SEKISUI

OUR TIME TO RISE TO PROMINENCE

ANNUAL REPORT 2012

Year Ended March 31, 2012

SEKISUI CHEMICAL CO., LTD.

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READER’S GUIDE

Sekisui Chemical provides a wide variety of investor relation materials to help shareholders and investors maintain a full understanding of the Company.

As part of its management priority on shareholders and investors, the Company exercises a policy of proactively providing information disclosure. In line with this policy, we actively communicate with stakeholders through regularly scheduled explanatory meetings with analysts and institutional investors, by providing a full range of IR materials for overseas investors and individual investors, and by providing additional information, such as voice recordings of explanatory meetings, on the Company homepage.
Here, we would like to introduce some of the features of the IR materials available on our homepage.

Annual Report

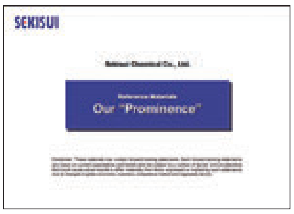
The Sekisui Chemical Annual Report contains a wide range of material, including corporate information and commentary from the company president and the presidents of the three internal divisional companies.

The annual report is composed of three sections: **Operation and Strategy** in which the company and divisional company presidents discuss the previous year results, the outlook for the coming year, and management strategies; **Corporate Information** providing information about the company principle, CSR, corporate governance, the R&D structure, board members, and subsidiary companies; and **Financial Reports** for the year including financial statements and the notes to the financial statements.

The Company ordinarily issues one annual report each year. Last year, however, two reports were issued in order to provide up-to-date information regarding the affect on the Company from the rapidly changing conditions after the Great East Japan Earthquake. The Company will issue reports and updates as necessary in response to conditions in the future.

The annual reports can be downloaded from the Sekisui Chemical website.
http://www.sekisuichemical.com/ir/library/annual/index.html

The main content of the most recent annual report can also be read online.
http://www.sekisuichemical.com/ir/to_shareholder/index.html



Reference Materials Our “Prominence”

The Characteristics of the Three Divisional Companies

The annual reports providing information on the Company’s business trends over a one year period, The Reference Materials; Our “Prominence” presents data about the three divisional companies, including their strengths in the businesses being developed, their business models, and other qualitative information that is unchanging in the medium and long term. For example, the section on the HPP Company introduces the company’s global interlayer film business operations and market share in each key region, and the Housing Company section describes our business clearly showing the structure of the domestic housing industry as well as market trends and the competitive environment in the constantly evolving housing industry.

The Reference Materials; Our “Prominence” can be downloaded from the Sekisui Chemical website.
http://www.sekisuichemical.com/ir/library/reference/index.html

Fact Book

The Fact Book contains 10 years of results data in graphs and charts.

The Fact Book focuses on quantitative corporate data, which is presented in graphs and charts. Primary data for the past 10 years from the consolidated balance sheets, consolidated statements of income, and consolidated statements of cash flows is presented for easy comprehension of trends. The Fact Book also provides sales, profit, and other segment information for each divisional company as well as stock information, including share price and the status of major shareholders.

The Fact Book can be downloaded from the Sekisui Chemical website.
http://www.sekisuichemical.com/ir/library/fact/index.html

Other IR Materials

The materials from our four results briefings each year are posted on our website in Japanese and English on the day the meeting is held. Please see the materials for the most recent business results. Materials related to other presentation meetings which are not regularly scheduled are also posted on the website.

http://www.sekisuichemical.com/ir/event/index.html

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Disclaimer: This Annual Report may contain forward-looking statements. Such forward-looking statements are based on current expectations and beliefs and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements due to changes in global economic, business, competitive market and regulatory factors.

*The figures appearing on page 2-20 are rounded off to the nearest hundred million yen, as in our results briefing presentation materials and other IR materials.

OPERATION AND STRATEGY

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PERFORMANCE HIGHLIGHTS

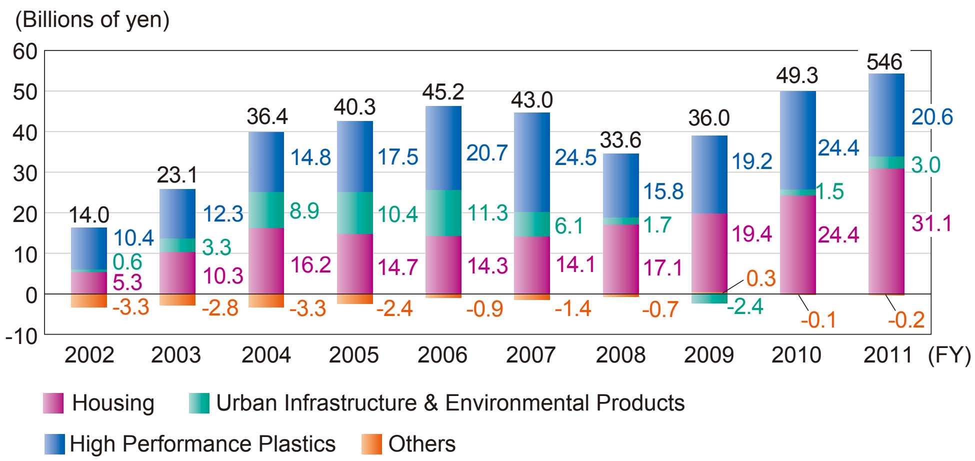
Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
Years ended March 31

	Billions of yen					Millions of U.S. dollars*1
	FY2007	FY2008	FY2009	FY2010	**FY2011**	**FY2011**
OPERATING RESULTS (for the year):						
Net sales	¥ 958.7	¥ 934.2	¥ 858.5	¥ 915.5	**¥ 965.1**	**$ 11,742**
Operating income	43.0	33.6	36.0	49.3	**54.6**	**664**
Ordinary income	38.5	29.4	31.1	48.3	**54.2**	**659**
Income (loss) before income taxes and minority interests	45.0	12.8	23.3	39.8	**49.2**	**599**
Net income	24.3	1.0	11.6	23.6	**28.1**	**342**
FINANCIAL POSITION (at year-end):						
Total assets	¥ 782.9	¥ 756.5	¥ 787.3	¥ 790.2	**¥ 827.1**	**$ 10,063**
Shareholders' equity	358.9	322.0	342.0	339.7	**351.7**	**4,279**
Interest-bearing debt	92.1	129.4	133.1	124.5	**127.2**	**1,547**
CASH FLOWS:						
Free Cash Flow	¥ 37.2	¥ (7.8)	¥ 15.1	¥ 12.6	**¥ (12.3)**	**$ (150)**

	Yen					U.S. dollars*1
PER SHARE AMOUNTS						
Net income, non-diluted (EPS)	¥ 46.16	¥ 1.93	¥ 22.13	¥ 44.92	**¥ 53.96**	**$ 0.66**
Cash dividends	15.00	10.00	10.00	13.00	**15.00**	**0.18**
Net assets	683.11	612.93	651.08	650.83	**682.46**	**8.30**
RATIO						
Operating income ratio*2 (%)	4.5	3.6	4.2	5.4	**5.7**	
Return on equity (ROE)*3,4 (%)	6.4	0.3	3.5	6.9	**8.1**	
Return on total assets (ROA)*3,5 (%)	4.6	3.8	4.0	6.1	**6.7**	
Equity ratio (%)	45.8	42.6	43.4	43.0	**42.5**	
Debt Equity ratio*6 (%)	25.7	40.2	38.9	36.6	**36.2**	
OTHER DATA:						
Total number of employees	18,907	19,742	19,761	19,770	**20,855**	

Notes:
*1: U.S. dollar amounts represent translations of Japanese yen, for the readers' convenience only, at the rate of ¥82.19 = U.S.$1.00, the prevailing exchange rate at March 31, 2012.
*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

Sekisui Chemical utilizes the prominent technology and quality it has refined over many years to develop various frontiers and, through its pioneering efforts, aims to contribute to people's lives around the world and the global environment and realize growth for the company.

We are currently advancing the GS21-SHINKA! five-year medium-term management plan (fiscal years 2009 to 2013) designed to fulfill our Group vision of establishing Sekisui Chemical as a "Prominent & Profitable Premium Company." GS21-SHINKA! is divided into two phases, the initial Stage 1, covering fiscal years 2009 and 2010, and Stage 2, starting in fiscal year 2011 and ending in 2013, with the objective of attaining overall operating income of ¥80.0 billion in the plan's final year primarily by expanding the "Frontier 7" businesses* that we believe have promise for future growth.

Fiscal year 2012 is the second year of Stage 2 of the plan (fiscal years 2011 to 2013). After achieving more progress than we had initially planned in Stage 1, our growth pace slowed in fiscal year 2011, the first year of Stage 2, largely owing to unpredictable natural disasters, notably the Great East Japan Earthquake and flooding in Thailand. Despite the slower growth, we achieved operating profit growth of 10.7% year on year to ¥54.6 billion. During the year, we continued steadily conducting M&A and other strategies to expand the strategic businesses and implementing measures to fortify the core businesses.

* "Frontier 7" Businesses: HPP's automotive materials (AT), IT-related materials (IT), and medical products (MD); UIEP's pipeline renewal business, water infrastructure business (overseas), and performance materials business; and the Housing Company's living environment business.

Net Sales and Operating Income by Division Company

(Billions of yen)

	FY2011				FY2012 (Plan)*1			
	Net Sales	YoY Change	Operating Income	YoY Change	Net Sales	YoY Change	Operating Income	YoY Change
Housing	449.4	30.7	31.1	6.7	470.0	20.6	35.0	3.9
UIEP*2	200.0	4.4	3.0	1.5	225.0	25.0	7.0	4.0
HPP*3	296.9	15.2	20.6	-3.8	340.0	43.1	24.0	3.4
Others	43.5	0.3	-0.2	-0.1	43.0	-0.5	-1.0	-0.8
Elimination	-24.7	-1.1	0.2	1.0	-28.0	-3.3	-1.0	-1.2
Total	965.1	49.6	54.6	5.3	1,050.0	84.9	64.0	9.4

*1 Due to reporting period revisions for overseas subsidiaries, FY2012 targets include 15-month (January 2012 to March 2013) contributions from overseas subsidiaries.
*2 UIEP: Urban Infrastructure & Environmental Products Company
*3 HPP: High Performance Plastics Company

Review of Fiscal Year 2011

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

The Sekisui Chemical Group's fiscal year 2011 was a critical period for Japan for the restoration and reconstruction after the Great East Japan Earthquake. The Company exerted its established presence in its core domestic housing and water infrastructure businesses to contribute to the restoration effort in the stricken region and ultimately recorded a substantial rise in sales.

In overseas operations, the Company's global strategic businesses, centering on the designated Frontier 7 growth businesses, were hindered by the economic slump in Europe and other conditions that held demand growth below our original expectations. The result was that the growth in sales was not enough to fulfill our plan of covering the factors that would negatively influence operating income in comparison to the previous fiscal year, specifically the strong yen and one-time costs arising from strategic new affiliations. In these conditions, we sought to reinforce our earning power by raising our product prices and cutting costs to offset the increases in material and component prices, and responded to the sluggish market demand conditions by holding fixed costs other than those associated with growth investment below our initial plan.

As a result, Sekisui Chemical recorded a 5.4% year-on-year rise in net sales to ¥965.1 billion and 10.7% growth in operating income ¥54.6 billion in fiscal year 2011.

In fiscal year 2011, we continued steadily advancing measures to sustain our annual growth track and reinforce the earnings base.

In the strategic IT business field, we entered the ITO film business providing film used in touch panels on smartphones and other devices, and expanded our production capacity for products targeting mobile terminals. In addition, we began full-fledged development of the diagnostic agent business in Europe and the United States in the MD field and took steps to fortify the value chain structure of the pipeline renewal business in Eastern Europe.

We also took steps to fortify the domestic core businesses. In the housing business, we completed the transition to an integrated production and sales operating structure, which enabled us to strengthen our strategies catered to specific regions, and also continued preparations for the market launch of the next-generation of solar-powered housing equipped with storage batteries under the situation of the increasing concern about electricity shortage. The UIEP Company entered into a wide-ranging business alliance with Swing Corporation in the water supply and sewerage treatment field and enhanced its structural ability to attract combined-package orders.

Through these initiatives, we laid the foundation for earnings growth for fiscal year 2011 as well as the future.

GS21-SHINKA! Medium-term Management Plan: Progress of Stage 2

(FY2011–2013)

As I mentioned above, fiscal year 2011 marked the start of Stage 2 of our GS21-SHINKA! medium-term management plan. The objective of Stage 2 is to accelerate new business growth by realizing the growth potential established through the Stage 1 measures of structural reform to strengthen the earnings structure and focusing on fields and regions promising solid demand growth.

We made steady progress toward our objectives in fiscal year 2011, the first year of Stage 2, as we successfully fortified the Housing Company's earnings strength and differentiated its products while recording growth in both sales and profits. The Housing Company launched key products for future strategies, including its next-generation housing with built-in storage batteries, and the company's living environment business also expanded. These measures have placed the Housing Company on track to achieve the plan's fiscal year 2013 targets one year ahead of schedule.

The UIEP Company broke out of its sales slump caused by the prolonged demand stagnation, deteriorating market conditions, and other conditions and reformulated its business model to place it firmly in recovery mode with sufficient momentum to anticipate steady earnings going forward. The UIEP Company is steadily advancing toward achieving the medium-term management plan targets using a new value chain business-driven business model.

The HPP Company's results have declined temporarily as it has been inevitably affected by the stagnating market conditions. However, even amid the severe conditions, the company is making inroads to new markets, such as products for smartphones and tablet computers in the IT field, and is positioned for sufficient growth after the market bottoms out.

Several unanticipated external environmental factors impacted our performance in fiscal year 2011, including the deepening fiscal crisis in Europe, the Great East Japan Earthquake, and the flooding in Thailand. Nevertheless, the strenuous efforts of all of the companies have enabled us to overcome the adverse conditions and even to bring us within range of the ¥80.0 billion operating income for Stage 2 of the GS21-SHINKA! medium-term management plan.

Fiscal Year 2012 Plan

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

Our outlook for the market environment in fiscal year 2012 is for improving conditions and steady growth in Japan, the United States, Asia, and emerging countries amid ongoing concern about the escalating debt problem and stagnant business conditions in Europe. In our business domain, we anticipate year-on-year improving conditions in the domestic housing and water infrastructure fields and the global automobile and pipeline renewal fields, and we expect these markets to support overall growth in demand for our products.

Based on this outlook, we expect to secure growth in both sales and profit in fiscal year 2012 and are targeting a record-high ¥64.0 billion in operating income, which would surpass the previous high of ¥60.8 billion attained in fiscal year 1994.

We are anticipating a period of expanding demand for our domestic core businesses fueled by the full emergence of post-disaster reconstruction demand and growing demand for anti-seismic products. During this period, we plan to expand earnings by strengthening our presence in each field. In our global businesses, which inevitably struggled in fiscal year 2011 due to the challenging business conditions and other factors, we will seek to secure profit growth by implementing measures to strengthen the bottom line while responding to the demand recovery. We will also continue our efforts to enhance our cost competitiveness and fortify our business base to further strengthen the business structure.

In this way, in fiscal year 2012 we plan to continue steadily applying initiatives to advance our growth strategies and strengthen our core businesses for core operations in Japan and our strategic businesses around the world.

To facilitate better disclosure and governance of the Group's performance, we are revising the fiscal year ends of our overseas subsidiaries from December 31 to March 31 commencing in fiscal year 2012. Due to this revision, the 2012 fiscal year for our overseas subsidiaries represents the 15-month period beginning on January 1, 2012, and ending on March 31, 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 these policies, we have set a target of providing a stable dividend payout ratio of 30% on a consolidated basis to be returned to shareholders in each fiscal term. In the fiscal year under review, we increased the interim dividend payment by ¥2 from the previous fiscal year to ¥7 per share and provided a year-end payment of ¥8 per share for a total annual dividend payment of ¥15 per share in fiscal year 2011. 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. Investment will focus on strategic investment to fortify our strategic businesses, specifically for capital expenditures, M&As, and the construction of our overseas business structure, which will be essential for the Company's future growth.

In addition, as part of our policy to raise shareholder value, we determined to eliminate a portion of our treasury stock effective on May 25, 2012. The Company eliminated seven million shares equating to 1.30% of total shares outstanding.

In Closing

Since its founding, Sekisui Chemical has worked to develop products that meet the needs of society, including those which are useful to the daily lives of individuals, and contribute to the protection of the global environment. As Japan progresses with the restoration and reconstruction following the unprecedented disaster caused by the Great East Japan Earthquake, we are even more committed to contributing to resolving social issues through our products and businesses and to guiding the Group to fulfill the expectations and hopes of our shareholders and stakeholders.

In fiscal year 2012, as in the previous fiscal year, we will continue showing a strong presence for the housing and water infrastructure businesses, which will play a direct role in the post-disaster reconstruction, while diligently implementing measures to strengthen our global strategic businesses. Our objectives for this year are to position the company to ensure we achieve the GS21-SHINKA! medium-term management plan targets and to vigorously press forward for future growth.

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

July 2012

Naofumi Negishi

Naofumi Negishi, *President*

SPECIAL FEATURE:
Stage 2 of the GS21-SHINKA! Medium-term Management Plan

The Sekisui Chemical Group is currently in Stage 2 of the five-year GS21-SHINKA! Medium-term Management Plan launched in fiscal year 2009. We would like to discuss the main objectives and other aspects of the Stage 2 initiatives.

The Basic Concept and Objectives of GS21-SHINKA! Stage 2

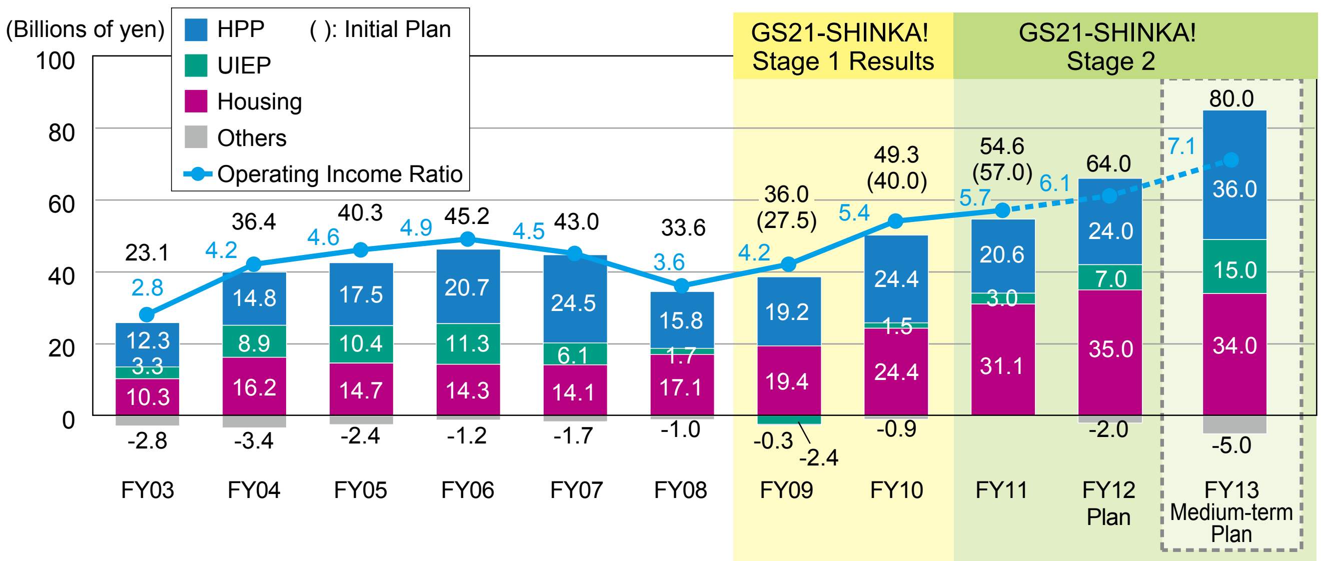
The basic concept we are advancing in the GS21-SHINKA! Medium-term Management Plan is to realize business growth by developing the frontier fields of "Creation of housing & social infrastructure" and "chemical solutions" using the prominent technologies and quality the Company has cultivated. At the close of Stage 2 of the plan in fiscal year 2013, we aim to achieve overall operating income of ¥80 billion.

During Stage 1 (fiscal year 2009 and 2010), we achieved profit growth by consistently capturing recovery and growth demand after the Lehman Shock as we aimed to grow our global strategic businesses and by strengthening the earning power of our domestic businesses, where future demand shrinkage is virtually inevitable. The plan's target for fiscal year 2010, the final year of Stage 1, was to attain operating income of ¥40 billion; however, we vastly exceeded the target as our efforts generated operating income of ¥49.3 billion for the year. During the stage, we also conducted aggressive strategic investment and business fortification through M&A and other measures in preparation for further business growth.

In fiscal year 2011, the first year of Stage 2 (fiscal year 2011 to 2013), we recorded operating profit of ¥54.6 billion, which fell short of our initial target of ¥57 billion. The primary reason for the shortfall was the business environment, which was much harsher than we had anticipated when forming the plan. Headwinds from the global economy are hindering the growth of our global businesses, but we are continuing to take the steps necessary to position the Company to reap the benefits when the market environment begins improving.

In Japan, we asserted the presence of our core housing and water infrastructure businesses during the restoration activity following the Great East Japan Earthquake. We will continue to play an active leading role in reconstructing and enhancing the functionality of our country's infrastructure.

Operating Income by Company



External Environment		2007/06 Stricter Building Standards Act	2008/10 Lehman Shock	2011/03 Great East Japan Earthquake	2011/09 European financial crisis worsens	2011/10 Thai flood damage spreads	
Our Measures	2006/09 Daiichi Pure Chemicalsacquired (MD, HPP)	1H FY2007 Large-scale restructuring (Housing)	2008/05 Full-fledged overseas business launch (Pipeline Renewal)	2009/04 Acquired PVA resin businesses (AT, HPP)	2011/02 Major U.S. diagnostic reagent business acquired (MD,HPP)	2011/04 ITO film business Acquired (IT, HPP)	

GS21-SHINKA! Stage 2 Core Measures

We are advancing three primary measures to realize business growth.

1. Business Domain and Portfolio

We are classifying the business operations of the three divisional companies by stage of maturity, reorganizing their businesses based on their portfolios, and implementing measures necessary to continue advancing their business development.

By Business Portfolio	Aim at Stage 2	Creation of Housing / Social Infrastructure		Chemical Solutions
		Housing	UIEP	HPP
Next-Generation Business	•NEXT Frontier •Promotion of focused creation	•Advanced Infrastructure Solution		•ES (Energy Solution) Chemicals •Life Science
Frontier 7 Businesses	•Pillar of profit •Global No.1	•Remodeling	•Pipeline renewal •Water infrastructure (overseas) •Functional materials	•IT (electronic materials) •AT (automotive materials) •MD (medical)
Core Business	•Secure profit •Improvement of profitability	•New houses	•Water infrastructure (domestic) •Building materials •Housing materials etc.	•Tapes, foam, film, adhesive, etc.

By Company Category

2. Strategic Investment

We are diligently pursuing strategic investments with the aim of acquiring the management resources to ensure medium- and long-term growth.

Strategic Investment Performance (fully prepared for growth)

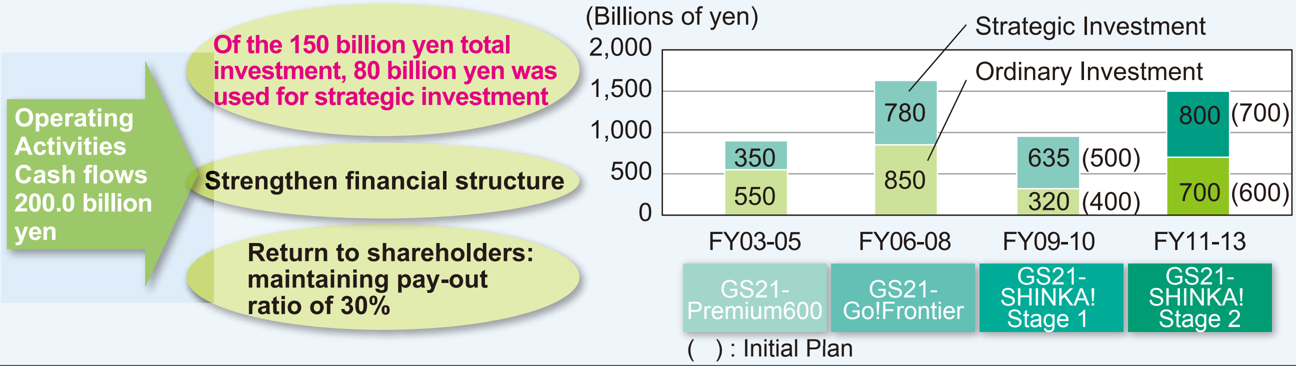
Date	Project (M&A, etc.,)	Main Objective
FY2009 1H	U.S. diagnostic reagents company acquired	Entry to U.S. diagnostic reagents business market
FY2009 2H	PVA resin business acquired	Stable supply of interlayer film raw materials
FY2009 2H	Thailand housing business JV established	Entry to overseas housing business
FY2010 1H	European foam company acquired	Fortify the foam business
FY2011 1H	Major U.S. diagnostic reagents business acquired	Full-fledged development of the overseas diagnostic reagents business
FY2011 1H	ITO film business acquired	IT field business and product expansion

Date	Project (Capital Investment)	Main Objective
FY2009 2H	Interlayer films:Chinese film factory expanded	Expanded sales in the Chinese growth market
FY2010 1H	Interlayer films: Domestic film factory expanded	Responding to increasing demand for differentiated high-performance products
FY2010 1H	Interlayer films: Domestic raw materials factory expanded	Responding to increasing demand for differentiated high-performance products
FY2011 1H	Interlayer films: European raw materials factory expanded	Stable supply of raw materials in Europe

3. Financial Strategy

The operating cash flow that we generate is allocated to fortifying strategic businesses, M&A, investment in overseas operations, and other strategic investments.

Use of Operating Cash Flow



GS21-SHINKA! Stage 2 Three Growth Strategies

We are activating three growth strategies in Stage 2 of the GS21-SHINKA! to expand earnings: 1) produce results from the global businesses, 2) continue establishing the value chain, and 3) continue developing new growth segments.

Advance in value chain development

Changing demand structures in Japan and overseas (Business model revision needed)

UIEP:
Develop two-directional value chain to expand business domain and sales

Housing:
Construct cyclical customer-based business model to strengthen customer retention

HPP:
Leverage competitive products to expand business into peripheral fields

Generate global business results

- **Activate M&A synergies**
  –AT, IT, MD related business
- **Establish a trilateral global structure**
  –Pipeline renewal business
- **Fully develop the housing business in Thailand**

Advance development of new growth segments

- **Focus efforts on stock businesses**
  –Housing, infrastructure business
- **Focus efforts on the energy-related businesses**
- **Expand sales of environmental products**

- Advance Manufacturing Development SHINKA to fortify cost competitiveness (Contribution to FY2011-13 operating income: 20 billion yen)
- Expand business partnerships (incl. M&A and alliances)
- Strengthen development capabilities

Play a leading role in reconstruction response and upgrading the domestic infrastructure

UIEP

- Improve the PVC pipe production and supply systems
- Participate in reconstruction projects from initial stages using the “full-package” order system
- Respond to post-disaster renewal/rehabilitation needs (seismic-resistant pipes, etc.)

Housing

- Supply temporary housing (1,060 units have delivered)
- Respond to post-disaster renewal/rehabilitation needs (refurbishing)
- Aggressive supply of homes with built-in large-capacity solar power generation equipment

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- Enhance a PVC pipe supply system to Eastern Japan (utilize Western Japan/overseas supply bases)
- Offer energy-efficient housing (expand sales of “Smart Heim”)
- Improve risk countermeasures by increasing the number of production bases (IT products) to disperse risk

Column Shin Smart Heim—Raising Smart House Specifications in Energy Generation, Saving, and Storage

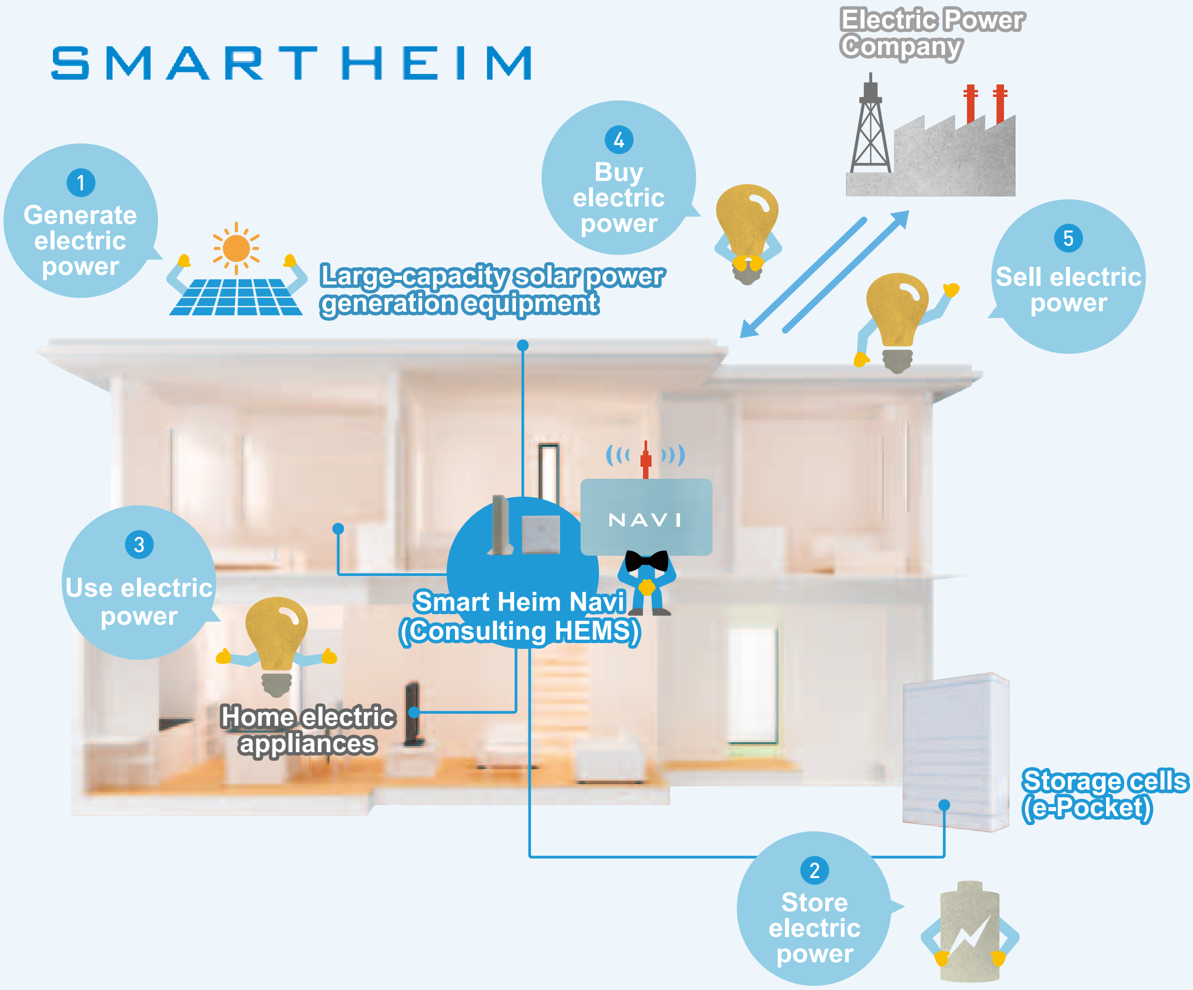
We believe introducing innovative products can generate further business growth even in mature markets. We are aggressively developing one such product: smart houses.

Our method of constructing 80% of our Sekisui Heim housing products inside the factory enables us to assemble building frames with superior air-tightness and heat insulation, enabling the realization of highly efficient heating and cooling systems as a fundamental feature of our homes. We also offer highly economical "zero-utility-cost houses" with built-in high-capacity solar power generation systems.

Our recently released smart house Shin Smart Heim offers these features combined with two new functions.

One of these is the Smart Heim Navi using the Home Energy Management System (HEMS) communication technology, which the Company developed after extensive testing and analysis of its vast store of data on power consumption. The system promotes energy-efficient lifestyles by providing customers the ability to gain a detailed understanding about their electricity supply and demand conditions and utility costs and through a comprehensive consulting service using our vast data sources as the most solar powered houses built in the World. The second new feature is electricity storage using stationary large-capacity storage batteries provided as a standard feature. The batteries provide peace of mind during power outages and realize efficient energy consumption through peak-load shifting and avoiding peak demand hours.

After the Great East Japan Earthquake, private homeowners have also begun seeking clever ways to limit their electricity usage without having to change their lifestyles. We aim to raise our market share and expand our earnings in the mature housing market by introducing innovative and distinctive products.



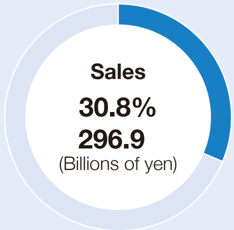
AT A GLANCE

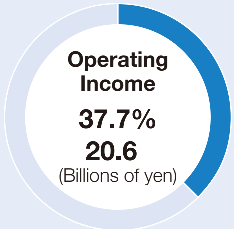
Company Overview	Sales*1 and Operating Income*2 Generated by Each Company (FY2011 results)

HIGH PERFORMANCE PLASTICS COMPANY

Number of Employees (Consolidated, FY2011 year-end): 6,443

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 information technology materials (IT), automotive materials (AT) and medical products (MD). The HPP Company is the primary driver of the Company's operating income growth through its business development centered on high value-added products and its top global market shares for its liquid crystal spacers and conductive fine particles in the IT field and its high-performance interlayer films and polyolefin foam for automobile interiors in the AT field. The HPP Company continues to strengthen its existing core products while also developing new products and reinforcing its operations through M&A and other strategies to support the ongoing expansion of its business centered in the increasingly sophisticated IT, AT, and MD fields.

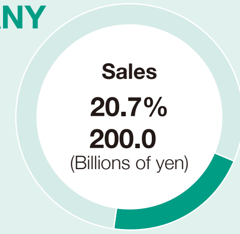


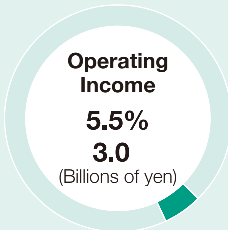


URBAN INFRASTRUCTURE & ENVIRONMENTAL PRODUCTS COMPANY

Number of Employees (Consolidated, FY2011 year-end): 4,570

The fundamental businesses of the Urban Infrastructure & Environmental Products Company mainly deals in the water 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, sheet used for high-performance plastic molds, 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.

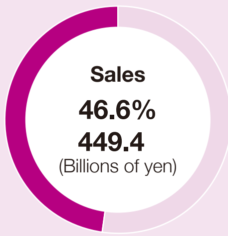


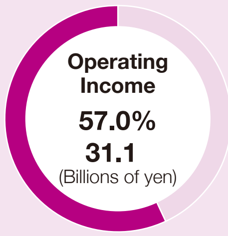


HOUSING COMPANY

Number of Employees (Consolidated, FY2011 year-end): 8,820

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 has built over 100,000 units of "houses with built-in solar power generation systems" and on February 3, 2012, was certified by Guinness World Records™ as "the most solar powered houses built." 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.





GUINNESS WORLD RECORDS™ is a registered trade mark of Guinness World Records Limited.

*1: Figures for net sales include inter-segment transactions. Net sales for Other Businesses was ¥43.5 billion, and eliminations and unallocatable accounts amounted to ¥24.7 billion.

*2: Figures for operating income include inter-segment transactions.

Primary Business Products	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,(Three-Story house) Domani series, bj series, CRESCASA, One-story house "Raku" **Sekisui Two-U (wooden-framed)** 2x6 GRAND TO YOU series, 2×4 Miole series One-story house "Raku"
Living environment	**Housing complex**
Refurbishing business “Sekisui Fami-S”, Interiors, Exteriors, Real estate (Leasing, brokerage)	Letoit series Life Style Planning 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

PERFORMANCE HIGHLIGHTS

(Billions of yen)	FY08	FY09	FY10	**FY11**	FY12 (Plan)
Net sales	262.6	247.7	281.6	**296.9**	340.0
Operating income	15.8	19.2	24.4	**20.6**	24.0
Operating income ratio (%)	6.0	7.8	8.7	**6.9**	7.1

TAKAYOSHI MATSUNAGA, *President of High Performance Plastics Company*

Results for Fiscal Year 2011

Net sales: Increase of ¥15.2 billion to ¥296.9 billion
Operating income: Decrease of ¥3.8 billion to ¥20.6 billion

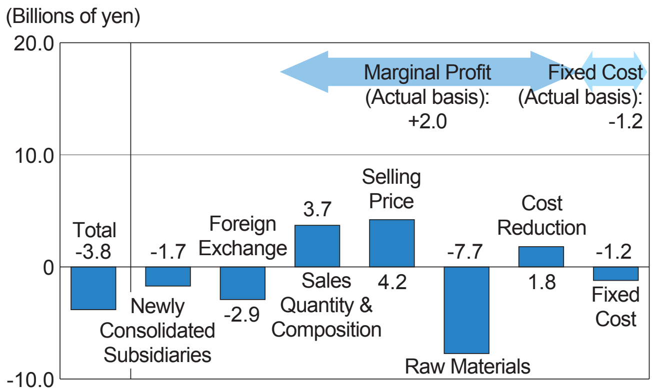
The High Performance Plastics (HPP) Company, under the banner "Chemistry for your Win," adopts a business strategy of focusing management resources on the automotive materials (AT), IT-related materials (IT) and medical products (MD) fields. The company views these three fields as presenting significant growth potential and as areas where the company can fully apply Sekisui Chemical's highly-differentiated products, leveraging its competitive advantages.

In fiscal year 2011, the HPP Company recorded an increase in net sales, which included contribution from the newly consolidated, U.S.-based diagnostic reagents business Sekisui Diagnostics, LLC. Despite the sales growth, the company posted its first decline in operating income in three years owing to impacts in the IT field from sluggish demand for digital TVs and computers, which are the primary destinations for the company's components and materials, and in the AT field from the deteriorating business conditions caused by the decline in automobile production due to the European debt crisis as well as the lingering impacts from the Great East Japan Earthquake and the flooding in Thailand.

The HPP Company's ongoing efforts to expand business in the strategic fields and overseas generated a ¥15.2 billion year-on-year increase in net sales to ¥296.9 billion. Net sales in the strategic business fields rose by ¥10.5 billion to ¥145.1 billion and for overseas businesses by ¥17.1 billion to ¥159.6 billion for the year, with both receiving substantial contributions from the newly consolidated Sekisui Diagnostics in the MD field.

The company's operating income declined to ¥20.6 billion. The decrease was the net result of the year-on-year increases of ¥3.7 billion generated from the increased sales volume and an improved sales composition, ¥4.2 billion from product price increases, and ¥1.8 billion from cost reductions being more than offset by the combined effect of a ¥1.7 billion one-time cost associated with the newly consolidated subsidiary, a ¥2.9 billion foreign exchange impact from the ongoing strong yen, a ¥7.7 billion impact from rises in material costs, and a ¥1.2 billion increase in fixed costs associated with business expansion.

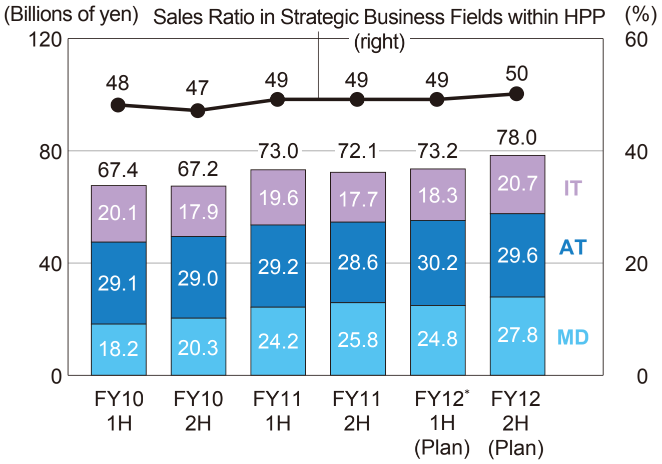
Analysis of Operating Income for FY2011 (year-on-year)



Marginal profit increased by ¥2.0 billion in real terms when excluding the one-time costs associated with the newly consolidated subsidiary and the foreign exchange impact. The Great East Japan Earthquake and flooding in Thailand had an ¥800 million negative impact on the profit base.

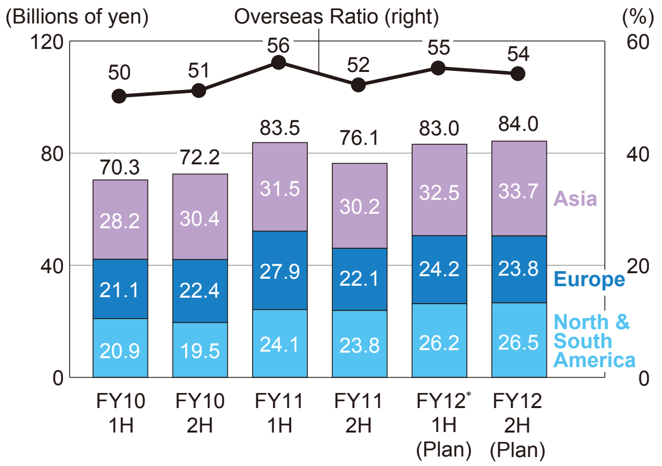
In the strategic business fields, fiscal year 2011 net sales in the AT field remained essentially flat year on year at ¥57.8 billion. Sales continued growing in emerging countries and other regions for the core interlayer film for automobiles, but overall sales declined from the sluggish demand owing to the economic crisis

Sales in Strategic Business Fields



* Figures of Overseas subsidiaries are the 6-month period from April to September.

Overseas Sales



* Figures of Overseas subsidiaries are the 6-month period from April to September.

in Europe and the decline in domestic automobile production following the earthquake and floods. During the year under review, in August 2011, the company established the joint-venture vehicle components molding business Sekisui DLJM Molding Private Limited in India and began accepting orders from local customers, which are primarily Japanese manufacturers.

IT field operations centered on establishing the company's presence in smartphones and tablet computers in preparation for future growth in the segment. With the intention of expanding demand for touch panel products used in smartphone and tablet computers, we acquired the touch panel component maker Suzutora Corporation (currently Sekisui Nano Coat Technology Co., Ltd.) in April 2011, sales of our ITO films continued to expand. Despite these initiatives, sluggish demand for digital TVs and computers, particularly in the second half, led to fiscal year 2011 sales in the IT field remaining essentially flat year on year at ¥37.3 billion.

In the MD field, the Company established Sekisui Diagnostics as a new consolidated subsidiary with the aim of expanding the diagnostic agent and diagnostic equipment businesses. Sekisui Diagnostics' operations are based on the diagnostic agent business focused on the fields of biochemistry, diabetes, infectious diseases, and immunological testing acquired from Genzyme Corporation, of the United States. MD field sales increased by ¥11.5 billion year on year to ¥50.0 billion, largely due to the effect of the new consolidation.

Fiscal Year 2012 Plan

Net sales: Increase of ¥43.1 billion to ¥340.0 billion

Operating income: Increase of ¥3.4 billion to ¥24.0 billion

* The fiscal year 2012 consolidated forecasts for overseas subsidiaries encompass the 15-month period beginning on January 1, 2012, and ending on March 31, 2013, owing to the revision to the overseas subsidiaries' accounting period effected in fiscal year 2012.

The HPP Company is aiming to reestablish a business growth trajectory in fiscal year 2012 and is implementing measures aimed at achieving net sales of ¥360.0 billion and operating income of ¥36.0 billion, which are the current medium-term management plan's goals for fiscal year 2013, the final year of the plan. The company will also advance strategies for growth, including strengthening the strategic businesses and expanding new products and businesses while also taking steps to fortify the business foundation.

Market Environment

The market environment forecast, which serves as the basis for the HPP Company's business plan for fiscal year 2012, includes the regional outlooks for improving business conditions in the United States and an easing of the trends of a weakening dollar and strengthening yen during the year. In Europe, however, we expect the severe business conditions to continue.

The market environment forecast for the three strategic fields include, in the AT field, market recovery in the United States and Japan and continuing brisk demand in emerging countries, particularly in Asia. We anticipate strong demand for products in response to the increasing need for lighter-weight and energy-efficient vehicles.

In the IT field, we anticipate the fiscal year 2011 trend in demand for LCD-related products, primarily LCD TVs and computers, to extend into fiscal year 2012 and remain near the bottom level in the first half. In the second half, however, we expect depleting inventories and other factors to lead into a demand recovery. At the same time, we anticipate the brisk demand in fiscal year 2011 for smartphones, tablet computers, and other mobile devices to continue growing.

MD field operations are relatively unaffected by business conditions, and we anticipate ongoing steady business supported by advances in preventive medicine and other segments in the diagnostic agent field.

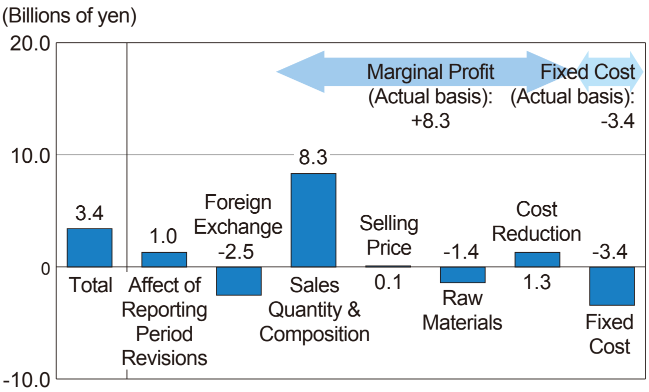
Sales and Income Targets

The HPP Company's focus in fiscal year 2012 will be to strengthen the strategic businesses and expand new products and businesses. The company is aiming to raise total net sales in the three strategic business fields by ¥6.1 billion to ¥151.2 billion and net sales overseas by ¥7.4 billion to ¥167.0 billion in fiscal year 2012. As a result, the HPP Company is targeting overall net sales of ¥340.0 billion in fiscal year 2012.

The company anticipates market conditions recovering in the second half of the year and for the increasing sales volume and improving sales composition to boost operating income and raise marginal profit by ¥8.3 billion.

We plan to offset the majority of the projected ¥1.4 billion impact from rising material prices with ¥1.3 billion in cost cuts. We also anticipate a ¥1.0 billion impact from the revision to the fiscal year periods of overseas subsidiaries. We plan to offset other negative impacts on profit, such as an anticipated ¥3.4 billion rise in fixed costs, including increased labor costs from the newly consolidated subsidiary, and a ¥2.5 billion foreign exchange impact, and aim to raise operating income by ¥3.4 billion to ¥24.0 billion for the year.

Analysis of Operating Income for FY2012 (year-on-year)

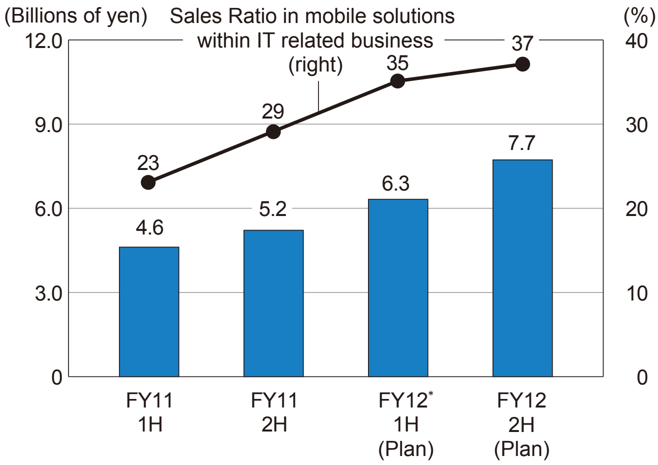


Fiscal Year 2012 Initiatives

The HPP Company will focus on three areas in fiscal year 2012: strengthening the strategic businesses, reforming the revenue structure, and developing new products and businesses.

The first initiative, strengthening the strategic businesses, will entail focusing efforts in the IT field on expanding sales of products for smartphones and tablet computers, for which demand is growing. We also plan to increase sales of ITO films used in touch panel devices by introducing new capacitive films to our existing lineup of resist films. In the AT field, we plan to steadily increase sales of automotive interlayer films, centered on our high-performance interlayer films, in line with the anticipated recovery of automobile demand in Japan and the United States while also expanding sales in developing countries. In the MD field, we will activate the synergies between the Sekisui Diagnostics, which was newly consolidated in the previous fiscal year, and Sekisui Medical using Sekisui Diagnostics as a conduit to launch Sekisui Medical's product sales and equipment businesses.

Mobile Solutions Sales



* Figures of Overseas subsidiaries are the 6-month period from April to September.

The second initiative, reforming the revenue structure, will be applied in the AT field by constructing the optimal material supply and production system for automotive interlayer films. We will endeavor to establish a strong profit structure that is resilient to demand fluctuations and foreign exchange risk by taking advantage of the alignment of our materials and film manufacturing business bases in our main operating regions to construct the optimal supply structure to meet demand.

Under the third initiative, developing new products and businesses, we will accelerate development of new products in fields expected to continue contributing to profit into the medium and long term, such as the energy and semiconductor-related segments.

Through the steady implementation of these initiatives, we aim to raise both sales and profit in fiscal year 2012 while establishing the foundation for medium and long-term growth.

URBAN INFRASTRUCTURE & ENVIRONMENTAL PRODUCTS COMPANY

PERFORMANCE HIGHLIGHTS

(Billions of yen)	FY08	FY09	FY10	**FY11**	FY12 (Plan)
Net sales	225.2	194.6	195.6	**200.0**	225.0
Operating income	1.7	-2.4	1.5	**3.0**	7.0
Operating income ratio (%)	0.7	-1.2	0.8	**1.5**	3.1

KOZOU TAKAMI, *President of Urban Infrastructure & Environmental Products Company*

Results for Fiscal Year 2011

Net sales: Increase of ¥4.4 billion to ¥200.0 billion
Operating income: Increase of ¥1.5 billion to ¥3.0 billion

The Urban Infrastructure & Environmental Products (UIEP) Company is the leading supplier of resin pipe products in Japan. The UIEP Company utilizes its know-how accumulated over 50 years of business activities to actively advance the development of its overseas businesses through its pipeline renewal products; glass reinforced plastic pipes; various piping products including industrial piping materials, such as valves; and performance materials, such as sheet material for aircraft and fiber-reinforced foamed urethane for railway applications.

The UIEP Company seeks to expand sales by leveraging its accumulated brand power and sales strength and is reformulating the business model and broadening the business domain for its domestic core businesses centered on its resin pipes and other mainstay products.

Specifically, the company is seeking to eliminate its dependence on sales of single product items and transition to a business model that will enable full application of its comprehensive business strength for system sales, "package" orders, and other integrated products. The company is maximizing the utilization of the company's resources and aggressively fortify partnerships in areas where the company's resources are limited with the aim of creating an operating structure that will enable it to compete at its full strength.

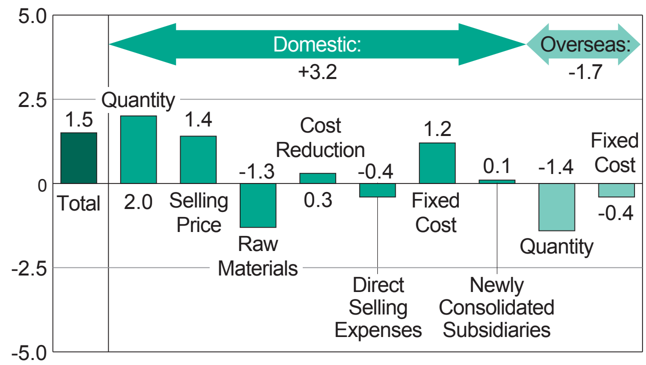
The UIEP Company is aiming to realize steady profit growth supported by its primary profit base of the domestic core businesses and a product mix connected to the growth potential of its overseas businesses.

In fiscal year 2011, we revised mainly the business model for the domestic core businesses and fully implemented the revisions in all of the company's internal divisions.

The water business alliance with Swing Corporation created

Analysis of Operating Income for FY2011 (year-on-year)

(Billions of yen)



in May 2011 is one example of the progress achieved during the year. The alliance enabled the establishment of a business structure capable of responding to a broad range of orders by combining the UIEP Company's pipeline product value chain (examination and diagnostics, design, products, construction, maintenance, and management) with Swing Corporation's expertise in the water treatment field. The alliance addresses our ability to design, construct, operate, maintain and manage water supply and sewerage operations, water treatment facilities, and other water-related operations with the objective of attracting proposed consignment projects for combined pipeline infrastructure and water treatment facilities. We expect this ability to propose complete-package orders for facilities in Japan as well as in developing and emerging countries with limited water-related expertise to lead to the company attracting increasing orders from overseas.

The UIEP Company's fiscal year 2011 results included increased revenue as the company responded to earthquake reconstruction demand and improved the profit margin for its PVC pipe products, which is its core domestic business. The pipeline renewal business posted a year-on-year increase in revenue but fell short of the profit target for the year largely owing to the postponement of project orders after the earthquake in Japan. Overseas businesses posted a year-on-year decline in revenue as the pipeline renewal business struggled under the impacts from economic slowdown due to the debt crisis in Europe and the reduced and postponed public sector investment budget in the United States. The combined result was the UIEP Company recording a ¥4.4 billion year-on-year increase in net sales to ¥200.0 billion in fiscal year 2011.

The UIEP Company's operating income from Japan operations increased ¥3.2 billion year on year as positive factors including increased sales volume from the demand recovery (¥2.0 billion, including ¥900 million in earthquake reconstruction demand), improved product sales prices due to price hikes (¥1.4 billion), progress with cost cuts (¥300 million) and reduced fixed costs from personnel cuts (plus ¥1.2 billion) more than covered the negative factors, which included a ¥1.3 billion impact from higher material costs.

Operating income from overseas operations decreased ¥1.7 billion year on year, due to the sluggish orders in the pipeline renewal business and other conditions that led to a ¥1.4 billion decline in sales volume and a ¥400 million increase in fixed costs.

Supported mainly by the earnings recovery in the domestic operation, the UIEP Company ultimately recorded operating income of ¥3.0 billion in fiscal year 2011.

Fiscal Year 2012 Plan

Net sales: Increase of ¥25.0 billion to ¥225.0 billion
Operating income: Increase of ¥4.0 billion to ¥7.0 billion

* The fiscal year 2012 consolidated forecasts for overseas subsidiaries encompass the 15-month period beginning on January 1, 2012, and ending on March 31, 2013, owing to the revision to the overseas subsidiaries' accounting period effected in fiscal year 2012.

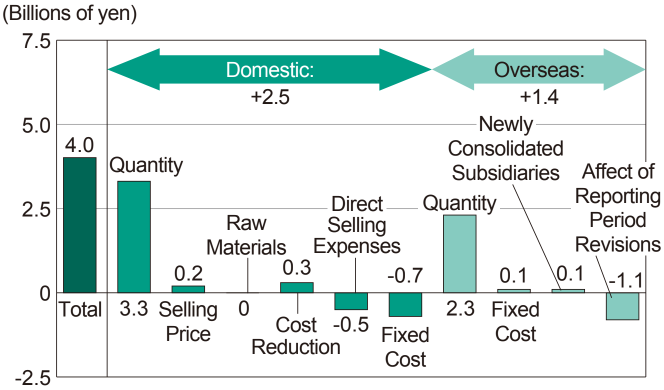
The UIEP Company aims to record a third consecutive year of sales and profit growth in fiscal year 2012 as it continues to develop and generate results from the value chain business, which the company fully established in fiscal year 2011.

Market Environment

In the water infrastructure business, which the UIEP Company is seeking to develop, we expect the 2012 market environment to improve from the previous year, as we anticipate growth in new housing starts and the emergence of a certain degree of reconstruction-related demand after the Great East Japan Earthquake. We also anticipate increasing demand for high performance anti-seismic and energy-saving products.

We expect conditions in the pipeline renewal field to improve in fiscal year 2012 from the severe conditions in fiscal year 2011. In Japan, we expect spending budgets to be larger than last year and for orders to include those that were postponed in fiscal year 2011. Overseas, we anticipate active orders in the Eastern European region. Based on this outlook, we believe the overall market environment for our main businesses will improve from the previous fiscal year.

Analysis of Operating Income for FY2012 (year-on-year)



Sales and Income Targets

In fiscal year 2012, the UIEP Company will accelerate the business model reform commenced in fiscal year 2011 and focus all of its efforts on creating and generating results from a business structure designed to accommodate a larger volume of orders and boost both sales and profit.

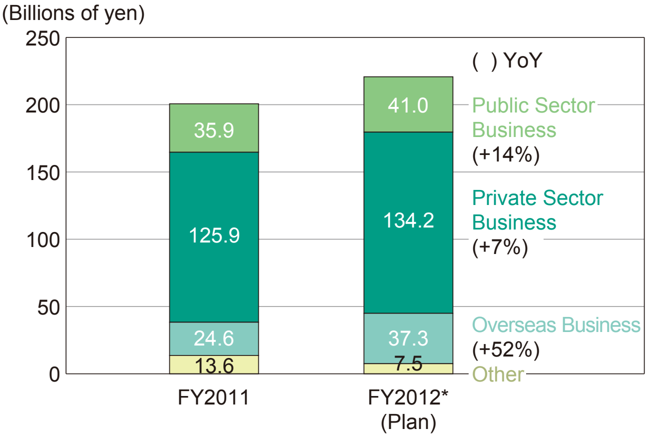
We plan to increase sales substantially in the three business domains of domestic government demand, specifically the pipeline renewal business and other businesses related to the public sector; domestic private-sector demand, specifically housing and other private construction; and in the overseas businesses.

After struggling to generate sales overseas in fiscal year 2011, we plan to raise sales by a substantial 52% year on year primarily by fortifying the value chain structure to support growth in orders. Initiatives that will be implemented include utilizing the recently acquired construction company in Eastern Europe to attract increased orders in the pipeline renewal business, strengthening partnerships to expand operations in regions with water infrastructure demand, further cultivating the aircraft-related business and introducing new materials to the plastic sheet business. We also aim to expand sales by strengthening our marketing activities focused on domestic governmental and private demand.

Through these efforts, the UIEP Company is targeting raising overall net sales by ¥25.0 billion year on year to ¥225.0 billion in fiscal year 2012.

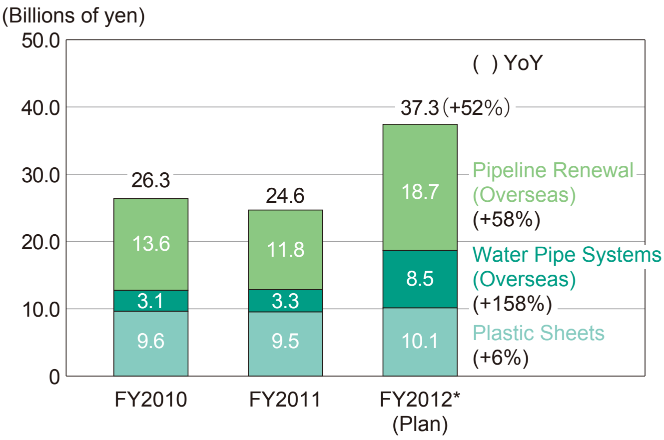
The company is likewise aiming to increase operating income by expanding its sales volume both in Japan and overseas. We aim to raise operating income in Japan by ¥2.5 billion and overseas by ¥1.4 billion for a combined increase of ¥4.0 billion to ¥7.0 billion in operating income in fiscal year 2012.

Net Sales by Business Domain



* Figures of Overseas subsidiaries are the 12-month period from April to March.

Overseas Sales



* Figures of Overseas subsidiaries are the 12-month period from April to March.

Fiscal Year 2012 Initiatives

The UIEP Company will focus on three areas as priority measures in fiscal year 2012: advancing the value chain business, assertively responding to the earthquake reconstruction demand, and reestablishing the overseas businesses.

The first initiative, advancing the value chain business, consists of further developing the value chain on the structure set in place in fiscal year 2011. Targeting factories, housing, public facilities, and other demand segments, we will seek to expand orders by utilizing the company's competitive product lines and leveraging our comprehensive project proposal capabilities encompassing examination and diagnostics, design, products, construction, maintenance, and management to attract combination orders.

Under the second initiative, assertively responding to the earthquake reconstruction demand, we plan to strengthen our connections with local governments. We will aggressively approach local governments with reconstruction project proposals and seek to expand orders by presenting comprehensive proposals that include urban development along with water infrastructure and developing highly sophisticated project proposals beyond the capabilities of other companies, such as infrastructure incorporating sewage thermal utilization systems, which the company is researching in collaboration with the Ministry of Land, Infrastructure, Transport and Tourism.

Reestablishing the overseas businesses, the third initiative, will involve dispatching personnel to be accountable not on the individual business level but for designated regions, constructing a system capable of generating fully integrated project proposals, and activating the full strength of our capabilities.

In implementing these initiatives, we aim to expand orders in the pipeline renewal business through aggressive activities to secure orders in Eastern Europe, where we anticipate strong demand, and by consolidating the construction operating structure by unifying the management of the three businesses in the United States. We plan to raise orders in the water infrastructure business by constructing a value chain structure targeting the coastal regions of China. We will also fortify the sheet business, which focuses on the aircraft industry, through measures including strengthening the synergy between the two affiliated companies while also broadening the range of applications and accelerating development of new products.

Through the steady implementation of these initiatives, we aim to increase earnings and fortify the business foundation to achieve the medium-term management plan targets.

HOUSING COMPANY

TEILJI KOUGE, *President of Housing Company*

PERFORMANCE HIGHLIGHTS

(Billions of yen)	FY08	FY09	FY10	FY11	FY12 (Plan)
Net sales	424.5	398.2	418.7	**449.4**	470.0
Housing	327.1	292.4	301.0	**322.3**	336.5
Living Environment	97.4	105.8	117.7	**127.1**	133.5
Operating income	17.1	19.4	24.4	**31.1**	35.0
Housing	13.7	15.4	18.2	**23.1**	26.0
Living Environment	3.4	4.0	6.2	**8.0**	9.0
Operating income ratio (%)	4.0	4.9	5.8	**6.9**	7.4

Results for Fiscal Year 2011

Net sales: Increase of ¥30.7 billion to ¥449.4 billion
Operating income: Increase of ¥6.7 billion to ¥31.1 billion

The Housing Company is a leading provider of residential housing with annual housing sales surpassing 10,000 units annually. The company's strength is its unique unit construction method allowing as much as 80% of the construction to be completed inside the factory and enabling unmatched high-quality construction and short construction periods. The Housing Company utilizes the features of its unit construction method to develop business centered on high-performance and high value-added housing products. Assembled from box-shaped units, our houses can easily be expanded or relocated and reconstructed on a different site. In addition, we maintain an extensive database of the materials used in the units. The database is a pivotal resource, which provides timely information to meet customer needs, such as for post-construction renovation projects.

The Housing Company is utilizing the database to develop a "cyclical value chain" 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 (kitchen and bathroom renovations, etc.), major refurbishments and additions, sales of existing houses, rebuilding, and relocation.

In fiscal year 2011, orders increased for the advanced Smart Heim housing series meeting customer demand for built-in features such as large-capacity solar power generation systems and the Home Energy Management System (HEMS) as well as for new products designed to prioritize cost performance. The Housing Company's ongoing efforts to fortify its refurbishment sales operating structure also contributed to the continuing growth in sales. As a result, the Housing Company posted growth in both net sales and operating income for its housing business and living environment business.

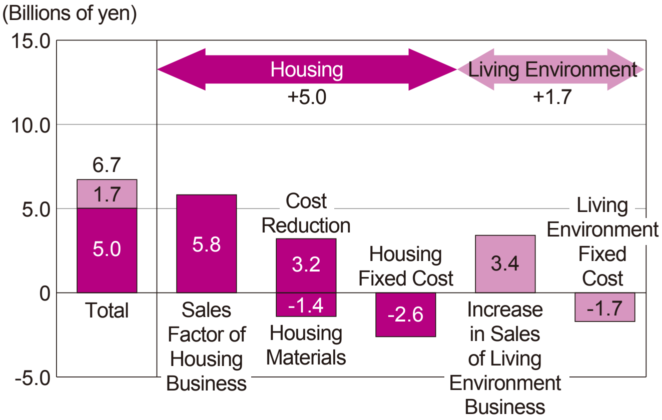
Innovative Unit Technology

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

Swift on-site assembly completed in just one day

Housing business net sales rose by ¥21.3 billion year on year to ¥322.3 billion in fiscal year 2011. The most significant factors in the improved performance were the transition to brisk housing orders in

Analysis of Operating Income for FY2011 (year-on-year)

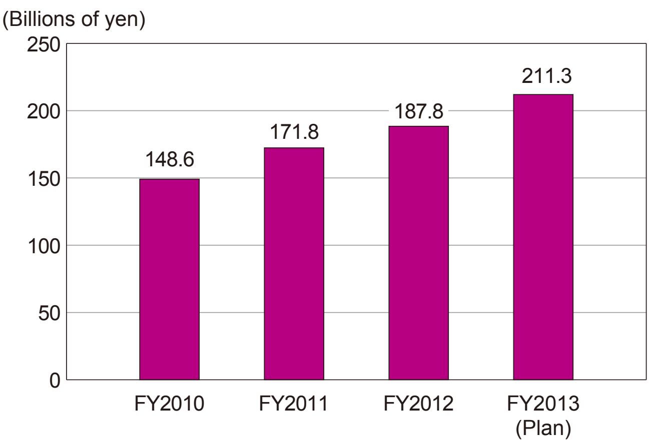


the second half of fiscal year 2010 and the healthy order backlog at the start of the fiscal year that set the foundation for achieving 5% year-on-year growth in orders in both the first and second halves of fiscal year 2011.

Operating income rose by ¥4.9 billion to ¥23.1 billion as the increased revenue from sales (¥5.8 billion) and savings realized from cost cutting efforts (¥3.2 billion) more than covered the negative impacts from higher material prices (¥1.4 billion) and fixed costs (¥2.6 billion). Orders also continued rising as the company successfully differentiated its advanced housing products with built-in features, such as the unique large-capacity solar power generation systems, HEMS, and Comfortable Air System. The Housing Company achieved year-on-year increases in housing orders of 3% in the first half and 3% in the second half, resulting in 3% growth for the fiscal year. The order backlog at the start of fiscal year 2012 was 9% larger than the previous fiscal year level.

The living environment business, which centers on the refurbishment, continued to fortify its business base, including expanding its refurbishment business sales staff, while also seeking to expand sales of solar power generation equipment and other mainstay

Order Backlogs at Term Start



products. Living environment business net sales increased by ¥9.4 billion year on year to ¥127.1 billion. Operating income grew by ¥1.8 billion to ¥8.0 billion, which was the result of a ¥3.4 billion increase in sales revenue that more than offset a ¥1.7 billion rise in fixed costs accompanying the expansion of staff.

Fiscal Year 2012 Plan

Net sales: Increase of ¥20.6 billion to ¥470.0 billion
Operating income: Increase of ¥3.9 billion to ¥35.0 billion

In fiscal year 2012, we plan to accelerate profit growth through the launch and sales growth of Shin Smart Heim houses, which will be the centerpiece of our activities during the year, and through progress in cost reform realized from the integrated production and sales structure. Our aim is to achieve the fiscal year 2013 targets for the final year of Stage 2 of the GS21-SHINKA! medium-term management plan one year ahead of schedule.

Market Environment

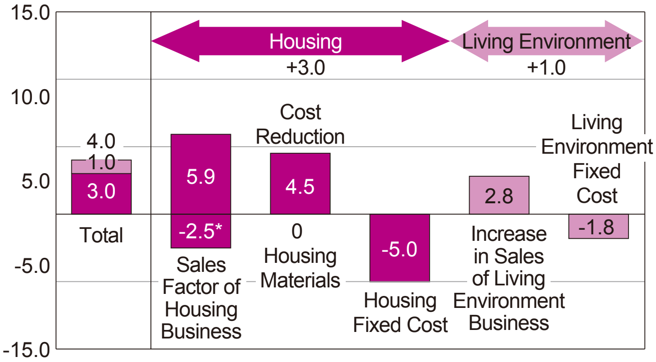
We anticipate the 2012 housing market continuing the previous fiscal year trend of a certain degree of demand being stimulated by the ongoing enforcement of the main housing purchase subsidy programs, such as the reduced interest “Flat 35S” long-term fixed-rate housing loan and the expanded gift tax exemption framework. We also expect some demand to surface in the second half ahead of an expected increase in the consumption tax. By region, we anticipate the continuing emergence of reconstruction-related demand in Northeastern Japan from last year as well as replacement demand in the Tokyo metropolitan and other areas. We forecast an overall improvement from last year in the housing market environment in fiscal year 2012.

Sales and Income Targets

We aim to expand sales and profits for both the housing and living environment businesses in fiscal year 2012 supported by the ample order backlog and brisk housing demand. We plan to expand orders in the housing business by promoting the attractive value of our advanced home products, such as the company’s next-generation Shin Smart Heim series (launched in April 2012) equipped with solar power generation systems (energy generation), Comfortable Air System (energy saving), and the new feature of built-in storage batteries (energy storage). The business is also seeking to improve profit margins by continuing to trim costs under the integrated production and sales structure. Based on these activities, we are aiming for housing business net sales of ¥336.5 billion and operating income of ¥26.0 billion in fiscal year 2012.

In the living environment business, we plan to continue fortifying the sales force and expanding sales of our solar, bath, kitchen, and

Analysis of Operating Income for FY2012 (year-on-year)



* Investment in a sales expansion strategy for solar powered homes with storage batteries

other mainstay products. Solar power-related products will be a central theme during the year as we seek to increase sales of the three-piece set of large-capacity solar equipment, HEMS, and storage batteries in line with our new housing construction activities. Our fiscal year 2012 targets for the living environment business are for growth in net sales to ¥133.5 billion and in operating income to ¥9.0 billion.

We are aiming for the Housing Company to attain overall net sales of ¥470.0 billion and operating income of ¥35.0 billion in fiscal year 2012. By achieving this target, we will meet the ¥34.0 billion operating income target set for the final year of Stage 2 of the GS21-SHINKA! medium-term management plan one year ahead of schedule.

Fiscal Year 2012 Initiatives

In fiscal year 2012, we will increase the sales staff and quickly develop their sales capabilities to establish the foundation for sustainable growth of both the housing and living environment businesses. In the housing business, we will seek to expand orders centered on the Shin Smart Heim houses with built-in storage batteries while also realizing the cost reduction benefits of the integrated production and sales structure to ensure thorough management efficiency.

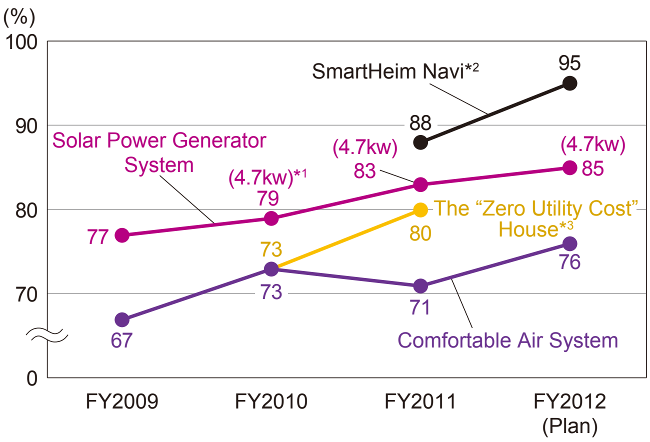
We plan to continue growing the living environment business through measures including expanding sales of mainstay products. Specific measures will be to add 300 sales staff in the housing business and 80 sales staff in the refurbishing business with immediate training to build their sales capabilities and also to fortify the operating structure to realize sustainable growth.

As a strategy to attract housing business orders, we added the Shin Smart Heim series with built-in storage batteries, which was launched nationwide in April of this year, to our existing product differentiation efforts highlighting the large-capacity solar power and "zero-utility-cost house" features. We plan to make storage battery systems standard in all housing products and are aiming to raise sales of homes with these systems to 5,000 units in FY2012 and 10,000 units in FY2013. In addition, we plan to launch the New Parfait model series in July and to stimulate replacement construction demand and increase orders.

In the living environment business, we will aim to increase refurbishing operation sales by paralleling the launch of the Shin Smart Heim series with built-in storage batteries with the release of three-package sets offering a combination of large-capacity solar equipment, HEMS, and storage batteries. We will also seek to expand orders by enhancing our periodic diagnostic testing for existing homes constructed by the Company to ensure we fully capture demand from current occupants.

We are also making steady progress toward full-fledged business development of the overseas housing business in Thailand and plan to complete construction within the year of a mass-production factory with an annual capacity of 1,000 homes.

Sales Percentages of Homes with High-performance Optioins (order base)



*1: Solar power generator capacity

*2: Communication-type home energy management systems (introduced in April 2011). Percentage within all homes with built-in solar power generation units.

*3: Research at the end of FY2010 and FY2011. Percentage within all homes with built-in solar power generation units.

REVIEW AND ANALYSIS OF CONSOLIDATED RESULTS FOR FISCAL YEAR 2011

Year ended March 31, 2012

Business Environment

The global economy had been steadily recovering from the crisis conditions incited by the Lehman Shock in fiscal year 2008 but the escalating European debt crisis caused conditions to take a turn for the worse, particularly in Europe, in fiscal year 2011, and a clear economic slowdown materialized. Global business conditions were also strongly affected by the constrained supply conditions caused by the March 2011 Great East Japan Earthquake and the interruption to production activities caused by the flooding in Thailand.

The Japanese economy, despite the temporary severing of supply chains and shortages of raw materials and components after the Great East Japan Earthquake, ultimately recovered more rapidly than expected and even saw the emergence of a certain degree of demand generated by the reconstruction activity after the earthquake. Corporate efforts to improve earnings also had to battle against a sharp appreciation in the yen and soaring prices for raw materials. All in all, the business conditions during the year were anything but smooth.

In these conditions, fiscal year 2011 marked the first year of the second stage of the Sekisui Chemical Group's "GS21-SHINKA!" Medium-term Management Plan (fiscal years 2009-2013) begun in fiscal year 2009. The main policy themes in this second stage are to revise the business model to correspond with changes in the domestic and overseas demand structure, begin reaping results from the growth seeds sowed for the global businesses, and continue opening new growth segments, such as environment-contributing products, to expand sales.

By business segment in fiscal year 2011, in the domestic housing field, the extension and continuation of government support measures for home acquisitions and other factors contributed to ongoing brisk demand helping to raise new housing construction starts to 841,246 units, marking the second straight year of year-on-year growth. The Company successfully increased orders in fiscal year 2011 and raised the housing orders on a unit basis by 3%. We also increased the year-start order backlog by 9% from a year ago, providing a solid start for sales in fiscal year 2012.

Demand also grew for construction materials and other construction-related businesses as a whole boosted by the housing starts recovery and other factors, including the emergence of restoration demand after the Great East Japan Earthquake. On the backdrop of recovering demand, we expanded both the sales volume and margins for our PVC products, the mainstay products of the Urban Infrastructure & Environmental Products Company. Sales in the domestic pipeline renewal business, however, fell short of our plan for the year owing to the factors including the postponement of project orders after the disaster.

The pipeline renewal business also struggled overseas, facing the economic crisis and ensuing economic slowdown in Europe as well as a curtailed public works spending and postponed projects in the United States. However, as populations grow, water environment issues are becoming more critical worldwide. New infrastructure construction demand in developing countries where populations are booming and infrastructure renewal demand in developed countries with rapidly degrading facilities, including in Eastern Europe where renovation construction is only just beginning, continue to be urgent issues. The Company is responding to these conditions by reinforcing its order structure through measures that include acquiring the construction company Rabmer Holding GmbH, which maintains a strong business base in the Eastern Europe region.

Automotive related business was impacted by the reduced production at the domestic automakers owing to the declining demand as the European economic growth slows and the impacts from the Japan earthquake and Thai floods. In the IT field, sluggish demand for LCD TVs and computers inevitably led to lower sales. At the same time, product sales increased in new segments, such as products for smartphones and tablet computers. Sales increased in the MD field, which included contribution of the newly consolidated Sekisui Diagnostics, LLC, in April, 2011.

The overall business environment was severe in fiscal year 2011, which encompassed the impact from the Great East Japan Earthquake, slowing growth in the global economy, particularly in Europe, and reduced vehicle production by the Japanese auto manufacturers. In these conditions, the Company exerted the strong presence of its highly competitive businesses, such as housing and water infrastructure, to fully respond to the growing domestic demand and steadily applied cost cutting measures, such as revising product prices and cutting costs to fully offset the rises in raw materials and parts prices. These measures enabled the Company to post the highest level of operating income since the introduction of the internal divisional company system in fiscal year 2001, marking the second consecutive year of record-high income.

Analysis of Business Results and Financial Position

I. Analysis of Business Results for Fiscal Year 2011

1) Net sales

Net sales in fiscal year 2011 amounted to ¥965,090 million, an increase of ¥49,598 million, or 5.4%, from the previous fiscal year.

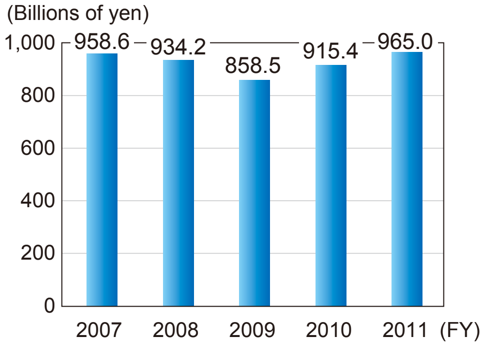
Housing Company net sales amounted to ¥449,391 million in fiscal year 2011, representing an increase of ¥30,704 million, or 7.3%, from the previous fiscal year. The new housing construction business recorded year-on-year growth in housing unit orders. Sales were boosted by meeting the increased demand for seismic-resistant housing after the Great East Japan Earthquake and from the contribution to sales of the Smart Heim series of homes offering built-in solar power generation systems and the energy-saving Home Energy Management System (HEMS) communication technology. The living environment business also recorded a steady rise in the value of orders supported by strong sales of solar power generation systems, which attracted increased interest after the earthquake, and the constant drive to expand sales of its mainstay kitchen, bathroom, and other products.

Urban Infrastructure & Environmental Products Company net sales amounted to ¥200,002 million in fiscal year 2011, representing an increase of ¥4,431 million, or 2.3%, from the previous fiscal year. The UIEP Company's overseas businesses struggled against adverse conditions including the debt crisis in Europe but increasing sales volume in its domestic core businesses, particularly for PVC pipes, rain gutters, and bathroom units, enabled the company to steadily counter the rises in material prices.

High Performance Plastics Company net sales in fiscal year 2011 amounted to ¥296,876 million, an increase of ¥15,233 million, or 5.4%, from the previous fiscal year. Automotive field sales declined from fiscal year 2011 owing to factors including sluggish market conditions caused by the debt crisis in Europe, decreased auto production after the Great East Japan Earthquake and Thai floods, and the strong yen. Sales increased in the IT field on contribution from the newly consolidated Sekisui Nano Coat Technology Co., Ltd. and expanding sales in the mobile solutions field, including products used in smartphones and tablet computers. In the medical field, contributions from newly consolidated companies, including the U.S.-based diagnostic reagents business Sekisui Diagnostics, LLC, supported a sharp year-on-year rise in sales.

Net sales in Other Businesses in fiscal year 2011 amounted to ¥43,474 million, an increase of ¥334 million, or 0.8%, from the previous fiscal year.

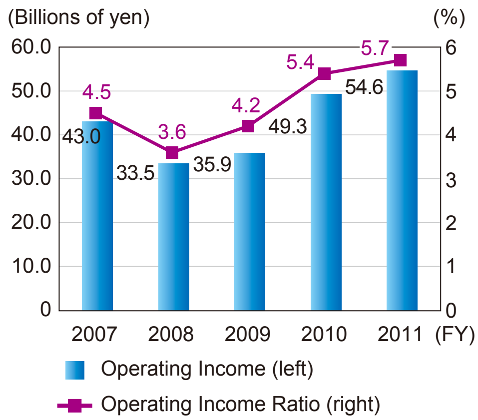
Net Sales



2) Operating income

Operating income in fiscal year 2011 amounted to ¥54,610 million, an increase of ¥5,274 million, or 10.7%, from the previous fiscal year. The growth was largely due to the ¥15,538 million increase in gross profit that accompanied the rise in sales and which more than offset the ¥10,263 million increase in selling, general and administrative expenses.

Operating Income and Operating Income Ratio



3) Non-operating income and expenses

Non-operating income increased by ¥1,957 million from the previous fiscal year, largely owing to an increase in miscellaneous income of ¥1,611 million. Non-operating expenses included an increase in miscellaneous expenses of ¥3,099 million along with a decrease in foreign exchange loss of ¥1,896 million. The result was a net increase of ¥1,365 million from the previous fiscal year.

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

4) Extraordinary income and loss

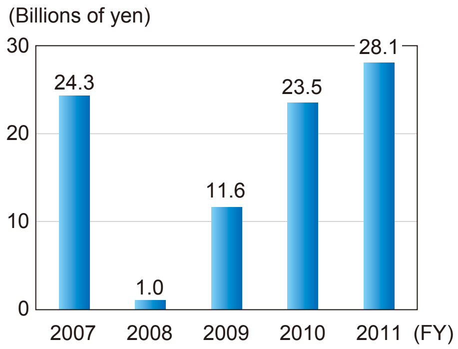
Extraordinary income included a ¥3,311 million gain on sales of property, plant and equipment.

Extraordinary loss amounted to ¥8,229 million, a decrease of ¥262 million, or 3.1%, from the previous fiscal year, comprising a ¥987 million loss on devaluation of investments in securities, a ¥3,811 million loss on impairment of fixed assets and goodwill, and a ¥1,590 million loss on sales or disposal of property, plant and equipment, ¥1,840 million loss on advanced depreciation of property, plant and equipment.

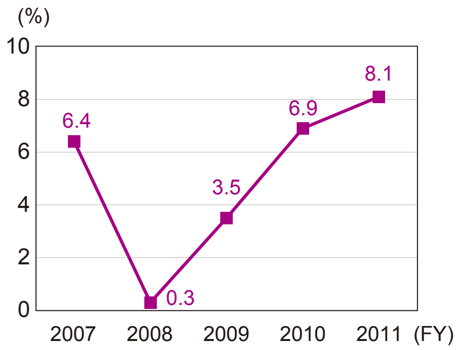
5) Net income

As a result of the above, income before income taxes and minority interests for fiscal year 2011 increased ¥9,439 million from the previous fiscal year to ¥49,240 million. After taxes and minority interests, net income amounted to ¥28,116 million, an increase of ¥4,541 million, or 19.3%, from the previous fiscal year.

Net Income



Return on Equity



*Return on Equity = Net Income / Average Shareholder's Equity

II. Financial Position

1) Assets, liabilities, and net assets

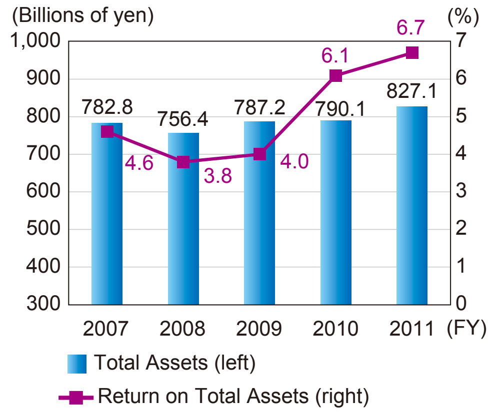
Total assets at the end of fiscal year 2011 amounted to ¥827,103 million, an increase of ¥36,914 million from the previous fiscal year-end.

(Assets)

Current assets rose ¥20,837 million from the previous fiscal year to ¥400,322 million at the end of fiscal year 2011. The main element was a ¥14,722 million increase in inventories.

Non-current assets increased ¥16,076 million to ¥426,780 million, primarily on a ¥22,079 million rise in intangible assets.

Total Assets and
Return on Total Assets

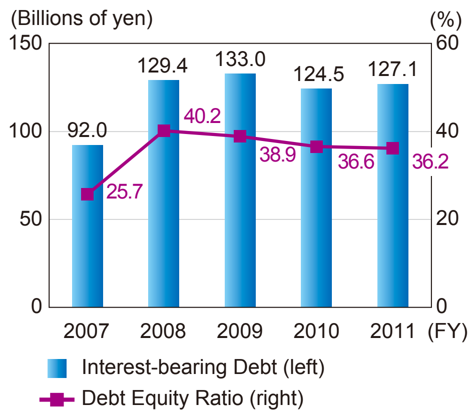


*Return on Total Assets = Ordinary Income / Average Total Assets

(Liabilities)

Liabilities rose ¥23,660 million year on year to ¥463,803 million at the end of fiscal year 2011. The main elements were a combined ¥6,820 million increase in notes payable, electronically recorded obligations, accounts payable, and accrued expenses along with increases of ¥6,174 million in accrued income taxes and other taxes and ¥3,401 million in advances received.

Interest-bearing Debt and
Debt Equity Ratio



*Debt Equity Ratio = Interest-bearing Debt / Shareholder's Equity

(Net assets)

Retained earnings rose ¥20,166 million, mainly due to an increase in net income of ¥28,116 million that more than offset dividend payments of ¥7,836 million.

However, the impact of the strong yen caused a downward translation adjustment of ¥4,711 million, and the acquisition of treasury stock and other actions reduced the treasury stock account by ¥4,335 million. As a result of the above, net assets were ¥363,299 million at the end of fiscal year 2011, an increase of ¥13,254 million from the previous fiscal year-end.

2) Cash flows

Cash and cash equivalents on a consolidated basis (hereinafter "funds") amounted to ¥45,146 million at the end of fiscal year 2011, a decrease of ¥20,798 million, or 31.5%, from the end of fiscal year 2010.

Factors influencing the fiscal year 2011 cash flow accounts were as follows.

(Operating activities)

Funds from operating activities amounted to ¥66.652 million in fiscal year 2011, an increase of ¥2,454 million from the previous fiscal year. Factors increasing cash flow from operating activities included ¥49,240 million in income before income taxes and minority interests, ¥35,102 million in depreciation and amortization, a ¥6,318 million increase in notes and accounts payable, and a ¥2,854 million increase in advances received. These were exceeded by factors drawing from cash flow, which included a ¥15,455 million increase in income taxes paid and increases of ¥12,194 million in inventories and a ¥8,372 million in notes and accounts receivable.

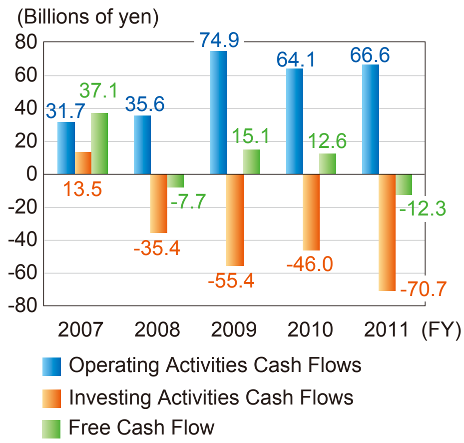
(Investing activities)

Funds used in investing activities amounted to ¥70,727 million in fiscal year 2011, compared with a cash outflow of ¥46,051 million in the previous fiscal year. The cash outflow was primarily the result of aggressive investment activities including ¥25,963 million utilized to acquire property, plant and equipment in priority and growth fields and ¥33,722 million for the transfer of the diagnostic agent business from Genzyme Corporation, of the United States, and to acquire shares of Suzutora Corporation (currently Sekisui Nano Coat Technology Co., Ltd.) and establish the company as a subsidiary.

(Financing activities)

Funds used in financing activities amounted to ¥16,077 million in fiscal year 2011, compared with a cash outflow of ¥5,197 million in the previous fiscal year. The cash outflow was largely due to ¥8.258 million in dividend payments (including dividends paid to minority shareholders), a net decrease of ¥4,909 million in interest-bearing debt, and an outlay of ¥4,544 million to acquire treasury stock.

Cash Flows



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

Business Risks

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 occur. Forward-looking statements contained herein are based upon assessments made by the Sekisui Chemical Group at the end of consolidated fiscal year 2011.

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, steel, or 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 such 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 Company 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's 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

CONTENTS

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.

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

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

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

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

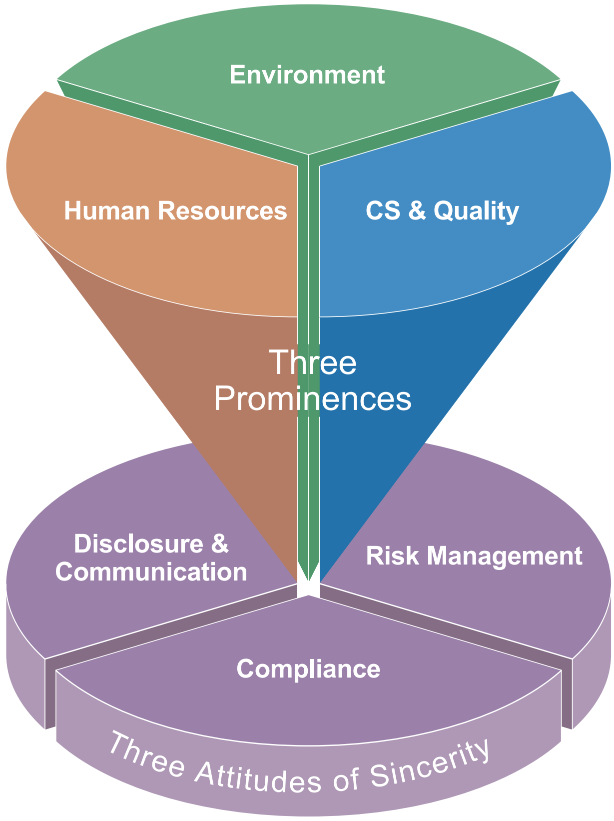
People's lives around the world
We contribute to improving the quality of people's lives by responding to global markets and taking part in global activities.

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

CORPORATE SOCIAL RESPONSIBILITY (CSR)

CSR is the Pillar of Management

The Sekisui Chemical Group's CSR is to contribute to society through its businesses, and fulfilling its CSR is the very embodiment of the Group's corporate philosophy. We believe that advancing our CSR management raises the quality of our corporate management. Based on these perceptions, we must earnestly implement CSR initiatives at all times under any kind of business conditions to realize the ongoing transformation and evolution of the Group.



The Three Prominences and Three Attitudes of Sincerity

The Group's CSR management is based on the core themes of the Three Prominences of the Environment, Customer Service & Quality, and Human Resources, and the Three Attitudes of Sincerity of Compliance, Risk Management, and Disclosure & Communication. As a member of the manufacturing industry, we believe the Environment and Customer Service & Quality are our inherent responsibilities, and we also consider it our duty to include Human Resources in the three prominences, because it is people who achieve progress in the other two areas.

CSR is also a key component of our medium-term management plan, and we are seeking to deepen the penetration of CSR within our company and to make CSR a key part of our global development.

CSR Medium-term Plan (Fiscal Years 2009-2013)

CSR plans are integrated to the Sekisui Chemical Group's management plan, and the Group formulated the CSR Medium-term Plan (fiscal years 2009-2013) to deepen the integration of its business and CSR activities. The following chart presents our activities and targets for fiscal year 2013, and results of fiscal year 2011.

Three Prominences

Theme	Main Activities	FY2011 Results	FY2013 Targets
Environment	• Increase Environment-Contributing products*	• 37% of net sales (target: 35%)	• Over 40% of net sales
	• Reduce greenhouse gas emissions	• 21% reduction from FY1990 level (domestic) (target: 21% reduction)	• Maintain reduction above 20% of FY1990 level (domestic) • Reduce by over 5% from FY2008 level (overseas) (unit: GJ/ton-CO_2)
CS & Quality	• External failure costs	• Reduced by ¥3.0 billion (from FY2004 level)	• Reduce by ¥5.0 billion (from FY2004 level)
	• Major quality issues	• 2 cases (target: 0 cases)	• 0 cases
Human Resources	• Global Talents	• Increased "Global Talents" employees to 271 people • International recruiting expanded	• 300 people
	• Career Development & Evaluation	• 13 cases of using an Intra-group Job Posting System for post-hiring transfers	• 20 cases/year
	• Decent Work & Diversity	• 27% of new graduate recruits were women (target: 30%)	• 30%

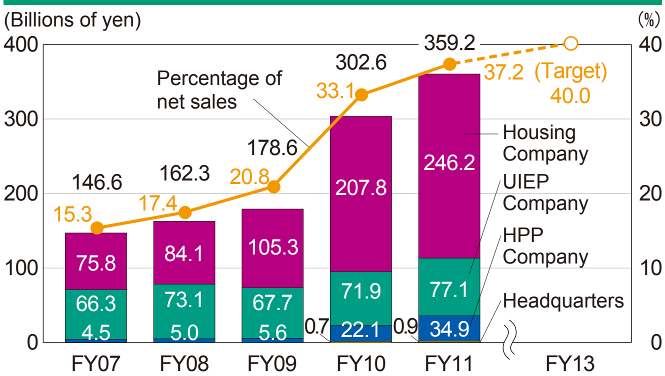
Three Attitudes of Sincerity

Theme	Main Activities	FY2011 Results	FY2013 Targets
Compliance	• Continue raising awareness • Develop overseas compliance	• Education and instruction catered to staff level and specific groups • Formulated an overseas compliance system	• Continue raising awareness • Cultivated key individuals for overseas compliance
Risk Management	• Developed risk management activities	• Conducted risk management activities for relevant departments • Restructured the crisis management system	• Continue risk management activities • Continue overseas development
Disclosure & Communication	• Enhance external recognition and perception of the Company • Continue open dialogue with employees	• Earned Sustainable Asset Management (SAM) "Gold Class" CSR rating • Earned selection for FTSE4Good Global Indexes • Earned selection for inclusion in the Morningstar Socially Responsible Investment Index	• Increase communication efforts in each region

* Sekisui Chemical Group Environment-Contributing Products

The Sekisui Chemical Group has been steadily increasing its Environment-Contributing products and operations. The Group actively contributes to society through its Environment-Contributing products, which take into account the environmental burden not just in the manufacturing stages but also while the products are in use. In fiscal year 2011, brisk sales of our houses with built-in solar power generation systems and an expanded lineup of environment-contributing products raised sales of our environment-contributing products to ¥359.2 billion, which represents 37.2% of our net sales.

Trends in Environment-Contributing Product Sales and Percentage



Featured Environment-Contributing Products

Houses with Built-in Solar Power Generation Systems

The Housing Company has built over 100,000 units of "houses with built-in solar power generation systems" and on February 2012, was certified by GUINNESS WORLD RECORDS™ *as "the most solar powered houses built." We will continue offering products combining energy-saving and energy-producing features to reduce household CO_2 emissions.

High Performance Interlayer Films for Laminated Glass

Our S-LEC interlayer films for laminated glass provide various enhancement functions for glass. Sound insulation interlayer film lightens vehicle weight by replacing heavier soundproofing materials. Solar control interlayer film improves fuel efficiency by reducing air conditioner usage.

Pipeline Renewal Systems (SPR Methods)

The SPR method of renovating existing pipeline infrastructure preserves resources and virtually eliminates waste by applying a spiral coating of hard vinyl chloride materials on the inner surface of degraded sewer pipes, which allows reparations to be made without excavating old pipes.

* GUINNESS WORLD RECORDS ™ is a registered trade mark of Guinness World Records Limited

Please see the Sekisui Chemical Group CSR web page for further details on our CSR activities.
http://www.sekisuichemical.com/csr/index.html

CORPORATE GOVERNANCE

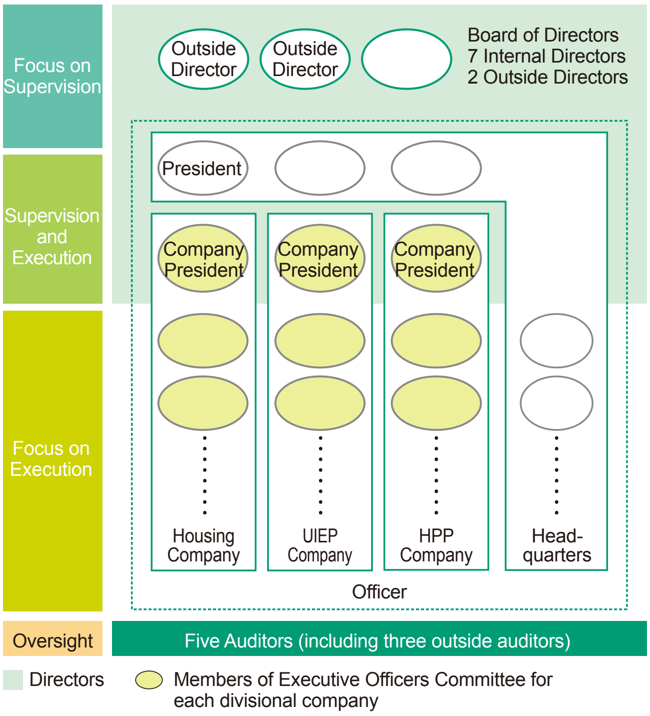
Sekisui Chemical implements various measures, including the introduction of Outside Directors and the Executive Officer System, to enhance its transparency and fairness and to respond swiftly to business opportunities.

In addition, each Sekisui Chemical Group company implements various programs to heighten the compliance awareness and understanding of all its directors, executive 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, business model revisions, and strengthening of CSR management.

Strengthened Business Execution Functions

Under our division company system, we introduced a Executive Officer System, 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.

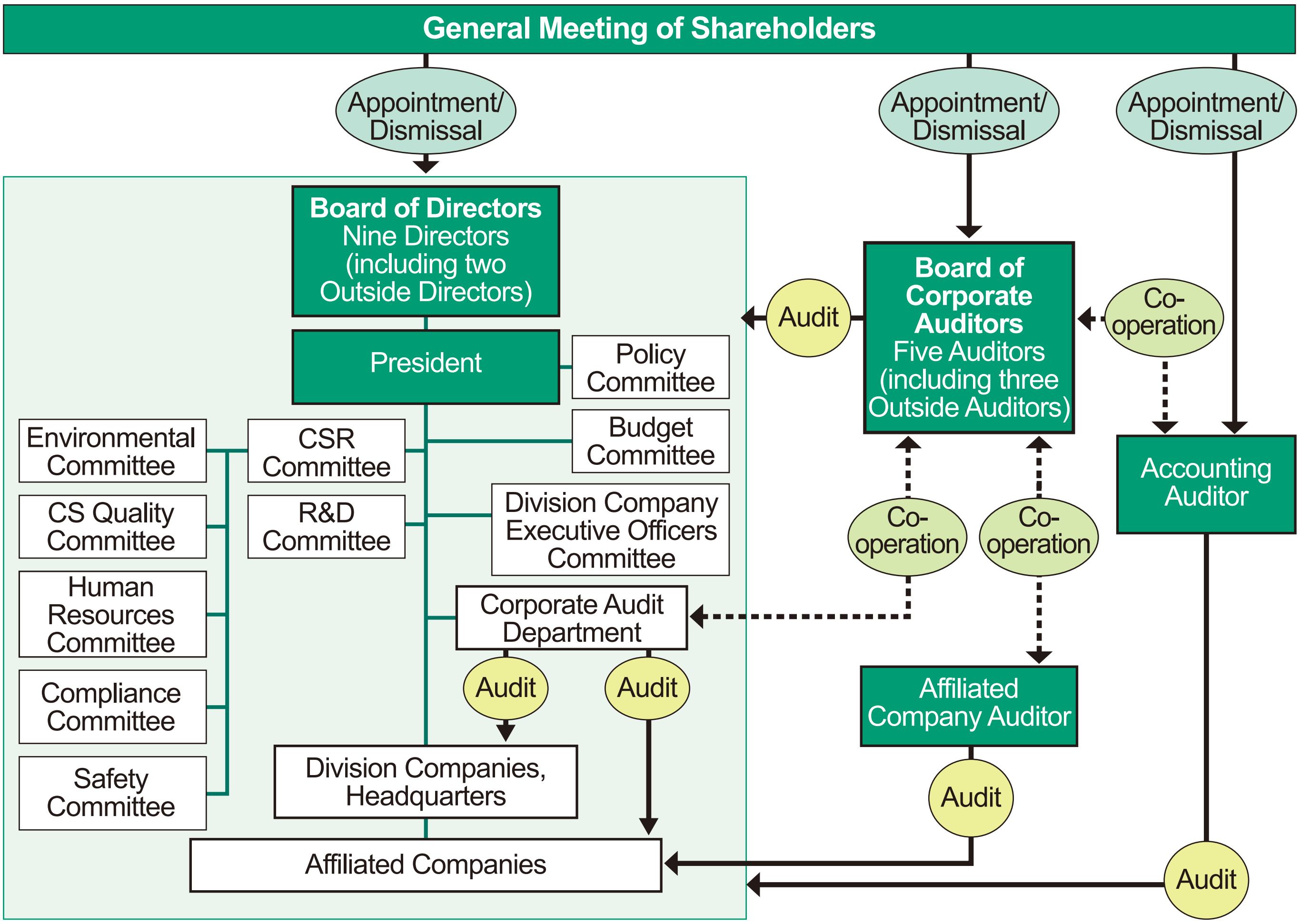
Auditing System

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 group wide, and conducts activities to highlight the importance of compliance as a fundamental aspect of our corporate culture. In April 2011, the Company established the Safety Committee to further reinforce our activities related to occupational safety and health.

Corporate Governance System



DIRECTORS, AUDITORS AND EXECUTIVE OFFICERS

BOARD OF DIRECTORS

Naofumi Negishi
President and Representative Director,
Chief Executive Officer

Takayoshi Matsunaga
Director,
Senior Managing Executive Officer

Teiji Kouge
Director,
Senior Managing Executive Officer

Kozo Takami
Director,
Senior Managing Executive Officer

Hajime Kubo
Director,
Managing Executive Officer

Satoshi Uenoyama
Director,
Managing Executive Officer

Naotake Okubo
Director & Executive Advisor

Toru Tsuji [Outside Director]
Honorary Corporate Advisor
Marubeni Corporation

Toru Nagashima [Outside Director]
Chairman of the Board
Teijin Limited

CORPORATE AUDITORS

Shuichi Shino

Kiyotaka Tsuji

Tadashi Kunihiro [Outside Auditor]
Attorney at Law

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

Hirofumi Onishi [Outside Auditor]
Certified Public Accountant

EXECUTIVE OFFICERS

Naofumi Negishi
Chief Executive Officer

Housing Company

Teiji Kouge
Senior Managing Executive Officer
President of Housing Company

Hidemi Uno
Managing Executive Officer
Responsible for CS Promotion & Quality Assurance Department
Head of Technology Department

Kazumasa Murakami
Managing Executive Officer
Head of Housing Division

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

Shunichi Sekiguchi
Executive Officer
Head of Living Environment Division

Yoshikazu Nakamura
Executive Officer
Head of Research & Development Department

Futoshi Kamiwaki
Executive Officer
Head of Planning & Control Department

Urban Infrastructure & Environmental Products Company

Kozo Takami
Senior Managing Executive Officer
President of Urban Infrastructure & Environmental Products Company

Torao Ishii
Managing Executive Officer
Responsible for Public Sector Business
Head of Administrative Management & Control Department

Takao Miyake
Executive Officer
Head of Global Production Innovation Center

Kimiatsu Sato
Executive Officer
Head of Global Water Pipe Systems Division

Masao Shimazu
Executive Officer
Responsible for Private Sector Business
Head of Pipe Systems & Building Materials Division

Shigeki Fujii
Executive Officer
Head of Technology & Development Division

High Performance Plastics Company

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

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
President of Sekisui Film Co., Ltd.

Keita Kato
Executive Officer
Head of New Business Promotion Division

Masaru Noriki
Executive Officer
Head of Administrative Management & Control Department

Toshitaka Fukunaga
Executive Officer
Head of Shiga - Minakuchi Plant

Headquarters

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

Hajime Kubo
Managing Executive Officer
Responsible for Legal Department
Head of CSR Department
Head of Corporate Communication Department

Satoshi Uenoyama
Managing Executive Officer
Head of R&D Center

Masaru Kondou
Executive Officer
Head of Total Manufacturing Management 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.

We are focusing our creation of next-generation businesses in three fields: advanced infrastructure solutions, energy-related leveraging our chemical strength, and life science. At the Corporate R&D Center, we are engaged in the development of new technologies with the aim of creating unique energy systems, centered on generated energy and stored energy, and chemistry formulation that are not reliant on oil-based resources.

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. Under the Manufacturing Development SHINKA plan begun in fiscal year

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

Advanced Infrastructure Solutions	•Provide highly industrialized housing in developed countries •Develop business using a packaged-order model
Energy Solution Chemicals	•Energy Saving: LED components •Energy Generation: Solar battery components •Energy Storage: Lithium-ion battery components
Life Science	•Provide new diagnostic methods, develop and provide equipment •Drug Discovery Support Business with unique analytical technology

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

2009, manufacturing development departments were shifted from the R&D Center to the Total Manufacturing Innovation Center, which now comprises the Manufacturing Development Innovation Center, the Safety Group, the Quality Management Group, and the Purchasing Group. The objectives of this reorganization are to continue advancing our existing activities and to establish a solid framework for activities at all of our business sites based on respect for the customer (zero claims, zero defects), 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.

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 2011, four inventions, including an Comfortable Air System, were recognized and the inventors were 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 2011, 20 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 2011, 13 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.

In fiscal year 2012, the fourth year of the plan, reflecting our increasing awareness in recent years that our intellectual property activities are essential not just for product development but are also increasingly important on the management level, we are working on Company-wide initiatives to 1) enhance our intellectual property culture, 2) improve our global responsiveness, 3) improve our risk response capabilities, and 4) increase our stock of intellectual property.

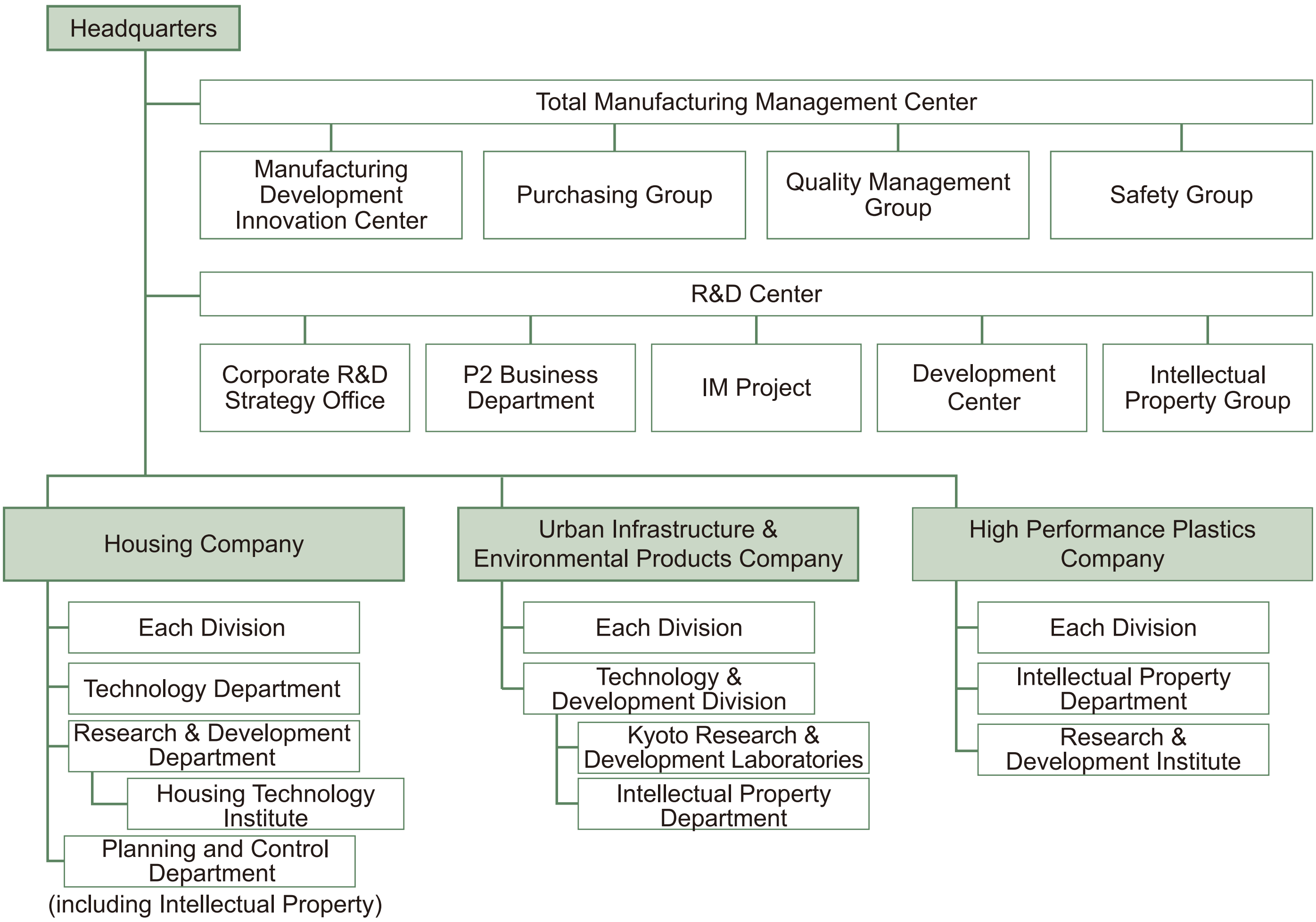
Framework for Promoting the Intellectual Property Strategy and Major Activities

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 Development and Intellectual Property Strategy 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 the development of our global business. Along with this effort, we are training individuals to serve as local intellectual property staff in China and the United States to promote intellectual property activities in those countries.

R&D and Intellectual Property Management System



MAJOR CONSOLIDATED SUBSIDIARIES AND AFFILIATES

(As of March 31, 2012)

CONSOLIDATED SUBSIDIARIES

		Capital*1	Ratio of Voting Rights*2	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

*1 Capital amounts are rounded down to the nearest decimal point.
*2 Ratio of voting rights is rounded down to one decimal place.

CONSOLIDATED SUBSIDIARIES

		Capital*1	Ratio of Voting Rights*2	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
Kyushu 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
Sekisui-SCG Industry Co., Ltd.	Thailand	THB2,325 million	51.0%	Production of unit housing

Urban Infrastructure & Environmental Products

Sekisui Aqua Systems Co., Ltd.	Japan	JPY200 million	80.4%	Construction of plant facilities, production, sale, construction and maintenance of water environment systems (panel tanks, etc.) for industrial 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
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
Asaka Sekisui Industry Co., Ltd.	Japan	JPY10 million	100.0%	Plastic product finishing, packaging, and related operations
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 million	100.0%	Sale of synthetic resin products
Higashinihon 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
Nishinihon Sekisui Shoji Co., Ltd.	Japan	JPY70 million	100.0%	Sale of synthetic resin products
Sanin Sekisui Shoji Co., Ltd.	Japan	JPY30 million	100.0%	Sale of synthetic resin products
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
Ritto Sekisui Industry Co., Ltd.	Japan	JPY10 million	100.0%	Production and sale of synthetic resin pipes and joints
KYDEX, LLC.	U.S.	USD54 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

CONSOLIDATED SUBSIDIARIES		Capital*1	Ratio of Voting Rights*2	Activities
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	100.0%	Pipeline renewal business (pipeline renewal process development, production, distribution of piping materials, renewal construction)
Eslon B.V.	Netherlands	EUR1,000 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 thousand	51.0%	Production of polyethylene electrofusion fittings (EF fittings)
Sekisui (Qingdao) Plastic Co., Ltd.	China	RMB70,904 thousand	100.0%	Production and sale of high-performance plastic pipe for water supply
Sekisui Industrial Piping Co., Ltd.	Taiwan	TWD456 million	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 Kako Co., Ltd.	Japan	JPY10 million	100.0%	Production and processing of polyethylene films
Sekisui Nano Coat Technology Co., Ltd.	Japan	JPY30 million	100.0%	Thin film business (ITO film primarily for touch panels), textile business (metallurgical coating processing, base fabric processing for synthetic leather)
Sekisui Fuller Co., Ltd.	Japan	JPY400 million	50.0%	Production and sale of adhesive materials
Sekisui Medical Co., Ltd.	Japan	JPY1,275 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
Sekisui Amagasaki Kako Co., Ltd.*3	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 High Performance Packaging (Langfang) Co., Ltd.	China	RMB15,726 thousand	100.0%	Production of adhesive tapes
Sekisui Voltek, LLC.	U.S.	USD41,788 thousand	100.0%	Production and 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

*3 Name changed to Sekisui Taga Kako Co.,Ltd., in April 2012.

CONSOLIDATED SUBSIDIARIES		Capital*1	Ratio of Voting Rights*2	Activities
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
Sekisui Alveo Representative Ltda.	Brazil	BRL387 thousand	100.0%	Sale of polyolefin foam products
Sekisui Alveo BS G.m.b.H.	Germany	EUR25 thousand	100.0%	Production and sale of non-crosslinked polyethylene foam
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
YoungBo HPP (Langfang) Co., Ltd.	China	KRW 51,857 thousand	52.3%	Production and sale of polyolefin foam products
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 thousand	100.0%	Production and sale of polyolefin foam products
Sekisui S-Lec America, LLC.	U.S.	USD1,765 thousand	100.0%	Production and sale of polyvinyl butyral interlayer films
Sekisui S-Lec B.V.	Netherlands	EUR11,344 thousand	100.0%	Production and sale of resin for, and products of, polyvinyl butyral interlayer films
Sekisui S-Lec (Suzhou) Co., Ltd.	China	RMB195,979 thousand	100.0%	Production and sale of polyvinyl butyral interlayer films
Sekisui S-Lec (Thailand) Co., Ltd.	Thailand	THB430,000 thousand	100.0%	Production and sale of polyvinyl butyral interlayer films
Sekisui S-Lec Mexico S.A. de C.V.	Mexico	MXN32,836 thousand	70.9%	Production and sale of polyvinyl butyral interlayer films
XenoTech, LLC.	U.S.	USD5,442 thousand	100.0%	In vitro reagent business
Sekisui Diagnostics, LLC.	U.S.	USD132 million	100.0%	Development, manufacture, and sale of diagnostic agents
Sekisui Diagnostics P.E.I. Inc.	Canada	CAD52 million	100.0%	Development, manufacture, and sale of diagnostic agents
Sekisui Diagnostics (UK) Limited	U.K.	GBP36 million	100.0%	Development, manufacture, and sale of diagnostic agents and raw materials (enzymes)
Sekisui Virotech GmbH	Germany	EUR283 thousand	100.0%	Development, manufacture, and sale of diagnostic agents
Sekisui Specialty Chemicals America, LLC.	U.S.	USD107,000 thousand	100.0%	Development, production and sale of PVA resin
Sekisui Specialty Chemicals Europe, S.L.	Spain	EUR18,000 thousand	100.0%	Production and sale of PVA resin
Sekisui Medical Technology (China) Ltd.	China	RMB96,671 thousand	100.0%	Production and sale of medical equipment
Sekisui DLJM Molding Private Limited	India	INR1 million	51.0%	Manufacture and sale of injection molding products (automotive components field)
Sekisui Korea Co., Ltd.	Korea	KRW250 million	100.0%	Sale of plastic products / Technology services
Sekisui Products, LLC.	U.S.	USD2,036 thousand	100.0%	Import and export of plastic products
Sekisui Chemical G.m.b.H.	Germany	EUR664 thousand	100.0%	Import and export of plastic products
Sekisui (Shanghai) International Trading Co., Ltd.	China	RMB1,655 thousand	100.0%	Import and export of plastic products
Sekisui (Hong Kong) Ltd.	China	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

CONSOLIDATED SUBSIDIARIES		Capital*1	Ratio of Voting Rights*2	Activities
Sekisui Chemical Singapore (Pte.) Ltd.	Singapore	SGD800 thousand	100.0%	Import and export of plastic products
Sekisui Chemical (Thailand) Co., Ltd.	Thailand	THB20,000 thousand	100.0%	Import and export of plastic products
PT Sekisui Indonesia	Indonesia	USD500 thousand	100.0%	Import and export of plastic products
Sekisui Chemical India Private Ltd.	India	INR80 million	100.0%	Import, sale, marketing, and other activities for Sekisui Chemical group products including interlayer film and foam products for automotive and architectural glass applications, tape and film products for electronic materials, and medical 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 million	89.0%	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 Corporation	Japan	JPY20 million	100.0%	Accounting and finance services / Financing services for affiliated companies
Sekisui America Corporation	U.S.	USD8,421 thousand	100.0%	Holding company
Sekisui Europe B.V.	Netherlands	EUR1,000 thousand	100.0%	Capital raising /Holding company

AFFILIATES (EQUITY METHOD)		Capital*1	Voting Rights*2
Sekisui Plastics Co., Ltd.	Japan	JPY16,533 million	21.8%
Sekisui Jushi Corp.	Japan	JPY12,334 million	23.8%
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, 2012)

Sekisui Chemical Co.,Ltd.

Head Office: 4-4, Nishitenma 2-Chome,Kita-ku,Osaka
Tokyo Head Office: 3-17, Toranomon 2-Chome,Minato-ku,Tokyo
Founded: March 3,1947
Paid-in Capital: ¥100,002,375,657
Fiscal Year: Ended March 31
Authorized: 1,187,540,000 shares
Issued: 539,507,285 shares*

*On May 25, 2012, the Company retired 7,000,000 shares of treasury stock, thereby reducing the total number of outstanding shares to 532,507,285.

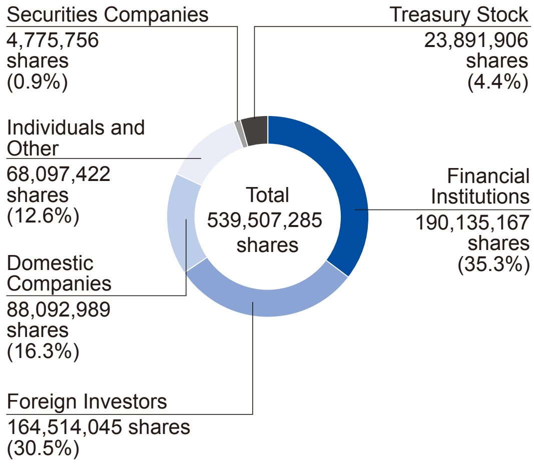
Listings: Common stock listed on the Tokyo Stock Exchange and the Osaka Securities Exchange
Number of Shareholders: 22,789
Manager of the Register of Shareholders: Mitsubishi UFJ Trust and Banking Corporation
Transfer Agency: Mitsubishi UFJ Trust and Banking Corporation Osaka Corporate Agency Division
6-3,Fushimimachi 3-Chome, Chuo-ku Osaka
541-8502

Major Shareholders

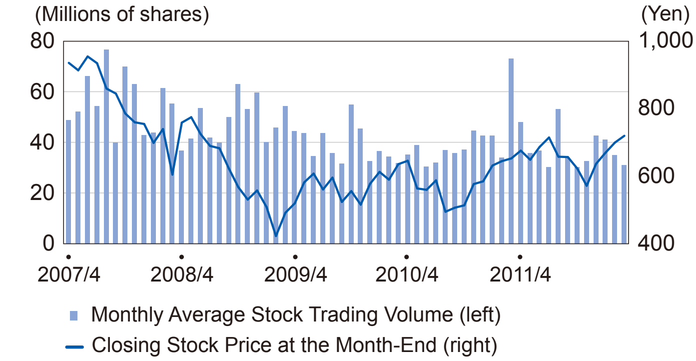
Name of shareholder	State of investments	
	Number of Shares Held (Thousands of Shares)	Percentage of Ownership (%)
Asahi Kasei Corporation	31,039	5.75
Japan Trustee Services Bank, Ltd. (Trust Account)	26,129	4.84
Sekisui House, Ltd.	25,592	4.74
The Master Trust Bank of Japan, Ltd. (Trust Account)	20,917	3.87
The Dai-ichi Life Insurance Company, Limited	19,681	3.64
Japan Trustee Services Bank, Ltd. (Trust Account 9)	17,552	3.25
Tokio Marine & Nichido Fire Insurance Co., Ltd.	15,927	2.95
Employees Stock Ownership Plan	11,180	2.07
JP Morgan Chase Bank 385164	9,482	1.75
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7,618	1.41

Note: 1. Sekisui Chemical Co., Ltd. Holds 23, 891,906 thousand shares of treasury stock.
2. The number of shares held is rounded down to the nearest thousand.

Breakdown of Shareholders



Sekisui Chemical Stock Price and Trading Volume



Additional information

	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	**FY2011**
Stock Price (Yen)							
Open	¥ 781	¥ 997	¥ 969	¥ 626	¥ 475	¥ 631	**¥ 661**
High	1,017	1,094	1,006	821	645	708	**731**
Low	653	855	570	372	464	481	**553**
Close	997	939	603	490	634	651	**718**
Market value (billions of yen)	537.9	506.6	325.3	264.4	342.0	351.2	**387.4**

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., a consolidated subsidiary) 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., (currently a consolidated subsidiary) Sekisui Heim Chubu Co., Ltd. (currently a consolidated subsidiary) and Sekisui Heim Kinki Co., Ltd. (currently a consolidated subsidiary) established
Apr. 2008	Introduction of the Executive Officer System
Aug. 2008	Chugoku and Shikoku region housing business sales structures reorganized, Sekisui Heim Chushikoku Co., Ltd. (currently a consolidated subsidiary) 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
Jan. 2011	Diagnostics business acquired from of pharmaceutical company Genzyme Corporation of the United States and new company established accelerating full-fledged global development in the medical field

FINANCIAL REPORTS

CONTENTS

Financial Highlights (6 years)

	Millions of yen					
	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
Achievement Transition						
Net Sales	926,163	958,674	934,225	858,514	915,492	965,090
Operating Income	45,157	43,005	33,589	35,955	49,335	54,610
Ordinary Income	46,910	38,547	29,438	31,076	48,292	54,158
Net Income	25,538	24,300	1,013	11,627	23,574	28,116
Comprehensive Income	-	-	-	-	5,705	24,652
Operating Income Ratio (%)	4.9	4.5	3.6	4.2	5.4	5.7
Assets, Liabilities and Net Assets						
Total Assets	879,153	782,859	756,450	787,261	790,189	827,103
Net Assets	413,141	368,919	330,721	351,706	350,045	363,299
Shareholders' Equity to Total Assets (%)	45.9	45.8	42.6	43.4	43.0	42.5
Current Ratio (%)	99.9	117.0	109.4	120.4	126.0	123.5
Fixed Ratio (%)	133.2	122.7	132.3	129.7	120.9	121.4
Interest-bearing Debt	111,283	92,097	129,406	133,085	124,508	127,188
Debt/Equity Ratio (%)	27.6	25.7	40.2	38.9	36.6	36.2
Total Assets Turnover (Times)	1.10	1.15	1.21	1.11	1.16	1.19
Inventory Turnover (Times)	9.07	8.50	7.91	7.56	8.14	7.71
Tangible Fixed Assets Turnover (Times)	3.93	3.92	3.87	3.46	3.71	4.13
Cash Flow						
Net cash provided by operating activities	41,929	31,782	35,611	74,983	64,197	66,652
Net cash provided by (used in) investing activities	(59,100)	13,521	(35,403)	(55,496)	(46,051)	(70,727)
Net cash provided by (used in) financing activities	(2,484)	(42,801)	13,889	(5,749)	(5,197)	(16,077)
Free Cash Flow	(23,804)	37,197	(7,787)	15,126	12,602	(12,332)
Capital Expenditures, Depreciation and R&D Expenditures						
Capital Expenditures	36,337	31,267	34,539	44,049	25,269	33,076
Depreciation and Amortization	26,045	30,503	36,529	34,525	34,530	35,102
R&D Expenditures	24,451	25,739	25,420	24,010	24,694	25,611
R&D Expenditures to Revenues (%)	2.64	2.68	2.72	2.80	2.70	2.65
Per Share Data						
Net Assets per Share (Yen)	761.69	683.11	612.93	651.08	650.83	682.46
Net Income per Share (Yen)	48.19	46.16	1.93	22.13	44.92	53.96
Dividends per Share (Yen)	14.00	15.00	10.00	10.00	13.00	15.00
Dividends Payout Ratio (%)	29.1	32.5	518.7	45.2	28.9	27.8
Other Data						
Return on Equity (%)	6.5	6.4	0.3	3.5	6.9	8.1
Return on Total Assets (%)	5.6	4.6	3.8	4.0	6.1	6.7
EBITDA	71,202	73,508	70,118	70,480	83,865	89,712
Interest Coverage Ratio (Times)	27.3	21.9	14.8	15.2	19.8	20.7
PER (%)	19.49	13.06	253.89	28.65	14.49	13.31
Number of Employees	18,905	18,907	19,742	19,761	19,770	20,855
Net Sales per Employee (Ten thousands of yen)	5,023	5,070	4,834	4,346	4,631	4,751

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, 2012 and 2011

	Millions of yen	
	2012	2011
Assets		
Current assets:		
Cash and deposits (Notes 17 and 19)	¥ 75,422	¥ 75,021
Notes receivable, trade (Notes 3 and 19)	40,797	38,688
Accounts receivable, trade (Note 19)	116,123	109,263
Marketable securities (Notes 4 and 19)	21	10,501
Merchandise and finished goods	47,100	39,332
Land for sale	16,977	19,146
Work in process	44,156	37,015
Raw materials and supplies	24,343	22,361
Advance payments	1,909	633
Prepaid expenses	2,878	2,531
Deferred income taxes (Note 9)	14,396	12,341
Short-term loans receivable	347	1,118
Other current assets	17,374	12,530
Allowance for doubtful accounts	(1,527)	(999)
Total current assets	400,322	379,485
Non-current assets:		
Property, plant and equipment, net (Notes 6 and 14):		
Buildings and structures	83,601	85,005
Machinery, equipment and vehicles	61,796	64,515
Land	67,097	69,184
Leased assets	7,220	7,163
Construction in progress	6,871	5,516
Other	4,607	4,867
Total property, plant and equipment, net (Notes 5 and 22)	231,194	236,253
Intangible assets (Notes 14 and 22):		
Goodwill	26,711	19,290
Software	4,764	4,341
Leased assets	228	381
Other	20,188	5,799
Total intangible assets	51,893	29,813
Investments and other assets:		
Investments in securities (Notes 4 and 19)	107,925	105,307
Long-term loans receivable	833	552
Long-term prepaid expenses	1,433	1,124
Deferred income taxes (Note 9)	22,670	27,340
Other	11,813	11,569
Allowance for doubtful accounts	(982)	(1,258)
Total investments and other assets	143,693	144,636
Total non-current assets	426,780	410,704
Total assets (Note 22)	¥ 827,103	¥ 790,189

	Millions of yen	
	2012	2011
Liabilities		
Current liabilities:		
Notes payable, trade (Notes 3, 6 and 19)	¥ 6,777	¥ 7,324
Electronically recorded obligations (Note 19)	3,540	—
Accounts payable, trade (Notes 6 and 19)	121,028	118,027
Short-term debt and current portion of long-term debt (Notes 6 and 19)	40,636	40,325
Lease obligations (Note 7)	3,019	3,102
Accrued expenses	28,083	27,257
Accrued income taxes and other taxes (Note 9)	15,282	9,107
Deferred income taxes (Note 9)	163	162
Allowance for bonuses to employees	14,887	14,308
Allowance for bonuses to directors and corporate auditors	233	223
Provision for compensation for completed construction	1,223	1,127
Advances received	47,555	44,153
Other	41,587	35,981
Total current liabilities	324,017	301,101
Long-term liabilities:		
Bonds (Notes 6 and 19)	20,000	10,000
Long-term debt less current portion (Notes 6 and 19)	59,083	66,702
Lease obligations (Note 7)	4,449	4,378
Deferred income taxes (Note 9)	3,916	4,949
Accrued retirement benefits (Note 8)	46,909	47,761
Other	5,426	5,249
Total long-term liabilities	139,786	139,042
Total liabilities	463,803	440,143
Contingent liabilities (Note 12)		
Net assets		
Shareholders' equity (Note 10):		
Common stock	100,002	100,002
Capital surplus	109,288	109,307
Retained earnings	192,856	172,689
Treasury stock, at cost	(17,352)	(13,017)
Total shareholders' equity	384,795	368,982
Accumulated other comprehensive income (loss):		
Unrealized holding loss on securities	(7,556)	(8,202)
Deferred loss on hedges	(16)	(123)
Unrealized gain on land revaluation (Note 11)	260	199
Translation adjustments	(25,830)	(21,119)
Total accumulated other comprehensive loss	(33,143)	(29,245)
Stock acquisition rights	474	611
Minority interests	11,173	9,697
Total net assets	363,299	350,045
Total liabilities and net assets	¥ 827,103	¥ 790,189

See accompanying notes to consolidated financial statements

Consolidated Statements of Income

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

	Millions of yen	
	2012	2011
Net sales (Notes 18 and 22)	¥ 965,090	¥ 915,492
Cost of sales	679,528	645,468
Gross profit	285,562	270,023
Selling, general and administrative expenses (Note 13)	230,951	220,688
Operating income (Note 22)	54,610	49,335
Non-operating income:		
Interest income	695	646
Dividends income	1,795	1,533
Equity in earnings of affiliates	1,774	1,739
Miscellaneous income	5,396	3,785
Total non-operating income	9,662	7,704
Non-operating expenses:		
Interest expenses	2,432	2,297
Sales discounts	332	305
Foreign exchange loss, net	608	2,504
Miscellaneous expenses	6,740	3,641
Total non-operating expenses	10,113	8,748
Ordinary income	54,158	48,292
Extraordinary income:		
Gain on sales of property, plant and equipment	3,311	–
Total extraordinary income	3,311	–
Extraordinary loss:		
Loss on impairment of fixed assets and goodwill (Notes 14 and 22)	3,811	984
Advanced depreciation of property, plant and equipment	1,840	–
Loss on devaluation of investments in securities	987	1,109
Reorganization costs (Notes 8 and 15)	–	3,967
Loss on disaster	–	1,239
Loss on sales or disposal of property, plant and equipment	1,590	1,189
Total extraordinary loss	8,229	8,491
Income before income taxes and minority interests	49,240	39,801
Income taxes (Note 9):		
Current	21,862	14,025
Deferred	(1,667)	1,096
Total income taxes	20,194	15,122
Income before minority interests	29,046	24,678
Minority interests	930	1,103
Net income	¥ 28,116	¥ 23,574

See accompanying notes to consolidated financial statements

Consolidated Statements of Comprehensive Income

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

	Millions of yen	
	2012	2011
Income before minority interests	¥ 29,046	¥ 24,678
Other comprehensive income (loss) (Note 16):		
Unrealized holding gain (loss) on securities	582	(7,211)
Deferred gain (loss) on hedges	106	(197)
Translation adjustments	(5,194)	(11,617)
Comprehensive income of affiliates accounted for by the equity method attributable to the Company	111	53
Total other comprehensive loss	(4,393)	(18,972)
Comprehensive income	¥ 24,652	¥ 5,705
Comprehensive income attributable to:		
Shareholders of the Company	¥ 24,218	¥ 5,110
Minority shareholders	434	594

See accompanying notes to consolidated financial statements

Consolidated Statements of Changes in Net Assets

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

	Millions of yen										
	Shareholders' equity				Accumulated other comprehensive income (loss)						
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding loss on securities	Deferred loss on hedges	Unrealized gain on land revaluation	Translation adjustments	Stock acquisition rights	Minority interests	Total net assets
Balance at April 1, 2010	¥ 100,002	¥ 109,307	¥ 154,353	¥ (10,839)	¥ (1,037)	¥ 74	¥ 199	¥ (10,017)	¥ 503	¥ 9,160	¥351,706
Cash dividends	–	–	(5,256)	–	–	–	–	–	–	–	(5,256)
Net income for the year	–	–	23,574	–	–	–	–	–	–	–	23,574
Increase in retained earnings resulting from inclusion of subsidiaries in consolidation	–	–	19	–	–	–	–	–	–	–	19
Increase in treasury stock	–	–	–	(2,178)	–	–	–	–	–	–	(2,178)
Gain on sales of treasury stock	–	(0)	–	1	–	–	–	–	–	–	0
Net changes of items other than shareholders' equity	–	–	–	–	(7,164)	(197)	0	(11,101)	107	536	(17,819)
Total changes of items during the year	–	(0)	18,336	(2,177)	(7,164)	(197)	0	(11,101)	107	536	(1,660)
Balance at April 1, 2011	¥ 100,002	¥ 109,307	¥ 172,689	¥ (13,017)	¥ (8,202)	¥ (123)	¥ 199	¥ (21,119)	¥ 611	¥ 9,697	¥350,045
Cash dividends	–	–	(7,836)	–	–	–	–	–	–	–	(7,836)
Net income for the year	–	–	28,116	–	–	–	–	–	–	–	28,116
Decrease in retained earnings resulting from inclusion of subsidiaries in consolidation	–	–	(113)	–	–	–	–	–	–	–	(113)
Increase in treasury stock	–	–	–	(4,544)	–	–	–	–	–	–	(4,544)
Gain on sales of treasury stock	–	(18)	–	209	–	–	–	–	–	–	190
Net changes of items other than shareholders' equity	–	–	–	–	645	106	61	(4,711)	(137)	1,475	(2,558)
Total changes of items during the year	–	(18)	20,166	(4,335)	645	106	61	(4,711)	(137)	1,475	13,254
Balance at March 31, 2012	¥ 100,002	¥ 109,288	¥ 192,856	¥ (17,352)	¥ (7,556)	¥ (16)	¥ 260	¥ (25,830)	¥ 474	¥ 11,173	¥363,299

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows

Sekisui Chemical Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

	Millions of yen	
	2012	2011
Operating activities:		
Income before income taxes and minority interests	¥ 49,240	¥ 39,801
Adjustments for:		
Depreciation and amortization	35,102	34,530
Amortization of goodwill	3,422	2,730
Loss on impairment of fixed assets and goodwill	3,811	984
Loss on disposal of property, plant and equipment	1,038	1,106
Loss on devaluation of investments in securities	987	1,109
Advanced depreciation of property, plant and equipment	1,840	–
(Gain) loss on sales of property, plant and equipment	(2,993)	39
Decrease in accrued retirement benefits	(817)	(704)
Interest and dividends income	(2,491)	(2,179)
Interest expenses	2,765	2,602
Equity in earnings of affiliates	(1,774)	(1,739)
Increase in notes and accounts receivable	(8,372)	(6,071)
Increase in inventories	(12,194)	(13,347)
Increase in notes and accounts payable	6,318	9,538
Increase in advances received	2,854	6,359
Other	3,247	2,482
Subtotal	81,987	77,244
Interest and dividends received	2,875	2,616
Interest paid	(2,753)	(2,606)
Income taxes paid	(15,455)	(13,056)
Net cash provided by operating activities	66,652	64,197
Investing activities:		
Purchases of property, plant and equipment	(25,963)	(21,232)
Proceeds from sales of property, plant and equipment	3,036	424
Payments into time deposits	(37,361)	(17,646)
Proceeds from withdrawal of time deposits	24,637	381
Purchases of investments in securities	(1,089)	(3,154)
Proceeds from sales or redemption of investments in securities	2,944	462
Acquisition of investments in subsidiaries resulting in change in scope of consolidation (Notes 17 and 23)	(16,324)	–
Acquisition of investments in subsidiaries	(408)	(683)
Acquisition of businesses (Notes 17 and 23)	(15,862)	–
Acquisition of shares from minority interests in consolidated subsidiaries	(1,127)	(12)
Purchases of intangible assets	(2,423)	(2,529)
Decrease (increase) in short-term loans receivable	570	(121)
Other	(1,355)	(1,940)
Net cash used in investing activities	(70,727)	(46,051)

Consolidated Statements of Cash Flows (continued)

Financing activities:		
Increase in short-term debt, net	2,801	29
Repayments of lease obligations	(3,478)	(3,944)
Proceeds from long-term debt	11,513	14,160
Repayment of long-term debt	(25,246)	(7,755)
Proceeds from issuance of bonds	10,000	–
Payment for redemption of bonds	(500)	–
Proceeds from stock issuance to minority shareholders	1,302	–
Cash dividends paid	(7,835)	(5,260)
Cash dividends paid to minority shareholders of consolidated subsidiaries	(422)	(284)
Purchase of treasury stock	(4,544)	(2,171)
Other	333	29
Net cash used in financing activities	(16,077)	(5,197)
Effect of exchange rate change on cash and cash equivalents	(971)	(2,488)
Net (decrease) increase in cash and cash equivalents	(21,124)	10,459
Cash and cash equivalents at beginning of year	65,944	54,855
Increase in cash and cash equivalents from newly consolidated subsidiary	325	629
Cash and cash equivalents at end of year (Note 17)	¥ 45,146	¥ 65,944

See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements

1. Basis of Preparation of Consolidated Financial Statements

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

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

Certain reclassifications of previously reported amounts were made to conform the consolidated statements of cash flows for the year ended March 31, 2011 to the 2012 presentation.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen for the years ended March 31, 2012 and 2011 have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements for the years ended March 31, 2012 and 2011 do not necessarily agree with the sum of the individual amounts.

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

At March 31, 2012, the Company had 206 subsidiaries. The accompanying consolidated financial statements for the year ended March 31, 2012 include the accounts of the Company and its 157 significant subsidiaries.

The accounts of the remaining 49 subsidiaries have not been consolidated with those of the Company at March 31, 2012, 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, 2012, although the Company had 49 unconsolidated subsidiaries and 19 affiliates, respectively, the Company has applied the equity method to investments in 8 major affiliates, including Sekisui Plastics Co., Ltd. and Sekisui Jushi Corp. for the purpose of the consolidated financial statements for the year then ended since the investments in the remaining unconsolidated subsidiaries and affiliates were not material.

(2) Foreign Currency Translation

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

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

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

(3) Cash and Cash Equivalents

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

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

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

(6) Property, Plant and Equipment and Depreciation (excluding leased assets)
Depreciation of buildings (except for structures attached to the buildings) is computed principally by the straight-line method based on the estimated useful lives of the respective assets.

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

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

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

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

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

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

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

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

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

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

(12) Recognition of Revenue and Related Costs

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

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

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

(14) Income Taxes

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

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

(15) Derivatives and Hedging Activities

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

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

(Additional Information)

Accounting Changes and Error Corrections

On December 4, 2009, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." The Company and its domestic consolidated subsidiaries apply this new accounting standard to accounting changes and error corrections made on or after April 1, 2011.

3. Notes Receivable, trade and Notes Payable, trade

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

4. Marketable Securities and Investments in Securities

(1) Held-to-maturity debt securities at March 31, 2012 and 2011 are summarized as follows:

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

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

(2) Other securities with available fair market value at March 31, 2012 and 2011 are summarized as follows:

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

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

Because no quoted market prices are available and it is extremely difficult to determine the fair value, the financial unlisted equity securities of ¥3,492 million and ¥3,661 million at March 31, 2012 and 2011, respectively, are not included in the above table.

(3) The proceeds from sales of, and gross realized gain and loss on other securities for the years ended March 31, 2012 and 2011 are summarized as follows:

	Millions of yen	
	2012	2011
Proceeds from sales	¥908	¥418
Gross realized gain	301	118
Gross realized loss	(17)	(0)

5. Accumulated Depreciation

Property, plant and equipment, net reflected in the accompanying consolidated balance sheets at March 31, 2012 and 2011 were stated at cost, less accumulated depreciation. Accumulated depreciation at March 31, 2012 and 2011 amounted to ¥496,582 million and ¥480,789 million, respectively.

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

(1) Short-term debt
The average interest rates of short-term debt outstanding at March 31, 2012 and 2011 were 1.58% and 1.85%, respectively.

(2) Bonds outstanding at March 31, 2012 and 2011 were as follows:

	Millions of yen	
	2012	2011
1.18% bonds due July 2014	¥ 10,000	¥ 10,000
0.60% bonds due June 2016	10,000	–
	20,000	10,000
Less current maturities	–	–
	¥ 20,000	¥ 10,000

(3) Long-term debt at March 31, 2012 and 2011 was as follows:

	Millions of yen	
	2012	2011
Secured	¥ 828	¥ 1,526
Unsecured	77,145	87,239
	77,973	88,765
Less current portion	(18,890)	(22,063)
	¥ 59,083	¥ 66,702

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, 2012 are summarized below:

Year ending March 31,	Millions of yen
2013	¥ 18,890
2014	22,843
2015	26,569
2016	5,164
2017	3,560

(4) At March 31, 2012 and 2011, the following assets were pledged as collateral for notes and accounts payable, trade, long-term and short-term debt:

	Millions of yen	
Assets	2012	2011
Buildings and structures	¥ 2,688	¥ 2,944
Machinery	549	631
Land	3,804	3,975
Intangible assets	288	221
Other	2,818	3,072
Total	¥ 10,150	¥ 10,845

	Millions of yen	
Liabilities	2012	2011
Notes payable, trade	¥ 84	¥ 112
Accounts payable, trade	1,445	1,731
Short-term debt	2,440	2,302
Long-term debt	828	1,526
Total	¥ 4,799	¥ 5,672

(5) In order to achieve more efficient and flexible financing, the Company has concluded line-of-credit agreements with certain financial institutions. The status of these at March 31, 2012 and 2011 were as follows:

	Millions of yen	
	2012	2011
Lines of credit	¥10,000	¥10,000
Credit used	–	–
Available credit	¥10,000	¥10,000

7. Lease Obligations

The annual maturities of lease obligations for 5 years subsequent to March 31, 2012 are summarized below:

Year ending March 31,	Millions of yen
2013	¥ 3,019
2014	2,085
2015	1,233
2016	719
2017	311

8. Accrued Retirement Benefits

The following table sets forth the funded and accrued status of the retirement benefit plans for employees and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2012 and 2011 for the Companies' defined benefit pension plans:

	Millions of yen	
	2012	2011
Retirement benefit obligation at end of year	¥(115,828)	¥(108,494)
Fair value of plan assets at end of year	62,063	59,431
Unfunded retirement benefit obligation	(53,764)	(49,063)
Unrecognized actuarial loss	7,978	2,493
Unrecognized prior service cost	240	210
Net retirement benefit obligation	(45,546)	(46,358)
Prepaid pension cost	54	3
Accrued retirement benefits	¥ (45,601)	¥ (46,361)

At March 31, 2012 and 2011, accrued retirement benefits of ¥46,909 million and ¥47,761 million, respectively, reflected in the accompanying consolidated balance sheets included accrued retirement benefits for officers of ¥1,308 million and ¥1,399 million, respectively.

The components of retirement benefit expenses for the years ended March 31, 2012 and 2011 are outlined as follows:

	Millions of yen	
	2012	2011
Service cost	¥ 8,338	¥ 8,976
Interest cost	2,326	2,440
Expected return on plan assets	(1,886)	(1,921)
Amortization:		
Unrecognized actuarial loss	1,377	301
Prior service cost	36	35
Retirement benefit expenses	¥10,191	¥ 9,832

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

The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2012 and 2011 were as follows:

	2012	2011
Discount rates	1.6%	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, 2012 and 2011.

The effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2011 differs from the above statutory tax rate for the following reasons:

	2011
Statutory tax rate	40.4%
Temporary differences arising from consolidation without tax effect	2.6
Decreases in valuation allowance	(3.7)
Other	(1.3)
Effective tax rate	38.0%

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

Deferred income taxes reflect the net tax effect of the temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the corresponding amounts reported for income tax purposes. The significant components of the Companies' deferred tax assets and liabilities at March 31, 2012 and 2011 are summarized as follows:

	Millions of yen	
	2012	2011
Deferred tax assets:		
Retirement benefits	¥ 16,781	¥ 19,370
Accrued bonuses	5,436	5,623
Tax loss carry forwards	4,965	6,889
Unrealized holding loss on securities	4,377	5,798
Loss on devaluation of investments in securities	3,856	4,036
Unrealized gain	3,104	3,092
Loss on impairment of fixed assets	1,533	4,114
Other	10,520	8,878
Valuation allowance	(5,192)	(10,950)
Total deferred tax assets	45,381	46,853
Deferred tax liabilities:		
Revaluation of investments in affiliates	(3,303)	(3,769)
Deferred capital gains on property	(2,480)	(2,215)
Adjustment for allowance for doubtful accounts	(9)	(12)
Other	(6,600)	(6,285)
Total deferred tax liabilities	(12,394)	(12,282)
Net deferred tax assets	¥ 32,987	¥ 34,570

On December 2, 2011, the "Act for Partial Amendment to the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" were promulgated. Consequently, the corporate tax rate will be reduced and a special recovery tax will be imposed. In accordance with this tax reform, the effective statutory tax rate, which is used to measure deferred tax assets and deferred tax liabilities, has been reduced from 40.4% to 37.8% for temporary differences that are expected to be eliminated during the period from April 1, 2012 through March 31, 2015 and 35.4% for temporary differences to be eliminated on or after April 1, 2015. As a result, net deferred tax assets (the amount after deducting deferred tax liabilities) decreased by ¥3,394 million and unrealized holding loss on securities decreased by ¥619 million at March 31, 2012 and income taxes – deferred increased by ¥2,775 million for the year ended March 31, 2012.

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, 2012 and 2011.

Stock-based compensation plan

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

In accordance with the Law, certain stock option plans (the 2008, 2009, 2010 and 2011 plans) for directors, executive officers and key employees of the Company and for representative directors, certain directors and key employees of certain subsidiaries and affiliates were approved at the annual general meeting of shareholders held on June 27, 2008, June 26, 2009, June 29, 2010 and June 29, 2011, respectively.

The stock option plans outlined above are summarized as follows:

	Number of stock options outstanding at March 31, 2012	Exercise price at March 31, 2012	Exercisable period
The 2007 plan	1,015,000	1,010	From July 1, 2009 up to and including June 30, 2012
The 2008 plan	1,100,000	734	From July 1, 2010 up to and including June 30, 2013
The 2009 plan	890,000	579	From July 1, 2011 up to and including June 30, 2014
The 2010 plan	1,185,000	595	From July 1, 2012 up to and including June 30, 2015
The 2011 plan	1,230,000	739	From July 1, 2013 up to and including June 30, 2016

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

	The 2007 plan	The 2008 plan	The 2009 plan	The 2010 plan	The 2011 plan
Number of stock options:					
Balance at March 31, 2010	1,035,000	1,130,000	1,190,000	–	–
Granted	–	–	–	1,195,000	–
Cancelled	10,000	15,000	15,000	5,000	–
Exercised	–	–	–	–	–
Balance at March 31, 2011	1,025,000	1,115,000	1,175,000	1,190,000	–
Granted	–	–	–	–	1,230,000
Cancelled	10,000	15,000	5,000	5,000	–
Exercised	–	–	280,000	–	–
Balance at March 31, 2012	1,015,000	1,100,000	890,000	1,185,000	1,230,000
Fair value of stock options as of the grant date	¥ 144	¥ 108	¥ 97	¥ 92	¥ 67

Common stock and treasury stock

Movements in common stock in issue and treasury stock for the years ended March 31, 2012 and 2011 are summarized as follows:

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

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

11. Land Revaluation

Sekisui Plastics Co., Ltd., which has been accounted for by the equity method, revalued its land held for business use in accordance with the "Land Revaluation Law" and the "Amended Land Revaluation Law." As a result of this revaluation by Sekisui Plastics Co., Ltd., the Company recognized the portion attributable to the Company's interest in the unrealized gain on land revaluation and this has been accounted for under accumulated other comprehensive income (loss) as unrealized gain on land revaluation of ¥260 million and ¥199 million in the accompanying consolidated balance sheets at March 31, 2012 and 2011, respectively.

12. Contingent Liabilities

Contingent liabilities at March 31, 2012 and 2011 were as follows:

	Millions of yen	
	2012	2011
Guaranteed obligations		
Housing loans of customers	¥ 23,880	¥ 22,433
Housing loans of employees	489	631
Loans of unconsolidated subsidiaries	60	50

	Millions of yen	
	2012	2011
Notes receivable, trade with recourse		
Notes receivable, trade endorsed	¥ 319	¥ 189
Notes receivable, trade discounted	31	28

13. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2012 and 2011 are as follows:

	Millions of yen	
	2012	2011
Research and development costs	¥ 25,611	¥ 24,694

14. Loss on Impairment of Fixed Assets and Goodwill

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

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

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

15. Reorganization Costs

Reorganization costs for the year ended March 31, 2011 are as follows:

	Millions of yen
	2011
Additional payments of retirement benefits	¥ 1,301
Cost of integration of the retirement pension plan of certain subsidiaries in the Housing segment	714
Others	1,952
	¥ 3,967

16. Other Comprehensive Income (Loss)

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

	Millions of yen
	2012
Unrealized holding gain on securities:	
Amount arising during the year	¥ 1,680
Reclassification adjustments for losses realized in net income	82
Before tax effect	1,762
Tax effect	(1,179)
Total unrealized holding gain on securities	¥ 582
Deferred gain on hedges:	
Amount arising during the year	106
Translation adjustments:	
Amount arising during the year	(5,194)
Comprehensive income of affiliates accounted for by the equity method attributable to the Company:	
Amount arising during the year	111
Reclassification adjustments for losses realized in net income	0
Total comprehensive income of affiliates accounted for by the equity method attributable to the Company	111
Total other comprehensive loss	¥ (4,393)

The above information for the year ended March 31, 2011 is not required to be presented under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting the standard.

17. Supplemental Information on Statements of Cash Flows

Reconciliations between cash and cash equivalents in the accompanying consolidated statements of cash flows and cash and deposits in the accompanying consolidated balance sheets at March 31, 2012 and 2011 are presented as follows:

	Millions of yen	
	2012	2011
Cash and deposits	¥75,422	¥75,021
Time deposits with maturities in excess of three months	(30,275)	(17,576)
Certificate of deposit within three months	–	8,500
Cash and cash equivalents	¥45,146	¥65,944

Non cash financing activities

Finance lease obligations of ¥3,646 million and ¥3,195 million were incurred during the years ended March 31, 2012 and 2011, respectively.

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

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

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

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

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

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

18. Related Party Transactions

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

2011

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

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

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

19. Financial Instruments

Overview

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

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

Equity securities—the Companies hold equity securities, which are mainly issued by companies who have business relationships with the Companies, and these securities are exposed to the risk of fluctuation in market prices.

Notes and accounts payable, trade and electronically recorded obligations mostly have payment due dates within one year. A portion of trade payables, which is denominated in foreign currencies, is exposed to foreign currency exchange risk.

Short-term debt, included in bank loans and bonds, is raised mainly in connection with business activities. Long-term debt and bonds are taken out principally for the purpose of capital expenditure. Long-term debt and bonds have maturity dates within six years and six months, at the longest, subsequent to March 31, 2012. Debt with variable interest rates is exposed to interest rate fluctuation risk. However, to reduce such risk and fix interest expense for debt bearing interest at variable rates, the Companies undertake interest rate swap transactions as a hedging instrument for most long-term debt.

(3) Risk management for financial instruments

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

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

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

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

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

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

Estimated Fair Value of Financial Instruments

The carrying value of the financial instruments on the consolidated balance sheets, fair value and the difference at March 31, 2012 and 2011 are shown in the following table. The table does not include financial instruments for which it is extremely difficult to determine the fair value. (Please refer to (2) below).

Fair value information at March 31, 2012:

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

Fair value information at March 31, 2011:

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

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

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

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

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

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

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

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

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

	Millions of yen	
	2012	2011
Unlisted equity securities	¥12,900	¥12,842

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

(3) Redemption schedule for cash and deposits, notes and accounts receivable, trade and marketable securities and investments in securities with maturities at March 31, 2012 and 2011:

Maturity analysis at March 31, 2012:

	Millions of yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and deposits	¥ 75,422	¥ –	¥ –	¥ –
Notes and accounts receivable, trade	156,921	–	–	–
Marketable securities and investments in securities				
Held-to-maturity debt securities	21	6	–	–
Other securities with maturities	–	–	–	–
Total	¥ 232,365	¥ 6	¥ –	¥ –

Maturity analysis at March 31, 2011:

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

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

20. Derivatives

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

Summarized below are the notional amounts and the estimated fair value of the derivatives positions outstanding at March 31, 2012 and 2011:

1. Derivatives for which hedge accounting is not applied

(1) Currency-related transactions

	Millions of yen					
	2012			2011		
	Notional amount	Fair Value	Unrealized gain	Notional amount	Fair value	Unrealized gain
Over-the-counter transactions						
Foreign currency swaps:						
Receive fixed – U.S. dollars / pay fixed – yen	¥ 4,211	¥ 7	¥ 7	¥ 3,037	¥ 87	¥ 87
Total	¥ 4,211	¥ 7	¥ 7	¥ 3,037	¥ 87	¥ 87

The notional amount of receive fixed – U.S. dollars / pay fixed – yen includes a portion over 1 year of ¥207 million and ¥621 million at March 31, 2012 and 2011, respectively.

2. Derivatives for which hedge accounting is applied

(1) Currency-related transactions

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

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

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

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

(2) Interest-related transactions

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

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

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

The notional amount of the above interest rate swap includes portions over 1 year of ¥15,125 million and ¥24,875 million at March 31, 2012 and 2011, respectively.

21. Amounts Per Share

	Yen	
	2012	2011
Net income:		
Basic	¥ 53.96	¥ 44.92
Diluted	53.94	44.92
Cash dividends	15.00	13.00
Net assets	682.46	650.83

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

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

22. Segment Information

1. Overview of the Reportable segments

The Company's reportable segments are determined on the basis that separate financial information of such segments is available and examined periodically by the Board of Directors of the Company to make decisions regarding the allocation of management resources and assess the business performances of such segments. The Companies have divided the business operations into the three segments of Housing, Urban Infrastructure & Environmental Products (UIEP), and High Performance Plastics (HPP) based on manufacturing methods, products, sales channels, and other business similarities. Each business segment formulates comprehensive strategies and develops business activities for its products in Japan and overseas. The Housing business comprises manufacturing, construction, sales, refurbishing, and other operations related to unit housing. The UIEP business comprises manufacturing, sales, and construction operations related to PVC pipes and joints, polyethylene pipes and joints, pipe and drain renewal materials and construction methods, reinforced plastic pipe, and construction materials. The HPP business comprises manufacturing and sales of interlayer films for laminated glass, polyolefin foam, tape, LCD fine particles and photosensitive materials, diagnostic drugs and other products.

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

The accounting methods for the reportable segments is presented principally in accordance with the same accounting policies of the accompanying consolidated financial statements defined in Note 2 "Summary of Significant Accounting Policies." The amounts of segment income are calculated based on the same method as the calculation of operating income in the consolidated statements of income for the years ended March 31, 2012 and 2011. The figures of intersegment sales and transfers are presented based on the current market prices at the time of these transactions.

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

Reportable segment information of the Companies for the years ended March 31, 2012 and 2011 is summarized as follows:

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

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

(*1): Other is a segment other than the reportable segments, which includes manufacturing and sales of flat panel display manufacturing equipment, agricultural and construction materials, and provision of services.
(*2): Depreciation and amortization and increase in property, plant and equipment, and intangible assets include amortization of long-term prepaid expenses and its associated costs.

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

Net sales and income for the years ended March 31, 2012 and 2011

	Millions of yen	
	2012	2011
Net sales:		
Total of reportable segments	¥ 946,270	¥ 895,900
Other net sales	43,474	43,140
Eliminations	(24,654)	(23,548)
Net sales	¥ 965,090	¥ 915,492

	Millions of yen	
	2012	2011
Income:		
Total of reportable segments	¥54,630	¥50,281
Other loss	(235)	(127)
Eliminations	922	(196)
Corporate expenses (*1)	(707)	(620)
Operating income	¥54,610	¥49,335

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

Assets at March 31, 2012 and 2011

	Millions of yen	
	2012	2011
Assets:		
Total of reportable segments	¥677,710	¥615,868
Assets classified as “other”	42,907	42,057
Eliminations	(85,114)	(72,479)
Corporate assets (*1)	191,599	204,742
Total Assets	¥827,103	¥790,189

(*1): Corporate assets are assets not associated with the reportable segments. The main items were cash and deposits, long-term investments (investments in securities), assets related to administrative operations and deferred income taxes of the Company.

Other items for the years ended March 31, 2012 and 2011

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

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

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

5. Related information

(1) Sales information by geographic area
Overseas sales by geographical areas for the years ended March 31, 2012 and 2011 is as follows:

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

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

(2) Information of property, plant and equipment by geographic area
Information of property, plant and equipment by geographical areas for the years ended March 31, 2012 and 2011 is as follows:

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

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

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

Information on loss on impairment of fixed assets and goodwill for the years ended March 31, 2012 and 2011 is as follows.

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

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

7. Amortization and balance of goodwill

Information on amortization of goodwill by each segment and its remaining balance for the years ended March 31, 2012 and 2011 is summarized as follows:

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

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

23. Business Combination

For the year ended March 31, 2012

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

(1) Acquisition of business

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

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

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

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

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

From Genzyme Corporation (U.S.A.)

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

From Genzyme Corporation (U.K.)

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

(2) Acquisition of stock

On February 1, 2011, Sekisui Diagnostics P.E.I. Inc. (Canada) and Sekisui Virotech G.m.b.H. (Germany), wholly owned subsidiaries of the Company, acquired 100% of the shares of Genzyme Diagnostics P.E.I. Inc. (Canada) and Genzyme Virotech G.m.b.H., which were involved in the development, production and distribution of clinical diagnostics. The Company determined that the acquisition would strengthen overseas development of the diagnostics business in the medical business field.

The aggregate costs for the acquisitions were C$74 million in cash for the common stock of Genzyme Diagnostics P.E.I. Inc. and €15 million in cash for the common stock of Genzyme Virotech G.m.b.H.

Goodwill amounts of C$12 million and €2 million arising from the acquisitions are being amortized over a period of 10 years and 5 years, respectively.

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

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

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

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

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

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

2. The Company acquired 100% of shares of Suzutora Corporation (renamed Sekisui Nano Coat Technology Co., Ltd.), which is involved in the thin-film business (ITO film for touch panels) field and textile business (nano-metal coating to textiles, fabricated to synthetic leather) field, and it became a wholly-owned subsidiary on April 27, 2011. The Company determined that the acquisition would enable it to broaden the range for the high performance plastics business in the IT field. The aggregate cost for the acquisition was ¥10,938 million, including a professional advisory fee of ¥32 million. The acquisition was accounted for using the purchase method of accounting. As the Company was the acquiring company, goodwill of ¥6,622 million arising from the acquisition is being amortized over a period of 15 years.

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

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

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

From Suzutora Corporation

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

For the year ended March 31, 2011

There was no material business combination to be disclosed for the year ended March 31, 2011.

24. Subsequent Event

(Year-end cash dividends)

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2012, was approved at the general shareholders' meeting held on June 27, 2012:

	Millions of yen
Year-end cash dividends (¥8.0 per share)	¥ 4,124

Independent Auditor's Report

The Board of Directors
Sekisui Chemical Co., Ltd.

We have audited the accompanying consolidated financial statements of Sekisui Chemical Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sekisui Chemical Co., Ltd. and consolidated subsidiaries at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young ShinNihon LLC

June 15, 2012
Osaka, Japan