



## Business Report for the 3Q of FY2006

**Yoshiyuki Takitani**  
 Managing Director  
 responsible for Corporate Communications

**Sekisui Chemical Co., Ltd.**  
 30 January, 2007



(100Mil.yen)

	FY2006		FY2005		Changes	
	1Q-3Q Actual	Annual Plan	1Q-3Q Actual	Annual	1Q-3Q	Annual
Sales	6,742 (73%)	9,250	6,494 (73%)	8,851	248	399
Operating Income	303	470	248	403	54	67
Recurring Income	325	480	285	438	40	42
Net Income	160	250	113	202	47	48

( ): Progress Rate against Annual Plan & Actual Result

**SEKISUI Sales and Operating Income per Company for 1Q-3Q of FY 2006** (100Mil.yen)

	FY2006				FY2005		1Q-3Q Changes	
	1Q-3Q Actual		Annual Plan		1Q-3Q Actual		Sales	Ope. Income
	Sales	Ope. Income	Sales	Ope. Income	Sales	Ope. Income		
<b>Housing</b>	<b>3,190</b> (74%)	<b>100</b>	<b>4,300</b>	<b>160</b>	<b>3,193</b> (75%)	<b>97</b>	<b>-3</b>	<b>3</b>
<b>UIEP</b>	<b>1,590</b> (71%)	<b>53</b>	<b>2,250</b>	<b>120</b>	<b>1,511</b> (71%)	<b>50</b>	<b>80</b>	<b>3</b>
<b>HPP</b>	<b>1,794</b> (73%)	<b>160</b>	<b>2,450</b>	<b>210</b>	<b>1,610</b> (74%)	<b>121</b>	<b>184</b>	<b>39</b>
<b>Others</b>	<b>360</b>	<b>-8</b>	<b>500</b>	<b>-20</b>	<b>372</b>	<b>-20</b>	<b>-12</b>	<b>12</b>
<b>Eliminated or Not Attributed</b>	<b>-192</b>	<b>-2</b>	<b>-250</b>	<b>-</b>	<b>-192</b>	<b>0</b>	<b>-1</b>	<b>-2</b>
<b>Total</b>	<b>6,742</b>	<b>303</b>	<b>9,250</b>	<b>470</b>	<b>6,494</b>	<b>248</b>	<b>248</b>	<b>54</b>

( ) : Progress Rate against Annual Plan & Actual Result

\*UIEP: Urban Infrastructure & Environmental Products Company  
\*HPP: High Performance Plastics Company

SEKISUI CHEMICAL GROUP .2

**SEKISUI High Performance Plastics Company**

**1. Business Expansion** ~Opening-up the Frontiers of Growth ~

- 1) Priority Selection of The 3 Strategic Business Areas
  - AT: Excellent sales expansion of high-performance Interlayer Film
  - IT: Favorable business performance of LCD related materials
  - MD: Accelerated growth caused by the business integration with Daiichi Pure Chemical Company
- 2) Creation of New Products & Businesses
  - Business expansion of the products for large-sized LCDs
- 3) Expansion of Overseas Business
 

In 3Q of FY2006, Overseas Sales: 23 billion yen (115 % vs. P.Y. )

**2. Structural Reform**

- 1) Promoting the Structural Reformation of Business Operations
  - Improving the unprofitable products
- 2) Responding to High Raw Material Prices
  - Shifting to product price and implementing CR

**Trend of Sales per Business Area**

Business Area	3Q of FY2005	3Q of FY2006
AT	125	150
IT	60	75
MD	25	90
<b>Total (3 Strategic Areas)</b>	<b>210</b>	<b>315</b>
<b>Ratio of Total Sales</b>	<b>38%</b>	<b>47%</b>

SEKISUI CHEMICAL GROUP .3

**1. Acceleration in the Frontiers of Growth**

- 1) Sales Expansion of Water-Environmental Solution Business
  - Entered into the first PFI\* project, held by the Agriculture, Forestry and Fisheries Ministry
- 2) Accelerating Global Expansion
  - Establishing the Shanghai Plant : Reinforced Plastic Pipe and FFU\*

**Growth :**  
Favorable increase in the business stocks in the aged pipes restoration business

**Expansion :**  
In Plant Materials, the business is favorably maintained in both domestic and overseas markets

**Core :**  
PVC products are in the phase of inventory adjustment

\* PFI: Private Finance Initiative  
\* FFU: Fiber reinforced Foamed Urethane

**Sales and Operating Income per Business Portfolio**

(100Mil.yen)

	Divisions	3Q of FY2006		Change from P.Y.	
		Sales	Ope. Income	Sales	Ope. Income
Growth	Environmental Civil Engineering	16	-6	-0	-2
Expansion	Plant Materials Composite Materials for Infrastructure	86	12	20	6
Core	Water Supply & Drainage Building Materials & Home-Techno	377	31	4	-4
Strengthening Bases	Aqua System Roofing Materials	45	-2	-5	1
New Business	Wood New Business	3	-3	1	-1

Note: The influence on Operating Income for 3Q was "-1" in Core Business as a result of the change in the allocation basis for FY 2006.

**1. Securing Superiority in High Performance**

**Housing Business**

3Q FY2006 Ordered structures (vs. P.Y.) : 95%

3Q FY2006 Ordered unit price (vs. P.Y.) : 102%

- Establishing differentiation by "Warm Airy"
- Favorable order achievement for *BJ* vs. P.Y. 122%
- The order-taking for the replacement of houses is stagnant.

Ratio of House Replacement:  
3Q FY2006 35% ← 3Q FY2005 38%

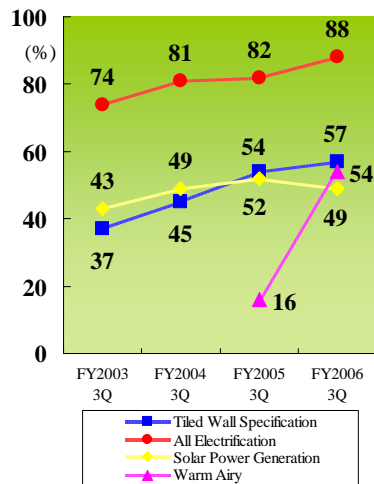
**2. Opening-Up the Frontiers of Growth**

**Living Environment Business**

3Q FY2006 Sales (vs. P.Y.) 118%

- Favorable expansion by increased sales of high priority items

**Ratio of Houses with High-Performance Specifications**



## SEKISUI Housing -2

### Measures for increasing order achievement ~ Pursuit of "Sekisui Heim Value" ~

Aiming at the detached house market.	"Sekisui Heim Value" = <i>Environment, Comfort and Security</i> supported by the Unit Construction Method <b>High Performance &amp; High Added Value</b>		
	Appeal Points	Products	Prominence specified
	Comfortable to live in; Low Life-Cycle-Cost	<div style="border: 1px solid blue; padding: 5px; display: inline-block;"> <b>"Parfait Master Design"</b>                      Launched in April 2006                 </div> <div style="border: 1px solid blue; padding: 5px; display: inline-block;"> <b>GRAND TO YOU "Flora"</b>                      Launched in January 2007                 </div>	
	Changeability Low Life-Cycle-Cost	<div style="border: 1px solid blue; padding: 5px; display: inline-block;"> <b>"bj plus"</b>                      Launched in October 2006                 </div> <div style="border: 1px solid black; padding: 5px; display: inline-block;">                     In 3Q FY2006, the orders for BJ were at 122% vs. P.Y. in number of structures                 </div>	

Introducing high-performance houses that catch the needs of the target market.

SEKISUI CHEMICAL GROUP

.6

## SEKISUI Housing -3

### Measures for increasing order achievement ~Focus our efforts on the customer group considering rebuilding~

1. Increase in orders from *visitors to exhibition places* Result of 3Q FY2006: 105% vs. P.Y.
  - 1) Warm Airy: Starting again the well-reputed "Warm Heim Campaign"
  - 2) Making our exhibition places "**ATTRACTIVE**" ~ Promoting the rebuilding of model houses. 83 structures from Apr. to Dec. 2006
2. Increase in orders generated by *referral customers*. Result in 3Q FY2006: 97% vs. P.Y.
  - 1) "Referral Sales Campaign" in operation (from Dec. 2006 to Mar. 2007)
  - 2) Up-grading.
    - 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. 300 times from Apr. to Dec. 2006
  - 1) Making our plants "**ATTRACTIVE**".
  - 2) New construction of the Learning & Experiencing House and the positive use of its function.

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

.7



## Business and Financial Results for the 3Q of FY2006

**Naofumi Negishi**

Managing Director

Corporate Finance, Accounting & Planning Dept.



#### No. of Consolidated Companies

	End of Dec. '06	End of Mar. '06	Changes
Consolidated Companies	147	142	+6 Newly Consolidated -1 Excluded +2 Separated, -2 Integrated
Companies under Equity Method	8	8	

#### Influence of changes in the No. of consolidated companies

(100Mil.yen)

Sales Amount	+74	Daiichi Pure Chemical +64 Sekisui Sandeng +6
Operating Income	+7	Daiichi Pure Chemical +7

Note: Influence on Sales and Operating Income for 1Q-3Q period


**Summary of Income and Loss**

(100Mil.yen)

	1Q-3Q FY2006	1Q-3Q FY2005	Changes	
Sales	6,742	6,494	248	174 *
Gross Income of Sales	1,975	1,894	81	
Gross Income Rate	29.3%	29.2%	0.1%	
Sales and Gen. & Admin. Expenses	1,672	1,646	26	
Operating Income	303	248	54	47 *
Income & Loss from Investment in Equity Method Companies	9	12	-3	
Other Non-operating Income & Loss	14	25	-12	
Recurring Income	325	285	40	
Income from the change of equity holding	-	52	-52	
Impairment of Fixed Asset	12	119	-107	
Other Extraordinary Loss	21	25	-4	
Income before Tax	291	193	99	
Corporate Income Tax etc.	128	75	53	
Income for Minority Shareholders	4	5	-1	
Net Income	160	113	47	

\* Excluding the influence from new consolidations


**Sales and Operating Income per Company**

(100Mil.yen)

	3Q FY2006				1Q-3Q FY2006			
	Sales	vs. P.Y.	Ope. Inc.	vs. P.Y.	Sales	vs. P.Y.	Ope. Inc.	vs. P.Y.
Housing	1,069	49	28	11	3,190	-3	100	3
UIEP	572	37	27	0	1,590	80	53	3
HPP	670	122	61	17	1,794	184	160	39
Others	115	-10	-5	1	360	-12	-8	12
Eliminated or Not Attributed	-58	4	-0	1	-192	-1	-2	-2
Total	2,369	201	111	29	6,742	248	303	54

\*UIEP: Urban Infrastructure &amp; Environmental Products Company

\*HPP: High Performance Plastics Company

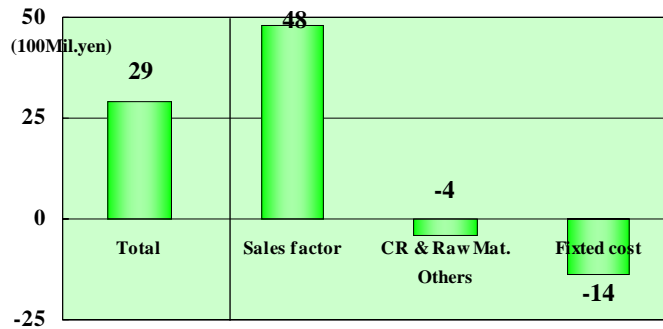


(100Mil.yen)

	3Q FY2006		3Q FY2005		Changes	
	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.
Total Company	2,369	111	2,168	81	201 *133	29 *22

\* Excluding the influence from new consolidations

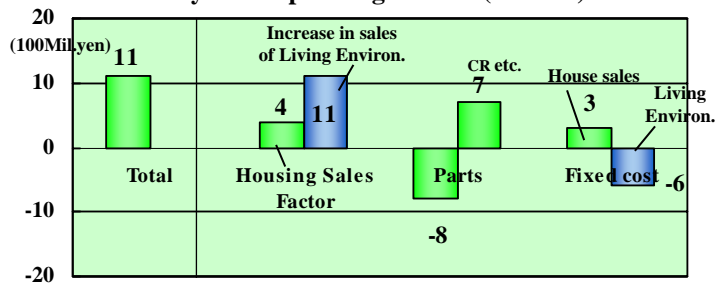
Analysis of Operating Income (vs. P.Y.)



(100Mil.yen)

Housing	3Q FY2006		3Q FY2005		Changes	
	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.
House Sales	847	27	832	22	15	5
Living Environment (incl. Fami-S)	222 (156)	0 (2)	189 (128)	-5 (-4)	33 (28)	5 (6)
Total	1,069	28	1,021	17	49	11

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



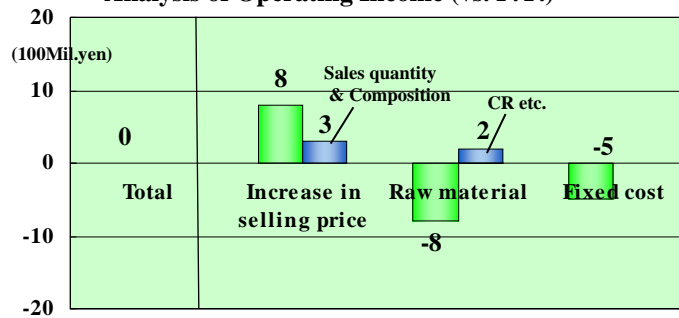


(100Mil.yen)

	3Q FY2006		3Q FY2005		Changes	
	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.
UIEP	572	27	535	27	37	0
					*34	*0

\* Excluding the influence from new consolidations

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

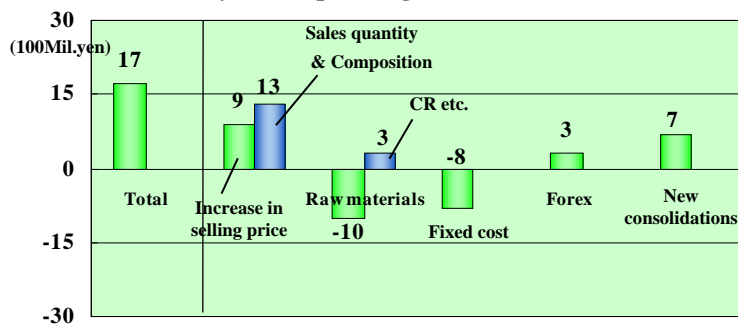


(100Mil.yen)

	3Q FY2006		3Q FY2005		Changes	
	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.
HPP	670	61	549	44	122	17
					*58	*10

\* Excluding the influence from new consolidations

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




**Non-operating Income and Expense**

(100Mil.yen)

	1Q-3Q FY2006	1Q-3Q FY2005	Changes	Remarks on Main Changes
Income from investment in Equity Method companies	9	12	-3	
Financial Income and Expense	18	18	0	Received -2 (Sekisui House -3) Paid -4
Miscellaneous Income and Expense	-5	7	-12	Misc. Income -5 Misc. Expense 6
<b>Total</b>	<b>22</b>	<b>37</b>	<b>-15</b>	


**Extraordinary Income and Loss**

(100Mil.yen)

	1Q-3Q FY2006	1Q-3Q FY2005	Changes
Income from the change of equity holding	-	52	-52
<b>Total Extraordinary Income</b>	<b>-</b>	<b>52</b>	<b>-52</b>
Impairment of Fixed Asset	12	119	-107
Expenses for changing structures	10	18	-8
Loss on selling and removal of fixed assets	12	7	4
<b>Total Extraordinary Expense</b>	<b>34</b>	<b>144</b>	<b>-111</b>
<b>Total Extraordinary Income and Loss</b>	<b>-34</b>	<b>-93</b>	<b>59</b>

## SEKISUI Business Results for 3Q of FY2006

### Balance Sheet (Assets)

(100Mil.yen)

	End of December 2006	End of March 2006	Changes
Cash & Deposit	267	447	-180
Account Receivable on Sales	1,662	1,497	165
Inventories	1,143	949	195
Other Current Assets	313	254	59
Tangible Fixed Assets	2,426	2,264	162
Intangible Fixed Assets	256	89	166
Investment in Securities	2,385	2,412	-28
Investments & Other Assets	171	171	1
<b>Total of Assets</b>	<b>8,624</b>	<b>8,084</b>	<b>540</b>

New consolidation +46  
Houses in progress +37  
Inventory of products +43  
Land for sale +55

Receipt of goods +243  
Depreciation -169  
New consolidation +114  
Sell-out & retirement etc. - 26

Goodwill +160

SEKISUI CHEMICAL GROUP

18

## SEKISUI Business Results for 3Q of FY2006

### Balance Sheet (Liabilities & Net Assets)

(100Mil.yen)

	End of December 2006	End of March 2006	Changes
No interest bearing liability	3,345	3,263	82
Interest bearing liability	1,328	946	382
<b>Total liability</b>	<b>4,673</b>	<b>4,209</b>	<b>464</b>
Capital etc.	2,094	2,095	-0
Earned surplus	1,280	1,189	91
Difference on revaluation of securities	511	541	-29
Minority share holdings	92	103	-11
Other net assets	-26	-52	26
<b>Total Net Asset</b>	<b>3,951</b>	<b>3,875</b>	<b>77</b>
<b>Total of Asset and Liability</b>	<b>8,624</b>	<b>8,084</b>	<b>540</b>

Borrowing & repayment +291  
New consolidation + 87

Net income +156  
Dividend paid -64

SEKISUI CHEMICAL GROUP

19

**SEKISUI** Business Results for 3Q of FY2006



**Consolidated Cash Flow**

(100Mil.yen)

	1Q-3Q FY2006	1Q-3Q FY2005
Cash Flow from Sales Activities	121	23
Cash Flow from Investment Activities	-500	259
Cash Flow from Financial Activities	194	-258
Increment in Cash & Cash Equivalents	-182	24
Term-end Balance of Cash & Cash Equivalent	266	350
Free Cash Flow = Sales Activity CF + Investment Activity CF - Dividend Paid	-446	228

**SEKISUI** FY2006 Annual Income Plan



(100Mil.yen)

	FY2006 Annual Plan	FY2005 Actual	Changes
Sales	9,250	8,851	399
Operating Income	470	403	67
Recurring Income	480	438	42
Net Income	250	202	48



***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				2004 Annual
	FH	3Q	SH Plan	Annual Plan	FH	3Q	SH	Annual	
<b>Consolidated</b>									
Sales (in 100 Million yen)	2,121	1,069	2,179	4,300	2,173	1,021	2,104	4,276	4,292
Housing	1,667	847	1,725	3,392	1,767	832	1,710	3,477	3,527
Houses	1,604	818	1,657	3,261	1,713	805	1,654	3,367	3,412
Land	63	29	68	132	55	27	56	110	115
Living environment	454	222	454	908	406	189	394	799	765
Refurbishing	308	156	312	620	273	128	263	536	510
Interior-Exterior	29	12	29	58	29	13	29	58	62
Real estate	116	54	114	230	103	48	102	205	194
1. Number of houses sold (unit)	7,050	3,380	8,050	15,100	7,850	3,350	8,000	15,850	16,660
Detached houses	5,320	2,800	5,500	10,820	5,950	2,950	5,630	11,580	12,290
Heim	4,220	2,190	4,320	8,540	4,390	2,250	4,300	8,690	9,110
Two-U	1,100	610	1,180	2,280	1,560	700	1,330	2,890	3,180
Apartment	1,730	580	2,550	4,280	1,900	400	2,370	4,270	4,370
<b>Others</b>									
2. Main data									
Price <Sales subsidiaries: Detached Ho.> / unit (Mil. yen)	29.2	29.3	-	-	28.9	29.3	29.5	29.2	27.8
Price <Sales subsidiaries: Detached Ho.>/Tsubo(3.3 m <sup>2</sup> ) (10thou. yen)	70.6	71.8	-	-	69.3	70.4	71.2	70.3	67.2
Floor space (m <sup>2</sup> )	136.4	134.6	-	-	137.6	137.3	136.7	137.1	136.6
Exhibition places (Unit: Structure)	474	469	-	469	464	469	-	474	470
Sales staff (No. of person)	2,505	2,464	-	2,410	2,596	2,537	-	2,467	2,496
Replacement ratio(%)	38	35	37	37	37	38	40	39	41
Referral sales ratio(%)	36	34	38	37	34	34	34	34	30

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

### 2. Housing order achievement

(Millions of yen)

	FY2006				FY2005				FY2004		
	FH	3Q	SH Plan	Annual Plan	FH	3Q	SH	Annual	FH	SH	Annual
Backlog at beginning	151,500	156,700	156,700	-	169,900	153,300	153,300	-	161,900	167,500	-
Growth rate	-11%	2%	2%	-	5%	-8%	-8%	-	9%	7%	-
New orders	199,356	86,587	202,010	401,366	184,875	87,280	192,827	377,701	201,333	204,737	406,370
Growth rate	8%	-1%	5%	6%	-8%	-7%	-6%	-7%	3%	3%	3%
Sales of houses	194,156	98,587	199,710	393,866	201,475	94,580	194,627	396,101	195,733	202,337	398,070
Growth rate	-4%	4%	3%	-1%	3%	-9%	-4%	-1%	4%	5%	4%
Balance at the end	156,700	144,700	159,000	-	153,300	146,000	151,500	-	167,500	169,900	-
Growth rate	2%	-1%	5%	-	-8%	-7%	-11%	-	7%	5%	-

### 3. Housing starts

\*The "Housing starts" and "Privately-owned houses" for 3Q of FY2006 are based on our forecast.

(in units)

	FY2006				FY2005				FY2004	
	FH	3Q	SH Plan	Annual Plan	FH	3Q	SH	Annual	FH	SH
Housing starts	664,521	340,783	615,479	1,280,000	640,414	330,871	608,952	1,249,366	1,193,038	
Privately-owned houses (included in above (=A))	197,460	88,789	163,540	361,000	191,057	85,580	161,520	352,577	367,233	
Sales by our company	7,050	3,380	8,050	15,100	7,850	3,350	8,000	15,850	16,660	
Detached house sales by our co.=B	5,320	2,800	5,500	10,820	5,950	2,950	5,630	11,580	12,290	
Our share in Detached houses=B/A	2.7%	3.2%	3.4%	3.0%	3.1%	3.4%	3.5%	3.3%	3.3%	

### 4. Ratio of Houses with High-Performance Specifications

	FY2006				FY2005				FY2004
	FH	3Q	SH Plan	Annual Plan	FH	3Q	SH	Annual	Annual
Photovoltaic generation systems installed	53%	47%	50%	51%	54%	52%	50%	52%	52%
Special walling tiles (Heim type JX)	54%	57%	55%	54%	55%	54%	53%	54%	45%
Totally electrified model	86%	88%	88%	87%	84%	82%	84%	84%	80%
Warm Airy	39%	54%	56%	49%	-	16%	25%	13%	-