

SEKISUI

Annual Report 2015 Year Ended March 31, 2015



The Future is ours

SEKISUI CHEMICAL CO., LTD.

A low-angle, upward-looking photograph of a modern city skyline. Several skyscrapers with glass facades and grid-like window patterns rise vertically. In the center of the frame, a large white commercial airplane with four engines is flying directly towards the viewer. The sky is a clear, vibrant blue. The overall composition conveys a sense of height, progress, and global connectivity.

A new frontier, a new lifestyle

My first bow as President

On March 1, 2015, I was appointed President of Sekisui Chemical, succeeding former President Mr. Negishi who continues to provide his invaluable guidance as the Chairman of the Company.

Appointed President of Sekisui Chemical in 2009 when Japan and overseas markets were reeling from the Lehman Shock, Mr. Negishi led efforts to fortify the Company's corporate structure and elevate its profit earning ability to a new level. Under his leadership, in fiscal year 2013, the Company's corporate value grew, with operating income attaining a new record high for the first time in 19 years.

As President of the Housing Company during those years, I oversaw the streamlining of operations and introduction of highly differentiated products that added even more value to our product lines. The Living Environment business (renovation business) was developed to highlight the company's unique strengths and the Housing business successfully launched its first venture overseas with the start of operations in Thailand.

The current SHINKA!–Advance 2016 Medium-term Management Plan is guiding the Company's further growth in these directions with a focus on cultivating the seeds sown in the Growing 8 businesses that we believe have the most growth potential. The plan targets operating income in excess of ¥100 billion.

My first mission as President is to guide the Company to achieve the targets of the medium-term plan. While we must deal with various uncertainties, such as the unpredictability of raw resource prices, uncertain economic outlooks for emerging countries, and economic stagnation in Europe, I am determined to harness all of the Company's strengths to achieve our targets.

At the same time, I will seek to accelerate the growth of the Sekisui Chemical Group to fulfill a second mission to firmly establish Sekisui Chemical as a corporate group with a presence strong enough to last a century and that earns the deep trust of society. While I am president, I will do this by formulating and rapidly advancing our next plan for growth and high profitability while further raising our corporate value as a company needed by society.

For our domestic operations in Japan, I see my main task as creating a solid business unit structure that will not flinch in any business environment. This will be critical as we can anticipate another drop in demand after the next scheduled hike of the consumption tax in 2017 and a sharp economic slowdown after the 2020 Tokyo Olympics. The structural reforms of the past 10 years have completely transformed the Company from its heavy reliance on the Housing Company and domestic operations, but a new kind of transformation must go forward in the next 10 years.

As head of the Sekisui Chemical Group, I vow to do my utmost to accomplish these two missions. I look forward to your cooperation and support.



Teiji Koge
President and Representative Director



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Annual Report Purpose and Information

The Sekisui Chemical 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. The Group also seeks to promote a deeper understanding of the Group by providing on its website a wide variety of IR information for individual and institutional investors. Information on the Group's recent performance is provided at our quarterly financial results briefings for analysts and institutional investors. Materials from these briefings are available in PDF format and a voice recording is also provided.

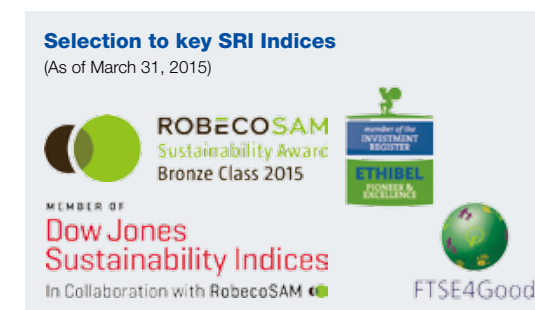
www.sekisuichemical.com/ir/index.html

The Group issues an annual CSR report presenting information about the Group's CSR management, which is a Group foundation. Additional information about the Group's CSR management is also available in the CSR section of the Group's website.

www.sekisuichemical.com/csr/index.html

Figures in the Annual Report

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



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 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.



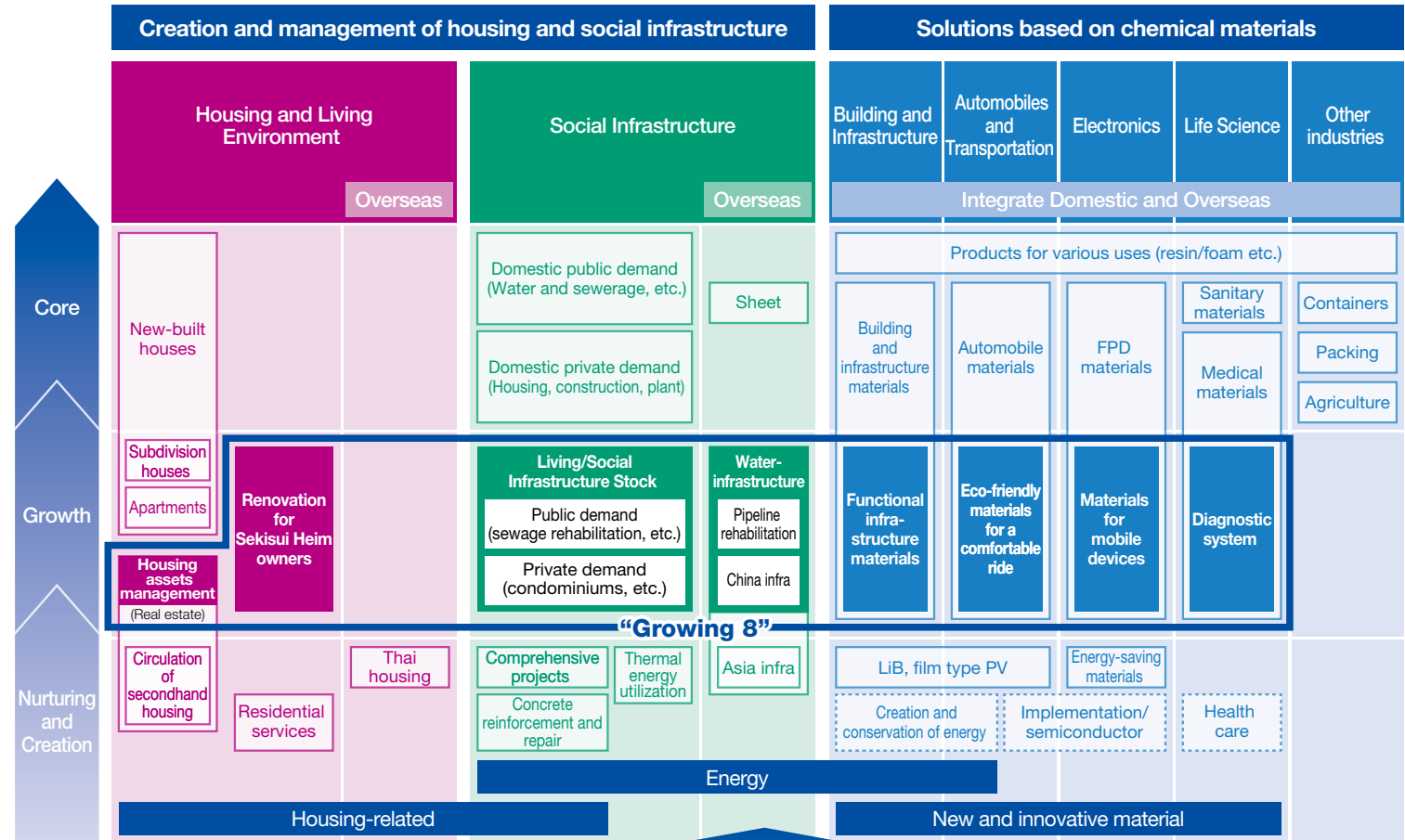
Please see the following website for further details about Sekisui Chemical Company's Corporate Philosophy, Group Vision, and other elements of our Group Principles.

www.sekisuichemical.com/about/principles/index.html

The Business Domains of Sekisui Chemical

The Sekisui Chemical Group defines its business domains as the “Creation and Management of Housing and Social Infrastructure” and “Chemical Solutions.” Each business activity is further categorized into the “Core,” “Growth,” or “Nurturing & Creation” stage* of development, and strategies geared to each stage are implemented with the aim of achieving sustainable growth.

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



Sustainable theme creation by “Co-Creation”

Divisional Company Overview

High Performance Plastics (HPP) Company

Main Products

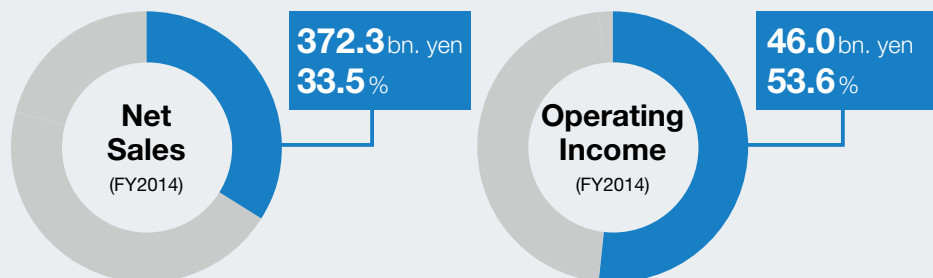
- **Micropearl**
(Conductive fine particles)
- **S-LEC**
(Interlayer film)
- **Softlon**
(Foaming material)
- **Cholestest**
(Cholesterol diagnostic reagent)



Target Markets

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

Net Sales, Operating Income (Composition Ratio)



Housing Company

Main Products

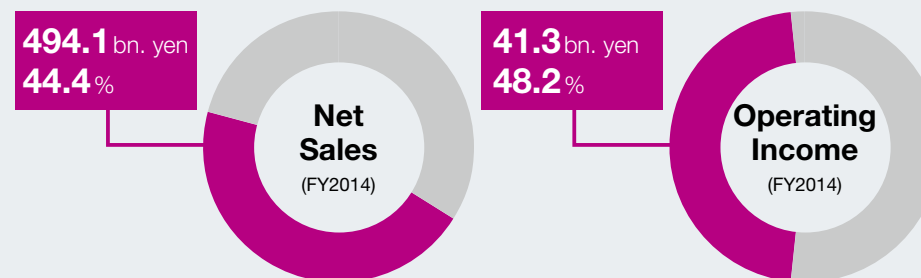
- **Sekisui Heim**
(Steel-frame detached houses)
- **Two-U Home**
(Wood-frame detached houses)
- **Letoit, Harvestment series**
(Housing complexes)



Target Markets

- Domestic new housing construction
(Housing business)
- Thailand new housing construction
(Housing business)
- Domestic housing renovation
(Living Environment business)
- Real estate
(Living Environment business)
- Residential services
(Living Environment business)

Net Sales, Operating Income (Composition Ratio)



Divisional Company Overview

Urban Infrastructure & Environmental Products (UIEP) Company

Main Products

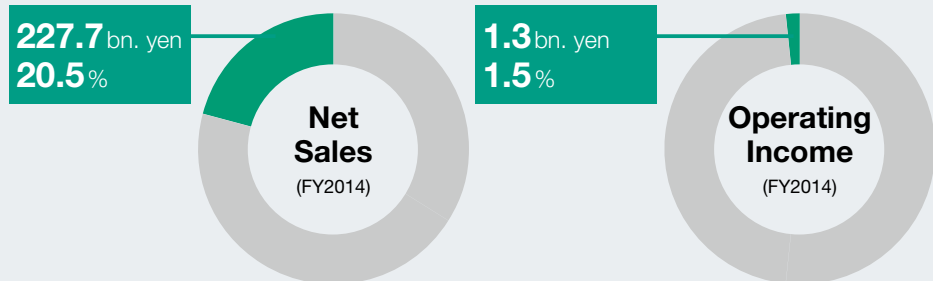
- **ESLON pipes**
(Water supply and drainage pipes)
- **SPR Method, Omega-Liner Method**
(Pipeline rehabilitation)
- **ESLON valves**
(Industrial equipment)
- **KYDEX, ALLEN**
(Interior and exterior materials for aircraft and vehicle)

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

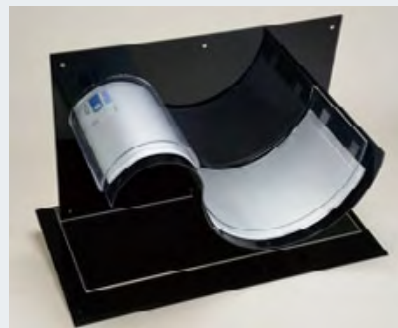


Net Sales, Operating Income (Composition Ratio)

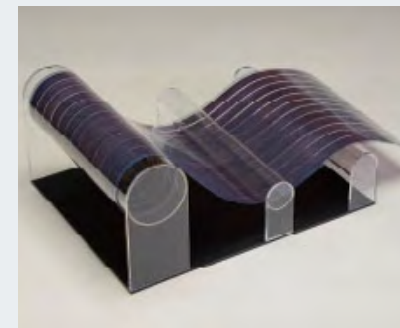


Other Businesses and Corporate R&D

The Other Businesses segment encompasses operations that are outside the domains of the three divisional companies and primarily represents research and development conducted at the corporate R&D Center and early business development aimed at creating new businesses. One of the segment's primary focuses is developing new businesses in the environment and energy field.



High-capacity film-type lithium-ion battery using a coating process

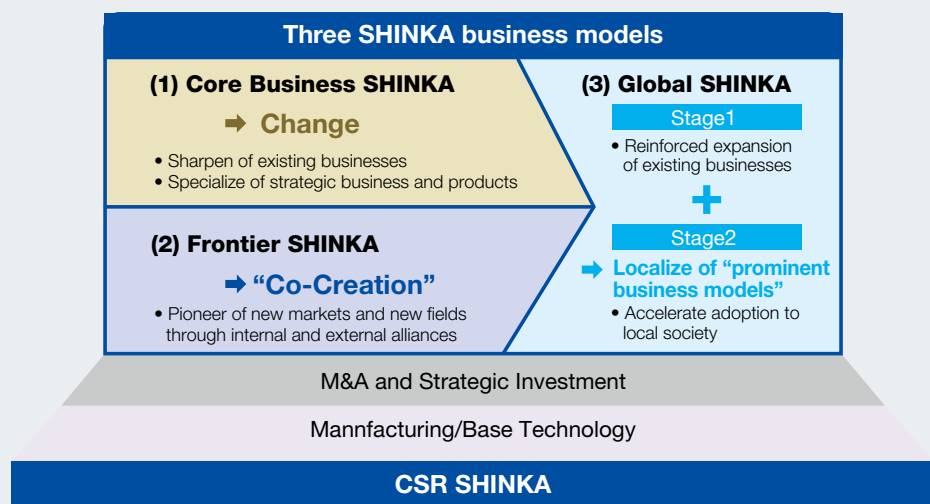


Successful creation of film-type, dye-sensitized solar cell at room temperature

The SHINKA!-Advance 2016 Medium-term Management Plan

Basic Strategies

The 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 plan categorizes business activities into the “Core,” “Growth,” or “Nurturing & Creation” stage of development, and specific strategies for each stage are implemented with the aim of achieving sustaining growth.



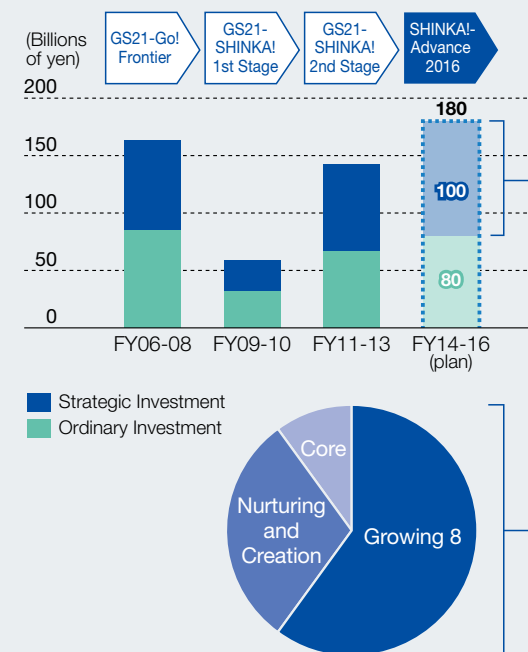
Cash Flow and Capital Investment

The Sekisui Chemical Group maintains a policy of strengthening and enhancing 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.

Use of Cash Flow



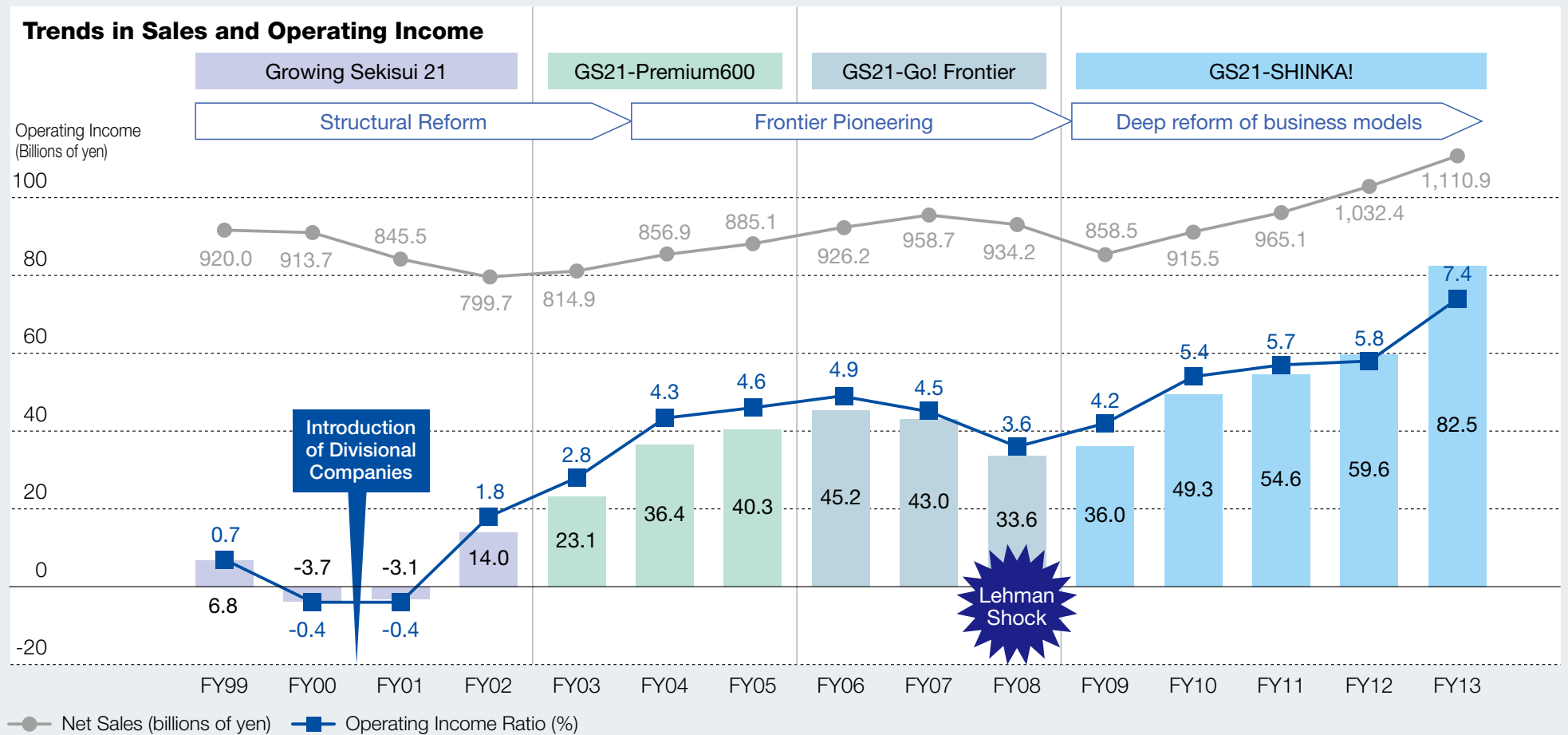
Investment Sums and Allocation between Strategic and Ordinary Investment



The SHINKA!-Advance 2016 Medium-term Management Plan

Accomplishments of the Four Recent Medium-term Management Plans

The Company introduced the divisional company structure as a way to overcome the business slump that occurred after the consumption tax was raised in Japan in 1997 as a radical strategic transformation to facilitate the expansion of new businesses and rejuvenate the Company. This transformation enabled the Company to fortify its business structure to the point that it maintained profitability in the aftermath of the Lehman Shock in 2008 and the consumption tax hike in 2014 and achieved a record level of profit in fiscal year 2014.

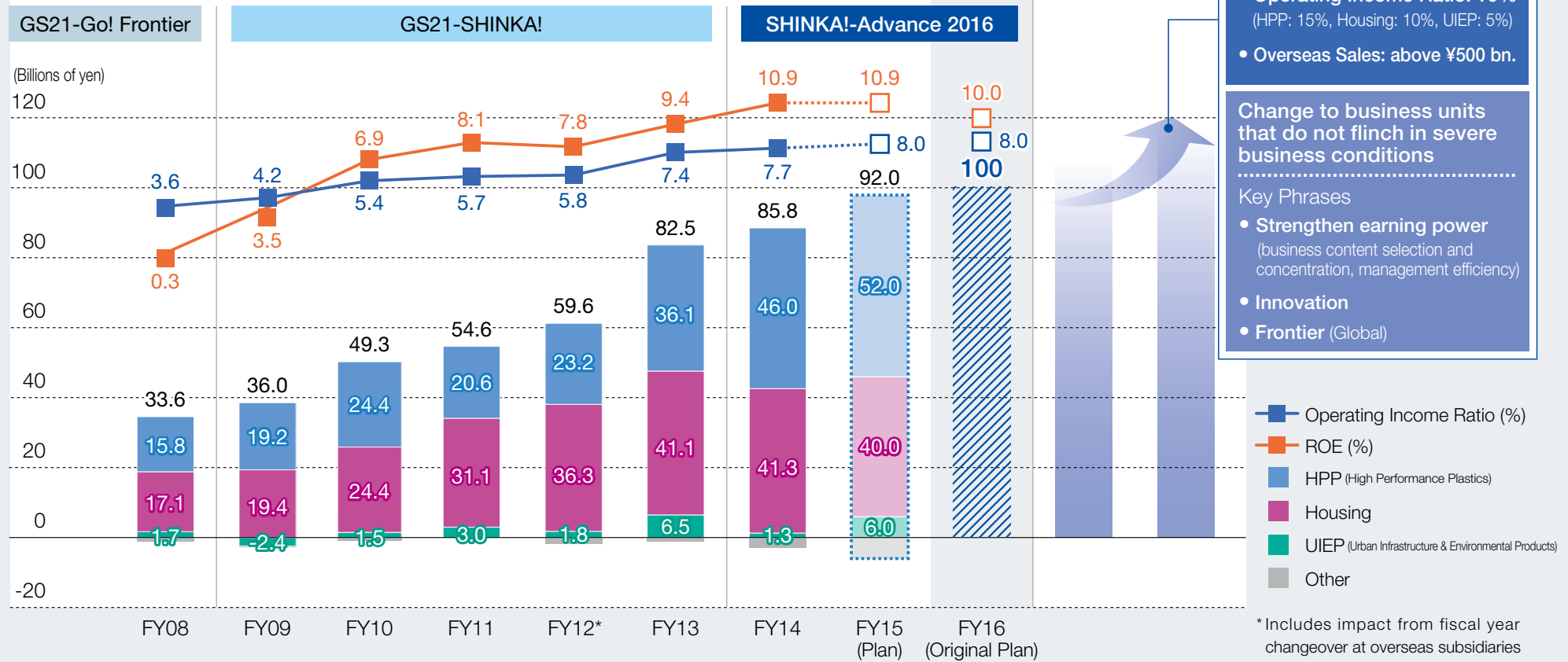


The SHINKA!-Advance 2016 Medium-term Management Plan

SHINKA!-Advance 2016 Performance Targets

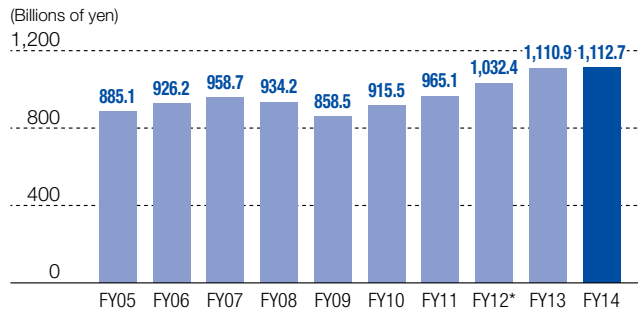
The SHINKA!-Advance 2016 sets earnings targets for operating income of ¥100 billion, an operating income ratio of 8.0%, and ROE of 10%. The Company has also set medium-term targets for beyond fiscal year 2016 and is implementing the changes needed to ensure steady advancement toward achieving those targets.

Trends in Operating Income, Operating Income Ratio, and ROE



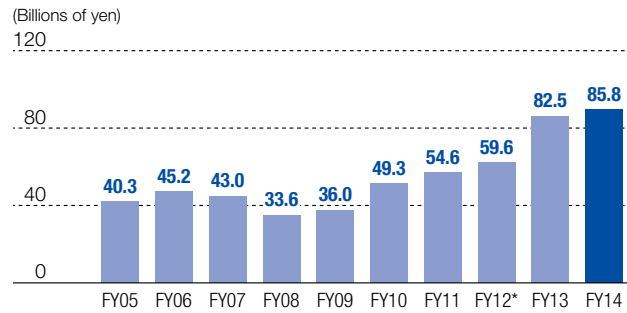
Financial Highlights

Net Sales



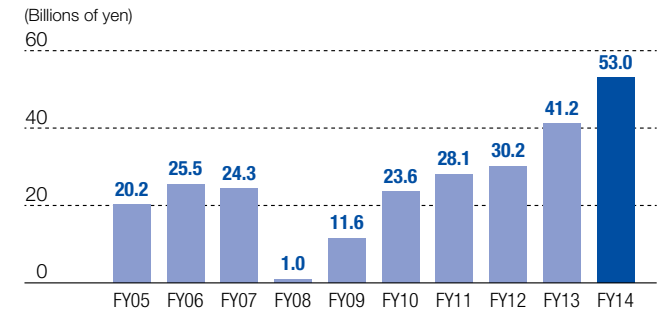
* Includes impact from fiscal year changeover at overseas subsidiaries implemented in fiscal year 2012.

Operating Income

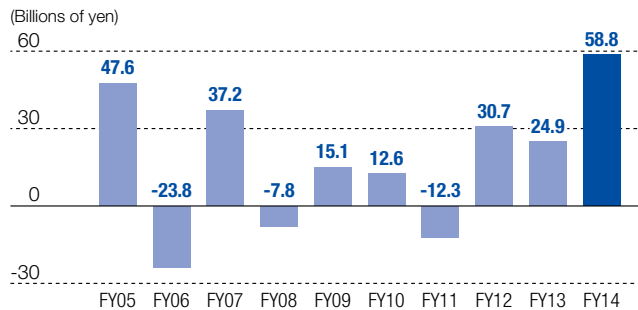


* Includes impact from fiscal year changeover at overseas subsidiaries implemented in fiscal year 2012.

Net Income

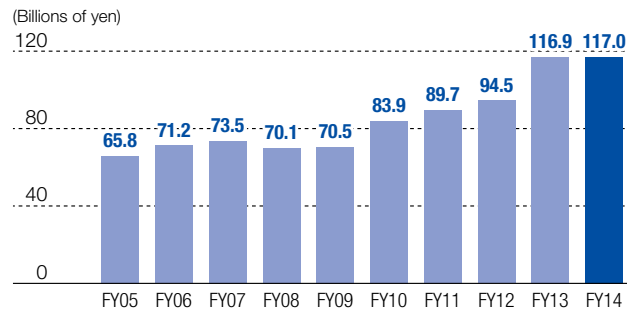


Free Cash Flow



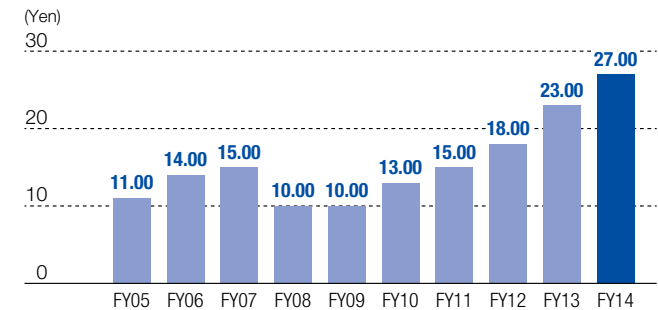
Free Cash Flow = Operating Activities CF + Investing Activities CF - Dividend Paid

EBITDA



EBITDA = Operating Income + Depreciation and Amortization

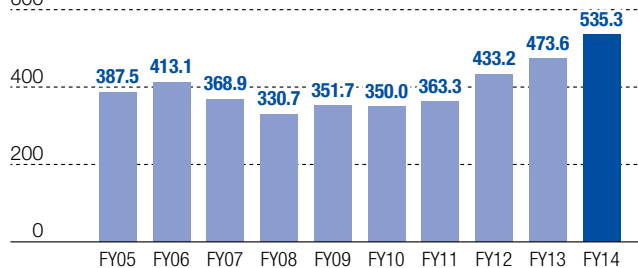
Dividends per Share



Financial Highlights

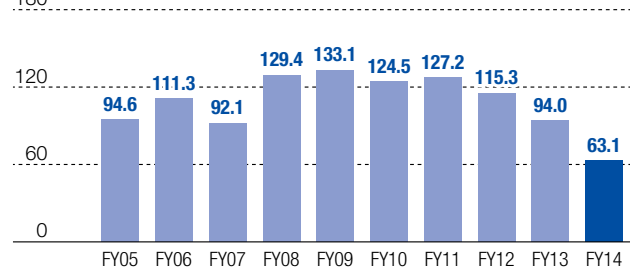
Net Assets

(Billions of yen)
600



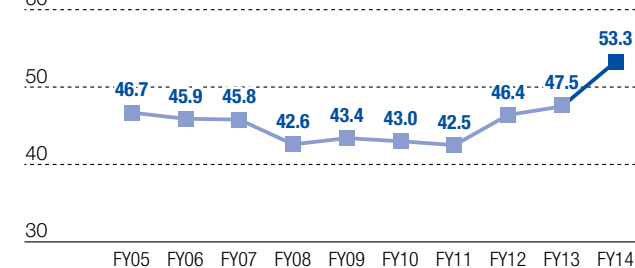
Interest-bearing Debt

(Billions of yen)
180



Shareholders' Equity to Total Assets

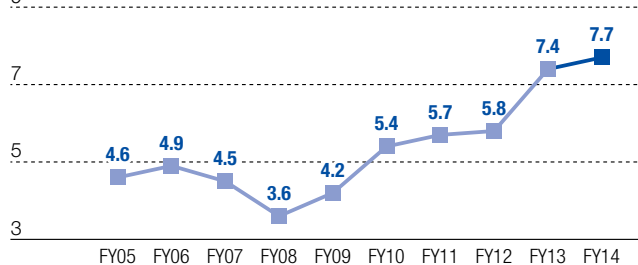
(%)
60



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

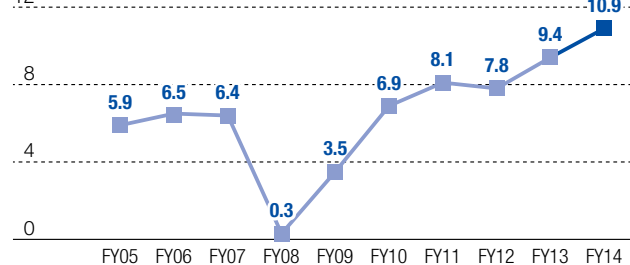
Operating Income Ratio

(%)
9



Return on Equity (ROE)

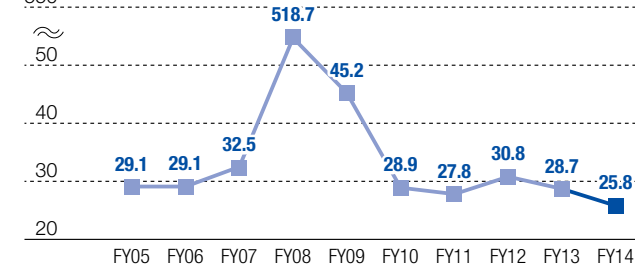
(%)
12



Return on Equity = Net Income/Average Shareholders' Equity

Dividends Payout Ratio

(%)
550



Message from the President & CEO

The Company is aiming for another year of record profits in fiscal year 2015 while implementing reform for future growth.

It is my pleasure to present Sekisui Chemical's performance results for fiscal year 2014, our plan for fiscal year 2015 and vision for the future, and our financial strategies and policy on returning profits to shareholders.

Record income in fiscal year 2014 despite the impact from the consumption tax increase

In fiscal year 2014, with the Japanese market stagnant after the April 2014 consumption tax hike, the performance of our domestic businesses were dented by brief demand declines that were steeper than we expected such as the drop-off in new construction demand against pre-hike rush demand. Nevertheless, the Group's efforts in this environment generated records at all profit levels including net income of ¥53 billion, in line with the upwardly revised plan we issued at the end of the third quarter.

The High Performance Plastics Company has expanded steadily as it continued expanding its global business in high-value-added products for its four strategic business fields of electronics, automotive and transportation, building and infrastructure, and life sciences, which are attracting



Message from the President & CEO

strong demand in the United States, Asia, and other regions.

The Housing Company's domestic housing business was also strongly impacted by the drop-off in demand, including the lowest level of privately owned housing starts in roughly 50 years. The conditions inevitably led to a decline in sales, but cost cuts and spending restraint geared to the changing market environment enable it to raise profits year on year.

The Urban Infrastructure & Environmental Products (UIEP) Company recorded declines in sales and profit as the company implemented a plan to book one-time costs for measures, including shutting down the iconic Tokyo plant, to improve the production and distribution efficiency of general products for the future. Slower construction starts, which are primarily driven by private demand, also impacted its results. Market conditions fluctuated wildly in the fourth quarter as the low price of oil led to restrained purchasing in anticipation of declining raw material prices and as public works were delayed due to a slump in project tenders. The downturn regrettably stopped the UIEP Company well short of attaining its profit forecasts.

When the previous consumption tax hike was implemented in 1997, our Company was highly reliant on domestic businesses such as the Housing business for profits, and the ensuing demand fallback caused profits to plummet to such an extent that in fiscal year 1999 we reported a consolidated loss. Our ongoing efforts since then to develop global operations, centered on the HPP Company, and to reinforce the domestic business by lowering the breakeven point enabled us to not only withstand the demand fallback from the tax hike but to post record-high consolidated profits for the year.

The positive results in fiscal year 2014 are certainly an achievement, but we must also recognize that we were slow to react to severe market fluctuations. For that reason, we believe we must move with the utmost urgency to fortify the Company against severe business conditions and potentially more intense market fluctuations likely to occur after the next consumption tax increase.

Key Themes of the Medium-term Vision: Innovation, Frontiers, Earning Power

The Company is currently implementing the SHINKAI-Advance 2016 medium-term management plan, which will be completed in fiscal year 2016. Individually, the divisional companies are making varied progress toward reaching their performance goals owing to short-term fluctuations in the business environment. As a whole, however, the Company is steadily approaching the Group objective of ¥100 billion in operating income in fiscal year 2016. We believe the investments to expand production capacity, strategies to strengthen earning power, and other measures have put us within reach of attaining the target.

We are anything but optimistic about movements in market conditions after the planned April 2017 tax hike and the 2020 Tokyo Olympics. With the appointment of a new president, we reiterated the Medium-term Vision to prepare for changing market conditions and realize sustainable profit growth by changing to “business units that do not flinch in severe business conditions” and setting Group targets for “operating income ratio 10%” and “overseas sales surpassing ¥500 billion.”

The Medium-term Vision follows three key themes—Innovation, Frontiers, and Earning Power. Innovation is creating new products for the Company. Sekisui Chemical is developing and pioneering a wide range of new products, including film-type lithium batteries and film dye-sensitized solar cells. We will bring these products to market and turn them into profit generators.

Frontiers represents our conscious effort to accelerate the Company's global business development. Our overseas operations have also entered a new stage. In addition to our approach to date of accelerating the reinforcement and expansion of our global business via prominent high-performance products led by the HPP Company, we will apply the energy, infrastructure, and environment technologies that we have cultivated in Japan to reliably capture local demand in each of our operating regions worldwide. In this category, we have high expectations for the profit contribution from the housing business being developed in Thailand.

Message from the President & CEO

The third theme of Earning Power is manifested by our drive to be a prominent, high-profit enterprise with an operating income ratio 10% (HPP Company 15%, Housing Company 10%, and UIEP Company 5%). We will achieve this by executing rigorous management efficiency in the domestic businesses, implementing careful selection and concentration, and continuing to shift management resources to high-profit operations.

Initiatives to fulfill these objectives in the Housing business will be to introduce new energy self-sufficient and high cost-performance products and expand our share of the detached-housing market. We will fuse the effects of our integrated production-sales structure with the region specific management and other structural improvements in recent years to establish the Housing business as a steady and profitable operation consistently securing 5% of the domestic new housing market.

The UIEP Company, which currently is the share leader of the PVC pipe and water infrastructure technology markets in Japan, will continue to retool to prepare for demand structure changes anticipated in the medium term. Although the new construction-related market is contracting, demand from measures to address aging infrastructure is huge, and this year we will begin shifting the UIEP Company's focus to this and other growth and existing stock domains as we redirect its portfolio toward profitable businesses and products.

Aiming for another year of record profit in fiscal year 2015

As we work to achieve the targets of the Medium-term Vision, we are aiming to reach a record-high ¥92.0 billion in operating income in fiscal year 2015. The HPP Company will continue to reap the benefits of strategic investments made so far while taking advantage of favorable business conditions to further grow in the four strategic fields. It plans to vastly increase sales and profits over the previous fiscal year and attain operating income of ¥52.0 billion.

The Housing Company expects last year's drop in orders after the consumption tax hike to lead to a year-on-year decline in profits in fiscal year 2015 but will seek to hold operating income steady at the ¥40.0 billion level while focusing on rebuilding orders and enhancing its cost competitiveness as it

prepares the framework for profit growth in following years.

The UIEP Company will leverage last year's production and distribution efficiency improvements for PVC general products, with some support from the falling away of the one-time cost incurred last fiscal year, to raise operating income back to the fiscal year 2013 level of ¥6.0 billion. At the same time, it will reform its product portfolio to fundamentally fortify its earning power.

In recent years, to go along with absolute profit levels as a measure of corporate performance, investors are focusing on ROE as a way of gauging management efficiency. Sekisui Chemical believes ROE is an extremely important indicator and sets annual ROE targets for management. In fiscal year 2015, the Company plans to implement share buybacks and other measures to enhance capital efficiency and has set a target for ROE of 10.9%.

Large-scale investment in the Housing Company to maximize the in-factory production ratio

Specific strategies have been framed for each divisional company to meet their performance targets for fiscal year 2015 and position their operations for future growth.

The HPP Company will proceed with its ongoing investment to expand production centered on high-performance products and bring new products to market as it continues seeking to expand sales volume and improve the product mix.

The Housing Company is in the midst of its ¥17 billion investment project for fiscal years 2014–2016 to upgrade its eight factories in Japan with the aims of maximizing the in-factory production ratio and enhancing product attractiveness, which are the centerpieces of its medium-term strategy. These activities will both enable home designs more closely matched to local conditions and needs as well as generate strong momentum toward realizing its strategy to be Japan's No. 1 provider of smart houses by enhancing the appeal of its highly differentiated line of solar-panel-outfitted homes with built-in storage batteries.

The activities of the UIEP Company will center on reforming its product



Message from the President & CEO

portfolio. A key element of the reform will be enabling comprehensive information visualization for profit management by product, customer, and region. Its management resources will be shifted to the existing stock field, which is a growth field fueled by demand for refurbishing and renovating aging infrastructure.

Continuing capital investment for future growth

The fundamental policy of our financial strategy is to fulfill the management priorities of increasing corporate value to secure funds for capital investment, R&D, M&A and other items necessary for growth and proactively distributing profit to shareholders. In line with this policy, we retain sufficient internal cash reserves for R&D expenses, capital investment, strategic investment, financing activities, and other activities that we consider vital to enhancing corporate value into the future. Investment focuses on strategic investment to fortify our strategic businesses and for capital investment, M&A, and the construction of an overseas structure growth businesses in our business portfolio that are essential for the Group's future growth.

In fiscal year 2014, we increased capital investment in the HPP Company's four strategic fields by ¥5.2 billion from the previous fiscal year to ¥47.0 billion. We plan to invest a similar amount in fiscal year 2015 while actively pursuing M&A opportunities and evaluating plans to expand production capacity.

Returning profit to shareholders through increased dividends and share buybacks

The Company's 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 fiscal year 2014, we increased the full-year per-share dividend payment by ¥4 from the previous fiscal year to ¥27, for a dividend payout ratio of 25.8%. In fiscal year 2015, anticipating that we still have room to expand corporate earnings despite severe business conditions, management is planning to distribute per-share dividends of ¥14 at

the interim and ¥14 at the year-end for a full-year dividend payout of ¥28 per share.

We are also planning to execute a share buyback program as part of our shareholder return policy with the aims of improving capital efficiency and supplementing the dividend policy from a long-term perspective. In line with maintaining a flexible capital policy responsive to changes in the operating environment, the Company has established a program to invest up to ¥20.0 billion to acquire 12 million outstanding shares during the one-year period to March 31, 2016.

Enhancing corporate value and the value we provide to society

In fiscal year 2015, we will be stepping up our strategic activities as we seek to achieve the highest level of profit in the Company's history. In order to ensure growth stays on track in an uncertain future, we believe it is also necessary to keep advancing our transformation not only by reforming the way we conduct our operations but also by seeking out opportunities in different fields.

I, all of management, and all Group employees are working harder and faster than ever to enhance our corporate value and the value we provide to society. We thank you for your continued understanding and support of the Sekisui Chemical Group.

July 2015



Teiji Koge
President and Representative Director

CSR Report 2015

Message
from the
President &
CEO

We will continue aiming to be a sustainable company that can maintain its strong corporate value for 100 years, as we provide value to society.

President and
Representative Director

Jeiji Koge



▶ Operating Environment of Sekisui Chemical Group

Q What is your assessment of the business environment in fiscal 2014 and outlook for the future?

A Growth will be driven by concentrated strategic investment in our Growing 8 businesses.

Even though earnings improved on stronger exports due to the weak yen, the business environment in Japan was challenging with a lingering impact from the consumption tax hike, declining housing starts, and falling private-sector demand. Overseas, however, expansion in Asian economies and a steady recovery in the U.S. economy boosted

demand. While infrastructure struggled against this backdrop, overall growth was driven by firm demand for our Smart Power Station homes, which aim for energy self-sufficiency, and remodeling in the housing business; interlayer films for soundproofing and insulation in the automobiles and transportation business; and materials for mobile devices in the electronics business. As a result, Sekisui Chemical posted record-setting sales, operating income and ordinary income.

Under its medium-term management plan, Sekisui Chemical Group targets operating income of 100 billion yen in fiscal 2016, the final fiscal year of the plan. To achieve this goal, management identified eight businesses that will be the focus of reforms and designated them the Growing 8 businesses. As the focus of strategic investments, the Growing 8 businesses are remodeling and home asset management in Housing Company; living/social infrastructure stocks

and overseas water infrastructure in Urban Infrastructure & Environmental Products Company; and materials for mobile devices, eco-friendly materials for a comfortable ride, functional infrastructure materials, and diagnostic reagent systems in High Performance Plastics Company.

Looking ahead, Sekisui Chemical Group aims to create next-generation businesses in the fields of home living, energy, and new materials by accelerating innovation through co-creation within the Group and with outside parties. On the global market, Sekisui Chemical Group aims to strengthen and expand B2B business with its highly competitive products, such as interlayer films and thermoplastic sheets. At the same time, we will accelerate overseas business development with in-depth strategies for B2C business in each region, such as the building and sale of housing in Thailand and offering diagnostic reagent systems in China.

CSR Report 2015

▶ Strategic Connection between Our Businesses and CSR

Q How is CSR positioned in the new medium-term management plan that began in fiscal 2014?

A CSR SHINKA vehicle for sharing our values throughout the Group.

Sekisui Chemical Group's CSR is uniquely identified by its Three Prominences: Environment, CS & Quality, and Human Resources—along with Three Attitudes of Sincerity: Compliance, Risk Management, and Communication.

With regard to prominence in Environment, we aim

to help preserve the global environment by creating Environment-Contributing Products and reducing environmental impact. With regard to prominence in CS & Quality, we will aim to deliver the quality our customers require through improvements to both Basic Qualities and Attractive Qualities. With regard to prominence in Human Resources, we will create a work environment that respects and fosters diversity. Our mission is to establish a position of prominence in each of these three fields. We believe Compliance, Risk Management and Communication with our stakeholders are the cornerstone for these initiatives.

Our medium-term management plan mentions CSR SHINKA within our business strategies as a vehicle for sharing our values with all employees. Our reputation is

synonymous with our brand, and Sekisui Chemical Group strives to be trusted by society at all times.

While holding up these targets, we deeply regret that a Group company committed a compliance violation during fiscal 2014. We sincerely apologize for any inconvenience or concern that this event may have caused our stakeholders. We take this incident very seriously and are working diligently to prevent a reoccurrence.

▶ CSR Activities Based on Our Philosophy

Q How is the Corporate Philosophy and Group Vision reflected in CSR activities?

A The Corporate Philosophy is our code of conduct and it is also reflected in our products.

Engraved in the corporate emblem, Sekisui Chemical Group's Corporate Philosophy, the "3S Principle", means Service (creating value for society through business activities), Speed (transforming markets with all the power and vitality of a mighty waterfall), and Superiority (earning the trust of society through prominence in technology and

quality). Sekisui Chemical Group aims to contribute to the advancement of society and help solve social issues through its business activities. Under the Group Vision, Sekisui Chemical Group will contribute to improving the lives of the people of the world and the Earth's environment, by continuing to open up new frontiers Creation of Housing/Social Infrastructure and chemical solutions.

In the housing business, for example, we strive to constantly stay one step ahead of the competition in providing homes that are innovative, economical and comfortable. Our Smart Power Station homes, which aim for energy self-sufficiency through a combination of large-capacity solar power, storage cells, and Home Energy Management System (HEMS) are one example of this. The SPR method, which drastically reduces waste when rehabilitating pipes,

and interlayer films, with sound and thermal insulation properties that improve fuel efficiency and levels of comfort in automobiles are just some of the products and services that reflect our Company Philosophy and Group Vision.

CSR Report 2015

▶ Three Axes in CSR Medium-Term Plan

Q The CSR medium-term plan that began in fiscal 2014 identifies three directions: Group, Global, and Communication. What specific initiatives were undertaken in fiscal 2014?

A By sharing these three directions, we share and instill our values among all of our employees.

Amid the diversification of business and globalization, Sekisui Chemical Group must work harder to spread CSR

management with shared principles and values. Under the medium-term plan, we aim to further diversify our business model and grow on global markets. With this in mind, we have coined three words—Group, Global, and Communication—to simply embody the direction of our aims for working toward further permeation of CSR management in Sekisui Chemical Group, solving global issues based on shared values, and increasing corporate value through enhancing dialogue with stakeholders.

In fiscal 2014 Sekisui Chemical Group made satisfactory progress on several fronts for turning these three directions into a reality, including (1) promoting the reduction of environmental impact through unified targets used inside and outside Japan, (2) visualizing the state of CSR

penetration by incorporating CSR viewpoints into management, (3) promoting CSR procurement, and (4) enhancing dialog with socially responsible investment (SRI) rating organizations and stakeholders, including customers. Through these activities, we were able to identify CSR issues to address in the future and become more aware of the vital importance of CSR management. We will continue to proactively identify issues and work on solving them.

▶ Aiming to Solve Social Problems through Business Activities

Q As Sekisui Chemical Group continues to create corporate value over the long term, how will Sekisui Chemical Group seek to solve social issues that it identifies?

A We will help solve problems related to climate change, urban infrastructure and aging societies.

Through our business activities, we believe we can help solve a wide array of social issues. For example, Sekisui Chemical Group contributes to solutions for urgent social issues including climate change, the ageing of urban

foundations, and the greying of society.

Sekisui Chemical Group is moving along three pillars of action, namely expanding and creating markets for Environment-Contributing Products, reducing environmental impact, and conserving the natural environment. By 2030, we aim return more natural capital than we use.

In order to realize our long-term vision, we aim for Environment-Contributing Products to account for at least 50% of sales during fiscal 2016, the final fiscal year of our medium-term plan, by expanding and creating markets for Environment-Contributing Products.

With regard to the social problem of aging urban infrastructure, Sekisui Chemical Group has developed a value chain business for all stages of infrastructure modernization, from research and diagnostics to maintenance, for mainly the rehabilitation of

water and sewage pipes. Through this business, we help government agencies efficiently manage their assets.

The aging of society in Japan is also a major social issue that we would like to help solve through our business activities. By 2025, Japan's baby boomer generation will be at least 75 years old, and long-term care for the elderly is likely to be a pressing problem.

However, we will not stop there. Sekisui Chemical Group is developing businesses in disaster mitigation housing for the elderly that protects residents from natural disasters, as well as nursing care services that encourage independent living. At Sekisui Chemical Group, we strive to create outstanding value through our business activities that also helps solve social issues, thereby contributing to the realization of a sustainable society.

Management Message

Fiscal year 2014 was the launch year for the three-year medium-term management plan SHINKA!–Advance 2016, which included the target of ¥100 billion in operating income. In this section, the presidents of each of the divisional companies discuss their company's strategies, performance in fiscal year 2014, and plan for fiscal year 2015.

**High Performance
Plastics (HPP)
Company**

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**Housing
Company**

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**Urban
Infrastructure &
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Products (UIEP)
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**Review and
Analysis of
Consolidated
Results for Fiscal
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**Business
Risks**

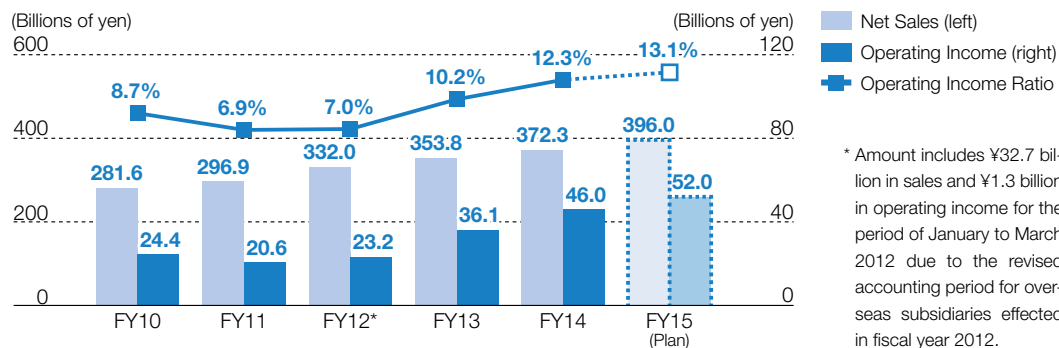
39

High Performance Plastics (HPP) Company

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



PERFORMANCE HIGHLIGHTS



(Billions of yen)	FY10	FY11	FY12	FY13	FY14
Assets	257.8	296.3	321.3	341.2	357.7
Depreciation and Amortization	17.6	18.8	19.2	18.4	16.6
Capital Expenditures	12.1	16.7	14.5	17.6	17.9
R&D Expenditures	11.2	11.9	13.5	14.6	15.9
Number of Employees	5,655	6,443	6,545	6,858	7,051
Consolidated Subsidiaries (Overseas Companies)	55(41)	59(46)	57(44)	59(46)	60(47)

High Performance Plastics (HPP) Company


Keita Kato

President of High Performance Plastics Company

BUSINESS STRATEGIES

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

BUSINESS OVERVIEW

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

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

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

PRESS RELEASES ON HPP COMPANY'S TOPICS


- Apr. 2014** Thin, highly sensitive piezoelectric sensor using in-house materials developed
- May 2014** Sekisui Chemical non-flammable urethane material was the first to receive Japan MLIT approval
- May 2014** New anisotropic conductive paste that does not require thermal compression bond developed
- May 2014** Joint venture established for a chlorinated polyvinyl chloride (CPVC) resin factory in Thailand
- Apr. 2015** Construction of additional automotive laminated glass interlayer film production line at the Mexico Plant decided

Fiscal Year 2014 Performance

Steady income growth driven by the four strategic fields

The HPP Company achieved steady growth in sales and income in fiscal year 2014 on a substantial increase in sales volume driven by the company's four strategic business fields and supported by an improved product mix from the shift to high value-added products. Yen depreciation provided an additional boost to results.

The HPP Company effectively responded to the market environments of the four strategic fields. The company overcame short-term demand fluctuations in the Electronics field to post overall growth led by components for mobile devices.

In the Automobiles and Transportation field, demand for the company's products steadily expanded in China and the United States and an improved product mix supported higher sales globally, particularly for high-performance interlayer films and other high value-added products.

Building and Infrastructure field sales grew in Asia and the Middle East for chlorinated polyvinyl chloride (CPVC) used as a heat-resistant piping material in hot water supply, plants, fire sprinkler systems, and other piping systems. The new CPVC resin factory being constructed in Thailand neared completion and preparations were made for accelerating business growth in fiscal year 2015.

In the Life Sciences field, the company completed the main reorganization of its overseas operating bases, setting itself up for a profit growth phase. Sales in Japan and overseas rose steadily for cholesterol diagnostic reagents,

influenza test kits, and other products at the diagnostic reagents and testing equipment business. As a result, net sales at the HPP Company in fiscal year 2014 grew substantially, up ¥18.5 billion year on year, and operating income climbed sharply, up ¥9.9 billion to a record-high.

Higher raw material prices outpaced cost reductions

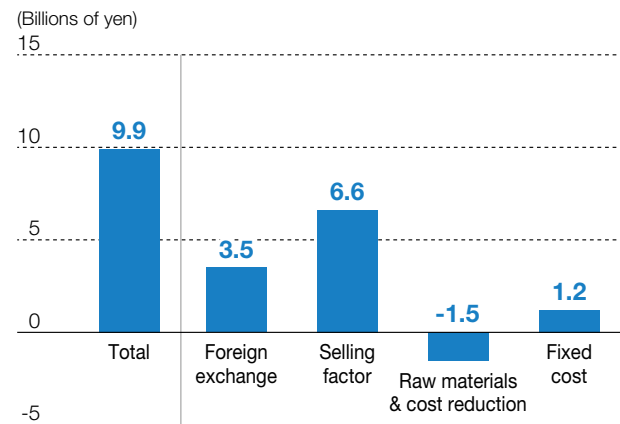
Key factors supporting operating income growth were increased sales volume, a better product mix, and higher product prices, which combined for a ¥6.6 billion lift. Foreign exchange contributed ¥3.5 billion and lower fixed costs added ¥1.2 billion. Cost cuts during the year were unable to keep pace with the sharp price rises for certain

raw materials, such as vinyl acetate monomer, and higher prices had net negative impact of ¥1.5 billion on income. The situation improved in the fourth quarter, however, as prices for most materials returned to normal levels.

Profit growth reflects more than boost from weak yen

The progress the HPP Company has made strengthening its business operations in recent years has been partially masked by the foreign exchange rate trend. The yen had an average value of ¥100 and ¥110 to the U.S. dollar in fiscal years 2013 and 2014, respectively, so the weak yen has certainly contributed to sales growth. Even after factoring out foreign exchange effects, however, the HPP Company has achieved solid sales and profit growth on the steady shift toward high-value-added products. These results are a clear indication of the steady progress it has made toward becoming a high-profit enterprise.

Analysis of Operating Income for FY2014 (year on year)



High Performance Plastics (HPP) Company

Fiscal Year 2015 Plan

¥52 billion operating income target for fiscal year 2015

In fiscal year 2015, the HPP Company will continue its mission to provide value-added products to customers as it seeks to raise net sales by ¥23.7 billion year on year to ¥396.0 billion and operating income by ¥6.0 billion to ¥52.0 billion. The company has set an operating income ratio target of 13.1%.

The three growth engines during the year will be broadening the four strategic fields, expanding overseas businesses, and accelerating new product and business development and launches. Growth will also be supported by fortifying our management foundation in the areas of safety, quality, and compliance, reforming the business structure, and solidifying overseas operating bases.

Developing growth engines also aimed at accelerating medium- and long-term growth

The growth engine of broadening the four strategic fields includes the target of raising sales by over ¥20 billion to represent 74% of total HPP Company sales.

In the Electronics field, although risk exists of short-term demand fluctuations, we expect underlying growth to continue for mobile-communications components and will seek to expand sales of mobile-device related materials. We will also continue with structural reform of the ITO film business.

We will seek to continue growing sales in the Automobiles and Transportation field with a focus on high-performance products in China, United States, and other markets. We will also position the company for future

growth by expanding the high-performance interlayer film production line in Mexico in anticipation of strong growth in the medium- and long-term in Central and South America. Sales efforts will also be stepped up for automotive molded plastic products in India and Indonesia.

In the Building and Infrastructure field, we aim to substantially boost sales by capturing the brisk demand in the Middle East and Asia markets following the June start of operations at the new CPVC factory in Thailand.

In the Life Sciences field, we will expand the diagnostics business overseas and seek to capture growing demand in developing countries, particularly in China and ASEAN countries. We are looking forward to a boost in sales from a contract signed in April of this year for U.S.-based Abbott Laboratories to be the global distributor of the Sekisui Automated Coagulation Analyzer CP3000.

Overseas, we will develop new customers and step up activities to be recognized as an approved vendor with the aim of increasing the use of our components in smartphones and other products in the electronics and other fields. Our activities in new product and business fields include plans for launching of anisotropic conductive paste and nonflammable urethane products. We will also focus development man-hours on LED components and mounting materials with an eye to creating new businesses for the future.

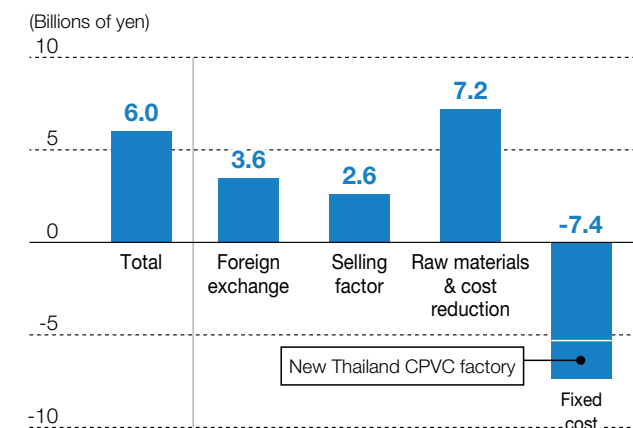
Profit growth in fiscal year 2015 with help from lower raw material prices

The elements of our plan to increase operating income in fiscal

year are a ¥2.6 billion sales factor, ¥3.6 billion foreign exchange effect, and ¥7.2 billion from lower raw material costs. Increased fixed costs are expected to drain ¥7.4 billion from the total. The sales factor projection anticipates last year's trends of increasing volume and improving product mix will continue while taking into account lower product sales prices associated with lower raw material prices. Some product prices are set based on formulas and will automatically decrease as raw material prices fall, and the HPP Company will seek to offset this impact by increasing profit margins compared to last year.

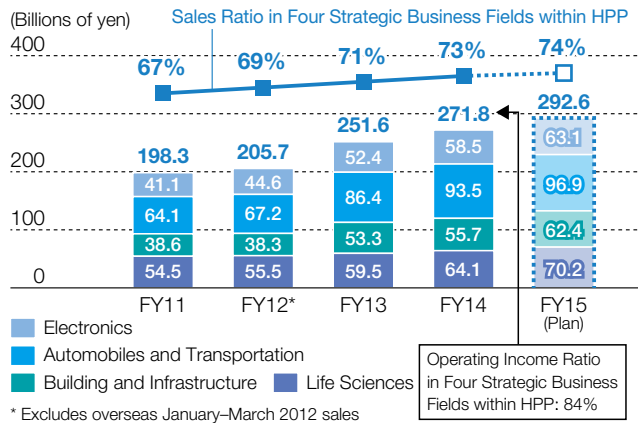
The anticipated increase in fixed costs is due mainly to depreciation and amortization associated with the CPVC factory in Thailand and plant operations at the automotive molded plastic factory in India and also includes rising labor costs.

Analysis of Operating Income for FY2015 (year on year)

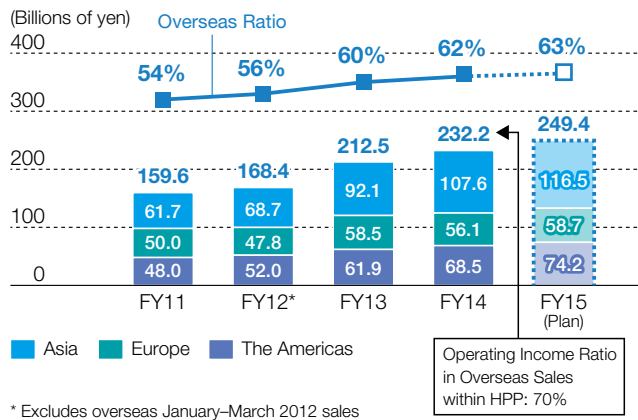


HPP Company and Market Data

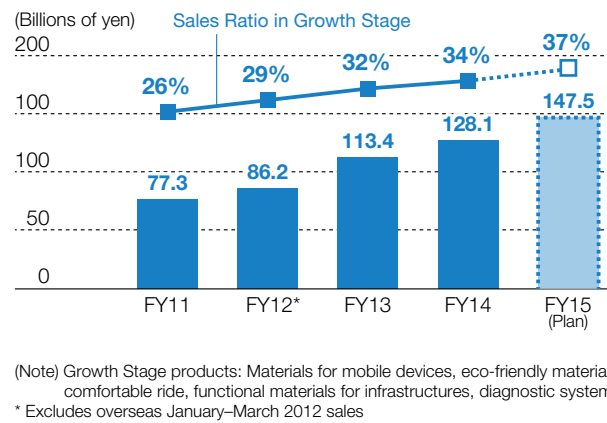
Sales in Four Strategic Fields



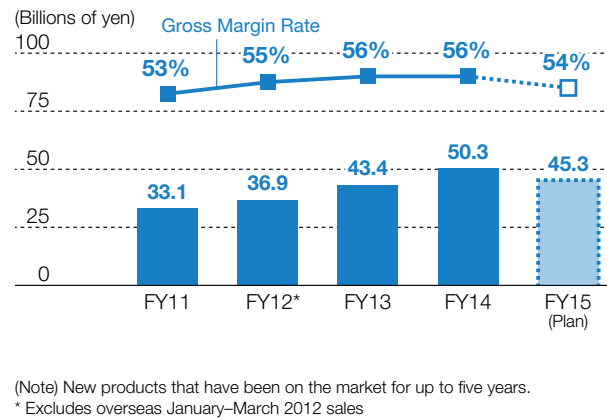
Overseas Sales



Sales in Growth Stage ^(Note)

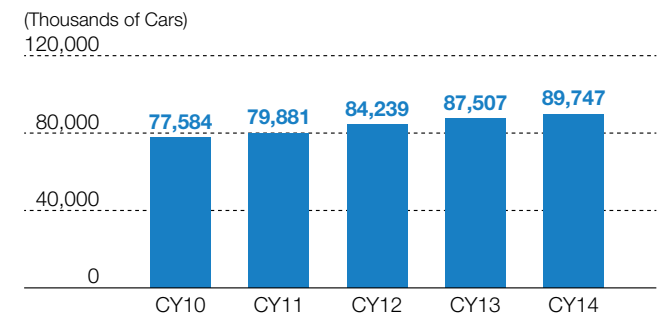


New Products Sales ^(Note)



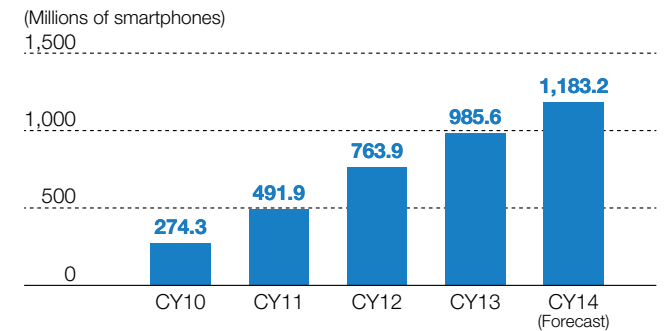
Market Data

World Motor Vehicle Production Volume



Market Data

Global Smartphone Production Volume

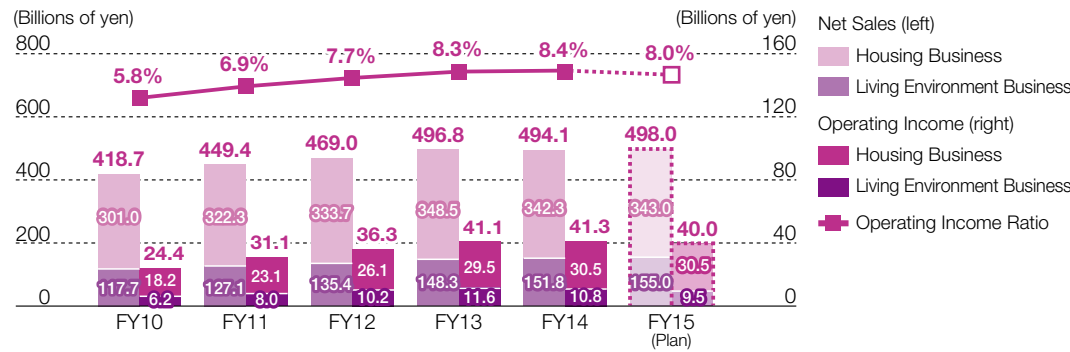


Housing Company

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



PERFORMANCE HIGHLIGHTS



(Billions of yen)	FY10	FY11	FY12	FY13	FY14
Assets	196.7	217.5	239.3	256.1	249.1
Depreciation and Amortization	7.3	7.0	7.0	7.7	6.7
Capital Expenditures	5.7	8.6	12.3	11.1	9.8
R&D Expenditures	4.0	4.1	4.1	4.7	4.9
Number of Employees	8,637	8,820	9,775	9,840	10,442
Consolidated Subsidiaries (Overseas Companies)	38(1)	38(1)	38(1)	38(1)	40(1)

Housing Company

BUSINESS STRATEGIES

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

BUSINESS OVERVIEW

The Housing Company has established a unique position in Japan in new housing construction at the Housing business as a specialist in the Unit Construction Method, its advanced factory-built approach that enables short construction periods and high-quality fundamental functions such as air-tightness and heat insulation.

Responding to the increasingly sophisticated needs of customers, the Housing business has moved high-performance housing forward, guided by the concepts of environment, reliability, and comfort. It was in particular an early mover in housing with solar-power generation systems, going back to 1997 when it first scaled up such initiatives, and its cumulative sales of such residences exceeded 160,000 units as of the end of 2014.

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

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

PRESS RELEASES ON HOUSING COMPANY'S TOPICS



- Apr. 2014** Housing industry's first accident-reduction housing with support services for senior citizens launched
- Apr. 2014** Wooden frame smart house Grand Two-U V to Heim launched
- Sep. 2014** Product lineup of Smart Power Station homes with solar power generation systems and storage batteries expanded
- Dec. 2014** Full-fledged service business for senior citizens launched
- Jan. 2015** Factory Efficiency and Presentation Upgrade Plan for eight housing factories in Japan announced
- Apr. 2015** High in-factory production ratio Smart Power Station Alpha homes launched



Shunichi Sekiguchi

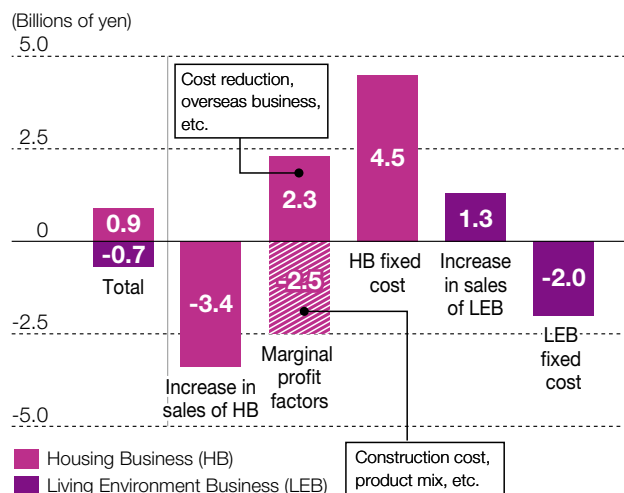
President of Housing Company

Fiscal Year 2014 Performance

Profit growth secured despite the tax hike impact

The Housing Company overcame a severe business environment to record a ¥200 million year-on-year rise in operating profit to ¥41.3 billion while sales declined ¥2.7 billion to ¥494.1 billion in fiscal year 2014. At the Housing business, which primarily focuses on new housing construction, profits rose despite lower sales, and at the Living Environment business, which focuses on housing renovations, profits fell despite higher sales. Their performance was dented by the lowest level of privately-owned housing construction starts in roughly 50 years and a larger and longer-than-expected

Analysis of Operating Income for FY2014 (year on year)



downdraft from the consumption tax increase.

At the Housing business, the sales factor had a ¥3.4 billion impact on profits while higher construction costs and a deteriorating product mix also knocked off another ¥2.5 billion. However, it more than offset these to record profit growth of ¥900 million by reducing the cost of materials and improving overseas business profits (¥2.3 billion) and controlling fixed costs (¥4.5 billion). At the Living Environment business, sales growth boosted marginal profit by ¥1.3 billion but higher fixed costs for strengthening the sales structure, which included increasing the sales force for renovations, resulted in a ¥700 million profit decline.

Strong orders for detached smart houses, slower growth for housing complexes

New housing construction orders declined year on year in fiscal year 2014, although the decline rate improved from 15% in the first half to 4% in the second half as the impact from the consumption tax hike gradually faded and second-half detached and built-for-sale housing orders were generally firm. Demand for built-for-sale housing had a strong undertone supported by the company's stepped up acquisitions of prime properties in the second half, with orders consequently moving as planned for the year. It was unable to boost momentum for housing complex (apartment) orders as planned during the year and orders ultimately fell year on year.

One key indicator of the market environment—the number of visitors to our model home galleries—pointed

to recovery with visitor numbers up in the fourth quarter (January to March 2015) from same term in the previous fiscal year. The Smart Power Station series of energy self-sufficient smart houses combining solar power generation, storage batteries and a home energy management system (HEMS) as standard features were particularly popular, and orders for the series rapidly grew to account for roughly 20% of all detached housing orders received during the year.

Profits fell at Living Environment business as it re-strengthened customer relations

At the Living Environment business, orders for home remodeling, expansion and other large renovation projects were strongly impacted by the consumption tax hike, resulting in a decline in the unit value of orders despite a steady total number of orders. Although the value of orders declined, sales improved from a year earlier when orders were boosted by rush demand before the tax hike.

The Living Environment business has been growing by leaps and bounds. Confronting the severe market environment triggered by the consumption tax hike, it has learned there are still untapped market segments where it needs to fully establish business activities to stimulate demand. Specific measures will be expanding periodic diagnosis and other activities that drive orders and strengthen customer relations to generate orders going forward.

Housing Company

Fiscal Year 2015 Plan

Regain growth momentum in the second half and forge ahead with business structure improvement for the post-tax hike period

The Housing Company plans to emerge from expected declines in sales and profit, owing to the smaller order backlog at the start of the year, in the first half of fiscal year 2015 to regain momentum with rising sales and profit in the second half. At the same time, the company will strengthen its business structure to prepare for the dip in demand expected after the next scheduled hike in the consumption tax.

Strategies to capture orders during the year will center on promoting the Housing Company's strength in "energy self-sufficient lifestyles." The Smart Power Station series of built-for-sale homes has already been bolstered with a new cost-performance model, and the housing complex product offerings will also be enhanced. Subdivision property acquisitions will be accelerated and the housing complex sales structure will be strengthened with the aim building up order levels.

Renovation operations will be fortified by creating packaged construction proposals, such as a Smart Heim Renovation package combining a solar system, storage batteries, and HEMS. We also expect government policies promoting home purchases, such as subsidies for storage batteries, to stimulate demand.

Based on this outlook and our business strategies, we forecast new home construction orders to rise 3% year on year in the first half and 10% in the second half, and Living Environment business sales to dip 2% in the first half following by 7% growth in the second half.

Maximize the in-factory production ratio to enhance cost competitiveness

We are enhancing the cost competitiveness of our

products to heighten their drawing power in preparation for a demand slowdown after the next scheduled increase in the consumption tax. We will also further raise our in-factory production ratio, which is a unique feature increasing both product quality and cost competitiveness, to eliminate the negative impacts from the shortage of construction workers and soaring labor costs and further widen our cost advantage over rival companies.

We will continue to advance our ongoing plan for "area-specific business development" by developing strategies catered to specific regional needs, such as highlighting two-family and multipurpose home products. In addition, the regional business models will be broadened from new construction operations to encompass renovation, real estate sales, residential services, and other peripheral business activities.

We will also seek to accelerate growth of frontier businesses in the overseas and real estate fields. We expect the housing business in Thailand to attain profitability on an operating balance basis in fiscal year 2015. The business content of the real estate operation will be expanded from a development focus on the Tokyo metropolitan area to quickly establish a nationwide operation, for the existing home and rental home property management business.

Capturing orders for future growth amid an operating profit decline

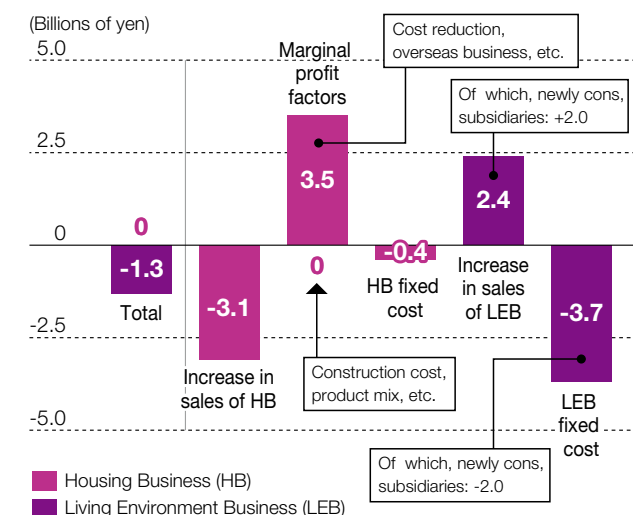
In fiscal year 2015, the Housing Company is aiming to maintain flat operating profits year on year in the housing business while limiting the decline in Living Environment business to ¥1.3 billion.

Although the Housing business is poised to incur a drop in sales due to the smaller order backlog at the start of the

year, we will implement measures, mainly cost cuts, to offset the decline. We expect rising sales for the Living Environment business to generate a ¥2.4 billion increase in marginal profit but also anticipate an increase in fixed costs, primarily from our ongoing efforts to fortify the sales structure. Tangible results from the improved sales structure are expected to begin appearing soon, and we are considering further improvements to ensure continuing effectiveness going forward.

The nursing care business acquired last year is projected to add ¥2.0 billion in marginal profit while incurring ¥2.0 billion in fixed costs. We are looking forward to realizing the operation's synergy effects in such areas as orders for senior housing with support services.

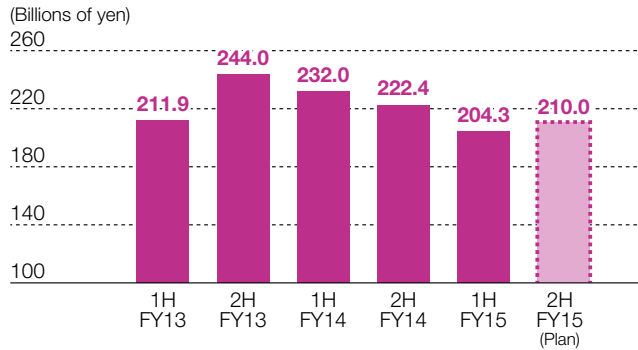
Analysis of Operating Income for FY2015 (year on year)



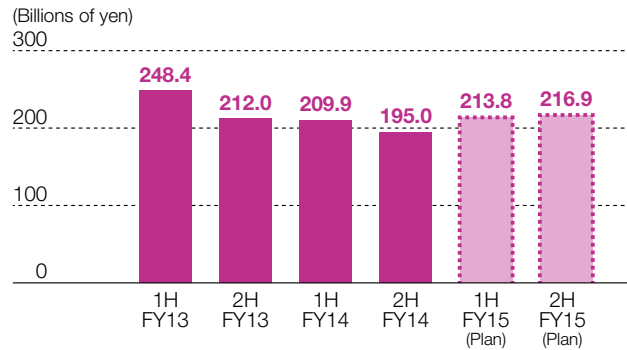
Housing Company

Housing Company and Market Data

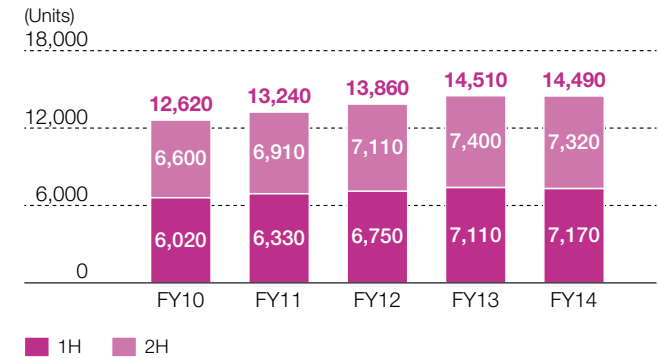
Year-start Backlog



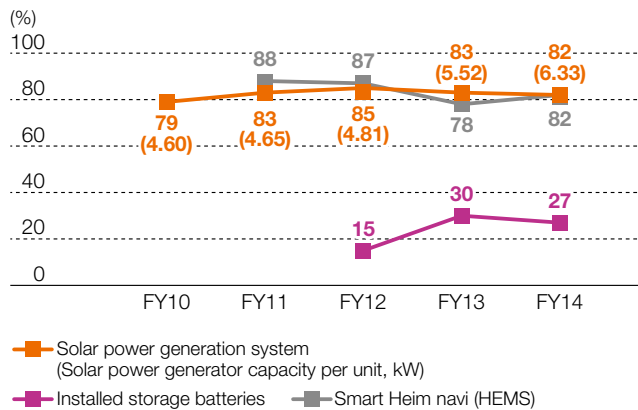
New Housing Orders



Number of Houses Sold

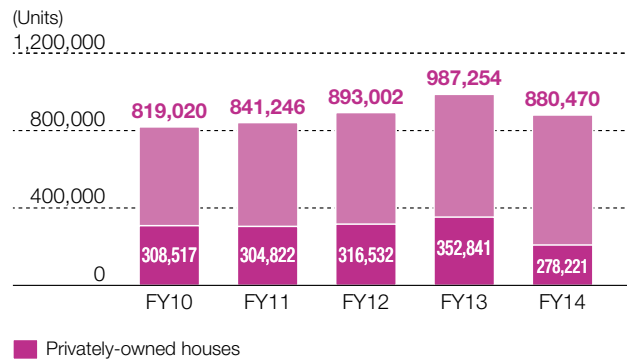


Differentiated Tool Load Ratio



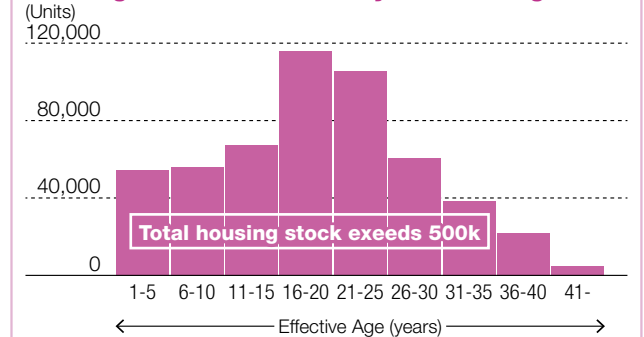
Market Data

Housing Starts



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

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

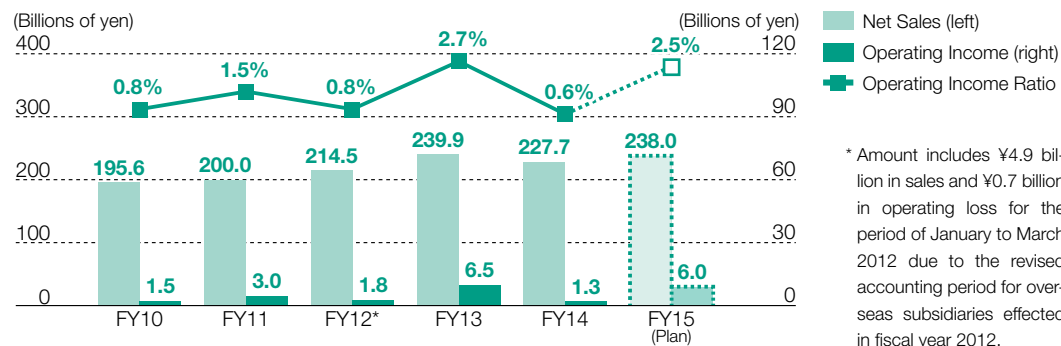


Urban Infrastructure & Environmental Products (UIEP) Company

1 Water supply pipe construction site 2 Residential water supply and drainage system 3 Water treatment system 4 Recycled PVC pipe 5 High-performance seismic polyethylene pipe 6 Plastic sheet for an aircraft interior 7 FFU synthetic railway sleepers 8 Emergency drinking water storage system 9 Sewage pipe rehabilitation 10 A sewage pipe inspection camera robot 11 Sewage pipe maintenance operations 12 Sewage heat recovery system



PERFORMANCE HIGHLIGHTS



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

(Billions of yen)	FY10	FY11	FY12	FY13	FY14
Assets	161.3	164.0	180.2	200.3	198.8
Depreciation and Amortization	7.0	6.6	6.1	6.1	6.2
Capital Expenditures	5.6	5.1	7.7	10.5	15.4
R&D Expenditures	5.5	5.3	5.1	5.1	5.1
Number of Employees	4,447	4,570	4,887	5,363	5,453
Consolidated Subsidiaries (Overseas Companies)	53(26)	51(27)	62(37)	60(36)	56(32)

Urban Infrastructure & Environmental Products (UIEP) Company



Hajime Kubo

President of Urban Infrastructure & Environmental Products Company

BUSINESS STRATEGIES

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

BUSINESS OVERVIEW

The UIEP Company is a manufacturing and sales leader in Japan in its fundamental water sewerage and supply pipe systems and construction materials supply businesses. The trend in the Japanese construction market in recent years is shrinking demand for new construction and steadily rising demand in the existing stock field, due to aging infrastructure facilities and other factors. It is focusing particular efforts in the stock field, which it believes has strong potential as a growth domain.

As part of its medium- and long-term growth strategy, the UIEP Company is also harnessing technologies cultivated in its fundamental businesses to develop and expand its overseas operations, including in the sheet business for high-performance plastic molds, reinforced compound plastic pipe for industrial piping materials and infrastructure applications, and pipeline rehabilitation business. The company is applying the formidable comprehensive strength of its fundamental businesses to expand its activities in the domestic stock field and its overseas operations as it seeks to generate earnings growth.

PRESS RELEASES ON UIEP COMPANY'S TOPICS



- Apr. 2014** Start of general administrative operations at the Kawachinagano City Sewer Pipeline Network comprehensive management contract
- May 2014** Water Treatment Membrane Module and Unit FILTUBE® launched
- Oct. 2014** Geothermal Eslo Heat system business launched
- Feb. 2015** Water leak inspection business with the Polymer Piezoelectric Leak Detection System launched
- Mar. 2015** Construction of PVC pipe factory in Tohoku region completed
- Apr. 2015** ISO 55001 certification, an international standard for asset management systems, obtained for a comprehensive entrustment contract for water and sewage facilities work
- May 2015** Decision to construct new U.S. high-performance plastic sheet factory

Fiscal Year 2014 Performance

Profits declined on deteriorating business conditions in Japan and overseas

The UIEP Company posted a ¥12.3 billion decline in net sales and a substantial ¥5.2 billion decrease in operating income to ¥1.3 billion in fiscal year 2014.

At the domestic business, profits fell as market conditions in Japan deteriorated rapidly during the year with private-sector demand slumping from the prolonged impact of the consumption tax increase and a slow recovery in new housing starts. In addition, demand for our core PVC products declined near the end of the year in anticipation of further raw materials price declines. Public demand was stung by a slump in public works tenders, construction project delays, and other factors. One-time expenses, including for production reorganization, also

contributed to the decline in profits.

At the overseas business, earnings declined overall as steady growth in the sheet business was offset by the slow reestablishment of the pipeline rehabilitation business in Europe and the impact on the water infrastructure business of the deteriorating business environment in China.

Income plummeted in fourth quarter

The UIEP Company sincerely regrets that fiscal year 2014 operating income of ¥1.3 billion was significantly short of the ¥4.2 billion forecast issued at the end of the third quarter.

The primary reason for the fourth quarter underperformance was a ¥3.5 billion shortfall versus forecast at the domestic business, reflecting misjudgment about changing market conditions, such as a slump in public works tenders

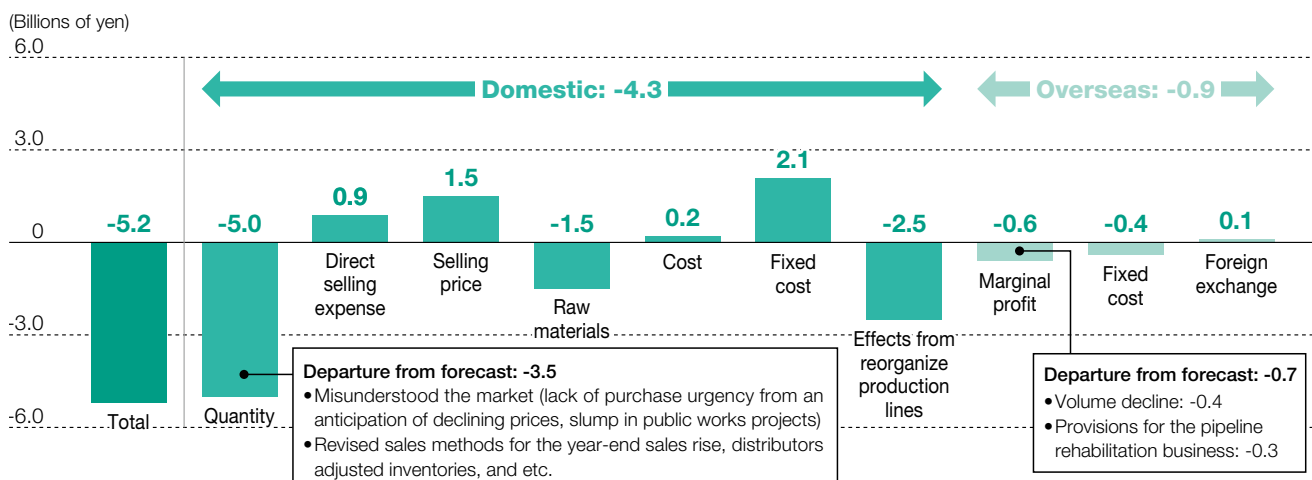
and restrained purchases by customers in anticipation of falling prices. In addition, the UIEP Company revised its sales methods to reduce the concentration of sales at the year-end period in an effort to strengthen business operations for fiscal year 2015 and the future. The sales method revisions included inventory adjustments at distributors, and these led to significantly lower shipment volume compared to the forecast at the end of the third quarter.

At the overseas business, there was a ¥700 million shortfall versus forecast. The main causes were the lower-than-projected business volume for the water infrastructure business, a partial shutdown of pipeline rehabilitation business factories in March, and the booking of an allowance reserve.

Preventive measures fortified after a subsidiary's improper accounting incident

In the year under review, Sekisui Chemical announced the discovery of improper accounting practices at consolidated subsidiary Nippon No-Dig Technology Co., Ltd., which engages in pipeline rehabilitation projects in Japan. The negative impact of this on Sekisui Chemical's earnings amounted to about ¥1 billion. It responded immediately to the discovery by launching an investigation led by the Special Investigative Committee, which is comprised primarily of external experts. The parties responsible for the misconduct were dismissed, and it announced and implemented measures to prevent reoccurrence, mainly by reinforcing accounting compliance, strengthening and improving internal controls, and increasing feedback from internal auditors. In addition, the Company's response measures were openly disclosed to the public. The Company has treated the matter with utmost seriousness and will, without reservation, take swift and rigorous action in the event of any future misconduct.

Analysis of Operating Income for FY2014 (year on year)



Fiscal Year 2015 Plan

Fiscal year 2015 will be a year to rebuild to attain a 5% operating income ratio

The UIEP Company plans to use fiscal year 2015 as a period for focusing on rebuilding its business structure. The operating income ratio has stayed under 3% in recent years, so it is imperative to establish a business structure that will support an operating income ratio of 5%.

Strict profit management by product and customer for profit improvement

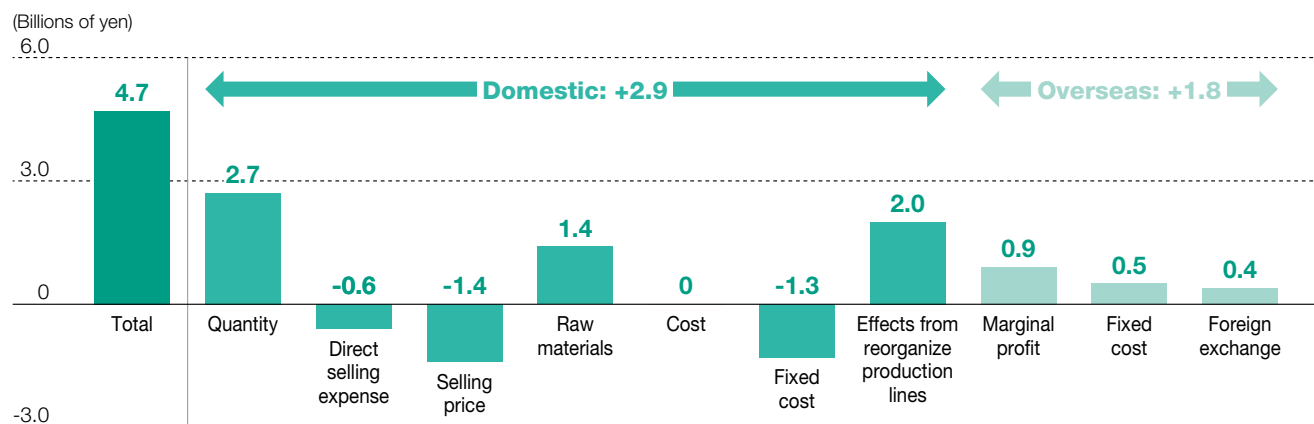
The first step to raising the operating income ratio to 5% will be to execute strict profit management. Although certain operations had been generating losses at tolerable levels in recent years, the size of losses expanded in fiscal year 2014 due to a onetime write-off for improper accounting at a domestic business and the fall into losses at the water infrastructure business in China.

We believe these losses cannot be quickly rectified by the usual structural reform measures and are looking into a fundamental overhaul of these operations. Measures under consideration include strict profit management on an individual product and customer basis and paring down operations to focus solely on areas capable of generating profits. In addition, management resources will be concentrated in growth and stock fields and operations generating an operating income ratio of 10% or higher. The development structure will also be strengthened with the aim of introducing new high-margin, differentiated products.

Raise operating income by ¥4.7 billion to ¥6.0 billion

The UIEP Company is aiming to increase operating income by ¥4.7 billion to ¥6.0 billion in fiscal year 2015, comprising

Analysis of Operating Income for FY2015 (year on year)

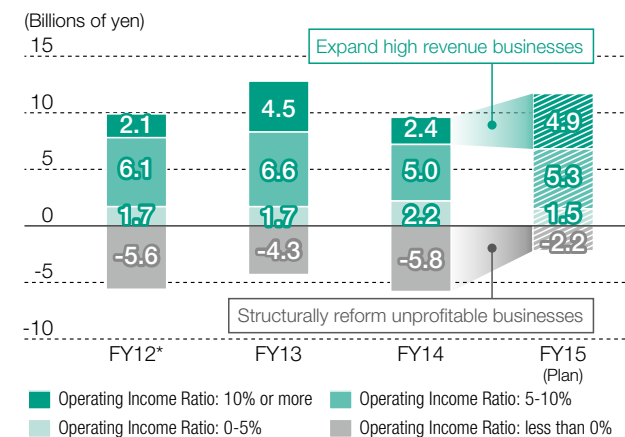


operating income of ¥2.9 billion at the domestic business and ¥1.8 billion at the overseas business.

In Japan, we expect both private and public sector business conditions to improve to a certain extent in fiscal year 2015. The ¥2.0 billion one-time expense in fiscal year 2014 will also not be a factor. In addition, shifting to high-margin products will improve the sales composition. We expect all of these to support income growth for the year.

Overseas, we plan to increase investment and expand sales of the highly profitable sheet business. At the same time, we will implement sweeping structural reforms of the pipeline rehabilitation business and water infrastructure business, including an examination into scaling them down.

Operating Income (Operating income ratio of each business unit)

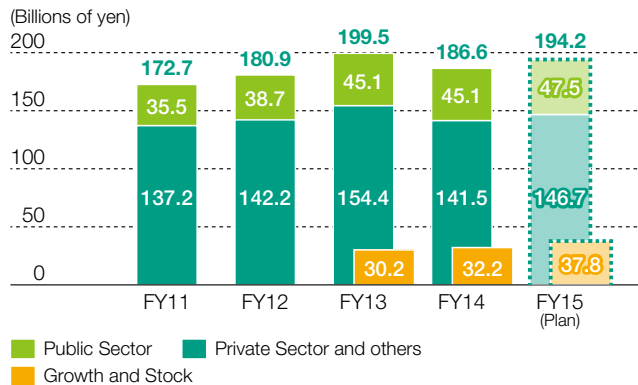


* Excludes overseas January–March 2012 sales

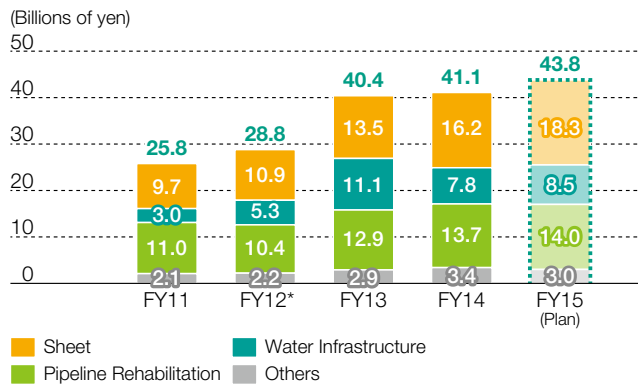
Urban Infrastructure & Environmental Products (UIEP) Company

UIEP Company and Market Data

Domestic Sales



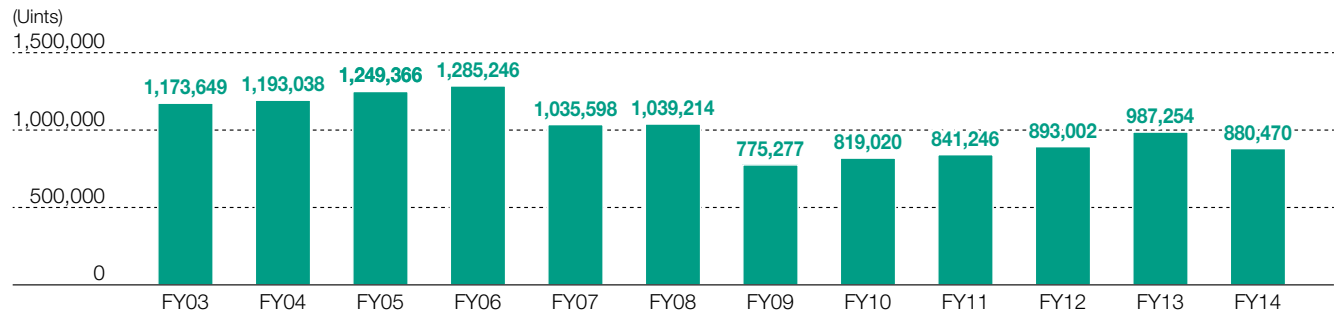
Overseas Sales



* Excludes overseas January–March 2012 sales

Market Data

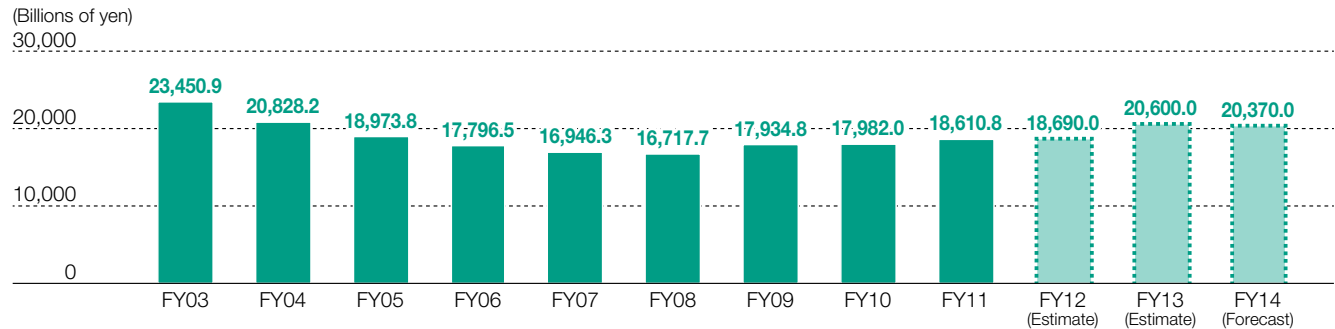
Housing Starts



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

Market Data

Government Construction Investment (nominal value)



Source: "Fiscal 2014 estimate of construction investment," Ministry of Land, Infrastructure, Transport and Tourism

Review and Analysis of Consolidated Results for Fiscal Year 2014

Year ended March 31, 2015

Business Environment

The global economy moved in a general recovery centered on the United States in the year under review amid slower growth in China and some emerging countries. In the United States, GDP retracted in the January-March 2014 quarter due to heavy snowfall and cold weather but steadily recovered in the April-June quarter led by improving private consumption. The recovery trend became more pronounced in other developed countries as well, excluding Japan, where GDP shrank in the April-June and July-September quarters following the consumption tax increase.

Growth continued in developing countries although at a slower pace. China's pace of economic expansion

slowed from rapid investment-dependent growth to a "new normal" of slower growth following a policy shift toward promoting structural reform aimed at future sustainable growth. India's economy showed signs it is beginning to recover, while Brazil fell into negative growth in fiscal year 2014. The ongoing decline in crude oil prices supported manufacturing and private consumption in oil-importing countries but began squeezing some oil-exporting countries in the second half of the fiscal year.

The Japanese economy was strongly affected in fiscal year 2014 by the consumption tax hike, which caused private consumption to fluctuate widely from the surge in demand from autumn 2013 before the hike followed by a

fallback. Unseasonal weather further suppressed demand in summer, putting temporary downward pressure on business conditions. However, improving employment, income, and other factors have supported gradual recovery in Japan since the October-December quarter.

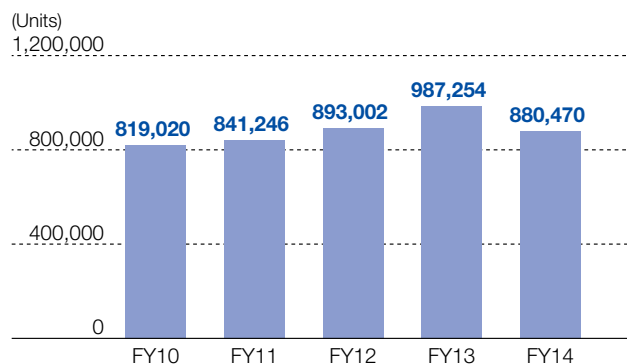
At the business field level, we note housing market conditions in Japan were affected by the demand fallback from the second half of fiscal year 2013 following rush demand ahead of the consumption tax hike. With low demand persisting in fiscal year 2014, new housing starts fell 10.8% year on year to 880,470 units, marking the first downturn in five years.

The water infrastructure field, which includes PVC piping materials, also confronted adverse conditions on weaker demand from segments such as privately owned homes, condominiums, and others and the sharp rise in construction labor costs triggered a slump in public works tenders.

Overseas conditions were generally favorable for all business segments. Demand in the electronics field, other than some brief fluctuations, steadily expanded led by demand for products used in mobile devices. Demand in the automobiles and transportation field also grew, supported by brisk automobile production, particularly in the United States and China.

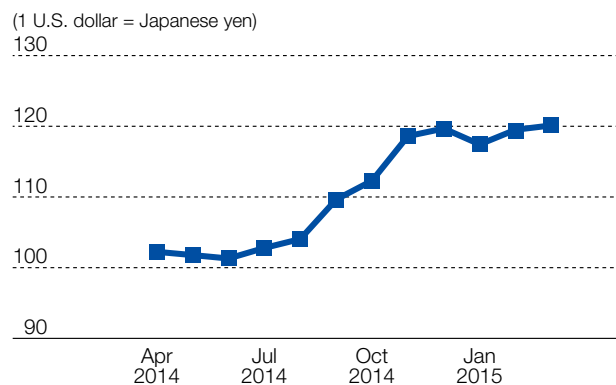
Overseas business results benefited from the correction to the strong yen, which was in part supported by Bank of Japan monetary easing measures. The fiscal year 2014 foreign exchange rates were ¥110 to the U.S. dollar and ¥139 to the euro.

Housing starts



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

Exchange rate



* The exchange rate is the closing rate at month end.

Review and Analysis of Consolidated Results

Analysis of Business Results and Financial Position

1. Analysis of Business Results for Fiscal Year 2014

1) Net sales

Net sales in fiscal year 2014 amounted to ¥1,112,748 million, an increase of ¥1,897 million or 0.2% from the previous fiscal year.

Housing Company net sales amounted to ¥494,116 million, representing a decrease of ¥2,673 million or 0.5% from the previous fiscal year. The Housing Company's new housing construction business focused on promoting sales of the Smart Power Station series of homes with upgraded energy creation, conservation, and storage features. The Living Environment business strengthened its sales proposal capabilities in the volume zone of existing Sekisui Heim stock aged 15 to 25 years and implemented measures to expand sales of its kitchen, bathroom, and other mainstay products as well as its solar power generation systems, storage batteries, and other products and equipment related to smart houses.

The UIEP Company posted net sales of ¥227,689 million, a decline of ¥12,252 million or 5.1% from the previous fiscal year. The company's domestic business results were affected by the impact of the consumption tax hike in the housing, construction, and other private demand segments as well as restrained purchasing in anticipation of declining raw material prices. Public sector sales also declined from the slump in public works tenders and delayed construction starts. The company's overseas business generated solid sales growth led by strong sheet business sales to the aircraft industry, but the contribution was unable to cover the drop in domestic sales.

The HPP Company recorded net sales of ¥372,296 million, an increase of ¥18,514 million or 5.2% from the previous fiscal year. The company raised sales in the electronics field on solid demand for products used in smartphones, tablet computers, and other mobile devices and on sales growth for double-faced tape and liquid-crystal chemical products, including fine particles and sealant. In the automobiles and transportation field, high-performance products drove sales growth fueled by stable demand in the United States and China. Building and infrastructure field results were boosted by growing sales of CPVC resins in India and the Middle East and fire-resistant materials in Japan. In the life sciences field, the company steadily expanded the diagnostic reagent business, which is the foundation of the equipment business, both in Japan and overseas.

Net sales in Other Businesses in fiscal year 2014

amounted to ¥38,906 million, a decrease of ¥4,893 million or 11.2% from the previous fiscal year.

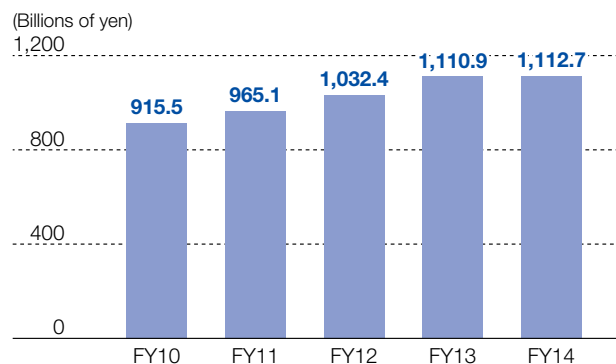
2) Operating income

Operating income in fiscal year 2014 amounted to ¥85,764 million, an increase of ¥3,222 million or 3.9% from the previous fiscal year. The growth was largely due to a ¥1,519 million increase in gross profit accompanying the rise in sales and a ¥1,702 million decline in selling, general and administrative expenses.

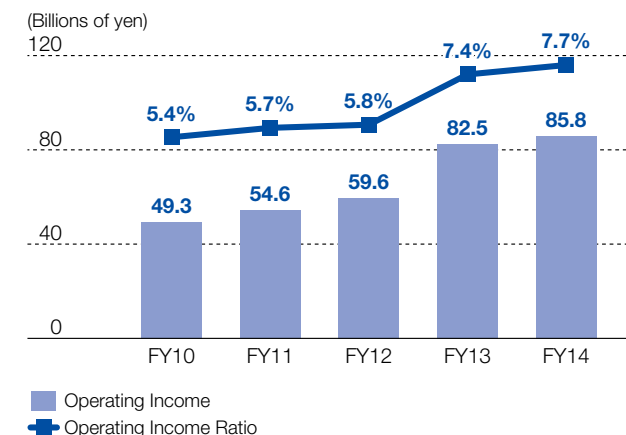
3) Non-operating income and expenses

Non-operating income increased ¥4,651 million from the previous fiscal year, largely owing to increases of ¥1,006 million in dividend income and a ¥4,121 million increase in foreign exchange gain. Non-operating expenses rose

Net Sales



Operating Income and Operating Income Ratio



Review and Analysis of Consolidated Results

¥3,179 million from the previous fiscal year, primarily owing to a ¥3,205 million increase in expenses for exterior wall inspections and maintenance.

4) Extraordinary income and loss

The Company recorded extraordinary income of ¥5,084 million from gain on sales of investments in securities. The Company recorded an extraordinary loss of ¥8,830 million, a decrease of ¥2,053 million or 18.9% from the previous fiscal year, comprising a ¥7,123 million loss on impairment of fixed assets and goodwill and a ¥1,707 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 2014 increased ¥11,805 million from the previous fiscal year to ¥84,232 million. After taxes and minority interests, net income amounted to ¥52,995 million, an increase of ¥11,804 million or 28.7% from the previous fiscal year.

2. Financial Position

1) Assets, liabilities, and net assets

Total assets at the end of fiscal year 2014 amounted to ¥968,011 million, an increase of ¥7,001 million from the previous fiscal year-end.

(Assets)

Current assets declined ¥28,496 million from the previous fiscal year to ¥466,164 million at the end of fiscal year

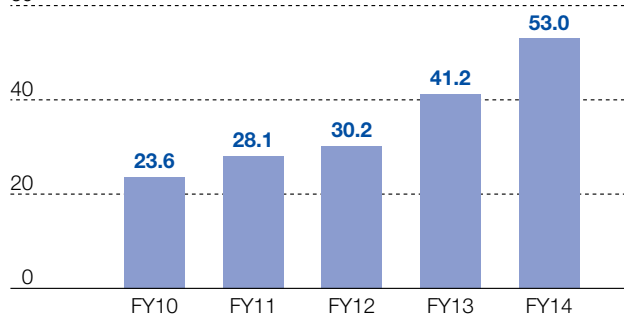
2014. The main factor was a ¥20,504 million decrease in cash and deposits. Non-current assets increased by ¥35,498 million to ¥501,847 million.

(Liabilities)

Liabilities declined ¥54,736 million year on year to ¥432,718 million at the end of fiscal year 2014. The main elements were decreases of a combined ¥8,673 million in notes payable, electronically recorded obligations, accounts payable, and accrued expenses, ¥5,101 million in accrued income taxes and other taxes, and ¥14,160 million in advances received along with a decrease of ¥30,889 million in interest-bearing debt.

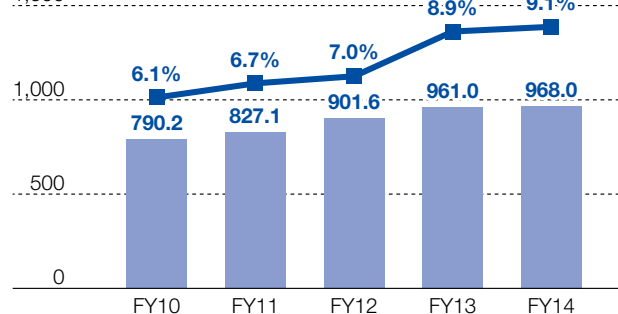
Net Income

(Billions of yen)



Total Assets and Return on Total Assets

(Billions of yen)

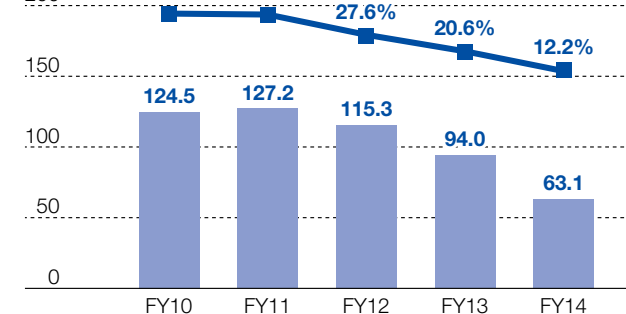


■ Total Assets
 ■ Return on Total Assets

* Return on Total Assets = Ordinary Income/Average Total Assets

Interest-bearing Debt and Debt/Equity Ratio

(Billions of yen)



■ Interest-bearing Debt
 ■ Debt/Equity Ratio

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

Review and Analysis of Consolidated Results

(Net assets)

Net assets amounted to ¥535,292 million at the end of fiscal year 2014, an increase of ¥61,737 million from the previous fiscal year-end. The main factors were a ¥25,015 million increase in retained earnings (including the cumulative effect from the change in accounting policy) due largely to an increase of ¥52,995 million in net income, and a decrease of ¥12,745 million from dividend payments. Yen depreciation led to an upward translation adjustments of ¥9,458 million.

2) Cash flows

Cash and cash equivalents on a consolidated basis (hereinafter “funds”) amounted to ¥62,780 million at the end of fiscal year 2014, an increase of ¥11,532 million or 22.5% from the end of fiscal year 2013. Factors influencing the fiscal year 2014 cash flow accounts were as follows.

(Operating activities)

Funds from operating activities amounted to ¥67,760 million in fiscal year 2014, a decrease of ¥29,960 million from the previous fiscal year. Factors increasing cash flow from operating activities included ¥84,232 million in income before income taxes and minority interests and ¥31,203 million in depreciation and amortization. Factors drawing from cash flow included ¥33,538 million in income taxes paid and a ¥14,552 million decrease in accounts payable.

(Investing activities)

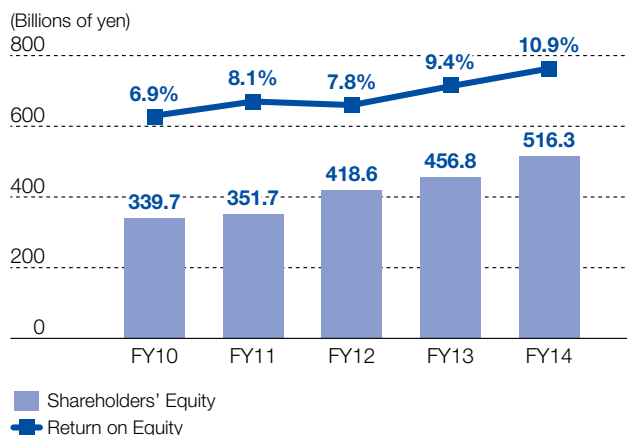
Funds from investing activities amounted to ¥4,127 million in fiscal year 2014, compared with a cash outflow of ¥60,914 million in the previous fiscal year. The cash inflow was primarily due to ¥16,789 million in proceeds from the sale of investment securities, which included a portion of

shareholdings in Sekisui House, Ltd., and a ¥32,015 million net decrease in time deposits. Cash outflow primarily comprised ¥34,602 million to acquire property, plant, and equipment focused on priority and growth fields, and ¥5,983 million for investments in securities, including the acquisition of subsidiary shares.

(Financing activities)

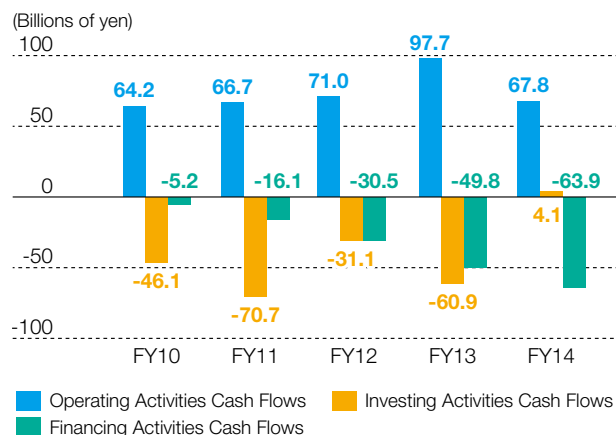
Funds used in financing activities amounted to ¥63,856 million in fiscal year 2014, compared with a cash outflow of ¥49,803 million in the previous fiscal year. The cash outflow was largely due to ¥15,024 million utilized to acquire treasury stock, ¥13,078 million in dividend payments (including dividends paid to minority shareholders), and a net decrease of ¥36,780 million in interest-bearing debt.

Shareholders' Equity and Return on Equity

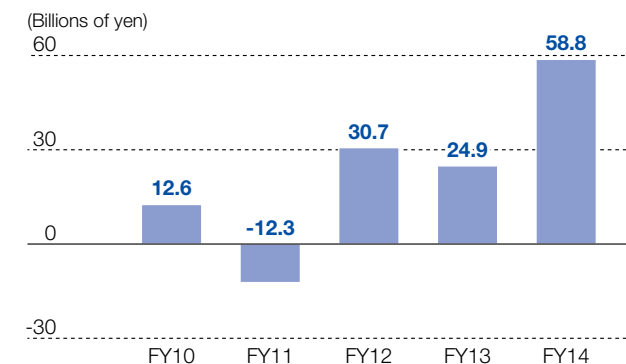


* Return on Equity = Net Income/Average Shareholders' Equity

Cash Flows



Free Cash Flow



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

Business Risks

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

Forward-looking statements contained herein are based upon assessments made by the Sekisui Chemical Group at the end of consolidated fiscal year 2014.

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 Systems

This section provides information about our management approach to CSR management and the corporate framework, R&D structure, intellectual property, and other systems under the medium-term management plan SHINKAI!-Advance 2016.

Corporate Governance	Directors, Auditors and Executive Officers	Corporate Social Responsibility (CSR)	Research & Development/ Intellectual Property	Data (Key Financial and CSR Data)	Corporate Information and Stock Information	Corporate History
41	44	47	49	53	57	58

Corporate Governance

Sekisui Chemical implements various measures, including the introduction of Outside Directors and the Executive Officer System, to enhance transparency and fairness and to respond swiftly to business opportunities. In addition, Sekisui Chemical and all Group companies implement 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 corporate group 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 business execution. The Board includes independent Outside Directors to ensure transparency in management and fairness in business decisions and operations.

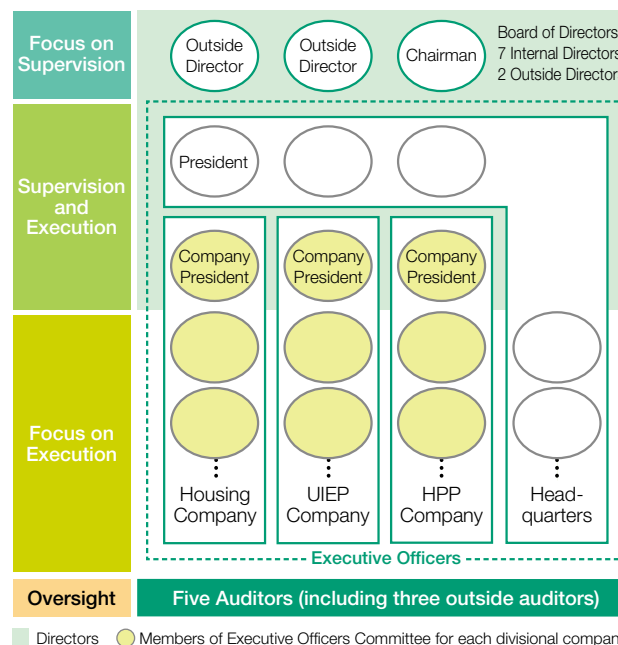
Outside Directors

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 management 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.

Toru Nagashima, Outside Director

Mr. Nagashima is a Senior Advisor to Teijin Limited. His guidance based on his abundant knowledge and

Management System



experience as a management executive focused on highly performance products in the basic materials industry is expected to fortify the Company's corporate governance.

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 Company's corporate governance.

Strengthened Business Execution Functions

Under our division company system, we introduced an 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.

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.

Corporate Governance

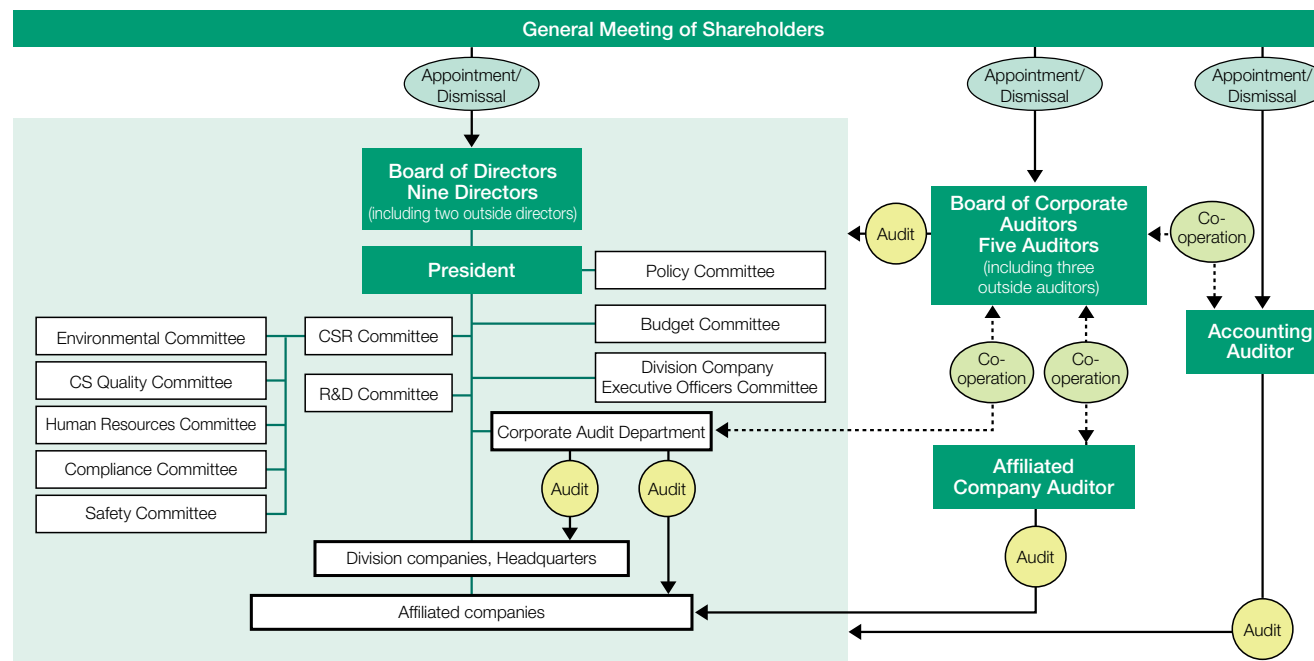
Auditing System

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) 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

Corporate Governance System



Corporate Governance

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

In fiscal 2015, some 130 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 Officer in each of the Company's eight 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" and beefed up our internal information disclosure framework. For instance, we have set up the "Corporate Information Disclosure Regulations" which specify the content and system of disclosure.

In the Sekisui Chemical Group, the Investor Relations Group within the Business Strategy Department is working hard to strengthen two-way communications with our shareholders and investors, not only by disclosing financial statements in a timely and appropriate manner but also by actively reflecting our shareholders' voice in our management. For example, we hold quarterly briefings on financial results where our management team explains these figures. Also, we pay heed to the voice of capital markets by

holding one-on-one meetings with analysts and investors.

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

Directors, Auditors and Executive Officers

BOARD OF DIRECTORS



**Naofumi
Negishi**

Chairman of
the Board and
Representative
Director

Apr. 1971: Joined the Company

Jun. 2003: Director of the Company, General Manager of Corporate Finance & Accounting and Planning Department

Apr. 2005: Managing Director of the Company*, General Manager of Corporate Finance & Accounting and Planning Department

Oct. 2007: Managing Director of the Company*, in Charge of Corporate Communication Department, General Manager of Corporate Finance & Accounting and Planning Department

Apr. 2008: Managing Director of the Company*, Senior Managing Executive Officer & CFO of the Company, in Charge of Corporate Communication Department, General Manager of Corporate Finance & Accounting and Planning Department

Jun. 2008: Director of the Company, Senior Managing Executive Officer & CFO of the Company, in Charge of Corporate Communication Department, General Manager of Corporate Finance & Accounting and Planning Department

Oct. 2008: Vice President & Director of the Company, Senior Managing Executive Officer & CFO of the Company, in Charge of Corporate Communication Department and Corporate Finance & Accounting and Planning Department

Mar. 2009: President and Representative Director, Chief Executive Officer of the Company

Mar. 2015: Chairman of the Board and Representative Director of the Company [incumbent]



**Teiji
Koge**

President and
Representative
Director

Chief Executive
Officer

Apr. 1976: Joined the Company

Jun. 2005: Director of the Company, President of Nagoya Sekisui Heim Co., Ltd.

Oct. 2005: Director of the Company, Head of President's Office of Housing Company

Apr. 2006: Director of the Company, General Manager of Planning & Control Department of Housing Company

Apr. 2007: Director of the Company, General Manager of Housing Division and Planning & Control Department of Housing Company

Jul. 2007: Director of the Company, in Charge of Sales Department, General Manager of Housing Division of Housing Company

Feb. 2008: Director of the Company, President of Housing Company, in Charge of Sales Department, General Manager of Housing Division

Apr. 2008: Director of the Company, Managing Executive Officer of the Company, President of Housing Company

Apr. 2009: Director of the Company, Senior Managing Executive Officer of the Company, President of Housing Company

Mar. 2014: Director of the Company, Senior Managing Executive Officer of the Company, Head of CSR Department, Head of Corporate Communication Department

Mar. 2015: President and Representative Director, Chief Executive Officer of the Company [incumbent]



**Hajime
Kubo**

Director

Senior Managing
Executive Officer

Apr. 1980: Joined the Company

Apr. 2008: Executive Officer of the Company, General Manager of Administrative Management & Control Department of High Performance Plastics Company

Jan. 2010: Executive Officer of the Company, General Manager of CSR Department

Apr. 2010: Executive Officer of the Company, in Charge of Corporate Communication Department, General Manager of External Affairs Department and CSR Department

Jun. 2010: Director of the Company, Executive Officer of the Company, in Charge of Corporate Communication Department, General Manager of External Affairs Department and CSR Department

Apr. 2011: Director of the Company, Managing Executive Officer of the Company, in Charge of Corporate Communication Department, General Manager of External Affairs Department and CSR Department

Jan. 2012: Director of the Company, Managing Executive Officer of the Company, General Manager of CSR Department and Corporate Communication Department

Apr. 2012: Director of the Company, Managing Executive Officer of the Company, in Charge of Legal Department, General Manager of CSR Department and Corporate Communication Department

Apr. 2013: Director of the Company, Managing Executive Officer of the Company, General Manager of CSR Department and Corporate Communication Department

Mar. 2014: Director of the Company, Managing Executive Officer of the Company, Responsible for Corporate Finance Accounting Department, Head of Business Planning Department

Apr. 2014: Director of the Company, Senior Managing Executive Officer of the Company, Responsible for Corporate Finance Accounting Department, Head of Business Planning Department

Mar. 2015: Director of the Company, Senior Managing Executive Officer of the Company, Responsible for Corporate Finance Accounting Department, Head of Business Planning Department, Head of CSR Department, Head of Corporate Communication Department

Apr. 2015: Director of the Company, Senior Managing Executive Officer of the Company, President of Urban Infrastructure & Environmental Products Company [incumbent]



**Satoshi
Uenoyama**

Director

Senior Managing
Executive Officer

Apr. 1980: Joined the Company

Apr. 2009: Executive Officer of the Company, Head of R&D Center

Apr. 2011: Managing Executive Officer of the Company, Head of R&D Center

Jun. 2011: Director of the Company, Managing Executive Officer of the Company, Head of R&D Center

Apr. 2014: Director of the Company, Senior Managing Executive Officer of the Company, Head of R&D Center [incumbent]

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

Board of Directors



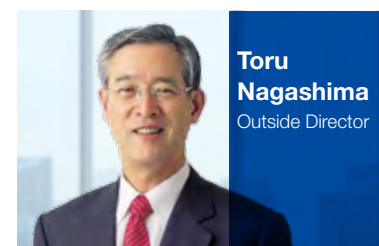
- Apr. 1978: Joined the Company
- Apr. 2008: Executive Officer of the Company, General Manager of Living Environment Division and Head of Diversified Business Group of Housing Company
- Aug. 2009: Executive Officer of the Company, General Manager of Living Environment Division, Head of Diversified Business Group and General Manager of Urban Development Promotion Division of Housing Company
- Apr. 2010: Executive Officer of the Company, General Manager of Living Environment Division and Head of Diversified Business Group of Housing Company
- Jul. 2010: Executive Officer of the Company, General Manager of Living Environment Division of Housing Company
- Jan. 2013: Executive Officer of the Company, Responsible for Public Relations & External Relations Department, General Manager of Living Environment Division and Head of President Office of Housing Company
- Apr. 2013: Managing Executive Officer of the Company, Responsible for Public Relations & External Relations Department, Head of Sales Management Division and Head of President Office of Housing Company
- Jan. 2014: Managing Executive Officer of the Company, Responsible for Public Relations & External Relations Department and Head of President Office of Housing Company
- Mar. 2014: Managing Executive Officer of the Company, President of Housing Company
- Jun. 2014: Director of the Company, Managing Executive Officer of the Company, President of Housing Company
- Apr. 2015: Director of the Company, Senior Managing Executive Officer of the Company, President of Housing Company [incumbent]



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



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



- Apr. 1965: Joined Teijin Limited
- Jun. 2000: Director of Teijin Limited
- Apr. 2001: Director, CMO (Chief Marketing Officer) and General Manager of Corporate Strategy & Planning Office of Teijin Limited
- Jun. 2001: Managing Director of Teijin Limited
- Nov. 2001: President & Representative Director, COO (Chief Operating Officer) of Teijin Limited
- Jun. 2002: President & Representative Director, CEO (Chief Executive Officer) of Teijin Limited
- Jun. 2008: Chairman of the Board of Teijin Limited
- Jun. 2011: Director of the Company [incumbent]
- Apr. 2013: Senior Advisor, Member of the Board of Teijin Limited
- Jun. 2013: Senior Advisor of Teijin Limited [incumbent]



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

Directors, Auditors and Executive Officers

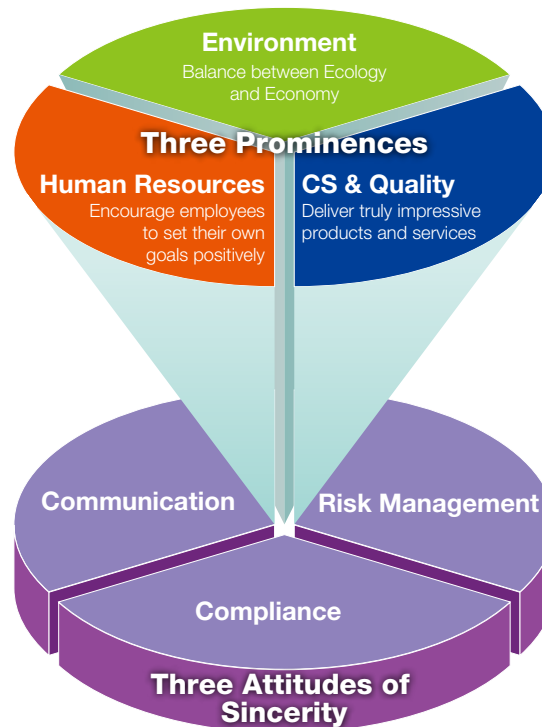
CORPORATE
AUDITORS**Takayoshi Matsunaga***Corporate Auditor***Kiyotaka Tsuji***Corporate Auditor***Tetsuo Ozawa***Outside Auditor*
Attorney at Law**Yasuhiro Nishi***Outside Auditor*
Certified Public Accountant**Kazuyuki Suzuki***Outside Auditor*
Professor, University of
Electro-Communications, TokyoEXECUTIVE
OFFICERS**Teiji Koge***Chief Executive Officer***Housing Company****Shunichi Sekiguchi***Senior Managing Executive Officer*
President of Housing Company**Hiroyuki Watanabe***Executive Officer*
President of Sekisui Heim
Tohoku Co., Ltd.**Futoshi Kamiwaki***Executive Officer*
Head of Housing Product Research &
Development Department**Kazukiyo Kuroki***Executive Officer*
President of Sekisui Heim
Kyushu Co., Ltd.**Toshiyuki Kamiyoshi***Executive Officer*
President of Tokyo
Sekisui Heim Co., Ltd.**Kenji Yagi***Executive Officer*
President of Sekisui Heim
Kinki Co., Ltd.**Toshiya Nomura***Executive Officer*
Head of Technology Department**Satoru Oketani***Executive Officer*
Head of Sales Management Division**Urban Infrastructure &
Environmental Products Company****Hajime Kubo***Senior Managing Executive Officer*
President of Urban Infrastructure &
Environmental Products Company**Masaru Noriki***Executive Officer*
Responsible for Overseas Pipeline
Renewal Division
Head of Sheet Division**Kimiatsu Sato***Executive Officer*
Head of Global Water Pipe Systems Division**Shigeki Fujii***Executive Officer*
Head of Technology & Development Division
and President of Nippon No-Dig Technology
Co., Ltd.**Eiji Nishiie***Executive Officer*
Responsible for Logistics Innovation Project
Head of Public Works & Infrastructural
Business Division**High Performance Plastics
Company****Keita Kato***Senior Managing Executive Officer*
President of High Performance Plastics
Company**Takeshi Inoue***Executive Officer*
President of Sekisui Film Co., Ltd.**Toshitaka Fukunaga***Executive Officer*
Head of Technology & CS Promotion
Department**Katsuhisa Yokura***Executive Officer*
Head of Purchasing Department**Katsunori Mukai***Executive Officer*
Head of New Business Promotion Division
and Research & Development Institute**Ikusuke Shimizu***Executive Officer*
Head of Foam Division**Headquarters****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**Yoshiyuki Hirai***Executive Officer*
Responsible for CSR Promotion Department
Head of Business Strategy Department**Moritoshi Naganuma***Executive Officer*
Head of Corporate Finance & Accounting
Department**Hiroyuki Taketomo***Executive Officer*
Head of Human Resources Department

Corporate Social Responsibility (CSR)

The Sekisui Chemical Group’s corporate social responsibility is to fulfill stakeholder expectations and contribute to society through its businesses. The Group believes promoting CSR activities enhances the quality of its 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 Initiatives in Japan and Overseas Internal Penetration of CSR and Group Collaboration Activities

The Company regularly convenes meetings with presidents of overseas affiliates in Europe, North America, and Asia to discuss local CSR issues, solutions, and related matters. Relevant issues that emerge from these meetings unresolved and attendant themes are then discussed after an annual policy conference held in Japan every March where senior executives, including the CEO, gather to discuss and debate management initiatives, activities, and themes.

In Japan, the CSR training structure for the Sekisui Chemical Group provides CSR training for new employees and newly appointed management based on their position and also provides specific CSR training geared to the business content of each divisional company. 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 CSR management.

CSR

The CSR Medium-term Plan (Fiscal 2014-2016)

The CSR SHINKA plan is a fundamental part of the Medium-term Management Plan and aims to further advance our CSR management and the Group’s human resource capabilities as well as pursue the essence of Sekisui. 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.

The Company seeks to realize Prominence in Environment by expanding sales of environment-contributing products, reducing our environmental impact, and conserving the natural environment to contribute in returning natural capital.

We will realize our Prominence in CS & Quality by improving the “base quality” and “attractive quality” of the

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 organizing concepts 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	Fiscal Year 2014 Results
Overall		Further penetration of CSR management	Deployment in business plans	Visualization of CSR management penetration
Three Prominences	Environment	1 Expand sales of Environment-Contributing Products	Percentage of net sales: 50% or more	Percentage of net sales 44.5%
		2 Reduce environmental impact 1)Reduce greenhouse-gas emissions 2)Reduce waste 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	•Japan down 5.7%, overseas down 0.2% •Japan up 6.5%, overseas up 10.9% •Surveyed conducted at 50 sites in Japan, 48 sites overseas
		3 Conserve natural environment	10-point improvement in Land-Use Report Card®	4.6-point improvement in Land-Use Report Card®
	CS & Quality	1 Improve Basic Qualities	Zero major quality issues Halve external failure costs (vs. FY2013)	Zero major quality issues Roughly same versus fiscal year 2013
		2 Improve Attractive Qualities	Increase customer satisfaction	Expanded customer satisfaction surveys in each business segment
	Human Resources	1 Strengthen Group human resources	Increase internal job postings by 30/year	Increase internal job postings by 53/year
2 Train global talent employees		Number of global talent employees: 400	Number of global talent employees: 325	
3 Promote diversity (women, elderly people, non-Japanese people, people with disabilities)		Percentage of women among new hires: 30% Percentage of international hires: 20%	Percentage of women among new hires: 30% Percentage of international hires: 17%	
Three Attitudes of Sincerity	Compliance	1 Prevent corruption and fraud	Zero occurrences	Zero occurrences
		2 Prevent major compliance issues	Zero occurrences	One occurrence
	Risk Management	1 Thorough preventive measures	Improve quality of risk-management activities	Risk score reduced: 16%
		2 Strengthen risk management systems (Japan)	Disaster-prevention system utilization rate: 90%	Disaster-prevention system utilization rate: 88%
		3 Strengthen risk management systems (overseas)	Site-specific risk management manuals developed at 100% of sites	Site-specific risk management manuals developed at 91% of sites
	Communication	1 Enhance dialogue with stakeholders	Maintain selection in key SRI indices	Maintained selection in key SRI indices
2 Address human-rights and supply chain initiatives (child labor, discrimination)		Promote CSR procurement globally	CSR surveys conducted at major suppliers of domestic Group companies	
3 Promote environmental and social-contribution activities		Increase employee participation	Employee participation in Sekisui Environmental Week: 54%	

Research & Development/Intellectual Property

The Sekisui Chemical Group promotes 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 SHINKAI-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 key to developing future business for the Group.

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: 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 co-creation.

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

Research & Development/Intellectual Property

Six Essential Technology Groups

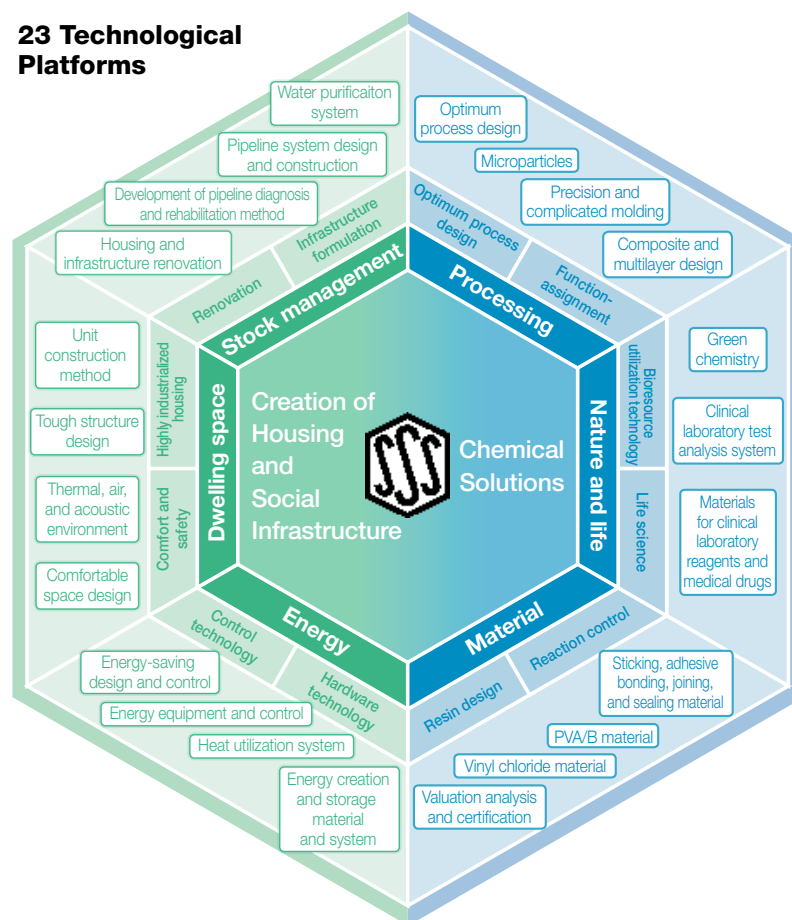
Creation of Housing and Social Infrastructure

Dwelling space	<ul style="list-style-type: none"> Pursuit of industrialized housing advantages Environment, comfort, safety
Stock management	<ul style="list-style-type: none"> Enrichment of housing and social infrastructure Maintenance, renewal, and renovation
Energy	<ul style="list-style-type: none"> Use of renewable energy Hardware + control technology

Chemical Solutions

Material	<ul style="list-style-type: none"> Deepening of essential plastic technology New material design and evaluation technology
Processing	<ul style="list-style-type: none"> Increased process efficiency and increased precision Functionalization by compounding and multilayer
Nature and life	<ul style="list-style-type: none"> Reagent materials and systems for clinical laboratory Creation of microorganisms utilizing chemicals

23 Technological Platforms



development activities to “contribute to management by strengthening our production engineering and unique technologies” by improving existing processes and innovating new processes to make the production process more efficient. The plan also includes further advancing existing measures to reinforce our core strengths and workforce.

The Company took the further step in fiscal year 2015 to fortify its ability to provide quality assurance from the customer’s perspective by combining the Customer Satisfaction Department and Quality Management Group into a single entity CS & Quality Management Group.

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

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. These awards and the accompanying monetary endowment are one way the Group demonstrates its recognition of and appreciation for its talented researchers and engineers. In fiscal year 2014, double-faced adhesive tape for fixing of LCD components was 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 2014, 12 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 increase the motivation of each and every technician. As of July 2014, nine 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 toward intellectual property management. This management mandate is further reinforced by our fundamental policy of ensuring business competitiveness by acquiring highly beneficial patents.

Sekisui Chemical adopted a new group-wide Intellectual Property Management Medium-term Plan in March 2014 to foster activities related to the intellectual properties that contribute to our management and business strategies. The plan focuses on three directives.

1. Fortify the ability to respond to intellectual property risk from domestic and foreign litigation and from the accelerated technical advances in China and

Contribute to management by strengthening our production engineering and unique technologies

Leading themes for process innovation

Technological superiority	1	Current position of unique technologies (against cutting edge or competitors)	Contribute to management by strengthening our production engineering and unique technologies (Achievement of competitive superiority by process innovation)
Technological attractiveness	2	Consistency to directions of each divisional company	
Importance and necessity	3	Reinforcement of production technologies of each divisional company (Solving critical issues)	

Reinforcement of manufacturing foundation with Sekisui-style

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

System of training for human resource (domestic)

Infrastructure base	Category	Three Katz skills		Awareness	
		TS	HS/CS		
Rank	General Manager	Training for management technologies CC, IE, VE, QE, Maintenance, etc.	6 fields Safety management Quality management Policy management Cost management Equipment management Production management	Level II	Training for manufacturing managers
	Assistant Manager		Basics of plant management	Level I	
	Foreman			Now beginning	Training for leaders in production site
	Beginner		Training for recruits/foremen at each site		Already working

Reinforcement of human resources for manufacturing

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

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

South Korea.

2. Conduct broad-ranging analysis of intellectual property information to contribute to the creation and development of new businesses.
3. Create highly exclusive intellectual property and amass a stock of intellectual property with a high degree of contribution to our businesses.

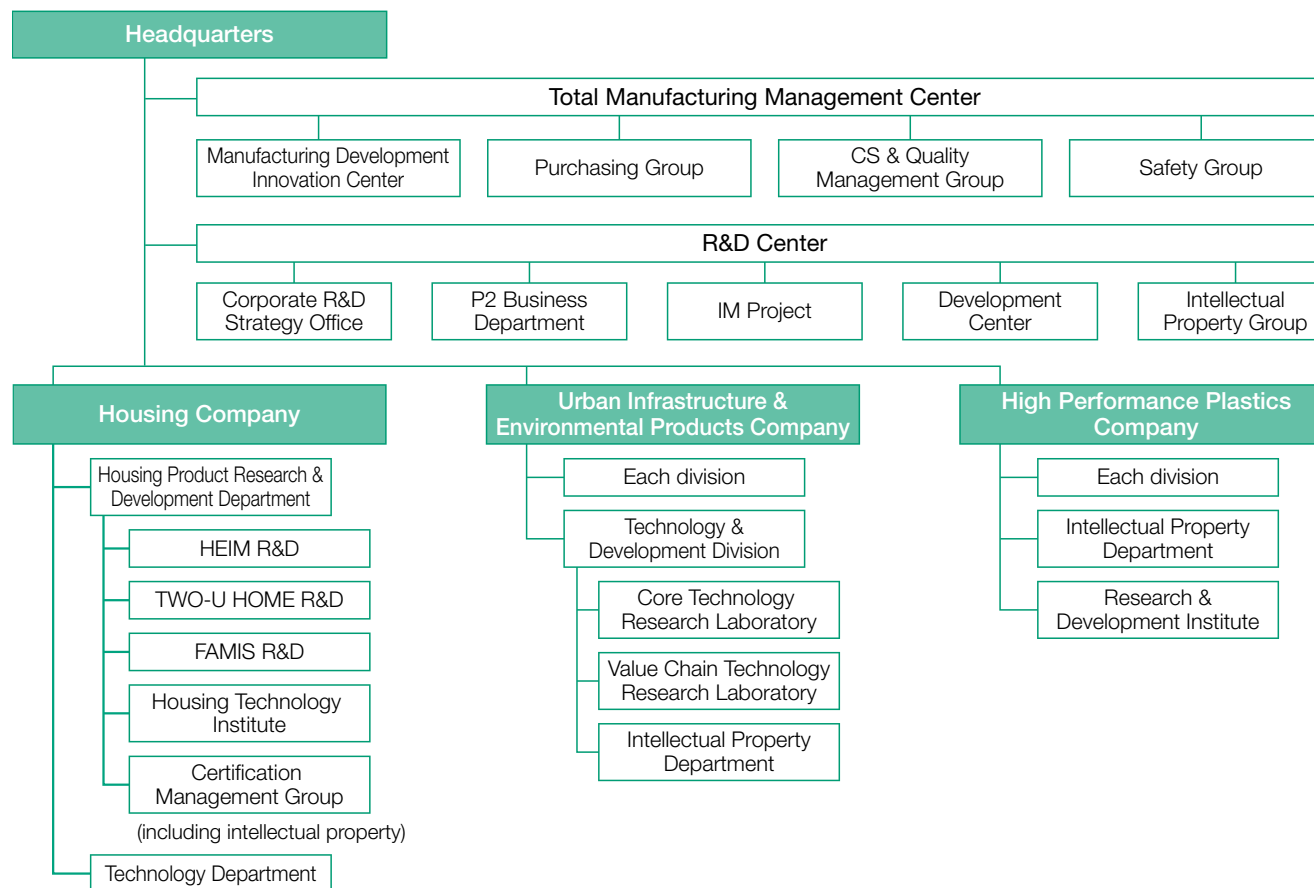
Framework for Promoting Our Intellectual Property Strategy and Major Activities

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

R&D and Intellectual Property Management System



Data (Key Financial and CSR Data)

	FY2010	FY2011	FY2012	FY2013	FY2014
Financial Data					
Net Sales	915,492 mil. yen	965,090 mil. yen	1,032,431 mil. yen	1,110,851 mil. yen	1,112,748 mil. yen
(Housing)	418,687 mil. yen	449,391 mil. yen	469,036 mil. yen	496,790 mil. yen	494,116 mil. yen
(Urban Infrastructure & Environmental Products)	195,570 mil. yen	200,002 mil. yen	214,516 mil. yen	239,941 mil. yen	227,689 mil. yen
(High Performance Plastics)	281,642 mil. yen	296,876 mil. yen	332,017 mil. yen	353,782 mil. yen	372,296 mil. yen
Operating Income	49,335 mil. yen	54,610 mil. yen	59,621 mil. yen	82,541 mil. yen	85,764 mil. yen
(Housing)	24,379 mil. yen	31,090 mil. yen	36,333 mil. yen	41,108 mil. yen	41,327 mil. yen
(Urban Infrastructure & Environmental Products)	1,503 mil. yen	2,957 mil. yen	1,800 mil. yen	6,460 mil. yen	1,264 mil. yen
(High Performance Plastics)	24,397 mil. yen	20,582 mil. yen	23,249 mil. yen	36,098 mil. yen	45,951 mil. yen
Ordinary Income	48,292 mil. yen	54,158 mil. yen	60,670 mil. yen	83,310 mil. yen	87,978 mil. yen
Net Income	23,574 mil. yen	28,116 mil. yen	30,174 mil. yen	41,190 mil. yen	52,995 mil. yen
Comprehensive Income	5,705 mil. yen	24,652 mil. yen	77,437 mil. yen	57,944 mil. yen	91,587 mil. yen
Operating Income Ratio	5.4 %	5.7 %	5.8 %	7.4 %	7.7 %
Total Assets	790,189 mil. yen	827,103 mil. yen	901,564 mil. yen	961,009 mil. yen	968,011 mil. yen
Net Assets	350,045 mil. yen	363,299 mil. yen	433,228 mil. yen	473,555 mil. yen	535,292 mil. yen
Net cash provided by operating activities	64,197 mil. yen	66,652 mil. yen	71,016 mil. yen	97,720 mil. yen	67,760 mil. yen
Net cash provided by (used in) investing activities	-46,051 mil. yen	-70,727 mil. yen	-31,133 mil. yen	-60,914 mil. yen	4,127 mil. yen
Net cash used in financing activities	-5,197 mil. yen	-16,077 mil. yen	-30,520 mil. yen	-49,803 mil. yen	-63,856 mil. yen
Free Cash Flow	12,602 mil. yen	-12,332 mil. yen	30,650 mil. yen	24,915 mil. yen	58,810 mil. yen
Capital Expenditures	25,269 mil. yen	33,076 mil. yen	36,842 mil. yen	41,827 mil. yen	46,993 mil. yen
Depreciation and Amortization	34,530 mil. yen	35,102 mil. yen	34,895 mil. yen	34,376 mil. yen	31,203 mil. yen
R&D Expenditures	24,694 mil. yen	25,611 mil. yen	25,894 mil. yen	27,720 mil. yen	29,452 mil. yen
Net Assets per Share	650.83 yen	682.46 yen	810.76 yen	897.18 yen	1,033.49 yen
Net Income per Share	44.92 yen	53.96 yen	58.53 yen	80.13 yen	104.73 yen
Dividends per Share	13.00 yen	15.00 yen	18.00 yen	23.00 yen	27.00 yen

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

	Data				
	FY2010	FY2011	FY2012	FY2013	FY2014
Financial Data					
Financial Index					
Dividends Payout Ratio	28.9 %	27.8 %	30.8 %	28.7 %	25.8 %
Shareholders' Equity to Total Assets	43.0 %	42.5 %	46.4 %	47.5 %	53.3 %
Current Ratio	126.0 %	123.5 %	131.1 %	127.4 %	139.8 %
Fixed Ratio	120.9 %	121.4 %	110.3 %	102.1 %	97.2 %
Interest-bearing Debt	124,508 mil. yen	127,188 mil. yen	115,320 mil. yen	94,010 mil. yen	63,120 mil. yen
Debt/Equity Ratio	36.6 %	36.2 %	27.6 %	20.6 %	12.2 %
Total Assets Turnover	1.16 Times	1.19 Times	1.19 Times	1.19 Times	1.15 Times
Inventory Turnover	8.14 Times	7.71 Times	7.57 Times	7.50 Times	7.09 Times
Tangible Fixed Assets Turnover	3.71 Times	4.13 Times	4.38 Times	4.51 Times	4.31 Times
R&D Expenditures to Revenues	2.70 %	2.65 %	2.51 %	2.50 %	2.65 %
Return on Equity	6.9 %	8.1 %	7.8 %	9.4 %	10.9 %
Return on Total Assets	6.1 %	6.7 %	7.0 %	8.9 %	9.1 %
EBITDA	83,865 mil. yen	89,712 mil. yen	94,516 mil. yen	116,918 mil. yen	116,967 mil. yen
Interest Coverage Ratio	19.8 Times	20.7 Times	21.7 Times	33.2 Times	51.7 Times
PER	14.49 Times	13.31 Times	17.63 Times	13.39 Times	14.89 Times
Net Sales per Employee	46.31 mil. yen	47.51 mil. yen	47.96 mil. yen	49.13 mil. yen	47.44 mil. yen
Human Rights					
Compliance Training					
Number of e-Learning Traing Courses	4 Times	4 Times	4 Times	4 Times	4 Times*
Number of Employees Participating in e-Learning	67,467	74,595	78,461	80,839	81,621 *

* Five training sessions are scheduled for fiscal year 2014. As of August 2015, four training sessions have been held.

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

	Data				
	FY2010	FY2011	FY2012	FY2013	FY2014
Labor Practices					
Number of Employees	19,770	20,855	22,202	23,017	23,886
By Divisional Company					
(Housing)	8,637	8,820	9,775	9,840	10,442
(Urban Infrastructure & Environmental Products)	4,447	4,570	4,887	5,363	5,453
(High Performance Plastics)	5,655	6,443	6,545	6,858	7,051
(Headquarters)	1,031	1,022	995	956	940
By Region					
(Japan)	15,476	15,747	16,813	17,047	17,743
(North America, Central and South America)	1,159	1,483	1,553	1,544	1,579
(Europe)	1,203	1,512	1,462	1,432	1,425
(Asia/Pacific (including China))	1,932	2,113	2,374	2,994	3,139
Diversity					
Percentage of challenged persons employed (Sekisui Chemical)	2.12 %	2.03 %	1.99 %	2.59 %	2.34 %
Number of elderly employees reemployed (Sekisui Chemical)	N.A.	27	65	56	83
Elderly employees reemployment rate (Sekisui Chemical)	N.A. %	52.9 %	72.2 %	87.5 %	82.2 %
Number of Japanese employees trained as "Global Talent" *1 employees	220	271	294	300	325
Work-life Balance					
Number of people using work-life balance programs*2 (Sekisui Chemical)	143	143	143	154	164
Health and Safety					
Loss Costs at Production Sites and Laboratories (Japan)*3	326 mil. yen	383.6 mil. yen	775.4 mil. yen	444.5 mil. yen	510.9 mil. yen

*1. Japanese employees who 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.

	Data				
	FY2010	FY2011	FY2012	FY2013	FY2014
The Environment*					
Greenhouse-gas Emissions During Manufacturing (Japan)	341 kilotons-CO ₂	342 kilotons-CO ₂	312 kilotons-CO ₂	340 kilotons-CO ₂	321 kilotons-CO₂
Greenhouse-gas Emissions During Manufacturing (Overseas)	415 kilotons-CO ₂	453 kilotons-CO ₂	442 kilotons-CO ₂	472 kilotons-CO ₂	471 kilotons-CO₂
Greenhouse-gas Emissions from Laboratories (Japan)	14.0 kilotons-CO ₂	13.0 kilotons-CO ₂	12.8 kilotons-CO ₂	12.6 kilotons-CO ₂	12.5 kilotons-CO₂
Wastes Generated by Production Sites (Japan)	39.5 kilotons	36.1 kilotons	35.2 kilotons	35.0 kilotons	34.1 kilotons
Wastes Generated by New House Construction	1.99 tons per units	1.76 tons per units	1.88 tons per units	1.90 tons per units	1.87 tons per units
(New house construction site)	1.07 tons per units	1.08 tons per units	1.17 tons per units	1.22 tons per units	1.31 tons per units
(Exterior wall plant)	0.66 tons per units	0.45 tons per units	0.46 tons per units	0.44 tons per units	0.34 tons per units
(Assembly plant)	0.26 tons per units	0.23 tons per units	0.25 tons per units	0.24 tons per units	0.22 tons per units
NOx Emissions Volume (Japan)	223 tons	217 tons	205 tons	217 tons	197 tons
SOx Emissions Volume (Japan)	6 tons	15 tons	14 tons	13 tons	10 tons
Soot and Dust Emission Volume (Japan)	4 tons	2.5 tons	9.5 tons	4 tons	3 tons
COD Discharge Volume (Japan)	68 tons	63 tons	51 tons	70 tons	71 tons
Discharge of Volatile Organic Compounds (VOCs) into the Atmosphere (Japan)	1,499 tons	1,391 tons	1,219 tons	1,368 tons	1,278 tons
Amount of Water Extracted for Use at Production Site (Japan)	16,517 kilotons	16,413 kilotons	15,712 kilotons	17,041 kilotons	16,019 kilotons
Amount of Water Extracted for Use at Production Site (Overseas)	2,948 kilotons	3,577 kilotons	3,793 kilotons	3,725 kilotons	3,693 kilotons
Environment-Contributing Products					
Ratio of Sales of Environment-Contributing Products	33.1 %	37.2 %	38.0 %	42.0 %	44.5 %
Net Sales	302.6 bil. yen	359.2 bil. yen	392.5 bil. yen	466.8 bil. yen	495.1 bil. yen
(Housing)	207.8 bil. yen	246.2 bil. yen	268.7 bil. yen	306.8 bil. yen	305.8 bil. yen
(Urban Infrastructure & Environmental Products)	71.9 bil. yen	77.1 bil. yen	79.9 bil. yen	99.6 bil. yen	99.8 bil. yen
(High Performance Plastics)	22.1 bil. yen	34.9 bil. yen	42.8 bil. yen	59.1 bil. yen	88.1 bil. yen
Number of Solar Powered Houses* ² Built (accumulated total, as of the end of December)	N.A. units	105,885 units	124,413 units	142,996 units	161,013 units
Community Involvement and Development					
Charitable Contributions	204 mil. yen	228 mil. yen	102 mil. yen	255 mil. yen	179 mil. yen
Consumer Issues					
External Failure Costs (Costs arising from responding to product-related complaints and claims)(FY2008=100)			96	54	53

*1. Due to the revised scope of aggregation, figures have been revised retroactive to fiscal year 2013, the base year for the target amounts.

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

Corporate Information and Stock Information

(As of March 31, 2015)

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:** Teiji Koge

Employees: 23,886

Consolidated Subsidiaries: 166

Affiliates (Equity Method): 8

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

Fiscal Year: Ended March 31

Authorized: 1,187,540,000 shares

Issued: 520,507,285 shares

Listings: Common stock listed on
the Tokyo Stock Exchange

Stock Ticker Number: 4204

Number of Shareholders: 18,323

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

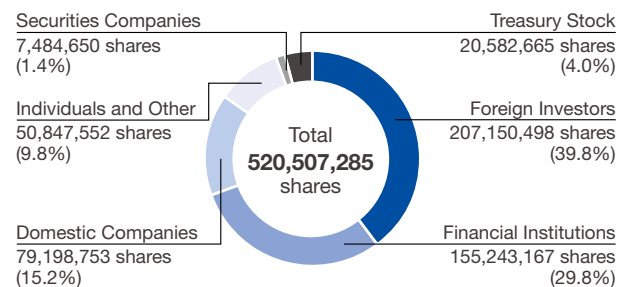
Accounting Auditor: Ernst & Young ShinNihon LLC

Major Shareholders

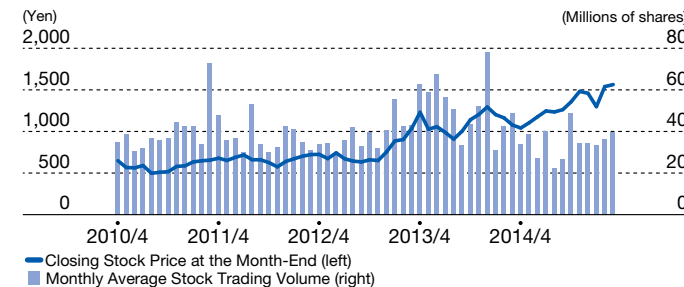
Name of Shareholder	State of Investments	
	Number of Shares Held (Thousands of Shares)	Percentage of Ownership (%)
Asahi Kasei Corporation	31,039	5.96
Sekisui House, Ltd.	20,592	3.95
The Dai-ichi Life Insurance Company, Limited	19,681	3.78
Japan Trustee Services Bank, Ltd. (Trust Account)	16,515	3.17
The Master Trust Bank of Japan, Ltd. (Trust Account)	14,039	2.69
Tokio Marine & Nichido Fire Insurance Co., Ltd.	11,946	2.29
State Street Bank and Trust Company 505225	10,316	1.98
Employees Stock Ownership Plan	9,090	1.74
JPMorgan Chase Bank 385164	8,557	1.64
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7,618	1.46

Notes: 1. The Company maintains 20,582,665 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

	FY2010	FY2011	FY2012	FY2013	FY2014
Open	631	661	729	1,028	1,087
High	708	731	1,042	1,448	1,619
Low	481	553	590	900	1,002
Close	651	718	1,032	1,073	1,559
Issued (thousands of shares)	539,507	539,507	532,507	532,507	520,507
Market value (billions of yen)	351.2	387.4	549.5	571.4	811.5

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)	Mar. 2000	Seven divisions combined into three: Housing Division, Urban Infrastructure & Environmental Products Division, and High Performance Plastics Division; New Business Headquarters established
Jan. 1948	Nara Plant opened, started the first plastic automatic injection molding business in Japan	Oct. 2000	Housing sales system reorganized, with the Tokyo and Kinki regional sales companies overseeing local regional sales networks
Jan. 1948	Changed the name to Sekisui Chemical Co., Ltd.	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
Mar. 1953	Listed on the Osaka Securities Exchange	Apr. 2002	Head office functions reorganized into 7 departments
Sep. 1953	Tokyo Plant opened, began production of molded plastic products	Apr. 2003	Chugoku region housing business sales structure reorganized, Sekisui Heim Chugoku Co., Ltd., (currently Sekisui Heim Chushikoku Co., Ltd., consolidated subsidiary) established
Apr. 1954	Listed on the Tokyo Stock Exchange	Apr. 2003	Youngbo Chemical Co., Ltd. (listed on the Korea Exchange, consolidated subsidiary) acquired, strengthening global competitiveness
Jun. 1956	Central Research Laboratory (currently Research & Development Institute) established	Aug. 2004	Tohoku region housing business sales structure reorganized, Sekisui Heim Tohoku Co., Ltd. (currently a consolidated subsidiary) established
Aug. 1960	Shiga Ritto Plant opened, began production of PVC pipe and PVC building materials	Jul. 2005	Kyushu region housing business sales structure reorganized, Sekisui Heim Kyushu Co., Ltd. (currently a consolidated subsidiary) established
Nov. 1960	Shiga Minakuchi Plant opened, began production of polyvinyl butyral and interlayer film	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
Jul. 1962	Musashi Plant opened, began production of plastic tape and PVC tape	Jan. 2007	Head office functions reorganized into 6 departments, and CSR department established
Jan. 1964	Tokuyama Sekisui Industry Co., Ltd. (currently a consolidated subsidiary) established and began production of PVC resins	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
Feb. 1971	Entered the housing business with the launch of steel frame unit housing "Heim"	Apr. 2008	Introduction of the Executive Officer System
Oct. 1971	Naseki Industry Co., Ltd. (currently Kinki Sekisui Heim Industry Co., Ltd., consolidated subsidiary) established and began production of unit housing	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
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	Jan. 2011	Diagnostics business acquired from pharmaceutical company Genzyme Corporation of the United States and new company established accelerating full-fledged global development in the medical business
May 1977	Introduction of a new divisional head office system	Dec. 2012	Pipeline business acquired from Mitsubishi Plastics, Inc., core businesses centered on piping materials strengthened
Mar. 1982	Launch of wooden frame unit housing "Two-U Home"	Mar. 2013	Thailand unit housing mass production factory constructed, full-fledged development of the housing business in Thailand
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		

For further information please contact:

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