FINANCIAL REPORTS

CONTENTS

Financial Highlights (6 years)

	Millions of yen					
	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
Achievement Transition						
Net Sales	958,674	934,225	858,514	915,492	965,090	1,032,431
Operating Income	43,005	33,589	35,955	49,335	54,610	59,621
Ordinary Income	38,547	29,438	31,076	48,292	54,158	60,670
Net Income	24,300	1,013	11,627	23,574	28,116	30,174
Comprehensive Income	-	-	-	5,705	24,652	77,437
Operating Income Ratio (%)	4.5	3.6	4.2	5.4	5.7	5.8
Assets, Liabilities and Net Assets						
Total Assets	782,859	756,450	787,261	790,189	827,103	901,564
Net Assets	368,919	330,721	351,706	350,045	363,299	433,228
Shareholders' Equity to Total Assets (%)	45.8	42.6	43.4	43.0	42.5	46.4
Current Ratio (%)	117.0	109.4	120.4	126.0	123.5	131.1
Fixed Ratio (%)	122.7	132.3	129.7	120.9	121.4	110.3
Interest-bearing Debt	92,097	129,406	133,085	124,508	127,188	115,320
Debt/Equity Ratio (%)	25.7	40.2	38.9	36.6	36.2	27.6
Total Assets Turnover (Times)	1.15	1.21	1.11	1.16	1.19	1.19
Inventory Turnover (Times)	8.50	7.91	7.56	8.14	7.71	7.57
Tangible Fixed Assets Turnover (Times)	3.92	3.87	3.46	3.71	4.13	4.38
Cash Flow						
Net cash provided by operating activities	31,782	35,611	74,983	64,197	66,652	71,016
Net cash provided by (used in) investing activities	13,521	(35,403)	(55,496)	(46,051)	(70,727)	(31,133)
Net cash provided by (used in) financing activities	(42,801)	13,889	(5,749)	(5,197)	(16,077)	(30,520)
Free Cash Flow	37,197	(7,787)	15,126	12,602	(12,332)	30,650
Capital Expenditures, Depreciation and R&D Expenditures						
Capital Expenditures	31,267	34,539	44,049	25,269	33,076	36,842
Depreciation and Amortization	30,503	36,529	34,525	34,530	35,102	34,895
R&D Expenditures	25,739	25,420	24,010	24,694	25,611	25,894
R&D Expenditures to Revenues (%)	2.68	2.72	2.80	2.70	2.65	2.51
Per Share Data						
Net Assets per Share (Yen)	683.11	612.93	651.08	650.83	682.46	810.76
Net Income per Share (Yen)	46.16	1.93	22.13	44.92	53.96	58.53
Dividends per Share (Yen)	15.00	10.00	10.00	13.00	15.00	18.00
Dividends Payout Ratio (%)	32.5	518.7	45.2	28.9	27.8	30.8
Other Data						
Return on Equity (%)	6.4	0.3	3.5	6.9	8.1	7.8
Return on Total Assets (%)	4.6	3.8	4.0	6.1	6.7	7.0
EBITDA	73,508	70,118	70,480	83,865	89,712	94,516
Interest Coverage Ratio (Times)	21.9	14.8	15.2	19.8	20.7	21.7
PER (%)	13.06	253.89	28.65	14.49	13.31	17.63
Number of Employees	18,907	19,742	19,761	19,770	20,855	22,202
Net Sales per Employee (Ten thousands of yen)	5,070	4,834	4,346	4,631	4,751	4,796

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 Sheet

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
March 31, 2013 and 2012

	Millions of yen	
	2013	2012
Assets		
Current assets:		
Cash and deposits (Notes 18 and 20)	¥ 91,132	¥ 75,422
Notes receivable, trade (Notes 5 and 20)	42,183	40,797
Accounts receivable, trade (Note 20)	129,901	116,123
Marketable securities (Notes 6 and 20)	1	21
Merchandise and finished goods	47,825	47,100
Land for sale	19,334	16,977
Work in process	43,036	44,156
Raw materials and supplies	29,829	24,343
Advance payments	2,354	1,909
Prepaid expenses	2,525	2,878
Deferred income taxes (Note 11)	15,370	14,396
Short-term loans receivable	527	347
Other current assets	17,850	17,374
Allowance for doubtful accounts	(1,907)	(1,527)
Total current assets	439,964	400,322
Non-current assets:		
Property, plant and equipment, net (Notes 8 and 16):		
Buildings and structures	84,226	83,601
Machinery, equipment and vehicles	63,736	61,796
Land	69,810	67,097
Leased assets	7,775	7,220
Construction in progress	10,288	6,871
Other	4,816	4,607
Total property, plant and equipment, net (Notes 7 and 23)	240,654	231,194
Intangible assets (Notes 8, 16 and 23):		
Goodwill	21,123	26,711
Software	5,129	4,764
Leased assets	278	228
Other	22,566	20,188
Total intangible assets	49,098	51,893
Investments and other assets:		
Investments in securities (Notes 6 and 20)	146,192	107,925
Long-term loans receivable	710	833
Long-term prepaid expenses	1,276	1,433
Deferred income taxes (Note 11)	12,732	22,670
Other	12,283	11,813
Allowance for doubtful accounts	(1,346)	(982)
Total investments and other assets	171,848	143,693
Total non-current assets	461,600	426,780
Total assets (Note 23)	¥ 901,564	¥ 827,103

	Millions of yen	
	2013	2012
Liabilities		
Current liabilities:		
Notes payable, trade (Notes 5, 8 and 20)	¥ 7,797	¥ 6,777
Electronically recorded obligations (Note 20)	4,963	3,540
Accounts payable, trade (Notes 8 and 20)	125,403	121,028
Short-term debt and current portion of long-term debt (Notes 8 and 20)	47,590	40,636
Lease obligations (Note 9)	2,953	3,019
Accrued expenses	29,977	28,083
Accrued income taxes and other taxes (Note 11)	6,747	15,282
Deferred income taxes (Note 11)	225	163
Allowance for bonuses to employees	15,410	14,887
Allowance for bonuses to directors and corporate auditors	207	233
Provision for compensation for completed construction	1,223	1,223
Advances received	49,123	47,555
Other	43,915	41,587
Total current liabilities	335,539	324,017
Long-term liabilities:		
Bonds (Notes 8 and 20)	20,000	20,000
Long-term debt less current portion (Notes 8 and 20)	39,650	59,083
Lease obligations (Note 9)	5,126	4,449
Deferred income taxes (Note 11)	5,104	3,916
Accrued retirement benefits (Note 10)	57,274	46,909
Other	5,640	5,426
Total long-term liabilities	132,797	139,786
Total liabilities	468,336	463,803
Contingent liabilities (Note 14)		
Net assets		
Shareholders' equity (Note 12);		
Common stock	100,002	100,002
Capital surplus	109,234	109,288
Retained earnings	209,280	192,856
Treasury stock, at cost	(11,577)	(17,352)
Total shareholders' equity	406,939	384,795
Accumulated other comprehensive income (loss):		
Unrealized holding gain (loss) on securities	17,778	(7,556)
Deferred gain (loss) on hedges	47	(16)
Unrealized gain on land revaluation (Note 13)	260	260
Translation adjustments	(6,443)	(25,830)
Total accumulated other comprehensive income (loss)	11,642	(33,143)
Stock acquisition rights	306	474
Minority interests	14,339	11,173
Total net assets	433,228	363,299
Total liabilities and net assets	¥ 901,564	¥ 827,103

See accompanying notes to consolidated financial statements

Consolidated Statement of Income

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen	
	2013	2012
Net sales (Notes 19 and 23)	¥ 1,032,431	¥ 965,090
Cost of sales	729,971	679,528
Gross profit	302,460	285,562
Selling, general and administrative expenses (Note 15)	242,838	230,951
Operating income (Note 23)	59,621	54,610
Non-operating income:		
Interest income	909	695
Dividends income	2,075	1,795
Equity in earnings of affiliates	1,249	1,774
Foreign exchange gain, net	4,827	—
Miscellaneous income	4,134	5,396
Total non-operating income	13,195	9,662
Non-operating expenses:		
Interest expenses	2,550	2,432
Sales discounts	332	332
Foreign exchange loss, net	—	608
Miscellaneous expenses	9,265	6,740
Total non-operating expenses	12,147	10,113
Ordinary income	60,670	54,158
Extraordinary income:		
Gain on sales of property, plant and equipment	1,815	3,311
Total extraordinary income	1,815	3,311
Extraordinary loss:		
Retirement benefit expenses (Notes 4 and 10)	9,536	—
Loss on impairment of fixed assets and goodwill (Notes 16 and 23)	5,243	3,811
Loss on devaluation of investments in securities (Note 6)	2,022	987
Advanced depreciation of property, plant and equipment	—	1,840
Loss on sales or disposal of property, plant and equipment	1,186	1,590
Total extraordinary loss	17,989	8,229
Income before income taxes and minority interests	44,495	49,240
Income taxes (Note 11):		
Current	17,241	21,862
Deferred	(3,967)	(1,667)
Total income taxes	13,274	20,194
Income before minority interests	31,221	29,046
Minority interests	1,047	930
Net income	¥ 30,174	¥ 28,116

See accompanying notes to consolidated financial statements

Consolidated Statement of Comprehensive Income

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen	
	2013	2012
Income before minority interests	¥ 31,221	¥ 29,046
Other comprehensive income (loss) (Note 17)		
Unrealized holding gain on securities	25,099	582
Deferred gain on hedges	63	106
Translation adjustments	20,805	(5,194)
Comprehensive income of affiliates accounted for by the equity method attributable to the Company	247	111
Total other comprehensive income (loss)	46,215	(4,393)
Comprehensive income	¥ 77,437	¥ 24,652
Comprehensive income attributable to:		
Shareholders of the Company	¥ 74,960	¥ 24,218
Minority shareholders	2,476	434

See accompanying notes to consolidated financial statements

Consolidated Statement of Changes in Net Assets

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen										
	Shareholders' equity				Accumulated other comprehensive income (loss)						
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gain (loss) on securities	Deferred gain (loss) on hedges	Unrealized gain on land revaluation	Translation adjustments	Stock acquisition rights	Minority interests	Total net assets
Balance at April 1, 2011	¥100,002	¥109,307	¥172,689	¥(13,017)	¥ (8,202)	¥(123)	¥ 199	¥ (21,119)	¥ 611	¥ 9,697	¥350,045
Cash dividends	-	-	(7,836)	-	-	-	-	-	-	-	(7,836)
Net income for the year	-	-	28,116	-	-	-	-	-	-	-	28,116
Decrease in retained earnings resulting from inclusion of subsidiaries in consolidation	-	-	(113)	-	-	-	-	-	-	-	(113)
Increase in treasury stock	-	-	-	(4,544)	-	-	-	-	-	-	(4,544)
Gain on sales of treasury stock	-	(18)	-	209	-	-	-	-	-	-	190
Net changes of items other than shareholders' equity	-	-	-	-	645	106	61	(4,711)	(137)	1,475	(2,558)
Total changes of items during the year	-	(18)	20,166	(4,335)	645	106	61	(4,711)	(137)	1,475	13,254
Balance at April 1, 2012	¥100,002	¥109,288	¥192,856	¥(17,352)	¥ (7,556)	¥ (16)	¥ 260	¥ (25,830)	¥ 474	¥ 11,173	¥363,299
Cash dividends	-	-	(8,767)	-	-	-	-	-	-	-	(8,767)
Net income for the year	-	-	30,174	-	-	-	-	-	-	-	30,174
Retirement of treasury stock	-	(5,046)	-	5,046	-	-	-	-	-	-	-
Increase in treasury stock	-	-	-	(14)	-	-	-	-	-	-	(14)
Gain on sales of treasury stock	-	9	-	742	-	-	-	-	-	-	751
Transfer from retained earnings to capital surplus		4,983	(4,983)	-	-	-	-	-	-	-	-
Net changes of items other than shareholders' equity	-	-	-	-	25,335	63	-	19,386	(168)	3,166	47,783
Total changes of items during the year	-	(53)	16,423	5,774	25,335	63	-	19,386	(168)	3,166	69,928
Balance at March 31, 2013	¥100,002	¥109,234	¥209,280	¥(11,577)	¥ 17,778	¥ 47	¥ 260	¥ (6,443)	¥ 306	¥ 14,339	¥433,228

See accompanying notes to consolidated financial statements

Consolidated Statement of Cash Flows

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen	
	2013	2012
Operating activities:		
Income before income taxes and minority interests	¥ 44,495	¥ 49,240
Adjustments for:		
Depreciation and amortization	34,895	35,102
Amortization of goodwill	3,232	3,422
Loss on impairment of fixed assets and goodwill	5,243	3,811
Loss on disposal of property, plant and equipment	1,089	1,038
Loss on devaluation of investment in securities	2,022	987
Advanced depreciation of property, plant and equipment	—	1,840
Gain on sales of property, plant and equipment, net	(1,718)	(2,993)
Increase (decrease) in accrued retirement benefits	9,902	(817)
Interest and dividends income	(2,984)	(2,491)
Interest expenses	2,882	2,765
Equity in earnings of affiliates	(1,249)	(1,774)
Increase in notes and accounts receivable	(3,179)	(8,372)
Increase in inventories	(1,715)	(12,194)
(Decrease) increase in notes and accounts payable	(1,384)	6,318
Increase in advances received	1,730	2,854
Other	3,232	3,247
Subtotal	96,496	81,987
Interest and dividends received	3,420	2,875
Interest paid	(3,023)	(2,753)
Income taxes paid	(25,876)	(15,455)
Net cash provided by operating activities	71,016	66,652
Investing activities:		
Purchases of property, plant and equipment	(29,211)	(25,963)
Proceeds from sales of property, plant and equipment	4,805	3,036
Payments into time deposits	(50,084)	(37,361)
Proceeds from withdrawal of time deposits	47,970	24,637
Purchases of investments in securities	(227)	(1,089)
Proceeds from sales or redemption of investments in securities	1,936	2,944
Acquisition of investments in subsidiaries resulting in change in scope of consolidation (Notes 18 and 24)	—	(16,324)
Acquisition of investments in subsidiaries	(2,322)	(408)
Acquisition of businesses (Notes 18 and 24)	(448)	(15,862)
Acquisition of shares from minority interests in consolidated subsidiaries	(92)	(1,127)
Purchases of intangible assets	(2,840)	(2,423)
Decrease in short-term loans receivable	79	570
Other	(698)	(1,355)
Net cash used in investing activities	¥ (31,133)	¥ (70,727)

Consolidated Statement of Cash Flows (continued)

Financing activities:		
(Decrease) increase in short-term debt, net	¥ (5,860)	¥ 2,801
Repayments of lease obligations	(3,459)	(3,478)
Proceeds from long-term debt	4,454	11,513
Repayment of long-term debt	(18,717)	(25,246)
Proceeds from issuance of bonds	—	10,000
Payment for redemption of bonds	—	(500)
Proceeds from stock issuance to minority shareholders	1,506	1,302
Cash dividends paid	(8,777)	(7,835)
Cash dividends paid to minority shareholders of consolidated subsidiaries	(456)	(422)
Other	790	(4,211)
Net cash used in financing activities	(30,520)	(16,077)
Effect of exchange rate change on cash and cash equivalents	3,939	(971)
Net increase (decrease) in cash and cash equivalents	13,302	(21,124)
Cash and cash equivalents at beginning of year	45,146	65,944
Increase in cash and cash equivalents from newly consolidated subsidiary	182	325
Cash and cash equivalents at end of year (Note 18)	¥ 58,631	¥ 45,146

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 Act of Japan.

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.

A reclassification of previously reported amounts was made to conform the consolidated statements of cash flows for the year ended March 31, 2012 to the 2013 presentation.

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

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

At March 31, 2013, the Company had 210 subsidiaries. The accompanying consolidated financial statements for the year ended March 31, 2013 include the accounts of the Company and its 167 significant subsidiaries.

The accounts of the remaining 43 subsidiaries have not been consolidated with those of the Company at March 31, 2013, because their combined assets, retained earnings, net sales and net income (loss) in the aggregate were not material to the consolidated financial statements.

The fiscal year end of 16 overseas consolidated subsidiaries was December 31. 15 overseas consolidated subsidiaries have been consolidated using provisional financial statements at March 31. An overseas consolidated subsidiary has made adjustments to reflect significant transactions that occurred between December 31 and March 31.

Until the year ended March 31, 2012, the 73 overseas consolidated subsidiaries whose fiscal year end was December 31 had made adjustments to reflect significant transactions that occurred between December 31 and March 31. Effective from the year ended March 31, 2013, however, the fiscal year end of 57 overseas consolidated subsidiaries has been changed to March 31, 2013 and 15 overseas consolidated subsidiaries have been consolidated using provisional financial statements at March 31, 2013.

As a result, the current financial statements of these overseas consolidated subsidiaries are prepared for the 15 months from January 1, 2012 to March 31, 2013. Net sales, operating income, ordinary income, income before income taxes and minority interests and net loss of these overseas consolidated subsidiaries for the 3 months from January 1, 2012 to March 31, 2012 were ¥37,716 million, ¥529 million, ¥170 million, ¥144 million and ¥93 million, respectively.

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, 2013, although the Company had 43 unconsolidated subsidiaries and 19 affiliates, the Company has applied the equity method to investments in 8 major affiliates, including Sekisui Plastics Co., Ltd. and Sekisui Jushi Corp. for the purpose of the consolidated financial statements for the year 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 sheet 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, allowance for doubtful accounts 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 effects of such temporary differences in the accompanying consolidated financial statements.

The Company and certain domestic consolidated subsidiaries have applied the consolidated taxation system effective from the year ended March 31, 2013.

(15) Consumption Taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes. Consumption taxes paid not offset by consumption taxes received in accordance with Consumption Tax Act of Japan that arise from the purchases of property, plant and equipment are charged to income when incurred.

(16) 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.

(17) Accounting Standards Issued but Not Yet Effective

On May 17, 2012, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No.26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No.25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000 and the other related practical guidance, being followed by partial amendments from time to time through 2009.

In accordance with the revision of this accounting standard, how to account for actuarial gains and losses and past service costs, how to calculate retirement benefit obligations and enhancement of disclosures were mainly revised from the viewpoint of improvements to financial reporting and international convergence.

The Company and its domestic consolidated subsidiaries will apply the revised accounting standard from the year ending March 31, 2014. However, the amendment of the calculation method for the present value of defined obligations and current service costs will be applied from the beginning of the fiscal year ending March 31, 2015.

The Company is currently evaluating the effect these modifications will have on its consolidated results of operations and financial position.

3. Change in Accounting Policies

Effective April 1, 2012, the Company and its domestic consolidated subsidiaries changed their depreciation method for property, plant and equipment acquired on or after April 1, 2012 in accordance with the amended Corporation Tax Law. The effect of this change on the accompanying consolidated financial statements for the year ended March 31, 2013 was immaterial.

4. Change in Accounting Estimates

Certain domestic consolidated subsidiaries changed the accounting method to calculate retirement benefit obligations from simplified method to the principle method as of March 31, 2013.

This change was made to allocate retirement benefit expenses to periods more appropriately because the Company's regional personnel organization and human resource management system were changed and a method to estimate actuarial calculation of retirement benefit obligations reasonably was implemented, through mergers of domestic housing sales subsidiaries on a regional basis in recent years, integration of retirement benefit plans and the adoption of the regional business organization in January 2013.

As a result of this change, the difference of retirement benefit obligations calculated by the simplified method and the principle method at March 31, 2013, amounting to ¥9,536 million, was recorded as retirement benefit expenses in extraordinary loss for the year ended March 31, 2013. Accordingly, income before income taxes and minority interests decreased by the same amount and accrued retirement benefits increased by the same amount compared with the amounts that would have been recorded under the previous method.

5. Notes Receivable, trade and Notes Payable, trade

The balance sheet date for the years ended March 31, 2013 and 2012 fell on a bank holiday. Consequently, notes receivable, trade of ¥4,672 million and ¥4,837 million and notes payable, trade of ¥762 million and ¥581 million with the due dates of March 31, 2013 and 2012, respectively, were included in the respective balances and were settled on the next business day.

6. Marketable Securities and Investments in Securities

(1) Held-to-maturity debt securities at March 31, 2013 and 2012 are summarized as follows:

	Millions of yen			
	2013			
	Carrying value	Estimated fair value	Gross unrealized gain	Gross unrealized loss
Unlisted foreign debt securities	¥ 9	¥ 9	¥ -	¥ -
	¥ 9	¥ 9	¥ -	¥ -

	Millions of yen			
	2012			
	Carrying value	Estimated fair value	Gross unrealized gain	Gross unrealized loss
Unlisted foreign debt securities	¥ 28	¥ 28	¥ -	¥ -
	¥ 28	¥ 28	¥ -	¥ -

(2) Other securities with available fair market value at March 31, 2013 and 2012 are summarized as follows:

	Millions of yen			
	2013			
	Acquisition cost	Carrying value	Gross unrealized gain	Gross unrealized loss
Equity securities	¥ 80,905	¥107,204	¥ 26,298	¥ -
Equity securities	2,257	2,064	-	(192)
Bonds and debentures	25	25	-	-
	¥ 83,188	¥109,294	¥ 26,298	¥ (192)

	Millions of yen			
	2012			
	Acquisition cost	Carrying value	Gross unrealized gain	Gross unrealized loss
Equity securities	¥ 5,303	¥ 9,086	¥ 3,783	¥ -
Equity securities	79,250	63,039	-	(16,211)
Bonds and debentures	25	25	-	-
	¥ 84,579	¥ 72,151	¥ 3,783	¥ (16,211)

Because no quoted market prices are available and it is extremely difficult to determine the fair value, unlisted equity securities of ¥1,836 million and ¥3,492 million at March 31, 2013 and 2012, respectively, are not included in the above tables.

(3) The proceeds from sales of, and gross realized gain and loss on, other securities for the years ended March 31, 2013 and 2012 are summarized as follows:

	Millions of yen	
	2013	2012
Proceeds from sales	¥ 167	¥ 908
Gross realized gain	39	301
Gross realized loss	(1)	(17)

(4) For the year ended March 31, 2013, the Company recorded a loss on devaluation of investments in securities amounting to ¥2,022 million, consisting of equity securities classified as other securities of ¥1,485 million, investments in unconsolidated subsidiaries and affiliates of ¥310 million and unlisted equity securities of ¥226 million.

7. Accumulated Depreciation

Property, plant and equipment, net reflected in the accompanying consolidated balance sheet at March 31, 2013 and 2012 were stated at cost, less accumulated depreciation. Accumulated depreciation at March 31, 2013 and 2012 amounted to ¥538,671 million and ¥496,582 million, respectively.

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

(1) Short-term debt

The average interest rates of short-term debt outstanding at March 31, 2013 and 2012 were 1.90% and 1.58%, respectively.

(2) Bonds outstanding at March 31, 2013 and 2012 were as follows:

	Millions of yen	
	2013	2012
1.18% bonds due July 2014	¥ 10,000	¥ 10,000
0.60% bonds due June 2016	10,000	10,000
	20,000	20,000
Less current maturities	-	-
	¥ 20,000	¥ 20,000

(3) Long-term debt at March 31, 2013 and 2012 was as follows:

	Millions of yen	
	2013	2012
Secured	¥ 361	¥ 828
Unsecured	65,368	77,145
	65,729	77,973
Less current portion	(26,078)	(18,890)
	¥ 39,650	¥ 59,083

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 subsidiaries 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 subsequent to March 31, 2013 are summarized below:

Year ending March 31,	Millions of yen
2014	¥ 26,078
2015	21,808
2016	8,812
2017	3,775
2018	4,421
2019 and thereafter	833

(4) At March 31, 2013 and 2012, the following assets were pledged as collateral for notes and accounts payable, trade and long-term and short-term debt:

	Millions of yen	
Assets	2013	2012
Buildings and structures	¥ 3,585	¥ 2,688
Machinery	804	549
Land	4,647	3,804
Intangible assets	525	288
Other	2,190	2,818
Total	¥ 11,753	¥ 10,150

	Millions of yen	
Liabilities	2013	2012
Notes payable, trade	¥ 84	¥ 84
Accounts payable, trade	1,190	1,445
Short-term debt	3,438	2,440
Long-term debt	361	828
Total	¥ 5,074	¥ 4,799

(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, 2013 and 2012 were as follows:

	Millions of yen	
	2013	2012
Lines of credit	¥10,000	¥10,000
Credit used	-	-
Available credit	¥10,000	¥10,000

9. Lease Obligations

The annual maturities of lease obligations subsequent to March 31, 2013 are summarized below:

Year ending March 31,	Millions of yen
2014	¥ 2,953
2015	2,033
2016	1,424
2017	948
2018	449
2019 and thereafter	269

10. 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 sheet at March 31, 2013 and 2012 for the Companies' defined benefit pension plans:

	Millions of yen	
	2013	2012
Retirement benefit obligations at end of year	¥(140,386)	¥(115,828)
Fair value of plan assets at end of year	82,402	62,063
Unfunded retirement benefit obligations	(57,984)	(53,764)
Unrecognized actuarial loss	2,003	7,978
Unrecognized prior service cost	209	240
Net retirement benefit obligations	(55,771)	(45,546)
Prepaid pension cost	181	54
Accrued retirement benefits	¥ (55,952)	¥ (45,601)

Certain consolidated subsidiaries calculate retirement benefit obligations by simplified methods.

At March 31, 2013 and 2012, accrued retirement benefits of ¥57,274 million and ¥46,909 million, respectively, reflected in the accompanying consolidated balance sheet included accrued retirement benefits for officers of ¥1,322 million and ¥1,308 million, respectively.

The components of retirement benefit expenses for the years ended March 31, 2013 and 2012 are outlined as follows:

	Millions of yen	
	2013	2012
Service cost	¥ 9,332	¥ 8,338
Interest cost	1,865	2,326
Expected return on plan assets	(2,038)	(1,886)
Amortization:		
Unrecognized actuarial loss	2,932	1,377
Prior service cost	42	36
Adjustment for retirement benefit obligations due to change in accounting estimates (*)	9,536	-
Retirement benefit expenses	¥ 21,670	¥10,191

(*) Certain domestic consolidated subsidiaries changed the accounting method to calculate retirement benefit obligations from the simplified method to the principle method as of March 31, 2013 as disclosed in Note 4 "Change in Accounting Estimates" of the notes to the consolidated financial statements.

The retirement benefit expenses of certain consolidated subsidiaries calculated by simplified method have been included in service cost in the above table.

The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2013 and 2012 were as follows:

	2013	2012
Discount rate	1.6%	1.6%
Expected rates of return on plan assets	1.0%-3.5%	1.0%-3.5%

11. 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 statutory tax rates of approximately 37.8% and 40.4% for the years ended March 31, 2013 and 2012, respectively.

The effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2013 differs from the above statutory tax rate for the following reasons:

	2013
Statutory tax rate	37.8%
Temporary differences arising from consolidation without tax effect	(8.7)
Income tax credit	(7.9)
Temporary differences of consolidated subsidiaries which do not recognize tax effect	5.6
Non-deductible expenses	4.9
Other	(1.9)
Effective tax rate	29.8%

A reconciliation of the statutory tax rate and the effective tax rate for the year ended March 31, 2012 has been omitted as the difference was less than 5% of the statutory tax rate.

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, 2013 and 2012 are summarized as follows:

	Millions of yen	
	2013	2012
Deferred tax assets:		
Accrued retirement benefits	¥ 20,352	¥ 16,781
Unrealized gain	5,956	3,104
Allowance for bonuses	5,768	5,436
Loss on devaluation of investments in securities	4,491	3,856
Tax loss carry forwards	2,427	4,965
Loss on impairment of fixed assets	1,677	1,533
Accrued business tax	1,171	-
Unrealized holding loss on securities	-	4,377
Other	10,015	10,520
Valuation allowance	(5,557)	(5,192)
Total deferred tax assets	46,302	45,381
Deferred tax liabilities:		
Unrealized holding gain on securities	(9,048)	-
Revaluation of investments in affiliates	(3,303)	(3,303)
Deferred capital gains on property	(2,913)	(2,480)
Adjustment for allowance for doubtful accounts	(29)	(9)
Other	(8,233)	(6,600)
Total deferred tax liabilities	(23,529)	(12,394)
Net deferred tax assets	¥ 22,773	¥ 32,987

12. 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, 2013 and 2012.

Stock-based compensation plan

In accordance with the Law, certain stock option plans (the 2007 plan) 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 28, 2007.

In accordance with the Law, certain stock option plans (the 2008, 2009, 2010, 2011 and 2012 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, June 29, 2010, June 29, 2011 and June 27, 2012, respectively.

The stock option plans outlined above are summarized as follows:

	Number of stock options outstanding at March 31, 2013	Exercise price at March 31, 2013	Exercisable period
The 2007 plan	-	-	From July 1, 2009 up to and including June 30, 2012
The 2008 plan	778,000	¥ 734	From July 1, 2010 up to and including June 30, 2013
The 2009 plan	587,000	579	From July 1, 2011 up to and including June 30, 2014
The 2010 plan	745,000	595	From July 1, 2012 up to and including June 30, 2015
The 2011 plan	1,220,000	739	From July 1, 2013 up to and including June 30, 2016
The 2012 plan	1,200,000	742	From July 1, 2014 up to and including June 30, 2017

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

	The 2007 plan	The 2008 plan	The 2009 plan	The 2010 plan	The 2011 plan	The 2012 plan
Number of stock options:						
Balance at March 31, 2011	1,025,000	1,115,000	1,175,000	1,190,000	—	—
Granted	—	—	—	—	1,230,000	—
Cancelled	10,000	15,000	5,000	5,000	—	—
Exercised	—	—	280,000	—	—	—
Balance at March 31, 2012	1,015,000	1,100,000	890,000	1,185,000	1,230,000	—
Granted	—	—	—	—	—	1,205,000
Cancelled	1,015,000	15,000	10,000	10,000	10,000	5,000
Exercised	—	307,000	293,000	430,000	—	—
Balance at March 31, 2013	—	778,000	587,000	745,000	1,220,000	1,200,000
Fair value of stock options as of the grant date	¥ 144	¥ 108	¥ 97	¥ 92	¥ 67	¥ 61

Common stock and treasury stock

Movements in common stock in issue and treasury stock for the years ended March 31, 2013 and 2012 are summarized as follows:

	Number of shares			
	2013			
	April 1, 2012	Increase	Decrease	March 31, 2013
Common stock	539,507,285	-	7,000,000	532,507,285
Treasury stock	24,234,348	18,966	8,030,000	16,223,314

	Number of shares			
	2012			
	April 1, 2011	Increase	Decrease	March 31, 2012
Common stock	539,507,285	-	-	539,507,285
Treasury stock	17,503,791	7,012,949	282,392	24,234,348

13. 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 included in accumulated other comprehensive income (loss) as unrealized gain on land revaluation of ¥260 million in the accompanying consolidated balance sheet at March 31, 2013 and 2012.

14. Contingent Liabilities

Contingent liabilities at March 31, 2013 and 2012 were as follows:

	Millions of yen	
	2013	2012
Guaranteed obligations		
Housing loans of customers	¥ 28,884	¥ 23,880
Housing loans of employees	365	489
Loans of unconsolidated subsidiaries	100	60

	Millions of yen	
	2013	2012
Notes receivable, trade with recourse		
Notes receivable, trade endorsed	¥ 783	¥ 319
Notes receivable, trade discounted	15	31

15. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2013 and 2012 are as follows:

	Millions of yen	
	2013	2012
Research and development costs	¥ 25,894	¥ 25,611

16. Loss on Impairment of Fixed Assets and Goodwill

The Companies group their fixed assets and goodwill 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, 2013, the Companies have written down goodwill recognized at the time of acquisition of the pharmacokinetics business in the United States, to its net recoverable value because the management of the Companies have determined that reaching the income target previously expected was difficult. As a result, the Companies recorded the impairment loss of goodwill in the amount of ¥1,620 million for the year ended March 31, 2013. The value of goodwill was written down to zero as future profitability was uncertain. In addition, the Companies have written down goodwill recognized at the time of acquisition of the pipe rehabilitation business in Germany to its net recoverable value because the management of the Companies have determined that reaching the income target previously expected was difficult. As a result, the Companies recorded the impairment loss of goodwill in the amount of ¥1,451 million for the year ended March 31, 2013. The value of goodwill was written down to zero as future profitability was uncertain..

As for the year ended March 31, 2012, the carrying value of land located at Tenri city in Nara Prefecture, whose market value has decreased significantly from its original carrying value, has been reduced to its respective recoverable amount as a result of a decline in land prices. Accordingly, the Companies recorded a loss of ¥1,450 million, for which the recoverable amount of the assets was measured based on its respective estimated net selling value determined by the Companies. In addition, the Companies have written down goodwill recognized at the time of acquisition of the pipe rehabilitation business in Germany to its net recoverable value because the management of the Companies have 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 Companies recorded an impairment loss of ¥994 million, for which the recoverable amount was measured by the value in use method based on estimated future cash flows discounted at a rate of 10% for the year ended March 31, 2012.

17. Other Comprehensive Income (Loss)

The reclassification adjustments and tax effects for components of other comprehensive income (loss) for the years ended March 31, 2013 and 2012 are as follows:

	Millions of yen	
	2013	2012
Unrealized holding gain on securities:		
Amount arising during the year	¥ 37,147	¥ 1,680
Reclassification adjustments for losses realized in net income	1,455	82
Before tax effect	38,603	1,762
Tax effects	(13,503)	(1,179)
Total unrealized holding gain on securities	¥ 25,099	¥ 582
Deferred gain on hedges:		
Amount arising during the year	63	106
Translation adjustments:		
Amount arising during the year	20,805	(5,194)
Comprehensive income of affiliates accounted for by the equity method attributable to the Company:		
Amount arising during the year	250	111
Reclassification adjustments for losses realized in net income	(3)	0
Total comprehensive income of affiliates accounted for by the equity method attributable to the Company	247	111
Total other comprehensive income (loss)	¥ 46,215	¥ (4,393)

18. Supplemental Information on Statement of Cash Flows

Reconciliations between cash and cash equivalents in the accompanying consolidated statement of cash flows and cash and deposits in the accompanying consolidated balance sheet at March 31, 2013 and 2012 are presented as follows:

	Millions of yen	
	2013	2012
Cash and deposits	¥91,132	¥75,422
Time deposits with maturities in excess of three months	(32,500)	(30,275)
Cash and cash equivalents	¥58,631	¥45,146

Non cash financing activities

Finance lease obligations of ¥4,181 million and ¥3,646 million were incurred during the years ended March 31, 2013 and 2012, respectively.

The Company purchased shares of Suzutora Corporation (presently Sekisui Nano Coat Technology Co., Ltd.) and initially consolidated the accounts of this company for the year ended March 31, 2012. The following summarizes the assets and liabilities included in consolidation and the relationship between acquisition cost and net disbursement for the acquisition:

	Millions of yen
	2012
Current assets	¥ 3,386
Non-current assets	8,734
Goodwill	6,622
Current liabilities	(2,425)
Non-current liabilities	(5,380)
Acquisition cost	10,938
Cash and cash equivalents	(1,872)
Net disbursement for acquisition	¥ 9,066

The Company purchased shares of Sekisui Diagnostics P.E.I Inc. and Sekisui Virotech G.m.b.H. and initially consolidated the accounts of these companies for the year ended March 31, 2012. The following summarizes the assets and liabilities included in consolidation and the relationship between acquisition cost and net disbursement for the acquisition:

	Millions of yen
	2012
Current assets	¥ 3,059
Non-current assets	4,355
Goodwill	1,237
Current liabilities	(428)
Non-current liabilities	(430)
Acquisition cost	7,793
Cash and cash equivalents	(1,297)
Net disbursement for acquisition	¥ 6,496

The Company initially consolidated the accounts of Sekisui Diagnostics, LLC. and Sekisui Diagnostics (UK) Limited, which acquired businesses from third parties, for the year ended March 31, 2012. The following summarizes the assets and liabilities included in consolidation and the relationship between acquisition cost and net disbursement for the acquisition:

	Millions of yen
	2012
Current assets	¥ 3,345
Non-current assets	11,333
Goodwill	2,226
Current liabilities	(736)
Acquisition cost	16,168
Cash and cash equivalents	(305)
Net disbursement for acquisition	¥ 15,862

19. Related Party Transactions

Principal transactions between the Company's consolidated subsidiaries and their related parties for the year ended March 31, 2013 are summarized as follows:

2013			
			Millions of yen
Name	Title	Transactions	Amounts
Naotake Okubo	Director and Executive Advisor of the Company	Remodeling of residence	¥24

Prices for remodeling of residence were determined based on the same terms as third party transactions.

There were no balances or transactions to be disclosed as of March 31, 2012 and for the year then ended.

20. 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 and electronically recorded obligations 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 of 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. Long-term debt and bonds have maturity dates within five years and six months, at the longest, subsequent to March 31, 2013. 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 monitor 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
For derivative transactions, please refer to Note 21 Derivatives of the notes to the consolidated financial statements.

Estimated Fair Value of Financial Instruments

The carrying value of the financial instruments on the consolidated balance sheet, fair value and the difference at March 31, 2013 and 2012 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 at March 31, 2013:

	Millions of yen		
	Carrying value	Estimated fair value	Difference
Cash and deposits	¥ 91,132	¥ 91,132	¥ —
Notes and accounts receivable, trade	172,084	172,084	—
Marketable securities and investments in securities	133,241	127,071	(6,170)
Total	¥ 396,458	¥ 390,288	¥ (6,170)
Notes and accounts payable, trade and electronically recorded obligations	¥ (138,164)	¥ (138,164)	¥ —
Short-term debt	(21,511)	(21,511)	—
Long-term debt, including current portion	(65,729)	(65,935)	205
Bonds	(20,000)	(20,245)	245
Total	¥ (245,406)	¥ (245,856)	¥ 450

Estimated fair value information at March 31, 2012:

	Millions of yen		
	Carrying value	Estimated fair value	Difference
Cash and deposits	¥ 75,422	¥ 75,422	¥ —
Notes and accounts receivable, trade	156,921	156,921	—
Marketable securities and investments in securities	95,046	87,058	(7,988)
Total	¥ 327,390	¥ 319,401	¥ (7,988)
Notes and accounts payable, trade and electronically recorded obligations	¥ (131,346)	¥ (131,346)	¥ —
Short-term debt	(21,745)	(21,745)	—
Long-term debt, including current portion	(77,973)	(78,254)	280
Bonds	(20,000)	(20,262)	262
Total	¥ (251,065)	¥ (251,607)	¥ 542

(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 6 Marketable Securities and Investments in Securities of the notes to the consolidated financial statements.

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

Long-term debt, including current portion
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 rates for long-term debt are 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 is quoted market prices.

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

	Millions of yen	
	2013	2012
Unlisted equity securities	¥12,951	¥12,900

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, 2013 and 2012:

Maturity analysis at March 31, 2013:

	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	¥ 91,132	¥ -	¥ -	¥ -
Notes and accounts receivable, trade	172,084	-	-	-
Marketable securities and investments in securities				
Held-to-maturity debt securities	1	8	-	-
Total	¥ 263,218	¥ 8	¥ -	¥ -

Maturity analysis at March 31, 2012:

	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	¥ 75,422	¥ -	¥ -	¥ -
Notes and accounts receivable, trade	156,921	-	-	-
Marketable securities and investments in securities				
Held-to-maturity debt securities	21	6	-	-
Total	¥ 232,365	¥ 6	¥ -	¥ -

(4) The redemption schedule for long-term debt and bonds is disclosed in Note 8 Short-Term Debt, Bonds and Long-Term Debt of the notes the consolidated financial statements.

21. Derivatives

The Company and certain consolidated subsidiaries enter into currency swap contracts, forward foreign exchange contracts and interest-rate swap contracts in order to manage certain risks arising from adverse fluctuation in foreign currency exchange rates and interest rates. The Company and certain consolidated subsidiaries are also exposed to the risk of credit loss in the event of nonperformance by the counterparties to these currency swap contracts, forward foreign exchange 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, 2013 and 2012:

1. Derivatives for which hedge accounting is not applied

(1) Currency-related transactions

	Millions of yen					
	2013			2012		
	Notional amount	Fair value	Unrealized loss	Notional amount	Fair value	Unrealized gain
Over-the-counter transactions						
Forward foreign exchange contracts:						
Buy: U.S. dollars	¥ 4,013	¥ (25)	¥ (25)	¥ –	¥ –	¥ –
Foreign currency swaps:						
Receive fixed – U.S. dollars/ pay fixed – yen	3,127	(254)	(254)	4,211	7	7
Total	¥ 7,141	¥(280)	¥ (280)	¥ 4,211	¥ 7	¥ 7

The notional amount of receive fixed – U.S. dollars / pay fixed – yen includes portions over 1 year of ¥313 million and ¥207 million at March 31, 2013 and 2012, respectively.

2. Derivatives for which hedge accounting is applied

(1) Currency-related transactions

	Millions of yen		
	2013		
	Hedged item	Notional amount	Fair value
Forward foreign exchange contracts:			
Buy: U.S. dollars	Accounts payable	¥538	¥47
Buy: Euro		28	(0)

The notional amount of the buy position in U.S. dollars and Euro does not include any portion over 1 year.

	Millions of yen		
	2012		
	Hedged item	Notional amount	Fair value
Forward foreign exchange contracts:			
Buy: U.S. dollars	Accounts payable	¥18,258	¥(16)
Buy: Euro		0	0

The notional amount of the buy position in U.S. dollars and Euro does not include any portion over 1 year.

(2) Interest-related transactions

	Millions of yen		
	2013		
	Hedged item	Notional amount	Fair value
Interest-rate swap: Receive/floating and pay/fixed	Long-term debt	¥17,450	(*)
Total		¥17,450	

	Millions of yen		
	2012		
	Hedged item	Notional amount	Fair value
Interest-rate swap: Receive/floating and pay/fixed	Long-term debt	¥24,875	(*)
Total		¥24,875	

(*): 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 ¥7,200 million and ¥15,125 million at March 31, 2013 and 2012, respectively.

22. Amounts Per Share

	Yen	
	2013	2012
Net income:		
Basic	¥ 58.53	¥ 53.96
Diluted	58.50	53.94
Cash dividends	18.00	15.00
Net assets	810.76	682.46

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

23. Segment Information

1. Overview of the Reportable segments

The reportable segments of the Companies 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 and 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 are 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 (loss) are calculated based on the same method as the calculation of operating income in the consolidated statement of income for the years ended March 31, 2013 and 2012. 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 years ended March 31, 2013 and 2012 is summarized as follows:

	Millions of yen					
	2013					
	Reportable segments					
	Housing	Urban infrastructure and environmental products	High performance plastics	Total	Other (*1)	Consolidated
Sales:						
Sales to third parties	¥ 468,902	¥ 201,009	¥ 325,749	¥ 995,662	¥ 36,769	¥1,032,431
Intersegment sales or transfers	134	13,506	6,267	19,908	3,723	23,632
Net sales	469,036	214,516	332,017	1,015,570	40,492	1,056,063
Segment income (loss)	¥ 36,333	¥ 1,800	¥ 23,249	¥ 61,384	¥ (1,287)	¥ 60,096
Segment assets	¥ 239,348	¥ 180,238	¥ 321,264	¥ 740,852	¥ 41,432	¥ 782,284
Other items:						
Depreciation and amortization (*2)	6,951	6,129	19,198	32,280	1,902	34,182
Investment in affiliates accounted for by the equity method	6,869	-	-	6,869	-	6,869
Increase in property, plant and equipment, and intangible assets (*2)	12,253	7,737	14,455	34,446	1,561	36,007

	Millions of yen					
	2012					
	Reportable segments					
	Housing	Urban infrastructure and environmental products	High performance plastics	Total	Other (*1)	Consoli-dated
Sales:						
Sales to third parties	¥ 449,005	¥ 187,524	¥ 290,471	¥ 927,001	¥ 38,088	¥ 965,090
Intersegment sales or transfers	386	12,477	6,404	19,268	5,385	24,654
Net sales	449,391	200,002	296,876	946,270	43,474	989,745
Segment income (loss)	¥ 31,090	¥ 2,957	¥ 20,582	¥ 54,630	¥ (235)	¥ 54,394
Segment assets	¥ 217,455	¥ 163,958	¥ 296,296	¥ 677,710	¥ 42,907	¥ 720,618
Other items:						
Depreciation and amortization (*2)	6,995	6,584	18,798	32,378	2,003	34,381
Investment in affiliates accounted for by the equity method	6,798	–	–	6,798	–	6,798
Increase in property, plant and equipment, and intangible assets (*2)	8,566	5,115	16,694	30,376	1,938	32,314

(*1): Other is segments 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.

Until the year ended March 31, 2012, the 73 overseas consolidated subsidiaries whose fiscal year end was December 31 had made adjustments to reflect significant transactions that occurred between December 31 and March 31. However, from the year ended March 31, 2013, the fiscal yearend of 57 overseas consolidated subsidiaries has been changed to March 31, and 15 overseas consolidated subsidiaries have been consolidated using provisional financial statements at March 31, 2013. As a result, the current financial statements of these 57 overseas consolidated subsidiaries are prepared for the 15 months from January 1, 2012 to March 31, 2013. Net sales and segment income (loss) of these overseas consolidated subsidiaries for the 3 months from January 1, 2012 to March 31, 2012 were ¥4,886 million and ¥(699) million in the Urban Infrastructure and environmental products segment, ¥32,689 million and ¥1,288 million in the High performance plastics segment and ¥169 million and ¥(2) million in other.

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

Net sales and income for the years ended March 31, 2013 and 2012

	Millions of yen	
	2013	2012
Net sales:		
Total of reportable segments	¥ 1,015,570	¥ 946,270
Other net sales	40,492	43,474
Eliminations	(23,632)	(24,654)
Net sales	¥ 1,032,431	¥ 965,090

	Millions of yen	
	2013	2012
Income:		
Total of reportable segments	¥ 61,384	¥ 54,630
Other loss	(1,287)	(235)
Eliminations	551	922
Corporate expenses (*1)	(1,026)	(707)
Operating income	¥ 59,621	¥ 54,610

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

Assets at March 31, 2013 and 2012

	Millions of yen	
	2013	2012
Assets:		
Total of reportable segments	¥ 740,852	¥ 677,710
Assets classified as “other”	41,432	42,907
Eliminations	(107,125)	(85,114)
Corporate assets (*1)	226,405	191,599
Total Assets	¥ 901,564	¥ 827,103

(*1): Corporate assets are assets not attributable to the reportable segments. The main items were 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 years ended March 31, 2013 and 2012

	Millions of yen			
	2013			
	Reporting segments	Others	Adjustments (*1)	Consolidated
Other items:				
Depreciation and amortization	¥ 32,280	¥ 1,902	¥ 712	¥ 34,895
Investments in affiliates accounted for by the equity method	6,869	—	23,974	30,844
Increase in property, plant and equipment, and intangible assets	34,446	1,561	835	36,842

	Millions of yen			
	2012			
	Reporting segments	Others	Adjustments (*1)	Consolidated
Other items:				
Depreciation and amortization	¥ 32,378	¥ 2,003	¥ 721	¥ 35,102
Investments in affiliates accounted for by the equity method	6,798	–	22,892	29,691
Increase in property, plant and equipment, and intangible assets	30,376	1,938	762	33,076

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

5. Related information

(1) Sales information by geographic area

Overseas net sales by geographical areas for the years ended March 31, 2013 and 2012 is as follows:

	Millions of yen					
	2013					
	Japan	America	Europe	Asia	Other	Total
Net sales	¥ 794,573	¥ 76,716	¥ 63,381	¥ 87,284	¥ 10,476	¥1,032,431

	Millions of yen					
	2012					
	Japan	America	Europe	Asia	Other	Total
Net sales	¥ 775,564	¥ 56,420	¥ 57,073	¥ 65,598	¥ 10,433	¥ 965,090

Until the year ended March 31, 2012, the 73 overseas consolidated subsidiaries whose fiscal year end was December 31 had made adjustments to reflect significant transactions that occurred between December 31 and March 31. However, from the year ended March 31, 2013, the fiscal year end of 57 overseas consolidated subsidiaries has been changed to March 31, 2013 and 15 overseas consolidated subsidiaries have been consolidated using provisional financial statements at March 31. As a result, the current financial statements of these overseas consolidated subsidiaries are prepared for the 15 months from January 1, 2012 to March 31, 2013. Net sales of these overseas consolidated subsidiaries for the 3 months from January 1, 2012 to March 31, 2012 were ¥13,132 million in America, ¥11,850 million in Europe, ¥10,802 million in Asia and ¥1,931 million in other.

(2) Information of property, plant and equipment, net by geographic area

Information of property, plant and equipment, net by geographical areas as of March 31, 2013 and 2012 is as follows:

	Millions of yen					
	2013					
	Japan	America	Europe	Asia	Other	Total
Property, plant and equipment, net	¥ 175,738	¥ 17,739	¥ 21,825	¥ 23,213	¥ 2,137	¥ 240,654

	Millions of yen					
	2012					
	Japan	America	Europe	Asia	Other	Total
Property, plant and equipment, net	¥ 177,568	¥ 15,488	¥ 19,914	¥ 16,433	¥ 1,789	¥ 231,194

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

Information on loss on impairment of fixed assets and goodwill for the years ended March 31, 2013 and 2012 is as follows.

	Millions of yen 2013					
	Housing	Urban infrastructure and environmental products	High performance plastics	Other	Elimination or unallocable accounts	Total
Loss on impairment of fixed assets and goodwill	¥ 820	¥ 2,144	¥ 2,278	¥ —	¥ —	¥ 5,243

	Millions of yen 2012					
	Housing	Urban infrastructure and environmental products	High performance plastics	Other	Elimination or unallocable accounts	Total
Loss on impairment of fixed assets and goodwill	¥ 407	¥ 1,162	¥ 775	¥ 15	¥ 1,450	¥ 3,811

7. Amortization and balance of goodwill

Information on amortization of goodwill by each segment and its remaining balance for the years ended March 31, 2013 and 2012 is summarized as follows:

	Millions of yen 2013					
	Housing	Urban infrastructure and environmental products	High performance plastics	Other	Elimination or unallocable accounts	Total
Amortization of goodwill	¥ -	¥ 528	¥ 2,708	¥ (3)	¥ -	¥ 3,232
Balance at March 31, 2013	-	1,798	19,324	-	-	21,123

	Millions of yen 2012					
	Housing	Urban infrastructure and environmental products	High performance plastics	Other	Elimination or unallocable accounts	Total
Amortization of goodwill	¥ (5)	¥ 863	¥ 2,565	¥ (1)	¥ -	¥ 3,422
Balance at March 31, 2012	-	3,596	23,114	-	-	26,711

24. Business Combination

For the year ended March 31, 2013

There was no material business combination to be disclosed for the year ended March 31, 2013.

For the year ended March 31, 2012

1. The Company acquired the diagnostics business from U.S.-based Genzyme Corporation. The Company established new companies in the U.S.A. and U.K. to acquire Genzyme's operating assets in the U.S.A. and U.K. and its shares of the Canadian and German subsidiaries.

(1) Acquisition of business
On February 1, 2011, Sekisui Diagnostics, LLC. (U.S.A.) and Sekisui Diagnostics (U.K.) Ltd., which were established by the Company as wholly owned subsidiaries, acquired the diagnostics business of Genzyme Corporation, which was involved in development, production and distribution of clinical diagnostics in the U.S.A. and U.K. The Company determined that the acquisition would enable it to strengthen overseas development of the clinical diagnostics business in the medical business field. The aggregate acquisition costs for the business in the U.S.A. and U.K. from Genzyme Corporation were $113 million and £49 million, respectively. The acquisitions were accounted for using the purchase method of accounting. As Sekisui Diagnostics, LLC. (U.S.A.) and Sekisui Diagnostics (U.K.) were the acquiring companies, goodwill amounts of $18 million and £5 million arising from the acquisitions are being amortized over periods of 9 years and 4 years, respectively.

The accompanying consolidated statement of income for the year ended March 31, 2012 reflected the operating results of these companies for the period from February 1, 2011 to December 31, 2011. The amounts of assets acquired and liabilities assumed of these companies at the date of acquisition were as follows:

From Genzyme Corporation (U.S.A.)	(Millions of U.S. dollars)
Current assets	$ 26
Tangible assets	2
Intangible assets	72
Goodwill	18
Current liabilities	(6)
Acquisition cost	$113

From Genzyme Corporation (U.K.)	(Millions of GB pounds)
Current assets	£ 8
Tangible assets	12
Intangible assets	24
Goodwill	5
Current liabilities	(1)
Acquisition cost	£ 49

The amounts allocated to intangible assets other than goodwill and weighted average amortization period by type were as follows:

From Genzyme Corporation (U.S.A.)

Asset Type	(Millions of U.S. dollars)	Weighted average amortization period
Customer relationships	$ 54	21 years
Developed technology	17	20 years

From Genzyme Corporation (U.K.)

Asset Type	(Millions of GB pounds)	Weighted average amortization period
Customer relationships	₤ 16	21 years
Developed technology	7	20 years

(2) Acquisition of stock

On February 1, 2011, Sekisui Diagnostics LLC (U.S.A.) and Sekisui Europe B.V. (Netherland), wholly owned subsidiaries of the Company, acquired 100% of the shares of Genzyme Diagnostics P.E.I. Inc. (Canada) and Genzyme Virotech G.m.b.H., which were involved in the development, production and distribution of clinical diagnostics. The Company determined that the acquisition would strengthen overseas development of the diagnostics business in the medical business field.
The aggregate costs for the acquisitions were C$74 million in cash for the common stock of Genzyme Diagnostics P.E.I. Inc. and €15 million in cash for the common stock of Genzyme Virotech G.m.b.H.
Goodwill amounts of C$12 million and €2 million arising from the acquisitions are being amortized over a period of 10 years and 5 years, respectively.

The accompanying consolidated statement of income for the year ended March 31, 2012 reflected the operating results of these companies for the period from February 1, 2011 to December 31, 2011. The amounts of assets acquired and liabilities assumed of these companies at the date of acquisition were as follows:

From Genzyme Diagnostics P.E.I. Inc. (Canada)	Millions of Canadian dollars
Current assets	C$20
Tangible assets	2
Intangible assets	43
Goodwill	12
Current liabilities	(1)
Long-term liabilities	(3)
Acquisition cost	C$74

From Genzyme Virotech G.m.b.H. (Germany)	Millions of Euro
Current assets	€ 11
Tangible assets	2
Intangible assets	2
Goodwill	2
Current liabilities	(2)
Long-term liabilities	(1)
Acquisition cost	€ 15

The amounts allocated to intangible assets other than goodwill and weighted average amortization period by type were as follows:

From Genzyme Diagnostics P.E.I. Inc. (Canada)

Asset Type	Millions of Canadian dollars	Weighted average amortization period
Customer relationships	C$ 31	22 years
Developed technology	11	20 years

2. The Company acquired 100% of shares of Suzutora Corporation (renamed Sekisui Nano Coat Technology Co., Ltd.), 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. The acquisition was accounted for using the purchase method of accounting. As the Company was the acquiring company, goodwill of ¥6,622 million arising from the acquisition is being amortized over a period of 15 years.

The accompanying consolidated statement of income for the year ended March 31, 2012 reflected the operating results of the company for the period from May 1, 2011 to March 31, 2012. The amounts of assets acquired and liabilities assumed of the company at the date of acquisition were as follows:

From Suzutora Corporation	Millions of yen
Current assets	¥ 3,386
Tangible assets	4,587
Intangible assets	3,959
Goodwill	6,622
Investments and other assets	187
Current liabilities	(2,425)
Long-term liabilities	(5,380)
Acquisition cost	¥10,938

The amounts allocated to intangible assets other than goodwill and weighted average amortization period by type were as follows:

From Suzutora Corporation

Asset Type	Millions of Yen	Weighted average amortization period
Developed technology	¥ 3,947	12 years

25. Subsequent Event

(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, 2013, was proposed by the Board of Directors at the meeting held on May 15, 2013. The distribution proposed is subject to approval by the shareholders at the meeting to be held on June 26, 2013.

	Millions of yen
Year-end cash dividends (¥9.0 per share)	¥ 4,649

Ernst & Young ShinNihon LLC

Independent Auditor's Report

The Board of Directors
Sekisui Chemical Co., Ltd.

We have audited the accompanying consolidated financial statements of Sekisui Chemical Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sekisui Chemical Co., Ltd. and its consolidated subsidiaries at March 31, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young ShinNihon LLC

June 14, 2013
Osaka, Japan