

Business Report on 1Q of FY2007

Yoshiyuki Takitani
Managing Director
Responsible for Corporate Communication Dept.

Sekisui Chemical Co., Ltd.
31 July, 2007

(100 Mil. yen)

	FY2007		FY2006		Changes	
	1Q Actual	FH Plan	1Q Actual	FH Actual	1Q	FH
Sales (Progress Rate in FH Plan & Actual)	2,033 (44%)	4,650	1,850 (42%)	4,373	182	277
Operating Income	-9	190	-0	192	-8	-2
Recurring Income	-6	205	10	207	-16	-2
Net Income	67	200	-24	94	91	106

- Sold out portion of our stock-holding in Sekisui House Ltd.
- Changed the depreciation method for the residue value of fixed assets from “one-time” to “five-year equal” depreciation.
- Added the expenses for the structural improvement etc.

(100 Mil. yen)

	FY2007				FY2006		1Q Changes	
	1Q Actual		FH Plan		1Q Actual		Sales	Ope. Inc.
	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.		
Housing	860 (41%)	-38	2,120	69	824 (40%)	-39	36	1
UIEP*	458 (42%)	-11	1,100	26	440 (44%)	-3	18	-7
HPP*	663 (49%)	47	1,350	112	535 (49%)	47	128	0
Others	104	-7	230	-16	117	-4	-12	-3
Eliminated or Not attributed	-53	-0	-150	—	-66	-1	13	0
Total	2,033	-9	4,650	190	1,850	-0	182	-8

*UIEP: Urban Infrastructure & Environmental Products Company

* () : Progress Rate in FH Plan & Actual

*HPP: High Performance Plastics Company

Active Strategic-Investment
~ Investment Strategy in Midterm Plan (FY2006~FY2008) ~

Strategic Investment

- Water environment solution business
- IT technology related materials
- Automotive related materials
- M&A
- Reinforcing the basis of overseas business

Accelerating investments

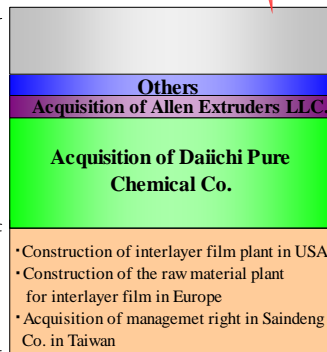
Financial Resource from the sellout of Sekisui House stocks

Revised Plan

Original Plan

Strategic Investment Framework 60 b. yen

Strategic Investment up to FY 2005



Strategic Investment Framework 100 b. yen

*Decision-making basis

1. Business Expansion

1) Reinforcement of strategic business areas

- AT: Favorable sales of Interlayer film and polyolefin foams
- IT: Influenced by the inventory adjustment in the materials for liquid crystal
- MD: Accelerating the business integration with Daiichi Pure Chemicals Co.

2) Expansion of overseas business

- 1Q of FY2007: Overseas Sales 27.5 b.yen (131% of P.Y.)
- Established a subsidiary in India (Operation started in June)

2. Structural Reform

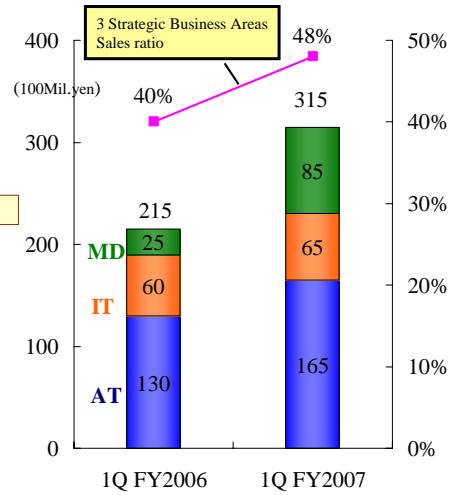
1) Changeover of business structure

- Implementation of price-increase and CR to eliminate the unprofitable situation of products

2) Responding to the increasing price of raw materials

- Implementing the shifting to product price and CR

Trend of Sales in Strategic Business Areas



1. Acceleration in the Frontiers of Growth

1) Expansion

- Plant Materials:**
Expanded a new plant in *Sekisui Industrial Piping* (in June)
* Company name have changed from “*Sekisui Saindeng*” to “*Sekisui Industrial Piping*”
- Infrastructure Composite Materials:**
Yongchang-Sekisui Composites Co. received a big order.

2. Establishing a profit-earning base

1) Core

- PVC pipe and rain gutter business had a tough time under the severe market situation
- Implemented price increase of PVC products responding to the rising raw material price. (in July)

3. Promoting CSR Management

1) Reinforcing the compliance system

Sales and Operating Income per Business Portfolio

(100Mil.yen)

	Divisions	1Q of FY2007		Change from P.Y.	
		Sales	Ope. Income	Sales	Ope. Income
Core	Water Supply & Drainage, Building Material, Home Techno	305	4	-5	-8
Growth	Environmental Civil Engineering	7	-8	-0	-1
Expansion	Plant Materials, Infrastructure Composite Materials	68	5	12	4
Strengthening Bases	Aqua System, Roofing Materials	31	-3	-9	1

1. Securing housing orders

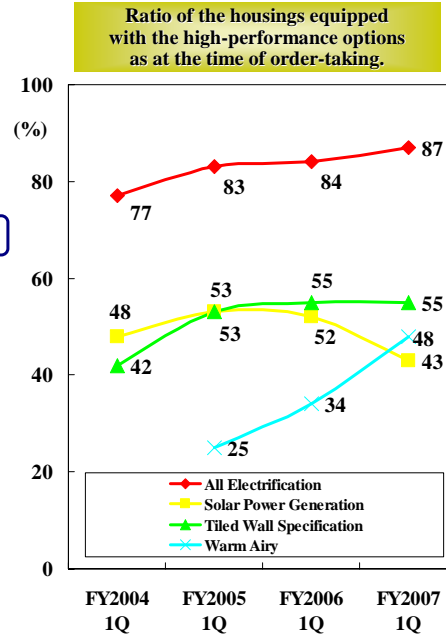
- In 1Q of FY2007, the order intake in number of structures was 91% of the previous year level.
- The differentiation had been penetrated by appealing the high-performance specifications.

2. Efficient management in Housing Business

- Transferring to the wide-area sales system in Tokyo, Nagoya and Osaka.
- Favorable progress in the reduction of fixed expenses.
Total work force reduced by 200 persons. (end Mar. '07 → end Sep. '07)

3. Expansion of Living Environment Business

- In 1Q of FY2007, the sales were in 105% of the previous year.
- Major items of business (Tiled Wall etc.) making good progress.



Measures for increasing order-intakes

The order-intake in number of structures in 2Q FY2007 is to be 102% of PY

Targeted Market	Appeal Point	Agile sales system and an intensive introduction of new products			
		Sales System	Products Strategy	Specs. for Differentiation	
Core Market	Demand Creation Rebuilding Comfort of living New Concept	From July, full-time system for "Two-U" to be introduced in Tokyo, Nagoya & Osaka (100 persons to be increased)	1Q "Domani Comfatic new" Domani : 1Q 100% of PY	2Q "Grand To You Piache" (July) For ladies 2x6 "Desio BR" (July) 3-story house for narrow land near cities & towns Parfait New model (Sep.) Reinforcing the Core Model	2x6 Structure Zero Utility Cost Warm Airy "Make it visible" Indicating Performance of each house
			Incremental Expansion Market 2nd generation Baby boomers Next generation Volume Zone New construction	Changeability	From July, across the country, full-time teams for the houses built for sales are to be increased Houses built for sale: 1Q 102% of P.Y. (BJ, Miolo)
Complex Housing	Durability	From July, across the country full-time teams for apartments are to be increased.	Letoit '07 Model (July)	Tiled Wall	

Sun-Shine Heim Campaign (Jul. - Sep.) ⇒ Further appeal for the housing equipped with the solar electric generation system.

Referral Sales Campaign (Jul. - Sep.) ⇒ Attracting more customers

Details of Business Activities for 1Q of FY2007

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

Number of Consolidated Companies

	End June 2007	End March 2007	Changes
Consolidated Companies	149	147	+3 Newly consolidated, -1 Excluded
Companies in Equity Method	8	8	

Amount influenced by the change of consolidated companies

(100 Mil. yen)

Sales	+70	Daiichi Pure Chemicals +56
-------	-----	-------------------------------

Summary of Income & Loss

(100 Mil. yen)

	1Q of FY2007	1Q of FY2006	Changes
Sales	2,033	1,850	182
Gross Income of Sales	580	540	40
Rate of Gross Income	28.5%	29.2%	-0.7%
Sales & Gen. Admin. Expenses	589	541	48
Operating Income	-9	-0	-8
Investment Income/Loss under Equity Method	-6	-0	-6
Other non-ope. Income/Loss	9	10	-1
Recurring Income	-6	10	-16
Extraordinary Income	230	-	230
Extraordinary Loss	76	4	72
Income before Tax	147	6	142
Corporate Income Tax etc.	81	29	52
Income for Minority Shareholders	-1	1	-1
Net Income	67	-24	91

*112

* Excluding the influence from new consolidations

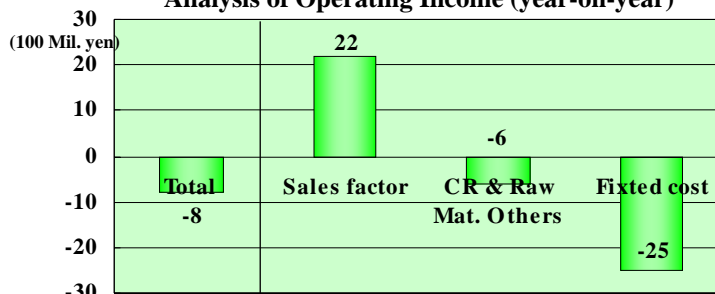
Sales & Operating Income per Company

(100 Mil. yen)

	1Q of FY2007		1Q of FY2006		Changes	
	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.
Housing	860	-38	824	-39	36	1
UIEP	458	-11	440	-3	18	-7
HPP	663	47	535	47	128	0
Others	104	-7	117	-4	-12	-3
Eliminated or Not attributed	-53	-0	-66	-1	13	0
Total	2,033	-9	1,850	-0	182	-8

(100Mil.yen)

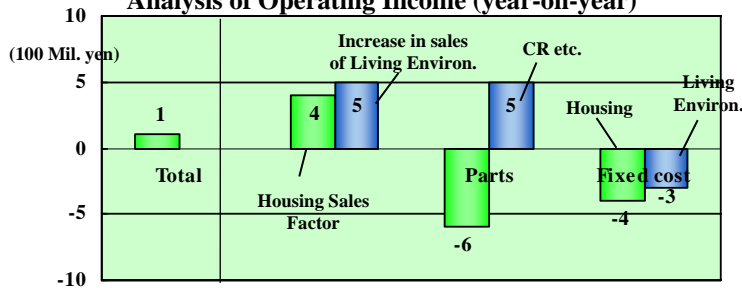
	1Q of FY2007 Actual		1Q of FY2006 Actual		FH of FY2007 Plan		FH of FY2006 Actual	
	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.
Total Company	2,033	-9	1,850	-0	4,650	190	4,373	192
	<i>*(1,963)</i>				<i>*(4,490)</i>			

** Excluding the influence from new consolidations*
Analysis of Operating Income (year-on-year)


1Q of FY2007 ← 1Q of FY2006

(100Mil.yen)

Housing	1Q of FY2007 Actual		1Q of FY2006 Actual		FH of FY2007 Plan		FH of FY2006 Actual	
	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.
Housing Business	660	-33	633	-32	1,653	59	1,667	68
Living Environment Business (Fami S included)	201	-5	191	-7	467	10	454	4
	<i>(135)</i>	<i>(-4)</i>	<i>(131)</i>	<i>(-5)</i>	<i>(330)</i>	<i>(8)</i>	<i>(308)</i>	<i>(3)</i>
Total	860	-38	824	-39	2,120	69	2,121	72

Analysis of Operating Income (year-on-year)


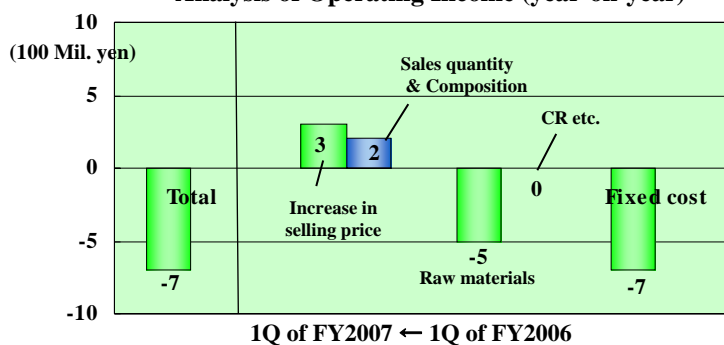
1Q of FY2007 ← 1Q of FY2006

(100Mil.yen)

	1Q of FY2007 Actual		1Q of FY2006 Actual		FH of FY2007 Plan		FH of FY2006 Actual	
	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.
UIEP	458 *(447)	-11	440	-3	1,100 *(1,058)	26	1,018	26

* Excluding the influence from new consolidations

Analysis of Operating Income (year-on-year)

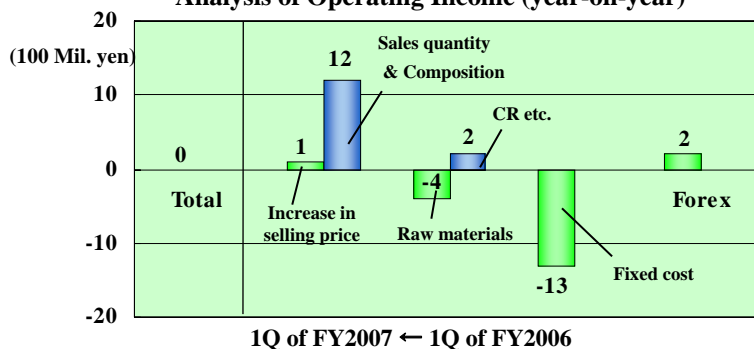


(100Mil.yen)

	1Q of FY2007 Actual		1Q of FY2006 Actual		FH of FY2007 Plan		FH of FY2006 Actual	
	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.	Sales	Ope. Inc.
HPP	663 *(605)	47	535	47	1,350 *(1,232)	112	1,124	99

* Excluding the influence from new consolidations

Analysis of Operating Income (year-on-year)



Non-operating Income/Loss

(100 Mil. yen)

	1Q of FY2007	1Q of FY2006	Changes	Breakdown of main changes
Income/Loss in investment under Equity Method	-6	-0	-6	
Financial Income	13	10	3	Received 4 (Sekisui House 2) Paid 1
Miscellaneous Income & Expense	-4	0	-4	Misc. Income -5 Misc. Expense -0
Total	2	10	-8	

Extraordinary Income & Loss

(100 Mil. yen)

	1Q of FY2007	1Q of FY2006	Changes
Income on sale of investment in securities	225	-	225
Income on transfer of business	5	-	5
Total Extraordinary Income	230	0	230
Structural improvement expenses	43	-	43
Loss on revaluation of inventories (lower-of-cost-or-market method)	31	-	31
Loss on sales disposal of property, plant and equipment	3	4	-2
Total Extraordinary Expenses	76	4	72
Total Extraordinary Income and Loss	154	-4	158

Balance Sheet (Assets)

(100 Mil. yen)

	End of Jun. 2007	End of Mar. 2007	Changes
Cash & Deposit	342	261	81
Account Receivable on Sales	1,636	1,767	-131
Inventories	1,207	1,093	113
Other Current Assets	336	289	47
Tangible Fixed Assets	2,468	2,455	13
Intangible Fixed Assets	258	253	6
Investment in Securities	1,799	2,494	-695
Investments & Other Assets	170	180	-10
Total of Assets	8,216	8,792	-575

Housing in process +66
Land +17
Products inventories +8
New consolidation +8

Receipt of goods +70
Depreciation -62
New consolidation +9

Partial sell-out of Sekisui House
stocks -550
Valuation at market price -133

Balance Sheet (Liabilities & Net Assets)

(100Mil.yen)

	End of Jun. 2007	End of Mar. 2007	Changes
No Interest Bearing Liabilities	3,329	3,547	-218
Interesting Bearing Liabilities	996	1,113	-117
Liability Total	4,325	4,660	-335
Capital etc.	2,094	2,094	-0
Earned Surplus	1,401	1,377	24
Difference on Revaluation of Securities	350	574	-224
Minority Share Holdings	90	92	-2
Other Net Assets	-45	-7	-38
Net Assets Total	3,891	4,131	-240
Total of Net Assets and Liability	8,216	8,792	-575

Trade payable -70
Deferred tax liability -153

Sell-out of Sekisui House
stocks -98
Valuation at market price -54

Current net income +67
Dividend payment -42

Sell-out of Sekisui House
stocks -145
Valuation at market price -79

Treasury stocks -41

Consolidated Cash Flow

(100 Mil. yen)

	1Q of FY2007	1Q of FY2006
Cash Flow from Sales Activities	-154	-59
Cash Flow from Investment Activities	433	-117
Cash Flow from Financial Activities	-205	-8
Increment in Cash & Cash Equivalents	75	-183
Term-end Balance of Cash & Cash Equivalent	351	265
Free Cash Flow = Sales Activity CF + Investment Activity CF - Dividend Paid	235	-209

Annual Plan for FY2007

(100 Mil. yen)

	Original Plan	Revised Plan*	Changes	Remarks
Sales	9,800	9,800	0	
Operating Income	570	550	-20	Five-year equal depreciation of the residue value of fixed assets
Non-operating Income/Loss	20	15	-5	Decrease in dividend from Sekisui House (Sep. @¥12 X 30 million shares)
Recurring Income	590	565	-25	
Extraordinary Income	-	224	224	Income on sale of Sekisui House stocks (Sold @¥1,771 for 30 million shares)
Extraordinary Loss	166	129	-37	Changed to 5-year equal depreciation on residue value of fixed assets -97 Expenses for structural improvement toward efficient management of housing business etc. +60
Income before tax	424	660	236	
Corporate income tax etc.	157	253	96	Increase in income before tax 236 x 40%
Income in minority shareholders	7	7	0	
Net Income	260	400	140	

*Revised June 5, 2007

Plan for FH 2007

(100 Mil. yen)

	Original Plan	Revised Plan*	Changes	Remarks
Sales	4,650	4,650	0	
Operating Income	200	190	-10	Five-year equal depreciation on the residue value of fixed assets
Non-operating Income/Loss	20	15	-5	Decrease in dividend from Sekisui House (Sep. @¥12 X 30 million shares)
Recurring Income	220	205	-15	
Extraordinary Income	-	224	224	Income on sale of Sekisui House stocks (Sold @¥1,771 for 30 million shares)
Extraordinary Loss	137	80	-57	Changed to 5-year equal depreciation on residue value of fixed assets -97 Expenses for structural improvement toward efficient management of housing business etc.+40
Income before tax	83	349	266	
Corporate income tax etc.	43	149	106	Increase in income before tax 266 x 40%
Income in minority shareholders	0	0	0	
Net Income	40	200	160	

*Revised June 5, 2007

(100 Mil. yen)

	FH of FY2007 Plan	FH of FY2006 Actual	Changes
Sales	4,650	4,373	277
Operating Income	190	192	-2
Recurring Income	205	207	-2
Net Income	200	94	106

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

		FY2007		FY2006		
		1Q	FH Plan	1Q	FH	SH
CONSOL	Sales (in 100 Million yen)	860	2,120	824	2,121	2,184
	Housing	660	1,653	633	1,667	1,730
	Houses	627	1,578	606	1,604	1,657
	Land	33	75	26	63	73
	Living environment	201	467	191	454	454
	Refurbishing	135	330	131	308	309
	Interior-Exterior	12	29	11	29	29
Real estate	54	108	50	116	116	
OTHERS	1. Number of houses sold (unit)	2,750	6,950	2,750	7,050	7,950
	Detached houses	2,100	5,000	2,190	5,320	5,500
	Heim	1,670	4,000	1,680	4,220	4,250
	Two-U	430	1,000	510	1,100	1,250
	Apartment	650	1,950	560	1,730	2,450
	2. Main Data					
	Price <Sales subsidiaries: Detached Ho.>/unit (Mil. yen)	29.7	29.7	29.4	29.2	29.8
	Price <Sales subsidiaries: Detached Ho.>/Tsubo (3.3 m ²) (10thou. yen)	72.9	72.9	71.7	70.6	73.0
	Floor space (m ²)	134.5	134.5	136.2	136.4	134.8
	Exhibition places (Unit: Structure)	456	450	485	474	465
	Sales staff (No. of person)	2,586	2,530	2,560	2,505	2,419
	Replacement ratio(%)	35	37	38	38	37
Referral sales ratio(%)	35	36	36	36	33	

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

2. Housing order intake

(Millions of yen)

	FY2007		FY2006			FY2005	
	1Q	FH Plan	1Q	FH	SH	FH	SH
Backlogs at beginning	150,000	-	151,500	-	156,700	169,900	153,300
Growth rate	-1%	-	-11%	-	2%	5%	-8%
New orders	82,939	192,888	90,190	199,356	192,829	184,875	192,827
Growth rate	-8%	-3%	8%	8%	0%	-8%	-6%
Sales of houses	77,339	193,717	74,790	194,156	199,529	201,475	194,627
Growth rate	3%	0%	-13%	-4%	+3%	3%	-4%
Balance at the end	155,600	149,171	166,900	156,700	150,000	153,300	151,500
Growth rate	-7%	-5%	0%	2%	-1%	-8%	-11%

3. Housing starts

(in unit)

	FY2007		FY2006		
	1Q	FH Plan	1Q	FH	SH
Housing starts	316,900	635,700	334,243	664,521	620,725
Privately-owned houses (included in above) (=A)	90,800	182,900	98,833	197,460	159,097
Sales by our company	2,750	6,950	2,750	7,050	7,950
Detached house sales by our co. (=B)	2,100	5,000	2,190	5,320	5,500
Our share in Detached houses (=B/A)	2.3%	2.7%	2.2%	2.7%	3.5%

*The housing starts" in 1Q Actual of FY2007 and the above "Detached house sales" are based on a prospect.

4. Order intake of houses with additional specifications

	FY2007		FY2006		
	1Q	FH Plan	1Q	FH	SH
Photovoltaic generation systems installed	43%	45%	52%	53%	48%
Special walling tiles (Heim type JX)	55%	56%	55%	54%	54%
Totally electrified model	87%	88%	84%	86%	88%
Warm Airy	48%	43%	34%	39%	55%