

# **Presentation of Financial Results for FY2015**

**Teiji Koge, President**  
**SEKISUI CHEMICAL CO., LTD.**

**27 April, 2016**

**We would like to express our heartfelt sympathies for those affected by the April 2016 Kumamoto earthquake. We sincerely hope those living in disaster-stricken areas are able to start rebuilding their lives as soon as possible.**

|   | FY2014  | FY2015  | Difference | (Billions of yen)                     |
|---|---------|---------|------------|---------------------------------------|
|   |         |         |            | Full-year plan for FY2015 (Jan. 2016) |
| Net Sales                               | 1,112.7 | 1,096.3 | -16.4      | 1,120.0                               |
| Operating Income                        | 85.8    | 89.8    | +4.1       | 90.0                                  |
| Ordinary Income                         | 88.0    | 81.2    | -6.8       | 89.0                                  |
| Net Income attributable to Shareholders | 53.0    | 56.7    | +3.7       | 58.0                                  |
| Dividend per Share (Yen)                | 27      | 30      | +3         | 28                                    |

- ◆ A third straight term of record-high operating income and bottom line
- ◆ The sharp yen appreciation in the fourth quarter caused ordinary income and the bottom line fell short of the plan. Operating income was in line with the plan
- ◆ Dividends were raised by ¥2 more than the plan
- ◆ The Company booked ¥10.8 billion in profit from the sales of stocks and ¥9.9 billion in structural reform costs for the UIEP Company

|  | FY2014         |                  | FY2015         |                  | Difference   |                  | (Billions of yen)                     |                  |
|--|----------------|------------------|----------------|------------------|--------------|------------------|---------------------------------------|------------------|
|  | Net Sales      | Operating Income | Net Sales      | Operating Income | Net Sales    | Operating Income | Full-year plan for FY2015 (Jan. 2016) |                  |
|  |                |                  |                |                  |              |                  | Net Sales                             | Operating Income |
| HPP*1                                  | 372.3          | 46.0             | 378.6          | 53.4             | +6.3         | +7.4             | 388.0                                 | 52.0             |
| Housing                                | 494.1          | 41.3             | 473.4          | 36.4             | -20.7        | -4.9             | 480.0                                 | 37.0             |
| UIEP*2                                 | 227.7          | 1.3              | 226.3          | 3.6              | -1.4         | +2.3             | 234.0                                 | 5.0              |
| Others                                 | 38.9           | -2.0             | 38.3           | -3.1             | -0.6         | -1.1             | 39.0                                  | -3.0             |
| Eliminations or Unallocatable Accounts | -20.3          | -0.8             | -20.3          | -0.5             | 0            | +0.4             | -21.0                                 | -1.0             |
| <b>Total</b>                           | <b>1,112.7</b> | <b>85.8</b>      | <b>1,096.3</b> | <b>89.8</b>      | <b>-16.4</b> | <b>+4.1</b>      | <b>1,120.0</b>                        | <b>90.0</b>      |

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

**Overview of FY2015** ■ Overall Company profit rose mainly on the contribution from the HPP Company as the Housing Company posted large drops in sales and profits

- HPP** Strong growth in the automobile and transportation field and life science field while the company struggled in the electronics field. Sales and profits rose substantially with support from a weak yen and low raw material prices.
- Housing** Sales and profit dropped from an insufficient order backlog at the term start and sluggish orders in 1H, but 2H sales and the profit levels improved to even with last year.
- UIEP** Profit rose on progress with measures in Japan to improve profitability and overseas for structural reform.

■ In a deteriorating business environment, the Company posted record-high profit on a half-year basis and full-year operating income in line with the plan.

**HPP** Operating income exceeded the plan on strong growth in the automobile and transportation field and life science field amid struggles in the electronics field

**Housing** Operating income was generally in line with the plan. Orders recovered in 2H and the year-end order backlog is growing.

**UIEP** Results in Japan were in line with the plan. Operating income fell short of the plan due to a time lag for the effects from structural reform overseas, but progressing toward the target.

### Key measures for FY2015

#### HPP

- Vast expansion of the high-performance interlayer film production line in Mexico.
- Production started at the new CPVC plant in Thailand.
- Medical business expanded with EIDIA acquisition and creation of the new company in China.
- Underperforming businesses made more efficient through moves including establishing a film business JV and integrating sales companies.

#### Housing

- Three new products launched together.
- Kinki Plant renewal finished. Progress made shortening on-site construction times and cutting costs, and the break-even point was lowered.

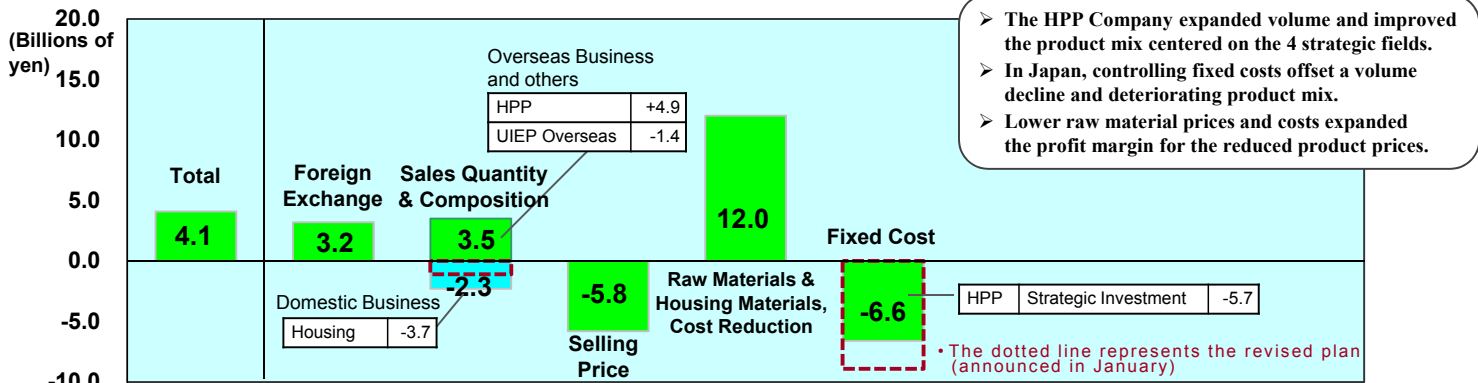
#### UIEP

- Progressed with reforming the domestic and overseas business portfolios.
- Established a new plant for aircraft sheet in the US.

#### Others

- Advanced toward commercialization of film-type lithium-ion batteries.

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

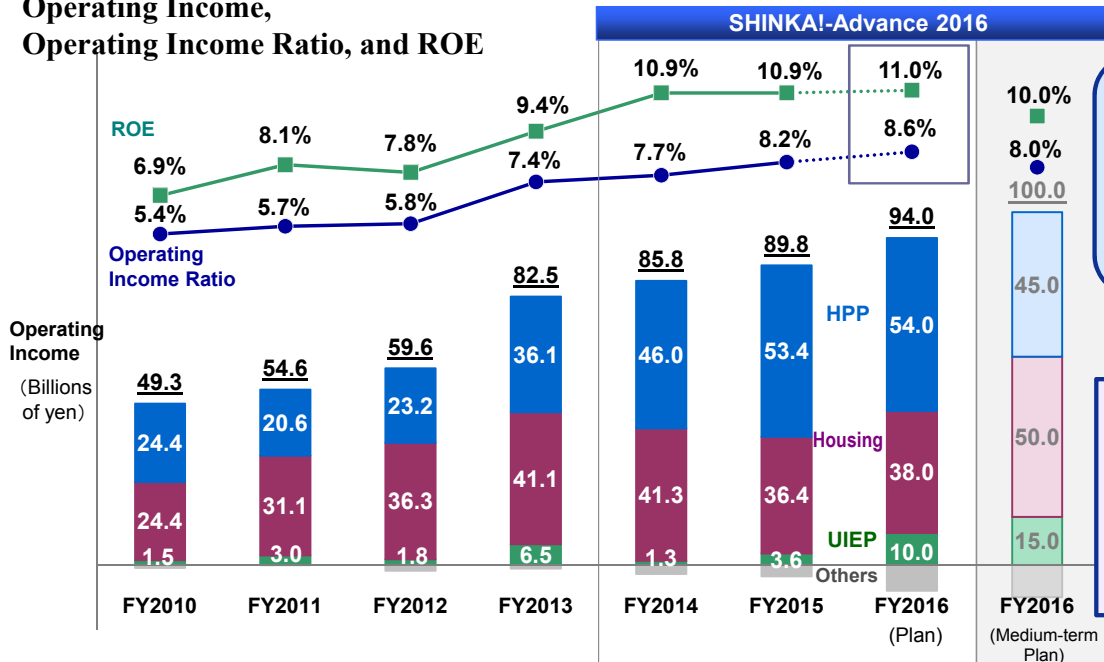


Note: Includes selling price of Housing Company within the sales quantity and composition

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### Operating Income, Operating Income Ratio, and ROE



#### Business Environment

- Foreign exchange trend reverses
- Benefits from the low raw material costs fade
- China and developing countries avoid abrupt economic slowdowns
- Plan does not factor in effects from a consumption tax hike in Japan

#### Record-high profits for a fourth straight term

- HPP:** The plan projects a slight profit rise when factoring in business risk
- Housing:** Upturn in the term-start order backlog puts orders in a recovery trend
- UIEP:** Structural reform overseas starts generating results

| External Environment                         | 03/2011                     | 09/2011                           | 12/2012                       | 04/2014                              | 2015  | 2015                    | 01/2016                | 01/2016                          | 04/2017                                |
|--|-----------------------------|-----------------------------------|-------------------------------|--------------------------------------|---|-------------------------|------------------------|----------------------------------|--|
|  | Great East Japan Earthquake | European financial crisis worsens | New government administration | Consumption tax raises from 5% to 8% | Increasing concern of China economic slowdown | Drop in resource prices | Sharp yen appreciation | Start of negative interest rates | Consumption tax to rise from 8% to 10% |
| Foreign Exchange (Avg. rate) <sup>1</sup>    | ¥87/US\$<br>¥115/€          | ¥80/US\$<br>¥111/€                | ¥83/US\$<br>¥107/€            | ¥100/US\$<br>¥134/€                  | ¥110/US\$<br>¥139/€                           | ¥120/US\$<br>¥133/€     | ¥110/US\$<br>¥125/€    |                                  |  |
| Housing Starts (Thousand units) <sup>2</sup> | 819                         | 841                               | 893                           | 987                                  | 880   | 914                     | 900                    |                                  |  |

<sup>1</sup> Avg. rate for each fiscal year. Forex rate assumptions for FY2016 forecasts (ordinary income base)

<sup>2</sup> Housing starts in FY2015 and after are based on a forecast.

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(Billions of yen)

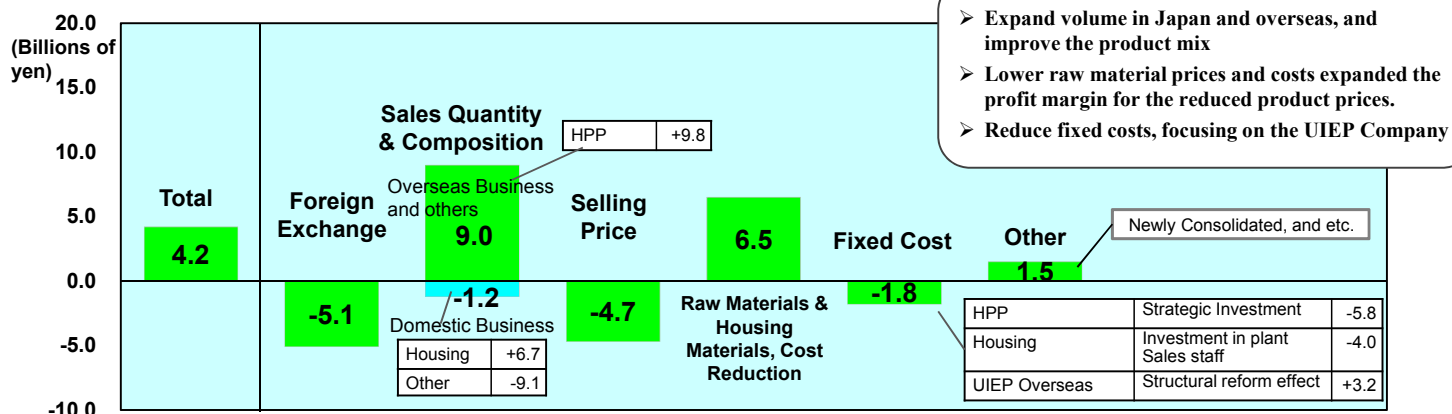
|  | FY2015         |                  | FY2016         |                  | Difference  |                  |
|--|----------------|------------------|----------------|------------------|-------------|------------------|
|  | Net Sales      | Operating Income | Net Sales      | Operating Income | Net Sales   | Operating Income |
| HPP                                    | 378.6          | 53.4             | 371.0          | 54.0             | -7.6        | +0.6             |
| Housing                                | 473.4          | 36.4             | 494.0          | 38.0             | +20.6       | +1.6             |
| UIEP                                   | 226.3          | 3.6              | 250.0          | 10.0             | +23.7       | +6.4             |
| Others                                 | 38.3           | -3.1             | 2.0            | -7.0             | -36.3       | -3.9             |
| Eliminations or Unallocatable Accounts | -20.3          | -0.4             | -20.0          | -1.0             | +0.3        | -0.5             |
| <b>Total</b>                           | <b>1,096.3</b> | <b>89.8</b>      | <b>1,097.0</b> | <b>94.0</b>      | <b>+0.7</b> | <b>+4.2</b>      |

- HPP** The plan projects a slight profit rise when factoring in a reverse in the foreign exchange trend and fading benefits from the low raw material costs. The HPP Company will continue expanding volume and improving the product mix focused on the four strategic fields.
  - Housing** Term-start order backlog turns upward. Plan for higher sales on profits on continuing recovery in orders.
  - UIEP** Emerging effects of the portfolio improvement and other factors generate substantial growth in sales and profit to the record-high levels of fiscal year 2006.
- \*Sekisui Seikei Co., Ltd. and Hinomaru Co., Ltd. will be moved from the "Other" segment to the UIEP Company in fiscal year 2016.

## Fiscal Year 2016 Initiatives

- Steadily reap the results of investments and structural reforms
- Prepare for the next leap forward by fortifying earning power, opening frontiers, co-creation and innovation

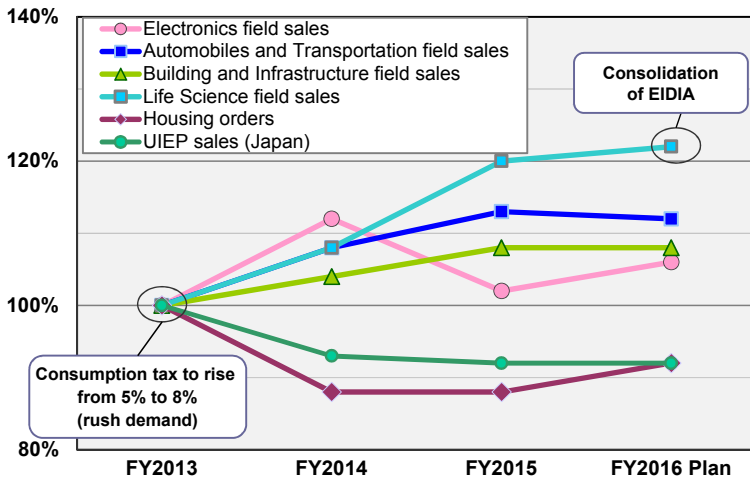
### Analysis of Operating Income for FY2016 (year-on-year)



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

| External Environment | Forecast/Assumption  | Impact on Results   |
|----------------------|--|---|
| Foreign Exchange     | Ordinary income base factors in an exchange loss on a ¥110/US\$, ¥125/€ assumption | Each ¥1/US\$ rise lowers operating income by ¥500 million per year  |
| Resource Prices      | Domestic naphtha price assumption is ¥ 36,000/kiloliter                            | Decline to ¥1,000/kiloliter would add ¥200 million to operating income per year<br>Influenced by the resource market and demand   |
| China Economy        | Avoids an abrupt slowdown  | Growing demand, centered on high-performance products in the automobile /transportation and life science fields<br>Sluggish demand in the water infrastructure business overseas from diminishing public works projects |
| Consumption Tax Hike | Impact not factored in   |   |

## Sales Trends at the Core Businesses (Index with FY2013=100)



### Global

#### Electronics: +4% (YoY, Sales base)

Recovering demand for mobile devices and rising new product sales from 2H

#### Automobiles and Transportation: -1% (YoY, Sales base)

Further global sales growth for high-performance products

#### Building and Infrastructure: even (YoY, Sales base)

Generate new demand in Asia (India and South Korea)

#### Life Science: +7% (YoY, Sales base)

Activate M&A synergies, capture growing demand overseas

### Japan

#### Housing and Housing Renovation Order: +4% (YoY, Sales base)

Launch new products and packaged commercial materials aimed at the urban home replacement market

#### UIEP Japan: even (YoY, Sales base)\* \* Excluding the 2 transferred companies

Flat YoY: introduce new products in the architecture field, diminishing demand in the civil engineering field

## Change to business units that do not flinch in severe business conditions

### Strengthen earning power

Improve cost competitiveness, enhance differentiation with high-value-added products, effectively select and concentrate businesses

### Frontier

Globalization, strategic investment (M&A and etc.), developing markets, and new product applications

### Co-creation and Innovation

Invest in development, realize early profit contribution, create alliances

|                            | Period the effects will start to appear for strategies and initiatives   | FY2016 | FY2017 | FY2018~ |
|----------------------------|--|--------|--------|---------|
| Frontier                   | Increase production of automotive high-performance interlayer films (China, Mexico)  | ●      | →      | →       |
|                            | Start operations at new CPVC plant in Thailand   | ●      | →      | →       |
|                            | Broaden medical business by acquiring EIDIA, establishing a new company in China, and building a new medical facility at Tokuyama Sekisui Industry | ●      | →      | →       |
|                            | Start operations at the new aircraft sheet plant in the US   | ●      | →      | →       |
| Strengthen Earning Power   | Improve efficiency at the housing production plants  | ●      | →      | →       |
|                            | Reform the UIEP Company structure in Japan and overseas  | ●      | →      | →       |
|                            | The HPP Company established JV companies in the film business and integrated the domestic sales companies  | ●      | →      | →       |
| Co-creation and Innovation | Commercialize of film-type lithium-ion batteries   | ●      | →      | →       |
|                            | Advance "self-luminous" interlayer films for head-up displays  | ●      | →      | →       |
|                            | Broaden electronics field business by investing in Dexerials Corp., launching new products for organic EL, substrates, semiconductors              | ●      | →      | →       |

(Billions of yen)

|   | FY2015         | FY2016 Plan    | Difference  |
|---|----------------|----------------|-------------|
| <b>Net Sales</b>                        | <b>1,096.3</b> | <b>1,097.0</b> | <b>+0.7</b> |
| <b>Operating Income</b>                 | <b>89.8</b>    | <b>94.0</b>    | <b>+4.2</b> |
| <b>Ordinary Income</b>                  | <b>81.2</b>    | <b>88.0</b>    | <b>+6.8</b> |
| Net Income attributable to Shareholders | 56.7           | 59.0           | +2.3        |
| <b>Dividend per Share (Yen)</b>         | <b>30</b>      | <b>32</b>      | <b>+2</b>   |

- ◆ Aim to achieve a fourth straight term of record-high operating income and bottom line
- ◆ Plan to raise the dividend payment for a seventh straight term

# Financial Results for FY2015

**Moritoshi Naganuma**

**Executive Officer**

**Head of Corporate Finance & Accounting Department**

### Number of Consolidated Companies

|                               | March 31,<br>2015 | March 31,<br>2016 | Difference  |
|-------------------------------|-------------------|-------------------|---|
| Consolidated Subsidiaries     | 166               | 155               | Increased: 7 Subsidiaries<br>Decreased: 18 Subsidiaries |
| Affiliates<br>(Equity Method) | 8                 | 8                 | -   |

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

(Billions of yen)

|                  |      |   |
|------------------|------|---|
| Net Sales        | +6.8 | SSC Thailand* <sup>1</sup> ,<br>S and L Specialty Polymers* <sup>1</sup> ,<br>Healthy Service* <sup>1</sup> , |
| Operating Income | +1.4 | EIDIA* <sup>2</sup> ,<br>Sekisui SPR Europe* <sup>3</sup> , and etc.  |

\*<sup>1</sup>: Newly consolidated from the first quarter of FY2015

\*<sup>2</sup>: Newly consolidated from the fourth quarter of FY2015

\*<sup>3</sup>: Removed from consolidation from the fourth quarter of FY2015

**Summary of Profit and Loss**

(Billions of yen)

|  | FY2014      | FY2015           | Difference       |                |
|--|-------------|------------------|------------------|----------------|
| Net Sales  | 1,112.7     | 1,096.3          | -16.4            |                |
| Gross Profit   | 337.6       | 345.8            | 8.2              |                |
| Gross Profit Rate                                    | 30.3%       | 31.5%            | 1.2%             |                |
| Selling, Gen. and Admin. Expenses                    | 251.9       | 256.0            | 4.1              |                |
| Operating Income                                     | 85.8        | 89.8             | 4.1              |                |
| Equity in Earnings of Affiliates                     | 2.3         | 2.2              | -0               |                |
| Other Non-operating Income and Expenses              | -0          | -10.8            | -10.8            |                |
| Ordinary Income                                      | 88.0        | 81.2             | -6.8             |                |
| Extraordinary Income                                 | 5.1         | 10.8             | 5.7              |                |
| Extraordinary Loss                                   | 8.8         | 14.0             | 5.2              |                |
| Income before Income Taxes                           | 84.2        | 78.0             | -6.3             |                |
| Corporate Income Tax, etc.                           | 29.9        | 20.2             | -9.7             |                |
| Net Income attributable to Non-controlling Interests | 1.3         | 1.1              | -0.2             |                |
| Net Income attributable to Shareholders              | 53.0        | 56.7             | 3.7              |                |
| Foreign Exchange (Avg. rate)                         | 1US\$<br>1€ | 110yen<br>139yen | 120yen<br>133yen | 10yen<br>-6yen |

Foreign exchange gain and loss: -10.6

Gain on sales of securities

Loss on transfer of business, and etc.

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**Balance Sheets (Assets)**

(Billions of yen)

|                               | March 31, 2015 | March 31, 2016 | Difference |
|-------------------------------|----------------|----------------|------------|
| Cash and Deposits             | 87.2           | 68.0           | -19.2      |
| Account Receivable on Sales   | 186.4          | 176.0          | -10.4      |
| Inventories                   | 157.6          | 150.8          | -6.8       |
| Other Current Assets          | 35.0           | 39.7           | 4.7        |
| Tangible Non-Current Assets   | 263.9          | 270.0          | 6.1        |
| Intangible Non-Current Assets | 34.1           | 43.7           | 9.6        |
| Investments in Securities     | 182.0          | 168.3          | -13.8      |
| Investments & Other Assets    | 21.8           | 19.6           | -2.3       |
| Total Assets                  | 968.0          | 936.0          | -32.0      |

Consolidated-basis change: +7.2

 Purchase and investment: +9.9  
 Sales: -10.5  
 Newly consolidated: -7.8  
 At fair value: -6.2

Foreign exchange: -19.7

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**Balance Sheets (Liabilities & Net Assets)**

(Billions of yen)

|                                       | March 31,<br>2015 | March 31,<br>2016 | Difference   |
|---------------------------------------|-------------------|-------------------|--------------|
| Non-Interest-Bearing Liabilities      | 369.6             | 339.5             | -30.0        |
| Interest-Bearing Liabilities          | 63.1              | 52.3              | -10.8        |
| <b>Total Liabilities</b>              | <b>432.7</b>      | <b>391.9</b>      | <b>-40.8</b> |
| Capital Stock etc.                    | 209.2             | 209.2             | -0.1         |
| Retained Earning                      | 265.2             | 295.7             | 30.4         |
| Treasury Stock                        | -21.8             | -26.0             | -4.2         |
| Unrealized Holding Gain on Securities | 43.7              | 40.1              | -3.7         |
| Non-controlling Interests             | 18.6              | 20.6              | 2.0          |
| Other Net Assets                      | 20.3              | 4.6               | -15.7        |
| <b>Total Net Assets</b>               | <b>535.3</b>      | <b>544.2</b>      | <b>8.9</b>   |
| <b>Total Liabilities, Net Assets</b>  | <b>968.0</b>      | <b>936.0</b>      | <b>-32.0</b> |

Net income: +56.7  
Dividends paid: -13.8  
Retirement of treasury stock: -11.8

Purchases of treasury stock: -16.8  
Retirement of treasury stock: 11.8

Foreign currency translation adjustment: -10.6

**Consolidated Cash Flows**

(Billions of yen)

|   | FY2014            | FY2015              |
|---|-------------------|---------------------|
| Operating Activities Cash Flows   | 67.8              | 71.4                |
| Investing Activities Cash Flows   | 4.1* <sup>1</sup> | -23.7* <sup>2</sup> |
| Financing Activities Cash Flows   | -63.9             | -41.7               |
| Net Increase in Cash and Cash Equivalents   | 11.5              | 3.1                 |
| Cash and Cash Equivalents at the End of Term  | 62.8              | 67.1                |
| Free Cash Flow<br>=Operating Activities Cash Flows<br>+Investing Activities Cash Flows<br>-Dividends Paid | 58.8              | 33.4                |

\*<sup>1</sup> Included ¥32.0 billion in (net) proceeds from withdrawal of time deposits

\*<sup>2</sup> Includes ¥23.4 billion in (net) proceeds from withdrawal of time deposits and a ¥12.1 billion decrease for the purchase of EIDIA Co., Ltd.

**Depreciation and Capital Expenditures**

(Billions of yen)

|  | Depreciation |             |            | Capital Expenditures |             |            |
|--|--------------|-------------|------------|----------------------|-------------|------------|
|  | FY2014       | FY2015      | Difference | FY2014               | FY2015      | Difference |
| Housing                                | 6.7          | 8.0         | 1.3        | 9.8                  | 14.4        | 4.6        |
| UIEP                                   | 6.2          | 6.4         | 0.2        | 15.4                 | 8.5         | -6.9       |
| HPP                                    | 16.6         | 18.1        | 1.6        | 17.9                 | 23.5        | 5.6        |
| Others                                 | 1.1          | 1.3         | 0.2        | 2.5                  | 2.5         | -0.1       |
| Eliminations or Unallocatable Accounts | 0.6          | 0.9         | 0.3        | 1.4                  | 1.0         | -0.4       |
| <b>Total</b>                           | <b>31.2</b>  | <b>34.7</b> | <b>3.5</b> | <b>47.0</b>          | <b>49.7</b> | <b>2.7</b> |

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

(Billions of yen)

|                                      | FY2015 | FY2016<br>(Plan) | Difference |
|--------------------------------------|--------|------------------|------------|
| Depreciation                         | 34.7   | 36.0             | 1.3        |
| Capital Expenditures                 | 49.7   | 43.0             | -6.7       |
| Research and Development Expenditure | 31.7   | 35.5             | 3.8        |

(Billions of yen)

|   | FY2015  | FY2016<br>(Plan) | Difference |
|---|---------|------------------|------------|
| Net Sales                               | 1,096.3 | 1,097.0          | 0.7        |
| Operating Income                        | 89.8    | 94.0             | 4.2        |
| Ordinary Income                         | 81.2    | 88.0*            | 6.8        |
| Net Income attributable to Shareholders | 56.7    | 59.0             | 2.3        |
| Dividend per Share (Yen)                | 30      | 32               | 2          |

\*Forex rate assumptions for FY2016 plan are ¥110/US\$ and ¥125/€ (ordinary income base)

# High Performance Plastics Company

**Keita Kato**  
Company President

**Achieved record-high profit and a 14% operating income ratio for a third straight term through “Determination” and “Taking on Challenges”**

**Electronics:** Business struggled from production adjustments for mobile devices caused mainly by China’s slowing economic growth

**Automobiles and Transportation:** High-performance products led the sales growth supported by the stable US and European markets

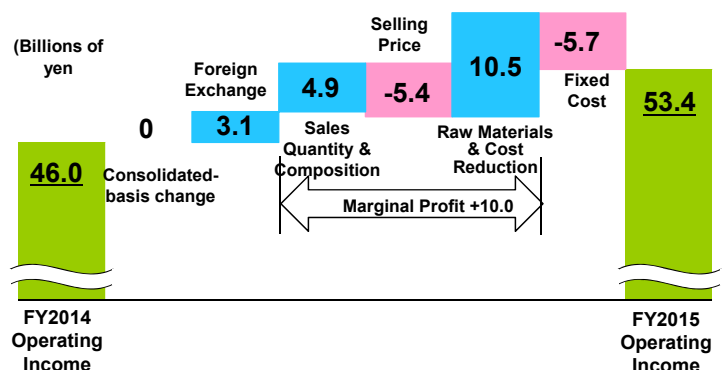
**Building and Infrastructure:** The new CPVC plant in Thailand began production but the business struggled from the market conditions in the Middle East

**Life Science:** Sales expanded steadily for diagnostic reagents and testing equipment. Acquired EIDIA

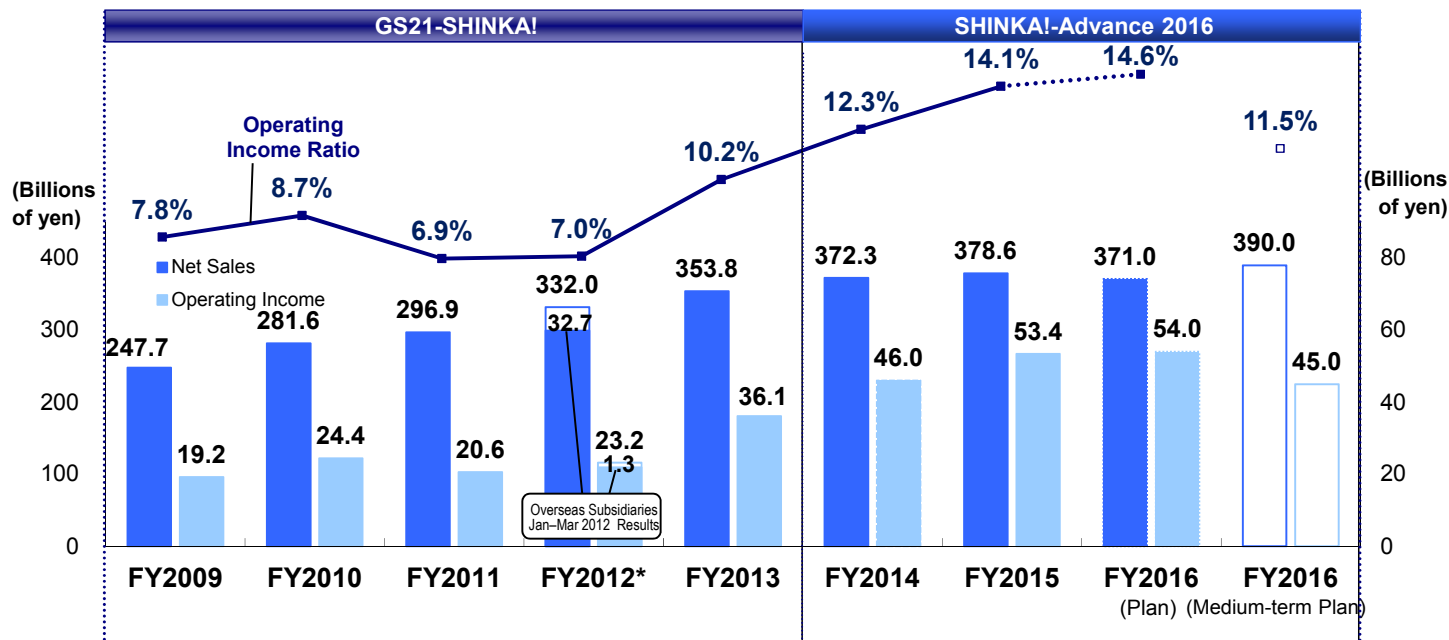
### Overview of FY2015

|                                      | Target                            | Measures                                 | Progress   | Evaluation                   |
|--------------------------------------|-----------------------------------|--|--|------------------------------|
| Growth strategy                      | Fortify the four strategic fields | Return on investment                     | Diagnostic reagent business strengthened with the EIDIA acquisition<br>Invested in expanding the interlayer film plant in Mexico | ○                            |
|                                      |                                   | Increase exports                         | Steadily shifted to the semiconductor field  | ○                            |
|                                      | Strengthen overseas business      | Fortify organization                     | Advanced global purchasing   | ○                            |
|                                      |                                   | New product/new business                 | New product  | New product sales fell short |
| Strengthening of business foundation | Reform business structure         | New business                             | Advanced development of self-luminous interlayer films, etc  | ○                            |
|                                      |                                   | Sales reform                             | Reorganized domestic sales companies and the tape business   | ○                            |
|                                      |                                   | Capital contribution, partnerships, etc. | Integrated film business<br>Sold the overseas packing tape subsidiary  | ○                            |
|                                      |                                   |  | Invested in funds and provided funds to Dexerials Corp.  | ○                            |

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



### Net Sales and Operating Income



#### Medium-term vision

Concentrate investment in the Growth and the Nurturing & Creation stages, and generate profits from standout new products

### Business Policy for FY2016

Make the "Chemical Solutions" into a high-profit company through "Determination" and "Taking on Challenges"

—Complete the current plan and prepare for the next medium-term business plan—

#### ■The Engine of Growth

1. Four strategic fields, 2. Overseas businesses, 3. New product/new business

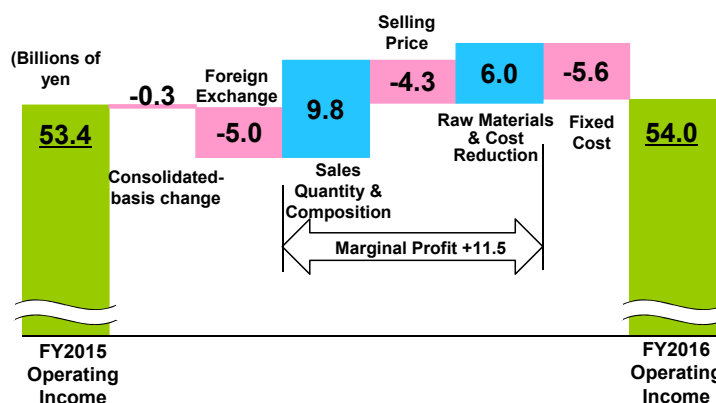
#### ■Strengthening of Business Foundation

1. Safety/Quality/Compliance, 2. Structural reform, 3. Laying the foundation of (overseas) business operation

#### Overview of strategic fields

| Area and Business Field        | Business Environment Outlook  |
|--------------------------------|---|
| Europe                         | Ongoing moderate recovery with slowing manufacturing industry growth                    |
| US                             | Ongoing slow improvement but concern of slowing global economic growth                  |
| China                          | Further economic slowdown and prolonging downside risk                                  |
| Japan                          | Low oil prices but no progress toward economic recovery                                 |
| Electronics                    | Sluggish demand, flat-panel display demand moves to organic LEDs (OLEDs)                |
| Automobiles and Transportation | Steady global automobile market growth  |
| Building and Infrastructure    | Political uncertainty causes stagnant demand in the Middle East                         |
| Life Science                   | Growing diagnostic demand in developing countries, steady demand in developed countries |

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



## The Engine of Growth

### 1. Four Strategic Fields

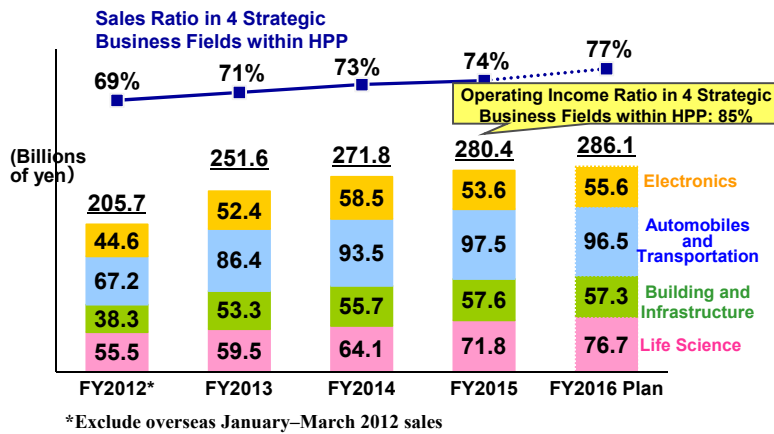
**Electronics:** Shift focus from liquid-crystal materials to the semiconductor and organic EL fields

**Automobiles and Transportation:** Strengthen global partnerships and explore growth frontiers

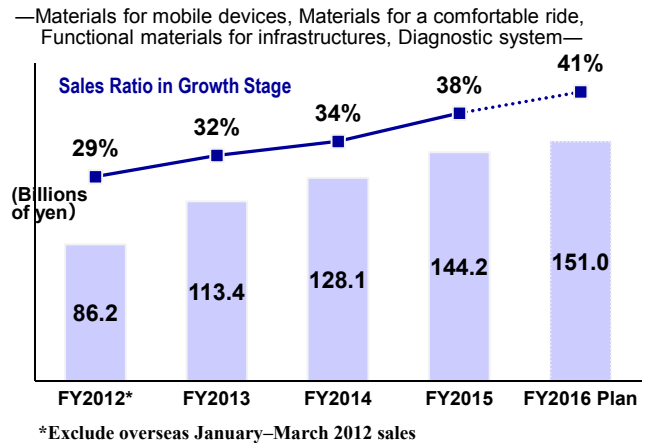
**Building and Infrastructure:** Continue growth and accelerate overseas development for peripheral products of core products

**Life Science:** Activate EIDIA synergies at scheduled April 2017 integration

### Sales in 4 Strategic Fields



### Sales in Growth Stage



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## 2. Overseas businesses

- 1) Increase exports**
  - Step up activities to be a global approved vendor for semiconductors
- 2) Fortify organization**
  - Create an optimal PVA supply chain
- 3. New product/new business**
  - 1) New product**
    - Strengthen plans for promising projects
  - 2) New business**
    - Accelerate commercialize in the management priority areas

## Strengthening of Business Foundation

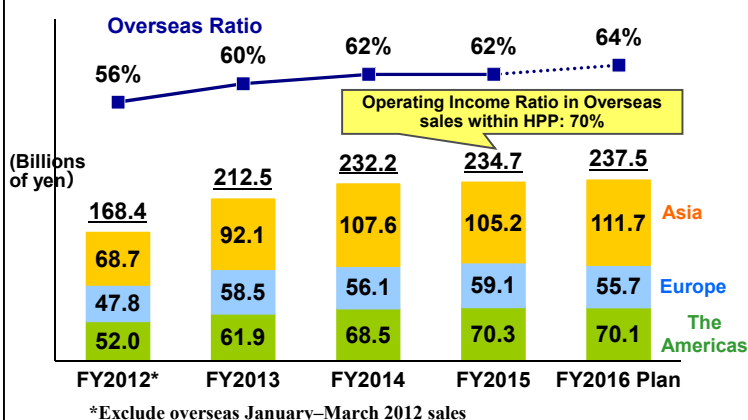
### 1. Business structural reform

- Support the newly integrated film business company
- Use the integrated domestic sales network to strengthen partnerships

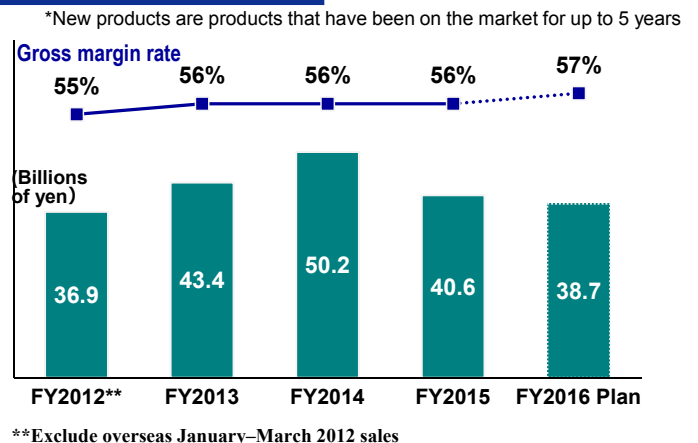
### 2. Strengthen planning

- Use funds to explore new businesses

### Overseas Sales



### New Products Sales\*



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# Housing Company

**Shunichi Sekiguchi**  
**Company President**

■ Sales and profit dropped from an insufficient term-start order backlog and sluggish 1H orders, but 2H sales and the profit improved to roughly even with last year

➤ **Housing Business**

- Improving orders in 2H erased concern of an excessive drop in solar house orders
- The market improved in 4Q supported by the negative interest rate policy and other factors

➤ **Living Environment Business**

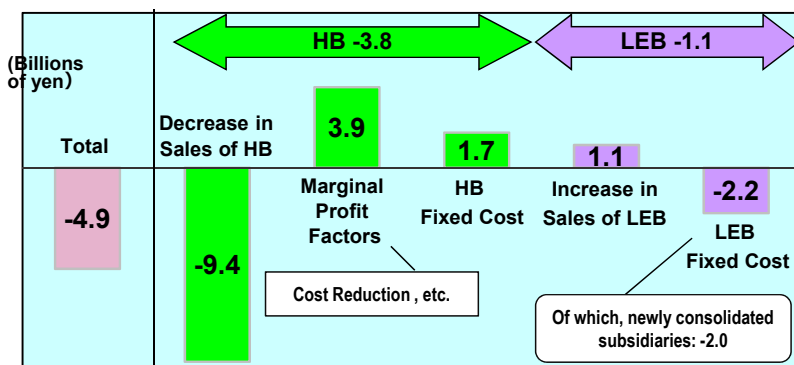
- Sales were on par with the previous fiscal year as sales of mainstay commercial materials made up for slower solar-related demand
- We introduced packaged commercial materials and strengthened the operating structure to augment our ability to product proposals to customers
- Real estate business sales steadily expanded and were up 10% YoY.

■ Progress with cost cuts helped lower the break-even sales point and investment continued to improve production plant efficiency

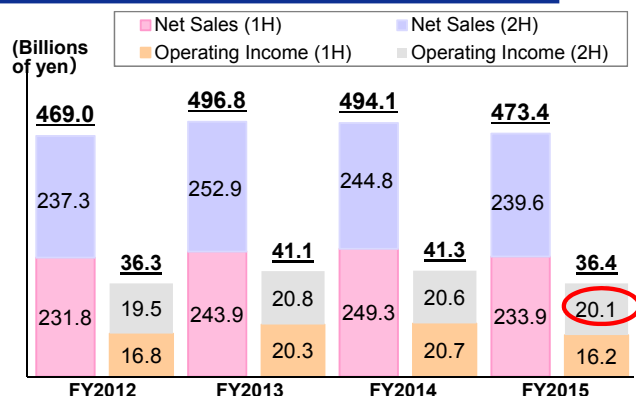
**FY2015 Results**

**Housing Order(Units base, YoY):**  
 even (FY2015), -5% (1H FY2015), +5% (2H FY2015)  
**Living Environment Business Sales(YoY):**  
 even (FY2015), even (1H FY2015), +1% (2H FY2015)

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



**Net Sales and Operating Income (1H, 2H)**



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

## Business Policy for FY2016

**Reestablish a profit growth track by being the leading supplier of smart houses and returning to our original unit product approach**

### ➤Housing Business

- Introduce products geared to specific customer segments (market characteristics, customer segments)

### ➤Living Environment Business

- Introduce new packaged commercial materials to increase the ration of remodeling products\*

\*Remodeling Products: exterior, bath/kitchen, expansion

## FY2016 Market Outlook

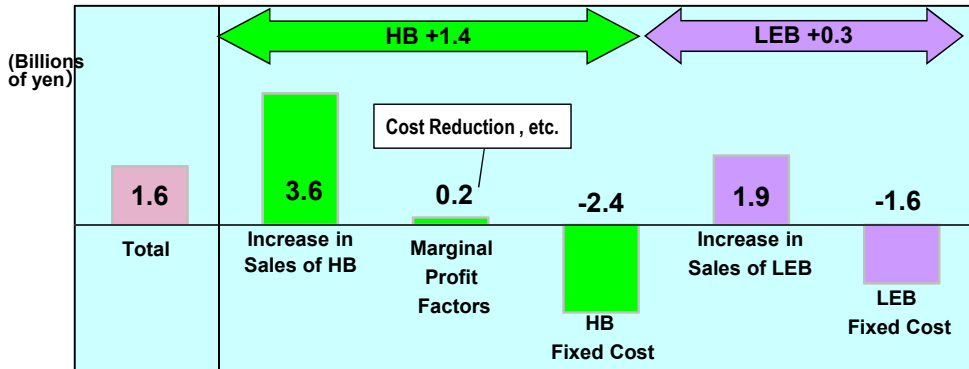
|                                      |   |
|--------------------------------------|---|
| <b>Market Trend</b>                  | Continuation of the 4Q FY2015 market environment<br>Ongoing uncertainty about consumer trends amid concerns of a lower share prices and deflation |
| <b>Impact of Government Policies</b> | Effects of the negative interest rate gradually surface and support a certain amount of demand  |
| <b>Smart house demand</b>            | Growing demand for energy self-sufficiency accompanying the deregulation of the electric power industry   |

## FY2016 Plan

**Housing Order(Units base, YoY):**  
+5% (FY2016), +8% (1H FY2016), +3% (2H FY2016)

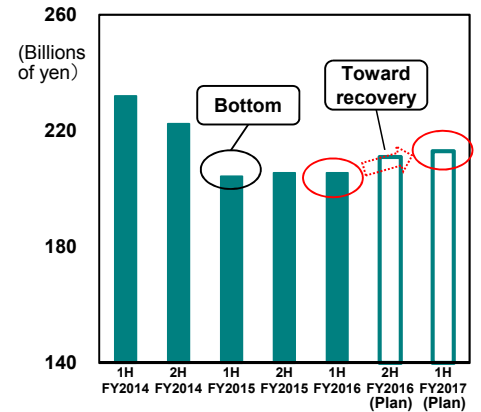
**Living Environment Business Sales(YoY):**  
+3% (FY2016), +2% (1H FY2016), +5% (2H FY2016)

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



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

## Year-start Backlog



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## Strategy to Acquire Housing Orders

### Products

- Increase sales of new regional products (January)
  - SPS Series, *GRAND TO YOU f*
- Extra Security housing complexes (January)
- Launched the Heim G Series for the urban home market in April
  - Sophisticated design, dual family, new-standard HEMS
  - Strengthen zero energy home (ZEH)\* offerings
- Continue developing and bringing to market more cost-performance products

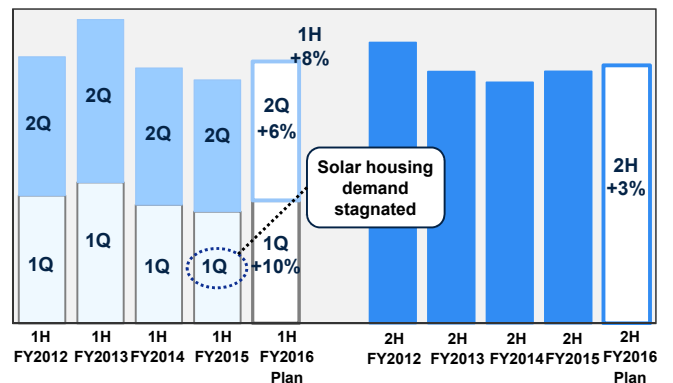
\*Net Zero Energy House (ZEH): A ZEH is designed with the capability of net zero annual primary energy consumption

### Sales Strategy

- Introduce 250 new salespeople
- Introduce 2,400 subdivisions of marketable properties (raise by 26% YoY)

**Step up promotions highlighting the Heim Series 45<sup>th</sup> anniversaries**  
—Simultaneous nationwide plant tours, introduction campaigns, etc.—

## Trend in new housing construction unit orders



## Structural Reform for Fiscal 2017

- Return to the original unit product approach (maximize the in-factory production ratio)
  - Reduce on-site construction by 30% from fiscal 2013 in fiscal 2016
  - Fiscal 2014-15 combined on-site construction was 15% below fiscal 2013
- Optimize the production-supply system
  - Minimize delivery costs for housing units
  - Construct a production-supply system from the perspective of total optimization

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### Strategy to Acquire Renovation Orders

#### Service and Products

- Introduce new packaged commercial materials (remodeling products)
  - Durability reinforcement and exterior refreshment, kitchen/bath and equipment”
- Leverage product packages to lift unit prices and improve operating efficiency

#### Marketing Capabilities

- Introduce 60 new salespeople
- Continue advancing the sales approach by commercial product and home construction year category
- Implement education and training to strengthen the customer relation structure and boost proposal capabilities

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Use the Famis 20th anniversary to increase customer contact  
—Periodic home diagnosis, introduction campaigns, etc.—

### Real Estate Business Strategy

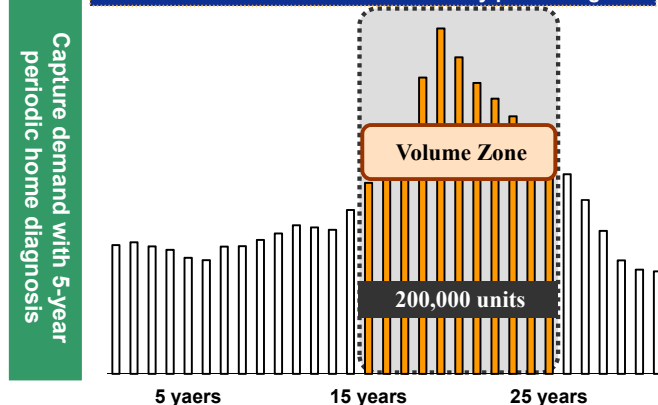
#### Accelerate real estate business growth

FY2016 Sales: +7% (YoY)

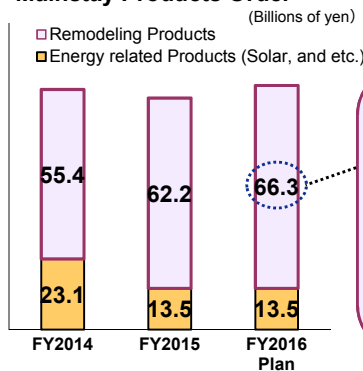
- Take on unmanaged rental properties
- Increase staff for existing home sales

### Structure of Renovation Demand

Sekisui Heim Volume distribution by product age



### Mainstay Products Order



#### Remodeling Products

- Major expansion and renovation
- Bath and kitchen (water-related facilities)
- Exteriors, such as new types of outside walls

# Urban Infrastructure and Environmental Products Company

**Hajime Kubo**  
Company President

The profit improvement progressed in Japan; some structural reform is still needed overseas

### ■ Japan

#### Improved profitability

- Used pricing strategy for customer-based profit management and sales levelization
- Expanded sales of growth products
- Improved cost prices and distribution

#### Structural reform

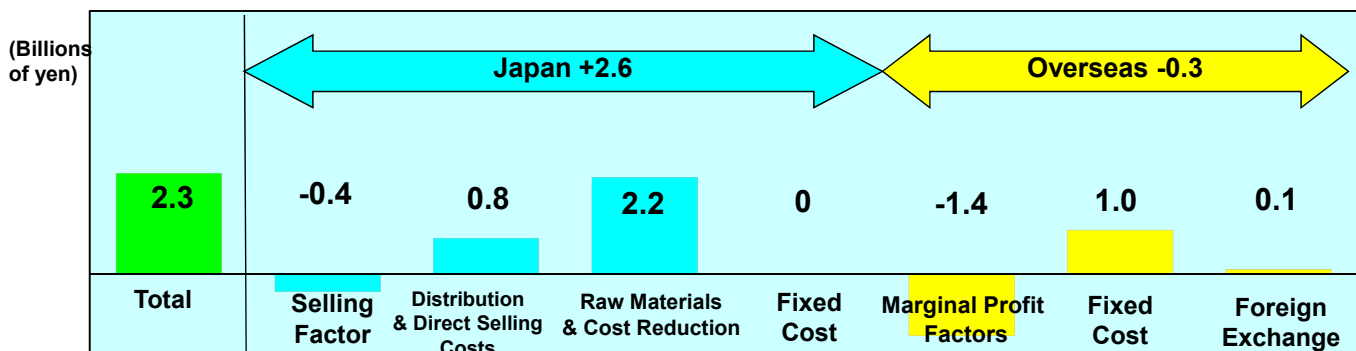
- Reduced distribution inventory

### ■ Overseas

- Decided to implement structural reform in Europe and inland China
- Structural reform in the US temporarily raised costs and is still in progress
- Slowing economic growth caused deteriorating earnings in the Chinese coastal region
- Invested in plant and equipment for the aircraft sheet business (for 1Q FY2016 production start)

| FY2015 Results   |        | (Billions of yen) |            |
|------------------|--------|-------------------|------------|
|                  | FY2014 | FY2015            | Difference |
| Net Sales        | 227.7  | 226.3             | -1.4       |
| Operating Income | 1.3    | 3.6               | +2.3       |

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



## Business Policy for FY 2016

**Coordinate the companies and build up the earnings structure**  
—Complete the structural reform and fortify earning power—

### Japan

- Aggressively invest in high-value-added products and increase investment in development
- Introduce total cost control and implement a comprehensive pricing strategy for higher management efficiency

### Overseas

- In the sheet business, use the new plant as a catalyst to increase sales in the aircraft field
- Expand Industrial piping materials and performance materials sales in Asia, Europe, and the US
- Use added-value products to reorganize the SPR method pipeline rehabilitation business

### Structural Reform

- Pipeline rehabilitation business in the U.S.
- Coastal region business in China
- Low-profit business in Japan

**FY15 → FY16**

(Billions of yen)

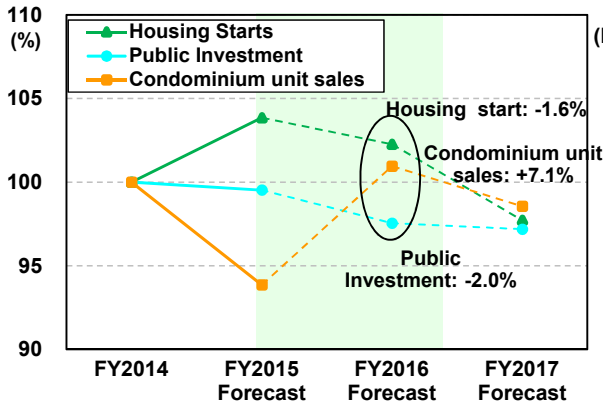
| Structural Reform Effects |     |
|---------------------------|-----|
| Japan                     | 0.8 |
| Overseas                  | 2.4 |

**FY2016 Plan**

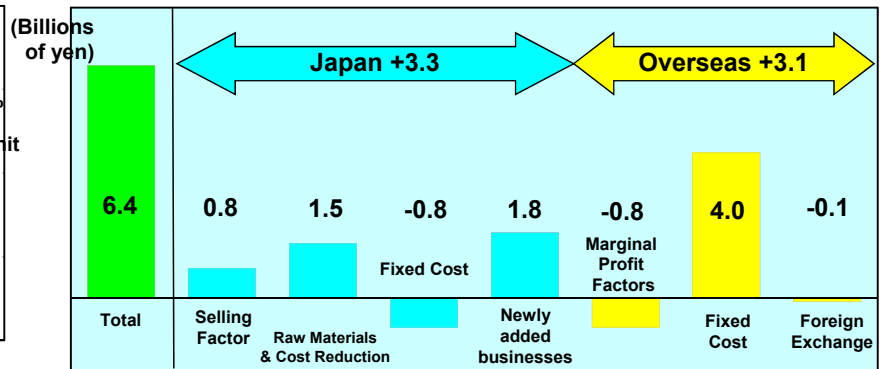
(Billions of yen)

|                  | FY2015 | FY2016 Plan | Difference |
|------------------|--------|-------------|------------|
| Net Sales        | 226.3  | 250.0       | +23.7      |
| Operating Income | 3.6    | 10.0        | +6.4       |

### Market Trend (FY2014=100)



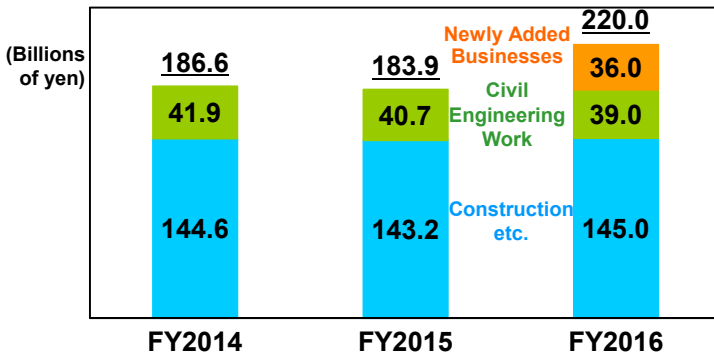
### Analysis of Operating Income for FY2016 (year-on-year)



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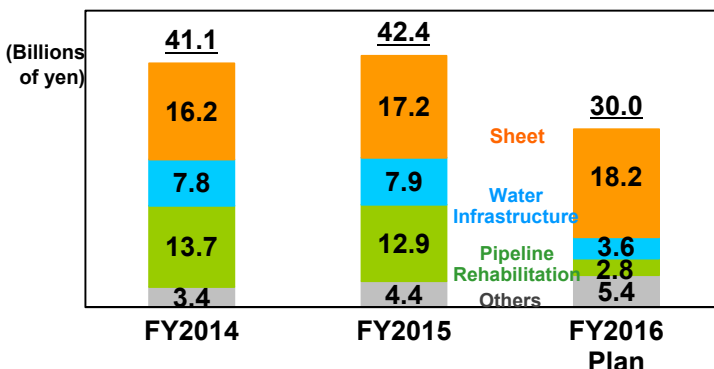
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### Japan Sales



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

### Overseas Sales

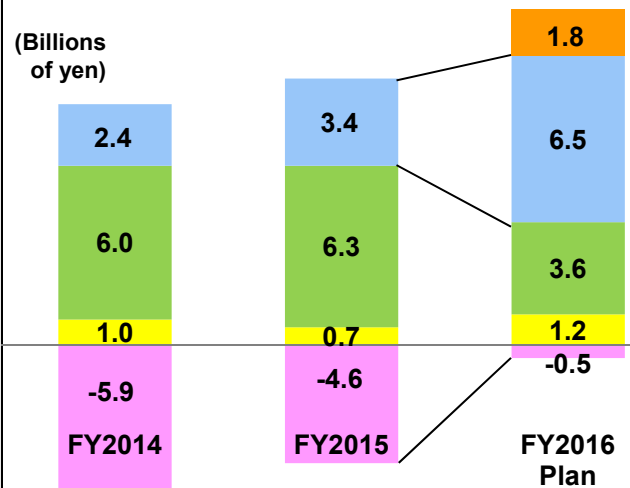


\*Fiscal year 2015 results are revised to reflect the reorganization.

### Operating Income (Business Units, Operating Income Ratio)

#### Newly Added Businesses

- Business Category (I) (Operating Income Ratio: 10% or more)
- Business Category (II) (Operating Income Ratio: 5-10%)
- Business Category (III) (Operating Income Ratio: 0-5%)
- Business Category (IV) (Operating Income Ratio: less than 0%)



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

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|  |   |
|--|---|
| <b>Growth strategy</b>                   | <b>Intensively apply management resources, leverage technologies to expand in high-profit fields and develop overseas markets</b> |
| <b>General-purpose products business</b> | <b>Create fully streamlined operations in anticipation of declining demand in the future</b>                                      |
| <b>Low revenue businesses</b>            | <b>Continue selecting and concentrating businesses and conducting structural reform</b>   |

**Focus Fields**

| Fields                         |                                       | Development   |
|--------------------------------|---------------------------------------|---|
| <b>Pipe Materials</b>          | Construction/<br>Civil Engineering    | Metal alternatives, all-plastic products in the water supply/drainage, air conditioning, fire-fighting fields, existing stock demand  |
|                                | Industrial Piping<br>Materials/Valves | Broaden range of chemical-, corrosion-, and weather-resistant product applications in Japan and overseas markets centering on Southeast Asia  |
| <b>Performance Materials</b>   | FFU                                   | Conduct full-fledged development of potential applications for railway sleepers in Europe and Australia<br>Continue developing applications for SEW, anchor wall, and products other than railway sleepers          |
|                                | Functional Sheet                      | Develop applications for concrete degradation prevention, steel column reinforcement, water and sound resistance, and heat insulation<br>Develop applications for the medical field and electronic component fields |
| <b>Sheet</b>                   | Aircraft                              | Develop applications for the automotive and medical equipment fields (In Japan, for aircraft and other types of vehicles)   |
| <b>Functional Case</b>         | Special Applications                  | Develop applications for the biomedical and electronic materials fields   |
| <b>Technologies to fortify</b> | Material Technology                   | Mixed material and polymerization technology, multilayer and composite formation technology, surface treatment technology   |
|                                | Molding Technology                    | For extrusion machines, injection molding machines, blow molding machines, vacuum forming machines  |

**Advance from the Structural Reform phase to a Growth Acceleration phase**

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

## Housing Company Results and Plan

### 1. Main data in Housing business

|              |   | FY2015 |       |        | FY2014 |       |        | FY2013 |
|--------------|---|--------|-------|--------|--------|-------|--------|--------|
|              |   | 1H     | 2H    | Annual | 1H     | 2H    | Annual | Annual |
| CONSOLIDATED | Sales (Billions of yen)   | 233.9  | 239.6 | 473.4  | 249.3  | 244.8 | 494.1  | 496.8  |
|              | Housing   | 157.8  | 163.4 | 321.2  | 173.0  | 169.3 | 342.3  | 348.5  |
|              | Houses  | 145.6  | 151.6 | 297.1  | 162.8  | 158.3 | 321.1  | 328.8  |
|              | Land  | 10.4   | 10.9  | 21.4   | 9.0    | 9.8   | 18.7   | 19.7   |
|              | Living environment  | 76.0   | 76.2  | 152.2  | 76.3   | 75.5  | 151.8  | 148.3  |
|              | Refurbishing  | 50.2   | 50.2  | 100.4  | 53.9   | 52.0  | 105.9  | 105.7  |
|              | Interior-Exterior   | 2.9    | 2.7   | 5.6    | 2.8    | 2.8   | 5.7    | 5.8    |
|              | Real estate   | 21.2   | 21.6  | 42.8   | 18.8   | 20.0  | 38.8   | 36.8   |
| OTHERS       | 1. Number of houses sold (housing units)  | 6,480  | 6,900 | 13,380 | 7,170  | 7,320 | 14,490 | 14,510 |
|              | Detached houses   | 4,630  | 4,780 | 9,410  | 5,210  | 4,910 | 10,120 | 10,820 |
|              | Heim  | 3,660  | 3,800 | 7,460  | 4,110  | 3,970 | 8,080  | 8,250  |
|              | Two-U   | 970    | 980   | 1,950  | 1,100  | 940   | 2,040  | 2,570  |
|              | Apartments (Housing complexes)  | 1,850  | 2,120 | 3,970  | 1,960  | 2,410 | 4,370  | 3,690  |
|              | 2. Main data  |        |       |        |        |       |        |        |
|              | Prices<Sales subsidiaries : Detached houses>/ Unit (Millions of yen)                      | 30.6   | 30.1  | 30.3   | 30.2   | 30.4  | 30.3   | 30.6   |
|              | Prices<Sales subsidiaries : Detached houses>/ Tsubo (3.3 Square meter) (Thousands of yen) | 805    | 809   | 806    | 792    | 796   | 794    | 794    |
|              | Floor space (Square meter)  | 125.4  | 122.8 | 124.1  | 125.8  | 126.0 | 125.9  | 127.2  |
|              | Exhibition places (Units)   | 425    | -     | 413    | 429    | -     | 425    | 423    |
|              | Sales staff (Number of person)  | 2,503  | -     | 2,395  | 2,549  | -     | 2,488  | 2,376  |
|              | Rebuilding ratio (%)  | 26%    | 28%   | 27%    | 29%    | 29%   | 29%    | 32%    |
|              | Referral sales ratio (%)  | 39%    | 37%   | 38%    | 37%    | 38%   | 38%    | 39%    |

\* Replacement ratio and Referral ratio are based on time of orders-received.

### 2. Housing order

(Millions of yen)

|                       | FY2016 Plan |         |             | FY2015  |         |         | FY2014  |         |         |
|-----------------------|-------------|---------|-------------|---------|---------|---------|---------|---------|---------|
|                       | 1H Plan     | 2H Plan | Annual Plan | 1H      | 2H      | Annual  | 1H      | 2H      | Annual  |
| Backlogs at beginning | 205,500     | 211,000 | -           | 204,300 | 205,500 | -       | 232,000 | 222,400 | -       |
| Growth Rate           | +1%         | +3%     | -           | -12%    | -8%     | -       | +10%    | -9%     | -       |
| New Orders            | 210,795     | 211,193 | 421,988     | 199,914 | 204,391 | 404,304 | 209,943 | 195,011 | 404,954 |
| Growth Rate           | +5%         | +3%     | +4%         | -5%     | +5%     | ±0%     | -15%    | -8%     | -12%    |
| Sales of houses       | 205,295     | 209,193 | 414,488     | 198,714 | 204,391 | 403,104 | 219,543 | 213,111 | 432,654 |
| Growth Rate           | +3%         | +2%     | +3%         | -9%     | -4%     | -7%     | +2%     | -5%     | -2%     |
| Balance at the end    | 211,000     | 213,000 | -           | 205,500 | 205,500 | -       | 222,400 | 204,300 | -       |
| Growth Rate           | +3%         | +4%     | -           | -8%     | +1%     | -       | -9%     | -12%    | -       |

### 3. Housing starts

(in number of unit)

|  | FY2015  |         |         | FY2014  |         |         | FY2013  |
|--|---------|---------|---------|---------|---------|---------|---------|
|  | 1H      | 2H      | Annual  | 1H      | 2H      | Annual  | Annual  |
| Housing starts*                                | 471,845 | 442,155 | 914,000 | 441,367 | 439,103 | 880,470 | 987,254 |
| Privately-owned houses* (included in above) =A | 148,339 | 137,661 | 286,000 | 143,342 | 134,879 | 278,221 | 352,841 |
| Sales by our company                           | 6,480   | 6,900   | 13,380  | 7,170   | 7,320   | 14,490  | 14,510  |
| Detached house sales by our co.=B              | 4,630   | 4,780   | 9,410   | 5,210   | 4,910   | 10,120  | 10,820  |
| Our share in Detached houses=B/A               | 3.1%    | 3.5%    | 3.3%    | 3.6%    | 3.6%    | 3.6%    | 3.1%    |

\*\*“The housing starts” and “Privately owned houses” in 2H and Annual FY2015 are based on a forecast.

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

|  | FY2015 |     |        | FY2014 |     |        | FY2013 |
|--|--------|-----|--------|--------|-----|--------|--------|
|  | 1H     | 2H  | Annual | 1H     | 2H  | Annual | Annual |
| Solar power generation systems installed | 80%    | 79% | 79%    | 85%    | 79% | 82%    | 83%    |
| Tiled exterior wall (Heim type JX)       | 65%    | 66% | 66%    | 65%    | 64% | 64%    | 67%    |
| Built-in storage batteries               | 27%    | 23% | 25%    | 30%    | 24% | 27%    | 33%    |
| Comfortable Air System                   | 67%    | 73% | 70%    | 66%    | 70% | 68%    | 67%    |