SEKISUI

AIMING AT A 'PROMINENT & PROFITABLE PREMIUM COMPANY'

ANNUAL REPORT

Year Ended March 31, 2009

2009

SEKISUI CHEMICAL CO., LTD.

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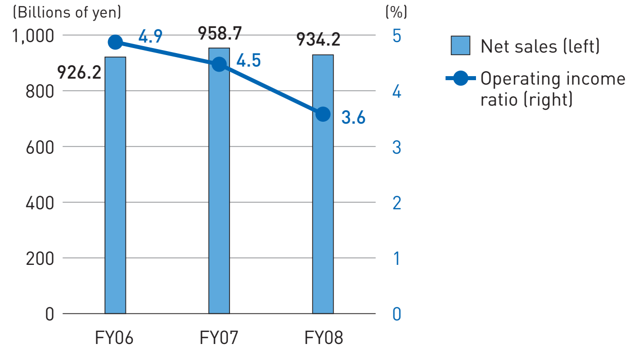
MANAGEMENT MESSAGE

PERFORMANCE HIGHLIGHTS

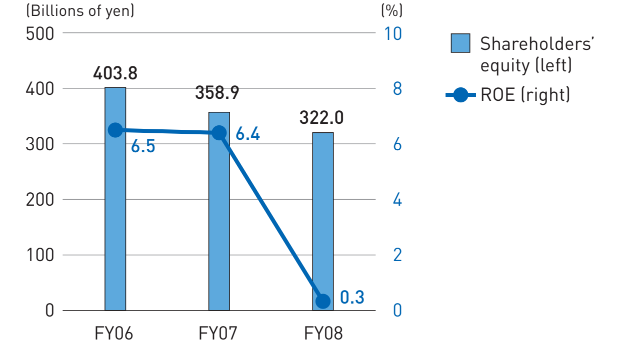
Sekisui Chemical Co., Ltd. and its Subsidiaries

	Millions of yen			Thousands of U.S. dollars (Note 1)
	FY2006	FY2007	**FY2008**	**FY2008**
FOR THE YEAR				
Operating Results (for the year):				
Net sales	¥ 926,164	¥ 958,675	**¥ 934,225**	**$ 9,510,590**
Gross profit	269,659	272,772	**253,779**	**2,583,520**
Operating income	45,158	43,006	**33,589**	**341,945**
Non-operating income and expenses	1,752	(4,458)	**(4,151)**	**(42,254)**
Net financial income (expenses)	1,583	1,780	**988**	**10,058**
Equity in earnings of affiliates	1,415	590	**1,409**	**14,346**
Ordinary income	46,910	38,547	**29,439**	**299,691**
Net income	25,539	24,300	**1,013**	**10,313**
Financial Position (at year-end):				
Total assets	¥ 879,153	¥ 782,860	**¥ 756,451**	**$ 7,700,813**
Shareholders' equity	403,824	358,917	**322,000**	**3,278,022**
Interest-bearing debt	111,286	92,098	**129,408**	**1,317,397**
	Yen			U.S. dollars (Note 1)
PER SHARE AMOUNTS				
Net income, non-diluted (EPS)	¥ 48.19	¥ 46.16	**¥ 1.93**	**$ 0.02**
Cash dividends	14.00	15.00	**10.00**	**0.10**
Net assets	761.69	683.11	**612.93**	**6.24**
Other Data:				
Total number of employees	18,905	18,907	**19,742**	

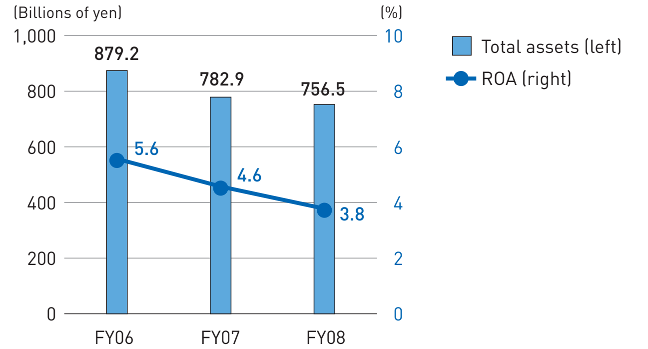
Net sales and Operating income ratio



Shareholders' equity and ROE



Total assets and ROA



	FY2006	FY2007	**FY2008**
RATIO			
Operating income ratio*2 (%)	4.9	4.5	**3.6**
Return on equity (ROE)*3,4 (%)	6.5	6.4	**0.3**
Return on total assets (ROA)*3,5 (%)	5.6	4.6	**3.8**
Equity ratio (%)	45.9	45.8	**42.6**
Debt/Equity ratio*6 (%)	27.6	25.7	**40.2**

FOR REFERENCE

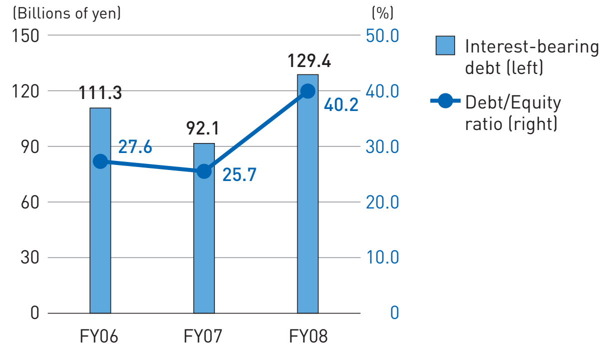
Business Related Data:	FY2006	FY2007	**FY2008**
Total number of houses sold (Unit)	15,000	14,350	**14,550**
Detached houses sold (Unit)	10,820	10,100	**10,300**
Total number of orders received (Unit)	17,050	16,500	**15,700**
New orders received (Millions of yen)	392,184	384,432	**367,085**

Market Data:

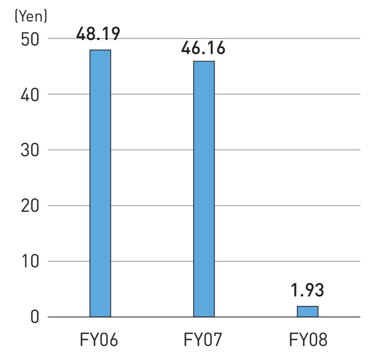
Overall new housing starts (Unit)	1,285,246	1,035,598	**1,039,180**
Owned housing (Unit)	355,700	311,803	**310,664**

Notes:
*1: U.S. dollar amounts represent translations of Japanese yen, for the readers' convenience only, at the rate of ¥98.23 = U.S.$1.00, the prevailing exchange rate at March 31, 2009.
*2: Operating income ratio = Operating income / Net sales
*3: ROE and ROA are calculated using the simple average of the beginning and end of term balance sheet figures.
*4: ROE = Net income / Shareholders' equity
*5: ROA = Ordinary income / Total assets
*6: Debt/Equity ratio = Interest-bearing debt / Shareholders' equity

Interest-bearing debt and Debt/Equity ratio



Net income per share



TO OUR SHAREHOLDERS, CUSTOMERS, AND EMPLOYEES

Naofumi Negishi, President

The worldwide economic recession that took hold in fiscal year 2008 under review wreaked havoc on market conditions. The circumstances made declines for the Company in net sales and operating income virtually unavoidable. Although we struggled to produce results, we made steady progress developing the Group's presence in the growth frontier fields. Specifically, regarding businesses which come under the strategic business and overseas business, we were able to strengthen those with competitive advantages for further growth and equally laid the foundation for businesses in new areas where we anticipated growth in the future.

In fiscal year 2008, the final year of the three-year medium-term management plan GS21-Go! Frontier, the Company accomplished important objectives for each of its divisional companies. The High Performance Plastics (HPP) Company reinforced the operating foundations for its strategic businesses and restructured its overall operations. The Urban Infrastructure & Environmental Products (UIEP) Company broadened its overseas business activities. And the Housing Company improved management efficiency in its housing business and expanded the living environment business. The market environment's rapid deterioration proved to be too large an obstacle to overcome, and we were unable to meet the plan's sales and earnings goals. However, the progress we achieved during the three years of the plan has positioned the Company to maximize earnings when the markets begin to recover.

In fiscal year 2009, we launched the medium-term management plan GS21-SHINKA! The new plan's objectives for the first two years were formulated to accommodate the unpredictability of the current market conditions. In fiscal years 2009 and 2010, the plan sets an agenda for shoring up our strengths so the Company will emerge from the current recession with full momentum and for advancing specific measures centered on reinforcing our earning power. In anticipation of improving market conditions in the fiscal year 2011–2013 period, the plan's final three years call for active engagement of the competitive strengths built up in the previous two years. This two-phased implementation strategy is designed to raise the Company's operating income to ¥80.0 billion in the final year of the plan.

In the first year of GS21-SHINKA!, we will focus specifically on structural reforms to bolster the Company's earnings structure and on cultivating our specialization in fields and market regions where we anticipate growing demand.

In recent years, the Sekisui Chemical Group has been actively pursuing its vision of becoming a premium company that maintains a stable and high level of profit. Fulfilling this vision requires that we establish a Group corporate structure that is balanced on the distinctiveness and the "prominences" of the three divisional companies and that is resilient to fluctuations in external business conditions. As we pursue this vision and seek to elevate the Company to a new level, we have committed anew to the Group vision to 'Sekisui Chemical Group will continue to develop the frontiers of "Creation of Housing/Social infrastructure" and "Chemical Solutions," utilizing its prominent technology and quality, thereby contributing to people's lives around the world and global environment.'

CSR Management

We consider fulfilling our responsibility as a corporate entity to be a management issue of equal importance to our corporate growth and renewal. We constantly seek to improve and advance our CSR activities to continue earning our status as a company broadly trusted by society.

The foundation for our CSR management activities is our Corporate Philosophy—"We enhance the well-being of the world community through our global business network." This philosophy is manifest in our efforts to contribute to society by applying our three "prominences" emphasizing the environment, quality and customer satisfaction, and human resources, while also enhancing the social value of the Company. In recognition of our CSR management, for two consecutive years the Sekisui Chemical has been named one of the Global 100 Most Sustainable Corporations in the World.

Since its inception, the Company has been developing products to meet the needs of society and providing a constant stream of value to society. The Company's plastic piping, resin foams, pipeline renewal, unit housing, and other products as well as its various activities are all associated with contributing to society and meeting social needs. We define CSR as the contribution a company makes to society through its business activities, and we will continue to develop new products that fulfill this responsibility.

CSR goes beyond setting and meeting performance targets. We believe it is important that CSR activities be continually assessed and modified to keep pace with the evolution of society and our business content. While the current economic conditions are very severe, we think it is essential to continue fortifying our management base and maintain our status as a company capable of responding to the expectations of society.

Improving our business performance is an important goal of the new GS21-SHINKA!, but just as important is ensuring that we continue earning the trust of society by maintaining our status as a company poised to continue steadily growing in the future. No company can be successful without meeting the expectations and trust of society. Raising corporate value is ultimately and inextricably linked to fulfilling the expectations and earning the trust of society.

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

In fiscal year 2008, the three divisional companies that comprise the Sekisui Chemical Group each struggled to maintain sales volumes as demand virtually disappeared amid deteriorating business

Sales and Operating Income by Division Company (Billions of yen)

	FY2008				FY2009 (Plan)			
	Sales	Change	Operating Income	Change	Sales	Change	Operating Income	Change
Housing	424.5	4.5	17.1	3.0	404.0	-20.5	17.5	0.4
UEIP	225.2	-8.5	1.7	-4.5	217.0	-8.2	1.7	0.0
HPP	262.6	-17.8	15.8	-8.7	226.0	-36.6	10.5	-5.3
Others	46.2	-2.3	-0.7	0.7	41.0	-5.2	-1.7	-1.0
Eliminations	-24.3	-0.2	-0.3	0.0	-28.0	-3.7	-0.5	-0.2
Total	934.2	-24.4	33.6	-9.4	860.0	-74.2	27.5	-6.1

conditions in Japan and overseas. While the market conditions impacted our performance results, we fulfilled our plans for the year to reinforce profitability by raising prices on our products with highly competitive advantages and reform our business structure. We also made significant progress fortifying our competitiveness in growth fields we anticipate will be highly profitable when the markets begin to recover.

The High Performance Plastics (HPP) Company has designated the automotive materials (AT), information technology materials (IT) and medical products (MD) as its three strategic focus fields based on market growth potential and its lineup of technically superior products, and have continued to focus its management resources. In fiscal year 2008, the HPP Company's sales in the three strategic fields continued brisk in the first half but ultimately declined for the year owing to the sharp drop in demand, particularly in the AT and IT fields, which began in November in the second half. The decline in sales volume inevitably reduced operating income. Soaring raw materials prices also put pressure on earnings, but planned cost cuts and rolling the costs into product prices generally neutralized their impact.

While the deteriorating demand environment slowed the company's sales growth momentum, the company nevertheless actively continued to fortify its strategic businesses. In the AT field, the company expanded production capacity for interlayer films for automobiles and raised its market share in this product segment to above 40%. Despite the currently stagnant demand in the automobile market and decreasing overall sales of automotive components, the HPP Company continues to capture market share based on growing sales of its highly differentiated products that succinctly meet market needs.

In the MD field, the HPP Company continued measures begun in the previous year to expand its operations. Sekisui Medical, the merged result of Sekisui's medical business and Daiichi Pure Chemicals Co., Ltd., which was acquired in 2006, commenced full-fledged operations in April 2008. This was a major step forward, and we believe the integrated operations will greatly improve operating efficiency and lead to significant earnings contributions in the years ahead.

The Urban Infrastructure and Environmental Products (UIEP) Company faced ongoing sluggish demand in the domestic construction market due to repercussions from the previous year's Construction Standard Law revision as well as from the overall unfavorable economic conditions. Sales declined for UIEP Company's core PVC pipes and construction materials as well as other products for the domestic construction market. Raw materials prices continued rising during the year, but the company effectively offset the impact by reducing costs and revising product prices. With demand plummeting, the company also activated emergency measures to restructure its operations and specifically to reduce fixed costs in Japan. Ultimately, however, the harsh business conditions resulted in the UIEP Company recording decreases in both net sales and operating income.

The UIEP Company continued developing overseas growth frontiers and setting in place overseas business platforms for accelerated growth in the pipeline renewal, plant materials, infrastructure composite materials, and other businesses we believe promise substantial growth and expansion. In July 2008, the company established a base in Europe for the pipeline renewal business with the acquisition of Chevalier Pipe Technologies (CPT) GmbH, a pipe rehabilitation company with an extensive business network centered in Europe. These steps give the company virtually complete coverage in the advanced country regions, which are the leading markets for infrastructure renewal demand, and the company is now firmly positioned to develop this operation into a core source of earnings.

In the new housing construction market, the harsh conditions of fiscal year 2007 persisted in fiscal year 2008. The Housing Company's early actions to counter the shrinking market last year through structural reform produced results, and the company posted growth in both net sales and operating income as it achieved its highest income level in 10 years.

In the housing business, the reorganized sales network and successful product differentiation emphasizing the high-performance features enabled by the unit construction method supported a 6% year on year increase in orders in the first half of fiscal year 2008. However, the unavoidable impact from the sharp economic slowdown led to a 14% drop in orders in the second half. Ultimately overall orders for the fiscal year was down 4% from the previous year. Housing business sales for the year remained at roughly the same level as the previous year. However, operating income increased thanks to an improved profit structure from cost-cutting measures to counter the rising raw material costs and to lower fixed costs, which were the positive result of the staff reorganization completed in the previous year.

The living environment business also posted improved results with net sales rising to ¥97.4 billion and operating income reaching ¥3.4 billion in fiscal year 2008. Amid harsh market conditions, these results were the outcome of the company's enhanced marketing capabilities from an expanded sales staff and stronger competitiveness, application of the company's unique sales promotion systems, including the periodic diagnosis system, and growing sales of selected sales materials, such as external tiles.

Business Outlook for Fiscal Year 2009 (April 1, 2009, to March 31, 2010)

We expect the harsh business environment to persist in fiscal year 2009 with demand hovering at bottom levels. Our chief objective during the year will be to minimize the decline in sales volume with each divisional company employing initiatives to capitalize on business opportunities. We also plan to move swiftly to introduce measures to increase profitability, such as by lowering the break-even point for sales, with the dual objective of putting the Company in position to achieve the profit targets for fiscal year 2009 and reinforcing the profit structure for the future.

We believe it is an important year to implement necessary measures in order to regain the operating income level of fiscal year 2007 and put us back on track to where we were before the deeper-than-anticipated economic recession set in.

In fiscal year 2009, we are targeting net sales of ¥860.0 billion and operating income of ¥27.5 billion.

Each divisional company will implement measures to reinforce their profit structures catered to their specific business environments. Anticipating ongoing low demand in the AT and IT fields, the HPP Company will seek to improve its profitability by lowering its sales break-even point. The HPP Company is aiming to reduce fixed costs by ¥5.0 billion while increasing marginal profit by the same amount through new customer cultivation, new product development, and other measures. Under the current economic conditions, while demand trends are virtually impossible to predict, the HPP Company will apply the above strategic initiatives with the aim of raising profit by ¥10 billion in the two-year period to fiscal year 2010. The company also plans to actively implement a policy of "rebuilding during a recession" with the objectives of limiting the impact from the decline in sales and securing ¥10.5 billion in operating income in fiscal year 2009.

When the economic conditions begin improving, we are anticipating a dynamic recovery. To position the HPP Company for rapid growth during the recovery phase, we will take steps this year to build on our competitive advantages. Specific measures focus on reinforcing our business supply chains, inclusive of an increase in the capacity of the interlayer film and other core businesses, and continuing the aggressive expansion of our overseas operations in the MD field, which is less susceptible to external economic conditions. The acquisition of a polyvinyl alcohol (PVA) resin business in July 2009 is specifically designed to amplify the supply chain capacity of interlayer films.

Key economic indicators on which the UIEP Company bases its business plans suggest that residential housing starts and private capital investment will decrease in fiscal year 2009. The stagnant market and the accompanying decline in demand are expected to make a decrease in earnings unavoidable. In this environment, the company will seek to secure profit by focusing on improving revenue through our own sheer effort. The UIEP Company is implementing measures to improve earnings by ¥10.0 billion by fiscal year 2010. The company is aiming to save approximately ¥5.0 billion in fiscal year 2009 through structural reform focused on reducing fixed costs. The company also aims to improve revenue by approximately ¥5.0 billion by fiscal year 2010 by filling out its presence in the domestic stock field and increasing its growth-oriented product lines to expand operations in the frontier growth fields with a focus on businesses related to social infrastructure.

Efforts are also continuing to expand the UIEP Company's presence in anticipated business growth areas. Expanding business content in the pipeline renewal business will be a main drive in fiscal year 2009. Revenue from the pipeline renewal business is growing as a result of aggressive steps taken in recent years to construct an operating network covering the main markets in Japan, Europe, and North America, along with efforts to establish the value chain and increase the number of construction business partners to fill out the network.

The Housing Company expects the housing market to begin recovering in second quarter of fiscal 2009. We anticipate a vigorous recovery once it gets under way as several elements are aligning to give it support, including demand stimulation from expanded preferential tax breaks for buyers of residential houses, increasing demand for houses with solar-power generators spurred by the reinstatement of government subsidy programs, and growing consumer interest to purchase housing supported by low interest rates and depressed land prices.

The Housing Company is targeting raising orders by 3% year on year on a unit basis in fiscal year

2009. Several initiatives will be activated to attract orders during the year. Promotional strategies will highlight the solar power generation systems, Warm Airy technology, and other high-performance feature options that differentiate its products. The product lineup will be expanded in the price-volume zone where demand is holding relatively strong. In addition, region-specific strategies will be strengthened to develop products and product specifications matching local needs.

The Housing Company will also continue streamlining operations in fiscal year 2009 with the goal of further reinforcing operational profitability. The company will continue to shift personnel to increase staff for the growing living environment business. This is expected to reduce fixed costs and enhance the efficiency of the sales companies as they become more attuned to the features of the local regions. The Housing Company will also implement extensive measures to reduce costs, including eliminating inefficient promotional spending and other spending as well as reducing materials costs and revising materials usage. The company expects these efforts to improve marginal profit and increase income.

The Housing Company's living environment business thrives on the existing customer base of residential units constructed and sold by the Company. The Housing Company will continue to advance a growth strategy for the living environment business based on the business model targeting this customer base. Leveraging the strength of project proposals created from the detailed customer database made possible by the construction of units inside the factory; its highly competitive products, including solar power generation systems and other selected sales materials, and the enhanced ability to attract orders owing to the increased staff and swift strategy implementation, the Housing Company is targeting living environment business net sales of ¥105.0 billion and operating income of ¥3.7 billion in fiscal year 2009.

Compliance

Sekisui Chemical considers compliance as a fundamental element of its operations and as equal in importance to its business growth, evolution, and CSR. Management upholds complete compliance to laws and internal regulations, international rules, and corporate ethics.

In February 2009, the Fair Trade Commission ruled that the Company was involved in price-fixing of PVC pipes and joints from March 2004 to June 2006 in violation of Section 3 of the Anti-Monopoly Law. The commission ordered the Company to terminate such activities and pay a fine. The Company believes the commission's findings do not represent the facts verified by the Company. The Company immediately submitted an appeal to rescind the ruling, and the commission has notified the Company that appeal proceedings will commence in May 2009. The Company plans to present its case fully during the court proceedings.

While we are requesting a review of the findings, we view the ruling with the utmost gravity and have already taken steps internally to address the issue. To show our understanding of the severe nature of this incident and restore society's trust in the Company, we have ordered the directors and corporate officers that were involved in the incident to return a portion of their salaries.

Before the alleged incident occurred, we had reinforced our compliance coverage regarding the Anti-Monopoly Law following an investigation of alleged price fixing on polyethylene gas pipes and joints in November 2006. After a comprehensive investigation by a committee of external lawyers, following the committee's recommendation, we vastly reduced our participation in trade associations, strictly prohibited all unnecessary contact with competitor companies, and introduced systems to prevent the recurrence of any action that could be construed as misconduct. We also began providing compliance training and monitor regulatory conditions to raise employee awareness of compliance issues. In addition, in 2007, to further clarify the responsibilities of the Company directors, we decreased the number of directors, shortened the term of directors from two years to one year, and appointed outside directors to ensure transparency and fairness of our operations. These actions formed the basis for the revised corporate governance policies and systems initiated in 2008. The incident the Fair Trade Commission ruled on occurred before these preventive measures were in place, and the Company currently conducts no activities of a similar nature. The Company continues to apply the strictest compliance checks to all of its activities and seeks to continue earning its status as a company broadly trusted by society.

Financial Strategy and Shareholder Return Policy

Our financial strategy is based on the basic management policy of increasing corporate value and the proactive return of profit to shareholders. In line with this policy, we have established a dividend payout ratio of 30% on a consolidated basis to be returned to shareholders in each fiscal term. In the term under review, management was compelled to consider the Company's performance results alongside its commitment to provide steady profit return to shareholders. As a result, management determined it necessary to reduce the annual dividend payment per share to ¥10 for fiscal year 2008. Our policy is to retain internal cash reserves of an amount sufficient for R&D expenses, equipment investment, strategic investment, financial activities, and other activities that we consider vital to assuring steady and ongoing improvement in corporate value into the future.

Investment activities will be conducted with the ultimate goal of raising future corporate value and will be limited to within the operating cash flow amount while focusing on strategic investment in areas where business growth is anticipated. The medium-term GS21-SHINKA! management plan sets an investment budget of approximately ¥220.0 billion, representing approximately 80% of the anticipated ¥270.0 billion in operating cash flow the Company aims to accumulate in the five years from fiscal 2009 to 2013. Of this amount, ¥120.0 billion will be for strategic investment focused on growth frontier development, specifically for capital investment, M&A, and to construct business operation systems overseas, that we consider essential for the Company's future growth. The amount allotted to other ordinary investments will be half of the previous year amount and limited only to items deemed absolutely necessary.

In Closing

Many companies struggled in fiscal year 2008 as the economic recession deepened worldwide and included bankruptcies of major investment banks in the United States and losses at automobile manufacturers that had been key drivers in the world economy. Although the operating conditions were severe, Sekisui Chemical was able to secure operating income to a certain degree even as profits diminished. We believe these results confirm that the Company is on the right track, and we appreciate the continuing support we received from our shareholders.

A sudden improvement in business conditions appears very unlikely during fiscal year 2009. While the harsh conditions persist, we will continue to improve the effectiveness of the business structure and develop new growth frontiers to position the Company for rapid earnings growth when the recovery does begin.

I replaced former President Naotake Okubo as president of the Company in March of this year. In my previous position as chief financial officer, I was primarily in charge of activities to promote the Company's transformation into a premium company. In the current tumultuous conditions, one of my chief objectives as president will be to accelerate the management decision-making processes. In addition, I plan to apply my experience in M&A from the days when I was CFO to enhance the Company's presence on the global stage.

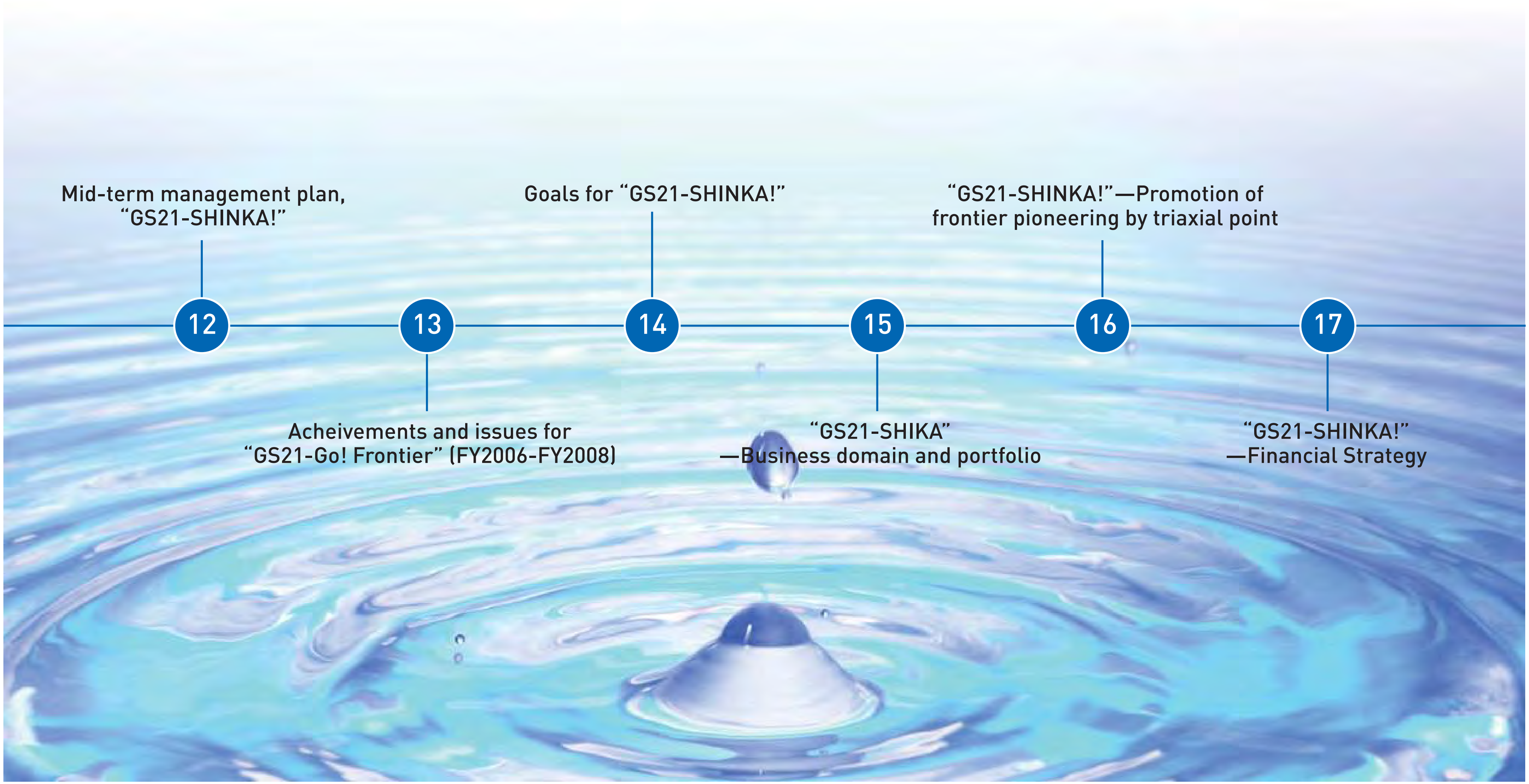
We thank you for your continued understanding and support of the Sekisui Chemical Group.

July 2009

Naofumi Negishi

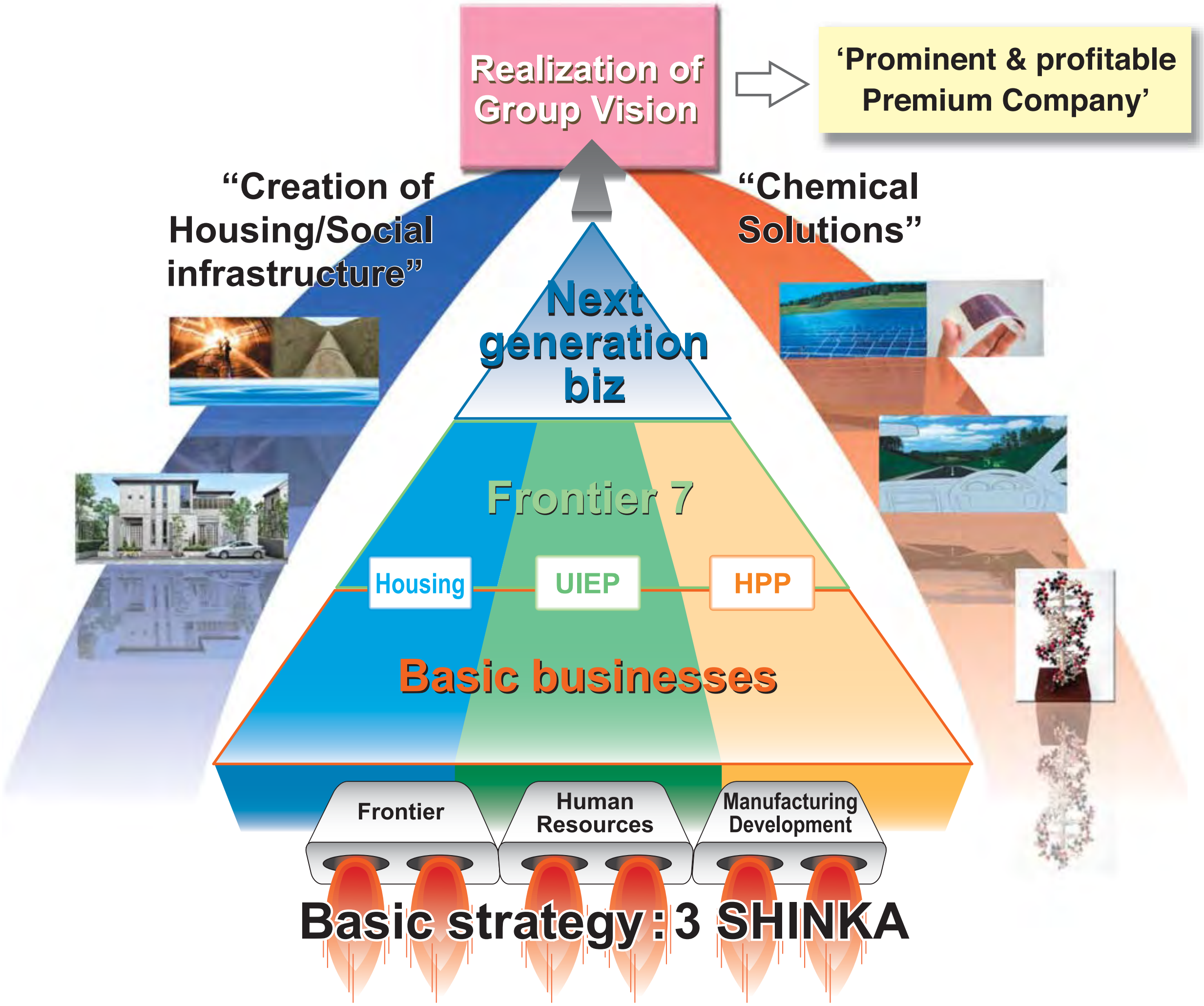
Naofumi Negishi, President

MID-TERM MANAGEMENT PLAN, "GS21-SHINKA!"



MID-TERM MANEGEMENT PLAN, “GS21-SHINKA!”

Sekisui Chemical Group has set a new Group Vision whereby it will continue to develop the frontiers of “Creation of Housing/Social infrastructure” and “Chemical Solutions,” utilizing its prominent technology and quality, thereby contributing to people’s lives around the world and global environment. To achieve this Vision, we have launched our mid-term management plan, “GS21-SHINKA!” in 2009, which will continue over a 5 year period. This mid-term plan is divided into two phases. The first phase is that, in the first two years we plan to overcome the current recession and shore up our earning power. For the second phase of the remaining three years, we will achieve an increased profitability by anticipating a full market recovery. We aim to raise our operating income for the fiscal years 2010 and 2013, which both have been designated as the final years, to ¥40.0 billion and ¥80.0 billion respectively.



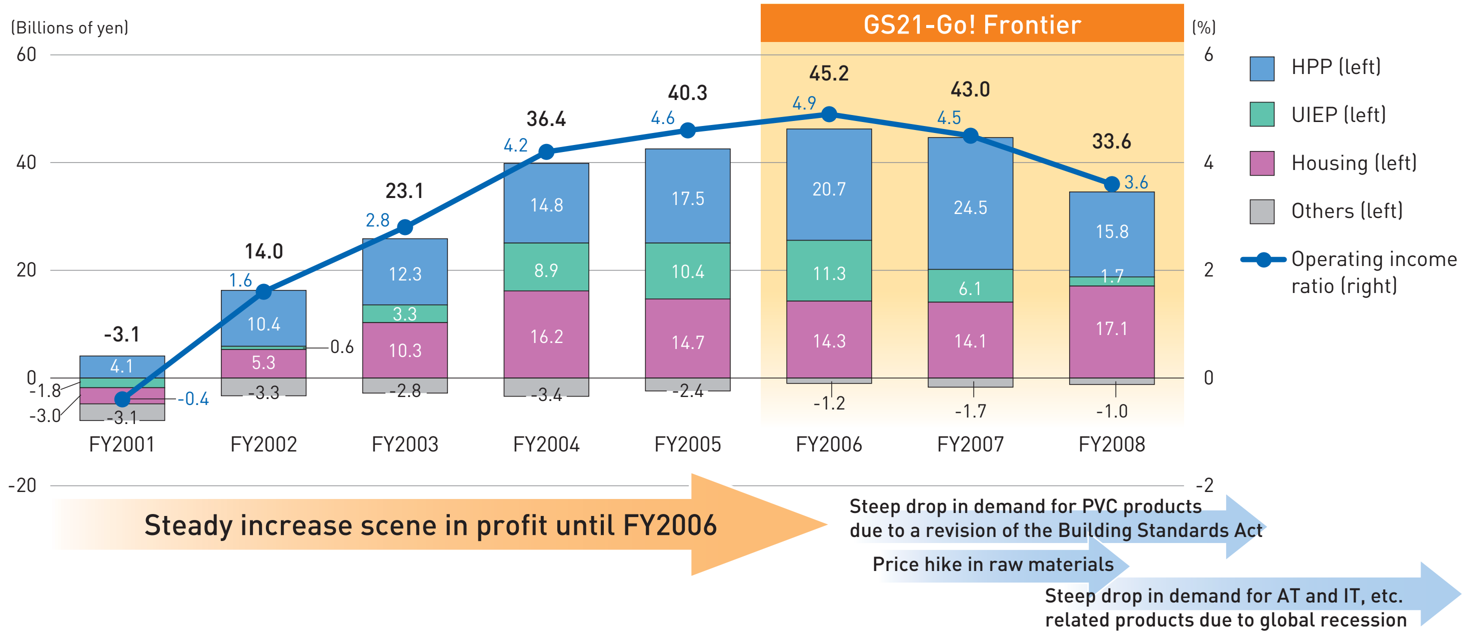
ACHEIVEMENTS AND ISSUES FOR "GS21-GO! Frontier" (FY2006-FY2008)

Steady progress in "Frontier of growth"

Enhanced profitability through business structural change and manufacturing development innovation

Sluggish sales in one part of business due to the abrupt downturn in the external factors

Changes in Operating Income for Each Company

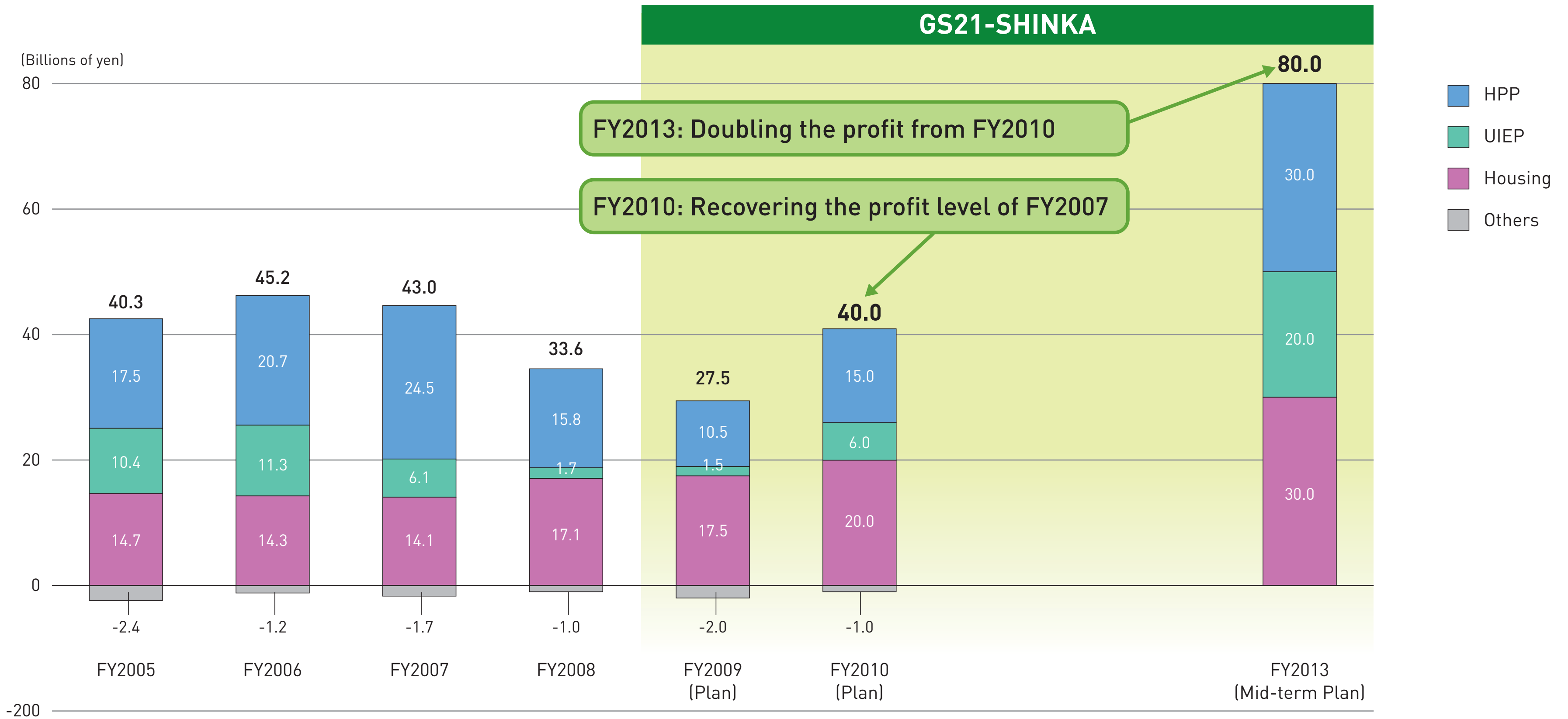


Company	High Performance Plastics Company	Urban Infrastructure Environmental Products Company	Housing Company
Achievement	• Achieved success in business expansion of the 3 strategic area (AT, IT, MD)	• Expansion of 3 key overseas business area reaching 10 billion yen in sales	• Achieved success in differentiation by appealing to high-performance products • Increased profitability through implementing substantial changes
Issue	• Quantity in AT and IT suffers due to weak demand	• Deteriorating profitability of the general PVC products due to steep drop in demand	• Slow down in housing order due to sluggish demand

Urgent business remodeling needed that is not easily affected by external factors

GOALS FOR "GS21-SHINKA!"

Changes in Operating Income for Each Company



FY2009-2010: Overcoming recession, preparing the next growth

FY2011-2013: Setting goals, concentrating business resources for the cultivation of "Frontier of Growth"

"GS21-SHIKA"—BUSINESS DOMAIN AND PORTFOLIO

In "GS21-SHINKA", we have categorized the businesses of three companies according to their levels of maturity. Subsequently, we have redefined the 3 portfolios into the following: business which serves to be the base of our current earnings as the "Core business"; business with a potential for earnings in the near future as, "Growth frontier business"; and the "Next generation business" which is deemed as necessary for growth in the mid-to-long-term perspective.

Specifically for the "Core business", we aim for an increase in earnings and a steady rise in profitability by thoroughly implementing efficiency measures. For the "Frontier 7 business", we need to secure the top position in the global stage in order for it to become the pillar of profitability. Lastly, for the "Next generation business", we need to carefully evaluate business strategies and possibilities that are aimed for future earnings, in the midst of initiatives taken for growth.

	Business Domain		
Portfolio	Creating of housing and social infrastructure		Chemical solution
Next generation business →"Pioneering the next Frontier business"	**Provision of solution for building infrastructure to emerging countries** •Overseas development of highly industrialized housing •Creation of social infrastructure by water recycling system •Construction of "Self-supported utility town"	**Provision of solution by "Frontier Focused" chemicals** •Focus on environment, New Energy and IT related field •Anticipating and concentrating on consumer needs •Provision and development of specialty chemicals by utilizing technology of prominence	**Creation of Life Science business with prominence in the world** •Further expansion of Medical related business •Expansion of testing area (noninvasive test, production of small equipment, biomarker) •Move into medical service field (biotechnology-based business –i.e. drug discovery support business–, mental healthcare business, etc.)
	(R&D) Dynamically create next generation large-scale business		
Frontier 7 business →"Promotion of frontier pioneering by triaxial point (Refer to Page 16)	**Living Environment business** •Automation of inspection system •Strengthen environment, comfort, and reassurance •Innovative engineering, Energy efficiency engineering, Short-term construction schedule	**Pipeline Renewal business** •Advancement of SPR methods **Water infrastructure business (overseas)** •High functionality **Functional materials business** •High functionality	**AT related business** •Aim for eco-friendly, safe, and comfortable vehicle **IT related business** •Semiconductor and energy related products **MD related business** •Creation of No.1 share products
	(R&D) Accelerate growth by concentrating R&D resources into the Frontier 7 business		
Core business →An increase in earnings and a steady rise in profitability by thoroughly implementing efficiency measures	Housing business	Water infrastructure business in Japan Construction material business	Tape business Form business Film business
	(R&D) Manufacturing Development SHINKA		
	Housing	UIEP	HPP

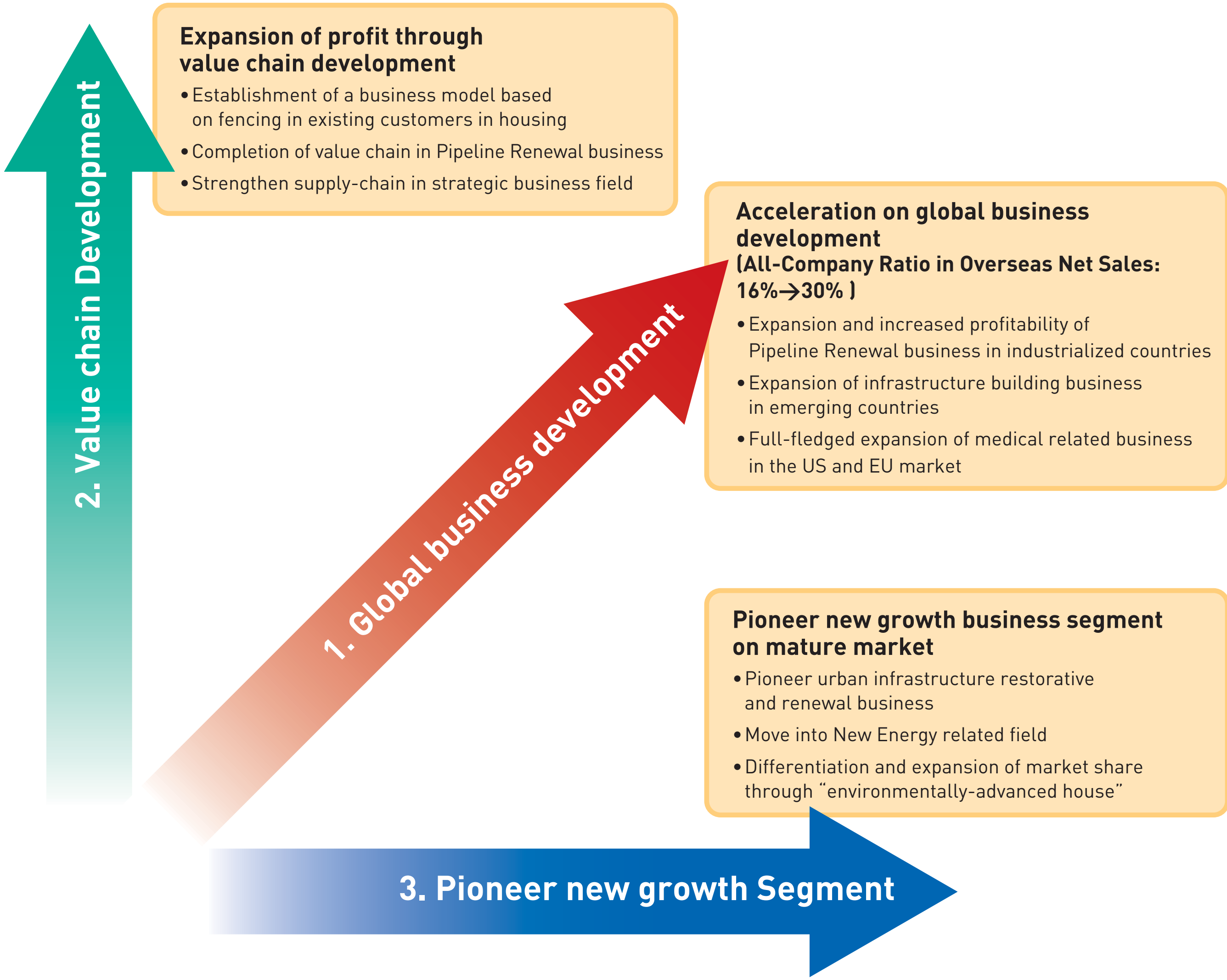
"GS21-SHINKA!"—PROMOTION OF FRONTIER PIONEERING BY TRIAXIAL POINT

Sekisui Chemical has made efforts to expand the "Growth Frontier", which is the pillar of profitability. Steady gains have been made even in from the previous mid-term plan. Furthermore, we plan to move forward with innovations in the market by the following triaxials, and will continue to pioneer new frontiers.

The first is the provision of "Global business development." This is to provide business which has established its technological and marketing superiority within in the domestic market to the target country's market in its optimal form. We aim for a ratio in overseas net sales of 30% for all-company.

Next, for business which already possesses core products and services, we are implementing the "Value chain development" that increases its earnings through the strengthening of life-cycle, value chain and supply chain.

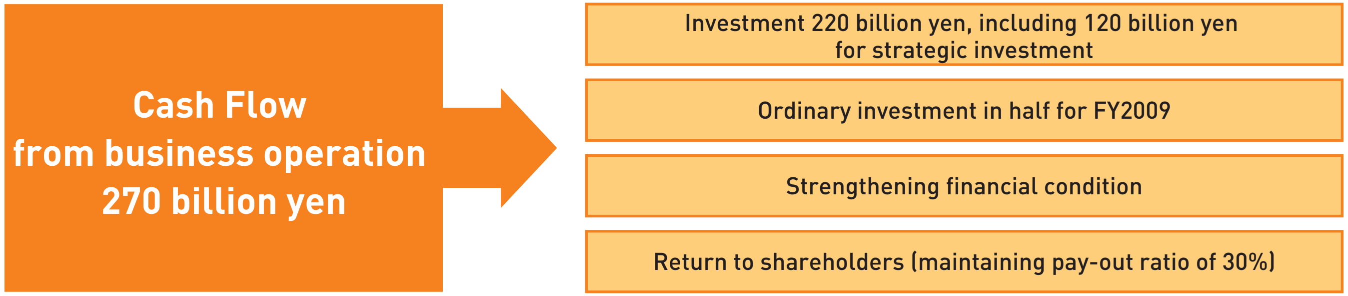
Lastly, we are moving ahead with our "Pioneer new growth segment", a segment capable of offering an increased valued-added business through the provision of products and services with differentiated technology within a mature market, in the urban infrastructure business as well as in the environmentally-advanced house business.



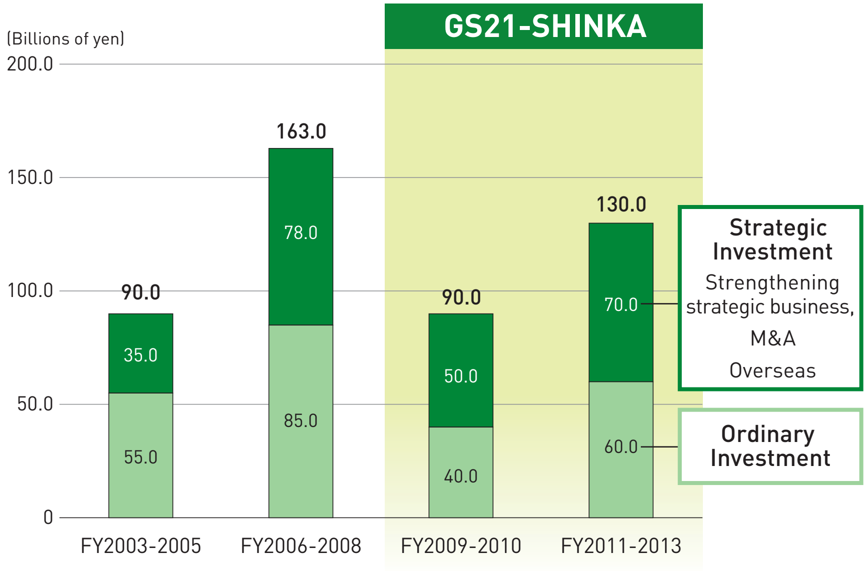
“GS21-SHINKA!”—FINANCIAL STRATEGY

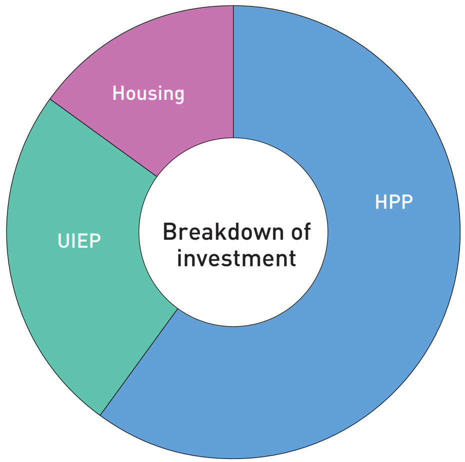
Regarding the on-going strategic investments for “Frontier 7 business” as part of the “Growth frontier” from the previous mid-term plan, we will continue with a focused investment for this current mid-term plan as well. Consequently, ¥120.0 billion has been allocated as the strategic investment to strengthen “Frontier 7 business” within the projected investment amount of ¥220.0 billion for this period.

Usage of Acquired Cash



Changes in investment categories





COMPANY OVERVIEW

AT A GLANCE

Company Overview

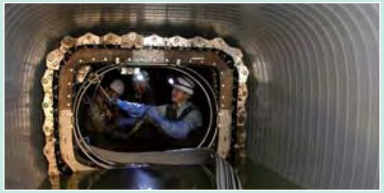
HIGH PERFORMANCE PLASTICS COMPANY

Number of Employees (Consolidated, FY2008 end): 5,408

The High Performance Plastics Company's strengths are its unique fine particle, adhesion, and precise synthesis technologies upon which it builds a wide range of businesses centered on leading-edge materials. In recent years, the HPP Company has focused on expanding business in its three strategic business fields of automotive materials (AT), information technology materials (IT) and medical products (MD). The HPP Company generates over half of the company's operating income, largely due to the top global market shares for its high-performance interlayer films and polyolefin foam for automobile interiors in the AT field and liquid crystal spacers and conductive fine particles in the IT field as well as numerous other high value-added products that are the drivers of its business development. The HPP Company continues to strengthen its existing core products while also developing new products to support the ongoing expansion of its business centered in the increasingly sophisticated AT, IT, and MD fields.

URBAN INFRASTRUCTURE & ENVIRONMENTAL PRODUCTS COMPANY

Number of Employees (Consolidated, FY2008 end): 4,765



The fundamental businesses of the Urban Infrastructure & Environmental Products Company mainly deals in the building of infrastructure facilities, such as water supply and drain pipes, and the manufacture and sale of construction materials.

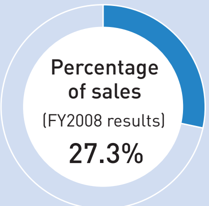
The UIEP Company is focusing on leveraging the technology cultivated from its fundamental businesses to develop and expand its overseas business operations in areas ranging from pipeline renewal, performance materials such as sheets business, industrial piping materials, and glass-reinforced plastic pipe for infrastructure applications. The UIEP Company's pipeline renewal and other highly effective technologies are readily applicable to infrastructure upgrade projects in developed countries. Consequently, we are embarking on full-fledged overseas expansion, as we actively conduct M&A in related business fields.

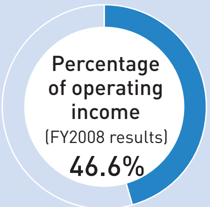
HOUSING COMPANY

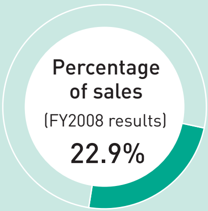
Number of Employees (Consolidated, FY2008 end): 8,520

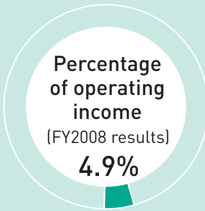
The Housing Company is a leading provider of residential housing in Japan and enjoys a reputation as a high-quality builder based on its specialized Unit Construction Method that enables short construction periods and its highly refined manufacturing method that provides superior air-tightness and heat insulation features, two of the fundamental functions that define high quality residential housing. As customer needs become increasingly sophisticated, the Housing Company is taking the industry lead in developing high-performance housing guided by the concepts of environment, reliability, and comfort. One example is the revolutionary "zero-utility-cost house," which carved out a new market and is highly praised by customers for its leading-edge innovations. The Housing Company is also the world leader in solar powered housing, having sold a total of some 65,000 units of its leading edge "photovoltaic energy generation system housing". The Housing Company rounds out its operations with the living environment business focused on meeting needs that arise during the time people are living in their homes. The business includes the nationwide "Fami S" refurbishing business providing products and services attuned to the changes in homeowner needs over the long term.

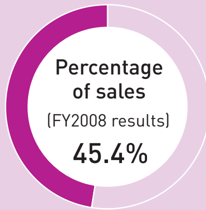
Percentage of Sales*1 and Percentage of Operating Income*2 Generated by Each Company (FY2008 results)

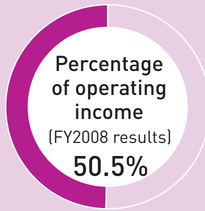












*1: Figures for net sales include net sales in other businesses, and those for share of overall net sales correspond to post-inter-segment elimination totals.
*2: Figures for operating income include operating loss for other businesses, and those for share of overall operating income correspond to pre-inter-segment elimination totals.

High Performance Plastics Company	Urban Infrastructure & Environmental Products Company	Housing Company
Primary Business Areas and Main Products		
AT (Automotive materials) Interlayer films for laminated glass, Polyolefin foam, Automotive resin products, Double-sided tape **IT (IT-related materials)** LCD fine particles, Photosensitive materials, Semiconductor materials, Optical adhesive tape and film **MD (Medical products)** Diagnostic drugs, Blood sampling plastic tube, Transdermal drugs, Pharmacokinetics Business **Functional materials and others** Adhesives, Marking film, Fire resistant tapes and sheets, Packaging tape, Packaging and agricultural film, Plastic containers	**Pipe materials (water supply & drainage, construction equipment, sewage pipes, electricity pipes, gas pipes, and others)** PVC pipes, Polyethylene pipe, Lining steel pipe, Plastic mass, Glass-reinforced plastic pipe etc. **Performance materials** Sheets for aircraft interiors, Sheets for vehicle interiors & exteriors, Plastic foam reinforced by long glass fibers (FFU) **Industrial piping materials** Pipe materials for factory production equipment (valves, pipes, joints, etc.) **Pipeline renewal** Materials, Equipment and installation methods for pipeline renewal **Building materials and housing equipment** Construction materials (rain gutters, materials for roofs, materials for decks), Bathroom units	**Housing** Steel-frame unit house "Sekisui Heim", Wood-frame unit house "Sekisui Two-U", Subdivision land, "Reuse System House" built through the reuse of unit houses **Living environment** Refurbishing business "Sekisui Fami-S", Interiors, Exteriors, Real estate "Leasing, Brokerage" **Others** Facilities and equipment for nursing and the elderly business, Urban development business
Brand Names		
AT (Automotive materials) S-LEC™(interlayer film) Softlon™ (foaming material) **IT (IT-related materials)** Micropearl™ (spacer) **MD (Medical products)** Cholestest™ (Cholesterol diagnostic agent) Insepack™ (Blood sampling plastic tubes) **Functional building materials** Fiblock™ (thermal expansion fire-resistant material	**Pipe materials (water supply & drainage, construction equipment, sewage pipes, electricity pipes, gas pipes, and others)** ESLON™ pipe series **Performance materials** KYDEX™、ALLEN™, ESLON™ Neo Lumber FFU (railway orbital sleeper) **Industrial piping materials** ESLON™ valves **Pipeline renewal** SPR Method™, Omega-Liner Method™, Pipe Line Diagnostic System **Building materials and housing equipment** ESLON™ rain gutters	**Detached houses** **Sekisui Heim (steel-framed)** Parfait series, Desio series, Domani series, bj Series, CRESCASA **Sekisui Two-U (wooden-framed)** 2x6 GRAND TO YOU series 2x4 SEKISUI TO YOU HOME series **Housing complex** Letoit series Life Style Planning Desio series (Joint Rental-Occupancy Homes) Harvestment series (Nursing-care facilities for elderly people, Congregate housing)

HIGH PERFORMANCE PLASTICS COMPANY

TAKAYOSHI MATSUNAGA, President of High Performance Plastics Company

Performance Highlights

	FY05	FY06	FY07	FY08	FY09 (plan)
Net sales (billions of yen)	218.3	245.5	280.5	**262.6**	226,0
Operating income (billions of yen)	17.5	20.7	24.5	**15.8**	10.5
Operating income ratio (%)	8.0	8.4	8.7	**6.0**	4.6

Results for Fiscal Year 2008

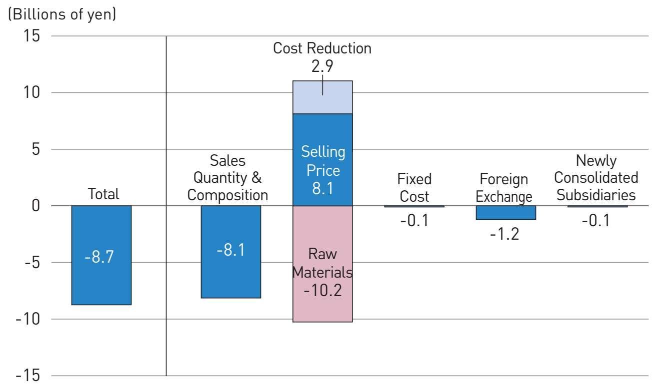
Net sales decreased ¥17.8 billion to ¥262.6 billion, Operating income decreased ¥8.7 billion to ¥15.8 billion

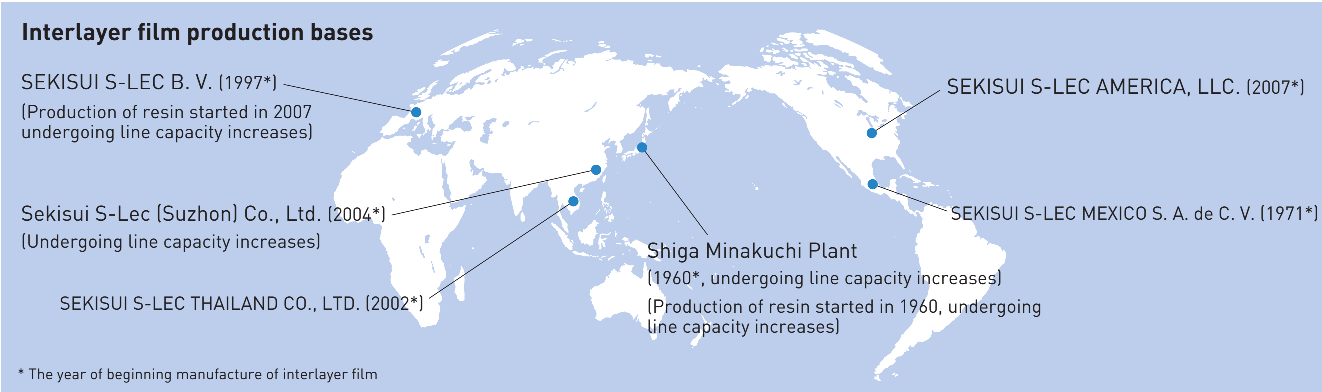
The High Performance Plastics (HPP) Company, under the banner “Chemistry for your Win”, is focusing management resources on initiatives in the of automotive materials (AT), IT-related materials (IT) and medical products (MD) fields. The company views these three core strategic fields as presenting significant growth potential and as areas where the company can fully apply its technological progress to introduce innovative and highly-differentiated products. The HPP Company recognizes that developing its global business presence will be indispensable to achieving growth in these fields, and the company is vigorously fortifying its overseas operations.

HPP Company sales in the three strategic fields continued brisk through the first half of fiscal 2008 but fell sharply in the second half as the deepening economic recession worldwide led overall demand to plummet, particularly in the AT and IT fields, starting in November. Fiscal year 2008 total sales in the three strategic fields amounted to ¥124.9 billion, down ¥9.6 billion from the previous fiscal year. Diminishing demand also impacted the company’s overseas performance, most noticeably in the Asia and Europe regions, with net sales overseas declined ¥5.1 billion to ¥111.9 billion. Total net sales for the HPP Company amounted to ¥262.6 billion in fiscal year 2008, a decline of ¥17.8 billion from the previous fiscal year.

HPP Company operating income declined ¥8.7 billion to ¥15.8 billion in fiscal year 2008. As planned, the Company was able to off set the sharp rises in raw material prices by rolling over the costs to product prices and by reducing overall costs. In addition, the loss in

Analysis of Operating Income for FY2008 (year-on-year)





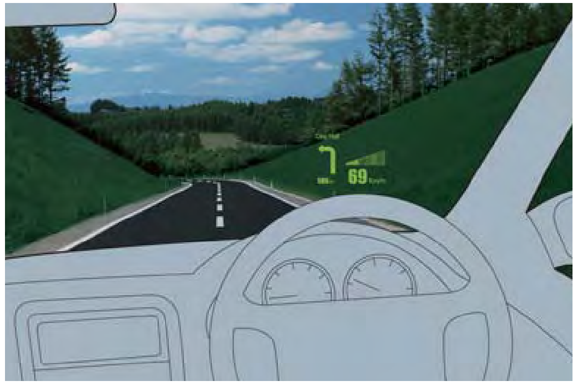
profit was only limited to the decrease in sales volume due to the contracting economy.

While the deteriorating demand conditions temporarily derailed the HPP Company's sales growth trajectory, the company continued focusing on development of areas of strength to fortify its strategic businesses for the future.

In the AT field, the company is advancing its plans to expand production capacity of interlayer films for automotive applications. Expansion efforts are concentrating on increasing production of high-performance interlayer films with sound and solar control properties that will assist automaker efforts to reduce vehicle weights and upgrade the comfort of vehicle interiors. The company has invested ¥20 billion to construct a new high-performance interlayer film production line at the Minakuchi Plant in Shiga, Japan, and a new interlayer film production line at the plant in China. Both production lines are scheduled to commence operations in October 2009. Plans are also advancing to expand the raw resin production facilities at the Shiga Minakuchi Plant and at the plant in the Netherlands to increase the company's ability to supply PVB resin, a key material in the production of interlayer films. The expanded line at the Minakuchi Plant is scheduled to start operations in October 2009 and at the Netherlands plant in July 2010. These measures to increase production capacity fill out the line-up of high value-added products. As a result, other initiatives have resulted in the HPP Company capturing over 40% of the market for automotive interlayer films with market share continuing to grow even amid the currently stagnant demand in the automobile industry.

In the IT field, the HPP Company assumed direct control from Sekisui Film of the operations of the Taga Plant, which had produced a portion of related products. The "new" Taga Plant is continuing its production operations as the main production plant for the company's IT-related products. In the medium- and long-term, the plant will be expanded to meet anticipated growth in various fields, including construction of new production facilities for high value-added clean tape and film products for the optics and electronics fields.

The HPP Company also continued implementing measures begun in the previous year to expand business in the MD field. Sekisui Medical, the merged result of the Sekisui's medical business and Daiichi Pure Chemicals Co., Ltd., acquired in 2006, commenced full-fledged



The demand for High Performacne products, such as interlayer films for laminated glass increases with the advances made in automotive technology (Photo: Image of Head-Up Dispaly).

In Medical products (MD), a strong push for expansion in areas such as diagnostic drugs (Photo: diagnostic drugs for choloestrol).

operations in April 2008. The organizational unification of the two operations has greatly enhanced operating efficiency, and improved business selectivity and focus is enhancing profitability. The company is aggressively seeking to expand overseas sales of its products holding top market share. For the purpose of mid-to-long-term new product development, in the pharmaceutical R&D segment, the HPP Company acquired pre-clinical drug safety and effectiveness testing firm XenoTech, L.L.C., in July 2008 and leading clinical reagent company American Diagnostica Inc. (ADI) in March 2009. The medium- and long-term objective for these acquisitions is technical integration for new product development. In the near term, these two companies are expected to provide immediate contributions to the expansion of overseas sales.

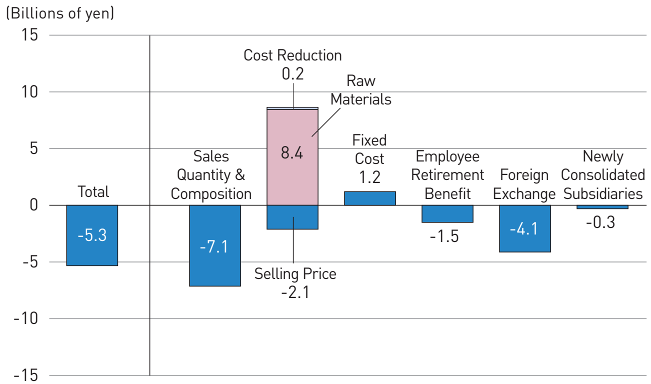
Outlook for Fiscal Year 2009

Net sales decrease of ¥36.6 billion to ¥226.0 billion, Operating income decrease of ¥5.3 billion to ¥10.5 billion

Demand is expected to remain weak in the AT and IT fields in fiscal year 2009. In this environment, the HPP Company is focusing on fortifying its bottom line by lowering the break-even point for sales. The company is also taking steps to prepare for the future by cementing a base for a rapid rebound when the next demand recovery phase develops. The key elements in this foundation will be expanding production capacity for the interlayer film business and continuing to develop the overseas businesses in the MD field, which is relatively unaffected by external economic conditions.

Increasing sales of high value-added products will be a key countermeasure to minimize the impact from the diminishing demand trend and the consequent decline in overall sales. Through these efforts, the HPP Company aims to achieve net sales of ¥226.0 billion in fiscal year 2009, representing a ¥36.6 billion decline from fiscal year 2008. While implementing measures to limit the impact from the decline in sales, the company is actively conducting "rebuilding during a recession." Fiscal year 2009 operating income is expected to amount to ¥3.0 billion in the first half rising to ¥7.5 billion in the second half for a full-year total of ¥10.5 billion, representing a ¥5.3 billion decline from the previous fiscal year.

Analysis of Operating Income for FY2009 (year-on-year)



Primary Objectives for Fiscal Year 2009

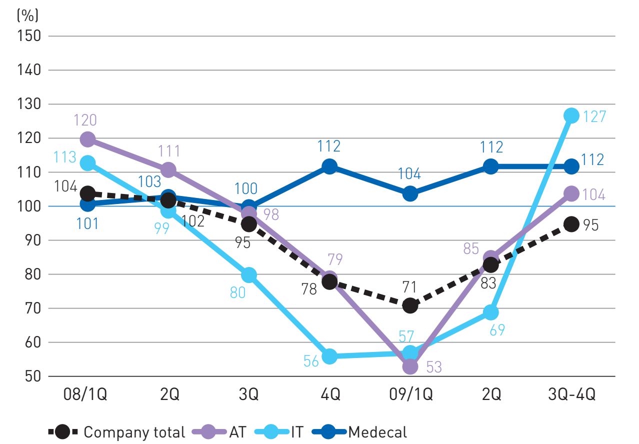
Lower the Break-even Sales Point

The HPP Company anticipates ongoing stagnation in domestic demand and weak global demand, particularly in the United States and Europe, in fiscal year 2009. Demand bottomed in the IT field in the fourth quarter of fiscal year 2008 and in the AT field in the first quarter of fiscal year 2009. However, a real recovery in demand is not expected until the second half of fiscal year 2009 at the earliest. Although demand in the MD field should remain relatively stable through the economic recession, the overall market conditions are expected to remain extremely harsh through the fiscal year. The HPP Company is responding to this environment by taking immediate steps to reinforce its financial and business position and lower the break-even point for sales.

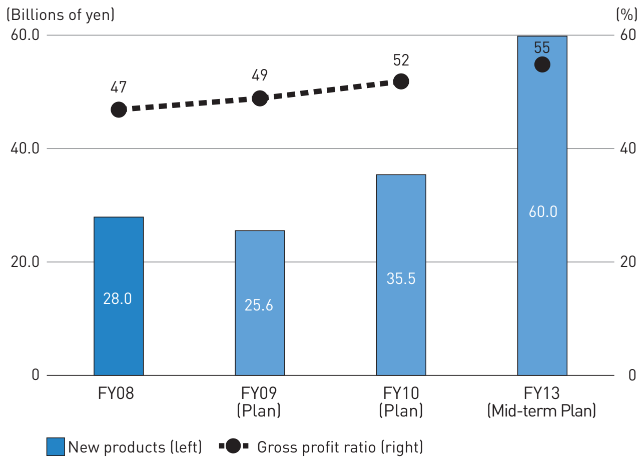
Reducing fixed costs is crucial to lowering the break-even sales point, and measures are under way with the aim of lowering fixed costs by ¥5.0 billion in fiscal year 2009. Key cost-cutting measures will be to revise the production system, including consolidation and decommission of factories, reduce spending, and limit capital investment to half the previous-year level by applying a strict priority structure.

On the profit side, the company is seeking to raise marginal profit by an equivalent ¥5.0 billion. This will be achieved by incrementally increasing sales by cultivating new clients, advancing new product

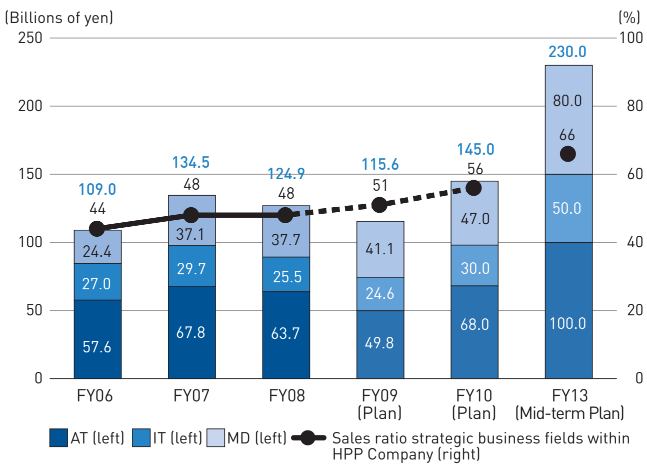
Rate of Increase in Sales, (Each Business unit in Strategic Business Fields) (year-to-year Comparison)



Sales of New Product



Sales in the Strategic Business Fields



development, which will activate initiatives to generate sales in the business frontier fields. At the same time, steps will be taken to shore up profitability by overhauling operations, revising the raw materials procurement system, and maintaining or raising product prices. The current economic environment provides very little on which to base predictions for demand in the coming year. In these conditions, the HPP Company is applying the judicious initiative of seeking to lower the break-even point for sales with the aim of raising profit by ¥10 billion over the two-year period of fiscal years 2009 and 2010.

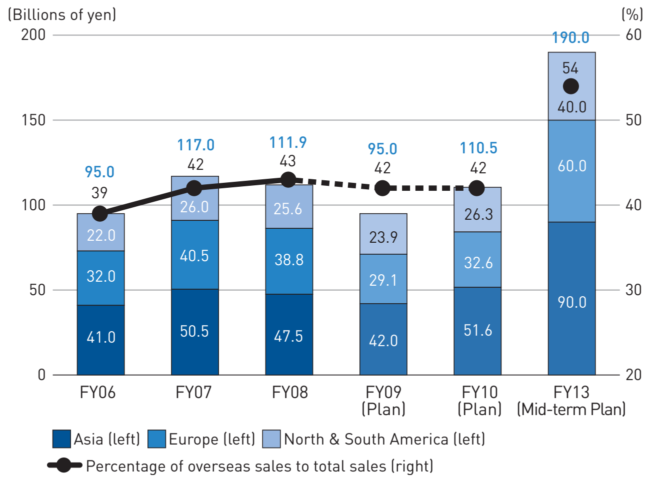
Advance the Growth Strategy and Fortify Strategic Businesses

The HPP Company is implementing measures to lower the profit and loss break-even point in the core businesses with the objective of reinforcing its financial and business position. At the same time, the company is taking steps to strengthen and expand its competitive advantage and fortify the supply chain to lay a foundation for growth when demand begins recovering.

In the strategic AT field, the company acquired a polyvinyl alcohol (PVA) resin operation in July 2009 to broaden the scope of its supply chain for the core interlayer film products. Previously procured completely from outside sources, PVA resin is a material used to produce polyvinyl butyral (PVB) resin, a primary material used in the interlayer production process when manufacturing interlayer films. The addition of the PVA resin production operation solidifies the upstream portion of the supply chain and establishes a stable material supply network. Rapidly advancing product differentiation is expected to lead to swift growth for the interlayer film business, and this network will enable the company to keep pace. The acquisition also enables point-of-demand production and technical synergies in raw materials operations that will support new interlayer film product development.

The company is also accelerating product development in order to

Overseas Sales



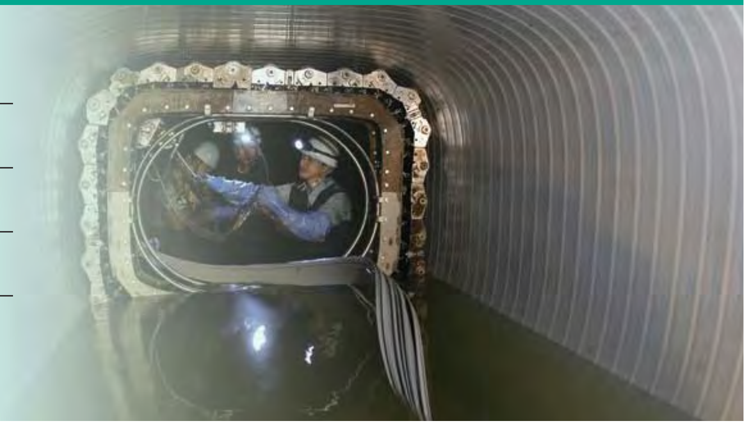
be prepared when the IT field enters the demand recovery phase, and sales start to rise for the HPP Company's flat panel display (FPD) components, which command high market shares. IT-related products are expected to become key components in the future, such as semiconductor packaging materials and LEDs, photovoltaic batteries, and other energy-related components. The company is also seeking to expand business in the MD field. Achieving full-fledged operations at two companies acquired overseas is a major step in its aggressive efforts to reinforce business.

The harsh business environment is expected to continue through fiscal year 2009 for the HPP Company, including the strategic business fields that will be the platform for the company's future growth. Demand is expected to begin recovering next year, however, and the HPP Company has set a target of achieving a record high ¥145.0 billion in sales for the strategic businesses in fiscal year 2010.

URBAN INFRASTRUCTURE & ENVIRONMENTAL PRODUCTS COMPANY

Performance Highlights

	FY05	FY06	FY07	FY08	FY09 (plan)
Net sales (billions of yen)	214.1	226.5	233.8	**225.2**	217.0
Operating income (billions of yen)	10.4	11.3	6.1	**1.7**	1.7
Operating income ratio (%)	4.9	5.0	2.6	**0.8**	0.8



YOSHIYUKI TAKITANI, President of Urban Infrastructure & Environmental Products Company

Results for Fiscal Year 2008

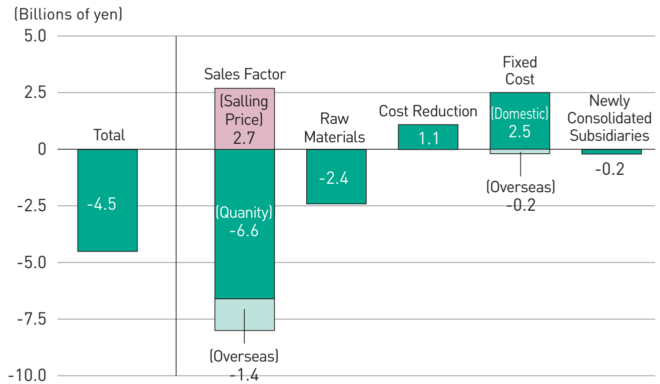
Net sales decreased ¥8.5 billion to ¥225.2 billion,
Operating income decreased ¥4.5 billion to ¥1.7 billion

The Urban Infrastructure and Environmental Products Company (UIEP) develops, produces, and supplies PVC pipes, construction materials, and other products for the domestic construction market. The company's products boast strong brand power and market share in Japan and form the core of the Company's revenue base. The UIEP Company's management strategies seek to realize steady profit expansion by furnishing a diverse mix of highly advanced, high-performance products to the operations that drive Company growth, primarily the pipeline renewal, plant materials, infrastructure composite materials businesses.

Domestic construction demand remained stagnant in fiscal year 2008 with the economic recession that developed during the year strongly impacting demand in the core businesses, which were still feeling the repercussions from the previous year's Construction Standard Law revisions. The company's ongoing progress developing its growth frontiers overseas and securing overseas operating bases produced a certain degree of positive results. However, the worldwide economic recession in the second half undermined the company's business growth and expansion for the year and ultimately slowed the pace of sales growth overseas. The overall result was UIEP Company sales of ¥225.2 billion in fiscal year 2008, a decline of ¥8.5 billion from the previous fiscal year.

Raw materials prices trended upward during the year, but the company was generally successful at covering increases by cutting costs and revising product prices. The company also implemented

Analysis of Operating Income for FY2008 (year-on-year)



restructuring reforms centered on reducing domestic fixed costs as an emergency management countermeasure to the declining demand. Nevertheless, the sharp drop in sales volume strongly impacted earnings, and UIEP Company operating income plummeted 72.2% year on year to ¥1.7 billion in fiscal year 2008.

The stagnating construction demand in Japan strongly impacted sales of PVC pipes and other products in the core businesses. However, the company continued to steadily develop and lay the groundwork for the future growth of the overseas operations of the pipeline renewal, plant materials, infrastructure composite materials, and other businesses expected to become primary earnings drivers in the future. Overseas sales amounted to ¥35.7 billion in fiscal year 2008, an increase of ¥6.3 billion from the previous year.

The UIEP Company took concrete steps to develop each of its business segments during the year. In the pipeline renewal business, the company established a business base in Europe with the acquisition in May 2008 of Chevalier Pipe Technologies (CPT) GmbH, a pipe rehabilitation company with an extensive business network centered in Europe and reaching to the Middle East and Australia. Demand for rehabilitation of existing infrastructure is strongest in the advanced countries, and the addition of CPT gives the pipeline renewal business blanket coverage of the main markets in Japan, Europe, and North America. In addition, the company established Sekisui CPT Asia in Singapore in November 2008 to serve as a sales hub for equipment and materials and promote business expansion in Asia.

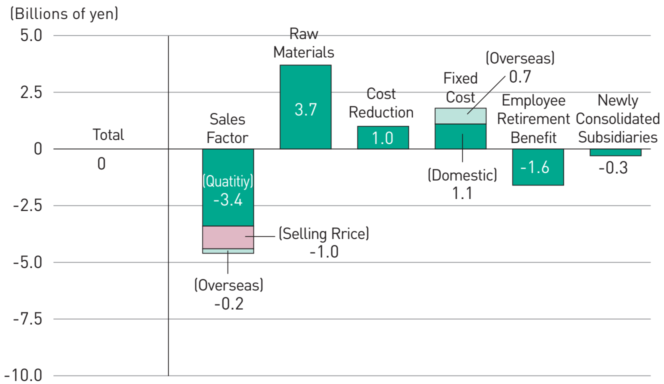
In the infrastructure composite materials business segment, the Company joined with Sumitomo Corporation in July 2008 to establish a reinforced plastic composite pipe company in St. Petersburg to spearhead penetration to the rapidly growing water environment infrastructure market in Russia. The company will serve as a production base supporting expansion of business and operations in St. Petersburg, Moscow, and other key regions.

Outlook for Fiscal Year 2009

Net sales decrease of ¥8.2 billion to ¥217.0 billion, Operating income unchanged at ¥1.7 billion

The UIEP Company's business plans and forecasts are primarily based on two fundamental economic indicators: housing starts and private capital investment. In fiscal year 2009, housing starts are expected to continue weak, with indicators projecting a 2.8% year on year decline to 995,000 units. Private capital investment is forecast to contract by 14.2%. At the same time, spending on seismic retrofitting, pipeline renewal, and rain- and flood-damage protection projects and other public capital formation projects is expected to start increasing again, albeit by a slight 0.5% for the year. Based on

Analysis of Operating Income for FY2009 (year-on-year)

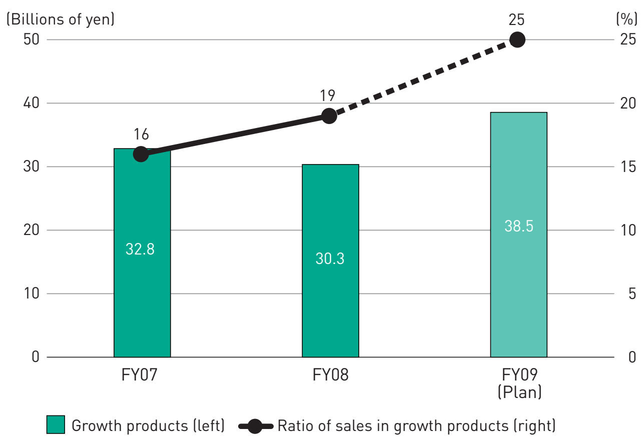


Reinforcing the global network of the pipeline renewal business.

Expansion of reinforced plastic (composite) piping in Russia as well.

Eslon Hyper JW (polyethylene pipe), capable of resisting earthquakes

Sales of Growth Products



this outlook, the UIEP Company forecasts net sales of ¥217.0 billion in fiscal year 2009, representing a ¥8.2 billion year-on-year decline.

Although the declining demand makes a decline in revenue virtually unavoidable, the company is seeking to secure profit by improving its own earnings performance. The company is targeting ¥6.0 billion in operating income in fiscal year 2010. To achieve this goal, the company is implementing measures designed to improve earnings by a combined effect of ¥10.0 billion by fiscal year 2010. This fiscal year, the company aims to save approximately ¥5.0 billion through strict structural reform centered on cutting fixed costs. In the two years to fiscal year 2010, the company is endeavoring to improve revenue by approximately ¥5.0 billion by filling out its presence in the domestic stock field and increasing its growth-oriented product lines to expand operations in the social infrastructure and other frontier growth fields. Amid the declining demand conditions, the UIEP Company is seeking to attain ¥1.7 billion in operating income in fiscal year 2009, which is roughly equal with the previous-year level.

Primary Objectives for Fiscal Year 2009

Advance Structural Reforms

Structural reform to respond to the declining demand conditions is the top priority of management initiatives in fiscal year 2009. A two-year structural reform program concentrated on reducing fixed costs is under way with the objective of improving profit by approximately ¥5.0 billion in fiscal years 2009 and 2010. Specific initiatives are being activated in four categories: reducing costs and depreciation expenses, eliminating unprofitable operations, revising the production network, and reorganizing the sales structure. The UIEP Company plans to reduce costs and depreciation expenses by ¥2.0 billion in fiscal year

UIEP Company —New Business portfolio

	Business Unit	FY2008 Result	FY2009 Plan	Projected Market Change	Goals for Mid-term Plan	Measures
Core	Water Infrastructure in Japan (water supply, reinforced plastic composite pipe)	Net Sales [Billion yen] 136.9; Operating Income [Billion yen] 3.9	126.8; 4.3	•Move up public construction work projects •Increased awareness for natural disasters •Increased awareness for environmental conservation •Decline in housing starts •Decreasing domestic demand •Price hike in raw material price	•Maintenance and improvement of profitability •Refinement of brand power by thorough differentiation	•Improved productivity in sales and production line •Reinforced products based on high function products •Adapt to privatization of public entities
	Construction Materials (rain glitter, exterior)					•Accelerate shifting to growth area •Pioneer overseas and new businesses
	Sekisui HomeTechno					•Focus on high added-value products and stock market
Existing Business						
Growth	Pipeline Renewal	Net Sales [Billion yen] 70.1; Operating Income [Billion yen] 1.7	71.8; 2.0	•Move up public construction work projects •Demand for infrastructure building business in emerging countries •Increased need for social infrastructure in industrialized countries •Increased awareness for natural disasters •Increased awareness for environmental conservation •Decline in capital investment due to global recession	•Acceleration of global development •Create demand for stock business •Rapid expansion of business scale	•Build up value chain business on a global scale
	Plant Materials					•Pioneer overseas distribution and develop strong agencies
	Sheet					•Expand product lineup and move into new business area (i.e. railway)
	FFU					•Global standardization (Rail ties)
	Water Infrastructure (overseas)					•Business expansion in emerging countries and China •Build business model for water recycle system business
	Functional Building Material					•Strengthen production, development and pioneer new business area
	Aqua System					•Strengthen engineering and value chain
	Building Stock			•Increase in construction stock and its effective use		•Create new market in building (housing) stock area

Shifting gears, tapping real potential

Shifting gears, in full throttle

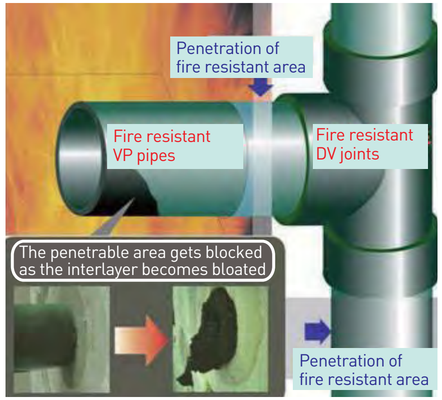
2009, primarily by limiting capital investments. Other initiatives will be methodically implemented this year with the aim of establishing a profit structure that is approximately ¥3.0 billion leaner in fiscal year 2010.

Expand Overseas Businesses in the Growth Frontiers

The UIEP Company targets raising overseas sales by ¥2.0 billion to ¥37.6 billion in fiscal year 2009. Initiatives during the year will focus primarily on expanding the pipeline renewal business. Aggressive M&A in recent years has established a formidable overseas network spanning the major markets in Japan, Europe, and North America. This network will provide the framework for constructing a value chain and manufacturing partners will be added to fill out the network to strengthen the sales force and expand the earnings base. Through expansion of overseas business operations in the growth frontier fields, the UIEP Company is seeking to raise profit from its overseas businesses by ¥2.5 billion in two years.

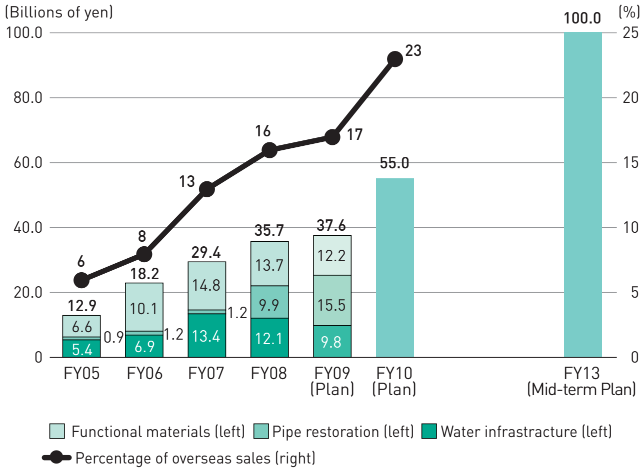
Expand Domestic Businesses in the Growth Frontiers

Domestic business in the growth frontier fields will be expanded by developing operations to meet needs in the four areas of "Refurbishment and renewal," "Counter measures for rainwater," "Earthquake proof," and "energy efficiency" primarily in the social infrastructure and construction stock segments. Through fortification of the pipeline renewal business, continued development of the construction stock business, increased sales of growth-oriented products, and other measures, the UIEP Company is aiming to increase profit from its domestic businesses by ¥2.5 billion in two year.



Products with prominence (fire resistant pipes) where growth can be expected due to the rising demand

Overseas Sales



Domestic "Frontier of Growth"

Target	Social Infrastructure Stock				Building Stock			
Needs	Refurbishment /Restoration		Counter measures for rainwater		Earthquake proof		Energy efficiency	
Goal	Solidify No.1 position in domestic market				Create business in condominium restoration			
Goal for FY 2009	•Domestic sales in pipe restoration business: 10 billion yen •Increase of members of construction companies				•Create building stock business promotion department •Structure business model (planning in 2nd half)			
Product Line Up with Prominence	RS DRS	SPR Omega	FFU	Fire -proof pipe	Hyper	Pre-fabricated bath	Phenova Board	Differentiation by overall comprehensiveness and deployment
Expansion of Value Chain	NNT / Sekisui kanzai T	Aqua / Techno	Diagnosis	Design	Development	Manu-facturing	Installation	After service

HOUSING COMPANY

TEIJI KOUGE, President of Housing Company

Performance Highlights

	FY05	FY06	FY07	FY08	FY09 (plan)
Net sales (billions of yen)	427.6	430.5	420.0	**424.5**	404.0
-Housing	347.7	339.7	326.7	**327.1**	299.0
-Living Environment	79.9	90.7	93.3	**97.4**	105.0
Operating income (billions of yen)	14.7	14.3	14.1	**17.1**	17.5
-Housing	14.5	13.3	11.1	**13.7**	13.8
-Living Environment	0.2	1.0	3.0	**3.4**	3.7
Operating income ratio (%)	3.4	3.3	3.4	**4.0**	4.3

Results for Fiscal Year 2008

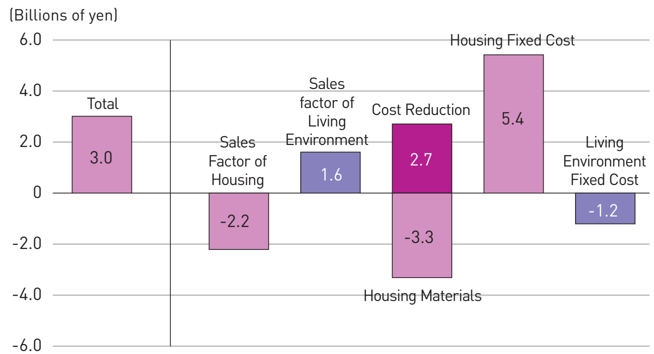
Net sales increased ¥4.5 billion to ¥424.5 billion, Operating income increased ¥3.0 billion to ¥17.1 billion

The Housing Company develops business centered on its high performance and high value-added housing products, which are supported by the strength of its unique unit construction method. The unit construction method is a unique and innovative construction process that elevates the amount of construction completed within the factory to about 80%, enabling higher quality and shorter construction periods than other methods. Our houses are constructed from an assembly of box-shaped units and can easily be expanded or relocated and reconstructed on a different site. In addition, constructing the units inside the factory enables the company to maintain an extensive database of materials used in the construction. The database is a pivotal resource providing timely information to meet customer needs, such as for post-construction renovation projects. The Housing Company is aiming to establish a "recycling stock" business model that follows and meets customer needs throughout the complete housing cycle of new construction, maintenance, refurbishing, existing home distribution, and rebuilding.

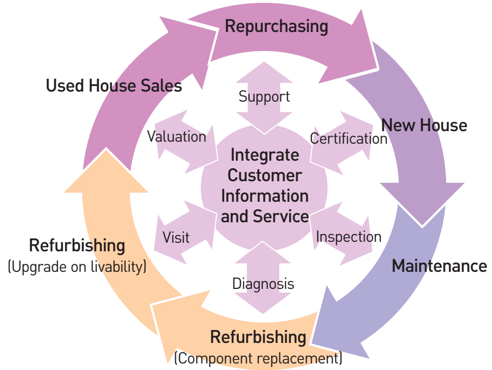
The harsh business environment that materialized for the new housing construction market in fiscal year 2007 persisted in fiscal year 2008. However, the Housing Company's extensive structural improvements help the company achieve growth in both sales and income in fiscal year 2008.

In the housing business, the extensive efforts to streamline and improve operating efficiency in the previous year produced tangible results with orders up 6% year on year in the first half of fiscal year

Analysis of Operating Income for FY2008 (year-on-year)



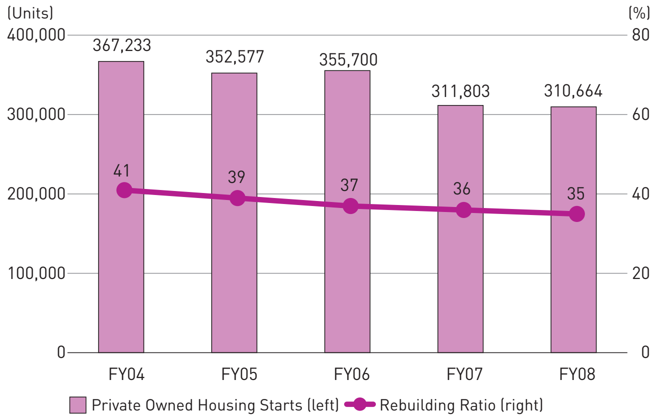
Recycling Stock Business Model



2008. This is primarily due to measures taken in fiscal 2007, as the company restructured its sales networks to establish an integrated and an effective sales network covering the Tokyo, Chubu, and Kinki regions and to consolidate networks in other regions, including integrating regional sales and production systems. Furthermore, product differentiation and the high-performance features enabled by the unit construction method contributed to the overall increase in orders. However, the improved operating efficiency was unable to overcome the substantial impact from the overall economic slowdown as the year progressed, and orders fell 14% in the second half. Housing orders for the full fiscal year ultimately ended up down 4% year on year.

Net sales in the housing business amounted to ¥327.1 billion in fiscal year 2008, which was essentially equal to the previous year's ¥326.7 billion result. The company also implemented cost-cutting measures to counter the rising cost of steel and other raw materials, which reached ¥3.3 billion for the year, with the resultant improvement in revenue amounting to ¥2.7 billion for the year from the effects of the measures taken. The cumulative effect of these and other

Private Owned Housing Starts* and Rebuilding Ratio (in Sekisui Chemical)



*Reference: Ministry of Land, Infrastructure, Transport and Tourism, "Housing Starts"

efforts, including ¥5.4 billion trimmed from fixed costs following the staff reorganization in the previous year, enabled the housing business to secure operating income to ¥13.7 billion in fiscal year 2008, up from ¥11.1 billion in the previous year.

The living environment business also posted improved results despite the harsh market conditions. Net sales increased from ¥93.3 billion in fiscal 2007 to ¥97.4 billion in fiscal 2008, and operating income rose from ¥3.0 billion to ¥3.4 billion. These results were attained in the harsh market conditions due to the enhanced marketing power from the increased sales personnel and stronger competitiveness, effective use of the company's unique sales promotion systems, including the periodic diagnosis system, and expanded sales of external tiles and other feature products.

In fiscal year 2008, the Housing Company recorded ¥424.5 billion in net sales and posted ¥17.1 billion in operating income, marking the highest income level in 10 years.

Innovative Unit Technology

Ensure consistent product quality by production at the factory regardless of weather conditions

Swift on-site assembly completed in just one day

Outlook for Fiscal Year 2009

Net sales decrease of ¥20.5 billion to ¥404.0 billion, Operating income increase of ¥0.4 billion to ¥17.5 billion

The harsh conditions in the housing market are expected to continue through the first quarter of fiscal year 2009. The housing market is expected to start recovering as early as the second quarter of the fiscal year. A vigorous recovery is anticipated driven by several factors, including demand stimulation from expanded preferential tax breaks for buyers of residential houses, increasing customer demand for houses with solar-power generators spurred by the reinstatement of government subsidy programs, and growing consumer interest to purchase housing supported by low interest rates and depressed land prices.

Based on this market environment scenario, the Housing Company forecasts fiscal 2009 housing orders growing by 3% year on year from the result of a 4% decline in the first half followed by 12% growth in the second half as market demand begins to recover. The Housing Company plans to implement various initiatives to attract orders during the year. Specific measures will be product-differentiation strategies highlighting the solar power generation systems, Warm Airy technology, and other high-performance feature options that differentiate its products; expanding the product lineup in the price-volume zone where demand is holding relatively strong; and strengthening region-specific strategies to develop products and product specifications attuned to local needs.

The Housing Company projects housing business net sales declining by ¥28.1 billion, to ¥299.0 billion, in fiscal year 2009. The repercussion from the steep 14% year on year drop in orders in the second half of fiscal year 2008 make a decline in orders virtually unavoidable. At the same time, the restructuring measures begun in fiscal year 2007 are expected to improve profitability and contribute to earnings. The housing business is aiming to raise operating income by ¥0.1 billion year on year to ¥13.8 billion.

Measures are also under way, including shifting more personnel from the housing business, to further strengthen the sales force of the living environment business, whose business centers on the stock of existing housing. These initiatives combined with the anticipated boost in sales of solar power generation systems due to the revival in subsidies is expected to contribute to the rise in net sales by ¥7.6 billion year on year to ¥105.0 billion and operating income growing ¥0.3 billion to ¥3.7 billion in fiscal year 2009.

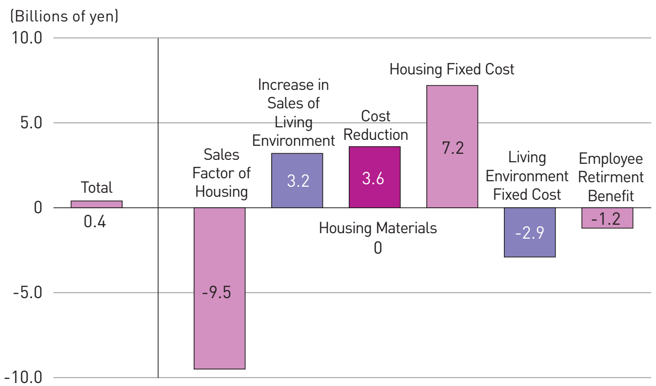
The forecasts for the housing and living environment businesses combine for a projected decline to ¥404.0 billion in net sales and an increase to ¥17.5 billion in operating income for the Housing Company in fiscal year 2009.

Primary Objectives for Fiscal Year 2009

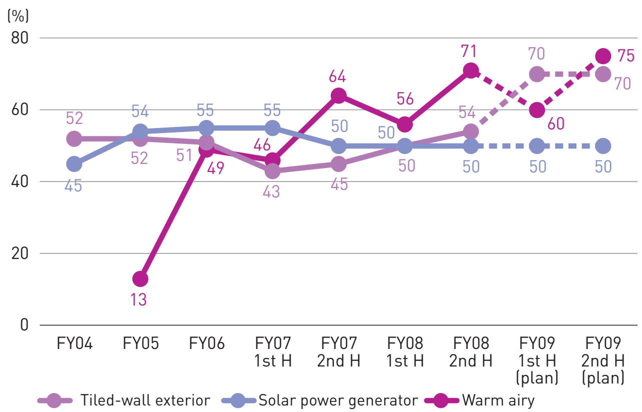
Restructure the Housing Business to Fortify Earning Power

The restructuring of the Housing Company will continue in fiscal year 2009 with the goal of further improving and enhancing the company's earning power. Significant business growth is expected for the living environment business, and the reallocation of staff from the housing business will continue to be a key element in the business restructuring. Approximately 200 staffs were transferred to the living environment

Analysis of Operating Income for FY2009 (year-on-year)



Sales percentages of homes with high-performance options



Houses with solar-power generations boasting top share with its rich lineup business in the fourth quarter of fiscal year 2008, and plans call for another 50 people to make the shift in the current fiscal year.

Efforts to enhance the efficiency of all of the company's sales companies will continue. The extensive restructuring of the sales network covering the Tokyo, Chubu, and Kinki regions carried out in fiscal year 2007 will be followed by measures, such as closing exhibition places with low visitor traffic, to further improve the efficiency of the network. The integration of sales and production systems in other regions is also progressing. This integration provides two advantages. First, management authority and responsibility is clearly delegated within each area, enabling swift and fully informed management decisions, such as regarding area-specific marketing and quality improvement. Second, more detailed revenue management becomes possible for each area because the production companies essentially operate as subsidiary companies to the sales companies. These measures are designed to fortify the company's earning power. Integrated sales and production structures were established in Kyushu in October 2008 and in the Tohoku, Chugoku and Shikoku regions in April 2009. The Housing Company is aiming for the improved operating efficiency from the reductions of marketing costs and operating costs achieved through these measures to cut fixed costs by ¥7.2 billion.

The company is also aiming to add ¥3.6 billion to earnings as a result of the improved marginal profit achieved through measures including reducing materials and construction expenses and from the loss-reduction effect from the integrated production and sales systems. The company plans to off-set the rise in materials prices, particularly for steel materials, by reducing costs from the previous-year. Furthermore, to further reduce costs, the company plans to continue applying value engineering, and benefit from the improved materials procurement systems from overseas.

Advance the Living Environment Business Growth Strategy

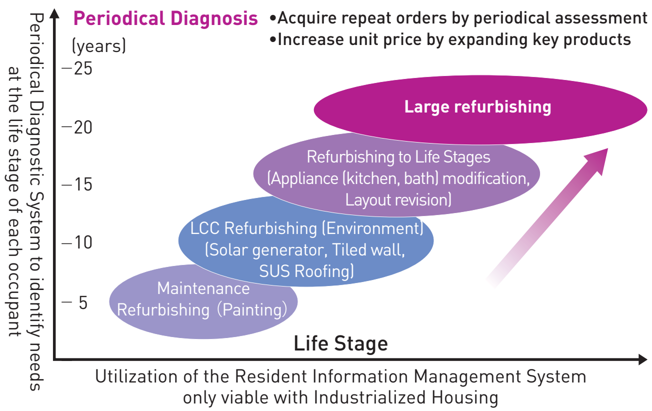
The Housing Company is continuing to advance its strategy of applying a business model hinging on its existing customer base for expanding the living environment business, which focuses on reform of residential houses. The living environment business is implementing several strategies to expand orders, including actively applying its five-year periodic diagnostic testing system using its owner information management system for industrialized housing and conducting specific product promotions of the company's feature equipment, including heat insulation sash products, solar power generation equipment, and other environment-related products. The government subsidy programs are providing a substantial boost to sales of the company's feature equipment, with particularly strong growth in sales of solar power generation equipment. The living environment business is aiming to increase feature equipment sales threefold in fiscal year 2009 over the previous year. Staff is also being increased to enhance the competitive strength of the living environment business.

Plans call for shifting an additional 50 sales staff from the housing business in fiscal year 2009. Following the shift of approximately 200 staff in the fourth quarter of fiscal year 2008, manpower in the living environment business will be enhanced by a total 250 staff, giving the business a formidable work force. These employees will participate in specialized training programs to accelerate the application of business strategies and further enhance the company's ability to attract and increase orders.

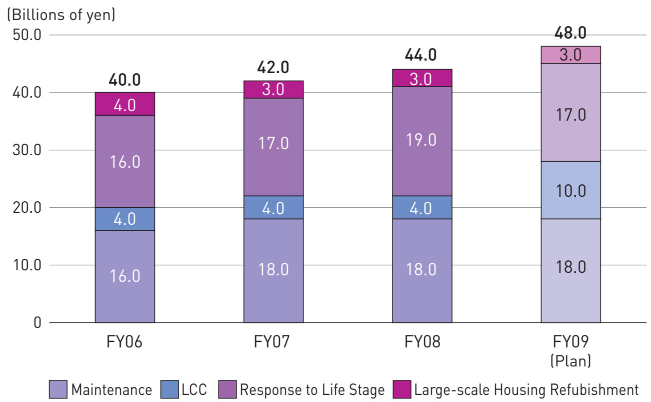
Based on these initiatives, the Housing Company is targeting living environment business net sales of ¥105.0 billion and operating income of ¥3.7 billion in fiscal year 2009.

Reinforcement of the work force is also designed to provide a foundation for expansion of the living environment business. Plans are to increase the staff coverage rate for reform demand from the company's existing customer housing stock from roughly 30% in fiscal year 2008 to 60% by fiscal year 2013.

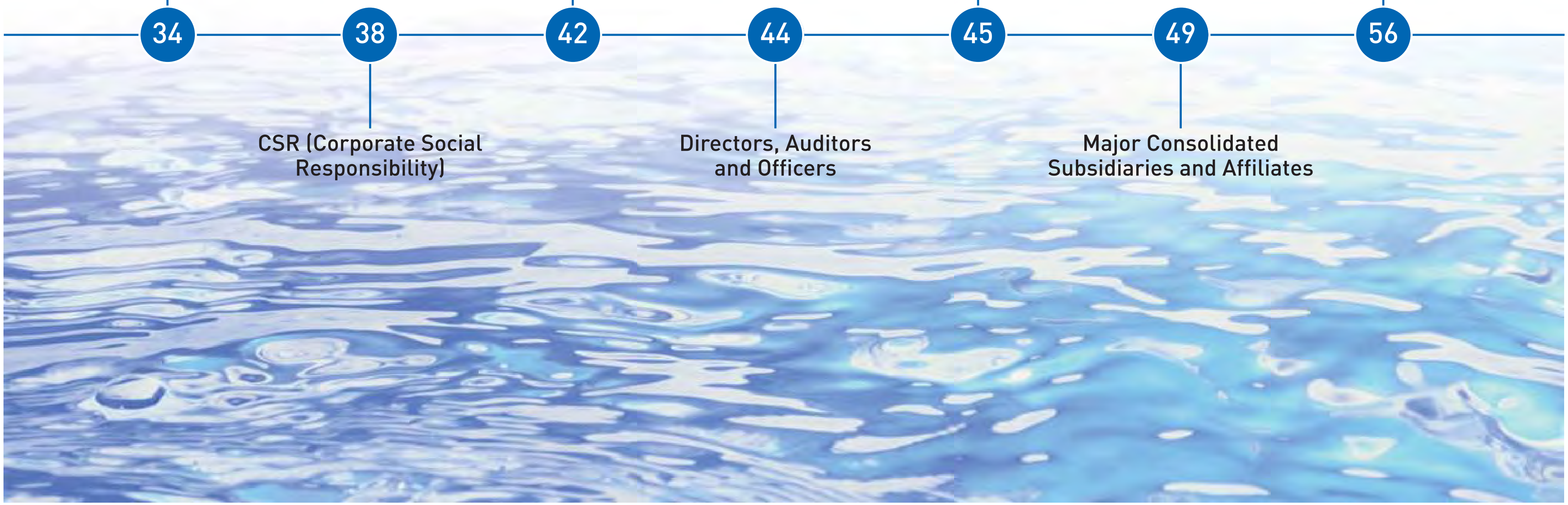
Refurbishment Business Model



Sales Trend of the Selected Sales Materials

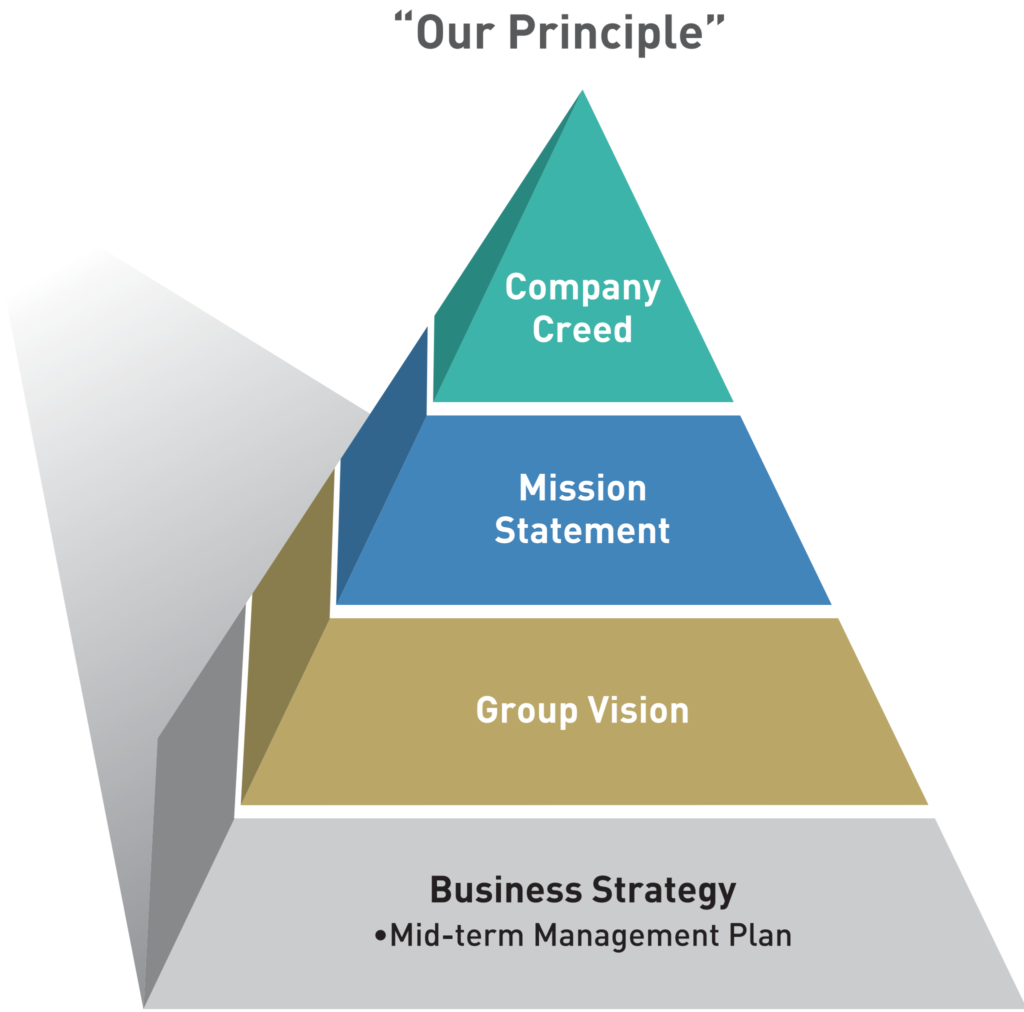


CORPORATE DATA



OUR PRINCIPLE

Sekisui Chemical Group's Principle ("Our Principle") comprises elements such as our Company Creed, Mission Statement, Group Vision that expresses an ideal form aimed for by the Group in the mid-term, and our concrete Business Strategy (e.g. Midterm Management Plan) to realize the Group Vision. Based on Our Principle, it is our aim to create social values as a unified group.



COMPANY CREED

The “3S Principle” (Service, Speed, Superiority)

Service

We enhance the well-being of the world community through our global business network

Speed

We surge ever forward into new fields of development with the power and vitality of a mighty waterfall

Superiority

We obtain the trust of our customers through superior operational performance and the highest quality standard

The “3S Principle”

Our company badge comprises the three S’s of the company’s original name, adopted at the time of its foundation, “SEKISUI SANGYO” enclosed in a hexagonal shape resembling a tortoise shell (the chemical symbol for benzene), symbolizing the Chinese character meaning “water.”

In November 1959, this mark was defined as the “3S Principle” and formally established as the company creed.

“The difference between people living their lives in accordance with ideals and those simply going where the currents and eddies of life take them becomes ever more apparent as the long years of their lives pass. The same is true of business. Only when employees mass under a common ideal arising from a basic policy of business management can the company demonstrate its great power as a corporate community.”

It was in the spirit of this intent that the 3S Principle comprising Service, Speed and Superiority was established as the motto of SEKISUI.

Origin of Company Name

SEKISUI means “pent-up water.” An expression used by Sun Tzu in his classic treatise.

The onrush of a conquering force is like the bursting of pent-up waters into a chasm a thousand fathoms deep.

Meaning of “SEKISUI”

“The battle of victor is determined in a fell swoop with tremendous force, just as a full body of water (pent-up water or “SEKISUI”) let drop into a deep gorge.”

Adoption of this concept into corporate activities:

The expansion of business activities will inevitably experience problems and challenges. To overcome such difficulties, it is important both to gain a full understanding of and to analyze one’s opponent’s circumstances, to consolidate one’s own structure and then to release the power of pent-up waters to do battle and be victorious.

MISSION STATEMENT

Create social value while fulfilling stakeholder expectations

Sekisui Chemical Group will fulfill stakeholder expectations of our "Customers", "Shareholders", "Employees", "Business Partners", "Local Communities and Environment."

- Satisfy customer needs to the fullest extent
- Provide the best possible services to customers

- Strive for the sustained growth of corporate value
- Ensure the clear and timely disclosure of information

- Deepen relationships with business partners and associated companies
- Promote coexistence and co-prosperity through fair transactions

- Established a culture that encourages employees to set their own goals and willing to take on new challenges
- Assure the validity of the performance-based evaluation

- Contribute to society and the environment with our products
- Build harmony with local communities as a good corporate citizen

GROUP VISION

Sekisui Chemical Group will continue to develop the frontiers of "Creation of Housing/Social infrastructure" and "Chemical Solutions, " utilizing its prominent technology and quality, thereby contributing to people's lives around the world and global environment.

The Group Vision contains the intention of the Sekisui Chemical Group.

All Group employees will realize the intention and aim to build up a business group that is trusted and expected.

Prominent Technology and Quality
We provide quality that satisfies customers, including technology accumulated over many years in the plastics processing and housing sectors, as well as "hard" products and "soft" services and solutions.

Creation of Housing/Social Infrastructure
We offer housing and related materials, and infrastructure related to water and the environment, which make full use of advanced technology.

Chemical Solutions
We supply chemical products that anticipate the advanced needs of customers in the industrial fields of transport equipment, electronics, healthcare, etc.

Frontier of Development
We create new value while exploring and expanding business, in keeping with the progressive spirit of development that flows through the Sekisui Chemical Group.

People's Lives Around the World
We contribute to improving the quality of people's lives by responding to global markets and taking part in global activities.

Global Environment
We seek to create an environment in which people of the next generation can enjoy true peace of mind through business that combines ecology and economy.

CSR (Corporate Social Responsibility)

The Sekisui Chemical Group's Fundamental Commitment to CSR

The Sekisui Chemical Group's CSR is to contribute to society through its business activities. Since its founding, Sekisui Chemical has offered products and services ranging from resin pipe, foam resin materials, and pipeline renewal to unit housing to proactively contribute to social needs. CSR is integral to our business and a core aspect of our corporate ethos.

The Sekisui Chemical Group has five groups of stakeholders, and our relationship with each group and each stakeholder is essential to carrying out our CSR activities. We constantly seek to improve our CSR activities and fulfill our responsibilities by listening sincerely to stakeholder feedback and opinions and reflecting in our operations stakeholder views on a wide range of social issues as well as their expectations and hopes for the Group.

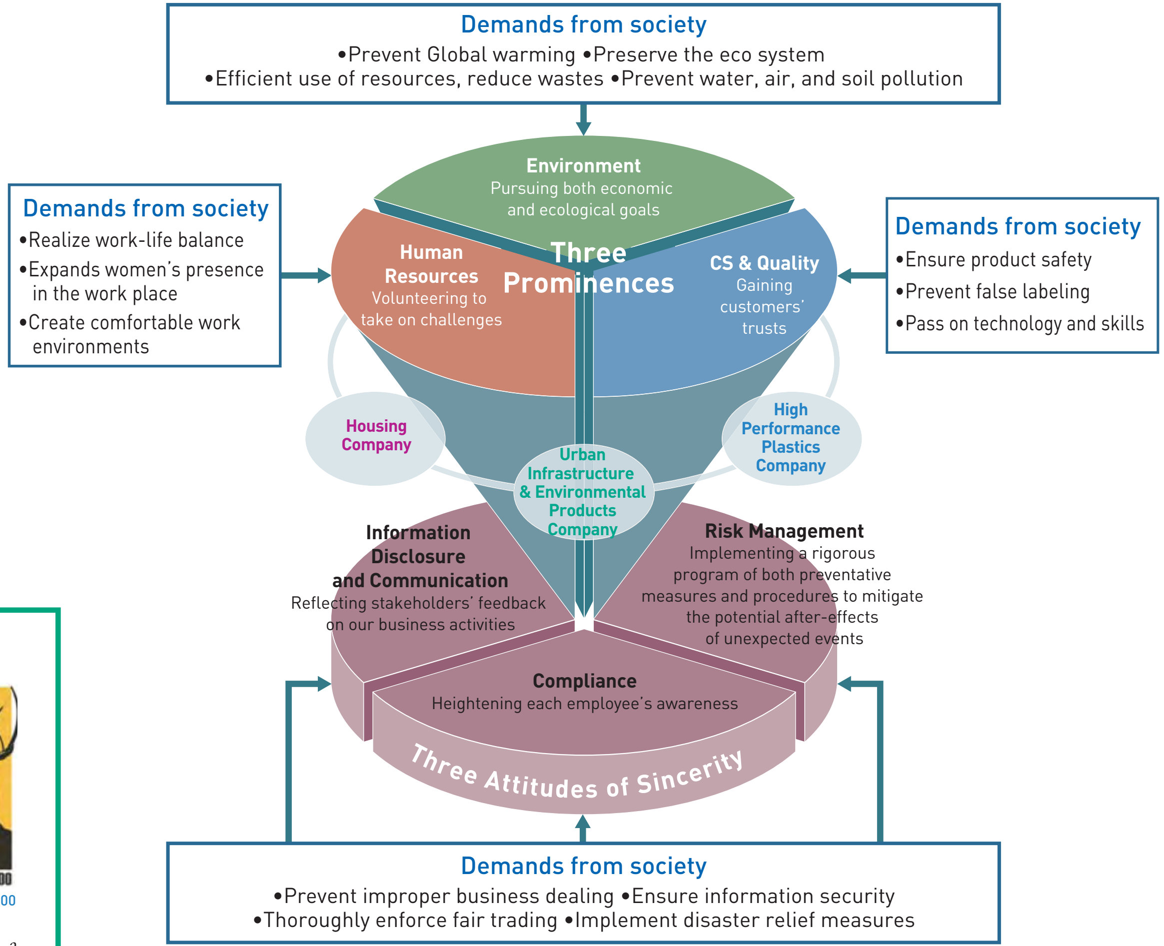
GS21-SHINKA!, the new medium-term management plan launched in fiscal year 2009, provides a framework for achieving success in our business. As we implement this plan, we view our CSR activities as the embodiment of the character of our business and as reflecting the quality of our corporate management. CSR is a fundamental aspect as well as the growth and transformation of our business, and we aim to continue earning our status as a company that fulfills society's expectations and earns society's trust.

CSR Advancement and Recognition (as of March 2009)

The Sekisui Chemical Group's CSR management continues to receive praise from independent external organizations. For two consecutive years, the company has been named one of the Global 100 Most Sustainable Corporations in the World by Corporate Knights Inc. and Innovest Strategic Value Advisors Inc. The company is also included in several socially responsible investment (SRI) indices and funds.

Dow Jones Sustainability Index | FTSE4Good | Morning star socially Responsible Investment Index | Global 100

In addition, in March 2009, the Company added its support to the United Nations Global Compact, a strategic policy initiative for businesses committed to sustainability and responsible business practices. We intend to fully respect the compact's core values and principles and give careful consideration to its guidelines and evaluation indices as we fulfill our CSR and further improve upon our CSR activities.



Further details on the Sekisui Chemical Group's CSR activities and a downloadable CSR Report are available online at:
http://www.sekisuichemical.com/csr/index.html

HIGH PERFORMANCE PLASTICS COMPANY

Innovative technology to meet the needs in advanced fields, high value-added materials to contribute to society around the world

Prominence in the Environment
—Simultaneously enhancing the high value-added and reducing environmental burden of our products

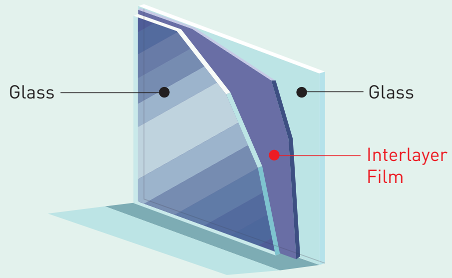
The HPP Company's thermal-insulating interlayer film for laminated glass substantially blocks infrared rays and, when applied to automobile windshields, greatly reduces heat buildup inside the vehicles, decreasing the amount of energy used for air conditioning. The company's lineup of interlayer films with sound insulating properties is also designed to provide environmental and comfort benefits.

The production operations of the HPP Company require the use of a large number of chemical substances and consumption of a relatively large amount of energy. Reducing the environmental burden of its operations is a priority management issue. The company employs extensive measures to properly manage the handling and use of chemical substances to minimize discharges of volatile organic compounds (VOCs) and eliminate the environmental impact of its operations.

In fiscal year 2008, we successfully reduced total emission volumes into the atmosphere to roughly half the amount in fiscal year 2000. We have also greatly reduced CO_2 emission through the installation of new cogeneration systems and other steps to reduce the amount of energy consumed by our operations.

The HPP Company continues to actively implement measures to reduce the environmental burden of its products and operating activities while simultaneously enhancing the value-added of its products.

Cross-section view of Interlayer Film for Laminated Glass



Prominence in the Quality of Customer Satisfaction
—Consummate quality control globally for business prominence

For a materials manufacturer, new technology development and improving product quality are essential to raising customer satisfaction. For this reason, the HPP Company has established various systems with the express objective of enhancing the effectiveness of our quality control.

In the interlayer film and foam businesses, for example, the company runs a "Mother Factory" in Japan for product trial manufacture and mass production. The processes perfected and quality control know-how gained at the Mother Factory are then introduced and utilized at overseas production bases. The company also actively applies the Group's Material Flow Cost Accounting to maintain its high quality standards and improve production yield rates.

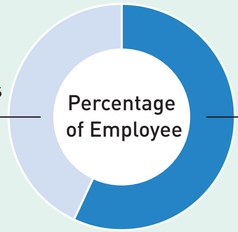
Quality control in the IT field

Prominence in Human Resources
—Cultivating human resources globally to promote overseas business development

The HPP Company's broadening global operations have been accompanied by a growing international face of its workforce, and in March 2009 over 40% of its employees were working overseas. Cultivating a "global workforce" that can function seamlessly in any region of the world is a major theme for the company. The company has introduced a variety of training programs to develop its global workforce. Such programs include two-year assignments to an overseas office for young Japanese staff, a Global Training System to provide employees with practical work experience overseas, and a Management Training Program (MTP) to provide management personnel direct experience at affiliated companies overseas.

MTP training

In recent years, the company has also seen increases around the world in the number of female employees. The HPP Company will continue to develop its global workforce and operations while providing work environments that are fully supportive for each and every employee to utilize their talents to the fullest without limits due to sex, career path, or specialty.



URBAN INFRASTRUCTURE & ENVIRONMENTAL PRODUCTS COMPANY

Accurately responding to society's evolving needs, supporting social infrastructure for the safety and comfort of people

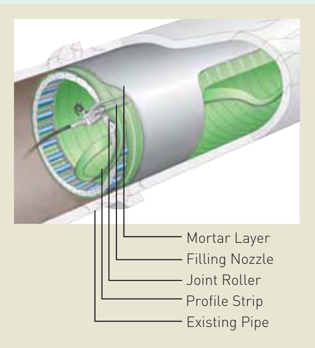
Prominence in the Environment

— Helping preserve the environment through our business operations, reducing the environmental burden from our activities on every level

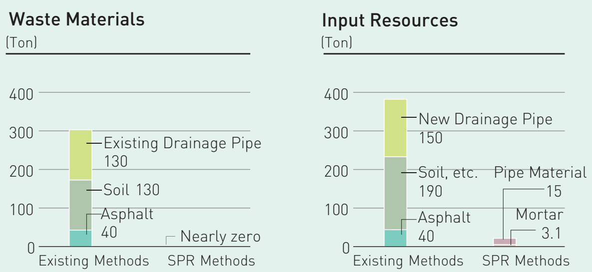
Our pipeline renewal business utilizes a "non-excavation method" that allows the replacement or rehabilitation of underground sewage pipes without the need to dig up the road surface. This innovative method shortens project periods without shutting down the sewer pipes or closing the roads to traffic. Our non-excavation method greatly reduces costs and emissions compared to previous methods.

The Sekisui Chemical Group has been aggressively applying its Policy to Promote Capital Investment for CO_2 Reduction since adopting the policy in January 2007. This policy and our ongoing efforts to introduce production innovations are helping to realize significant reductions in the volume of CO_2 emissions from our manufacturing operations.

The UIEP Company is helping preserve and protect the environment through the positive contributions from its business activities and also by reducing the environmental impact of those business activities.



Comparison of Existing Methods and SPR Methods



*Estimation by Sekisui Chemical (requirement for calculations): (Circumference of a hole) 1.7 meters X 1.5 meters (in thickness), Length of pipe 30 meters, amount of earth above pipe, 1 meter

Prominence in Customer Satisfaction

— Creating "Customer Value" and "Social Value" and anticipating needs

The UIEP Company contributes to the improvement of social infrastructure through the various individual products as well as systems incorporating numerous products it develops and markets in its diverse range of businesses.

The company also contributes new value for the changing society through its new piping material business. For example, water supply system utilizing pipes with superior seismic capacity can secure an uninterrupted supply of water even in earthquake emergencies. And the relative ease with which its highly flexible pipes can be installed facilitates for the renewal of aging existing pipes.

The company has the ability to meet needs related to social infrastructure not just in Japan but on a global scale, with the ability to contribute to the renewal of social infrastructure in advanced nations and provide water transport systems for developing nations.

Laying high-function pipes with superior seismic capacity and ease of installation

Prominence in Human Resources

— Maintaining the technical tradition and elevating the inherent proficiency of manufacturing development staff

The UIEP Company seeks to support the continuation of the Group's technical tradition through generational transitions and elevate the level of inherent proficiency of its employees at its production facilities. The company was the first in the Group to activate the Master System and Professional System and set up and runs technical accreditation programs associated with manufacturing development for individuals at each of its operating sites.

The company has also developed and implements a total production maintenance (TPM) approach in which maintaining the equipment is the responsibility of each worker. This system, which preserves and lengthens the working life of equipment, is now widely used in Japan and has been steadily introduced to overseas operations in recent.

The Safety Training Center promoting the Group's technical tradition

HOUSING COMPANY

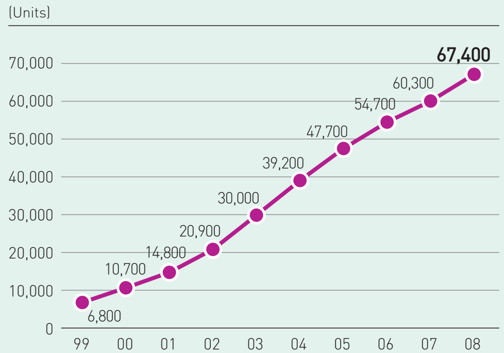
Providing environmentally friendly homes designed for long-term safe and comfortable living

Prominence in the Environment

—Helping reduce society's overall CO_2 emissions with the world's top selling solar-powered homes

The Housing Company was the first homebuilder to develop and market solar-powered homes as the next generation of environmentally friendly residences in Japan. The company is the industry leader in solar-powered home sales in Japan, having constructed over 65,000 solar-powered residences from the first home in 1998 through fiscal year 2008 and installed a full one-seventh of all the residential solar power generators in Japan. Converted to CO_2 emissions, these homes reduce CO_2 emissions by approximately 129,000 tons annually, which is roughly equivalent to the CO_2 absorbed by a 9,200-hectare forest each year (9,200 hectares is about 180 times the size of Tokyo Disneyland). The Sekisui Heim housing units are specially designed with flat rooftops to accommodate a large number of photovoltaic solar panels and maximize electric power generation along with excellent heat insulation, airtightness, and other features that minimize energy consumption. The houses not only help preserve the environment, they are also economical, as they reduce annual lighting and heating costs to virtually zero.

Sales of Sekisui Heim Homes with Solar-power Generators



Prominence in Customer Satisfaction

—Long-term housing supported by the "60-Year Support System"

While society is seeking housing that is comfortable and environmentally friendly, people also want good-quality homes that they can live in for a long period of time.

The level of unit-by-unit quality control that is possible only because the units are constructed inside the factory enables the Housing Company to provide products with the world's highest level of seismic resistance, durability, heat insulation, and airtightness capabilities. The company also offers residents a lifelong support program through its "60-Year Support System" providing periodic inspections, maintenance, reform, relocation, sales, and a variety of other services geared to each life stage. The company also holds Customer and Top (CAT) Meetings for Housing Company management and top management of housing sales companies to meet directly with customers and hear their comments and opinions. CAT Meetings with some 7,000 customers since the program started in fiscal year 2005 has provided invaluable feedback that has helped us improve our products and services.

A CAT Meeting

Prominence in Human Resources

—Female employees taking larger roles in construction, reform, and product development

It is estimated that women make as much as half of all decisions to purchase a home and more than 60% of the decisions related to refurbishing their homes, such as reforming kitchen, bathrooms, or interiors. From the product and services sales side as well, these statistics highlight how female staff are indispensable to meeting customer needs. The Housing Company is actively increasing the number of female staff managers in each of the new construction, refurbishing, interior, product development, and other divisions. The company continues to broaden the range of positions held by its female employees and is taking steps to ensure supportive and productive working environments for all staff.

Female staff at the work site

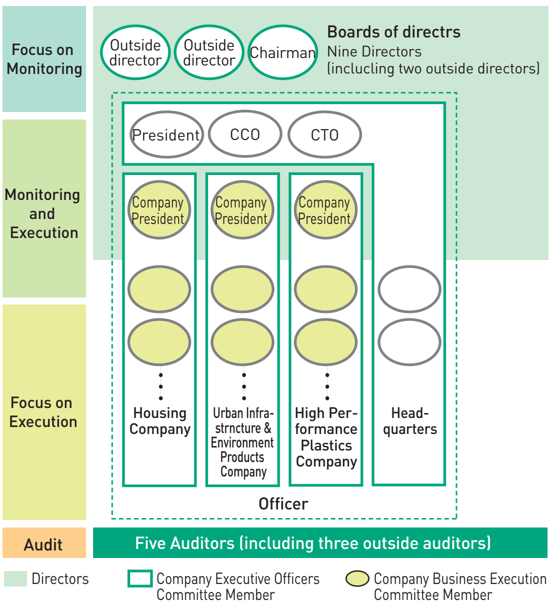
CORPORATE GOVERNANCE

The Sekisui Chemical Group has revised its corporate governance system during the fiscal year 2008, including introducing external board members and corporate executive officers, to further enhance its business transparency and fairness and to speed up its ability to respond to business opportunity. In addition, the Group implements various programs to heighten the compliance awareness and understanding of all executives, officers, and employees throughout the Group with the intention of maintaining and continuing to earn its status as a company broadly trusted by society.

Corporate Governance Basic Policies and Systems

The Group has created a management framework designed to maximize corporate value based on division company system. Amid the rapid changes in the Group's business environment, the Group recognizes that enhancing business transparency and fairness and speeding up management decision-making is essential to sustaining steady growth in corporate value. We have instituted several measures to our corporate governance system, including strengthening the Board of Directors and Business Execution Function.

Management System



Reorganization of the Board of Directors

The Board of Directions oversees and guides the company's management in the establishment of company's fundamental policies, management judgment, and business execution. The Board includes independent, external Directors to ensure full transparency and fairness in business decisions and operations. To expedite business decisions, the number of Directors has been reduced to nine.

Introduction of External Directors

Two External Directors have been appointed to the Board to provide advice and oversight based on their extensive administrative experience and specialized knowledge. We will receive advice based on their diverse, yet objective perspectives especially on matters which we put much emphasis on that concern the global development strategy, the reestablishment of the core domestic business, and the strengthening of compliance management.

Strengthened Business Execution Function

We introduced the Corporate Officer System to separate the auditing (directors) and business execution (corporate officer) functions in April 2008 to speed up response to the changing business conditions for each division company.

Introduction of the Corporate Officer System

The Corporate Officer System establishes the position of Corporate Officer to focus solely on business execution with the aim of realizing quick response business opportunities. Each division company is establishing a Corporate Officers Committee to be the company's highest decision-making body and is delegating substantial authority previously carried by the Board of Directors to the Corporate Officers Committee.

Corporate Officers will be appointed by decision of the Board of Directors and will serve for one year.

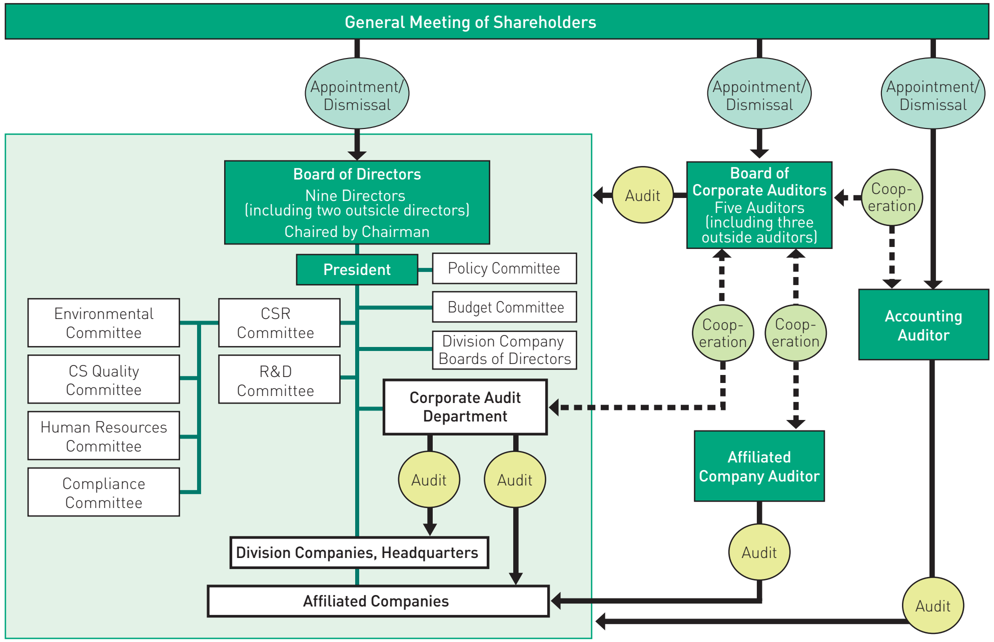
Audit System

The Group has built several auditing roles into the fundamental framework of its management and operation monitoring processes. The audit system is constructed to promote coordinated activities of corporate auditors and internal auditors as an additional step to audit accuracy and effectiveness. The Board of Corporate Auditors comprises five auditors (including three external auditors) conducting broad audits of the execution of duties by the Board of Directors, all division companies, and headquarters.

Reinforcement of the Internal Control System

In May 2006, the Board of Directors resolved to establish a fundamental policy regarding the construction of an internal control system for ensuring the appropriateness of our business activities. Based on the Group management principles set forth in the Corporate Activity Guidelines, the system establishes close interconnection of the supervision, directives, and communications of the Sekisui Chemical Group (the company and subsidiaries), and charges Sekisui Chemical with the duty to lead, advise, and evaluate the Sekisui Chemical Group to ensure appropriate business activities by all Group members. To further fortify the Group's compliance activities, the CSR Committee headed by president deliberates the Fundamental Compliance Policies with authorization of the Board of Directors. We have also established the position of Chief Compliance Officer (CCO) to act as committee chair, to plan education, training and other compliance-related activities and measures. The system is intended to reinforce our overall compliance activities and further emphasize compliance as a fundamental aspect of our corporate culture.

Corporate Governance System



DIRECTORS, AUDITORS AND OFFICERS

BOARD OF DIRECTORS

Naotake Okubo
Chairman of the Board and Representative Director

Naofumi Negishi
President and Representative Director,
Chief Executive Officer

Takayoshi Matsunaga
Director, *Senior Managing Executive Officer*

Tetsuji Izu
Director, *Senior Managing Executive Officer*

Yoshiyuki Takitani
Director, *Senior Managing Executive Officer*

Ken Yoshida
Director, *Senior Managing Executive Officer*

Teiji Kouge
Director, *Senior Managing Executive Officer*

Shigemi Tamura (Outside Director)
Adviser, Tokyo Electric Power Company

Toru Tsuji (Outside Director)
Senior Corporate Advisor, Marubeni Corporation

CORPORATE AUDITORS

Masashi Takai

Eiji Manshou

Tadashi Kunihiro (Outside Auditor)
Attorney at Law

Tamio Morimoto (Outside Auditor)
Certified Public Accountant

Hiroshi Osada (Outside Auditor)
Tokyo Institute of Technology Professor,
Graduate School of Innovation Management

CORPORATE OFFICERS

Naofumi Negishi
Chief Executive Officer

Housing Company

Teiji Kouge
Senior Managing Executive Officer
President of Housing Company

Hidemi Uno
Managing Executive Officer
Head of Technology Department

Keiji Kobayashi
Managing Executive Officer
Responsible for Sales Division
Head of Housing Division

Hiroyuki Watanabe
Executive Officer
President of Tokyo Sekisui Heim Co., Ltd.
President of Tokyo Sekisui Fami S Co., Ltd.
President of Sekisui Heim Real Estate Co., Ltd.

Toshirou Takeda
Executive Officer
Head of CS Promotion & Quality Assurance Department

Kazumasa Murakami
Executive Officer
President of Sekisui Heim Kyushu Co., Ltd.
President of Sekisui Fami S Kyushu Co., Ltd.
President of Kyushu Sekisui Heim Real Estate Co., Ltd.
President of Nishinihon Sekisui Industry Co., Ltd.

Shunichi Sekiguchi
Executive Officer
Head of Living Environment Division
Head of Diversified Business Group

Yoshikazu Nakamura
Executive Officer
Head of Research & Development Department
Head of Product Development

Urban Infrastructure & Environmental Products Company

Yoshiyuki Takitani
Senior Managing Executive Officer
President of Urban Infrastructure & Environmental Products Company

Yoshikazu Marushita
Managing Executive Officer
Responsible for Global Water Pipe Systems Division
Head of Business Planning Department

Tatsuo Sudou
Executive Officer
Responsible for Eslon Pipe Systems Division

Kozo Takami
Executive Officer
Responsible for Pipeline Renewal Division and Wood Business Promotion Department

Yasuo Yamabe
Executive Officer
Responsible for Research & Development and Industrial Piping & Materials Division

Masaru Teramae
Executive Officer
Head of Performance Materials Division

Torao Ishii
Executive Officer
Responsible for Building Materials Division

Takao Miyake
Executive Officer
Head of Technology & CS Promotion Department

High Performance Plastics Company

Takayoshi Matsunaga
Senior Managing Executive Officer
President of High Performance Plastics Company

Yuji Enatsu
Managing Executive Officer
Responsible for Sales
Head of International Business Department

Toshio Uesaka
Managing Executive Officer
Head of Industrial Tape Division

Mutsumi Fukuda
Executive Officer
Head of Medical Products Division
President of Sekisui Medical Co., Ltd.

Akira Nakasuga
Executive Officer
Responsible for Research & Development

Takeshi Inoue
Executive Officer
Head of New Business Promotion Division

Hajime Kubo
Executive Officer
Head of Administrative Management & Control Department
Head of General Affairs & Human Resources Department

Keita Kato
Executive Officer
Head of Interlayer Film Division

Headquarters

Tetsuji Izu
Senior Managing Executive Officer
CCO [Chief Compliance Officer]
Responsible for Corporate Communication Department
Head of CSR Department

Ken Yoshida
Senior Managing Executive Officer
CTO [Chief Technology Officer]
Responsible for External Relations Department
Head of Total Manufaccturing Innovation Center

Hideo Tagashira
Managing Executive Officer
Responsible for Corporate Finance & Accounting Department, Head of Business Planning Department

Kiyotaka Tsuji
Executive Officer
Head of Legal Department

Satoshi Uenoyama
Executive Officer
Head of R & D Center

RESEARCH & DEVELOPMENT / INTELLECTUAL PROPERTY

The Sekisui Chemical Group is fortifying its earning power and cultivating growth businesses by promoting the innovations achieved in the pursuit of prominence. Improving the value of our R&D and the intellectual property it produces is indispensable to maintaining our prominence and is of paramount importance to our management strategy.

R&D Strategy

The Sekisui Chemical R&D System

The Sekisui Chemical Group maintains four primary R&D centers at the Housing Company, Urban Infrastructure & Environmental Products Company, High Performance Plastics Company, and Corporate headquarters. In addition, Sekisui Medical Co., Ltd., and other key affiliated companies maintain independent R&D divisions and facilities. The Sekisui Chemical Group is engaged in a wide spectrum of R&D from basic research to product development, production engineering and management technologies with the objective of generating groundbreaking products to stimulate potential customer needs. The Company has developed prominent proprietary technologies and introduced numerous leading-edge technologies, a recent example being our innovative sewage pipeline renewal (SPR) method, which are used in a multitude of products that are contributing to society. The Company also actively collaborates with industrial, governmental, and academic entities to conceive and develop advanced technologies.

The five-year management plan launched in fiscal year 2009 delineates three management priorities: 1) accelerating growth in the "Frontier 7", 2) creating next-generation businesses, 3) "Manufacturing development SHINKA." Accelerating growth in the "Frontier 7" will be achieved by continuing to implement strict selection and concentration of the R&D resources of each of the divisional companies to speed up R&D activities and generate new prominent technologies.

Next-generation business creation will leverage our operating infrastructures in emerging markets and chemical development capabilities to generate business opportunities concentrated in the environment & energy field, IT related field, and life science field. The Corporate R&D Center will serve as the Group's R&D nucleus to further strengthen the coordination of activities among the divisional company research facilities, particularly in the environment & energy field and IT field, and harness the Groups full capabilities to create prominent next-generation businesses.

Manufacturing development power will be advanced by continuing to focus on promoting and strengthening product development, which is the fundamental activity of a manufacturer, not just through

Frontier 7 Business—Goal of R&D

Housing Company	Living Environment Business	Automation of inspection system
		Strengthen environment, comfort, and reassurance
		•Innovative Engineering •Energy efficiency Engineering •Short-term Construction Schedule
UIEP Company	Pipeline Renewal Business	Advancement of Methods
	Water Infrastructure Business	High Functionality
	Functional Materials Business	High Functionality
HPP Company	AT Related Business	Aim for Eco-friendly, Safety, and Comfortable Vehicle
	IT Related Business	Shift from FDP Materials to Semiconductor and Energy Related Products
	Medical Related Business	Worldwide Expansion of No.1 Share Products

Goal of Next Generation Business

Building Infrastructure of Emerging Countries	•Highly Industrialized Housing •Water Recycling System •Self-supported Utilities Technology
Frontier Focused Chemicals	•IT Related Business: Semiconductor Packaging and Adhesion Materials •Environment: Key Materials for desalination •Energy: Solar Cell and Secondary Battery Materials
Life Science Related Business	•New Medical Business Development •Biotechnology-based Business —i.e. Drug Discovery Support Business—

Manufacturing Development SHINKA

Creation of Our Own Manufacturing-line

No defect, Highly Automated Line: No defect, Double Productivity

Advanced Ecological Processes: Half Energy Consumption, No Waste

Productive Power SHINKA that exceeds the past level—Renewing

Double Productivity —Ultimate Automation	Ultimate cost reduction by material change	Restructuring of Production System
• From Integrated organization of sales and production to Innovative construction • Ultra-steady production line •Process Innovation	• Expansion of Overseas Procurement of Parts and Materials • Product Design of Ultimate Cost Reduction	• Drastic Rearrangement of Manufacturing Location and Production • Revision of Manpower Allocation

Deepening of Manufacturing Development SHINKA

Promote of Self-sustaining Company

•Expansion and Enhancement of Overseas Subsidiaries •Reduction of External Loss •Safety and Comfortable Workplace our production technology capabilities but also by applying and using the technologies at the production sites. The Manufacturing Development Innovation Center established at the Corporate R&D Center in 2006 is a key element in this initiative and is already producing substantial results.

The new five-year management plan continues to promote activities currently under way and outlines plans to establish a Global Manufacturing Innovation Group and a Purchasing Group at the Manufacturing Development Innovation Center to advance development of our production bases overseas. We are aiming to firmly establish a framework for activities throughout our production network based on respect for the customer (zero quality defects and claims), respect for the employee (zero accidents), and respect for the environment (zero waste, reduction by half of energy consumption, and double productivity).

This organizational approach will provide the platform for the Company to engage its prominent technologies and quality to continue to develop the frontier of "creating housing and social infrastructures" and "chemical solutions" for the betterment of the earth environment and the people of the world.

Company R&D Details and Cost

The Sekisui Chemical Group engages in a wide spectrum of R&D utilizing cutting-edge technology from basic research and applied technology to new business creation and development focused on achieving the individual objectives of each of the Housing, Urban Infrastructure & Environmental Products, and High Performance Plastics division Companies.

In fiscal year 2008, the Group invested ¥25,420 million in R&D. The details and cost of the R&D activities for each division are described below.

1. Housing Company

The Housing Company's mission is to provide environment-friendly housing that can be lived in safely and comfortably for a minimum of 60 years. The Housing Company effects this policy in the new housing construction field by developing new products and fundamental technologies for steel-framed and wooden-framed unit houses, and in the refurbishing field by developing refurbishing technology and products to strengthen existing housing structures.

The Housing Company introduced a number of new, competitive products in fiscal year 2008. In the steel-framed unit housing category, the company introduced a double-layered "bj new" with attic space converted into an extra room, the "Letoit Duet" rental housing complex that blends effortlessly with townscapes, and the "My Earning Home", a dual residential and rental unit designed to meet rebuilding demand in metropolitan areas. "Crescasa", which was launched in October 2007 from the select regions, featuring abundant open space and internal layout flexibility was upgraded interior & exterior designs, and expanded nationwide.

In wood-frame unit housing, the company introduced "new Grand to You WS" featuring greatly enhanced cost performance achieved by limiting units to medium-sized unit plans. At the same time, the Company further increased the interior comfort level of the "Grand to You" series by improving unit air tightness and introducing humidification systems to balance the dry air level in the winter.

In the refurbishing field, the Housing Company expanded its menu of products designed to provide continuing and long-term comfort throughout the homeowner's use of its housing products. New products included a wider selection of "Ecochanté" exterior wall tile designs, heating systems and other commercial equipment, and smaller-scale expansion construction options for the "Two-U Home" series.

The Housing Company utilized ¥4,335 million for R&D expenses in fiscal year 2008.

2. Urban Infrastructure & Environmental Products Company

The Urban Infrastructure & Environmental Products (UIEP) Company develops new piping and housing material products through close collaboration of the UIEP's Kyoto Research & Development Laboratory and each of its business segments. The Kyoto Laboratory and new business project groups also conduct R&D and commercialization viability research for new business creation.

In the water supply systems business in fiscal year 2008, the UIEP Company expanded the applications for its groundbreaking fire-resistant all-resin PVC pipes and joints, which debuted in the previous year, to non-residential structures, such as hotels and hospitals. The company also received approval to develop the pipes and joints for use in cavity wall construction and interconnected with cast iron joints in condominium complex drainage systems. The UIEP Company is vigorously advancing development to realize the full potential of these pioneering pipes and joints.

In the plant materials business, the company introduced PVC and chlorinated polyvinyl chloride (CPVC) Sch 80 pipes and joints meeting the standards of the American Society For Testing and Materials (ASTM) in the United States and PVC as well as HT (CPVC) factory use pipes, which is made of chemical-resistant material, meeting Japanese Industrial Standards (JIS) with the aim of expanding its presence in the pipe materials market for factory production equipment. The company is also expanding its lineup of valves that meet overseas specification standards to further expand its product offerings.

In the housing materials business, the company continued to establish the phenol foam high-performance insulation material "Phenova Board", launched in fiscal year 2007, as a key thermal insulation material for the housing and non-housing construction markets. The company increased the variety of "Phenova Board" products to 20 sizes in fiscal year 2008.

The company also completely revamped its lineup of low expansion and contraction all-resin rain gutters and now offers seven next-generation rain gutters for large non-housing structures.

The UIEP Company utilized ¥5,715 million for R&D expenses in fiscal year 2008.

3. High Performance Plastics Company

The High Performance Plastics (HPP) Company promotes the concerted development of new products, materials and production technologies in the areas of high-performance materials, molding/processing products, and medical-related products through the collaborated activities of its business segments and the HPP Company's Research & Development Institute. The Research & Development Institute primarily concentrates on R&D in new business areas and supported the steadily growing business of two core projects of the New Business Promotion Division in the electronics materials and functional materials fields as part.

The company made significant progress in the development of adhesive sheet for semiconductor chip applications in fiscal year 2008 and released its first semiconductor packaging product, providing a further boost to the steadily expanding sales in the electronic materials segment. Substantial progress was also made in the development of conductive particles and other adhesive materials.

In energy-related materials, which the company views as a future growth field, business is expanding rapidly for photovoltaic sealant film, and the company continues development of new products to meet user needs.

In the automotive materials field, the company applied its unique multilayer extrusion and nano-dispersion technologies to develop and market a wedge-shaped high-performance interlayer film with noise and thermal insulation attributes for transparent head-up display (HUD). Developmental advances were also made in foam molding products, which promise to help automakers reduce vehicle weights.

In medical related operations, the HPP Company expanded its lineup of diagnostic products with the release of three new diagnostic agents for oxidized low-density lipoprotein (LDL), which is considered an important indicator of diabetes. Other new medical products released during the year included a rapid measurement diagnostic agent using immuno-chromatography to detect the B-type natriuretic peptide (BNP), an early indicator of potential heart failure, and a diagnostic drug for UGT1A1 gene polymorphism, associated with side effects from cancer treatments, for use in individualized (tailor-made) treatments.

The HPP Company utilized ¥11,231 million for R&D expenses in fiscal year 2008.

4. Other Businesses

The core R&D facility for the Other Business segment conducts R&D and development for new business directions. The P2 Business Promotion Department is developing product applications utilizing the properties of atmospheric pressure plasma, which is rapidly becoming a standard technology in various manufacturing processes for large flat panel display substrates. The department is also advancing business development for specialized chemical-based surface treatment processes.

The Development Center is focusing on development of unique materials to continue the company's development of cutting-edge IT materials and develop products for environment and energy-related fields, which are expected to continue rapidly expanding. The department currently has several new materials distributed to clients for trial assessment.

Other Businesses utilized ¥4,137 million for R&D expenses in fiscal year 2007.

R&D Human Resource Cultivation and Benefits

The Group presents Great Invention Awards to acknowledge researchers and engineers that have created highly unique and innovative inventions with potential to become profitable technologies and products. The award and the accompanying monetary endowment is one way the Group shows its recognition and appreciation of its talented researchers and engineers. In fiscal year 2008, the invention of an innovative composition and production process for a sealing compound rinse for display devices was found to be worthy of awarding it the level of first class in terms of its findings. The other three inventions were found to be worthy of the level of third class in terms of their contributions. Consequently, the engineer was presented with awards and benefits for the unique inventions.

The Group has also established a Specialist Position system to recognize and reward researchers and engineers with highly specialized skills. The system selects exceptional individuals who have been recognized as possessing highly advanced skills and appoints them to uniquely defined specialist positions. The system promotes ongoing development and aims to cultivate outstanding researchers and engineers recognized both inside and outside the company. As of July 2009, 34 people hold specialist positions.

In fiscal year 2009, the Group introduced the "Monozukuri" Master Position to recognize individuals that exemplify the range of manufacturing skills and technical objectives of the Sekisui Chemical Group. The position is intended to promote the Group tradition of high skill and craftsmanship and provide motivation for each and every technician. Cultivating and encouraging the Group's talented manufacturing technicians by acknowledging their highly refined skills inspires motivation and will further elevate the Group's high level of manufacturing expertise.

Intellectual Property Strategy

Intellectual Property Strategy Objectives and Fundamental Policy

The intellectual property cultivated from our R&D activities is an important management resource that underpins the Group's growth and revenues and contributes to optimizing corporate value. Intellectual property strategy is vital to the group because it maximizes our technological prominence. In the Principles on Intellectual Property formulated in March 2005, the Group clearly stated that the objective of our intellectual property management is to contribute to our growth and to increase our corporate value through encouraging the creation, protection, and utilization of intellectual property, which should be achieved by respecting our own intellectual property and that of others, and by clearly laying out our approach towards intellectual property management. This management mandate is further reinforced by our fundamental policy of ensuring business competitiveness by acquiring highly beneficial patents.

We have implemented a new company-wide Intellectual Property Management Midterm Plan adopted in March 2009. The plan is based on three fundamental guiding principles: 1) acquiring highly beneficial patents as a fundamental source of business competitiveness, 2) limiting costs associated with overseas applications, increasing the number of new patent applications overseas, and developing global intellectual property policies, including for the prevention of technology leakage, covering each country in which we operate, and 3) supporting the creation of next-generation businesses by conducting patent information studies from the initial stages of planning and development. We are actively working to fulfill these objectives in 2009, the first fiscal year of the plan.

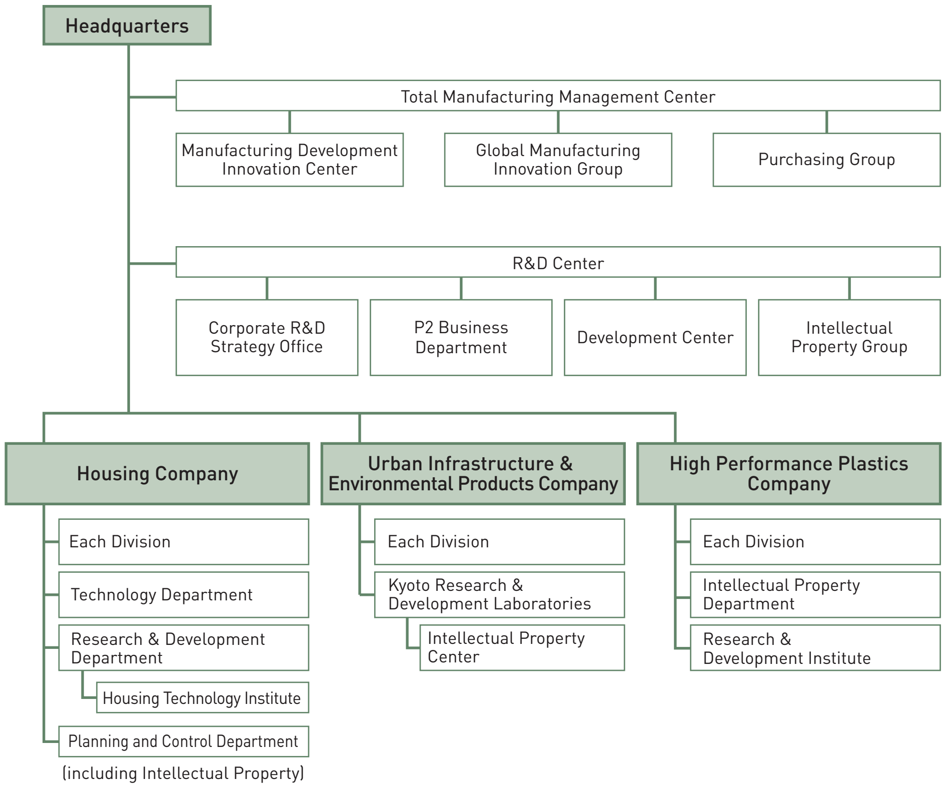
Framework Promoting the Intellectual Property Strategy and Major Activities

The Group advances a uniform intellectual property strategy through intellectual property divisions at the headquarters and each division Company covering all levels of operation from planning of basic strategy to the acquisition, management, and utilization of patents.

Each divisional company's intellectual property and R&D divisions hold periodic Intellectual Property Strategy Review Committee meetings to review the orientation of its individual intellectual property strategies. In addition, the Intellectual Property Group at the headquarters supports each divisional company from the perspective of the company-wide business strategy to optimize the intellectual property portfolio.

The Group also proactively cooperates and seeks the advice of patent agents, lawyers and other external experts regarding the acquisition, management, and utilization of intellectual property to ensure each step is conducted in an appropriate manner. The Group is actively working with specialists in both Japan and overseas with the aim of further expanding our global business.

R&D and Intellectual Property Management System



MAJOR CONSOLIDATED SUBSIDIARIES AND AFFILIATES (As of March 31, 2009)

CONSOLIDATED SUBSIDIARIES

		Capital	Ratio of Voting Rights	Activities
Housing				
Hokkaido Sekisui Heim Co., Ltd.	Japan	JPY200 million	100.0%	Construction of unit housing and real estate sales
Sekisui Heim Tohoku Co., Ltd.	Japan	JPY300 million	100.0%	Construction of unit housing and real estate sales
Sekisui Heim Shinetsu Co., Ltd.	Japan	JPY300 million	100.0%	Construction of unit housing and real estate sales
Gunma Sekisui Heim Co., Ltd.	Japan	JPY200 million	100.0%	Unit housing contract, remodeling and expansion construction, and real estate sales and brokerage
Tokyo Sekisui Heim Co., Ltd.	Japan	JPY400 million	100.0%	Construction of unit housing and real estate sales
Sekisui Heim Chubu Co., Ltd.	Japan	JPY300 million	100.0%	Construction of unit housing and real estate sales
Sekisui Heim Kinki Co., Ltd.	Japan	JPY400 million	100.0%	Construction of unit housing and real estate sales
Sekisui Heim Chushikoku Co., Ltd.	Japan	JPY300 million	100.0%	Construction of unit housing and real estate sales
Sekisui Heim Kyushu Co., Ltd.	Japan	JPY300 million	100.0%	Construction of unit housing and real estate sales
Hokkaido Sekisui Fami S Co., Ltd.	Japan	JPY20 million	100.0%	Expansion and refurbishment of unit housing
Sekisui Fami S Tohoku Co., Ltd.	Japan	JPY100 million	100.0%	Expansion and refurbishment of unit housing
Sekisui Fami S Shinetsu Co., Ltd.	Japan	JPY20 million	100.0%	Expansion and refurbishment of unit housing
Tokyo Sekisui Fami S Co., Ltd.	Japan	JPY50 million	100.0%	Expansion and refurbishment of unit housing
Sekisui Fami S Chubu Co., Ltd.	Japan	JPY50 million	100.0%	Expansion and refurbishment of unit housing
Sekisui Fami S Kinki Co., Ltd.	Japan	JPY50 million	100.0%	Expansion and refurbishment of unit housing
Sekisui Fami S Chushikoku Co., Ltd.	Japan	JPY50 million	100.0%	Expansion and refurbishment of unit housing
Sekisui Fami S Kyushu Co., Ltd.	Japan	JPY50 million	100.0%	Expansion and refurbishment of unit housing
Sekisui Interior Co., Ltd.	Japan	JPY50 million	100.0%	Sale of interior design plans
Sekisui Exterior Co., Ltd.	Japan	JPY50 million	100.0%	Construction of building exteriors
Tohoku Sekisui Heim Real Estate Co., Ltd.	Japan	JPY10 million	100.0%	Real estate brokerage and apartment leasing & management
Sekisui Heim Real Estate Co., Ltd.	Japan	JPY200 million	100.0%	Real estate brokerage and apartment leasing & management
Nagoya Sekisui Heim Real Estate Co., Ltd.	Japan	JPY20 million	100.0%	Real estate brokerage and apartment leasing & management

CONSOLIDATED SUBSIDIARIES

		Capital	Ratio of Voting Rights	Activities
Osaka Sekisui Heim Real Estate Co., Ltd.	Japan	JPY100 million	100.0%	Real estate brokerage and apartment leasing & management
Chushikoku Sekisui Heim Real Estate Co., Ltd.	Japan	JPY10 million	100.0%	Real estate brokerage and apartment leasing & management
Kyushu Sekisui Heim Real Estate Co., Ltd.	Japan	JPY10 million	100.0%	Real estate brokerage and apartment leasing & management
Sekisui Unidea Co., Ltd.	Japan	JPY50 million	100.0%	Rental tenant guarantor and trustee services
Kitanihon Sekisui Industry Co., Ltd.	Japan	JPY100 million	100.0%	Production and sale of materials for unit housing
Higashinihon Sekisui Industry Co., Ltd.	Japan	JPY100 million	100.0%	Production and sale of materials for unit housing
Kanto Sekisui Industry Co., Ltd.	Japan	JPY100 million	100.0%	Production and sale of materials for unit housing
Tokyo Sekisui Industry Co., Ltd.	Japan	JPY300 million	100.0%	Production and sale of materials for unit housing
Chubu Sekisui Industry Co., Ltd.	Japan	JPY100 million	100.0%	Production and sale of materials for unit housing
Kansai Sekisui Industry Co., Ltd.	Japan	JPY300 million	100.0%	Production and sale of materials for unit housing
Chugoku Sekisui Industry Co., Ltd.	Japan	JPY100 million	100.0%	Production and sale of materials for unit housing
Nishinihon Sekisui Industry Co., Ltd.	Japan	JPY100 million	100.0%	Production and sale of materials for unit housing
Sekisui Board Co., Ltd.	Japan	JPY100 million	100.0%	Production and sale of materials for unit housing
Sekisui Global Trading Co., Ltd.	Japan	JPY100 million	100.0%	Import of lumber for housing
Sekisui Heim Supply Co., Ltd.	Japan	JPY50 million	100.0%	Trading of construction materials and equipment & devices for housing

Urban Infrastructure & Environmental Products

Sekisui Aqua Systems Co., Ltd.	Japan	JPY200 million	79.9%	Production, processing and sale of water supply and drainage systems for industrial plant construction and water tanks
Sekisui Aqua Tec Co., Ltd.	Japan	JPY50 million	79.9%	Assembly and sale of panel-tanks and water tank maintenance
Vantec Co., Ltd.	Japan	JPY600 million	100.0%	Production and sale of piping and injection molded products
Teibutsu Co., Ltd.	Japan	JPY20 million	100.0%	Sale of molded resin products
Sekisui Home Techno Co., Ltd.	Japan	JPY360 million	100.0%	Sale and installation of equipment and devices for housing
Sekisui Chemical Hokkaido Co., Ltd.	Japan	JPY200 million	100.0%	Production, processing and sale of molded resin products and construction materials
Toto Sekisui Co., Ltd.	Japan	JPY50 million	100.0%	Production, processing and sale of molded resin products

CONSOLIDATED SUBSIDIARIES

		Capital	Ratio of Voting Rights	Activities
Hokkaido Sekisui Shoji Co., Ltd.	Japan	JPY32.5 million	100.0%	Sale of molded resin products
Tohoku Sekisui Shoji Co., Ltd.	Japan	JPY30 million	100.0%	Sale of molded resin products
Tokyo Sekisui Shoji Co., Ltd.	Japan	JPY150 million	100.0%	Sale of molded resin products
Chubu Sekisui Shoji Co., Ltd.	Japan	JPY30 million	100.0%	Sale of molded resin products
Kinki Sekisui Shoji Co., Ltd.	Japan	JPY70 million	100.0%	Sale of molded resin products
Chu-Shikoku Sekisui Shoji Co., Ltd.	Japan	JPY30 million	100.0%	Sale of molded resin products
Sanin Sekisui Shoji Co., Ltd.	Japan	JPY30 million	100.0%	Sale of molded resin products
Watanabe Sansho Co., Ltd.	Japan	JPY45.1 million	83.7%	Sale and processing of molded resin tubes, corrosion-resistant devices and plant materials
M&S Pipe Systems Co., Ltd.	Japan	JPY20 million	51.0%	Consulting on production and distribution of pipes and joints
Kyushu Sekisui Kenzai Co., Ltd.	Japan	JPY40 million	100.0%	Sale of rain gutters
Okayama Sekisui Industry Co., Ltd.	Japan	JPY100 million	100.0%	Production, processing and sales of fireproof construction materials and equipment & devices for housing
Shikoku Sekisui Industry Co., Ltd.	Japan	JPY100 million	100.0%	Production, processing and sale of molded resin products
Kyushu Sekisui Industry Co., Ltd.	Japan	JPY130 million	100.0%	Production, processing and sale of molded resin products and construction materials
Sekisui Roof System Co., Ltd.	Japan	JPY100 million	100.0%	Development, production and sale of roofing materials
Sekisui Roof Tech Co., Ltd.	Japan	JPY10 million	100.0%	After-sale maintenance of roofing materials
Nippon No-Dig Technology Co., Ltd.	Japan	JPY60 million	100.0%	Construction and equipment rental for civil engineering projects
Ritto Sekisui Industry Co., Ltd.	Japan	JPY10 million	100.0%	Production and sale of molded resin pipes and joints
Ryuseki Jubi Co., Ltd.	Japan	JPY40 million	100.0%	Production and processing of molded resin products
KYDEX, LLC.	U.S.	USD54.9 thousand	100.0%	Production and sale of PVC sheet for thermoforming
Allen Extruders, LLC.	U.S.	USD27,000 thousand	100.0%	Production and sale of ABS sheet for thermoforming
Sekisui SPR Americas, LLC.	U.S.	USD1,000 thousand	100.0%	Production, sale and installation of materials for pipeline renewal (SPR method) /Pipeline survey & diagnosis
Heitkamp, Inc.	U.S.	USD10 thousand	100.0%	Production of water supply and sewerage facilities/Pipeline renewal business

CONSOLIDATED SUBSIDIARIES

		Capital	Ratio of Voting Rights	Activities
Eslon B.V.	Netherlands	EUR1,000.3 thousand	100.0%	Production and sale of PVC rain gutters and other building materials
Sekisui CPT G.m.b.H.	Germany	EUR11,500 thousand	75.0%	Pipeline renewal business (Pipeline renewal process development, production, distribution of piping materials, renewal construction)
Sekisui Refresh Co., Ltd.	Korea	KRW3,000 million	51.0%	Production and sale of lining profiles for pipeline renewal
Sekisui Nuvotec Co., Ltd.	Korea	KRW3,600 million	67.0%	Produciton and sale of Eslon NV pipe and fittings for water supply /Import and sale of Sekisui products
Yongchang Sekisui Composites Co., Ltd.	China	RMB150,000 thousand	62.4%	Produciton and sale of reinforced plastic pipe (FRPM pipe) and synthetic wood (FFU)
Sekisui (Qingdao) Plastic Co., Ltd.	China	RMB70,904.2 thousand	100.0%	Production and sale of high-performance plastic pipe for water supply
Wuxi SSS-Diamond Plastics Co., Ltd.	China	RMB33,106.8 thousand	51.0%	Production of polyethylene electrofusion fittings (EF fittings)
Sekisui Industrial Piping Co., Ltd.	Taiwan	TWD456,000 thousand	100.0%	Production and sale of plastic valves, and pipe and fittings for industrial use

High Performance Plastics

Sekisui Techno Molding Co., Ltd.	Japan	JPY200 million	100.0%	Production, processing and sale of compound resin molded products
Sekisui Film Co., Ltd.	Japan	JPY350 million	100.0%	Production, processing and sale of polyethylene tubes and films
Senseki Kako Co., Ltd.	Japan	JPY20 million	100.0%	Production and processing of polyethylene films
Hiroseki Kako Co., Ltd.	Japan	JPY30 million	100.0%	Production and processing of polyethylene films
Sekisui Film Kyushu Co., Ltd.	Japan	JPY50 million	100.0%	Production, processing and sale of polyethylene tubes and films
Kaseki Kako Co., Ltd.	Japan	JPY10 million	100.0%	Production and processing of polyethylene films
Sekisui Fuller Co., Ltd.	Japan	JPY400 million	50.0%	Production and sale of adhesive materials
Sekisui Medical Co., Ltd.	Japan	JPY1,275.2 million	100.0%	Production and sale of diagnostics and research use testing drugs
Sekisui Polymatech Co., Ltd.	Japan	JPY50 million	100.0%	Processing and sale of plastic films and foam plastic products
Sekisui Techno Shoji Higashi Nihon Co., Ltd.	Japan	JPY50 million	100.0%	Sale of compound resin products
Sekisui Techno Shoji Nishi Nihon Co., Ltd.	Japan	JPY50 million	100.0%	Sale of compound resin products
Naseki Seimitsukako Co., Ltd.	Japan	JPY10 million	100.0%	Production and processing of compound resin molded products
Sekisui Amagasaki Kako Co., Ltd.	Japan	JPY20 million	100.0%	Production and processing of compound resin products

CONSOLIDATED SUBSIDIARIES

		Capital	Ratio of Voting Rights	Activities
Sekisui Musashi Kako Co., Ltd.	Japan	JPY25 million	100.0%	Production and processing of polyolefin film products and adhesive tapes
Sekisui Minakuchi Kako Co., Ltd.	Japan	JPY10 million	100.0%	Production and processing of interlayer films and resins
Sekisui Voltek, LLC.	U.S.	USD41,788.4 thousand	100.0%	Production and sale of polyolefin foam products
Sekisui Voltek California Inc.	U.S.	USD600 thousand	100.0%	Sale of polyolefin foam products
Sekisui TA Industries, LLC.	U.S.	USD7,000 thousand	100.0%	Production and sale of adhesive tapes
Sekisui S-Lec America, LLC.	U.S.	USD1,765.4 thousand	100.0%	Production and sale of polyvinyl butyral interlayer films
XenoTech, LLC.	U.S.	USD5,442.1 thousand	100.0%	In vitro reagent business
Sekisui Products, LLC.	U.S.	USD2,036.9 thousand	100.0%	Import and export of plastic products
Sekisui S-Lec Mexico S.A. de C.V.	Mexico	MXN32,836.1 thousand	70.9%	Production and sale of polyvinyl butyral interlayer films
Sekisui S-Lec B.V.	Netherlands	EUR11,344.5 thousand	100.0%	Production and sale of resin for, and products of, polyvinyl butyral interlayer films
Sekisui-Alveo B.V.	Netherlands	EUR1,361 thousand	100.0%	Production of polyolefin foam products
Sekisui Alveo Ltd.	U.K.	GBP7,100 thousand	100.0%	Production of polyolefin foam products
Sekisui Alveo AG	Switzerland	CHF21,000 thousand	100.0%	Sale of polyolefin foam products
Sekisui Alveo S.p.A.	Italy	EUR103 thousand	100.0%	Sale of polyolefin foam products
Sekisui Alveo S.a.r.L.	France	EUR8 thousand	100.0%	Sale of polyolefin foam products
Sekisui-Alveo S.A.	Spain	EUR60 thousand	100.0%	Sale of polyolefin foam products
Sekisui Alveo (Benelux) B.V.	Netherlands	EUR18 thousand	100.0%	Sale of polyolefin foam products
Sekisui Alveo G.m.b.H.	Germany	EUR26 thousand	100.0%	Sale of polyolefin foam products
Sekisui Chemical G.m.b.H.	Germany	EUR664.6 thousand	100.0%	Import and export of plastic products
Sekisui S-Lec (Thailand) Co., Ltd.	Thailand	THB430,000 thousand	100.0%	Production and sale of polyvinyl butyral interlayer films
Thai Sekisui Foam Co., Ltd.	Thailand	THB450,000 thousand	91.1%	Production and sale of polyolefin foam products
Sekisui Pilon Pty. Ltd.	Australia	AUD1,257.2 thousand	100.0%	Production and sale of polyolefin foam products
Sekisui Korea Co., Ltd.	Korea	KRW250 million	100.0%	Sale of plastic products; technology services
YoungBo Chemical Co., Ltd.	Korea	KRW10,000 million	52.3%	Production and sale of polyolefin foam products

CONSOLIDATED SUBSIDIARIES

		Capital	Ratio of Voting Rights	Activities
Muhan Co., Ltd.	Korea	KRW 300million	33.9%	Processing and sale of polyolefin foam products
YoungBo HPP (Langfang) Co., Ltd.	China	KRW51,857 thousand	52.3%	Production and sale of polyolefin foam products
Shanghai Sekisui-Holy Plastics Co., Ltd.	China	RMB41,397.9 thousand	51.0%	Production and sale of polyolefin foam
Sekisui S-Lec (Suzhou) Co., Ltd.	China	RMB195,979.3 thousand	100.0%	Production and sale of polyvinyl butyral interlayer films
Beijing Sekisui Trank Medical Technology Co., Ltd.	China	RMB96,671 thousand	85.0%	Production and sale of medical equipment
Sekisui High Performance Packaging (Langfang) Co., Ltd.	China	RMB15,726.4 thousand	100.0%	Production of adhesive tapes
Sekisui (Shanghai) International Trading Co., Ltd.	China	RMB1,655.4 thousand	100.0%	Import and export of plastic products
Sekisui (Hong Kong) Ltd.	Hong Kong	HKD300 thousand	100.0%	Import and export of plastic products
Sekisui Chemical (Taiwan) Co., Ltd.	Taiwan	TWD5,000 thousand	100.0%	Import and export of plastic products
Sekisui Chemical Singapore (Pte.) Ltd.	Singapore	SGD800 thousand	100.0%	Import and export of plastic products

Others

Sekisui Seikei Industry Co., Ltd.	Japan	JPY450 million	100.0%	Production, processing and sale of molded resin products
Sekisui Engineering Co., Ltd.	Japan	JPY80 million	100.0%	Factory automation system construction
Hinomaru Co., Ltd.	Japan	JPY672.5 million	88.7%	Sales of fertilizers, agricultural materials and molded resin products
Tokuyama Sekisui Industry Co., Ltd.	Japan	JPY1,000 million	70.0%	Production and sale of pvc resins and medical equipment
Sekisui Kosan Co., Ltd.	Japan	JPY50 million	100.0%	Management of company housing
Sekisui Accounting Center Co., Ltd.	Japan	JPY20 million	100.0%	Accounting and finance services; financing services for affiliated companies
Sekisui Insurance Service Co., Ltd.	Japan	JPY30 million	100.0%	Agent for life and non-life insurance
Sekisui America Corporation	U.S.	USD8,421.1 thousand	100.0%	Holding company
Sekisui Europe B.V.	Netherlands	EUR1,000.3 thousand	100.0%	Capital raising; holding company

AFFILIATES

		Capital	Ratio of Voting Rights	Activities
Sekisui Plastics Co., Ltd.	Japan	JPY16,533 million	24.9%	
Sekisui Jushi Corp.	Japan	JPY12,334 million	24.9%	
Ibaraki Sekisui Heim Co., Ltd.	Japan	JPY105 million	40.0%	
Tochigi Sekisui Heim Co., Ltd.	Japan	JPY80 million	40.0%	
Sekisui Heim Tokai Co., Ltd.	Japan	JPY198 million	36.3%	
Sekisui Heim Sanyo Co., Ltd.	Japan	JPY100 million	43.3%	
Sekisui Heim Higashishikoku Co., Ltd.	Japan	JPY100 million	25.0%	
Kagawa Sekisui Heim Co., Ltd.	Japan	JPY100 million	37.5%	

STOCK INFORMATION

Sekisui Chemical Co., Ltd.

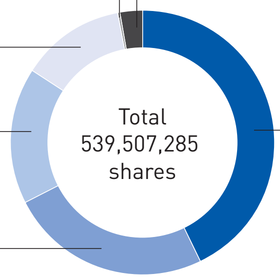
Head Office:	4-4, Nishitenma 2-chome, Kita-ku, Osaka
Tokyo Head Office:	3-17, Toranomon 2-chome, Minato-ku, Tokyo
Founded:	March 3, 1947
Paid-in Capital:	¥100,002,375,657
Authorized:	1,187,540,000 shares
Issued:	539,507,285 shares
Listings:	Common stock listed on the Tokyo Stock Exchange and the Osaka Securities Exchange
Number of Shareholders:	25,941
Manager of the Register of shareholders:	Mitsubishi UFJ Trust and Banking Corporation
Transfer Agency:	Mitsubishi UFJ Trust and Banking Corporation Osaka Corporate Agency Division 1-5, Doujimahama 1-Chome, Kita-ku, Osaka 530-0004

Major Shareholders:

Name of shareholder	State of investments		The Company's investments in these companies	
	Number of Shares Held (Thousands)	Percentage of Ownership (%)	Number of Shares Held (Thousands)	Percentage of Ownership (%)
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	34,547	6.40	—	—
Asahi Kasei Corporation	31,039	5.75	1,716	0.12
The Master Trust Bank of Japan, Ltd. (Trust Account)	30,394	5.63	—	—
Japan Trustee Services Bank, Ltd. (Trust Account)	28,672	5.31	—	—
The Dai-ichi Mutual Life Insurance Company	26,181	4.85		
Sekisui House, Ltd.	25,592	4.74	72,168	10.66
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	16,581	3.07	—	—
Tokio Marine & Nichido Fire Insurance Co., Ltd.	15,927	2.95	—	—
The Chase Manhattan Bank, NA London (SL omnibus account)	9,008	1.66	—	—
Employees Stock Ownership Plan	8,600	1.59	—	—

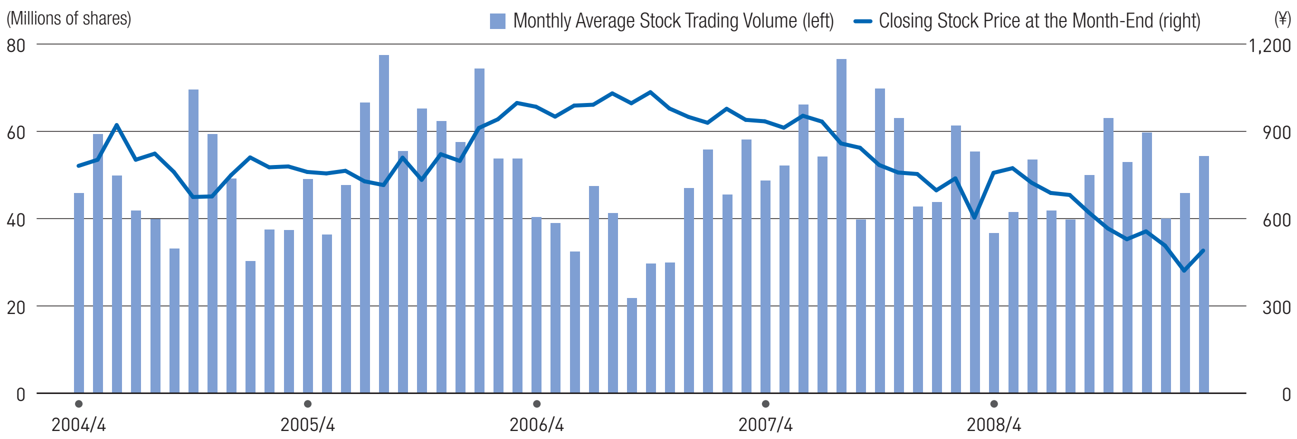
Note: Sekisui Chemical Co., Ltd. Holds 13,786thousand shares of treasury stock.

Breakdown of Shareholders:



(As of March 31, 2009)

SEKISUI CHEMICAL STOCK PRICE AND TRADING VOLUME



	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	**FY2008**
Additional information							
(Sekisui Chemical Co., Ltd.):							
Price range of common stock (yen)							
High	¥ 444	¥ 724	¥ 930	¥1,017	¥1,094	¥1,006	**¥ 821**
Low	268	268	621	653	855	570	**372**
Market value (billions of yen)	151.1	383.6	420.3	537.9	506.6	325.3	**264.4**

FINANCIAL REPORTS

SIX-YEAR SUMMARY

Sekisui Chemical Co., Ltd. and its Subsidiaries

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

Notes: *1. Free cash flow = CF operating activities + CF investing activities - Dividend paid
*2. In response to changes made in accounting standards, the accounting term "net assets" will be adopted for fiscal years starting from or after 2006, and "shareholders' equity" will be used for fiscal years during or prior to 2005.
*3. Due to a change in accounting standard, from FY2006 shareholder's equity per share is being presented as net assets per share. Figures prior to FY 2006 have not been restated to reflect this change.

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

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

REVIEW AND ANALYSIS OF CONSOLIDATED RESULTS FOR FISCAL YEAR 2008

Year Ended March 31, 2008

Business Environment

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

The economic recession strongly affected the business environment for the Sekisui Chemical Group companies. Demand was down sharply for the year, particularly in the automotive and IT fields. In automotive-related fields, the slowing markets, notably in the United States, forced automakers to take drastic countermeasures that inevitably included steep cuts in production output. Despite the adverse business conditions, automakers continued seeking solutions to lighten vehicle weights and lower thermal loads, and demand remained strong for the Company’s high-performance interlayer films for laminated glass and other products that contribute to reducing the environmental burden of automobiles. The market for electronic components also deteriorated during the year. The slowing LCD panel market led to declining sales of optical films, LCD chemicals, including liquid crystal spacers and conductive fine particles, and other core Company products. The overall economic conditions also impacted the social infrastructure field, but demand remained relatively strong and continued steadily growing for new infrastructure in developing nations and rehabilitation of existing infrastructure in developed nations. In Japan, the worsening business conditions caused construction demand to fall and increasing new construction postponements and cancellations. Worsening employment conditions and other factors discouraged potential housing purchasers. Fiscal year 2008 housing construction starts were ultimately limited to 1.04 million units, which was flat with the previous year when housing starts plummeted when building construction certification regulations were tightened after the discovery of falsified earthquake-proof data. The deteriorated conditions in the construction industry affected not just the housing construction segment but related segment as well, including housing equipment and construction materials. The number of public works projects during the year remained in a long-term downtrend. However, need for rainwater and earthquake-proof upgrades and other renovation continued growing, and spending on public works remained a key economic stimulus measure. As awareness of global warming increases, the Company’s housing products are attracting increasing attention for their high level of environmental friendliness and as national and local governments consider offering subsidies to help proliferate the use of solar power generation systems.

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

Analysis of Financial Position and Business Results

I. Analysis of Consolidated Business Results for Fiscal Year 2008

1) Net sales

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

Urban Infrastructure & Environmental Products Company net sales declined ¥8,537 million, or 3.7%, to ¥225,219 million for the year. Sales volumes of its PVC pipes, construction materials, and other core produces were down substantially owing a high number of project postponements and cancellations accompanying the slow recovery in housing starts and global economic recession. The company’s continued to set in place infrastructure for the pipeline renewal business with the acquisition of the European sewage pipe renewal company Chevalier Pipe Technologies G.m.b.H. Pipeline renewal is one of the UIEP Company's growth fields, and the company is positioning itself to capture top share of the global market.

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

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

2) Operating Income

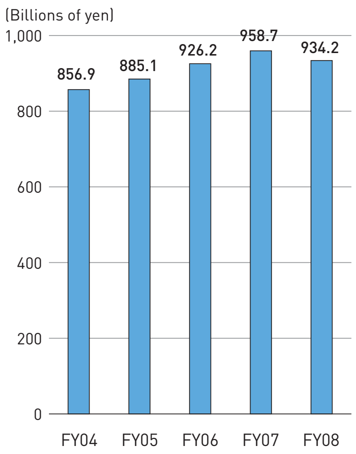
Operating income in fiscal year 2008 declined ¥9,416 million, or 21.9%, year on year to ¥33,589 million.

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

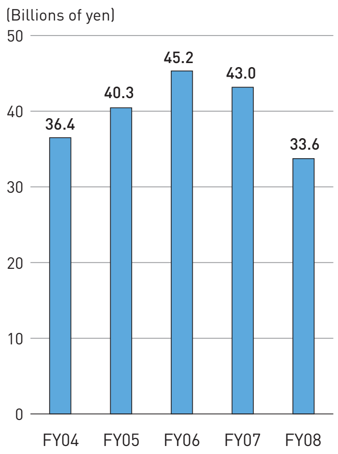
3) Non-operating income and expenses

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

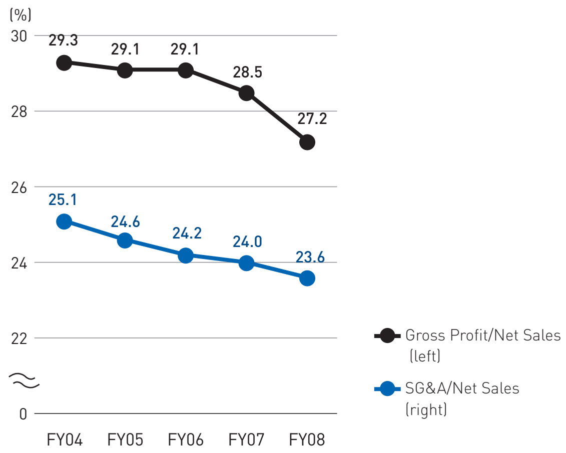
Net Sales



Operating Income



Gross Profit/Net Sales, SG&A/Net Sales



4) Extraordinary Profit and Loss

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

5) Net Income

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

II. Financial Position

1) Assets, liabilities, and net assets

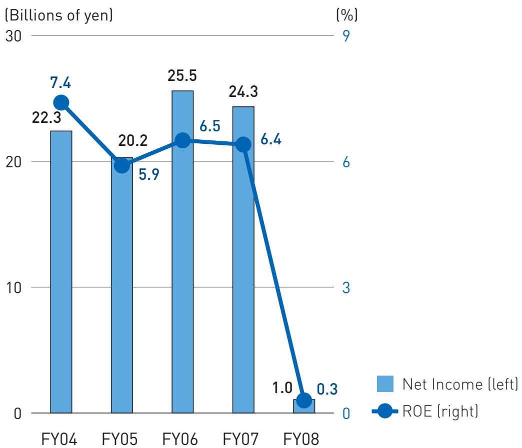
Total assets at the end of fiscal year 2008 totaled ¥756,450 million, a decrease of ¥26,409 million from the previous fiscal year-end.

(Assets)

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

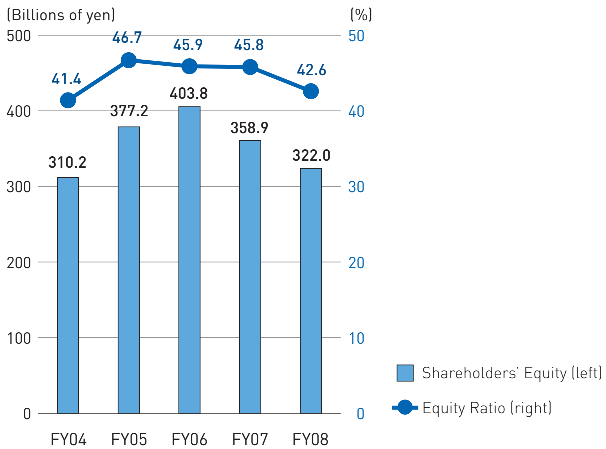
Fixed assets decreased ¥14,480 million from the previous year to ¥425,929 million at the end of fiscal year 2008. The main factor was a decline of ¥23,248 million in investments in securities caused by a drop in market value of listed shares, etc.

Net Income, ROE

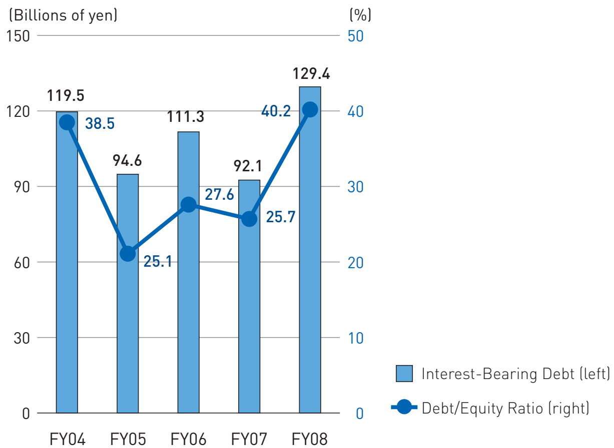


ROE is calculated using the simple average of the beginning and end of term balance sheet figures.
ROE=Net income/Shareholders' equity

Shareholders' Equity, Equity Ratio



Interest-Bearing Debt, Debt/Equity Ratio



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

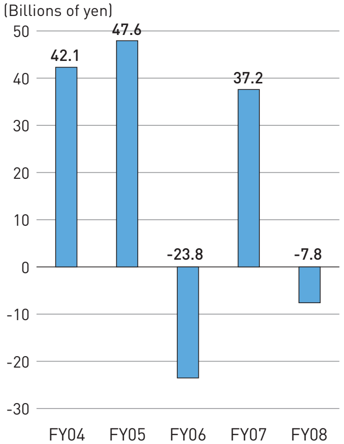
(Liabilities)

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

(Net assets)

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

Free Cash Flows



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

2) Cash flows

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

(Cash flow from operating activities)

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

(Cash flow from investing activities)

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

(Cash flow from financing activities)

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

Business Risks

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

I. Foreign currency fluctuations

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

II. Raw material price volatility

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

III. Overseas business activities

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

IV. Housing related taxes and interest rate trends

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

V. IT market trends

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

VI. Trends in public works

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

VII. Industrial accidents and disasters

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

VIII. Intellectual property and product liability

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

CONSOLIDATED BALANCE SHEETS

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

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

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

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

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

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

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

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

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

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (CONTINUED)

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

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

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

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

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

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. Basis of Preparation of Consolidated Financial Statements

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

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

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

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

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

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

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

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

The overseas consolidated subsidiaries have a December 31 year end which differs from that of the Company. As a result, adjustments have been made for any significant intercompany transactions which took place during the period between the year ends of these overseas subsidiaries and the year end of the Company.

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

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

(2) Foreign Currency Transactions

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

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

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

(3) Cash and Cash Equivalents

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

(4) Inventories

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

(5) Securities

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

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

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

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

(Supplementary information)

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

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

(7) Leased assets

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

(8) Goodwill and negative goodwill

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

(9) Allowance for Employees' Bonuses

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

(10) Accrued Retirement Benefits

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

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

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

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

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

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

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

(12) Income Taxes

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

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

(13) Derivatives and Hedging Activities

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

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

3. Changes in Method of Accounting

(1) Accounting Policies Applied to Foreign Subsidiaries

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

(2) Lease Transactions

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

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

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

(3) Measurement of Inventories

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

(4) Depreciation of Property, Plant and Equipment

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

4. Inventories

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

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

5. Investments in Securities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6. Loss on Impairment of Fixed Assets

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

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

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

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

(1) Short-term debt

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

(2) Commercial Paper

The average interest rate of commercial paper outstanding at March 31, 2009 was 0.37%.

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

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

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

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

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

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

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

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

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

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

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

8. Lease Obligations

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

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

9. Accrued Retirement Benefits

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

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

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

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

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

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

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

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

10. Income Taxes

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

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

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

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

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

11. Shareholders' Equity

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

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

Stock-based compensation plan

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

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

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

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

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

The stock option plans outlined above are summarized as follows:

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

Common stock and treasury stock

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

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

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

12. Land Revaluation

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

13. Contingent Liabilities

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

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

14. Research and Development Costs

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

15. Related Party Transactions

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

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

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

[Transactions with a director of the Company]

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

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

16. Leases

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

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

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

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

17. Derivatives

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

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

(1) Currency-related transactions

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

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

(2) Interest-related transactions

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

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

18. Amounts Per Share

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

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

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

19. Segment Information

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

Business Segments

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

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

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

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

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

As described in Note 3(4), the Company and its domestic consolidated subsidiaries changed their method of accounting for depreciation of property, plant and equipment acquired on or after April 1, 2007. Furthermore, as described in Note 2(6), the Company and its domestic consolidated subsidiaries have changed their method of accounting for depreciation of property, plant, and equipment acquired before April 1, 2007. As a result, operating expenses in the housing business segment increased by ¥387 million ($3,945 thousand), the urban infrastructure and environmental products business segment increased by ¥978 million ($9,958 thousand), the high performance plastics business segment increased by ¥1,083 million ($11,032 thousand), the other business segment increased by ¥282 million ($2,868 thousand), and eliminations or unallocable accounts increased by ¥16 million ($160 thousand), and operating income (loss) decreased (increased) by the same amounts for the year ended March 31, 2008 from the corresponding amounts which would have been recorded under the method applied in the previous year.

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

Geographical Segments

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

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

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

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

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

As described in Note 3(4), the Company and its domestic consolidated subsidiaries changed their method of accounting for depreciation of property, plant and equipment acquired on or after April 1, 2007. Furthermore, as described in Note 2(6), the Company and its domestic consolidated subsidiaries have changed their method of accounting for depreciation of property, plant, and equipment acquired before April 1, 2007. As a result, operating expenses in the Japan segment increased by ¥2,746 million ($27,963 thousand) and operating income decreased by the same amount for the year ended March 31, 2008 from the corresponding amounts which would have been recorded under the method applied in the previous year.

Overseas Sales

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

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

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

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

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

20. Supplemental Information on Statements of Cash Flows

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

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

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

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

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

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

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

21. Subsequent Event

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

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

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

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

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

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

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Sekisui Chemical Co., Ltd.

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

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

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

Supplemental Information

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

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

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

Ernst & Young ShinNihon LLC

Osaka, Japan
June 19, 2009