



## Business Report on 1Q of FY2006

**Yoshiyuki Takitani**  
**Managing Director**  
**and General Manager**  
**Corporate Communication Dept.**

**Sekisui Chemical Co., Ltd.**  
**31 July, 2006**



(100 Mil. yen)

	FY2006			FY2005		Changes	
	1Q Actual	FH		1Q Actual	FH Actual	1Q	FH
		Revised Plan	Original Plan				
<b>Sales</b> (Progress Rate in FH Plan & Actual)	1,850 (43%)	4,300	4,300	1,923 (44%)	4,326	-73	-26
<b>Operating Income</b>	-0	150	130	12	167	-12	-17
<b>Recurring Income</b>	10	160	140	28	197	-18	-37
<b>Net Income</b>	-24	80	65	-38	65	14	15

# SEKISUI Sales & Operating Income per Company for 1Q of FY2006

(100 Mil. yen)

	FY2006						FY2005		1Q Changes	
	1Q Actual		FH				1Q Actual		Sales	Ope. Inc.
	Sales	Ope. Inc.	Revised Plan		Original Plan		Sales	Ope. Inc.		
			Sales	Ope. Inc.	Sales	Ope. Inc.				
<b>Housing</b>	824 (40%)*	-39	2,050	45	2,050	35	935 (43%)*	-6	-111	-33
<b>UIEP*</b>	440 (44%)*	-3	1,000	25	1,000	25	427 (44%)*	-4	13	1
<b>HPP*</b>	535 (49%)*	47	1,100	95	1,100	90	509 (48%)*	31	26	16
<b>Others</b>	117	-4	250	-15	250	-20	112	-8	4	4
<b>Eliminated or Not attributed</b>	-66	-1	-100	-	-100	-	-61	-1	34	1
<b>Total</b>	<b>1,850</b>	<b>-0</b>	<b>4,300</b>	<b>150</b>	<b>4,300</b>	<b>130</b>	<b>1,923</b>	<b>12</b>	<b>-73</b>	<b>-12</b>

\*UIEP: Urban Infrastructure & Environmental Products Company

\* ( ) : Progress Rate in FH Plan & Actual

\*HPP: High Performance Plastics Company

Housing: Sales plan for FH2006 is lower than the sales of FH2005 because the order intake during SH2005 decreased.

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# SEKISUI High Performance Plastics Company

## 1. Business Expansion

### 1) Strategic Business Areas

- Favorable expansion in automotive and IT related products.

### 2) Overseas Businesses

#### 1Q of FY2006

Overseas Sales 21 billion yen (1Q of FY2005 18 billion yen)

Ratio of Overseas Sales 39% (1Q of FY2005 34%)

## 2. Structural Reform

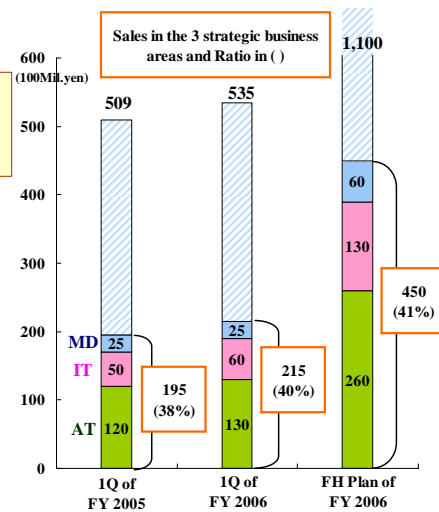
### 1) Implementing structural reform of business

- Review the business model of unprofitable general-purpose products (Film, Tape and Resins)

## 3. Countermeasures against Increase in Raw Material Prices

- 1) Shifting to the product selling price and implementation of CR

## Trend of Sales in Strategic Business Areas



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(100 Mil. yen)

**1.Growth & Expansion**

1)Expansion

- Favorable performance in the Plant Materials

**2.Strengthening Earning Power**

1)Core Business

- Implementing product price increases in response to raw material price increases

2)Reinforcing Foundation

- Improvement in profitability advancing according to plan

	Divisions	1Q of FY2006		Changes from same period of previous year	
		Sales	Ope. Inc.	Sales	Ope. Inc.
Growth	Environ. & Civil Eng. System	7	-7	+1	-1
Expansion	Plant Materials Infrastructure Composite Materials	56	2	+17	+4
Core Business	Water supply & Drainage Sys. Building Materials Home Techno	311	12	-3	-5
Reinforcing Foundation	Aqua System Roofing Materials Toto Sekisui	40	-3	-6	+2
New Business	Wood & New Business	3	-3	±0	±0

Profit influence due to the change of distribution basis in FY2006:Core Business -2

**The Planned Operating Income for FY2006: 15 billion yen**

1. Securing the housing orders at 105% of previous year in terms of structures

1Q of FY2006 Order Intake (in structures): 105% of P.Y.

1Q of FY2006 Unit price of received-orders 103% of P.Y.

2. Implementing the measures for decreasing fixed costs

3. The increase in the unit-price of parts is to be hedged by CR.

4. Increasing sales in Living Environment Business

1Q of FY2006 Sales 107% of P.Y.

## SEKISUI Housing Company (2)

### Pursuit of "Sekisui Heim Value"

1. Carrying out thorough differentiation by appealing high-performance

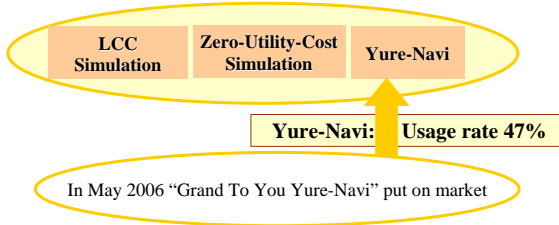
1) Advanced "Zero-Utility-Cost" Housing

· "Parfait Master-design" making good start  
( Put on sale in April 2006)

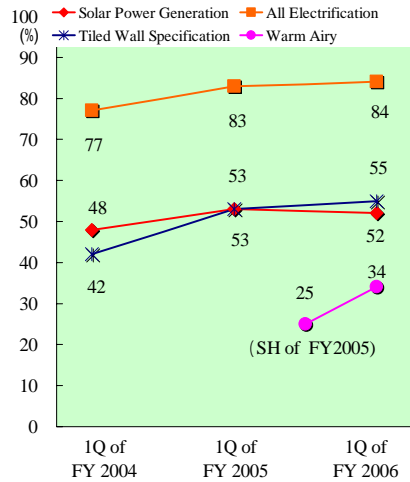
2) Exhaustive promotion of Comfort and Security

· Increasing the mounted-ratio of "Warm Airy" ( Put on sale in Oct. 2005) and "Cool Airy" ( Put on sale in April 2006)

2. Performance Indication for individual housing "Visualization of Performance"



### Option Mounted-Ratio in High Performance Housing



## SEKISUI Housing Company (3)

### Extending An Advanced Sales Management Model

The sales being able to appeal the High Performance Housing with "Sekisui Heim Value"  
The sales actions continuously digging up customers by referrals

1. Increase in discovery of customers through exhibition places

Making the exhibition places more attractive  
~ Accelerating the replacement of sample houses

1Q of FY2006 40 structures / Annual Plan 100 structures

2. Increase in discovery of customers through referrals

Drastic level-up of after-sales service  
Implementing CAT Meetings (between Customers and Top)

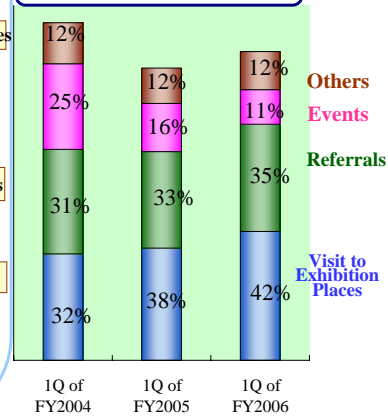
1Q of FY2006 99 times 470 persons / Annual Plan 300 times 2,000 persons

3. Plant tours making the best use of "Industrialized Housing System

1Q of FY2006 Participants 5,300 groups / Annual Plan 20,000 groups

4. Making sales personnel more professional

### Trend of Order-taking by different course of actions





## Details of Business Activities for 1Q of FY2006

**Naofumi Negishi**  
**Managing Director**  
**Corporate Finance, Accounting & Planning Dept.**



### Number of Consolidated Companies

	End June 2006	End March 2006	Changes
<b>Consolidated Companies</b>	<b>147</b>	<b>142</b>	+6 Newly consolidated, -1 Excluded
<b>Companies in Equity Method</b>	<b>8</b>	<b>8</b>	

### Amount influenced by the change of consolidated companies

(100 Mil. yen)

<b>Sales</b>	<b>+3</b>	<b>Sekisui Sandeng +2</b>
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## SEKISUI Business Activities for 1Q of FY2006

### Summary of Income & Loss

(100 Mil. yen)

	1Q of FY2006	1Q of FY2005	Changes
Sales	1,850	1,923	-73
Gross Income of Sales	540	559	-19
Rate of Gross Income	29.2%	29.1%	0.1%
Sales & Gen. Admin. Expenses	541	548	-7
Operating Income	-0	12	-12
Investment Income/Loss under Equity Method	-0	-1	0
Other non-ope. Income/Loss	10	17	-6
Recurring Income	10	28	-18
Income from the Change in Share-holding	-	52	-52
Impaired Fixed Assets	-	119	-119
Other Extraordinary Expenses	4	1	3
Income before Tax	6	-40	46
Corporate Income Tax etc.	30	-2	32
Net Income	-24	-38	14

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## SEKISUI Sales & Operating Income per Company for 1Q of FY2006

### Sales & Operating Income per Company

(100Mil.yen)

	1Q of FY2006		1Q of FY2005		Changes	
	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.
Housing	824	-39	935	-6	-111	-33
UIEP	440	-3	427	-4	13	1
HPP	535	47	509	31	26	16
Others	117	-4	112	-8	4	4
Eliminated or Not attributed	-66	-1	-61	-1	34	1
Total	1,850	-0	1,923	12	-73	-12

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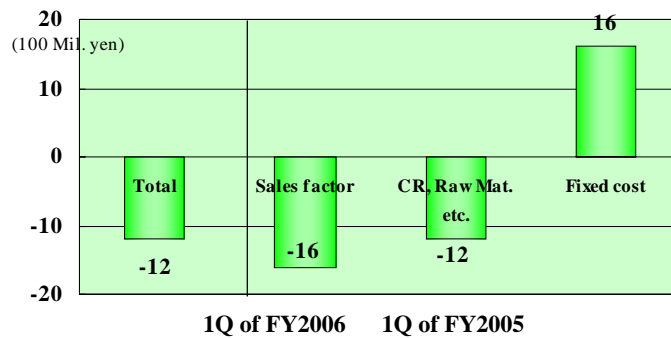
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### Total Company: Sales & Operating Income for 1Q of FY2006

(100 Mil. yen)

	1Q of FY2006 Actual		1Q of FY2005 Actual		FH of FY2006 Plan		FH of FY2005 Actual	
	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.
<b>Total Company</b>	<b>1,850</b>	<b>-0</b>	<b>1,923</b>	<b>12</b>	<b>4,300</b>	<b>150</b>	<b>4,326</b>	<b>167</b>

#### Analysis on Operating Income (with P.Y.)

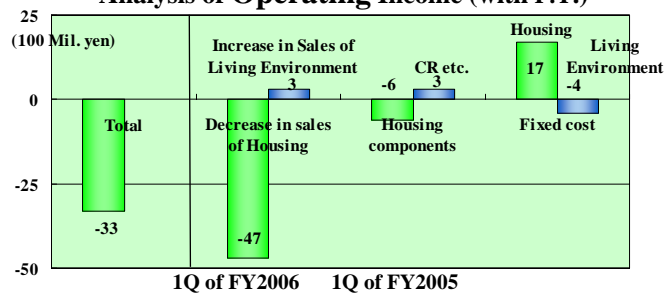


### Sales & Operating Income by Company for FY2006

(100Mil.yen)

Housing	1Q of FY2006 Actual		1Q of FY2005 Actual		FH of FY2006 Plan		FH of GY2005 Actual	
	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.
Housing Business	633	-32	757	-0	1,600	43	1,767	77
Living Environment Business (Fami S included)	191 (131)	-7 (-5)	178 (118)	-6 (-5)	450 (308)	2 (0)	406 (273)	3 (3)
<b>Total</b>	<b>824</b>	<b>-39</b>	<b>935</b>	<b>-6</b>	<b>2,050</b>	<b>45</b>	<b>2,173</b>	<b>80</b>

#### Analysis of Operating Income (with P.Y.)

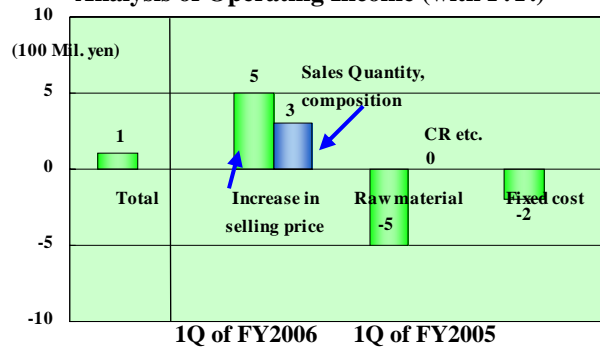




(100 Mil. yen)

	1Q of FY2006 Actual		1Q of FY2005 Actual		FH of FY2006 Plan		FH of FY2005 Actual	
	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.
UIEP	440	-3	427	-4	1,000	25	976	23

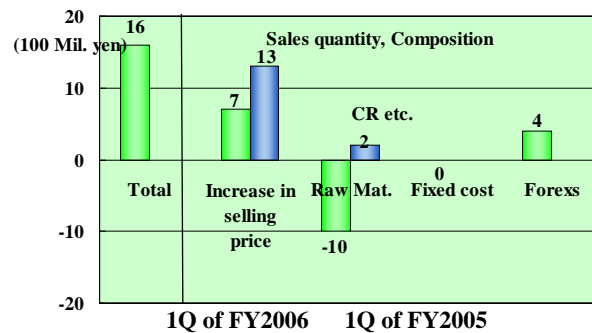
Analysis of Operating Income (with P.Y.)



(100 Mil. yen)

	1Q of FY2006 Actual		1Q of FY2005 Actual		FH of FY2006 Plan		FH of FY2005 Actual	
	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.
HPP	535	47	509	31	1,100	95	1,061	77

Analysis of Operating Income (with P.Y.)



**SEKISUI** Business Activities for 1Q of FY2006



**Non-operating Income/Loss**

(100 Mil. yen)

	1Q of FY2006	1Q of FY2005	Changes	Breakdown of main changes
Income/Loss in investment under Equity Method	-0	-1	0	
Financial Income	10	12	-2	Received -3 (Sekisui House -3) Paid -1
Miscellaneous Income & Expense	0	4	-4	Miscellaneous Income -1 Miscellaneous Expense 3
<b>Total</b>	<b>10</b>	<b>16</b>	<b>-6</b>	

**SEKISUI** Business Activities for 1Q of FY2006



**Extraordinary Income & Loss**

(100 Mil. yen)

	1Q of FY2006	1Q of FY2005	Changes
Income from Changes in Equity Holding	-	52	-52
<b>Total of Extraordinary Income</b>	<b>0</b>	<b>52</b>	<b>-52</b>
Impaired Fixed Assets	-	119	-119
Loss from the Sale & Disposal of Fixed Assets	4	1	3
<b>Total of Extraordinary Loss</b>	<b>4</b>	<b>120</b>	<b>-116</b>
<b>Total of Extraordinary Income &amp; Loss</b>	<b>-4</b>	<b>-68</b>	<b>64</b>

**SEKISUI** Business Activities for 1Q of FY2006

**Balance Sheet (Assets)**

(100 Mil. yen)

	End of Jun. 2006	End of Mar. 2006	Changes
Cash & Deposit	266	447	-181
Account Receivable on Sales	1,390	1,497	-107
Inventories	1,084	949	135
Other Current Assets	285	254	31
Tangible Fixed Assets	2,305	2,264	41
Intangible Fixed Assets	87	89	-2
Investment in Securities	2,194	2,412	-219
Investments & Other Assets	168	171	-3
<b>Total of Assets</b>	<b>7,780</b>	<b>8,084</b>	<b>-304</b>

Housing products in progress +84  
Inventory of finished products +33

Receipt of goods +74  
Depreciation -52  
New consolidation +21

Revaluation at market value at the end of June -216

**SEKISUI** Business Activities for 1Q of FY2006

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

(100 Mil. yen)

	End of Jun. 2006	End of Mar. 2006	Changes
No Interest Bearing Liabilities	3,120	3,263	-143
Interesting Bearing Liabilities	981	946	35
<b>Liability Total</b>	<b>4,101</b>	<b>4,209</b>	<b>-108</b>
Capital etc.	2,094	2,095	-0
Earned Surplus	1,128	1,189	-61
Difference on Revaluation of Securities	411	541	-130
Other Capital Accounts	-44	-52	8
Small Shareholders' Portion	89	103	-13
<b>Net Assets Total</b>	<b>3,679</b>	<b>3,875</b>	<b>-196</b>
<b>Total of Liability &amp; Capital</b>	<b>7,780</b>	<b>8,084</b>	<b>-304</b>

Trade payable -113  
Advance Received in housing +85  
Deferred tax liability -87  
: Revaluation at the end of June +216 x 40%

Net Income -24  
Dividend Payment -32

Revaluation at the end of June +216 x 60% etc.

**SEKISUI** Business Activities for 1Q of FY2006



**Consolidated Cash Flow**

(100 Mil. yen)

	1Q of FY2006	1Q of FY2005
Cash Flow from Sales Activities	-59	-65
Cash Flow from Investment Activities	-117	363
Cash Flow from Financial Activities	-8	-113
Increment in Cash & Cash Equivalents	-183	185
Term-end Balance of Cash & Cash Equivalent	265	506
Free Cash Flow = Sales Activity CF + Investment Activity CF - Dividend Paid	-209	271

**SEKISUI** Income Plan for FH of FY2006

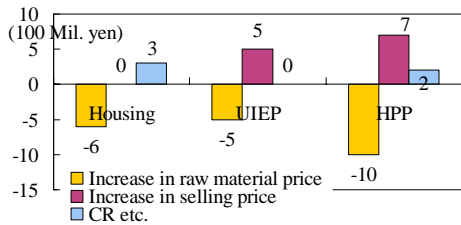


(100 Mil. yen)

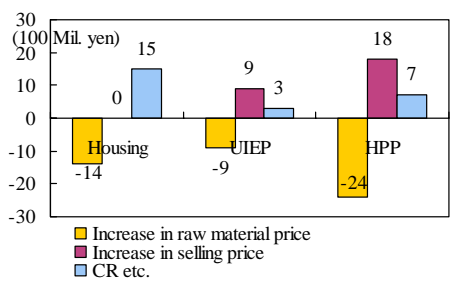
	FH of FY2006 Revised Plan	FH of FY2005 Actual	Changes	FH of FY2006 Original Plan
Sales	4,300	4,326	-26	4,300
Operating Income	150	167	-17	130
Recurring Income	160	197	-37	140
Net Income	80	65	15	65



## 1Q of FY2006 (with same period of P.Y.)



## FH Plan of FY2006 (with same period of P.Y.)



< Housing >  
 The increased raw material price will not be shifted to selling price but hedged by CR.

< UIEP >  
 The increased raw material price will be shifted to selling price. The price increase will take place from the 3<sup>rd</sup> July shipment.

< HPP >  
 The increased raw material price will be shifted to selling price and also hedged by CR.



**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

		FY2006		FY2005		
		IQ	FH Plan	IQ	FH	SH
CONSOLIDATED	Sales (in 100 Million yen)	824	2,050	935	2,173	2,104
	Housing	633	1,600	757	1,767	1,710
	Houses	606	1,542	733	1,713	1,654
	Land	26	58	24	55	56
	Living environment	191	450	178	406	394
	Refurbishing	131	308	118	273	263
	Interior-Exterior	11	29	12	29	29
Real estate	50	113	48	103	102	
<b>1. Number of houses sold (unit)</b>		<b>2,750</b>	<b>6,770</b>	<b>3,260</b>	<b>7,850</b>	<b>8,000</b>
Detached houses		2,190	5,070	2,650	5,950	5,630
Heim		1,680	4,000	1,980	4,390	4,300
Two-U		510	1,070	670	1,560	1,330
Apartment		560	1,700	610	1,900	2,370
<b>2. Main data</b>						
SHARES	Price <Sales subsidiaries: Detached Ho.>/unit (Mil.yen)	29.4	29.4	28.6	28.9	29.5
	Price <Sales subsidiaries: Detached Ho.>/Tsubo(3.3 m <sup>2</sup> ) (10thou. yen)	71.7	71.7	68.7	69.3	71.2
	Floor space (m <sup>2</sup> )	136.2	136.2	137.3	137.6	136.7
	Exhibition places (Unit: Structure)	485	485	481	464	474
	Sales staff (No. of person)	2,560	2,515	2,643	2,596	2,467
	Replacement ratio(%)	38	38	39	37	40
	Introduction sales ratio(%)	36	36	33	34	34

#### 2. Housing order intake

(Millions of yen)

	FY2006		FY2005			FY2004	
	IQ	FH Plan	IQ	FH	SH	FH	SH
Backlogs at beginning	151,500	-	169,900	-	153,300	161,900	167,500
Growth rate	-11%	-	5%	-	-8%	9%	7%
New orders	90,190	201,951	83,247	184,875	192,827	201,333	204,737
Growth rate	8%	9%	-7%	-8%	-6%	3%	3%
Sales of houses	74,970	187,851	86,247	201,475	194,627	195,733	202,337
Growth rate	-13%	-7%	10%	3%	-4%	4%	5%
Balance at the end	166,900	165,600	166,900	153,300	151,500	167,500	169,900
Growth rate	0%	8%	-4%	-8%	-11%	7%	5%

#### 3. Housing starts

(in unit)

	FY2006		FY2005		
	IQ	FH Plan	IQ	FH	SH
Housing starts	332,596	674,000	307,786	640,414	611,586
Privately-owned houses (included in above) (=A)	98,590	195,000	95,860	191,057	162,943
Sales by our company	2,750	6,770	3,260	7,850	8,000
Detached house sales by our co. (=B)	2,190	5,070	2,650	5,950	5,630
Our share in Detached houses (=B/A)	2.2%	2.6%	2.8%	3.1%	3.5%

\*"The housing starts" in 1Q Actual of FY2006 and the above "Detached house sales" are based on a prospect.

#### 4. Order intake of houses with additional specifications

	FY2006		FY2005		
	IQ	FH Plan	IQ	FH	SH
Photovoltaic generation systems installed	52%	54%	53%	54%	50%
Special walling tiles (Heim type JX)	55%	55%	53%	55%	53%
Totally electrified model	84%	85%	83%	84%	84%