

SIX-YEAR SUMMARY

Sekisui Chemical Co., Ltd. and its Subsidiaries

	Millions of yen					
	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003
Results for the year:						
Net sales	¥ 934,225	¥ 958,675	¥ 926,164	¥ 885,068	¥ 856,936	¥ 814,864
Cost of sales	680,446	685,903	656,505	627,280	605,672	579,135
Selling, general & administrative expenses	220,190	229,766	224,501	217,501	214,818	212,648
Operating income	33,589	43,006	45,158	40,287	36,446	23,081
Income before income taxes and minority interest	12,842	44,993	38,857	31,835	32,109	22,063
Net income	1,013	24,300	25,539	20,229	22,286	15,019
Cash flows (for the year):						
Net cash (used in) provided by operating activities	35,611	31,783	41,929	38,268	48,695	57,913
Net cash(used in) provided by investing activities	(35,403)	13,522	(59,101)	14,847	(1,606)	(13,115)
Net cash used in financing activities	13,889	(42,801)	(2,485)	(41,422)	(38,997)	(40,549)
Free cash flow*1	(7,787)	37,197	(23,806)	47,566	42,065	41,538
R&D expenditures, capital expenditures and depreciation and amortization:						
R&D expenditures	25,420	25,739	24,451	23,077	22,974	23,701
Capital expenditures	34,539	31,268	36,337	28,348	25,820	24,176
Depreciation and amortization	36,529	30,504	26,046	25,536	26,344	26,623
Year-end financial position:						
Total current assets	330,521	342,450	340,986	314,680	286,975	256,538
Property, plant and equipment, net	238,831	243,466	245,485	226,430	228,907	239,854
Total assets	756,451	782,860	879,153	808,357	748,798	748,791
Total current liabilities	302,033	292,737	341,413	275,345	273,020	268,956
Total fixed liabilities	123,696	121,204	124,598	145,552	157,920	180,217
Net assets*2	330,722	368,919	413,141	377,206	310,197	291,756
Interest-bearing debt	129,408	92,098	111,283	94,607	119,542	153,071
Per share (in yen)						
Net income (loss), non-diluted (EPS)	¥ 1.93	¥ 46.16	¥ 48.19	¥ 37.78	¥ 41.48	¥ 28.00
Net assets*3	612.93	683.11	761.69	711.54	582.42	548.16
Cash dividends	10	15	14	11	10	7

Notes: *1. Free cash flow = CF operating activities + CF investing activities - Dividend paid

*2. In response to changes made in accounting standards, the accounting term "net assets" will be adopted for fiscal years starting from or after 2006, and "shareholders' equity" will be used for fiscal years during or prior to 2005.

*3. Due to a change in accounting standard, from FY2006 shareholder's equity per share is being presented as net assets per share. Figures prior to FY 2006 have not been restated to reflect this change.

	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003
Ratios and Other Information:						
Gross profit/Net sales (%)	27.2	28.5	29.1	29.1	29.3	28.9
Operating income ratio (%)	3.6	4.5	4.9	4.6	4.3	2.8
Return on sales (ROS) (%)	0.1	2.5	2.8	2.3	2.6	1.8
Return on equity (ROE) (%)	0.3	6.4	6.5	5.9	7.4	5.3
Return on total assets (ROA) (%)	3.8	4.6	5.6	5.6	5.1	3.7
Total assets turnover (Times)	1.21	1.15	1.10	1.14	1.14	1.09
Inventory turnover (Times)	7.91	8.50	9.07	9.69	10.16	10.38
Tangible fixed assets turnover (Times)	3.87	3.92	3.93	3.89	3.66	3.34
Payout ratio (%)	518.7	32.5	29.1	29.1	24.1	25.0
Equity ratio (%)	42.6	45.8	45.9	46.7	41.4	39.0
Current ratio (%)	109.4	117.0	99.8	114.3	105.1	95.4
Interest coverage ratio (Times)	14.8	21.9	27.3	20.6	15.2	8.9
Debt/Equity ratio (%)	40.2	25.7	27.6	25.1	38.5	52.5
Stock price (Yen)	490.0	603.0	939.0	997.0	779.0	711.0
PER (Times)	253.89	13.06	19.49	26.39	18.78	25.39
PBR (Times)	0.80	0.88	1.23	1.40	1.34	1.30
Number of shares outstanding (thousands)	539,507	539,507	539,507	539,507	539,507	539,507
EBITDA (Millions of yen)	70,118	73,510	71,204	65,823	62,790	49,704
Number of employees (Non-consolidated)	2,292	2,467	2,572	2,504	2,518	2,553
Number of employees (Consolidated)	19,742	18,907	18,905	17,966	17,002	16,987

- Notes:
1. Stock price and market value are closing prices at the end of fiscal years on the Tokyo Stock Exchange.
 2. ROE and ROA are calculated using the simple average of the beginning and end of term balance sheet figures.
 3. ROA=Ordinary income/Total assets
 4. ROE=Net income/Shareholders' equity
 5. Interest coverage ratio=(Operating income+Interest and dividend income)/(Interest expense)
 6. Debt/Equity ratio=Interest-bearing debt/Shareholders' equity
 7. EBITDA=Operating income + Depreciation and amortization

REVIEW AND ANALYSIS OF CONSOLIDATED RESULTS FOR FISCAL YEAR 2008

Year Ended March 31, 2008

Business Environment

The Japanese economy in fiscal year 2008 was characterized by continuing rising prices for oil and other raw materials in the first half followed by rapidly deteriorating conditions in the second half as the “Lehman Shock,” the collapse of the U.S. investment bank Lehman Brothers, in September triggered a worldwide financial crisis. Conditions continued to worsen through the rest of the fiscal year as dwindling corporate earnings led to reduced capital investment and the worsening employment situation slowed consumer spending. Export-related companies struggled to produce results, particularly companies in the automotive sector. The economic recession also affected overseas markets, and consumer spending and corporate capital investment were also down markedly in the United States and Europe.

The economic recession strongly affected the business environment for the Sekisui Chemical Group companies. Demand was down sharply for the year, particularly in the automotive and IT fields. In automotive-related fields, the slowing markets, notably in the United States, forced automakers to take drastic countermeasures that inevitably included steep cuts in production output. Despite the adverse business conditions, automakers continued seeking solutions to lighten vehicle weights and lower thermal loads, and demand remained strong for the Company’s high-performance interlayer films for laminated glass and other products that contribute to reducing the environmental burden of automobiles. The market for electronic components also deteriorated during the year. The slowing LCD panel market led to declining sales of optical films, LCD chemicals, including liquid crystal spacers and conductive fine particles, and other core Company products. The overall economic conditions also impacted the social infrastructure field, but demand remained relatively strong and continued steadily growing for new infrastructure in developing nations and rehabilitation of existing infrastructure in developed nations. In Japan, the worsening business conditions caused construction demand to fall and increasing new construction postponements and cancellations. Worsening employment conditions and other factors discouraged potential housing purchasers. Fiscal year 2008 housing construction starts were ultimately limited to 1.04 million units, which was flat with the previous year when housing starts plummeted when building construction certification regulations were tightened after the discovery of falsified earthquake-proof data. The deteriorated conditions in the construction industry affected not just the housing construction segment but related segment as well, including housing equipment and construction

materials. The number of public works projects during the year remained in a long-term downward trend. However, need for rainwater and earthquake-proof upgrades and other renovation continued growing, and spending on public works remained a key economic stimulus measure. As awareness of global warming increases, the Company’s housing products are attracting increasing attention for their high level of environmental friendliness and as national and local governments consider offering subsidies to help proliferate the use of solar power generation systems.

The business environment for the Sekisui Chemical Group was extremely severe in fiscal year 2008. At the same time, new business opportunities are emerging for next fiscal year from a clear shift toward new needs and demand along with increasing public works spending, preferential tax treatment, and other economic stimulus measures.

Analysis of Financial Position and Business Results

I. Analysis of Consolidated Business Results for Fiscal Year 2008

1) Net sales

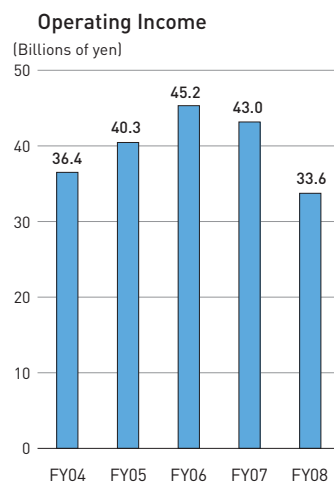
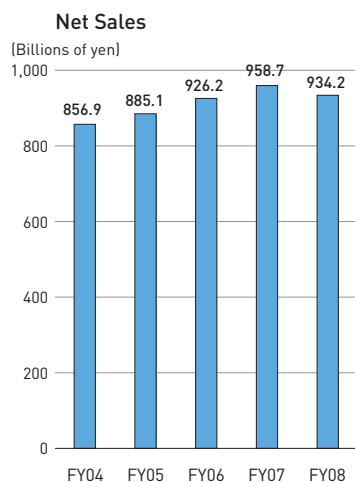
Net sales in fiscal year 2008 amounted to ¥934,225 million, representing a decline of ¥24,449 million, or 2.6%, from the previous fiscal year. Housing Company net sales increased ¥4,514 million, or 1.1%, to ¥424,492 million for the year. In new housing construction, the value of orders edged up 5.7% in the first half of the fiscal year on steady orders of new products targeting first-time homebuyers. Marketing efforts to differentiate the environment and economic features of the company’s products supported substantial increase in the percentage of homes sold with high-performance options, with the percentage of homes sold with solar power generation systems rising to 52.2%, up from 43.5% in the previous year, and homes sold with Warm Airy technology growing to 64.4%, up from 55.0%. Living environment business sales rose 4.4% with support from its fortified refurbishing operations and expanded marketing of its water environment systems and other feature products.

Urban Infrastructure & Environmental Products Company net sales declined ¥8,537 million, or 3.7%, to ¥225,219 million for the year. Sales volumes of its PVC pipes, construction materials, and other core products were down substantially owing to a high number of project postponements and cancellations accompanying the slow recovery in housing starts and global economic recession. The company’s continued to set in place infrastructure for the pipeline renewal business with the acquisi-

tion of the European sewage pipe renewal company Chevalier Pipe Technologies G.m.b.H. Pipeline renewal is one of the UIEP Company's growth fields, and the company is positioning itself to capture top share of the global market.

High Performance Plastics Company net sales declined ¥17,844 million, or 6.4%, to ¥262,642 million for the year. Results were strongly impacted by the rapid deterioration of business conditions and sharp drop in demand, particularly in the automotive and IT fields, that began in the third quarter. Medical field sales remained strong, and the company continued to establish the foundation for full-fledged development of its overseas operations with the acquisition of the pharmacokinetic research company XenoTech, LLC and clinical reagent research company American Diagnostica Inc., both in the United States.

Net sales in Other Businesses declined by ¥2,346 million, or 4.8%, to ¥46,195 million in fiscal year 2008.



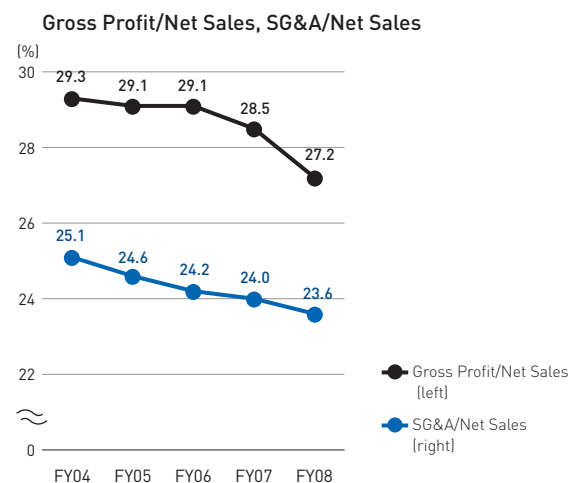
2) Operating Income

Operating income in fiscal year 2008 declined ¥9,416 million, or 21.9%, year on year to ¥33,589 million.

Gross profit declined ¥18,993 million due to a 1.3% decline in profit ratio caused by the influence of the soaring raw material prices and the aforementioned sales decrease. Selling general and administrative (SG&A) expenses decreased ¥9,576 million thanks to the effects of improved management efficiency.

3) Non-operating income and expenses

Non-operating income declined ¥600 million year on year primarily due to a decrease in miscellaneous income. Non-operating expenses declined ¥908 million primarily due to a decrease in foreign exchange loss.



4) Extraordinary Profit and Loss

With regard to extraordinary profit, ¥687 million of gain on the sale of land, etc. was recorded as gain on the sale of fixed assets, mainly because portions of the premises of the Company's Amagasaki Plant were expropriated for a redevelopment site in Amagasaki City. Extraordinary loss amounted to ¥17,283 million, comprised of ¥7,965 million for charges, ¥4,257 million for business structure reform, ¥2,782 million in loss on devaluation of investments in securities, ¥453 million in loss on devaluation of investments in affiliates, ¥70 million in loss on impairment and ¥1,753 million in loss on the sale of fixed assets.

5) Net Income

As a result of the above, income before income taxes and minority interests for fiscal year 2008 decreased ¥32,151 million from the previous year to ¥12,842 million. Deducting taxes and minority interest, net income amounted to ¥1,013 million.

II. Financial Position

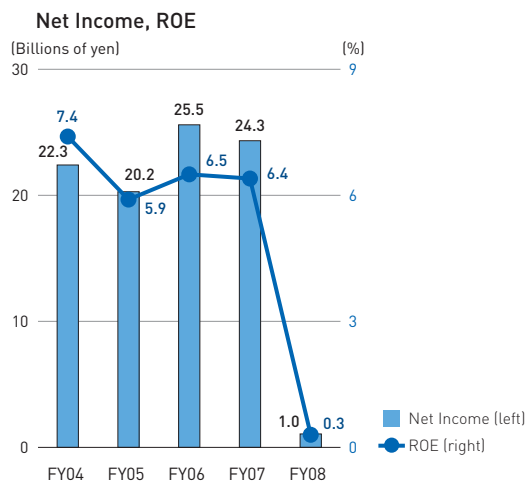
1) Assets, liabilities, and net assets

Total assets at the end of fiscal year 2008 totaled ¥756,450 million, a decrease of ¥26,409 million from the previous fiscal year-end.

(Assets)

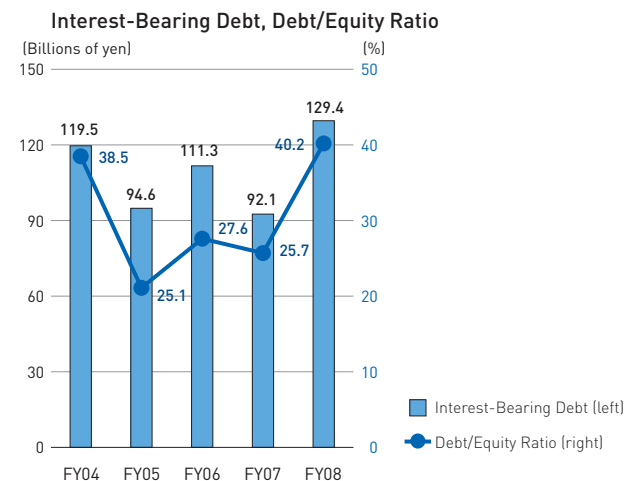
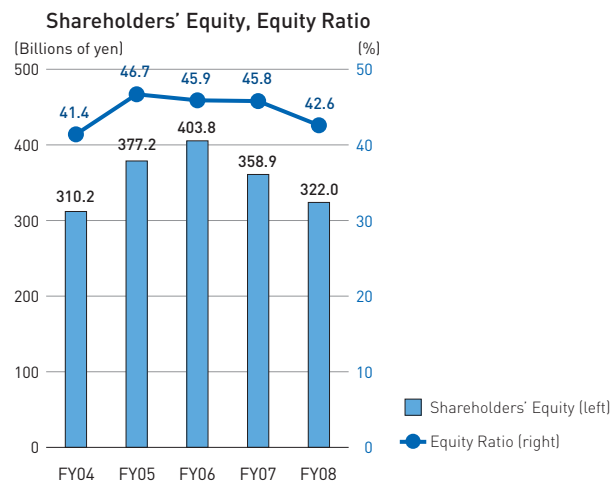
Current assets decreased ¥11,929 million from the previous fiscal year to ¥330,521 million at the end of fiscal year 2008, mainly due to a decline in notes and accounts receivable caused by the sales decline.

Fixed assets decreased ¥14,480 million from the previous year to ¥425,929 million at the end of fiscal year 2008. The main factor was a decline of ¥23,248 million in investments in securities caused by a drop in market value of listed shares, etc.



ROE is calculated using the simple average of the beginning and end of term balance sheet figures.

ROE=Net income/Shareholders' equity



Debt/Equity ratio=Interest-bearing debt/Shareholders' equity

(Liabilities)

Liabilities increased ¥11,788 million to ¥425,729 million at the end of fiscal year 2008. This is because interest-bearing debt increased ¥37,310 million in total, while trade notes, accounts payable, accrued expenses, etc. decreased ¥19,831 million in total.

(Net assets)

Retained earnings decreased ¥7,142 million, mainly due to net income of ¥1,013 million and dividend payments of ¥7,887 million. Unrealized holding gains on securities decreased ¥10,294 million due to a drop in the market value of listed shares. Translation adjustments decreased ¥19,445 million due to the appreciation of the yen. As a result of the above, net assets were ¥330,721 million at the end of fiscal year 2008 and the equity ratio dropped from 45.8% to 42.6%

2) Cash flows

Cash and cash equivalents on a consolidated basis (referred to as “funds” hereinafter) amounted to ¥40,488 million at the end of fiscal year 2008, an increase of ¥10,635 million, or 35.6%, from the end of fiscal year 2007. Factors influencing the fiscal year 2008 cash flow accounts were as follows.

(Cash flow from operating activities)

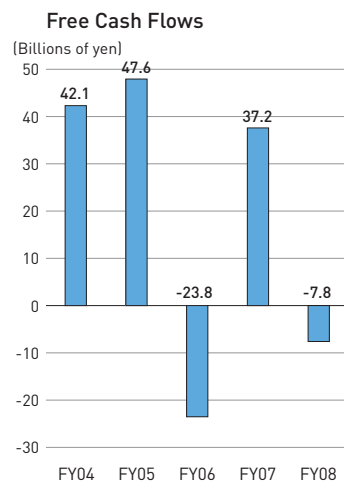
In fiscal year 2008, funds from operating activities increased ¥3,329 million from the previous fiscal year to ¥35,611 million. This is because factors increasing cash flow from operating activities, such as ¥12,842 million in income before income taxes and minority interests, ¥36,529 million in depreciation and amortization and ¥20,363 million in decrease in trade notes and accounts receivable, exceeded factors decreasing cash flow from operating activities, such as ¥17,363 million in decrease in trade notes and accounts payable and ¥14,096 million in income taxes paid.

(Cash flow from investing activities)

In fiscal year 2008, funds from investing activities decreased ¥35,403 million while such funds increased ¥13,521 million in the previous fiscal year. This is primarily attributable to aggressive investment activities, including ¥25,749 million in acquisition of tangible fixed assets centering on priority and growth areas and ¥9,523 million in acquisition of shares in subsidiaries, resulting in a change in the scope of consolidation, as a result of the corporate acquisitions of XenoTech, LLC. and Chevalier Pipe Technologies G.m.b.H.

(Cash flow from financing activities)

In fiscal year 2008, funds from financing activities increased ¥13,889 million while such funds decreased ¥42,801 million in the previous fiscal year. This is mainly because of a net increase in interest-bearing debt that amounted to ¥21,948 million, while dividend payments amounted to ¥7,995 million (including dividends paid to minority shareholders).



Free cash flow=CF operating activities + CF investing activities - Dividend paid

Business Risks

The following factors related to our businesses and accounting practices may materially impact investment decisions. The Company is endeavoring to establish a system that predicts potential risks for the Group, prevents their occurrence, and promptly and appropriately deals with them if they do occur. Forward-looking items contained herein are based upon assessments made by the Sekisui Chemical Group at the end of consolidated fiscal year 2008.

I. Foreign currency fluctuations

The value of the Group's overseas assets held in foreign currencies may be affected when they are converted into yen depending on exchange rates. In addition, our Group employs hedging strategies as needed in response to currency fluctuations, but if the value of the yen moves to levels significantly different from forecasts, it is possible that the business results and financial position of the Group will be affected.

II. Raw material price volatility

When the Group, especially the Urban Infrastructure & Environmental Products Company, is unable to transfer changes in prices of raw materials, such as polyvinyl chloride, olefin and steel, to product prices in a timely manner and cannot obtain sufficient margin, the Group's business results and financial position may be affected.

III. Overseas business activities

Unforeseeable changes in laws and regulations, fragility in the industrial base, and social or political disruptions such as terrorism, war, or other factors may affect the Group's overseas business activities. The emergence of these kinds of risks may obstruct our Group's overseas business activities, affecting the business results and future plans of the Group.

IV. Housing related taxes and interest rate trends

The Group's housing related business is affected by domestic taxes and consumption taxes on house purchases, and by interest rate trends. These trends may impact our housing related businesses and affect the Group's business results and financial position.

V. IT market trends

The IT industry, a market for the Group's High Performance Plastics Company, is characterized by severe changes in demand. A rapid drop in demand within a short period could affect the Group's business results and financial position.

VI. Trends in public works

The Group's Urban Infrastructure & Environmental Products business supplies to the public sector, and therefore is affected by trends in public investment. As public investment is determined by government policy at national and local levels, a decision to reduce public investment may impact the Group's business performance and financial position.

VII. Industrial accidents and disasters

In the event that a fire, explosion or other industrial accident at one of the Group's facilities, were to cause a major impact on the Group's business and on the local community, response costs would be incurred, including accompanying loss of trust from society and compensation payments, and a production stoppage may be necessary, which would involve opportunity costs and compensation to customers. This may affect the Group's business results and financial position.

VIII. Intellectual property and product liability

There is a risk that if disputes pertaining to the Group's intellectual property arise, the decisions made to resolve the issue may be unfavorable to the Group. Also, product defects may cause large-scale product recalls and compensation for damages. It is possible that such situations may arise that cannot be covered by insurance, and thus the Group's business results and financial position may be affected.

CONSOLIDATED BALANCE SHEETS

 Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
 March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2009	2008	2009	2008
Assets				
Current assets:				
Cash and time deposits (Note 20)	¥ 40,842	¥ 30,281	\$ 415,780	\$ 308,264
Marketable securities	1	29	11	298
Trade notes and accounts receivable:				
Unconsolidated subsidiaries and affiliates	2,541	3,251	25,871	33,095
Other	139,845	165,195	1,423,650	1,681,713
Inventories (Note 4)	120,020	116,220	1,221,828	1,183,130
Deferred income taxes (Note 10)	8,339	11,410	84,889	116,161
Short-term loans	1,395	898	14,202	9,139
Other current assets	18,426	16,522	187,572	168,215
Less allowance for doubtful accounts	(888)	(1,356)	(9,035)	(13,807)
Total current assets	330,521	342,450	3,364,768	3,486,208
Property, plant and equipment, at cost (Notes 6 and 7):				
Land	67,711	68,880	689,311	701,217
Buildings and structures	199,734	200,905	2,033,332	2,045,249
Machinery and equipment	330,484	341,858	3,364,392	3,480,175
Tools, furniture and fixtures	68,451	70,219	696,841	714,840
Leased assets	14,428	—	146,876	—
Construction in progress	11,631	7,450	118,403	75,846
	692,439	689,312	7,049,155	7,017,327
Less accumulated depreciation	(453,608)	(445,846)	(4,617,812)	(4,538,796)
Property, plant and equipment, net	238,831	243,466	2,431,343	2,478,531
Investments, long-term loans and other:				
Investments in securities (Note 5)	109,924	133,173	1,119,046	1,355,723
Long-term loans	594	1,007	6,044	10,247
Deferred income taxes (Note 10)	31,835	23,930	324,082	243,608
Goodwill	25,645	20,176	261,075	205,397
Leased assets	354	—	3,604	—
Other	19,538	19,979	198,900	203,396
Less allowance for doubtful accounts	(791)	(1,321)	(8,049)	(13,447)
Total investments, long-term loans and other	187,099	196,944	1,904,702	2,004,924
Total assets	¥756,451	¥782,860	\$7,700,813	\$7,969,663

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2009	2008	2009	2008
Liabilities				
Current liabilities:				
Short-term debt (Note 7)	¥ 28,349	¥ 27,921	\$ 288,599	\$ 284,243
Commercial paper (Note 7)	20,000	—	203,604	—
Current portion of long-term debt (Note 7)	4,097	6,557	41,708	66,752
Bonds redeemable within one year (Note 7)	5,365	—	54,617	—
Trade notes and accounts payable:				
Unconsolidated subsidiaries and affiliates	1,705	2,698	17,353	27,463
Other	117,093	130,380	1,192,030	1,327,301
Lease obligations (Note 8)	4,432	—	45,116	—
Accrued surcharge	7,965	—	81,088	—
Accrued expenses	24,932	30,701	253,814	312,544
Deferred income taxes (Note 10)	148	259	1,504	2,635
Accrued income taxes	6,015	11,161	61,234	113,618
Allowance for employees' bonuses	12,809	13,010	130,399	132,441
Advances received	33,474	34,140	340,772	347,551
Other	35,649	35,910	362,920	365,569
Total current liabilities	302,033	292,737	3,074,758	2,980,117
Long-term liabilities:				
Bonds less current maturities (Note 7)	10,000	15,608	101,802	158,892
Long-term debt less current portion (Note 7)	51,812	42,012	527,454	427,687
Lease obligations (Note 8)	5,353	—	54,498	—
Deferred income taxes (Note 10)	2,952	2,655	30,057	27,032
Accrued retirement benefits (Note 9)	48,196	54,575	490,640	555,584
Other	5,383	6,354	54,795	64,681
Total long-term liabilities	123,696	121,204	1,259,246	1,233,876
Net assets				
Shareholders' equity (Note 11):				
Common stock:				
Authorized - 1,187,540,000 shares				
Issued - 539,507,285 shares at March 31, 2009 and 2008	100,002	100,002	1,018,043	1,018,043
Capital surplus	109,308	109,367	1,112,776	1,113,378
Retained earnings	146,931	154,074	1,495,790	1,568,502
Treasury stock, at cost	(10,833)	(10,844)	(110,287)	(110,396)
Total shareholders' equity	345,408	352,599	3,516,322	3,589,527
Valuation and translation adjustments:				
Unrealized holding loss on securities	(11,227)	(933)	(114,303)	(9,501)
Deferred gain on hedges	7	—	75	—
Unrealized gain on land revaluation (Note 12)	224	218	2,285	2,216
Translation adjustments	(12,412)	7,033	(126,357)	71,602
Total valuation and translation adjustments	(23,408)	6,318	(238,300)	64,317
Stock acquisition rights	387	237	3,938	2,417
Minority interests	8,335	9,765	84,849	99,409
Total net assets	330,722	368,919	3,366,809	3,755,670
Total liabilities and net assets	¥756,451	¥782,860	\$7,700,813	\$7,969,663

CONSOLIDATED STATEMENTS OF INCOME

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
 Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2009	2008	2009	2008
Net sales (Notes 15 and 19)	¥ 934,225	¥ 958,675	\$ 9,510,590	\$ 9,759,491
Cost of sales (Note 15)	680,446	685,903	6,927,070	6,982,616
Gross profit	253,779	272,772	2,583,520	2,776,875
Selling, general and administrative expenses (Note 14)	220,190	229,766	2,241,575	2,339,070
Operating income (Note 19)	33,589	43,006	341,945	437,805
Other income (expenses):				
Interest expense	(2,824)	(2,461)	(28,748)	(25,052)
Interest and dividend income	3,499	3,920	35,624	39,909
Equity in earnings of affiliates	1,409	590	14,346	6,005
Gain on sales of property, plant and equipment	687	—	6,995	—
Gain on sales of investments in securities	—	23,164	—	235,813
Gain on sales of a business	—	478	—	4,866
Surcharge	(7,965)	—	(81,088)	—
Reorganization costs	(4,258)	(10,152)	(43,347)	(103,349)
Loss on devaluation of investments in securities	(2,783)	—	(28,327)	—
Loss on devaluation of investments in an unconsolidated subsidiary and an affiliate	(454)	—	(4,621)	—
Loss on devaluation of inventories	—	(3,069)	—	(31,246)
Loss on impairment of fixed assets (Note 6)	(71)	(1,374)	(719)	(13,988)
Loss on sales or disposal of property, plant and equipment	(1,753)	(2,600)	(17,849)	(26,472)
Foreign exchange loss	(2,616)	(3,784)	(26,635)	(38,530)
Other, net	(3,618)	(2,725)	(36,841)	(27,720)
Income before income taxes and minority interests	12,842	44,993	130,735	458,041
Income taxes (Note 10):				
Current	9,030	16,433	91,925	167,295
Deferred	2,485	3,513	25,302	35,760
Minority interests	314	747	3,195	7,606
Net income	¥ 1,013	¥ 24,300	\$ 10,313	\$ 247,380

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
 Years ended March 31, 2009 and 2008

	Millions of yen										
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding loss on securities	Deferred gain on hedges	Unrealized gain on land revaluation	Translation adjustments	Stock acquisition rights	Minority interests	Total net assets
Balance at March 31, 2007	¥ 100,002	¥ 109,420	¥ 137,713	¥ (6,376)	¥ 57,428	¥ —	¥ 217	¥ 5,419	¥ 74	¥ 9,244	¥ 413,141
Net income for the year	—	—	24,300	—	—	—	—	—	—	—	24,300
Cash dividends	—	—	(7,924)	—	—	—	—	—	—	—	(7,924)
Decrease in retained earnings resulting from inclusion of subsidiaries in consolidation	—	—	(9)	—	—	—	—	—	—	—	(9)
Decrease in retained earnings resulting from exclusion of subsidiaries from consolidation	—	—	(6)	—	—	—	—	—	—	—	(6)
Gain on sales of treasury stock	—	(53)	—	266	—	—	—	—	—	—	213
Increase in treasury stock	—	—	—	(4,734)	—	—	—	—	—	—	(4,734)
Net changes in items other than shareholders' equity	—	—	—	—	(58,361)	—	1	1,614	163	521	(56,062)
Balance at March 31, 2008	¥ 100,002	¥ 109,367	¥ 154,074	¥ (10,844)	¥ (933)	¥ —	¥ 218	¥ 7,033	¥ 237	¥ 9,765	¥ 368,919
Effect of change in accounting policies applied to foreign subsidiaries	—	—	(42)	—	—	—	—	—	—	—	(42)
Net income for the year	—	—	1,013	—	—	—	—	—	—	—	1,013
Cash dividends	—	—	(7,888)	—	—	—	—	—	—	—	(7,888)
Decrease in retained earnings resulting from inclusion of subsidiaries in consolidation	—	—	(226)	—	—	—	—	—	—	—	(226)
Gain on sales of treasury stock	—	(59)	—	161	—	—	—	—	—	—	102
Increase in treasury stock	—	—	—	(150)	—	—	—	—	—	—	(150)
Net changes in items other than shareholders' equity	—	—	—	—	(10,294)	7	6	(19,445)	150	(1,430)	(31,006)
Balance at March 31, 2009	¥ 100,002	¥ 109,308	¥ 146,931	¥ (10,833)	¥ (11,227)	¥ 7	¥ 224	¥ (12,412)	¥ 387	¥ 8,335	¥ 330,722

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (CONTINUED)

 Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
 Years ended March 31, 2009 and 2008

	Thousands of U.S. dollars (Note 1)										
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding loss on securities	Deferred gain on hedges	Unrealized gain on land revaluation	Translation adjustments	Stock acquisition rights	Minority interests	Total net assets
Balance at March 31, 2007	\$ 1,018,043	\$ 1,113,920	\$ 1,401,942	\$ (64,906)	\$ 584,626	\$ —	\$ 2,205	\$ 55,168	\$ 753	\$ 94,108	\$ 4,205,859
Net income for the year	—	—	247,380	—	—	—	—	—	—	—	247,380
Cash dividends	—	—	(80,670)	—	—	—	—	—	—	—	(80,670)
Decrease in retained earnings resulting from inclusion of subsidiaries in consolidation	—	—	(89)	—	—	—	—	—	—	—	(89)
Decrease in retained earnings resulting from exclusion of subsidiaries from consolidation	—	—	(61)	—	—	—	—	—	—	—	(61)
Gain on sales of treasury stock	—	(542)	—	2,706	—	—	—	—	—	—	2,164
Increase in treasury stock	—	—	—	(48,196)	—	—	—	—	—	—	(48,196)
Net changes in items other than shareholders' equity	—	—	—	—	(594,127)	—	11	16,434	1,664	5,301	(570,717)
Balance at March 31, 2008	\$ 1,018,043	\$ 1,113,378	\$ 1,568,502	\$ (110,396)	\$ (9,501)	\$ —	\$ 2,216	\$ 71,602	\$ 2,417	\$ 99,409	\$ 3,755,670
Effect of change in accounting policies applied to foreign subsidiaries	—	—	(429)	—	—	—	—	—	—	—	(429)
Net income for the year	—	—	10,313	—	—	—	—	—	—	—	10,313
Cash dividends	—	—	(80,292)	—	—	—	—	—	—	—	(80,292)
Decrease in retained earnings resulting from inclusion of subsidiaries in consolidation	—	—	(2,304)	—	—	—	—	—	—	—	(2,304)
Gain on sales of treasury stock	—	(602)	—	1,645	—	—	—	—	—	—	1,043
Increase in treasury stock	—	—	—	(1,536)	—	—	—	—	—	—	(1,536)
Net changes in items other than shareholders' equity	—	—	—	—	(104,802)	75	69	(197,959)	1,521	(14,560)	(315,656)
Balance at March 31, 2009	\$ 1,018,043	\$ 1,112,776	\$ 1,495,790	\$ (110,287)	\$ (114,303)	\$ 75	\$ 2,285	\$ (126,357)	\$ 3,938	\$ 84,849	\$ 3,366,809

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
 Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2009	2008	2009	2008
Operating activities:				
Income before income taxes and minority interests	¥ 12,842	¥ 44,993	\$ 130,735	\$ 458,041
Adjustments for:				
Depreciation and amortization	36,529	30,504	371,875	310,529
Amortization of goodwill	2,427	1,697	24,705	17,284
Loss on impairment of fixed assets	71	1,374	719	13,988
Loss on disposal of fixed assets	1,642	2,204	16,720	22,437
Gain on sales of investments in securities	—	(23,164)	—	(235,813)
Loss on devaluation of investments in securities	2,783	—	28,327	—
Decrease in accrued retirement benefits	(5,914)	(6,126)	(60,210)	(62,368)
Equity in earnings of affiliates	(1,409)	(590)	(14,346)	(6,005)
Interest expense	2,824	2,461	28,748	25,052
Interest and dividend income	(3,499)	(3,920)	(35,624)	(39,909)
Decrease in trade notes and accounts receivable	20,363	9,587	207,301	97,599
Increase in inventories	(6,079)	(5,309)	(61,887)	(54,049)
Decrease in trade notes and accounts payable	(17,364)	(6,268)	(176,766)	(63,806)
Decrease in advances received	(733)	(3,679)	(7,465)	(37,460)
Other	3,984	4,085	40,567	41,591
Subtotal	48,467	47,849	493,399	487,111
Interest and dividends received	3,952	4,345	40,238	44,231
Interest paid	(2,711)	(2,517)	(27,599)	(25,625)
Income taxes paid	(14,097)	(17,894)	(143,509)	(182,162)
Net cash provided by operating activities	35,611	31,783	362,529	323,555

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
 Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2009	2008	2009	2008
Investing activities:				
Purchases of property, plant and equipment	¥ (25,749)	¥ (32,363)	\$ (262,132)	\$ (329,462)
Proceeds from sales of property, plant and equipment	1,199	961	12,206	9,781
Acquisition of investments in securities	(3,877)	(3,004)	(39,465)	(30,582)
Proceeds from sales or redemption of investments in securities	5,374	53,627	54,707	545,941
Acquisition of investments in subsidiaries resulting in change in scope of consolidation (Note 20)	(9,523)	—	(96,952)	—
Proceeds from sales of investments in subsidiaries	—	1,381	—	14,065
Acquisition of a business	—	(5,780)	—	(58,843)
Acquisition of shares from minority interests in consolidated subsidiaries	—	(376)	—	(3,825)
Purchases of intangible assets	(1,913)	(1,971)	(19,476)	(20,065)
Collection of long-term loans receivable	—	68	—	696
Payments for long-term loans receivable	—	(282)	—	(2,868)
Other	(914)	1,261	(9,300)	12,815
Net cash (used in) provided by investing activities	(35,403)	13,522	(360,412)	137,653
Financing activities:				
Decrease in short-term debt, net	(494)	(110)	(5,025)	(1,122)
Repayments of lease obligations	(5,851)	—	(59,564)	—
Increase (decrease) in commercial paper	20,000	(3,000)	203,604	(30,541)
Repayment of bonds	—	(10,000)	—	(101,802)
Proceeds from long-term debt	15,592	15,714	158,730	159,968
Repayment of long-term debt	(7,299)	(32,316)	(74,308)	(328,983)
Cash dividends paid	(7,885)	(7,922)	(80,273)	(80,647)
Cash dividends paid to minority shareholders of consolidated subsidiaries	(110)	(186)	(1,125)	(1,891)
Purchases of treasury stock	(148)	(4,733)	(1,503)	(48,187)
Proceeds from sales of treasury stock	—	13	—	136
Other	84	(261)	858	(2,657)
Net cash provided by (used in) financing activities	13,889	(42,801)	141,394	(435,726)
Effect of exchange rate changes on cash and cash equivalents	(3,826)	(297)	(38,944)	(3,021)
Net increase in cash and cash equivalents	10,271	2,207	104,567	22,461
Cash and cash equivalents at beginning of year	29,853	25,969	303,908	264,368
Increase in cash and cash equivalents resulting from initial consolidation of subsidiaries	364	1,697	3,701	17,284
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(20)	—	(205)
Cash and cash equivalents at end of year (Note 20)	¥ 40,488	¥ 29,853	\$ 412,176	\$ 303,908

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
March 31, 2009

1. Basis of Preparation of Consolidated Financial Statements

Sekisui Chemical Co., Ltd. (the "Company") and its domestic consolidated subsidiaries maintain their books of account and records in accordance with accounting principles generally accepted in Japan, and its overseas consolidated subsidiaries maintain their books in conformity with those of their respective countries of domicile.

The accompanying consolidated financial statements of the Company and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2008 to the 2009 presentation. Such reclassifications had no effect on consolidated net income or net assets.

The accompanying consolidated financial statements are expressed in yen and have been translated into U.S. dollars from yen solely for convenience, as a matter of arithmetic computation only, at ¥98.23 = U.S.\$1.00, the rate of exchange prevailing on March 31, 2009. This translation should not be construed as a representation that the yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

At March 31, 2009, the Company had 194 subsidiaries as opposed to 178 at March 31, 2008. The accompanying consolidated financial statements for the years ended March 31, 2009 and 2008 include the accounts of the Company and its 150 and 130 significant subsidiaries (the "Companies"), respectively.

The accounts of the remaining 44 and 48 subsidiaries have not been consolidated with those of the Company at March 31, 2009 and 2008, respectively, because their combined assets, retained earnings, net sales and net income (loss) in the aggregate were not material to the consolidated financial statements.

The overseas consolidated subsidiaries have a December 31 year end which differs from that of the Company. As a result, adjustments have been made for any significant intercompany

transactions which took place during the period between the year ends of these overseas subsidiaries and the year end of the Company.

Unrealized intercompany profit and loss among the Companies have been entirely eliminated and the portion attributable to minority interests has been charged to minority interests.

At March 31, 2009 and 2008, although the Company had 44 and 48 unconsolidated subsidiaries, respectively, and 16 affiliates, the Company has applied the equity method to investments in 8 major affiliates, including Sekisui Plastics Co., Ltd. and Sekisui Jushi Corp. for the purpose of the consolidated financial statements for the years then ended since the investments in the remaining unconsolidated subsidiaries and affiliates were not material.

(2) Foreign Currency Transactions

Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into yen at the rates of exchange in effect at the respective transaction dates. Gain or loss on foreign exchange is credited or charged to income in the period in which the gain or loss is recognized for financial reporting purposes.

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date and gain or loss on each translation is credited or charged to income.

The balance sheet accounts of the overseas consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date except that the components of net assets excluding minority interests are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rates of exchange in effect during the year. Adjustments resulting from translating foreign currency financial statements are not included in the determination of net income and are reported as translation adjustments and minority interests in the accompanying consolidated balance sheets.

(3) Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flows, cash and cash equivalents include cash-on-hand and in banks and other highly liquid investments with maturities of three months or less when purchased.

(4) Inventories

Inventories are stated at the lower of cost or net selling value, cost being determined primarily by the average method.

(5) Securities

Securities other than those of unconsolidated subsidiaries and affiliates are classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities are carried at fair value. Gain or loss, both realized and unrealized, is credited or charged to income. Held-to-maturity debt securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of net assets. Cost of securities sold is determined by the moving average method. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

(6) Property, Plant and Equipment and Depreciation (excluding leased assets)

Depreciation of buildings (except for structures attached to the buildings) is computed principally by the straight-line method based on the estimated useful lives of the respective assets.

Depreciation of other property, plant and equipment is computed principally by the declining-balance method based on the estimated useful lives of the respective assets.

(Supplementary information)

The Company and domestic consolidated subsidiaries have changed the useful lives of some machinery and equipment. This change was made based on an amendment to the Corporation Tax Law of Japan. The effect of this change on the consolidated financial statements and segment information was immaterial for the year ended March 31, 2009.

Depreciation for property, plant and equipment acquired before April 1, 2007 is computed based on a salvage value of 5% of acquisition cost. Effective the year ended March 31, 2008, the amount between the salvage value (5% of acquisition cost) and memorandum value is depreciated from the year following the year in which the book value of the asset reaches 5% of its acquisition cost by the straight-line method over a period of 5 years. This change was made based on an amendment to the Corporation Tax Law of Japan. As a result of this change, operating income and income before income taxes and minority interests decreased by ¥1,903 million (\$19,375 thousand) for the year ended March 31, 2008 from the corresponding amounts which would have been recorded under the method applied in the previous year.

(7) Leased assets

Leased assets arising from finance lease transactions which do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method using the contract term as the useful life.

(8) Goodwill and negative goodwill

Goodwill and negative goodwill are amortized over a period of 5 years by the straight-line method. If the economic useful life can be estimated, the useful life is used as the amortization period. Immaterial amounts, however, are charged to income.

(9) Allowance for Employees' Bonuses

Allowance for employees' bonuses is provided at the estimated amount of bonuses to be paid to the employees in the following year which has been allocated to the current fiscal year.

(10) Accrued Retirement Benefits

The Company and the domestic consolidated subsidiaries have non-contributory defined benefit pension plans and retirement benefit plans. Certain overseas consolidated subsidiaries have defined contribution retirement plans.

Accrued retirement benefits are provided based on the amount of the projected benefit obligation reduced by the pension plan assets at fair value at the end of the year.

Prior service cost is amortized by the straight-line method over a period of 5 years, which is within the estimated average remaining years of service of the eligible employees.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over a period of 5 years, which is within the estimated average remaining years of service of the eligible employees.

Certain consolidated subsidiaries have retirement benefit plans for their officers which are stated at 100 percent of the estimated amount calculated in accordance with each subsidiary's internal rules.

(11) Research and Development Costs and Computer Software (excluding leased assets)

Research and development costs are charged to income when incurred. Expenditures relating to computer software developed for internal use are charged to income when incurred, unless these contribute to the generation of future income or cost savings. Such expenditures are capitalized as assets and amortized by the straight-line method over their respective estimated useful lives, generally a period of 5 years.

(12) Income Taxes

Income taxes are calculated based on taxable income and charged to income on an accrual basis. Certain temporary differences exist between taxable income and income reported for financial statement purposes which are entered into the determination of taxable income in different periods.

The Company has recognized the tax effect of such temporary differences in the accompanying consolidated financial statements.

(13) Derivatives and Hedging Activities

The Company and certain consolidated subsidiaries have entered into derivatives transactions in order to manage the risk arising from adverse fluctuation in foreign currency exchange rates and interest rates. Derivatives are carried at fair value with any changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss, net of the applicable income taxes, is reported as a component of net assets.

If interest rates swap contracts meet certain hedging criteria, net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract is executed.

3. Changes in Method of Accounting

(1) Accounting Policies Applied to Foreign Subsidiaries

Effective the year ended March 31, 2009, the Company and its foreign consolidated subsidiaries have adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18 issued on May 17, 2006), and made the necessary adjustments on the consolidated financial statements. The effect of the adoption of PITF No. 18 on the consolidated financial statements and segment information was immaterial for the year ended March 31, 2009.

(2) Lease Transactions

Up to the year ended March 31, 2008, finance lease transactions which do not transfer ownership to lessee were accounted for as operating leases.

Effective the year ended March 31, 2009, as the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 originally issued by the First Committee of the Business Accounting Council on June 17, 1993 and revised by the ASBJ on March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 originally issued by the Accounting System Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994 and revised by the ASBJ on March 30, 2007) have been applied, lease transactions of the Company and its domestic consolidated subsidiaries are accounted for as finance leases if substantially all of the benefits and risks of ownership have been transferred to the lessee. As a result of the adoption of this accounting standard and the related guidance, operating income increased by ¥238 million (\$2,418 thousand), and income before income taxes and minority interests decreased by ¥1 million (\$14 thousand) 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 this change on segment information was immaterial for the year ended March 31, 2009.

Effective April 1, 2008, since the Company and its domestic consolidated subsidiaries applied the accounting standard for lease transactions outlined above, finance lease transactions outstanding at April 1, 2008 were recognized as leased assets in the consolidated balance sheet at March 31, 2009, for which acquisition value is the aggregate future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2008.

(3) Measurement of Inventories

Effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan (ASBJ) Statement No. 9 issued on July 5, 2006). As a result of the adoption of this accounting standard, operating income increased by ¥1,246 million (\$12,692 thousand) and income before income taxes and minority interests decreased by ¥1,822 million (\$18,554 thousand) for the year ended March 31, 2008 as compared to the corresponding amounts which would have been recorded under the method applied in the previous year.

(4) Depreciation of Property, Plant and Equipment

Effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries changed their method of accounting for depreciation of property, plant and equipment acquired on or after April 1, 2007. This change was made based on an amendment to the Corporation Tax Law of Japan. As a result of this change, operating income and income before income taxes and minority interests decreased by ¥843 million (\$8,588 thousand) for the year ended March 31, 2008 from the corresponding amounts which would have been recorded under the method applied in the previous year.

4. Inventories

Inventories at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2009	2008	2009	2008
Merchandise and finished goods	¥ 44,334	¥ 41,596	\$ 451,328	\$ 423,451
Work in process	32,716	32,456	333,056	330,408
Raw materials and supplies	19,162	17,812	195,072	181,325
Land for sale	23,808	24,356	242,372	247,946
	¥ 120,020	¥ 116,220	\$ 1,221,828	\$ 1,183,130

5. Investments in Securities

(1) Other securities with available fair market value at March 31, 2009 and 2008 are summarized as follows:

	Millions of yen			
	2009			
	Cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)
Equity securities	¥ 84,944	¥ 3,371	¥ (22,087)	¥ 66,228
Bonds and debentures	25	—	—	25
	¥ 84,969	¥ 3,371	¥ (22,087)	¥ 66,253

	Millions of yen			
	2008			
	Cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)
Equity securities	¥ 86,311	¥ 6,514	¥ (8,427)	¥ 84,398
Bonds and debentures	5	0	—	5
	¥ 86,316	¥ 6,514	¥ (8,427)	¥ 84,403

	Thousands of U.S. dollars			
	2009			
	Cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)
Equity securities	\$ 864,745	\$ 34,318	\$ (224,846)	\$ 674,217
Bonds and debentures	255	—	—	255
	\$ 865,000	\$ 34,318	\$ (224,846)	\$ 674,472

	Thousands of U.S. dollars			
	2008			
	Cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)
Equity securities	\$ 878,662	\$ 66,309	\$ (85,785)	\$ 859,186
Bonds and debentures	51	0	—	51
	\$ 878,713	\$ 66,309	\$ (85,785)	\$ 859,237

Impairment loss on other securities with available fair market value amounting to ¥2,707 million (\$27,560 thousand) was recorded for the year ended March 31, 2009.

(2) The book value of investments in securities with no available fair market value at March 31, 2009 and 2008 is summarized as follows:

	Millions of yen	
	2009	2008
Held-to-maturity debt securities:		
Unlisted foreign debt securities	¥ 10,028	¥ 10,074
Other securities:		
Unlisted securities	2,637	2,574
Unlisted foreign securities	1,507	5,030
Total	¥ 14,172	¥ 17,678

	Thousands of U.S. dollars	
	2009	2008
Held-to-maturity debt securities:		
Unlisted foreign debt securities	\$ 102,089	\$ 102,560
Other securities:		
Unlisted securities	26,842	26,205
Unlisted foreign securities	15,345	51,202
Total	\$ 144,276	\$ 179,967

(3) The proceeds from sales of, and gross realized gain and loss on, other securities for the years ended March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars	
	2009	2008	2009	2008
Proceeds from sales	¥ 458	¥ 54,532	\$ 4,665	\$ 555,149
Gross realized gain	3	22,551	33	229,569
Gross realized loss	(11)	(1)	(110)	(9)

- (4) The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity debt securities at March 31, 2009 is summarized as follows:

	Millions of yen		
	2009		
	Due in one year or less	Due after one year through five years	Due after five years through ten years
Government and municipal bonds	¥ 1	¥ 52	¥ —
Corporate bonds	—	10,000	—
Total	¥ 1	¥ 10,052	¥ —

	Thousands of U.S. dollars		
	2009		
	Due in one year or less	Due after one year through five years	Due after five years through ten years
Government and municipal bonds	\$ 11	\$ 531	\$ —
Corporate bonds	—	101,802	—
Total	\$ 11	\$ 102,333	\$ —

6. Loss on Impairment of Fixed Assets

The Company and its consolidated subsidiaries group their fixed assets by cash-generating units (except for idle property which is grouped individually) and these are defined as the smallest identifiable groups of assets generating cash inflows which are largely independent of the cash inflows from other assets or groups of assets.

As a result of a decline in land prices, the carrying value of these assets (or groups of assets), whose market value has decreased significantly from their original carrying value, has been reduced to their respective recoverable amounts. Accordingly, for the year ended March 31, 2008, a total impairment loss of ¥1,374 million (\$13,988 thousand) was recognized, which consisted of ¥774 million (\$7,882 thousand) on land and ¥600 million (\$6,106 thousand) on buildings and structures.

The recoverable amounts of the assets (or groups of assets) are measured based on their respective estimated selling value determined by the Company.

7. Short-Term Debt, Commercial Paper, Bonds and Long-Term Debt

- (1) Short-term debt
The average interest rates of short-term debt outstanding at March 31, 2009 and 2008 were 2.18%.

- (2) Commercial Paper
The average interest rate of commercial paper outstanding at March 31, 2009 was 0.37%.

- (3) Bonds outstanding at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2009	2008	2009	2008
2.22% bonds due December 2009	¥ 5,000	¥ 5,000	\$ 50,901	\$ 50,900
2.04% bonds due May 2010	10,000	10,000	101,802	101,802
4.80% bonds due July 2009	365	608	3,716	6,190
	15,365	15,608	156,419	158,892
Less current maturities	(5,365)	—	(54,617)	—
	¥ 10,000	¥ 15,608	\$ 101,802	\$ 158,892

- (4) Long-term debt at March 31, 2009 and 2008 was as follows:

	Millions of yen		Thousands of U.S. dollars	
	2009	2008	2009	2008
Secured	¥ 2,464	¥ 2,972	\$ 25,082	\$ 30,252
Unsecured	53,445	45,597	544,080	464,187
	55,909	48,569	569,162	494,439
Less current portion	(4,097)	(6,557)	(41,708)	(66,752)
	¥ 51,812	¥ 42,012	\$ 527,454	\$ 427,687

As is customary in Japan, substantially all loans (including short-term loans) from banks are made under general agreements which provide that, at the request of the respective banks, the Company or the relevant consolidated subsidiary be required to provide collateral or guarantors (or additional collateral or guarantors, as appropriate) with respect to such loans, and that all assets pledged as collateral under such agreements be applicable to all present and future indebtedness to the banks concerned. The general agreements further provide that the banks have the right, as the indebtedness matures or becomes due prematurely by reason of default, to offset deposits at such banks against any indebtedness due to the banks.

The annual maturities of bonds and long-term debt subsequent to March 31, 2009 are summarized below:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	¥ 4,097	\$ 41,708
2011	5,348	54,443
2012	16,077	163,663
2013	10,907	111,036
2014	15,621	159,030
2015 and thereafter	3,859	39,282
	¥ 55,909	\$ 569,162

- (5) At March 31, 2009, the following assets were pledged as collateral for long-term and short-term debt and trade notes and accounts payable:

	Millions of yen	Thousands of U.S. dollars
Buildings and structures, at book value	¥ 2,515	\$ 25,604
Machinery	793	8,077
Land	3,859	39,283
Intangible fixed assets	220	2,235
Other	2,178	22,174
	¥ 9,565	\$ 97,373

- (6) In order to achieve more efficient and flexible financing, the Company has concluded line-of-credit agreements with certain financial institutions. The status of these at March 31, 2009 was as follows:

	Millions of yen	Thousands of U.S. dollars
Lines of credit	¥ 10,000	\$ 101,802
Credit used	—	—
Available credit	¥ 10,000	\$ 101,802

8. Lease Obligations

The annual maturities of lease obligations subsequent to March 31, 2009 are summarized below:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	¥ 4,432	\$ 45,116
2011	2,749	27,988
2012	1,502	15,294
2013	800	8,144
2014	243	2,477
2015 and thereafter	59	595
	¥ 9,785	\$ 99,614

9. Accrued Retirement Benefits

The following table sets forth the funded and accrued status of the retirement benefit plans for employees and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2009 and 2008 for the Companies' defined benefit pension plans:

	Millions of yen		Thousands of U.S. dollars	
	2009	2008	2009	2008
Retirement benefit obligation				
at end of year	¥ (107,098)	¥ (110,757)	\$ (1,090,274)	\$ (1,127,529)
Fair value of plan assets at end of year	48,521	60,138	493,950	612,217
Unfunded retirement benefit obligation	(58,577)	(50,619)	(596,324)	(515,312)
Unrecognized actuarial loss (gain)	11,517	(367)	117,244	(3,734)
Unrecognized prior service cost	340	(1,789)	3,461	(18,211)
Net retirement benefit obligation	(46,720)	(52,775)	(475,619)	(537,257)
Prepaid pension cost	15	312	151	3,178
Accrued retirement benefits	¥ (46,735)	¥ (53,087)	\$ (475,770)	\$ (540,435)

At March 31, 2009 and 2008, accrued retirement benefits of ¥48,196 million (\$490,640 thousand) and ¥54,575 million (\$555,584 thousand), respectively, reflected in the accompanying consolidated balance sheets included accrued retirement benefits for officers of ¥1,461 million (\$14,870 thousand) and ¥1,488 million (\$15,149 thousand), respectively.

The components of retirement benefit expenses for the years ended March 31, 2009 and 2008 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars	
	2009	2008	2009	2008
Service cost	¥ 8,195	¥ 7,511	\$ 83,425	\$ 76,466
Interest cost	2,489	2,582	25,342	26,282
Expected return on plan assets	(1,936)	(2,135)	(19,705)	(21,733)
Amortization:				
Unrecognized actuarial gain	(1,983)	(113)	(20,185)	(1,152)
Prior service cost	(2,134)	(2,183)	(21,727)	(22,226)
Retirement benefit expenses	¥ 4,631	¥ 5,662	\$ 47,150	\$ 57,637

In addition to retirement benefit expenses listed above, the Company and domestic consolidated subsidiaries accounted for additional payments of retirement benefits of ¥2,502 million (\$25,446 thousand) and ¥8,109 million (\$82,554 thousand) as reorganization costs for the years ended March 31, 2009 and 2008, respectively.

The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2009 and 2008 were as follows:

	2009	2008
Discount rate	2.5%	2.5%
Expected rates of return on plan assets	1.0% ~ 3.5%	1.0% ~ 3.5%

10. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries consist of corporation, inhabitants' and enterprise taxes, which, in the aggregate, resulted in a statutory tax rate of approximately 40.4% for the years ended March 31, 2009 and 2008.

The effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2009 and 2008 differ from the above statutory tax rate for the following reasons:

	2009	2008
Statutory tax rate	40.4%	40.4%
Surcharge	25.1	—
Temporary differences arising from consolidation without tax effect	19.2	—
Differences in income tax rates applied to overseas consolidated subsidiaries	(3.8)	(3.4)
Non-deductible expenses	6.4	2.3
Non-application of tax effect on temporary differences of certain consolidated subsidiaries	—	2.1
Other	2.4	2.9
Effective tax rates	89.7%	44.3%

Deferred income taxes reflect the net tax effect of the temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the corresponding amounts reported for income tax purposes. The significant components of the Companies' deferred tax assets and liabilities at March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars	
	2009	2008	2009	2008
Deferred tax assets:				
Retirement benefits	¥ 19,451	¥ 21,876	\$ 198,018	\$ 222,707
Tax loss carryforwards	11,736	8,000	119,470	81,437
Accrued bonuses	5,144	5,154	52,370	52,465
Loss on impairment of fixed assets	3,165	5,652	32,215	57,535
Unrealized gain	2,903	4,844	29,549	49,310
Loss on devaluation of investments in securities	3,631	2,478	36,964	25,231
Unrealized holding loss on securities	7,390	757	75,227	7,710
Other	7,490	7,965	76,265	81,091
Valuation allowance	(13,280)	(13,841)	(135,194)	(140,902)
Total deferred tax assets	47,630	42,885	484,884	436,584
Deferred tax liabilities:				
Revaluation of investments in affiliates	3,864	3,864	39,340	39,340
Deferred capital gains on property	2,113	2,360	21,511	24,029
Adjustment for allowance for doubtful accounts	82	91	835	926
Other	4,497	4,144	45,788	42,187
Total deferred tax liabilities	10,556	10,459	107,474	106,482
Net deferred tax assets	¥ 37,074	¥ 32,426	\$ 377,410	\$ 330,102

11. Shareholders' Equity

The Corporation Law of Japan (the "Law") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

Retained earnings include the legal reserve provided in accordance with the provisions of the Law. The legal reserve of the Company included in retained earnings amounted to ¥10,363 million (\$105,497 thousand) at March 31, 2009 and 2008.

Stock-based compensation plan

In accordance with the former Commercial Code of Japan (the "Code"), a stock option plan for directors and key employees of the Company and for representative directors of certain subsidiaries and affiliates was approved at the annual general meeting of the shareholders held on June 29, 2004.

In accordance with the Code, a stock option plan for directors and key employees of the Company and for representative directors of certain subsidiaries and affiliates was approved at the annual general meeting of the shareholders held on June 29, 2005.

In accordance with the Law, a stock option plan for directors and key employees of the Company and for representative directors, certain directors and key employees of certain subsidiaries and affiliates was approved at the annual general meeting of the shareholders held on June 29, 2006.

In accordance with the Law, a stock option plan for directors and key employees of the Company and for representative directors, certain directors and key employees of certain subsidiaries and affiliates was approved at the annual general meeting of the shareholders held on June 28, 2007.

In accordance with the Law, a stock option plan for directors, executive officers and key employees of the Company and for representative directors, certain directors and key employees of certain subsidiaries and affiliates was approved at the annual general meeting of the shareholders held on June 27, 2008.

The stock option plans outlined above are summarized as follows:

Date of approval	Number of stock options outstanding at March 31, 2009 (Number of shares)	Exercise price at March 31, 2009 (Yen)	Exercisable period
June 29, 2004	784,000	¥ 888	From July 1, 2006 up to and including June 30, 2009
June 29, 2005	952,000	775	From July 1, 2007 up to and including June 30, 2010
June 29, 2006	1,090,000	1,045	From July 1, 2008 up to and including June 30, 2011
June 28, 2007	1,050,000	1,010	From July 1, 2009 up to and including June 30, 2012
June 27, 2008	1,140,000	734	From July 1, 2010 up to and including June 30, 2013

Common stock and treasury stock

Movements in common stock in issue and treasury stock for the years ended March 31, 2009 and 2008 are summarized as follows:

	Number of shares			
	2009			
	March 31, 2008	Increase	Decrease	March 31, 2009
Common stock	539,507,285	—	—	539,507,285
Treasury stock	14,088,433	280,898	207,466	14,161,865

	Number of shares			
	2008			
	March 31, 2007	Increase	Decrease	March 31, 2008
Common stock	539,507,285	—	—	539,507,285
Treasury stock	9,337,271	5,096,264	345,102	14,088,433

12. Land Revaluation

Sekisui Plastics Co., Ltd., which has been accounted for by the equity method, revalued its land held for business use in accordance with the “Land Revaluation Law” and the “Amended Land Revaluation Law.” As a result of this revaluation by Sekisui Plastics Co., Ltd., the Company recognized the portion attributable to the Company’s interest in the unrealized gain on land revaluation and this has been accounted for under net assets as unrealized gain on land revaluation of ¥224 million (\$2,285 thousand) and ¥218 million (\$2,216 thousand) in the accompanying consolidated balance sheets at March 31, 2009 and 2008, respectively.

13. Contingent Liabilities

At March 31, 2009, the Companies were contingently liable as guarantors for housing loans of customers in the aggregate amount of ¥14,062 million (\$143,156 thousand), for housing loans of employees in the aggregate amount of ¥1,114 million (\$11,338 thousand), and for loans of unconsolidated subsidiaries and an affiliate in the aggregate amount of ¥269 million (\$2,739 thousand).

At March 31, 2009, the Companies had contingent liabilities arising from notes endorsed in the aggregate amount of ¥365 million (\$3,715 thousand) and notes receivable discounted in the aggregate amount of ¥385 million (\$3,916 thousand).

14. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2009 and 2008 amounted to ¥25,420 million (\$258,785 thousand) and ¥25,739 million (\$262,031 thousand), respectively.

15. Related Party Transactions

The Company’s sales to and purchases from its unconsolidated subsidiaries and affiliates for the years ended March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars	
	2009	2008	2009	2008
Sales	¥ 33,299	¥ 31,527	\$ 338,987	\$ 320,948
Purchases	15,987	16,412	162,750	167,078

Principal transactions between the Company's consolidated subsidiaries and their related parties for the year ended March 31, 2009 are summarized as follows:

[Transactions with a director of the Company]

Name	Title	Transactions	Millions of yen	Thousands of U.S. dollars
			2009	2009
Hidemi Uno	Executive officer	Sales of housing	¥ 41	\$ 420

(Supplementary information)

Effective the year ended March 31, 2009, the Company has adopted "Accounting Standard for Related Party Disclosures" (ASBJ Statement No.11 issued on October 17, 2006) and "Guidance on Accounting Standard for Related Party Disclosures" (ASBJ Guidance No.13 issued on October 17, 2006). As a result of the adoption of this accounting standard, transactions between the Company's consolidated subsidiaries and their related parties were newly disclosed for the year ended March 31, 2009.

16. Leases

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation/amortization and net book value of the leased assets at March 31, 2008, which would have been reflected in the accompanying consolidated balance sheet if finance lease accounting had been applied to the finance leases (under which the Companies are the lessees) that had been accounted for as operating leases for the year ended March 31, 2008:

	Millions of yen		
	2008		
	Acquisition costs	Accumulated Depreciation / amortization	Net book value
Leased assets:			
Buildings and structures	¥ 11,801	¥ 6,152	¥ 5,649
Machinery and vehicles	4,425	1,942	2,483
Other assets	9,254	4,739	4,515
Software	638	338	300
	¥ 26,118	¥ 13,171	¥ 12,947

	Thousands of U.S. dollars		
	2008		
	Acquisition costs	Accumulated Depreciation / amortization	Net book value
Leased assets:			
Buildings and structures	\$ 120,133	\$ 62,627	\$ 57,506
Machinery and vehicles	45,047	19,774	25,273
Other assets	94,207	48,239	45,968
Software	6,492	3,442	3,050
	\$ 265,879	\$ 134,082	\$ 131,797

Lease payments relating to finance leases accounted for as operating leases for the year ended March 31, 2008 amounted to ¥6,643 million (\$67,624 thousand). This amount was equal to the depreciation/amortization expense of the leased assets computed by the straight-line method over the respective lease terms.

17. Derivatives

The Company and certain of its consolidated subsidiaries enter into currency swap contracts and interest-rate swap contracts in order to manage certain risk arising from adverse fluctuation in foreign currency exchange rates and interest rates. The Company and certain of its consolidated subsidiaries are also exposed to the risk of credit loss in the event of nonperformance by the counterparties to these currency swap contracts and interest-rate swap contracts; however, they do not anticipate nonperformance by any of the counterparties, all of whom are financial institutions with high credit ratings.

Summarized below are the notional amounts and the estimated fair value of the derivatives positions outstanding at March 31, 2009 and 2008:

(1) Currency-related transactions

	Millions of yen					
	2009			2008		
	Notional amount	Fair value	Unrealized gain	Notional amount	Fair value	Unrealized gain (loss)
Interest-rate and foreign currency swaps:						
Receive fixed - U.S. dollars/ pay fixed - yen	¥ 3,308	¥ 261	¥ 261	¥ 2,438	¥ 253	¥ 253
Receive fixed - Euro/ pay fixed - yen	1,594	97	97	1,948	(188)	(188)
Total	¥ 4,902	¥ 358	¥ 358	¥ 4,386	¥ 65	¥ 65

	Thousands of U.S. dollars					
	2009			2008		
	Notional amount	Fair value	Unrealized gain	Notional amount	Fair value	Unrealized gain (loss)
Interest-rate and foreign currency swaps:						
Receive fixed - U.S. dollars/ pay fixed - yen	\$ 33,681	\$ 2,654	\$ 2,654	\$ 24,821	\$ 2,575	\$ 2,575
Receive fixed - Euro/ pay fixed - yen	16,227	987	987	19,833	(1,919)	(1,919)
Total	\$ 49,908	\$ 3,641	\$ 3,641	\$ 44,654	\$ 656	\$ 656

(2) Interest-related transactions

	Millions of yen					
	2009			2008		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Interest-rate swaps:						
Receive/fixed and pay/floating	¥ 15,000	¥ 252	¥ 252	¥ 15,000	¥ 374	¥ 374
Receive/floating and pay/fixed	15,000	(252)	(252)	15,000	(373)	(373)
Total	¥ 30,000	¥ (0)	¥ (0)	¥ 30,000	¥ 1	¥ 1

	Thousands of U.S. dollars					
	2009			2008		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Interest-rate swaps:						
Receive/fixed and pay/floating	\$ 152,703	\$ 2,561	\$ 2,561	\$ 152,703	\$ 3,807	\$ 3,807
Receive/floating and pay/fixed	152,703	(2,565)	(2,565)	152,703	(3,796)	(3,796)
Total	\$ 305,406	\$ (4)	\$ (4)	\$ 305,406	\$ 11	\$ 11

18. Amounts Per Share

	Yen		U.S. dollars	
	2009	2008	2009	2008
Net income:				
Basic	¥ 1.93	¥ 46.16	\$ 0.02	\$ 0.47
Diluted	1.93	46.15	0.02	0.47
Cash dividends	10.00	15.00	0.10	0.15
Net assets	612.93	683.11	6.24	6.95

Basic net income per share has been computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted net income per share has been computed based on the net income available for distribution to the shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year after giving effect to the dilutive potential of the shares of common stock issuable upon the exercise of stock options issued by the Company. The amounts per share of net assets have been computed based on the number of shares of common stock outstanding at the year end.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective fiscal years together with the interim cash dividends paid.

19. Segment Information

The business segment information of the Companies for the years ended March 31, 2009 and 2008 is summarized as follows:

Business Segments

	Millions of yen						
	2009						
	Housing	Urban infrastructure and environmental products	High performance plastics	Other	Total	Eliminations or unallocable accounts	Consolidated
Sales:							
Sales to third parties	¥ 424,437	¥ 213,642	¥ 255,450	¥ 40,696	¥ 934,225	¥ —	¥ 934,225
Intersegment sales or transfer	56	11,577	7,193	5,499	24,325	(24,325)	—
Net sales	424,493	225,219	262,643	46,195	958,550	(24,325)	934,225
Operating expenses	407,358	223,569	246,846	46,871	924,644	(24,008)	900,636
Operating income (loss)	¥ 17,135	¥ 1,650	¥ 15,797	¥ (676)	¥ 33,906	¥ (317)	¥ 33,589
Total assets	¥ 183,455	¥ 173,993	¥ 230,424	¥ 43,246	¥ 631,118	¥ 125,333	¥ 756,451
Depreciation and amortization	8,728	7,804	17,125	2,251	35,908	621	36,529
Loss on impairment of fixed assets	—	—	71	—	71	—	71
Capital expenditures	6,202	6,234	19,133	1,926	33,495	1,044	34,539

	Millions of yen						
	2008						
	Housing	Urban infrastructure and environmental products	High performance plastics	Other	Total	Eliminations or unallocable accounts	Consolidated
Sales:							
Sales to third parties	¥ 419,792	¥ 222,483	¥ 273,267	¥ 43,133	¥ 958,675	¥ —	¥ 958,675
Intersegment sales or transfer	187	11,274	7,220	5,409	24,090	(24,090)	—
Net sales	419,979	233,757	280,487	48,542	982,765	(24,090)	958,675
Operating expenses	405,847	227,626	255,997	49,949	939,419	(23,750)	915,669
Operating income (loss)	¥ 14,132	¥ 6,131	¥ 24,490	¥ (1,407)	¥ 43,346	¥ (340)	¥ 43,006
Total assets	¥ 179,872	¥ 177,627	¥ 249,563	¥ 42,960	¥ 650,022	¥ 132,838	¥ 782,860
Depreciation and amortization	5,596	7,054	15,236	1,918	29,804	700	30,504
Loss on impairment of fixed assets	1,374	—	—	—	1,374	—	1,374
Capital expenditures	5,571	8,211	15,183	1,440	30,405	863	31,268

Thousands of U.S. dollars

	2009						Consolidated
	Housing	Urban infrastructure and environmental products	High performance plastics	Other	Total	Eliminations or unallocable accounts	
Sales:							
Sales to third parties	\$ 4,320,848	\$ 2,174,918	\$ 2,600,533	\$ 414,291	\$ 9,510,590	\$ —	\$ 9,510,590
Intersegment sales or transfer	570	117,857	73,222	55,984	247,633	(247,633)	—
Net sales	4,321,418	2,292,775	2,673,755	470,275	9,758,223	(247,633)	9,510,590
Operating expenses	4,146,982	2,275,973	2,512,935	477,153	9,413,043	(244,398)	9,168,645
Operating income (loss)	\$ 174,436	\$ 16,802	\$ 160,820	\$ (6,878)	\$ 345,180	\$ (3,235)	\$ 341,945
Total assets	\$ 1,867,605	\$ 1,771,286	\$ 2,345,758	\$ 440,251	\$ 6,424,900	\$ 1,275,913	\$ 7,700,813
Depreciation and amortization	88,853	79,443	174,334	22,915	365,545	6,330	371,875
Loss on impairment of fixed assets	—	—	719	—	719	—	719
Capital expenditures	63,140	63,461	194,773	19,612	340,986	10,629	351,615

Thousands of U.S. dollars

	2008						Consolidated
	Housing	Urban infrastructure and environmental products	High performance plastics	Other	Total	Eliminations or unallocable accounts	
Sales:							
Sales to third parties	\$ 4,273,558	\$ 2,264,922	\$ 2,781,913	\$ 439,098	\$ 9,759,491	\$ —	\$ 9,759,491
Intersegment sales or transfer	1,905	114,769	73,499	55,068	245,241	(245,241)	—
Net sales	4,275,463	2,379,691	2,855,412	494,166	10,004,732	(245,241)	9,759,491
Operating expenses	4,131,596	2,317,273	2,606,100	508,488	9,563,457	(241,771)	9,321,686
Operating income (loss)	\$ 143,867	\$ 62,418	\$ 249,312	\$ (14,322)	\$ 441,275	\$ (3,470)	\$ 437,805
Total assets	\$ 1,831,130	\$ 1,808,280	\$ 2,540,594	\$ 437,337	\$ 6,617,341	\$ 1,352,322	\$ 7,969,663
Depreciation and amortization	56,964	71,811	155,105	19,525	303,405	7,124	310,529
Loss on impairment of fixed assets	13,988	—	—	—	13,988	—	13,988
Capital expenditures	56,710	83,586	154,567	14,657	309,520	8,793	318,313

As described in Note 3(3), the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9 issued on July 5, 2006). As a result, operating expenses in the housing business segment decreased by ¥429 million (\$4,367 thousand), the urban infrastructure and environmental products business segment decreased by ¥725 million (\$7,381 thousand), the high performance plastics business segment decreased by ¥76 million (\$776 thousand), and the other business segment decreased by ¥16 million (\$168 thousand), and operating income (loss) increased (decreased) by the same amounts for the year ended March 31, 2008 as compared to the corresponding amounts which would have been recorded under the method applied in the previous year.

As described in Note 3(4), the Company and its domestic consolidated subsidiaries changed their method of accounting for depreciation of property, plant and equipment acquired on or after April 1,

2007. Furthermore, as described in Note 2(6), the Company and its domestic consolidated subsidiaries have changed their method of accounting for depreciation of property, plant, and equipment acquired before April 1, 2007. As a result, operating expenses in the housing business segment increased by ¥387 million (\$3,945 thousand), the urban infrastructure and environmental products business segment increased by ¥978 million (\$9,958 thousand), the high performance plastics business segment increased by ¥1,083 million (\$11,032 thousand), the other business segment increased by ¥282 million (\$2,868 thousand), and eliminations or unallocable accounts increased by ¥16 million (\$160 thousand), and operating income (loss) decreased (increased) by the same amounts for the year ended March 31, 2008 from the corresponding amounts which would have been recorded under the method applied in the previous year.

Geographical segment information of the Companies for the years ended March 31, 2009 and 2008 is summarized as follows:

Geographical Segments

	Millions of yen							Eliminations or unallocable accounts	Consolidated
	2009								
	Japan	United States of America	Europe	Asia	Other	Total			
Sales:									
Sales to third parties	¥ 805,904	¥ 33,900	¥ 42,264	¥ 46,632	¥ 5,525	¥ 934,225	¥ —	¥ 934,225	
Intersegment sales or transfer	29,407	2,083	1,387	3,307	280	36,464	(36,464)	—	
Net sales	835,311	35,983	43,651	49,939	5,805	970,689	(36,464)	934,225	
Operating expenses	810,171	34,237	40,408	48,268	4,962	938,046	(37,410)	900,636	
Operating income	¥ 25,140	¥ 1,746	¥ 3,243	¥ 1,671	¥ 843	¥ 32,643	¥ 946	¥ 33,589	
Total assets	¥ 523,838	¥ 31,747	¥ 36,770	¥ 44,642	¥ 4,881	¥ 641,878	¥ 114,573	¥ 756,451	

	Millions of yen							Eliminations or unallocable accounts	Consolidated
	2008								
	Japan	United States of America	Europe	Asia	Other	Total			
Sales:									
Sales to third parties	¥ 825,748	¥ 33,811	¥ 41,511	¥ 53,212	¥ 4,393	¥ 958,675	¥ —	¥ 958,675	
Intersegment sales or transfer	32,600	1,009	1,124	2,260	69	37,062	(37,062)	—	
Net sales	858,348	34,820	42,635	55,472	4,462	995,737	(37,062)	958,675	
Operating expenses	827,251	31,830	37,915	51,685	4,063	952,744	(37,075)	915,669	
Operating income	¥ 31,097	¥ 2,990	¥ 4,720	¥ 3,787	¥ 399	¥ 42,993	¥ 13	¥ 43,006	
Total assets	¥ 529,236	¥ 29,181	¥ 40,579	¥ 49,776	¥ 4,006	¥ 652,778	¥ 130,082	¥ 782,860	

Thousands of U.S. dollars								
2009								
	Japan	United States of America	Europe	Asia	Other	Total	Eliminations or unallocable accounts	Consolidated
Sales:								
Sales to third parties	\$ 8,204,253	\$ 345,105	\$ 430,260	\$ 474,726	\$ 56,246	\$ 9,510,590	\$ —	\$ 9,510,590
Intersegment sales or transfer	299,370	21,212	14,114	33,662	2,849	371,207	(371,207)	—
Net sales	8,503,623	366,317	444,374	508,388	59,095	9,881,797	(371,207)	9,510,590
Operating expenses	8,247,694	348,544	411,364	491,377	50,517	9,549,496	(380,851)	9,168,645
Operating income	\$ 255,929	\$ 17,773	\$ 33,010	\$ 17,011	\$ 8,578	\$ 332,301	\$ 9,644	\$ 341,945
Total assets	\$ 5,332,772	\$ 323,190	\$ 374,326	\$ 454,461	\$ 49,689	\$ 6,534,438	\$ 1,166,375	\$ 7,700,813

Thousands of U.S. dollars								
2008								
	Japan	United States of America	Europe	Asia	Other	Total	Eliminations or unallocable accounts	Consolidated
Sales:								
Sales to third parties	\$ 8,406,266	\$ 344,206	\$ 422,589	\$ 541,711	\$ 44,719	\$ 9,759,491	\$ —	\$ 9,759,491
Intersegment sales or transfer	331,872	10,274	11,443	23,006	706	377,301	(377,301)	—
Net sales	8,738,138	354,480	434,032	564,717	45,425	10,136,792	(377,301)	9,759,491
Operating expenses	8,421,566	324,036	385,986	526,167	41,367	9,699,122	(377,436)	9,321,686
Operating income	\$ 316,572	\$ 30,444	\$ 48,046	\$ 38,550	\$ 4,058	\$ 437,670	\$ 135	\$ 437,805
Total assets	\$ 5,387,725	\$ 297,069	\$ 413,105	\$ 506,729	\$ 40,785	\$ 6,645,413	\$ 1,324,250	\$ 7,969,663

As described in Note 3(3), the Company and its domestic consolidated subsidiaries adopted “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9 issued on July 5, 2006). As a result, operating expenses in the Japan segment decreased by ¥1,246 million (\$12,692 thousand) and operating income increased by the same amount for the year ended March 31, 2008 from the corresponding amounts which would have been recorded under the method applied in the previous year.

As described in Note 3(4), the Company and its domestic consolidated subsidiaries changed their

method of accounting for depreciation of property, plant and equipment acquired on or after April 1, 2007. Furthermore, as described in Note 2(6), the Company and its domestic consolidated subsidiaries have changed their method of accounting for depreciation of property, plant, and equipment acquired before April 1, 2007. As a result, operating expenses in the Japan segment increased by ¥2,746 million (\$27,963 thousand) and operating income decreased by the same amount for the year ended March 31, 2008 from the corresponding amounts which would have been recorded under the method applied in the previous year.

Overseas Sales

Overseas sales for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen				
	2009				
	America	Europe	Asia	Other	Total
Overseas sales	¥ 38,986	¥ 47,626	¥ 59,023	¥ 5,962	¥ 151,597
Consolidated net sales	—	—	—	—	934,225
Overseas sales as a percentage of consolidated net sales	4.2%	5.1%	6.3%	0.6%	16.2%

	Millions of yen				
	2008				
	America	Europe	Asia	Other	Total
Overseas sales	¥ 38,557	¥ 45,033	¥ 66,767	¥ 4,767	¥ 155,124
Consolidated net sales	—	—	—	—	958,675
Overseas sales as a percentage of consolidated net sales	4.0%	4.7%	7.0%	0.5%	16.2%

	Thousands of U.S. dollars				
	2009				
	America	Europe	Asia	Other	Total
Overseas sales	\$ 396,885	\$ 484,845	\$ 600,864	\$ 60,692	\$ 1,543,286
Consolidated net sales	—	—	—	—	9,510,590
Overseas sales as a percentage of consolidated net sales	4.2%	5.1%	6.3%	0.6%	16.2%

	Thousands of U.S. dollars				
	2008				
	America	Europe	Asia	Other	Total
Overseas sales	\$ 392,520	\$ 458,442	\$ 679,701	\$ 48,530	\$ 1,579,193
Consolidated net sales	—	—	—	—	9,759,491
Overseas sales as a percentage of consolidated net sales	4.0%	4.7%	7.0%	0.5%	16.2%

20. Supplemental Information on Statements of Cash Flows

A reconciliation between cash and cash equivalents in the accompanying consolidated statements of cash flows and cash and time deposits in the accompanying consolidated balance sheets at March 31, 2009 and 2008 is presented as follows:

	Millions of yen		Thousands of U.S. dollars	
	2009	2008	2009	2008
Cash and time deposits	¥ 40,842	¥ 30,281	\$ 415,780	\$ 308,264
Time deposits with maturities in excess of three months	(354)	(428)	(3,604)	(4,356)
Cash and cash equivalents	¥ 40,488	¥ 29,853	\$ 412,176	\$ 303,908

The Company purchased shares of XenoTech, LLC and initially consolidated the accounts of this company for the year ended March 31, 2009. The following summarizes the assets and liabilities included in consolidation and the relation between acquisition cost of the company's stock and net disbursement of acquisition:

	Millions of yen		Thousands of U.S. dollars	
	2009			
Current assets	¥ 806		\$ 8,206	
Non-current assets	1,773		18,053	
Goodwill	3,168		32,252	
Current liabilities	(280)		(2,855)	
Other	245		2,501	
Acquisition cost	5,712		58,157	
Cash and cash equivalents of XenoTech, LLC	16		160	
Net disbursement of acquisition	¥ 5,696		\$ 57,997	

The Company purchased shares of Sekisui CPT G.m.b.H. and initially consolidated the accounts of this company for the year ended March 31, 2009. The following summarizes the assets and liabilities included in consolidation and the relation between acquisition cost of the company's stock and net disbursement of acquisition:

	Millions of yen	Thousands of U.S. dollars
	2009	
Current assets	¥ 6,306	\$ 64,194
Non-current assets	3,063	31,181
Goodwill	4,455	45,354
Current liabilities	(8,560)	(87,138)
Non-current liabilities	(47)	(483)
Minority interests	(586)	(5,968)
Other	(265)	(2,697)
Acquisition cost	4,366	44,443
Cash and cash equivalents of		
Sekisui CPT G.m.b.H.	539	5,488
Net disbursement of acquisition	¥ 3,827	\$ 38,955

Lease obligations of ¥3,476 million (\$35,391 thousand) were incurred during the year ended March 31, 2009.

21. Subsequent Event

At the meeting of the Board of Directors held on April 27, 2009, the Company resolved to establish two consolidated subsidiaries, Sekisui Specialty Chemicals America, LLC and Sekisui Specialty Chemicals Europe S.L. The Company also resolved that the new consolidated subsidiaries will acquire the polyvinyl alcohol resin business from Celanese Ltd. and Celanese Chemicals Iberica S.L., group companies of Celanese Corporation, an American chemical company, and the Company concluded a contract for the acquisition of the business with Celanese Corporation.

An outline of Sekisui Specialty Chemicals America, LLC is presented as follows:

1. Principal business activities: Polyvinyl alcohol resin business (production and distribution)
2. Planned establishment date: June 2009
3. Capital stock: U.S.\$107 million
4. Percentage of ownership: Owned by Sekisui America Corporation: 100%

An outline of Sekisui Specialty Chemicals Europe S.L. is presented as follows:

1. Principal business activities: Polyvinyl alcohol resin business (production and distribution)
2. Planned establishment date: June 2009
3. Capital stock: €18 million
4. Percentage of ownership: Owned by Sekisui Europe B.V.: 100%

The estimated acquisition cost of the business of Celanese Ltd. and Celanese Chemicals Iberica S.L. is approximately U.S. \$173 million, and the planned acquisition date is July 2009.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Sekisui Chemical Co., Ltd.

We have audited the accompanying consolidated balance sheets of Sekisui Chemical Co., Ltd. and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sekisui Chemical Co., Ltd. and consolidated subsidiaries at March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 21, at the meeting of the Board of Directors held on April 27, 2009, the Company resolved that two new consolidated subsidiaries will acquire the polyvinyl alcohol resin business from group companies of Celanese Corporation, an American chemical company, and the Company concluded a contract for the acquisition of the business with Celanese Corporation.

As described in Note 3(3), effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries adopted a new accounting standard for the measurement of inventories.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the years ended March 31, 2009 and 2008 are presented solely for convenience. Our audits also included translations of yen amounts into U.S. dollar amounts and, in our opinion, such translations have been made on the basis described in Note 1.



Osaka, Japan
June 19, 2009