

# Summary of Financial Results of Fiscal Year 2012 Ended March 31, 2013



April 26, 2013

Company Name:	Sekisui Chemical Co., Ltd.
Stock Listings:	Tokyo Stock Exchange, Osaka Securities Exchange
Code Number:	4204
URL:	http://www.sekisuiche.com/
Representative Director:	Mr. Naofumi Negishi, President
Inquiries:	Mr. Hajime Kubo, Director, Managing Executive Officer
TEL:	+81-3- 5521-0522
Scheduled General Meeting of Shareholders:	June 26, 2013
Scheduled date for payment of dividends:	June 27, 2013
Scheduled date for submission of financial	June 26, 2013
Earnings supplementary explanatory documents:	Yes
Earnings results briefing:	Yes

(Figures rounded down to the nearest million yen)

## 1. Consolidated Business Results for the Fiscal 2012 (April 1, 2012 to March 31, 2013)

### (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	%
FY2012	1,032,431	7.0	59,621	9.2	60,670	12.0	30,174	7.3
FY2011	965,090	5.4	54,610	10.7	54,158	12.1	28,116	19.3

(Note) Comprehensive income March 31, 2013: 77,437 million yen (214.1%), March 31, 2012: 24,652 million yen (332.1%)

	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	%	%	%
FY2012	58.53	58.50	7.8	7.0	5.8
FY2011	53.96	53.94	8.1	6.7	5.7

(Note) Equity in earnings of affiliated companies March 31, 2013: 1,249 million yen, March 31, 2012: 1,774 million yen

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	yen
FY2012	901,564	433,228	46.4	810.76
FY2011	827,103	363,299	42.5	682.46

(Note) Shareholders' Equity : March 31, 2013: 418,582 million yen, March 31, 2012: 351,651 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
FY2012	71,016	-31,133	-30,520	58,631
FY2011	66,652	-70,727	-16,077	45,146

## 2. Dividend Status

(Date of Record)	Dividend Per Share					Total Dividend Payment (full year)	Dividend Payout Ratio (consolidated)	Dividend to equity ratio (consolidated)
	At the end of 1Q	At the end of 2Q	At the end of 3Q	Year-end	Full year			
	yen	yen	yen	yen	yen	Millions of yen	%	%
FY2012	-	7.00	-	8.00	15.00	7,782	27.8	2.3
FY2011	-	9.00	-	9.00	18.00	9,291	30.8	2.4
FY2013 (outlook)	-	10.00	-	10.00	20.00		29.5	

## 3. Consolidated Outlook for Fiscal 2013 (April 1, 2013 to March 31, 2014)

(% 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	520,000	0.8	31,500	25.9	30,500	35.3	15,000	17.1	29.05
Full Year	1,078,000	4.4	74,000	24.1	70,000	15.4	35,000	16.0	67.79

#### 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

c) Amendments to accounting estimates: Yes

d) Restatements: No

Note: For details, see "Important items regarding the basis of preparation of the consolidated financial statements" on page 13

(3) Number of shares outstanding (common stock)

a) Number of shares outstanding at the end of term (including treasury stock)	FY2012	532,507,285 shares
	FY2011	539,507,285 shares
b) Treasury stock at the end of term	FY2012	16,223,314 shares
	FY2011	24,234,348 shares
c) Average number of shares outstanding during the current term	FY2012	515,529,062 shares
	FY2011	521,026,901 shares

(Reference information) Non-consolidated financial results for the Fiscal 2012 (April 1, 2012 to March 31, 2013)

(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	%
FY2012	342,941	1.7	12,564	36.3	27,123	34.5	15,814	29.9
FY2011	337,220	2.5	9,215	8.5	20,165	19.7	12,176	257.8

	Net Income per Share	Net Income per Share (Diluted)
	yen	yen
FY2012	30.66	30.64
FY2011	23.35	23.34

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	yen
FY2012	516,419	281,625	54.5	544.53
FY2011	480,504	249,632	51.9	483.22

(Note) Shareholders' Equity : March 31, 2013: 281,319 million yen, March 31, 2012: 249,157 million yen

#### Note: Execution chart for audit procedures

The Financial Instruments and Exchange Law does not require this brief announcement of the most recent financial statements to be subject to audit review. The review procedure of financial statements based on the Financial Instruments and Exchange Law is not completed at the time of the disclosure of these consolidated financial statements.

#### Note: Remarks on appropriate use of forecasted results of operation and other special matters

The earnings forecasts and other forward-looking statements presented in this report are based on information available at the time of the report and on certain assumptions that the Company considers reasonable. Forward-looking statements in no capacity represent a guarantee that the Company will achieve the stated amounts. Various factors can cause actual results to differ materially from the forecasts. For important matters regarding the forecasts, please see "2) Fiscal Year 2013 Forecast" on page 4 of the Supplementary Material.

## **I. Consolidated Business Results**

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

Please see the following attachment of materials from the Presentation Meeting on the Financial Results for Fiscal Year 2012

<http://www.sekisuichemical.com/ir/pdf/20130426kge.pdf>

[The Presentation Meeting is scheduled to be held on April 26, 2013, at 3:30 p.m. Japan time]

### **(2) Consolidated Financial Position**

#### **1) Cash Flow (April 1, 2012, to March 31, 2013)**

Net cash provided by operating activities amounted to ¥71.0 billion. Cash inflows included ¥44.4 billion in income before income taxes and minority interests, ¥34.8 billion in depreciation and amortization, a ¥9.9 billion increase in accrued retirement benefits, a ¥5.2 billion loss on impairment of fixed assets and goodwill, and ¥3.2 billion amortization of goodwill. These exceeded cash outflows, which included ¥25.8 billion in income taxes paid.

Net cash used in investing activities amounted to ¥31.1 billion. The decrease was primarily due to ¥29.2 billion utilized for purchases of property, plant, and equipment focused on priority and growth fields.

Net cash used in financing activities amounted to ¥30.5 billion. The main elements in the decline were ¥9.2 billion in cash dividends paid and a ¥23.5 billion net decrease in interest-bearing debt.

The result of the above was cash and cash equivalents of ¥58.6 billion at the end of fiscal year 2012.

## 2) Fiscal Year 2013 Forecast

Business operations will continue to be conducted with investment concentration in priority and growth fields and an emphasis on cash flow with the objectives of generating free cash flow and further fortifying the Company's financial position.

Reference: Trends in Cash Flow Indicators

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Equity ratio	42.6	43.4	43.0	42.5	46.4
Shareholders' equity ratio based on market value (%)	34.0	42.3	43.0	44.7	59.1
Ratio of interest-bearing liabilities to cash flow	3.6	1.8	1.9	1.9	1.6
Interest coverage ratio	13.1	29.4	24.6	24.2	23.5

Equity ratio = Equity / Total assets

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

Ratio of interest-bearing liabilities to cash flow = Interest-bearing debt / Cash flow

Interest coverage ratio = Cash flow / Interest payments

Note 1. All indicators are calculated from consolidated figures.

Note 2. Total market value of listed shares is calculated by multiplying the closing stock price at the fiscal term end by the total number of shares outstanding at the fiscal term end excluding treasury stock.

Note 3. Cash flow is the cash flow of operating activities reported in the consolidated statement of cash flows.

Note 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 Years 2012 and 2013**

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

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

In fiscal year 2012, the Company distributed a first half dividend of ¥9 and a second half dividend of ¥9 for a full-year dividend distribution of ¥18 per share.

In fiscal year 2013, the Company plans to provide a first half dividend of ¥10 and a second half dividend of ¥10 for a full-year dividend distribution of ¥20 per share.

## II. Consolidated Financial Statement (Fiscal Year 2012)

## (1) Consolidated Balance Sheets

	(Millions of Yen)	
	End Fiscal Year 2011 As of March 31, 2012	End Fiscal Year 2012 As of March 31, 2013
(Assets)		
Current Assets		
Cash and deposits	75,422	91,132
Notes receivable, trade	40,797	42,183
Accounts receivable, trade	116,123	129,901
Marketable securities	21	1
Merchandise and finished goods	47,100	47,825
Land for sale	16,977	19,334
Work in process	44,156	43,036
Raw materials and supplies	24,343	29,829
Advance payments	1,909	2,354
Prepaid expenses	2,878	2,525
Deferred income taxes	14,396	15,370
Short-term loans receivable	347	527
Other current assets	17,374	17,850
Allowance for doubtful accounts	-1,527	-1,907
Total current assets	<u>400,322</u>	<u>439,964</u>
Non-current assets		
Property, plant and equipment, net		
Buildings & structures, net	83,601	84,226
Machinery, equipment and vehicles, net	61,796	63,736
Land	67,097	69,810
Leased assets, net	7,220	7,775
Construction in progress	6,871	10,288
Other, net	4,607	4,816
Total property, plant and equipment, net	<u>231,194</u>	<u>240,654</u>
Intangible fixed assets		
Goodwill	26,711	21,123
Software	4,764	5,129
Leased assets	228	278
Other	20,188	22,566
Total intangible assets	<u>51,893</u>	<u>49,098</u>
Investments and other assets		
Investments in securities	107,925	146,192
Long-term loans receivable	833	710
Long-term prepaid expenses	1,433	1,276
Deferred income taxes	22,670	12,732
Other	11,813	12,283
Allowance for doubtful accounts	-982	-1,346
Total investments and other assets	<u>143,693</u>	<u>171,848</u>
Total non-current assets	<u>426,780</u>	<u>461,600</u>
Total assets	<u>827,103</u>	<u>901,564</u>

(Millions of Yen)

	End Fiscal Year 2011 As of March 31, 2012	End Fiscal Year 2012 As of March 31, 2013
<b>(Liabilities)</b>		
Current liabilities		
Notes payable, trade	6,777	7,797
Electronically recorded obligations	3,540	4,963
Accounts payable, trade	121,028	125,403
Short-term debt and current portion of long-term debt	40,636	47,590
Lease obligation	3,019	2,953
Accrued expenses	28,083	29,977
Accrued income taxes and other taxes	15,282	6,747
Deferred income taxes	163	225
Allowance for bonuses to employees	14,887	15,410
Allowance for bonuses to directors and corporate auditors	233	207
Provision for compensation for completed constructions	1,223	1,223
Advances received	47,555	49,123
Other	41,587	43,915
Total current liabilities	<u>324,017</u>	<u>335,539</u>
Long-term liabilities		
Bonds	20,000	20,000
Long-term debt less current portion	59,083	39,650
Lease obligation	4,449	5,126
Deferred income taxes	3,916	5,104
Accrued retirement benefits	46,909	57,274
Other	5,426	5,640
Total long-term liabilities	<u>139,786</u>	<u>132,797</u>
Total liabilities	<u>463,803</u>	<u>468,336</u>
<b>(Net assets)</b>		
Shareholders' equity		
Common stock	100,002	100,002
Capital surplus	109,288	109,234
Retained earnings	192,856	209,280
Treasury stock	-17,352	-11,577
Total shareholders' equity	<u>384,795</u>	<u>406,939</u>
Accumulated other comprehensive income (loss):		
Unrealized holding gain (loss) on securities	-7,556	17,778
Deferred hedge gain (loss)	-16	47
Unrealized gain on land revaluation	260	260
Translation adjustments	-25,830	-6,443
Total accumulated other comprehensive income (loss)	<u>-33,143</u>	<u>11,642</u>
Stock acquisition rights	474	306
Minority interests	11,173	14,339
Total net assets	<u>363,299</u>	<u>433,228</u>
Total liabilities, net assets	<u>827,103</u>	<u>901,564</u>

(2) Consolidated Statement of Income and Consolidated statement of comprehensive income  
(Consolidated Statement of Income)

	(Millions of Yen)	
	Fiscal Year 2011 (From April 1, 2011 to March 31, 2012)	Fiscal Year 2012 (From April 1, 2012 to March 31, 2013)
Net sales	965,090	1,032,431
Cost of sales	679,528	729,971
Gross profit	285,562	302,460
Selling, general & administrative expenses	230,951	242,838
Operating Income	54,610	59,621
Non-operating income		
Interest income	695	909
Dividend income	1,795	2,075
Equity in earnings of affiliates	1,774	1,249
Foreign exchange gain, net	—	4,827
Miscellaneous income	5,396	4,134
Total non-operating income	9,662	13,195
Non-operating expenses		
Interest expenses	2,432	2,550
Sales discounts	332	332
Foreign exchange loss, net	608	—
Miscellaneous expenses	6,740	9,265
Total non-operating expenses	10,113	12,147
Ordinary income	54,158	60,670
Extraordinary income		
Gain on sales of property, plant and equipment	3,311	1,815
Total extraordinary income	3,311	1,815
Extraordinary loss		
Retirement benefit expenses	—	9,536
Loss on impairment of fixed assets and goodwill	3,811	5,243
Loss on devaluation of investments in securities	987	2,022
Advanced depreciation of property, plant and equipment	1,840	—
Loss on sales or disposal of property, plant and equipment	1,590	1,186
Total extraordinary loss	8,229	17,989
Income before income taxes and minority interests	49,240	44,495
Corporate tax, inhabitant tax, and enterprise tax	21,862	17,241
Adjustment for corporate and other taxes	-1,667	-3,967
Total of corporate tax and other taxes	20,194	13,274
Income before minority interests	29,046	31,221
Minority interests	930	1,047
Net income	28,116	30,174



(Consolidated statement of comprehensive income)

(Millions of Yen)

	Fiscal Year 2011 (From April 1, 2011 to March 31, 2012)	Fiscal Year 2012 (From April 1, 2012 to March 31, 2013)
Income before minority interests	29,046	31,221
Other comprehensive income (loss)		
Unrealized holding gain on securities	582	25,099
Deferred gain on hedges	106	63
Translation adjustments	-5,194	20,805
Comprehensive income of affiliates accounted for by the equity method attributable to the Company	111	247
Total other comprehensive income (loss)	-4,393	46,215
Comprehensive income	24,652	77,437
Comprehensive income attributable to:		
Shareholders of the Company	24,218	74,960
Minority shareholders	434	2,476

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

	(Millions of Yen)	
	Fiscal Year 2011 (From April 1, 2011 to March 31, 2012)	Fiscal Year 2012 (From April 1, 2012 to March 31, 2013)
Shareholders' Equity		
Common stock		
Balance at the beginning of the current accounting period	100,002	100,002
Changes		
Total Changes	-	-
Balance at the end of the current accounting period	100,002	100,002
Capital surplus		
Balance at the beginning of the current accounting period	109,307	109,288
Changes		
Retirement of treasury stock	-	-5,046
Cancellation of treasury stock	-18	9
Transfer of retained earnings to capital surplus	-	4,983
Total Changes	-18	-53
Balance at the end of the current accounting period	109,288	109,234
Retained earnings		
Balance at the beginning of the current accounting period	172,689	192,856
Changes		
Dividends on retained earnings	-7,836	-8,767
Net income	28,116	30,174
Transfer of retained earnings to capital surplus	-	-4,983
Decrease in retained earnings due to increase in consolidated subsidiaries	-113	-
Total Changes	20,166	16,423
Balance at the end of the current accounting period	192,856	209,280
Treasury stock		
Balance at the beginning of the current accounting period	-13,017	-17,352
Changes		
Retirement of treasury stock	-	5,046
Acquisition of treasury stock	-4,544	-14
Cancellation of treasury stock	209	742
Total Changes	-4,335	5,774
Balance at the end of the current accounting period	-17,352	-11,577
Total shareholders' equity		
Balance at the beginning of the current accounting period	368,982	384,795
Changes		
Dividends on retained earnings	-7,836	-8,767
Net income	28,116	30,174
Decrease in retained earnings due to increase in consolidated subsidiaries	-113	-
Acquisition of treasury stock	-4,544	-14
Cancellation of treasury stock	190	751
Total Changes	15,812	22,144
Balance at the end of the current accounting period	384,795	406,939

	(Millions of Yen)	
	Fiscal Year 2011 (From April 1, 2011 to March 31, 2012)	Fiscal Year 2012 (From April 1, 2012 to March 31, 2013)
Total other comprehensive income		
Unrealized holding gain (loss) on securities		
Balance at the beginning of the current accounting period	-8,202	-7,556
Changes		
Changes in items other than shareholders' equity (net)	645	25,335
Balance at the end of the current accounting period	645	25,335
Balance at the end of the current accounting period	-7,556	17,778
Deferred gains or losses on hedges		
Balance at the beginning of the current accounting period	-123	-16
Changes		
Changes in items other than shareholders' equity (net)	106	63
Total Changes	106	63
Balance at the end of the current accounting period	-16	47
Unrealized gain on land revaluation		
Balance at the beginning of the current accounting period	199	260
Changes		
Changes in items other than shareholders' equity (net)	61	-
Total Changes	61	-
Balance at the end of the current accounting period	260	260
Foreign currency translation adjustments		
Balance at the beginning of the current accounting period	-21,119	-25,830
Changes		
Changes in items other than shareholders' equity (net)	-4,711	19,386
Total Changes	-4,711	19,386
Balance at the end of the current accounting period	-25,830	-6,443
Total other comprehensive income		
Balance at the beginning of the current accounting period	-29,245	-33,143
Changes		
Changes in items other than shareholders' equity (net)	-3,897	44,786
Total Changes	-3,897	44,786
Balance at the end of the current accounting period	-33,143	11,642
Share subscription rights		
Balance at the beginning of the current accounting period	611	474
Changes		
Changes in items other than shareholders' equity (net)	-137	-168
Total Changes	-137	-168
Balance at the end of the current accounting period	474	306
Minority shareholders' interests		
Balance at the beginning of the current accounting period	9,697	11,173
Changes		
Changes in items other than shareholders' equity (net)	1,475	3,166
Total Changes	1,475	3,166
Balance at the end of the current accounting period	11,173	14,339
Total net assets		
Balance at the beginning of the current accounting period	350,045	363,299
Changes		
Dividends on retained earnings	-7,836	-8,767
Net income	28,116	30,174
Decrease in retained earnings due to increase in consolidated subsidiaries	-113	-
Acquisition of treasury stock	-4,544	-14
Cancellation of treasury stock	190	751
Changes in items other than shareholders' equity (net)	-2,558	47,783
Total Changes	13,254	69,928
Balance at the end of the current accounting period	363,299	433,228

## (4) Consolidated Statements of Cash Flows

	Fiscal Year 2011 (From April 1, 2011 to March 31, 2012)	Fiscal Year 2012 (From April 1, 2012 to March 31, 2013)
<b>Operating activities</b>		
Income before income taxes and minority interests	49,240	44,495
Depreciation and amortization	35,102	34,895
Amortization of goodwill	3,422	3,232
Loss on impairment of fixed assets and goodwill	3,811	5,243
Loss on disposal of property, plant and equipment	1,038	1,089
Loss on devaluation of investments in securities	987	2,022
Advanced depreciation of property, plant and equipment	1,840	-
Gain (loss) on sales of property, plant and equipment	-2,993	-1,718
Increase (decrease) in accrued retirement benefits	-817	9,902
Interest and dividends income	-2,491	-2,984
Interest expenses	2,765	2,882
Equity in earnings of affiliates	-1,774	-1,249
Increase in notes and accounts receivable	-8,372	-3,179
Increase in inventories	-12,194	-1,715
Decrease (increase) in notes and accounts payable	6,318	-1,384
Increase in advances received	2,854	1,730
Other	3,247	3,232
Subtotal	81,987	96,496
Interest and dividends received	2,875	3,420
Interest paid	-2,753	-3,023
Income taxes paid	-15,455	-25,876
Net cash provided by operating activities	66,652	71,016
<b>Investing activities</b>		
Purchases of property, plant and equipment	-25,963	-29,211
Proceeds from sales of property, plant and equipment	3,036	4,805
Payments into time deposits	-37,361	-50,084
Proceeds from withdrawal of time deposits	24,637	47,970
Purchases of investments in securities	-1,089	-227
Proceeds from sales or redemption of investments in securities	2,944	1,936
Acquisition of investments in subsidiaries resulting in change in scope of consolidation	-16,324	-
Acquisition of securities in subsidiaries	-408	-2,322
Acquisition of businesses	-15,862	-448
Acquisition of shares from minority interests in consolidated subsidiaries	-1,127	-92
Purchase of intangible assets	-2,423	-2,840
Decrease in short-term loans	570	79
Other	-1,355	-698
Net cash used in investing activities	-70,727	-31,133
<b>Financing activities</b>		
Decrease (increase) in short-term debt, net	2,801	-5,860
Repayments of lease obligations	-3,478	-3,459
Proceeds from long-term debt	11,513	4,454
Repayment of long-term debt	-25,246	-18,717
Proceeds from issuance of bonds	10,000	-
Payment for redemption of bonds	-500	-
Proceeds from stock issuance to minority shareholders	1,302	1,506
Cash dividends paid	-7,835	-8,777
Cash dividends paid to minority shareholders of consolidated subsidiaries	-422	-456
Purchase of treasury stock	-4,544	-
Other	333	790
Net cash used in financing activities	-16,077	-30,520
Effect of exchange rate changes on cash and cash equivalents	-971	3,939
Net increase (decrease) in cash and cash equivalents	-21,124	13,302
Cash and cash equivalents at beginning of year	65,944	45,146
Increase in cash and cash equivalents from newly consolidated subsidiary	325	182
Cash and cash equivalents at end of year	45,146	58,631

- (5) Notes regarding the premise of a going concern  
No significant changes during the term under review.
- (6) Important items regarding the basis of preparation of the consolidated financial statements

**(Change in the fiscal year periods of consolidated subsidiaries)**

The Company has previously utilized the financial statements of 73 consolidated subsidiaries overseas with fiscal years ending on December 31 and has made necessary adjustments to reflect significant transactions that occurred between the closing dates of the subsidiary fiscal years and the consolidated fiscal year. Beginning with the first quarter of the current consolidated accounting period, the Company has changed the fiscal year ends of 57 consolidated subsidiaries to March 31 and adopted a method of provisional settlement of accounts using March 31 as a closing date for 15 consolidated subsidiaries.

Results for fiscal year 2012 from January to March 2012 for the overseas consolidated subsidiaries for which the reported twelve month results utilized the revised 15-month period from January 1, 2012, to March 31, 2013, were net sales ¥37,716 million, operating income ¥529 million, ordinary income ¥170 million, income before income taxes and minority interests ¥144 million, and net loss ¥93 million.

**(Changes in accounting principles that are difficult to classify from the changes in accounting estimates)**

Beginning in the first quarter of fiscal 2012, accompanying revisions in the corporate tax law, the Company and its domestic consolidated subsidiaries have changed the depreciation accounting method for tangible fixed assets acquired on or after April 1, 2012, based on the corporate tax law after revisions.

This change had an immaterial impact on the consolidated financial statements.

**(Accounting changes and error corrections applied in accordance with accounting standards)**

At the end of the fiscal year under review, the method of calculating the retirement benefit obligation for some of the domestic consolidated subsidiaries was changed from the simplified method to the principle-based method to facilitate more accurate calculation of periodic profit and loss.

This revision was enabled by the realization of conditions allowing practical actuarial calculation of the estimated retirement benefit obligation made possible by the integration of retirement pension plans and other changes accompanying the nationwide region-based integration of housing sales companies and other operations in recent years and revisions to the personnel and administrative structures in each region accompanying the adoption of the regional business organization in January 2013.

Compared to the simplified method, calculating the retirement benefit obligation at end of the consolidated fiscal year under review by the principle-based method resulted in a ¥9,536 million difference in retirement benefit expenses (extraordinary loss). Accordingly, the equivalent amount was deducted from income before income taxes and minority interests and added to the account for accrued retirement benefits.

**(Consumption tax accounting methods)**

The tax-exclusion method is used in the accounting of the Japan consumption tax and local consumption taxes. Assets that are exempt from consumption taxes are reported as period expenses in the fiscal year in which they occur.

**(Application of the consolidated tax payment system)**

The Company and its consolidated subsidiaries initiated application of the consolidated tax payment system beginning in the fiscal year under review.

### III. Segment Information

#### a) Overview of the Reporting Segments

The Company's reporting segments are determined on the basis that separate financial information of such segments are available and examined periodically by the Board of Directors to make decisions regarding the allocation of management resources and assess the business performances of such segments.

Sekisui Chemical has divided its business operations into the three segments of Housing, Urban Infrastructure & Environmental Products (UIEP), and High Performance Plastics (HPP) based on manufacturing methods, products, sales channels, and other business similarities. Each business segment formulates comprehensive strategies and develops business activities for its products in Japan and overseas.

The Housing business comprises of manufacturing, construction, sales, refurbishing, and other operations related to unit housing. The UIEP business comprises of manufacturing, sales, and construction operations related to PVC pipes and joints, polyethylene pipes and joints, pipe and drain renewal materials and construction methods, reinforced plastic pipe, and construction materials. The HPP business comprises of manufacturing and sales of interlayer films for laminated glass, polyolefin foam, tape, LCD fine particles and photosensitive materials, diagnostic drugs and other products.

#### b) Valuation method for reporting segment profit (loss) and asset amounts

The accounting methods for the reporting business segments is presented in accordance with "Important fundamental matters for preparing consolidated financial statements." The reporting segment profit figures are based on operating profit. Intersegment internal rates of return and the amounts transferred are presented based on the current market prices at the time of this report.

#### c) Net sales, income (loss), assets data by reporting segment

Fiscal 2011 (April 1, 2011 to March 31, 2012)

(Millions of yen)

	Reporting Segment				Other (Note1)	Total
	Housing	Urban Infrastructure & Environmental Products	High Performance Plastics	Total		
I. Net sales:						
(1)To third parties	449,005	187,524	290,471	927,001	38,088	965,090
(2)Intersegment	386	12,477	6,404	19,268	5,385	24,654
Total	449,391	200,002	296,876	946,270	43,474	989,745
Operating income (loss)	31,090	2,957	20,582	54,630	-235	54,394
Assets	217,455	163,958	296,296	677,710	42,907	720,618
Other Item						
Depreciation and amortization	6,995	6,584	18,798	32,378	2,003	34,381
Investment in equity-method affiliate	6,798	-	-	6,798	-	6,798
Increase in tangible fixed assets and intangible fixed assets(Note2)	8,566	5,115	16,694	30,376	1,938	32,314

Note1: The Other segment is not a reporting segment, which includes manufacturing and sales of flat panel display manufacturing equipment, agricultural and construction materials, and provision of services.

2: Depreciation and amortization and increase in tangible fixed assets and intangible fixed assets include depreciation related to long-term prepaid expenses and associated costs.

Fiscal 2012 (April 1, 2012 to March 31, 2013)

(Millions of yen)

	Reporting Segment				Other (Note1)	Total
	Housing	Urban Infrastructure & Environmental Products	High Performance Plastics	Total		
I. Net sales:						
(1)To third parties	468,902	201,009	325,749	995,662	36,769	1,032,431
(2)Intersegment	134	13,506	6,267	19,908	3,723	23,631
Total	469,036	214,516	332,017	1,015,570	40,492	1,056,063
Operating income (loss)	36,333	1,800	23,249	61,384	-1,287	60,096
Assets	239,348	180,238	321,264	740,852	41,432	782,284
Other Item						
Depreciation and amortization	6,951	6,129	19,198	32,280	1,902	34,182
Investment in equity-method affiliate	6,869	-	-	6,869	-	6,869
Increase in tangible fixed assets and intangible fixed assets(Note2)	12,253	7,737	14,455	34,446	1,561	36,007

Note1: The Other segment is not a reporting segment, which includes manufacturing and sales of flat panel display manufacturing equipment, agricultural and construction materials, and provision of services.

2: Depreciation and amortization and increase in tangible fixed assets and intangible fixed assets include depreciation related to long-term prepaid expenses and associated costs.

3: As stated in (6) Important items regarding the basis of preparation of the consolidated financial statements, the Company has previously utilized the financial statements of 73 consolidated subsidiaries overseas with fiscal years ending on December 31 and has made necessary adjustments to reflect significant transactions that occurred between the closing dates of the subsidiary fiscal years and the consolidated fiscal year. Beginning with the present consolidated accounting period, the Company has changed the fiscal year ends of 57 consolidated subsidiaries to March 31 and adopted a method of provisional settlement of accounts using March 31 as a closing date for 15 consolidated subsidiaries.

In accordance with the revised accounting periods, the consolidated statements of income for the fiscal year 2012 represent the 15-month period from January 1, 2012, to March 31, 2013, for the affected consolidated subsidiaries.

Net sales for the divisional companies with affected consolidated subsidiaries based only on the three-month period from January 1 to March 31, 2012, were UIEP Company 4,886 million yen, HPP Company 32,689 million yen, Other Businesses by 169 million yen, while segment income (loss) for the UIEP Company amounted to a 699 million yen loss, HPP Company a 1,288 million yen income, and Other Businesses a 2 million yen loss.

**d) Difference between the total of reporting segments in incomes (losses) and the corresponding amounts reported in the consolidated financial statements, and the primary items contributing to the difference**

(Items related to the difference)

Fiscal 2011 (April 1, 2011 to March 31, 2012)

Net Sales	(Millions of Yen)
Total of reporting segments	946,270
“Other Business” Sales	43,474
Inter-segment elimination total	-24,654
Net Sales	965,090

Income	(Millions of Yen)
Total of reporting segments	54,630
“Other Business” loss	-235
Inter-segment elimination total	922
Corporate expenses (Note)	-707
Operating Income	54,610

Note: Corporate expenses are mainly general administrative expenses not attributable to a reporting segment.

Assets	(Millions of Yen)
Total of reporting segments	677,710
Assets classified as “Other Business”	42,907
Inter-segment elimination total	-85,114
Corporate assets	191,599
Total Assets	827,103

Note: Corporate assets are assets not associated with the reporting segments. The main items were non-consolidated cash and deposits, long-term investments (investments in securities), assets related to administrative operations and deferred income taxes.

Other item	Reporting Segment	Others	Adjusted amount (Note)	The corresponding amounts reported in the consolidated financial statements
Depreciation and amortization	32,378	2,003	721	35,102
Investment in equity-method affiliate	6,798	-	22,892	29,691
Increase in tangible fixed assets and intangible fixed assets	30,376	1,938	762	33,076

Note: Adjustment for investment in equity-method affiliate represents the amount invested in equity-method affiliate companies which are not associated with the reporting segments.



Fiscal 2012 (April 1, 2012 to March 31, 2013)

Net Sales		(Millions of Yen)
Total of reporting segments		1,015,570
“Other Business” Sales		40,492
Inter-segment elimination total		-23,632
Net Sales		1,032,431

Income		(Millions of Yen)
Total of reporting segments		61,384
“Other Business” loss		-1,287
Inter-segment elimination total		551
Corporate expenses (Note)		-1,026
Operating Income		59,621

Note: Corporate expenses are mainly general administrative expenses not attributable to a reporting segment.

Assets		(Millions of Yen)
Total of reporting segments		740,852
Assets classified as “Other Business”		41,432
Inter-segment elimination total		-107,125
Corporate assets		226,405
Total Assets		901,564

Note: Corporate assets are assets not associated with the reporting segments. The main items were non-consolidated cash and deposits, long-term investments (investments in securities), assets related to administrative operations and deferred income taxes.

Other item	Reporting Segment	Others	Adjusted amount (Note)	The corresponding amounts reported in the consolidated financial statements
Depreciation and amortization	32,280	1,902	712	34,895
Investment in equity-method affiliate	6,869	-	23,974	30,844
Increase in tangible fixed assets and intangible fixed assets	34,446	1,561	835	36,842

Note: Adjustment for investment in equity-method affiliate represents the amount invested in equity-method affiliate companies which are not associated with the reporting segments.

## IV. Relevance information

Fiscal 2011 (April 1, 2011 to March 31, 2012)

## a. Product and service information

This information is presented in the segment data and is therefore omitted here.

## b. Geographical information

## 1. Net Sales

(Millions of Yen)

	Japan	United States	Europe	Asia	Others	Total
Net Sales	775,564	56,420	57,073	65,598	10,433	965,090

Note 1: Net sales are classified by country or region based on client location.

## 2. Property, plant and equipment, net

(Millions of Yen)

	Japan	United States	Europe	Asia	Others	Total
Property, plant and equipment, net	177,568	15,488	19,914	16,433	1,789	231,194

## c. Loss on impairment of fixed assets

(Millions of Yen)

	Housing	Urban Infrastructure & Environmental Products	High Performance Plastics	Other Business	Eliminations or Unallocatable Accounts	Total
Loss on impairment of fixed assets	407	1,162	775	15	1,450	3,811

## d. Goodwill

(Millions of Yen)

	Housing	Urban Infrastructure & Environmental Products	High Performance Plastics	Other Business	Eliminations or Unallocatable Accounts	Total
Amortization of goodwill at this term	-5	863	2,565	-1	-	3,422
Balance at the end of the current accounting period	-	3,596	23,114	-	-	26,711

Fiscal 2012 (April 1, 2012 to March 31, 2013)

a. Product and service information

This information is presented in the segment data and is therefore omitted here.

b. Geographical information

1. Net Sales

(Millions of Yen)

	Japan	United States	Europe	Asia	Others	Total
Net Sales	794,573	76,716	63,381	87,284	10,476	1,032,431

Note 1: Net sales are classified by country or region based on client location

2: As stated in (6) Important items regarding the basis of preparation of the consolidated financial statements, the Company has previously utilized the financial statements of 73 consolidated subsidiaries overseas with fiscal years ending on December 31 and has made necessary adjustments to reflect significant transactions that occurred between the closing dates of the subsidiary fiscal years and the consolidated fiscal year. Beginning with the present consolidated accounting period, the Company has changed the fiscal year ends of 57 consolidated subsidiaries to March 31 and adopted a method of provisional settlement of accounts using March 31 as a closing date for 15 consolidated subsidiaries.

In accordance with the revised accounting periods, the consolidated statements of income for the fiscal year 2012 represent the 15-month period from January 1, 2012, to March 31, 2013, for the affected consolidated subsidiaries. By region, net sales of the affected consolidated subsidiaries for the three-month period from January 1 to March 31, 2012, were United States ¥13,132 million, Europe ¥11,850 million, Asia ¥10,802 million, and Other by ¥1,931 million.

2. Property, plant and equipment, net

(Millions of Yen)

	Japan	United States	Europe	Asia	Others	Total
Property, plant and equipment, net	175,738	17,739	21,825	23,213	2,137	240,654

c. Loss on impairment of fixed assets

(Millions of Yen)

	Housing	Urban Infrastructure & Environmental Products	High Performance Plastics	Other Business	Eliminations or Unallocatable Accounts	Total
Loss on impairment of fixed assets	820	2,144	2,278	—	—	5,243

d. Goodwill

(Millions of Yen)

	Housing	Urban Infrastructure & Environmental Products	High Performance Plastics	Other Business	Eliminations or Unallocatable Accounts	Total
Amortization of goodwill at this term	—	528	2,708	-3	—	3,232
Balance at the end of the current accounting period	—	1,798	19,324	—	—	21,123