

# Presentation of Financial Results for FY2008 and FY2009-2013 Mid-term Management Plan

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Sekisui Chemical Co., Ltd.

27 April, 2009

**Business results**

(Billions of yen)

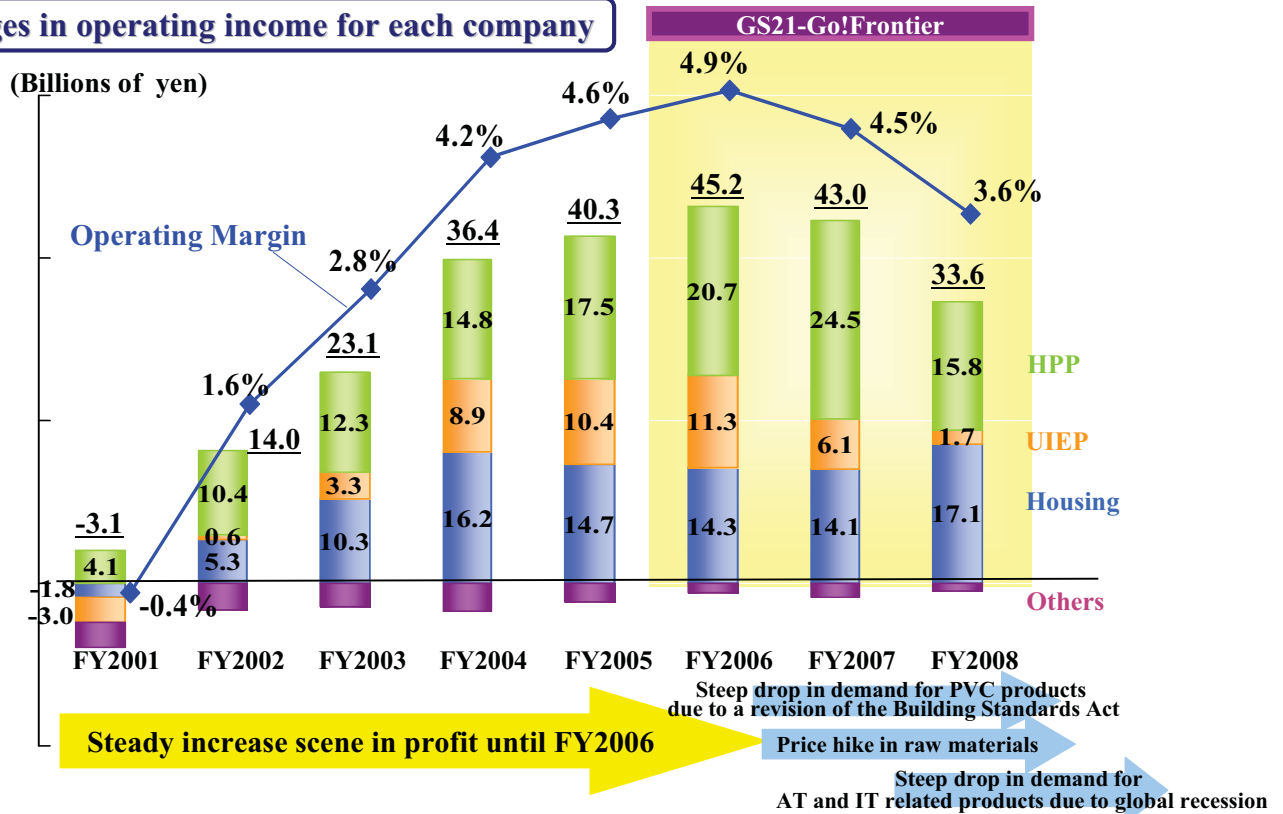
	FY2005 Actual					Mid-term Business Plan “GS21-Go!Frontier”					FY2008 Actual				
	Total	Housing	UIEP*	HPP**	Others	Total	Housing	UIEP	HPP	Others	Total	Housing	UIEP	HPP	Others
Net Sales	885.1	427.6	214.1	218.3	25.1	1,000.0	480.0	250.0	250.0	20.0	934.2	424.5	225.2	262.6	21.9
Operating Income	40.3	14.7	10.4	17.5	-2.3	75.0	30.0	18.0	30.0	-3.0	33.6	17.1	1.7	15.8	-1.0
Operating Margin	4.6%	3.4 %	4.8 %	8.0 %	-	7.5 %	6.3 %	7.2 %	12.0 %	-	3.6 %	4.0 %	0.8 %	6.0 %	-

\* UIEP:Urban Infrastructure & Environmental Products Company

\*\* HPP:High Performance Plastics Company



Changes in operating income for each company



Steady increase scene in profit until FY2006

Steep drop in demand for PVC products due to a revision of the Building Standards Act

Price hike in raw materials

Steep drop in demand for AT and IT related products due to global recession

Urgent business remodeling needed that is not easily affected by external factors



Steady progress in "Frontier of growth"

Enhanced profitability through business structural change and manufacturing development innovation

Sluggish sales in one part of business due to the abrupt downturn in the external factors

	Achievement	Issue
High Performance Plastics Company	Achieved success in business expansion of the 3 strategic area (AT, IT, MD)	Quantity in AT and IT suffers due to weak demand
Urban Infrastructure & Environmental Products Company	Expansion of 3 key overseas business area reaching 10 billion yen in sales	Deteriorating profitability of the general PVC products due to steep drop in demand
Housing Company	-Achieved success in differentiation by appealing to high performance products -Increased profitability through implementing substantial changes	Slow down in housing order due to sluggish demand



Business results

(Billions of yen)

	FY2008		FY2007		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Housing	424.5	17.1	420.0	14.1	4.5	3.0
UIEP	225.2	1.7	233.8	6.1	-8.5	-4.5
HPP	262.6	15.8	280.5	24.5	-17.8	-8.7
Others	46.2	-0.7	48.5	-1.4	-2.3	0.7
Eliminations or Unallocatable Accounts	-24.3	-0.3	-24.1	-0.3	-0.2	0.0
<b>Total</b>	<b>934.2</b>	<b>33.6</b>	<b>958.7</b>	<b>43.0</b>	<b>-24.4</b>	<b>-9.4</b>

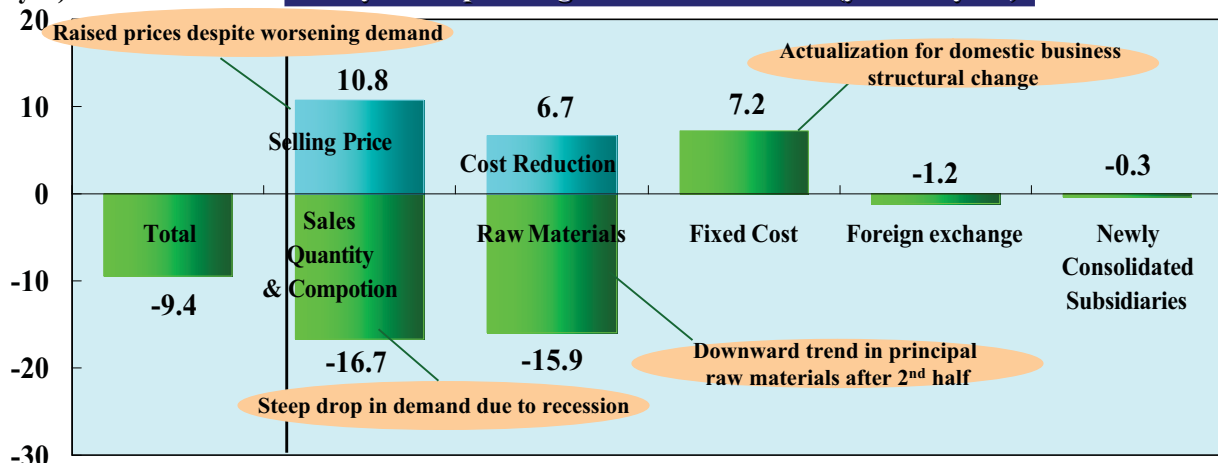


Overview of FY 2008

- Sales volume declines due to steep drop in demand for recession in and outside of Japan**
  - Steep drop in demand for AT and IT related products due to the decrease in production of automobile and LCD panel
  - Weak demand for domestic UIEP business due to low numbers in housing starts
- Progress as planned in maintaining and improving profitability**
  - Progress as planned in raising prices despite worsening demand
  - Actualization as planned for cost reduction effects by manufacturing development innovation and domestic business structural change

(Billions of yen)

Analysis of operating income for FY2008 (year-on-year)



\*Selling price for housing company included in sales quantity and composition


**Market Forecast**

- Stagnant economy in Japan, reduction in demand due to structural factor
- Global recession continues mainly in the US and in Europe

**Business Risks**

- Trends in exchange rate and raw material prices not clear

	Business field	Business environment	Business opportunity
<div style="border: 1px solid black; padding: 5px; text-align: center;">Global</div> <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); font-size: small;">Appreciation of yen show sign of cooling</div> <div style="writing-mode: vertical-rl; transform: rotate(180deg); font-size: small;">Downward trend in principal raw material price</div> <div style="writing-mode: vertical-rl; transform: rotate(180deg); font-size: small;">Tax breaks and increased public construction works investments as an economic stimulus</div> </div> <div style="border: 1px solid black; border-radius: 15px; padding: 5px; text-align: center; margin-top: 10px;">Domestic</div>	Automobile Field	Weak demand in 1st half and expected recovery in 2nd half	Heightened need for reduced vehicle weight and for energy efficiency
	IT & Electronics material Field	Projected slowly recovery in demand for LCD panel after 2nd Q	Expansion for market of Clean Energy related products
	Medical Field	Steady demand not easily affected by market conditions	Compulsory exam for specific illness and a increased demand for testing (i.e. adult disease)
	Water Infrastructure Field (overseas)	Expansion renewal investments of aging capital investment and slow down in new capital investments	Outdated urban infrastructure Grave global water problem <div style="background-color: yellow; padding: 2px;">Increase in public construction works, as an economic stimulus</div>
	Water Infrastructure Field (Domestic)	Continued stagnation in construction investment	Outdated existing infrastructure and increasing need for earthquake-proof infrastructure <div style="background-color: yellow; padding: 2px;">Increase in public construction works, as an economic stimulus</div>
	Housing Field	Cooling consumer sentiments due to worsening consumer confidence	Increasing need for high performance and high durability housing <div style="background-color: yellow; padding: 2px;">Expected recovery due to expanded tax breaks on housing investments Increase in solar paneled housing due to the resumption in subsidies Rise in consumer sentiments due to low interest rates and decline real-estate price</div>


**Net sales and operating income by Company**

(Billions of yen)

	FY2009 (Forecast)		FY2008 (Actual)		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Housing	404.0	17.5	424.5	17.1	-20.5	0.4
UIEP	217.0	1.7	225.2	1.7	-8.2	0.0
HPP	226.0	10.5	262.6	15.8	-36.6	-5.3
Others	41.0	-1.7	46.2	-0.7	-5.2	-1.0
Eliminations or Unallocatable Accounts	-28.0	-0.5	-24.3	-0.3	-3.7	-0.2
<b>Total</b>	<b>860.0</b>	<b>27.5</b>	<b>934.2</b>	<b>33.6</b>	<b>-74.2</b>	<b>-6.1</b>



## Net sales and operating income by Company

(Billions of yen)

	FY 2009 First Half Plan				FY 2009 Plan			
	Net Sales	Differ- -ence	Operating Income	Differ- -ence	Net Sales	Differ- -ence	Operating Income	Differ- -ence
Housing	192.0	-19.9	4.0	-4.6	404.0	-20.5	17.5	0.4
UIEP	100.0	-9.2	-2.5	-2.2	217.0	-8.2	1.7	0.0
HPP	109.0	-32.2	3.0	-7.7	226.0	-36.6	10.5	-5.3
Others	19.0	-4.0	-1.1	-0.5	41.0	-5.2	-1.7	-1.0
Eliminated or Not attributed	-14.0	-1.7	-0.4	-0.2	-28.0	-3.7	-0.5	-0.2
<b>Total</b>	<b>406.0</b>	<b>-66.9</b>	<b>3.0</b>	<b>-15.3</b>	<b>860.0</b>	<b>-74.2</b>	<b>27.5</b>	<b>-6.1</b>



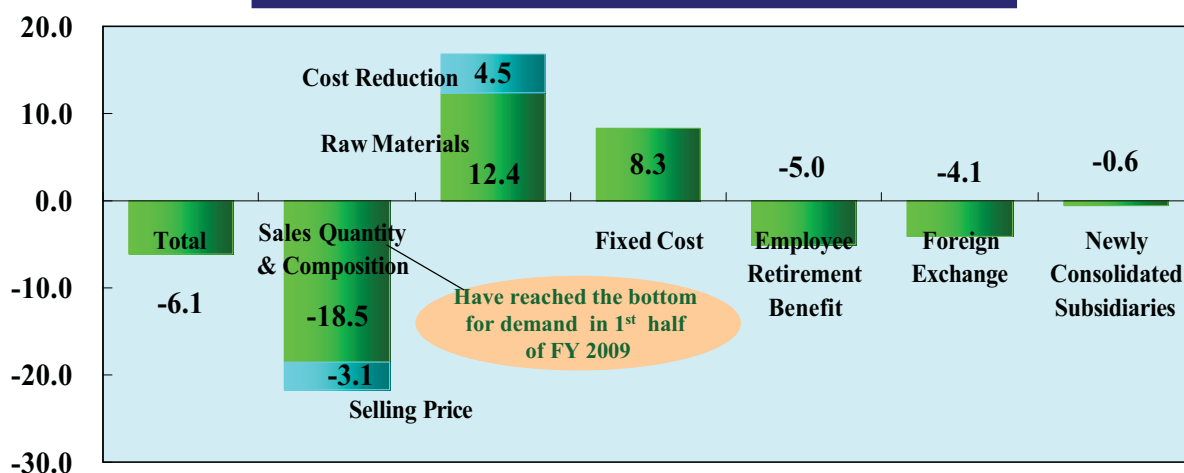
## Overview of FY2009

Minimize decline in sales quantity by accurately grasping business opportunities in severe economic environment

Move up plan to strengthen profitability, propping up business results for FY 2009, and prepare reinforced structure for post- FY 2010

(Billions of yen)

### Analysis of operating income for FY2009 (year-on-year)



\*Sales price for housing company included in sales quantity and composition



### Important measure in FY 2009

#### Strengthened profitability due to structural reform

##### ■ Move up business efficiency measures

- Integration of production and distribution base
- Consolidated management of production and distribution (housing)
- Withdrawal from unprofitable business

##### ■ Strengthening cost competitiveness

- Steady actualization of "Manufacturing development SHINKA"
- Restructuring of purchasing and procurement strategies under zero-based review

#### Focus on business field and area with potential demand

##### ■ Contracts for new domestic housing orders and refurbishing orders

- Taking advantage of new legislative regulations

##### ■ Contracts for capital investments in infrastructure

- Restorative infrastructure business in industrialized countries
- Contracts for new infrastructure business in emerging countries

##### ■ Infusion of resources into Strategic business fields

- Expansion of product with high market share in and outside of Japan (Medical field)

Move up measures for structural reform and strengthened cost competitiveness  
 Create robust profit structure not influenced by recession by FY2010

Accurately grasping business opportunities  
 Aiming for growth under recession by concentrating in potential markets

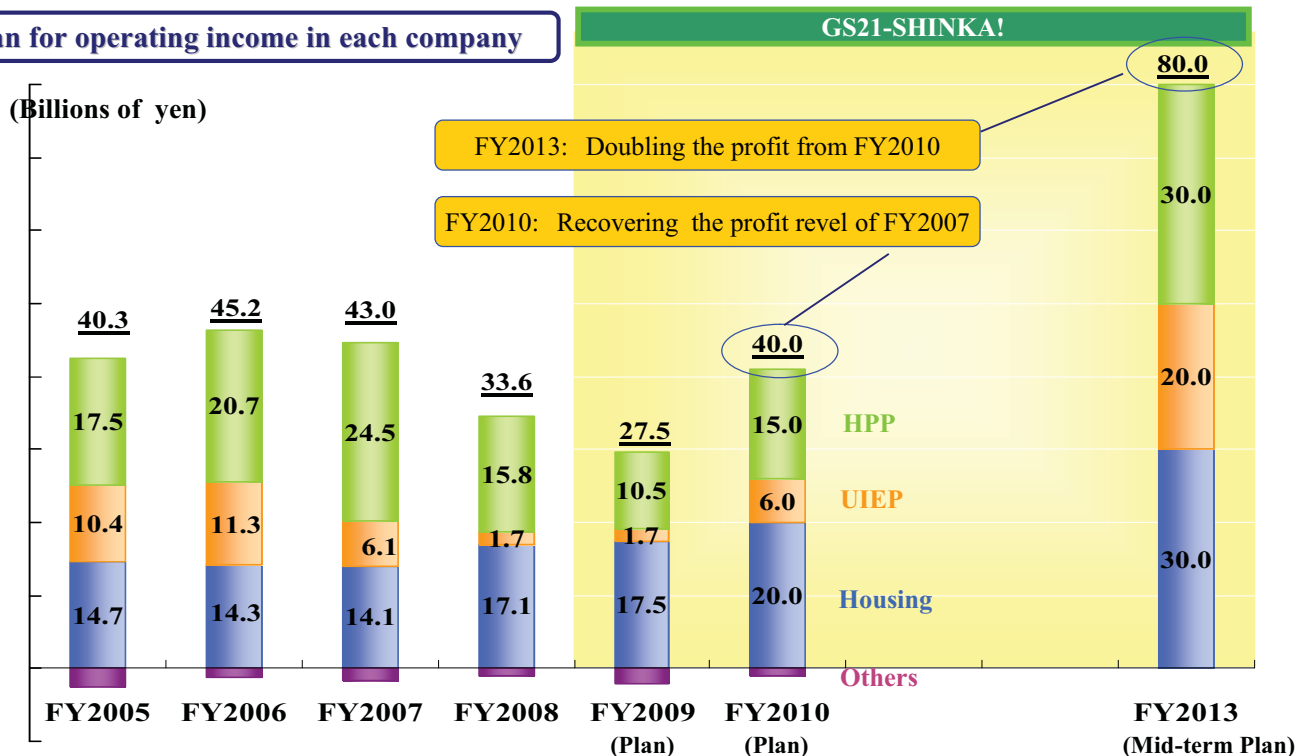
**Securing cash flow** - Efficiency in inventory and working capital

Careful selection of investment opportunities and focusing on investment with quick returns



### Plan for operating income in each company

(Billions of yen)



**FY2009-2010: Overcoming recession, preparing the next growth**

**FY2011-2013: Setting goals, concentrating business resources for cultivate of "Frontier of Growth"**



A group vision we aspire to be

Aiming for "Premium company with prominence and high profitability"

Sekisui Chemical Group will continue to develop the frontiers of "Creation of Housing/Social infrastructure" and "Chemical Solutions", utilizing its prominent technology and quality, thereby contributing to people's lives around the world and the global environment.



Dynamically evolve as a group through advancement of pioneering "Frontier SHINKA" and making new reform

**Frontier SHINKA**

- Put 3 business development "SHINKA" into action in "Frontier of growth"
- By setting goal, create next generation business through challenge to "NEXT frontier"

**3 "SHINKA"**

**HR SHINKA**

- Strengthen competitiveness through rapid development of global Human Resources and professional Human Resources

**Manufacturing Development SHINKA**

- Actualize "Manufacturing Development SHINKA" through manufacturing development innovation and ultimate production innovation



Total image

Realization of Group Vision

'prominent & profitable Premium Company'

"Creation of Housing/Social infrastructure"

"Chemical Solutions"

Next generation biz

Frontier 7

Housing

UIEP

HPP

Basic businesses

Frontier

Human Resources

Manufacturing Development

Basic strategy : 3 SHINKA

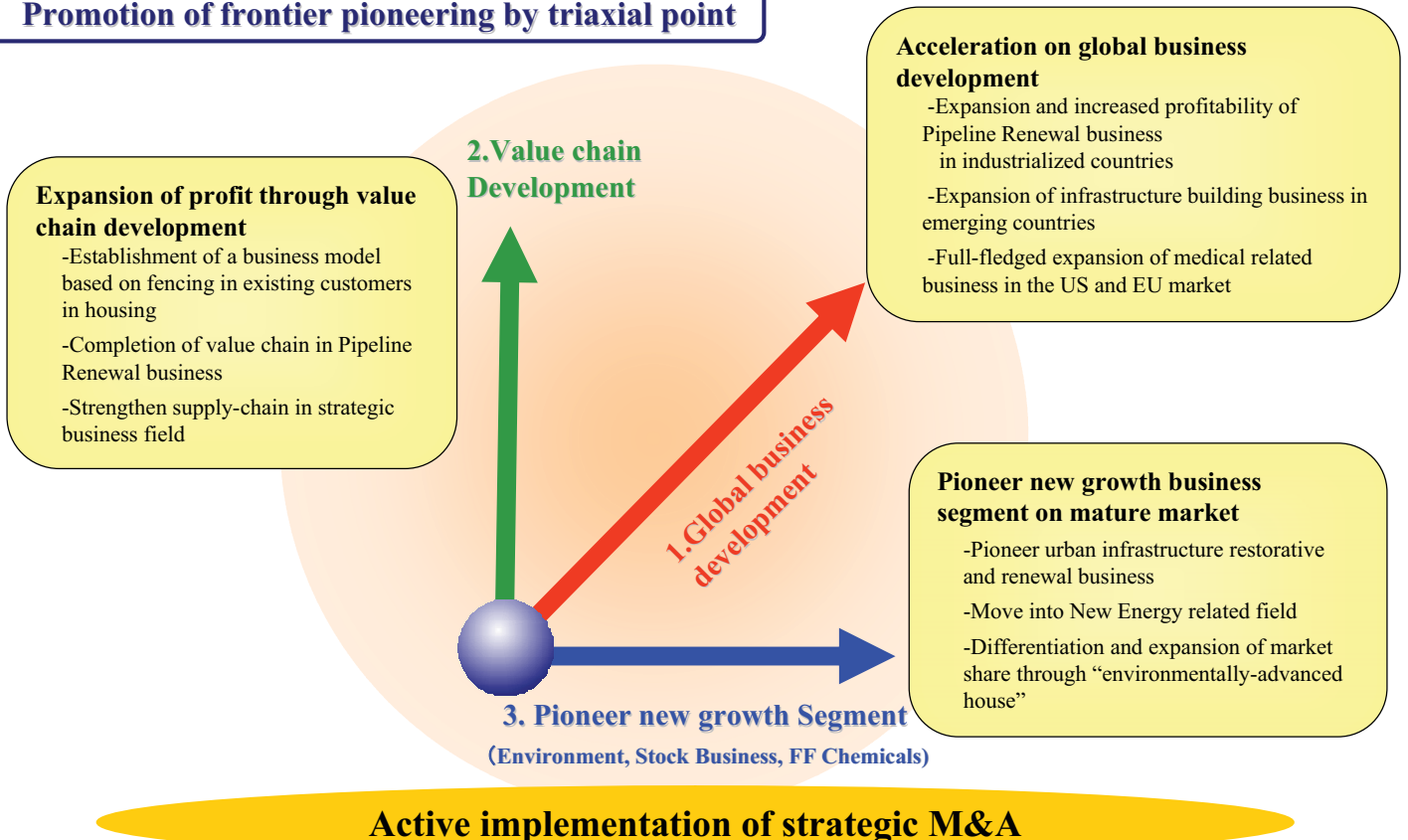


**Business Domain and Portfolio**

Portfolio, goals	Business Domain		
	Creation of infrastructure	Chemical solution	
<b>Next generation business</b> Pioneering the next Frontier business	-Emerging countries -Building infrastructure	-FF chemicals	-Life science related business
<b>Frontier 7 business</b> Achieve the top position in the world and become the major source of profit	-Living environment business	-Pipeline Renewal business -Water infrastructure business in overseas -Functional material business	-Automobile related business -IT related business -Medical related business
<b>Core business</b> Improve efficiency and increase profitability	-Housing business	-Water infrastructure business in Japan -Construction material business	-Tape business -Form business -Film business
	Housing Company	UIEP Company	HPP Company



**Promotion of frontier pioneering by triaxial point**





**Pioneering the next frontier**

**Provision of solution for building infrastructure to emerging countries**

- Overseas development of highly industrialized housing
- Creation of social infrastructure by water recycling system
- Construction of "Self-supported utility town"

Creating of housing and social infrastructure

**Provision of solution by FF chemicals**

- Focus on environment, New Energy and IT related field
- Anticipating and concentrating on consumer needs
- Provision and development of specialty chemicals by utilizing technology of prominence

Chemical solutions

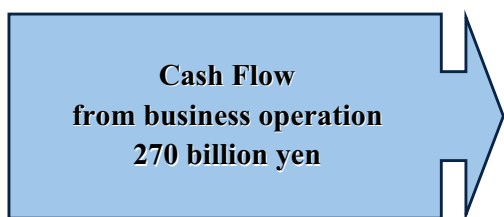
**Creation of Life Science business with prominence in the world**

- Further expansion of Medical related business
- Expansion of testing area (noninvasive test, production of small equipment, biomarker)
- Move into medical service field (biotechnology-based business -i.e. drug discovery support business-, mental healthcare business, etc.)



**Financial strategy**

**[ Usage of acquired cash ]**



Investment 220 billion yen, including 120 billion yen for strategic investment

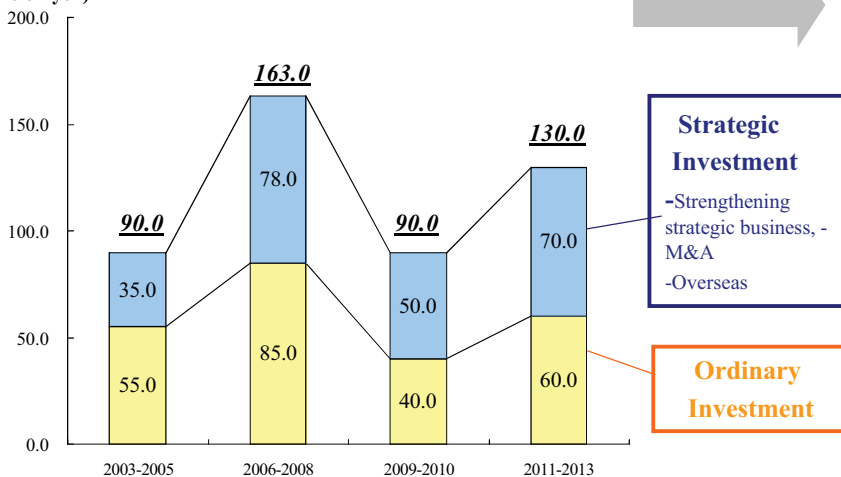
Ordinary investment in half for FY2009

Strengthening financial condition

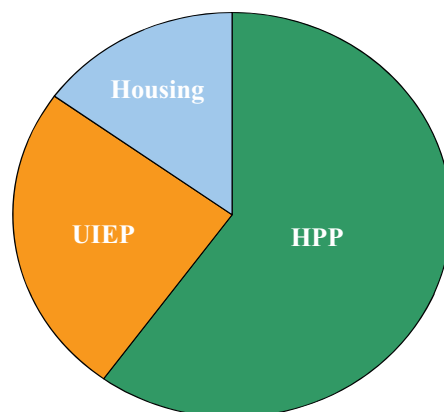
Return to shareholders (maintaining pay-out ratio of 30%)

**[ Changes in investment categories ]**

(Billions of yen)



**GS21-SHINKA!  
Breakdown of investment**





**R&D strategy**

1. Accelerate growth by concentrating R&D resources into the Frontier 7 business
2. Dynamically create next generation large-scale business
3. Structure line up manufacture development, Sekisui Style by evolving manufacture development innovation “Manufacturing Development SHINKA”

**[ Frontier 7 business, Goal of R&D ]**

<b>Living Environment business</b>	Automation of inspection system	<b>Pipeline Renewal business</b>	Advancement of SPR methods	<b>AT related business</b>	Aim for eco-friendly, safe, and comfortable vehicle
	Strengthen environment, comfort, and renaissance	<b>Water infrastructure business (overseas)</b>	High functionality	<b>IT related business</b>	Semiconductor and energy related products
	-Innovative engineering -Energy efficiency engineering -Short-term construction schedule	<b>Functional materials business</b>	High functionality	<b>Medical related business</b>	Creation of No.1 share products

**[ Manufacturing Development SHINKA ]**

- Actualize double of productivity by the ultimate automation
- Actualize ultimate cost reduction by switching raw materials
- Restructuring of production line



**CSR management**

**Create added corporate value by the advancement of CSR Management**

- Creation of human resources management and business system that is connected to creation of value
- Creation of human resources management and business system that is trusted by the community

**Guiding the community as a leading company in environmental concerns by thoroughly implementing environmental contributions through business**

- Refining environmentally contributing products
- Reducing environmental impact

**Aim to become “quality that keeps getting appointed”**

- Refining core qualities (safety and renaissance)
- Refining attractive qualities

**Create environment where “Human can grow”**

- Securing and developing global human resources
- Human resources that can proactively challenge themselves
- Create a work place where diverse human resources can grow

**Aim to become a company that is trusted**

**by the community**

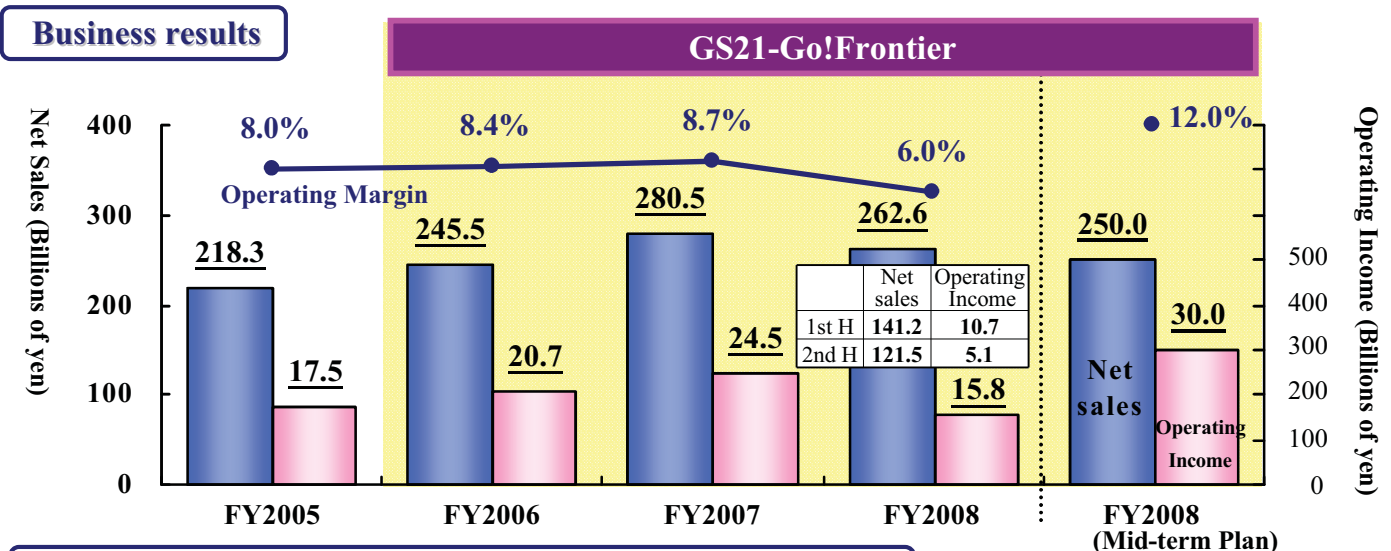
- Compliance
- Risk management
- Disclosure and interactive discussion



# High Performance Plastics Company

**Takayoshi Matsunaga**  
Company President

## SEKISUI HPP Overview of Mid-term Business Plan "GS21- Go! Frontier" (FY2006-FY2008) GS21-SHINKAI



### Overview of Mid-term Business Plan "GS21-Go! Frontier"

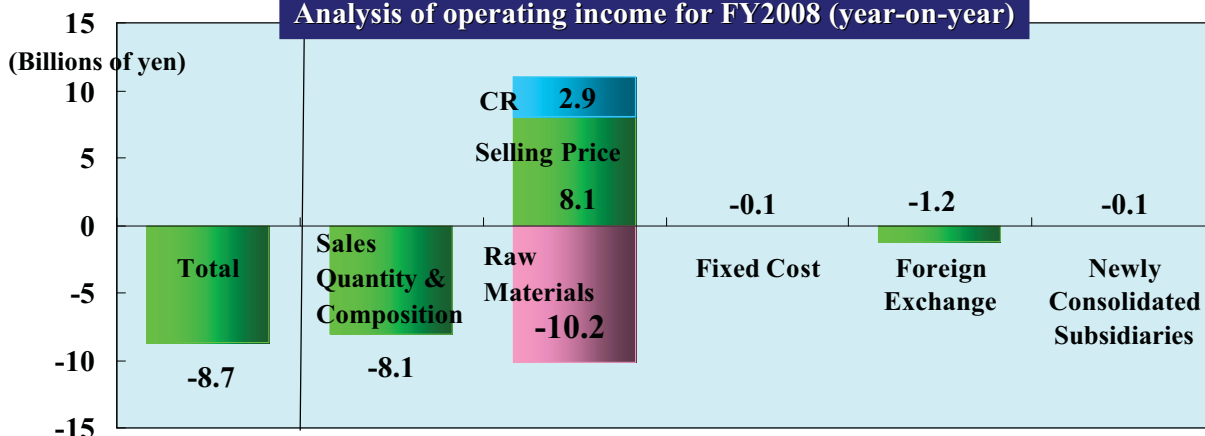
Target		Measures		Results (From FY2005 to FY2008)			
Expansion of business	Strengthening 3 strategic business	Increase production capacity	○	New Company	Production Base	Enforcement Capacity	
		Reinforcement of business and products	△				
	Expansion of overseas business	○	Overseas				
		Japan	1	3	5		
	Creation of new products and businesses	Focused development	×	Delay in new product development			
Structural reform	Withdrawal from unprofitable products	Selling of business and improved profitability	△	Sales of 2 business ventures and existing unprofitable products			
Strengthening business base	System reform	Marketing innovation and CSR	△	Continue enforcing regulations			



Overview of FY 2008

- A steady shift seen in the 1st half, but sales quantity suffers due to the abrupt downturn in economy in and outside of Japan from November
- Accelerated management efficiency as a measure against the steep drop in demand
- Aggressive investments in strategic business
  - Strengthened capacity in interlayer film
  - Acquisition of XenoTech (Pharmacokinetics business in USA, announced in July 2008)
  - Acquisition of ADI (Diagnostics drug business in USA, announced in March 2009)

Analysis of operating income for FY2008 (year-on-year)



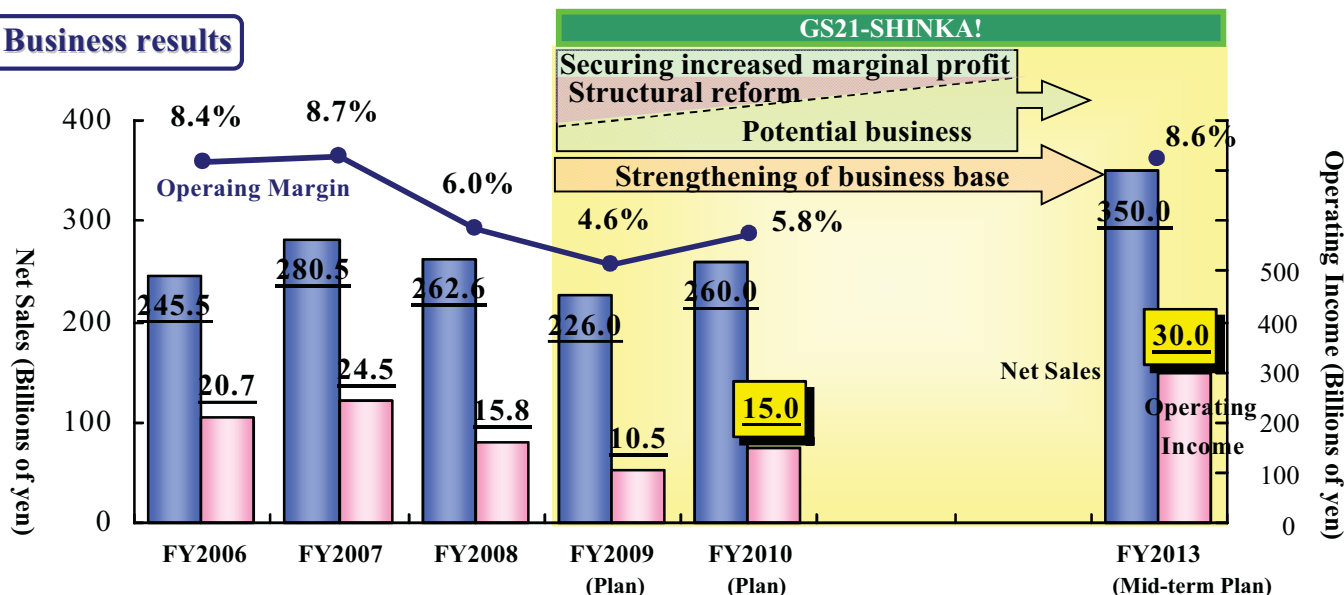
Basic policy of the Company President

*“Chemistry for your Win”*

*Aiming for high profitability on a global scale by growth of FF\* chemicals, trying to become a premium company again*

\*Frontier Focused

Business results





**Business policy for FY 2009**

**“Chemistry for your Win”**

**Restructuring under recession**

“Innovation” “Review of business model” “Withdraw from business and potential business”

**1. Restructuring plan**

Restraint of total fixed costs and increase of marginal profit

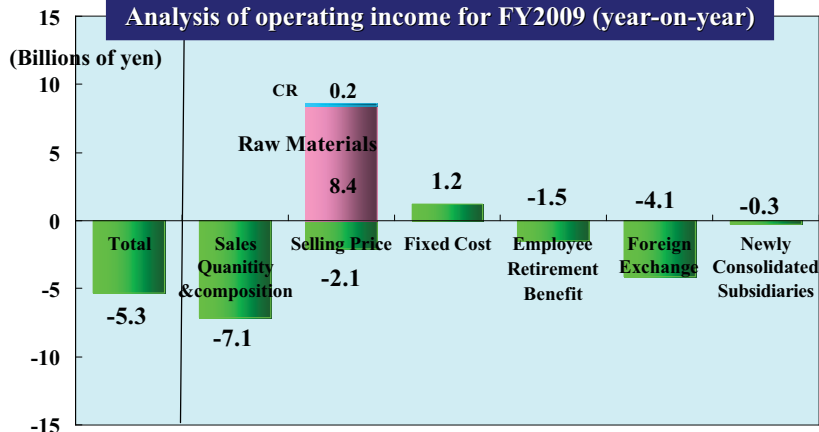
**2. Growth strategy**

Strengthening of strategic business and overseas business, promotion of new products and new business

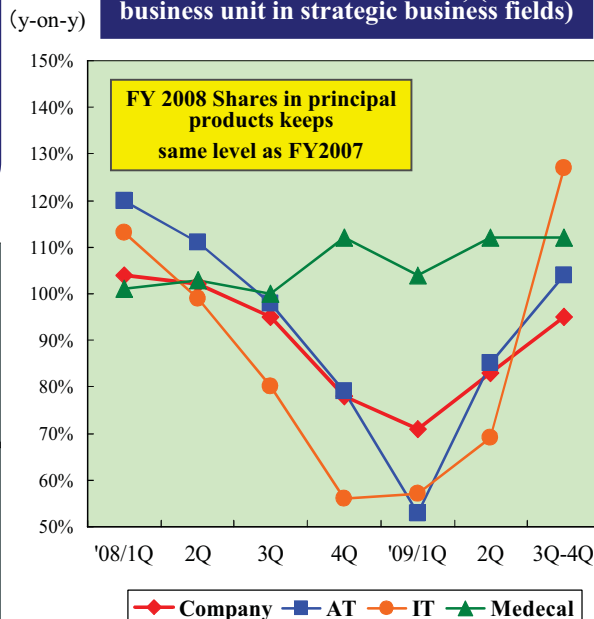
**3. Strengthening of business base**

Re-evaluate business structure, SHINKA and CSR management

**Analysis of operating income for FY2009 (year-on-year)**



**Rate of increase in sales, (each business unit in strategic business fields)**



**Most important issue: Decrease in sales at break-even-point**

**Restraint of total fixed costs**

5 billion yen

**Increase of marginal profit**

5 billion yen

**1. Re-evaluate production system**

- Domestic (4 plants)...Scaling down size
- Overseas...Scaling down size, planning to integrate production base

**2. Halving capital investments**

**3. Cut back on expenses**

**Focus on business system that reflects current demand**

**1. Creation of sales increase**

**2. Promote development of new products**

**3. Innovation in business**

**4. Measures concerning raw materials**



## Strengthening of strategic business

### 1. Enforcement of production capability

- Interlayer
- Industrial tape

### 2. M&A

- Medical: 2 Overseas company in full-fledged operation

Expand competitive edge to step up sales drive when demand recovers

FY2013

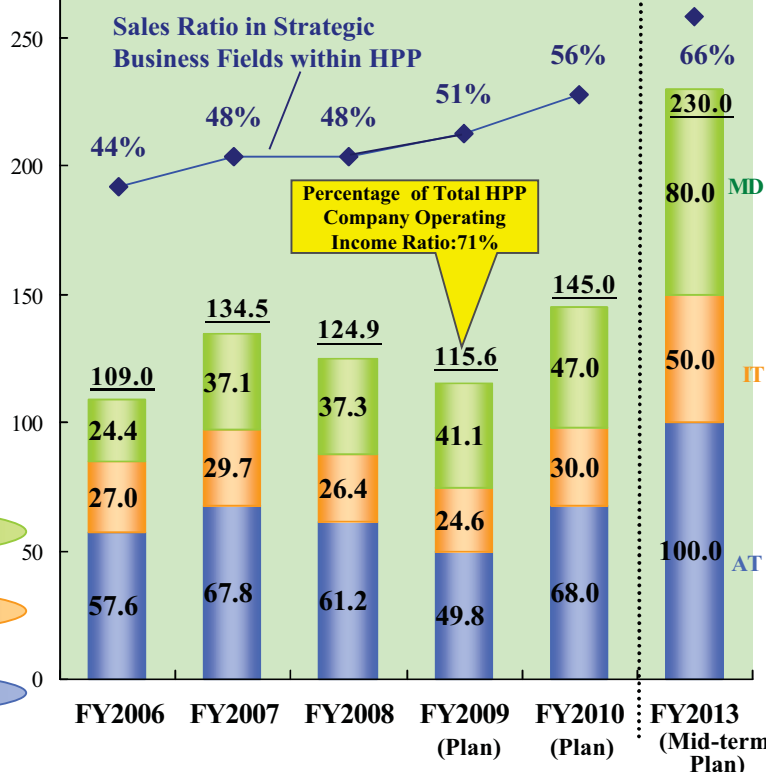
**MD「800」**: Expansion of top share product in and outside of Japan

**IT「500」**: Expansion of sales in energy related product and semiconductors from FPD

**AT「1000」**: Expansion of high market share products

## Sales in strategic business fields

(Billions of yen)



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-26-



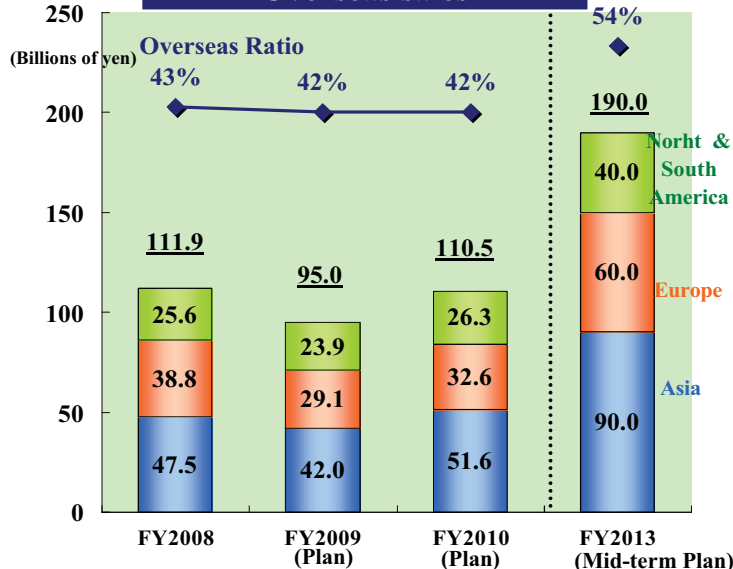
## Expansion of sales in overseas business

1. Promotion and fortification of local production
2. Aggressive M&A
3. Pioneering frontiers
4. Strengthening of sales network and reinforced sales channel

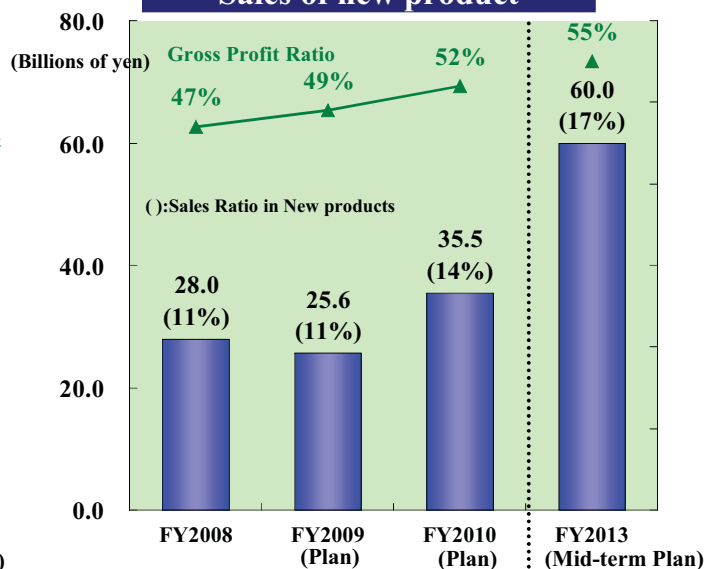
## Expansion of new business and new products

1. Expansion of business in Promoting the business projects (OS & FP)
2. Expansion of high functional interlayer film, optical tape & film, diagnostic agent for diabetes, and other products
3. Promote technological cooperation and outsourcing

### Overseas sales



### Sales of new product



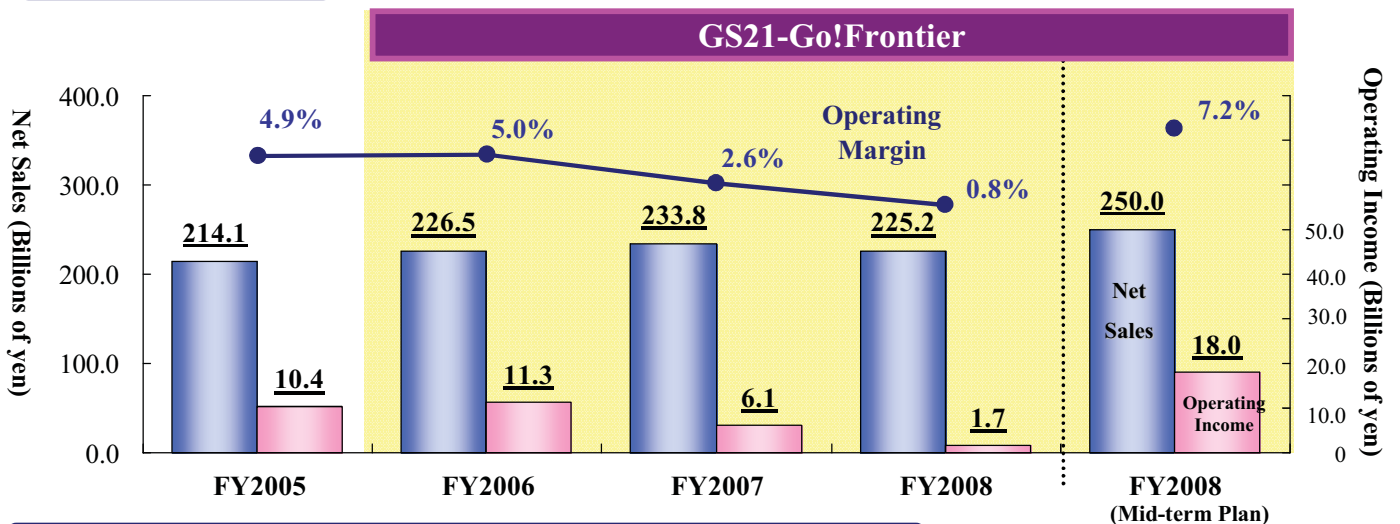
SEKISUI CHEMICAL GROUP

-27-

# Urban Infrastructure and Environmental Products Company

**Yoshiyuki Takitani**  
Company President

**Business results**



**Overview of Mid-term Business Plan “GS21- Go! Frontier”**

1. Drop in profitability of the domestic core business
2. Sluggish expansion concerning domestic growth product
3. Expansion of three key overseas business area reaching to 10 billion yen in sales

Unable to cover loss in profit from the abrupt changes in market conditions despite M&A and other structural reforms



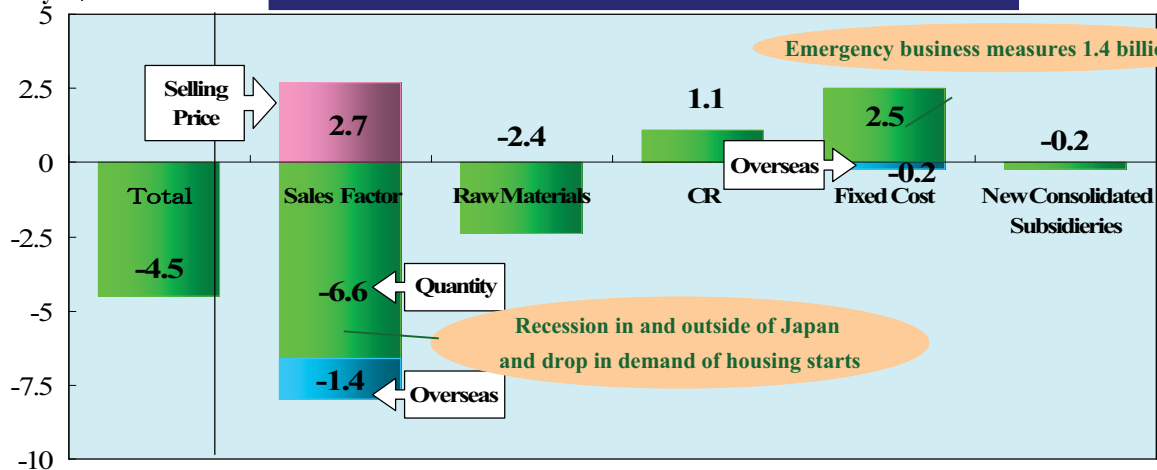
### Overview of FY2008

1. Sales quantity suffers from the slowdown in housing starts due to weak demand (Billions of yen)
2. Strengthened profitability by promotion of structural reform
3. Build up pipe restoration business on a global scale by M&A

	FY2008	FY2007	Change
Net Sales	225.2	233.8	-8.5
Operating Income	1.7	6.1	-4.5

### Analysis of operating income for FY2008 (year-on-year)

(Billions of yen)



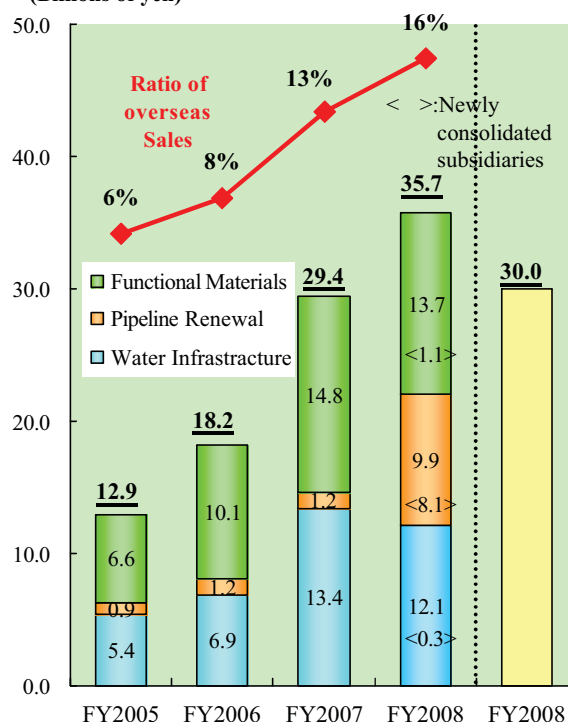
### Business results

(Billions of yen)

Portfolio			FY2005 Results	FY2008 Results
Core	Water Supply & Drainage, Building Materials, Home-Techno	Net sales	145.1	133.1
		Operating Income	11.8	2.7
Growth	Environmental Civil Engineering (Pipeline Renewal Business)	Net sales	10.0	18.2
		Operating Income	0.7	-0.1
Expansion	-Plant Materials (Sheeting Business etc.) -Composite Materials for Infrastructure (RCP, FFU etc.)	Net sales	25.8	38.9
		Operating Income	2.4	2.8
Strengthening Foundation	Aqua System, Roofing Materials	Net sales	23.4	18.5
		Operating Income	-0.5	0.0

### Overseas sales

(Billions of yen)



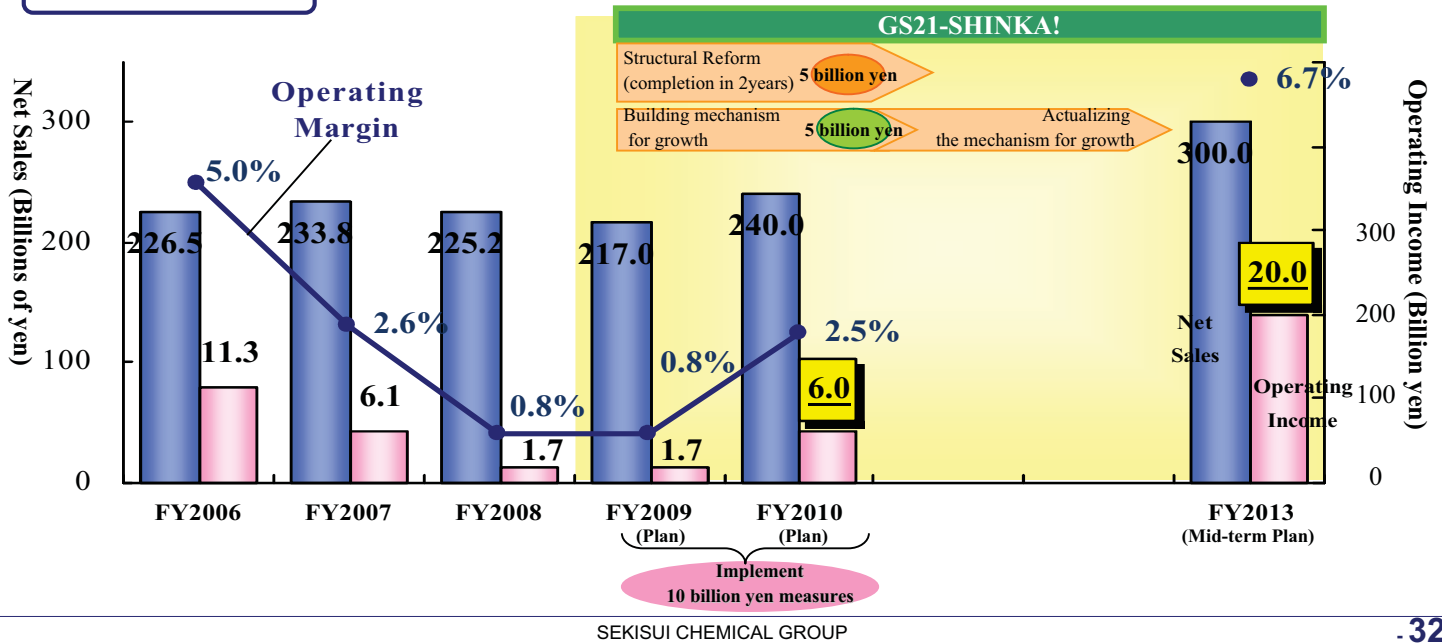


### Basic policies of the company president

#### Sustainable growth and advancement

Aiming to become a "premium" company that is continuously growing and advancing by building a business structure not easily affected by market conditions

### Business results



Accelerate shifting of business resource for growth and dynamically change into what we aspire to be

	Business unit	FY2008 Result	FY2009 Plan	Projected market change	Goals for Mid-term	Measures
Basic	Water Infrastructure in Japan (water supply, reinforced plastic composite pipe)	Net Sales [Billion yen] 136.9	126.8	-Move up public construction work projects -Increased awareness for natural disasters	Shifting gears, tapping real potential	-Improved productivity in sales and production line -Reinforced products based on high function products -Adapt to privatization of public entities
	Building Materials (rain gutters, exterior)	Operating Income [Billion yen] 3.9	4.3	-Increased awareness for environmental conservation -Decline in housing starts -Decreasing domestic demand -Price hike in raw material price		-Accelerate shifting to growth area -Pioneer overseas and new businesses
	Sekisui HomeTechno					-Focus on high added-value products and stock market

### Existing Business

	Business unit	FY2008 Result	FY2009 Plan	Projected market change	Goals for Mid-term	Measures
Growth (including F seven)	Pipeline Renewal	Net Sales [Billion yen] 70.1	71.8	-Move up public construction work projects -Demand for infrastructure building business in emerging countries -Increased need for social infrastructure in industrialized countries -Increased awareness for natural disasters -Increased awareness for environmental conservation -Decline in capital investment due to global recession	-Acceleration of global development -Create demand for stock business -Rapid expansion of business scale	-Build up value chain business on a global scale -Pioneer overseas distribution and develop strong agencies -Expand product lineup and move into new business area (i.e. railway) -Global standardization (Rail ties) -Business expansion in emerging countries and China -Build business model for water recycle system business -Strengthen production, development and pioneer new business area -Strengthen engineering and value chain -Create new market in building (housing) stock area
	Industrial Piping Materials					
	Thermoplastics Sheet					
	FFU					
	Water Infrastructure (overseas)					
	Functional Building Material					
	Aqua System					
Building Stock	Operating Income [Billion yen] 1.7	2.0	Increase in construction stock and its effective use			

Shifting gears, in full throttle


**Change in key economic indicator**

	FY2007	FY2008	FY2009
Private housing investment (y-o-y)	-13.0%	-2.1%	-2.8%
New privately-owned housing units started (Thousand units)	1,036	1,045	995
Private capital investment (y-o-y)	2.3%	-7.8%	-14.2%
Public capital formation (y-o-y)	-5.8%	-3.7%	0.5%

**FY2009 Projected plan formation**

Projected flat demand in private sector  
Reflected in plan formation

(year-on-year)		1 <sup>st</sup> Half	2 <sup>nd</sup> Half
PVC Pipe PEX	Detached house	90%	107%
	Collective housing	89%	93%
	Public	91%	95%
Rain gutter	Detached house	85%	98%
	Nonhousing use	85%	95%

**Topics for external factors**

- Substantial budget increase for renovation & renewal business
- Budget increase for safety measures against rain water and flooding
- Strengthen initiatives for overseas water business  
Toward to take part in international association of Hydrogen Cycle Model

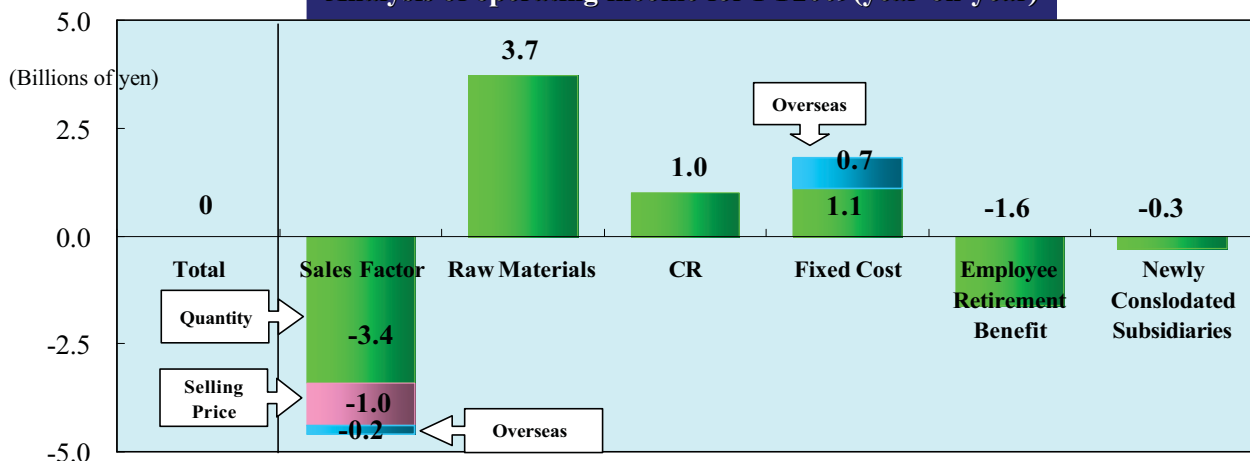
Increase in public demand.  
In particular, Tail wind  
in our business area


**Business policy for FY 2009**

1. Thoroughly implement structural reform
2. Speed up the growth frontier expansion
3. Promote CSR Management

[Billions of yen]

	FY2009	FY2008	Difference
Net Sales	217.0	225.2	-8.2
Operating Income	1.7	1.7	0.0

**Analysis of operating income for FY2009(year-on-year)**




Thoroughly implement structural reform

5 billion yen / 10 billion yen

Included in FY 2009 budget

	Item	Measures	
Cut in fixed costs	1. Cut in depreciation and expenses	-Reduce investment and other expenses	2 billion yen Immediate execution
	2. Withdrawal from unprofitable business	-Judge by withdrawal standard	3 billion yen Build measure and execution
	3. Optimization of production base	-Decrease general products sales and strengthen growth area	
	4. Build optimized sales operation mechanism	-Change position of back-office staff to sales operations -Expansion of business territory of each branch -Structural reform of branch and sales office	

Complete measures to reduce fixed costs to accomplish FY 2010 business plan



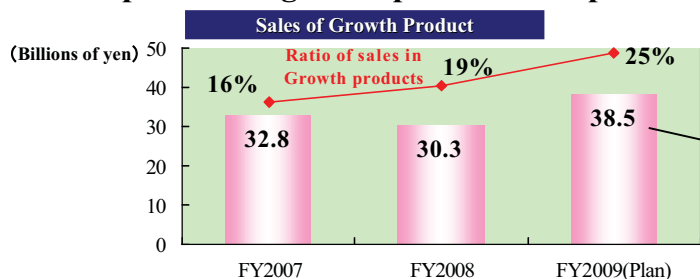
Domestic business

2.5 billion yen / 5 billion yen

## 1. Concentration on stock business area

Target	Social infrastructure stock	Building stock
Needs	Refurbishment /Restoration Counter measures for rainwater	Earthquake proof Energy efficiency
Goal	Solidify No.1 position in domestic market	Create business in condominium restoration
Goal for FY 2009	-Domestic sales in pipe restoration business: 10 billion yen -Increase of members of construction companies	-Create building stock business promotion department -Structure business model (planning in 2nd half)
Product line up with prominence	RS DRS    SPR Omega    FFU    Fire-proof pipe	Hyper    Pre-fabricated bath    Phenova-Board
Expansion of value chain	NNT    Aqua    Diagnosis    Design    Development    Manufacturing    Installation    After service Sekisui kanzai T    Techno	Differentiated by overall comprehensiveness and deployment

## 2. Expansion of growth product lineup



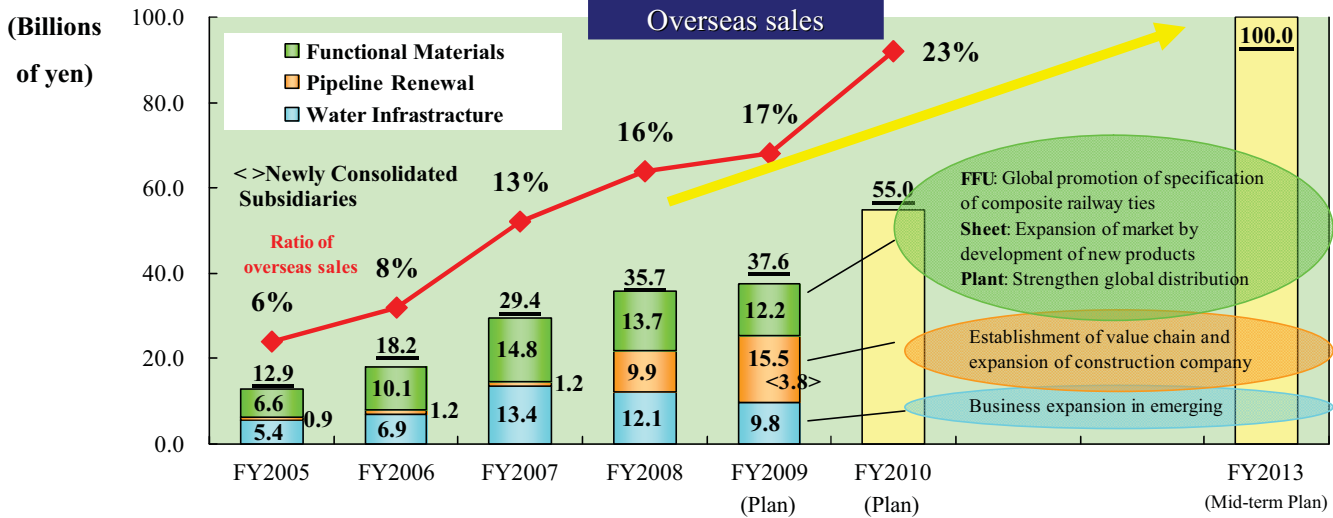
## 【Main growth products】

- Fire-proof pipe
- Hyper
- Phenovaboard
- CCBOX
- Rain gutters
- Eslometax



**Overseas Business**

2.5 billion yen / 5 billion yen



**New business and products**

Move into 1) Pressure rehabilitation business are, 2) water clarification business, and 3) IT infrastructure area

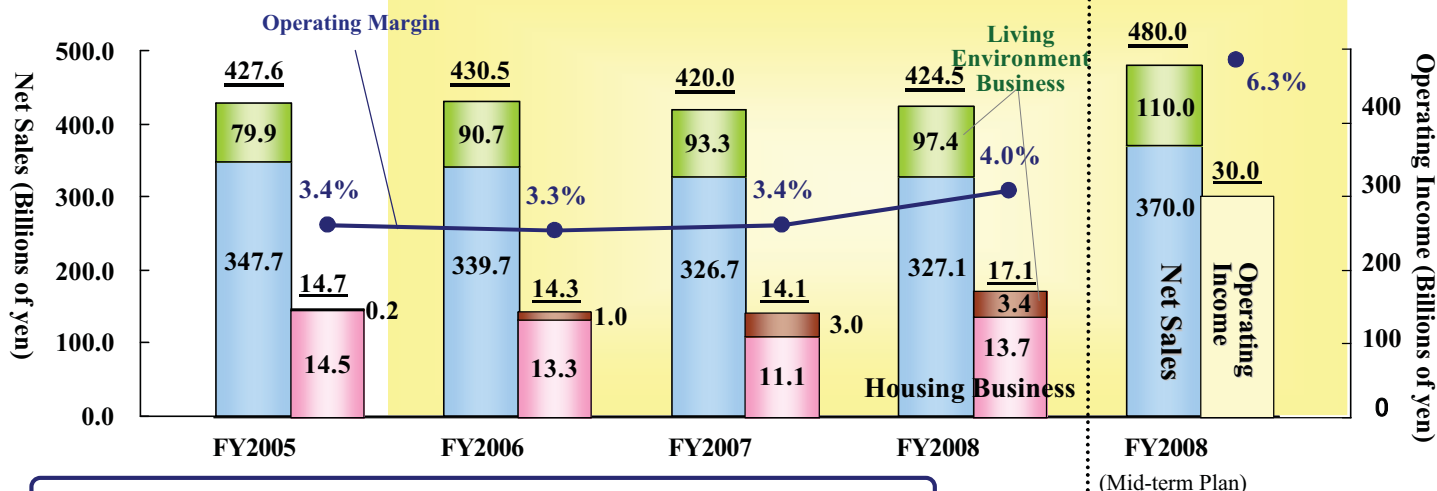
# Housing Company

**Teiji Kouge**  
**Company President**



## Business results

## GS21-Go!Frontier



## Overview of Mid-term Business Plan "GS21- Go! Frontier"

1. Achieved highest operating income in FY 2008 by implementing structural reforms ahead of other companies despite stagnant market conditions.

Put measures of cost reduction plan in FY2007 for fixed costs. (FY2007: 4.5 billion yen scale, FY2008: 4.0 billion yen scale)

2. Differentiation by appealing to high-performance products is recognized.

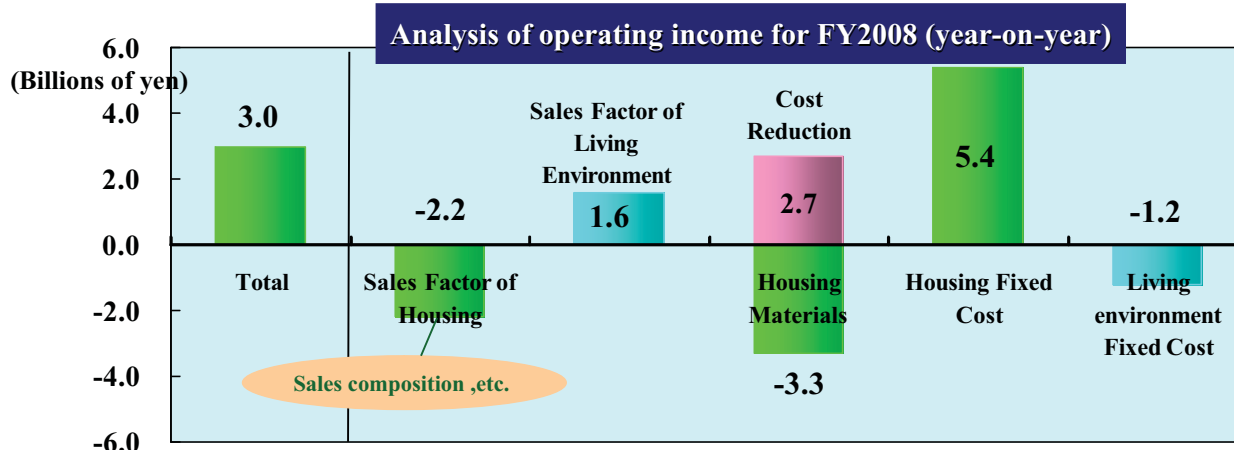
FY 2008 results-Loaded with high-performance option ratio: Warm Airy 64%, Solar panel 52%, Tiled-wall exterior 50%.

3. Steady expansion of sales and profit in housing Living Environment Business.



## Overview of FY 2008

- In first half of FY 2008, housing orders performed well, but in second half, a downturn is expected due to recession.
- Marginal income decreased by the rise in raw material price
- Cut back in fixed costs, which was implemented in FY 2007, is showing results
- Steady expansion of Living Environment Business



**Secured increased profit by cutting fixed costs despite severe market conditions**



## Business policy for FY 2009

**A thorough implementation of safety, compliance and risk management measures. Secure profit by the completing structural reform for increased profitability and raising the amount of housing orders**

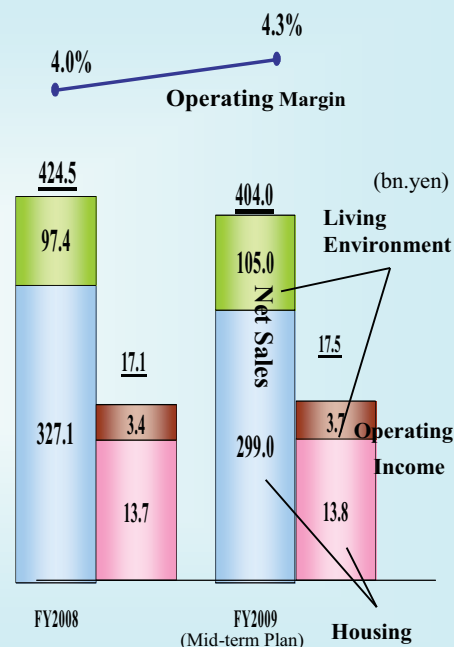
### 1. Housing business—Further fortification of profitability and sustainable growth

- Efficient management by an integrated sales and production structure
- Completion of a wide-area sales network for Tokyo, Chubu, Kinki areas
- Promotion of innovative cost reduction
- Further differentiation by advancement of high-performance products
- Increase share by focusing on areas with the highest customer volume

### 1. Living Environment Business

#### -Acceleration of growth by fortifying stock business

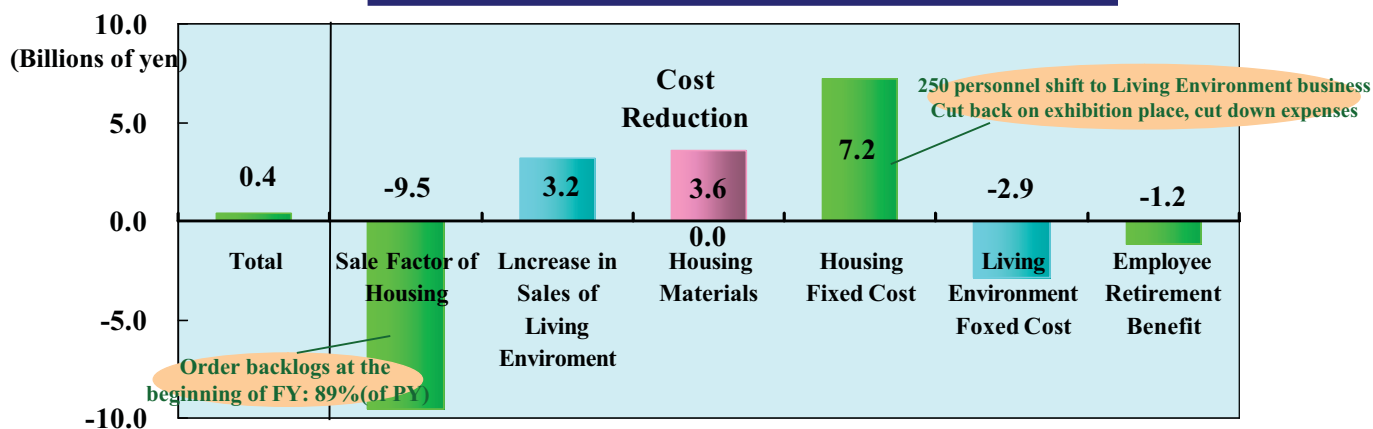
- Shift staff to Refurbishment Business and rapid development of work readiness
- Expansion of key product sales and infusion of high-performance new products
- Establishment of owner support system



## Plan for operating income FY 2009

1. Secure housing orders
2. Promotion of further efficiency in housing business
3. Thorough implementation of cut backs by innovation in material products, production and construction
4. Further expansion of sales in Living Environment Business  
(Shifted staff from housing business and rapid development of work readiness)

### Analysis of operating income for FY2009 (year-on-year)



**Fortification of profitability by structural reform**

■ **Further cost reduction in housing business**

- Shifted staff to Living Environment business  
 Shifted 200 staff members from housing business in 4Q of FY 2008
- To raise efficiency wide-area sales network  
 Relocated exhibit sites of Tokyo and Kinki, shift staff to Living Environment Business
- Cut expenses by corporate-wide efforts  
 Reduced sales promotional cost, and others

■ **Increased cost competitiveness by innovation in materials and construction**

- Cost cutting in materials  
 Correction of high price in raw material increased in FY2008, promote VE activities, and strengthen overseas procurement system
- Reduce cost by innovation in construction  
 Promotion of efficient construction by establishing Construction Center
- Reduce cost through system that integrated sales and production structure  
 Completed in Kyushu. Planned to be implemented in Hokkaido, Tohoku, Chugoku and Shikoku from April 2009

**Plan to acquire more orders**

**Fiscal 2009 Housing Order Plan**  
 (Fiscal 2008 comparison)  
 1H 96%(1Q 89%,2Q101%),  
 2H 112%, Full Year: 103%

**Fiscal 2009 market outlook**

Stagnancy continues into 1Q, recovery starts in 2Q

- Expanded home loan tax breaks spurs a certain degree of demand
- Return of subsidies increases demand for homes with solar power
- Low interest rates and land prices improves homebuyer sentiment

Target Market	Expansion of the Solar Heim Campaign in April–August			
	Product strategy	High Performance Features		
<b>Reconstruction</b> Stagnant market and large dormant demand		Promote differentiation and create demand with high-performance products	Parfait Series Domani Launch "Home for living with parents" in April	Desio Series Two-U Home Series Expand sales of "Zero utility cost" homes
<b>New Construction</b> Housing market large-volume zone	Expand market share using products with "noticeable cost-performance"	Launch new bj new "Familin'Style" in April FY08 bj orders rose 9% YoY	Grand to You WS Enhance Crescasa subdivision models and modify for snow regions	
<b>Apartment</b> Need for safe use of assets	Fortify dedicated sales structure	Joint Rental-Occupancy Homes Launch "My Earning Home"*** in March	High-performance Apartments Letoit Series	Tiled-wall exterior

\*The yellow part indicates new products that were deployed and measures that were implemented in 1st half FY2009

\*\* My Earning Home: Home with rental income, a solar power system, a "Warm Factory" heating system and flexibility for remodeling

**Plan to acquire more orders**

**Promote differentiation and create demand with high-performance products**

- FY08 percent of solar power homes 52%
- FY08 percent of homes with Warm Airy 64%
- Expand the Solar Heim Campaign to spur reconstruction demand

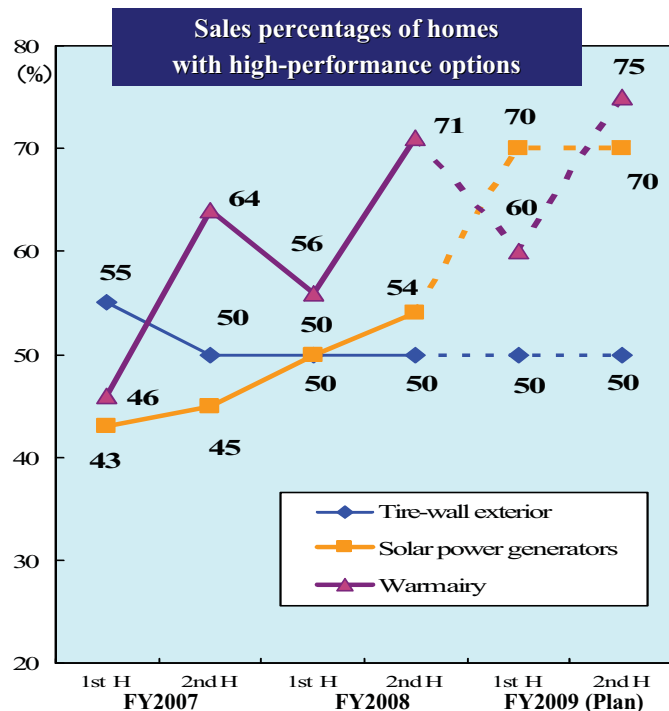
**Expand market share using products with "noticeable cost-performance"**

- Heim bj Series sales growth over FY2008 109%
- Grand to You Series sales growth over FY2008 127%
- Further expand sales with widespread launch of Crescasa in April 2009

**Fortification of area strategies by integrated sales and production structure**

- Focus on expanding sales of area-based strategic products, develop area-based products and specification
- Fortification of competitiveness by area-unique sales promotion and implementing measures policy

**Total number of solar panel homes exceeds 65,000 units, solidifying our top position. FY 2008 results: exceed 40% share of the market**



\*1: Includes new installations for existing houses by reform department

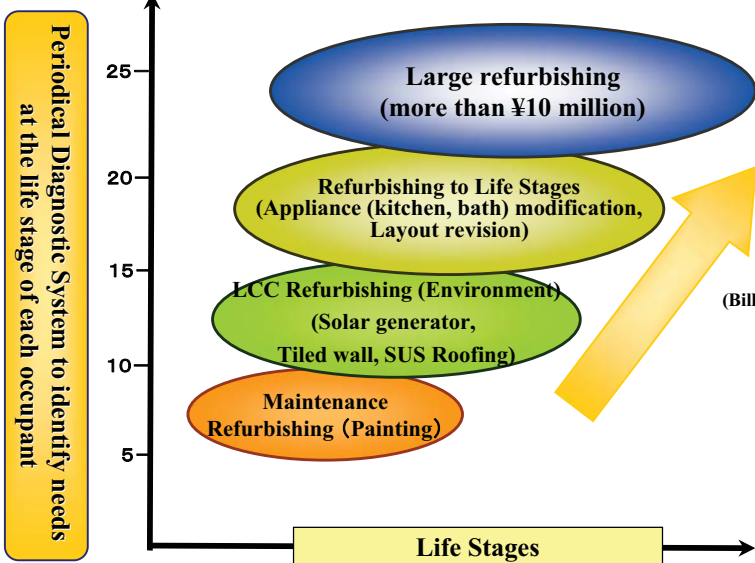
\*2: FY2008 (projected) our share for new housing construction installed with solar power generation system

**Accelerate growth of Living Environment Business**

**FY2009 Plan: Sales +8% (y-o-y)**

**Periodical diagnosis**

- Acquire repeat orders by periodical assessment
- Increase unit price by expanding key products



**Shift staff to Refurbishment Business and rapid development of work readiness**

- Increase 250 sales staff in refurbishing business (FY2009 Plan)
- Quick development of sales staff with Sekisui's unique training

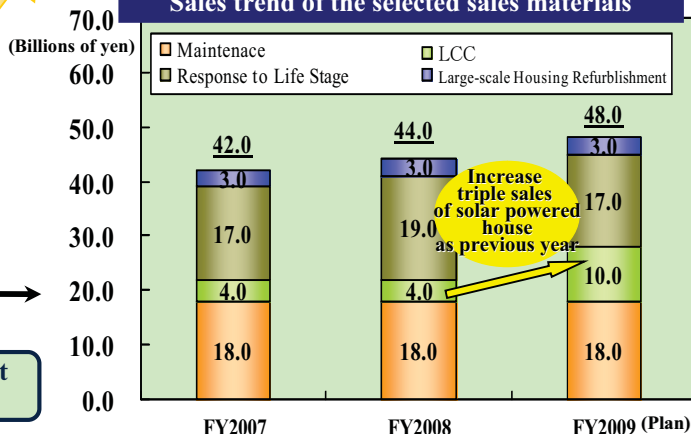
**Launch and expand sales of high-performance new products**

- Increased sales of Solar power generation installation housing: 126% (FY2008, year-on-year)

**Improved profitability**

- Promotion of reduction in construction cost by Fine-Up construction development

**Sales trend of the selected sales materials**





## Basic policy of the Company President

### [ Business mission ]

Provision of homes that are environmentally friendly and that can be comfortably lived in for over 60 years

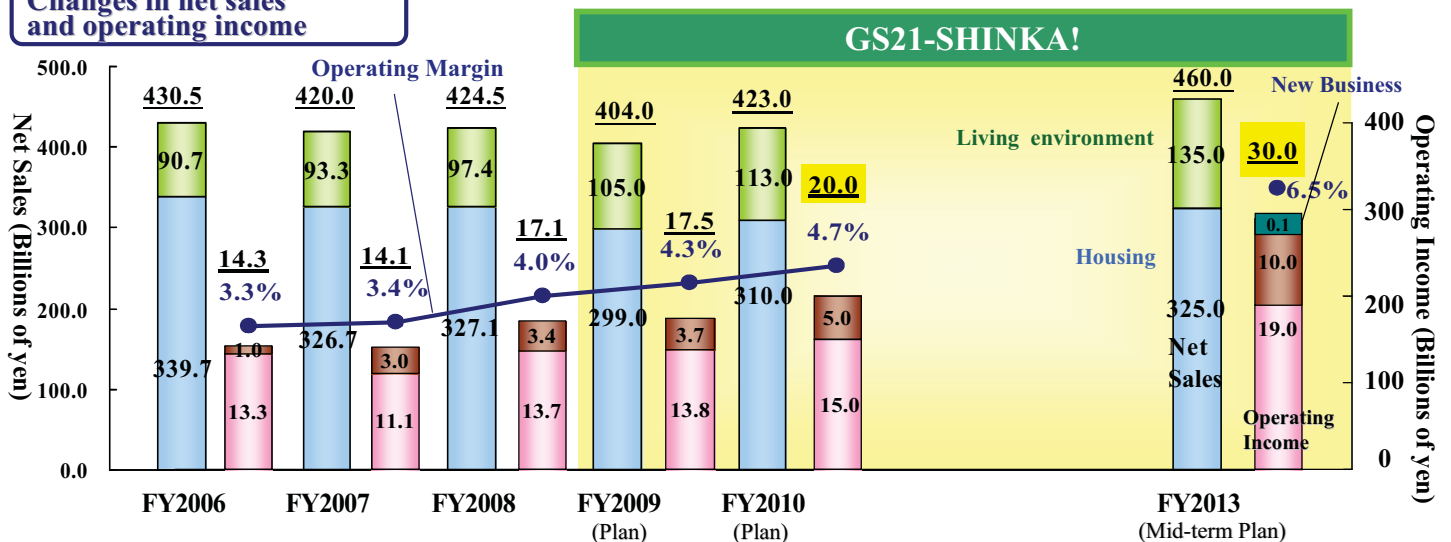
### [ Business vision of GS21-SHINKA! ]

Aiming to be the No. 1 company that can provide long-lasting homes by our relentless pursuit of "Sekisui-heimness" and by advancing qualities of prominence in **Progressiveness**, **Cost performance** and in **Owner support**

Advancing qualities of prominence in progressiveness	Further advancement of environment, comfort and renaissance homes	<b>Goal image as FY2013</b> -The ratio of homes installed with solar power system is 80% -The development of under-floor air conditioning & installment ratio is 80%
Cost performance	Innovation in cost by manufacture development and actualization of reasonable and satisfying price	-Integrated production & distribution management -Innovation in production by manufacturing SHINKA -FY2009-2013 cost innovation totaling 10 billion yen by the decrease in cost through materials & installment innovation
Owner support	Building life-long customers based on unequalled after service and high customer satisfaction	Bring the stock-cover ratio to 60% by the establishment of the recycle-based stock business model



## Changes in net sales and operating income



### Housing business

#### FY 2009-FY 2010

Complete business structural change that can correspond to the changes in market conditions & overcoming recession, and accurately grasp the trail wind of housing orders

#### FY 2011-FY 2013

Differentiation and increase of shares in post-Consumption Tax, structural market contraction

### Living environment business

#### FY 2009-FY 2010

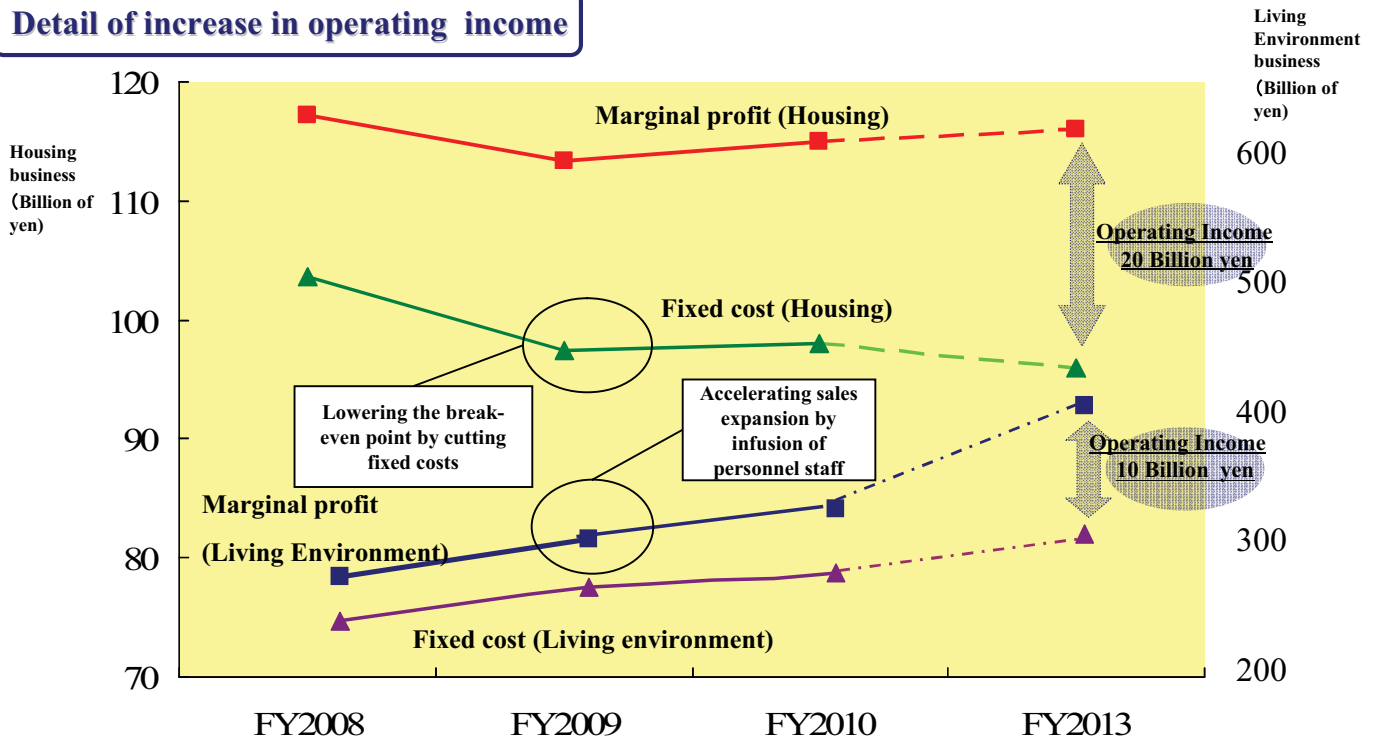
Further fortification of growth base by strengthening the system that improves the OB customer rates

#### FY2011-FY2013

Achieve high growth and high profitability by establishing recycling business model



**Detail of increase in operating income**



**Housing business:** Strengthen profitability by reducing fixed costs in FY 2009 and aim for stable housing orders

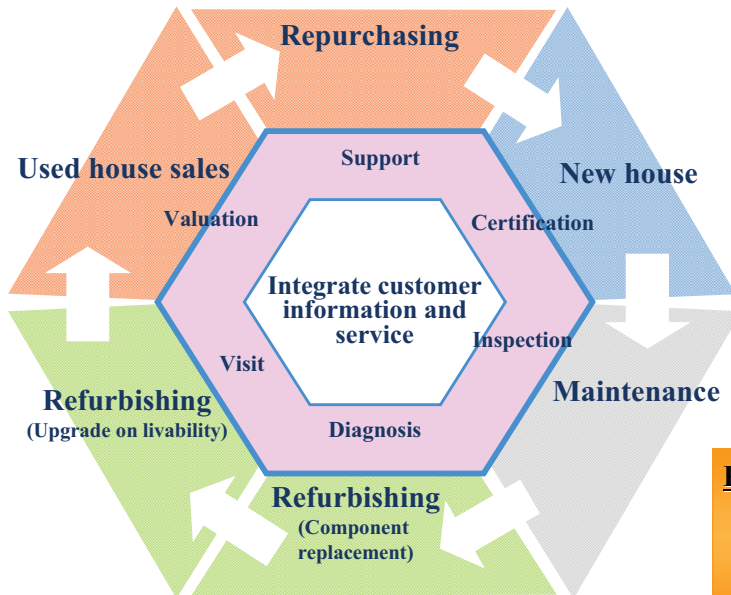
**Living Environment Business:** Systemic strengthening by infusion of personnel staff in FY 2009 and aim for expansion of marginal income by the work readiness of staff members



**Make efforts for sustainable growth**

**Establishment of recycling stock business model**

Provision of long-lasting homes and customize housing in accordance with customers' life stage and suggest maintenance, management, advancement (refurbish, increase in performance and functionality) and distribution



**Ratio of existing Sekisui customers renewing homes through Sekisui**  
 30% (FY2008 projected) to 60% (FY2013 Target)

## Financial Results for FY2008



#### Number of consolidated companies

	End March. 2009	End March. 2008	Difference
Consolidated Companies	150	130	+23 Newly consolidated subsidiaries -2 Separation and Integration -1 excluded
Companies in Equity Method	8	8	

#### Influence of change in the number of consolidated companies

(Billions of yen)

Net Sales	+8.8	Allen +1.1 (From 2Q, FY2007) Heitkamp +2.9 Sekisui CPT +4.3
Operating Income	-0.2	


**Summary of profit and loss**

(Billions of yen)

	FY2008	FY2007	Difference	
Net Sales	934.2	958.7	-24.4	*(-33.2)
Gross Income of Sales	253.8	272.8	-19.0	
Gross Income Rate	27.2%	28.5%	-1.3%	
Selling, Gen. and Admin. Expenses	220.2	229.8	-9.6	
Operating Income	33.6	43.0	-9.4	*(-9.2)
Investment Income by Equity Method	1.4	0.6	0.8	
Other Non-operating Income and expenses	-5.6	-5.0	-0.6	
Recurring Income	29.4	38.5	-9.1	
Extraordinary Income	0.7	23.6	-23.0	
Extraordinary Expenses	17.3	17.2	0.1	
Income before Income Taxes	12.8	45.0	-32.2	
Corporate Income Tax etc.	11.5	19.9	-8.4	
Income for Minority Shareholders	0.3	0.7	-0.4	
Net Income	1.0	24.3	-23.3	
Dividend per Share (Yen)	10	15	-5	

*\*Excluding the influence from newly consolidated subsidiaries*

**Non-operating income & expense**

(Billions of yen)

	FY2008	FY2007	Difference	Remarks on Main Difference
Investment Income by Equity Method	1.4	0.6	0.8	
Financial Income and Expenses	1.0	1.8	-0.8	Received -0.4 Paid 0.4
Miscellaneous Income and Expenses etc.	-6.5	-6.8	0.3	Foreign exchange gain (loss) 0.8
Total	-4.2	-4.5	0.3	


**Extraordinary income and expenses**

(Billions of yen)

	FY2008	FY2007	Difference
Gain on Sales of property, plant and equipment	0.7	-	0.7
Gain on Sales of Investments in Securities	-	23.2	-23.2
Proceeds from Business Transfer	-	0.5	-0.5
<b>Total Extraordinary Income</b>	<b>0.7</b>	<b>23.6</b>	<b>-23.0</b>
<b>Charges</b>	<b>8.0</b>	<b>-</b>	<b>8.0</b>
Structural Improvement Expense	4.3	10.2	-5.9
Loss from Revaluation of Equity Investment Securities (Loss on devaluation of securities)	2.8	-	2.8
Loss on Sales or Disposal of Property, Plant and Equipment and the others	2.2	2.6	-0.4
Loss on Asset Impairment	0.1	1.4	-1.3
Loss on Revaluation of Inventories (Lower-of-Cost-or-Market Method)	-	3.1	-3.1
<b>Total Extraordinary Expenses</b>	<b>17.3</b>	<b>17.2</b>	<b>0.1</b>
<b>Total Extraordinary Income and Expenses</b>	<b>-16.6</b>	<b>6.4</b>	<b>-23.0</b>


**Balance sheet (Assets)**

(Billions of yen)

	End March. 2009	End March. 2008	Difference
Cash and Deposits	40.8	30.3	10.6
Account Receivable on sales	142.4	168.4	-26.1
Inventories	120.0	116.2	3.8
Other Current Assets	27.3	27.5	-0.2
Tangible Fixed Assets	238.8	243.5	-4.6
Intangible Fixed Assets	33.8	27.4	6.3
Investment Securities	109.9	133.2	-23.2
Investment & Other Assets	43.4	36.3	7.1
<b>Total Assets</b>	<b>756.5</b>	<b>782.9</b>	<b>-26.4</b>

Receipt of goods +32.0  
 Depreciation and amortization -33.9  
 Lease accounting applied +11.6  
 Influence of foreign exchange -14.0

Revalued at market price -16.0  
 Impairment assets -3.6


**Balance sheets (Liabilities & Net assets)**

(Billions of yen)

	End March. 2009	End March. 2008	Difference
No Interest Bearing Liabilities	296.3	321.8	-25.5
Interest Bearing Liabilities	129.4	92.1	37.3
<b>Total Liabilities</b>	<b>425.7</b>	<b>413.9</b>	<b>11.8</b>
Capital Stock etc.	209.3	209.4	-0.1
Retained Earning	146.9	154.1	-7.1
Treasury Stock	-10.8	-10.8	0.0
Unrealized Holding Gain on Securities	-11.2	-0.9	-10.3
Minority Shareholders' Interests	8.3	9.8	-1.4
Other Net Assets	-11.8	7.5	-19.3
<b>Total Net assets</b>	<b>330.7</b>	<b>368.9</b>	<b>-38.2</b>
<b>Total Liabilities, Net assets</b>	<b>756.5</b>	<b>782.9</b>	<b>-26.4</b>

Loan payable, commercial paper +24.7

 Lease accounting applied +9.7  
 Newly Consolidated Subsidiaries +3.1

 Net Income +1.0  
 Dividends paid -7.9

Foreign currency translation adjustment -19.4


**Consolidated Cash Flow**

(Billions of yen)

	FY2008	FY2007
Cash Flows from Operating Activities	35.6	31.8
Cash Flows from Investing Activities	-35.4	13.5
Cash Flows from Financing Activities	13.9	-42.8
Net Increase (Decrease) in Cash and Cash Equivalents	10.3	2.2
Cash and Cash Equivalents at the End of Term	40.5	29.9
Free Cash Flow =Cash Flows from Operating Activities +Cash Flows from Investing Activities -Dividends Paid	-7.8	37.2


**Depreciation and Capital Expenditure**

(Billions of yen)

	Depreciation			Capital Expenditure		
	FY2008	FY2007	Difference	FY2008	FY2007	Difference
Housing	8.7(3.3)	5.6	3.1	6.2(1.9)	5.6	0.6
UIEP	7.8( 0.2)	7.1	0.8	6.2(0.1)	8.2	-2.0
HPP	17.1(1.8)	15.2	1.9	19.1(1.3)	15.2	3.9
Others	2.3(0.4)	1.9	0.3	1.9(0.2)	1.4	0.5
Eliminations or Unallocatable Accounts	0.6(0.0)	0.7	-0.1	1.0(0.0)	0.9	0.2
<b>Total</b>	<b>36.5(5.7)</b>	<b>30.5</b>	<b>6.0</b>	<b>34.5(3.5)</b>	<b>31.3</b>	<b>3.3</b>

\*( ) indicate effects of lease accounting standards



(Billions of yen)

	FY2009 (Plan)	FY2008 (Actual)	Difference
Net Sales	860.0	934.2	-74.2
Gross Income of Sales	246.5	253.8	-7.3
Gross Income Rate	28.7%	27.2%	1.5%
Selling, Gen. and Admin. Expenses	219.0	220.2	-1.2
Operating Income	27.5	33.6	-6.1
Investment Income by Equity Method	1.8	1.4	0.4
Other Non-operating Income and expenses	-4.9	-5.6	0.7
Recurring Income	24.5	29.4	-4.9
Extraordinary Income	0.0	0.7	-0.7
Extraordinary Expenses	6.0	17.3	-11.3
Income before Income Taxes	18.5	12.8	5.7
Corporate Income Tax etc.	7.6	11.5	-3.9
Income for Minority Shareholders	0.9	0.3	0.6
Net Income	10.0	1.0	9.0
Dividend per Share (Yen)	10	10	0



(Billions of yen)

	FY2009 (Plan)	FY2008 (Actual)	Difference
Depreciation	34.0	36.5	-2.5
Capital Expenditure	39.0	34.5	4.5
Research and Development Expenditure	26.0	25.4	0.6



**Disclaimer :** This presentation may contain forward-looking statements. Such forward-looking statements are based on current expectations and beliefs and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements due to changes in global economic, business, competitive market and regulatory factors.

## Housing Company Results and Plan

### 1. Main data in Housing business

		FY2008			FY2007			FY2006	
		1 <sup>st</sup> H	2 <sup>nd</sup> H	Annual	1 <sup>st</sup> H	2 <sup>nd</sup> H	Annual	Annual	
CONSOLIDATED	Sales (Billions of yen)	211.9	212.6	424.5	210.8	209.1	420.0	430.5	
	Housing	163.1	163.9	327.1	165.3	161.4	326.7	339.7	
	Houses	155.4	157.9	313.3	158.0	154.3	312.3	326.1	
	Land	7.8	6.1	13.8	7.3	7.1	14.4	13.6	
	Living environment	48.8	48.6	97.4	45.5	47.8	93.3	90.7	
	Refurbishing	32.8	32.8	65.7	31.4	32.2	63.5	61.8	
	Interior-Exterior	2.7	2.4	5.1	3.0	2.6	5.6	5.8	
	Real estate	13.3	13.4	26.7	11.2	13.0	24.2	23.2	
OTHERS	1.Number of houses sold (housing units)	6,900	7,650	14,550	6,900	7,450	14,350	15,000	
	Detached houses	5,000	5,300	10,300	5,000	5,100	10,100	10,820	
	Heim	4,050	4,300	8,350	4,000	4,050	8,050	8,470	
	Two-U	950	1,000	1,950	1,000	1,050	2,050	2,350	
	Apartments	1,900	2,350	4,250	1,900	2,350	4,250	4,180	
	2. Main data								
	Prices<Sales subsidiaries : Detached houses>/ Unit (Mil. Yen)	29.5	29.4	29.5	29.3	29.2	29.3	29.5	
	Prices<Sales subsidiaries : Detached houses>/ Tsubo(3.3m2) (Thou. Yen)	739	745	743	735	731	734	716	
	Floor space (m2)	131.7	130.3	131.0	131.6	131.8	131.7	135.9	
	Exhibition places (Unit: Structure)	416	—	407	455	—	438	465	
	Sales staff (No. of person)	2,463	—	2,327	2,536	—	2,370	2,419	
	Replacement ratio (%)	36	35	35	36	36	36	37	
	Referral sales ratio (%)	34	35	34	35	34	34	34	

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

### 2. Housing order

(Millions of yen)

	FY2009 Plan			FY2008			FY2007		
	1 <sup>st</sup> H Plan	2 <sup>nd</sup> H Plan	Annual Plan	1 <sup>st</sup> H	2 <sup>nd</sup> H	Annual	1 <sup>st</sup> H	2 <sup>nd</sup> H	Annual
Backlogs at beginning	136,100	154,900	—	153,000	159,400	—	150,000	144,300	—
Growth Rate	-11%	-3%	—	+2%	+11%	—	-1%	-8%	—
New Orders	190,785	192,788	383,573	197,277	169,808	367,085	186,646	197,786	384,432
Growth Rate	-3%	+14%	+5%	+6%	-14%	-4%	-6%	+3%	-2%
Sales of houses	171,985	190,288	362,273	190,877	193,108	383,985	192,346	189,086	381,432
Growth Rate	-10%	-1%	-6%	-1%	+2%	+1%	-1%	-5%	-3%
Balance at the end	154,900	157,400	—	159,400	136,100	—	144,300	153,000	—
Growth Rate	-3%	+16%	—	+11%	-11%	—	-8%	+2%	—

### 3. Housing starts

(in number of unit)

	FY2008			FY2007			FY2006
	1 <sup>st</sup> H	2 <sup>nd</sup> H	Annual	1 <sup>st</sup> H	2 <sup>nd</sup> H	Annual	Annual
Housing starts*	580,964	464,036	1,045,000	533,288	502,310	1,035,598	1,285,246
Privately-owned houses* (included in above) =A	175,676	136,193	311,869	162,831	148,972	311,803	356,557
Sales by our company	6,900	7,650	14,550	6,900	7,450	14,350	15,000
Detached house sales by our co.=B	5,000	5,300	10,300	5,000	5,100	10,100	10,820
Our share in Detached houses=B/A	2.8%	3.9%	3.3%	3.1%	3.4%	3.2%	3.0%

\*"The housing starts" and "Privately owned houses" in SH and Annual FY2008 are based on a forecast.

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

	FY2008			FY2007			FY2006
	1 <sup>st</sup> H	2 <sup>nd</sup> H	Annual	1 <sup>st</sup> H	2 <sup>nd</sup> H	Annual	Annual
Photovoltaic generation systems installed	50%	54%	52%	43%	45%	43%	51%
Tiled exterior wall (Heim type JX)	50%	50%	50%	55%	50%	52%	55%
All electric model	91%	92%	91%	87%	89%	88%	87%
Warm Airy	56%	71%	64%	46%	64%	55%	49%