REVIEW AND ANALYSIS OF CONSOLIDATED RESULTS FOR FISCAL YEAR 2010

Year ended March 31, 2011

Business Environment

The global economy in fiscal year 2010 showed signs of building a strong recovery in the first half fueled by the rapid economic growth in China and other developing countries. However, shadows have been cast on the recovery from the second half amid an accumulation of negative factors, including fading effectiveness of stimulus measures in developed nations, credit anxiety in Europe, and political instability in the Middle East.

The Japanese economy likewise appeared to be headed for recovery in the first half, with the growing demand in developing countries boosting activity at export companies and further support from governmental economic stimulus measures. However, momentum dissipated in the second half when the stimulus measures expired and global economic activity slowed as well as from the impact of the stronger yen. The nation's economic future was further cast in doubt when the March 11 Great East Japan Earthquake impacted both private consumption and corporate earnings.

In these conditions, fiscal year 2010 marked the final year of the first phase of the Sekisui Chemical Group's "GS21-SHINKA!" Medium-term Management Plan (fiscal years 2009-2013) begun in fiscal year 2009. In this first phase, the Company implemented several measures to raise earnings back to the pre-Lehman shock level, including capturing the growing demand centered on the "Frontier 7" businesses, lowering the break-even point, and conducting strategic investment and fortifying operations for further growth.

By business segment in fiscal year 2010, in the domestic housing field, government support measures for new housing starts stimulated construction activity helping to raise new housing construction starts above the previous fiscal year to 819,020 units. As a result, the Company successfully generated a recovery and growth in housing orders and ultimately raised full-year housing orders 5% over the previous fiscal year. We also successfully increased the order backlog at beginning of fiscal year 2011, with a 16% larger backlog than a year earlier.

The recovery in housing starts also had a positive effect on peripheral business fields, such as housing equipment and construction materials. The Company saw recovering sales volumes for its core PVC and other products accompanying the recovery in demand for detached houses. Sales also grew for our differentiated products in the energy-saving and other fields as well as in the stock field.

In the infrastructure field, the overseas pipeline renewal field in particular benefited from the falling away of various factors from fiscal year 2009, including the project postponements due to worldwide unseasonable weather, and sales expanded in the Eastern Europe and other regions. At the same time, the overseas water infrastructure field struggled to produce results, which was partially due to the turmoil in China's Xinjiang Uyghur Autonomous Region. However, worldwide water environment issues are becoming more critical and new infrastructure construction demand in developing countries with rapidly growing populations and infrastructure renewal demand in developed countries with aging facilities continue to be urgent issues.

Sales in the automotive field improved substantially in fiscal year 2010 on rising demand in developing countries and recovery in the markets of Europe and the United States. The Company generated strong sales growth in the IT field with a focus on its highly competitive products. In the medical field, demand declined for influenza diagnostic reagents following last year's influenza epidemic while sales increased for other diagnostic reagents.

Although the business environment was not altogether positive in fiscal year 2010, the Company was able to achieve growth in sales from the expanding "Frontier 7" businesses and by capturing the growing demand, particularly in the Asian region. At the same time, the continuous progress in increasing our earnings strength enabled us to record the highest operating income level since the introduction of the internal divisional company system.

Analysis of Business Results and Financial Position

I. Analysis of Business Results for Fiscal Year 2010

1) Net sales

Net sales in fiscal year 2010 amounted to ¥915,492 million, an increase of ¥56,978 million, or 6.6%, from the previous fiscal year.

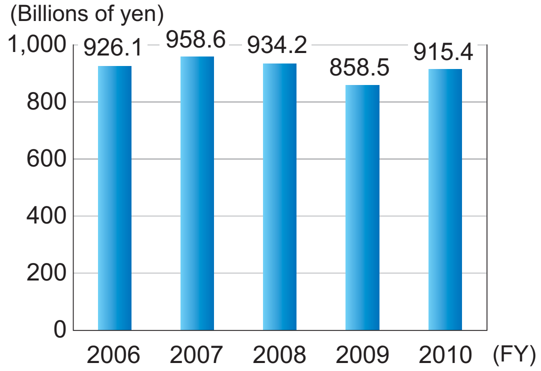
Housing Company net sales amounted to ¥418,687 million in fiscal year 2010, representing an increase of ¥20,442 million, or 5.1%, from the previous fiscal year. In the new housing construction business, sales rose year on year from successful marketing of the products' advanced environmental, economical, and high-performance features, the lineup of products with superlative cost performance, and expanded sales of products commemorating the 40th anniversary of the housing business. These efforts overcame the temporary production halts at production bases, delayed delivery of completed products, and other repercussions from the Great East Japan Earthquake. In the living environment business, sales were brisk for product models with solar power generation systems and with environmental and comfort enhancement features.

Urban Infrastructure & Environmental Products Company net sales amounted to ¥195,570 million in fiscal year 2010, representing an increase of ¥921 million, or 0.5%, from the previous fiscal year. Although overseas business remained strong during the year, the overall sales growth was constrained by domestic business conditions, which included recovering demand for detached houses and an accompanying expanding sales volume for PVC pipes and rain gutters, but which also included intensifying competition and declining product prices.

High Performance Plastics Company net sales in fiscal year 2010 amounted to ¥281,642 million, an increase of ¥33,958 million, or 13.7%, from the previous fiscal year. Sales were boosted by steady activity in the automotive field supported by growing demand in emerging countries, notably in Asia, and recovery in the Japan, Europe, and the United States markets. Although sales in the IT field were affected by client inventory adjustments implemented in the third quarter of fiscal year 2010, the cumulative sales were strong for the first half. Sales of diagnostic reagents other than those for influenza were brisk during the year, but overall sales in the medical field declined due to the reduced shipments of influenza diagnostic reagents from the previous year's high level.

Net sales in Other Businesses in fiscal year 2010 increased by ¥355 million, or 0.8%, year on year to ¥43,140 million.

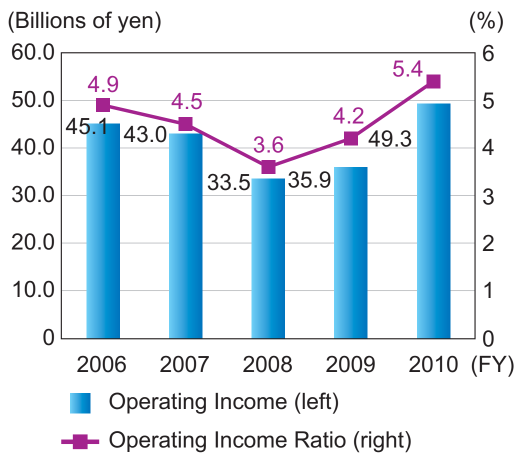
Net Sales



2) Operating income

Operating income in fiscal year 2010 amounted to ¥49,335 million, an increase of ¥13,379 million, or 37.2%, from the previous fiscal year. The growth was largely due to the ¥17,633 million increase in gross profit that accompanied the rise in sales, and which more than offset the ¥4,253 million increase in selling, general and administrative expenses.

Operating Income and Operating Income Ratio



3) Non-operating income and expenses

Non-operating expenses declined by ¥3,426 million from the previous fiscal year with a decrease in miscellaneous expenses of ¥4,977 million while an increase in foreign exchange loss of ¥1,505 million.

4) Extraordinary income and loss

Extraordinary loss amounted to ¥8,491 million, representing a decline of ¥256 million, or 2.9%, year on year. The decline comprised ¥3,967 million reorganization costs, ¥1,239 million disaster

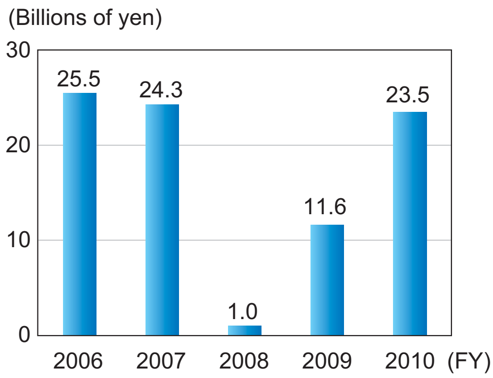
The figures used in the following graphs are rounded down to the nearest hundred million yen.

loss, a ¥1,109 million loss on devaluation of investments in securities, a ¥984 million loss on impairment of fixed assets and goodwill, and a ¥1,189 million loss on sales or disposal of property, plant and equipment.

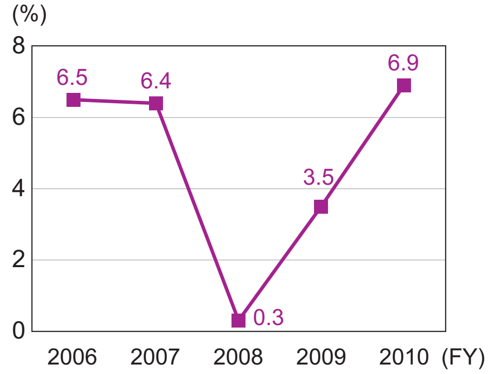
5) Net income

As a result of the above, income before income taxes and minority interests for fiscal year 2010 increased ¥16,456 million from the previous fiscal year to ¥39,801 million. After taxes and minority

Net Income



Retun on Equity



interests, net income amounted to ¥23,574 million, an increase of ¥11,947 million, or 102.8%, from the previous fiscal year.

II. Financial Position

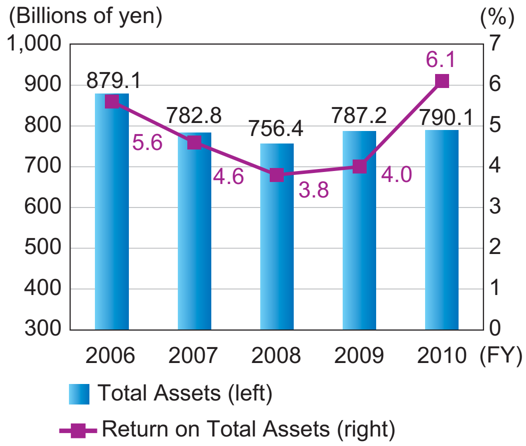
1) Assets, liabilities, and net assets

Total assets at the end of fiscal year 2010 amounted to ¥790,189 million, an increase of ¥2,928 million from the previous fiscal year-end.

(Assets)

Current assets rose ¥35,960 million from the previous fiscal year to ¥379,485 million at the end of fiscal year 2010. The main elements were a combined ¥20,345 million increase in cash and deposits and marketable securities, and a ¥10,653 million increase in inventories.

Total Assets and
Return on Total Assets

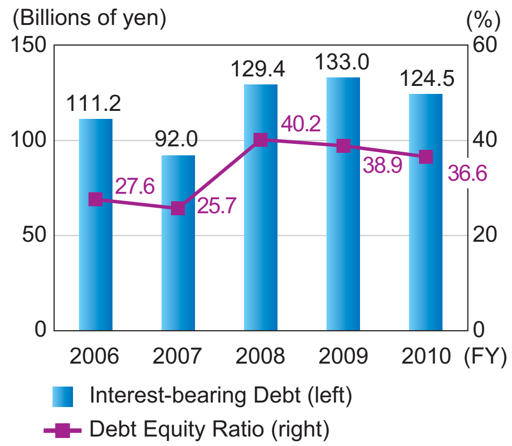


Non-current assets decreased ¥33,032 million from the previous fiscal year to ¥410,704 million at the end of fiscal year 2010. The primary factor was a ¥20,731 million decline in property, plant and equipment, which resulted from capital expenditure being less than depreciation and amortization.

(Liabilities)

Liabilities rose ¥4,588 million year on year to ¥440,143 million at the end of fiscal year 2010, largely due to a combined ¥5,524 million increase in notes payable, accounts payable, and accrued expenses, an

Interest-bearing Debt and
Debt Equity Ratio



increase of ¥6,341 million in advances received, and a decrease of ¥8,577 million in interest-bearing debt from the previous fiscal year.

(Net assets)

Retained earnings rose ¥18,336 million, mainly due to an increase in net income of ¥23,574 million that more than offset dividend payments of ¥5,256 million. However, the impact of the strong yen deteriorated translation adjustments of ¥11,101 million, and a decline in the market value of listed shares deteriorated the unrealized holding loss on securities of ¥7,164 million. As a result of the above, net assets were ¥350,045 million at the end of fiscal year 2010, a decline of ¥1,660 million from the previous fiscal year-end.

2) Cash flows

Cash and cash equivalents on a consolidated basis (hereinafter “funds”) amounted to ¥65,944 million at the end of fiscal year 2010, an increase of ¥11,088 million, or 20.2%, from the end of fiscal year 2009.

Factors influencing the fiscal year 2010 cash flow accounts were as follows.

(Operating activities)

Funds from operating activities amounted to ¥64,197 million in fiscal year 2010, a decrease of ¥10,785 million from the previous fiscal year. Factors increasing cash flow from operating activities included ¥39,801 million in income before income taxes and minority interests, ¥34,530 million in depreciation and amortization, a ¥9,538 million increase in notes and accounts payable, a ¥6,359 million increase in advances received, and ¥2,730 million in amortization of goodwill. These were exceeded by factors drawing from cash flow, which included a ¥13,347 million increase in inventories, ¥13,056 million in income taxes paid, and a ¥6,071 million increase in notes and accounts receivable.

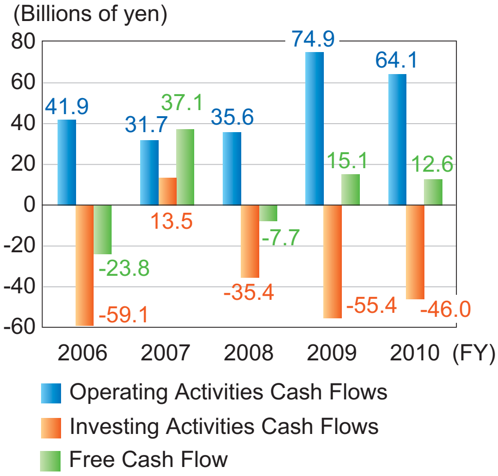
(Investing activities)

Funds used in investing activities amounted to ¥46,051 million in fiscal year 2010, compared with a cash outflow of ¥55,496 million in the previous fiscal year. The cash outflow was primarily the result of ¥21,232 million utilized to acquire property, plant and equipment in priority and growth fields and a ¥17,646 million placement of time deposits.

(Financing activities)

Funds used in financing activities amounted to ¥5,197 million in fiscal year 2010, compared with a cash outflow of ¥5,749 million in the previous fiscal year. The cash outflow was largely due to ¥5,544 million in dividend payments (including dividends paid to minority shareholders), ¥2,171 million to acquire treasury stock, and a net increase of ¥2,489 million in interest-bearing debt.

Cash Flows



Business Risks

The following factors related to our business and accounting practices may materially influence investment decisions. The Company is endeavoring to establish a system for anticipating potential risks for the Group, preventing their occurrence, and promptly and appropriately dealing with them if they occur. Forward-looking statements contained herein are based upon assessments made by the Sekisui Chemical Group at the end of consolidated fiscal year 2010.

I. Foreign Currency Fluctuations

Exchange rates may affect the value of the Group's overseas assets held in foreign currencies when converted into yen. The Group employs hedging strategies as needed in response to currency fluctuations. However, the business results and the financial position of the Group may be affected if the exchange rates diverge significantly from the forecasted levels.

II. Raw Material Price Volatility

The Group's business results and financial position may be affected in the event that the Group, especially the Urban Infrastructure & Environmental Products Company, is unable to transfer changes in prices of polyvinyl chloride, olefin, steel, or other raw materials to product prices in a timely manner and is unable to maintain sufficient margin.

III. Overseas Business Activities

Unforeseeable changes in laws and regulations, fragility in the industrial base, and social or political turmoil such as terrorism, war, or other factors may affect the Group's overseas business activities. The emergence of such risks may disrupt the Group's overseas business activities, which would affect the business results and future plans of the Group.

IV. Housing Related Tax and Interest Rate Trends

The Group's housing-related businesses are affected by domestic taxes and consumption taxes on house purchases and by interest rate trends. These trends may impact our housing-related businesses and affect the Group's business results and financial position.

V. IT Market Trends

The IT industry, a market for the Group's High Performance Plastics Company, is characterized by severe fluctuations in demand. A rapid drop in demand within a short period could affect the Group's business results and financial position.

VI. Trends in Public Works

The Group's Urban Infrastructure & Environmental Products Company includes products used in the public sector. Trends in public works therefore influence the Company's business performance. Public investment is determined by government policy at the national and local levels, and decisions to reduce public investment may impact the Group's business performance and financial position.

VII. Industrial Accidents and Disasters

A fire, explosion, or other industrial accident at one of the Group's facilities that causes a major impact on the Group's business capability and on the local community could damage society's trust in the Company and incur response costs, including compensation costs directly related to the accident, business opportunity costs from the stoppage of production activity, and compensation costs from payments to customers. Such an event may affect the Group's business results and financial position.

VIII. Intellectual Property and Product Liability

In the event that a dispute arises concerning the Group's intellectual property, the dispute resolution may not be favorable to the Group. The discovery of defects in the Group's products may require large-scale product recalls and compensation for damages. The possibility exists that insurance may not be able to cover associated costs, which could impact the Group's business results and financial position.