

Summary of Financial Results for the Fiscal Year 2007 Ended March 31, 2008

Company Name:	Sekisui Chemical Co., Ltd.
Stock Listings:	Tokyo Stock Exchange, Osaka Securities Exchange
Code Number:	4204
URL:	http://www.sekisui.co.jp
Representative Director:	Mr. Naotake Okubo, President
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Scheduled General Meeting of Shareholders:	June 27, 2008
Scheduled date for payment of dividends:	June 30, 2008
Scheduled date for submission of financial statement	June 27, 2008

(Figures rounded down to the nearest million yen)

1. Consolidated Business Results for the FY 2007 (April 1, 2007 to March 31, 2008)

(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	958,674	3.5	43,005	-4.8	38,547	-17.8	24,300	-4.8
FY2006	926,163	4.6	45,157	12.1	46,910	7.1	25,538	26.2

	Net Income per Share	Net Income per Share (Diluted)	Net Income to Equity Ratio	Recurring Income to Total Capital Ratio	Operating Income Ratio
	yen	yen	%	%	%
FY2007	46.16	46.15	6.4	4.6	4.5
FY2006	48.19	48.13	6.5	5.6	4.9

(Note)Equity in earnings of affiliated companies March 31, 2008: 589 million yen March 31, 2007: 1,414 million yen

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	yen
FY2007	782,859	368,919	45.8	683.11
FY2006	879,153	413,141	45.9	761.69

(Note)Shareholders' Equity March 31, 2008: 358,917 million yen March 31, 2007: 403,823 million yen

(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	31,782	13,521	-42,801	29,852
FY2006	41,929	-59,100	-2,484	25,968

2. Dividend Status

(Date of Record)	Dividend Per Share			Total Dividend Payment (full year)	Dividend Payout Ratio(consolidated)	Dividend to equity ratio(consolidated)
	At Midterm	Year-end	Full year			
	yen	yen	yen	Millions of yen	%	%
FY2007	7.00	8.00	15.00	7,886	32.5	2.1
FY2006	6.00	8.00	14.00	7,426	29.1	1.9
FY2008(outlook)	7.00	8.00	15.00		29.2	

3. Consolidated Outlook for FY 2008 (Apr 1, 2008-March 31, 2009) (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
Mid Term	468,000	0.0	19,000	6.3	19,000	2.4	8,000	-55.3	15.23
Full Year	989,000	3.2	54,000	25.6	53,000	37.5	27,000	11.1	51.39

4. Other

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

(2) Changes in accounting principles, methods or reporting methods affecting the production of the consolidated financial statement (fundamental changes in main reported item for the production of the consolidated financial statement)

a) Changes caused by revisions to accounting principles Yes

b) Changes other than a) No

(3) Number of shares outstanding (common stock)

a) Number of shares outstanding at year-end (including treasury stock)

March 31, 2008 539,507,285

March 31, 2007 539,507,285

b) Treasury stock at fiscal year-end

March 31, 2008 14,088,433

March 31, 2007 9,337,271

Notes: An explanation the application of these changes to the result forecast is presented in the section on Other Item

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 Full-year Forecasts (pages 5).

1. Consolidated Business Results

(1) Analysis of Operating Results

1) Fiscal Year 2007 (April 1, 2007, to March 31, 2008)

a. Overall Consolidated Results

Net sales 958.6 billion yen (+32.5 billion yen year on year), operating income 43.0 billion yen (-2.1 billion yen), recurring income 38.5 billion yen (-8.3 billion yen), net income 24.3 billion yen (-1.2 billion yen)

Consolidated net sales rose while income levels declined in fiscal year 2007 compared to the previous fiscal year. Solid progress developing our Frontiers of Growth fields and expanding sales in our overseas businesses and strategic growth fields were largely offset by a deteriorating business environment that included ongoing steep rises in raw materials costs and slowing construction starts following the implementation of the revised Building Standards Law, along with weak domestic demand in our core business areas.

The Housing Company maintained operating income roughly even with the previous year amid dwindling demand owing to its improved operating efficiency and growing sales in the Living Environment Business.

The Urban Infrastructure & Environmental Products generated higher sales, primarily due to active development of overseas business, particularly through several business acquisitions, but posted a sharp decline in profit from weak domestic demand for PVC pipes, construction materials, and other key products in its domestic operations.

The High Performance Plastics Company continued steadily expanding sales and profits in its three strategic growth fields: the automotive field, focused on glass interlayer films; the IT field, offering a range of products including LCD fine particle products; and the medical field, developing diagnostic drugs.

The overall consolidated results for fiscal year 2007, ended March 31, 2008, included net sales growing 3.5% year on year to 958.6 billion yen while income levels declined with operating income down 4.8% to 43.0 billion yen, recurring income down 17.8% to 38.5 billion yen, and net income down 4.8% to 24.3 billion yen.

b. Business Results by Company

Housing

Net sales 419.9 billion yen (-10.4 billion yen year on year), operating income 14.1 billion yen (-200 million)

The Housing Company continued reorganizing the sales structures in the Tokyo, Chubu, and Kinki sales regions and achieved measurable improvement in its operating efficiency.

New housing construction business orders declined in the first half of the fiscal year as increasing uncertainty regarding the future direction of interest rates, the consumption tax rate, and other economic factors along with declining stock prices forestalled recovery in housing rebuilding

demand in Tokyo, Kinki, and other major cities. However, the reorganized sales structure and aggressive marketing to first-time homebuyers successfully raised orders back to year-earlier level beginning early in the second half of the fiscal year.

The Living Environment Business continued fortifying its business foundation during the year and the improved structure of its housing remodeling business and expanded sales of external tiling and other key commercial materials resulted in a 4.5% year on year growth in the number of orders received.

The Housing Company posted net sales of 419.9 billion yen, down 2.4% year on year, while maintaining operating income essentially even at 14.1 billion yen, representing a 1.4% decline.

Urban Infrastructure & Environmental Products

Net sales 233.7 billion yen (+7.2 billion yen year on year), operating income 6.1 billion yen (-5.1 billion yen)

The Urban Infrastructure & Environmental Products Company boosted its full-year results by releasing several new large-scale, high value-added products, including ESLON Fire-resistant VP Pipe and Phenovaboard, and continuing to develop its domestic Frontiers of Growth. Operating income ultimately declined substantially from a year ago, however, primarily from to the strong impact of the soaring raw materials prices on PVC piping, construction materials, and other businesses the and slowing housing construction starts due to the revised Building Standards Law.

Overseas business continued steadily expanding and net sales jumped 61.5% from the previous year on contributions from new business affiliates, including plastic sheet producer Allen Extruders, LLC, of the United States, and large-scale reinforced plastic piping orders in China and regions in Asia.

The company continued proactively expanding its pipe restoration business with the acquisition during the year of pipe restoration company Heitkamp, Inc., of the United States. In addition, the company advanced its plans to expand its production capacity overseas with the production starts at the new Shanghai Fiber-reinforced foamed urethane (FFU) plants in Shanghai, China, and the second plant at Sekisui Industrial Piping in Taiwan.

The Urban Infrastructure & Environmental Products Company generated 3.2% year on year growth in net sales to 233.7 billion yen while operating income fell 45.7% to 6.1 billion yen.

High Performance Plastics

Net sales 280.4 billion yen (+35.0 billion yen year on year), operating income 24.4 billion yen (+3.8 billion yen)

The High Performance Plastics Company focused its management resources in the three strategic growth automotive, IT, and medical fields. Following the guiding concept “Chemistry for Your Win,” the company achieved 23.4% year on year growth in net sales in the three strategic growth fields.

In the automotive field, sales increased in several product lines, particularly for high-performance solar and sound control interlayer films for glass and plastic molding products for automobiles and motorcycles. In the IT field, sales continued brisk for LCD fine particle materials and optical film products. In the medical field, the company made steady progress selecting and consolidating business operations with Daiichi Pure Chemicals, Co., Ltd., and further establishing its business base centered on highly competitive diagnostic drug business.

The company raised its net sales overseas 23.2% year on year. In addition, the company began operations at a new interlayer film plant in North America with the aim of rapidly ramping up development of its global business capacity. The company also took concrete steps to develop its presence in strategic growth markets, and set up a pioneer sales company in India.

The High Performance Plastics Company generated 14.3% year on year growth in net sales to 280.4 billion yen and an 18.4% increase in operating income to 24.4 billion yen.

2) Full-year Forecasts

a. Consolidated Forecast

Net sales increasing 30.3 billion yen to 989.0 billion yen; operating income increasing 10.9 billion yen to 54.0 billion yen

Recurring income increasing 14.4 billion yen to 53.0 billion yen; net income increasing 2.6 billion yen to 27.0 billion yen

We plan to continue regenerating business growth by leveraging market trends in Japan and overseas and implementing specific strategies to counter the rising raw materials costs, adverse forex conditions, and other currently unfavorable business conditions.

In the areas incurring the strongest impact from the sluggish domestic demand, we plan to realign our management resources to focus on the growth fields and reorganize our operating structure to emphasize high earning business areas.

We also aim to continue bolstering our strong business overseas and strategic business fields by expanding our business scope and developing our Frontiers of Growth fields through aggressive strategic investment, including M&A.

We forecast fiscal year 2008 (ending March 31, 2009) net sales of 989.0 billion yen, operating income 54.0 billion yen, recurring income 53.0 billion yen, and net income 27.0 billion yen.

b. Company Forecasts

Housing

Net sales increasing 8.0 billion yen to 428.0 billion yen; operating income increasing 5.8 billion yen to 20.0 billion yen

The Housing Company is fortifying its stock business in the living environment business and developing new businesses with the aims of improving the profitability of the new housing construction business and creating new revenue sources.

In the new housing construction business, the company is seeking to increase the volume of orders by introducing new products in the high-volume price range targeting first-time homebuyers.

In addition, we expect the reorganized regional sales structure and better integration of the production and sales operations to improve business efficiency and facilitate revenue growth.

The company is seeking to accelerate the business expansion of the Living Environment Business, one of the company's core Frontiers of Growth, by enhancing its competitive strength in the refurbishing business and increasing profitability in its product lines, such as by expanding sales of its feature commercial materials.

Urban Infrastructure and Environmental Products

Net sales increasing 11.2 billion yen to 245.0 billion yen; operating income increasing 1.3 billion yen to 7.5 billion yen

The Urban Infrastructure and Environmental Products Company is laying the groundwork for sustainable growth in both its domestic and overseas operations.

Management is focusing specifically on growth businesses, overseas business, and other areas promising business expansion opportunity as it aims to widen its business scope and create new businesses. The domestic business structure is also being reformulated to support an earning structure resilient to fluctuating business conditions, including the current upsurge in raw material prices and shift in demand trends.

Domestically, management is concentrating on areas promising future growth, such as pipe restoration, private finance initiatives, and rainwater distribution systems, and on accelerating development of market applications for large-scale new products the company has developed in recent years.

Overseas, the company is expanding its reinforced plastic piping business in Asia, particularly in China, and exploring business potential in emerging countries. The company is accelerating development of the pipe restoration business in the United States and planning to expand the operation into the European market. The plastic sheet operation in the United States is growing as the company optimizes the synergy effects of Allen Extruders, LLC, and Kleerdex Company, LLC.

High Performance Plastics

Net sales increasing 14.5 billion yen to 295.0 billion yen; operating income increasing 3.5 billion yen to 28.0 billion yen

The High Performance Plastics Company will continue aggressively expanding its strategic and overseas businesses while widening its business content by introducing new products and developing new business directions.

Management resources will continue focusing on the strategic automotive, IT, and medical fields, and on sustaining the business growth momentum.

In the automotive field, the company will continue expanding production capacity in its core

interlayer film business while fortifying its overall global competitiveness. In the IT field, efforts are focusing on expanding sales of LCD chemicals and optical film and developing next-generation products. In the medical field, the company is aiming to expand its overall business, including launching a full-fledged global business development strategy centered on the diagnostic drug business of Sekisui Medical Co., Ltd., which officially commenced operations in April 2008.

In overseas businesses, the company plans to continue aggressively expanding sales of its competitive products and developing its growth frontier markets.

The company will also develop and implement countermeasures to the rising raw material prices and the forex trends as it continues to fortify its earning capability.

(2) Analysis of Financial Position for the 12 Months Ended March 31, 2008

1) Cash Flow

Net cash provided by operating activities increased from the same period in the previous fiscal year to 31.7 billion yen. Cash inflows included 44.9 billion yen in income before income taxes and minority interests and 30.5 billion yen in depreciation and amortization. Primary cash outflows were 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, and 17.8 billion yen in income taxes paid.

Net cash used by investing activities increased to 13.5 billion yen. The increase mainly reflected the sale of 53.6 billion yen of investment securities, representing a portion of our total holdings of Sekisui House Co., Ltd., coupled with aggressive investment measures that included 35.3 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 42.8 billion yen. The decline was mainly due to dividend payments of 8.1 billion yen, the purchase of 4.7 billion yen of treasury stock, and a net decrease in interest-bearing liabilities to 29.7 billion yen.

The result was cash and cash equivalents at the end of the 12-month period ended March 31, 2008, totaling 29.8 billion yen.

2) Forecast

We will continue to advance our business activities with a strong emphasis on cash flow. We plan to continue fortifying the Company's financial position while focusing investment on strategic areas and growth fields.

Trend in Cash Flow Indicators

	FY2005	FY2006	FY2007	FY2008 (Forecast)
Equity Ratio (%)	41.4	46.7	45.9	45.8
Shareholders' Equity Ratio Based on Market Value (%)	55.4	65.3	56.6	40.5
Debt Repayment Period (Years)	2.5	2.5	2.7	2.9
Interest Coverage Ratio (Times)	16.7	14.5	20.4	12.6

Notes: Equity ratio = Equity / Total assets

Shareholders' equity ratio based on market value = Total market value of listed shares / Total assets

Debt repayment period = Interest-bearing debt / Operating cash flow

Interest coverage ratio = Operating cash flow / Interest payments

1. All indicators are calculated from consolidated figures.
2. Total market value of listed shares is calculated by multiplying the closing stock price at the fiscal term end by the total number of shares outstanding at the fiscal term end.
3. Operating cash flow is the cash flow of operating activities reported in the consolidated statement of cash flows. Interest-bearing debt represents the total amount of debt on which the company pays interest reported in the consolidated balance sheet. The interest payment amount is the amount reported in the consolidated statement of cash flows.

3) Fundamental Profit Distribution Policy and Dividends for Fiscal 2007 and Fiscal 2008

Increasing corporate value and returning profit to our shareholders are fundamental management objectives at Sekisui Chemical. Our objective for shareholder return is to maintain a stable dividend level with a target consolidated-basis dividend payout ratio of 30%.

The company pays dividends twice annually with the dates of record set as the last day of the first half (September 30) and the last day of the fiscal year (March 31). In line with company policy, when in possession of surplus funds, these funds are used for share buyback programs to enhance shareholder return as well as to improve capital efficiency and increase earnings per share. Internal cash reserves are utilized for R&D, capital investment, strategic investment, loans and investments, and other activities essential to the future growth of corporate value.

In fiscal year 2007, we raised the first half dividend by 1 yen from the previous year to 7 yen and distributed a second half dividend of 8 yen, thereby raising the full-year dividend to 15 yen per share. In fiscal year 2008, we plan to provide a first half dividend of 7 yen and a second half dividend of 8 yen for a full-year dividend distribution of 15 yen per share.

1. Consolidated Balance Sheets

(Millions of Yen)

Term Item	FY 2006		FY 2007		Difference Amount
	As of March 31, 2007		As of March.31, 2008		
	Amount	%	Amount	%	Amount
(Assets)					
Current Assets					
1. Cash and deposits	26,083		30,280		4,197
2. Trade notes receivable	66,590		55,515		-11,074
3. Accounts receivable	110,116		112,929		2,812
4. Securities	22		29		7
5. Product inventories	40,704		41,595		890
6. Land for sale	19,772		24,355		4,583
7. Other inventories	48,843		50,267		1,423
8. Advances	1,202		2,214		1,011
9. Prepaid expenses	1,168		2,057		889
10. Deferred tax assets	11,609		11,410		-198
11. Short-term loans	3,061		897		-2,163
12. Other	13,092		12,252		-840
13. Allowance for doubtful accounts	-1,282		-1,356		-74
Total current assets	340,986	38.8	342,450	43.7	1,464
Fixed assets					
1. Tangible fixed assets					
(1) Buildings & structures	86,798		89,137		2,338
(2) Machinery, equipment and tools	61,176		69,731		8,555
(3) Land	67,958		68,880		922
(4) Construction in progress	20,161		7,450		-12,711
(5) Other	9,391		8,266		-1,124
(Total tangible fixed assets)	245,485	27.9	243,466	31.1	-2,019
2. Intangible fixed assets					
(1) Goodwill	18,638		20,176		1,537
(2) Software	4,674		4,244		-429
(3) Other	1,939		3,016		1,077
(Total intangible assets)	25,252	2.9	27,437	3.5	2,185
3. Investments and other assets					
(1) Investment securities	249,432		133,172		-116,259
(2) Long-term loans	2,184		1,006		-1,177
(3) Long-term prepaid expenses	1,553		1,440		-113
(4) Deferred income taxes	4,163		23,929		19,765
(5) Other	11,829		11,278		-551
(6) Allowance for doubtful accounts	-1,734		-1,320		414
(Total investment and other assets)	267,428	30.4	169,506	21.7	-97,922
Total fixed assets	538,166	61.2	440,409	56.3	-97,757
Total assets	879,153	100.0	782,859	100.0	-96,293

Sekisui Chemical (4204) Summary of Financial Results for the Fiscal Year 2007 Ended March 31, 2008

Term Item	FY 2006		FY 2007		Difference
	As of March 31, 2007		As of March.31, 2008		
	Amount	%	Amount	%	Amount
(Liabilities)					
I. Current liabilities					
1. Trade notes payable	14,972		14,141		-831
2. Accounts payable	124,152		118,937		-5,215
3. Short-term loans	59,353		34,478		-24,875
4. Commercial paper	3,000		-		-3,000
5. Bonds due within one year	10,000		-		-10,000
6. Accrued expenses	29,731		30,200		469
7. Accrued income taxes	13,096		11,661		-1,435
8. Deferred tax liabilities	110		258		147
9. Provision for bonuses	13,443		13,009		-434
10. Provision for directors' bonuses	345		299		-45
11. Provision for compensation for completed constructions	936		996		60
12. Advances received	37,820		34,139		-3,680
13. Other	34,449		34,613		163
Total current liabilities	341,413	38.8	292,736	37.4	-48,676
II. Fixed liabilities					
1. Bonds	5,641		15,608		9,966
2. Long-term loans	33,289		42,011		8,722
3. Deferred tax liabilities	18,928		2,655		-16,272
4. Provision for retirement allowances	60,643		54,575		-6,068
5. Other	6,095		6,353		257
Total fixed liabilities	124,598	14.2	121,203	15.5	-3,394
Total liabilities	466,011	53.0	413,940	52.9	-52,071
(Net assets)					
I. Shareholders' equity					
1. Common stock	100,002	11.4	100,002	12.8	-
2. Capital surplus	109,420	12.4	109,367	14.0	-53
3. Retained earnings	137,712	15.7	154,073	19.7	16,361
4. Treasury stock	-6,375	-0.7	-10,844	-1.4	-4,468
Total shareholders' equity	340,759	38.8	352,599	45.0	11,839
II. Revaluation and translation adjustments					
1. Unrealized holding gain on securities	57,427	6.5	-933	-0.1	-58,361
2. Unrealized gain on land revaluation	216	0.0	217	0.0	1
3. Foreign currency translation adjustments	5,419	0.6	7,033	0.9	1,614
Total revaluation and translation adjustments	63,063	7.2	6,317	0.8	-56,745
III. Share subscription rights	73	0.0	237	0.0	163
IV. Minority shareholders' interests	9,244	1.1	9,764	1.2	520
Total net assets	413,141	47.0	368,919	47.1	-44,222
Total liabilities, net assets	879,153	100.0	782,859	100.0	-96,293

2. Consolidated Profit and Loss Statement

(Millions of Yen)

Term Item	FY 2006			FY 2007			Difference Amount
	From April.1, 2006 to March.31, 2007			From April.1, 2007 to March.31, 2008			
	Amount		%	Amount		%	
I. Net sales		926,163	100.0		958,674	100.0	32,510
II. Cost of sales		656,504	70.9		685,902	71.5	29,397
Gross income		269,659	29.1		272,772	28.5	3,112
III. Selling, general & administrative expenses		224,501	24.2		229,766	24.0	5,265
Operating income		45,157	4.9		43,005	4.5	-2,152
IV. Non-operating income							
1. Interest income	910			1,299			
2. Dividend income	2,450			2,620			
3. Investment income by equity method	1,414			589			
4. Miscellaneous income	5,435	10,210	1.1	3,453	7,963	0.8	-2,246
V. Non-operating expenses							
1. Interest expenses	1,757			2,127			
2. Discount on Commercial Paper	19			12			
3. Sales discounts	333			320			
4. Miscellaneous expenses	6,347	8,458	0.9	9,961	12,422	1.3	3,964
Recurring income or loss		46,910	5.1		38,547	4.0	-8,362
VI. Extraordinary income							
1. Gain on change in equity	-			23,163			
2. Proceeds from business transfer	-	-	-	478	23,641	2.5	23,641
VII. Extraordinary expenses							
1. Structural improvement expenses	4,339			10,152			
2. Loss on revaluation of inventories	-			3,069			
3. Loss on asset impairment	1,800			1,374			
4. Loss on sales or disposal of property, plant and equipment	1,913	8,053	0.9	2,600	17,195	1.8	9,142
Income before income taxes and minority interests		38,856	4.2		44,993	4.7	6,136
Income taxes	15,322			16,433			
Deferred taxes	-2,634	12,688	1.4	3,512	19,946	2.1	7,257
Minority interests		629	0.1		747	0.1	117
Net income		25,538	2.8		24,300	2.5	-1,238

3. Consolidated Statements of Capital Surplus and Retained Earnings, and changes in Shareholders' Equity

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

	Shareholders' Equity				
	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
Changes					
Dividends on retained earnings *			-3,180		-3,180
Dividends on retained earnings			-3,182		-3,182
Directors' bonuses *			-314		-314
Decrease in retained earnings due to increase in consolidated subsidiaries			-55		-55
Decrease in retained earnings due to exclusion in consolidated subsidiaries			-2		-2
Net income			25,538		25,538
Acquisition of treasury stock				-101	-101
Cancellation of treasury stock		-36		354	318
Changes in items other than shareholders' equity (net)					
Total changes	-	-36	18,805	253	19,022
Balance at March.31, 2007	100,002	109,420	137,712	-6,375	340,759

	Revaluation and Translation Adjustments				Share subscription rights	Minority shareholders' interests	Total net assets
	Unrealized holding gain (loss) on securities	Unrealized gain on land revaluation	Foreign currency translation adjustments	Total revaluation and translation adjustments			
Balance at March 31, 2006	54,051	215	1,199	55,467	-	10,253	387,459
Changes							
Dividends on retained earnings *							-3,180
Dividends on retained earnings							-3,182
Directors' bonuses *							-314
Decrease in retained earnings due to increase in consolidated subsidiaries							-55
Decrease in retained earnings due to exclusion in consolidated subsidiaries							-2
Net income							25,538
Acquisition of treasury stock							-101
Cancellation of treasury stock							318
Changes in items other than shareholders' equity (net)	3,376	1	4,219	7,596	73	-1,009	6,660
Total changes	3,376	1	4,219	7,596	73	-1,009	25,681
Balance at March.31, 2007	57,427	216	5,419	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.

Fiscal Year 2007 (April. 1, 2007 to March. 31, 2008)

	Shareholders' Equity				
	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
Changes					
Dividends on retained earnings			-7,924		-7,924
Decrease in retained earnings due to increase in consolidated subsidiaries			-8		-8
Decrease in retained earnings due to exclusion in consolidated subsidiaries			-6		-6
Net income			24,300		24,300
Acquisition of treasury stock				-4,734	-4,734
Cancellation of treasury stock		-53		265	212
Changes in items other than shareholders' equity (net)					
Total changes	-	-53	16,361	-4,468	11,839
Balance at March.31, 2008	100,002	109,367	154,073	-10,844	352,599

	Revaluation and Translation Adjustments				Share subscription rights	Minority shareholders' interests	Total net assets
	Unrealized holding gain (loss) on securities	Unrealized gain on land revaluation	Foreign currency translation adjustments	Total revaluation and translation adjustments			
Balance at March 31, 2007	57,427	216	5,419	63,063	73	9,244	413,141
Changes							
Dividends on retained earnings							-7,924
Decrease in retained earnings due to increase in consolidated subsidiaries							-8
Decrease in retained earnings due to exclusion in consolidated subsidiaries							-6
Net income							24,300
Acquisition of treasury stock							-4,734
Cancellation of treasury stock							212
Changes in items other than shareholders' equity (net)	-58,361	1	1,614	-56,745	163	520	-56,061
Total changes	-58,361	1	1,614	-56,745	163	520	-44,222
Balance at March.31, 2008	-933	217	7,033	6,317	237	9,764	368,919

4. Consolidated Statements of Cash Flows

(Millions of Yen)

	FY 2006 From April.1, 2006 to March.31, 2007	FY 2007 From April.1, 2007 to March.31, 2008
I. Operating activities		
1. Income before income taxes and minority interests	38,856	44,993
2. Depreciation and amortization	26,045	30,503
3. Goodwill amortization	765	1,697
4. Loss on asset impairment	1,800	1,374
5. Gain on change in equity	-117	-23,163
6. Loss on sales or disposal of property, plant and equipment	1,913	2,600
7. Decrease in allowance for retirement benefits	-3,103	-6,126
8. Interest and dividend income	-3,360	-3,920
9. Interest expense	2,110	2,460
10. Equity in earnings of affiliates	-1,414	-589
11. Decrease (increase) in accounts receivable	-19,994	9,587
12. Increase in inventories	-8,991	-5,309
13. Decrease (increase) in account payable	8,500	-6,267
14. Decrease in advances received	-1,370	-3,679
15. Directors' bonuses paid	-314	-
16. Other	7,211	3,689
Subtotal	48,536	47,848
17. Interest and dividends received	3,673	4,344
18. Interest paid	-2,051	-2,517
19. Income taxes paid	-8,229	-17,893
Net cash (used in) provided by operating activities (1)	41,929	31,782
II. Investing activities		
1. Purchases of property, plant and equipment	-32,706	-32,363
2. Proceeds from sales of property, plant and equipment	2,872	960
3. Purchases of investment securities	-3,757	-3,004
4. Proceeds from sales or redemption of investment securities	1,039	53,627
5. Purchases of subsidiaries' shares due to change in scope of consolidation	-20,662	-
6. Proceeds from the partial sale of shares in subsidiary company	-	1,381
7. Expenses associated with business transfer	-	-5,780
8. Purchases of consolidated subsidiaries' shares from minority shareholders	-2,640	-375
9. Purchases of intangible assets and long-term prepaid expenses	-2,542	-2,993
10. Decrease (increase) in short-term loans, net	-1,551	1,604
11. Purchases of long-term loans	-27	-281
12. Proceeds from recovery of long-term loans	861	68
13. Other	13	677
Net cash (used in) provided by investing activities (2)	-59,100	13,521
III. Financing activities		
1. Increase (decrease) in short-term debt, net	-1,053	-110
2. Net increase (decrease) in commercial paper	3,000	-3,000
3. Proceeds from long-term loans	18,632	15,713
4. Repayment of long-term loans	-14,017	-32,315
5. Proceeds of bonds	621	-
6. Repayment of bonds	-	-10,000
7. Dividends paid	-6,361	-7,921
8. Cash dividends paid to minority shareholders of consolidated subsidiaries	-272	-185
9. Payment of withholding tax on dividends for former shareholders of newly consolidated subsidiaries	-2,997	-
10. Proceeds from sales of treasury stock	3	13
11. Purchase of treasury stock	-100	-4,733
12. Other	60	-261
Net cash used in financing activities (3)	-2,484	-42,801
IV. Effect of exchange rate changes on cash and cash equivalents (4)	783	-296
V. Net increase (decrease) in cash and cash equivalents (1)+(2)+(3)+(4)	-18,873	2,206
VI. Cash and cash equivalents at beginning of term	44,629	25,968
VII. Increase in cash and cash equivalents resulting from additional consolidation	212	1,697
VIII. Decrease in cash and cash equivalents due to exclusion in consolidation of subsidiaries	-	-20
IX. Cash and cash equivalents at end of term	25,968	29,852

5. Segment Information**1) Business segments**

Fiscal Year 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 (loss)	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

Fiscal Year 2007(April. 1, 2007 to March. 31, 2008)

(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	419,791	222,483	273,267	43,132	958,674	-	958,674
(2)Intersegment	187	11,273	7,219	5,409	24,090	-24,090	-
Total	419,978	233,756	280,487	48,541	982,764	-24,090	958,674
Operating expenses	405,846	227,625	255,997	49,948	939,418	-23,749	915,669
Operating income (loss)	14,132	6,131	24,489	-1,406	43,346	-340	43,005
II. Assets	179,871	177,627	249,562	42,959	650,021	132,838	782,859
Depreciation and amortization	5,595	7,053	15,235	1,917	29,803	699	30,503
Loss on asset impairment	1,374	-	-	-	1,374	-	1,374
Capital expenditures	5,570	8,210	15,183	1,439	30,404	863	31,267

Note 1. Companywide assets, including those listed in the eliminations or unallocatable accounts category, were 288,073 million yen in fiscal year 2006 and 189,755 million yen in fiscal year 2007. This mainly consisted of cash and cash equivalents and long-term investments (investment securities) held by the parent company, assets related to administrative departments and deferred tax assets

2.Changes in Accounting Methods(for the Fiscal Year 2007)**(1)Accounting Standards for Inventory Asset Valuation**

The Accounting Standards for Valuation of Inventory Assets (Accounting Standard Statement 9, July 5, 2006) have been applied beginning in the fiscal year under review. Compared to the previous method, the effect is a decrease in operating expenses and an increase in operating income for the period under review. By company, operating expenses were as follows: Housing Company, 429 million yen; Urban Infrastructure & Environmental Products Company, 725 million yen; High Performance Plastics Company, 76 million yen; and Other Businesses, 16 million yen.

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

The company has revised its accounting method for tangible fixed asset depreciation. Compared to the previous method, the effect is an increase in operating expenses and a decrease in operating income for the period under review. By company, operating expenses were as follows: Housing Company, 387 million yen; Urban Infrastructure & Environmental Products Company, 978 million yen; High Performance Plastics Company, 1,083 million yen; Other Businesses, 281 million yen; and 15 million yen in eliminations or unallocatable accounts.

2) Geographical Segments

Fiscal Year 2006(April. 1, 2006 to March. 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	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

Fiscal Year 2007(April. 1, 2007 to March. 31, 2008)

(Millions of yen)

	Japan	United States of America	Europe	Asia	Others	Total	Eliminations or unallocatable accounts	Consolidated
I. Net sales:								
(1)To third parties	825,747	33,811	41,510	53,212	4,392	958,674	-	958,674
(2)Intersegment	32,599	1,009	1,124	2,259	69	37,062	-37,062	-
Total	858,347	34,820	42,635	55,472	4,462	995,737	-37,062	958,674
Operating expenses	827,250	31,830	37,915	51,685	4,063	952,744	-37,075	915,669
Operating income	31,096	2,990	4,719	3,786	398	42,992	13	43,005
II. Assets	529,236	29,181	40,579	49,775	4,006	652,778	130,081	782,859

Notes: 1. Country and regional segments are classified on the basis of geographic proximity.

2. Principal countries and regions other than Japan:

United States: The United States of America

Europe: Germany, the United Kingdom, the Netherlands, Switzerland, Italy, Spain and France

Asia: Thailand, South Korea, Singapore, China and Taiwan

Other: Mexico and Australia

3. Please refer to Note 1 in the Segment Information section for the main items of company-wide assets include under eliminations or unallocatable accounts in assets.

4.Changes in Accounting Methods(for the Fiscal Year 2007)

(1)Accounting Standards for Inventory Asset Valuation

The Accounting Standards for Valuation of Inventory Assets (Accounting Standard Statement 9, July 5, 2006) have been applied beginning in the fiscal year under review. Compared to the previous method, the effect is a 1,246 million yen decrease in operating expenses and an increase in operating income

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

The company has revised its accounting method for tangible fixed asset depreciation. Compared to the previous method, the effect is a 2,746 million yen increase in operating expenses and a decrease in operating income in the Japan geographical segment for the period under review.

3) Overseas net sales

Fiscal Year 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

Fiscal Year 2007(April. 1, 2007 to March. 31, 2008)

	United States of America	Europe	Asia	Others	Total
I Overseas net sales (millions of yen)	38,557	45,032	66,767	4,767	155,124
II Consolidated net sales (millions of yen)					958,674
III Overseas net sales as a ratio of consolidated net sales (%)	4.0	4.7	7.0	0.5	16.2

Notes: 1. Country and regional segments are classified on the basis of geographic proximity.

2. Principal countries and regions:

United States: The United States of America

Europe: Germany, the United Kingdom, the Netherlands, Switzerland, Italy, Spain and France

Asia: Thailand, South Korea, Singapore, China and Taiwan

Other: Mexico and Australia

3. Overseas sales represent the amount of sales within each country or region and exclude sales of the parent company and consolidated subsidiaries in Japan.

-Reference Materials 1-**Summary of Business Results for the Fiscal Year 2007(Consolidated)****1.Consolidated Business Results for the Fiscal Year 2007**

Sales rose steadily for overseas business and in the strategic growth fields. Operating profit declined amid sluggish demand for core domestic businesses in a deteriorating business environment.

(1) Overall

(Billions of yen)

	FY2007	FY2006	Difference	
			Amount	%
Net sales	958.6	926.1	32.5	3.5
Operating income	43.0	45.1	-2.1	-4.8
Recurring income	38.5	46.9	-8.3	-17.8
Net income	24.3	25.5	-1.2	-4.8
Dividend per share (yen)	15	14		1
(yen)	(7 midterm, 8 year-end)	(6 midterm, 8 year-end)	(1 midterm, 0 year-end)	

(2) By Company

(Billions of yen)

	FY2007		FY2006		Difference			
	Net sales	Operating income	Net sales	Operating income	Net sales		Operating income	
					Amount	%	Amount	%
Housing	419.9	14.1	430.4	14.3	-10.4	-2.4	-0.2	-1.4
Urban Infrastructure & Environmental Products	233.7	6.1	226.4	11.2	7.2	3.2	-5.1	-45.7
High Performance Plastics	280.4	24.4	245.4	20.6	35.0	14.3	3.8	18.4
Other Businesses	48.5	-1.4	49.6	-0.8	-1.1	-2.3	-0.5	-
Eliminations or Unallocatable Accounts	-24.0	-0.3	-25.9	-0.2	1.8	-	-0.0	-
Total	958.6	43.0	926.1	45.1	32.5	3.5	-2.1	-4.8

(3) Overview

1. Core domestic demand-based businesses struggled under the impacts of the rising raw material prices and revised Building standards Law.
2. Foundations were set for steady, ongoing business in the growth fields (overseas business, automotive, IT, medical, plant materials).
3. Structural reform continued improving Housing Business operating efficiency. Progress was made establishing an infrastructure for business growth.

(4) By Company**Housing**

Housing business operating efficiency continued improving. Orders suffered from a sluggish new housing construction market. Living Environment business continued brisk.

Housing Business: Sales structure reorganization in the Tokyo, Chubu, and Kinki regions progressed, and operating efficiency continued improving.

New construction housing starts numbered 14,350 units (down 4.3% year on year).

New products were introduced targeting the rebuilding market (Domani Comfatic new, Grand Two-U Piace, Parfait Master Design 2.0).

Products were launched to target first-time homebuyers (expanded sales of Heim bj, launched the new Crescasa series in the Chugoku and Chubu regions).

Living Orders grew 4.5% year on year and net sales increased 2.8%.

Environment The operating structure for the refurbishing field was fortified.

Business Sales expanded for key commercial materials such as photovoltaic generation systems and external tiling.

Urban Infrastructure and Environmental Products

Overseas business continued rapidly expanding. Core domestic demand-based businesses struggled in a deteriorating domestic business environment.

Japan High raw materials prices and slowed construction starts after the Building Standards Law revision impacted sales of PVC piping, rain gutters, and other core products.

Sales were launched of new large-scale, high value-added products, including ESLON Fire-resistant VP Pipe and Phenovaboard.

Overseas Net sales from overseas businesses rose 61.5% year on year.

The plastic sheet operations was enhanced with the acquisition of Allen Extruders, of the US. The pipe restoration business was expanded with the acquisition of Heitkamp, Inc., of the US.

Production capacity was expanded with the operation start of the fiber-reinforced foamed urethane (FFU) plant in Shanghai, China, and the second plant at Sekisui Industrial Piping in Taiwan.

Urban Infrastructure and Environmental Products

Overseas business continued rapidly expanding. Core domestic demand-based businesses struggled in a deteriorating domestic business environment.

Automotive Sales continued brisk for interlayer films and resin mold products.

IT Sales grew for LCD chemicals and optical films.

Medical Business integration with Daiichi Pure Chemicals accelerated. The operating foundation was set in place centered on the diagnostic drug business.

Overseas Net sales from overseas businesses increased 23.2% year on year.

A new interlayer film factory was constructed in North America. A sales company was established in India.

-Reference Materials 2-

2. Forecast for Fiscal Year 2008 (ending March 31, 2009)

Reestablish the core domestic demand-based business, continue the aggressive expansion of overseas and strategic businesses to regain a business growth track.**(1) Overall Forecast**

(Billions of yen,%)

	FY 2008 Forecast (ending March 31, 2009)	FY 2007	Difference	
			Amount	%
Net sales	989.0	958.6	30.3	3.2
Operating income	54.0	43.0	10.9	25.6
Recurring income	53.0	38.5	14.4	37.5
Net income	27.0	24.3	2.6	11.1
Dividend per share (yen)	15	15		0
(yen)	(7 midterm, 8 year-end)	(7 midterm, 8 year-end)		(0 midterm, 0 year-end)

(2) Company Forecasts

(Billions of yen,%)

	FY 2008 Forecast (ending March 31, 2009)		FY 2007		Difference			
					Net sales		Operating income	
	Net sales	Operating income	Net sales	Operating income	Amount	%	Amount	%
Housing	428.0	20.0	419.9	14.1	8.0	1.9	5.8	41.5
Urban Infrastructure & Environmental Products	245.0	7.5	233.7	6.1	11.2	4.8	1.3	22.3
High Performance Plastics	295.0	28.0	280.4	24.4	14.5	5.2	3.5	14.3
Other Businesses	49.0	-1.5	48.5	-1.4	0.4	0.9	-0.0	-
Eliminations or Unallocatable Accounts	-28.0	0.0	-24.0	-0.3	-3.9	-	0.3	-
Total	989.0	54.0	958.6	43.0	30.3	3.2	10.9	25.6

(3) Overview

1. Reformulate the high profit structure of the core domestic demand-based businesses.
2. Expand strategic businesses and accelerated development of overseas businesses.
3. Develop and implement effective countermeasures for the rising raw materials costs, forex trend, and other business risks.

(4) By Company**Housing**

Fortify the earning power and increase orders for the new housing construction business. Accelerate Living Environment business growth by focusing on the refurbishing business.

Housing Business	Realize the potential of the reorganized sales structures in the Tokyo, Chubu, and Kinki regions. Integrate production and sales operations to further improve operating efficiency. Increase orders by introducing products targeting first-time homebuyers. Achieve new housing construction starts of 14,440 units (for a 0.6% year on year increase).
Living Environment Business	Implement strategic expansion of the refurbishing business (increase staff and training). Expand sales of core commercial materials.

Urban Infrastructure and Environmental Products

Focus management resources in the growth fields and continue structural reforms to improve the profitability of core domestic demand-based businesses.

Frontiers of growth	Growth businesses: strengthen the pipe restoration, PFI, and rainwater distribution businesses. Growth products: speed up launches of new large-scale products (ESLON Fire-resistant VP Pipe and Phenovaboard) and improve earnings results. Overseas business: expand business in the three key fields of water environment, pipe restoration, and functional materials.
Structural Improvement	Formulate an efficient operating structure for PVC pipes and other core domestic demand-based businesses and shift the focus of management resources to growth fields. Implement countermeasures to the rising raw materials costs and improve the profitability of low-profit businesses.

High Performance Plastics

Expand business content and improve profitability by focusing management resources in the three strategic business fields of automotive, IT, and medical.

Automotive	Increase sales of high performance interlayer films and expand overseas production capacity.
IT	Expand sales of LCD chemicals and optical films and cultivate next-generation products.
Medical	Launch Sekisui Medical and accelerate global business development centered on the diagnostic drug business.
Business efficiency	Revitalize the business structure and strengthen earning power by implementing countermeasures to the high raw material costs and forex trend.