

## Summary of Financial Results for the Fiscal Year Ended March 31, 2004

**Company Name:** Sekisui Chemical Co., Ltd.  
**Stock Listings:** Tokyo Stock Exchange, Osaka Securities Exchange  
**Code Number:** 4204  
**Head Office:** 4-4, Nishitenma 2-chome, Kita-ku, Osaka 530-8565  
**URL:** <http://www.sekisui.co.jp>  
**Representative Director:** Mr. Naotake Okubo, President  
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**Date of Board Meeting for settling year-end consolidated accounts: April 27, 2004**  
**U.S. GAAP Applied: No**

## 1. Consolidated Business Results for Fiscal Year Ended March 31, 2004 (April 1, 2003 - March 31, 2004)

## (1) Consolidated Business Results (Note: Figures rounded down to the nearest million yen)

	Net Sales		Operating Income		Recurring Income	
	millions of yen	%	millions of yen	%	millions of yen	%
FY 2003	814,863	1.9	23,080	64.6	27,490	63.7
FY 2002	799,709	-5.4	14,025	-	16,796	-

	Net Income		Net Income per share	Net Income per share(diluted)	Return on Equity	Recurring Income to total capital Ratio	Recurring Income Ratio
	millions of yen	%	yen	yen	%	%	%
FY 2003	15,019	61.5	28.00	27.89	5.3	3.7	3.4
FY 2002	9,298	-	17.43	-	3.4	2.2	2.1

(Note) 1) Equity in earnings of affiliated companies FY 2003: 8,489 million yen FY 2002: 6,581 million yen

2) Average number of shares outstanding (consolidated) during FY 2003: 532,393,130 FY 2002: 533,570,688

3) Changes in accounting method No

4) The percentage figures accompanying net sales, operating income, recurring income and net income represent year-on-year changes.

## (2) Consolidated Financial Position

	Total Assets		Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
	millions of yen		millions of yen	%	yen
FY 2003	748,790		291,756	39.0	548.16
FY 2002	751,240		274,475	36.5	514.86

(Note) Number of shares outstanding (consolidated) at year-end: March 31, 2004: 532,036,252 March 31, 2003: 533,110,503

## (3) Consolidated Cash Flows

	Operating Activities	Investing Activities	Financing Activities	End of Year Cash and Cash Equivalents
	millions of yen	millions of yen	millions of yen	millions of yen
FY 2003	57,913	-13,114	-40,549	22,535
FY 2002	47,067	-21,097	-37,010	18,502

## (4) Scope of Consolidation and Adoption of the Equity Method

Consolidated subsidiaries: 134; Non-consolidated subsidiaries accounted for by the equity method: 0;

Affiliates accounted for by the equity method: 9

## (5) Changes in the Scope of Consolidation and Affiliates Accounted for Under the Equity Method

Consolidated subsidiaries: New 3; Excluded 11; Affiliates accounted for under equity method: New 0; Excluded 0

## 2. Consolidated Outlook for FY 2004 (April 1, 2004 - March 31, 2005)

	Net Sales	Recurring Income	Net Income
	millions of yen	millions of yen	millions of yen
Interim	415,000	13,000	8,000
Entire Year	850,000	38,000	22,000

Reference – Projected net income per share for the entire year: 41.35 yen

The above projections are based on information available at the time of release of this report.

Actual results could differ significantly from projections due to a variety of factors.

## Summary of Business Results for Fiscal Year 2003

### <Highlights>

1. Significant improvement in operating income, rising 65% year-on-year to 23 billion yen  
Target for FY 2004: 35 billion yen, a further year-on-year increase of 52%
2. Plans to raise the dividend for the second year running: FY 2002 6 yen; FY 2003 7 yen; FY 2004 10 yen

### 1. Business Results for FY2003 (Consolidated)

(1)Overall Supported by higher profits at all divisions, operating income increased 65% year-on-year to 23 billion yen

(Percentage change inside brackets)

	Results (100 million yen)		Forecast (100 million yen)
	FY 2003 Results	FY 2002 Results	FY 2004 Forecast
Net Sales	8,148	7,997	8,500
	Difference 151 (+1.9%)		Difference 351 (+4.3%)
Operating Income	230	140	350
	Difference 90 (+64.6%)		Difference 119 (+51.6%)
Recurring Income	274	167	380
	Difference 106 (+63.7%)		Difference 105 (+38.2%)
	Investment income in equity method 84		
Net Income	150	92	220
	Difference 57 (+61.5%)		Difference 69 (+46.5%)

### (2)By Division

#### 1)Results for FY 2003 Higher sales and profits at all divisions

(100 million yen %)

		Housing	Urban Infrastructure & Environmental Products	High Performance Plastics	Other Businesses	Eliminations or unallocatable accounts	Consolidated
Sales	FY 2003	4,109	1,922	1,817	604	-305	8,148
	FY 2002	3,999	1,896	1,722	787	-409	7,997
	Difference	109	25	94	-183	104	151
	Difference(%)	2.7	1.4	5.5	-23.3	-	1.9
Operating Income	FY 2003	102	32	123	-28	0	230
	FY 2002	53	6	104	-32	8	140
	Difference	49	26	18	4	-8	90
	Difference(%)	93.1	421.3	18.0	-	-97.3	64.6

### 2)Overview

#### <>Housing

A raft of new environmentally friendly products such as "houses with no heating & lighting expenses" were launched, driving orders, sales and operating income all higher

Sales No. of units sold 16,110 units (Change from PY +270 units)  
Sales of Living Environment Business 72.7 billion yen (Change from PY +10%)

Operating Income A significant improvement on the back of higher sales

New Building Orders +7% compared to PY

Measures Raft of New Environmentally Friendly Products Launched:

"Two-U Le" (Apr. 2003) "NEW Letoic JX" (Jul. 2003)

"Two-U Home Air Studio", "house with no heating & lighting expenses" for areas with high snowfall (Oct. 2003)

"DOMANI Zero Style" (Nov. 2003)

Living Environment Business: A more extensive house refurbishment service lineup

#### <>Urban Infrastructure & Environmental Products

Stronger sales and profits due to steps to enhance core businesses and promote business structure reform

Sales Sales rose slightly despite a difficult operating environment due to declining public investment and other factors

Operating Income A significant increase in operating income thanks to steps to enhance core businesses, reform unprofitable businesses, reduce logistics costs and other business structure reform initiatives.

Measures Enhanced core businesses: Alliance led to optimized production of PVC pipes and fittings, and steps taken to improve transport efficiency

Promoted greater use of "system management" and plant materials for detached homes

Reformed unprofitable businesses: Integrated manufacturing of FFU and other initiatives

Environmental solutions: Increased aged-pipe restoration; established new water environment business through integration and realignment of existing businesses

Overseas businesses: In China, worked to expand the high-performance water pipe business and the polyethylene EF fittings business

#### <>High Performance Plastics

Higher sales and profits fueled by overseas business expansion in the core IT-related, medical products, automotive materials and functional materials fields

Sales Higher sales and profits on the back of rising exports of IT-related products, robust demand for interlayer film used in laminated glass, and the consolidation of

Operating Income two overseas polyolefin foam companies.

Measures Construction of new factory in Suzhou, China begins; plant will manufacture interlayer film used in laminated glass

New equipment installed at a factory in the Netherlands manufacturing interlayer film used in laminated glass

Obtained business rights from the largest manufacturer of polyolefin foam in South Korea, Young Bo Chemical Co., Ltd.

## 2. Forecast for FY 2004 (Consolidated)

**(1)Overall** Steps to further enhance the uniqueness of Sekisui businesses in the market will boost sales and profits at all division companies and drive operating income 52% higher to 35 billion yen.

Plans to increase both the interim and end-of-year dividend for a full-year dividend of 10 yen, compared to 7 yen in the previous year.

(100 million yen,%)

		Housing	Urban Infrastructure & Environmental Products	High Performance Plastics	Other Businesses	Eliminations or unallocatable accounts	Consolidated
Sales	Forecast 2004	4,300	2,000	1,950	500	-250	8,500
	Results 2003	4,109	1,922	1,817	604	-305	8,148
	Difference	190	77	132	-104	55	351
	Difference(%)	4.6	4.0	7.3	-17.3	-	4.3
Operating Income	Forecast 2004	160	70	150	-30	-	350
	Results 2003	102	32	123	-28	0	230
	Difference	57	37	26	-1	-	119
	Difference(%)	55.7	113.8	21.9	-	-	51.6

### (2)Forecasts by Division

**<>Housing** Boost sales and profits with the "houses with no heating & lighting expenses" lineup and unify manufacturing and assembly processes

Sales Units to be sold 16,800 units (Increase from PY +690 units)

Sales in Living Environment Business 80.0 billion yen (Increase from PY +10%)

Operating Income Reinforce the earnings structure to boost profitability.

Enhance lineup of "houses with no heating & lighting expenses" : "PARFAIT AE (Apr. 2004)

Increase sales of housing with land and apartments

Measures Living Environment Business:

Increase operating income by upgrading the lineup of environmentally friendly products.

Raise the skills of our marketing personnel

### <>Urban Infrastructure & Environmental Products

Strengthen earnings structures in core businesses and grow the Environmental Solutions Business

Sales Environmental Solutions Business:

Operating Income Strengthen core businesses: Raise prices of PVC pipes and fittings

Drive forward alliances in the PVC pipe business

Measures Environmental solutions: Expand the aged-pipe restoration, water environment and wood businesses

Overseas business: promote overseas business expansion in China and other markets

### <>High Performance Plastics

Expand businesses in core fields and accelerate overseas business expansion

Sales Boost sales and profits by expanding businesses in core fields and accelerating overseas business expansion

Operating Income

Measures Businesses in core fields: Expand sales of IT-related products, centered on LCD materials

Overseas business expansion: Begin production of interlayer film for laminated glass in China

## 3. Scope of Consolidation

(No. of Companies)

	FY2003	FY2002	Difference	Consolidated 3 Excluded 11
Consolidated Companies	134	142	-8	YoY Impact (100 million yen):
Equity Method Companies	9	9	0	Sales -3, Operating Income +3, Total Assets +29

## 4. Cash Flow (Consolidated)

(100 million yen)

	FY2003	FY2002
Operating Activities	579	470
Investing Activities	-131	-210
Financing Activities	-405	-370
Translation Difference on Cash and Cash Equivalents	-2	-1
Increase in Cash and Cash Equivalents	40	-112
Increase in Cash and Cash Equivalents from an Increase in Consolidated Companies	0	8
Decrease in Cash and Cash Equivalents from the Exclusion of Consolidated Companies	0	0
Term End Balance of Cash and Cash Equivalents	225	185
Free Cash Flow	415	227

	FY2003	FY2002	Difference
Interest Bearing Liabilities	1,530	1,938	-407 (100 million yen)

(Increase in newly consolidated companies 3; exclusions from consolidation -40; exchange rate impact -4; change in real terms -366)

Total Asset Turnover Ratio	1.09 times	1.03 times	+0.06 times
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## 5. Capital Expenditure (100 million yen)

	FY2003	FY2002	Difference
Housing	34	46	-12
Urban Infrastructure & Environmental Products	47	55	-8
High Performance Plastics	125	105	19
Other Business	12	15	-3
Eliminations or unallocatable accounts	22	27	-5
Consolidated	241	250	-9

Breakdown of Capital Investment

Investment in new equipment at interlayer film used in laminated glass plant in the Netherlands

Construction of new Internet-based ordering system

## 6. Depreciation (100 million yen)

	FY2003	FY2002	Difference
Housing	66	77	-11
Urban Infrastructure & Environmental Products	60	72	-12
High Performance Plastics	107	98	8
Other Business	21	29	-7
Eliminations or unallocatable accounts	10	6	3
Consolidated	266	284	-18

## 7. Research & Development Expenses (100 million yen)

	FY2003	FY2002	Difference
Housing	48	52	-4
Urban Infrastructure & Environmental Products	54	54	0
High Performance Plastics	87	76	10
Other Business	46	50	-3
Total	237	234	2

## 8. Sales and Operating Income per Region

(100 million yen)

		Japan	U.S.A.	Europe	Asia	Others	Eliminated	Total
Sales	FY2003	7,730	189	251	186	21	-229	8,148
	FY2002	7,640	193	234	109	21	-201	7,997
	Difference	90	-4	17	76	0	-28	151
Operating Income	FY2003	188	11	20	8	2	0	230
	FY2002	102	8	20	2	2	4	140
	Difference	85	2	0	6	0	-3	90

## 9. Housing Company Data

(1) No. of Units Sold

(No. of Unit, %)

	FY2003	FY2002	Growth Rate	Forecast for 2004	Growth Rate
Detached Houses	12,270	12,250	100	12,500	102
Heim included above	8,750	8,780	100	8,910	102
Two U included above	3,520	3,470	101	3,590	102
Apartments	3,840	3,590	107	4,300	112
Total	16,110	15,840	102	16,800	104

(2) Orders

(100 million yen, %)

	FY2003	FY2002	Growth Rate	Forecast for 2004	Growth Rate
Order Intake	3,948	3,683	107	4,134	105
Order Backlog at FY End	1,619	1,485	109	1,770	109

(3) Orders for Houses with Solar Heat Generators (newly built houses only) (No. of Unit, %)

	FY2003	FY2002	Growth Rate	Forecast for 2004	Growth Rate
Heim	4,970	3,590	138	5,260	106
Two U	1,480	750	197	1,790	121
Total	6,450	4,340	149	7,050	109

(4) Employees and Exhibition Sites

(No. of Persons)

	FY2003	FY2002	Comparison with PY	Forecast for 2004	Comparison with PY
Sekisui Chemical Group including sales staff	11,783	11,946	-163	12,080	297
Fami S Business including sales staff	2,490	2,565	-75	2,710	220
	1,536	1,514	22	1,770	234
	938	880	58	1,070	132

(No. of Structures)

	FY2003	FY2002	Difference	Forecast for 2004	Difference
No. of Exhibition	487	531	-44	500	13

# Consolidated Financial Statements

## 1. Consolidated Balance Sheets

(Millions of Yen)

Term Item	FY 2003		FY 2002		Difference
	As of 31 Mar. 2004		As of 31 Mar. 2003		
	Amount	%	Amount	%	
( Assets )					
1) Current Assets					
1. Cash and deposits	23,392		19,311		4,081
2. Trade notes receivable	47,454		50,259		-2,805
3. Accounts receivable	68,196		68,178		18
4. Securities	1,067		1,600		-532
5. Inventories	32,391		30,962		1,428
6. Land for sale	8,752		9,986		-1,233
7. Other inventories	39,772		35,157		4,614
8. Advances	1,145		385		760
9. Prepaid expenses	922		916		5
10. Deferred tax assets	10,513		10,874		-360
11. Short-term loans	5,214		6,280		-1,066
12. Other	19,421		20,297		-876
13. Allowance for doubtful accounts	-1,706		-2,031		325
Total current assets	256,537	34.3	252,179	33.6	4,358
2) Fixed assets					
1. Tangible fixed assets					
(1) Buildings & structures	88,469		91,824		-3,354
(2) Machinery, equipment and tools	60,100		61,799		-1,698
(3) Land	73,302		74,111		-809
(4) Construction in progress	10,622		12,371		-1,749
(5) Other	7,358		8,139		-780
(Total tangible fixed assets)	( 239,854)	(32.0)	( 248,246)	(33.0)	( -8,391)
2. Intangible fixed assets					
(1) Software	4,898		4,767		131
(2) Consolidation adjustment account	3,404		0		3,404
(3) Other	1,923		3,052		-1,129
(Total intangible assets)	( 10,226)	(1.4)	( 7,820)	(1.0)	( 2,406)
3. Investments and other assets					
(1) Investments in securities	195,367		187,597		7,769
(2) Long-term loans	3,710		4,128		-418
(3) Long-term prepaid expenses	1,550		1,706		-155
(4) Deferred income taxes	31,944		37,858		-5,914
(5) Other	11,197		13,817		-2,619
(6) Allowance for doubtful accounts	-1,598		-2,113		515
(Total investment and other assets)	( 242,172)	(32.3)	( 242,995)	(32.3)	( -822)
Total fixed assets	492,252	65.7	499,061	66.4	-6,808
Total assets	748,790	100.0	751,240	100.0	-2,450

(Millions of Yen)

Term  Item	FY 2003		FY 2002		Difference
	As of 31 Mar. 2004		As of 31 Mar. 2003		
	Amount	%	Amount	%	
(Liabilities)					
1) Current liabilities					
1. Trade notes payable	22,965		36,774		-13,809
2. Accounts payable	102,209		85,213		16,996
3. Short-term loans	40,134		57,072		-16,938
4. Commercial paper	5,000		25,000		-20,000
5. Bond due within one year	96		107		-11
6. Accrued expenses	25,223		25,888		-665
7. Accrued income taxes	2,556		1,711		844
8. Deferred tax liabilities	429		116		312
9. Provision for bonuses	9,754		9,020		734
10. Provision for compensation for completing constructions	836		836		0
11. Advances received	32,559		27,749		4,810
12. Other	27,190		19,508		7,681
Total of current liabilities	268,955	35.9	289,000	38.5	-20,045
2) Fixed liabilities					
1. Bonds	25,107		25,335		-228
2. Long-term loans	82,734		86,257		-3,522
3. Deferred tax liabilities	3,315		3,105		210
4. Provision for retirement allowance	65,036		61,580		3,455
5. Consolidation adjustment account	-		301		-301
6. Other	4,024		4,527		-503
Total fixed liabilities	180,217	24.1	181,107	24.1	-889
Total liabilities	449,173	60.0	470,108	62.6	-20,935
(Minority shareholders' interests)	7,861	1.0	6,656	0.9	1,204
(Shareholders' equity)					
1) Common stock	100,002	13.4	100,002	13.3	-
2) Capital surplus	109,243	14.6	109,234	14.5	8
3) Retained earnings	80,792	10.8	69,172	9.2	11,620
4) Unrealized gain on land revaluation	346	0.0	343	0.0	3
5) Unrealized holding gain (loss) on securities	5,885	0.8	-509	-0.1	6,395
6) Foreign currency translation adjustments	-1,770	-0.2	-1,478	-0.2	-291
7) Treasury stocks	-2,744	-0.4	-2,288	-0.3	-455
Total shareholders' equity	291,756	39.0	274,475	36.5	17,280
Total liabilities, minority shareholders' interest, and shareholders' equity	748,790	100.0	751,240	100.0	-2,450

## 2. Consolidated Profit and Loss Statement

(Millions of Yen)

Term  Item	FY 2003		FY 2002		Difference		
	From 1 Apr. 2003 to 31 Mar.2004		From 1 Apr. 2002 to 31 Mar. 2003				
	Amount	%	Amount	%			
1) Net sales		814,863	100.0		799,709	100.0	15,153
2) Cost of sales		579,134	71.1		573,807	71.8	5,327
Gross income		235,728	28.9		225,902	28.2	9,826
3) Selling, general & administrative expenses		212,647	26.1		211,876	26.5	771
Operating income		23,080	2.8		14,025	1.8	9,054
4) Non-operating income							
1. Interest income	970			815			
2. Dividend income	411			742			
3. Depreciation in consolidation adjustment account	-			185			
4. Investment income by equity method	8,489			6,581			
5. Miscellaneous income	5,144	15,016	1.8	5,671	13,996	1.8	1,019
5) Non-operating expenses							
1. Interest expenses	2,758			3,331			
2. Discount on commercial paper	3			9			
3. Sales discounts	316			273			
4. Miscellaneous expenses	7,527	10,606	1.3	7,612	11,225	1.4	-619
Ordinary income		27,490	3.4		16,796	2.1	10,693
6) Extraordinary income							
1. Income on return of substitutional portion of employees' Welfare Pension Fund Plans	-			12,384			
2. Gain on sales of fixed assets	-	-	-	1,642	14,026	1.8	-14,026
7) Extraordinary expenses							
1. Structural improvement expenses	3,097			7,650			
2. Valuation loss of investment account securities	-			2,754			
3. Provision for allowance for doubtful accounts	-			653			
4. Loss on sales or disposal of property, plant and equipment	2,329	5,427	0.7	3,161	14,220	1.8	-8,792
Income before income taxes and minority interests		22,062	2.7		16,603	2.1	5,459
Income taxes		3,449	0.4		2,297	0.3	1,152
Deferred taxes		3,019	0.4		4,981	0.6	-1,961
Minority interests		574	0.1		25	0.0	549
Net income		15,019	1.8		9,298	1.2	5,720

### 3. Statements of Capital Surplus and Retained Earnings

(Millions of Yen)

Term  Item	FY 2003 From 1 Apr. 2003 to 31 Mar. 2004		FY 2002 From 1 Apr. 2002 to 31 Mar. 2003		Difference
	Amount		Amount		
(Capital surplus)					
1) Capital reserve at the beginning of term		109,234		109,234	-
2) Increase in capital surplus					
Disposal of treasury stocks	8	8	-	-	
3) Capital reserve at end of term		109,243		109,234	8
(Retained earnings)					
1) Retained earnings at beginning of term		69,172		63,210	5,962
2) Increase in retained earnings					
Net income	15,019	15,019	9,298	9,298	5,720
3) Decrease in retained earnings					
1. Dividend	3,220		3,228		
2. Directors' bonuses	40		20		
3. Decrease in amount due to increase of consolidated subsidiaries	-		87		
4. Decrease in amount due to exclusion of subsidiaries from consolidation	137	3,398	-	3,336	62
4) Retained earnings at end of term		80,792		69,172	11,620

#### 4. Consolidated Statements of Cash Flows

(Millions of Yen)

Term Item	FY 2003	FY 2002
	From 1 Apr. 2003 to 31 Mar. 2004	From 1 Apr. 2002 to 31 Mar. 2003
1) Operating activities		
1. Income (loss) before income taxes and minority interests	22,062	16,603
2. Depreciation and amortization	26,623	28,433
3. Gain on sales of property, plant and equipment	-	-1,642
4. Loss on sales or disposal of property, plant and equipment	2,329	3,161
5. Revaluation loss on investment securities	-	2,754
6. Increase/decrease in provision for retirement benefits	3,811	-8,883
7. Interest and dividend income	-1,381	-1,558
8. Interest expense	3,078	3,613
9. Investment gains by equity method	-8,489	-6,581
10. Decrease in accounts receivable	2,201	13,900
11. Decrease in inventories	-4,981	7,538
12. Increase (decrease) in accounts payable	2,808	-10,090
14. Increase in advances received	3,639	453
15. Directors' bonuses paid	-40	-20
16. Other	7,660	220
Subtotal	59,320	47,903
17. Interest and dividends received	4,344	4,624
18. Interest paid	-3,151	-3,490
19. Income taxes paid	-2,599	-1,969
Net cash provided by operating activities (1)	57,913	47,067
2) Investment activities		
1. Purchases of property, plant and equipment	-21,007	-21,231
2. Proceeds from sales of property, plant and equipment	3,618	2,767
3. Purchases of investment securities	-3,833	-8,661
4. Proceeds from sales of investment securities	11,035	5,851
5. Purchases of additional subsidiaries	-5,520	-
6. Proceeds from sales of shares in subsidiaries	564	-
7. Purchases of intangible assets and acquisition of long-term prepaid expense	-2,256	-2,838
8. Net (increase) decrease in short-term loans	782	1,540
9. Other	3,503	1,474
Net cash used in investment activities (2)	-13,114	-21,097
3) Financing activities		
1. Decrease in short-term debt, net	-18,695	-22,051
2. Decrease in commercial paper, net	-20,000	-15,000
3. Proceeds from long-term debt	10,000	39,786
4. Repayment of long-term debt	-7,707	-14,133
5. Repayment of bonds	-96	-21,899
6. Dividends paid	-3,225	-3,239
7. Dividends paid to minority shareholders	-35	-48
8. Other	-789	-424
Net cash used in financing activities (3)	-40,549	-37,010
4) Effect of exchange rate changes on cash and cash equivalents (4)	-200	-194
5) Net increase in cash and cash equivalents (1)+(2)+(3)+(4)	4,049	-11,235
6) Cash and cash equivalents at beginning of term	18,502	28,911
7) Increase in cash and cash equivalents resulting from additional consolidation of subsidiaries	12	870
8) Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-29	-43
9) Cash and cash equivalents at end of term	22,535	18,502