

GS21-Go!Frontier



Sekisui Chemical Group
Midterm Management Vision 2006-2008

Sekisui Chemical Co., Ltd.
Naotake Okubo

8 March 2006

GS21-Premium 600 Highlights



Financial Results

(100mil. yen) (%) (persons)	FY2002 Actual					GS21-Premium 600					FY2005(Estimate)				
	Total	Housing	UIEP	HPP	Other	Total	Housing	UIEP	HPP	Other	Total	Housing	UIEP	HPP	Other
Sales	7,997	3,999	1,897	1,723	378	9,300	5,000	1,900	2,000	400	8,850	4,300	2,150	2,200	200
Ope. Income	140	53	6	104	-24	600	300	100	200	0	390	140	105	175	-30
Ope. Income Rate	1.8	1.3	0.3	6.0	-	6.5	6	5	10	-	4.4	3.3	4.9	8	-
ROA	1.9	3.0	0.4	8.2	-	8	14	7	12	-	4	2	4	8	-
ROE	3.4	-	-	-	-	11	-	-	-	-	6	-	-	-	-
Interest bearing liability	1,938	-	-	-	-	1,000	-	-	-	-	900	-	-	-	-
Total assets	7,512	-	-	-	-	7,600	-	-	-	-	7,700	-	-	-	-
Employees*	21,000	12,000	3,000	3,800	2,200	20,500	11,300	3,300	4,000	1,900	21,200	12,100	3,400	4,300	1,400

*Employees are on a consolidated basis under our control.

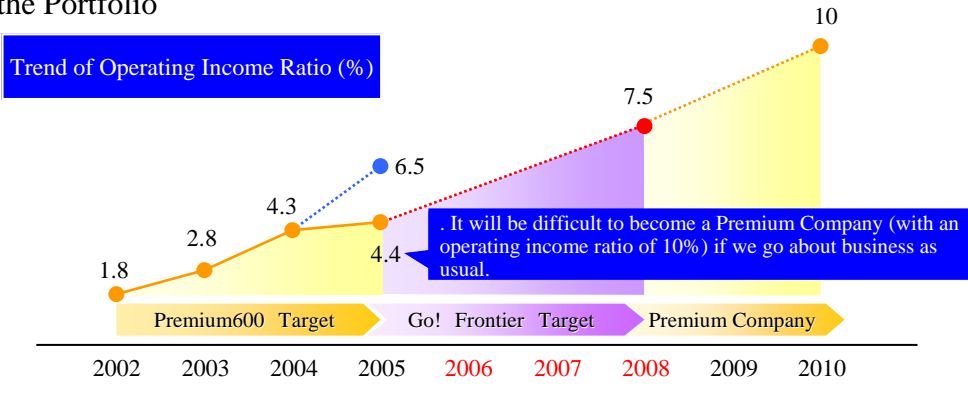
Business Achievements in Premium 600

	Achievements	Issues
High Profitability	V-shaped recovery achieved	Profit goal not achieved
Business Portfolio Reformation	Profitability of core businesses improved	Delay in reforming the less profitable businesses
Establishment of Growth Foundation	Core business prominence strengthened and growth bedrock established	Only halfway through in building up new businesses as "core growth areas"
Globalization	Closer to net overseas sales of 100 billion yen, full expansion into the Chinese market.	Shortage of human resources for global operations
Awareness Raising	High Profitability and Prominence	Commitment

Important Issues for the achievement of Premium Company

Creation of Growth Business & New Business to realize high profitability with prioritized reinforcement of technology and human resources.

Innovative change in profit-structure by further reformation of the Portfolio





GS21-Go!Frontier

“Develop Emerging Frontier”

Seize chances of growth

“Corporate Social Responsibility”

Become a responsible company.

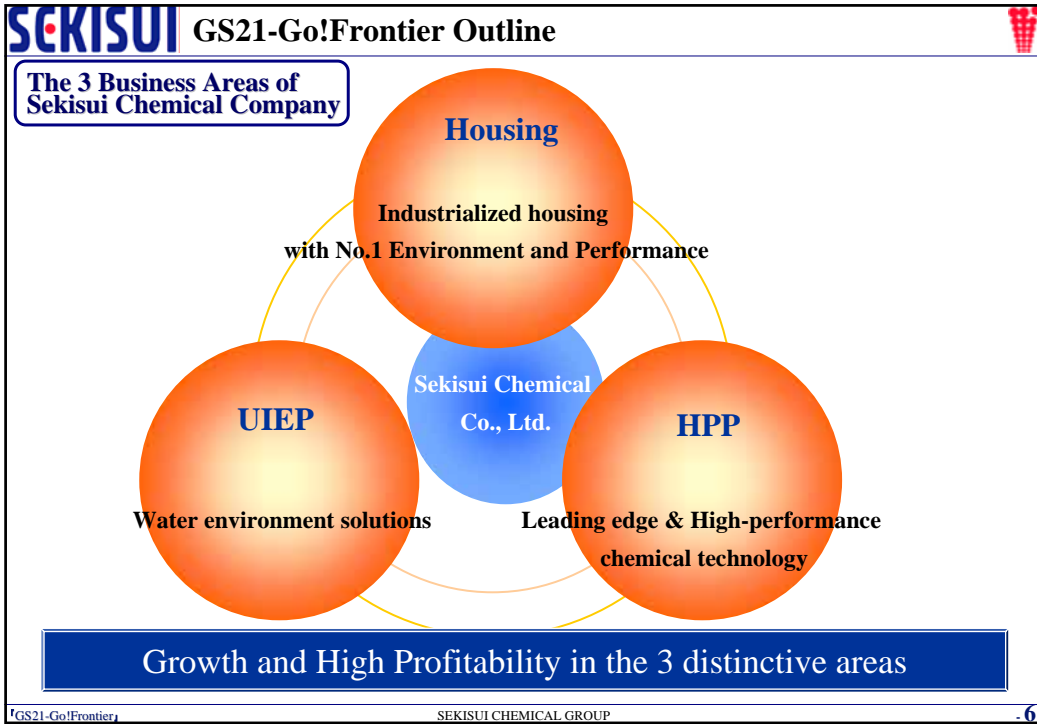
Target at **an operating income of 75 billion yen (an operating income ratio of 7.5%)** in fiscal year 2008 to sustain an operating income ratio of 10% in fiscal year 2010.



Our Goals in FY2008

Target at an operating income ratio of **7.5%**

	Total	Housing	UIEP	HPP	Other
Sales(in 100Mil.yen)	10,000	4,800	2,500	2,500	200
Operating Income(in 100Mil. yen)	750	300	180	300	-30
Operating Income Ratio(%)	7.5	6.3	7.2	12.0	-
ROA(%)	8	17	9	12	-



SEKISUI GS21-Go!Frontier 3 Innovations

Business Vision/Total Company

Aim to become a Premium Company
By opening up the five emerging frontiers through innovations in the following three areas

Marketplace Innovations

- Target the five emerging frontiers where we can achieve higher growth and higher profitability from a global perspective.
- Prioritize activities and resources into growth fields by completing reengineering of less profitable businesses.

Manufacturing Development Innovations

- Radically review our manufacturing development processes and we will complement the superb quality of our products with the ultimate in cost-efficiency.
- Strengthen the prominence of our businesses by sustaining a competitive advantages in manufacturing development.

Human Resources Innovations

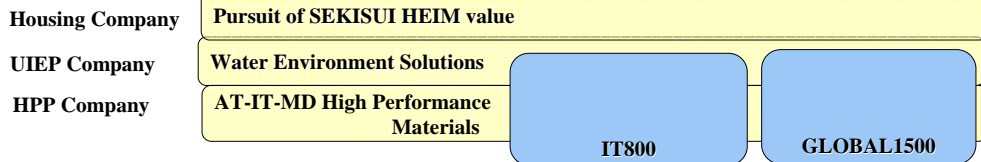
- Cultivate and expand human resources who can spearhead the development of emerging frontiers
- Positively cultivate entrepreneurs who can open up the future

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SEKISUI GS21-Go!Frontier 5 Emerging Frontiers

Opening up the 5 emerging frontiers

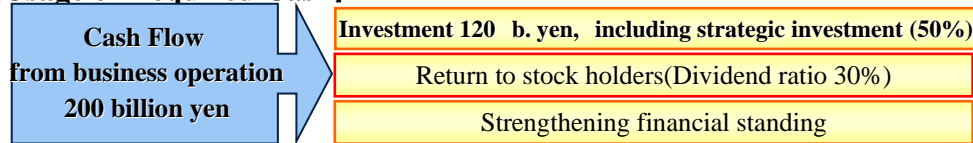
Emerging Frontiers	Growth Opportunity	Key Development
Pursuit of SEKISUI HEIM value	Increased needs for better environmental friendliness and living comfort	Higher performance and differentiation through pursuit of industrialized houses
Water Environment Solutions	Global needs for massive water infrastructure improvement and replacement	Evolution of pipe systems, abilities for global operations
AT-IT-MD High Performance Materials	Increased demand for high-performance materials in three growth fields (Automobile, IT, and Medical)	Market-responsive marketing and product development capabilities, abilities for global operations
IT800	Advanced materials and atmospheric-pressure plasma appliances for the growing and evolving FPD/semiconductor sector	Collaboration with customers, abilities for global operations with one-of-a-kind technologies
GLOBAL1500	Globally expanding markets, including rapidly growing "Asian and BRICS" markets	Securing and cultivation of human resources for global operations, strengthening of management abilities for global operations



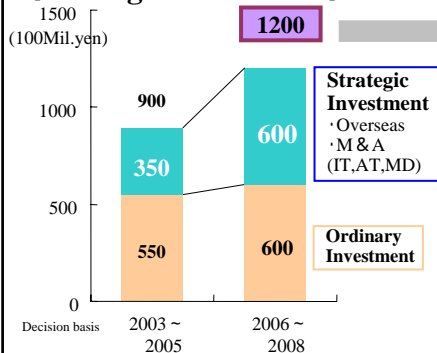
SEKISUI Financial Strategy

Cash Flow Management

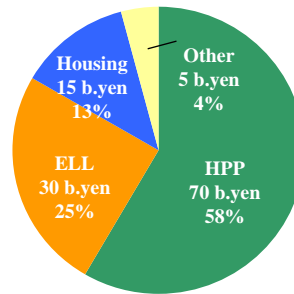
[Usage of Acquired Cash]



[Strategic Investment]



GS21-Go!Frontier Breakdown of Investment 1200

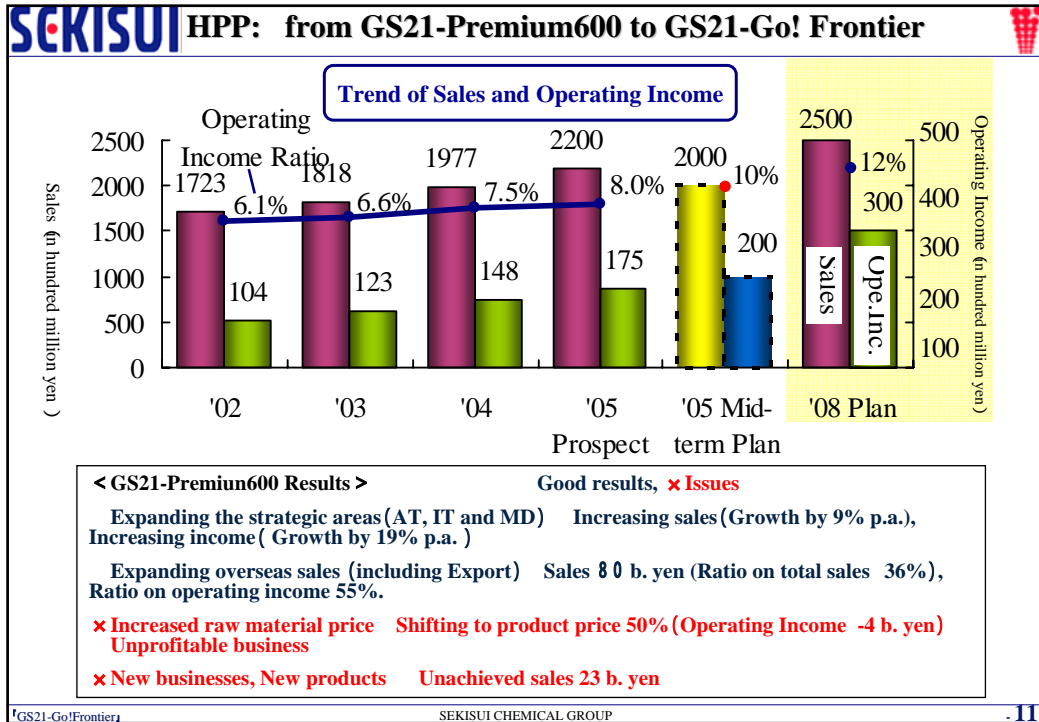


Business Vision

High Performance Plastics Company

Company President

Takayoshi Matsunaga



SEKISUI HPP: GS21-Go! Frontier President Policy

“Chemistry for your Win”
 “We continue providing priority customers with Chemical Solutions.”

GS21-Go!Frontier → **“Premium Company
 Operating Income Ratio 12%”**

Structural Reforms	Disposition of unprofitable business Changing business structures
Business Expansion	Reinforcing strategic businesses Creation of new products and new businesses Expansion of overseas business

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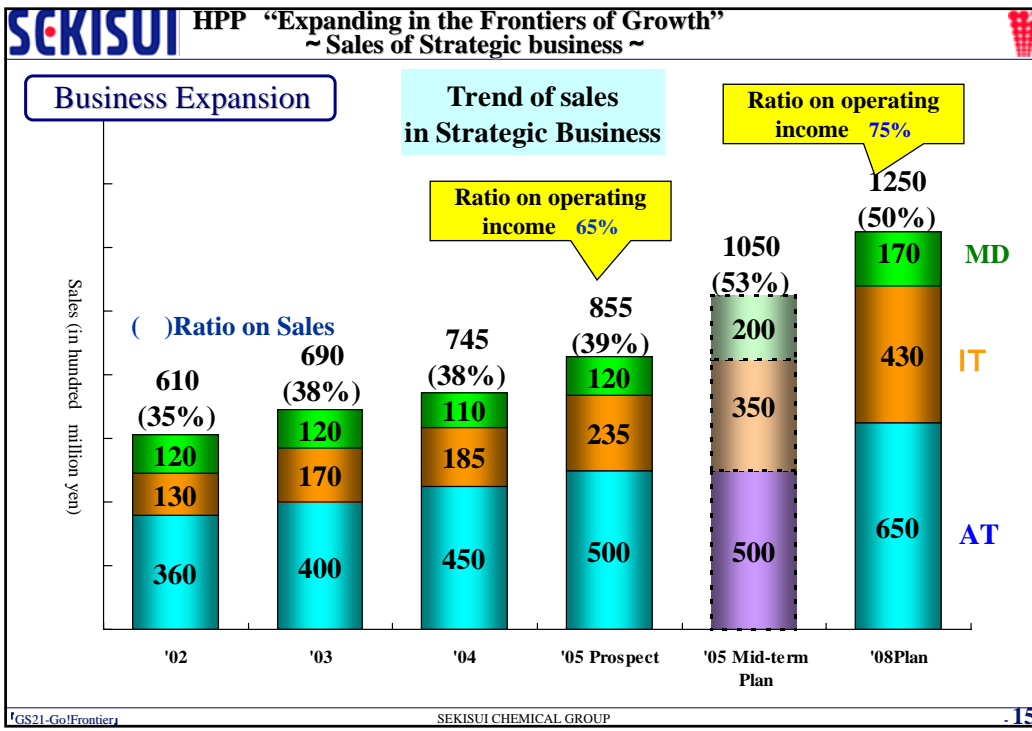
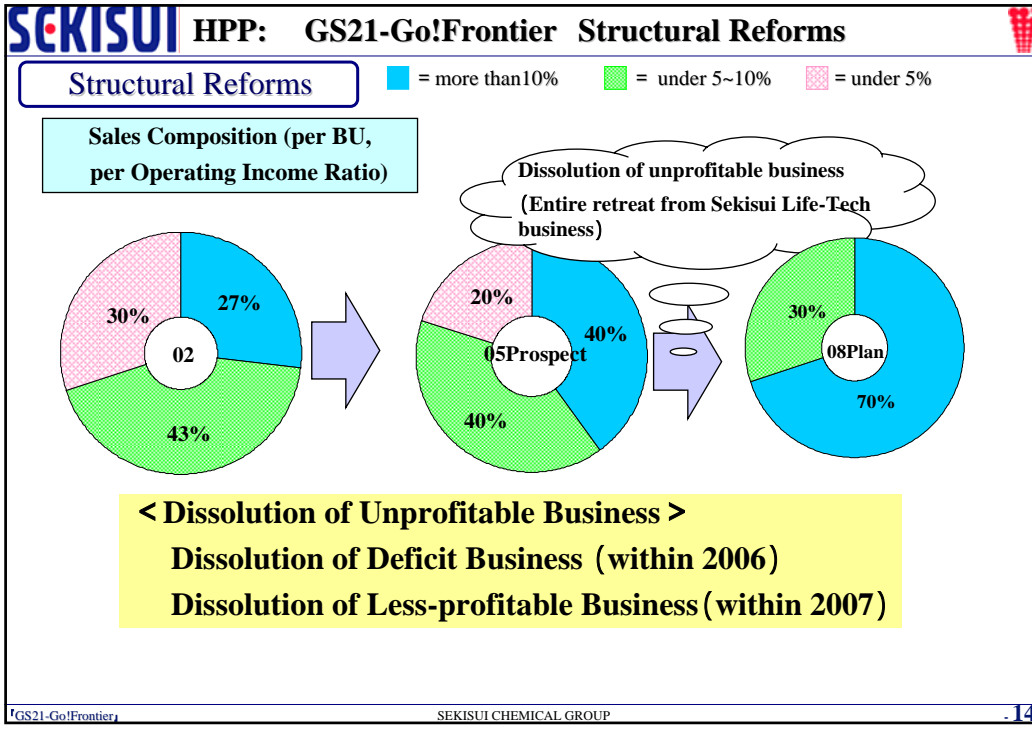
SEKISUI HPP: GS21-Go! Frontier President Policy

Strategic Business & Unprofitable Business

	Businesses under the categories	FY2005 Prospect	
		Sales	Operating Income Ratio
Strategic Businesses	Automotive-related Business IT-related Business Medical-related Business New Projects	85.5 b. yen	65%
Unprofitable Business	Commodity type products	34.6 b. yen	-

Note: In the Sales/Operating Income Ratio for 2005 Prospect, New Projects are not included.

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SEKISUI HPP: Expanding in "The Frontiers of Growth"
 ~ Reinforcing strategic businesses ~

Business Expansion

1) Reinforcing strategic business Expansion of No. 1 product

Ratio on Total Sales **50%**(FY2005 39%)

↓

· Concentration of Resources (Development Expenditure 80%)
 · Strategic Investment & Loan (~ 40 billion yen)

	Products Group	Sales Target (in 100 mil. yen)		No1 Products Group No1 in the world	
		05	08	05	08
AT	High functional membrane, Special foams, Formed products	500	650	3	4
IT	Fine particles, Photosensitive materials Optical film and tape, Semiconductor materials	235	430	3	4
MD	Blood-related products (Diagnostic medicine, High functional blood collecting tube)	120	170	0	0
Total		855	1250	6	8

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SEKISUI HPP "Expanding in the Frontiers of Growth"
 ~ Expanding No1 Products ~

Business Expansion =No1 Products Group =

No1 in the world

FY2005 6 groups

Fine particle products for LCD
(Spacer, Electrically conductive fine particles)

Cross-linked expanded polyolefin
Interlayer film for automotive
High functional interlayer film
General purpose butyral resins

+

FY2008

Increasing the shares of 6 groups of products

Increase in No1 products group
UV sealing material for liquid crystal
PP foam

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Business Expansion

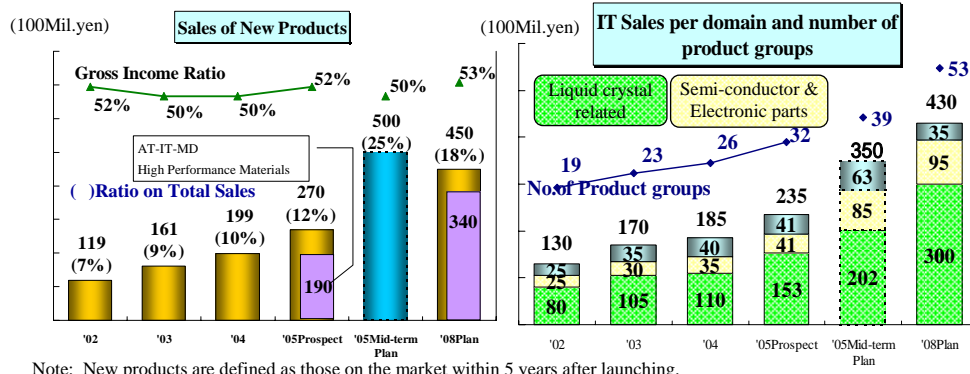
2) Creation of new products & new businesses

.....New products sales ratio: to the level of 20%

Full-scale start of projects

Making “IT materials” a core operation for next period

Changing to the marketing and developing system on market-oriented concept.



Business Expansion

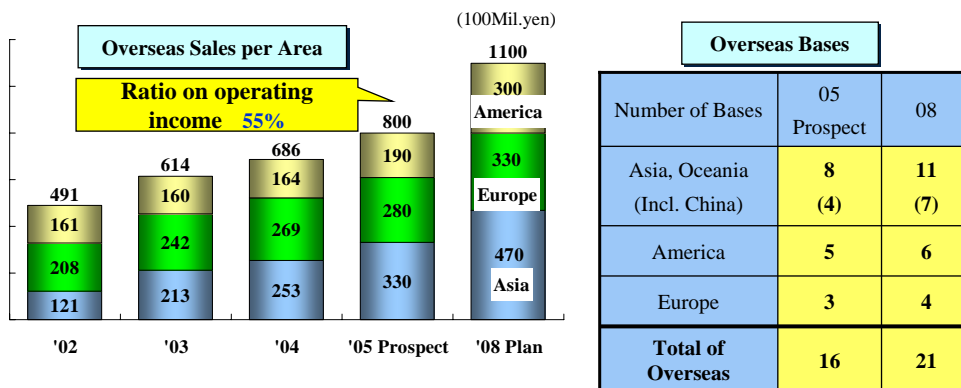
3) Expanding Overseas Businesses

.....Overseas sales 110 b.yen Overseas sales ratio: on the level of 40%

Expanding overseas bases and enhancing our global establishments

Expanding business in North America and China

Reclaiming frontiers

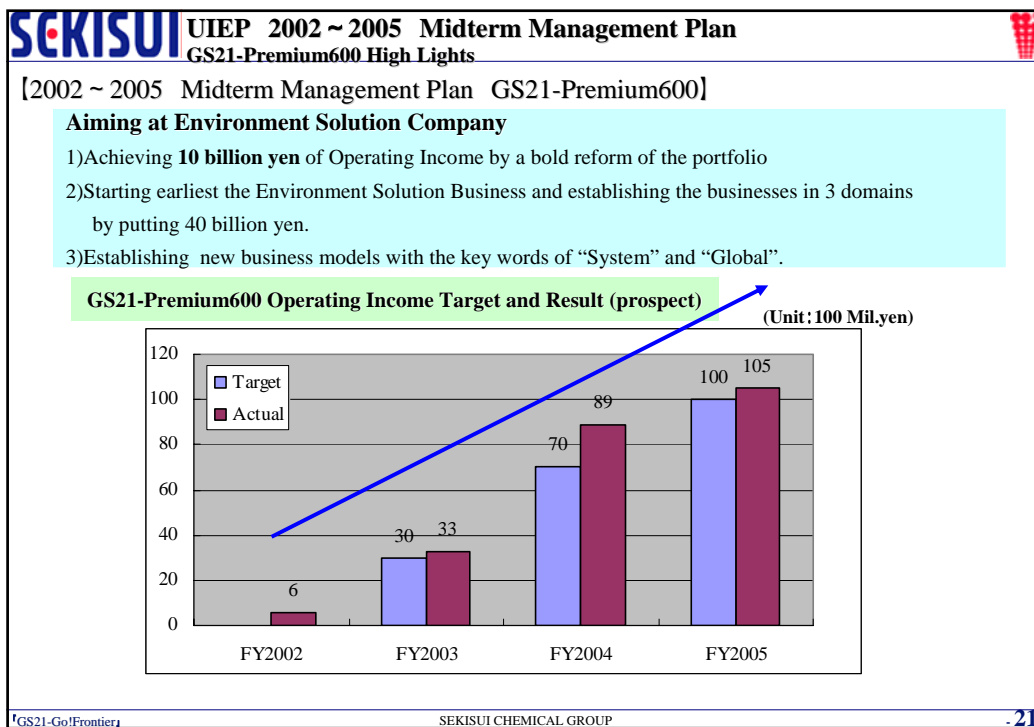


Business Vision

Urban Infrastructure & Environmental Products Company

Company President

Hideo Tagashira



While good results were obtained, following problems for the growth became clear

- We achieved a rapid recovery in earnings.(More operating income than the plan)
- Earning power of the core business has remarkably supported the whole business
- The portfolio reformation is on the way.
- Unprofitable operations still partly remain.
- The earning constitutions of businesses other than the core are still unstable.
- New growing items are scarce.(New businesses other than SPR)
- The initial global expansion is starting in a satisfactory manner.
- Full-scale entry to the Chinese market(Xinjinyongchang : RCP, Qingdao : AGR)
- SPR to South Korea and USA(SEKISUI REFRESH, SSPRA)

Upcoming middle-term problems

- Completion of portfolio reformation
- Creation and promotion of new growing businesses
- Making of results in our global business

[Operating Income Improvement]

(Unit: 100Mil.yen)

	01	02	02	03	03	04	04	05	Middle term improvement
Enhancement of Core Business		4	22	53	12	87			
Growing Business		-2	5	1	5	12			
Portfolio Reformation		19	1	1	-3	0			
Total		21	27	56	15	99			

	02	03	04	05	Middle term improvement
UIEP Operating Income	6	33	89	105	99

GS21-Go!Frontier

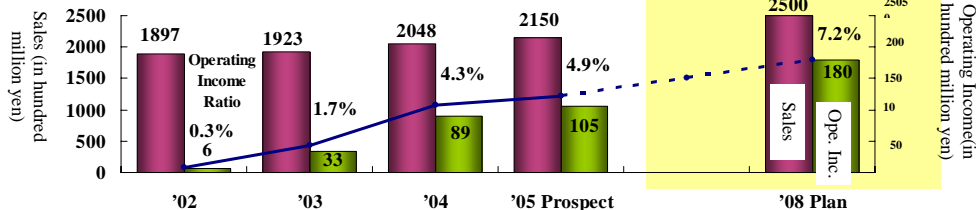
Grow as a "prominent" environmental solution company based on the core business for the water environment solution

- 1)Expanding in the Frontiers of Growth
 Concentrating in the expansion of Water Environment Solution Business
 Accelerating the global development to achieve 30 billion yen in Overseas Sales
 The start-up of new businesses (Wood, New concept of functional material solution)
- 2)Promoting the reformation of New Business Portfolio
 Reformatting the Business Portfolio and concentrating in "Growth & Expansion"

Plan for FY2008

Sales 250 billion yen
Oper. Income 18 b. yen
Oper. Income Ratio 7.2%

Trend of Sales & Operating Income



SEKISUI UIEP: Expanding in “the Frontiers of Growth”
~ Strategic Business Domain ~

Business Domain Image Sales Target for FY2008 : 250 b.yen

Water Environment Solution Business
(Contributing to water environment project)

Sales Target : 215 b. yen

Wood Solution Business
(New Environment Contribution)

Sales Target: 5 billion yen

Functional Materials Solution Business
("Worldwide" "Only One" Business)

Sales Target: 30 billion yen

Business	Business Unit	「Growth」	「New」
Water Environment Solution Business Shift from "Delivering Water" to "Water Management Business" Contribute to worldwide water environment creation and maintenance	Water Supply & Drainage Reinforced Plastic Pipes Civil Eng. System Aqua System, Home Techno Building Mat., Roofing Mat.	Pipe rehabilitation Comfortable water system Global deployment	Simple purification system PFI Noncombustible PVC Do Free Bath Rainwater storage REW
Wood Business (New environment friendly Business) Seek for "Prominence" in wood recycling business: Next new	Tohto Interior Wood Project (Rifare)	Wooden dust recycling (Rifare)	
Functional Material Solution Business Keywords "Worldwide" & "Only One" 10 billion sales (Over 1 billion yen profit)	Industrial Mat. & Pipes FFU Next Gene. Business	Global deployment of Industrial Mat. & Pipe and FFU	Ion-polymerized PVC (POF) Micro chips

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SEKISUI UIEP: “Expanding in the Frontiers of Growth”
~ Water Environment Solution Business ~

We give our greatest force to the expansion of the main feature of **Water Environment Solution Business** (i.e. **Water Environment Contribution Business**.)

~ Business development made up of **Diagnosing, Designing, Production, Installation, and AM** ~

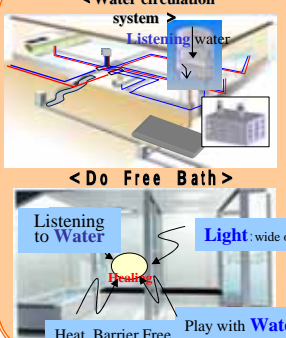
Water Environment Creation

< RCP >



Comfort Water System

< Water circulation system >




< Do Free Bath >

Listening to Water, Heat Barrier Free, Play with Water, Light: wide open

Renovation

< SPR >



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SEKISUI UIEP: Expanding in "the Frontiers of Growth"

~ Overseas Business ~

~ Aggressive deployment for becoming a global environment-solution company ~

< Basic Concepts > -Sales target for FY2008 : 30 billion yen-

To boost our brand value by contributing to creation and maintenance of water infrastructure in the world
To aim at standardization of our functional products which we are proud of and deploy in the world

Water Environment Solution

< Main Markets > China, Asia, USA, Europe
< Strategic Items > RCP, Pipe Rehabilitation, Pipe Systems

Functional Materials Solution

< Main Markets > China, Asia, USA, Europe
< Strategic Items > Plant Equipment, FFU Sleeper

Overseas Sales

China 35%
Water Environment 6%
East 22%
Americas 37%
Functional Materials 40%

08 Sales 30 b.yen

Overseas Bases

North America, Europe, China & Asia, Japan

< Present Overseas Bases : >

Water Supply & Drainage: Sekisui(Qindao), Wuxi SSS
Indust. Mater. & Pipe: Kleerdex, (Sekisui Sandeng(Taiwan))
Civil Eng. Systems: Sekisui Refresh, Sekisui SPR Americas
Reinforced Plastic Pipe: Yongchang-Sekisui (Wulumug·Guangzhou·Shanghai)
Building Materials: Eslon BV(The Netherlands)
Common: Beijing Laboratory

< Bases for Investment Study >

Indust. Mater. & Pipe: China
Civil Eng. System: USA (installation), Europe
Reinforced Plastic Pipe: Yili·Beijing
FFU: China (production), India (fabrication)

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SEKISUI UIEP: Promotion of "New" Business Portfolio

Completion of Portfolio Reform ~ Restructure Portfolio toward "Growth" and "Expansion" ~

- 1) Growing Business: Extend business domain aggressively and aim at standardization in the business circles.
- 2) Extending Business: Develop overseas markets aggressively while maintaining our supremacy in domestic market.
- 3) Core Business: Shift to further growth while maintaining high profit (not less than 10%).
- 4) Base Reinforcing Business: Reinforce "prominence" in value chain, and aim at a 5% operating income ratio which is a rough indication of stable revenue business.
- 5) New Business: Aim at 10 billion yen sales business (1 billion yen profit). (Not engaged in a minor-scale business)

Operating Income Ratio

Business Portfolio

05 Target spot for 08 sales growth in average of 3 yr growth (05:02, 05, 08:06, 08)

Core Business, Extension, Growth, Base Reinforcing

110%, 10%

Sales Rate of Increase

Portfolio		2002	2005	chan	2008	chan
				ges		ges
Grow	Environ./Civil Engineering	S 30	94	64	180	86
		I -5	6	12	15	9
Ext.	Plant, RCP	S 200	257	56	410	153
	FFU	I 8	22	14	50	28
Core	Water supply/drain, Bldg. Mat., Home Techno	S 1,335	1,465	130	1,600	135
		I 40	118	78	140	22
Base Reinf	Aqua System	S 252	235	-17	230	-5
	Roofing Mat.	I -9	-4	5	7	12
New	Wood	S 0	11	11	60	52
	New Business	I -10	-12	-2	3	14

GS21-Go!Frontier, SEKISUI CHEMICAL GROUP



After-next Middle-term Business Target

Toward a Highly Profitable Company
Sales Amount: 300 billion yen Operating Income 30 billion yen(10%)

< Conditions for Target Attainment >

Individual Business Target>
Sales: 10 bill. yen or more
Operating Income ratio: 10% or more

Portfolio	Operating Income Ratio
“Growth”, “Expansion”, “Core Business”	More than 10%
Strengthening Bases	More than 5%
Overseas Business	More than 15%

Business Vision

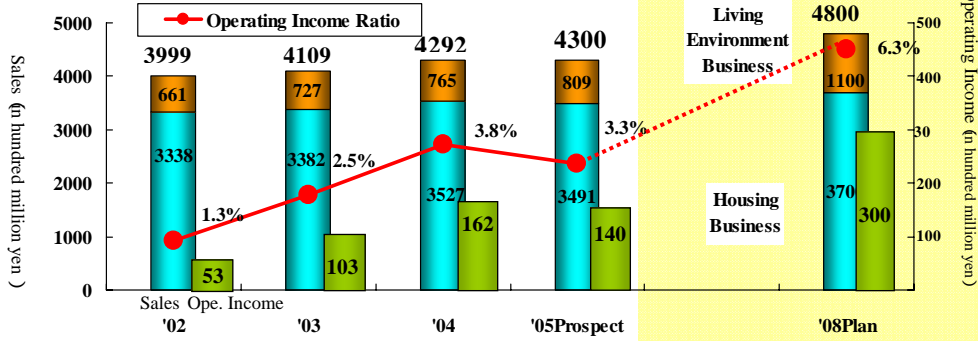
Housing Company

Company President

Itsuro Togo

SEKISUI Housing: from “GS21-Premium600” to “GS21-Go!Frontier”

Trend of Sales and Operating Income



< Review of GS21-Premium600 >

- Sales of houses as attractive products only available from us, including “Zero-Utility-Cost Housing” etc.
- We are on the way of qualitative change of our housing sales.
- Fami-S business is favorably expanding.

SEKISUI Housing: GS21-Go!Frontier

Business Mission

Offering environment-friendly residential houses that are safe and comfortable to live in for at least 60 years.

GS21-Go!Frontier

Pursuit of “SEKISUI HEIM VALUE”
Aiming to be No.1 in three areas - Environmental friendliness & performance, Customer satisfaction & quality, and Profitability

- 1) To become No.1 in environmental friendliness and performance, expand newly built house sales to 13,500 houses
- 2) To become No.1 in customer satisfaction and quality, expand the number of referral contracts to 50%
- 3) To become the No.1 in profitability through efficient management, achieve an operating income ratio of 6.3% in the housing business

FY2008 Housing Company PLAN

Sales **480 b.yen** Operating Income **30 b.yen** Ope.Income Ratio **6.3%**

SEKISUI “Sekisui Heim Value”

Sekisui Heim Value = “Attractive and cutting-edge production system of housing in a factory”

↑High-end Product + High-Quality Housing↓

1) “The Best Comfort of Living and The Energy Saving have been combined.”

The highest-ranked housing performance rating under the quality securing law
Aiming at **100 % (Structural Criteria) for FY2008**

2) “The Factory Production enables the short construction period and the high-quality housing”

Request for Production Delivery **60 days**

3) We supply our houses together with “Actual Feeling of Cost Performance”.

Life Cycle Cost (LCC) for 60 years **the year FY2008: 85% × the year 2005**

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SEKISUI Pursuit of “Sekisui Heim Value”
~ Utilizing the advantage of product

Expanding the sales of new houses to 13,500 structures with No.1 “Environment & Performance”

Making the best use of the special features of industrialized housing.

1) Prominence in LCC

Target: Making all the models “Zero-Utility-Cost” housing

Improving the performance of energy saving structure
Meeting the higher rank of the energy saving performance standard

Improving the efficiency of Eco-Cute
Eco-Cute COP = 4.5 (present 3.0)

Increasing the efficiency of electric generation
“Zero-Utility-Cost” with 4.0kw (present 4.5kw)

2) Prominence in Comfort & Security
Warm Airy, Grand To You, Quake-Resistance, Yure-Navi

3) Prominence in Competitive Production Cost
Innovating the creation of products from Development through Production & Construction.

Cost reduction by 5% in FY2008 from FY2005

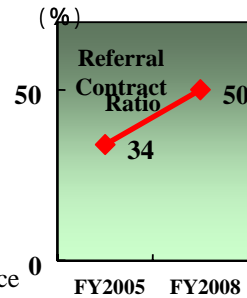
【Sales in No. of Structures】

Fiscal Year	Sales (structures)	Contract ratio
FY2005	12,550	17.0%
FY2008	13,500	30.0%

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Expanding the Referral Contracts to 50% with “CS & Quality”
1. The Sales changing Technology to Confidence

- 1) Making the exhibition places much more attractive
 - Promoting the re-building of the exhibition places
- 2) More visits to HFC and TFC
 - Drastic level-up of after service
 - Implementation of CAT Meeting (Customer and Top)
- 3) Thorough differentiation with the indication of performance for individual houses.
- 4) The plant tour by customers appealing the **Industrialized housing**



*HFC, TFC・・・Heim Family Circle, Two-U Family Circle


2. Professional capability to sales staff

- 1) Cultivating human resources who are able to give customers an easy-to-follow explanation on our technology
 Thorough implementation of education and training by Eco-Heim Promotion Dept. (Sales trainers)
 12 24 persons
- 2) Establishing (Sales) Strategy Department in April 2006
 Spreading the positive sales model on-the-spot basis.
- 3) Horizontal development of successful experiences by J-Bank
- 4) Strengthening the sales system and the full-time staff system (Heim, Two-U and Apartment)
- 5) Increasing sales personnel 2,500 persons in FY2005 2,700 persons in FY2008

3. Expanding the houses built for sales and apartment houses

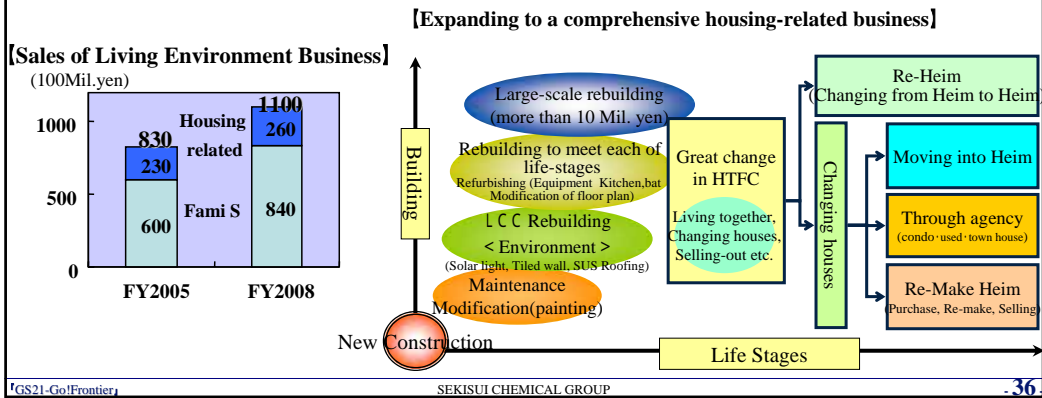
- 1) Increasing the houses built for sales with the living comfort and the “Zero-Utility-Cost”.
 1,000 plots of land in FY2005 1,300 plots of land in FY2008
- 2) Strengthening the sales of apartment houses “LETOIT” and tenement houses
 900 structures in FY2005 1,200 structures in FY2008

SEKISUI Housing: Living Environment Business

Aiming to be a leading company in the field of remodeling business

- 1) Establishing a long-term supporting system for 60 years, and making a foothold for the comprehensive housing-related business including Re-Heim and broking business etc.
- 2) Improving the business efficiency, the quality of construction and the response speed. Organizational reform and division of works

Living Environment Business Sales 110 b.yen, Operating Income Ratio 3%



SEKISUI Housing: Plan for FY2006

The Plan for FY2006 is now being worked out.

We are intending to secure the same level of operating income.

- 1) We have an order-taking plan for FY2006 at 105% of previous year.
- 2) The unit price of structure is rising.
- 3) We are reducing the fixed costs etc.
- 4) We are increasing the sales in Living Environment Business.

Some of the displayed data such as proposals, plans and forecasts, that are not past results, have been worked out on the inference of our management with reference to currently available information. Therefore, please keep it in mind that the actual results of our business could become largely different from our plans and forecasts etc. depending on changes in various material factors.