

January 15, 2015

SEKISUI CHEMICAL CO., LTD.
Representative: Naofumi Negishi, President
(TSE Code: 4204)

Notice Regarding Improper Accounting Practices at a Consolidated Subsidiary

Sekisui Chemical regrets to announce the discovery of improper accounting practices at its consolidated subsidiary Nippon No-Dig Technology Co., Ltd. (NNT). Sekisui Chemical hereby provides an explanation of the findings at this time along with the establishment of a Special Investigative Committee and the commencement today of an inquiry into the matter. We sincerely apologize to everyone for this situation and the concern and inconvenience it has caused.

1. Details of the improper accounting

Sekisui Chemical's internal audit conducted in December 2014 discovered that NNT has been implementing improper accounting practices since around 2007. The improper practices included carrying forward costs of projects for which payment were already settled and accounting them as costs arising from working costs on projects that had not yet been settled, and reporting sales of uncompleted projects in order to present higher profit figures.

2. Impact on Sekisui Chemical's business results

Based on the internal audit findings to date, the improper accounting practices will have an estimated impact of 1.0 billion yen on Sekisui Chemical profit and loss. Sekisui Chemical does not anticipate the discovery to have a significant impact on the company's previously announced performance forecast and therefore does not intend to revise its forecast figures for the current fiscal year.

3. Countermeasures

Sekisui Chemical, to fulfill its responsibility to provide a full explanation to shareholders, has established a Special Investigative Committee comprised primarily of external experts. The committee will thoroughly investigate the incident and immediately its findings upon completion of the investigation. Concurrently with the Special Investigative Committee's investigation, Sekisui Chemical will examine measures to prevent recurrence.

Special Investigative Committee Members

Chairman Osamu Hirakawa, attorney (Anderson Mori & Tomotsune)
Members Shigeru Tsukishima, CPA (DeLoitte Tohmatsu Financial Advisory Co., Ltd.)
One additional attorney

Nippon No-Dig Technology Co., Ltd.

Established April 8, 1994
Capital 60 million yen
Employees 102 (as of December 2014)
Sales 6.5 billion yen (fiscal year ended March 2014)
Headquarters 6 Ichibancho, Chiyoda-ku, Tokyo
Business content Civil engineering project design, construction and consulting;
construction and equipment rental for civil engineering projects