

## Summary of Financial Results for the Fiscal Year 2008 Ended March 31, 2009

Company Name: Sekisui Chemical Co., Ltd.  
 Stock Listings: Tokyo Stock Exchange, Osaka Securities Exchange  
 Code Number: 4204  
 URL: <http://www.sekisui.co.jp>  
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 Scheduled General Meeting of Shareholders: June 26, 2009  
 Scheduled date for payment of dividends: June 29, 2009  
 Scheduled date for submission of financial statement: June 26, 2009

(Figures rounded down to the nearest million yen)

### 1. Consolidated Business Results for the FY 2008 (April 1, 2008 to March 31, 2009)

#### (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	%
FY2008	934,225	-2.6	33,589	-21.9	29,438	-23.6	1,013	-95.8
FY2007	958,674	3.5	43,005	-4.8	38,547	-17.8	24,300	-4.8

	Net Income per Share	Net Income per Share (Diluted)	Net Income to Equity Ratio	Recurring Income to Total Assets Ratio	Operating Income Ratio
	yen	yen	%	%	%
FY2008	1.93	1.93	0.3	3.8	3.6
FY2007	46.16	46.15	6.4	4.6	4.5

(Note)Equity in earnings of affiliated companies March 31, 2009: 1,409 million yen March 31, 2008: 589 million yen

#### (2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	yen
FY2008	756,450	330,721	42.6	612.93
FY2007	782,859	368,919	45.8	683.11

(Note)Shareholders' Equity March 31, 2009: 322,000 million yen March 31, 2008: 358,917 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
FY2008	35,611	-35,403	13,889	40,488
FY2007	31,782	13,521	-42,801	29,852

**2. Dividend Status**

(Date of Record)	Dividend Per Share					Total Dividend Payment (full year)	Dividend Payout Ratio(consolidated)	Dividend to equity ratio(consolidated)
	1st Q	At Midterm	3rd Q	Year-end	Full year			
	yen	yen	yen	yen	yen	Millions of yen	%	%
FY2007	-	7.00	-	8.00	15.00	7,886	32.5	2.1
FY2008	-	7.00	-	3.00	10.00	5,257	518.7	1.5
FY2009(outlook)	-	5.00	-	5.00	10.00		52.5	

**3. Consolidated Outlook for FY 2009 (Apr 1, 2009-March 31, 2010)** (% 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	406,000	-14.2	3,000	-83.6	3,000	-84.4	-2,000	-	-3.81
Full Year	860,000	-7.9	27,500	-18.1	24,500	-16.8	10,000	887.1	19.04

**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, 2009 539,507,285 shares

March 31, 2008 539,507,285 shares

b) Treasury stock at fiscal year-end

March 31, 2009 14,161,865 shares

March 31, 2008 14,088,433 shares

(References) Non-consolidated Business Results for the FY 2008 (April 1, 2008 to March 31, 2009)

(1) Non-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	%
FY2008	344,302	-6.5	3,846	-70.2	8,633	-43.8	-9,329	-
FY2007	368,359	-3.1	12,889	-41.9	15,358	-44.3	16,522	42.1

	Net Income per Share	Net Income per Share (Diluted)
	yen	yen
FY2008	-17.74	-
FY2007	31.37	31.36

(2) Non-consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	yen
FY2008	462,857	251,409	54.2	477.48
FY2007	471,988	278,171	58.9	528.61

(Note) Shareholders' Equity March 31, 2009: 251,022 million yen March 31, 2008: 277,933 million yen

**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. Please refer to page 6, notes 3 "2) Full-year forecast" for the assumptions underlying the forecasts, disclaimer on the use of forecasts, and other related matters.

## **1. Consolidated Business Results**

### **(1) Analysis of Operating Results**

#### **1) Fiscal Year 2007 (April 1, 2008, to March 31, 2009)**

##### **a. Consolidated Results**

Net sales ¥934.2 billion (-2.6% year on year), operating income ¥33.5 billion (-21.9%), ordinary income ¥29.4 billion (-23.6%), net income ¥1.0 billion yen (-95.8%).

The Company's primary focus in the final year of the medium-term management plan GS21-Go! Frontier was on revitalizing its domestic demand led core businesses and opening business growth frontiers. While making progress in revitalizing domestic demand led core businesses by advancing structural reform, growth business were developed through aggressive strategic investments, primarily overseas, and by laying the groundwork for future business expansion. In Japan, steps were taken to enhance management efficiency in Japan, and the steady housing orders through the second quarter helped raise both net sales and operating income. Overseas, M&A and other strategic activities helped further establish the foundational infrastructure for growth frontier operations.

Beginning in the third quarter, however, the deteriorating economic conditions worldwide strongly affected the previously strong demand trends, mainly in the automotive and IT fields, and the sharp contraction in demand led to declines in both sales and income. In addition, expenses from reforms to the business structure and fines incurred for involvement in a price cartel for PVC pipes along with a loss on devaluation of investments in securities and other extraordinary losses resulted in a substantial decline in net income.

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

##### **Housing**

Net sales ¥424.4 billion (+1.1%), operating income ¥17.1 billion (+21.2%)

In the year under review, steep rises in raw material costs and the worldwide economic slowdown considerably slowed the housing market. The Housing Company countered by introducing new products, highlighting the environmental and economical features of its product lines, and strengthening its sales force in the living environment business. The result was the achievement of expanded orders and sales and continuing improvement in operating efficiency.

In the new housing construction business, the company expanded its product line targeting first-time homebuyers with the additions including the bj new series in April, Grand to You WS series in May, and the nationwide introduction of the Crescasa series in October. The company also promoted the environmental, economical, and other features of its home models and increased the percentage of its products offered with solar power generation systems, Warm Airy technology, and other high value-added options.

The company also successfully increased sales and operating income over previous year levels in the living environment business by efforts to fortify its marketing force and expand sales of its water environment fixtures, solar power generation systems, and other feature products.

The Housing Company recorded year on year declines in orders beginning in the third quarter for the new housing construction and living environment businesses. However, contributions from the steady level of orders received in the first half of the year coupled with the tangible results from the improved operating efficiency resulted in the Housing Company posting increases in both sales and income for the full fiscal year.

### **Urban Infrastructure and Environmental Products**

Net sales ¥225.2 billion (-3.7%), operating income ¥1.6 billion (-73.1%)

The UIEP Company achieved measurable expansion in its overseas operations and in other areas during the year, but its performance was severely impacted by the slowdown in the domestic housing construction starts and from the postponement and cancellation of construction projects in reaction to the global economic slowdown.

The company responded to the harsh market conditions in Japan by making progress with the structural reform of its domestic operations, including revising its operating structure and shifting staff to business growth fields. The company also endeavored to reinforce its earning power by revising its pricing structure to better reflect recent trends in materials prices. Despite these efforts, the company struggled to overcome the impact of plummeting product sales volumes, particularly for its core PVC pipes and construction materials.

In overseas operations, the UIEP Company continued to advance toward its objective of becoming the world's leading pipeline renewal company. In July 2008, the Company acquired Chevalier Pipe Technologies (CPT) G.m.b.H., a leading pipeline renewal company in Europe, and in November 2008 established the sales company Sekisui CPT Asia Pte. Ltd., in Singapore in preparation for full-fledged business development in Asia. In addition, the Company established the joint venture company LLC Sumi-Lon as a local base for expanding sales in the rapidly expanding market for reinforced plastic pipe in Russia.

### **High Performance Plastics**

Net sales ¥262.6 billion (-6.4%), operating income ¥15.7 billion (-35.5%)

HPP Company focused management resources in its three strategic fields (automotive, IT, medical) and achieved a degree of business expansion during the year. However, business suffered from the

rapid deterioration in market conditions in both Japan and overseas beginning in the third quarter and from sharp drops in demand, particularly in the automotive and IT fields.

In the automotive field, the company focused on expanding sales of its high-performance interlayer films, including introducing in October two new interlayer films for glass—the Head-up Display and a windshield interlayer film that extends onto the vehicle roof—as a strategy to counter the negative effects from the global economic conditions, the strong yen, and other adverse elements.

In addition, in July the company began expanding its interlayer film production bases in China and Japan and in December committed to expanding production of interlayer film raw materials and resins for laminated glass in the Netherlands. In the IT field, sales of liquid-crystal chemicals, optical films, and other core products suffered. However, in anticipation of growing demand in the medium and long term, in October the company commenced construction of the Taka Plant with the aim of making it a primary production hub for adhesive film products. The new plant scheduled to commence operations in January 2010.

In the medical field, sales remained strong, and the company continued to enhance its earning power through business concentration and selectivity. In addition, the company launched full-fledged business development overseas in the pharmacokinetics business following the August 2008 acquisition of XenoTech, LLC, of the United States, and with the March 2009 acquisition of American Diagnostica Inc., a leading company in the clinical reagents field in the United States.

## **2) Full-year Forecasts**

### **a. Consolidated Forecast**

Net sales ¥860.0 billion (-7.9%), operating income ¥27.5 billion (-18.1%), ordinary income ¥24.5 billion (-16.8%), net income ¥10.0 billion (+887.1%)

Fiscal 2009 will mark the launch of the five-year medium-term business plan GS21-SHINKA! The new business plan will seek to enhance the Company's earning power and fortify the corporate structure by establishing a course for steady income growth for the core businesses, with a focus on the domestic businesses. The plan will also seek to expand business by concentrating management resources in seven strategic high-growth fields, dubbed the "Frontier 7"\*. The plan also outlines objectives for a three pronged advance in global development, value chain development throughout the business chain from front-end to post processes and new growth segment cultivation in new markets for the Company, such as the environmental field and the housing stock business.

In the plan's first year, fiscal 2009, amid an anticipated harsh economic environment, the Company will implement structural reform aimed at fortifying the Company's earning power while identifying business opportunities and concentrating management resources in business fields and market regions where increasing demand is expected.

\* The Frontier 7 high-growth fields are housing stock, pipeline renewal business, water infrastructure overseas, automotive materials (AT), IT-related materials (IT), and medical products (MD).

## **b. Company Forecasts**

### **Housing**

Net sales ¥404.0 billion (-4.8%), operating income ¥17.5 billion (+2.1%)

The Housing Company in fiscal 2009 aims to continue its business growth in an unpredictable operating environment by continuing to enhance its operating efficiency and cut costs while establishing the housing stock business as a new revenue source. In the new housing construction business, the company took steps to establish a high-revenue operating structure in the previous fiscal year with the reorganization of its marketing network covering the Tokyo, Chubu, and Kinki regions. In fiscal 2009, the company will aim to create a management structure with fully integrated production and sales operations and to leverage its regional-based operating structure to attract increased orders and improve its earning power.

On a backdrop of governmental economic stimulation policies, including tax breaks and subsidies, intended to promoting housing construction, the company will seek to increase orders by further differentiating the environmental and economical features of its housing products and introducing products for the anticipated growth in the market for ¥500,000/subo price range housing.

In the living environment business, the company aims to increase earnings by enhancing its marketing capabilities through ongoing staff education and training and by seeking to expand sales of its feature products.

The business is also establishing a business model based on cyclical housing stock to meet the evolving needs of occupants as they progress through life stages.

### **Urban Infrastructure and Environmental Products**

Net sales ¥217.0 billion (-3.6%), operating income ¥1.7 billion (+3.0%)

The UIEP Company is laying the groundwork for new growth in both its domestic and overseas operations while formulating a business structure resilient to fluctuating business conditions. The company will partially revise its divisional system and continue to restructure its production and sales operations to better meet the demands of the changing market environment. The company will also implement measures to enhance its earning power in its core fields as well as to accelerate its business expansion in its growth fields.

In Japan, the UIEP Company will focus primarily on the housing stock field. Business growth will

be accelerated in social infrastructure fields centered on the pipe restoration business. In fiscal 2009, the company will also create a specialized operation for the construction stock field encompassing condominiums, office buildings, and other structures, with the aim of quickly generating new business.

Overseas, the company will endeavor to expand business in each of its three key fields of pipe restoration, functional materials, and water infrastructure. With Sekisui CPT G.m.b.H. at the forefront, the UIEP Company's objective is to become the world's leading pipe restoration company. In addition, the company is examining the business potential for its water infrastructure business in developing countries.

### **High Performance Plastics**

Net sales ¥226.0 billion (-14.0%) to, operating income ¥10.5 billion (-33.5%)

The HPP Company is anticipating declining demand from the impact of the strong yen and the worsening market conditions. The company's top priority in fiscal 2009 will be to hold fixed costs below the break-even point set by an increase in marginal income and the declining sales. Efforts to regulate fixed costs will include constraining new capital investment and cutting costs.

To increase marginal income, the company will seek to boost sales by advancing the cultivation of frontier fields and development of new products while conducting a comprehensive overhaul of operations from sales and marketing to distribution and taking steps to offset the impact of high raw material costs as well as other measures.

In addition, the company will prepare for a future recovery of demand by concentrating management resources and laying the groundwork for business expansion in the strategic automotive, IT, and medical fields. In the automotive field, the company is planning to expand production capacity for its core interlayer film business as it seeks to raise its competitiveness to new level in the global market. In the IT field, the company is setting a course for substantial growth in sales of its LCD chemical products and optical films while also cultivating competitive next-generation products. In the medical field, XenoTech, LLC. and American Diagnostica Inc. are expanding the HPP company's business content in the United States through aggressive development of their overseas businesses in pharmacokinetics and clinical reagents.

## **2. Consolidated Financial Position**

### **1) Cash Flow (April 1, 2008, to March 31, 2009)**

Net cash provided by operating activities increased to ¥35.6 billion. Cash inflows included ¥12.8 billion in income before income taxes and minority interests, ¥36.5 billion in depreciation and amortization, and a ¥20.3 billion decline in trade notes and accounts receivable, which exceeded

cash outflows that included a ¥17.3 billion increase in trade notes and accounts payable and ¥14.0 billion in income taxes paid.

Net cash used in investing activities decreased to ¥35.4 billion. The decline was primarily due to aggressive investments including ¥25.7 billion to acquire tangible fixed assets focused on strategic areas and growth fields and ¥9.5 billion to acquire subsidiary stock of XenoTech, LLC and Chevalier Pipe Technologies G.m.b.H. to incorporate the companies as consolidated subsidiaries of the Sekisui Chemical Group.

Net cash provided by financing activities increased ¥13.8 billion. The main elements were dividend payments of ¥7.9 billion and a net increase in interest-bearing debt of ¥21.9 billion.

The result was cash and cash equivalents totaling ¥40.4 billion at the end of fiscal 2008.

## 2) Forecast

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

### Trend in Cash Flow Indicators

	FY2004	FY2005	FY2006	FY2007	FY2008
Equity Ratio (%)	41.4	46.7	45.9	45.8	42.6
Shareholders' Equity Ratio Based on Market Value (%)	55.4	65.3	56.6	40.5	34.0
Cash Flow to Interest-bearing Debt Ratio	2.5	2.5	2.7	2.9	3.6
Interest coverage Ratio	16.7	14.5	20.4	12.6	13.1

Notes: Equity ratio = Equity / Total assets

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

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 excluding treasury stock at the fiscal term end.
3. Cash flow is the cash flow from operating activities.

4. 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 2008 and Fiscal 2009**

Increasing corporate value and returning profit to our shareholders are fundamental management objectives at Sekisui Chemical. The Company's 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 2008, Company's performance in the extremely severe business environment necessitate a revision to our planned dividend distributions resulting in a first half dividend of ¥7 and a second half dividend of ¥3, resulting in a full-year dividend payment of ¥10 per share.

The Company is aware of the necessity to take a cautious stance when scrutinizing the economic environment but is also mindful of its objective to provide reliable return to shareholders. In fiscal 2009, the Company plans to provide a first half dividend of ¥5 and a second half dividend of ¥5 for a full-year dividend distribution of ¥10 per share.

## **2. Management Policies**

### **1) Basic Management Policy**

The Sekisui Chemical Group aims to grow its business based on satisfied customers and to maximize corporate value and fulfill the expectations of our shareholders. We support the self-fulfillment of our employees, who are the main component in our corporate activities, and seek to deepen our relations with our client and partner companies. Through our business, products and social contributions, we support local communities and the earth's environment fully aware that we play a part in the legacy we will leave to future generations. We at the Sekisui Chemical Group will continue to grow as a prominent and highly profitable corporation while striving to meet the expectations of our stakeholders.

### **2) Management Index Targets**

The Sekisui Chemical Group considers operating income and the operating income ratio to be important indicators of the Company's business performance and strives to maintain and raise their values.

### **3) Medium- and Long-term Business Strategy**

The Company expects the worldwide economic crisis to produce a very severe business environment. In these conditions, the Sekisui Chemical Group commenced a new management structure in March 2009 and launched “the GS21-SHINKA!” medium-term business plan for the five years from fiscal 2009 to fiscal 2013 with the aim of realizing the vision of becoming a prominent and high-profit premium company. *Shinka* is the Japanese word meaning evolution or advancement.

The first two years of “the GS21-SHINKA!” plan concentrate on overcoming the global recession and taking steps to lay a strong foundation for future advances. In the remaining three years, the plan focuses on strengthening its abilities to cultivate new business frontiers and implement new enhancement to support the Group’s medium- and long-term development.

The plan denominates Frontier SHINKA, Manufacturing Development SHINKA, and Human Resource SHINKA as the top priorities to be followed throughout the Group and makes the application of these initiatives the fundamental driving strategy for the evolution and advancement of the Group.

Frontier SHINKA focuses on global development, value chain development, and new growth segment cultivation. The objective is to strengthen the Group’s global development capabilities and conduct strategic investment in growth fields with the goal of doubling of net sales achieved overseas, and to leverage the Company’s proprietary technology to create next-generation businesses and cultivate new business frontiers.

Manufacturing Development SHINKA seeks to realize a reduction in costs by joining the innovativeness of current the making of things activities with the advances made in production technologies to transcend existing methods.

Human Resource SHINKA aims to achieve an evolution in human resources by enriching employees so they can realize their career objectives. Human resources will be cultivated to be fully professional and capable of flourishing on a global level, and worksite environments will have a diverse range of personnel.

### **4) Critical Issues Facing the Company**

The Sekisui Chemical Group is cognizant of the foremost priorities necessary for implementing and fulfilling the objectives of the GS21-SHINKA! medium-term business plan. While swiftly carrying out structural reform, substantially reducing fixed costs, and cutting back on standard investments in order to improve the Group’s profitability, the Group will seek to adroitly and quickly identify changes in the global markets and take steps to accelerate new business growth.

### 3. Other

#### 3-1) Changes in accounting principles, methods or reporting methods affecting the production of the consolidated financial statement

(Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements)

Effective the year ended March 31, 2009, the Company and its overseas consolidated subsidiaries have adopted the Practical Issues Task Force (PITF) No. 18 Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (issued May 17, 2006) and have made necessary adjustments in the consolidation financial statements.

These revisions had a minimal effect on the consolidated financial statements and segment information.

(Application of Accounting Standards for Lease Transactions)

Finance lease transactions without title transfer were formerly accounted as operating leases. On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the former accounting standard for lease transactions issued on June 17, 1993, and ASBJ Guidance No. 16, "Guidance on Accounting Standard for Lease Transactions," which revised the former guidance issued on January 18, 1994. Accordingly, the Company has applied the revised accounting standard from the first quarter of the fiscal year under review.

As a result of the adoption of this accounting standard and the related guidance, operating income increased by ¥237 million, ordinary income increased by ¥144 million, and income before income taxes and minority interests declined by ¥1 million for the year ended March 31, 2009, from the corresponding amounts which would have been recorded under the method applied in the previous year.

The effect of the changes on the segment data was insignificant.

(Supplementary Information)

Change in the Useful Lives of Property, Plant and Equipment

Upon the adoption of revisions to the Corporate Tax Law, the Company and its consolidated subsidiaries in Japan revised the useful lives applied to a certain number of equipment and machinery.

The effect of the changes on the consolidated balance sheets and segment data was insignificant.

## 4. Consolidated Financial Statement (Fiscal Year 2008)

## (1) Consolidated Balance Sheets

	(Millions of Yen)	
	End Fiscal 2007, Condensed Consolidated Balance Sheet	End Fiscal Year 2008, Condensed Consolidated Balance Sheet
	As of March. 31, 2008	As of March. 31, 2009
(Assets)		
Current Assets		
Cash and deposits	30,280	40,842
Trade notes receivable	55,515	44,435
Accounts receivable	112,929	97,950
Securities	29	1
Product inventories	41,595	44,333
Subdivision land	24,355	23,808
Work in progress	32,456	32,716
Raw materials	17,811	19,161
Advances	2,214	1,066
Prepaid expenses	2,057	1,967
Deferred tax assets	11,410	8,338
Short-term loans	897	1,395
Other	12,252	15,390
Allowance for doubtful accounts	-1,356	-887
Total current assets	342,450	330,521
Fixed assets		
Tangible fixed assets		
Buildings & structures, net	89,137	82,743
Machinery, equipment and tools, net	69,731	60,788
Land	68,880	67,674
Leased assets (net value)	—	9,416
Construction in progress	7,450	11,630
Other (net)	8,266	6,576
Total tangible fixed assets	243,466	238,830
Intangible fixed assets		
Goodwill	20,176	25,645
Software	4,244	4,227
Leased assets	—	354
Other	3,016	3,538
Total intangible assets	27,437	33,766
Investments and other assets		
Investment securities	133,172	109,923
Long-term loans	1,006	593
Long-term prepaid expenses	1,440	1,404
Deferred income taxes	23,929	31,834
Other	11,278	10,366
Allowance for doubtful accounts	-1,320	-790
Total investments and other assets	169,506	153,332
Total fixed assets	440,409	425,929
Total assets	782,859	756,450

(Millions of Yen)

	End Fiscal 2007, Condensed Consolidated Balance Sheet As of March. 31, 2008	End Fiscal Year 2008, Condensed Consolidated Balance Sheet As of March. 31, 2009
(Liabilities)		
Current liabilities		
Trade notes payable	14,141	11,469
Accounts payable	118,937	107,327
Short-term loans	34,478	32,446
Commercial paper	—	20,000
Current portion of corporate bonds	—	5,365
Lease obligation	—	4,431
Accrued charges	—	7,965
Accrued expenses	30,200	24,649
Accrued income taxes	11,661	6,297
Deferred tax liabilities	258	147
Provision for bonuses	13,009	12,809
Provision for directors' bonuses	299	160
Provision for compensation for completed constructions	996	1,010
Advances received	34,139	33,474
Other	34,613	34,478
Total current liabilities	292,736	302,033
Fixed liabilities		
Bonds	15,608	10,000
Long-term loans	42,011	51,811
Lease obligation	—	5,353
Deferred tax liabilities	2,655	2,952
Provision for retirement allowances	54,575	48,195
Other	6,353	5,382
Total fixed liabilities	121,203	123,695
Total liabilities	413,940	425,729
(Net assets)		
Shareholders' equity		
Common stock	100,002	100,002
Capital surplus	109,367	109,307
Retained earnings	154,073	146,931
Treasury stock	-10,844	-10,833
Total shareholders' equity	352,599	345,408
Revaluation and translation adjustments		
Unrealized holding gain (loss) on securities	-933	-11,227
Deferred gains or losses on hedges	—	7
Unrealized gain on land revaluation	217	224
Foreign currency translation adjustments	7,033	-12,411
Total revaluation and translation adjustments	6,317	-23,408
Share subscription rights	237	386
Minority shareholders' interests	9,764	8,334
Total net assets	368,919	330,721
Total liabilities, net assets	782,859	756,450

(2) Consolidated Profit and Loss Statement  
(Fiscal Year 2008)

(Millions of Yen)

	Fiscal 2007 (From April. 1, 2007 to March. 31, 2008)	Fiscal 2008 (From April. 1, 2008 to March. 31, 2009)
Net sales	958,674	934,225
Cost of sales	685,902	680,446
Gross income	272,772	253,779
Selling, general & administrative expenses	229,766	220,189
Operating Income	43,005	33,589
Non-operating income		
Interest income	1,299	1,230
Dividend income	2,620	2,268
Investment income by equity method	589	1,409
Miscellaneous income	3,453	2,454
Total non-operating income	7,963	7,363
Non-operating expenses		
Interest expenses	2,127	2,480
Interest on Commercial Paper	12	31
Sales discounts	320	312
Foreign exchange loss(net)	3,784	2,616
Miscellaneous expenses	6,176	6,073
Total non-operating expenses	12,422	11,513
Recurring income	38,547	29,438
Extraordinary income		
Gain on sales of property, plant, and equipment	—	687
Gain on sales of investments in securities	23,163	—
Proceeds from business transfer	478	—
Total extraordinary income	23,641	687
Extraordinary expenses		
Charges	—	7,965
Structural improvement expenses	10,152	4,257
Loss from revaluation of investment securities	—	2,782
Loss on Valuation of Equity Securities for Nonconsolidated and Affiliates	—	453
Impairment loss	1,374	70
Loss from revaluation of product inventories	3,069	—
Loss on sales or disposal of property, plant, and equipment	2,600	1,753
Total extraordinary expenses	17,195	17,283
Income (loss) before income taxes and minority interests	44,993	12,842
Income taxes	16,433	9,029
Diferred Taxes	3,512	2,485
Minority interests	747	313
Net Income	24,300	1,013

## (3) Consolidated Statements of Capital Surplus and Retained Earnings, and changes in Shareholders' Equity

	(Millions of Yen)	
	Fiscal 2007 (From April. 1, 2007 to March. 31, 2008)	Fiscal 2008 (From April. 1, 2008 to March. 31, 2009)
Shareholders' Equity		
Common stock		
Balance at the end of the previous accounting period	100,002	100,002
Changes		
Total Changes	—	—
Balance at the end of the current accounting period	<u>100,002</u>	<u>100,002</u>
Capital surplus		
Balance at the end of the previous accounting period	109,420	109,367
Changes		
Cancellation of treasury stock	-53	-59
Total Changes	-53	-59
Balance at the end of the current accounting period	<u>109,367</u>	<u>109,307</u>
Retained earnings		
Balance at the end of the previous accounting period	137,712	154,073
Increase (Decrease) from changes due to accounting procedure in overseas subsidiaries	—	-42
Changes		
Dividends on retained earnings	-7,924	-7,887
Net income	24,300	1,013
Decrease in retained earnings due to increase in consolidated subsidiaries	-8	-226
Decrease in retained earnings due to exclusion in consolidated subsidiaries	-6	—
Total Changes	16,361	-7,100
Balance at the end of the current accounting period	<u>154,073</u>	<u>146,931</u>
Treasury stock		
Balance at the end of the previous accounting period	-6,375	-10,844
Changes		
Acquisition of treasury stock	-4,734	-150
Cancellation of treasury stock	265	161
Total Changes	-4,468	10
Balance at the end of the current accounting period	<u>-10,844</u>	<u>-10,833</u>
Total shareholders' equity		
Balance at the end of the previous accounting period	340,759	352,599
Increase (Decrease) from changes due to accounting procedure in overseas subsidiaries	—	-42
Changes		
Dividends on retained earnings	-7,924	-7,887
Net income	24,300	1,013
Decrease in retained earnings due to increase in consolidated subsidiaries	-8	-226
Decrease in retained earnings due to exclusion in consolidated subsidiaries	-6	—
Acquisition of treasury stock	-4,734	-150
Cancellation of treasury stock	212	102
Total Changes	11,839	-7,148
Balance at the end of the current accounting period	<u>352,599</u>	<u>345,408</u>
Revaluation and Translation Adjustments		
Unrealized holding gain (loss) on securities		
Balance at the end of the previous accounting period	57,427	-933
Changes		
Changes in items other than shareholders' equity (net)	-58,361	-10,294
Total Changes	-58,361	-10,294
Balance at the end of the current accounting period	<u>-933</u>	<u>-11,227</u>
Deferred gains or losses on hedges		
Balance at the end of the previous accounting period	—	—
Changes		
Changes in items other than shareholders' equity (net)	—	7
Total Changes	—	7
Balance at the end of the current accounting period	<u>—</u>	<u>7</u>
Unrealized gain on land revaluation		
Balance at the end of the previous accounting period	216	217
Changes		
Changes in items other than shareholders' equity (net)	1	6
Total Changes	1	6
Balance at the end of the current accounting period	<u>217</u>	<u>224</u>
Foreign currency translation adjustments		
Balance at the end of the previous accounting period	5,419	7,033
Changes		
Changes in items other than shareholders' equity (net)	1,614	-19,445
Total Changes	1,614	-19,445
Balance at the end of the current accounting period	<u>7,033</u>	<u>-12,411</u>
Total revaluation and translation adjustments		
Balance at the end of the previous accounting period	63,063	6,317
Changes		
Changes in items other than shareholders' equity (net)	-56,745	-29,726
Total Changes	-56,745	-29,726
Balance at the end of the current accounting period	<u>6,317</u>	<u>-23,408</u>

	(Millions of Yen)	
	Fiscal 2007 (From April. 1, 2007 to March. 31, 2008)	Fiscal 2008 (From April. 1, 2008 to March. 31, 2009)
Share subscription rights		
Balance at the end of the previous accounting period	73	237
Changes		
Changes in items other than shareholders' equity (net)	163	149
Total Changes	163	149
Balance at the end of the current accounting period	237	386
Minority shareholders' interests		
Balance at the end of the previous accounting period	9,244	9,764
Changes		
Changes in items other than shareholders' equity (net)	520	-1,430
Total Changes	520	-1,430
Balance at the end of the current accounting period	9,764	8,334
Total net assets		
Balance at the end of the previous accounting period	413,141	368,919
Increase (Decrease) from changes due to accounting procedure	—	-42
Changes		
Dividends on retained earnings	-7,924	-7,887
Net income	24,300	1,013
Decrease in retained earnings due to increase in consolidated subsidiaries	-8	-226
Decrease in retained earnings due to exclusion in consolidated subsidiaries	-6	—
Acquisition of treasury stock	-4,734	-150
Cancellation of treasury stock	212	102
Changes in items other than shareholders' equity (net)	-56,061	-31,006
Total Changes	-44,222	-38,155
Balance at the end of the current accounting period	368,919	330,721

## (4) Consolidated Statements of Cash Flows

(Fiscal Year 2008)

(Millions of Yen)

	Fiscal 2007 (From April. 1, 2007 to March. 31, 2008)	Fiscal 2008 (From April. 1, 2008 to March. 31, 2009)
Operating activities		
Income (loss) before income taxes and minority interests	44,993	12,842
Depreciation and amortization	30,503	36,529
Goodwill amortization	1,697	2,426
Impairment loss	1,374	70
Loss on disposal of property, plant and equipment	—	1,642
Loss on sales or disposal of property, plant, and equipment	2,600	—
Loss on sales of marketable and investment securities	-23,163	—
Loss from revaluation of marketable and investment securities	—	2,782
Decrease in allowance for retirement benefits	-6,126	-5,914
Interest and dividend income	-3,920	-3,499
Interest expense	2,460	2,823
Equity in earnings of affiliates	-589	-1,409
Decrease in trade notes and accounts receivable	9,587	20,363
Increase in inventories	-5,309	-6,079
Decrease in account payable	-6,267	-17,363
Increase in advances received	-3,679	-733
Other	3,689	3,984
Subtotal	47,848	48,466
Interest and dividends received	4,344	3,952
Interest paid	-2,517	-2,711
Income taxes paid	-17,893	-14,096
Net cash (used in) provided by operating activities	31,782	35,611
Investing activities		
Purchases of property, plant and equipment	-32,363	-25,749
Proceeds from sales of property, plant and equipment	960	1,199
Purchases of investment securities	-3,004	-3,876
Proceeds from sales or redemption of investment securities	53,627	5,373
Purchase of stocks of newly consolidated subsidiaries	—	-9,523
Proceeds from sales of shares of subsidiaries	1,381	—
Expenses associated with business transfer	-5,780	—
Purchases of consolidated subsidiaries' share from minority shareholders	-375	—
Purchases of intangible assets	—	-1,913
Purchases of intangible assets and long-term prepaid expenses	-2,993	—
Increase (decrease) in short-term loans	1,604	-535
Purchases of long-term loans	-281	—
Proceeds from recovery of long-term loans	68	—
Other	677	-378
Net cash (used in) provided by investing activities	13,521	-35,403
Financing activities		
Decrease (increase) from short-term loans, net	-110	-493
Payment for return of finance leases	—	-5,850
Net increase (decrease) in commercial paper	-3,000	20,000
Proceeds from long-term loans	15,713	15,592
Repayment of long-term loans	-32,315	-7,299
Repayment of bonds	-10,000	—
Dividends paid	-7,921	-7,885
Cash dividends paid to minority shareholders of consolidated subsidiaries	-185	-110
Proceeds from sales of treasury stock	13	—
Purchase of treasury stock	-4,733	-147
Other	-261	84
Net cash used in financing activities	-42,801	13,889
Effect of exchange rate changes on cash and cash equivalents	-296	-3,825
Net increase in cash and cash equivalents	2,206	10,271
Cash and cash equivalents at beginning of term	25,968	29,852
Increase in cash and cash equivalents resulting from additional consolidation of subsidiaries	1,697	363
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-20	—
Cash and cash equivalents at end of term	29,852	40,488

## 5. Segment Information

### 1) Business segments

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 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 was 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.

Fiscal Year 2008(April. 1, 2008 to March. 31, 2009)

(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	424,436	213,642	255,450	40,695	934,225	—	934,225
(2)Intersegment	56	11,577	7,192	5,499	24,325	-24,325	—
Total	424,492	225,219	262,642	46,195	958,550	-24,325	934,225
Operating expenses	407,358	223,568	246,845	46,870	924,643	-24,007	900,635
Operating income (loss)	17,134	1,650	15,797	-675	33,907	-317	33,589
II. Assets	183,454	173,993	230,423	43,245	631,118	125,332	756,450
Depreciation and amortization	8,728	7,803	17,124	2,251	35,907	621	36,529
Loss on asset impairment	—	—	70	—	70	—	70
Capital expenditures	6,202	6,233	19,132	1,926	33,495	1,044	34,539

Note. Companywide assets, including those listed in the eliminations or unallocatable accounts category, were 184,827 million yen in fiscal year 2008. 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) Geographical Segments**

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

(Millions of yen)

	Japan	United States	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 included 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 in the Japan geographical segment for the period under review.

(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.

Fiscal Year 2008(April. 1, 2008 to March. 31, 2009)

(Millions of yen)

	Japan	United States	Europe	Asia	Others	Total	Eliminations or unallocatable accounts	Consolidated
I. Net sales:								
(1)To third parties	805,903	33,899	42,264	46,632	5,525	934,225	—	934,225
(2)Intersegment	29,407	2,083	1,386	3,306	279	36,463	-36,463	—
Total	835,310	35,983	43,650	49,938	5,804	970,688	-36,463	934,225
Operating expenses	810,170	34,237	40,408	48,267	4,962	938,046	-37,410	900,635
Operating income	25,139	1,745	3,242	1,670	842	32,641	947	33,589
II. Assets	523,838	31,746	36,770	44,641	4,880	641,877	114,573	756,450

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, Taiwan, and UAE

Other: Mexico and Australia

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

**3) Overseas net sales**

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

	United States	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.

Fiscal Year 2008(April. 1, 2008 to March. 31, 2009)

	United States	Europe	Asia	Others	Total
I Overseas net sales (millions of yen)	38,985	47,626	59,022	5,961	151,596
II Consolidated net sales (millions of yen)					934,225
III Overseas net sales as a ratio of consolidated net sales (%)	4.2	5.1	6.3	0.6	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, Taiwan, and UAE

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.

## Major Subsequent Events

Sekisui Chemicals passed the resolution at the Board of Directors' meeting on April 27<sup>th</sup>, 2009, to have one of its subsidiaries that are under plan to be newly established, to acquire the polyvinyl alcohol (PVA) resin business from one of the group companies of the US-based chemical company, Celanese Corporation.

A) **The Subsidiary Under Plan to be Newly Established:** The subsidiary is under plan to be established on May, 2009 in the US and Spain in order for the transfer of the PVA resin business of Celanese Corporation to take place.

B) **The Objective of Business Transfer:** To strengthen the business supply-chain.

- Development of a stable raw materials supply system in the interlayer film business.
- Acceleration of production in the point of demand.
- Realization of technical synergy on the raw materials side.

C) **Content of the Business to be Transferred:** Assets relating to the PVA resin business of Celanese Corporation, such as facilities and equipment, inventories, as well as intellectual property rights, etc.

D) **Schedule of Business Transfer:** June, 2009 (under plan)

E) **Cost of Transfer:** 173 million dollars