Financial Reports

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Financial Highlights (6 years)

	Millions of yen					
	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010
Achievement Transition						
Net Sales	885,067	926,163	958,674	934,225	858,514	915,492
Operating Income	40,287	45,157	43,005	33,589	35,955	49,335
Ordinary Income	43,801	46,910	38,547	29,438	31,076	48,292
Net Income	20,229	25,538	24,300	1,013	11,627	23,574
Comprehensive Income	-	-	-	-	-	5,705
Operating Income Ratio (%)	4.6	4.9	4.5	3.6	4.2	5.4
Assets, Liabilities and Net Assets						
Total Assets	808,357	879,153	782,859	756,450	787,261	790,189
Net Assets	387,458	413,141	368,919	330,721	351,706	350,045
Shareholders' Equity to Total Assets (%)	46.7	45.9	45.8	42.6	43.4	43.0
Current Ratio (%)	114.3	99.9	117.0	109.4	120.4	126.0
Fixed Ratio (%)	130.9	133.2	122.7	132.3	129.7	120.9
Interest-bearing Debt	94,607	111,283	92,097	129,406	133,085	124,508
Debt/Equity Ratio (%)	25.1	27.6	25.7	40.2	38.9	36.6
Total Assets Turnover (Times)	1.14	1.10	1.15	1.21	1.11	1.16
Inventory Turnover (Times)	9.69	9.07	8.50	7.91	7.56	8.14
Tangible Fixed Assets Turnover (Times)	3.89	3.93	3.92	3.87	3.46	3.71
Cash Flow						
Net cash provided by operating activities	38,268	41,929	31,782	35,611	74,983	64,197
Net cash provided by (used in) investing activities	14,847	(59,100)	13,521	(35,403)	(55,496)	(46,051)
Net cash provided by (used in) financing activities	(41,421)	(2,484)	(42,801)	13,889	(5,749)	(5,197)
Free Cash Flow	47,566	(23,804)	37,197	(7,787)	15,126	12,602
Capital Expenditures, Depreciation and R&D Expenditures						
Capital Expenditures	28,348	36,337	31,267	34,539	44,049	25,269
Depreciation and Amortization	25,536	26,045	30,503	36,529	34,525	34,530
R&D Expenditures	23,077	24,451	25,739	25,420	24,010	24,694
R&D Expenditures to Revenues (%)	2.61	2.64	2.68	2.72	2.80	2.70
Per Share Data						
Net Assets per Share (Yen)	711.54	761.69	683.11	612.93	651.08	650.83
Net Income per Share (Yen)	37.78	48.19	46.16	1.93	22.13	44.92
Dividends per Share (Yen)	11.00	14.00	15.00	10.00	10.00	13.00
Dividends Payout Ratio (%)	29.1	29.1	32.5	518.7	45.2	28.9
Other Data						
Return on Equity (%)	5.9	6.5	6.4	0.3	3.5	6.9
Return on Total Assets (%)	5.6	5.6	4.6	3.8	4.0	6.1
EBITDA	65,823	71,202	73,508	70,118	70,480	83,865
Interest Coverage Ratio (Times)	20.6	27.3	21.9	14.8	15.2	19.8
PER (%)	26.39	19.49	13.06	253.89	28.65	14.49
Number of Employees	17,966	18,905	18,907	19,742	19,761	19,770
Net Sales per Employee (Ten thousands of yen)	5,062	5,023	5,070	4,834	4,346	4,631

Shareholders' Equity to Total Assets = Shareholders' Equity / Total Assets
Current Ratio = Current Assets / Current Liabilities
Fixed Ratio = Fixed Assets / Shareholders' Equity
Debt/Equity Ratio = Interest-bearing Debt / Shareholders' Equity
Total Assets Turnover = Net Sales / Average Total Assets
Inventory Turnover = Net Sales / Average Inventory
Tangible Fixed Assets Turnover = Net Sales / Average Tangible Fixed Assets
Free Cash Flow = CF Operating Activities + CF Investing Activities - Dividend Paid

R&D Expenditures to Revenues = R&D Expenditures / Net Sales
Return on Equity = Net Income / Average Shareholders' Equity
Return on Total Assets = Ordinary Income / Average Total Assets
EBITDA = Operating Income + Depreciation and Amortization
Interest Coverage Ratio = (Operating Income + Interest and Dividends) / Interest Expense
PER = Stock Prices at the End of Fiscal Year / Net Income per Share
Net Sales per Employee = Net Sales / Average Number of Employees

Consolidated Financial Statements

Consolidated Balance Sheets

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
March 31, 2011 and 2010

	Millions of yen	
	2011	2010
Assets		
Current assets:		
Cash and deposits (Notes 17 and 19)	¥ 75,021	¥ 45,175
Notes receivable, trade (Note 19)	38,688	39,783
Accounts receivable, trade (Note 19)	109,263	106,739
Marketable securities (Notes 4 and 19)	10,501	20,001
Merchandise and finished goods	39,332	40,197
Land for sale	19,146	16,822
Work in process	37,015	31,645
Raw materials and supplies	22,361	18,536
Advance payments	633	759
Prepaid expenses	2,531	2,393
Deferred income taxes (Note 9)	12,341	9,715
Short-term loans	1,118	691
Other current assets	12,530	12,049
Allowance for doubtful accounts	(999)	(986)
Total current assets	379,485	343,524
Non-current assets:		
Property, plant and equipment, net (Notes 6, 7 and 14):		
Buildings and structures	85,005	89,395
Machinery, equipment and vehicles	64,515	66,940
Land	69,184	69,314
Leased assets	7,163	8,044
Construction in progress	5,516	17,918
Other	4,867	5,371
Total property, plant and equipment, net (Note 5)	236,253	256,985
Intangible assets:		
Goodwill (Note 14)	19,290	22,909
Software	4,341	4,180
Leased assets	381	263
Other	5,799	6,426
Total intangible assets	29,813	33,780
Investments and other assets:		
Investments in securities (Notes 4 and 19)	105,307	116,582
Long-term loans	552	793
Long-term prepaid expenses	1,124	1,244
Deferred income taxes (Note 9)	27,340	25,191
Other	11,569	11,093
Allowance for doubtful accounts	(1,258)	(1,934)
Total investments and other assets	144,636	152,970
Total non-current assets	410,704	443,736
Total assets	¥ 790,189	¥ 787,261

	Millions of yen	
	2011	2010
Liabilities		
Current liabilities:		
Notes payable, trade (Notes 6 and 19)	¥ 7,324	¥ 8,783
Accounts payable, trade (Notes 6 and 19)	118,027	113,181
Short-term debt and current portion of long-term debt (Notes 6 and 19)	40,325	28,001
Bonds redeemable within one year (Notes 6 and 19)	—	10,000
Lease obligations (Note 7)	3,102	3,627
Accrued expenses	27,257	25,119
Accrued income taxes and other taxes	9,107	8,342
Deferred income taxes (Note 9)	162	123
Allowance for bonuses to employees	14,308	13,188
Allowance for bonuses to directors and corporate auditors	223	227
Provision for compensation for completed construction	1,127	1,286
Advances received	44,153	37,812
Other	35,981	35,580
Total current liabilities	301,101	285,275
Long-term liabilities:		
Bonds less current maturities (Notes 6 and 19)	10,000	10,000
Long-term debt less current portion (Notes 6 and 19)	66,702	76,761
Lease obligations (Note 7)	4,378	4,694
Deferred income taxes (Note 9)	4,949	4,397
Accrued retirement benefits (Note 8)	47,761	48,608
Other	5,249	5,816
Total long-term liabilities	139,042	150,279
Total liabilities	440,143	435,554
Contingent liabilities (Note 12)		
Net assets		
Shareholders' equity (Note 10);		
Common stock	100,002	100,002
Capital surplus	109,307	109,307
Retained earnings	172,689	154,353
Treasury stock, at cost	(13,017)	(10,839)
Total shareholders' equity	368,982	352,823
Accumulated other comprehensive income (loss):		
Unrealized holding loss on securities	(8,202)	(1,037)
Deferred (loss) gain on hedges	(123)	74
Unrealized gain on land revaluation (Note 11)	199	199
Translation adjustments	(21,119)	(10,017)
Total accumulated other comprehensive loss	(29,245)	(10,781)
Stock acquisition rights	611	503
Minority interests	9,697	9,160
Total net assets	350,045	351,706
Total liabilities and net assets	¥ 790,189	¥ 787,261

See accompanying notes to consolidated financial statements

Consolidated Statements of Income

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen	
	2011	2010
Net sales (Notes 18 and 22)	¥ 915,492	¥ 858,514
Cost of sales	645,468	606,123
Gross profit	270,023	252,390
Selling, general and administrative expenses (Note 13)	220,688	216,434
Operating income (Note 22)	49,335	35,955
Non-operating income:		
Interest income	646	790
Dividends income	1,533	2,021
Equity in earnings of affiliates	1,739	1,498
Miscellaneous income	3,785	2,986
Total non-operating income	7,704	7,295
Non-operating expenses:		
Interest expenses	2,297	2,253
Interest on commercial papers	—	27
Sales discounts	305	277
Foreign exchange loss	2,504	998
Miscellaneous expenses	3,641	8,619
Total non-operating expenses	8,748	12,175
Ordinary income	48,292	31,076
Extraordinary income:		
Gain on sales of property, plant and equipment	—	1,015
Total extraordinary income	—	1,015
Extraordinary loss:		
Reorganization costs (Note 15)	3,967	2,302
Loss on disaster	1,239	—
Loss on devaluation of investments in securities	1,109	—
Loss on impairment of fixed assets and goodwill (Note 14)	984	3,456
Loss on sales or disposal of property, plant and equipment	1,189	2,988
Total extraordinary loss	8,491	8,747
Income before income taxes and minority interests	39,801	23,344
Income taxes (Note 9):		
Current	14,025	11,510
Deferred	1,096	(1,000)
Total income taxes	15,122	10,509
Income before minority interests	24,678	12,834
Minority interests	1,103	1,207
Net income	¥ 23,574	¥ 11,627

See accompanying notes to consolidated financial statements

Consolidated Statements of Comprehensive Income

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2011

	Millions of yen
	2011
Income before minority interests	¥ 24,678
Other comprehensive income (loss) (Note 16)	
Unrealized holding loss on securities	(7,211)
Deferred loss on hedges	(197)
Translation adjustments	(11,617)
Comprehensive income of affiliates accounted for by the equity method attributable to the Company	53
Total other comprehensive loss	(18,972)
Comprehensive income	5,705
Comprehensive income attributable to:	
Shareholders of the Company	¥ 5,110
Minority shareholders	594

See accompanying notes to consolidated financial statements

Consolidated Statements of Changes in Net Assets

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen										
	Shareholders' equity				Accumulated other comprehensive income (loss)						
	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, 2009	100,002	109,307	146,931	(10,833)	(11,227)	7	224	(12,411)	386	8,334	330,721
Cash dividends	-	-	(4,205)	-	-	-	-	-	-	-	(4,205)
Net income for the year	-	-	11,627	-	-	-	-	-	-	-	11,627
Increase in retained earnings resulting from inclusion of subsidiaries in consolidation	-	-	0	-	-	-	-	-	-	-	0
Increase in treasury stock	-	-	-	(20)	-	-	-	-	-	-	(20)
Gain on sales of treasury stock	-	(0)	-	14	-	-	-	-	-	-	13
Net changes of items other than shareholders' equity	-	-	-	-	10,190	66	(24)	2,394	117	826	13,569
Total changes of items during the year	-	(0)	7,421	(5)	10,190	66	(24)	2,394	117	826	20,985
Balance at March 31, 2010	¥100,002	¥109,307	¥154,353	¥(10,839)	¥ (1,037)	¥74	¥199	¥(10,017)	¥503	¥9,160	¥351,706
Cash dividends	-	-	(5,256)	-	-	-	-	-	-	-	(5,256)
Net income for the year	-	-	23,574	-	-	-	-	-	-	-	23,574
Increase in retained earnings resulting from inclusion of subsidiaries in consolidation	-	-	19	-	-	-	-	-	-	-	19
Increase in treasury stock	-	-	-	(2,178)	-	-	-	-	-	-	(2,178)
Gain on sales of treasury stock	-	(0)	-	1	-	-	-	-	-	-	0
Net changes of items other than shareholders' equity	-	-	-	-	(7,164)	(197)	0	(11,101)	107	536	(17,819)
Total changes of items during the year	-	(0)	18,336	(2,177)	(7,164)	(197)	0	(11,101)	107	536	(1,660)
Balance at March 31, 2011	¥100,002	¥109,307	¥172,689	¥(13,017)	¥ (8,202)	¥(123)	¥199	¥(21,119)	¥611	¥9,697	¥350,045

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen	
	2011	2010
Operating activities:		
Income before income taxes and minority interests	¥ 39,801	¥ 23,344
Adjustments for:		
Depreciation and amortization	34,530	34,525
Amortization of goodwill	2,730	3,083
Loss on impairment of fixed assets and goodwill	984	3,456
Loss on disposal of fixed assets	1,106	2,950
Loss on devaluation of investment securities	1,109	225
(Decrease) increase in accrued retirement benefits	(704)	387
Interest and dividend income	(2,179)	(2,811)
Interest expenses	2,602	2,557
Equity in earnings of affiliates	(1,739)	(1,498)
Increase in notes and accounts receivable	(6,071)	(2,865)
(Increase) decrease in inventories	(13,347)	13,293
Increase in notes and accounts payable	9,538	753
Increase in advances received	6,359	4,332
Other	2,522	6,169
Subtotal	77,244	87,904
Interest and dividends received	2,616	3,257
Interest paid	(2,606)	(2,546)
Surcharge paid	–	(7,965)
Income taxes refund	–	4,868
Income taxes paid	(13,056)	(10,535)
Net cash provided by operating activities	64,197	74,983
Investing activities:		
Purchases of property, plant and equipment	(21,232)	(37,061)
Proceeds from sales of property, plant and equipment	424	2,285
Increase in time deposits	(17,646)	(6)
Purchases of investments in securities	(3,154)	(1,389)
Proceeds from sales or redemption of investment in securities	462	2,056
Acquisition of investments in subsidiaries resulting in change in scope of consolidation (Note 17)	–	(2,908)
Acquisition of investments in subsidiaries	(683)	–
Acquisition of businesses (Note 17)	–	(16,288)
Acquisition of shares from minority interests in consolidated subsidiaries	(12)	(201)
Purchase of intangible assets	(2,529)	(1,990)
(Increase) decrease in short-term loans	(121)	702
Other	(1,558)	(696)
Net cash used in investing activities	(46,051)	(55,496)

Consolidated Statements of Cash Flows (continued)

Financing activities:		
Increase (decrease) in short-term debt, net	29	(9,007)
Repayments of finance lease obligations	(3,944)	(5,083)
Decrease in commercial paper	–	(20,000)
Proceeds from long-term debt	14,160	32,545
Repayment of long-term debt	(7,755)	(4,419)
Proceeds from issuance of bonds	–	10,000
Payment for redemption of bonds	–	(5,382)
Cash dividends paid	(5,260)	(4,209)
Cash dividends paid to minority shareholders of consolidated subsidiaries	(284)	(152)
Purchase of treasury stock	(2,171)	(20)
Other	29	(20)
Net cash used in financing activities	(5,197)	(5,749)
Effect of exchange rate change on cash and cash equivalents	(2,488)	602
Net increase in cash and cash equivalents	10,459	14,339
Cash and cash equivalents at beginning of year	54,855	40,488
Increase in cash and cash equivalents from initial consolidated subsidiary	629	28
Cash and cash equivalents at end of year (Note 17)	¥ 65,944	¥ 54,855

See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements

1. Basis of Preparation of Consolidated Financial Statements

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries (the "Companies") 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.

Effective the year ended March 31, 2011, the Companies have adopted the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, issued on June 30, 2010). The account items "accumulated other comprehensive income (loss)" and "total accumulated other comprehensive loss" in the accompanying consolidated balance sheet as of March 31, 2010 are used in place of the previously reported items of "valuation" and "total valuation" in the consolidated balance sheet as of March 31, 2010.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements were 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 were made to conform the consolidated financial statements for the year ended March 31, 2010 to the 2011 presentation. Such reclassifications had no effect on consolidated net income or net assets.

As permitted by the Financial Instruments and Exchange Law of Japan, amounts of less than one million yen for the years ended March 31, 2011 and 2010 have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements for the years ended March 31, 2011 and 2010 do not necessarily agree with the sum of the individual amounts.

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

At March 31, 2011, the Company had 202 subsidiaries as opposed to 193 at March 31, 2010. The accompanying consolidated financial statements for the years ended March 31, 2011 and 2010 include the accounts of the Company and its 155 and 153 significant subsidiaries, respectively.

The accounts of the remaining 47 and 40 subsidiaries have not been consolidated with those of the Company at March 31, 2011 and 2010, 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 Company and its consolidated subsidiaries have been entirely eliminated and the portion attributable to minority interests has been charged to minority interests.

At March 31, 2011 and 2010, although the Company had 47 and 40 unconsolidated subsidiaries, 18 and 17 affiliates, respectively, 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 and statement of comprehensive income.

(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 accumulated other comprehensive income (loss). 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.

(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

Goodwill is 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 Doubtful Accounts

The allowance for doubtful accounts is provided to cover possible losses on collection. With respect to normal accounts receivable, trade, it is stated at an amount based on the actual rate of historical bad debts, and for certain doubtful receivables, the uncollectible amount has been individually estimated.

(10) Allowance for Bonuses to Employees

Allowance for bonuses to employees 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.

(11) 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.

(12) Recognition of Revenue and Related Costs

Revenues and costs of construction contracts, of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. To estimate the progress of such construction projects, the Company measures the percentage of completion by comparing costs incurred to date with the most recent estimate of total costs required to complete the project (cost to cost basis). If a reliable estimate cannot be made, revenues and costs of construction contract are recognized by the completed-contract method.

(13) 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.

(14) 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.

(15) 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 accumulated other comprehensive income (loss).

If interest rates swap contracts meet certain hedging criteria, the 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) Asset Retirement Obligations
Effective the year ended March 31, 2011, the Company and its domestic consolidated subsidiaries have adopted the "Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan ("ASBJ") Statement No. 18, issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, issued on March 31, 2008). The effect of this change was immaterial to the consolidated financial statements for the year ended March 31, 2011.

(2) Recognizing Revenues and Costs of Construction Contracts
Effective the year ended March 31, 2010, the Company and its domestic consolidated subsidiaries have adopted the "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, issued on December 27, 2007) and "Guidance on Accounting Standard for Construction Contracts" (ASBJ Statement No. 18, issued on December 27, 2007). Under these accounting standard and guidance, revenues and costs of construction contracts that commenced on or after April 1, 2009, of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. To estimate the progress of such construction projects, the Company measures the percentage of completion by comparing costs incurred to date with the most recent estimate of total costs required to complete the project (cost to cost basis). The completed-contract method continues to be applied for contracts for which the percentage of completion cannot be reliably estimated.

The effect of this change was immaterial to the consolidated financial statements and the segment information for the year ended March 31, 2010.

(3) Business Combination
Effective the year ended March 31, 2010, the Company has applied the following revised accounting principles regarding the initial integration of a business combination and business divestitures: "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on December 26, 2008), "Partial Amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23, issued on December 26, 2008), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, issued on December 26, 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, issued on December 26, 2008), "Revised Guidance on Accounting Standard for Business Combinations and Accounting

Standard for Business Divestitures" (ASBJ Guidance No. 10, issued on December 26, 2008).

4. Marketable Securities and Investments in Securities

(1) Held-to-maturity debt securities at March 31, 2011 and 2010 are summarized as follows:

	Millions of yen		
	2011		
	Carrying value	Estimated fair value	Gross unrealized gain (loss)
Unlisted foreign debt securities	¥ 25	¥ 25	¥ -
	¥ 25	¥ 25	¥ -

	Millions of yen		
	2010		
	Carrying value	Estimated fair value	Gross unrealized loss
Unlisted foreign debt securities	¥ 10,029	¥10,019	¥ (10)
	¥ 10,029	¥10,019	¥ (10)

(2) Other securities with available fair market value at March 31, 2011 and 2010 are summarized as follows:

	Millions of yen			
	2011			
	Cost	Carrying value	Gross unrealized gain	Gross unrealized loss
Equity securities	¥ 7,307	¥ 11,412	¥ 4,105	¥ -
Equity securities	77,575	59,221	-	(18,353)
Bonds and debentures	25	25	-	-
Other	10,500	10,500	-	-
	¥ 95,407	¥ 81,159	¥ 4,105	¥(18,353)

	Millions of yen			
	2010			
	Cost	Carrying value	Gross unrealized gain	Gross unrealized loss
Equity securities	¥ 6,933	¥ 12,400	¥ 5,466	¥ -
Equity securities	78,160	70,812	-	(7,347)
Bonds and debentures	25	25	-	-
Other	10,000	10,000	-	-
	¥ 95,119	¥ 93,238	¥ 5,466	¥ (7,347)

Because no quoted market prices are available and it is extremely difficult to determine the fair value, the financial instruments of ¥3,661 million and ¥4,309 million at March 31, 2011 and 2010, respectively, are not included in the above table.

(3) The proceeds from sales of, and gross realized gain and loss on, other securities for the years ended March 31, 2011 and 2010 are summarized as follows:

	Millions of yen	
	2011	2010
Proceeds from sales	¥418	¥371
Gross realized gain	118	52
Gross realized loss	(0)	(18)

5. Accumulated Depreciation

Property, plant and equipment, net reflected in the accompanying consolidated balance sheets were stated at cost, less accumulated depreciation. Accumulated depreciation at March 31, 2011 and 2010 amounted to ¥480,789 million and ¥467,588 million, respectively.

6. Short-Term Debt, Bonds and Long-Term Debt

(1) Short-term debt
The average interest rates of short-term debt outstanding at March 31, 2011 and 2010 were 1.85% and 1.47%, respectively.

(2) Bonds outstanding at March 31, 2011 and 2010 were as follows:

	Millions of yen	
	2011	2010
2.04% bonds due May 2010	¥ -	¥ 10,000
1.18% bonds due July 2014	10,000	10,000
	10,000	20,000
Less current maturities	-	(10,000)
	¥ 10,000	¥ 10,000

(3) Long-term debt at March 31, 2011 and 2010 was as follows:

	Millions of yen	
	2011	2010
Secured	¥ 1,526	¥ 2,687
Unsecured	87,239	81,823
	88,765	84,510
Less current portion	(22,063)	(7,749)
	¥ 66,702	¥ 76,761

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 long-term debt for 5 years subsequent to March 31, 2011 are summarized below:

Year ending March 31,	Millions of yen
2012	¥ 22,063
2013	16,248
2014	23,948
2015	17,569
2016	7,703

(4) At March 31, 2011 and 2010, the following assets were pledged as collateral for trade notes and accounts payable, trade, long-term and short-term debt and other:

	Millions of yen	
Assets	2011	2010
Buildings and structures	¥ 2,944	¥ 2,864
Machinery	631	1,363
Land	3,975	3,951
Intangible assets	221	228
Other	3,072	3,278
Total	¥ 10,845	¥ 11,687

	Millions of yen	
Liabilities	2011	2010
Notes payable, trade	¥ 112	¥ 145
Accounts payable, trade	1,731	1,741
Short-term debt	2,302	2,985
Long-term debt	1,526	2,687
Total	¥ 5,672	¥ 7,560

(5) 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, 2011 and 2010 were as follows:

	Millions of yen	
	2011	2010
Lines of credit	¥10,000	¥19,210
Credit used	-	-
Available credit	¥10,000	¥19,210

7. Lease Obligations

The annual maturities of lease obligations for 5 years subsequent to March 31, 2011 are summarized below:

Year ending March 31,	Millions of yen
2012	¥ 3,102
2013	2,260
2014	1,312
2015	561
2016	193

8. 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, 2011 and 2010 for the Companies' defined benefit pension plans:

	Millions of yen	
	2011	2010
Retirement benefit obligation at end of year	¥(108,494)	¥(109,874)
Fair value of plan assets at end of year	59,431	59,089
Unfunded retirement benefit obligation	(49,063)	(50,785)
Unrecognized actuarial loss	2,493	3,240
Unrecognized prior service cost	210	315
Net retirement benefit obligation	(46,358)	(47,230)
Prepaid pension cost	3	2
Accrued retirement benefits	¥ (46,361)	¥ (47,233)

At March 31, 2011 and 2010, accrued retirement benefits of ¥47,761 million and ¥48,608 million, respectively, reflected in the accompanying consolidated balance sheets included accrued retirement benefits for officers of ¥1,399 million and ¥1,375 million, respectively.

The components of retirement benefit expenses for the years ended March 31, 2011 and 2010 are outlined as follows:

	Millions of yen	
	2011	2010
Service cost	¥ 8,976	¥ 8,866
Interest cost	2,440	2,564
Expected return on plan assets	(1,921)	(1,702)
Amortization:		
Unrecognized actuarial loss	301	937
Prior service cost	35	41
Retirement benefit expenses	¥ 9,832	¥10,708

In addition to retirement benefit expenses listed above, the Company and domestic consolidated subsidiaries accounted for additional payments of retirement benefits of ¥1,301 million and ¥1,143 million which were included in reorganization costs for the years ended March 31, 2011 and 2010, respectively.

The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2011 and 2010 were as follows:

	2011	2010
Discount rate	2.5%	2.5%
Expected rates of return on plan assets	1.0%～3.5%	1.0%～3.5%

9. 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, 2011 and 2010.

The effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2011 and 2010 differ from the above statutory tax rate for the following reasons:

	2011	2010
Statutory tax rate	40.4%	40.4%
Non-deductible expenses	-	3.8
Temporary differences arising from consolidation without tax effect	2.6	3.4
Decreases in valuation allowance	(3.7)	-
Other	(1.3)	(2.6)
Effective tax rates	38.0%	45.0%

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, 2011 and 2010 are summarized as follows:

	Millions of yen	
	2011	2010
Deferred tax assets:		
Retirement benefits	¥ 19,370	¥ 19,613
Tax loss carry forwards	6,889	9,631
Unrealized holding loss on securities	5,798	673
Accrued bonuses	5,623	5,262
Loss on impairment of fixed assets	4,114	4,011
Loss on devaluation of investments in securities	4,036	3,615
Unrealized gain	3,092	3,058
Other	8,878	8,665
Valuation allowance	(10,950)	(12,415)
Total deferred tax assets	46,853	42,115
Deferred tax liabilities:		
Revaluation of investments in affiliates	(3,769)	(3,769)
Deferred capital gains on property	(2,215)	(2,286)
Adjustment for allowance for doubtful accounts	(12)	(75)
Other	(6,285)	(5,597)
Total deferred tax liabilities	(12,282)	(11,730)
Net deferred tax assets	¥ 34,570	¥ 30,385

10. 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 at March 31, 2011 and 2010.

Stock-based compensation plan

In accordance with the former Commercial Code of Japan (the "Code") a stock option plan (the 2005 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, certain stock option plans (the 2006 and 2007 plans) for directors and key employees of the

Company and for representative directors, certain directors and key employees of certain subsidiaries and affiliates were approved at the annual general meeting of shareholders held on June 29, 2006 and June 28, 2007, respectively.

In accordance with the Law, certain stock option plans (the 2008, 2009 and 2010 plans) for directors, executive officers and key employees of the Company and for representative directors, certain directors and key employees of certain subsidiaries and affiliates were approved at the annual general meeting of shareholders held on June 27, 2008, June 26, 2009 and June 29, 2010, respectively.

The stock option plans outlined above are summarized as follows:

	Number of stock options outstanding at March 31, 2011	Exercise price at March 31, 2011	Exercisable period
The 2006 plan	1,060,000	1,045	From July 1, 2008 up to and including June 30, 2011
The 2007 plan	1,025,000	1,010	From July 1, 2009 up to and including June 30, 2012
The 2008 plan	1,115,000	734	From July 1, 2010 up to and including June 30, 2013
The 2009 plan	1,175,000	579	From July 1, 2011 up to and including June 30, 2014
The 2010 plan	1,190,000	595	From July 1, 2012 up to and including June 30, 2015

Information regarding the Company’s stock option plans is summarized as follows:

	The 2005 plan	The 2006 plan	The 2007 plan	The 2008 plan	The 2009 plan	The 2010 plan
Number of stock options:						
Balance at April 1, 2009	952,000	1,090,000	1,050,000	1,140,000	–	–
Granted	–	–	–	–	1,205,000	–
Cancelled	10,000	20,000	15,000	10,000	15,000	–
Exercised	–	–	–	–	–	–
Balance at March 31, 2010	942,000	1,070,000	1,035,000	1,130,000	1,190,000	–
Granted	–	–	–	–	–	1,195,000
Cancelled	942,000	10,000	10,000	15,000	15,000	5,000
Exercised	–	–	–	–	–	–
Balance at March 31, 2011	–	1,060,000	1,025,000	1,115,000	1,175,000	1,190,000
Fair value of stock options as of the grant date	–	¥ 195	¥ 144	¥ 108	¥ 97	¥ 92

Common stock and treasury stock

Movements in common stock in issue and treasury stock for the years ended March 31, 2011 and 2010 are summarized as follows:

	Number of shares			
	2011			
	March 31, 2010	Increase	Decrease	March 31, 2011
Common stock	539,507,285	-	-	539,507,285
Treasury stock	14,162,284	3,343,033	1,526	17,503,791

	Number of shares			
	2010			
	March 31, 2009	Increase	Decrease	March 31, 2010
Common stock	539,507,285	-	-	539,507,285
Treasury stock	14,161,865	35,807	35,388	14,162,284

11. 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 accumulated other comprehensive income (loss) as unrealized gain on land revaluation of ¥199 million in the accompanying consolidated balance sheets at March 31, 2011 and 2010, respectively.

12. Contingent Liabilities

Contingent liabilities at March 31, 2011 and 2010 were as follows:

	Millions of yen	
	2011	2010
Guaranteed obligations		
Housing loans of customers	¥ 22,433	¥ 15,891
Housing loans of employees	631	865
Loans of unconsolidated subsidiaries	50	280

	Millions of yen	
	2011	2010
Notes receivable, trade with recourse		
Notes receivable, trade endorsed	¥ 189	¥ 290
Notes receivable, trade discounted	28	164

13. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2011 and 2010 are as follows:

	Millions of yen	
	2011	2010
Research and development costs	¥ 24,694	¥ 24,010

14. Loss on Impairment of Fixed Assets and Goodwill

The Companies 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.

For the year ended March 31, 2011, the Company has written down goodwill and intangible assets, recognized at the time of acquisition of the testing medicine business in the United States, to their respective net recoverable values because the management of the Company has determined that reaching the income target expected in line with the business plan in effect when the business was acquired is difficult. As a result, the Company recorded a loss of ¥577 million, for which the recoverable amounts were measured by the value in use method based on estimated future cash flows discounted at rates varying from 19.8% to 22.6% for the year ended March 31, 2011.

For the year ended March 31, 2010, the Company has written down the book value of goodwill recognized at the time of acquisition of the pipeline rehabilitation business and medical diagnostic products business in the United States, to their respective net recoverable values because the management of the Company has determined that reaching the income target expected in line with the business plan in effect when the business was acquired is difficult. As a result, the Company recorded a loss of ¥ 983 million as impairment loss, for which the recoverable amounts were measured by the value in use method based on estimated future cash flows discounted at rates varying from 15% to 16.7% for the year ended March 31, 2010.

For the year ended March 31, 2010, the carrying value of land and structures (or groups of assets), whose market value has decreased significantly from their original carrying value, has been reduced to their respective recoverable amounts as a result of decline in land prices. Accordingly, a total impairment loss of ¥2,213 million related to a decline in land prices was recognized, which consisted of ¥2,188 million on land and ¥24 million on structures. The recoverable amounts of the assets (or groups of assets) are measured based on their respective estimated selling value determined by the Companies.

15. Reorganization Costs

Reorganization costs for the years ended March 31, 2011 and 2010 are as follows:

	Millions of yen	
	2011	2010
Additional payments of retirement benefits	¥ 1,301	¥ 1,143
Cost of integration of the retirement pension plan of certain subsidiaries in the Housing segment	714	—
Reorganization of subsidiaries	—	811
Others	1,952	348
	¥ 3,967	¥ 2,302

16. Other Comprehensive Income

Other comprehensive income for the year ended March 31, 2010 is summarized as follows;

	Millions of yen
	2010
Other comprehensive income (loss)	
Unrealized holding loss on securities	¥ 9,927
Deferred loss on hedges	66
Translation adjustments	2,702
Comprehensive income of affiliates accounted for by the equity method attributable to the Company	165
Total other comprehensive income	¥ 12,862
Comprehensive income attributable to:	
Shareholders of the Company	¥ 24,253
Minority shareholders	1,444
Total	¥ 25,697

17. Supplemental Information on Statements of Cash Flows

Reconciliations between cash and cash equivalents in the accompanying consolidated statements of cash flows and cash and deposits in the accompanying consolidated balance sheets at March 31, 2011 and 2010 are presented as follows:

	Millions of yen	
	2011	2010
Cash and deposits	¥75,021	¥45,175
Time deposits with maturities in excess of three months	(17,576)	(319)
Certificate of deposit within three months	8,500	10,000
Cash and cash equivalents	¥65,944	¥54,855

The Company purchased shares of American Diagnostica, Inc. (America), including American Diagnostica, Inc. (Canada), American Diagnostica, G.m.b.H., American Diagnostica, S.a.r.L. and initially consolidated the accounts of this company for the year ended March 31, 2010. The following summarizes the assets and liabilities included in consolidation and the relationship between acquisition cost and net disbursement of acquisition:

	Millions of yen
	2010
Current assets	¥ 696
Non-current assets	2,350
Goodwill	782
Current liabilities	(107)
Non-current liabilities	(771)
Other	(447)
Acquisition cost	2,502
Cash and cash equivalents	(23)
Net disbursement of acquisition	¥ 2,478

Sekisui Specialty Chemicals America, LLC acquired the business of Celanese Ltd. and the Company initially consolidated the accounts of Sekisui Specialty Chemicals America, LLC for the year ended March 31, 2010. The following summarizes the assets and liabilities included in consolidation and the acquisition cost:

	Millions of yen
	2010
Current assets	¥ 2,412
Non-current assets	10,226
Goodwill	69
Current liabilities	(47)
Other	(7)
Acquisition cost	¥ 12,654

Sekisui Specialty Chemicals Europe, S.L. acquired the business of Celanese Chemicals Ibérica S.L. and the Company initially consolidated the accounts of Sekisui Specialty Chemicals Europe, S.L. for the year ended March 31, 2010. The following summarizes the assets and liabilities included in consolidation and the acquisition cost:

	Millions of yen
	2010
Current assets	¥ 1,842
Non-current assets	1,788
Goodwill	116
Current liabilities	(43)
Other	(70)
Acquisition cost	¥ 3,634

Finance lease obligations of ¥3,195 million and ¥3,769 million were incurred during the years ended March 31, 2011 and 2010, respectively.

18. Related Party Transactions

Principal transactions between the Company's consolidated subsidiaries and their related parties for the years ended March 31, 2011 and 2010 are summarized as follows:

2011

Name	Title	Transactions	Millions of yen Amounts
Shuji Negishi	President of the Company	Sales of housing	¥52
Kozo Takami	Director of the Company	Sales of housing	¥26

2010

Name	Title	Transactions	Millions of yen Amounts
Tadashi Kunihiro	Corporate auditor of the Company	Sales of housing	¥35
Keita Kato	Executive officer of the Company	Sales of housing	¥32

Prices for sales of housing were determined based on the same terms as third party transactions.

19. Financial Instruments

Overview

(1) Policy for financial instruments

The Companies raise funds by bank borrowings and bonds, including short-term bonds. The Companies manage funds only through short-term time deposits and others. The Companies use derivatives for the purposes of managing foreign currency exchange risk related to notes and accounts receivable, trade and notes and accounts payable, trade and avoiding the risk of fluctuations of interest rates related to debt. The Companies do not enter into derivatives for speculative or trading purposes.

(2) Types of financial instruments and related risk

Notes and accounts receivable, trade are exposed to credit risk in relation to customers. In addition, the Companies are exposed to foreign currency exchange risk arising from receivables denominated in foreign currencies resulting from trade with overseas customers.

Equity securities—the Companies hold equity securities, which are mainly issued by companies who have business relationships with the Companies, and these securities are exposed to the risk of fluctuation in market prices. Notes and accounts payable, trade mostly have payment due dates within one year. A portion of trade payables, which is denominated in foreign currencies, is exposed to foreign currency exchange risk. Short-term debt, included in bank loans and bonds, is raised mainly in connection with business activities. Long-term debt and bonds are taken out principally for the purpose of capital expenditure. The repayment dates of the long-term debt and bonds extend up to five years and three months from the balance sheet date. Debt with variable interest rates is exposed to interest rate fluctuation risk. However, to reduce such risk and fix interest expense for debt bearing interest at variable rates, the Companies undertake interest rate swap transactions as a hedging instrument for most long-term debt.

(3) Risk management for financial instruments

(a) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies for managing credit risk of the Companies, the Companies monitor credit worthiness of their main customers periodically, and monitors due dates and outstanding balances by customer.

To minimize the credit risk when entering into derivative transactions, counterparties are limited to financial institutions with high ratings.

(b) Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)

For equity securities included in investments in securities, the fair values of these securities are periodically reviewed and reported to the Board of Directors.

In conducting and managing derivative transactions, the accounting department confirms the effectiveness of hedging and obtains approval from the responsible person, depending on the notional contract value, based on the internal policies and formal regulations on market risk for financial instruments.

(c) Monitoring of liquidity risk for financing (the risk that the Companies may not be able to meet its obligations on the scheduled due dates)

The Companies manage liquidity risk mainly through the monthly cash-flow plans, which are prepared by each company.

(4) Supplementary explanation of the estimated fair value of financial instruments

The notional amounts of derivatives listed below are not necessarily indicative of the actual market risk involved in derivative transactions.

Estimated Fair Value of Financial Instruments

The carrying value of the financial instruments on the consolidated balance sheets as of March 31, 2011 and 2010 and differences (unrealized gain (loss)) are shown in the following table. The table does not include financial instruments for which it is extremely difficult to determine the fair value. (Please refer to (2) below).

Fair value information as of March 31, 2011:

	Millions of yen		
	Carrying value	Estimated fair value	Difference
(1)Cash and deposits	¥ 75,021	¥ 75,021	¥ —
(2)Notes and accounts receivable, trade	147,951	147,951	—
(3)Marketable securities and Investments in securities	102,966	96,901	(6,065)
Total	¥ 325,939	¥ 319,873	¥ (6,065)
(1)Notes and accounts payable, trade	¥ (125,351)	¥ (125,351)	¥ —
(2)Short-term debt	(18,261)	(18,261)	—
(3)Long-term debt, including current portion	(88,765)	(89,130)	364
(4)Bonds	(10,000)	(10,205)	205
Total	¥ (242,379)	¥ (242,948)	¥ 569

Fair value information as of March 31, 2010:

	Millions of yen		
	Carrying value	Estimated fair value	Difference
(1)Cash and deposits	¥ 45,175	¥ 45,175	¥ —
(2)Notes and accounts receivable, trade	146,522	146,522	—
(3)Marketable securities and Investments in securities	124,224	120,865	(3,359)
Total	¥ 315,922	¥ 312,563	¥ (3,359)
(1) Notes and accounts payable, trade	¥ (121,965)	¥ (121,965)	¥ —
(2)Short-term debt	(20,252)	(20,252)	—
(3)Long-term debt, including current portion	(84,510)	(85,378)	867
(4)Bonds	(20,000)	(20,143)	143
Total	¥ (246,728)	¥ (247,739)	¥ 1,010

(1) Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

Cash and deposits and notes and accounts receivable, trade
Since these items are settled in a short period, their carrying value approximates fair value.

Marketable securities and investment in securities
The fair value of equity securities is based on quoted market prices. The fair value of debt securities is based on either quoted market prices or prices provided by the financial institutions making markets in these securities. For information on securities classified by holding purpose, please refer to Note 4. Marketable Securities and Investment in Securities of the notes to the consolidated financial statements.

Notes and accounts payable, trade and short-term debt
Since these items are settled in a short period, their carrying value approximates fair value.

Long-term debt
The fair value of long-term debt is based on the present value of the total amount including principal and interest, discounted by the expected interest rate to be applied if similar new loans with a similar remaining period were entered into. Variable interest rate for long-term debt is hedged by interest rate swap contracts and accounted for as debt with fixed interest rate. The fair value of long-term debt with variable interest is based on the present value of the total of principal, interest and net cash flow of interest rate swap contracts discounted by the reasonably estimated interest rate to be applied if similar new loans with a similar remaining period were entered into.

Bonds
The fair value of bonds that are issued by the Company are quoted market prices.

Derivatives Transactions
Please refer to Note 20. Derivatives of the notes to the consolidated financial statements.

(2) Financial instruments for which it is extremely difficult to determine the fair value were as follows:

	Millions of yen	
	2011	2010
Unlisted equity securities	¥12,842	¥12,359

Because no quoted market prices are available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the preceding table.

(3) Redemption schedule for Cash and deposits, notes and accounts receivable, trade and marketable securities and investments in securities with maturities at March 31, 2011 and 2010:

Maturity analysis as of March 31, 2011:

	Millions of yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and deposits	¥ 75,021	¥ -	¥ -	¥ -
Notes and accounts receivable, trade	147,951	-	-	-
Marketable securities and investments in securities				
Held-to-maturity debt securities	1	24	-	-
Other securities with maturities	10,500	-	-	-
Total	¥ 233,473	¥ 24	¥ -	¥ -

Maturity analysis as of March 31, 2010:

	Millions of yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and deposits	¥ 45,175	¥ -	¥ -	¥ -
Notes and accounts receivable, trade	146,522	-	-	-
Marketable securities and investments in securities				
Held-to-maturity debt securities	10,001	28	-	-
Other securities with maturities	10,000	-	-	-
Total	¥ 211,699	¥ 28	¥ -	¥ -

(4) The redemption schedule for long-term debt and bonds is disclosed in Note 6. Short-Term Debt, Bonds and Long-Term Debt of the notes the consolidated financial statements.

(Additional information)

The "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, issued on March 10, 2008) and the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, issued on March 10, 2008) are applied effective the year ended March 31, 2010.

20. 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 some 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, 2011 and 2010:

1. Derivatives for which hedge accounting is not applied

(1) Currency-related transactions

	Millions of yen					
	2011			2010		
	Notional amount	Fair value	Unrealized gain	Notional amount	Fair value	Unrealized gain
Foreign currency swaps:						
Receive fixed – U.S. dollars/ pay fixed – yen	¥ 3,037	¥ 87	¥ 87	¥ 2,935	¥384	¥ 384
Receive fixed – Euro/ pay fixed – yen	-	-	-	1,239	128	128
Total	¥ 3,037	¥ 87	¥ 87	¥ 4,174	¥512	¥ 512

The notional amount of receive fixed – U.S. dollars / pay fixed – yen includes a portion over 1 year of ¥621 million as of March 31, 2011.

(2) Interest-related transactions

	Millions of yen					
	2011			2010		
	Notional amount	Fair value	Unrealized gain	Notional amount	Fair value	Unrealized Gain (loss)
Interest-rate swaps:						
Receive/fixed and pay/floating	¥ -	¥ -	¥ -	¥ 10,000	¥ 70	¥ 70
Receive/floating and pay/fixed	-	-	-	10,000	(69)	(69)
Total	¥ -	¥ -	¥ -	¥ 20,000	¥ 0	¥ 0

2. Derivatives for which hedge accounting is applied

(1) Currency-related transactions

	Millions of yen			
	2011			
	Hedged item	Notional amount	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts:				
Buy: U.S. dollars	Accounts	¥17,803	¥(123)	¥(123)
Buy: Euro	payable	5	0	0

The notional amount of the buy position in U.S. dollars includes a portion over 1 year of ¥3 million.

	Millions of yen			
	2010			
	Hedged item	Notional amount	Fair value	Unrealized gain
Foreign exchange forward contracts:				
Buy: U.S. dollars	Accounts	¥17,786	¥ 73	¥ 73
Buy: Euro	payable	35	1	1

The notional amount of the buy position in U.S. dollars includes a portion over 1 year of ¥9,701 million.

(2) Interest-related transactions

	Millions of yen			
	2011			
	Hedged item	Notional amount	Fair value	Unrealized gain (loss)
Interest-rate swap: Receive/floating and pay/fixed	Long-term debt	¥39,125	(*)	(*)
Total		¥39,125		

(*): Because the interest rate swap contract is accounted for as if the interest rate applied to the swap had originally applied to the underlying long-term debt, its fair value is included in that of long-term debt.

The notional amount of the above interest rate swap includes a portion over 1 year of ¥24,875 million.

	Millions of yen			
	2010			
	Hedged item	Notional amount	Fair value	Unrealized gain (loss)
Interest-rate swap: Receive/floating and pay/fixed	Long-term debt	¥41,000	(*)	(*)
Total		¥41,000		

(*): Because the interest rate swap contract is accounted for as if the interest rate applied to the swap had originally applied to the underlying long-term debt, its fair value is included in that of long-term debt.

The notional amount of the above interest rate swap includes a portion over 1 year of ¥36,625 million.

21. Amounts Per Share

	Yen	
	2011	2010
Net income:		
Basic	¥ 44.92	¥ 22.13
Diluted	44.92	-
Cash dividends	13.00	10.00
Net assets	650.83	651.08

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 at March 31, 2011 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. Diluted net income per share at March 31, 2010 has not been disclosed because no potentially dilutive securities were outstanding at March 31, 2010. The amounts per share of net assets have been computed based on the number of shares of common stock outstanding at 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.

22. Segment Information

(Additional information)

Segment Information Disclosures

Effective the year ended March 31, 2011, the Companies have adopted the "Revised Accounting Standard for

Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, revised on March 27, 2009) and "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued on March 21, 2008). Under the new revised accounting standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the Board of Directors in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(a) Segment Information for the Year ended March 31, 2011

1. Overview of the Reportable segments

The Company's reportable segments are determined on the basis that separate financial information of such segments is available and examined periodically by the Board of Directors of the Company to make decisions regarding the allocation of management resources and assess the business performances of such segments. The Companies have divided the 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 manufacturing, construction, sales, refurbishing, and other operations related to unit housing. The UIEP business comprises 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 manufacturing and sales of interlayer films for laminated glass, polyolefin foam, tape, LCD fine particles and photosensitive materials, diagnostic drugs and other products.

2. Calculation methods used for sales, income, assets and the other items on each reportable segment

The accounting methods for the reportable segments is presented principally in accordance with the same accounting policies of the accompanying consolidated financial statements defined in Note 2 "Summary of Significant Accounting Policies." The amounts of segment income are calculated based on the same method as the calculation of operating income in the consolidated statement of income for the year ended March 31, 2011. The figures of intersegment sales and transfers are presented based on the current market prices at the time of these transactions.

3. Information as to sales, income, assets and other items on each reportable segment

Reportable segment information of the Companies for the year ended March 31, 2011 is summarized as follows:

	Millions of yen					
	2011					
	Reportable segments					
	Housing	Urban infrastructure and environmental products	High performance plastics	Total	Other (*1)	Consoli-dated
Sales:						
Sales to third parties	¥ 418,620	¥ 184,443	¥ 275,122	¥ 878,186	¥ 37,305	¥ 915,492
Intersegment sales or transfers	66	11,126	6,520	17,713	5,835	23,548
Net sales	418,687	195,570	281,642	895,900	43,140	939,041
Segment income	¥ 24,379	¥ 1,503	¥ 24,397	¥ 50,281	¥ (127)	¥ 50,153
Segment assets	¥ 196,715	¥ 161,309	¥ 257,843	¥ 615,868	¥ 42,057	¥ 657,926
Other items:						
Depreciation and amortization (*2)	7,287	6,953	17,638	31,879	1,956	33,836
Investment in affiliates accounted for by the equity method	6,454	-	-	6,454	-	6,454
Increase in property, plant and equipment, and intangible assets (*2)	5,708	5,556	12,111	23,375	1,235	24,611

(*1):Other is a segment other than the reportable segments, 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 property, plant and equipment, and intangible assets include amortization of long-term prepaid expenses and its associated costs.

4. Information on the difference between the total income amount of the reportable segments and the corresponding amount reported in the consolidated financial statements

Net sales and income for the year ended March 31, 2011

Net sales:	(Millions of Yen)
Total of reportable segments	¥ 895,900
Other business sales	43,140
Eliminations	(23,548)
Net sales	¥ 915,492

Income:	(Millions of Yen)
Total of reportable segments	¥ 50,281
Other business loss	(127)
Eliminations	(196)
Corporate expenses (*1)	(620)
Operating income	¥ 49,335

(*1): Corporate expenses are mainly general administrative expenses not attributable to a reportable segment.

Assets for the year ended March 31, 2011

Assets:	(Millions of Yen)
Total of reportable segments	¥ 615,868
Assets classified as "other"	42,057
Eliminations	(72,479)
Corporate assets (*1)	204,742
Total Assets	¥ 790,189

(*1): Corporate assets are assets not associated with the reportable 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 of the Company.

Other items for the year ended March 31, 2011

	Millions of yen			
	2011			
	Reporting Segment	Others	Adjustment (*1)	Consolidated
Other items:				
Depreciation and amortization	¥ 31,879	¥ 1,956	¥ 694	¥ 34,530
Investment in affiliates accounted for by the equity method	6,454	—	21,806	28,260
Increase in property, plant and equipment, and intangible assets	23,375	1,235	658	25,269

(*1): Adjustment represents the amounts of investments in affiliates accounted for by the equity method, which are not associated with the reportable segments.

5. Related information

(1) Sales information by geographic area
Overseas sales by geographical areas for the year ended March 31, 2011 is as follows:

	Millions of yen					
	2011					
	Japan	America	Europe	Asia	Other	Total
Net sales	¥ 735,480	¥ 52,800	¥ 50,654	¥ 67,574	¥ 8,983	¥ 915,492

(2) Information of property, plant and equipment by geographic area
Information of property, plant and equipment by geographical areas for the year ended March 31, 2011 is as follows:

	Millions of yen					
	2011					
	Japan	America	Europe	Asia	Other	Total
Property, plant and equipment, net	¥ 180,814	¥ 17,091	¥ 20,101	¥ 16,304	¥ 1,942	¥ 236,253

6. Information of loss on impairment of fixed assets and goodwill

Information on loss on impairment of fixed assets and goodwill for the year ended March 31, 2011 is as follows.

	Millions of yen					
	2011					
	Housing	Urban infrastructure and environmental products	High performance plastics	Other	Eliminations or unallocable accounts	Total
Loss on impairment of fixed assets and goodwill	¥ -	¥ 211	¥ 773	¥ -	¥ -	¥ 984

7. Amortization and balance of goodwill

Information on amortization of goodwill by each segment and its remaining balance for the year ended March 31, 2011 is summarized as follows:

	Millions of yen					
	2011					
	Housing	Urban infrastructure and environmental products	High performance plastics	Other	Eliminations or unallocable accounts	Total
Amortization of goodwill	¥ (33)	¥ 1, 019	¥ 1,746	¥ (1)	¥ -	¥ 2,730
Balance at March 31, 2011	(5)	4,629	14,666	-	-	19,290

(b) Segment Information for the Year ended March 31, 2010

Restated segment information for the year ended March 31, 2010 has been omitted because basic segment information was similarly presented from prior years and this presentation treatment has been permitted in line with “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17, issued on March 27, 2008) and ASBJ Guidance No.20 “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No.20, issued on March 21, 2008).

Business segment information of the Companies for the year ended March 31, 2010 is summarized as follows:

Business Segments

	Millions of yen						
	2010						
	Housing	Urban infrastructure and environmental products	High performance plastics	Other	Total	Eliminations or unallocable accounts	Consoli-dated
Sales:							
Sales to third parties	¥ 398,130	¥ 182,689	¥ 241,390	¥ 36,304	¥ 858,514	¥ -	¥ 858,514
Intersegment sales or transfers	115	11,960	6,293	6,480	24,849	(24,849)	-
Net sales	398,245	194,649	247,683	42,785	883,363	(24,849)	858,514
Operating expenses	378,834	197,058	228,476	42,452	846,822	(24,264)	822,558
Operating income (loss)	¥ 19,410	¥ (2,409)	¥ 19,207	¥ 332	¥ 36,541	¥ (585)	¥ 35,955
Total assets	¥ 190,323	¥ 160,321	¥ 270,652	¥ 43,606	¥ 664,904	¥ 122,356	¥ 787,261
Depreciation and amortization	8,065	7,614	16,112	2,032	33,824	700	34,525
Loss on impairment of fixed assets	2,213	556	686	-	3,456	-	3,456
Capital expenditures	6,405	5,059	30,690	716	42,873	1,176	44,049

Geographical segment information of the Companies for the year ended March 31, 2010 is summarized as follows:

Geographical Segments

	Millions of yen							
	2010							
	Japan	United States	Europe	Asia	Other	Total	Eliminations or unallocable accounts	Consoli-dated
Sales:								
Sales to third parties	¥739,820	¥33,310	¥38,550	¥40,160	¥6,671	¥858,514	¥ -	¥858,514
Intersegment sales or	30,664	3,683	1,823	2,509	366	39,047	(39,047)	-
Net sales	770,485	36,993	40,373	42,670	7,037	897,561	(39,047)	858,514
Operating expenses	738,892	36,792	38,600	41,307	6,045	861,637	(39,079)	822,558
Operating income	¥ 31,593	¥ 201	¥ 1,773	¥ 1,363	¥ 992	¥ 35,923	¥ 32	¥ 35,955
Total assets	¥525,014	¥47,664	¥50,161	¥46,107	¥6,233	¥675,181	¥112,080	¥787,261

Overseas sales for the year ended March 31, 2010 is summarized as follows:

Overseas Sales

	Millions of yen				
	2010				
	America	Europe	Asia	Other	Total
Overseas sales	¥ 37,604	¥ 41,543	¥ 55,035	¥ 6,800	¥140,983
Consolidated net sales					858,514
Overseas sales as a percentage of consolidated net sales	4.4	4.8	6.4	0.8	16.4

23. Business Combination

(1) Acquisition of stock

On April 20, 2009, Sekisui America Co., Ltd., a wholly owned subsidiary of the Company, acquired 100% of the shares of American Diagnostica, Inc. (“ADI”), which is involved in the development, production and distribution of diagnostic reagents in the blood coagulation field. The Company determined that the acquisition would enable the establishment of an overseas base for the diagnostic reagents business in a short period of time. ADI specializes in the blood coagulation field, has strong customer relationships and earns stable profits. ADI is expected to expand in the cancer field, developing the cancer diagnostic reagents.

The aggregate cost for the acquisition was $30 million. This cost includes $4 million of the present value of a contingent consideration which is accounted for by the overseas subsidiary as the acquirer. A contingent consideration may be paid additionally depending on achievement targets that are performance based and others in the certain years after the closing.

Goodwill of $7 million arising from the acquisition is being amortized over a period of 5 years.

The accompanying consolidated statement of income for the year ended March 31, 2010 reflected the operating results of ADI for the period from April 21, 2009 to December 31, 2009. The amounts of assets acquired and liabilities assumed of ADI at the date of acquisition were as follows:

	(Millions of U.S. dollars)
Current assets	$ 6
Tangible assets	0
Intangible assets	23
Investments, long-term loans and other	0
Goodwill	7
Current liabilities	(1)
Long-term liabilities	(7)
Acquisition cost	$ 30

(2) Acquisition of businesses

On July 1, 2009, Sekisui America Corporation, a wholly owned subsidiary of the Company, established Sekisui Specialty Chemicals America, LLC which then acquired the business of Celanese Ltd. In a related transaction, Sekisui Specialty Chemicals Europe, S.L. acquired the business of Celanese Chemicals Ibérica S.L., which is involved in the production and distribution of polyvinyl alcohol resin. The Company determined that the acquisition would enable it to establish a stable supply system of raw materials and enhance the supply chain in the interlayer films for laminated glass business of the high performance plastics business. The aggregate acquisition cost for the business of Celanese Ltd. and the business of Celanese Chemicals Ibérica S.L. were $131 million and €26 million, respectively. The acquisitions were accounted for using the purchase method of accounting. As Sekisui Specialty Chemicals America, LLC was the acquiring company, goodwill of $0.7 million arising from the acquisition was charged to the statement of income for the year ended March 31, 2010. As Sekisui Specialty Chemicals Europe, S.L. was the acquiring company, goodwill of €0.9 million arising from the acquisition is being amortized over a period of 5 years.

The accompanying consolidated statement of income for the year ended March 31, 2010 reflected the operating results of Sekisui Specialty Chemicals America, LLC and Sekisui Specialty Chemicals Europe, S.L. for the period from July 1, 2009 to December 31, 2009. The amounts of assets acquired and liabilities assumed of Celanese Ltd. and Celanese Chemicals Ibérica S.L. at the date of acquisition were as follows:

Celanese Ltd.

	(Millions of U.S. dollars)
Current assets	$ 25
Tangible assets	95
Intangible assets	10
Goodwill	0
Current liabilities	(0)
Other	(0)
Acquisition cost	$131

Celanese Chemicals Ibérica S.L.

	(Millions of Euro)
Current assets	€ 13
Tangible assets	13
Goodwill	0
Current liabilities	(0)
Other	(1)
Acquisition cost	€ 26

24. Subsequent Events

(1) (Acquisition of business and stock)

The Company determined at its Board of Directors meeting on November 10, 2010, to proceed with the acquisition of the diagnostics business of Genzyme Corporation, based in the United States, and concluded an agreement on November 18, 2010 to acquire the business and shares of its subsidiaries. As a result, the Company acquired the diagnostics business of Genzyme Corporation in the United States and the United Kingdom, and the shares of subsidiaries in Canada and Germany of Genzyme Corporation on January 31, 2011.

Sekisui America Corporation, a wholly owned subsidiary of the Company, established Sekisui Diagnostics, LLC. in the United States and Sekisui Diagnostics, LLC. acquired the diagnostics business of Genzyme Corporation in North America (including the shares of Genzyme Corporation's subsidiary in Canada, renamed Sekisui Diagnostics P.E.I. Inc.), which is involved in development, manufacture and distribution of clinical diagnostics.

Sekisui Europe B.V., a wholly owned subsidiary of the Company, similarly established Sekisui Diagnostics (UK) Ltd. subsequently in the United Kingdom and Sekisui Diagnostics (UK) Ltd. acquired the diagnostics business of Genzyme Corporation in the United Kingdom and the shares of Genzyme Corporation's subsidiary in Germany (renamed Sekisui Virotech G.m.b.H.), which are involved in development, manufacture and distribution of clinical diagnostics.

The aggregate acquisition costs of the Sekisui Diagnostics, LLC and Sekisui Diagnostics (UK) Ltd. business were $116 million and $74 million, respectively. The aggregate acquisition cost of shares of Sekisui Diagnostics P.E.I. Inc. and Sekisui Virotech G.m.b.H. were $58 million and $15 million, respectively.

The Company determined that the acquisition would enable it to fortify development of the medical business's overseas clinical diagnostics operations.

The Company will newly include the accounts of the above new subsidiaries in its consolidated financial statements for the year ending March 31, 2012.

(2) (Acquisition of stock)

The Company acquired 100% of the shares of Suzutora Corporation, which is involved in the thin-film business (ITO film for touch panels) field and textile business (nano-metal coating to textiles, fabricated to synthetic leather) field, and it became a wholly-owned subsidiary on April 27, 2011. The Company determined that the acquisition would enable it to broaden the high performance plastics business range in the IT field.

The aggregate cost for the acquisition was ¥10,938 million, including a professional advisory fee of ¥32 million.

(3) (Issuance of corporate bonds)

The Company issued unsecured bonds in the aggregate amount of ¥10,000 million on June 15, 2011 pursuant to a resolution of the Board of Directors at a meeting held on May 16, 2011 mainly in order to refinance outstanding corporate bonds.

The unit price for the bond issuance was set at ¥100 per ¥100 nominal value and an annual interest rate of 0.603%. The bonds will be redeemed on June 15, 2016.

(4) (Year-end cash dividends)

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2011, was approved at the Board of Directors at a meeting held on May 16, 2011:

	Millions of yen
Year-end cash dividends (¥8.0 per share)	¥ 4,178

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, 2011 and 2010, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended March 31, 2011, 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, 2011 and 2010, 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 24 (1), the Company acquired the diagnostics business of Genzyme Corporation in the United States and the United Kingdom, and the shares of subsidiaries in Canada and Germany of Genzyme Corporation on January 31, 2011.

As described in Note 24 (2), on April 27, 2011, the Company acquired 100% of the shares of Suzutora Corporation, which became a wholly-owned subsidiary of the Company.

As described in Note 24 (3), the Company issued unsecured bonds on June 15, 2011 pursuant to a resolution of the Board of Directors at a meeting held on May 16, 2011.

Ernst & Young ShinNihon LLC

Osaka, Japan
June 17, 2011