

The Report on the First-half Results of Fiscal Year 2006

Sekisui Chemical Co., Ltd.

Naotake Okubo

26 October, 2006



Summary of Income and Loss

(100Mil.yen)

	FY2006 FH Actual	FY2005 FH Actual	Changes	FY2006 Revised FH Plan	Difference from the Plan
Sales	4,373	4,326	47	4,300	73
Operating Income	192	167	25	150	42
Recurring Income	207	197	10	160	47
Net Income	94	65	29	80	14

Dividend (yen / share)	6	5	1	6	0
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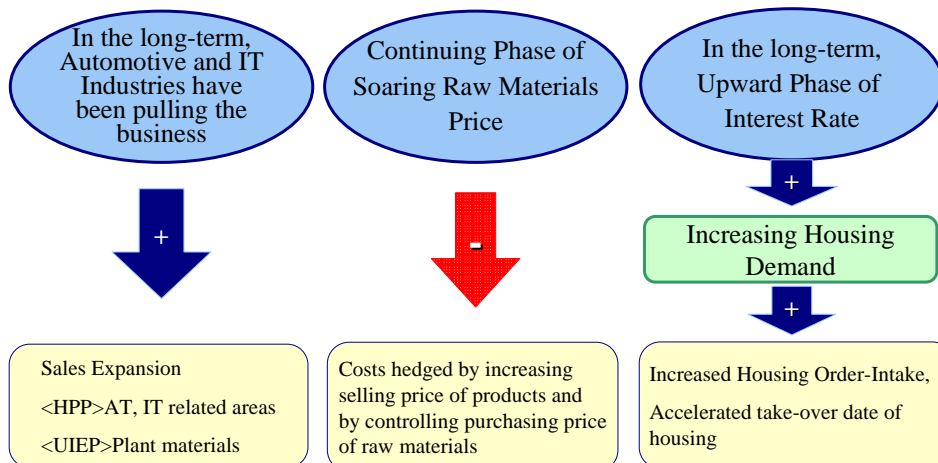

Sales & Operating Income per Company

(100Mil.yen)

	FY2006 FH Actual		FY2005 FH Actual		Changes		FY2006 Revised FH Plan	
	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.
Housing	2,121	72	2,173	80	-52	-8	2,050	45
UIEP	1,018	26	976	23	43	3	1,000	25
HPP	1,124	99	1,061	77	62	22	1,100	95
Others	245	-3	247	-14	-2	11	250	-15
Eliminated or Not Attributed	-135	-2	-130	1	-5	-3	-100	-
Total	4,373	192	4,326	167	47	25	4,300	150

*UIEP: Urban Infrastructure & Environmental Products Company

*HPP: High Performance Plastics Company


Establishing the foundation of high profitability

Increased Sales and Income in FH of 2006



Strategic planning for growth

Strategic move for the Frontiers of Growth is making steady progress.

1. Taking Measures for Increasing Housing Order-Intakes

- 1) Putting house on the market with "Sekisui Heim Value" .
- 2) Thorough Penetration of "New & Advanced Sales-model"
- 3) Strengthened Systems of Housing Environment Business

2. Steady Progress of Globalization

- 1) Reinforcing Overseas Operating Bases
- 2) Exploring New Frontiers (India, etc.)

3. The Expansion of Strategic Business and the Launching of New Businesses

- 1) M & A in the Medical- Related Business
- 2) Launching "Eco Value Wood"



(100Mil.yen)

	FY2006 Revised Plan		FY2005 Actual		Changes		FY2006 Original Plan	
	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.
Housing	4,300	160	4,276	147	24	13	4,300	150
UIEP	2,250	120	2,141	104	109	16	2,250	120
HPP	2,450	210	2,183	175	267	35	2,250	200
Others	500	-20	511	-24	-11	4	500	-30
Eliminated or Not attributed	-250	-	-260	1	10	-1	-250	-
Total	9,250	470	8,851	403	399	67	9,050	440

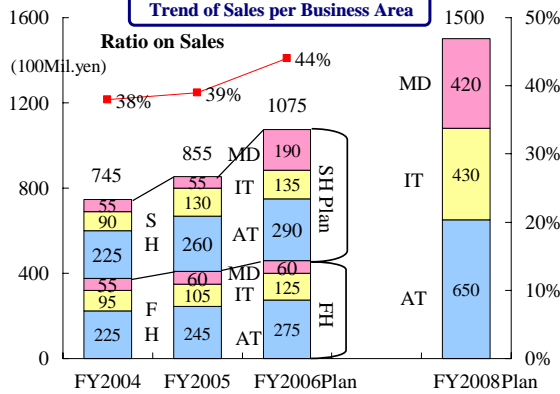
	FY2006		FY2005		Changes		FY2006 Original Plan	
	FH	SH Plan	FH	SH	FH	SH	FH	SH
Dividend (yen / share)	6	8	5	6	1	2	6	7

Business Expansion

Priority Selection of The 3 Strategic Business Areas

- AT... Excellent Sales Expansion of High-performance Interlayer Film and Other High-value-added Products
- IT... Sales Progressed Satisfactorily despite the Controlled LCD Production.
- MD... Accelerated Growth by the Business Integration with Daiichi Pure Chemical Company.

Trend of Sales per Business Area

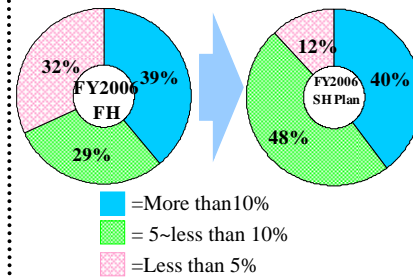


*From SH of FY2006, Business of Daiichi Pure Chem. is included.

Structural Reform

1. Increased raw-material price was mostly hedged by price increase and CR
2. Thorough Improvement in Profitability by withdrawal from unprofitable products.

Sales Composition (per BU & per Operating Income Rate)



*Daiichi Pure Chem. not included

Strategic Move for the Frontiers of Growth

1. AT
 - 1) Expanding Production Bases
 - Interlayer film plant in North America, and Raw material plant for interlayer film in Europe
 - Foam plant in China ~ Youngbo Chemical Co. (Langfang)
 - 2) Expanding the sales of high-functional products
 - High-functional interlayer film, PP Foam, High value-added molded products
2. IT
 - 1) In the development, putting the resources into the themes of growth areas.
 - 2) Increasing the sales of products related to LCD television.
3. MD
 - 1) Business Expansion by the acquisition of Daiichi Pure Chemical Co.
 - 2) Full-scale expansion of overseas sales
 - Increasing the sales of Beijing Sekisui Trank Medical Technology Co. (Operating company in China for vacuum blood collection tubes)

Growth & Expansion

1. The Plant Material Business became the 2nd Pillar

FH2006 Sales (from P.Y.) 140%

2. Positive strategic moves for the expansion of overseas business

Strengthening Profitability

1. The increased raw material costs were almost hedged by raised selling price of products together with CR

2. Progress was made in the structural reforms of the business under "Strengthening Bases".

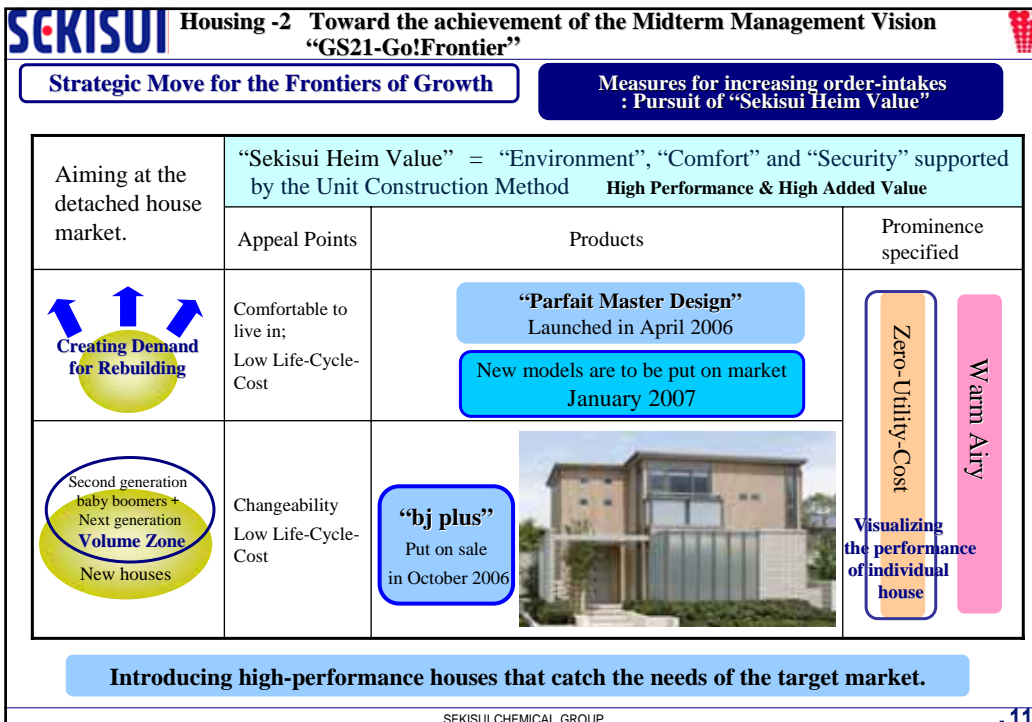
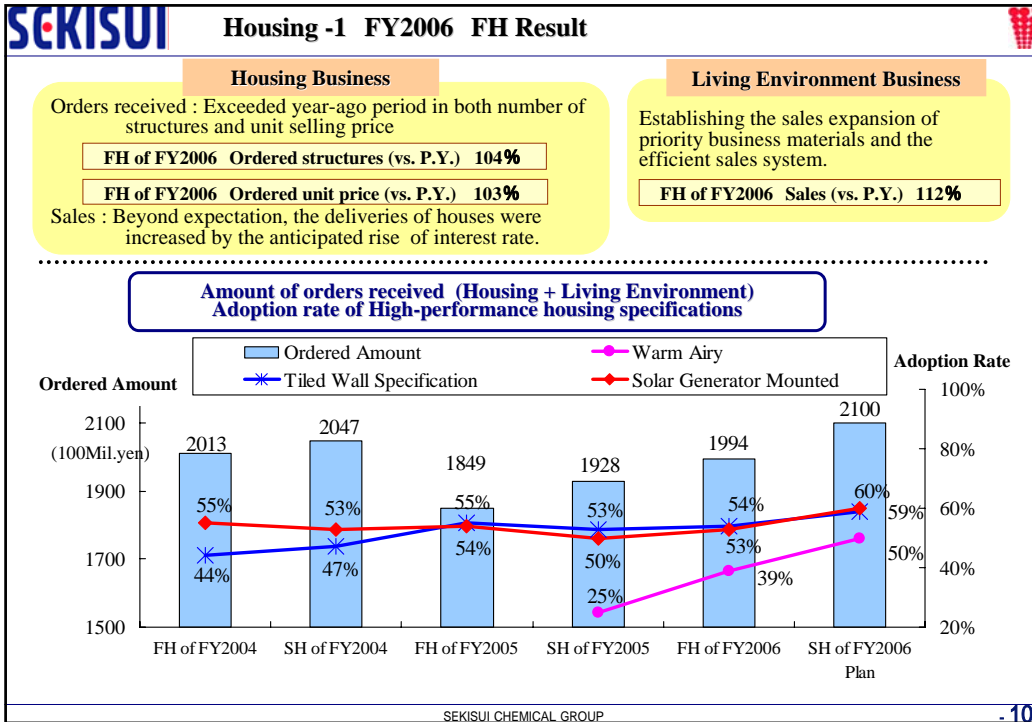
(100Mil.yen)

Portfolio			FY2006		FY2005		Changes	
			FH	Revised Annual Plan	FH	Annual	FH	Annual
Growth	Environmental Civil Engineering	Sales	30	107	27	100	3	7
		Ope. Income	-7	6	-5	7	-2	-1
Expansion	Plant Materials	Sales	129	321	102	258	27	64
	Composite Materials for Infrastructure	Ope. Income	9	35	4	24	5	12
Core	Water supply & drainage Building materials & Home-Techno	Sales	702	1,497	694	1,451	9	46
		Ope. Income	43	116	48	118	-5	-2
Strengthening Bases	Aqua system Roofing materials	Sales	98	210	108	234	-10	-24
		Ope. Income	-4	-1	-5	-5	1	4
New business	Woods New businesses	Sales	6	15	6	12	-1	4
		Ope. Income	-6	-13	-6	-12	-1	-1

*The influence to FH Operating Income by the change of allocation bases in FY2006 : Core -3

Strategic Move for the Frontiers of Growth

1. Sales Expansion in Water-Environment Solution Business with the enhanced product line for the Japanese market.
 - 1) Expanding the Growth Products (Polyolefin product group)
 - 2) Accelerating the development of "Value Chain" in the aged pipe restoration business.
2. Accelerating the Global Development
 - 1) Expanding the Present Businesses.
 - Reinforced Plastic Pipe* Newly establishing Shanghai plant of Yongchang Co.
 - Restoration Pipes* Expansion of SPR business in U.S.A. (Reinforcing the production and construction systems)
 - Plant Materials* Established New Taiwan plant of Sekisui Sandeng Co. Production capacity increased in Kleerdex Co. U.S.A.
 - 2) Further investigation on overseas deployment and its implementation.
 - The aged pipe restoration business* - Europe
 - FFU* - China
3. Starting-up new businesses
 - 1) Starting sales of "Eco Value Wood" (in October 2006)



SEKISUI Housing -3 Toward the achievement of the Midterm Management Vision
 “GS21-Go!Frontier”

Strategic Move for the Frontiers of Growth **Measures for increasing order-intakes : Strict compliance with “New & Advanced Sales-model”**

1. Increase in orders from visitors to exhibition places **FY2006 FH Actual (with P.Y.) 108%**

1) Making our exhibition places “*ATTRACTIVE*” ~ Promoting the rebuilding of model houses
 FY2006 FH 55 structures + SH 54 structures

2) Warm Airy: “*Warm Heim Campaign*” is in operation (from Nov. 2006 to Jan. 2007).

2. Increase in orders generated by *referral customers*. **FY2006 FH Actual (with P.Y.) 110%**

1) “Referral Sales Campaign” in operation (from Dec. 2006 to Mar. 2007).

2) Up-grading. After-sales service staff were increased by 95 persons in the first half of fiscal 2006.

· Reinforcing the after-sales service activities

· Implementing the CAT Meeting (between Customers & Top)

3. Holding plant tours by making the best use of characteristic features of the industrialized housing.

1) Making our plants “*ATTRACTIVE*”.

2) New construction of the Learning & Experiencing House and the positive use of its function.

The frequency of individual sales-staff taking his customers with him is increasing.
 <Good effect on the increase of successful contracts.>

1. Instruction on the process control by “Sales Innovation Group”

2. Implementation of the training for improving knowledge by “Eco-Heim Group”

The support is continued at the bases with resident staff

SEKISUI CHEMICAL GROUP - 12

SEKISUI

**The Financial Statement
 for the first half of FY 2006**

Naofumi Negishi
**Senior Managing Director &
 General Manager of Corporate, Accounting and
 Planning Dept.**


No. of Consolidated Companies

	End of Sep. '06	End of Mar. '06	Changes
Consolidated Companies	145	142	+4 Newly Consolidated -1 Excluded +2 Separated, -2 Integrated
Companies under Equity Method	8	8	

Influenced Amounts by the change of consolidation

(100Mil.yen)

Sales Amount	+6	Sekisui Sandeng +4
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Summary of Income & Loss

(100Mil.yen)

	FH2006	FH2005	Changes	Rate of Increase
Sales	4,373	4,326	47	101%
Gross Income of Sales	1,275	1,255	19	
Gross Income Rate	29.1%	29.0%	0.1%	
Sales and Gen. & Admin. Expenses	1,083	1,089	-6	
Operating Income	192	167	25	115%
Income & Loss from investment in Equity Method companies	4	7	-3	
Other Non-Operating Income	11	23	-12	
Recurring Income	207	197	10	105%
Income from the change of equity holding	-	52	-52	
Impairment of Fixed Asset	12	119	-107	
Other Extraordinary Loss	19	24	-5	
Income before Tax	176	106	70	166%
Corporate Income Tax etc.	80	38	42	
Income for Minority Shareholders	2	4	-2	
Net Income	94	65	29	145%
Dividend (yen / share)	6	5	1	


Sales and Operating Income per Company

(100Mil.yen)

	FH2006		FH2005		Changes	
	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.
Housing	2,121	72	2,173	80	-52	-8
UIEP	1,018	26	976	23	43	3
HPP	1,124	99	1,061	77	62	22
Others	245	-3	247	-14	-2	11
Eliminated or Not Attributed	-135	-2	-130	1	-5	-3
Total	4,373	192	4,326	167	47	25

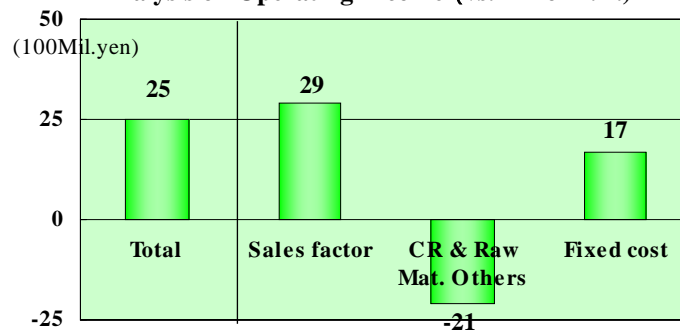
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(100Mil.yen)

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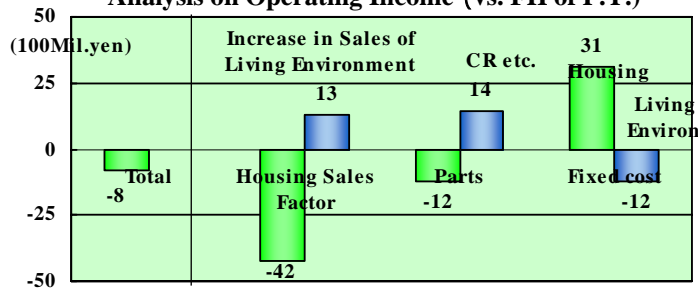
Analysis on Operating Income (vs. FH of P.Y.)




(100Mil.yen)

Housing	FH2006		FH2005		Changes	
	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.
House Sales	1,667	68	1,767	77	-100	-9
Living Environment (incl. Fami-S)	454 (308)	4 (3)	406 (273)	3 (3)	48 (35)	1 (-0)
Total	2,121	72	2,173	80	-52	-8

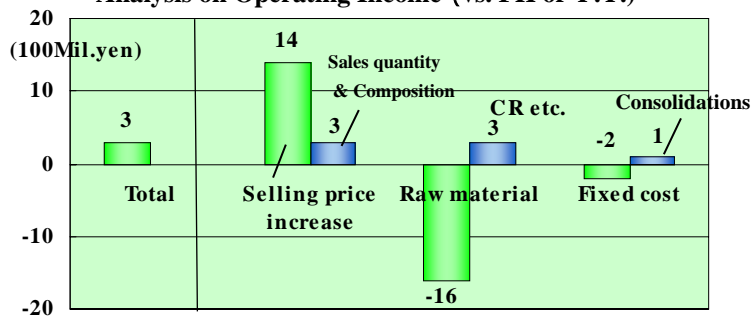
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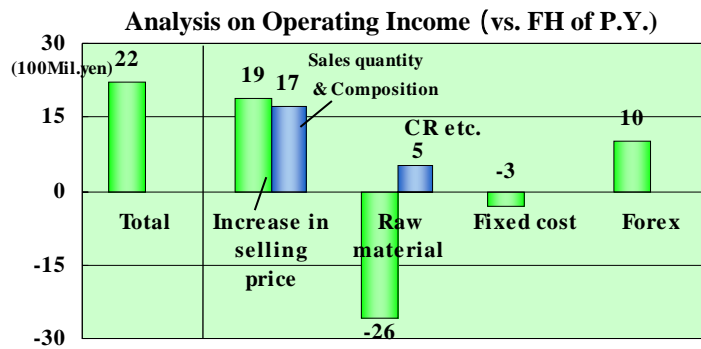
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(100Mil.yen)

	FH2006		FH2005		Changes	
	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.
HPP	1,124	99	1,061	77	62	22



Sales and Operating Income per Area

(100Mil.yen)

	Sales			Operating Income		
	FH2006	FH2005	Changes	FH2006	FH2005	Changes
Japan	4,023	4,031	-8	151	135	16
U.S.A.	137	113	23	7	6	1
Europe	166	156	10	18	16	2
Asia	194	150	44	11	8	3
Others	18	14	4	2	2	0
Eliminated or Not Attributed	-163	-137	-26	2	0	2
Total	4,373	4,326	47	192	167	25


Non-operating Income and Expense

(100Mil.yen)

	FH2006	FH2005	Changes	Remarks on main changes
Income from Equity Method companies	4	7	-3	
Financial Income and Expense	18	20	-2	Received -5 (Sekisui House -3) Paid -3
Miscellaneous Income and Expense	-7	3	-10	Misc. Income -5 Misc. Exp. +5
Total	15	31	-15	


Extraordinary Income and Loss

(100Mil.yen)

	FH2006	FH2005	Changes
Income from the change of equity holding	-	52	-52
Total of Extraordinary Income	-	52	-52
Impairment of Fixed Asset	12	119	-107
Expenses for changing structures	10	18	-8
Loss on selling and removal of fixed assets	9	6	3
Total of Extraordinary Loss	31	143	-111

Total of Extraordinary Income and Loss	-31	-91	60
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Balance Sheet (Assets)

(100Mil.yen)

	End Sep. 2006	End Mar. 2006	Changes
Cash & Deposit	424	447	-23
Account Receivable	1,548	1,497	51
Inventories	1,029	949	80
Other Current Assets	261	254	7
Tangible Fixed Assets	2,311	2,264	46
Intangible Fixed Assets	87	89	-3
Investment in Securities	2,431	2,412	19
Investment and Other Assets	160	171	-11
Total Assets	8,251	8,084	168

Houses in progress +45
 Products inventory +17
 Land for sale +19

Receipts of goods +163
 Depreciation -108
 New consolidation +22
 Sell-out & retirement etc. -37


Balance Sheet (Liability & Net Asset)

(100Mil.yen)

	End Sep. 2006	End Mar. 2006	Changes
No interest bearing liability	3,358	3,263	95
Interest bearing liability	965	946	19
Total Liability	4,323	4,209	114
Capital etc.	2,094	2,095	-0
Earned surplus	1,246	1,189	57
Difference on revaluation of securities	541	541	1
Other net assets	-42	-52	10
Minority share holdings	89	103	-13
Total Net Asset	3,929	3,875	54
Total of Liability & Net Asset	8,251	8,084	168

Trade Payable +68
 Advances received on housing +44

Net Income +93
 Dividend paid -32


Consolidated Cash Flow

(100Mil.yen)

	FH2006	FH2005
Cash Flow from Sales Activities	208	132
Cash Flow from Investment Activities	-212	318
Cash Flow from Financial Activities	-22	-132
Increment in Cash & Cash Equivalent	-26	316
Ending Balance of Cash & Cash Equivalent	422	642
Free Cash Flow =sales activity CF + investment activity CF - dividend paid	-38	421


Depreciation and Capital Expenditure

(100Mil.yen)

	Depreciation			Capital Expenditure		
	FH2006	FH2005	Changes	FH2006	FH2005	Changes
Housing	26	26	0	29	33	-4
UIEP	26	25	1	33	24	9
HPP	57	58	-0	92	53	39
Others	8	8	0	6	8	-2
Eliminated or Not Attributed	4	5	-1	4	1	3
Total	121	121	-0	165	118	46



(100Mil.yen)

	FY2006	FY2005	Changes	Rate of Increase
Sales	9,250	8,851	(*249) 339	105%
Gross Income of Sales	2,704	2,578	126	
Sales Income Rate	29.2%	29.1%	0.1%	
Sales and Gen. & Admin. Expenses	2,234	2,175	59	
Operating Income	470	403	•(59) 67	117%
Income/Loss from investment in Equity Method companies	14	17	-3	
Other Non-operating income/Expense	-4	18	-22	
Recurring Income	480	438	41	110%
Income from the change of equity holding	-	52	-52	
Impairment of Fixed Asset	12	119	-107	
Other Extraordinary Loss	48	53	-5	
Income before tax	420	318	102	132%
Corporate income tax etc.	162	112	50	
Income for minority shareholders	8	4	4	
Net Income	250	202	48	124%
Dividend (yen/share)	14	11	3	

* Excluding the influence from new consolidations


Sales and Operating Income per Company

(100Mil.yen)

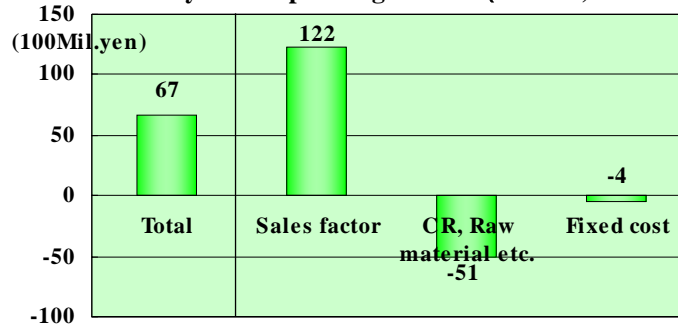
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Housing	4,300	160	4,276	147	24	13
UIEP	2,250	120	2,141	104	109	16
HPP	2,450	210	2,183	175	267	35
Others	500	-20	511	-24	-11	4
Eliminated or Not Attributed	-250	-	-260	1	10	-1
Total	9,250	470	8,851	403	399	67



(100Mil.yen)

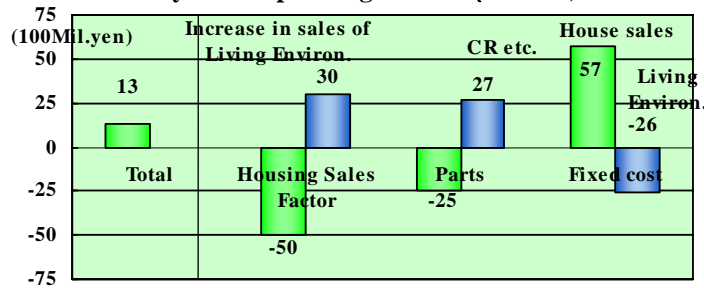
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	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.
Total Company	9,250	470	8,851	403	399 *249	67 * 59

* Excluding the influence from new consolidations

Analysis on Operating Income (vs. P.Y.)


(100Mil.yen)

Housing	FY2006 Plan		FY2005 Actual		Changes	
	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.
House Sales	3,388	153	3,477	145	-89	8
Living Environment (incl. Fami-S)	912 (625)	7 (3)	799 (536)	2 (1)	112 (89)	5 (2)
Total	4,300	160	4,276	147	24	13

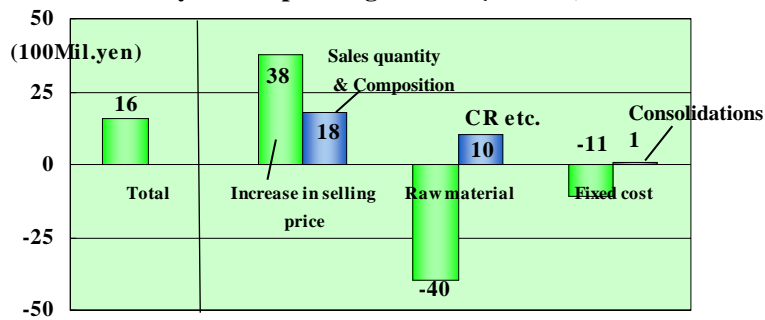
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(100Mil.yen)

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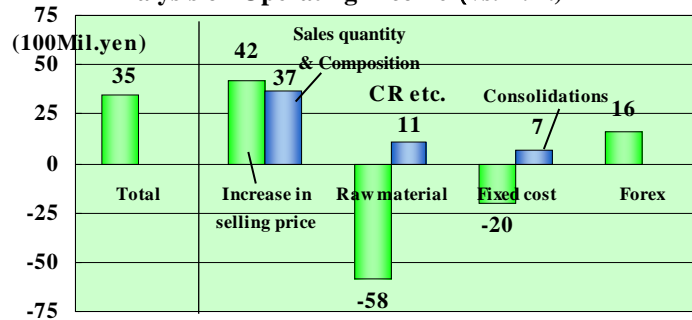
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Analysis on Operating Income (vs. P.Y.)


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HPP	2,450	210	2,183	175	267 *134	35 *28

* Excluding the influence from new consolidations

Analysis on Operating Income (vs. P.Y.)


SEKISUI FY2006 Annual Plan



(100Mil.yen)

	FY2006	FY2005	Changes
Depreciation	260	255	5
Capital Expenditure	300	283	17
Research & Development Expenses	240	231	9

SEKISUI FY2006 Annual Income Plan



(100Mil.yen)

	FY2006 Revised Plan	FY2005 Actual	Changes	FY2006 Original Plan
Sales	9,250	8,851	399	9,050
Operating Income	470	403	67	440
Recurring Income	480	438	42	450
Net Income	250	202	48	235



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			FY2004	
	FH	SH Plan	Annual Plan	FH	SH	Annual	Annual	
Consolidated	Sales(in 100 Million yen)	2,121	2,179	4,300	2,173	2,104	4,276	4,292
	Housing	1,667	1,721	3,388	1,767	1,710	3,477	3,527
	Houses	1,604	1,653	3,257	1,713	1,654	3,367	3,412
	Land	63	68	131	55	56	110	115
	Living Environment	454	458	912	406	394	799	765
	Refurbishing	308	316	625	273	263	536	510
	Interior-Exterior	29	28	57	29	29	58	62
	Real Estate	116	114	230	103	102	205	194
Others	1.Number of houses sold (unit)	7,050	8,000	15,050	7,850	8,000	15,850	16,660
	Detached houses	5,320	5,500	10,820	5,950	5,630	11,580	12,290
	Heim	4,220	4,300	8,520	4,390	4,300	8,690	9,110
	Two-U	1,100	1,200	2,300	1,560	1,330	2,890	3,180
	Apartment	1,730	2,500	4,230	1,900	2,370	4,270	4,370
	2.Main data							
	Price<-Sales subsidiaries:Detached Ho.>/unit>(Mil.yen)	29.2	-	-	28.9	29.5	29.2	27.8
	Price<-Sales subsidiaries:Detached Ho.>/Tsubo(3.3m2)(10 thou yen)	70.6	-	-	69.3	71.2	70.3	67.2
	Floor Space(m ²)	136.4	-	-	137.6	136.7	137.1	136.6
	Exhibition places(Unit:structure)	474	-	469	464	-	474	470
	Sales staff (No. of person)	2,505	-	2,500	2,596	-	2,467	2,496
	Replacement ratio(%)	38	40	39	37	40	39	41
	Referral sales ratio(%)	36	40	38	34	34	34	30

* Replacement ratio and Referral sales ratio are based on the receipt of orders.

2. Housing order intake

(Millions of yen)

	FY2006 Plan			FY2005			FY2004		
	FH	SH Plan	Annual Plan	FH	SH	Annual	FH	SH	Annual
Backlog at beginning	151,500	156,700	-	169,900	153,300	-	161,900	167,500	-
Growth rate	-11%	2%	-	5%	-8%	-	9%	7%	-
New orders	199,356	210,009	409,365	184,875	192,827	377,701	201,333	204,737	406,070
Growth rate	8%	9%	8%	-8%	-6%	-7%	3%	3%	3%
Sales of houses	194,156	199,709	393,865	201,475	194,627	396,101	195,733	202,337	398,070
Growth rate	-4%	3%	-1%	3%	-4%	-1%	4%	5%	4%
Balance at the end	156,700	167,000	-	153,300	151,500	-	167,500	169,900	-
Growth rate	2%	10%	-	-8%	-11%	-	7%	5%	-

3. Housing starts

(in units)

	FY2006			FY2005			FY2004
	FH	SH Plan	Annual Plan	FH	SH	Annual	Annual
Housing starts	661,000	619,000	1,280,000	640,414	608,952	1,249,366	1,193,038
Privately-owned houses (included in above (=A))	196,000	165,000	361,000	191,057	161,520	352,577	367,233
Sales by our company	7,050	8,000	15,050	7,850	8,000	15,850	16,660
Detached house sales by our co.=B	5,320	5,500	10,820	5,950	5,630	11,580	12,290
Our share in Detached houses=B/A	2.7%	3.3%	3.0%	3.1%	3.5%	3.3%	3.3%

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

4. Order intake of houses with additional specifications

	FY2006			FY2005			Fy2004
	FH	SH Plan	Annual Plan	FH	SH	Annual	Annual
Photovoltaic generation systems installed	53%	60%	56%	54%	50%	52%	52%
Special walling tiles (Heim type JX)	54%	59%	57%	55%	53%	54%	45%
Totally electrified model	86%	86%	86%	84%	84%	84%	80%