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**Corporate Social Responsibility Report 2010**

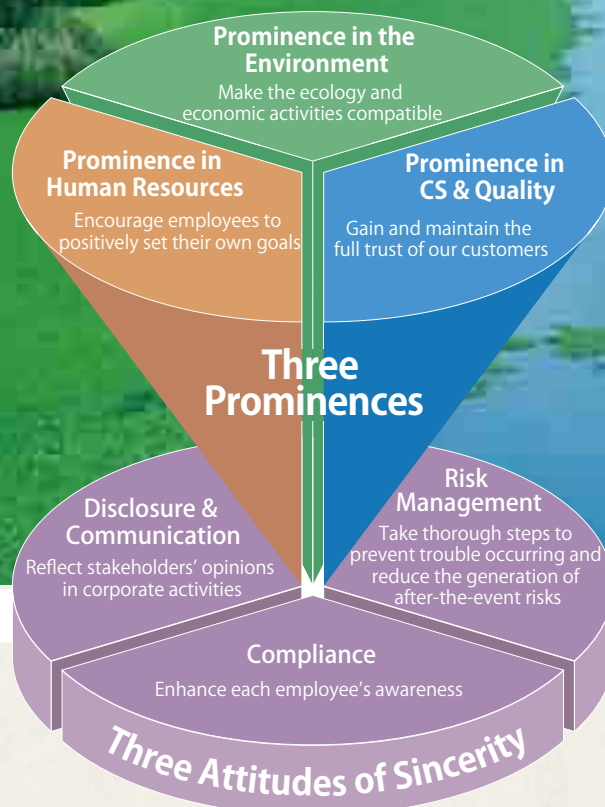
Emphasizing the Environment, CS & Quality and Human Resources  
to Contribute to Society through Our Business Activities

# Sekisui Chemical Group's CSR

Contributing to society through our business activities,  
to realize our Mission Statement

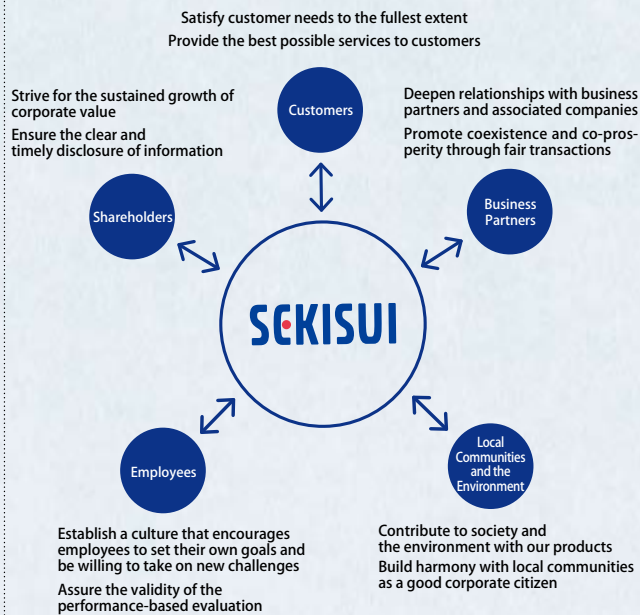
Sekisui Chemical Group has established a Mission Statement calling for it to “Create social value while fulfilling stakeholder expectations.” Clearly, the aim of CSR management is to make this Mission Statement reality. We believe that continuing to grow as an enterprise by contributing to society through our business activities and fulfilling the expectations of stakeholders leads to the creation of social value and is the meaning of an enterprise's existence. For this purpose, we will advance CSR management through Three Prominences — in the Environment, CS & Quality, and Human Resources — and Three Attitudes of Sincerity: in Compliance, Risk Management, and Disclosure & Communication.

Additionally, we will achieve further progress in Sekisui Chemical Group's CSR management together with contributing to building a better society, while recognizing social issues and society's expectations for Sekisui Chemical Group through repeated dialogue with a diverse range of stakeholders.



## Mission Statement

**Create social value while responding to stakeholders' expectations**



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## Editorial Policy

Each section of this report is structured in line with the Sekisui Chemical Group's concept of its Corporate Social Responsibility (CSR) in terms of Three Prominences — in the Environment, CS & Quality, and Human Resources — along with Three Attitudes of Sincerity: in Compliance, Risk Management, and Disclosure & Communication.

In preparing this report, we have determined the important items and content that should be covered in the report in light of Sekisui Chemical Group's activities, taking into consideration the Ministry of the Environment's Environmental Reporting Guidelines (2007 Edition) and the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines v3 (G3). At the same time, to the extent possible this report discloses quantitative data concerning environmental and social aspects. Furthermore, to ensure the reliability of this information the report has been subjected to independent review that has been expanded to cover not just environmental reporting but data on social aspects as well.

In structuring the pages of this report, a separate Data section has been established and effort has been made to ensure the report is both sufficiently comprehensive and easy to read, incorporating practical examples of efforts as much as possible. In addition, continuing efforts for which there was not enough room in the report are covered on the website.

Information about Sekisui Chemical Group's business activities is being disclosed publicly through this report and the Annual Report, which outlines financial information concerning the Group.

### Scope of Independent Review



The information in this report has been subjected to an independent review for the appropriateness of calculation methods and the accuracy of the results of calculation. The "Verified" logo is used to indicate that each item of such subject information has been reviewed.

### Scope of This Report

Entities Encompassed by this Report: The basic function of this report is to comment on the activities of Sekisui Chemical Group, focusing chiefly on the business facilities that play key roles in those activities.

Timeframe Encompassed by this Report: April 2009 - March 2010 (including examples of activities through May 2010)

Cover photo: The Kamogawa River, near Shikoku Sekisui Industry Co., Ltd.



Homes with solar power generation systems  
 Cumulative 80,000 homes total  
 Cumulative CO<sub>2</sub> emissions reductions: 160,000 tons/year\*



Sekisui Nature Study Course to train leaders in nature-conservation activities  
 Cumulative total 632 participants



"No-Dig" sewage pipe rehabilitation method  
 Waste-reduction effect  
 Cumulative 6 million tons\* total



"Innovations Inspired by Nature" Research Support Program  
 Cumulative 160 million yen in aid total

## Sekisui Chemical Group's fields of business

## Environmental protection

Preventing global warming

Control of chemical substances

Global water issues

### Urban Infrastructure & Environmental Products Company

Pipe and related materials business



Home building materials business

Functional materials business



### Housing Company

Housing business



Housing environment business



## Solving social issues

### High Performance Plastics Company

Automotive-technology (AT) materials field



Medical devices and reagents (MD) field



Information-technology (IT) materials field



#### Corporate Profile (as of March 31, 2010)

Established: **March 3, 1947**

Capital: **¥100.002 billion**

Domestic Subsidiaries: <b>117</b>	Net Sales: <b>¥858.5 billion</b>
Overseas Subsidiaries: <b>76</b>	Operating Income: <b>¥36 billion</b>
Affiliated Companies: <b>17</b>	Net Income: <b>¥11.6 billion</b>
	Number of Employees: <b>19,761</b>

# Sekisui Chemical Group and Society

Sekisui Chemical Group strives to achieve sustainable growth together with society through accurately identifying social issues and contributing to society through its business activities.



Water and sewer pipes to prevent leaking in emerging markets

Vehicles with Sekisui interlayer film for automobile laminated glass: 290 million\*



Percentage of women among new-graduate hires: 21%



# We are pursuing three Prominences and three Attitudes of Sincerity to realize sustainable growth



### **CSR not bound by the business environment**

The impact of the economic crisis that began in autumn 2008 has forced companies around the world to guide their businesses through tough conditions. Amid such an economic downturn, last year we began our new midterm management plan. To Sekisui Chemical Group, fiscal 2009 was a year of establishing the groundwork for overcoming the global recession. While unfortunately, net sales have decreased, our operating income has increased, as we finally have entered a recovery phase.

At the same time, the economic and social impacts of climate change are substantial, and in light of the outlook for the international pledges and climate-change framework regulations of the new government in Japan the movement toward reduction in Japanese businesses' greenhouse-gas emissions is growing stronger, as environmental problems have become issues that absolutely must be addressed.

We believe that CSR management is a topic that must be addressed earnestly, and that innovations and progress must continue, regardless of business environment. For this reason, this year too, we have continued focusing our energies on CSR efforts.

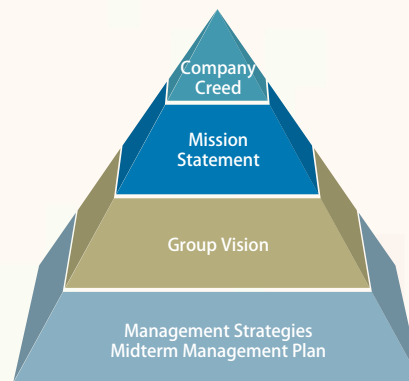
### **Enhancing CSR management through permeation of CSR awareness throughout the organization**

The midterm management plan of Sekisui Chemical Group calls for a focus on CSR management efforts based on the principles of the Three Prominences in the Environment, CS & Quality, and Human Resources and the Three Attitudes of Sincerity of Compliance, Risk Management, and Disclosure & Communication.

However, it is individual employees who must carry out these activities. In fiscal 2009 in particular, we focused our efforts on achieving permeation of CSR awareness throughout the organization and putting such efforts into practice in each section.

In our annual dialogue with employees, I visited

## □ Our Principle



12 sites across Japan to explain and discuss the midterm management plan, as well as CSR.

I believe that CSR and business management are two sides of the same coin, that CSR must be incorporated into each business, and that each section needs to take leadership in CSR efforts. To advance CSR practice in each section, we have held CSR brainstorming sessions with members of management at the level of division general managers and presidents of affiliated companies, who were asked to think seriously about CSR in their own sections and businesses and to discuss related matters.

These brainstorming sessions are just the start. The most important goal is to deploy CSR in each section. The results are reflected in individual action plans for this fiscal year.

Our plans call for holding these CSR brainstorming sessions overseas as well as here in Japan, and in fiscal 2009 a CSR brainstorming session was held in China. This fiscal year, we would like to hold sessions in Europe and North America too, to advance CSR management by discussing issues common to each area.

### CSR is essential to the sustainable growth of an enterprise

Contributing to the global environment and to people's lives around the world, as called for in our Group Vision, is a means of growing in our businesses. At the same time, it also constitutes the way to contribute to society through our business activities. In other words, it refers to CSR management itself.

Our management policies for fiscal 2010 include enhancement of our efforts to realize sustainable growth. For this purpose as well, we must contribute to society through our businesses and aim to realize sustainable growth together with society, through achieving even greater prominence in the Three Prominences that are the foundation of CSR: in the Environment, CS & Quality, and Human Resources.

On the environment, these requirements include the need for steady and swift action to pre-

vent global warming and preserve biodiversity. A look at the conditions under which our businesses operate shows that the environmental field ranks among the Asian market and the stock home market as an important field for growing our businesses. While already we have created products and businesses ahead of their times, such as homes with solar power generation systems, sewage pipe rehabilitation method, and solar control interlayer films, we will further expand environment-contributing products through development of next-generation businesses and technologies oriented toward the environment and energy.

Additionally, we will address with even greater seriousness the Three Attitudes of Sincerity, recognizing these as the essential foundation for an enterprise's continued existence in society.

As globalization of business activities progresses, we will deploy CSR management on even more of a global basis. Values and customs differ among regions of the world, as do the priorities of social issues and other issues that should be addressed through CSR. For this reason too, we will advance efforts in each region, including activities such as holding brainstorming sessions.

In 2009, we announced our support for the United Nations Global Compact. In addition to continuing this support, the Sekisui Chemical Group aims to realize continued growth as an enterprise by contributing to society and earning its trust, in addition to helping resolve social issues not just in Japan but on a global basis.

President



# Protecting the Earth's Environment



Human beings and all other creatures living on earth, as well as the business activities conducted by human beings, enjoy untold benefits from the environment and ecosystems. Today, as there are concerns about environmental degradation, the need to realize continued sustainable growth on a global scale satisfying the needs of today's generation without harming the ability to meet the needs of future generations can be said to be one of the most important issues faced by the human race.

Based on this recognition, Sekisui Chemical Group aims to achieve sustainable growth together with society, balancing ecological (caring for, contributing to our global environment, and living in symbiosis with the global environment) and economic (ensuring economic benefits for both customers and enterprises) goals. For this purpose, we will minimize the environmental impact of our business activities and contribute to the environment through our products and businesses.

Considering prevention of global warming and preservation of biodiversity to be particularly important environmental issues, we are advancing a variety of efforts in various aspects of our business activities.



## Global warming

The phenomenon of long-term increases in average atmospheric and marine temperatures on the earth's surface, in which use of fossil fuels in human activity is thought to be a primary cause of the warming planet. This phenomenon is said to have climatological and environmental effects such as climate change and changes in ecosystems as well as social and economic effects such as impacts on food production and drinking water, physical and human damage resulting from unusual weather events, and changes in living environments.



## Biodiversity

The combination of genetic diversity, species diversity, and ecosystem diversity, which refer to the presence of diverse forms of life in an ecosystem, a biome, or the earth as a whole.

"Innovations Inspired by Nature"  
Use in Manufacturing

Natural world consists of many natural cycles that eliminate waste, such as the ecological system and the formation of living creatures. Such mechanisms can be used to create products and businesses with low levels of impact on ecology and the environment. To protect the earth's environment, we will advance manufacturing that utilizes a biodiversity perspective, while at the same time shifting to products and businesses with low levels of environmental impact.

In addition, each year since 2002 we have implemented "Innovations Inspired by Nature" Research Support Program in support of activities at universities and research institutions attempting to put to use basic scientific knowledge learned from nature.





## Products that Contribute to Preventing Global Warming

Sekisui Heim supplies homes that combine equipment that creates energy through use of solar power generation systems in addition to energy-conserving equipment with high-performance thermal insulation and airtightness and high-efficiency heat-pump water heaters, etc. These contribute to preventing global warming by reducing carbon-dioxide emissions generated while residents live in the homes by 50% or more in comparison with traditional homes (i.e., those built in accordance with previous energy-conservation standards).

To this point in time, Sekisui Heim has supplied 80,000 homes with solar power generation systems, contributing to an annual reduction of 160,000 tons in carbon-dioxide emissions\*.

\* Sekisui Chemical estimate

Homes with solar power generation systems



S-LEC Film, an interlayer film for laminated glass, adds a variety of functions to the glass. Its sound insulation helps make vehicles more lightweight by replacing thicker glass and sound-insulating materials. Its thermal insulation improves fuel consumption by reducing air-conditioner use during the summer. Each of these contributes to reducing carbon-dioxide emissions. Installation of S-LEC Film in 10 million vehicles can result in annual reductions in carbon-dioxide emissions of 170,000 tons from the sound insulation interlayer film, 530,000 tons from the solar control interlayer film, and 700,000 tons from sound insulation/solar control interlayer films\*.

\* Sekisui Chemical estimates

S-LEC Film, sound insulation/solar control interlayer films for laminated glass



# Contributions to Protection of Biodiversity

Protecting biodiversity through business activities

## ■ Kurohama Marsh, a suburban treasure trove of flora and fauna

Kurohama Marsh in the city of Hasuda, Saitama Prefecture, roughly 40 minutes by rail from central Tokyo, is a natural lake and marsh about 2.6 hectares in surface area. The vicinity of the marsh is thick with water plants, reeds, and Manchurian wild rice, with numerous wild birds flying overhead. In addition, this area is blessed with a rich natural environment that serves as a habitat for rare animals. For example, it is the northernmost range of the *Ceriagrion nipponicum* damselfly, which is threatened with extinction\*. As a suburban treasure trove of flora and fauna, in 1979 it was designated a nature preserve by Saitama Prefecture.

\* Designated a class-II endangered species by the Ministry of the Environment

## ■ Plant water protects Kurohama Marsh

The spread of sewer systems in the area in the vicinity of Kurohama Marsh in recent years has led to a substantial decrease in the amount of water flowing into the marsh, so that today the majority of water supplied to the marsh comes from water discharge released from Sekisui Chemical's Musashi Plant. In other words, the plant has become the source for maintaining the biodiversity of Kurohama Marsh.

For this reason, the plant gives thorough consideration to water quality in order to protect the rich natural environment of Kurohama Marsh. When drawing well water on the plant site for cooling use, it strives to control the volume of water used in order to prevent waste of the valuable resource of water, and it releases well water used on the plant grounds as waste water only after purification in a partition water treatment tank. Wastewater control equipment has been installed in the water treatment tank to control wastewater strictly, and a system is in place to stop release of wastewater immediately in the event of detection of any abnormal water-quality values. These efforts ensure that the measured values of pollutants in the wastewater always are far below those specified in wastewater standards.

The Musashi Plant also continues regular exchange and dialogue with nongovernmental organizations (NGOs) working in the vicinity and with community residents, and other activities include the Kurohama-Numa Hotaru No Sato ("Kurohama Marsh firefly home") nature tours conducted by neighboring Tokyo Sekisui Heim Industry Co., Ltd. for children in the community.

In ways such as these, Sekisui Chemical Group aims to contribute through its business activities to preservation of the rich abundance of biodiversity in Kurohama Marsh, together with cooperating with the community to raise awareness of biodiversity.



Preserving biodiversity through nature-conservation activities



Sekisui Chemical Group considers it essential to preserve biodiversity through carrying out nature-conservation activities on a continuous basis at its business sites around the world, instead of just giving consideration to the environment in its business activities alone. In 1991, we established policies on efforts to address environmental issues, and 1997 saw a full-fledged start to nature-conservation activities. Together with proactive deployment of efforts at each site, we also continue to implement the Sekisui Nature Study Course to train leaders to promote nature-conservation activities. While 49 sessions of the Sekisui Nature Study Course had been held through fiscal 2009, a cumulative total of 632 persons took part in the course.

We also are carrying out forestry conservation activities in cooperation with local communities, under the title Green Forest Activities. In March 2009, the Group carried out its overseas tree-planting activity, in China.

In the future too, we will contribute to protection of biodiversity through expansion, on a global basis, of activities in which employees themselves take part—activities deeply rooted in local communities.

CASE

Example of Sekisui Nature Study Course activities  
Observing living creatures in Wakimizu-no-Sato  
with Chiba Sekisui Industry Co., Ltd.



In June 2009, Chiba Sekisui Industry Co., Ltd., located in the city of Ichihara in Chiba Prefecture, held a tour for fourth graders from a local elementary school to observe living creatures in rice fields of the nearby paddy fields of Wakimizu-no-Sato in Yatsuda. The goals of this activity were to help children develop the ability to think through hands-on experience and to help them rediscover the importance of the local natural environment. Participating employees joined together with the children in getting covered in mud as they caught creatures such as frogs and dragonfly nymphs, getting a true feel for the fact that a rice field is a treasure trove of diverse creatures. This activity helped foster communication with community residents preserving the Wakimizu-no-Sato fields, and since then interaction has continued, with employees volunteering to take part in cutting grass and other activities.

Together with the community, Chiba Sekisui Industry Co., Ltd. will continue this activity in the future as well, to connect future generations with the natural environment.

CASE

Example of nature-conservation activities overseas  
Afforestation and preservation activities at  
Yuping Mountain in Suzhou, China

Sekisui Chemical Group's activities in China have included support for afforestation activities in the city of Datong conducted by an environmental nongovernmental organization (NGO) and participation in afforestation activities in Laoshan (Qingdao). Beginning in 2009, we have conducted afforestation activities at Yuping Mountain in the city of Suzhou, jointly with an affiliate located in China's Jiangnan area (near Shanghai), as Green Forest Activities in China.

Located in the Suzhou National New & Hi-tech Industrial Development Zone (SND), Yuping Mountain has been used for a long time as a stone-mining site, and its forests had been devastated in an April 2005 forest fire. Planning to plant 5000 trees over a five-year period on part of Yuping Mountain (approximately 20,000 square meters), Sekisui Chemical Group carries out these activities in the spring and autumn of each year.



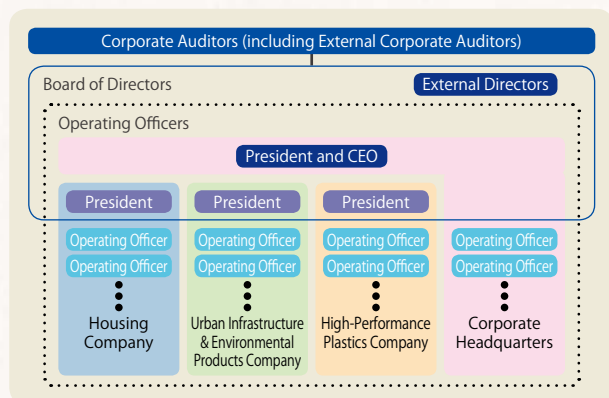
## Steadily advancing CSR management through strengthening the corporate-governance and CSR-management systems

### Corporate Governance System

Sekisui Chemical Group conducts its business through three division companies separated by different lines of business. To respond swiftly and appropriately to changes in the business environment and new business opportunities and risks, it has adopted an executive officer system.

Together with assigning operating officers specializing in business execution to each division company, an Executive Committee has been established to serve as the top decision-making body in each division company. As such, a broad range of authority has been transferred from the Board of Directors to the Executive Committee.

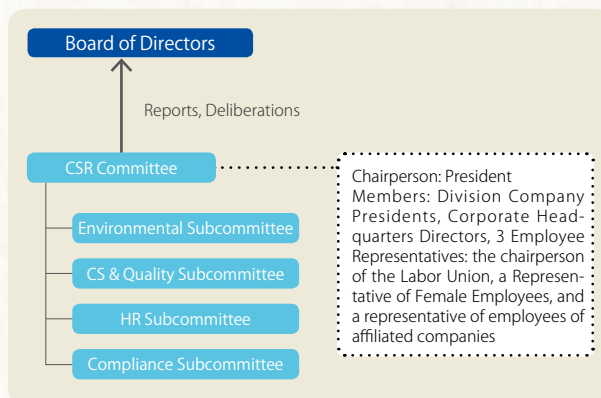
The Board of Directors strives to achieve continual improvements in corporate value as an organization responsible for decision on basic policies of Sekisui Chemical Group management as well as high-level decision-making and supervision of business execution.



### CSR Management System

In January 2007, Sekisui Chemical Group reorganized its CSR Management system. Since then, it has promoted CSR Management under a system consisting of one committee—the CSR Committee—and four subcommittees—the Environmental Subcommittee, the CS & Quality Subcommittee, the Human Resources Subcommittee, and the Compliance Subcommittee.

In addition to senior executives, membership of the CSR Committee also includes three representatives of employees—one key group of stakeholders—to help improve deliberation and policies. Each Subcommittee promotes groupwide efforts for Sekisui Chemical Group while ascertaining and deliberating on companywide topics as they relate to matters such as issues involved in the themes of which each subcommittee is in charge and the state of activities in each division company. The committee and the subcommittees each meet at least once every half-year, and the results of deliberation in each are implemented through incorporation into the management plans of each division company and of Corporate Headquarters.



### Support for the United Nations Global Compact

In CSR management, it is essential to continue efforts in response to an ever-changing society. In particular, as the globalization of business advances Sekisui Chemical Group will advance steadily CSR efforts not just in Japan but at affiliate companies overseas as well.


As one part of this approach, in March 2009 we announced our support for the United Nations Global Compact. Efforts are underway throughout Sekisui Chemical

Group as a whole toward realization of the 10 principles of the Global Compact in the areas of human rights, labor, the environment, and anti-corruption. At the same time, we also participate in the Global Compact Japan Network, an organization of companies in Japan that have signed on to the Global Compact.




## Our CSR management demonstrates steady results through the Three Prominences and Three Attitudes of Sincerity

### □ Prominence in the Environment

Main efforts	Results of Fiscal 2009 	
Expansion of environment-contributing products	21% of consolidated sales (target: 23%)	➔ P17
Reducing greenhouse-gas emissions	24% reduction (target: 15% reduction) vs. FY 1990	➔ P19

### □ Prominence in CS & Quality

Main efforts	Results of Fiscal 2009 	
Reducing external loss costs	10% reduction (target: 15% reduction) vs. FY 2008	➔ P26
Eliminating major quality-related problems	One major quality-related problem (target: zero)	➔ P26

### □ Prominence in Human Resources

Main efforts	Results of Fiscal 2009	
Securing and Developing Global Human Resources	Development of global employee and global trainee systems	➔ P37
Corporate Culture Fostering Individual Learning and Growth	Training career advisors	➔ P38
Rewarding Workplaces Where Diverse Human Resources Can Thrive	Implementing measures to achieve a sound work-life balance	➔ P41

### □ Three Attitudes of Sincerity

Results of Fiscal 2009		
<ul style="list-style-type: none"> <li>Promoting awareness of compliance in Japan and internationally, through activities such as training by employee rank, by subject, and by affiliate company</li> <li>Developing a groupwide risk-management system, including formulation of risk-management manuals for individual affiliates overseas</li> </ul>		➔ P47 ➔ P52

In addition to the above, other efforts conducted in fiscal 2009 included CSR brainstorming sessions for senior management in Japan, for heads of overseas affiliates, and organized by overseas area (China), to enable implementation and raising awareness of CSR management.

# TOPIC

## Aiming for Shinka! ("Evolution") in CSR Management

Sekisui Chemical Group began full-fledged CSR efforts in fiscal 2005, and CSR efforts are one of the pillars of the mid-term management plan GS21-SHINKA! formulated in fiscal 2009 as well.

In fiscal 2009, CSR brainstorming sessions were held, focused on senior management in Japan and overseas, as one measure for advancing CSR management. Together with promoting raising awareness of CSR, the results of the brainstorming sessions have been deployed in each section, to achieve CSR practice and permeation throughout the entire Sekisui Chemical Group.

### CSR brainstorming sessions for senior management in Japan

In Japan, CSR brainstorming sessions were held in November and December 2009 for senior management (at the level of business site general managers) of two division companies and Corporate Headquarters.

In these CSR brainstorming sessions, the President of Sekisui Chemical spoke of how each of the pillars of CSR management in Sekisui Chemical Group – the Environment, CS & Quality, Human Resources, Compliance, Risk Management, and Disclosure & Communication – is an integral part of management that each section should address on its own, how the Three Prominences—in the Environment, CS & Quality, and Human Resources—are key points that differentiate Sekisui Chemical Group from its competitors and that need to be subjected to constant improvement to succeed against the competition, and how the Three Attitudes of Sincerity in Compliance, Risk Management, and Disclosure & Communication are the lifelines of corporate survival and need to be incorporated into the genetic make-up of the organization.

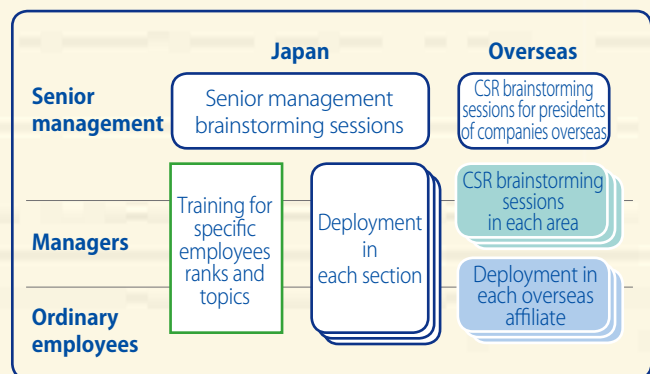
Next, division company presidents gave practical descriptions of CSR-management issues at each division company and stressed that the most important thing for problem-solving is an approach on the part of senior management of taking the initiative and setting a good example for others.

In addition, participants separated into groups to discuss the CSR issues that each section should address. As participants from division companies and Corporate Headquarters pointed out a variety of issues, those such as creation and expansion of environment-contributing products, securing and developing global human resources, risk management, and enhancement of compliance emerged as common themes.



### Groupwide deployment

In response to the content of the CSR brainstorming sessions for senior management, CSR efforts are being deployed in each section of Sekisui Chemical Group as well. After identifying the issues that should be addressed in each section in light of factors such as the content of business operations and relations to stakeholders, and deciding on practical measures, we are shifting to the implementation stage.



Structure of CSR brainstorming sessions



## CSR brainstorming sessions for presidents of companies overseas

Overseas, CSR brainstorming sessions for presidents of affiliated companies overseas are held each year, to achieve permeation of CSR management within each affiliate company. Beginning in fiscal 2009, individual themes were established based on discussion of the previous fiscal year's CSR management in general, and this year's sessions featured discussion of risk management.

Following a lecture by an outside instructor, Sekisui Chemical's Legal Department described risk management in the Sekisui Chemical Group, covering examples of past risks, and introduced "Global Crisis Management Guidelines for the Group Companies of Sekisui Chemical", which will serve as a guide for future activities at each affiliate overseas. Then, participants broke down into groups organized by area, for discussion of measures already underway at each affiliate and issues that should be addressed in the future.



## China area CSR brainstorming session

Sekisui Chemical Group has begun holding CSR brainstorming sessions organized by region, for participants including presidents of affiliated companies overseas and local managers. The first of these was held in December 2009 in the China area. Featuring descriptions of CSR management in the Sekisui Chemical Group, the Group Vision, and the midterm management plan GS21-SHINKAI, these sessions were intended to achieve permeation of CSR within each affiliate company. They also featured a report on the content of the Management Training Program. As such, they were brainstorming sessions covering a broad range of content, not just restricted to the CSR framework.

VOICE 

## CSR brainstorming sessions in each section

In response to the CSR brainstorming sessions for senior management, CSR brainstorming sessions are being held independently in each section as well. The Kyusyu Sales Headquarters of the Urban Infrastructure & Environmental Products Company holds its own internal brainstorming sessions, deciding on various themes each year. In fiscal 2009, this session studied the theme of CSR on which personnel should focus their own efforts at the sales-facility level, toward realization of the midterm management plan GS21-SHINKAI. This brainstorming session has helped achieve understanding of the close relationship between business activities and CSR.



The CSR brainstorming session featured lively exchange of opinions on the subject of what CSR means to us. One often heard the opinion that a look back at our everyday business activities might show that we are unable to meet the needs of the market because we in fact focus more on our own concerns and those of our company. We came to recognize that earnestly accepting market needs and acting to satisfy these would lead to realization of both CSR and the midterm management plan.

Kyusyu Sales Headquarters,  
Urban Infrastructure &  
Environmental Products Company  
Sekisui Chemical Co., Ltd.  
Itaru Kitamura

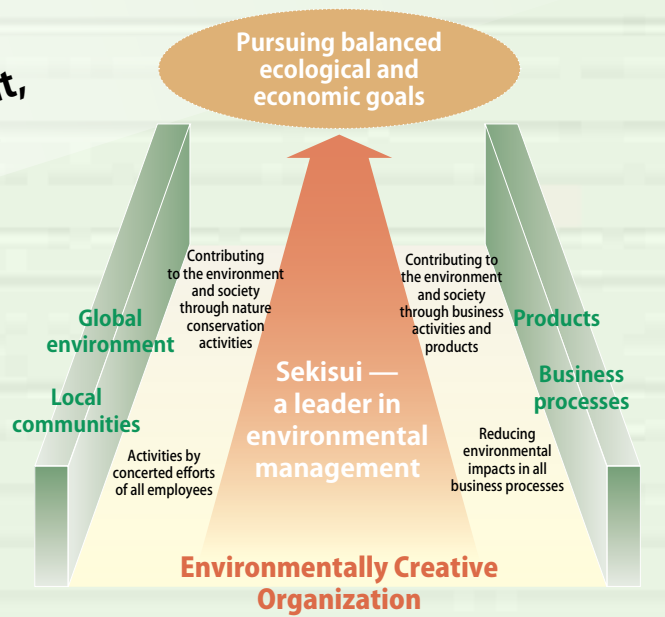
**We thought about our business activities and CSR**

# Prominence in the Environment

**We aim to be an environmental leader, prominent in our approach to the environment, pursuing both ecological and economic goals**

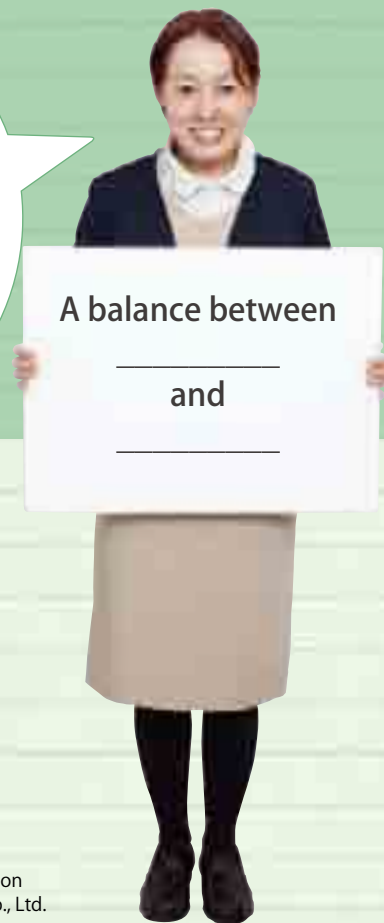
To fulfill our aim of being a sustainably growing “environmentally creative organization,” Sekisui Chemical Group strives to balance successfully ecology (caring for and contributing to the global environment, and living in symbiosis with the local environment) and economy (ensuring economic benefits for both customers and enterprises). Based on this concept, under the Midterm Environmental Plan: Environmental Top Runner Plan SHINKA! beginning in fiscal 2009 as well, the entire Group works together toward achievement of key goals such as realizing a low-carbon society through our products and services, utilizing resources effectively, and giving consideration to biodiversity.

See the separate “Data” supplement, pages 19 and 21 for the Environmental Management Policy and Promotion System.



## CSR Quiz 1

What is the goal of Sekisui Chemical Group's environmental management?



Environmental Safety Section  
Sekisui Techno Molding Co., Ltd.  
**Mitsuko Morishita**

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Progress on the Midterm Environmental Plan: Environmental Top Runner Plan SHINKA!

# Carrying out the midterm environmental plan as the first step toward 2030

## Progress on the Midterm Environmental Plan: Environmental Top Runner Plan SHINKA!

Sekisui Chemical Group has established the Sekisui Eco-Frontier 2030 as a long-term vision for environmental management to envision a society we need to aim to achieve by 2030, make clear courses of action and achievement levels of environmental management, and serve as a guidepost to sustainable growth. We are promoting efforts for the current five-year period as the Environmental Top Runner Plan: SHINKA!, based on back-casting from the Sekisui Eco-Frontier 2030 goals.

Under the Environmental Top Runner Plan: SHINKA!, we will strive to make proactive contributions to society through thorough enactment of the existing concept of reducing our impact on the earth's environment through our businesses and products as well as reducing environmental impacts from our business activities, chiefly in the area of production, and expanding our environment-contributing products (see P. 17). We also plan to carry out a broad range of efforts on a global basis, as our overseas businesses grow.

### Progress on the Environmental Top Runner Plan: SHINKA!

	Targets for Fiscal 2013	Results of Fiscal 2009
Sales ratio of environment-contributing products to total consolidated sales	40% or more	21%
Reduction of greenhouse-gas emissions	20% reduction compared to fiscal 1990	24% reduction
Reduction of wastes generated	40% reduction in base units compared to fiscal 2007	3.3% reduction
Eco Value Index	At least three times compared to the fiscal 2007 value	1.4 times

## The "Sekisui Eco-Frontier 2030" a long-term vision for environmental management: aiming to achieve a society on the environmental frontier

By 2030, Sekisui Chemical Group aims to achieve a society on the environmental frontier. This refers to a society in which environmental awareness and environmentally-friendly lifestyles become broadly and firmly established among people and both businesses and governments recognize the environment to be one of their most important values. We will contribute to reforming society into a low-carbon entity and to building a recycling-based society, by minimizing the environmental impact of our business activities and continuing to provide customers with environment-contributing products as well as encouraging similar efforts in society at large.

### Three areas of focus

- **Preventing Global Warming: Reforming society into a low-carbon one**
- **Efficient Utilization of Resources: Contributing to creation of resource recycling systems**
- **Biodiversity: Consideration for biological diversity**

### Two targets

- **Achieving carbon negativity**  
Reducing greenhouse-gas emissions attributable to business activities by offsetting greenhouse-gas emissions during product use
- **Preservation of biodiversity**  
Reducing as much as possible the impacts of our businesses on ecosystems and striving to preserve biodiversity through efforts including technological development and nature conservation activities

Expansion of  
Environment-  
contributing  
Products

# The sales ratio of environment- contributing products has risen to 21%

## Toward Expansion of Environment-contributing Products

The key to realization and continuation of Sekisui Chemical Group's goal of "making the ecology and economic activities compatible" is contributing to reduce our impact on the earth's environment through our products. For this reason, in fiscal 2006 we established our Environment-contributing Product Standards and began managing such products in accordance with these standards. In fiscal 2007, we revised the flow of our internal certification activities to make the certification process under these standards more objective.

In the future, so that all of our businesses can be carried out with an awareness of contributing to the environment, efforts will be important to build systems to advance creation

of products for serving as the pillars of our businesses in the next generation, for example by integration of new product ideas into the Design Review system in the development and design stages, developing new certification standards for intermediate materials and other products, and incorporating third-party advice and opinions. For this reason, we will strive to earn an even greater level of trust from society. In addition, regarding the degree of contribution to the environment in the product use stage, in areas such as reducing CO<sub>2</sub> emissions and wastes, we will strive to achieve even higher levels of reliability and endeavor to promote such efforts broadly in society.

## Sales of Environment-contributing Products

Considering the ratio of sales of environment-contributing products to total net sales to be an important indicator, in its midterm environmental plan Sekisui Chemical Group has set the target of raising the ratio to 40% or more of the

total consolidated sales by fiscal 2013. While the target for fiscal 2009 was a ratio of 23% of net sales, actual net sales of environment-contributing products totaled 178.6 billion yen, which corresponded to only 21% of consolidated net sales.

## System for Environmental Consideration in Products (Three Greening Steps)

In addition to making contributions to society, Sekisui Chemical Group is advancing Three Greening Steps intended to incorporate consideration for the environment in three stages of its business activities: development, procurement, and manufacturing. For this purpose, we are implementing systems including Product Assessments for Environmental Impact, Green Procurement, and Prior Assessment of Capital Expenditure.

### ● Greening Development

#### (Product Assessment System for Environmental Impact)

This system is designed to develop products with reduced environmental impacts and/or products that contribute to

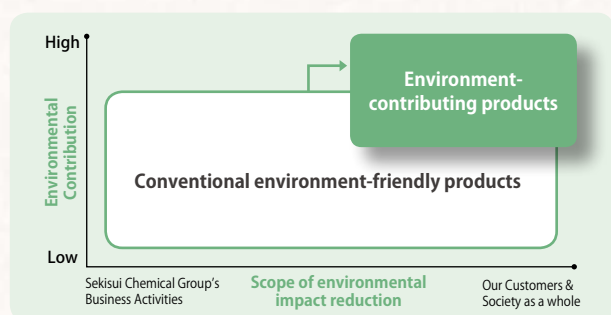
environmental conservation and improvement. We reviewed matters such as the subjects of compliance evaluation and assessment of chemical substances, in light of developments including establishment and amendment of relevant laws.

### ● Greening Procurement (Green Procurement System)

The green procurement ratio for fiscal 2009 was 94.8%. In addition, we established and began promoting separate Green Purchase Guidelines for products such as office supplies and equipment.

Forms related to green procurement and other materials are available on the Sekisui Chemical website.

### □ Environment-contributing products conceptual diagram



### □ Environment-contributing products

#### Definitions

- Products and businesses that demonstrably help reduce the environmental impact on our customers and on society as a whole.
- Products or systems having lower environmental impact compared to similar conventional products and systems.

#### Scope of Application

- Reduction of environmental impact and resource depletion related to customers' use, disposal and recycling (excluding production and transportation within Sekisui Chemical Group)
- Reduction of impacts on the natural environment (e.g., reduction in greenhouse gases) and on the social environment (e.g. waste reduction, resource conservation, and water saving/recycling)



### Sewage Pipe Rehabilitation (SPR) Method

The Sewage Pipe Rehabilitation (SPR) Method is one method of replacing worn sewage pipes called as non-excavating method, by inserting a profile made of rigid polyvinyl-chloride resin into existing sewage pipes from a manhole and coiling it spirally along the inside wall of the pipes. Since this non-excavating method does not need to dig up existing roads or the ground surface, it makes it possible to keep the limits on traffic from construction to a minimum and also to reduce greatly material use, waste generation, and noise and vibration from construction.

### Ashera Wood recycled building material (synthetic lumber)

Using a new material made primarily from limestone (fly ash) generated by thermal power plants and recycled materials made from household shopping bags and plastic containers (container/packaging recycled resin), Ashera Wood uses highly weatherproof wood-meal filled resin on its surface to give it the feel of wood while offering properties such as water-resistance, low elasticity and high strength. It is used as an exterior material in public spaces and other facilities. It contributes to reuse of wastes and reducing use of forestry resources.



### Cross Wave water-retention material for use in underground water tanks

Cross Wave uses plastic water-retention material laminated and crisscrossed at 90-degree angles to create a large space for use as an underground water tank. This product is employed for a wide range of uses that contribute to the environment, such as temporary water storage and regulation reservoirs to counter flooding from sudden torrential downpours and storage tanks for rainwater use. It is made from recycled polypropylene and it can realize substantial reductions in resource use, waste generation, and carbon-dioxide emissions at the time of construction compared to traditional methods of concrete water tanks.

Preventing  
Global  
Warming

# Achieved a 24% reduction in greenhouse-gas emissions from production activities compared to fiscal 1990

## Towards Prevention of Global Warming

Sekisui Chemical Group is striving to reduce greenhouse-gas emissions from its business activities as much as possible, and it is expanding these activities to all of its business domains. In light of the facts that in 2008 the First Commitment Period under the Kyoto Protocol began\*1 and the Japanese government has set emissions-reduction targets for 2020\*2, national and local governments are accelerating their efforts to prevent global warming. While of course businesses should work to prevent global warming in accordance with laws and regulations, we believe there is added value in carrying out our own efforts extending

beyond the scope of the relevant legal framework.

Based on this belief, Sekisui Chemical Group is striving to reduce CO<sub>2</sub> emissions from its business activities as much as possible, regardless of whether such activities are covered by relevant laws or regulations, and is expanding these activities to all its business domains.

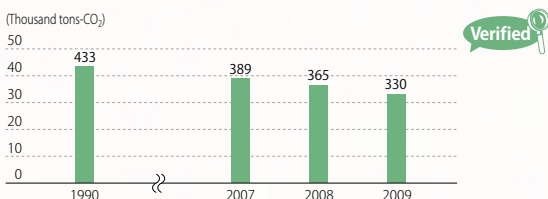
\*1 Under the Kyoto Protocol, during the First Commitment Period of 2008–2012, Japan is obliged to reduce its greenhouse-gas emissions by 6% from 1990 levels.

\*2 In 2009, the Japanese government announced a target for reducing the nation's greenhouse-gas emissions in 2020 by 25% from 1990 levels, on the condition that reasonable and equitable international efforts are undertaken.

## Efforts toward Achieving the Targets of the Environmental Top Runner Plan SHINKA!

Activities at the Production Stage

We have established the overall target for fiscal 2013 of reducing greenhouse-gas emissions generated at the production stage in Japan by 20% compared to the fiscal 1990 level, and we are advancing improvement activities in each sector toward achieving this target. In fiscal 2009 we realized a reduction of 24% compared to the fiscal 1990 level. While it is true that this result also includes the effects of reduced production due to the global economic slowdown that began at the end of 2008, it also reflects the considerable effects of adopting the CO<sub>2</sub> Reduction Equipment Investment Promotion Measures begun in January 2007.



Activities at the Transportation Stage

Sekisui Chemical Group handles a wide range of products including homes, pipes and resins. It subcontracts most transportation of these products to outside logistics firms. Each shipping facility is seeking out possibilities for reducing CO<sub>2</sub> emissions through means such as modal shifts employing joint transportation and rail transportation. Such efforts have achieved a reduction of 18% in CO<sub>2</sub> emissions during transportation in fiscal 2009 compared to the fiscal 2007 level, although energy base units used in the transportation stage increased by 2.6 percent over the same period.



Activities in Offices

Even in its office units, which generate relatively small levels of CO<sub>2</sub> emissions, Sekisui Chemical Group strives to reduce CO<sub>2</sub> emissions through energy-conservation activities such as encouraging employees to turn off lights when not in use and using air-conditioning settings that save energy. Employee environmental awareness is increasing, and in the future we plan to enhance awareness-raising activities.



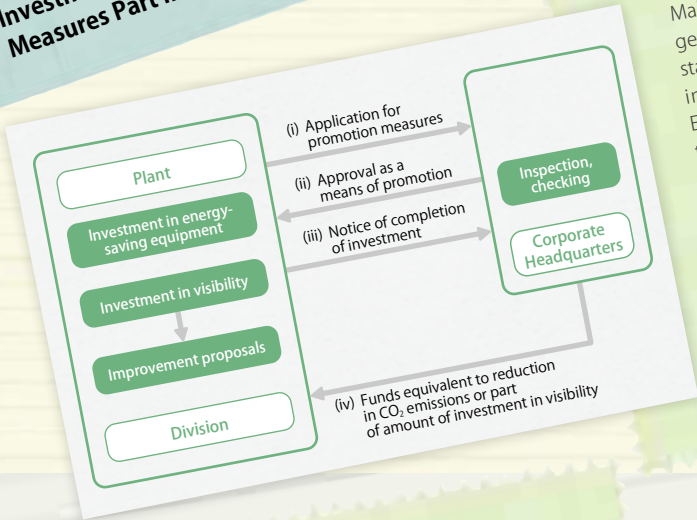
Activities Overseas

Since Sekisui Chemical Group's business facilities overseas are subject to considerable changes in areas such as product lineups as the overseas business grows, instead of setting overall targets the Group has established guidelines for the initiatives of each facility. It is making progress in reducing CO<sub>2</sub> emissions overseas in accordance with guidelines calling for achieving in fiscal 2013 a 5% reduction from fiscal 2008 in energy consumption per unit of output at production sites and a 10% reduction in energy use at offices over the same period.

### Guidelines established

# Case Studies of Efforts toward Prevention of Global Warming

## Environmental Capital Investment Promotion Measures Part II: SHINKA!



Making progress on reducing energy use and waste generation requires first of all ascertaining the actual state of such use and emissions. Based on this concept, in January 2007 we adopted the CO<sub>2</sub> Reduction Equipment Investment Promotion Measures. Under this system, Corporate Headquarters covers the costs of capital investment resulting in reductions in CO<sub>2</sub> emissions, in proportion to the emissions-reduction results of such investment. Then, use of an environmental capital investment promotion measure began in October 2009 to support investment promoting more visible results in order to enable reductions while promoting visibility.

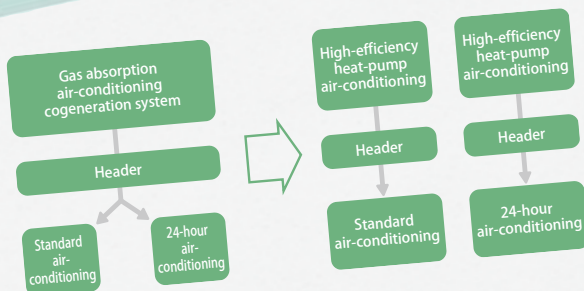
## Reducing CO<sub>2</sub> emissions through introduction of biomass boilers

The Gunma Plant of Sekisui Board Co., Ltd. has installed biomass boilers using wood chips as fuel, to replace the heavy-oil boilers it used previously. It started using the new boilers in August 2009. This change in fuels is projected to enable a reduction of approximately 3,000 tons per year in CO<sub>2</sub> emissions — an amount corresponding to 10% of the Housing Company's emissions at its production sites in Japan or about 1% of those of the entire Sekisui Chemical Group.



A biomass boiler at the Gunma Plant of Sekisui Board Co., Ltd.

## Reducing CO<sub>2</sub> emissions through a thorough review of air-conditioning and other settings



In renovating its air-conditioning equipment, Sekisui Chemical's Kyoto Site has introduced a high-efficiency heat-pump air-conditioning system. Furthermore, the new system enables efficient operation by separating into two subsystems air-conditioning operation and requiring 24-hour air-conditioning at night, those not requiring air-conditioning at night, both of which had been controlled as a single system previously. These efforts have made possible a reduction of 10% or more\* in CO<sub>2</sub> emissions compared to the previous equipment.

The air-conditioning system at Sekisui Chemical Co., Ltd. Kyoto Site

Efficient  
Utilization of  
Resources

# Wastes Generated in Production Processes Reduced by 3.3% from Fiscal 2007 per unit of output



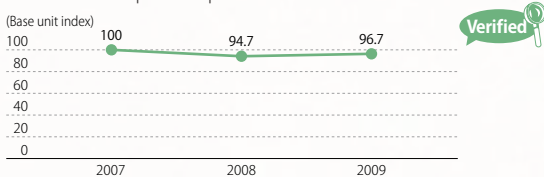
## Toward Efficient Utilization of Resources

While contributing to a comfortable society through developing and supplying a diverse range of products, Sekisui Chemical Group also generates waste at facilities such as plants and construction sites. In addition, our products themselves, after being purchased and used, will become waste. Recognizing in this way the impact on the environment of our business activities, we are reducing the amount of waste we generate by eliminating inefficiencies in resource consumption, based on the 3R (Reduce, Reuse, Recycle) approach.

## Efforts toward Achieving the Targets of the Environmental Top Runner Plan SHINKA!

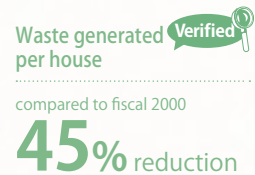
At Production Sites

At manufacturing workplaces, we focus in particular on reducing and reusing generated waste materials. At Group production sites, we have been implementing efforts such as reducing the amount of scrap waste generated and simplifying the packaging of raw materials through improvements in production efficiency employing the material flow cost accounting method (see P. 22). In fiscal 2009, such efforts have resulted in reductions in the volume of generated waste by 17% compared to fiscal 2007 which is equivalent to 3.3% reduction per unit production amount.



At the Construction Site

Sekisui Heim modular houses are built using a construction method in which the amount of waste generated at the construction site is less than that produced by other construction methods, since at least 80% of the home is produced in a plant. Still, through cooperation between our construction sites and plants we are making progress in reducing wastes further through activities including reusing packaging materials and reducing excess materials delivered to sites. As a result of such efforts, in fiscal 2009 we achieved a 45% reduction in waste generated per house including those generated at the plant, when compared to the fiscal 2000 level.



At the Office

Efforts to reduce wastes generated are proceeding at Sekisui Chemical's headquarters buildings in Tokyo and Osaka, branches, and sales offices as well as key affiliate offices. Since the majority of office waste consists of paper wastes, we are advancing waste-reduction efforts using copier-paper use as an indicator. In fiscal 2009, we achieved a reduction of 7.5% from fiscal 2007 in this indicator.



Using Waste Efficiently

Since 1998, Sekisui Chemical Group has promoted Zero Emissions Activity intended to reuse all generated waste as resources. In fiscal 2009, Esilon B.V. was added to the ranks of sites achieving zero emissions, making it the third overseas site to do so.

Esilon B.V.  
**achieved zero emissions!**



## Reducing Both Waste and Costs by Utilizing Material Flow Cost Accounting

Since fiscal 2006, Sekisui Chemical Group has employed Material Flow Cost Accounting (MFCA)\* to identify points for improvement based on the point of view that wastes are negative products that cost money to produce. We employ this method to promote activities that balance both economic and ecological goals by reducing both material waste and costs, through coordination with activities by Manufacturing Development Innovation.

The midterm environmental plan has the target of achieving a total reduction of 5 billion yen in loss costs on a cumulative basis over the five-year period from fiscal 2009

through fiscal 2013. In fiscal 2009, we reduced the total amount of loss costs by 700 million yen from fiscal 2008. In the area of waste reduction as well, the sites at which these activities were conducted reduced total waste generated by 9% and kept waste generation per unit production volume to only a slight increase despite decreases in production volume.

\* Material flow cost accounting (MFCA): A method of assessing costs comprehensively by tracing the flow of materials within production processes and focusing on the losses (wastes) generated in these processes. Use of this method realizes new cost savings and reductions in environmental impacts, by making hidden inefficiencies visible through treating wastes as negative products.

## Efficient Utilization of Resources in Housing Construction

In November 2009, the Housing Company attained certification under the wide-area recycling designation system on collection, transport, and processing of wastes. This makes it possible to collect and sort wastes of construction sites back in the plant, which had been difficult in the past since production and sales were handled by different companies.

This also will make it possible to check of excess materials delivered and provide feedback to the materials allocating section, as well as simplifying reuse of materials such as packing materials and excess materials. We believe we will be able to make further progress in waste reduction and effective use of resources as plants and construction sites work together as one.

## Conservation of Water Resources

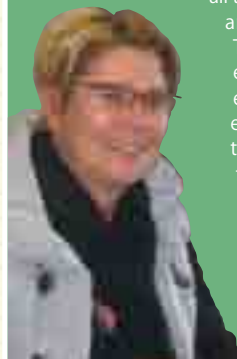
The Midterm Environmental Plan: Environmental Top Runner Plan SHINKA! includes a target for fiscal 2013 of a 10% reduction in water intake compared to the fiscal 2007 level. Water intake at all production facilities in fiscal 2009 fell by 2.6% in comparison with the fiscal 2007 level. In the future as well, we will advance further our efforts to reduce use of the valuable resource of water.

**Through awareness within all departments, we achieved the Zero Emission Certificate.**

Eslon B.V.  
Judith America



Since 2000, Sekisui Eslon B.V. registers the separation of the waste generated in these production processes. The internal waste streams were reused and the external waste streams were disposed by local collectors. The awareness of zero emission activities started in 2006 by the cooperation with one of the biggest Benelux Waste collectors. We agreed in a "Sustainable Waste Processing" contract to create green solutions for all external waste streams. As a consequence the collecting of all the generated waste was structured and up-dated in all departments.



The first step into achieving zero emission was made. Thanks to the effort and commitment of all our employee's in the optimizing of the processes and procedures the final requirements were achieved in the past years. To preserve the Zero Emission for the future we keep looking into thorough improvements especially for reducing and reusing the generated waste.

## Control of Chemical Substances

# Working to properly control chemical substances and reduce their emissions through ascertaining the characteristics and effects of individual substances

## Proper Control of Chemical Substances

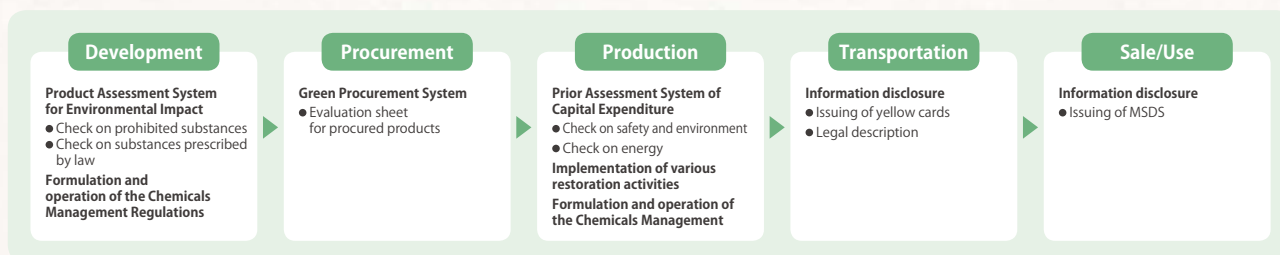
Sekisui Chemical Group uses a large amount of chemical substances when producing its products. While chemical substances make people's lives more convenient, if released into the environment they could have harmful effects on the environment or on human beings. Therefore, we regard as important responsibilities of the Group the consideration of product safety, occupational safety and health, and environmental impact and other matters through proper management of chemical substances.

Accordingly, we are implementing efforts such as the Product Assessment System for Environmental Impact\*1 and

the Green Procurement System\*2 as well as setting our own targets for reducing discharge and transfer of chemicals and eliminating our use of the most critical substances. We also review periodically chemical substances that are candidates for control or regulation of use, in accordance with establishment and amendment of relevant laws.

\*1 A system for assessment of the environmental impact of a product all the way through raw material procurement, manufacture, use, disposal, transport, and all other stages.

\*2 A system of giving priority to choosing raw materials, products, etc. with lower levels of environmental impact when procuring such materials and products.



## Reduction of Discharge and Transfer of Volatile Organic Compounds (VOCs) into the Environment

Since fiscal 1999, we have been working to reduce discharge of environmental pollutants into the environment. Since fiscal 2006, these efforts have targeted volatile organic compounds (VOCs) as well, and in the Midterm Environmental Plan: Environmental Top Runner Plan SHINKA! we have set the target of a 60% reduction in discharge of VOCs into the atmosphere in fiscal 2013 compared to fiscal 2000. In fiscal 2009 we achieved a 46% reduction compared to fiscal 2000.

## Other Pollution-Prevention Activities

Sekisui Chemical Group is working to meet the targets of legal and regulatory restrictions and to reduce discharge of pollutants through appropriate maintenance and control and periodic inspection of the wide range of equipment it uses regarding exhaust and water emissions.

## Business Site Soil Investigations

In fiscal 2009, we conducted surveys compliant with the Soil Contamination Countermeasures Law at five business sites and completed three of these.

Results of these surveys shows values in excess of standards for soil pollution in parts of three sites: Sekisui Chemical's Shiga-Minakuchi Plant, Chiba Sekisui Industry Co., Ltd., and Okayama Sekisui Industry Co., Ltd. In addition, at Okayama Sekisui Industry Co., Ltd., arsenic in excess of groundwater standards was discovered, although this is thought to be from natural sources. Planned countermeasures include replacing contaminated soil exceeding standard values with clean soil and preventing the spread of contaminants through paving and other means.

Plans call for surveying all subject sites during fiscal 2010.



# Building an environmental management system and carrying out environmental conservation activities

The Foundation for Environmental Management

## Advancing Environmental Management: Expanding Use of the Environmental Management System

At Sekisui Chemical Group, we promote environmental management on a global basis. In an effort to carry out environment-friendly business activities effectively, we have developed our environmental management system (EMS) in accordance with the ISO 14001 standard and are working to expand application of this system throughout the entire Group. As of March 2010, 76 group business sites, including sales companies, hold ISO 14001 certification. The number of employees at these business sites represents 62% of all Sekisui Chemical Group employees.

Rollout to the Supply Chain

We also are building and expanding EMS throughout our supply chain, including contractors. As part of this effort, we ask suppliers to obtain certifications such as ISO 14001 and Eco Action 21\* and support them in these efforts.

\* Certification of environmental management systems, established by the Ministry of the Environment of Japan

Extension to Overseas Business Sites

As each of our businesses advances overseas, we are accelerating deployment of environmental management at a global level. We have developed a structure for collecting data on environmental impacts such as energy use and volume of waste generated at overseas sites and are implementing efforts to lessen environmental impacts at each production site and office. Furthermore, in the future we will promote aggressively activities to acquire ISO certification at each main site and to achieve the goal of zero emissions.

Rollout to Offices

We are advancing "green office" activities through means such as promoting energy saving and recycling, reducing use of paper, and promoting green purchasing to reduce environmental impacts at Sekisui Chemical's headquarters buildings in both Osaka and Tokyo and at our offices at sites across Japan, including housing sales companies. Under the midterm environmental plan, we will further spread and promote green office activities, setting goals of a 10% reduction in CO<sub>2</sub> emissions including those from sales vehicles and a 20% reduction in the volume of copier paper used, as well as establishing model offices.

## Developing Environmental Awareness through Environmental Education

Sekisui Chemical Group is working to promote environmental management through having all employees act on their own to benefit future generations based on their own high levels of environmental awareness. We believe it is very important to foster an organizational culture in which every employee has a true feel for issues such as global warming and biodiversity



The Sekisui Nature Study Course.

and a large number of its human resources has a high level of environmental awareness, which results in consideration for the environment expressing itself naturally in their

actions. Through our efforts including environmental education and training from a wide range of approaches, nature conservation activities in the community, and raising awareness on environmental efforts in the workplace and the home, we are working to develop environmental awareness.

### ● Expanding training programs for specific employee ranks

Until now, environmental training has been provided for new employees and new members of management. Under the midterm environmental plan, we are expanding this training to deploy it for core Sekisui Chemical Group employees of the business leader level as well, including executives of Sekisui Chemical.

# Prominence in CS & Quality

**Aiming at quality that will continue  
to be specified by customers**

We, Sekisui Chemical Group, consider "CS & Quality" as our central concept of management and will consistently innovate to maintain the quality of products throughout all our activities. The Group aims continuously to provide values that meet customer expectations, to strive to be chosen by our customers on an ongoing basis, and to develop and grow with the customer over the long term.

In addition, based on the motto "We consider customer's feedback as the beginning of our manufacturing," we will aim, using the wide range of comments and information received from customers, to improve the Quality of Products as well as the Quality of Systems and the Quality of People, which support it, and to improve both the Basic Qualities and the Attractive Qualities of the values we provide to customers. The entire Group works together as one to realize quality that will continue to be specified by customers.

See the separate "Data" supplement, pages 19 and 21 for the CS & Quality Management Policy and Promotion System



**CSR Quiz 2**  
What is the motto of  
CS & Quality  
Management?



We consider \_\_\_\_\_ as the  
beginning of our manufacturing

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- 33 Topic:  
Aiming for a society in which the people of the world can live in health and comfort

Manufacturing Department, Tokyo Sekisui Heim Industry Co., Ltd.

### Supersonic A Group

(gold-prize winning group in the FY2009 Sekisui Chemical Group Improvement Activities Report Assembly)

# Advancing efforts to improve Basic Qualities and Attractive Qualities

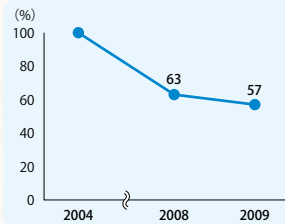
Progress on the Midterm Plan

## Important Items and Progress on Them

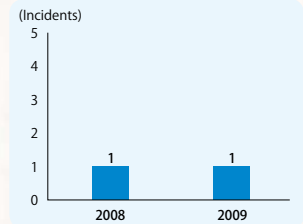
External loss costs\* in fiscal 2009 decreased by 3.2 billion yen from fiscal 2004. We also enhanced various types of education and training as well as tools for the purpose of training the human resources responsible for CS & Quality Management.

\* Costs arising from responding to product-related complaints and claims

External loss costs



Major quality-related problems



## CS & Quality Management Indicators

In fiscal 2006, Sekisui Chemical Group introduced a set of CS & Quality Management Indicators, which we use to assess the performance of each company. These are quantitative indicators that make it possible for us to see how much value we are delivering to the market and to our customers. Since the values of individual businesses differ with their own unique characteristics, a wide variety of indicators has been established for each industry and product category. Monitoring these indicators helps to ascertain the level of CS & Quality Management being realized, and they serve as leading indicators for long-term business management.

### Sekisui Chemical Group Concepts

#### Basic Qualities

||

Delivering products and services with the quality promised to customers

#### Attractive Qualities

||

Continuing to create new value in anticipation of the needs of customers and society

## CS & Quality Management Promotion System

The CS & Quality Subcommittee established under the CSR Committee drafts, deliberates, and decides on fundamental policies and implementation plans, as well as examining the state of related activities and issuing appropriate instructions and advice. The subcommittee, whose members include the directors in charge of CS & Quality Management from each division company, provides feedback to the relevant division companies and sections in charge concerning the content of its decisions, to enable actual activities. In addition, through activities including monitoring CS & Quality activities groupwide, deploying human-resources training measures, and communicating information concerning CS & Quality, the CS & Quality Group in the Corporate Headquarters' CSR Department promotes CS & Quality Management in the Group.

### CASE

#### Housing Company CS & Quality Conference

Each year, the Housing Company holds a CS & Quality Conference, gathering together in a single venue senior management of division companies and of sales companies, production companies, and construction and logistics partner companies across Japan, to ensure thorough adherence to CS & Quality activity policies and sharing of information on examples of such activities in each locality.



#### Urban Infrastructure & Environmental Products Company CS & Quality Committee

In the Urban Infrastructure & Environmental Products Company, the CS & Quality Committee meets once annually to check on the actual results of CS & Quality Management and discuss plans for the next fiscal year. Thirty people take part in this meeting, including the presidents and other executives of division companies, senior management of each business division, and plant managers, division company staff, and senior management from each section.

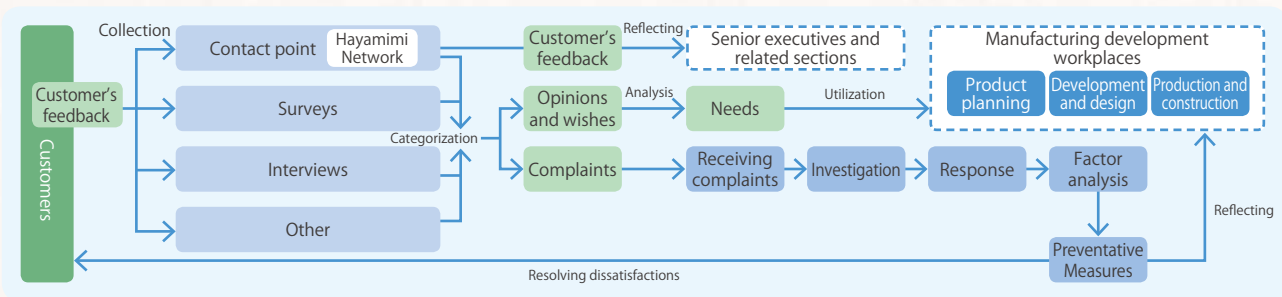
# Developing the human resources to respond to the voice of the customer

## System for collecting and utilizing customers' feedback

In addition to Customer Information & Consulting Services in the CSR Department, Sekisui Chemical Group has established contact points for inquiries in each division company's business facilities and in each section of sales companies. In this way, we are working to respond swiftly to inquiries, guidance, and wishes from customers. Information submitted

to Customer Information & Consulting Services is stored in the Hayamimi Network in-house database, where it can be viewed by related sections such as those involved in product development and by management. Each division company utilizes the information in the Hayamimi Network as examples of customer-service cases and hints on product development.

### The starting point of manufacturing development is customers' feedback



## CASE

### Housing Company

### Continuing to hold CAT Meetings for direct dialogue between customers and top management



A CAT meeting

Since fiscal 2005, members of top management of the Housing Company and housing sales companies have been holding Customer and Top (CAT) Meetings in which they meet with customers directly to solicit feedback. In fiscal 2009, these meetings were held 1,411 times, gathering feedback from a total of 4,583 customers (2,968 households). Ex-

amples of putting customer feedback to use cover a broad range of efforts including not just improvements to mechanical equipment and additions to the choices available to customers but also enhancements of communication with customers such as improvements to explanatory tools used for customers and periodic inspections. In addition, in fiscal 2009 the CAT Meetings were expanded at Tokyo Sekisui Heim Co., Ltd. into a series of multiple repeated meetings with customers who had taken part in CAT Meetings to obtain proposals from a point of view like that of an advisory board, actively seeking advice on sales-company management in general, from a broader perspective.

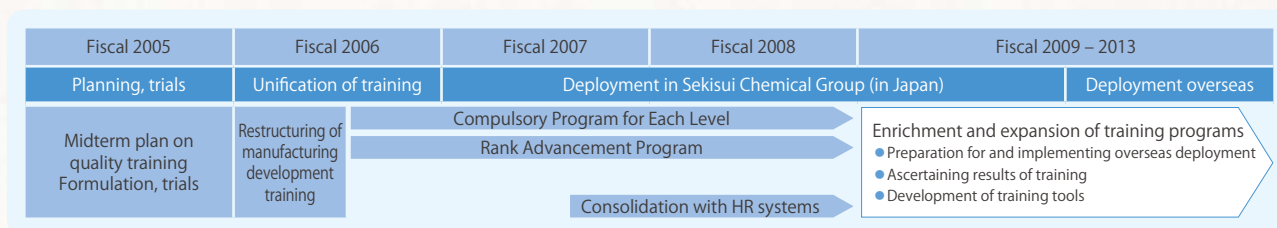
## Systems Training the human resources to support manufacturing development

Various programs are underway in a systematic manner, in accordance with the Manufacturing Development Training Program Midterm Plan formulated in fiscal 2005. These lead to improvements in levels of quality by promoting consciousness of manufacturing development and reforms in behavior among individual employees.

### □ Manufacturing Development Training Program

Programs	Details
Compulsory Program for Each Level	Mind management training for managers in manufacturing sections
Rank Advancement Program	An elective program focused on training in the areas of engineering and knowledge (i.e., safety, quality, maintenance, and innovation methods)
Technologies and Skills Transfer Program	Consulting, preparation of manuals, and training of instructors on methods of transferring technologies and skills to the next generation of employees

### □ Manufacturing Development Training Program Midterm Plan



## Systems Human-resources training to foster a CS culture

Sekisui Chemical Group has been rolling out a CS awareness program called STAR 55 since fiscal 2002. In fiscal 2009, in addition to implementing the program as part of the training programs for specific employee ranks, for personnel including new employees and newly appointed managers, a CS Communication Skills Program began, with the objective of improving interpersonal skills. By developing bundled

individual programs based on the systematic program implemented until now, adoption suited to the needs of individual sites and other facilities has been simplified.



The STAR 55 program in action

## Systems Holding telephone service training

Telephone service training, which has been conducted with the goal of communicating to participants the telephone service skills and expertise built up at Customer Information & Consulting Services, was redesigned at the end of fiscal 2008. This redesign included adding guidance and simulation exercises as well as double-checking for a wide range of more detailed subjects including mental preparation for telephone service, steps from picking up the receiver until the end of the call, word use and ways of speaking, and listening abilities. In fiscal 2009 this training was conducted at 14 sites, with a total of 248 employees taking part.



A telephone service training

### The practical role-playing was very meaningful

Metropolitan Sales Office 1T,  
Sekisui Medical Co., Ltd.  
Sahara Sonoda

The practical content of this training was very useful. While I also underwent training on telephone service right after joining the company, since that was just classroom learning it did not give me a true feel for telephone service. After I began working on telephone service I encountered some difficulties. For this reason, I feel having this opportunity to undergo training including practical role-playing, instead of simply memorizing preparedness and knowledge, has been very meaningful.



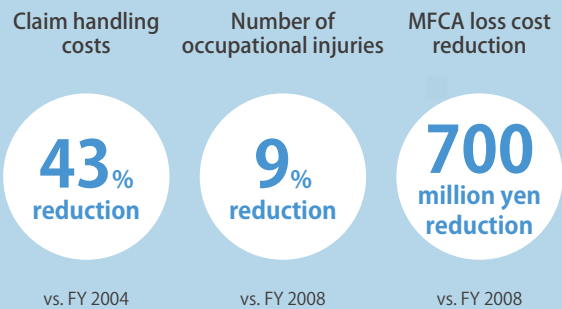
## Efforts toward Enhancing Basic Qualities

# In pursuit of quality that rewards customers' trust, striving to enhance quality-control systems and ensure safety

### Basic Qualities Efforts at the productivity innovation center

As a result of organizational restructuring, the Manufacturing Development Innovation Center, which had been set up inside the R&D Center at Corporate Headquarters, has been made a part of the Total Manufacturing Management Center newly established in fiscal 2009, together with the Global Manufacturing Innovation Group, the Purchasing Group, and the Safety Group. Actively advancing its goal of "Manufacturing Development SHINKA!" the Center contributes to enhancing Basic Qualities at Sekisui Chemical Group's manufacturing development sites. In fiscal 2009, under the motto "zero claims, zero accidents or defects, and zero waste," it strived to reduce loss costs, developing zero-defect production lines using advanced automation, introducing advanced eco processes, and enhancing manufacturing-development infrastructure

### Results of "three zero" activities Verified



capabilities at overseas sites. As a result, it achieved a reduction of 8.9 billion yen compared to the previous fiscal year.

## CASE

### Communicates ways of thinking about enhancing productivity Manufacturing Development Handbook

In 2009, a Manufacturing Development Handbook was produced, combining together in a single publication Sekisui Chemical Group's ways of thinking about activities to enhance productivity. Organized on the framework based on the concepts that quality is not possible without safety and productivity is not possible without both safety and quality, of manufacturing development focused on elimination of waste, and that manufacturing development is one part of human-resources development, this handbook briefly summarizes the fundamental items on safety, the "5S,"\* policy management, quality control, standardization, equipment safety, and group improvement activities. Overseas editions translated into English, Chinese, and Korean have been prepared as well, and these are being used to help enhance manufacturing development overseas.

\* Organization (seiri), orderliness (seiton), cleaning (seiso), cleanliness (seiketsu), and discipline (shitsuke)



Manufacturing Development Handbook

### Companywide quality engineering presentation meeting

Sekisui Chemical Group proactively employs quality engineering to reduce quality variation in manufacturing development. Since fiscal 2004, we have held annual companywide quality engineering presentation meetings, in an effort to share information within the company on cases of putting quality engineering to use. The sixth such meeting, held in fiscal 2009, welcomed 92 participants for nine presentations on application of quality engineering, from development and production sections.



The quality engineering presentation meeting



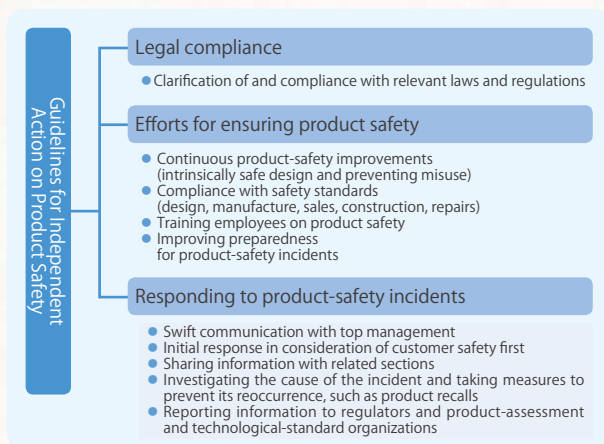
## Basic Qualities Systems for ensuring product safety

In response to amendment of the Consumer Products Safety Law\*, in August 2007 Sekisui Chemical Group established its Guidelines for Independent Action on Product Safety. We also established flows for responding to product-related incidents as new in-house rules. Since then, in accordance with these activity guidelines all sections, including development, manufacturing, marketing, and maintenance units, make

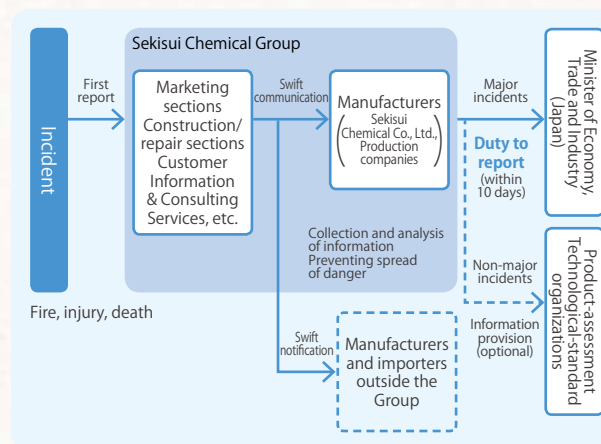
repeated efforts to improve the Quality of Products and the Quality of Systems.

\* A law established in 1973 to prevent accidents caused by products in everyday use by consumers and to protect the interests of consumers. This law was amended partially in May 2007, incorporating the requirements that manufacturers report any serious product-related accidents to the national government within 10 days and that the government publicize such reports promptly.

### Guidelines for Independent Action on Product Safety



### Flow for responding to product-related incidents



## Basic Qualities Promotion of quality control systems

Sekisui Chemical Group has developed thorough quality-control systems covering every process from production through product use by customers. Each section has a quality-assurance system for its products and services, and in each process we promote controls on a daily basis following the PDCA\* management cycle. Moreover, in developing products and making improvements to quality, we conduct screening from a variety of different perspectives, such as those of quality assurance and safety. We also are encouraging our business sites to become certified under the ISO 9001

international standard on quality assurance and quality management. In fiscal 2009, the total number of Sekisui Chemical Group business sites and departments certified under this standard rose to 85. The number of employees at these ISO 9001-certified business sites and departments represents 56% of all Sekisui Chemical Group employees.

\* P= Plan (planning), D= Do (implementation, operation)  
C= Check (checkup, corrective action) A= Action (improvement, review)

### Basic Qualities Deploying seminars on proactive measure

In fiscal 2009, the Seminars on Proactive Measure which have been periodically implemented in development and design sections, aimed at preventing errors through organizational efforts using systemic methods, were expanded to include manufacturing sections as well. This year three seminars were held, for a total of 112 participants.



A Seminar on Proactive Measure

### Aiming for a level of zero claims

Shiga-Ritto Plant  
Sekisui Chemical Co., Ltd.  
Tadashi Tanaka



Taking part in this seminar, at first I felt like it might be intended for engineers. However, as the lecture progressed I came to understand that using analytical methods in investigating the causes of claims could make problems clear, and countermeasures could lead to prevention of their reoccurrence and preventing them before they occur the first time. While we have not yet developed efforts that employ analytical methods on an everyday basis, I would like to aim to eliminate claims by utilizing these as one item to use when investigating the causes of problems (claims).



# Efforts to deliver safety and peace of mind to customers

## S/QC site dialogues

With the QC Caravans that began in fiscal 2008 as their starting point, in fiscal 2009 S/QC site dialogues began, as venues for sharing of information among participants on the subject of the state of everyday management at production sites, which is the foundation of manufacturing development. In these events, participants from the site leader level, in charge of production, quality, and safety, visit a business site to discuss cases on the themes of safety and quality and to take part in site tours and group discussions. The opportunities to observe operations and actual products in a different site and to speak with participants with whom one does not interact ordinarily have enabled participants to develop practical insights that they have then reflected in actual operations. In fiscal 2009, these events were held eight times, with 137 participants from 46 sites.



A S/QC site dialogue

## Passing along skills and preparing a manual that anybody can understand

Hamamatsu Plant  
Sekisui Fuller Co., Ltd.  
Masakazu Yokoyama



I have taken part in S/QC site dialogue for two years running: in fiscal 2008 and fiscal 2009. Doing so, I was able to gain valuable experience, including interaction between group members, on how we should handle our own management of safety and quality on an everyday basis. Among these results, the discussion of passing along skills through operation manuals that incorporate video instead of just text left a strong impression. While our manuals consist of text and photographs alone, we would like to make them more visually oriented. I would like to take part in these events proactively in the future as well.



## Group improvement activities deployed on a global basis

Small group activities, which began in 1966 as Quality Control (QC) groups, today have grown into "group improvement activities" in which employees in each workplace form small groups to promote improvements in production and operational efficiency and product quality improvements. At present, these efforts have spread to business sites not just in Japan but around the world, centered on production companies. In October 2009, the 17th All-Sekisui Americas Improvement Activities Report Assembly was held at Sekisui S-Lec America, LLC. (in the United States), welcoming 74 participants from 10 Group companies doing business in the Americas. In addition, in November the All-China Improvement Activities Report Assembly, the first such event to be held in China, was held at Wuxi SSS-Diamond Plastics Co., Ltd., welcoming 65 participants including those from six companies doing business across China and other participants from Japan. Furthermore, the 44th Sekisui Chemical Group Improvement Activities Report Assembly, a groupwide event in which teams announce exceptional results to each other (held in January 2010), welcomed participants from 21 groups (19 from Japan and two from overseas) chosen from regional blocs. Tokyo Sekisui Heim Industry Co., Ltd. won the gold prize, while among overseas sites Wuxi SSS-Diamond Plastics Co., Ltd. took the bronze prize.



The All-Sekisui Americas Improvement Activities Report Assembly



# Focusing on development of systems and human resources for providing more attractive quality and service

Efforts toward  
Creating Attractive  
Qualities

## Promotion of quality control systems

Training personnel of the next generation to create the Attractive Qualities in our Creation School training sessions

To continue creating Attractive Qualities, it is essential to develop the human resources to carry it out. For this reason, Sekisui Chemical Group began in fiscal 2008 holding Creation School public training sessions for young and mid-level employees. The goal of these sessions is developing human resources who will understand what provides value to customers and society and generate a succession of attractive

products and services.

In June 2009, a meeting was held in which the first year of Creation School students, who had continued these activities from the previous fiscal year, reported to management on the results of their activities.



The meeting in which the first year of Creation School students reported on their activities

## Attractive Qualities Series of CS & Quality seminars held

Since fiscal 2001, Sekisui Chemical Group has held CS & Quality seminars to which it invites leaders from various industries who have strong knowledge concerning CS and quality. Beginning in fiscal 2008, the CS & Quality seminars have been held under the title of the Attractive Qualities Series, focusing on themes for creating Attractive Qualities. In fiscal 2009, three sessions were held in Tokyo and Kyoto. These seminars featured lectures from key product-planning and development professionals from other firms who had worked on unique new hit products and exceptional businesses, on subjects including points of view and ideas on development

as well as factors for success. Many participants later said that these lectures provided much useful information, with interesting case studies that included talk of difficulties faced, and that they were very easy to understand and raised awareness about hidden matters that tend to be overlooked on an everyday basis, an indication that these seminars provided opportunities for education and raising awareness.



A CS & Quality seminar

## Increasing motivation through Miryoku Hinshitsu Monogatari

To increase motivation among young product-planning and development personnel, in fiscal 2008 a web site titled Miryoku Hinshitsu Monogatari, or "The Story of Attractive Qualities," was released on the company intranet. In fiscal 2009, two new themes were added to the site. This site tells the story of the processes of development and introduction of hit products and long-selling products that Sekisui Chemical Group has produced so far — in other words, it describes the birth and development of a number of attractive products that have provided customers with new value and contributed to society. It aims to lead to creation in the next generations of

Attractive Qualities through inspiring employee self-confidence by informing them about the background of Sekisui Chemical Group and through sharing information on the breakthrough points\* in product development.



Miryoku Hinshitsu Monogatari on the company intranet

\* Advancement or development of a situation brought to a standstill

# TOPIC

Aiming for a society in which the people of the world can live in health and comfort

Sekisui Chemical Group carries out a variety of business activities toward protecting the global environment and realization of better ways of living for human beings. One of these is the medical business, which aims to build a sustainable society from the perspectives of comfort and health. The following is an introduction to the thoughts and initiatives of Sekisui Medical Co., Ltd., which plays a central role in this business.

## ✓ The role of preventive healthcare grows more important in an aging society

Recent years have seen an increase in lifestyle-related diseases such as diabetes, which are worsening as a result of changes in people's lifestyles. According to a survey of public health and nutrition conducted by the Ministry of Health, Labour and Welfare, it is estimated that there are 22.1 million people in Japan who are strongly suspected of having or at an undeniable risk for diabetes—approximately 1.3 times the figure from 10 years ago. The same trend is apparent worldwide, and the International Diabetes Federation (IDF) projects that the total number of people with diabetes in the world will rise to 350 million over the next 20 years and is promoting a Unite for Diabetes campaign to the world.

Since early detection and treatment are very important for lifestyle-related diseases, interest in preventive healthcare is increasing and the roles played by diagnostic reagents and testing methods are growing more and more important.



## ✓ Broadening the possibilities for early detection, prevention, and treatment of lifestyle-related diseases

One of the products developed by Sekisui Medical Co., Ltd. that is attracting attention worldwide is its cholesterol testing reagents, which are related closely to arteriosclerosis. These made it possible to measure HDL ("good") and LDL ("bad") cholesterol, which until then had required complex preprocessing, directly using common automatic analysis equipment, thus contributing greatly to medical facilities by increasing the speed of testing and simplifying it. In addition to these, Sekisui Medical is making substantial contributions to prevention and treatment of lifestyle-related diseases such as diabetes through supplying medical facilities with a number of outstanding products including the world's first diagnostic reagents using the enzymatic method for measuring glycohemoglobin A1c\*<sup>1</sup>, and simple/rapid reagents and equipment for measuring BNP\*<sup>2</sup>.

## The Sekisui Medical Co., Ltd. way of thinking

In developed nations especially, as the quality of life has increased the population at risk for lifestyle-related diseases and metabolic syndrome is increasing rapidly, becoming a new topic of concern in society. With our business mission of contributing to the realization of healthy and comfortable ways for people to live, we cannot overlook such circumstances. It is our strong hope that our clinical reagents will aid in early detection of diseases and in preventing their progression, and to this end we provide scientific information to customers around the world.

Customer Support Center  
Sekisui Medical Co., Ltd.  
**Satoko Abe**



Rapid Chip BNP



Rapidpia



Rapid tester  
FLU stick

In addition, in the medical treatment field, another main business along with the diagnostic reagent business, Sekisui Medical provides support for pharmaceutical research, development, and production at pharmaceutical firms in Japan and around the world. For example, the ADME & Tox. Research Institute has used state-of-the-art analytical equipment and technologies to establish testing methods for forecasting how prospective new drug compounds are absorbed into the body, the medical effects they demonstrate, whether they are eliminated from the body, and what kind of side effects they will have, and these methods have been evaluated highly and earned a high level of trust in the industry.

\*1 Needed for early detection of diabetes and observation of the treatment process  
\*2 An essential marker for diagnosis of heart failure and ascertaining medical conditions

### ✓ Providing safer, more reliable products

The medical business is characterized by a high level of demand for safety as well as quality. Sekisui Medical Co., Ltd. has developed a system for providing safe and reliable products in which each section handling development, production, and sales of diagnostic reagents has established its own unique structure.

In development, it has established an internal R&D Ethics Committee to address various ethical considerations such as privacy protection, particularly with regard to research using human cells and tissue, and this committee conducts ethical screening of individual research issues. In addition to members from within the company, this committee's membership also includes outside experts such as doctors and attorneys, to ensure objectivity through exchange of opinions from third-party points of view.

In production, Sekisui Medical thoroughly carries out safe and reliable manufacturing based on the principle of compliance with the standards for production control and quality control of medical devices and in-vitro diagnostic agents under the Pharmaceutical Affairs Law. It also has established its own Sekisui Medical Promotion Code based on the Japan Association of Clinical Reagents Industries' guidelines for promotion of in-vitro diagnostic agents, as it strives to reward the trust of society in the area of sales as well.



**Cholestest N HDL/Cholestest LDL**

These are clinical reagents used to measure both "good" and "bad" cholesterol, which are related to arteriosclerosis. They boast the world's top market share.



I would like to see Sekisui Medical Co., Ltd. grow into a company with a sense of greater presence by always taking a broad view.

The role of clinical testing is increasing in importance for the purposes of medical quality assurance and promoting public health.

For this reason too, I would like to see the company make steady progress in development of testing methods that are highly beneficial from a clinical perspective and easy to use at medical facilities, without being bound by existing products and technologies.

In doing so, I hope to see products created that can resolve the various medical issues arising around the world.

Japanese Society of Laboratory Medicine  
Yukihisa Miyazawa, President

**Our hopes for the medical businesses of  
Sekisui Chemical Group**

# Prominence in Human Resources

**Encouraging each employee to be ambitious and realize their own potential at work and making contributions to society through our businesses**

Japanese society is experiencing a falling birthrate and a growing elderly population. At the same time, employees' values and lifestyles are becoming more diverse. Against this background, Sekisui Chemical Group strives to create environments where employees can work with liveliness and with a sense of safety and security and to create various systems and opportunities that help each employee

develop their own skills and grow as professionals, based on the idea that "employees are precious assets bestowed on us by society." We believe that actively helping each employee to be ambitious and realize their own potential at work through such efforts will promote the further development of our organization and business, which in turn will allow us better to contribute to society through our business. With the recognition that it is our social responsibility to protect individual human rights, we also respect the diversity, personality, and individuality of each person, and we promote creation of various working styles and safe and secure work environments in response to conditions in each country and region.

Raise corporate value by stimulating diverse human resources



See the separate "Data" supplement, pages 20 - 21 for the Human Resources and Human Rights Policy and Promotion System

## CSR Quiz 3

**What is the Sekisui Chemical Group's basic philosophy on human resources?**

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Research & Development Institute  
High Performance Plastics Company  
Sekisui Chemical Co., Ltd.

**Jiamo Guo**

Kyoto Research & Development Laboratories  
Urban Infrastructure & Environmental Products Company  
Sekisui Chemical Co., Ltd.

**Saki Tanimura**

Higashinohon Sales Headquarters  
Urban Infrastructure & Environmental Products Company  
Sekisui Chemical Co., Ltd.

**Hideki Tsukuma**

# Advancing efforts toward development of outstanding human resources and creating rewarding workplaces from a medium-term perspective

Progress on the Midterm Plan

As the globalization of its businesses accelerates, Sekisui Chemical Group is striving to create an environment in which each individual employee can thrive to an even greater extent and to build a foundation for training human resources.

In fiscal 2009, we carried out efforts focused on securing and developing global human resources, deploying career education led by career advisors across the Group, and promoting measures to achieve a sound work-life balance.

In fiscal 2010, together with continuing to focus our efforts on development of global human resources, we will advance efforts focused on improving Group human-resources capabilities and building workplaces where diverse human resources can thrive, under the activity policy of "enabling each individual employee to be prominent and play a key role."

## □ Results of Main Efforts in Fiscal 2009

Key theme	Main measures in fiscal 2009	Results of Main Efforts in Fiscal 2009
Securing and developing global human resources	Deployment of a global HR development project	<ul style="list-style-type: none"> <li>Revising pay systems and enhancing benefits for employees stationed overseas</li> <li>Holding a conference of North American HR section managers</li> </ul>
	Securing and developing global human resources	<ul style="list-style-type: none"> <li>Securing global human resources at the Boston Career Forum (one of America's largest job fairs for international students)</li> <li>Consolidating the global employee and global trainee programs into a companywide program</li> <li>Enhancing training held three months in advance of overseas assignment</li> </ul>
	Systematic implementation of CSR training	<ul style="list-style-type: none"> <li>Implementing CSR training at overseas facilities</li> </ul>
Corporate culture fostering individual learning and growth	Deploying career education led by career advisors across the Group	<ul style="list-style-type: none"> <li>Training career advisors to lay the groundwork for career education (Cumulative totals of 34 career advisors are officially certified and 83 have completed in-house training)</li> <li>Deploying career training taught by in-house career advisors at Group companies</li> </ul>
Growth and Commitment	Revising the full-time assignment strategy program (from development to evaluation)	<ul style="list-style-type: none"> <li>Adopting processes for generating results and a system for evaluating growth</li> <li>Holding training of supervisors to strengthen their abilities to train subordinates</li> </ul>
Workplaces where diverse human resources can thrive Rewarding workplaces	Promoting measures to achieve a sound work-life balance	<ul style="list-style-type: none"> <li>Making working hours more reasonable and implementing measures to promote a sound work-life balance</li> </ul>
	Building workplaces where women, older employees, people with disabilities, and non-Japanese employees can thrive	<ul style="list-style-type: none"> <li>Implementing measures to promote hiring of female employees in preparation for fiscal 2011 hiring</li> <li>Holding seminars for specific targets, to foster an appropriate culture</li> <li>Promoting taking of childcare leave by male employees (12 male employees took the leave)</li> </ul>
	Building healthy, comfortable workplaces (fighting harassment, carrying out mental-health measures)	<ul style="list-style-type: none"> <li>Holding training on harassment and implementing policies and guidelines for preventing harassment</li> </ul>

## Securing and Developing Global Human Resources

# Promoting development of human resources who can thrive on a global basis



### Global Human Resources Development from Three Perspectives

Since 2000, Sekisui Chemical Group has aggressively advanced the globalization of its businesses, through means including opening production facilities overseas, chiefly in China, and expanding its businesses overseas, mainly through mergers and acquisitions. Today, more than 20% of the entire Group's employees are working overseas, and as it does business on a global basis the need to secure and train global human resources is becoming even more pressing.

#### Providing opportunities to learn

We have developed systematic international training for new employees and global staff training, as opportunities for employees to learn in stages, starting with young employees, the knowledge and mindset needed to thrive on a global basis, in preparation for future overseas assignments. In addition, we provide a program of preassignment training for each posting location and job type, as an opportunity for employees to prepare for both living and working overseas.

#### Providing opportunities for practical experience

We have established the Global Trainee System targeted at mid-level employees, to enable a greater number of personnel to experience working overseas. Under this system, employees are dispatched overseas on a continual basis. Setting fixed periods of up to two years in length, human resources in various positions, such as sales and accounting, take on the challenge of new duties as prospective members of the overseas management ranks of the future.

#### Hiring of global human resources

Since fiscal 2003, we have hired non-Japanese employees on a continual basis, to secure the human resources to support our businesses on a global stage in the future. In addition, to aggressively hire students with the motivation to thrive overseas, since fiscal 2008 we have had a booth at the Boston Career Forum, the largest Japanese-English bilingual job fair in the United States, where we speak with large numbers of international students from Japan.

#### Global HR development system

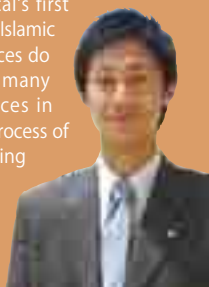
	Domestic staff			National staff overseas		
	Related operations (domestic and international)	Overseas business travel	Overseas assignment	Senior assignments/ management staff	Management staff	Skilled technical staff
Core management			Preassignment training	Policy briefings/ overseas management CSR study sessions		
Core management (management)			Understand by country position	Global trainees (hands-on training overseas)	Vision promotion	
Core management (general production)			Overseas support assignment	Dispatch by section and overseas		
Overseas business travel			Global management training			
Overseas assignment			Global management training			
Senior assignments/ management staff			Global management training			
Management staff			Global management training			
Skilled technical staff			Global management training			
International training for new employees						

### In sales and marketing activities in Libya, every day is a challenge

LIBYA ESLON (SEKISUI), J.V.C  
Global Water Infrastructure Division  
Urban Infrastructure & Environmental Products Company  
Sekisui Chemical Co., Ltd.

Shintaro Shibata

Currently I work on sales and marketing activities in the water-related market of Libya, which shows the promise of further market growth in the future. Since I was assigned here before the subsidiary was established, I also was able to take part in the process of establishing the company, learning something new every day. Since this is Sekisui Chemical's first venture in North Africa and in the Islamic world, lessons from past experiences do not necessarily apply here, and many times I am puzzled by differences in business practices. However, the process of moving toward a goal while judging current circumstances at all times makes every day a challenge and an opportunity to grow stronger, and my work is very stimulating.



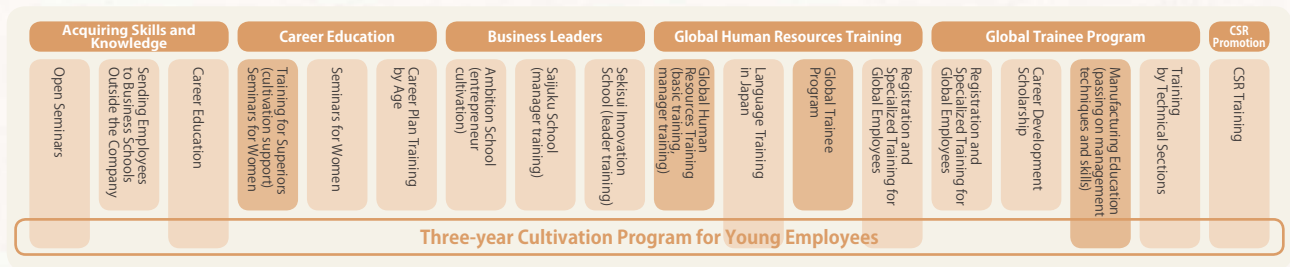
### Efforts Targeted at National Core Human Resources Overseas

Study sessions for management personnel at overseas affiliate companies are held regularly to share the Sekisui Chemical Group's vision and management policies and exchange opinions on putting CSR management into practice at each company. In addition, conferences of the presidents and HR section general managers of local affiliates have been held in North America since fiscal 2009. Through these efforts, we are working to strengthen Group management in each area around the world.

# Supporting each employee's medium- to long-term career formation in accordance with his or her level and position



## Education and training structure



### Training Career Advisors

To develop a workplace environment that provides support for employees to enable them to develop their own careers independently, since fiscal 2007 we have been training career advisors who will serve as key career-support personnel within the Group. In fiscal 2009, a total of 15 persons, comprising HR and training personnel as well as labor union representatives, took part in an in-house training, learning subjects such as human-resources training to assist individual employees and how human-resources systems should function. In addition, the career advisors who already have completed this training, are providing support to employees in each workplace and region, for example through holding career meetings with young employees and serving as instructors in regional career-planning training (for employees 30 years of age).

### Continuing Career Plan Training by Age

As an opportunity for each employee to examine his or her own career and life plans from a mid- to long-range perspective, Age-wise Career Plan Training by age is provided for employees at or near the critical ages of 30, 40, and 50 years. Over the ten years since this program began in 2001, 3,465 employees have taken part in this training, which also serves as a valuable opportunity for employees of similar ages to interact with each other across the boundaries separating sections and workplaces. Furthermore, this program also is meaningful as an opportunity for trainees to become aware of the diversity of ways of working and ways of viewing work, as they think deeply about and discuss with each other themes suited to their own age groups.

### Conducting the Three-year Cultivation Program for Young Employees

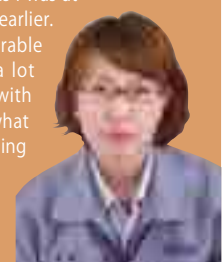
In fiscal 2006, Sekisui Chemical launched a training program on fundamental business skills and knowledge conducted in addition to on-the-job training\* in the workplace, based on the concept that the first three years after joining the company are the nurturing period for employees. This program features a full range of programs including career training for the purpose of enabling young employees to think about their visions for the future based on ascertaining how much they have grown during each fiscal year, as well as career meetings in which they can share such thoughts with their superiors. Young employees who have completed the three-year program are using what they have learned successfully in each workplace in the organization.

\* A method by which employees learn the skills, abilities, and knowledge they need by actually doing work

#### Career planning has helped me develop considerable self-confidence

Shiga-Minakuchi Plant  
Sekisui Chemical Co., Ltd.  
Saori Nasu

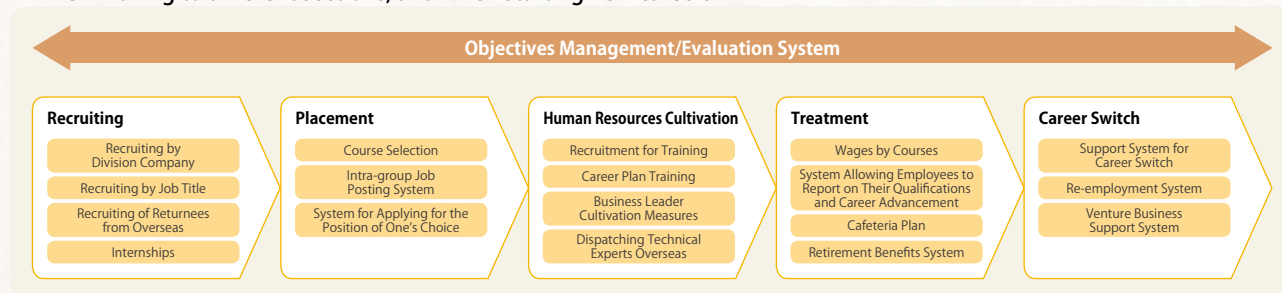
For a while after I first joined the company, it was all I could do just to keep up with my everyday responsibilities, and I did not feel like I was growing. However, in the career planning conducted as part of the Three-year Cultivation Program for Young Employees I was able to evaluate my performance objectively by comparing myself as I was at that time to how I was one year earlier. This helped me develop considerable self-confidence. I also gained a lot from taking part in the training with high motivation by confirming what skills I lacked and from the refreshing encouragement of seeing people who joined the company at the same time I did working as hard as they could to move forward.



Opportunities  
to Take on  
Challenges on  
One's Own

## Supporting employees who take on challenges on their own, through transfers, training, and promotion

□ System for supporting employees when assigned to departments after joining the company, when moving to different sections, and when starting new careers



### A Human-resources System Designed to Enable Employees to Build their Own Careers

Sekisui Chemical has developed a human-resources system in which employees can apply for positions on their own, through various stages of their careers from prior to hiring through training, transfers, promotions, and career changes.

Sekisui Chemical has implemented division company-specific recruiting, enabling applicants themselves to choose the departments and job categories for which they apply. It also has adopted an Intra-group Job Posting System for transfers that take place after hiring, in which employees desiring transfer may meet with recruiting sections and transfer without their superiors' approval, as long as there is a match between the needs of the employee and the recruiting section.

At the promotion stage, we operate a system under which employees hoping for promotion can make presentations on their own business achievements and be promoted if they satisfy standards established by each division company. We have abolished the previous system of uniform promotions based on seniority and are increasing the transparency and understanding of promotions by communicating the results of evaluations to employees individually, whether the employee has met the promotion requirements or not.

In fiscal 2009, the Intra-group Job Posting System was used to recruit motivated human resources proactively. As a result, 11 staff members now are thriving on new stages. The percentage of applicants under this system from Group companies seeking to take on (apply for) challenges in new workplaces across company boundaries has increased to 42% (from 26% in fiscal 2008), as the corporate culture of taking on challenges is spreading throughout the entire Sekisui Chemical Group.

### Supporting Employee Career Development, with a Spotlight on Specialized Human Resources

What each employee needs to develop his or her own career is a clear role model. At Sekisui Chemical Group, we employ the Specialty Position System that drives development of next-generation products and fosters leaders for numerous engineers. In fiscal 2009, we introduced the Manufacturing Meister System to recognize employees in manufacturing sections who possess outstanding skills. Employees named Manufacturing Meisters help promote awareness of career development among employees by serving as practical role models for other employees in each workplace, while at the same time putting their advanced specialized skills to use in various business operations.

#### Solving business-related issues by further improving my skills

Manufacturing Meister  
Sekisui Minakuchi Chemical Co., Ltd.

Kishio Hiraoka

I feel that manufacturing is more difficult than in the past, as customers' required quality levels have continually increased recently. We still face numerous issues, and current conditions are not satisfactory at all. Manufacturing is interesting work because there is a lot more to it than one would think at first glance. I want to enthusiastically address myself to the areas where there are issues that require solutions.





# Seeking further individual and company growth through fair evaluation of employees' achievements and growth

Growth and Commitment

## Supporting Growth Through Meetings Between Superiors and Subordinates

Performance-based evaluation is not intended to create distinctions among employees. Rather, each employee works with a sense of individual growth and job satisfaction and translates this into concrete results. The company impartially evaluates these results and treats employees appropriately with benefits and remuneration. This system encourages the setting of higher, more challenging targets, which in turn leads to further personal growth and growth of the company. These are the objectives of Sekisui Chemical Group's performance-based evaluation.

Based on this concept, in fiscal 2009 the system for evaluation of full-time assignments was revised. The previous performance-based evaluation system was subdivided into results and processes, so that growth in job abilities could be added explicitly to the evaluation criteria, and superiors would be asked to give absolute evaluations of their subordinates. These revisions are intended to enhance meetings between superiors and subordinates and the transparency of evaluation. Sekisui Chemical is supporting individual growth from a medium- to long-range perspective, with a focus on this evaluation system.

In fiscal 2010, we plan to enhance career interviews of subordinates by their superiors, as an effort to promote further support for individual growth through meetings between superiors and subordinates.

## Efforts to Improve Evaluator Skills

Follow-up workshops are held for superiors who underwent evaluator training one year earlier. The program of these workshops includes tasks such as identifying issues participants sensed in actually employing the system of management by objectives over the year, sharing among participants information on problems and areas for improvement, summarizing the conditions related to subordinates that each participant considered the most important, and looking at things from subordinates' points of view through role-playing the parts of subordinates. At the end of the workshop, participants endeavor to achieve further improvements in their evaluator skills by preparing action

### □ Sekisui Chemical Group's Concept of Performance-based Evaluation



plans for putting what they have learned into practice in the workplace. Efforts such as these are being held continually at individual business sites. Taught by instructors including HR personnel and qualified career advisors, these efforts are intended to deepen understanding of the system as it applies to each workplace and job type.

## Systems That Link Achieved Targets and Results with Remuneration

Sekisui Chemical has created a system that links achieved targets (results) with remuneration, in the belief that superior performance can be obtained if each employee is satisfied with the treatment he or she receives and finds his or her job satisfying and rewarding. Bonuses are calculated on the basis of the performance of the individual employee as well as the business results of each division company and Sekisui Chemical Group overall, while salaries reflect not only individual business results but also evaluation of personal growth as an assessment of progress in achieving targets.

We believe that in continually enhancing the fairness of performance evaluations it is important to consider not just the opinions of evaluators but also those of the employees to be evaluated. Consequently, we conduct regular questionnaire-based surveys of both. The Evaluation System Council, which conducts exchange of opinions between labor and management, examines the results of the surveys and uses these to improve the system and its operation.

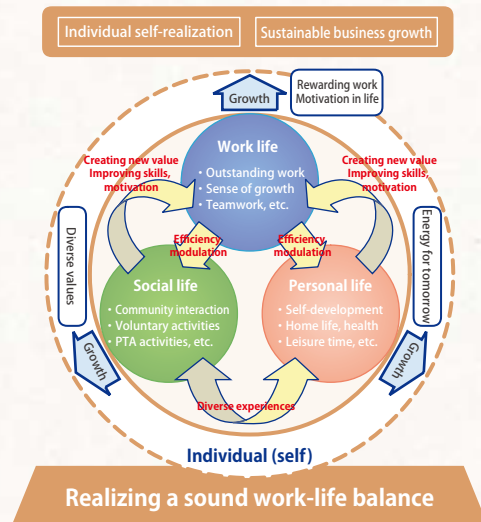
# Working to build an environment in which individuals can work with fulfillment and vitality

## Promoting a Sound Work-Life Balance

Sekisui Chemical Group aims to contribute to both individual self-realization on the part of employees and the sustainable growth of the organization through enriching the life of each individual employee at work, as an individual, and as a member of society.

For purposes of self-realization, it is important to achieve personal growth through investing in oneself regularly outside working hours, in addition to enriching work. This is considered to enable one to acquire knowledge, sensitivity, and values unavailable through work alone, and to leads to new value creation. Based on this concept, we aim to realize a sound work-life balance for each employee.

## □ Sekisui Chemical Group's Concept of Work-Life Balance



## Efforts of the Work-Life Balance Committee

In fiscal 2008, Sekisui Chemical Group established the Work-Life Balance Committee, a joint labor-management deliberative body intended to study practical measures for promoting a sound work-life balance. In fiscal 2009, the committee carried out activities to communicate information on work-life balance broadly to Group employees, including opening an intranet site and holding work-life balance seminars.

New intranet site

To provide information to and raise awareness among all Sekisui Chemical Group employees, a new intranet site exclusively concerning work-life balance has been set up. This site communicates information broadly to employees by featuring content such as a message from the President of Sekisui Chemical indicating the thoughts of management on efforts to promote a sound work-life balance, information on the goals of related efforts, and the Work-Life Balance Check Sheet that can be used to check one's own work-life balance.



The intranet site

Work-life balance seminar

Work-Life Balance Seminar has been held with the goal of fostering among a large number of employees an understanding of the Sekisui Chemical Group's concept of a sound work-life balance and related efforts. Following an explanation by the CSR Department of Sekisui Chemical Group's Efforts to Promote a Sound Work-Life Balance, this seminar featured a lecture by an outside instructor on the theme titled "Work-Life Balance and Reforms to Ways of Working."



Work-Life Balance Seminar

Reducing working hours

In fiscal 2009, we implemented numerous efforts intended to reduce working hours. The Action Plan on Reviewing Ways of Working to Reduce Overtime Work was formulated, and each company and section in the Group reviewed its existing ways of working and worked to reduce overtime work through promoting efficient operations. In addition, each work site carried out activities such as those to raise awareness of the need to leave work at the scheduled time, for example by establishing a "no-overtime" day and making related announcements inside the site.

# Striving to build a workplace in which a diverse workforce can do rewarding work

Workplaces where Diverse Human Resources Can Thrive

## Making Progress on a Diverse Workforce and Diverse Ways of Working

Sekisui Chemical Group is making progress in various efforts with the goal of creating a workplace where all employees, regardless of factors such as gender, nationality, age, or employment type, can do rewarding work with vitality. For example, the Group is advancing the expansion of its support for promoting achievements of women in the workplace and its system of support for employees with children, to reflect diversifying values and ways of working.

In fiscal 2006, Sekisui Chemical Group began full-fledged efforts on support for promoting achievements of women in the workplace, intended to build workplaces where women can thrive. We are proactively hiring female employees, expanding opportunities for achievement of women in the organization, developing through seminars a suitable culture, and providing support for women's career development. As a result, the number of women in management has roughly doubled compared to the period before these efforts began.

We also are carrying out continual efforts to build workplaces where temporary employees from placement agencies can do rewarding work.

## Further Expansion of Support for Successive Generations

To support ways of working in response to various life events such as childbirth and raising children, and to enable employees to balance work and raising children more smoothly, Sekisui Chemical is encouraging male employees to take childcare leave. In fiscal 2009, the first five days (working days) of childcare leave were made paid leave. In addition, to support parents of school-age children, we implemented a system under which parents of children through the fourth grade can work reduced working hours, parents of elementary-school children can change their working hours, and assistance on the costs of caring for children is available until children graduate from elementary school.

In addition, we are promoting deployment of the system for cultivation and support of successive generations to affiliate companies.

## Efforts Related to Human Rights

With the recognition that it is its social responsibility to protect the human rights of each employee, Sekisui Chemical Group respects the diversity, personality, and individuality of each person and promotes various working styles as well as creating safe and secure work environments in response to conditions in each country and region.

Sekisui Chemical's head offices in Osaka and Tokyo are holding seminars on prevention of harassment, primarily targeting line managers, to promote development of a workplace where all employees can work with peace of mind. In addition, Sekisui Chemical's Shiga-Minakuchi Plant is advancing efforts to build a workplace free from discrimination, including establishing a fundamental policy on human-rights issues and holding annual training for all plant employees to raise awareness among employees.

CASE

### Developing a workplace where people take others' points of view into consideration

Since fiscal 2007, Ryuseki Jyubi Industry Co., Ltd., which manufactures modular bath components and materials, has accepted people with mental disabilities from a local school for handicapped children, on a work-experience program. Furthermore, we also hire people with minor disabilities as full-time employees, and in fiscal 2009 five individuals worked in jobs to repair wooden pallets and to finish covers for inspection holes of walls and ceilings.

As a result of accepting people with disabilities to work as colleagues in the same workplace with other employees, and responding to any work difficulties by thinking about their causes and making relevant improvements, we have been able to improve the workplace environment as a whole. In addition, this also has contributed to cost savings by enabling us to operate internal production of some parts and materials we had purchased previously.

This has led to the way of thinking of assigning the right person to the right job, without worrying about disabilities. It also has helped the individual employees grow, by experiencing on their own the difficulty of working as a member of society.



Working on the press molding process to manufacture bathroom parts and materials

# Deploying occupational health, safety, and accident-prevention activities to realize a safe and secure company

## Five Themes for Safety and Security

Constructing a work environment in which employees can work with safety and security is one of the most important subjects that the management faces. Aiming to be a safe and secure enterprise trusted by our customers and members of local communities, Sekisui Chemical Group has established Safety Policies (see Data p. 20) in order to realize this goal. The entire Group is deploying total safety (i.e., zero work-related injuries, zero equipment-related accidents, zero commuting-related accidents, and zero long-term illness absences) activities based on five pillars.

## Fiscal 2009 Activities

In fiscal 2009, activities were advanced based on the five pillars as the first fiscal year of a midterm plan. While individual activities were successful in reducing work-related injuries, some issues remain to be resolved thoroughly as we work toward completion of a structure for achieving the goal of zero work-related injuries.

## Safety Measures

Based on the philosophy of acting with a resolve to ensure that no subordinates or other individuals are injured, and on ensuring thorough awareness among front-line site employees of the principle of "safety first," senior management and supervisors are implementing the following primary measures:

1. Training personnel to recognize risks
2. Training to identify unsafe behavior and thorough compliance with self-declarations on safety
3. Eliminating the sources of risks: Achieving intrinsic safety of equipment and reviewing work environments

### Five Pillars of Occupational Health, Safety and Accident-prevention Activities



### Midterm Plan (Fiscal 2009–2013)

**Midterm goal: Completing development of a corporate culture based on zero workplace accidents**

#### Sites in Japan:

Completing development of a structure for zero workplace accidents by the end of fiscal 2010

#### Overseas sites:

Completing development of a structure for zero workplace accidents by the end of fiscal 2013

## Safety Audits

Safety auditing is conducted to evaluate basic subjects of management such as legal requirements, management systems, and organizations as well as individual subjects of management focused on site activities. Together with ascertaining whether safety activities are carried out properly and have taken firm root at sites, we use these audits to identify issues and weak points in site safety activities and implement prompt improvements for these, to advance the development of safe workplaces.



## Training personnel to recognize risks

### Safety competition held

While in the past we have held annual safety award ceremonies for related parties, in July 2009 the first Sekisui Chemical Group Safety Competition with participation by all sites in Japan was held. This competition welcomed 140 participants including related directors and senior management from 59 sites, serving as a venue for decision on advancing efforts to develop a corporate culture based on zero workplace accidents by extolling the achievements of the winning sites and sharing information across the organization on successful cases.



The safety competition

### Efforts at Sekisui Chemical's Shiga-Ritto Plant

In July 2009, during national safety week, Sekisui Chemical's Shiga-Ritto Plant held a Safety Shinka Competition. Consisting of three sections—a safety lecture, a safety improvement competition, and a 4RKY competition—this event helped raise employee morale.



The Safety Shinka Competition program

### Training for top management on improving safety

Group training was held for senior management, technical supervisors, and safety staff at certain designated sites, to improve safety. Participants confirmed issues with each other and reviewed improvement plans, senior management from

each site announced their decisions, and group discussion and information-sharing were conducted on plans for future improvements. Each division company will follow up on the status of implementation of these measures.

## Training to identify unsafe behavior and thorough compliance with self-declarations on safety

### Production Video KY\* —Kyushu Sekisui Heim Industry Co., Ltd.—

Kyushu Sekisui Heim Industry Co., Ltd. is using videos to improve risk-detection abilities, by having employees themselves point out potential risks in their work. Individual goals are set based on these potential risks pointed out, and superiors assess the state of compliance.

\* Risk detection (Kiken Yochi)



Video KY Training

### Production 1,000 potential risks identified —Kyushu Sekisui Industry Co., Ltd.—

Kyushu Sekisui Industry Co., Ltd. is carrying out activities to identify potential risks in the workplace and raise individual sensitivity to safety. In two years, it has uncovered more than 1,000 potential risks, and it is advancing efforts to make further improvements.

#### An example of improvements under the new theme of corner hunting



Numerous protruberances in equipment are risky



Covering corners



## Safety communication program

Sekisui Chemical Group is carrying out the Safety Communication Program using dialogue with site supervisors and craftspersons to increase each individual's sensitivity to risks. In fiscal 2007, this program was adopted first at Tokyo Sekisui Heim Co., Ltd., and then it was expanded to housing sales companies in Hokkaido, Tohoku, Chubu, Shikoku, and Kyushu in fiscal 2008 and to Fami-S (renovation business) sections in fiscal 2009. A class on communication with craftspersons has been incorporated into the curriculum of training for construction supervisors in Fami-S sections, and guidance on methods of putting dialogue into practice are continuing.



## KYT\* and communication training

—Sekisui Hometechno Co., Ltd.—

Sekisui Hometechno Co., Ltd. began KYT training, including the safety communication activities adopted in residential construction sections, in fiscal 2009. With the goal of providing safety guidance at construction sites, this training is held at branches and sales offices, primarily for sales facility general managers and similar personnel as well as supervisors from partner companies. Many participants commented that the training gave them a new sense of risk-detection methods and dialogue with craftspersons.

\* Risk detection (Kiken Yochi)



4RKYT group presentations

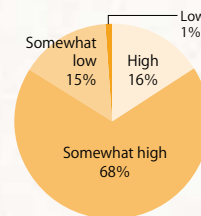


4RKYT group exercises

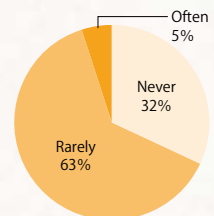
## Safety Awareness Surveys

To achieve the goal of zero workplace accidents, there is a need to raise the level further on individual safety awareness and actions, including intrinsic safety of equipment. With the cooperation of each site, Sekisui Chemical Group is carrying out the Safety Awareness Surveys and promoting individual safety declarations, and compliance with them, to enable improvement in safety awareness and related actions based on the results of these surveys.

Q1. How would you describe your risk sensitivity?



Q2. How often do you take a risky action?



### Safety declarations by employees



"My goal is to eliminate unsafe actions by valuing communication with craftspersons."

Sapporo Nishi Branch  
Hokkaido Sekisui Heim Co., Ltd.

**Kazutaka Tobishima**



"I will be sure to remind people of safety points before starting work each day, to raise awareness of safety among all team members."

Building Materials  
Manufacturing Section  
Asaka Sekisui Industry Co., Ltd.

**Hideo Teramoto**



"I will give top priority to the principle of 'safety first' and will not tolerate unsafe activities."

Taga Plant  
Sekisui Amagasaki Chemical  
Co., Ltd.

**Akira Tanaka**

## Eliminating the sources of risks: Achieving intrinsic safety of equipment and reviewing work environments



### Accident-prevention risk assessment

In response to occurrence of accidents, chiefly those involving use of fire-fighting equipment, Sekisui Chemical Group is carrying out activities with the goal of eliminating such accidents. In fiscal 2009, we began deployment of the Accident-prevention Risk Assessment (focusing on fires and explosions) throughout the Group. Based on the Common Group Manual issued in July 2009, we are carrying out accident-prevention risk assessment at all production sites and laboratories in Japan. Together with periodically verifying the effectiveness of measures implemented, we also carry out continual risk review, and strive to enhance and ensure everyday control of equipment and work, planned renovation of aged facilities and equipment, and the intrinsic safety of equipment.



### Comprehensive safety plus "5S" activities

—Sekisui Seikei Co., Ltd.—

Sekisui Seikei Co., Ltd. has tagged locations needing improvement at all five of its plants, and as the first step of the "5S" process it has completed improvements at 3,401 locations through organization (seiri). Currently it is moving on to the second step, orderliness (seiton).

\* Organization (seiri), orderliness (seiton), cleaning (seiso), cleanliness (seiketsu), and discipline (shitsuke)



Posting results of "5S" improvement activities



Risk detection training



### Site safety inspections

#### New Construction sector

##### Improvements (vs. fiscal 2008)

- Site floors have been made safer through efforts in areas such as materials storage shelves and hanging hoses and cords from the ceiling
- The number of sites addressing site-specific risk points concretely in KY (risk detection) meetings has increased



Pointing and calling to confirm safety

#### Fami-S (renovation business) sections

##### Improvements (vs. fiscal 2008)

- Single-person KY and 4RKY have become firmly established as site activities
- Efforts to prevent recurrence of accidents through case studies of accidents at other sites, including partner companies, have become firmly established



4RKY practice



### Top management patrols with digital cameras

—Sekisui Medical Technology (China) Ltd.—

Since Sekisui Medical Technology (China) Ltd. manufactures medical products, its facilities and work are concentrated in clean rooms. Since its production rooms are separated into numerous partitions to maintain cleanliness, there have been cases in which risks difficult for supervisors to spot have been left unaddressed. In response, as one of its main safety activities senior management themselves patrol the work areas every day, investigating from a critical point of view tasks to which employees have become accustomed, and photographing one case of an unsafe location or unsafe activity each day. These photos are then posted to safety activity bulletin boards. Since the photos remain until improvements are complete, this activity not only helps share information on risks swiftly but also helps visualize progress on improvements and the state of checking by management and supervisors, leading to reforms in safety awareness among all employees.



Posting unsafe locations and unsafe activities to a bulletin board

## Sekisui Chemical Group is making progress in reinforcing compliance systems, to remain a company trusted by society

### Fiscal 2009 Efforts

- ✓ Continued efforts to reinforce compliance in Japan
- ✓ Promoted compliance and raised awareness overseas

### Compliance Management Philosophy

The strong belief that we need to aim to be a company trusted by society at large, with each employee following the motto of our Attitudes of Sincerity, is the foundation of compliance in Sekisui Chemical Group. We carry out fair and honest business activities through ensuring thorough compliance with laws, regulations, social norms, morals, and ethics, on a global basis.

## Promoting Compliance in Japan and Around the World

Domestic compliance initiatives in fiscal 2009 focused on prevention of harassment. We held harassment seminars for all Sekisui Chemical Group line managers and prepared and released to all employees Guidelines on Preventing Harassment as a tool for raising awareness. These were carried out as part of Sekisui Chemical Group's efforts to develop an environment where all employees can work enthusiastically and with peace of mind. In addition to these initiatives, we also continued the compliance training by employee level and by field that was introduced in fiscal 2008. In our international initiatives, we

carried out training for overseas affiliate companies, based on the U.S. Antitrust Law Compliance Manual and European Competition Law Compliance Manual as well as the Global Compliance Manual, each of which was prepared in fiscal 2008. While it described the fundamental concepts of compliance that should be achieved uniformly by Sekisui Chemical Group around the world, taking into consideration the legal, regulatory, and cultural differences of each nation, to promote raising awareness of compliance, this training also called for thorough efforts toward compliance with antitrust law.

### □ Compliance training and other efforts implemented in fiscal 2009

Japan	International
<ul style="list-style-type: none"> <li>• Compliance training for senior management, newly appointed members of management, and new employees</li> <li>• Harassment seminars for managers (held twice)</li> <li>• Training through e-learning, for all employees (six times/year)</li> <li>• Field-specific training for newly appointed executives and employees of domestic affiliates (covering subjects including compliance in general, the Subcontracting Law, the Product Liability Law, harassment, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Training on EU competition law for senior management of overseas affiliates (held twice)</li> <li>• Overseas compliance briefings for senior management and local employees of overseas affiliates (four times)</li> <li>• Training for employees assigned overseas (twice)</li> <li>• Basic training for global personnel (twice)</li> </ul>



## Examples of compliance initiatives

### Housing Company

Based on an understanding that customer information is the property of the relevant customers, the following efforts are underway to ensure that customers can provide information with peace of mind when contracting for Sekisui Heim construction or renovation work.

#### (1) Storage

Employees are prohibited from storing or administering customer information themselves. Instead, they are instructed to store such information in locked locations specified by the company, or on designated servers.

#### (2) Removal from company premises

Sales personnel are permitted to carry with them only information on customers they plan to visit or meet with on the day (roughly five customers/day), and in principle taking any other customer information off company premises is prohibited. When doing so is unavoidable, they are instructed to obtain the permission of the person responsible and to keep records of the removal of information.

#### (3) Behavioral controls

When an employee has taken customer information off company premises for unavoidable reasons, the employee is prohibited from visiting places other than those necessary for business rea-

sons while keeping the information next their skin. In addition, employees are made thoroughly aware of the fact that they must never leave important documents including customer information inside a vehicle (including inside the trunk) when leaving the vehicle, even for just a short time.

### Sekisui Hometechno Co., Ltd.

Sekisui Hometechno Co., Ltd. employs uniform control of design specifications and similar documents, in addition to carrying out the same efforts as the Housing Company. Since it subcontracts construction to install modular baths to outside contractors, it needs to lend information such as designs containing customer information to these contractors temporarily. When doing so, when printing designs and other documents for shipping it automatically assigns a two-dimensional bar code to each sheet. Through thorough application of this system, it can control such documents uniformly from when they are lent out through their return and disposal through dissolution, making it possible to check on the documents' locations immediately. Also, once a month it checks with contractors on the state of storage of such information and provides guidance as needed. Through these and other measures, Sekisui Hometechno is striving to foster an atmosphere in which customer information is handled very carefully.

## The S.C.A.N. Whistle-blowing Program

In 2002, Sekisui Chemical Group developed S.C.A.N. (Sekisui Compliance Assist Network), an intra-company whistle-blowing system, available for use by all Sekisui Chemical Group employees (including employees of subsidiaries of subsidiaries and temporary staff from placement agencies). In addition to distributing Compliance Cards describing whistle-blowing contact points, introductions to this system are provided in the Group's in-house magazine, e-learning, and compliance training, as efforts to ensure thorough awareness of the system among all personnel.

In fiscal 2009, there were eight cases of whistle-blowing reports and consultation, and swift responses were implemented giving consideration to whistle-blowers and related sections.

### List of content of whistle-blowing reports and consultation

Category	Number of reports
Working conditions	2
Sexual/power harassment	3
Improper use of business expenses	1
Other	2
<b>Total</b>	<b>8</b>

## Legal Violations in Fiscal 2009, etc.

In February 2009 the Fair Trade Commission found Sekisui Chemical to have colluded with other firms in determination of sale prices of polyvinyl chloride pipes and fittings over the period 2004–2006 and ordered it to take measures to eliminate such collusion and to pay surcharges (hereinafter referred to as the "order"). Since the recognition of the facts on which these orders were based differs from that of Sekisui Chemical, in April 2009 the company asked the Fair Trade Commission to cancel the orders. Appeal procedures currently continue.

In the future as well, Sekisui Chemical will continue its efforts to raise awareness of compliance, always keeping in mind the fact that compliance is an important foundation of CSR management. Since fiscal 2008 no new cases of violations of laws or regulations or similar incidents having significant impact on society have been discovered.

## Sekisui Chemical Group is advancing its responses to various business risks by establishing a company-wide risk management system

### Fiscal 2009 Efforts

- ✓ Established an overseas risk management system
- ✓ Surveyed risks in all business sections, to establish a company-wide risk management system

### Risk Management Philosophy

In addition to measures intended to minimize the impacts of risks, it also is important to carry out management intended to discover risks before they have an impact, and to eliminate them as much as possible. Sekisui Chemical Group is developing a risk management system based on the two foundations of risk management to respond to risks appropriately and risk prevention to ensure that risks do not arise, and it is making progress in expanding deployment of this system to each business section.

## Responding to New Strains of Influenza

Sekisui Chemical Group has been advancing countermeasures against new strains of influenza since fiscal 2008 and establishing its own standards for responding to outbreaks.

In response to an outbreak of cases of infection with a new influenza strain in Japan in 2009, we carried out countermeasures giving top priority to ensuring the safety of customers, business partners, and employees and strived to prevent the spread of the disease through swift responses such as restraint from unnecessary, non-urgent business travel and having all personnel wear facemasks during their commutes and business discussions.

Later, things calmed down as it became clear that the fatal-

ity rate of the new influenza strain in Japan was lower than that of seasonal influenza and that there was little concern of becoming severe among patients with no underlying conditions. However, in response to concerns including high fatality rates overseas and the surprising increase in the number of cases during the summer, when influenza usually is uncommon, the standards for responding to outbreaks were revised, including those for preparations for responding to avian flu, about which there still remains concern about a possible outbreak.

The new response standards establish detailed response measures in accordance with factors such as the conditions of an outbreak and infection, toxicity level, and risk level.

### □ Standards for responding to outbreaks of new influenza strains

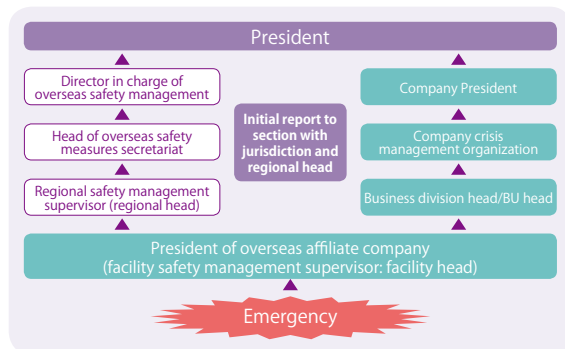
Reference: WHO classification	Phase 1 - 3	Pre-Phase 4	Phase 4			Phase 5/6 (pandemic)	End
Sekisui Chemical Group classification	A	B	C-1	C-2	C-3	D-H	
	No outbreak	Pre-outbreak	Outbreak outside country of residence	Outbreak outside country of residence	Outbreak in area of residence of facility personnel	Classification according to the rate of absenteeism in facilities	
			<div style="border: 1px solid black; padding: 5px; display: inline-block;">Consideration of establishment of a response task force</div> <span style="font-size: 2em; color: green;">→</span>				

## Global Risk Responses

In response to accelerating globalization of business, including advancement of production facilities to China and other overseas locations and expansion of overseas businesses chiefly through mergers and acquisitions, in fiscal 2009 the Global Security Management Regulation were revised. These regulations, which until then had covered only employees of Sekisui Chemical, were revised to cover all employees working in Sekisui Chemical Group, both in Japan and around the world.

Together with this revision, the network of communication for overseas risk management was reorganized and "Global Crisis Management Guidelines for the Group Companies of Sekisui Chemical Co., Ltd." were prepared. This corresponds to the overseas edition of the Crisis Management Guidelines 2009 for Sekisui Chemical Group, which covers basic rules for responding to risks in Sekisui Chemical Group. In addition to summarizing related matters, with the addition of measures for responding to risks specific to overseas operations, it also incorporates management of region-specific issues and crises, including responses at affiliates overseas. This reflects the fact that the anticipated risks overseas vary widely by region. In the future, we will develop a system to enable global risk countermeasures.

### □ Network of communication for overseas risk management



### Introduction of the Global Crisis Management Guidelines

The new Global Crisis Management Guidelines, established together with revision of the Global Security Management Regulation, describes the uniform philosophy and procedures of Sekisui Chemical Group for cases of emergencies arising overseas. Under this framework, in the event of an emergency the persons responsible at an overseas affiliate first take the lead themselves in carrying out appropriate responses, and then share information with related sections and communicate timely and accurate information to management. These Guidelines also define clearly Sekisui Chemical Group's basic philosophy of crisis management: giving top priority to humanitarian considerations and keeping the impact of the emergency on society as low as possible, while also working to recover and continue business operations. To ensure that all overseas affiliates are thoroughly aware of these Guidelines, they have been prepared in four languages – Japanese, English, Chinese, and Korean – and posted to the intranet.



Global Crisis Management Guidelines

## All Business Divisions Subjected to Risk Surveys

With the goal of developing a company-wide risk management system based on the Group's policies and systems, since fiscal 2007 Sekisui Chemical Group has promoted efforts to raise awareness by employee level and development of related systems and advanced practical measures. In fiscal 2009, we carried out efforts focused on development of countermeasures against risk in accordance with business characteristics and development of relevant systems.

One of these measures is the business-division risk survey, intended to ascertain serious risks and implement countermeasures for them. In fiscal 2009, the Risk Management Project was established as a section specializing in risk management.

Together with personnel in charge of risk management in each section, it has thoroughly identified potential risks inherent to ordinary business operations through choosing the risks considered to be serious and making judgments on their severity (four levels: very high, high, medium, and low) and countermeasures against them (three levels: formulation of new countermeasures required, continuation of existing countermeasures, and no countermeasures needed).

Following sufficient study of the responses to these surveys in the Risk Management Project, we will make progress in implementing countermeasures in order, beginning with those for high-priority risks.

**Fiscal 2009 Efforts**

- ✓ Continued efforts to disclose honest and accurate information
- ✓ Continued communication with a wide range of stakeholders
- ✓ Strived to enhance awareness of CSR in everyday business activities

## Sekisui Chemical Group advances the processes of disclosure and communication with stakeholders and proactively applies the results of communication to CSR Management

### Disclosure Philosophy

Sekisui Chemical Group recognizes the importance of adequate and proactive disclosure and two-way communication based on this disclosure for promoting mutual understanding and developing relationships built on trust with our stakeholders. Based on the clear Disclosure Principles established in 2005, Sekisui Chemical Group is working to advance communication with all stakeholders and to reflect as appropriate in our business activities the evaluations we receive.

## Dialogue with Stakeholders

Sekisui Chemical Group aims to achieve prominence and contribute to society through business activities together with all members of its supply chains, through promoting dialogue with them.

The packaging tape business in the High-Performance Plastics Company has established an agent's meeting called *tsutsumi-kai* ("wrap-up meetings") as a venue for dialogue with the agents.

It holds several *tsutsumi-kai* meetings each year in two types: national *tsutsumi-kai* meetings in which 40 agents from across Japan take part and regional *tsutsumi-kai* meetings with agents from each region. The national *tsutsumi-kai* meetings serve as an opportunity for agents to communicate directly with Sekisui Chemical management, with the President of Sekisui Chemical and the President of the High-Performance Plastics Company briefing them on Sekisui Chemical Group management policies and business policies.

At the same time, the regional *tsutsumi-kai* meetings also provide opportunities for participants to develop their skills together, through training for sales personnel and management training. The national *tsutsumi-kai* meeting held in May

2010 featured an introduction to the business's contributions to the environment and business growth, on subjects such as the background of development of new environment-contributing products in the business and their results, together with sharing Sekisui Chemical Group's philosophies on CSR and on efforts such as incorporating environmental considerations into products. We also plan to deploy in these regional *tsutsumi-kai* meetings activities as a partner of agents, such as sharing information on business policies and ensuring an understanding of environmental products.



A *tsutsumi-kai* meeting of agents in the packaging tape business

### Direct communication between management and employees

Each year since 2002, Sekisui Chemical Group has provided opportunities for management and employees to communicate with each other directly, to share the thoughts of management and comments from workplaces.

In fiscal 2009, the Vision Caravan 2009, in which the President of Sekisui Chemical himself discussed the content of the midterm management plan and the Group Vision as well as the thoughts embodied in these, was held at 12 locations throughout Japan with a total of approximately 400 persons in attendance. On the same day of this event, opportunities were provided for participants to discuss what they themselves should do to realize the Group Vision. Through these dialogues, management and young employees shared their thoughts with each other.

Such opportunities for management and employees to communicate with each other are provided at business sites as well, and each year Ritto Sekisui Industry Co., Ltd. implements dialogue between management and employees on a variety of subjects.

### Annual caravan held to share Sekisui Chemical Group's goals and thoughts

Ritto Sekisui Industry Co., Ltd.  
Hiroaki Kozai, President

VOICE

Since Ritto Sekisui Industry Co., Ltd. was established in April 2003, we have held the Ritto Vision Caravan each year to communicate directly the goals of establishing the new company and the policies of top management at the site.

Since fiscal 2009 was the first year of the midterm management plan, we provided a description of the plan and then had participants break down into small groups for group discussions on the plan. Dialogue was conducted by having all groups present their comments and questions on the management plan, and then I responded to these.

We believe that straightforward exchange of opinions between top management and employees on Ritto Sekisui's CSR philosophy and management objectives is important under any circumstances.



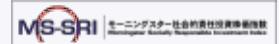
## Outside Evaluation

Sekisui Chemical Group's CSR efforts have received high evaluations from outside the Group. We believe these evaluations are the result of activities such as our CSR efforts, full disclosure of quantitative information on their results in areas such as the environment and occupational health and safety, even including negative information; and proactive communication with stakeholders as well as reflecting the results in management.

In the future as well, we plan to advance these efforts to further improve the evaluations we receive from society.

### Inclusion in Socially Responsible Investment (SRI) Indices etc. (as of March 2010)

- Dow Jones Sustainability Indexes (DJSI)
- Morningstar Socially Responsible Investment Index
- FTSE4Good



### Evaluations of CSR Report 2009

- Award for Excellence in the Sustainability Report Awards at the 13th Environmental Communication Awards (Sponsors: Ministry of the Environment, Global Environmental Forum)
- Award for Excellence in the sustainability report awards section of the 13th Environmental and Sustainability Report Awards (Sponsors: Toyo Keizai Inc., Green Reporting Forum)

# Conserving the Natural Environment and Contributing to Society

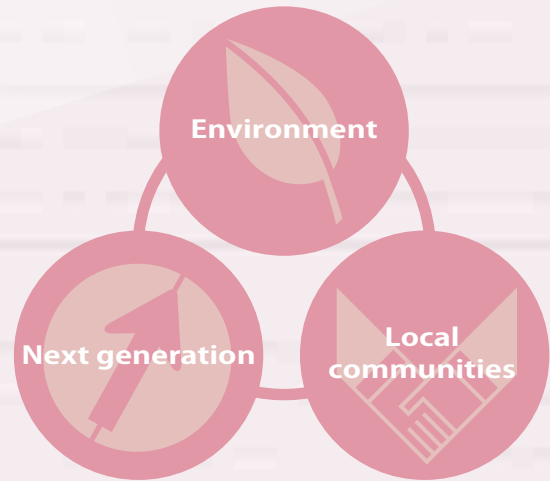
## Sekisui Chemical Group will contribute to society utilizing its characteristics and assets as an enterprise

Across various aspects of its interaction with society, Sekisui Chemical Group carries out social-contribution activities utilizing its characteristics and assets as an enterprise. In addition to company support for activities both inside and outside the organization, we also are expanding activities to enable employees to play active roles in society, with activities conducted mainly in the three areas of the environment, the next generation, and local communities.

### Main activities

- Nature conservation activities at each site
- Support for nature conservation activities of nonprofit and nongovernmental organizations
- Support for lessons at schools in which employees take part
- Chemistry Classroom Project, Houses and the Environment Learning Program
- Charity activities in which it is easy for individual employees to take part
- Table for Two, Book Magic
- Support for science and technology research
- Grant Program for Research on Manufacturing Based on Learning from Nature.
- Donations to aid in recovery from major earthquakes

See the separate "Data" supplement, pages 20 for the Social Contribution Policy

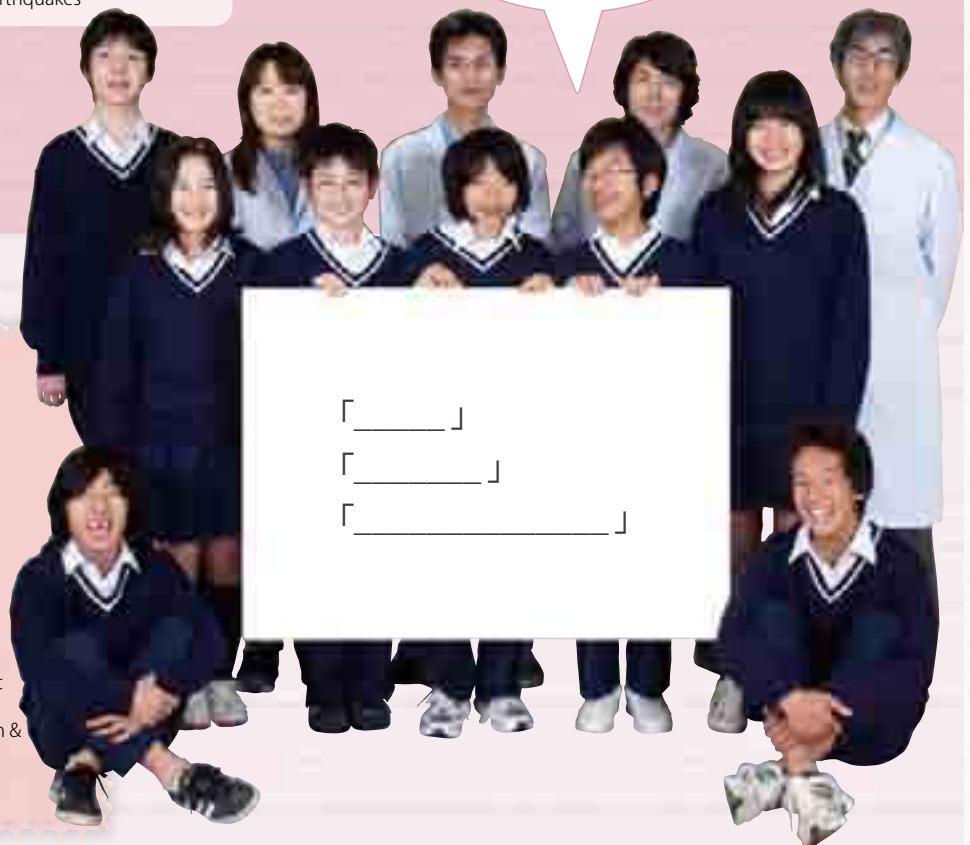


**CSR Quiz 4**  
What are the three main areas in which Sekisui Chemical Group carries out social contribution activities?

## CONTENTS

- 54 Nature Conservation Activities
- 55 Social Contribution Activities
- 57 Topic:  
Aid to Areas Struck by the Haiti Earthquake

Participants in the Chemistry Classroom Project from the Sekisui Chemical Co., Ltd. High-Performance Plastics Company's Research & Development Institute, together with students from Shimamoto-Daiichi Junior High School (in Osaka Prefecture)



# Each site carries out activities rooted in the local community

Nature Conservation Activities

## Sekisui Chemical Hokkaido Children's Nature Study Course

Growing seedlings together with the community: Forest development project

A partnership formed with the Sorachi General Subprefectural Bureau (formerly the Sorachi Branch Office) of the Hokkaido government when the Sekisui Nature Study Course was held in June 2007 continues today with activities to help children in the community experience nature.

The new forest development project that began in fiscal 2009 is a long-term initiative to collect the seeds of plants in the local Tonebetsu Virgin Forest, raise them as seedlings, and return them to the wild in nearby forests. Through experiencing the series of activities from harvesting seeds through growing seedlings from them and replanting the seedlings as trees, participating students and employees can share the objective of conserving the local natural environment. In October activities, participants collected Magnolia kobus, maple, and other seeds and planted them in 300 paper plots, with the guidance of the nonprofit organization Tonebetsu Forestry Network.

In the future as well, we will continue activities working together with the community as one, in cooperation with nonprofit organization and the Sorachi General Subprefectural Bureau.



Collecting seeds of plants in the Tonebetsu Virgin Forest

## Sekisui Chemical Tokyo Plant Children's Nature Study Course

Activities to preserve natural woodlands on inclines on the plant grounds

Sekisui Chemical's Tokyo Plant in Saitama Prefecture occupies a part of a river terrace in the Musashi area, with approximately 3,000 square meters of woodlands on inclines on the plant grounds. Despite their small surface area, these woodlands are covered in a wide variety of trees including madake bamboo, windmill palm, and konara oak, as well as *Prunus jamasakura*, and they are home to a wide range of creatures such as insects and snakes as well. Considering these thickly wooded areas to be small natural woodlands, since February 2004 the plant has carried out activities including thinning the madake bamboo and planting konara oak, together with students from a nearby elementary school.

Through activities such as splitting the madake bamboo they cut down and using them to build erosion barriers and enjoying craft activities such as making bamboo vases and balancing toys, the children get an opportunity to learn about the changes in people's lifestyles since the old days when the trees in thickly wooded areas were a source of energy and about coexistence between human beings and nature.



Children experience cultivating Chinese black mushrooms on withered tree logs

### □ Efforts in support of the nature conservation activities of NPOs and NGOs

In partnership with the Keidanren Nature Conservation Fund, Sekisui Chemical Group cooperates in the nature conservation activities conducted by environmental nongovernmental organizations (NGOs) both in Japan and around the world. Over the past 13 years, we have assisted 77 projects. Utilizing our network with NGOs, we hold briefings inside the Group to report on the activities of supported NGOs, and employees participate proactively in meetings for interaction between the company and NGOs as well as international conferences on nature conservation. Today, we provide support for the projects shown at right.

### □ Projects supported in fiscal 2009

Organization (country)	Activity
Green Earth Network (Japan)	Tree planting in China
Ramsar Center (Japan)	Wetlands conservation, protecting rare fauna
NPO School of Killifish (Japan)	Preservation of natural woodlands, protecting rare fauna
Environmental NPO (Shu) (Japan)	Tree planting across Japan
Nature Conservation Society of Kurohama Marsh (Japan)	Wetlands conservation, protecting rare fauna
Collective Living Green Network (Japan)	Forest conservation, environmental education

## Social Contribution Activities

# Providing opportunities to learn by responding with flexibility to the needs of the educational environment

## Chemistry Classroom Project

The High-Performance Plastics Company is deploying the Chemistry Classroom Project at junior high schools in Mishima District, Osaka Prefecture, where its Research & Development Institute is located. In this project, Sekisui Chemical Group employees work together with class instructors to develop curricula suited to science-class units and lead classes, began in fiscal 2008 in response to employees' stated desire to contribute to the local community.

While in its first year the program covered seventh graders only, in fiscal 2009 it expanded to comprise classes on subjects suited to the units being taken by seventh and eighth graders and a general course for ninth graders. Seventh graders learn about and experiment with plastic materials in a class titled "the substances around us." Eighth graders learn about and experiment with adhesives in a class titled "chemical changes, atoms, and molecules," and ninth graders experiment with interlayer films for glass used on automotive windshields in a special class for the general course. Through classes such as these, the program has provided students with opportunities to get a true

feel for just how interesting chemistry can be.

Plans for fiscal 2010 call for development of a curriculum suited to ninth-grade units. Since, as a result, the program will offer a curriculum for each year of junior high school, it will make progress in spreading chemistry education rooted in the community even more aggressively.

While the Chemistry Classroom Project is an activity targeted at junior high schools in Mishima District, Osaka Prefecture, in fiscal 2009 one-time classes and events were held in other prefectures as well, with the cooperation of other divisional companies.

Shikoku Sekisui Industry Co., Ltd. (in the city of Saijo, Ehime Prefecture), a site under the jurisdiction of the Urban Infrastructure & Environmental Products Company, has conducted a plastics course jointly with members of the Chemistry Classroom Project team, in response to a request from a local junior high school "to learn about plastics, which are covered in a course unit beginning in the 2009 school year."

In addition to using Shikoku Sekisui Industry products as a model to cover how plastic products are made in a curriculum based on the subject of "the substances around us" in a unit of the students' textbook, the course's content also is intended to get students more interested in plastics. Also, a tour of the Shikoku Sekisui Industry plant was conducted as part of the class.



Members of the Chemistry Classroom Project team instruct students

### Teaching a class of junior-high school students helped me to notice things about my own job as well

Research & Development Institute  
High-Performance Plastics Company  
Sekisui Chemical Co., Ltd.

Yoshinori Akagi

VOICE

I took part in the Chemistry Classroom Project because I wanted to communicate to students how fun chemistry can be. While it was tough in the curriculum development process to put together a class structure and experiments suited to the class content that would

make students interested in the subject, the feeling of being able to share with the students the joy of experimenting with a variety of phenomena together with them in the class as a result has been inspirational for my research activities. Together with other team members, I want to build an even better curriculum, without just being satisfied with things the way they are.



The class conducted by Shikoku Sekisui Industry Co., Ltd.



## The Houses and the Environment Learning Program

Since fiscal 2007, the Housing Company has provided the Houses and the Environment Learning Program to junior high schools, as a program putting employees' knowledge of housing and the environment to use in the classroom.

This program offers a new type of class, full of unique contents in which Sekisui Chemical Group employees and teachers lead the class together to help students learn about the roles of homes and the environmental impact of living, think of home plans through group discussions, and experience building environmentally conscious homes using model homes. These and other aspects of the program make its content highly unique as well. In fiscal 2009, this program was conducted at a total of nine junior and senior high schools in the Kanto, Kansai, and Kyushu regions of Japan. The program has been

well received, with one school commenting, "Students seemed very satisfied with this course, which could be taught only by specialists in homebuilding." This is an educational activity that is highly significant to the schools, students, and the company, as exemplified by comments from participating employees such as, "We got some hints for how to broaden our work from the students' strong powers of imagination."

Plans call for expansion of the area in which this program is conducted in fiscal 2010, to further enhance contributions to the local community.



An employee giving advice in a class

## Social Contribution Activity that is Easy for Individual Employees to Participate in

### TABLE FOR TWO

Sekisui Chemical Group is focusing on social contribution activity that is easy for individual employees to participate in. In fiscal 2008, we introduced Table for Two, a program in which 20 yen is added to the cost an employee pays for a meal in an employee cafeteria, and then this amount is donated to support providing lunches to children in developing countries. This program, which began at three facilities initially, expanded in fiscal 2009 to cover five facilities. Since fiscal 2008, employees have contributed approximately 610,000 yen through the Table for Two program.



An example of a menu at a facility participating in Table for Two

### BOOK MAGIC

Book Magic, a project in which participants sell unneeded books and CDs and contribute the proceeds to a nonprofit organization to assist programs supporting education in developing countries, began in fiscal 2009. This activity, which began at a single facility, has expanded to four sites thanks to its nature as a social-contribution activity that is easy for facilities to implement. In fiscal 2010, plans call for further expansion of the activity.



A site implementing the Book Magic program

## Charitable Contributions

Sekisui Chemical Group is proud to provide donations and other financial support to a wide range of activities, including those in support of environmental causes and cultivating successive generations. Charitable contributions in fiscal 2009 totaled approximately 107 million yen.

Main types of support provided include activities in support of nonprofit organizations and nongovernmental organizations through the Keidanren Nature Conservation Fund and the Sekisui Chemical Grant Program for Research on Manufac-

turing Based on Learning from Nature.

We also assist in recovery in the event of large-scale disasters. In fiscal 2009, we provided 4 million yen in donations to help victims of the Haiti earthquake, in the form of matching gifts corresponding to employee donations and assistance from the company itself.

So far in fiscal 2010, the company has donated 1 million yen in response to the Chilean earthquake.

## Aid to Areas Struck by the Haiti Earthquake

Utilizing the donation system of the nongovernmental organization JEN, in response to the Haiti earthquake we have attempted, for the first time, a program of accepting donations by credit card from Sekisui Chemical Group employees along with matching gifts from the company.

This can be described as a new type of effort meeting the needs of three parties: employees, any of whom can provide indirect support such as making donations even though they cannot take part in on-site support activities in the area struck by the earthquake; the company, which can create a structure for support programs without having to develop new systems; and NGOs, are seeking support for on-site activities.

We discussed with JEN matters such as these donations and how they are used.

### Notes:

The Haiti earthquake: Estimated at a magnitude of 7.0, this major earthquake struck Haiti on January 12, 2010 (local time).

Matching gifts: A system under which the company donates funds equal to or exceeding the corresponding amounts donated by employees

NGO: Non-governmental organization

JEN: An NGO providing independent support in regions struck by natural disaster or war, from emergency aid through helping residents return to their previous ways of life

### “We collected 1,117,000 yen in donations, with the cooperation of 311 Sekisui Chemical Group employees”

**Sekisui Chemical (“Sekisui” hereinafter):** In the past, Sekisui Chemical Group employees have commented that while they would like to do something to help victims of major disasters they were unsure specifically what to do. We implemented this program, as the first attempt of its kind, thinking that we could meet this need stated by employees through using the JEN system.

**Keiko Kiyama, JEN Secretary General (“Kiyama” hereinafter):** We are both very grateful for these donations and very moved by the surprising speed of the company’s response, from the time the quake struck until the donations were made. Since this was the first attempt, I am sure the decision-making process inside the company was not an easy one.

**Sekisui:** We believe that the key to the success of this program was the ability to donate by credit card. Since Sekisui Chemical Group has facilities across Japan, it had been difficult to collect donations. Also, until now there had been no system in place under which all Sekisui Chemical Group personnel could contribute, whether permanent or non-permanent employees, and it would have been unrealistic for the company to develop a donation system for that purpose. This method makes it easy for anybody to donate, regardless of the location of their workplace or the time of day. We believe that we have been able to achieve a win-win situation that satisfies the needs of all three parties, through coordination with the system offered by JEN, which needs funding for its activities.

**Kiyama:** In addition to being grateful for the funds, we also are very strongly encouraged by the fact that so many people have supported us. We also believe that through our activities in the field we can provide encouragement to the victims of the earthquake. We have experienced the joy of being able to deliver the warm feelings of Sekisui Chemical Group personnel to the field through this chain reaction.

**Sekisui:** In particular, we wanted to develop a system in which everybody working at Sekisui Chemical Group could take part. Right after we called for donations, every day they kept rolling in without ceasing, from personnel at sales offices and exhibition facilities across Japan and even those on assignment overseas. They are very interested in how their donations will be put to use.

**Kiyama:** We decided to mobilize on the second day following the earthquake. Since Haiti is a French-speaking nation, we dispatched Cyril Cappi, who speaks French and is an expert on disaster aid, along with two others. We provided aid in three villages in the district of Grand Goâve, about 50 kilometers west from Haiti’s capital city. The donations received were used to cover the costs of aid supplies for 140 households and transporting them from the capital. The aid supplies consist of 10 sheets of galvanized sheet iron per household, along with a set of tools.

**Sekisui:** Please describe the details of how you decided on the area to aid and on how the donations would be used.

**Kiyama:** Considerable aid was concentrated on areas that were covered in news reports after the earthquake struck. However, we were certain that there must be some areas that suffered great damage but were receiving insufficient aid, and after we investigated we decided to aid Grand Goâve because it was in a truly helpless situation.

**Cappi:** Our studies in the field showed that there was a need for roofs to withstand strong sunlight. However, it is dangerous to build roofs over rubble. Also, since people were sleeping outdoors there was an urgent need for shelter to protect them from the wind and rain in preparation for the rainy season beginning in April. For these reasons, we decided to deliver sets consisting of sheets of galvanized sheet iron along with tools for removal of rubble, to enable victims to clear rubble and install roofs.





**Ms. Keiko Kiyama**  
Trustee, Secretary  
General, JEN

**Mr. Cyril Cappai**  
Director of Overseas  
Program Department, JEN

**Kiyama:** While the need for materials is important too, at the same time we need to remember cost-benefit analysis. Since we cannot satisfy every wish, it is important to identify what truly is needed and can be put to effective use in the future as well.

**Cappai:** For example, while we received many requests for tents, those suitable for family use are very expensive. Also, they would quickly be blown away by the hurricanes that can strike around June. We determined that sheets of galvanized sheet iron were appropriate because they can be made somewhat resistant to hurricane through efforts such as nailing them down properly. In light of concerns about possible rioting as well, since we communicated in advance to people in the field the kind of support we would provide and discussed matters with local leaders, everything went smoothly.

**“In principle, we purchase aid materials locally, and donations also are used for indirect costs such as labor expenses”**

**Sekisui:** How do you procure aid materials?

**Cappai:** In principle, the aid materials distributed by JEN are purchased locally. This is because doing so stimulates local markets, and the country benefits from the spending. This time too, we decided to procure the materials in Port au Prince.

**Sekisui:** When conducting necessary aid and other activities, you must need not just material aid but also excellent staff who are very familiar with the details of disaster aid. Do you use donations to cover the costs of activities as well?

**Kiyama:** Studies in damaged areas and collecting information require experience and skills, and there are linguistic conditions to consider as well. What is important to us is support for independent living. For example, just distributing materials in some cases may increase dependency. There is a need to make efforts to employ distribution methods that can support independence, and it also is important to send to the field staff who can carry out such aid. We hope people will understand that to put the donations we have received to their maximum use, indirect components are important too. We have adopted a ratio of eight to two as a standard, using 80% of donations on direct costs such as those of materials and 20% on indirect and administrative costs. Naturally, our policy is to decrease this 20% as much as possible.

**“Donations do not just help in providing material aid but also are expressions of heartfelt concern”**

**Sekisui:** We contribute money in the form of donations because we want to do something in response to the earthquake. While



**Employee comments on the donation program**

- I am grateful for this excellent opportunity, since I had wanted to aid victims of the earthquake somehow.
- I was able to cooperate in aid activities, if only a little.
- When the call went out for donations, I was unfamiliar with the term “matching gift,” but I made a donation by credit card.

we had been thinking of these only in terms of their being converted to material aid, we should think not just in those terms but also of how our heartfelt concern is communicated to Cyril and people in the areas struck by the earthquake, who are working as hard as they can despite the difficulties caused by the damage.

**Cappai:** Of course. A large number of people in Sekisui Chemical Group cooperated in this aid project. Receiving donations is a way of receiving part of the giver’s heart. This works inside me like a small motor. The feeling that I am not alone, and that I am not conducting aid activities on my own, supports me greatly.

**“What we would like people to keep in mind is not to forget the victims, to continue aid activities, and to communicate”**

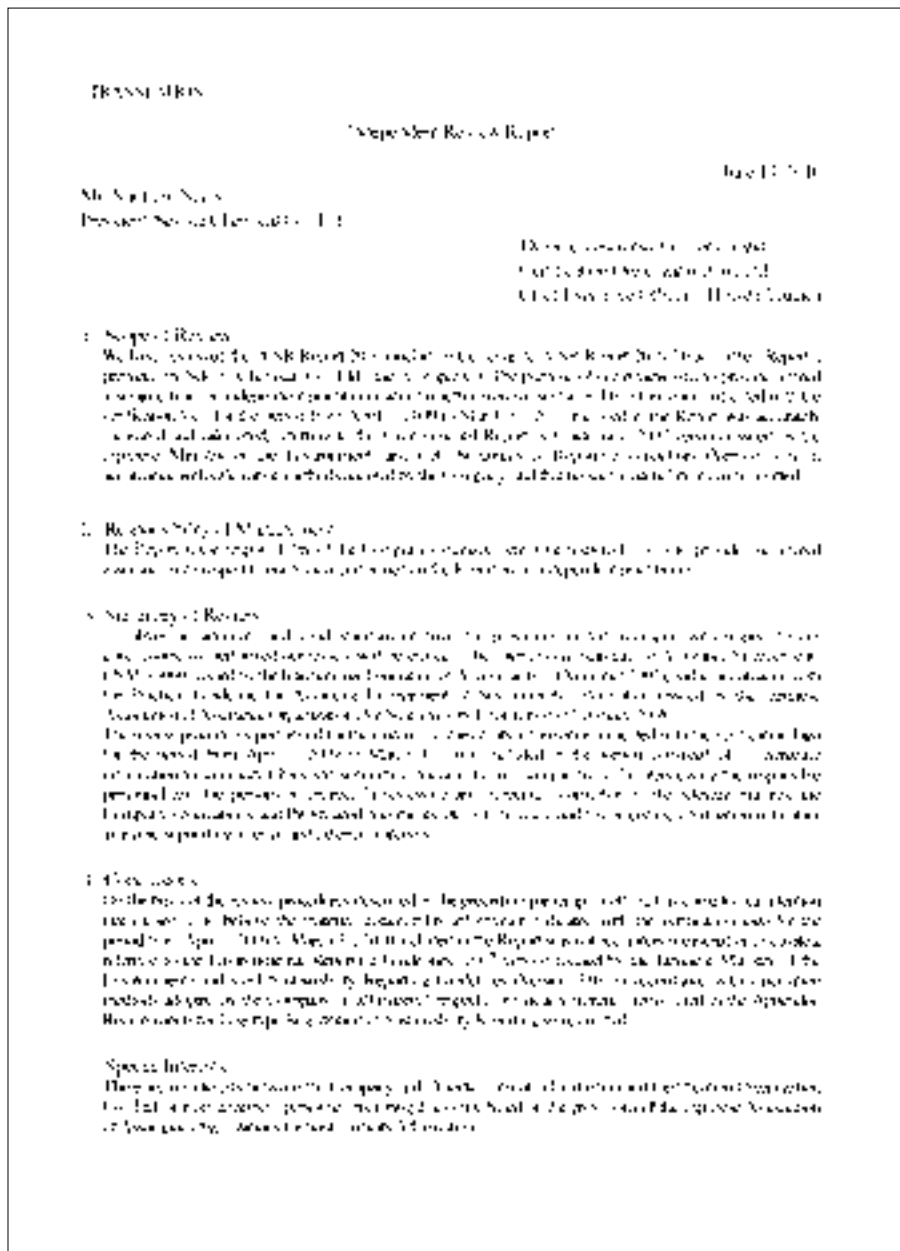
**Sekisui:** As an NGO, what do you find to be difficult in disaster aid activities, or what kinds of issues are involved?

**Kiyama:** My answer would be continuation of aid, making sure we do not forget about the victims. Even if a lot of aid is collected all at once when a disaster has struck, it is likely that attention will fade gradually. However, recovery takes a long time, and aid is needed over the entire recovery period. In the case of a disaster in a country that was impoverished to begin with, simply restoring things to their original state is only part of the job. We believe that the ultimate destination is one of continuing aid until the people can be independent and rebuild the country on their own power. Since there is not much understanding of the need for steady, long-term aid, we believe that how to communicate this need is one of the issues we face. While all five steps of making an effort to find out what has happened, acting immediately, not forgetting the victims, continuing aid activities, and communication are important, we would like people to remember the final three in particular.

**Sekisui:** In our case too, while we reacted immediately when the earthquake occurred, it did not really occur to us to continue aid activities. Utilizing this system, we would like to encourage more employees to take part, by receiving progress reports from JEN.



# Independent Review Report



## □ Summary of Independent Review Procedures



Sites visited: Sekisui Chemical Co., Ltd.; Osaka Headquarters and Tokyo Headquarters; Tokuyama Sekisui Industry Co., Ltd.; Sekisui Medical Co., Ltd., Iwate Plant

# History of Sekisui Chemical Group

- 1947** Establishment of Sekisui Sangyo Co., Ltd.  
Started first injection molding business in Japan.
- 1948** Change of company name to Sekisui Chemical Co., Ltd.
- 1950** Began selling cellophane tape.
- 1952** Started full-scale production of PVC pipe (Eslon Pipe).
- 1953** Listed on Osaka Stock Exchange.
- 1956** Developed Japan's first plastic rain gutter (Eslon Rain Gutters).
- 1959** Established Sekisui Sponge Industries Co., Ltd. (now Sekisui Plastics Co., Ltd.) with co-financing from Shin-Nippon Chisso Hiryo Co., Ltd., Asahi Kasei Corporation and others, to commercialize plastic foam.
- 1960** Established Sekisui House Sangyo Co., Ltd. (now Sekisui House Co., Ltd.) and started the house business.
- 1962** Launched Movement for Cleaner Towns featuring our plastic garbage bins (Poly-pail), as a campaign to mark the company's 15th Anniversary. Cleaning revolution subsequently spread nationwide.
- 1963** Started producing plastic bathtubs (first in Japan).  
Modular toilet tank commercialized, paving the way for production of modular-style equipment.
- 1970** Exhibited modular house (Sekisui Heim) at the International Good Living Show in Tokyo.
- 1971** Started producing and selling Japan's first modular house, Heim M1.
- 1972** Launched company-wide commitment to pollution control.  
Established original Environmental Management Department.
- 1979** Awarded Deming Prize for quality management in recognition of results of aggressive TQC activities.
- 1981** Adopted twin-headquarters system (Osaka and Tokyo), and established Tokyo Headquarters at Toranomon, Tokyo. Began producing and selling timber-framed modular house, Two-U Home.
- 1991** Established Basic Policies on environmental issues.
- 1993** Introduced divisional system. (Pipe & Related Products, Building Materials, Chemicals, Techno-products, Molded Products, Medical Products, and Housing)
- 1994** Began ISO 9000 series certification acquisition activities.
- 1996** Excess paid-in capital of 100 billion yen.  
Adopted new headquarters logo.  
Announced Top Management Policy for Environment and Safety. Began ISO 14001 certification acquisition activities.
- 1997** 50th Anniversary of company foundation.  
Launched nature protection support activities within and outside Japan, such as Sekisui Nature Study Course and nature protection activity in cooperation with Keidanren Nature Conservation Fund.  
Created Women's Athletic Club.
- 1998** Instituted Corporate Activity Guidelines.  
Initiated zero emission activities.
- 1999** Launched Management Vision, GS21.  
Instituted Corporate Philosophy.  
Concentrated business into three domains: Housing, Urban Infrastructure & Environmental Products, High Performance Plastics.  
Launched Midterm Environmental Plan, STEP-21.  
Began publishing Environmental Reports.
- 2001** Launched division company system, i.e. Housing Company, Urban Infrastructure & Environmental Products Company and High Performance Plastics Company.  
Achieved zero emission in all house production plants and all plants of Sekisui Chemical Co., Ltd.
- 2003** Launched GS21-Premium 600, our Midterm Management Vision.  
Established Environmental Management Promotion Department (now CSR Department Environmental Management Group).  
Launched new Midterm Environmental Plan, STEP-2005.  
Achieved zero emissions at all house construction sites.
- 2004** Introduced CS & Quality Management Department.  
Developed CS & Quality Management Midterm Plan.  
Achieved zero emissions in all constructions of house renovation companies.
- 2005** Introduced CSR Committee.  
Published Environmental and Social Report.
- 2006** Launched GS21-Go! Frontier, our Midterm Management Vision.  
Launched Environmental Top Runner Plan, Part 1, our Midterm Environmental Plan.
- 2007** 60th anniversary of Sekisui Chemical Co., Ltd. founding.  
Global Children's Eco Summit and Manufacturing Based on Learning from Nature—Junior Forum held.  
Made reviews of the CSR Committee and corporate headquarters organization.  
Published the CSR Report.
- 2008** CSR policies revised.
- 2009** Midterm Management Vision GS21-SHINKA! takes effect.  
Midterm Environmental Plan: Environmental Top Runner Plan SHINKA! takes effect.

## □ Editor's Notes

Since Sekisui Chemical Group began full-fledged CSR efforts in fiscal 2005, we have published the CSR Report (known as the Environmental and Social Report in fiscal years 2005–2006) to communicate Sekisui Chemical Group's CSR philosophy to parties both inside and outside the organization and to promote the spread of this concept, with the report organized around its Three Prominences (in the Environment, CS & Quality, and Human Resources) and the Three Attitudes of Sincerity (in Compliance, Risk Management, and Disclosure & Communication).

At the same time, as readership of the Report has grown, demands for disclosure of information have increased and the forms of information in demand have grown more diverse. For these reasons, we have strived to edit this Report in a way that responds to the various interests of readers.

The opening pages of the Report summarize Sekisui Chemical Group's CSR philosophy together with the ways it contributes to society through its business activities by addressing social issues. The Special Feature covers the Group's efforts in response to environmental issues, which are the greatest issues society faces.

For ordinary readers who would like to know the kinds of efforts the Group is making and how it will do so, the pages reporting on activities related to the Three Prominences and the Three Attitudes of Sincerity cover such activities in a manner giving consideration to ease of reading, focusing on describing the key points of the concepts behind such efforts, examples of the efforts, and main results achieved in fiscal 2009.

On the other hand, the separate Data volume includes detailed information on efforts as well as performance data, for specialists in the fields of the environment and CSR who would like to ascertain detailed, quantitative data.

In addition to disclosing as much information as possible through this Report and accepting opinions from both inside and outside the Group, efforts such as undergoing an independent review to ensure the accuracy and objectivity of information disclosed are intended to advance CSR management efforts and improve the content of this Report. We would very much appreciate hearing the frank opinions of our readers ([csr@sekisui.jp](mailto:csr@sekisui.jp)). Such opinions will serve as valuable references for Sekisui Chemical Group's future CSR efforts and in the preparation of future reports as well.

([csr@sekisui.jp](mailto:csr@sekisui.jp))

## SEKISUI CHEMICAL CO., LTD.

4-4 Nishitenma 2-chome, Kita-ku, Osaka 530-8565, Japan  
URL <http://www.sekisui.co.jp>

### For further information contact:

CSR Planning Group, CSR Department  
2-3-17 Toranomom, Minato-ku, Tokyo 105-8450, Japan  
(Toranomom 2-chome Tower)  
E-mail: [csr@sekisui.jp](mailto:csr@sekisui.jp)

Environmental consideration is to printing and bookbinding of this report as follows:

- (1) This report is made using FSC-certified paper, generated from forests that were handled with care.
- (2) CTP (Computer to Plate) method is adopted in the plate making processes in order that no film remains as a waste material.
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- (4) Glue not affecting the recyclability of paper is used in binding this book.



CSR Report 2010 (including the separate data volume) has been reviewed by an independent third party, and as a result has been granted the sustainability report review and registration logo. This demonstrates that this Report satisfies the necessary criteria established by the Japanese Association of Assurance Organizations for Sustainability Information (J-SUS; <http://www.j-sus.org/>) for the use of this logo, intended to assure the reliability of sustainability information.



# CSR Report 2010 Data

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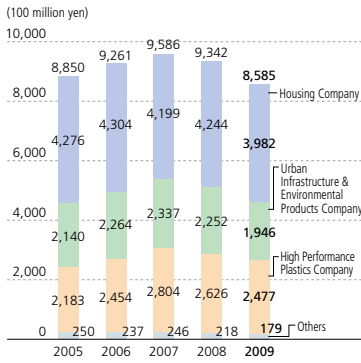
## Scope of Independent Review



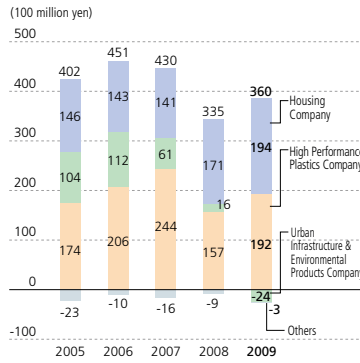
The information in this report has been subjected to an independent review for the appropriateness of calculation methods and the accuracy of the results of calculation. The "Verified" logo is used to indicate that each item of such subject information has been reviewed.

# Management Benchmarks (Consolidated)

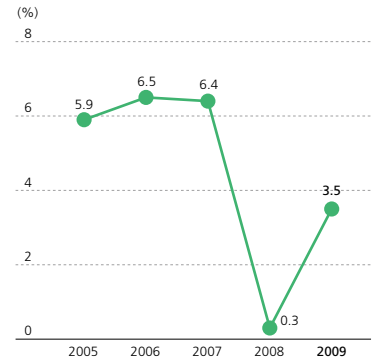
## Sales (by Each Division Company)



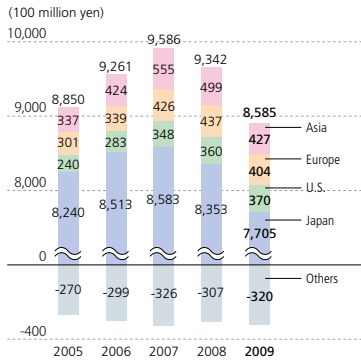
## Operating Income (by Each Division Company)



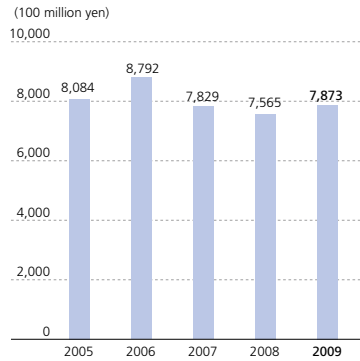
## ROE



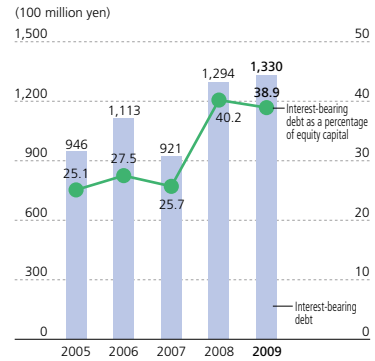
## Composition of Sales by Geographical Segments



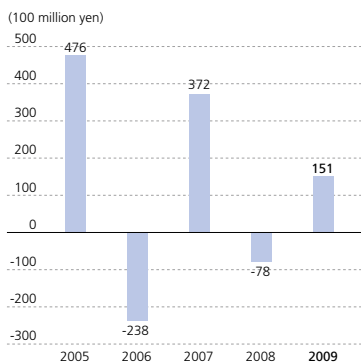
## Total Assets



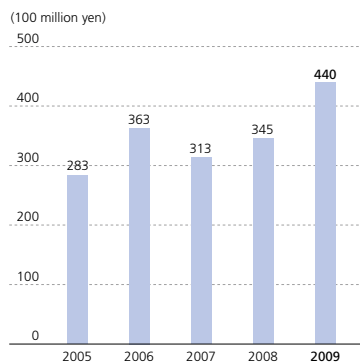
## Interest-bearing Debt and Interest-bearing Debt as a Percentage of Equity Capital



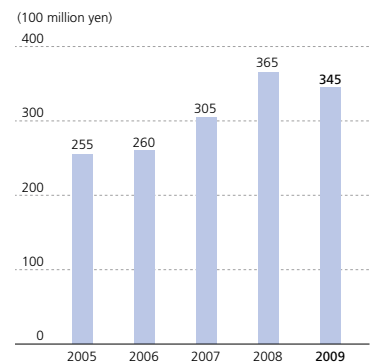
## Free Cash Flows



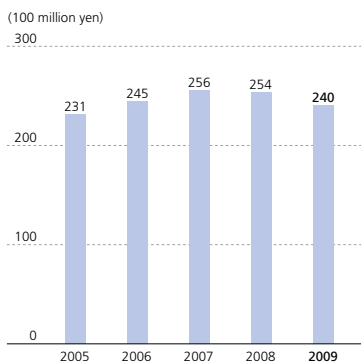
## Capital Expenditures



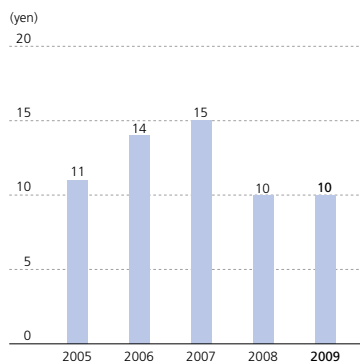
## Depreciation and Amortization



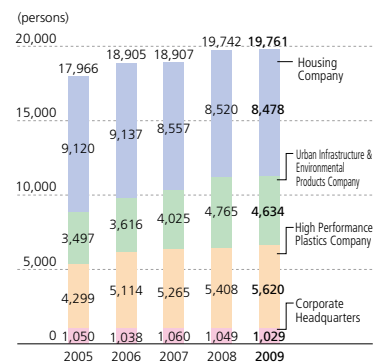
## R&D Costs



## Annual Dividend Per Share



## Number of Employees





## Coverage of the Environmental Performance Data (in Japan)

### Housing Company

**R&D institutes** 1 company and 1 business site

Sekisui Chemical Co., Ltd., Tsukuba R&D Site

**Production plants** 11 companies and 10 business sites

Tokyo Sekisui Heim Industry Co., Ltd.  
Kinki Sekisui Heim Industry Co., Ltd.  
Sekisui Board Co., Ltd., etc.

**Sales companies** 28 companies and 95 business sites

Sekisui Heim Sales Companies  
Construction and Service Companies

**40 companies and 106 business sites in total**

### High Performance Plastics Company

**R&D institutes** 1 company and 1 business site

Sekisui Chemical Co., Ltd., Minase Site

**Production plants** 14 companies and 18 business sites

Sekisui Chemical Co., Ltd., Amagasaki Plant  
Sekisui Chemical Co., Ltd., Musashi Plant  
Sekisui Chemical Co., Ltd., Shiga-Minakuchi Plant  
Sekisui Chemical Co., Ltd., Taga Plant  
Sekisui Techno Molding Co., Ltd.  
Sekisui Film Co., Ltd.  
Sekisui Medical Co., Ltd., etc.

**14 companies and 19 business sites in total**

**Total:  
79 companies and  
148 business sites**

### Urban Infrastructure & Environmental Products Company

**R&D institutes** 1 company and 1 business site

Sekisui Chemical Co., Ltd., Kyoto Site

**Production plants** 20 companies and 11 business sites

Sekisui Chemical Co., Ltd. Shiga-Ritto Plant  
Sekisui Chemical Co., Ltd. Gunma Plant  
Sekisui Chemical Co., Ltd. Tokyo Plant  
Okayama Sekisui Industry Co., Ltd.  
Kyusyu Sekisui Industry Co., Ltd.

**20 companies and 12 business sites in total**

### Corporate Headquarters

**R&D institutes** 1 company and 1 business site

Sekisui Chemical Co., Ltd., Development Center

**Production Plants and Headquarters** 8 companies and 10 business sites

Sekisui Seikei, Ltd.  
Hinomaru Co., Ltd.  
Tokuyama Sekisui Industry Co., Ltd.  
Sekisui Chemical Co., Ltd.  
Osaka Headquarters and Tokyo Headquarters

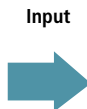
**8 companies and 11 business sites in total**

\* The total number of companies and business sites do not match, since some companies have two or more business sites, and some business sites are shared by two or more companies.  
Sekisui Chemical Co., Ltd., is included in the company list.

## Material Balance (in Japan)

### Main Raw Materials

- Metals ······ 78 thousand tons
- Wood, wooden building materials ··· 38 thousand tons
- Cement for exterior walls ··· 110 thousand tons
- Concrete for foundations ··· 235 thousand tons
- PVC ······ 136 thousand tons
- Polyethylene ······ 70 thousand tons
- Polypropylene ······ 28 thousand tons
- Kraft paper ······ 14 thousand tons
- PRTR-designated substances ······ 113 thousand tons



### PRTR-designated substances

- To the atmosphere ······ 657 tons
- To water ······ 0.6 tons

- CO<sub>2</sub> from energy consumption ······ 316 thousand tons-CO<sub>2</sub>
- NO<sub>x</sub> ······ 189 tons
- SO<sub>x</sub> ······ 10 tons
- Soot particles ······ 2 tons
- Water discharged ······ 15,402 thousand tons
- COD ······ 61 tons
- Total generated waste ······ 36 thousand tons

### Energy 5,657TJ

- Purchased electricity ······ 345,459MWh
- Heavy oil A ······ 5,240kL
- City gas ······ 45,512 thousand m<sup>3</sup>

### Industrial water 16,541 thousand tons

Note: Certain main raw materials are undisclosed for business strategy reasons.

**Efforts and targets of the Midterm Environmental Plan: Environmental Top Runner Plan SHINKA!**

		Targets for Fiscal 2013				
Improving overall environmental management efficiency		Achieving a Sekisui Eco Value Index at least three times the fiscal 2007 value				
Improving environment-contributing products	Increase selling of environment-contributing products		Environment-contributing products at least 40% of consolidated net sales			
	Promoting development of environment-contributing products		Number of products certified as environment-contributing products: 20 or more (fiscal 2009 – 2013)			
	Expanding products' contributions to the environment		Setting targets in fiscal 2009			
Further reducing the environmental impacts of business activities	Reduction in emissions of greenhouse gases	Contribution to reduction in CO <sub>2</sub> emissions		Setting targets in fiscal 2009		
		Contribution to waste reduction, recycling, and reuse		Setting targets in fiscal 2009		
		Across all business activities		Setting targets in fiscal 2009 for reduction of GHG emissions		
		Raw materials and raw material procurement		Setting targets in fiscal 2009 for reduction of CO <sub>2</sub> emissions		
		Domestic production sites		Reducing greenhouse-gas emissions by at least 20% compared to fiscal 1990 (at least 10% compared to fiscal 2007)		
		Laboratories		Reducing greenhouse-gas emissions by at least 20% compared to fiscal 2007		
		Domestic offices (including sales vehicles)		Reducing CO <sub>2</sub> emissions by at least 10% compared to fiscal 2007		
	Overseas production sites		Setting targets in fiscal 2009 for reduction of CO <sub>2</sub> emissions			
	Overseas offices		Setting targets in fiscal 2009 for reduction of CO <sub>2</sub> emissions			
	Promoting energy saving		Domestic production sites	Reducing energy used per unit of output by at least 7% compared to fiscal 2007, when converted into thermal units		
			During shipment in Japan	Reducing unit energy consumption by at least 5% compared to fiscal 2007		
	Efficient utilization of resources		Domestic production sites		Reducing waste generated per unit of output by at least 40% compared to fiscal 2007	
			House construction sites		Reducing loss costs derived from waste materials by at least 5 billion yen compared to fiscal 2008 (Accumulated amount from fiscal 2009 to 2013)	
			Overseas production sites		Compared to fiscal 2000: Sekisui Heim: 45% reduction Two-U Home: 63% reduction	
			Domestic offices		Setting targets in fiscal 2009 for reduction of wastes generated	
			Overseas offices		Reducing copier-paper use by at least 20% compared to fiscal 2007	
			Further promoting zero emissions standards		Domestic production sites/laboratories	Rate of achievement at sites reviewed: 100%
					Overseas production sites	Rate of achievement at sites reviewed: 100%
		Recycling of waste materials produced during dismantlement and extension/renovation of houses	Implementing zero-emissions (i.e., recycling at least 98% of wastes) efforts in at least 50% of demolition projects			
		Recycling of wastes produced from non-residential construction	Recycling at least 90% of construction wastes			
Reducing other environmental impacts		Efficient water use		Reducing water intake at domestic production sites by at least 10% compared to fiscal 2007		
		Reduction in VOC emissions (Legal and voluntary controlled substances)		Reducing atmospheric VOC emissions at domestic production sites and laboratories by at least 60% compared to fiscal 2000 (at least 25% compared to fiscal 2000)		
Consideration for biodiversity	Efforts to preserve biodiversity		Formulating guidelines in fiscal 2009			
	Activities to improve environment (preserving biodiversity)	Support of nature conservation activities by NGOs	As Sekisui Chemical Group, providing aid to at least 10 nongovernmental organizations per year in support of nature conservation activities			
		Nature conservation activities in collaboration with local communities	Promoting nature conservation activities in at least five locations overseas Implementing nature conservation activities in partnership with local communities at 50 sites or more			
Enhancing the environmental management infrastructure	Enhancing environmental management systems (EMS)	Attaining external EMS certification at domestic production sites and laboratories	Attaining external EMS certification at 100% of sites reviewed			
		Attaining external EMS certification at domestic construction companies	Attaining external EMS certification at consolidated construction companies			
		Attaining external EMS certification at overseas production sites	Attaining external EMS certification at 100% of sites reviewed			
		Expanding EMS development in supply chains	Achieving EMS development at 100% of suppliers of residential building materials supplying 1 million yen/month or more			
		Expanding green procurement	Achieving a green procurement rate of 98% or higher			
		Soil and groundwater surveys	Completion of surveys of sites reviewed			
	Improvement of education and enlightenment	Learning at least a certain degree of environmental knowledge	Reaching a total of at least 1,000 certified Environmental Specialists (Eco Test)			
		Developing leaders for nature protection activities	Conducting environmental education for employees and management overseas as well Holding the Sekisui Nature Study Course at main sites (34 plants, four laboratories)			
	Communication with external organizations	Publishing site reports	Continuing issuance at production sites, laboratories, and housing sales Fami-S (remodeling) companies which acquired ISO certification			
		Communication with local communities to improve environment	Continued implementation at eight domestic production sites			

## Results of efforts conducted under the Midterm Environmental Plan: Environmental Top Runner Plan SHINKA! for fiscal 2009

Targets for Fiscal 2009	Results of Fiscal 2009 	Evaluation	Page
1.4 times (compared to fiscal 2007)	1.4 times (compared to fiscal 2007)	○	Data 7
Percentage of consolidated net sales: 23%	Sales of environment-contributing products: 178.6 billion yen Percentage of consolidated net sales: 21%	×	16
Five new products certified	Two new products certified	×	17
Setting targets during the fiscal year	Target-setting planned for July 2010	×	–
Setting targets during the fiscal year	Target-setting planned for July 2010	×	–
Setting targets during the fiscal year	Target-setting planned for July 2010	×	–
Setting targets during the fiscal year	Target-setting planned for July 2010	×	–
Reducing greenhouse-gas emissions by 15% compared to fiscal 1990 (2% compared to fiscal 2007)	Greenhouse-gas emissions reduced by 24% compared to fiscal 1990 (15% compared to fiscal 2007)	◎	19
Reducing greenhouse-gas emissions by 3% compared to fiscal 2007	Greenhouse-gas emissions reduced by 2.4% compared to fiscal 2007	×	Data 8
Reducing CO <sub>2</sub> emissions by 7.5% compared to fiscal 2007	CO <sub>2</sub> emissions reduced by 9.6% compared to fiscal 2007	◎	Data 12
Setting targets during the fiscal year	As a guideline for setting targets by site for fiscal 2013, reducing energy used per unit of output by 5% compared to fiscal 2008	○	–
Setting targets during the fiscal year	As a guideline for setting targets by site for fiscal 2013, set a target of reducing energy used per person by 10% compared to fiscal 2008	○	–
1% reduction per unit of output compared to fiscal 2007	2.2% increase per unit of output compared to fiscal 2007	×	Data 8
1% reduction per unit transported compared to fiscal 2007	2.6% increase per unit transported compared to fiscal 2007	×	Data 8
10% reduction per unit of output compared to fiscal 2007	3.3% reduction per unit of output compared to fiscal 2007	×	21
Loss costs: 800 million yen reduction compared to fiscal 2008	Loss costs: 700 million yen reduction compared to fiscal 2008	○	22
Sekisui Heim: 24% reduction Two-U Home: 47% reduction	Sekisui Heim: 24% reduction Two-U Home: 44% reduction	○	Data 9
Setting targets during the fiscal year	As a guideline for setting targets by site for fiscal 2013, set a target of reducing waste generated per unit of output by 25% compared to fiscal 2008	○	Data 11
Copier-paper use: 7% reduction compared to fiscal 2007	Copier-paper use: 7.5% reduction compared to fiscal 2007	○	21
Setting targets during the fiscal year	As a guideline for setting targets by site for fiscal 2013, set a target of reducing total copier-paper use by 20% compared to fiscal 2008	○	–
Beginning efforts at sites reviewed	Efforts begun at sites reviewed (no new achievement)	○	–
Beginning efforts at sites reviewed	Eslon B.V. achieved zero emissions	◎	21
Demolition recycling rate: 94%	Demolition recycling rate: 93% (99% for designated construction materials)	○	Data 9
Beginning studies in model regions	Studies begun in model regions	○	–
Reducing water intake by 2% compared to fiscal 2007	Water intake reduced by 2.6% compared to fiscal 2007	○	22
Reducing VOC atmospheric emissions by 50% compared to fiscal 2000 (reduction by 5% compared to fiscal 2007)	Reduced VOC atmospheric emissions by 46% compared to fiscal 2000 (increased by 3% compared to fiscal 2007)	×	23
Formulating guidelines in fiscal 2009	Planned for formulation July 2010	×	–
Providing aid to six organizations	Aid provided to six organizations	○	54
Implementing reforestation and conservation activities in Suzhou, China	Reforestation and conservation activities implemented twice in Suzhou, China	○	–
Implementing nature conservation activities at 40 sites or more	Nature conservation activities implemented at 42 sites	○	–
Beginning efforts at sites reviewed	No new certification acquired in fiscal 2009	×	–
Beginning efforts at sites reviewed	No new certification acquired in fiscal 2009	×	–
Beginning efforts at sites reviewed	One site certified	×	–
Developing EMS systems at 90% of supply chain	EMS systems developed at 93% of supply chain (external certification: 59%, independent EMS development: 34%)	○	–
95% or higher	94.8%	○	17
Surveying five sites	Five sites surveyed, with surveys completed at three sites	○	23
100 or more persons	46 persons	×	–
Holding CSR training sessions (for new employees and new members of management)	Training held for new employees and new members of management	○	–
Implementation at two sites	Held at two sites (27 participants in total)	○	–
Issuance at 45 production sites and laboratories that have attained ISO14001 certification	Issued at 37 production sites and laboratories	×	–
Conducted at one site	The Sekisui Medical Co., Ltd. Iwate Plant held a briefing on its efforts for nearby residents	○	–

"Evaluation" Column Explanatory Note ◎ Outperformed target ○ Performed close to target (achievement rate of about 90% to 110%) × Failed to reach target

To promote efficient environmental management and fulfill corporate accountability responsibilities, Sekisui Chemical Group employs environmental accounting that makes it possible to ascertain the costs and effects of environmental conservation activities. Calculation is conducted by referring to the Environmental Accounting Guidelines 2005 issued by the Japanese Ministry of the Environment, with the addition of Sekisui Chemical Group's own concepts such as external economic benefits (estimated effects).

In fiscal 2009, although R&D costs rose in connection with an increase in the number of environmental themes addressed, costs remained largely unchanged from the previous year thanks to a decrease in waste-related costs and other costs.

On the other hand, investments decreased from fiscal 2008 due to the lack of large-scale environmental investments such as the adoption in fiscal 2008 of biomass boilers. The cost savings amount from energy-conservation activities, which constitute one of the real economic results of focusing on activities to reduce CO<sub>2</sub> emissions and conserve energy, increased. In addition, external economic benefits such as those from photovoltaic power generation systems also increased steadily.

Scope of environmental accounting

- (1) Summation period: April 1, 2009 through March 31, 2010
- (2) Scope of summation: 40 target production sites (as listed on Data p. 2) + 4 Laboratories + each department of Corporate Headquarters + back offices of division companies + 15 housing sales companies
- (3) Principles of summation
  - Depreciation amounts are the same as those for financial accounting.
  - Investment amounts are based on budget approvals during the summation period.
  - Expenditures and investments that contain other than environmental conservation activities are distributed pro-rata in 10% increments.
- (4) Main Changes from Last Fiscal Year  
The scope of summation for production sites grew to 40 with the addition of 5 sites.

**Table 1 Environmental Conservation Costs (group)**

(million yen)

Category	Items Description of main activities	FY2007		FY2008		FY2009	
		Costs	Investments	Costs	Investments	Costs	Investments
1) Costs within business areas	Prevention of air, water and noise pollution, etc.	1,646	458	1,700	774	1,675	182
	Countermeasures against global warming (energy-saving), etc.	165	448	222	642	252	704
	Waste reduction, recycling, disposal, etc.	4,657	64	4,164	335	3,956	55
2) Upstream/downstream costs	Cost increases due to switching to packaging/packing methods involving reduced environmental impact, greener purchasing, etc.	344	18	379	0	493	0
3) Administrative costs	Environmental education, EMS maintenance, running costs for green action organization, information disclosure	2,527	9	2,342	29	2,187	45
4) Research & Development costs	Research & Development on environmental conservation	1,655	39	1,982	60	2,561	14
5) Social activities costs	Social contributions, etc.	57	0	65	0	70	8
6) Environmental damage costs	Nature restoration, etc.	25	0	89	207	23	354
Total		11,075	1,037	10,944	2,047	11,217	1,363

Items	FY2007		FY2008		FY2009	
	Costs	Investments	Costs	Investments	Costs	Investments
Total amount of R&D costs and investment in the fiscal period (million yen)	25,599	17,871	25,420	15,740	24,010	24,119
Ratio of amount related to environmental conservation activities to total (%)	6.5	5.8	7.8	13.0	10.7	5.7

\* R&D cost is the total for all consolidated companies.

**Table 2 Environmental Conservation Benefits (group)**

Description of effects	Environmental Conservation Benefits							Environmental performance criteria: per unit of output; Total				Self evaluation		
	Item	Unit	FY2007	FY2008	FY2009	Effect (09-08)	See page	Item	Unit	FY2008	FY2009			
Effects within business areas	Effects on invested resources	(1) Electricity	TJ	3,895	3,626	3,345	-281	Data 8	(1)Energy usage per unit of output (electricity + fuel) *1	GJ/tons	1.82	1.85	×	
		(2) Fuel	TJ	2,623	2,461	2,312	-149	Data 8						
	Effects on environmental impact and wastes	(3) CO <sub>2</sub> emissions*2	Thousand tons	364.6	340.2	315.6	-24.7	Data 8	-	-	-	-	○	
		(4) Volume of environmental pollutants discharged*3	Tons	677.2	729.8	659.4	-70.3	Data 14	-	-	-	-	○	
		(5) Wastes generated*4	Thousand tons	43.6	39.3	36.0	-3.4	Data 9	(2)Waste generated per unit of output	kg/tons	39.6	40.5	×	
		(6) Outsourced disposal*5	Thousand tons	0.70	0.44	0.35	-0.08	Data 9	(3)Outsourced disposal per unit of output	kg/tons	0.44	0.40	○	
Upstream/downstream effects	Effects due to products/services	CO <sub>2</sub> reduction by photovoltaic generation, etc. (cumulative)	Thousand tons	126	143	162	19	-	-	-	-	○		
Other benefits on environmental conservation	Others*6	ISO14001 Certification	New acquisitions	Numbers	4	2	0	-	-	Number of business sites acquiring ISO14001 Certification*7	Total number of business sites	76	76	○
			Renewals	Numbers	13	14	14	-	-					
			Number of business sites achieving zero emissions*8	Numbers	1	2	1	-	21	Number of business sites achieving zero emissions*8	Total number of business sites	138	139	○

\*1 Conversion into thermal units uses the coefficient published by the Ministry of Economy, Trade and Industry. \*2 Emissions at the time of manufacturing and conversion to CO<sub>2</sub> amounts use the coefficients used in the Environmental Top Runner Plan SHINKAI (see Data p. 8). \*3 Applicable to Class I Designated Chemical Substances specified by PRTR Law. \*4 Amount discharged + Amount disposed of at price + Amount incinerated within own premises. \*5 Simple incineration + Landfill. \*6 Including business sites not subject to environmental accounting summation, such as overseas business sites. \*7 A cumulative total sites reviewed for factors such as consolidation and return of certifications for housing sales companies. \*8 A business site affiliated to multiple companies is counted as one.

**Table 3 Economical Effects Related to Environmental Conservation Measures (group)**

(million yen)

Description of effects	FY2007	FY2008	FY2009	Remarks
Revenue				
(1)Profit on sales of valuable resources	386	316	204	Profit on sales of valuable resources from promotion of waste segregation and recycling
(2)Savings from simplified packaging	17	20	32	
Costsaving				
(3)Cost-saving through energy-saving activities	302	336	725	
(4)Cost-saving through waste reduction activities, etc.	785	1,041	387	Including resource-saving activities
Sub-total (actual effects)	1,489	1,712	1,347	
(5)Contribution to environmental conservation activities*9	6,175	5,938	6,228	Contribution of environmental conservation activities to added value at business sites*10
(6)External Economic Effect	8,634	10,577	12,598	Monetary conversion of impact from photovoltaic generation systems and "No-Dig" pipe rehabilitation method
Sub-total (estimated effects)	14,809	16,515	18,827	
Total	16,297	18,227	20,174	

\*9 Excluding housing sales companies \*10 (Added value from business sites) × ((Costs within business areas + Administrative costs) / (Total production costs excluding materials costs))

## Environmental Conservation Cost (by Each Division Company)

(million yen)

Items		Housing Company*1		Urban Infrastructure & Environmental Products Company		High Performance Plastics Company		Sekisui Chemical Group*2	
Category	Description of main activities	Costs	Investments	Costs	Investments	Costs	Investments	Costs	Investments
1) Costs within business areas	Prevention of air, water and noise pollution, etc.	983	4	64	3	539	145	1,675	182
	Countermeasures against global warming (energy-saving), etc.	59	61	65	360	117	229	252	704
	Waste reduction, recycling, disposal, etc.	3,185	2	307	48	424	4	3,956	55
2) Upstream/downstream costs	Cost increases due to switch to packaging/packing methods involving reduced environmental impact, greener purchasing, etc.	395	0	36	0	25	0	493	0
3) Administrative costs	Environmental education, EMS maintenance, running costs for green action organization, information disclosure	632	0	203	0	335	45	2,187	45
4) Research & Development costs	Research & Development on environmental conservation	113	0	1,215	13	880	0	2,561	14
5) Social activities costs	Social contributions, etc.	21	0	3	0	11	8	70	8
6) Environmental damage costs	Nature restoration, etc.	0	0	0	354	23	0	23	354
Total		5,387	67	1,893	778	2,353	431	11,217	1,363

Items		Housing Company*1		Urban Infrastructure & Environmental Products Company		High Performance Plastics Company		Sekisui Chemical Group*2	
Total amount of R&D costs and investment in the fiscal period (million yen)		Costs	Investments	Costs	Investments	Costs	Investments	Costs	Investments
Total amount of R&D costs and investment in the fiscal period (million yen)		3,981	2,676	5,737	2,137	10,730	18,608	24,010	24,119
Ratio of amount related to environmental conservation activities to total (%)		2.8	2.5	21.2	36.4	8.2	2.3	10.7	5.7

\*1 Including 38 business sites of housing sales companies \*2 Total of 3 division companies and departments of Corporate Headquarters \*3 R&D cost is the total for all consolidated companies.

## Environmental Conservation Cost (by Environmental Conservation Measures)

(million yen)

Items		Housing Company*1		Urban Infrastructure & Environmental Products Company		High Performance Plastics Company		Sekisui Chemical Group*2	
Category	Description of main activities	Costs	Investments	Costs	Investments	Costs	Investments	Costs	Investments
1. Prevention of global warming	Reduction of CO <sub>2</sub> emissions, etc.	87	60	100	364	115	227	1,120	706
2. Ozone layer protection	Reduction of Chlorofluorocarbon emissions, etc.	4	0	0	0	4	2	8	2
3. Conservation of air quality	Prevention of air pollution by reducing pollution substances	237	4	46	0	268	83	599	114
4. Prevention of noise and vibration	Prevention of noise and vibration pollution	3	0	2	0	10	7	19	8
5. Conservation of water environment, soil environment, ground quality	Preservation of water quality, prevention of subsidence	202	0	18	357	234	29	490	388
6. Waste reduction and recycling	Reduction and treatment of waste, recycling	3,672	2	1,350	48	460	4	5,532	56
7. Reduction of chemical substance	Risk management of chemical substances, etc.	553	0	3	0	55	10	611	10
8. Conservation of natural environment	Nature protection, etc.	56	0	29	0	25	53	135	53
9. Others	Others	572	1	344	8	1,181	15	2,703	27
Total		5,387	67	1,893	778	2,353	431	11,217	1,363

\*1 Including 38 business sites of housing sales companies \*2 Total of 3 division companies and departments of Corporate Headquarters

## Environmental Conservation Benefits (by Each Division Company)

Environmental Conservation Benefits				Housing Company			Urban Infrastructure & Environmental Products Company			High Performance Plastics Company			Sekisui Chemical Group			See page		
Description of effects		Item	Unit	Fiscal 2008	Fiscal 2009	Effect (09-08)	Fiscal 2008	Fiscal 2009	Effect (09-08)	Fiscal 2008	Fiscal 2009	Effect (09-08)	Fiscal 2008	Fiscal 2009	Effect (09-08)			
Effects within business areas	Effects on invested resources	Amount of energy usage*4	1. Electricity	TJ	452	416	-35	1,407	1,280	-127	1,143	1,059	-85	3,626	3,345	-281	Data 8	
			2. Fuel	TJ	161	124	-37	135	112	-23	1,940	1,851	-89	2,461	2,312	-149	Data 8	
	Effects on environmental impact and wastes	3. CO <sub>2</sub> emissions*5	Thousand tons		36.1	31.4	-4.6	88.1	79.9	-8.2	166.8	156.9	-9.9	340.2	315.6	-24.7	Data 8	
				4. Volume of environmental pollutants discharged*6	Tons	5.9	1.0	-4.8	80.6	74.5	-6.1	639.4	580.3	-59.1	729.8	659.4	-70.3	Data 14
				5. Wastes generated*7	Thousand tons	10.4	10.1	-0.3	8.6	7.1	-1.4	18.4	16.6	-1.8	39.3	36.0	-3.4	Data 9
				6. Outsourced disposal*8	Thousand tons	0.00	0.00	0.00	0.00	0.00	0.00	0.36	0.27	-0.09	0.44	0.35	-0.08	Data 9
Upstream/downstream effects	Effects due to products/services	CO <sub>2</sub> reduction by photovoltaic generation, etc. (cumulative)	Thousand tons	143	162	19	-	-	-	-	-	-	143	162	19	-		
Other benefits on environmental conservation	Others*9	ISO14001 Certification	New acquisitions	Numbers	0	0	-	0	0	-	2	0	-	2	0	-	-	
			Renewals	Numbers	0	5	-	6	1	-	5	7	-	14	14	-	-	
			Number of business sites achieving zero emissions*10	Numbers	0	0	-	0	1	-	1	0	-	2	1	-	21	

\*4 Conversion into thermal units uses the coefficient published by the Ministry of Economy, Trade and Industry. \*5 Emissions at the time of manufacturing and conversion to CO<sub>2</sub> amounts use the coefficients used in the Environmental Top Runner Plan SHINKAI (see Data p. 8). \*6 Applicable to Class I Designated Chemical Substances specified by PRTR Law. \*7 Amount discharged + Amount disposed of at price + Amount incinerated within own premises. \*8 Simple incineration + landfill. \*9 Including business sites not subject to environmental accounting summation, such as overseas business sites. \*10 A business site affiliated to multiple companies is counted as one.

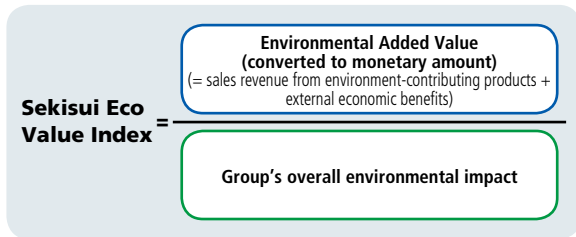
## Economic Effects Related to Environmental Conservation Measures (by Each Division Company)

(million yen)

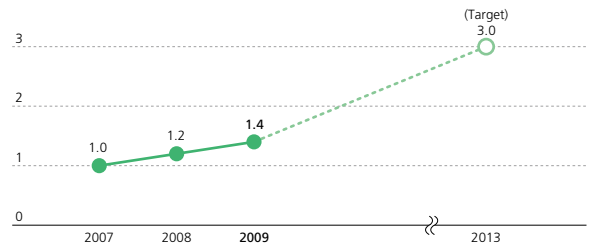
Description of effects		Housing Company*1	Urban Infrastructure & Environmental Products Company	High Performance Plastics Company	Sekisui Chemical Group*2	Remarks
Revenue	(1) Profit on sales of valuable resources	15	11	160	204	Profit on sales of valuable resources from promotion of waste segregation and recycling
	(2) Savings from simplified packaging	0	14	13	32	
Costsaving	(3) Cost-saving through energy-saving activities	10	56	634	725	Including resource-saving activities
	(4) Cost-saving through waste reduction activities, etc.	12	134	218	387	
	Sub-total (actual effects)	36	215	1,025	1,347	
(5) Contribution to environmental conservation activities*11		683	1,774	3,490	6,228	Contribution of environmental conservation activities to added value at business sites*10
(6) External Economic Effect		7,430	5,168	-	12,598	Monetary conversion of impact from photovoltaic generation systems and "No-Dig" pipe rehabilitation method
Sub-total (estimated effects)		8,113	6,942	3,490	18,827	
Total		8,149	7,158	4,516	20,174	

\*11 Excluding housing sales companies \*12 (Added value from business sites) x ((Costs within business areas + Administrative costs) / (Total production costs excluding materials costs))

The Sekisui Eco Value Index is an independent index utilized by Sekisui Chemical Group for measuring the efficiency of our environmental management activities.

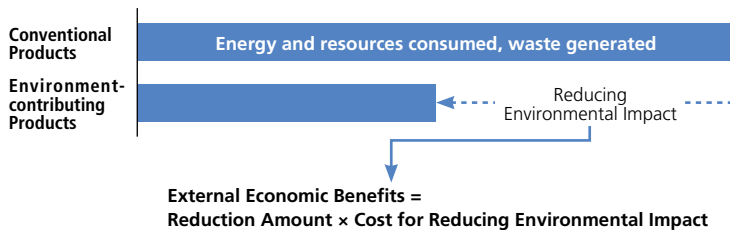


Sekisui Eco Value Index Trends

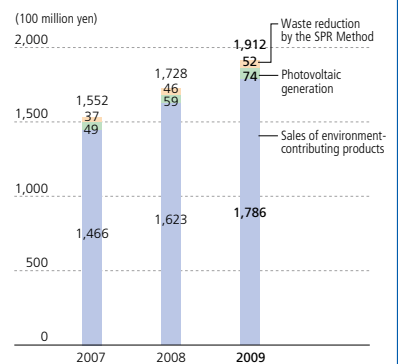


**Environmental Added Value (converted to monetary amount)**

**Environmental Added Value (numerator):** Sekisui Chemical Group calculates Environmental Added Value by totaling the sales of our environment-contributing products and the external economic benefits provided to society through our products and businesses. External economic benefits are calculated by converting to monetary amounts the effects of reducing environmental impacts when Sekisui Chemical Group products are used by customers or society.

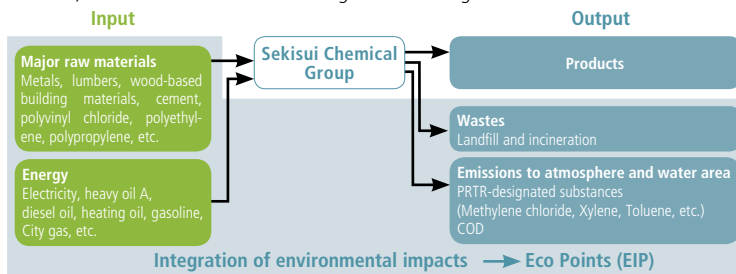


Environmental added value

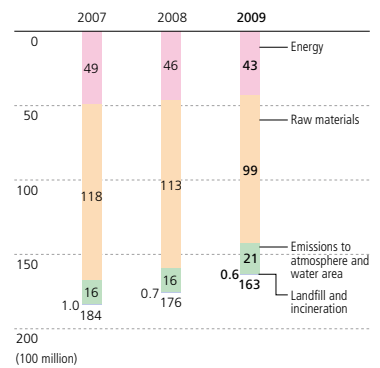


**Group's overall environmental impact (denominator)**

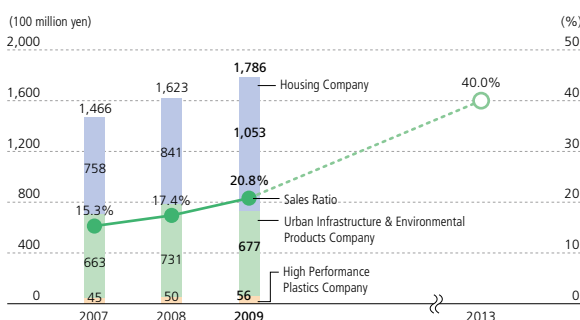
**Group's overall environmental impact (denominator):** The total sum of the Group's environmental impact is calculated by addition of converted values of raw materials and energy used as well as related landfill and incineration of waste and emissions into the atmosphere and water, which represent environmental impacts of differing units and effects on the environment, to the Eco Point coefficient using the JEPIX integration method.



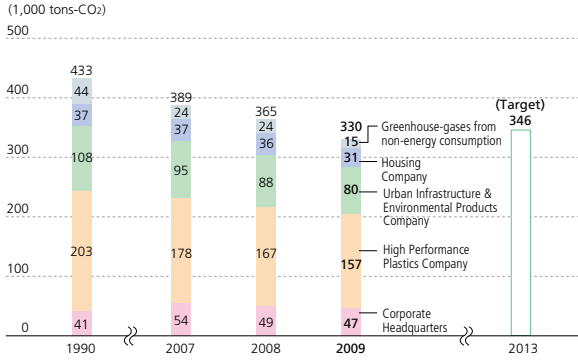
Overall environmental impact (Eco Points)



Environment-contributing Products Sales and Sales Ratio Trends



**Greenhouse-gas (GHG) Emissions from the Production Stage in Japan**



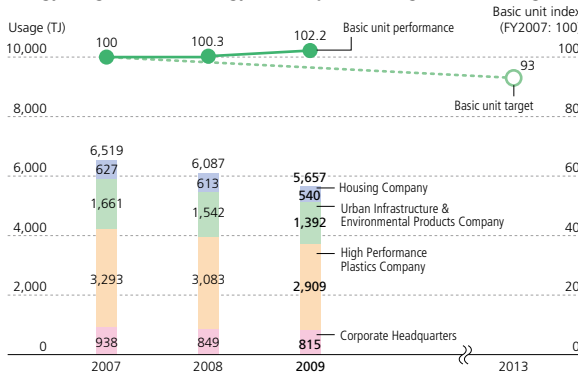
**CO<sub>2</sub> Emissions Coefficient (Environmental Top Runner Plan: Shinka!)**

Under the New Midterm Environmental Plan: Environmental Top Runner Plan SHINKA!, progress is being made in reducing emissions of all greenhouse gases. The conversion coefficients for CO<sub>2</sub> emissions have been changed to the default values (as March 2009) under the greenhouse-gas emissions calculation, reporting, and disclosure system established by Japanese law, with uniform figures used for each fiscal year.

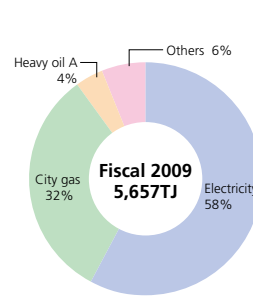
Purchased electricity	0.555 tons CO <sub>2</sub> /MWh
Heavy oil A	2.71 tons CO <sub>2</sub> /kL
City gas	2.08 tons CO <sub>2</sub> /thousand Nm <sup>3</sup>
Heating oil	2.49 tons CO <sub>2</sub> /kL
Diesel oil	2.62 tons CO <sub>2</sub> /kL
Gasoline	2.32 tons CO <sub>2</sub> /kL
LPG	3.00 tons CO <sub>2</sub> /ton
Purchased steam	0.179 tons CO <sub>2</sub> /ton

Source: Calculation and Reporting Manual for Greenhouse Gas Emissions (published in March 2009 by Japanese Ministry of the Environment and Ministry of Economy, Trade and Industry)

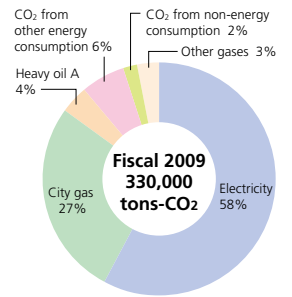
**Energy Usage and Unit Energy Consumption During Manufacturing**



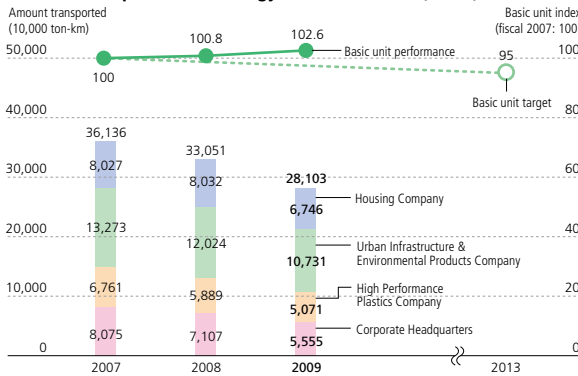
**Breakdown of Energy Used**



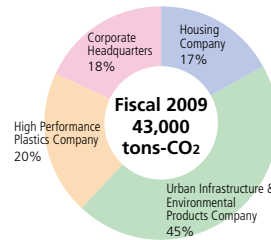
**Breakdown of Greenhouse-Gas (GHG) Emissions**



**Amount Transported and Energy Basic Unit Costs (Index)**

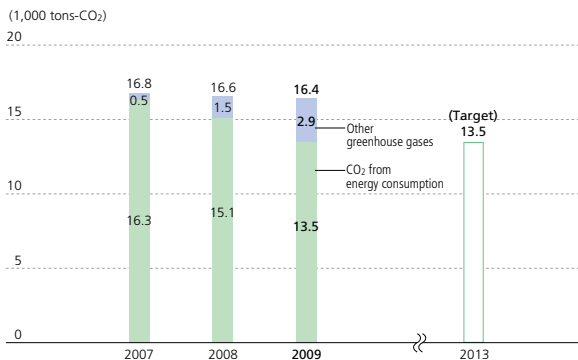


**CO<sub>2</sub> Emissions in the Product (Distribution Stage)**



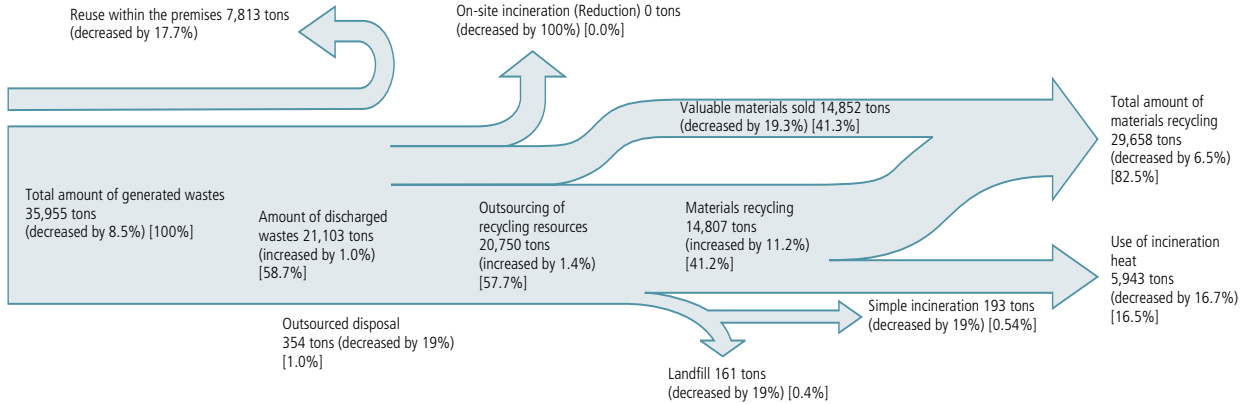
• Amount transported in fiscal 2009: 280 million tonkilometers  
 • Calculation method: Either the improved ton-kilometer method, fuel consumption method or fuel cost method depending on the product and transportation method

**Greenhouse-gas Emissions from Laboratories**



**Fiscal 2009 Annual Production Site Waste Generation and Disposal Conditions**

Change over the previous year is in ( ) and proportion of the total generation is in [ ].



**Zero Emissions Achievement Criteria and Accreditation System of Sekisui Chemical Group**

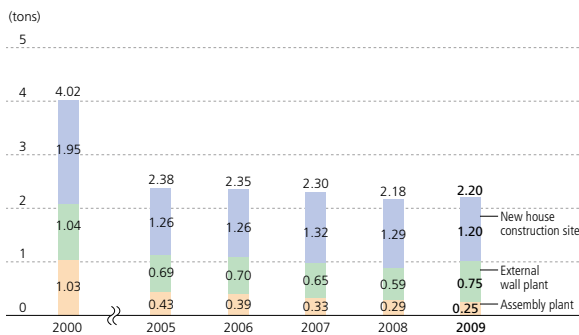
- (1) Not engaging in any outside incineration without thermal utilization, and landfill outside or inside of facilities (Recycling ratio 100%).
- (2) If the waste quantity is small and is a type of waste that has never been recycled before, recycling methods and relevant contractors must be identified and a service agreement must be executed.

We have also established uniform evaluation criteria named the Zero Emissions Achievement Evaluation List. We have a system designed to conduct internal checks and issue approvals for observance status of the evaluation criteria, legal compliance, rules and signs for waste segregation and storage, management of related facilities, and waste reduction planning and management. The list obliges us to conduct inspection of outside contractors and to clarify treatment routes in order to enhance the management system through these activities.

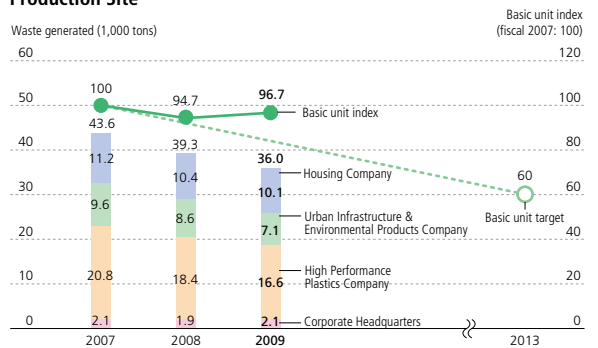
**Status of Zero Emissions Achievement**

Production sites	Achieved at 35 plants in Japan and three overseas plants, including those of affiliates. (Includes one plant overseas that achieved zero emissions in fiscal 2009)
Laboratories	Achieved at four domestic laboratories as of fiscal 2005
New house construction sites	Achieved at all locations as of September 2003
House renovation sites	Achieved at all locations as of fiscal 2004
Osaka and Tokyo Headquarters buildings	Achieved as of fiscal 2005
House dismantling sites	As of end of fiscal 2009, 99 % recycling rate for Designated Construction Materials (scrap concrete and wood)

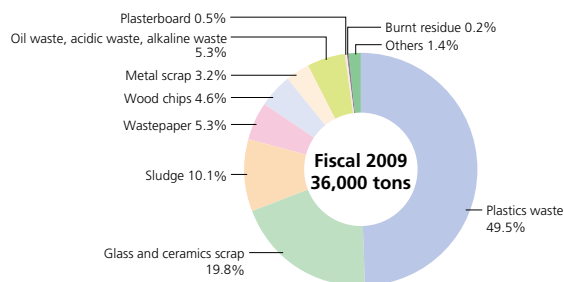
**Total Amount of Waste Generated in New House Construction (tons/house)**



**Total Amount of Waste Generated and Unit Waste Generation at Production Site**



**Breakdown of Generated Waste**



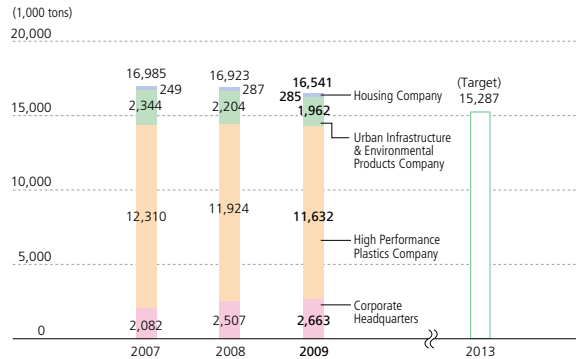


## Subjects of Material Flow Cost Accounting at Sekisui Chemical Group

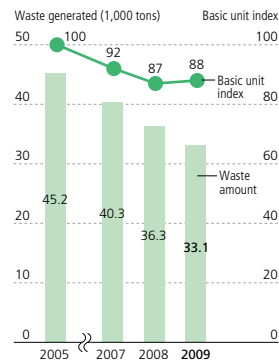
- Material-cost factors  
Cost factors: Primary raw materials, secondary raw materials, ancillary raw materials, and all other material costs
- System-cost factors  
Labor costs, equipment depreciation, other administrative costs
- Energy costs  
Electricity, water, gas, heavy oil, and other fuel and energy costs
- Waste-processing costs  
Actual costs of waste processing

Data on the above costs is collected as positive and negative costs.

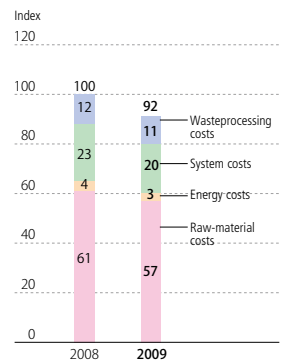
## Changes in the Amount of Groundwater Extracted for Use at Production Site



## Quantity and Basic Units of Waste Generated at Business Sites Reviewed



## Economic Loss (Loss Costs)



## Environmental Management →P24

### ISO14001 Certified Business Sites

#### Housing Company

Hokkaido Sekisui Heim Industry Co., Ltd.  
Tohoku Sekisui Heim Industry Co., Ltd.  
Kanto Sekisui Heim Industry Co., Ltd.  
Tokyo Sekisui Heim Industry Co., Ltd.  
Chubu Sekisui Heim Industry Co., Ltd.  
Kinki Sekisui Heim Industry Co., Ltd.  
Chushikoku Sekisui Heim Industry Co., Ltd.  
Kyusyu Sekisui Heim Industry Co., Ltd.  
Sekisui Board Co., Ltd. Minakuchi Plant  
Sekisui Board Co., Ltd. Gunma Plant  
Hokkaido Sekisui Heim Co., Ltd.  
[Hokkaido Sekisui Fami-S Co., Ltd.]  
Gunma Sekisui Heim Co., Ltd.  
Ibaraki Sekisui Heim Co., Ltd.  
[Ibaraki Sekisui Fami-S Co., Ltd.]  
Tochigi Sekisui Heim Co., Ltd. General Affairs Department  
Sekisui Heim Shinetsu Co., Ltd.  
[Sekisui Fami-S Shinetsu Co., Ltd.]  
Tokyo Sekisui Heim Co., Ltd.  
(not including Yamanashi Sales Branch)  
Tokyo Sekisui Heim Co., Ltd. Yamanashi Sales Branch  
[Tokyo Sekisui Fami-S Co., Ltd. Yamanashi Sales Branch]  
Sekisui Heim Chubu Co., Ltd.  
Sekisui Heim Kinki Co., Ltd.  
Sekisui Heim Sanyo Co., Ltd.  
Sekisui Heim Chushikoku Co., Ltd.  
[Sekisui Fami-S Chushikoku Co., Ltd.]  
Sekisui Heim Kyusyu Co., Ltd.  
[Sekisui Fami-S Kyusyu Co., Ltd.]

#### Urban Infrastructure & Environmental Products Company

Sekisui Chemical Co., Ltd. Shiga-Ritto Plant  
Sekisui Chemical Co., Ltd. Gunma Plant  
Sekisui Chemical Co., Ltd. Tokyo Plant  
Sekisui Chemical Co., Ltd. Kyoto Research & Development Laboratories  
Chiba Sekisui Industry Co., Ltd.  
Sekisui Chemical Hokkaido Co., Ltd.  
Toto Sekisui Co., Ltd. Ota Plant  
Okayama Sekisui Industry Co., Ltd.  
Sekisui Roof Systems Co., Ltd. Manufacturing Division  
Shikoku Sekisui Industry Co., Ltd.  
Kyusyu Sekisui Industry Co., Ltd.  
Ryuseki Jyubi Industry Co., Ltd.  
Sekisui Aqua Systems Co., Ltd. Shizuoka Plant  
Sekisui Hometechno Co., Ltd.  
Kydex, LLC.  
Eslon B.V.  
Wuxi SSS-Diamond Plastics Co., Ltd.  
Yongchang-Sekisui Composites Co., Ltd.  
Sekisui (Qingdao) Plastic Co., Ltd.

#### Corporate Headquarters

Sekisui Chemical Co., Ltd., Development Center  
Tokuyama Sekisui Industry Co., Ltd.  
Hinomaru Co., Ltd. Tosu Plant  
Hinomaru Co., Ltd. Kanto Plant  
Sekisui Seikei, Ltd. Chiba Plant  
Sekisui Seikei, Ltd. Kanto Plant  
Sekisui Seikei, Ltd. Hyogo Plant  
Sekisui Seikei, Ltd. Hyogo-Takino Plant  
Sekisui Seikei, Ltd. Izumo Plant

#### High Performance Plastics Company

Sekisui Chemical Co., Ltd. Amagasaki Plant  
Sekisui Chemical Co., Ltd. Musashi Plant  
Sekisui Chemical Co., Ltd. Shiga-Minakuchi Plant  
[Sekisui Fuller Co., Ltd. Shiga Plant]  
Sekisui Chemical Co., Ltd. Taga Plant  
Sekisui Chemical Co., Ltd. Minase Site  
Sekisui Techno Molding Co., Ltd. Head Office Plant  
Sekisui Techno Molding Co., Ltd. Mie Plant  
Sekisui Techno Molding Co., Ltd.  
Aichi Plant Oigawa Manufacturing Section  
Sekisui Film Co., Ltd. Sendai Plant  
Sekisui Film Co., Ltd. Nagoya Plant  
Sekisui Film Co., Ltd. Shinshu-Takato Plant  
Sekisui Film Kyusyu Co., Ltd.  
Sekisui Fuller Co., Ltd. Hamamatsu Plant  
Sekisui Medical Co., Ltd. Iwate Plant  
Sekisui Techno Shoji Higashi Nihon Co., Ltd.  
Sekisui TA Industries, LLC. Brea Plant  
Sekisui TA Industries, LLC. Tennessee Plant  
Sekisui S-Lec B.V.  
Sekisui-Alveo B.V.  
Sekisui Alveo Ltd.  
Sekisui Specialty Chemicals Europe, S.L.  
Sekisui S-Lec Mexico S.A. de C.V.  
Sekisui S-Lec Thailand Co., Ltd.  
Thai Sekisui Foam Co., Ltd.  
Youngbo Chemical Co., Ltd. Daejeon Plant  
Sekisui High Performance Packaging (Langfang) Co., Ltd.  
Sekisui S-LEC (Suzhou) Co., Ltd.

[ ]: Organizations in parentheses are included in the scope of certification.  
Some sites not shown above may include related sections.

## Number of Issues of Concern in Environmental Auditing for Fiscal 2009



(for Production sites and Laboratories, as of End of March 2010)

(Issues)

		Number of cases	Correction completed	Undergoing correction	
Corporate Headquarters environmental auditing* (14 business sites)	Issues of concern	78	56	22	
	Issues to work on	129	76	53	
	Proposals	4	2	2	
	Total	211	134	77	
Auditing by certification body	Renewal (14 business sites)	Nonconformity (major)	0	0	0
		Nonconformity (minor)	13	8	5
		Observations	93	58	35
		Total	106	66	40
Surveillance (31 business sites)	Nonconformity (major)	0	0	0	
	Nonconformity (minor)	12	11	1	
	Observations	136	80	56	
	Total	148	91	57	
Internal auditing of business sites (38 business sites; 41 times of auditing)	Nonconformity (major)	1	1	0	
	Nonconformity (minor)	91	82	9	
	Observations	376	255	121	
	Total	468	338	130	

\* Category of instructions for Corporate Headquarters environmental auditing  
 Issues of concern: Matters recommended for immediate improvement  
 Issues to work on: Matters recommended for improvement within one year  
 Proposals: Matters to be considered for improvement, advice

## Number of Persons with Qualifications



(Persons)

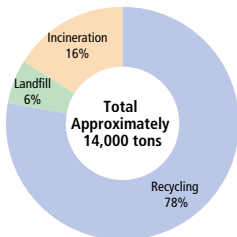
		Those who acquired qualifications during fiscal 2009	Aggregate total		
Number of participants in Environmental Management Systems (EMS) internal auditor development/ training courses	Number of internal training course participants	79	684		
	Number of external training course participants	15	214		
	Total	94	898		
Number of participants in Occupational Health and Safety Management Systems (OHSMS) internal auditor development/ training courses	Number of internal training course participants	40	493		
	Number of external training course participants	2	150		
	Total	42	643		
Number of persons with major qualifications	Registered examiner of the Center of Environmental Auditor Registration (CEAR)	Lead Auditor	0	3	
		Auditor	0	1	
		Provisional Auditor	0	9	
	Pollution control manager	Qualifications	Air Classes 1-4	8	42
			Water Classes 1-4	5	90
			Noise/Vibration	1	49
			Dioxins	0	2
	Certified Environmental Measurer		1	1	
	Qualified Person for Heat/Electricity Energy		1	40	
	Management of Type 1 Designated Plant		0	3	
Eco Test		27	46		

## Environmental Performance of Overseas Business Sites

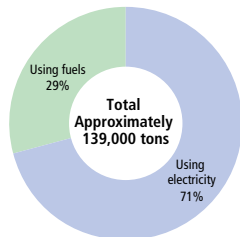


Sekisui Chemical Group is currently moving ahead with globalization of its environmental management. To make continuous improvements in areas associated with overseas production, such as environmental impact, we began monitoring the status of environmental activities and performance data on a regular basis from fiscal 2003. The scope of fiscal 2009 data covers the following\*1 26 business sites.

### Waste Treatment Method\*1



### Amount of CO<sub>2</sub> Emissions\*1\*2



### Amount of Water Extracted for Use\*1

Approximately 1,530,000 tons

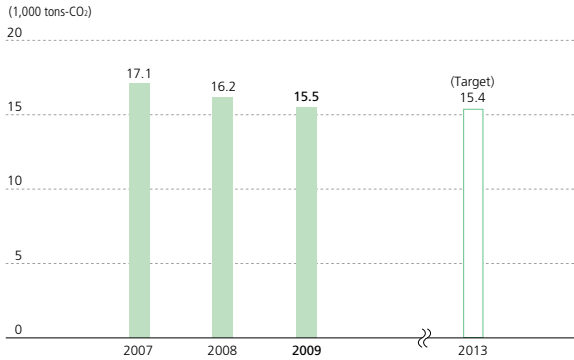
\*1 Data collected from: Kydex, LLC., Allen Extruders, LLC., Eslon B.V., Sekisui Refresh Co., Ltd., Sekisui Industrial Piping Co., Ltd., Wuxi SSS-Diamond Plastics Co., Ltd., Sekisui (Qingdao) Plastic Co., Ltd., Sekisui Voltec, LLC. (Lawrence Plant\*1), Coldwater Plant\*1), Sekisui TA Industries, LLC. (Brea Plant, Tennessee Plant), Sekisui S-Lec America, LLC., XenoTech, LLC., Sekisui S-Lec B.V. (Resin Plant, Film Plant), Sekisui-Alveo B.V., Sekisui Alveo Ltd., Sekisui S-Lec Mexico S.A. de C.V., Sekisui S-Lec Thailand Co., Ltd., Thai Sekisui Foam Co., Ltd., Sekisui Pilon Pty. Ltd.\*1, Youngbo Chemical Co., Ltd. Daejeon Plant, YoungBo HPP (Langfang) Co., Ltd., Sekisui High Performance Packaging (Langfang) Co., Ltd., Shanghai Sekisui-Holy Plastics Co., Ltd., Sekisui S-LEC (Suzhou) Co., Ltd., Sekisui Medical Technology (China) Ltd.

\*2 CO<sub>2</sub> emissions were calculated using the emissions coefficients used in the Environmental Top Runner Plan SHINKA!

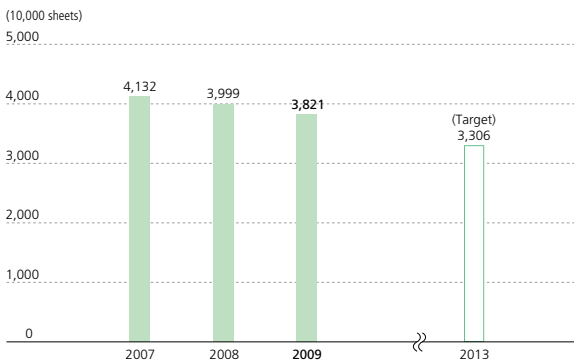
\*3 Data was collected on CO<sub>2</sub> emissions only.

\*4 Calculation period: January 1 - December 31, 2009

**CO<sub>2</sub> Emissions at Offices** →P19



**Copier-paper Use at Offices** →P21



**Fiscal 2009 Green Purchases Performance**

Sekisui Chemical Group is committed to green purchasing of office supplies for all its departments and branches.

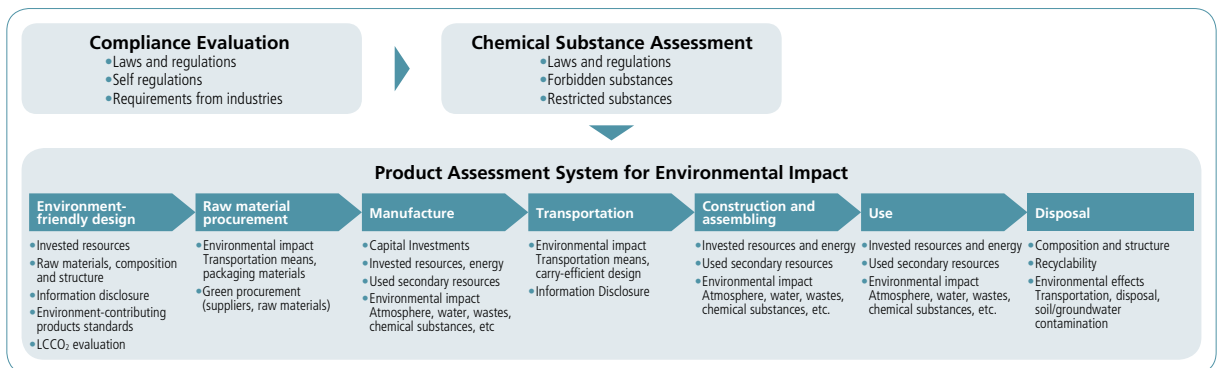
	Fiscal 2009 (10,000 yen)
Photocopying paper	9,381
Other office supplies	20,073
Office automation equipment	18,049
<b>Total</b>	<b>47,503</b>

**Green Purchase Guidelines**

1) OA paper (photocopier paper), stationery, office supplies, office automation equipment	Any of those listed under (1)-(4) below: (1) Those satisfying Eco Mark certification standards (2) Those in compliance with the Law Concerning the Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities (3) Those covered in the Green Purchasing Network's database (4) Those covered in catalogs as environment-friendly products
2) Paper and paper products other than OA paper and toilet paper (forms, inkjet printer paper, color-printer paper, coated paper, notebooks, vouchers, business cards, paper used for publications such as pamphlets and catalogs, etc.)	Any of those listed under (1)-(5) below: (1) Those satisfying Eco Mark certification standards (2) Those in compliance with the Law Concerning the Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities (3) Those covered in the Green Purchasing Network's database (4) Those covered in catalogs as environment-friendly products (5) Non-pulp paper or paper consisting of 70% or more recycled paper, or paper with the highest recycled content for the relevant type
3) Toilet paper	100% recycled toilet paper

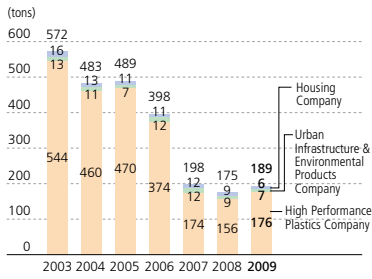
**Overview of the Product Assessment System for Environmental Impact** →P17

Target: products and processes Scope: all stages of a product lifecycle

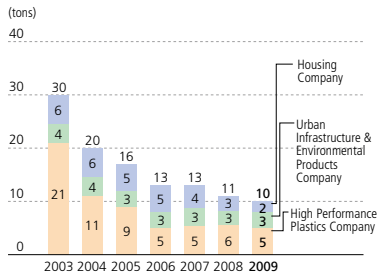


# Atmospheric, Water, and Soil Related Emissions

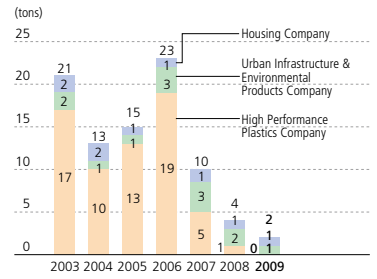
## NOx Emission Volume Verified



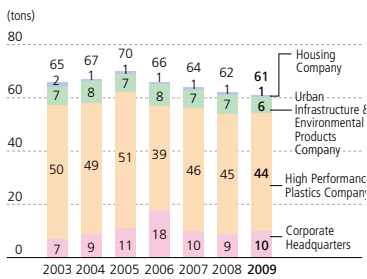
## SOx Emissions Volume Verified



## Soot and Dust Emission Volume Verified



## COD Discharge Volume Verified



## Business Site Soil Surveys P23 Verified

Business Site	Survey substance	Excess of the standards
Sekisui Chemical Co., Ltd. Shiga-Minakuchi Plant	Class 1 designated harmful chemical substances, Class 2 designated harmful chemical substances, PCBs, dioxins	Yes (lead, arsenic, fluorine, mercury: substances other than lead presumed not to be a result of business activities) Yes (dioxins: caused by leakage of exhaust cleaning wastewater from waste incinerator previously located on the site)
Chiba Sekisui Industry Co., Ltd.	Lead, dichloromethane, dioxins	Yes (lead) Yes (dioxins: caused by past open burning of wastes)
Okayama Sekisui Industry Co., Ltd.	Class 1 designated harmful chemical substances, Class 2 designated harmful chemical substances, Class 3 designated harmful chemical substances, dioxins	Yes (lead, fluorine, boron, arsenic: presumed not to be a result of business activities) Yes (arsenic in groundwater; presumed to be naturally occurring since the site has no history of arsenic use)

## Preventing Pollution

Sekisui Chemical Group is working to meet the targets of legal and regulatory restrictions and to reduce discharge of pollutants through appropriate maintenance and control and periodic inspection of the wide range of equipment it uses.

### •Preventing Air Pollution

In fiscal 2007, the co-generation system of Sekisui Chemical's Shiga Minakuchi Plant was renovated and its fuel source switched from heavy oil A to city gas. As a result, the plant was able to achieve massive reductions in its discharge of NOx and soot. In the future, the plant will maintain current levels of performance.

### •Preventing Water Pollution

Each Sekisui Chemical Group site conducts periodic emergency drills in preparation for the possibility of leaks of wastewater off the site and is implementing a system of thorough preventive and responsive measures for any accidents. Each site also implements integrated wastewater controls such as enhancing wastewater processing capacity and carrying out measures to eliminate piping problems.

### Disposal and Storage of Machines and Equipment that Contain PCBs

Stored transformers and condensers that contain PCBs are being disposed of steadily, beginning with sites for which acceptance at PCB treatment facilities is available. In addition, at sites with machines and equipment that contain PCBs in storage, such devices are managed strictly and thoroughly, through means including locked storage and periodic inspection.

# Environmental Incidents and Complaints

## Environmental Incidents and Complaints Verified

In fiscal 2009, there were no incidents with off-site consequences. We received seven complaints regarding the environment, and are steadily implementing preventive measures in response.

### Environmental Complaints

	Details of complaints	Countermeasures
Noise	Complaint about noise generated by plant equipment	Oiling the relevant equipment and carrying out thorough equipment maintenance Installation of noise-blocking walls to block the operating noise of air blowers
	Complaint about early morning fire-alarm noise	•Fire alarm inspection and repairs •Submitting and explaining emergency contact information for weekends, holidays, and nighttime (when security personnel are not present) to the local department of the prefectural police and nearby neighborhood associations
Odors	Complaint about odor of raw materials used at plant	•Reinspection and more thorough management of materials generating the odor
	Complaint about scattered wastes	•Changing layout of the waste collection area and installing anti-scattering sheets to prevent waste from blowing away
Wastes	Instructions, etc., on an expired license for waste processors by periodic inspection of waste management by the authorities	•Implementing improvements on the matters pointed out, such as more thorough document control, and submitting improvement notices
Other	Complaint about trees on property line	•Pruning the branches that caused the complaint •Planning and implementing periodic pruning

## Emergency Response

In order to prevent emergencies and to prevent the occurrence and spread of environmental contamination in the event of an emergency, at least once every year each of our business sites carries out emergency response drills, assuming a variety of hypothetical cases relevant to the nature of each business site.

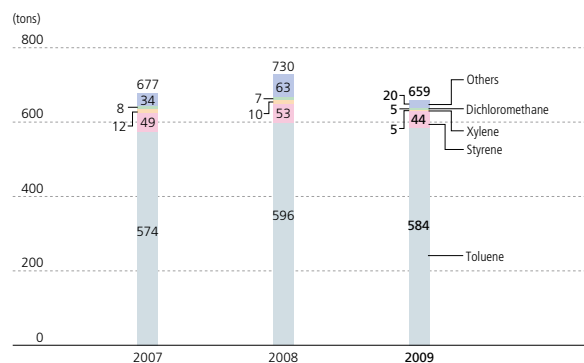
### Emergency Response and Reporting Drills

Simulated emergency situation	Drills performed
Leakage and outflow of oils	61
Atmospheric discharge of solvents	5
Fire	70
Earthquake	5
Emergency communication training	9
Comprehensive disaster preparedness drills	17
Responding to other equipment-related emergencies	2

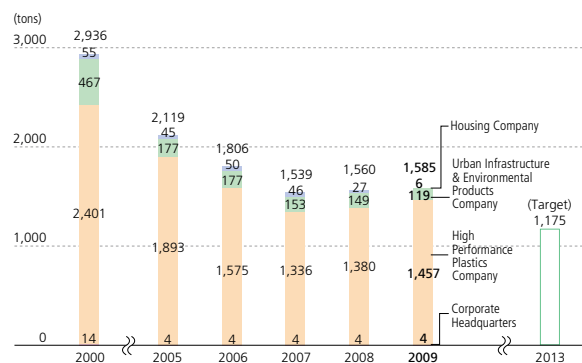
(Calculations have been made for substances with handling volume of one ton or more at the individual business sites surveyed)

Items	Government ordinance notification number	Transaction volume	Emission volume				Transfer volume			Detoxification
			Emitted gases	Public area water-zones	In house soil	In house landfill	Sewage system	Transfer in waste Disposal	Transfer in waste Recycling	
Acrylic acid	3	40.1	0	0	0	0	0	0	4.0	36
Acrylonitrile	7	158.7	0.93	0	0	0	0	0	0.0060	158
Bis (2-ethylhexyl) adipate	9	3.8	0	0	0	0	0	0	0.0038	0
Acetaldehyde	11	191.7	0.14	0	0	0	0	0	0	192
Acetonitrile	12	38.5	2.96	0.52	0	0	0	0.35	34	0.66
2-Aminoethanol	16	3.6	0.71	0	0	0	0	0	0	2.9
Antimony and its compounds	25	35.9	0	0	0	0	0	0	3.6	0
Bisphenol A epoxy resin (liquid form)	30	223.5	0	0	0	0	0	0	0.15	221
Ethylbenzene	40	1.4	1.4	0	0	0	0	0	0	0
Ethylene glycol	43	1.7	0	0	0	0	0	0	0	1.7
Ethylenediaminetetraacetic acid	47	1.6	0	0	0	0	0	0	0	1.6
ε-Caprolactam	61	21.8	0	0.0070	0	0	0	0	0	22
Xylene	63	30.2	5.1	0	0	0	0	0	2.1	23
Vinyl chloride	77	107,059.0	3.5	0.11	0	0	0	0	0	107,055
Chloroform	95	1.1	0.068	0	0	0	0	0.83	0	0.23
Inorganic cyanide compounds	108	57.7	0	0	0	0	0	0	0	58
Cyclohexylamine	114	5.4	0.30	0	0	0	0	0	0	5.1
Dichloromethane	145	419.9	5.5	0	0	0	0	0	0.65	414
N.N-Dimethylformamide	172	2.4	0.0090	0	0	0	0	0	0.80	1.6
Organic tin compounds	176	99.1	0	0.0002	0	0	0	0.058	0.57	0
Styrene	177	1,857.0	44.2	0	0	0	0	0	0.73	729
Decabromodiphenyl ether	197	29.7	0	0	0	0	0	0	3.6	0
Terephthalic acid	205	76.5	0	0	0	0	0	0	0	76.5
Toluene	227	1,370.7	584	0	0	0	0	0	58	690
Lead and its compounds	230	533.2	0.0004	0.0026	0	0	0.0010	0	2.7	0
Nickel compounds	232	1.5	0	0.0050	0	0	0	0	0.87	0.59
Phenol	266	29.0	3.2	0	0	0	0	0	0	26
Bis- (2-ethylhexyl) phthalate	272	267.1	0.96	0	0	0	0	0.30	2.4	0.0
Benzaldehyde	298	7.8	0	0	0	0	0	0	0	7.8
Polyoxyethylene alky ether	307	1.7	0	0	0	0	0	0	0	0.0
Formaldehyde	310	22.5	2.5	0	0	0	0	0	0	20.0
Manganese and its compounds	311	4.1	0	0	0	0	0	0	4.1	0.0
Methyl methacrylate	320	61.2	0.59	0	0	0	0	0	0.012	61
Methylacrylonitrile	321	117.7	0.85	0	0	0	0	0	0.0030	117
<b>Total</b>		<b>112,776.8</b>	<b>657</b>	<b>0.65</b>	<b>0</b>	<b>0</b>	<b>0.0010</b>	<b>1.53</b>	<b>119</b>	<b>109,919</b>

Trend of Emission and Transfer Volume by Substance (PRTR Law)



Changes in Discharge of Volatile Organic Compounds (VOCs) into the Atmosphere



## CS&Quality Data

### Business sites acquiring ISO 9000-series Certification →P30

#### Housing Company

Sekisui Chemical Co., Ltd. Housing Company (comprehensive certification)  
 Research & Development Department: Product Development  
 Research & Development Department: Housing Technology Institute  
 Housing Division  
 CS Promotion & Quality Assurance Department  
 Technology Department  
 Technology Department: Production & Purchasing  
 Sekisui Global Trading Co., Ltd.  
 Hokkaido Sekisui Heim Industry Co., Ltd.  
 Tohoku Sekisui Heim Industry Co., Ltd.  
 Kanto Sekisui Heim Industry Co., Ltd.  
 Tokyo Sekisui Heim Industry Co., Ltd.  
 Chubu Sekisui Heim Industry Co., Ltd.  
 Kinki Sekisui Heim Industry Co., Ltd.  
 Chushikoku Sekisui Heim Industry Co., Ltd.  
 Kyusyu Sekisui Heim Industry Co., Ltd.  
 Hoppou Jyubunka Institute Co., Ltd.  
 Sekisui Board Co., Ltd. Gunma Plant  
 Sekisui Board Co., Ltd. Minakuchi Plant

#### Corporate Headquarters

Sekisui Seikei, Ltd. Chiba Plant  
 Sekisui Seikei, Ltd. Kanto Plant  
 Sekisui Seikei, Ltd. Hyogo Plant  
 Sekisui Seikei, Ltd. Hyogo-Takino Plant  
 Sekisui Seikei, Ltd. Izumo Plant  
 Tokuyama Sekisui Industry Co., Ltd.  
 Sekisui Engineering Co., Ltd.  
 Sekisui Insurance Service Co., Ltd.

#### Urban Infrastructure & Environmental Products Company

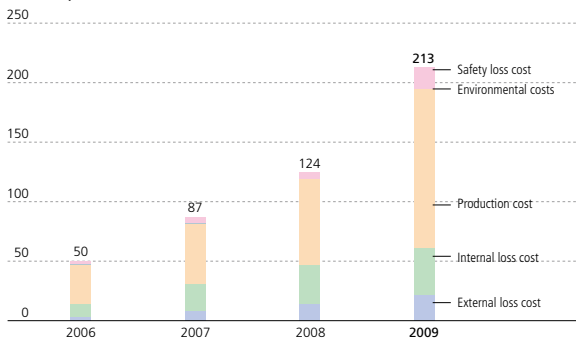
Sekisui Chemical Co., Ltd. Shiga-Ritto Plant  
 Sekisui Chemical Co., Ltd. Tokyo Plant  
 Sekisui Chemical Co., Ltd. Gunma Plant  
 Okayama Sekisui Industry Co., Ltd.  
 Sekisui Roof Systems Co., Ltd.  
 Shikoku Sekisui Industry Co., Ltd.  
 Kyusyu Sekisui Industry Co., Ltd.  
 Sekisui Aqua Systems Co., Ltd.  
 Mechanical Plant Division, Shizuoka Plant  
 Chiba Sekisui Industry Co., Ltd.  
 Sekisui Hometechno Co., Ltd.  
 Sekisui Chemical Hokkaido Co., Ltd.  
 Toto Sekisui Co., Ltd. Headquarters, Ota Plant  
 Nippon No-Dig Technology Ltd.  
 Wuxi SSS-Diamond Plastics Co., Ltd.  
 Eslon B.V.  
 Sekisui NordiTube Technologies SE  
 KMG Pipe Technologies G.m.b.H.  
 KMG LinerTec G.m.b.H.  
 KMG Pipe Rehabilitation Emirates, LLC.  
 Sekisui Rib Loc Australia Pty. Ltd.  
 Sekisui Industrial Piping Co., Ltd.  
 Kydex, LLC.  
 Allen Extruders, LLC.  
 Sekisui (Qingdao) Plastic Co., Ltd.  
 Yongchang-Sekisui Composites Co., Ltd. (Xinjiang)

#### High Performance Plastics Company

Sekisui Chemical Co., Ltd. Shiga-Minakuchi Plant  
 Sekisui Chemical Co., Ltd. Musashi Plant  
 Sekisui Chemical Co., Ltd. Amagasaki Plant  
 Sekisui Chemical Co., Ltd. Taga Plant  
 Sekisui Fuller Co., Ltd. Shiga Plant  
 Sekisui Fuller Co., Ltd. Hamamatsu Plant  
 Sekisui Fuller Co., Ltd. Osaka Office  
 Sekisui Fuller Co., Ltd. Tokyo Office  
 Sekisui Medical Co., Ltd. Tsukuba Plant  
 Sekisui Techno Molding Co., Ltd. Nara Plant  
 Sekisui Techno Molding Co., Ltd. Aichi Plant  
 Sekisui Techno Molding Co., Ltd. Mie Plant  
 Sekisui Film Co., Ltd. Nagoya Plant  
 Sekisui Film Co., Ltd. Sendai Plant  
 Sekisui Film Co., Ltd. Shinshu-Takato Plant  
 Sekisui Film Kyusyu Co., Ltd.  
 Sekisui Polymatech Co., Ltd.  
 Beijing Sekisui Trank Medical Technology Co., Ltd.  
 Sekisui S-Lec Mexico S.A. de C.V.  
 Sekisui S-Lec B.V.  
 Sekisui S-Lec Thailand Co., Ltd.  
 Sekisui S-Lec (Suzhou) Co., Ltd.  
 Sekisui S-Lec America, LLC.  
 Sekisui-Alveo A.G.  
 (Six sites: GmbH, AG., Sarl, s.p.a, S.A, [Benelux] BV)  
 Sekisui-Alveo Ltd.  
 Sekisui-Alveo B.V.  
 Thai Sekisui Foam Co., Ltd.  
 Sekisui Voltec LLC. Lawrence Plant  
 Youngbo Chemical Co., Ltd.  
 Shanghai Sekisui-Holy Plastics Co., Ltd.  
 Sekisui High Performance Packaging (Langfang) Co., Ltd.

### Manufacturing Development Innovation Indicators Performance (improvements vs. fiscal 2005 performance) →P29 Verified

(100 million yen)



#### \* Manufacturing Development Innovation Indicators:

External loss cost: Costs of responding to product-related complaints and claims  
 Internal loss cost: Costs associated with disposal of defective products generated during manufacturing processes  
 Production cost: Costs necessary for manufacturing, such as raw-material and labor costs (decreased through productivity improvements such as saving of energy and other resources in manufacturing processes)  
 Safety loss cost: Costs arising from equipment-related or labor accidents etc.  
 Environmental cost: Costs for disposal of wastes generated at business sites, and energy costs

**Breakdown of Number of Employees (Sekisui Chemical Group)**

(Persons)

Number of employees		19,761
By region		
Japan		15,464
North America		1,068
Central and South Americas		69
Europe		1,148
Asia/Pacific		557
China		1,455

**Number of New-Graduates Hired and Their Separation Rate in the First Three Years of Employment (Sekisui Chemical)**

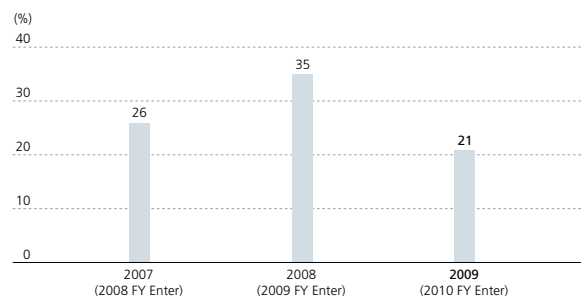
	Fiscal 2007	Fiscal 2008	Fiscal 2009
Number of new-graduates hired (persons)	67	66	59
Separation rate within the first 3 years (%)	16.4	6.1	0.0

\* Separation rate within the first 3 years: Calculated as the total of separation rates for the first, second, and third years for employees hired in the relevant fiscal year, in accordance with the Japanese Ministry of Health, Labour and Welfare's calculation methods

**Results of Intra-group Job Posting**

	Fiscal 2007	Fiscal 2008	Fiscal 2009	Cumulative total since 2000
Recruitments (cases)	24	15	23	172
Employees recruited (persons)	70	29	43	378
Applicants (persons)	120	92	102	896
Employees transferred (persons)	30	11	10	193

**Percentage of Women Among New-graduate Hires**



**Use of Main Systems Supporting the Cultivation of the Next Generation of Employees (at Sekisui Chemical)**

→P42

System	Main content	Fiscal 2007	Fiscal 2008	Fiscal 2009
During childcare leave	Childcare leave	28	30	42 (including 12 male)
	Shortened work hours	11	12	18
After returning to work	Granting of additional cafeteria-plan points	31	31	38
	Family leave	110	132	130
Total number of persons using these systems		180	205	228

**Breakdown of Number of Employees (Sekisui Chemical Co., Ltd.)**

(persons)

Number of employees		3,755
By gender		
Male		3,418
Female		337

**Employees' Years of Continuous Service (Sekisui Chemical Co., Ltd.)**

(Years)

Average years of continuous service		18.9
By gender		
Male		19.2
Female		16.0

**Main Recruitment and Elective-type Training Programs Conducted in Fiscal 2009**

Training	Details	Number of participants in fiscal 2009
Recruitment-type Training	The Saijuku School	25
	Sending Employees to Business Schools Outside the Company	24
Elective Training	Open Seminars	194 (gross total)

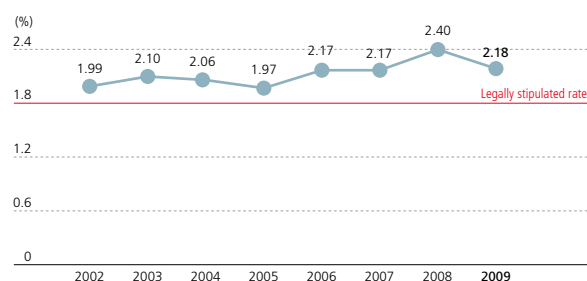
**Career Plan Training by Age** →P38

Themes by Age Groups	30's	40's	50's	Total Number of Participants
Themes by Age Groups	Self-establishment	Market Value	Continuing to work even after retirement	—
Training Contents	Recognition of abilities and interviews with superiors on career-related matters	Affirmation of specialization, values, and the meaning of work	Aiming to keep working at age 65 and thinking about succession	—
Number of Participants in Fiscal 2009 (persons)	118	136	47	301
Total Number of Participants as of Fiscal 2009 (persons)	1,547	1,249	666	3,462

**Overview of 3-Year Cultivation Program for Young Employees** →P38

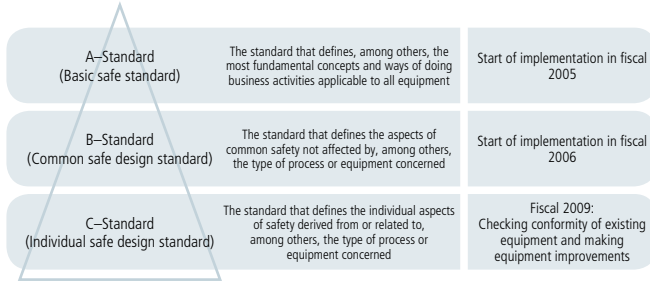
Programs available	Summary
Annual career training	Career planning and interviews with superiors on career-related matters, both held at the end of each fiscal year (third year: interviews with HR career advisors)
Business skills training	Learning business English, accounting, logical thinking, communication, specialized technologies, etc.
Training for superiors	Checking up on the basics of development of subordinates and career interview methods

**Percentage of Disabled Persons Employed**



Note: Figures are current as of June 1 of each year.

**Sekisui Chemical Group's Equipment Safety Design Standards System**



**Health, Safety and Accident-prevention Costs**

(Million yen)

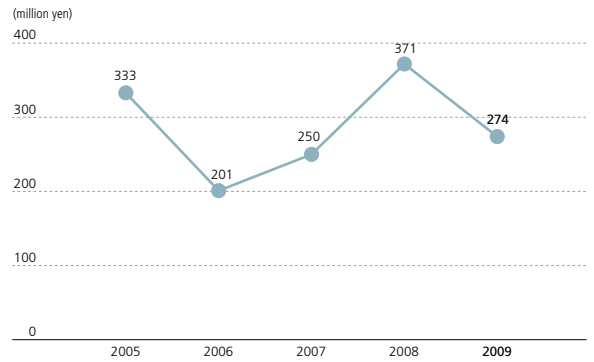
Classification	Item	Sekisui Chemical Group*	
		Expense amount	Investment amount
1) Costs within business areas	Health and safety measures, rescue and protective-equipment measurement of work environment, health monitoring, workers' accident compensation insurance, etc.	869	984
2) Administrative costs	Establishment and implementation of OHSMS, safety education, personnel costs, etc.	1,325	—
3) Other	Safety awards, etc.	3	—
<b>Total</b>		<b>2,197</b>	<b>984</b>

\* Includes 46 production sites/4 laboratories + all departments of Corporate Headquarters +back-offices of division companies.

**Trend of Expenses and Investments**

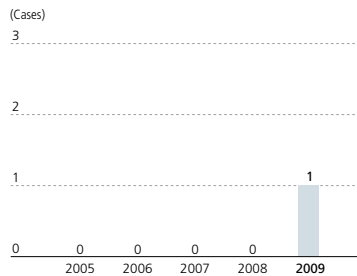


**Amount of Loss Costs\***



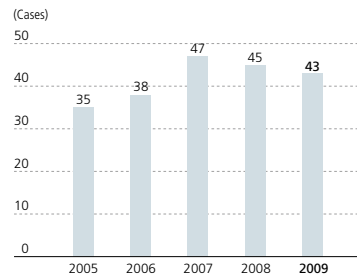
\* Loss costs: Expenses, including man-hours, required to respond to occupational accidents, equipment accidents, commuting accidents and long-term illness absence.

**Number of Equipment-related Accidents\* (Calendar Year)**



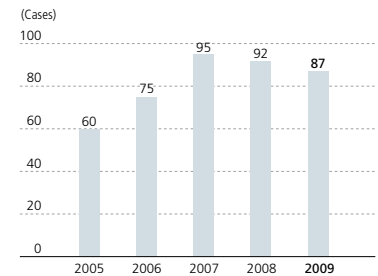
\* Definition of equipment-related accident:  
 (1) Personnel-related damage: business interruption with 30 lost working days or more  
 (2) Property damage: 10 million yen or more  
 (3) Loss of opportunity: Any accident with a loss of 20 million yen or more that meets one or more of the above conditions (Sekisui Chemical Group standards)

**Number of Extended Sick Leaves\* (Calendar Year)**



\* Extended sick leaves:  
 This refers to a new absence of 30 calendar days or longer due to illness or injury.  
 Recurrences within six months of returning to work are not included in the above count. Absences due to occupational injury are not considered extended sick leave.

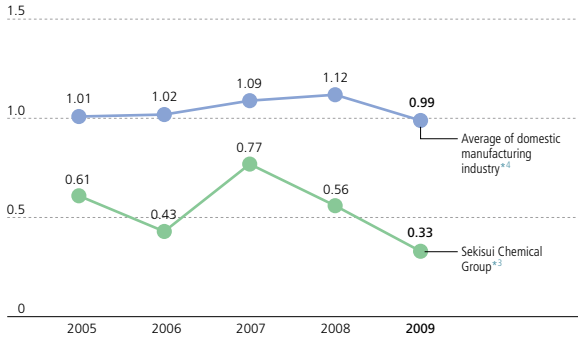
**Number of Commuting Accidents\* (Calendar Year)**



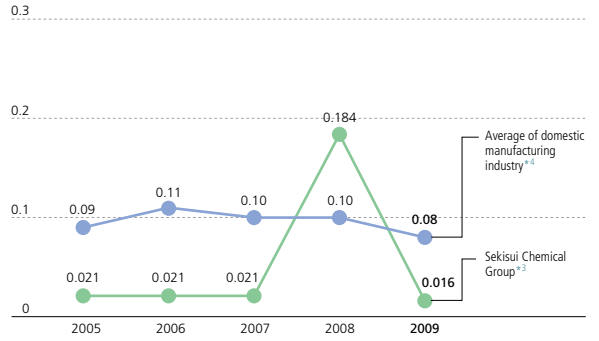
\* Number of Cases:  
 Total number of cases with damages incurred and inflicted (Including self-injury and property damage)



### Frequency Rate\*1 (Calendar Year)

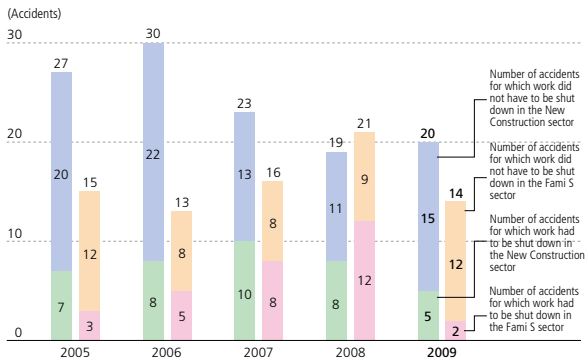


### Severity Rate\*1 (Calendar Year)

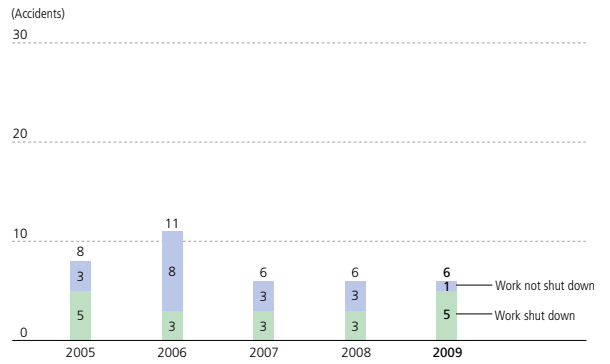


\*1 Frequency rate = (number of casualties per total working hours due to a disaster/total work hours) × 1,000,000  
 \*2 Severity rate = (days of labor lost/total work hours) × 1,000  
 \*3 Sekisui Chemical Group data: 42 production sites and 4 R&D laboratories  
 \*4 Source of information for Japanese manufacturing industry: Ministry of Health, Labour and Welfare "Survey on Industrial Accidents"

### Trends in Safety Performance at the Housing Company Construction Sites (Calendar Year)

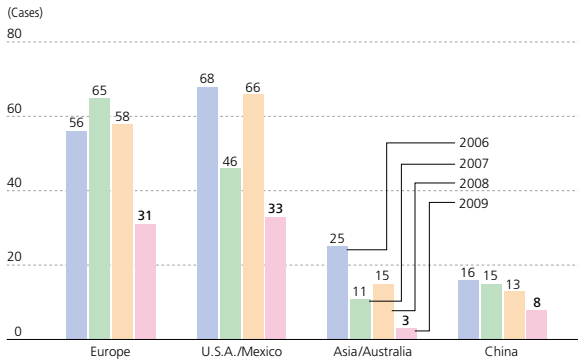


### Trends in Safety Performance at the Urban Infrastructure & Environmental Products Company Construction Sites (Calendar Year)



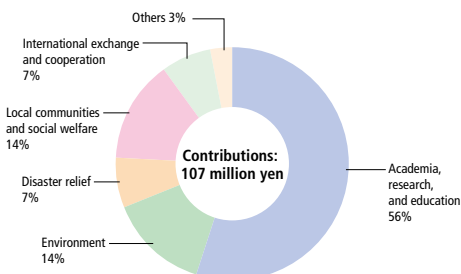
Note: The number of accidents represents the total for the following three companies: Sekisui Hometechno Co., Ltd., Nippon No-Dig Technology Co., Ltd., and Sekisui Aqua Systems Co., Ltd.

### Status of Work-related Accidents at Overseas Production Sites (Calendar Year)



## Social Contribution Activities

### Breakdown of Charitable Contributions



### Sekisui Chemical Group “Environmental Management Policy”

#### Mission

We, the Sekisui Chemical Group, aim to be a Global Environmental Top Runner that contributes to the realization of a sustainable society by enabling the continuous growth and co-existence of ecology and the economy.

#### Basic Policy

Each company in the Sekisui Chemical Group advances approaches that contribute to the prevention of global warming, the preservation of biological diversity and the construction of a recycling-based society in all countries and regions where they have operations, in order to leave this beautiful earth for our children in the future.

1. We contribute to the environment through our products and services, with consideration given to the environment in all stages of the product life cycle from research to procurement, production, sales, use, and disposal as waste.
2. We carry out environmentally conscious business activities in all our workplaces and offices, and promote our approach to the environment through cooperation with our customers and business partners.
3. We make efforts to reduce the environmental impact of greenhouse gas emissions and hazardous chemicals, etc., and to prevent pollution by promoting the effective use of limited resources and energy.
4. We observe the related laws, regulations, international rules, etc.
5. We make efforts to improve environmental consciousness through education, and advance continual improvements by setting our own objectives and targets.
6. We enhance confidence through close communications with society.
7. We aggressively work on social contribution activities such as nature conservation activities in each region.

### Sekisui Chemical Group “CS & Quality Management Policy”

#### Mission

We, the Sekisui Chemical Group, consider “CS & Quality” as our central concept of management and will consistently innovate to maintain the quality of products throughout all our activities, continuously provide values (products and services) that meet customer expectations, strive for selection by our customers on an ongoing basis, and develop and grow with the customer over the long time.

#### Basic Policy

We, the Sekisui Chemical Group, consider “Customer’s Feedback” as precious resources for management and strive to innovate about “Quality of Products,” “Quality of People” and “Quality of Systems” based on the motto “We consider customer’s feedback as the beginning of our manufacturing.” Furthermore, we contribute to the realization of a safe and affluent society by continuously providing our customers and their communities with new value.

1. Ensuring Basic Qualities  
To ensure the reliability and safety of our manufactured products, which form the basis of “Product Quality,” we effectively leverage customer’s feedback and dedicate ourselves with a strong belief in forestalling any potential trouble and preventing any future recurrence throughout our entire value chain.
2. Creating Attractive Qualities  
We aim to share the emotional values of our customers by thoroughly pursuing “what the customers value” and constantly creating attractive products and services that should realize such customer values.
3. Upgrading Technological Capabilities  
For the sake of ensuring Basic Qualities and for creating Attractive Qualities, we are upgrading our technological capabilities in all fields in order to achieve superb manufacturing development.
4. Enhancing Communications  
We value communication with our customers and the community and make sincere efforts when dealing with them as well as complying with the relevant laws and regulations in each country and region. We place special emphasis on resolving customer complaints or claims at an early stage by responding promptly and empathetically.
5. Providing Thorough Employee Education  
To gain and maintain the full trust and impression of our customers, we provide employees with continuous CS & Quality education as well as motivating our employees to achieve self-realization through customer satisfaction.

## Sekisui Chemical Group “Human Resources and Human Rights Policy”

### Mission

Based on our belief that “employees are precious assets bestowed on us by society,” we, the Sekisui Chemical Group, are committed to developing an environment where employees can work enthusiastically. We also offer various opportunities through which we help individual employees enhance their “specialties” and grow personally. With the recognition that it is our social responsibility to protect individual human rights, we respect the diversity, personality and individuality of each person, and promote various working styles as well as creating safe and secure work environments in response to conditions in each country and region.

### Basic Policy on Human Resources

#### 1. Creating opportunities to take on challenges

We encourage employees to “positively set their own goals and aggressively to take on challenges.”

#### 2. Culture where employees learn and grow on their own

We strive to enrich our education/training programs and develop a culture where employees learn and grow on their own.

#### 3. Enhancement of the performance-based remuneration system

We emphasize our employees’ personal commitment and strive to constantly improve the fairness and acceptance of our assessment system regarding performance and processes.

#### 4. Acceptance of various working styles

We respect various values; develop workplaces where every employee can work with enthusiasm; and help employees achieve a balance between life and work.

#### 5. Creating safe and secure work environments

We promote employees health enhancement and mental health care.

### Basic Policy on Human Rights

#### 1. Respect for human rights and the prohibition of discrimination

Being aware of our position as a global corporate citizen, we respect individual human rights and never become involved in any conduct that might lead to discrimination.

- 1) We never discriminate on the grounds of race, color, gender, language, religion, nationality or social origin, property, or other status or any similar irrational basis.
- 2) We do not commit human rights abuses such as resorting to violence, profane outbursts, slander, defamation, intimidation, bullying or similar conduct.

#### 2. Prohibition of harassment

We never commit sexual harassment or other actions that stain personal character.

- 1) We do not commit sexual harassment or any conduct that might be misunderstood as sexual harassment.
- 2) We do not misuse the power of a superior position nor use any language or conduct that could sexually annoy any person. In addition, we prevent other employees from using such offensive language or conduct.

#### 3. Prohibition of forced labor and child labor

We shall never accept forced labor or child labor in any country or region.

- 1) We comply with the laws for the minimum working age and other relevant regulations in each country and region and do not use child labor.
- 2) We do not carry out any form of forced labor in any of our corporate activities.

#### 4. Respect for basic labor rights

We respect basic labor rights, including the right of workers to organize and to bargain, in accordance with the laws and customs of each country or region, and do not infringe on these rights.

## Sekisui Chemical Group “Safety Policy”

### Mission

We, the Sekisui Chemical Group, recognize that employee safety is essential to achieving sustainable growth. We aim to be a “Safe and Secure” enterprise that establishes safe and secure work environments and has the full trust of its customers and the community as well as its employees.

### Basic Policy

Based on the concept of human dignity that “everyone is invaluable,” we “prioritize safety over anything else” as a basic rule in all of our business activities from development, production, construction to servicing. We are committed to promoting comprehensive safety activities with the aim of achieving zero industrial accidents, facility accidents, commuting accidents or long-term sick leave.

1. We strive to develop a safe and comfortable workplace where everyone is taken care of both mentally and physically, which should lead to good health for each of our employees whom we highly value.
2. We thoroughly disseminate the legal requirements concerning health and safety/disaster prevention to our employees to ensure compliance.
3. We carry out risk assessment and promote risk reduction measures in a systematic way to eliminate hazardous factors that compromise health and safety/disaster prevention.
4. We strive to raise awareness regarding health and safety/disaster prevention through employee education/training and promote continuous improvements by setting voluntary objectives/goals.
5. We proactively disclose any necessary information as well as gain a higher level of trust by having close communication with public administrations and local communities.

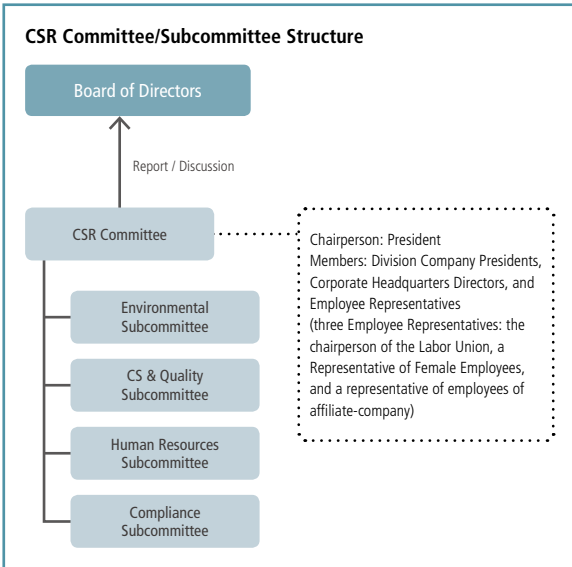
## Sekisui Chemical Group “Social Contribution Policy”

As a good corporate citizen, we, the Sekisui Chemical Group, engage in activities that focus on the “Environment,” the “Next Generation,” and “Local Communities,” and contribute not only to business activities but also to society.

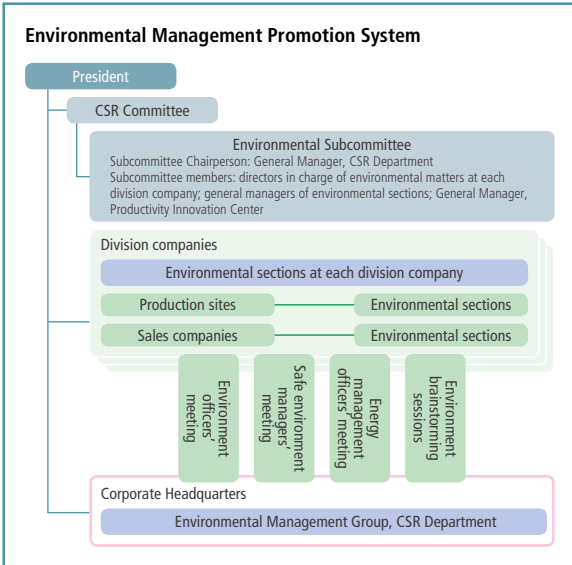
All employees working for the Sekisui Chemical Group are proactively involved in the society and act so that they can serve as prominent human resources in society as well. In addition, their activities are supported by each company of the Group in order to generate synergistic effects.

# Sekisui Chemical Group's CSR Management System

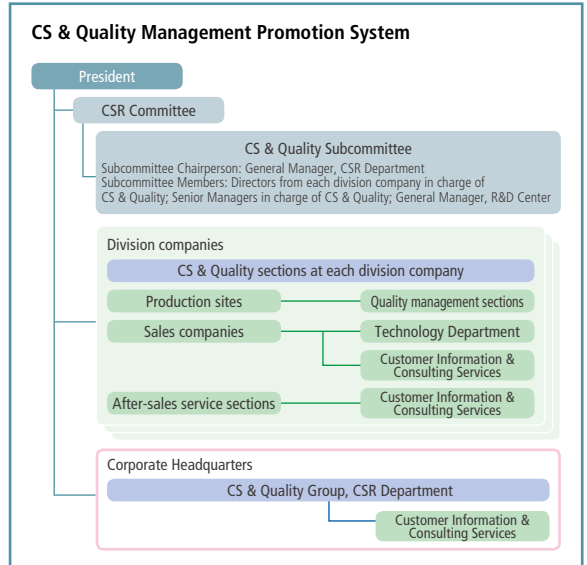
## CSR Committee/Subcommittee Structure



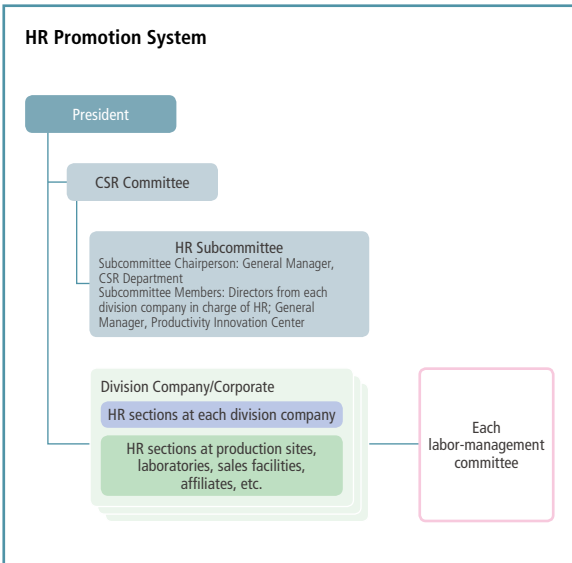
## Environmental Management Promotion System



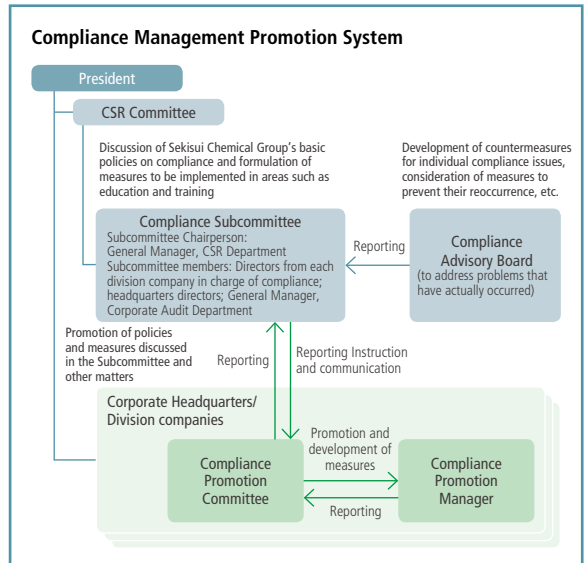
## CS & Quality Management Promotion System



## HR Promotion System



## Compliance Management Promotion System





## **SEKISUI CHEMICAL CO., LTD.**

4-4 Nishitenma 2-chome, Kita-ku, Osaka 530-8565, Japan  
URL <http://www.sekisui.co.jp>

**For further information contact:**

CSR Planning Group, CSR Department  
2-3-17 Toranomom, Minato-ku, Tokyo 105-8450, Japan  
(Toranomom 2-chome Tower)  
E-mail: [csr@sekisui.jp](mailto:csr@sekisui.jp)