Review and Analysis of Consolidated Results for Fiscal 2019 Fiscal year ended March 31, 2020

Business Environment

In fiscal 2019, the global economy deteriorated substantially experiencing a dramatic slowdown over the end of the period. Despite growing expectation of a temporary recovery from this decelerating spiral due the escalating trade friction between the U.S. and China following an agreement on the first phase of negotiations in December 2019, this harsh business environment was largely due the tightening of economic activity as a result of restrictions on companies and movement of people on the back of the global spread of the novel coronavirus (COVID-19) pandemic. While consumer spending picked up owing mainly to the rush in demand prior to the consumption tax rate hike in October 2019, the domestic economy deteriorated thereafter, impacted by such factors as the slow recovery in exports and typhoon damage. Entering 2020, the Japanese economy fell further into disarray as the added effects of COVID-19 took hold.

As far as the market environments for each of the Group's individual business segments are concerned, new housing starts in the domestic housing field came to 880,000 units in fiscal 2019, a decrease of 7.3% compared with the previous fiscal year. In addition to the persistently weak conditions for rental housing, this downturn largely reflected decreases in privately-owned homes and condominiums. Turning to detached houses, privately-owned homes declined 1.5% year on year, to 283,338 units, while built-for-sale detached housing edged up 0.9% compared with the previous fiscal year, to 146,154 units. In the Water Infrastructure field, PVC pipe shipment volumes fell below the levels recorded in the previous fiscal year in line with the downturn in condominium construction starts. Meanwhile, while private sector construction investment weakened, trends in government construction investment were firm. In the Electronics field, demand for smartphones declined. Operations in the Automobiles field were impacted by a slight decrease in the number of automobiles manufactured worldwide, primarily due to weak conditions in China and the growing market of India. From a foreign currency exchange rate perspective, the value of the yen against the U.S. dollar hovered above the ¥110 level at the start of the fiscal year in April 2019. While at one point appreciating sharply to ¥101 in March 2020 as COVID-19 spread throughout Europe and the U.S., the value of the yen against the U.S. dollar finished in the mid ¥108 range as of the end of the period. In fiscal 2019, the annual average foreign currency exchange rate against the U.S. dollar was ¥109 and ¥121 against the euro. Compared with the previous fiscal year, the yen appreciated against both the U.S. dollar and the euro.

Overview of Business Results and Financial Position

1. Analysis of Business Results for Fiscal 2019

(1) Net sales and operating income

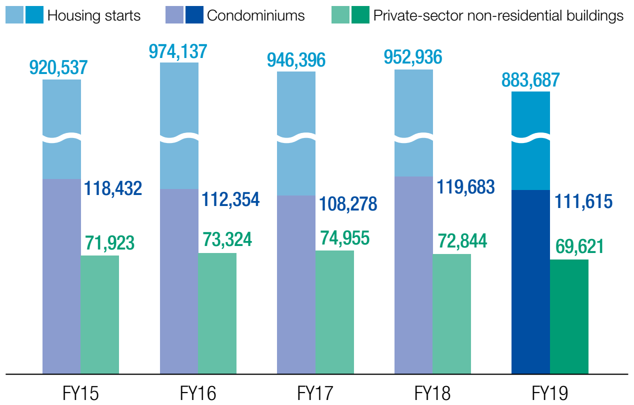
In fiscal 2019, the final year of its Medium-term Management Plan "SHIFT 2019 -Fusion-," SEKISUI CHEMICAL Group secured quantitative growth. In addition to transitioning steadily toward "forward-looking investments" including M&As and strategic investments, we created new products and businesses while promoting "fusion" measures. Moreover, we strengthened efforts to affect a qualitative transition through constant structural reform. Among a variety of measures, we promoted cost innovation across the entire supply chain and strove to reduce fixed costs. Working in unison, energies were directed toward realizing the benefits of our endeavors. Under these circumstances, the UIEP Company reported record high operating income on the back of steady sales of prioritized products that help resolve social issues.

In contrast, the HPP and Housing companies were significantly impacted by a variety of factors. In addition to the greater than expected deterioration in global automobile market conditions and the headwind created by Japan's consumption tax rate hike, each company was buffeted by the spread of COVID-19 in the fourth quarter, which led to such difficulties as restrictions on customers' movements in the Mobility field and delayed delivery of houses and renovations.

Accounting for each of these factors, in fiscal 2019 SEKISUI CHEMICAL Group reported a decrease in net sales of 1.2% compared with the previous fiscal year, to ¥1,129,254 million. From a profit perspective, operating income declined 8.3% year on year, to ¥87,768 million, and ordinary income contracted 6.6%, to ¥86,996 million. For the fiscal year under review, net income attributable to owners of the parent fell 10.8% compared with the previous fiscal year, to ¥58,931 million.

Of these totals, the Housing Company posted net sales of ¥512,379 million, up 1.2% compared with the previous fiscal year. Again, on a year-on-year basis, operating income came to ¥37,792 million, a decrease of 3.1%. Amid the downturn in demand for rebuilding and apartment buildings due to the consumption tax rate hike, the Housing Company placed considerable emphasis on increasing operating income by leveling out sales and improving the profit structure of the Housing Renovation business. The drop in operating income was however due to delays in delivery caused

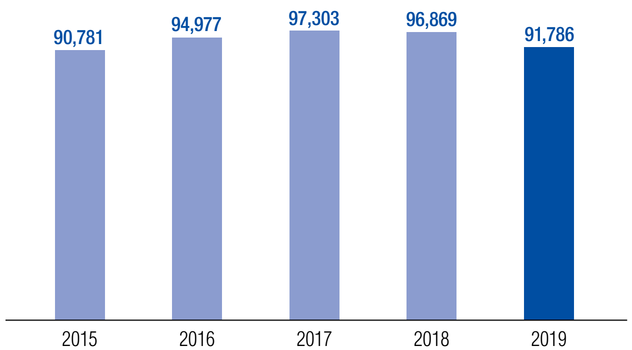
Number of New housing starts and Private-sector Non-residential Building Construction Starts



*Source: "New construction starts of dwellings," Ministry of Land, Infrastructure, Transport and Tourism

World Motor Vehicle Production Volume

(Thousands of Cars)



*Source: OICA correspondents' survey
*Calendar year base

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by the spread of COVID-19 in the fourth quarter. Regarding the New Housing Construction business, efforts were made to expand sales of smart houses centered on the new products Smart Power Station Urban and New Smart Power Station while at the same time promoting the nationwide introduction of experience-based showrooms. In addition, efforts were made to secure orders for housing from first-time buyers centered on ready-built houses through the expansion of land stock for sale. In the Housing Renovation business, efforts were made to expand sales of strategic products such as energy self-sufficiency proposals centered on storage batteries. The introduction of the showrooms FamiS Museum and FamiS Gallery was also undertaken. In addition, the SMARTHEIM DENKI power trading service was launched.

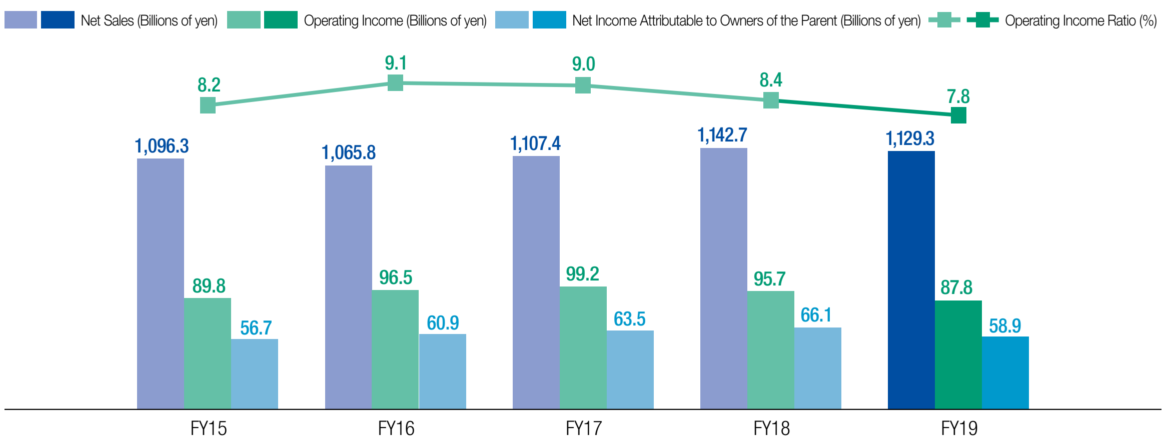
In the fiscal year under review, net sales in the UIEP Company came in at ¥237,380 million. This was a slight decrease of 0.8% compared with the previous fiscal year. Operating income climbed 3.1% year on year, to ¥15,480 million. In fiscal 2019, sales of general products struggled due to delays in construction and the suspension of capital investment attributable to COVID-19. Moreover, the construction of houses declined because of the consumption tax rate hike. However, sales of high prioritized products expanded smoothly, maintaining net sales at essentially the same level as the previous fiscal year. The Company set a record high in operating income due to the promotion of structural reforms and improvement in product mix. In the Piping and Infrastructure field, in addition to general products, sales of industrial piping materials struggled due to a decrease in IT investment. However, in the non-residential facility and public infrastructure sales of such products as piping materials (AC drain, Eslo Hyper), which contribute to labor saving and reductions in the construction period, and materials associated with the sewer pipe renewal (SPR) method expanded steadily, while sales in the Piping and Infrastructure field surpassed the previous fiscal year. Regarding the Building and Living Environment business, while there was an impact from low demand for apartment buildings, sales were essentially at the same level as the previous fiscal year due to the expansion of sales of rainwater high flowrate drainage systems in response to torrential rain, and the nursing care and independence support equipment Wells. In Advanced Materials, the new adoption of synthetic lumber for railway sleepers steadily expanded overseas, and plastic molding sheets saw steady sales for medical use. However, net sales in this field were lower than the previous fiscal year due to a sharp decline in overseas demand for aircrafts.

Net sales in the HPP Company amounted to ¥322,421 million in fiscal 2019, down 5.5% compared with the previous fiscal year. On the earnings front, operating income fell 17.1% year on year, to ¥37,169 million. In the fiscal year under review, while steps were taken to promote cost innovation across the entire supply chain and improve spreads after a decline in raw material prices in the wake of a prolonged downturn in global market conditions mainly surrounding the automobile industry, revenue and earnings decreased due to lower operation rates of customers caused by the COVID-19 pandemic. In Electronics field, although progress was made in steadily expanding sales for non-liquid-crystal-related products such as heat release products related to 5G and joint parts, net sales were lower than the previous fiscal year due to the deterioration of market conditions for mobile devices such as smartphones and tablets. In Automobiles and Transportation field, net sales were lower than the previous fiscal year due to a prolonged downturn in global market conditions. This created a host of issues including a delay in the recovery of Europe's automobile market conditions, deceleration of the China market, and stagnation in automobile sales in the U.S. This difficult environment was exacerbated by much lower operation rates of customers caused by COVID-19 in the fourth quarter of fiscal 2019. To accelerate business expansion in the area of mobility materials, a stock purchase agreement was signed in June to acquire all outstanding stock in AIM Aerospace Group, which was included in the Company's scope of consolidation as SEKISUI AEROSPACE CORPORATION at the end of the third quarter of fiscal 2019. In Building and Infrastructure field, sales expansion of fire-resistant materials and noncombustible materials is making steady progress, and net sales were higher than the previous fiscal year. In the Industry domain, sales of general products such as tapes struggled due to a decrease in demand caused by the consumption tax rate hike and COVID-19, with net sales lower than the previous fiscal year.

Effective from the fiscal year under review, the main portion of the Life Science field previously included in the HPP segment is being presented as the Medical Business segment in an effort to accelerate the pace its growth as a new divisional company candidate.

In the Medical business, net sales grew 2.6% compared with the previous fiscal year, to ¥72,588 million. Operating income, on the other hand, declined 4.4% year on year, to ¥9,204 million. The year-on-year increase in sales was due to growth in the Diagnostics business mainly in Europe, the U.S., and China. However, operating income fell below the level recorded in the previous fiscal year owing to the decline in outpatient tests for lifestyle related diseases caused by the spread of COVID-19 amid forward-looking growth investments to strengthen the business foundation and development system.

Performance Trends



(2) Non-operating income and expenses

In the fiscal year under review, SEKISUI CHEMICAL Group posted an ¥839 million downturn in foreign exchange gain, net. Accounting for this and other factors, non-operating income declined ¥135 million compared with the previous fiscal year. Taking into account such factors as the decrease in expenses for

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exterior wall inspections and maintenance of ¥2,444 million, non-operating expenses contracted ¥1,903 million year on year.

(3) Extraordinary income and loss

During the fiscal year under review, SEKISUI CHEMICAL Group posted a gain on sales of investments in securities of ¥6,929 million as extraordinary income, up 103.1% compared with the previous fiscal year. At the same time, the Company incurred a loss on impairment of fixed assets of ¥4,443 million, a loss on devaluation of investments in securities of ¥2,897 million, and a loss on sales of property, plant and equipment of ¥2,713 million. As a result, total extraordinary loss came to ¥10,344 million, up 290.5% year on year.

(4) Net income attributable to owners of the parent

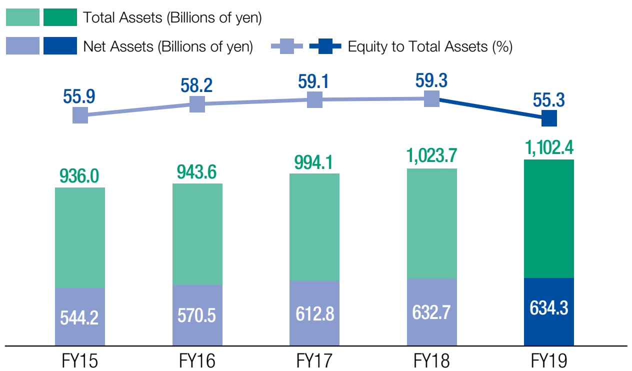
Accounting for each of the aforementioned factors, income before income taxes and minority interests totaled ¥83,581 million, a decrease of ¥10,327 million compared with the previous fiscal year. After deducting taxes and net income attributable to non-controlling interests, net income attributable to owners of the parent amounted to ¥58,931 million, down 10.8% year on year.

2. Financial Position

(1) Assets, liabilities and net assets

Total asset as of March 31, 2020 stood at ¥1,102,352 million, an increase of ¥78,645 million compared with the end of the previous fiscal year.

Total Assets, Net Assets, and Equity to Total Assets



Equity = Shareholders' Equity including Accumulated Other Comprehensive Income
Equity to Total Assets = Equity / Total Assets

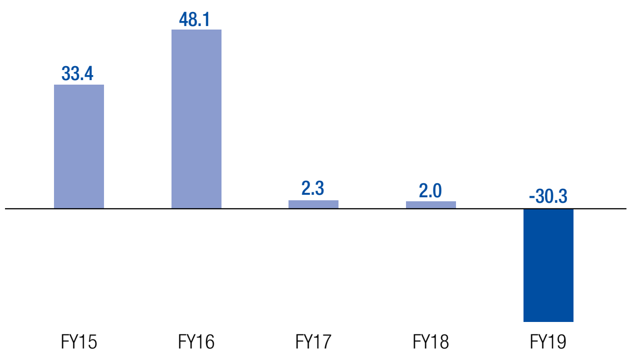
(Assets)
Current assets stood at ¥491,883 million as of the end of fiscal 2019, ¥21,846 million higher than the balance as of the previous fiscal year-end. While the balance of notes receivable, trade and accounts receivable, trade declined ¥12,848 million during the fiscal year under review, the balances of cash and deposits as well as total inventories climbed ¥6,937 million and ¥25,001 million, respectively. In addition, non-current assets grew ¥56,798 million year on year, to ¥610,468 million.

(Liabilities)
Liabilities increased ¥77,116 million compared with the end of the previous fiscal year, to ¥468,076 million. The main components were increases of a combined ¥1,033 million in notes payable, electronically recorded obligations, accounts payable, and accrued expenses, and a total of ¥63,817 million in interest-bearing debt.

(Net assets)
Net assets stood at ¥634,275 million as of the end of the fiscal year under review, an increase of ¥1,529 million compared with the end of the previous fiscal year. The balance of retained earnings increased after accounting for such factors as net income attributable to owners of the parent of ¥58,931 million and the payment of dividends totaling ¥21,261 million. Other movements included decreases in treasury stock at cost of ¥13,291 million, negative translation adjustments of ¥10,316 million, and a decrease in unrealized holding gain on securities of ¥9,365 million.

Free Cash Flow

(Billions of yen)



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

(2) Cash flows

Cash and cash equivalents on a consolidated basis amounted to ¥74,721 million as of the end of fiscal 2019, an increase of ¥6,108 million compared with the end of the previous fiscal year. Factors influencing fiscal 2019 cash flow accounts were as follows.

(Operating activities)
Net cash provided by operating activities came to ¥92,647 million, up from ¥85,213 million in the previous fiscal year. In the fiscal year under review, major cash inflows, which included income before income taxes and minority interest of ¥83,581 million, depreciation and amortization of ¥42,209 million, and decrease in notes and accounts receivable of ¥9,644 million, exceeded such cash outflows as increase in inventories of ¥24,209 million, income taxes paid of ¥22,071 million, and gain on sales of investments in securities of ¥6,639 million.

(Investing activities)
Net cash used in investing activities amounted to ¥100,562 million, up from ¥62,553 million in the previous fiscal year. The principal cash inflow came from proceeds from sales or redemption of investments in securities totaling ¥14,417 million associated with the sale of a portion of shares held in Sekisui House, Ltd. Meanwhile, cash outflows largely included acquisition of investments in subsidiaries resulting in change in scope of consolidation of ¥54,377 million. In the fiscal year under review, SEKISUI CHEMICAL Group acquired all of the outstanding shares of AIM Aerospace Corporation (current SEKISUI AEROSPACE CORPORATION), a manufacturer and marketer of such composite molding products as carbon fiber reinforced plastics (CFRP) for aircrafts and drones. The company has been included in SEKISUI CHEMICAL Group's scope of consolidation as a wholly owned subsidiary. Other major cash outflows included purchases of property, plant and equipment of ¥52,683 million focusing mainly on priority and growth fields.

(Financing activities)
Net cash provided by financing activities was ¥15,450 million in the fiscal year under review, compared with net cash used in financing activities of ¥31,539 million in the previous fiscal year. Principal cash outflows came from cash dividends paid including cash dividends paid to non-controlling shareholders of consolidated subsidiaries of ¥22,400 million and the purchase of treasury stock of ¥13,291 million. This was more than offset by the net increase in interest-bearing debt of ¥50,573 million.

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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 SEKISUI CHEMICAL Group at the end of fiscal 2019.

(1) Major market trends

The Group's business results and financial position may be affected should an unforeseen event arise. This includes a downturn in demand in a variety of mobility, electronics, housing, construction, infrastructure, and other fields, or an economic slowdown in such business areas as Japan, North America, Europe, and Asia. For example, markets where business is undertaken in the mobility field are easily affected by conditions and demand trends in the global automotive and aerospace industries. Markets for businesses in the electronics field, which are characterized by volatile fluctuations in demand, may shrink over a short period of time. In addition, the Housing Company's activities are subject to the policies and taxation systems that apply to the acquisition of houses in Japan. The Housing Company's business can also be affected by trends in consumption tax rates, interest rates, private consumption, and regional economies. As far as the UIEP Company is concerned, activities, which encompass the public sector, may be impacted by trends in public investment, which are determined by governments at both the national and local levels.

(2) Raw material price volatility and procurement

The market prices of steel, timber, polyvinyl chloride, olefin, and other petroleum-related raw materials used in the Group's production activities are affected by a variety of factors including trends in the global economy, the balance between demand and supply, and fluctuations in foreign currency exchange rates. In addition, some of the raw materials used in the Group's products comprise scarce resources, which pose a risk regarding stable procurement. A sharp rise in the price of raw materials could lead to higher production costs, while demand trends for scarce resources and problems at suppliers could interfere with the Group's ability to supply products. As a result, the Group's business results and financial position may be affected. In response to rising raw material prices, the Group is implementing cost reduction measures. At the same time, energies are being directed toward maintaining a sufficient margin between selling and raw material prices, mainly in the UIEP and HPP companies.

(3) Products and quality

The Group continues to engage in assurance and improvement activities to ensure that its products and services are of the utmost quality. However, despite these activities, the Group continues to run the risk of a product recall, discontinuation, payment of compensation, and loss of customer confidence should a major product-related incident, product safety, environmental, statutory and regulatory compliance, or other issue arise, and in the event of a dispute over intellectual property that results in a decision that is unfavorable to the Group. In this event, the possibility exists that the Group's business results and financial position may be affected. SEKISUI CHEMICAL Group engages in CS & Quality Management to consistently deliver value to customers so that they will always choose its products and services. We have also positioned "zero major quality issues" as one of our key indicators, and are working diligently to improve the level of consistent quality control across the entire value chain by preventing the incidence of a quality issue occurring through advance prediction of potential quality-related risks at the development stage after a product has been commercialized, and ensuring that basic guidelines for day-to-day management are being strictly adhered to by production departments. At the same time, the Group places the utmost importance on its intellectual property strategy in order to make the most of its prominence in technology. In striving to secure business competitiveness through the acquisition of strong patents, we conduct the necessary investigations to ensure that we do not infringe on the intellectual property of others, and take appropriate measures to avoid or prevent intellectual property infringement.

(4) Foreign currency, interest rate, and owned asset price fluctuation

Operating and expanding its business globally, fluctuations in the value of the yen against foreign currencies could have a significant impact on the Group's foreign currency-denominated sales, raw material procurement costs, and the assets and liabilities of overseas subsidiaries and affiliates. Fluctuations in interest rates may also impact the amounts of interest income received and interest expense paid by the Group as well as housing-related business demand. In the event of a change in the market and business environments, there is a risk that the Group's real estate holdings including land, other inventories, property, plant and equipment, intangible non-current assets including goodwill, and investments and other assets such as investment securities may need to be written down. Each of the aforementioned has the potential to impact the Group's business results and financial position. The Group continues to promote local production by its businesses seeking to expand globally. Under these circumstances, every effort is being made to manage the balance of the Group's foreign currency holdings by converting them into yen and utilizing intra-Group loans and other means to reduce foreign currency exchange risk.

(5) Overseas business activities

Engaging in manufacturing and sales activities through an overseas network that currently spans 23 countries, the Group is promoting the development of its global business as a key growth strategy. In addition to trends in the overall global economy, the Group's overseas business activities are subject to the risk of social and political disruption due to political turmoil such as terrorism and war, tariff retaliation measures, unexpected changes in policies, laws and regulations, tax changes, industrial base fragility, natural disasters, infectious diseases, racial discrimination, product boycotts, and other factors. In the event that these risks materialize, the Group's overseas business activities could be impeded, and its performance and future plans affected. SEKISUI CHEMICAL Group has established four regional headquarters in the U.S., Europe, China, and ASEAN regions to gather information on the economic, social, and political conditions and trends in the laws and regulations of each country in which it has a base of operations. Should an event that requires a response occur, the Group company, regional headquarters, and specialized department at the Company's head office in Japan work together to respond as appropriate.

(6) Major earthquake, natural disaster, industrial accident, and other incident

Major industrial accidents including fires, explosions, and the leakage of harmful substances that affect the areas surrounding the Group's factories and R&D facilities, as well as such natural

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disasters as earthquakes and tsunamis at the Group's business sites, together with the spread of infectious diseases could interrupt the Group's business activities. Any resulting loss of public confidence, expenses in responding to industrial accidents, including compensation and other costs, opportunity loss attributable to the suspension of production, compensation paid to customers, and other factors may affect the Group's performance and financial position. In order to prevent industrial accidents including fires, explosions, and the leakage of harmful substances, the Group identifies and responds to risks through risk management activities at production sites that also include simulations of natural disasters, and has a dedicated head office department that periodically conducts on-site audits while providing remedial guidance on a global basis. Taking the lead, the Overseas Crisis Management Office at the same time shares crisis management information with regional headquarters, alerting them to the need for timely action. In addition, we have built a system that allows us to keep abreast of disasters and accidents should they occur through a global emergency contact network, and have strengthened employee training to ensure an appropriate initial response.

(7) Information security

As the Group makes efficient use of IT in a wide range of business processes including production, sales, research and development, procurement, and accounting, it is becoming increasingly dependent on IT systems. Moreover, and in addition to confidential business process information, we handle personal information about many of our customers due to the nature of the Housing business. Taking these circumstances into consideration, the Group is subject to such risks as cyber-attacks, power outages, natural disasters, business interruptions and damages resulting from equipment and software failures or defects, and the leakage of confidential including personal information. In the event that any of these risks should materialize, the Group's business activities could be impeded affecting its business results and financial position. After putting in place certain guidelines codified in its Cyber Security Policy, the Group established a Computer Security Incident Response Team (CSIRT) to strengthen its response and constantly monitor the incidence or otherwise of system-based incidents. In addition, we have developed a system to take appropriate action and prevent recurrence in the event that an incident should arise, and are working to prevent the leakage of human-related information through employee training. To counter the risk of backbone system stoppages due to such natural disasters as a major earthquake, we have taken a wide range of measures including the decentralization of data centers to multiple locations and the complete duplication of critical business operations.

(8) Legal and other compliance

The Group is subject to a variety of statutory and regulatory requirements in the conduct of its business. In the event that the Group should seriously violate any of these laws following an amendment or unexpected introduction of a law or regulation, undertake an action or carry out an injustice that violates societal norms caused by pressure to achieve performance targets, it could suffer a loss of customer confidence and incur costs in order to address the infraction thereby impacting its business results and financial position.

The Group established its "Compliance Declaration" in 2003 based on principles such as "contributing to society," "being a trusted company," and "adherence to the letter and spirit of the law." In keeping with the spirit of the Group Principles and our Corporate Code of Ethics, we defined our stance for the acquisition of high social trust through compliance. In April 2019, under the leadership of then-president Koge, the declaration was made that compliance is management itself for SEKISUI CHEMICAL Group, and that each and every employee will work together to act in accordance with compliance regulations.

In addition, the Sustainability Committee, chaired by the President, deliberates on "Fundamental Compliance Policies" that require the approval of the Board of Directors, and has established a designated Compliance Subcommittee, which reports to the Sustainability Committee, to plan, consider, and decide on important compliance-related matters, with the aim of establishing and implementing a compliance system for the Company and its Group companies. In order to ensure SEKISUI CHEMICAL Group will be widely trusted by society, we will continue to carry out initiatives for improving compliance awareness.

(9) Climate change and environmental issues

Recognizing that climate change caused by greenhouse gases, resource depletion, water risk, and marine plastic waste are common social issues worldwide, the Group promotes ESG management to improve social and global environmental sustainability through solutions to social issues as well as its own sustainable growth, in a bid to realize its Long-term Vision "Vision 2030" and the Sekisui Environment Sustainability Vision 2050. In the event that efforts aimed at addressing these issues prove inadequate, the Group could suffer a loss of public trust and a deterioration of its reputation and competitiveness, thereby impacting sales. We are working to create, certify, and expand the market for products to enhance sustainability that contribute to the sustainability of the global environment and society by helping to resolve environmental and social issues. As a measure to combat global warming, we have set the target of increasing our utilization ratio for renewable energy from electricity purchased to 100% by 2030, and to promote various other measures including collaboration with suppliers to procure raw materials with low environmental impact. Among a host of other initiatives, we are also undertaking activities to promote solutions to the marine plastic problem through industry-government-academia collaboration. This includes participation in the CLOMA* and JaIME* corporate initiatives.

* CLOMA: Acronym for the Japan Clean Ocean Material Alliance.
* JaIME: Acronym for the Japan Initiative for Marine Environment.

(10) Impact of COVID-19

The global spread of COVID-19, first reported in China in December 2019, could threaten the safety of our employees, restrict the activities of our Group's businesses domestically and internationally, and impact our profit and loss, including market stagnation. In addition to setting up a Groupwide Emergency Response Headquarters, and with the safety of employees our primary concern, we have in principle prohibited the holding of meetings, training, business trips, and social gatherings, and are promoting telecommuting, among other measures. From a customer service perspective, we are trying to reduce the number of face-to-face meetings while emphasizing online communication and telephone negotiations to ensure that we address customers' needs in a timely manner. In similar fashion, we are promoting telecommuting and shortened work hours at our overseas offices while accommodating conditions in each country. We will continue to enhance safety measures for our stakeholders while monitoring future progress and prepare for unforeseen circumstances, including the need to secure stable working capital to deal with prolonged risks.