

A new frontier, a new lifestyle.

Sekisui Chemical Group
— produce a better world with creative technologies.

Sekisui Chemical Group's Philosophy for CSR

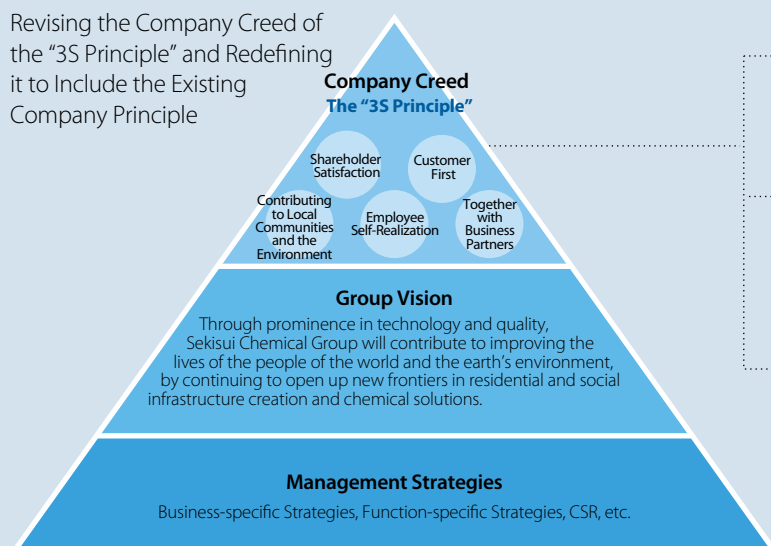
Extolling a Company Principle calling for it to "Create social value while fulfilling stakeholder expectations," Sekisui Chemical Group aims to contribute to society through its business activities.

Our desire is to continue opening new horizons through prominence in technology and quality under our Group slogan "A new frontier, a new lifestyle," to move toward building a better society with recognition, at all times, of what society demands.

As globalization of our businesses advances and the stakeholders with whom we interact grow more diverse, we have prepared this CSR Report to communicate to stakeholders around the world the unchanging ideas and efforts of Sekisui Chemical Group.

New Philosophy

Revising the Company Creed of the "3S Principle" and Redefining it to Include the Existing Company Principle



Service

Creating value for society* through business activities

Speed

Transforming markets with all the power and vitality of a mighty waterfall

Superiority

Earning the trust of society* through prominence in technology and quality

* Society: All of society as a whole, including the key stakeholders as defined in our existing Company Principle: our "Customers," "Shareholders," "Employees," "Business Partners," and "Local Communities and the Environment."

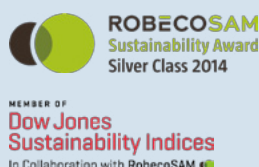
Company Profile (As of March 31, 2014)

Established:	March 3, 1947	Domestic Subsidiaries:	117	Net Sales:	1,110.8 billion yen
Capital:	100.002 billion yen	Overseas Subsidiaries:	93	Operating Income:	82.5 billion yen
Employees:	23,017	Affiliated Companies:	18	Net Income:	41.1 billion yen

Main Evaluations from Society

- CSR in General**
- Earned RobecoSAM Silver Class sustainability rating
 - Earned selection to Dow Jones Sustainability Indexes (DJSI)
 - Earned selection to FTSE4Good Index
 - Earned selection to Ethibel PIONEER and Ethibel EXCELLENCE indices
 - Earned selection to the Morningstar Socially Responsible Investment Index
 - Ranked 94th in Nikkei NICES ranking system
 - Ranked 91st in Toyo Keizai CSR Ranking

- Environment**
- Ranked 29th in Nikkei Environmental Management Ranking
 - Earned selection to CDP Japan 500 Climate Disclosure Leadership Index (CDLI)
 - Earned selection to CDP Japan 500 Climate Performance Leadership Index (CPLI)
- CS and Quality**
- Ranked 28th in Nikkei Quality Management Ranking
- Human Resources**
- Ranked 49th in Nikkei Ranking of Best Companies to Work For
 - Ranked 52nd in Nikkei Ranking of Companies that Fully Utilize Human Resources
 - Earned selection to the Ministry of Economy, Trade and Industry's Diversity Management Selection 100



About Our Report

- The pages of this Report are structured in line with 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 Communication.
- This Report describes case studies on creation of value for society, customers, and the Group itself as a result of efforts to deliver solutions to social issues through business activities.
- We have decided on the information that should be covered in this Report through consideration of its importance both to society and to Sekisui Chemical Group, based on inputs including surveys conducted within and outside the Group and independent review.
- A separate Data Book has been established to ensure that the Report is both comprehensive and easy to read.
- Continuing efforts for which there was not enough room in the Report are covered on the Sekisui Chemical Group website.
- Information about Sekisui Chemical Group's business is disclosed publicly through this Report and the Annual Report, which reports financial information concerning the Group.
- To ensure the reliability of this Report, its environmental and social reporting have been subjected to independent practitioner's guarantee.
- The calculation criteria for the key performance indicators (KPIs) used in this Report are shown on p. 27-29 of the Data Book.

Guidelines Referred to


- This Report refers to the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines ver. 4. A GRI Guidelines comparison table is available on the Sekisui Chemical Group website.
- In preparing this Report, we also have referred to the Ministry of the Environment's Environmental Reporting Guidelines (2012 Edition).

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 2013-March 2014

Scope of Independent Practitioner's Assurance

The environmental and social information in this report has been subjected to an independent practitioner's assurance 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 verified.

Disclaimer

Readers are requested to note the following: The information in this report includes not only past and present facts concerning Sekisui Chemical Co., Ltd, and its affiliates but also future forecasts based on current plans and projections and management plans and management policies as of the time of publication. Changes in various factors could cause the results of business activities in the future and other circumstances to differ from these forecasts. Also, since the figures in the tables and graphs contained in this report have been adjusted through rounding off and other means, in some cases total figures may not be equal to the sums of their parts. In addition, for some items data for past fiscal years has been revised in connection with expansions in scope, revision of calculation methods, and changes to environmental load coefficients.

CONTENTS

3	Top Message
5	Our Company
7	Midterm Management Plan
9	CSR Midterm Plan
11	Management
Three Prominences	
15	Environment Our Philosophy / Environment-Contributing Products / Climate Change / Resource Efficiency / Chemical Substances / Biodiversity
23	CS&Quality Our Philosophy / Attractive Products and Services / Quality
29	Human Resources Our Philosophy / Group Human Resources Capabilities / Human Resources for Global Business / Diversity / Safety and Security
Business and CSR: Efforts of Division Companies	
39	Housing Company
43	Urban Infrastructure & Environmental Products Company
47	High Performance Plastics Company
Bases of CSR	
51	Compliance
53	Risk Management
54	Communication
55	Environmental and Social Contributions
59	Independent Practitioner's Assurance
60	History of Sekisui Chemical Group
60	Editors' Notes

Further Advancing CSR Management as a Pillar of the New Midterm Management Plan



Achieving the Goals of the Midterm Management Plan Amid Severe Changes in the Business Environment

The midterm management plan GS21-SHINKAI, which started in 2009, when I took office as president, has reached completion. Looking back on the five years of that plan, they were a time of severe fluctuations in the business environment, from the slowdown that followed the collapse of Lehman Brothers through the sluggish economy in Europe, the rising value of the yen on international currency markets, the Great East Japan Earthquake, new risks in China, and adapting to the change of government in Japan and the increase in consumption tax.

However, Sekisui Chemical Group was able to achieve the goals of the midterm management plan while earning record profits through reforming its business models to adapt to such changing conditions.

In the housing business, we strived to stay ahead of the competition at all times by promoting the use of homes that realize environmental performance, economic performance, and comfort. Measures such as introducing our Smart Power Station homes aiming for energy self-sufficiency through combining large-capacity solar power, storage cells, and HEMS systems enabled us to set a world record on number of solar-powered homes built. In the infrastructure business, by shifting to a value-chain-based business model we were the first in Japan to receive a contract to provide comprehensive management services to a local government for total solutions including infrastructure repair, renovation, and renewal. In addition, our acquisition of the pipe materials business of Mitsubishi Plastics, Inc. gave us the top market share in the important resin pipes market.

Overseas, in addition to enhancing our global supply structure in the automotive field through strengthening our production capacities for raw materials and products in order to meet booming demand and address foreign-exchange risks, we also constructed systems for developing the businesses of diagnostic reagents and testing equipment in the medical field in Europe and North America.

Sekisui Chemical Group will continue to devote all its strengths to building a sustainable society, not just in Japan but on a global basis.

Looking Back on the CSR Midterm Plan

Sekisui Chemical Group has implemented CSR management in terms of Three Prominences—in the Environment, CS & Quality, and Human Resources—along with the Three Attitudes of Sincerity on which these are based: in Compliance, Risk Management, and Disclosure & Communication.

One of the main achievements of the CSR Midterm Plan has been the increase in sales of Environment-Contributing Products. Sekisui Chemical Group refers to products that not only reflect environmental considerations but also can contribute to lessening society's impacts on the environment as Environment-Contributing Products, and we had set a target of a percentage of 40% or more of net sales consisting of sales of Environment-Contributing Products. In fiscal 2013, we were able to increase this percentage to 42%. We also have made progress on reducing our carbon-dioxide emissions in Japan, and the CO₂ emissions reduction benefits of Environment-Contributing Products reached a level surpassing that of total emissions at the production stage. At the same time, with the broadening of business expansion overseas, our emissions of CO₂ and waste overseas are in an increasing trend. This is an issue we will address in future efforts.

On the subject of major quality issues, unfortunately some customers and related parties were greatly inconvenienced by serious product defects involving products manufactured and sold in the past. We will strive to prevent the reoccurrence of such cases through safety measures during product design and thorough collection of products from the market during product recalls.

Toward Further Permeation of CSR Management Along the Three Axes of Group, Global, and Communication

Through now, our CSR management efforts have been focused on permeation and strengthening of CSR management and on its global deployment. In Japan, CSR is addressed as part of deployment of business policies. For example, each division company and department establishes and addresses its own CSR topics and priorities, all based on discussion and consideration in the CSR Committee and individual subcommittees. Overseas, the meetings of presidents of overseas companies and HR staff conferences have become firmly established as venues for identification of and deliberation on shared issues in each area, but amid the diversification and globalization of our growing overseas businesses one could not necessarily describe as adequate the sharing of Group concepts and values and permeation of CSR management overseas.

The basic strategy of the new midterm management plan SHINKA!-Advance 2016 is SHINKA (evolution) in three business models, with CSR SHINKA serving as a foundation. We have identified three directions for evolving CSR in accordance with our business strategies aimed at growth through further diversification and globalization of our business models: the Group, Global, and Communication

approaches. Specifically, these refer to working toward further permeation of CSR management in Sekisui Chemical Group; sharing values and finding solutions to issues on a global basis; and increasing corporate value through enhancing dialogue with stakeholders.

In addition, we will continue supporting the United Nations Global Compact as a platform for deploying CSR management on a global basis.

To Maintain a Strong Corporate Value for the Next 100 Years through CSR SHINKA

The society of the future will need to address and find solutions for issues related to the maturation of global society. These include aging populations in developed countries, aging urban infrastructure, increasingly severe weather, economic growth in Asia, and limits on resources. We believe that under such conditions, there are numerous social issues that we can help solve through our businesses. If we can build prominence in Japan, where many such issues are coming to the forefront sooner than in other countries, then we also could build next-generation businesses that can contribute to the world.

We intend to further intensify the global business development we have carried out through now together with accelerating our adaptation to the communities we serve around the world, to further advance localization of our prominences and both contribute to society and expand our business lines. We will do so by beginning reforms to our existing business models and aiming to create new businesses and advance into new fields through co-creation conducted within the Group and with outside parties.

To do so, we will continue aiming to be a sustainable company that can maintain its strong value for 100 years, as we work to increase our corporate value through CSR SHINKA by both contributing to society and growing our businesses through creating and growing sales of Environment-Contributing Products, developing human resources and enlivening our organizations to support such efforts, and continuing to deliver the quality specified by customers, through improving both Basic and Attractive Qualities.



Naofumi Negishi
President

Our Company

Around the world, Sekisui Chemical Group conducts a diverse range of businesses that create value for society, through its three internal Division Companies.

Housing Company

- | | |
|---------------------|---|
| Housing | <ul style="list-style-type: none"> Steel Frame Modular Housing: Sekisui Heim Wood Frame Modular Housing: Sekisui Two-U Home |
| Refurbishing | <ul style="list-style-type: none"> Home maintenance, extension and remodeling |
| Real Estate | <ul style="list-style-type: none"> Brokerage services of quality homes Apartment rental management |

Urban Infrastructure & Environmental Products Company

- | | |
|------------------------------|---|
| Piping Materials | <ul style="list-style-type: none"> Water and sewer pipes, pipes for electricity, gas, and telecommunications use Pipeline rehabilitation |
| Building Materials | <ul style="list-style-type: none"> Building materials and equipment (rain gutters, decking materials, insulation materials) Modular baths |
| Performance Materials | <ul style="list-style-type: none"> PVC sheet, sleepers |

High Performance Plastics Company

- | | |
|---------------------------------------|---|
| Electronics | <ul style="list-style-type: none"> Materials for mobile devices Optical and semiconductor materials LCD and display materials |
| Automobiles and transportation | <ul style="list-style-type: none"> Interlayer film Molded automotive components Expanded polypropylene interior materials |
| Buildings and infrastructures | <ul style="list-style-type: none"> Fireproof materials Functional resins Tapes for home construction use Plastic material for water storage |
| Life Sciences | <ul style="list-style-type: none"> Diagnostic reagents system Medical devices |

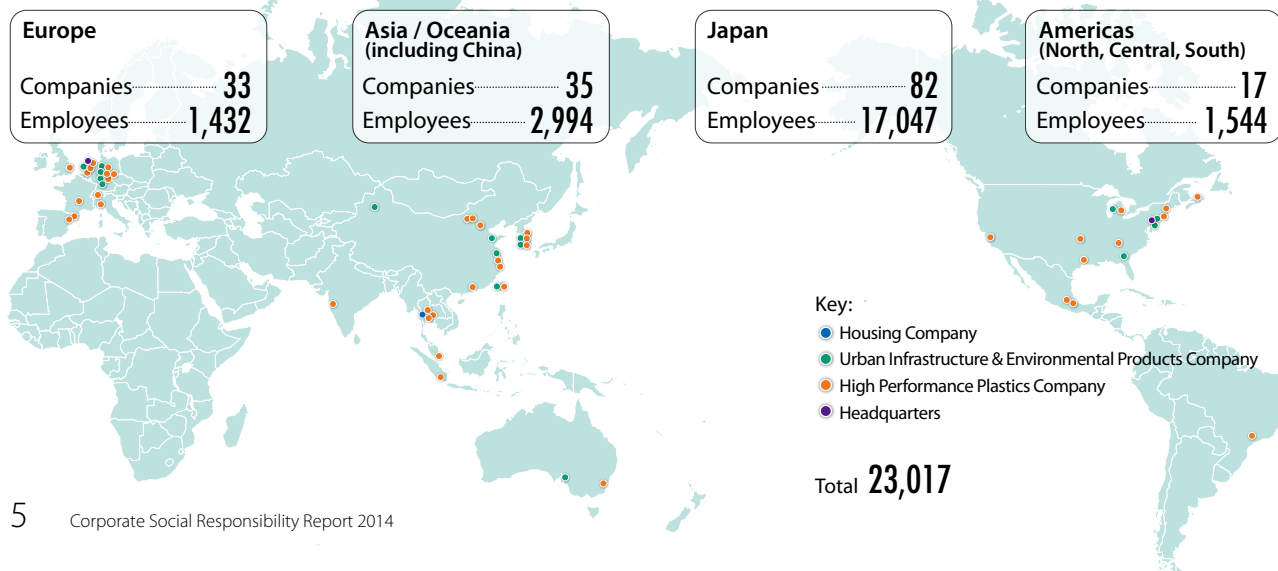
Housing and Living Environment



Social Infrastructure

Sekisui Chemical Group Worldwide

Note: Figures current as of March 31, 2014 (consolidated basis)



Automobiles and Transportation

Urban
Infrastructure &
Environmental
Products



PVC sheet for aircraft use

High Performance
Plastics



FFU synthetic sleepers



Interlayer film



Molded automotive components, expanded polypropylene interior materials

Life Sciences

High Performance
Plastics



Cholestest cholesterol diagnostic reagents



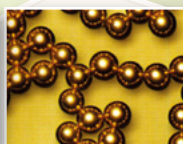
Coapresta 3000 blood coagulation analyzer

Electronics

High Performance
Plastics



Materials for mobile devices
Double-faced tape/ITO film



Conductive fine particles

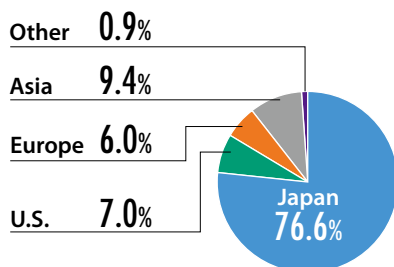


Optical protective films

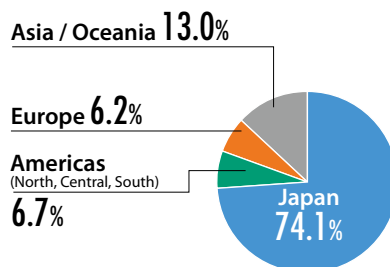


Display materials
(plastic fine particles)

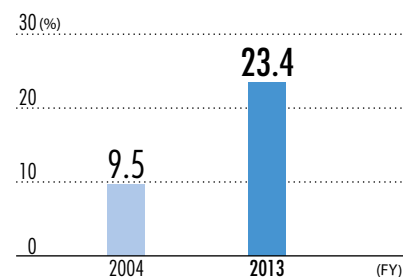
Net Sales by Region



Employees by Region



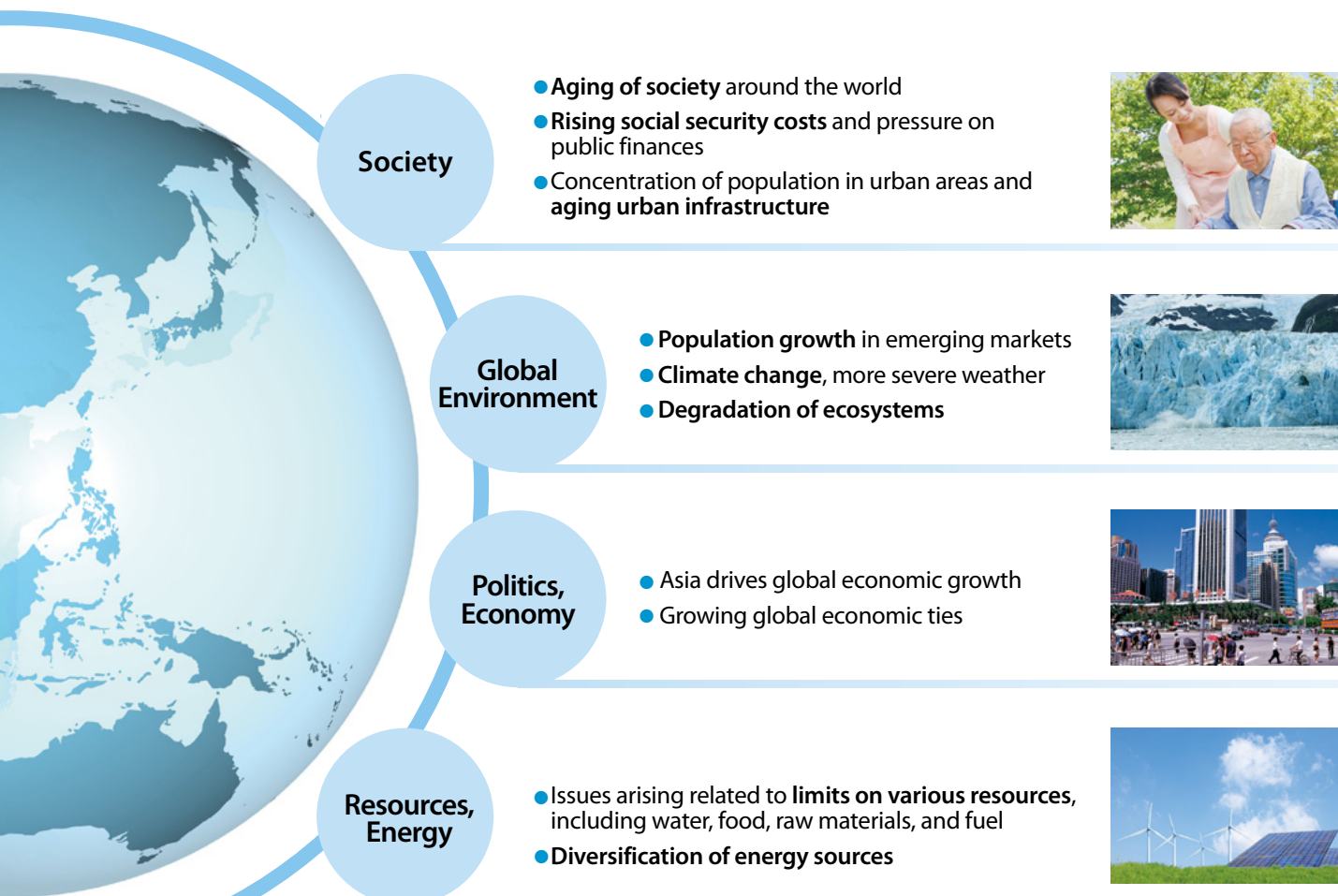
Percentage of Net Sales from Overseas



Midterm Management Plan

Pursuing SHINKA (Evolution) of Both Business Models and CSR

Changes in the Business Environment Anticipated Over the Coming 10 Years

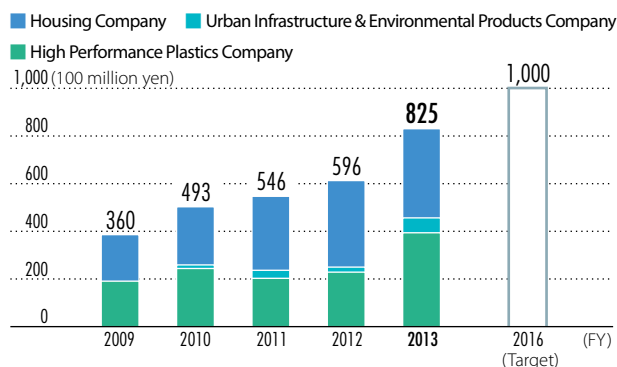


Mid-to long-term Business Conditions

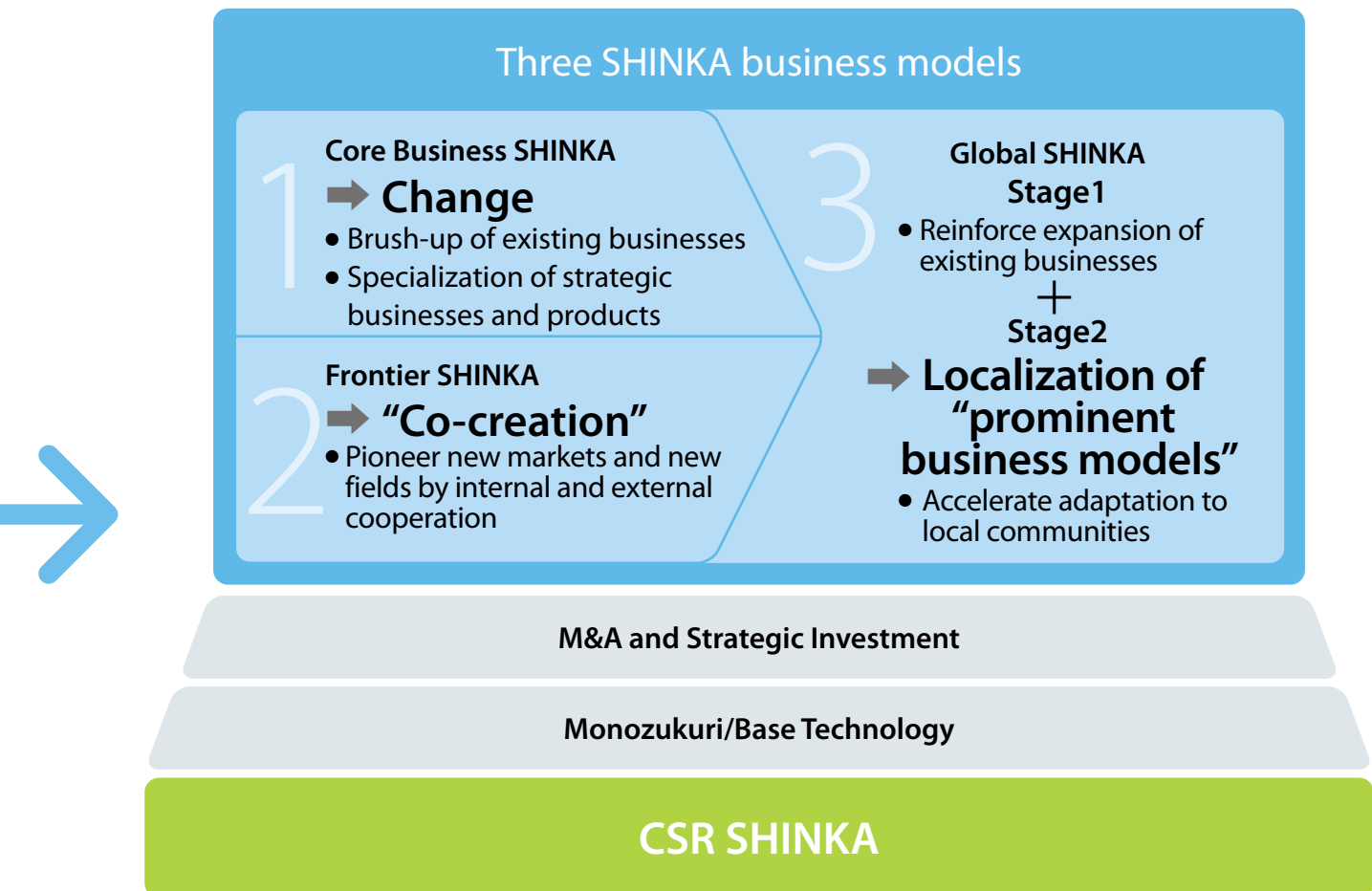
As society matures on a global basis, a variety of special issues will come to the forefront in the future. Sekisui Chemical Group will contribute to solutions for such issues through smart methods in terms of economics, resources, and energy, based on the two foundations of creating residential and social infrastructure and chemical solutions.

Based on this understanding, we have prepared a new Midterm Management Plan for the three-year periods beginning with fiscal 2014. Under this plan, we will work to achieve both contributions to society through our business activities and growth as an enterprise, aiming to maintain a strong Group value for the next 100 years.

Operating Income



Framework of the New Midterm Management Plan SHINKA!-Advance 2016 (Fiscal 2014-2016)



Basic Strategy of the New Midterm Management Plan

The basic strategy of the new Midterm Management Plan SHINKA!-Advance 2016 (fiscal 2014-2016) is SHINKA (evolution) in the three business models of core businesses, frontier businesses, and global businesses, with CSR SHINKA serving as a foundation.

In Core Business SHINKA, we will begin reforms to the business models of existing businesses. Using the term “Growing 8 (G8)” to refer to businesses on which we should focus particular efforts, we will aim to use these businesses to drive Group growth through intensive strategic investments and other means. The G8 businesses are Remodeling, Home Asset Management, Living/Social Infrastructure Stocks, Overseas Water Infrastructure, Functional Infrastructure

Materials, Eco-friendly Materials for a comfortable ride, Materials for mobile devices, and Diagnostic Reagent Systems. In Frontier SHINKA, we will move forward on creation of next-generation businesses through co-creation, utilizing means including joint projects among division companies, alliances with outside parties, mergers and acquisitions, and industry-academy partnerships. In Global SHINKA, together with strengthening businesses in which globalization already has advanced, such as interlayer films and foam, we will proceed with localization of business models in areas such as housing in Thailand, pipe rehabilitation, and diagnostic reagent systems.

We also will strive to further evolve the CSR management that supports this SHINKA in three business models.

CSR Midterm Plan

Promoting a New Midterm Plan Based on the Axes of Group, Global, and Communication

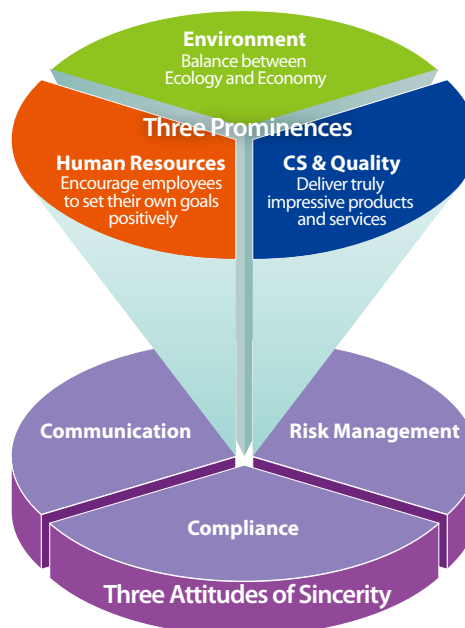
Overview of the CSR Midterm Plan (Fiscal 2009-2013)

Items		FY2013 results	Verified	FY2013 targets
Three Prominences	Environment	Sales of Environment-Contributing Products	Percentage of net sales: 42%	Percentage of net sales: 40% or more
		Greenhouse-gas emissions reductions (production sites in Japan)	Reduced 17.4% vs. FY2007 (Japan)	Reduce 10% or more vs. FY2007 (Japan)
		Waste reduction (production sites in Japan)	Reduced 19.7% vs. FY2007 per unit of output (Japan)	Reduce 25% or more vs. FY2007 per unit of output (Japan) (Target revised from 40% reduction)
	CS&Quality	Reduce external failure costs	Reduced 66% (vs. FY2004)	Reduce 68% (vs. FY2004)
		Major quality issues	1 incident	0 incidents
	Human Resources	Develop global talent employees	Number of global talent employees: 300	Number of global talent employees: 300
Opportunities for diverse human resources to thrive		Percentage of women among new hires: 22%	Percentage of women among new hires: 30%	
Item		FY2013 results		FY2013 targets
Three Attitudes of Sincerity	Compliance	Raise awareness and overseas deployment	Matters discussed by Advisory Board: 8 (FY2011-2013) S.C.A.N. system adopted (Japan, U.S., China)	Expand monitoring and expand use overseas
	Risk Management	Take thorough steps to prevent trouble occurring	Organizations employing risk-management activities: 112	Increase number of organizations conducting risk-management activities (100 organizations)
		Risk-management systems (Japan)	Disaster-prevention system utilization rate: 74%	Enhance disaster-prevention systems
		Risk-management systems (overseas)	Site-specific risk management manuals developed at 104 sites (91%)	Build systems for crisis management overseas (by region)
	Disclosure & Communication	Selection to SRI indices	Maintained selection to SRI indices	Maintain selection to SRI indices

Overview of CSR Midterm Plan (Fiscal 2009-2013)

Under the Midterm Plan for the period through the end of fiscal 2013, we succeeded in increasing the CO₂ emission reduction benefits of Environment-Contributing Products to a level surpassing that of total emissions at the production stage in Japan, as part of the environmental midterm plan. We also developed global talent employees for the globalization of our businesses and made progress on permeation of CSR management, chiefly in Japan, through adoption of the S.C.A.N. whistle-blowing program and further development of risk-management systems.

At the same time, we were unable to completely eliminate serious quality issues and serious compliance issues, and issues such as external failure costs still need to be addressed. Overseas in particular, the increasing numbers of companies and employees are leading to increases in our environmental impact and in numbers of occupational accidents. These are issues that we will address in the next midterm plan.



Targets of the New CSR Midterm Plan (Fiscal 2014-2016)

		Key measures	Targets
Overall		Further permeation of CSR management	Deployment in business plans
Three Prominences	Environment	<ol style="list-style-type: none"> 1 Expand sales of Environment-Contributing Products 2 Reduce environmental impact <ol style="list-style-type: none"> 1) Reduce greenhouse-gas emissions 2) Reduce waste 3) Address water risks 3 Conserve natural environment 	<ul style="list-style-type: none"> ● Percentage of net sales: 50% or more ● Identical targets in Japan and overseas <ul style="list-style-type: none"> ■ Maintain total volume (vs. FY2013) ■ 12% reduction per unit of output (vs. FY2013) ■ Ascertain current conditions and draft countermeasures ● 10-point improvement in Land-Use Report Card
	CS&Quality	<ol style="list-style-type: none"> 1 Improve "Basic Qualities" 2 Improve "Attractive Qualities" 	<ul style="list-style-type: none"> ● Zero important quality issues ● Halve external failure costs (vs. FY2013) ● Increase customer satisfaction
	Human Resources	<ol style="list-style-type: none"> 1 Strengthen Group human resources 2 Train global talent employees 3 Promote diversity (women, elderly people, non-Japanese people, people with disabilities) 	<ul style="list-style-type: none"> ● Increase internal job postings by 30/year ● Number of global talent employees: 400 ● Percentage of women among new hires: 30% ● Percentage of international hires: 20%
Three Attitudes of Sincerity	Compliance	<ol style="list-style-type: none"> 1 Prevent corruption and fraud 2 Prevent important compliance issues 	<ul style="list-style-type: none"> ● Zero occurrences ● Zero occurrences
	Risk Management	<ol style="list-style-type: none"> 1 Thorough preventive measures 2 Strengthen risk management systems (Japan) 3 Strengthen risk management systems (overseas) 	<ul style="list-style-type: none"> ● Improve quality of risk-management activities ● Disaster-prevention system utilization rate: 90% ● Site-specific risk management manuals developed at 100% of sites
	Communication	<ol style="list-style-type: none"> 1 Enhance dialogue with stakeholders 2 Address human rights and supply chain initiatives (child labor, discrimination) 3 Promote social contribution activities 	<ul style="list-style-type: none"> ● Maintain selection to key SRI indices ● Promote CSR procurement globally ● Increase employee participation

Outline of the New CSR Midterm Plan

Under CSR SHINKA, the basis of the new Midterm Management Plan (see p. 8), we will further advance CSR management in pursuit of greater vitality among our human resources and the essence of Sekisui. We have identified three directions for CSR SHINKA: Group, Global, and Communication. These refer to working toward further permeation of CSR management in the diversifying Sekisui Chemical Group, solving global issues based on shared values, and increasing corporate value through enhancing dialogue with stakeholders.

With regard to prominence in the Environment, we have formulated a new midterm plan (see p. 16) under which we will contribute to returns on natural capital through Groupwide progress on expanding sales of Environment-Contributing Products, lessening environmental impact, and preserving the natural environment. With

regard to prominence in CS & Quality, we will aim to deliver attractive products and services and the quality our customers require, through improving both "Basic Qualities" and "Attractive Qualities." With regard to prominence in Human Resources, we will increase the strengths of human resources throughout the entire Group, based on the three axes of Group, Global, and Diversity policies. To do so, we will hire and train the human resources we need, deploy HR policies across the entire Group, and work toward centralized management of Group HR data that supports these efforts, using information technology.

Furthermore, through making the degree of permeation of CSR management more visible, we will strive toward the further permeation of CSR management within the Group, by sharing anew the Group recognition that CSR indicators are important topics of management.

Increasing Corporate Value and Promoting CSR Management Group as a Whole

CSR Management Structure

The CSR Committee, with Participation by Top Management and Employee Representatives

As venues for deliberation on CSR management, we have set up the CSR Committee and five subcommittees: the Environmental Subcommittee, the CS & Quality Subcommittee, the Human Resources Subcommittee, the Safety Subcommittee, and the Compliance Subcommittee. (See Data Book, p. 23.)

Chaired by the President, the CSR Committee's membership also includes the president of each division company and three representatives of employees, all working to improve committee deliberations and measures.

CSR Efforts in Japan and Overseas

Reflecting its global business development, Sekisui Chemical Group is proactively advancing CSR efforts overseas as well as in Japan.

Since fiscal 2010, we have held Presidents' Meetings for overseas affiliates in the five territories of Europe, the Americas, Asia / Oceania, China, and South Korea, to discuss matters such as issues in each area and solutions to them as well as creation of synergies. Moreover, discussion of the content of these Presidents' Meetings with top management in Japan is incorporated into the schedule of the strategic plan meeting held in Japan in March of each year.

For example, to promote localization of management in China based on Sekisui Chemical Group's ways of thinking,

evaluation and compensation systems were discussed, based on the theme of training the next generation of management. In the Americas, efforts have been made to cut logistics costs through creating synergies and to share values through policy management training and intercultural communication training for human-resources development. In Europe, together with distributing general leaflets and newsletters on each company to employees, surveys of employee understanding were conducted as part of efforts to achieve internal brand permeation. We also sponsored a squash tournament to increase brand recognition overseas.

In Japan, we are conducting CSR training for new Sekisui Chemical Group employees and new members of management positions, based on the CSR training system.

Both in Japan and around the world, Sekisui Chemical Group aims to ensure each individual member company fulfills its social responsibilities and to evolve Group management, through cooperation among companies that have differing lines of business and learning together about best practices.

Identification of Key CSR Issues (Materialities)

Together with the start of the new Midterm Management Plan SHINKAI-Advance 2016, we have reviewed issues related to CSR management efforts and identified key issues (materialities). (See next page)

Voice

I had been given an opportunity to exchange opinions with Sekisui Chemical Headquarters and the presidents of Group companies in China

I took part in the Presidents' Meeting held in Beijing for Chinese subsidiaries. The Presidents' Meeting is an opportunity to explain headquarters policies to local subsidiaries and to get corporate headquarters to understand the various issues faced by local subsidiaries. The meeting featured lively exchange of constructive opinions based on the shared goal of growing Sekisui Chemical Group. As a participant in the meeting, I sensed the enthusiasm of everybody there and was able to get a deep understanding of the Group's policies and philosophy.

I believe that our role as participants is to take back what we absorbed in this meeting to our own companies and ensure it permeates throughout our organization.



General Manager, HR Administration
Sekisui (Shanghai) Environmental
Technology Co., Ltd.

Chu Ling

The Process of Identifying Key CSR Issues

Step 1: Sort candidates for key CSR issues

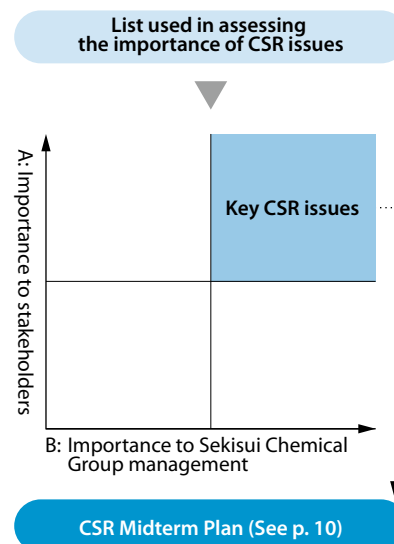
Candidates for key CSR issues were identified through considering global guidelines, SRI surveys, and developments among other companies, and then analyzing the opinions and expectations of each stakeholder. These candidates and CSR issues already addressed were sorted into key CSR issues for the future.

Step 2: Assess the importance of candidates for key CSR issues

The candidates for key CSR issues sorted in Step 1 were subjected to overall evaluation along the two axes of their importance to stakeholders (A) and importance to Sekisui Chemical Group management (B). Along axis A, candidates were assessed from the perspectives of expectations of each stakeholder, world trends, and positive and negative impacts on the planet and society, while along axis B they were assessed from the perspectives of consistency with management policies and management strategies, correspondence to CSR issues, risk and reputation, and priorities based on timeline.

Step 3: Formulate of the CSR Midterm Plan

Following deliberation in the CSR Committee, key performance indicators (KPIs) were set by the responsible departments for the identified key CSR issues. The CSR Midterm Plan was formulated after approval in the Committee.



Human Rights and Supply Chain Initiatives

In light of the increases in production and procurement taking place in developing countries, which involve high levels of human-rights risks, as globalization of its businesses advances, Sekisui Chemical Group has revised its related policies.

■ Revision of the Basic Policy on Human Rights

The need not to participate in human rights violations, as specified in the UN Global Compact and ISO 26000, has been added to the text on respect for human rights and prohibition of discrimination. (See Data Book, p. 25)

■ Procurement Policy

Sekisui Chemical Group procures materials based on the five fundamental concepts of openness; fairness and equity; legal compliance; mutual trust; and consideration for the environment.

In addition to quality and delivery times, suppliers are requested to give consideration to the environment, comply with laws, regulations, and societal norms, and ensure health and safety in their own companies. Since 2007, we have been conducting surveys on CSR efforts targeting suppliers and working to ascertain the results. In fiscal 2014 we also has begun efforts to address conflict minerals.

Sekisui Chemical Group's Procurement Policy

<http://www.sekisuicheical.com/about/suggestion/>

■ Lumber Procurement

For structural lumber materials, which account for the bulk of lumber used in homes, we use certified lumber such as that certified by the Forest Stewardship Council (FSC). Such certified lumber is procured lawfully from properly managed forests.

R&D and Intellectual Property Initiatives

■ R&D

Headquarters and each business section have R&D sections that work to increase the speed of technological development and create outstanding technologies.

The Invention Grand Prize has been established as one part of efforts to ensure researchers and engineers receive the evaluations and treatment they deserve. The Invention Grand Prize establishes monetary rewards for inventors of inventions recognized to make major contributions to profits.

■ Intellectual Property

Under the basic policy of securing business competitive strength through obtaining strong patents, we are striving to improve quality and raise awareness in development through efforts including evaluation and training of employees.

Continuing Report: Recovering from the Great East Japan Earthquake

Sekisui Chemical Group's business is to provide housing and the infrastructure essential to support living. Utilizing the characteristics of these businesses, we are carrying out a variety of activities to support recovery from the Great East Japan Earthquake.

■ Contributing to Restoring Homes through Subdivisions and Public Housing in Affected Areas

Three years have passed since the Great East Japan Earthquake, and construction of public housing for disaster victims and supply of homes through bulk relocation for disaster-prevention purposes are fully underway. While the temporary housing constructed in Miyagi Prefecture continues to have a high occupancy rate of 85%, it appears likely that full-fledged removal and downsizing of such housing will begin in fiscal 2014.

Sekisui Heim Tohoku Co., Ltd. provides information on Sekisui Heim homes to residents of temporary housing as well as holding seminars on prevention of fraud in partnership with the Miyagi Prefecture Police and publicizing and providing consulting services on public systems available to assist those faced with dual mortgages. It also has begun development of Cresvarole Hometown, a subdivision where it will build highly cost-effective homes and communities as part of its efforts to support earthquake recovery, utilizing the expertise it has built up through now in real-estate subdivision.

In addition, its bid on the 44-unit public condominium project for disaster victims being conducted by the city of Higashimatsushima in Miyagi Prefecture has been accepted, thanks to its setting up a Reconstruction Promotion Office as a specialized section in 2014 and its work to receive orders from government and UR* for public housing projects in affected areas. It continues contributing to restoration of housing in affected areas, for example by beginning work on this project toward completion in about two years.

*UR: Urban Renaissance Agency



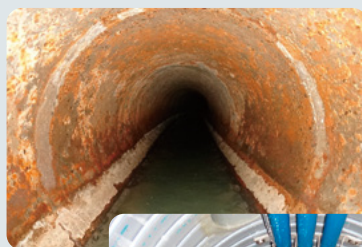
■ Contributing to Affected Areas through Supplying Materials, Systems, and Construction for Recovery

Since fiscal 2011, the Urban Infrastructure & Environmental Products Company has continually provided water and sewer pipe materials, housing materials, and other supplies to assist in restoration of lifeline infrastructure in affected areas. Beginning in fiscal 2013, activities in affected areas shifted from recovery toward redevelopment of housing and industry infrastructure. Comprehensive efforts are underway through making the most of the value chain. Since the lack of construction workers is a major problem delaying restoration work, the local communities have increasing expectations for Sekisui Chemical Group's contributions.

Activities in the area of infrastructure development for agriculture and fisheries industries include reconstruction of a greenhouse complex in the towns of Watari and Yamamoto in Miyagi Prefecture, the largest strawberry-producing area in the Tohoku region; rehabilitation of agricultural water pipes; and reconstruction of an abalone farm. In construction of public housing for disaster victims, use of prefabricated piping systems for water and drain pipes is helping to speed up construction work.

In addition, as a joint project with the city of Sendai, feasibility studies have begun on installation of Japan's first system using wastewater heat, intended to use heat from public sewer pipes to supply hot water to the private sector. This system employs Sekisui's exclusive technologies for rehabilitation of aged sewer pipes while also adding functions for putting their heat to use, and there are high expectations that Sendai will be the first place to put to use this technology for realizing a sustainable community.

Sekisui Chemical Group also has developed its own general catalog of products and services available for the new type of agricultural management known as the "sixth industry" in Japan, involving facilities such as agricultural greenhouses and vegetable factories. Group companies in the region are acting together as one to contribute to the region's revival.



The inside of a sewer pipe prior to installation of a wastewater heat reuse system



After installation of the system

Corporate Governance

To maximize corporate value, Sekisui Chemical Group has built its management structure based on a system of three division companies. Believing that increasing the transparency and fairness of management and pursuing swift decision-making are important to continually increasing corporate value amid a changing business environment, it implements a variety of efforts related to corporate governance.

Strengthening the Business Execution Function

Together with assigning to each division company operating officers specializing in business execution, 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's management as well as high-level management decision-making and supervision of business execution.

Compliance Surpassing the Requirements of Japanese Law

- Appointment of external directors
- Operating officer system (term: one year)
- Early issue of notices of general meetings of shareholders
- Exercise of voting rights electronically in general meetings of shareholders
- Formulation of rules on corporate information disclosure

Respect for International Norms

Sekisui Chemical Group respects international norms and standards regarding CSR. It announced its support for the United Nations Global Compact* in March 2009. Since then, it has been advancing CSR efforts on a global basis.

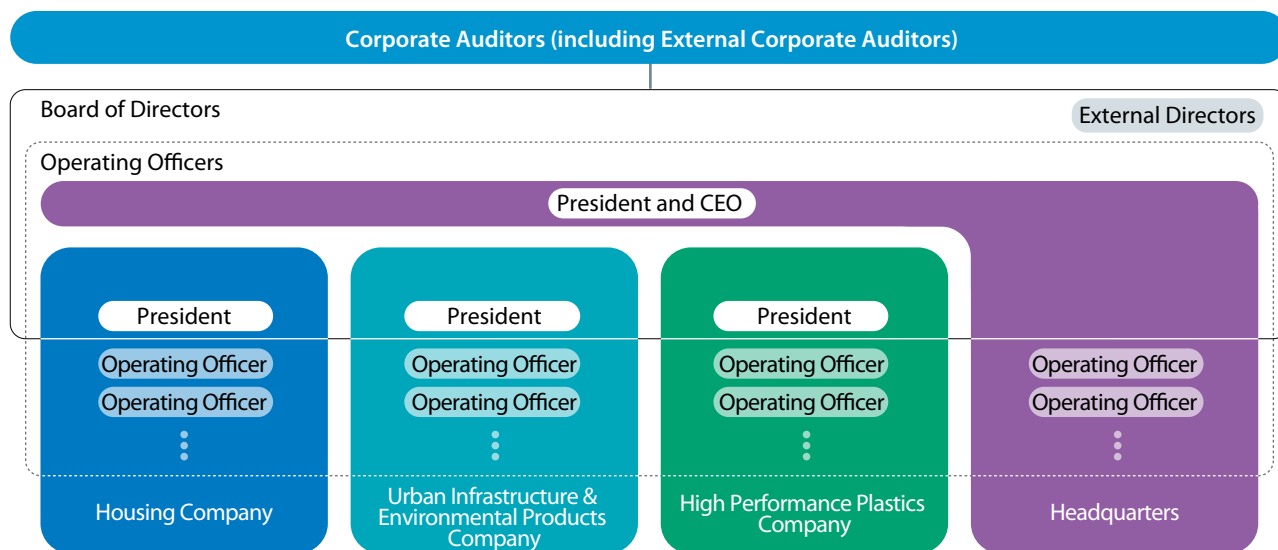
We also refer to ISO 26000, an international social-responsibility guideline issued in November 2010, and the Global Reporting Initiative's G4 Sustainability Reporting Guidelines revised in 2013 in enhancing internal efforts and in the editing of this CSR Report.



* United Nations Global Compact

A voluntary program in which top management of firms around the world pledge to comply with 10 principles on subjects such as human rights, labor standards, the environment, and anti-corruption efforts within the scopes of influence of their firms and participate in building a global framework for realizing sustainable growth.

Corporate Governance System



Note: See the Corporate Governance Report for details.

E

Environment

Continuing to deliver outstanding values toward realization of a planet where biodiversity is maintained

Our Philosophy

Sekisui Chemical Group aims to realize a planet and society in which the air, water, and land provide a healthy environment for living creatures form an abundance of ecosystems, and human beings continue to live their lives and carry out economic activities using such natural capital* as resources, without loss of receptiveness.

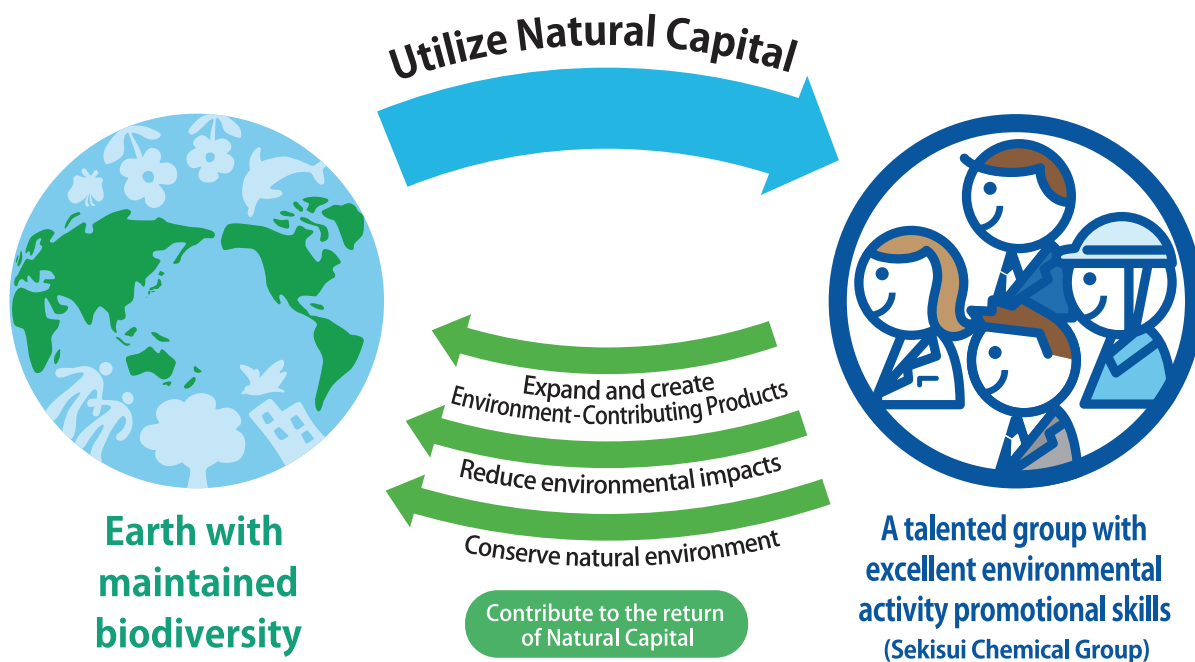
We intend to contribute to the survival of a planet in which biodiversity is maintained, by minimizing deterioration of natural capital in forms such as large-scale climate change, resource depletion, and damage to ecosystems. We will do so through implementing effective measures in response to the signs of rising greenhouse-gas emissions, overconsumption of resources, and increasing impacts on ecosystems.

* Natural capital:

A term that refers to the earth's various resources such as soil, air, water, minerals, flora, and fauna that human beings are incapable of creating themselves.

The Environmental Management Policies and Systems See "Data Book," p. 23, 24

Sekisui Environment Sustainability Vision 2030

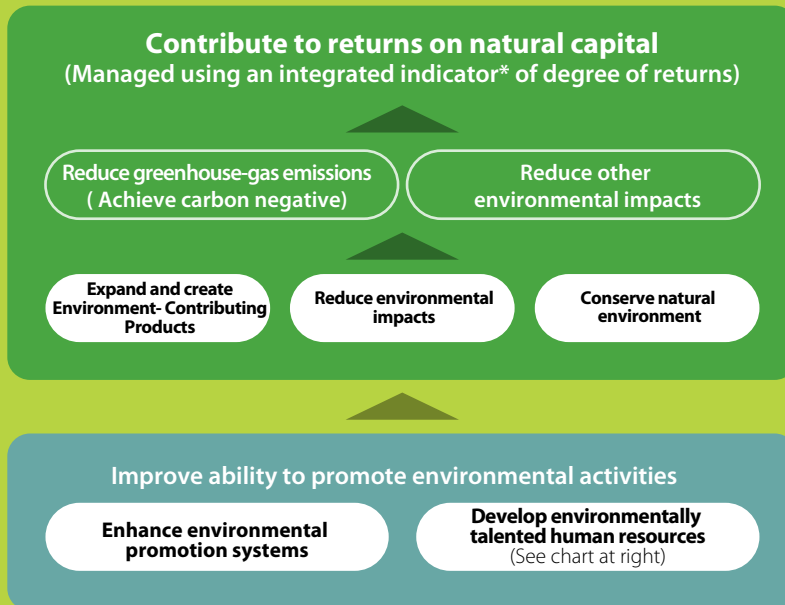


Sekisui Chemical Group uses the resources of the earth (natural capital) in various ways, including constructing plants and business sites on land and consumption of oil and lumber. We strive to give back the natural capital we use through three types of activities: provide Environment-Contributing Products; activities to lessen our environmental impact, including conservation of energy and other resources; and activities to preserve the natural environment. To realize these goals, we will continue to be an organization in which each employee has a high degree of environmental awareness.

Long-Term Environmental Management Vision

In fiscal 2013, Sekisui Chemical Group revised, from an enhanced global perspective, the long-term vision formulated in fiscal 2009 that makes clear our courses of action for environmental management, and newly established the "Sekisui Environment Sustainability Vision 2030."

Framework for Promoting Environmental Management



*Sekisui Environment Sustainability Index

Develop Environmentally Talented Human Resources



Training step Program content

We have developed a training program based on the three steps of awareness, action, and appreciation. This program will be used to support growth toward the human resources ideal for 2030. The human resources we aim to develop by 2030 are those capable of generating results for society through devising and implementing on their own activities to contribute to returns on natural capital toward realization of the Earth with maintained biodiversity.

Roadmap to 2030



Earth with maintained biodiversity

New Environmental Midterm Plan

Sekisui Chemical Group has prepared a roadmap through 2030 based on back-casting* from the new long-term vision. As part of this roadmap, we have formulated the new environmental midterm plan Sekisui Environment Sustainability Plan: Take-Off (FY 2014-2016) as a successor to the Environment Top Runner Plan SHINKA!

* Back-casting

A method of considering steps that should be taken at present by envisioning a goal for the future and working backward to the present state.

Targets of Sekisui Environmental Sustainability Plan: Take-Off

- Grow Environment-Contributing Products' percentage of net sales to 50% or more
- Progress on and management of environmental impact using the same targets in Japan and overseas
- Ascertain environmental impacts other than greenhouse-gas emissions (e.g., water use, land use, atmospheric emissions)
- Ascertain environmental impact (Scope 3) throughout the supply chain
- Participation of all business sites and all employees in Sekisui Environment Week

- All products contribute to returns on environmental capital
- Contributing to returns on environmental capital through activities to lessen environmental impact
- Business sites play a leading role in promoting activities to contribute to returns on environmental capital

2030
Goal

- Promoting a new system based on a new indicator of contribution
- Lessening environmental impact: Measures implemented for focal points
- Conservation activities with high degrees of contribution become the normal state of affairs
- Qualitative improvements in greenbelts at overseas business sites

2020
Accelerate

- Environment-Contributing Products' percentage of net sales: 50% or more
- Promoting efforts to lessen environmental impact using the same targets in Japan and overseas
- Sekisui Environment Week: All business sites and all employees take part
- Qualitative improvements in green space at production sites in Japan

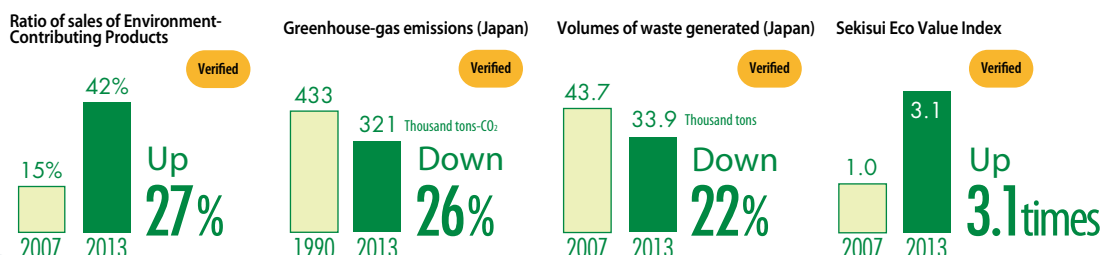
2016
Take-Off

- Environment-Contributing Products account for 42% of net sales
- GHG emissions reductions in Japan: down 17.4% from FY2007
- Start of Sekisui Environment Week
- Qualitative survey of green space at production sites in Japan

Through
2013

Progress on the Environmental Midterm Plan: Environmental Top Runner Plan SHINKA! (FY2009-2013)

Of the four key themes established by the Environmental Midterm Plan: Environmental Top Runner Plan SHINKA! (FY 2009-2013), targets were achieved on sales of Environment-Contributing Products, reducing greenhouse-gas emissions, and the Sekisui Eco Value Index (see Data Book, p. 9), but the targets for reducing volumes of wastes generated were not achieved.



TOPICS

First Sekisui Environment Week Activities Held

In response to a proposal by children attending “the Global Children’s Eco Summit 2012*” held in August 2012, Sekisui Chemical Group has declared one week beginning August 1 each year to be Sekisui Environment Week. During this week, all employees will be given opportunities to take part in activities to contribute to the environment.

During the first Sekisui Environment Week in fiscal 2013, 156 of the Group’s 199 business sites and affiliates worldwide took part in activities such as community cleanup activities and nature tours.

In addition, mangrove trees were planted in Thailand, as an event symbolic of Sekisui Environment Week. This tree-planting activity, held for the third time since their start in fiscal 2011, welcomed 215 participants from eight Sekisui Chemical Group companies, including the president of Sekisui Chemical.

*** Global Children’s Eco Summit 2012**

An environmental event held to mark the Company’s 65th anniversary. Children of Sekisui Chemical Group employees from around the world took part, announcing their environmental proposals for Sekisui Chemical as one part of the program.



Community cleanup activities in Japan



Planting mangrove trees in Thailand

Expanding Certification of Environmental Management System

In an effort to carry out environmental management effectively, we have developed our environmental management system (EMS) in accordance with the ISO 14001 international standard and are working to expand certification of this system. As of March 2014, 57 business sites in Japan and 31 sites overseas had obtained certifications such as ISO 14001. The number of employees at these business sites represents 53% of all Sekisui Chemical Group employees.

System for Environmental Consideration in Products

Sekisui Chemical Group incorporates consideration for the environment in three stages of its business activities: R&D, procurement, and manufacturing. For this purpose, we are implementing systems including Product Assessments for Environmental Impact, Green Procurement, and Prior Assessment of Capital Expenditure. (See Data Book, p. 10). Forms related to green procurement and other materials are available on the Sekisui Chemical website:

<http://www.sekisui.co.jp/company/suggestion/>

Environment-Contributing Products Contributing to Minimizing the Environmental Impacts of Our Stakeholders and Society through our Products and Businesses

The meaning of Sekisui Chemical Group's CSR is to contribute to a sustainable society through business. To contribute to minimizing the environmental impacts of society, it is essential that businesses create and promote widespread use of products that will make active contributions to the environment. In fiscal 2006 Sekisui Chemical Group established Environment-Contributing Product Standards calling for an even higher level of contribution to the environment than before, and since then it has managed such products through a certification system. (See Data Book, p. 10)

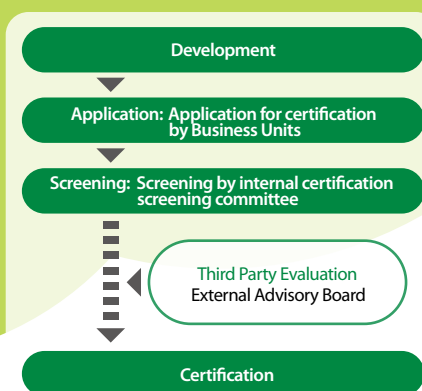
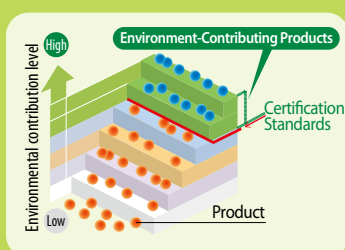
ECO Requirements for Environment-Contributing Products

Environments targeted ^{*1}	Natural/social environments
Scope of contribution ^{*2}	All customers/society-wide
Market penetration	50% or less
Level of contribution ^{*3}	A level above conventional products/systems

*1 Excluding living environments

*2 Excluding Sekisui in-company operations

*3 Certification criteria established dependent on type of contribution



FY 2013 Performance

Sekisui Chemical Group is striving to grow the ratio of sales of Environment-Contributing Products to total consolidated net sales. In fiscal 2013, the final fiscal year of the midterm plan, strong sales of houses with solar energy generation systems and an increase in the lineup of Environment-Contributing Products led to growth in net sales of these products to 466.8 billion yen, achieving a ratio of 42% of total net sales, higher than the 40% target.

External Advisory Board

To increase the reliability and transparency of the Environment-Contributing Product certification system, in fiscal 2010, Sekisui Chemical Group established the External Advisory Board, with members from third party organizations. Sekisui Chemical Directors and personnel responsible for environmental management of each Division Company and Corporate Headquarters attend this meeting and receive a wide range of advice and recommendations from these Advisors.

During fiscal 2013, the External Advisory Board met twice, providing opinions on individual Environment-Contributing Products. Advisors also provided recommendations including studying courses of action such as considering the benefits and value of products broadly from the perspective of natural capital when taking into account their life cycles, including supply chains.

Directions for the Future

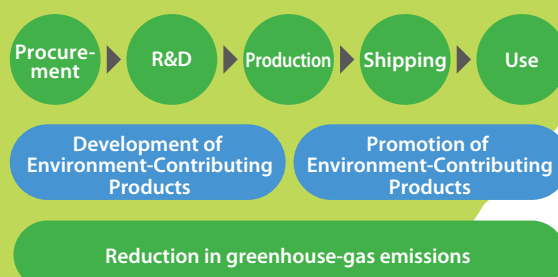
The benefits to society from use of Environment-Contributing Products vary by product. They may include reductions in greenhouse-gas emissions, conservation of resources, and preservation of biodiversity. Sekisui Chemical Group is studying ways of making products' environmental contributions more visible by quantifying them using a single index. We intend to ascertain progress on the Sekisui Environmental Sustainability Vision 2030 (see p. 15-16) using this index.

Climate Change

Efforts to Reduce Greenhouse-Gas Emissions Throughout the Supply Chain

Sekisui Chemical Group strives to reduce greenhouse-gas emissions at each stage from purchase of raw materials through development, production, shipping, and use. We ascertain emissions throughout the entire supply chain, including not just our own business sites but also raw-material suppliers and use of products sold.

Reducing Greenhouse-Gas Emissions Throughout the Product Life Cycle



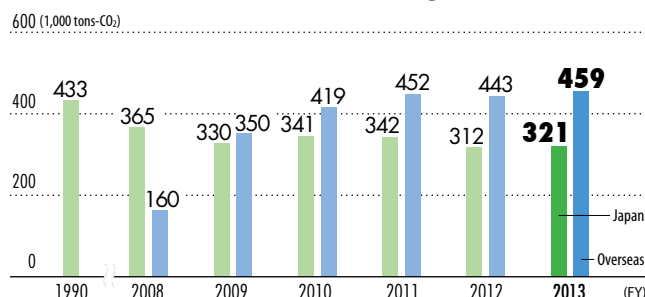
FY 2013 Performance and Directions for the Future

Activities at the Production Stage

Having established the target for fiscal 2013 of reducing greenhouse-gas emissions generated at the production stage in Japan by at least 20% compared to the fiscal 1990 level, we have made progress in areas such as switching to processes that use less energy and switching fuel used from heavy oil to natural gas. In fiscal 2013, we realized a reduction of 26% compared to the fiscal 1990 level, more than reaching our target. For production sites overseas we established guidelines calling for achieving in fiscal 2013 a reduction of at least 5% from fiscal 2008 in energy consumption per unit of output. Under these guidelines, each business site has set its own targets and implemented activities to meet them.

The new midterm plan taking effect beginning in fiscal 2014 establishes the shared global target of reducing energy consumption per unit of output by 1% each year while maintaining total greenhouse-gas emissions at fiscal 2013 levels both in Japan and overseas.

Greenhouse-Gas (Emissions from the Production Stage) Verified



Notes:

Overseas data cover carbon-dioxide emissions only.

Overseas figures have increased since fiscal 2009 in connection with an increase in the number of overseas sites due to acquisitions, etc.

Overseas data were collected on a calendar-year basis through fiscal 2011, and from April 1 through March 31 since fiscal 2012.

Efforts in Stages Other Than Production (in Japan) Verified

Total greenhouse-gas emissions in fiscal 2013	Typical efforts	Resulting reductions
R&D 13,000 tons-CO ₂	Continued thorough energy management	34% reduction vs. fiscal 2007
Shipping products 48,000 tons-CO ₂	Reduced emissions through use of joint shipping and modal shifts	9% reduction vs. fiscal 2007
Offices 16,000 tons-CO ₂	Energy-conservation activities including regularly turning off lights and using restraint in air-conditioner settings	15% reduction vs. fiscal 2007

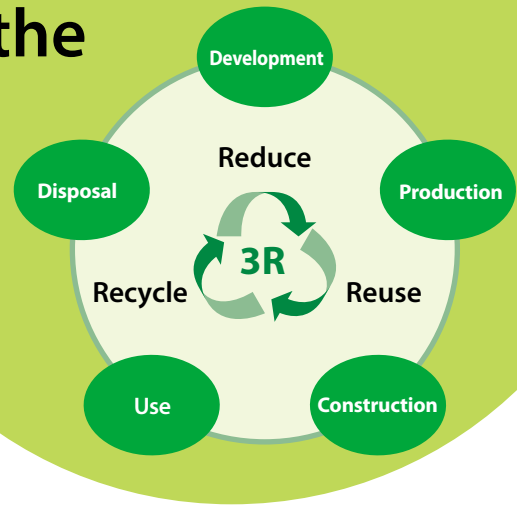
Estimated Supply Chain Emissions (FY2013, not including emissions confined on business sites) (see Data Book, p. 12) Verified

Total greenhouse-gas emissions	Breakdown
3,216,000 tons-CO ₂	Purchased goods and services; transportation and delivery; waste generated in operations; business travel; employee commuting; use and disposal of sold products; etc.

Resource Efficiency

Pursuing the Three R's (Reduce, Reuse, and Recycle) Throughout the Product Life Cycle

Sekisui Chemical Group aims to thoroughly reduce, reuse, and recycle throughout the product life cycle. In addition to Zero Waste Emissions Activities intended to reuse as resources all the waste it generates from its business activities, it also is striving to preserve water resources.



FY 2013 Performance and Directions for the Future

Reduction of Waste Generated

In fiscal 2013, our production sites in Japan achieved a 22% reduction in total waste generated vs. fiscal 2007 through continued efforts to improve the stability and efficiency of production. They also reduced waste per unit of output by 20%. The new midterm plan sets a target of reducing waste per unit of output by 4% each year beginning in fiscal 2014.

While new housing construction sites originally have generated low volumes of waste since they employ modular construction in which a high percentage of modular units are factory-built, in fiscal 2013 continued efforts such as reducing excess material use and reducing scrap and packaging materials succeeded in reducing total waste generated per home by 26% vs. fiscal 2000 for steel frame modular housing and by 45% over the same period for timber-framed modular housing.

Zero Waste Emissions

We have carried out Zero Waste Emissions Activities, which began in 1998, toward our goal under the Environmental Midterm Plan (see Data Book, p. 3) of achieving zero waste emissions at all subject facilities by fiscal 2013. The percentages of facilities that achieved this goal were 100% in Japan and 23% overseas.

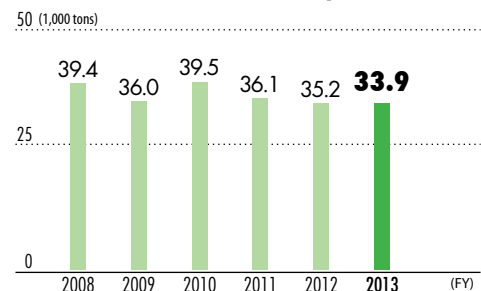
In fiscal 2013, the Sekisui Fuller Co., Ltd. Hamamatsu Plant and Sekisui S-Lec America, LLC. achieved zero waste emissions.

Conservation of Water Resources

Sekisui Chemical Group is striving to reduce water use through means including cyclic use of cooling water. Water intake for the entire Group in Japan in fiscal 2013 fell by 4% in comparison with the fiscal 2007 level. (See Data Book, p. 13)

We also began assessing the impact of wastewater from production sites on flora and fauna.

Total Waste Generated (Production Facilities in Japan) Verified



Voice

We combined our forces together to achieve zero emissions

I am so excited that we (my facility, Sekisui S-Lec America SSA) achieved the Zero Emissions Certificate. Everyone worked so hard, each and every day. It's more than Zero Landfill. It's a system with checks & balances with a final scorecard. In the beginning it was difficult to understand the meaning and how to apply here in all areas. We as team pushed through the barriers & drove past the obstacles. In retrospect those issues were similar to "small speed bumps" in the road. We hope to be a driving example for other US plants.



Sekisui S-Lec America, LLC.

Stephanie Johnson

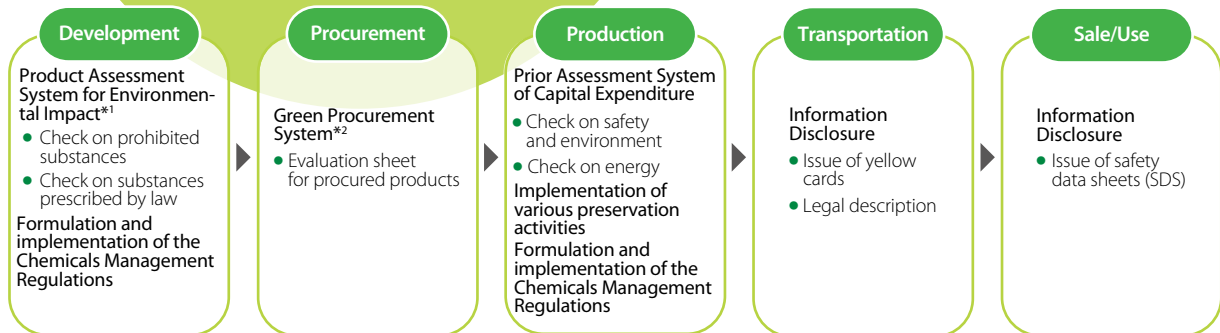
Chemical Substances

Minimizing Environmental Impact through Proper Control of Chemical Substances and Emissions Reductions

While chemical substances make people's lives more convenient, they also could have harmful effects on the environment or on human beings. Therefore, we believe that consideration of product safety, occupational safety and health, and environmental impact through proper management of chemical substances is an important responsibility of an enterprise.

Since fiscal 1999, Sekisui Chemical Group has set and worked toward its own targets for reducing discharge and transfer of chemical substances in addition to implementing efforts such as the Product Assessment System for Environmental Impact*¹ and the Green Procurement System*². We also review periodically chemical substances that are candidates for control or regulation, in accordance with the establishment and amendment of relevant laws and regulations.

System for Control of Chemical Substances throughout the Product Life Cycle



*¹ **Product Assessment System for Environmental Impact**

A system for assessment of the environmental impact of product development all the way from raw material procurement through manufacture, use, disposal, transport, and all other stages (see Data Book, p. 10).

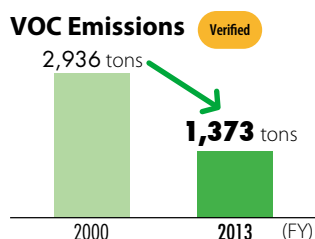
*² **Green Procurement System**

A system of giving priority to choosing raw materials, parts, etc. with lower levels of environmental impact when procuring them.

Reducing Emissions of Pollutants

Aiming for the midterm plan's target of a reduction of at least 60% in domestic discharge of VOCs into the atmosphere in fiscal 2013 compared to fiscal 2000, we were able to achieve a 53% reduction. The new midterm plan taking effect beginning in fiscal 2014 calls for maintaining discharge of VOCs at fiscal 2013 levels both in Japan and overseas.

In fiscal 2008 we ended all use of HCFCs.



Soil Surveying

In fiscal 2011, we completed surveys of all business sites for which they were planned. In the future, we will conduct soil surveying at times such as when closing a business site or acquiring land for business-site use.

Preventing Air and Water Pollution

Sekisui Chemical Group complies with the regulatory values under laws and ordinances for the various types of equipment it uses in connection with exhaust gases and drain water. We also strive to control discharge of pollutants through appropriate maintenance and management, including periodic inspections.

Disposal and Storage of Devices Containing 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. Machines and equipment in storage that contain PCBs are managed strictly and thoroughly, through means including locked storage and periodic inspection.

Biodiversity

Assessing the Impact of Business Activities on Biodiversity

In April 2008, Sekisui Chemical Group incorporated items on biodiversity to its Environmental Management Policy. Since then, it has strived to maintain biodiversity through both environmentally conscious business activities and deploying nature conservation activities around the world.

Approach to Maintaining Biodiversity



Assessment of Business Activities' Impacts on Biodiversity

Aiming to achieve coexistence with diverse living creatures, Sekisui Chemical Group has begun green space activities at its business sites. In fiscal 2013, we used Land-Use Report Card*2, a type of tool for assessment of biodiversity, to conduct biodiversity surveys at all production sites and laboratories in Japan. While the results included high scores for soil quality and proper control of chemical substances, scores were low in areas such as measures to counter invasive species and rooftop landscaping. Under the new midterm plan that takes effect beginning in fiscal 2014, we will set quantitative targets taking Land-Use Report Card as an indicator and carry out related efforts while confirming progress through periodic assessment.



Biodiversity survey

*1 Nippon Keidanren (Japanese Business Federation)

A comprehensive economic organization with a membership comprised of representative companies of Japan, nationwide industrial associations and regional economic organizations.

*2 Land-Use Report Card

A tool used to assess the level of efforts to preserve biodiversity.

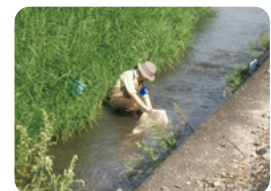
Example of Maintaining Biodiversity

Sekisui Chemical Group has begun assessing Whole Effluent Toxicity (WET)* as a method of wastewater management at production sites, intended to prevent negative effects on and ensure the safety of the water environment for aquatic life in the places where wastewater flows. In fiscal 2013, assessment of WET was conducted at Sekisui Chemical's Shiga-Minakuchi Plant and the Sekisui Medical Co., Ltd. Iwate Plant, confirming that wastewater at both business sites had levels that did not have any apparent negative effects on ecosystems.

At the same time, surveys also were conducted of the habitat conditions of benthic organisms and fish in the rivers where wastewater was released, identifying no changes in habitat conditions of dominant species between water upstream and downstream from the spots where wastewater was released from both plants.

* Whole Effluent Toxicity (WET)

A test method to assess the toxicity of wastewater in bioresponse of fish, water fleas, and algae.



River ecosystem survey



Examples of living creatures used in WET assessment: fish (zebra fish)

CS&Quality

Pursuing quality always specified by customers, through maximizing the quality of human resources, products, and systems



Our Philosophy

Since 1999, Sekisui Chemical Group has employed CS management focused on customer satisfaction (CS). In 2004 we began CS & Quality Management focusing on products and services quality innovations in all of our businesses. The aim is to constantly deliver value so that customers will choose our products and services repeatedly. Based on the motto "We consider customer feedback as the beginning of our manufacturing," we improve the "Attractive Qualities" and "Basic Qualities" provided to customers through improving the "Quality of People," "Quality of Products," and "Quality of Systems."

Sekisui Chemical Group is working together to pursue quality that will always be specified by customers.

The CS & Quality Management Policies and Systems

See "Data Book," p. 23, 24

Summary of the Midterm Plan (FY2009-2013)

Sekisui Chemical Group has identified two key performance indicators for CS & Quality Management. One of these is external failure costs*¹ and the other is the number of major quality issues*². The Midterm Plan (fiscal 2009-2013) sets as goals for fiscal 2013 eliminating major quality issues and cutting external failure costs by 68% vs. fiscal 2004.

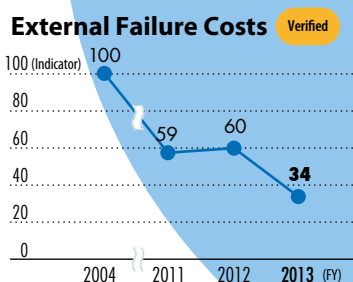
In fiscal 2013, one major quality issue arose as a result of a serious incident involving a portable toilet product produced and sold in the past. We decreased external failure costs by 66% from fiscal 2004. In the future, we will improve the quality of our design review (DR) activities to prevent major quality issues. To do so, we will ensure thorough adherence to the "DR Implementation Guidelines" and "Design Change Guidelines" throughout the entire Group. We aim to further cut external failure costs through continuing to enhance groupwide quality-assurance systems and to deploy activities to reduce quality-related risks.

*¹ External failure costs

Costs arising from responding to product-related complaints.

*² Major quality issues

Problems related to product and service quality that could cause significant damage to customers, society, or Sekisui Chemical Group if not thoroughly resolved on an urgent basis.



CS & Quality Management Roadmap

	FY2014	FY2015	FY2016	
Attractive Qualities	"Creation School," a practical training project to improve product planning capabilities (held annually)	"Creation School"	"Creation School"	
	Attractive Qualities Screening System, providing awards for and publicizing successful efforts (held every three years)	"The Story of Attractive Qualities" published on the intranet		
	Employee CS & Quality Assessments, to check on and improve our customer-oriented organizational culture (held every two years)		Employee CS & Quality Assessments	
	"Wakuwaku Chaya" CS study sessions to raise awareness and learn about CS in an enjoyable atmosphere (held from time to time)			
	Telephone service training, reflecting the way we value customer feedback (held from time to time)			
Basic Qualities	Enhance basic development capabilities	Prepare for deployment of Development Guidelines	Trial use of Development Guidelines	Groupwise deployment of Development Guidelines
		Developer training		
	Enhance basic manufacturing capabilities	Assess the level of everyday management	Trial use of Everyday Management Guidelines	Groupwise deployment of Everyday Management Guidelines
		Site leader training/quality-control technical skill training		
	Improve quality overseas	Quality visualization project	Monitoring	
	Quality-control technical skill training (overseas), e-learning			
Common Measures	"STAR 55 Bulletin" on CS & Quality Management activity case studies from within Sekisui Chemical Group (3-4 times/year)			
	CS & Quality Seminars to think more deeply about CS & Quality based on case studies from outside the Group (3-4 times/year)			

As a result of efforts to improve the Group's "Quality of Systems" and "Quality of Products," complaints from customers are in a decreasing trend. At the same time, on the subject of "Quality of People" the assessment of the degree of permeation of CS & Quality Management among employees conducted in fiscal 2012 showed that some issues remained in development of a CS & Quality culture. In fiscal 2013 we began holding "Wakuwaku Chaya" CS study sessions aiming to foster the spirit of CS among employees, for example by doing their work vigorously and being aware of people's feelings. We also continue to hold various existing training and other programs related to the foundations of quality, while revising their content as needed. Considering the development of the spirit of CS among employees in all sections, including development, manufacturing, and sales, to be an important element of improving systems and, as a result improving the "Quality of Products," we intend to broaden and expand these activities in the future.

TOPICS

CS & Quality Seminar Held in North America

A two-day Quality Leader Training Workshop was held in March 2014 in the city of Houston, Texas. In this workshop, the first management-level joint training session held outside Japan, there were 30 participants consisting of managers responsible for quality and production, plant managers, and site managers from 11 sites across North America.

The first day of the workshop began with a tour of Sekisui Specialty Chemicals America's Pasadena Plant, followed by a lecture led by the headquarters Quality Management Group, a seminar led by an outside auditor, and then group discussions among participants on the topic of everyday management. These group discussions featured lively exchange of opinions, with some groups even continuing their discussions beyond the allotted time. On the second day, participants looked at case studies of improvements made by other business sites, presented the content of their group discussions, and then received individual guidance from the outside auditor. This workshop proved an excellent opportunity for deep discussions on issues and concerns in everyday site management.



The workshop

Promoting Quality Education

Sekisui Chemical Group has rebuilt its quality education structure at each level to promote the spread of quality education in all workplaces, from office staff to job sites. The new structure took effect beginning in fiscal 2013. It also employs QC certification* effectively to measure levels of quality knowledge, and as of March 2014, over 2,000 members of the organization had attained QC Certification.

We will continue focusing our efforts on human resources training to improve our "Quality of People."

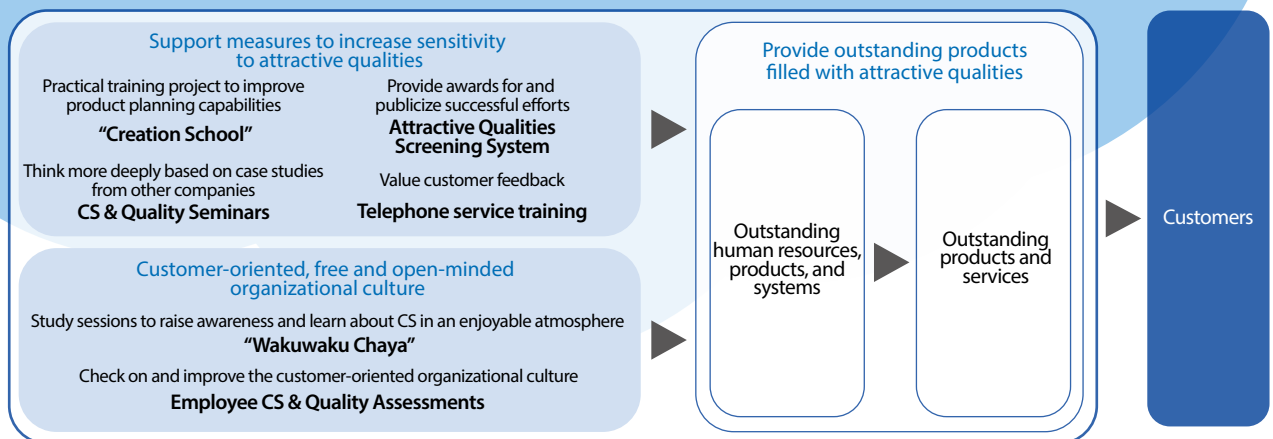
* QC Certification:

A certification system conducted by the Japanese Standards Association and certified by the Japanese Society for Quality Control.

Attractive Products and Services

Advancing Development of Systems, Human Resources, and a Culture Enabling Creation of Attractive Qualities

Based on the motto “We consider customer feedback as the beginning of our manufacturing,” Sekisui Chemical Group is working on building a customer-oriented, free and open-minded organizational culture to create “Attractive Qualities” that customers will continue to ask for by name.



Measures to Create Attractive Qualities

Sekisui Chemical Group strives to improve the CS sensitivity of individual employees and to build an organizational culture focused on CS, to continue creating attractive qualities.

“Wakuwaku Chaya”

In order to create attractive qualities, Sekisui Chemical Group considers it vital to have a corporate culture in which employees can take part in lively discussions. For this reason, since fiscal 2013 we have held “Wakuwaku Chaya” activities at each facility as events in which employees can learn about CS in an enjoyable atmosphere. These study sessions are intended to help participants acquire not just knowledge but awareness, through viewing video materials outlining advanced case studies from various industries and discussing with each other. In fiscal 2013 “Wakuwaku Chaya” were held 17 times in nine sections, with a total of 352 persons taking part.

Comments from participants included “We were able to discuss many things that usually do not come up in conversation” and “Everybody should take part in these activities.” One section where the activities were conducted noted that afterward “Staff show a stronger attitude of acting on their own to contribute to the organization.”



“Wakuwaku Chaya” CS study session

Voice

The quality of internal communication has improved

Holding the “Wakuwaku Chaya” has served as a good opportunity for employees from our general affairs, sales, production, and technology sections to think about things together. Through easygoing discussions on just what CS means, we raised awareness with each other and were able to identify what we should do as individuals. In the future we will aim to grow as an operating company with an awareness of CS, rather than just a manufacturing plant, by incorporating the concept of the customer as a central part of our internal communication.



General Affairs Department
Yamanashi Sekisui Co., Ltd.
Hiroaki Yamauchi

"Creation School"

This is a joint industry-academy training project aiming to make existing products more attractive. From its start in fiscal 2008 through fiscal 2013, a total of 68 trainees have taken part in this training. In recent years, "Creation School" has shifted from its original training session format to one of teams made up of members from the same businesses, in order to make the training better suited to the realities of businesses.

In fiscal 2013, three teams (Housing, Research/Diagnostics, and Packaging Tape) took part. Each team made a presentation on product planning to top management. Some products planned in "Creation School" have been released to the market, and in a reporting meeting held in February 2014 graduates of the program presented case studies on such products.



"Creation School"

Voice

Putting hypothesis testing from the user's point of view to use in development

In "Creation School" we learned about methods of collecting information from sites, formulating hypotheses, and statistically testing them. The nursing-care bath developed using this method is a product that features steps that reduce by roughly 20% the effort needed to help a bather get out of the bath and handrails planned in "Creation School" to help people who are able to walk on their own to get in and out of the bath in one continuous movement. We had confidence in the results of this design through thorough consideration of methods of helping patients get into the bath by repeatedly discussing with nursing-care experts, creating mockups based on hypotheses aimed at developing solutions, and verifying movement together with caregivers.

Today we have started incorporating such user testing into the development process. In the future we plan to continue bringing quality products to market through hypothesis testing.



Research & Development Department
Sekisui Hometechno Co., Ltd.
(FY2011 "Creation School" graduate)

Aya Mikami

CS & Quality Seminars

Begun in fiscal 2001, these seminars, intended to raise awareness of CS & Quality, invite people from a variety of fields outside the company to give lectures. A total of 33 seminars have been held from the start of the program through the end of fiscal 2013.

In fiscal 2013, lecturers invited to speak on the topics of attractive qualities and quality control gave three lectures at Sekisui Chemical's Tokyo Headquarters and Kyoto Research & Development Laboratory, attended by 232 people in total.



CS & Quality Seminar

Telephone Service Training

We have been conducting telephone service training, intended to improve the service level of contact points for inquiries, continuously since fiscal 2008.

In fiscal 2013, this training was conducted at 19 business sites including ones in Urban Infrastructure & Environmental Products Company and High Performance Plastics Company in addition to Housing Company, with a total of 187 employees taking part.

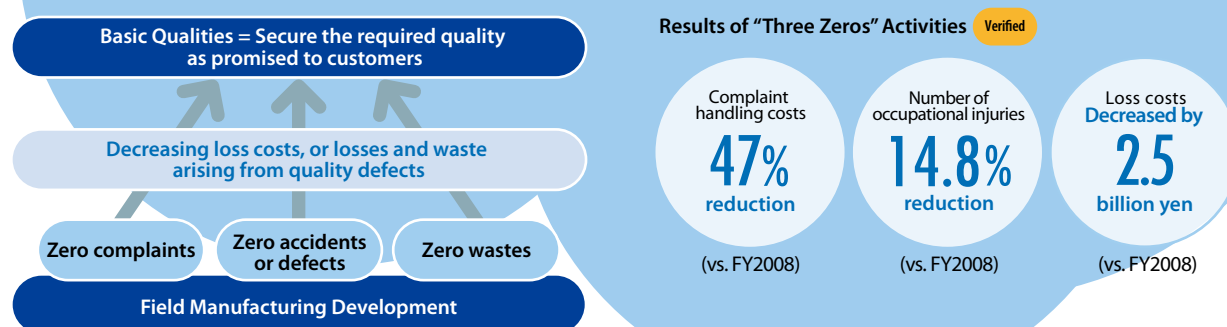


Telephone Service Training

Quality

Pursuing the “Three Zeros” of Complaints, Accidents, and Wastes

Recognizing that it is the fields of manufacturing development that supports quality, since fiscal 2006 Sekisui Chemical Group has focused its efforts on innovation in production. Based on its belief that quality defects lead to higher costs arising from handling complaints or increased wastes, we are trying to reduce costs by targeting the “three zeros” of complaints, accidents, and wastes.



Quality Management

Sekisui Chemical Group has developed quality-control systems covering every process from production through product use by customers. Each section has developed a quality-assurance system, and in each process we promote controls on a daily basis following the PDCA* management cycle. In developing products and making improvements to quality, we conduct screening from a variety of perspectives, such as those of quality assurance and safety. Our business sites also made progress on becoming certified under the ISO 9001 standard, as the total number of Sekisui Chemical Group business sites and departments certified under this standard stood at 102 in fiscal 2013. The number of employees at these ISO 9001-certified business sites and departments represents 60.7% of all Sekisui Chemical Group employees.

In fiscal 2014, we will continue to focus on development of quality-assurance systems suited to the globalization of business.

* PDCA

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

Raising Awareness of Quality through CS & Quality Seminar: Basic Qualities Edition

As part of the CS & Quality seminars program (see p. 26), since fiscal 2011 the CS & Quality Seminar: Basic Qualities Edition has been held during Quality Month every November with the goal of raising the level of basic qualities throughout the entire Sekisui Chemical Group. Attendees in this seminar consist mainly of line managers from production sections.

The third seminar, held in fiscal 2013, welcomed Noriyoshi Fukumaru, President of Fukumaru Management Techno Y.K., to lecture on the topic of “Maintenance and Improvement of Site Capabilities through Making Everyday Management More Visible.” Participants learned about the basic concept of the need for all related sections to act in an organized manner to create value for customers and the importance of management of everyday operations by all members of management to maintain and improve site capabilities, which are key to such organization. They also learned about methods (tools) for making everyday management more visible. Following the lecture, many participants commented in a forward-looking way, noting that they intended to put what they had learned into practice in their own workplaces. Plans call for these seminars to continue in fiscal 2014 as well.



The seminar

Group KAIZEN Activities on a Global Scale

Group KAIZEN activities* are an initiative in which employees in each workplace form small groups to address various topics such as improvements in quality and productivity and increasing operational efficiency, and to take on various subjects through policy management. These activities have a track record of more than 40 years. They are underway at numerous business sites in Japan and around the world, centered on production companies. Once a year, presentations are made by the representative group in each area — Japan, Americas, China, Europe, and Asia-Oceania — to share information and help each other improve.

In the 48th Sekisui Chemical Group KAIZEN Activities Presentation Meeting held in January 2014, a total of 20 representative groups (16 from Japan and four from other countries) made presentations, with Sekisui Chemical's Shiga-Ritto Plant winning the gold prize. A group from overseas won a second-place silver prize, demonstrating the way progress is being made on global KAIZEN activities.

*** Group KAIZEN activities**

Activities that began in 1966 as Quality Control (QC) groups and later evolved into small group activities before taking the form they have today.

48th Sekisui Chemical Group KAIZEN Activities Presentation Meeting

	Group	Site
Gold Prize	Isshindotai	Shiga-Ritto Plant
Silver Prize	SAP3	Tokuyama Sekisui Industry Co., Ltd.
	Hayabusa	Sekisui Medical Co., Ltd. Iwate Plant
	Jia Gong Jing Ying Dui	Sekisui Industrial Piping Co., Ltd.

Energy Saving Activity

Sekisui Chemical Group is promoting energy innovation activities under the slogan, "From Energy Conservation to Appropriate Energy Use."

The goal of these activities is not only to decrease energy consumption from current levels but to ensure that energy is used in appropriate (ideal) ways. They involve revising individual production processes down to the level of anticipated energy losses in the design stage, in pursuit of the minimal necessary level of energy consumption. As a result, we have been able to cut energy consumption per unit of output at production sites in Japan by approximately 8% over the five-year period since fiscal 2009. Furthermore, in fiscal 2013 these activities began at six overseas business sites as well.

Design and Development Seminar

The second Design and Development Seminar, begun in fiscal 2012, was held in fiscal 2013. This seminar consisted of two sessions, based on the topic of preventing quality problems before they arise. The first session, in which Megumu Oshima from Bosch Corporation lectured on the QuickDR preventive methods used at Nissan Motor, attracted 74 attendees.

The second session consisted of group discussions by 45 development and production staff members on the subject of past quality problems, with professor emeritus Hiroshi Osada of Tokyo Institute of Technology, a Sekisui Chemical outside auditor, serving as advisor. From an auditor's point of view, Prof. Osada spoke of the use of statistical analysis methods and other means to improve technical levels as well as the importance of building relations with the suppliers. These seminars will continue in fiscal 2014 as well.



Design and Development Seminar

Three Prominences

Environment

CS & Quality

Human Resources

Business and CSR

Housing Company

Urban Infrastructure & Environmental Products Company

High Performance Plastics Company

Bases of CSR

H

Human

Resources

Actively supporting individual prominence and self-realization, and creating an environment where people can thrive

Our Philosophy

To maintain a strong corporate value for the next 100 years by creating businesses for the next generation requires professional human resources who have their own unique skills. For this reason, Sekisui Chemical Group is making progress on building rewarding workplaces where diverse human resources can thrive, based on its shared basic concepts concerning human resources.

For the Human Resources and Human Rights Policies and Systems,

See "Data Book," p. 23, 25

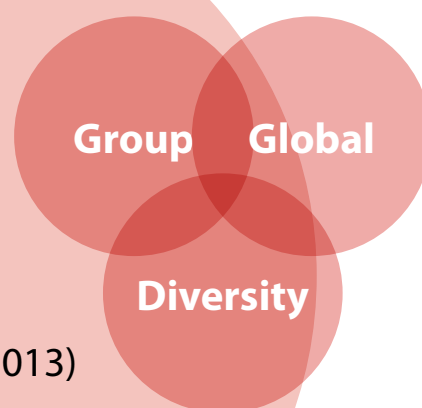


Sekisui Chemical Group's Concept of Human Resources Development

Based on our concept of enabling human resources to perform and grow, Sekisui Chemical Group supports employees' independent career development through providing a variety of opportunities for them to become prominent human resources.

We are deploying measures to raise employee awareness and encourage employee growth on a daily basis from three approaches, to draw out the potential power of each of the Group's diverse employees working in Japan and around the world.

Three approaches toward realizing the HR ideal



Overview of the Midterm Plan (Fiscal 2009-2013) and New Midterm Plan

The midterm plan for the fiscal years 2009-2013 focused chiefly on examining and revising Sekisui Chemical's HR systems identifying its approaches to sustainability and Group management. Based on these concepts, we have implemented measures in the areas of group management, global management, and diversity. In so doing, we achieved a degree of success in hiring and training women employees, in area-specific global training measures, and in creating career paths by which partner (temporary) employees could transfer to permanent, full-time status.

Under the new Midterm Plan (Fiscal 2014-2016), we will make further progress on Group hiring, employment, and training measures, including global measures. Through identifying practical indicators of progress for each type of measure and cooperating with each Group member company, we will strive to build a corporate culture in which all diverse Group employees can work vigorously.

Performance on Midterm Plan Efforts and Goals of New Midterm Plan

Measure		Performance on Midterm Plan (FY2009-2013) Verified	New Midterm Plan (FY2014-2016)	
			Goal	Main Measures
Hiring	Group	Group hires: 735 employees (FY2013) (including equity-method affiliates)	Group hires: 800 employees (including equity-method affiliates)	Strengthen the Sekisui brand in the employment market
	Global	Global hires (Sekisui Chemical nonconsolidated): 9 employees (FY2013)	Global hires (Sekisui Chemical nonconsolidated): 20 employees	Develop the market for new hires
	Diversity	Women hires (Sekisui Chemical nonconsolidated: 19 employees; Group hires: 156 employees) (FY2013) (including equity-method affiliates)	Women hires (Sekisui Chemical nonconsolidated: 30 employees; Group: 210 employees) (including equity-method affiliates)	Enhance hiring seminars for women
Training	Group	Internal job posting: 23 positions/year (FY2013)	Internal job posting: 30 positions/year (development of core HR based on experience)	Adopt a Group HR system and provide a broad range of experience
	Global	Global talent employees: 300 employees (FY2013)	Global talent employees: 400 employees (FY2016)	Enhance the Global Trainee Program and area-specific training measures
	Diversity	Women in management positions (Sekisui Chemical nonconsolidated): 27 (FY2013) <hr/> System improvements ● Transfer of temporary or part-time employees to permanent, full-time status ● Rehire retired employees (Senior Partners Program)	Women in management positions (Sekisui Chemical nonconsolidated): 50 (FY2016) <hr/> Put temporary employees and senior employees to active use	Link programs for training women leaders with the HR system as a whole <hr/> Promote transfer to permanent, full-time status and revise the Senior Partners Program

Group Human-Resource Capabilities

Securing and Training Human Resources Aiming for Sustainable Growth

As it strives to empower Group human resources to achieve sustainable growth, Sekisui Chemical Group is advancing a variety of efforts to secure and train human resources.

In the area of securing human resources, we are not only increasing numbers of new employees hired (see Data Book, p. 18) but also implementing hiring from a variety of perspectives, including global human resources and diverse human resources, to ensure an appropriate staffing structure.

On the subject of training of human resources, we are implementing Groupwide efforts combining both training of human resources to play leadership roles in Group management and training of human resources to support manufacturing in the field.

Training Systems to Support Our Businesses

Sekisui Chemical Group is developing training systems for specific employee ranks and specific skills, to meet the needs of employees' career plans.

Training Business Leaders at an Early Stage

We have developed a consistent training system covering all stages from new hires to management positions, in order to systematically train business leaders to power Sekisui Chemical Group into the future.

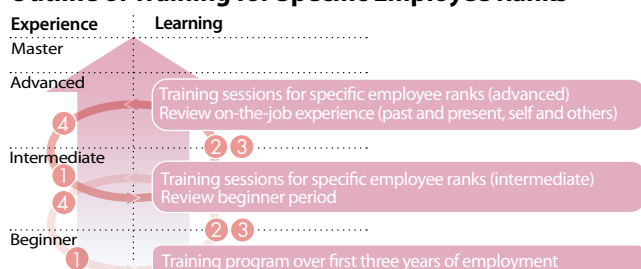
Based on the concept that the foundations of growth are the experience gained through everyday business activities and learning from such experience, we have developed a training system that links these two elements together. Through this system we will enhance each individual's mastery of the skills required of business leaders, by running through the cycle of growth through experience (see illustration below) from when a new hire joins the company through the management level.

Training Human Resources to Support the Workplace

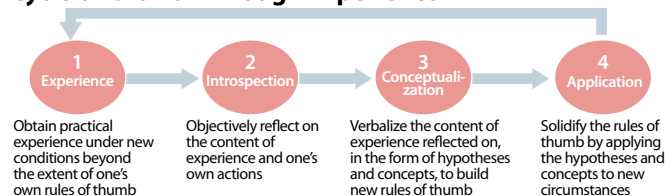
The human resources who will support the foundations of management in practical terms in the workplace must undergo self-growth as highly capable practitioners through accumulating experience over the long term and acquiring highly specialized knowledge and skills. Based on this concept, Sekisui Chemical Group hires human resources who will support the workplace as full-time, permanent employees and creates an environment in which they can demonstrate their abilities with peace of mind over the long term, as well as deploys the "Meister" System to strengthen their abilities in the workplace.

In the future as well, we will promote measures to strengthen training abilities in the workplace on a Groupwide basis.

Outline of Training for Specific Employee Ranks



Cycle of Growth Through Experience



Areas of Specialization Recognized Under the "Meister"* System (FY2013)

Company	Specialization
Housing	<ul style="list-style-type: none"> Welding skills
Urban Infrastructure & Environmental Products	<ul style="list-style-type: none"> Assessment skills Plastic molding skills, extrusion molding skills Construction equipment, design and production skills
High Performance Plastics	<ul style="list-style-type: none"> Raw materials design/assessment skills, chemical/mechanical analysis skills Fabrication skills, extrusion molding skills

*"Meister"

A person able to play a leading role in companywide activities as a preeminent human resource in a technical area deemed key by the company.

Group Internal Job Posting

Sekisui Chemical Group supports its employees' willingness to take on challenges and their career plans by providing opportunities to thrive within the Group through posting job openings internally.

Through Group internal job postings, any qualified employee can apply for jobs posted to the intranet, without needing the approval of their superiors.

In fiscal 2013, 23 job openings were posted internally and 23 employees began new careers inside Sekisui Chemical Group.

FY 2013 Activities and Future Developments

In fiscal 2013, Sekisui Chemical Group further expanded opportunities for business-leader training throughout the Group.

Considering new personnel in management positions at Group companies in Japan to be candidates for the business leaders of the future, we provided group training for all 200 personnel promoted to such positions during fiscal 2013.

This training raises awareness of Group management by bringing together leadership candidates from the Group in Japan to learn. It also aims to help trainees to grow as leaders of the next generation, equipped with broad perspectives and advanced points of view, through learning the skills they need starting from the fundamentals.

Training Programs for New Management Positions

Programs	Content
Celebration for new core personnel (management)	Confirm of the future directions of Sekisui Chemical Group, such as its midterm management plan and CSR management outline
Basic training on management of subordinates	Learn the concepts of organizational management and the basics of management by objectives for subordinates
CSR training	Share information on CSR concepts and the status of related efforts, and foster trainees' awareness of their roles as leaders on the frontlines of CSR practice
Management literacy training (e-learning plus group training)	Learn the basic skills needed for management (logical thinking, management strategy, organizational management, marketing, accounting)

Voice

I will act with an awareness of my role as a manager

When I was promoted from the working level to the management level, the first word that came to mind was "responsibility," as I thought about what would change and what was expected of me.

By helping me understand the changes in my job responsibilities as I moved into management and to think about things anew from the perspective of a superior or a manager, this training showed me how becoming a manager means taking responsibility for the organization. By moving through the training topics and group and class discussions, I also was able to see objectively what my strong and weak points were. In the future I would like to improve my ways of seeing and thinking about things in my everyday work and act with an awareness of my role as a manager.

Another very valuable experience from this training was the way it enabled exchange of opinions among new managers from different sections and job types.



General Affairs Department
Nippon No-Dig Technology Co., Ltd.

Mitsue Fujino

Human Resources

Human Resources for Global Business

Promoting Efforts to Train Human Resources to Contribute to Accelerating Business Development in Japan and Worldwide

To achieve the SHINKA ("evolution") of our business model, the human resource and organizations supporting such efforts must have vitality. Aiming to be a group of professional human resources with their own unique skills, Sekisui Chemical Group is both focusing its efforts on training human resources and promoting organizational development to maximize and utilize motivation toward growth.

Training Human Resources To Thrive on the Global Stage

Each year, Sekisui Chemical Group's overseas net sales are growing as a percentage of consolidated net sales. In fiscal 2013 this percentage reached 23.4%. The Group includes more than 120 production and sales sites in total, located in approximately 30 countries. We believe that when each employee working in the Group around the world grows through his or her work and delivers quality products and services that meet the needs of each region, then it will lead to growth for the businesses of Sekisui Chemical Group as a whole.

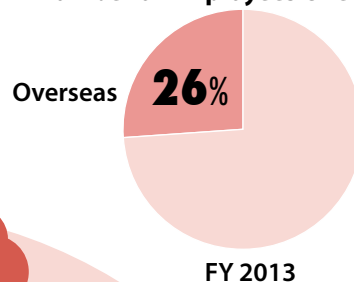
Based on this concept, Sekisui Chemical Group is advancing HR training programs to enable each individual to demonstrate fully his or her own unique skills, in his or her own position. Training and HR measures are implemented in accordance with the situation in each individual area: the Americas, Europe, China, and ASEAN.

In fiscal 2013, we focused on leadership training in the Americas area. In the Europe area we began training on intercultural communication. In the China area, which includes 14 Group companies, we are making progress on building an HR system based on shared ways of thinking.

Accelerate Group Global Business Development



Number of Employees Overseas Verified



Voice

I was able to learn a lot about leadership

During fiscal year 2013 Sekisui America Corporation (SAC) has continued to invest in the development of human resources. One training session that I was fortunate enough to participate in was called "Leading Others". In this program, SAC brought together various frontline managers from many of the North American Sekisui entities for a two day training session to focus on the key attributes to effective leadership. The training was a valuable reminder to be attentive of the distinction between Leadership and Management, and the important aspects in building teams, cultivating trust and motivating and coaching others.

Additionally, the program provided a forum for the attendees to share their individual experiences and opinions regarding leadership, while at the same time learning from the training material which included supporting data for each of the training topics.

Most importantly the training included a review of a 360 assessment of each individual and an opportunity to map out a plan to implement the new skills and insights back at the office.

Overall I believe this type of training will pay dividends for the companies of SAC as we all learn to lead at a higher level.



XenoTech, LLC.
Accounting / Finance
Joe Saitta

Global Training of Japanese Employees

International Recruiting

Sekisui Chemical Group aggressively hires human resources with experience living overseas, such as non-Japanese candidates and Japanese foreign exchange students.

In particular, we have continued to hire large numbers of international students from Japan and local students at the Boston Career Forum*, one of the largest job fairs in the United States, where we have taken part since 2008. In addition, in 2013 we took part in a job fair in South Korea, which also led to some new hires.

In hiring of new university graduates in Japan as well, we clearly identify Global Talent employees as one of the ideal types of human resources we seek to hire. In the future as well, we will further advance international recruiting through development of new hiring markets.



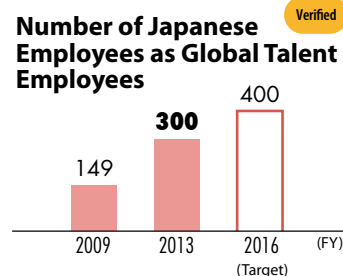
The Boston Career Forum

* Boston Career Forum

A Japanese-English bilingual job fair begun in 1987. More than 5,000 people take part in this event each year.

Global Employee System

A total of about 1,600 Group employees in Japan have signed up for the Global Employee System intended to train Global Talent employees. These employees undergo training on different cultures and specialized training as needed for overseas assignment. Through this system, we were able to reach our target of increasing the number of Japanese employees immediately ready to serve overseas to 300 by fiscal 2013. Setting the new target of increasing the number of employees with experience on overseas assignment to 400 by fiscal 2016, we will advance measures to enable employees to build up real-world work experience overseas.



Opportunities to Thrive

Global Trainee Program

Sekisui Chemical Group has established the Global Trainee Program to enable participants to build up real-world experience overseas. This program sends applicants with sufficient levels of experience in specific positions such as sales, accounting, and development to actual positions at overseas affiliates.

In fiscal 2013, we also implemented a program of accepting trainees from affiliates overseas for training in Japan and overseas assignment using a program offered by the Ministry of Economy, Trade and Industry. In the future, we will strive to enhance these systems so that greater numbers of employees from around the world can build up work experience overseas.

Workplace Environment

Since 1984, Sekisui Chemical Group has been conducting employee awareness surveys every few years. Since 2010, the subject of these surveys has expanded to include overseas affiliates and the surveys have been conducted every three years for employees including part-time and temporary employees. The fiscal 2013 survey collected responses from roughly 70% of the approximately 27,000 subject employees.

Results of the survey showed high levels of satisfaction in areas such as interpersonal relations, employees' sense of accomplishment with their jobs, and company reputation, and results had improved from past surveys as well. At the same time, survey results on the newly introduced topic of engagement (rewarding work) showed a number of issues that need to be addressed.

Diversity

Building Workplaces where Employees can Work Vigorously

Sekisui Chemical Group is advancing efforts to promote diversity, centered on promoting women in the workplace and realizing a sound work-life balance. This is intended to respond to rapid globalization of business and diversification of market needs and to help employees realize personal self-fulfillment. We are striving to foster a corporate culture in which diverse human resources can do their work with vitality through continuing to enhance and expand relevant systems, hold training and seminars, and raise awareness via the intranet and Group bulletins.

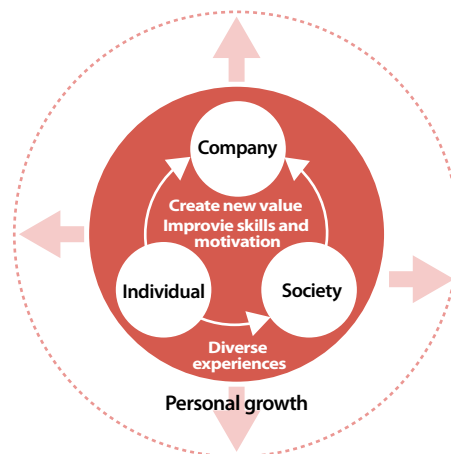
To promote diversity under the new midterm plan taking effect beginning in fiscal 2014 as well, we will continue efforts to promote opportunities for diverse human resources (including women, non-Japanese, elderly, and disabled employees) to thrive and supporting diverse ways of working (through a sound work-life balance and mental healthcare).

Work-Life Balance

Sekisui Chemical Group believes that achieving a sound work-life represents an effort to realize personal self-realization at the same time as sustained company growth. Our aim is to realize a cycle in which job enrichment and active acquisition of off-the-job experiences and values generate growth with added value.

Efforts conducted in fiscal 2013 included implementing a system that requires application in advance for overtime work, designation of no-overtime days, and campaigns to encourage employees to take paid leave, all intended to ensure employees work appropriate hours and can enjoy varied ways of working. Furthermore, to ensure a thorough understanding of the basic concepts involved, we conducted an e-learning program, designated a "Work-Life Balance Month," provided a work-life balance check, and encouraged employees to list the things they would like to do. Future plans call for enhancing the "Work-Life Balance Month" and holding forums and other events on work-life balance, together with continuing these existing efforts.

Work-Life Balance



Support for Work-Life Balance: Long-Term Care and Childcare Support

We provide proactive support to enable employees to fulfill both their work responsibilities and their other responsibilities depending on the stages of their lives. In fiscal 2013 we began holding long-term care support seminars, in which employees aged from their 20s through their 50s took part to learn about topics including long-term care insurance programs, support programs provided by the national government and the company, specific forms of long-term care based on case studies, how to use care supplies, and the costs of long-term care.

We also continue to provide support for balancing work and childcare. In addition to development of various programs, we also are preparing guidebooks describing in easily understandable ways subjects such as how to choose a preschool, preparation for returning to work after childcare leave, and case studies of achieving a smooth work-life balance using the available programs. Another effort underway involves holding lunch meetings with experienced working mothers. We also are actively encouraging men to take part in raising children by including in the guidebooks and on the intranet case studies of male employees balancing both work and childcare.



Long-term care support seminar

Women's Empowerment

Sekisui Chemical Group continues a variety of efforts to enable highly motivated women employees to continue to work vigorously. As a result, we have achieved steady improvements in areas such as assignment of women to sales and plant technician positions as well as the percentage of women in management positions and the employee retention rate. Another result of these efforts is the contribution to sales made by housing products planned and proposed by women, selected through collecting proposals from employees at large. In fiscal 2013, the high regard earned by these efforts resulted in our being the only chemical manufacturer selected to the Diversity Management Selection 100*. The new midterm plan taking effect beginning in fiscal 2014 sets a target for the number of female managers, as we further advance training of women for leadership positions.

*** Diversity Management Selection 100**

Enterprises selected by the Ministry of Economy, Trade and Industry (METI) of Japan for increasing corporate value through diversity.



Trophy

Voice

I have been able to build up a new career

In 2009, while working as a Housing Advisor at a model home exhibition facility in Kyushu, I transferred to product planning in Housing Company at the Tokyo headquarters under internal job postings for women. I worked on product planning for a new type of bay window, reflecting customer tastes based on experience in my previous position. This new product even helped contribute to company sales. Today, I have returned to Sekisui Heim Kyushu Co., Ltd., where I am in charge of hiring new graduates. I feel that I have been able to achieve considerable growth over the past five years through experiencing various job duties.



Training Division, General Affairs & Human Resources Department
Sekisui Heim Kyushu Co., Ltd.

Fumie Fujisaki

Helping Young Employees to Thrive

Pre-assignment training on the training of new women staff, provided for staff responsible for training and support of new women employees, and management seminars on women subordinates, provided for superiors, are intended as means of helping young women employees to thrive in the workplace. Already a total of 450 people have undergone these training programs, in which they learn about contemporary trends in society, the unique needs and values of women employees, and balancing work and life events. Superiors also review the process by which they themselves learned their jobs and draft training plans for their women subordinates.



Management seminar on women subordinates

Opportunities for Elderly Employees

In fiscal 1993, Sekisui Chemical introduced a reemployment system for employees who had reached mandatory retirement age, as an effort to ensure a more diverse workforce. Since fiscal 2006 this program has been expanding to Group companies as well.

In fiscal 2013, a new program of training for employees aged 57 was introduced as an opportunity to think about their careers after retirement. This was the start of a new effort to enable motivated employees to remain in active employment through age 65.

Safety and Security

Pursuing a Level of Zero Workplace Accidents through Risk Reduction by All Personnel, from Top Management to Individual Workplaces

Constructing a work environment in which employees can work with safety and security is one of the most important subjects for management.

Sekisui Chemical Group is implementing total safety (i.e., zero occupational injuries, zero equipment-related accidents, zero commuting-related accidents, and zero extended sick leaves) activities based on five themes*.

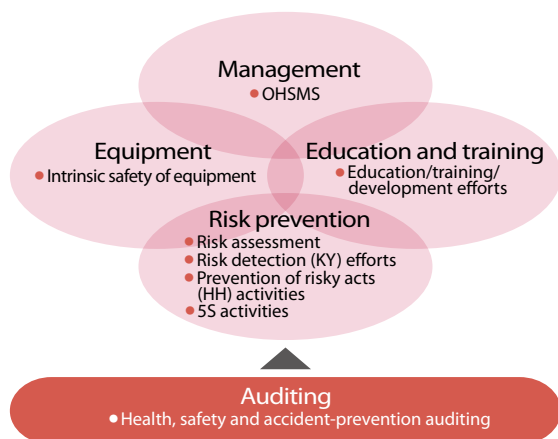
* Five themes

Intrinsic safety of equipment, management using OHSMS, safety education of employees, risk prevention through KY activities and other initiatives, and auditing of health, safety, and accident prevention.

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

For the Safety Policies and Management Systems

See "Data Book," p. 23, 25



New Midterm Plan (FY2014-2016)

Midterm Goal: Fostering a Global Corporate Culture of Safety

- Increasing each employee's sensitivity to risks
- Promoting risk-reduction efforts
- Workplace accidents: zero fatalities, zero residual difficulties, zero lost working days
- Zero severe equipment-related accidents such as fires or explosions

Fiscal 2013 Results and the New Midterm Plan

Sites in Japan

Focused measures conducted in fiscal 2013 proved effective. For example, cases of accidents in which employees got their arms, legs, or bodies caught in machinery were reduced through preventive activities such as enhancing the intrinsic safety of equipment. On the other hand, cases such as slips and trips due to causes such as inadequate checking of footholds increased. The new midterm plan calls for a focus on increasing sensitivity to risks.

Safety Audits

Second-party certification of OHSMS* is being conducted at sites in Japan, with 41 sites having been certified as of March 2014. Also, beginning in fiscal 2013 efforts are underway to raise the level of safety throughout the Group as a whole by verifying, from a multifaceted approach, the results of the periodic self-auditing and assessment that began in fiscal 2010 through assessing them in headquarters auditing as well.

The safety investigations that began in fiscal 2010 at overseas sites had been conducted at a cumulative total of 62 sites through fiscal 2013.

* OHSMS (Occupational Health and Safety Management System)

Activities to manage occupational health and safety and reduce risks through implementing risk assessment for the workplace as a whole and running through the plan-do-check-act (PDCA) management cycle, based on occupational health and safety policies.

Japan: Efforts at Production Sites

Safety Conference

The Sekisui Chemical Group Safety Conference was held in July 2013. A total of 200 employees and members of management took part in activities including the annual safety awards and introductions to examples of activities by sites with superior safety performance, resolving as a group to build a culture of zero workplace accidents and reduce risks.

In addition, Mr. Noboru Furusawa, who has promoted safety activities at major automakers, lectured on activities to identify risks and the role of management in human-resources development.



Safety awards

Countermeasures against Fires and Explosions

Recent years have seen numerous fires and explosions occurring while responding to operational problems and during regular repairs at Japanese chemical plants. Sekisui Chemical Group will continue its efforts to identify risks related to internal plant equipment and facilities handling hazardous materials and make relevant improvements. In addition, we are introducing at our business sites across Japan a program of drills to enable employees to be able to make the relevant judgments themselves at each step of the way from understanding of procedures through responding when a situation worsens.

Raising Young Employees' Sensitivity to Risks

Production sites in Housing Company have implemented the Safety Skills Competition since 2010. Since many cases of workplace accidents involve inexperienced employees, in fiscal 2013 this program was conducted for employees in their first two years with the Company.



Young employees examine the issues in the Safety Skills Competition

Japan: Efforts at Construction Sites

Safety Training Using a DVD on Construction-Site Case Studies

Sekisui Chemical Group has produced a DVD providing easily understandable video introductions to accidents that have occurred at construction sites in home construction, pipe rehabilitation, and other business activities. We distribute this DVD to business sites in Japan and around the world, with narration and subtitles in six languages. The DVD explains to operators the importance of following the rules in their everyday work and to managers the importance of dialogue with operators.



DVD introducing cases of accidents and covering measures in response to them

Overseas: Efforts at Production Sites

Occupational Safety Education Program: Safety Training Halls set up in Thailand

In the housing business in Thailand, Sekisui-SCG Industry Co., Ltd. a company that produces modular units for housing, has set up the occupational safety education program of Safety Training Halls for employees in its construction sections. This program will train personnel to be able to protect themselves by working safely at all times, through getting experience with the risks of various types of processing and lifting equipment.

Healthcare of Employees

Sekisui Chemical Group provides stress check-ups and e-learning through the intranet as self-care methods for employees in the area of mental health. Counselors also visit business sites to conduct mental health training for managers and provide counseling experiences.

In addition, a survey of the state of health management at all business sites in Japan takes place in September of each year in cooperation with outside mental-health clinics and the Japan Industrial Counselors Association.

Housing Company

To Realize Customers' Ideal Homes and Lifestyles

Company Vision / Midterm Plan

From a Home Builder to a Company Creating Residential Environment

Amid advancing changes to the business environment such as the contraction of the new housing market, a shortage of workers for construction sites, energy-related issues, rising consumption tax, and an aging population, the Housing Company will aim to grow over the long term from its traditional status as a home builder to a company creating residential environment through delivering both homes (its products) and lifestyle solutions (its services).

Under the Midterm Management Plan for the period through fiscal 2016, the first step in this process, the Housing Company will advance the evolution of its business model, reforming its business portfolio into one consisting of the five business areas of housing, remodeling, real estate, residential services, and overseas businesses. In the housing business, it will employ a strategy of being the top player in the field of smart houses and pursue price performance. In the remodeling business, it will enhance efforts to approach customers whose homes are ripe for remodeling and propose smart-house solutions. In the real estate business, it will enhance its management of rental properties and sale of existing properties, while in the business of residential services it will move forward with full-scale startup of the businesses of serviced senior residences and long-term care. In its overseas businesses, the Company will accelerate growth through strengthening its sales capabilities, cutting costs, and promoting a structure under which it handles construction work itself.

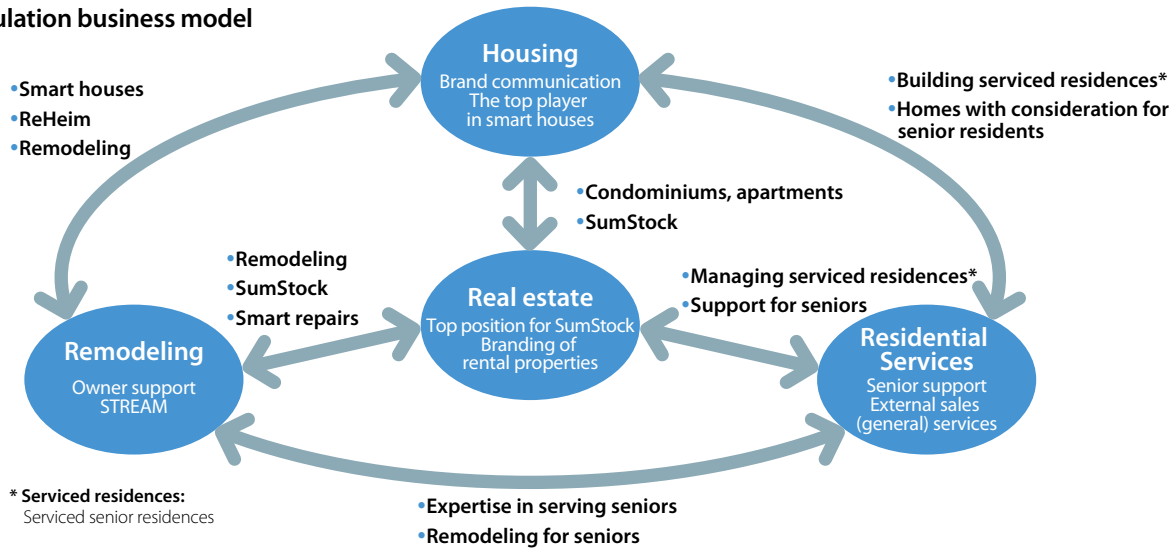
Business Portfolio



Overview

Aiming for Evolution in Circulation Businesses through the Growth and Fusion of the Business Portfolio

Circulation business model



Remodeling

The Housing Company helps customers whose homes are ready for remodeling to make their homes into smart houses through proposing solutions in areas such as solar power generation systems and storage cells in addition to kitchens, prefabricated bathrooms, and other plumbing areas.



Remodeling

Housing

As a pioneer in modular housing, where 80% of a home is produced in factories, the Housing Company delivers Sekisui Heim and Sekisui Two-U homes featuring both high quality and high cost-performance. It provides comfortable, eco-friendly living through products and services including solar power generation systems, the Smart Heim Navi home energy management system (HEMS), the e-Pocket large-capacity storage cell system, and its own proprietary Kaiteki Airy and Air Workshop ventilation and air-conditioning systems.

Residential Services

The Housing Company will develop business models fusing buildings and services as it launches the full-scale start of its serviced senior residences and long-term care businesses.



Serviced senior residence

Real Estate

The Housing Company will expand its sales of existing homes and the rental properties it manages, as well as advancing into the residential asset management business.

Overseas

Together with building homes suited to the needs of the local market in Thailand, in the future the Housing Company will use its Thai operations as a base plant for Asia to supply homes, parts, and materials to nearby countries.



A local model in Thailand

Focus on

Driving Evolution in Housing through Pursuit of Advancement

Social issues

- Concern about **global warming**
- Rising **demand for electricity** in the home accompanying technological advances and the aging population

● ● STEP 1

Selling homes equipped with solar power generation systems

In 1997, Sekisui Chemical Group was the first in the industry to develop homes equipped with solar power generation systems. These have massively reduced residents' home utility costs by using unique rooftop systems to install large-capacity solar cells and putting highly airtight, highly thermally insulated structures to maximum use.

● ● STEP 2

Making progress on reducing home utility costs to zero

In 2003, we developed the Zero-Utility-Cost House combining high-performance fully electrified appliances and fixtures with high airtightness and thermal insulation along with solar power generation systems. Furthermore, we also began offering customers energy conservation consulting services through making power consumption visible. Combination of these products and services has helped numerous customers to cut their home utility costs to zero.

Social issues

- Rising **uncertainty and costs** in the **electricity supply** since the Great East Japan Earthquake

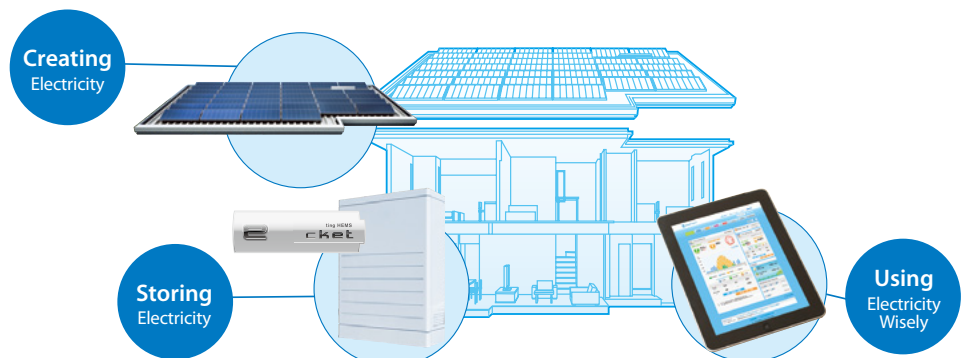
● ● STEP 3

Toward energy-independent homes that combine together the three elements of creation, conservation, and storage of energy

Our combination of solar power generation systems, consulting-based HEMS, and stationary large-capacity lithium-ion storage cells enables energy independence in the home. This makes it possible not only to cut home utility costs to zero but also to cut the energy balance to zero through placing no impacts on the environment and to eliminate uncertainties in electricity supply.



Smart Power Station



Creating Value through Our Main Businesses

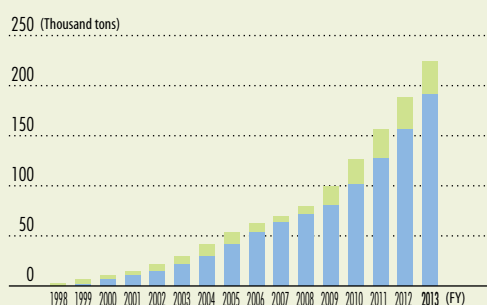
Striving to Balance Ecology and Economy at a High Level

The Housing Company's idea of a Smart House is one that uses a solar power generation system to create energy efficiently, stores energy efficiently in storage cells, and uses energy efficiently through HEMS, so that its residents can live in safety, comfort, and peace of mind. The number of such homes it builds is rising steadily, thanks to their strong reputation for cutting CO₂ emissions and home electricity charges. As of the end of fiscal 2013, the number of these homes had reached 142,996 and Sekisui Chemical Group was recognized with the Guinness World Record™ for most solar-powered homes built.

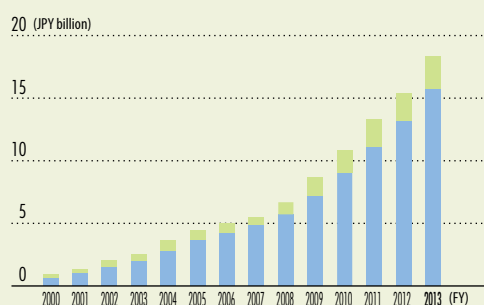
In response to rising awareness of environmental issues such as climate change and resource depletion in addition to uncertainties in the electric power supply due to the Great East Japan Earthquake, how best to use energy has become an important topic. As it promotes its strategy of becoming the top player in smart houses, the Housing Company is actively contributing to society in the areas of the environment and energy.

Value for Society

CO₂ emission reductions (cumulative)



Reductions in electricity charges (cumulative)

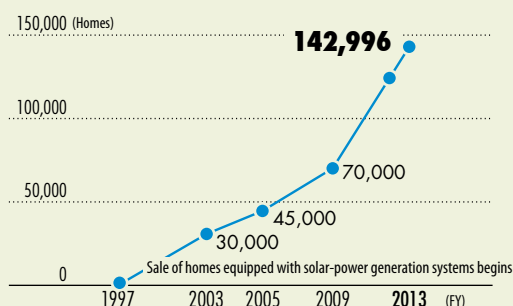


Calculations based on:

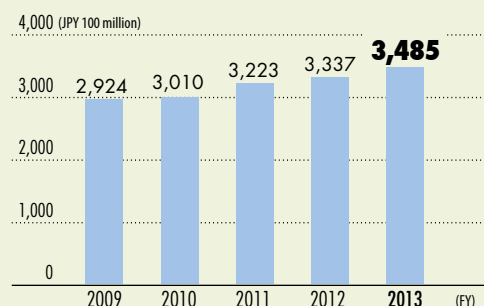
- 1) 950 kWh/year generated per 1-kW solar-panel system
- 2) 23 yen/kWh unit price of electricity

Value for the Group

Number of solar homes built (cumulative)



Net sales of the housing business



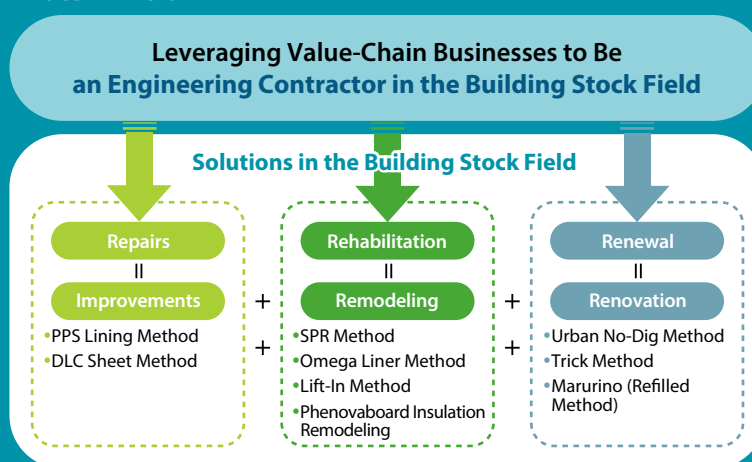
Company Vision / Midterm Plan

Aiming to Be the Leader in Stock Management of Living and Social Infrastructure

The business environment of the future is expected to be one of growth in the building stock market, including renewal of social infrastructure, and expectations of accelerating growth in the emerging markets of Southeast Asia, while new housing starts and new public projects decrease in developed markets as their populations and numbers of households shrink. For this reason, the Urban Infrastructure & Environmental Products Company will continue reforms aiming to make it the leading firm in building stock management of residential and social infrastructure.

Under the new Midterm Management Plan for the period through fiscal 2016, the Urban Infrastructure & Environmental Products Company will focus on repair, rehabilitation, and renewal as it shifts its management resources from general-purpose products and services toward the stock business, aiming to be an engineering contractor in the building stock field. It will strengthen the structure of its value-chain business from surveying and diagnostics through design, products, construction, and maintenance and management in areas such as water and sewage, electricity, telecommunications, and gas. At the same time, it also will strengthen efforts to enhance the earnings foundations of its overseas businesses and train the human resources to carry out this series of business reforms.

Midterm Vision



Urban Infrastructure & Environmental Products Company

Contributing to building safe, comfortable infrastructure and water environments

Overview

The Pipe Rehabilitation Business: Playing a Central Role in Growth Areas

The pipe rehabilitation business is one of the key businesses in the building stock field. The aging of social infrastructure in developed countries is becoming a pressing social issue around the world in recent years. The Urban Infrastructure & Environmental Products Company is striving to deliver solutions to this issue through the pipe rehabilitation business.

Through products such as Esilon Pipe, the first PVC pipes successfully mass-produced in Japan, and the SPR method that makes it possible to rehabilitate pipes without excavating roads, it is actively developing new businesses for the future as a member of Sekisui Chemical Group, a group that continues making contributions to the infrastructure field.



SPR method

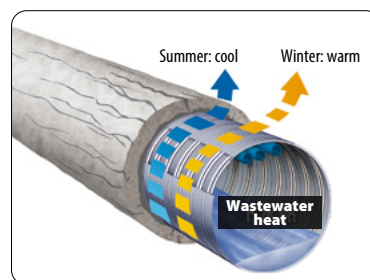


Example of road subsidence

Developing Tools to Open Up the Building Stock Field

Renewable Energy Utilization Business

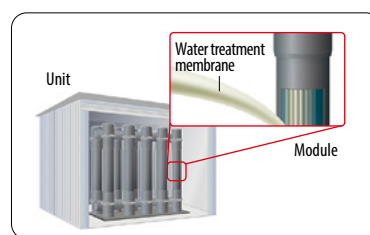
This business puts renewable energy to use in areas such as air-conditioning, water heating, and road defrosting through means such as wastewater heat recovery systems that combine heat recovery functions with the pipe rehabilitation technologies used on aged sewer pipes and systems using underground heat that employ the difference in temperature between underground and the outside air.



Wastewater heat recovery system

Water Purification Business

With our high-performance membrane filtration systems, which contribute to reuse of water and wastewater/purification treatment, we deliver increased water and sewer processing capacity and advanced treatment of industrial wastewater.



Membrane filtration system

Apartment Renovation Business

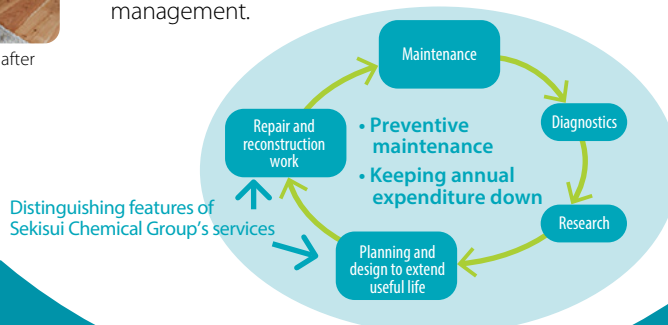
In addition to full renovation of facilities not readily apparent to the eye, in areas such as heat (insulation), noise (soundproofing), and water (pipes), we also deliver comprehensive support services such as surveys and diagnostics, large-scale repairs, and periodic inspections.



An exclusively-owned area after Marurino renovation

Comprehensive Contracting Business (Public-Private Partnership)

We deliver comprehensive solutions for pipe asset management.



Focus on

One-Stop Solutions for Efficient Pipe Rehabilitation

● ● ● STEP 1

Social issues

- Frequent incidents of **road subsidence** due to aging
- **Traffic congestion** and **noise** from excavation work
- Earth and other **industrial wastes** from excavation

The SPR method with no need for excavating roads

The SPR method inserts hard vinyl-chloride belts inside worn sewer pipes and wraps them in a spiral form to form a new interior for the pipes. It combines the new pipe wall with the old sewer pipe by filling in the space between the two using a special mortar. Compared to standard methods that require excavation, this method greatly reduces the amount of waste generated and does not require blocking off roads.



● ● ● STEP 2

Shifting to value-chain-focused businesses from a manufacturer to a renewal solutions company

While we started by simply selling materials, we have since transformed our business model. Our lines of business have expanded to include everything from research and diagnostics to design, construction, and maintenance, making it possible to deliver renewal solutions suited to users' needs along with total quality assurance.



● ● ● STEP 3

Social issues

- Swelling **costs** to **local governments**

Beginning comprehensive management services to contribute to cutting local governments' costs

Local governments face tough financial circumstances, and improving the cost-efficiency of sewer pipe management has become a pressing issue.

However, Sekisui Chemical Group is capable of delivering effective methods that promise to cut total life-cycle costs, through comprehensive subcontracting services.

Creating Value
through Our Main
Businesses

Contributing to Solutions to Infrastructure Issues in Developed Countries with Demonstrated Technologies

Since we first began supplying the SPR method in 1986, it has demonstrated its performance in a variety of locations, used on a total of 840 km*¹ of pipe.

In addition, through 2013 the SPR method has resulted in a cumulative decrease of 9.14 million tons*² in waste. This technology has earned a strong reputation for the way it supports the safety of underground infrastructure, winning a number of prizes including the Minister of Economy, Trade and Industry Award in the First Monodzukuri Nippon Grand Awards, the 59th Okochi Memorial Prize, and a 2013 Good Design Award. These results are reflected in the sales of our pipe rehabilitation business.

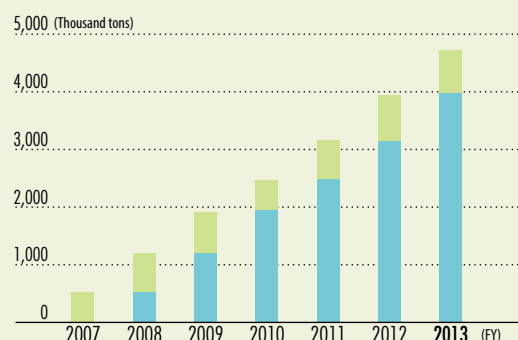
As developed countries are expected to face the need for large-scale investment in renovation of social infrastructure in the future, how to keep costs down to lessen the burden on the taxpayer will become a major concern. The Urban Infrastructure & Environmental Products Company aims to contribute to solving such issues around the world through its high-quality technologies and service.

*1 According to a survey by the Japan Sewage Pipe Renewal Method Association

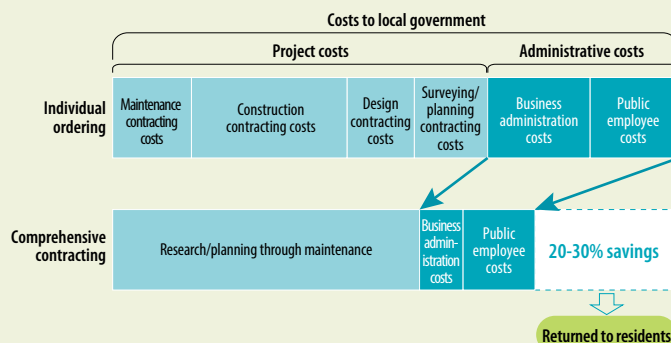
*2 According to a Sekisui Chemical survey

Value for Society

Waste reductions from using the SPR method (cumulative total)

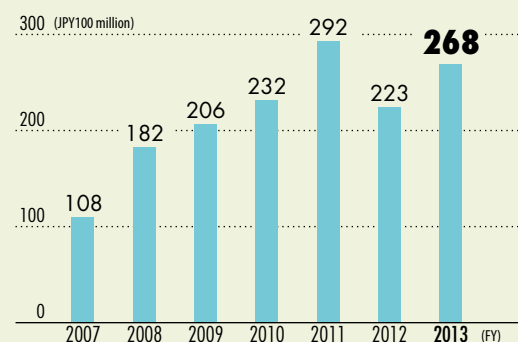


Example of cost savings through comprehensive contracting

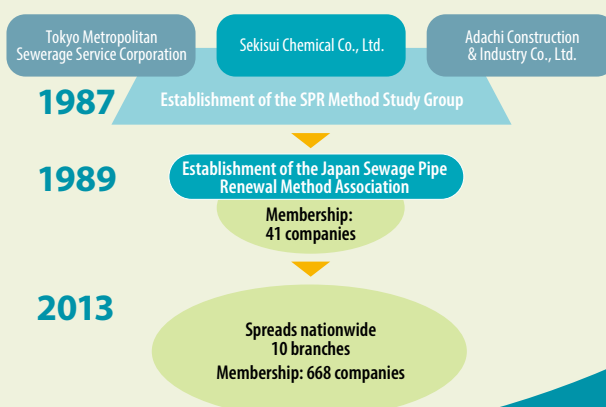


Value for the Group

Net sales of Sekisui Chemical Group's pipe rehabilitation business



Enhancing the promotion structure for the SPR method



Three
Prominences

Environment

CS & Quality

Human
Resources

Business and
CSR

Housing
Company

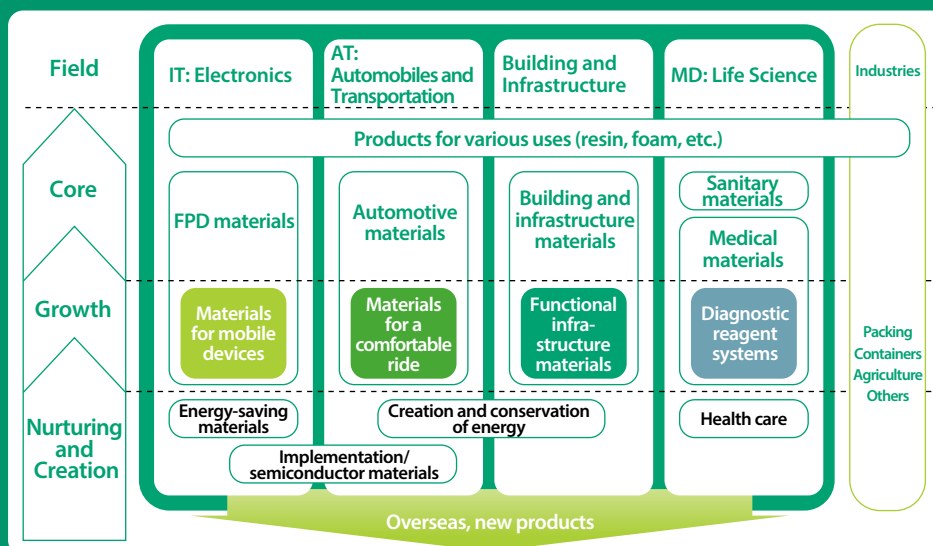
Urban Infrastructure &
Environmental
Products Company

High Performance
Plastics Company

Bases of CSR

High Performance Plastics Company

Four New Strategic Fields and Growth Areas



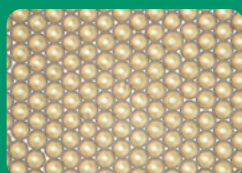
Company Vision / Midterm Plan

“Chemical Solution”

Delivering High Added Value in Four New Strategic Fields

In the new Midterm Management Plan for the years through 2016, the High Performance Plastics Company identifies as the engines of its growth four new strategic fields, overseas businesses, and new products and new businesses.

The four new strategic fields are those of Electronics, Automobiles and Transportation, Building and Infrastructure, and Life Science. In each of these, respectively, we will focus management resources on what we have identified as growth areas: materials for mobile devices, materials for a comfortable ride, functional infrastructure materials, and diagnostic reagent systems. At the same time, we will promote efforts to shift production overseas, increase our global buying power, grow overseas businesses, and develop new products and new businesses.



Conductive fine particles



Interlayer film



Fire protection materials



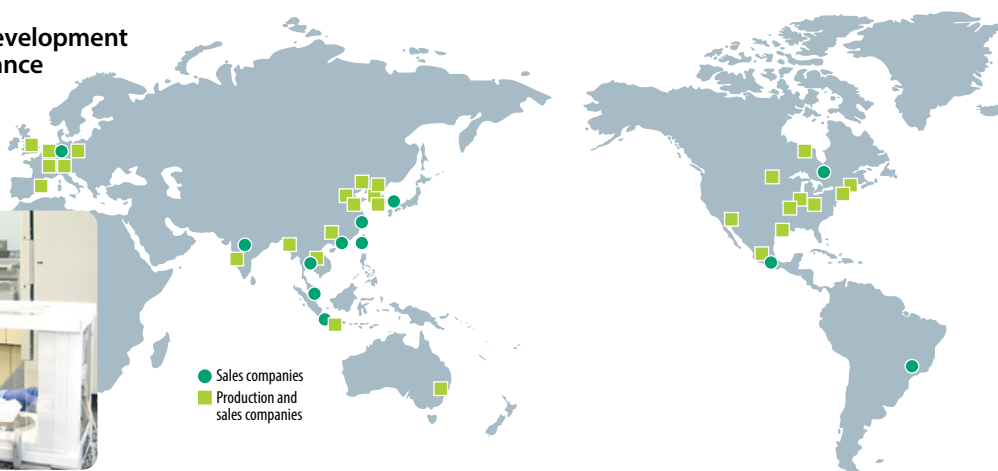
Mediace diagnostic reagent for syphilis

Overview

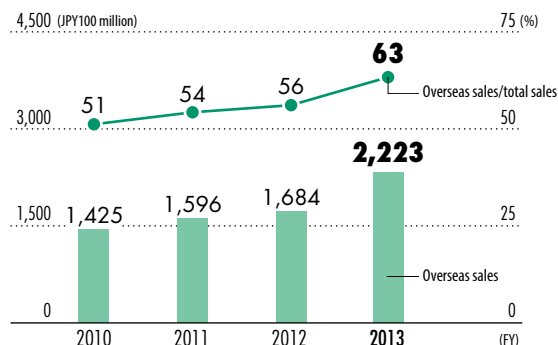
Developing Markets Overseas through a Diverse Product Lineup

The High Performance Plastics Company has been advancing into overseas markets with a focus on automobiles, IT, and medical products. As a result, in fiscal 2013 overseas businesses accounted for 63% of its net sales and more than 50% of its employees.

Overseas Business Development by the High Performance Plastics Company



Overseas Sales



Electronics

This segment supplies products such as spacers used to maintain gaps between LCD layers, conductive fine particles to transmit signals between narrow electrodes, UV sealant, and double-faced tape.

Automobiles and Transportation

This segment contributes to improving vehicle safety and comfort through interlayer films used in front windshields, vehicle interior and exterior materials, and other products.

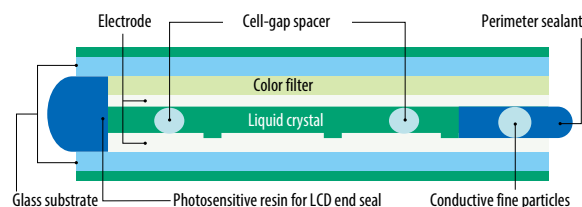
Building and Infrastructure

This segment handles resin materials for heat-resistant pipes, fire protection materials, and other products.

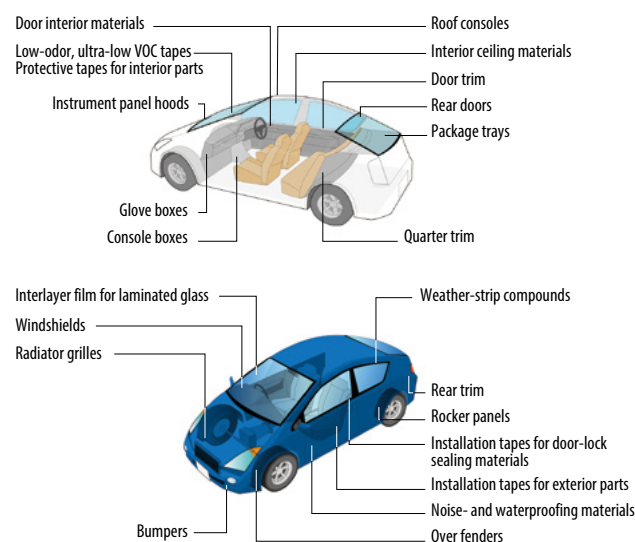
Life Science

This segment's businesses serve customers including medical institutions, pharmaceutical firms, and manufacturers of sanitary materials.

LCD Panel Structure



Parts and Materials Used in Automobiles



Focus on

Contributing to Medicine Around the World in the Life Science Field

Our main business in the field of life science is the medical business. This business's products and services include diagnostic reagents and analyzers, testing instruments, subcontracting of R&D services for new drug development, and subcontracting of production of primary and intermediate drug ingredients.

STEP 1

Social issues

- **Infection from blood**
due to breakage of blood collection tubes during blood testing

Developing and supplying the first product of its kind in the world using high-polymer technologies

Medical facilities entrusted with people's lives need to conduct testing safely, quickly, and with high precision. Since the 1980s the High Performance Plastics Company has been a world leader in developing products to meet these needs. Its plastic vacuum blood collection tubes and diagnostic reagents for infectious diseases help prevent infection and maintain safety in medical facilities.



Mediace diagnostic reagent for syphilis



Insepack II vacuum blood collection tubes

STEP 2

Social issues

- Growth of **lifestyle-related illnesses**
in developed countries
- Rising **medical costs**

Growing our business domains to meet a wide range of medical needs around the world

The merger with Daiichi Pure Chemicals in 2006 grew the business domain of our diagnostic reagents business from the existing area of infectious diseases to include the areas of blood coagulation, diabetes, fat, and rheumatism. In addition, the full-scale start of our medical devices business has enabled us to deliver both devices and diagnostic reagents. We are further strengthening our diagnostic reagents business through mergers and acquisitions overseas.



Cholestest diagnostic reagent for cholesterol



Rapidpia protein analyzer
Rapidchip BNP reagent for use with Rapidpia



Coapresta 3000 blood coagulation analyzer

Creating Value
through Our Main
Businesses

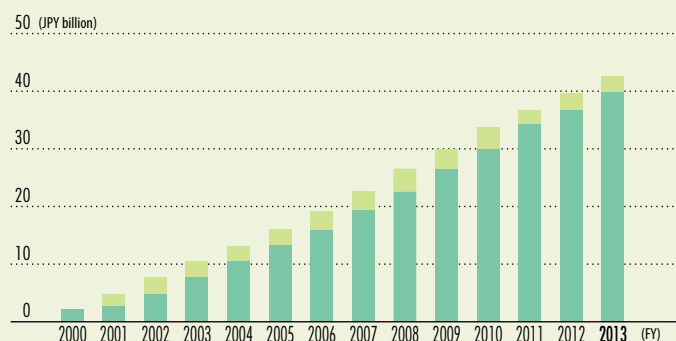
Aiming to be a Global Medical Company that Contributes to Improving the Medical Environment and Quality of Life

Lifestyle-related illnesses have been becoming more prevalent in recent years, chiefly in developed countries. Preventing these is important not only for people's health but also for controlling social costs such as medical care costs. Our diagnostic reagents and analyzers are used widely in such preventive medicine.

In addition, the plastic blood collection tubes we have supplied for many years contribute greatly to simple, quick, high-precision testing as well as making medical facilities safer through means including preventing hospital infections. They have earned a high share of the global market. We will continue contributing to improving the medical environment worldwide as we work to increase sales of these products in China, ASEAN countries, and other markets.

Value for Society

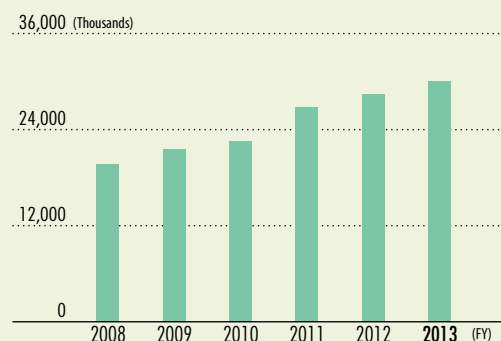
Cholesterol diagnostic reagent sales (cumulative)



Cholestest N HDL/Cholestest LDL

These clinical reagents are used to measure both "good" and "bad" cholesterol, which can cause hardening of the arteries. They boast the top market share worldwide.

Unit sales of Insepack SQ series vacuum blood collection tubes

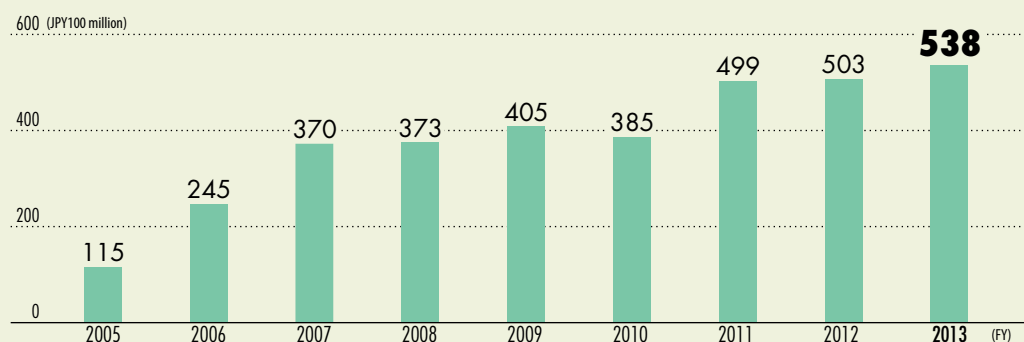


Insepack SQ series

Vacuum blood collection tubes containing a high-speed coagulant to meet the need for quick testing in order to lessen the burden on outpatients.

Value for the Group

Sales in the medical field



Compliance

Aiming to continue being a company trusted by society, through strengthening compliance on a global basis

Policies

Sekisui Chemical Group carries out compliance management based on fundamental principles including “contributing to society,” “being a trusted company,” and “adherence to both the letter and spirit of the law.” We aim to be a company of which each individual employee can be proud, not just for his or her own sake but for his or her family, friends, and society at large, as he or she strives to put our management vision into practice while acting in accordance with the principles of compliance.

Activities

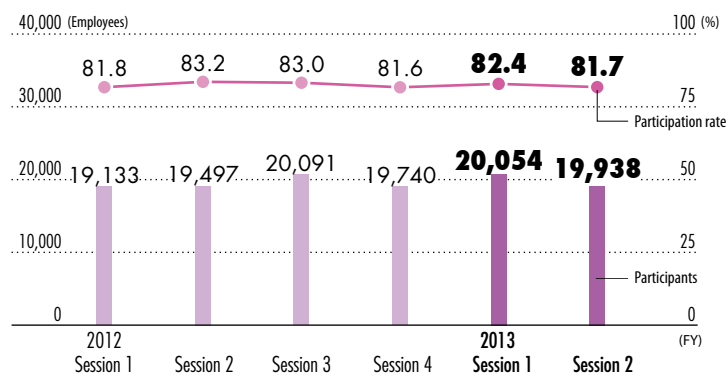
In fiscal 2013, we strived to deploy our structure for compliance training on a global basis while also continuing compliance training in Japan.

In Japan, in addition to the existing compliance training for specific employee ranks and e-learning programs, we also enhanced activities at business sites and Group companies, such as holding open seminars on specific topics and training programs that visited multiple sites.

Overseas, we enhanced the organization’s self-purifying functions for preventing scandals by introducing internal whistle-blowing systems in the U.S. and China. To address global corruption risks, we established rules for preventing corruption. We plan to establish and steadily implement rules and systems suited to the laws, regulations, and business practices of each country in fiscal 2014 and later.

Number and Percentage of Employees Participating in e-learning

Verified



Note: Comparisons are based on six-month participation periods.

Global Legal Training

To train human resources with legal expertise in response to accelerating globalization of our businesses, we have continued dispatching Legal Department staff to U.S. law schools since fiscal 2010.

In the future, we plan to help legal staff build up practical knowledge and experience overseas by increasing opportunities for legal staff to take part in overseas assignments and participation in trainee programs, along with continued dispatch of staff to law schools.

Voice

I plan to build up practical legal experience in the U.S.

I have been attending a master's degree program in law at a U.S. law school since July 2013. After developing an understanding of U.S. law, which differs structurally from that in Japan, I plan to work at Sekisui America Corporation beginning in autumn 2014. I intend to use the ways of thinking I have learned from students from a variety of countries with different backgrounds in law school as well as my language skills to provide solid legal support to Group companies in the U.S.



Legal Department
Sekisui Chemical Co., Ltd.

Kei Takigawa

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

In 2002, Sekisui Chemical Group developed the S.C.A.N. (Sekisui Compliance Assist Network) intra-company whistle-blowing system, and since then we have made it available for use by all Group employees.

In fiscal 2013, we introduced internal whistle-blowing systems in the U.S. and China and began use of a system under which each area headquarters company receives whistle-blowing reports from Group companies in its area.

In Japan, the number of whistle-blowing reports made through the external law office is increasing, in addition to those made through the internal contact point. In light of this fact, coordination between the contact points is becoming more important. In the future we will continue to respond in good faith to each individual report, recognizing it to be an important topic for the Company to address.

FY2013 Whistle-blowing Reports and Consultations

Verified

Items	Number of items
Power harassments	17
Working conditions	5
Workplace environment	2
Sexual harassments	1
Sales-related	1
Use of expenses	1
Other	2
Total	29

Legal Violations, 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 Sekisui Chemical's determination of facts of this case differs from that on which the order was based, in April 2009 the Company asked the Fair Trade Commission to cancel the order. Appeal procedures are still underway.

At the same time, we are striving to raise employee awareness by holding continual internal e-learning programs and training on the Antimonopoly Act.

In the future as well, Sekisui Chemical Group will continue its efforts to raise awareness of compliance, always keeping in mind the fact that compliance is an important foundation of CSR management.

Risk Management

Aiming to further strengthen the risk management system to increase sensitivity to risks and improve the quality of risk management activities

Policies

Sekisui Chemical Group has been advancing development of a risk management system to unify risk management, which strives to prevent risks from occurring, and crisis management, which involves responding to major risks that have occurred. We largely completed preparation of an environment for such activities in fiscal 2013 and will move on to make qualitative improvements in activities beginning in fiscal 2014.

Improving the Crisis Management System

In fiscal 2011, Sekisui Chemical Group thoroughly revised its crisis management system, utilizing its experience with the Great East Japan Earthquake. It has continued to improve the system since then.

We have conducted drills based on the emergency task force procedures at least twice a year, and we have reviewed the systems and operations described in related manuals, as well as conducting annual training for all employees using the emergency initial response procedures and using disaster-prevention checklists to improve disaster-prevention systems at all of our roughly 800 sites in Japan. While ideally we should aim for a utilization rate of 100% for a disaster-prevention system, the average score in self-evaluations of all business sites as of January 2014 was just roughly 74% and there was variation apparent among business sites. As such, we plan to continue making improvements.

Overseas, company-specific crisis management manuals have been developed at more than 90% of all business sites. We also have completed revisions to the system and operations of the overseas safety measures secretariat. Based on these, in fiscal 2014 we will strengthen safety measures in frontier regions such as Southeast Asia.

Strengthening the Risk Management (Prevention) System

In contemporary corporate activities, which are growing in complexity, it is impossible to ascertain accurately all risks that could be realized in the future. Sekisui Chemical Group continues to run through the plan-do-check-act (PDCA) cycle of risk management in accordance with the international standard on risk management ISO 31000, considering increasing employees' sensitivity to risks to be essential to addressing such risks.

These activities began in fiscal 2010 at 27 organizations, chiefly divisions under Division Companies. The number of organizations employing these activities has increased from year to year. As of the end of fiscal 2013, a total of 112 organizations, consisting of affiliates in Japan and around the world, took part. These companies accounted for about three-fourths of consolidated net sales. In fiscal 2014, we plan to improve the quality of the activities through efforts including education and training for the risk managers responsible for risk management at each business site and sharing of effective risk management measures.

Voice

We are taking an overview of business through risk management activities and deploying efforts to frontier regions as well

Risk management activities at Sekisui Techno Molding Co., Ltd. essentially began in January 2012 with the risk assessment conference attended chiefly by members of the Board of Directors. Through a cooperative organization consisting of the two business divisions the Company had at that time plus head office sections, we analyzed and assessed all risks faced by our business activities across the entire company, getting an overview of our businesses as a result.

As the third cycle, we are considering activities in fiscal 2014 such as expanding membership of the conference together with a change in the company's organization and deployment of these activities in the frontier regions of India and Indonesia as well.



Administrative Management
& Control Department
Sekisui Techno Molding Co., Ltd.

Tomoo Hara

Communication

Improving Corporate Value through Strengthening Dialogue with Stakeholders

Policies

Sekisui Chemical Group recognizes the importance of adequate and proactive disclosure and two-way communication for developing relationships built on trust with our stakeholders.

We are working to reflect appropriately in our business the evaluations and comments we receive through dialogue with stakeholders. We are doing so through efforts including Customer And Top (CAT) Meetings where top management in housing sales companies meet customers to receive feedback directly (3,804 persons took part in fiscal 2013), the External Advisory Board on Environment-Contributing Products (see p. 18), the Attractive Qualities Screening System, in which the Attractive Qualities Screening Committee evaluates and screens products and services, and opportunities for direct dialogue between top management and employees.

Dialogues with Overseas Socially Responsible Investment (SRI) Rating Agencies

In Europe and North America, there is considerable interest in socially responsible investment (SRI), in which companies addressing CSR issues are chosen proactively as targets of investment, and much research has been conducted by rating agencies. In light of the broad range of businesses Sekisui Chemical Group conducts, each year we visit SRI ratings agencies in Europe and elsewhere to ensure that they have adequate and accurate understandings of its lines of business and its CSR efforts.

In fiscal 2013, we met with four SRI ratings agencies from Japan and around the world.

Communication Between Management and Employees

Since fiscal 2002, Sekisui Chemical Group has provided opportunities for employees to communicate with top management, based on its belief that it is essential to resolve problems faced by the Company as well as work-related issues through direct communication between top management and employees.

In fiscal 2013, the President of Sekisui Chemical visited six business sites across Japan targeting affiliate companies, to discuss the state of company management, expectations for employees, and other matters with approximately 450 participants. In the opportunity for exchange of opinions during these visits, employees discussed with the President themes chosen by the business sites, such as human-resources development and passing along skills.

Voice

I will do my work with renewed consciousness

Less than one year after joining Sekisui Chemical Group I took part in a discussion with top management. There I learned an important part of the Sekisui spirit: the need to think and act on one's own instead of waiting for somebody else to do it. As Yamanashi Sekisui Co., Ltd. grows in the future, I intend to take on the challenges of my work with a delicate attention and swift action.



Planning & Control Department
Yamanashi Sekisui Co., Ltd.

Mieko Ishihara

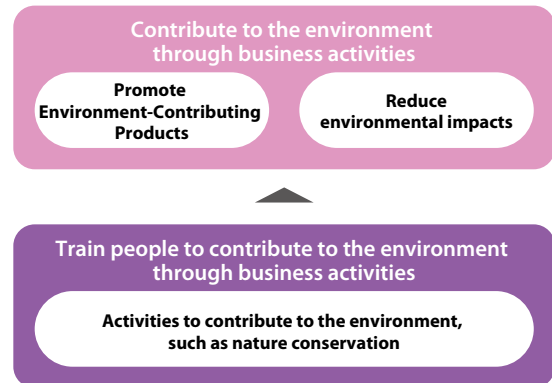
Environmental and Social Contributions

Environmental Contributions

Policies

Sekisui Chemical Group has continued activities to contribute to the environment since fiscal 1997, under the fundamental concept of “contributing to the environment through our business activities.”

We consider promoting Environment-Contributing Products, which deliver superior environmental performance than conventional products, and reducing environmental impacts through means such as cutting CO₂ emissions and waste to be good ways to “contribute to the environment through our business activities.” In addition, since we consider contributions to the environment such as nature conservation to be the results of training the people who will work to contribute to the environment through our business activities, we are carrying out such efforts proactively based on employee participation.



Building Habitat for Living Creatures

The Tokyo Headquarters of Sekisui Chemical has taken part in rice-planting and harvesting activities since fiscal 2005, with the nonprofit organization Medaka no Gakko (“school of fish”) providing technical guidance.

In fiscal 2013, a total of 87 employees and their family members took part in planting rice in May and harvesting the rice in September, at the Hatchotombo rice fields in Tochigi Prefecture. They learned about the importance of both natural life and food.



Planting rice seedlings

Beech Woodland Restoration and Tree-Planting Activities

The nonprofit organization, Society to Conserve Beeches & Water of Zao, continues tree-planting activities to restore the beech woodlands at the foothills of the Minami-Zao area of Miyagi Prefecture. Tohoku Sekisui Heim Industry Co., Ltd. has taken part in the Society’s tree-planting festival since fiscal 2002. A total of 18 people, consisting of employees and their family members, took part in the tree-planting festival held in June 2013, planting trees while struggling with the roots of low bamboo bushes and the hot weather. They also were able to confirm the growth of the seedlings planted several years ago. In the opening ceremony, the Company was presented with a thank-you letter for past activities.



The thank-you letter from the nonprofit organization



Planting trees

Children's Nature Study Course

In June 2013, Sekisui Chemical's Gunma Plant held the eighth "Hayakawa River Water-Quality Survey and Observation of Living Creatures" Children's Nature Study Course. On the day of the event, 45 people including employees, local children, and their parents and guardians took part. After catching water bugs and taking water samples from the Hayakawa River that flows near the plant, participants went to the plant site to look up the names of the creatures and measure the water's Chemical Oxygen Demand (COD)* to gauge the level of water pollution.

* Chemical Oxygen Demand (COD)

Shows the amount of oxygen required for oxidation of oxidizable substances in the water, as one indicator of water quality.

Voice

This activity provides new opportunities to experience nature each year

The Gunma Plant has continued to hold the Gunma Children's Nature Study Course since January 2006, inspired by the Sekisui Nature Study Course program that began the previous year. We have developed five types of programs so that students from the local sound upbringing committee can take part. While it has been tough to prepare a different program each year, our intent is to let both first-time children and those who enjoy participating each year make new discoveries and get a true feel for the fun of nature each time. In recent years the program has grown in size as middle school students take part in addition to local elementary school students. We will do our best to keep holding this event in the future as well.



Planning & Control Department,
Gunma Plant
Urban Infrastructure &
Environmental Products Company
Sekisui Chemical Co., Ltd.

Sachiko Kanai

Planting Mangrove Trees in Thailand

In August, mangrove planting activities were held in Thailand, as an event symbolizing Sekisui Environment Week (see p. 17). On the day of this event, about 215 persons including the president of Sekisui Chemical and other members of top management, employees of subsidiaries in Thailand, and their families planted about 2,000 seedlings.

This was the third time mangrove planting activities held in Thailand, starting with the first planting activities in fiscal 2011. As they grow, the mangrove trees planted this time are projected to have the effect of reducing CO₂ by about 260 tons after 10 years. In addition, members of Sekisui Chemical Group top management paid a courtesy visit to the Thai Royal Family. They presented a list of donations to the Sirindhorn International Environmental Park.

In the future as well, Sekisui Chemical Group will work to raise Group employees' environmental awareness at a global level through actively continuing activities to contribute to the environment in Thailand, where the Group is involved in a wide range of businesses.

Biodiversity Preservation Activities at Manufacturing Sites

Sekisui Alveo's Roermond Plant, which produces resin foam, has conducted biodiversity surveys in fiscal 2012 in order to carry out business activities with consideration for biodiversity. The surveys employ a surveying tool developed by the European nonprofit organization Global Nature Fund (GNF), with GNF and Alveo staff working together to assess the content of the plant's business.

In fiscal 2013, the survey examined the plant's impact on biodiversity from the perspectives of nonnative species, climate change, changes in habitats, and overuse of resources. A report was prepared covering 10 recommendations for preserving biodiversity based on the survey's findings. As a result, the plant is taking part in activities including nature conservation efforts at neighboring De Meinweg National Park.



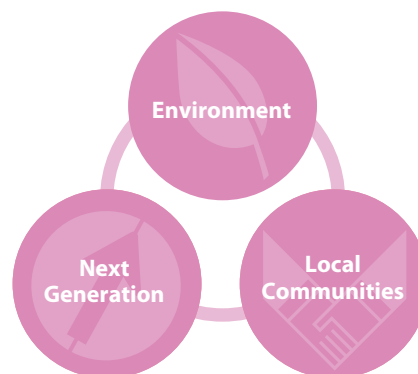
Activities in De Meinweg National Park

Environmental and Social Contributions

Social Contributions

Policies

Sekisui Chemical Group advances social contribution activities mainly in the fields of the environment, the next generation, and local communities. We consider such activities initiatives made as a corporate citizen living together with society, and we provide support for activities to enable Group employees to play active roles in society.



Advancing Social Contribution Activities Utilizing our Businesses

Sekisui Chemical Group carries out social contribution activities utilizing the distinguishing features of its businesses. Since fiscal 2009 the Housing Company has partnered with prefectural police departments in activities targeting areas such as crime prevention in the community and traffic safety. In addition, since fiscal 2007 the Housing Company has conducted the Houses and the Environment Learning Program to put employees' knowledge to use in the classroom. Through now, a total of approximately 8,200 junior high school students have taken part in these classes.

Since fiscal 2008 the High Performance Plastics Company has conducted the Science Class for Children for elementary-school students and the Chemical Classroom Project for seventh through ninth graders. In fiscal 2013, a total of approximately 2,900 students took part in these classes, and one was held in the U.S. as well. In addition, Sekisui Medical Co., Ltd. has begun a Science Classroom program.

Since fiscal 2009 Shikoku Sekisui Co., Ltd. in the Urban Infrastructure & Environmental Products Company has provided science classes and plant tours for seventh through ninth graders.

In fiscal 2012, the Houses and the Environment Learning Program won the encouragement award in the Ministry of Economy, Trade and Industry of Japan's Career Education Awards. In fiscal 2013 the Science Class for Children won the same award.



The Chemical Classroom Project

Expanding Social Contribution Activities that Make it Easy for Individuals to Participate

Since fiscal 2009 Sekisui Chemical Group has advanced social contribution activities that make it easy for individual employees to participate. These have included TABLE FOR TWO (TFT), which provides school meals in developing countries, the BOOK MAGIC program, in which participants donate unneeded books, and Heart+Action, activities to aid developing countries.

In July 2013, Sekisui Chemical's Osaka Headquarters installed a vending machine linked to the TFT program, and the program was able to provide support for about 13,600 school meals for children in developing countries.

Note: See Data Book (p. 22) for more information on performance of other social contribution activities.



TFT Vending machine

Participation in the Community

Sekisui Chemical Group actively participates in local communities at its companies and business sites in Japan and around the world.

Employees of Group companies in the U.S. took part in the Renegade Playground Challenge charity event held in October 2013. This event is a running race on a hilly course four miles (approx. 6.4 km) long, over various obstacles and muddy pools. The event collects donations from participants and contributes a portion of its revenues to nonprofits such as the Speedway Children's Charities, which helps children who need assistance.

In addition, the shoes used by participants are collected, cleaned, and then donated to people who need shoes, through a program called GreenSneakers. Furthermore, for each pound (approx. 454 g) of shoes collected, 50 cents are donated to the New Hampshire Food Bank.

Voice

This is a fun and heartwarming event.

I participated in the Renegade Playground Challenge otherwise known as the "Mud Run" for the second year in a row. This was especially fun for me because my daughter, Brittany, participated in the run as well. I joined this activity with my company because sometimes having fun like a kid is just a good thing, especially when you have your child with you. Running through obstacles and mud was a great way to build my daughter's confidence. It was really fun being together as a group, cheering each other on, and lending a hand to one another when needed. In addition to being a fun event, it was heartwarming to know we were helping out needy children who are not able to enjoy such activities. I would recommend everyone try at least one mud run sometime in their life because it's just awesome.



Sekisui Voltek, LLC.
Manufacturing

Carlos Medeiros

Supporting the Research Activities of Universities and Research Institutions

Sekisui Chemical Group began the Sekisui Chemical Grant Program for Research on Manufacturing Based on Innovations Inspired by Nature in fiscal 2002 to support the research activities of universities and research institutions utilizing knowledge of fundamental science learned from nature. Over the 12-year period through fiscal 2013, this program collected a cumulative total of 3,324 public placements, ultimately awarding grants to 170 research projects.



The award ceremony

Donations

For purposes including environmental conservation and support for raising the next generation, Sekisui Chemical Group provides economic support including donations to a variety of activities. Its donations in fiscal 2013 totaled approximately 260 million yen.

A typical example of aid provided in fiscal 2013 is the donations and matching gift provided for victims of the typhoon that struck the central region of the Philippines in November of that year. Sekisui Chemical donated 5 million yen to aid victims of the typhoon and assist in the recovery of affected areas. In addition, donations were collected from Sekisui Chemical Group employees and the company also provided a matching gift that exceeded the amount of donations collected. As a result, a total of approximately 8.4 million yen was given to the Japanese Red Cross Society and the nonprofit World Vision Japan.

Three Prominences

Environment

CS & Quality

Human Resources

Business and CSR


Housing Company

Urban Infrastructure & Environmental Products Company


High Performance Plastics Company

Bases of CSR

Independent Practitioner's Assurance



Deloitte.



トーマツ

Independent Practitioner's Assurance Report (TRANSLATION)

June 11, 2014

Mr. Naofumi Negishi,
President,
Sekisui Chemical Co., Ltd.

Hiroshi Inanaga
Chief Executive Officer
Deloitte Tohatsu Evaluation and Certification Organization Co., Ltd.
3-3-1, Marunouchi, Chiyoda-ku, Tokyo

We have undertaken a limited assurance engagement of the material sustainability information (the "sustainability information") indicated with the verification logo for the year ended March 31, 2014 that included in the "CSR Report 2014 (including the separate "CSR Report 2014 Data Book")" (the "Report") of Sekisui Chemical Co., Ltd. (the "Company").

The Company's Responsibility for the Report
The Company is responsible for the preparation of the sustainability information in accordance with the calculation and reporting standard adopted by the Company (CSR Report 2014 Data Book: Calculation Standards of Key Performance Indicators) and "Appendix: Sustainability Reporting Assurance and Registration Criteria" (issued by the Japanese Association of Assurance Organizations for Sustainability Information (the "J-sus")). Greenhouse gas quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

Our Independence and Quality Control
We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. The firm applies International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility
Our responsibility is to express a limited assurance conclusion on the sustainability information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements ("ISAE") 3000, *Assurance Engagements Other than Audits or Review of Historical Financial Information (Revised)*, issued by the International Auditing and Assurance Standards Board ("IAASB"), and ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by IAASB, and the Practical Guideline for the Assurance of Sustainability Information issued by the J-sus.
The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. These procedures also included the following:

- Evaluating whether the Company's methods for estimates are appropriate and had been consistently applied. However, our procedures did not include testing the data on which the estimates are based or reperforming the estimates.
- Undertaking site visits to assess the completeness of the data, data collection methods, source data and relevant assumptions applicable to the sites.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Limited Assurance Conclusion
Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Company's sustainability information is not prepared, in all material respects, in accordance with the calculation and reporting standard adopted by the Company and "Appendix: Sustainability Reporting Assurance and Registration Criteria" (issued by the J-sus).

The above represents a translation, for convenience only, of the original Independent Practitioner's Assurance report issued in the Japanese language.

Member of
Deloitte Touche Tohmatsu Limited

Summary of Independent Practitioner's Assurance Procedures



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 housing 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	Established original Environmental Management Department. Launched company-wide commitment to pollution control.		
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.		
1991	Established Basic Policies on environmental issues.		
1993	Introduced divisional system, shifting to the seven divisions: Pipe & Related Products, Building Materials, Chemicals, Techno-products, Molded Products, Medical Products, and Housing.		
1994	Began activities to earn ISO 9000-series quality-management system certification.		
1996	Paid-in capital surpassed 100 billion yen. Adopted new headquarters logo. Announced Top Management Policy for Environment and Safety. Began activities to earn ISO 14001 environmental-management system certification.		
1997	50th Anniversary of the founding of Sekisui Chemical Co., Ltd. Launched Sekisui Chemical Group nature conservation activities. Created Women's Athletic Club.		
1998	Instituted Corporate Activity Guidelines. Initiated zero waste emission activities.		
1999	Midterm Management Plan: GS21 takes effect. Instituted Corporate Philosophy. Concentrated business into three domains: Housing, Urban Infrastructure & Environmental Products, and High Performance Plastics.		
			Midterm Environmental Plan: STEP-21 takes effect. Began publishing Environmental Reports.
2001			Launched the division company system, establishing the three division companies: the Housing Company, the Urban Infrastructure & Environmental Products Company, and the High Performance Plastics Company. Achieved zero waste emissions in all house production plants and all plants of Sekisui Chemical Co., Ltd.
2002			Sekisui Chemical Grant Program for Research on Manufacturing Based on Innovations Inspired by Nature begins. S.C.A.N. Whistle-blowing Program begins.
2003			Midterm Management Plan: GS21-Premium 600 takes effect. Established the Environmental Management Promotion Department (now CSR Department Environmental Management Group). Midterm Environmental Plan: STEP-2005 takes effect.
2004			Achieved zero waste emissions at all house construction sites. Established the CS & Quality Management Department (now CSR Department CS & Quality Group). Achieved zero waste emissions in all construction by house renovation companies.
2005			Established the CSR Committee. Published the Environmental and Social Report.
2006			Midterm Management Plan: GS21-Go! Frontier takes effect. Midterm Environmental Plan: Environmental Top Runner Plan Part 1 takes effect.
2007			60th Anniversary of the founding of Sekisui Chemical Co., Ltd. Global Children's Eco Summit and Manufacturing Based on Learning from Nature—Junior Forum held. Conducted reviews of the CSR Committee and Headquarters organization. Published the CSR Report.
2008			CSR policies established and revised.
2009			Midterm Management Plan: GS21-SHINKA! takes effect. Midterm Environmental Plan: Environmental Top Runner Plan SHINKA! takes effect. Developed the "Sekisui Eco-Frontier 2030" Long-Term Environmental Management Vision.
2010			Manufacturing Based on Innovations Inspired by Nature Forum held in Nagoya.
2011			Safety Subcommittee established.
2012			65th Anniversary of the founding of Sekisui Chemical Co., Ltd. Global Children's Eco Summit 2012 held. The Outstanding Eco Contributor Award program begins. Risk Management Group established.
2013			First Sekisui Environment Week held.

Editor's Notes

Sekisui Chemical Group established a new philosophy, and at the same time began its new midterm management plan SHINKA!-Advance 2016 in fiscal 2014. Accordingly, to facilitate understanding of our stakeholders, the beginning of this CSR Report features an overview of the new midterm management plan along with introductions to various activities, separated by field.

The new midterm management plan identifies CSR SHINKA (evolution) as one of its basic strategies. This is because incorporating CSR in the foundation of management and enhancing it further are essential to the growth of our businesses and the sustainability of Sekisui Chemical Group. This CSR Report reports on the results of the previous midterm plan along with future directions for CSR SHINKA, organized around Sekisui Chemical Group's CSR concept, based on the Three Prominences of the Environment, CS & Quality, and Human Resources, and its Three Attitudes of Sincerity in Compliance, Risk Management, and Communication.

Sekisui Chemical Group considers its mission to be that of fulfilling its social responsibilities and contributing to resolution of environmental and social issues through its businesses. For this reason, sections

"Business and CSR" reports on examples of contributing to resolution of environmental and social issues through business activities and how these have led to creation of values for society, customers, and the Group.

In recent years, Sekisui Chemical Group's businesses have undergone continued globalization, and increases in production and purchase of parts and raw materials in emerging markets are a cause of rising human rights risks. This Report and its Data Book report on how the Group enhanced its human rights and supply-chain initiatives in fiscal 2014 to address such growing risks.

The separate Data Book reports detailed information on efforts along with performance data.

In addition to disclosing as much information as possible on our CSR efforts through this Report and accepting opinions from stakeholders, efforts such as undergoing an independent practitioner's assurance to ensure the accuracy and objectivity of the 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.com).

SEKISUI CHEMICAL CO., LTD.

4-4 Nishitenma 2-chome, Kita-ku, Osaka 530-8565, Japan (Dojima Kanden Bldg.)
URL <http://www.sekisuichemical.com>

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.com

This report has been printed and bound with consideration for the environment in the following ways:

- (1) This report uses Forest Stewardship Council (FSC)-certified paper produced from carefully managed forests.
- (2) The computer-to-plate (CTP) method of direct printing, which uses no film that later must be disposed of as waste, has been adopted in the plate-making process.
- (3) Vegetable-oil ink, which generates few volatile organic compounds (VOC) and has excellent biodegradability and de-inking performance, is used in the printing process. In addition, waterless printing, which generates no hazardous waste fluids, has been used as well.
- (4) Glue that does not hinder the recyclability of paper is used in the binding process.

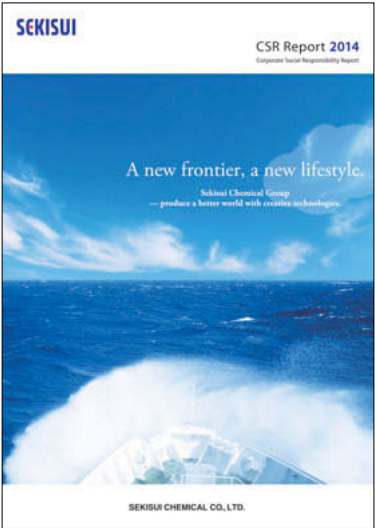


CSR Report 2014 (including the separate Data Book) has been reviewed for assurance by an independent third party and as a result has been granted the sustainability report review and registration logo. This demonstrates that this report satisfies the necessary criteria established by the Japanese Association 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.




Corporate Social Responsibility Report

CSR Report 2014
Data Book



Management Benchmarks (Consolidated)	1
Coverage of the Environmental Performance Data	2
Results of the Midterm Environmental Plan	3
New Environmental Midterm Plan	5
Sekisui Chemical Group’s Environmental Accounting	7
Sekisui Eco Value Index	9
Material Balance (in Japan)	9
Environment-Contributing Products	10
Product Assessments for Environmental Impact	10
Biodiversity	10
Global Warming Prevention	11
Resource Recycling and Saving	12
Environmental Performance of Domestic Offices	13
Atmospheric and Water Related Emissions	14
Environmental Incidents and Complaints, and Emergency Responses	14
Chemical Substances	15
Environmental Management	16
CS & Quality	17
Human Resources	18
Safety	19
Compliance	21
Environmental and Social Contribution	21
Sekisui Chemical Group’s CSR Management System	23
Sekisui Chemical Group’s CSR Management Policies	24
Calculation Standards of Key Performance Indicators	27

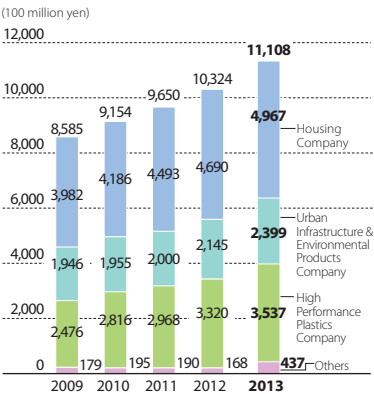
Scope of Independent Practitioner’s Assurance

The environmental and social information in this report has been subjected to the independent practitioner’s assurance 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 verified.

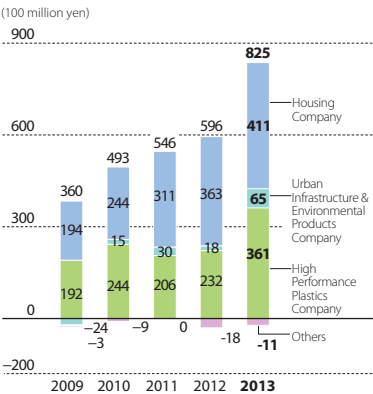
Management Benchmarks (Consolidated)

* Fiscal 2012: Performance for overseas subsidiaries is for the 15-month period January 2012 through March 2013 (in connection with standardization of the fiscal years of consolidated subsidiaries to end in March beginning with fiscal 2012).

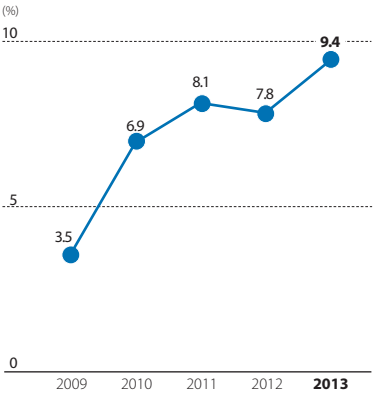
Sales (by Each Division Company)



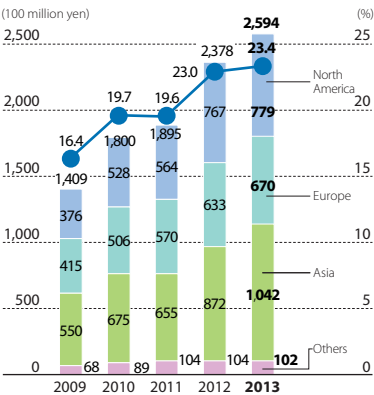
Operating Income (by Each Division Company)



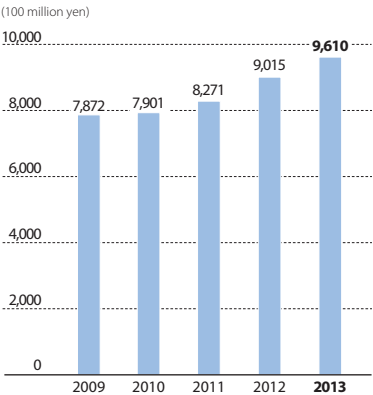
ROE



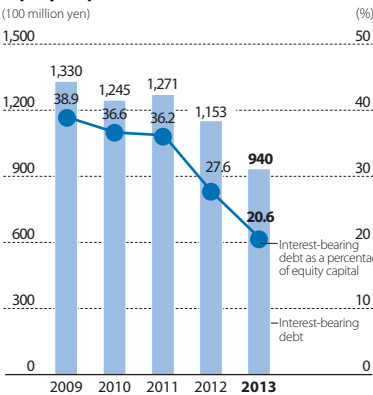
Overseas Sales and Sales Ratio



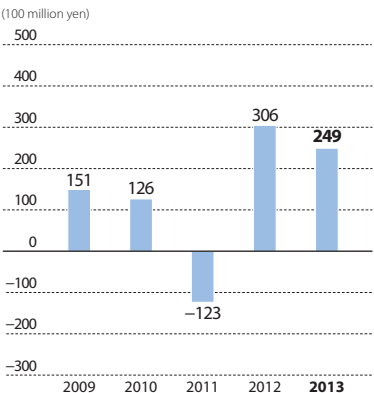
Total Assets



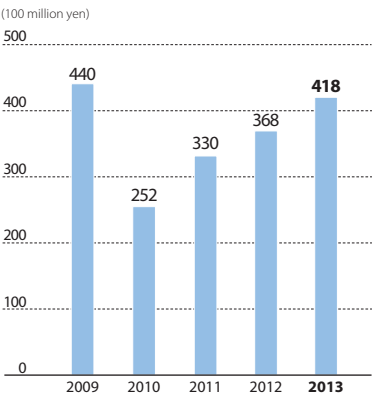
Interest-bearing Debt and Interest-bearing Debt as a Percentage of Equity Capital



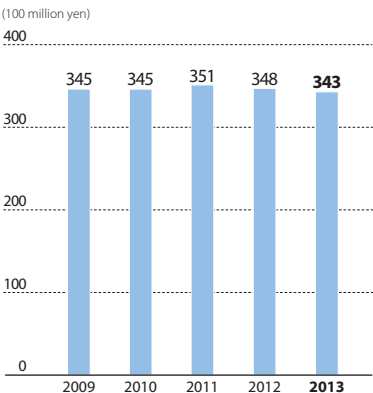
Cash Flows



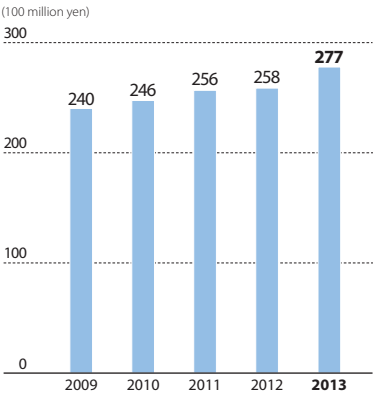
Capital Expenditures



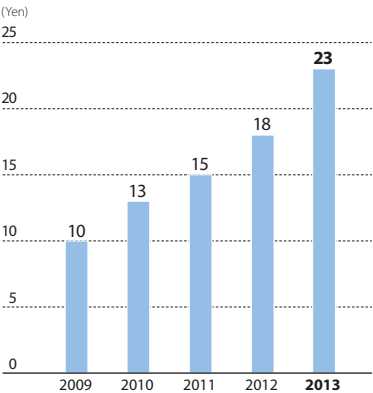
Depreciation and Amortization



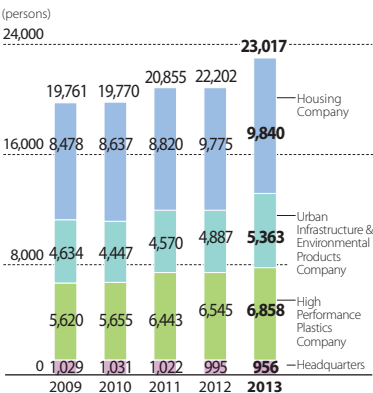
R&D Costs



Annual Dividend Per Share



Number of Employees



Coverage of the Environmental Performance Data

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**

Hokkaido Sekisui Heim Industry Co., Ltd.

Chubu Sekisui Heim Industry Co., Ltd.

Sekisui Board Co., Ltd., etc.

Sales and construction companies **28 companies and 105 business sites**

Sekisui Heim Sales Companies

Construction and Service Companies

40 companies and 116 business sites in total

Urban Infrastructure & Environmental Products Company

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

Sekisui Chemical Co., Ltd.

Kyoto Research & Development Laboratories

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

Sekisui Chemical Co., Ltd. Gunma Plant

Sekisui Chemical Co., Ltd. Tokyo Plant

Sekisui Chemical Co., Ltd. Shiga-Ritto Plant

Sekisui Chemical Hokkaido Co., Ltd. /

Okayama Sekisui Industry Co., Ltd.

Toto Sekisui Co., Ltd. Ota Plant /

Shikoku Sekisui Co., Ltd., etc.

20 companies and 12 business sites in total

High Performance Plastics Company

R&D institutes **2 companies and 2 business sites**

Sekisui Chemical Co., Ltd. Minase Site

Sekisui Medical Co., Ltd. ADME & Tox. Research Institute

Production plants **11 companies and 14 business sites**

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 Fuller Co., Ltd. / Sekisui Medical Co., Ltd., etc.

11 companies and 16 business sites in total

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 Chemical Co., Ltd.

Osaka Headquarters and Tokyo Headquarters

Sekisui Seikei, Ltd.

Hinomaru Co., Ltd.

Tokuyama Sekisui Industry Co., Ltd., etc.

8 companies and 11 business sites in total

Total: 76 companies and 155 business sites

* 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.

Overseas

Urban Infrastructure & Environmental Products Company

Kydex, LLC.

Allen Extruders, LLC.

Eslon B.V.

Yongchang Sekisui Composites Co., Ltd.

Sekisui (Qingdao) Plastic Co., Ltd.

Sekisui Industrial Piping Co., Ltd.

Sekisui (Wuxi) Plastics Technology Co., Ltd.

7 business sites in total

High Performance Plastics Company

XenoTech, LLC.

Sekisui Voltek, LLC. (Lawrence Plant)

Sekisui Voltek, LLC. (Coldwater Plant)

Sekisui TA Industries, LLC. (Buena Park Plant)*

Sekisui TA Industries, LLC. (Tennessee Plant)

Sekisui Alveo Ltd.

Sekisui Alveo B.V.

Sekisui S-Lec America, LLC.

Sekisui S-Lec Mexico S.A. de C.V.

Sekisui S-Lec B.V. Film Plant

Sekisui S-Lec B.V. Resin Plant

Sekisui Diagnostics, LLC (Stamford)*

Sekisui Specialty Chemicals America, LLC. (Pasadena Plant)

Sekisui Specialty Chemicals America, LLC. (Calvert City Plant)

Sekisui Specialty Chemicals Europe, S.L.

Thai Sekisui Foam Co., Ltd.

Sekisui S-Lec (Thailand) Co., Ltd.

Sekisui Pilon Pty. Ltd.

YoungBo Chemical Co., Ltd. Daejeon Plant

YoungBo Chemical Co., Ltd. Cheongwon Plant

YoungBo HPP (Langfang) Co., Ltd.

Sekisui S-LEC (Suzhou) Co., Ltd.

Sekisui Medical Technology (China) Ltd.

Sekisui High Performance Packaging (Langfang) Co., Ltd.


24 business sites in total

* Data was collected only for wastes and CO₂ emissions.

Results of the Midterm Environmental Plan

Efforts, targets, and results of the Midterm Environmental Plan: Environmental Top Runner Plan SHINKA! (FY 2009 – 2013)

Efforts				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			At least 40% sales ratio of Environment-Contributing Products of consolidated net sales
	Promoting development of Environment-Contributing Products			Number of products certified as Environment-Contributing Products: 30 (fiscal 2009 – 2013 5years)
Further reducing the environmental impacts of business activities	Reduction in emissions of greenhouse gases (GHG)	Reducing greenhouse-gas (GHG) emissions	Domestic production sites	Reducing greenhouse-gas emissions by at least 10% compared to fiscal 2007 (at least 20% compared to fiscal 1990)
			Laboratories	Reducing greenhouse-gas emissions by at least 20% compared to fiscal 2007
			Domestic offices	Reducing CO ₂ emissions by at least 10% compared to fiscal 2007
		Promoting energy conservation	Overseas production sites	Reducing energy consumption per unit of output by at least 5% compared to fiscal 2008
			Overseas offices	Reducing energy use per capita by at least 4% compared to fiscal 2011
			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 energy consumption per unit of output by at least 5% compared to fiscal 2007
	Efficient utilization of resources	Reducing wastes	Domestic production sites	Reducing waste generated per unit of output by at least 25% compared to fiscal 2007 (target revised from 40% reduction)
			Overseas production sites	Reducing waste generated per unit of output by at least 25% compared to fiscal 2008
			Domestic offices	Reducing copier-paper use by at least 20% compared to fiscal 2007
			Overseas offices	Reducing copier-paper use by at least 8% compared to fiscal 2011
			Reducing wastes at new construction sites	Compared to fiscal 2000: Sekisui Heim: 45% reduction Two-U Home: 62% reduction
			Reducing costs derived from waste materials	Reducing loss costs by at least 5 billion yen compared to fiscal 2008 (accumulated amount from fiscal 2009 to 2013)
		Expanding zero waste emissions	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 expansion/renovation of houses	Implementing zero-emissions (i.e., recycling at least 98% of wastes) efforts in at least 50% of demolition projects
	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 2007)
Consideration for biodiversity	Activities to improve environment (conservation of biodiversity)	Efforts to conserve biodiversity		Completing assessment of land use at all production sites and laboratories (target revised since formulation of action plan)
		Support of nature conservation activities by NGOs		As Sekisui Chemical Group, providing aid to at least 10 nonprofit 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 at all business sites At least 80% of employees (cumulative) participating over the three-year period 2011-2013
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		Attaining external EMS certification at 100% of suppliers of residential building materials supplying a fixed amount or more
		Expanding green procurement		Achieving a green procurement rate of 98% or higher
		Soil and groundwater surveys		Completion of surveys at nine subject sites
	Improvement of education and enlightenment	Learning at least a certain degree of environmental knowledge		Establishing a new educational system (target revised from reaching a target total of certified Environmental Specialists [Eco Test]) Conducting environmental education for employees and management overseas as well
		Developing leaders for nature conservation activities		Holding the Sekisui Nature Study Course at main production sites and laboratories in Japan (51 sites)
	Communication with external organizations	Publishing site reports		EMS certification: Continuing issuance at production sites, laboratories, and sales companies (46 sites)
		Communication with local communities to improve environment		Continued implementation at eight domestic production sites

Results of Fiscal 2013 	Evaluation	Page
3.14 times (compared to fiscal 2007)	○	17, Data Book 9
Fiscal 2013: Sales of Environment-Contributing Products 466.8 billion yen; percentage of consolidated net sales 42.0%	○	17, 18, Data Book 10
60 products certified (fiscal 2009–2013 cumulative total)	◎	—
Reduced by 17.4% compared to fiscal 2007 (reduced by 25.8% compared to fiscal 1990)	◎	19, Data Book 11
Reduced by 34.1% compared to fiscal 2007	◎	19, Data Book 11
Reduced by 15.2% compared to fiscal 2007	◎	19, Data Book 13
Increased by 3.4% compared to fiscal 2008	×	—
Increased by 1.6% compared to fiscal 2011	×	—
9.5% decrease compared to fiscal 2007	◎	Data Book 11
0.3% increase compared to fiscal 2007	×	Data Book 11
19.7% decrease compared to fiscal 2007	×	20, Data Book 12
11.8% increase compared to fiscal 2008	×	Data Book 13
1.2% decrease compared to fiscal 2007	×	Data Book 13
7.5% decrease compared to fiscal 2011	○	—
Compared to fiscal 2000: Sekisui Heim: 26% reduction Two-U Home: 45% reduction	×	20, Data Book 12
Cumulative total reduction: 2.55 billion yen (compared to fiscal 2008)	×	—
One new business site certified, achieved at 100% of sites	○	Data Book 12
One new business site certified, achieved at 23% of sites	×	—
Demolition recycling rate: 96% 99% recycling rate for designated construction materials	○	—
Reduced by 4.4% compared to fiscal 2007	×	20, Data Book 13
Reduced by 53.3% compared to fiscal 2000 (reduced by 10.8% compared to fiscal 2007)	×	21, Data Book 15
Assessment completed at all production sites and laboratories	○	22
Aid provided to 13 organizations	◎	—
Implemented at five sites	○	56
Implemented at 49 of 50 subject business sites Total participation rate over three years: 113%	○	—
Attained at 100% of sites	○	17, Data Book 16
Attained at 31% of sites	×	—
Attained at 73% of sites	×	—
Attained at 90% of sites	○	—
Green procurement rate: 96.2%	○	—
Surveys completed	○	21
New education system established	○	—
e-Learning for management conducted four times (participation rate averaged 80% or more)	○	—
Conducted at 28 business sites	×	—
Issued by 40 business sites	×	—
Conducted at two business sites	×	—

“Evaluation” Column Key: ◎ Outperformed target ○ Performed close to target (achievement rate of about 90% to 110%)
× Failed to reach target

New Environmental Midterm Plan Sekisui Environmental Sustainability Plan: Take-Off (Fiscal 2014-2016)

	Efforts			Indicators
Contribute to the return of Natural capital	Expand and create Environment-Contributing Products	Increase sales of Environment-Contributing Products		Ratio of sales of Environment-Contributing Products (consolidated)
		Create Environment-Contributing Products		Number of new Environment-Contributing Products registered
	Reduce environmental impacts	Greenhouse gases, energy	Reduce greenhouse gas emissions	GHG emissions
			Energy conservation	Energy consumption per unit of output
				Energy consumption per employee
				Energy consumption per surface area
				Energy consumption per shipment volume
		Resources, waste	Reduce waste generation by production volume	Waste generated per unit of output
			Reduce use of resources in offices	Paper use per employee
			Reduce waste generation at new construction sites	Waste generated per building
		EMS, zero emissions	EMS certification	Percentage of subject business sites attaining EMS certification
			Expand zero emissions activities	Percentage of subject business sites reaching zero emissions
		Other environmental impacts	Reduce water use	Water use
			Reduce atmospheric VOC emissions	VOC emissions
	Conserve natural environment	Business site activities	Improve quality of green space on business sites	Points in Land-Use Report Card
			Promote Sekisui Environment Week	Participants as a percentage of all employees
		Activities in partnership with local communities	Japan	Number of business sites conducting autonomous activities
			Overseas	Number of activity blocs
		Overseas		Participating business sites as a percentage of all facilities

Midterm Targets (2014-2016)	Subjects					
	Production sites in Japan	Laboratories	Domestic offices	Overseas production sites	Overseas offices	Other
50%	○		○	○	○	
30 products	○	○		○		
Total emissions level maintained (compared to fiscal 2013)	○			○		
-3% (compared to fiscal 2013)	○			○		
-3% (compared to fiscal 2013)		○				
-3% (compared to fiscal 2013)			○		○	
-3% (compared to fiscal 2013)						○
-12% (compared to fiscal 2013)	○			○		
-6% (compared to fiscal 2013)		○	○		○	
Sekisui Heim: 825 kg/building Two-U Home: 1,375 kg/building						○
100%	○	○		○		
100%	○	○		○		
Total volume maintained (compared to fiscal 2013)	○			○		
Total volume maintained (Japan: compared to fiscal 2013) (Overseas: compared to fiscal 2014)	○			○		
+ 10 points (compared to fiscal 2013)	○	○				
100%	○	○	○	○	○	
25 business sites	○	○				
7 blocs			○			
100%				○	○	

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).

The scope of procedures expanded in fiscal 2013 due to an increase in the number of production sites and laboratories where data could be collected. In addition, megasolar facilities were installed at nine production sites as part of our CSR program.

Total costs decreased from the previous fiscal year due to decreases in pollution prevention, waste reduction, environmental education, and other

activities, although costs such as those related to prevention of global warming and social contributions increased.

At the same time, the investment side showed an increase in investments in social contributions resulting from the installation of megasolar facilities as part of our CSR program. Investments in R&D increased considerably as well.

A look at economic effects shows that the amount of cost reductions from energy conservation activities increased, while the amount of cost savings from waste reduction and other activities decreased. In addition, external economic effects from homes installed with solar power generation systems and other efforts also are increasing steadily. Starting in fiscal 2013, "Revenues from sales of electricity generated by megasolar facilities" have been booked.

Scope of environmental accounting

(1) Summation period: April 1, 2013 through March 31, 2014

(2) Scope of summation: 44 target production sites (as listed on Data Book p. 2) + 5 Laboratories + each department of Headquarters + back offices of division companies + 15 housing sales companies.

Notes:

The scope of summation in fiscal 2011 and fiscal 2012 consisted of 40 target production sites + 4 Laboratories + each department of Headquarters + back offices of division companies + 15 housing sales companies.

Business sites added to or removed from the scope of summation in fiscal 2013 are shown below.

Added: Sekisui Medical Co., Ltd. Iwate Plant, Tsukuba Plant, Amagasaki Plant, ADME & Tox. Research Institute

Sekisui Fuller Co., Ltd. Shiga Plant, Hamamatsu Plant

Removed: Sekisui Chemical Co., Ltd. Amagasaki Plant (plant closed)

(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.

Environmental Conservation Costs (Sekisui Chemical Group)

(million yen)

Category	Items Description of main activities	FY2011		FY2012		FY2013	
		Costs	Investments	Costs	Investments	Costs	Investments
1) Costs within business areas	Prevention of air, water, and noise pollution, etc.	1,689	142	1,589	215	1,243	192
	Countermeasures against global warming (energy saving), etc.	469	674	504	993	732	885
	Waste reduction, recycling, disposal, etc.	4,607	153	4,914	195	4,467	280
2) Upstream/downstream costs	Cost increases due to URU, switching to packaging/packing methods involving reduced environmental impact, greener purchasing, etc.	276	0	248	0	334	5
3) Administrative costs	Environmental education, EMS maintenance, running costs for green action organization, information disclosure, etc.	2,191	12	2,408	4	1,818	4
4) Research & Development costs	Research and development on environmental conservation	3,301	15	3,222	244	3,183	999
5) Social activities costs	Social contributions, etc.	70	0	78	0	338	1,754
6) Environmental damage costs	Nature restoration, etc.	25	0	26	0	30	0
Total		12,628	996	12,990	1,652	12,144	4,120
Total amount of R&D costs* and investment in the fiscal period (million yen)		25,611	17,200	25,895	15,473	27,721	16,217
Ratio of amount related to environmental conservation activities to total (%)		12.9	5.8	12.4	10.7	11.5	25.4

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

Environmental Conservation Benefits (Sekisui Chemical Group)

Environmental Conservation Benefits									Environmental performance criteria: per unit of output; Total				Self-evaluation	
Description of effects		Item	Unit	FY2011	FY2012	FY2013	Effect (13-12)	See page	Item	Unit	FY2012	FY2013		
Effects within business areas	Effects on invested resources	Amount of energy usage *1	(1) Electricity	TJ	3,370	3,315	3,360	46	Data Book 1.1	(1) Energy usage per unit of output (electricity + fuel) *1	GJ/ton	1.72	1.64	○
		(2) Fuel	TJ	2,288	2,142	2,259	117	Data Book 1.1						
	Effects on environmental impact and waste	(3) CO ₂ emissions *2	Thousand tons	315.9	303.9	312.1	8.2	Data Book 1.1	—	—	—	—	○	
		(4) Volume of environmental pollutants discharged *3	Tons	617.8	532.5	554.3	21.8	Data Book 1.5	—	—	—	—	○	
		(5) Waste generated *4	Thousand tons	36.1	35.2	33.9	-1.3	Data Book 1.3	(2) Waste generated per unit of output	kg/ton	37.2	33.7	×	
		(6) Outsourced disposal *5	Thousand tons	0.03	0.02	0.00	-0.02	—	(3) Outsourced disposal per unit of output	kg/ton	0.02	0.00	○	
Upstream/downstream effects	Effects related to products/services	CO ₂ reduction by photovoltaic power generation, etc. (cumulative)	Thousand tons	233	271	316	45	—	—	—	—	—	◎	
Other benefits to environmental conservation	Others *6	Business sites attaining ISO 14001 and other certifications	New acquisitions	Sites	6	1	4	—	—	Business sites attaining ISO 14001 and other certifications *7	Total number of business sites	88	92	○
			Renewals	Sites	12	15	17	—	—					
		Number of business sites achieving zero emissions*8	Sites	3	4	2	—	—	Number of business sites achieving zero emissions *8	Total number of business sites	148	150	○	
		CO ₂ reduction from use of megasolar facilities	Thousand tons	—	—	2.95	2.95	—	—	—	—	—	—	—

*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 CO₂ amounts use the coefficients used in the Environmental Top Runner Plan SHINKAI (see Data Book p. 11). *3 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 number of 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.

Economical Effects Related to Environmental Conservation Measures (Sekisui Chemical Group)

(million yen)

Description of effects		FY2011	FY2012	FY2013	Remarks
Revenue	(1) Profit on sales of valuable resources	267	257	245	Profit on sales of valuable resources from promotion of waste segregation and recycling...
	(2) Revenues from sale of electricity	—	—	216	Revenues from sale of electricity generated by megasolar facilities
Cost savings	(3) Savings from simplified packaging	12	21	6	
	(4) Cost savings through energy-saving activities	451	436	546	
	(5) Cost savings through waste-reduction activities, etc.	966	896	698	Including resource-saving activities
Sub-total (actual effects)		1,696	1,610	1,712	
(6) Contribution to environmental conservation activities *9		8,420	6,888	7,517	Contribution of environmental conservation activities to added value at business sites *10
(7) External Economic Effect		16,165	19,135	21,215	Monetary conversion of impact from photovoltaic generation systems and "No-Dig" pipe rehabilitation method
Sub-total (estimated effects)		24,585	26,023	28,732	
Total		26,281	27,633	30,444	

*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.	968	83	55	24	150	77	1,243	192
	Countermeasures against global warming (energy saving), etc.	152	159	87	115	399	578	732	885
	Waste reduction, recycling, disposal, etc.	3,803	78	324	86	311	114	4,467	280
2) Upstream/ downstream costs	Cost increases due to URU, switching to packaging/packing methods involving reduced environmental impact, greener purchasing, etc.	307	5	2	0	6	0	334	5
3) Administrative costs	Environmental education, EMS maintenance, running costs for green action organization, information disclosure, etc.	669	0	260	0	335	0	1,818	4
4) Research & Development costs	Research and development on environmental conservation	179	115	1,129	0	1,235	0	3,183	999
5) Social activities costs	Social contributions, etc.	186	1,324	25	431	49	0	338	1,754
6) Environmental damage costs	Nature restoration, etc.	0	0	0	0	30	0	30	0
Total		6,264	1,763	1,882	656	2,515	770	12,144	4,120

Total amount of R&D costs*3 and investment in the fiscal period (million yen)	4,717	3,519	5,118	4,649	14,626	6,613	27,721	16,217
Ratio of amount related to environmental conservation activities to total (%)	3.8	50.1	22.1	50.1	8.4	11.6	11.5	25.4

*1 Including 41 business sites of housing sales companies. *2 Total of three division companies and departments of 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 ₂ emissions, etc.	147	156	137	109	383	500	761	792
2. Ozone layer protection	Reduction of Chlorofluorocarbon emissions, etc.	4	0	0	0	0	40	5	40
3. Conservation of air quality	Prevention of air pollution by reducing polluting substances	232	0	36	5	51	15	352	22
4. Prevention of noise and vibration	Prevention of noise and vibration pollution	5	0	3	0	5	1	18	1
5. Conservation of water environment, soil environment, ground quality	Preservation of water quality, prevention of subsidence	182	83	25	2	126	55	369	148
6. Waste reduction and recycling	Reduction and treatment of waste, recycling, etc.	4,100	78	344	86	323	114	4,799	280
7. Reduction of chemical substances	Risk management of chemical substances, etc.	543	0	2	0	7	0	553	0
8. Conservation of natural environment	Nature conservation, etc.	58	0	73	0	34	0	231	0
9. Others	Others	992	1,446	1,261	454	1,586	44	5,056	2,838
Total		6,264	1,763	1,882	656	2,515	770	12,144	4,120

*1 Including 41 business sites of housing sales companies. *2 Total of three division companies and departments of Headquarters.

Environmental Conservation Benefits (by Each Division Company)

Environmental Conservation Benefits					Housing Company*1			Urban Infrastructure & Environmental Products Company			High Performance Plastics Company			Sekisui Chemical Group*2			See page	
Description of effects		Items		Unit	FY2012	FY2013	Effect (13-12)	FY2012	FY2013	Effect (13-12)	FY2012	FY2013	Effect (13-12)	FY2012	FY2013	Effect (13-12)		
Effects within business areas	Effects on invested resources	Amount of energy usage*4	(1) Electricity	TJ	411	425	13	1,317	1,365	48	984	966	-17	3,315	3,360	46	Data Book 11	
			(2) Fuel	TJ	117	117	0	113	108	-5	1,674	1,788	114	2,142	2,259	117	Data Book 11	
	Effects on environmental impact and waste	(3) CO ₂ emissions*5	Thousand tons	30.6	31.4	0.8	82.2	84.6	2.4	142.3	146.7	4.4	303.9	312.1	8.2	Data Book 11		
		(4) Volume of environmental pollutants discharged*6	Tons	6.1	5.6	-0.5	75.7	82.1	6.3	446.8	462.6	15.8	532.5	554.3	21.8	Data Book 15		
		(5) Waste generated*7	Thousand tons	8.0	7.4	-0.7	6.0	5.4	-0.5	19.0	19.2	0.2	35.2	33.9	-1.3	Data Book 13		
		(6) Outsourced disposal*8	Thousand tons	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.00	-0.02	0.02	0.00	-0.02	—		
Upstream/downstream effects	Effects related to products/se rvices	CO ₂ reduction by photovoltaic power generation, etc.	Thousand tons	271	316	45	—	—	—	—	—	271	316	45	—	—		
	Other benefits to environmental conservation	Business sites attaining ISO 14001 and other certifications	New acquisitions	Sites	0	1	—	0	0	—	1	3	—	1	4	—	—	
			Renewals	Sites	4	5	—	3	5	—	8	2	—	15	17	—	—	
		Number of business sites achieving zero emissions*10			Sites	0	0	—	0	0	—	3	2	—	4	2	—	—
			CO ₂ reduction from use of megasolar facilities		Thousand tons	—	2.13	2.13	—	0.23	0.23	—	0.59	0.59	—	2.95	2.95	—

*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 CO₂ amounts use the coefficients used in the Environmental Top Runner Plan SHINKAI (see Data Book, p. 11). *6 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.

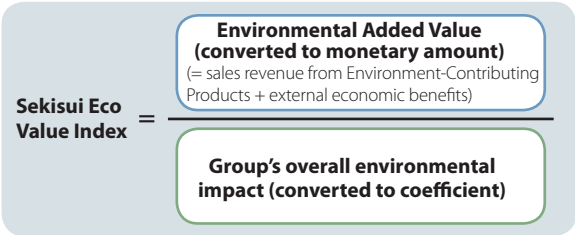
Economic Effects Related to Environmental Conservation Measures (by Each Division Company)

(million yen)

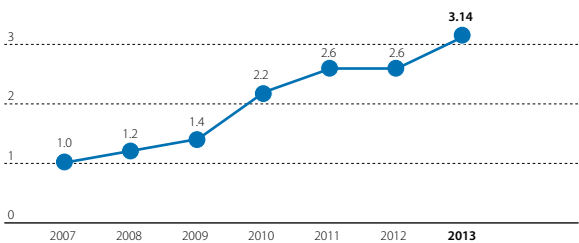
Description of effects		Housing Company*1	Urban Infrastructure & Environmental Products Company	High Performance Plastics Company	Sekisui Chemical Group*2	Remarks
Revenue	(1) Profit on sales of valuable resources	40	8	175	245	Profit on sales of valuable resources from promotion of waste segregation and recycling
	(2) Revenues from sale of electricity	157	16	43	216	Revenues from sale of electricity generated by megasolar facilities
Cost savings	(3) Savings from simplified packaging	0	6	0	6	
	(4) Cost savings through energy-saving activities	16	78	409	546	
	(5) Cost savings through waste-reduction activities, etc.	7	167	512	698	Including resource-saving activities
Subtotal (actual effects)		221	275	1,139	1,712	
(6) Contribution to environmental conservation activities*11		947	2,396	3,781	7,517	Contribution of environmental conservation activities to added value at business sites*12
(7) External Economic Effect		16,115	5,100	—	21,215	Monetary conversion of impact from photovoltaic generation systems and "No-Dig" pipe rehabilitation method
Sub-total (estimated effects)		17,062	7,496	3,781	28,732	
Total		17,283	7,771	4,920	30,444	

*11 Excluding housing sales companies *12 (Added value from business sites) × {(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.

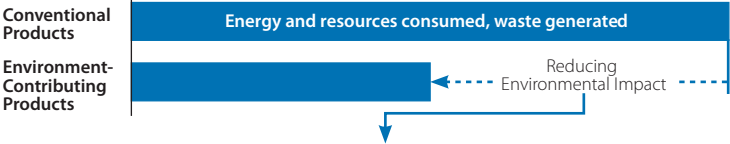


Sekisui Eco Value Index Trends

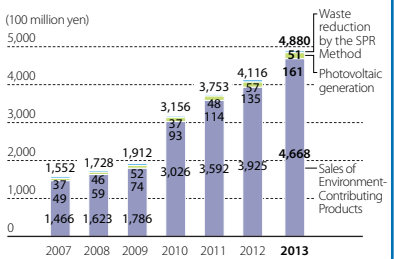


Environmental Added Value (converted to monetary amount)

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.

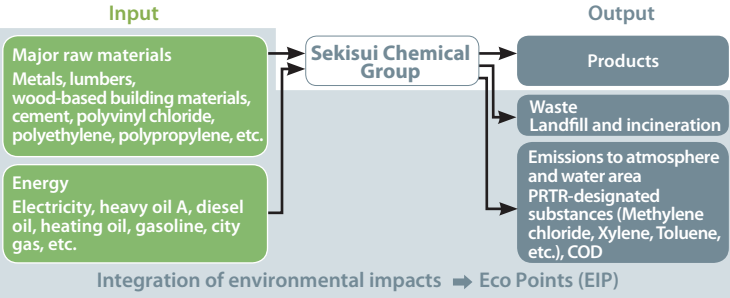


Environmental added value

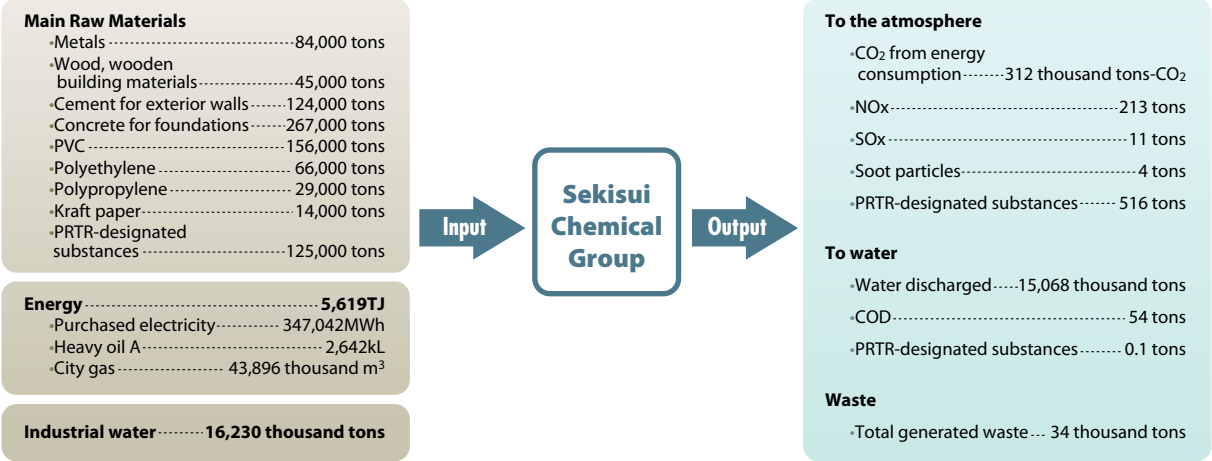
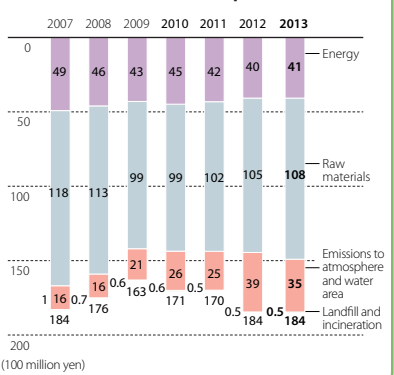


Group's overall environmental impact (converted to coefficient)

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.



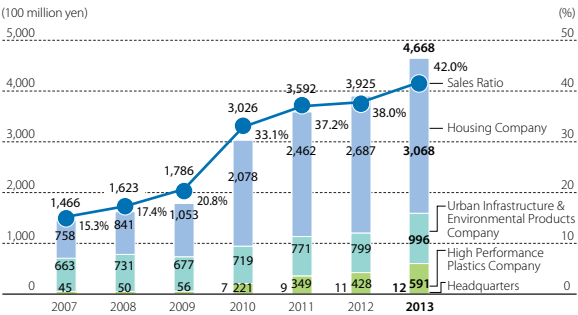
Overall environmental impact (Eco Points)



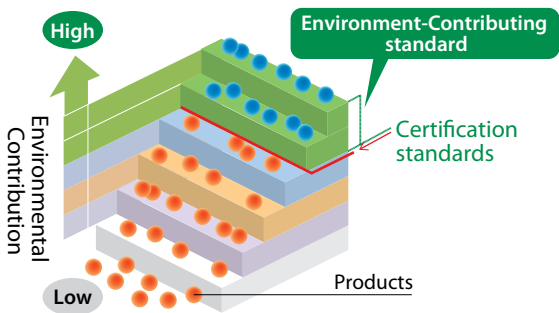
Note: Certain main raw materials are undisclosed for business strategy reasons.

Environment-Contributing Products P18

Environment-Contributing Products Sales and Sales-Ratio Trends Verified



Environment-Contributing Products conceptual diagram



Criteria for Environment-Contributing Products

Definitions Products and businesses that demonstrably help reduce the environmental load of our customers and society as a whole.

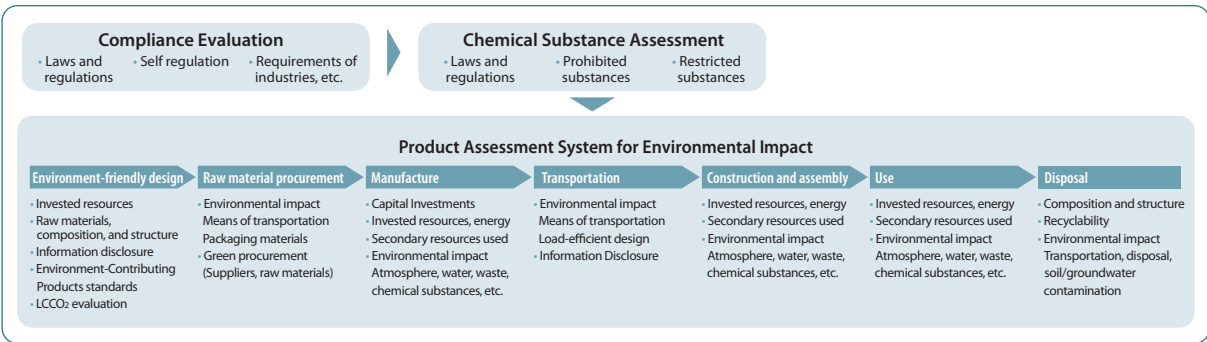
Products or systems having at least a certain degree of effect on reducing environmental load compared to similar conventional products and systems.

Scope of Application Reduction of environmental load and resource depletion related to the stages of customer use, disposal, and recycling (excluding the stages of production, home construction, 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).

Product Assessment System for Environmental Impact P21

Targets: products and processes
Scope: all stages of the product lifecycle

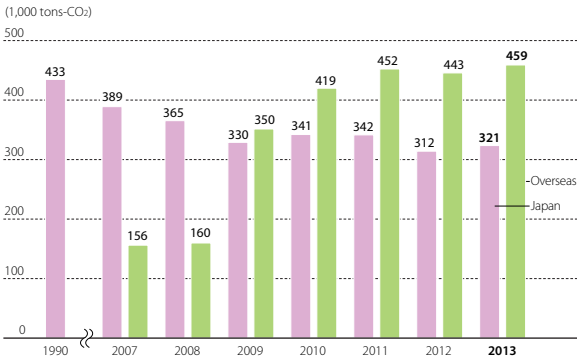


Biodiversity P22

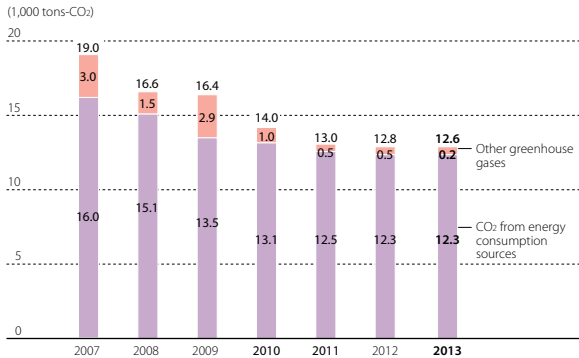
Initiatives Envisioned Under the Biodiversity Guidelines

1. Assessment and reduction of the impact of business activities on biodiversity	<ul style="list-style-type: none">Developing assessment methods and conducting assessment, reducing impactsPromoting biodiversity-conscious purchasingGreening of business sites (promoting landscaping and biotope development)
2. Development and promotion of related technologies and products	<ul style="list-style-type: none">Incorporating biodiversity assessment in the product development stage
3. Raising employees' awareness	<ul style="list-style-type: none">Conducting nature conservation activities at all business sitesExpanding the Sekisui Nature Study Course and nature conservation activities
4. Dialogue and cooperation with external stakeholders	<ul style="list-style-type: none">Supporting the Innovations Inspired by Nature, and holding periodic forums on the subjectSupporting nonprofit and other organizations through the Keidanren (Japan Business Federation)
5. Transmittance of information	<ul style="list-style-type: none">Exhibiting at the Eco-Products Exhibition and other eventsProviding information in the CSR Report, Site Reports, and websitesEducating the next generation (Children's Nature Study Course, school visits)

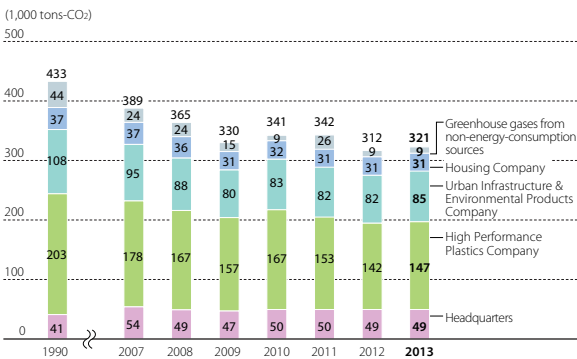
Greenhouse-gas (GHG) Emissions During Manufacturing



Greenhouse-gas Emissions from Laboratories



Greenhouse-gas (GHG) Emissions During Manufacturing



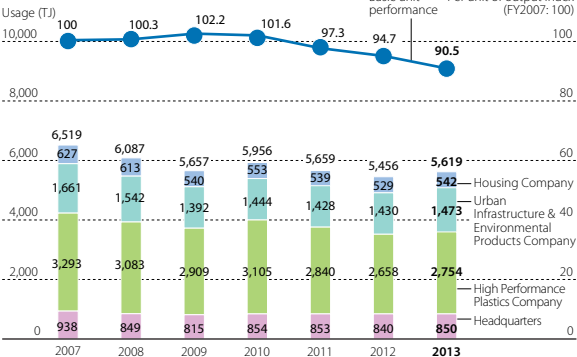
CO₂ Emission Coefficients
(Environmental Top Runner Plan: SHINKAI)

Under the New Midterm Environmental Plan: Environmental Top Runner Plan SHINKAI, progress is being made in reducing emissions of all greenhouse gases. The conversion coefficients for CO₂ emissions are the values specified (as of March 2009) under the greenhouse-gas emissions calculation, reporting, and disclosure system established by Japanese law, with uniform figures used for each fiscal year.

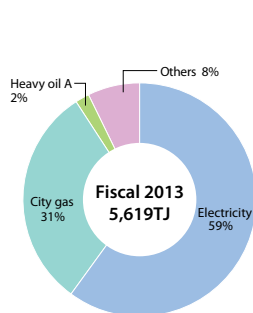
Purchased electricity	0.555 tons-CO ₂ /MWh
Heavy oil A	2.71 tons-CO ₂ /kL
City gas	2.08 tons-CO ₂ /thousand Nm ³
LNG	2.70 tons-CO ₂ /ton
Heating oil	2.49 tons-CO ₂ /kL
Diesel oil	2.62 tons-CO ₂ /kL
Gasoline	2.32 tons-CO ₂ /kL
LPG	3.00 tons-CO ₂ /ton
Purchased steam	0.179 tons-CO ₂ /ton

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)

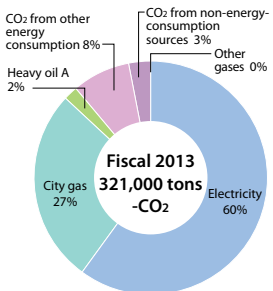
Energy Usage and Per Unit of Output (Index) During Manufacturing



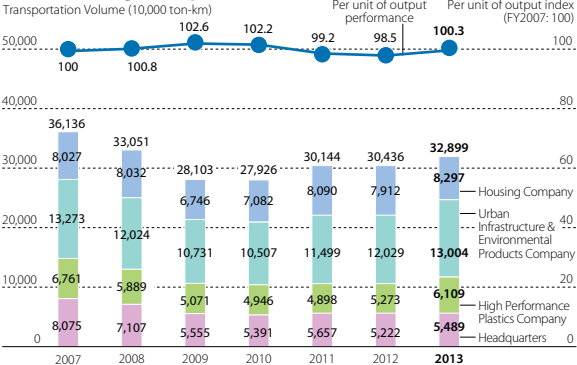
Breakdown of Energy Used



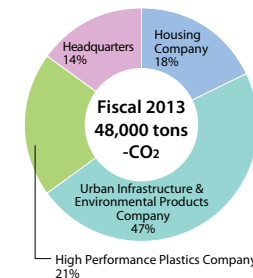
Breakdown of Greenhouse-Gas (GHG) Emissions



Transportation Volume and Energy Per Unit of Output (Index) During Transportation

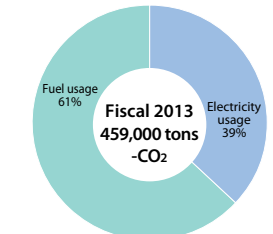


CO₂ Emissions in the Transportation Stage



• Amount transported in fiscal 2013: 330 million ton-kilometers
• Calculation method: Either the improved ton-kilometer method, fuel consumption method, or fuel cost method, depending on the product and transportation method

Amount of CO₂ Emissions (Overseas)



See Data Book, p. 2 for scope of summation
Note: CO₂ emissions have been calculated using the emission coefficients of the greenhouse-gas protocol for electric power and the emission coefficients of the Environmental Top Runner Plan SHINKAI for fuel.

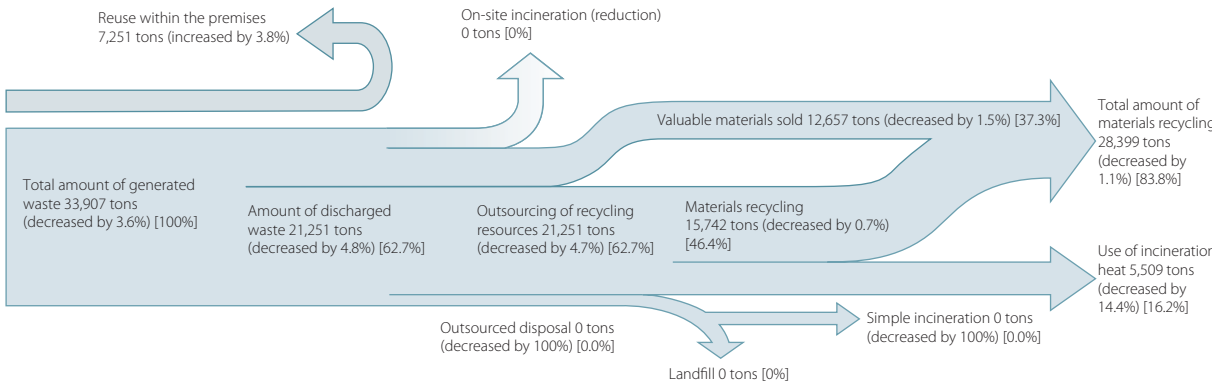
Breakdown of Estimated Greenhouse-Gas Emissions throughout in the Supply Chain (standards for calculation: see Data Book, p. 27)

(1,000 tons-CO ₂)	
Category (upstream)	Estimated emissions
Purchased goods and services	1,332
Capital goods	23
Fuel and energy-related activities not included in Scopes 1 and 2	119
Transportation and delivery(upstream)	20
Waste generated in operations	47
Business travel	32
Employee commuting	5

(1,000 tons-CO ₂)	
Category (downstream)	Estimated emissions
Transportation and delivery (downstream)	62
Processing of sold products	44
Use of sold products	1,295
End-of-life treatment of sold products	236
Leased assets (downstream)	1
Total (upstream and downstream)	3,216

Resource Recycling and Saving P20 Verified

Fiscal 2013 Annual Production-Site Waste Generation and Disposal Conditions Change over the previous year is in () and proportion of the total generation is in [].



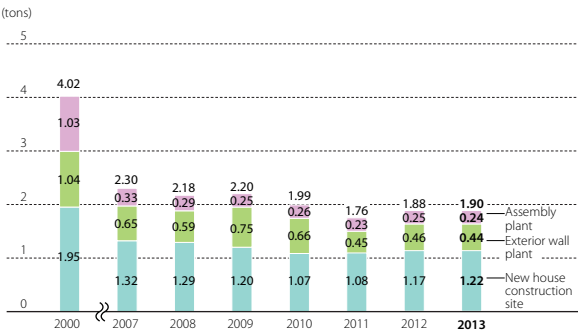
Zero Emissions Achievement Criteria and Accreditation System of Sekisui Chemical Group

- (1) Not engaging in any outside incineration without thermal utilization (thermal recycling), or land fill outside or inside of facilities (recycling ratio: 100%)
- (2) If the waste quantity is small and it 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 also have established uniform evaluation criteria known as the Zero Emissions Achievement Evaluation List. We have established a system designed to conduct internal checks and issue approvals for the status of observance of the evaluation criteria as well as legal compliance, rules and signage 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.

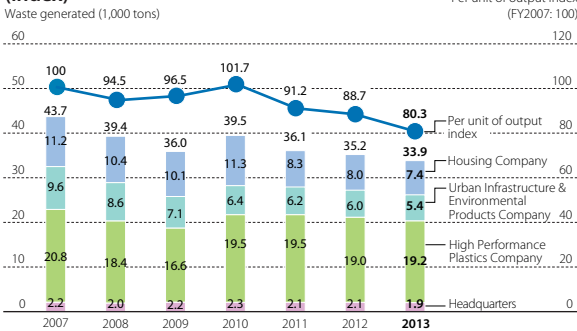
Status of Zero Emissions Achievement

Production sites	Achieved at 42 plants in Japan and five overseas plants, including those of affiliates. (Includes one plant in Japan and one overseas plant that achieved zero emissions in fiscal 2013)
Laboratories	Achieved at all laboratories by fiscal 2012
New house construction sites	Achieved at all locations by fiscal 2003
House renovation sites	Achieved at all locations as of fiscal 2004
Osaka and Tokyo Headquarters buildings	Achieved as of fiscal 2005
Home demolition sites	As of end of fiscal 2013, 99% recycling rate for Designated Construction Materials (scrap concrete and wood chips)

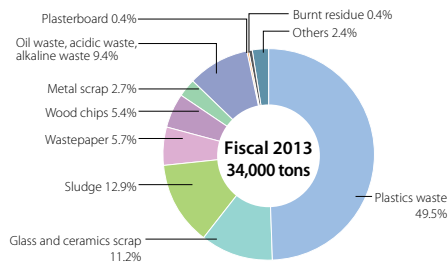
Waste Generated by New House Construction (per house)



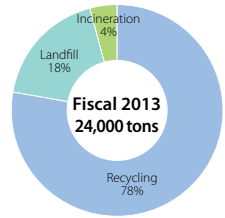
Waste Generated by Production Sites and Per Unit of Output (Index)



Breakdown of Generated Waste

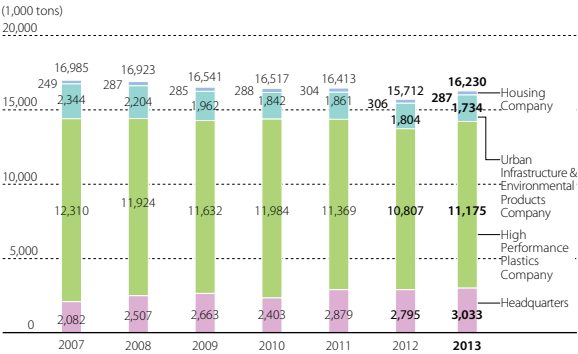


Waste Treatment Methods (Overseas)

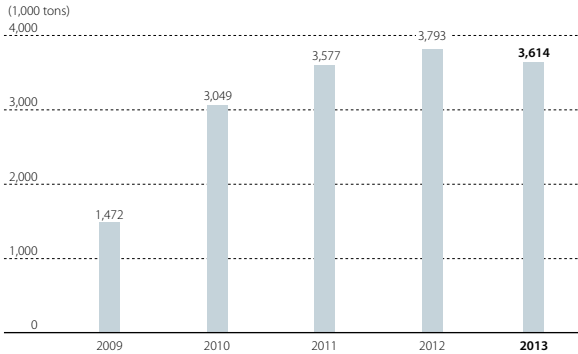


Note: See Data Book, p. 2 for scope of summation

Amount of Water Extracted for Use at Production Sites



Amount of Water Extracted for Use at Production Sites (Overseas)



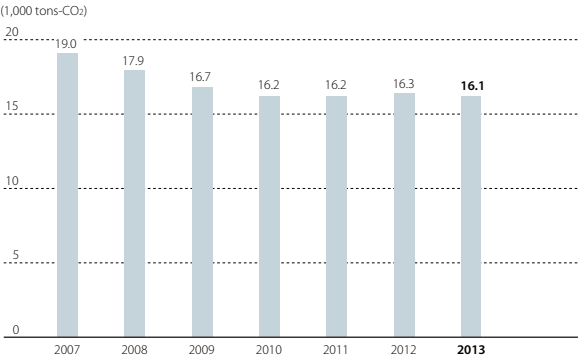
Note: See Data Book, p. 2 for scope of summation

Environmental Performance in Domestic Offices

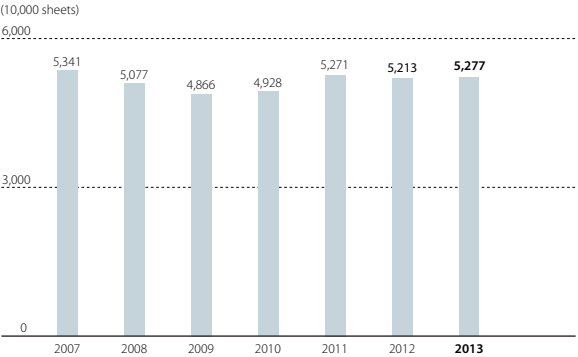
P17, P19

Verified

CO2 Emissions at Offices



Copier-paper Use at Offices



Fiscal 2013 Green Purchases Performance

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

(10,000 yen)

	Amount purchased
Photocopying paper	10,241
Other pamphlets, catalogs, office supplies, etc.	13,605
Office automation equipment	24,079
Total	47,926

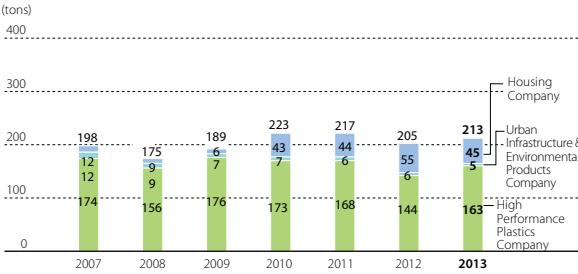
Green Purchase Guidelines

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

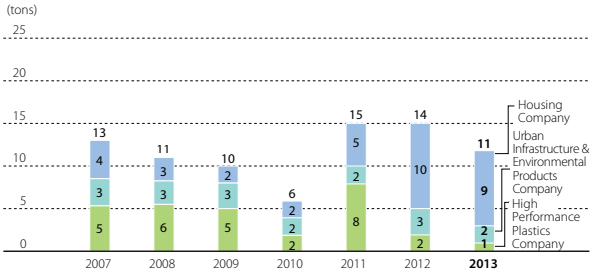
Atmospheric and Water Related Emissions P21

Note: The Sekisui Film Co., Ltd. Sendai Plant data for fiscal 2010 is not included in the data below due to the effects of the Great East Japan Earthquake.

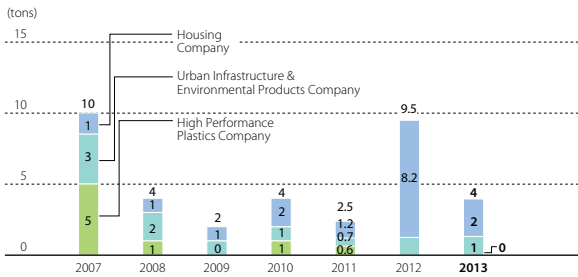
NOx Emissions Volume Verified



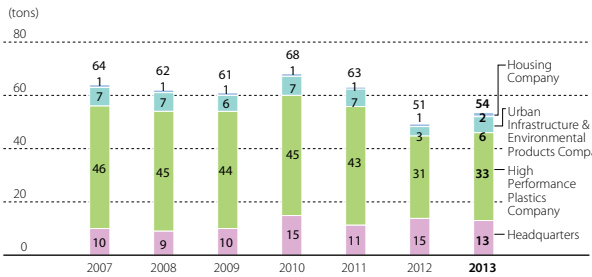
SOx Emissions Volume Verified



Soot and Dust Emission Volume Verified



COD Discharge Volume Verified



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.

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, Complaints, and Emergency Responses

Environmental Incidents, Complaints, etc. Verified

Two incidents occurred in fiscal 2013, one of which had off-site consequences. We received four complaints. We are steadily implementing recurrence prevention measures in response to such environmental complaints.

Environmental Complaints, etc.

	Description	Countermeasures
Incidents	Chemical leakage from a storage tank	Renovation of storage tank Reinforcement of containment dikes
	Wastewater water-quality standard values exceeded	Enhancement of wastewater water-quality control standard values Increasing frequency of measurements
Complaints	Odor from vehicle exhaust fumes in a parking lot	Change in direction of parking positions
	Odor complaints about the plant	Elimination of odor through atomizing, including use of masking agents
	Noise from sound of striking hammers	Prohibiting use of hammers and ensuring compliance through education and training
	Poor TV reception at nearby houses	Changing antenna positions

Emergency Response

In order 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 and reporting drills, assuming a variety of hypothetical cases relevant to the nature of each business site. Major drills performed for fiscal 2013 are as below.

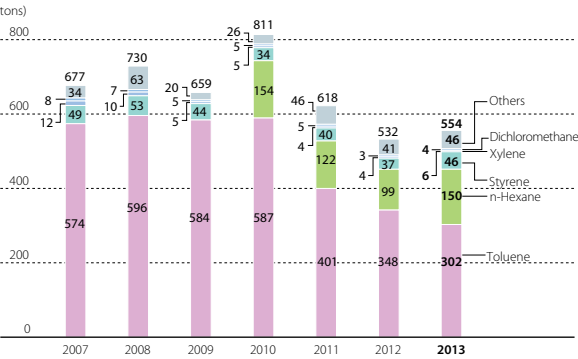
Emergency Response and Reporting Drills

Simulated emergency situation	Drills performed
Leakage and outflow of oils	33
Atmospheric discharge of solvents	0
Fire	81
Earthquake	9
Emergency communication training	3
Comprehensive disaster drills	12
Responding to other equipment-related emergencies	8

Summation Results Based on the PRTR Law (Calculations have been made for substances with handling volume of one ton or more at the individual business sites surveyed.)

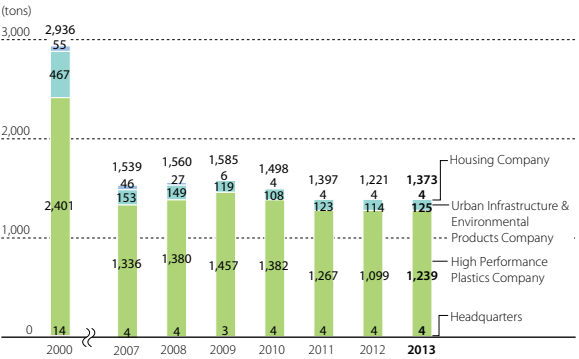
Substance	Government ordinance notification no.	Transaction volume	Emission volume				Transfer volume			Detoxification
			Atmosph eric	Public water areas	In house soil	In house landfill	Sewage system	Transfer in waste disposal	Transfer in waste recycling	
Acrylic acid and aqueous salt solutions thereof	[4]	12.1	0	0	0	0	0	0	1.2	11
n-Butyl acrylate	[7]	257.9	0.087	0	0	0	0	0.12	1.4	256
Acrylonitrile	[9]	397.8	2.9	0	0	0	0	0	0.012	394
Acetaldehyde	[12]	274.8	0.20	0	0	0	0	0	0	275
Acetonitrile	[13]	61.3	4.9	0	0	0	0	0	56	0
2,2'-Azobisisobutyronitrile	[16]	4.0	0	0	0	0	0	0	0	4.0
2-Aminoethanol	[20]	1.4	0.29	0	0	0	0	0	0	1.2
Antimony and its compounds	[31]	12.1	0	0	0	0	0	0	1.2	0
Isobutyraldehyde	[35]	232.5	1.2	0	0	0	0	0	0	231
Ethylbenzene	[53]	2.6	2.6	0	0	0	0	0	0	0
ε-Caprolactam	[76]	35.6	0	0.011	0	0	0	0	0	36
Xylene	[80]	51.2	6.1	0	0	0	0	0.0013	1.3	44
Vinyl chloride	[Special 94]	117,329.0	4.0	0.12	0	0	0	0	0	117,325
Chloroform	[127]	1.9	0.13	0	0	0	0	0.25	0	1.56
Vinyl acetate	[134]	56.7	0.010	0	0	0	0	5.6	0	51
Inorganic cyanide compounds (not including complex salts and cyanate)	[144]	105.5	0	0	0	0	0	0	0	106
Cyclohexylamine	[154]	5.9	0.32	0	0	0	0	0	0	5.5
Dichloromethane	[186]	295.2	3.8	0	0	0	0	0.46	0	291
2,6-di-t-butyl-4-cresol	[207]	56.9	0	0	0	0	0	0	0	57
N,N-dimethylacetamide	[213]	7.3	0	0	0	0	3.5	0	3.8	0
N,N-dimethylformamide	[232]	1.3	0	0	0	0	0	0	0	1.3
Organic tin compounds	[239]	87.2	0	0	0	0	0	0.061	0.31	0
Styrene	[240]	2,045.2	46	0	0	0	0	0	4.4	1,101
Terephthalic acid	[270]	93.7	0	0	0	0	0	0	0	94
1,2,4-Trimethylbenzene	[296]	3.6	2.2	0	0	0	0	0	0	1.3
Toluene	[300]	970.6	276	0	0	0	0	26	25	372
Lead compounds	[Special 305]	722.3	0.0004	0.0044	0	0	0.0010	0.096	3.8	0
Nickel compounds	[Special 309]	0.7	0	0	0	0	0	0	0	0
Phenol	[349]	95.7	9.6	0	0	0	0	0	0	86
Bis- (2-ethylhexyl) phthalate	[355]	128.4	0	0	0	0	0	0.11	2.0	0
n-Hexane	[392]	156.3	150	0	0	0	0	0.16	4.6	1.3
Water-soluble salts of peroxodisulfuric acid	[395]	4.0	0	0	0	0	0	0	0	4.0
Benzaldehyde	[399]	6.9	0	0	0	0	0	0	0	6.9
Formaldehyde	[Special 411]	74.4	0.043	0	0	0	0	0	0	74
Manganese and its compounds	[412]	4.4	0	0	0	0	0	0	4.4	0
Phthalic anhydride	[413]	1.4	0	0	0	0	0	1.4	0	0
Methacrylate	[415]	207.1	1.2	0	0	0	0	0	0	206
Methyl methacrylate	[420]	151.0	1.4	0	0	0	0	0	0.012	150
Methylnaphthalene	[438]	8.8	0.044	0	0	0	0	0	0	8.7
Methylenebis (4,1-phenylene) = diisocyanate	[448]	1,003.3	3.4	0	0	0	0	0	0	0
		124,968.0	516	0.14	0	0	3.5	34	110	121,194

Emission and Transfer Volume by Substance (PRTR Law)



Note: n-Hexane has been added to subject substances beginning with fiscal 2010 figures, due to amendment of the PRTR Law.

Discharge of Volatile Organic Compounds (VOCs) into the Atmosphere



Environmental Management System Third Party Certified Business Sites

Housing Company

Sekisui Chemical Co., Ltd. Tsukuba R&D Site*
Hokkaido Sekisui Heim Co., Ltd.
Sekisui Heim Kinki Co., Ltd.
Sekisui Heim Sanyo Co., Ltd.
Sekisui Heim Kyushu Co., Ltd.
[Sekisui Fami S Kyushu 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.
Kyushu Sekisui Heim Industry Co., Ltd.
Sekisui Board Co., Ltd. Gunma Plant
Sekisui Board Co., Ltd. Minakuchi Plant
Sekisui-SCG Industry Co., Ltd.
SCG-Sekisui Sales Co., Ltd.

Urban Infrastructure & Environmental Products Company

Sekisui Chemical Co., Ltd. Gunma Plant
Sekisui Chemical Co., Ltd. Tokyo Plant
Sekisui Chemical Co., Ltd. Kyoto R & D Laboratories
Sekisui Chemical Co., Ltd. Shiga-Ritto Plant
Sekisui Aqua Systems Co., Ltd. Shizuoka Plant
Sekisui Home Techno Co., Ltd.
Sekisui Chemical Hokkaido Co., Ltd.
Toto Sekisui Co., Ltd. Ota Plant
Hanyu Sekisui Co., Ltd.
Yamanashi Sekisui Co., Ltd.
Nippon No-Dig Technology Co., Ltd.
Kydex, LLC.
Allen Extruders, LLC.
Eslon B.V.
Sekisui Rib Loc Australia Pty. Ltd.
Sekisui Norditube Technologies SE (Liege Plant)
Sekisui Norditube Technologies SE (Schieder Plant)
Sekisui SPR Europe G.m.b.H.
Yongchang-Sekisui Composites Co., Ltd.
Sekisui (Shanghai) Environmental Technology Co., Ltd.
Sekisui (Qingdao) Plastic Co., Ltd.
Sekisui Industrial Piping Co., Ltd.
Chiba Sekisui Industry Co., Ltd.
Okayama Sekisui Industry Co., Ltd.
Shikoku Sekisui Co., Ltd.
Kyushu Sekisui Industry Co., Ltd.
Nara Sekisui Co., Ltd.
Sekisui (Wuxi) Plastics Technology Co., Ltd.

High Performance Plastics Company

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 Shoji Higashi Nihon Co., Ltd.
Sekisui Techno Molding Co., Ltd. Aichi Plant
Sekisui Techno Molding Co., Ltd. Nara Plant
Sekisui Techno Molding Co., Ltd. Mie Plant
Sekisui Nano Coat Technology Co., Ltd.
Sekisui Film Co., Ltd. Sendai Plant
Sekisui Film Co., Ltd. Nagoya Plant
Sekisui Film Co., Ltd. Shinshu-Takato Plant
Sekisui Film Co., Ltd. Kyushu-Izumi Plant
Sekisui Fuller Co., Ltd. Hamamatsu Plant
Sekisui Medical Co., Ltd. Iwate Plant
Sekisui Medical Co., Ltd. Tsukuba Plant
Sekisui Medical Co., Ltd. Amagasaki Plant
Sekisui Medical Co., Ltd. ADME & Tox. Research Institute**
Sekisui TA Industries, LLC.
Sekisui Alveo Ltd.
Sekisui Alveo B.V.
Sekisui S-Lec America, LLC.
Sekisui S-Lec Mexico S.A. de C.V.
Sekisui S-Lec B.V. Film Plant
Sekisui S-Lec B.V. Resin Plant
Sekisui Diagnostics (UK) Ltd.
Sekisui Specialty Chemicals America, LLC.
(Pasadena Plant)
Sekisui Specialty Chemicals America, LLC.
(Calvert City Plant)
Sekisui Specialty Chemicals Europe, S.L.
Thai Sekisui Foam Co., Ltd.
Sekisui S-Lec Thailand Co., Ltd.
Sekisui Pilon Pty. Ltd.
YoungBo Chemical Co., Ltd. Daejeon Plant
Sekisui S-LEC (Suzhou) Co., Ltd.
Sekisui High Performance Packaging (Langfang) Co., Ltd.

Headquarters

Sekisui Chemical Co., Ltd. Development Center*
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
Hinomaru Co., Ltd. Kanto Plant
Hinomaru Co., Ltd. Tosu Plant
Tokuyama Sekisui Industry Co., Ltd.

[]: Organizations in parentheses are included in the scope of certification. Some sites not shown above may include related sections that have attained ISO 14001 certification.
* The Sekisui Chemical Co., Ltd. Tsukuba R&D Site and Development Center share a single certification.
** Eco Action 21; others ISO 14001

Number of Issues of Concern in Environmental Auditing for Fiscal 2013
(for Production sites and Laboratories, as of End of March 2014) Verified (Issues)

			Number of cases	Correction completed	Undergoing correction	
Headquarters environmental auditing (23 business sites)			Issues of concern	109	69	40
			Issues to work on	184	104	80
			Proposals	6	2	4
			Total	299	175	124
Auditing by certification body	Renewal (17 business sites)		Nonconformity (major)	0	0	0
			Nonconformity (minor)	2	2	0
			Observations	65	30	35
			Total	67	32	35
	Surveillance (31 business sites)		Nonconformity (major)	0	0	0
			Nonconformity (minor)	11	10	1
			Observations	146	79	67
			Total	157	89	68
Internal auditing of business sites (48 business sites; 48 audits)			Nonconformity (major)	0	0	0
			Nonconformity (minor)	87	76	11
			Observations	369	243	126
			Total	456	319	137

* Categories of instructions for Headquarters environmental auditing:
Issues of concern: Matters recommended for swift improvement
Issues to work on: Matters recommended for planned improvement
Proposals: Matters to be considered for improvement, advice

Numbers of Persons with Qualifications Verified (persons)

		Those who acquired qualifications during fiscal 2013	End of fiscal 2013
Number of participants in Environmental Management Systems (EMS) internal auditor development/training courses	Number of internal training course participants	42	681
	Number of external training course participants	19	266
	Total	61	947
Number of participants in Occupational Health and Safety Management Systems (OHSMS) internal auditor development/training courses	Number of internal training course participants	23	561
	Number of external training course participants	6	181
	Total	29	742
Number of persons with major qualifications	Registered examiner of the Center of Environmental Auditor Registration (CEAR)	Lead Auditor	0
		Auditor	0
		Provisional Auditor	1
	Pollution control manager	Air Classes 1-4	0
		Water Classes 1-4	2
		Noise/Vibration	1
		Dioxins	0
	Certified Environmental Measurers		0
	Energy Managers		2
	Olfactory Measurement Operators		0
	Environmental Specialists (Eco Test)		12
			112

Quality Management System Third Party Certified Business Sites

Housing Company

Sekisui Chemical Co., Ltd. Housing Company (integrated certification)
Housing Product Research&Development Departments
Technology Department
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.
Kyushu Sekisui Heim Industry Co., Ltd.
Sekisui Heim Supply Co., Ltd. Technology Department
Sekisui Board Co., Ltd. Gunma Plant
Sekisui Board Co., Ltd. Minakuchi Plant

Headquarters

Sekisui Chemical Co., Ltd. R&D Center, IM Project
Sekisui Seikei, Ltd. (integrated certification)
Chiba Plant
Kanto Plant
Hyogo Plant
Hyogo-Takino Plant
Izumo Plant
Tokuyama Sekisui Industry Co., Ltd.
Sekisui Insurance Service Co., Ltd.

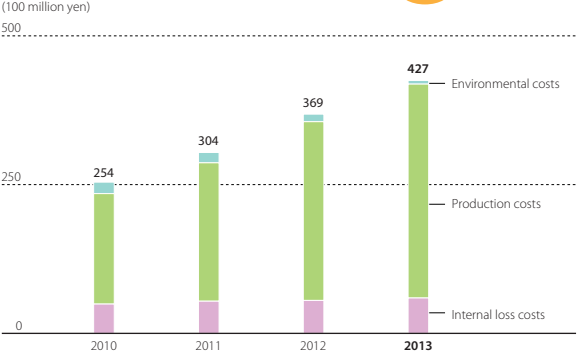
Urban Infrastructure & Environmental Products Company

Sekisui Chemical Co., Ltd. Gunma Plant
Sekisui Chemical Co., Ltd. Tokyo Plant
Sekisui Chemical Co., Ltd. Shiga-Ritto Plant
Sekisui Aqua Systems Co., Ltd.
Mechanical Plant Division
Civil Engineering & Water Treatment Division
Shizuoka Plant
Sekisui Home Techno Co., Ltd.
Sekisui Chemical Hokkaido Co., Ltd.
Toto Sekisui Co., Ltd. Headquarters, Ota Plant
Hanyu Sekisui Co., Ltd.
Yamanashi Sekisui Co., Ltd.
Nippon No-Dig Technology Co., Ltd.
Kydex, LLC.
Allen Extruders, LLC.
Eslon B.V.
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 NordiTube Technologies SE
Sekisui SPR Construction G.m.b.H.
Sekisui SPR Austria G.m.b.H.
SPR TEC Europe G.m.b.H.
Sekisui Refresh Co., Ltd.
Yongchang-Sekisui Composites Co., Ltd.
Sekisui (Shanghai) Environmental Technology Co., Ltd.
Sekisui (Qingdao) Plastic Co., Ltd.
Sekisui Industrial Piping Co., Ltd.
Yili Xiang Run Pipe Industry Co., Ltd.
Chiba Sekisui Industry Co., Ltd.
Okayama Sekisui Industry Co., Ltd.
Shikoku Sekisui Co., Ltd.
Kyushu Sekisui Industry Co., Ltd.
Sekisui (Wuxi) Plastics Technology Co., Ltd.

High Performance Plastics Company

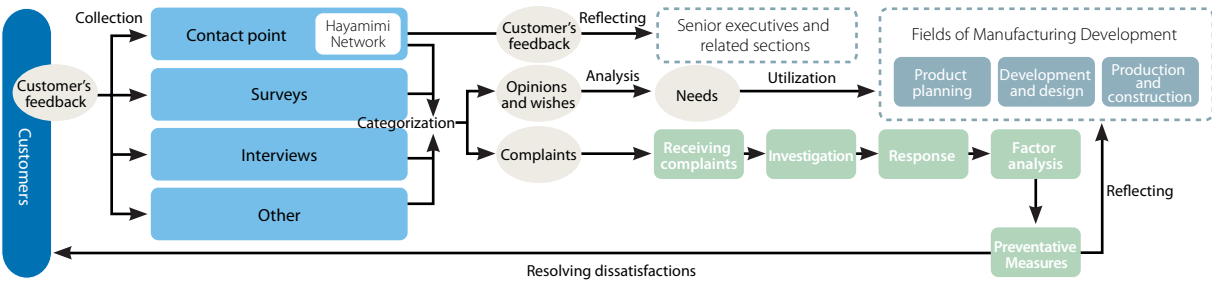
Sekisui Chemical Co., Ltd. Musashi Plant
Sekisui Chemical Co., Ltd. Shiga-Minakuchi Plant
Sekisui Chemical Co., Ltd. Taga Plant
Sekisui Polymatech Co., Ltd.
Sekisui-Alveo A.G. (six sites: G.m.b.H., A.G., S.a.r.l., S.p.A, S.A., (Benelux) B.V.)
Sekisui Techno Molding Co., Ltd. Aichi Plant
Sekisui Techno Molding Co., Ltd. Nara Plant
Sekisui Techno Molding Co., Ltd. Mie Plant
Sekisui Nano Coat Technology Co., Ltd.
Sekisui Film Co., Ltd. Sendai Plant
Sekisui Film Co., Ltd. Shinshu-Takato Plant
Sekisui Film Co., Ltd. Nagoya Plant
Sekisui Film Co., Ltd. Kyushu-Izumi Plant
Sekisui Fuller Co., Ltd. (integrated certification)
Hamamatsu Plant
Shiga Plant
Tokyo Office
Osaka Office
Sekisui Medical Co., Ltd. Headquarters
Sekisui Voltek, LLC. (Lawrence Plant)
Sekisui Voltek, LLC. (Coldwater Plant)
Sekisui Alveo Ltd.
Sekisui Alveo B.V.
Sekisui S-Lec America, LLC.
Sekisui S-Lec Mexico S.A. de C.V.
Sekisui S-Lec B.V.
Sekisui Diagnostics, LLC.
(Lexington, San Diego, Stamford)
Sekisui Diagnostics P.E.I. Inc.
Sekisui Diagnostics (UK) Limited
Sekisui Virotech G.m.b.H.
Sekisui Specialty Chemicals America, LLC.
(Calvert City, Pasadena, Dallas HQ)
Sekisui Specialty Chemicals Europe, S.L. Tarragona
Thai Sekisui Foam Co., Ltd.
Sekisui S-Lec Thailand Co., Ltd.
Sekisui Pilon Pty. Ltd.
YoungBo Chemical Co., Ltd.
Sekisui S-Lec (Suzhou) Co., Ltd.
Sekisui Medical Technology (China) Ltd.
Sekisui High Performance Packaging (Langfang) Co., Ltd.

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



Note: Manufacturing Development Innovation Indicators (improvements vs. fiscal 2005 performance):
Internal loss costs: Costs associated with disposal of defective products, etc. generated during manufacturing processes
Production costs: Costs necessary for manufacturing, such as raw-material and labor costs (to be decreased through productivity improvements such as saving of energy and other resources in manufacturing processes)
Environmental costs: Costs for disposal of waste generated at business sites, and energy costs

Flow of “Utilizing Customer Feedback in Management”



Number of Employees (Sekisui Chemical)

Number of employees		2,266
	Male	1,979
	Female	287

Employees' Years of Continuous Service (Sekisui Chemical)

Average years of continuous service		17.7
	Male	17.8
	Female	16.5

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

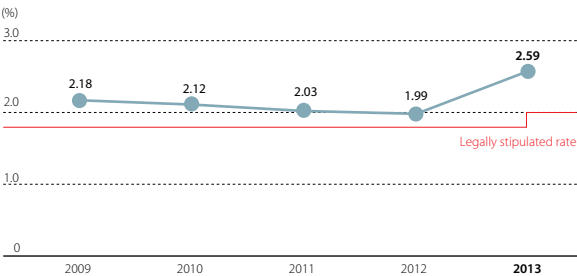
	FY2011	FY2012	FY2013
Number of new graduates hired (persons)	58	70	103
Separation rate within the first 3 years (%)	8.6	2.9	1.9

Note: 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.

Number of women directors and percentage of management positions filled by women

	FY2013	
Directors (persons)	1	(Sekisui Chemical Group)
Percentage of management positions (%)	1.7	(Sekisui Chemical Group in Japan)

Percentage of Challenged Persons Employed (Sekisui Chemical)



Main Recruitment and Selective-type Training Programs

	Training	Details	Number of participants in FY2013 (persons)
Recruitment-type Training	The Saijuku School	This program combines intensive courses led by visiting university professors with practice tasks so that participants can improve their skills and knowledge to become globally oriented leaders. It is intended to develop the next generation of leaders.	36
Selective-type Training	Open Seminars	These intra-group seminars aim to improve employees' business skills. Employees can select freely seminars on skills that meet their needs, to acquire skills that can be applied immediately to their daily work.	104

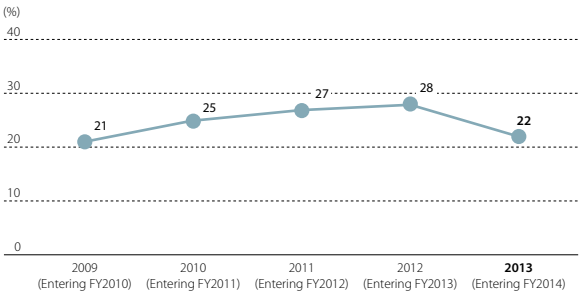
Results of Intra-group Job Posting

	FY2012	FY2013	Cumulative total since 2000
Recruitments (cases)	15	23	245
Employees recruited (persons)	19	55	514
Applicants (persons)	182	111	1,319
Employees transferred (persons)	17	23	265

Number of Employees (Sekisui Chemical Group)

Number of employees		23,017
By region		
	Japan	17,047
	North America, Central and South America	1,544
	Europe	1,432
	Asia/Pacific (including China)	2,994

Percentage of Women Among New-graduate Hires (Sekisui Chemical Group in Japan)



Number of Elderly Employees Reemployed and Reemployment Rate (Sekisui Chemical)

	FY2011	FY2012	FY2013
Number of elderly employees reemployed (persons)	27	65	56
Reemployment rate (%)	52.9	72.2	87.5*

Note: The reemployment rate for applicants is 100%.

Overtime Hours Worked (Sekisui Chemical)

	FY2011	FY2012	FY2013
Monthly average per person	14.1	15.6	16.0

Percentage of Paid Leave Used (Sekisui Chemical)

	FY2011	FY2012	FY2013
Average per person (not including managers)	42.8	39.5	41.0

Career Plan Training by Age

	30s	40s	50s	57s	Total Number of Participants
Themes by Age Groups	Self-establishment	Market value	Continuing to work even after retirement	Preparedness and motivation	—
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	Putting into words desired styles for ages 60-69	—
Number of participants in FY2013 (persons)	85	84	81	69	319
Cumulative total number of participants through FY2013 (persons)	1,848	1,691	961	69	4,569

Main Programs for Promoting Diverse Working Styles and Program Usage (Sekisui Chemical)

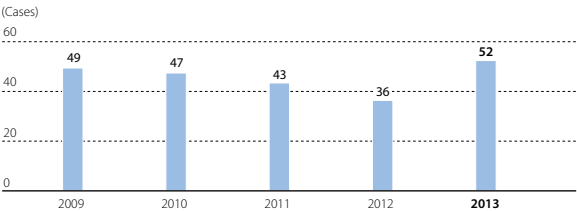
(persons)					
System		Main content	FY2011	FY2012	FY2013
Support for childcare	Childcare leave	Leave which previously extended only until the child was a year and a half old now extends to the end of the month of the child's third birthday.	22 (including 8 males)	24 (including 6 males)	28 (including 8 males)
	Shortened working hours	Payment period that previously extended until the child was three years old now extends until the child starts fourth grade.	21 (including 1 male)	19	23
	Use of flexible working hours	Times of starting and finishing work may be moved earlier or later by up to 60 minutes until the child reaches junior high school age.	2	2	2
Other support	Family leave	Three days of special paid leave per year granted until the child or grandchild starts high school (this leave can be taken for reasons such as childbirth-related events, parents day, athletic meets, and PTA meetings)	98	98 (including 41 males)	101 (including 35 males)
Total number of persons using these systems			143	143	154

Safety

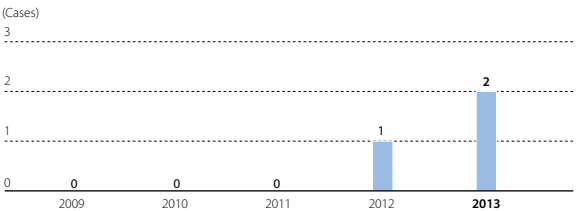
P37-38

Verified

Number of Occupational Accidents

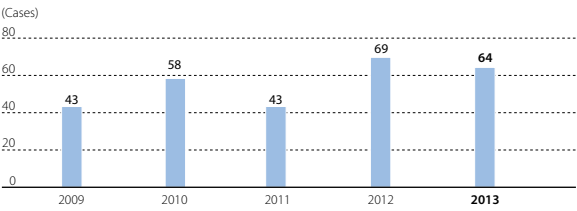


Number of Equipment-related Accidents*



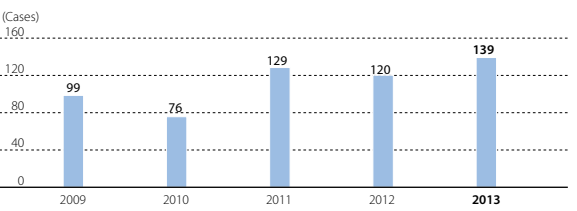
* Equipment-related accidents: Any accident that meets one or more of the following conditions (1) – (3) (Sekisui Chemical Group standards):
(1) Personnel-related damage: occupational accidents accompanied by 30 lost working days or more
(2) Property damage: 10 million yen or more
(3) Loss of opportunity: 20 million yen or more

Number of Cases of Extended Sick Leave*



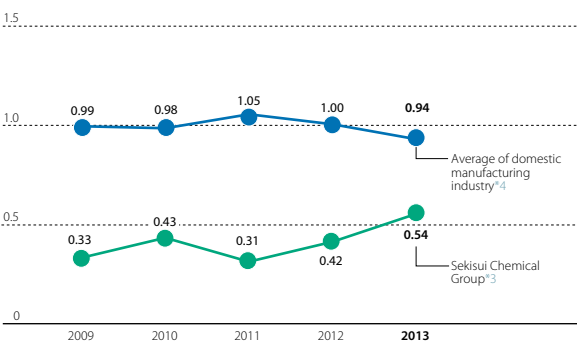
* Extended sick leave: This refers to a new absence of 30 calendar days or longer due to illness or injury. Reoccurrences within six months of returning to work are not included in the above count. Absences due to occupational accidents are not considered extended sick leave.

Number of Commuting Accidents*

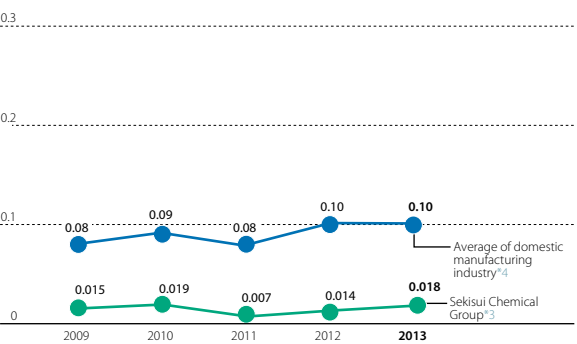


* Number of Cases: Total number of cases with damages incurred and inflicted (including self-injury and property damage).

Frequency Rate*1

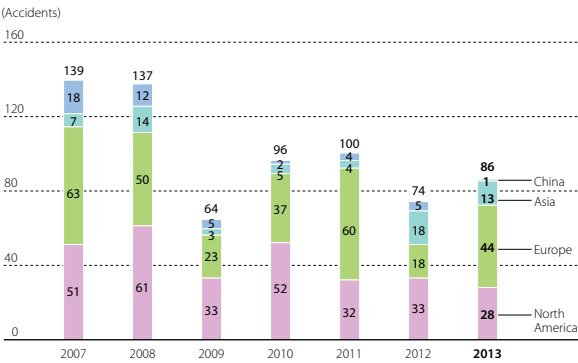


Severity Rate*2

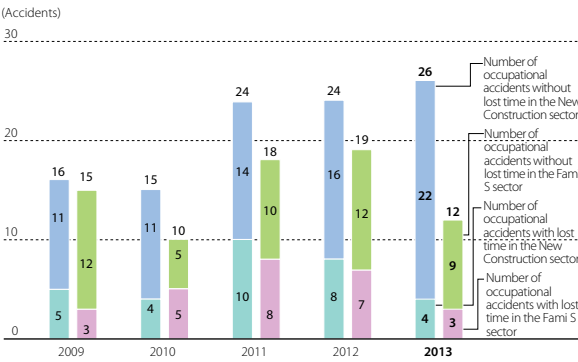


*1 Frequency rate = (number of deaths and injuries in occupational accidents with lost time / total work hours) × 1,000,000
*2 Severity rate = (number of work days lost / total work hours) × 1,000
*3 Sekisui Chemical Group data: 46 production sites and four R&D laboratories
*4 Source of information for Japanese manufacturing industry: Ministry of Health, Labour and Welfare "Survey on Occupational Accidents"

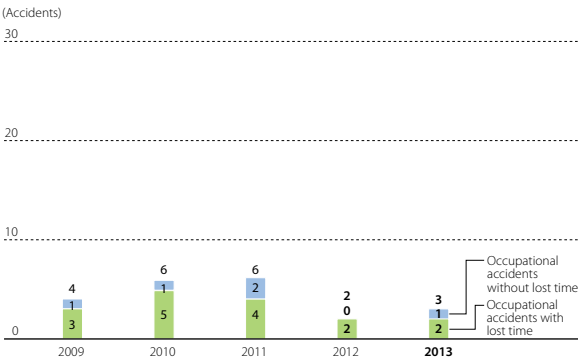
Status of Occupational Accidents at Overseas Production Sites



Safety Performance at Housing Company Construction Sites



Safety Performance at Urban Infrastructure & Environmental Products Company Construction Sites



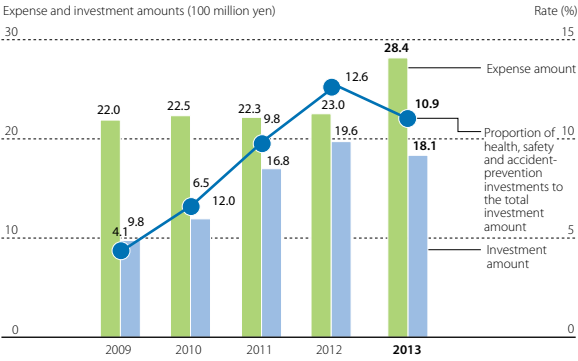
Note: The number of accidents represents the total for the following four companies: Sekisui Home Techno Co., Ltd., Nippon No-Dig Technology Co., Ltd., Sekisui Aqua Systems Co., Ltd., and Seiryu Maintenance Co., Ltd.

Health, Safety and Accident-prevention Costs

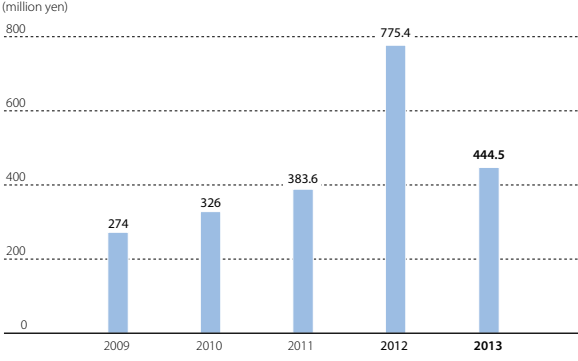
		(Million yen)	
Item		Sekisui Chemical Group*	
Classification	Details	Expense amount	Investment amount
1) Costs within business-site areas	Health and safety measures, rescue and protective equipment, measurement of work environment, health management, workers' accident compensation insurance, etc.	958	1,811
2) Administrative costs	Establishment and implementation of OHSMS, safety education, personnel costs, etc.	1,880	—
3) Other	Safety awards, etc.	6	—
Total		2,844	1,811

* Data above include 47 production sites/4 laboratories + all departments of Headquarters + back offices of division companies.

Expenses and Investments



Loss Costs*



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

Main Training Implemented in Fiscal 2013

	Training	Trainees	Number attending
Training for specific employee ranks	Operating officer training	Sekisui Chemical	6
		Group companies in the Housing Company	35
	Training for new managers	New Sekisui Chemical Group managers	190
	Introductory management training	Entire Housing Company	106
	Training for new employees	Sekisui Chemical Group	89
		Entire Housing Company	530
	Compliance training for leaders in manufacturing sections	Sekisui Chemical Group manufacturing sections	42
Area-specific training	Basic compliance training	Group companies in the Urban Infrastructure & Environmental Products Company	423
		Group companies	23
	Antimonopoly Law training	Sekisui Chemical Group business sections, sales sections	120
	Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors/Construction Business Act training	Sekisui Chemical Group managers, manufacturing sections	188
	Harassment-prevention training	Group companies	547
	Mental health training		
	Labor management, safety, etiquette, etc.	Group companies	629
Global training	Basic contract training	Group companies	22
	Industry laws, etc.	Group companies in the Housing Company	775
Open seminars	Seminars for overseas company presidents	Overseas Group companies	44
	Basic training for "Global Talents"	Personnel employed in international business	10
Open seminars	Labor law	Sekisui Chemical Group	21
	Stamp Tax Act	Sekisui Chemical Group	19

Environmental and Social Contribution Activities

P55-58

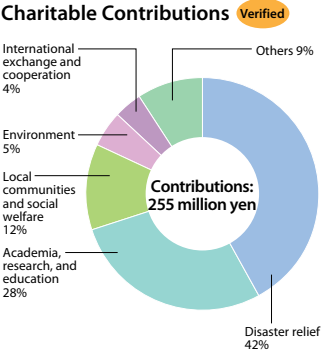
Recipients of Fiscal 2013 Sekisui Chemical Grants for Research on Manufacturing Based on Innovations Inspired by Nature

Researcher	Affiliation/University, Title*	Supported Research Theme
Mitsuyoshi Ueda	Professor, Kyoto University	Construction of bio-ammonia – as a liquid carrier of hydrogen, one of the promising energies – production system using <i>M. loti</i>
Shu Seki	Professor, Osaka University	Protein Nanowires with Ultra-High Aspect Ratio Produced by Single Particle Induced Chemical Reactions
Taro Nakamura	Professor, Chuo University	Development of Peristaltic Pump based on Bowel Peristalsis using Artificial Rubber Muscle
Seiichi Furumi	Principal Researcher, National Institute for Materials Science	Soft polymer lasers from periodically ordered nano-architectures inspired by opal
Masaya Nogi	Associate Professor, Osaka University	Transparent and conductive paper using coffee ring effects
Makoto Ouchi	Associate Professor, Kyoto University	Polymer research on the basis of vinyl alcohol: Bioinspired syntheses and functions
Atsuo Nishino	Associate Professor, Hiroshima University	"Soft" neuromuscular systems for directed swimming control in the simple ascidian tadpole larvae
Takafumi Ueno	Professor, Tokyo Institute of Technology	Metal-Protein needle composites designed from Bacteriophages
Takuma Takanashi	Chief Researcher, Forestry and Forest Products Research Institute	Development of pest control method by using vibrations that mimic predators
Takahiro Muraoka	Assistant Professor, Tohoku University	Alternating multi-block amphiphiles inspired by multipass transmembrane proteins
Shinsuke Takagi	Associate Professor, Tokyo Metropolitan University	Artificial light harvesting system using nano-layered materials as a template
Yoshimi Oka	Specially Appointed Assistant Professor, University of Toyama	Construction of artificial radical pair system based on learning from avian magnetic compass
Taro Fujikawa	Assistant Professor, Tokyo Denki University	Development of a small flapping robot based on posture control mechanism of a butterfly
Yousuke Degawa	Assistant Professor, University of Tsukuba	How to remain there? -A mechanism for spore attachment of symbiotic fungi to the wall of their host insect's digestive tract-
Chika Mouri	Smithsonian Institution Forbes Fellow	Dye analysis of Okinawan and South East Asian textiles: dyeing techniques and history of the dye trade
(Representatives) Hiraku Nishimori Satoshi Nakata Shunsuke Izumi Toshiharu Akino	Professor, Hiroshima University (nonlinear, nonequilibrium physics) Professor, Hiroshima University (surface chemistry) Professor, Hiroshima University (biological chemistry) Professor, Kyoto Institute of Technology (applied entomology)	Nonlinear phenomena at immiscible interfaces

* Affiliations, universities, and titles shown are current as of the time the grant was provided.

Examples of Main Environmental Contribution Activities Conducted in Fiscal 2013

	Site	Program
Activities of business sites in Japan	Tohoku Sekisui Heim Industry Co., Ltd.	Planting beech trees in Minami-Zao
	Kanto Sekisui Heim Industry Co., Ltd.	Sekisui Children's Nature Study Course (observing water bugs and testing water quality)
	Tokyo Sekisui Heim Industry Co., Ltd.	Gathering at Greenery Trust site no. 11 (vicinity of Kurohama Marsh)
	Sekisui Chemical Co., Ltd. Gunma Plant	Gunma Children's Nature Study Course (observing water bugs and testing water quality)
	Chiba Sekisui Industry Co., Ltd.	Wakimizu-no-Sato rural environment preservation activities
	Sekisui Chemical Co., Ltd. Research & Development Institute	Minase Children's Nature Study Course (observing living creatures)
	Sekisui Seikei, Ltd. Izumo Plant	Izumo Children's Nature Study Course (observing living creatures)
	Sekisui Fuller Co., Ltd. Hamamatsu Plant	Enshuhama "Welkame Clean Sakusen" shore cleanup activities
	Sekisui Film Co., Ltd. Nagoya Plant	Cleanup activities in vicinity of Myotokujigawa River
	Tokuyama Sekisui Industry Co., Ltd.	Tokuyama Sekisui Forest improvement activities
	Tsukuba Site	Forestation activities at the base of Mt. Tsukuba and in the Kasumigaura headspring
Activities of overseas business sites	Sekisui Chemical Co., Ltd. Tokyo Headquarters	Tree-planting activities at Umi-no-Mori (Sea Forest) in Tokyo
	Sekisui Specialty Chemicals America, LLC (Pasadena Plant)	Cleanup activities to preserve the wetland environment at Armand Bayou Nature Center (U.S.A.)
	Sekisui-SCG Industry Co., Ltd. SCG-Sekisui Sales Co., Ltd. Sekisui S-Lec Thailand Co., Ltd. Thai Sekisui Foam Co., Ltd. Sekisui Chemical (Thailand) Co., Ltd. Sekisui Systembath Industry (Thailand) Co., Ltd.	Ecosystem rehabilitation/maintenance and mangrove-planting activities to contribute to the community (Thailand)
	Sekisui S-Lec Mexico S.A. de C.V.	Tree-planting activities in the state of Morelos (Mexico)
	Sekisui Medical Technology (China) Ltd. Sekisui High Performance Packaging (Langfang) Co., Ltd. Sekisui (Shanghai) International Trading Co., Ltd.	Tree-planting activities in the Fengning Manchu Autonomous County in Hebei Province (China)
	Sekisui S-LEC (Suzhou) Co., Ltd. Sekisui (Wuxi) Plastics Technology Co., Ltd. Sekisui (Shanghai) International Trading Co., Ltd. Sekisui Medical Technology (China) Ltd. Sekisui (Shanghai) Environmental Technology Co., Ltd.	Forest preservation activities at Yuping Mountain in Suzhou (China)

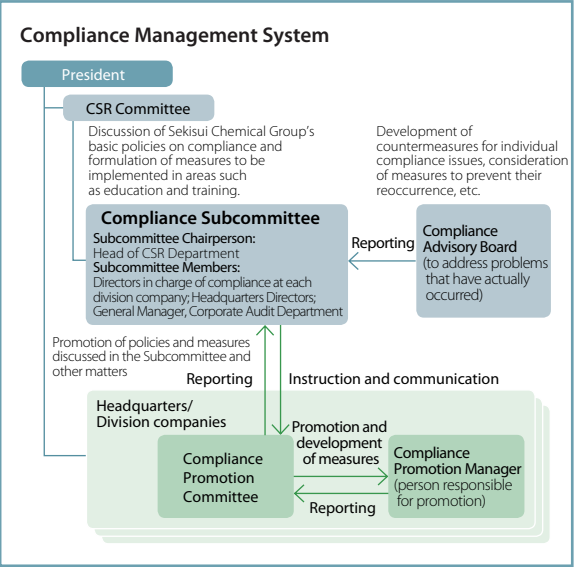
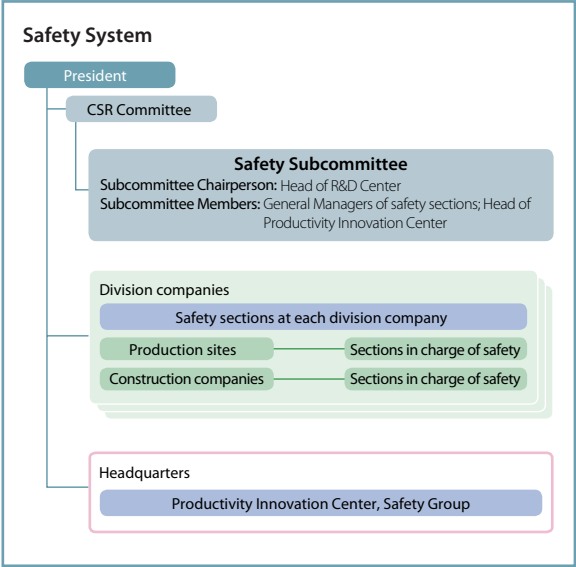
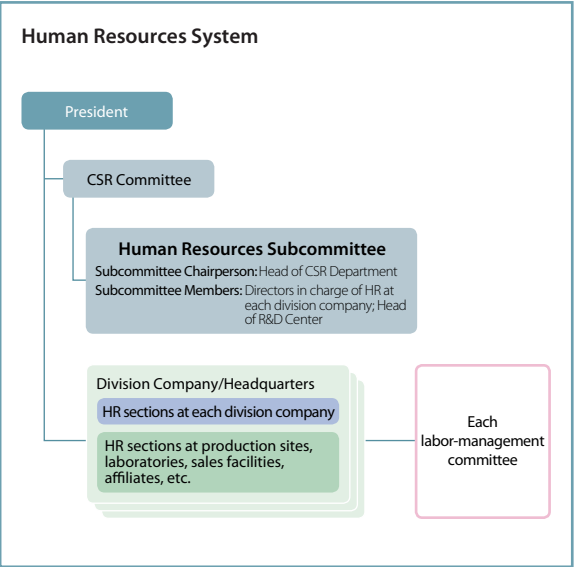
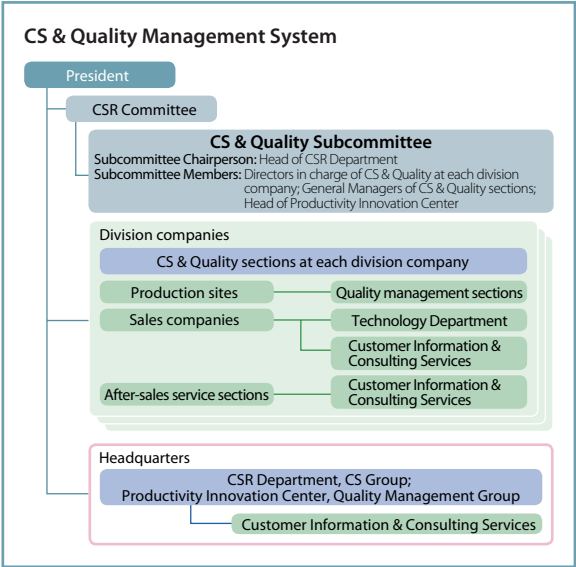
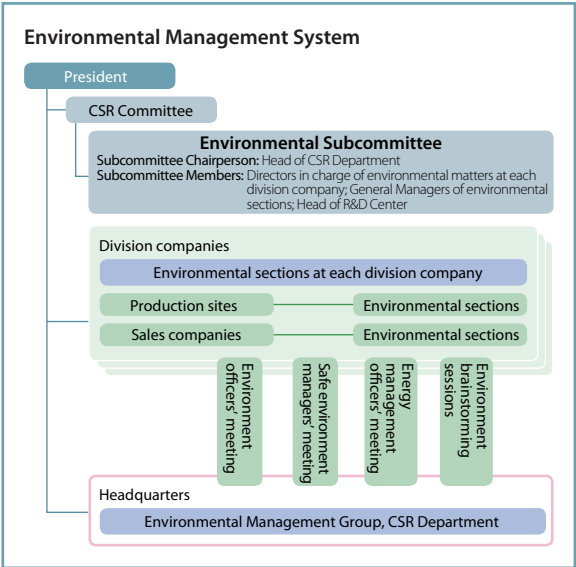
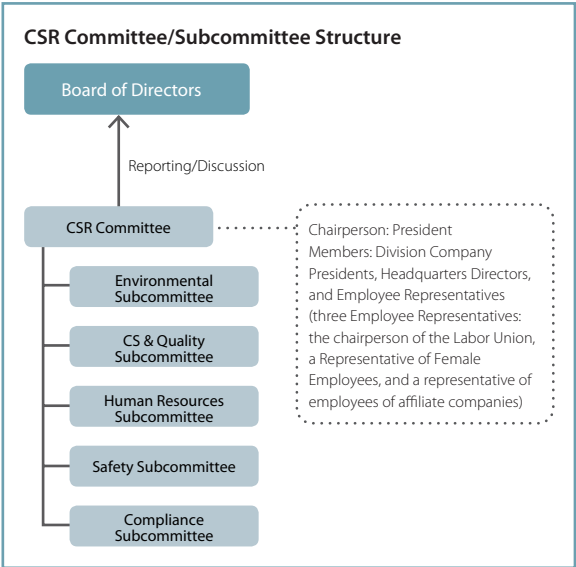


Main Social Contribution Activities Conducted in Fiscal 2013

Program	FY2013 performance				Performance through now			
Heart+Action	Times implemented	13 times	Participants	235 persons	Cumulative number of times implemented	20 times	Cumulative participants	307 persons
TABLE FOR TWO	Sites	11 sites	Number of school meals provided in developing countries	11,462 meals	Implementing sites	11 sites	Number of school meals provided in developing countries*	105,478 meals
			Amount of food aid to the Tohoku region	229,230 yen				
TABLE FOR TWO (Vending machines)	Sites	1 site	Number of school meals provided in developing countries	2,175 meals	Implementing sites	1 site	Number of school meals provided in developing countries	2,175 meals
Houses and the Environment Learning Program	Implementing schools	16 schools	Participating students	1,878 persons	Cumulative number of implementing schools	76 schools	Cumulative number of participating students approx	9,300 persons
Chemical Classroom	Times implemented	22 times	Participating students	2,922 persons	Cumulative number of times implemented	124 times	Cumulative number of participating students	13,762 persons
BOOK MAGIC	Times implemented	20 times	Amount donated	147,062 yen	Cumulative number of times implemented	72 times	Cumulative amount donated	675,226 yen

* The provision of food aid to the Tohoku region began in April 2013.

Sekisui Chemical Group's CSR Management System



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 member of the international community, we appreciate and respect the cultures, customs, and values of each region and neither violate human rights ourselves nor participate in any such violations. We also never become involved in any conduct that might lead to discrimination.

We never discriminate on the grounds of race, color, gender, age, language, religion, creed, disability, sexual orientation, nationality, geographical or social origin, property, or other status or any similar basis, and we neither violate human rights ourselves nor participate in any such violations.

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 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 occupational 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 “Procurement Policy”

Sekisui Chemical Group will perform its procurement of goods according to the following five basic ideas (openness, impartiality and fairness, compliance with laws and regulations, mutual trust and environmental considerations). We will strengthen our harmonious and mutually beneficial partnership with our business partners through fair transactions. Also, Sekisui Chemical Group will engage in the promotion of CSR activities through the cooperation of business partners in the Group's procurement activities.

1-1. Procurement Policy

Openness

Sekisui Chemical Group opens its doors not only to domestic companies but also widely to overseas companies.

Impartiality and fairness

Sekisui Chemical Group selects business partners based on impartial and fair evaluation standards with emphasis on quality, price and delivery lead-time, services, etc., as well as environmental considerations.

Compliance with Laws and Regulations

When engaging in purchasing transactions, Sekisui Chemical Group will comply with relevant laws, regulations and administrative instructions in Japan and overseas.

Mutual Trust

Along with conducting transactions with mutual trust and in fulfillment of contractual obligations, we will build and maintain relationships with our business partners that allow for our mutual profitability.

Environmental Considerations

Sekisui Chemical Group will further promote the purchase of raw materials and goods that have minimal negative impact on the environment and strive to establish a resource-recycling society through concerted efforts with business partners.

1-2. A Request to our Business Partners Concerning Procurement

The company is aware of CSR in all spheres of its business operations based on its philosophy of contributing to society through its business activities. To do so, it is absolutely necessary to engage in activities in mutual cooperation with business partners. We ask all business partners to carry out the following activities proactively.

(1) Securing Excellent Product Quality

Establish a quality assurance system to improve and maintain the quality of products offered to customers

- Establish a quality assurance system in conformity with ISO 9000

(2) Environmental Considerations

Sekisui Chemical Group is working to reduce negative impact of its products on the environment from the development and production stages to disposal. To do so, the environmental consideration of our suppliers concerning raw materials and goods is essential.

- Environmental management system in conformity with ISO 14001
- Reduction of harmful chemical substances, etc.; procurement of goods and materials with minimal environmental impact

(3) Compliance with Laws, Regulations and Social Customs

Suppliers are requested to ensure compliance with relevant laws, regulations and appropriate social norms of the countries and regions in which they conduct business operations.

- Compliance with relevant laws and regulations in the business operations
- Prohibition of forced labor
- Prohibition of child labor
- Prohibition of discrimination toward employees

(4) Safety and Hygiene

Quality is built through human resources and facilities. The safety management of these resources is the basis of production. Business partners are requested to perform the following.

- Safety and hygiene control of the workplace and maintenance of employee health
- Machine safeguarding and safety and hygiene control of facilities
- Appropriate response to occupational accidents, facility disasters, accidents, etc.

Calculation Standards of Key Performance Indicators

Environment

Items	Indicator	Calculation Method
Environmental Efficiency	Sekisui Eco Value Index	<p>Sekisui Eco Value Index = [Environmental Added Value (converted to monetary amount)] / [Group's overall environmental impact (converted to coefficient)]</p> <p>•Environmental Added Value = (sales revenue from Environment-Contributing Products + external economic benefits)</p> <p>External economic benefits represent the sum of the following two figures:</p> <ul style="list-style-type: none"> •Volume of waste reduction from the pipe rehabilitation method compared to the traditional excavation method × unit social cost •Volume of power generation from solar power equipment installed at homes sold (cumulative total) × unit social cost (CO₂ emissions reduction benefits) <p>•Group's overall environmental impact: The impact from raw materials and energy used as well as landfill and incineration of waste and emissions into the atmosphere and water are calculated using the Japan Environmental Policy Priorities Index (JEPIX).</p> <p>Data used in calculation includes volume of energy used (electricity, heavy oil A, diesel oil, gasoline, fuel gas, etc.), raw materials (metals, lumber, cement, concrete, synthetic resins and Kraft paper), PRTR-designated substances emitted into the atmosphere and water, COD, waste (incinerated and landfill)</p>
Environment-Contributing Products	Environment-Contributing Products Sales and Sales Ratio	<p>Sales of Environment-Contributing Products = Sekisui Chemical Group consolidated net sales of products certified internally as Environment-Contributing Products</p> <p>Environment-Contributing Products sales ratio = Sales of Environment-Contributing Products/consolidated net sales</p> <p>Subject: All Group businesses in Japan and overseas</p>
Energy and Carbon Dioxide	Greenhouse-Gas (GHG) Emissions	<p>GHG emissions = \sum [volume of fuel usage purchased electricity and steam × CO₂ emission coefficient] + GHG emissions from non-energy-consumption sources</p> <p>GHG emissions from non-energy-consumption sources = CO₂ emissions from non-energy-consumption sources + \sum [non-CO₂ GHG emissions × global warming coefficients]</p> <p>[CO₂ Emission Coefficients]</p> <p>Fuels: Heavy oil A 2.71 tons-CO₂/kL, city gas 2.08 tons-CO₂/thousand Nm³, LNG 2.70 tons-CO₂/ton, heating oil 2.49 tons-CO₂/kL, diesel oil 2.62 tons-CO₂/kL, gasoline 2.32 tons-CO₂/kL, LPG 3.00 tons-CO₂/ton</p> <p>Purchased electricity: 0.555 tons-CO₂/MWh (Japan)</p> <p>Emission coefficient of each country and region announced by GHG protocols (overseas)</p> <p>Purchased steam: 0.179 tons-CO₂/ton</p> <p>[Global-warming coefficients]: Coefficients established under greenhouse-gas emissions calculation, reporting, and publication systems</p>
	Energy Usage	Energy usage = \sum [volume of fuel usage purchased electricity and steam × heat generated per unit of output]
	CO ₂ Emissions in the Transportation Stage	<p>Aggregating the results of both the fuel-based method (for transportation of modular home units, etc.) and the ton-kilometer-based method (for transportation of products other than modular home units, etc.)</p> <p>CO₂ emissions = \sum [volume of fuel usage × CO₂ emission coefficient] + \sum [transport weight (tons) × transport distance (km) × fuel usage per unit of output × CO₂ emission coefficient]</p> <p>Figures used for fuel usage per unit of output are those employed in the reporting system for specified consigners under the Act on the Rational Use of Energy</p> <p>Subject: domestic logistics (product shipments)</p>
	Estimated Greenhouse-Gas Emissions throughout the Supply Chain	Purchased goods and services
		CO ₂ emissions = \sum [volume of main raw materials used × emission coefficient (IDEA v.1.1 [GHG emissions database from National Institute of Advanced Industrial Science and Technology (AIST) and Japan Environmental Management Association for Industry (JEMAI)])]
		Capital goods
		CO ₂ emissions = \sum [amount of increase in buildings, structures, machinery, and transportation equipment × emission coefficient (Emissions per Unit Database for the Purpose of Calculating the Greenhouse Gas and Other Emissions of Organizations throughout the Supply Chain [Ver. 2.0] [Ministry of the Environment (MOE) and Ministry of Economy, Trade and Industry (METI)])]
		Fuel and energy related activities not included in Scope 1 and 2
		CO ₂ emissions = \sum [(volume of fuel usage electricity and steam purchased) × emission coefficient]
		Emission coefficients used are from IDEA v.1.1 (GHG emissions database from AIST and JEMAI) for fuel, and the Emissions per Unit Database for the Purpose of Calculating the Greenhouse Gas and Other Emissions of Organizations throughout the Supply Chain (Ver. 2.0) (MOE and METI) for electricity and steam purchased.
		Subject: domestic and overseas production sites and laboratories, domestic and overseas offices
		Transportation and delivery (upstream)
		CO ₂ emissions = \sum [volume of main raw materials used (weight) × transport distance × emission coefficient (IDEA v.1.1 [GHG emissions database from AIST and JEMAI])]
		(Calculations assume a uniform transport distance of 200 km.)
		Waste generated in operations
		CO ₂ emissions = \sum [volume of waste generated (by type) × emission coefficient (IDEA v.1.1 [GHG emissions database from AIST and JEMAI])]
		Subject: domestic and overseas production sites and laboratories
		Business travel
		CO ₂ emissions = \sum [transportation costs by means of transportation × emission coefficient (Emissions per Unit Database for the Purpose of Calculating the Greenhouse Gas and Other Emissions of Organizations throughout the Supply Chain [Ver. 2.0] [MOE and METI])]
		(Transportation costs for Group companies include estimates.)
		Subject: domestic and overseas Group companies
		Employee commuting
		CO ₂ emissions = \sum [amount of commuting allowances paid × emission coefficient (Emissions per Unit Database for the Purpose of Calculating the Greenhouse Gas and Other Emissions of Organizations throughout the Supply Chain [Ver. 2.0] [MOE and METI])]
		(Calculated by assuming all employees travel by passenger rail; commuting costs for Group companies include estimates.)
		Subject: domestic and overseas Group companies
		Transportation and delivery (downstream)
		Aggregating the results of using both the fuel-based method (for transportation of modular home units, etc.) and the ton-kilometer-based method (for transportation of products other than modular home units, etc.)
		CO ₂ emissions = \sum [volume of fuel usage × CO ₂ emission coefficient] + \sum [transport weight (tons) × transport distance (km) × fuel usage per unit of output × CO ₂ emission coefficient (using figures employed in the reporting system for specified consigners under the Act on the Rational Use of Energy)]
		(Figures for overseas are estimates.)
		Subject: shipments of products of domestic and overseas Group companies
		Processing of sold products
		CO ₂ emissions = \sum [production volume of subject products × emission coefficient for processing of the subject products (IDEA v.1.1 [GHG emissions database from AIST and JEMAI])]
		Subject: automotive products of domestic and overseas Group companies
		Use of sold products
		CO ₂ emissions = \sum [number of homes sold during the fiscal year × annual volume of electricity purchased from power companies × 60 years × emission coefficient for electricity], reflecting the effects of photovoltaic (PV) systems
		Figures used for annual volume of electricity purchased from power companies are from a March 13, 2014 Sekisui Chemical press release ("Survey of net energy balance (volume) of homes installed with PV systems (2013)"). For the emission coefficient for electricity, the internally used figure of 0.555 tons-CO ₂ /MWh is used.
		Calculations assume a useful life of 60 years for homes.)
		Subject: Homes sold in Japan during fiscal 2013
		End-of-life treatment of sold products
		CO ₂ emissions = \sum [volume of main raw materials used in products sold during the fiscal year × emission coefficient (IDEA v.1.1 [GHG emissions database from AIST and JEMAI])]
		Calculations assume products sold during the fiscal year were disposed of during the same fiscal year
		Leased assets (downstream)
		Calculated for construction works where machinery leased by Sekisui Chemical is used.
		CO ₂ emissions = \sum [units of relevant work × emission coefficient (IDEA v.1.1 [GHG emissions database from AIST and JEMAI])]

Items	Indicator	Calculation Method
Waste	Waste Generated	Waste = outsourced disposals + recycling resources (use of incineration heat + materials recycling + valuable materials sold) + on-site incineration, not including the following: Waste from demolition of former homes of customers, scrap construction materials from construction at business sites, disposal of equipment, office automation appliances, etc., infectious waste generated from medical treatment and activities
	Waste Generated by New House Construction	Waste generated by new house construction = waste generated by housing exterior wall plants + waste generated at new house construction sites Waste generated by new house construction per unit = waste generated by new house construction / units of houses sold Subject: domestic housing business
	Zero Emissions Achievement Rate	Achievement rate = business sites achieved zero emissions / business sites subject to zero emissions efforts Business sites subject to zero emissions efforts = domestic and overseas production sites and laboratories holding environmental management systems external certification for at least two years
Water, Air, Water Quality	Amount of Water Extracted	Amount of water extracted = tap water volume + industrial water volume + on site groundwater intake volume
	NOx Emissions Volume	Emissions volume = Σ (annual exhaust gas air volume \times NOx concentration \times 46 / 22.4)
	SOx Emissions Volume	Emissions volume = Σ (annual SOx volume \times 64/22.4)
	Soot and Dust Emissions Volume	Emissions volume = Σ (annual exhaust gas air volume \times soot/dust concentration)
	COD Discharge Volume	Volume discharged = Σ [COD concentration (annual average of measured values) \times volume of discharged water]
Chemical Substances	Volume of Chemical Substances Handled	Volume of handled substances subject to the PRTR Law Subject: Domestic production sites and laboratories
	Volume of Chemical Substances Discharged and Transported	Volume of discharged and transported substances subject to the PRTR Law Volume discharged = volume discharged into the atmosphere + volume discharged into public waters + volume discharged into soil on site + on site landfill volume Volume transported = volume transported into sewers + volume transported as waste Subject: domestic production sites and laboratories
	Volume of Chemical Substances Detoxified	Volume of detoxified substances subject to the PRTR Law Volume detoxified = volume consumed through chemical reaction + volume consumed through incineration, etc. Subject: domestic production sites and laboratories
	VOC Emission	Volume of atmospheric discharge of volatile organic compounds (VOCs) included among substances subject to the PRTR Law and PRTR substances subject to the Japan Chemical Industry Association (JCIA)
Management, etc.	External EMS Certification Rate	Achievement rate = number of business sites that have attained external EMS certification / number of business sites subject to attaining external EMS certification Business sites subject to attaining external EMS certification = Sekisui Chemical Group business sites as of the start of the midterm plan (April 1, 2009) External EMS certification: ISO 14001, Eco Action 21, etc. Production sites and laboratories: Group business sites in existence as of the start of the midterm plan Subject construction companies: 86 business sites (12 companies) selected internally
	Percentage of employees of business sites that have attained external EMS certification to all Sekisui Chemical Group employees	Percentage of employees of business sites that have attained external EMS certification to all Sekisui Chemical Group employees = Σ [number of employees of business sites that have attained external EMS certification] / consolidated total number of employees Number of employees: The number as of March 31, 2014
	Green Procurement Rate	Amount of procured products and services with ranks A and B under the Green Procurement Standards / total amount of procured products and services Green Procurement Standards: Both suppliers and products/services are assessed using the Green Procurement Standards/Assessment Form (ranks A, B and C). Products and services with ranks A and B under the Green Procurement Standards: Suppliers and products/services which have been both assessed as ranks A or B Green Procurement Standards: http://www.sekisui.co.jp/company/suggestion/index.html Products, construction work, and services involved in domestic purchase of raw materials and capital investment
	Environmental Accounting	Environmental accounting calculations are performed by referring to the Environmental Accounting Guidelines 2005 issued by the MOE, with the addition of Sekisui Chemical Group's own concepts such as external economic benefits (estimated effects). The scope of our procedures consisted of 45 production sites, five laboratories, 15 housing sales companies, headquarter departments, and back offices of division companies, all located in Japan. External economic benefits included in the economic benefits of environmental conservation measures represent the energy-conservation benefits from homes sold and installed with PV systems and the benefits of the "No-Dig" pipe rehabilitation method for sewers, etc., converted into monetary values.

Calculation Standards of Key Performance Indicators

CS & Quality

Items	Indicator	Calculation Method
Quality Performance	External Loss Costs	Costs of responding to product-related claims
	Major Quality Issues	These refer to product and service quality issues determined by the Division Company President, based on evaluations and judgments by the quality assurance manager, which could cause significant damage to customers, society, or Sekisui Chemical Group and lead to the loss of society's trust in the Group if not thoroughly resolved on an urgent basis including: 1) Problems that could have a serious impact on (or cause severe damage to) society, such as product recalls 2) All serious problems involving human safety and those acknowledged by the Division Company to be serious problems involving the property safety 3) Compliance-related problems concerning the quality of products or services (e.g., those involving compliance with relevant laws and regulations) 4) Problems that could cause serious monetary damages to customers
	Claim Costs	Same as external loss costs (costs of responding to product-related claims)
	Loss Costs	Costs associated with disposal of defective products, etc. generated during manufacturing processes
Manufacturing Development Innovation Indicators (improvements vs. fiscal 2005 performance)	Internal Loss Costs	Same as loss costs (costs associated with disposal of defective products, etc. generated during manufacturing processes)
	Production Costs	Costs necessary for manufacturing, such as raw-material and labor costs (to be decreased through productivity improvements such as saving of energy and other resources in manufacturing processes)
	Environmental Costs	Costs for disposal of waste generated at business sites, and energy costs

Human Resources

Indicator	Calculation Method
Separation Rate within the First Three Years of Employment	Calculated as the total of separation rates for the first, second, and third years of employees hired in the relevant fiscal year, in accordance with the Japanese Ministry of Health, Labour and Welfare's calculation methods.
Global Talents	Personnel having overseas assignment experience (including overseas trainees)
International Hiring	Hiring of human resources meeting one of the following criteria: those of non-Japanese nationality, returnee students from abroad, those with at least one year's experience studying abroad, and those with TOEIC scores of 750 or higher
Percentage of Challenged Persons Employed	(Number of regular workers who are physically or mentally challenged / total number of regular workers) × 100
Percentage of Management Positions Filled by Women	(Number of women in management positions / total number of personnel in management positions) × 100
Reemployment Rate for the Elderly	(Number reemployed / total number of employees retired at mandatory retirement age) × 100 Note: The number of employees retired at mandatory retirement age includes some retirees who do not desire reemployment.
Overtime Hours Worked	(Total overtime hours worked + total time worked on weekends and holidays) / number of employees
Percentage of Paid Leave Used	(Days of leave taken/days of leave awarded) × 100

Safety

Items	Indicator	Calculation Method
Safety Performance	Number of Occupational Accidents	Number of occupational accidents (both those with lost time and those without lost time) at production sites and laboratories in Japan during the subject fiscal year (April through March)
	Number of Equipment-related Accidents	Number of equipment-related downtime events (such as fires or leakages) meeting one or more of the following conditions (1) – (3) (Sekisui Chemical Group standards) at production sites and laboratories in Japan during the subject fiscal year (April through March): (1) Personnel-related damage: Occupational accidents with 30 lost working days or more (2) Property damage: 10 million yen or more (3) Loss of opportunity: 20 million yen or more
	Number of Cases of Extended Sick Leave	Number of absence cases of 30 days or longer due to injury or illness at production sites and laboratories in Japan during the subject fiscal year (April through March). Absences due to occupational accidents are not considered extended sick leave.
	Number of Commuting Accidents	Number of commuting accidents for employees at production sites and laboratories in Japan during the subject fiscal year (April through March). These include damages incurred and inflicted (including self-injury and property damage) while driving automobiles or other vehicles.
	Frequency Rate	Number of injuries, illness and fatalities in occupational accidents with lost time per 1,000,000 total working hours during the subject fiscal year (April through March) Formula: Number of injuries, illness and fatalities in occupational accidents with lost time/ total work hours × 1,000,000
	Severity Rate	Number of work days lost per 1,000 total working hours during the subject fiscal year (April through March) Formula: Number of work days lost / total work hours × 1,000
	Status of Occupational Accidents at Overseas Production Sites	Number of occupational accidents (both those with lost time and those without lost time) at overseas production sites during the subject fiscal year (April through March)
	Safety Performance at Housing Company Construction Sites	Number of occupational accidents (both those with lost time and those without lost time) at construction sites under the supervision of the Housing Company during the subject fiscal year (April through March)
	Safety Performance at Urban Infrastructure & Environmental Products Company Construction Sites	Number of occupational accidents (both those with lost time and those without lost time) at construction sites under the supervision of the Urban Infrastructure & Environmental Products Company during the subject fiscal year (April through March)
Health, Safety and Accident-prevention Costs	Scope of summation: Production sites and laboratories, headquarter departments, and back offices of division companies, all located in Japan	
	Costs within Business-Site Areas	Health and safety measures, rescue and protective equipment, measurement of work environment, health management, workers' accident compensation insurance, etc.
	Administrative Costs	Establishment and implementation of OHSMS, safety education, personnel costs, etc.
	Other	Safety awards, etc.
	Investment Amount	Amount of investments related to health, safety, and accident prevention approved during the subject fiscal year (April through March)
	Loss Costs	Expenses, including person-hours, required to respond to occupational accidents, equipment-related accidents, commuting accidents, and extended sick leave during the subject fiscal year (April through March)

SEKISUI CHEMICAL CO., LTD.

4-4 Nishitenma 2-chome, Kita-ku, Osaka 530-8565, Japan (Dojima Kanden Bldg.)
URL <http://www.sekisuichemical.com/>

For further information contact:

CSR Planning Group, CSR Department
2-3-17 Toranomom, Minato-ku, Tokyo 105-8450, Japan (Toranomom 2-chome Tower)
Email: csr@sekisui.com

This report has been printed and bound with consideration for the environment in the following ways:

- (1) This report uses Forest Stewardship Council (FSC)-certified paper produced from carefully managed forests.
- (2) The computer-to-plate (CTP) method of direct printing, which uses no film that later must be disposed of as waste, has been adopted in the plate-making process.
- (3) Vegetable-oil ink, which generates few volatile organic compounds (VOC) and has excellent biodegradability and de-inking performance, is used in the printing process. In addition, waterless printing, which generates no hazardous waste fluids, has been used as well.
- (4) Glue that does not hinder the recyclability of paper is used in the binding process.

