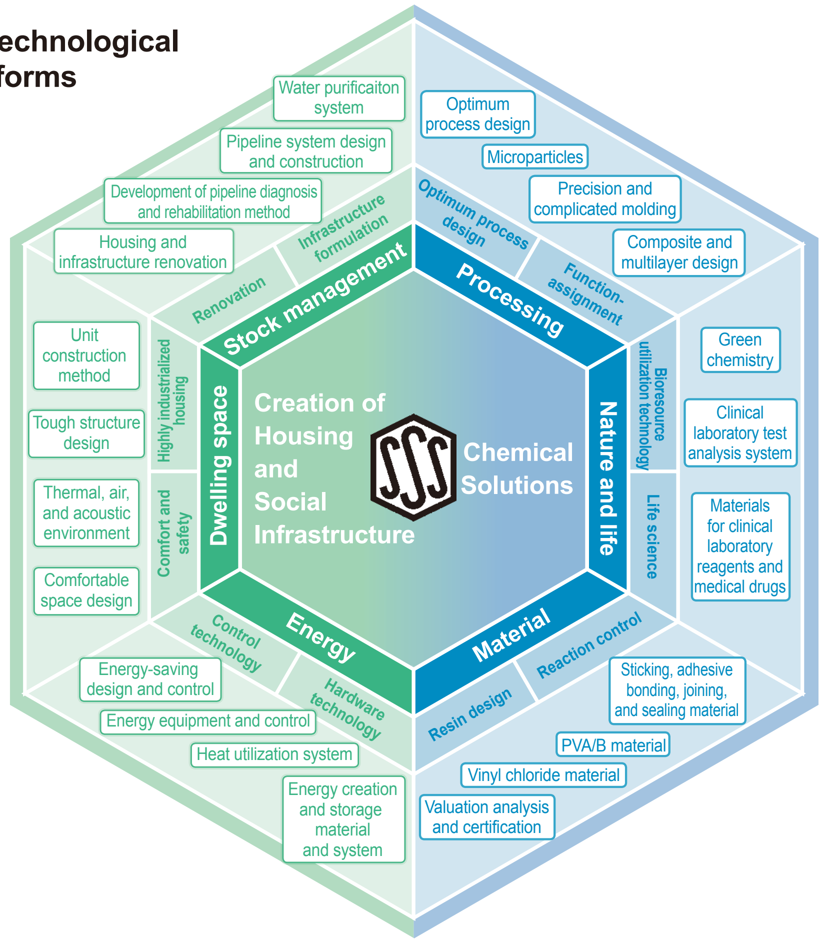
Sekisui Chemical's Approach to R&D and the Sekisui Chemical R&D System

The Sekisui Chemical Group, following its belief that a solid core of essential technologies is crucial to realizing the Group Vision for the medium and long term, has set R&D focused on "reinforcing and nurturing essential technologies" as a top priority in the SHINKA!-Advance 2016 medium-term management plan for the years fiscal year 2014 to 2016. 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 the key to developing future business for the Group.

Six Essential Technology Groups

Creation of Housing and Social Infrastructure		Chemical Solutions	
Dwelling space	• Pursuit of industrialized housing advantages • Environment, comfort, safety	Material	• Deepening of essential plastic technology • New material design and evaluation technology
Stock management	• Enrichment of housing and social infrastructure • Maintenance, renewal, and renovation	Processing	• Increased process efficiency and increased precision. • Functionalization by compounding and multilayer
Energy	• Use of renewable energy • Hardware + control technology	Nature and life	• Reagent materials and systems for clinical laboratory • Creation of microorganisms utilizing chemicals

23 Technological Platforms



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 of 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 crossover projects for divisional companies for the specific purpose of developing new businesses. The "Advanced Community Development" R&D project, for example, is 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 the co-creation.

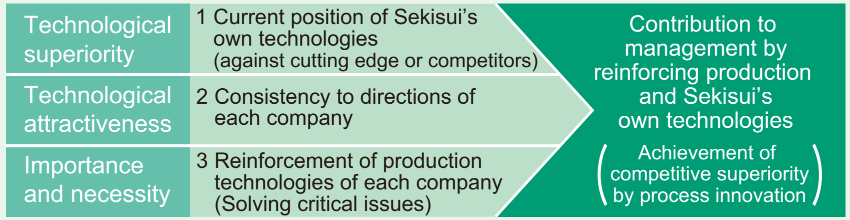
The Group operates four primary R&D centers within the Housing Company, the UIEP Company, the HPP Company, and the Corporate headquarters. In addition, Sekisui Medical Co., Ltd., and other key affiliated companies maintain independent R&D divisions and facilities. The three companies' R&D activities primarily focus on researching themes closely related to product development, production engineering, and management technologies, and the Corporate R&D works as an independent research unit researching key themes for the medium- and long-term time frames, themes that will become links for divisional company collaborations, and new themes for the Group.

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 year 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 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 year 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.

The SHINKA!-Advance 2016 medium-term management plan sets a policy for a focus shift "from profit contribution to technology contribution" in our manufacturing development-related activities to be achieved by strengthening our production engineering and unique technologies to promote progress renovating our factory processes to more directly contribute to

Change 'profit contributions' into 'technology contributions'

• Leading themes for process innovation

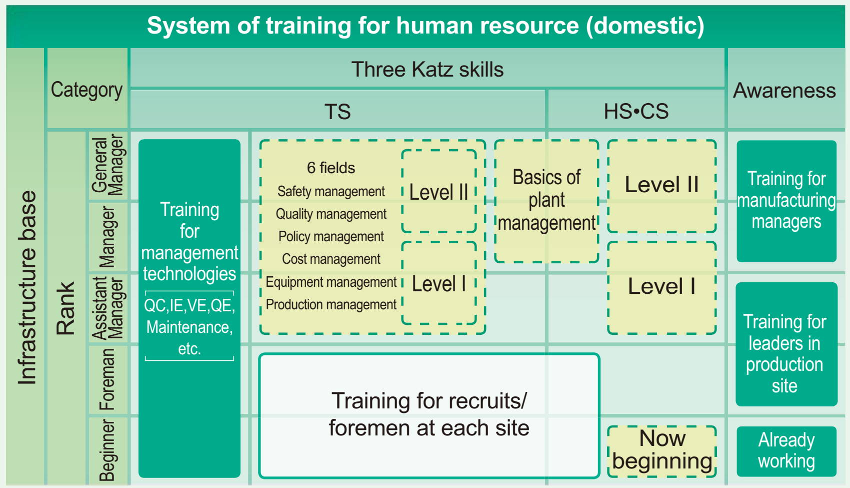


• Reinforcement of manufacturing foundation with Sekisui-style (continuous promotion in domestic and overseas)

— 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)

• Reinforcement of human resources for manufacuturing

— Promotion of new trainings for production managers
— Personnel training with production technologies



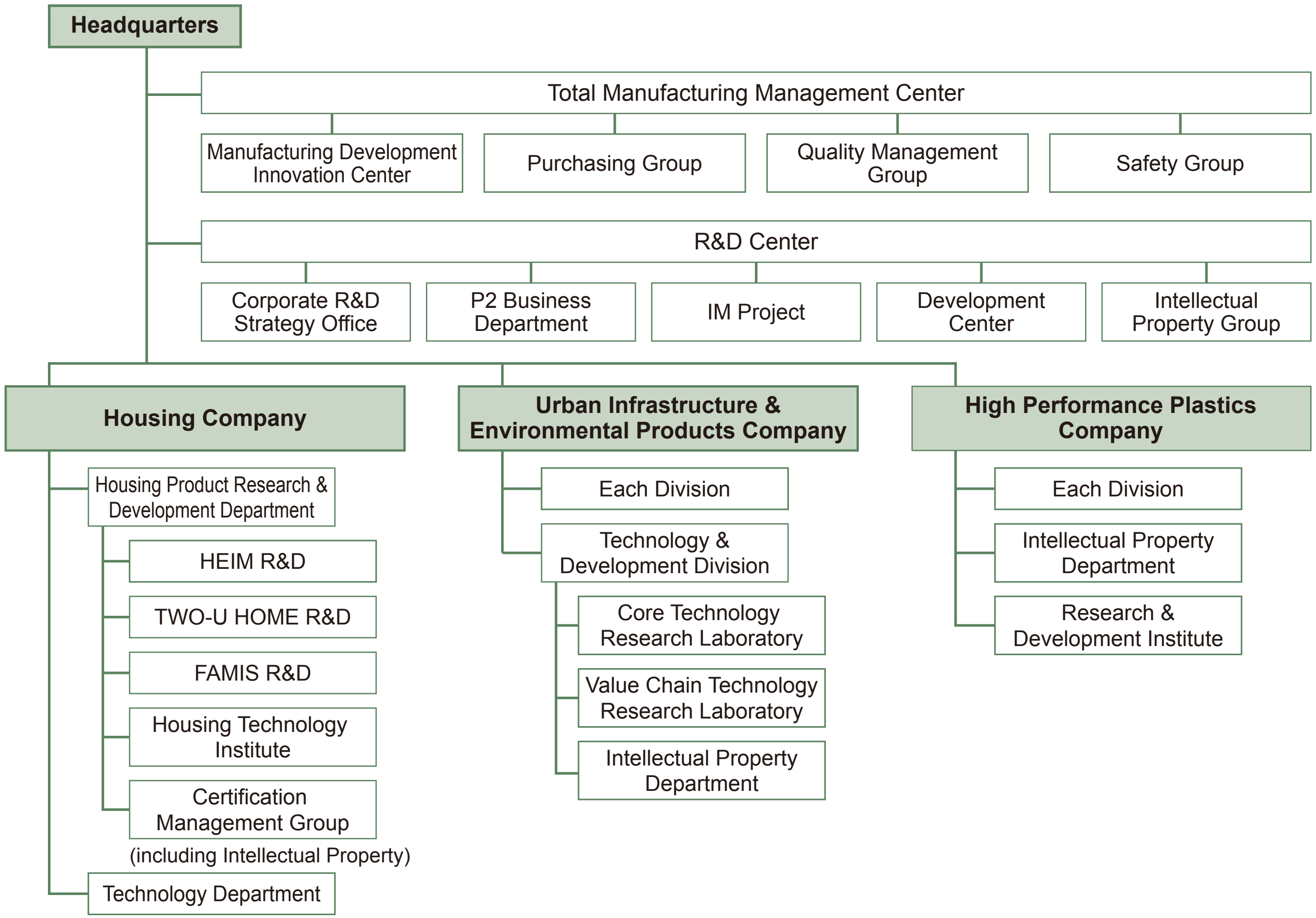
TS: Technical skill HS: Human skill CS: Conceptual skill our profits, continue reinforcing our core strengths, and strengthening our workforce.

This organizational approach will enable the Company to engage its prominent technologies and quality to continue developing the frontiers of "Creation of Housing and Social Infrastructure" and "Chemical Solutions" for the betterment of the environment and the people of the world.

R&D Human Resources and Benefits

The Sekisui Group presents Great Invention Awards to acknowledge researchers and engineers that have created highly unique and innovative inventions with potential to become profitable technologies and products. The award and the accompanying monetary endowment

R&D and Intellectual Property Management System



is one way the Group shows its recognition and appreciation of its talented researchers and engineers. In fiscal year 2013, three inventions, including Nanopia P-FDP, were recognized and the inventors were presented with awards and benefits.

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 2013, 18 people held specialist positions.

The Sekisui Group introduced the Master position in fiscal year 2009 to recognize individuals that exemplify the range of manufacturing skills and technical objectives of the Sekisui Chemical Group. The position is intended to promote the Group tradition of high skill and craftsmanship and provide motivation for each and every technician. As of July 2013, six people held Master 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.

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 Sekisui 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 our intellectual property management are to contribute to our business growth and to increase our corporate value by encouraging the creation, protection, and utilization of intellectual property, which is to be achieved by respecting our own intellectual property and that of others and by clearly laying out our approach towards 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 business.

Framework for Promoting the 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 planning of basic strategy to the acquisition, management, and utilization of patents.

Each divisional company's intellectual property and R&D divisions hold 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 the perspective of the company-wide business strategy 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 our global business. Along with this effort, we are training local personnel to serve as intellectual property staff promoting intellectual property activities at our operating sites around the world.

Data (Key Financial and CSR Data)

Financial Data	FY2009	FY2010	FY2011	FY2012	**FY2013**
Net Sales	858,514 mil. yen	915,492 mil. yen	965,090 mil. yen	1,032,431 mil. yen	**1,110,851 mil. yen**
(Housing)	398,245 mil. yen	418,687 mil. yen	449,391 mil. yen	469,036 mil. yen	**496,790 mil. yen**
(Urban Infrastructure & Environmental Products)	194,649 mil. yen	195,570 mil. yen	200,002 mil. yen	214,516 mil. yen	**239,941 mil. yen**
(High Performance Plastics)	247,683 mil. yen	281,642 mil. yen	296,876 mil. yen	332,017 mil. yen	**353,782 mil. yen**
Operating Income	35,955 mil. yen	49,335 mil. yen	54,610 mil. yen	59,621 mil. yen	**82,541 mil. yen**
(Housing)	19,410 mil. yen	24,379 mil. yen	31,090 mil. yen	36,333 mil. yen	**41,108 mil. yen**
(Urban Infrastructure & Environmental Products)	-2,409 mil. yen	1,503 mil. yen	2,957 mil. yen	1,800 mil. yen	**6,460 mil. yen**
(High Performance Plastics)	19,207 mil. yen	24,397 mil. yen	20,582 mil. yen	23,249 mil. yen	**36,098 mil. yen**
Ordinary Income	31,076 mil. yen	48,292 mil. yen	54,158 mil. yen	60,670 mil. yen	**83,310 mil. yen**
Net Income	11,627 mil. yen	23,574 mil. yen	28,116 mil. yen	30,174 mil. yen	**41,190 mil. yen**
Comprehensive Income	N.A. mil. yen	5,705 mil. yen	24,652 mil. yen	77,437 mil. yen	**57,944 mil. yen**
Operating Income Ratio	4.2 %	5.4 %	5.7 %	5.8 %	**7.4 %**
Total Assets	787,261 mil. yen	790,189 mil. yen	827,103 mil. yen	901,564 mil. yen	**961,009 mil. yen**
Net Assets	351,706 mil. yen	350,045 mil. yen	363,299 mil. yen	433,228 mil. yen	**473,555 mil. yen**
Net cash provided by operating activities	74,983 mil. yen	64,197 mil. yen	66,652 mil. yen	71,016 mil. yen	**97,720 mil. yen**
Net cash used in investing activities	-55,496 mil. yen	-46,051 mil. yen	-70,727 mil. yen	-31,133 mil. yen	**-60,914 mil. yen**
Net cash used in financing activities	-5,749 mil. yen	-5,197 mil. yen	-16,077 mil. yen	-30,520 mil. yen	**-49,803 mil. yen**
Free Cash Flow	15,126 mil. yen	12,602 mil. yen	-12,332 mil. yen	30,650 mil. yen	**24,915 mil. yen**
Capital Expenditures	44,049 mil. yen	25,269 mil. yen	33,076 mil. yen	36,842 mil. yen	**41,827 mil. yen**
Depreciation and Amortization	34,525 mil. yen	34,530 mil. yen	35,102 mil. yen	34,895 mil. yen	**34,376 mil. yen**
R&D Expenditures	24,010 mil. yen	24,694 mil. yen	25,611 mil. yen	25,894 mil. yen	**27,720 mil. yen**
Net Assets per Share	651.08 yen	650.83 yen	682.46 yen	810.76 yen	**897.18 yen**
Net Income per Share	22.13 yen	44.92 yen	53.96 yen	58.53 yen	**80.13 yen**
Dividends per Share	10.00 yen	13.00 yen	15.00 yen	18.00 yen	**23.00 yen**

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

	FY2009	FY2010	FY2011	FY2012	**FY2013**
Financial Data					
Financial Index					
Dividends Payout Ratio	45.2 %	28.9 %	27.8 %	30.8 %	**28.7 %**
Shareholders' Equity to Total Assets	43.4 %	43.0 %	42.5 %	46.4 %	**47.5 %**
Current Ratio	120.4 %	126.0 %	123.5 %	131.1 %	**127.4 %**
Fixed Ratio	129.7 %	120.9 %	121.4 %	110.3 %	**102.1 %**
Interest-bearing Debt	133,085 mil. yen	124,508 mil. yen	127,188 mil. yen	115,320 mil. yen	**94,010 mil. yen**
Debt/Equity Ratio	38.9 %	36.6 %	36.2 %	27.6 %	**20.6 %**
Total Assets Turnover	1.11 Times	1.16 Times	1.19 Times	1.19 Times	**1.19 Times**
Inventory Turnover	7.56 Times	8.14 Times	7.71 Times	7.57 Times	**7.50 Times**
Tangible Fixed Assets Turnover	3.46 Times	3.71 Times	4.13 Times	4.38 Times	**4.51 Times**
R&D Expenditures to Revenues	2.80 %	2.70 %	2.65 %	2.51 %	**2.50 %**
Return on Equity	3.5 %	6.9 %	8.1 %	7.8 %	**9.4 %**
Return on Total Assets	4.0 %	6.1 %	6.7 %	7.0 %	**8.9 %**
EBITDA	70,480 mil. yen	83,865 mil. yen	89,712 mil. yen	94,516 mil. yen	**116,898 mil. yen**
Interest Coverage Ratio	15.2 Times	19.8 Times	20.7 Times	21.7 Times	**33.2 Times**
PER	28.65 %	14.49 %	13.31 %	17.63 %	**13.39 %**
Net Sales per Employee	43.46 mil. yen	46.31 mil. yen	47.51 mil. yen	47.96 mil. yen	**49.13 mil. yen**

	FY2009	FY2010	FY2011	FY2012	**FY2013**
Human Rights					
Compliance Training					
Number of e-Learning Traing Courses	6	4	4	4	**2 ***
Number of Employees Participating in e-Learning	89,569	67,467	74,595	78,461	**39,992 ***

* The third and fourth training courses begun in fiscal year 2013 remain under way

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 / 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, PER = Stock prices at the end of fiscal year / Net Income per Share, Net Sales per Employee = Net Sales / Average Number of Employees

Labor Practices

	FY2009	FY2010	FY2011	FY2012	**FY2013**
Number of Employees	19,761	19,770	20,855	22,202	**23,017**
By Divisional Company					
(Housing)	8,478	8,637	8,820	9,775	**9,840**
(Urban Infrastructure & Environmental Products)	4,634	4,447	4,570	4,887	**5,363**
(High Performance Plastics)	5,620	5,655	6,443	6,545	**6,858**
(Headquarters)	1,029	1,031	1,022	995	**956**
By Region					
(Japan)	15,464	15,476	15,747	16,813	**17,047**
(North America, Central and South America)	1,137	1,159	1,483	1,553	**1,544**
(Europe)	1,148	1,203	1,512	1,462	**1,432**
(Asia/Pacific (including China))	2,012	1,932	2,113	2,374	**2,994**
Diversity					
Percentage of challenged persons employed (Sekisui Chemical)	2.18 %	2.12 %	2.03 %	1.99 %	**2.59 %**
Number of elderly employees reemployed (Sekisui Chemical)	N.A.	N.A.	27	65	**56**
Elderly employees reemployment rate (Sekisui Chemical)	N.A. %	N.A. %	52.9 %	72.2 %	**87.5 %**
Number of Japanese employees as “Global Talent” *1 employees	149	224	271	294	**300**
Work-life Balance					
Number of people using work-life balance programs*2 (Sekisui Chemical)	190	143	143	143	**154**
Health and Safety					
Loss Costs at Production Sites and Laboratories (Japan)*3	274 mil. yen	326 mil. yen	383.6 mil. yen	775.4 mil. yen	**444.5 mil. yen**

*1. Japanese employees undergo training on different cultures and specialized training as needed for overseas assignment.
*2. Work-life balance programs such as childcare leave, shortened work hours, use of flexible work hours, and family leave.
*3. Loss costs: Expenses, including man-hours, required to respond to occupational accidents, equipment accidents, commuting accidents, and long-term illness absences.

	FY2009	FY2010	FY2011	FY2012	**FY2013**
The Environment					
Greenhouse-gas Emissions During Manufacturing (Japan)	330 kilotons-CO_2	341 kilotons-CO_2	342 kilotons-CO_2	312 kilotons-CO_2	**321 kilotons-CO_2**
Greenhouse-gas Emissions During Manufacturing (Overseas)	350 kilotons-CO_2	419 kilotons-CO_2	452 kilotons-CO_2	443 kilotons-CO_2	**459 kilotons-CO_2**
Greenhouse-gas Emissions from Laboratories (Japan)	16.4 kilotons-CO_2	14.0 kilotons-CO_2	13.0 kilotons-CO_2	12.8 kilotons-CO_2	**12.6 kilotons-CO_2**
Wastes Generated by Production Sites (Japan)	36.0 kilotons	39.5 kilotons	36.1 kilotons	35.2 kilotons	**33.9 kilotons**
Wastes Generated by New House Construction	2.20 tons per units	1.99 tons per units	1.76 tons per units	1.88 tons per units	**1.90 tons per units**
(New house construction site)	1.20 tons per units	1.07 tons per units	1.08 tons per units	1.17 tons per units	**1.22 tons per units**
(Exterior wall plant)	0.75 tons per units	0.66 tons per units	0.45 tons per units	0.46 tons per units	**0.44 tons per units**
(Assembly plant)	0.25 tons per units	0.26 tons per units	0.23 tons per units	0.25 tons per units	**0.24 tons per units**
NOx Emissions Volume (Japan)	189 tons	223 tons	217 tons	205 tons	**213 tons**
SOx Emissions Volume (Japan)	10 tons	6 tons	15 tons	14 tons	**11 tons**
Soot and Dust Emission Volume (Japan)	2 tons	4 tons	2.5 tons	9.5 tons	**4 tons**
COD Discharge Volume (Japan)	61 tons	68 tons	63 tons	51 tons	**54 tons**
Discharge of Volatile Organic Compounds (VOCs) into the Atmosphere (Japan)	1,585 tons	1,498 tons	1,397 tons	1,221 tons	**1,373 tons**
Amount of Water Extracted for Use at Production Site (Japan)	16,541 kilotons	16,517 kilotons	16,413 kilotons	15,712 kilotons	**16,230 kilotons**
Amount of Water Extracted for Use at Production Site (Overseas)	1,472 kilotons	3,049 kilotons	3,577 kilotons	3,793 kilotons	**3,614 kilotons**
Environment-Contributing Products					
Ratio of Sales of Environment-Contributing Products	20.8 %	33.1 %	37.2 %	38.0 %	**42.0 %**
Net Sales	178.6 bil. yen	302.6 bil. yen	359.2 bil. yen	392.5 bil. yen	**466.8 bil. yen**
(Housing)	105.3 bil. yen	207.8 bil. yen	246.2 bil. yen	268.7 bil. yen	**306.8 bil. yen**
(Urban Infrastructure & Environmental Products)	67.7 bil. yen	71.9 bil. yen	77.1 bil. yen	79.9 bil. yen	**99.6 bil. yen**
(High Performance Plastics)	5.6 bil. yen	22.1 bil. yen	34.9 bil. yen	42.8 bil. yen	**59.1 bil. yen**
Number of Solar Powered Houses* Built (accumulated total, as of the end of December)	N.A. units	N.A. units	105,885 units	124,413 units	**142,996 units**
Community Involvement and Development					
Charitable Contributions	107 mil. yen	204 mil. yen	228 mil. yen	102 mil. yen	**255 mil. yen**
Consumer Issues					
External Failure Costs (Costs arising from responding to product-related complaints and claims)(FY2004=100)	57	43	59	60	**34**

* Launched sales of houses that equipped solar power generation systems in 1997

Corporate Information (As of March 31, 2014)

Head Office: 4-4, Nishitenma 2-Chome, Kita-ku, Osaka 530-8565

Tokyo Head Office: 3-17, Toranomon 2-Chome, Minato-ku, Tokyo 105-8450

Founded: March 3, 1947

President and Representative Director: Naofumi Negishi

Number of Employees: 23,017

Number of Consolidated Subsidiaries: 167

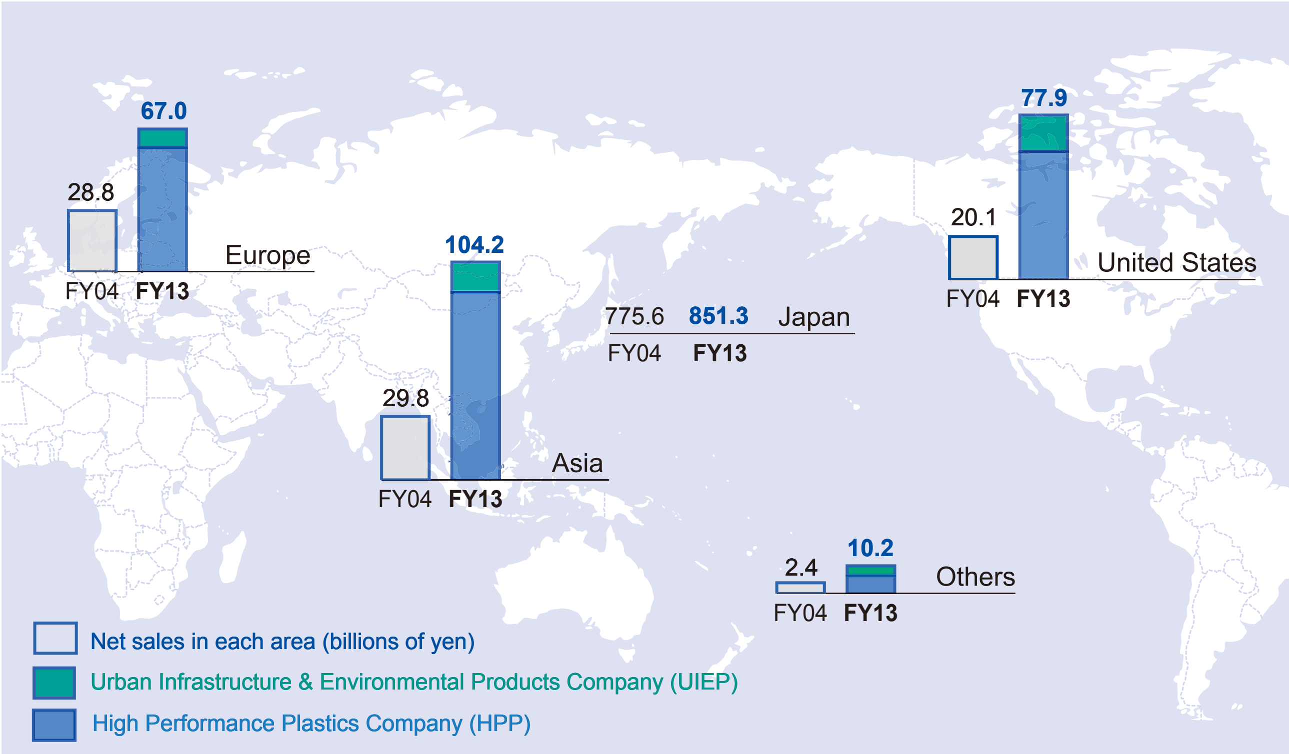
- **HOUSING:** 38
- **UIEP:** 60
- **HPP:** 59
- **Other:** 10

Affiliates (Equity Method)

	Capital*1	Voting Rights*2
Sekisui Plastics Co., Ltd.	16,533 million yen	21.8%
Sekisui Jushi Corporation	12,334 million yen	23.8%
Ibaraki Sekisui Heim Co., Ltd.	105 million yen	40.0%
Tochigi Sekisui Heim Co., Ltd.	80 million yen	40.0%
Sekisui Heim Tokai Co., Ltd.	198 million yen	36.3%
Sekisui Heim Sanyo Co., Ltd.	100 million yen	43.3%
Sekisui Heim Higashishikoku Co., Ltd.	100 million yen	25.0%
Kagawa Sekisui Heim Co., Ltd.	100 million yen	37.5%

*1 Capital amounts are rounded down to the nearest decimal point.
*2 Ratio of voting rights is rounded down to one decimal place.

Status of Global Operations



Note: Group company information is available at the following website.
www.sekisuichemical.com/company/index.html

Stock Information (As of March 31, 2014)

Paid-in Capital: 100,002,375,657 yen

Fiscal Year: Ended March 31

Authorized: 1,187,540,000 shares

Issued: 532,507,285 shares

Listings: Common stock listed on the Tokyo Stock Exchange

Number of Shareholders: 21,625

Manager of the Register of Shareholders: Mitsubishi UFJ Trust and Banking Corporation

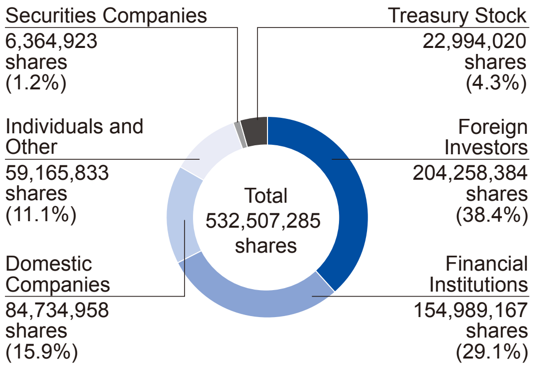
Transfer Agency: Mitsubishi UFJ Trust and Banking Corporation
Osaka Corporate Agency Division
6-3, Fushimimachi 3-Chome, Chuo-ku Osaka 541-8502

Major Shareholders

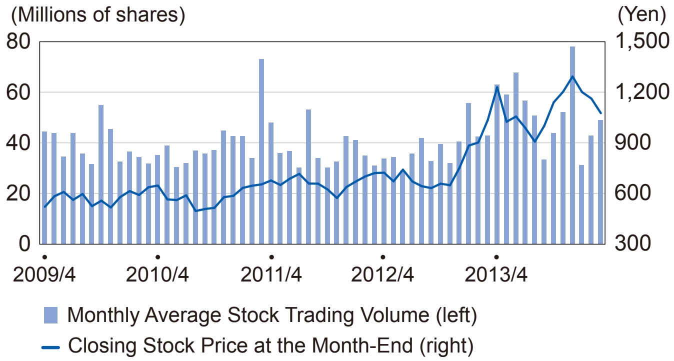
Name of Shareholder	State of Investments	
	Number of Shares Held (Thousands of Shares)	Percentage of Ownership (%)
Asahi Kasei Corporation	31,039	5.82
Sekisui House, Ltd.	25,592	4.80
The Dai-ichi Life Insurance Company, Limited	19,681	3.69
Japan Trustee Services Bank, Ltd. (Trust Account)	16,415	3.08
The Master Trust Bank of Japan, Ltd. (Trust Account)	15,375	2.88
Tokio Marine & Nichido Fire Insurance Co., Ltd.	13,937	2.61
State Street Bank and Trust Company 505225	12,776	2.39
Northern Trust Co. (AVFC) Re 15pct Treaty Account	9,813	1.84
Employees Stock Ownership Plan	9,579	1.79
The Chase Manhattan Bank N.A. London Securities Lending Omnibus Account	7,992	1.50

Notes: 1. The Company maintains 22,994,020 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

	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	**FY2013**
Stock Price (Yen)							
Open	¥ 969	¥ 626	¥ 475	¥ 631	¥ 661	¥ 729	**¥ 1,028**
High	1,006	821	645	708	731	1,042	**1,448**
Low	570	372	464	481	553	590	**900**
Close	603	490	634	651	718	1,032	**1,073**
Market value (billions of yen)	325.3	264.4	342.0	351.2	387.4	549.5	**571.4**

Corporate History

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

For further information please contact:

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