REVIEW AND ANALYSIS OF CONSOLIDATED RESULTS FOR FISCAL YEAR 2011

Year ended March 31, 2012

Business Environment

The global economy had been steadily recovering from the crisis conditions incited by the Lehman Shock in fiscal year 2008 but the escalating European debt crisis caused conditions to take a turn for the worse, particularly in Europe, in fiscal year 2011, and a clear economic slowdown materialized. Global business conditions were also strongly affected by the constrained supply conditions caused by the March 2011 Great East Japan Earthquake and the interruption to production activities caused by the flooding in Thailand.

The Japanese economy, despite the temporary severing of supply chains and shortages of raw materials and components after the Great East Japan Earthquake, ultimately recovered more rapidly than expected and even saw the emergence of a certain degree of demand generated by the reconstruction activity after the earthquake. Corporate efforts to improve earnings also had to battle against a sharp appreciation in the yen and soaring prices for raw materials. All in all, the business conditions during the year were anything but smooth.

In these conditions, fiscal year 2011 marked the first year of the second stage of the Sekisui Chemical Group's "GS21-SHINKA!" Medium-term Management Plan (fiscal years 2009-2013) begun in fiscal year 2009. The main policy themes in this second stage are to revise the business model to correspond with changes in the domestic and overseas demand structure, begin reaping results from the growth seeds sowed for the global businesses, and continue opening new growth segments, such as environment-contributing products, to expand sales.

By business segment in fiscal year 2011, in the domestic housing field, the extension and continuation of government support measures for home acquisitions and other factors contributed to ongoing brisk demand helping to raise new housing construction starts to 841,246 units, marking the second straight year of year-on-year growth. The Company successfully increased orders in fiscal year 2011 and raised the housing orders on a unit basis by 3%. We also increased the year-start order backlog by 9% from a year ago, providing a solid start for sales in fiscal year 2012.

Demand also grew for construction materials and other construction-related businesses as a whole boosted by the housing starts recovery and other factors, including the emergence of restoration demand after the Great East Japan Earthquake. On the backdrop of recovering demand, we expanded both the sales volume and margins for our PVC products, the mainstay products of the Urban Infrastructure & Environmental Products Company. Sales in the domestic pipeline renewal business, however, fell short of our plan for the year owing to the factors including the postponement of project orders after the disaster.

The pipeline renewal business also struggled overseas, facing the economic crisis and ensuing economic slowdown in Europe as well as a curtailed public works spending and postponed projects in the United States. However, as populations grow, water environment issues are becoming more critical worldwide. New infrastructure construction demand in developing countries where populations are booming and infrastructure renewal demand in developed countries with rapidly degrading facilities, including in Eastern Europe where renovation construction is only just beginning, continue to be urgent issues. The Company is responding to these conditions by reinforcing its order structure through measures that include acquiring the construction company Rabmer Holding GmbH, which maintains a strong business base in the Eastern Europe region.

Automotive related business was impacted by the reduced production at the domestic automakers owing to the declining demand as the European economic growth slows and the impacts from the Japan earthquake and Thai floods. In the IT field, sluggish demand for LCD TVs and computers inevitably led to lower sales. At the same time, product sales increased in new segments, such as products for smartphones and tablet computers. Sales increased in the MD field, which included contribution of the newly consolidated Sekisui Diagnostics, LLC, in April, 2011.

The overall business environment was severe in fiscal year 2011, which encompassed the impact from the Great East Japan Earthquake, slowing growth in the global economy, particularly in Europe, and reduced vehicle production by the Japanese auto manufacturers. In these conditions, the Company exerted the strong presence of its highly competitive businesses, such as housing and water infrastructure, to fully respond to the growing domestic demand and steadily applied cost cutting measures, such as revising product prices and cutting costs to fully offset the rises in raw materials and parts prices. These measures enabled the Company to post the highest level of operating income since the introduction of the internal divisional company system in fiscal year 2001, marking the second consecutive year of record-high income.

Analysis of Business Results and Financial Position

I. Analysis of Business Results for Fiscal Year 2011

1) Net sales

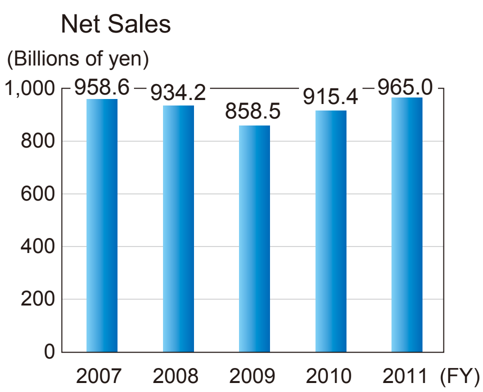
Net sales in fiscal year 2011 amounted to ¥965,090 million, an increase of ¥49,598 million, or 5.4%, from the previous fiscal year.

Housing Company net sales amounted to ¥449,391 million in fiscal year 2011, representing an increase of ¥30,704 million, or 7.3%, from the previous fiscal year. The new housing construction business recorded year-on-year growth in housing unit orders. Sales were boosted by meeting the increased demand for seismic-resistant housing after the Great East Japan Earthquake and from the contribution to sales of the Smart Heim series of homes offering built-in solar power generation systems and the energy-saving Home Energy Management System (HEMS) communication technology. The living environment business also recorded a steady rise in the value of orders supported by strong sales of solar power generation systems, which attracted increased interest after the earthquake, and the constant drive to expand sales of its mainstay kitchen, bathroom, and other products.

Urban Infrastructure & Environmental Products Company net sales amounted to ¥200,002 million in fiscal year 2011, representing an increase of ¥4,431 million, or 2.3%, from the previous fiscal year. The UIEP Company's overseas businesses struggled against adverse conditions including the debt crisis in Europe but increasing sales volume in its domestic core businesses, particularly for PVC pipes, rain gutters, and bathroom units, enabled the company to steadily counter the rises in material prices.

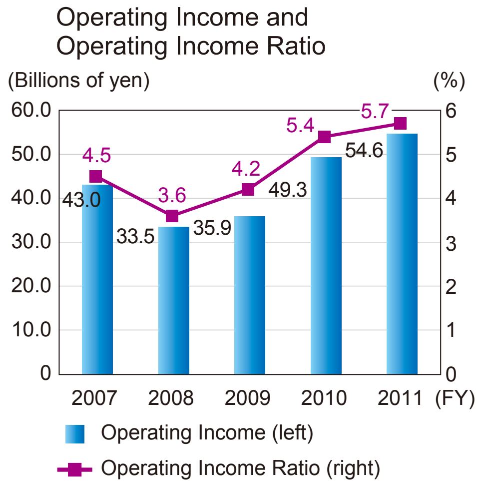
High Performance Plastics Company net sales in fiscal year 2011 amounted to ¥296,876 million, an increase of ¥15,233 million, or 5.4%, from the previous fiscal year. Automotive field sales declined from fiscal year 2011 owing to factors including sluggish market conditions caused by the debt crisis in Europe, decreased auto production after the Great East Japan Earthquake and Thai floods, and the strong yen. Sales increased in the IT field on contribution from the newly consolidated Sekisui Nano Coat Technology Co., Ltd. and expanding sales in the mobile solutions field, including products used in smartphones and tablet computers. In the medical field, contributions from newly consolidated companies, including the U.S.-based diagnostic reagents business Sekisui Diagnostics, LLC, supported a sharp year-on-year rise in sales.

Net sales in Other Businesses in fiscal year 2011 amounted to ¥43,474 million, an increase of ¥334 million, or 0.8%, from the previous fiscal year.



2) Operating income

Operating income in fiscal year 2011 amounted to ¥54,610 million, an increase of ¥5,274 million, or 10.7%, from the previous fiscal year. The growth was largely due to the ¥15,538 million increase in gross profit that accompanied the rise in sales and which more than offset the ¥10,263 million increase in selling, general and administrative expenses.



3) Non-operating income and expenses

Non-operating income increased by ¥1,957 million from the previous fiscal year, largely owing to an increase in miscellaneous income of ¥1,611 million. Non-operating expenses included an increase in miscellaneous expenses of ¥3,099 million along with a decrease in foreign exchange loss of ¥1,896 million. The result was a net increase of ¥1,365 million from the previous fiscal year.

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

4) Extraordinary income and loss

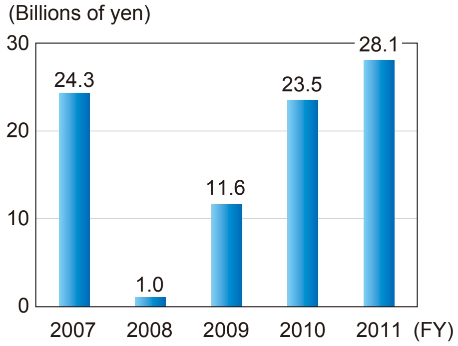
Extraordinary income included a ¥3,311 million gain on sales of property, plant and equipment.

Extraordinary loss amounted to ¥8,229 million, a decrease of ¥262 million, or 3.1%, from the previous fiscal year, comprising a ¥987 million loss on devaluation of investments in securities, a ¥3,811 million loss on impairment of fixed assets and goodwill, and a ¥1,590 million loss on sales or disposal of property, plant and equipment, ¥1,840 million loss on advanced depreciation of property, plant and equipment.

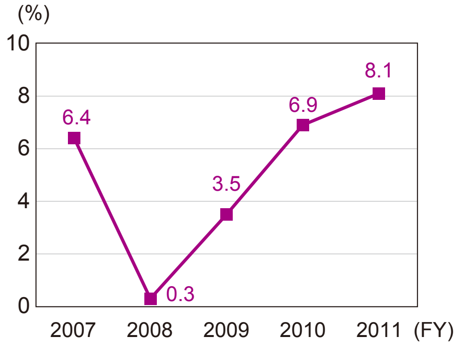
5) Net income

As a result of the above, income before income taxes and minority interests for fiscal year 2011 increased ¥9,439 million from the previous fiscal year to ¥49,240 million. After taxes and minority interests, net income amounted to ¥28,116 million, an increase of ¥4,541 million, or 19.3%, from the previous fiscal year.

Net Income



Return on Equity



*Return on Equity = Net Income / Average Shareholder's Equity

II. Financial Position

1) Assets, liabilities, and net assets

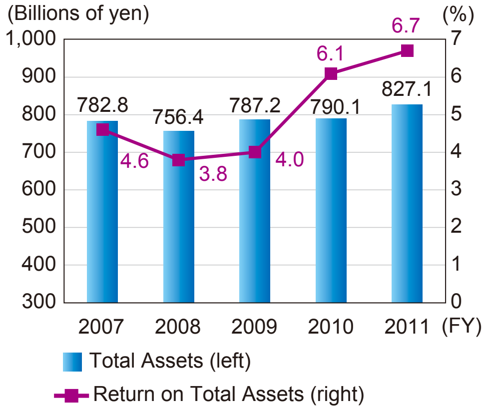
Total assets at the end of fiscal year 2011 amounted to ¥827,103 million, an increase of ¥36,914 million from the previous fiscal year-end.

(Assets)

Current assets rose ¥20,837 million from the previous fiscal year to ¥400,322 million at the end of fiscal year 2011. The main element was a ¥14,722 million increase in inventories.

Non-current assets increased ¥16,076 million to ¥426,780 million, primarily on a ¥22,079 million rise in intangible assets.

Total Assets and
Return on Total Assets

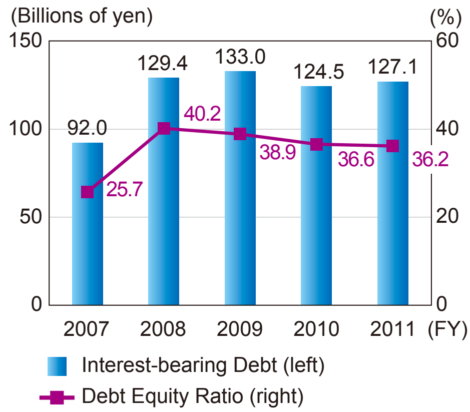


*Return on Total Assets = Ordinary Income / Average Total Assets

(Liabilities)

Liabilities rose ¥23,660 million year on year to ¥463,803 million at the end of fiscal year 2011. The main elements were a combined ¥6,820 million increase in notes payable, electronically recorded obligations, accounts payable, and accrued expenses along with increases of ¥6,174 million in accrued income taxes and other taxes and ¥3,401 million in advances received.

Interest-bearing Debt and
Debt Equity Ratio



*Debt Equity Ratio = Interest-bearing Debt / Shareholder's Equity

(Net assets)

Retained earnings rose ¥20,166 million, mainly due to an increase in net income of ¥28,116 million that more than offset dividend payments of ¥7,836 million.

However, the impact of the strong yen caused a downward translation adjustment of ¥4,711 million, and the acquisition of treasury stock and other actions reduced the treasury stock account by ¥4,335 million. As a result of the above, net assets were ¥363,299 million at the end of fiscal year 2011, an increase of ¥13,254 million from the previous fiscal year-end.

2) Cash flows

Cash and cash equivalents on a consolidated basis (hereinafter "funds") amounted to ¥45,146 million at the end of fiscal year 2011, a decrease of ¥20,798 million, or 31.5%, from the end of fiscal year 2010.

Factors influencing the fiscal year 2011 cash flow accounts were as follows.

(Operating activities)

Funds from operating activities amounted to ¥66.652 million in fiscal year 2011, an increase of ¥2,454 million from the previous fiscal year. Factors increasing cash flow from operating activities included ¥49,240 million in income before income taxes and minority interests, ¥35,102 million in depreciation and amortization, a ¥6,318 million increase in notes and accounts payable, and a ¥2,854 million increase in advances received. These were exceeded by factors drawing from cash flow, which included a ¥15,455 million increase in income taxes paid and increases of ¥12,194 million in inventories and a ¥8,372 million in notes and accounts receivable.

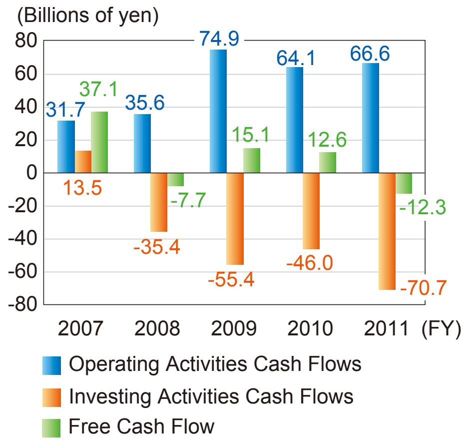
(Investing activities)

Funds used in investing activities amounted to ¥70,727 million in fiscal year 2011, compared with a cash outflow of ¥46,051 million in the previous fiscal year. The cash outflow was primarily the result of aggressive investment activities including ¥25,963 million utilized to acquire property, plant and equipment in priority and growth fields and ¥33,722 million for the transfer of the diagnostic agent business from Genzyme Corporation, of the United States, and to acquire shares of Suzutora Corporation (currently Sekisui Nano Coat Technology Co., Ltd.) and establish the company as a subsidiary.

(Financing activities)

Funds used in financing activities amounted to ¥16,077 million in fiscal year 2011, compared with a cash outflow of ¥5,197 million in the previous fiscal year. The cash outflow was largely due to ¥8.258 million in dividend payments (including dividends paid to minority shareholders), a net decrease of ¥4,909 million in interest-bearing debt, and an outlay of ¥4,544 million to acquire treasury stock.

Cash Flows



*Free Cash Flow = Operating Activities CF + Investing Activities CF - 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 the Sekisui Chemical Group at the end of consolidated fiscal year 2011.

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.