

Presentation of Financial Results for the First Quarter of FY2015

Yoshiyuki Hirai

Director

Executive Officer

Head of Business Strategy Department

SEKISUI CHEMICAL CO., LTD.

30 July, 2015

(Billions of yen)

	1Q FY2014	1Q FY2015	Difference
Net Sales	255.9	241.2	-14.7
Operating Income	15.9	8.4	-7.5
Ordinary Income	15.9	10.0	-5.9
Net Income attributable to Shareholders	8.2	12.6	+4.3

- Net sales and operating income progressed generally in line with the plans for all divisional companies.

- Proceeds from the share sell-off led to a sharp rise in net income.

(Billions of yen)

	1Q FY2014		1Q FY2015		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
HPP*1	90.4	11.8	94.7	11.7	+4.3	0
Housing	116.7	7.6	94.2	0.3	-22.5	-7.3
UIEP*2	44.9	-2.8	48.9	-2.3	+4.0	+0.5
Other	8.3	-0.6	8.1	-1.1	-0.2	-0.5
Eliminations or Unallocatable Accounts	-4.4	-0.1	-4.7	-0.2	-0.3	-0.1
Total	255.9	15.9	241.2	8.4	-14.7	-7.5

*1. High Performance Plastics Company, *2. Urban Infrastructure & Environmental Products Company

HPP

Earnings continued at last year's high level on steady growth in all fields but electronics, where demand was sluggish.

Housing

Sales and income declined due to the 12% smaller order backlog at term start compared with the previous year, but profitability was maintained in line with the 1Q plan.

UIEP

Sales and income rose. Overlap in the company's PVC products distribution stock was eliminated and measures to fortify the profit structure gradually started yielding results.

(Billions of yen)

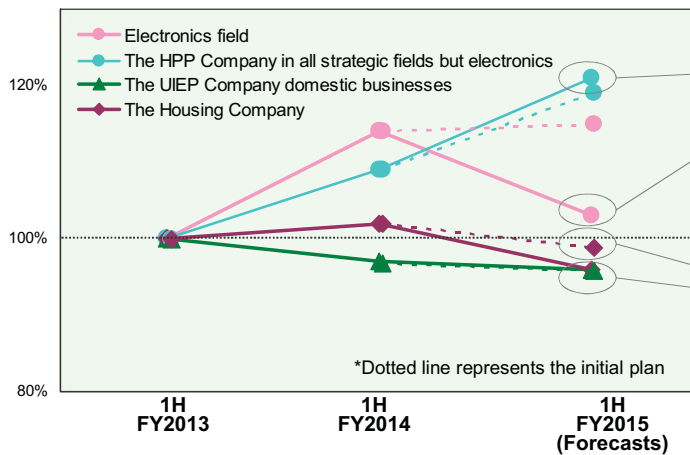
	1H FY2014 Results		1H FY2015 (Forecasts)		Difference		1H FY2015 (Initial Plan)	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
HPP	182.3	22.2	196.0	24.5	+13.7	+2.3	196.0	24.5
Housing	249.3	20.7	235.0	15.5	-14.3	-5.2	243.0	17.0
UIEP	106.4	0.2	110.0	0.2	+3.6	0	110.0	0.2
Other	18.0	-0.9	18.0	-2.5	0	-1.6	18.0	-2.5
Eliminations or Unallocatable Accounts	-10.1	-0.4	-14.0	-0.7	-3.9	-0.3	-14.0	-0.7
Total	545.9	41.8	545.0	37.0	-0.9	-4.8	553.0	38.5

* Forex rate assumptions for the 1H FY2015 forecasts are ¥119/US\$ and ¥134/€

1H Housing Company sales and profit plan will be revised downward after the drops in April-May new housing construction orders

	Business Field	1H FY2015 Market Trend
Global	Electronics	Smartphone demand was sluggish in China. Although demand is expected to bottom out in 2Q, conditions for a demand recovery have not yet materialized
	Automobiles and Transportation	Strong demand from the Americas, growing high-performance product demand in China
	Building and Infrastructure	Growing demand from the Middle East and Asia
	Life Science	Increasing diagnostics demand in China and emerging countries
Domestic	Housing	Moderate recovery trend since 2H in fiscal 2014
	Water Infrastructure	Demand is recovering but at a slightly slower pace than anticipated

Sales Trends at the Core Businesses (Index with 1H FY2013=100) and Factors Behind Difference versus Initial Plan



Global

- Sluggish demand expected in the electronics field
- The HPP Company is expected to grow its business in all strategic fields but electronics

Domestic

- 1H unit sales plan will be revised downward after the drops in April-May new housing construction orders
- The Living Environment business is expected to progress as planned
- The UIEP Company domestic businesses are expected to progress as planned

(FY2015 Priority Measures)

Commence reforms for the next tax hike period

- Global:** Expand volume and improve the product mix centering on high-performance product
- Japan:** Develop the stock and new fields and fortify cost competitiveness
- Accelerate the nurturing of new businesses and products
- Decisively reform the UIEP portfolio

Strategic Investments

- In the interlayer film business, expand the Mexico plant's production capacity (to launch operations in 2H FY2017)
- Construct new sheet plant to for the aircraft-related business in the US (launch operations in June 2016)

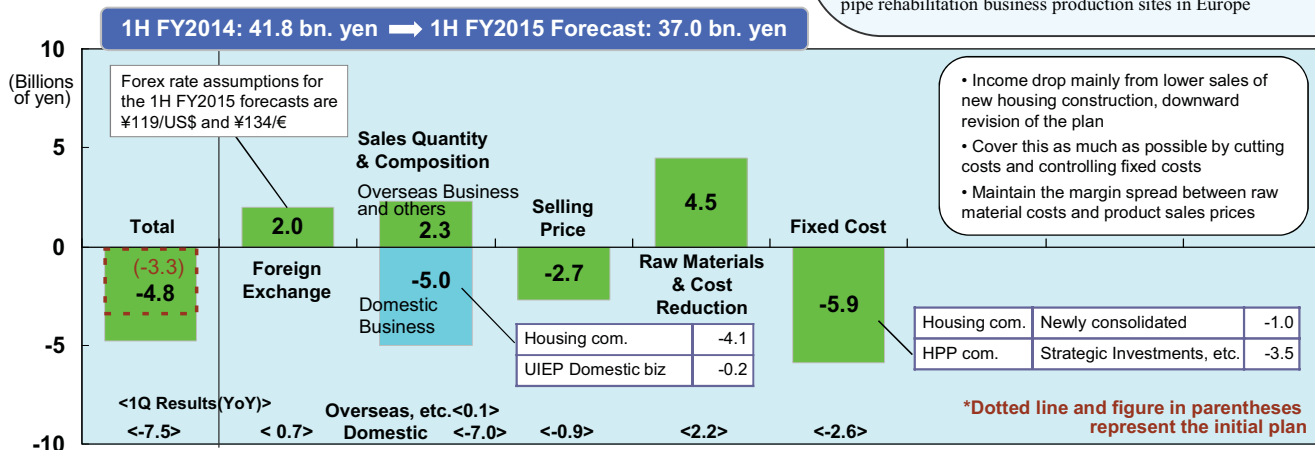
New products and New businesses

- Develop the film-type lithium ion batteries and strengthen the production structure; planned partial acquisition of ENAX, Inc.
- Fortify smart house products line-up (New housing construction and renovation businesses)

Reform the portfolio (UIEP com.)

- Continue strengthening profit management by product and customer
- Start radical structural reform of overseas businesses; close down some pipe rehabilitation business production sites in Europe

Analysis of Operating Income for the 1H FY2015 Forecast (YoY)



Note: Includes selling price of Housing Company within the sales quantity and composition

Overview for the 1Q

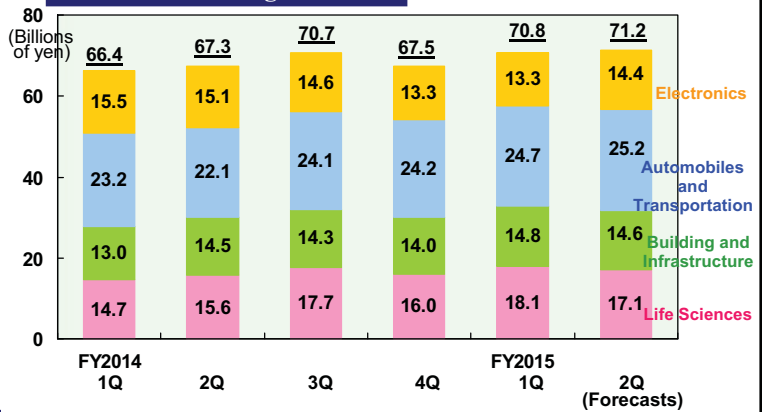
Electronics: sales were slightly below expectations from the slower demand growth for smartphones in China

Automobiles and Transportation: high-performance product sales grew with a contribution from the reformed production line supplying high-performance films in China

Building and Infrastructure: full-fledged operations at the new Thailand CPVC plant (from June 2015)

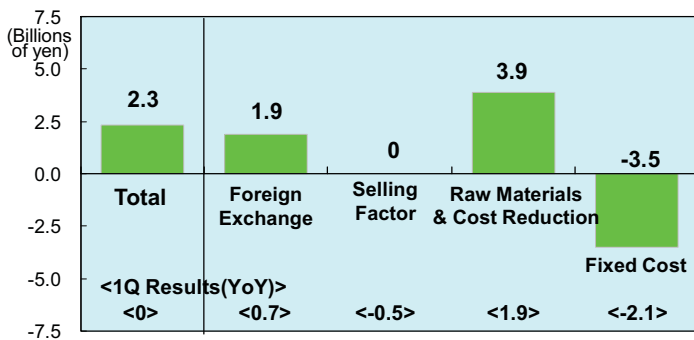
Life Science: global development of diagnostic reagents steadily progressed

Sales in 4 Strategic Fields

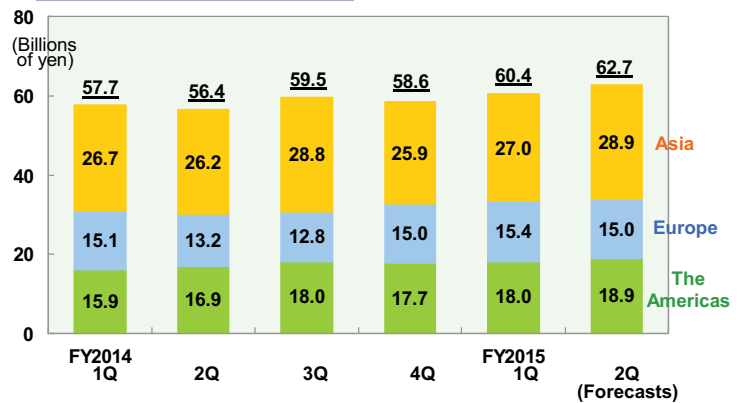


Analysis of Operating Income for the 1H FY2015 Forecast (YoY)

1H FY2014: 22.2 bn. yen → 1H FY2015 Forecast: 24.5 bn. yen



Overseas Sales



Overview for the 1Q

Market has been gradually recovering since 2H FY2014

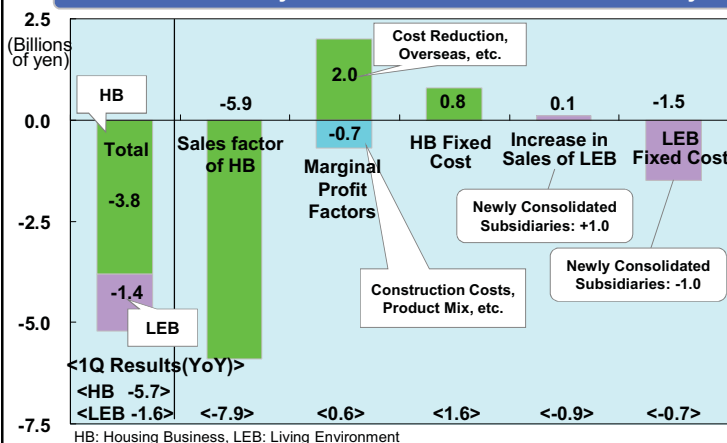
New housing construction orders fell short of the 1Q plan

- Detached smart house construction orders declined from a lull in consumer demand for solar housing
- Built-for-sale housing sales were strong but housing complex did not grow as planned

Progress at the living environment business was in line with plan

Analysis of Operating Income for the 1H FY2015 Forecast (YoY)

1H FY2014: 20.7 bn. yen → 1H FY2015 Forecast: 15.5 bn. yen



Measures to Acquire Housing Orders in 2H

Housing Order Plan (Unit Basis, YoY)

1Q: -6%, 2Q(plan): +3%, 1H(plan): -1%

Living Environment Business sales (YoY)

1Q: -7%, 2Q(plan): +5%, 1H(plan): -1%

1Q Agenda

- With the lull in consumer demand for solar housing, the Company's "energy self-sufficient" smart house feature did not have the full effect
- The effects of strategies to stimulate orders for built-for-sale housing and housing complexes have been slower to materialize than expected

➔ Orders appear to be picking up in June

2Q Measures

Core Strategy

Offer advanced smart houses at prices where cost performance is high

Product Strategy

Strengthen our "energy self-sufficient" product power and management strategies

- Launch sales of in-room storage batteries (July) and fortify smart house products (August)
- Begin shipping the new Smart Power Station Alpha (August)
- Launch sales of Green Shift! refurbishing products and services to make homes energy self-sufficient through the housing refurbishment
- Increase the number of Smart House Masters

Sales Promotion

Detached Housing	Hold events nationwide aimed at increasing customers
Subdivision	Actively market new built-for-sale housing sited on purchased-in land (aim to increase 32% in 2Q FY2015 versus 1Q)
Housing Complex	Realize full effects of the nationwide dedicated sales structure
Renovation	Introduce numerous large-scale commercial materials in the energy, kitchen/bath, and exterior materials segments

Domestic Business

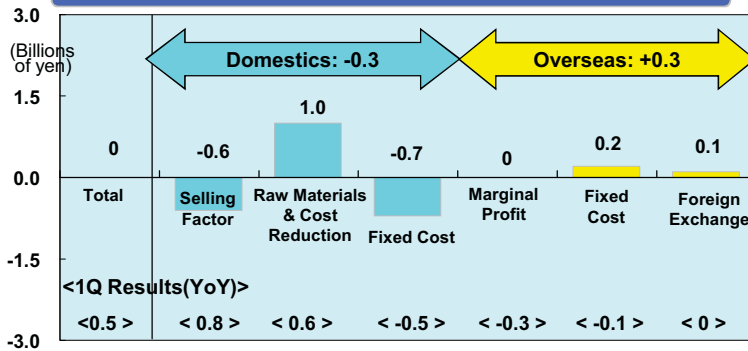
- We believe the income plan is achievable as the fortified earning structure produces results even with a somewhat slow recovery in public and private demand
- Continue correction of tendency to concentrate sales at the fiscal year-end

Overseas Business

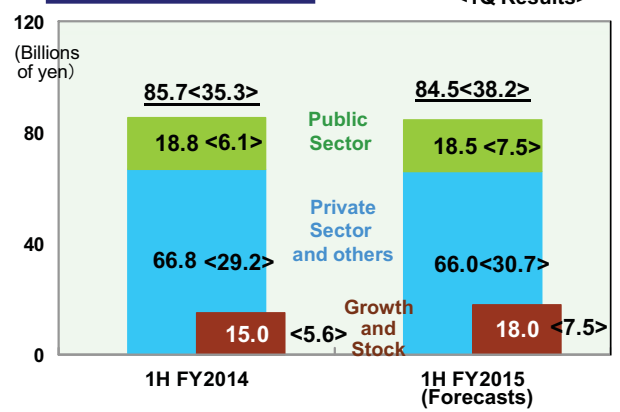
- **Water Infrastructure:** Challenging conditions as the demand environment changes with China's growth deceleration
- **Pipeline Rehabilitation:** Radical structural reform under way, including shutting some factories in Europe

Analysis of Operating Income for the 1H FY2015 Forecast (YoY)

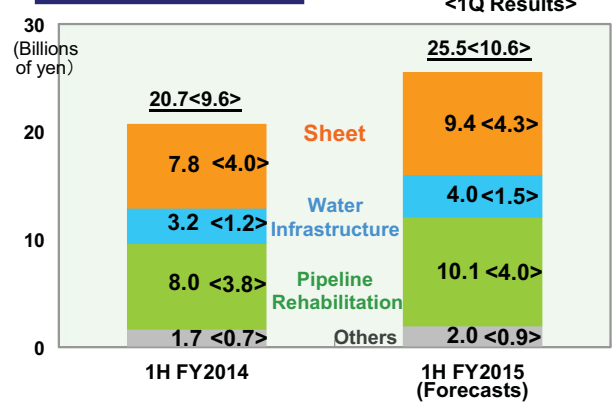
1H FY2014: 0.2 bn. yen → 1H FY2015 Forecast: 0.2 bn. yen



Domestic Sales



Overseas Sales



Financial Results

for the First Quarter of FY2015

Moritoshi Naganuma

Executive Officer

Head of Corporate Finance & Accounting Department

Number of Consolidated Companies

	March 31, 2015	June 30, 2015	Difference
Consolidated Subsidiaries	166	169	Increased: 5 Subsidiaries Decreased: 2 Subsidiaries
Affiliates (Equity Method)	8	8	-

Influence of Change in the Number of Consolidated Companies

(Billions of yen)

Net Sales	+0.9	Healthy Service*, SSC Thailand*, S and L Specialty Polymers*, and etc.,
Operating Income	-0.4	

*Newly consolidated from the first quarter of FY2015

Summary of Profit and Loss

(Billions of yen)

	1Q of FY2014	1Q of FY2015	Difference	
Net Sales	255.9	241.2	-14.7	
Gross Profit	78.2	72.5	-5.7	
Gross Profit Rate	30.6%	30.1%	-0.5%	
Selling, Gen. and Admin. Expenses	62.3	64.1	1.8	
Operating Income	15.9	8.4	-7.5	
Equity in Earnings of Affiliates	0.1	0.1	0	
Other Non-operating Income and Expenses	-0.1	1.5	1.6	
Ordinary Income	15.9	10.0	-5.9	
Extraordinary Income	-	10.3	10.3	
Extraordinary Loss	0.1	0.4	0.3	
Income before Income Taxes	15.8	20.0	4.2	
Corporate Income Tax, etc.	7.3	7.3	0.1	
Net Income attributable to Non-controlling Interests	0.2	0.1	-0.2	
Net Income attributable to Shareholders	8.2	12.6	4.3	
Foreign Exchange (Avg. rate)	1US\$	102 yen	121 yen	19 yen
	1€	140 yen	134 yen	-6 yen

Foreign exchange gain and loss: +1.4

Gain on sales of securities

Balance Sheets (Assets)

(Billions of yen)

	March 31, 2015	June 30, 2015	Difference
Cash and Deposits	87.2	92.9	5.7
Account Receivable on Sales	186.4	172.4	-14.0
Inventories	157.6	165.0	7.4
Other Current Assets	35.0	39.5	4.5
Tangible Non-Current Assets	263.9	273.7	9.8
Intangible Non-Current Assets	34.1	37.2	3.0
Investments in Securities	182.0	167.9	-14.2
Investments & Other Assets	21.8	19.3	-2.5
Total Assets	968.0	967.8	-0.2

Newly consolidated : +6.9

 Sell-off of shares: -10.3
 Newly consolidated: -7.8
 At fair value: +4.1

Foreign exchange: +6.2

Balance Sheets (Liabilities & Net Assets)

(Billions of yen)

	March 31, 2015	June 30, 2015	Difference
Non-Interest-Bearing Liabilities	369.6	357.7	-11.9
Interest-Bearing Liabilities	63.1	58.8	-4.3
Total Liabilities	432.7	416.5	-16.2
Capital Stock etc.	209.2	209.2	0
Retained Earning	265.2	270.2	5.0
Treasury Stock	-21.8	-21.5	0.3
Unrealized Holding Loss on Securities	43.7	46.6	2.9
Non-controlling Interests	18.6	21.5	2.9
Other Net Assets	20.3	25.2	4.9
Total Net Assets	535.3	551.3	16.0
Total Liabilities, Net Assets	968.0	967.8	-0.2

 Net income: +12.6
Dividends paid: -7.0

Foreign currency translation adjustment: +5.0

Consolidated Cash Flows

(Billions of yen)

	1Q of FY2014	1Q of FY2015
Operating Activities Cash Flows	-5.7	4.1
Investing Activities Cash Flows	12.3* ¹	14.8* ²
Financing Activities Cash Flows	0.6	-12.0
Net Increase in Cash and Cash Equivalents	7.3	7.1
Cash and Cash Equivalents at the End of Term	58.6	71.1
Free Cash Flow =Operating Activities Cash Flows +Investing Activities Cash Flows -Dividends Paid	0.4	11.8

 *¹ Included 19.9 billion in (net) proceeds from withdrawal of time deposits

 *² Include 3.3 billion in (net) proceeds from withdrawal of time deposits and 20.7 billion in proceeds from sales of investments in securities

Depreciation and Capital Expenditures

(Billions of yen)

	FY2014		FY2015		Difference	
	1Q	Annual	1Q	Annual (Forecasts)	1Q	Annual
Depreciation	7.3	31.2	8.1	36.5	0.8	5.3
Capital Expenditures	10.2	47.0	11.5	47.0	1.2	0

(Billions of yen)

	1H of FY2014	1H of FY2015 (Forecasts) *	Difference	1H of FY2015 (Initial Plan)
Net Sales	545.9	545.0	-0.9	553.0
Operating Income	41.8	37.0	-4.8	38.5
Ordinary Income	45.9	38.0	-7.9	39.0
Net Income attributable to Shareholders	28.9	31.0	2.1	24.5

* Forex rate assumptions for the 1H FY2015 forecasts are ¥119/US\$ and ¥134/€

This slide presentation may contain forward-looking statements. Such forward-looking statements are based on current expectations and beliefs and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements due to changes in global economic, business, competitive market and regulatory factors.

1. Housing business Main Data

Housing Company Results and Plan

		FY2015		FY2014		
		1Q	1H (Forecasts)	1Q	1H	2H
CONSOLIDATED	Net Sales (Billions of yen)	94.2	235.0	116.7	249.3	244.8
	Housing	60.3	159.5	80.1	173.0	169.3
	Houses	55.0	147.8	76.2	162.8	158.3
	Land	4.5	9.6	3.4	9.0	9.8
	Living environment	33.9	75.5	36.6	76.3	75.5
	Renovation	21.8	50.0	26.0	53.9	52.0
	Interior-Exterior	1.1	2.9	1.4	2.8	2.8
	Real estate	10.2	20.9	8.9	18.8	20.0
OTHERS	1. Number of houses sold (Housing units)	2,380	6,710	3,150	7,170	7,320
	Detached houses	1,810	4,640	2,420	5,210	4,910
	Heim	1,430	3,660	1,900	4,110	3,970
	Two-U	380	980	520	1,100	940
	Apartments (housing complex)	570	2,070	730	1,960	2,410
	2. Main data					
	Prices<Sales subsidiaries : Detached houses>/ Unit (Millions of yen)	30.4	-	30.0	30.2	30.4
	Prices<Sales subsidiaries : Detached houses>/ Tsubo (3.3 Square meter) (Thousands of yen)	797	-	791	792	796
	Floor space (Square meter)	125.9	-	125.2	125.8	126.0
	Exhibition places (Units)	-	427	-	429	425
	Sales staff (Number of person)	2,567	2,545	2,601	2,549	2,488
	Rebuilding ratio (%)	25%	28%	29%	29%	29%
	Referral sales ratio (%)	38%	40%	36%	37%	38%

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

2. Housing orders

(Millions of yen)

	FY2015		FY2014			FY2013	
	1Q	1H (Forecasts)	1Q	1H	2H	1H	2H
Backlogs at beginning	204,300	-	232,000	-	222,400	211,900	244,000
Growth Rate	-12%	-	+10%	-	-9%	+13%	+24%
New Orders	87,311	207,400	89,955	209,943	195,011	248,426	211,995
Growth Rate	-3%	-1%	-14%	-15%	-8%	+16%	-6%
Net Sales	77,911	200,700	103,555	219,543	213,111	216,326	223,995
Growth Rate	-25%	-9%	+9%	+1%	-5%	+5%	+6%
Balance at the end	213,700	211,000	218,400	222,400	204,300	244,000	232,000
Growth Rate	-2%	-5%	-1%	-9%	-12%	+24%	+9%

3. Housing starts

(in number of unit)

	FY2015		FY2014		
	1Q	1H (Forecasts)	1Q	1H	2H
Housing starts*	223,337	443,000	218,834	441,367	439,103
Privately-owned houses* (included in above) =A	69,336	150,000	70,951	143,342	134,879
Sales by our company	2,380	6,710	3,150	7,170	7,320
Detached house sales by our company=B	1,810	4,640	2,420	5,210	4,910
Our share in Detached houses=B/A	2.6%	3.1%	3.4%	3.6%	3.6%

*"The housing starts" and "Privately-owned houses" after 1Q of FY2015 are based on forecasts.

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

	FY2015		FY2014		
	1Q	1H (Forecasts)	1Q	1H	2H
Solar power generation systems installed	80%	82%	85%	85%	79%
Tiled exterior walls (Heim type JX)	64%	65%	65%	65%	64%
All-electric housing	86%	87%	88%	87%	87%
Comfortable Air System	67%	68%	67%	66%	70%