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Press Release

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Expanding Pipeline Rehabilitation Business through Acquisition of German Corporation
Business Foundation (Value Chain Structure) to be Completed
in Preparation for Achieving Top Position in Global Markets

The Urban Infrastructure & Environmental Products Company (President: Yoshiyuki Takitani) of SEKISUI CHEMICAL CO., LTD. (President: Naotake Okubo; hereinafter SEKISUI CHEMICAL) has acquired a 75% share in the pipe-rehabilitation firm Chevalier Pipe Technologies GmbH (“CPT,” President: Edmund Luksch; herein after CPT), a subsidiary of Hong-Kong-based Chevalier International Holdings Ltd., a corporation involved in a diversified range of businesses including the pipe-rehabilitation, construction-equipment, and food-products businesses.

Following on the heels of its acquisition of U.S. pipe-rehabilitation construction firm Heitkamp, Inc. in December 2007, SEKISUI CHEMICAL aims with this acquisition of CPT, which provides services across the value chain from pipe inspection through construction in markets centered on Europe, to secure the top position globally in the pipe-rehabilitation business.

1. Background

Under its medium-term management vision “GS21-Go! Frontier” launched in the 2006 fiscal year, SEKISUI CHEMICAL considers the creation of growth businesses and new businesses that can realize high levels of profitability to be key topics as it aims to transform itself into a “prominent” and “highly profitable” enterprise. As part of these efforts, the Urban Infrastructure & Environmental Products Company is making progress in expanding its lines of business based on the “water-environment solutions business” and “overseas sales.” As part of these efforts, in the pipe-rehabilitation field, which is experiencing rapid growth in demand, it is providing services on a global basis across the value chain from pipe inspection through construction, built on the foundation of the “SPR method,” which makes it possible to rehabilitate deteriorated pipes without requiring ground excavation.

In developed nations such as Japan, the U.S., and Europe, problems such as road cave-ins, road subsidence, water leaks, and foul odors caused by deterioration of sewer pipes are becoming serious topics of concern in society, and as such the pipe-rehabilitation business is projected to see very high rates of growth in the future.

Until now, SEKISUI CHEMICAL has advanced its business-development efforts in the areas of supplying pipe-rehabilitation materials and nurturing construction partners, chiefly based on the “SPR method,” in Asia and the United States. However, a full-fledged advance into European market, which is second only to the U.S. in terms of demand, has become essential to further business growth.

At the same time, CPT has been developing its pipe-rehabilitation business across a broad range of markets centered on Europe but also including other markets such as Australia and the Middle East. In addition to its large number of business facilities, CPT also boasts expertise in a diverse range of construction methods, including methods for rehabilitation of pressurized pipes, which SEKISUI CHEMICAL does not currently provide. In addition, CPT has strong project closing abilities, differentiating itself from its competitors through the services it provides across the value chain from pipe inspection and diagnosis through construction.

For the above reasons, SEKISUI CHEMICAL has determined that adding CPT to its group of companies would lead to the promise of substantial growth through establishing a business foundation in the pipe-rehabilitation business in Europe.

2. Goals of this acquisition

Completing the global value-chain structure through securing a business foundation in the pipe-rehabilitation business in Europe

1) Expanding “SPR method” sales by utilizing CPT’s strong sales and closing capabilities, with a wealth of business facilities (nine facilities in Western Europe, ten in Eastern Europe)* and experience in more than 40 countries around the world.

* Numbers of facilities include those of construction partners

2) Accelerating business development in the Asia and U.S. markets by augmenting the “SPR method,” which is well suited to large-bore pipes, through securing expertise in pipes with small and medium-sized bores and the Nordipipe pressurized (water) pipe-rehabilitation method.

3) Establishing an international production structure for pipe-rehabilitation materials through securing production facilities in Europe and Australia.

3. Overview of CPT (as of May 20, 2008)

1) Name: Chevalier Pipe Technologies GmbH

Note: Plans call for changing the company name to Sekisui CPT GmbH following acquisition of this share by SEKISUI CHEMICAL.

2) Headquarters:
Julius - Mueller - Strasse 6, Schider - Schwalenberg, Germany

3) Primary business facilities:
Eleven facilities in locations including Germany, Belgium, Australia, and the United Arab Emirates

- 4) Line of business:
Pipe rehabilitation (development of rehabilitation methods, production, sale of materials and machinery, and construction)
- 5) Established:
2003 (planned date of completion of this acquisition: July 31, 2008)
- 6) Capital:
11,500,000 euro (approximately 1.9 billion yen at the exchange rate of 1 euro = 163 yen used throughout this document)
- 7) Ownership: CPT Belgium Holdings SPRL (100%)

[Reference]	Chevalier International Holdings Ltd	100%
	Knight Honour International Ltd	100%
	CPT Belgium Holdings SPRL	100%
	Chevalier Pipe Technologies GmbH	

*Note: Ownership following this acquisition by SEKISUI CHEMICAL:
SEKISUI CHEMICAL (75%), CPT Belgium Holdings SPRL (25%)*

- 8) Representative: Edmund Luksch
 - 9) Number of employees: Approximately 530 (as of December 2007)
 - 10) Sales (FY 2007 forecast): 66,589,000 euro (approximately 10.8 billion yen expected in 2007 fiscal year)
4. Business-performance targets

In the pipe-rehabilitation business, in 2010 achieving sales of 20 billion yen and an operating income ratio of 8% in Europe and sales of 50 billion yen and an operating income ratio of 9% worldwide.

Primary CPT Business Facilities



CPT headquarters/plant (Schieder, Germany)



CPT Belgian plant (Liege, Belgium)

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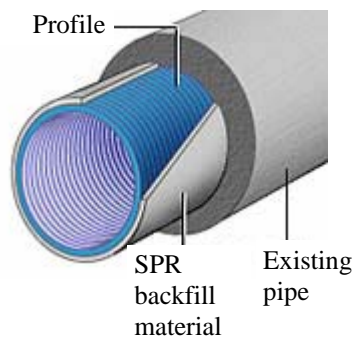
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1. Pipe-rehabilitation methods

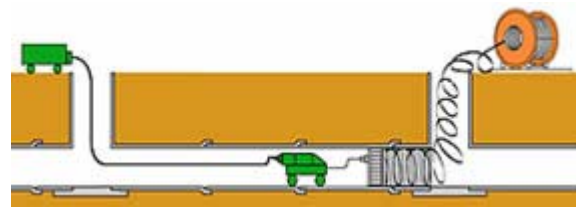
(1) Sekisui Chemicals' SPR method

The SPR method is a method of rehabilitating (i.e., reconstructing or renovating) deteriorated pipe through spiral winding of a rigid PVC profile belt with grooves into an existing pipeline. After locking together successive wraps of the profile, the space between the liner and the existing pipe is grouted using a special backfill material.

Note: "SPR" stands for "spiral pipe renewal."

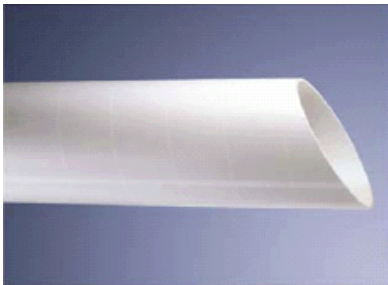


Cross-section

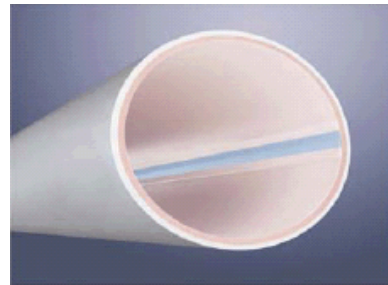


A representation of construction using the SPR method

(2) Primary CPT methods



Uniliner sewer-pipe rehabilitation method



Nordipipe pressurized (water) pipe-rehabilitation method

2. Construction projects in Europe (SPR method)

2008: Construction underway to rehabilitate approximately 170 meters of pipe in the city of Szczecin, Poland

Dates: April 1 - May 31

Bore: Oval pipe (2.2 meters wide * 1.6 meters high)



Interior of pipe under rehabilitation in Szczecin



CPT personnel involved in Szczecin pipe-rehabilitation construction