

**Presentation of Financial Results and  
 Progress under Management Plan**  
 for the Second Quarter of Fiscal Year 2017, which ending March 31, 2018

**Teiji Koge**  
 President

30 October, 2017

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## Results for 1H FY2017

Forex Rate	1H FY2016	1H FY2017	FY2017 Initial Plan
<b>Assumption</b>	¥111/US\$ ¥125/€	¥112/US\$ ¥123/€	¥113/US\$ ¥121/€
<b>Results</b> (Avg. rate for each term)	¥105/US\$ ¥118/€	¥111/US\$ ¥126/€	-

## Overview of 1H FY2017 Results

- Substantial increase in sales; record highs at each level of 1H profit
- Results for each level of profit exceeded plans

(Billions of yen)	1H FY2016		1H FY2017		Difference		1H FY2017 Plan (July 2017)		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Net Sales	517.9		534.1		+16.3		535.0		-0.9	
Operating Income	43.7		46.0		+2.3		44.5		+1.5	
Ordinary Income	40.0		48.6		+8.6		43.5		+5.1	
Net Income Attributable to Owners of the Parent	26.1		34.2		+8.1		28.0		+6.2	
Dividend per Share (Yen)	16		19*		+3		19*		0	

\*Including 70th anniversary commemorative dividend of 1 yen per share.

## 1H FY2017 Results: Net Sales and Operating Income by Divisional Company

- Achieved increase in sales and profits at all three divisional companies
- Operating income at the HPP and UIEP companies exceeded plans

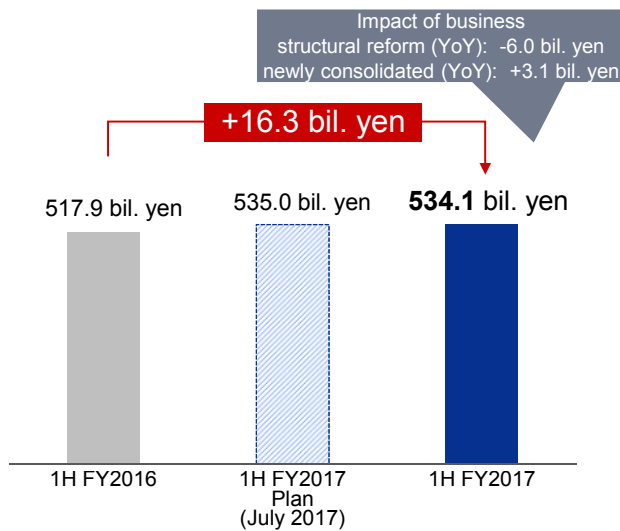
(Billions of yen)	1H FY2016		1H FY2017		Difference		1H FY2017 Plan (July 2017)		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
HPP*	176.7	27.5	185.5	28.8	+8.8	+1.3	184.0	28.0	+1.5	+0.8
Housing*	237.7	17.2	244.4	17.8	+6.7	+0.6	246.0	18.0	-1.6	-0.2
UIEP*	112.0	3.2	112.1	4.8	+0	+1.7	112.0	4.0	+0.1	+0.8
Others	1.3	-3.9	2.7	-4.8	+1.4	-1.0	3.0	-5.0	-0.3	+0.2
Eliminations or Unallocatable Accounts	-9.9	-0.4	-10.6	-0.6	-0.7	-0.3	-10.0	-0.5	-0.6	-0.1
Total	517.9	43.7	534.1	46.0	+16.3	+2.3	535.0	44.5	-0.9	+1.5

\*HPP: High Performance Plastics Company, Housing: Housing Company, UIEP: Urban Infrastructure & Environmental Products Company

# 1H FY2017 Results: Analysis of Net Sales and Operating Income

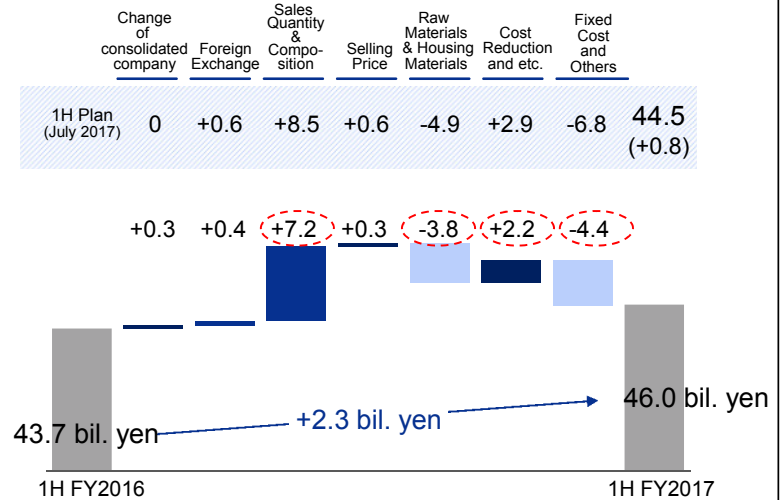
- Substantial increase in sales volume and improvement in the product mix led mainly by the HPP Company
- High raw material costs essentially offset by product prices and reductions in other costs; controlled fixed costs in areas other than growth investments

## Net Sales



- Increased by 19.2 billion yen on the actual basis excluding the impact of business structural reform and newly consolidated

## Analysis of Operating Income



## 2H FY2017 Forecasts and Revised Annual Plan

Forex Rate	2H FY2016	2H FY2017	FY2017 Initial Plan
Assumption	¥109/US\$ ¥113/€	¥110/US\$ ¥130/€	¥113/US\$ ¥121/€
Results (Avg. rate for each term)	¥111/US\$ ¥119/€	-	-

## FY 2017: Overview of Revised Plan

- Substantial increase in sales and profits; plan to reach record high at each level profits (operating income and the bottom line for a fifth straight term)
- Upward revision of initial plans for ordinary income and the bottom line
- Plans for an increase in dividends for an eighth straight term

(Billions of yen)	FY2016 Results	FY2017 Revised Plan	Difference	FY2017 Plan (Apr. 2017)	Difference
	Net Sales	1,065.8	1,114.0	+48.2	1,104.0
Operating Income	96.5	102.0	+5.5	102.0	0
Ordinary Income	91.5	101.0	+9.5	97.0	+4.0
Net Income Attributable to Owners of the Parent	60.9	67.0	+6.1	63.0	+4.0
Dividend per Share (Yen)	35	38*	+3	38*	0

\*Including 70th anniversary commemorative dividend of 1 yen per share.

## FY2017 Forecasts: Net Sales and Operating Income by Divisional Company

- Projecting an increase in sales and profits at all three divisional companies
- Upward revision of initial HPP and UIEP Company plans for operating income
- Ramp up research and development investments Group-wide

(Billions of yen)	FY2016 Results		FY2017 Revised Plan		Difference		FY2017 Plan (Apr. 2017)		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
HPP	357.5	54.5	388.0	59.0	+30.5	+4.5	375.0	58.0	+13.0	+1.0
Housing	485.0	37.5	500.0	39.0	+15.0	+1.5	500.0	39.0	0	0
UIEP*	240.3	12.8	241.0	15.0	+0.7	+2.2	243.0	14.5	-2.0	+0.5
Others	2.7	-7.6	6.0	-9.5	+3.3	-1.9	6.0	-8.5	0	-1.0
Eliminations or Unallocatable Accounts	-19.8	-0.8	-21.0	-1.5	-1.2	-0.7	-20.0	-1.0	-1.0	-0.5
Total	1,065.8	96.5	1,114.0	102.0	+48.2	+5.5	1,104.0	102.0	+10.0	0

## 2H FY2017 Forecasts: Net Sales and Operating Income by Divisional Company

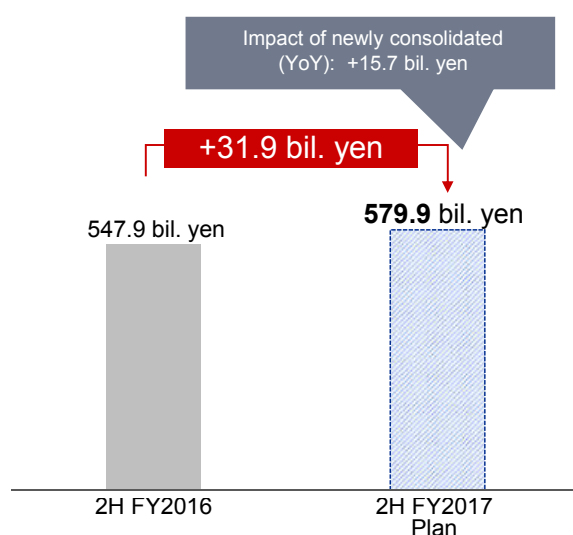
- Projecting an increase in sales and profits at all three divisional companies

(Billions of yen)	2H FY2016 Results		2H FY2017 Revised Plan		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
HPP	180.8	27.0	202.5	30.2	+21.7	+3.2
Housing	247.3	20.4	255.6	21.2	+8.3	+0.8
UIEP	128.3	9.6	128.9	10.2	+0.6	+0.5
Others	1.4	-3.8	3.3	-4.7	+1.8	-0.9
Eliminations or Unallocatable Accounts	-9.9	-0.5	-10.4	-0.9	-0.5	-0.4
Total	547.9	52.8	579.9	56.0	+31.9	+3.2

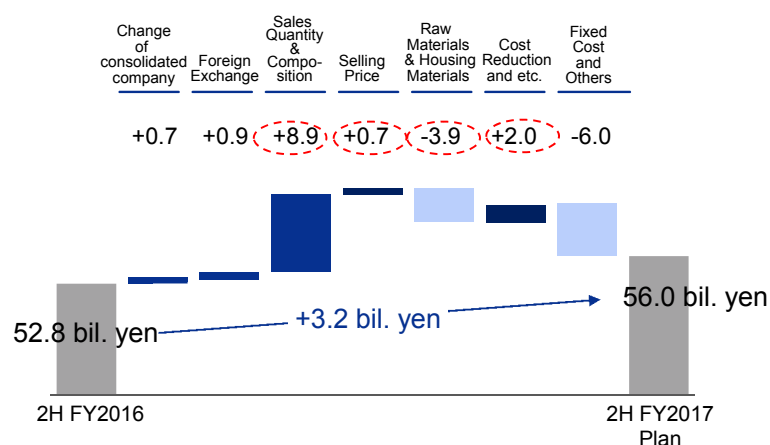
## 2H FY2017 Plan: Analysis of Net Sales and Operating Income

- Continue to substantially increase sales volume and improve the product mix
- Hedge against high raw material costs through selling prices and cost reduction; ramp up growth investments

Net Sales



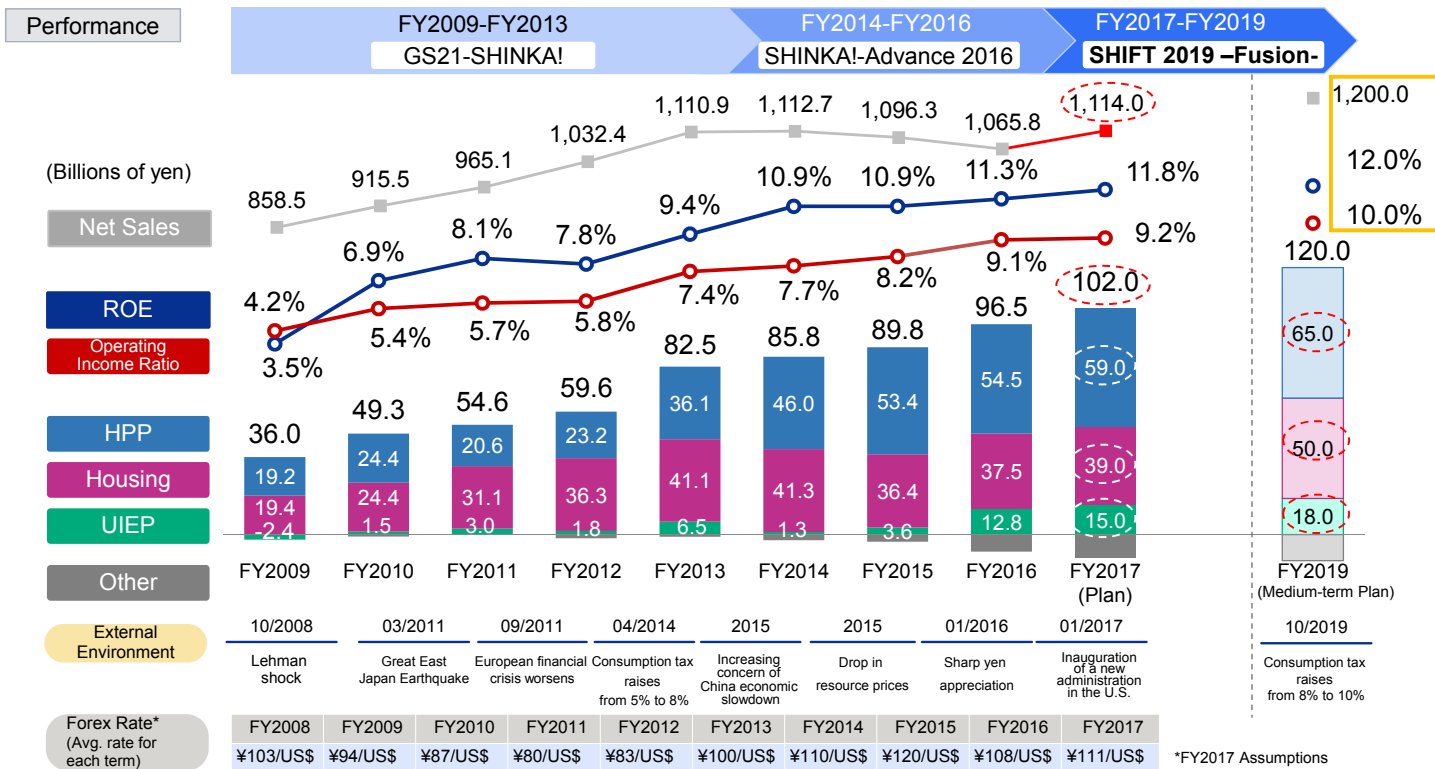
Analysis of Operating Income



• Increased by 16.2 billion yen on the actual basis excluding the impact of newly consolidated

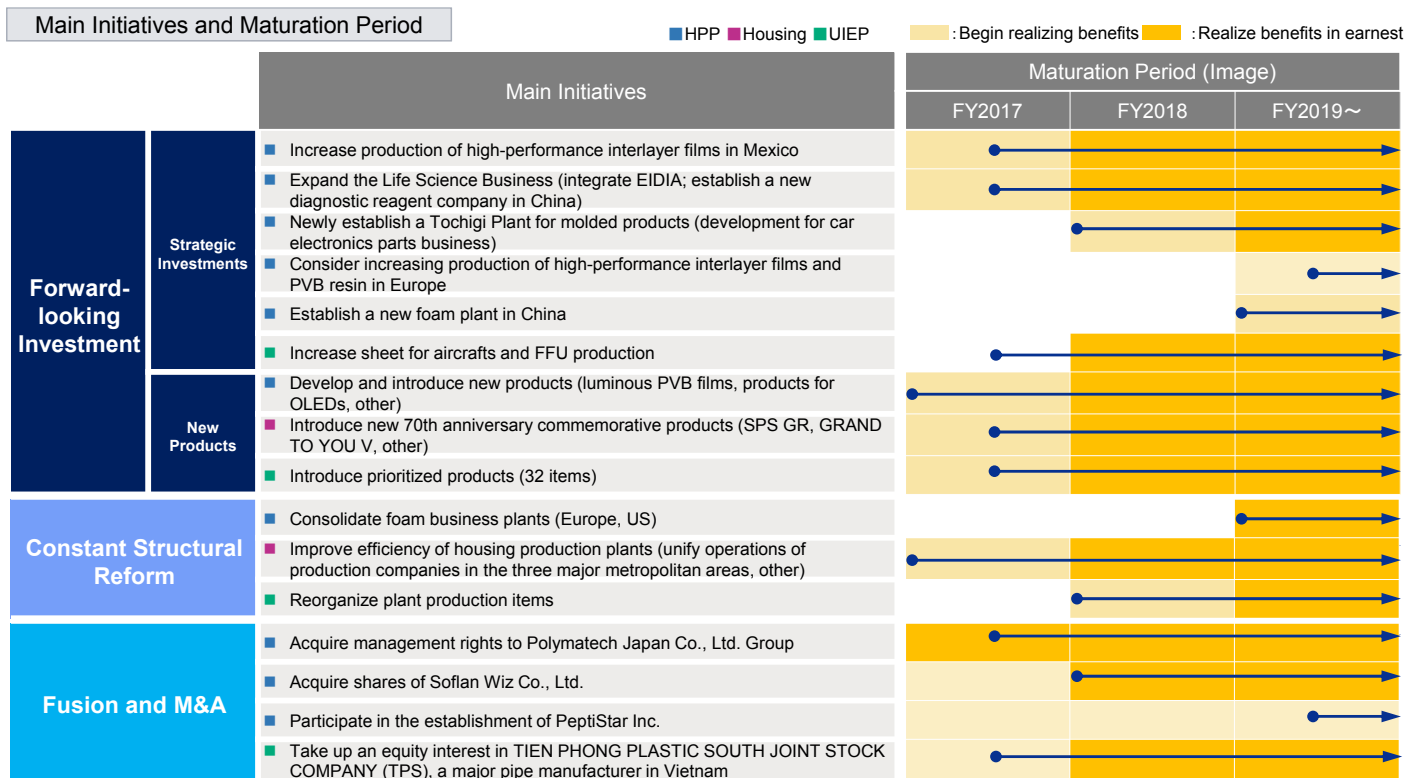
# Progress of Medium-term Management Plan "SHIFT 2019 -Fusion-"

- Projecting an increase in operating income for a ninth straight term; expected to reach a record high profit for a fifth straight term
- Steady start toward achieving the Medium-term Management Plan



# Progress of Medium-term Management Plan "SHIFT 2019 -Fusion-"

- Forward-looking investments and structural reforms progressing steadily
- "Fusion" initiatives aimed at accelerating growth moving forward



## Consolidated Companies

### Number of Consolidated Companies

	Mar. 31, 2017	Sep. 30, 2017	Difference
Consolidated Subsidiaries	143	151	Increased: 16 Subsidiaries* <sup>1</sup> Decreased: 8 Subsidiaries* <sup>2</sup>
Affiliates (Equity Method)	8	8	Increased: 0 Subsidiaries Decreased: 0 Subsidiaries

\*1: ENAX, INC., Polymatech Japan Co., Ltd. and etc.

\*2: Includes the integration of three Sekisui Heim Real Estate companies into a single company and four Sekisui Heim Industry companies into a separate single company.

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

	1H FY2017	Difference
Net Sales	-3.2 bil. yen	<ul style="list-style-type: none"> <li>• Sekisui Film*<sup>3</sup></li> <li>• Nippon No-Dig Technology*<sup>4</sup></li> <li>• SEKISUI KNT(HEBEI) ENVIRONMENTAL TECHNOLOGY*<sup>4</sup></li> </ul>
Operating Income	+0.3 bil. yen	<ul style="list-style-type: none"> <li>• Polymatech Japan Co., Ltd. *<sup>5</sup> and etc.</li> </ul>

\*3: Removed from consolidation from 2Q FY2016

\*4: Removed from consolidation from 4Q FY2016

\*5: Newly Consolidated from 2Q FY2017

## Summary of Profit and Loss

(Billions of yen)	1H FY2016	1H FY2017	Difference	
Net Sales	517.9	534.1	+16.3	
Gross Profit	171.3	173.9	+2.6	
Gross Profit Rate	33.1%	32.6%	-0.5%	
Selling, Gen. and Admin. Expenses	127.6	127.9	+0.3	
Operating Income	43.7	46.0	+2.3	
Equity in Earnings of Affiliates	1.5	1.4	0	
Other Non-operating Income and Expenses	-5.1	1.2	+6.3	Foreign exchange gain and loss ▶ 4.2 bil. yen
Ordinary Income	40.0	48.6	+8.6	
Extraordinary Income	6.9	2.5	-4.4	Gain on sales of investments in securities (1H FY2016)
Extraordinary Loss	8.3	0.9	-7.4	Loss on devaluation of investments in securities and impact of business structural reform (1H FY2016)
Income before Income Taxes	38.6	50.2	+11.6	
Corporate Income Tax, etc.	11.6	13.7	+2.1	
Net Income Attributable to Non-controlling Interests	0.9	2.2	+1.3	
Net Income Attributable to Owners of the Parent	26.1	34.2	+8.1	
Foreign Exchange (Avg. rate)	1US\$	105 yen	111 yen	
	1€	118 yen	126 yen	

## Balance Sheets (Assets)

(Billions of yen)	Mar. 31, 2017	Sep. 30, 2017	Difference	
Cash and Deposits	109.9	89.7	-20.2	
Account Receivable on Sales	164.1	173.2	+9.1	
Inventories	153.6	165.7	+12.1	
Other Current Assets	38.6	43.3	+4.7	
Tangible Non-Current Assets	261.8	274.5	+12.7	
Intangible Non-Current Assets	39.6	46.0	+6.4	At fair value, and etc.
Investments in Securities	156.9	167.0	+10.0	
Investments & Other Assets	19.3	18.3	-1.0	
Total Assets	943.6	977.5	+33.8	Influence of Change of Consolidated Companies ▶ 20.0 bil. yen Foreign exchange ▶ 10.7 bil. yen



## Balance Sheets (Liabilities & Net Assets)

(Billions of yen)	Mar. 31, 2017	Sep 30, 2017	Difference	
Non-Interest-Bearing Liabilities	329.4	332.8	+3.4	
Interest-Bearing Liabilities	43.7	41.2	-2.5	
Total Liabilities	373.1	374.0	+0.9	
Capital Stock etc.	209.2	209.2	0	
Retained Earning	341.0	354.1	+13.1	Net income ▶ <b>34.2 bil. yen</b>
Treasury Stock	-41.0	-37.6	+3.4	Dividends paid ▶ <b>-9.1 bil. yen</b>
Unrealized Holding Gain on Securities	39.5	45.4	+5.9	Retirement of treasury stock ▶ <b>-12.9 bil. yen</b>
Non-controlling Interests	20.8	23.9	+3.2	
Other Net Assets	1.1	8.4	+7.4	Purchases of treasury stock ▶ <b>-10.5 bil. yen</b>
Total Net Assets	570.5	603.5	+32.9	Retirement of treasury stock ▶ <b>12.9 bil. yen</b>
Total Liabilities, Net Assets	943.6	977.5	+33.8	Translation adjustments ▶ <b>7.8 bil. yen</b>

## Consolidated Cash Flows

(Billions of yen)	1H FY2016	1H FY2017	
Operating Activities Cash Flows	59.8	36.2	Working Capital and Increase in corporate tax payment, and etc.
Investing Activities Cash Flows	-9.6	-16.6	
Financing Activities Cash Flows	-24.6	-24.8	Purchases of investments in securities and etc.
Net Increase in Cash and Cash Equivalents	19.0	-2.5	
Cash and Cash Equivalents at the End of Term	86.1	88.0	
Free Cash Flow =Operating Activities Cash Flows+Investing Activities Cash Flows -Dividends Paid	41.9	10.0	

## Depreciation and Capital Expenditures

(Billions of yen)	Depreciation			Capital Expenditures		
	1H FY2016	1H FY2017	Difference	1H FY2016	1H FY2017	Difference
Housing	4.4	4.5	+0.1	8.0	6.3	-1.7
UIEP	3.2	3.0	-0.2	3.5	5.1	+1.6
HPP	8.7	8.9	+0.2	8.1	12.3	+4.2
Others	0.4	0.6	+0.2	0.7	1.4	+0.7
Eliminations or Unallocatable Accounts	0.5	0.5	0	0.4	0.4	0
<b>Total</b>	<b>17.2</b>	<b>17.5</b>	<b>+0.4</b>	<b>20.7</b>	<b>25.5</b>	<b>+4.8</b>

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

(Billions of yen)	FY2016	FY2017 Plan	Difference
Depreciation	34.8	37.0	+2.2
Capital Expenditures	43.9	56.0	+12.1
Research and Development Expenditure	34.2	38.0	+3.8

## FY2017 Revised Plan

(Billions of yen)	FY2016	FY2017 Revised Plan	Difference	FY2017 Initial Plan (Announce on Apr.)
Net Sales	1,065.8	1,114.0	+48.2	1,104.0
Operating Income	96.5	102.0	+5.5	102.0
Ordinary Income	91.5	101.0	+9.5	97.0
Net Income Attributable to Owners of the Parent	60.9	67.0	+6.1	63.0
Dividend per Share (Yen)	35	38*	+3	38*

\*Including 70th anniversary commemorative dividend of 1 yen per share.

### Overview of 1H FY2017 Results

HPP  
Company

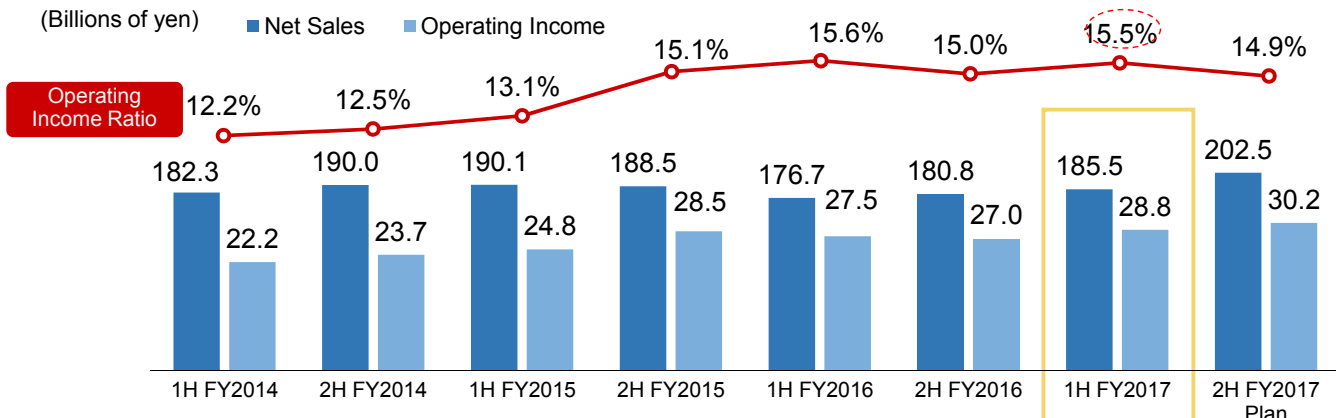
Steadily expanded in the Four Strategic Fields\*, achieved a significant profit growth and a record-high half-year profit

- Offset high raw material costs by sales volume increase and product mix improvement
- Advanced in growth acceleration mechanisms

\*Four strategic fields; Electronics, Automobiles and Transportation, Building and Infrastructure, and Life Science fields

#### Net Sales and Operating Income

(Billions of yen) ■ Net Sales ■ Operating Income



Forex Rate* (Avg. rate for each term)	1H FY2014	2H FY2014	1H FY2015	2H FY2015	1H FY2016	2H FY2016	1H FY2017	2H FY2017 Plan
¥/\$	¥103/\$	¥117/\$	¥122/\$	¥119/\$	¥105/\$	¥111/\$	¥111/\$	¥110/\$
¥/€	¥139/€	¥139/€	¥135/€	¥130/€	¥118/€	¥119/€	¥126/€	¥130/€

\*2H FY2017 Assumptions

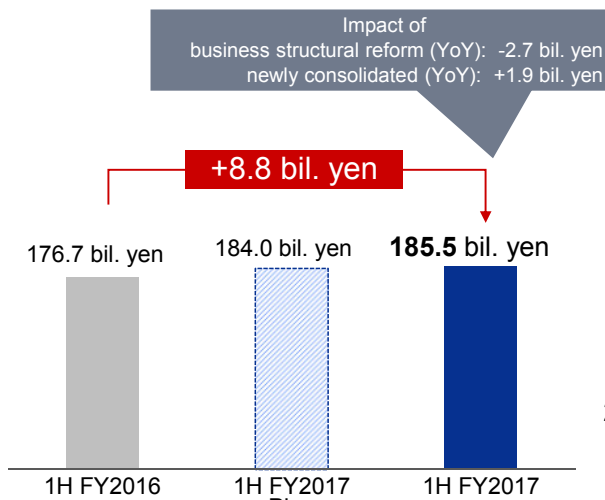
Main M&A

Nov. 2015  
EIDIA

Sep. 2017  
Polymatech Japan  
2H FY2017 (plan)  
SoflanWiz

- Sales volume was significantly increased and product mix was improved mainly in the Four Strategic Fields
- Reduced the impact of high raw material costs by cost reduction, and controlled the fixed costs other than forward-looking growth investment

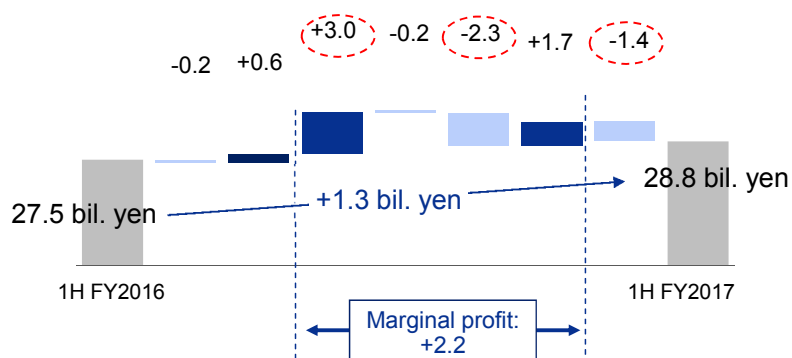
### Net Sales



• Increased by 9.6 billion yen on the actual basis excluding the impact of business structural reform and newly consolidated

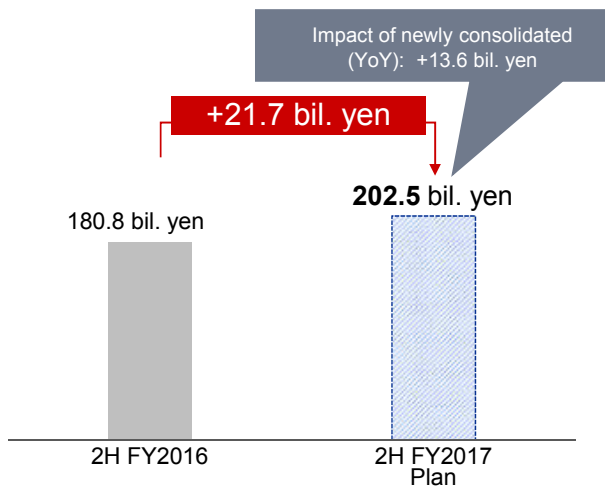
### Analysis of Operating Income

	Consolidated-basis Change	Foreign Exchange	Selling Quantity & Composition	Selling Price	Raw Materials	Cost Reduction and etc.	Fixed Cost	Total
1H Plan (July 2017)	-0.1	+0.5	+4.2	±0	-2.6	+1.4	-2.9	28.0 (+0.5)



- Continue to aim at further profit growth by increasing sales volume and improving product mix mainly in the Four Strategic Fields

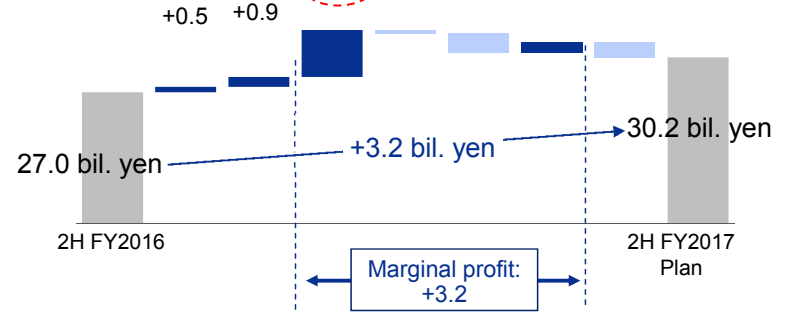
### Net Sales



• Increased by 8.1 billion yen on the actual basis excluding the impact of newly consolidated

### Analysis of Operating Income

	Consolidated-basis Change	Foreign Exchange	Selling Quantity & Composition	Selling Price	Raw Materials	Cost Reduction and etc.	Fixed Cost	Total
2H FY2016	+0.5	+0.9	+4.3	-0.3	-1.8	+1.0	-1.4	27.0

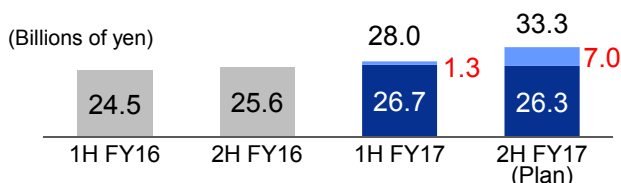


Turned out mostly as planned in all of the four strategic fields in the first half year. Significant increase in net sales is expected in the fields of “Automobiles and Transportation” and “Life Sciences” for the second half.

### Trends of Sales and 2H Forecasts in the Four Strategic Fields \*The increase owing to M&A is marked in red

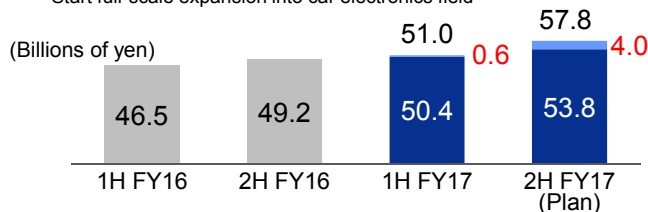
#### Electronics

- The recovery of FPD markets come to an end (temporarily go sideways in the second half)
- Mainstay products are expected to be firm, development into OLED and packaging/semiconductor fields are also expected to be steady



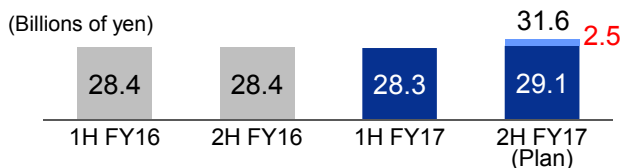
#### Automobiles and Transportation

- Market continues to be slow in the Americas, expected to recover slightly in China and steady in other areas
- Progress in sales expansion of high-performance products globally. New line in Mexico starts contribution
- Start full-scale expansion into car electronics field



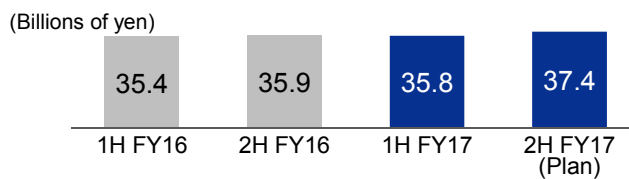
#### Building and Infrastructure

- CPVC: Demand continues to recover globally, expand mainly in the Americas
- Fire-resistant materials: Mainstay products continue to be steady. Accelerate the expansion of non-combustible urethane business



#### Life Science

- Diagnostic reagent business continues to be steady; expand testing equipment business mainly on mainstay products in Japan and overseas
- Integration with EIDIA Co., Ltd. bears full-scale effects



# Enhancement Areas

Steady increase in sales in growth enhancement areas; advances in growth strategy mechanisms in cooperation enhancement areas

### Enhancement Areas

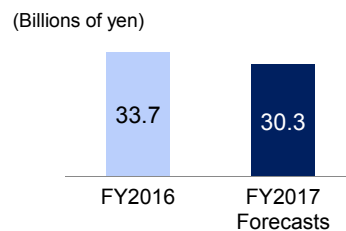
	Electronics	Automobiles and Transportation	Building and Infrastructure	Life Science
<b>Growth Enhancement</b> *FY2017 incremental increases forecasts (YoY): +5.0	<ul style="list-style-type: none"> <li>Packaging and semiconductor materials</li> <li>OLED-related materials</li> </ul>	<ul style="list-style-type: none"> <li>Interlayer films with new functions</li> <li>Automobile interior materials</li> </ul>	<ul style="list-style-type: none"> <li>Overseas Infrastructure materials</li> <li>High-performance PVA</li> <li>Thermal insulation + noncombustible materials</li> </ul>	<ul style="list-style-type: none"> <li>Diagnostic reagents designed for overseas markets</li> <li>Assistance for overseas drug development</li> <li>Development of new active pharmaceutical ingredients</li> </ul>
	1H: +0.2 2H: +0.3	1H: +0.3 2H: +1.0	1H: +1.5 2H: +0.6	1H: +0.2 2H: +0.9
<b>Cooperation Enhancement</b> *Implemented measures	<b>Car electronics materials</b> Acquired management rights to Polymatech Japan Co., Ltd. Group ✓ Purpose: Business development into car electronics areas ✓ Main synergies: Enhance portfolio of heat-release materials		<b>High-value-added materials</b> Acquisition of SoflanWiz Co., Ltd. ✓ Purpose: Expansion of fire-resistant materials ✓ Main synergies: Enhancement of urethane business	<b>Healthcare (Across business units and subsidiaries)</b> Establishment of PeptiStar Inc. ✓ Purpose: Participation into special peptide pharmaceutical ingredients business
	Materials for transport aircrafts and vehicles Collaboration with UIEP Company			

### New Products and New Business

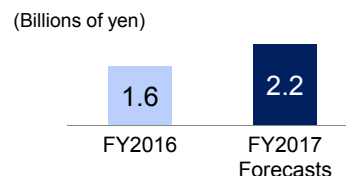
- New products: Accelerate the pace of development and commercialization. Planning reinforcement of new products
- New businesses: Expand sales of packaging- / semiconductor-related materials

#### New Products\* Sales

\*Definition of new product: up to 5 years after being placed on the market



#### New Business Sales



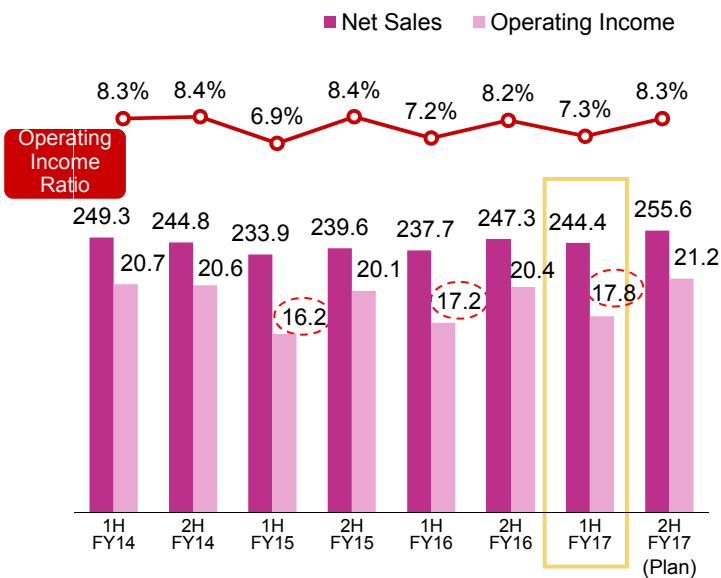
## Overview of 1H FY2017 Results

Housing Company

### Sales and profits increased for a second consecutive year

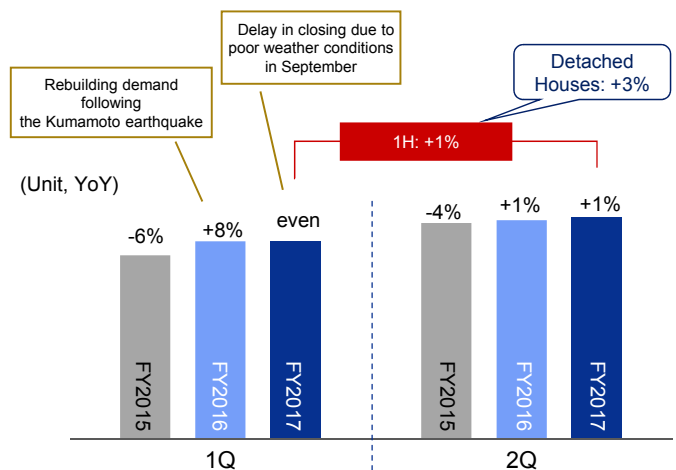
- Continue to secure a recovery in orders of new housing construction
- Renovation orders bottomed out. Recorded a higher level of year-end backlog compared to year-start (up 3%)
- Year-end concentration (non-leveling off situation) of construction was a challenge

Net Sales and Operating Income (Billions of yen)



Housing Order (Units basis)

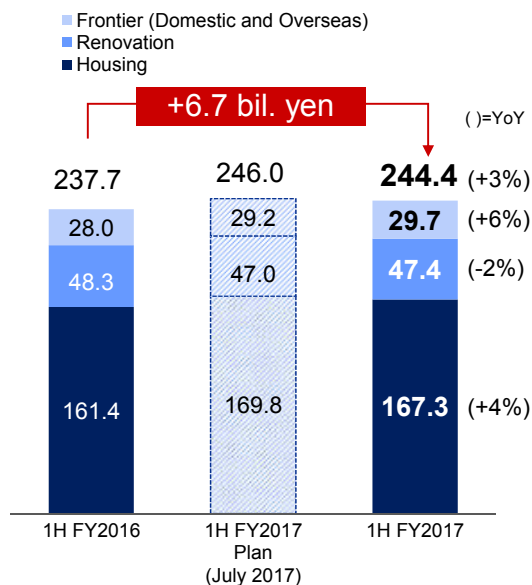
- Plan was not achieved, yet continued to recover orders



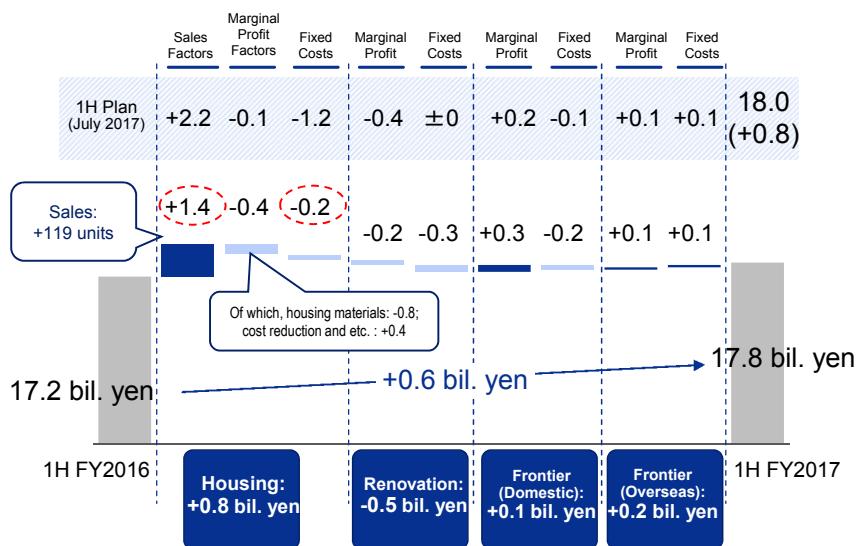
## Each business made progress essentially in line with plans for the first half

- Housing Business: Increased in sales and profits owing to an increase in the number of houses sold, partially offset the rise in housing materials costs by cost reduction and other
- Renovation Business: Level of year-end backlog increased compared to year-start, whereas sales and profits decreased in line with the low level of year-start

Net Sales by Business



Analysis of Operating Income

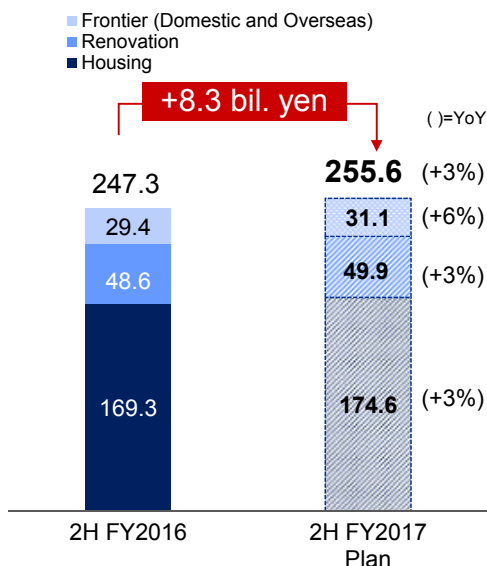


# 2H FY2017 Plan: Analysis of Net Sales and Operating Income

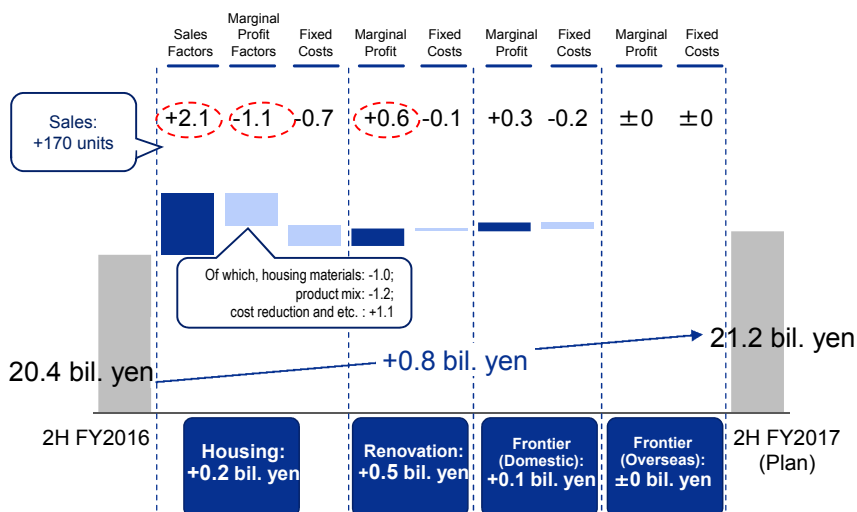
## Aim at profit growth for the second half for a second consecutive year and securing higher level of year-start backlog for next fiscal year

- Housing Business: Increase in the number of houses owing to the new products launched in the first half to capture a share of volume zone markets; offset the rise in housing materials costs by cost reduction and other
- Renovation Business: Returned to a profit increase trajectory. Recapture the profit loss of the first half to secure the same full-year profit as previous year

Net Sales by Business



Analysis of Operating Income





■ Three major metropolitan areas contributed to the detached housing orders increase for the first half. "Products" and "land and subdivision housings" will be further reinforced for the second half.

## Overview of 1H Results and Market Outlook in 2H

- Detached housings were essentially in line with plans (+3%, YoY)
  - Significant growth in wood-frame housing (+22%, YoY), steel-frame housing remained almost the same as previous year (-1%, YoY)
  - Significant growth marked for subdivision housings (+17%, YoY)
- Substantial decline in housing complexes (-20%, YoY)

➢ Market trend of the second half is expected to be the same as 1H

- Target the customers in and around their 30's
- Demand for built-for-sale housings continues to be steady
- Demand for complex housings is stagnant

↶ Increased in the number of visitors in 2Q on the back of the efforts to diversify promotion tools to attract customers (2Q: +3%, Aug-Sept: +10%, YoY)

## Measure to acquire Orders in 2H

### 70th Anniversary Commemorative Product Strategies

- ✓ Strong test sales of new wood-frame products that are capable of capturing a share of the volume zone markets (1H orders: +9%)
- ✓ Smart Power Station GR went off to a strong start -Appeal "hip roof + large-capacity solar power generation system"

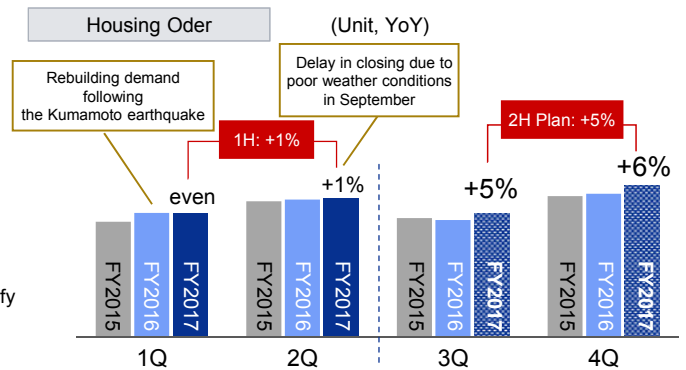
### Land and Subdivision Housing Strategies

- ✓ Large-scale subdivision, Smart Heim City, well received on a nationwide basis (First half subdivision orders: +17%)
- ✓ Strong ready-built housing sales (First half ready-built housing orders: +19%)

### Customer Traffic and Increase in Customer Prospects

- ✓ Increase the ability to pull in more customers mainly in Tokyo, Nagoya and Osaka -Expansion of model home galleries and open house

## 2H Housing Order Plan



✓ "Grand To You V" to be officially launched nationwide (October 28)

✓ Scheduled to launch 3-story urban-type new products

✓ Further reinforce built-for-sale housings (Second half subdivision orders plan: +17% YoY)  
 ✓ Further reinforce ready-built housings (Second half ready-built orders plan: +41%, YoY)

✓ Continue the efforts to increase the ability to attract more customers, utilizing factory and onsite tours (2H Plan: +8%)

### Grand To You V



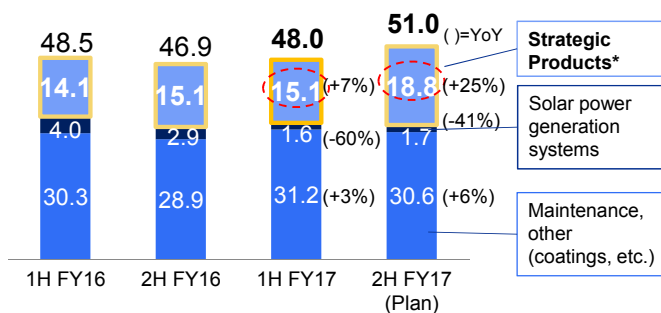
### SPS GR



# Renovation and Frontier (Domestic and Overseas) Business

## Renovation

Orders by Products (Billions of yen)



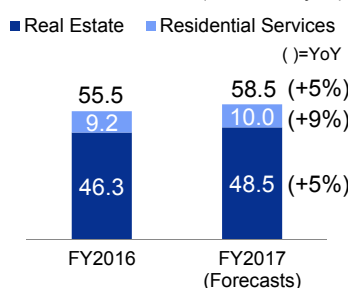
\*Strategic products: for exterior areas, new external walls, bathrooms and kitchens, extensions, and etc.

■ Accelerate the switch over to a composite proposal-type sales style

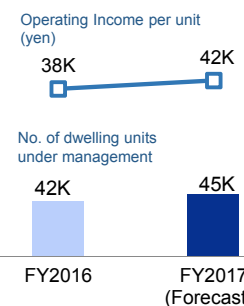
- Reinforce strategic products
  - ✓ Exterior tiled-wall "Ecochante" to be renewed and launched (Sep. 2017)
  - ✓ Reinforce products line-up focused on modular bathroom
- Further enhancement of sales staff
  - ✓ Increase the number of renovation coordinators
  - ✓ Reinforce after-the-sale service staffs, designers etc.

## Frontier (Domestic)

Net Sales by Business Segment (Billions of yen)



Rental Management Indicator



■ Effects from the integration of real estate companies in Tokyo, Nagoya and Osaka appear

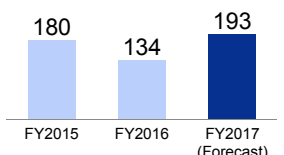
- Horizontally roll out the high-earnings model in the Tokyo area to increase the number of dwelling units under management and operating income per unit

## Overseas

■ The number of houses sold is recovering in Thailand

No. of housing units sold through a joint venture in Thailand

- Development of land and built-for-sale housing activities to be accelerated
- Promote cost reductions through measures such as the localization of specifications



### Overview of 1H FY2017 Results

UIEP Company

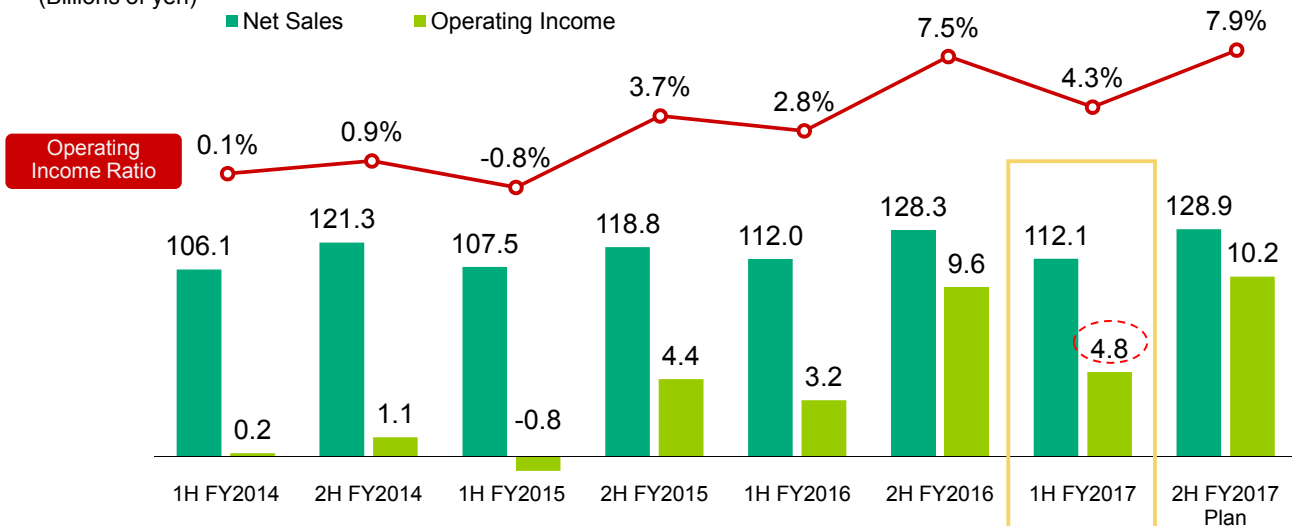
#### Reported record-high profit for a second consecutive year for the first half, further improved the operating income ratio

- Growth strategy: Steadily expanded the sales of prioritized products\*
- Platform Efficiency: Earnings structure is continuously improved through leveling out effects
- Overseas Strategy: FFU for Europe and the United States was expanded favorably. ASEAN partners strategy was accelerated

\* Prioritized products: High-value-added products with the potential for market growth and substitutability

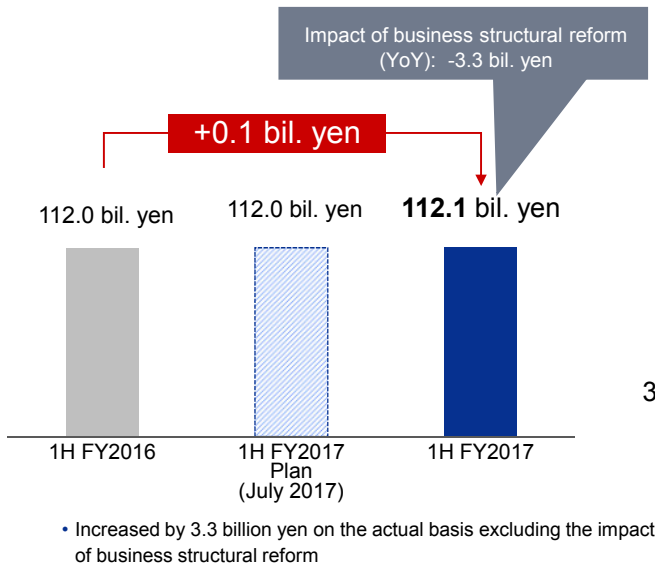
#### Net Sales and Operating Income

(Billions of yen)

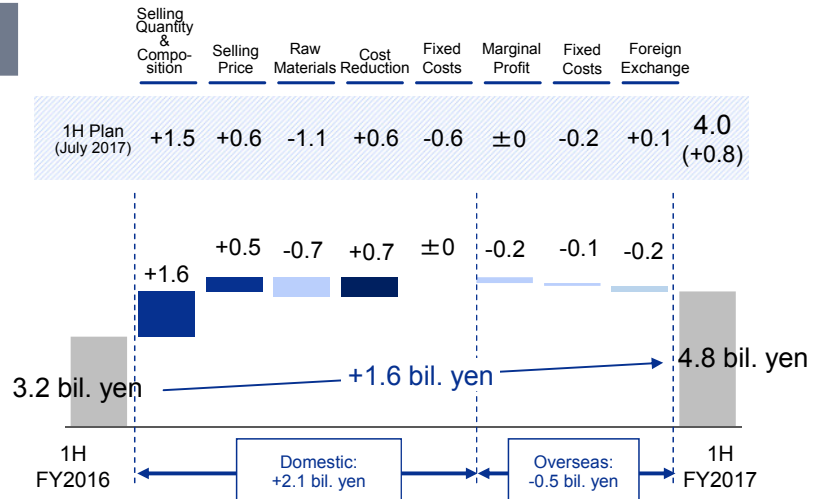


- Sales growth of prioritized products led to sales volume increase and product mix improvement in Japan
- The spread between selling prices and raw materials costs was covered by Cost Reduction
- Overseas profit fell due to the gap in the delivery period of aircraft sheets

## Net Sales



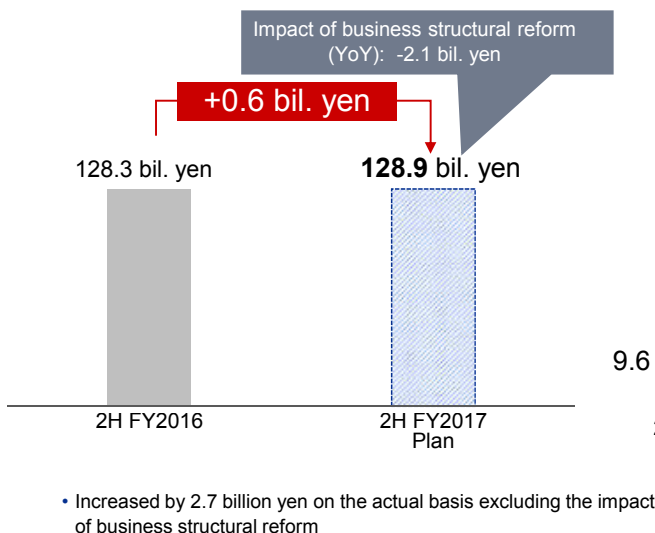
## Analysis of Operating Income



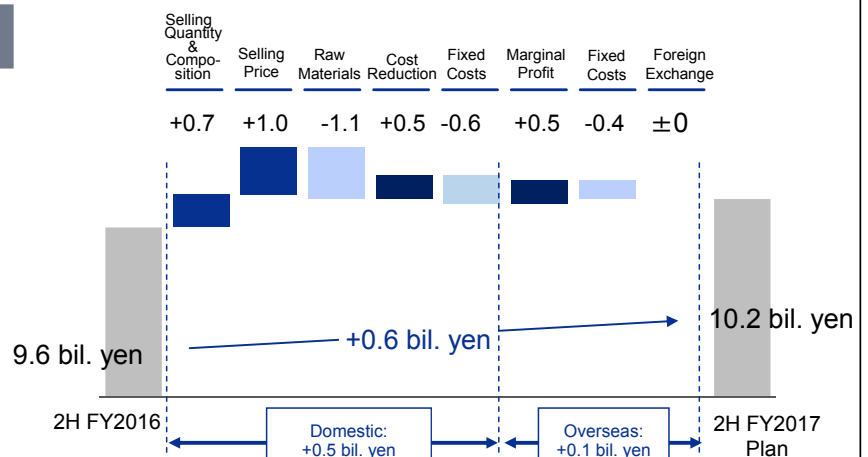
# 2H FY2017 Plan: Analysis of Net Sales and Operating Income

- Target record-high profit for a second consecutive year for the second half
- Growth strategy: Continue to expand sales of prioritized products, accelerate the launch of new products
- Platform Efficiency: Maintain the spread between selling prices and raw material costs, promote optimization of production capacity
- Overseas Strategy: Expand sales of aircraft sheets, accelerate overseas development of FFU, speed up business expansion into ASEAN nations

## Net Sales



## Analysis of Operating Income

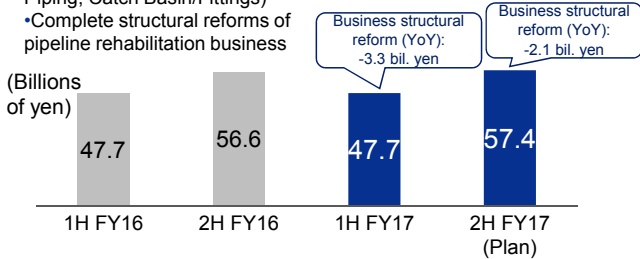


- Steady progress in the three strategic fields, projecting a full-year net sales increase
- For overseas, the sales from sheet business in the Americas remain flat, whereas strategic effects appear in all areas

## Trends of Sales and 2H Issue in the Three Strategic Fields

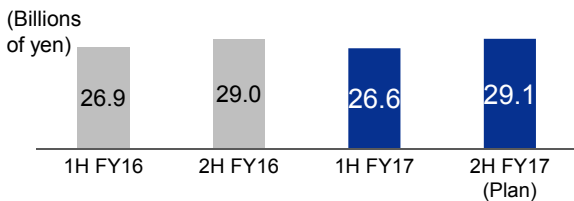
### Piping and Infrastructure

- Meet the robust demand for infrastructure and commercial construction in the metropolitan city zones
- Accelerate business expansion into ASEAN nations (Industrial Piping, Catch Basin/Fittings)
- Complete structural reforms of pipeline rehabilitation business



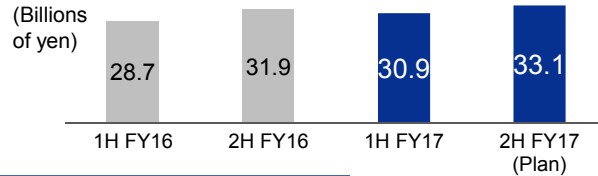
### Building and Living Environment

- Promote the launch of new products
- Expand sales of prioritized products



### Advanced Materials

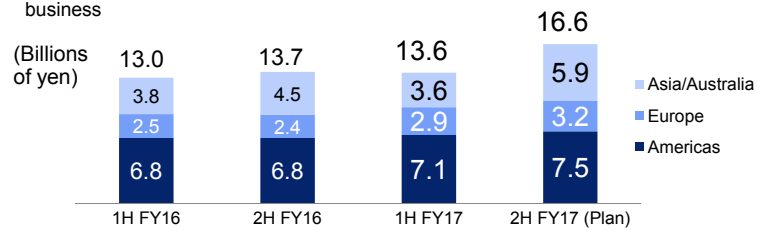
- Recover sales of aircraft sheets and advance development into other areas
- Reinforce overseas foundation for FFU
- Look to uncover applications of CFRP for commercialization



### Sales by Overseas Area

\*Including the export of domestic products

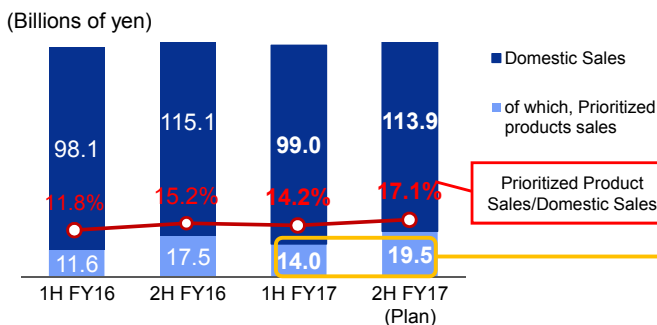
- Asia/Australia:** Adoption expanded in plant, pipeline rehabilitation, and FFU businesses, realize ASEAN investment synergies
- Europe:** FFU sales increased owing to the authentication effects from Deutsche Bahn
- Americas:** Recovery in sheet business, adoption expanded in pipeline rehabilitation business



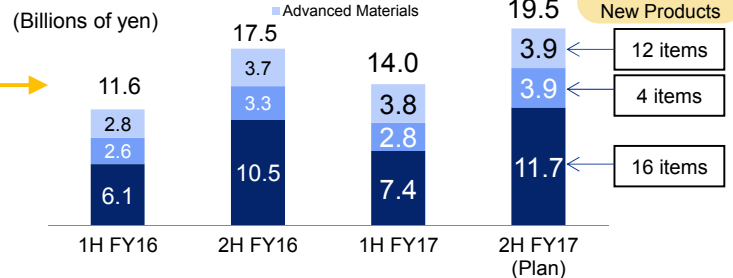
# “Shift to growth” to “Accelerated growth”

## Prioritized Product Sales

- Steady growth in each field results in net sales increase of ¥4.4 billion expected for the full year. The launch of new products will be accelerated for the second half.



## Breakdown of 3 fields



## Strategic Investments and Platform Efficiency

- For the accelerated growth and further profitability improvement for and after the next term, implement measures for strategic investment and solid foundation



**■ Cultivate new fields and domains through conventional material (metals, wood, glass) substitutes using plastic products**

Field	Piping and Infrastructure	Building and Living Environment	Advanced Materials
<b>Product</b>	Polyvinyl chloride pipes, construction piping materials, industrial piping materials, pipeline renewal, etc.	Designer rain gutters, interior decorative sheets, nursing care equipment, etc.	Sheets, FFU, blow-molded containers, CFRTF etc.
<b>Roll out</b>	<ul style="list-style-type: none"> <li>• Metal substitute: Lightweight, easy installation, corrosion-resistant</li> <li>• Area: Japan; Expand application domains Overseas; Focus on Southeast Asia</li> </ul>	<ul style="list-style-type: none"> <li>• Metal substitutes: Helping to reduce the weight and enhancing the easy installation of non-residential rain gutters</li> <li>• Wood substitutes: Enhancing design through interior decorative sheets</li> </ul>	<ul style="list-style-type: none"> <li>• Sheets: Increase production targeting the aviation field 3 expansion fields (railroad, medicine, construction)</li> <li>• Glass substitutes (low elution sterilization container for medical use)</li> </ul>

**Examples of products**

High-Pressure PE Pipe



Rehabilitation method (New pipe making technology)



Modular bathroom



Infrastructure Guard



FFU Railway Sleepers



Aviation sheets



Industrial piping



ESLO Kachit S



Designer rain gutters



Functional flooring



Plastic sheet for medical equipment



Low elution sterilization container for medical use



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

	FY2017			FY2016			FY2015
	1H	2H (plan)	Annual (plan)	1H	2H	Annual	Annual
<b>CONSOLIDATED</b>							
Net Sales (Billions of yen)	244.4	255.6	500.0	237.7	247.3	485.0	473.4
Housing	167.3	174.6	341.9	161.4	169.3	330.7	318.5
Renovation	47.4	49.9	97.3	48.3	48.6	96.9	100.4
Frontier (Domestic)	28.7	29.8	58.5	27.2	28.3	55.5	51.8
Real estate	23.9	24.6	48.5	22.7	23.6	46.3	42.8
Residential Services	4.7	5.3	10.0	4.4	4.7	9.2	9.0
Overseas	1.0	1.3	2.3	0.8	1.0	1.9	2.7
<b>OTHERS</b>							
1.Number of houses sold (Housing units)	6,850	7,200	14,050	6,620	7,000	13,620	13,380
Detached houses	4,920	5,110	10,030	4,740	4,820	9,560	9,410
Heim	4,180	4,210	8,390	3,790	3,980	7,770	7,460
Two-U	740	900	1,640	950	840	1,790	1,950
Apartments (housing complex)	1,930	2,090	4,020	1,880	2,180	4,060	3,970
2. Main data							
Prices <Sales subsidiaries: Detached houses>/ Unit (Millions of yen)	31.0	-	-	30.4	30.8	30.6	30.3
Prices <Sales subsidiaries: Detached houses>/ Tsubo (3.3 Square meter)(Thousands of yen)	832	-	-	818	826	822	806
Floor space (Square meter)	123.0	-	-	122.7	123.0	122.9	124.1
Exhibition places (Units)	416	-	419	412	-	414	413
Sales staff (Number of person)	2,495	-	2,400	2,522	-	2,370	2,395
Rebuilding ratio (%)*	28%	30%	29%	30%	30%	30%	27%
Referral sales ratio (%)*	32%	32%	32%	37%	34%	35%	38%

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

# Housing Company Results and Plan

## 2. Housing orders

	FY2017			FY2016			FY2015		
	1H	2H (plan)	Annual (plan)	1H	2H	Annual	1H	2H	Annual
(Millions of yen)									
Year-start Backlog	206,000	207,800	-	205,500	207,500	-	204,300	205,500	-
Growth Rate	±0%	±0%	-	+1%	+1%	-	-12%	-8%	-
New Orders	202,957	214,643	417,600	202,457	207,529	409,987	199,914	204,391	404,304
Growth Rate	±0%	+3%	+2%	+1%	+2%	+1%	-5%	+5%	±0%
Sales of Housing/Renovation	201,157	209,443	410,600	200,457	209,029	409,487	198,714	204,391	403,104
Growth Rate	±0%	±0%	±0%	+1%	+2%	+2%	-9%	-4%	-7%
Balance at the end	207,800	213,000	-	207,500	206,000	-	205,500	205,500	-
Growth Rate	±0%	+3%	-	+1%	±0%	-	-8%	+1%	-

## 3. Housing starts

	FY2017			FY2016			FY2015
	1H	2H (plan)	Annual (plan)	1H	2H	Annual	Annual
(Units)							
Housing starts*	498,000	452,000	950,000	500,151	473,986	974,137	920,537
Privately-owned houses* (included in above) =A	147,000	143,000	290,000	152,836	138,947	291,783	284,441
Sales by our company	6,850	7,200	14,050	6,620	7,000	13,620	13,380
Detached house sales by our company=B	4,920	5,110	10,030	4,740	4,820	9,560	9,410
Our share in Detached houses=B/A	3.3%	3.6%	3.5%	3.1%	3.5%	3.3%	3.3%

\*\*"The housing starts" and "Privately-owned houses" after 1H of FY2017 are based on forecasts.

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

	FY2017			FY2016			FY2015
	1H	2H (plan)	Annual (plan)	1H	2H	Annual	Annual
Solar power generation systems installed	75%	75%	75%	77%	78%	78%	79%
Tiled exterior walls (Heim type JX)	71%	71%	71%	67%	68%	67%	66%
Storage battery installed	21%	24%	23%	21%	27%	24%	25%
Comfortable Air System	75%	79%	77%	73%	77%	75%	70%