

SEKISUI

RISING TO THE OCCASION

ANNUAL REPORT

2011

Version 1 (Preliminary Report)

Year Ended March 31, 2011

SEKISUI CHEMICAL CO., LTD.

BASIC POLICY REGARDING THE RELEASE OF THE SEKISUI CHEMICAL “ANNUAL REPORT 2011”

Sekisui Chemical plans to release a preliminary report in June, entitled “Annual Report 2011, Version 1 (Preliminary Report)” to address investor concerns regarding the impact of the Great East Japan Earthquake (which struck on March 11, 2011) on the Company’s earnings performance in fiscal year 2010. The preliminary report will include messages from the Company President and the presidents of each of the three internal divisional companies.

The preliminary report will be based on the fiscal year 2010 earnings results figures announced on April 27, 2011. Unforeseen repercussions from the disaster continue to affect market conditions, our supply chains, and other business conditions in Japan, all of which will have an impact on the Company’s performance going forward.

Due to these circumstances, we will issue an updated version, “Annual Report 2011,” in the event that the forecast figures for fiscal year 2011 are revised. We therefore plan to issue a second report, “Annual Report 2011, Version 2,” in late August, when we publish the regular annual corporate information and financial statements for fiscal year 2010.

June 2011

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TO OUR SHAREHOLDERS AND INVESTORS

We wish to express our heartfelt condolences and deepest sympathies to all who were affected by the March 11 Great East Japan Earthquake.

We are pleased to report Sekisui Chemical's performance results for fiscal year 2011, ended March 31, 2011. 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. In fiscal year 2010, the final year of Stage 1, management focused on implementing two fundamental strategies: steadily capture growth demand and accomplish the strengthening of the earnings structure. The initial plan in April 2009 was to attain operating income of ¥40 billion in fiscal year 2010. Our efforts have proven successful, and we have far exceeded our target, posting an operating income of ¥49.3 billion for the year.

Stage 2 of the plan, covering fiscal years 2011 to 2013, is focused on advancing three strategies for business growth: 1) broaden business through value chain development, 2) accelerate global development, and 3) cultivate new growth segments.

The focus in this stage is on expanding revenue in each of the business segments, particularly in the "Frontier 7" businesses* that we have designated as high-growth fields, with the objective of attaining overall operating income of ¥80 billion in fiscal year 2013, the final year of the GS21-SHINKA! plan.

* "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)

	FY2010				FY2011 (Plan)			
	Net Sales	YoY Change	Operating Income	YoY Change	Net Sales	YoY Change	Operating Income	YoY Change
Housing	418.7	20.4	24.4	5.0	444.0	25.3	27.0	2.6
UIEP*1	195.6	0.9	1.5	3.9	206.0	10.4	5.0	3.5
HPP*2	281.6	34.0	24.4	5.2	310.0	28.4	26.0	1.6
Others	43.1	0.4	-0.1	-0.5	45.0	1.9	-0.7	-0.6
Elimination	-23.5	1.3	-0.8	-0.2	-25.0	-1.5	-0.3	0.5
Total	915.5	57.0	49.3	13.4	980.0	64.5	57.0	7.7

*1 UIEP: Urban Infrastructure & Environmental Products Company

*2 HPP: High Performance Plastics Company

Review of Fiscal Year 2010

(April 1, 2010, to March 31, 2011)

In fiscal year 2010, the Sekisui Chemical Group successfully captured growth demand by concentrating management efforts on meeting the rising demand in the “Frontier 7” businesses and in emerging countries, specifically in Asia. These efforts resulted in an 11% increase in sales over the previous year in the “Frontier 7” businesses, and a notable 23% rise in sales in the Asia region, which supported a 6.6% year-on-year increase in consolidated net sales to ¥915.5 billion in fiscal year 2010.

We also continued strengthening the earnings structure in line with our plan, through ongoing efforts to minimize fixed costs and cut other costs. Some domestic businesses encountered intensifying competition during the year, which put downward pressure on product prices; however, we were generally able to maintain our profit margins (the difference between product sales prices and material costs, plus the effects of cost cutting). The steady progress made in increasing revenue and improving the earnings structure enabled us to achieve a substantial 37.2% rise in operating income over the previous year, to ¥49.3 billion in fiscal year 2010, marking the highest income level since the internal divisional company system was adopted in fiscal year 2000.

The Company’s manufacturing facilities in the disaster-stricken areas incurred only slight damage from the Great East Japan Earthquake in March, and are currently operating at normal levels.

GS21-SHINKA! Medium-term Management Plan: Review of Stage 1 (FY2009–FY2010)

In Stage 1 of the GS21-SHINKA! medium-term management plan, we overcame the post-Lehman Shock economic recession by implementing structural reform to strengthen the earnings structure and by focusing on the fields and regions promising solid demand growth, while enhancing our capabilities for future business expansion.

In fiscal year 2009, the plan’s first year, we substantially lowered the break-even point by implementing various structural reform measures. In fiscal year 2010, we achieved a marked recovery in earnings that surpassed our initial targets by effectively responding to the demand trends, which included both recovery demand mainly in industrialized countries and growth demand in emerging countries. We also reinforced our strategic businesses, particularly overseas, during these two years and established a high-profit structure for the Housing Company. The progress we made in structural

reform proved beneficial as the UIEP Company regained profitability despite struggling amid dwindling domestic demand and intensifying competition.

We also made steady progress in strategic investment and business fortification measures to prepare for future business expansion in fiscal year 2011 and beyond. In Europe and the United States, we expanded our business portfolios in interlayer films, pipeline renewal, and the medical field, and in Asia, we established a housing production and sales company in Thailand, with the aim of expanding the housing business into overseas markets.

These activities enabled us to attain operating income of ¥49.3 billion in fiscal year 2010, which vastly exceeded the plan’s initial target of ¥40.0 billion for the year. Based on the progress and performance results, I believe we have successfully achieved our goals for Stage 1 of the GS21-SHINKA! medium-term management plan.

Business Outlook for Fiscal Year 2011

(April 1, 2011, to March 31, 2012)
(as of April 30, 2011)

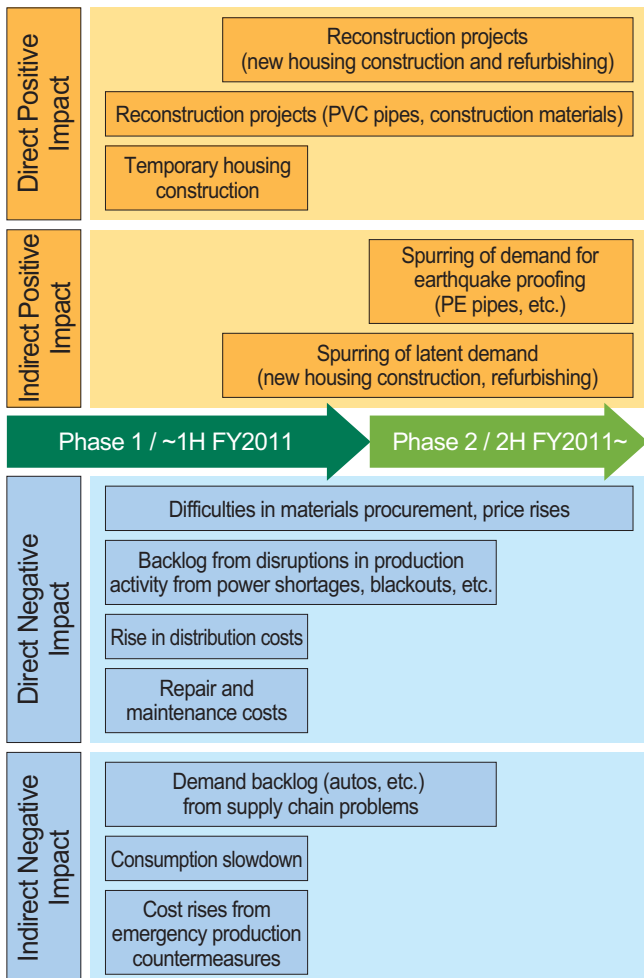
Market Environment and the Impact of the Great East Japan Earthquake

The accompanying chart shows the areas in which we anticipate the Great East Japan Earthquake to impact our business in fiscal year 2011. We believe the greatest impact on our business performance will be related to fluctuations in demand, which will affect each internal divisional company and business in different ways.

Our order target for the Housing Company takes into account the anticipated unstable conditions in the housing market in the wake of the disaster. In the first quarter of the fiscal year, we expect consumer restraint in spending to lead to sluggish demand. We expect our business performance to improve in the second half as reconstruction-related demand and emerging latent demand generate the start of a recovery in the second quarter.

We expect the UIEP Company to encounter fluctuating demand in the PVC pipe and other core businesses. Our performance forecasts for the year assume a slight year-on-year increase in new housing starts, to the 830,000 unit level. In addition, we anticipate growth in demand for PVC pipes for emergency lifeline reconstruction, which is already under way, followed by rising demand related to full-fledged urban reconstruction, along with demand for anti-seismic pipes and other materials stemming from the increasing need for seismic upgrades and disaster resistance.

Expected impact of earthquake damage on business performance



The HPP Company faces the risk of weakened demand due to disruptions in the supply chain, particularly in AT (automotive materials) and IT related businesses. Our performance forecasts for the AT and IT businesses assume year-on-year increases of a 6% in automobile production output and 5% in LCD panel sales on a global basis. However, there is the risk that disruptions in the supply chain might necessitate production adjustments for finished products and other consequences, which could cause demand to fall short of our projections.

The outlook for the domestic market conditions involves such a vast number of uncertainties, particularly concerning demand conditions. As a result, some factors may have not been included in our plan for fiscal year 2011. Overseas, however, we anticipate solid demand, led by growth in emerging countries and steady market recovery in Europe and the United States.

Priority Measures

Management will be focusing on two priority measures in fiscal year 2011, namely participation in the domestic reconstruction, and the delivery of a solid performance in the global market.

Participation in the domestic reconstruction begins with the Company extending its full cooperation to reestablish urgent lifelines in the disaster-stricken areas. These activities include the emergency production and supply of temporary housing and PVC pipes.

In the next phase of full-fledged reconstruction, we plan to take an active role by supplying products in our areas of specialty, including highly quake-resistant pipes and high-performance housing featuring exceptional anti-seismic and natural energy usage specifications, thereby playing a leading role in the reconstruction of urban environments with enhanced disaster-resistance capabilities.

Regarding the other priority measure, the delivery of a solid performance in the global market, we will maintain stable production and supply of liquid-crystal related materials, interlayer films for automobiles, and other products that command a strong market share in the global market, to eliminate the current concern over the global supply conditions in these fields. We will similarly continue to ensure stable production and supply of our diagnostic reagent products.

Whether it be in participation in the domestic reconstruction or the delivery of a solid performance in the global market, we will leverage the Company's strengths and play the role that is expected of us, with the aim of meeting the demands of society and contributing to the growth of industries.

Business Plan

Our goal in the business plan for fiscal year 2011 will be to increase revenues in each of the Housing, UIEP, and HPP companies, by attracting growth demand, centering on the "Frontier 7" businesses.

On the income side, we will maintain our solid earnings structure during the year by increasing product prices and cutting costs to offset anticipated rises in material costs, while also controlling our fixed costs by restraining spending other than investment for business growth.

Through the steady implementation of the business plan, we are targeting net sales of ¥980.0 billion and operating income of ¥57.0 billion in fiscal year 2011.

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 established a target 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 provided an interim dividend payment of ¥5 per share and increased the year-end payment by ¥3 to ¥8 per share, for a total annual dividend payment of ¥13 per share. We will retain internal cash reserves of an amount sufficient for covering R&D expenses, capital expenditures, strategic investment, financing activities, and other activities that we consider vital to assuring further improvement in corporate value into the future.

Cash flow during the year will be utilized for capital investment, financial structure reinforcement, and shareholder return. Capital investment will focus on strategic investment 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.

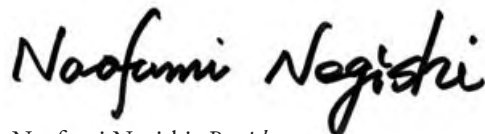
In Closing

The Great East Japan Earthquake that struck in March devastated northeastern Japan and caused substantial damage throughout the country. Our Company incurred light damage to some production equipment and other facilities, but we have been able to reestablish normal operations. Immediately following the quake, we were also concerned about potential difficulties with regard to materials procurement. However, the situation was quickly rectified, and we think the impact on our production plans will be less than initially anticipated. While we have been able to stabilize our operating status, the extent of the earthquake's impact on many of our client companies is still unclear. As a result, the operating status of our client companies could influence our production operations and sales results.

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 natural environment. Despite the current circumstances, we maintain our intention to continue contributing, through our products and businesses, to the resolution of social issues and guiding the Group to fulfill the expectations and hopes of our shareholders and stakeholders.

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

June 2011



Naofumi Negishi, *President*

HIGH PERFORMANCE PLASTICS COMPANY



PERFORMANCE HIGHLIGHTS

	FY07	FY08	FY09	FY10	FY11 (Plan)
(Billions of yen)					
Net sales	280.5	262.6	247.7	281.6	310.0
Operating income	24.5	15.8	19.2	24.4	26.0
Operating income ratio (%)	8.7	6.0	7.8	8.7	8.4

TAKAYOSHI MATSUNAGA, President of High Performance Plastics Company

Results for Fiscal Year 2010

Net sales: Increase of ¥34.0 billion to ¥281.6 billion

Operating income: Increase of ¥5.2 billion to ¥24.4 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.

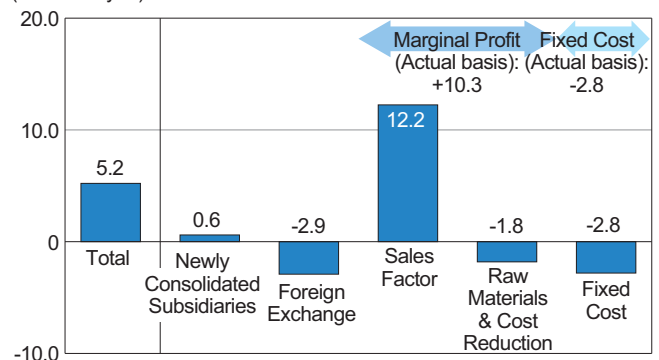
The HPP Company solidly increased both net sales and operating income in fiscal year 2010 by steadily capturing the demand accompanying the recovery and growth of the markets in these three fields and by implementing measures to accelerate business growth and reinforce the business base.

The HPP Company’s efforts to expand business in the strategic fields and overseas generated a ¥34.0 billion year-on-year increase in net sales to ¥281.6 billion. Net sales in the strategic business fields rose by ¥14.7 billion to ¥134.6 billion for the year, largely as a result of expanded sales contributions from the AT and IT fields. Overseas sales also improved substantially, rising by ¥35.4 billion to ¥142.6 billion. The HPP Company achieved these results through increased production capacity and market development, which enabled the company to fully respond to the growth demand in Asia and other emerging markets, and also through the augmentation of its business scope via M&A activities in the AT field.

The HPP Company recorded operating income of ¥24.4 billion in fiscal year 2010. The operating income result reflected the positive impact of a ¥12.2 billion increase resulting from growth in sales, and the negative impact of a ¥1.8 billion decrease owing to higher materials costs and company efforts to reduce costs. The result was a ¥10.3 billion improvement in marginal profit in real terms.

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

(Billions of yen)



Additional factors influencing operating income for the year were the positive impact of a ¥600 million contribution from newly consolidated subsidiaries, the negative impact of a ¥2.8 billion increase in fixed costs from the reinforcement of staff accompanying overseas business expansion, and a ¥2.9 billion decrease as a result of the impact of the foreign exchange rate because of the strong yen. The overall result was a ¥5.2 billion increase in operating income from the previous fiscal year.

Operating income of ¥24.4 billion exceeded our initial target of ¥21.0 billion for the year, and came very close to the HPP Company’s record high of ¥24.5 billion, attained in fiscal year 2007.

In the strategic business fields, net sales in the AT field rose by ¥8.5 billion year on year to ¥58.1 billion in fiscal year 2010. While the strong yen and rising raw material costs were negative factors, increasing demand in emerging countries and recovering demand in Europe and the United States fueled a vigorous recovery in the AT market, with significant sales growth for interlayer film for laminated glass, polyolefin film, and other products.

While working to expand sales by solidly capturing growth demand, the HPP Company took steps during the term to prepare for future expansion in the AT field. One key step was to expand

production capacity for the core interlayer film products. The company increased production capacity for high value-added, high-performance interlayer films at the Shiga Minakuchi Plant in Japan and expanded the production lines for the interlayer film material polyvinyl butyral (PVB) resin at the plants in Shiga Minakuchi and the Netherlands.

In the IT field, net sales surged by ¥8.1 billion to ¥38.0 billion for the year, led by strong growth in sales of LCD panel-related products and other competitive products. During the year, the company expanded its production capacity for tape and film products with the aim of keeping pace with the rapidly rising demand for those products for touch panel applications accompanying the growing popularity of smart phones and other devices.

In the MD field, net sales declined by ¥2.0 billion, due to decreased sales of influenza diagnostic reagents resulting from the mild influenza season compared to the previous year, despite steady sales expansion of diagnostic equipment in Japan and diagnostic reagents overseas. However, excluding sales of influenza diagnostic reagents, which are highly dependent on seasonal conditions, net sales of the MD field increased by ¥1.6 billion. With the aim of positioning the HPP company for further growth in the MD field, Sekisui Chemical acquired the diagnostics business of U.S.-based Genzyme Corporation, focusing on the fields of biochemistry, diabetes, infectious diseases, and immunological testing.

Outlook for Fiscal Year 2011 (as of April 30, 2011)

Net sales: Increase of ¥28.4 billion to ¥310.0 billion

Operating income: Increase of ¥1.6 billion to ¥26.0 billion

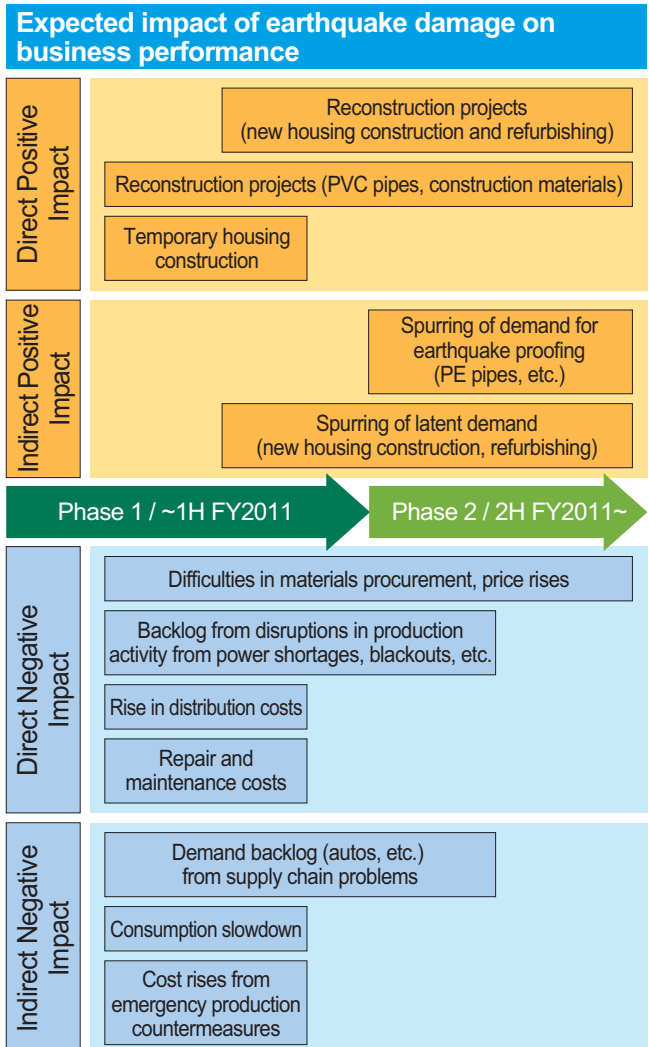
Impact of the Great East Japan Earthquake

As shown in the accompanying chart, we expect the main impact of the Great East Japan Earthquake on the HPP Company in fiscal year 2011 will be due to slowing demand caused by supply chain issues. Our performance forecasts for the AT and IT businesses assume year-on-year increases of 6% in automobile production on a unit basis and 5% in LCD panel sales on a global basis. However, demand in these industries could vary depending on various factors, such as production adjustments for finished products due to the supply chains disruptions caused by the earthquake.

Market Environment

We anticipate ongoing strong demand for HPP Company products, particularly in overseas markets, led by the emerging countries, Europe, and the United States. The business outlook for the domestic Japanese market remains unclear at this point.

In the strategic business fields, we expect ongoing demand growth in the AT field for automotive materials as automobile production ramps up in emerging countries, and in the IT field for materials



used in tablet computers and smart phones. We also expect brisk business in the MD field as we expand our range of operations. We believe the economic growth of emerging countries will support steady business in overseas markets across all of our product lines.

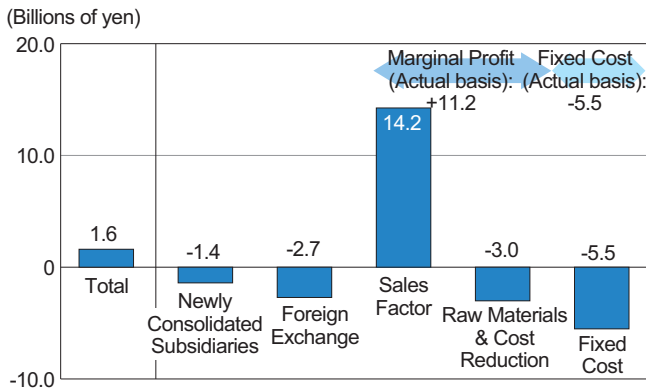
Sales and Income Targets

We plan to continue expanding sales in our strategic business fields and overseas business. Our sales target for the three strategic business fields is to raise total combined net sales by ¥21.0 billion year on year to ¥155.6 billion. In our overseas business, we will endeavor to maintain the rapid growth pace and increase net sales by ¥17.4 billion year on year to ¥160.0 billion. Based on the strong growth in the strategic business fields and overseas business, we are aiming for HPP Company to achieve net sales of ¥310.0 billion in fiscal year 2011.

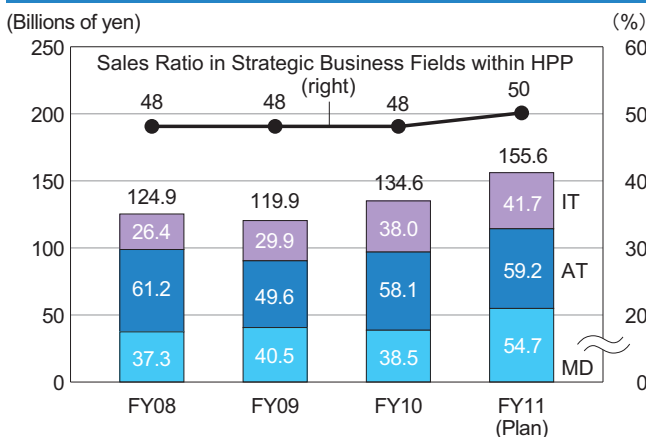
We also plan to take steps to increase operating income. We expect a rise in marginal profit (¥14.2 billion) from the growth in sales to more than offset the anticipated negative impacts of higher raw material prices (¥3.0 billion after cost-cutting efforts), increased

fixed costs due to higher labor costs and other expenses from newly consolidated companies (¥5.5 billion), costs associated with new consolidation (¥1.4 billion), and the impact of the foreign exchange

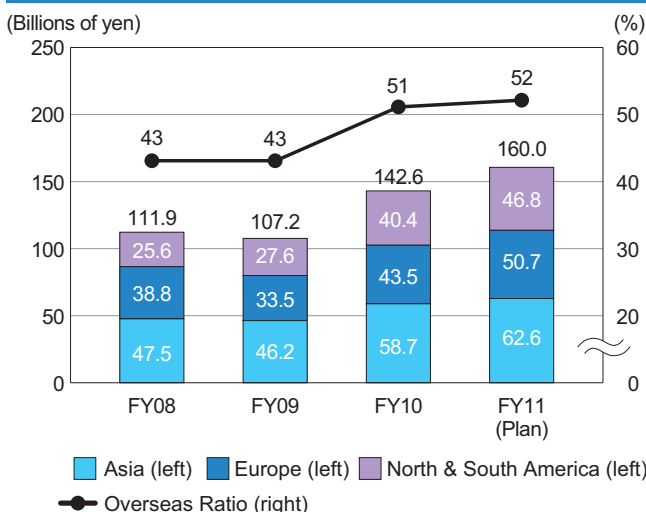
Analysis of Operating Income for FY2011 (year-on-year)



Sales in Strategic Business Fields



Overseas Sales



rate (¥2.7 billion). As a result, we plan to increase operating income by ¥1.6 billion year on year to ¥26.0 billion in fiscal year 2011.

Business Policy for Fiscal Year 2011 (as of April 30, 2011)

The HPP Company's first priority will be to implement measures to address the supply chain issues and prepare for anticipated power shortages following the Great East Japan Earthquake. These measures will focus on limiting the impact on product deliveries to customers by addressing issues related to parts procurement systems in which potential supply shortages are anticipated, as well as issues related to the expected power shortages and energy-conservation needs in summer. In particular, we will take steps to ensure that we maintain stable production and supply of our liquid crystal-related materials, automobile interlayer films, and other products that command high market shares in the global markets.

In addition, the company will place priority on the implementation of growth strategies and the solidification of the HPP Company's earnings base, to position the company for accelerated business growth and establish a strong business foundation. Growth strategies will focus on the continued efforts to strengthen the businesses in strategic fields and overseas, and on the development of new products and businesses.

Regarding the strategic business fields, in the AT field we will seek to establish the optimal production allocation on a global basis as a measure to counter foreign exchange fluctuation risk and maximize profit. In the IT field, we will continue to fortify the peripheral businesses and technologies of our existing core businesses and products. In the MD field, we plan to bring the three previously acquired companies up to full operation.

Regarding strategic investments to fortify our operations in the strategic business fields, we have completed investments to boost production capacity in the AT field to respond to growing demand in emerging countries and rising demand for high-performance products, particularly in industrialized countries. In the MD field, our M&A moves have established a solid foundation for business expansion overseas. Beginning in fiscal year 2011, we will turn our attention to producing results through further sales growth. In the IT field, in order to fortify and expand business, Sekisui Chemical has acquired functional film maker Suzutora Corporation with the aim of capturing the booming demand for materials for use in touch panels and other new technologies.

In overseas business operations, the HPP Company is strengthening its local management capabilities while utilizing overseas business bases to offset foreign exchange risk and increasing overseas procurement of materials. The company is also making inroads into emerging markets to realize further business growth overseas.

URBAN INFRASTRUCTURE & ENVIRONMENTAL PRODUCTS COMPANY



PERFORMANCE HIGHLIGHTS

	FY07	FY08	FY09	FY10	FY11 (Plan)
(Billions of yen)					
Net sales	233.8	225.2	194.6	195.6	206.0
Operating income (loss)	6.1	1.7	-2.4	1.5	5.0
Operating income ratio (%)	2.6	0.8	-1.2	0.8	2.4

KOZOU TAKAMI, President of Urban Infrastructure & Environmental Products Company

Results for Fiscal Year 2010

Net sales: Increase of ¥0.9 billion to ¥195.6 billion

Operating income: Increase of ¥3.9 billion to ¥1.5 billion

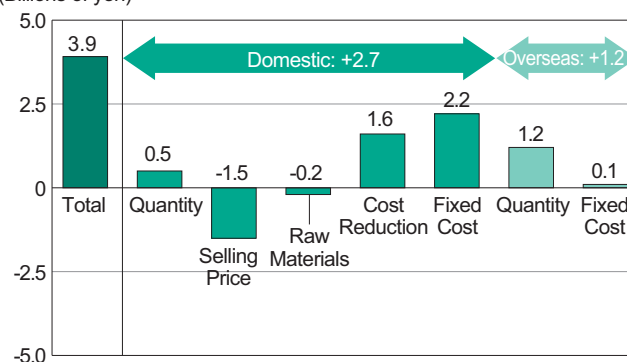
The Urban Infrastructure & Environmental Products (UIEP) Company's management strategies seek to realize a steady increase in earnings by furnishing a diverse mix of products from domestic core businesses and growth businesses. The company's core domestic businesses are the production and sale of PVC pipes, construction materials, and other products for the domestic construction market. These mainstay products, which have attained strong brand recognition and large market shares in Japan, form the company's earnings base. Utilizing the technologies of these mainstay products, our pipeline renewal, plant materials, and infrastructure composite materials businesses have developed highly advanced, high-performance products, which we believe will be the key drivers of the company's future growth. Meanwhile, the UIEP Company continued to implement restructuring measures centered on the domestic core businesses amid the sluggish demand conditions in the construction industry, which have persisted since fiscal year 2007.

The UIEP Company increased sales in the domestic core businesses in fiscal year 2010 by harnessing the recovery in detached housing demand to maintain sales volume amid downward pressure on product prices from intensifying competition. Growing demand for products in the social infrastructure stock and energy-saving fields, as well as other fields with growth potential also contributed to the domestic sales result. Overseas, the company's water infrastructure business struggled, but the sheet business rebounded sharply and the pipeline renewal business posted sales growth. As a result, the UIEP Company's overall net sales grew by ¥900 million year on year to ¥195.6 billion for the fiscal year.

Operating income for domestic operations improved by ¥2.7 billion yen from the previous fiscal year. The increase was the sum result of positive contributions that included growth in sales volume

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

(Billions of yen)



accompanying a recovery in demand (¥0.5 billion), progress with cost-cutting efforts (¥1.6 billion), and lower fixed costs achieved through staff reductions (¥2.2 billion), which more than offset such negative factors as lower product prices amid intensifying competition (¥1.5 billion) and higher raw material costs (¥0.2 billion). Operating income overseas rose by ¥1.2 billion with increased sales volume (¥1.2 billion) and reduced fixed costs (¥0.1 billion) being the main contributing factors. Accordingly, the UIEP Company's efforts in fiscal year 2010 to reduce fixed costs and other costs, combined with the business recovery overseas, enabled the company to record operating income of ¥1.5 billion and achieve a positive income result for the first time in two years.

In fiscal year 2010, the company succeeded in establishing a profitable operating structure as a result of efforts to lower fixed costs and other costs, and simultaneously clarified three new issues that must be addressed: 1) the limited ability to realize significant profit from single-item sales, 2) the need to revise marketing strategies to accelerate an expansion in sales of growth products, and 3) the need to reorganize the overseas water infrastructure business.

Management believes that to resolve these issues, the business model must be reformulated, namely through the adoption of new approaches

and movement away from the previous methods that focused on expanding business by increasing the sale of single products through the expansion of target fields and sales regions. On the business operations level, we plan to introduce changes in the business activities of the value chain, addressing both upstream and downstream activities. On the product level, we will move away from single-item product sales and seek to expand “package” orders for multiple products sold as a package, including sales of product sets, auxiliary product sales, and system sales. We plan to begin implementing specific initiatives to realize this new business model early in fiscal year 2011.

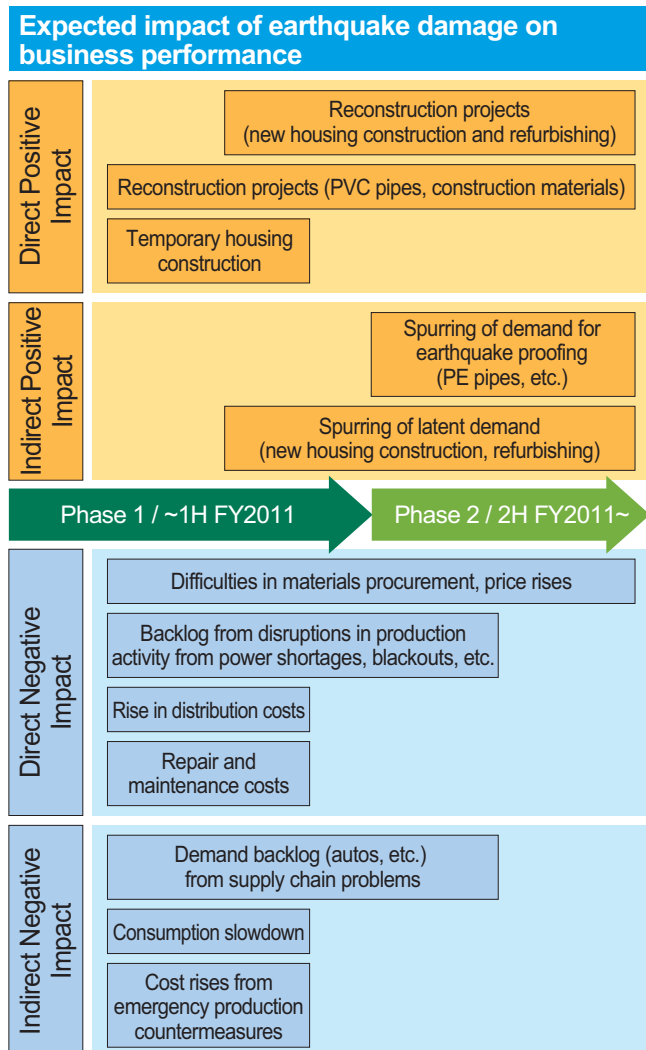
Outlook for Fiscal Year 2011 (as of April 30, 2011)

Net sales: Increase of ¥10.4 billion to ¥206.0 billion

Operating income: Increase of ¥3.5 billion to ¥5.0 billion

Impact of the Great East Japan Earthquake

As shown in the accompanying chart, we expect the main impact of



the Great East Japan Earthquake on the UIEP Company in fiscal year 2011 will be due to fluctuations in demand for PVC pipes, construction materials, and other products associated with the reconstruction activity.

Our performance forecasts assume a slight year-on-year increase of 830,000 units in new housing starts in Japan. Under the current conditions, demand is slowly growing for PVC pipes and other materials needed to quickly reestablish lifelines in the disaster-stricken region. In the second half, we expect an increase in demand for products related to urban reconstruction and for antiseismic pipes and other materials, to meet the growing need for enhanced seismic and disaster resistance.

Market Environment

In the domestic market, the rise in housing orders in fiscal year 2010 leads us to anticipate year-on-year growth in new housing starts in fiscal year 2011. Overseas, we expect to see a recovery in demand in the plant materials and pipeline renewal businesses, and in the sheet businesses from continuing market recovery in the aircraft industry.

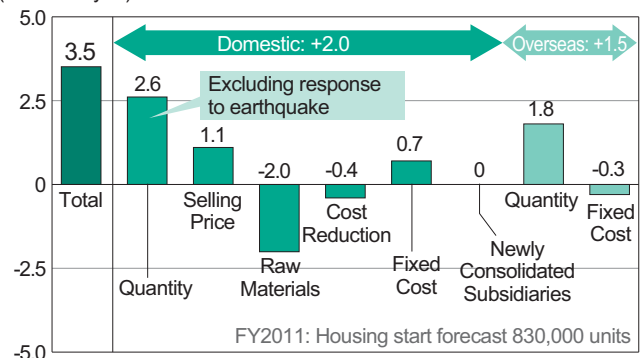
Sales and Income Targets

The UIEP Company plans to increase sales by concentrating management resources on expanding the domestic and overseas Frontier 7 businesses. Particular focus will be placed on growth products, centered on construction stock and energy-saving products, with the aim of boosting sales of growth products from ¥37.5 billion in fiscal year 2010 to ¥46.5 billion in fiscal year 2011. We also plan to increase sales by expanding the overseas operations for the pipeline renewal, sheet, water infrastructure, and industrial piping materials businesses. We are aiming for these initiatives to increase UIEP Company overall net sales by ¥10.4 billion year on year to ¥206.0 billion in fiscal year 2011.

We will also work to reinforce the earnings base by continuing to cut fixed costs and other costs, particularly in the domestic core businesses, and by further lowering the break-even point. We lowered the sales to break-even point ratio from 103% in fiscal year 2009 to 97% in 2010, and are aiming to trim another five percentage points to bring it down to 92% in fiscal year 2011. We believe that is the level necessary to maintain an earnings base with the resilience to remain viable when domestic

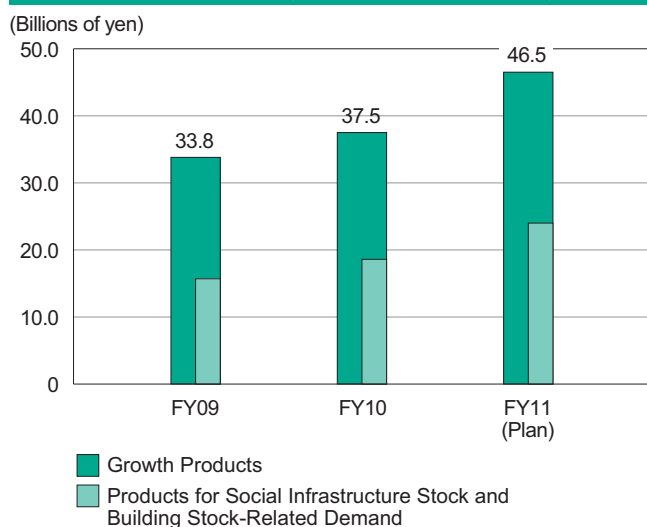
Analysis of Operating Income for FY2011 (year-on-year)

(Billions of yen)



Net Sales and Operating Income by Business Portfolio

(Billions of yen)		FY2010	FY2011 Plan	Difference
Domestic Core Business —PVC pipes and Construction materials (General purpose products), Bathroom units, etc.	Net Sales	103.1	105.7	2.6
	Operating Income	3.1	3.2	0.2
F7 (domestic) —Pipeline renewal, Industrial piping materials, PVC pipes and Construction materials (High functional products), etc.	Net Sales	46.4	54.2	7.8
	Operating Income	1.1	3.1	2.0
F7 (overseas) —Pipeline renewal, Water infrastructure (Overseas), Sheet, Industrial piping materials, etc.	Net Sales	29.4	33.8	4.5
	Operating Income	0.1	1.6	1.5
Headquarters and New business	Net Sales	16.7	12.3	-4.4
	Operating Income	-2.8	-2.9	-0.1
Total	Net Sales	195.6	206.0	10.4
	Operating Income	1.5	5.0	3.5

Sales of Growth Products (Domestic Core Business)


new housing starts reach the anticipated level of 700,000 starts per year.

We are also aiming to continue the growth achieved in the previous fiscal year and attain ¥5.0 billion in operating income in fiscal year 2011. We plan to achieve this target by expanding the sales volume to increase marginal profit, and by maintaining or raising sales prices amid the improving demand conditions.

**Business Policy for Fiscal Year 2011
(as of April 30, 2011)**

As a company that develops water supply and sewerage and other infrastructure that is so closely integrated into people's daily lives, our foremost priority in fiscal year 2011 will be contributing to the post-earthquake reconstruction.

To contribute to post-earthquake reconstruction, we are utilizing our

bases in western Japan and overseas to reinforce our supply system for PVC pipes and other essentials for eastern Japan. We are also focusing on reestablishing the water supply and sewerage infrastructure for reconstruction, and are working to quickly establish a comprehensive response system across the complete value chain, encompassing everything from surveying and diagnostics to product sales and construction, to meet the needs of that region. We are taking a proactive stance as a company, so as to play a leading role in the reconstruction of the infrastructure in the stricken areas and the fortification of the domestic infrastructure in Japan.

In addition, in fiscal year 2011 we aim to aggressively implement an offensive approach to business expansion, to substantially improve our sales and income, and are moving beyond our previous approach of fortifying the earnings base in response to declining demand. This new approach will entail: 1) revising the business model and broadening our business domain to expand sales, 2) solidifying the earnings base, and 3) actively expanding overseas businesses.

We plan to expand sales by revising the business model and broadening our business domain by eliminating our dependence on sales of single product items and by adopting a business model that will enable us to leverage our comprehensive business strengths and which places a priority on system sales and "package" orders. We will develop our overall strength by maximizing the utilization of the company's resources and aggressively establishing partnerships to fortify areas of weakness.

We intend to realize the solidification of our earnings base by reducing fixed costs, mainly in our core domestic businesses, to further lower the break-even point.

In our overseas business operations, we plan to use the demand recovery trend as a catalyst for accelerating the growth of our sheet, industrial piping materials, and pipeline renewal businesses. We also will continue advancing efforts to rebuild the overseas water infrastructure business. In China, we will seek to increase orders received from the inland regions, while also accelerating business expansion in the coastal regions.

HOUSING COMPANY



TEIJI KOUGE, *President of Housing Company*

PERFORMANCE HIGHLIGHTS

(Billions of yen)	FY07	FY08	FY09	FY10	FY11 (Plan)
Net sales	420.0	424.5	398.2	418.7	444.0
Housing	326.7	327.1	292.4	301.0	315.6
Living Environment	93.3	97.4	105.8	117.7	128.4
Operating income	14.1	17.1	19.4	24.4	27.0
Housing	11.1	13.7	15.4	18.2	19.5
Living Environment	3.0	3.4	4.0	6.2	7.5
Operating income ratio (%)	3.4	4.0	4.9	5.8	6.1

Results for Fiscal Year 2010

Net sales: Increase of ¥20.4 billion to ¥418.7 billion

Operating income: Increase of ¥5.0 billion to ¥24.4 billion

The Housing Company utilizes the features of its unit construction method to develop business centered on high-performance and high value-added housing products. By employing a unique unit construction method, as much as 80% of the construction can be completed inside the factory, enabling both higher quality construction and shorter construction periods than other methods. Assembled from box-shaped units, our houses can easily be expanded or relocated and reconstructed on a different site. In addition, constructing the units inside the factory allows us to maintain an extensive database of the materials used in the construction. The database is a pivotal resource, which provides timely information to meet customer needs, such as for post-construction renovation projects.

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.

The housing market was firm in fiscal year 2010, with a year-on-year rise in new housing starts, supported by government measures to stimulate demand, which include housing finance incentives and an eco-point system for housing. Coupled with the upturn in the market environment, the Housing Company’s efforts to attract orders and the success of its ongoing measures to fortify its earning structure resulted in growth in both net sales and operating income for the year.

In the housing business, net sales rose by ¥8.6 billion year on year to ¥301.0 billion in fiscal year 2010. The most significant factors in

Innovative Unit Technology



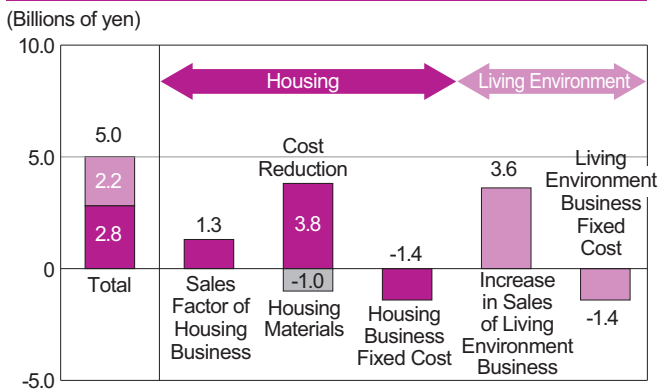
Ensure consistent product quality through production at the factory regardless of weather conditions



Swift on-site assembly completed in just one day

the improved performance were the recovery and growth in housing orders from a healthy order backlog at the start of the fiscal year as a result of the brisk orders in the previous year’s second half and a year-on-year rise in orders in the first half of fiscal year 2010. Operating income rose by ¥2.8 billion to ¥18.2 billion as the increased revenue from sales (¥1.3 billion) and savings realized from progress in cutting costs (¥3.8 billion) overcame the negative impacts from higher material prices (¥1.0 billion) and fixed costs (¥1.4 billion).

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



In addition to the positive impact of various government measures to facilitate home purchases, order levels for the housing business were successfully revived and expanded by promoting the advanced environmental features of the company's products, centering on houses with built-in large-capacity solar power generation systems, as well as the comfort and other features. The Housing Company achieved year-on-year increases in housing orders of 9% in the first half, 1% in the second half, and 5% for the full year in fiscal year 2010. The order backlog at the start of fiscal year 2011 was 16% above the previous fiscal year level.

The living environment business, which centers on the refurbishment of residential houses, continued to fortify its business base, including adding 40 new sales staff during the year. It also worked to stimulate demand using a five-year periodic diagnostic testing system and successfully expanded sales of solar power generation equipment and other mainstay products. Consequently, net sales in the living environment business increased by ¥11.9 billion year on year to ¥117.7 billion. Operating income grew by ¥2.2 billion to ¥6.2 billion, which was largely the result of a ¥3.6 billion increase in sales revenue, which more than offset a ¥1.4 billion rise in fixed costs accompanying the expansion of staff.

The Housing Company, which combines the results for the housing and living environment businesses, reported an increase in net sales of ¥20.4 billion to ¥418.7 billion and growth in operating income of ¥5.0 billion to ¥24.4 billion in fiscal year 2010, thereby posting a new 10-year high in operating income for the third consecutive year.

Outlook for Fiscal Year 2011 (as of April 30, 2011)

Net sales: Increase of ¥25.3 billion to ¥444.0 billion

Operating income: Increase of ¥2.6 billion to ¥27.0 billion

Impact of the Great East Japan Earthquake

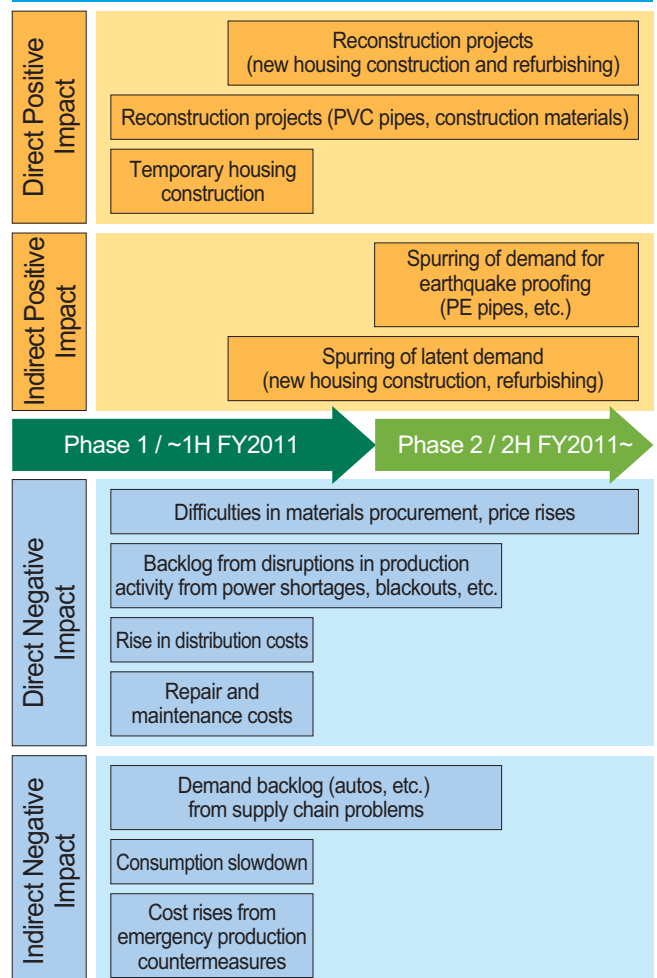
The main expected impacts of the Great East Japan Earthquake on the Housing Company in fiscal year 2011 are shown in the accompanying chart.

We believe the provision of temporary housing, the first and foremost of all reconstruction activities, will not have a significant impact on the overall financial results for the year. We think the trends in the housing market will have the biggest impact on the company's performance. We expect consumer restraint in spending and other factors to cause a brief downturn in housing market demand during the first quarter. However, we expect the market environment will start recovering in the second quarter and show an improvement in the second half, compared with the first half of the fiscal year, owing to ongoing reconstruction activity, along with emerging latent demand accompanying the growing need for enhanced seismic and disaster resistance.

Market Environment

We anticipate a temporary lull in housing market activity during the first quarter of fiscal year 2011, as consumer confidence remains subdued in the wake of the Great East Japan Earthquake. We expect activity to begin picking up again in the second quarter and for second

Expected impact of earthquake damage on business performance



half results to rise above the first half on the emergence of latent demand, including demand related to reconstruction and disaster-contingency construction.

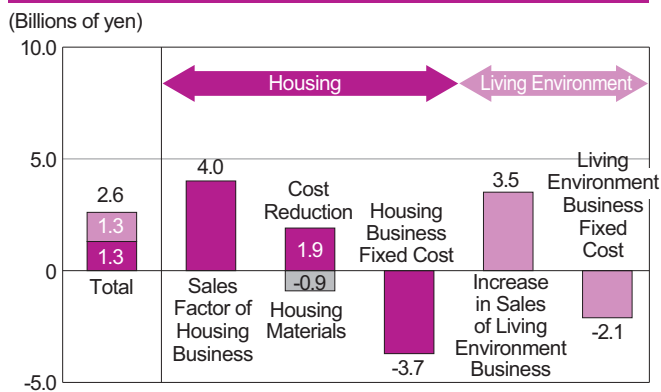
Sales and Income Targets

We aim to expand sales in both the housing and living environment businesses. In the housing business, we are aiming to increase orders and enhance cost competitiveness by continuing to integrate the production and sales operations and reducing costs. Our fiscal year 2011 targets for the housing business are net sales of ¥315.6 billion and operating income of ¥19.5 billion.

In the living environment business, we plan to continue expanding sales of our solar, bath, kitchen, and other mainstay products while fortifying the business base, centered on increasing our sales staff, for ongoing growth in the future. Our fiscal year 2011 targets for the living environment business are net sales of ¥19.5 billion and operating income of ¥7.5 billion.

Combined, we are aiming for the Housing Company to attain net sales of ¥444.0 billion and operating income of ¥27.0 billion in fiscal year 2011.

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



Priority Measures for Fiscal Year 2011 (as of April 30, 2011)

Our main priority in fiscal year 2011 is to respond to the reconstruction needs following the disaster—first and foremost of which will be to meet the urgent need to construct temporary housing. This will be followed by the aggressive provision of high-performance housing with superior quake-resistance and natural energy usage capabilities as key elements for creating towns with greater disaster resistance.

As a homebuilder, we feel it is our corporate duty to play a principal role and put every effort into the reconstruction and reinforcement of the domestic infrastructure. We will focus on capturing replacement and new construction demand (including rebuilding on new sites) in the stricken regions and surrounding areas that can be anticipated in the first stages of full-fledged recon-

struction. We will also actively promote sales of seismic-resistant housing and housing with built-in solar power generation equipment to respond to increasing demand for construction related to disaster resistance and for natural energy usage.

Specific measures to attract orders in the housing business will focus on expanding orders by introducing new products and emphasizing high-performance feature options to differentiate our products along with fortifying our sales force and organization. As a first step in new products and product differentiation, in April we launched the “Smart Heim” series of homes designed for maximum energy efficiency, and are moving to incorporate the energy-efficient systems into all of our housing products. With the aim of capturing demand in the price-volume zone of the housing market, we plan to aggressively introduce affordably priced models with readily perceivable cost performance. Sales force and organizational fortification will consist of expanding sales staff (by adding approximately 300 new recruits) and implementing region-specific strategies through ongoing integration of the production and sales operations.

Through these initiatives, we aim to realize year-on-year increases in unit orders of 2% in the first half, 8% in the second half, and 5% for the full-year period in fiscal year 2011.

We will also continue to implement cost-cutting measures to offset the negative impacts from higher materials costs and fixed costs and realize profit growth.

In the living environment business, efforts to increase orders and expand sales will continue to focus on differentiating our products by expanding sales of solar power generation equipment to take full advantage of the government support for the use of renewable energy. Strategies will also be implemented to expand sales of bath, kitchen, and other mainstay products. In addition, we plan to increase the refurbishing business sales staff by 70 people and fortify the business base for further growth from fiscal year 2011 onward.

Sales Percentages of Homes with High-performance Options (Order base)

