Review and Analysis of Consolidated Results for Fiscal 2017

Fiscal year ended March 31, 2018

Business Environment

In fiscal 2017, the global economy continued to experience a modest recovery. While lingering below the rate of economic growth since the Lehman Shock in 2011, trading activities have also increased at a pace that exceeds economic expansion from 2017. Taking into consideration growth rates that are hovering at higher levels across all developed, emerging and developing countries in 2017 compared with 2016, the global economy is at the same time progressing along a recovery path.

In the first half of 2016, activities exhibited signs of growing weakness in the corporate sector. This weakness softened at the start of 2017 giving way to remarkable manufacturing and export growth. Taking into consideration the positive impact on capital investment, improvements in the corporate sector are creating a virtuous cycle across the economy as a whole. Meanwhile, wages are sluggish in developed countries in Europe and the U.S. As a result, there are concerns regarding future private consumption.

Turning to the domestic economy, Japan continues to experience a mild recovery after bottoming out in November 2012. Buoyed by the favorable turnaround in overseas economies, manufacturing and export activities in Japan are showing ongoing improvement. In addition to record-high corporate-sector earnings, employment and incomes are also on the rise. Based on the aforementioned, the Japanese economy continues to benefit from a virtuous cycle. This also reflects the pickup in domestic demand including private consumption and private-sector capital investment.

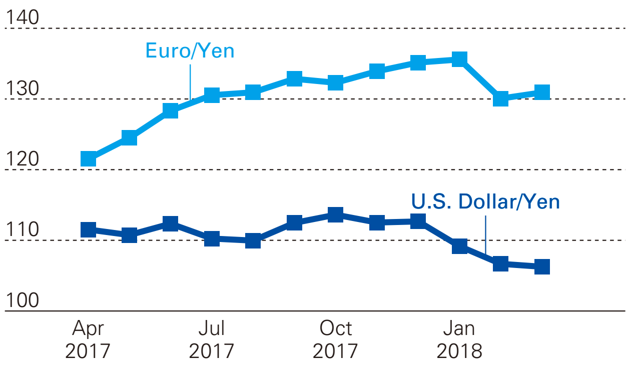
As far as the market environments for each of the Group's individual business segments are concerned, new housing starts declined for the first time in three fiscal years. This was mainly due to the downturn in rental housing and built-for-sale condominiums that had underpinned robust conditions through the past several years. In specific terms, construction starts came to 946,396 units in fiscal 2017, a decrease of 2.8% compared with the previous fiscal year. As far as detached houses are concerned, privately owned homes declined 3.3% year on year to 282,111 units while built-for-sale detached homes increased 2.3% to 137,849 units.

In the Water Infrastructure field including polyvinyl chloride (PVC) pipes, condominium construction starts also contracted for the first time in two fiscal years as demand continued to shrink. However, construction investment remains on a stable upward path buoyed by such factors as the 2020 Tokyo Olympic and Paralympic Games as well as urban redevelopment.

Overseas business conditions remained patchy by industry. In the Electronics field, demand stalled due to a variety of factors including smartphone and LCD inventory adjustments. In the Automobiles and Transportation field, trends in the mainstay automobile markets were firm. Turning to the Life Science field, which in relative terms is less affected by movements in economic conditions, activity continued to expand in emerging markets and demand remained stable in developed countries.

From a foreign currency exchange rate perspective, the value of the yen appreciated notably. Beginning with a rate of ¥111 to the U.S. dollar at the start of the fiscal year in April 2017, the yen/U.S. dollar rate came in at ¥106 as of the end of the fiscal year under review in March 2018. Looking at trends during the period, the value of the yen remained above ¥110 in 2017 and appreciated sharply after entering 2018. In fiscal 2017, the annual average foreign currency exchange against the U.S. dollar was ¥111 and ¥130 against the euro. Compared to fiscal 2016, the yen weak against the euro.

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 2017

(1) Net sales

Guided by the basic "SHIFT" strategy of its Medium-term Management Plan, the Sekisui Chemical Group is taking on the challenge of securing a new phase of growth. In order to achieve this goal, the Group has identified (1) quantitative growth through forward-looking investments, (2) increased earnings power through constant structural reform, (3) accelerated growth through "fusion," and (4) a solid business foundation from each of the environmental, social, and governance perspectives as its top priorities.

Despite a harsh business environment throughout fiscal 2017, due mainly to the sharp rise in raw material costs and appreciation in the value of the yen, the Sekisui Chemical Group worked diligently to promote a growth strategy focusing largely on the four strategic fields of the HPP Company, expand sales of high prioritized products as well as newly built houses by reinforcing its product lineup, while implementing various other measures. Moreover, the Group as a whole pushed forward several initiatives aimed at future sustainable growth. These initiatives included the introduction of new products, steps to cultivate new fields, enter into M&As, engage in capital expenditure as well as R&D, and implement such structural reforms as a reorganization of its production structure.

As a result, the Sekisui Chemical Group reported an increase in sales and record highs at each level of profit in fiscal 2017. In specific terms, net sales increased 3.9%, to ¥1,107,429 million. Operating income climbed 2.9%, to ¥99,231 million for a ninth consecutive fiscal period of growth. Ordinary income was 2.6% higher at ¥93,929 million and net income attributable to owners of the parent improved 4.3%, to ¥63,459 million. On this basis, fiscal

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2017 represented a fifth consecutive fiscal year of record high profit at each level.

Of these totals, the Housing Company posted net sales of ¥497,782 million, up 2.6% compared with the previous fiscal year. Again, on a year-on-year basis, operating income came to ¥37,935 million, up 1.0%. Despite the negative impact of an upswing in component prices, the Housing Company reported growth in both sales and profit. This was largely attributable to firm sales of newly built houses.

In the New Housing Construction business, orders increased compared with the previous fiscal year. This was primarily due to firm trends in detached housing focusing mainly on the wooden frame unit housing GRAND TO YOU V, launched to attract customers in the volume first home buyer zone. In addition to strengthening results in built-for-sale housing as well as the procurement of subdivision housing land, positive steps were taken to upgrade and expand the lineup of new products.

In the Renovation business, sales of solar power generation systems declined compared with the previous fiscal year. On a positive note, trends in such strategic products as the exterior tiled-wall Ecochante and modular bathrooms were firm. In addition to promoting composite menus attuned to the lifestyles of customers, energies were also directed toward reinforcing the sale structure.

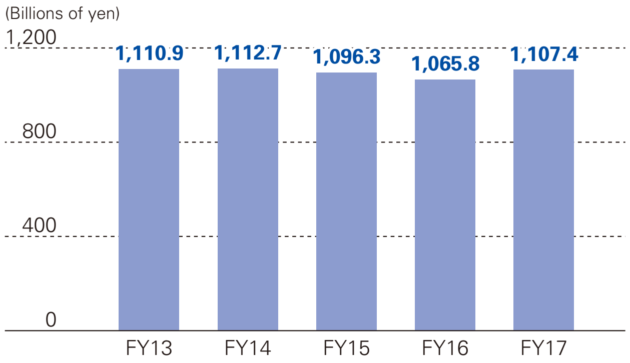
In the fiscal year under review, net sales in the UIEP Company edged down 0.5% compared with the previous fiscal year, to ¥239,241 million. Operating income, on the other hand, increased 15.3% year on year, to ¥14,791 million. In addition to favorable trends in the sale of prioritized products, efforts to revise sales prices and reduce the cost of sales through such measures as the leveling of ships helped offset the negative impact of an increase in raw material prices. As a result, the UIEP Company reported a second consecutive fiscal year of record-high profit.

In the Piping and Infrastructure field, net sales declined compared with the previous fiscal year owing mainly to the impact of structural reforms. In contrast, sales of such prioritized products as piping materials and rehabilitation pipes for construction markets mainly in major metropolitan areas where demand is firm increased. Meanwhile, the Sekisui Chemical Group took up an equity interest in the Tien Phong Group, a major pipe manufacturer in Vietnam, in order to expand its business in the ASEAN zone. Turning to the Building and Living Environment field, sales declined compared with the previous fiscal year. While results in such prioritized products as nursing care equipment and functional flooring were strong, this year-on-year downturn largely reflected weak sales of modular bathrooms in the Newly Built Houses and Renovation fields. Under these circumstances, the Sekisui Chemical Group is releasing a variety of new products including the designer rain gutter CHOUSHIN LEVOL in a bid to secure growth from fiscal 2018. In the Advanced Materials field, demand for thermoplastic sheets for aviation use is decreasing. However, trends in the construction, medicine, and railroad fields are firm. Overall sales in this field grew compared with the previous fiscal year. This was mainly due to increased use of wood railway sleepers overseas and FFU by infrastructure projects in the Tokyo metropolitan area.

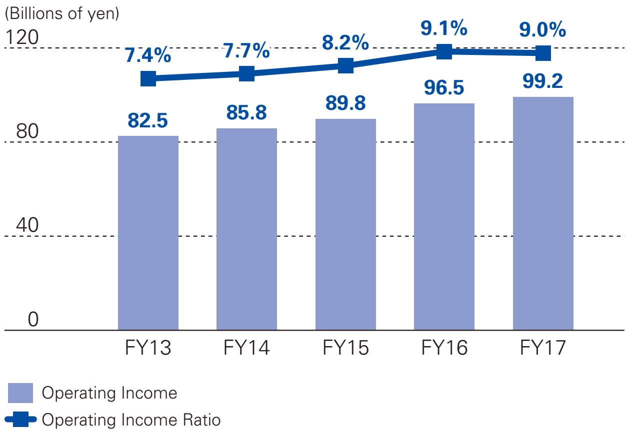
Net sales in the HPP Company amounted to ¥386,154 million in fiscal 2017, up 8.0% compared with the previous fiscal year. From a profit perspective, operating income also increased 6.0% year on year, to ¥57,821 million.

Thanks largely to strong sales of high-performance products mainly in the Automobiles and Transportation field, as well as such factors as the inclusion of the Sekisui Polymatech Group in the Company's scope of consolidation, net sales and operating income hit record highs in the fiscal year under review. Despite the negative impact of a sudden downturn in the mobile device market, sales in the Electronics field grew year on year owing to contributions from newly consolidated companies. While there was a slowdown in market conditions in China and North America in the Automobiles and Transportation field, sales substantially exceeded the levels reported in the previous fiscal year thanks mainly to growth in high-performance products. As far as the Building and Infrastructure field is concerned, sales increased compared with the previous fiscal year. This was primarily attributable to firm trends in such products as chlorinated polyvinyl chloride (CPVC) resin and the positive flow-on effects following the inclusion of SoflanWiz Co., Ltd. (current Sekisui SoflanWiz Co., Ltd.) in the Company's scope of consolidation from January

Net Sales



Operating Income and Operating Income Ratio



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2018. In the Life Science field, sales were firm mainly in the diagnostic reagent business in Japan and overseas. Moreover, the Company acquired all of the issued and outstanding shares of Veredus Laboratories Pte. Ltd., a diagnostics business in Singapore, in March 2018 with the aim of expanding its business in the ASEAN zone.

(2) Operating income
In fiscal 2017, operating income amounted to ¥99,231 million, an increase of ¥2,755 million, or 2.9%, compared with the previous fiscal year.

(3) Non-operating income and expenses
Non-operating income decreased ¥191 million compared with the previous fiscal year. This is largely due to the decrease of ¥553 million in miscellaneous income. Non-operating expenses increased ¥147 million year on year. While expenses for exterior wall inspections and maintenance fell ¥643 million, the increase in non-operating expenses is mainly attributable to the upswing in net foreign exchange loss of ¥1,671 million.

(4) Extraordinary income and loss
After posting a loss on impairment of fixed assets of ¥701 million and a loss on sales or disposal of property, plant and equipment of ¥1,355 million, the Company incurred an extraordinary loss of ¥2,056 million, down ¥13,539 million, or 86.8%, compared with the previous fiscal year.

(5) Net income attributable to owners of the parent
Accounting for each of the aforementioned factors, income before income taxes and minority interests came to ¥94,342 million, an increase of ¥11,490 million compared with the previous fiscal year. After deducting taxes and net income attributable to non-controlling interests, net income attributable to owners of the parent amounted to ¥63,459 million, up ¥2,609 million, or 4.3%, compared with the previous fiscal year.

2. Financial Position

(1) Assets, liabilities, and net assets
Total assets as of March 31, 2018 stood at ¥999,114 million, an increase of ¥55,474 million compared with the end of the previous fiscal year.

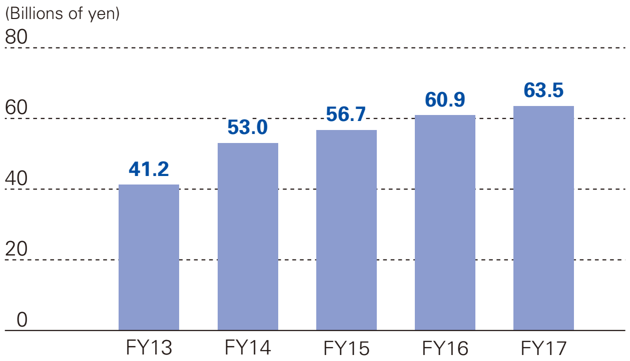
(Assets)
Current assets stood at ¥473,297 million as of the end of fiscal 2017, ¥7,195 million higher than the balance as of the previous fiscal year-end. While the balance of cash and deposits declined ¥31,894 million during the fiscal year under review, this increase reflected such factors as increases in trade receivables of ¥19,191 million and inventories of ¥16,906 million.

In addition, non-current assets climbed ¥48,278 million year on year, to ¥525,817 million.

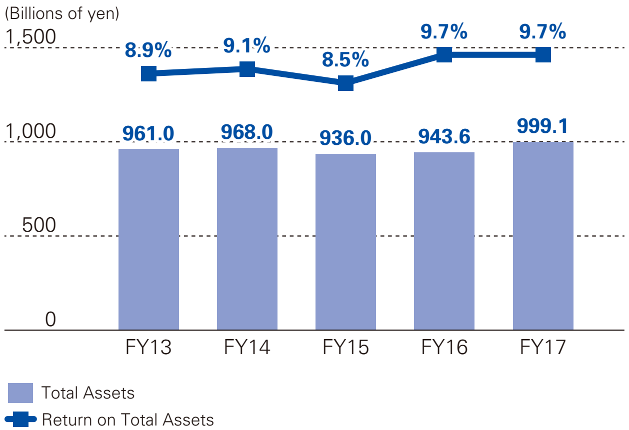
(Liabilities)
Liabilities increased ¥13,265 million compared with the previous fiscal year-end, to ¥386,356 million as of the end of fiscal 2017. The main components were increases of a combined ¥12,526 million in notes payable, electronically recorded obligations, accounts payable, and accrued expenses.

(Net assets)
Net assets stood at ¥612,757 million as of the end of the fiscal year under review, an increase of ¥42,208 million

Net Income Attributable to Owners of the Parent

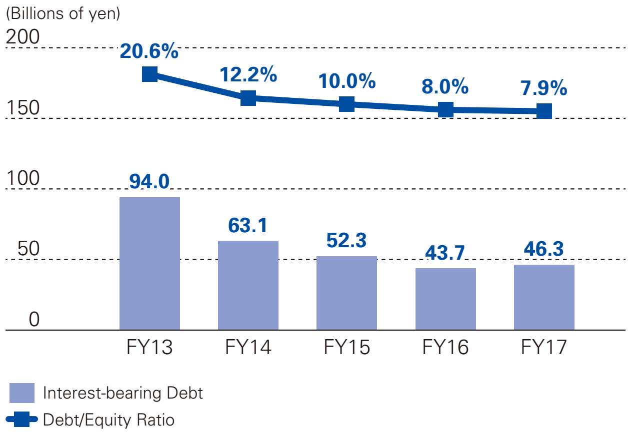


Total Assets and Return on Total Assets



Return on Total Assets = Ordinary Income/Average Total Assets

Interest-bearing Debt and Debt/Equity Ratio



Debt/Equity Ratio = Interest-bearing Debt/Shareholders' Equity

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compared with the end of the previous fiscal year. The main movements were a ¥33,092 million increase in retained earnings due largely to net income attributable to owners of the parent of ¥63,459 million and a decrease of ¥18,137 million from the payment of dividends. The Company also posted an increase in unrealized holding gain on securities of ¥6,882 million.

(2) Cash flows

Cash and cash equivalents on a consolidated basis amounted to ¥76,723 million as of the end of fiscal 2017, a decrease of ¥13,133 million compared with the end of the previous fiscal year. Factors influencing fiscal 2017 cash flow accounts were as follows.

(Operating activities)

Net cash provided by operating activities came to ¥82,272 million, down from ¥108,229 million in the previous fiscal year. While income before income taxes and minority interests of ¥94,342 million, depreciation and amortization of ¥36,016 million, and amortization of goodwill of ¥2,416 million contributed to operating cash flows, this was more than offset by major cash outflows including income taxes paid of ¥25,521 million, increase in inventories of ¥11,787 million, and increase in notes and accounts receivable of ¥5,506 million.

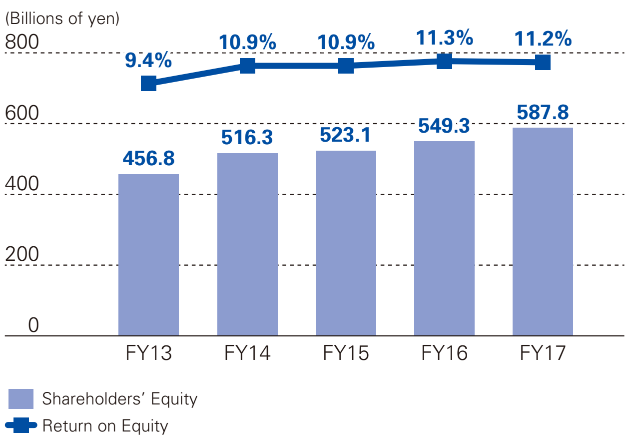
(Investing activities)

Net cash used in investing activities amounted to ¥60,881 million, up from ¥44,057 million in the previous fiscal year. The principal cash inflow came from a net decrease in time deposits totaling ¥19,274 million. Meanwhile, cash outflows largely included ¥45,526 million for purchases of property, plant and equipment focusing mainly on priority and growth fields, acquisition of management rights to Polymatech Japan Co., Ltd. Group (current Sekisui Polymatech Co., Ltd.), a production and sales company of electronics-related parts for use in automobiles and mobile devices, and the acquisition of shares in SoflanWiz Co., Ltd. (current Sekisui SoflanWiz Co., Ltd.), a production and sales company of rigid polyurethane stock solution and rigid polyurethane thermal insulation panels mainly for the construction industry.

(Financing activities)

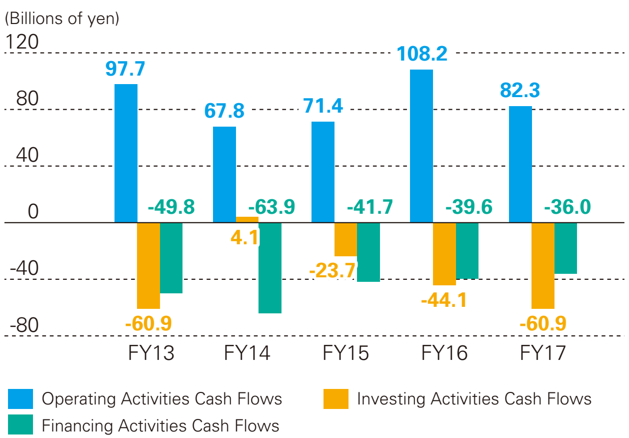
Net cash used in financing activities was ¥35,981 million compared with ¥39,633 million in the previous fiscal year. The major cash outflows comprised ¥19,064 million for cash dividends paid including cash dividends paid to non-controlling shareholders of consolidated subsidiaries, ¥16,006 for the purchase of treasury stock, and a net decrease in interest-bearing debt of ¥1,399 million.

Shareholders' Equity and Return on Equity

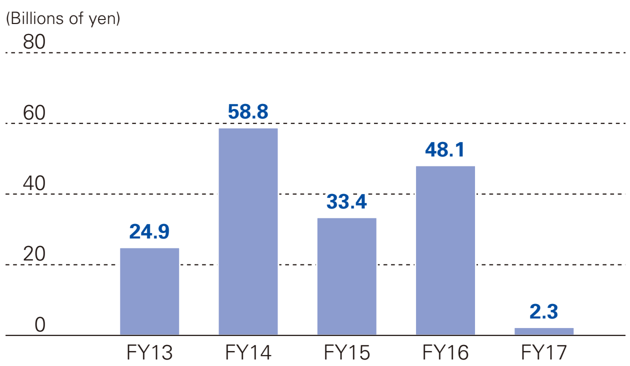


Return on Equity = Net income attributable to owners of the parent/Average Shareholders' Equity

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 the Sekisui Chemical Group at the end of fiscal 2017.

(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.