SEKISUI

BUILDING MOMENTUM FOR GROWTH

ANNUAL REPORT 2010

Year Ended March 31, 2010

SEKISUI CHEMICAL CO., LTD.

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The figures appearing on page 3-26 are rounded off to the nearest hundred million yen, as in our results briefing presentation materials and other IR materials.

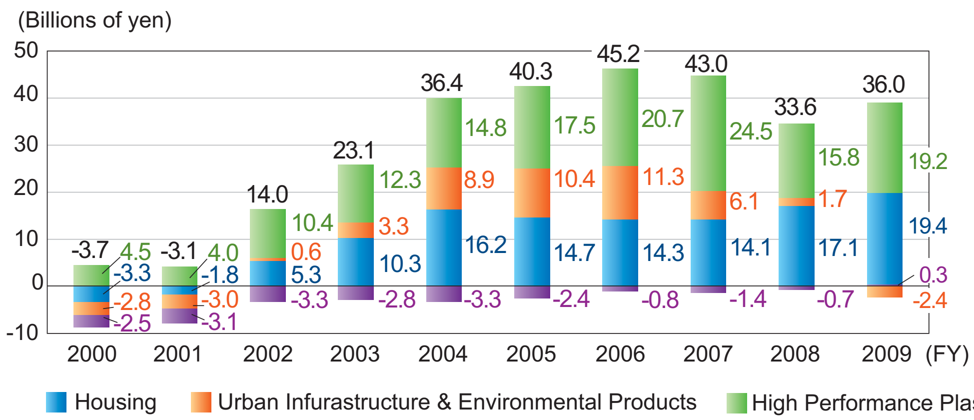
PERFORMANCE HIGHLIGHTS

Sekisui Chemical Co., Ltd. and its Subsidiaries
Years ended March 31

	Billions of yen			Millions of U.S. dollars*1
	FY2007	FY2008	**FY2009**	**FY2009**
OPERATING RESULTS:				
Net sales	¥ 958.7	¥ 934.2	**¥ 858.5**	**$ 9,227**
Operating income	43.0	33.6	**36.0**	**386**
Ordinary income	38.5	29.4	**31.1**	**334**
Income before income taxes and minority interests	45.0	12.8	**23.3**	**251**
Net income	24.3	1.0	**11.6**	**125**
FINANCIAL POSITION:				
Total assets	¥ 782.9	¥ 756.5	**¥ 787.3**	**$ 8,462**
Shareholders' equity	358.9	322.0	**342.0**	**3,676**
Interest-bearing debt	92.1	129.4	**133.1**	**1,430**
CASH FLOWS:				
Free cash flow	¥ 37.2	¥ (7.8)	**¥ 15.1**	**$ 163**
	Yen			U.S. dollars*1
PER SHARE AMOUNTS				
Net income, non-diluted (EPS)	¥ 46.16	¥ 1.93	**¥ 22.13**	**$ 0.24**
Cash dividends	15.00	10.00	**10.00**	**0.11**
Net assets	683.11	612.93	**651.08**	**7.00**
RATIOS				
Operating income ratio*2 (%)	4.5	3.6	**4.2**	
Return on equity (ROE)*3,4 (%)	6.4	0.3	**3.5**	
Return on total assets (ROA)*3,5 (%)	4.6	3.8	**4.0**	
Equity ratio (%)	45.8	42.6	**43.4**	
Debt/Equity ratio*6 (%)	25.7	40.2	**38.9**	
Other Data:				
Total number of employees	18,907	19,742	**19,761**	

*1: U.S. dollar amounts represent translations of Japanese yen, for the readers' convenience only, at the rate of ¥93.04 = U.S.$1, the prevailing exchange rate on March 31, 2010.
*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

Operating Income by Business Segment



TO OUR SHAREHOLDERS AND INVESTORS

In fiscal year 2009, we launched our five-year medium-term management plan “GS21-SHINKA!” (fiscal years 2009 to 2013), designed to fulfill our Group vision of establishing the Sekisui Chemical as a “Prominent & Profitable Premium Company.”

This plan aims to increase the Company’s operating income to ¥80.0 billion in fiscal year 2013. The first phase of the plan (fiscal years 2009 and 2010) sets an agenda for advancing specific measures centered on reinforcing our earnings power under the themes of “overcoming the recession and preparing for future growth.”

The earnings goal for this first phase is to regain the ¥40 billion operating income level the Company had attained in fiscal year 2007, prior to the Lehman shock, which took place in November 2008. In the second phase, we will work to double that earnings level to ¥80 billion by fiscal year 2013, the plan’s final year.

Review of Fiscal Year 2009 (April 1, 2009, to March 31, 2010)

The Group struggled to produce results in the first half of fiscal year 2009 as the stagnant economic conditions and accompanying low level of demand that took hold in fiscal year 2008 persisted. Demand recovered in the second half, but the improving earnings trend was unable to make up for the impact from the first half, and full-year net sales ended at ¥858.5 billion, down ¥75.7 billion from the previous fiscal year.

Sales and Operating Income by Division Company

(Billions of yen)

	FY2009				FY2010 (Plan)			
	Sales	YoY Change	Operating Income	YoY Change	Sales	YoY Change	Operating Income	YoY Change
Housing	398.2	-26.2	19.4	+2.3	415.0	16.8	21.0	+1.6
UIEP*1	194.6	-30.6	-2.4	-4.1	203.0	8.4	1.0	+3.4
HPP*2	247.7	-15.0	19.2	+3.4	285.0	37.3	21.0	+1.8
Others	42.8	-3.4	0.3	+1.0	45.0	2.2	-0.5	-0.8
Eliminations	-24.8	-0.5	-0.6	-0.3	-28.0	-3.2	-0.5	+0.1
Total	858.5	-75.7	36.0	+2.4	920.0	61.5	42.0	+6.0

*1 UIEP: Urban Infrastructure & Environmental Products
*2 HPP: High Performance Plastics

Anticipating the severe business environment, we started working on strengthening the Group's earnings structure from the very beginning of the fiscal year. We implemented various measures to reduce fixed costs and variable costs, such as raw materials costs, and successfully lowered the sales break-even point to compensate for the decrease in sales. As a result, operating income increased ¥2.4 billion year on year, to ¥36.0 billion. We originally set as our target operating income of ¥27.5 billion for fiscal 2009. However, with our steady progress in strengthening the earnings structure and the earlier-than-anticipated recovery in demand in the IT field and other segments, we generated operating income at a level that substantially exceeded our target. Thus, we got off to a strong start in fiscal year 2009, and made considerable progress toward meeting our goals for the first two-year phase of "GS21-SHINKA!," which are to overcome the recession and prepare for future growth.

In terms of the progress made by each company during fiscal 2009 in the achievement of fiscal 2010 targets, the High Performance Plastics Company and the Housing Company are within easy striking distance of their fiscal year 2010 targets. If demand in their core markets remains relatively steady, it is almost certain that the continued application of their current strategies will enable them to achieve their goals.

The Urban Infrastructure & Environmental Products Company posted declines in both sales and operating income under harsher-than-expected business conditions in fiscal year 2009, which included a substantial slowdown in new housing starts in Japan and a significant number of project order postponements due to unseasonable weather overseas. However, we recognize that the company has steadily implemented measures to lower the sales break-even point.

Business Outlook for Fiscal Year 2010 (April 1, 2010, to March 31, 2011)

Our objectives for fiscal year 2010 will be to regain the fiscal year 2007 profit level and the historical growth rate, and lay a foundation for growth in fiscal year 2011 and beyond. Our efforts to achieve these objectives will be guided by two fundamental strategies: vigorously respond to growing demand, and continue strengthening the revenue structure.

"Vigorously responding to growing demand" will center on the "Frontier 7" businesses where we expect growth in the medium-term. We aim to increase sales by focusing our globally competitive products and operations in areas expected to see a recovery in demand and subsequent growth. We have numerous products and businesses that are highly competitive in the global market, including our interlayer films for automotive applications, IT-related products, medical products, the pipeline renewal business, and performance materials business (plant materials, sheets for aircraft interiors, sheets for vehicle interiors & exteriors and fiber-reinforced foamed urethane). Demand for each of these products and businesses is expected to increase as the global economy improves. When demand revives, we aim to be in a position to take full advantage of the opportunity to grow sales of interlayer films, IT-related products, medical products, and performance materials business in Asia and other high-growth markets and to expand the pipeline renewal business using our fortified business bases in Japan, the United States, Europe and Asia.

We will also implement measures to meet the anticipated growing demand for products catering to the needs of domestic customers. The measures include increasing sales of environmentally friendly products, such as our houses with built-in solar power generation systems, and expanding the living environment business by focusing on the refurbishing business for existing housing stock. We expect a continuing contraction in the volume of new public works projects and only marginal improvement in the pace of recovery for new construction investment in condominiums and commercial buildings. The housing construction market, however, is moving toward recovery with support of various government measures to promote housing purchases.

We plan to act on signs of market recovery and growth by increasing production capacity, reinforcing sales operations, and implementing the measures necessary to meet demand in each business field.

The second fundamental strategy for the year—to continue strengthening the revenue structure—will entail further curbing investment outside our growth fields to minimize fixed costs, and making swift decisions on whether to eliminate unprofitable and low-profit businesses to further enhance our earning power. We will also seek to reduce variable costs by offsetting the anticipated rise in raw material prices during the year mainly through value engineering and other cost-cutting measures, as well as by continuing with our Manufacturing Development SHINKA activities and the integration of the Housing Company's production and sales operations.

Based on the results we expect from these strategies, we aim to increase net sales by ¥61.5 billion year on year, to ¥920.0 billion, and operating income by ¥6.0 billion, to ¥42.0 billion, in fiscal year 2010.

Toward Medium- and Long-term Growth

We are aiming to cultivate paths for business growth over the medium- and long-term by applying the three initiatives of accelerating global business development, expanding profit through value chain development, and pioneering new growth business segments to create new revenue sources while continuing to strengthen our current revenue drivers.

Under the first initiative of accelerating global business development, we have launched our housing business in Thailand and the reinforced plastic piping business in Libya. We are also developing medical field sales in the United States and Europe through subsidiaries American Diagnostica Inc. and Xenotech.

The second initiative of expanding profit through value chain development is being applied by leveraging the technical synergy possibilities with the PVA resin operation that was added to the business portfolio last year to develop new high-performance interlayer films and other products.

At the same time, we are developing LED-related and photovoltaic battery materials under the third initiative of pioneering new growth business segments.

We are cultivating these endeavors to supplement our current core businesses and become drivers of new growth for the Company as we seek to achieve our ¥80 billion operating income target for fiscal year 2013.

Financial Strategy and Shareholder Return Policy

Our financial strategy is based on the key management policies of increasing corporate value and ensuring a return of profit to shareholders. In line with this policy, we have established a target dividend payout ratio of 30% on a consolidated basis to be returned to shareholders in each fiscal term. We surpassed the target payout ratio for the year under review, but are maintaining the annual dividend payment at the previous year's level of ¥10 per share, reflecting the priority we place on returning profit to shareholders. We will retain internal cash reserves of an amount sufficient for covering R&D expenses, capital expenditures, strategic investment, financing activities, and other activities that we consider vital to assuring further improvement in corporate value into the future.

Cash flow during the year will be utilized for capital investment, financial structure reinforcement, and shareholder return. Capital investment will focus on strategic investment in growth frontier development, specifically for capital expenditures, M&As, and the construction of our overseas business structure, which will be essential for the Company's future growth. The amount allotted to other ordinary investments will be limited only to items deemed absolutely necessary.

In Closing

Since its founding, Sekisui Chemical has been working to develop products that are useful to the daily lives of individuals, contribute to the protection of the natural environment, and meet the needs of society. Initiatives aimed at contributing to the protection of the global environment and the daily lives of people worldwide are equal to contributing to society through our business activities. That is to say, CSR activities are crucial for the achievement of sustainable growth. (Please see page 7 for further discussion of our CSR activities.)

Through our products and businesses, we intend to continue contributing to the resolution of social issues and guiding the Group to fulfill the expectations and hopes of our shareholders and stakeholders.

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

July 2010

Naofumi Negishi

Naofumi Negishi, *President*

CSR REPORT 2010

MESSAGE FROM THE PRESIDENT

Realizing sustainable growth through our Three Prominences and Three Attitudes of Sincerity

CSR under any business conditions

The economic crisis that erupted in the autumn of 2008 forced companies around the world to adopt austere management policies. In the midst of a widespread economic recession, we launched our medium-term management plan in fiscal year 2009. For the Sekisui Chemical Group, fiscal year 2009 was a year of gaining a foothold to survive the global recession. Sales were inevitably down for the year, but operating income increased, putting us back on a recovery track.

Meanwhile, changes in the earth's climate are having an ever-increasing impact on the economy and society. The new administration's international pledge to lower greenhouse gases, the United Nations Framework Convention on Climate Change, and other important policies and treaties are forcing Japanese companies to reduce the amount of greenhouse gases emitted by their operations. Corporate management can no longer avoid these environmental issues.

That said, we believe that we must earnestly implement CSR initiatives at all times and under any kind of business conditions to realize the Group's transformation and evolution. And thus, we have made every effort to fulfill our CSR management duties during the year under review.

Expanding CSR awareness and strengthening our CSR management

The Sekisui Chemical Group's concept of its Corporate Social Responsibility (CSR), represented by the Three Prominences—the Environment, Customer Service & Quality, and Human Resources—and the Three Attitudes of Sincerity: Compliance, Risk Management, and Disclosure & Communication, is the core of CSR management, and is one of the priority initiatives in our medium-term management plan.

These CSR initiatives can only be realized through the efforts of each individual employee. We took special steps in fiscal year 2009 to raise CSR awareness and deepen the practice of CSR in each of our business departments. Every year, I make it a point to meet and speak with employees throughout the Group. In fiscal year 2009, I discussed both our medium-term management plan and CSR with employees at our 12 business sites across Japan. CSR is an integral part of management, which should be incorporated into each company's business activities. Accordingly, every department must take the initiative in implementing CSR activities.

To encourage a proactive response to CSR in all of our departments, we held brainstorming sessions on CSR with division managers and the presidents and executives of our subsidiaries, and had them discuss and consider concrete ways to reflect CSR considerations in their duties and business practices. The brainstorming sessions are merely a starting point. The primary aim is for every department to better integrate CSR initiatives into its activities. The positive results of these sessions are reflected in the various action plans for the fiscal year ending March 31, 2011.

We are planning to hold CSR brainstorming sessions worldwide, as well as in Japan. In fiscal year 2009, we held the first CSR brainstorming session in China. In fiscal year 2010, we are going to hold such sessions in Europe and the United States to identify and discuss the common issues for each region, and make CSR management a higher priority in our overseas operations.

CSR is essential to achieving sustainable growth

Our Group Vision of contributing to the daily lives of individuals and the protection of the global environment means contributing to society through our business activities, while simultaneously growing our businesses. This, itself, is CSR management.

Our principal management policy in fiscal year 2010 is to strengthen our ability to realize sustainable growth. To this end, we need to make our Three Prominences—Environment, Customer Service & Quality, and Human Resources—even more prominent, and contribute to society through our businesses while working to achieve sustainable growth in tandem with society as a whole.

Regarding the environment, the situation necessitates swift and decisive action to halt global warming and protect the earth's biodiversity. With regard to the operating environment, the environmental field, as well as the Asian markets and the stock markets are important to our business growth. We have created products and businesses that have pioneered new directions for houses with built-in solar power generation systems, sewage pipe rehabilitation methods, and heat insulation interlayer films. As we look to the future, we will continue to create next-generation businesses and technologies centering on the environmental and energy fields, to further expand our lineup of products that contribute to the environment.

We believe that the Three Attitudes of Sincerity provide a crucial backbone to our operations, and are indispensable for the Company's continued existence. Therefore, we intend to make earnest efforts in these three areas.

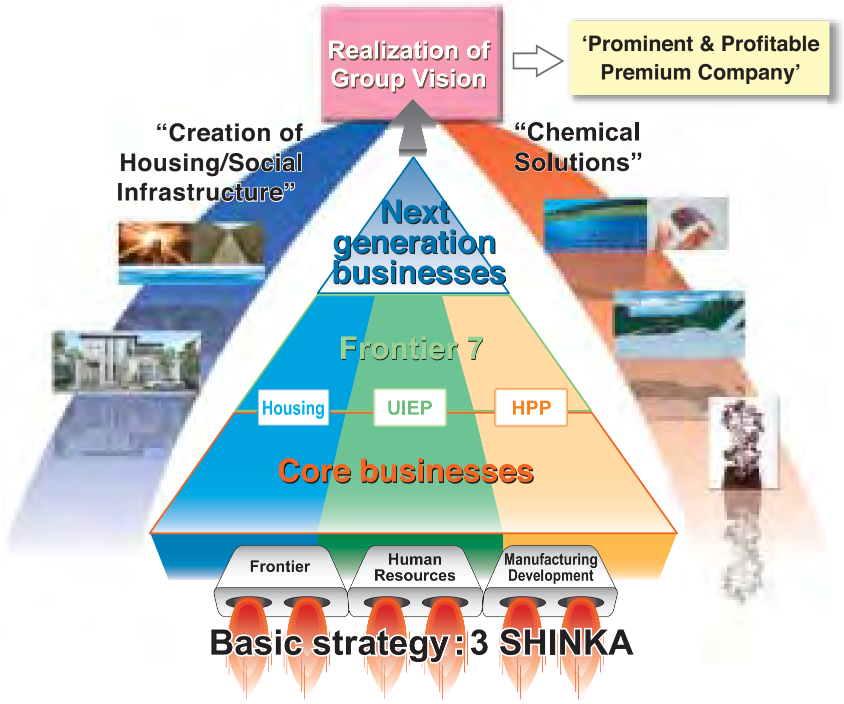
We will implement CSR initiatives on a global basis as our business activities become increasingly global. Each area of the world has its own customs and values, and the social issues and CSR priorities may differ depending on the region. Accordingly, we will address CSR issues, utilizing brainstorming sessions and other means. Through local CSR meetings and diligent study, we will conscientiously and purposefully develop our CSR activities in each region.

Last year, we announced our unmitigated support of the United Nations Global Compact. In the spirit of the Global Compact, we will do our part to help resolve social issues and contribute to society in Japan and around the world as we continue to earn the trust of society and grow as a company.

Naofumi Negishi
President

MEDIUM-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 the global environment. To achieve this Vision, we have launched our medium-term management plan, "GS21-SHINKA!" in fiscal year 2009, which will continue over a five-year period. This medium-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 anticipate a full market recovery and will work to expand profits. We aim to raise our operating income for the fiscal years 2010 and 2013, the final years of the respective phases, to ¥40.0 billion and ¥80.0 billion, respectively.



MESSAGE FROM THE PRESIDENT

Implementing CSR management as a key focus of the new medium-term management plan as well

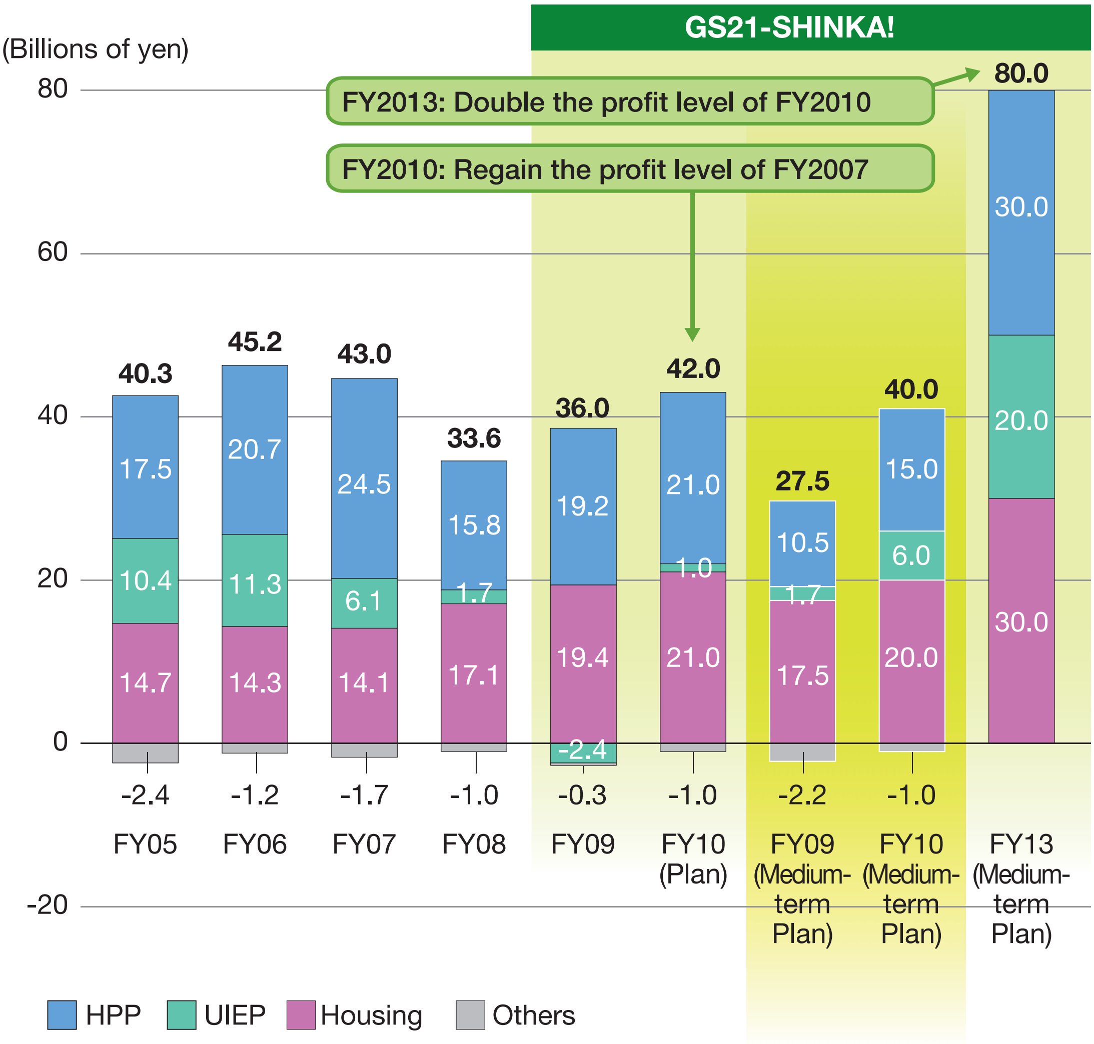
As the economic crisis spreads, I believe social issues too—including of course environmental issues such as global warming—are growing more diverse. For example, when looking at the social infrastructure, which is one of our fields of business, one sees that while infrastructures are not developed sufficiently in developing nations, in developed nations renovation of aged infrastructure is becoming a topic of concern. In this way, a look at not just Japan but the entire world as well shows that there still are many problems that need to be solved. Since its founding, Sekisui Chemical Group has continued to provide value to society through developing products that can meet society's needs and turning these products into businesses. I believe this itself is a form of CSR activities, in which we truly contribute to society through our business activities.

The new medium-term management plan "GS21-SHINKA!" took effect in fiscal year 2009. While the aim of the management plan is business growth, I believe CSR management represents a company's character, or the quality of its management. Our goal is to be a company in which society places its expectations and trust, through making further progress on the efforts we have achieved through now, considering CSR an important pillar of management together with business growth and innovation.

Naofumi Negishi
President

Goals of "GS21-SHINKA!"

Operating Income by Division Company



FY2009-2010: Overcoming the recession and preparing for future growth

FY2011-2013: Setting goals and concentrating business resources on the development of the "Growth Frontier"

“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 “Frontier 7”; and the “Next generation business” which is deemed as necessary for growth from a medium-to-long-term perspective.

Specifically for the “Core businesses,” we aim for an increase in earnings and a steady rise in profitability by thoroughly implementing efficiency measures. For the “Frontier 7,” 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 businesses,” we need to carefully evaluate business strategies and possibilities that are aiming for future earnings, in the midst of initiatives taken for growth.

	Business Domain		
Portfolio	Creating of housing and social infrastructure		Chemical solution
Next generation businesses > “Pioneering the NEXT Frontier business”	**Provision of solutions for building infrastructure to emerging countries** • Overseas development of highly industrialized housing • Creation of social infrastructure via water recycling systems • Construction of “Self-supported utility town”	**Provision of solution using “Frontier Focused” chemicals** • Focus on environment, New energy and IT related field • Anticipating and concentrating on consumer needs • Provision and development of specialty chemicals utilizing technology of prominence	**Creation of Life Science-related 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 businesses > “Promotion of frontier pioneering by triaxial point”	**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 **Performance materials business** • High functionality	**AT (Automotive materials) related business** • Pursuit of environmental friendliness, safty and comfort **IT related business** • Semiconductor and energy related products **MD (Medical products) related business** • Creation of No.1 share products
	(R&D) Accelerate growth by concentrating R&D resources into the Frontier 7 businesses		
Core businesses > An increase in earnings and a steady rise in profitability by seeking greater efficiency	**Housing business**	**Water infrastructure business (domestic)** **Construction material business**	**Tape business** **Form business** **Film business**
	(R&D) Manufacturing Development SHINKA		
	Housing	**UIEP**	**HPP**

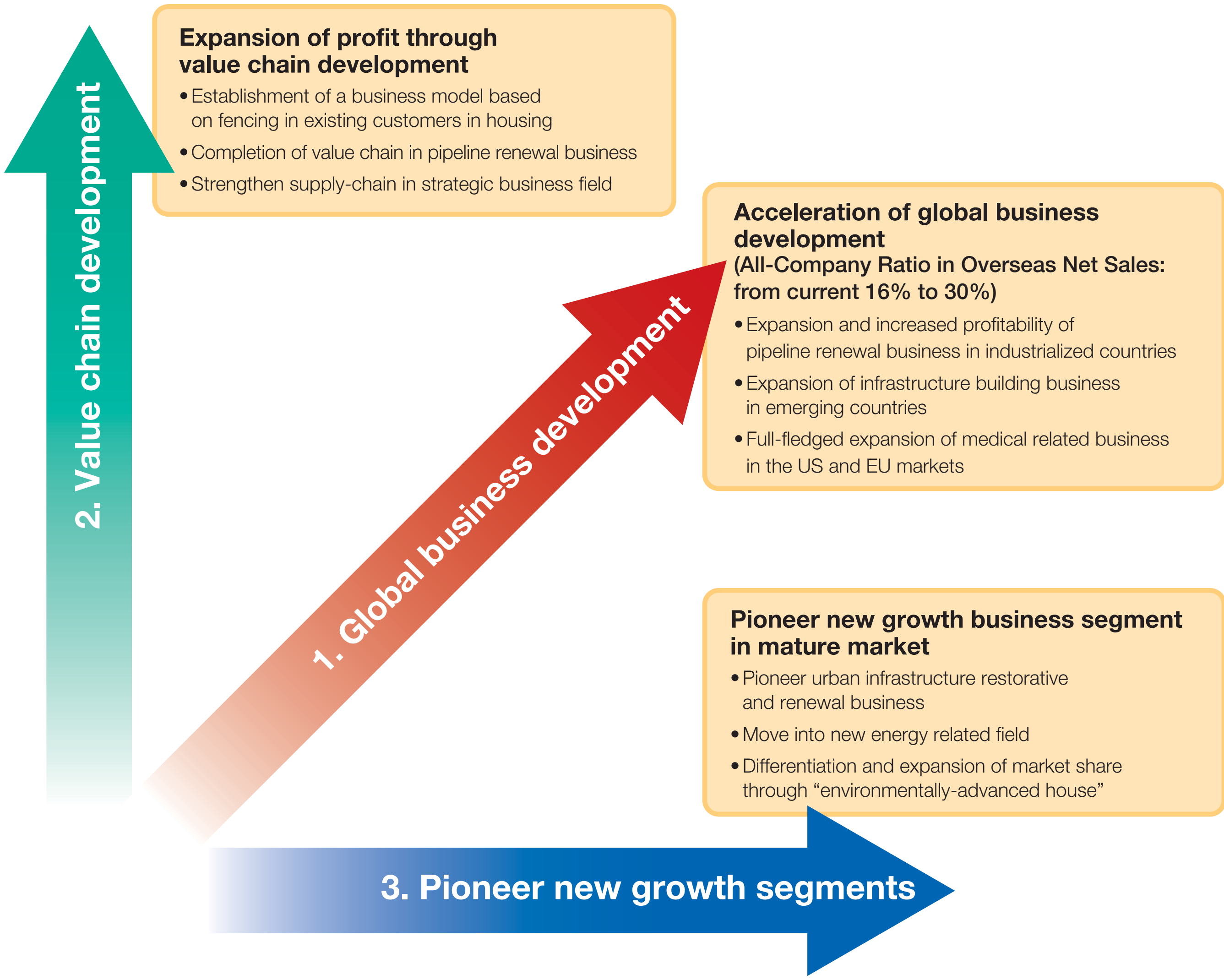
"GS21-SHINKA!"—Promotion of frontier pioneering by triaxial point

Sekisui Chemical has made efforts to expand the "Growth Frontier," which is the pillar of profitability. Steady gains have been made even from the previous medium-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 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 the Company as a whole.

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

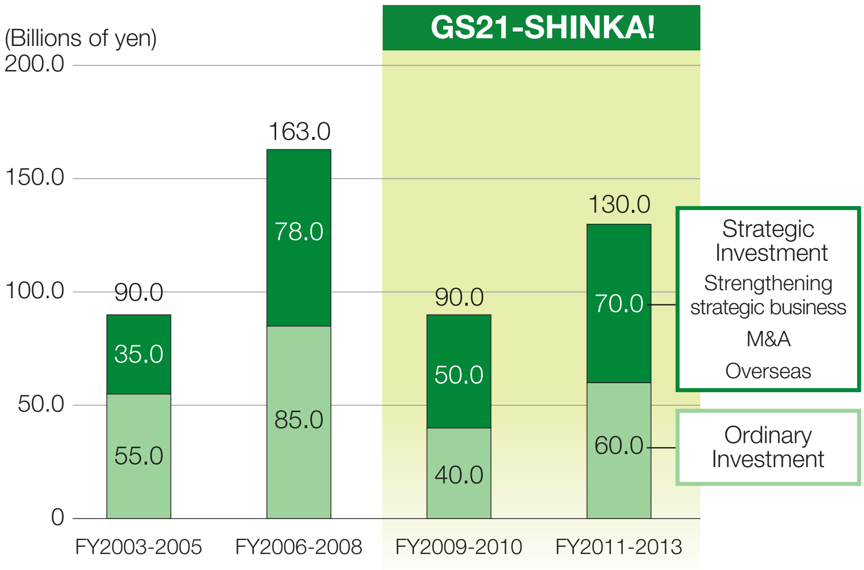
Regarding the on-going strategic investments for "Frontier 7" businesses as part of the "Growth frontier" from the previous medium-term plan, we will continue with focused investments for this current medium-term plan as well. Consequently, ¥120.0 billion has been allocated as the strategic investment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

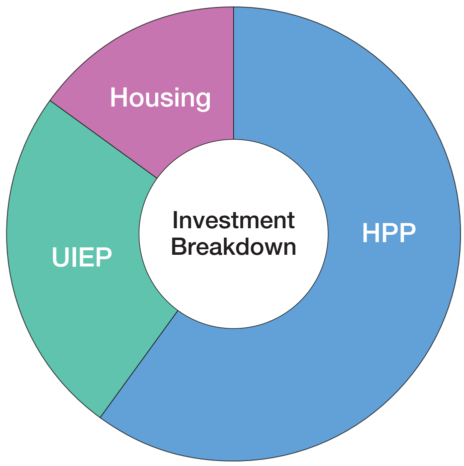
Usage of Acquired Cash

Cash flows from business operation 270 billion yen

- Of 220 billion yen, use 120 billion yen for strategic investment
- Reduced ordinary investment by 50% in FY2009
- Strengthen financial structure
- Return to shareholders (maintaining pay-out ratio of 30%)

Investment Breakdown





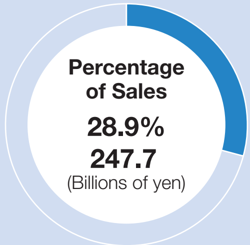
AT A GLANCE

Company Overview	Percentage of Sales*1 and Operating Income (Loss)*2 Generated by Each Company (FY2009 results)

HIGH PERFORMANCE PLASTICS COMPANY

Number of Employees (Consolidated, FY2009 year-end): 5,620

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.

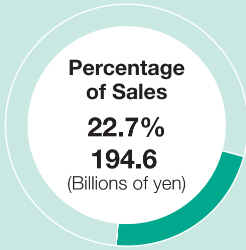


Operating Income
19.2
(Billions of yen)

URBAN INFRASTRUCTURE & ENVIRONMENTAL PRODUCTS COMPANY

Number of Employees (Consolidated, FY2009 year-end): 4,634

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&As in related business fields.

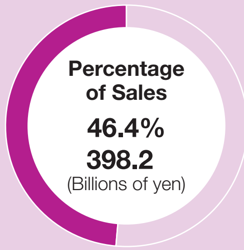


Operating Income (Loss)
-2.4
(Billions of yen)

HOUSING COMPANY

Number of Employees (Consolidated, FY2009 year-end): 8,478

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 market leader in solar powered housing, having sold a total of some 80,000 units of its leading edge "houses with built-in solar power generation systems." 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.



Operating Income
19.4
(Billions of yen)

*1: Figures for net sales include inter-segment transactions. Net sales for Other Businesses was ¥42.8 billion, and eliminations and unallocatable accounts amounted to ¥24.8 billion.
*2: Figures for operating income include inter-segment transactions.

Primary Business Areas	Main Products and Brand Names
HIGH PERFORMANCE PLASTICS COMPANY	
AT (Automotive materials)	
Interlayer films for laminated glass, Polyolefin foam, Automotive resin products, Double-sided tape	S-LEC™ (Interlayer film) Softlon™ (Foaming material)
IT (IT-related materials)	
LCD fine particles, Photosensitive materials, Semiconductor materials, Optical adhesive tape and film	Micropearl™ (Spacer, Conductive fine particles)
MD (Medical products)	
Diagnostic agents, Blood sampling plastic tubes, Transdermal drugs, Pharmacokinetics business	Cholestest™ (Cholesterol diagnostic agents) Insepack™ (Blood sampling plastic tubes)
Functional materials and others	
Adhesives, Fire resistant tapes and sheets, Packaging tape, Packaging and agricultural film, Plastic containers	Fiblock™ (Thermal expansion fire-resistant material)
URBAN INFRASTRUCTURE & ENVIRONMENTAL PRODUCTS COMPANY	
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.	ESLON™ pipe series
Performance materials	
Sheets for aircraft interiors, Sheets for vehicle interiors & exteriors, Fiber-reinforced foamed urethane (FFU)	KYDEX™, ALLEN™, ESLON™ Neo Lumber FFU (Railway orbital sleeper)
Industrial piping materials	
Pipe materials for factory production equipment (valves, pipes, joints, etc.)	ESLON™ valves
Pipeline renewal	
Materials, equipment and installation methods for pipeline renewal	SPR Method™, Omega-Liner Method™, Pipe Line Diagnostic System
Building materials and housing equipment	
Construction materials (rain gutters, materials for decks), Bathroom units	ESLON™ rain gutters
HOUSING COMPANY	
Housing	**Detached houses**
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	**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
Living environment	**Housing complex**
Refurbishing business "Sekisui Fami-S", Interiors, Exteriors, Real estate (Leasing, brokerage)	Letoit series Life Style Planning Desio series (Joint rental-occupancy homes) Harvestment series (Nursing-care facilities for elderly people, Congregate housing)
Others	
Nursing and the elderly business	

HIGH PERFORMANCE PLASTICS COMPANY

TAKAYOSHI MATSUNAGA, *President of High Performance Plastics Company*

PERFORMANCE HIGHLIGHTS

(Billions of yen)	FY06	FY07	FY08	**FY09**	FY10 (Plan)
Net sales	245.5	280.5	262.6	**247.7**	285.0
Operating income	20.7	24.5	15.8	**19.2**	21.0
Operating income ratio (%)	8.4	8.7	6.0	**7.8**	7.4

Results for Fiscal Year 2009

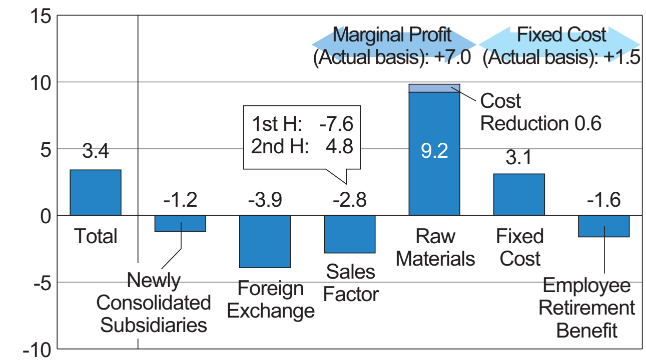
Net sales: Decreased ¥15.0 billion to ¥247.7 billion
Operating income: Increased ¥3.4 billion to ¥19.2 billion

The High Performance Plastics (HPP) Company, under the banner "Chemistry for your Win," is focusing management resources on initiatives in the 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. These strategies have been consistent business growth catalysts for the company. However, the worldwide economic recession and plummet in consumer demand triggered by the Lehman Brothers Holdings bankruptcy in November 2008 compelled the company to completely reorganize its domestic and overseas production structure with the primary objective of lowering the break-even point.

In the automotive materials field, demand in Europe and the United States recovered in the second half, but the low level in the first half coupled with the yen's sharp rise against the dollar (an appreciation of ¥10 over the previous year) resulted in a ¥15.0 billion year-on-year decline in net sales to ¥247.7 billion in fiscal year 2009. Nevertheless, the restructuring efforts to lower the break-even point bore fruit as the company posted a year-on-year increase in operating income for the year. Diminished demand overseas, primarily during the first half in Europe, led to a ¥4.7 billion decline in overseas sales to ¥107.2 billion.

The drop in sales had a ¥2.8 billion impact on operating income, but the company continued to improve marginal profit through efforts including cutting raw material costs by ¥9.2 billion and other costs by ¥0.6 billion. The result was a ¥7.0 billion improvement in marginal profit in real terms. Fixed costs also improved by ¥1.5 billion in real terms. After incorporating the contributions and

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

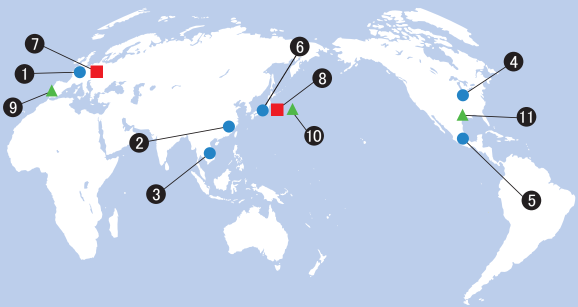


deductions from the consolidation of new subsidiaries, the impact on the foreign exchange rate from the yen appreciation, and other factors, operating income increased by ¥3.4 billion year on year to ¥19.2 billion. Operating income already exceeded the medium-term (fiscal years 2009-2013) management plan's ¥15.0 billion target for the HPP Company in fiscal year 2010. In addition, the company's fiscal year 2009 second half operating income exceeding the previous record-high posted in the second half of fiscal year 2007, and the 9.1% operating income ratio was the company's highest ever.

The HPP Company achieved the operating income target a year ahead of schedule through the success of its restructuring efforts to counter the drop in demand and the faster-than-anticipated market recoveries in Asian and other regions.

While lowering the overall break-even point, the company also actively invested in new equipment installation and M&A in its core strategic business fields. Net sales in the strategic business fields declined ¥5.0 billion to ¥119.9 billion. IT field demand recovered faster than we had anticipated and MD field business expanded during the year. However, these positive developments were unable to overcome the impact from the anticipated ongoing sluggish demand in the AT field.

Production bases of interlayer film busines



	Company	Country	Start	Status
● Production of polyvinyl butyral interlayer films	❶ Sekisui S-Lec B.V.	Neth.	1997	
	❷ Sekisui S-Lec (Suzhou) Co., Ltd.	China	2004	
	❸ Sekisui S-Lec (Thailand) Co., Ltd.	Thailand	2002	
	❹ Sekisui S-Lec America, LLC.	U.S.	2007	
	❺ Sekisui S-Lec Mexico S.A. de C.V.	Mexico	1971	
	❻ Shiga Minakuchi Plant	Japan	1960	Undergoing line capacity increase
■ Production of resin for polyvinyl butyral interlayer films	❼ Sekisui S-Lec B.V.	Neth.	2007	Undergoing line capacity increase
	❽ Shiga Minakuchi Plant	Japan	1960	Undergoing line capacity increase
▲ Production of PVA resin	❾ Sekisui Specialty Chemicals Europe, S.L.	Spain		Acquired in 2009
	❿ DS Poval	Japan		Established joint venture in 2010
	⓫ Sekisui Specialty Chemicals America, LLC.	U.S.		Acquired in 2009

Net sales in the AT field declined ¥11.6 billion from the previous year, to ¥49.6 billion, largely due to the muted recovery in the first half in Japan, Europe, and the United States. During the year, we took steps in preparation for the recovery in the AT market by increasing production capacity, particularly for automotive interlayer films, and establishing a stable supply structure for interlayer film materials.

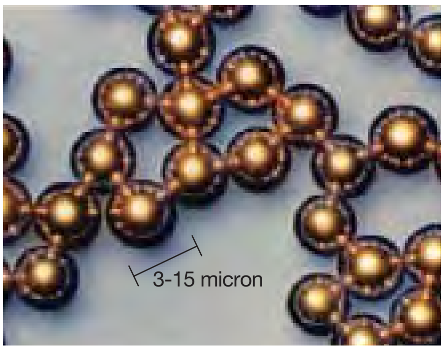
In October, we expanded our interlayer film production capacity in China to position the company to fully accommodate the steadily growing local demand. We also expanded our production lines in Japan to keep ahead of the rising demand for high-performance interlayer film in industrialized countries. Our continuous efforts to increase capacity to fully meet market demand and to expand and develop high value-added products enabled us to increase our share of the automotive interlayer film market.

We fortified our supply structure for interlayer film materials during the year with the acquisition in July of the polyvinyl alcohol (PVA) resin business of a group company of Celanese Corporation, a U.S. chemical company, and the signing of an agreement in November with Denki Kagaku Kogyo Co., Ltd. (Denka), of Japan, to establish a joint venture PVA manufacturing company, with the aim of securing a stable supply of interlayer film materials for the Asian market. In the AT field, Sekisui Chemical acquired polyolefin foam manufacturer Polymer-Tec GmbH, with the aim of fortifying the foundation of its foam business in Europe.

In the IT field, demand for products related to LCD panels rebounded faster than we had anticipated and improved markedly in the second half, driven mainly by the recovering demand in emerging countries and economic stimulus measures, such as Japan's Eco Point system, in industrialized countries. The result was a year-on-year increase of ¥3.5 billion in net sales of IT-related products to ¥29.9 billion.

Net sales in the MD field rose ¥3.2 billion to ¥40.5 billion, mainly on increased shipments of influenza-related diagnostic agents and contributions from newly consolidated subsidiaries. The HPP Company continued developing its overseas operations through the sales networks of the pre-clinical drug safety and effectiveness testing firm XenoTech, L.L.C. of the U.S. and the leading clinical reagent company American Diagnostica Inc. (ADI), which has operations in the U.S.

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 Display).



Demand recovery in developing countries generated brisk sales of LCD panel-related products in the IT field (Photo: Micropearl conductive fine particles AU).

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

Outlook for Fiscal Year 2010

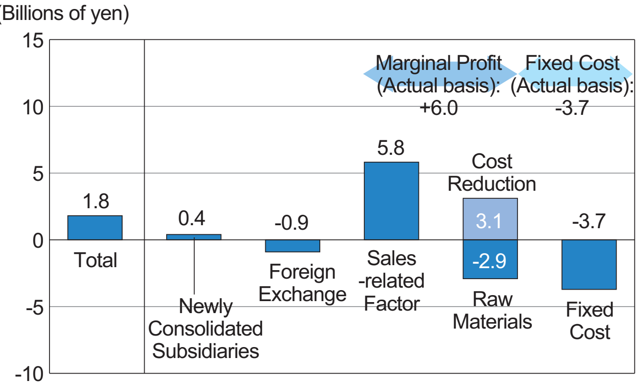
Net sales: Increase of ¥37.3 billion to ¥285.0 billion

Operating income: Increase of ¥1.8 billion to ¥21.0 billion

The HPP Company fulfilled its fiscal year 2009 goal to restructure its operations and strengthen its earning capabilities. In fiscal year 2010, our objective is to build momentum toward achieving the "GS21-SHINKA!" medium-term management plan target of ¥30.0 billion in operating income in fiscal year 2013. We will build that momentum through growth strategies based on fortifying our strategic and overseas businesses and actively developing and promoting new products and businesses. We will also reinforce our business infrastructure by enhancing our human resource management, continuing to improve the quality and safety of our products, and amplifying the potency of our business portfolio.

Through these measures, we aim to raise HPP Company net sales by ¥37.3 billion year on year to ¥285.0 billion, and continue growth in operating income for a second consecutive year, with a ¥1.8 billion increase, to ¥21.0 billion in fiscal year 2010.

Analysis of Operating Income for FY2010 (year-on-year)



Fiscal Year 2010 Growth Strategies

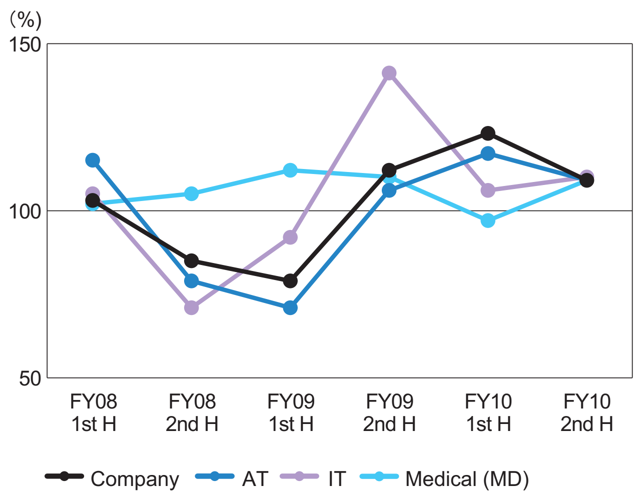
Reinforce the Strategic Businesses

Our foremost growth strategy will be to further strengthen our strategic businesses. In the strategic AT field, we will continue to reinforce the supply chain with a focus on raw material procurement for the core interlayer film products and enhance our production capabilities for automotive interlayer film in Japan and overseas. The interlayer film supply chain has already been significantly strengthened with the acquisition of a business for PVA resin (a primary material used for interlayer film) in July 2009, the establishment of Sekisui Specialty Chemicals America, LLC. (SSCA) in the U.S., and Sekisui Specialty Chemicals Europe S.L. (SSCE) in Spain, and the establishment in Japan of DS Poval, a joint venture with Denka, in April 2010.

The addition of PVA supply operations to our interlayer film business portfolio provides us with a stable procurement source for raw materials and positions us to leverage technological synergies across raw materials in the development of new interlayer film products. We also aim to continue capturing market share in the interlayer film market by filling out our product lineups and expanding sales of high-performance interlayer films with such features as sound and heat insulation.

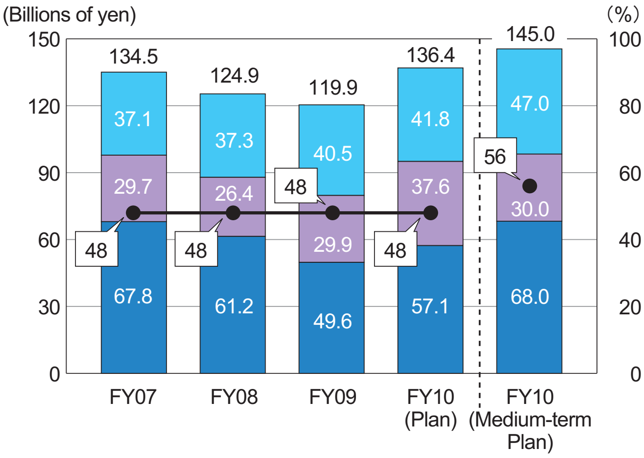
In the IT field, we will seek to expand sales of chemical products for liquid crystal-related applications, industrial tapes and films, and other products while developing and cultivating the next-generation products. In the MD field, we will foster the synergy potential of the two overseas subsidiaries, including expanding our sales networks, and will continue to establish base operations in China to meet growing demand in the Asian markets.

Sales Trends in Strategic Business Fields (year-on-year)



*1st H and 2nd H of FY2010 amounts are forecasts

Sales in Strategic Business Fields



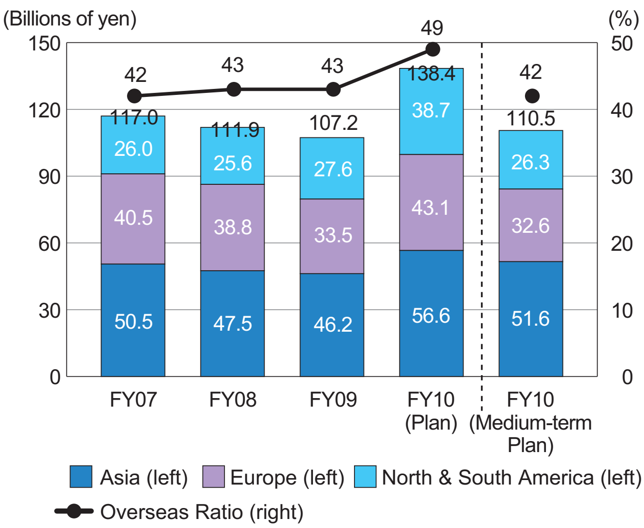
Through the aggressive implementation of these management strategies, we aim to increase net sales in the strategic businesses by ¥16.5 billion, to ¥136.4 billion in fiscal year 2010.

Fortify Overseas Operations

In fiscal year 2010, we plan to enhance our local production capabilities and make full use of our overseas production bases, including local companies brought into the fold via M&A. We will also continue increasing exports to markets in Asia, largely to meet the steeply rising demand in China and developing markets for our products in other emerging countries.

Bolstered by the contributions of the M&A acquisitions in fiscal year 2009, our objective is to increase net sales from our overseas business to ¥138.4 billion. We aim to raise net sales in each business region: in Asia by ¥10.4 billion, to ¥56.6 billion, in Europe by ¥9.6 billion, to ¥43.1 billion, and in the United States by ¥11.1 billion, to ¥38.7 billion.

Overseas Sales

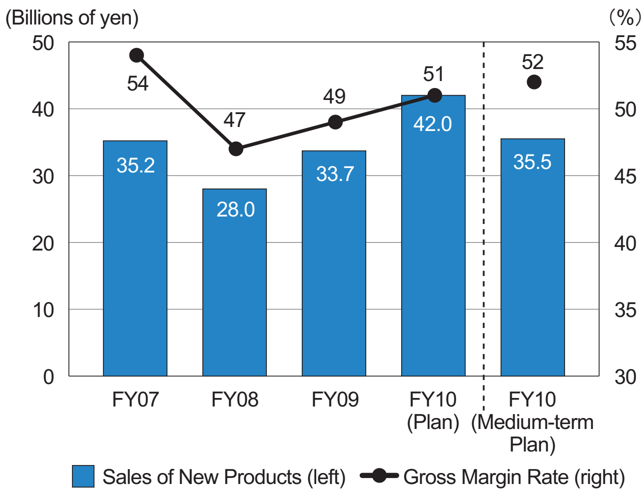


While the contributions from the new subsidiaries acquired through M&A will be significant, we plan to aggressively respond to the sharply rising demand in Asia and increase sales to the Asian region.

Promote New Products and Businesses

Efforts to cultivate and expand sales of new products during the year will focus on high-performance interlayer films, optical tapes, diagnostic agents, and other new products in the three strategic business fields. New business development will include expanding the fire protection (FP) business, which markets fire-resistant tape and other products, and the optical sheet business, which markets the Company's competitive retardation films. We aim to increase net sales of new products (products that have been marketed for five years or less) by ¥8.3 billion to ¥42.0 billion in fiscal year 2010. This will raise the HPP Company's new product sales above the ¥40 billion level on a full-term basis for the first time, and put new product sales well above the ¥35.5 billion target of the medium-term business plan This strong performance by our new products and business segment leads us to expect that it will become one of the company's core earnings sources in the future.

Sales of New Products



URBAN INFRASTRUCTURE & ENVIRONMENTAL PRODUCTS COMPANY

YOSHIYUKI TAKITANI, *President of Urban Infrastructure & Environmental Products Company*

PERFORMANCE HIGHLIGHTS

(Billions of yen)	FY06	FY07	FY08	**FY09**	FY10 (Plan)
Net sales	226.5	233.8	225.2	**194.6**	203.0
Operating income (loss)	11.3	6.1	1.7	**-2.4**	1.0
Operating income ratio (%)	5.0	2.6	0.8	**-1.2**	0.5

Results for Fiscal Year 2009

Net sales: Decreased ¥30.6 billion to ¥194.6 billion
Operating income: Decreased ¥4.1 billion to -¥2.4 billion

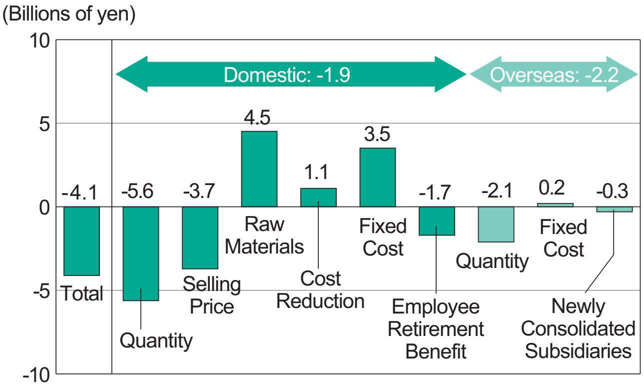
The Urban Infrastructure & Environmental Products (UIEP) Company's management strategies seek to realize steady profit expansion by furnishing a diverse mix of domestic core business and growth business products. As its domestic core business, the company undertakes the production and sale of PVC pipes, construction materials, and other products for the domestic construction market. These mainstay products, with strong brand recognition, have achieved large market shares in Japan, and form the company's revenue base. Utilizing the technologies of these mainstay products, our pipeline renewal business, the plant materials business, and the infrastructure composite materials business have developed highly advanced, high-performance products, which have been identified as the businesses that drive Company growth. Meanwhile, the UIEP Company is continuing corporate restructuring centered on the domestic core businesses amid sluggish demand in the construction industry, which has persisted since fiscal year 2007.

The construction market environment remained sluggish from the previous year, and housing starts totaled 775,277 units, down 25.4% year on year in fiscal year 2009, due to the protracted stagnant demand. The correspondingly low sales volumes of our general products sold domestically resulted in the second straight year of decline in net sales, which decreased ¥30.6 billion year on year to ¥194.6 billion. Overseas business was also affected by the slow recovery in demand and unseasonable weather which forced the postponement of numerous projects. As a result, overseas sales declined ¥5.5 billion to ¥26.5 billion in fiscal year 2009.

The UIEP Company implemented various measures to restructure operations amid the severe business conditions. Such measures included eliminating unprofitable operations, particularly among the domestic core businesses, and optimizing its production bases. Measures specifically designed to secure income flow included: 1) curbing capital investment and cutting miscellaneous costs; 2) eliminating unprofitable operations; 3) optimizing production bases, which includes the downsizing production lines of the general products business, and expansion of business in growth fields; and 4) reassigning indirect staff, undertaking integration of sales networks, and other steps to reorganize the operating structure.

The low level of domestic housing starts reduced our product sales volume, and the sluggish demand led to lower product prices. In response, the company took various steps, and succeeded in cutting raw material costs by ¥4.5 billion and reducing costs by ¥1.1 billion and fixed costs by ¥3.5 billion, chiefly by eliminating unprofitable businesses and optimizing production bases. Owing to these efforts, operating income declined only ¥1.9 billion year-on-year in Japan. Operating income from overseas operations also decreased, falling ¥2.2 billion year on year, largely due to project postponements caused by unseasonable weather. The severe business environments in Japan and overseas combined to reduce UIEP Company's operating income by ¥4.1 billion year on year, to a ¥2.4 billion operating loss in fiscal year 2009.

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



While fiscal year 2009 was an extremely challenging year for sales and income, we implemented several measures to establish new foundations for revenue generation in the years ahead.

In Japan, we developed and implemented strategies to increase product sales in the social infrastructure stock and construction stock segments. In our domestic core businesses, we identified specific products as suited to meeting needs in refurbishment and renewal, rainwater management, earthquake proofing, energy efficiency, and other sectors of the social infrastructure stock. We designated these products as "growth products" for their potential to draw increasing demand even in conditions when housing starts are down. Even in Japan's sluggish construction market, net sales of growth products increased by ¥1.6 billion to ¥30.9 billion in fiscal 2009, achieved through an aggressive expansion of sales.

Overseas, we took steps to position the company to meet the anticipated growth in medium- and long-term demand for water infrastructure facilities in emerging countries. In February 2010, Sekisui Chemical established the joint venture Libya Eslon (Sekisui) in Garahboli, Libya, to manufacture and sell reinforced plastic composite pipes and joints, and import Sekisui Chemical products. In the pipeline renewal business, we acquired a construction company in the previous fiscal year, and continued efforts to construct a comprehensive value chain as a foundation for global operations.

Outlook for Fiscal Year 2010

Net sales: Increase of ¥8.4 billion to ¥203.0 billion
Operating income: Increase of ¥3.4 billion to ¥1.0 billion

We anticipate ongoing severe conditions in the construction market in fiscal year 2010 with new housing starts remaining flat year on year at the 800,000-unit level. In addition, we do not expect a recovery in apartment and condominium construction starts, which is the main demand segment for our products, to begin materializing until around the end of the fiscal year.

In this market environment, the UIEP Company has set a business policy for fiscal year 2010 to "focus on fortifying the current business base and accelerating the pace of business growth to realize a V-shaped rebound." We plan to advance a three-pronged strategy of fortifying the earning power of the domestic core businesses, expanding the growth businesses, centering in the stock fields, and expanding the overseas businesses. We expect these initiatives to drive recoveries in both sales and income for the year.

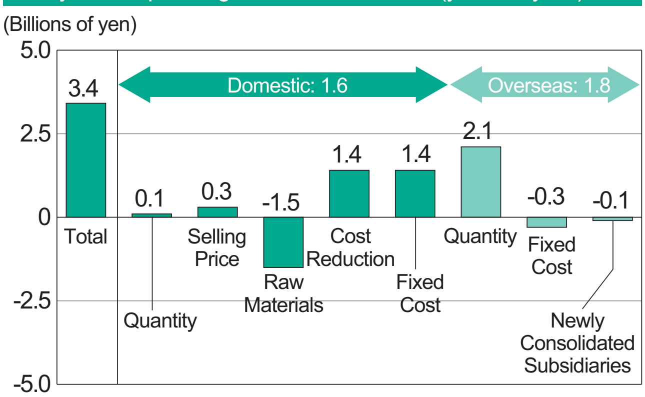
The UIEP Company forecasts increases in sales of domestic growth products and in overseas businesses to drive net sales growth of ¥8.4 billion year-on-year, to ¥203.0 billion, in fiscal year 2010. We plan to revitalize the revenue stream in fiscal year 2010 by continuing to cut costs and reduce fixed costs in Japan, getting all clients who had postponed projects last year to place orders to expand sales in the pipeline renewal business overseas, and leveraging recovering demand to increase sales in the performance materials business. Based on these and other management initiatives, we aim to bring the UIEP Company back to profitability with ¥1.0 billion in operating income in fiscal year 2010.

Fiscal Year 2010 Priority Measures

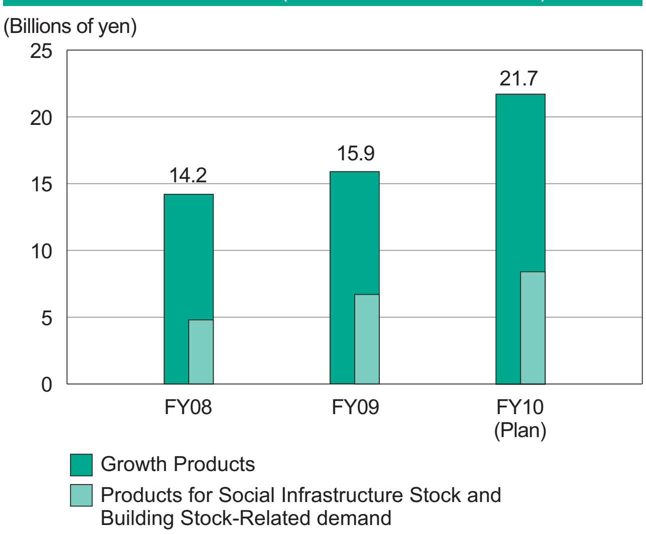
Increase the Earning Power of the Domestic Core Businesses

The UIEP Company expects new housing construction starts, on which we base our demand forecast, to recover in the short run. However, a significant recovery is not expected to materialize. Therefore, new housing starts will likely remain below the one million unit level seen prior to fiscal year 2008. Accordingly, we have based our business plan on housing starts at the 800,000 unit level,

Analysis of Operating Income for FY2010 (year-on-year)



Sales of Growth Products (Domestic Core Business)



Seismic and fire-resistant retrofitting and construction stock-related demand is growing in the domestic core businesses (Photo: ESLON fire-resistant VP pipes).

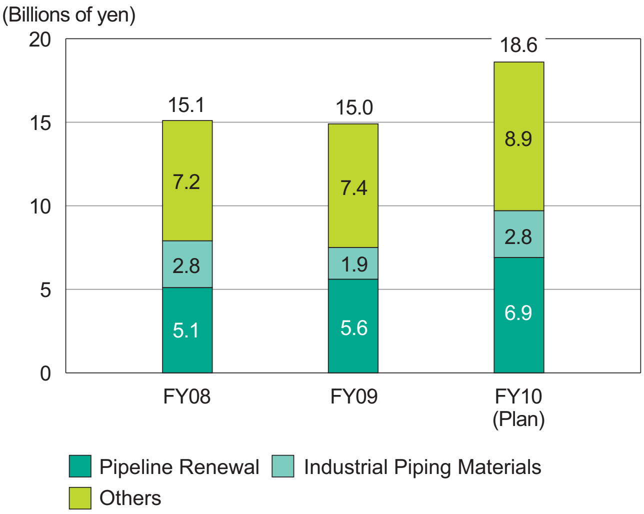
and will establish a domestic core earnings structure that will be profitable even if domestic housing starts remain at such a level.

Measures to improve the earnings structure will include continuing to cut costs, adjusting the production and sales systems to meet the level of demand, downsizing indirect departments, restraining investments to reduce fixed costs, and other steps to strengthen the business structure and further lower the break-even point for sales. We plan to secure the sales volume of our core PVC products, as well as bolster the product lineup and expand sales of our Hyper, Fire Resistant VP, CCBOX, and other growth products to meet the growing demand for seismic retrofitting and building stock. In fiscal year 2010, we aim to raise net sales of growth products in this segment by ¥5.8 billion year on year to ¥21.7 billion.

Expand Domestic Growth Businesses

We see potential to expand our domestic growth businesses in fiscal year 2010 as we anticipate the growing need for the renovation of aging

Sales of Growth Products (Domestic Growth Products)



The pipeline renewal business is expanding its offerings of new construction techniques and products (Photo: The automated SPR method).

facilities to produce a recovery in demand for the pipeline renewal business, the plant materials business, and the performance material business, which covers fiber-reinforced foamed urethane (FFU).

In our pipeline renewal business, we will continue extending the areas covered by our value chain business by further developing our pipeline diagnostic service and other assessments. We will also develop and diversify our pipeline renewal methods, which include pressurized water-pipe rehabilitation and the SPR PE (sewage pipeline renewal polyethylene) process to enhance our ability to respond to the full range of customer needs. In addition, we are actively seeking to attract orders and expand business utilizing the newly developed automated construction method, the Automated SPR Method, which increases project safety by eliminating the need for workers to enter the pipes. We aim to increase orders and expand our business by targeting cases that are difficult to treat using conventional methods, such as the servicing pipes and drains that handle large volumes of water or fast-moving water.

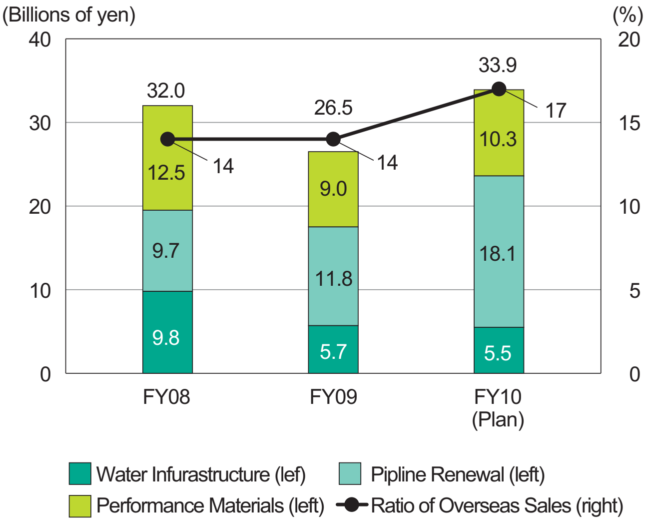
In the plant materials business, we plan to continue cultivating new sales channels and shifting operations to our overseas production bases, while exploring new business potential in the fields of water purification and information infrastructure, among others. In fiscal year 2010, we will take measures to expand sales in the pipeline renewal business, and aim to increase net sales of the domestic growth businesses by ¥3.5 billion year on year to ¥42.4 billion.

Expand Overseas Businesses

We aim to raise net sales from our overseas businesses by ¥7.4 billion year on year to ¥33.9 billion in fiscal year 2010. We anticipate demand to grow as economic conditions improve, and will work to get all clients who had postponed projects last year due to unseasonable weather conditions to place orders.

In fiscal year 2010, we will work to increase our sales, and will also begin rebuilding the earnings bases of our overseas subsidiaries. The overseas market for pipeline renewal is improving as countries around the world implement economic stimulus measures. In this environment, the pipeline renewal business will implement various

Sales of Overseas Businesses



*Performance Materials: Industrial Piping Materials, Thermoplastics Sheets, FFU

*Excluding exports

strategies and further strengthen ties with local construction partners to steadily improve our results in all countries, including cities and regions where our business has yet to flourish. We are stepping up development of our overseas businesses and placing the new Automated SPR Method at the forefront of our business development in countries and areas, such as Australia, with strict restrictions for projects that require operations inside pipes. Our strategies for the pipeline renewal business are geared toward achieving the net sales target of ¥70.0 billion for fiscal year 2013, the final year of the medium-term management plan “GS-21 SHINKA!”

The performance materials business is primed for growth, as signs are appearing that demand is recovering for the aircraft and automobile industries. We plan to expand our order volume and increase sales through product promotion focused on plates for aircraft interiors, sheets for automobile interiors and exteriors, and piping materials for production equipment.

The performance materials business is aiming to capitalize on the demand expected to recover in the aircraft and automobile industries (Photo: Sheets for vehicle interiors).

The water infrastructure business is extending its local operations in developing countries.

Our overseas water infrastructure business, which has been identified as a new business field, will be boosted by the imminent startup of manufacturing operations at the Libya Eslon (Sekisui) joint venture, which will utilize the know-how cultivated in our operations in China and Central Asia to spearhead the development of business bases in the region. After first establishing operations in the vicinity of Libya’s capital of Tripoli, we plan to increase our participation in Libyan government’s infrastructure construction projects and then branch out to neighboring countries in the North Africa region to expand our water infrastructure business. Libya Eslon (Sekisui) is scheduled to commence operations in January 2011, and we expect the joint venture to contribute ¥3.0 billion to our target of ¥30.0 billion in overall net sales for the overseas water infrastructure business in fiscal year 2013. Additional strategies for overseas business include exploring new business possibilities in Europe, such as for fiber-reinforced foamed urethane (FFU) for railway sleepers and other applications.

HOUSING COMPANY

TEIJI KOUGE, *President of Housing Company*

PERFORMANCE HIGHLIGHTS

(Billions of yen)	FY06	FY07	FY08	**FY09**	FY10 (Plan)
Net sales	430.5	420.0	424.5	**398.2**	415.0
Housing	339.7	326.7	327.1	**292.4**	300.0
Living Environment	90.7	93.3	97.4	**105.8**	115.0
Operating income	14.3	14.1	17.1	**19.4**	21.0
Housing	13.3	11.1	13.7	**15.4**	15.8
Living Environment	1.0	3.0	3.4	**4.0**	5.2
Operating income ratio (%)	3.3	3.4	4.0	**4.9**	5.1

Results for Fiscal Year 2009

Net sales: Decreased ¥26.2 billion to ¥398.2 billion
Operating income: Increased ¥2.3 billion to ¥19.4 billion

The Housing Company develops business centered on its high-performance and high value-added housing products that highlight the strength of its 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%, which enables higher quality construction and shorter construction periods than other methods. Assembled from box-shaped units, our houses can easily be expanded or relocated and reconstructed on a different site. In addition, constructing the units inside the factory allows us to maintain an extensive database of materials used in the construction. The database is a pivotal resource, which provides timely information to meet customer needs, such as for post-construction renovation projects. Sekisui Chemical has developed a "cyclical stock" business model that follows and meets customer needs at every stage, through the complete housing cycle, which includes new construction, maintenance renovation (painting, etc.), environmental reforms (such as solar power generation equipment installation, tiled exterior walls, etc.), refurbishing to life stages (including kitchen and bathroom renovations), major refurbishments and additions, sales of existing houses, rebuilding, and relocation.

The market for new housing construction deteriorated markedly in fiscal year 2009, creating an extremely challenging business environment for the Housing Company. Although sales suffered, the company worked on improving its earning structure, which was highlighted as a key management priority at the start of the fiscal year, and posted a year-on-year rise in operating income.

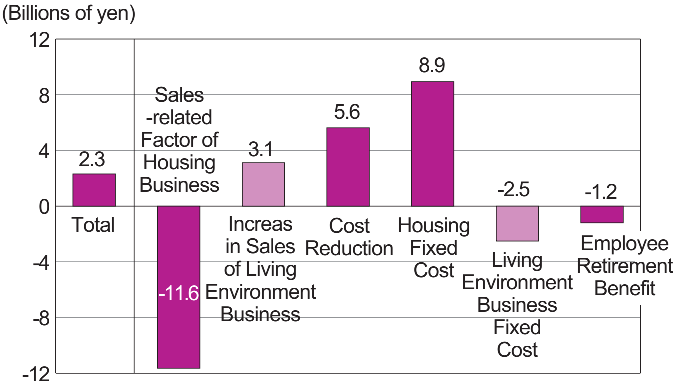
The stagnant market for new construction of privately-owned housing strongly impacted net sales of the housing business, which ended up falling 10.6% year on year to ¥292.4 billion in fiscal year 2009. The company effectively offset an ¥11.6 billion impact from the decline in sales through a ¥5.6 billion improvement in the earning structure, realized by cutting housing material and other costs and by trimming ¥8.9 billion from fixed costs by shifting staff to the living environment business, which has growth potential, and eliminating unproductive sales promotion expenses. As a result, housing

Innovative Unit Technology

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

Swift on-site assembly completed in just one day

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

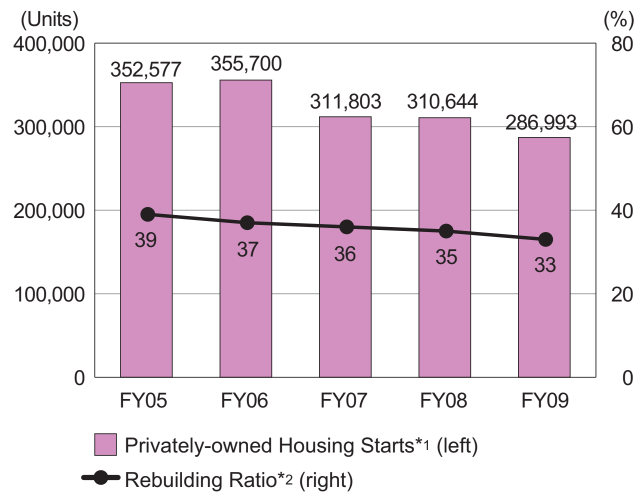


business operating income increased from ¥13.7 billion in the previous fiscal year to ¥15.4 billion.

The housing business continued implementing product-differentiation strategies aimed at boosting orders by highlighting the solar power generation systems, Comfortable Air Systems, and other high-performance feature options. These efforts, among others, resulted in a substantial increase in the percentage of homes sold with solar power generators (77% in fiscal year 2009, compared which 52% in fiscal year 2008). We also introduced moderately-priced “products with readily perceivable cost performance” targeting first-time homebuyers, currently the core demand segment in the housing market, in order to expand our market share in that price bracket.

The value of new orders dipped 8% year on year to ¥180.8 billion in the first half, primarily due to low consumer confidence amid deteriorating economic conditions from the latter half of fiscal 2008, then increased 11% increase year on year to ¥189.2 billion, reflecting a moderate recovery in the market environment. On a full-term basis, the value of new orders received improved marginally in fiscal year 2009, rising 1% year on year to ¥370.0 billion but remaining below pre-fiscal year 2008 levels.

Privately-owned Housing Starts and Rebuilding Ratio (for Sekisui Chemical)



*1 Reference: Ministry of Land, Infrastructure, Transport and Tourism, “Housing Starts”
*2 Based on orders-received

We continued advancing our region-specific strategies, which included the introduction of the integration of sales network in the Tokyo, Chubu, and Kinki regions, and the integration of the production and sales systems in other areas. This production-sales integration is designed to expand the company’s market share by enabling development of products and specifications attuned to local needs, increasing sales of strategic products, and creating the flexibility to implement independent sales promotions and pricing strategies.

We implemented several measures to reinforce the living environment business during the year, including adding 200 members to our refurbishing business staff and providing specialized training programs to rapidly upgrade our staff’s capabilities. Our product strategies continued to focus on expanding sales of solar power generation equipment, tiled exterior walls, and other core products. As a result of these efforts, the living environment business posted its fourth consecutive year of sales and income growth and surpassed the ¥100 billion sales mark for the first time. Net sales increased to ¥105.8 billion from ¥97.4 billion in the previous year, and operating income grew to ¥4.0 billion from ¥3.4 billion in the previous year.

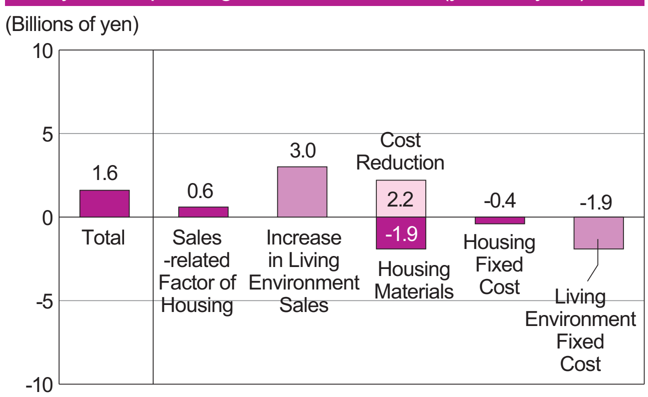
The combined results of the housing and living environment businesses enabled the Housing Company to record total net sales of ¥398.2 billion and operating income of ¥19.4 billion in the fiscal year 2009, surpassing the previous year’s record and marking the highest level in the past decade.

Outlook for Fiscal Year 2010

Net sales: Increase of ¥16.8 billion to ¥415.0 billion
Operating income: Increase of ¥1.6 billion to ¥21.0 billion

We anticipate the new housing construction market moving into a mild recovery in fiscal year 2010, supported by various government policies including the eco-point program for housing, ongoing low housing-loan interest rates, expansion of the tax exemption for gift

Analysis of Operating Income for FY2010 (year-on-year)



tax program to spur housing purchases, extension of solar power generation equipment subsidies and electricity double-price buyback programs. We also anticipate growing demand from customers for environmental and performance upgrades for their homes along with demand for more competitive product prices.

Based on this scenario for the market environment, the Housing Company is forecasting a 4% rise in housing orders in fiscal 2010. The company plans to implement various initiatives to attract orders during the year. Following a fundamental strategy of differentiating our products by emphasizing our high-performance feature options, initiatives will include expanding product lineups in price-volume zones where demand is holding relatively strong and strengthening region-specific strategies to develop products and product specifications attuned to local needs.

Second-half orders, which form the basis of the following year's sales, were up year on year in fiscal 2009. The Housing Company is aiming to build on this solid start to rebound from last year's sales decline and raise net sales of the housing business by ¥7.6 billion year on year, to ¥300.0 billion, in fiscal year 2010. We have set an operating income target of ¥15.8 billion in fiscal year 2010, a ¥0.4 billion year-on-year increase, which we aim to achieve through increased marginal profit from the sales growth combined with ongoing efforts to lower the sales break-even point.

We anticipate materials price increases during the year, particularly for steel materials, and plan to offset the increases with value engineering and other measures to cut costs.

We aim to maintain the growth momentum of the living environment business and raise net sales by ¥9.2 billion year on year, to ¥115.0 billion, and operating income by ¥1.2 billion, to ¥5.2 billion, in fiscal year 2010. This growth will be achieved by continuing to implement personnel reassignments and other measures to build the sales force of the living environment business, whose business centers on the stock of existing housing, and by expanding sales of the company's solar power generation equipment, heat insulation sash products, and other mainstay products.

Combining the forecasts for the housing and living environment businesses, we plan to raise Housing Company net sales to ¥415.0 billion and operating income to ¥21.0 billion in fiscal year 2010.

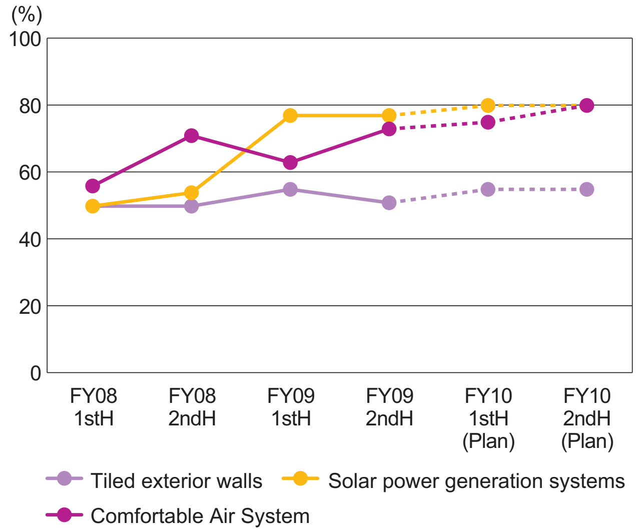
Fiscal Year 2010 Key Strategies

Strategies to Generate Housing Business Orders

Generating housing orders will be key to rebounding from the drop in orders in fiscal year 2009. Our strategy is to focus on differentiating our products by highlighting the leading features of our large-capacity solar power generation equipment, Comfortable Air Systems, tiled exterior walls, and other high-performance options and filling out our lineups of products with readily perceivable cost performance targeting the price-volume zone where demand is strongest.

We will take measures to fortify the region-specific strategies. Such measures will include the introduction of three-story apartment buildings in metropolitan areas and products attuned to local needs in regional areas. We will also seek to spur demand through the Solar

Sales Percentages of Homes with High-performance Options



Expanded Offerings of Products with Readily Perceivable Cost Performance

New Heim bj

Two-U Home JX

Crescasa Prof. Kageyama's Model 2010

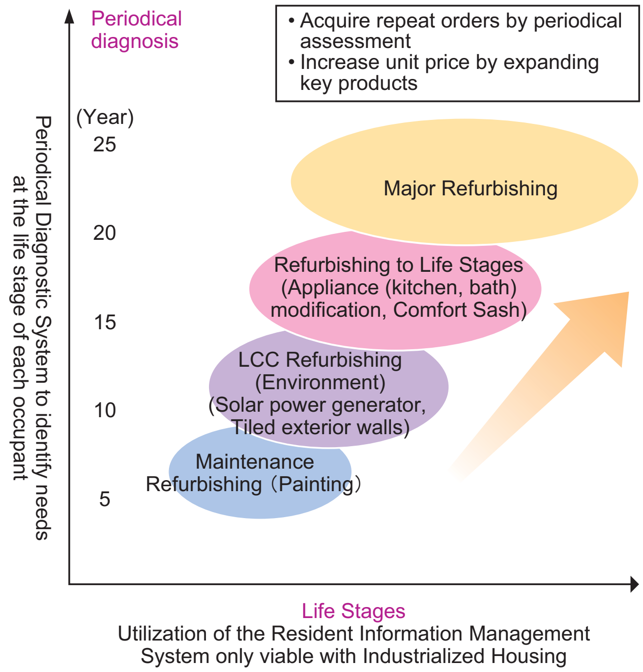
Our strength in large-capacity systems has helped us capture the leading market share of the domestic market for solar-powered housing.

Heim Plus Campaign, which promotes the advantages of our house models with built-in solar power generation systems, and by improving our ability to support and guide customers from the initial stages of home buying through to final purchase. The Housing Company is aiming to raise housing orders by 6% in the first half and 3% in the second half, for full-year growth of 4% year-on-year in fiscal year 2010.

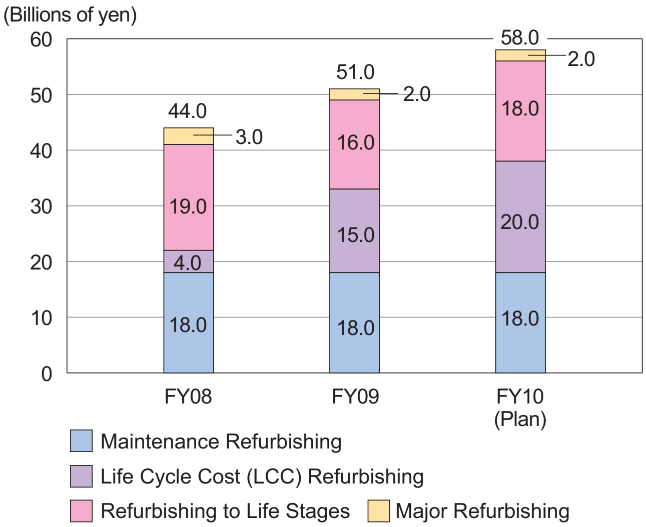
Growth Strategies for the Living Environment Business

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 mainstay products, including its heat insulation sash products, solar power generators, and other environment-related products. We plan to leverage the support of government subsidy programs for purchases of solar power generators, aiming for a sales expansion of 1.4 times over the fiscal 2009 level. We also propose attractive solar-power packages with our reform projects. In addition, we plan to augment our renovation project capabilities with a qualitative upgrade by adding 50 sales staff and increasing the number of architects and project managers during the year. In addition, we will reinforce the business foundation of the living environment business with the aim of achieving sustainable growth, by unifying the Customer Information Service, implementing a "comprehensive confirmation of residence conditions," and other steps to strengthen relations with homeowners. We believe these growth strategies will support increases in both sales and income in fiscal year 2010.

Business Model of Refurbishment Business



Sales Trend of Selected Sales Materials



Establish Overseas Housing Business Operations

In fiscal year 2010, concrete steps will be taken to broaden the horizon of our housing business beyond Japan. Sekisui Chemical has partnered with a group company of Thailand's largest conglomerate, the Siam Cement Group, to establish a joint venture company to produce and market unit housing. This joint venture company commenced housing business operations in October 2009, centering in the Bangkok area. The new housing market in Thailand generally comprises 300,000 to 400,000 units annually, and includes strong demand for detached houses, with roughly 15% of home orders coming from people in higher income brackets. We are aiming for sales of 100 new homes in the first full year of operation (January to December 2010), and are targeting sales of 1,000 units in fiscal year 2013.

REVIEW AND ANALYSIS OF CONSOLIDATED RESULTS FOR FISCAL YEAR 2009

Year ended March 31, 2010

Business Environment

Business conditions were extremely severe in fiscal year 2009 as the repercussions from the September 2008 collapse of Lehman Brothers Holdings triggered a worldwide financial crisis and the ensuing global recession pervaded the real economies. The economies of developed countries were particularly hard hit, with Japan, the United States, Europe, and other developed countries combining to produce a real gross domestic product (GDP) growth rate of minus 3.2% in calendar-year 2009. China and other developing and emerging countries were the first to show signs of recovery, posting a combined 2.1% real GDP growth in 2009. For these countries, however, this growth was modest compared to their previous year's performance. Consequently, the global real GDP was minus 0.8% for the year, and the overall business environment remained very challenging.

Japan and other developed nations responded to the recessionary conditions by initiating economic stimulus measures designed to stimulate demand in the environmental field and stock-related field, such as the housing market. Economic stimulus measures instituted in Japan included an "eco-point" program to stimulate replacement purchases of environmentally friendly consumer appliances, reduced automobile taxes for energy-efficient eco-cars, an "eco-point" program for housing and housing materials, and other policies intended to spur environmental-related demand. Measures were also implemented specifically to stimulate home purchases, and included a program to purchase long-lasting, high-quality housing and housing-related tax benefits, such as an expanded application of the gift tax exemption for the acquisition of new homes.

In Europe, environment-related economic stimulus measures included temporary tax exemptions and support for replacement purchases of environmentally friendly automobiles, while the U.S. government offered support for replacement purchases of fuel-efficient vehicles. Housing stock-related stimulus programs in Europe included support for home improvements to improve energy efficiency, and in the U.S. public investment to modernize infrastructure.

The cumulative effect of these policies was the emergence of signs of economic improvement, even in the developed economies, beginning in the second half of the year. Although the economic stimulus measures appeared to nudge economic conditions toward improvement as the year went on, business conditions were nevertheless severe in the first half, and the Company confronted extremely harsh business conditions in the housing and infrastructure fields in fiscal year 2009.

The economic conditions continued to impact the Japanese new housing market, with demand remaining sluggish from fiscal year 2008 onward. Condominium and rental housing construction starts were stagnant, and uncertainty about future economic conditions discouraged individuals from considering home purchases. Fiscal year 2009 housing construction starts were ultimately limited to 775,000 units, marking the lowest level in the past 10 years.

The deteriorated conditions in the construction industry affected not just the housing construction segment but related segments as well, including housing equipment and construction materials. The volume of public works projects continued to show a long-term downward trend. At the same time, spending on public works is a key economic stimulus tool, and the necessity for rainwater management, seismic upgrades, and other renovations continues to grow.

The growing awareness of global environmental issues and the search for viable energy alternatives to reduce carbon dioxide emissions are fueling drives to increase the number of homes with solar power generation capabilities. To support their proliferation, the Japanese government has extended its subsidy program for solar power equipment purchases and has launched a buyback program for surplus electricity generated by residential photovoltaic equipment.

Demand in the social infrastructure field, particularly in the water infrastructure segment, failed to grow during the year amid deteriorating economic conditions, project postponements caused by unseasonable weather around the world, and other negative factors. Latent demand continues to grow, however, as water environment issues become increasingly urgent around the world. Demand is steadily rising for new infrastructure in developing nations with rapidly growing populations and for rehabilitation of existing infrastructure in developed nations with aging facilities.

Demand in the automotive field bottomed out in the first half of fiscal year 2009 as signs of economic recovery began appearing in developing nations, while a recovery has been slow to develop in Europe and the United States. Demand in the IT industry also started improving in the first half of fiscal year 2009, mainly on increasing demand in the developing nations. Demand in the medical field remained relatively firm overall, and included special demand related to the H1N1 flu pandemic.

The business environment for the Sekisui Chemical Group in fiscal year 2009 contained few points to inspire optimism. Nevertheless, economic stimulus measures in industrialized nations and other countries around the world led to improving conditions in the second half of the fiscal year. We believe business conditions are primed to move into a full-fledged recovery beginning in fiscal year 2010.

Analysis of Financial Position and Business Results

I. Analysis of Consolidated Business Results for Fiscal Year 2009

1) Net sales

Net sales in fiscal year 2009 amounted to ¥858,514 million, a decline of ¥75,711 million, or 8.1%, from the previous fiscal year.

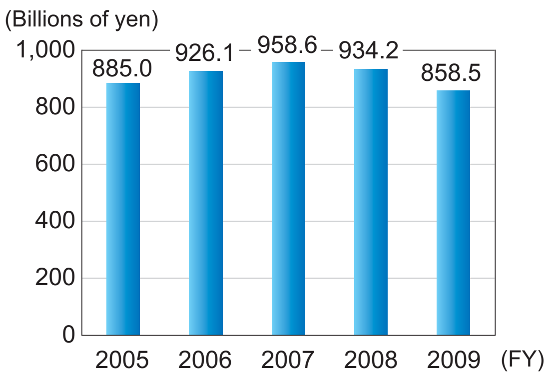
Housing Company net sales amounted to ¥398,245 million for the year, representing a decline of ¥26,247 million, or 6.2%, from the previous fiscal year. Sales of the new housing construction business declined year on year. Aggressive marketing campaigns highlighting the environmental, economical, and high-performance features of the new housing products generated year-on-year order increases in the third and fourth quarters. However, the improving results were unable to make up for the impact from the low level of orders that persisted from the fourth quarter of fiscal year 2008 through the second quarter of fiscal year 2009. Living environment business sales were brisk for housing models with solar power generation systems and with environmental and comfort enhancement features.

Urban Infrastructure & Environmental Products Company net sales amounted to ¥194,649 million, down ¥30,569 million, or 13.6%, from the previous fiscal year. The severe market environment, which included a drop in the number of domestic building construction starts and stagnant construction-related demand around the world, led to sharp sales declines for plant materials and PVC pipes, rain gutters, and other core products.

High Performance Plastics Company net sales amounted to ¥247,683 million, down ¥14,959 million, or 5.7%, from the previous fiscal year. A recovery in demand in the IT field, notably for liquid-crystal panel-related materials and higher shipments of influenza diagnostic agents in the medical field led to increased sales in those segments. However, the company's results were impacted by the strong yen and the harsh conditions in the automotive field, which was strongly affected by the deteriorating market conditions both in Japan and overseas.

Net sales in Other Businesses declined by ¥3,410 million, or 7.4%, year on year to ¥42,785 million in fiscal year 2009.

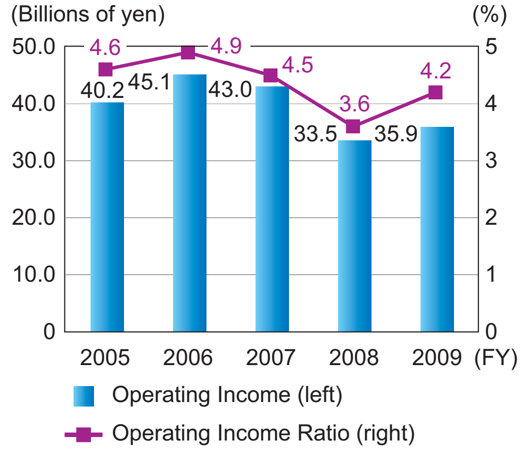
Net Sales



2) Operating Income

Operating income in fiscal year 2009 increased ¥2,366 million, or 7.0%, year on year to ¥35,955 million. The improved operating income is largely attributable to cost reductions, including from declining raw material prices, which limited the decline in gross profit to ¥1,388 million (raising gross income on sales by 2.2 percentage points), and to measures to improve management efficiency, which helped lower selling, general and administrative (SG&A) expenses by ¥3,755 million from the previous fiscal year.

Operating Income and Operating Income Ratio



3) Non-operating Income and Expenses

Non-operating expenses increased ¥661 million year on year primarily due to a rise in miscellaneous expenses.

4) Extraordinary Profit and Loss

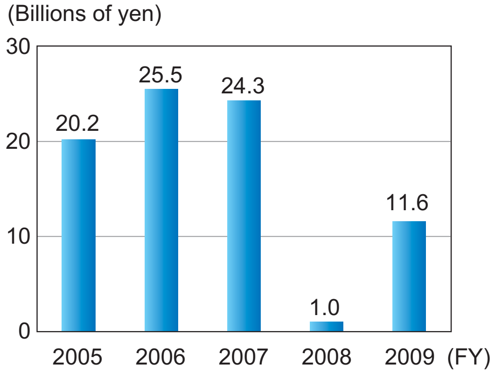
Extraordinary profit amounted to ¥1,015 million, which was primarily the result of a gain on the sale of land accompanying plant relocation. Extraordinary loss amounted to ¥8,747 million, representing a decline of ¥8,536 million, or 49.4%, year on year. The decline comprised a ¥3,456 million loss on impairment of fixed assets, ¥2,302 million in spending for business structure reform, and a ¥2,988 million loss on the disposal or sale of fixed assets.

The figures used in the following graphs are rounded down to the nearest hundred million yen.

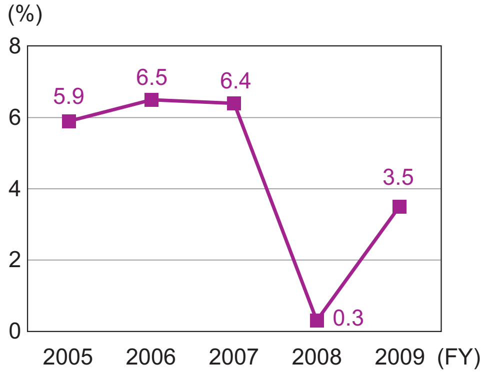
5) Net Income

As a result of the above, income before income taxes and minority interests for fiscal year 2009 increased ¥10,502 million from the previous year to ¥23,344 million. Net income amounted to ¥11,627 million after taxes and minority interests.

Net Income



Retun on Equity



*Return on Equity = Net Income / Average Shareholders' Equity

II. Financial Position

1) Assets, liabilities, and net assets

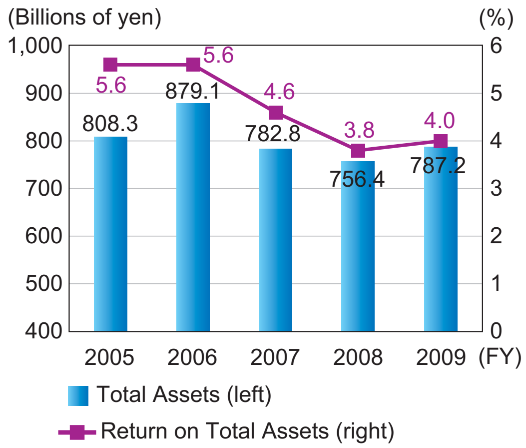
Total assets at the end of fiscal year 2009 amounted to ¥787,261 million, an increase of ¥30,810 million from the previous fiscal year-end.

(Assets)

Current assets rose ¥13,003 million from the previous fiscal year to ¥343,524 million at the end of fiscal year 2009, mainly due to the increase in trade notes and accounts receivable accompanying a growth in sales in the fourth quarter of the year.

Fixed assets increased ¥17,806 million from the previous year to ¥443,736 million at the end of fiscal year 2009. The main factor was the ¥18,154 million rise in property, plant and equipment accompanying the acquisition of the polyvinyl alcohol resin operation from group companies of the U.S. chemical company Celanese Corporation.

Total Assets and Return on Total Assets

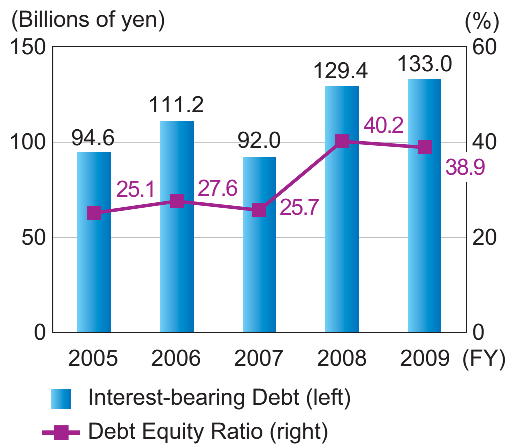


* Return on Total Assets = Ordinary Income / Average Total Assets

(Liabilities)

Liabilities rose ¥9,825 million year on year to ¥435,554 million at the end of fiscal year 2009, largely due to increases of ¥3,636 million in trade notes, accounts payable and accrued expenses, and a ¥3,677 million increase in interest-bearing debt from the previous fiscal year.

Interest-bearing Debt and Debt Equity Ratio



* Debt Equity Ratio = Interest-bearing Debt / Shareholders' Equity

(Net assets)

Retained earnings rose ¥7,421 million, mainly due to an increase in net income of ¥11,627 million, which more than offset dividend payments of ¥4,205 million. The recovery in the market value of listed shares added ¥10,190 million to unrealized holding gains on securities, and translation adjustments rose ¥2,394 million year on year. As a result of the above, net assets were ¥351,706 million at the end of fiscal year 2009, and the equity ratio rose from 42.6% to 43.4%.

2) Cash flows

Cash and cash equivalents on a consolidated basis (hereinafter "funds") amounted to ¥54,855 million at the end of fiscal year 2009, an increase of ¥14,367 million, or 35.5%, from the end of fiscal year 2008. Factors influencing the fiscal year 2009 cash flow accounts were as follows.

(Operating activities)

Funds from operating activities amounted to ¥74,983 million in fiscal year 2009, an increase of ¥39,372 million over the previous fiscal year. Factors increasing cash flow from operating activities included ¥23,344 million in income before income taxes and minority interests and ¥34,525 million in depreciation and amortization, a ¥13,293 million decrease in inventories, a ¥4,332 million rise in advances received, and increases of ¥2,950 million in loss on disposal of fixed assets unassociated with cash outflow and ¥3,083 million in amortization of goodwill. These exceeded the sum of ¥10,535 million in income taxes paid and other factors decreasing cash flow from operating activities.

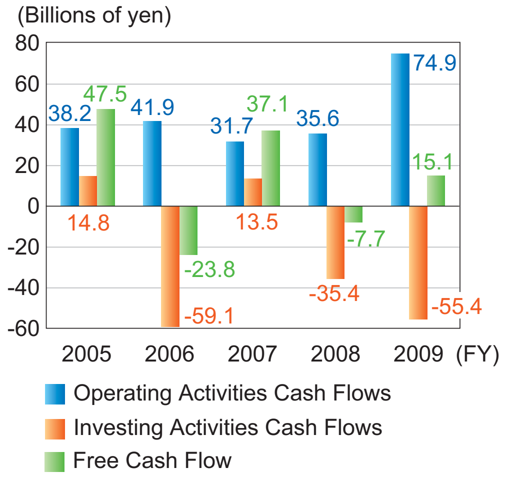
(Investing activities)

Funds used in investing activities amounted to ¥55,496 million in fiscal year 2009, compared with a cash outflow of ¥35,403 in the previous fiscal year. The cash outflow was primarily the result of ¥37,061 million utilized to acquire property, plant and equipment in priority and growth fields and expenditures of ¥16,288 million to acquire the polyvinyl alcohol resin operation from group companies of the U.S. chemical company Celanese Corporation and ¥2,908 million to acquire shares of U.S. clinical reagent company American Diagnostica Inc. and other subsidiaries, resulting in a change in the scope of consolidation.

(Financing activities)

Funds used in financing activities amounted to ¥5,749 million in fiscal year 2009, compared with a cash inflow of ¥13,889 in the previous fiscal year. The cash outflow was largely the result of ¥4,361 million in dividend payments (including dividends paid to minority shareholders) and a net decrease of ¥1,346 million in interest-bearing debt.

Cash Flows



* Free Cash Flow =
Operating Activities CF + Investing Activities CF
- Dividend Paid

Business Risk

The following factors related to our business and accounting practices may materially influence investment decisions. The Company is endeavoring to establish a system for anticipating potential risks for the Group, preventing their occurrence, and promptly and appropriately dealing with them if they do occur. Forward-looking statements contained herein are based upon assessments made by the Sekisui Chemical Group at the end of consolidated fiscal year 2009.

I. Foreign currency fluctuations

Exchange rates may affect the value of the Group's overseas assets held in foreign currencies when converted into yen. The Group employs hedging strategies as needed in response to currency fluctuations. However, the business results and the financial position of the Group may be affected if the exchange rates diverge significantly from the forecasted levels.

II. Raw material price volatility

The Group's business results and financial position may be affected in the event that the Group, especially the Urban Infrastructure & Environmental Products Company, is unable to transfer changes in prices of polyvinyl chloride, olefin and steel, and other raw materials to product prices in a timely manner and is unable to maintain sufficient margin.

III. Overseas business activities

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

IV. Housing related tax and interest rate trends

The Group's housing-related businesses are 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 fluctuations 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 includes products used in the public sector. Trends in public works therefore influence the Company's business performance. Public investment is determined by government policy at the national and local levels, and decisions to reduce public investment may impact the Group's business performance and financial position.

VII. Industrial accidents and disasters

A fire, explosion or other industrial accident at one of the Group's facilities that causes a major impact on the Group's business capability and on the local community could damage society's trust in the Company and incur response costs, including compensation costs directly related to the accident, business opportunity costs from the stoppage of production activity, and compensation costs from payments to customers. Such an event may affect the Group's business results and financial position.

VIII. Intellectual property and product liability

In the event that a dispute arises concerning the Group's intellectual property, the dispute resolution may not be favorable to the Group. The discovery of defects in the Group products may require large-scale product recalls and compensation for damages. The possibility exists that insurance may not be able to cover associated costs, which could impact the Group's business results and financial position.

Corporate Information

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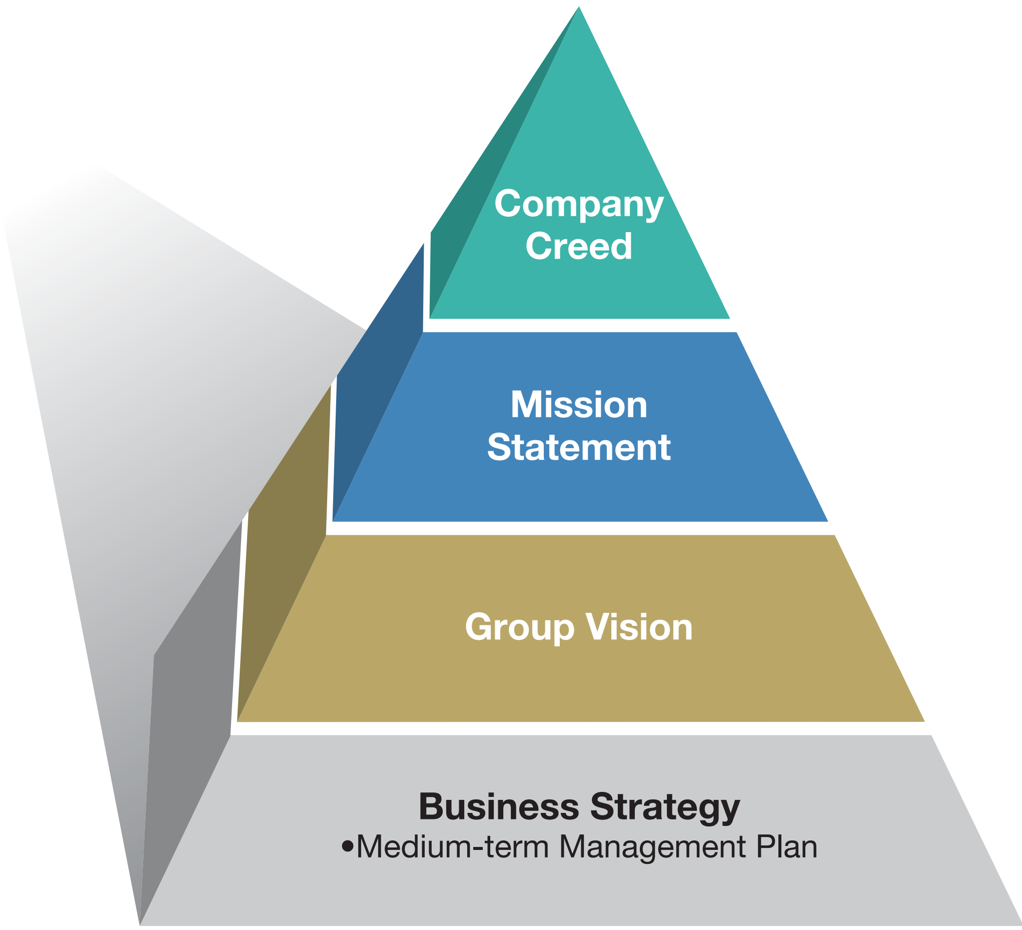
OUR PRINCIPLE

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 medium to long term, and our concrete Business Strategy (e.g. Medium-term Management Plan) to realize the Group Vision. Based on Our Principle, it is our aim to create social values as a unified group.

"Our Principle"



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 the stakeholder expectations of our “Customers,” “Shareholders,” “Employees,” “Business Partners,” “Local Communities and the 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 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 the global environment.

The Group Vision contains the intention of the Sekisui Chemical Group. All Group employees will realize the intention and continue to be a business group that is trusted and expected.

Prominent technology and quality
Quality that customers can be satisfied with, from the aspects of both differentiated technology that has been accumulated over many years in the plastics processing and housing sectors, and the “hard” (products) and “soft” (services, solutions) that Sekisui provides.

Creation of Housing / Social Infrastructure
Provide “housing and related materials” and “infrastructure related to water and the environment” that make full use of advanced technology.

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

Development of frontiers
Create new values, while increasing business penetration and expanding business areas, with the spirit of frontier development that constantly flows through the Sekisui Chemical Group.

People’s lives around the world
Improve the quality of people's lives by perceiving the market globally and making the world our stage.

Contribute to the global environment
Create an environment where the people of the next generation can live with peace of mind, through businesses that combine ecology and economy.

CSR (CORPORATE SOCIAL RESPONSIBILITY)

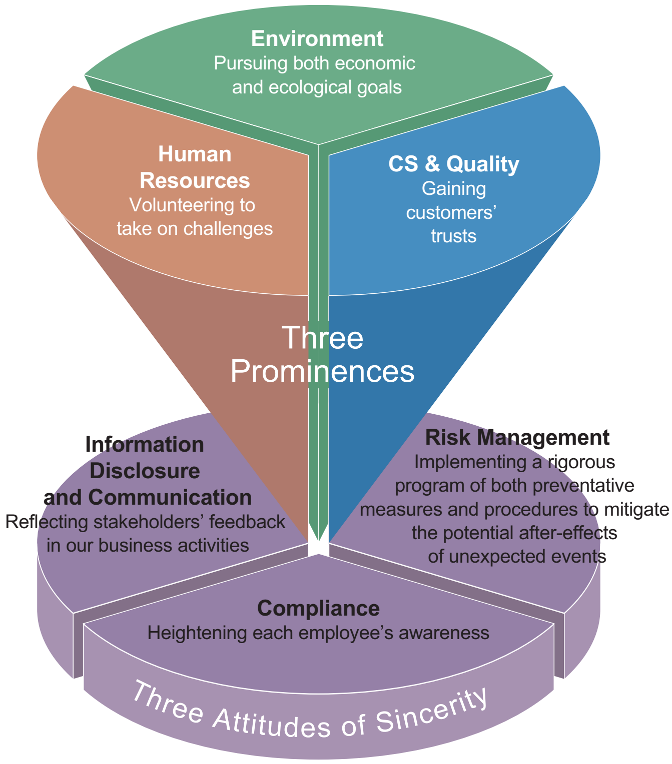
The Sekisui Chemical Group's Fundamental Commitment to CSR

The Sekisui Chemical Group's corporate social responsibility is to contribute to society through its business activities.

Since its inception, Sekisui Chemical 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 materials, 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.

The Sekisui Chemical Group has five groups of stakeholders (customers, shareholders, employees, business partners, local communities and the environment), and our relationship with each group and each stakeholder is essential to carrying out our CSR management. Facing a wide range of social issues and the various expectations and needs of our stakeholders, we constantly seek to improve our CSR management and fulfill our responsibilities by listening sincerely to stakeholder feedback and opinions, and reflecting stakeholder views and requests in our operations to meet their expectations.

The "GS21-SHINKA!" medium-term management plan was launched in fiscal year 2009. We believe that the objective of the management plan is to successfully conduct our business activities, and that CSR management represents a company's character, or the quality of its management. We believe that we must earnestly implement CSR initiatives at all times and in any kind of business environment to achieve sustainable growth and self-innovation in our business operations, while working continually to realize the Group's transformation and evolution.



We will implement CSR initiatives on a global basis as our business activities become increasingly global. Each area of the world has its own customs and values, and the social issues and CSR priorities may differ depending on the nature of the business. By tailoring our CSR activities to meet the needs of the local market, we aim to contribute not only to Japanese society but also to the global community, and to continually earn the trust of the community.

Recognition of the Group's CSR Activities (as of March 2010)

The Sekisui Chemical Group's CSR management continues to receive praise from independent external organizations. The company is also included in several socially responsible investment (SRI) indices and funds.

In March 2009, the Company became a signatory to the United Nations Global Compact. We intend to improve our CSR management following such principles and performance indicators as provided by the compact.

Dow Jones Sustainability Index

FTSE4Good

Morning star socially Responsible Investment Index

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

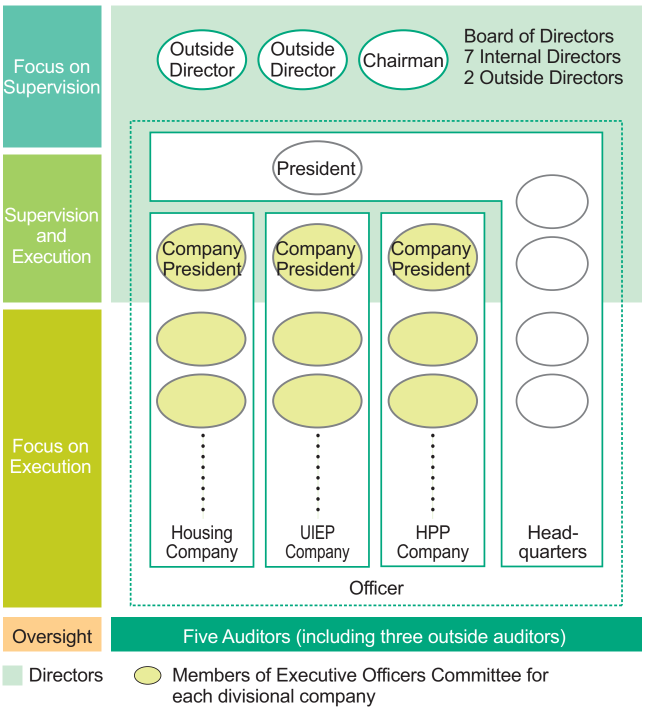
CORPORATE GOVERNANCE

Sekisui Chemical revised its corporate governance system in fiscal year 2008 through the implementation of various measures, including the introduction of Outside Directors and the Executive Officer System, to further enhance its transparency and fairness and to respond swiftly to business opportunities. In addition, each Sekisui Chemical Group company implements various programs to heighten the compliance awareness and understanding of all its executives, officers, and employees 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 based on a division company system to maximize corporate value. 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 enhance our corporate governance system, including strengthening the Board of Directors and the business execution function.

Management System



Strengthening the Board of Directors

The Board of Directors comprises nine Directors, and it continually strives to strengthen its role as a body responsible for decision-making concerning the Company's fundamental policies and upper-level management issues, and supervising the execution of business. The Board includes independent Outside Directors to ensure transparency in management and fairness in business decisions and operations.

Appointment of Outside Directors

The Company appoints to the Board two Outside Directors with verified independence from the Company who contribute to the enhancement of corporate value by providing advice and oversight based on their extensive administrative experience and specialized knowledge. The Outside Directors provide counsel based on their diverse and objective perspectives on priority management issues, such as global development strategy, implementation of core business reforms in Japan, and strengthening of CSR management.

Strengthened Business Execution Functions

Under our internal company system, we introduced a Corporate Officer System in April 2008, to separate supervisory (Directors) and business execution (Executive Officers) functions, with the aim of enhancing each divisional company's ability to respond swiftly to changing business conditions.

Executive Officer System

The Executive Officer System appoints Executive Officers whose role is to focus solely on business execution and to respond swiftly to business opportunities. Each divisional company has an Executive Officers Committee, which serves as the company's highest decision-making body. The Executive Officers Committee has been delegated substantial authority previously entrusted to the Board of Directors. Executive Officers are appointed by a resolution of the Board of Directors, and their term of office is one year.

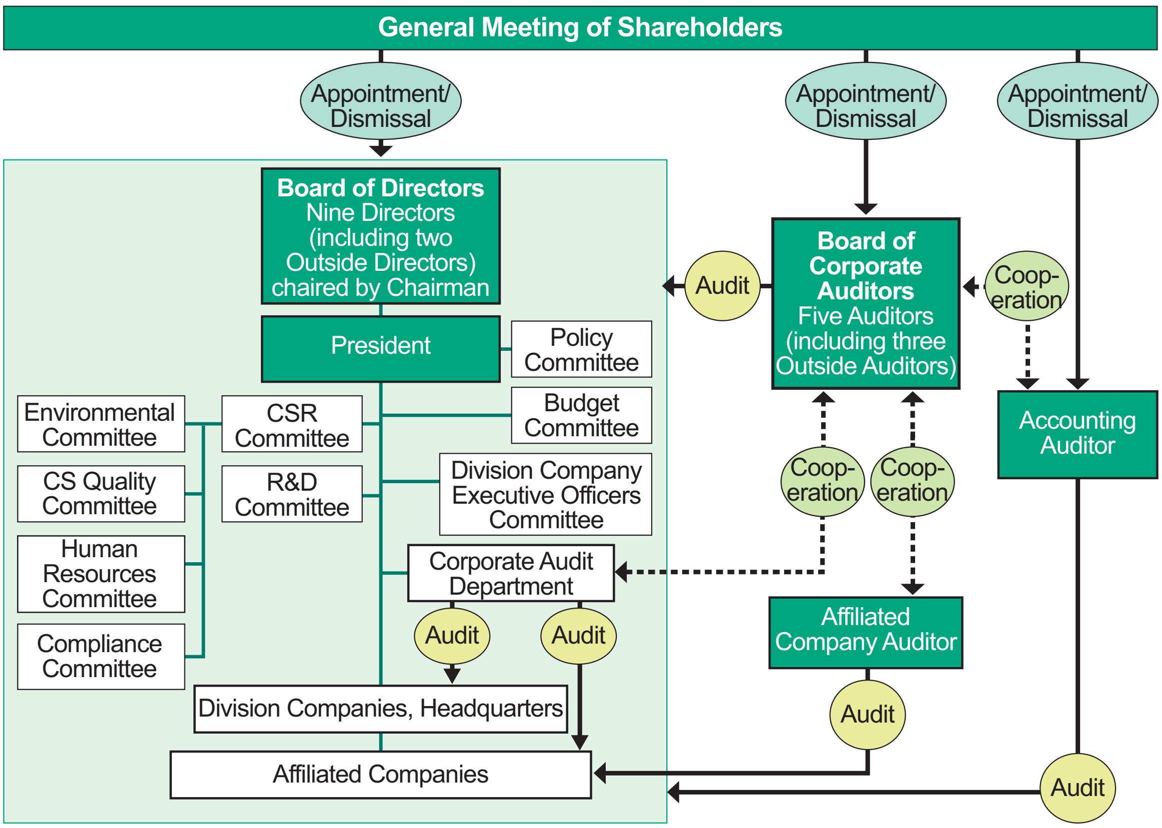
Auditing System

The Company has strengthened its auditing system, designed to harmonize the efforts of corporate auditors and internal audits, ensure the appropriate functioning of the management and operations oversight system. The Board of Corporate Auditors comprises five auditors (including three outside auditors with verified independence from the Company) who undertake extensive audits, which cover the execution of duties by the Board of Directors, and the conduct of business by all divisional companies, and corporate headquarters.

Reinforcement of the Internal Control System

In May 2006, the Board of Directors resolved to adopt a fundamental policy regarding the establishment of an internal control system for ensuring the appropriateness of the Group's business activities. Based on the Corporate Activity Guidelines set forth in accordance with the Group management principles, the Company seeks to realize collaborative interaction concerning the supervision, directives, and communications of the Sekisui Chemical Group (the Company and its subsidiaries), and Sekisui Chemical's duties include providing guidance and counsel, and undertaking evaluations of all Sekisui Chemical Group members to ensure that their business activities are being conducted in an appropriate manner. To further strengthen the Group's compliance activities, the CSR Committee, chaired by the president, deliberates the Fundamental Compliance Policies, which are subject to approval by the Board of Directors. In addition, the Compliance Subcommittee supervises compliance activities groupwide, and conducts activities to highlight the importance of compliance as a fundamental aspect of our corporate culture.

Corporate Governance System



DIRECTORS, AUDITORS AND EXECUTIVE 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*

Yoshiyuki Takitani
Director, *Senior Managing Executive Officer*

Ken Yoshida
Director, *Senior Managing Executive Officer*

Teiji Kouge
Director, *Senior Managing Executive Officer*

Hajime Kubo
Director, *Executive Officer*

Shigemi Tamura [Outside Director]
Adviser
Tokyo Electric Power Company

Toru Tsuji [Outside Director]
Senior Corporate Advisor
Marubeni Corporation

CORPORATE AUDITORS

Eiji Manshou

Shuichi Shino

Tadashi Kunihiro [Outside Auditor]
Attorney at Law

Tamio Morimoto [Outside Auditor]
Certified Public Accountant

Hiroshi Osada [Outside Auditor]
Professor, Tokyo Institute of Technology

EXECUTIVE 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

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
Responsible for Sales Department
Head of Housing Division

Shunichi Sekiguchi
Executive Officer
Head of Living Environment Division

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

Tatsuo Sudou
Executive Officer
Responsible for Purchasing Department
Head of Eslon Pipe Systems Division

Kozo Takami
Executive Officer
Responsible for Pipeline Renewal Division

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

Masaru Teramae
Executive Officer
Responsible for Building Materials Division and Housing Materials Related Business
Head of Performance Materials Division

Torao Ishii
Executive Officer
Head of Administrative Management & Control Department

Takao Miyake
Executive Officer
Head of Technology & CS Promotion Department

Kimiatsu Sato
Executive Officer
Head of Global Water Pipe Systems Division

High Performance Plastics Company

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

Yuji Enatsu
Managing Executive Officer
Head of International Business Department

Toshio Uesaka
Managing Executive Officer
Head of Industrial Tape Division

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

Takeshi Inoue
Executive Officer
Head of New Business Promotion Division

Keita Kato
Executive Officer
Head of Interlayer Film Division

Masaru Noriki
Executive Officer
Head of Administrative Management & Control Department

Headquarters

Ken Yoshida
Senior Managing Executive Officer
CTO [Chief Technology Officer]
Head of Total Manufacturing 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

Hajime Kubo
Executive Officer
Responsible for Corporate Communication Department
Head of External Relations Department and Head of CSR Department

Satoshi Uenoyama
Executive Officer
Head of R&D Center

RESEARCH & DEVELOPMENT / INTELLECTUAL PROPERTY

The Sekisui Chemical Group promotes the innovations achieved in the pursuit of prominence to enhance its earning power and cultivate growth businesses. 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 operates four primary R&D centers within the Housing Company, the Urban Infrastructure & Environmental Products Company, the High Performance Plastics Company, and the Corporate headquarters. In addition, Sekisui Medical Co., Ltd., and other key affiliated companies maintain independent R&D divisions and facilities. The Sekisui Chemical Group's wide spectrum of R&D activities, which include basic research, product development, production engineering and management technologies, are undertaken with the objective of generating groundbreaking products to meet latent customer needs. The Company has developed prominent proprietary technologies and introduced numerous leading-edge technologies, which are used in a multitude of products that are contributing to society. One recent example is our innovative sewage pipeline renewal (SPR) method. The Company 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 "Frontier 7" businesses; 2) creating next-generation businesses; and 3) promoting "Manufacturing development SHINKA." Accelerating growth in the "Frontier 7" businesses 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, the IT-related field, and the 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 the IT field, and harness the Group's full capabilities to create prominent next-generation businesses.

Product development is the key to a manufacturer's competitiveness. We established the Manufacturing Development Innovation Center at the Corporate R&D Center in 2006 to enhance our product development capabilities. The center allows us to augment our focus on technical development with the practical application and utilization of new technologies at the production sites. The center's activities are already producing tangible results.

The five-year management plan begun in fiscal year 2009 promotes ongoing advancement of activities currently under way and

Frontier 7 Businesses—Goals 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 Performance
	Performance Materials Business	High Performance
HPP Company	AT Related Business	Aim for Eco-friendly, Safety, and Comfortable Vehicle
	IT Related Business	Shift from FDP Materials to Semi-conductor and Energy Related Products
	Medical Related Business	Worldwide Expansion of No.1 Share Products

Goal of Next Generation Businesses

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

Creating a Distinctive Manufacturing Line

No Defects, Highly Automated Line: No defects, double productivity

Advanced Ecological Processes: Reduced energy consumption (50%), no waste

Strengthening "Productive Power SHINKA"

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

Deeping Manufacturing Development Innovation

Promotion of Self-sustaining Companies
•Expansion and Enhancement of Overseas Subsidiaries •Reduction of External Loss •Safe and Comfortable Workplace

establishes steps to shift operations to our production bases overseas. The R&D structure has been reorganized by shifting all manufacturing development departments to the Total Manufacturing Innovation Center, which now comprises the Manufacturing Development Innovation Center, the Safety Group, the Global Manufacturing Innovation Group, and the Purchasing Group. The objective of this reorganization is to establish a solid 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 "creating housing and social infrastructures" and developing "the frontier of 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 R&D utilizing cutting-edge technology ranging 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 2009, the Group invested ¥24,010 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 2009. In the steel-framed unit housing category, the company launched the Shin Parfait series of homes in commemoration of the 40th anniversary of the housing business. The Shin Parfait series features the Alpha Planning System, which vastly upgrades land-use, planning, and design capabilities, and the Comfort Airy year-round air conditioning system, which makes effective use of the space beneath the floors. In addition, the company achieved nationwide expansion of the Crescasa product series targeting first-time homebuyers with the addition of the Crescasa N products designed for snowy regions.

In wood-frame unit housing, the company responded to the growing demand for built-in solar power generation systems by expanding the Grand to You series of 2x6 construction method homes with the "Grand to You WS Le-edition" featuring a multi-level, single-flow roof design. The company also introduced the Miole P's-edition series of superior cost performance homes geared to first-time homebuyers.

In the refurbishing field, the Housing Company expanded its menu of home refurbish products designed to provide long-term comfort and energy efficient performance throughout the homeowner's use of its housing products. New products offered during the year included Comfort Sash windows with enhanced heat insulation properties and high-output solar power generation systems for installation in existing houses.

The Housing Company utilized ¥3,980 million for R&D expenses in fiscal year 2009.

(2) Urban Infrastructure & Environmental Products Company

The Urban Infrastructure & Environmental Products (UIEP) Company develops new piping and housing material products through the 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 infrastructure business, we expanded the product lineup of the Hyper series of water supply pipes with electro fusion (EF) couplers and building water supply pipes by broadening the applications to take advantage of polyethylene material's high seismic-resistant capacity, light weight, and ease of installation. In addition, we introduced large 300-450mm diameter polyethylene irrigation pipes, filled out our lineup of fixtures and systems products, and increased the number of products certified for use as fire-fighting pipe. We plan to step up efforts to develop and expand the business range of our water infrastructure operations.

In the housing materials business, we developed the new Ashera material to make effective use of the large volume of reusable resources in our society. A composite material that includes plastic recycled from containers, packages, and shopping bags and fly ash, a residue generated from coal combustion at thermal power plants, Ashera is highly durable and water- and stretch-resistant. Our enthusiastic development of this promising environmentally friendly material during the year resulted in the creation of Ashera Wood, a sturdy wood substitute ideal for exterior applications, such as public spaces.

The UIEP Company utilized ¥5,736 million for R&D expenses in fiscal year 2009.

(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 company's R&D in electronics materials produced a variety of new products released during the year. The launch of the new series of Protect Tape surface protection tapes for LCD optical film generated a sharp increase in sales while other new products, including double-sided transparent tape for mobile phones and retardation film, also contributed to the sales growth. The company also continued developing products for semiconductor applications, with a main focus on packaging adhesion materials.

In energy-related materials, which the company views as a future growth field, the HPP Company released new photovoltaic panel sealant film products and continued developing new materials for the rapidly advancing energy field, including core materials and products related to LEDs, which are emerging as the next-generation in energy efficient lighting.

In the automotive materials field, we broadened the applications for the high-performance Exseal water sealant and expanded our offerings of highly-functional films, including interlayer films with sound and heat insulation properties.

R&D in the medical field led to the marketing of several new products during the year, including Rapid-Tester™RSV-Adeno, the world's first diagnostic drug to provide simultaneously evaluation for respiratory syncytial virus (RSV) and adenovirus; Nanopia™KL-6 Eisai, an automated clinical chemistry analyzer for the interstitial pneumonia indicator KL-6, which can be produced in reaction to antibody drugs; and Clinichip®HPV, Japan's first genotyping chip system for human papillomavirus, which has been identified as a risk factor for cancer.

The HPP Company utilized ¥10,730 million for R&D expenses in fiscal year 2009.

(4) Other Businesses

The R&D center 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 IM Project is developing applications for customers in the substrate packaging field to broaden the business for the company's IT materials. The Development Center is developing unique materials for the rapidly expanding environment and energy-related fields, and currently has several new materials distributed to clients for trial assessment.

Other Businesses utilized ¥3,562 million for R&D expenses in fiscal year 2009.

R&D Human Resources and Benefits

The Sekisui 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 2009, the creation of a dry silver X-ray film binder with applications in the medical field was recognized as a third-class invention, and the inventor was presented with awards and benefits.

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, 31 people held specialist positions.

The Sekisui Group introduced the "Monozukuri" Master position in fiscal year 2009 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. As of July 2009, three people held Monozukuri Master positions.

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 Sekisui Group's growth and revenue and contributes to optimizing corporate value. An intellectual property strategy is vital to maximizing the Group's technological prominence. In the Principles on Intellectual Property formulated in March 2005, the Group clearly stated that the objectives of our intellectual property management are to contribute to our business growth and to increase our corporate value by encouraging the creation, protection, and utilization of intellectual property, which is to 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.

In March 2009, we adopted a new company-wide Intellectual Property Management Medium-term Plan. 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. Accumulating highly beneficial patents related to the product development processes is vital to ensuring the ongoing business success and growth. In fiscal year 2010, the second year of the plan, we are initiating two programs—intellectual property badges and an intellectual property education program—with the objective of further enhancing awareness of the importance of intellection property in our development activities.

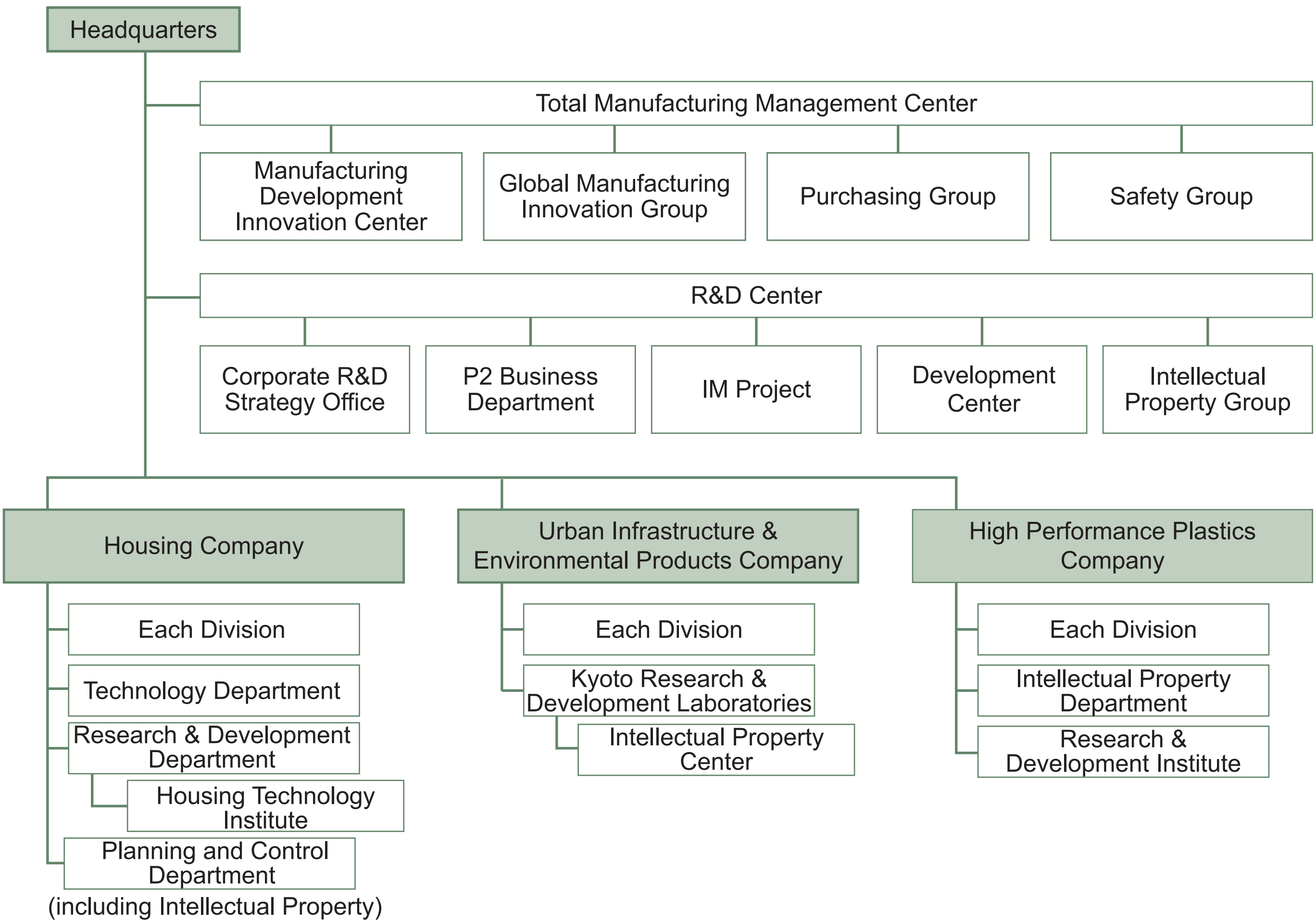
Framework for Promoting the Intellectual Property Strategy and Major Activities

The Group advances a uniform intellectual property strategy through intellectual property divisions at the headquarters and each division Company that covers 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 and direction 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, 2010)

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
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
Hokkaido Sekisui Heim Industry Co., Ltd.	Japan	JPY100 million	100.0%	Production and sale of materials for unit housing
Tohoku Sekisui Heim Industry Co., Ltd.	Japan	JPY100 million	100.0%	Production and sale of materials for unit housing
Kanto Sekisui Heim Industry Co., Ltd.	Japan	JPY100 million	100.0%	Production and sale of materials for unit housing
Tokyo Sekisui Heim Industry Co., Ltd.	Japan	JPY300 million	100.0%	Production and sale of materials for unit housing
Chubu Sekisui Heim Industry Co., Ltd.	Japan	JPY100 million	100.0%	Production and sale of materials for unit housing

* Ratio of voting rights is rounded down to one decimal place.

CONSOLIDATED SUBSIDIARIES		Capital	Ratio of Voting Rights*	Activities
Kinki Sekisui Heim Industry Co., Ltd.	Japan	JPY300 million	100.0%	Production and sale of materials for unit housing
Chushikoku Sekisui Heim Industry Co., Ltd.	Japan	JPY100 million	100.0%	Production and sale of materials for unit housing
Kyusyu Sekisui Heim 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	80.1%	Construction of plant facilites, production, sale and construction of water environment systems (panel tanks, etc.) for industrial facilities
Sekisui Aqua Tec Co., Ltd.	Japan	JPY50 million	80.1%	Sale of panel tanks and maintenance of water storage facilities
Sekisui Home Techno Co., Ltd.	Japan	JPY360 million	100.0%	Development, construction and sale of housing construction equipment
Vantec Co., Ltd.	Japan	JPY100 million	100.0%	Sale of piping materials
Vantec Shoji Co., Ltd.	Japan	JPY20 million	100.0%	Sale of synthetic resin products
Sekisui Chemical Hokkaido Co., Ltd.	Japan	JPY200 million	100.0%	Production, processing and sale of synthetic resin products and construction materials
Toto Sekisui Co., Ltd.	Japan	JPY50 million	100.0%	Production, processing and sale of synthetic resin products
Chiba Sekisui Industry Co., Ltd.	Japan	JPY450 million	100.0%	Contracted manufacture of piping materials
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 synthetic resin products
Kyushu Sekisui Industry Co., Ltd.	Japan	JPY130 million	100.0%	Manufacture, processing and sale of synthetic resin products
Sekisui Roof System Co., Ltd.	Japan	JPY100 million	100.0%	Development, production and sale of roofing materials
Kyushu Sekisui Kenzai Co., Ltd.	Japan	JPY40 million	100.0%	Sale of rain gutters
Sekisui Roof Tech Co., Ltd.	Japan	JPY10 million	100.0%	After-sale maintenance of roofing materials
Ryuseki Jubi Co., Ltd.	Japan	JPY40 million	100.0%	Production and processing of synthetic resin products
Hokkaido Sekisui Shoji Co., Ltd.	Japan	JPY32.5 million	100.0%	Sale of synthetic resin products
Tohoku Sekisui Shoji Co., Ltd.	Japan	JPY30 million	100.0%	Sale of synthetic resin products
Tokyo Sekisui Shoji Co., Ltd.	Japan	JPY150 million	100.0%	Sale of synthetic resin products
Chubu Sekisui Shoji Co., Ltd.	Japan	JPY30 million	100.0%	Sale of synthetic resin products
Kinki Sekisui Shoji Co., Ltd.	Japan	JPY70 million	100.0%	Sale of synthetic resin products
Chu-Shikoku Sekisui Shoji Co., Ltd.	Japan	JPY30 million	100.0%	Sale of synthetic resin products
Sanin Sekisui Shoji Co., Ltd.	Japan	JPY30 million	100.0%	Sale of synthetic resin products
Watanabe Sansho Co., Ltd.	Japan	JPY45.1 million	83.7%	Sale and processing of synthetic resin pipes, 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
Nippon No-Dig Technology Co., Ltd.	Japan	JPY60 million	100.0%	Construction and equipment rental for civil engineering projects

CONSOLIDATED SUBSIDIARIES		Capital	Ratio of Voting Rights*	Activities
Ritto Sekisui Industry Co., Ltd.	Japan	JPY10 million	100.0%	Production and sale of synthetic resin pipes and joints
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 SPR method pipeline renewal
Heitkamp, Inc.	U.S.	USD10 thousand	100.0%	Maintenance of water supply and sewerage facilities / Pipeline renewal business / Pipeline survey
Sekisui SPR Europe G.m.b.H.	Germany	EUR11,500 thousand	75.0%	Pipeline renewal business (pipeline renewal process development, production, distribution of piping materials, renewal construction)
Eslon B.V.	Netherlands	EUR1,000.3 thousand	100.0%	Production and sale of PVC rain gutters and other building materials
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%	Production 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%	Production and sale of reinforced plastic pipe (FRPM pipe) and synthetic wood (FFU)
Wuxi SSS-Diamond Plastics Co., Ltd.	China	RMB33,106.8 thousand	51.0%	Production of polyethylene electrofusion fittings (EF fittings)
Sekisui (Qingdao) Plastic Co., Ltd.	China	RMB70,904.2 thousand	100.0%	Production and sale of high-performance plastic pipe for water supply
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 molded synthetic resin products
Sekisui Film Co., Ltd.	Japan	JPY350 million	100.0%	Production, processing and sale of polyethylene tubes and films
Sekisui Film Kyushu Co., Ltd.	Japan	JPY50 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
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 Techno Shoji Higashi Nihon Co., Ltd.	Japan	JPY50 million	100.0%	Sale of synthetic resin products
Sekisui Techno Shoji Nishi Nihon Co., Ltd.	Japan	JPY50 million	100.0%	Sale of synthetic resin products
Sekisui Polymatech Co., Ltd.	Japan	JPY50 million	100.0%	Processing and sale of plastic films and foam plastic products
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

CONSOLIDATED SUBSIDIARIES		Capital	Ratio of Voting Rights*	Activities
Sekisui Amagasaki Kako Co., Ltd.	Japan	JPY20 million	100.0%	Production and processing of synthetic resin products
Naseki Seimitsukako Co., Ltd.	Japan	JPY10 million	100.0%	Production and processing of molded synthetic resin products
Sekisui TA Industries, LLC.	U.S.	USD7,000 thousand	100.0%	Production and sale of adhesive tapes
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 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
American Dianostica Inc.	U.S.	USD31.7 thousand	100.0%	Development, manufacture and sales of diagnostic reagents specializing in the blood coagulation field
Sekisui Specialty Chemicals America, LLC.	U.S.	USD107,000 thousand	100.0%	Development, production and sale of PVA resin
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 Alveo Representative Ltda.	Brasil	BRL387.2 thousand	100.0%	Sale of polyolefin foam products
Sekisui Alveo AG	Switzerland	CHF21,000 thousand	100.0%	Sale of polyolefin foam products
Sekisui Alveo Ltd.	U.K.	GBP7,100 thousand	100.0%	Production of polyolefin foam products
Sekisui-Alveo B.V.	Netherlands	EUR1,361 thousand	100.0%	Production of polyolefin foam products
Sekisui Alveo G.m.b.H.	Germany	EUR26 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 S.A.	Spain	EUR60 thousand	100.0%	Sale of polyolefin foam products
Sekisui Alveo S.r.L.	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
Polymer-Tec G.m.b.H.*1	Germany	EUR25 thousand	100.0%	Production and sale of non-crosslinked polyethylene foam
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 Specialty Chemicals Europe, S.L.	Spain	EUR18,000 thousand	100.0%	Production and sale of PVA resin
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
Muhan Co., Ltd.	Korea	KRW300million	33.9%	Processing and sale of polyolefin foam products
Sekisui High Performance Packaging (Langfang) Co., Ltd.	China	RMB15,726.4 thousand	100.0%	Production of adhesive tapes
YoungBo HPP (Langfang) Co., Ltd.	China	KRW51,857 thousand	52.3%	Production and sale of polyolefin foam products

*1 Polymer-Tec G.m.b.H. changed its name to Sekisui Alveo BS G.m.b.H. as of July 1, 2010.

CONSOLIDATED SUBSIDIARIES		Capital	Ratio of Voting Rights*	Activities
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
Sekisui Medical Technology (China) Ltd.	China	RMB96,671 thousand	100.0%	Production and sale of medical equipment
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, Ltd.	Japan	JPY450 million	100.0%	Production, processing and sale of synthetic resin products
Sekisui Engineering Co., Ltd.	Japan	JPY80 million	100.0%	Factory automation system construction
Hinomaru Co., Ltd.	Japan	JPY672.5 million	88.9%	Sales of fertilizers, agricultural materials and synthetic 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 Insurance Service Co., Ltd.	Japan	JPY30 million	100.0%	Agent for life and non-life insurance
Sekisui Accounting Center Co., Ltd.	Japan	JPY20 million	100.0%	Accounting and finance services / Financing services for affiliated companies
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

EQUITY METHOD AFFILIATES		Capital	Ratio of Voting Rights*
Sekisui Plastics Co., Ltd.	Japan	JPY16,533 million	21.7%
Sekisui Jushi Corp.	Japan	JPY12,334 million	23.9%
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 (As of March 31, 2010)

Sekisui Chemical Co., Ltd.

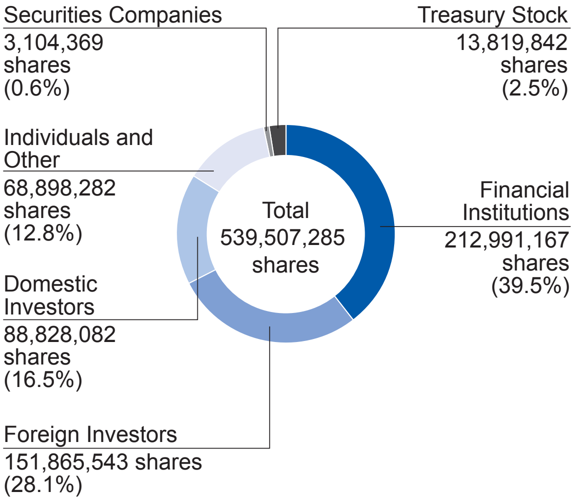
Head Office:	4-4, Nishitenma 2-chome, Kita-ku, Osaka
Tokyo Head Office:	3-17, Toranomon 2-chome, Minato-ku, Tokyo
Founded:	March 3, 1947
Fiscal Year:	Ended March 31
Paid-in Capital:	¥100,002,375,657
Authorized:	1,187,540,000 shares
Issued:	539,507,285 shares
Listings:	Common stock listed on the Tokyo Stock Exchange and the Osaka Securities Exchange
Number of Shareholders:	25,203
Manager of the Register of shareholders:	Mitsubishi UFJ Trust and Banking Corporation
Transfer Agency:	Mitsubishi UFJ Trust and Banking Corporation Osaka Corporate Agency Division 6-3, Fushimimachi 3-Chome, Chuo-ku Osaka-shi, Osaka 541-8502

Major Shareholders:

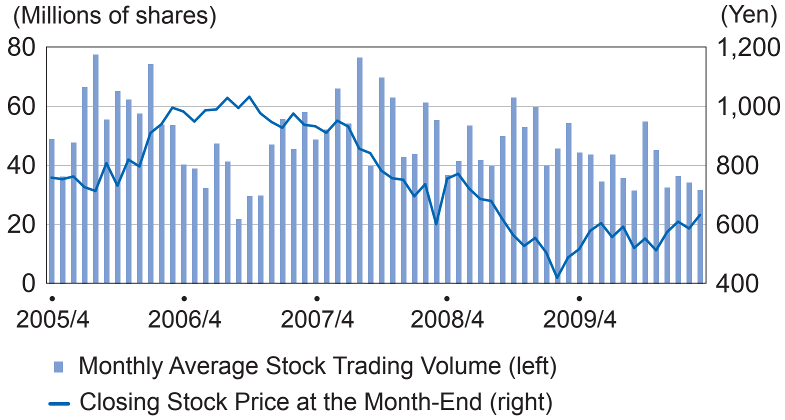
Name of shareholder	State of investments		The Company's investments in these companies	
	Number of Shares Held (Thousands)	Percentage of Ownership (%)	Number of Shares Held (Thousands)	Percentage of Ownership (%)
Asahi Kasei Corporation	31,039	5.90	1,716	0.12
Japan Trustee Services Bank, Ltd. (Trust Account)	30,386	5.78	—	—
The Master Trust Bank of Japan, Ltd. (Trust Account)	26,791	5.09	—	—
The Dai-ichi Life Insurance Company	26,181	4.98	—	—
Sekisui House, Ltd.	25,592	4.86	72,168	10.66
The Chase Manhattan Bank, NA London (SL omnibus account)	20,267	3.85	—	—
Japan Trustee Services Bank, Ltd. (Trust Account 9)	18,706	3.55	—	—
Tokio Marine & Nichido Fire Insurance Co., Ltd.	15,927	3.02	—	—
State Street Bank and Trust Company 505223	9,598	1.82	—	—
Employees Stock Ownership Plan	9,498	1.80	—	—

Note: 1. Sekisui Chemical Co., Ltd. holds 13,819 thousand shares of treasury stock.
2. The shareholding ratio is calculated after subtracting the treasury stock from the total number of outstanding shares.
3. The Dai-ichi Life Insurance Company, Limited, was changed from a mutual life insurance company (The Dai-ichi Mutual Life Insurance Company) to a joint stock corporation on April 1, 2010.

Breakdown of Shareholders:



Sekisui Chemical Stock Price and Trading Volume



	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	**FY2009**
Additional information							
(Sekisui Chemical Co., Ltd.):							
Price range of common stock (yen)							
High	¥ 724	¥ 930	¥1,017	¥1,094	¥1,006	¥ 821	**¥ 645**
Low	268	621	653	855	570	372	**464**
Market value (billions of yen)	383.6	420.3	537.9	506.6	325.3	264.4	**342.0**

CORPORATE HISTORY

Mar. 1947	Sekisui Industry Co., Ltd. formed as a general plastics company by former employees of Nippon Chisso Hiryo K.K. (currently Chisso Corporation)
Jan. 1948	Nara Plant (currently Nara Control Center) opened, started the first plastic automatic injection molding business in Japan
Jan. 1948	Changed the name to Sekisui Chemical Co., Ltd.
Mar. 1953	Listed on the Osaka Securities Exchange (currently Osaka Securities Exchange Co., Ltd.)
Jul. 1953	Amagasaki Plant opened, began manufacture of plastic tape
Sep. 1953	Tokyo Plant opened, began manufacture of molded plastic products
Apr. 1954	Listed on the Tokyo Stock Exchange (currently Tokyo Stock Exchange Group, Inc.)
Jun. 1956	Central Research Laboratory (currently Research & Development Institute) established
Aug. 1960	Shiga Ritto Plant opened, began manufacture of PVC pipe and PVC building materials
Nov. 1960	Shiga Minakuchi Plant opened, began manufacture of polyvinyl butyral and interlayer film
Jul. 1962	Musashi Plant opened, began manufacture of plastic tape and PVC tape
Jan. 1964	Tokuyama Sekisui Industry Co., Ltd. (currently a consolidated subsidiary) established and began manufacture of PVC resins
Feb. 1971	Entered the housing business with the launch of steel frame unit housing “Heim”
Oct. 1971	Naseki Industry Co., Ltd. (currently Kinki Sekisui Heim Industry Co., Ltd., consolidated subsidiary) established and began manufacture of unit housing
Mar. 1972	3S (San-es) Heim Manufacturing Co., Ltd. (currently Tokyo Sekisui Heim Industry Co., Ltd., consolidated subsidiary) established and began manufacture of unit housing
May 1977	Introduction of a new divisional head office system
Mar. 1982	Launch of wooden frame unit housing “Two-U Home”
Apr. 1982	Gunma Plant opened, began manufacture of PVC pipe and exterior paneling for unit construction housing
Dec. 1983	Sekisui America Corporation (currently a consolidated subsidiary) established
Jul. 1987	Applied Electronics Research Center (currently Development Center, R&D Center) established
Sep. 1990	Housing Research & Development Institute (currently Housing Technology Institute) established in the Housing Division (currently Housing Company)
Apr. 1992	Kyoto Technology Center (currently Kyoto R&D Laboratory) established
Aug. 1997	Komatsu Kasei Co., Ltd. (currently Vantec Co., Ltd., consolidated subsidiary) acquired to strengthen pipe business
Jan. 2000	Hinomaru Co., Ltd. (currently a consolidated subsidiary) acquired to strengthen operations in the Kyushu region
Mar. 2000	Seven divisions combined into three: Housing Division, Urban Infrastructure & Environmental Products Division, and High Performance Plastics Division; New Business Headquarters established
Oct. 2000	Housing sales system reorganized, with the Tokyo and Kinki regional sales companies overseeing local regional sales networks
Mar. 2001	New “company” system introduced, renaming the Housing, Urban Infrastructure & Environmental Products, and High Performance Plastics Divisions as the Housing Company, Urban Infrastructure & Environmental Products Company, and High Performance Plastics Company
Apr. 2002	Head office functions reorganized into 7 departments
Apr. 2003	Chugoku region housing business sales structure reorganized, Sekisui Heim Chugoku Co., Ltd., (currently Sekisui Heim Chushikoku Co., Ltd., consolidated subsidiary) established
Apr. 2003	Youngbo Chemical Co., Ltd. (listed on the Korea Exchange, consolidated subsidiary) acquired, strengthening global competitiveness
Aug. 2004	Tohoku region housing business sales structure reorganized, Sekisui Heim Tohoku Co., Ltd. (currently a consolidated subsidiary) established
Jul. 2005	Kyushu region housing business sales structure reorganized, Sekisui Heim Kyushu Co., Ltd. (currently a consolidated subsidiary) established
Oct. 2006	Daiichi Pure Chemicals Co., Ltd. (currently Sekisui Medical Co., Ltd.) acquired to strengthen the medical business of the High Performance Plastics Company
Jan. 2007	Head office functions reorganized into 6 departments, and CSR department established
Jul. 2007	Tokyo, Chubu and Kinki region housing business sales structures reorganized, Tokyo Sekisui Heim Co., Ltd., Sekisui Heim Chubu Co., Ltd. and Sekisui Heim Kinki Co., Ltd. established
Apr. 2008	Introduction of the Corporate Officer System
Aug. 2008	Chugoku and Shikoku region housing business sales structures reorganized, Sekisui Heim Chushikoku Co., Ltd. established
Jul. 2009	Polyvinyl alcohol resin business acquired from group companies of the Celanese Corporation chemical company of the United States, stable raw material supply structure for the interlayer film for laminated glass business established

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Financial Highlights (6 years)

Millions of yen

	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009
Achievement Transition						
Net Sales	856,935	885,067	926,163	958,674	934,225	858,514
Operating Income	36,445	40,287	45,157	43,005	33,589	35,955
Ordinary Income	37,986	43,801	46,910	38,547	29,438	31,076
Net Income	22,286	20,229	25,538	24,300	1,013	11,627
Operating Income Ratio (%)	4.3	4.6	4.9	4.5	3.6	4.2
Assets, Liabilities and Equity						
Total Assets	748,798	808,357	879,153	782,859	756,450	787,261
Shareholders' Equity	317,857	387,458	413,141	368,919	330,721	351,706
Shareholders' Equity to Total Assets (%)	41.4	46.7	45.9	45.8	42.6	43.4
Current Ratio (%)	105.1	114.3	99.9	117.0	109.4	120.4
Fixed Ratio (%)	148.9	130.9	133.2	122.7	132.3	129.7
Interest-bearing Debt	119,542	94,607	111,283	92,097	129,406	133,085
Debt/Equity Ratio (%)	38.5	25.1	27.6	25.7	40.2	38.9
Total Assets Turnover (Times)	1.14	1.14	1.10	1.15	1.21	1.11
Inventory Turnover (Times)	10.16	9.69	9.07	8.50	7.91	7.56
Tangible Fixed Assets Turnover (Times)	3.66	3.89	3.93	3.92	3.87	3.46
Cash Flow						
Net cash provided by operating activities	48,694	38,268	41,929	31,782	35,611	74,983
Net cash provided by (used in) investing activities	(1,605)	14,847	(59,100)	13,521	(35,403)	(55,496)
Net cash provided by (used in) financing activities	(38,996)	(41,421)	(2,484)	(42,801)	13,889	(5,749)
Free Cash Flow	42,066	47,566	(23,804)	37,197	(7,787)	15,126
Capital Expenditures, Depreciation and R&D Expenditures						
Capital Expenditures, Depreciation and R&D Expenses	25,820	28,348	36,337	31,267	34,539	44,049
Depreciation and Amortization	26,344	25,536	26,045	30,503	36,529	34,525
R&D Expenditures	22,974	23,077	24,451	25,739	25,420	24,010
R&D Expenditures to Revenues (%)	2.68	2.61	2.64	2.68	2.72	2.80
Per Share Data						
Net Assets per Share (Yen)	582.42	711.54	761.69	683.11	612.93	651.08
Net Income per Share (Yen)	41.48	37.78	48.19	46.16	1.93	22.13
Dividends per Share (Yen)	10.00	11.00	14.00	15.00	10.00	10.00
Dividends Payout Ratio (%)	24.1	29.1	29.1	32.5	518.7	45.2
Other Data						
Return on Equity (%)	7.4	5.9	6.5	6.4	0.3	3.5
Return on Total Assets (%)	5.1	5.6	5.6	4.6	3.8	4.0
EBITDA	62,789	65,823	71,202	73,508	70,118	70,480
Interest Coverage Ratio (Times)	15.2	20.6	27.3	21.9	14.8	15.2
PER (%)	18.78	26.39	19.49	13.06	253.89	28.65
Number of Employees	17,002	17,966	18,905	18,907	19,742	19,761
Net Sales per Employee (Ten thousands of yen)	5,042	5,062	5,023	5,070	4,834	4,346

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

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

Consolidated Financial Statements

Consolidated Balance Sheets

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
March 31, 2010 and 2009

	Millions of yen	
	2010	2009
Assets		
Current assets:		
Cash and deposits (Notes 16 and 18)	¥ 45,175	¥ 40,842
Notes receivable (Note 18)	39,783	44,435
Accounts receivable (Note 18)	106,739	97,950
Marketable securities (Notes 4 and 18)	20,001	1
Merchandise and finished goods	40,197	44,333
Land for sale	16,822	23,808
Work in process	31,645	32,716
Raw materials and supplies	18,536	19,161
Advance payments	759	1,066
Prepaid expenses	2,393	1,967
Deferred income taxes (Note 9)	9,715	8,338
Short-term loans	691	1,395
Other current assets	12,049	15,390
Allowance for doubtful accounts	(986)	(887)
Total current assets	343,524	330,521
Non-current assets:		
Property, plant and equipment, net (Notes 6, 7 and 14):		
Buildings and structures	89,395	82,743
Machinery, equipment and vehicles	66,940	60,788
Land	69,314	67,674
Leased assets	8,044	9,416
Construction in progress	17,918	11,630
Other	5,371	6,576
Total property, plant and equipment, net	256,985	238,830
Intangible assets:		
Goodwill (Note 14)	22,909	25,645
Software	4,180	4,227
Leased assets	263	354
Other	6,426	3,538
Total intangible assets	33,780	33,766
Investments and other assets:		
Investments in securities (Notes 4 and 18)	116,582	109,923
Long-term loans	793	593
Long-term prepaid expenses	1,244	1,404
Deferred income taxes (Note 9)	25,191	31,834
Other	11,093	10,366
Allowance for doubtful accounts	(1,934)	(790)
Total investments and other assets	152,970	153,332
Total non-current assets	443,736	425,929
Total assets	¥ 787,261	¥ 756,450

	Millions of yen	
	2010	2009
Liabilities		
Current liabilities:		
Current liabilities;		
Notes payable (Notes 6 and 18)	¥ 8,783	¥ 11,469
Accounts payable (Notes 6 and 18)	113,181	107,327
Short-term debt and current portion of long-term debt (Note 6 and 18)	28,001	32,446
Commercial paper (Note 6)	—	20,000
Bonds redeemable within one year (Notes 6 and 18)	10,000	5,365
Lease obligations (Note 7)	3,627	4,431
Accrued surcharge	—	7,965
Accrued expenses	25,119	24,649
Accrued income and other taxes	8,342	6,297
Deferred income taxes (Note 9)	123	147
Allowance for employees' bonuses	13,188	12,809
Allowance for directors' bonuses	227	160
Provision for compensation for completed construction	1,286	1,010
Advances received	37,812	33,474
Other	35,580	34,478
Total current liabilities	285,275	302,033
Long-term liabilities:		
Long-term liabilities		
Bonds less current maturities (Notes 6 and 18)	10,000	10,000
Long-term debt less current portion (Notes 6 and 18)	76,761	51,811
Lease obligations (Note 7)	4,694	5,353
Deferred income taxes (Note 9)	4,397	2,952
Accrued retirement benefits (Note 8)	48,608	48,195
Other	5,816	5,382
Total long-term liabilities	150,279	123,695
Total liabilities	435,554	425,729
Net assets		
Shareholders' equity (Note 10) :		
Shareholders' equity;		
Common stock	100,002	100,002
Capital surplus	109,307	109,307
Retained earnings	154,353	146,931
Treasury stock, at cost	(10,839)	(10,833)
Total shareholders' equity	352,823	345,408
Valuation and translation adjustments:		
Valuation and translation adjustments;		
Unrealized holding loss on securities	(1,037)	(11,227)
Deferred gain on hedges	74	7
Unrealized gain on land revaluation (Note 11)	199	224
Translation adjustments	(10,017)	(12,411)
Total valuation and translation adjustments:	(10,781)	(23,408)
Stock acquisition rights	503	386
Minority interests	9,160	8,334
Total net assets	351,706	330,721
Total liabilities and net assets	¥ 787,261	¥ 756,450

See accompanying notes to consolidated financial statements

Consolidated Statements of Income

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

	Millions of yen	
	2010	2009
Net sales (Notes 17 and 21)	¥ 858,514	¥ 934,225
Cost of sales	606,123	680,446
Gross profit	252,390	253,779
Selling, general and administrative expenses (Note 13)	216,434	220,189
Operating income (Note 21)	35,955	33,589
Non-operating income:		
Interest income	790	1,230
Dividends income	2,021	2,268
Equity in earnings of affiliates	1,498	1,409
Miscellaneous income	2,986	2,454
Total non-operating income	7,295	7,363
Non-operating expenses:		
Interest expenses	2,253	2,480
Interest on commercial papers	27	31
Sales discounts	277	312
Foreign exchange loss	998	2,616
Miscellaneous expenses	8,619	6,073
Total non-operating expenses	12,175	11,513
Ordinary income	31,076	29,438
Extraordinary income:		
Gain on sales of property, plant and equipment	1,015	687
Total extraordinary income	1,015	687
Extraordinary loss:		
Loss on impairment of fixed assets and goodwill (Note 14)	3,456	70
Reorganization costs (Note 15)	2,302	4,257
Surcharge	—	7,965
Loss on devaluation of investments in securities	—	2,782
Loss on devaluation of investments in an unconsolidated subsidiary and an affiliate	—	453
Loss on sales or disposal of property, plant and equipment	2,988	1,753
Total extraordinary loss	8,747	17,283
Income before income taxes and minority interests	23,344	12,842
Income taxes (Note 9):		
Current	11,510	9,029
Deferred	(1,000)	2,485
Total Income taxes	10,509	11,515
Minority interests	1,207	313
Net income	¥ 11,627	¥ 1,013

See accompanying notes to consolidated financial statements

Consolidated Statements of Changes in Net Assets

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

	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, 2008	¥100,002	¥109,367	¥154,073	¥(10,844)	¥ (933)	¥ -	¥217	¥ 7,033	¥237	¥9,764	¥368,919
Effect of changes in accounting policies applied to foreign subsidiaries	-	-	(42)	-	-	-	-	-	-	-	(42)
Cash dividends	-	-	(7,887)	-	-	-	-	-	-	-	(7,887)
Net income for the year	-	-	1,013	-	-	-	-	-	-	-	1,013
Decrease in retained earnings resulting from inclusion of subsidiaries in consolidation	-	-	(226)	-	-	-	-	-	-	-	(226)
Increase in treasury stock	-	-	-	(150)	-	-	-	-	-	-	(150)
Gain on sales of treasury stock	-	(59)	-	161	-	-	-	-	-	-	102
Net changes of items other than shareholders' equity	-	-	-	-	(10,294)	7	6	(19,445)	149	(1,430)	(31,006)
Total changes of items during the year	-	(59)	(7,100)	10	(10,294)	7	6	(19,445)	149	(1,430)	(38,155)
Balance at March 31, 2009	100,002	109,307	146,931	(10,833)	(11,227)	7	224	(12,411)	386	8,334	330,721
Cash dividends	-	-	(4,205)	-	-	-	-	-	-	-	(4,205)
Net income for the year	-	-	11,627	-	-	-	-	-	-	-	11,627
Increase in retained earnings resulting from inclusion of subsidiaries in consolidation	-	-	0	-	-	-	-	-	-	-	0
Increase in treasury stock	-	-	-	(20)	-	-	-	-	-	-	(20)
Gain on sales of treasury stock	-	(0)	-	14	-	-	-	-	-	-	13
Net changes of items other than shareholders' equity	-	-	-	-	10,190	66	(24)	2,394	117	826	13,569
Total changes of items during the year	-	(0)	7,421	(5)	10,190	66	(24)	2,394	117	826	20,985
Balance at March 31, 2010	¥100,002	¥109,307	¥154,353	¥(10,839)	¥ (1,037)	¥74	¥199	¥(10,017)	¥503	¥9,160	¥351,706

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2010 and 2009

	Millions of yen	
	2010	2009
Operating activities:		
Income before income taxes and minority interests	¥ 23,344	¥ 12,842
Adjustments for:		
Depreciation and amortization	34,525	36,529
Amortization of goodwill	3,083	2,426
Loss on impairment of fixed assets and goodwill	3,456	70
Loss on disposal of fixed assets	2,950	1,642
Increase (decrease) in provision for retirement benefits	387	(5,914)
Interest and dividend income	(2,811)	(3,499)
Interest expenses	2,557	2,823
Equity in earnings of affiliates	(1,498)	(1,409)
(Increase) decrease in notes and accounts receivable	(2,865)	20,363
Decrease (increase) in inventories	13,293	(6,079)
Increase (decrease) in notes and accounts payable	753	(17,363)
Increase (decrease) in advances received	4,332	(733)
Other	6,395	6,766
Subtotal	87,904	48,466
Interest and dividends received	3,257	3,952
Interest paid	(2,546)	(2,711)
Surcharge paid	(7,965)	–
Income taxes refund	4,868	–
Income taxes paid	(10,535)	(14,096)
Net cash provided by operating activities	74,983	35,611
Investing activities:		
Purchases of property, plant and equipment	(37,061)	(25,749)
Proceeds from sales of property, plant and equipment	2,285	1,199
Purchases of investments in securities	(1,389)	(3,876)
Proceeds from sales or redemption of investment in securities	2,056	5,373
Acquisition of investments in subsidiaries resulting in change in scope of consolidation (Note 16)	(2,908)	(9,523)
Acquisition of businesses (Note 16)	(16,288)	–
Acquisition of shares from minority interests in consolidated subsidiaries	(201)	–
Purchase of intangible assets	(1,990)	(1,913)
Other	(0)	(913)
Net cash used in investing activities	(55,496)	(35,403)

Consolidated Statements of Cash Flows（continued）

Financing activities:		
Decrease in short-term debt, net	(9,007)	(493)
Repayments of finance lease obligations	(5,083)	(5,850)
(Decrease) increase in commercial paper	(20,000)	20,000
Proceeds from long-term debt	32,545	15,592
Repayment of long-term debt	(4,419)	(7,299)
Proceeds from issuance of bonds	10,000	–
Payment for redemption of bonds	(5,382)	–
Cash dividends paid	(4,209)	(7,885)
Cash dividends paid to minority shareholders of consolidated subsidiaries	(152)	(110)
Other	(40)	(63)
Net cash (used in) provided by financing activities	(5,749)	13,889
Effect of exchange rate change on cash and cash equivalents	602	(3,825)
Net increase in cash and cash equivalents	14,339	10,271
Cash and cash equivalents at beginning of year	40,488	29,852
Increase in cash and cash equivalents from initial consolidated subsidiary	28	363
Cash and cash equivalents at end of year (Note 16)	¥ 54,855	¥ 40,488

See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements

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

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

Certain reclassifications of previously reported amounts were made to conform the consolidated financial statements for the year ended March 31, 2009 to the 2010 presentation. Such reclassifications had no effect on consolidated net income or net assets.

As permitted by the Financial Instruments and Exchange Law of Japan, amounts of less than one million yen for the years ended March 31, 2010 and 2009 have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements for the years ended March 31, 2010 and 2009 do not necessarily agree with the sum of the individual amounts.

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

At March 31, 2010, the Company had 193 subsidiaries as opposed to 194 at March 31, 2009. The accompanying consolidated financial statements for the years ended March 31, 2010 and 2009 include the accounts of the Company and its 153 and 150 significant subsidiaries, respectively.

The accounts of the remaining 40 and 44 subsidiaries have not been consolidated with those of the Company at March 31, 2010 and 2009, respectively, because their combined assets, retained earnings, net sales and net income (loss) in the aggregate were not material to the consolidated financial statements.

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

Unrealized intercompany profit and loss among the Company and its consolidated subsidiaries have been entirely eliminated and the portion attributable to minority interests has been charged to minority interests.

At March 31, 2010 and 2009, although the Company had 40 and 44 unconsolidated subsidiaries, respectively, and 17 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.

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

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

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

(10) Allowance for 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.

(11) Accrued Retirement Benefits
The Company and the domestic consolidated subsidiaries have non-contributory defined benefit pension plans and retirement benefit plans. Certain overseas consolidated subsidiaries have defined contribution retirement plans.

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

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

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

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

(12) Recognition of Revenue and Related Costs
Up to the year ended March 31, 2009, revenues and costs of construction contracts were recognized by the completed-contract method, in principle. Effective the year ended March 31, 2010, revenues and costs of construction contracts, of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. To estimate the progress of such construction projects, the Company measures the percentage of completion by comparing costs incurred to date with the most recent estimate of total costs required to complete the project (cost to cost basis). If a reliable estimate cannot be made, revenues and costs of construction contract are recognized by the completed-contract method.

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

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

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

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

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

3. Changes in Method of Accounting

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

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

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

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

(3) Accounting Policies Applied to Foreign Subsidiaries
Effective the year ended March 31, 2009, the Company and its oveseas consolidated subsidiaries adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (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.

(4) 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) were 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 and ordinary income increased by ¥237 million and 144 million, and income before income taxes and minority interests decreased by ¥1 million for the year ended March 31, 2009 from the corresponding amounts which would be 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 sheets at March 31, 2010 and 2009, for which acquisition value was the aggregate future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2008.

4. Investments in Securities

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

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

(2) Other securities with available fair market value at March 31, 2010 and 2009 are summarized as follows:

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

	Millions of yen			
	2009			
	Cost	Carrying value	Gross unrealized gain	Gross unrealized loss
Equity securities	¥ 5,290	¥ 8,661	¥ 3,371	¥ -
	79,653	57,566	-	(22,086)
Bonds and debentures	25	25	-	-
	¥ 84,968	¥ 66,253	¥ 3,371	¥(22,086)

Because no quoted market prices are available and it is extremely difficult to determine the fair value, the financial instruments of ¥4,309 million and ¥4,143 million at March 31, 2010 and 2009, respectively, are not included in the above table.

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

(3) The proceeds from sales of, and gross realized gain and loss on, other securities for the years ended March 31, 2010 and 2009 are summarized as follows:

	Millions of yen	
	2010	2009
Proceeds from sales	¥371	¥458
Gross realized gain	52	3
Gross realized loss	(18)	(10)

5. Accumulated Depreciation

Property, plant and equipment, net reflected in the accompanying consolidated balance sheets were stated at cost, less accumulated depreciation. Accumulated depreciation at March 31, 2010 and 2009 amounted to ¥467,588 million and ¥453,607 million, respectively.

6. 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, 2010 and 2009 were 1.47% and 2.18%, respectively.

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

(3) Bonds outstanding at March 31, 2010 and 2009 were as follows:

	Millions of yen	
	2010	2009
4.80% bonds due July 2009	¥ -	¥ 365
2.22% bonds due December 2009	-	5,000
2.04% bonds due May 2010	10,000	10,000
1.18% bonds due July 2014	10,000	-
	20,000	15,365
Less current maturities	(10,000)	(5,365)
	¥ 10,000	¥ 10,000

(4) Long-term debt at March 31, 2010 and 2009 was as follows:

	Millions of yen	
	2010	2009
Secured	¥ 2,687	¥ 2,463
Unsecured	81,823	53,445
	84,510	55,909
Less current portion	(7,749)	(4,096)
	¥ 76,761	¥ 51,811

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

The annual maturities of long-term debt for 5 years subsequent to March 31, 2010 are summarized below:

Year ending March 31,	Millions of yen
2011	¥ 7,749
2012	17,672
2013	20,704
2014	20,525
2015	13,339

(5) At March 31, 2010 and 2009, the following assets were pledged as collateral for trade notes and accounts payable, long-term and short-term debt and other:

	Millions of yen	
Assets	2010	2009
Buildings and structures	¥ 2,864	¥ 2,515
Machinery	1,363	793
Land	3,951	3,858
Intangible fixed assets	228	219
Other	3,278	2,178
Total	¥ 11,687	¥ 9,564

	Millions of yen	
Liabilities	2010	2009
Notes payable	¥ 145	¥ 135
Accounts payable	1,741	1,765
Short-term debt	2,985	3,953
Long-term debt	2,687	2,463
Other	-	675
Total	¥ 7,560	¥ 8,993

(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, 2010 and 2009 were as follows:

	Millions of yen	
	2010	2009
Lines of credit	¥19,210	¥10,000
Credit used	-	-
Available credit	¥19,210	¥10,000

7. Lease Obligations

The annual maturities of lease obligations for 5 years subsequent to March 31, 2010 are summarized below:

Year ending March 31,	Millions of yen
2011	¥ 3,627
2012	2,269
2013	1,437
2014	743
2015	192

8. Accrued Retirement Benefits

The following table sets forth the funded and accrued status of the retirement benefit plans for employees and the amounts recognized in the accompanying consolidated balance sheets at at March 31, 2010 and 2009 for the Companies' defined benefit pension plans:

	Millions of yen	
	2010	2009
Retirement benefit obligation at end of year	¥(109,874)	¥(107,097)
Fair value of plan assets at end of year	59,089	48,520
Unfunded retirement benefit obligation	(50,785)	(58,576)
Unrecognized actuarial loss	3,240	11,516
Unrecognized prior service cost	315	339
Net retirement benefit obligation	(47,230)	(46,720)
Prepaid pension cost	2	14
Accrued retirement benefits	¥ (47,233)	¥ (46,734)

At March 31, 2010 and 2009, accrued retirement benefits of ¥48,608 million and ¥48,195 million, respectively, reflected in the accompanying consolidated balance sheets included accrued retirement benefits for officers of ¥1,375 million and ¥1,460 million, respectively.

The components of retirement benefit expenses for the years ended March 31, 2010 and 2009 are outlined as follows:

	Millions of yen	
	2010	2009
Service cost	¥ 8,866	¥ 8,194
Interest cost	2,564	2,489
Expected return on plan assets	(1,702)	(1,935)
Amortization:		
Unrecognized actuarial loss (gain)	937	(1,982)
Prior service cost	41	(2,134)
Retirement benefit expenses	¥10,708	¥ 4,631

In addition to retirement benefit expenses listed above, the Company and domestic consolidated subsidiaries accounted for additional payments of retirement benefits of ¥1,143 million and ¥2,501 million as reorganization costs for the years ended March 31, 2010 and 2009, respectively.

The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2010 and 2009 were as follows:

	2010	2009
Discount rate	2.5%	2.5%
Expected rates of return on plan assets	1.0%〜3.5%	1.0%〜3.5%

9. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries consist of corporation, inhabitants' and enterprise taxes, which, in the aggregate, resulted in a statutory tax rate of approximately 40.4% for the years ended March 31, 2010 and 2009.

The effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2010 and 2009 differ from the above statutory tax rate for the following reasons:

	2010	2009
Statutory tax rate	40.4%	40.4%
Non-deductible expenses	3.8	6.4
Temporary differences arising from consolidation without tax effect	3.4	19.2
Surcharge	-	25.1
Differences in income tax rates applied to overseas consolidated subsidiaries	-	(3.8)
Other	(2.6)	2.4
Effective tax rates	45.0%	89.7%

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, 2010 and 2009 are summarized as follows:

	Millions of yen	
	2010	2009
Deferred tax assets:		
Retirement benefits	¥ 19,613	¥ 19,451
Tax loss carryforwards	9,631	11,735
Accrued bonuses	5,262	5,144
Loss on impairment of fixed assets	4,011	3,164
Loss on devaluation of investments in securities	3,615	3,631
Unrealized gain	3,058	2,902
Unrealized holding loss on securities	673	7,389
Other	8,665	7,491
Valuation allowance	(12,415)	(13,280)
Total deferred tax assets	42,115	47,630
Deferred tax liabilities:		
Revaluation of investments in affiliates	(3,769)	(3,864)
Deferred capital gains on property	(2,286)	(2,113)
Adjustment for allowance for doubtful accounts	(75)	(82)
Other	(5,597)	(4,497)
Total deferred tax liabilities	(11,730)	(10,557)
Net deferred tax assets	¥ 30,385	¥ 37,072

10. Shareholders' Equity

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

Retained earnings include the legal reserve provided in accordance with the provisions of the Law. The legal reserve of the Company included in retained earnings amounted to ¥10,363 million at March 31, 2010 and 2009.

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, 2005.

In accordance with the Law, stock option plans for directors and key employees of the Company and for representative directors, certain directors and key employees of certain subsidiaries and affiliates were approved at the annual general meeting of the shareholders held on June 29, 2006 and June 28, 2007.

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

The stock option plans outlined above are summarized as follows:

Date of approval	Number of stock options outstanding at March 31, 2010	Exercise price at March 31, 2010	Exercisable period
June 29, 2005	942,000	775	From July 1, 2007 up to and including June 30, 2010
June 29, 2006	1,070,000	1,045	From July 1, 2008 up to and including June 30, 2011
June 28, 2007	1,035,000	1,010	From July 1, 2009 up to and including June 30, 2012
June 27, 2008	1,130,000	734	From July 1, 2010 up to and including June 30, 2013
June 26, 2009	1,190,000	579	From July 1, 2011 up to and including June 30, 2014

Common stock and treasury stock

Movements in common stock in issue and treasury stock for the years ended March 31, 2010 and 2009 are summarized as follows:

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

	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

11. Land Revaluation

Sekisui Plastics Co., Ltd., which has been accounted for by the equity method, revalued its land held for business use in accordance with the "Land Revaluation Law" and the "Amended Land Revaluation Law." As a result of this revaluation by Sekisui Plastics Co., Ltd., the Company recognized the portion attributable to the Company's interest in the unrealized gain on land revaluation and this has been accounted for under net assets as unrealized gain on land revaluation of ¥199 million and ¥224 million in the accompanying consolidated balance sheets at March 31, 2010 and 2009, respectively.

12. Contingent Liabilities

Contingent liabilities at March 31, 2010 and 2009 were as follows:

	Millions of yen	
	2010	2009
Guaranteed obligations		
Housing loans of customers	¥ 15,891	¥ 14,062
Housing loans of employees	865	1,113
Loans of unconsolidted subsidiaries and affiliates	280	269

	Millions of yen	
	2010	2009
Notes receivable with recource		
Notes receivable endorsed	¥ 290	¥ 364
Notes receivable discounted	164	384

13. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2010 and 2009 are as follows:

	Millions of yen	
	2010	2009
Research and development costs	¥ 24,010	¥ 25,420

14. Loss on Impairment of Fixed Assets and Goodwill

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

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, 2010, a total impairment loss of ¥2,213 million related to a decline in land prices was recognized, which consisted of ¥2,188 million on land and ¥25 million on structures. The recoverable amounts of the assets (or groups of assets) are measured based on their respective estimated selling value determined by the Companies.

The Company wrote down the book value of goodwill recorded on the acquisition of the pipeline rehabilitation business and medical diagnostic products business in U.S. to the recoverable amounts, as it was estimated that it could no longer expect the income initially projected in its business plan at the acquisition of the equity in the businesses. As such, the Company recorded a loss of ¥983 million as impairment loss. Receoverable amounts were measured by the value in use method based on estimated furture cash flows discounted at rates varyiing from 15% to 16.7%.

15. Reorganization Costs

Reorganization costs for the years ended March 31, 2010 and 2009 are as follows:

	Millions of yen	
	2010	2009
Additional payments of retirement benefits	¥ 1,143	¥ 2,501
Reorganization of subidiaries	811	1,421
Others	348	335
	¥ 2,302	¥ 4,257

16. 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 deposits in the accompanying consolidated balance sheets at March 31, 2010 and 2009 is presented as follows:

	Millions of yen	
	2010	2009
Cash and deposits	¥45,175	¥40,842
Time deposits with maturities in excess of three months	(319)	(354)
Certificate of deposit within three months	10,000	-
Cash and cash equivalents	¥54,855	¥40,488

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

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

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

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

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

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

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 relationship between acquisition cost of the company's stock and net disbursement of acquisition:

	Millions of yen
	2009
Current assets	¥ 806
Non-current assets	1,773
Goodwill	3,168
Current liabilities	(280)
Other	245
Acquisition cost	5,712
Cash and cash equivalents of XenoTech, LLC	(15)
Net disbursement of acquisition	¥ 5,697

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 relationship between acquisition cost of the company's stock and net disbursement of acquisition:

	Millions of yen
	2009
Current assets	¥ 6,305
Non-current assets	3,062
Goodwill	4,455
Current liabilities	(8,559)
Non-current liabilities	(47)
Minority interests	(586)
Other	(264)
Acquisition cost	4,365
Cash and cash equivalents of Sekisui CPT G.m.b.H.	(539)
Net disbursement of acquisition	¥ 3,826

Finance lease obligations of ¥3,969 million and ¥3,476 million were incurred during the years ended March 31, 2010 and 2009, respectively.

17. Related Party Transactions

Principal transactions between the Company's consolidated subsidiaries and their related parties for the years ended March 31, 2010 and 2009 are summarized as follows:

2010

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

2009

Name	Title	Transactions	Millions of yen
Hidemi Uno	Executive officer of the Company	Sales of housing	¥41

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

(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 from the year ended March 31, 2009.

18. Financial Instruments

Overview

(1) Policy for financial instruments
The Companies raise the funds by bank borrowings and bonds, including short-term bonds. The Companies manage funds only through short-term time deposit and others. The Companies use derivatives for the purposes of managing foreign currency exchange risk related to trading receivables and payables and avoiding the risk of fluctuations of interest rates related to debt. The Companies do not enter into derivatives for speculative or trading purposes.

(2) Types of financial instruments and related risk
Trade receivables—notes receivable and accounts receivable—are exposed to credit risk in relation to customers. In addition, the Companies are exposed to foreign currency exchange risk arising from receivables denominated in foreign currencies resulting from trade with overseas customers.

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

(3) Risk management for financial instruments
(a) Monitoring of credit risk (the risk that customers or counterparties may default)
In accordance with the internal policies for managing credit risk of the Companies, the Companies monitor credit worthiness of their main customers periodically, and monitors due dates and outstanding balances by customer.

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

(b) Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)
For equity securities included in investments in securities, the fair values of these securities are periodically reviewed and reported to the Board of Directors.

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

(c) Monitoring of liquidity risk for financing (the risk that the Companies may not be able to meet its obligations on the scheduled due dates)
The Companies manage the liquidity risk mainly through the monthly cash-flow plans, which are prepared by each company.

(4) Supplementary explanation of the estimated fair value of financial instruments
The notional amounts of derivatives listed below are not necessarily indicative of the actual market risk involved in derivative transactions.

Estimated Fair Value of Financial Instruments

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

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

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

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

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

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

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

reasonably estimated interest rate to be applied if similar new loans with a similar remaining period were entered into.

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

Derivatives Transactions
Please refer to Note 19. Derivatives of the notes the consolidated financial statements.

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

As of March 31, 2010	Millions of yen
Unlisted equity securities	¥12,359

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

(3) Redemption schedule for receivables and marketable securities with maturities at March 31, 2010

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

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

(Additional information)

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

19. 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, 2010 and 2009:

1. Derivatives for which hedge accounting is not applied

(1) Currency-related transactions

	Millions of yen					
	2010			2009		
	Notional amount	Fair value	Unrealized gain	Notional amount	Fair value	Unrealized gain
Foreign currency swaps:						
Receive fixed – U.S. dollars/ pay fixed – yen	¥ 2,935	¥384	¥ 384	¥ 3,308	¥260	¥ 260
Receive fixed – Euro/ pay fixed – yen	1,239	128	128	1,594	96	96
Total	¥ 4,174	¥512	¥ 512	¥ 4,902	¥357	¥ 357

Notional amount of receive fixed – U.S. dollars / pay fixed – yen includes a portion over 1 year of ¥1,036 million.

(2) Interest-related transactions

	Millions of yen					
	2010			2009		
	Notional amount	Fair value	Unrealized gain	Notional amount	Fair value	Unrealized gain
Interest-rate swaps:						
Receive/fixed and pay/floating	¥ 10,000	¥ 70	¥ 70	¥ 15,000	¥251	¥ 251
Receive/floating and pay/fixed	10,000	(69)	(69)	15,000	(251)	(251)
Total	¥ 20,000	¥ 0	¥ 0	¥ 30,000	¥ (0)	¥ (0)

2. Derivatives for which hedge accounting is applied

(1) Currency-related transactions

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

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

(2) Interest-related transactions

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

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

20. Amounts Per Share

	Yen	
	2010	2009
Net income:		
Basic	¥ 22.13	¥ 1.93
Diluted	-	1.93
Cash dividends	10.00	10.00
Net assets	651.08	612.93

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 not been disclosed because no potentially dilutive securities were outstanding at March 31, 2010. Diluted net income per share at March 31, 2009 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.

21. Segment Information

The business segment information of the Companies for the years ended March 31, 2010 and 2009 is summarized as follows:

Business Segments

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

	Housing	Urban infrastructure and environ-mental products	High performance plastics	Other	Total	Eliminations or unallocable accounts	Consoli-dated
	Millions of yen						
	2009						
Sales:							
Sales to third parties	¥424,436	¥213,642	¥255,450	¥40,695	¥934,225	¥ -	¥934,225
Intersegment sales or transfer	56	11,577	7,192	5,499	24,325	(24,325)	-
Net sales	424,492	225,219	262,642	46,195	958,550	(24,325)	934,225
Operating expenses	407,358	223,568	246,845	46,870	924,643	(24,007)	900,635
Operating income (loss)	¥ 17,134	¥ 1,650	¥ 15,797	¥ (675)	¥ 33,907	¥ (317)	¥ 33,589
Total assets	¥183,454	¥173,993	¥230,423	¥43,245	¥631,118	¥125,332	¥756,450
Depreciation and amortization	8,728	7,803	17,124	2,251	35,907	621	36,529
Loss on impairment of fixed assets	-	-	70	-	70	-	70
Capital expenditures	6,202	6,233	19,132	1,926	33,495	1,044	34,539

Geographical segment information of the Companies for the year ended March 31, 2010 and 2009 is summarized as follows:

Geographical Segments

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

	Millions of yen							
	2009							
	Japan	United States of America	Europe	Asia	Other	Total	Eliminations or unallocable accounts	Consoli-dated
Sales:								
Sales to third parties	¥805,903	¥33,899	¥42,264	¥46,632	¥5,525	¥934,225	¥ -	¥934,225
Intersegment sales or transfer	29,407	2,083	1,386	3,306	279	36,463	(36,463)	-
Net sales	835,310	35,983	43,650	49,938	5,804	970,688	(36,463)	934,225
Operating expenses	810,170	34,237	40,408	48,267	4,962	938,046	(37,410)	900,635
Operating income	¥ 25,139	¥ 1,745	¥ 3,242	¥ 1,670	¥ 842	¥ 32,641	¥ 947	¥ 33,589
Total assets	¥523,838	¥31,746	¥36,770	¥44,641	¥4,880	¥641,877	¥114,573	¥756,450

Overseas sales for the year ended March 31, 2010 and 2009 were as follows:

Overseas Sales

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

	Millions of yen				
	2009				
	America	Europe	Asia	Other	Total
Overseas sales	¥ 38,985	¥ 47,626	¥ 59,022	¥ 5,961	¥151,596
Consolidated net sales					934,225
Overseas sales as a percentage of consolidated net sales	4.2	5.1	6.3	0.6	16.2

22. Business Combination

(1) Acquisition of stock

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

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

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

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

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

(2) Acquisition of businesses

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

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

Celanese Ltd.

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

Celanese Chemicals Ibérica S.L.

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

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, 2010 and 2009, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended. 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, 2010 and 2009, 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.

Ernst & Young Shin Nihon LLC

Osaka, Japan
June 18, 2010