

# Presentation Meeting on the Financial Results for the Third Quarter of FY2010

(Fiscal Year Ending March 31, 2011)

**Hajime Kubo**

Director

Executive Officer

Responsible for Corporate Communication Department

Sekisui Chemical Co., Ltd.

28 January, 2011

(Billions of yen)

	First 9 months of FY2010 (Actual)	First 9 months of FY2009 (Actual)	Difference
Net Sales	678.5	617.5	61.0
Operating Income	33.3	19.3	14.0
Recurring Income	32.0	15.9	16.1
Net Income	14.8	3.1	11.7



(Billions of yen)

	3 Q of FY2010 (Actual)				First 9 months of FY2010 (Actual)			
	Net Sales	Difference	Operating Income	Difference	Net Sales	Difference	Operating Income	Difference
Housing	108.3	16.5	7.1	5.2	316.5	28.3	18.9	8.2
UIEP*	48.1	0.2	-0.3	0.5	137.3	-0.2	-2.8	1.8
HPP**	71.7	3.9	6.6	-0.2	211.6	32.5	18.0	4.3
Others	9.5	-1.3	-0.4	-0.4	31.1	1.2	-0.6	-0.7
Eliminations or Unallocatable Accounts	-5.3	1.2	-0.0	0.1	-18.0	-0.7	-0.2	0.3
<b>Total</b>	<b>232.3</b>	<b>20.6</b>	<b>13.1</b>	<b>5.2</b>	<b>678.5</b>	<b>61.0</b>	<b>33.3</b>	<b>14.0</b>

Note: Indicated differences are the year-on-year differences

\*Urban Infrastructure & Environmental Products Company

\*\* High Performance Plastics Company



Operating Income by Company

(Billions of yen)

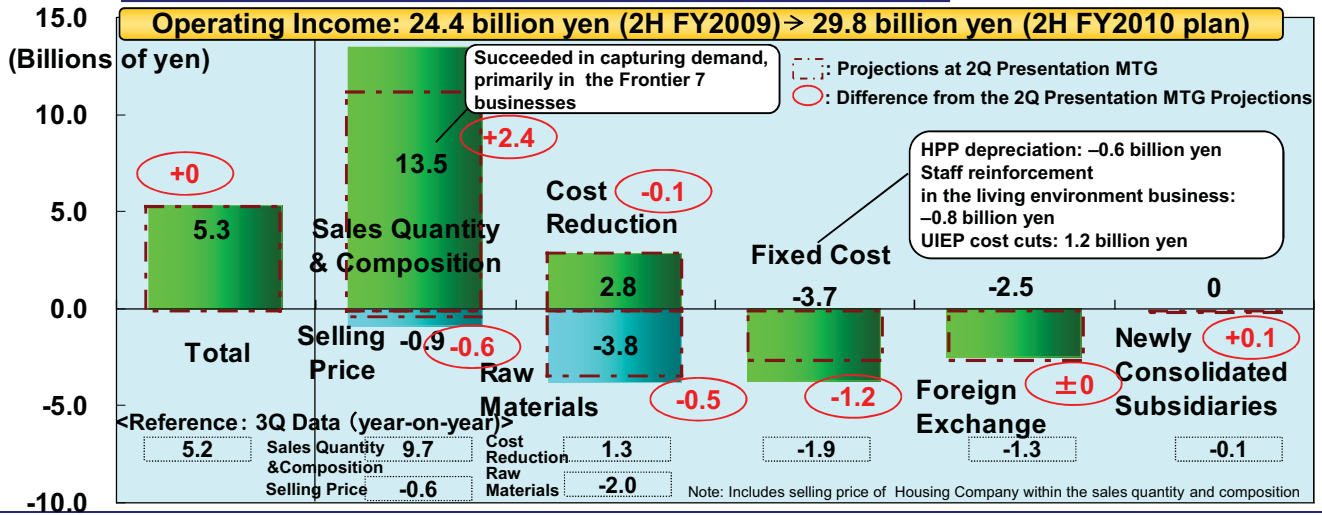
	1H of FY2010	2H of FY2010		FY2010 Plan*
		Forecast	Difference	
Housing	11.8	12.2	1.6	24.0
UIEP	-2.5	4.3	3.0	1.8
HPP	11.3	13.7	1.3	25.0
Others	-0.2	0.2	-0.1	0
Eliminations or Unallocatable Accounts	-0.2	-0.6	-0.4	-0.8
<b>Total</b>	<b>20.2</b>	<b>29.8</b>	<b>5.3</b>	<b>50.0</b>

\* Plan announced at the 2Q financial results presentation meeting

- Continued capturing growth demand primarily in the Frontier 7 businesses, as in 1H**  
 -3Q FY2010 Frontier 7 business sales forecast: +7% YoY  
 -3Q FY2010 Asia region sales: +8% YoY
- Curbed fixed costs other than those related to growth investment; expecting to achieve cost-cutting targets as planned**
- Made further progress in business fortification centered on the Frontier 7 businesses**  
 -Completed expansion of an interlayer film raw materials plant in Europe (Operation began in January 2011).  
 Decided on the acquisition of the diagnostics reagents business of a U.S.-based leading company in that field  
 -Made progress with structural fortification of the living environment business.  
 UIEP: Develop value chains in all business segments

Frontier 7 Businesses: (HPP) AT related business, IT related business, Medical related business, (UIEP) Pipeline Renewal business, Water infrastructure business (overseas), Performance materials business (Housing) Living Environment business

## Analysis of Operating Income for 2H FY2010 (year-on-year)



## Market and business risk

### Market

- Domestic demand levels off as the government's stimulus measures expire
- Ongoing expansion in emerging economies centered on Asia
- Europe—gradual recovery from the fiscal crisis impact
- U.S.—additional economic measures and other developments raise expectations for an accelerated recovery

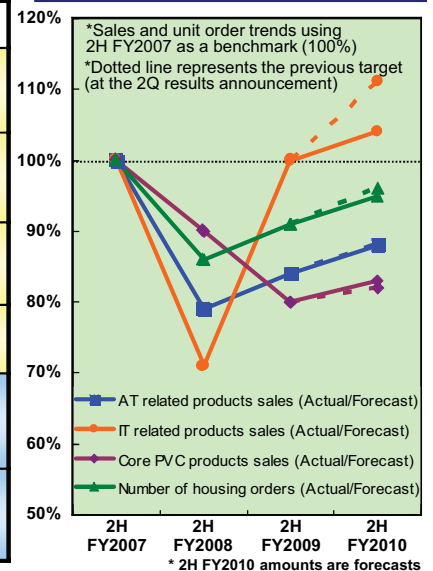
### Business Risk

- Rising trend in core material prices
- The yen remains strong versus the U. S. dollar and the euro

## Progress Report on Main Businesses

	Business Field	Progress in 2H Plan
Global Businesses	Automobile Field	Steady demand in China and other emerging economies. Recovery in demand in the U.S. and Europe. Overall performance outpacing the 2H forecast. *AT related products sales (3Q FY2010): +6% YoY
	IT & Electronics Material Field	Stronger than anticipated impact from production adjustments in 3Q. 2H target shortfall predicted in spite of the expected gradual recovery in 4Q *IT related products sales (3Q FY2010): +14% YoY
	Medical Field	Generally progressed as planned, particularly in the diagnostics reagents segment. Accelerated full-fledged expansion of overseas operations, leveraging the acquisition of the diagnostics reagents business of a U.S.-based leading company in that field.
	Pipeline Renewal Field	Sales rose in the U.S. and Europe, our main markets. 2H profit targets expected to be reached.
Domestic Businesses	Water Infrastructure Field	Overall sales volume levels maintained on recovering demand for detached housing products amid sluggish sales of products targeting the public sector. Steady sales of energy conservation and stock-related products.
	Housing Field	Housing orders in 3Q exceeded targets on a per-unit price basis but fell slightly short of targets on a volume basis. Home refurbishment orders were in line with the 2H target. *Housing orders (3Q FY2010): +2%, Housing unit price (3Q FY2010): +2%

## Sales and Orders in Main Business



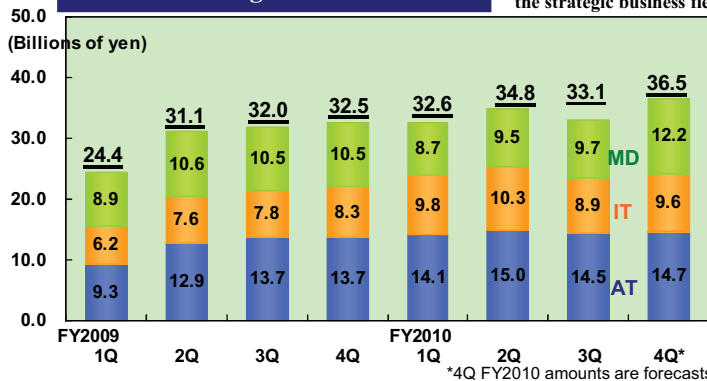
## Progress for second-half plan

### Strengthening of strategic and overseas businesses

- AT:** -Strong demand in emerging economies. Demand recovers in Europe and the U.S.  
 -Completed expansion of the interlayer film raw materials plant in Europe (Operation began in January 2011)
- IT:** -Liquid crystal-related materials and optical materials (tape, film) grew despite the stronger-than-anticipated impact of inventory adjustments
- MD:** -Overseas development accelerated with the acquisition of the diagnostics reagents business of U.S.-based Genzyme (announced November 2010)  
 -Expanded diagnostic equipment business.

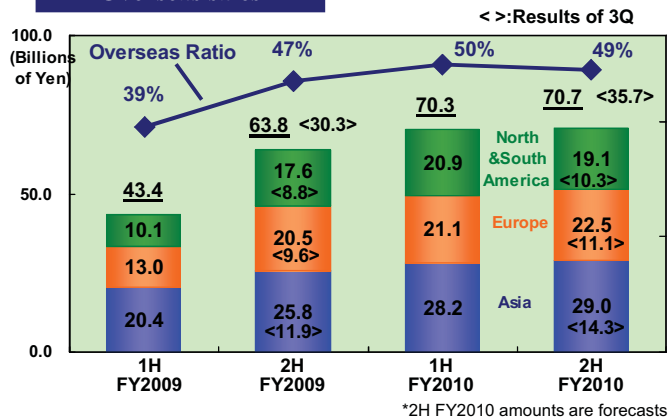
### Sales in Strategic Business Fields

\*PVA business not included in the strategic business fields



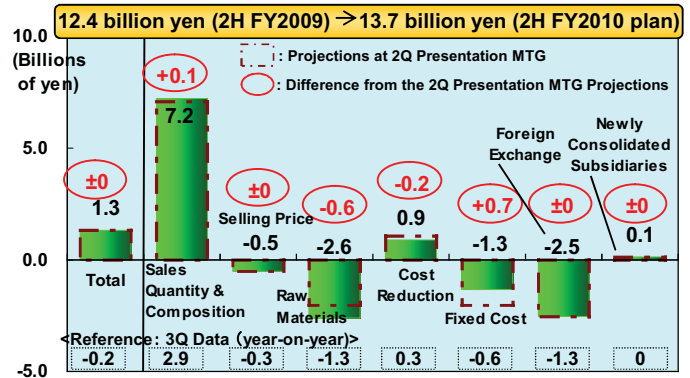
\*4Q FY2010 amounts are forecasts

### Overseas sales



\*2H FY2010 amounts are forecasts

### Analysis of Operating Income for 2H FY2010 (year-on-year)



## Progress for second-half plan

### Domestic Business:

- Core PVC Products**  
 - Expanded volume primarily in the detached housing and construction fields. Sluggish demand in the public sector field (Public works orders expected to be concentrated in 4Q)
- Domestic Growth Products**  
 - Achieved steady expansion in the stock and energy-saving product fields (supported by seismic retrofit demand, the eco-point system, etc.)

### Overseas Business:

- Recovery in the performance materials business (sheet, plant, etc.)  
 - Expanded pipeline renewal business

### Priority measures in FY2011

#### Develop value chains in all business segments

- Switch focus from single-item sales to system sales
- Establish a comprehensive order system

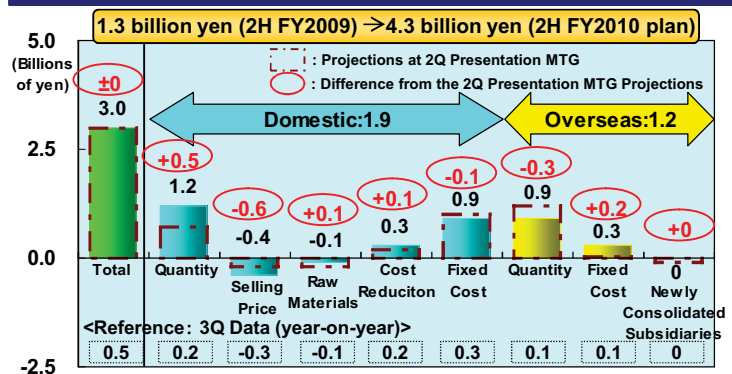
#### Further improve the earnings structure in the domestic businesses

- Restructure the sales system
- Accelerate the shift from core businesses to growth businesses

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

		(Billions of yen)	FY2010		Difference	
			3Q	2H	3Q	2H
Domestic Core Businesses	Pipe Materials, Reinforced Plastic Composite Pipe, Building Materials, Sekisui Home Techno	Net Sales	34.1	69.0	0.5	1.0
	Operating Income	1.3	2.3	0.5	0.7	
Domestic Growth Business	FFU, Pipeline Renewal, Industrial Piping Materials, Aqua System	Net Sales	7.8	24.6	0.1	2.3
	Operating Income	-1.1	1.5	-0.2	1.0	
Overseas Business	Water Infrastructure, Pipeline Renewal, Performance Material	Net Sales	6.1	15.5	-0.3	1.0
	Operating Income	-0.4	0.5	0.3	1.2	

### Analysis of Operating Income for 2H FY2010 (year-on-year)



## Progress for second-half plan

- Due to successful promotion of high-performance products, the order price of housing exceeded our target on a per unit basis. However, sluggish sales of products with readily perceivable cost performance caused overall housing unit orders to fall slightly short of the 3Q target
  - 3Q order results: housing units +2%, unit price +2% YoY
- Living environment business sales exceeded targets due to a steady expansion in sales of selected sales materials
  - 3Q living environment business sales +16% YoY;
  - 3Q selected sales materials sales +25% YoY
- Curbed fixed costs other than those related to growth investment; expecting to achieve cost-cutting targets as planned

## Measures to acquire housing orders in 4Q FY2010

**Housing unit orders**  
4Q: +4% YoY, 2H (Revised plan): +3% YoY

## Market Forecast for 4Q

**Government policies, etc., expected to sustain the favorable operating environment seen through the end of 3Q**

- Customer demand for affordable prices is expected to intensify further
- Demand is expected to remain strong among customers for environmental and high-performance features

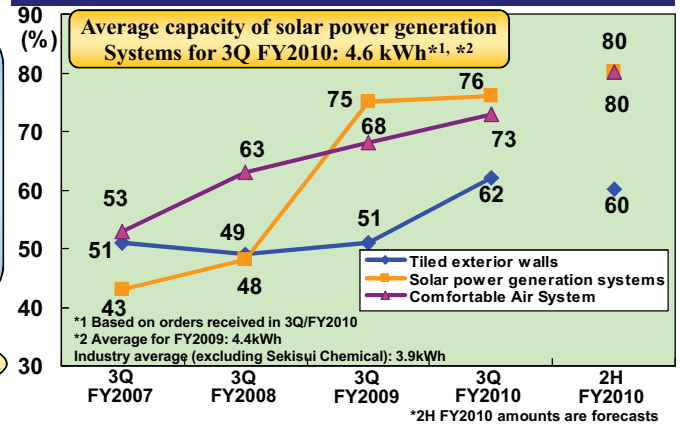
**Secure housing unit orders for products with readily perceivable cost performance**

- Promote affordable prices through area-specific pricing
- Expand sales by concentrating on premium subdivision properties

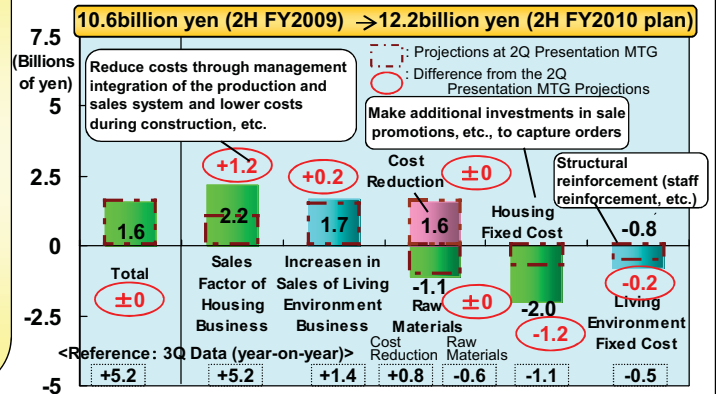
**Highlight high-performance housing products to further strengthen the Company's differentiation**

- Expand and enhance the Warm Heim Campaign 2010
- Highlight the perceivable qualities of the Comfortable Air Systems and Air Factory
- Conduct aggressive promotion of large-capacity solar power equipment to realize full effect of government stimulus measures

## Sales Percentages of Homes with High-Performance Options



## Analysis of Operating Income for 2H FY2010 (year-on-year)



# Financial Results for the Third Quarter of FY2010

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

### Number of Consolidated Companies

	December 31, 2010	March 31, 2010	Difference
<b>Consolidated Companies</b>	155	153	Sekisui-SCG Industry*, etc.
<b>Affiliates (Equity Method)</b>	8	8	

\*Sekisui-SCG Industry Co., Ltd. is our housing production subsidiary in Thailand

### Influence of Change in Number of Consolidated Companies

(Billions of yen)

Net Sales**	+16.4	SSC America +8.3*** SSC Europe +5.4*** Alveo BS +1.6 ****
Operating Income**	+0.3	SSC America +0.4 *** Sekisui-SCG Industry-0.3 **** Alveo BS +0.1 ****

\*\*Represents contribution to net sales and operating income during 1Q-3Q FY2010

\*\*\* Newly consolidated from 3Q FY2009, \*\*\*\* Newly consolidated from 1Q FY2010


**Summary of Profit and Loss**

(Billions of yen)

	First 9 months of FY2010	First 9 months of FY2009	Difference	
Net Sales	678.5	617.5	61.0	(44.6)*
Gross Profit	199.9	180.6	19.4	
Gross Profit Rate	29.5%	29.2%	0.2%	
Selling, Gen. and Admin. Expenses	166.6	161.2	5.4	
Operating Income	33.3	19.3	14.0	(13.7)*
Equity in Earnings of Affiliates	0.7	0.5	0.2	
Other Non-operating Income and expenses	-1.9	-3.9	1.9	
Ordinary Income	32.0	15.9	16.1	
Extraordinary Income	-	0.6	-0.6	
Extraordinary Loss	2.9	5.1	-2.2	
Income before Income Taxes	29.1	11.4	17.7	
Income Taxes	13.8	7.4	6.4	
Minority Interests	0.6	1.0	-0.3	
Net Income	14.8	3.1	11.7	

\*Excluding the contribution from newly consolidated subsidiaries


**Consolidated Cash Flows**

(Billions of yen)

	First 9 months of FY2010	First 9 months of FY2009
Operating Activities Cash Flows	45.6	32.0
Investing Activities Cash Flows	* -26.4	-40.9
Financing Activities Cash Flows	-7.9	15.4
Net Increase in Cash and Cash Equivalents	9.6	6.9
Cash and Cash Equivalents at the End of Term	65.0	47.4
Free Cash Flow =Operating Activities Cash Flows +Investing Activities Cash Flows -Dividends Paid	13.7	-13.1

\* Acquisition costs relating to Genzyme's diagnostics reagents business expected to be incurred in 4Q


**Balance Sheet (Assets)**

(Billions of yen)

	December 31, 2010	March 31, 2010	Difference	
Cash and Deposits	51.7	45.2	6.5	
Account Receivable on sales	145.4	146.5	-1.1	
Inventories	117.4	107.2	10.2	Housing: +7.1
Other Current Assets	48.3	44.6	3.7	
Tangible Non-Current Assets	240.9	257.0	-16.1	
Intangible Non-Current Assets	30.7	33.8	-3.1	At fair value: -9.7
Investments in Securities	107.7	116.6	-8.9	
Investments & Other Assets	40.9	36.4	4.5	
<b>Total Assets</b>	<b>782.9</b>	<b>787.3</b>	<b>-4.3</b>	Influence of foreign exchange: -15.4


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

(Billions of yen)

	December 31, 2010	March 31, 2010	Difference	
No Interest Bearing Liabilities	315.3	302.5	12.8	
Interest Bearing Liabilities	120.1	133.1	-13.0	Bond Retirement: -10.0
<b>Total Liabilities</b>	<b>435.4</b>	<b>435.6</b>	<b>-0.2</b>	
Capital Stock etc.	209.3	209.3	0	
Retained Earnings	163.9	154.4	9.5	Net Income: +14.8 Dividends Paid: -5.3
Treasury Stock	-10.9	-10.8	-0.0	
Unrealized Holding Loss on Securities	-6.7	-1.0	-5.7	
Minority Interests	9.4	9.2	0.2	
Other Net Assets	-17.4	-9.2	-8.2	Foreign Currency Translation Adjustment: -8.0
<b>Total Net Assets</b>	<b>347.6</b>	<b>351.7</b>	<b>-4.1</b>	
<b>Total Liabilities, Net Assets</b>	<b>782.9</b>	<b>787.3</b>	<b>-4.3</b>	


**Depreciation and Capital Expenditures**

(Billions of yen)

	FY2010		FY2009		Difference	
	First 9 months	Full Year Plan	First 9 months	Full Year	First 9 months	Full year
Depreciation	25.6	35.3	25.2	34.5	0.4	0.7
Capital Expenditures	18.2	34.0	33.0	44.0	-14.8	-10.0



(Billions of yen)

	FY2010 Plan*	FY2009	Difference
Net Sales	927.0	858.5	68.5
Operating Income	50.0	36.0	14.0
Ordinary Income	48.0	31.1	16.9
Net Income	22.0	11.6	10.4

Dividend per Share (Yen)	12	10	2
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\* Plan announced at the 2Q financial results presentation meeting



**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

		FY2010				FY2009				FY2008 Annual	
		1 H	FY2010		Annual (Plan)	1 H	FY2009		Annual		
			3Q	2 H(Plan)			3Q	2 H			
<b>CONSOLIDATED</b>	Net Sales (Billions of yen)	208.1	108.3	212.9	421.0	196.4	91.8	201.9	398.2	424.5	
	Housing	149.5	76.9	152.9	302.4	145.6	64.6	146.8	292.4	327.1	
	Houses	142.7	73.4	145.2	287.9	139.3	61.2	140.6	279.9	313.3	
	Land	6.8	3.4	7.7	14.5	6.3	3.5	6.2	12.5	13.8	
	Living environment	58.6	31.5	60.0	118.6	50.8	27.2	55.1	105.8	97.4	
	Refurbishing	40.9	22.5	41.7	82.6	34.6	18.9	37.6	72.2	65.7	
	Interior-Exterior	3.0	1.2	3.0	6.0	2.3	1.2	3.1	5.4	5.1	
Real estate	14.7	7.7	15.3	30.0	13.8	7.1	14.4	28.2	26.7		
<b>OTHERS</b>	1.Number of houses sold (Housing units)	6,020	3,050	6,850	12,870	6,120	2,510	6,480	12,600	14,550	
	Detached houses	4,900	2,670	5,050	9,950	4,700	2,200	4,780	9,480	10,300	
	Heim	4,090	2,150	4,050	8,140	3,850	1,810	3,890	7,740	8,350	
	Two-U	810	520	1,000	1,810	850	390	890	1,740	1,950	
	Apartments	1,120	380	1,800	2,920	1,420	310	1,700	3,120	4,250	
	2. Main data										
	Prices<Sales subsidiaries : Detached houses>/ Unit (Millions of yen)	29.9	29.9	-	-	29.6	30.1	29.8	29.7	29.5	
	Prices<Sales subsidiaries : Detached houses>/ Tsubo (3.3 Square meter) (Thousands of yen)	763	769	-	-	753	760	762	758	743	
	Floor space (Square meter)	129.5	128.3	-	-	129.7	130.6	129.0	129.3	131.0	
	Exhibition places (Units)	384	387	-	387	393	385	-	382	407	
	Sales staff (Number of person)	2,217	2,161	-	2,120	2,325	2,261	-	2,212	2,327	
	Rebuilding ratio (%)	31	32	34	33	31	33	34	33	35	
	Referral sales ratio (%)	37	37	37	37	35	34	36	36	34	

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

### 2. Housing orders

(Millions of yen)

	FY2010				FY2009				FY2008		
	1 H	FY2010		Annual (Plan)	1 H	FY2009		Annual	1 H	2 H	Annual
		3Q	2 H(Plan)			3Q	2 H				
Year-start Backlog	148,600	166,000	166,000	-	136,100	140,600	140,600	-	153,000	159,400	-
Growth Rate	+9%	+18%	+18%	-	-11%	-12%	-12%	-	+2%	+11%	-
New Orders	200,766	90,277	199,301	400,067	180,754	86,388	189,225	369,979	197,277	169,808	367,085
Growth Rate	+11%	+5%	+5%	+8%	-8%	+10%	+11%	+1%	+6%	-14%	-4%
Sales of houses	183,366	97,177	190,301	373,667	176,254	81,288	181,225	357,479	190,877	193,108	383,985
Growth Rate	+4%	+20%	+5%	+5%	-8%	-17%	-6%	-7%	-1%	+2%	+1%
Balance at the end	166,000	159,100	175,000	-	140,600	145,700	148,600	-	159,400	136,100	-
Growth Rate	+18%	+9%	+18%	-	-12%	+4%	+9%	-	+11%	-11%	-

### 3. Housing starts

(in number of unit)

	FY2010				FY2009				FY2008 Annual
	1 H	FY2010		Annual (Plan)	1 H	FY2009		Annual	
		3Q	2 H(Plan)			3Q	2 H		
Housing starts*	407,885	220,000	410,000	817,885	384,175	204,616	391,102	775,277	1,039,180
Privately-owned houses* (included in above)=A	159,282	85,600	159,000	318,282	148,292	74,704	138,696	286,993	310,664
Sales by our company	6,020	3,050	6,850	12,870	6,120	2,510	6,480	12,600	14,550
Detached house sales by our company=B	4,900	2,670	5,050	9,950	4,700	2,200	4,780	9,480	10,300
Our share in Detached houses=B/A	3.1%	3.1%	3.2%	3.1%	3.2%	2.9%	3.4%	3.3%	3.3%

\*The housing starts\* and "Privately-owned houses\*" after 3Q of FY2010 are based on a forecast.

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

	FY2010				FY2009				FY2008 Annual
	1 H	FY2010		Annual (Plan)	1 H	FY2009		Annual	
		3Q	2 H(Plan)			3Q	2 H		
Solar power generation systems installed	80%	76%	80%	80%	77%	75%	77%	77%	52%
Tiled exterior wall (Heim type JX)	59%	62%	60%	60%	55%	51%	51%	53%	50%
All-electric housing	92%	91%	94%	93%	93%	92%	92%	92%	91%
Comfortable Air System	68%	73%	80%	74%	63%	68%	73%	67%	64%