

## Summary of Financial Results for the Third Quarter of Fiscal Year 2007 Ending March 31, 2008

Company Name: Sekisui Chemical Co., Ltd.  
 Stock Listings: Tokyo Stock Exchange, Osaka Securities Exchange  
 Code Number: 4204  
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(Figures rounded down to the nearest million yen)

### 1. Consolidated Business Results for the First Nine Months (April 1, 2007 to December 31, 2007)

#### (1) Consolidated Business Results

(% change from the previous year)

	Net Sales		Operating Income		Recurring Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2007 (First 9 months)	697,156	3.4	24,519	(19.0)	25,631	(21.1)	20,759	29.9
FY2006 (First 9 months)	674,213	3.8	30,259	21.9	32,496	13.9	15,980	42.0
FY2006	926,163		45,157		46,910		25,538	

	Net Income per Share	Net Income per Share (Diluted)
	yen	yen
FY2007 (First 9 months)	39.41	39.40
FY2006 (First 9 months)	30.15	30.12
FY2006	48.19	48.13

#### (2) Consolidated Financial Position

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	yen
FY2007 (First 9 months)	803,065	379,237	46.0	703.17
FY2006 (First 9 months)	862,390	395,131	44.7	745.44
FY2006	879,153	413,141	45.9	761.69

#### (3) Consolidated Cash Flows

	Operating Activities	Investing Activities	Financing Activities	End of Year Cash and Cash Equivalents
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2007 (First 9 months)	(4,588)	21,641	(17,626)	27,333
FY2006 (First 9 months)	12,055	(50,010)	19,388	26,615
FY2006	41,929	(59,100)	(2,484)	25,968

### 2. Consolidated Outlook for FY 2007 (Apr 1, 2007-March 31, 2008) (Reference)(% change from the previous year)

	Net Sales		Operating Income		Recurring Income		Net Income		Net Income Per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Full Year	960,000	3.7	45,500	0.8	45,000	(4.1)	29,000	13.6	55.20

### 3. Other

**(1) Significant change of subsidiary companies during the term** (change of specified subsidiaries that affected the scope of consolidated reporting)      No

**(2) Application of simplified accounting methods**      Yes

**(3) Changes to the accounting method for the recent consolidated fiscal year**      Yes

Note: Please see “4. Other” in the Qualitative Information and Financial Statements (page 5) for further details.

Note: An explanation the application of these changes to the results forecasts is presented in the section on Other Items.

1. The company has not revised the results forecast figures announced on October 26, 2007, to reflect the accounting changes and their effects.

2. Forecasts and forward looking statements presented in this report are based on the company’s assessment of information and business conditions at the time of production of this report. Actual results can differ significantly from forecasts due to changes in these business conditions. The company’s consolidated results forecasts are presented in

“(3) Consolidated Result Forecast for Fiscal Year 2007” (page 5).

## **Qualitative Information and Financial Statements**

### **1. Consolidated Business Results for Third Quarter of Fiscal Year 2007 (three months from October 1 to December 31, 2007)**

#### **(1) Overall Consolidated Results**

Consolidated net sales and income declined in the third quarter from the same period a year ago. Overseas business continued strong on steady business in the automotive, IT, medical, and plant materials fields.

However, sharply rising raw materials costs and the stronger-than-expected impact on construction housing starts from the revised Building Standards Law reduced demand for our core products, including polyvinyl chloride (PVC) pipes and rain gutters. In addition, the declining housing orders during the midterm cyclical slump reduced the number of housing units sold.

#### **(2) Business Results by Company**

##### **<Housing>**

While the Housing Company operating efficiency continued to improve, the midterm slump in housing orders led to declining unit sales and decreases in both net sales and income. The volume of housing orders increased from the same quarter a year ago as expanded sales of our high-performance housing units and the successful Warm Housing campaign conducted in November overcame a generally sluggish housing market.

The Living Environment Business, which is focused on the market for housing remodeling, generated strong results on expanded sales of external tiling and other key commercial materials.

##### **<Urban Infrastructure and Environmental Products>**

Third quarter net sales and operating profit declined, primarily owing to rising raw materials costs, the greater-than-expected impact on construction housing starts from the revised Building Standards Law, and struggling sales for PVC pipes, rain gutters, and other products. Overseas business continued steadily expanding and included substantial sales growth for molded plastic sheeting business in United States and for the reinforced plastic piping business in China. We continued to develop and expand the pipe restoration business, which is one of our core Frontiers of Growth fields, and in December expanded the business into the global market with the acquisition of pipe lining and sewer rehabilitation company Heitkamp, Inc., of the United States.

##### **<High Performance Plastics>**

Net sales and income increased year on year in the third quarter on expanding business in the automotive, IT, and medical fields, which are the three strategic growth fields for the High Performance Plastics Company. In the automotive field, sales were strong in several product lines, notably for interlayer films for glass and internal and external resin mold products. During the quarter, the company completed construction and commenced operations in October of its sixth interlayer film production factory. In the IT field, quarterly profits rose despite slowing sales growth for LCD panel materials amid inventory

correction in the IT market. Medical field sales continued brisk for diagnostic drugs and vacuum blood sampling tubes. We are currently preparing to establish the new Sekisui Medical, Co., Ltd. in April 2008. The new company will focus on global development of our medical field business with a focus on the diagnostic drugs market.

## **2. Analysis of Consolidated Financial Position for the Nine Months Ended December 31, 2007**

### **(1) Financial Position**

Total assets in the third quarter declined to 803.0 billion yen, a 76.0 billion yen decline from the previous consolidated fiscal year end. Total current assets increased 13.1 billion yen as a decrease in accounts receivable was more than offset by an increase in work in progress and other inventories. Fixed assets declined 89.2 billion yen, primarily due to the sale of investment securities and the impact of securities valuation adjustment. Debt amounted to 423.8 billion yen, a decline of 42.1 billion yen from the previous consolidated fiscal year end, largely due to declines in accounts payable and deferred income taxes.

Total net assets amounted to 379.2 billion yen, down 33.9 billion yen from the previous consolidated fiscal year end as declines in unrealized holding gain on securities and acquisition of treasury stock offset an increase in retained earnings. Treasury stock after subtracting minority shareholders' interests from net assets amounted to 369.4 billion yen. The shareholders' equity ratio was 46.0%.

### **(2) Cash Flow**

Net cash provided by operating activities decreased from the same period in the previous fiscal year to 4.5 billion yen. Cash inflows included 37.0 billion yen in income before income taxes and minority interests and 21.6 billion yen in depreciation and amortization. Cash outflows included 23.1 billion yen from the gain on sale of investments in securities, which is accounted as operating capital and deducted from the cash flow account, a 16.2 billion yen increase in operating capital, 15.7 billion yen in income taxes paid, and a 9.9 billion yen decrease in the allowance for retirement benefits (bonuses and retirement allowances).

Net cash used by investing activities increased to 21.6 billion yen. The increase mainly reflected the sale of 53.4 billion yen of investment securities, representing a portion of our total holdings of Sekisui House Co., Ltd., coupled with aggressive investment measures that included 27.8 billion yen to purchase tangible and intangible fixed assets focused on strategic areas and growth fields and 5.7 billion yen to acquire ABS sheet producer Allen Extruders, Inc., of the United States.

Net cash provided by financing activities declined to 17.6 billion yen. The decline was mainly due to dividend payments of 8.1 billion yen, the purchase of 4.7 billion yen of shareholders' equity, and a net decrease in interest-bearing liabilities to 4.6 billion yen.

As a result, cash and cash equivalents at the end of the nine-month period ended December 31, 2007, totaled 27.3 billion yen.

**(3) Consolidated Result Forecast for Fiscal Year 2007 (April 1, 2007, to March 31, 2008)**

We have revised downward our consolidated results forecasts for the fiscal year ending March 31, 2008, from the figures announced on October 26, 2007, to reflect the stronger-than-anticipated impact of the steep rises in raw materials costs and the revised Building Standards Law on the sales of PVC pipes, rain gutters, and other core products as well as the downturn in housing unit sales. The revised forecast figures are presented in the following table.

(Millions of yen)

	Current Forecast Estimates for FY 2007 (ending March 31, 2008)	Previous Forecast Estimates Announced October 26, 2007
Net sales	960,000	970,000
Operating income	45,500	50,000
Recurring income	45,000	50,500
Net income	29,000	34,500

**(4) Other****1) Significant change of subsidiary companies during the term (change of specified subsidiaries that affected the scope of consolidated reporting)**

None

**2) Application of simplified accounting methods**

In compliance with the production principles of the midterm consolidated financial statements, the company implemented simplified procedures for the accounting of allowance reserves with the objective of making the reporting methods more easily understandable for investors and other stakeholders.

**3) Changes to the accounting method for the recent consolidated fiscal year**

-1- The revised accounting standards have been applied for the current fiscal year in accordance with the "Accounting Standards for Valuation of Inventory Assets" (Accounting Standard, Statement 9, adopted July 5, 2006) allowing the application of the revised standards in the consolidated financial statements for the consolidated fiscal year before March 31, 2008. Application of the standards had the effect of increased operating income and recurring income each by 582 million yen and decreasing net income before income taxes and other adjustments for the full fiscal year by 2,487 million yen.

The effect of the changes on the business segment results is included in the appropriate sections above.

-2- The company and its domestic consolidated subsidiaries changed the depreciation accounting method for tangible fixed assets beginning in the current fiscal year, as of April 1, 2007, in conformance with the revised corporate tax law. These changes reduced each of operating profit, recurring profit, and income before income taxes and other adjustments by 454 million yen for the current fiscal year.

(Supplemental information)

The company and its domestic consolidated subsidiaries had scheduled to apply the standard depreciation accounting method before the corporate tax law revision to assets acquired before March 31, 2007. The previous method provided for 5% of the asset acquisition price to be booked in the consolidated fiscal year following the asset acquisition. However, in conformance with the revised corporate tax law, the company and its domestic consolidated subsidiaries will apply the straight line depreciation method for acquired assets to the sum difference between the equivalent of 5% of the asset acquisition price and the memorandum price. Compared to the previous accounting method, the revised method reduced each of operating profit, recurring profit, and income before income taxes and other adjustments by 1,410 million yen for the current fiscal year.

The effect of the changes on the business segment results is included in the appropriate sections above.

**1. Consolidated Balance Sheets (3rd Q)**

(Millions of yen)

Term Item	FY 2006		FY 2007 (3rd Q)		Difference		FY 2006 (3rd Q)	
	As at March 31, 2007		As at Dec 31, 2007				As at Dec 31, 2006	
	Amount	%	Amount	%	Amount	%	Amount	%
(Assets)								
I. Current assets								
1. Cash and deposits	26,083		27,445		1,362	5.2	26,735	
2. Trade notes receivable	66,590		62,033		(4,556)	(6.8)	67,414	
3. Accounts receivable	110,116		109,000		(1,115)	(1.0)	98,790	
4. Securities	22		43		21	97.9	-	
5. Product inventories	40,704		43,716		3,011	7.4	42,336	
6. Land for sale	19,772		23,112		3,339	16.9	18,862	
7. Other inventories	48,843		54,370		5,526	11.3	53,150	
8. Advances	1,202		2,623		1,420	118.1	2,727	
9. Prepaid expenses	1,168		3,138		1,970	168.7	2,490	
10. Deferred tax assets	11,609		13,046		1,437	12.4	8,138	
11. Short-term loans	3,061		3,078		17	0.6	2,923	
12. Other	13,092		13,781		688	5.3	16,052	
13. Allowance for doubtful accounts	(1,282)		(1,214)		67	-	(1,047)	
Total current assets	340,986	38.8	354,177	44.1	13,191	3.9	338,575	39.3
II. Fixed assets								
1. Tangible fixed assets								
(1) Buildings & structures	86,798		90,038		3,239	3.7	86,251	
(2) Machinery, equipment and tools	61,176		68,944		7,767	12.7	61,055	
(3) Land	67,958		69,681		1,723	2.5	68,370	
(4) Construction in progress	20,161		8,893		(11,268)	(55.9)	17,769	
(5) Other	9,391		9,101		(289)	(3.1)	9,173	
(Total tangible fixed assets)	245,485	27.9	246,659	30.7	1,173	0.5	242,619	28.1
2. Intangible fixed assets								
(1) Goodwill	18,638		20,604		1,965	10.5	19,006	
(2) Software	4,674		4,474		(199)	(4.3)	4,682	
(3) Other	1,939		3,310		1,371	70.7	1,871	
(Total intangible assets)	25,252	2.9	28,389	3.5	3,137	12.4	25,561	3.0
3. Investments and other assets								
(1) Investment securities	249,432		145,307		(104,124)	(41.7)	238,484	
(2) Long-term loans	2,184		765		(1,418)	(64.9)	4,162	
(3) Long-term prepaid expenses	1,553		1,422		(131)	(8.5)	1,540	
(4) Deferred income taxes	4,163		16,417		12,253	294.3	3,323	
(5) Other	11,829		11,208		(620)	(5.2)	11,640	
(6) Allowance for doubtful accounts	(1,734)		(1,281)		453	-	(3,517)	
(Total investment and other assets)	267,428	30.4	173,839	21.6	(93,589)	(35.0)	255,633	29.6
Total fixed assets	538,166	61.2	448,887	55.9	(89,278)	(16.6)	523,814	60.7
Total assets	879,153	100.0	803,065	100.0	(76,087)	(8.7)	862,390	100.0

(Millions of yen)

Term Item	FY 2006		FY 2007 (3rd Q)		Difference		FY 2006 (3rd Q)	
	As at March 31, 2007		As at Dec 31, 2007				As at Dec 31, 2006	
	Amount	%	Amount	%	Amount	%	Amount	%
(Liabilities)								
I. Current liabilities								
1. Trade notes payable	14,972		16,440		1,468	9.8	15,661	
2. Accounts payable	124,152		118,256		(5,895)	(4.7)	121,141	
3. Short-term loans	59,353		64,382		5,028	8.5	72,801	
4. Commercial paper	3,000		-		(3,000)	(100.0)	14,000	
5. Bonds due within one year	10,000		-		(10,000)	(100.0)	10,000	
6. Accrued expenses	29,731		27,198		(2,532)	(8.5)	26,122	
7. Accrued income taxes	13,096		13,575		479	3.7	11,484	
8. Deferred tax liabilities	110		133		22	20.4	151	
9. Provision for bonuses	13,443		7,818		(5,625)	(41.8)	7,506	
10. Provision for directors' bonuses	345		-		(345)	(100.0)	-	
11. Provision for compensation for completed constructions	936		934		(1)	(0.2)	966	
12. Advances received	37,820		35,404		(2,415)	(6.4)	37,792	
13. Other	34,449		32,123		(2,325)	(6.8)	32,716	
Total current liabilities	341,413	38.8	316,268	39.4	(25,144)	(7.4)	350,344	40.6
II. Fixed liabilities								
1. Bonds	5,641		5,628		(13)	(0.2)	5,624	
2. Long-term loans	33,289		37,121		3,831	11.5	30,337	
3. Deferred tax liabilities	18,928		2,519		(16,408)	(86.7)	13,147	
4. Provision for retirement allowances	60,643		56,409		(4,234)	(7.0)	61,732	
5. Other	6,095		5,880		(215)	(3.5)	6,071	
Total fixed liabilities	124,598	14.2	107,559	13.4	(17,039)	(13.7)	116,914	13.6
Total liabilities	466,011	53.0	423,828	52.8	(42,183)	(9.1)	467,259	54.2
(Net assets)								
I. Shareholders' equity								
1. Common stock	100,002	11	100,002	12	-	-	100,002	11.6
2. Capital surplus	109,420	12.4	109,381	13.6	(39)	(0.0)	109,423	12.7
3. Retained earnings	137,712	15.7	150,533	18.7	12,820	9.3	128,019	14.8
4. Treasury stock	(6,375)	(0.7)	(10,876)	(1.4)	(4,501)	-	(6,441)	(0.7)
Total shareholders' equity	340,759	38.8	349,039	43.5	8,280	2.4	331,003	38.4
II. Revaluation and translation adjustments								
1. Unrealized holding gain on securities	57,427	6.5	13,668	1.7	(43,759)	(76.2)	51,135	5.9
2. Unrealized gain on land revaluation	216	0.0	217	0.0	1	0.5	216	0.0
3. Foreign currency translation adjustments	5,419	0.6	6,506	0.8	1,087	20.1	3,536	0.4
Total revaluation and translation adjustments	63,063	7.2	20,391	2.5	(42,671)	(67.7)	54,889	6.4
III. Share subscription rights	73	0.0	189	0.0	116	157.0	46	0.0
IV. Minority shareholders' interests	9,244	1.1	9,615	1.2	371	4.0	9,192	1.1
Total net assets	413,141	47.0	379,237	47.2	(33,903)	(8.2)	395,131	45.8
Total liabilities, net assets	879,153	100.0	803,065	100.0	(76,087)	(8.7)	862,390	100.0

**2. Consolidated Profit and Loss Statement (3rd Q)**

(Millions of yen)

Term  Item	FY 2006 (3rd Q)		FY 2007 (3rd Q)		Difference		(Ref) FY 2006			
	From April 1, 2006 to Dec 31, 2006		From April 1, 2007 to Dec 31, 2007				From April 1, 2006 to March 31, 2007			
	Amount	%	Amount	%	Amount	%	Amount	%		
I. Net sales	674,213	100.0	697,156	100.0	22,943	3.4		926,163	100.0	
II. Cost of sales	476,716	70.7	498,814	71.5	22,098	4.6		656,504	70.9	
Gross income	197,496	29.3	198,341	28.5	844	0.4		269,659	29.1	
III. Selling, general & administrative expenses	167,237	24.8	173,821	24.9	6,584	3.9		224,501	24.2	
Operating income	30,259	4.5	24,519	3.5	(5,739)	(19.0)		45,157	4.9	
IV. Non-operating income										
1. Interest income	619		932					910		
2. Dividend income	2,434		2,587					2,450		
3. Investment income by equity method	884		107					1,414		
4. Miscellaneous income	3,399	7.337	2,695	6.322	0.9	(1,014)	(13.8)	5,435	10.210	
V. Non-operating expenses										
1. Interest expenses	1,202		1,460					1,757		
2. Discount on Commercial Paper	18		12					19		
3. Sales discounts	244		240					333		
4. Miscellaneous expenses	3,636	5.101	3,497	5.211	0.7	110	2.2	6,347	8.458	
Recurring income	32,496	4.8	25,631	3.7	(6,864)	(21.1)		46,910	5.1	
VI. Extraordinary income										
1. Gain on sale of investments in securities	-		23,137					-		
2. Proceeds from business transfer	-	-	478	23,615	3.4	23,615	-	-	-	
VII. Extraordinary expenses										
1. Loss on revaluation of inventories	-		3,069					-		
2. Structural improvement expenses	969		7,597					4,339		
3. Loss on asset impairment	1,218		-					1,800		
4. Loss on sales or disposal of property, plant and equipment	1,171	3.359	1,525	12,191	1.7	8,832	263.0	1,913	8,053	
Income before income taxes and minority interests	29,136	4.3	37,055	5.3	7,918	27.2		38,856	4.2	
Income taxes	12,781		15,933					15,322		
Deferred taxes	-	12,781	1.9	-	15,933	2.3	3,151	24.7	(2,634)	12,688
Minority interests	375	0.1	362	0.1	(12)	(3.4)		629	0.1	
3rd Q net income	15,980	2.4	20,759	3.0	4,779	29.9		25,538	2.8	

**3. Consolidated Statements of Changes in Shareholders' Equity**

First nine months of fiscal 2006 (April 1, 2006 to December 31, 2006)

(Millions of yen)

	Shareholders' Equity					Revaluation and translation adjustments	Share subscription rights	Minority shareholders' interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity				
Balance at March 31, 2006	100,002	109,456	118,909	(6,629)	321,738	55,467	-	10,253	387,459
Changes									
Dividends on retained earnings *			(6,363)		(6,363)				(6,363)
Directors' bonuses *			(314)		(314)				(314)
Decrease in retained earnings due to increase in consolidated subsidiaries			(190)		(190)				(190)
Decrease in retained earnings due to exclusion in consolidated subsidiaries			(2)		(2)				(2)
Net income			15,980		15,980				15,980
Acquisition of treasury stock				(74)	(74)				(74)
Cancellation of treasury stock		(33)		262	229				229
Changes in items other than shareholders' equity						(577)	46	(1,061)	(1,592)
Total changes	-	(33)	9,111	188	9,265	(577)	46	(1,061)	7,673
Balance at December 31, 2006	100,002	109,423	128,019	(6,441)	331,003	54,889	46	9,192	395,131

\*This item is the appropriation of earnings approved at the Annual General Meeting of Shareholders held in June 2006.

First nine months of fiscal 2007 (April 1, 2007 to December 31, 2007)

(Millions of yen)

	Shareholders' Equity					Revaluation and translation adjustments	Share subscription rights	Minority shareholders' interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity				
Balance at March 31, 2007	100,002	109,420	137,712	(6,375)	340,759	63,063	73	9,244	413,141
Changes									
Dividends on retained earnings			(7,924)		(7,924)				(7,924)
Decrease in retained earnings due to increase in consolidated subsidiaries			(8)		(8)				(8)
Decrease in retained earnings due to exclusion in consolidated subsidiaries			(6)		(6)				(6)
Net income			20,759		20,759				20,759
Acquisition of treasury stock				(4,725)	(4,725)				(4,725)
Cancellation of treasury stock		(39)		224	185				185
Changes in items other than shareholders' equity						(42,671)	116	371	(42,183)
Total changes	-	(39)	12,820	(4,501)	8,280	(42,671)	116	371	(33,903)
Balance at December 31, 2007	100,002	109,381	150,533	(10,876)	349,039	20,391	189	9,615	379,237

Fiscal 2006 (April 1, 2006 to March 31, 2007)

(Millions of yen)

	Shareholders' Equity					Revaluation and translation adjustments	Share subscription rights	Minority shareholders' interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity				
Balance at March 31, 2006	100,002	109,456	118,909	(6,629)	321,738	55,467	-	10,253	387,459
Changes									
Dividends on retained earnings *			(3,180)		(3,180)				(3,180)
Dividends on retained earnings			(3,182)		(3,182)				(3,182)
Directors' bonuses *			(314)		(314)				(314)
Decrease in retained earnings due to increase in consolidated subsidiaries			(55)		(55)				(55)
Decrease in retained earnings due to exclusion in consolidated subsidiaries			(2)		(2)				(2)
Net income			25,538		25,538				25,538
Acquisition of treasury stock				(101)	(101)				(101)
Cancellation of treasury stock		(36)		354	318				318
Changes in items other than shareholders' equity						7,596	73	(1,009)	6,660
Total changes	-	(36)	18,805	253	19,022	7,596	73	(1,009)	25,681
Balance at March 31, 2007	100,002	109,420	137,712	(6,375)	340,759	63,063	73	9,244	413,141

\*This item is the appropriation of earnings approved at the Annual General Meeting of Shareholders held in June 2006.

**4. Consolidated Statements of Cash Flows**

(Millions of yen)

Term Item	FY 2006 (3rd Q)	FY 2007 (3rd Q)	FY 2006
	From April 1, 2006 to Dec 31, 2006	From April 1, 2007 to Dec 31, 2007	From April 1, 2006 to March 31, 2007
<b>I. Operating activities</b>			
1. Income before income taxes and minority interest	29,136	37,055	38,856
2. Depreciation and amortization	18,839	21,656	26,045
3. Loss on asset impairment	1,218	-	1,800
4. Gain on sale of investments in securities	(53)	(23,137)	(117)
5. Loss on sales or disposal of property, plant and equipment	1,171	1,525	1,913
6. Decrease (increase) in provision for bonuses	(5,326)	(5,637)	607
7. Decrease in allowance for retirement benefits	(1,997)	(4,305)	(3,103)
8. Interest and dividend income	(3,054)	(3,519)	(3,360)
9. Interest expense	1,464	1,714	2,110
10. Equity in earnings of affiliates	(884)	(107)	(1,414)
11. Decrease (increase) in accounts receivable	(10,254)	6,917	(19,994)
12. Increase in inventories	(14,453)	(10,356)	(8,991)
13. Decrease (increase) in account payable	2,834	(7,676)	8,500
14. Decrease in advances received	(1,397)	(2,415)	(1,370)
15. Directors' bonuses paid	(314)	-	(314)
16. Other	76	(2,755)	7,369
Subtotal	17,004	8,956	48,536
17. Interest and dividends received	3,430	3,986	3,673
18. Interest paid	(1,353)	(1,761)	(2,051)
19. Income taxes paid	(7,026)	(15,770)	(8,229)
Net cash (used in) provided by operating activities (1)	12,055	(4,588)	41,929
<b>II. Investing activities</b>			
1. Purchases of property, plant and equipment	(22,629)	(26,195)	(32,706)
2. Proceeds from sales of property, plant and equipment	2,039	688	2,872
3. Purchases of investment securities	(3,509)	(583)	(3,757)
4. Proceeds from sales or redemption of investment securities	862	53,402	1,039
5. Purchases of subsidiaries' shares due to change in scope of consolidation	(20,662)	-	(20,662)
6. Proceeds from the partial sale of shares in subsidiary company	-	1,381	-
7. Expenses associated with business transfers	-	(5,780)	-
8. Purchases of consolidated subsidiaries' shares from minority shareholder	(2,484)	(213)	(2,640)
9. Purchases of intangible assets and long-term prepaid expenses	(1,555)	(1,663)	(2,542)
10. Increase in short-term loans, net	(1,498)	(576)	(1,551)
11. Purchases of long-term loans	(27)	(36)	(27)
12. Proceeds from recovery of long-term loans	695	58	861
13. Other	(1,238)	1,158	13
Net cash (used in) provided by investing activities (2)	(50,010)	21,641	(59,100)
<b>III. Financing activities</b>			
1. Increase (decrease) in short-term debt, net	10,102	29,543	(1,053)
2. Net decrease (increase) in commercial paper	14,000	(3,000)	3,000
3. Proceeds from long-term loans	14,982	10,715	18,632
4. Repayment of long-term loans	(10,641)	(31,879)	(14,017)
5. Proceeds of bonds	612	-	621
6. Repayment of bonds	-	(10,000)	-
7. Dividends paid	(6,363)	(7,924)	(6,361)
8. Cash dividends paid to minority shareholders of consolidated subsidiaries	(272)	(185)	(272)
9. Payment of withholding tax on dividends for former shareholders of newly consolidated subsidiaries	(2,997)	-	(2,997)
10. Proceeds from sales of treasury stock	2	7	3
11. Purchase of treasury stock	(74)	(4,725)	(100)
12. Other	38	(179)	60
Net cash used in financing activities (3)	19,388	(17,626)	(2,484)
<b>IV. Effect of exchange rate changes on cash and cash equivalents (4)</b>	367	261	783
<b>V. Net decrease in cash and cash equivalents (1)+(2)+(3)+(4)</b>	(18,199)	(312)	(18,873)
<b>VI. Cash and cash equivalents at beginning of term</b>	44,629	25,968	44,629
<b>VII. Increase in cash and cash equivalents resulting from additional consolidation of subsidiaries</b>	185	1,697	212
<b>VIII. Decrease in cash and cash equivalents due to exclusion in consolidation of subsidiaries</b>	-	(20)	-
<b>IX. Cash and cash equivalents at end of term</b>	26,615	27,333	25,968

## 5. Segment Information

### 1) Business Segments

First nine months of fiscal 2006 (April 1, 2006 to December 31, 2006)

(Millions of yen)

	Housing	Urban Infrastructure & Environmental Products	High Performance Plastics	Other Business	Total	Eliminations or Unallocatable Accounts	Consolidated
I. Net sales:							
(1) To third parties	318,711	150,134	173,705	31,661	674,213	-	674,213
(2) Intersegment	308	8,899	5,662	4,360	19,230	(19,230)	-
Total	319,018	159,034	179,368	36,022	693,442	(19,230)	674,213
Operating expenses	309,018	153,741	163,353	36,835	662,948	(18,995)	643,953
Operating income (loss)	10,000	5,292	16,014	(813)	30,494	(234)	30,259
II. Assets	177,429	165,849	245,986	43,439	632,704	229,685	862,390
Depreciation and amortization	3,912	4,043	9,051	1,217	18,224	614	18,839
Loss on asset impairment	-	-	-	-	-	1,218	1,218
Capital expenditures	4,638	5,393	13,198	1,134	24,365	531	24,896

First nine months of fiscal 2007 (April 1, 2007 to December 31, 2007)

(Millions of yen)

	Housing	Urban Infrastructure & Environmental Products	High Performance Plastics	Other Business	Total	Eliminations or Unallocatable Accounts	Consolidated
I. Net sales:							
(1) To third parties	305,728	156,803	203,689	30,934	697,156	-	697,156
(2) Intersegment	164	8,289	5,246	3,717	17,417	(17,417)	-
Total	305,893	165,092	208,936	34,651	714,574	(17,417)	697,156
Operating expenses	300,141	163,099	190,242	36,384	689,868	(17,231)	672,636
Operating income (loss)	5,751	1,992	18,694	(1,732)	24,705	(186)	24,519
II. Assets	170,909	174,868	250,969	42,522	639,270	163,795	803,065
Depreciation and amortization	4,092	4,983	10,708	1,358	21,142	513	21,656
Capital expenditures	4,143	6,029	11,889	1,210	23,274	167	23,441

Fiscal 2006 (April 1, 2006 to March 31, 2007)

(Millions of yen)

	Housing	Urban Infrastructure & Environmental Products	High Performance Plastics	Other Business	Total	Eliminations or Unallocatable Accounts	Consolidated
I. Net sales							
(1) To third parties	430,034	214,552	237,880	43,695	926,163	-	926,163
(2) Intersegment	436	11,923	7,591	5,989	25,940	(25,940)	-
Total	430,470	226,476	245,472	49,684	952,103	(25,940)	926,163
Operating expenses	416,132	215,187	224,784	50,548	906,653	(25,646)	881,006
Operating income	14,337	11,289	20,688	(863)	45,451	(293)	45,157
II. Assets	181,637	172,482	247,494	45,120	646,735	232,417	879,153
Depreciation and amortization	5,367	5,647	12,566	1,640	25,222	823	26,045
Loss on asset impairment	582	-	-	-	582	1,218	1,800
Capital expenditures	6,383	8,610	19,076	1,605	35,675	661	36,337

**Changes in Accounting Methods** (for the nine months from April 1, 2007 to December 31, 2007)

#### (1) Accounting Standards for Inventory Asset Valuation

As outlined in the section "Changes to the accounting method for the recent consolidated fiscal year," beginning with the current fiscal year, the company has adopted the "Accounting Standards for Inventory Asset Valuation" (Accounting Standard, Statement 9, adopted July 5, 2006). For the nine month period, compared to the previous method, application of the new valuation standards increased both operating and recurring profit in the Housing Business by 322 million yen and the Urban Infrastructure and Environmental Products Business by 287 million yen and decreased both operating and recurring profit in the High Performance Plastics Business by 27 million yen. Income before income taxes decreased by 679 million yen in the Housing Business, 1,282 million yen in the Urban Infrastructure and Environmental Products Business, 417 million yen in the High Performance Plastics Business, and 108 million yen in other businesses.

#### (2) Changes in the Depreciation Accounting Method for Tangible Fixed Assets

Compared to the previously applied valuation methods, application of the changes in the depreciation accounting method for tangible fixed assets in the nine month period resulted in increases in operating expenditures of 266 million yen in the Housing Business, 687 million yen in the Urban Infrastructure and Environmental Products Business, 730 million yen in the High Performance Plastics Business, 168 million yen in Other Businesses, and 11 million yen in overall company eliminations accompanied by equivalent decreases in the operating profits, recurring income, and income before income taxes and minority interests of each business segment.

## 2) Geographical Segments

First nine months of fiscal 2006 (April 1, 2006 to December 31, 2006)

(Millions of yen)

	Japan	United States of America	Europe	Asia	Others	Total	Eliminations or unallocatable accounts	Consolidated
I. Net sales:								
(1) To third parties	600,745	20,253	22,249	28,283	2,680	674,213	-	674,213
(2) Intersegment	19,792	708	2,389	1,635	55	24,582	(24,582)	-
Total	620,538	20,962	24,639	29,918	2,736	698,795	(24,582)	674,213
Operating expenses	595,811	19,686	22,290	28,263	2,443	668,496	(24,542)	643,953
Operating income	24,726	1,275	2,348	1,655	293	30,299	(39)	30,259
II. Assets	537,809	21,658	38,549	41,534	4,120	643,669	218,721	862,390

First nine months of fiscal 2007 (April 1, 2007 to December 31, 2007)

(Millions of yen)

	Japan	United States of America	Europe	Asia	Others	Total	Eliminations or unallocatable accounts	Consolidated
I. Net sales:								
(1) To third parties	600,343	25,324	30,582	37,733	3,173	697,156	-	697,156
(2) Intersegment	23,983	757	817	1,929	54	27,543	(27,543)	-
Total	624,326	26,082	31,399	39,662	3,227	724,699	(27,543)	697,156
Operating expenses	608,353	23,881	28,013	37,138	2,942	700,330	(27,694)	672,636
Operating income	15,972	2,200	3,386	2,524	285	24,369	150	24,519
II. Assets	544,658	27,385	42,838	47,010	4,114	666,007	137,057	803,065

Fiscal 2006 (April 1, 2006 to March 31, 2007)

(Millions of yen)

	Japan	United States of America	Europe	Asia	Other	Total	Eliminations or unallocatable accounts	Consolidated
I. Net sales								
(1) To third parties	824,480	27,271	30,764	40,025	3,620	926,163	-	926,163
(2) Intersegment	26,835	1,039	3,217	2,442	87	33,623	(33,623)	-
Total	851,316	28,311	33,982	42,467	3,708	959,786	(33,623)	926,163
Operating expenses	814,432	26,523	30,843	39,630	3,352	914,782	(33,776)	881,006
Operating income	36,883	1,787	3,139	2,837	356	45,004	153	45,157
II. Assets	539,081	24,602	38,447	44,378	3,677	650,186	228,966	879,153

**Changes in Accounting Methods** (for the nine months from April 1, 2007 to December 31, 2007)

### Accounting Standards for Inventory Asset Valuation

Compared to the previously applied valuation methods, application of the Accounting Standards for Inventory Asset Valuation in Japan in the nine month period resulted in an increase in operating expenditures of 582 million yen in Japan accompanied by an equivalent decrease in operating profit and recurring income, and income before income taxes and minority interests of 2,487 million yen in Japan.

### Changes in the Depreciation Accounting Method for Tangible Fixed Assets

Compared to the previously applied valuation methods, application of the changes in the depreciation accounting method for tangible fixed assets in the nine month period resulted in a decrease of 1,865 million yen in Japan in operating profits, recurring income, and income before income taxes and minority interests.

### 3) Overseas net sales

First nine months of fiscal 2006 (April 1, 2006 to December 31, 2006)

	United States of America	Europe	Asia	Others	Total
I Overseas net sales (Millions of yen)	20,912	24,594	35,522	2,879	83,909
II Consolidated net sales (Millions of yen)					674,213
III Overseas net sales as a ratio of consolidated net sales (%)	3.1	3.6	5.3	0.4	12.4

First nine months of fiscal 2007 (April 1, 2007 to December 31, 2007)

	United States of America	Europe	Asia	Others	Total
I Overseas net sales (Millions of yen)	29,220	32,869	47,395	3,453	112,939
II Consolidated net sales (Millions of yen)					697,156
III Overseas net sales as a ratio of consolidated net sales (%)	4.2	4.7	6.8	0.5	16.2

Fiscal 2006 (April 1, 2006 to March 31, 2007)

	United States of America	Europe	Asia	Others	Total
I Overseas net sales (Millions of yen)	28,458	34,238	50,257	3,921	116,875
II Consolidated net sales (Millions of yen)					926,163
III Overseas net sales as a ratio of consolidated net sales (%)	3.1	3.7	5.4	0.4	12.6

**Summary of Business Results for the Third Quarter of Fiscal Year 2007(Consolidated)**

## 1. Consolidated Business Results for the third Quarter of Fiscal Year 2007

**Overview (for first nine months of fiscal 2007): Sales rose steadily for overseas business and in the strategic growth fields. Operating profit declined owing to sharply rising raw materials costs and the revised Building Standards Law impact.**

	(Billions of yen)				(Billions of yen)				
	1)First 9 months of fiscal 2007 (Apr 1, 2007 to Dec 31, 2007)				2)3rd Quarter of Fiscal Year 2007 (Oct 1, 2007 to Dec 31, 2007)				
	First 9 months of fiscal 2007	First 9 months of fiscal 2006	Difference			FY 2007 (3rd Q)	FY 2006 (3rd Q)	Difference	
			Amount	%				Amount	%
Net sales	697.1	674.2	22.9	3.4%	Net sales	229.3	236.8	(7.5)	(3.2%)
Operating income	24.5	30.2	(5.7)	(19.0%)	Operating income	6.6	11.0	(4.4)	(39.9%)
Recurring income	25.6	32.4	(6.8)	(21.1%)	Recurring income	7.0	11.7	(4.6)	(39.8%)
Net income	20.7	15.9	4.7	29.9%	Net income	2.8	6.6	(3.7)	(56.7%)

## (2) By Company

## 1)First 9 months of fiscal 2007 (Apr. 1, 2007 to Dec. 31, 2007) (Billions of yen)

	First 9 months of fiscal 2007		First 9 months of fiscal 2006		Difference			
	Net sales	Operating income	Net sales	Operating income	Net sales		Operating income	
					Amount	%	Amount	%
Housing	305.8	5.7	319.0	10.0	(13.1)	(4.1%)	(4.2)	(42.5%)
Urban Infrastructure & Environmental Products	165.0	1.9	159.0	5.2	6.0	3.8%	(3.3)	(62.4%)
High Performance Plastics	208.9	18.6	179.3	16.0	29.5	16.5%	2.6	(16.7%)
Other Businesses	34.6	(1.7)	36.0	(0.8)	(1.3)	(3.8%)	(0.9)	-
Eliminations or Unallocatable Accounts	(17.4)	(0.1)	(19.2)	(0.2)	1.8	-	0.0	-
Total	697.1	24.5	674.2	30.2	22.9	3.4%	(5.7)	(19.0%)

## 2) 3rd Quarter of fiscal 2007 (Oct 1, 2007 to Dec 31, 2007) (Billions of yen)

	FY 2007 (3rd Q)		FY 2006 (3rd Q)		Difference			
	Net sales	Operating income	Net sales	Operating income	Net sales		Operating income	
					Amount	%	Amount	%
Housing	95.0	(0.4)	106.9	2.7	(11.8)	(11.1%)	(3.2)	-
Urban Infrastructure & Environmental Products	56.1	0.5	57.1	2.6	(1.0)	(1.8%)	(2.1)	(79.1%)
High Performance Plastics	71.6	7.1	67.0	6.0	4.6	6.9%	1.0	17.1%
Other Businesses	11.5	(0.5)	11.5	(0.4)	0.0	0.3%	(0.0)	-
Eliminations or Unallocatable Accounts	(5.1)	(0.0)	(5.7)	(0.0)	0.6	-	(0.0)	-
Total	229.3	6.6	236.8	11.0	(7.5)	(3.2%)	(4.4)	(39.9%)

## (3) Overview (3rd Quarter of fiscal 2007)

- Business continued steadily expanding in the growth fields (overseas business, automotive, IT, medical, plant materials)
- Sales declined for PVC pipe, rain gutters, and other core products owing to a stronger-than-expected impact from the rising raw materials costs and revised Building Standards Law.
- Structural reform continued improving Housing Business operating efficiency. The Living Environment Business expanded.

## (4) By Company (3rd Quarter of fiscal 2007)

<b>Housing</b>	<b>Operating efficiency improved while unit sales declined after the midterm order slump. Housing orders and the Living Environment Business were brisk.</b>
Housing Business	Improved operating efficiency continued to lower fixed costs while unit sales declined following the midterm drop in orders. Increased high-performance housing sales lifted housing unit orders above the third quarter last year.
Living Environment	The fortified operating structure and expanding sales of key commercial materials generated strong business.
<b>Urban Infrastructure and Environmental Products</b>	<b>The stronger-than-expected impact from the rising raw materials costs and amended Building Standards Law reduced sales of PVC pipe, rain gutters.</b>
Japan	Sales struggled for PVC pipe, rain gutters, and other core products.
Overseas	Overseas business continued expanding, including the molded plastic sheet business in the United States and the reinforced plastic piping business in China. The global business expansion strategy advanced with the December 2007 acquisition of a pipe lining and sewer rehabilitation company in the United States.
<b>High Performance Plastics</b>	<b>Business content expanded, primarily in the three strategic growth fields (automotive, IT, medical). Overseas business continued growing, producing increased sales and profit.</b>
Automotive	Sales were brisk for interlayer film and internal and external resin mold products. Production commenced at the interlayer film factory in the United States.
IT	Strong sales of LCD panel materials amid IT market inventory adjustments secured sales growth.
Medical	Sales were strong for diagnostic drugs and vacuum blood sampling tubes.

## 2. Forecast for Fiscal Year 2007 (ending March 31, 2008)

**Forecast: Strong business overseas and in the strategic growth fields will more than make up for weak domestic business to generate rising operating income**

## (1) Overall Forecast

(Billions of yen)

	FY 2007 Forecast (ending March 31, 2008)	FY 2006 Results (ended March 31, 2007)	Difference		Current Forecast Estimates for FY 2007 (ending March 31, 2008) [Note]
			Amount	%	
Net sales	960.0	926.1	33.8	3.7%	970.0
Operating income	45.5	45.1	0.3	0.8%	50.0
Recurring income	45.0	46.9	(1.9)	(4.1%)	50.5
Net income	29.0	25.5	3.4	13.6%	34.5
Per share dividend	15 yen (Year end: 8 yen)	14 yen (Year end: 8 yen)	+1 yen (Year end: 0 yen)		15 yen

Note: Announced on October 26, 2007

## (2) Company Forecasts

(Billions of yen, %)

	FY 2007 Forecast (ending March 31, 2008)		FY 2006 Results (ended March 31, 2007)		Difference			
	Net sales	Operating income	Net sales	Operating income	Net sales		Operating income	
					Amount	%	Amount	%
Housing	422.0	15.0	430.4	14.3	(8.4)	(2.0%)	0.6	4.6%
Urban Infrastructure & Environmental Products	238.0	7.0	226.4	11.2	11.5	5.1%	(4.2)	(38%)
High Performance Plastics	280.0	25.0	245.4	20.6	34.5	14.1%	4.3	20.8%
Other Businesses	47.0	(1.5)	49.6	(0.8)	(2.6)	(5.4%)	(0.6)	-
Eliminations or Unallocatable Accounts	(27.0)	-	(25.9)	(0.2)	(1.0)	-	0.2	-
Total	960.0	45.5	926.1	45.1	33.8	3.7%	0.3	0.8%

(Billions of yen)

	Current Forecast Estimates for FY 2007 (ending March 31, 2008) [Note]	
	Net sales	Operating income
Housing	431.0	17.0
Urban Infrastructure & Environmental Products	240.0	10.0
High Performance Plastics	280.0	25.0
Other Businesses	49.0	(2.0)
Eliminations or Unallocatable Accounts	(30.0)	-
Total	970.0	50.0

Note: Announced on October 26, 2007