

May 15, 2009

Commencement of Appeal Proceedings with Japan Fair Trade Commission

Sekisui Chemical Co., Ltd.

Sekisui Chemical Co., Ltd (hereinafter referred to as “the Company”) received a cease and desist order and surcharge payment order (hereinafter referred to as “Orders”) by JFTC effective February 18, 2009.

As some of the facts recognized in the Orders are inconsistent with the Company’s understanding, the Company filed an appeal with JFTC on April 13, 2009 to have the Orders revoked. On May 13, 2009, JFTC decided to commence appeal proceedings regarding the Orders. The Company will assert its views in the appeal proceedings. The Company acknowledges the fact that it received such Orders in earnest, and for the purpose of clarifying once again its stance on making efforts proactively to restore confidence, the directors and executive officers involved in the incident have returned part of their remuneration, and strict internal disciplinary action has been taken.

Prior to the Orders, the Company was subject to an on-site investigation conducted in November 2006 on suspicion of fixing the price of vinyl chloride pipes and joints for gas purposes with other companies. Since then, the Company has been conducting a company-wide investigation on compliance with the Antimonopoly Act with the participation of outside lawyers. At the same time, the Company have substantially restricted our activities in trade associations and introduced systems such as those that prohibit any unnecessary contact with competitors, and the Company is strictly enforcing measures to prevent acts that come under suspicion of similar nature. In addition, the Company is holding compliance workshops targeted at employees and conducting monitoring surveys on the compliance status of each division, to raise the awareness of employees.

Furthermore, in 2007, we shortened the term of office of directors to one year, in order to further clarify the responsibility of directors. In 2008, we carried out corporate governance reform, which featured the appointment of two outside directors and the reduction of the number of directors from 21 to 9 aiming at ensuring management transparency and fairness, The Company will take this opportunity to spread these preventive measures more widely and enforce them in a stricter fashion.

The Orders regarding vinyl chloride pipes and joints are targeted at events that had occurred before the aforementioned preventive measures were implemented. Whilst these measures are already sufficiently contributing to improved compliance and corporate governance functions of the Company, we humbly request your understanding and continued support and cooperation in our business activities.