

Business Report on 1Q of FY2005

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 Corporate Communication Dept.
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Outline of Income & Loss for 1Q of FY2005

(100Mil.yen)

	FY2005		FY2004		Changes	
	1Q Actual	FH Plan	1Q Actual	FH Actual	1Q	FH
Sales (Progress Rate in FH Plan)	1,923 (43%)	4,450	1,779 (43%)	4,131	144	319
Ope. Income	12	190	-10	152	22	38
Recurring Income	28	205	-16	181	44	24
Net Income	-38	70	-17	118	-20	-48

1Q of FY2005 Sales & Operating Income per Company



(100Mil.yen)

	1Q of FY2005 Actual		1Q of FY2004 Actual		Changes	
	Sales	Op. Income	Sales	Op. Income	Sales	Op. Income
Housing	935	-6	850	-29	84	22
U.I.E.P.	427	-4	411	-3	17	-1
H.P.P.	509	31	467	32	42	-1
Others	112	-8	119	-12	-7	4
Eliminated or Not attributed	-61	-1	-69	2	8	-2
Total	1,923	12	1,779	-10	144	22

U.I.E.P. : Urban Infrastructure & Environmental Products
H.P.P.: High Performance Plastics

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Housing Company (1)



Orders received for 1Q **Amount of order received 83.2b. yen (93% of PY)**

1. Housing business **Amount of order received, 91% of PY**

1) The qualitative turn of sales is now in progress

Ordered structures, 87% of PY

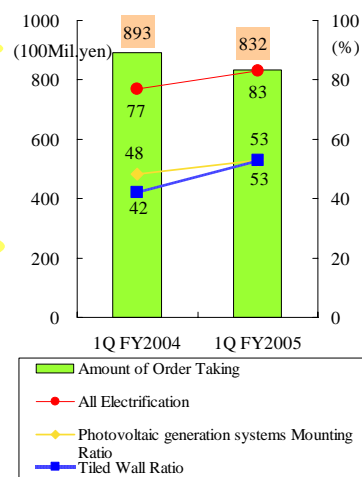
- ◆ Reduction in holding the events and Expansion of sales by inviting visitors to model houses and also by the personal introduction of our houses
- ◆ Price-appealing Sales ⇒ Performance & Quality appealing Sales

2) Promotion in adding higher value

Unit price of orders 104% of PY

- ◆ Housing with zero-utility-costs
 - ◆ LCC~Tiled wall specifications
 - ◆ 2X6 Grand To You
- Sales Expansion**

Trend of Taking Orders



2. Refurbishing business

Amount of order received 107% of PY

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Housing Company (2)

- Measures [1] to get additional orders from 2Q onward

1. Increase in probable customers

The result of gathering potential customers during 1Q by 3 means (% of PY)
 Visitors=112% Introduction=116% Events=56%

1) Positive replacement with attractive model houses in exhibition

40 structures in 1Q; 65 structures in SH

2) Launching of New Models

- New 3-storied Housing “Domani Comfatic” (August~)
- Rental apartment houses “Designed to support child raising”, “The owner living together”

Holding the seminars on rental apartment houses **6 times in 2Q**

3) More qualitative turn of sales, “Attaching importance to the sales methods by inviting visitors to our model houses and by the personal introductions”

- Further more education and training
- Putting in action the Introduction Campaign all over the country all at once.(in Second Half)



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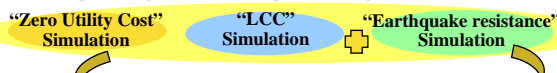
Housing Company (3)

- Measures [2] get additional orders from 2Q onward

2. Acceleration in making contracts

1) Differentiation by “YURENAVI”

Diagnostic System on the Performance of individual houses



Proposing to individual houses
 “More Reliable Feeling”

- Reinforcing staff in Eco Heim Promotion Dept.

9→16 persons in SH

With our developed system, we diagnose the assumed seismic intensity on the foundation of individual houses.

With our performance & quality control technology specific to the Unit Construction Method, we diagnose the shaking on each of the newly built houses

Popularization of “YURENAVI”

2) Positive enforcement of “Plant Tour” where our Unit Construction System may attract the attention of visitors.

60 tours are planned in 2Q

3) Positive use of spot commercials on TV

- Strengthening the cost management capability

- Promoting the Cost-down Committee in cooperation with Sekisui House

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Urban Infrastructure & Environmental Products Company

1. Core Business

- ◆ Maintaining the selling price of PVC pipe
- ◆ Penetrating the price increase of rain gutters

2. Stable-profitability business

- ◆ Business in public sector decreased from previous year

3. Growth Business

- ◆ Full-scale expansion of the piping restoration business overseas

4. China business

- ◆ Full-scale startup of the high-performance piping system for water supply

(100Mil.yen)

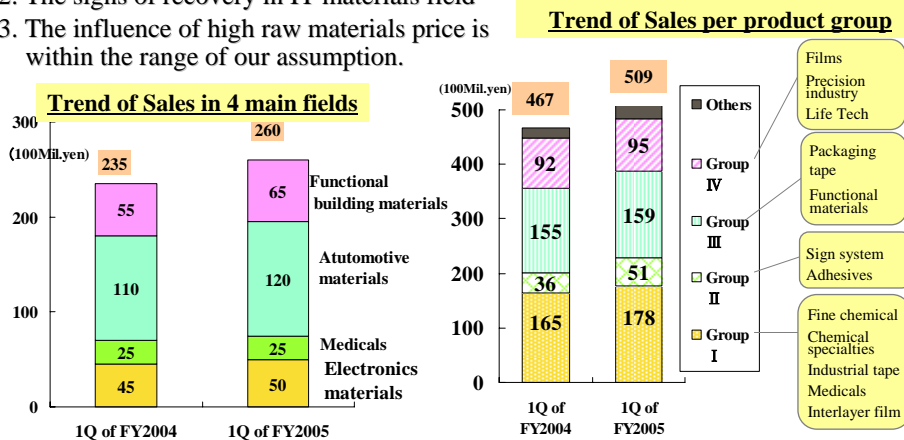
		1Q of FY2005	
	Divisions	Ope. Income	Change from PY
Growth	Environ. & Civil Eng. System	-6	-1
Core Business	Water supply & drainage sys.	21	3
	Building materials		
	Plant materials		
Stable Profitability	FFU	-11	-2
	Reinforced plastic pipe		
	Roofing materials		
	Aqua system		
	Home Techno		
	Toto Sekisui		
Strategic Investment	New businesses etc.	-8	-1
TOTAL		-4	-1

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High Performance Plastics Company

■ Selection and Expansion of the businesses based on the Business Portfolio

1. Satisfactory progress in automotive materials field
2. The signs of recovery in IT materials field
3. The influence of high raw materials price is within the range of our assumption.



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The Development of Overseas Business in the coming years

1. The China Business Vision “CHINA500”

— We provide the users in China with first-class products on our “Prominent” technology and also contribute to the development of the industry. —

◆ Important fields “Water environment infrastructure”, “Automotive related materials”, “Medical” and “IT”

◆ Business Target for FY2010 **Sales 50 b. yen** **Ope. Income 10 b.yen**

2. Overseas Development of Interlayer Film Business

◆ Newly establishing in Europe a plant producing raw material resin

◆ Promotion of the production close to the place of demand

3. Overseas Development of the piping restoration business

◆ Accelerating the business development in U.S.A. and Korea

4. M&A etc.

Details of Business Activities for 1Q of FY2005

Naofumi Negishi

Managing Director
 and General Manager
 Corporate Finance, Accounting & Planning Department

Business Activities for 1Q of FY2005

Number of Consolidated Companies

	End June 2005	End March 2005	Remarks
Consolidated Companies	150	138	+11 Newly consolidated, +1 Separated
Companies in Equity Method	8	9	-1 Excluded

Amount influenced by the change of consolidated companies (100Mil.yen)

Sales	+22	Sekisui Fuller +11 Sekisui S-lec (Suzhou) +4
Operating Income	+1	

Business Activities for 1Q of FY2005

Summary of Income & Loss (100Mil.yen)

	1Q of FY2005	1Q of FY2004	Changes
Sales	1923	1,779	144
Gross Income	559	527	33
Gross Income Margin	29.1%	29.6%	-0.5%
Selling, Gen. & Admin. Expenses	548	536	11
Operating Income	12	-10	22
Investment Income/Loss under equity method	-1	0	-1
Other non -ope. Income/Loss	17	-7	23
Recurring Income	28	-16	44
Gain on change in equity	52	21	31
Impaired fixed assets	119	-	119
Other extraordinary expense	1	3	-2
Income before tax	-40	2	-42
Corporate income tax etc.	-2	19	-21
Net Income	-38	-17	-20

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The Influence on the business results for 1st Quarter of FY 2005 by our partial sale of Sekisui House shares

(100Mil.yen)

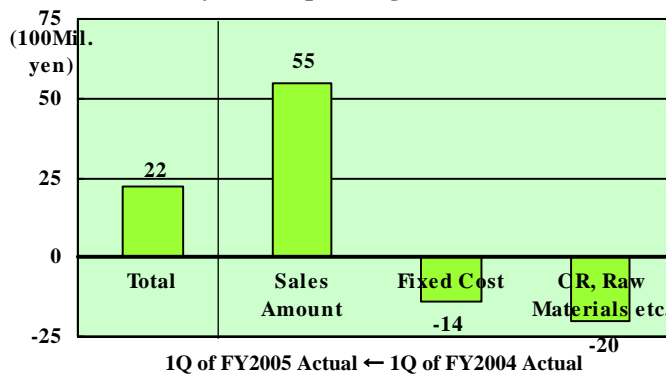
	Amount influenced	Remarks
Income/Loss on investment under Equity Method	-0	143mil.yen : (Sekisui House's net income in 1Q of '05) X 20%
Other non-operating Income/Loss	13	Dividend received in April, @9 X 142 mil. shares
Recurring Income	13	
Gain on change in equity	52	40 mil. shares sold @1,117
Income before tax	65	
Corporate income tax etc.	14	Tax etc. on the income from selling the shares
Net Income	51	

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Total Company: Sales & Operating Income (100Mil.yen)

	1Q of FY2005 Actual		1Q of FY2004 Actual		FH of FY2005 Plan		FH of FY2004 Actual	
	Sales	Ope. Income	Sales	Ope. Income	Sales	Ope. Income	Sales	Ope. Income
Total Company	1,923	12	1,779	-10	4,450	190	4,131	152

Analysis on Operating Income(with P.Y.)

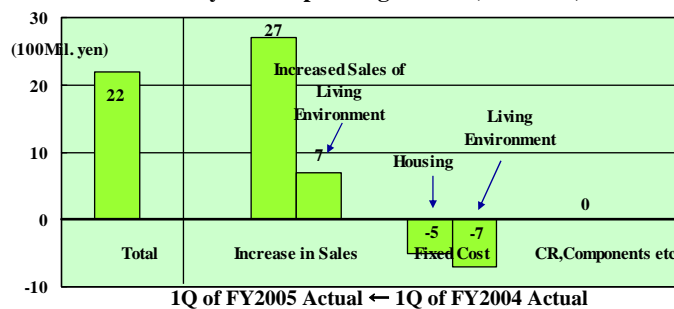


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Sales & Operating Income per Company (100Mil.yen)

Housing	1Q of FY2005 Actual		1Q of FY2004 Actual		FH of FY2005 Plan		FH of FY2004 Actual	
	Sales	Ope. Income	Sales	Ope. Income	Sales	Ope. Income	Sales	Ope. Income
Housing Business	757	0	692	-23	1,884	106	1,741	78
Living Environment Business (Fami S included)	178 (118)	-6 (-5)	158 (106)	-6 (-5)	416 (283)	4 (3)	367 (244)	1 (0)
Total	935	-6	850	-29	2,300	110	2,108	79

Analysis on Operating Income(with P.Y.)



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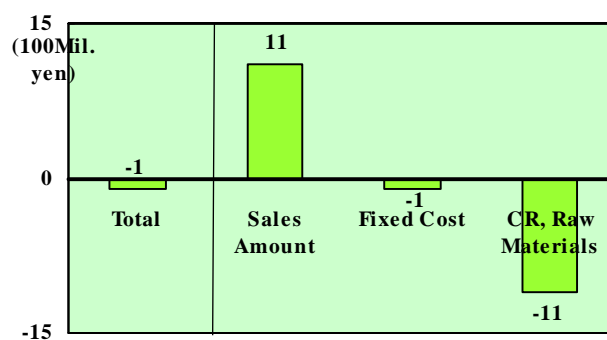
Sales & Operating Income per Company



(100Mil. yen)

	1Q of FY2005 Actual		1Q of FY2004 Actual		FH of FY2005 Plan		FH of FY2004 Actual	
	Sales	Op. Income	Sales	Op. Income	Sales	Op. Income	Sales	Op. Income
U.I.E.P.	427	-4	411	-3	1,000	25	942	22

Analysis on Operating Income(with P.Y.)



1Q of FY2005 Actual ← 1Q of FY2004 Actual

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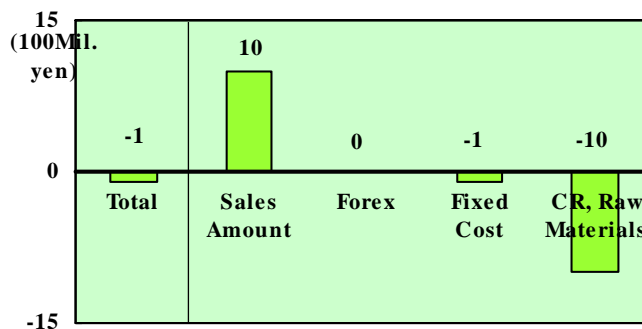
Sales & Operating Income per Company



(100Mil. yen)

	1Q of FY2005 Actual		1Q of FY2004 Actual		FH of FY2005 Plan		FH of FY2004 Actual	
	Sales	Op. Income	Sales	Op. Income	Sales	Op. Income	Sales	Op. Income
HPP	509	31	467	32	1,050	75	965	70

Analysis on Operating Income(with P.Y.)



1Q of FY2005 Actual ← 1Q of FY2004 Actual

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Business Activities for 1Q of FY2005

■ Balance Sheet (Assets) (100 Mil.yen)

	End of Jun. 2005	End of Mar. 2005	Changes
Cash & Deposit	497	312	185
Account Receivable on Sales	1,309	1,329	-20
Inventories	959	878	81
Other Current Assets	370	351	19
Tangible Fixed Assets	2,213	2,289	-76
Intangible Fixed Assets	99	94	5
Investment in securities	1,663	1,887	-224
Investment and other assets	307	349	-42
Assets Total	7,417	7,488	-71

including:
 Housings in progress +41
 Land for sale +21

including:
 Impaired amount -119

Selling of Sekisui House shares -324
 Revaluation at the market
 price as of end June +99

Deferred tax asset -40

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Business Activities for 1Q of FY2005

■ Balance Sheet (Liabilities & Capital) (100 Mil.yen)

	End of Jun. 2005	End of Mar. 2005	Changes
No-interest Bearing Liabilities	3,020	3,114	-94
Interest Bearing Liabilities	1,197	1,195	2
Liability Total	4,217	4,309	-92
Small-shareholders' portion	92	77	15
Capital etc.	2,097	2,093	4
Earned Surplus	978	976	1
Difference on revaluation of securities	110	67	44
Other capital accounts	-77	-34	-43
Capital Total	3,108	3,102	6
Total of Liability & Capital	7,417	7,488	-71

Net income -37, Dividend -27

Influence of the exclusion of
 Sekisui House from Equity
 Method companies +69

Revaluation at market price as
 of end June +99x60% etc.

Treasury stocks -40
 (Purchase & Sale -53,
 Others +13)

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Business Activities for 1Q of FY2005

■ Consolidated Cash Flow

(100 Mil.yen)

	1Q of FY2005	1Q of FY2004
Cash Flow from Sales Activities	-65	-73
Cash Flow from Investment Activities	363	44
Cash Flow from Financial Activities	-113	-16
Increment in Cash & Cash Equivalent	185	-46
Term -end Balance of Cash & Cash Equivalent	506	180
Free Cash Flow	271	-51
=Sales Activity CF+Investment Activity CF - Dividend paid		

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Profit Plan for FH2005

(100 Mil.yen)

	FH FY2005 Plan	FH FY2004 Actual	Changes
Sales	4,450	4,131	319
Operating Income	190	152	38
Recurring Income	205	181	24
Net Income	70	118	-48

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Some of the displayed data such as prospects, plans and forecasts, that are not past results, have been worked out on the inference of our management with reference to currently available information. Therefore, please keep it in mind that the actual results of our business could become largely different from our plans and forecasts etc. depending on changes in various material factors.

1. Main data in Housing business		Housing Company Results and Plan				
		FY2005		FY2004		
		1Q	FH Plan	1Q	FH	SH
CONSOL	Sales (in 100 Million yen)	935	2,300	850	2,108	2,184
	Housing	757	1,884	692	1,741	1,786
	Houses	733	1,819	667	1,682	1,730
	Land	24	65	25	59	56
	Living environment	178	416	158	367	398
	Refurbishing	118	283	106	244	266
	Interior-Exterior	12	28	9	31	31
	Real estate	48	105	44	92	102
OTHERS	1. Number of houses sold (unit)	3,260	8,300	3,130	8,060	8,600
	Detached houses	2,650	6,200	2,540	6,200	6,090
	Heim	1,980	4,650	1,830	4,540	4,570
	Two-U	670	1,550	710	1,660	1,520
	Apartment	610	2,100	590	1,860	2,510
	2. Main data					
	Price <Sales subsidiaries: Detached Ho.>/unit (Mil.yen)	28.6	28.6	27.3	27.5	28.1
	Price <Sales subsidiaries: Detached Ho.>/Tsubo(3.3 m ²) (10thou yen)	68.7	68.7	66.0	66.5	67.8
	Floor space (m ²)	137.3	137.3	136.4	136.5	136.7
	Exhibition places (Unit: Structure)	481	481	484	477	470
Sales staff (No. of person)	2,643	2,588	2,651	2,605	2,496	
Replacement ratio(%)	39	40	39	40	42	
Introduction sales ratio(%)	33	35	30	31	30	

2. Housing order intake		(Millions of Yen)						
		FY2005		FY2004			FY2003	
		1Q	FH Plan	1Q	FH	SH	FH	SH
Backlogs at beginning	169,900	—	161,900	—	167,500	148,500	156,600	
Growth rate	5%	—	9%	—	7%	-2%	6%	
New orders	83,247	210,600	89,261	201,333	205,037	196,118	198,692	
Growth rate	-7%	5%	7%	3%	3%	8%	6%	
Sales of houses	86,247	213,000	78,139	195,733	202,637	188,018	193,392	
Growth rate	10%	9%	19%	4%	5%	1%	4%	
Balance at the end	166,900	167,500	173,022	167,500	169,900	156,600	161,900	
Growth rate	-4%	0%	4%	7%	5%	6%	9%	

3. Housing starts		(in unit)				
		FY2005		FY2004		
		1Q	FH Plan	1Q	FH	SH
Housing starts		305,000	617,000	302,000	618,000	575,000
Privately-owned houses (included in above) (=A)		98,000	202,000	101,000	206,000	161,000
Sales by our company		3,260	8,300	3,130	8,060	8,600
Detached house sales by our co. (=B)		2,650	6,200	2,540	6,200	6,090
Our share in Detached houses (=B/A)		2.7%	3.1%	2.5%	3.0%	3.8%

*"The housing starts" in 1Q Actual of FY2005 and the above "Detached house sales" are based on a prospect.

4. Order intake of houses with additional specifications		FY2005		FY2004		
		1Q	FH Plan	1Q	FH	SH
Photovoltaic generation systems installed		53%	60%	48%	51%	53%
Special walling tiles (Heim type JX)		53%	58%	42%	44%	47%
Totally electrified model		83%	90%	77%	78%	83%