

# Presentation Meeting on the Financial Results for the First Quarter of FY2009

**Tetsuji Izu**  
Senior Managing Executive Officer  
Responsible for Corporate Communication Department

**Sekisui Chemical Co., Ltd.**  
**30 July, 2009**



(Billions of yen)

	FY2009		FY2008		Difference	
	1 <sup>st</sup> Q	1 <sup>st</sup> Half (Plan)	1 <sup>st</sup> Q	1 <sup>st</sup> Half	1 <sup>st</sup> Q	1 <sup>st</sup> Half
Sales	169.5 (42%)*	406.0	205.2 (43%)**	472.9	-35.7	-66.9
Operating Income	-5.6	3.0	-0.4	18.3	-5.2	-15.3
Recurring Income	-7.4	3.0	0.4	19.2	-7.9	-16.2
Net Income	-7.1	-2.0	-3.5	9.5	-3.6	-11.5

\*: 1<sup>st</sup> Q of FY2009 / 1<sup>st</sup> Half of FY2009 Plan

\*\* : 1<sup>st</sup> Q of FY2008 / 1<sup>st</sup> Half of FY2008



(Billions of yen)

	FY2009				FY2008		1st Q Difference	
	1st Q		1st Half (Plan)		1st Q		Net Sales	Operating Income
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income		
Housing	77.1 (40%)*	-3.5	192.0	4.0	83.2 (39%)**	-2.9	-6.2	-0.6
UIEP***	37.5 (38%)*	-3.9	100.0	-2.5	47.6 (44%)**	-1.7	-10.1	-2.2
HPP****	50.6 (46%)*	2.0	109.0	3.0	69.0 (49%)**	4.7	-18.4	-2.8
Others	8.8	-0.1	19.0	-1.1	10.7	-0.4	-1.9	0.3
Eliminated or Not attribute	-4.5	0	-14.0	-0.4	-5.3	0	0.8	0
<b>Total</b>	<b>169.5 (42%)*</b>	<b>-5.6</b>	<b>406.0</b>	<b>3.0</b>	<b>205.2 (43%)**</b>	<b>-0.4</b>	<b>-35.7</b>	<b>-5.2</b>

\*( )=1st Q of FY 2009 / 1st Half of FY 2009 Plan

\*\*\*( )= 1st Q of FY 2008 / 1st Half of FY 2008

\*\*\* Urban Infrastructure &amp; Environmental Products Company

\*\*\*\* High Performance Plastics Company


**Domestic core businesses struggles due to the decline in demand**
**Global strategic business reports steady progress from its competitive businesses and products**
**Market**

- Outlook remains sluggish for domestic and global markets
- Effects of preferential taxation and increased public investment are not felt yet
- Demand increases for some public works

**Business Risk**

- Rising trend in the price of raw materials
- The appreciation of yen evens out in the first Q, but grim future outlook continues

	4th Q of FY2008 (Actual)	1st Q of FY2009 (Forecast)	Assumptions for the 1st half of the FY2009 (estimated average from Jan. to June)		End June. 2009	Company rate (1st H of FY2009)
Domestic Naphtha Price	27 Thou. of yen / KL	33.5 Thou. of yen / KL	30 Thou. of yen / KL	Foreign Exchange Rate	1Dollar=96Yen	1Dollar=91Yen
					1Euro=135Yen	1Euro=118Yen

**Status of Main Businesses**

Area	Business Field	Status of the first quarter
Domestic	Housing	Market recovery is slow, rate in the receipt of orders remain sluggish
	PVC pipes	Volume suffer due to the lack of demand in new housing starts
Global	AT related Field	Amid a tough market, plan proceeds accordingly concerning high performance products
	IT related Field	On a path of recovery, exceeds plan centering on LCD related products
	Medical Products Field	Effects of decreased demand felt in some overseas markets, but exceeds plan slightly due to the increase in demand for new influenza
	Infrastructure/ Pipeline renewal	Number of property stocks steadily grows as a result of overseas pipeline renewal business



**Status of the plan to increased earning power**

**Business efficiency measures implemented in advance**

- Scaled down production capacity for some businesses, downsizing complete (HPP)
- Scaled down production capacity, withdrawal from unprofitable businesses (UIEP)
- Following Kyushu, expansion in the integrated operations of production and sales (Hokkaido, Tohoku, Chugoku and Shikoku)

**Promoting the development of frontiers**

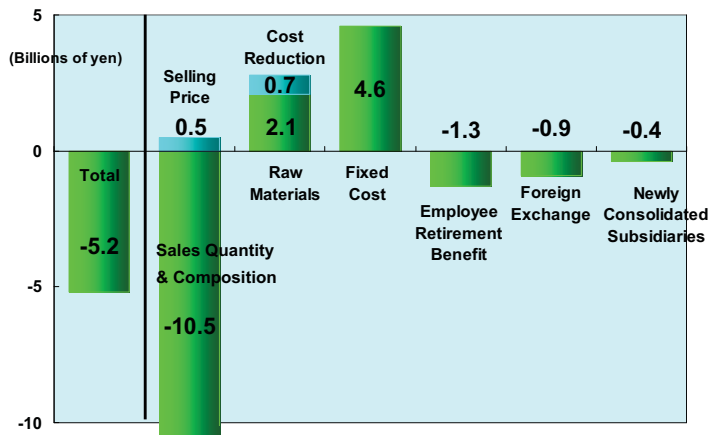
**Strengthening supply chain of strategic business (interlayer film)**

- Acquisition of a PVA resin business is complete

**Strategic business (MD) accelerates its global expansion**

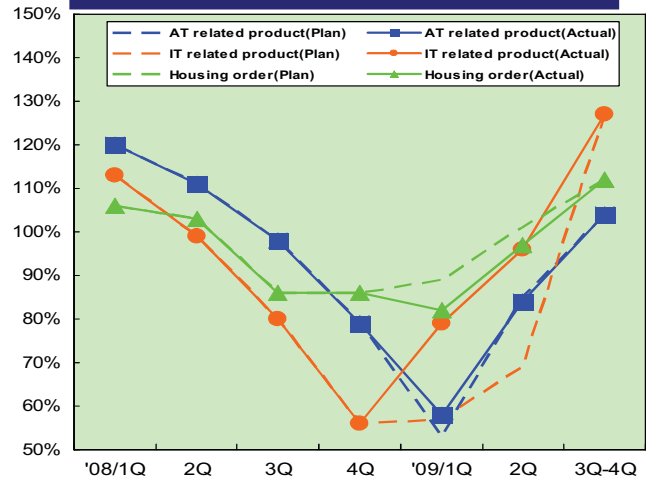
- Acquired U.S. subsidiaries (XenoTech, ADI) have started full-fledged operations

**Analysis of Operating Income for the 1<sup>st</sup> Q of FY2009 (year-on-year)**



Notes: Includes selling price of Housing Company within the selling volume and composition

**Growth rate (year-on-year) of principal businesses**



**Lowering the break-even point for sales**

- By revising the overseas production structure, etc., reduction of fixed costs proceeds according to plan
- Ensuring price maintenance of commodity items

**Strengthening of strategic businesses and expansion of overseas businesses**

**AT:** Despite the decline in sales volume, due to sluggish demand in the automobile market, proceeds according to plan

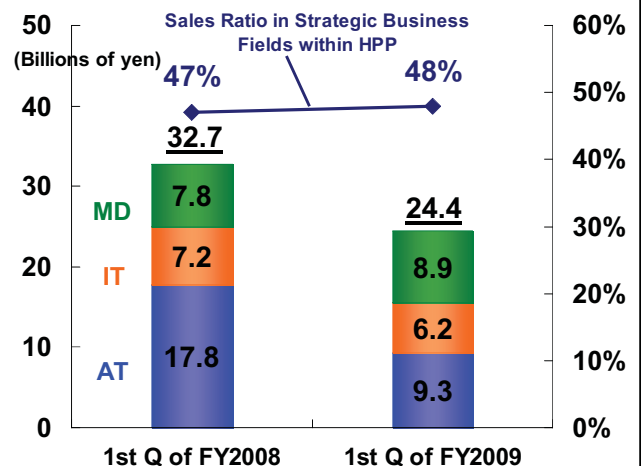
Acquisition of raw materials business for interlayer film (acquisition complete in July)

- Creation of stable raw materials supply system
- Demonstrating technological synergy within the supply chain

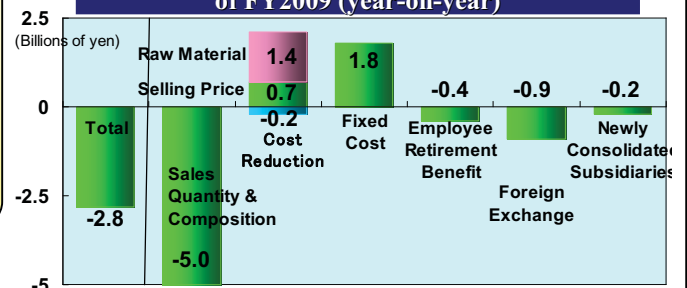
**IT:** LCD related materials on a path of recovery

**MD:** Strong results seen in testing drug for influenza  
XenoTech and ADI started full-fledged operations with an aim for overseas expansion

**Sales in Strategic Business Fields**



**Analysis of Operating Income for the 1<sup>st</sup> Q of FY2009 (year-on-year)**



Year-on-year overseas net sales 64% 1st Q for the fiscal year 2009



**Strengthening domestic earning power**

Recovery of commodity items market slower than expected

**Thorough implementation of structural reform**

-Scaled down production capacity, partial withdrawal from unprofitable businesses and products

**Expansion of growth products**

-Growth of public investment related products  
**PE Pipe (earthquake proof), SPR (Refurbishment /Restoration), CCBOX (Ground burial), FFU**

**Y-on-y net sales of growth products 100% 1<sup>st</sup> Q for the FY 2009**

**Acceleration of expansion in overseas business**

**Tough market situation due to decrease in demand from the global economic downturn**

Pipeline Renewal

- Increase in property stocks seen in the U.S. and Europe

Performance Materials

- Increased demand for FFU in various countries

Water infrastructure

- Strong receipt of orders for glass-reinforced plastic pipe in China

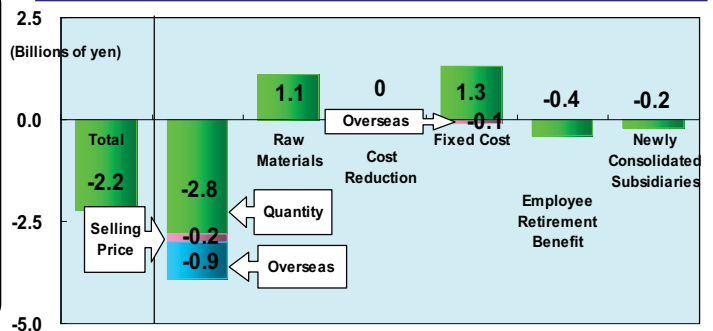
**Y-on-y overseas net sales of 74% 1<sup>st</sup> Q for the FY 2009**

**Net Sales and Operating Income in each Business Portfolio**

(Billions of yen)

		1 <sup>st</sup> Q of FY2009		Difference	
		Net Sales	Operating Income	Net Sales	Operating Income
Basic	Water Infrastructure in Japan (Water supply, glass-reinforced plastic pipe)	26.7	-1.1	-6.6	-0.3
	Construction Materials				
	Sekisui Home Techno Aqua System				
Growth	Pipeline renewal	2.2	-1.5	0.8	-0.5
	Performance material (Plant Material, Sheets, FFU)	4.5	0	-2.3	-0.8
	Water Infrastructure (Overseas)	0.7	-0.3	-1.3	-0.4

**Analysis of Operating Income for the 1<sup>st</sup> Q of FY2009 (year-on-year)**



**FY 2009 Market environment for the 1<sup>st</sup> Q and outlook for the 2<sup>nd</sup> Q**

- Slower than expected market recovery in the 1<sup>st</sup> Q, intensified competition
- Full-fledged market recovery projected from 2<sup>nd</sup> Q
- Effects from various of preferential taxation expected to be felt from 2<sup>nd</sup> Q

**Housing orders/status in Housing Infrastructure Business and plans to acquire housing orders in 2<sup>nd</sup> Q**

**Market recovery is slow, housing orders remain stagnant in 1<sup>st</sup> Q**

-Actual numbers of housing orders received in 1<sup>st</sup> Q: 82%, planned reparation in 2<sup>nd</sup> Q: 97%  
 Planned reparation in 1<sup>st</sup> half (year-on-year): 90%

**Launch plan to acquire housing orders in 2<sup>nd</sup> Q**

- Strengthen appeal for large capacity solar by extending "Solar Heim Campaign"
- Price discounts for Warm Airy implementation
- Additional expansion in sales for products with "noticeable cost-performance"

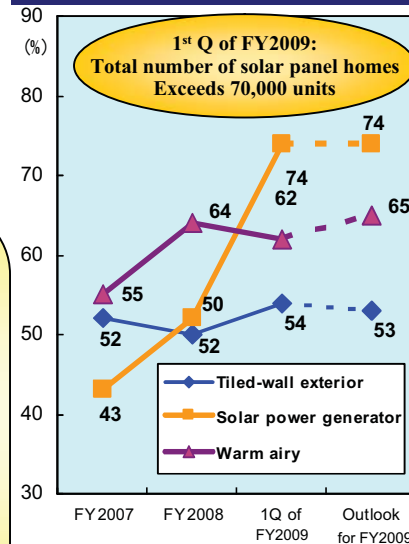
**Year-on-year receipt of orders for products with "noticeable cost-performance" at 108% 1<sup>st</sup> Q for the fiscal year 2009**

**Sales of Living Environment Business proceeds according to plan**

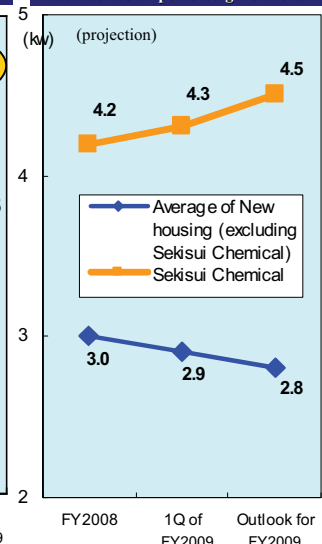
**Strengthening earning power**

- Effects of cost reduction for housing materials and construction are felt in advance
- Reduction of fixed costs proceeds steadily
- Following Kyushu, expansion in the integrated operations of production and sales (Hokkaido, Tohoku, Chugoku and Shikoku)

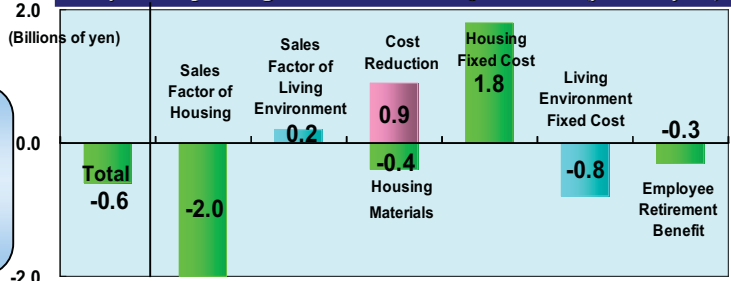
**Ratio of installed High-performance option**



**Comparison of installment capacity between solar-powered generators**



**Analysis of Operating Income for the 1<sup>st</sup> Q of FY2009 (year-on-year)**



# Financial Results

## for the First Quarter of FY2009

**Hideo Tagashira**  
**Managing Executive Officer**  
**Responsible for Corporate Finance & Accounting Department**

### Number of Consolidated Companies

	End June. 2009	End March. 2009	Difference
<b>Consolidated Companies</b>	151	150	+ 2 Newly Consolidated Subsidiaries - 1 Liquidation
<b>Companies in Equity Method</b>	8	8	

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

(Billions of yen)

Net Sales	+1.7	Sekisui CPT +1.3 * XenoTech +0.4 *
Operating Income	-0.4	Sekisui CPT -0.3

\* Newly consolidated from the third quarter of FY2008


**Summary of Profit and Loss**

(Billions of yen)

	1 <sup>st</sup> Q of FY2009	1 <sup>st</sup> Q of FY2008	Difference
Net Sales	169.5	205.2	-35.7
Gross Income of Sales	47.0	55.3	-8.3
Gross Income Rate	27.7%	27.0%	0.7%
Selling, Gen. and Admin. Expenses	52.6	55.7	-3.1
Operating Income	-5.6	-0.4	-5.2
Investment Income by Equity Method	-0.2	0.1	-0.2
Other Non-operating Income and expenses	-1.7	0.8	-2.4
Recurring Income	-7.4	0.4	-7.9
Extraordinary Income	0.6	2.2	-1.6
Income before Income Taxes	-8.0	-1.7	-6.3
Corporate Income Tax etc.	-1.1	1.6	-2.6
Income for Minority Shareholders	0.1	0.2	-0.1
Net Income	-7.1	-3.5	-3.6

(-37.3)\*

*\*Excluding the influence from newly consolidated subsidiaries*

**Net Sales and Operating Income by Company**

(Billions of yen)

	1 <sup>st</sup> Q of FY2009		1 <sup>st</sup> Q of FY2008		Difference	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Housing	77.1	-3.5	83.2	-2.9	-6.2	-0.6
UIEP	37.5	-3.9	47.6	-1.7	-10.1	-2.2
HPP	50.6	2.0	69.0	4.7	-18.4	-2.8
Others	8.8	-0.1	10.7	-0.4	-1.9	0.3
Eliminations or Unallocatable Accounts	-4.5	0	-5.3	-0	0.8	0
Total	169.5	-5.6	205.2	-0.4	-35.7	-5.2


**Non-operating Income & Expense**

(Billions of yen)

	1 <sup>st</sup> Q of FY2009	1 <sup>st</sup> Q of FY2008	Difference	Remarks on Main Difference
Investment Income by Equity Method	-0.2	0.1	-0.2	
Financial Income and Expenses	0.7	0.9	-0.2	Received -0.2 Paid 0
Miscellaneous Income and Expenses etc.	-2.3	-0.1	-2.2	Foreign Exchange Income -0.6 Loss on Revaluation of Assets -0.8
Total	-1.9	0.8	-2.7	


**Extraordinary Income and Expenses**

(Billions of yen)

	1 <sup>st</sup> Q of FY2009	1 <sup>st</sup> Q of FY2008	Difference
Structural Improvement Expense	-	2.0	-2.0
Loss on Sales or Disposal of Property, Plant and Equipment and the others	0.6	0.2	0.4
Total Extraordinary Expenses	0.6	2.2	-1.6
<b>Total Extraordinary Income and Expenses</b>	<b>-0.6</b>	<b>-2.2</b>	<b>1.6</b>


**Balance Sheet (Assets)**

(Billions of yen)

	End June. 2009	End March. 2009	Difference
Cash and Deposits	35.1	40.8	-5.8
Account Receivable on sales	126.3	142.4	-16.1
Inventories	120.2	120.0	0.2
Other Current Assets	47.7	27.3	20.5
Tangible Fixed Assets	245.4	238.8	6.5
Intangible Fixed Assets	33.1	33.8	-0.7
Investment Securities	134.3	109.9	24.3
Investment & Other Assets	35.5	43.4	-7.8
<b>Total Assets</b>	<b>777.6</b>	<b>756.5</b>	<b>21.1</b>

Interlayer film facilities (EU) +2.1

Revalued at market price +19.4


**Balance Sheets (Liabilities & Net Assets)**

(Billions of yen)

	End June. 2009	End March. 2009	Difference
No Interest Bearing Liabilities	272.9	296.3	-23.4
Interest Bearing Liabilities	167.7	129.4	38.2
<b>Total Liabilities</b>	<b>440.6</b>	<b>425.7</b>	<b>14.9</b>
Capital Stock etc.	209.3	209.3	0
Retained Earning	138.3	146.9	-8.7
Treasury Stock	-10.8	-10.8	0
Unrealized Holding Gain on Securities	0.3	-11.2	11.6
Minority Shareholders' Interests	8.4	8.3	0.1
Other Net Assets	-8.6	-11.8	3.2
<b>Total Net assets</b>	<b>337.0</b>	<b>330.7</b>	<b>6.2</b>
<b>Total Liabilities, Net assets</b>	<b>777.6</b>	<b>756.5</b>	<b>21.1</b>

 Net Income -7.1  
Dividends Paid -1.6

Foreign Currency Translation Adjustment +3.2


**Consolidated Cash Flow**

(Billions of yen)

	1 <sup>st</sup> Q of FY2009	1 <sup>st</sup> Q of FY2008
Cash Flows from Operating Activities	-10.2	-7.6
Cash Flows from Investing Activities	-24.9	-4.3
Cash Flows from Financing Activities	34.4	20.4
Net Increase in Cash and Cash Equivalents	0.2	7.4
Cash and Cash Equivalents at the End of Term	40.8	37.6
Free Cash Flow =Cash Flows from Operating Activities +Cash Flows from Investing Activities -Dividends Paid	-36.7	-16.1


**Depreciation and Capital Expenditure**

(Billions of yen)

	FY2009		FY2008		Difference	
	1 <sup>st</sup> Q	Annual (Plan)	1 <sup>st</sup> Q	Annual	1 <sup>st</sup> Q	Annual
Depreciation	8.1	34.0	8.8	36.5	-0.6	-2.5
Capital Expenditure	9.4	39.0	7.1	34.5	2.3	4.5



**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

		FY2009		FY2008		
		1st Q	1st Half Plan	1st Q	1st Half	2nd Half
CONSOLIDATED	Sales (Billions of yen)	77.1	192.0	83.2	211.9	212.6
	Housing	54.8	141.0	61.1	163.1	163.9
	Houses	52.1	135.0	57.5	155.4	157.9
	Land	2.7	6.0	3.6	7.8	6.1
	Living environment	22.3	51.0	22.2	48.8	48.6
	Refurbishing	14.4	34.8	14.8	32.8	32.8
	Interior-Exterior	1.0	2.4	1.0	2.7	2.4
Real estate	6.8	13.9	6.4	13.3	13.4	
OTHERS	1.Number of houses sold (housing units)	2,250	6,050	2,550	6,900	7,650
	Detached houses	1,850	4,350	2,050	5,000	5,300
	Heim	1,530	3,550	1,690	4,050	4,300
	Two-U	320	800	360	950	1,000
	Apartments	400	1,700	500	1,900	2,350
	2. Main data					
	Prices<Sales subsidiaries : Detached houses>/ Unit (Millions of Yen)	29.9	-	29.5	29.5	29.4
	Prices<Sales subsidiaries : Detached houses>/ Tsubo(3.3m2) (Thousands of Yen)	750	-	734	739	745
	Floor space (m2)	131.5	-	132.7	131.7	130.3
	Exhibition places (Unit: Structure)	396	396	416	416	407
	Sales staff (Number of person)	2,361	2,325	2,497	2,463	2,327
	Replacement ratio (%)	31	36	35	36	35
	Referral sales ratio (%)	34	36	33	34	35

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

### 2. Housing order

(Millions of yen)

	FY2009		FY2008			FY2007	
	1st Q	1st Half Plan	1st Q	1st Half	2nd Half	1st Half	2nd Half
Backlogs at beginning	136,100	-	153,000	-	159,400	150,000	144,300
Growth Rate	-11%	-	+2%	-	+11%	-1%	-8%
New Orders	76,922	183,648	89,242	197,277	169,808	186,646	197,786
Growth Rate	-14%	-7%	+8%	+6%	-14%	-6%	+3%
Sales of houses	67,522	172,148	73,242	190,877	193,108	192,346	189,086
Growth Rate	-8%	-10%	-5%	-1%	+2%	-1%	-5%
Balance at the end	145,500	147,600	169,000	159,400	136,100	144,300	153,000
Growth Rate	-14%	-7%	+9%	+11%	-11%	-8%	+2%

### 3. Housing starts

(in number of unit)

	FY2009		FY2008		
	1st Q	1st Half Plan	1st Q	1st Half	2nd Half
Housing starts*	199,000	450,000	289,663	580,964	458,216
Privately-owned houses* (included in above) =A	71,100	140,000	84,073	175,676	134,988
Sales by our company	2,250	6,050	2,550	6,900	7,650
Detached house sales by our co.=B	1,850	4,350	2,050	5,000	5,300
Our share in Detached houses=B/A	2.6%	3.1%	2.4%	2.8%	3.9%

\*"The housing starts" and "Privately owned houses" after 1st Q of FY2009 are based on a forecast.

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

	FY2009		FY2008		
	1st Q	1st Half Plan	1st Q	1st Half	2nd Half
Photovoltaic generation systems installed	74%	74%	49%	50%	54%
Tiled exterior wall (Heim type JX)	54%	53%	51%	50%	50%
All electric model	92%	92%	90%	91%	92%
Warm Airy	62%	65%	58%	56%	71%