

# Presentation of Financial Results for FY2012

**Naofumi Negishi, President  
Sekisui Chemical Co., Ltd.**

**26 April, 2013**

### FY2012 Results

(Billions of yen)

	FY2012 *	FY2011	Difference
Net Sales	1,032.4	965.1	67.3
Operating Income	59.6	54.6	5.0
Ordinary Income	60.7	54.2	6.5
Net Income	30.2	28.1	2.1
Dividend per Share (Yen)	18	15	3

Overseas subsidiaries Jan-Mar 2012 Results
37.7
0.5

\*15-month period from January 2012 to March 2013 for overseas subsidiaries  
(Consolidated subsidiary fiscal years were revised to a March year end beginning in FY2012).



**Business Results by Company**

(Billions of yen)

	FY2012*		FY2011		Difference		Overseas Subsidiaries Jan-Mar 2012 Results	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Housing	469.0	36.3	449.4	31.1	19.6	5.2	-	-
UIEP**	214.5	1.8	200.0	3.0	14.5	-1.2	4.9	-0.7
HPP***	332.0	23.2	296.9	20.6	35.1	2.7	32.7	1.3
Others	40.5	-1.3	43.5	-0.2	-3.0	-1.1	0.2	0
Eliminations or Unallocatable Accounts	-23.6	-0.5	-24.7	0.2	1.0	-0.7	0	-0.1
<b>Total</b>	<b>1,032.4</b>	<b>59.6</b>	<b>965.1</b>	<b>54.6</b>	<b>67.3</b>	<b>5.0</b>	<b>37.7</b>	<b>0.5</b>

\*15-month period from January 2012 to March 2013 for overseas subsidiaries (Consolidated subsidiary fiscal years were revised to a March year end beginning in FY2012), \*\*Urban Infrastructure & Environmental Products Company, \*\*\* High Performance Plastics Company

**[Housing]** Sales and profit increased on rising sales in the Housing and Living Environment businesses along with cost reform.

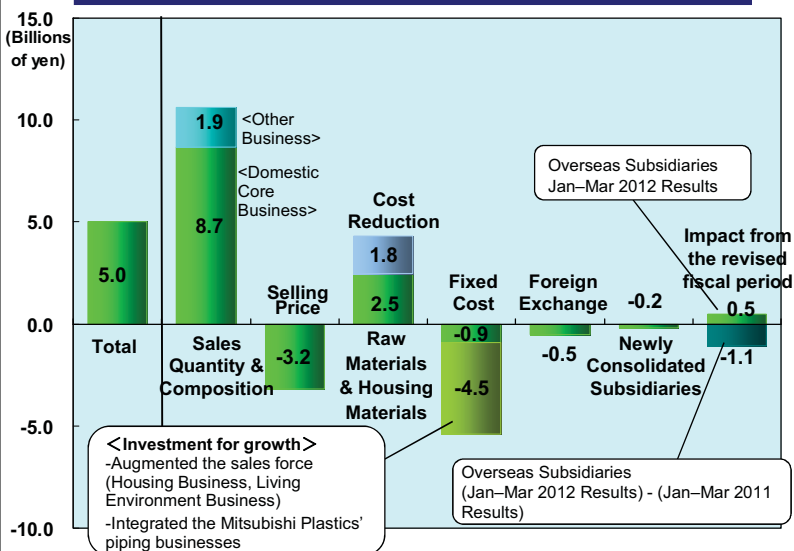
**[UIEP]** Profits fell from worsening profitability of overseas businesses including impact from overseas subsidiaries' Jan-Mar 2012 results.

**[HPP]** Sales and profit rose on an increased volume and a better mix centered on the three strategic businesses.



- Steady increases in volume and a better mix in the domestic core businesses.
- Volume and mix did not improve as much as expected for the global strategic businesses due to deteriorating conditions for the pipeline renewal business in western Europe.
- Steady progress enhancing cost competitiveness and fortifying business bases.
- Steady progress in measures for future growth and next-generation earnings acquisition.

**Analysis of Operating Income for FY2012 (year-on-year)**



\*Note: Includes selling price of Housing Company within the sales quantity and composition

**FY2012 Priority Measures Results**

	Domestic Core Business	Global Strategic Business
<b>Growth Strategy</b>	<ul style="list-style-type: none"> <li>•Surpassed 3,000 units orders for Shin Smart Heim with built-in storage batteries (Housing)</li> <li>•Living Environment Business expanded at a fast 36% average pace through FY2009-12*</li> <li>•Commenced operations at the Thailand mass production factory (Housing)</li> </ul> <p>*CAGR: operating profit basis</p>	<ul style="list-style-type: none"> <li>•Expanded mobile device-related business (IT field)</li> <li>•Advance preparations to enter the India and ASEAN markets (AT field and CPVC)</li> <li>•Set up a JV in the coastal China region for business expansion (Water Infrastructure Business)</li> </ul>
<b>Strengthen Core Business</b>	<ul style="list-style-type: none"> <li>•Integrated the Mitsubishi Plastics' piping businesses and established as the leader in the piping materials business (Water Infrastructure Business)</li> <li>•Progressed with cost reductions realized by the integrated production-sales operations (Housing)</li> <li>•Augmented the sales force (Housing Business, Living Environment Business)</li> </ul>	<ul style="list-style-type: none"> <li>•Complete reorganization of the North America operations, start full-fledged business expansion overseas (MD field)</li> </ul>


**Profit Plan for FY2013**

(Billions of yen)

	FY2013 (Plan)	FY20112 (Actual)*1	Difference
Net Sales	1,078.0	1,032.4	45.6
Operating Income	74.0	59.6	14.4
Ordinary Income	70.0	60.7	9.3
Net Income	35.0	30.2	4.8
Dividend per Share (Yen)	20	18	2

Overseas Subsidiaries Jan-Mar 2012 Results
37.7
0.5

\*1: 15-month period from January 2012 to March 2013 for overseas subsidiaries  
(Consolidated subsidiary fiscal years were revised to a March year end beginning in FY2012)

\*2: Foreign exchange rate assumptions are 90 yen/US Dollar and 124 yen/euro


**Net Sales and Operating Income by Company**

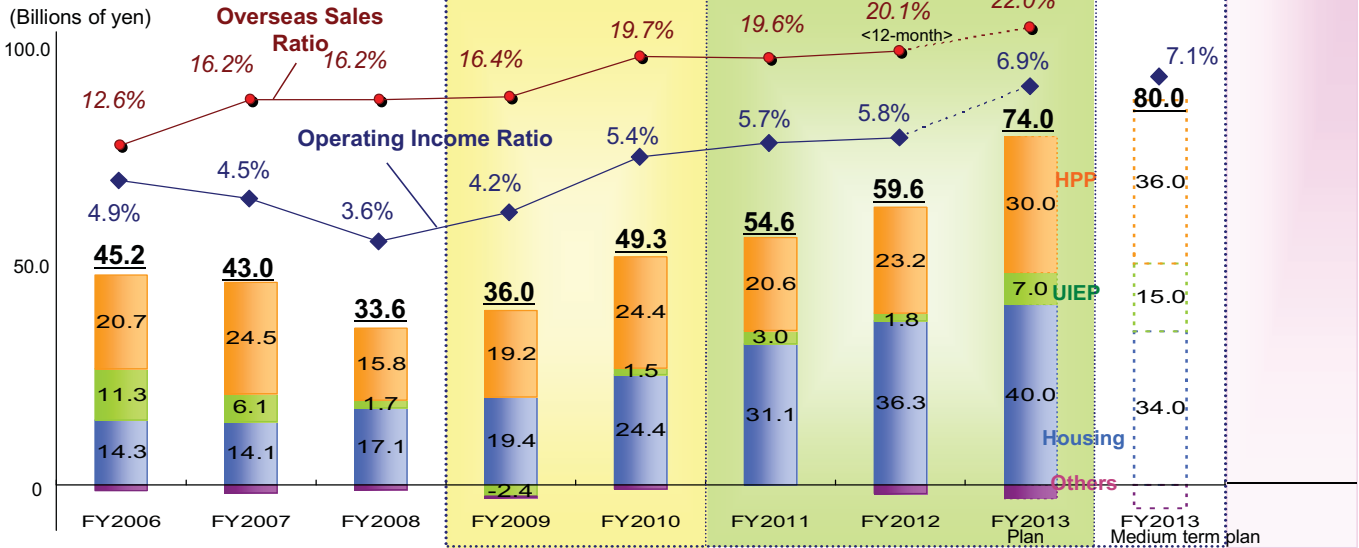
(Billions of yen)

	FY2013 (Plan)		FY2012 (Actual)*1		Difference*2			
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales		Operating Income	
Housing	495.0	40.0	469.0	36.3	26.0	(26.0)	3.7	(3.7)
UIEP	237.0	7.0	214.5	1.8	22.5	(27.4)	5.2	(4.5)
HPP	332.0	30.0	332.0	23.2	0	(32.7)	6.8	(8.0)
Others	42.0	-1.5	40.5	-1.3	1.5	(1.7)	-0.2	(-0.2)
Eliminations or Unallocatable Accounts	-28.0	-1.5	-23.6	-0.5	-4.4	(-4.4)	-1.0	(-1.0)
Total	1,078.0	74.0	1,032.4	59.6	45.6	(83.3)	14.4	(14.9)

\*1: The FY2012 results include 15-month (January 2012 to March 2013) contributions from overseas subsidiaries.

\*2: Figures have been adjusted so comparisons of the FY2013 plan and FY2012 results are both on a 12-month basis.

### Operating Income by Company



External Environment and Foreign Exchange (Avg. rate)\*

Date	Event	Rate (Yen/US\$)	Rate (Yen/€)
2007/06	Stricter Building Standards Act	116yen/US\$	147yen/€
2008/10	Lehman Shock	118yen/US\$	162yen/€
2009/04	Acquired PVA resin businesses (AT, HPP)	103yen/US\$	152yen/€
2009/04	Acquired PVA resin businesses (AT, HPP)	94yen/US\$	131yen/€
2011/03	Great East Japan Earthquake	87yen/US\$	115yen/€
2011/09	European financial crisis worsens	80yen/US\$	111yen/€
2011/10	Flooding in Thailand	83yen/US\$	107yen/€
2012/09	Japan-China friction escalates	90yen/US\$	124yen/€
2012/12	New government administration	90yen/US\$	124yen/€
2014/04	Consumption tax hike?(5% to 8%)	-	-

Our Measures

Measure	Year	Description
Growth	2006/09	Daiichi Pure Chemicals acquired (MD, HPP)
Strengthen Core Business	2007	Housing company; implemented large-scale structural reforms
Strengthen Core Business	2008/05	Full-fledged overseas business launch (Pipeline Renewal)
Strengthen Core Business	2009/04	Acquired PVA resin businesses (AT, HPP)
Strengthen Core Business	2011/02	Major U.S. diagnostic reagent business acquired (MD, HPP)
Strengthen Core Business	2011	Housing Business: Shift to nationwide integrated production-sales operations completed
Strengthen Core Business	2011/04	ITO film business Acquired (IT, HPP)
Strengthen Core Business	2012	Medical Business: North America business structure reformed
Strengthen Core Business	2012	AT and high performance plastics company: Full entry into India, SE Asia
Strengthen Core Business	2012/12	Water Infrastructure Business: Mitsubishi Plastics' pipe business integrated
Strengthen Core Business	2013/4	Mass production facilities in Thailand in operation (Housing)

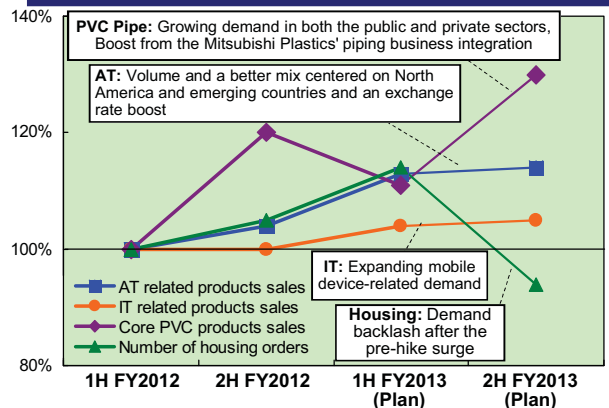
### Global Market

- Japan:** (1) Improving business conditions (higher stock values, weaker yen, improving private consumption). (2) Increasing new housing starts, Increasing public sector investment. (3) Surging demand before the consumption tax hike. (4) Concern of a post-hike backlash.
- Europe:** Ongoing sluggish demand, financial and political risk.
- America:** Continuing recovery supported by improving consumption, production, employment, etc.
- China:** Recovery in some areas, such as domestic infrastructure investment. A continuing sense of slowing in others
- Emerging Country:** Countries and regions vary, but generally high growth centered on ASEAN

### Foreign Exchange and Raw Materials

- Foreign Exchange:** Strong yen correction helps boost exports
- Raw Materials:** Concern of rising prices for naphtha-derived materials

### Main Business Sales and Orders (Index with 1H FY2012=100)



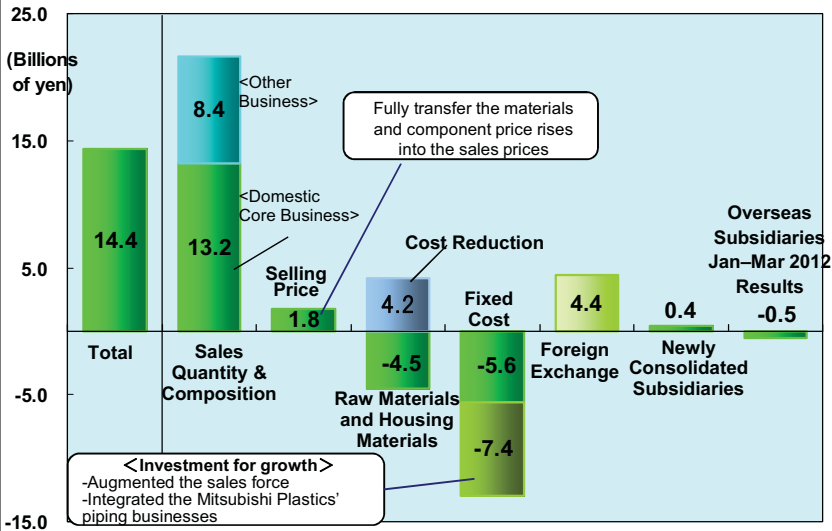
### Main Businesses Progress and Forecasts

Business Field	Market Environment and Business Opportunity
Domestic Businesses	<b>Housing Field</b> (1) Improving consumer sentiment from the previous fiscal year. (2) Consumption tax hike spurs pre-hike demand to the end of 1H and afterward, a backlash centered on late 2H. (3) Further demand growth for solar, storage batteries, and other natural energy-related activities.
	<b>Water Infrastructure Field</b> (1) Increasing new housing starts. (2) Growing private and public sector demand supported by the supplementary budget and developing reconstruction-related demand. (3) Increasing demand for disaster prevention-related products.
Global Businesses	<b>Automobile Field</b> North America: Solid demand, growing demand for high-performance products, Europe: Ongoing sluggish demand, China: Rising demand amid overall sense of slowing, Emerging Country: Expanding demand, centered on ASEAN, Japan: Recovering demand centered on exports, limited demand rise ahead of the consumption tax hike
	<b>IT &amp; Electronics Material Field</b> (1) TV- and PC-related demand expected to remain flat YoY. (2) Continuing growth in mobile device-related demand.
	<b>Medical Field</b> (1) Strong demand for diagnostic reagents in Japan and overseas. (2) Growth trend developing on aging populations in advanced countries and compulsory testing in emerging countries.
	<b>Pipeline Renewal Field</b> Japan: Expanding demand on increasing public sector spending on disaster prevention Overseas: Ongoing sluggish demand in western Europe, relatively firm demand in eastern Europe

Overview of FY2013

- Domestic core businesses: fully harness the demand growth
- Global strategic businesses: broaden sales of competitive products in growth fields and markets
- Realize return on strategic investments: IT, MD-related businesses, Pipeline renewal business
- Respond changing business conditions (post-tax hike): further enhance cost competitiveness, minimize demand backlash

Analysis of Operating Income for FY2013 (year-on-year)



\*Note: Includes selling price of Housing Company within the sales quantity and composition

FY2013 Priority Measures Results

	Domestic Core Business	Global Strategic Business
Growth Strategy	<ul style="list-style-type: none"> <li>Fortify the Shin Smart Heim with built-in storage batteries product line (Housing Business)</li> <li>Further expand the Living Environment Business</li> <li>Growth in package and disaster recovery stock orders (UIEP)</li> </ul>	<ul style="list-style-type: none"> <li>Expand the mobile device-related business (IT field)</li> <li>Increase sales in India and ASEAN (AT field and CPVC)</li> <li>Accelerate growth of the overseas businesses (MD field)</li> <li>Expand China water infrastructure business</li> </ul>
Strengthen Core Business and Response to demand trends	<ul style="list-style-type: none"> <li>Capture the pre-tax hike demand swell (Housing)</li> <li>Minimize demand backlash by strengthening products, etc. (Housing)</li> <li>Realize the Mitsubishi Plastics' pipe business integration advantages (Water Infrastructure Business)</li> </ul>	<ul style="list-style-type: none"> <li>Restructuring the Europe business (Pipeline Renewal Business)</li> </ul>

# Financial Results for FY2012

**Hideo Tagashira**

Senior Managing Executive Officer

Responsible for Corporate Finance & Accounting Department

### Number of Consolidated Companies

	March 31, 2013	March 31, 2012	Difference
Consolidated Subsidiaries	167	157	Rabmer (Pipeline renewal business in Eastern Europe), Mitsubishi Plastics' piping materials-related companies, etc.
Affiliates (Equity Method)	8	8	-

### Influence of Change in the Number of Consolidated Companies<sup>\*1</sup>

(Billions of yen)

Net Sales	+3.3	Rabmer <sup>*1</sup> and other companies
Operating Income	-0.3	

\*1: Newly consolidated from the beginning of April 2012

### Impact from 15-month reporting for overseas subsidiaries<sup>\*2</sup>

(Billions of yen)

Net Sales	+37.7	Overseas Subsidiaries Jan-Mar 2012 Results
Operating Income	+0.5	

\*2: 15-month period from January 2012 to March 2013 for overseas subsidiaries (Consolidated subsidiary fiscal years were revised to a March year end beginning in FY2012)


**Summary of Profit and Loss**

(Billions of yen)

	FY2012	FY2011	Difference	
Net Sales	1,032.4	965.1	67.3	(26.4)* <sup>1</sup>
Gross Profit	302.5	285.6	16.9	
Gross Profit Rate	29.3%	29.6%	-0.3%	
Selling, Gen. and Admin. Expenses	242.8	231.0	11.9	
Operating Income	59.6	54.6	5.0	(4.8)* <sup>1</sup>
Equity in Earnings of Affiliates	1.2	1.8	-0.5	
Other Non-operating Income and Expenses	-0.2	-2.2	2.0	Foreign exchange gain and loss: +5.4
Ordinary Income	60.7	54.2	6.5	
Extraordinary Income	1.8	3.3	-1.5	
Extraordinary Loss	18.0	8.2	9.8	Retirement benefit expenses: +9.5
Income before Income Taxes	44.5	49.2	-4.7	
Income Taxes	13.3* <sup>2</sup>	20.2	-6.9	
Minority Interests	1.0	0.9	0.1	
Net Income	30.2	28.1	2.1	
Dividend per Share (Yen)	18	15	3	

\*1: Difference excluding the affect of newly consolidated and 15-month (January2012-March 2013) fiscal terms for overseas subsidiaries

\*2: Tax costs fell 2.2 billion yen on tax effects relating to the elimination of unrealized profits on the start of the consolidated tax system; this includes a 3.5 billion yen decline in tax costs on the use of special tax incentives to promote R&D.


**Consolidated Cash Flows**

(Billions of yen)

	FY2012	FY2011
Operating Activities Cash Flows	71.0	66.7
Investing Activities Cash Flows	-31.1	-70.7*
Financing Activities Cash Flows	-30.5	-16.1
Net Increase (Decrease) in Cash and Cash Equivalents	13.3	-21.1
Cash and Cash Equivalents at the End of Term	58.6	45.1
Free Cash Flow =Operating Activities Cash Flows +Investing Activities Cash Flows -Dividends Paid	30.7	-12.3

\*Includes ¥30 billion for the acquisition cost of Genzyme's diagnostic agents business and Suzutora Corporation, and payments into time deposits, etc.


**Balance Sheet (Assets)**

(Billions of yen)

	March 31, 2013	March 31, 2012	Difference
Cash and Deposits	91.1	75.4	15.7
Account Receivable on Sales	172.1	156.9	15.2
Inventories	140.0	132.6	7.4
Other Current Assets	36.7	35.4	1.3
Tangible Non-Current Assets	240.7	231.2	9.5
Intangible Non-Current Assets	49.1	51.9	-2.8
Investments in Securities	146.2	107.9	38.3
Investments & Other Assets	25.7	35.8	-10.1
<b>Total Assets</b>	<b>901.6</b>	<b>827.1</b>	<b>74.5</b>

 Foreign exchange: +5.8  
Housing: +2.5

At fair value: +38.2

Foreign exchange: +36.3


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

(Billions of yen)

	March 31, 2013	March 31, 2012	Difference
Non-Interest-Bearing Liabilities	353.0	336.6	16.4
Interest-Bearing Liabilities	115.3	127.2	-11.9
<b>Total Liabilities</b>	<b>468.3</b>	<b>463.8</b>	<b>4.5</b>
Capital Stock etc.	209.2	209.3	-0.1
Retained Earning	209.3	192.9	16.4
Treasury Stock	-11.6	-17.4	5.8
Unrealized Holding Loss on Securities	17.8	-7.6	25.3
Minority Shareholders' Interests	14.3	11.2	3.2
Other Net Assets	-5.8	-25.1	19.3
<b>Total Net Assets</b>	<b>433.2</b>	<b>363.3</b>	<b>69.9</b>
<b>Total Liabilities, Net Assets</b>	<b>901.6</b>	<b>827.1</b>	<b>74.5</b>

Impact from basic method revisions to retirement benefit accounting: +9.5

Foreign exchange: +5.4

 Net income: +30.2  
Dividends paid: -8.8  
Retirement of treasury stock : -5.0

Foreign currency translation adjustment: +19.4




**Depreciation and Capital Expenditure**

(Billions of yen)

	Depreciation			Capital Expenditure		
	FY2012* <sup>1</sup>	FY2011	Difference	FY2012* <sup>1</sup>	FY2011	Difference
Housing	7.0	7.0	0	12.3* <sup>3</sup>	8.6	3.7
UIEP	6.1	6.6	-0.5	7.7* <sup>3</sup>	5.1	2.6
HPP	19.2	18.8	0.4	14.5	16.7	-2.2
Others	1.9	2.0	-0.1	1.6	1.9	-0.4
Eliminated or Not attributed	0.7	0.7	0	0.8	0.8	0.1
<b>Total</b>	<b>34.9*<sup>2</sup></b>	<b>35.1</b>	<b>-0.2</b>	<b>36.8</b>	<b>33.1</b>	<b>3.8</b>

\*1: 15-month period from January 2012 to March 2013 for overseas subsidiaries  
(Consolidated subsidiary fiscal years were revised to a March year end beginning in FY2012)

\*2: The depreciation costs from January 2012 to March 2012 amounted to an increase of 2.0 billion yen.

\*3: Enhance production capacity at the Thai housing plant, transfer of the Nara Plant, the UIEP Company's bath unit production base and etc.


**Depreciation and Capital Expenditure**

(Billions of yen)

	FY2013 (Plan)	FY2012* <sup>1</sup> (Actual)	Difference
Depreciation	36.0	34.9* <sup>2</sup>	1.1
Capital Expenditure	36.0* <sup>3</sup>	36.8	-0.8
Research and Development Expenditure	26.0	25.9	0.1

\*1: 15-month period from January 2012 to March 2013 for overseas subsidiaries  
(Consolidated subsidiary fiscal years were revised to a March year end beginning in FY2012)

\*2: The depreciation costs from January 2012 to March 2012 amounted to an increase of 2.0 billion yen.

\*3: Mega-solar equipment installation, etc.


**Profit Plan for FY2013**

(Billions of yen)

	FY2013 (Plan)	FY20112 (Actual)*1	Difference
Net Sales	1,078.0	1,032.4	45.6
Operating Income	74.0	59.6	14.4
Ordinary Income	70.0	60.7	9.3
Net Income	35.0	30.2	4.8

Overseas Subsidiaries Jan-Mar 2012 Results
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0.5

Dividend per Share (Yen)	20	18	2
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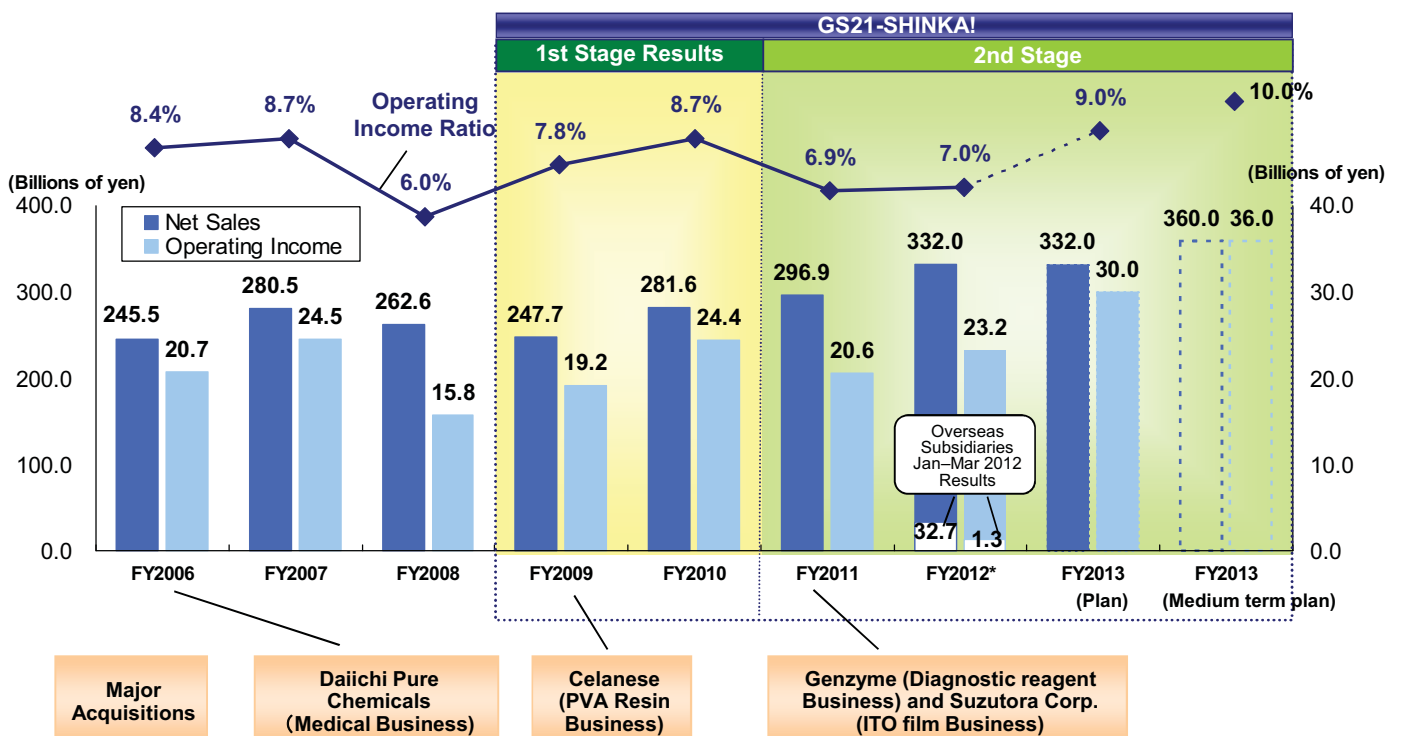
\*2: Foreign exchange rate assumptions are 90 yen/US Dollar and 124 yen/euro



# High Performance Plastics Company

**Takayoshi Matsunaga**  
Company President

## Net Sales and Operating Income



\* FY2012 results include 15-month (January 2012 to March 2013) contributions from overseas subsidiaries

Overview of FY2012

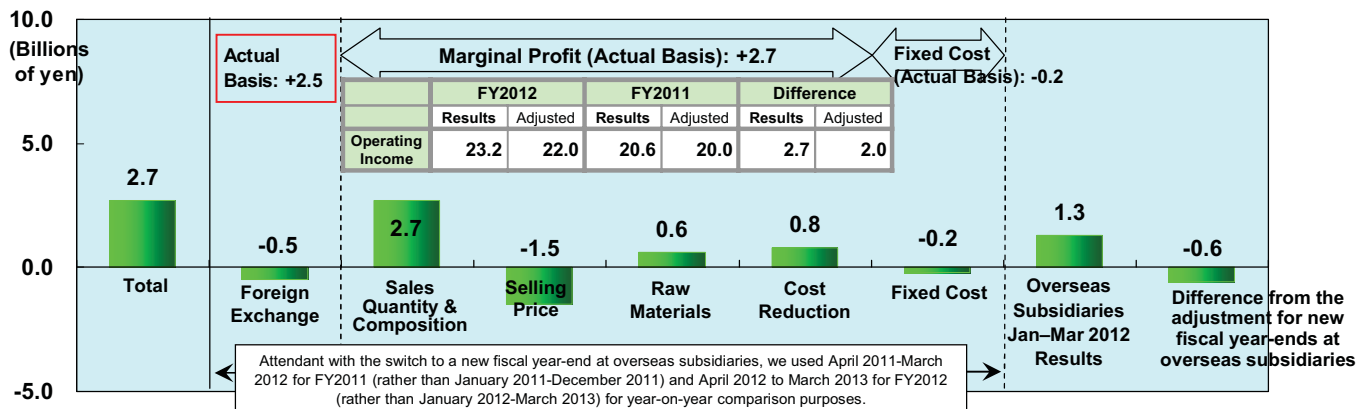
Growth in revenue and profits from higher sales in Asia and the US amid stagnating business conditions in Europe

**IT:** Growth in sales of products for smartphones and tablets despite an impact from 4Q production adjustments

**AT:** Growth in high-performance interlayer film sales on brisk auto demand in the US, while business conditions remained stagnant in Europe

**MD:** Improved revenue and profit after the North America base integration and other structural reform

Analysis of Operating Income for FY2012 (year-on-year)



Business Policy for FY 2013

*“Chemistry for your Win”*

Sustainable growth

—Earning structure reform and bolstered controllables—

FY2013 Operating Income: 30.0 bn. yen

1. Growth Strategy

Fortify strategic businesses, expand overseas businesses, and advance new products and businesses

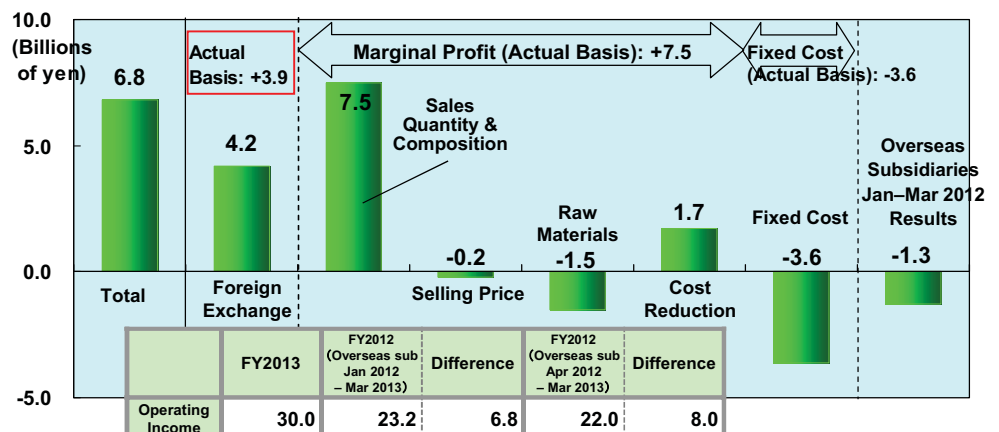
2. Reinforce the management base

Bolstered controllables, stronger human resource management, safety, quality, and compliance

Market Assumptions

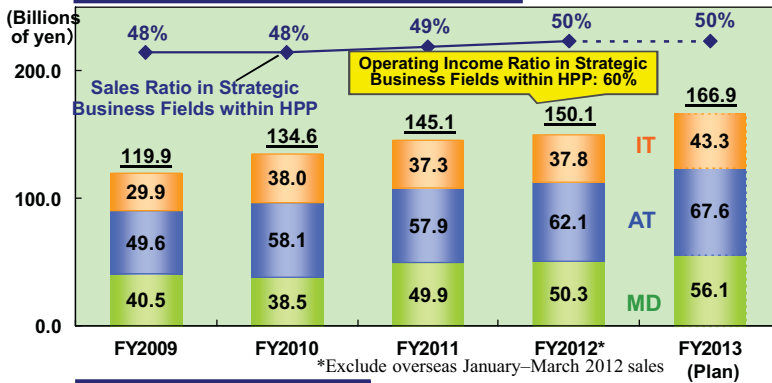
Area	Status
Japan	Improving export market environment
U.S.	Sustaining recovery momentum
Europe	Prolonging business stagnation
China	Sense of slowing expansion

Analysis of Operating Income for FY2013 (year-on-year)

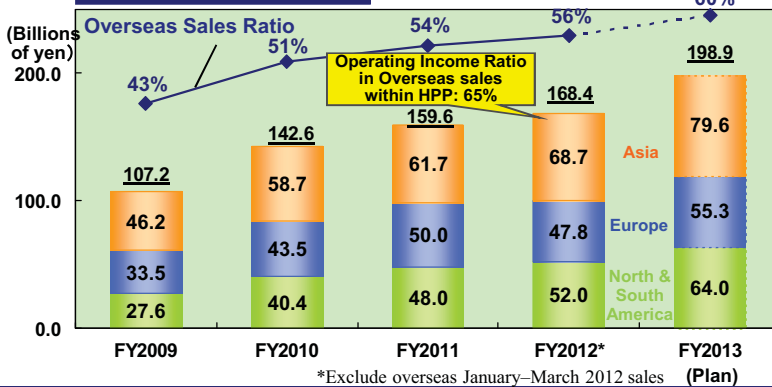


**Growth strategy**

**Sales in Strategic Business Fields**



**Overseas Sales**



**1. Fortify strategic fields**

**IT: Sales expansion in growth markets**

- Expand smartphone- and tablet-related sales
- Increase ITO film production capacity

**Develop New Products**

- LED component, etc.

**AT: High profit realization and base strengthening**

- Accelerate growth of high-performance interlayer films

**Expand frontiers**

- Develop the automobile molded product businesses in India and Indonesia

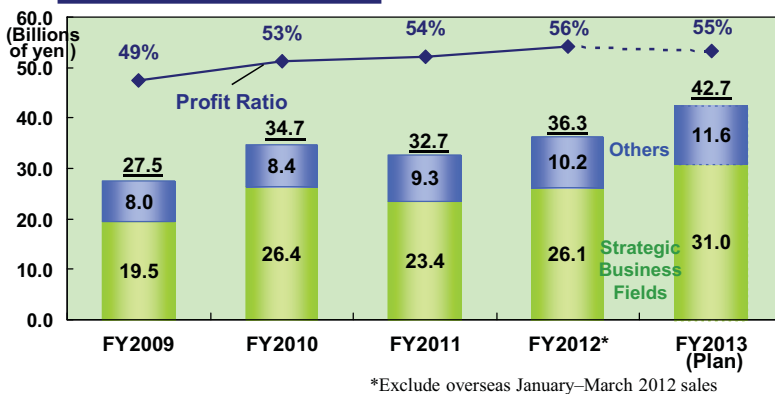
**MD: Global expansion**

- Full-fledged development of the equipment businesses in Europe and the US
- Develop diagnostic reagents overseas for production in Japan

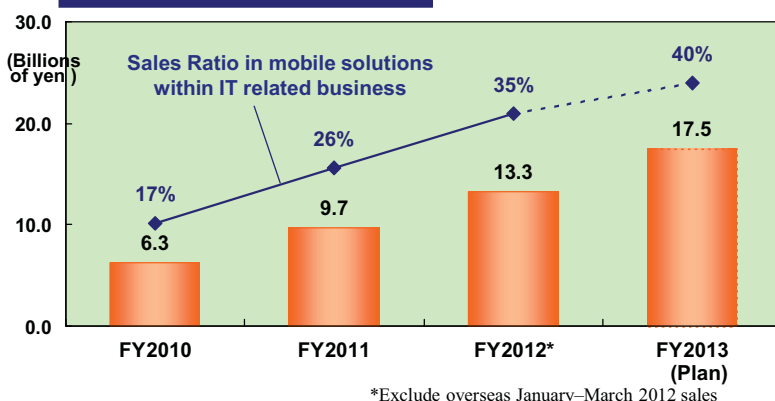
**2. Overseas business expansion**

- Increase exports to growth markets
- Increase domestic chlorinated PVC production capacity and establish Thai JV

**New Products Sales**



**Mobile Solutions Sales**



**3. Advance new products and new businesses**

**1) Bring new products to market**

- Lithium-ion battery components, semiconductor bonding materials, etc.

**2) Expand new businesses**

- Expand Fiblock (Thermal expansion fire-resistant material) sales

**3) Next-generation businesses**

- Develop proprietary seed businesses

**Accelerate mobile solutions business**

**Mobile solutions products**

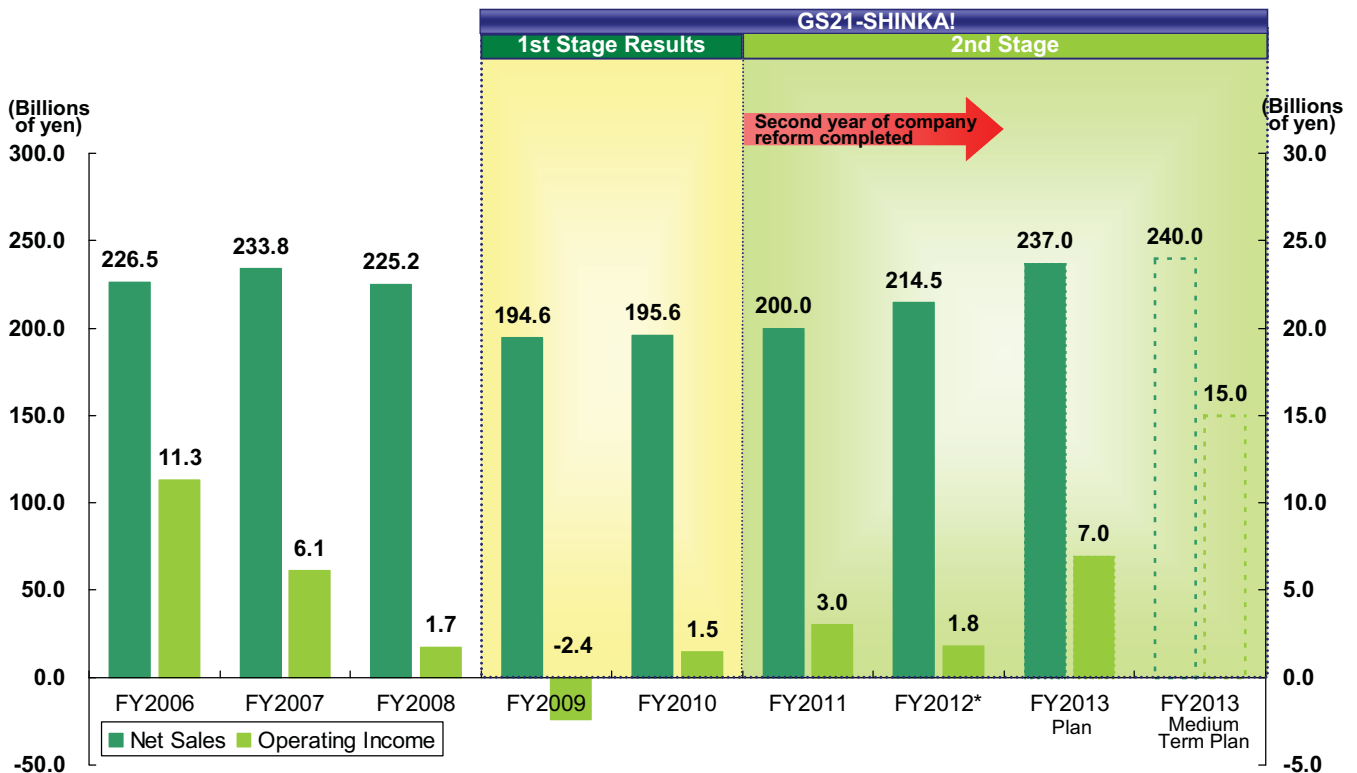
- Conductive Fine Particles
- Adhesive
- ITO film
- High-performance Double-faced Tape
- Shock-resistance foam tape



# Urban Infrastructure and Environmental Products Company

**Kozo Takami**  
Company President

## Net Sales and Operating Income



\* FY2012 results include 15-month (January 2012 to March 2013) contributions from overseas subsidiaries

## Overview of FY2012

**Domestic business: Steadily advancing, even while progressing with reform** \*1

**Operating Income rose by 3.8 billion yen from FY2010 to FY2012**

- Private Sector: Bolstered the earnings base of the core PVC products via acquisition of Mitsubishi Plastic Inc.'s pipe materials business
- Public Sector: Stock demand grew but reconstruction-related demand postponed delayed

**Overseas business: Pipeline renewal business impacted by the sluggish European market** \*2

- Late response to the European stagnation became an urgent issue
- Sales and profit continued improving in the US, Asia, and China

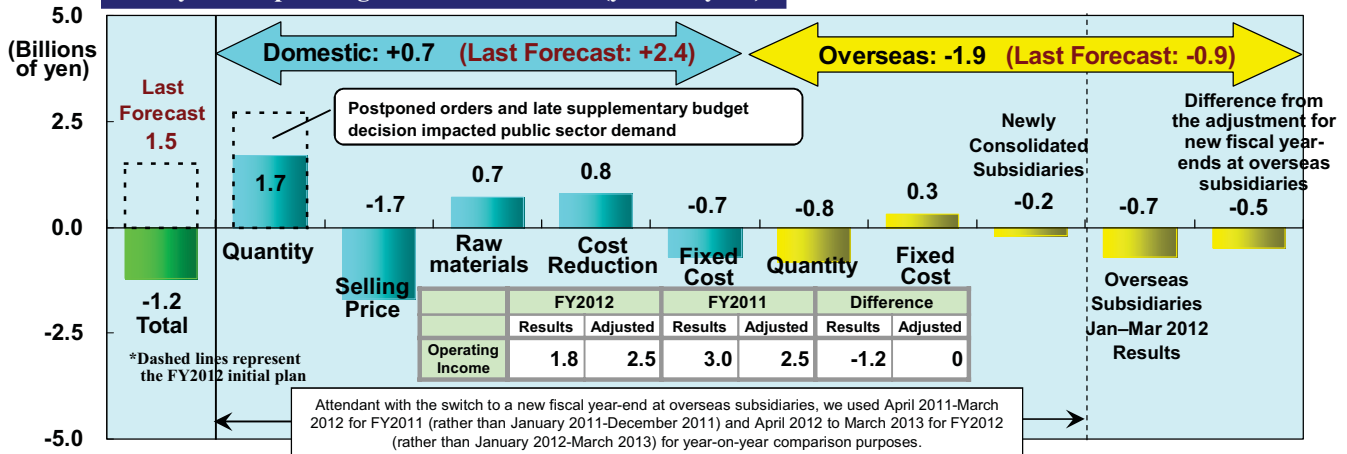
### \*1 Business Model Reform Progress from FY2010 to FY2012

Value chain business	Sales rose by 7.3 billion yen
Value chain map reorganization and upgrade	100% complete
Progress with package project orders	Stock of package project orders reached 20 billion yen

### \*2 Reasons for the European pipeline renewal business deterioration

Reasons for the European pipeline renewal business deterioration	Progress of countermeasures	
Falling construction prices	Intensifying competition	Increase main contractor orders, strengthen the construction operating structure
Growing bad debt	Western European market deterioration	Close office sites, selective order acceptance
Slow business development in Eastern Europe	Late to receive accreditation	Received in 4 countries in FY12, 2 countries planned in FY1

### Analysis of Operating Income for FY2012 (year-on-year)



## Business Policy for FY 2013

### FY2013 company policy: Action to Results

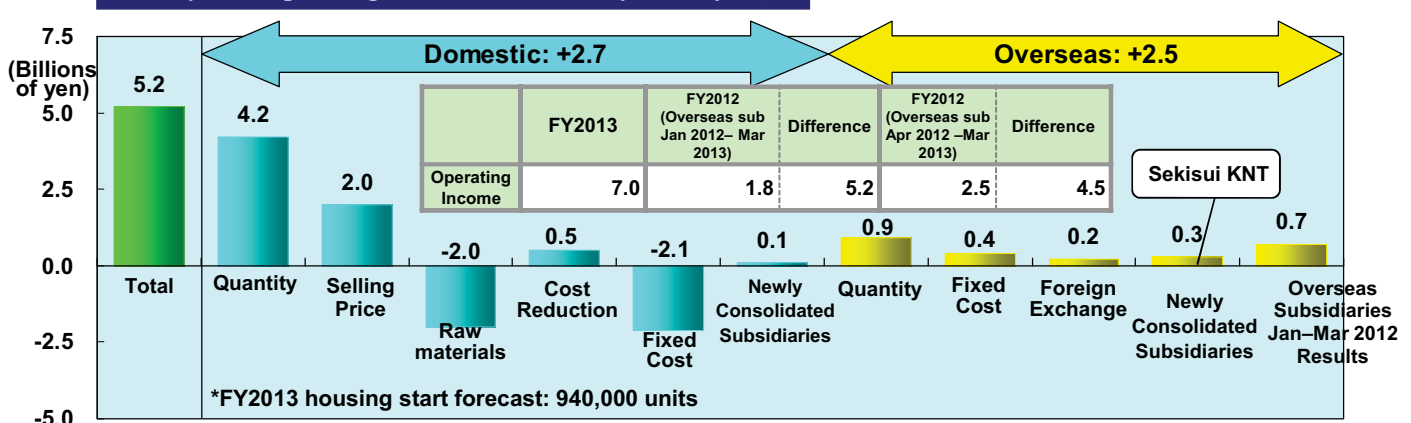
~ The culmination of three years of company reforms, Move forward as a company focused on its in progress and built stock ~

1. Accelerate the growth of the stock business  
~ Turn value chain businesses into a pillar ~
2. Construct a solid foundation for core PVC products
3. Rebuild the European business and formulate a new structure aimed at growth

### The culmination of company reforms

Portfolio reform	Taking a broader view of each product category
Market reform (targets)	Target the housing and social infrastructure stock business
Business model reform	Value Chain Business ↓ Use total strength, aim for package project orders

### Analysis of Operating Income for FY2013 (year-on-year)





## Domestic Business

### 1. Demand forecast, and forecast assumptions

	Domestic Public Sector		Domestic Private Sector		
	Pipeline Renewal	Public Institution	Housing	Construction	Plant
Market Forecast (YoY)	120%	130%	106%	104%	103%
	Increasing public works investment and emerging reconstruction demand		Pre-tax hike demand surge	Rising refurbishment demand	Tax breaks
Plan assumptions	107%	124%	110%	113%	103%

### 2. Priority measures

#### 1) Accelerate the growth of the stock business

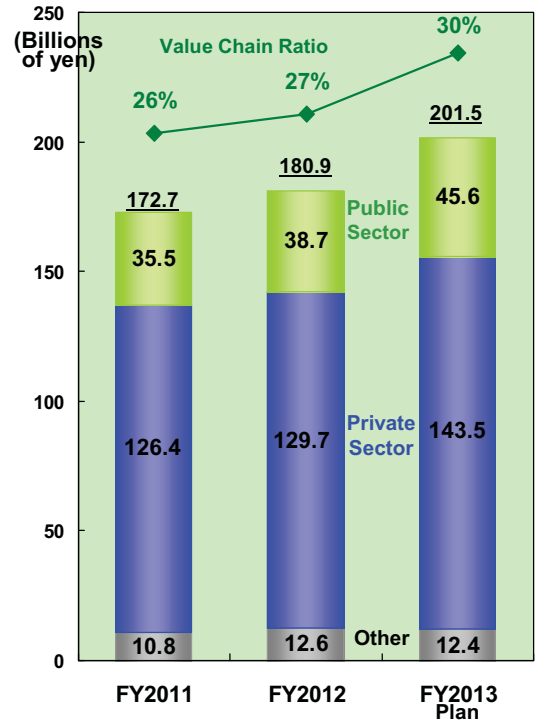
~Turn value chain businesses into a pillar~

- Accelerate expansion of pipeline renewal business and develop new business in the water supply and transport fields
- Large-scale repair and renovation in the apartment field
- Produce results from the package project order and disaster reconstruction stock

#### 2) Construct a solid foundation for core PVC products

- Thorough efficiency enhancement via restructuring production
- Accelerate volume growth and VC adoption through use of the industry's top distribution channels

## Domestic Sales



## Overseas Business

### 1. Demand forecast, and forecast assumptions

	Europe		U.S.		Asia
	Western Europe	Eastern Europe	Whole Market	Infrastructure	Infrastructure
Market Forecast (YoY)	100%	115%	105%	102%	130%
	Continuing stagnancy	Firm	Investment recovery	Signs of recovery	Continuing expansion
Plan assumptions	104%		112%		116%*

\*Excluding Sekisui KNT

### 2. Priority measures

#### 1) Rebuild Europe operations

- Implement the strategies outlined in the previous term
- Centered on core strength in northern Germany
- Full-fledged development aimed at Eastern Europe (Switching to our products is picking up steam)

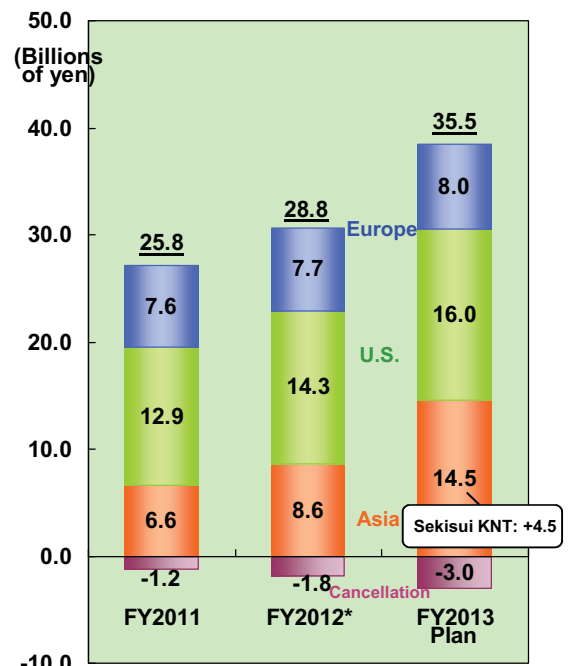
#### 2) Construct a new mechanism targeting growth

U.S.: Integrated management at companies with Pipeline Renewal Businesses continues to gain ground  
Harnessing synergies at two sheet companies

China: Promote package project orders while specializing in public water business

Asia: Leveraging Sekisui Group's all-around strengths in infrastructure markets (Incorporate the Asia businesses)

## Overseas Sales



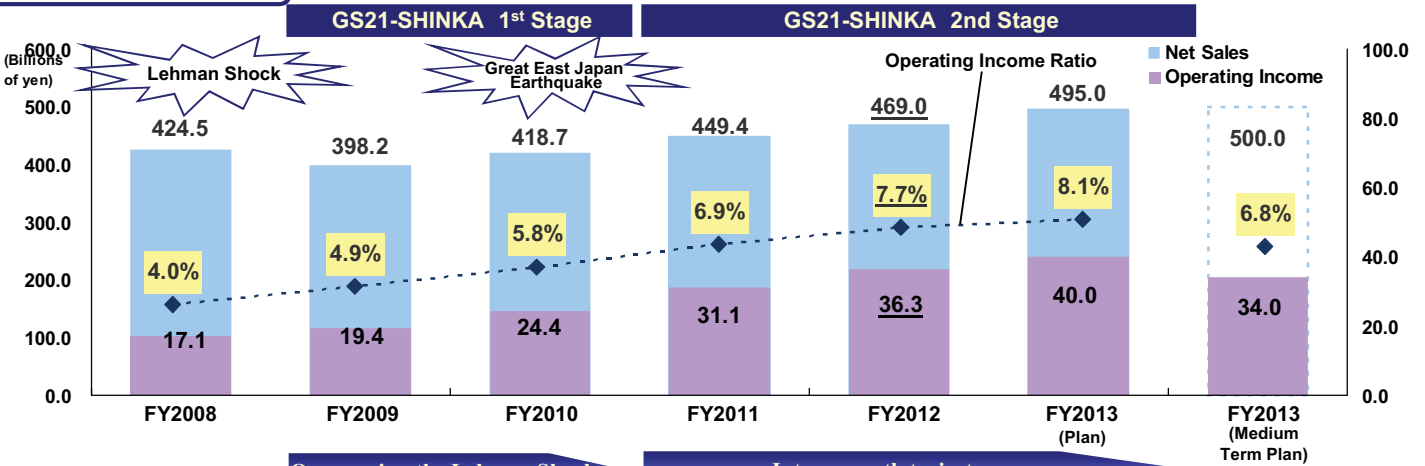


# Housing Company

Teiji Kouge  
Company President

Progress under Current  
Medium-Term Plan

Achieving steady profit growth since the Lehman Shock by responding to market changes

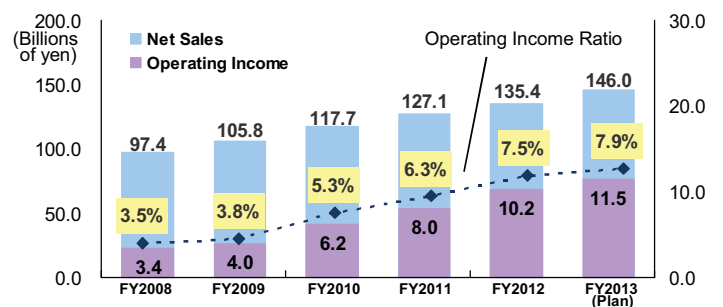
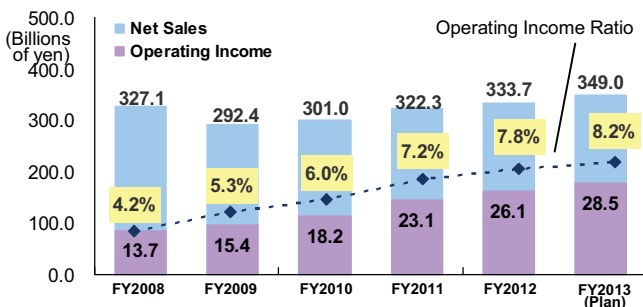


Housing

Improve efficiency in Stage 1, establish a growth trajectory in Stage 2

Living Environment

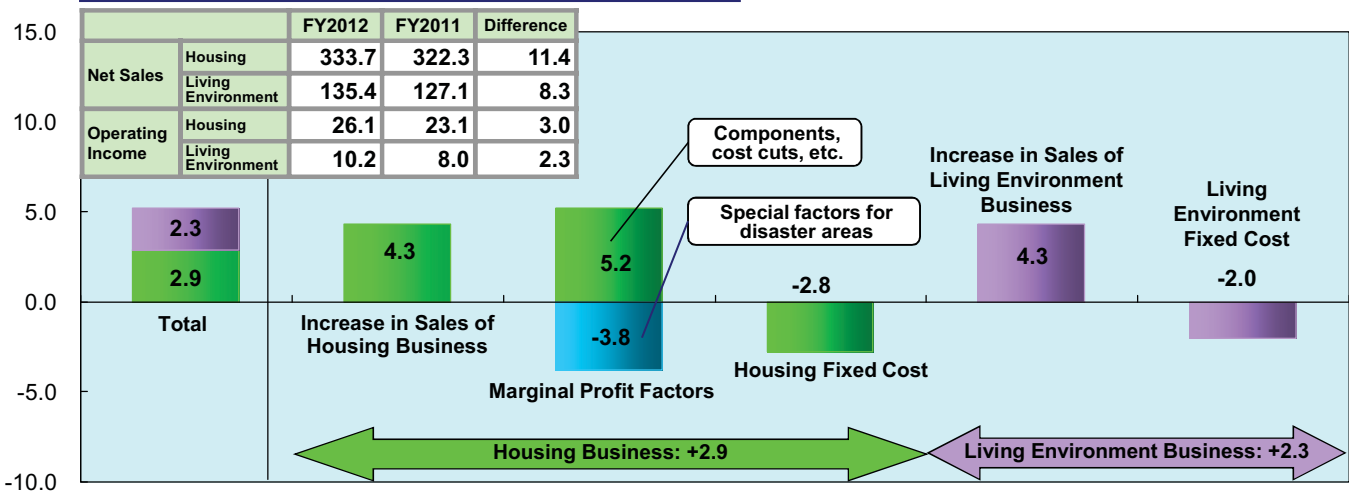
Growth of the second profit pillar



## Overview of FY2012

1. Integrated production-sales operations – cost reform (savings from cost cuts, etc.: ¥5.2 billion) and efficient management (BEP ratio down about 2% YoY)
2. Orders increased driven by Shin Smart Heim with storage batteries  
-Housing Order (FY2012 Results): +5% (Units base, YoY)
3. Expanded the Living Environment Business driven by mainstay products  
-Sales of Living Environment Business (FY2012 Results): +7% (YoY)
4. Progressed in fortifying the operating base aimed at sustaining growth: added more sales staff for new housing and for home refurbishing, shifted to a regional business organization

### Analysis of operating income for FY2012 (year-on-year)

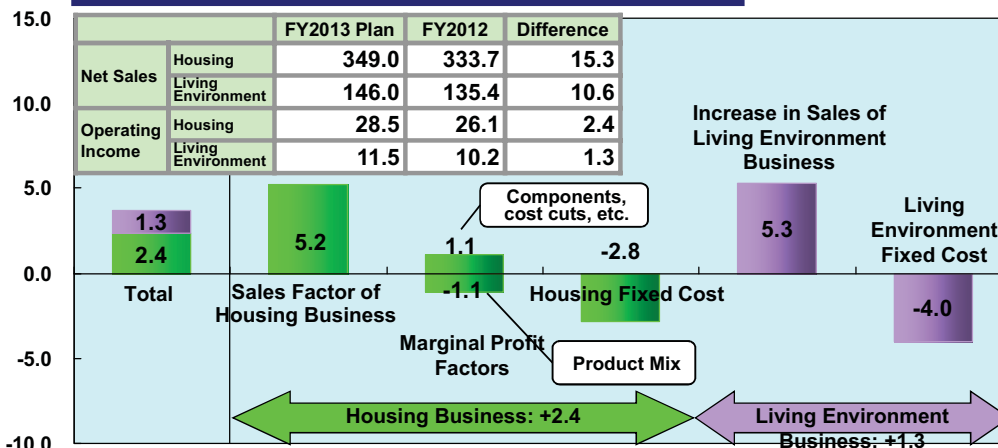


## Business Policy for FY 2012

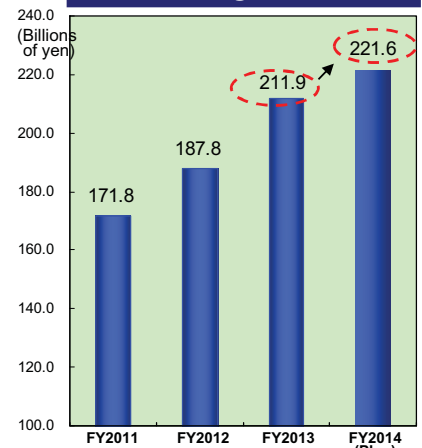
Achieve ¥40 billion in operating profit by fortifying the business foundation and becoming "No.1 in smart houses," through "progressive cost reform and strong and efficient management," and "evolving human resources"

1. Respond to demand fluctuations likely to be caused by the consumption tax hike
2. Fortify the business structure for post-hike conditions
  - Continue implementing the efficient management: component cost reduction, design and construction cost reform
  - Aggressively, smooth out the trend and lock in an initial order backlog for FY2014
3. Continue growing the Living Environment Business
4. Advance the overseas business (Thailand) assertively

### Analysis of operating income for FY2013 (year-on-year)



### Order backlogs at term start



### Measures to acquire Housing Orders and Market Outlook in FY2013

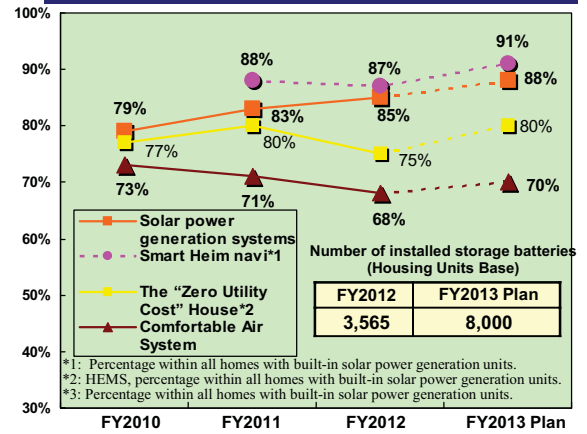
#### Market Outlook

<b>1. Impact from the consumption tax hike</b>	<ul style="list-style-type: none"> <li>•1H: Before the tax hike, surging demand</li> <li>•2H: After the tax hike; demand backlash *Relatively small impact from the tax hike on condominium and housing complexes</li> </ul>
<b>2. Area</b>	<ul style="list-style-type: none"> <li>Urban: 1H, Gradual emergence of replacement construction demand</li> <li>Rural: Brisk new construction and subdivision demand</li> <li>Tohoku: Continuing reconstruction-related demand in all areas</li> </ul>
<b>3. Consumer sentiment</b>	Greater needs involving green thinking, comfort, health, and enjoying peace of mind from a safe environment

#### Respond to demand fluctuations caused by the consumption tax hike

**FY2013 Housing Order: +1% (Units base, YoY)**

### (Reference) Differentiated tool load ratio trend



Estimates for Demand	Measures to acquire Housing Orders in 1H FY2013 Housing Order: +14%(Units base, YoY), Market Forecast: +10%* *Average housing starts at major prefabricated home builders, our forecast	Measures to acquire Housing Orders in 2H FY2013 Housing Order: -10%(Units base, YoY), Market Forecast: -15% *Average housing starts at major prefabricated home builders, our forecast
<b>Detached houses</b> Rising demand intensifies the tax hike impact	<ul style="list-style-type: none"> <li>•Competitor differentiation using Shin Smart Heim Smart (Heim Navi, and large capacity solar power are standard features Stimulate and capture)</li> <li>•Highlight the clean air provided by the "Doctor's Air" model</li> </ul>	<ul style="list-style-type: none"> <li>•Introduce affordable "Shin Smart Heim" housing in a timely manner adapted to market changes</li> <li>•Promote the short construction period to capture pre-tax hike demand (3Q)</li> </ul>
<b>Condominium housing</b> Brisk demand	Fortify Smart Heim City subdivision brand Plan to sell 2,150 units on company-owned land: (+30% YoY)	
<b>Housing complexes</b> Brisk demand	<ul style="list-style-type: none"> <li>•Increase sales of the new "With Heim FII"</li> <li>•Full promotion of Big Solar</li> </ul>	<ul style="list-style-type: none"> <li>•Fortify housing complex products</li> <li>•Full promotion of Big Solar housing projects with solar capacity of over 10kw/h</li> </ul>

**Greater marketing power: Boost sales personnel by 110 YoY and help younger workers become more effective via training and education**

### Living Environment Business

#### Reform Market Outlook

<b>1. Whole Market</b>	<ul style="list-style-type: none"> <li>•Amid a stock market rally and low interest rates, demand is picking up in anticipation of rising interest rates</li> <li>•Government housing policy ("Existing Housing, Reform Total Plan") supports stronger reform business</li> <li>•"Baby boomer" generation posed to be a major source of refurbishment demand</li> </ul>
<b>2. Consumer sentiment</b>	•Steady trends in green thinking, comfort, health, and the enjoying peace of mind that comes from a safe environment as the refurbishment industry responds to an aging society
<b>3. Impact from the consumption tax hike</b>	•Moderate pre-hike demand into 3Q

#### Priority Measures in FY2013

**Sales of Living Environment Business (FY2013 Plan): +8% (YoY)**

#### Basic Strategy

- Increase mainstay product sales to volume zone customers
- Add sales personnel to increase demand coverage percentage

#### 1. Expand sales of mainstay products

- Increase orders for life stage products (bath, kitchen, refurbishing, etc.)
- Offer Smart Heim Reform with combined solar, storage battery, and HEMS packages

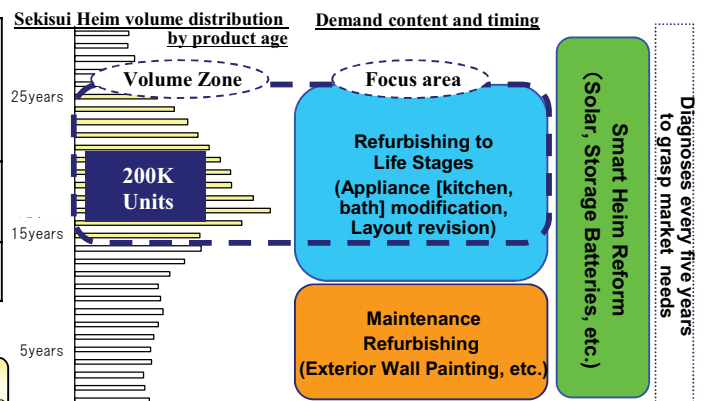
#### 2. Strengthen human resources

- Add sales personnel (about 100)
- Improve sales PH by helping younger workers become more effective via training and education

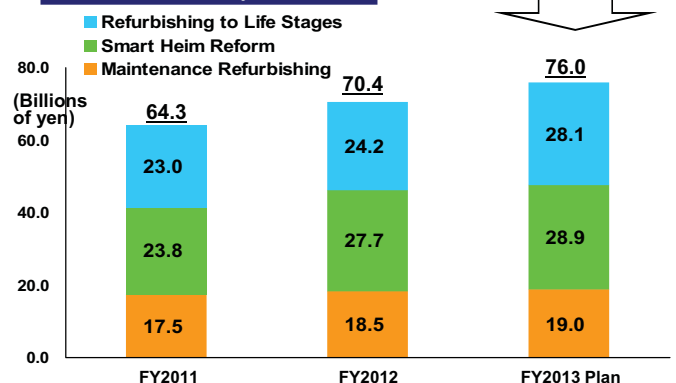
#### 3. Improve customer satisfaction via better after-service and enhance efficiency via operational reforms

- Integrate after-service divisions and promote careful customer follow-up
- Greater adoption of operational systems

### Business Model of the Refurbishing Business



#### Sales of Mainstay Products





**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

		FY2012			FY2011			FY2010
		1H	2H	Annual	1H	2H	Annual	Annual
CONSOLIDATED	Sales (Billions of yen)	231.8	237.3	469.0	219.4	230.0	449.4	418.7
	Housing	164.5	169.2	333.7	156.6	165.7	322.3	301.0
	Houses	155.0	160.5	315.5	147.5	157.3	304.7	287.6
	Land	9.5	8.7	18.2	9.2	8.5	17.6	13.4
	Living environment	67.2	68.1	135.4	62.8	64.3	127.1	117.7
	Refurbishing	47.5	48.3	95.8	43.6	45.2	88.8	81.8
	Interior-Exterior	2.9	2.7	5.6	2.8	2.9	5.8	5.8
	Real estate	16.8	17.2	34.0	16.3	16.1	32.5	30.1
OTHERS	1. Number of houses sold (housing units)	6,750	7,110	13,860	6,330	6,910	13,240	12,620
	Detached houses	5,300	5,310	10,610	5,180	5,310	10,490	9,850
	Heim	4,110	4,120	8,230	4,170	4,220	8,390	8,070
	Two-U	1,190	1,190	2,380	1,010	1,090	2,100	1,780
	Apartments	1,450	1,800	3,250	1,150	1,600	2,750	2,770
	2. Main data							
	Prices<Sales subsidiaries : Detached houses>/ Unit (Millions of yen)	29.9	30.0	30.0	29.3	30.1	29.7	29.8
	Prices<Sales subsidiaries : Detached houses>/ Tsubo (3.3 Square meter) (Thousands of yen)	768	774	772	759	773	765	766
	Floor space (Square meter)	128.5	127.9	128.2	127.3	128.5	127.9	128.5
	Exhibition places (Units)	409	-	407	390	-	404	380
	Sales staff (Number of person)	2,369	-	2,259	2,301	-	2,222	2,131
	Rebuilding ratio (%)	33	34	34	36	35	35	32
	Referral sales ratio (%)	41	42	41	39	40	40	38

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

### 2. Housing order

(Millions of yen)

	FY2013 Plan			FY2012			FY2011		
	1H Plan	2H Plan	Annual Plan	1H	2H	Annual	1H	2H	Annual
Backlogs at beginning	211,900	234,800	-	187,800	197,000	-	171,800	189,100	-
Growth Rate	+13%	+19%	-	+9%	+4%	-	+16%	+14%	-
New Orders	239,300	209,700	449,000	214,657	226,314	440,971	211,197	204,093	415,290
Growth Rate	+12%	-7%	+2%	+2%	+11%	+6%	+5%	+5%	+5%
Sales of houses	216,400	222,900	439,300	205,457	211,414	416,871	193,897	205,393	399,290
Growth Rate	+5%	+5%	+5%	+6%	+3%	+4%	+6%	+9%	+7%
Balance at the end	234,800	221,600	-	197,000	211,900	-	189,100	187,800	-
Growth Rate	+19%	+5%	-	+4%	+13%	-	+14%	+9%	-

### 3. Housing starts

(in number of unit)

	FY2012			FY2011			FY2010
	1H	2H	Annual	1H	2H	Annual	Annual
Housing starts*	442,948	445,198	888,146	432,760	408,486	841,246	819,010
Privately-owned houses* (included in above) =A	161,247	152,806	314,053	162,412	142,410	304,822	308,518
Sales by our company	6,750	7,110	13,860	6,330	6,910	13,240	12,620
Detached house sales by our co.=B	5,300	5,310	10,610	5,180	5,310	10,490	9,850
Our share in Detached houses=B/A	3.3%	3.5%	3.4%	3.2%	3.7%	3.4%	3.2%

\*"The housing starts" and "Privately owned houses" in 2H and Annual FY2012 are based on a forecast.

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

	FY2012			FY2011			FY2010
	1H	2H	Annual	1H	2H	Annual	Annual
Solar power generation systems installed	86%	84%	85%	83%	83%	83%	79%
Tiled exterior wall (Heim type JX)	69%	70%	70%	61%	66%	63%	61%
All-electric housing	90%	89%	89%	90%	89%	89%	92%
Comfortable Air System	66%	70%	68%	69%	73%	71%	73%