

Presentation of Financial Results for the First Quarter of FY2016

Yoshiyuki Hirai

Director

Executive Officer

Head of Business Strategy Department

SEKISUI CHEMICAL CO., LTD.

28 July, 2016

(Billions of yen)

	1Q FY2015	1Q FY2016	Difference
Net Sales	241.2	227.8	-13.4
Operating Income	8.4	11.2	+2.8
Ordinary Income	10.0	6.1	-3.9
Net Income Attributable to Owners of Parent	12.6	0.1	-12.5

- Operating income progressed in excess of plans (YoY impact of foreign exchange approx. -¥1.1 billion)
- Foreign exchange loss of ¥3.4 billion (-¥4.0 billion YoY), structural reform costs for the UIEP Company of ¥1.0 billion, and expenses incurred in response to the Kumamoto earthquake of ¥0.4 billion posted as non-operating expenses
- Profit from the sales of stock of ¥2.2 billion and loss on devaluation of investments in securities of ¥4.5 billion posted as extraordinary income and loss

(Billions of yen)

	1Q FY2015		1Q FY2016		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
HPP*1	94.7	11.7	91.1	15.5	-3.6	+3.8
Housing	94.2	0.3	89.6	-1.8	-4.6	-2.1
UIEP*2	48.9	-2.3	50.5	-0.4	+1.6	+1.9
Others	8.1	-1.1	0.8	-1.9	-7.3	-0.8
Eliminations or Unallocatable Accounts	-4.7	-0.2	-4.3	-0.2	+0.5	0
Total	241.2	8.4	227.8	11.2	-13.4	+2.8

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

Note. Foreign Exchange (Avg. rate): 1Q FY2015 ¥121/US\$ and ¥134/€ 1Q FY2016 ¥108/US\$ and ¥122/€

- **HPP**: progressed in excess of initial plan. Record high profits in the 1Q.
- **Housing**: progressed in accordance with initial plan (Response to the Kumamoto Earthquake factored into plans)
- **UIEP**: progressed in accordance with initial plan (Structural reforms take effect)

(Billions of yen)

	1H FY2015		1H FY2016 (Forecasts)		Difference		1H FY2016 (Initial Plan)	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
HPP	190.1	24.8	175.0	25.5	-15.1	+0.7	183.5	25.5
Housing	233.9	16.2	241.0	17.5	+7.1	+1.3	243.0	17.5
UIEP	107.5	-0.8	112.0	1.5	+4.5	+2.3	115.5	1.5
Others	17.6	-1.6	1.0	-4.0	-16.6	-2.4	1.0	-4.0
Eliminations or Unallocatable Accounts	-10.1	-0.4	-10.0	-0.5	+0.1	-0.1	-10.0	-0.5
Total	538.9	38.2	519.0	40.0	-19.9	+1.8	533.0	40.0

- **HPP**: increase in sales volumes and other factors including improvements in the product mix in the 1Q offset the negative impact of the continued appreciation in the value of the yen (change in 2Q foreign currency exchange rates). As a result, operating income is expected to come in according to initial plans. Record profits on an interim period basis. Record profits on an interim period basis.
- **Housing and UIEP**: operating income is expected to come in according to initial plans.

(Billions of yen)

	1H FY2015	1H FY2016 (Forecasts)	Difference	1H FY2016 (Initial Plan)
Net Sales	538.9	519.0	-19.9	533.0
Operating Income	38.2	40.0	+1.8	40.0
Ordinary Income	39.5	36.0*	-3.5	38.5
Net Income Attributable to Owners of Parent	32.8	24.0	-8.8	26.0
Dividend per Share (Yen)	14	16	+2	16

*Forex rate assumptions for 1H FY2016 forecasts are ¥104/US\$ and ¥114/€ (ordinary income base)

- Downward revision of net sales, ordinary income, and the bottom line to reflect the impact of foreign currency exchange rate trends. Increase in sales volumes and improvements in the product mix offset any negative impact on operating income. As a result, operating income in line with initial plan.

- **The impact of foreign exchange offset by such factors as the increase in sales quantity and improvement in the product mix in the HPP Company; results forecast to progress in accordance with plans**
 - Despite delays in the recovery in demand in the Electronics field, results forecast to exceed plans in the Automotive and Transportation fields
 - Control fixed costs and increase the spread between selling price and raw material costs
- **Continued recovery in domestic business focusing mainly on housing orders**
 - Housing Order(Unit Basis, YoY) 1Q: +8%
 - Ongoing improvement in the marginal profit rate in the UIEP Company in Japan on the back of successful efforts aimed at reforming the portfolio by product and other factors

Analysis of Operating Income for the 1H FY2016 Forecast (YoY)

1H FY2015: 38.2 bn. yen → 1H FY2016 Forecast: 40.0 bn. yen

(Billions of yen)	Sales Quantity & Composition (SQ & C)		Raw Materials & Cost Reduction		Fixed Cost	Other		
	Foreign Exchange	Selling Price	Raw Materials & Cost Reduction	Selling Price				
Total	1.8	-4.6	4.1	-2.9	1.1	0.4		
			-2.5					
1Q performance (YoY)	Total	Foreign Exchange	SQ & C (Overseas and other)	SQ & C (Domestic)	Selling Price	Raw Materials & Cost Reduction	Fixed Cost	Other
	2.8	-1.3	3.7	-3.8	-1.6	2.9	2.4	0.5

* Red dotted line: initial plan
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 ¥104/US\$, ¥114/€ assumption	Each ¥1/US\$ rise lowers operating income by around ¥500 million per year
Resource Prices	Domestic naphtha price assumption at the beginning of the period: ¥36,000/kiloliter 1H prices forecast to trend around ¥ 33,000/kiloliter	Decline to ¥1,000/kiloliter would add around ¥200 million per year to operating income. However, influenced by the resource market and demand. There are instances of a time lag
Brexit	No major impacts other than movements in foreign currency exchange rates in the short term	Demand may change over the medium to long term mainly in the Automotive and Transportation fields
Consumption Tax Hike	Impact not factored in No major change in demand as a result of the decision to postpone the consumption tax rate hike	

	Maturation Period for Strategies and Initiatives	FY2016	FY2017	FY2018-
Frontier	Increase production of automotive high-performance interlayer films (Mexico)			
	Start operations at new CPVC plant in Thailand; steady progress in cultivating new customers; preparations underway to achieve full operations			
	Broaden medical business by acquiring Eidia, establishing a new company in China, and building a new medical facility at Tokuyama Sekisui Industry			
	Aircraft sheet business in the US; production commenced at a new plant in June, currently on a full operating basis			
Strengthen Earning Power	Improve efficiency at the housing production plants; completed renewal work in the Kyushu Factory in June			
	Reform the UIEP Company structure in Japan and overseas; completed the implementation of structural reforms in the US pipeline rehabilitation business			
	Established the HPP Company's film business JV (July-) and consolidate domestic sales companies (April-)			
Co-creation and Innovation	Commercialize of film-type lithium-ion batteries			
	Advance "self-luminous" interlayer films			
	Broaden electronics field business			

*Text shaded in yellow: Initiatives that showed progress during the 1Q; Shaded in light pink: signs that an effect is beginning to emerge; Shaded in dark pink: signs that initiatives have taken effect in earnest.

Progress for 1H

Electronics:

- Sluggish recovery in mobile demand.
- Focus on adoption of new models and expanding sales of products targeting the substrate and semiconductor fields.

Automobiles and Transportation:

- Growth in sales of high-performance products progressing in excess of plan worldwide.

Building and Infrastructure:

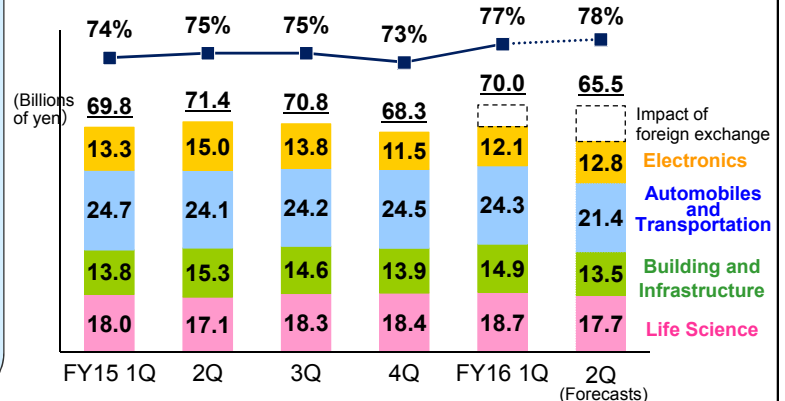
- Slight recovery for CPVC demand in the Middle East. Focus on cultivating new CPVC markets in Asia

Life Science:

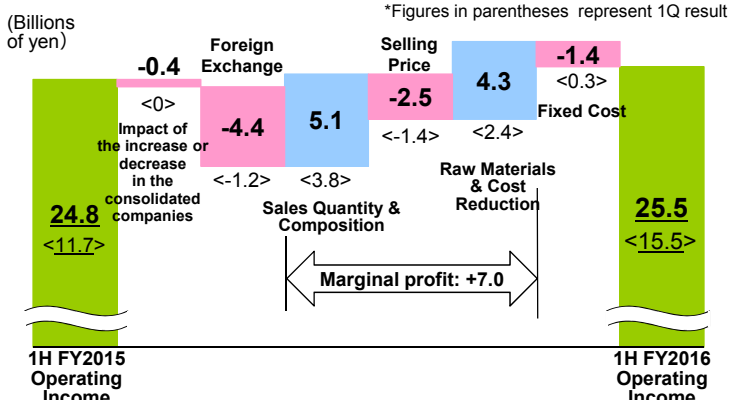
- Steady growth in diagnostic demand in Japan and overseas.
- Commenced steps toward integration with EIDIA

Sales in 4 Strategic Fields

Sales Ratio in 4 Strategic Business Fields within HPP

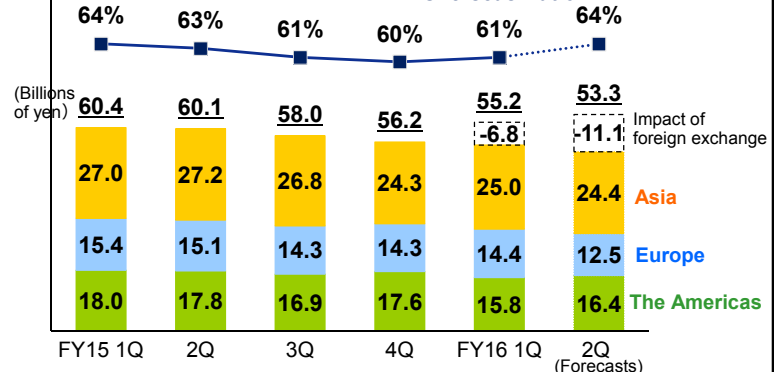


Analysis of Operating Income for 1H FY2016 (year-on-year)



Overseas Sales

Overseas Ratio

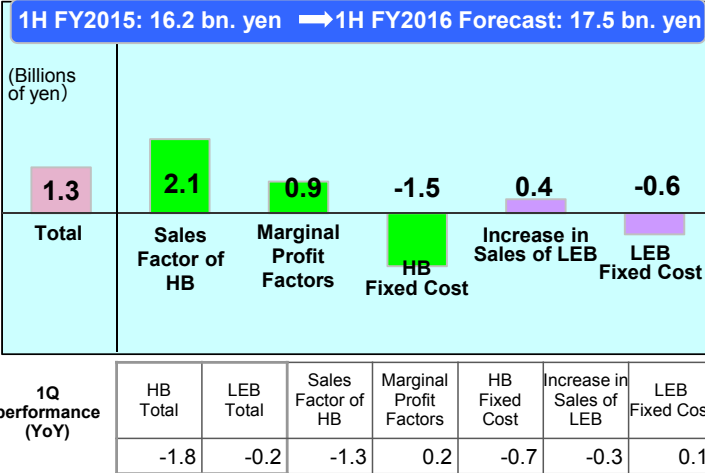


Progress for 1H

- **New Housing order:** progress essentially in line with 1H plans
 - Increase in rebuilding demand mainly in urban and Kyushu areas owing to the effects of the negative interest rate environment
 - Indications that new products are having an effect on customer traffic and contract closings; positive steps to secure built-for-sale housing from the 2Q
- **LEB sales:** essentially in line with the previous year
 - Steady growth in the real estate business; slight delay in securing a recovery in sales in the renovation business
- **The Impact of the Kumamoto earthquake on sales and operating income forecast is immaterial**

HB: Housing Business, LEB: Living Environment Business

Analysis of Operating Income for the 1H FY2016 Forecast (YoY)



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Measures to Acquire Housing Orders in 2Q

Housing Order Plan (Unit Basis, YoY)
1Q: +8%, 2Q(plan): +8%, 1H(plan): +8%

Living Environment Business sales (YoY)
1Q: -3%, 2Q(plan): +2%, 1H(plan): even

HB

■ Market trends in the 2Q essentially unchanged from the 1Q

Product

- Expand sales in earnest of the Heim G Series (launched at the end of April) targeting the urban rebuilding market
- Increase the release of new own land and ready-built properties
-New own land: +17%, ready-built properties: 28% (2Q, YoY)
- Promote the closing of contracts based on simultaneous nationwide plant tours

Attracting and Cultivating Customers

- Strengthen online and TV advertising
- Renew nationwide exhibition facilities
- Strengthen sales and marketing through introductions

LEB

Commercial Materials

- Strengthen proposal capabilities through three new housing renovation-related packaged commercial materials (launched in July); durability reinforcement and exterior refreshment, kitchen/bath and equipment, and V to Heim.

Customer Relation

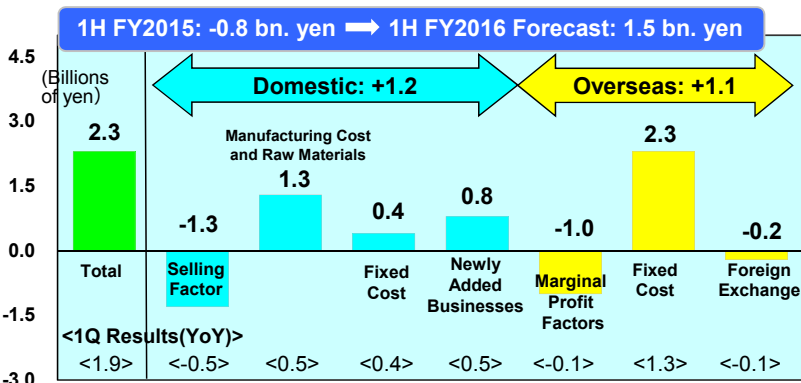
- Continue to strengthen points of contact with customers; strengthen activities designed to cultivate customers including events aimed at attracting customers held simultaneously nationwide and introductory sales

- 8 -

Progress for 1H

- **Japan**
 - Firm housing start trends
 - Improvement in the spread between selling price and raw material costs as a result of earnings improvement activities (including introduction of the total production cost method)
- **Overseas**
 - Sheet business: production commenced at a third aircraft sheet plant in the US in line with plans
 - Industrial materials and functional materials: focus on expanding sales
- **Structural Reform**
 - Pipeline rehabilitation business: completed structural reforms in the US; work toward a growth phase in the future
 - Coastal region business in China: established a joint-venture company in the water supply business (Tsingtao). Commenced implementing structural reforms in the FRP tank business

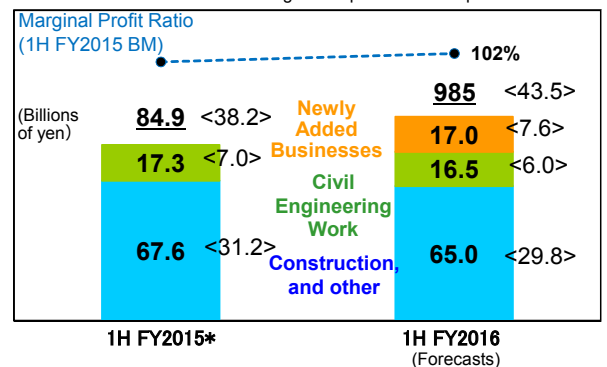
Analysis of Operating Income for the 1H FY2016 Forecast (YoY)



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Japan Sales

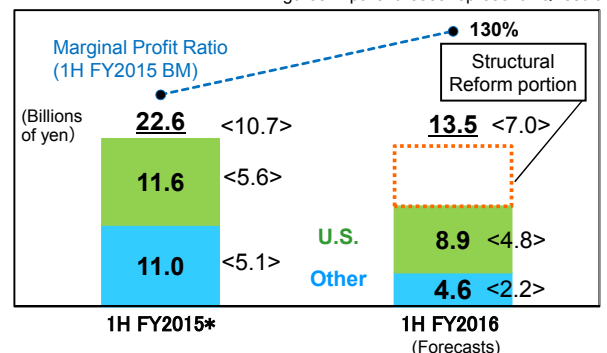
*Figures in parentheses represent 1Q result



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

Overseas Sales

*Figures in parentheses represent 1Q result



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

- 9 -

Financial Results for the First Quarter of FY2016

Moritoshi Naganuma
Executive Officer
Head of Corporate Finance & Accounting Department

Number of Consolidated Companies

	March 31, 2016	June 30, 2016	Difference
Consolidated Subsidiaries	155	150	Increased: 0 Subsidiaries Decreased: 5 Subsidiaries
Affiliates (Equity Method)	8	7	Decreased: 1 Subsidiary

Influence of Change in the Number of Consolidated Companies

(Billions of yen)

Net Sales	-1.8	EIDIA*1, Sekisui SPR Europe*2 and etc.
Operating Income	+0.3	

*1: Newly consolidated from the fourth quarter of FY2015

*2: Removed from consolidation from the fourth quarter of FY2015

Summary of Profit and Loss

(Billions of yen)

	1Q of FY2015	1Q of FY2016	Difference	
Net Sales	241.2	227.8	-13.4	
Gross Profit	72.5	75.0	2.5	
Gross Profit Rate	30.1%	32.9%	2.9%	
Selling, Gen. and Admin. Expenses	64.2	63.8	-0.3	
Operating Income	8.4	11.2	2.8	
Equity in Earnings of Affiliates	0.1	0.1	-0	
Other Non-operating Income and Expenses	1.5	-5.2	-6.7	
Ordinary Income	10.0	6.1	-3.9	
Extraordinary Income	10.3	2.2	-8.1	
Extraordinary Loss	0.4	4.6	4.3	
Income before Income Taxes	20.0	3.7	-16.3	
Corporate Income Tax, etc.	7.3	3.3	-4.1	
Net Income Attributable to Non-controlling Interests	0.1	0.4	0.3	
Net Income Attributable to Owners of Parent	12.6	0.1	-12.5	
Foreign Exchange (Avg. rate)	1US\$	121yen	108yen	-13yen
	1€	134yen	122yen	-12yen

Foreign exchange gain and loss: -4.0

Structural reforms in the pipeline rehabilitation business in the US : -1.0

Gain on sales of securities

Loss on devaluation of investments in securities: 4.5

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-12-

Balance Sheets (Assets)

(Billions of yen)

	March 31, 2016	June 30, 2016	Difference
Cash and Deposits	68.0	71.8	3.8
Account Receivable on Sales	176.0	153.7	-22.3
Inventories	150.8	164.6	13.8
Other Current Assets	39.7	40.9	1.2
Tangible Non-Current Assets	270.0	265.3	-4.6
Intangible Non-Current Assets	43.7	41.5	-2.2
Investments in Securities	168.3	153.6	-14.7
Investments & Other Assets	19.6	21.5	2.0
Total Assets	936.0	913.0	-23.0

Sales: -2.9

At fair value: -7.3

Loss on devaluation of investments in securities: -4.5

Foreign exchange: -24.3

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-13-

Balance Sheets (Liabilities & Net Assets)

(Billions of yen)

	March 31, 2016	June 30, 2016	Difference
Non-Interest-Bearing Liabilities	339.5	331.2	-8.4
Interest-Bearing Liabilities	52.3	70.8	18.5
Total Liabilities	391.9	402.0	10.1
Capital Stock etc.	209.2	209.2	0
Retained Earning	295.7	287.8	-7.8
Treasury Stock	-26.0	-29.9	-4.0
Unrealized Holding Gain on Securities	40.1	34.8	-5.3
Non-controlling Interests	20.6	19.6	-1.0
Other Net Assets	4.6	-10.5	-15.1
Total Net Assets	544.2	511.0	-33.2
Total Liabilities, Net Assets	936.0	913.0	-23.0

Net income: +0.1

Dividends paid: -7.8

Purchases of treasury stock: -4.3

Foreign currency translation adjustment: -15.3

Consolidated Cash Flows

(Billions of yen)

	1Q of FY2015	1Q of FY2016
Operating Activities Cash Flows	4.1	10.6
Investing Activities Cash Flows	14.8*1	-5.9*2
Financing Activities Cash Flows	-12.0	5.9
Net Increase in Cash and Cash Equivalents	7.1	3.9
Cash and Cash Equivalents at the End of Term	71.1	71.0
Free Cash Flow =Operating Activities Cash Flows +Investing Activities Cash Flows -Dividends Paid	11.8	-3.3

*1 Includes 3.3 billion yen in (net) proceeds from withdrawal of time deposits and 20.7 billion yen in proceeds from sales of investments in securities

*2 Includes 5.2 billion yen in proceeds from sales of investments in securities

Depreciation and Capital Expenditures

(Billions of yen)

	FY2015		FY2016		Difference	
	1Q	Annual	1Q	Annual (Forecasts)	1Q	Annual
Depreciation	8.1	34.7	8.4	36.0	0.3	1.3
Capital Expenditures	11.5	49.7	12.3	43.0	0.9	-6.7

(Billions of yen)

	1H of FY2015	1H of FY2016 (Forecasts)	Difference	1H of FY2016 (Initial Plan)
Net Sales	538.9	519.0	-19.9	533.0
Operating Income	38.2	40.0	1.8	40.0
Ordinary Income	39.5	36.0*	-3.5	38.5
Net Income Attributable to Owners of Parent	32.8	24.0	-8.8	26.0
Dividend per Share (Yen)	14	16	2	16

* Forex rate assumptions for 1H FY2016 forecasts are ¥104/US\$ and ¥114/€ (ordinary income base)

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

		FY2016		FY2015		
		1Q	1H (Forecasts)	1Q	1H	2H
CONSOLIDATED	Sales (Billions of yen)	89.6	241.0	94.2	233.9	239.6
	Housing	56.6	164.9	60.3	157.8	163.4
	Houses	51.7	151.7	55.0	145.6	151.6
	Land	4.6	12.0	4.5	10.4	10.9
	Living environment	33.0	76.1	33.9	76.0	76.2
	Refurbishing	20.7	49.0	21.8	50.2	50.2
	Interior-Exterior	1.2	2.9	1.1	2.9	2.7
Real estate	10.4	22.4	10.2	21.2	21.6	
OTHERS	1. Number of houses sold (housing units)	2,200	6,750	2,380	6,480	6,900
	Detached houses	1,720	4,750	1,810	4,630	4,780
	Heim	1,360	3,790	1,430	3,660	3,800
	Two-U	360	960	380	970	980
	Apartments (Housing complexes)	480	2,000	570	1,850	2,120
	2. Main data					
	Prices<Sales subsidiaries : Detached houses>/ Unit (Millions of yen)	30.4	-	30.4	30.6	30.1
	Prices<Sales subsidiaries : Detached houses>/ Tsubo (3.3 Square meter) (Thousands of yen)	811	-	797	805	809
	Floor space (Square meter)	123.7	-	125.9	125.4	122.8
	Exhibition places (Units)	-	413	-	425	413
	Sales staff (Number of person)	2,558	2,515	2,567	2,503	2,395
Rebuilding ratio (%)	29%	26%	25%	26%	28%	
Referral sales ratio (%)	37%	39%	38%	39%	37%	

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

2. Housing order

(Millions of yen)

	FY2016		FY2015			FY2014	
	1Q	1H (Forecasts)	1Q	1H	2H	1H	2H
Backlogs at beginning	205,500	-	204,300	204,300	205,500	232,000	222,400
Growth Rate	+1%	-	-12%	-12%	-8%	+10%	-9%
New Orders	91,793	209,120	87,311	199,914	204,391	209,943	195,011
Growth Rate	+5%	+5%	-3%	-5%	+5%	-15%	-8%
Sales of houses	73,593	203,620	77,911	198,714	204,391	219,543	213,111
Growth Rate	-5%	+3%	-25%	-9%	-4%	+2%	-5%
Balance at the end	223,700	211,000	213,700	205,500	205,500	222,400	204,300
Growth Rate	+5%	+3%	-2%	-8%	+1%	-9%	-12%

3. Housing starts

(in number of unit)

	FY2016		FY2015		
	1Q	1H (Forecasts)	1Q	1H	2H
Housing starts*	249,126	470,000	235,455	471,845	448,692
Privately-owned houses* (included in above) =A	73,568	150,000	72,479	148,339	136,102
Sales by our company	2,200	6,750	2,380	6,480	6,900
Detached house sales by our co.=B	1,720	4,750	1,810	4,630	4,780
Our share in Detached houses=B/A	2.3%	3.2%	2.5%	3.1%	3.5%

**The housing starts* and "Privately-owned houses" after 1Q of FY2016 are based on forecasts.

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

	FY2016		FY2015		
	1Q	1H (Forecasts)	1Q	1H	2H
Solar power generation systems installed	76%	78%	80%	80%	79%
Tiled exterior wall (Heim type JX)	66%	66%	64%	65%	66%
Built-in storage batteries	23%	23%	27%	27%	23%
Comfortable Air System	74%	75%	67%	67%	73%