Review and Analysis of Consolidated Results for Fiscal 2018 Fiscal year ended March 31, 2019

Business Environment

Carrying on from the previous year, the global economy continued to experience a modest recovery in 2018. Unlike the simultaneous across-the-board worldwide improvement in 2017, however, there were signs of a discrepancy in the rates of recovery between countries and regions. While the global economy as a whole exhibited a modest ongoing positive turnaround from the second half of 2018 to the beginning of 2019, there were indications of weakness in various countries in Asia and Europe including China and Germany.

Despite a prolonged period of economic recovery from 2011 following the crisis set off by the collapse of Lehman Brothers, uncertainty surrounding the future continues to mount. This largely stems from the growing confusion caused by trade friction between the U.S. and China as well as concerns regarding the direction of the U.K.'s withdrawal from the European Union.

Turning to the domestic economy in fiscal 2018, Japan continued to experience a mild recovery after bottoming out in November 2012. Buoyed by a moderate pickup in the global economy, the corporate sector is reporting record-high earnings. Employment conditions and incomes are also on the rise. Moreover, domestic demand including private consumption and private-sector capital investment is showing signs of improvement while enjoying the benefits of an ongoing virtuous cycle.

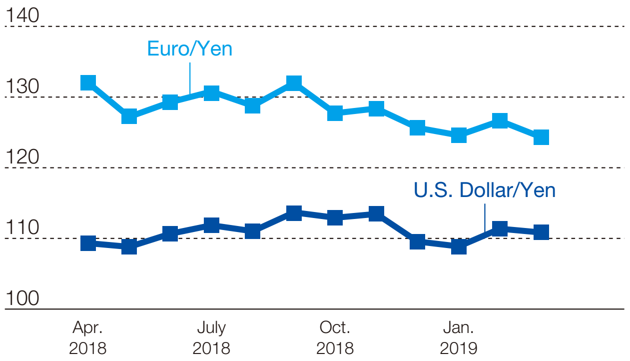
As far as the market environments for each of the Group's individual business segments are concerned, new housing starts in the domestic housing field increased for the first time in two fiscal years. While trends in rental housing remained weak in line with the previous year, growth in detached privately-owned homes helped drive up construction starts. In specific terms, construction starts came to 952,936 units in fiscal 2018, an increase of 0.7% compared with the previous fiscal year. Turning to detached houses, privately owned homes climbed 2.0% year on year to 287,710 units, while built-for-sale detached housing grew 5.1% compared with the previous fiscal year to 144,905 units.

In the Water Infrastructure field including polyvinyl chloride (PVC) pipes, shipments of high-value-added products that deliver increased labor efficiencies expanded on the back of robust trends in condominium construction starts. In addition, trends in construction investment remain stable spurred by a variety of factors including activities related to the upcoming 2020 Tokyo Olympic and Paralympic Games as well as urban redevelopment.

Overseas, business conditions became increasingly harsh. Smartphone demand in the Electronics field declined. Operations in the Automobiles and Transportation field were impacted by a deterioration in mainstay automobile market conditions in Europe and China. Turning to the Life Science field, which in relative terms is less affected by movements in economic conditions, emerging markets continued to experience growth. Demand in developed countries remained stable.

From a foreign currency exchange rate perspective, the value of the yen against the U.S. dollar hovered above the ¥109 level at the start of the fiscal year in April 2018 finishing just above ¥110.50 as of the end of the fiscal year in March 2019. Looking at movements throughout the fiscal year under review, the value of the yen exhibited a relatively moderate trend, fluctuating between a range of ¥108 to ¥113 against the U.S. dollar. In fiscal 2018, the annual average foreign currency exchange rate against the U.S. dollar was ¥111 and ¥128 against the euro. These levels were essentially unchanged from the previous year.

Exchange Rate



*The exchange rate is the closing rate at month end.

Overview of Business Results and Financial Position

1. Analysis of Business Results for Fiscal 2018

(1) Net sales and operating income

Positioned as a pivotal year of its Medium-term Management Plan "SHIFT 2019 -Fusion-," SEKISUI CHEMICAL Group took steps to strengthen both quantitative measures (forward-looking investments) and qualitative measures (constant structural reform) while at the same time promoting new businesses and "fusion" measures in a bid to accelerate efforts aimed at securing the "a new phase of growth" targeted under its Medium-term Management Plan in fiscal 2018. Furthermore, energies were directed toward improving work style reforms together with workplace capabilities, strengthen the governance function and enhance the quality of management taking into consideration the need to address environmental, social and governance (ESG) concerns.

Meanwhile, the deterioration in smartphone-related product market as well as automobile-related product market conditions in China and Europe exceeded expectations. Coupled with this difficult environment, the Group's activities were impacted by increases in strategic investments and research and development-related fixed expenses as well as an upswing in raw material costs.

Accounting for each of these factors, SEKISUI CHEMICAL Group reported an increase in net sales of 3.2% compared with the previous fiscal year to ¥1,142,713 million. From a profit perspective, on the other hand, operating income decreased 3.6% year on year to ¥95,686 million and ordinary income edged down 0.8% to ¥93,146 million. Despite this downturn in earnings, net income attributable to owners of the parent improved 4.2% compared with the previous fiscal year to ¥66,093 million. This represented a sixth consecutive fiscal year of record high bottom line profit.

Of these totals, the Housing Company posted net sales of ¥506,729 million, up 1.8% compared with the previous fiscal year. Again, on a year-on-year basis, operating income came to ¥39,002 million, an increase of 2.8%. Accordingly, the Housing Company reported growth in both sales and profit. In addition to firm trends in orders and sales of newly built houses, these results reflected steady progress in fortifying the earnings structure of the Renovation business.

In the New Housing Construction business, the Housing Company reported firm housing complex trends together with an increase in the number of orders compared with the previous fiscal year. This was mainly due to successful efforts aimed at upgrading and expanding the product lineup, which included the release of such new products as the steel-framed unit housing, Parfait-bj Style, for two-income households and families raising children. Furthermore, and in addition to upgrading and expanding model houses, sales personnel and network of Sekisui Heim Museum experience-based showrooms, the Housing Company also focused on purchasing land for sale as well as sales of built-for-sale houses.

In the Renovation business, the amount of orders exceeded the level recorded in the previous fiscal year. This was largely due to increased sales of such strategic products as storage batteries. Furthermore, and in addition to fortifying the Company's earnings structure focusing mainly on increasing the efficiency of indirect functions, particular emphasis was also placed on reinforcing points of customer contact through energy self-sufficient proposals.

In the fiscal year under review, net sales in the UIEP Company came in at ¥239,193 million. This was essentially unchanged from the previous fiscal year. Operating income climbed 1.5% year on year to ¥15,007 million. Results in FY2018 were impacted by a variety of factors. In addition to a downturn in apartment complex construction starts and such factors as construction project delays, the UIEP Company experienced a drop in sales volumes of general products. These negative factors were offset by sales growth in other areas including prioritized products in Japan and thermoplastics sheets for aircrafts in the U.S. Meanwhile, the upswing in sales of prioritized products helped even out increases in raw materials to product prices as well as fixed expenses. As a result, the UIEP Company reported a third consecutive fiscal year of record-high profit.

In the Piping and Infrastructure field, general products struggled while demand for industrial piping materials declined in the fourth quarter. Despite these difficult conditions, successful steps were taken to boost sales of prioritized and new products that were released ahead of the competition and help increase operating efficiency per employee, rehabilitation pipes, and other products. Accounting for each of these factors, net sales were essentially unchanged from the previous fiscal year.

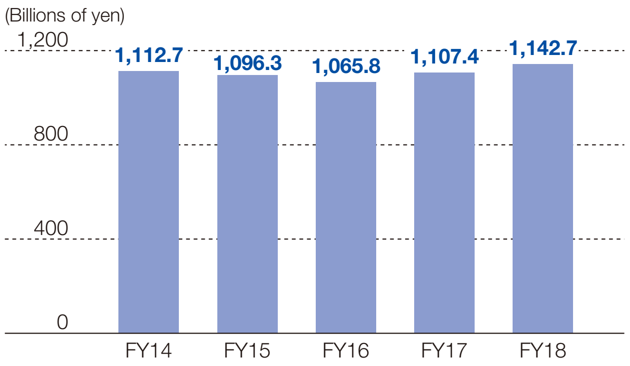
Turning to the Building and Living Environment field, net sales declined compared with the previous fiscal year. While trends in building materials sales were firm, this year-on-year downturn was largely due to the drop in sales of modular bathrooms attributable to lower apartment complex construction starts.

In the Advanced Materials field, sales of thermoplastic sheets for aviation use saw a steady recovery in the U.S. Sound results in this field were also underpinned by upswings in the use of wood railways sleepers mainly in Europe and the U.S. Taking these factors into consideration, sales in the Advanced Materials field grew compared with the previous fiscal year.

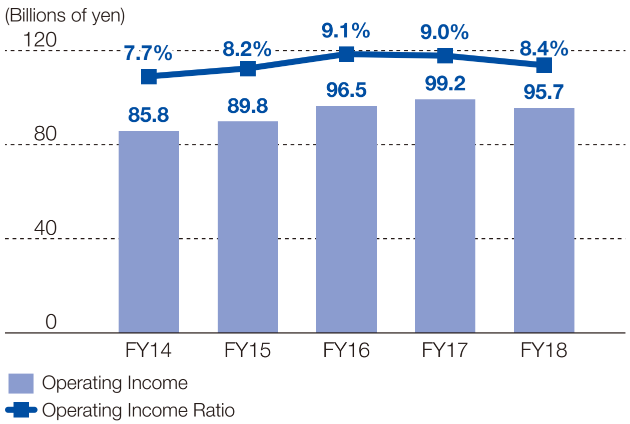
Net sales in the HPP Company amounted to ¥412,011 million in fiscal 2018, up 6.7% compared with the previous fiscal year. From a profit perspective, operating income on the other hand declined 5.8% year on year to ¥54,478 million. In the fiscal year under review, net sales benefitted from the growth in sales of high-performance products. This was mainly due to the effects of strategic investments and efforts to reform the portfolio. As far as earnings are concerned, results were impacted by an increase in fixed expenses associated with strategic investments, higher raw materials costs and a sudden deterioration in market conditions. Taking each of these factors into consideration, the HPP Company reported an increase in sales and decrease in profit.

In the Electronics field, demand for such mobile devices as smartphones and tablets declined substantially. Despite this drop in demand, net sales increased compared with

Net Sales



Operating Income and Operating Income Ratio



the previous fiscal year. This was largely attributable to the progress achieved in expanding sales of various products for substrate and semiconductor use in the non-liquid field.

In the Automobiles and Transportation field, the number of automobiles manufactured dropped significantly in China and Europe from the third quarter. Thanks to contributions from the startup of a new interlayer film for laminated glass production line at SEKISUI CHEMICAL Group's Mexico Plant, however, net sales in this field increased compared with the previous fiscal year. Of particular note was the inclusion of Sekisui Polymatech Co., Ltd. in the Company's scope of consolidation from the second quarter of FY2017. As a result, net sales increased in the both the Electronics as well as Automobiles and Transportation fields.

As far as the Building and Infrastructure field is concerned, net sales exceeded the level reported in the previous fiscal year. While affected by the downturn in construction demand in such regions and countries as the Middle East and South Korea, which led to a drop in chlorinated polyvinyl chloride (CPVC), this year-on-year increase in net sales was primarily due to steady growth in sales of fire-resistant materials mainly by Sekisui SoflanWiz Co., Ltd., which was included in the Company's scope of consolidation.

In the Life Science field, net sales were up compared with the previous fiscal year. This largely reflected firm trends in demand for diagnostic reagents mainly from overseas.

(2) Non-operating income and expenses

After posting a foreign exchange gain of ¥1,018 million, non-operating income in FY2018 increased ¥12 million compared with the previous fiscal year. Non-operating expenses for the fiscal year under review declined ¥2,748 million year on year. While SEKISUI CHEMICAL Group incurred expenses for exterior wall inspections and maintenance of ¥2,282 million, this decline in non-operating expenses was mainly due to the absence of any foreign exchange loss.

(3) Extraordinary income and loss

During the fiscal year under review, SEKISUI CHEMICAL Group posted a gain on sales of investments in securities of ¥3,411 million as extraordinary income and incurred a loss on impairment of fixed assets of ¥1,274 million and a loss on sales or disposal of property, plant and equipment of ¥1,373 million for a total extraordinary loss of ¥2,648 million, up ¥591 million, or 28.8%, compared with the previous fiscal year.

(4) Net income attributable to owners of the parent

Accounting for each of the aforementioned factors, income before income taxes and minority interests came to ¥93,908 million, a decrease of ¥433 million compared with the previous fiscal year. After deducting taxes and net income attributable to non-controlling interests, net income attributable to owner of the parent amounted to ¥66,093 million, up ¥2,633 million, or 4.2%, year on year.

2. Financial Position

(1) Assets, liabilities and net assets

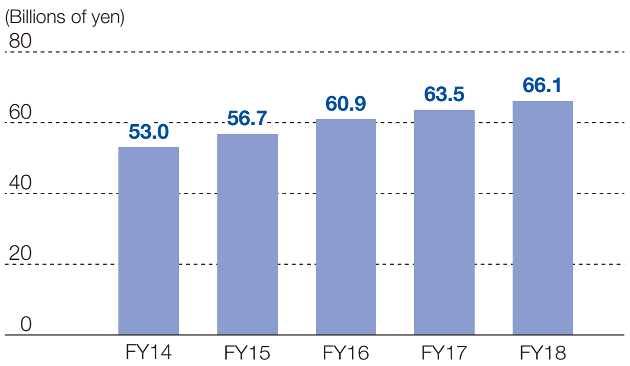
Total assets as of March 31, 2019 stood at ¥1,023,706 million, an increase of ¥29,569 million compared with the end of the previous fiscal year

(Assets)

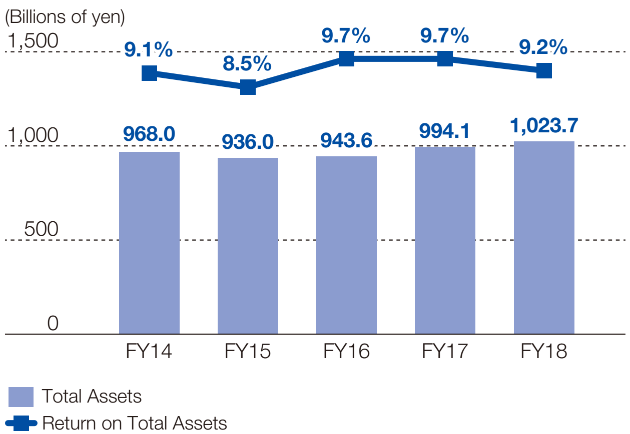
Current assets stood at ¥470,037 million as of the end of fiscal 2018, ¥10,836 million higher than the balance as of the previous fiscal year-end. While the balance of cash and deposits decreased ¥8,114 million during the fiscal year under review, the total balances of trade receivables and inventories climbed ¥3,710 million and ¥21,729 million, respectively.

In addition, non-current assets grew ¥18,733 million

Net Income Attributable to Owners of the Parent

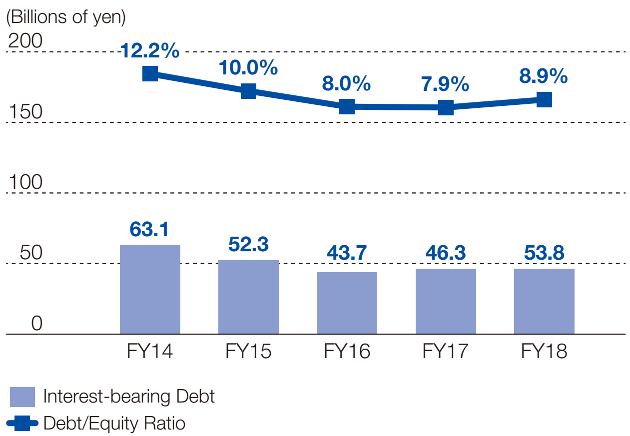


Total Assets and Return on Total Assets



Return on Total Assets = Ordinary Income/Average Total Assets

Interest-bearing Debt and Debt/Equity Ratio



Debt/Equity Ratio = Interest-bearing Debt/Equity year on year to ¥553,669 million.

(Liabilities)

Liabilities increased ¥9,581 million compared with the end of the previous fiscal year to ¥390,960 million as of the end of fiscal 2018. The main components were increases of a combined ¥428 million in note payable, electronically recorded obligations, accounts payable and accrued expenses and a total of ¥7,522 million in interest-bearing debt.

(Net assets)

Net assets stood at ¥632,746 million as of the end of the fiscal year under review, an increase of ¥19,988 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 ¥66,093 million and the payment of dividend totaling ¥19,713 million. Other movements included decreases in treasury stock at cost of ¥14,571 million and unrealized holdings gain on securities of ¥9,518 million.

(2) Cash flows

Cash and cash equivalents on a consolidated basis amounted to ¥68,613 million as of the end of fiscal 2018, a decrease of ¥8,110 million compared with the end of the previous fiscal year. Factors influencing fiscal 2018 cash flow accounts were as follows.

(Operating activities)

Net cash provided by operating activities came to ¥85,213 million, up from ¥82,272 million in the previous fiscal year. In the fiscal year under review, major cash inflows, which included income before income taxes and minority interests of ¥93,908 million, depreciation and amortization of ¥38,789 million and an increase in advances received of ¥4,271 million, exceeded such principal cash outflows as income taxes paid of ¥21,925 million, the increase in inventories of ¥21,288 million and gain on sales of investments in securities of ¥3,411 million.

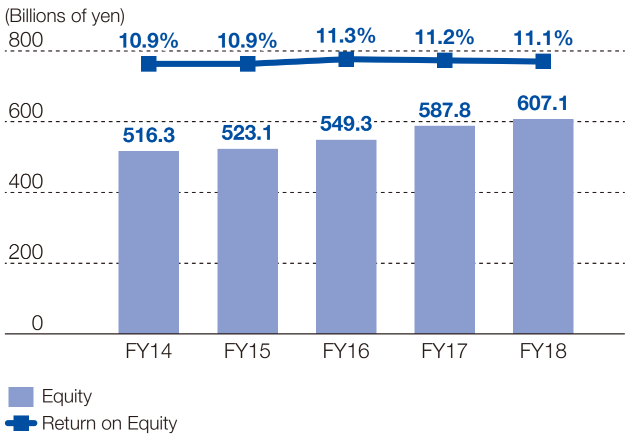
(Investing activities)

Net cash used in investing activities amounted to ¥62,553 million, up from ¥60,881 million in the previous fiscal year. The principal cash inflow came from proceeds from sales or redemption of investment in securities totaling ¥5,745 million. Meanwhile, cash outflows largely included ¥60,082 million for purchases of property, plant and equipment focusing mainly on priority and growth fields and ¥6,111 million for purchase of intangible assets.

(Financing activities)

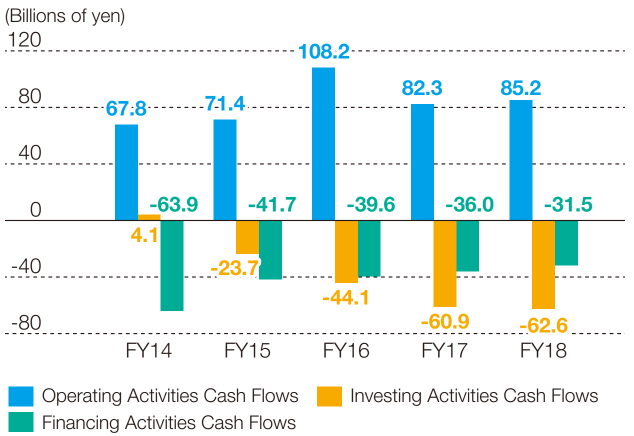
Net cash used in financing activities was ¥31,539 million compared with ¥35,981 million in the previous fiscal year. The major cash inflow came from a net increase in interest-bearing debt of ¥3,427 million. Principal cash outflows came from cash dividends paid including cash dividends paid to non-controlling shareholders of consolidated subsidiaries of ¥20,616 million and the purchase of treasury stock of ¥14,571 million.

Equity and Return on Equity

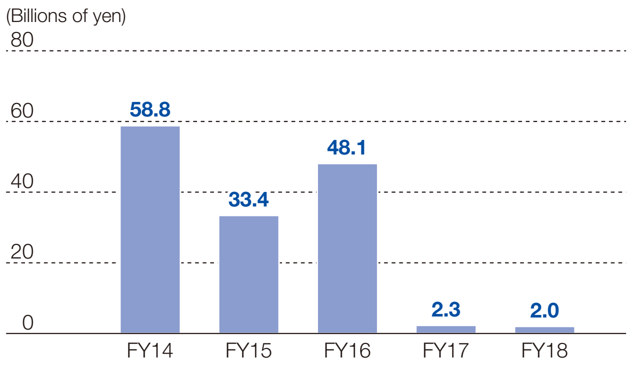


Equity= Shareholders' Equity including Accumulated Other Comprehensive Income
Return on Equity = Net income attributable to owners of the parent/Average Equity

Cash Flows



Free Cash Flow



Free Cash Flow = CF Operating Activities + CF Investing Activities
- 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 SEKISUI CHEMICAL Group at the end of fiscal 2018.

(1) 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.

(2) Raw Material Price Volatility

The Group's business results and financial position may be affected in the event that the Group, especially the High Performance Plastics Company and 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.

(3) 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.

(4) 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.

(5) Electronics Market Trends

The electronics 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.

(6) 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.

(7) 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.

(8) 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.