

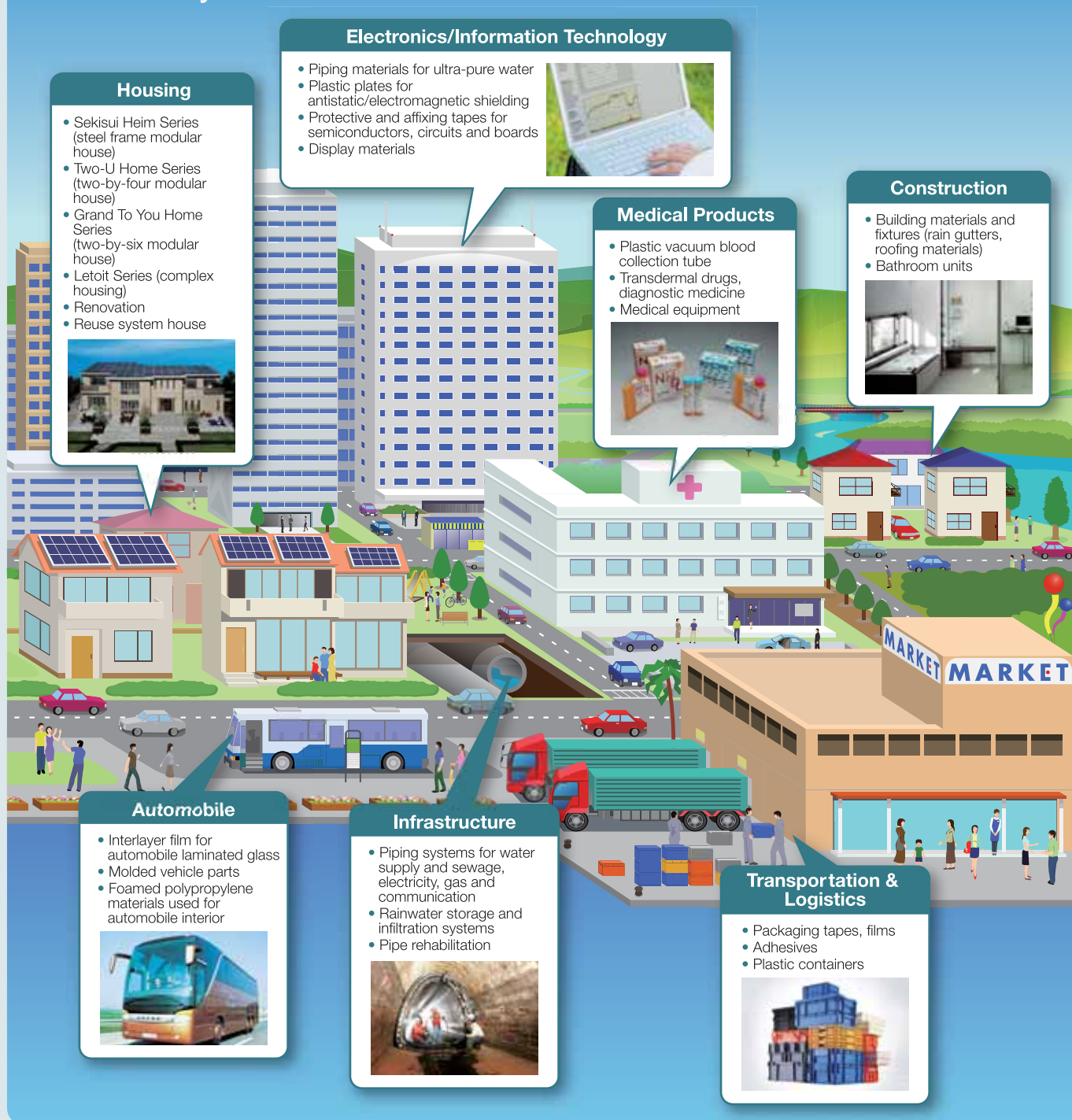
Emphasizing the Environment, CS & Quality and Human Resources  
to Contribute to Society through Our Business Activities

## Corporate Social Responsibility Report 2009



## Overview of Sekisui Chemical Group's Business

Sekisui Chemical Group develops and provides a wide variety of products used in various applications throughout the industry and in daily life



### Corporate Profile (as of March 31, 2009)

Established: March 3, 1947  
 Capital: ¥100.00237 billion  
 Representative Director: Naofumi Negishi (President)

Domestic Subsidiaries: 117  
 Overseas Subsidiaries: 77  
 Affiliated Companies: 16  
 Total: 210 companies  
 (of which 150 companies are consolidated subsidiaries)

Net Sales: ¥934.2 billion (consolidated)  
 Operating Income: ¥33.5 billion (consolidated)  
 Net Income: ¥1 billion (consolidated)  
 Number of Employees: 19,742 (consolidated)



## Editorial Policy

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

### Summarizing the Group's midterm plan concerning CSR and outlining the new midterm plan

The 2008 fiscal year, which is the primary period covered by this report, was the final fiscal year of Sekisui Chemical Group's midterm management plan and of the related midterm plan on CSR management. This report features pages summarizing our Group's midterm plan through fiscal 2008 and outlining the concepts behind the new midterm plan, which takes effect beginning with the 2009 fiscal year.

### Reporting on the business characteristics and CSR efforts of each division company

Sekisui Chemical Group divides its businesses into three Companies with different business characteristics. CSR-related issues and efforts also differ by Company. For this reason, this report features pages reporting on the business characteristics and main CSR efforts of each division company.

### This report covers the most important matters and information in order of the importance of reported items.

While demands are growing from diverse stakeholders for disclosure of CSR-related information, there also is a need to ensure the quality and readability of such information. In recognition of such needs, this report covers the most important matters and information that should be reported in light of Sekisui Chemical Group's activities, taking into consideration the Ministry of the Environment's Environmental Reporting Guidelines (2007 Edition) and the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines v3 (G3). Continuing efforts are reported briefly at the bottom of the relevant pages in this Report and are covered on our Website.

At the same time, this report also discloses, to the extent possible, quantitative data in the Data section at the end. Furthermore, to ensure the reliability of this report, it has been subjected to independent review.

In this way, the pages of this report have been structured to ensure it is both sufficiently comprehensive and easy to read.

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

### Scope of Independent Review

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



### Scope of This Report

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

Timeframe Encompassed by this Report:

April 2008 - March 2009 (including examples of activities through May 2009).

## CONTENTS

Overview of Sekisui Chemical Group's Business .....	1
Message from Top Management .....	3
<b>Overview of the Midterm Plan (Fiscal 2006 - 2008) .....</b>	<b>7</b>
<b>Overview of the New Midterm Plan (Fiscal 2009 - 2013) .....</b>	<b>9</b>
<b>CSR at Each Division Company .....</b>	<b>11</b>
• Housing Company .....	11
• Urban Infrastructure & Environmental Products Company .....	13
• High Performance Plastics Company .....	15
CSR Management .....	17
<b>The Practice of CSR Management .....</b>	<b>17</b>
<b>1 Prominence in the Environment .....</b>	<b>17</b>
New Midterm Environmental Plan: Environmental Top Runner Plan SHINKA! .....	20
Overview of Environmental Top Runner Plan Part 1 and Targets of Environmental Top Runner Plan SHINKA! .....	21
Environmental Top Runner Plan — Core Strategy (1) Expansion of Environment-contributing Products .....	23
Environmental Top Runner Plan — Core Strategy (2) Preventing Global Warming .....	25
Environmental Top Runner Plan — Core Strategy (3) Efficient Utilization of Resources .....	27
The Foundation for Environmental Management .....	29
Control of Chemical Substances .....	31
Environmental Risk Reduction .....	32
<b>2 Prominence in CS &amp; Quality .....</b>	<b>34</b>
New Midterm CS & Quality Management Plan and Management System .....	34
Enhancing Basic Qualities .....	35
To Create Attractive Qualities .....	39
<b>3 Prominence in Human Resources .....</b>	<b>44</b>
New Midterm Vision on Human Resources .....	44
Corporate Culture Fostering Individual Learning and Growth .....	45
Providing Opportunities to Take on Challenges on One's Own .....	46
Growth and Commitment .....	47
Rewarding Workplaces Where Diverse Human Resources Can Thrive .....	48
<b>Foundation of CSR Management .....</b>	<b>55</b>
Compliance .....	55
Risk Management .....	57
Disclosure & Communication .....	59
Conserving the Natural Environment and Contributing to Society .....	61
<b>Data .....</b>	<b>65</b>
Independent Review Report .....	79
History of Sekisui Chemical Group/Editor's Notes .....	80

### Disclaimer

This report is not confined to commentaries on the past and current activities of Sekisui Chemical Co., Ltd. and its affiliated companies. It includes business plans and forecasts as well as future projections based upon management plans and directives that were valid at the time of publication. These forecasts are based on information available at the time of publication, and therefore the actual status and outcome of future business activities may differ from those projected in this report, due to changes in various conditions. Furthermore, because figures contained in the included graphs and tables are rounded, the actual totals may not always match identically those stated in the report. In addition, expansion of the scope of the report, revisions to methods of calculation, and changes in the coefficients used for environmental impact have led to some revisions of data for previous fiscal years. We hope that readers will understand and take these factors into consideration.

## We are enhancing CSR management by contributing to society in pursuit of three Prominences and earning trust through three Attitudes of Sincerity



---

### Implementing CSR management as a key focus of the new midterm management plan as well

As the economic crisis spreads, I believe social issues too — including of course environmental issues such as global warming — are growing more diverse. For example, when looking at the social infrastructure, which is one of our fields of business, one sees that while infrastructures are not developed sufficiently in developing nations, in developed nations renovation of aged infrastructure is becoming a topic of concern. In this way, a look at not just Japan but the entire world as well shows that there still are many problems that need to be solved. Since its founding, Sekisui Chemical Group has continued to provide value to society through developing products that can meet society's needs and turning these products into businesses. I believe this itself is a form of CSR activities, in which we truly contribute to society through our business activities.

The new midterm management plan GS21 — SHINKA! takes effect beginning with the 2009 fiscal year. While the aim of the management plan is business growth, I believe CSR management represents a company's character, or the quality of its management. Our goal is to be a company in which society places its expectations and trust, through making further progress on the efforts we have achieved through now, considering CSR an important pillar of management together with business growth and innovation.

---

### Organizing our principles to make clear our mid- to long-range goals

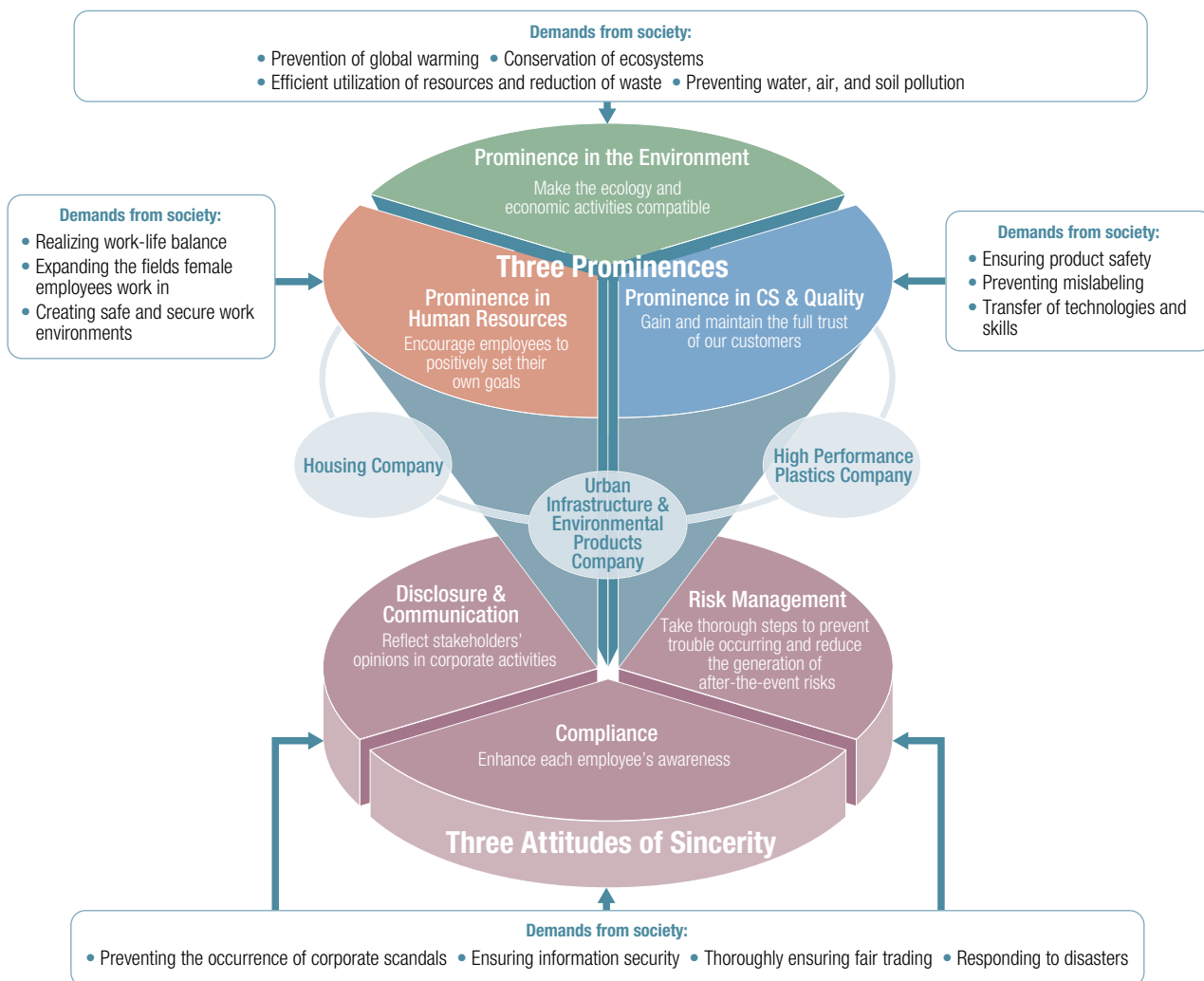
This new midterm management plan calls for reforming markets with a frontier spirit and producing products with greater levels of quality and value as a manufacturer that intensifies its innovation in manufacturing development, and for enabling each of the human resources who will carry out these tasks — our employees — to achieve prominence and thrive. We will achieve business growth and innovation by carrying out these efforts together with the growth of each division company.

Together with the formulation of the new midterm management plan, we also have organized the system consisting of the Company Creed through the Mission Statement and management strategies into "Our Principle," as well as deciding on a Group Vision under which all employees and the Group itself can work together to achieve the Group's mid- to long-range goals. This Group Vision embodies the ideals of Sekisui Chemical Group.

It is my wish that each and every member of the Group will work to realize these ideals, as we strive to become a group of companies in which society places its trust and expectations.

## Communication with stakeholders is a foundation for promoting CSR management

I believe contributing to society through business activities is an important part of CSR management. Since its founding, Sekisui Chemical Group has taken the lead in responding to the demand of society as it has been continuing to provide products and businesses that contribute to society, such as plastic pipes, plastic foam materials, pipe rehabilitation, and modular houses. These also are the spirit and the DNA we have inherited from our



founding, and I believe that these truly embody the spirit of CSR itself.

I also believe that relations with stakeholders are important to CSR management efforts. Sekisui Chemical Group has identified five classes of stakeholders. While the issues faced by society and the expectations and needs of stakeholders are growing more diverse, we are working to advance CSR management to be able to meet these expectations, by listening with sincerity to what stakeholders have to say and reflecting their views in our efforts.

### The results of CSR management are steadily making themselves real

Reviewing its past efforts, Sekisui Chemical Group began full-fledged CSR management efforts in fiscal 2005, based on the Three Prominences of the Environment, CS & Quality, and Human Resources along with the Three Attitudes of Sincerity of Compliance, Risk Management, and Disclosure & Communication.

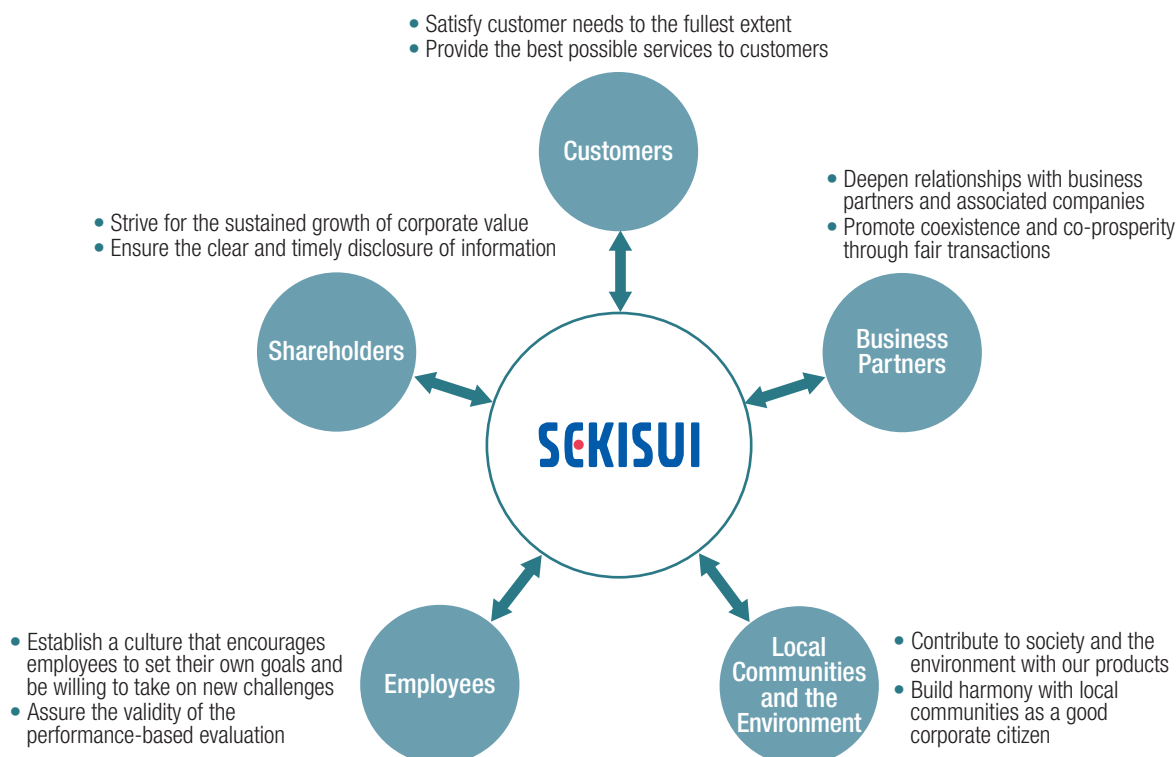
A characteristic of Sekisui Chemical Group's CSR management is the fact that these Three Prominences involve people. People play the leading roles in any enterprise, and it is vital that all employees working

in Sekisui Chemical Group are aware of their roles as participants. I believe that when each individual employee thrives by working with vitality as he or she makes progress on his or her own, the organization too is vitalized, and the company will grow even better.

Over the past four years, this concept of Three Prominences and Three Attitudes of Sincerity has been acknowledged in each section, which has then advanced its own CSR management efforts. CSR efforts have become a firm part of our business activities, as we have developed the new concept of environment-contributing products, advanced reforms to manufacturing development and manufacturing development efforts utilizing customer's feedback, and furthermore incorporated CSR evaluation into evaluation of Company business performance. We also have made steady progress in both human resources development and creating a comfortable workplace.

### Taking seriously issues that have appeared, and resolving them

At the same time, there still remain some issues to which we have not yet been able to respond sufficiently. The first of these is that of advancing CSR management at our





sites around the world, as globalization of our business activities has advanced rapidly. While I understand that it would be difficult to employ the same methods used in Japan around the world, since values and practices differ from place to place, we are striving to have our sites around the world promote CSR efforts using methods suited to their own locales, based on an understanding of Sekisui Chemical Group's concept. In March 2009, we gathered together the presidents of overseas affiliates, for discussions on CSR management. I think this served as an opportunity to both understand current conditions in each locale around the world and begin future deployment of CSR management in each locale. One more issue is that of coordination with the supply chain. In the businesses of the Housing Company and the Urban Infrastructure & Environmental Products Company, cooperation with a large number of members of the supply chain involved in delivering the Sekisui Chemical brand to customers is essential to being able to deliver quality products and services. I believe we need to earn a firmer level of trust from society by having these members of the supply chain appreciate Sekisui Chemical Group's CSR management and work together with us to improve CSR efforts. These are issues that cannot be resolved over the short term. Instead, we will make steady progress on these efforts.

In addition, unfortunately we were subjected to an investigation and an injunction from the Japan Fair Trade Commission concerning issues related to a past violation of the Antitrust Law. In response, we have conducted our own investigation, with the participation of attorneys from outside the company, implemented restrictions on business-group activities and prohibited contact with competitors, and taken other steps, and we are promoting improvements in employee awareness of compliance. These efforts are intended to ensure that no acts that could lead to suspicions of the Group again take place. We will continue these efforts, keeping in mind at all times the fact that compliance is an important foundation of CSR management.

### Promoting CSR management through contributing to society and earning its trust

CSR efforts do not end with just setting targets and reaching them. I believe it is important to ensure such efforts evolve in response to changes in society and the content of business activities. Under today's economic conditions, tough leadership is demanded of management. Still, it is at just such a time that advancing CSR management is essential. I would like us to make progress

in building ourselves into an enterprise that can meet the expectations of society, by further strengthening our management foundation. Based on the results of and issues involved in our past efforts, in



the new midterm management plan we have identified contribution to society and earning its trust as key issues in advancing CSR management. We will achieve growth for both our employees and the company, by making further contributions to resolving social issues through our products and businesses, for the benefit of people around the world as well as future generations, and by enabling employees to thrive not just within the company but as members of society as well, as each and every employee is conscious of the relation of the company to society. In addition, we will carry out management based on sincerity, earning the trust of society, through making further improvements in areas such as environmental protection, quality assurance and responsible supply as a manufacturer, and compliance.

In my experience as Chief Financial Officer, I got a true feel for the way investors take a medium-range perspective and are interested in the medium-range strategies of company management. Achieving stable growth of the enterprise requires a culture that also shows constant growth. This is the role of CSR management. As we begin implementing a new midterm management plan, while of course it is very important to improve business performance, I also would like us to remain as an enterprise that is trusted by society and capable of sustained future growth, from a medium- to long-range perspective. In addition, recently we have announced our support for the United Nations Global Compact, as a way of declaring that we will make renewed efforts in the area of CSR management. The entire Sekisui Chemical Group, working together as one, will advance CSR management by raising the level of trust we earn from society, in addition to helping resolve social issues and contributing to society, through CSR efforts not just in Japan but on a global basis.

President

*Naafumi Negishi*

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



## Prominence in the Environment

Activity	Main activities and targets	Results and issues for the future
<b>Grow sales of environment-contributing products</b> <b>Graph 1</b>	<ul style="list-style-type: none"> <li>Sales ratio: FY 2008 target: 25% FY 2010 target: 40%</li> </ul>	<ul style="list-style-type: none"> <li>Sales ratio: 17% (162.3 billion yen)</li> <li>Issues: development and introduction of new products, expanding sales of existing products</li> </ul>
<b>Reduction in CO<sub>2</sub> emissions</b> <b>Graph 2</b>	<ul style="list-style-type: none"> <li>Total emissions: FY 2008 target: 10% reduction FY 2010 target: 10% reduction (vs. FY 1990)</li> </ul>	<ul style="list-style-type: none"> <li>15% reduction</li> <li>Not only were emissions volumes reduced but base units increased as well</li> <li>Cumulative total number of investments in equipment that reduces carbon-dioxide emissions: 43</li> </ul>
<b>Reduction in generated waste</b>	<ul style="list-style-type: none"> <li>Volume generated: FY 2008 target: 50% reduction FY 2010 target: 67% reduction (vs. FY 1998)</li> </ul>	<ul style="list-style-type: none"> <li>48% reduction</li> <li>Contribution by improvements through innovation in manufacturing development</li> </ul>
<b>Eco Value Index</b>	<ul style="list-style-type: none"> <li>FY 2008: 1.5 times (vs. FY 2004)</li> <li>FY 2010: 2 times (vs. FY 2004)</li> </ul>	<ul style="list-style-type: none"> <li>2.1 times</li> <li>Target achieved two years in advance, thanks to substantial contributions from growth in sales of environment-contributing products</li> </ul>

The above activities have been advanced based on the Environmental Top Runner Plan, a midterm environmental vision establishing goals that should be achieved by fiscal 2010. In fiscal 2008, the targets for fiscal 2010 were achieved ahead of schedule on both the Sekisui Eco Value Index, the Group's own gauge of environmental management,

and reducing carbon-dioxide emissions. While sales of environment-contributing products have grown, their percentage of total Group sales has not reached its target. To achieve this target, the Group will work to create new environment-contributing products in addition to striving to grow sales of existing environment-contributing products.



## Prominence in CS & Quality

Activity	Main activities and targets	Results and issues for the future
<b>Manufacturing Development Innovation</b> <b>Graph 3</b>	<ul style="list-style-type: none"> <li>Reducing the number of major quality-related problems</li> <li>External loss costs</li> </ul>	<ul style="list-style-type: none"> <li>While the number of major quality-related problems and external loss costs have decreased, they did not achieve target levels</li> <li>Issues: Enhancing preventive efforts in the development and design stages and strengthening management of daily routines in the manufacturing development stage</li> </ul>
<b>Thorough use of customer's feedback</b>	<ul style="list-style-type: none"> <li>Continual collection and use of customer's feedback</li> <li>Creating Attractive Qualities that will delight customers</li> </ul>	<ul style="list-style-type: none"> <li>Creation of Attractive Qualities has begun (Attractive Qualities Screening System, Creation School)</li> <li>Issue: Taking leadership in society on creation of new value</li> </ul>
<b>CS Cultural Innovation</b>	<ul style="list-style-type: none"> <li>Developing structures for fostering a culture in which each employee becomes customer oriented</li> </ul>	<ul style="list-style-type: none"> <li>The idea of customer orientation is permeating the organization gradually</li> <li>There is a need for efforts suited to increases in the value expected by customers</li> </ul>

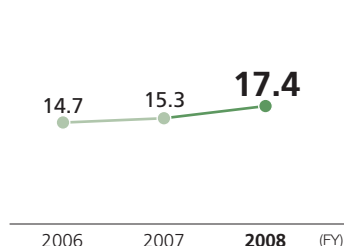
The concept of CS & Quality Management, under which we pursue customer satisfaction through innovations in Quality of Products, has permeated throughout the entire Group, leading to results such as a decrease in the number of complaints and a reduction in external loss costs. Also, we have made steady progress in establishing

manufacturing development that employs customer's feedback and creating a customer-oriented culture. In light of these conditions, in fiscal 2008 we began activities based on the new theme of creating Attractive Qualities that will delight customers.

**Graph 1**

**Sales ratio of environment-contributing products**

(%)



**Sales ratio**  
**17%**

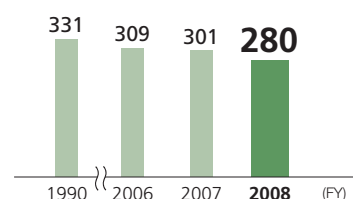
While the target is growth in the sales ratio to 40% by fiscal 2010, in fiscal 2008 the sales ratio was only 17 percent.

**Verified**

**Graph 2**

**CO<sub>2</sub> emissions (manufacturing stage)**

(1,000 tons-CO<sub>2</sub>)



**15% reduction**  
**(vs. FY 1990)**

Efforts including aggressive emissions-reduction efforts at production plants and promotion of investment in equipment that reduces CO<sub>2</sub> emissions have led to results surpassing the target.

**Verified**





## Prominence in Human Resources

Activity	Main activities and targets	Results and issues for the future
Providing opportunities to take on challenges	<ul style="list-style-type: none"> <li>Recruitment within the Group (HR, training)</li> <li>Developing business leaders through recruitment-type training</li> </ul>	<ul style="list-style-type: none"> <li>Enhancing the system that encourages employees to set their own goals (from hiring through retirement)</li> <li>Continued implementation of training on leader goals and literacy (Saijuku, Innovation School)</li> <li>Issue: Increasing the number of employees who can set their own goals and take on new challenges</li> </ul>
Corporate culture where employees learn and take on new challenges	<ul style="list-style-type: none"> <li>Developing career-development advisors (training 100 advisors)</li> </ul>	<ul style="list-style-type: none"> <li>23 persons became qualified as career advisors, and 70 persons attended internal training sessions</li> <li>There is a need for a system capable of providing career support in all sections within the Group (i.e., increasing the number of career advisors)</li> </ul>
Enhancement of the performance-based remuneration system	<ul style="list-style-type: none"> <li>Developing leaders who can drive Group performance</li> <li>Developing human resources who can create new businesses</li> </ul>	<ul style="list-style-type: none"> <li>Training and awareness-raising targeted at leader-class personnel</li> <li>Shijuku internal entrepreneurship training program established</li> </ul>
Respect a diversity of work styles <b>Graph 4</b>	<ul style="list-style-type: none"> <li>Promoting opportunities for women to excel (increasing the percentage of women hires) and deploying efforts to develop the next generation of human resources</li> </ul>	<ul style="list-style-type: none"> <li>Women as a percentage of new-graduate hires: 35% (FY 2008 performance)</li> <li>There is a need to enhance efforts toward training the next generation, and for Groupwide deployment</li> </ul>
Establishing safe and secure work environments	<ul style="list-style-type: none"> <li>Promoting a sound work-life balance</li> </ul>	<ul style="list-style-type: none"> <li>Controls implemented on hours spent at work, to reduce excessive working hours</li> </ul>

Systems and structures toward encouraging the growth and self-realization of individual employees, such as recruitment of human resources and trainees from within Sekisui Chemical Group and internal entrepreneurship training, have been enhanced. In addition, progress has been made on efforts in support of diverse work styles among

employees. These efforts will continue under the new midterm plan taking effect beginning in fiscal 2009 as well, as we aim to continue developing prominent human resources and achieving workplaces in which diverse human resources can work lively.



## Three Attitudes of Sincerity

Activity	Results and issues for the future
Compliance	<ul style="list-style-type: none"> <li>Expanding activities to raise awareness of compliance</li> <li>There is a need for thorough efforts to prevent reoccurrence of compliance-related problems</li> <li>There is a pressing need to permeate compliance awareness throughout the entire Group</li> </ul>
Risk Management	<ul style="list-style-type: none"> <li>Revising the Crisis Management Guidelines, ascertaining risks throughout Sekisui Chemical Group as a whole and at each division company</li> <li>Issue: Building a risk-management structure for Sekisui Chemical Group as a whole, including overseas units</li> </ul>
Disclosure & Communication	<ul style="list-style-type: none"> <li>Improving evaluations received from outside the Group</li> <li>While implementation has been advanced in each section, permeation and deployment are inadequate</li> </ul>

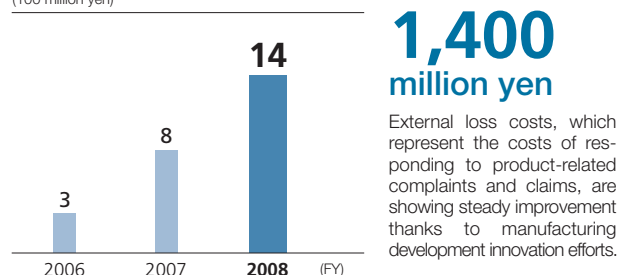
Efforts leading to strengthening of the foundations of CSR management, such as continually raising employee awareness of compliance and, in the area of risk management, revising the Crisis Management Guidelines, have been promoted. In addition, efforts have been made in the areas of information disclosure and dialogue with

stakeholders as well, leading to improvements in evaluations from outside the Group. In the future as well, efforts will be advanced to establish a stable foundation for CSR management, to earn the trust of society.

**Graph 3**

### Improvement in external loss costs **Verified**

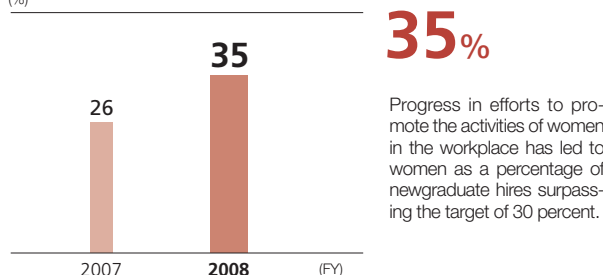
(100 million yen)



**Graph 4**

### Women as a percentage of new-graduate hires **Verified**

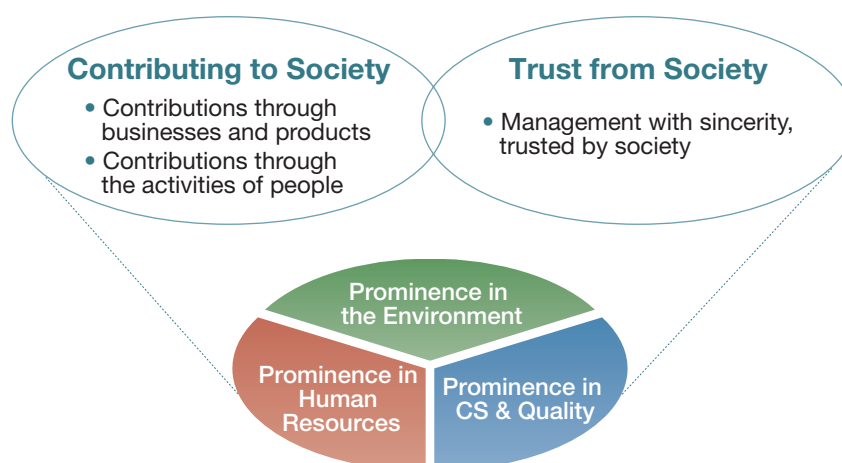
(%)



# Advancing CSR management based on the new perspectives of contributing to society and earning its trust

Sekisui Chemical Group has advanced its efforts to fulfill its Corporate Social Responsibility (CSR) by establishing, as the factors needed to fulfill this responsibility, the Three Prominences of the Environment, CS & Quality, and Human Resources along with the Three Attitudes of Sincerity of Compliance, Risk Management, and Disclosure & Communication.

Based on results achieved through fiscal 2008, the new midterm CSR plan under the new midterm management plan "GS21-SHINKA!" which takes effect beginning with the 2009 fiscal year, calls for promotion of CSR management incorporating the new perspectives of contributions, which will create value to society across a broad range of aspects of our business activities, and earning trust as an enterprise trusted by society and for our human-resources development.



## Prominence in the Environment

Concepts	Main efforts	FY 2013 targets
<b>Contributions through products</b>	<ul style="list-style-type: none"> <li>Growing sales of environment-contributing products</li> </ul>	<ul style="list-style-type: none"> <li>Sales ratio: 40%</li> </ul>
<b>Reducing the environmental impact of business activities</b>	<ul style="list-style-type: none"> <li>Reducing greenhouse-gas emissions</li> </ul>	<ul style="list-style-type: none"> <li>Achieving reductions in all business domains Production sites: 20% reduction (vs. FY 1990) Offices: 10% reduction Transportation: 5% reduction</li> </ul>
	<ul style="list-style-type: none"> <li>Waste reduction</li> <li>Expanding zero-emissions activities</li> </ul>	<ul style="list-style-type: none"> <li>Achieving reductions in all business domains Production sites: 40% reduction in base units (vs. FY 2007) Offices: 20% reduction in copier-paper use House construction sites: 45% reduction at Sekisui Heim sites, 63% reduction at Two-U Home sites Dismantlement and extension/renovation of houses: Achieving zero emissions in at least 50% of sites</li> </ul>
<b>Consideration for biodiversity</b>	<ul style="list-style-type: none"> <li>Efforts to protect biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>Minimizing the impact of business activities as well as products and services on the ecosystem</li> <li>Contributing to protection of the ecosystem through nature-conservation and forest-preservation activities</li> </ul>

We have established the New Midterm Environmental Plan: Environmental Top Runner Plan SHINKA! with fiscal 2013 as the target year. Focuses of this plan include growing sales of environment-contributing products, achieving further reductions in the environmental impacts of our business activities through efforts such as reducing greenhouse-gas emissions and wastes, and consideration for biodiversity. Under this plan, we will promote efforts to take leadership in society as a leading firm on the environment, by thoroughly contributing to the environment through our businesses.



## Prominence in CS & Quality

Concepts	Main efforts	FY 2013 targets
Prominence in Basic Qualities	<ul style="list-style-type: none"> <li>Eliminating major quality-related problems</li> </ul>	<ul style="list-style-type: none"> <li>Zero major quality-related problems</li> </ul>
	<ul style="list-style-type: none"> <li>Reducing external loss costs</li> </ul>	<ul style="list-style-type: none"> <li>50% reduction in external loss costs (for a decrease of 2.3 billion yen vs. fiscal 2008)</li> </ul>
Prominence in Attractive Qualities	<ul style="list-style-type: none"> <li>Developing human resources who can generate attractive products</li> </ul>	<ul style="list-style-type: none"> <li>Developing human resources capable of creating outstanding products (and technologies), through enhancing training for younger planning and engineering personnel</li> </ul>
	<ul style="list-style-type: none"> <li>Providing attractive products</li> </ul>	<ul style="list-style-type: none"> <li>Rediscovering the attractions of both new and existing products (and technologies) by taking external perspectives into account and developing structures capable of communicating the value of products (and technologies) to society in understandable ways</li> </ul>

Our aim is to provide quality that customers will continue to specify, through promoting efforts in CS & Quality management based on the two pillars of enhancing Basic Qualities<sup>\*1</sup> and creating Attractive Qualities<sup>\*2</sup>.

<sup>\*1</sup> Basic Qualities: Value that should be provided as a matter of course (i.e., functions and performance)

<sup>\*2</sup> Attractive Qualities: New value provided by leading society



## Prominence in Human Resources

Concepts	Main efforts	FY 2013 target levels
Corporate Culture Fostering Individual Learning and Growth	<ul style="list-style-type: none"> <li>Developing human resources who are true professionals in their fields</li> <li>Deploying career training</li> </ul>	<ul style="list-style-type: none"> <li>Each employee has and utilizes his or her own special skills (area of specialization)</li> </ul>
Providing Opportunities to Take on Challenges on One's Own	<ul style="list-style-type: none"> <li>Fostering individual awareness</li> <li>Enhancing in-house recruitment of human resources and trainees</li> </ul>	<ul style="list-style-type: none"> <li>Each employee takes part in self-directed career development</li> </ul>
Growth and Commitment	<ul style="list-style-type: none"> <li>Growth-focused evaluation system</li> <li>Conducting a training program over employees' first three years with the company</li> </ul>	<ul style="list-style-type: none"> <li>Each employee gets a true feeling of growth through his or her routine duties, and superiors provide support in this area</li> </ul>
Rewarding Workplaces Where Diverse Human Resources Can Thrive	<ul style="list-style-type: none"> <li>Promoting measures to achieve a sound work-life balance</li> <li>Creating an environment in which diverse human resources can thrive</li> </ul>	<ul style="list-style-type: none"> <li>Each employee works with vitality, while respecting diverse values</li> </ul>
Securing and Developing Global Human Resources	<ul style="list-style-type: none"> <li>Expansion of global human resources</li> </ul>	<ul style="list-style-type: none"> <li>Individual employees excel around the world</li> </ul>

In addition to providing proactive support for the growth and self-realization of each employee, we aim to develop not just comfortable but rewarding workplaces where employees can thrive.

In light of the accelerating globalization of business, we also are advancing efforts focused on the areas of securing and training human resources who can excel on a global basis.



## Three Foundations

Concepts behind efforts	FY 2013 target levels
Compliance	<ul style="list-style-type: none"> <li>Further permeation of compliance awareness</li> <li>Permeation of compliance at global facilities</li> </ul>
Risk Management	<ul style="list-style-type: none"> <li>Establishment of an overseas risk-management structure</li> <li>Building a management structure for Sekisui Chemical Group</li> </ul>
Disclosure & Communication	<ul style="list-style-type: none"> <li>Appropriately disclosing information externally and continuing dialogue with various stakeholders</li> <li>Ensuring each individual employee understands these efforts and implementing CSR activities suited to the unique characteristics of each section</li> </ul>

We aim to be an enterprise trusted by society, through advancing compliance and risk-management efforts as well as appropriately disclosing information with sincerity and continuing dialogue with society.





A Sekisui Heim equipped with solar power generation systems covering the entire roof

## Housing Company



# Providing environment-friendly houses that can be lived in safely and comfortably for at least 60 years.

## Main Products and Services



Sekisui Heim



Two-U Home



Complex Housing



Reuse System House

As a pioneer in Japan in the modular approach of completing 80% of each home in a factory, the Housing Company, which produces and sells Sekisui Heim, provides homes with high levels of both quality and cost performance. Over the period of roughly 40 years since the housing business began, approximately 450,000 Sekisui Heim have been provided to customers. In recent years, the Housing Company has pursued high-performance homes based on the concepts of the environment, safety, and comfort, in response to increasing awareness of environmental issues in society. State-of-the-art efforts such as homes with solar power generation systems, under-floor thermal-storage heating, and Reuse System Houses are attracting considerable attention, and the Housing Company leads the industry in sales of homes with solar power generation systems in particular.

In addition, as seen in the Japanese government's efforts to encourage construction of homes that can demonstrate superior performance over long periods of time, the housing market is in the process of shifting from one based on supply of new homes to one based on the housing stock. The Housing Company is developing a structure capable of continuing to provide support to its customers over their entire lifetimes, in areas such as inspection, maintenance, and remodeling, through quickly building a long-term support system covering a period of 60 years.

## The flow from production in a plant to installation



A plant module production line



Quality inspection at a plant



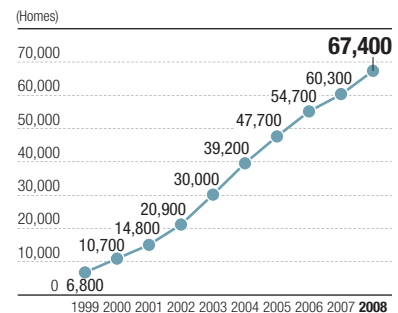
Installation at the construction site



## Contributing to reducing carbon-dioxide emissions throughout society as a whole, through the industry's best-selling homes with solar power generation system

Since 1998, the Housing Company has taken the lead over its competitors in starting and expanding development and sale of homes with solar power generation systems, as next-generation homes based on consideration for the earth's environment. As a result, in fiscal 2008 it boasted the industry's top sales performance, with cumulative sales of more than 65,000 homes, giving it a share of one-seventh of the residential solar power generation systems installed throughout Japan. This performance is equivalent to an annual reduction of approximately 129,000 tons in carbon-dioxide emissions, the same effect as absorption of carbon-dioxide by approximately 9,200 hectares of forest (equivalent to an area approximately 180 times that of Tokyo Disneyland). Utilizing the flat roofs that characterize Sekisui Heim, these homes are capable of generating large amounts of electricity through installation of large numbers of solar power generation panels, and factors such as their high-performance thermal insulation and airtightness make it possible to keep energy costs down. These homes are characterized by not just the contributions they make to the environment but also their economic performance, which makes it possible to reduce annual utility costs to zero.

**Sales of Sekisui Heim with solar power generation system**



## Realizing homes that demonstrate superior performance over long periods of time, through a long-term support system covering a period of 60 years.



A CAT meeting

Against a background of societal demands regarding environmental issues and comfortable living, there is a need for homes in which people can continue living under positive conditions for long periods of time. The Housing Company provides homes with the industry's highest levels of earthquake resistance, durability, thermal insulation, and airtightness, through thorough quality control conducted for each home, made possible by the plant production system. In addition, through its long-term support system covering a period of 60 years, which provides various services such as inspection, maintenance, remodeling, rebuilding, and sale even after residents move in, suited to changes in customers' life stages, the Housing Company is building a structure that enables it to continue providing support to customers over their entire lifetimes.

In addition, since 2005 Customer And Top (CAT) meetings have been held in which top management of the Housing Company and each sales company meet with residents to ask for feedback on their homes. Today, these meetings have collected valuable feedback from approximately 7,000 customer households, leading to improvements in products and services.



## Expanding opportunities for women employees to thrive in areas such as new construction, remodeling sales, and product development

It is said that in as many as one-half of households home purchasing decisions are led by women. Furthermore, it is said that women lead decision-making on at least 60% of purchases of remodeling in areas such as kitchens, bathrooms, and interior finishing. To meet customer needs under such conditions, women's perspectives and ideas are essential from the product and service provider side as well. For this reason, the Housing Company is increasing the number of women employees active in areas such as new-home sales, remodeling sales, interior, and product-development sections. In the future as well, it will make efforts to expand the range of responsibilities assigned to women employees and improve the work environment to make it more comfortable for women employees.



A woman employee active in sales





The Sewage Pipe Rehabilitation (SPR) Method, used to replace worn sewage pipes without having to dig up roads

## Urban Infrastructure & Environmental Products Company



# Providing social infrastructure that supports safety and comfort for people through responding appropriately to societal needs changing with the times

### Main Products and Services



Sewage Pipe Rehabilitation (SPR) Method



Fire-resistant pipes



Synthetic lumber



High performance insulating material Phenovaboard

The Urban Infrastructure & Environmental Products Company are expanding its businesses centering on the following three fields: pipe and related products for water-supply, sewage, electricity, gas, telecommunications, and other uses, home building materials such as rain gutters and modular baths, and foam and functional materials such as automotive interior materials and synthetic lumber.

The company works to develop businesses utilizing the overall strength of its diverse product lines and the strengths of its ability to build its own internal value chain from diagnosis of issues through design, manufacture, construction, and follow-up maintenance. In Japan, it meets the needs of society by responding to demand for building up a social infrastructure stock and building up a housing stock, through means including renovation of condominium properties.

In addition, the company also is deploying global businesses through means including responding to needs overseas by utilizing the expertise it has built up in Japan in the areas of product and system development.

### A large number of products meeting the needs of society around the world



Aqueduct construction in Azerbaijan (reinforced plastic pipe)



Synthetic lumber used in an Austrian subway



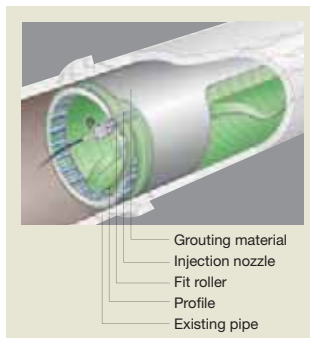
Airliner interior materials



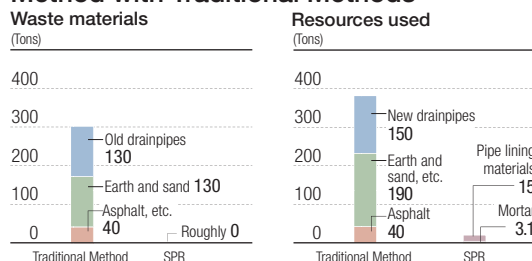


## Contributing to the environment through business activities Reducing environmental impact at various stages of business activities

The pipe rehabilitation business has adopted non-excavating methods of replacing worn sewage pipes with new ones without digging up roads, which it employs to complete pipe-rehabilitation projects in short periods of time without disrupting sewage services or traffic. This method makes it possible to achieve massive reductions in resource use and waste generation in comparison with traditional methods.



### Comparison of Sewage Pipe Rehabilitation Method with Traditional Methods



\*The figures above are based on estimates by Sekisui Chemical (estimation conditions: pipe channel 1.7 x 1.5 m, length 30 m, ground cover 1 m)

At the same time, the Urban Infrastructure & Environmental Products Company has employed aggressively utilizing the CO<sub>2</sub> Reduction Equipment Investment Promotion Measures adopted in January 2007 by Sekisui Chemical Group, to reduce carbon-dioxide emissions together with innovations in production.

In these ways, the company is working to address environmental issues by both contributing to the environment through its business activities and reducing the environmental impact of its business activities.



## Creating customer value and social value Embodying customer and societal needs by anticipating changes



Installation of high-performance pipe materials with superior earthquake resistance and ease of installation

The Urban Infrastructure & Environmental Products Company, which carries out a diverse range of businesses, contributes to development of the social infrastructure by providing the market with not just individual products but also systems combining together multiple products.

The pipe and related materials business provides new value by responding to changes in society, including water-supply systems with superior earthquake resistance making it possible to ensure a stable supply even in the event of an earthquake and pipe systems that make possible simplified construction with superior flexibility and can be used in renovating existing pipes. In addition, it responds to needs related to development of the social infrastructure not just in Japan but on a global scale, through efforts including handling renovation of the social infrastructure in developed countries and provision of water-supply systems in developing countries.



## Developing capabilities in the field through training human resources with manufacturing-development skills Support for transferring and raising the level of individual skills

Through leading Sekisui Chemical Group in the establishment and use of unique, site-specific technical certification systems related to manufacturing development, such as the Meister Systems and the Professor Systems, the Urban Infrastructure & Environmental Products Company's production facilities are striving to transfer skills from one generation to the next and to raise the level of various individual skills.

In addition, through deploying independent total productive maintenance (TPM) activities in which employees maintain facilities themselves, the company works to improve facility maintenance capabilities. In recent years, it has expanded these activities to overseas sites as well.



Skill Transfer (Safety Training Hall)



In addition to being shatterproof, interlayer film for laminated glass, used in applications such as automotive windshields, have high levels of sound-insulation performance, blocking out exterior noises.

## High Performance Plastics Company



**Contributing to society on a global basis by responding to needs in leading-edge fields with original technologies and providing materials with high levels of value added**

### Main Products and Services



Softlon car interior materials (AT field)

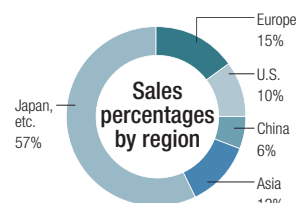


Flat-panel display material (IT field)



Diagnostic agents (MD field)

Employing its own original technologies in the areas of fine-particle technologies, adhesive technologies, and precision molding technologies, the High Performance Plastics Company provides a wide range of diverse functional materials and intermediate materials around the world. In recent years, it has focused its efforts on growing its businesses in the three strategic business fields of automotive-technology (AT) materials, information-technology (IT) materials, and medical devices (MD). The company has the top market share in the world in a large number of high-value-added products, such as high-performance interlayer films and cross-linked polyolefin foam for interior use in the AT field and LCD spacers and electroconductive fine particles in the IT field. Based on this performance, the company contributes to realization of a more convenient, more abundant society through responding to needs in state-of-the-art fields, which continue to advance and diversify.



#### Products in which the High Performance Plastics Company has the world's top market share

- Interlayer film for automobile laminated glass
- Spacers for LCD use
- Electroconductive fine particles for LCD use
- Polyvinyl butyral resin
- Cross-linked polyolefin foam
- Cholesterol diagnostic agents





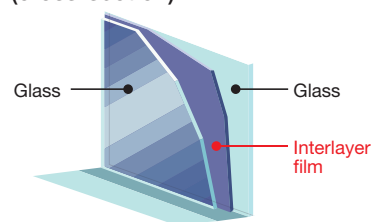
## Achieving both increases of added value in products and reductions in environmental impacts

Solar control interlayer films for laminated glass massively cut infrared light, helping to reduce energy use for air-conditioning purposes by achieving considerable reductions in interior heat during the summer when used on automotive windshields. In addition, the High Performance Plastics Company's product lineup also includes interlayer films with sound-insulation functions, simultaneously realizing both comfort and consideration for the environment.

At the same time, the company uses a large number of chemical substances in its production activities and uses more energy in comparison with other companies. For this reason, it is focusing particular efforts on reducing the environmental impact of production activities. With regard to chemical substances, it is focusing its efforts on both managing these appropriately to avoid impacts on the environment and reducing emissions of volatile organic compounds (VOCs). In fiscal 2008, it achieved major reductions in atmospheric emissions to roughly one-half their fiscal 2000 level. Also, with regard to energy consumption it is making efforts to reduce carbon-dioxide emissions, including use of the latest cogeneration technologies.

In these ways, the company is working both to reduce the environmental impacts of its products and business activities and to increase the added value in its products.

Interlayer film for laminated glass (cross-section)



## Aiming to ensure thorough quality on a global basis through prominent businesses



Quality-control efforts in the IT field

Ensuring and improving quality is one of the most important issues faced by a manufacturer of materials, in order to improve customer satisfaction together with efforts to develop new technologies. For this reason, the High Performance Plastics Company is striving to develop a structure for improving the makeup of its quality control. For example, in the interlayer film and foam businesses stable quality is maintained at high levels through establishment of "mother plants" in Japan handling all aspects of production from trial production through mass-production of each product and deployment of the processes and quality-control expertise established at these plants to overseas production facilities as well.

In addition, the company also is working to maintain quality levels and increase yields by proactively using the material flow cost accounting method adopted groupwide.



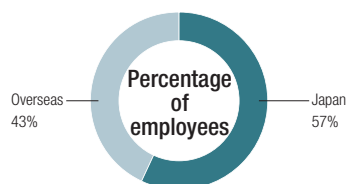
## Cultivation of global human resources responsible for expanding overseas business

As of March 2009, more than 40% of employees in the High Performance Plastics Company, which is advancing the globalization of its businesses, worked outside Japan. In light of this fact, cultivation of global human resources who can thrive in locations around the world is an important theme of company management. For this reason, the company has adopted various training systems intended to cultivate such global human resources, including the Global Trainee System, which sends younger employees from Japan to overseas facilities for two years to build up experience through practical operations and the Management Training Program (MTP), intended to train key management of overseas affiliates.

In addition, in recent years the number of women employees active in locations around the world is on the increase. In the future, the company will make progress in deploying its businesses on a global basis through developing an environment in which each and every employee can utilize his or her own individual abilities to thrive in the workplace, regardless of gender, career status, or area of specialization.



An MTP training session



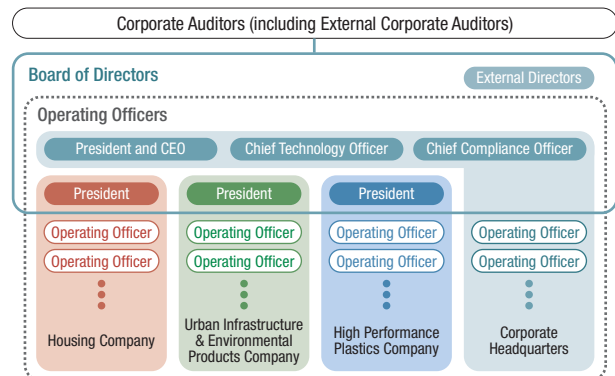


# Striving toward progress in CSR Management through strengthening the Corporate-Governance and CSR Management Systems

## Reforming the Corporate-Governance System

Sekisui Chemical Group conducts its business through three division companies separated by lines of business. To respond swiftly and appropriately to changes in the business environment and new business opportunities and risks, it reformed its corporate-governance system in April 2008, under which business execution functions were separated from the Board of Directors. As the organization responsible for decision on basic policies of Sekisui Chemical Group management as well as high-level decision-making and supervision of business execution, the Board of Directors strives to achieve continual improvements in corporate value. In addition, to increase the maneuverability of the organization while maintaining transparency and fairness of management, the nine-member Board of Directors includes External Directors. An operating officer system has been adopted as well, with operating officers specializing in business execution

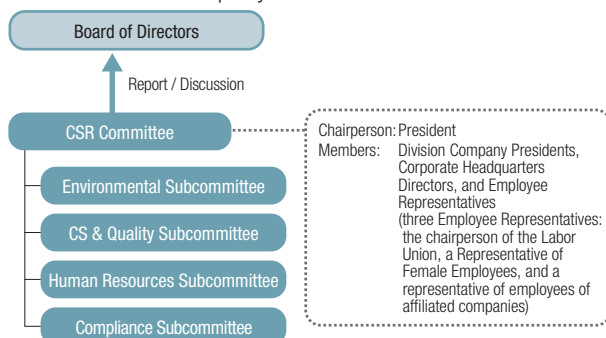
assigned to each division company and an Executive Committee was established to serve as the top decision-making body in each division company. As such, a broad range of authority has been transferred from the Board of Directors to the Executive Committee.



## CSR Management System

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

In addition to senior executives, membership of the CSR Committee also includes three representatives of employees — one key group of stakeholders — to help improve deliberation and policies. The CSR Committee promotes groupwide efforts while ascertaining and deliberating on companywide topics as they relate to matters such as issues involved in the themes of which each subcommittee is in charge and the state of activities in each division company.



The committee and the subcommittees each meet at least once every half-year.

### VOICE

#### Expectations for progress in CSR management through dialogue

While at first I was very nervous to be taking part in an important management-related committee, with each meeting top management's approach of listening closely to what employees had to say made it easier to offer opinions. As the matters we considered have been put into practical implementation one after the other, I felt unprecedented levels of innovation and strength. In addition, I learned that the key to CSR management a company is the ability to respond to society's expectations, to the extent that people would want their family members to work for the company.



**Shizuka Takaki**  
CSR Committee member (Employee Representative)

In the future as well, I expect that we will be able to make even more progress through deepening the dialogue that we have emphasized through today, as each individual employee plays a key role through the frank exchange of opinions.

## Toward Evolution in CSR management: Announcing support for the United Nations Global Compact

To striving to achieve dialogue with stakeholders through a wide range of opportunities → P.59, Sekisui Chemical Group sees the standards of evaluation and ratings used in socially responsible investment (SRI) and norms and guidelines such as those of the Nippon Keidanren and the Global Reporting Initiative (GRI) as indicators of CSR management, and it refers to these in its related efforts. Also, as the globalization of its businesses advances it is making steady progress in CSR efforts at overseas affiliates as well.

The midterm management plan that took effect beginning in fiscal 2009 also aims to achieve progress

in CSR management while continuing these ways of thinking and efforts. To declare this approach anew, both inside and outside the Group, in March 2009 we announced our support for the United Nations Global Compact.



### The United Nations Global Compact

A compact proposed by former United Nations Secretary-General Kofi Annan, calling for the support of corporate leaders. It consists of 10 principles in four areas (human rights, labor, environment, and anti-corruption).

### Case study

#### Toward evolution of CSR management at overseas affiliates

##### Holding CSR brainstorming sessions gathering together in one place presidents of overseas affiliates

As Sekisui Chemical Group's business activities advance overseas, handling CSR management on a global basis is growing in importance as well. For this reason, since 2004 the Group has held brainstorming sessions, which gather together in one place core management of overseas affiliates, on an annual basis. In March 2009, a brainstorming session on CSR was held in Japan, with the participation of 33 companies from 10 countries around the world.

The day of the session began with a presentation by the president of Sekisui Chemical on the company's history and Our Principle, which was revised in fiscal 2008. Next, discussions were held on the themes of the current state of CSR and related issues at each participating company. The discussions also addressed subjects such as region-specific issues.

The presentations by core management of affiliates raised subjects including CSR-related issues in connection with globalization and featured a large number of comments from the president of Sekisui Chemical and each division company president as well. In addition, in this year's session group discussions were conducted on a business-region basis instead of a division-company basis. Many participants commented that



Presentations by area representatives

they found the opportunity to speak with management of companies active in the same regions to be very interesting and a source of meaningful discussions.



##### A highly practical, meaningful brainstorming session

It was very positive to organize the workshop groups per geographical locations instead of the usual divisions. I believe that a pragmatic and concrete CSR approach has to be linked to the local people and their local habits. Even so the overall Sekisui CSR attitudes of sincerity and prominences can be shared on a group level, their implementation plans need to fit to the local perspectives.



Igor Allinckx  
SEKISUI ALVEO AG

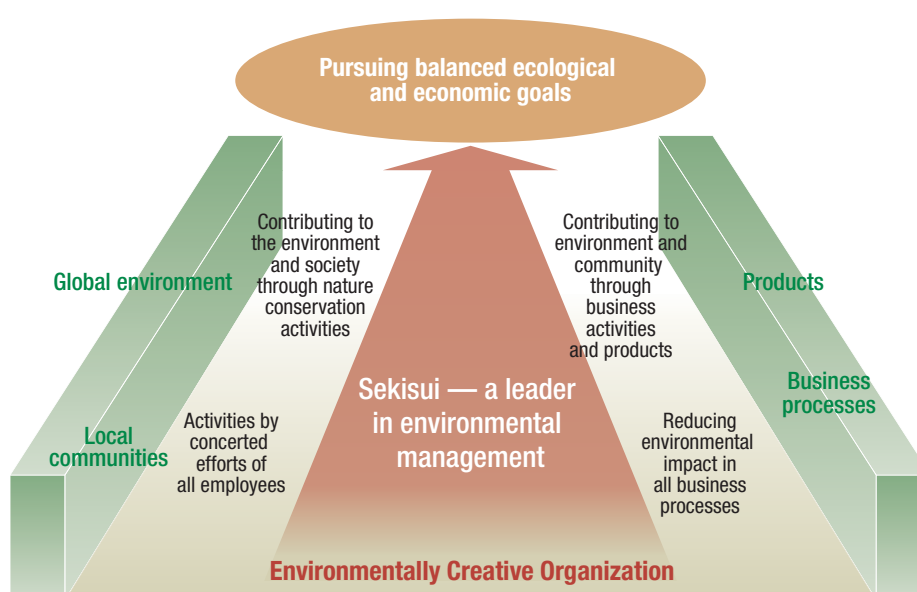
Within the workshop the participants could share ideas and opinions and it helped to bond the participants together, giving us the nice feeling of being part of the same company, a company that is living Corporate Social Responsibility.

For the future of Sekisui Chemical group's CSR management I expect a stronger involvement of the overseas companies and more local activities shared by the local operations, for example all companies of Sekisui Chemical in Europe.



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

To fulfill our aim of being a sustainably-growing “environmentally creative organization,” we will make an effort to successfully balance ecology (caring for, contributing to our global environment, and living in symbiosis with the local environment) and economy (ensuring economic benefits for both customers and enterprises). These activities represent Sekisui Chemical Group’s environmental management and we believe that by becoming a pioneer and leader in this field, we hope to win the enduring trust of society at large.



Sekisui Chemical Group’s Environmental Management Policy is available on our website.



## New Midterm Environmental Plan: Environmental Top Runner Plan SHINKA!

### A new plan formulated to envision our targets for fiscal 2030 and work toward realizing them

#### Our vision for 2030 and the New Midterm Environmental Plan: Environmental Top Runner Plan SHINKA!

#### Chemical Group has formulated a new midterm environmental plan

To achieve the targets of the Environmental Top Runner Plan, a midterm environmental vision detailing the targets to achieve by fiscal 2010, Sekisui Chemical Group formulated and acted as described in our Environmental Top Runner Plan Part 1, a midterm environmental plan covering a period of three years. As a result, in the final fiscal year of that plan, fiscal 2008, we were able to achieve ahead of schedule its targets for fiscal 2010 in terms of both the Sekisui Eco Value Index, our own independent gauge for measuring the efficiency of environmental management activities, and carbon-dioxide

emissions.

While we planned beginning in fiscal 2009 to continue working toward achievement of the targets for fiscal 2010 under our Environmental Top Runner Plan Part 2, in light of our achievement of the main targets ahead of schedule we have decided to formulate and deploy the “New Environmental Top Runner Plan SHINKA!,” midterm environmental plan covering the five-year period through fiscal 2013 [→ P.21](#).

In formulating this new plan, Sekisui Chemical Group has clarified the long-term vision we need to achieve by 2030 and identified this new plan as the first step toward realization of this vision.

#### The “Sekisui Eco-Frontier 2030” vision for 2030: aiming to achieve a society on the environmental frontier

By 2030, Sekisui Chemical Group aims to achieve a society on the environmental frontier. This refers to a society in which environmental awareness and environmentally-friendly lifestyles become broadly and firmly established among people and both businesses and governments recognize the environment to be one of their most important values.

We will contribute to reforming society into a low-carbon one and to structuring of a recycling-based society, by minimizing the environmental impact of our business activities and continuing to provide customers with environment-contributing product as well as encouraging similar efforts in society at large.

#### Preventing global warming /energy: Achieving carbon negativity

Minimizing greenhouse-gas emissions attributable to business activities

Making real or even greater energy saving and energy creation effects during product use

#### Resources/materials: Contributing to creation of resource recycling systems

Minimizing resources used, minimizing wastes generated at all sites in Japan and around the world

Broadening resource recycling systems (reuse and recycle)

#### Biodiversity: Consideration for biological diversity

Minimizing the impacts of business activities, products and services on ecosystems

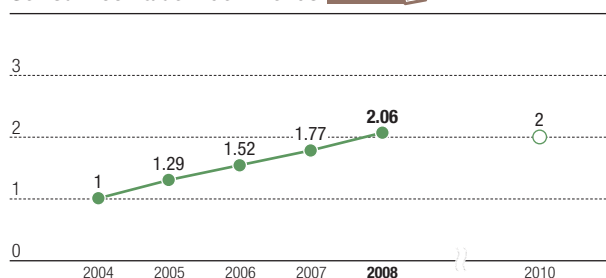
Contributing to preservation of biodiversity

#### Sekisui Eco Value Index — a Criterion for Environmental Management

#### Aiming to achieve even greater improvements in environmental efficiency

In fiscal 2008, the Sekisui Eco Value Index, Sekisui Chemical Group's independent gauge for measuring the efficiency of our environmental management activities [→ P.69](#), stood at 2.06 times the fiscal 2004 level. As a result, the Group already has achieved its target for fiscal 2010. The new environmental plan calls for tripling the fiscal 2007 level by fiscal 2013.

#### Sekisui Eco Value Index Trends [Verified](#)



## Overview of Environmental Top Runner Plan Part 1 and Targets of Environmental Top Runner Plan SHINKA!

### New targets established based on achievement of 16 of the 27 targets in total

In fiscal 2008, the final year of the Midterm Environmental Plan: Environmental Top Runner Plan Part 1, as shown in the table below we were able to exceed our targets for eight of the 27 targets and largely to reach our targets for another eight. That leaves 11 targets yet to be achieved.

In the new midterm plan “Environmental Top Runner Plan SHINKA!,” we have both set even higher targets for existing activities and expanded the scope of the plan in order to ensure its activities are conducted on a groupwide basis.

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

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

## Overview of Environmental Top Runner Plan SHINKA!

**Thoroughly making environmental contributions through business activities, contributing to society as a leading firm on the environment**

1. Contributions through improving environment-contributing products
2. Further reductions in environmental impacts in business activities
3. Consideration for biodiversity
4. Fostering a corporate culture with a high level of environmental awareness

### "Evaluation" Column Explanatory Note

- ◎ Outperformed target
- Performed close to target (achievement rate of about 90% to 110%)
- × Failed to reach target

## Results of efforts conducted under the Midterm Environmental Plan: Environmental Top Runner Plan Part 1 for fiscal 2006 - 2008

Targets for Fiscal 2008	Results up to Fiscal 2008 	Evaluation	Page
1.5 times (compared to fiscal 2004)	2.06 times (compared to fiscal 2004)		20
Percentage of consolidated net sales: 25% or more	Percentage to consolidated net sales: 17.4%	×	23
—	—		—
CO <sub>2</sub> emissions: Reduction of 10% (compared to fiscal 1990)	CO <sub>2</sub> emissions: 15% reduction (compared to fiscal 1990)		25
Headquarters buildings and laboratories: Power consumption; Reduction of 3% (compared to fiscal 2004)	Electricity use: 1.2% reduction (compared to fiscal 2004)	×	73
Rate of introduction of cars achieving baseline of green taxation plan of fiscal 2005: 60% or more	Rate of adoption: 75%		70
—	—		—
—	—		—
Reduction in unit energy consumption: 3% (compared to fiscal 2004)	Unit energy consumption: +/- 0.0% (compared to fiscal 2004)	×	69
Reduction in unit energy consumption: 2% (compared to fiscal 2006)	Unit energy consumption: 0.2% reduction (compared to fiscal 2006)	×	70
Reduction in waste volume generated: 25% (compared to fiscal 2004)	Waste generation: 22% reduction (compared to fiscal 2004)		27
Reduction in loss costs derived from waste materials: 5 billion yen (compared to fiscal 2005)	Loss reduction: 7.2 billion yen (Cumulative total through 2006 to 2008)		28
Sekisui Heim: 45% reduction (compared to fiscal 2000) Two-U Home: 62% reduction (compared to fiscal 2000)	Sekisui Heim: 18% reduction (compared to fiscal 2000) Two-U Home: 41% reduction (compared to fiscal 2000)	×	27
—	—		—
Headquarters buildings, laboratories: zero emissions maintained	Maintenance of zero emissions and continuation of improvement activities		71
Copier paper use at headquarters buildings: 10% reduction (compared to fiscal 2004)	28% reduction (compared to fiscal 2004)		73
—	—		—
Expansion of zero emissions at domestic production sites: five new sites added Zero emissions achieved at eight overseas production sites (Europe, North America)	Japan: newly achieved at three sites Overseas: none	×	71
Recycling rate for residential demolition wastes: 100%	Recycling rate: 94% (recycling rate of certain building materials: 99%)		71
—	—		—
Water intake reduced by 5% (compared to fiscal 2004)	14% reduction (compared to fiscal 2004)		28
VOC atmospheric emissions reduced by 40% (compared to fiscal 2000)	50% reduction (compared to fiscal 2000)		31
—	—		—
Support of nature conservation activities by NGOs : Conducted by over 5 organizations per year	Support provided for five projects at five organizations each year		64
—	—		—
Achieved at 35 or more sites (fiscal 2006 - 2008)	Conducted at 40 sites (fiscal 2006-2008)		64
Promotion of acquisition of certification of ISO14001 at eight production sites, 10 construction companies	Production: newly acquired at five sites Construction: newly acquired at one operating company	×	72
Promotion of acquisition of certification of ISO14001 at six sites in Europe and North America	Newly acquired at four sites	×	72
EMS external certification (e.g., ISO 14001, Eco Action 21) acquired by all suppliers of 1 million yen/month or more in residential building materials	Percentage of subject contractors holding external EMS certification: 61.7% (In addition, 31.7% of contractors have developed their own EMS systems)		29
Green procurement rate: 90%	Green procurement rate: 95%		30
Surveys completed at 10 sites	Surveys conducted at 12 sites. Surveys completed at 10 sites and are continuing at two sites.		32
Adoption and operation of environmental training systems (e.g., e-learning)	Environmental e-learning conducted; rate of participation: 52%	×	—
Education enrollment rate for all domestic employees and officers: 100%			—
New sites offering of Sekisui Nature Study Course: 10 or more (fiscal 2006-2008) Leadership training: 200 or more persons (cumulative total: 600 or more)	Newly held at 11 sites Leadership training: 194 persons (cumulative total: 605 persons)		30
Issued at production sites, laboratories, and housing sales companies which acquired ISO14001 certification (as of fiscal 2007)	Issued by 33 production sites and laboratories holding ISO 14001 certification Not issued by any housing sales companies	×	—
Continued implementation at 10 domestic production sites	Conducted at two domestic sites	×	—

## Environmental Top Runner Plan — Core Strategy (1) Expansion of Environment-contributing Products

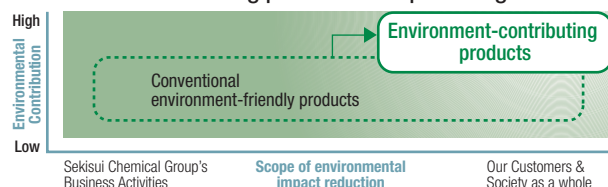
**Sales ratio of environment-contributing products to 17% in fiscal 2008 and further aiming to achieve 40% or higher in the new midterm plan**

### Approaches to Environment-contributing Products—Creating New Standards

#### We are developing and employing our own certification standards

The foundation for the philosophy of “making the ecology and economic activities compatible” found in our environmental management policies is contributing to reducing our impact on the earth’s environment through our products. For this reason, Sekisui Chemical Group considers sales of environment-contributing products to be a key indicator, and in fiscal 2006 it established and began use of its Environment-contributing Product Standards.

#### Environment-contributing product conceptual diagram



#### Environment-contributing Product Standards

##### Definitions

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

##### Scope of Application

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

### Sales of Environment-contributing Products

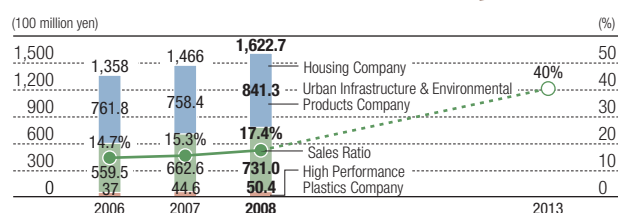
#### Aiming to increase the sales ratio to 40% in fiscal 2013

Our Environmental Top Runner Plan set the target of raising the ratio of environment-contributing products to 40% of total consolidated sales by fiscal 2010. However, in fiscal 2008 net sales of environment-contributing products totaled 162.3 billion yen, which corresponded to only 17% of consolidated net sales.

While we plan to continue focusing on promotion of development of new products, it now appears that it will be difficult to reach this target in the two years remaining. For this reason, the new midterm plan extends this

target by three years, calling for increasing the ratio of environment-contributing products to 40% or more by fiscal 2013.

#### Environment-contributing Products Sales and Sales Ratio Trends



### Toward the New Midterm Environmental Plan

#### Focusing on development of structures for energizing product development

In working toward achieving the targets of the new midterm plan, in the future we will thoroughly develop structures for promoting the creation of new products to serve as pillars of the next generation, such as incorporating design reviews in the development and

design stages and reviewing definitions from an objective point of view, in addition to making progress in expanding sales of existing environment-contributing products.

In addition, we also plan to make efforts to express matters such as economic effects more objectively in the use stage and to develop structures for earning the trust of society.



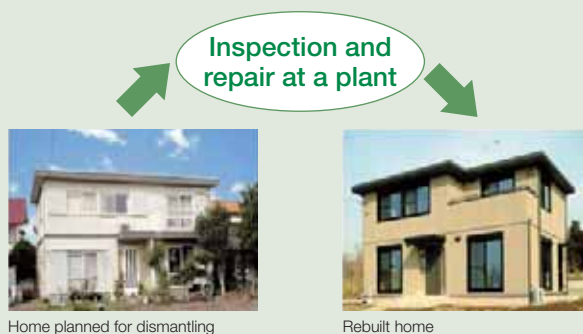
## Case study

## Housing Company

## Reuse System House (URU)

The Reuse System House program is a system under which when a resident of a Sekisui Heim rebuilds, the disassembled Sekisui Heim is hauled away to a production plant where it is inspected and repaired for continued use by new residents in a new location.

The Reuse System House program takes advantage of the strong points of the modular approach and factory production to replace interior finishing materials and fixtures while reusing materials such as the structural frame and foundation materials. This contributes to reducing wastes by making it possible to reuse approximately 85% of the structure.



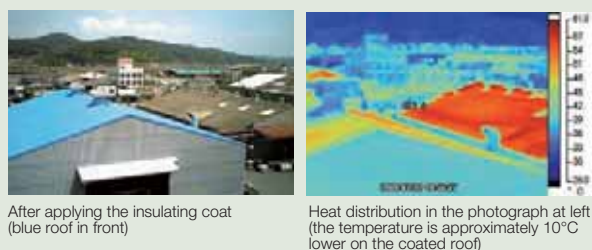
## Case study

## Urban Infrastructure &amp; Environmental Products Company

## Solar heat insulating and radiating paint, Sekisui Protectcoat

Sekisui Protectcoat employs special heat-radiating materials with strong heat-exchange performance, included in the coat, to radiate most of the heat from sunlight into the atmosphere, keeping down the temperature increase on the coating surface. This helps reduce carbon-dioxide emissions by keeping down the temperature increase inside the building and keeping down use of energy for air-conditioning.

Comparative experiments using a container house showed that this coating reduced power consumption while using air-conditioning during the summer by approximately 15%, while power consumption remained the same as with ordinary paint when using heating during the winter.



## Case study

## High Performance Plastics Company

## Ultra-weatherproof grade of modified silicone sealant

Exterior materials on homes and other buildings include materials such as ceramic and other types of siding, ALC board, and concrete. Large amounts of silicone sealant are used in adhesion of these materials and on joints. Sealant used on exterior joints needs to be weatherproof and to have water-tightness to help ease deformation of exterior materials.

This ultra-weatherproof grade of modified silicone sealant can demonstrate roughly double the durability (lifespan) of previous sealant, for example by withstanding with very little changes even 4,000 hours of weatherproofing tests using ultraviolet rays. This sealant also is resistant to problems such as discoloration, soiling, cracking, and deformation, contributing to extending the length of time between building

repairs and keeping down the generation of unnecessary wastes.



Ultra-weatherproof grade of modified silicone sealant

## Environmental Top Runner Plan — Core Strategy (2) Preventing Global Warming

### Achieving a 15% reduction in CO<sub>2</sub> emissions compared to fiscal 1990 level, and the target of a 10% reduction in fiscal 2010 achieved ahead of schedule

#### Way of Thinking Towards Prevention of Global Warming

##### Working to reduce carbon-dioxide emissions across various stages from product development through use

In light of the fact that we have entered the First Commitment Period under the Kyoto Protocol (2008 - 2012), national and local governments are accelerating their efforts to prevent global warming, such as amending energy-related laws and strengthening regulations.

While businesses should rightfully work to prevent

global warming in accordance with laws and regulations, we believe there is added value in carrying out our own efforts extending beyond the scope of the relevant legal framework.

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

#### Efforts toward achieving the targets of the Midterm Environmental Plan: Environmental Top Runner Plan

##### Activities at the Production Stage

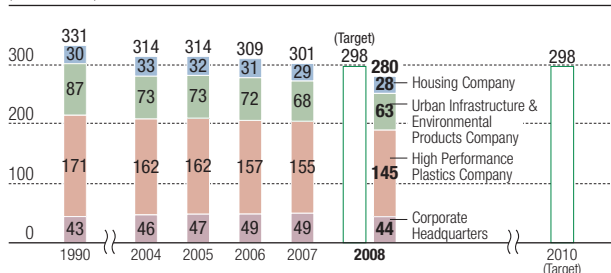
##### Aiming to be a plant with a low level of carbon-dioxide emissions by thinking about energy-conserving production methods at all times

We have established the overall target for fiscal 2010 of reducing carbon-dioxide emissions from energy use generated at the production stage in Japan by 10% compared to the fiscal 1990 level, and we have advanced activities toward achieving this target.

When in fiscal 2008 we took on the challenge of achieving this target for fiscal 2010 ahead of schedule, thanks to proactive improvement activities backed by the CO<sub>2</sub> Reduction Equipment Investment Promotion Measures we were able to achieve a reduction of 15% compared to the fiscal 1990 level. While it is true that this result also includes the effects of reduced production due to the global economic slowdown that began at the end of 2008, we have implemented a large number of measures, and we believe that we would have been able to achieve our target even if the economic slowdown had not occurred.

##### CO<sub>2</sub> Emissions During Manufacturing Stage

(1,000 tons-CO<sub>2</sub>)

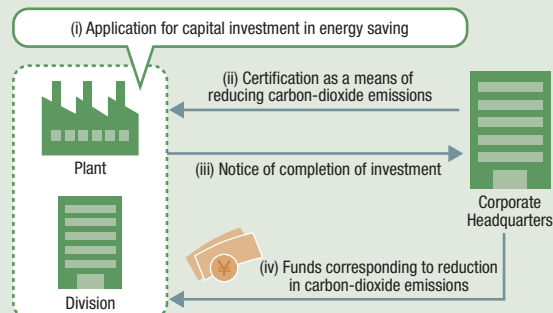


##### Case study

##### Development and Employment of the CO<sub>2</sub> Reduction Equipment Investment Promotion Measures

Ways of achieving carbon-dioxide emissions reduction targets include indirect means such as use of the Kyoto Mechanisms and Renewable Energy Certificates (RECs). However, we, Sekisui Chemical Group, have adopted the policy of reducing emissions through our own efforts.

Based on this concept, we adopted CO<sub>2</sub> Reduction Equipment Investment Promotion Measures in January 2007. Under this system, Corporate Headquarters will cover the costs of capital investment resulting in reductions in carbon-dioxide emissions, in accordance with the emissions-reduction results of such investment. This makes it possible to carry out capital investments that otherwise would have been difficult, despite their promised emissions-reduction results, due to low levels of returns.



### Activities at the Transportation Stage Employing efforts such as modal shift and joint transportation

Sekisui Chemical Group handles a wide range of products including homes, pipes and resins. It transports these products using methods suited to the package forms and characteristics of each. While this transportation is subject to a wide range of restrictions such as lead times, each shipping facility is seeking out possibilities for efforts consisting primarily of modal shifts and joint transportation, in order to reduce carbon-dioxide emissions generated from transportation.

For example, Sekisui Chemical's Tokyo Plant has shifted from its previous method of truck transportation to sea transportation of rain gutters shipped to Saga Prefecture. This has led to a reduction by one-half of carbon-dioxide emissions generated from transportation of these products.

Such efforts have achieved reductions of 0.2% in energy base units used in the transportation stage and 12% in carbon-dioxide emissions compared to their fiscal 2006 levels.

In the future, we plan to measure accurately the results of improvements made, through adopting an even more precise system of calculating carbon-dioxide emissions, and to continue consideration of similar measures, to carry out even more effective activities.

### Activities in Offices Striving to raise employees' environmental awareness

Even in its office units, which generate relatively small levels of carbon-dioxide emissions, Sekisui Chemical Group strives to reduce carbon-dioxide emissions through energy-conservation activities such as encouraging employees to turn off lights when not in use. At present, the level to which such activities are implemented still varies by office. For this reason, in the future we plan to achieve a uniformly high level of employee awareness and to vitalize these activities.

#### Case study

**Tokuyama Sekisui Co., Ltd.**

#### Fiscal 2008 Modal Shift Excellent Shipper Award received

In fiscal 2008, Tokuyama Sekisui Co., Ltd. was awarded the 11th Modal Shift Excellent Shipper Award from the Chugoku Green Transport Partnership Council. This award, given to shippers who have achieved results through proactive implementation of modal shifts, was presented in recognition of Tokuyama Sekisui's aggressive modal-shift efforts, such as its overall shift of shipping of polyvinyl chloride from truck to rail transportation.



Hiromitsu Kihara, Junko Sato, Tomomi Miyata, Mitsuo Matsumoto  
(From the left) Operations Department  
Polymer Manufacturing Division  
Tokuyama Sekisui Co., Ltd.



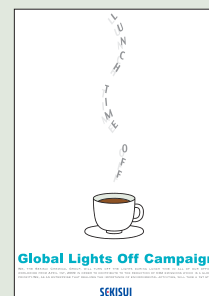
Loading products to rail containers

#### Case study

#### "Lights-out at Lunchtime Worldwide Campaign"

The "Lights-out at Lunchtime Worldwide Campaign" began in April 2008 at Sekisui Chemical Group facilities worldwide. At the headquarters buildings in both Tokyo and Osaka, this activity has resulted in a reduction of 37 tons in carbon-dioxide emissions in comparison with the fiscal 2007 level.

This activity will continue in fiscal 2009 as well.



Campaign promotional poster

## Toward the New Midterm Environmental Plan

### Accelerating reductions in emissions of greenhouse gases other than carbon dioxide and thoroughly implementing activities across all business domains

The issue of global warming already has reached the stage where the framework of simply reducing carbon-dioxide emissions through energy conservation is not enough. We believe it is our responsibility as a company to reduce emissions of other greenhouse gases as much

as possible as well, no matter how large or small the reduction in such emissions.

For this reason, under our new midterm environmental plan beginning in fiscal 2009 we will strive to reduce emissions of all greenhouse gases. In addition, we also will advance activities across all business domains from purchase of raw materials through products, by intensifying our existing approach to the supply chain.

## Environmental Top Runner Plan — Core Strategy (3) Efficient Utilization of Resources

### Reduce amount of generated waste by 48% compared to fiscal 1998 level

### Striving to use resources efficiently based on 3Rs, namely reduction, reuse, and recycling

#### Concept for Efficient Utilization of Resources

#### We have adopted the group-wide 3R approach

Sekisui Chemical Group uses various resources in the production of our products, which inevitably leads to the generation of waste, such as scrap materials at plants and construction sites. Furthermore, our products themselves,

after being purchased and used, generate waste. Therefore, we have adopted the 3R (Reduce, Reuse, Recycle) approach in order to ensure that there is no waste in our consumption of resources and to hold down the amounts of waste we generate.

#### Reducing Amounts of Generated Waste and Putting Waste to Efficient Use

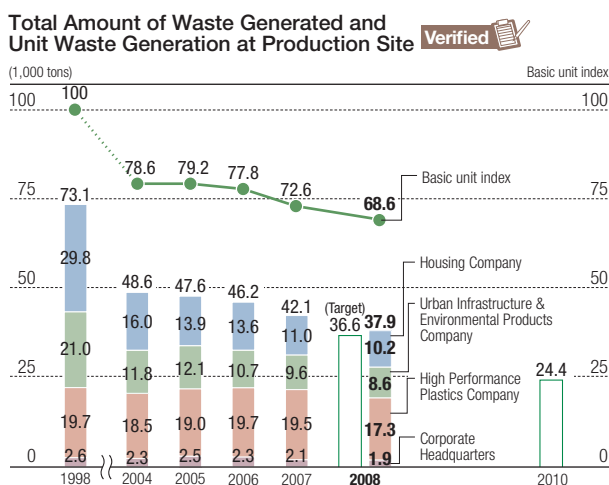
#### Expanding 3R approaches in a variety of situations

##### At Production Sites

We have been focusing on reducing and reusing generated waste materials in order to implement the efficient utilization of resources used in the production of our products.

At Group production sites, we have been conducting efforts such as reducing the amount of scrap waste generated and simplifying the packaging of raw materials through improvements in production efficiency employing the material flow cost accounting method → P.28.

Such efforts have resulted in reductions in the amount of generated waste in fiscal 2008 by 22% compared to fiscal 2004 and by 48% compared to fiscal 1998.



##### At the Construction Site

Sekisui Heim and Two-U Home are both construction methods in which the amount of waste generated at the construction site is less than that produced by other construction methods, since at least 80% of the home in each method is produced in a plant. However, even under these methods wastes such as scrap materials are generated in interior finishing construction and other processes. For this reason, through cooperation between our construction sites and plants we are working to reduce waste further through activities including reusing packaging materials and reducing excess materials produced. As a result, in fiscal 2008 we achieved a 46% reduction per house in waste generated, as compared to the fiscal 2000 level → P.71.

##### At the Office

Efforts to reduce waste are proceeding at the offices of our administration departments, sales departments, and other locations as well. In addition to our headquarters buildings in Tokyo and Osaka, since fiscal 2007 we have been expanding to key affiliate offices including Sekisui Chemical branches and sales offices efforts to ascertain and reduce amounts of generated waste.

##### Using Waste Efficiently (Zero Emissions)

Since 1998, Sekisui Chemical Group has promoted Zero Emissions Activity intended to efficiently reuse all generated waste as resources → P.71. In fiscal 2008, the Mie Plant of Sekisui Techno Molding Co., Ltd. and the Kanto Plant of Hinomaru Corp. were added to the ranks of sites achieving zero emissions.





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

### Continuing to make progress in reducing both waste and costs

Since fiscal 2006, Sekisui Chemical Group has employed Material Flow Cost Accounting (MFCA). We employ this method to promote activities that balance both economic and ecological goals by reducing both material waste and costs, through coordination with activities by Manufacturing Development Innovation.

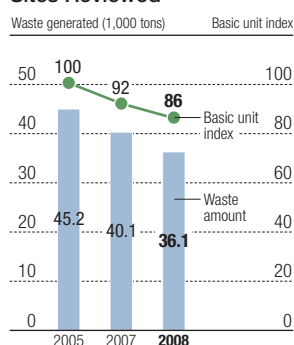
We have advanced these activities with the target of achieving a total reduction of 5 billion yen in loss costs derived from waste materials, made up of raw-material costs, energy costs, and waste-processing costs but not including information-technology costs, on a cumulative basis over the three-year period from fiscal 2006 through fiscal 2008. As a result of promoting the theme of making improvements at 35 sites and across 106 products and processes, we have been able to reduce the total amount of loss costs by 7.2 billion yen on a cumulative basis, greatly exceeding our target. In the area of waste reduction as well, the sites at which these activities were conducted reduced total waste generated by 20% and unit waste generation by 14% compared to fiscal 2005 levels.

While the second half of fiscal 2008 in particular was plagued by a large number of negative factors such as

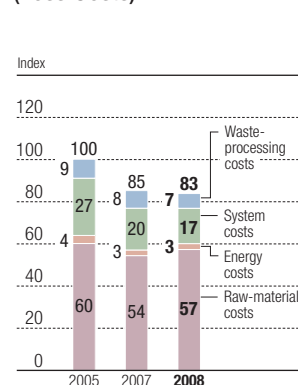
rising raw-material costs and decreasing production volumes due to the economic slowdown, the steady cost reductions that had continued since fiscal 2006 through the activities of Manufacturing Development Innovation utilizing the MFCA proved to be highly beneficial from a business standpoint.

Plans call for continuing these activities in fiscal 2009 and beyond. The new midterm plan includes a target of a cumulative reduction of 5 billion yen in loss costs over the five-year period from fiscal 2009 through fiscal 2013.

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



#### Economic Loss (Loss Costs) Verified



## Toward the New Midterm Environmental Plan

### Striving to utilize resources efficiently based on new targets

Under the new midterm environmental plan beginning with fiscal 2009, the indicator used for gauging the efficient use of resources at domestic production sites will change from total waste generation to waste per unit of production. The target for fiscal 2013 is to achieve a 40% reduction in this figure compared to the fiscal 2007 level.

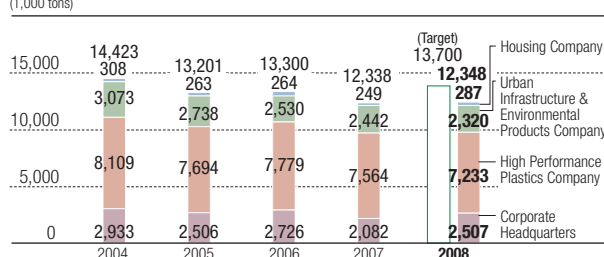
In addition, specific targets have been established and efforts are underway for reduction of wastes at overseas production sites and construction sites and at office sections in Japan and overseas. Furthermore, we also are striving to utilize resources efficiently through expanding the ranks of sites in Japan and overseas achieving zero emissions, with the target of achieving zero emissions at all sites reviewed.

## Conservation of Water Resources

### Working to reduce use of water

While water intake in fiscal 2008, in comparison with the fiscal 2004 level it had decreased by 14%, more than achieving the target in the Environmental Top Runner Plan Part 1 of a reduction to 5% less than the fiscal 2004 level. The target under the "Environmental Top Runner Plan SHINKAI" is to achieve by fiscal 2013 a reduction of 10% compared to the fiscal 2007 level. In this way, we will advance further our efforts to reduce use of the valuable resource of water.

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



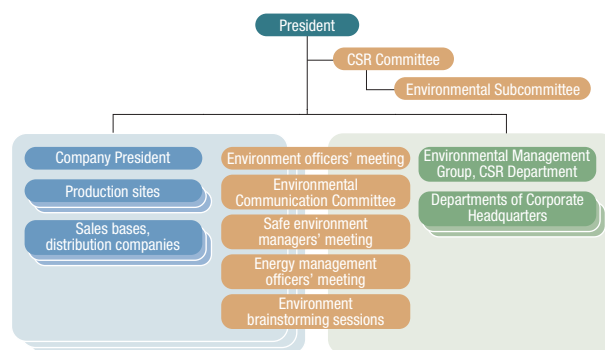
## The Foundation for Environmental Management

# Expanding the environmental management system globally and across the supply chain

## Promotion System and Roles of Environmental Management

### Structuring a system to ensure the functioning of the plan-do-check-act (PDCA) cycle

Sekisui Chemical Group's environmental management policies and targets are deliberated and decided by Environmental Subcommittee, and corporate headquarters and division companies respectively develop and implement concrete plans. Performance by corporate headquarters and respective division companies is summarized and reviewed by Environmental Subcommittee on a semiannual basis, with findings reflected in the plan for the following term.



## Structuring and Rollout of Environmental Management System

### Expanding EMS to overseas sites, offices, and the supply chain

At Sekisui Chemical Group, we have been developing our environmental management system (EMS) in an effort to carry out environment-friendly business activities effectively. As of March 2009, 76 group business sites, including sales companies, hold ISO 14001 certification. The number of employees at these business sites represents 63% of all Sekisui Chemical Group employees.

#### Extension to Overseas Business Sites

As each of our businesses has advanced overseas, we face the pressing need to deploy environmental management at a global level. Since we already have developed a structure for collecting data on environmental impacts at overseas sites, in the future we will promote aggressively improvement activities at each site.

#### Rollout to Offices

We are advancing "green office" activities through means such as promoting energy saving, recycling, reducing use of paper, and green purchasing to reduce environmental impacts at our headquarters buildings and our offices at sites across Japan. Under the new midterm environmental plan, we will promote reductions in carbon-dioxide emissions from office electricity and sales vehicle fuel, in addition to reducing volumes of copier paper used.

#### Rollout to the Supply Chains

We also are expanding EMS throughout our supply chains, including contractors. As part of this effort, the Housing Company is requiring its suppliers of residential building materials to obtain certifications such as ISO 14001 and Eco Action 21 and supporting them in these efforts.

## Environmental Audit

### Working to achieve continuous improvements through environmental auditing

In order to facilitate continuous improvements in our environmental management system (EMS) and environmental performance, in addition to internal audits and independent audits undertaken at our ISO 14001 certified business sites, we perform environmental audits

by our CSR Department.

Targeting production sites and laboratories, these audits examine the status of compliance with environmental laws and regulations, improvement of environmental performance and future plans. In addition to notifying the management of audit results, directions and guidance are provided for prompt improvement of any deficiencies.

## Consideration for Biodiversity

### Advancing efforts toward preservation of biodiversity

In April 2008, Sekisui Chemical Group revised its Environmental Management Policy to include the new perspective of preservation of biodiversity.

This is based on our recognition that all living creatures, including human beings, as well as business activities, enjoy a variety of benefits from biodiversity and that its preservation and sustainable use are key issues faced by

businesses.

At the same time, our business activities place a variety of impacts on biodiversity, and for this reason we plan, under the new midterm environmental management plan, to employ our technologies and resources to find solutions to such impacts after first assessing the impact of business activities on biodiversity and then making clear specific issues that should be addressed.

## Environmental Education

### Developing a high level of environmental awareness among all employees

We are advancing environmental education from a wide range of approaches, including specialized training and on-the-job training such as environmental e-learning, training programs for specific employee ranks, basic training programs on environmental technology, and training programs for internal auditors.

#### Expanding training programs for specific employee ranks

Until now, CSR training, including environmental training, has been provided for new employees and new members of management. Now, we will expand this training to employees of the business leader level as well. Plans also call for incorporating hands-on nature training through adoption of elements of the Sekisui Nature Study Course.

#### ■ Sekisui Nature Study Course

Since fiscal 1997, we have been conducting the Sekisui

Nature Study Course as an environmental training course with the aim of developing leaders for nature conservation activities at each site.

The sessions are designed to teach the basics of natural ecosystems and how to guide volunteer work, and the participants are engaged in nature conservation programs at their business sites. In fiscal 2008, four training sessions were held, a total of 38 employees attended the sessions, for a cumulative total of 605 employees trained since the program began.



Hands-on training out of doors

#### ■ Eco-Style Competition

A competition was held in which contestants competed to reduce carbon-dioxide emissions. This was intended to help develop the habit of ecological behavior to help save electricity, gas, water, and other resources in the office and at home. Plans call for continuing this competition in the future as well.

## System for Environmental Consideration in Products

### Thorough promotion of the Three Greening Steps

Sekisui Chemical Group is implementing its Three Greening Steps in the three business-process stages of development, procurement, and manufacturing. To promote these activities, we operate systems such as Product Assessments for Environmental Impact, Green Procurement, and Prior Assessment of Capital Expenditure at each stage.

#### ■ Greening Development (Product Assessment System for Environmental Impact)

This system is designed to develop products with reduced environmental impacts and/or products that contribute to environmental conservation and improvement. In fiscal 2008, we reviewed matters such as the subjects of compliance evaluation and assessment of chemical substances.

#### ■ Greening Procurement (Green Procurement System)

The green procurement ratio for fiscal 2008 was 95%, which surpassed the target of 90% for that fiscal year.



## Control of Chemical Substances

# Working to reduce the environmental impact of chemicals through proper control and emissions reduction efforts

## Proper Control of Chemical Substances

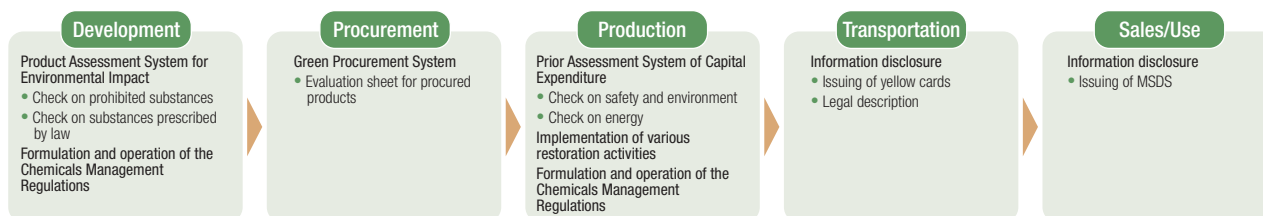
### Working towards the reduction of environmental impacts based on our proactive targets

Sekisui Chemical Group uses a large amount of chemical substances when producing its products. Therefore, we regard as important responsibilities of the Group the pursuit of product safety, occupational safety and health, and reduction of environmental impact through proper management of chemical substances.

Accordingly, we are implementing efforts such as the

Product Assessment System for Environmental Impact → P.74 and the Green Procurement System → P.30 as well as setting our own targets for reducing discharge and transfer of chemicals and eliminating our use of the most critical substances.

We also are reviewing periodically chemical substances that are candidates for control or regulation of use, based on developments such as establishment and amendment of relevant laws.



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

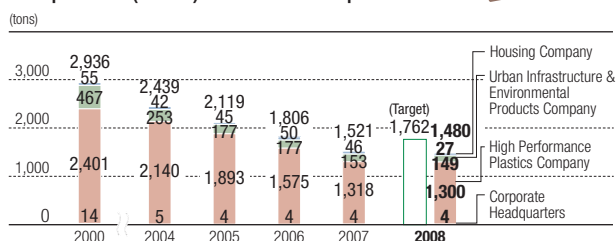
### Reduction target achieved ahead of schedule

Since fiscal 1999, we have been working to reduce discharge and transfer of environmental pollutants into the atmosphere. Beginning in fiscal 2006, we have set the new target of a 40% reduction of discharge of VOCs into the environment in fiscal 2008 compared to fiscal 2000 (50% reduction in fiscal 2010), and we are working to meet this target.

As a result, as of fiscal 2008 we achieved a 50% reduction compared to fiscal 2000.

Based on this result, the new midterm environmental plan includes a target for fiscal 2013 of a 60% reduction in discharge of VOCs into the environment compared to fiscal 2000.

### Changes in discharge of volatile organic compounds (VOCs) into the atmosphere

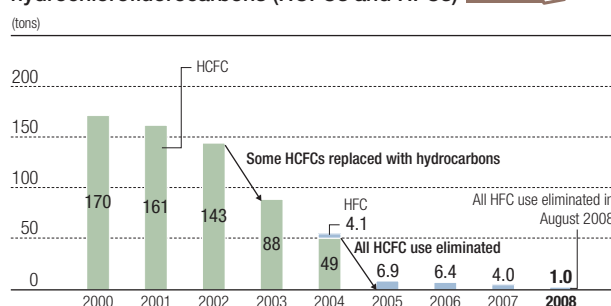


## Total Abolition of Fluorocarbons Use

### Following up elimination of HCFCs by completing elimination of HFCs

By the end of fiscal 2004, Sekisui Chemical Group had completed the total elimination of all use of HCFCs, materials that cause ozone layer depletion and that we had used in the past as foaming agents, and replaced these with HFCs, which are not harmful to the ozone layer. However, although the HFCs we used are not designated as greenhouse gases under the Law for the Promotion of Measures against Global Warming, they did have strong greenhouse effects. For this reason, for these substances as well we worked to develop alternative technologies and switch to alternative substances, achieving total elimination of HFCs in August 2008.

### Changes in use of hydrochlorofluorocarbons (HCFCs and HFCs)



## Environmental Risk Reduction

# We will strive to achieve a level of zero environmental risks by working to prevent generation of pollutants while preventing the spread of pollution in the event of an emergency

### Preventing Pollution

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

#### Preventing Air Pollution

In fiscal 2007, the co-generation system of Sekisui Chemical's Shiga Minakuchi Plant was renovated and its fuel source switched from heavy oil A to city gas. As a result, the plant was able to achieve massive reductions in its discharge of NOx and soot. In the future, the plant will maintain current levels of performance → P.74.

#### Preventing Water Pollution

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

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

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

### Environmental Incidents and Complaints

Although in fiscal 2008 there were two spillage incidents off site, each of these was only a minor case. Permanent measures to prevent the reoccurrence of such cases have been completed. In addition, while we received eight complaints regarding the environment in fiscal 2008,

measures to prevent the reoccurrence of such cases have been completed for all of these cases → P.74.

### Emergency Response

In order to prevent emergencies and to prevent the occurrence and spread of environmental contamination in the event of an emergency, at least once every year each of our business sites carries out emergency response drills, assuming a variety of hypothetical cases relevant to the nature of each business site. Drills conducted in fiscal 2008 are outlined in the table below.

Emergency response and reporting drills

Simulated emergency situation	Drills performed
Leakage and outflow of oils	55
Atmospheric discharge of solvents	2
Fire	47
Earthquake	4
Emergency communication training	5
Comprehensive disaster preparedness drills	3
Responding to other equipment-related emergencies	9

### Business Site Soil Investigations

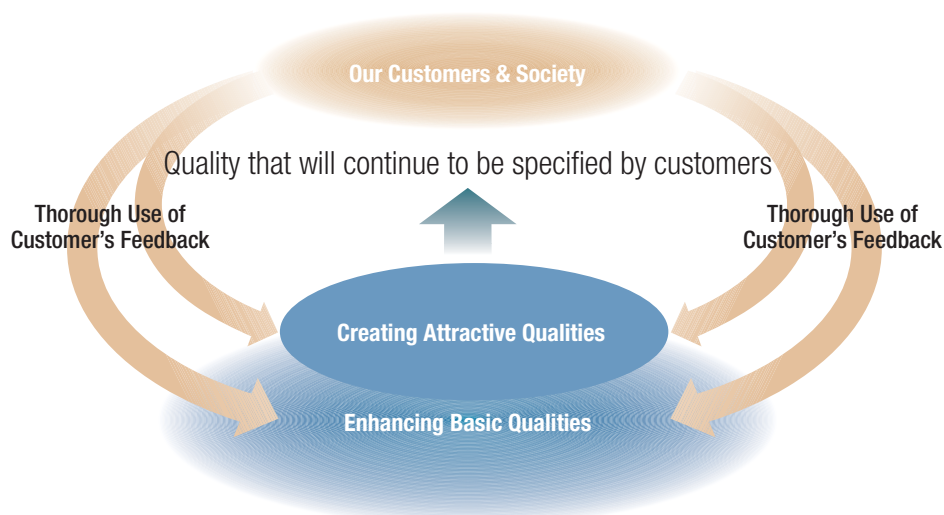
In fiscal 2008, we conducted surveys compliant with the Soil Contamination Countermeasures Law at seven business sites and completed five of these → P.74. At the Sekisui Chemical Co., Ltd. Minase Site and the Sekisui Seikei Ltd. Hyogo Plant, no values in excess of standards were found as a result.

At three sites — the Sekisui Chemical Musashi Plant, Tokuyama Sekisui Co., Ltd., and Nishinohon Sekisui Industry Co., Ltd. — values in excess of standards for soil pollution were detected in some surface soil (no more than 50 cm in depth) on these sites. Also, while levels of lead unlikely to be caused by business activities were observed in groundwater at the Musashi Plant in excess of groundwater standards, a follow-up survey showed no results in excess of standards.

Planned countermeasures include excavating and removing contaminated soil at sites where standard values were exceeded and replacing it with clean soil.

### Continuing to provide satisfaction and create delight, aiming at quality that will continue to be specified by customers

We, Sekisui Chemical Group, consider “CS & Quality” as our central concept of management and will consistently innovate to maintain the quality of products throughout all our activities, 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. Together with social trends, customers’ levels of awareness and needs change by the minute. Based on the motto “We consider customer’s feedback as the beginning of our manufacturing,” we believe that reforming the Quality of Systems such as business processes, and the Quality of People, expressed in the actions of our employees, by identifying such changes in advance and reflecting them in our products, will improve the Quality of Products and make it possible not just to satisfy but also to delight our customers. Since fiscal 2008, we have acted under the two frameworks of Ensuring Basic Qualities that will satisfy our customers and Creating Attractive Qualities that will delight our customers, aiming at quality that will continue to be specified by customers.



Sekisui Chemical Group's CS & Quality Management Policy is available on our website.



## New Midterm CS & Quality Management Plan and Management System

### Enhancing CS & Quality Management through developing groupwide systems and structures

#### Results and Issues from the Previous Midterm Plan (fiscal 2006 - 2008) and Concepts behind the New Midterm Plan (fiscal 2009 - 2013)

##### Quality of Products are showing signs of improvements in performance figures

In fiscal 2008 external loss cost [→ P.36](#) decreased by 2.7 billion yen (37%) compared to fiscal 2004 and the Group has gradually improved Quality of Product to satisfy customers. Then, in fiscal 2008 new efforts began to achieve Attractive Qualities, by creating value that would not just satisfy but delight customers.

##### Concepts behind the new midterm plan taking effect with fiscal 2009

##### Pursuing Basic Qualities and Attractive Qualities

Under the new midterm plan (fiscal 2009 - 2013), we will realize quality that will continue to be specified by customers through improving CS & Quality Management based on the twin foundations of Basic Qualities [→ P.35-38](#) and Attractive Qualities [→ P.39-42](#).

#### CS & Quality Management Indicators for Advancing CS & Quality Management

##### Considering CS & Quality as management indicators

In fiscal 2006, Sekisui Chemical Group introduced a set of CS & Quality Management Indicators. By quantifying, measuring, and monitoring customers' evaluations of what each division company does, these indicators make it possible for us to see how much value we are delivering to our customers.

By setting these CS & Quality Management Indicators

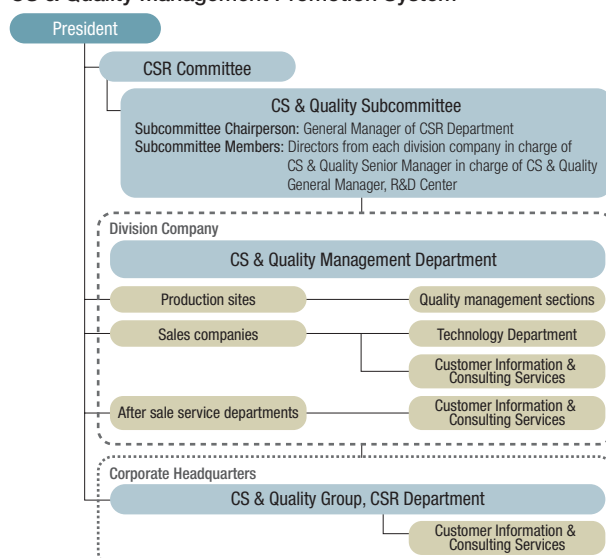
on an equal footing with management indicators such as sales and profit, our goal is to establish CS & Quality Management firmly. Moreover, based on the concept that increasing customer satisfaction levels generates new demand, we have set the CS & Quality Management Indicators as leading indicators for forecasting long-term development of our businesses. We are linking these indicators to the constant improvement of products, services, and business processes.

#### CS & Quality Management Promotion System

##### Raising the level of CS & Quality Management through coordination between sections

The CS & Quality Subcommittee established under the CSR Committee is the organization in charge of promoting CS & Quality Management. It drafts and deliberates and decides on fundamental policies and implementation plans for related efforts. Members of the subcommittee include the directors in charge of CS & Quality Management and general managers from each division company. These members ensure thorough awareness and implementation of subcommittee decisions in each of their division companies and sections. Corporate headquarters' CSR Department and CS & Quality Group monitor matters such as the status of activities at all Group business facilities, issue reports summarizing the results of this monitoring, and deploy the CS penetration program called STAR 55 program [→ P.40](#). Through these and other efforts, these sections promote CS & Quality Management on a groupwide basis.

##### CS & Quality Management Promotion System



## Enhancing Basic Qualities

# Planning and implementing a variety of efforts in all sections of the Group to realize prominent quality

## Human-resources Development and System Enhancements in Support of Quality of Products

### A three-year training program leads to reforms

In fiscal 2005, Sekisui Chemical Group formulated a Manufacturing Development Training Program Midterm Plan, which it then implemented steadily over the three-year period from fiscal 2006 through fiscal 2008. This program was intended to impart to all personnel from management through employees in each section the skills needed to perform their roles in manufacturing.

Results achieved through implementing various programs in tandem with the existing Compulsory Program for Each Level include changes in consciousness

of manufacturing safety and quality as well as related behavior.

### Manufacturing Development Training Program

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

### Manufacturing Development Training Program Midterm Plan

Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009 - 2013	
Planning, trials	Unification of training	Deployment in Sekisui Chemical Group (in Japan)			Deployment overseas
Midterm plan on quality training Formulation, trials	Restructuring of manufacturing development training	Compulsory Program for Each Level			Enrichment and expansion of training programs • Preparation for and implementing overseas deployment • Ascertaining results of training • Development of training tools
		Rank Advancement Program			
		Consolidation with HR systems			

## Group Improvement Activities Implemented Firmly on a Global Basis

### Pursuing high-quality manufacturing Verified

A small group activity that began as a Quality Control (QC) group in 1966 continues today as an activity to facilitate high-quality manufacturing. Employees in each workplace form small groups to improve production and operational efficiency and promote product quality improvements. These efforts are underway at 80 business sites of the Group in Japan and around the world, centered on production companies. The Sekisui Chemical Group Improvement Activities Report Assembly is held once per year in which teams announce exceptional results each other.

The 43rd report assembly (held in January 2009) featured 21 teams (19 from Japan and two from overseas)

selected from regional blocs, announcing the results of their activities. A group of Shikoku Sekisui Industry Co., Ltd., consisting chiefly of women employees, won the gold prize. Group improvement activities have firmly taken root at overseas companies as well, with Sekisui Voltek, LLC. from North America and Sekisui S-LEC (Suzhou) Co., Ltd. from China winning the Fighting Spirit Prize.



The presentation by gold-prize winner Shikoku Sekisui Industry Co., Ltd.



The presentation by Sekisui Voltek, LLC.

### Other continuing efforts WEB Introduced on our Website

Activity themes and items	Summary
Manufacturing-company assembly-technique information-exchange meetings	Implemented as part of efforts to raise the skill levels of Housing Company employees



## Approaches by Manufacturing Development Innovation Center of Corporate Headquarters

### Aiming to achieve innovations in manufacturing based on results and issues

Sekisui Chemical Group established the Manufacturing Development Innovation Center at Corporate Headquarters in April 2006. It is charged with the goal of creating outstanding businesses by realizing ultimate cost efficiency and superior quality. It has advanced activities to innovate in manufacturing development with the target of achieving the “three zeros”: zero claims and defects, zero accidents, and zero waste. Its performance in fiscal 2008 is shown in the table at right.

Over the three-year period beginning with fiscal 2006, the costs of responding to complaints decreased due to measures such as design improvements and responding swiftly to customers. With regard to the number of occupational injuries, the number of accidents decreased thanks to efforts such as special safety training for site managers. Wastes decreased too, as a result of efforts including design improvements and improvements in production processes.

The Manufacturing Development Innovation Center also works to reduce loss cost through steps such as productivity improvements, achieving a reduction of approximately 3.7 billion yen year on year in fiscal 2008, as an indicator of manufacturing development innovation. However, the cumulative reduction amount compared to fiscal 2005 was no more than 12.4 billion yen, due to

the impact of decreased demand and rising raw-material prices. This represented a failure to reach the target of 1.5 billion yen.

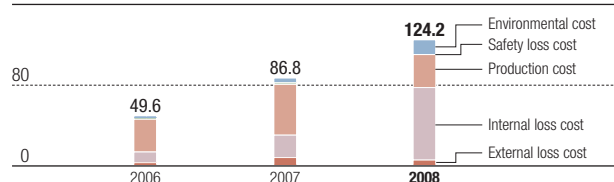
In fiscal 2009 and later, the Center will work to deepen the efforts already made and to advance new production innovations.

#### Results of “three zero” activities (Compared to fiscal 2005)

Item (indicator)	Fiscal 2008 performance
Claims (claim handling costs)	23% reduction
Accidents (number of occupational injuries)	14% reduction
MFCA loss-cost reduction	7.2 billion yen (three-year cumulative total)

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

(100 million yen)



#### \* Manufacturing Development Innovation Indicators:

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

## Quality Management System Supporting Basic Qualities

### Employing a quality-assurance system suited to business characteristics

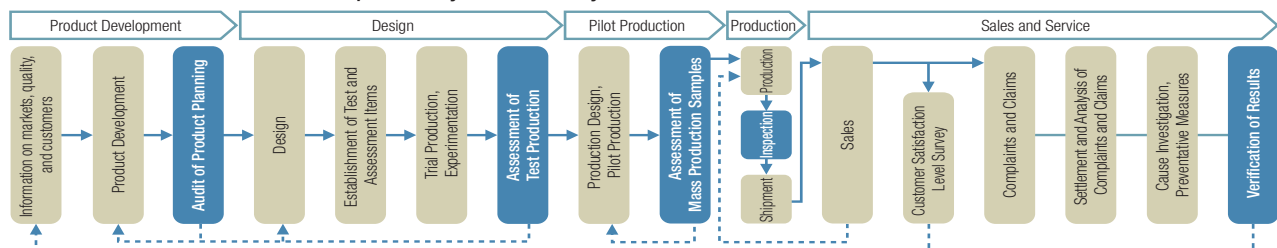
Sekisui Chemical Group strives to control the quality of its products at every stage of the production and marketing process. Each section has a quality-assurance system for its products and services, and in each process we promote controls on a daily basis following the Plan – Do – Check – Act (PDCA) management cycle. Moreover, in developing products and making improvements to quality,

we conduct necessary screening from a variety of different aspects, such as quality assurance and product safety.

We also are encouraging our business sites to become certified under the ISO 9001 international standard on quality assurance and quality management.

Due to factors including restructuring of business sites, the total number of Sekisui Chemical Group business sites and departments certified under this standard rose to 77 in fiscal 2008 (as of March 2009) [→ P.76](#).

#### Overview of Sekisui Chemical Group's Quality Assurance System



## Structure Toward Ensuring Product Safety

### Striving to secure safety through establishment of our Guidelines for Independent Action on Product Safety

In May 2007 a revised Consumer Products Safety Law took effect, calling for manufacturers and other sellers of products to report serious product-related incidents to the government within 10 days, and for the government to disclose related information swiftly. In response to this legal amendment, in August 2007, Sekisui Chemical Group established its Guidelines for Independent Action

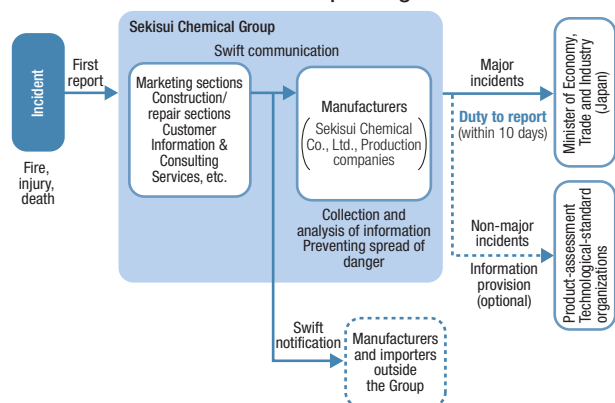
on Product Safety and posted these to its website. We also established flows for responding to product-related incidents as new in-house rules. Then, in accordance with these activity guidelines all sections, including development, manufacturing, marketing, and maintenance units, make repeated efforts to improve the Quality of Products and the Quality of Systems.

 **Guidelines for Independent Action on Product Safety**  
[http://www.sekisui.co.jp/safety\\_action/index.html](http://www.sekisui.co.jp/safety_action/index.html)

#### Overview of the Guidelines for Independent Action on Product Safety



#### Overview of the workflow for responding to serious incidents



## Efforts to Deliver Safety and Security to Customers

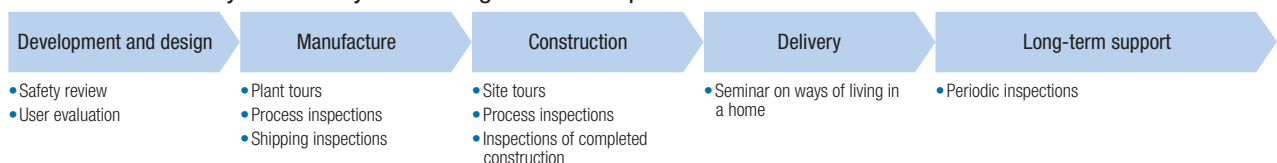
### Efforts at the Housing Company Thorough safety inspections and enriching communication of information

Giving top priority to the security of the customers who use its products, the Housing Company is implementing efforts to deliver safety and security at each stage from product development and design through after-sales service.

It conducts safety reviews at the development and

design stage for new products, tours to give participants a true feel for the careful manufacturing development and thorough inspections conducted in the manufacturing and construction stages, seminars on ways of living in a home to describe key points concerning ways of living in homes, and periodic inspections to enable residents to live in their homes safely and comfortably.

#### Efforts to ensure safety and security at each stage of business processes



Safety review



Process inspections (manufacturing)



Seminar on ways of living in a home



Periodic inspections



### Efforts in development and design sections Aiming to eliminate design errors through Seminars on Proactive Measure

Aiming to prevent errors at the development and design stage through not just relying on individual skills and experience but also organizational efforts using systemic methods, we have started offering Seminars on Proactive Measure for employees in development and design sections.

These seminars are made up of lectures conducted by specialist university professors and design exercises conducted by participants. These exercises improve the effectiveness of the seminars, as each participant uses his or her own section's products as case studies. In fiscal 2008, three seminars were held for Sekisui Hometechno Co., Ltd. and Sekisui Chemical's Housing Company, with a total of 77 participants.



A university professor guides group exercises

### Efforts in manufacturing sections Work Routine Management Seminars and QC Caravans begun

Failure to manage work routines thoroughly in manufacturing workplaces, such as those of noncompliance with work standards and deficiencies in written standards, can lead to significant quality problems. For this reason, starting fiscal 2008 the following two efforts launched in manufacturing sections, with the goals of alerting managers in each workplace and promoting thorough management of work routines.

#### ■ Work Routine Management Seminars

In July 2008, two Work Routine Management Seminars targeted at manufacturing and quality-control managers of the section-manager level, were held for 111 participants. In these seminars, information was shared on the current state of work routine management in each workplace, based on the results of surveys conducted in advance. Later, Noriaki Kano, professor emeritus at the Tokyo University of Science gave a lecture and participants took part in group discussions and presentations. Group discussions featured issues each participant faced in work routine management, their backgrounds and causes, and solutions, as well as presentations. Participants reflected the content of these



A lecture by professor emeritus Noriaki Kano

presentations in their workplaces' activity plans for the second half of the year.

#### ■ QC Caravans

QC Caravans have begun as a measure to follow up the Work Routine Management Seminars. Manufacturing sites across Japan were grouped into 11 regional blocs, subject sites chosen from each bloc, and the QC Caravans visited each in succession.

In fiscal 2008, these were conducted 11 times from October through March, with a total of 130 persons taking part. In each, manufacturing and quality-control managers of the section-manager level from each bloc visited the subject sites to tour them and identify cases for learning by example as well as issues faced. Then, participants reported to each other on the state of work routine management at each site and discussed points on which they should learn by example as well as points for improvement. Through observing and discussing the actual workplaces and articles in each site, participants were able to identify and learn about points that could lead to practical implementation, such as the importance of work standards. Future plans call for expanding this program to managers of assistant manager level as well, and for conducting it at different sites each year.



Checking written standards and inspection sheets

### Efforts shared by all sections Sharing and utilizing product-safety information

To implement product safety on a continuous basis, in fiscal 2007 we opened an intranet product-safety site.

This site features a series of information on incidents involving other companies, from sources such as the website of the Ministry of Economy, Trade and Industry (Japan), considered to be related to Sekisui Chemical Group's businesses and products. Such information consists of details of such incidents as well as lessons that can be learned from them. By showing the true nature of risks, this site enables users to get a feel for whether businesses and products are safe for customers and contractors and for what kinds of matters should be given attention. Such information is utilized in product safety activities in development and manufacturing workplaces, to prevent incidents from occurring.

### Other continuing efforts



Introduced on our Website

Activity themes and items	Summary
Customer-support services in response to disasters	Checking customer safety, assisting in recovery, etc. in cases such as typhoons and earthquakes

**Advancing human-resources development and systems-development efforts to continue increasing the attractiveness of our products and services**

The starting point of manufacturing development is customer's feedback



& Consulting Services is stored in the Hayamimi Network in-house database, where it can be viewed by related sections such as those involved in product development and by management.

In fiscal 2008, Sekisui Chemical Group employees were surveyed about their use of the Hayamimi Network. Results showed that employees referred to the Hayamimi Network for examples of customer-service cases, and hints on product development.

Verified 

was gathered from a wide range of perspectives. Efforts were made to gather frank feedback through the way these meetings were held as well, through means such as conducting individual visits and coordination with events held for residents, in addition to roundtable discussions held in meeting venues.

These CAT Meetings not only gather feedback helpful in development of products and services and in improving quality but also lead to increased customer satisfaction through dialogue.



Activity themes and items	Summary
Customer Satisfaction Level Survey	Each division company's business sections, sales companies, and other organizations survey customers
CS & Quality opinions board	An intranet bulletin board on which Group employees can freely post and view each other's opinions
Basic vocabulary knowledge for effective communication with customers	Posting on the intranet examples of frequently or easily misunderstood terms as well as hints and case studies for earning trust

## Case Studies of Products that Contribute to Solving Problems Faced by Society

### Case study

#### High Performance Plastics Company Sekisui Medical Co., Ltd.

##### Daiichi oxidized LDL ELISA kit helps prevent serious conditions among diabetes patients

Due to factors such as the adoption of Western diet, cases of diabetes, a lifestyle-related condition, are on the increase in Japan as well. It is estimated that 22.1 million people across Japan may have or be at risk for diabetes (according to a fiscal 2007 national health and nutrition survey by Japan's Ministry of Health, Labour and Welfare). Since diabetics have a high risk of developing myocardial infarction and there are many apparent cases in which the condition worsens without any visible symptoms, swift identification and treatment are important.

In response, in fiscal 2008 Sekisui Medical Co., Ltd. introduced its Daiichi oxidized LDL ELISA kit. This product is the world's first in-vitro diagnostic agent that measures oxidized LDL, which can cause and promote hardening of the arteries. Since it makes it possible to detect and measure the density of oxidized LDL in the blood, it promises to contribute to preventing severe cases through early treatment and to observing the course of treatment, enabling doctors to foresee the risk of coronary conditions such as myocardial infarction.



Measuring oxidized LDL. Specimens involving risk are highlighted in yellow.



Kazuo Kotani

Marketing Department,  
Diagnostic Reagents Division,  
Diagnostics Business  
Sekisui Medical Co., Ltd.

### Case study

#### Urban Infrastructure & Environmental Products Company Sekisui Hometechno Co., Ltd.

##### The Rakuyoku Rakuza modular bathing unit, suited to today's aging society

Forecasts predict that by 2015 the population aged 65 or above will increase by 25% in Japan. At the same time, under changes to the nation's long-term care insurance system elderly people are being encouraged more and more to spend the rest of their lives at home as a last dwelling instead of in care facilities. As such, demand is growing for baths that enable people to bathe comfortably and easily at home.

In anticipation of this future intensification of the trend toward an aging society, Sekisui Hometechno Co., Ltd. has introduced the Rakuyoku Rakuza modular bathing unit, designed to take into consideration the weakening with age of vision, leg strength, and grip. Utilizing the ergonomic knowledge it has accumulated, Sekisui Hometechno has realized a design that enables easy seating, grip, washing, and soak, and is easy to get into and out of. Evaluated highly as a universal design attractive for accessibility to a wide range of users, this unit also has won the Good Design Award, Japan's sole comprehensive design assessment and endorsement system.



The Rakuyoku Rakuza modular bathing unit



Hiroyuki Saito

Development Department,  
Business Integration Division  
Sekisui Hometechno Co., Ltd.

## Fostering a CS Culture

### Implementing the STAR 55 program at affiliates that joined Sekisui Chemical Group

Sekisui Chemical Group has been rolling out a CS awareness penetration program called STAR 55 since fiscal 2002. In fiscal 2008, in addition to the new employees and newly appointed managers to whom the program has applied each year, it also was applied to leaders of each section in Sekisui Medical Co., Ltd.\*, which was established in April 2008. A total of 79 persons took

\* Sekisui Medical Co., Ltd.: A new company established through consolidation of the medical businesses of Sekisui Chemical, under Daiichi Pure Chemicals Co., Ltd., which joined Sekisui Chemical Group in October 2006

part at four venues located in plants, research centers, and other facilities. Participants noted that through this program they had come to recognize the importance of clearly sharing objectives and goals and that it provided a good opportunity to think anew about the significance of their own newly established sections.



Conducting the STAR 55 program

## Toward Creation of New Products and Services with Attractive Qualities

### Developing of human resources responsible for creation of Attractive Qualities

To continue creating Attractive Qualities, it is essential to develop the human resources to carry it out. For this reason, Sekisui Chemical Group began in fiscal 2008 implementing measures to develop large numbers of human resources capable of anticipating the values that will be in demand among customers and society in the future and creating and providing attractive products and services.

In addition to holding our Creation School and CS & Quality seminars for young planning and development staff, we also have developed an intranet site known as Miryoku Hinshitsu Monogatari, or "The Story of Attractive Qualities." Through these means, we will continually develop human resources.

### System developed for visualizing existing examples of Attractive Qualities

In aiming to create new Attractive Qualities, it is very important to ascertain the value that existing products and technologies provide to customers and society and the degree to which this value is transmitted. To put this into practice, in fiscal 2008 Sekisui Chemical Group adopted a new system known as the Attractive Qualities Screening System.

The goal of this system is to have outsiders assess objectively the company's own products and technological abilities and rediscover their attractiveness. In addition to utilizing the results of assessment in future planning and development efforts, they also will help motivate and develop confidence in the personnel responsible for each product and service.

## Developing the Next Generation of Human Resources to Create Attractive Qualities

### Training personnel to open up new frontiers in our Creation School training sessions

In fiscal 2008, Creation School public training sessions were held for the young and mid-level employees charged with opening up new frontiers in creating Attractive Qualities. With the goal of developing human resources who will understand what provides value to customers and society and generate a succession of attractive products and services, these sessions worked to improve conceptual design capabilities for creating products, technologies, and other outputs with value.

The first training term lasted from July 2008 through June 2009. For this term, 20 students were recruited in-house from the product development, technology, and sales sections of each division company. Led by Associate Professor Yuichiro Kato of the Nagoya Institute of Technology graduate school, the Creation School was held in the form of a training camp, with one session per month. Through lectures by Prof. Kato, case studies, and exercises, trainees improve their skills and sensitivity while learning about subjects such as brands and marketing.

In addition, this school also features numerous opportunities for discussions across the boundaries between trainees' companies, to provide stimuli not available in trainees' regular work routines.

Since the start of the Creation School program, trainees on their own have held



Creation School training

numerous voluntary meetings among themselves, leading to exchange of information between companies and lively discussions in the workplace. Together with specific new development ideas, activities in this first term are intended to create optimal processes that will lead to new ideas.

### e VOICE

#### I became aware of things I never noticed before

Through the Creation School activities, I realized that until now I had not understood true customer needs, since I had been satisfying customer needs only at the exterior level, focusing only in immediate returns. I have been able to get a true feel for how it is possible to create value of which we have not been aware before, through thinking thoroughly about the customer and drawing out potential needs not recognized even by the customers themselves. Also, I have been able to develop new ideas, awareness, and understanding through thinking about things together in discussions with other trainees. My time in the program has been very stimulating.



**Hyoe Takenaka**

Development Promotion Project, Kyoto R&D Laboratories, Urban Infrastructure & Environmental Products Company Sekisui Chemical Co., Ltd.

In the future, I want to work hard by putting to use what I have learned in the Creation School activities.



### Attractive Qualities Series of CS & Quality seminars held

In fiscal 2008, the CS & Quality seminars, normally held twice annually on themes concerning CS and quality in general, were held four times under the title of the Attractive Qualities Series, focusing on themes for creating attractive qualities. In addition, while in the past these seminars had been held in Tokyo only, this year they were held in both Tokyo and Kyoto to accept a larger number of participants from various locales.

These seminars featured lectures from product planning and development professionals from other firms who had worked on hit products and long-selling items, on subjects including development points of view and ideas as well as factors for success. Many participants later said that learning about other companies' experiences was helpful to them, an indication that these seminars provided opportunities for education and raising awareness through learning about case studies from other firms.

### Transmission of information begins on the Story of Attractive Qualities site

To increase motivation among young product planning and development personnel, in fiscal 2008 a site titled *Miryoku Hinshitsu Monogatari*, or "The Story of Attractive Qualities," was released on the company intranet. This site tells the story of the processes of development and introduction of hit products and long-selling products that Sekisui Chemical Group has produced so far — in other words, it describes the birth and development of a number of attractive products that have provided customers with new value and contributed to society. It aims to lead to creation of the next generations of attractive products through inspiring employee confidence by informing them about the genealogy and potential abilities of Sekisui Chemical Group and to share information on the breakthrough points in product development. Development staff have described the site as inspiring and said they cannot wait to see future installments.

## Developing Structures for Visualizing Existing Cases of Attractive Qualities

### Rediscovering the value of products and technology through the Attractive Qualities Screening System

The Attractive Qualities Screening System, intended to have outsiders assess Sekisui Chemical Group's products and technologies, began in fiscal 2008.

The Attractive Qualities Screening Committee, which conducts such assessment, is made up of six members, consisting of four outsiders (chosen from the ranks of experts, consumers, the media, and environmental nonprofit organizations) and two Directors of Sekisui Chemical. Accepting entries from each division company, this committee assesses these entries from the four perspectives of approach to customers, approach to society, technological superiority, and contributions to business performance, choosing products and technologies that have Attractive Qualities.

Entries in fiscal 2008 covered nine themes. Following presentations to the Screening Committee and screening meetings, a presentation theme "SPR and Materials, Pipe Rehabilitation Method" was chosen to receive the grand prize. All sections and teams submitting the entries on these nine themes were provided with information

including assessments from the screening process and advice for leading to improvements. Repercussions from this feedback included staff becoming aware of a number of matters for the first time through this assessment by outsiders. Future goals include using products chosen under this system to promote, both inside and outside the Group, Sekisui Chemical Group's technological capabilities and its approach to manufacturing development, to accelerate efforts to create Attractive Qualities, and to increase corporate value.



A presentation to the Screening Committee



The screening process underway in a screening meeting

### VOICE

#### I sensed a high level of potential abilities

I think this is a wonderful program for proactive verification of products and technological abilities from the points of view of outsiders, rather than a simple one-way conversation on the company's part. Through participation in this Attractive Qualities Screening System, I strongly sensed the high level of Sekisui Chemical Group's potential abilities.



Yuichiro Kato

I am certain that in the future, the strength of the attractiveness of Sekisui Chemical Group, from the perspective of society, will grow more and more.

Associate Professor,  
Department of  
Techno-Business  
Administration,  
Graduate School of  
Engineering,  
Nagoya Institute of  
Technology

### 3 The Practice of CSR Management Prominence in Human Resources

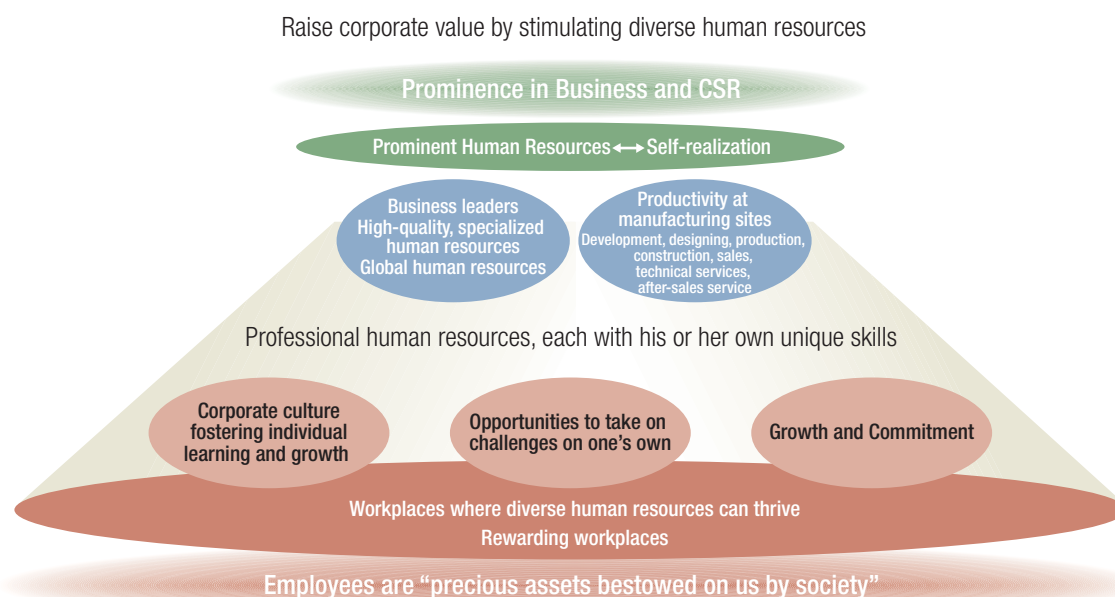


## Encouraging each employee to be ambitious and realize their own potential at work and making contributions to society through our businesses

Japanese society is experiencing a falling birthrate and a growing elderly population. At the same time, employees' attitudes towards values and lifestyles are becoming more diverse. Against this background, Sekisui Chemical Group strives to create environments where employees can work with liveliness and with a sense of safety and security based on the idea that "employees are precious assets bestowed on us by society." We have created systems and opportunities that help each employee develop their own skills and grow as professionals.

We believe that actively supporting each employee to be ambitious and realize their own potential at work will promote the further development of our organization and business, which in turn will allow us to better contribute to society.

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.



Sekisui Chemical Group's "Human Resources and Human Rights Policy" is available on our website.

## New Midterm Vision on Human Resources

# Supporting each employee to be ambitious and realize their own potential at work and creating an environment where people can thrive

### Overview of the previous midterm plan (fiscal 2006 - 2008) and concepts behind the new midterm plan (fiscal 2009 - 2013)

#### Midterm plan results and issues: Building and expanding various systems and structures

Sekisui Chemical Group based its Midterm Management Vision GS21-Go! Frontier, for which fiscal 2008 was the final fiscal year, on the three important themes of providing opportunities to take on challenges, a corporate culture fostering individual learning and growth, and refining performance-based evaluation, all supported by the basic common theme of creating diversity of work styles and safe and secure work environments. It has focused its efforts on making this vision real.

In addition to traditional intra-group job posting and recruitment for training, the Group has advanced a wide range of efforts including starting up an in-house entrepreneurship development program called the Ambition School, career advisor training programs conducted throughout the Group, appointment of Frontier Leaders 200 to make clear the ideal images for management personnel, and launching the Kirameki ("Shining") Life Promotion Office to promote women's activities in the workplace.

Through efforts such as incorporating, in January 2007, the human-resources function into the CSR Department based on the idea that employees are precious assets bestowed on us by society, the Group has developed its own unique HR structure.

At the same time, Sekisui Chemical Group recognizes that it still faces numerous issues in areas such as development of human resources from a global perspective and efforts to achieve a sound work-life balance, including normalization of working hours.

#### In pursuit of four goals based on the new midterm plan

Based on the results of and issues in the midterm plan through fiscal 2008, the New Midterm Management Plan GS21-SHINKA! taking effect beginning with fiscal 2009 is based on the four pillars of a corporate culture fostering individual learning and growth, providing opportunities to take on challenges on one's own, growth and commitment, and rewarding workplaces where diverse human resources can thrive.

These four new pillars have been established with the goal of advancing the development of a corporate culture that enables employees to experience greater growth than in the past and of not just comfortable but rewarding workplaces. In addition, since efforts for securing and developing human resources are becoming important accompanied with the accelerating globalization of Group businesses based on the new midterm management plan, the Group intends to implement various efforts toward these goals while taking into account that global human resources are areas of focus in the plan.

In the future, Sekisui Chemical Group will further enhance this environment in which employees can thrive, through proactive support for individual prominence and self-realization based on the new plan (see table below).

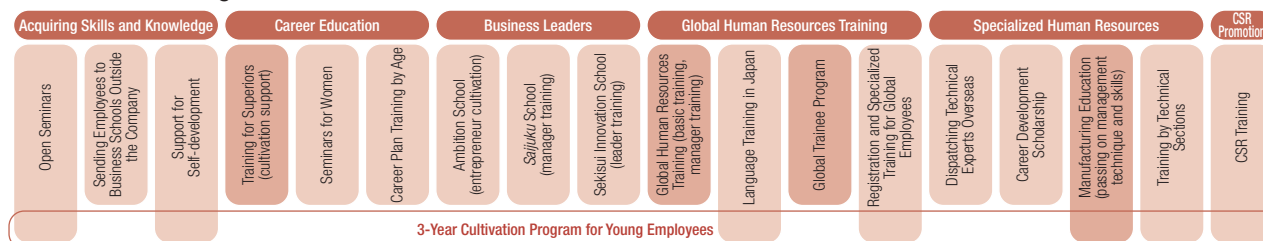
#### Main Efforts in Fiscal 2009 under the New Midterm Plan (fiscal 2009 - 2013)

Areas of focus	Main efforts
Corporate culture fostering individual learning and growth	<ul style="list-style-type: none"> <li>Group career education led by career advisors</li> <li>Implementing systematic CSR training (Frontier Leaders [core management], new key staff [new managers])</li> </ul>
Providing opportunities to take on challenges on one's own	<ul style="list-style-type: none"> <li>Development of a career entry system</li> <li>Enhancement of recruiting for positions and training</li> </ul>
Growth and Commitment	<ul style="list-style-type: none"> <li>Enhancement of training for evaluators</li> <li>Deployment throughout Sekisui Chemical Group of a training program for the first three years of employment</li> </ul>
Rewarding workplaces where diverse human resources can thrive	<ul style="list-style-type: none"> <li>Promotion of work-life balance programs</li> <li>Development of workplaces where women, older employees, people with disabilities, and non-Japanese employees can thrive</li> </ul>
Securing and development of global human resources	<ul style="list-style-type: none"> <li>Deployment of a global human-resources development project</li> <li>Enhancement of global human resources</li> </ul>

## Corporate Culture Fostering Individual Learning and Growth

### Supporting Each Employee in Developing His or Her Own Career

#### Education and training structure



### Supporting career formation and fostering independence from a wide range of angles

#### Advancing Training of Career Advisors to Support Employees in Building Their Own Careers

To provide support for employees to enable them to develop their own careers independently from a mid- to long-range perspective, efforts are underway within the Group to train career advisors who will serve as key career-support personnel, with in-house training sessions beginning in fiscal 2007. In fiscal 2008, a total of 44 persons, comprising HR and training personnel as well as managers from each organization, took part in this training. Of the 70 employees who already have completed this in-house training, 48 already have begun providing support to employees in individual workplaces, while also learning counseling skills through external training for becoming qualified career consultants.



#### Aiming to be a consultant who helps make the workplace more energetic

In addition to my main job of handling payroll operations at the Musashi Plant, I also conduct follow-up interviews with new employees. While in the past there were some cases in which new employees in manufacturing sections were unable to adapt to their jobs or their workplaces, since these interviews began two years ago there have been no cases of employees quitting less than one year after joining the company. From this experience, I have developed a strong feel for the importance of listening to what people have to say, and in 2008 I took career advisor training. In the future as well, I would like to continue efforts to be able to be somebody with whom people from all strata of the organization can consult, helping to smooth efforts to build a good culture at the plant.



**Akiko Hiraga**  
Musashi Sekiei  
Service Co., Ltd.

#### Continuing Career Plan Training by Age for All Group Employees

As an opportunity for each employee to examine his or her own career and life plans from a mid- to long-range perspective, Age-wise Career Plan Training by age is provided for employees at or near the critical ages of 30, 40, and 50 years. Over the nine years since this program began in 2001, more than 3,000 employees have taken part in this training, which also serves as a valuable opportunity for employees of similar ages to interact with each other across the boundaries separating sections and workplaces. Furthermore, this program also is meaningful as an opportunity for trainees to become aware of the diversity of ways of working and ways of viewing work, as they think deeply about and discuss with each other themes suited to their own age groups.

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

In fiscal 2006, Sekisui Chemical launched a training program on fundamental business skills and knowledge in addition to on-the-job training in the workplace, based on the concept that the first three years after joining the company are the nurturing period for employees. This program includes career training for the purpose of enabling young employees to ascertain how much they have grown during each fiscal year and to think about their visions for the future, as well as career meetings in which they can share such thoughts with their superiors. This training program was conducted at Sekisui Chemical only until fiscal 2008. However, plans call for expanding the program groupwide, focusing on the Housing Company, which has a particularly large number of young employees.

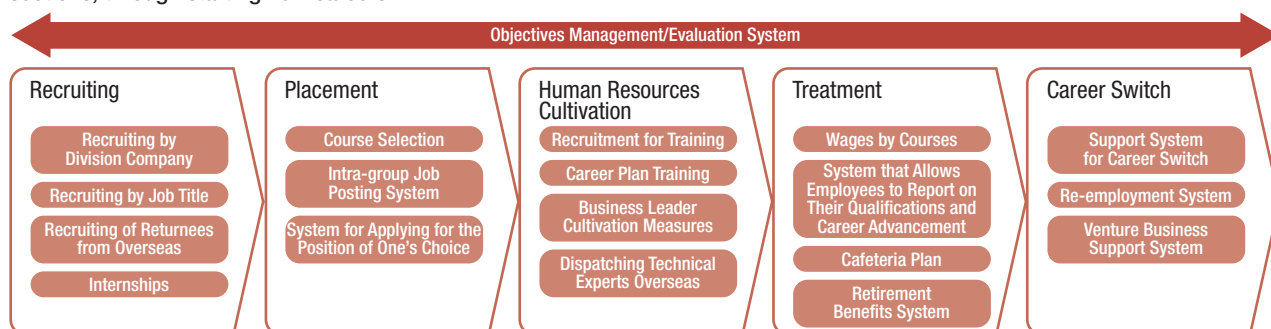




## Providing Opportunities to Take on Challenges on One's Own

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

System for supporting employees when assigned to departments after joining the company and when they move to different sections, through starting new careers



### Providing opportunities to take on challenges, to connect motivation with career development

#### A human-resources system designed to enable employees to build their own careers

Sekisui Chemical has implemented a human-resources system in which employees can apply for positions on their own, upon hiring and in cases such as subsequent transfers and promotions.

Since fiscal 2000, Sekisui Chemical has implemented division company-specific recruiting, enabling applicants themselves to choose the departments and job categories for which they apply. In addition, it has adopted an Intra-group Job Posting System for transfers that take place after hiring.

In addition, the Career Development Scholarship System was established in fiscal 2005 for employees who want to leave the company for a fixed period of time to dedicate themselves to studying specialized skills they then will employ within Sekisui Chemical Group. So far, three employees have returned to the workplace to put to use the specialized skills they have acquired through this system, and one employee currently attends a graduate course in accounting.

We also operate a system under which employees hoping for promotion can make presentations on their own business achievements and be promoted if they satisfy standards established by each division company.

#### Providing opportunities to take on challenges on a global basis

To accelerate development of the human resources essential to progress in globalization of business, the overseas training systems that had been sponsored by each division company in the past were revised to form a new Global Trainee System beginning in fiscal 2008. Broadened to cover the entire Sekisui Chemical Group, the new system

provides opportunities to experience overseas markets and different cultures directly. Through fiscal 2008, nine trainees had been dispatched to Europe, North America, and Asian countries. In fiscal 2009 as well, plans call for dispatch of approximately 10 trainees under this system.

In addition, the Dispatching Technical Experts Overseas Program continued to be implemented since fiscal 2004. This program recruits young engineers for dispatch to universities and research institutions in Europe and North America.

#### VOICE

##### Thinking on my own, and putting my ideas into practice, when faced with a challenge

I began work at a German affiliate after two months' language study overseas. I am in charge of commodity sales, just like I was when working in Japan. While I often have felt irritated at my difficulties in interacting with local personnel and customers due to differences in language and business customs, I also have been blessed with the opportunity to develop a management sensibility. For example, right now I am involved in studies for bringing a product to market.



**Kyoji Ito**

Performance Materials Division,  
Urban Infrastructure & Environmental  
Products Company  
Sekisui Chemical Co., Ltd.

Taking on challenges overseas provides an opportunity to get a true feel for my own growth over a short period of time, by thinking on my own and putting my ideas into practice.

## Growth and Commitment

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

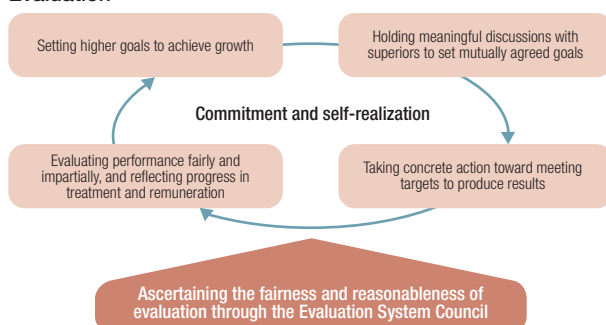
### Aiming to Improve the Impartiality and Understanding of Evaluations

#### Supporting Individual Growth for the Mid- to Long-term through Better Communication Between Superiors and Subordinates

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

For such a policy to be put into practice and take root, however, it is essential not only that the impartiality of evaluations be maintained and their credibility enhanced, but also that the company support employee efforts to achieve ever higher goals. In addition to the conventional evaluation and remuneration system, efforts to improve communication between superiors and subordinates are currently being made in order to encourage individual employee growth over the mid- to long-term.

#### Sekisui Chemical Group's Conception of Performance-based Evaluation



#### Holding Follow-up Workshops after Evaluator Training to Improve Evaluator Skills

Follow-up workshops are held for superiors who underwent evaluator training one year earlier. The program of these workshops includes tasks such as identifying

issues participants sensed in actually employing the system of management by objectives over the year, sharing among participants information on problems and areas for improvement, summarizing the conditions related to subordinates that each participant considered the most important, and looking at things from subordinates' points of view through role-playing the part of subordinates.

At the end of the workshop, participants endeavor to achieve further improvements in their evaluator skills by preparing action plans for putting what they have learned into practice in the workplace.

#### Systems That Link Achieved Targets (Results) with Remuneration and Enhance Fair and Transparent Evaluations

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

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

In fiscal 2008, following the interviews with the Frontier leaders in each department and results of surveys conducted so far, revisions are now underway from the perspective of improvements in mid- to long-term cultivation of subordinates and paying attention not only to results but also to the process of the results.

## Rewarding Workplaces Where Diverse Human Resources Can Thrive

### Working to build workplaces where diverse human resources can work with vitality and peace of mind

#### Promoting a Sound Work-Life Balance

##### Addressing work-life balance from three perspectives

In general, a sound work-life balance refers to conditions in which both work-related and non-work-related parts of life are fulfilled, enabling healthy and vital living in society.

Sekisui Chemical Group promotes enrichment of employees' personal lives in areas such as self-development and family life as well as enrichment of employees' lives in society through activities such as interaction with local communities and volunteer activities, to enable varied and efficient work life. It considers these to represent a sound work-life balance.

##### Establishment of a joint labor-management deliberative body

To promote and spread the above concept, in December 2008 Sekisui Chemical Group established the Work-Life Balance Committee. This committee is a joint labor-management deliberative body intended to study, on a continual basis, matters including the definition of work-life balance, methods of spreading and promoting the concept throughout the Group, and practical measures for promoting a sound work-life balance. Currently, the committee is studying measures including reductions in

working hours and encouraging employees to take paid time off.

Plans call for the committee to enhance its awareness-raising activities and make progress in verification and review of the state of implementation of related measures in fiscal 2009.



#### Working to spread awareness of work-life balance

I participated in the Work-Life Balance Committee as a representative of Sekisui Chemical Group employees. While I had not really thought about it much before, taking part in this committee gave me the opportunity to think about my own work-life balance as well.

In the future too, I hope to continue studying work-life balance.



**Fumio Nishioka**

President  
Okayama Sekisui  
Labor Union

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

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

##### Enriching work life

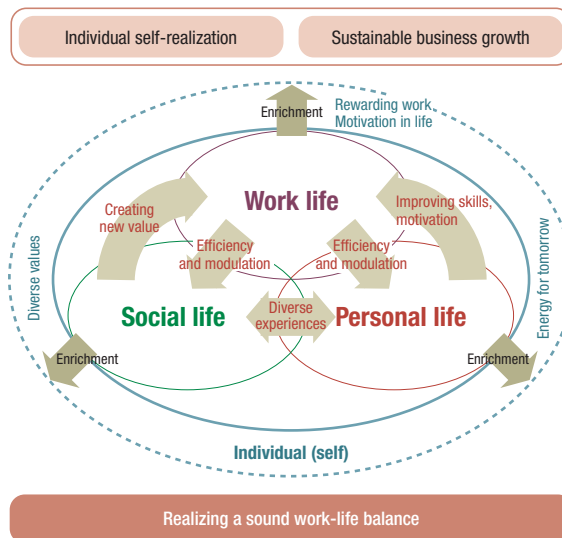
- Making work more rewarding by enabling each individual employee to polish up and use in work his or her unique characteristics and specialized skills
- Enriching individual and social life in general through varied and efficient work

##### Enriching personal life

Increasing vitality and motivation for the future, through activities including self-development and family interaction

##### Enriching social life

Broadening personal breadth by incorporating diverse value through activities such as interaction with local communities and volunteer activities



## Securing a Diverse Workforce and Supporting Diverse Ways of Working

### Making progress in building a culture that can utilize the individuality of a diverse workforce

Sekisui Chemical Group is making progress in various efforts with the goal of creating a workplace where all employees, regardless of factors such as gender, nationality, age, or employment type, can work with peace of mind and vitality. For example, the Group is advancing the expansion of its system of support for employees with children and the development of a culture in which it is easy for employees to take advantage of this system.

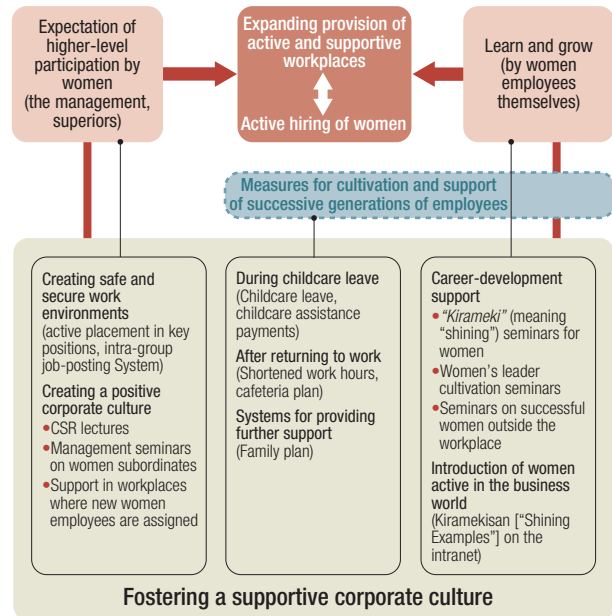
In fiscal 2008, progress was made in efforts focused in particular on women employees, non-Japanese employees, employees with disabilities, and temporary employees from placement agencies.

### Efforts to create workplaces where women can thrive achieve steady results

In January 2007, Sekisui Chemical Group began efforts to promote women's participation in the workplace, with the goal of developing workplaces where all individuals can work with peace of mind and vitality. Based on the fundamental concept of creating workplaces where women with high levels of motivation can thrive in business, a variety of efforts have been advanced, centered on the three areas of expanding proactive hiring of women employees and providing them with opportunities to thrive, developing a supportive corporate culture and supporting women's career development through holding various seminars, and measures for the cultivation and support of successive generations of employees.

In fiscal 2008, the second year of these efforts, women's percentage of new-graduate hires was 35%, surpassing the target of 30% **→ P.77**. In addition, the foundation for building a supportive culture is strengthening as, for example, the percentage of eligible persons attending seminars for superiors rose from 70% to 98 %. Furthermore, opportunities for women to thrive are growing steadily, as participants in leadership seminars for women in key (management) positions and those in assistant management positions have been promoted and the number of employees taking on the challenges of responding to recruitment for training and positions has increased. In the future, in addition to continuing existing efforts the Group will implement other activities such as those intended to help women employees establish themselves after hiring, with the goal of building a workplace even better suited to highly motivated women.

### Fundamental Concepts for Promoting Achievements of Women

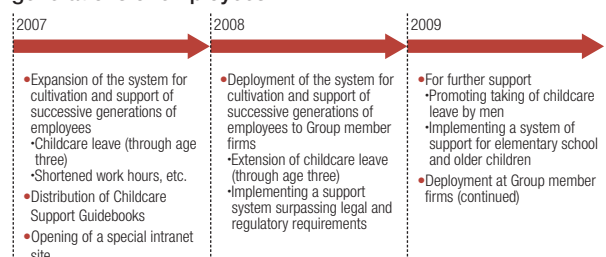


### Continual progress in cultivation and support of successive generations of employees

Respecting ways of working in response to various life events, Sekisui Chemical Group has established various types of system for cultivation and support of successive generations of employees, to enable employees to balance work and raising children without interrupting their careers. It is making progress in expanding this system and developing a corporate culture in which it is easy for employees to take advantage of the system. As a result of such efforts, in August 2008 Sekisui Chemical was certified by the Osaka Labour Bureau of the Ministry of Health, Labour and Welfare as a company satisfying planned standards under the Act for Measures to Support the Development of the Next Generation and was authorized to use the "Kurumin" logo as a symbol of such authorization.



### Overview of plans for cultivation and support of successive generations of employees





### Providing support to help non-Japanese employees thrive

As the globalization of its business further advances, Sekisui Chemical Group proactively hires non-Japanese employees. Also, it strives to develop workplaces where non-Japanese employees can thrive with peace of mind, through efforts including assigning bilingual and bicultural employees as well as those with specialized knowledge attained from overseas universities and similar personnel to positions where they can utilize these attributes to their fullest and treating such employees in exactly the same ways as Japanese employees.



#### Working to commercialize advanced technologies

While working at an architectural research institute in China, I became fascinated by Japan's advanced architectural acoustics technologies. As a result, I determined to study them myself, enrolling in an applied acoustical engineering course at a Japanese university. After joining Sekisui Chemical in 2001, I worked first in researching the Chinese market, and then I was assigned to the Housing Technology Institute where I conduct research every day to make it possible to provide products based on the latest acoustic and vibration technologies at reasonable prices.



**Yu Qian**  
Housing Technology  
Institute,  
Research &  
Development  
Department,  
Housing Company  
Sekisui Chemical Co.,  
Ltd.

### Working to develop a workplace where temporary workers too can work with job satisfaction

Currently, roughly 1,500 temporary workers are working at Sekisui Chemical Group. Under the terms of their contracts, the efforts that the employer can make with regard to temporary workers are limited by factors such as the facts that they have not signed regular employment contracts with the company and their contractual terms are limited. However, to make progress in developing a workplace where temporary workers can work with job satisfaction even under such circumstances a manual on acceptance of temporary workers has been prepared for sections accepting temporary workers. The manual is particularly intended to encourage understanding of matters such as the various company rules that are said to be bewildering to temporary workers on their first day, how to interact with temporary workers with a focus on what they are looking for when entrusted with work, and amendments to the Worker Dispatch Law. In addition,

a guidebook has been prepared for temporary workers, summarizing information temporary workers want to know and information needed to work at Sekisui Chemical Group. As a rule, this guidebook must be distributed to temporary employees on their first day of work, to support the development of an environment in which each temporary worker can work with peace of mind as quickly as possible. Also, efforts including hiring of temporary employees as permanent employees are underway as well.

### Labor-management relations emphasizing dialogue and cooperation

Sekisui Chemical Group is deeply committed to ensuring good labor-management relations based on dialogue and cooperation. For this reason, officers of affiliates' labor unions take part in events such as management meetings where the president and division company presidents explain the management situation. Such events involve fruitful exchange of opinions between labor and management on the current conditions of labor-management relations and issues faced, leading to stronger group management.

In addition, the chairperson of Sekisui Chemical Labor Union, as a representative of employees, has a seat on the CSR Committee chaired by the president. In this way, both labor and management take part in discussion of CSR Management topics, reflecting the opinions of employees as vital stakeholders.

As an effort begun in fiscal 2008, a labor-management Work-Life Balance Committee [→ P.48](#) has been established, to hold periodic discussions toward realization of a sound work-life balance for everybody who works in Sekisui Chemical Group.

### Advancing efforts related to human rights

With the recognition that it is its social responsibility to protect the human rights of each employee, Sekisui Chemical Group respects the diversity, personality, and individuality of each person and promotes various working styles as well as creating safe and secure work environments in response to conditions in each country and region. In April 2008, Sekisui Chemical Group established the Human Resources and Human Rights Policy and posted this policy on the Group intranet, to promote awareness among all employees.

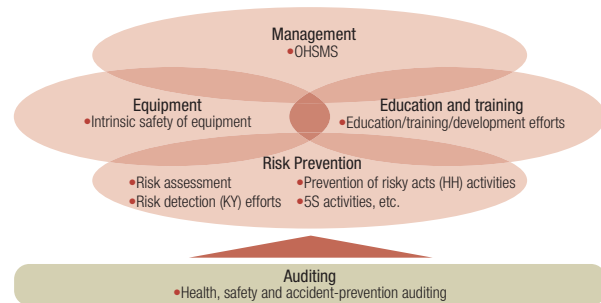
In addition, the Group is making progress in development of a workplace where all employees can work with peace of mind, for example by providing seminars in which superiors of women employees can learn how to build workplaces free from power harassment and sexual harassment. In the future, the Group plans to make progress in addressing human-rights issues on a global basis, as its business expands globally.

## Deploying Occupational Health, Safety, and Accident-prevention Activities to Realize a Safe and Secure Company

### Five Pillars to Promote the Creation of a Safe and Secure Company

To construct a work environment in which employees can work with safety and security, and to be a safe and secure enterprise trusted by our customers and members of local communities, in April 2008 Sekisui Chemical Group revised its Safety Policies. We are deploying total safety (i.e., zero work-related injuries, zero equipment-related accidents, zero commuting-related accidents, and zero long-term illness absence) activities based on five pillars.

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



## Fiscal 2008 Results and Formulation of a New Midterm Health, Safety, and Accident-prevention Plan

### Results of fiscal 2008 activities: Issues remain on progress in activities and safety performance

In fiscal 2008, activities were advanced based on the five pillars of the Midterm Health, Safety, and Accident-prevention Plan (fiscal 2006 - 2008), as the final fiscal year of that plan. While major progress was achieved in these activities, some issues remain concerning safety performance.

### Establishing a firm safety foundation, to achieve the goals of the new midterm plan

Based on the issues recognized in fiscal 2008, the New Midterm Health, Safety, and Accident-prevention Plan (fiscal 2009 - 2013) aims to build a safe and secure workplace through establishing a firm foundation for safety, which is a basis of management activities. In other

words, the goal is to build a corporate culture based on zero workplace accidents.

### Overview of the New Midterm Health, Safety, and Accident-prevention Plan (fiscal 2009 - 2013)

#### Safety — SHINKAI: Promoting a corporate culture based on zero workplace accidents

##### Goals

- Sites in Japan: Achieving a structure of zero workplace accidents by the end of fiscal 2010
- Overseas sites: Achieving a structure of zero workplace accidents by the end of fiscal 2013

##### Main pillars of activities

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

### Main Results of Activities and Safety Performance in Fiscal 2008

Five pillars	Main activities	
	Production Sites and Laboratories	Construction Departments
Management	Enhancing OHSMS operation <ul style="list-style-type: none"> <li>• Continued assessment of the state of OHSMS operation</li> <li>• Strengthening of risk assessment (intrinsic safety of risk-reduction measures)</li> </ul>	Full-fledged deployment of a construction safety program <ul style="list-style-type: none"> <li>• Adoption and deployment at six home sales companies</li> </ul>
Education	Development of personnel with strong safety skills <ul style="list-style-type: none"> <li>• Carrying out training based on a safety-training program</li> <li>• Carrying out special safety courses (for site top management)</li> </ul>	Promoting development of human resources with strong safety skills <ul style="list-style-type: none"> <li>• Holding safety communication instructor (construction section managers) and leader (construction supervisors) training</li> </ul>
Equipment	Promotion of intrinsic safety of equipment <ul style="list-style-type: none"> <li>• Application of a system of design standards for equipment safety and improvements to equipment</li> <li>• Accumulation and deployment across the organization of case studies on improving equipment safety</li> </ul>	Promoting stepladder and power-tool safety measures <ul style="list-style-type: none"> <li>• Conducting inspection and training on stepladders and circular saws, using safety decals</li> <li>• Intensive training using stepladder safety videos</li> </ul>
Risk prevention	Promoting activities to identify the causes of and reduce risks <ul style="list-style-type: none"> <li>• Promoting efforts to reduce risks through risk assessment, KY (risk detection), HH (prevention of risky acts), and SS activities</li> </ul>	Reviewing construction safety standards and promoting activities to reduce risks <ul style="list-style-type: none"> <li>• Reviewing Sekisui Heim construction safety standards</li> <li>• Promoting activities to reduce risks through KY and risk-assessment activities</li> </ul>
Auditing	Implementation of auditing <ul style="list-style-type: none"> <li>• Conducted safety, sanitation and accident prevention auditing (at 45 sites)</li> </ul>	Site safety inspections <ul style="list-style-type: none"> <li>• Housing Company: Safety inspections conducted at 19 sites</li> <li>• Urban Infrastructure &amp; Environmental Products Company: Safety inspections conducted at six sites</li> </ul>
Safety performance (calendar year) (work-related accidents)	<ul style="list-style-type: none"> <li>• Number of incidents: 57 (three fewer than in the previous year)</li> <li>• While frequency has improved, severity has worsened</li> </ul>	<ul style="list-style-type: none"> <li>• Housing Company: 40 incidents (one more than in the previous year)</li> <li>• Urban Infrastructure &amp; Environmental Products Company: Six incidents (no change from the previous year)</li> </ul>

## Efforts at Production Sites and Laboratories

### Promoting to create safe and secure workplaces based on OHSMS

Sekisui Chemical Group has constructed Occupational Health and Safety Management Systems (OHSMS) at 39 domestic production sites and laboratories and is deploying activities aimed at creating safe and secure workplaces by following the PDCA management cycle: Plan (make plans) - Do (implement and operate) - Check (monitor results and take corrective action) - Act (improve and review).

### Advancing activities to achieve intrinsic safety of equipment based on Equipment Safety Design Standards

Based on the system of Equipment Safety Design Standards first implemented in fiscal 2005, Sekisui Chemical Group is advancing activities to achieve intrinsic safety of both new and existing equipment → P.77. Case studies on equipment safety developed through these activities are collected as Sekisui Chemical Group expertise and deployed at each site.

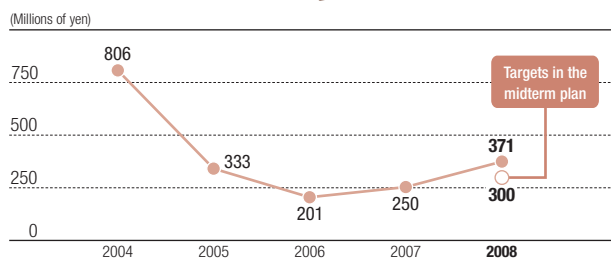
### Striving to ascertain and reduce the costs of occupational health, safety, and accident-prevention activities

To ascertain the costs and benefits related to health, safety and accident prevention and to promote more efficient health, safety, and accident-prevention activities, Sekisui Chemical Group has employed health, safety, and accident-prevention accounting since fiscal 2002.

In fiscal 2008, loss costs related to accidents totaled 371 million yen, a figure in excess of the target under the midterm plan. In the future, the Group will strive to achieve further reductions in loss costs.

In response to work-related accidents that occurred during fiscal 2008, we have taken such measures as improving our equipment, work procedures and employee training → P.78.

#### Amount of Loss Costs\* Verified



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

### Expanding the safety-training program and developing human resources with strong safety skills

Based on its safety-training program, Sekisui Chemical Group is focusing on development of human resources with strong safety skills. In fiscal 2008, new Special Safety Training was planned and implemented for key site managers (company presidents, plant managers, manufacturing department managers, and safety supervisors), and the Safety-training Program was expanded → P.77-78.

#### Case study

#### Efforts targeted at key site personnel

##### Special Safety Training begins

Based on the concept that safety depends on the approaches of top management and other managers, new Special Safety Training for key site personnel began in fiscal 2008.



Special Safety Training

#### VOICE

##### Putting commitments into practice

I took part in the Special Safety Training held in September 2008, together with six members of key site personnel. This training program was a very meaningful opportunity that made us think seriously about the approach of top management to safety, through group discussions and lectures. In addition, the two commitments we made during this training, to focus on safety as a top priority and to take the initiative and set a good example for others in 5S activities and compliance with rules as well as implementing two-way management through bell patrols, naturally will continue in the future as well.



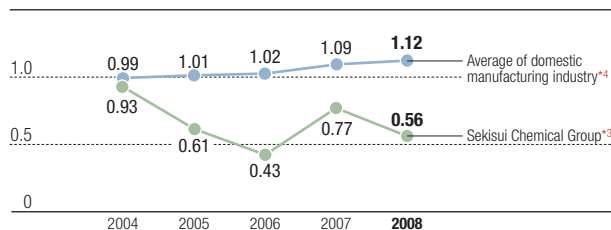
Shigeyuki Ito

Tokyo Plant  
Urban Infrastructure  
& Environmental  
Products Company  
Sekisui Chemical Co.,  
Ltd.

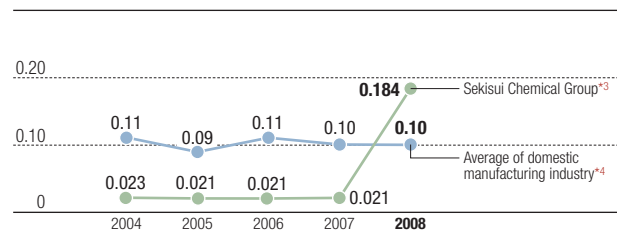
## While the incidence of workplace accidents has decreased, their severity has worsened

The number of workplace accidents occurring within Sekisui Chemical Group fell by three year-on-year in 2008, showing an improvement in terms of frequency. However, in terms of severity, workplace accidents worsened significantly, with two accidents resulting in debilitating injuries. (→ P.78) of the Data section for numbers of equipment accidents, commuting accidents, and cases of long-term illness absence.)

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



### Severity\*2 (Calendar Year) Verified



\*1 Frequency = (number of casualties per total working hours due to a disaster/total work hours) × 1,000,000

\*2 Severity = (days of labor lost/total work hours) × 1,000

\*3 Sekisui Chemical Group data: 42 production sites and 4 R&D laboratories

\*4 Source of information for Japanese manufacturing industry: Ministry of Health, Labour and Welfare "Survey on Industrial Accidents"

## Efforts in Construction Departments

### Strengthening safety management at construction sites and implementing full-fledged deployment of a construction safety program in the Housing Company

The Housing Company and the Urban Infrastructure & Environmental Products Company of Sekisui Chemical Group include construction departments that work closely together with customers and members of local communities at construction sites. These departments are carrying out a variety of safety activities including site safety inspections, intended to secure the safety of not just people involved in construction but also customers and site neighborhoods.

After developing and introducing, on a trial basis, in fiscal 2007 a construction safety program intended to increase sensitivity to risks among individuals working on construction sites through dialogue with managers and supervisors, the construction departments in the Housing Company deployed these efforts nationwide in fiscal 2008.

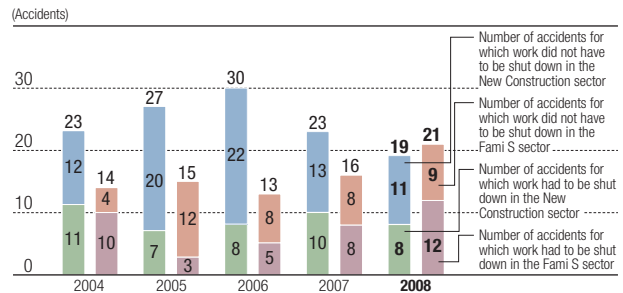
### The number of occupational accidents increased by one year-on-year in construction departments

In 2008, the number of work-related accidents in construction departments increased by one from the previous year, to 40, at the Housing Company (i.e., new-housing construction and Fami S [renovation business]). In addition, the number remained unchanged over the same period in construction departments of the Urban Infrastructure & Environmental Products Company.

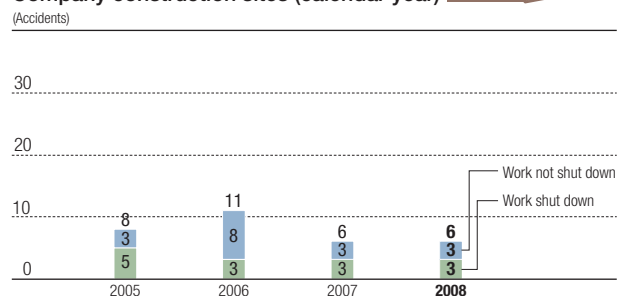
In the future too, these departments will aim to realize

safe and secure construction sites through means such as measures intended to increase worker sensitivity to risks, in addition to further strengthening safety management on site.

### Trends in safety performance at the Housing Company construction sites (calendar year) Verified



### Trends in safety performance at the Urban Infrastructure & Environmental Products Company construction sites (calendar year) Verified



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



## Case study

### Efforts to achieve zero accidents at housing construction sites

#### Risk detection training (KYT) competition held

In May 2008, Sekisui Heim Kinki Co., Ltd. announced publicly its efforts to achieve a level of zero occupational accidents. This is an effort to develop a bright, energetic corporate culture based on the idea of zero accidents.

To develop such a culture, it is promoting activities employing risk detection training (KYT). To increase motivation and vitalize hazard-prevention activities, and to ensure they take root firmly on sites, each year hazard-prediction training (KYT) competitions are held.



Risk detection training (KYT) competition



#### Putting risk detection into practice encouraged by our win in the competition

While our team won this year's risk detection training (KYT) competition, personally I felt very keenly the inadequacy of my own sensitivity to risk.

Encouraged by our victory, in the future I would like to put into practice on site the things I learned through this competition.



Masanori Matsumoto

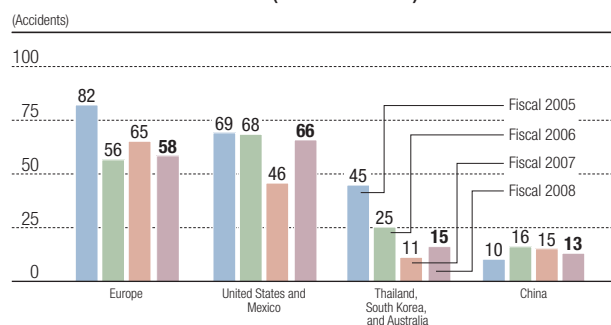
Sanei Juken Co., Ltd.  
(sub contracting company)

## Efforts at Overseas Production Sites

### Making progress in strengthening safety activities at overseas sites

In fiscal 2004, Sekisui Chemical Group began fact-finding surveys on health, safety, and accident-prevention as well as holding safety meetings at overseas production sites. In addition, to ascertain accurately the status of work-related accidents at overseas production sites (28 sites in total as of 2008), in fiscal 2005 we began monitoring the status of work-related accidents at these sites. In August 2008, a fatal accident occurred at a site in Shanghai. In addition to investigating the cause of this accident and implementing countermeasures, emergency inspections were conducted at six sites in Thailand and China and improvements were made for related problem areas. In fiscal 2009, we will strive to eliminate occupational accidents by strengthening safety activities such as holding safety meetings among multiple overseas production sites and exchanging safety information between sites.

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



#### Reference: Trends at overseas production sites subject to monitoring

	Europe	United States and Mexico	Thailand, South Korea, and Australia	China
2005 - 2007	4 companies	6 companies	4 companies	7 companies
2008	5 companies	9 companies	6 companies	8 companies



## Compliance

**In order to continue earning the trust of society as a whole, we foster a corporate culture that values compliance**

### Basic Policy and Promotion System

#### Reinforcement of the compliance structure

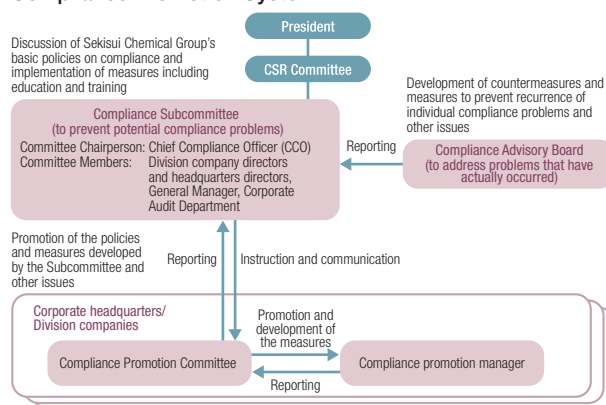
In 2003, Sekisui Chemical Group began full-fledged development of a compliance structure and efforts to foster the spirit of compliance among employees, based on a basic policy of “striving to be a company that is trusted throughout society, in which honesty and integrity are the guiding principles for every employee.”

In 2006, we established compliance as one of the foundations of CSR Management, establishing the Compliance Subcommittee, a specialized subcommittee of the CSR Committee chaired by the president, to discuss Sekisui Chemical Group's basic corporate policies and measures related to compliance. At the same time, we established a structure under which basic policies and measures discussed by the Subcommittee are communicated throughout the entire Group through Compliance Promotion Committees set up beneath the Compliance Subcommittee. In this way, we have reinforced the compliance structure on a groupwide basis. Furthermore, a Compliance Advisory Board meets as needed to consider individual countermeasures and measures to prevent reoccurrence in the event a compliance problem actually has occurred.

#### Compliance Management Philosophy



#### Compliance Promotion System



### Development of a Compliance-oriented Culture

#### Implementation of systematic compliance training

In fiscal 2008, compliance training was conducted in accordance with an annual schedule, systematized by employee level and theme. In addition, the range of personnel subject to training for new key personnel (managers) was expanded to include key personnel at affiliate companies, and efforts made included modifying the teaching materials used in training according to job type (i.e., housing sales, operations, technology)

and addressing themes closely related to day-to-day operations.

In addition, the Compliance Manual has been used since 2003 as a teaching material in compliance training. Furthermore, in December 2008 the U.S. Antitrust Law Compliance Manual and European Competition Law Compliance Manual were prepared. In February 2009, the Global Compliance Manual was prepared, as full-fledged efforts began to foster awareness of compliance among employees overseas.

#### Other continuing efforts



Introduced on our Website

Activity themes and items	Summary
Compliance training	<p>Conducted periodically for individual subject groups (i.e., newly appointed key staff, new employees, and overseas business staff)</p> <p>Conducted continually for all employees (e-learning)</p> <p>Conducted in response to individual laws, regulations, and events (seminars on Antitrust Law, Subcontracting Law, Product Liability Law, etc.)</p>

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

### Making all employees, including temporary staff, aware of this program

In 2002, Sekisui Chemical Group developed S.C.A.N. (Sekisui Compliance Assist Network), an intra-company whistle-blowing system, to prevent employees from violating laws, internal rules, and principles of corporate ethics. Beginning in fiscal 2007, this program was made available for use by all Sekisui Chemical Group employees (including employees of subsidiaries of subsidiaries and temporary staff from placement agencies).

In addition to carrying information on this internal whistle-blowing system in the in-house magazine, Compliance Cards featuring whistle-blowing contact points were distributed to all Group employees and temporary staff, in an effort to ensure thorough awareness of the system. In

fiscal 2008, there were 14 cases of whistle-blowing reports and consultation, and responses are underway through coordination with whistle-blowers and related sections.

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

Category	Number of reports
Honesty in sales activities	1
Sexual harassment	1
Compliance with labor-related laws	9
Appropriate use of company assets	1
Other	2

## Legal Violations in Fiscal 2008, etc.

### Efforts to further raise awareness of compliance

As a result of an on-spot investigation conducted in November 2006 regarding collusion with other firms in determination of sale prices of polyethylene gas pipes and fittings, in June 2007 Sekisui Chemical was ordered to take measures to eliminate such collusion and to pay surcharges. We have complied with this order.

To prevent such suspicions from arising again, since November 2006 Sekisui Chemical has investigated matters related to compliance with antitrust law including consultation with outside attorneys and, at the same time, adopted structures including significant restrictions on activities conducted with industry groups and completely prohibiting any unnecessary contact with competitors. In these ways, we are implementing measures to prevent thoroughly any reoccurrence of such circumstances.

In July 2007, Sekisui Chemical underwent an on-the-spot investigation conducted by the Japan Fair Trade Commission regarding allegations of collusion in setting sale prices for polyvinyl chloride pipes over the years 2004 through 2006. As a result, in February 2009 the company was ordered to take measures to eliminate such collusion and to pay surcharges. (hereinafter referred to as the "order") However, since the understanding of the facts on which this order is based differs from Sekisui Chemical's own understanding of the facts, in April 2009 the company requested the Japan Fair Trade Commission to overturn the order.

While this order concerns events that took place before adoption of the measures to prevent reoccurrence of antitrust violations mentioned above, Sekisui Chemical

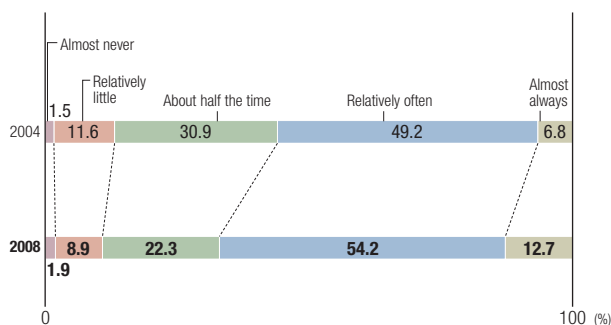
takes the order very seriously and intends to respond by promoting even stronger permeation of preventive measures throughout the organization as well as further improvements in employees' awareness of compliance.

A look at the results of an employee awareness survey conducted in fiscal 2008 shows that employee awareness of compliance is in an improving trend in comparison with the 2004 fiscal year. This is thought to show that various compliance efforts have been effective to some degree. In addition, in fiscal 2008 no new cases of violations of laws or regulations or similar incidents having significant impact on society were discovered.

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

### Sample results from employee awareness survey on compliance

Q: Are actions in your workplace conducted with a proper understanding of laws and rules?



## Risk Management

# Strengthening risk management in order to foresee and counteract management risks by establishing specialized sections

### Consolidation of a Risk Management System

#### Responding to Increasing Diversity and Complexity of Risks

Sekisui Chemical Group has developed and operates a structure under which each organization manages risk individually and responds swiftly and appropriately based on the Sekisui Chemical Group Crisis Management Guidelines in the event of emergencies such as large-scale disasters.

The risks faced by Sekisui Chemical Group, including those of natural disasters such as earthquakes and typhoons, those concerning employees and social issues, and safety and labor-related risks involved in overseas business activities, are growing in diversity and complexity from year to year. To respond to such circumstances, progress is being made in reviewing the risk-management structure, an effort that began in fiscal 2007.

#### In fiscal 2008, full-fledged activities were implemented from four perspectives

In fiscal 2008, in addition to the traditional method of responding to risks after they occurred, full-fledged efforts of studies to prevent risks from being realized and measures to achieve a swift recovery after risks have occurred began as well.

#### Activities of the Risk Management Working Group

The Risk Management Working Group, with membership and secretarial staff chosen from Company and Corporate sections, has been set up beneath the Compliance Subcommittee. This working group has studied about the shifting from a structure in which each organization manages risks individually to a risk-management structure based on policies and systems established for Sekisui Chemical Group. It also has conducted activities focused on efforts to prevent risks from occurring, such as analysis and evaluation of risks concerning Sekisui Chemical Group.

#### Efforts related to business continuity plans

Since fiscal 2008, Sekisui Chemical's Shiga-Minakuchi Plant has made progress in studying formulation of a business continuity plan (BCP) envisioning an earthquake

striking the plant, formulating a BCP intended to keep damage to a minimum and achieve recovery and resumption of operations over a short period of time. In the future, the plant will utilize this plan to make progress in raising risk awareness among employees.

#### Countermeasures against new strains of influenza

New Influenza Strain Response Guidelines have been established to ensure all employees are aware of accurate information on and means of preventing infection by new strains of influenza and to establish standards for responding to outbreaks, such as establishing a response task force.

#### Revision of the Sekisui Chemical Group Crisis Management Guidelines and activities to raise awareness

The Sekisui Chemical Group Crisis Management Guidelines 2009 have been established, with new information added on subjects such as countermeasures against new strains of influenza and responding to leakage of information, and these guidelines have been distributed to all Sekisui Chemical Group executives and employees to ensure that each of them can respond to such cases at any time. In addition, efforts have been made to ensure thorough awareness of these guidelines, including holding explanatory meetings for key personnel such as executives and affiliate company presidents to ensure they understand the guidelines and to encourage them to instruct subordinates on related matters.

Also, to confirm the safety of personnel quickly in the event of an emergency, new pocket-sized Disaster Prevention Cards have been prepared and distributed, together with the Crisis Management Guidelines, to all executives and employees, who are expected to keep them on their person at all times.



Crisis Management Guidelines 2009



## Toward a New Risk-management Structure

### Aiming to achieve a structure based on groupwide policies and systems

Based on the results of studies underway since fiscal 2007, Sekisui Chemical Group aims to achieve, beginning in fiscal 2009, a risk-management structure based on policies and systems for the Group.

This new structure is based on the fundamental concept of endeavoring to prevent risks from occurring and promoting awareness-raising efforts and development of relevant systems, for each level of staff, in order to improve consciousness of risk management and to spread the concept throughout the organization, in addition to risk management conducted after risks have arisen. Consideration will be given to efforts including making progress in specific measures and system-development efforts as well as development of a communication network for sharing safety information and employing local risk-management specialists, as measures to counter safety and labor-related risks overseas, which are pressing concerns.

### Enhancing and expanding organizations in charge of risk management

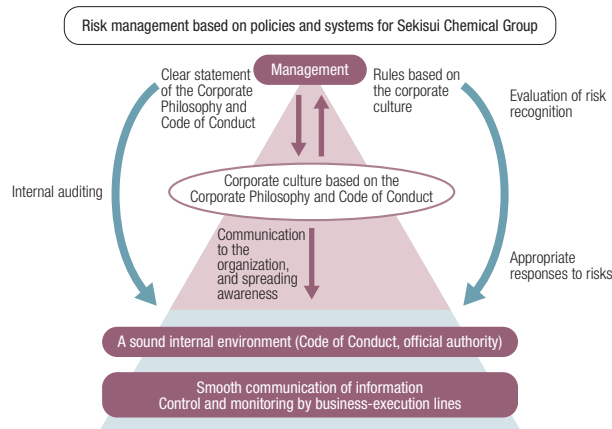
**Addition of functions to the Compliance Subcommittee**  
In addition to traditional compliance-related matters, the Compliance Subcommittee also will supervise risk-management activities in general, deliberate on policies, and formulate measures for implementation, such as

education and training.

### Establishment of the specialized section the Risk Management Project

The Risk Management Project has been established as a section specializing in risk management. Its responsibilities will include countermeasures for safety and labor-related risks overseas, which are pressing concerns, as well as various awareness-raising activities and planning, construction, and operation of related systems, to increase awareness of risk management and spread the concept throughout the organization.

### The goals of risk management in Sekisui Chemical Group



## Responding to new strains of influenza

Sekisui Chemical Group has made progress on countermeasures against new strains of influenza since the 2008 fiscal year. With regard to the new strain of influenza that appeared in Mexico in April 2009, an internal task force led by the president was established, employees were prohibited, in principle, from traveling to countries where cases of infection with the new strain had been confirmed, and the Mexico plant producing interlayer film for automobile laminated glass suspended operation for three days. In addition, measures to prevent infection among employees were strengthened, for example by reminding

employees of sanitary practices and distributing to each facility Corporate's stock of antiviral masks.

When the Japanese government later announced that cases of infection with the new strain had been confirmed in Japan, measures were implemented giving top priority to ensuring the safety of customers, partners, and employees, with personnel urged to refrain from business travel that was not necessary or urgent and to wear masks when commuting and during business meetings.

We plan to strengthen the risk-management structure in the future, taking these circumstances into consideration.

### Other continuing efforts



Introduced on our Website

Activity themes and items	Summary
Information-security measures	Authentication of login to personal computers using digital employee IDs, restricting access to network resources, and controlling office entry and exit using a combination of digital employee IDs and digital locks
Disaster-response training	Holding mock press conferences and other events to train management on how to deal with the media in the event of an emergency

## Disclosure & Communication

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

### Establishment of Disclosure System

#### Striving to disclose appropriate information proactively

Sekisui Chemical Group recognizes the importance of adequate and proactive disclosure and two-way communication based on this disclosure for promoting mutual understanding and developing trusting relationships

with all stakeholders.

Based on the clear Disclosure Principles established in 2005, Sekisui Chemical Group is working to communicate proactively with all stakeholders and to reflect as appropriate in our business activities the evaluations we receive.

### Advancing Efforts through Dialogue with a Variety of Stakeholders

#### Ascertaining evaluations and issues through dialogue, and utilizing these in CSR management

To contribute to and earn the trust of society, Sekisui Chemical Group undertakes continuous dialogue with a variety of stakeholders, including customers, partners, shareholders and investors, employees, local communities and the local environment, government and administrative agencies, education and research institutions, and nonprofit and nongovernmental organizations.

Dialogue with stakeholders is very important to promotion of CSR management through ascertaining

how our efforts are received and what issues we must address. In particular, we consider the evaluation criteria used in socially responsible investment (SRI) to represent a forward-looking social perspective, and we conduct proactive dialogue with rating agencies and other parties both to deepen mutual understanding and to reflect opinions obtained through such dialogue in our activities. In addition, such dialogue makes clear the areas, such as human rights, the supply chain, and global operations, in which our efforts are not adequate, and we plan to use such results in future efforts.

### Outside Evaluation

Sekisui Chemical Group's CSR efforts have received high evaluations from outside the Group. We believe these evaluations are the result of activities such as setting our own targets, developing and promoting our environmental management system, promoting zero emissions and efforts for the 3Rs to reduce, reuse, and recycle resources, and development of environment-contributing products such as Zero Utility Cost House in the area of the environment; full disclosure of quantitative information in the area of health and safety; and proactive communication with stakeholders as well as reflecting the results in management in the area of information disclosure. In the future as well, we plan to advance these efforts to further improve the evaluations we receive from society.

#### Inclusion in Socially Responsible Investment (SRI) Index, etc.

##### Status of CSR grading (as of March 2009)

- Dow Jones Sustainability Indexes (DJSI)
- Morningstar Socially Responsible Investment Index
- FTSE4Good
- Chosen one of the 100 most sustainable companies in the world for two years running (Corporate Knights, Innovest Value Strategic Advisors)



## Communication with Stakeholders (1) Holding Discussions with the President on Prominence 10 Years in the Future

### Discussing what it means to be a prominent firm, from a long-range perspective

Each year since 2002, Sekisui Chemical Group has provided opportunities for management and employees to communicate with each other directly the thoughts of management and comments from the workplaces. In fiscal 2008, these sessions were held at seven locations throughout Japan with a total of 136 persons in attendance from eligible organizations including affiliates of each division company, on the theme of discussing with president of Sekisui Chemical Co., Ltd. on prominence 10 years in the future.

Management evaluated and provided guidance on the proposals from each employee group, based on expectations for the industry 10 years in the future, for example asking employees to make continued efforts on superior proposals even though the opinions expressed were tough ones. For participating employees, this was a good opportunity to think anew about the importance of having a long-range perspective on themselves and their sections.



Group members answer questions from management

### e VOICE

#### In pursuit of technologies for the future

The first challenge of the theme of discussions with the president on prominence 10 years in the future was that of considering the future 10 years in advance. Since everybody in our group came from an engineering background, we thought about prominence in technology. However, the technologies we considered were too practical, and although we had some rough ideas we found it difficult to make them more specific. Through trial and error, we were able to come up with some truly prominent technologies for 10 years in the future.



Masahiro Nishii

Design Solution Center, Kyoto R&D Laboratories, Urban Infrastructure & Environmental Products Company, Sekisui Chemical Co., Ltd.

Being able to propose in this way such brand new prominent businesses developed from prominent technologies utilizing current strengths, including the process of doing so itself, was very educational. Study currently continues within the company of the themes we proposed. In the future, I would like to use this experience to do my work conscious of how current businesses will lead to the future and the possibilities for technological development.

## Communication with Stakeholders (2) Conducting Employee Awareness Surveys

### Surveys of employees including non-regular employees will continue, with results reflected in measures taken

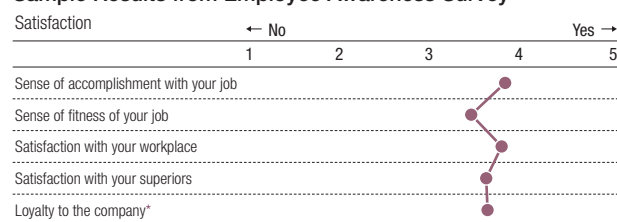
Since 1984, Sekisui Chemical Group has been conducting employee awareness surveys. In 2004, the subject of these surveys was expanded from Sekisui Chemical to the entire Group. The 2008 survey covered approximately 20,000 employees, including part-time and temporary employees, with responses collected from approximately 11,000 employees.

In these surveys, employees were asked broadly about their degrees of satisfaction with and feelings about workload in dealing with their jobs, workplaces, superiors, and companies, about the future potential of their companies, and about factors impacting these matters. The results showed relatively high levels of satisfaction in areas such as employees' sense of accomplishment with their jobs and satisfaction with workplaces and superiors. At the same time, they also showed that employees'

sense of burden stemming from volume of work remains to be improved in the future.

Plans call for reporting the results of the survey to management, including management of affiliate companies, and reflecting these in various measures. First of all, efforts to create safe and secure work environments began throughout Sekisui Chemical Group. Plans call for implementing these surveys on a biennial basis in the future.

#### Sample Results from Employee Awareness Survey



\* Sense of belonging and attachment to Sekisui Chemical Group

## Conserving the Natural Environment and Contributing to Society

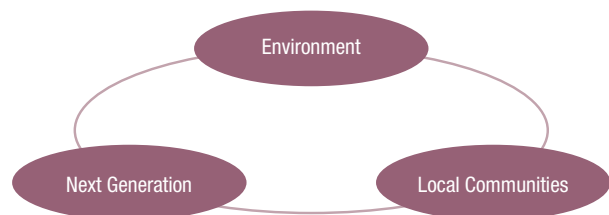
### Sekisui Chemical Group is promoting activities with Environment, Next Generation and Local Communities at their core



#### Sekisui Chemical Group Activities to Contribute to Society

##### Using the unique characteristics and assets of the Group to contribute to society

We, Sekisui Chemical Group is improving not only its activities as a business but also its structures enabling employees to thrive as members of society, with activities conducted mainly in the three areas of the environment, the next generation, and local communities.



#### Developing Educational Programs in Line with the United Nations Decade of Education for Sustainable Development (UNDES D)

##### Providing support for education based on residential and chemical themes

Based on the concepts of the United Nations Decade of Education for Sustainable Development (ESD)\*, Sekisui Chemical Group has made progress in development of educational programs capable of providing support for actual classrooms. Full-fledged educational programs based on the ESD principle of the power of living —

deepening understanding of phenomena and issues through learning from experience as well as the abilities to see things from an overall perspective and to solve problems — and utilizing the characteristics of Sekisui Chemical Group's housing and chemical businesses began in fiscal 2008.

\* Education for Sustainable Development (ESD): A resolution passed by the United Nations General Assembly in December 2002, identifying the 10 years from 2005 through 2014 as the Decade of Education for Sustainable Development

#### Chemical Classroom Project Helps Students Experience the Fun of Chemistry

##### Providing opportunities for learning with a focus on experiments

The Research & Development Institute of the High Performance Plastics Company has advanced the development of an educational program that helps students experience the fun of chemistry. Over the period from December 2008 through March 2009 classes were conducted for first graders at local junior-high schools, under the Chemical Classroom Project.

In junior-high-school science classes, a unit related to chemistry and entitled "the substances around us" begins in December of the first-grade year. Together with this unit, the Project provides students with the opportunity to learn on their own about basic subjects such as the natures and uses of substances and to learn through experimentation. For example, students conducted a full-fledged chemical experiment in producing nylon. Split into groups, the students mixed two fluids in beakers and then pulled stringlike nylon out of the fluid using bars. This was

a surprising and enjoyable lesson for the students, who were amazed and puzzled to see the substance emerged from the liquid.

All content of classes provided through the Project is conducted jointly with schoolteachers. The program has been well received among teachers, who have noted that it provides an opportunity for classes that would be difficult for teachers to arrange on their own and that they felt they could rely on Sekisui Chemical Group, which clearly wants to make the classes ones that enable students to get a true understanding of the fun and the necessity of science by working together with teachers.



A member of the Chemical Classroom Project leads a class



A chemical experiment in producing nylon



## The Houses and the Environment Learning Program Provides Classes for Thinking about Living through Coexistence with the Environment

### Responding with flexibility to the needs of the classroom

Since fiscal 2007, the Housing Company has provided the Houses and the Environment Learning Program to junior-high schools, as a program for learning about the roles of homes and the environmental impact of living and providing the opportunity to experience building environmentally conscious homes. Under this program, teachers take the lead in conducting classes, while Sekisui Chemical Group employees assist teachers as "Eco Heim Coaches" who are professionals in homebuilding. In fiscal 2008, this program was conducted at a total of eight junior-high schools: four in the Kansai region and two each in the Kanto and Kyushu regions.

The climax of the classes was building a model home. In this activity, students split into groups in which they built model homes thinking about homes that give consideration to both the environment and the people living in them. Compact models of Sekisui Heim actually used in business were employed as educational materials. When the Eco Heim Coaches opened the boxes containing the model homes to show them to the students, students' eyes lit up as they exclaimed, "Wow!" and "It looks just like the real thing!"



A home proposed with an awareness of the living environment

Classes in which students think about home plans through group discussions draw out students' expressive abilities. In addition, students also accumulated skills needed to grow in society through the process of exchanging opinions and, occasionally, reaching agreement through give and take.

Another strong point of this program is the ease with which various other subjects, such as home economics, social studies, and science, can be incorporated, thanks to the deep connection between homes and living and science, in addition to the environment.

Schools that adopted this program in their science classes took on the challenge of developing homes based on the themes of ventilation and sunlight. In experiments conducted by blowing air and shining light on their finished models, many groups found



A ventilation experiment conducted by blowing incense smoke on a model

problems, with students exclaiming "Why doesn't the air flow through the model?" and "Some rooms get no light at all." As Eco Heim Coaches explained the reasons behind such problems one by one, students learned about natural phenomena such as airflow and shadows in addition to their hands-on experience with the models.

This program proved a stimulating experience for employees taking part as Eco Heim Coaches as well, with some commenting "Some of the homes students designed were ones even I as a professional in the field would like to live in" and "I was surprised by how the students' proposals were conscious of the living environment as well." Comments from students included "When will you come back again?" and "We were glad to have our plan praised." In addition, this program provided education with results that can be used in students' own behavior and actual living, with some commenting "I have started looking closely at my own home and those of my friends" and "I have tried using the eco activities I learned in this class at home."



An Eco Heim Coach provides practical advice on a home proposed by students

### e VOICE

#### A wonderful unit structure

I felt that the structure of this unit was wonderful in the way it was built up steadily from the first class through final model building. Eco Heim Coaches visited us twice, speaking in the first class on the theme of building comfortable homes. Through this process, students learned a number of fundamental points in home building, such as lighting and ventilation, and they then strived to utilize this knowledge in building their group models. In the second class, in which these experts commented on the models students built through trial and error, I was impressed by how satisfied the students looked. I think this class communicated fully to students the Eco Heim Coaches' thoughts on construction.



**Akihiro Kitamura**  
Teacher  
Yokohama  
Kaminomiya Junior  
High School



## Challenge! Science Class for Children, a Community Activity in which Students Can Enjoy Learning about the Power of Chemistry

### Students describe the surprise and joy of enjoyable experiments

In August 2008, the Challenge! Science Class for Children was held at Sekisui Chemical's Shiga-Minakuchi Plant, as a joint project conducted by Sekisui Chemical Group members Sekisui Chemical, Sekisui Fuller Co., Ltd., and Sekisui Board Co., Ltd. together with neighboring firm Sekisui Plastics Co., Ltd.

For this event, an eleven-member committee, including six new employees who joined their companies during fiscal 2008, planned fun experiments in which children could take part, including freezing items such as a rose and a banana in liquid nitrogen at  $-196^{\circ}\text{C}$  and letting

children create light in any colors they chose through mixing two fluids with fluorescent dye powders. Joyful comments from participating children included "This is the most amazing experiment I've ever done" and "I was able to make new friends in this class."



Freezing experiment using liquid nitrogen



Chemiluminescence experiment using fluorescent materials

## Participation in Visits to Care Facilities for Victims of the 2008 Sichuan Earthquake, Led by a Chinese Government Agency

### Visiting nurses aiding earthquake victims to show appreciation for their efforts

In response to the May 2008 Sichuan earthquake, Beijing Sekisui Trank Medical Technology Co., Ltd., headquartered in Beijing, China, provided support for victims through donations to the Red Cross Society of China. In addition, in June and July the company, asked to cooperate by the Beijing Nursing Association, took part in visits led by the association and government agencies to care facilities for earthquake victims. The group visited the Beijing Gerontology Medical Care Institute, where

some earthquake victims are being cared for, to show appreciation for the efforts of nurses who care for victims day and night and to present them with gifts in appreciation of their efforts.

Sekisui Chemical Group and local affiliates have contributed 15 million yen to help victims of the 2008 Sichuan earthquake.



Visiting the Beijing Gerontology Medical Care Institute

## Participation in Table for Two, a Program through which Individual Employees Can Contribute to Society

### Contributing to school meals in developing countries

Table for Two (TFT) is a program in which 20 yen is added to the cost of a meal in employee cafeterias, which amount donated to support school meals in developing countries. Since May 2008, Sekisui Chemical Group has conducted this program at three facilities in Tokyo, Osaka, and Kyoto,

contributing approximately 260,000 yen in the 2008 fiscal year. In addition, plans call for expanding this program to cover the entire Sekisui Chemical Group as well, based on the fact that results of a survey of employees at business facilities nationwide with cafeterias, including the above three facilities, showed that more than 80% agreed with the goals of the Table for Two program.

### Other continuing efforts



Introduced on our Website

Activity themes and items	Summary
Sekisui Chemical Grant Program for Research on Manufacturing Based on Learning from Nature	Grants provided to universities and research institutes attempting to use basic scientific information learned from nature
Acceptance of Plant Tours	Acceptance of tour groups such as students on social-studies field trips from elementary and junior-high schools located near facilities and acceptance of tour groups as a means of supporting career education

## Contributing to Protecting the Environment: Nature Conservation Activities

### Advancing activities rooted in the communities

Sekisui Chemical Group is striving to protect nature in the communities in which its facilities are located, as an important social-contribution activity in the area of the environment. Efforts begun with the Sekisui Nature Study Course → P.30 intended to train leaders in environmental activities and the efforts of each site in coordination with

the activities of their communities, among various other activities, are being promoted to care for the environment together with other parties including residents of the communities in which employees and their families live. In addition, the Group continues providing support for the activities of nonprofit and nongovernmental organizations as well.

#### Case study

#### Nature conservation activities at group sites

##### Kanto Sekisui Industry's Children's Nature Study Course: Biological water-quality studies conducted together with elementary-school students

Each year, Kanto Sekisui Industry Co., Ltd., located in Ibaraki Prefecture, conducts water-quality studies focused on the creatures living in rivers. With the cooperation of local elementary schools, these studies are conducted together with children from the community. These studies examine water quality by observing the types of aquatic insects living at the water's edge and assessing water quality based on the ecologies of the insects found. They provide opportunities for employees and children to work together to think about familiar natural environments and biodiversity.



Observing aquatic insects at the water's edge

##### Afforestation activities at Yuping Mountain in Suzhou, China: Planting 500 native seedlings

Sekisui Chemical Group is carrying out forestry conservation activities in cooperation with local communities, under the title Green Forest Activities. In March 2009, the Group carried out its first overseas forestry activity, at Yuping Mountain in the city of Suzhou, China. A total of 75 persons, including employees of affiliate companies located in southern China and their families, took part, planting 500 trees from 10 varieties of native seedlings. This activity will help beautify the mountain landscape.



Afforestation activities

#### Case study

#### Efforts in support of the nature conservation activities of nonprofit and nongovernmental organizations

##### Support for nonprofit and nongovernmental organizations, and partnership with them

In partnership with the Keidanren Nature Conservation Fund charitable trust, Sekisui Chemical Group cooperates in the nature conservation activities of nongovernmental organizations (NGOs) underway in Japan and around the world. Already it has provided support for 71 projects in total over a 12-year period. Utilizing the network it has built up with nongovernmental organizations, it has held meetings at group facilities to report on the activities of NGOs receiving aid and its employees proactively take part in meetings between businesses and NGOs as well as international conferences on nature conservation.



African children who took part in a Ramsar Children's Conference

Main activities now underway in partnership with NGOs include forestry conservation activities conducted at various locations in Japan and revitalization activities for terraced rice fields. In addition, children's summits are being held in local communities together with the Ramsar Center Japan (Society of Wetlands and People).

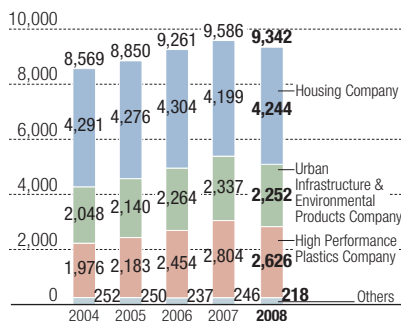
##### Aid projects in fiscal 2008

Fiscal years	Name of project (Country or region)	Organization (country)
Continuing for 5 years	Development of a forest diversity restoration model (China)	Green Earth Network (Japan)
Continuing for 6 years	Asia Wetland Initiative Phase II (throughout Asia)	Ramsar Center (Japan)
Continuing for 4 years	Project to Help <i>Toki</i> (Nipponia Nippon) return to the wild (Japan)	NPO School of Killifish (Japan)
Continuing for 3 years	Important Bird Areas (IBA) Preservation Operations across Asia (throughout Asia)	BirdLife Asia (Japan)
New	Marine forestry development model with participation of diverse parties (Japan)	Environmental NPO (Shu) (Japan)

## Management Benchmarks (Consolidated)

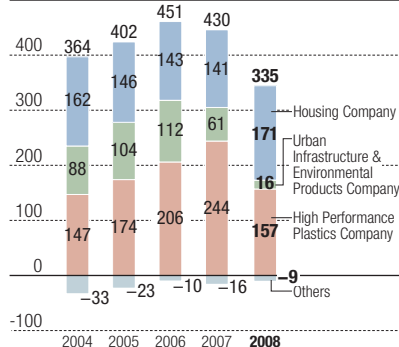
### Sales (by Each Division Company)

(100 million yen)



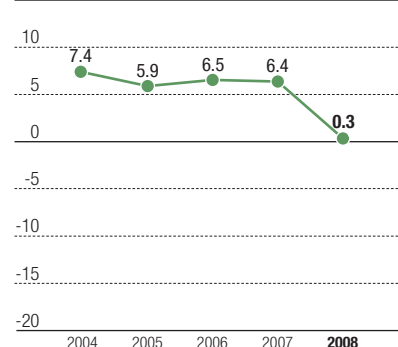
### Operating Income (by Each Division Company)

(100 million yen)



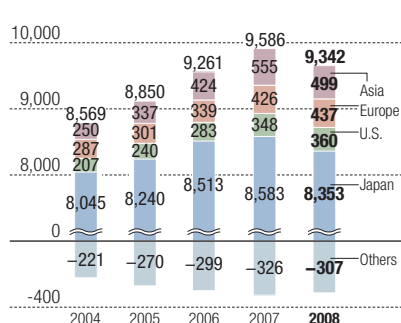
### ROE

(%)



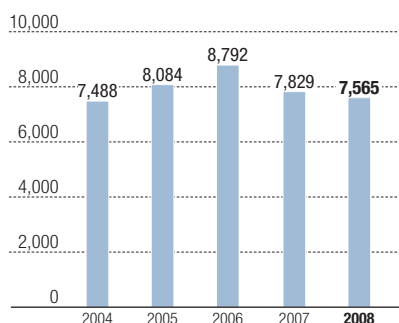
### Composition of Sales by Geographical Segments

(100 million yen)



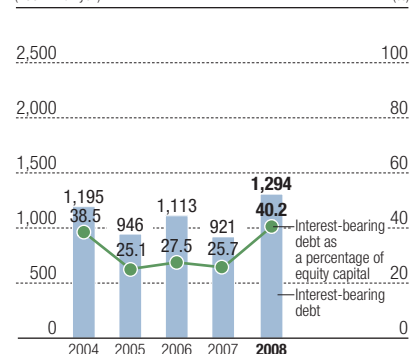
### Total Assets

(100 million yen)



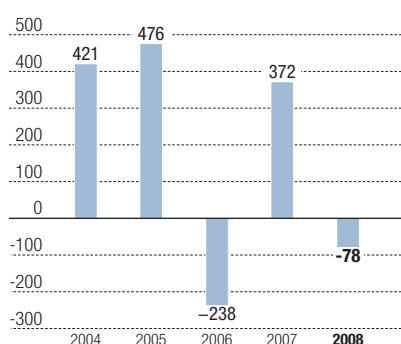
### Interest-bearing Debt and Interest-bearing Debt as a Percentage of Equity Capital

(100 million yen)



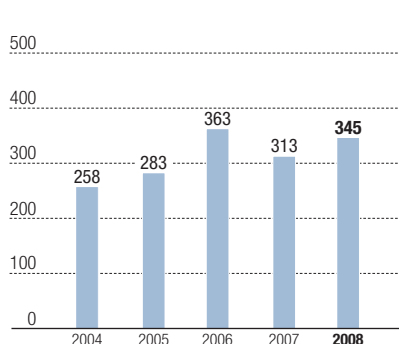
### Free Cash Flows

(100 million yen)



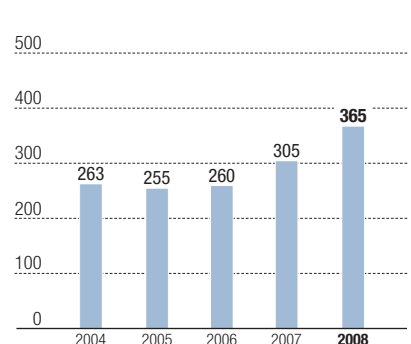
### Capital Expenditures

(100 million yen)



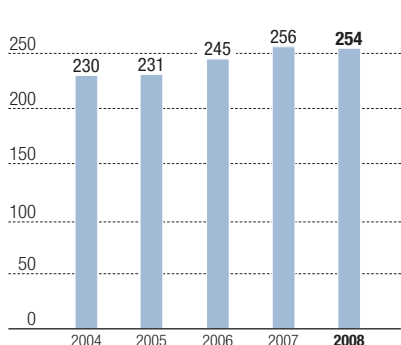
### Depreciation and Amortization

(100 million yen)



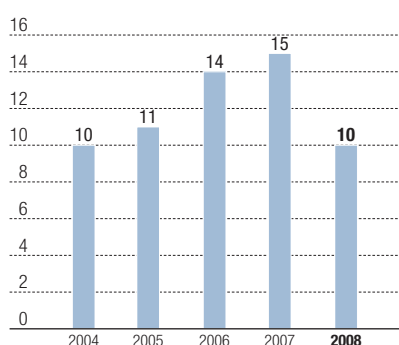
### R&D Costs

(100 million yen)



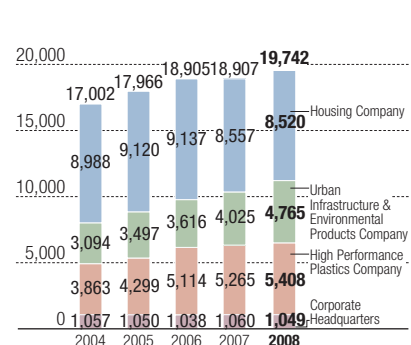
### Annual Dividend Per Share

(yen)



### Number of Employees

(persons)





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

### Housing Company

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

Tsukuba R&D Site

**Production plants** 13 companies and 10 business sites

Tokyo Sekisui Industry Co., Ltd.  
Kansai Sekisui Industry Co., Ltd.  
Sekisui Board Co., Ltd., etc.

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

Sekisui Heim Sales Companies  
Construction and Service Companies

42 companies and 106 business sites in total

### Urban Infrastructure & Environmental Products Company

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

Kyoto R&D Laboratories

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

Shiga-Ritto Plant  
Gunma Plant  
Tokyo Plant  
Vantec Co., Ltd.  
Okayama Sekisui Industry Co., Ltd.  
Kyushu Sekisui Industry Co., Ltd.

20 companies and 12 business sites in total

### High Performance Plastics Company

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

Minase Site

**Production plants** 15 companies and 15 business sites

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

15 companies and 16 business sites in total

### Corporate Headquarters

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

Development Center

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

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

8 companies and 11 business sites in total

Total: 82 companies and 145 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.  
Sekisui Chemical Co., Ltd., is included in the company list.

## Material Balance (in Japan)

### Input

#### Main Raw Materials

- Metals ..... 89 thousand tons
- Wood, wooden building materials ..... 44 thousand tons
- Cement for exterior walls ..... 126 thousand tons
- Concrete for foundations ..... 269 thousand tons
- PVC ..... 158 thousand tons
- Polyethylene ..... 77 thousand tons
- Polypropylene ..... 32 thousand tons
- Kraft paper ..... 16 thousand tons
- PRTR-designated substances ..... 121 thousand tons

**Energy** ..... 6,263 TJ

- Purchased electricity ..... 363,949 MWh
- Heavy oil A ..... 4,849 KL
- City gas ..... 47,110 thousand m<sup>3</sup>

**Industrial water** : 12,348 thousand tons

**Sekisui Chemical Group**

### Output

#### PRTR-designated substances

- To the atmosphere ..... 677 tons
- To water ..... 0.8 tons

**CO<sub>2</sub> from energy consumption** ..... 280 thousand tons-CO<sub>2</sub>

**NO<sub>x</sub>** ..... 175 tons

**SO<sub>x</sub>** ..... 11 tons

**Soot particles** ..... 4 tons

**Water discharged** ..... 10,998 thousand tons

**COD** ..... 62 tons

**Total generated waste** ..... 38 thousand tons

The Practice of CSR Management

Prominence in the Environment

Prominence in CS & Quality

Prominence in Human Resources

Foundation of CSR Management

Data

## Sekisui Chemical Group's Environmental Accounting

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

In fiscal 2008, although R&D costs rose in connection with an increase in the number of environmental themes addressed, costs remained

largely unchanged from the previous year thanks to a decrease in waste-related costs and other costs. On the other hand, investments increased considerably from the previous fiscal year due to the large number of large-scale environmental investments such as adoption of biomass boilers. Cost savings from efforts such as waste-reduction activities, which constitute real economic results of environmental-conservation activities, increased due to the results of MFCA and other activities. In addition, external economic benefits such as those from photovoltaic power generation systems also increased steadily.

Scope of environmental accounting

(1) Summation period: April 1, 2008 through March 31, 2009

(2) Scope of summation: 35 target production sites (as listed on p. 66) + 4 laboratories + each department of Corporate Headquarters + back offices of division companies + 15 housing sales companies

(3) Principles of summation

- Depreciation amounts are the same as those for financial accounting.
- Investment amounts are based on budget approvals during the summation period.
- Expenditures and investments that contain other than environmental conservation activities are distributed pro-rata in 10% increments.

(4) Main changes from last fiscal year

- The scope of summation for production sites grew to 35 with the addition of one site.
- Due to restructuring, the number of housing sales companies changed to 15, while the number of business sites remained at 37 (there was no change in the scope of summation).

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

(Unit: million yen)

Category	Items	FY2006		FY2007		FY2008	
		Costs	Investments	Costs	Investments	Costs	Investments
1) Costs within business areas	Prevention of air, water and noise pollution, etc.	1,687	691	1,646	458	1,700	774
	Countermeasures against global warming (energy-saving), etc.	174	258	165	448	222	642
	Waste reduction, recycling, disposal, etc.	5,053	257	4,657	64	4,164	335
2) Upstream/downstream costs	Cost increases due to switching to packaging/packing methods involving reduced environmental impact, greener purchasing, etc.	493	8	344	18	379	0
3) Administrative costs	Environmental education, EMS maintenance, running costs for green action organization, information disclosure	2,665	88	2,527	9	2,342	29
4) Research & Development costs	Research & Development on environmental conservation	1,644	48	1,655	39	1,982	60
5) Social activities costs	Social contributions, etc.	99	0	57	0	65	0
6) Environmental damage costs	Nature restoration, etc.	10	0	25	0	89	207
Total		11,826	1,350	11,075	1,037	10,944	2,047

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

Environmental Conservation Benefits									Environmental performance criteria: per unit of output; Total				Self evaluation	
Description of effects		Item		Unit	FY2006	FY2007	FY2008	Effect (08-07)	See page	Item		Unit		FY2007
Effects within business areas	Effects on invested resources	(1) Electricity		TJ	3,927	3,854	3,578	-276	69	(1)Energy usage per unit of output (electricity + fuel) <sup>1)</sup>	GJ/tons	1.84	1.84	×
		(2) Fuel		TJ	2,826	2,874	2,685	-189	69					
	Effects on environmental impact and wastes	(3) CO <sub>2</sub> emissions <sup>2)</sup>		Thousand tons	308.7	301.3	279.8	-21.5	25	—	—	—	—	
		(4) Volume of environmental pollutants discharged <sup>3)</sup>		Tons	629.4	591.3	678.1	86.8	75	—	—	—	—	
		(5) Wastes generated <sup>4)</sup>		Thousand tons	46.2	42.1	37.9	-4.2	27	(2)Waste generated per unit of output	kg/tons	40.5	38.3	
		(6) Outsourced disposal <sup>5)</sup>		Thousand tons	0.29	0.18	0.18	0.00	71	(3)Outsourced disposal per unit of output	kg/tons	0.17	0.18	×
Upstream/downstream effects	Effects due to products/services	CO <sub>2</sub> reduction by photovoltaic generation, etc. (cumulative)		Thousand tons	112	126	143	17	—	—	—	—		
Other benefits on environmental conservation	Others <sup>6)</sup>	ISO14001 Certification	New acquisitions	Numbers	4	4	2	—	—	Number of business sites acquiring ISO14001 Certification <sup>7)</sup>	Total number of business sites	74	76	
			Renewals	Numbers	13	13	14	—	—					
		Number of business sites achieving zero emissions <sup>8)</sup>		Numbers	0	1	2	—	27	Number of business sites achieving zero emissions <sup>8)</sup>	Total number of business sites	120	122	

<sup>\*1</sup> Conversion into thermal units uses the coefficient published by the Ministry of Economy, Trade and Industry. <sup>\*2</sup> Emissions at the time of manufacturing and conversion to CO<sub>2</sub> amounts use the coefficient published by the Japanese Ministry of the Environment (calculated based on the coefficient for 2000). <sup>\*3</sup> Applicable to Class I Designated Chemical Substances specified by PRTR Law. <sup>\*4</sup> Amount discharged + Amount disposed of at price + Amount incinerated within own premises. <sup>\*5</sup> Simple incineration + Landfill. <sup>\*6</sup> Including business sites not subject to environmental accounting summation, such as overseas business sites. <sup>\*7</sup> A cumulative total sites reviewed for factors such as consolidation and return of certifications for housing sales companies. <sup>\*8</sup> A business site affiliated to multiple companies is counted as one.

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

(unit: million yen)

Description of effects	FY2006	FY2007	FY2008	Remarks
Revenue: (1)Profit on sales of valuable resources	282	386	316	Profit on sales of valuable resources from promotion of waste segregation and recycling
Cost-saving	(2)Savings from simplified packaging	9	17	20
	(3)Cost-saving through energy-saving activities	275	302	336
	(4)Cost-saving through waste reduction activities, etc.	881	785	1,041
Sub-total (actual effects)	1,447	1,489	1,712	Including resource-saving activities
(5)Contribution to environmental conservation activities <sup>*9</sup>	6,179	6,175	5,938	Contribution of environmental conservation activities to added value at business sites <sup>*10</sup>
(6)External Economic Effect	8,050	8,634	10,577	Monetary conversion of impact from photovoltaic generation systems and "No-Dig" pipe rehabilitation method
Sub-total (estimated effects)	14,229	14,809	16,515	
Total	15,676	16,297	18,227	

<sup>\*9</sup> Excluding housing sales companies <sup>\*10</sup> (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 <sup>*1</sup>		Urban Infrastructure & Environmental Products Company		High Performance Plastics Company		Sekisui Chemical Group <sup>*2</sup>	
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.	1,060	7	131	40	506	726	1,700	774
	Countermeasures against global warming (energy-saving), etc.	24	365	82	194	114	83	222	642
	Waste reduction, recycling, disposal, etc.	3,362	1	358	64	429	270	4,164	335
2) Upstream/downstream costs	Cost increases due to switch to packaging/packing methods involving reduced environmental impact, greener purchasing, etc.	250	0	51	0	60	0	379	0
3) Administrative costs	Environmental education, EMS maintenance, running costs for green action organization, information disclosure	717	1	270	0	332	0	2,342	29
4) Research & Development costs	Research & Development on environmental conservation	112	47	1,180	12	607	0	1,982	60
5) Social activities costs	Social contributions, etc.	17	0	17	0	11	0	65	0
6) Environmental damage costs	Nature restoration, etc.	0	0	0	207	89	0	89	207
Total		5,542	422	2,089	517	2,149	1,080	10,944	2,047

Items		Housing Company <sup>*1</sup>		Urban Infrastructure & Environmental Products Company		High Performance Plastics Company		Sekisui Chemical Group <sup>*2</sup>	
		Costs	Investments	Costs	Investments	Costs	Investments	Costs	Investments
Total amount of R&D costs and investment in the fiscal period (million yen)		4,336 <sup>*3</sup>	2,823	5,715 <sup>*3</sup>	3,382	11,232 <sup>*3</sup>	8,114	25,420 <sup>*3</sup>	15,740
Ratio of amount related to environmental conservation activities to total (%)		2.6	14.9	20.6	15.3	5.4	13.3	7.8	13.0

<sup>\*1</sup> Including 37 business sites of housing sales companies <sup>\*2</sup> Total of 3 division companies and departments of Corporate Headquarters <sup>\*3</sup> R&D cost is the total for all consolidated companies.

## Environmental Conservation Cost (by Environmental Conservation Measures)

(million yen)

Items		Housing Company <sup>*1</sup>		Urban Infrastructure & Environmental Products Company		High Performance Plastics Company		Sekisui Chemical Group <sup>*2</sup>	
Category	Description of main activities	Costs	Investments	Costs	Investments	Costs	Investments	Costs	Investments
1. Prevention of global warming	Reduction of CO <sub>2</sub> emissions, etc.	63	413	199	194	343	83	682	690
2. Ozone layer protection	Reduction of Chlorofluorocarbon emissions, etc.	5	0	0	0	5	0	10	0
3. Conservation of air quality	Prevention of air pollution by reducing pollution substances	260	2	66	35	209	167	535	204
4. Prevention of noise and vibration	Prevention of noise and vibration pollution	4	3	4	0	8	2	16	5
5. Conservation of water environment, soil environment, ground quality	Preservation of water quality, prevention of subsidence	216	2	361	213	331	549	962	764
6. Waste reduction and recycling	Reduction and treatment of waste, recycling	3,697	1	1,123	76	699	270	5,537	347
7. Reduction of chemical substance	Risk management of chemical substances, etc.	330	0	10	0	195	9	535	9
8. Conservation of natural environment	Nature protection, etc.	58	0	53	0	29	0	147	0
9. Others	Others	909	1	274	0	331	0	2,520	29
Total		5,542	422	2,089	517	2,149	1,080	10,944	2,047

<sup>\*1</sup> Including 37 business sites of housing sales companies <sup>\*2</sup> Total of 3 division companies and departments of Corporate Headquarters

## Environmental Conservation Benefits (by Each Division Company)

Description of effects		Item		Unit		Housing Company			Urban Infrastructure & Environmental Products Company			High Performance Plastics Company			Sekisui Chemical Group <sup>*2</sup>			See page
						Fiscal 2007	Fiscal 2008	Effect (08-07)	Fiscal 2007	Fiscal 2008	Effect (08-07)	Fiscal 2007	Fiscal 2008	Effect (08-07)	Fiscal 2007	Fiscal 2008	Effect (08-07)	
Effects within business areas	Effects on invested resources	Amount of energy usage <sup>*4</sup>	1. Electricity	TJ		468	459	-10	1,520	1,429	-91	1,171	1,057	-114	3,854	3,578	-276	69
			2. Fuel	TJ		173	169	-4	177	145	-32	2,272	2,147	-125	2,874	2,685	-189	69
	Effects on environmental impact and wastes		3. CO <sub>2</sub> emissions <sup>*5</sup>	Thousand tons		28.8	28.1	-0.7	68.1	62.7	-5.5	155.3	144.6	-10.7	301.3	279.8	-21.5	25
			4. Volume of environmental pollutants discharged <sup>*6</sup>	Tons		5.1	5.9	0.8	71.5	80.6	9.1	510.8	588.0	77.2	591.3	678.1	86.8	75
			5. Wastes generated <sup>*7</sup>	Thousand tons		11.0	10.2	-0.8	9.6	8.6	-1.0	19.5	17.3	-2.2	42.1	37.9	-4.2	27
			6. Outsourced disposal <sup>*8</sup>	Thousand tons		0.00	0.00	0.00	0.02	0.00	-0.02	0.07	0.10	0.03	0.18	0.18	0.00	71
Upstream/downstream effects	Effects due to products/services	CO <sub>2</sub> reduction by photovoltaic generation, etc. (cumulative)		Thousand tons		126	143	17	—	—	—	—	—	—	126	143	17	—
Other benefits on environmental conservation	Others <sup>*9</sup>	ISO14001 Certification	New acquisitions	Numbers		0	0	—	0	0	—	1	2	—	4	2	—	—
			Renewals	Numbers		6	0	—	4	6	—	0	5	—	13	14	—	—
		Number of business sites achieving zero emissions <sup>*10</sup>		Numbers		0	0	—	1	0	—	0	1	—	1	2	—	27

<sup>\*4</sup> Conversion into thermal units uses the coefficient published by the Ministry of Economy, Trade and Industry. <sup>\*5</sup> Emissions at the time of manufacturing and conversion to CO<sub>2</sub> amounts use the coefficient published by the Ministry of the Environment (calculated based on the coefficient for 2000). <sup>\*6</sup> Applicable to Class I Designated Chemical Substances specified by PRTR Law.

<sup>\*7</sup> Amount discharged + Amount disposed of at price + Amount incinerated within own premises. <sup>\*8</sup> Simple incineration + landfill.

<sup>\*9</sup> Including business sites not subject to environmental accounting summation such as overseas business sites. <sup>\*10</sup> 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 <sup>*1</sup>	Urban Infrastructure & Environmental Products Company	High Performance Plastics Company	Sekisui Chemical Group <sup>*2</sup>	Remarks
Revenue	(1) Profit on sales of valuable resources	36	25	254	316	Profit on sales of valuable resources from promotion of waste segregation and recycling
Cost-saving	(2) Savings from simplified packaging	0	17	2	20	
	(3) Cost-saving through energy-saving activities	15	74	247	336	
	(4) Cost-saving through waste reduction activities, etc.	21	146	874	1,041	Including resource-saving activities
Sub-total (actual effects)		72	262	1,377	1,712	
(5) Contribution to environmental conservation activities <sup>*11</sup>		657	2,314	2,967	5,938	Contribution of environmental conservation activities to added value at business sites <sup>*12</sup>
(6) External Economic Effect		5,949	4,628		10,577	Monetary conversion of impact from photovoltaic generation systems and "No-Dig" pipe rehabilitation method
Sub-total (estimated effects)		6,606	6,942	2,967	16,515	
Total		6,678	7,205	4,343	18,227	

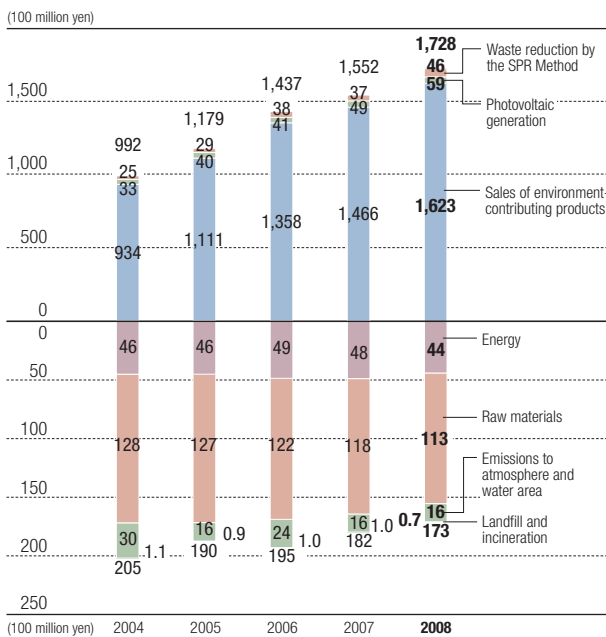
<sup>\*11</sup> Excluding housing sales companies <sup>\*12</sup> (Added value from business sites) x ((Costs within business areas + Administrative costs) / (Total production costs excluding materials costs))

## Sekisui Eco Value Index Verified

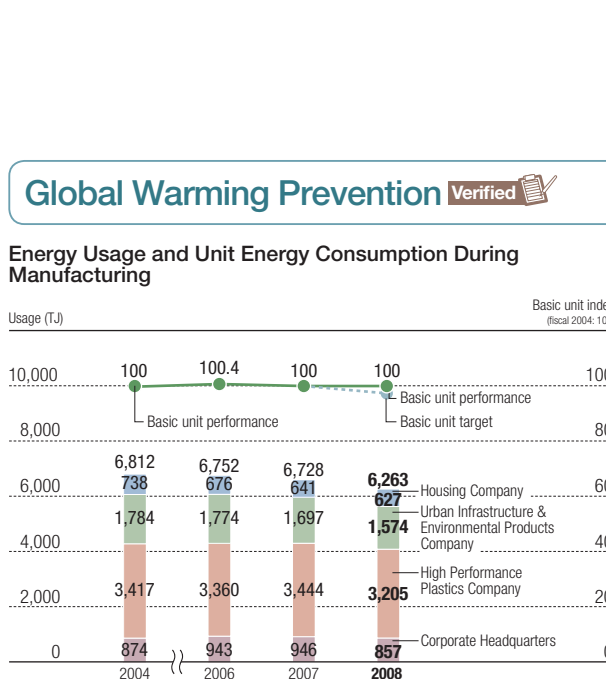
The Sekisui Eco Value Index **→ P.20** is an independent index utilized by Sekisui Chemical Group for measuring the efficiency of our environmental management activities.

$$\text{Sekisui Eco Value Index} = \frac{\text{Environmental Added Value (converted to monetary amount)} \quad (= \text{sales revenue from environment-contributing products} + \text{external economic benefits})}{\text{Group's overall environmental impact} \quad (\text{converted to a coefficient}) \text{ (JEPIX Eco Points)}}$$

### Environmental added value



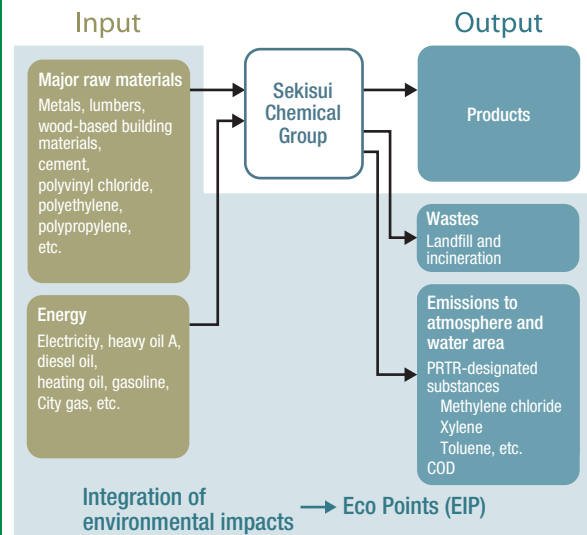
### Overall environmental impact (Eco Points)



**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.

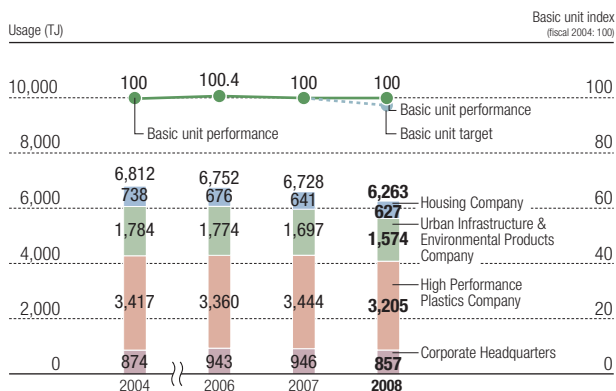
$$\text{External Economic Benefits} = \text{Reduction Amount} \times \text{Cost for Reducing Environmental Impact}$$

**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.



## Global Warming Prevention Verified

### Energy Usage and Unit Energy Consumption During Manufacturing



### CO<sub>2</sub> Emissions Coefficients (Environmental Top Runner Plan Part 1)

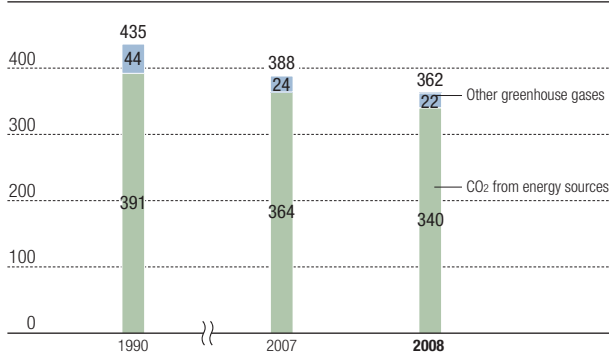
Under the Midterm Environmental Plan: Environmental Top Runner Plan Part 1, the conversion coefficients listed below have been used by all business sites for each fiscal year to calculate volumes of and reductions in CO<sub>2</sub> emissions. Our aim is to evaluate results from this approach more accurately by first removing any external factors. These coefficients are based on the figures in the "Report on the Review Results of Calculating the Emission Amount of Greenhouse Gases" published in August 2002 by Japanese Ministry of the Environment, while for purchases from general electric power suppliers figures from the Federation of Electric Power Companies of Japan for the 2000 fiscal year are used.

Purchased electricity	0.378 tons CO <sub>2</sub> /MWh (purchases from general electric power suppliers)
Purchased electricity	0.602 tons CO <sub>2</sub> /MWh (purchases from other suppliers)
Heavy oil A	2.77 tons CO <sub>2</sub> /kL
Heating oil	2.51 tons CO <sub>2</sub> /kL
Diesel oil	2.64 tons CO <sub>2</sub> /kL
Gasoline	2.31 tons CO <sub>2</sub> /kL
LPG	3.02 tons CO <sub>2</sub> /ton
City gas	2.15 tons CO <sub>2</sub> /thousand m <sup>3</sup>
Purchased steam	0.200 tons CO <sub>2</sub> /ton



### Greenhouse-gas emissions from the manufacturing stage in Japan

(1,000 tons-CO<sub>2</sub>) (Calculated based on scope and coefficients under new midterm plan)



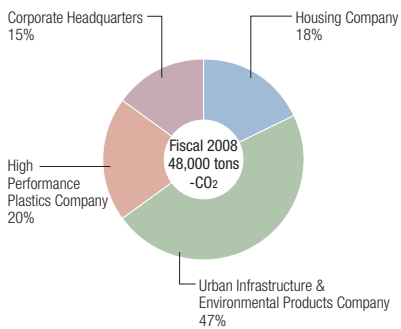
### CO<sub>2</sub> Emissions Coefficient (Environmental Top Runner Plan: Shinkai)

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 CO<sub>2</sub> emissions have been changed to the default values under the greenhouse-gas emissions calculation, reporting, and disclosure system established by Japanese law, with uniform figures used for each fiscal year.

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

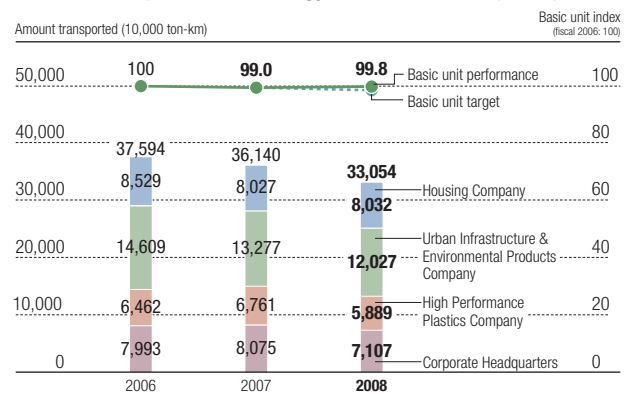
Source: Calculation and Reporting Manual for Greenhouse Gas Emissions (published in March 2009 by Japanese Ministry of the Environment and Ministry of Economy, Trade and Industry)

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

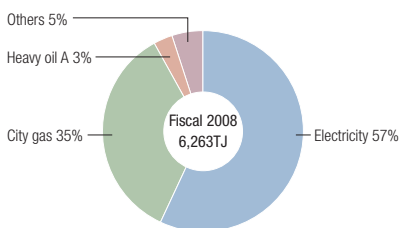


- Amount transported in fiscal 2008: 330 million ton-kilometers
- Calculation method: Either the improved ton-kilometer method, fuel consumption method or fuel cost method depending on the product and transportation method

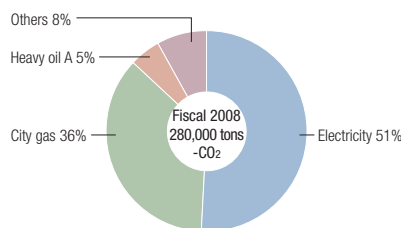
### Amount transported and energy basic unit costs (index)



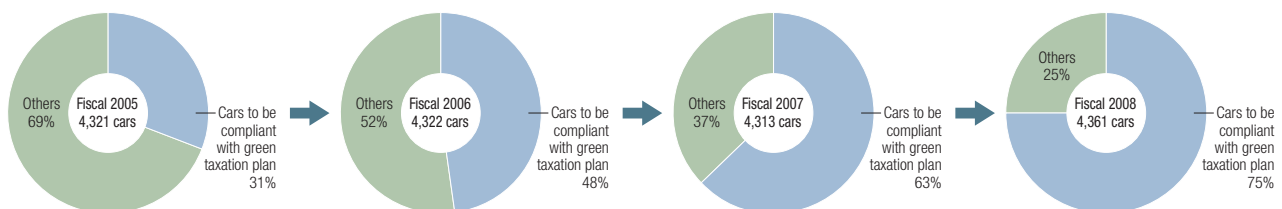
### Breakdown of Energy Used



### Breakdown of CO<sub>2</sub> Emissions



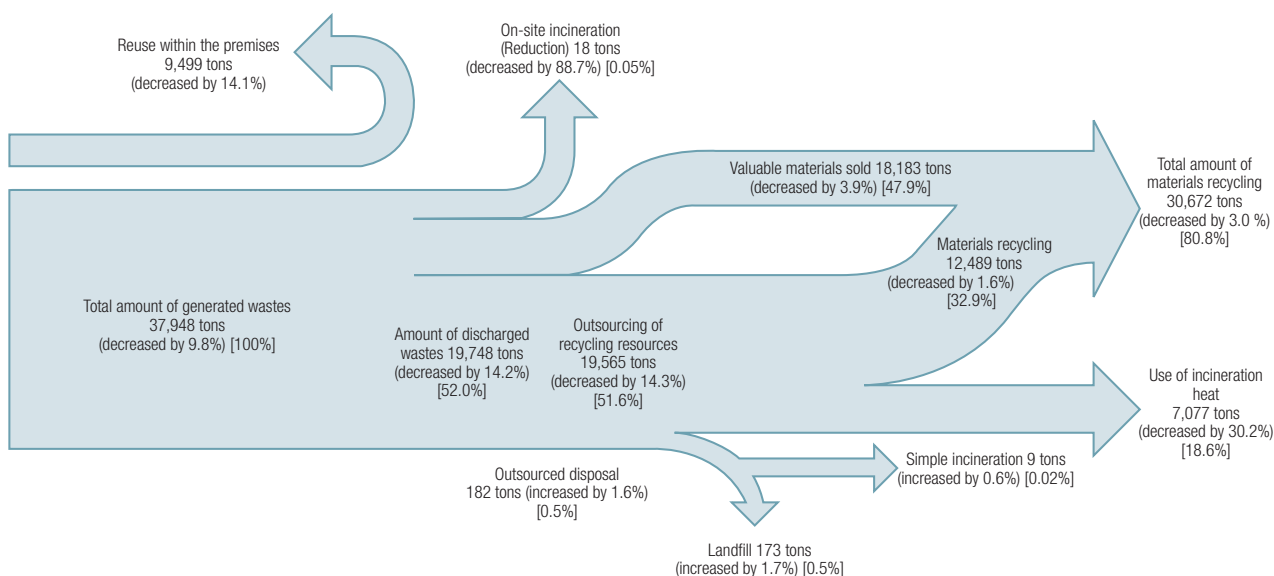
### Rate of Introduction of Cars Achieving Baseline of Green Taxation Plan of Fiscal 2005



## Resource Recycling and Saving Verified

### Fiscal 2008 Annual Production Site Waste Generation and Disposal Conditions

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



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

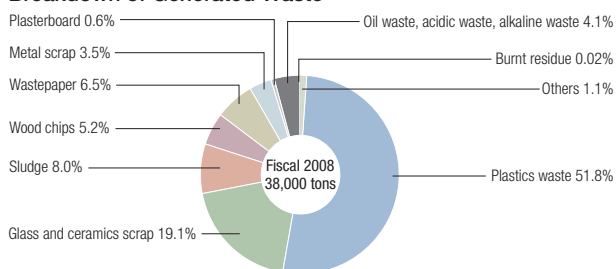
- (1) Not engaging in any outside incineration without thermal utilization, and landfill outside or inside of facilities (Recycling ratio 100%).
- (2) If the waste quantity is small and is a type of waste that has never been recycled before, recycling methods and relevant contractors must be identified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

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

### Subjects of material flow cost accounting at Sekisui Chemical Group

- Material-cost factors  
Cost factors: Primary raw materials, secondary raw materials, ancillary raw materials, and all other material costs
  - System-cost factors  
Labor costs, equipment depreciation, other administrative costs
  - Energy costs  
Electricity, water, gas, heavy oil, and other fuel and energy costs
  - Waste-processing costs  
Actual costs of waste processing
- Data on the above costs is collected as positive and negative costs.

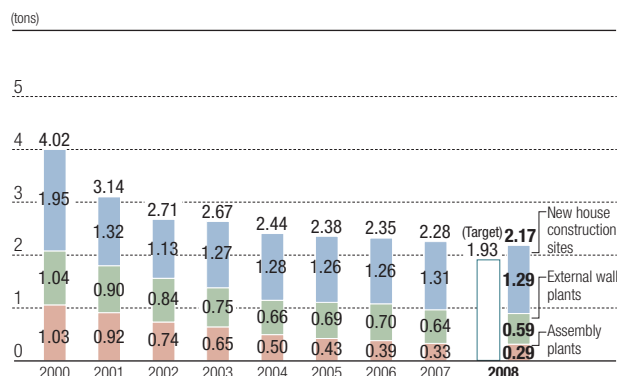
### Breakdown of Generated Waste



### Status of Zero Emissions Achievement

Production sites	Achieved at 35 plants in Japan and two overseas plants, including those of affiliates (includes three plants in Japan that achieved zero emissions in fiscal 2006 - 2008)
Laboratories	Achieved at four domestic laboratories as of fiscal 2005
New house construction sites	Achieved at all locations as of September 2003
House renovation sites	Achieved at all locations as of fiscal 2004
Osaka and Tokyo Headquarters buildings	Achieved as of fiscal 2005
House dismantling sites	As of end of fiscal 2008, 99 % recycling rate for Designated Construction Materials (scrap concrete and wood)

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



## Environmental Management

### ISO14001 Certified Business Sites

#### Housing Company

Kitanihon Sekisui Industry Co., Ltd.  
 Higashinihon Sekisui Industry Co., Ltd.  
 Kanto Sekisui Industry Co., Ltd.  
 Tokyo Sekisui Industry Co., Ltd.  
 Chubu Sekisui Industry Co., Ltd.  
 Kansai Sekisui Industry Co., Ltd.  
 Chugoku Sekisui Industry Co., Ltd.  
 Nishinihon Sekisui Industry Co., Ltd.  
 Sekisui Board Co., Ltd. Minakuchi Plant  
 Sekisui Board Co., Ltd. Gunma Plant  
 Hokkaido Sekisui Heim Co., Ltd.  
 (Hokkaido Sekisui Fami-S Co., Ltd.)  
 Sekisui Heim Tohoku Co., Ltd. Fukushima Branch  
 (Sekisui Fami-S Tohoku Co., Ltd. Fukushima Branch)  
 Ibaraki Sekisui Heim Co., Ltd.  
 (Ibaraki Sekisui Fami-S Co., Ltd.)  
 Tochigi Sekisui Heim Co., Ltd.  
 Gunma Sekisui Heim Co., Ltd.  
 Sekisui Heim Shinetsu Co., Ltd.  
 (Sekisui Fami-S Shinetsu Co., Ltd.)  
 Tokyo Sekisui Heim Co., Ltd.  
 (not including Yamanashi Branch)  
 Tokyo Sekisui Heim Co., Ltd. Yamanashi Branch  
 (Tokyo Sekisui Fami-S Co., Ltd. Yamanashi Branch)  
 Sekisui Heim Chubu Co., Ltd.  
 Sekisui Heim Kinki Co., Ltd.  
 Sekisui Heim Sanyo Co., Ltd.  
 Sekisui Heim Chushikoku Co., Ltd.  
 (not including Ehime Branch)  
 and Sekisui Fami-S Chushikoku Co., Ltd.  
 (not including Ehime Branch)  
 Sekisui Heim Kyushu Co., Ltd.  
 (Sekisui Fami-S Kyushu Co., Ltd.)

#### Urban Infrastructure & Environmental Products Company

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

#### Corporate Headquarters

Sekisui Chemical Co., Ltd. Tsukuba Plant  
 (Development Center and Housing Technology Institute)  
 Tokuyama Sekisui Co., Ltd.  
 Hinomaru Corp. Tosu Plant  
 Hinomaru Corp. Kanto Plant  
 Sekisui Seikei Ltd. Chiba Plant  
 Sekisui Seikei Ltd. Kanto Plant  
 Sekisui Seikei Ltd. Hyogo Plant  
 Sekisui Seikei Ltd. Hyogo-Takino Plant  
 Sekisui Seikei Ltd. Izumo Plant

#### High Performance Plastics Company

Sekisui Chemical Co., Ltd. Amagasaki Plant  
 Sekisui Chemical Co., Ltd. Musashi Plant  
 Sekisui Chemical Co., Ltd. Taga Plant  
 Sekisui Chemical Co., Ltd. Shiga-Minakuchi Plant and Sekisui Fuller Co., Ltd. Shiga Plant  
 Sekisui Chemical Co., Ltd. Minase Site  
 Sekisui Techno Molding Co., Ltd. Head Office Plant  
 Sekisui Techno Molding Co., Ltd. Mie Plant  
 Sekisui Techno Molding Co., Ltd. Oigawa Plant  
 Sekisui Film Co., Ltd. Sendai Plant  
 Sekisui Film Co., Ltd. Nagoya Plant  
 Sekisui Film Co., Ltd. Shinshu-Takato Plant  
 Sekisui Film Kyushu Co., Ltd.  
 Sekisui Fuller Co., Ltd. Hamamatsu Plant  
 Sekisui Medical Co., Ltd. Iwate Plant  
 Sekisui Techno Shoji Higashi Nihon Co., Ltd.  
 SEKISUI TA INDUSTRIES LLC.  
 California Plant  
 SEKISUI TA INDUSTRIES LLC.  
 Tennessee Plant  
 SEKISUI S-LEC B.V.  
 SEKISUI ALVEO B.V.  
 SEKISUI ALVEO LTD.  
 SEKISUI S-LEC MEXICO, S.A. de C.V.  
 SEKISUI S-LEC (THAILAND) CO., LTD.  
 THAI SEKISUI FOAM CO., LTD.  
 YOUNGBO CHEMICAL CO., LTD. Daejeon Plant  
 SEKISUI S-LEC (SUZHOU) CO., LTD.  
 SEKISUI HIGH PERFORMANCE PACKAGING (LANGFANG) CO., LTD.

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

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

(for Production sites and Laboratories, as of End of March 2009)

		Number of cases	Correction completed	Undergoing correction
Corporate Headquarters environmental auditing* (20 business sites)	Issues of concern	126	102	24
	Issues to work on	195	104	91
	Proposals	7	2	5
	Total	328	208	120
Auditing by certification body	Renewal (14 business sites)	Nonconformity (major)	0	0
		Nonconformity (minor)	24	13
		Observations	109	62
		Total	133	75
	Surveillance (31 business sites)	Nonconformity (major)	0	0
		Nonconformity (minor)	18	12
		Observations	130	75
		Total	148	87
Internal auditing of business sites (44 business sites; 47 times of auditing)	Nonconformity (major)	0	0	0
	Nonconformity (minor)	159	125	34
	Observations	469	362	107
	Total	628	487	141

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

### Number of Persons with Qualifications (Persons)

			Those who acquired qualifications during fiscal 2008	Aggregate total	
Number of participants in Environmental Management Systems (EMS) internal auditor development/ training courses	Number of internal training course participants		36	648	
	Number of external training course participants		20	207	
	Total		56	855	
Number of participants in Occupational Health and Safety Management Systems (OHSMS) internal auditor development/ training courses	Number of internal training course participants		73	564	
	Number of external training course participants		25	140	
	Total		98	704	
Number of persons with major qualifications	Registered examiner of the Center of Environmental Auditor Registration (CEAR)	Qualifications	Lead Auditor	1	3
		Auditor	1	2	
		Provisional Auditor	0	2	
	Pollution control manager	Qualifications	Air Classes 1-4	9	50
		Water Classes 1-4	1	86	
		Noise	0	34	
		Vibration	0	21	
		Dioxins	0	3	
	Certified Environmental Measurer			0	0
	Qualified Person for Heat/Electricity Energy Management of Type 1 Designated Plant			3	39
	Olfactory Measurement Operator			0	1

The Practice of CSR Management

Prominence in the Environment

Prominence in CS & Quality

Prominence in Human Resources

Foundation of CSR Management

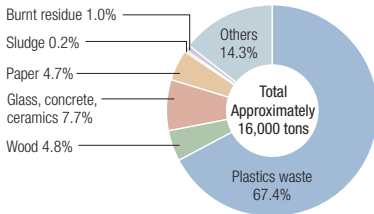
Data

## Environment Performance of Overseas Business Sites Verified

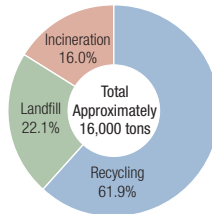
Sekisui Chemical Group is currently moving ahead with globalization of its environmental management. To make continuous improvements in areas associated with overseas production, such as environmental impact, we began monitoring the status of environmental activities and performance data on a regular basis from fiscal 2003.

The scope of fiscal 2008 data covers the following\*1 25 business sites.

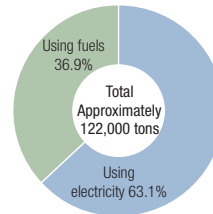
### Volume of Waste Generated\*1



### Waste Treatment Method\*1



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



### Amount of Water Extracted for Industrial Use

Approximately 510,000 tons

\*1 Data collected from: Sekisui Voltek, LLC. (Lawrence Plant and Coldwater Plant), Sekisui TA Industries, LLC. (California Plant and Tennessee Plant), Kydex, LLC., Sekisui S-LEC America, LLC., Allen Extruders, LLC., Sekisui S-LEC Mexico, S.A. de C.V., Sekisui Alveo B.V., Sekisui Alveo Ltd., Sekisui S-LEC B.V., Esilon B.V., Thai Sekisui Foam Co., Ltd., Sekisui S-LEC (Thailand) Co., Ltd., Sekisui Pilon Pty. Ltd., Sekisui Refresh Co., Ltd., Youngbo Chemical Co., Ltd., Sekisui Industrial Piping Co., Ltd., Sekisui (Qingdao) Plastic Co., Ltd., Wuxi SSS-Diamond Plastics Co., Ltd., Yongchang-Sekisui Composites Co., Ltd., Sekisui High Performance Packaging (Langfang) Co., Ltd., Sekisui S-LEC (Suzhou) Co., Ltd., Beijing Sekisui Trank Medical Technology Co., Ltd., Shanghai Sekisui-Holy Plastics Co., Ltd.

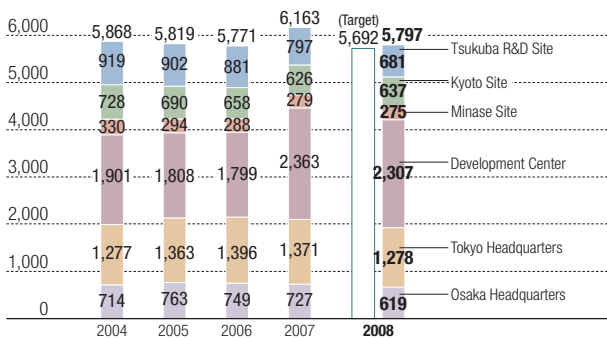
\*2 Fiscal 2004 results data from the Federation of Electric Power Companies of Japan were used for the CO<sub>2</sub> emissions coefficients for each type of energy. Japan's City Gas 13A data was used for "natural gas."

\*3 Calculation period: January 1, 2008 to December 31, 2008

## Environmental Performance in Offices Verified

### Electric Power Consumption in Laboratories (Offices) and Headquarters Buildings

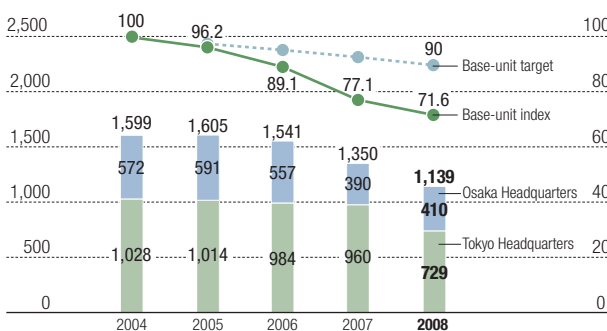
(MWh)



### Photocopying paper use and base units at headquarters buildings (Tokyo, Osaka)

(10,000 sheets)

Base-unit index  
(Fiscal 2004: 100)



### Green Purchases

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

(10,000 yen)

	Purchased amount
Photocopying paper	10,778
Other office supplies	28,635
Office automation equipment	24,802
Total	64,215

### Green Purchase Guidelines (revised October 2007)

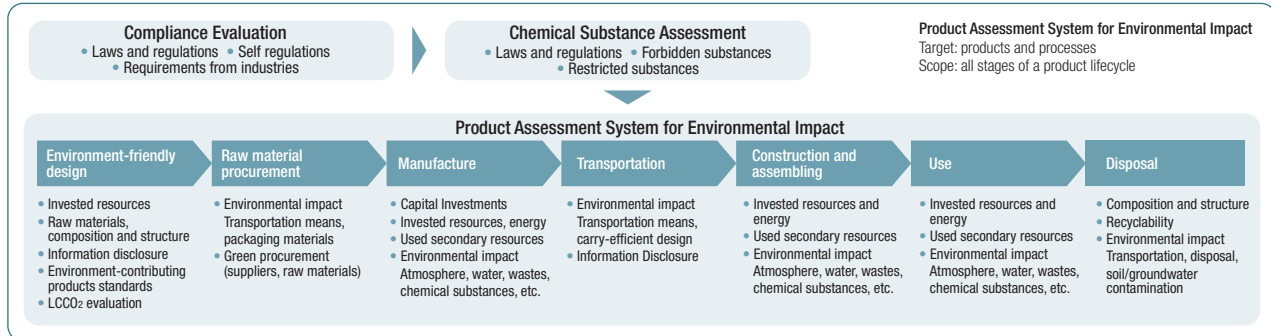
1) OA paper (photocopier paper), stationery, office supplies, office automation equipment	<ul style="list-style-type: none"> <li>Any of those listed under (1)-(4) below:</li> <li>(1) Those satisfying Eco Mark certification standards</li> <li>(2) Those in compliance with the Law Concerning the Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities</li> <li>(3) Those covered in the Green Purchasing Network's database</li> <li>(4) Those covered in catalogs as environment-friendly products</li> </ul>
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.)	<ul style="list-style-type: none"> <li>Any of those listed under (1)-(5) below:</li> <li>(1) Those satisfying Eco Mark certification standards</li> <li>(2) Those in compliance with the Law Concerning the Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities</li> <li>(3) Those covered in the Green Purchasing Network's database</li> <li>(4) Those covered in catalogs as environment-friendly products</li> <li>(5) Non-pulp paper or paper consisting of 70% or more recycled paper, or paper with the highest recycled content for the relevant type</li> </ul>
3) Toilet paper	<ul style="list-style-type: none"> <li>100% recycled toilet paper</li> </ul>

Prior to revision, these Guidelines specified a standard of 100% recycled paper with whiteness of 70% for eligible OA paper (photocopier paper). However, at present they include paper made from environment-friendly virgin pulp, composed of unused materials such as lumber harvested from forest-thinning projects and materials with forest certifications.



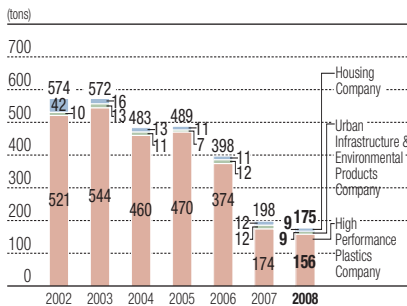
## Overview of the Product Assessment System for Environmental Impact

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

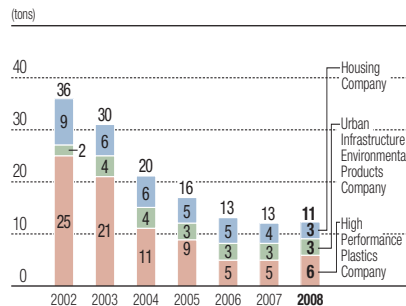


## Atmospheric, Water, and Soil Related Emissions Verified

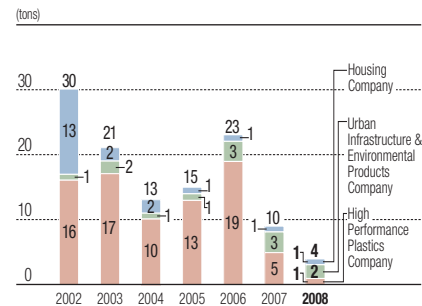
**NOx Emission Volume**



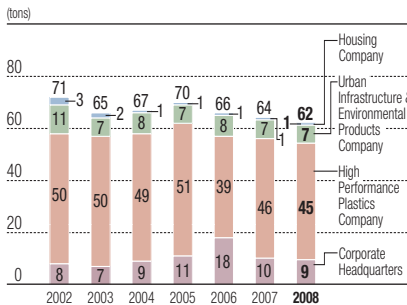
**SOx Emissions Volume**



**Soot and Dust Emission Volume**



**COD Discharge Volume**



**Business Site Soil Surveys**

Business sites	Survey substance	Excess of the standards
Sekisui Chemical Co., Ltd. Musashi Plant	Lead, benzene	Yes (lead content in soil) Yes (lead in groundwater, presumed not to be a result of business activities)
Minase Site	Lead, hexavalent chrome, cadmium, selenium, mercury, boron, Class 1 substances*	No
Tokuyama Sekisui Co., Ltd.	Lead, hexavalent chrome, mercury, Class 1 substances*	Yes (1,1-dichloroethylene dissolved in soil)
Nishinoh Sekisui Industry Co., Ltd.	Lead, hexavalent chrome, cadmium	Yes (hexavalent chrome dissolved in soil)
Sekisui Seikei Ltd. Hyogo Plant	Lead, cadmium, benzene	No

\* Class 1 designated harmful chemical substances

## Environmental Incidents and Complaints Verified

There were two cases of incidents involving discharge of substances off company premises. In both cases, permanent countermeasures and measures to prevent recurrence have been completed.

### Environmental Incidents

Details of incidents involving discharge of substances off company premises	Countermeasures
Rain caused oil accumulated on a plant site to flow out of plant drains together with rainwater	Installation of oil-water separation tanks
Clogged piping caused cement filtration water to overflow from a tank and flow into a river	Switch to controls to prevent overflow by suspending pump operation at maximum tank level

### Environmental Complaints

	Details of complaints	Countermeasures
Noise	Complaints concerning noise from steam pressure relief valve operation (three complaints) Complaint concerning noise from pumps and other equipment	Renovation of safety valves, installation of silencers Repairs to equipment, switching to low-noise equipment
Odors	Complaints concerning odor from wastewater processing facilities (two complaints) Complaint concerning odor from organic solvents used at plant	Sealing off areas where odors are generated, installation of odor-prevention barriers Installation of organic-solvent filters on exhaust ducts
Others	Outflow of post-construction reclamation earth and sand from site in heavy rain	Immobilizing earth and sand on site slopes

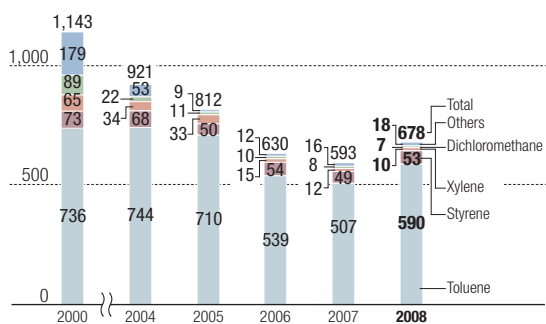
## Summation Results Based on the PRTR Law Verified

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

Items	Government ordinance notification number	Transaction volume	Emission volume				Transfer volume			Detoxification
			Emitted gases	Public area water-zones	In house soil	In house landfill	Sewage system	Transfer in waste Disposal	Transfer in waste Recycling	
Acrylic acid	3	58.5	0	0	0	0	0	0	5.7	53
Acrylonitrile	7	137.8	0.34	0	0	0	0	0.010	0	137
Bis (2-ethylhexyl) adipate	9	2.9	0.017	0	0	0	0	0	0	0
Acetaldehyde	11	168.8	0.12	0	0	0	0	0	0	169
Antimony and its compounds	25	39.0	0	0	0	0	0	0	3.9	0
Bisphenol A epoxy resin (liquid form)	30	264.1	0	0	0	0	0	0	0.42	261
Ethylbenzene	40	1.4	1.4	0	0	0	0	0	0	0
Ethylenediaminetetraacetic acid	47	1.5	0	0	0	0	0	0	0	1.5
Xylene	63	79.3	10	0	0	0	0	0	3.9	64
Vinyl chloride	77	113,063.0	3.9	0.13	0	0	0	0	0	113,059
Cobalt and its compounds	100	1.2	0	0	0	0	0	0	0	0
Vinyl acetate	102	1.9	0.010	0	0	0	0	0	0	1.9
Dichloromethane	145	535.7	7.0	0	0	0	0	0	0.83	528
N,N-Dimethylformamide	172	3.4	0.0041	0	0	0	0	0	0.65	2.8
Organic tin compounds	176	89.4	0	0	0	0	0	0.052	0.45	0
Styrene	177	3,939.6	53	0.13	0	0	0	0.0078	0	2,633
Decabromodiphenyl ether	197	59.1	0	0	0	0	0	0	7.1	0
Terephthalic acid	205	72.9	0	0	0	0	0	0	0	73
Toluene	227	1,588.6	590	0.50	0	0	0	0	38	960
Lead and its compounds	230	602.9	0.0004	0.0020	0	0	0.0010	0	2.8	0
Phenol	266	17.3	1.9	0	0	0	0	0	0	15
Di-n-butyl phthalate	270	5.9	5.8590	0	0	0	0	0	0	0
Bis- (2-ethylhexyl) phthalate	272	132.4	1.2	0	0	0	0	0.21	4.2	0
Formaldehyde	310	17.1	1.5	0	0	0	0	0	0	16
Methacrylic acid	314	26.9	0.014	0	0	0	0	0	0	27
Methyl methacrylate	320	289.0	0.63	0	0	0	0	0.012	0	288
Methylacrylonitrile	321	141.2	0.69	0	0	0	0	0.0030	0	140
<b>Total</b>		<b>121,341.1</b>	<b>677</b>	<b>0.77</b>	<b>0</b>	<b>0</b>	<b>0.0010</b>	<b>0.29</b>	<b>68</b>	<b>118,429</b>
Dioxins (Unit: mg-TEQ)	179	—	2.4	0	0	0	0	0.14	0	0

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

(tons)



## CS&Quality Data

### Business sites acquiring ISO 9000-series Certification

#### Housing Company

Sekisui Chemical Co., Ltd. Housing Company (comprehensive certification)

Technology Department: Product Development I  
Technology Department: Product Development II  
Technology Department: Housing Technology Institute  
CS Promotion & Quality Assurance Department  
Technology Department: Production & Purchasing  
Kitaninon Sekisui Industry Co., Ltd.  
Higashinon Sekisui Industry Co., Ltd.  
Kanto Sekisui Industry Co., Ltd.  
Tokyo Sekisui Industry Co., Ltd.  
Chubu Sekisui Industry Co., Ltd.  
Kansai Sekisui Industry Co., Ltd.  
Chugoku Sekisui Industry Co., Ltd.  
Nishinon Sekisui Industry Co., Ltd.  
Hoppou Jyubunka Institute Co., Ltd.  
Sekisui Board Co., Ltd. Gunma Plant  
Sekisui Board Co., Ltd. Minakuchi Plant  
Sekisui Global Trading Co., Ltd.

#### Urban Infrastructure & Environmental Products Company

Sekisui Chemical Co., Ltd. Shiga-Ritto Plant  
Sekisui Chemical Co., Ltd. Tokyo Plant  
Sekisui Chemical Co., Ltd. Gunma Plant  
Okayama Sekisui Industry Co., Ltd.  
Sekisui Roofing Systems Co., Ltd.  
Shikoku Sekisui Industry Co., Ltd.  
Kyushu Sekisui Industry Co., Ltd.  
Sekisui Aqua Systems Co., Ltd. Mechanical Plant Division,  
Shizuoka Plant  
Vantec Co., Ltd. Chiba Plant  
Sekisui Hometechno Co., Ltd.  
Sekisui Chemical Hokkaido Co., Ltd.  
Toto Sekisui Co., Ltd. Headquarters, Ota Plant  
Sekisui Chemical Co., Ltd. Wood Business Promotion  
Division, Ota Plant  
Nippon No-Dig Technology Ltd.  
KYDEX, LLC.  
Eslon B.V.  
Sekisui (Qingdao) Plastic Co., Ltd.  
Sekisui Industrial Piping Co., Ltd.  
Yongchang-Sekisui Composites Co., Ltd.  
Wuxi SSS-Diamond Plastics Co., Ltd.

#### High Performance Plastics Company

Sekisui Chemical Co., Ltd. Shiga-Minakuchi Plant  
Sekisui Chemical Co., Ltd. Musashi Plant  
Sekisui Chemical Co., Ltd. Amagasaki Plant  
Sekisui Chemical Co., Ltd. Taga Plant  
Sekisui Fuller Co., Ltd.  
Shiga Plant, Hamamatsu Plant, Osaka Office, Tokyo Office  
Sekisui Medical Co., Ltd.  
Sekisui Techno Molding Co., Ltd. Nara Plant  
Sekisui Techno Molding Co., Ltd. Oigawa Plant  
Sekisui Techno Molding Co., Ltd. Mie Plant  
Sekisui Film Co., Ltd.  
Nagoya Plant, Sendai Plant, Shinshu-Takato Plant  
Sekisui Film Kyushu Co., Ltd.  
Sekisui Polymertech Co., Ltd.  
Beijing Sekisui Trank Medical Technology Co., Ltd.  
Sekisui S-LEC Mexico, S.A. de CV.  
Sekisui S-LEC B.V.  
Sekisui S-LEC (Thailand) Co., Ltd.  
Sekisui S-LEC (Suzhou) Co., Ltd.  
Sekisui-Alveo A.G.  
(Six sites: GmbH, AG., Sarl, s.p.a, S.A., [Benelux] BV)  
Sekisui-Alveo Ltd.  
Sekisui-Alveo B.V.  
Thai Sekisui Foam Co., Ltd.  
Sekisui Voltec LLC., Lawrence Plant  
Sekisui Voltec LLC., Coldwater Plant  
Sekisui Pilon Pty Ltd.  
Youngbo Chemical Co., Ltd.  
Shanghai Sekisui-Holy Plastics Co., Ltd.

#### Corporate Headquarters

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

## Human Resources Data

### Breakdown of number of employees (Sekisui Chemical Group)

Number of employees		(Persons)
19,742		
By region		
Japan	15,608	
North America	940	
Central and South Americas	69	
Europe	1,115	
Asia/Pacific	526	
China	1,484	

### Breakdown of number of employees (Sekisui Chemical Co., Ltd.)

Number of employees		(persons)
3,895		
Male	3,538	
Female	357	

### Employees' years of continuous service (Sekisui Chemical Co., Ltd.)

Average years of continuous service		(Years)
18.6		
Male	18.9	
Female	15.9	

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

	Fiscal 2006	Fiscal 2007	Fiscal 2008
Number of new-graduates hired (persons)	64	67	66
Separation rate within the first 3 years (%)	7.8	10.4	1.5

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

### Results of Intra-group Job Posting

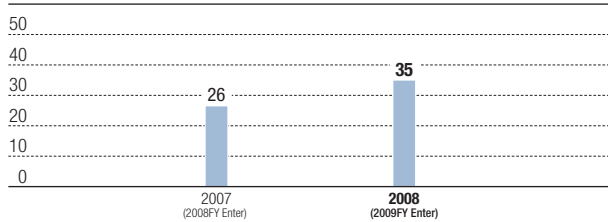
	Fiscal 2006	Fiscal 2007	Fiscal 2008	Cumulative total since 2000
Recruitments (cases)	21	24	15	149
Employees recruited (persons)	43	70	29	335
Applicants (persons)	158	120	92	794
Employees transferred (persons)	24	30	11	183

### Main Recruitment and Elective-type Training Programs Conducted in Fiscal 2008

	Training	Details	Number of participants in fiscal 2008
Recruitment-type Training	The <i>Saijuku</i> School	This program combines intensive courses led by visiting university professors with practical themes so that participants can improve their skills and knowledge to become globally-oriented leaders. This program is intended to develop the next generation of leaders from among younger employees.	27
	Sekisui Innovation School	This program, with a Sekisui Chemical director serving as the head of the program, educates young employees (from those with six years' experience in the workplace through those at the manager level) through a one-on-one relationship between instructors and students. This program involves studying medium-to long-term themes across departmental boundaries for six months, and then presenting the results to top management.	119
	Sending Employees to Business Schools Outside the Company	Under this program, employees take courses for training business professionals at business schools outside of the company. The aim is to work together with human resources outside the company and to polish up business skills.	16
Elective 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.	293 (gross total)

## Percentage of women among new-graduate hires

(Percent)



## Use of main systems supporting the cultivation of the next generation of employees (at Sekisui Chemical)

System		Main content	Fiscal 2006	Fiscal 2007	Fiscal 2008
During childcare leave	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.	10	28	30
	Shortened work hours	Payment period which previously extended until the child was three years old now extends until the child enters elementary school.	5	11	12
After returning to work	Granting of additional cafeteria-plan points	180 additional points per year granted until the child enters elementary school	—	31	31
	Family leave	Three days of paid leave per year granted until the child completes elementary school (this leave can be taken for reasons such as parents day, athletic meets, and PTA meetings)	—	110	132
Total number of persons using these systems			15	180	205

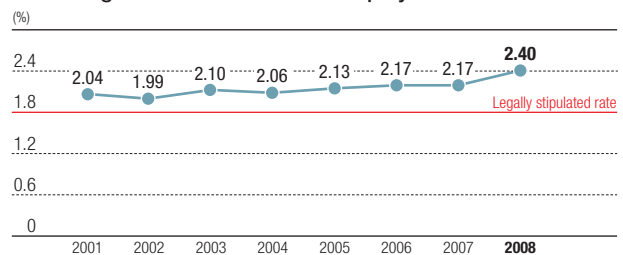
## Career Plan Training by Age

	30's	40's	50's	Total Number of Participants
Themes by Age Group	Self-establishment	Market Value	Continuing to work even after retirement	—
Training Contents	Recognition of abilities and interviews with superiors on career-related matters	Affirmation of specialization, values, and the meaning of work	Aiming to keep working at age 65 and thinking about succession	—
Number of Participants in Fiscal 2008 (persons)	58	170	44	272
Total Number of Participants as of Fiscal 2008 (persons)	1,429	1,113	619	3,161

## Overview of 3-Year Cultivation Program for Young Employees

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

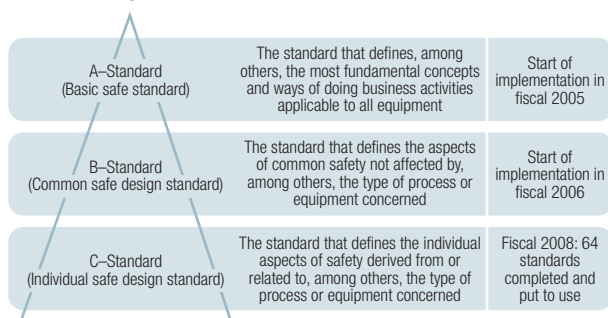
## Percentage of Disabled Persons Employed



Note: Fiscal 2008 figures are current as of June 1, 2008

## Safety Data

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



## Main Education &amp; Training Programs in Fiscal 2008 (Production Sites / Laboratories)

Programs		Content
Special safety training		<ul style="list-style-type: none"> <li>Training for core site management (Presidents, plant general managers, manufacturing division managers, safety managers)</li> </ul> Conducted based on the theme that safety is determined by the attitude of top management and other managers (two sessions, with 83 participants in total)
Compulsory Program for Each Level		<ul style="list-style-type: none"> <li>Safety and Quality Course for New Production Managers and Section Heads</li> </ul> Conducted for newly appointed manufacturing division managers and department managers (or managers performing equivalent duties) (two sessions, with 45 participants in total)
Rank Advancement Program	Level I (Basic)	<ul style="list-style-type: none"> <li>Not conducted in fiscal 2008 (KYT risk-prediction training and other training independently conducted by each site)</li> </ul>
	Level II (Practical Level)	<ul style="list-style-type: none"> <li>Safety Brainstorming Sessions</li> </ul> Held for site safety managers and related personnel (two sessions, with 141 participants in total) <ul style="list-style-type: none"> <li>Field trips to Enterprises with Advanced Safety Policies</li> </ul> 82 people participated in field trips and opinion-exchange sessions (twice) to enterprises with excellent safety activities and results. <ul style="list-style-type: none"> <li>Training OHSMS internal auditors</li> </ul> Outside instructors were invited and 89 people acquired certification (for a cumulative total of 854 certified internal auditors).

The above table shows activities conducted at corporate headquarters and in division companies. In addition to these, each site conducts its own individual educational and enlightenment activities.



## Main Education &amp; Training Programs in Fiscal 2008 (Housing Construction Sites)

Target	Content
Top management and those in charge of overall health and safety	• Top Management Seminar (sponsored by the Japan Industrial Safety & Health Association) Participants learn about their roles in ensuring worker safety, a major premise of management (2 participants)
Construction managers and site supervisors at cooperating companies	• Supervisor Course This course provides training for supervisors as stipulated in the Industrial Safety & Health Law (239 participants)
Safety staff (construction heads)	• Safety Communication Instructor Training 58 participants from Sekisui Heim Chubu Co., Ltd., Sekisui Heim Chushikoku Co., Ltd., Sekisui Heim Kyushu Co., Ltd., Sekisui Heim Tohoku Co., Ltd., and Hokkaido Sekisui Heim Co., Ltd.
Construction managers (construction supervisors)	• Safety Communication Leader Training 273 participants from Sekisui Heim Chubu Co., Ltd., Sekisui Heim Chushikoku Co., Ltd., Sekisui Heim Kyushu Co., Ltd., Sekisui Heim Tohoku Co., Ltd., and Hokkaido Sekisui Heim Co., Ltd.
Others	• KYT risk-prediction training, for key personnel: 877 participants • Risk Assessment (RA) training: 19 participants (not including section-manager training) • Special grind-wheel training: 53 participants

Note: The table above shows main activities conducted by Corporate Headquarters, individual Companies, and housing sales companies. In addition to these, housing sales companies and Fami-S (remodeling) companies also conduct educational and development activities on their own.

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

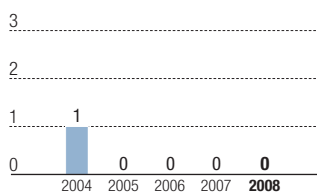
(Million yen)

Classification	Item	Expense amount	Investment amount
1) Costs within business areas	Health and safety measures, rescue and protective-equipment, measurement of work environment, health monitoring, workers' accident compensation insurance, etc.	812	917
2) Administrative costs	Establishment and implementation of OHSMS, safety education, personnel costs, etc.	1,262	—
3) Other	Safety awards, etc.	9	—
Total		2,083	917

\* Includes 41 production sites in Japan/4 laboratories + all departments of Corporate Headquarters +back-offices of division companies.

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

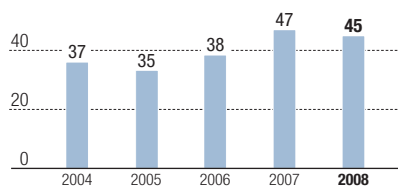
(Cases)



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

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

(Cases)

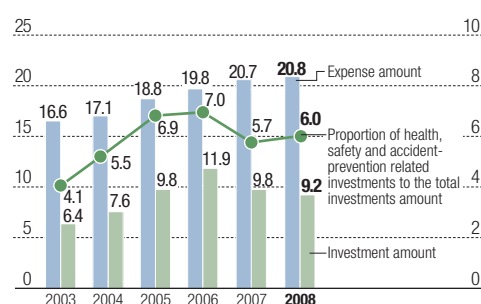


\* Extended sick leaves: This refers to a new absence of 30 calendar days or longer due to illness or injury. Reoccurrences within six months of returning to work are not included in the above count. Absences due to occupational injury are not considered extended sick leave.

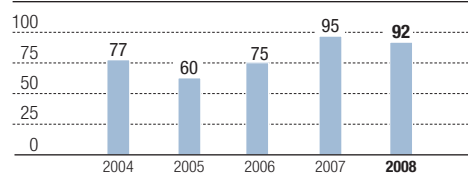
Trend of Expenses and Investments **Verified**

Investment and expense amounts (100 million yen)

Rate (%)

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

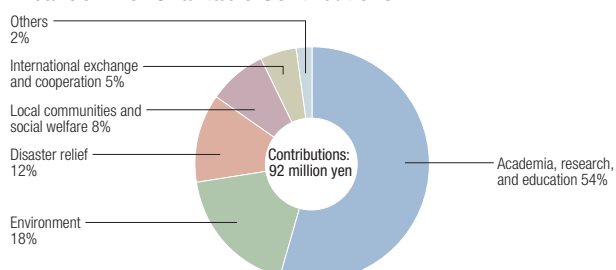
(Cases)



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

Social contribution activities **Verified**

## Breakdown of Charitable Contributions



Sekisui Chemical Group is proud to provide financial support to a wide range of activities, including those in support of environmental causes and cultivating successive generations. Charitable contributions in fiscal 2008 totaled approximately 92 million yen.

Typical support provided includes activities in support of nonprofits and nongovernmental organizations through the Keidanren Nature Conservation Fund and the Sekisui Chemical Grant Program for Research on Manufacturing Based on Learning from Nature.

# Independent Review Report

(TRANSLATION)	<u>Independent Review Report</u>	June 12, 2009
Mr. Naofumi Negishi, President, Sekisui Chemical Co., Ltd.	Deloitte Tohmatsu Evaluation and Certification Organization Co., Ltd. Chief Executive Officer Hiroshi Inanaga	
1. Scope of the Review	We have reviewed the "CSR Report 2009" (the "Report") prepared by Sekisui Chemical Co., Ltd. (the "Company"). The purpose of our review was to provide limited assurance from an independent practitioner about whether material sustainability information indicated with the verification logo for the period from April 1, 2008 to March 31, 2009 included in the Report was accurately measured and calculated, referring to the Environmental Reporting Guidelines -2007 version (issued by the Japanese Ministry of the Environment) and GRI Sustainability Reporting Guidelines (Version3.0), in accordance with calculation methods adopted by the Company, and that no such material items were omitted.	
2. Responsibility of the Management	The Report is the responsibility of the Company's management. Our responsibility is to provide our limited assurance with respect to the review performed on the Report from an independent practitioner.	
3. Summary of Review	To obtain an adequate and valid standard of basis for providing limited assurance with respect to our conclusions, we performed our review with reference to the International Standard on Assurance Engagements (ISAE) 3000 (issued by the International Federation of Accountants in December 2003), Proposed Environmental Report Review Standard (issued by the Japanese Ministry of the Environment in March 2004) and the Practical Guideline for Assurance Engagement of Sustainability Information (issued by the Japanese Association of Assurance Organizations for Sustainability Information in February 2008). The review procedures performed for the material sustainability information indicated with the verification logo for the period from April 1, 2008 to March 31, 2009 included in the Report consisted of: 1) agreeing information to summary tables and supporting documents on a sample basis; 2) interviewing the responsible personnel and the persons in charge; 3) reviewing and agreeing information to the relevant minutes, the Company's regulations, and ISO related documents and so on; 4) site visits; and 5) comparing information with other available supporting internal and external materials.	
4. Conclusions	On the basis of the review procedures described in the preceding paragraph, nothing has come to our attention that caused us to believe : the material sustainability information indicated with the verification logo for the period from April 1, 2008 to March 31, 2009 included in the Report was not accurately measured or calculated, referring to the Environmental Reporting Guidelines -2007 version (issued by the Japanese Ministry of the Environment) and GRI Sustainability Reporting Guidelines (Version3.0), in accordance with calculation methods adopted by the Company, in all material respects; or that any material items listed in the Appendix : Requirements for Logotype Registration of Sustainability Reporting were omitted.	
5. Special Interests	There are no interests between the Company and Deloitte Tohmatsu Evaluation and Certification Organization Co., Ltd. or its engagement personnel, requiring disclosure referred to the provisions of the Certified Public Accountants Law of Japan.	

## Comments on Independent Review of Sekisui Chemical Group's CSR Report 2009

### 1. CSR Management

Sekisui Chemical Group's CSR management concept of Three Prominences — the Environment, CS & Quality, and Human Resources — along with Three Attitudes of Sincerity — Compliance, Risk Management, and Disclosure and Communication — is thought to be spreading steadily throughout the organization, and its results are beginning to appear.

In the area of CSR Management, President Negishi's March 2009 message to the presidents of overseas affiliates that CSR enlivens the organization by making the Prominences clear has served as an impetus to global deployment of CSR management.

By asking employees to think about the Prominences, the Group also is encouraging them to think about the Prominences on their own to move toward achievement of these and begin enthusiastic activities with pride. In addition, an interview with the President showed that he attaches a high level of importance to CSR, recognizing that it is a way of achieving growth, sustainability, and stability, and that it is CSR that supports the corporate culture and the backbone for reforms, awareness of which is of the utmost importance.

While the Group is getting ready to promote global deployment, it is hoped that the speed of such deployment will accelerate further from a CSR Management perspective in the global arena, which it already recognizes as an issue of concern. For example, in the area of human resources, global HR development and management are thought to be of particular importance. In addition, it is hoped that further practical progress will be made in areas such as biodiversity and human rights, under the policies for Environment and Human Resources and Human Rights that were revised in April of last year.

### 2. CSR Report 2009

In 2009, Sekisui Chemical Group established the Group's philosophy "Our Principle" and the Group vision, formulated a midterm CSR plan consistent with its new (five-year) midterm management plan, with a focus on contributing to society and earning the trust of society, and made continued progress in uniting CSR with management in general.

In addition, this Report features a summary of the midterm plan through fiscal 2008 and an outline of the new midterm plan starting with fiscal 2009, providing insights into the Group's CSR progress. It also reports on CSR efforts based on the individual business characteristics of each division company and organizes CSR information based on its relation to main business activities.

In the future, it is hoped that Sekisui Chemical Group will make even further progress as it aims to be a premium global company, by enhancing the PDCA cycle for CSR as a whole and its management indexes in areas other than the environment, to generate results from CSR management.

### 3. Management of Sustainability Information

#### (1) Management of Social-performance Information

Beginning with last year's report, quantitative information on social performance has also been subject to independent review. While improvements were noted with respect to calculation and disclosure of quantitative information on social performance, we also noted rules were not clear for certain items. It is hoped that such rules for information used for quantitative information disclosure purposes will be documented. It is also expected that consideration will be given to whether there is room for incorporating into information management systems, the further collection of important social-performance data for management use.

#### (2) Management of Environmental Information

Efforts have been made to accelerate collection of data by the adopted environmental information system, and such data has been subjected to continuous checks by Corporate Headquarter in-charge personnel. However, we noted cases such as insufficient understanding of the purposes of input forms, inadequate supporting materials for data, and errors in data collection at some business sites. It is hoped that documentation of rules for gathering and calculating data will be further improved. Also, it is hoped that system reviews and guidance and training for the business sites will be done simultaneously, to ensure thorough adherence with the rules.

# History of Sekisui Chemical Group

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

## Editor's Notes

Sekisui Chemical Group began full-fledged CSR efforts in fiscal 2005, adding to the existing reported items a report on social performance, changing the titles of these reports from the Environmental Report to the Environmental and Social Report, and to the CSR Report while enhancing the content of the reports. In addition, since fiscal 2005 these reports have communicated the Sekisui Chemical Group's CSR concept to parties both inside and outside the Group, based on the Three Prominences of Environment, CS & Quality, and Human Resources, and Three Attitudes of Sincerity; Compliance, Risk Management, and Disclosure & Communication and promoted the spread of this concept.

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

First, in light of the fact that the fiscal year covered by this report is the year in which the Group shifts to a new midterm management plan, for ordinary readers who would like to know the kinds of efforts the Group is making and how it will do so, pages reporting on a summary of the previous midterm plan and an outline of the new midterm plan have been added in the first half of the Report. Together with this, efforts of each division company, each of which has different business characteristics, have been reported on as well, to deepen understanding of Sekisui Chemical Group's CSR Management. At the same time, for readers who are specialists in the environment and CSR who would like to ascertain

detailed quantitative data, pages reporting on activities related to the Three Prominences and the Three Attitudes of Sincerity have been added in the second half of the Report, and performance data has been compiled in the Data section. The overview of Sekisui Chemical Group's CSR Management in the first half of the Report is structured to aid understanding of the progress on individual efforts and detailed data in the second half.

While this Report discloses both inside and outside the Group information on activities in the fiscal year covered, it also looks back on the Group's own efforts, fulfilling functions such as recognizing efforts expected by parties outside the Group and our own weaknesses, including plan results and issues remaining. In addition to disclosing information as much as possible and accepting opinions from both inside and outside the Group, efforts such as undergoing an independent review to ensure the accuracy and objectivity of information disclosed are intended to advance CSR Management efforts and improve the content of this Report.

We would very much appreciate hearing the frank opinions of our readers. Such opinions will serve as valuable references for Sekisui Chemical Group's future reports and CSR activities.

CSR Planning Group, CSR Department  
E-mail: [csr@sekisui.jp](mailto:csr@sekisui.jp)

## SEKISUI CHEMICAL CO., LTD.

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

### For further information contact:

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

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

- (1) This report is made using FSC-certified paper, generated from forests that were handled with care.
- (2) CTP (Computer to Plate) method is adopted in the plate making processes in order that no film remains as a waste material.
- (3) Soy ink is used in the printing processes because it generates little VOC (volatile organic compound) and has excellent biodegradable and de-inking properties. Furthermore, Waterless Printing, which generates no hazardous waste liquid, is adopted.
- (4) Glue not affecting the recyclability of paper is used in binding this book.



CSR Report 2009 has been reviewed by an independent third party, and as a result has been granted the sustainability report review and registration logo. This demonstrates that this Report satisfies the necessary criteria established by the Japanese Association of Assurance Organizations for Sustainability Information (J-SUS; <http://www.j-sus.org/>) for the use of this logo, intended to assure the reliability of sustainability information.



Published in English: August 2009 Annual Publication.  
Next Publication: August 2010