

Business Report on 3Q of FY2005

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 & General Manager
 Corporate Communication Dept.
 Sekisui Chemical Co., Ltd.
 31 January, 2006

Outline of Income & Loss for 1Q-3Q of FY2005

(100Mil.Yen)

	1Q-3Q FY2005	1Q-3Q FY2004	Changes
Sales	6,494	6,332	162
Operating Income	248	268	-19
Recurring Income	285	298	-13
Net Income	113	194	-81

3Q of FY2005 Sales & Operating Income per Company



(100Mil.yen)

	3Q of FY2005 Actual		3Q of FY2004 Actual		Changes	
	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.
Housing	1,021	17	1,112	51	-92	-34
UIEP *1	535	27	523	32	12	-5
HPP *2	549	44	503	40	46	4
Others	126	-6	122	-8	3	2
Eliminated or Not attributed	-62	-1	-59	0	-3	-1
Total	2,168	81	2,201	115	-33	-34

*1: Urban Infrastructure & Environmental Products

*2: High Performance Plastics

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Summary on 3Q of FY2005



Favorable progress in establishing the bases of the overseas expansion

Dealing with soared raw material price is progressing as scheduled.

Qualitative change in the housing sales is on its way.

◆ Housing

- Decrease in earnings in year-to-year comparison.
Tight fighting for getting orders.

◆ UIEP

- The 3rd price increase of PVC products penetrated.

◆ HPP

- Favorable expansion in both IT and Automotive areas.

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Outlook for FY2005 Plan Sales & Operating Income per Company



(100Mil.yen)

	FY2005 Revised Plan		FY2004 Actual		Changes		FY2005 Previous Plan	
	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.
Housing	4,300	140	4,292	162	8	-22	4,350	165
UIEP	2,150	105	2,048	89	102	16	2,150	110
HPP	2,200	175	1,977	148	223	27	2,200	175
Others	500	-30	525	-33	-25	3	500	-30
Eliminated or Not attributed	-300	-	-273	-1	-27	1	-300	-
Total	8,850	390	8,569	364	281	26	8,900	420

Reason for the revision: Housing order-taking unachieved;

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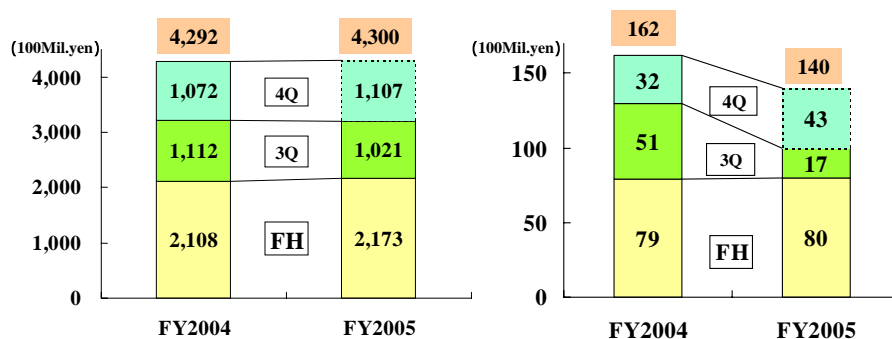
Housing Company (1)



Qualitative change in the housing sales is on its way.

■ Trend of Sales

■ Trend of Operating Income



•The sales in 3Q FY2004 were increased by the running-in demand before the decrease in the amount of favored housing-loan.

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Housing Company (2)

Actual order-intake of housing in 3Q

Amount of housing orders received
72.8 b.yen (91% from PY)

1) On the way to the qualitative change of sales

No. of ordered structures
87% from PY

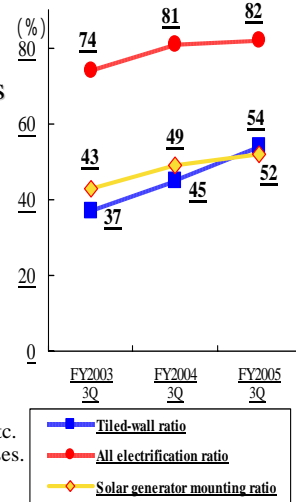
Orders through customers' visit to the exhibition 99%
Order through referrals 100% (from PY)

- The plan has not been achieved for increasing in attracting customers by means of the exhibition-visit and referrals

2) Promoting the differentiation in higher performance

Unit price ordered 105% from PY

- Breaking away from the lower-price appealing
- Increasing the ratio of high-priced models like 2X6 "Grand To You" etc.
- Favorable progress in selling the solar generator mounted houses. Increasing the ratio of tile-walled houses
- Utilizing the advantage of our Performance Simulation on individual houses



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Housing Company (3)

Renovation of Sales

Target for SH:

Increase in attracting customers through exhibition places by 20% ; through referrals by 35%(from PY)

Increase in order-taking through exhibition places by 25% ; through referrals by 20%(from PY)

Increase in attracting customers

1) Inputting new models Making the exhibition places more attractive

Increase in attracting customers through exhibition places by 4%

"Warm Airy" is getting good reputation.

2) Intensifying our visits to HFC and TFC

3) Country-wide campaign for referral sales all at once

Increase in attracting customers through referral by 34%

Promoting Order-taking

1) Exhaustive differentiation by showing the performance on individual houses

Zero energy cost , LCC + Yure-navi

2) The plant-tour only available and proprietary to Unit Housing System

Significant increase in contracted rate

3) Positive investment in sales promotion

Increasing commercials on TV

* HFC,TFC・・・Heim Family Club, Two-U Family Club. The customers living in our housing.

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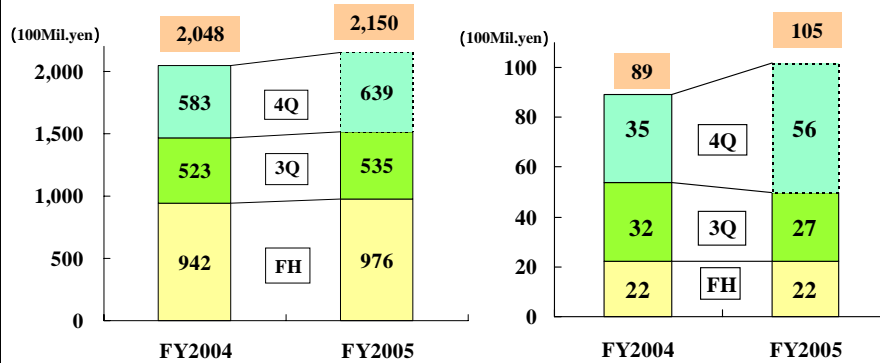
UIEP Company (1)

The business of water supply and drainage system is going favorably

Positively expanding toward overseas business

Trend of Sales

Trend of Operating Income



UIEP Company (2)

1.Reinforcing Profitability of Core Business

(100Mil.yen)

- ◆ The 3rd price increase of PVC products penetrated. (in October)
- ◆ Demand for building materials was decreased from PY (procurement & anticipatory demands)

2.Expansion of the Growth Business

- ◆ Overseas Expansion of Pipe-line Refreshing Business
 - Establishing a production base in U.S.A (Spring in 2006)
 - Starting marketing in European markets

3.Reinforcing the bases of business with stable profitability

- ◆ The sales of the products related to housing materials were decreased in year-to-year comparison.

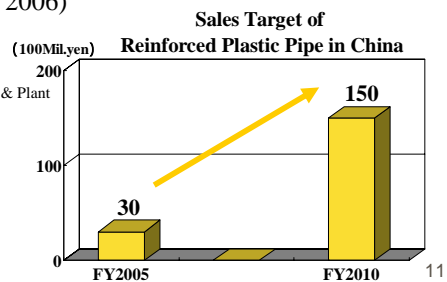
		3Q FY2005	
Divisions		Operating Income	Changes from PY
Growth Business	Environ. & Civil Engineering	-3	0
Core Business	Water supply & drainage system Building material Plant materials	41	-4
Stable Profitability Business	Reinforced plastic pipe FFU Roofing materials Aqua system Home Techno Toto Sekisui	-4	-3
Strategic Investment		-7	2
Total		27	-5

UIEP Company (3)

Positive Expansion of China Business

Making a full-scale penetration into the water environment infrastructure market in China

- ◆ Obtained the management right from Yongchang Co., the largest manufacturer of reinforced plastic pipe in China. (April 2005)
- ◆ Start-up of Shanghai plant (June 2005)
- ◆ Operation started at the plant in Ili district. (January 2006)



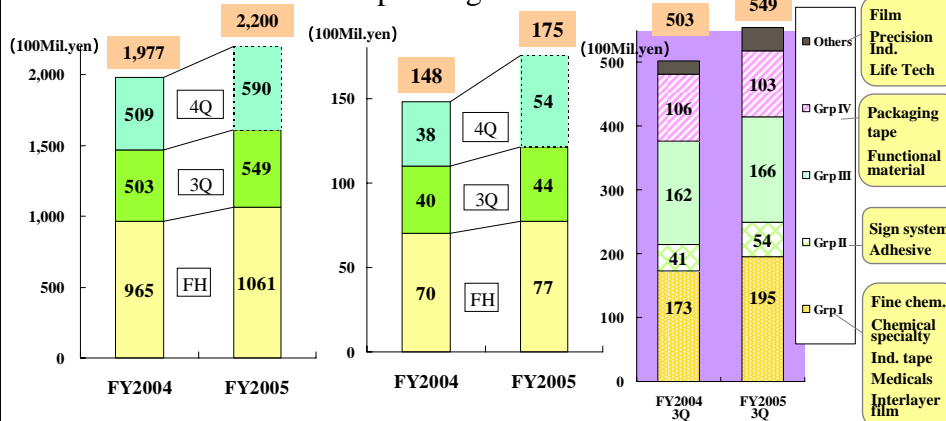
HPP Company (1)

Favorable Expansion of IT Materials Area and Automotive Materials Area

Trend of Sales

Trend of Operating Income

Trend of Sales per group (3Q)

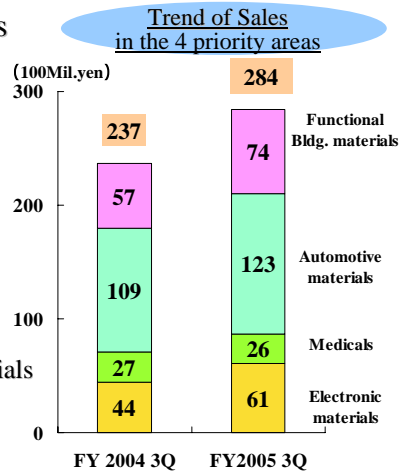


HPP Company (2)

■ Putting priority on growing areas for business expansion

1. Further expansion in the 4 priority areas

- 1) Electronic materials:
Increase in liquid crystal related materials
- 2) Medicals:
Expanding sales channels in China market
- 3) Automotive materials:
Making out the **'AT1000 Plan'**
**Target: 100b.yen Sales in 2010
(Double the sales of FY2005)**
- 4) Functional building materials:
Good reputation on the fire-resistant materials with heat-expansion property



2. Thorough increase in selling price of products

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HPP Company (3)

■ Business Expansion in Automotive Area; Making out the **'AT1000 Plan'**

1. Expansion of The Existing Businesses

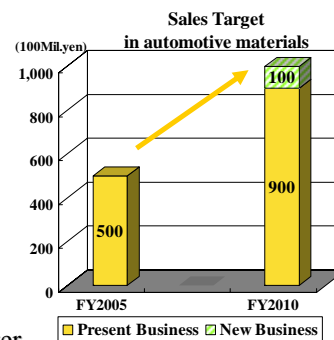
Accelerating Global Expansion
- Promoting production near the place of demand

- 1) Starting operation of foamed plastics production for automotive application in China (Summer in 2006)
- 2) Starting production of the raw material for interlayer film in the Netherlands (Autumn in 2006)

Establishing the integrated production from raw materials to products

- 3) Starting production of interlayer film in U.S.A. (Autumn in 2007)

Expanding sales of high-functional interlayer film



2. Entering into New Fields

- 1) Planning newly to establish the Automotive Materials Development Center
- 2) Reinforcing the marketing function related to automotive business

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Details of Business for 3Q of FY2005

Naofumi Negishi
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 & General Manager
 Corporate Finance, Accounting & Planning Dept.
 Sekisui Chemical Co., Ltd.
 31 January, 2006

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Details of Business for 3Q of FY2005

Number of Consolidated Companies

**Ref. to the Outline of Finance and Business P.1*

	End Dec. 2005	End Mar. 2005	Remarks
Consolidated Companies	142	138	+14 Newly consolidated, 11 Unified + 1 Separated
Companies in Equity Method	8	9	1 Eliminated

Amounts influenced by the change of consolidation

(100Mil.yen)

Sales	+84	Sekisui Fuller +35 Sekisui S-lec (Suzhou)+18 etc.
Operating Income	+3	

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Details of Business for 3Q of FY2005

Outline of Income & Loss

*Ref. to the Outline of Finance and Business P.7

(100Mil.yen)

	1Q-3Q FY2005	1Q-3Q FY2004	Changes
Sales	6,494	6,332	162 (78) *
Gross Income of Sales	1,894	1,887	7
Sales Income Rate	29.2%	29.8%	-0.6%
Sales Gen. & Admin. Expense	1,646	1,620	27
Operating Income	248	268	-19
Income/Loss from Investment in Equity Method companies	12	45	-33
Other Non-operating Income/Expense	25	-15	40
Recurring Income	285	298	-13
Gain on change of equity	52	21	31
Other Extraordinary Income	-	4	-4
Impairment of Fixed Asset	119	-	119
Other Extraordinary Loss	25	38	-12
Income before tax	193	286	-93
Corporate Income Tax etc.	80	92	-12
Net Income	113	194	-81

* The Changes are excluding the influence of new consolidation.

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Sales & Operating Income for 3Q of FY2005

*Ref. to the Outline of Finance and Business P.10

(100Mil.yen)

	3Q FY2005				1Q-3Q FY2005			
	Sales	Changes	Ope. Income	Changes	Sales	Changes	Ope. Income	Changes
Housing	1,021	-92	17	-34	3,193	-27	97	-33
UIEP	535	12	27	-5	1,511	46	50	-5
HPP	549	46	44	4	1,610	142	121	11
Others	126	3	-6	2	372	-12	-20	6
Eliminated or Not attributed	-62	-3	-1	-1	-192	13	0	1
Total	2,168	-33	81	-34	6,494	162	248	-19

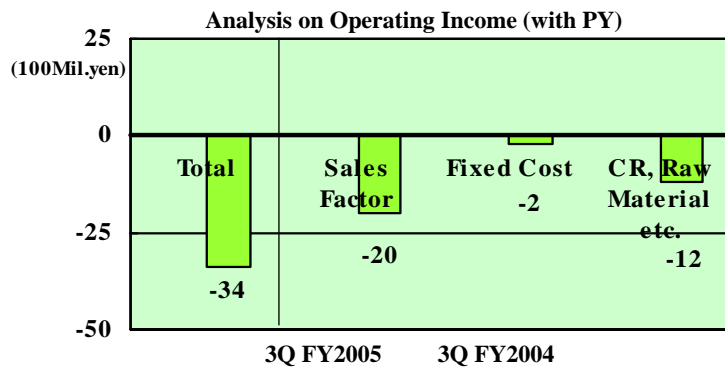
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Sales and Operating Income in Total Company

(100Mil.yen)

	3Q FY2005		3Q FY2004		Changes	
	Sales	Op. Income	Sales	Op. Income	Sales	Op. Income
Total Company	2,168	81	2,201	115	-33	-34
					*(-66)	

* The Changes are excluding the influence of new consolidation.

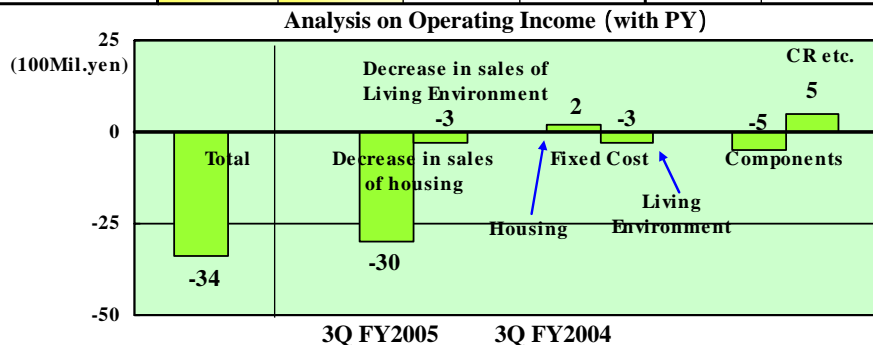


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Sales & Operating Income per Company

(100Mil.yen)

Housing	3Q FY2005		3Q FY2004		Changes	
	Sales	Op. Income	Sales	Op. Income	Sales	Op. Income
Housing Business	832	22	918	50	-86	-28
Living Environment Business (Fami S included)	189	-5	194	1	-5	-6
	(128)	(-4)	(133)	(1)	(-5)	(-5)
Total	1,021	17	1,112	51	-92	-34



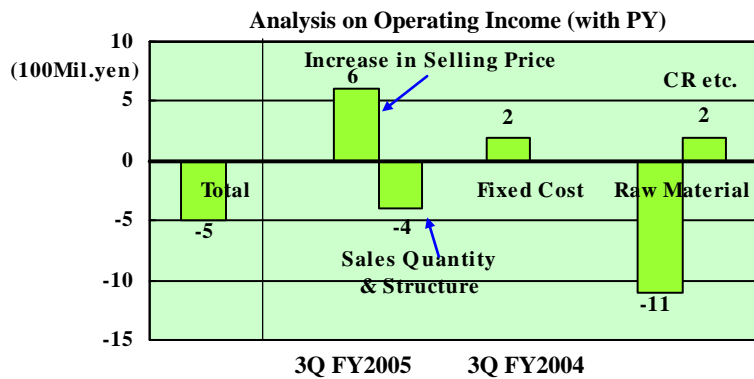
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Sales & Operating Income per Company

(100Mil.yen)

	3Q FY2005		3Q FY2004		Changes	
	Sales	Op. Income	Sales	Op. Income	Sales	Op. Income
UIPE	535	27	523	32	12 *(2)	-5

* The Changes are excluding the influence of new consolidation.



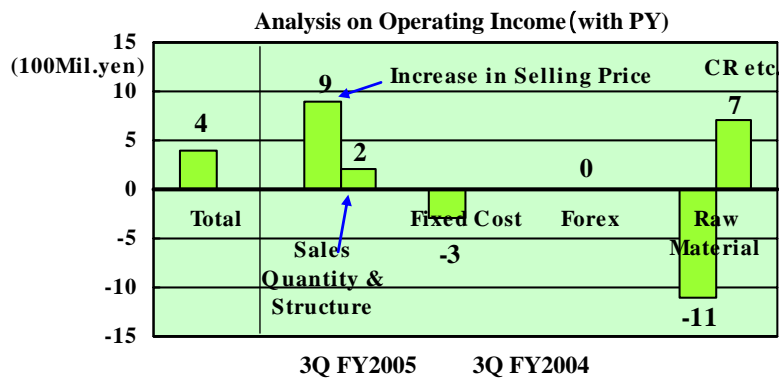
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Sales & Operating Income per Company

(100Mil.yen)

	3Q FY2005		3Q FY2004		Changes	
	Sales	Op. Income	Sales	Op. Income	Sales	Op. Income
HPP	549	44	503	40	46 *(26)	4

* The Changes are excluding the influence of new consolidation.



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Details of Business for 3Q of FY2005

Non-operating Income/Loss

*Ref. to the Outline of Finance and Business P.7

(100Mil.yen)

	FY2005 1Q-3Q	FY2004 1Q-3Q	Changes	Remarks on main changes
Income under Equity Method	12	45	-33	Sekisui House -40
Financial Income/Expenses	18	-9	28	Received 25 (Sekisui House 23) Paid -3
Miscellaneous Income/Expenses	7	-5	12	Miscellaneous Income 1 Miscellaneous Expense -11
Total	37	31	6	

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Details of Business for 3Q of FY2005

Extraordinary Income/Loss

*Ref. to the Outline of Finance and Business P.7

(100Mil.yen)

	FY2005 1Q-3Q	FY2004 1Q-3Q	Changes
Variable Income in Equity Method	52	21	31
Income from Business Transfer	-	4	-4
Total of Extraordinary Income	52	25	27
Impairment of Fixed Asset	119	-	119
Expenses for changing structures	18	12	6
Loss on selling & removal of fixed assets	7	26	-18
Total of Extraordinary Loss	144	38	107

Total of Extraordinary Income/Loss	-93	-13	80
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Details of Business for 3Q of FY2005

Balance Sheet (Assets)

*Ref. to the Outline of Finance and Business P.5
(100Mil.yen)

	End Dec. 2005	End Mar. 2005	Changes
Cash & Deposit	341	312	30
Account Receivable	1,503	1,329	174
Inventories	964	878	86
Other Current Asset	368	351	17
Tangible Fixed Asset	2,224	2,289	-65
Intangible Fixed Asset	93	94	-0
Investment in securities	2,090	1,887	203
Investment & Other assets	180	349	-169
Total Assets	7,764	7,488	276

Incl. Impairment -119

Selling Sekisui House stocks -324
Revaluation at market price
at end Dec. +526

Deferred Tax Asset -180
(Valuation at end Dec.)

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Details of Business for 3Q of FY2005

Balance Sheet (Liabilities & Capital)

*Ref. to the Outline of Finance and Business P.6
(100Mil.yen)

	End Dec. 2005	End Mar. 2005	Changes
No Interest bearing liability	3,069	3,114	-45
Interest bearing liability	1,091	1,195	-105
Total Liability	4,160	4,309	-150
Minority share holdings	106	77	29
Capital etc.	2,095	2,093	2
Earned surplus	1,100	976	124
Difference on revaluation of securities	368	67	301
Other capital	-64	-34	-30
Total Capital	3,499	3,102	397
Total of Asset & Liability	7,764	7,488	276

Net Income +113
Dividend paid - 53
Influence on excluding
Sekisui House from consolidation
+ 69

Valuation at end Dec.
+526 × 60% etc.

Treasury stock - 36
(Purchase & Sold - 53,
others + 16)

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Income Plan for Full Year of FY2005

(100Mil.yen)

	FY2005 Revised Plan	FY2005 Previous Plan	FY2004 Actual
Sales	8,850	8,900	8,569
Operating Income	390	420	364
Recurring Income	420	440	380
Net Income	200	210	223

(Yen)

Dividend per share	11	11	10
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Some of the displayed data such as proposals, 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				FY2003 Annual
		FH	3Q	SH Revised	Annual Revised	FH	3Q	SH	Annual	
CONSOL	Sales (in 100 Million yen)	2,173	1,021	2,127	4,300	2,108	1,112	2,184	4,292	4,109
	Housing	1,767	832	1,724	3,491	1,741	918	1,786	3,527	3,382
	Houses	1,713	805	1,666	3,378	1,682	892	1,730	3,412	3,271
	Land	55	27	58	113	59	26	56	115	111
	Living environment	406	189	403	809	367	194	398	765	727
	Refurbishing	273	128	273	546	244	133	266	510	497
	Interior-Exterior	29	13	28	58	33	16	29	62	46
Real estate	103	48	102	205	92	45	102	194	184	
OTHERS	1. Number of houses sold (unit)	7,850	3,350	8,050	15,900	8,060	3,900	8,600	16,660	16,110
	Detached houses	5,950	2,950	5,600	11,500	6,200	3,370	6,090	12,290	12,270
	Heim	4,390	2,250	4,220	8,610	4,540	2,510	4,570	9,110	8,750
	Two-U	1,560	700	1,380	2,940	1,660	860	1,520	3,180	3,520
	Apartment	1,900	400	2,450	4,350	1,860	530	2,510	4,370	3,840
	2. Main data									
	Price <Sales subsidiaries: Detached Ho.>/unit (Mil.yen)	28.9	29.3	-	-	27.5	28.2	28.1	27.8	27.3
	Price <Sales subsidiaries: Detached Ho.>/Tsubo(3.3 m ²) (10thou yen)	69.3	70.4	-	-	66.5	67.3	67.8	67.2	65.3
	Floor space (m ²)	137.6	137.3	-	-	136.5	138.3	136.7	136.6	138.0
	Exhibition places (Unit: Structure)	464	469	-	481	477	476	-	470	487
	Sales staff (No. of person)	2,596	2,537	-	2,511	2,605	2,548	-	2,496	2,490
	Replacement ratio(%)	37	38	40	39	40	41	42	41	40
	Introduction sales ratio(%)	34	34	35	35	31	29	30	30	30

2. Housing order intake												
(Millions of Yen)												
		FY2005				FY2004				FY2003		
		FH	3Q	SH Revised	Annual Revised	FH	3Q	SH Prospect	Annual	FH	SH	Annual
Backlogs at beginning	169,900	153,300	153,300	-	161,900	167,500	167,500	-	148,500	156,600	-	
Growth rate	5%	-8%	-8%	-	9%	7%	7%	-	-2%	6%	-	
New orders	184,875	87,280	186,937	371,812	201,333	94,388	205,037	406,370	196,118	198,692	394,810	
Growth rate	-8%	-7%	-9%	-8%	3%	9%	3%	3%	8%	6%	7%	
Sales of houses	201,475	94,580	196,737	398,212	195,733	104,118	202,637	398,370	188,018	193,392	381,410	
Growth rate	3%	-9%	-3%	0%	4%	6%	5%	4%	1%	4%	3%	
Balance at the end	153,300	146,000	143,500	-	167,500	157,770	169,900	-	156,600	161,900	-	
Growth rate	-8%	-7%	-15%	-	7%	9%	5%	-	6%	9%	-	

3. Housing starts												
(1000 unit)												
		FY2005				FY2004				FY2003		
		FH	3Q	SH Revised	Annual Revised	FH	3Q	SH	Annual	Annual		
Housing starts	640,414	330,871	612,586	1,253,000	618,462	303,555	574,576	1,193,038	1,173,649			
Privately-owned houses (included in above) (=A)	191,057	85,580	159,943	351,000	206,264	84,924	160,969	367,233	373,015			
Sales by our company	7,850	3,350	8,050	15,900	8,060	3,900	8,600	16,660	16,110			
Detached house sales by our co. (=B)	5,950	2,950	5,600	11,550	6,200	3,370	6,090	12,290	12,270			
Our share in Detached houses (=B/A)	3.1%	3.4%	3.5%	3.3%	3.0%	4.0%	3.8%	3.3%	3.3%			

4. Order intake of houses with additional specifications												
		FY2005				FY2004				FY2003		
		FH	3Q	SH Revised	Annual Revised	FH	3Q	SH	Annual	Annual		
Photovoltaic generation systems installed	54%	52%	54%	54%	51%	49%	53%	52%	46%			
Special walling tiles (Heim type JX)	55%	54%	54%	55%	44%	45%	47%	45%	35%			
Totally electrified model	84%	82%	85%	84%	78%	81%	83%	80%	74%			