



SEKISUI

Accelerate the SHIFT!

Integrated Report 2018

Year Ended March 31, 2018

SEKISUI CHEMICAL CO., LTD.



Fusion

SEKISUI **Safe&Sound** Project

The Sekisui Chemical Group is gathering and merging its products, technology, and know-how to promote the SEKISUI Safe & Sound Project, a "Secure and Safe," "Eco-friendly," and "Sustainable" urban development.

For details,
please visit
WEB

http://www.sekisuicheical.com/about/whatsnew/2018/1323530_31791.html



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Publication of the Integrated Report 2018

Publication of the Integrated Report 2018

Fiscal Year Ended March 31, 2018

The Sekisui Chemical Group aims to become a more compelling company by making quantitative growth compatible with qualitative transition in its business operations, based on its prominence in technology and quality, and achieving sustained growth in accordance with its responsibility to society.

Since 2016, the Group has published an integrated report that explains its economic value, the outcomes of activities to create social value, Group strategies, its medium-term vision, as well as a discuss its financial strategy, shareholder return policy and other measures that form the basis of corporate activities. We hope this integrated report is a useful tool for deepening your understanding of the Group.

This report can be downloaded from our website in PDF format. Moreover, the online version of this report can be viewed on the Investor Relations section of our website, from the SEKISUI Overview menu.

Integrated Report (PDF version)
<http://www.sekisuichemical.com/ir/library/annual/index.html>

SEKISUI Overview (Online version)
http://www.sekisuichemical.com/ir/sekisui_overview/index.html

This report covers fiscal 2017, the period from April 2017 to March 2018. Some parts of this report contain qualitative information as of July 2018.

The forecasts, plans, outlooks, and other forward-looking statements in this report are based on management’s judgment of information available at the time this report was produced. Changes in key factors may cause actual performance results to differ materially from these forward-looking statements.

Introduction to Other Related Materials

Other related materials have been made available on our website to address the diverse interests of our readers in order to further their understanding of the Group.

Investor Relations Information <http://www.sekisuichemical.com/ir/>





For Analysts and Institutional Investors
The latest results presentation materials are available here. An audio recording of the presentation can be listened to online as well.

Fact Book, Financial Analysis Tools
Eleven years of historical financial data and indicators can be viewed in graphs and tables here.



CSR <http://www.sekisuichemical.com/csr/index.html>





For more information about CSR, please visit the CSR section of our website

Our Principles

Our Principles

Sekisui Chemical’s Group Principle is comprised of the three Corporate Philosophy, Group Vision, and Management Strategy elements. As one concrete strategy aimed at “contribute to improving the lives of the people of the world and Earth’s environment,” thereby achieving our Group Vision, we are carrying out the initiatives set out under our Medium-term Management Plan SHIFT 2019 -Fusion- launched in fiscal 2017 while taking one step forward toward a “new phase of growth.”

The Sekisui Chemical Group has encountered many challenges since its foundation in 1947. Over this period, our Corporate Philosophy and “3S Principles” have provided the underlying support and strength that has allowed us to overcome difficulties. In order to succeed in the future and become a corporate group that is sustainable for the next 100 years, it is vital that we return to the roots of this Corporate Philosophy.

Both the Corporate Philosophy and the Company’s name encapsulate the notion that “the victor of a battle is determined in one fell swoop with tremendous force, just as pent-up water (“SEKISUI”) drops into a deep gorge.” With this in mind, it is equally important that “before a battle, every effort is made to position oneself for victory.” In addition to responding swiftly to changes in the market, it is imperative that the Group anticipate future megatrends and put in place the structure necessary for victory in a world that is plagued by growing uncertainty. Adopting a long-term outlook, we will work diligently to build up our core strengths.

Please see the following website for further details about Sekisui Chemical Company’s Corporate Philosophy, Group Vision, and other elements of our Group Principles.
<http://www.sekisuicheical.com/about/vision/principles/index.html>



*Social and society: The entire society including “five stakeholders” (“customers,” “shareholders,” “employees,” “business partners,” “local community and the environment”) which have been prescribed in the “corporate philosophy” to date.

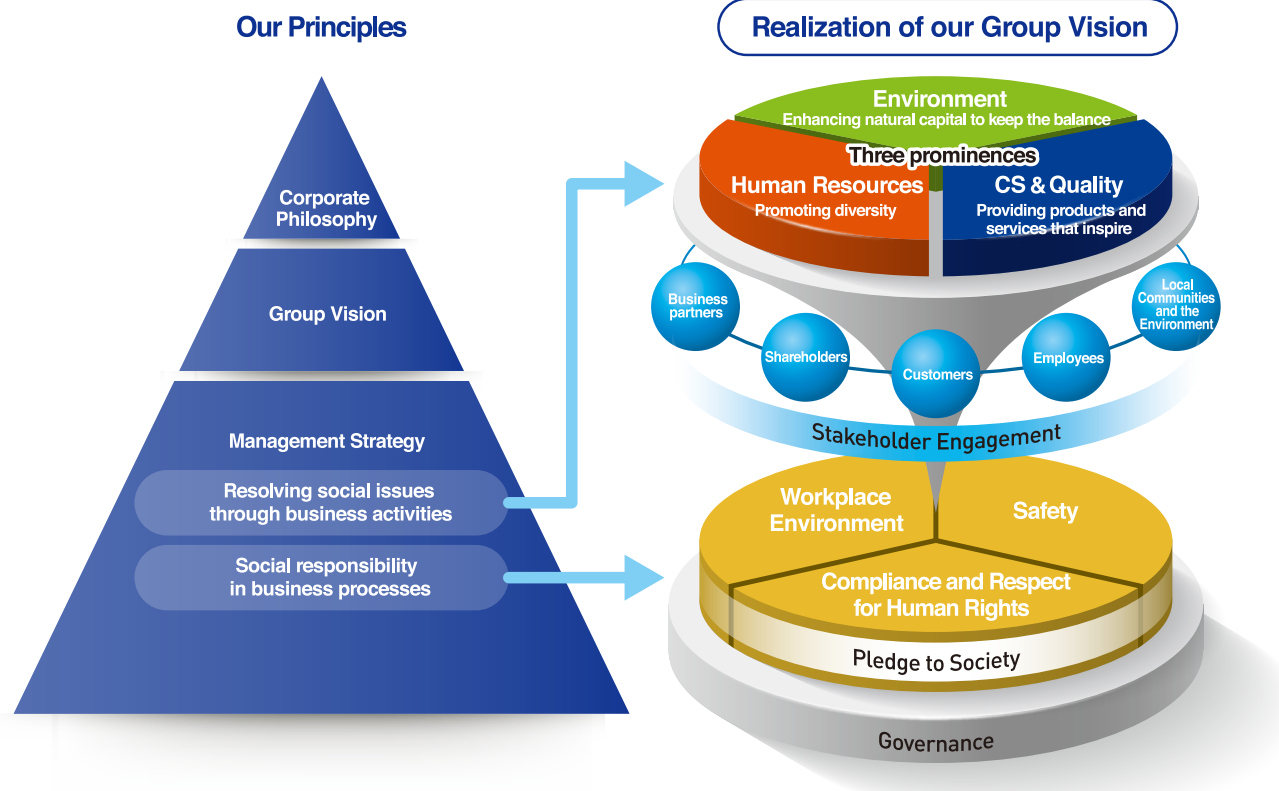
Sekisui Chemical Group CSR

Sekisui Chemical Group CSR

Discussions regarding sustainability by the Sekisui Chemical Group and the need to address CSR concerns began in earnest in the early 2000s. Since then, the Group has worked diligently to fulfill its corporate social responsibility by practicing its “3S Principles,” positioned sustainability at the heart of its Management Strategy, and implemented measures aimed at “Resolving social issues through business activities” and “Social responsibility in business processes.”

Recognizing that governance provides the foundation for all of its endeavors, the Sekisui Chemical Group is making the pledge to society to responsibly engage in activities as the means to reduce risk while creating social value from each of its three prominences. Through constructive dialogue, every effort is also being made to properly grasp stakeholders’ expectations and requirements, and to apply this to the Group’s management. Moving forward, we are committed to realizing the Group Vision by ramping up efforts to push forward measures that integrate both business and CSR concerns.

CSR conceptual scheme

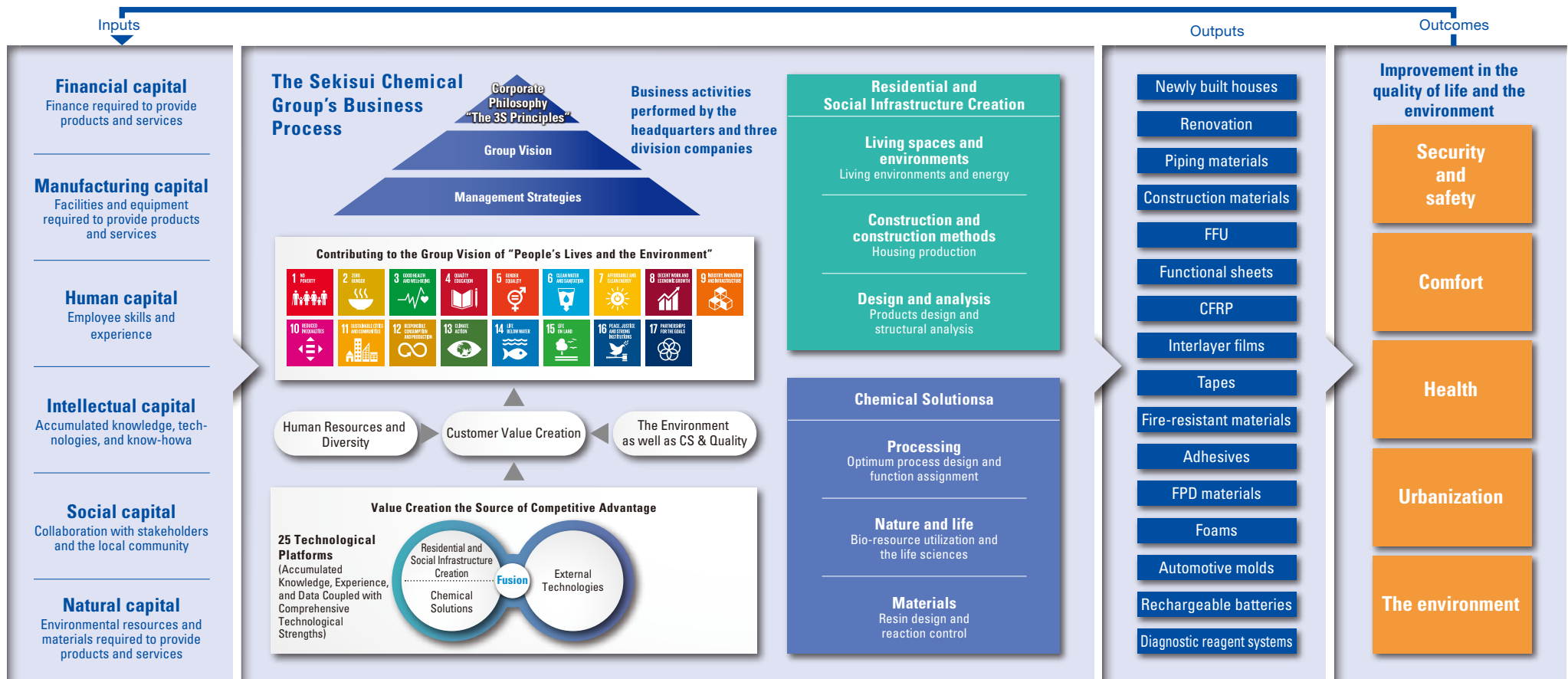


Resolving social issues	Three Prominences	
	Environment	Enhancing natural capital to keep the balance
	CS & Quality	Providing products and services that inspire
	Human Resources	Promoting diversity
Stakeholder Engagement		Constructive Dialogue for Improving Corporate Value
Social responsibility	Pledge to Society	
	Safety	A safe working place that provides peace of mind to employees and local communities
	Compliance and Respect for Human Rights	Fair and sincere corporate activities and respect for human rights
	Working Environment	Healthy, supportive and invigorating workplace and systems
Governance		Mechanisms for Appropriate and Decisive Decision-Making Aimed at Sustainable Growth

Value Creation Cycle

Value Creation Cycle

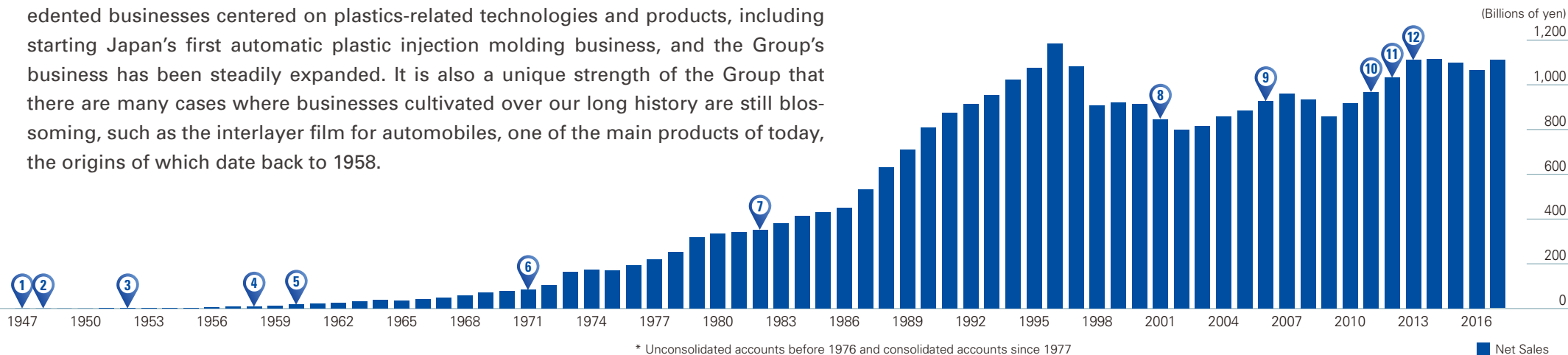
Creating new “value” to be shared by society by “fusing” its technologies and strengths, the Sekisui Chemical Group will provide products and services that contribute to resolving social issues in “life and the environment.”



Sekisui Chemical Group Accomplishments

Sekisui Chemical Group Accomplishments

The Sekisui Chemical Group was founded in March 1947 for the purpose of the comprehensive commercialization of plastics. Thereafter, we proactively advanced into unprecedented businesses centered on plastics-related technologies and products, including starting Japan's first automatic plastic injection molding business, and the Group's business has been steadily expanded. It is also a unique strength of the Group that there are many cases where businesses cultivated over our long history are still blossoming, such as the interlayer film for automobiles, one of the main products of today, the origins of which date back to 1958.



1 1947
Established SEKISUI INC. in order to run a general plastic business



4 1958
Began production of interlayer film for laminated glass S-LEC



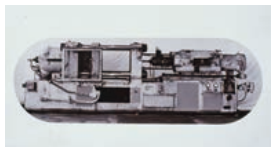
7 1982
Gunma Plant opened, began production of PVC pipe and exterior paneling for unit construction housing



10 2011
Diagnostics business acquired from pharmaceutical company Genzyme Corporation of the United States and new company established



2 1948
Launched Japan's first plastic automatic injection molding business



5 1960
Shiga Ritto Plant opened and started manufacture of PVC pipe and PVC building materials



8 2001
New "company" system introduced



11 2012
Piping materials business acquired from Mitsubishi Plastics, Inc.



3 1952
Began full-fledged production of ESLON polyvinyl chloride pipes



6 1971
Entered the housing business with the launch of steel frame unit housing "Heim"



9 2006
Daiichi Pure Chemicals Co., Ltd. (currently Sekisui Medical Co., Ltd., a consolidated subsidiary) acquired



12 2013
Thailand unit housing mass production factory constructed



External Evaluations

External Evaluations

In addition to having its environmental management and CSR initiatives, which focus on Environment-Contributing Products, externally evaluated and earning selection by the major SRI indices, the Sekisui Chemical Group has received high evaluations in the fields of the environment, quality, and human resources.

CSR in General

- Earned selection to the Dow Jones Sustainability Indices (DJSI) World and Asia Pacific
- Earned RobecoSAM sustainability rating Bronze Class
- Earned selection to the FTSE4Good Index
- Earned selection to the FTSE Blossom Japan Index
- Earned selection to the MSCI ESG Leaders Index
- Earned selection to the Ethibel PIONEER and Ethibel EXCELLENCE Investment Registers
- Earned selection to the Morningstar Socially Responsible Investment Index
- Ranked 58th in the Toyo Keizai CSR Ranking
- Selected for 55th place in the “2018 Global 100 Most Sustainable Corporations in the World” Index
- Earned selection to the MSCI Japan ESG Select Leaders Index
- Earned selection to the MSCI Japan Empowering Women Index (WIN)



FTSE4Good



FTSE Blossom Japan



MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM



ROBECOSAM Sustainability Award Bronze Class 2018



2018 **GLOBAL100**



MS-SRI モーニングスター社会的責任投資格付け指数
Morningstar Socially Responsible Investment Index

(2018/3/9)

“Sekisui Chemical Co. Ltd. has been reconfirmed for inclusion in the Ethibel PIONEER and Ethibel EXCELLENCE Investment Registers since 09/12/2016. This selection by Forum ETHIBEL (www.forumethibel.org) indicates that the company can be qualified as a sector leader in terms of Corporate Social Responsibility (CSR).”

Environment

- Ranked 37th in the Nikkei Environmental Management Ranking
- Won the Minister for Agriculture, Forestry and Fisheries Award in the “6th Contest for Corporate Activities on Biodiversity”
- Acquired SBT Initiative certification (the first in the chemical sector for greenhouse gas reduction targets)

Human Resources

- Earned selection to the Ministry of Economy, Trade and Industry/Tokyo Stock Exchange’s Nadeshiko brand for fiscal 2017
- Certified as Ministry of Economy, Trade and Industry/Nippon Kenko Kaigi as a company that achieved superior health management in 2018
- Kofu Sekisui Sangyo Co., Ltd. received the Ministry of Economy, Trade and Industry’s New Diversity Management Selection 100 in fiscal 2016
- Earned selection to the Ministry of Economy, Trade and Industry’s Diversity Management Selection 100 for fiscal 2013



NADESHIKO BRAND 2018



2018
健康経営優良法人
Health and productivity
ホワイト500

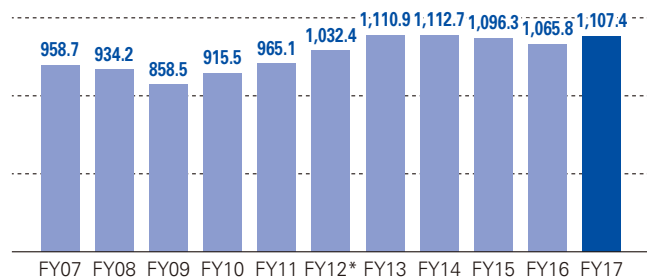
Financial Highlights

Financial Highlights

Net Sales

(Billions of yen)

FY2017
1,107.4

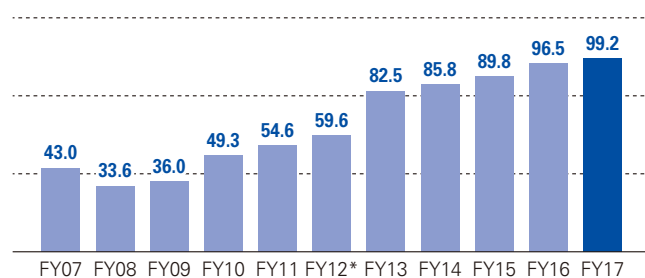


*Includes impact from fiscal year changeover at overseas subsidiaries implemented in fiscal year 2012.

Operating Income

(Billions of yen)

FY2017
99.2

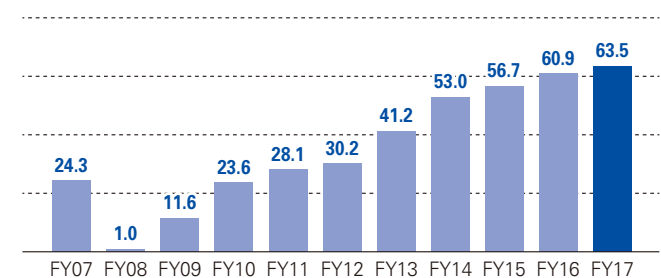


*Includes impact from fiscal year changeover at overseas subsidiaries implemented in fiscal year 2012.

Net Income Attributable to Owners of the Parent

(Billions of yen)

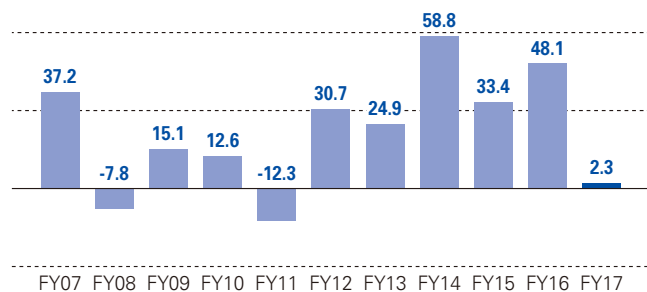
FY2017
63.5



Free Cash Flow

(Billions of yen)

FY2017
2.3

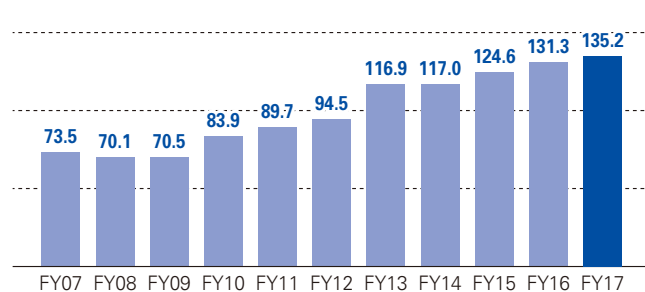


Free Cash Flow = Operating Activities CF + Investing Activities CF - Dividend Paid

EBITDA

(Billions of yen)

FY2017
135.2

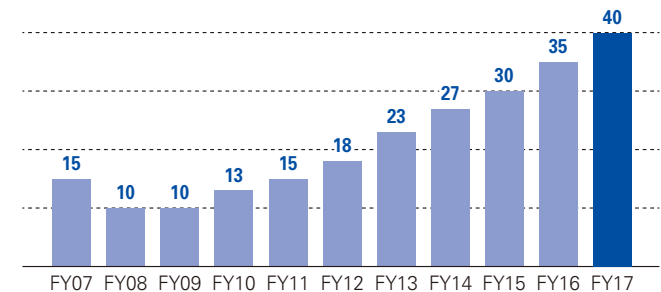


EBITDA = Operating Income + Depreciation and Amortization

Dividends per Share

(Yen)

FY2017
40



Financial Highlights

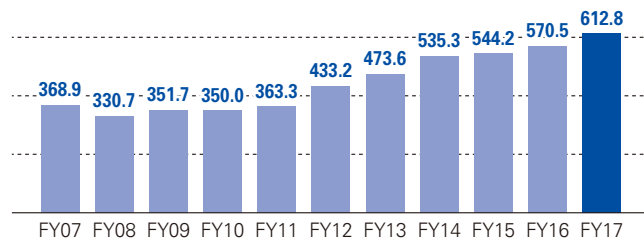
Financial Highlights

Net Assets

(Billions of yen)

FY2017

612.8

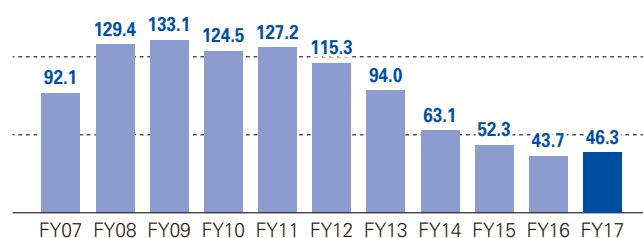


Interest-bearing Debt

(Billions of yen)

FY2017

46.3

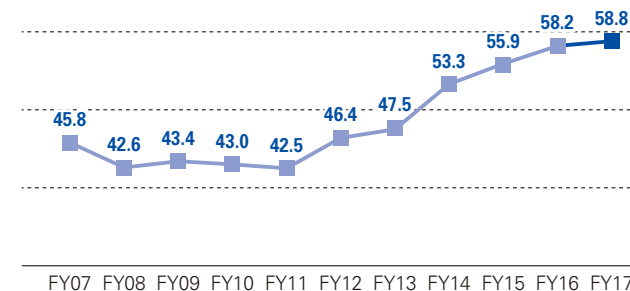


Shareholders' Equity to Total Assets

(%)

FY2017

58.8



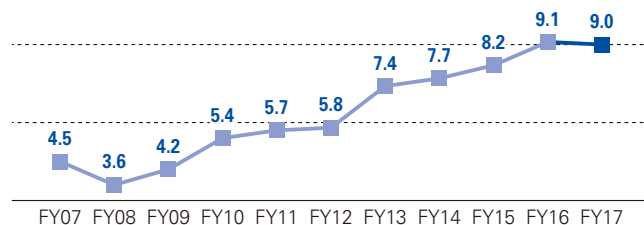
Shareholders' Equity to Total Assets = Shareholders' Equity including Accumulated Other Comprehensive Income/Total Assets

Operating Income Ratio

(%)

FY2017

9.0

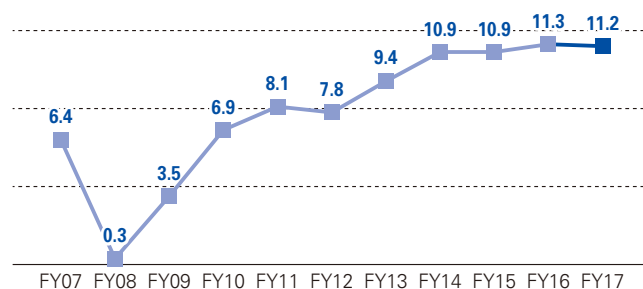


Return on Equity (ROE)

(%)

FY2017

11.2



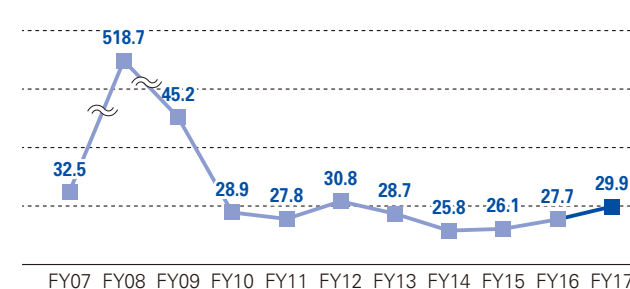
Return on Equity = Net Income Attributable to Owners of the Parent/Average Shareholders' Equity

Dividends Payout Ratio

(%)

FY2017

29.9



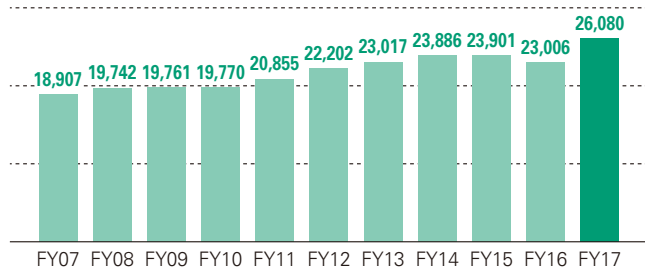
Non-Financial Highlights

Non-Financial Highlights

Number of Employees

(Number of persons)

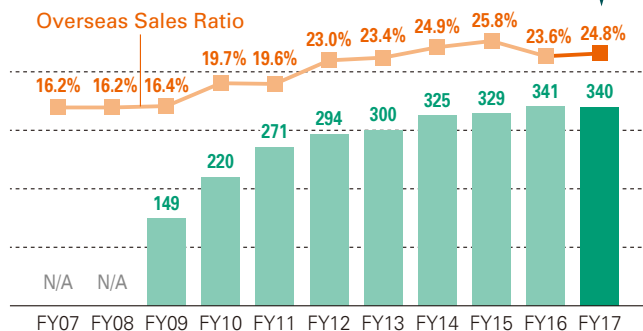
FY2017
26,080



Global Talent Employees

(Number of persons)

FY2017
340

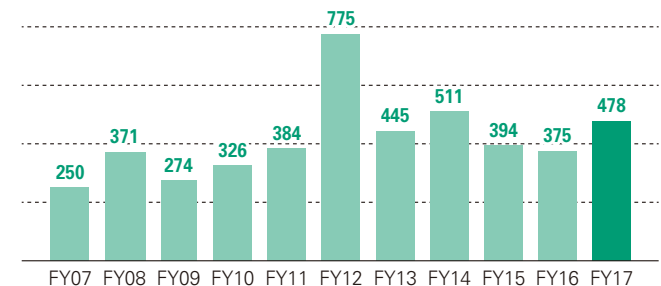


Global talent employees: Japanese employees with experience working overseas (including overseas trainees). The Company introduced a global talent employees program in fiscal 2009.

Loss Costs

(Millions of yen)

FY2017
478

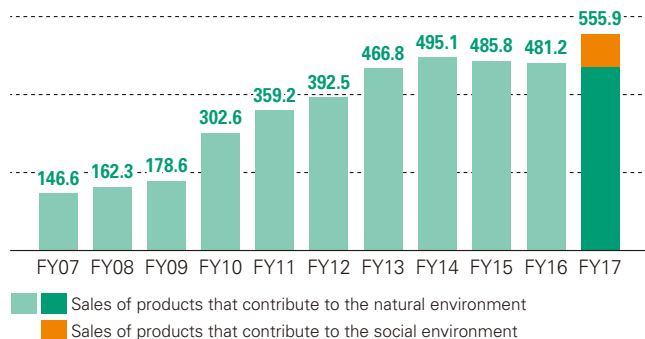


Loss costs: Domestic production site, R&D facility, Headquarters department, and indirect company department expenses including man-hours required to respond to occupational accidents, equipment-related accidents, and commuting accidents as well as long-term illness absences.

Environment-Contributing Products Sales

(Billions of yen)

FY2017
555.9

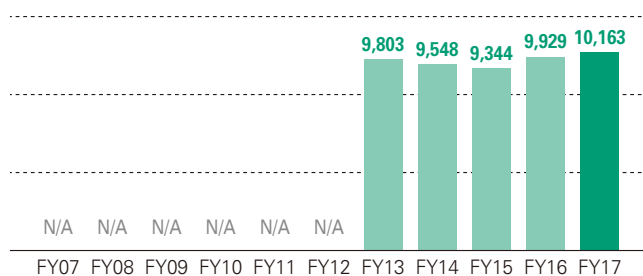


Environment-Contributing Products: Products that have demonstrated a high level of environmental contribution and that have been certified as having an effect when used by customers under the Company's internal certification system. In addition to the natural environment, the scope of contribution was expanded to include the social environment effective from fiscal 2017.

Energy Usage during Manufacturing

(TJ)

FY2017
10,163

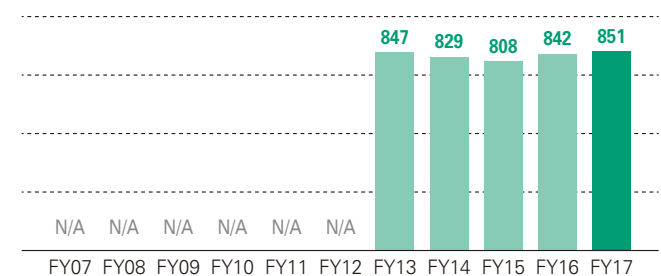


The calculation method was reviewed in fiscal 2017. Past data has been retroactively revised to accommodate such factors as the review of the calculation method.

Greenhouse Gas (GHG) Emissions during Manufacturing

(Kilotons-CO₂)

FY2017
851



The calculation method was reviewed in fiscal 2017. Past data has been retroactively revised to accommodate such factors as the review of the calculation method.

Message from President & CEO

Sekisui Chemical is working to help solve social issues that impact the global community focusing mainly on the Sustainable Development Goals (SDGs). Incorporating environmental, social, and governance (ESG) concerns in every facet of our business activities, we are contributing to the realization of a sustainable society.

The Sekisui Chemical Group is engaged in a wide range of global business activities that encompass such fields as plastic materials, based on the Group's prominence in processing technologies, healthcare, urban infrastructure, and unit housing. Guided by the "3S principles" embodied in our Corporate Philosophy, we are fusing the Group's technologies and strengths under a structure comprised of three division companies and a corporate headquarters. In this manner, every effort is being made to resolve social issues that impact the global community and in particular to achieve SDGs adopted by world leaders at a meeting of the United Nations from an ESG perspective.

The Sekisui Chemical Group's business activities cover a diverse range of areas that encompass 25 technological platforms. Categorized into the two broad "residential and social infrastructure creation" and "chemical solutions" domains, these technological platforms include energy systems, infrastructure construction, and housing production construction technology as well as green chemistry, plastic molding, and polyvinyl chloride materials. Each of these platforms provide the wellspring for each division company's value creation. Moving forward, we will continue to provide unique products and services while fine-tuning each of these technological platforms and promoting a process of internal and external fusion. In addition to the creation of new value that will be shared with society, we anticipate the fruits of these endeavors will also emerge in the form of economic value. (Please see page 54)



Teiji Koge

President and
Representative Director

Message from President & CEO

Message from President & CEO

Medium-term Management Plan “SHIFT 2019 -Fusion-”

Under our Medium-term Management Plan, launched in fiscal 2017, we are taking steps toward a new phase of growth in order to realize sustainable growth of the Group's corporate value. When naming the Medium-term Management Plan, we decided on “SHIFT 2019 -Fusion-.” This embodies our heartfelt desire to change the quality of growth from both a business results scale perspective and in terms of our corporate attitude. As a single key word, we settled on “Fusion,” which forms the bedrock of efforts aimed at promoting the plan.

As a first step, we must ask ourselves what we plan to fuse. First, we will look beyond the boundaries of existing operations, and fuse the technologies, opportunities as well as human and other resources of each division company across the Group as a whole. We will then work to accelerate the pace of growth and the creation of new value while also proactively considering fusion opportunities with external resources.

The Sekisui Chemical Group has identified certain financial targets under the Medium-term Management Plan. Our goal is to achieve net sales of ¥1,200 billion, operating income of ¥120 billion, an operating income ratio of 10%, net income attributable to owners of the parent of ¥75 billion, and an ROE of 12% in fiscal 2019, the final fiscal year of the plan.

Record-high Operating Income and Bottom Line Profit for a Fifth Consecutive Fiscal Year

All three division companies achieved sales and profit growth in fiscal 2017 the first fiscal year of the Medium-term Management Plan “SHIFT 2019 -Fusion-.” For the Company as a whole, operating income came in at ¥99.2 billion and net income attributable to owners of the parent at ¥63.5 billion. As a result, we were able to report record-high operating income and bottom line profit for a fifth consecutive fiscal year. On an individual division company basis, the High Performance Plastics (HPP) Company and Urban Infrastructure & Environmental Products (UIEP) Company both secured record-high profits. Based on these results, we have gotten off to a steady start in the first fiscal year of the Medium-term Management Plan.

The HPP Company undertook various measures including vigorous investment to expand production capacity and efforts to realize synergies through M&As. As a result, successful steps were taken to increase sales volumes and improve the product mix. The UIEP Company hit a milestone in its structural reform measures up to the previous fiscal year. In the fiscal year under review, the company focused on expanding sales of prioritized products while increasing sales volumes and improving the product mix mainly in Japan. Thanks to these endeavors, profit in this division company grew. While the Housing Company encountered a harsh market environment with the number of housing starts dropping for the first time in three fiscal years, the release of new products designed to secure a share of the volume zone market helped boost the number of orders and houses sold.

We are pushing forward a number of initiatives that traverse all three division companies based on the Group-wide “Fusion” theme. In addition to such factors as the synergy effects attributable to the acquisition of Polymatech Japan Co., Ltd., which contributed to profits in fiscal 2017, these initiatives which include the Urban Development Project located at the Company's former Tokyo plant site and the acquisition of an equity interest in TP Group, a major pipe manufacturer in Vietnam are expected to bear fruit from fiscal 2018 and beyond. Turning to efforts aimed at generating future profit and the Group's initiatives based its “Nurturing & Creation” theme, several instances of success have begun to emerge including development of the world's first production technology that transforms waste into ethanol.

Despite a difficult operating environment at the start of fiscal 2018, each division company is working to expand sales of high-value-added products and to pursue a variety of initiatives including the reduction of fixed costs in a bid to address changing market conditions. Through these and other means, every effort is being made to again secure sales and profit growth. Taking these factors into consideration, we are forecasting net sales of ¥1,168 billion, operating income of ¥102 billion, and net income attributable to owners of the parent of ¥67 billion. On this basis, we are targeting a sixth consecutive fiscal year of record-high operating income and bottom line profit.

Earnings Structure and Tailwind Factor (Growth and Profit Drivers)

While the Sekisui Chemical Group is made up of three division companies, the HPP Company is currently serving as the primary driver of earnings and growth. In addition to bolstering the earnings power of its mainstay operations, the HPP Company boasts a division company-high operating income ratio of 15%. Sales of the HPP Company also account for around 35% of Sekisui Chemical's total sales.

The Housing Company is a source of stable sales and profit. Accounting for roughly 45% of total sales, this core business maintains an operating income ratio of 7.7%. Looking at the housing market in Japan as a whole, net-zero-energy homes (ZEH) are projected to make up the majority of newly built housing by 2030. Against this backdrop, we have identified the growing demand for smart houses and other factors including the increased circulation of existing properties as opportunities for growth. Taking into consideration megatrends, we will work to expand overseas activities and cultivate frontier businesses in an effort to secure long-term growth.

Sales of the UIEP Company account for about 22% of Sekisui Chemical's total sales. While the company maintains an operating income ratio of 6.2%, energies are being channeled toward strengthening the structure of the company's earnings in order to secure stable profit. Looking at a variety of fields including metal substitutes, the UIEP Company is shifting its resources to R&D. In this manner, the company is endeavoring to uncover high-value-added products in growth fields.

Message from President & CEO

Message from President & CEO

Strengthening the Management Foundation (Corporate Governance and the Effects and Challenges Facing Division Companies)

We strongly believe that our divisional company system enable timely decision making for both customers and employees while addressing sudden dramatic changes in the market. We have also delegated broad and considerable authority to each division company across a wide range of areas including business execution and the setting of budgets. Moreover, each division company has its own R&D facility. Responsible for a comprehensive range of activities from development through production to sales, this divisional company structure is distinguished by its high degree of management accountability. We have also clarified responsibilities with respect to profitability and cash flows. As a result, each division company is implementing various measures to improve added value and consistently reduce costs as its awareness toward profit increases. As far as the headquarter function is concerned, Sekisui Chemical has put in place a governance structure covering each division company. The Policy Committee is a meeting which has been established where internal directors can deeply discuss issues. This committee deliberates on managerial indicators as well as such wide-ranging issues as reestablishment and/or exit strategies for underperforming businesses.

The divisional company structure was introduced in 2001. Thereafter, each division



company has continued to evolve to the point where we reported record-high profit in the fiscal year under review. However, amid changes in the environment in which this company operates, instances are beginning to emerge where the creation of added value is better served by looking beyond existing company boundaries.

For example, while the UIEP Company provides functional PVC sheets to aircraft manufacturers, successful steps have been taken to develop a high-performance interior material that is distinguished by its outstanding flexibility and heat insulation properties by incorporating the foam technologies that underpin the HPP Company's track record in such areas as the interior materials used in automobiles.

Taking the aforementioned into consideration, strengthening the process of fusion across all of the division companies' technologies, opportunities, and resources has been identified as a key theme under the current Medium-term Management Plan. Looking at the challenges that lie ahead, we must therefore ascertain the best way to expand beyond existing boundaries and leverage this fusion of technologies, opportunities, and resources as a platform to create high value added while harnessing the merits of the divisional company structure.

Governance is the cornerstone of corporate management. In its proper form, corporate governance serves as a mechanism that is crucial to the shaping and implementation of strategies. Through corporate governance, companies can determine those businesses where a process of selection and concentration will most likely improve capital efficiency, the systems and processes require to carry out operations in an appropriate and equitable manner, risks that will lead to a deterioration in corporate value, risks that in fact should be embraced, and the initiatives that should be taken. At the same time, governance is a discipline that provides the roadmap for sound and continuous growth and development as well as support required to build a structure that will help garner the confidence of society.

For its part, Sekisui Chemical has worked diligently to enhance corporate governance in a bid to increase the transparency and fairness of management and to ensure that decisions are made in a timely manner. In order to incorporate a broad range of perspectives and obtain the counsel of individuals with diverse backgrounds, we have appointed three independent senior executives as outside directors. We also established the Nomination and Remuneration Advisory Committee in fiscal 2016.

Sekisui Chemical's officers' remuneration plan contains a bonus component that is linked to the Company's performance. In addition to the Company's performance as a whole, this bonus component is based on a variety of factors including the ratio of Environment-Contributing Products to total sales, each division company's performance including such non-financial indicators as CS & Quality management, and ROE. In fiscal 2016, a share-based compensation plan was added to the Company's officers' remuneration plan. This incentive plan is designed to further raise the motivation of officers and is linked closely

Message from President & CEO

Message from President & CEO

with shareholders' value over the medium to long term.

Turning to the Group's activities outside Japan, we newly established a regional headquarters in Thailand in fiscal 2017 to complement existing headquarters in the U.S., Europe, and China. This system of regional headquarters is designed to reinforce Group governance encompassing overseas businesses, which are projected to expand in the future. At the same time, we established a group to oversee overseas operations within the Corporate Business Strategy Department. This initiative is designed to unify the governance functions both in Japan and overseas, minimize latent risks, and incorporate the knowledge of local operation outside Japan.

Risks and Growth Opportunities

Amid the uncertainty surrounding operating conditions in the short term, due mainly to a slowdown in the growth of emerging countries, frequent incidence of regional conflicts and acts of terrorism, increasingly wide fluctuations in foreign currency exchange rates, and the rise of protectionism, we are projecting a change in demand in the leadup to Japan's consumption tax rate hike in 2019 as well as demand growth prior to the Tokyo 2020 Olympic and Paralympic Games and a subsequent negative correction.

Under these circumstances, changes in population demographics typified by the declining birthrate in Japan, as well as the global environment attributable to climate change, climate devastation, and resource issues have been positioned as megatrends that considerably impact the Sekisui Chemical Group. Initiatives aimed at addressing these two broad megatrends are critical to the durability of our business model.

While these megatrends pose considerable risks, we believe they also provide opportunities for growth. For example, some have argued that investments of between US\$5 and US\$7 trillion are required each year to achieve SDGs. Looking at this argument from a different angle, the potential exists for new markets to emerge of a comparable scale.

Turning first to changes in Japan's population demographic, the Housing Business is projected to weather the heaviest impact within the next 10 years. There is an obvious risk that the market for newly built houses will shrink. Put another way, and despite the inevitable downward pressure placed on the supply of houses due to the shortage in homes and facilities for the elderly as well as a drop in the number of carpenters and tradespersons as a result of such factors as aging, changes in Japan's population demographic can be seen as an opportunity to stimulate increased demand for unit housing, which is distinguished by its high quality and stable construction. Looking at the residential market in a broad sense, opportunities exist within the sustainable urban development field for the Group to assist in solving a host of issues.

In specific terms, we are actively promoting the "SEKISUI Safe & Sound Project." This

urban development initiative calls for the construction of 130 "SEKISUI HEIM" brand houses for sale as well as commercial facilities and an apartment complex on the Company's former Tokyo plant site. In addition to vigorously introducing Environment-Contributing Products, we are analyzing a wide range of data relating to local residents, housing, and surrounding city collected through the use of IoT and sensing devices while incorporating efforts to collaborate with other firms in the development of new services. Through these means, we are working diligently to build safe and secure as well as environmentally friendly, comfortable, and leading-edge urban areas.

As far as such critical global environment issues as climate change, devastation, and the depletion of resources are concerned, we believe that the scope of contributions is quite broad. For example, the Group's EsloHYPER Series of polyethylene leak-proof pipes and CROSS-WAVE, a plastic material used in rainwater storage systems are attracting wide acclaim for their contributions to resolving water issues in emerging countries.

Looking also at countermeasures designed to address the issue of social infrastructure degradation, the Sekisui Chemical Group boasts a wide product lineup. In addition to the SPR Method, a trenchless sewage pipeline renewal method that facilitates the efficient application of backfill materials in the space between existing and rehabilitation pipes, the Group offers such products as the InfraGuard Series to repair and strengthen degraded concrete and other structural surfaces and prevent peeling.



Message from President & CEO

Message from President & CEO

As far as its technologies are concerned, the Group continues to attract expectation. This is especially true following the development of the world's first production technology that transforms waste into ethanol in 2017.

In this manner, we remain confident in our ability to seize on a variety of opportunities through the ongoing development of a wide range of businesses and future efforts to resolve social issues.

Capital Policy and Return to Shareholders

Guided by its five basic capital policies, the Sekisui Chemical Group pursues optimal balance between investment for sustainable growth and the return of profits to shareholders while keeping in mind the optimal state of its balance sheet. In conjunction with efforts to aggressively undertake investment activities totaling ¥300 billion as stipulated in its Medium-term Management Plan, the Group is utilizing borrowings in line with the demand for funds while maintaining a sound financial position.

Turning to the Group's policy on the return of profits to shareholders, we are guided by profit growth trends over the medium to long term as well as the ongoing need to engage in proactive business investment. On this basis, the return of profits to shareholders is carried out in accordance with financial results. Moving forward, we will continue to pursue the vigorous and stable return of profits to shareholders through the payment of dividends and flexible buy back of shares. Our goals are to secure a Dividend-On-Equity Ratio of around 3% while targets a dividend payout ratio of roughly 30%.

Through these initiatives, the Sekisui Chemical Group will continue to create new value that will be shared with society, generate economic value, and accelerate the pace of sustained growth. As we work to achieve these goals, we kindly request the continued support and understanding of all stakeholders.

August 2018



Teiji Koge
President and Representative Director

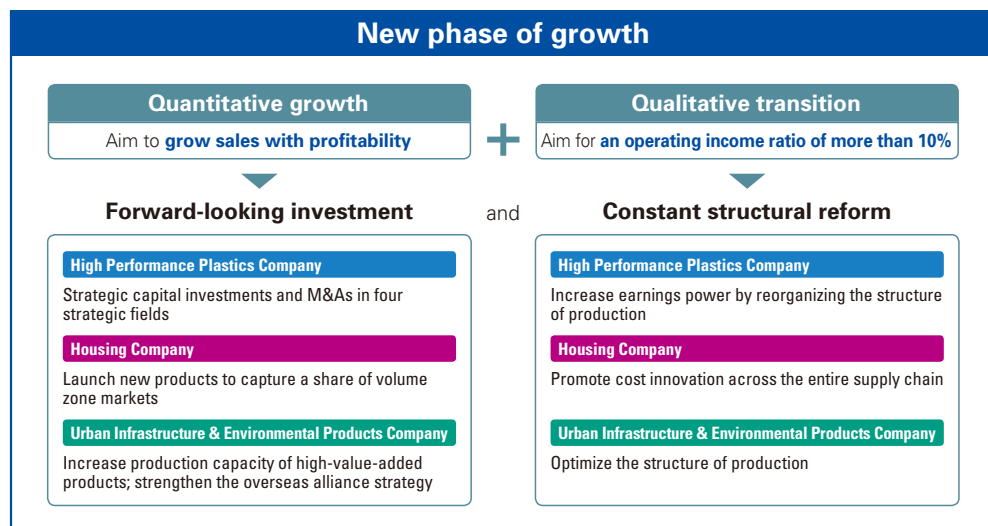
Basic Capital Policy

1. The Company recognizes its capital policy as one of the most important tasks in corporate governance.
2. The Company avoids implementing any capital policies that is not considered supportive to the creation of long-term shareholder value. Any capital policy involving a change in control or a substantial dilution will be subject to the deliberation of the Board of Directors for careful examination of its purpose and necessity/reasonableness and other due processes so that the shareholders will be provided with sufficient and clear explanation of it.
3. The Company sets and discloses in its Medium-term Management Plan its targets for various indicators of capital productivity such as return on equity (ROE).
4. By always keeping in mind the optimal state of the balance sheet, we will pursue an optimal balance between investment for sustainable growth of the Company and shareholder return.
5. The return of profits to shareholders will be carried out in accordance with financial results and in consideration of ROE and the Dividend-On-Equity Ratio as well as optimal balance between the policy for stable dividend payments and the ability to flexibly buy back shares. Our aim is to secure a DOE Ratio of around 3% while targets a dividend payout ratio of roughly 30%.

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

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

Under the Medium-term Management Plan "SHIFT 2019 -Fusion-" (from fiscal 2017 to fiscal 2019) we will make "quantitative growth," by which we grow sales with profitability by appropriate growth investment for the future, compatible with "qualitative transition," by which we aim for an operating income ratio of more than 10% through ongoing improvements in profitability by constant structural reform.



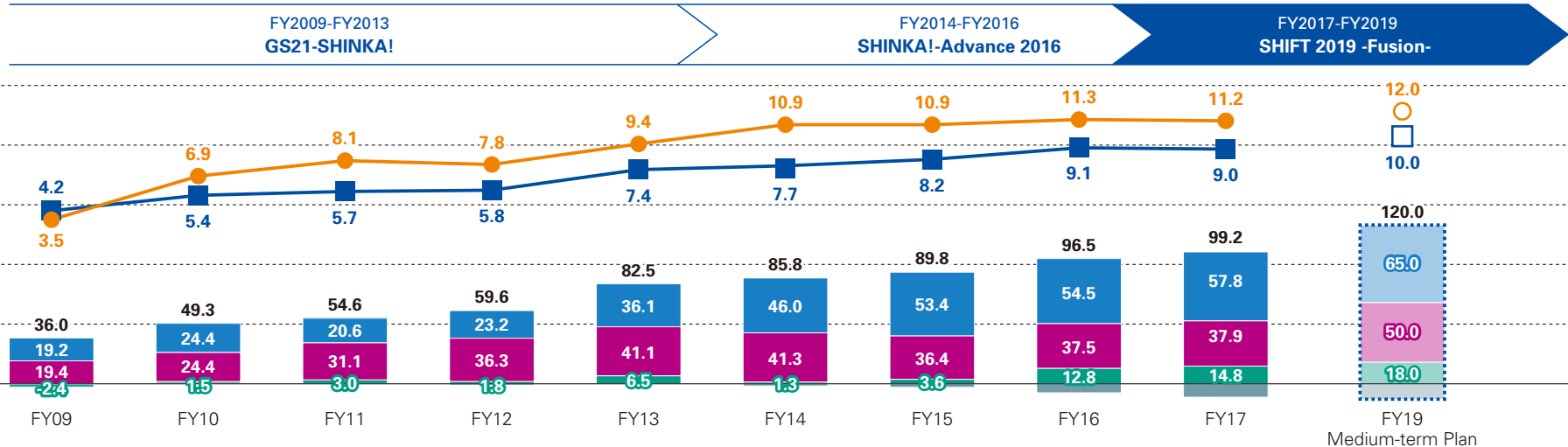
Quantitative target

	FY2017 Results	FY2019 Medium-term Plan*
Net sales	1,107.4 billion yen	1,200.0 billion yen
Operating income	99.2 billion yen	120.0 billion yen
Operating income ratio	9.0%	10%
Net income	63.5 billion yen	75.0 billion yen
ROE	11.2%	12%
Overseas sales	275.0 billion yen	300.0 billion yen
Domestic sales	832.4 billion yen	900.0 billion yen

*Assumed exchange rate
US Dollar 100 yen
Euro 113 yen

Operating Income

(Billions of yen)



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

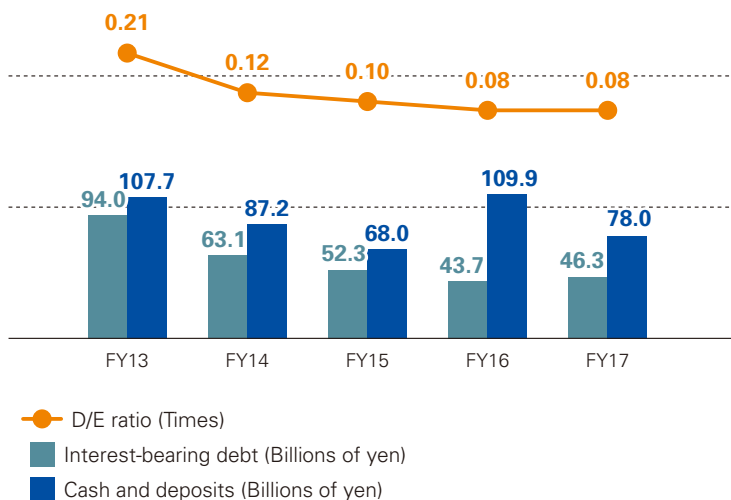
Progress of the Medium-term Management Plan "SHIFT 2019 -Fusion-"

Under the Medium-term Management Plan "SHIFT 2019 -Fusion-," the policy is to conduct aggressive investment while maintaining a sound financial position. To that end, we will double strategic investment and establish a new investment framework for M&As. We will make investments for growth from various perspectives, including establishing a new environmental contribution framework. On the other hand, our policy is to maintain active and stable returns of profits to shareholders through dividends and treasury stock acquisition.

Capital Policy Approach

Undertake aggressive investment activities and utilize borrowings in line with the demand for funds while maintaining a sound financial position

Trends in Cash and Deposits, Interest-bearing Debt, and D/E Ratio

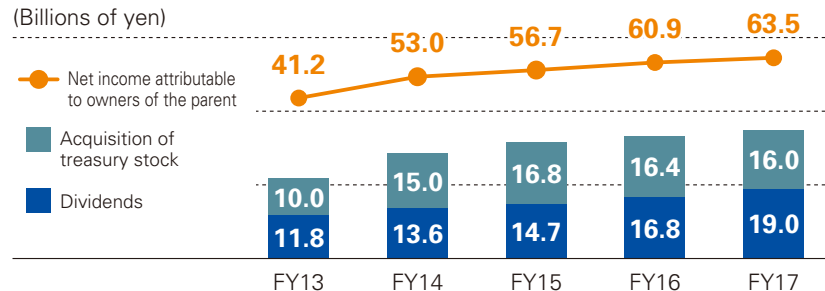


Returns to Shareholders

Maintain vigorous and stable returns to shareholders also under the Medium-term Management Plan

Returns to Shareholders Track Record

(Billions of yen)



	FY13	FY14	FY15	FY16	FY17
Net income attributable to owners of the parent per share (yen)	80.13	104.73	115.08	126.13	133.80
Cash dividends per share (yen)	23	27	30	35	40
Dividends payout ratio	28.7%	25.8%	26.1%	27.7%	29.9%
Acquisition of treasury stock (billions of yen)	10.0	15.0	16.8	16.4	16.0
Total return ratio*1	52.9%	54.0%	55.5%	54.5%	55.1%
ROE	9.4%	10.9%	10.9%	11.3%	11.2%
DOE*2	2.7%	2.8%	2.8%	3.1%	3.3%
Treasury stock retired (thousand of shares)		12,000	10,000	0	10,000

*1 Total return ratio = (Amount of treasury stock acquired + Total Dividends)/Net income attributable to owners of the parent
 *2 DOE= Annual dividend/Average Shareholders' Equity

Commitments under the Medium-term Management Plan

- Targeting a dividend payout ratio of 30%
- Targeting DOE*2 of 3%
- Flexible acquisition of treasury stock

Introduction	Message from President & CEO	Strategy	Performance Reports from Divisional Companies	Foundation Management Capital That Serves as a Source of Value Creation	Corporate Governance	Data
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Special Feature



Ongoing Development of the Sekisui Chemical Group and Efforts Aimed at Realizing a Sustainable Society

Demands on the corporate sector to help realize a sustainable global society are increasing more than ever before. Against this backdrop, Sekisui Chemical Group is merging its existing environmental and business activities to engage in a new style of management.

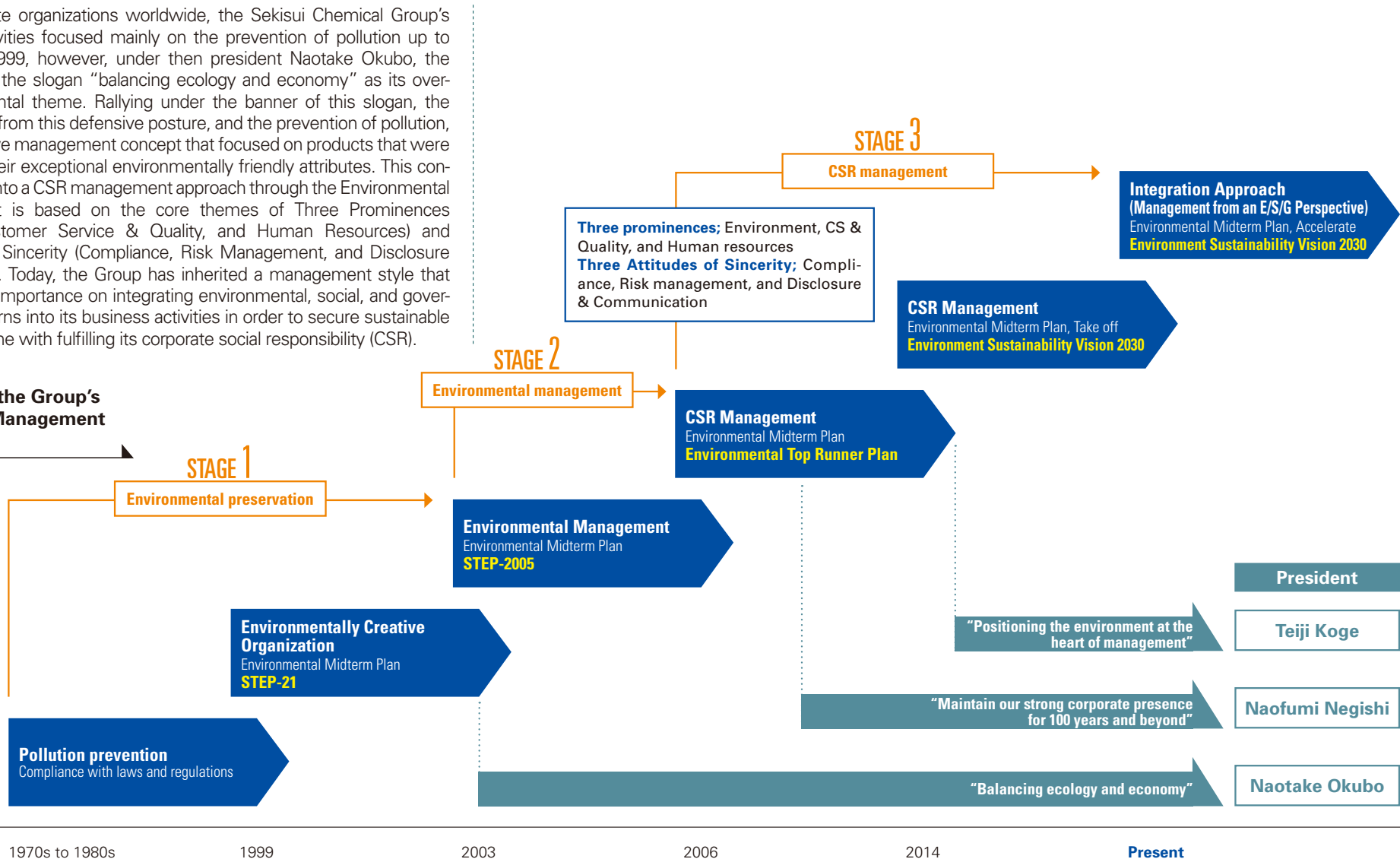


Special Feature

Following an Evolutionary Path —From Environmental Protection through Environmental Management to a Focus on CSR—

Like most corporate organizations worldwide, the Sekisui Chemical Group's environmental activities focused mainly on the prevention of pollution up to around 2000. In 1999, however, under then president Naotake Okubo, the Company adopted the slogan "balancing ecology and economy" as its overarching environmental theme. Rallying under the banner of this slogan, the Group transitioned from this defensive posture, and the prevention of pollution, to a more aggressive management concept that focused on products that were distinguished by their exceptional environmentally friendly attributes. This concept then evolved into a CSR management approach through the Environmental Midterm Plan that is based on the core themes of Three Prominences (Environment, Customer Service & Quality, and Human Resources) and Three Attitudes of Sincerity (Compliance, Risk Management, and Disclosure & Communication). Today, the Group has inherited a management style that places the utmost importance on integrating environmental, social, and governance (ESG) concerns into its business activities in order to secure sustainable growth that is in tune with fulfilling its corporate social responsibility (CSR).

Three Stages in the Group's Environmental Management Evolution



Special Feature

Inheriting an Integration Approach to Secure Growth That is in Tune with Fulfilling the Group's Corporate Social Responsibility

In addition to balancing the needs for quantitative and qualitative growth over the three-year period to fiscal 2019, the Sekisui Chemical Group is promoting sustainable growth in tune with efforts to fulfill its CSR under its Medium-term Management Plan SHIFT 2019 -Fusion-. This Plan encapsulates the Group's integration approach based on the five "Sustainable," "Human Resources," "Innovation," "Frontier," and "Transformation" themes with an especially strong focus on building a sustainable management

foundation that incorporates ESG concerns.

Under its Environment Midterm Plan, the Group has identified the three key initiatives of "expanding and creating markets for Environment-Contributing Products," "reducing environmental impact," and "conserving the natural environment." In addressing each of these issues, the Group will help to not only realize "an Earth with maintained biodiversity," but also to resolve SDG-based challenges and in turn bring a sustainable society to fruition.

As a first step in 2014, we took steps to visualize the balance between the impact on natural capital and the amount of contribution. This integrated index has been used as a KPI since fiscal 2017. Moreover, we have positioned the expansion and creation of markets for Environment-Contributing Products as the key for pushing forward the Company's growth while at the same time realizing a return to the natural environment.

Medium-term Management Plan SHIFT 2019 -Fusion-

- Make it compatible quantitative growth and qualitative transition
- Sustainable growth with social responsibility

S **Sustainable**
Establish sustainable business base from E/S/G viewpoint

H **Human resources**
Empowerment of diverse employees who support the business

I **Innovation**
Create new products and new businesses with prominent technologies and quality

F **Frontier**
Develop new fields, new area and new applications

T **Transformation**
Promote transformation (strengthening earnings power) and establish strong business structure

Basic Strategy

Strengthen the business base

- 3 actions
Accelerate "3 actions" with "Fusion"
- Technology Fusion
 - Opportunity Fusion
 - Resources Fusion

"An Earth with maintained biodiversity" targeted by the Sekisui Chemical Group = An Earth that has benefitted from the resolution of SDG-based challenges and in turn witnessed the fruition of a sustainable society

SUSTAINABLE DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD

Earth with maintained biodiversity

Fiscal 2017 Return Results



Return ratio on the use of natural capital: **84.1%**

Targets Going Forward

FY2019: At least **90%**
FY2030: At least **100%**

Also consistent with the Natural Capital Protocol approach

Special Feature

Taking Up the Challenge of Creating Environment-Contributing Products from a New Perspective

Based on its long-standing environmental protection approach, the Sekisui Chemical Group registers products that are effective in significantly reducing any impact on the environment as Environment-Contributing Products. To date, the Group has worked diligently to lift the ratio of Environment-Contributing Product sales to total sales.

Recognizing that conserving the natural environment on its own is not enough to realize a sustainable society, we have expanded the scope of Environment-Contributing Products to include products that assist in addressing both

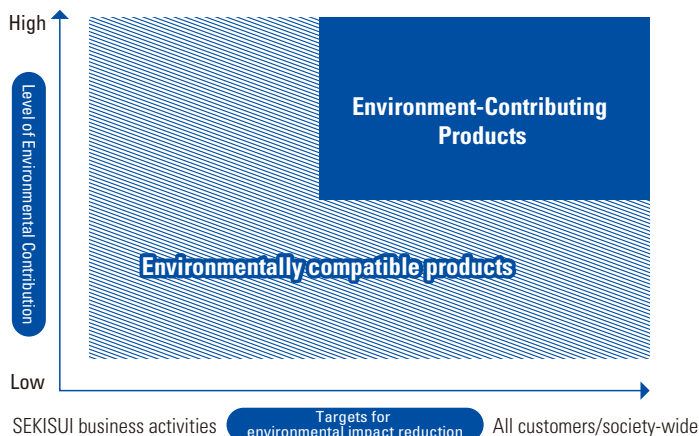
social and environmental issues by improving the lives of people around the world.

In revisiting the definition of Environment-Contributing Products, we also broadened our outlook to include contributions in such categories as “extend healthy life” “build and promote more resilient infrastructure” “make lifestyles safer and more disaster resilient.” Taking into account each of the aforementioned factors, our policy is to realize an Earth with maintained biodiversity.



Environment-Contributing Products

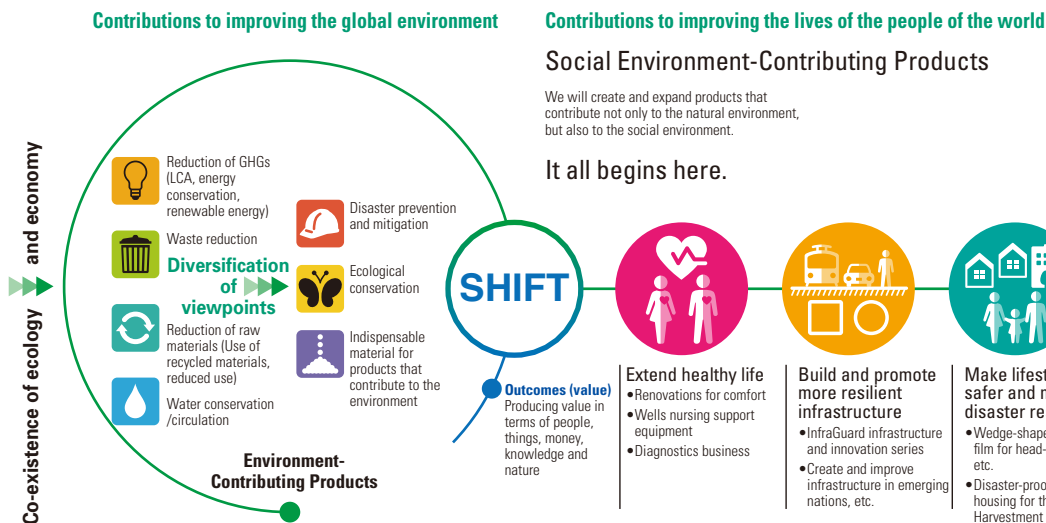
Products that have demonstrated a high level of environmental contribution and that have been certified as having an effect when used by customers.



Definition

- Products and business that demonstrably assist our customers and society to reduce their environmental impact.
- Environment-Contributing Products refer to products that achieve a certain level of environmental impact reduction in comparison to previous products and systems.

SHIFT on approach to contributions made by Environment-Contributing Products



[Group Vision]
Through prominence in technology and quality, SEKISUI CHEMICAL Group will contribute to improving the lives of the people of the world and the Earth's environment, by continuing to open up new frontiers in residential and social infrastructure creation and chemical solutions.

Realization of the "Earth with maintained biodiversity"
Expanded return of natural capital

SDGs where contributions can be made



SUSTAINABLE DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD
This Agenda is a plan of action for people, planet and prosperity, establishing declarations and goals. These are the Sustainable Development Goals (SDGs), consisting of 17 goals and 169 targets.

Special Feature

Product and Service Initiatives Aimed at Addressing SDGs

The Sekisui Chemical Group has been contributing to resolving social issues through various products and businesses for a very long time. We have also been promoting active involvement in international organizations and international rules, including the declaring of our support for the UN Global Compact in 2009. At this point, we would like to showcase the products and services that the Group contributes through its business operations under the Sustainable Development Goals (SDGs) agenda compiled by the United Nations.



11 SUSTAINABLE CITIES AND COMMUNITIES **Eco-friendly, Sustainable Urban Development**
 The SEKISUI Safe & Sound Project is an urban development undertaking that encompasses a mix of houses for sale, commercial facilities, and an apartment complex in Asaka City, Saitama Prefecture. This project brings together the Group's collective strengths in products, technologies, and know-how to create a secure and safe, eco-friendly, and sustainable town.



12 RESPONSIBLE CONSUMPTION AND PRODUCTION **Making Ethanol from Waste**
 Sekisui Chemical has developed a technology that gasifies combustible waste accumulated at waste disposal facilities without any sorting, and converts this gas into ethanol using a microbial catalyst. By facilitating the processing of waste without emitting greenhouse gas or other harmful emissions and the use of oil resources, this technology is expected to contribute to the creation of the ultimate resource recycling system.



13 CLIMATE ACTION **Automotive Sound Insulation/Solar Control Interlayer Film**
 Reduces CO₂ when vehicle is in motion and contributes to climate change mitigation by means of improved air conditioning efficiency and thinner glass



13 CLIMATE ACTION **Housing Equipped with Solar Power Generation Systems**
 Housing made possible by creating, saving, and storing energy by means of solar power generation, storage batteries, and HEMS. Reduces CO₂ emissions in residential areas and contributes to climate change mitigation



Special Feature

Product and Service Initiatives Aimed at Addressing SDGs

13 CLIMATE ACTION
Housing in Thailand
 Durable, energy-saving housing manufactured and sold in Thailand. Contributes to reduced CO₂ emissions and climate change mitigation in Thailand



13 CLIMATE ACTION
Film-type Lithium-ion Battery
 Enables larger capacity by being of the film type, promotes effective utilization of re-energy, contributes to climate change mitigation



12 RESPONSIBLE CONSUMPTION AND PRODUCTION
EsloHYPER Series Polyethylene Pipes
 A water supply pipe that does not leak water, because the pipes and fittings are joined by electrofusion. Contributes to resource recycling by preventing water leakage and improving resource (water) utilization efficiency



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
FFU Synthetic Wood
 Synthetic wood with high durability. Used for railway sleepers and enhancing safety of mobility travel



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Sewage (Spirally) Pipe Renewal (SPR) Method
 Rehabilitates and strengthens ageing sewage pipes in a short period of time by a non-excavation method



3 GOOD HEALTH AND WELL-BEING
Diagnostic Reagents for Patients Suffering from Viral Diseases
 Diagnostic reagents to diagnose whether someone is infected with a virus. Lead to early detection of illness and extend healthy lifespans



Special Feature

Our Goal is to Again Renew Our Position as a Frontrunner in the Environmental Field

In addition to expanding the scope of its Environment-Contributing Products to cover society and the environment, the Sekisui Chemical Group is ramping up efforts to more effectively conserve the natural environment. As one of these efforts, we have put in place the long-term vision of systematically reducing greenhouse gas (GHG) emissions over the next 30 years.

Under this vision, we have positioned the 942,000 tons of GHGs emitted in fiscal 2013 as a base, and have worked to control the level of emissions by establishing an environment contributing (energy-saving) investment*1 that has included the renewal of existing equipment over recent years. Moving forward, we are reviewing production methods with a view to increased innovation, reducing the amount of energy consumption, and pursuing such other avenues as the generation

of new energy in a bid to reduce GHG emissions. We have a reduction goal of 26% compared with the fiscal 2013 base.

After applying for SBT*2 Initiatives certification in March 2018, the Group was the first company in the chemical sector to receive approval in June 2018. Under this approval, our long-term GH reduction targets are recognized as scientifically based ambitious targets to achieve the 2°C target set under the Paris Agreement. As far as the scope of the Company's targets are concerned, the Group has also declared its intention address both upstream and downstream operations along the supply chain. In the case of SCOPE 3*3 approved targets, we are promoting reductions at each of the procured raw materials and product use stages, which emit substantial quantities of GHG (our target is to reduce GHG emissions by 27% by fiscal 2030

compared with fiscal 2016).

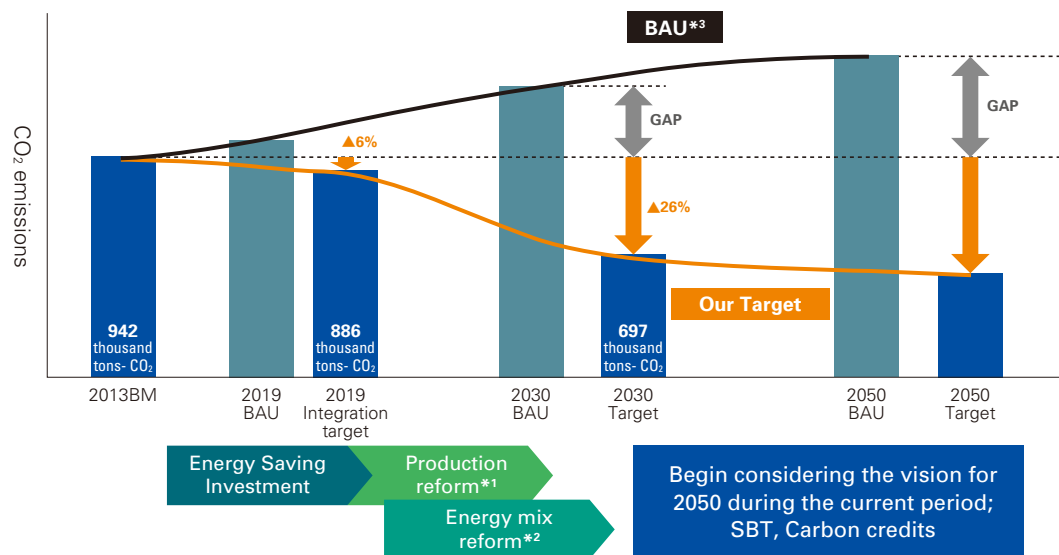
Through these initiatives, the Group secured a rate of return on natural capital of 84.1% in fiscal 2017. The goal is to increase this rate to 90% or higher over the next three years and to achieve a 100% rate or higher in 2030. Within the framework of international cooperation, we are looking to become a frontrunner in the environmental field even on a stand-alone basis.

*1 Environment contributing (energy-saving) investment set at approximately 0.3% compared with net sales under the current Medium-term Plan.

*2 SBT (Science Based Targets): Taking the opportunity of the adoption of the Paris Agreement, other joint initiatives were proposed in addition to the United Nations Global Compact. With SBT initiatives, company-set GHG reduction targets are certified as scientific based targets which contribute to long-term climate change measures.

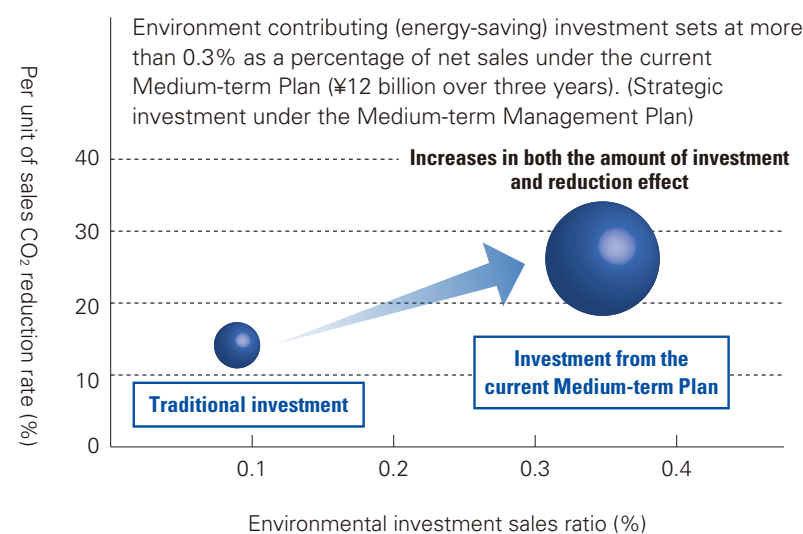
*3 Scope 3: Other indirect emissions, supply chain production, transport, customer use of products, disposal, etc.

Environmental Impact Reduction / GHG Reduction Long-term Vision



*1 Production reform: Production innovation, reducing CO₂ by reducing energy consumption
 *2 Energy mix reform: Reducing CO₂ by changing energy procurement, energy creation, and energy use
 *3 BAU (Business As Usual): Increasing emission quantities along with increase in business activities

Expanding the Energy Saving Investment Incentives Program



Special Feature

Promoting Innovation through a Renewal of the Organizational Structure

As indicated, the Sekisui Chemical Group is working to preserve the environment by actively expanding Environment-Contributing Products. At the same time, we are endeavoring to help realize a sustainable global society by conserving the natural environment.

However, we recognize the need to renew ourselves at the organizational level and to ensure that this renewal is fully functional and entrenched if we are to continue our endeavors on both a Group-wide as well as medium- and long-term basis. With this in mind, we have integrated the

business planning as well as CSR and IR functions into the Business Strategy Department, which is responsible for medium- and long-term corporate management. We have also put in place a structure that allows us to promote business planning and CSR in an integrated manner within the overall corporate planning of the Group. These initiatives are designed to help us stay one step ahead of the competition.

On another note, we acknowledge the importance of maintaining an external oversight function. To this end, we have introduced a framework for the certification of

Environment-Contributing Products by outside advisors.

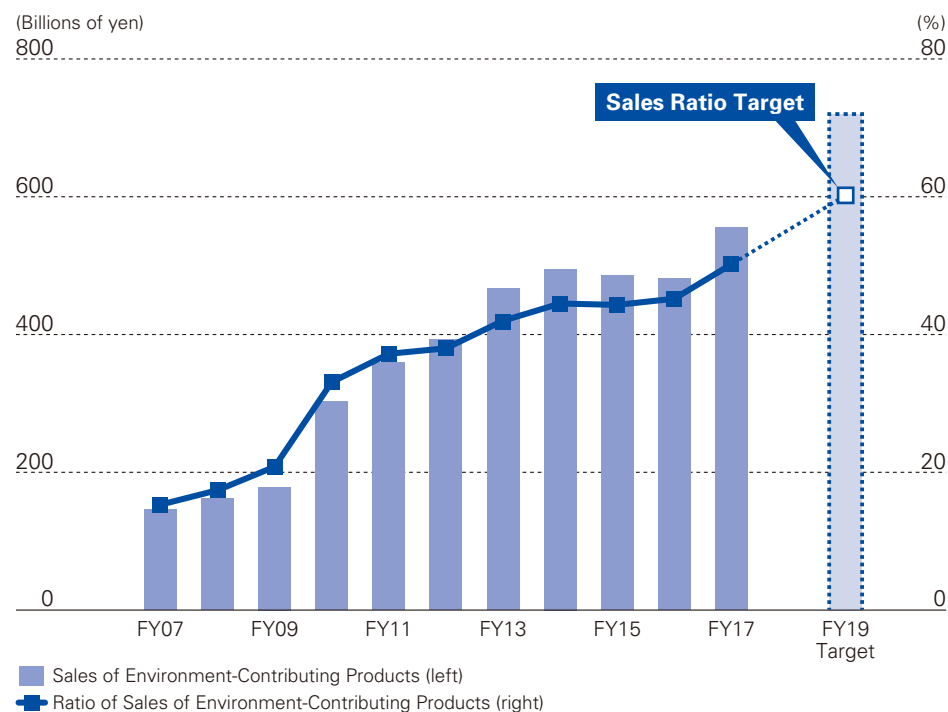
Plans are in place to lift the ratio of Environment-Contributing Products to total net sales from 50.2% in fiscal 2017 to 60% in 2019. Our goal is to help realize sustainable growth commensurate with efforts to fulfill our corporate social responsibility by contributing to society through our products and services. In this manner, we are working to become an increasingly indispensable member of society.

Organizational Change Geared Toward Integrated Thinking



Integrating the business planning as well as CSR and IR functions into the Business Strategy Department

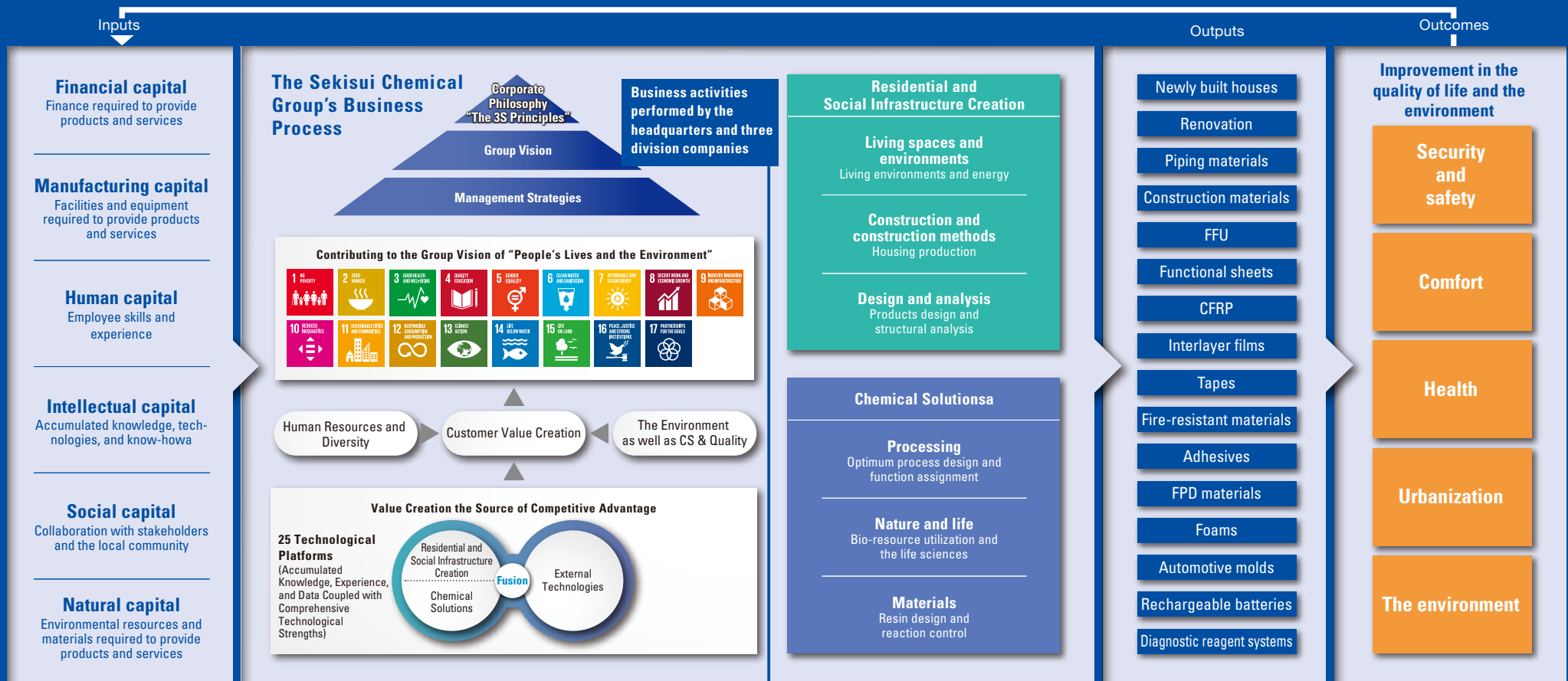
Trends in the Ratio of Environment-Contributing Products to Total Net Sales



Performance

Reports from Divisional Companies

At the same time as taking a look back at the fiscal 2017 performance of each of the three highly independent companies of the Sekisui Chemical Group—the High Performance Plastics (HPP) Company, the Housing Company, and the Urban Infrastructure & Environmental Products (UIEP) Company—we explain about their growth strategies for the years ahead.



High Performance Plastics (HPP) Company ▶ P27

The explanation includes the growth strategies at the three stages of "core," "growth enhancement," and "cooperation enhancement," centered on four strategic fields that will be deployed globally.

Housing Company ▶ P33

This section explains about the core business reform, which centers on the housing and renovation businesses, and the frontier businesses, such as domestic real estate and residential services and overseas businesses.

Urban Infrastructure & Environmental Products (UIEP) Company ▶ P39

Here we explain the growth strategy based on the new strategic portfolio that has been established in accordance with the current Medium-term Management Plan.

High Performance Plastics (HPP) Company

President's Policy

I Growth Engine

Realize sales and profit growth by undertaking portfolio reform

II Business Structural Reform

End of a round of low-profit business rationalization; aggressive structural reform aimed at further increasing profit ratios

III Solid Business Foundation

Solid business foundation that is capable of realizing I & II above



Keita Kato
President of High Performance Plastics Company

High Performance Plastics (HPP) Company

Business Overview

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

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

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

Press Releases on HPP Company's Topics

- Apr. 2017** Notice of Acquisition of Management Rights to "Polymatech Japan Co., Ltd. Group"
- June 2017** Notice Concerning the Start of Plans to Establish a New Company for the Research, Commercial Manufacture, and Sale of Peptide Pharmaceuticals by PeptiDream Inc., Shionogi & Co., Ltd., and Sekisui Chemicals Co., Ltd.
- July 2017** Establishment of an Automotive Interior and Exterior Plastic Parts and Industrial Components Manufacturing Plant in Tochigi in April 2018
- July 2017** New European Research Center for Interlayer Films for Laminated Glass in the Netherlands
- July 2017** Notice Concerning the Acquisition of Shares (i.e., Subsidiarization) in "SoflanWiz Co., Ltd.", which Manufactures and Sells Urethane Products
- Nov. 2017** Establishment of Second Polyolefin Foam Plant in Thailand
- Dec. 2017** Operation Commences at Mexico Plant's Third Production Line for Automotive Laminated Glass Interlayer Films **1**
- Jan. 2018** Increased Production Capacity of Interlayer Film for Laminated Glass and Raw Material Resin in Europe
- Apr. 2018** Stock Acquisition of Veredus Laboratories Pte. Ltd., a testing Company in Singapore **2**



High Performance Plastics (HPP) Company

Fiscal 2017 Performance

Thanks largely to increases in sales volumes and improvements in the product mix mainly in the Automobiles and Transportation field, reported record high profit for a fifth consecutive fiscal year

The High Performance Plastics (HPP) Company achieved an increase in both net sales and profit in fiscal 2017. Despite the impacts of a decline in demand in the Electronics field as well as high raw material costs, this was largely due to increases in sales volumes and improvements in the product mix mainly in the Automobiles and Transportation field.

Net sales for the fiscal year under review increased across all four strategic fields climbing ¥28.6 billion compared with the previous fiscal year, to ¥386.2 billion. On an actual basis after excluding the impacts of business structural reform as well as mergers and acquisitions that led to the new inclusion of companies in Sekisui Chemical's scope of consolidation, net sales expanded ¥16.9 billion.

Operating income in the HPP Company came to ¥57.8 billion, an increase of ¥3.3 billion compared with the previous fiscal year. This represented a sixth consecutive year of operating income growth and a record high for the fifth consecutive fiscal year. In contrast, the operating income ratio was essentially unchanged from the previous fiscal year at 15%. This was primarily due to the temporary effects of M&A expenses.

Looking at the HPP Company's activities across each of its four strategic fields, investments aimed at expanding production capacity in response to the steady upswing in demand for interlayer films and especially high-performance products helped boost results in the Automobiles and Transportation field. The HPP Company continued to experience growth in the Life Science field. This was largely attributable to the steady progress achieved in cultivating markets in emerging countries for the Company's mainstay diagnostic reagents and testing equipment. Meanwhile, impacted by a slowdown in FPD market conditions, the HPP Company

accelerated its shift to non-liquid fields including semiconductors in the Electronics field. In the Building and Infrastructure field, as competition continued to intensify in the target India market, the HPP Company took steps to expand in surrounding areas.

Firm start in fiscal 2017, the first year of the Medium-term Management Plan

Fiscal 2017 was the first year of Sekisui Chemical's Medium-term Management Plan "Shift 2019 -Fusion-," which aims to pivot the Company toward growth. Guided by this plan, the HPP Company is committed to the active implementation of M&As as well as strategic investments. As a part of these endeavors, steps were taken to implement M&As with Polymatech Japan Co., Ltd. and SoflanWiz Co., Ltd. while also undertaking the investment necessary to commence commercial operations at a third interlayer film production line in Mexico.

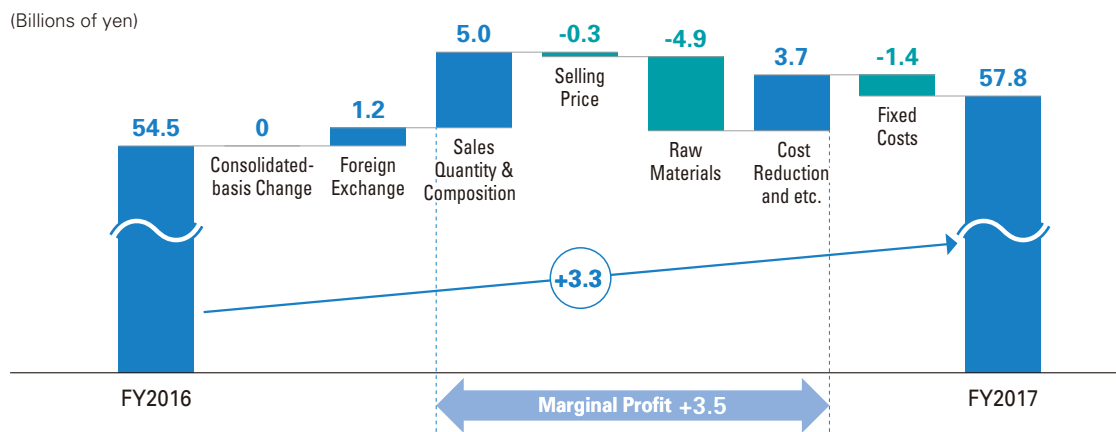
In fiscal 2017, the first year of the Medium-term



Polymatech Group products for automotive use (by application)

Management Plan, the HPP Company made a firm start toward determining the measures required to boost performance as well as future growth in a comprehensive manner.

Analysis of Operating Income for FY2017 (year-on-year)



High Performance Plastics (HPP) Company

Fiscal 2018 Forecasts

Respond to changes in the global economy and environment in a flexible and timely manner while targeting record-high operating income for a sixth consecutive fiscal year

The HPP Company is expected to confront a harsh global business environment in fiscal 2018. Against this backdrop, the Company will work to secure increases in sales volumes and further improvements in the product mix across all four strategic fields by quickly realizing the effects of strategic investments including past efforts aimed at implementing M&As and expanding production capacity. At the same time, the Company will increase profit through a variety of measures including the further reduction of costs. Based on the aforementioned, the HPP Company is projecting increases in both net sales and profit. In specific terms, net sales are forecast to reach ¥418 billion and operating income ¥59.5 billion. Focusing especially on profit, every effort will be made to promote an ongoing increase. Here, the HPP Company will target a sixth consecutive fiscal year of record-high operating income and a seventh consecutive fiscal year of profit growth.

Secure steady increases in net sales and profit in the Automobiles and Transportation as well as Life Science fields while hastening the effects of strategic investments (increases in production capacity and M&A synergies) in each of the four strategic fields

Commenting on each of the four strategic fields, the HPP Company is expecting the fiscal 2017 second half impacts of smartphone market slowdown to continue into fiscal 2018 in the Electronics field. Under these circumstances, emphasis will be placed on shifting to non-liquid fields and accelerating the pace of efforts aimed at strengthening the portfolio while at the same time increasing the Company's market share in mainstay products and expanding its new customer base. As an example of activities in the non-liquid fields, the HPP Company will consider increasing production as and when required in order to realize the fruits of mechanisms implemented to date in such areas as semiconductor- and OLED-related products.

In the Automobiles and Transportation field, the HPP

Company will target increases in both net sales and profit on the back of contributions for the full fiscal year from the new interlayer film production line in Mexico that commenced operations during the previous fiscal year. Moreover, the Company will accelerate the pace of heat dissipation product rollout in the car electronics field by generating synergies with the previously acquired Polymatech Japan Co., Ltd.

In the Building and Infrastructure field, the HPP Company will work to increase market share in mainstay products and expand overseas. In addition to expanding CPVC sales in the Americas, the Company will increase sales of non-combustible urethane by realizing synergies with SoflanWiz Co., Ltd., which has a top market share in Japan in the area of thermal insulation material sprays for buildings in the fire-resistant materials field.

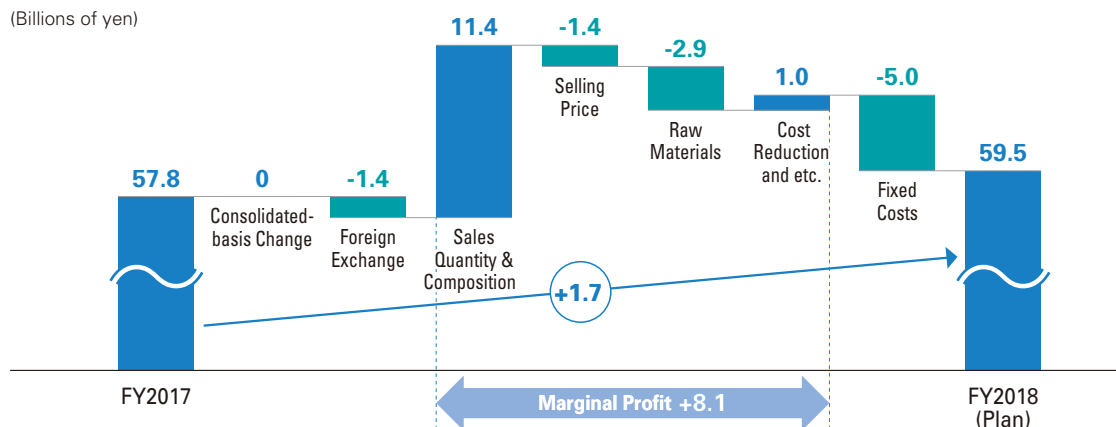
Finally, in the Life Science field, the HPP Company will focus on its mainstay diagnostics business. Every effort will be made to promote strong growth in developed countries and to expand in emerging countries. The Company

will acquire a diagnostic reagent company in Singapore in a bid to expand its presence in the diagnostics domain and realize synergies through the region.

Continue to advance growth strategy mechanisms in such cooperation enhancement areas as the car electronics field.

In fiscal 2018, the HPP Company will also advance growth strategy mechanisms in cooperation enhancement areas, where profit is expected from the next medium-term management plan and beyond. The thrust of the Company's endeavors will revolve around realizing synergies with Polymatech Japan Co., Ltd. and SoflanWiz Co., Ltd. in the car electronics and high-value-added fire-resistant material fields, respectively. In the healthcare domain, the Company will work to establish special peptide pharmaceutical ingredient production technologies at PeptiStar Inc. as a part of efforts to build a new platform for growth. Through these endeavors, the HPP Company will expand new products and businesses in cooperation enhancement areas.

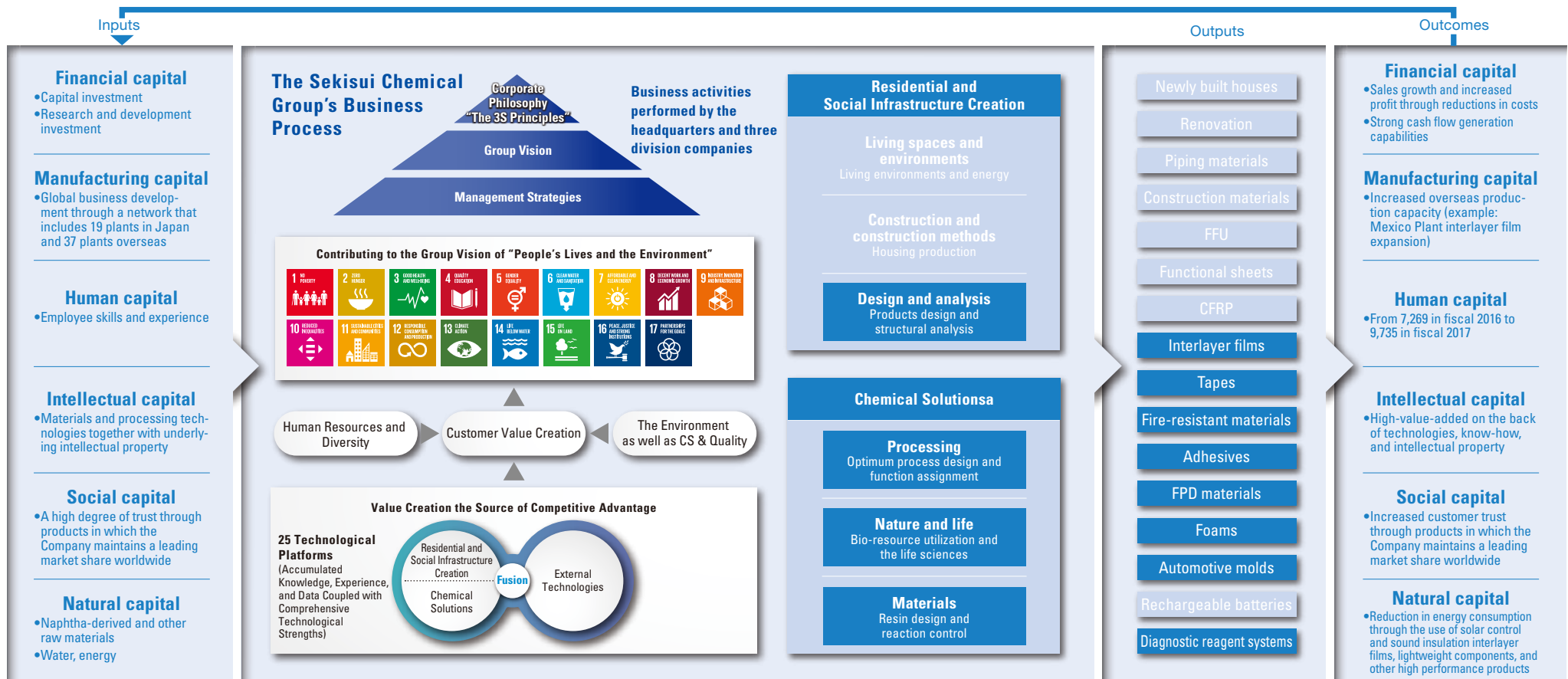
Analysis of Operating Income for FY2018 (year-on-year)



High Performance Plastics (HPP) Company

Business Model of the High Performance Plastics Company

The High Performance Plastics Company develops and provides high-performance and intermediate materials for a wide variety of fields such as the electronics, automobiles and transportation, building and infrastructure, and life science industries based on its advanced processing and materials technologies.

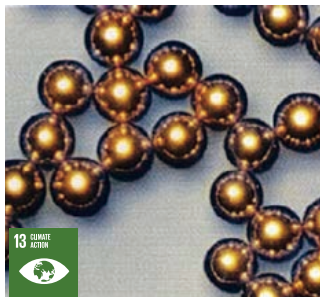


High Performance Plastics (HPP) Company

Main Products



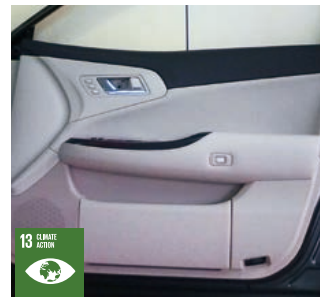
Double-sided LCD fixed placement tape used in smartphones and tablets



Conductive fine particles



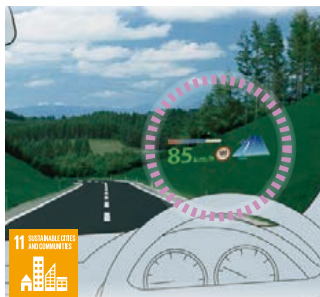
Moldings for automobile bumpers



Foaming material for automotive interiors



Interlayer film for automotive laminated glass



Wedge-shaped high performance interlayer films for head-up display (HUD) system use



Chlorinated polyvinyl chloride (CPVC) resin compound



Thermal expansion fire-resistant materials



Blood coagulation analyzers



Cholesterol diagnostic reagents

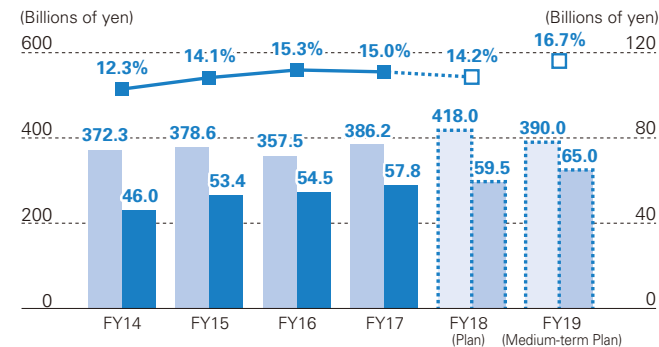


Infectious disease rapid test kit



Products for industrial application (tape)

Performance Highlights



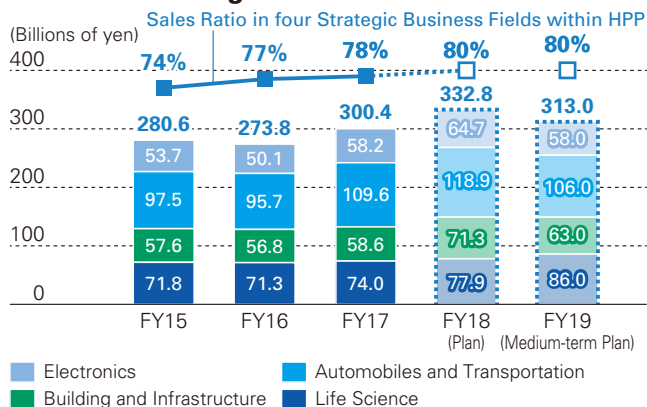
Net Sales (left) | Operating Income (right) | Operating Income Ratio

(Billions of yen)	FY13	FY14	FY15	FY16	FY17
Assets	341.2	357.7	382.4	388.2	448.2
Depreciation and Amortization	18.4	16.6	18.1	17.7	18.0
Capital Expenditures	17.6	17.9	23.5	20.7	25.7
R&D Expenditures	14.6	15.9	16.7	18.0	18.9
Number of Employees	6,858	7,051	7,453	7,269	9,735
Consolidated Subsidiaries (Overseas Companies)	59(46)	60(47)	62(48)	57(46)	67(55)

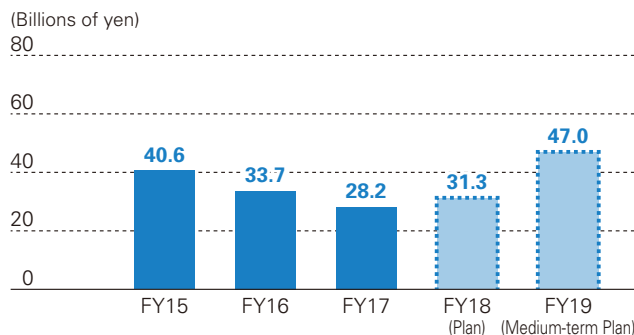
High Performance Plastics (HPP) Company

HPP Company and Market Data

Sales in 4 Strategic Fields



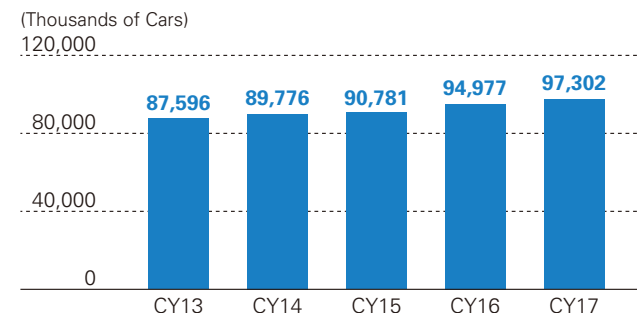
New Product Sales



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

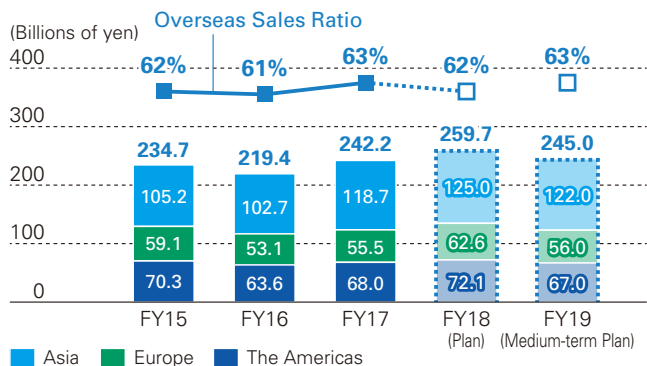
Market Data

World Motor Vehicle Production Volume

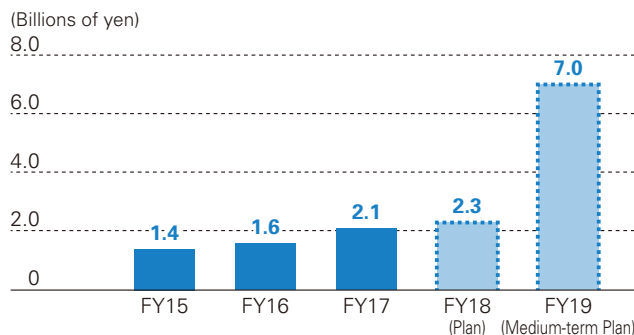


Source: OICA correspondents' survey

Overseas Sales

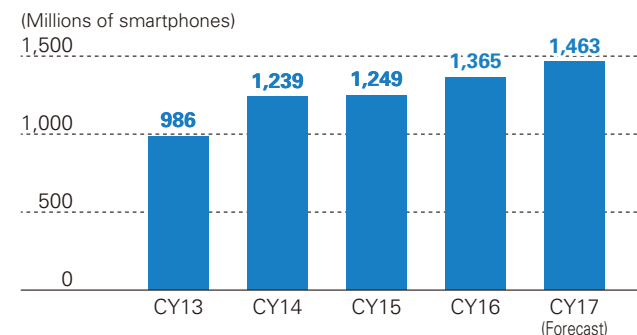


New Business Sales



Market Data

Global Smartphone Production Volume



Source: "Annual of Electronic Equipments 2018," Chunichisha Co., Ltd.

Housing Company

President's Policy

Emphasize the uniqueness of SEKISUI HEIM and strive to transform the core businesses and develop the frontier businesses for sustainable growth.



Shunichi Sekiguchi
President of Housing Company

Housing Company

Business Overview

The Housing Company has established a unique position in Japan in new housing construction as a specialist in the Unit Construction Method, an advanced factory-built approach that enables short construction periods and delivers functions in accordance with design plans.

Responding to the increasingly sophisticated needs of customers, the Housing business has moved high-performance housing forward, guided by the concepts of environment, reliability, and comfort. It was in particular an early mover in housing with solar-power generation systems, going back to 1997 when it first scaled up such initiatives, and its cumulative sales of such residences exceeded 180,000 units as of the end of Fiscal 2016.

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

In the Renovation business, it draws on the features of its factory-built housing products and its database of the housing stock it has constructed to offer renovation proposals best suited to the life stage of each homeowner.

In the Frontier (Domestic) business, we are also developing our management of existing home sales, leasing and management, and other housing asset management operations as well as the construction and operation of housing with support services for senior citizens. In addition, the company is expanding its new construction housing operation overseas.

Press Releases on Housing Company's Topics

- May 2017** Oasis Home Care Support Center, a Collaborative Medical Facility based on a Close-knit Community Approach, Established
- July 2017** 70th Anniversary Commemorative Product "Smart Power Station GR" Launched **1**
- July 2017** 70th Anniversary Commemorative Product "Smart Power Station GR Raku-no-Ie (Single-story House)" Launched
- Oct. 2017** Notice concerning the Full-scale Sale of GRAND TO YOU V Wooden Frame Unit Housing
- Dec. 2017** Notice concerning Efforts Aimed at Strengthening the DESIO Series of Steel-frame Three-story Housing
- Apr. 2018** New-type "Smart Power Station FR" Launched
Commemorating Cumulative Sales of 10,000 "Smart Power Station" Homes
- May 2018** About SEKISUI CHEMICAL Group's Urban Development "SEKISUI Safe & Sound Project" **2**



The figure is an image.

Housing Company

Fiscal 2017 Performance

Reported a second consecutive fiscal year of sales and profit growth. The new GRAND TO YOU V product that targets volume zone markets also helped drive and secure an increase in housing orders

In fiscal 2017, the Housing Company reported a second consecutive fiscal year of sales and profit growth. Net sales in the fiscal year under review came to ¥497.8 billion, an increase of ¥12.8 billion compared with the previous fiscal year. From a profit perspective, operating income totaled ¥37.9 billion, up ¥0.4 billion year on year. Despite this second consecutive fiscal year of sales and profit growth, the operating income ratio remained essentially unchanged at 7.6%. This was largely due to such factors as the slump in the renovation business.

Looking at the status of sales by specific business, results were mixed. While the housing and frontier businesses, which focus mainly on newly built houses, recorded an increase in sales, sales declined in the renovation business.

On the earnings front, the housing business secured an increase in operating income. Despite the upswing in costs and in particular the price of steel, a mainstay material which continued to hover at a high level, this improvement in operating income reflected such factors as the increase in the number of houses sold and successful efforts to reduce fixed costs including promotional expense. Meanwhile, profit declined in the renovation business. The main factor for this decline was the downturn in sales attributable to the slump in orders.

Secured an increase in orders. Despite the drop in new housing starts, this increase in orders was driven by GRAND TO YOU V, a new product that targets volume zone markets

Reflecting on the Housing Company's performance by business, the housing business saw an increase in the number

of houses sold on the back of the previous period's order backlog. Moreover, orders for GRAND TO YOU V, which the Housing Company began marketing from fiscal 2017, were robust mainly from first-home buyers. New housing starts in Japan declined for the first time in three years. This negative turnaround was most prominent for privately-owned housing, which came in at just above 280,000, a decrease of 3.3% compared with the previous fiscal year. Despite these difficult conditions, orders in the housing business climbed 1% year on year. Looking at a breakdown of orders, detached housing grew 3% while apartments declined 17%.

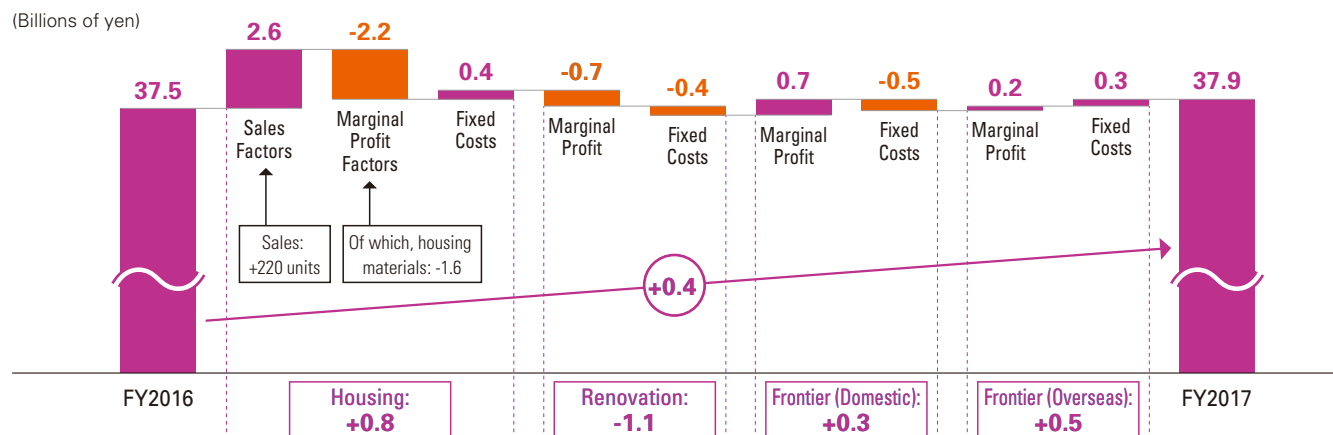
In the renovation business, steps were taken to reinforce designs and increase the number of designers based on a proposal-type sales concept. Against the backdrop of a harsh operating environment however, orders declined compared with both forecasts at the beginning of the period as well as the previous fiscal year. In fiscal 2018, energies will be directed toward reviewing the structure



Grand To You V Wooden Frame Unit Housing

and systems in order to achieve an increase in profit. Activities in the domestic and overseas frontier businesses for the most part progressed in line with plans.

Analysis of Operating Income for FY2017 (year-on-year)



Housing Company

Fiscal 2018 Forecasts

Targeting increases in both sales and profit for a third consecutive fiscal year while securing an order backlog that ensures substantial growth in fiscal 2019

The housing market is expected to experience a period of modest renewed energy in fiscal 2018 due mainly to the rush in demand in the leadup to the planned consumption tax rate hike in October 2019. Against this backdrop, the Housing Company is targeting growth in newly built housing orders and increases in both sales and profit. Net sales are projected to reach ¥516 billion and operating income ¥39.5 billion for a third consecutive fiscal year of sales and profit growth. At the same time, the Housing Company will focus on securing an order backlog as of the end of fiscal 2018 that is capable of generating a substantial upswing in profit in fiscal 2019.

On this basis, the Housing Company is targeting an increase in overall net sales. In specific terms, the goals are to ensure sales growth in the housing and frontier businesses with sales in the renovation business on par with the previous fiscal year. From a profit perspective, the Housing Company plans to offset the anticipated upswing in fixed costs attributable to efforts aimed at increasing the number of personnel in the housing business as well as such negative factors as the projected sharp rise in material costs including timber by increasing the number of houses sold. Against the expectation that sales in the renovation business will remain unchanged from the previous fiscal year, every effort will be made to curtail fixed costs in order to boost profit.

Continued growth in orders for newly built houses on the back of increased demand prior to the consumption tax rate hike in the next fiscal year

The market for newly built houses is a mainstay field of the Housing Company. In fiscal 2018, this market is expected to experience a modest increase in demand, especially in the urban sector, from the second half prior to the consumption tax rate hike. The housing business will place particular emphasis on increasing orders by definitely

capturing a part of this increased demand.

From a product strategy perspective, the Housing Company will continue to rely on contributions from the three products released in fiscal 2017 which helped to boost orders. At the same time, every effort will be made to release a succession of new steel-frame products in fiscal 2018 and to enhance the Company's product development capabilities. In addition, the Housing Company will continue to strengthen its Company-owned land and subdivision housing activities. As of April 2018, in the housing business, steps are being taken to increase its sales force by 5% compared with the previous fiscal year.

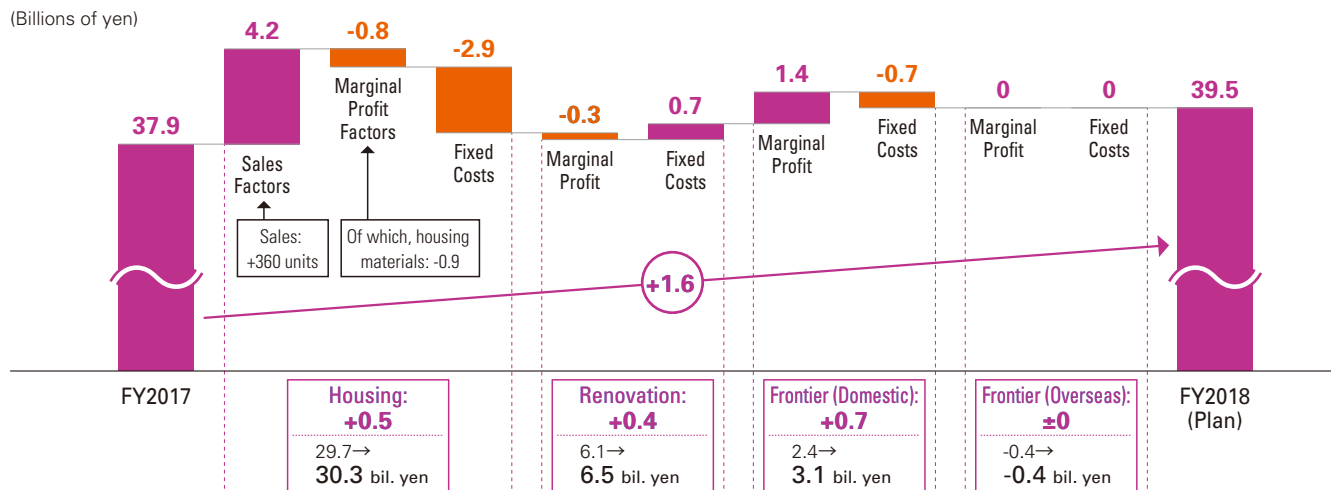
Return to an upward trend in profit by transforming the business model and increasing the efficiency of indirect functions in the renovation business

In addition to strengthening products and the Company's sales force, every effort will be made to control fixed costs

in the renovation business in fiscal 2018. In addition to concentrating on expanding sales of strategic products, emphasis will be placed on increasing the efficiency of indirect functions in order to return to an upward trend in profit. On top of strategic products, the Housing Company will bolster conventional maintenance and other products. The Company will work to rebuild its business model in a bid to place its renovation business on a profit growth trajectory from fiscal 2019 and beyond.

In its frontier businesses, where the Housing Company focuses on real estate, the focus will also be on boosting profit by increasing the number of dwelling units under management and expanding the circulation of secondhand housing. As far as the Company's overseas business in Thailand, which experienced a temporary market contraction, is concerned, 180 houses are projected to be sold on the back of a recovery in orders at the start of 2018.

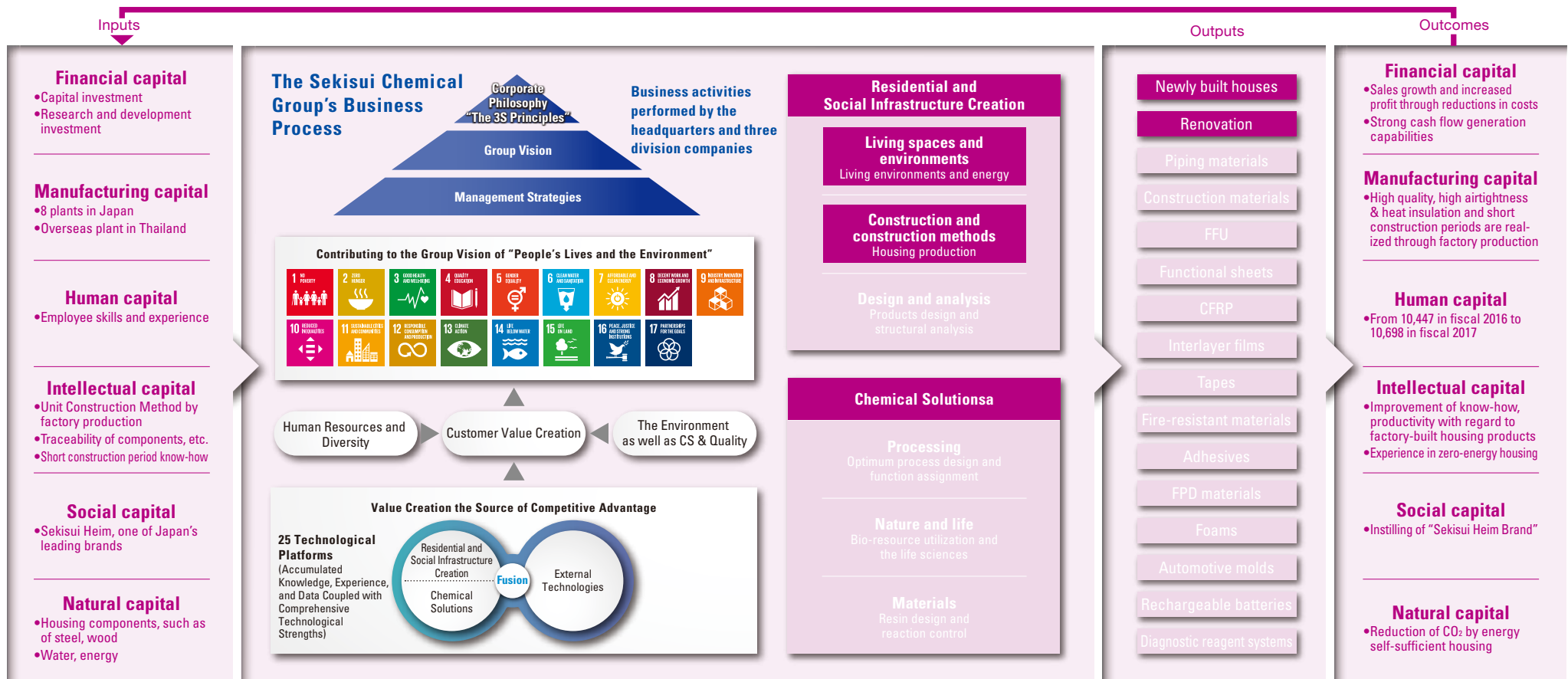
Analysis of Operating Income for FY2018 (year-on-year)



Housing Company

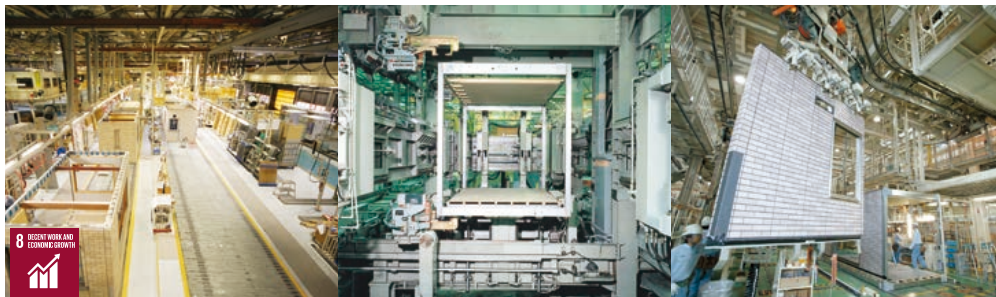
Business Model of the Housing Company

Based on the fusion of our knowledge of unit housing accumulated over more than 50 years with advanced zero energy housing, we are providing homes that are friendly to the global environment and in which people can continue to live comfortably and with peace of mind for more than 60 years.



Housing Company

Main Products



In-house production in progress inside the Housing Unit Factory



A housing unit being installed



The Smart Power Station series is aimed at enabling energy self-sufficiency



A large-capacity solar power generation system



“e-Pocket” large capacity storage battery system that fits into smaller space



The Company’s Smart Heim Navi Consulting HEMS



External walls (*Eco-chante*) renovation



Living room, dining room, and kitchen renovation

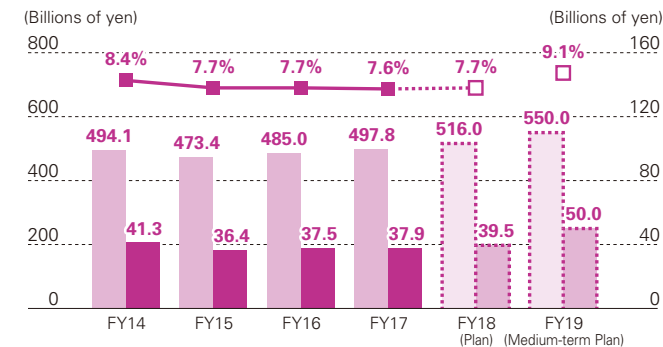


Housing for the elderly for which the Sekisui Heim Group is responsible, from constructing to operating



The housing production factory in Thailand

Performance Highlights



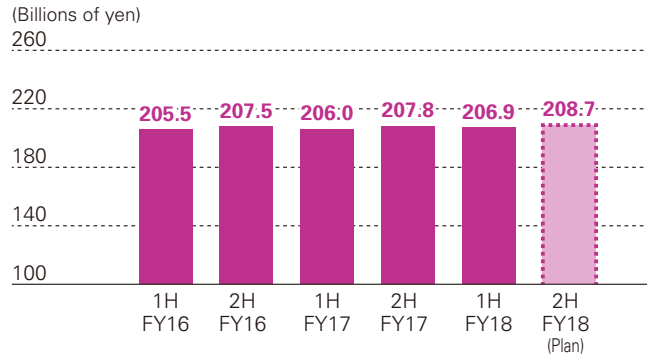
Net Sales (left) | Operating Income (right) | Operating Income Ratio

(Billions of yen)	FY13	FY14	FY15	FY16	FY17
Assets	256.1	249.1	265.5	277.8	284.9
Depreciation and Amortization	7.7	6.7	8.0	8.9	9.3
Capital Expenditures	11.1	9.8	14.4	13.5	14.4
R&D Expenditures	4.7	4.9	4.8	4.5	4.6
Number of Employees	9,840	10,442	10,419	10,447	10,698
Consolidated Subsidiaries (Overseas Companies)	38(1)	40(1)	41(1)	41(1)	37(1)

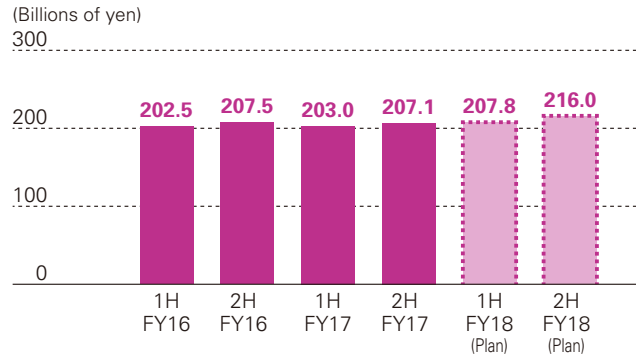
Housing Company

Housing Company and Market Data

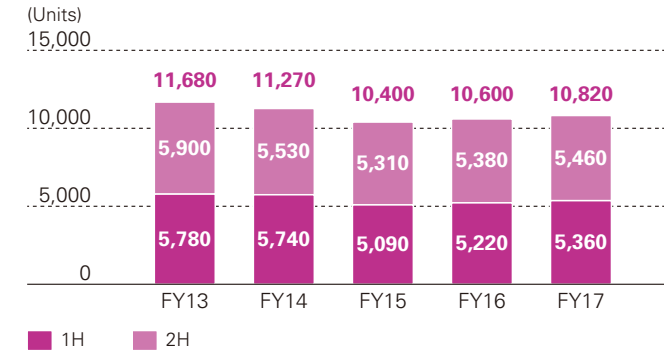
Year-start Backlog



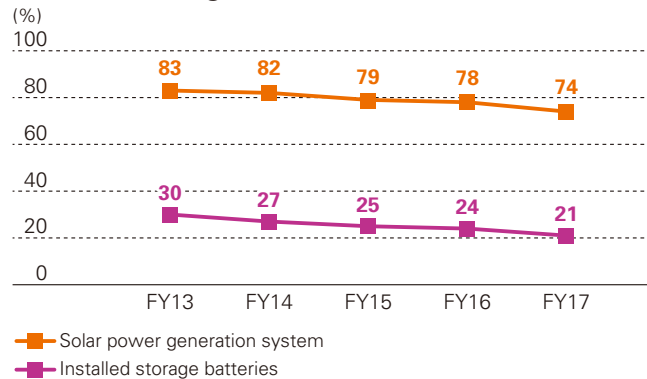
New Housing Orders



Number of Houses Sold

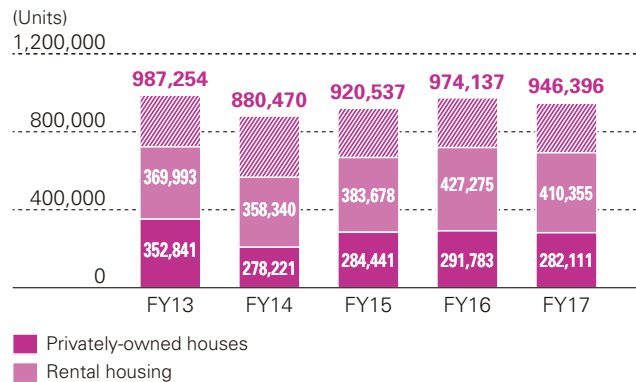


Solar Power Generation System and Installed Storage Batteries Load Ratio



Market Data

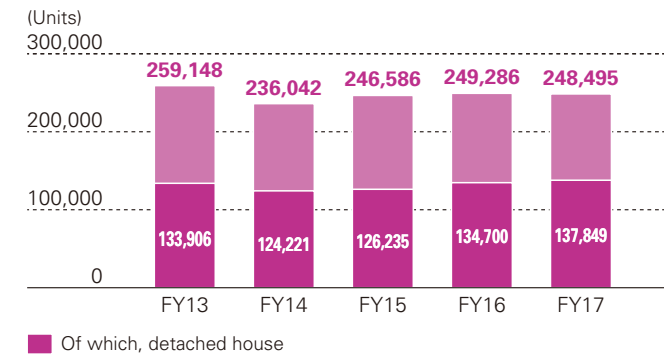
Housing Starts



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

Market Data

Housing Starts for Condominium Housing



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

Urban Infrastructure & Environmental Products (UIEP) Company

President's Policy

“Get on the track for Growth” Expanding business Field with Competitive Technology and Products

1. Expand Sales of “Growth Products” by Concentrating Resources on R&D
2. Expand Sales in Overseas Market by High-value-added Products
3. Improve Profitability and Efficiency of Core Business
4. Structural Reform of Low-profit Business
5. Improve Fundamental of CSR Management



Hajime Kubo
President of Urban Infrastructure & Environmental Products Company

Urban Infrastructure & Environmental Products (UIEP) Company

Business Overview

The Urban Infrastructure & Environmental Products (UIEP) Company is a manufacturing and sales leader in Japan in water sewerage and supply pipe systems as well as construction materials supply businesses, which collectively form the company's core operating platform.

Based on the Medium-Term Management Plan that will start in fiscal 2017, we redesigned our business portfolio and set up a new strategic portfolio consisting of three strategic areas: “Piping and Infrastructure,” “Building and Living Environment” and “Advanced Materials.”

We will promote strategies, such as “overseas,” “growth,” “core” and “reform,” in accordance with the market and competitive environments in which the products are produced in each field.

In particular, under “growth” and “overseas,” we will actively introduce high-value-added products, based on the technologies cultivated in our fundamental businesses for many years, and promote business domain expansion through alternative materials, such as metal, wood and glass.

UIEP Company's Topics

- May 2017** Infrastructure GUARD™ Series of Aging Infrastructure Countermeasure Products Launched
- May 2017** Investment Decision Made to Increase Production Capacity in Response to Rise in Overseas Demand for FFU, Production Reorganization at Shiga-Ritto Plant Implemented
- July 2017** Market Entry of High-pressure PE Pipe (ESLO HYPER AWHP) as Product to Address High-Rise Building Construction **1**
- July 2017** Capital Participation in a Plastics Manufacturer (TP group) in Vietnam
- Nov. 2017** UIEP Company Technology Forum Held
- Dec. 2017** New CHOUSHIN LEVOL Rain Gutter for Housing Use Launched **2**
- Jan. 2018** New High-efficiency High Flowrate Drainage System Launched
- Apr. 2018** Management Integration and Name Change of a Production Subsidiary; East Japan Sekisui Industry Co., Ltd. Established



Urban Infrastructure & Environmental Products (UIEP) Company

Fiscal 2017 Performance

Achieved record high profit at the company level for a second consecutive fiscal year owing to an increase in prioritized products. Also reported an improvement in the profit margin.

The Urban Infrastructure & Environmental Products (UIEP) Company reported record high operating income for a second consecutive fiscal year in fiscal 2017. In addition to contributions from the increase in sales volumes and improvements in the product mix attributable to growth in prioritized products that are expected to drive future growth, this record-high upswing in operating income also reflects the effects of cost reductions on the back of improvements in total production costs.

Net sales in the fiscal year under review came to ¥239.2 billion, a decrease of ¥1.1 billion compared with the previous fiscal year. However, the impact of structural reforms amounted to ¥5.1 billion. On this basis, net sales actually climbed ¥4.0 billion in real terms.

Looking at operating income by region, results were impacted by increases in sales volumes and significant improvements in the product mix attributable to growth in prioritized products in domestic businesses. Despite a slight overrun, successful steps were taken to secure a general improvement in spreads through various measures including the reduction of costs to address the high price of raw materials. Moreover, progress was made in improving the profitability of low-profit businesses. Accounting for each of these factors, domestic business operating income grew ¥2.7 billion compared with the previous fiscal year.

Turning to overseas businesses, on the other hand, operating income declined ¥0.7 billion year on year. Despite a return to profit by the pipeline renewal business, where the Company has promoted structural reform measures since fiscal 2015, and an upswing in FFU sales in Europe, the U.S., and Australia, this downturn was largely attributable to the slow recovery in demand for aircraft sheets, a mainstay product.

As a result, operating income in the UIEP Company came to ¥14.8 billion, an increase of ¥2.0 billion compared with the previous fiscal year.

Accelerating the pace of growth in each of the three strategic fields

The UIEP Company has identified Piping and Infrastructure, Building and Living Environment, and Advanced Materials as its three strategic fields. The Company is looking to expand profit over the medium-to-long term by accelerating the pace of growth in each of the three strategic fields and boosting prioritized products, which deliver high added value while promising expectations of growth.

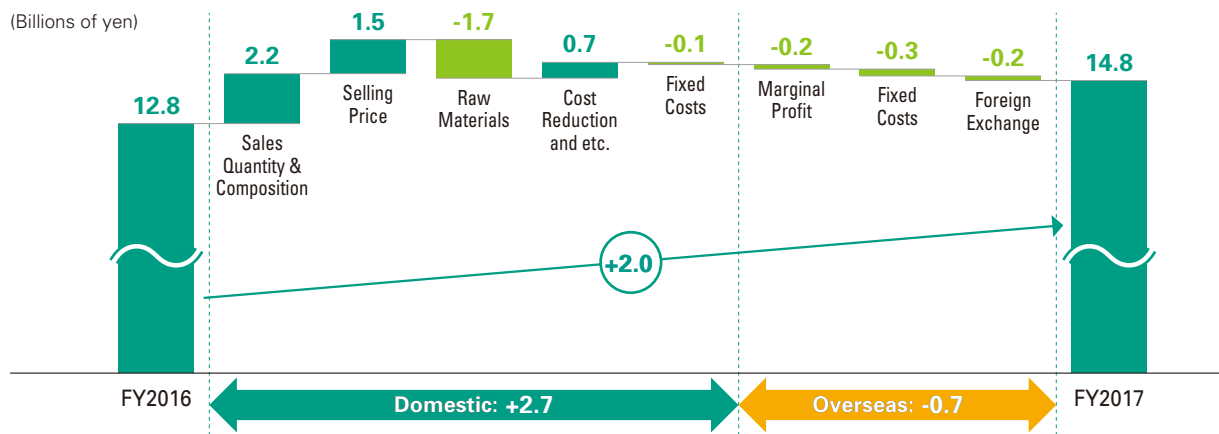
In fiscal 2017, the Company formed an alliance with TP Group in Vietnam in the Industrial Piping business. At the same time, energies were channeled toward promoting alliance strategies in the pipeline renewal business overseas. Through these and other means, the UIEP Company worked diligently to lay the groundwork for future growth. Again, with an eye toward



Capital Participation in a Plastics Manufacturer (TP group) in Vietnam

activities outside Japan, the Company undertook investments aimed at expanding production capacity of sheets and FFU, where demand is high. Efforts were also made to strengthen product strategy implementation by area.

Analysis of Operating Income for FY2017 (year-on-year)



Urban Infrastructure & Environmental Products (UIEP) Company

Fiscal 2018 Forecasts

Plan for a third consecutive fiscal year of record high profit by accelerating the pace of growth both in Japan and overseas

In fiscal 2018, the UIEP Company will continue to increase sales volumes while improving the product mix in its domestic businesses. Overseas, the Company will work to substantially expand sales by implementing product strategies by area. In this manner, plans are in place to secure an increase in net sales and profits both in Japan and overseas. Furthermore, the Company will remain committed to improving its earnings platform by initiating steps to optimize production capacity in light of the anticipated drop in demand after the consumption tax rate hike while implementing other measures. This includes fortifying its business structure.

Based on the aforementioned, net sales are projected to reach ¥247.0 billion, an increase of ¥7.8 billion compared with the fiscal year under review. Operating income is forecast to total ¥16.5 billion, up ¥1.7 billion year on year. On this basis, the UIEP Company is targeting a third consecutive fiscal year of record profit.

Position fiscal 2018 as a year to accelerate the pace of growth in each of the three strategic fields

Looking at each of the three strategic fields, the UIEP Company will work to capture construction and infrastructure demand that is expanding mainly in the Tokyo metropolitan area in its domestic businesses in the Piping and Infrastructure field. Looking overseas, the UIEP Company

will roll out products for plants, fittings, catch basin and other products in the ASEAN region while at the same time stepping up activities in the pipeline renewal business.

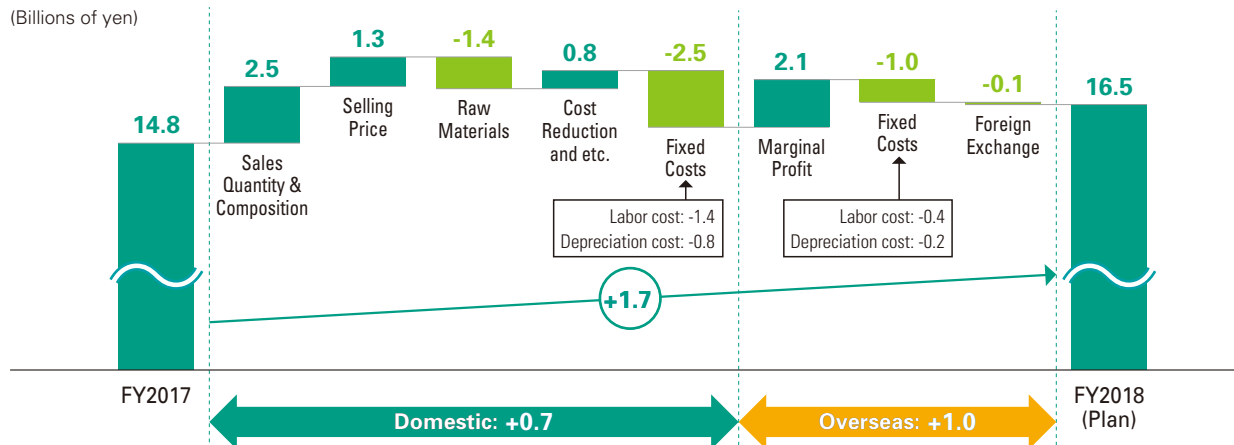
In the Building and Living Environment field, the UIEP Company will look to expand profits by focusing on such high-value-added products as CHOUSHIN LEVOL, high flowrate drainage systems, and functional flooring MIGUSA as well as the Wells Series of independent living facilities targeting the nursing care market.

Finally, in the Advanced Materials field, the UIEP Company will take steps to address strong domestic infrastructure demand in the FFU business while at the same time accelerating the pace of railway sleeper

rollout overseas. In addition, the Company is forecasting an increase in sales on the back of the recovery in aircraft sheet demand, which temporarily declined in fiscal 2017. Furthermore, plans are in place for the Blow-molded Container business to expand into the regenerative medicine and electronic materials domains.

The UIEP Company will hasten the rate at which it injects new products in order to accelerate the pace of growth in the three strategic fields. Continuing on from the 27 products in fiscal 2017, the Company will bring 30 new products to market in fiscal 2018. In addition to contributions from new products, energies will also be directed toward lifting the sales ratio of prioritized products.

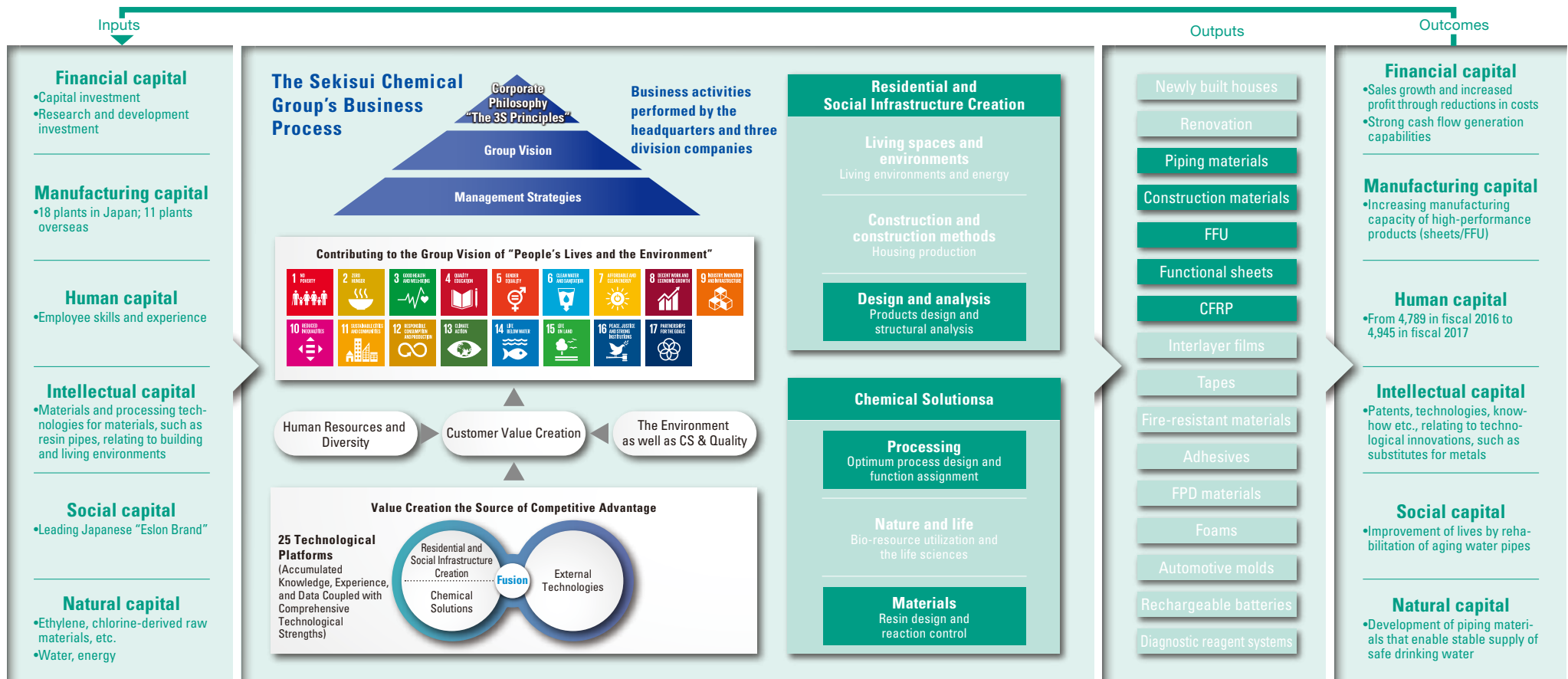
Analysis of Operating Income for FY2018 (year-on-year)



Urban Infrastructure & Environmental Products (UIEP) Company

Business Model of the Urban Infrastructure & Environmental Products (UIEP) Company

In addition to developing, manufacturing and selling plastic products related to housing and social infrastructure with a focus on water, we also offer advanced materials, such as FFU and functional sheets, by applying our accumulated plastics-related technology.



Urban Infrastructure & Environmental Products (UIEP) Company

Main Products



6 CLEAN WATER AND SANITATION
Residential water supply and drainage system



11 SUSTAINABLE CITIES AND COMMUNITIES
Fire-resistant drainage system



11 SUSTAINABLE CITIES AND COMMUNITIES
High-performance seismic polyethylene pipes



11 SUSTAINABLE CITIES AND COMMUNITIES
Plant products with high corrosion and chemical resistance



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Sewage pipe rehabilitation



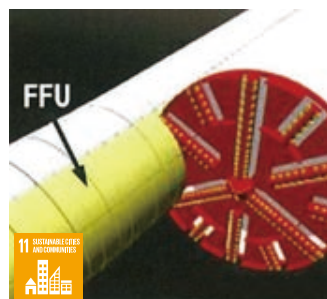
11 SUSTAINABLE CITIES AND COMMUNITIES
Designer rain gutters



12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Functional flooring



12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Railway Sleepers (FFU)



11 SUSTAINABLE CITIES AND COMMUNITIES
SEW (Shield Earth Retaining Wall System)



13 CLIMATE ACTION
Aviation sheets

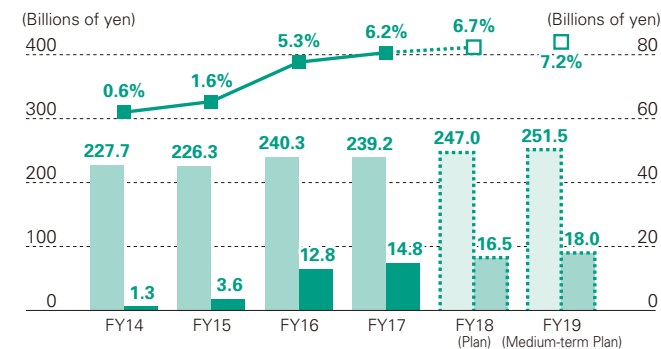


3 GOOD HEALTH AND WELL-BEING
Plastic sheet for medical equipment



3 GOOD HEALTH AND WELL-BEING
Low elution sterilization container for medical use

Performance Highlights



Net Sales (left) | Operating Income (right) | Operating Income Ratio

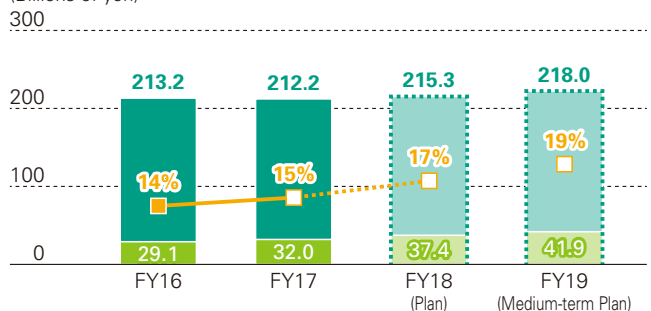
(Billions of yen)	FY13	FY14	FY15	FY16	FY17
Assets	200.3	198.8	179.1	193.9	207.6
Depreciation and Amortization	6.1	6.2	6.4	6.4	6.4
Capital Expenditures	10.5	15.4	8.5	6.7	9.8
R&D Expenditures	5.1	5.1	5.3	5.7	6.1
Number of Employees	5,363	5,453	5,044	4,789	4,945
Consolidated Subsidiaries (Overseas Companies)	60(36)	56(32)	43(19)	39(15)	38(15)

Urban Infrastructure & Environmental Products (UIEP) Company

UIEP Company and Market Data

Sales in Prioritized Products*

(Billions of yen)



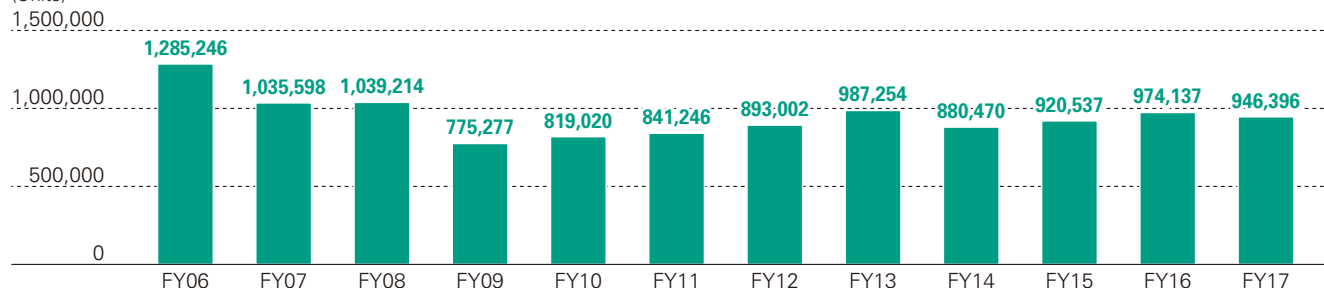
■ Domestic sales ■ Prioritized product sales included in Domestic sales
 — Ratio of prioritized product sales included in Domestic sales

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

Market Data

Housing Starts

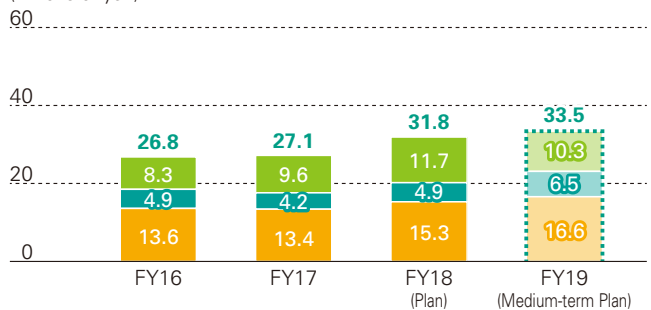
(Units)



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

Overseas Sales

(Billions of yen)

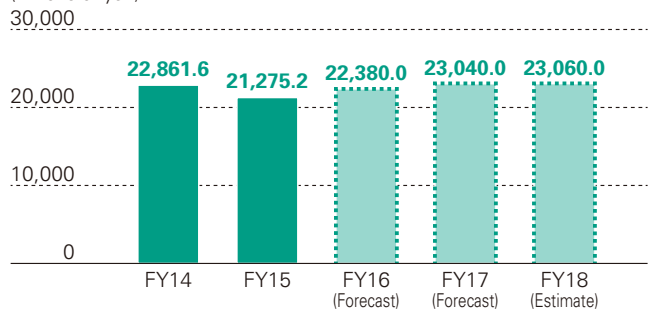


■ Americas ■ Europe ■ Asia and Australia

Market Data

Government Construction Investment (nominal value)

(Billions of yen)

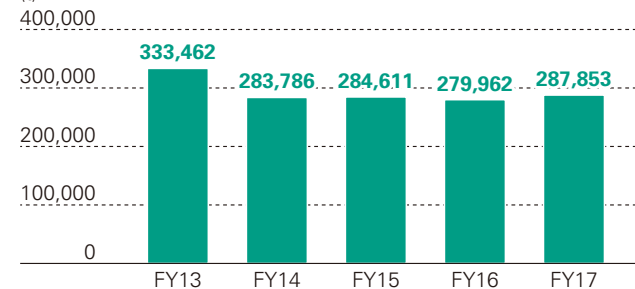


Source: "Fiscal 2018 estimate of construction investment," Ministry of Land, Infrastructure, Transport and Tourism (June 2018 announced)

Market Data

Shipment volume of rigid PVC pipe

(t)



Source: "PVC Pipe Shipment Volumes," Japan PVC Pipe and Fittings Association

Review and Analysis of Consolidated Results for Fiscal 2017

Fiscal year ended March 31, 2018

Business Environment

In fiscal 2017, the global economy continued to experience a modest recovery. While lingering below the rate of economic growth since the Lehman Shock in 2011, trading activities have also increased at a pace that exceeds economic expansion from 2017. Taking into consideration growth rates that are hovering at higher levels across all developed, emerging and developing countries in 2017 compared with 2016, the global economy is at the same time progressing along a recovery path.

In the first half of 2016, activities exhibited signs of growing weakness in the corporate sector. This weakness softened at the start of 2017 giving way to remarkable manufacturing and export growth. Taking into consideration the positive impact on capital investment, improvements in the corporate sector are creating a virtuous cycle across the economy as a whole. Meanwhile, wages are sluggish in developed countries in Europe and the U.S. As a result, there are concerns regarding future private consumption.

Turning to the domestic economy, Japan continues to experience a mild recovery after bottoming out in

November 2012. Buoyed by the favorable turnaround in overseas economies, manufacturing and export activities in Japan are showing ongoing improvement. In addition to record-high corporate-sector earnings, employment and incomes are also on the rise. Based on the aforementioned, the Japanese economy continues to benefit from a virtuous cycle. This also reflects the pickup in domestic demand including private consumption and private-sector capital investment.

As far as the market environments for each of the Group's individual business segments are concerned, new housing starts declined for the first time in three fiscal years. This was mainly due to the downturn in rental housing and built-for-sale condominiums that had underpinned robust conditions through the past several years. In specific terms, construction starts came to 946,396 units in fiscal 2017, a decrease of 2.8% compared with the previous fiscal year. As far as detached houses are concerned, privately owned homes declined 3.3% year on year to 282,111 units while built-for-sale detached homes increased 2.3% to 137,849 units.

In the Water Infrastructure field including polyvinyl chloride (PVC) pipes, condominium construction starts also contracted for the first time in two fiscal years as demand continued to shrink. However, construction investment remains on a stable upward path buoyed by such factors as the 2020 Tokyo Olympic and Paralympic Games as well as urban redevelopment.

Overseas business conditions remained patchy by industry. In the Electronics field, demand stalled due to a variety of factors including smartphone and LCD inventory adjustments. In the Automobiles and Transportation field, trends in the mainstay automobile markets were firm. Turning to the Life Science field, which in relative terms is less affected by movements in economic conditions, activity continued to expand in emerging markets and demand remained stable in developed countries.

From a foreign currency exchange rate perspective, the value of the yen appreciated notably. Beginning with a rate of ¥111 to the U.S. dollar at the start of the fiscal year in April 2017, the yen/U.S. dollar rate came in at ¥106 as of the end of the fiscal year under review in March 2018.

Looking at trends during the period, the value of the yen remained above ¥110 in 2017 and appreciated sharply after entering 2018. In fiscal 2017, the annual average foreign currency exchange against the U.S. dollar was ¥111 and ¥130 against the euro. Compared to fiscal 2016, the yen weak against the euro.

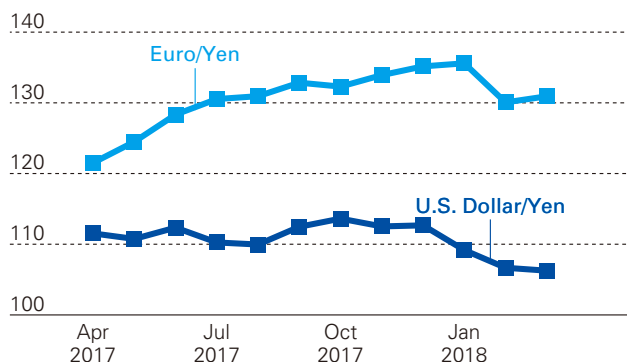
Overview of Business Results and Financial Position 1. Analysis of Business Results for Fiscal 2017 (1) Net sales

Guided by the basic "SHIFT" strategy of its Medium-term Management Plan, the Sekisui Chemical Group is taking on the challenge of securing a new phase of growth. In order to achieve this goal, the Group has identified (1) quantitative growth through forward-looking investments, (2) increased earnings power through constant structural reform, (3) accelerated growth through "fusion," and (4) a solid business foundation from each of the environmental, social, and governance perspectives as its top priorities.

Despite a harsh business environment throughout fiscal 2017, due mainly to the sharp rise in raw material costs and appreciation in the value of the yen, the Sekisui Chemical Group worked diligently to promote a growth strategy focusing largely on the four strategic fields of the HPP Company, expand sales of high prioritized products as well as newly built houses by reinforcing its product lineup, while implementing various other measures. Moreover, the Group as a whole pushed forward several initiatives aimed at future sustainable growth. These initiatives included the introduction of new products, steps to cultivate new fields, enter into M&As, engage in capital expenditure as well as R&D, and implement such structural reforms as a reorganization of its production structure.

As a result, the Sekisui Chemical Group reported an increase in sales and record highs at each level of profit in fiscal 2017. In specific terms, net sales increased 3.9%, to ¥1,107,429 million. Operating income climbed 2.9%, to ¥99,231 million for a ninth consecutive fiscal period of growth. Ordinary income was 2.6% higher at ¥93,929 million and net income attributable to owners of the parent improved 4.3%, to ¥63,459 million. On this basis, fiscal

Exchange Rate



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

Review and Analysis of Consolidated Results for Fiscal 2017

Review and Analysis of Consolidated Results for Fiscal 2017

2017 represented a fifth consecutive fiscal year of record high profit at each level.

Of these totals, the Housing Company posted net sales of ¥497,782 million, up 2.6% compared with the previous fiscal year. Again, on a year-on-year basis, operating income came to ¥37,935 million, up 1.0%. Despite the negative impact of an upswing in component prices, the Housing Company reported growth in both sales and profit. This was largely attributable to firm sales of newly built houses.

In the New Housing Construction business, orders increased compared with the previous fiscal year. This was primarily due to firm trends in detached housing focusing mainly on the wooden frame unit housing GRAND TO YOU V, launched to attract customers in the volume first home buyer zone. In addition to strengthening results in built-for-sale housing as well as the procurement of subdivision housing land, positive steps were taken to upgrade and expand the lineup of new products.

In the Renovation business, sales of solar power generation systems declined compared with the previous fiscal year. On a positive note, trends in such strategic products as the exterior tiled-wall Ecochante and modular

bathrooms were firm. In addition to promoting composite menus attuned to the lifestyles of customers, energies were also directed toward reinforcing the sale structure.

In the fiscal year under review, net sales in the UIEP Company edged down 0.5% compared with the previous fiscal year, to ¥239,241 million. Operating income, on the other hand, increased 15.3% year on year, to ¥14,791 million. In addition to favorable trends in the sale of prioritized products, efforts to revise sales prices and reduce the cost of sales through such measures as the leveling of ships helped offset the negative impact of an increase in raw material prices. As a result, the UIEP Company reported a second consecutive fiscal year of record-high profit.

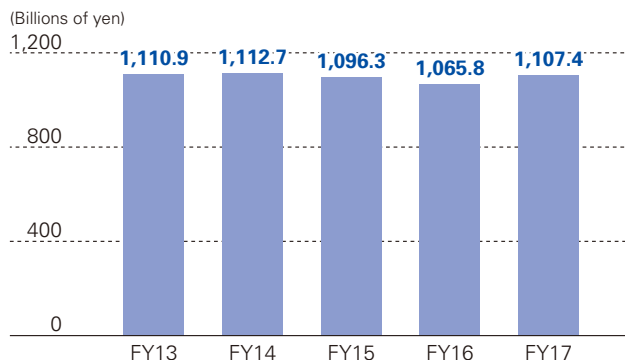
In the Piping and Infrastructure field, net sales declined compared with the previous fiscal year owing mainly to the impact of structural reforms. In contrast, sales of such prioritized products as piping materials and rehabilitation pipes for construction markets mainly in major metropolitan areas where demand is firm increased. Meanwhile, the Sekisui Chemical Group took up an equity interest in the Tien Phong Group, a major pipe manufacturer in Vietnam, in order to expand its business in the ASEAN

zone. Turning to the Building and Living Environment field, sales declined compared with the previous fiscal year. While results in such prioritized products as nursing care equipment and functional flooring were strong, this year-on-year downturn largely reflected weak sales of modular bathrooms in the Newly Built Houses and Renovation fields. Under these circumstances, the Sekisui Chemical Group is releasing a variety of new products including the designer rain gutter CHOUSHIN LEVOL in a bid to secure growth from fiscal 2018. In the Advanced Materials field, demand for thermoplastic sheets for aviation use is decreasing. However, trends in the construction, medicine, and railroad fields are firm. Overall sales in this field grew compared with the previous fiscal year. This was mainly due to increased use of wood railway sleepers overseas and FFU by infrastructure projects in the Tokyo metropolitan area.

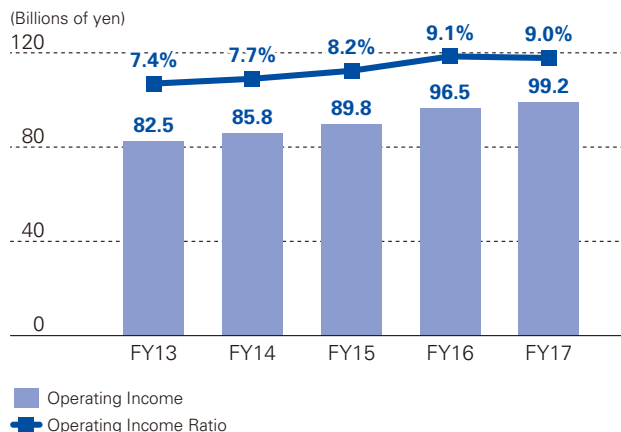
Net sales in the HPP Company amounted to ¥386,154 million in fiscal 2017, up 8.0% compared with the previous fiscal year. From a profit perspective, operating income also increased 6.0% year on year, to ¥57,821 million.

Thanks largely to strong sales of high-performance products mainly in the Automobiles and Transportation field, as well as such factors as the inclusion of the Sekisui Polymatech Group in the Company's scope of consolidation, net sales and operating income hit record highs in the fiscal year under review. Despite the negative impact of a sudden downturn in the mobile device market, sales in the Electronics field grew year on year owing to contributions from newly consolidated companies. While there was a slowdown in market conditions in China and North America in the Automobiles and Transportation field, sales substantially exceeded the levels reported in the previous fiscal year thanks mainly to growth in high-performance products. As far as the Building and Infrastructure field is concerned, sales increased compared with the previous fiscal year. This was primarily attributable to firm trends in such products as chlorinated polyvinyl chloride (CPVC) resin and the positive flow-on effects following the inclusion of SoflanWiz Co., Ltd. (current Sekisui SoflanWiz Co., Ltd.) in the Company's scope of consolidation from January

Net Sales



Operating Income and Operating Income Ratio



Review and Analysis of Consolidated Results for Fiscal 2017

Review and Analysis of Consolidated Results for Fiscal 2017

2018. In the Life Science field, sales were firm mainly in the diagnostic reagent business in Japan and overseas. Moreover, the Company acquired all of the issued and outstanding shares of Veredus Laboratories Pte. Ltd., a diagnostics business in Singapore, in March 2018 with the aim of expanding its business in the ASEAN zone.

(2) Operating income

In fiscal 2017, operating income amounted to ¥99,231 million, an increase of ¥2,755 million, or 2.9%, compared with the previous fiscal year.

(3) Non-operating income and expenses

Non-operating income decreased ¥191 million compared with the previous fiscal year. This is largely due to the decrease of ¥553 million in miscellaneous income. Non-operating expenses increased ¥147 million year on year. While expenses for exterior wall inspections and maintenance fell ¥643 million, the increase in non-operating expenses is mainly attributable to the upswing in net foreign exchange loss of ¥1,671 million.

(4) Extraordinary income and loss

After posting a loss on impairment of fixed assets of ¥701 million and a loss on sales or disposal of property, plant and equipment of ¥1,355 million, the Company incurred an extraordinary loss of ¥2,056 million, down ¥13,539 million, or 86.8%, compared with the previous fiscal year.

(5) Net income attributable to owners of the parent

Accounting for each of the aforementioned factors, income before income taxes and minority interests came to ¥94,342 million, an increase of ¥11,490 million compared with the previous fiscal year. After deducting taxes and net income attributable to non-controlling interests, net income attributable to owners of the parent amounted to ¥63,459 million, up ¥2,609 million, or 4.3%, compared with the previous fiscal year.

2. Financial Position

(1) Assets, liabilities, and net assets

Total assets as of March 31, 2018 stood at ¥999,114 million, an increase of ¥55,474 million compared with the end of the previous fiscal year.

(Assets)

Current assets stood at ¥473,297 million as of the end of fiscal 2017, ¥7,195 million higher than the balance as of the previous fiscal year-end. While the balance of cash and deposits declined ¥31,894 million during the fiscal year under review, this increase reflected such factors as increases in trade receivables of ¥19,191 million and inventories of ¥16,906 million.

In addition, non-current assets climbed ¥48,278 million year on year, to ¥525,817 million.

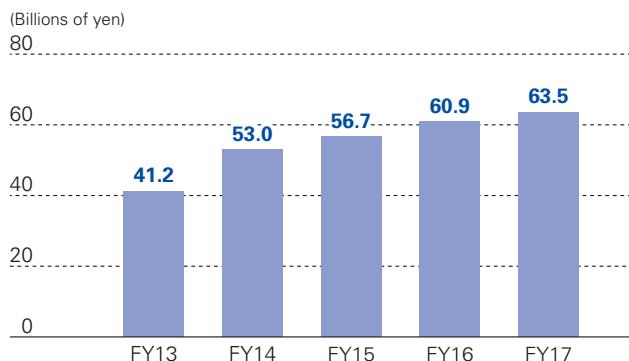
(Liabilities)

Liabilities increased ¥13,265 million compared with the previous fiscal year-end, to ¥386,356 million as of the end of fiscal 2017. The main components were increases of a combined ¥12,526 million in notes payable, electronically recorded obligations, accounts payable, and accrued expenses.

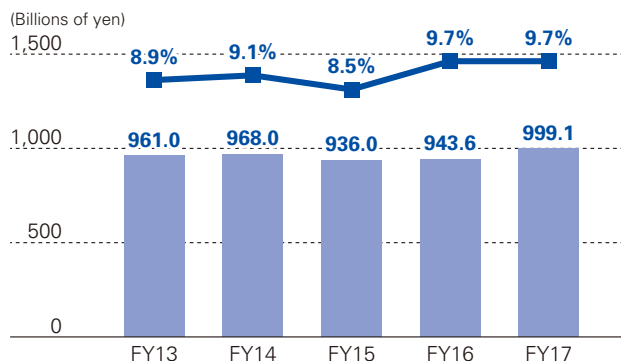
(Net assets)

Net assets stood at ¥612,757 million as of the end of the fiscal year under review, an increase of ¥42,208 million

Net Income Attributable to Owners of the Parent

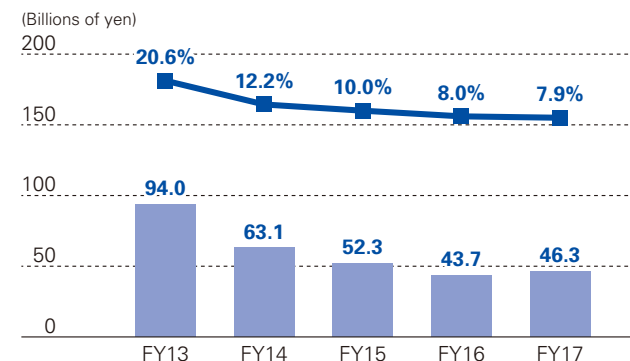


Total Assets and Return on Total Assets



Return on Total Assets = Ordinary Income/Average Total Assets

Interest-bearing Debt and Debt/Equity Ratio



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

Review and Analysis of Consolidated Results for Fiscal 2017

Review and Analysis of Consolidated Results for Fiscal 2017

compared with the end of the previous fiscal year. The main movements were a ¥33,092 million increase in retained earnings due largely to net income attributable to owners of the parent of ¥63,459 million and a decrease of ¥18,137 million from the payment of dividends. The Company also posted an increase in unrealized holding gain on securities of ¥6,882 million.

(2) Cash flows

Cash and cash equivalents on a consolidated basis amounted to ¥76,723 million as of the end of fiscal 2017, a decrease of ¥13,133 million compared with the end of the previous fiscal year. Factors influencing fiscal 2017 cash flow accounts were as follows.

(Operating activities)

Net cash provided by operating activities came to ¥82,272 million, down from ¥108,229 million in the previous fiscal year. While income before income taxes and minority interests of ¥94,342 million, depreciation and amortization of ¥36,016 million, and amortization of goodwill of ¥2,416

million contributed to operating cash flows, this was more than offset by major cash outflows including income taxes paid of ¥25,521 million, increase in inventories of ¥11,787 million, and increase in notes and accounts receivable of ¥5,506 million.

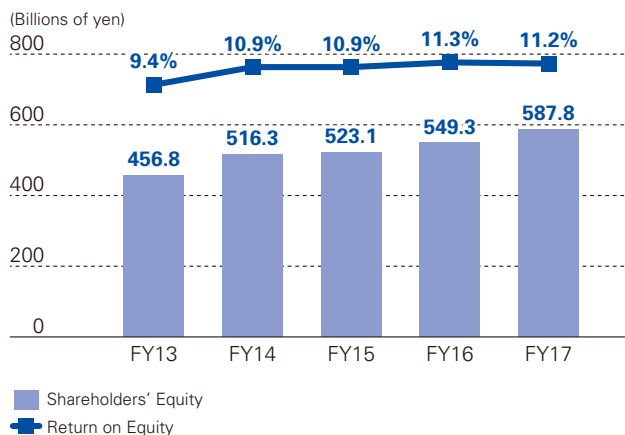
(Investing activities)

Net cash used in investing activities amounted to ¥60,881 million, up from ¥44,057 million in the previous fiscal year. The principal cash inflow came from a net decrease in time deposits totaling ¥19,274 million. Meanwhile, cash outflows largely included ¥45,526 million for purchases of property, plant and equipment focusing mainly on priority and growth fields, acquisition of management rights to Polymatech Japan Co., Ltd. Group (current Sekisui Polymatech Co., Ltd.), a production and sales company of electronics-related parts for use in automobiles and mobile devices, and the acquisition of shares in SoflanWiz Co., Ltd. (current Sekisui SoflanWiz Co., Ltd.), a production and sales company of rigid polyurethane stock solution and rigid polyurethane thermal insulation panels mainly for the construction industry.

(Financing activities)

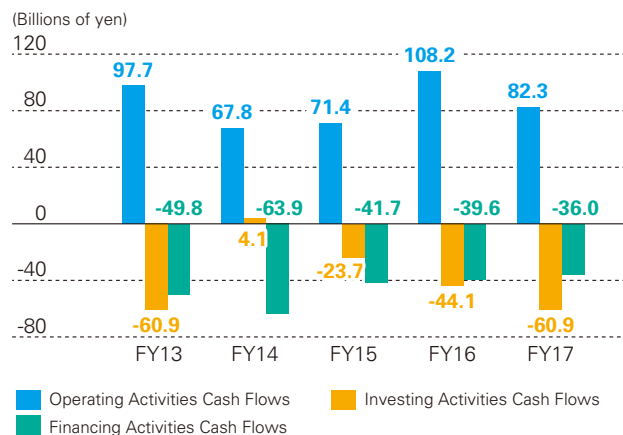
Net cash used in financing activities was ¥35,981 million compared with ¥39,633 million in the previous fiscal year. The major cash outflows comprised ¥19,064 million for cash dividends paid including cash dividends paid to non-controlling shareholders of consolidated subsidiaries, ¥16,006 for the purchase of treasury stock, and a net decrease in interest-bearing debt of ¥1,399 million.

Shareholders' Equity and Return on Equity

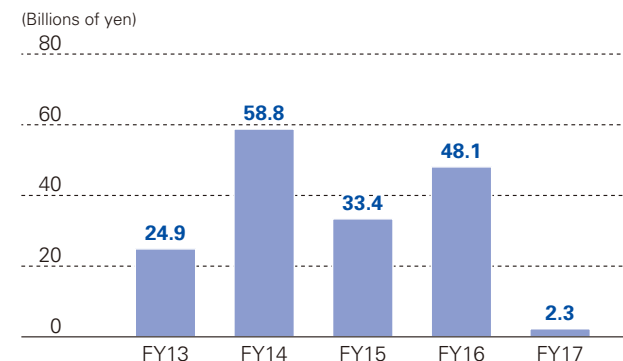


Return on Equity = Net income attributable to owners of the parent / Average Shareholders' Equity

Cash Flows



Free Cash Flow



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

Business Risks

Business Risks

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

Forward-looking statements contained herein are based upon assessments made by the Sekisui Chemical Group at the end of fiscal 2017.

(1) Foreign Currency Fluctuations

Exchange rates may affect the value of the Group's overseas assets held in foreign currencies when converted into yen. The Group employs hedging strategies as needed in response to currency fluctuations. However, the business results and the financial position of the Group may be affected if the exchange rates diverge significantly from the forecasted levels.

(2) Raw Material Price Volatility

The Group's business results and financial position may be affected in the event that the Group, especially the High Performance Plastics Company and the Urban Infrastructure & Environmental Products Company, is unable to transfer changes in prices of polyvinyl chloride, olefin, steel, or other raw materials to product prices in a timely manner and is unable to maintain sufficient margin.

(3) Overseas Business Activities

Unforeseeable changes in laws and regulations, fragility in the industrial base, and social or political turmoil such as terrorism, war, or other factors may affect the Group's overseas business activities. The emergence of such risks may disrupt the Group's overseas business activities, which would affect the business results and future plans of the Group.

(4) Housing Related Tax and Interest Rate Trends

The Group's housing-related businesses are affected by domestic taxes and consumption taxes on house purchases and by interest rate trends. These trends may impact our housing-related businesses and affect the Group's business results and financial position.

(5) Electronics Market Trends

The electronics industry, a market for the Group's High Performance Plastics Company, is characterized by severe fluctuations in demand. A rapid drop in demand within a short period could affect the Group's business results and financial position.

(6) Trends in Public Works

The Group's Urban Infrastructure & Environmental Products Company includes products used in the public sector. Trends in public works therefore influence the Company's business performance. Public investment is determined by government policy at the national and local levels, and decisions to reduce public investment may impact the Group's business performance and financial position.

(7) Industrial Accidents and Disasters

A fire, explosion, or other industrial accident at one of the Group's facilities that causes a major impact on the Group's business capability and on the local community could damage society's trust in the Company and incur response costs, including compensation costs directly related to the accident, business opportunity costs from the stoppage of production activity, and compensation costs from payments to customers. Such an event may affect the Group's business results and financial position.

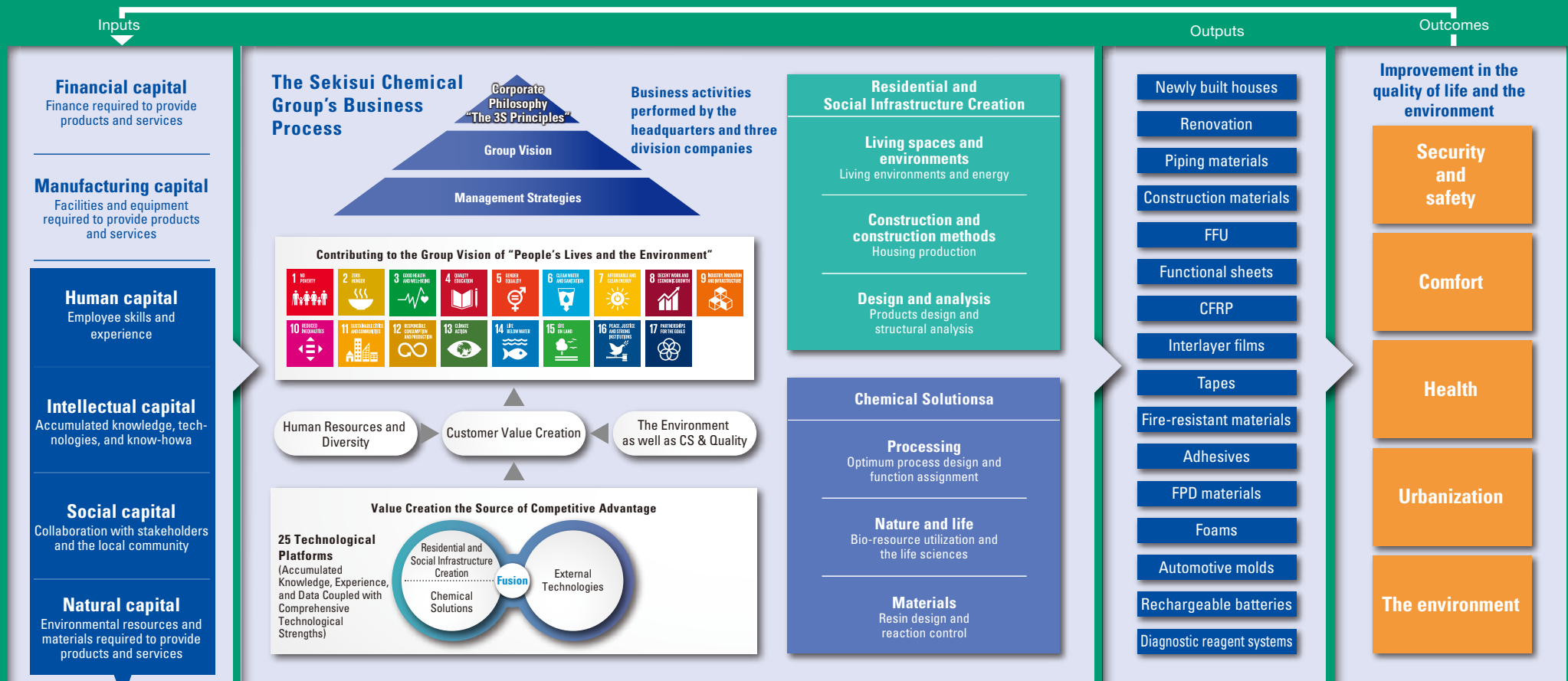
(8) Intellectual Property and Product Liability

In the event that a dispute arises concerning the Group's intellectual property, the dispute resolution may not be favorable to the Group. The discovery of defects in the Group's products may require large-scale product recalls and compensation for damages. The possibility exists that insurance may not be able to cover associated costs, which could impact the Group's business results and financial position.

Foundation

Management Capital That Serves as a Source of Value Creation

Guided by the "3S Principles" of its Corporate Philosophy, the Sekisui Chemical Group creates new value that it shares with society through the fusion of those technologies and strengths inherent in each of its three division companies and corporate department. With this awareness, here we explain earnestly about our ongoing efforts from the perspectives of human, intellectual, social and natural capital. Moving forward, we will provide products and services that utilize the various forms of capital present in society to help solve a host of issues relating to people's lives and the environment.



Human Capital ▶P51

We explain about respect for human rights, giving consideration to workplaces that are conducive to work, nurturing human resources, the various policies concerning the utilization of those human resources, and the external evaluations of such efforts.

Intellectual Capital ▶P54

Here we explain about the R&D and manufacturing to create the prominent technologies that form the core of value creation. In addition, we outline our reinforcement measures in the intellectual property field.

Social Capital ▶P57

We explain about the quality improvement measures for people, goods, and systems to satisfy our customers, the promotion of CSR procurement and green procurement, and the environmental and social contribution activities of employees.

Natural Capital ▶P59

With the understanding that corporate activities are based on the use of natural capital, we explain the various policies to return used natural capital back to the planet.

Human Capital

While continuing to protect the rights of all its staff and giving consideration to providing comfortable and rewarding workplace environments, the Sekisui Chemical Group works to develop its human resources and is intending that the effective utilization of those human resources will lead to the enhancement of its corporate value.

Stance toward Human Resources

Based on the belief that “employees are precious assets bestowed on us by society,” the Sekisui Chemical Group works to create environments in which employees are able to work with enthusiasm and provides a range of opportunities for each and every one of them to hone his or her unique skill and assist in their personal growth.

Recognizing that protecting the human rights of individuals is our social responsibility, we respect each person’s diversity, personality and individuality, while promoting various work styles compatible with each country and region and the creation of safe and secure working environments. Sharing the same basic stance with regard to human resources throughout the Group, we are promoting the creation of fulfilling workplaces in which diverse human resources are able to excel.

Respect for Human Rights

To fulfill its responsibilities to all stakeholders, the Group conducts business activities that show consideration for human rights in conjunction with its business partners. Providing all Group employees with a copy of the Compliance Manual, we strictly demand respect for human rights, the prohibition of discrimination, prevention of harassment, and the protection of personal information. With regard to the prevention of harassment, we also conduct educational programs in association with e-learning sessions. We are working to facilitate and encourage the understanding of our employees.

Human Rights Educational Programs and Training

To maintain awareness of human rights, the Sekisui Chemical Group implements educational programs and training on human rights themes for its employees. Particularly in the case of educational programs conducted on key occasions, such as when they join the Company or receive promotion, the curriculum is designed to increase awareness of issues related to human rights, such as forced labor, child labor, and harassment.

Caring about Human Rights in Procurement Activities

Through CSR procurement with our suppliers, we make sure our business partners respect human rights. With regard to a supplier that does not meet the procurement standards, we make a request for improvements and implement those improvements in collaboration with the business partner. Particularly in the case of our overseas business partners, we are developing a mechanism to encourage improvement through our regional management companies.

Labor Relations

In the Sekisui Chemical Group, the companies and labor unions collaborate while respecting each other’s position and way of thinking. Through close communications, we undertake constructive discussions on issues labor and management have in common under the shared objective of advancing our companies. In the Group in Japan, there were 16 independent labor unions with 4,886 employees in the All-Sekisui Chemical Labor Union Federation in fiscal 2017.

Safe Workplaces and Health Management

At the core of safety, it is important that each and every employee has the ability to identify dangerous situations and take appropriate steps to protect themselves and fellow employees. At the same time, constructing a work environment in which employees can work with safety and security is our responsibility as a company and one of the most important priorities for management. The Sekisui Chemical Group is implementing total safety activities (i.e. zero occupational injuries, zero equipment-related accidents, zero commuting-related accidents, and zero extended sick leave) based on five themes*1.

Recognized for its efforts in solving employee health-related issues from a Companywide perspective, Sekisui Chemical was certified as a 2017 Health and Productivity Management Organization by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi for the second consecutive year. In addition, on this occasion the certification included five Sekisui Chemical Group companies*2 that are actively engaged in health management.



*1 Five themes: The intrinsic safety of equipment; safety management using OHSMS; safety education of employees; risk prevention through risk detection activities and other initiatives; and the auditing of health, safety, and accident prevention

*2 Names of certified companies: Sekisui Chemical Co., Ltd. Names of companies certified together with the company at left: Tokyo Sekisui Heim Co., Ltd., Tokyo Sekisui Famis Co., Ltd., Sekisui Medical Co., Ltd., Ritto Sekisui Industry Co., Ltd., and Kyushu Sekisui Industry Co., Ltd.

Human Capital

Human Capital

Diversity Management

Not only perceiving diversity by differences understood from outward appearance—such as gender, age, and nationality—the Sekisui Chemical Group will also focus on differences that include career, values, and personality while understanding, recognizing, and utilizing the differences between each and every employee as strengths.

Diversity Management Policy

Based on the realization that diversity is essential to continue to be a corporate group with a sense of presence strong enough to last a century, we understand and recognize that each and every employee's orientation to work and life and their distinctive characteristics are different and thus actively take advantage of that. To create an organizational culture, we will continue, through employee dialogue, to provide employment and participation opportunities and a variety of environmental improvements that support growth.

Diversity Management Training

In working toward the realization of diversity management, since it is important for departmental heads, who play a key role, to understand, recognize, and utilize the fact that

■ Diversity Management Training



attitudes to work and life and distinctive characteristics differ from one employee to another, we are implementing educational programs on diversity management that are geared toward the organizational departmental heads of all the domestic Group companies. At these educational programs, participants are learning the way that business leaders ought to act as well as communications and management styles that uncover new possibilities and which they are putting into practice in day-to-day management.

Women's Empowerment

As a first step, we began working on the most familiar, promoting the success of women. For women to be empowered, they are divided into two stages: consolidation and success, and the nurturing of management candidates. In aiming to be company where women can continue to work with enthusiasm, under the CSR Medium-term Plan launched in fiscal 2017 we established specific numerical targets for the ratio of women to total hiring and the number of women in management positions in order to become an organization where women can truly thrive. These targets are one of the goals of directors, officers, and managers.

■ Women's Empowerment



Medium-term management plan (2017-2019) target: 35%

Fostering Women as Candidates for Management Positions

Targeting women employees who hope to be appointed to management positions and their direct supervisors, the Company is conducting a career development program for women. This educational program has been put in place with the aim of fostering awareness and gaining the achievements appropriate for management positions. We have been deploying this program as essential training across the entire Group since fiscal 2016.

Recognition as a Nadeshiko Brand

Having evaluated the Company's efforts to implement diversity management initiatives (including women's empowerment) since fiscal 2015, the Ministry of Economy, Trade and Industry (METI) as well as Tokyo Stock Exchange, Inc. (TSE) recognized the Company as a Nadeshiko brand* in fiscal 2017. Following on from fiscal 2016, this was the second consecutive fiscal year the Company has achieved recognition in this way.



*The Nadeshiko Brand is a project that has been undertaken jointly by METI and the TSE since fiscal 2012. Aimed at introducing certain TSE-listed enterprises that are outstanding in terms of encouraging the empowerment of women in the workplace as attractive stocks to investors who put emphasis on improving corporate value in the medium to long term, the project is thus promoting investment in such enterprises and accelerating efforts encouraging women's success in the workplace.

Efforts to Employ People with Disabilities

We believe it important not only to hire people with disabilities, but to create an environment where those with disabilities can easily work. Recognizing that the creation of such an environment leads to a comfortable workplace,

Human Capital

Human Capital

we conducted brainstorming sessions for people with disabilities on a joint Group basis, focusing not only on just employment targets, but on the importance of improving the working environment. In fiscal 2017, we sponsored workplace improvement and operational review workshops, with a focus on creating an organization conducive to the active participation of those with disabilities.

In fiscal 2016, Group company Kofu Sekisui Sangyo Co., Ltd., which employs 16 people with disabilities, including eight who are classed as having severe disabilities, was evaluated on the content of those efforts and received a "New Diversity Management Selection 100" award certificate from Japan's Minister of Economy, Trade and Industry.



Improving the Abilities of the Group's Human Resources

We have developed a consistent training system, covering all stages from new hires to management positions, to systematically train business leaders to power the Sekisui Chemical Group into the future. Based on the concept that the foundations of growth are the experience gained through everyday business activities and learning from such experience, we have developed a training system that links these two elements together. Through this system we will enhance each individual's mastery of the skills required of business leaders, by running through the cycle of growth through experience, starting from when a new hire joins the Company through to the management level.

We are also encouraging the training of the human

resources who will support the workplace. It is important that the human resources who will support the foundations of management in practical terms undergo self-growth as highly capable practitioners, accumulating experience over the long term and acquiring highly specialized knowledge and skills. Based on this concept, the Sekisui Chemical Group hires human resources who will support the workplace as full-time, permanent employees, creates an environment in which they can demonstrate their abilities with peace of mind over the long term, and deploys the Meister System to strengthen their abilities in the workplace.

Human Resources Who Can Excel on World Stage

Due to the broadening of the Group's business domains, the ratios of overseas sales and non-Japanese personnel are continuing to increase every year. We believe that each and every one of our employees working around the world grows through work and through providing good products and services that meet the needs of each country and that this will lead to the development of the entire Group. Under the Medium-term Management Plan (SHIFT 2019-Fusion), human resources (HR) has been adopted as one of the basic strategies to achieve a "new phase of growth." As the pace of global business development increases, it is essential that we make active use of diverse human resources, who can excel while supporting each business, and revitalize organizations to ensure the continued and self-sustained growth of each Group company. The Sekisui Chemical Group is focusing on the development of human resources who can make the most of their talent and skills in each country and region so that we can address and adapt to different business characteristics,

history, management, lifestyles and customs as well as laws and ordinances.

Global Talent Employee System

The Group has established a Global Talent Employee System dedicated to nurturing the global human resources that can succeed on the global stage, and about 1,700 Group employees working in Japan have registered. In addition to being provided with cultural training programs and professional education necessary for working overseas, we are currently promoting measures to create opportunities for registered employees to actually go to other countries and gain work experience there.

Global Trainee Program

The Group offers a Global Trainee Program supporting employees wishing to gain work experience overseas. Employees working in sales, accounting, product development, and some other areas with a certain achievement level are eligible to participate in the program allowing them to apply for posts at the overseas companies affiliated with the Group. In fiscal 2017, after having made use of this system, 10 employees were reassigned overseas. The Group shall continue expanding the programs allowing more and more employees working in various countries to gain experience in business overseas.

Intellectual Capital

Intellectual Capital (Research & Development/Manufacturing/Intellectual Property)

The Sekisui Chemical Group recognizes that maintaining a prominence in technology is the bedrock for creating value. This is particularly the case in the housing infrastructure and chemical solutions fields, where the Group’s technology platform provides the underlying strength of its competitive advantage. In order to maintain this prominence in technology, the Group is committed to consistently strengthening its human resources and organizational structure in the research & development, manufacturing and intellectual property (IP) fields.

Research & Development (R&D) /Manufacturing

Sekisui Chemical’s Approach to R&D and Its R&D System

With the putting of efforts into practice for its Group Vision forming the framework of its medium-term management strategy, the Sekisui Chemical Group is aiming to continue to be a corporate group with a sense of presence strong enough to last a century. The Medium-term Management Plan “SHIFT 2019 -Fusion-” is positioned as one step forward toward a “new phase of growth” for the realization of the aim, and establishes the acceleration of new business creation through “technology fusion” as one of the top priorities. Actively promoting the fusion of in-house technologies with those from outside, the Company is working to increase the pace of commercialization in the new markets and fields that will play a part in the Group’s future while creating attractive themes that look beyond at what will follow.

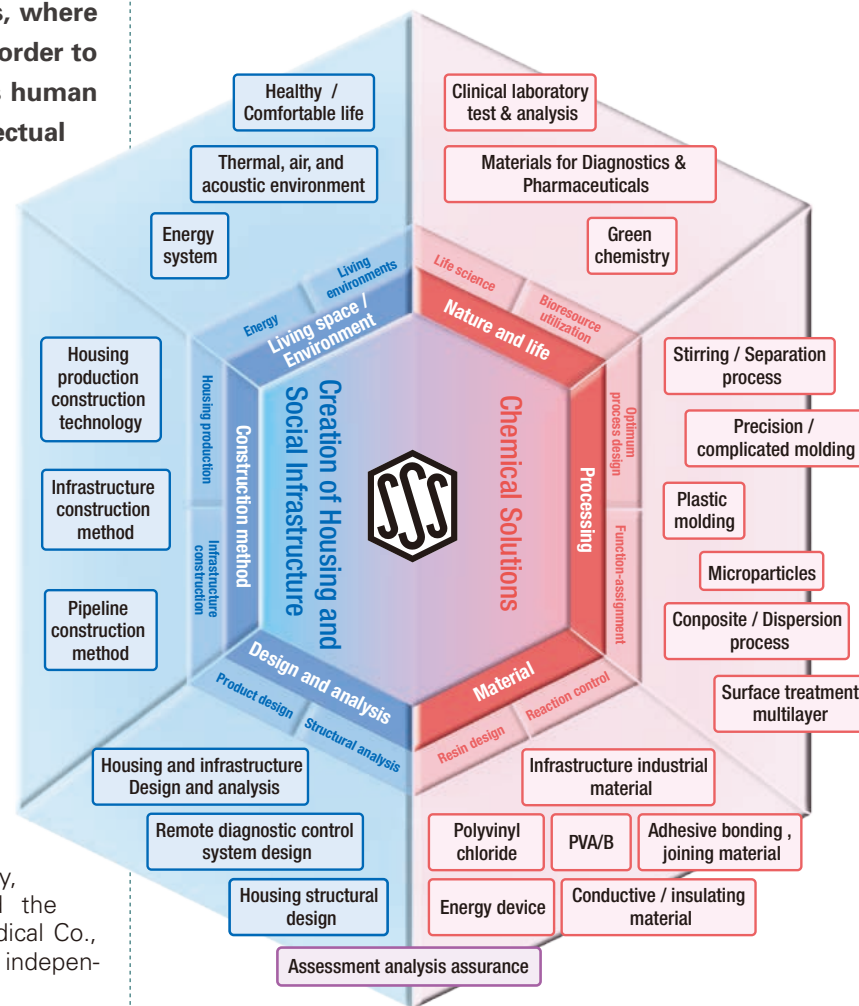
Forming the basis of these efforts are the 25 technological platforms with direct links to the Group’s two business domains, “Creation of Housing and Social Infrastructure” and “Chemical Solutions”. These are the fundamental technological platforms that support the Group’s product lineup and should even be said to be the source of its competitiveness that has been cultivated over many years. An example of this would be our processing,

which imparts smart value to components and our molding that enhances the functionality of materials. In this area, we listen to the needs of our customers as a way to best determine the path to adding value. Moreover, by effectively combining multiple platforms, we will continue to develop new products and services that are capable of maintaining a clear lead in the market even in a harsh competitive environment. As an example of our concrete efforts in promoting integration, we have established the New Innovation Committee (NIC), which is composed of officers in charge of R&D, manufacturing, business strategy, and human resources. The Committee meets to discuss development themes where fusion appears viable. Those themes considered worth pursuing are then supported either through corporate expenses or through the dispatching of personnel. Several themes have already been approved and are in the process to realization.

Serving as the R&D system in the Group responsible for these platforms are the four primary R&D centers within the Housing Company, the UIEP Company, the HPP Company, and the Corporate headquarters. In addition, Sekisui Medical Co., Ltd. and other key affiliated companies maintain independent R&D divisions and facilities.

Directly linked to the enhancement of existing businesses and the pioneering of new frontiers, the R&D conducted at the divisional companies focuses on product development and manufacturing technology themes that will

25 Technological Platforms



Intellectual Capital

Intellectual Capital (Research & Development/Manufacturing/Intellectual Property)

lead to profit in the near future. In fiscal 2017, we launched *Smart Power Station GR*, which is steel-based housing featuring large capacity photovoltaic panels, *GRAND TO YOU V*, which is wood based housing targeting the volume zone, and *Infrastructure GUARD™*, a line of products for aging infrastructure expected to show growth moving forward. We intend on the aggressive introduction of new products driving next-generation growth in fiscal 2018.

In contrast, as an independent research unit the center within Corporate headquarters is conducting research into themes that present extremely high technical hurdles to be addressed over medium- and long-term timeframes, largescale themes spanning the entire company, and new business domain themes which we have never challenged before for the Group. As an example of this, we are actively pursuing joint development with electronic paper and sensor manufacturers for the commercialization of film dye-sensitized solar cells. We have also established a world-leading revolutionary production technology for converting waste to ethanol, further contributing to a recycling-based society no longer dependent on fossil fuels. We are also actively advancing the development of other themes with the aim of creating new businesses.

Strengthening Manufacturing Capabilities

The Group is working to promote R&D that helps to create new products. At the same time, the Group is placing equal emphasis on strengthening its manufacturing capabilities in a bid to reinforce the competitive advantage of its existing products.

In the Medium-term Management Plan "SHIFT 2019 -Fusion-", we stated "minimizing manufacturing risk and fortifying our ability to respond to the new era of manufacturing"* as a policy relating to manufacturing capabilities. Regarding the building of a culture to reduce manufacturing risk as one of its priority measures, the Company will promote the strengthening of CS quality infrastructure by, for example, promoting the intrinsic safety of equipment and the thorough promotion of safety-aware human resource development as well as the building of a CS quality information knowledge system. As part of our efforts to bolster our manufacturing capabilities, we will use quantitative assessments of our production technology capabilities to strengthen our technical capabilities in automation and information technologies, while accelerating the introduction of new technologies relevant to ICT/IoT technologies. At the same time, we will further enhance our manufacturing core strengths through the nurturing of manufacturing

human resources, as we have been doing up to now.

Such organizational approach will enable the Group to engage its prominent technologies and quality in the continuous development of new frontiers in the domains of "Creation of Housing and Social Infrastructure" and "Chemical Solutions" for the betterment of the environment and the people's lives in the world.

*The Third Industrial Revolution: IT/Information Society; The Fourth Industrial Revolution: AI

Human Resources and Benefits for R&D and Manufacturing

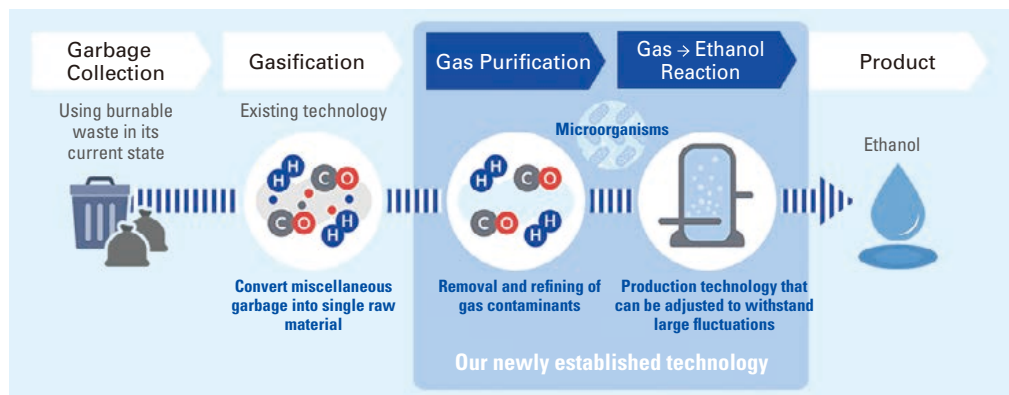
The Group presents Great Invention Awards to acknowledge researchers and engineers that have created highly unique and innovative inventions with the potential to become profitable technologies and products. These awards and the accompanying monetary endowment are one way the Group demonstrates its recognition of and appreciation for its talented researchers and engineers. Certification in fiscal 2018 was awarded to advancements in sound absorbing panel with reflector and diagnostic reagents for interstitial pneumonia.

The Group has also established a specialist position system for researchers and engineers with highly specialized skills. The system selects exceptional individuals who have been recognized as possessing highly advanced skills and appoints them to uniquely defined specialist positions. The system promotes ongoing development and aims to cultivate outstanding researchers and engineers recognized both inside and outside the Company. As of April 2018, 23 people held specialist positions.

The Group introduced the Meister position in fiscal 2009 to recognize individuals that exemplify the range of manufacturing skills and technical objectives of the Group. The position is intended to promote the Group tradition of superior skill and craftsmanship and increase the motivation of each and every technician. As of April 2018, 6 people held Meister positions. Cultivating and encouraging the Group's talented manufacturing technicians by acknowledging their highly refined skills inspires motivation and will further elevate the Group's high level of manufacturing expertise in the years to come.



Pilot plant using world-leading technologies that convert waste to ethanol



Intellectual Capital

Intellectual Capital (Research & Development/Manufacturing/Intellectual Property)

Intellectual Property

Fundamental Policy on Intellectual Property

The IP cultivated from our R&D activities is an important management resource that underpins the Group's growth and revenue and contributes to optimizing corporate value.

An IP strategy is vital to maximizing the Group's technological prominence.

In its Principles on Intellectual Property, the Group clearly states that the objectives of its IP management are to contribute to business growth and to increase corporate value by encouraging the creation, protection, and utilization of IP, which is to be achieved by respecting the Group's proprietary IP and that of others and by clearly laying out an approach toward IP management. This management mandate is further reinforced by our fundamental policy of ensuring business competitiveness by acquiring highly beneficial patents.

Intellectual Property Management System and Major Activities

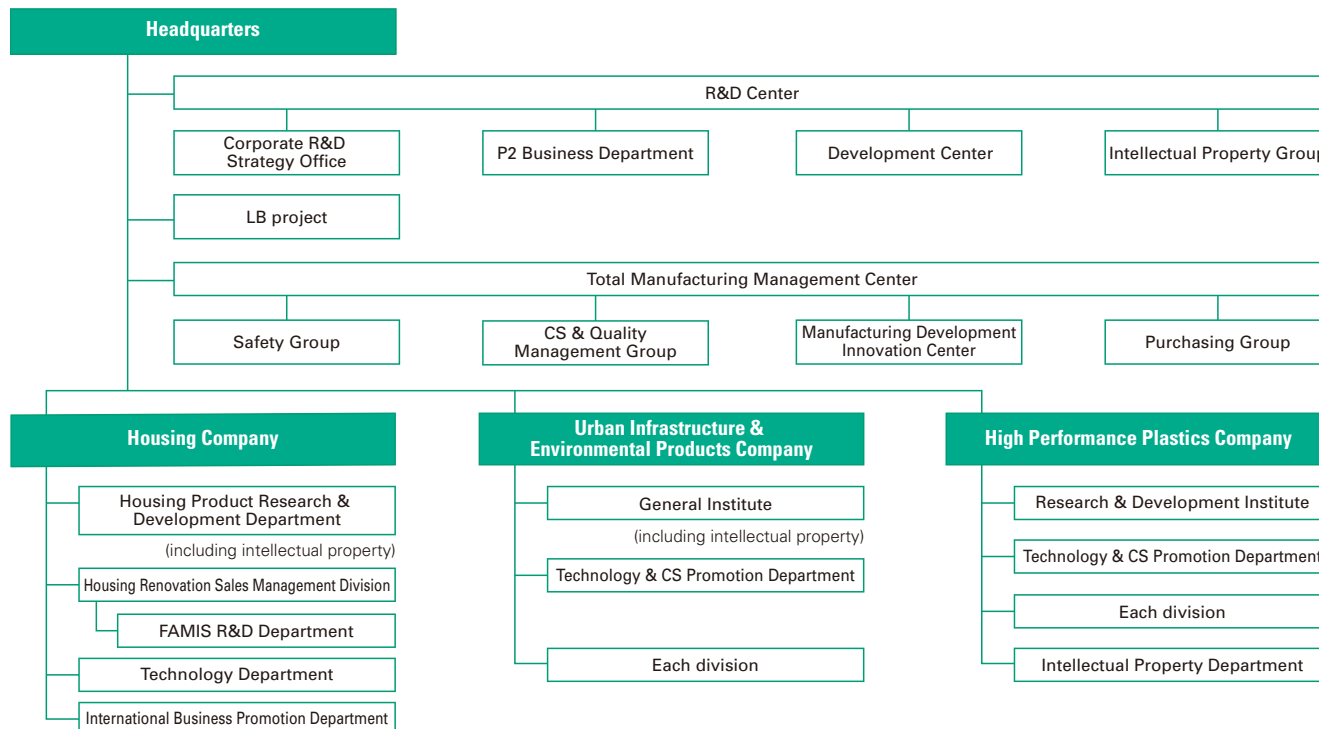
To speed up judgments and decision-making, the Group has set up intellectual property divisions at Corporate headquarters and at each divisional company.

The role of the Intellectual Property Division at Corporate headquarters ranges from the planning and drafting of a basic IP strategy common to the entire Company to IP training, and the operation and management of the patent management system. The company from fiscal 2018 is implementing in cooperation with each group company IP systemic training programs for personnel in each of the R&D and sales departments. We updated the patent management system in May 2018 and plan on introducing a platform for the building of strategic patent groups with the goal of improving patent group management.

The company's basic policy on intellectual property includes securing competitive strength through the acquisition of strong patents. With this in mind, IP strategies and activities at the corporate and divisional company levels are based on the operating conditions unique to each divisional company. At the corporate level, the company analyzes market and competitive conditions, as well as the latest IP information, and implements strategic IP activities aimed at the creation of new businesses. On the other hand, the intellectual property divisions, the business divisions, and the R&D divisions at each of the companies are tasked with maintaining cooperation and periodically holding Intellectual Property Strategy Committee meetings to implement activities aimed at the construction of strategic patent groups.

In this way, the intellectual property divisions at Corporate headquarters and at each divisional company are endeavoring to improve the Group's IP level by collaborating in an organic manner.

R&D, Manufacturing, and Intellectual Property Management System



Social Capital

The Sekisui Chemical Group recognizes the importance of providing products and services that consistently satisfy and appeal to customers. Only in this way can the Group truly strengthen its ties with society and stakeholders. Accordingly, every effort is made to enhance the quality of our human resources, products, and systems while targeting the quality that will always be specified by customers. At the same time, we adhere strictly to a policy of CSR procurement and promote green procurement when seeking to purchase raw materials. We also refrain from the use of conflict minerals associated with inhumane acts.

Cognizant that the Company is a member of society, we support the social contribution activities of employees in each of three fields: the environment, the next generation, and local communities.

CS & Quality Management— Pursuing a level of quality that is always specified by customers

The Sekisui Chemical Group has been engaged in CS management, which focuses on customer satisfaction (CS), since 1999. In 2004, we coined the phrase CS & Quality in the belief that customer satisfaction and quality are inseparable and began to engage in CS & Quality Management that consistently delivers the value that allows our customers to continue choosing Sekisui Chemical. Mindful of the fact that customer feedback is the wellspring of our manufacturing activities, we are actively honing the Quality of Our People, the Quality of Our Systems, and the Quality of Products and Services. In this manner, the Group is working in unison to consistently deliver the quality that is always specified by customers.

The Group has identified two themes for CS & Quality Management. One of these is the number of major quality issues*¹ and the other is the external failure costs*². In fiscal 2017, the first year of the Medium-term Plan, we had two major quality issues. External failure costs slightly increased compared with the final year of the previous medium-term plan. To achieve zero major quality issues in the future, we aim to improve Basic Qualities by ensuring thorough adherence to the Development Guidelines

and Everyday Management Guidelines throughout the entire Group.

*1 Major quality issues: Problems related to product and service quality that could cause significant damage to customers, society, or the Sekisui Chemical Group if not thoroughly resolved on an urgent basis.

*2 External failure costs: Costs arising from responding to product-related complaints.

Three Zeros Initiatives

Based on the idea that costs arise from poor quality in the form of losses and wastefulness, such as responding to customer complaints and increasing waste, we aim to achieve the “Three Zeros” of zero accidents, zero waste, and zero complaints.

Major Quality Issues Initiatives

To prevent the occurrence of major quality issues, we have been holding development risk prevention seminars, which are aimed at acquiring effective prevention methods, and DR reviewer training seminars, designed to improve the skills of people who conduct design reviews (DRs), on an ongoing basis since fiscal 2013. Both seminars are based on the topic of preventing quality problems before they arise.

In fiscal 2017, we held risk prevention case study meetings at four domestic locations and reconfirmed the importance of predicting and identifying risks to quality by

focusing on points of change with existing products. We plan to hold these seminars again in fiscal 2018.

Publishing a Booklet Summarizing Customer Feedback

The Sekisui Chemical Group’s Customer Information & Consulting Services receive over 10,000 inquiries and comments every year. The Group directly answers each inquiry and analyzes the factors that motivated the customer to make the inquiry in the first place, in order to discover the hidden needs of customers.

Having published VOICE, a summary of the inquiries received by Customer Information & Consulting Services, since fiscal 2015, the Group is working to reflect customer feedback in management activities, cultivate and instill a culture of CS & Quality in all employees, and promote understanding of these issues in Group-wide businesses in a manner that transcends particular operational areas.



Social Capital

Social Capital

Materials Procurement

The Sekisui Chemical Group regards openness, fairness and equity, legal compliance mutual trust, and consideration for the environment as the basis of its CSR procurement. We will strengthen the harmonious and mutually beneficial partnerships with our business partners through fair transactions. We actively request that all our suppliers ensure superior quality, take into consideration the environment, comply with the relevant laws and social norms in each of the countries and regions in which they operate, and conduct health and safety activities in their own companies.

Green Procurement

Evaluating procurement, including for raw materials, not only on a QCD basis, but also on an environmental basis, the Sekisui Chemical Group is promoting the "Greening of Procurement" by procuring products with low environmental impacts from producers who also have a low environmental impact. The Group conducted a regular review of green procurement standards in April 2017 and revised relevant documents to comply with amendments to the Ordinance on Prevention of Hazards Due to Specified Chemical Substances.

Addressing the Issue of Conflict Minerals

Concerned about the issue of conflict minerals, which provide a source of funds for armed forces involved in human rights violations and environmental destruction in the Democratic Republic of the Congo (DRC) and its neighboring countries, the Sekisui Chemical Group conducts conflict mineral specification surveys and inspections throughout its supply chains from the viewpoint of CSR management. We put our Conflict Mineral Survey Guidelines into operation in April 2017. These guidelines were newly formulated for each the relevant Sekisui Chemical groups*1 that receive conflict mineral surveys and inspection requests




from suppliers and conducts them. Sekisui Chemical's Infrastructure & Environmental Products Company, High Performance Plastics Company, and its Group companies conducted 308 conflict mineral surveys in fiscal 2017. Of these, no 3TG*2 minerals had been used in 238 cases, 51 cases originated from non-DRC*3 countries, and 19 cases were from the DRC, but we have confirmed that these were from a CFS-certified production facility*4. Thus there were no unknown smelters.

*1 Covering the Quality Management Group of each division company factory and the Quality Control departments of affiliated companies or affiliated company factories
 *2 3TG: Columbite-Tantalite stone (tantalum), tin stone (tin), iron manganese stone (tungsten) and gold or their derivatives
 *3 Republic of Congo and neighboring countries: Refers to Democratic Republic of Congo (DRC) and the nine countries (Angola, Burundi, Central African Republic, Republic of Congo, Rwanda, South Sudan, Tanzania, Uganda, and Zambia) bordering the DRC
 *4 Conflict-Free Smelter: The Conflict-Free Sourcing Initiative (CFSI) certification program for conflict mineral investigations prepared by an organization addressing the conflict mineral issue. Includes not only audits of smelters and refineries but also investigations into whether transactions in the downstream supply chain involve conflict minerals that are sources of funds for armed forces. Confirmed from conflict mineral survey that this factory certified under this certification program

Social Contribution Activities

As a company that lives together with the local community, the Group promotes social contribution activities in the areas of the environment, the next generation, and local communities. For example, on an environmental theme, we encourage forest preservation activities, the preservation of biodiversity, and greening activities. Positioning these activities as a hallmark of our initiatives as a corporate citizen in tune with the needs of society, we also support the activities of Group employees to give back to society.

Social Contribution Activities

Environment	Next Generation	Local communities
 <p>Tree-planting activities in the state of Michigan, USA</p>	 <p>On-site science and engineering classroom</p>	 <p>Installation of a water pump in an Indian village struggling to secure safe drinking water</p>

Natural Capital

Natural Capital

The air, water, and land that constitute our plant provide a healthy living environment for its inhabitants and foster robust biodiversity. Our daily lives and economic activities are sustained by the natural capital* provided by our planet. The Sekisui Chemical Group is aiming for the planet and society to remain like this. In addition to halting the deterioration of natural capital, such as by reducing greenhouse gas (GHG) emissions, promoting the recycling of resources, and reducing the burden on ecosystems, the Group contributes to making returns to natural capital through such means as expanding sales of its Environment-Contributing Products that contribute to the environment, while engaging in daily business activities toward achieving a world in which biodiversity is preserved.

*Natural capital: A term that refers to physical capital, such as soil, air, water, minerals, flora and fauna, as well as biological capital, human capital and social capital.

Long-Term Environmental Management Vision Sekisui Environment Sustainability Vision 2030

The Group is aware that its business activities depend on resources (natural capital). All our management-level staff and employees are working to develop into talented personnel with excellent environmental activity promotional skills and will engage in environmental management based on contributions in three areas—"expand and create markets for Environment-Contributing Products," "reduce environmental impact," and "conserve the natural environment"—to "give back more to the Earth than is taken" by 2030.

With a view toward the return of natural capital, energies will continue to be directed toward creating prominent value as a part of efforts to realize a planet where biodiversity is preserved. By continuing to create such value, we are convinced that we can contribute to resolving the various issues being addressed under the Sustainable Development Goals (SDGs) advocated by the United Nations.

Environmental Management System

The Group holds meetings of its CSR Committee, headed by the president, and the Environmental Subcommittee twice a year to decide on the major policies that guide the activities of the entire Group. Each business site also has in

place an environmental management system based on ISO 14001 and manages environmental activities. As of March 31, 2018, including the 46 business sites in Japan and 36 overseas that had been ISO 14001 certified, the number of business sites represented 47% of the overall total for the Sekisui Chemical Group. We are aiming to acquire ISO 14001 certification and achieve zero emissions at all our major business sites.

SEKISUI Environment Sustainability Index

Taking into account the effects of a number of factors, such as reducing the various forms of environmental impact, the expansion of Environment-Contributing Products and services as well as the conservation of the natural environment, which are major items for implementation in the medium-term management plan, we integrated the impact

SEKISUI Environment Sustainability Index

FY2017 (Result)	FY2019 (Plan)	FY2030 (Target)
85%	90%	100%

on the environment of the activities of Sekisui Chemical Group companies (the use of natural capital) and their degree of contribution to the environment (returns to natural capital) in a single indicator by means of the SEKISUI Environmental Sustainability Index and began trial calculations in fiscal 2014. In fiscal 2017, we started to manage the "rate of return to natural capital," as reflected in this index, as a KPI to show the overall progress of a company's environmental management. We set targets of 85% in fiscal 2017, 90% in the three years of the Medium-term Plan, and a return of 100% or more in 2030

Establishment of Environmental Contribution Investment Framework

Based on the adoption of COP 21 (Paris Agreement), while Japan aims to have reduced its GHG emissions by 26%, compared with fiscal 2013, by fiscal 2030, the Sekisui Chemical Group would ambitiously like to set reduction targets equal to or greater than the national target. Under its environmental medium-term plan, the Group has set the goal for reducing the overall amount of its CO₂ emissions at 6%, planned active capital investments, and formulated internal investment promotion measures of around ¥12.0 billion, which corresponds to 0.3% or more of sales. The reduction in GHG emissions from projects already ordered

Natural Capital

Natural Capital

by fiscal 2017 reached 20,000 metric tons, and we will make further investments by means of this support system and aim to reduce the total volume by 40,000 metric tons.

Usage of Natural Capital

Climate Change

Under the environmental medium-term plan launched in fiscal 2017, we set targets by expanding those covered to encompass not only GHG emissions related to production but also GHG emissions from our overall business activities. With regard to GHG emissions from business activities, the Group is targeting a 6% emission reduction against fiscal year 2013 levels by fiscal year 2019. Sekisui Chemical is also investing aggressively in environmental projects that contribute to reducing GHG emissions from its production divisions. Looking ahead, we will continue reducing GHG emissions at every stage of our business activities, with the COP21 objectives at the forefront of our decision-making.

Efficient Use of Resources

With regard to waste, we strive to thoroughly implement the "3Rs" (reduce, reuse, and recycle) throughout entire lifecycles. We also engage in Zero Waste Emissions Activities that reuse as resources all the waste generated due to our business activities. Under the environmental medium-term plan, we are targeting a reduction in the amount of waste generated per unit of output by 1% every year compared with the fiscal 2016 level.

Chemical Substance Management

With regard to chemical substances, in addition to operating a product assessment system for environmental impact*¹ and a green procurement system*², the Group has set and worked toward its own targets for reducing emissions and the transfer of chemical substances since fiscal 1999. In

the case of VOC emissions, against the medium-term target of a reduction by more than 3% compared with the fiscal 2016 level, in fiscal 2017, VOC emissions in Japan increased by 12.1% compared with fiscal 2016 as production volume increased in the adhesive tape manufacturing division, which uses solvents. Alternative fluorocarbons were fully phased out in fiscal 2008.

*1 Product Assessment System for Environmental Impact: A system to evaluate environmental impacts throughout all phases of resource development, manufacturing, use, disposal, transport

*2 Green Procurement System: When procuring product raw materials and parts, a system that preferentially selects from those with less burden on the environment.

Conservation of Water Resources

The Group formulates environmental medium-term plans, in which the following initiatives are considered key issues: reducing water use; identifying water-related risks, including impacts on supply chains and the natural environment; conducting environmental education targeting management and employees; and providing information to stakeholders. Involved in the business of supplying infrastructure-related products for water supply, storage and drainage, the Sekisui Chemical Group therefore believes that conveying the importance of safe water supply and the maintenance of water infrastructure to customers is important in making business sustainable. We recognize that contributing to preserving water resources through our businesses will lead to "access to safe drinking water and sanitation," one of the 17 Sustainable Development Goals (SDGs).

Environmental Impact Assessment

The Group assesses environmental impact at every stage of a product's lifecycle when product processes are developed or changed.

Return of Natural Capital

Environment-Contributing Products

Defined as products that possess high levels of environmental contribution effects and that have been certified as having demonstrated those effects when used by customers, Environment-Contributing Products are contributing to the Earth by creating and expanding markets. (Please see page 21)

Conserving the Natural Environment

Having incorporated items relating to biodiversity into its Environmental Management Policy in April 2008, the Sekisui Chemical Group formulated guidelines in 2011. The Group has striven to conserve the natural environment, including in terms of biodiversity, through both environmentally conscious business activities and actions to preserve the environment undertaken around the world. Its Environmental Subcommittee meets twice a year to deliberate on biodiversity with regard to the Group's business activities and to assess their impact by means of methods that utilize the JBIB Land Use Score CardTM*¹, a tool for evaluating the level of effort to preserve biodiversity with respect to land use, and WET*², which evaluates the impact on living organisms exerted by waste water.

*1 JBIB Land Use Score CardTM: A tool used to assess the level of effort to preserve biodiversity, developed by the NPO Japan Business Initiative for Biodiversity.

*2 WET (Whole Effluent Toxicity): A test method to assess the toxicity of wastewater in bio-response of fish, water fleas, and algae.

Corporate Governance

The Company maintains as its basic policy for corporate governance the promotion of sustainable corporate growth and the increase of corporate value over the medium to long term. To realize this, the Company will enhance the transparency/fairness of management, pursue prompt decision-making, and continue to fulfill the expectations of “customers,” “shareholders,” “employees,” “business partners,” and “local communities and the environment,” the five major categories of stakeholders that the Company values most, through the creation of value to society expressed in its corporate philosophy.

Corporate Governance Systems

(1) Organizational Structure

As an organizational structure under the Companies Act, the Company has chosen to be a company with Audit & Supervisory Board. In order to respond promptly to changes in the business environment at each Company, Sekisui Chemical has adopted the Executive Officer System in order to clearly distinguish the business execution function from the decision-making function in management.

(2) Roles and Responsibilities of the Board of Directors

The Board of Directors continually strives to strengthen its role as a body responsible for decision-making concerning the Company’s fundamental policies and upper-level management issues, and supervising the execution of business. The Board includes three independent Outside Directors to ensure a highly effective supervisory system, transparency in management, and fairness in business decisions and operations.

(3) Composition of the Board of Directors

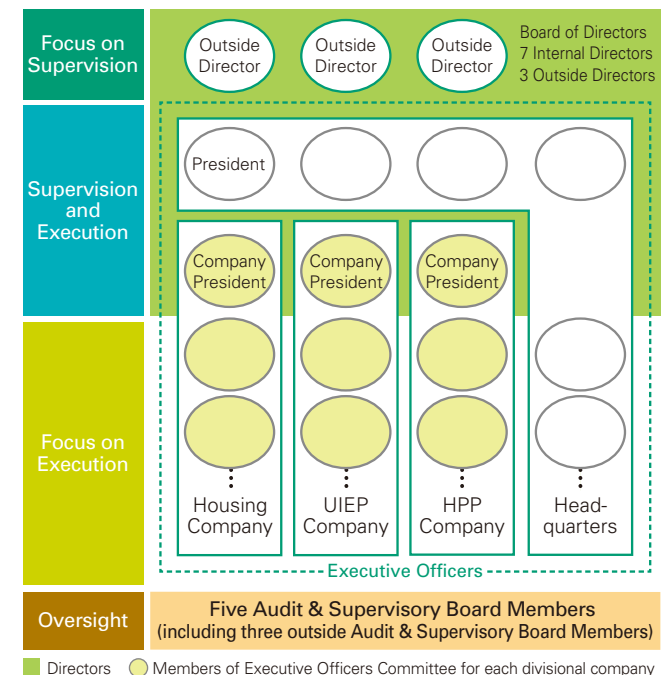
The number of directors shall not exceed 15, and 2 or more of them shall be independent Outside Directors. The Board of Directors of the Company shall consist of Directors who have an excellent character, insight, and a high moral standard in addition to knowledge, experience, and competence.

In addition, all Audit & Supervisory Board Members, including Outside Audit & Supervisory Board Members, shall attend the meetings of the Board of Directors. The Company ensures diversity among board members and keeps the number of directors at an optimal level for appropriate decision-making that is commensurate with the business domain and size. The presidents of the divisional companies who are the top management of each business and senior corporate officers with significant experience and strong expertise are appointed as inside Directors. Together with the outside Directors who have broad knowledge and experience and Audit & Supervisory Board Members with strong expertise, they effectively perform the roles and responsibilities of the Board of Directors, taking the balance with respect to diversity, optimal size, and capabilities.

(4) Outside Directors

The Company has appointed three Outside Directors who maintain their independence in order to contribute to the enhancement of the Company’s corporate value by providing advice and supervision based on their extensive experience and expertise from different backgrounds. Outside Directors provide advice based on a wide array of objective viewpoints particularly on global expansion, business model innovation, CSR management enhancement, all of which the Company is pursuing as key initiatives.

Management System



(5) Nominating and Remuneration Advisory Committee

The Company has voluntarily established the Nomination and Remuneration Advisory Committee in order to complement the functions of the Board of Directors as well as further increase management fairness and transparency. The Nomination and Remuneration Advisory Committee deliberates and makes recommendations to the Board of Directors about the nomination or dismissal of senior executives, the nomination of director candidates, adequacy of the compensation system and the level of remuneration for the directors, matters concerning improving the

Corporate Governance

effectiveness of the Board of Directors, and the appointment and compensation of advisors, including former representatives. The Nomination and Remuneration Advisory Committee comprises five members, the majority of which must be independent outside officers and the chairperson of which must be elected from among the independent outside officers.

(6) Transactions between related parties

The Company has taken the following measures to prevent any transaction between the Company and an officer

of the Company or a major shareholder from harming the interest of the Company or the common interest of shareholders. The Board of Directors Regulations stipulate a conflict of interest transaction between the Company and its Director as a matter requiring the resolution of the Board of Directors. Actual individual transactions are monitored by the Board of Directors through the approval or reporting processes. The Audit & Supervisory Board also audits such transactions in accordance with the Note of Audit & Supervisory Board Auditing Standards.

(7) Improving the level of Directors and Audit & Supervisory Board Members

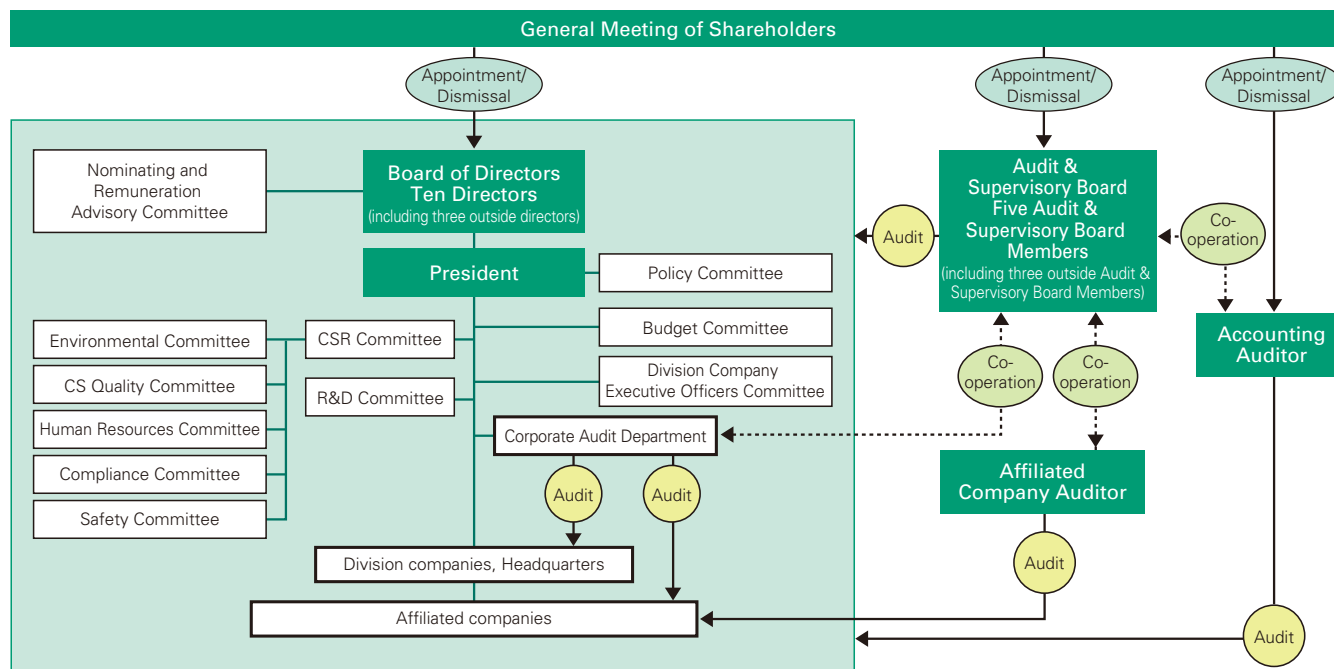
The company will ensure that Directors and Audit & Supervisory Board Members have the opportunity to acquire the training and knowledge necessary to appropriately fulfill their respective roles and responsibilities. The company will also provide support, including expenses when necessary, for this training.

Director Compensation

(1) Policy on determining remuneration, etc.

The remuneration, etc., for Directors of the Company consists of basic remuneration, bonus and share-based compensation (excluding Outside Directors), whereas the remuneration for Audit & Supervisory Board Members consists of base remuneration and bonus (excluding Outside Audit & Supervisory Board Members). The basic remuneration is provided in a flat amount commensurate with the roles and responsibilities of each Director within the limit of the officers' remuneration allowance. Directors are obliged to allocate a certain amount of the base remuneration to purchase the shares of the Company through the Officers Stock Ownership Plan with the aim of enhancing management awareness of placing an emphasis on the stock price. The bonus represents the performance-based remuneration, the amount of which is determined based on the payment standards linked to the business performance of the Company and each divisional company, the dividend policy and ROE (return on equity). The share-based compensation plan is an incentive plan aimed at further raising motivation to contribute to the improvement of mid- and long-term business performance and improve the Group's corporate value, under which the number of shares to be granted is determined in accordance with the position of Directors (excluding Outside Directors). Said plan has a structure enabling Directors to receive a benefit at the time of retirement for the results for which they contributed to enhancing the Company's mid- and long-term corporate value in

Corporate Governance System



Corporate Governance

the form of the Company's shares reflecting such enhancement in share value, thereby enhancing the link with mid- and long-term shareholders' value.

(2) Process of determining officers' remuneration

The Nomination and Remuneration Advisory Committee, which has been established as the advisory body to the Board of Directors to achieve the purpose of the officers' remuneration plan, deliberates the structure and level of Directors' remuneration and validates the reasonableness of individual remuneration through an objective and transparent process.

Appointment of Directors and Audit & Supervisory Board Members

The election of directors is conducted in consideration of the management principles and strategies, through deliberation by the Nomination and Remuneration Advisory Committee, consisting of the majority of independent Outside board members and chaired by an independent

Outside officer. The Board of Directors makes a final policy decision based on the recommendations made by the advisory committee with respect.

Criteria for the Independence of Outside Board Members

We believe transparency and fairness in management, which is key to corporate governance, requires that Outside Directors and Outside auditors have a high level of independence. To this end we have established a "Criteria for Independence of Outside Board Members (Directors and Audit & Supervisory Board Members)" and have decided that any candidate not meeting these requirements does not have the sufficient level of independence to be an Outside Board Member at Sekisui Chemical.

Assessment of the Board's Effectiveness

The Company evaluates and improves the Board's function by discussing the effectiveness of the Board and

points to improve at the Nomination and Remuneration Advisory Committee, holding regular meetings to exchange views between Outside Directors and the senior management of the Company, and between Audit & Supervisory Board (including Outside Audit & Supervisory Board Members) and accounting auditor, as well as by analyzing the attendance at the Board meetings and the status of active participation of each Directors and Audit & Supervisory Board Members.

The Board of Directors will engage in sufficient discussion under an appropriate agenda with opinions and recommendations actively provided by Directors (including Outside Directors) and Audit & Supervisory Board Members. The Company has determined that the current Board of Directors is sufficiently functioning and contributing to enhance the corporate value of the Group. The Board of Directors in fiscal 2017 thoroughly deliberated important management issues such as growth strategies, including R&D, M&A, investment, and large new businesses, and fundamental strategies, including workstyle reform and CS product quality. The Board also ensured that adequate time was provided to sufficiently discuss these issues and active participation and opinions and recommendations were actively provided by both outside and inside Directors and Audit & Supervisory Board Members. The Nomination and Remuneration Advisory Committee made recommendations to the Board of Directors on such matters as Director nominations, individual performance, and remuneration levels. The Nomination and Remuneration Advisory Committee met 5 times, including to discuss the plan for the president's succession, the composition of the Board of Directors, and revisions to rules governing advisors. In fiscal 2018, the Company will continue to enhance deliberation on important management issues to make appropriate decisions as the Board of Directors and to ensure fairness and transparency in the Company's management.

Director Compensation in Fiscal 2017

(millions of yen)

	Basic remuneration		Bonus		Stock-based compensation		Stock options		Total	
	Number of eligible officers (persons)	Amount	Number of eligible officers (persons)	Amount	Number of eligible officers (persons)	Amount	Number of eligible officers (persons)	Amount	Number of eligible officers (persons)	Amount
Directors	10	327	8	182	8	68	9	1	10	579
(Of which external Directors)	2	24	—	—	—	—	1	0	2	24
Audit & Supervisory Board Members	6	78	2	14	—	—	—	—	6	92
(Of which external Audit & Supervisory Board Members)	3	28	—	—	—	—	—	—	3	28

- (Notes) 1. As listed above, the number of eligible officers includes one outside Audit & Supervisory Board member who retired at the close of the 95th Annual General Meeting of Shareholders held on June 28, 2017.
 2. The aforementioned amount paid to directors does not include the portion of employee's salary (including bonus) amounting to 142 million yen for directors who concurrently serve as employees.
 3. New stock option grants were discontinued following the shift to a stock-based remuneration system from June 2016, but the amount of stock option grants will be recorded as necessary expenses for fiscal 2017.

Compliance & Risk Management

While giving consideration to human rights on a global scale, the Sekisui Chemical Group is at the same time strengthening its compliance initiatives that are in tune with the ethics and social norms value by society as it adheres strictly to laws, regulations and internal rules. Moreover, and as far as risk is concerned, the Sekisui Chemical Group is reinforcing its system that unifies risk management, to prevent risks from occurring, and crisis management, which involves responding to major risks.

Compliance

Our Approach to Compliance

The Sekisui Chemical Group carries out compliance management based on fundamental principles, including contributing to society, being a trusted company, and adherence to both the letter and spirit of the law, and principles that are spelled out in its Compliance Declaration announced in 2003. Based on the spirit of the Company Philosophy and our Corporate Code of Ethics, our compliance initiatives are in tune with the ethics and social norms valued by society as we strictly adhere to laws, regulations and internal rules.

Our business and compliance activities support the corporate value of the Sekisui Chemical Group, and compliance is the basis of all management activities. We aim to remain a company in which each individual employee can be proud of our good intentions. To this end, we strive to improve awareness of compliance throughout the Sekisui Chemical Group in order to remain in the trust of society.

Prevent Compliance Issues

In the CSR Medium-term Plan, which we started to implement in fiscal 2017, we carried over "zero incidents of major compliance issues" as a KPI target from the previous medium-term

plan. From fiscal 2015 onward, Sekisui Chemical has continually achieved zero incidents of corruption and fraud. In fiscal 2017 as well, no major compliance issues arose.

We will continue strengthening our management of compliance and work to prevent compliance issues before they occur.

Building an Effective Compliance Promotion System

We are building a realistic and effective compliance promotion system to ensure that compliance management is fully put into practice. In addition to having established a Compliance Subcommittee—which reports to the CSR Committee and is chaired by the executive officer who heads the Legal Department—as an organization to oversee Group compliance and to put forward policies and implementation measures, we are also establishing compliance promotion subcommittees at corporate headquarters and at each divisional company, appointing persons responsible for putting compliance promotion into practice and implementing and deploying each measure. In the unlikely event that an important compliance issue arises, we will hold a Compliance Advisory Board meeting to address any problems that have actually occurred and examine measures to prevent a recurrence.

Reinforcement of Global Legal Affairs Structure

The Sekisui Chemical Group has been reinforcing its legal affairs structure by developing and deploying legal

personnel, strengthening collaboration among legal departments and enhancing legal functions.

In fiscal 2017, employees responsible for legal affairs at Sekisui Europe B.V. and Sekisui Southeast Asia Co., Ltd., our regional management companies in Europe and Thailand, respectively, took up new posts and commenced, for example, contract screening and the expansion of the internal reporting system.

Compliance Training

As part of our efforts associated with putting compliance management into practice, we also focus on employee compliance education. We continuously provide opportunities for all Group employees to learn about the importance of compliance, such as by conducting e-learning sessions specific to compliance quarterly. These e-learning programs include information about compliance as training for new employees and as rank-specific training.

Upgrade of the Whistle-blowing Program

In 2002, the Sekisui Chemical Group developed the Sekisui Compliance Assist Network (S.C.A.N.) intra-company whistle-blowing system, which is the mechanism that has been made available for use by all Sekisui Chemical Group employees and its business partners. Operated under the supervision of the executive officer in charge of the legal department, S.C.A.N. enables direct reporting not only to the executive officer in charge of the Legal Department but also to an outside law firm. In addition to serving as a reporting system, S.C.A.N. also plays a role as a point of contact for consultations, such as whether a specific act would be classed as a compliance violation. In order to create an organizational culture that maintains full awareness of compliance, the system also prescribes the protection of the whistleblower and stipulates that information on the person who provided the information be kept secret from everyone other than at the point of contact and the

Compliance & Risk Management

prohibition of any prejudicial treatment toward that person.

Moreover, in accordance with the establishment of the Corporate Governance Code, we reconfigured the internal reporting system in fiscal year 2015 as part of the strengthening of governance functions at each Sekisui Chemical Group company and newly put in place points of contact for consultations from, and whistleblowing by, suppliers. This consultation/notification point of contact is intended for use by the executive officers and employees of business partners in Japan who are continuously conducting business transactions with Sekisui Chemical Group companies. We occasionally accept requests for consultations and receive reports via a form made available on Group company websites and, while conducting consultations with business partners, proceed to confirm the facts and take corrective action concerning any alleged "law-violating conduct." The content of consultations and reports is shared only among the minimum number of people necessary to resolve the "law-violating conduct" concerned, and all parties that need to be involved are obliged to keep that content confidential.

Compliance Reinforcement Month

In fiscal 2014, we decided that October of each year would be Compliance Reinforcement Month, to give all employees the opportunity to reflect on their compliance awareness and actions. In fiscal 2017, under the banner of "actual compliance violation case studies," a range of initiatives were carried out in Japan based on actual past cases of compliance violations that had occurred inside and outside the Company. We also expanded the area in which Compliance Reinforcement Month is implemented overseas, which resulted in Group companies in North America and China launching Compliance Reinforcement Month initiatives.

Risk Management

Basic Philosophy

Here at the Sekisui Chemical Group, we are working to build a risk management structure that unifies "risk management," which aims to prevent risks from occurring in the first place, and "crisis management," which responds to serious risks that have manifested. Through this unification of concepts, we aim to create a system that can be brought to bear on ever-changing risks and crises.

Management Structure

In the Sekisui Chemical Group's risk management structure, the head of the HR department, who is also a Director and Managing Executive Officer, holds ultimate responsibility, and the Risk Management Group of the HR Department at Corporate handles day-to-day risk-management operations. We are striving to publicize and thoroughly install among the directors, executive officers, and employees of Sekisui Chemical and its Group companies the "Sekisui Chemical Group Risk Management Guidelines," which were established based on the revised "Basic Philosophy on Internal Corporate Governance Systems" of April 2015, to identify significant risks and to prevent them from manifesting by centrally and comprehensively collecting and evaluating information about risks. In the event that a significant risk does become manifest, an Emergency Response Headquarters will be established based on the "Sekisui Chemical Group Crisis Management Guidelines," creating a framework capable of swiftly and appropriately handling the situation. In preparation for such rare contingencies, a code of conduct regarding this framework, to be referred

to by all employees, has also been shared with all Group employees via the Group intranet and other means.

Bolstering Risk Management (Prevention) Structures

It is extremely difficult to accurately monitor for risks that could foreseeably occur at some point in the future, as our corporate activities become more complex. We at the Sekisui Chemical Group believe that increasing risk sensitivity among employees is essential to handling such risks, and the Group continuously runs PDCA cycles in line with the international standard for risk management ISO 31000. These activities launched during fiscal 2011 among 27 organizations, primarily business units within the Company. The number of organizations engaged in these actions has increased each year, reaching 165 in total, including those in Japanese and overseas affiliates, in fiscal 2017. These organizations collectively account for around 93% of consolidated revenue, and the Group is working to improve the effectiveness of these actions through inter-organizational cooperation and linkages among specialist divisions.

Identifying Risks

To make clear which risks the Group as a whole should prepare itself for, the scope of anticipated risks has been identified comprehensively, going beyond ESG risks alone, and these risks have been compiled into the "Sekisui Chemical Group Risk List."

Bolstering the Crisis-Management System

Based on its experience during the Great East Japan Earthquake, the Sekisui Chemical Group carried out a full-scale overhaul of its crisis management system in fiscal 2011 and has been refining that system ever since. Specifically, the Group, among other initiatives, has been conducting drills (at least twice yearly) based on the Emergency Response Headquarters Procedures Manual, annual education (for all

Compliance & Risk Management

employees) using the Emergency Situation Initial Response Procedures Manual, and organizing disaster-preparedness systems based on disaster-preparedness checklists in all offices (around 800 within Japan). As of January 2012, the rate of sufficiency regarding disaster-preparedness systems, in reference to the Cabinet Office’s “Table of Self-Evaluation Items,” averaged 41% among all offices. Because of instituting concrete measures, however, the Group has, since fiscal 2015, reached a point where it has been able to maintain an average rate of over 90%.

Basic Philosophy toward Business Continuity Planning (BCP)

BCP is the very essence of business strategy. Therefore, the Sekisui Chemical Group, whose adoption of a company system has made the range of the business in which it engages broad, has decided on a basic posture of having those in charge of each line of business (the heads of business units, the presidents of business companies, etc.) determine the necessity of BCP individually, based on the particulars of the

business in which they are engaged. Because of this, the Group has created a support system, such as by establishing “Guidelines for Formulating BCP (BCM)” and drawing up a checklist for performing this formulation. Each person in charge of a line of business is recommended to formulate business-continuity plans and to implement business continuity management (BCM) based on these guidelines and on ISO 22301, a standard for methods of implementing BCM.

Crisis Management Systems Overseas

Based on its corporate regulations “Overseas Safety Management Regulations,” the Sekisui Chemical Group has formed a pyramid-shaped overseas crisis management organization with an officer in charge of overseas crisis management at the peak. (The officer in charge of overseas crisis management is answered to by [the head of the] Overseas Crisis-Management Office, to which the regional heads answer, and to who in turn the heads of locations answer.) It is primarily through this organization that the Group supports employees traveling abroad, those

stationed abroad, and locally based employees, using such means as sharing crisis management-related information, issuing advisories in a timely manner, instructing employees about travel restrictions, and implementing other emergency-response measures. As the number of Group locations increases with each passing year, crisis-management manuals have been organized at each factory, office, or other business location based on support provided by the Overseas Crisis-Management Office, and these manuals are revised periodically and whenever deemed necessary. Regarding risks particular to overseas sites, including civil unrest, terrorism, and infectious diseases, the Group has organized a support system based on signing contracts with crisis-management companies, such as those that provide security assistance and medical assistance. Additionally, the Group conducts training sessions for employees seconded overseas before they are dispatched abroad, provides pre-trip e-learning for employees sent on business trips, and explains its overseas crisis management system to its employees; it also issues warnings about risks overseas. In recent years, in particular, business trips and secondments to frontier regions have become more common, and thus the Group has stepped up its partnerships with Japanese diplomatic missions abroad and has created and distributed region-specific crisis management handbooks detailing the types of risks and levels of danger for each region, 20 in total.

Improving the effectiveness of risk management activities

With the aim of improving the effectiveness of risk management activities, the Group conducted risk management training sessions for the risk managers of the risk-management activities organization in fiscal year 2017. There were a total of 14 of these risk management training sessions conducted throughout the year, and there was a 93% participation rate among the risk managers targeted.

Major ESG Risks Faced by the Sekisui Chemical Group

Environmental risks	soil and air pollution/leaks of harmful substances/tightening of environmental regulations, etc.
Societal risks	worsening of relations with local communities/rumor-based reputational harm/spread of communicable diseases/breakdowns of functions provided by public bodies, etc.
Legal risks	unethical or criminal behavior/violations of the Monopolies Act or fraudulent transactions/unauthorized overwriting of data/behavior constituting harassment/sudden changes to laws or regimes/infringements on intellectual property rights, etc.
Quality-related risks	responsibility for manufactured goods/product recalls/mistakes during construction, etc.
Human resources/labor risks	labor practices that violate the law/discrimination/changes to the composition of employees, etc.
Safety risks	employee health and safety/workplace accidents/the safety of employees stationed or traveling abroad, etc.
Financial risks	various risks relating to finances, accounting, and taxes
Information-management risks	information leaks/destruction or loss of electronic data, etc.
Management decision- and business design-based risks	unclear vision and management policies/defects in work processes/product-related incidents, etc.
Affiliated company and supplier risks	scandals at affiliated companies/disasters or accidents affecting affiliated companies, etc.

Directors, Audit & Supervisory Board Members and Executive Officers As of June 27, 2018

Board of Directors



Teiji Koge
President and Representative Director
Chief Executive Officer

- Apr. 1976: Joined the Company
- June 2005: Director of the Company, President of Nagoya Sekisui Heim Co., Ltd.
- Oct. 2005: Director of the Company, Head of President's Office of Housing Company
- Apr. 2006: Director of the Company, Head of Planning & Control Department of Housing Company
- Apr. 2007: Director of the Company, Head of Housing Division and Planning & Control Department of Housing Company
- July 2007: Director of the Company, Responsible for Sales Department, Head of Housing Division of Housing Company
- Feb. 2008: Director of the Company, President of Housing Company, Responsible for Sales Department, Head of Housing Division
- Apr. 2008: Director of the Company, Managing Executive Officer of the Company, President of Housing Company
- Apr. 2009: Director of the Company, Senior Managing Executive Officer of the Company, President of Housing Company
- Mar. 2014: Director of the Company, Senior Managing Executive Officer of the Company, Head of CSR Department, Head of Corporate Communication Department
- Mar. 2015: President and Representative Director, Chief Executive Officer of the Company [incumbent]

Reasons for Election of the Director

Since he was appointed as President and Representative Director in March 2015, he has been responsible for steering the Group's management. In 2017, he declared New Medium-term Management Plan emphasizing "Challenge towards new phase of growth", and since then he has been endeavoring to enhance corporate value of the Company, playing a leading role. Therefore, the Company has judged that he would be qualified as Chief Executive Officer of the Company and thus reelected him as a Director.

Member of the Nominating and Remuneration Advisory Committee



Hajime Kubo
Representative Director
Senior Managing Executive Officer

- Apr. 1980: Joined the Company
- Apr. 2008: Executive Officer of the Company, Head of Administrative Management & Control Department of High Performance Plastics Company
- Jan. 2010: Executive Officer of the Company, Head of CSR Department
- June 2010: Director of the Company, Executive Officer of the Company, Responsible for Corporate Communication Department, Head of External Affairs Department and CSR Department
- Apr. 2011: Director of the Company, Managing Executive Officer of the Company, Responsible for Corporate Communication Department, Head of External Affairs Department and CSR Department
- Apr. 2012: Director of the Company, Managing Executive Officer of the Company, Responsible for Legal Department, Head of CSR Department and Corporate Communication Department
- Apr. 2013: Director of the Company, Managing Executive Officer of the Company, Head of CSR Department and Corporate Communication Department
- Mar. 2014: Director of the Company, Managing Executive Officer of the Company, Responsible for Corporate Finance Accounting Department, Head of Business Planning Department
- Apr. 2014: Director of the Company, Senior Managing Executive Officer of the Company, Responsible for Corporate Finance Accounting Department, Head of Business Planning Department
- Mar. 2015: Director of the Company, Senior Managing Executive Officer of the Company, Responsible for Corporate Finance Accounting Department, Head of Business Planning Department, Head of CSR Department, Head of Corporate Communication Department
- Apr. 2015: Director of the Company, Senior Managing Executive Officer of the Company, President of Urban Infrastructure & Environmental Products Company
- June 2017: Representative Director of the Company, Senior Managing Executive Officer of the Company, President of Urban Infrastructure & Environmental Products Company [incumbent]

Reasons for Election of the Director

Since he was appointed as President of Urban Infrastructure & Environmental Products Company in April 2015, he has demonstrated strong leadership in carrying out structural reform and improving profitability of the said Company and has an abundant track record and experience. Furthermore, he has considerable knowledge and supervisory capabilities regarding business management in general as proven by the execution of his duties as Director. Therefore, the Company has judged that he would be able to contribute to further enhancing the corporate value of the Sekisui Chemical Group and thus reelected him as a Director.



Satoshi Uenoyama
Director
Senior Managing Executive Officer

- Apr. 1980: Joined the Company
- Apr. 2009: Executive Officer of the Company, Head of R&D Center
- Apr. 2011: Managing Executive Officer of the Company, Head of R&D Center
- June 2011: Director of the Company, Managing Executive Officer of the Company, Head of R&D Center
- Apr. 2014: Director of the Company, Senior Managing Executive Officer of the Company, Head of R&D Center
- Apr. 2016: Director of the Company, Senior Managing Executive Officer of the Company, Head of R&D Center and Head of LB Project
- Apr. 2017: Director of the Company, Senior Managing Executive Officer of the Company, Responsible for Corporate Research and Development, Head of LB Project [incumbent]

Reasons for Election of the Director

As the Head of the R&D area of the Company, he has been the Company's driving force to launch products in markets that win society's confidence with outstanding technology and product quality. Furthermore, he has considerable knowledge and supervisory capabilities regarding business management in general as proven by the execution of his duties as Director. Therefore, the Company has judged that he would be able to contribute to further enhancing the corporate value of the Sekisui Chemical Group and thus reelected him as a Director.



Shunichi Sekiguchi
Director
Senior Managing Executive Officer

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

Reasons for Election of the Director

Since he was appointed as President of Housing Company in March 2014, he has expanded business scale step by step, with strong leadership and an abundant track record and experience. Furthermore, he has considerable knowledge and supervisory capabilities regarding business management in general as proven by the execution of his duties as Director. Therefore, the Company has judged that he would be able to contribute to further enhancing the corporate value of the Sekisui Chemical Group and thus reelected him as a Director.



Keita Kato
Director
Senior Managing Executive Officer

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

Reasons for Election of the Director

Since he was appointed as President of High Performance Plastics Company in March 2014, he has achieved profit target, continuously exercising strong leadership and demonstrating initiatives from global perspective view and has an abundant track record and experience. Furthermore, he has considerable knowledge and supervisory capabilities regarding business management in general as proven by the execution of his duties as Director. Therefore, the Company has judged that he would be able to contribute to further enhancing the corporate value of the Sekisui Chemical Group and thus reelected him as a Director.

Directors, Audit & Supervisory Board Members and Executive Officers

Board of Directors



Yoshiyuki Hirai
Director
Managing Executive Officer

Apr. 1985: Joined the Company

Mar. 2009: Head of Foam Division of High Performance Plastics Company

Apr. 2014: Executive Officer of the Company, Head of Foam Division of High Performance Plastics Company

Apr. 2015: Executive Officer of the Company, Responsible for CSR Promotion Department, Head of Business Strategy Department

June 2015: Director of the Company, Executive Officer of the Company, Responsible for CSR Promotion Department, Head of Business Strategy Department

Apr. 2017: Director of the Company, Managing Executive Officer of the Company, Responsible for Corporate Finance & Accounting Department, Head of Business Strategy Department

Apr. 2018: Director of the Company, Managing Executive Officer of the Company, Head of Business Strategy Department [incumbent]

Reasons for Election of the Director

Since he was appointed as Director in June 2015, he has strengthened the foundation of global management structure and promoted constructive engagement with shareholders mainly as the Head of the Business Strategy Department by leveraging the knowledge fostered through his abundant experience so far, as well as performing his duties as Director. Therefore, the Company has judged that he would be able to contribute to further enhancing the corporate value of the Sekisui Chemical Group and thus reelected him as a Director.



Hiroyuki Taketomo
Director
Managing Executive Officer

Apr. 1985: Joined the Company

July 2011: Director of SEKISUI MEDICAL CO., LTD.

Sept. 2014: Head of Human Resources Group of CSR Department

Apr. 2015: Executive Officer of the Company, Head of Human Resources Department

Apr. 2016: Executive Officer of the Company, Responsible for Legal Department, Head of Human Resources Department

June 2016: Director of the Company, Executive Officer of the Company, Responsible for Legal Department, Head of Human Resources Department

Apr. 2017: Director of the Company, Managing Executive Officer of the Company, Responsible for Legal Department, Head of Human Resources Department [incumbent]

Reasons for Election of the Director

Since he was appointed as Director in June 2016, he has promoted to diversify management of the Company, as well as contributed to strengthen the compliance system as the executive in charge of compliance as the Head of the Human Resources Department responsible for Legal Department by leveraging the knowledge fostered through his abundant experience so far, as well as performing his duties as Director. Therefore, the Company has judged that he would be able to contribute to further enhancing the corporate value of the Sekisui Chemical Group and thus reelected him as a Director.



Independent officer
Kunio Ishizuka
Outside Director

May 1972: Joined Mitsukoshi, Ltd.

Feb. 2003: Executive Officer, General Manager of Operations Department of Mitsukoshi, Ltd.

Mar. 2004: Senior Executive Officer, General Manager of Corporate Planning Division of Mitsukoshi, Ltd.

Mar. 2005: Managing Executive Officer, General Manager of Business Planning Division of Mitsukoshi, Ltd.

May 2005: President and Representative Director, Executive Officer, General Manager of Business Planning Division of Mitsukoshi, Ltd.

Feb. 2006: President and Representative Director, Executive Officer of Mitsukoshi, Ltd.

Apr. 2008: President and Representative Director, Executive Officer of Isetan Mitsukoshi Holdings Ltd.

Feb. 2012: Chairman and Representative Director, Executive Officer of Isetan Mitsukoshi Holdings Ltd.

Apr. 2012: Chairman and Representative Director, Executive Officer of Isetan Mitsukoshi Ltd.

June 2013: Director of the Company [incumbent]

Apr. 2017: Chairman and Representative Director of Isetan Mitsukoshi Holdings Ltd., Chairman and Representative Director of Isetan Mitsukoshi Ltd.

June 2017: Senior Corporate Advisor of Isetan Mitsukoshi Holdings Ltd., Senior Corporate Advisor of Isetan Mitsukoshi Ltd. [incumbent]

Reasons for Election of the Director

Since he was appointed as Outside Director of the Company, he has provided advice with respect to the business management of the Company and supervised business execution appropriately by leveraging his abundant knowledge of business management and leadership fostered through his position as a management executive in the retail and service industry. Therefore, the Company has judged that he would be able to contribute to further enhancing the corporate value of the Sekisui Chemical Group and thus reelected him as an Outside Director.

Number of Attendance of the Board of Directors Meetings of the Company: 17 out of 17 Board of Directors Meetings in FY2017 (Attendance rate: 100%)

Chairman of the Nominating and Remuneration Advisory Committee



Independent officer
Yutaka Kase
Outside Director

May 1970: Joined Nissho Iwai Corporation

June 2001: Executive Officer of Nissho Iwai Corporation

Apr. 2003: Director and Managing Executive Officer of Nissho Iwai Corporation

Apr. 2004: Representative Director and Senior Managing Executive Officer of Former Sojitz Corporation

Aug. 2004: Representative Director and Executive Vice President of Former Sojitz Corporation

Oct. 2005: Representative Director and Executive Vice President of Sojitz Corporation

Apr. 2007: President & CEO of Sojitz Corporation

Apr. 2012: Representative Director and Chairman of Sojitz Corporation

June 2016: Director of the Company [incumbent]

June 2017: Senior Corporate Advisor of Sojitz Corporation [incumbent]

Reasons for Election of the Director

Since he was appointed as Outside Director of the Company, he has provided advice with respect to the business management of the Company and supervised business execution appropriately by leveraging his abundant experience and past achievements regarding global corporate management and business strategy fostered through his position as a corporate manager of a general trading company. Therefore, the Company has judged that he would be able to contribute to further enhancing the corporate value of the Sekisui Chemical Group and thus reelected him as an Outside Director.

Number of Attendance of the Board of Directors Meetings of the Company: 16 out of 17 Board of Directors Meetings in FY2017 (Attendance rate: 94.1%)

Member of the Nominating and Remuneration Advisory Committee



Independent officer
Hiroshi Oeda
Outside Director

Apr. 1980: Joined Nisshin Flour Milling Inc. (currently Nisshin Seifun Group Inc.)

June 2008: Executive Officer of Nisshin Seifun Group Inc.

June 2009: Director of Nisshin Seifun Group Inc.

Apr. 2011: Director and President of Nisshin Seifun Group Inc.

Apr. 2017: Director and Executive Advisor of Nisshin Seifun Group Inc.

June 2017: Special Advisor of Nisshin Seifun Group Inc. [incumbent]

June 2018: Director of the Company [incumbent]

Reasons for Election of the Director

As he has been a management executive of the largest milling company in Japan, the Company expects him to provide advice with respect to the business management of the Company and supervise business execution appropriately by leveraging his abundant experience and skill regarding global corporate management, business strategies and M&A activities fostered through his positions. Therefore, the Company has judged that he would be able to contribute to enhancing the corporate value of the Sekisui Chemical Group and thus elected him as an Outside Director.

Member of the Nominating and Remuneration Advisory Committee

*Independent officer: An independent officer pursuant to the rules of Tokyo Stock Exchange, Inc.

Directors, Audit & Supervisory Board Members and Executive Officers

Audit & Supervisory Board Members



Moritoshi Naganuma
Corporate Audit & Supervisory Board Member

Apr. 1982: Joined the Company

Oct. 2003: Head of Administrative Management & Control Department of High Performance Plastics Company

Oct. 2006: Director of SEKISUI FILM CO., LTD.

Apr. 2009: Head of Accounting Group of Corporate Finance & Accounting Department

Oct. 2010: Head of Corporate Finance & Accounting Department

Apr. 2015: Executive Officer of the Company, Head of Corporate Finance & Accounting Department

Apr. 2017: Advisor of the Company

June 2017: Audit & Supervisory Board Member of the Company [incumbent]

Reasons for election of the Audit & Supervisory Board Member at the time of assuming the office in June 2017

Having served in a number of positions throughout the Group, including as a director of a subsidiary, and Executive Officer, Head of Corporate Finance & Accounting at the Company, Mr. Naganuma is well versed in the Group's business activities and maintains considerable expertise relating to finance and accounting. Given the Sekisui Chemical Group's aim to enhance its corporate value and thus elected him as an Audit & Supervisory Board Member.



Yuichi Hamabe
Corporate Audit & Supervisory Board Member

Apr. 1982: Joined the Company

Sept. 2004: Director of SEKISUI AQUA SYSTEM CO., LTD. General Manager of Business Administration Division of SEKISUI AQUA SYSTEM CO., LTD.

July 2009: Director of TOKUYAMA SEKISUI CO., LTD. General Manager of Corporate Finance & Accounting and Planning Department of TOKUYAMA SEKISUI CO., LTD.

July 2010: Managing Director of TOKUYAMA SEKISUI CO., LTD. General Manager of Corporate Finance & Accounting and Planning Department of TOKUYAMA SEKISUI CO., LTD.

Apr. 2012: Head of Corporate Audit Department

Apr. 2016: Assistant to General Manager of HR Department

June 2016: Audit & Supervisory Board Member of the Company [incumbent]

Reasons for election of the Audit & Supervisory Board Member at the time of assuming the office in June 2016

Mainly engaged in HR and audit affairs, Mr. Hamabe has served in a number of positions throughout the Group, including as Managing Director of TOKUYAMA SEKISUI CO., LTD. and Head of the Corporate Audit Department at the Company. Therefore, he is well versed in the Company's business activities and maintains considerable expertise relating to HR, audits, etc. Given the Sekisui Chemical Group's aim to enhance its corporate value and thus elected him as an Audit & Supervisory Board Member.



Independent officer
Tetsuo Ozawa
Outside Audit & Supervisory Board Member

Apr. 1973: Admitted to the bar
Joined Tokyo Fuji Law Office

Apr. 1978: Partner of Tokyo Fuji Law Office

June 2014: Audit & Supervisory Board Member of the Company [incumbent]

Jan. 2016: Representative Partner of Tokyo Fuji Law Office [incumbent]

Reasons for election of the Audit & Supervisory Board Member at the time of assuming the office in June 2018

Mr. Tetsuo Ozawa has a legal perspective and wide range of knowledge and abundant experience about risk management and mainly in the field of corporate law as an attorney-in-law. Also in the perspective of compliance, to check appropriateness of decisions made by the management, the Company expects him to contribute to improve the public credibility of the Company and thus reelected him as an Audit & Supervisory Board Member.

Number of Attendance of the Board of Directors Meetings of the Company: 17 out of 17 Board of Directors Meetings in FY2017 (Attendance rate: 100%)

Number of Attendance of the Audit & Supervisory Board Meetings of the Company: 18 out of 18 Audit & Supervisory Board Meetings in FY2017 (Attendance rate: 100%)

Member of the Nominating and Remuneration Advisory Committee



Independent officer
Yasuhiro Nishi
Outside Audit & Supervisory Board Member

Apr. 1973: Joined Tohmatsu & Aoki Audit Corporation (Current name: Deloitte Touche Tohmatsu LLC) (Resigned in Jan. 1984)

Nov. 1975: Registered as a certified public accountant

Feb. 1984: Opened Yasuhiro Nishi Certified Public Accountants' Office (Closed in Nov. 1999)

Nov. 1999: Representative Partner (Current name: Partner) of Tohmatsu Audit Corporation (Current name: Deloitte Touche Tohmatsu LLC) (Resigned in Dec. 2010)

Jan. 2011: Opened Yasuhiro Nishi Certified Public Accountants' Office, Representative of Yasuhiro Nishi Certified Public Accountants' Office [incumbent]

June 2015: Audit & Supervisory Board Member of the Company [incumbent]

Reasons for election of the Audit & Supervisory Board Member at the time of assuming the office in June 2015

Mr. Nishi is qualified as a certified public accountant, and the Company expects him to reflect his profound knowledge about finance and accounting in the auditing of the Company and thus elected him as an Audit & Supervisory Board Member.

Number of Attendance of the Board of Directors Meetings of the Company: 17 out of 17 Board of Directors Meetings in FY2017 (Attendance rate: 100%)

Number of Attendance of the Audit & Supervisory Board Meetings of the Company: 18 out of 18 Audit & Supervisory Board Meetings in FY2017 (Attendance rate: 100%)



Independent officer
Kazuyuki Suzuki
Outside Audit & Supervisory Board Member

Apr. 2000: Professor Graduate School of Informatics and Engineering Department of Systems Engineering and Graduate School of Informatics and Engineering of University of Electro-Communications

Oct. 2009: Chairman of Japanese Society for Quality Control, Incorporated Association (Currently General Incorporated Association) (Resigned in Oct. 2011)

Apr. 2010: Professor of Graduate School of Informatics of University of Electro-Communications

June 2012: Chairman of Reliability Engineering Association of Japan (Resigned in June 2014)

June 2015: Audit & Supervisory Board Member of the Company [incumbent]

Apr. 2016: Emeritus professor of University of Electro-Communications [incumbent] Specially-appointed professor of Graduate School of Informatics and Engineering of University of Electro-Communications [incumbent]

Reasons for election of the Audit & Supervisory Board Member at the time of assuming the office in June 2015

Mr. Suzuki possesses profound knowledge and extensive experience on quality control and reliability engineering, and the Company expects him to reflect his knowledge and experience in the auditing of the Company and thus elected him as an Audit & Supervisory Board Member.

Number of Attendance of the Board of Directors Meetings of the Company: 17 out of 17 Board of Directors meetings in FY2017 (Attendance rate: 100%)

Number of Attendance of the Audit & Supervisory Board Meetings of the Company: 18 out of 18 Audit & Supervisory Board meetings in FY2017 (Attendance rate: 100%)

*Independent officer: An independent officer pursuant to the rules of Tokyo Stock Exchange, Inc.

Directors, Audit & Supervisory Board Members and Executive Officers

Executive Officer

Teiji Koge

Chief Executive Officer

Housing Company

Shunichi Sekiguchi

Senior Managing Executive Officer
President of Housing Company

Futoshi Kamiwaki

Managing Executive Officer
Head of Housing Renovation Sales Management Division
and Administrative Management & Control Department

Toshiyuki Kamiyoshi

Managing Executive Officer
Head of Housing Sales Management Division

Kenji Yagi

Executive Officer
President of SEKISUI HEIM KINKI CO., LTD.

Shinichiro Koga

Executive Officer
Head of Technology Department

Masahide Yoshida

Executive Officer
President of SEKISUI HEIM CHUBU CO., LTD.

Masakazu Okada

Executive Officer
President of TOKYO SEKISUI HEIM CO., LTD.

Urban Infrastructure & Environmental Products Company

Hajime Kubo

Senior Managing Executive Officer
President of Urban Infrastructure & Environmental Products
Company

Akira Nishimura

Managing Executive Officer
Head of Management Planning Department

Masaru Noriki

Executive Officer
Head of Sheet Division

Kiyoshi Fujii

Executive Officer
Head of Higashinohon Sales Headquarters

Masabumi Nishimura

Executive Officer
Head of Industrial Piping Systems Division

Takeo Kishitani

Executive Officer
Head of Building Materials Division

Hiroki Okubo

Executive Officer
Head of Pipe Systems Division

High Performance Plastics Company

Keita Kato

Senior Managing Executive Officer
President of High Performance Plastics Company

Toshitaka Fukunaga

Managing Executive Officer
Head of Technology & CS Promotion Department

Katsuhisa Yokura

Executive Officer
Head of Purchasing Department

Katsunori Mukai

Executive Officer
Head of New Business Promotion Division and Research &
Development Institute

Ikusuke Shimizu

Executive Officer
Responsible for Electronics field, Head of Foam Division

Toshio Konno

Executive Officer
Responsible for Building and Infrastructure Materials field,
Head of Specialty Chemicals Division

Takatsugu Arai

Executive Officer
President of SEKISUI MATERIAL SOLUTIONS CO., LTD.

Akira Asano

Executive Officer
Responsible for Automobiles and Transportation field
Head of S-lec Film (Interlayer Film) Division

Headquarters

Satoshi Uenoyama

Senior Managing Executive Officer
Responsible for Corporate Research and Development,
Head of LB Project

Yoshiyuki Hirai

Managing Executive Officer
Head of Business Strategy Department

Hiroyuki Taketomo

Managing Executive Officer
Responsible for Legal Department, Head of Human
Resources Department

Hitoshi Kobayashi

Executive Officer
Head of Total Manufacturing Management Center

Masao Ogasa

Executive Officer
Head of R&D Center

Tatsuya Nishida

Executive Officer
Head of Corporate Finance & Accounting Department

Data (Key Financial and Non-financial Data)

	FY2013	FY2014	FY2015	FY2016	FY2017
Financial Data					
Net Sales	1,110,851 mil. yen	1,112,748 mil. yen	1,096,317 mil. yen	1,065,776 mil. yen	1,107,429 mil. yen
(Housing)	496,790 mil. yen	494,116 mil. yen	473,441 mil. yen	484,975 mil. yen	497,782 mil. yen
(Urban Infrastructure & Environmental Products)	239,941 mil. yen	227,689 mil. yen	226,279 mil. yen	240,332 mil. yen	239,241 mil. yen
(High Performance Plastics)	353,782 mil. yen	372,296 mil. yen	378,552 mil. yen	357,526 mil. yen	386,154 mil. yen
Operating Income	82,541 mil. yen	85,764 mil. yen	89,823 mil. yen	96,476 mil. yen	99,231 mil. yen
(Housing)	41,108 mil. yen	41,327 mil. yen	36,387 mil. yen	37,549 mil. yen	37,935 mil. yen
(Urban Infrastructure & Environmental Products)	6,460 mil. yen	1,264 mil. yen	3,610 mil. yen	12,827 mil. yen	14,791 mil. yen
(High Performance Plastics)	36,098 mil. yen	45,951 mil. yen	53,353 mil. yen	54,537 mil. yen	57,821 mil. yen
Ordinary Income	83,310 mil. yen	87,978 mil. yen	81,213 mil. yen	91,513 mil. yen	93,929 mil. yen
Net Income Attributable to Owners of the Parent	41,190 mil. yen	52,995 mil. yen	56,653 mil. yen	60,850 mil. yen	63,459 mil. yen
Comprehensive Income	57,944 mil. yen	91,587 mil. yen	37,080 mil. yen	57,638 mil. yen	73,898 mil. yen
Operating Income Ratio	7.4 %	7.7 %	8.2 %	9.1 %	9.0 %
Total Assets	961,009 mil. yen	968,011 mil. yen	936,043 mil. yen	943,640 mil. yen	999,114 mil. yen
Net Assets	473,555 mil. yen	535,292 mil. yen	544,156 mil. yen	570,549 mil. yen	612,757 mil. yen
Net cash provided by operating activities	97,720 mil. yen	67,760 mil. yen	71,389 mil. yen	108,229 mil. yen	82,272 mil. yen
Net cash used in (provided by) investing activities	-60,914 mil. yen	4,127 mil. yen	-23,715 mil. yen	-44,057 mil. yen	-60,881 mil. yen
Net cash used in financing activities	-49,803 mil. yen	-63,856 mil. yen	-41,726 mil. yen	-39,633 mil. yen	-35,981 mil. yen
Free Cash Flow	24,915 mil. yen	58,810 mil. yen	33,375 mil. yen	48,107 mil. yen	2,325 mil. yen
Capital Expenditures	41,827 mil. yen	46,993 mil. yen	49,740 mil. yen	43,868 mil. yen	53,518 mil. yen
Depreciation and Amortization	34,376 mil. yen	31,203 mil. yen	34,735 mil. yen	34,843 mil. yen	36,016 mil. yen
R&D Expenditures	27,720 mil. yen	29,452 mil. yen	31,693 mil. yen	34,169 mil. yen	36,974 mil. yen
Net Assets per Share	897.18 yen	1,033.49 yen	1,071.24 yen	1,147.91 yen	1,245.91 yen
Net Income Attributable to Owners of the Parent per Share	80.13 yen	104.73 yen	115.08 yen	126.13 yen	133.80 yen
Dividends per Share	23.00 yen	27.00 yen	30.00 yen	35.00 yen	40.00 yen

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

Introduction	Message from President & CEO	Strategy	Performance Reports from Divisional Companies	Foundation Management Capital That Serves as a Source of Value Creation	Corporate Governance	Data
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Data
Data (Key Financial and Non-financial Data)

	FY2013	FY2014	FY2015	FY2016	FY2017
Financial Data					
Financial Index					
Dividends Payout Ratio	28.7 %	25.8 %	26.1 %	27.7 %	29.9 %
Shareholders' Equity to Total Assets	47.5 %	53.3 %	55.9 %	58.2 %	58.8 %
Current Ratio	127.4 %	139.8 %	138.0 %	160.7 %	158.3 %
Fixed Ratio	102.1 %	97.2 %	95.9 %	86.9 %	89.5 %
Interest-bearing Debt	94,010 mil. yen	63,120 mil. yen	52,338 mil. yen	43,734 mil. yen	46,326 mil. yen
Debt/Equity Ratio	20.6 %	12.2 %	10.0 %	8.0 %	7.9 %
Total Assets Turnover	1.19 times	1.15 times	1.15 times	1.13 times	1.14 times
Inventory Turnover	7.50 times	7.09 times	7.11 times	7.00 times	6.84 times
Tangible Fixed Assets Turnover	4.51 times	4.31 times	4.11 times	4.01 times	4.09 times
R&D Expenditures to Revenues	2.50 %	2.65 %	2.89 %	3.21 %	3.34 %
Return on Equity	9.4 %	10.9 %	10.9 %	11.3 %	11.2 %
Return on Total Assets	8.9 %	9.1 %	8.5 %	9.7 %	9.7 %
EBITDA	116,918 mil. yen	116,967 mil. yen	124,558 mil. yen	131,319 mil. yen	135,248 mil. yen
Interest Coverage Ratio	33.2 times	51.7 times	64.5 times	100.4 times	109.9 times
Dividend on Equity Ratio	2.7 %	2.8 %	2.8 %	3.1 %	3.3 %
PER	13.39 times	14.89 times	12.04 times	14.83 times	13.87 times
Net Sales per Employee	49.13 mil. yen	47.44 mil. yen	45.88 mil. yen	45.44 mil. yen	45.12 mil. yen
Net Income Attributable to Owners of the Parent per Employee	1.82 mil. yen	2.25 mil. yen	2.37 mil. yen	2.59 mil. yen	2.58 mil. yen

Human Rights
Compliance Training

	FY2013	FY2014	FY2015	FY2016	FY2017
Number of Employees Participating in e-Learning	20,210	20,450	20,450	20,618	20,887 (Note)

Note: Average for the sessions conducted four times during the year. However, as the third and fourth sessions are under way, data is the average of the results from the first and second sessions.

Shareholders' Equity to Total Assets = Shareholders' Equity including Accumulated Other Comprehensive Income/Total Assets, Current Ratio = Current Assets/Current Liabilities, Fixed Ratio = Fixed Assets/Shareholders' Equity, Debt/Equity Ratio = Interest-bearing Debt/Shareholders' Equity, Total Assets Turnover = Net Sales/Average Total Assets, Inventory Turnover = Net Sales/Average Inventory, Tangible Fixed Assets Turnover = Net Sales/Average Tangible Fixed Assets, R&D Expenditures to Revenues = R&D Expenditures/Net Sales, Return on Equity = Net Income Attributable to Owners of the Parent/Average Shareholders' Equity, Return on Total Assets = Ordinary Income/Average Total Assets, EBITDA = Operating Income + Depreciation and Amortization, Interest Coverage Ratio = (Operating Income + Interest and Dividends)/Interest Expense, Dividend on Equity Ratio = Total Dividend Payment (full year)/Average Shareholders' Equity, PER = Stock prices at the end of fiscal year/Net Income Attributable to Owners of the Parent per Share, Net Sales per Employee = Net Sales/Average Number of Employees, Net Income per Employee = Net Income Attributable to Owners of the Parent/Average Number of Employees

Introduction	Message from President & CEO	Strategy	Performance Reports from Divisional Companies	Foundation Management Capital That Serves as a Source of Value Creation	Corporate Governance	Data
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Data
Data (Key Financial and Non-financial Data)

	FY2013	FY2014	FY2015	FY2016	FY2017
Labor Practices					
Number of Employees	23,017	23,886	23,901	23,006	26,080
By Divisional Company					
(Housing)	9,840	10,442	10,419	10,447	10,698
(Urban Infrastructure & Environmental Products)	5,363	5,453	5,044	4,789	4,945
(High Performance Plastics)	6,858	7,051	7,453	7,269	9,735
(Headquarters)	956	940	985	501	702
By Region					
(Japan)	17,047	17,743	18,065	17,928	18,935
(North America, Central and South America)	1,544	1,579	1,512	1,403	1,482
(Europe)	1,432	1,425	1,048	973	961
(Asia/Pacific (including China))	2,994	3,139	3,276	2,702	4,702
Diversity					
Employment Ratio of People with Disabilities (Sekisui Chemical) *1	2.55 %	2.40 %	2.21 %	2.29 %	2.29 %
Number of Elderly Employees Reemployed (Sekisui Chemical)	56	83	104	65	21
Elderly Employees Reemployment Rate (Sekisui Chemical)	87.5 %	82.2 %	82.5 %	83.3 %	63.6 %
Global Talent Employees*2	300	325	329	341	340
Work-life Balance					
Number of people using work-life balance related programs*3 (Sekisui Chemical)	154	165	177	196	253
Health and Safety					
Loss Costs (Japan)*4	444.5 mil. yen	510.9 mil. yen	393.7 mil. yen	375.1 mil. yen	478.3 mil. yen

*1 Including special provision subsidiary

*2 Japanese employees with experience working overseas (including overseas trainees)

*3 Programs for promoting diverse working styles including childcare leave, shorter working hours, use of flexible working hours, and family leave

*4 Domestic production site, R&D facility, Headquarters department, and indirect company department expenses including man-hours required to respond to occupational accidents, equipment-related accidents, and commuting accidents as well as long-term illness absences

Introduction	Message from President & CEO	Strategy	Performance Reports from Divisional Companies	Foundation Management Capital That Serves as a Source of Value Creation	Corporate Governance	Data
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Data
Data (Key Financial and Non-financial Data)

	FY2013	FY2014	FY2015	FY2016	FY2017
Environment					
Greenhouse-gas Emissions during Manufacturing (Japan)* ¹	372 kilotons-CO ₂	351 kilotons-CO ₂	337 kilotons-CO ₂	329 kilotons-CO ₂	326 kilotons-CO₂
Greenhouse-gas Emissions during Manufacturing (Overseas)* ¹	475 kilotons-CO ₂	478 kilotons-CO ₂	472 kilotons-CO ₂	513 kilotons-CO ₂	525 kilotons-CO₂
Energy Usage during Manufacturing (Japan)* ¹	3,820 TJ	3,592 TJ	3,463 TJ	3,539 TJ	3,604 TJ
Energy Usage during Manufacturing (Overseas)* ¹	5,983 TJ	5,956 TJ	5,881 TJ	6,391 TJ	6,559 TJ
Wastes Generated by Production Sites (Japan)* ¹	35.0 kilotons	34.1 kilotons	31.7 kilotons	37.3 kilotons	38.3 kilotons
Wastes Generated by Production Sites (Overseas)* ¹	26.2 kilotons	27.9 kilotons	26.3 kilotons	30.1 kilotons	30.5 kilotons
Wastes Generated by New House Construction (Japan)* ¹	1.90 tons per unit	1.87 tons per unit	1.73 tons per unit	2.42 tons per unit	2.42 tons per unit
(New House Construction Site)	1.22 tons per unit	1.31 tons per unit	1.34 tons per unit	1.39 tons per unit	1.40 tons per unit
(Exterior Wall Plant)	0.44 tons per unit	0.34 tons per unit	0.16 tons per unit	0.71 tons per unit	0.70 tons per unit
(Assembly Plant)	0.24 tons per unit	0.22 tons per unit	0.23 tons per unit	0.32 tons per unit	0.32 tons per unit
NOx Emission Volume (Japan)	217 tons	197 tons	190 tons	167 tons	166 tons
SOx Emission Volume (Japan)	13 tons	10 tons	15 tons	10 tons	9 tons
Soot and Dust Emission Volume (Japan)* ¹	12.7 tons	19.1 tons	9.8 tons	10.3 tons	9.2 tons
Discharge of Volatile Organic Compounds (VOCs) into the Atmosphere (Japan)	1,368 tons	1,259 tons	1,262 tons	1,047 tons	1,174 tons
COD Discharge Volume (Japan)	59 tons	62 tons	65 tons	70 tons	90 tons
Amount of Water Extracted for Use at Production Sites (Japan)* ¹	17,041 kilotons	16,019 kilotons	15,557 kilotons	15,384 kilotons	15,679 kilotons
Amount of Water Extracted for Use at Production Sites (Overseas)* ¹	4,668 kilotons	4,321 kilotons	4,238 kilotons	5,224 kilotons	5,566 kilotons
Environment-Contributing Products*²					
Ratio of Sales of Environment-Contributing Products	42.0 %	44.5 %	44.3 %	45.2 %	50.2 %
Net Sales	466.8 bil. yen	495.1 bil. yen	485.8 bil. yen	481.2 bil. yen	555.9 bil. yen
(Housing)	306.8 bil. yen	305.8 bil. yen	280.6 bil. yen	290.9 bil. yen	317.6 bil. yen
(Urban Infrastructure & Environmental Products)	99.6 bil. yen	99.8 bil. yen	103.5 bil. yen	90.3 bil. yen	93.7 bil. yen
(High Performance Plastics)	59.1 bil. yen	88.1 bil. yen	99.8 bil. yen	99.4 bil. yen	142.2 bil. yen

*¹ Calculation method reviewed in fiscal 2017. Past data has been retroactively revised due to such factors as review of the calculation method.

*² In addition to the natural environment, the scope of contribution has been expanded to include the social environment effective from fiscal 2017.

Community Involvement and Development

Charitable Contributions	255 mil. yen	179 mil. yen	148 mil. yen	186 mil. yen	150 mil. yen
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Consumer Issues

External Failure Costs (Costs responding to product-related claims)* ³	114.1	112.1	108.9	100	102.4
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*³ FY2016=100

For more non-financial data, please visit the CSR section of our website. <http://www.sekisuichemical.com/csr/report/>

Corporate Information and Stock Information

As of March 31, 2018

Head Office:	4-4, Nishitenma 2-Chome, Kita-ku, Osaka 530-8565
Tokyo Head Office:	3-17, Toranomon 2-Chome, Minato-ku, Tokyo 105-8450
Founded:	March 3, 1947
President and Representative Director:	Teiji Koge
Employees:	26,080
Consolidated Subsidiaries:	151
Affiliates (Equity Method):	8
Paid-in Capital:	100,002,375,657 yen
Fiscal Year:	Ended March 31
Authorized:	1,187,540,000 shares
Issued:	500,507,285 shares
Listings:	Common stock listed on the Tokyo Stock Exchange
Stock Ticker Number:	4204
Number of Shareholders:	21,522
Manager of the Register of Shareholders:	Mitsubishi UFJ Trust and Banking Corporation
Accounting Auditor:	Ernst & Young ShinNihon LLC

Major Shareholders

Name/Company Name	Number of Shares Owned (Thousands of Shares)	Percentage (%)
Asahi Kasei Corporation	25,039	5.29
The Dai-ichi Life Insurance Company, Limited	19,681	4.16
Japan Trustee Services Bank, Ltd. (Trust Account)	19,223	4.06
The Master Trust Bank of Japan, Ltd. (Trust Account)	18,927	4.00
Sekisui House, Ltd.	11,998	2.53
JPMorgan Chase Bank 385164	9,982	2.11
Tokio Marine & Nichido Fire Insurance Co., Ltd.	9,319	1.97
Employees Stock Ownership Plan	8,441	1.78
Japan Trustee Services Bank, Ltd. (Trust Account 5)	8,313	1.75
State Street Bank West Client-Treaty 505234	7,720	1.63

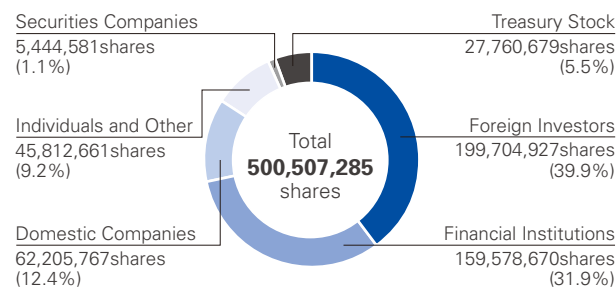
Note1: The Company holds 27,706,679 treasury stocks, which are excluded in the above list.

Note2: The treasury stocks excludes 302 thousand shares held by entrusted Employee Stock Ownership Plan and 344 thousand shares held by Board Incentive Plan as officer remuneration system, respectively.

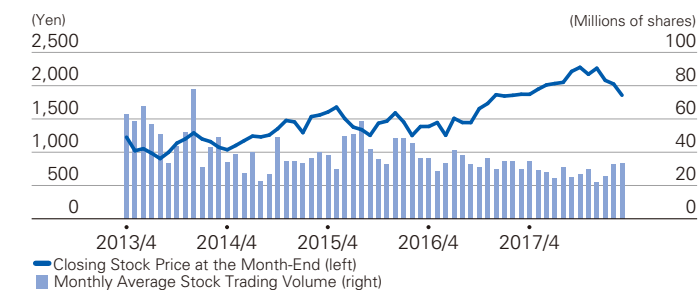
Note3: The number of shares owned is rounded down to the nearest thousand.

Note4: The percentage is calculated after deducting the number of treasury stocks from that of total outstanding shares.

Breakdown of Shareholders



Sekisui Chemical Stock Price and Trading Volume



Additional Information

	FY2013	FY2014	FY2015	FY2016	FY2017
Open	1,028	1,087	1,544	1,382	1,882
High	1,448	1,619	1,752	1,983	2,350
Low	900	1,002	1,193	1,215	1,732
Close	1,073	1,559	1,386	1,871	1,856
Issued (Thousands of shares)	532,507	520,507	510,507	510,507	500,507
Market value (Billions of yen)	571.4	811.5	707.6	955.2	928.9

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