Foundation

For the Sekisui Chemical Group, CSR means contributing to society through business activities while meeting the expectations of stakeholders. With this awareness, we explain about human capital, through which we are continuing our earnest efforts, natural capital, intellectual capital, and relationship building with suppliers, etc.

The Sekisui Chemical Group’s Business Process

Human Capital
We explain about respect for human rights, giving consideration to workplaces that are conducive to work, nurturing human resources, the various policies concerning the utilization of those human resources, and the external evaluations of such efforts.

Intellectual Capital
Here we explain about the R&D and manufacturing to create the prominent technologies that form the core of value creation. In addition, we outline our reinforcement measures in the intellectual property field.

Social Capital
We explain about the quality improvement measures for people, goods, and systems to satisfy our customers, the promotion of CSR procurement and green procurement, and the environmental and social contribution activities of employees.

Natural Capital
With the understanding that corporate activities are based on the use of natural capital, we explain the various policies to return used natural capital.

Inputs
- Financial capital
  - Finance required to provide products and services
- Manufacturing capital
  - Facilities and equipment required to provide products and services
- Intellectual capital
  - Accumulated knowledge, technologies, and know-how
- Human capital
  - Employee skills and experience
- Natural capital
  - Environmental resources and materials required to provide products and services
- Social capital
  - Collaboration with stakeholders and the local community

Outputs
- Residential and Social Infrastructure Creation
- Chemical Solutions
- Improvement in the quality of life and the environment

Outcomes
- Newly built houses
- Renovation
- Piping materials
- Construction materials
- FFU
- Functional sheets
- CFRP
- Interlayer films
- Tapes
- Fire-resistant materials
- Adhesives
- Foams
- Automotive molds
- Rechargeable batteries
- Diagnostic reagent systems

The 3S Principles

Corporate Philosophy

Development time axis

P52
P56
P59
P61
Human Capital

The Sekisui Chemical Group works to develop its human resources and apply the skills of its employees to maximum effect. At the same time, every effort is made to protect the rights of all staff and to provide a comfortable and rewarding workplace environment. Through these means, the Group is actively endeavoring to enhance its corporate value.

Stance toward Human Resources
Based on our concept of enabling human resources to perform and grow, the Group supports employees’ independent career development by providing a variety of opportunities for them to become prominent human resources.

Based on the realization that diversity is essential to becoming a sustainable company that can maintain its strong corporate value for a century, we understand and recognize that each and every employee’s orientation to work and life and their distinctive characteristics are different and thus we actively take advantage of that. To create an organizational culture, we will continue, through employee dialogue, to provide employment and participation opportunities and a variety of environmental improvements that support growth.

Respect for Human Rights
With the recognition that it is our social responsibility to protect individual human rights, the Group respects the diversity, personality and individuality of each person, promote various working styles and create safe and secure work environments in response to the conditions in each country and region.

Our “Basic Policy on Human Rights” accordingly stipulates respect for human rights and basic labor rights, prohibiting child labor and forced labor, and as well as harassment and discrimination.

Training and Education about Human Rights
The Sekisui Chemical Group implements employee training on key occasions, such as when they join the company or receive a promotion, in order to maintain awareness of human rights. The curriculum is designed to increase awareness of issues related to human rights, such as forced labor, child labor, and harassment.

Caring about Human Rights in Procurement Activities
Along with its entire supply chain, the Sekisui Chemical Group engages in business activities that respect human rights as part of its obligation to all stakeholders. Through CSR procurement with our suppliers, we make sure our business partners respect human rights. In the event that a supplier does not meet the prescribed standards, a request is made to ensure that the necessary steps are taken to resolve any issues. Sekisui Chemical works together with suppliers in the implementation of appropriate measures.

Labor Relations
The Group strives to understand the positions of labor unions and respects the opinions of employees. Through close communications, we believe good relations between labor and management are essential to sharing the objective of advancing the company. In Japan, as of July 1, 2017, there were 5,012 employees in the All-Sekisui Chemical Labor Union Federation.

A Safe and Secure Workplace
At the core of safety, it is important that each and every employee has the ability to identify dangerous situations and take appropriate steps to protect themselves and fellow employees. At the same time, constructing a work environment in which employees can work with safety and security is our responsibility as a company and one of the most important priorities for management. The Group is implementing total safety activities (i.e. zero occupational injuries, zero equipment-related accidents, zero commuting-related accidents, and zero extended sick leave) based on five themes*.

*Five themes: Intrinsic safety of equipment, management using OHSMS, safety education of employees, risk prevention through risk detection activities and other initiatives, and auditing of health, safety, and accident prevention.

Recognized as a 2017 Certified Health and Productivity Management Organization
Sekisui Chemical was recognized as a 2017 Certified Health and Productivity Management Organization* under the large enterprise category (White 500) by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi for its initiatives to solve employee health-related issues.

*This system recognizes companies that practice excellent health management based on initiatives to promote health being advanced by the Nippon Kenko Kaigi.
Stress Checks
Since 2016, stress checks have been performed every June. The purpose of these stress checks is to create workplaces that facilitate work through the improvement of work environments by collecting and analyzing stress levels in each section, as well as to help each and every employee understand their stress levels and prevent mental illness. In the first fiscal year of this program, reading workshops were held on learning how to correctly read group analysis. These workshops were attended by 60 business sites including Group companies.

### Stress check implementation ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016</td>
<td>72%</td>
</tr>
</tbody>
</table>

Review of Equipment Safety Standards
Sekisui Chemical reviewed equipment safety design standards with the intention of installing safe equipment that are unlikely to cause accidents, in order to prevent serious occupational injuries. We also provided training to employees in charge of installing equipment and ensuring safety, explaining in detail the new standards and related legal requirements.

### Number of employees who took equipment safety training courses

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016</td>
<td>327</td>
</tr>
</tbody>
</table>

Formulation of a Diversity Management Policy
Not only perceiving diversity by differences understood from outward appearance—such as gender, age, nationality, and careers—the Sekisui Chemical Group will also focus on differences that include values and personality while understanding, recognizing and utilizing the differences between each and every employee as strengths.

### Diversity Management Policy

Based on the realization that diversity is essential to becoming a sustainable company that can maintain its strong corporate value for a century, we understand and recognize that each and every employee’s orientation to work and life and their distinctive characteristics are different and thus we actively take advantage of that. To create an organizational culture, we will continue, through employee dialogue, to provide employment and participation opportunities and a variety of environmental improvements that support growth.

### Diversity Activities in Organizational Units

To create an organizational culture that realizes diversity management, we initiated small group activities on organizational culture reform through 140 domestic organizations. Putting in place those responsible for and managers in charge of diversity management promotion at each business department and Group company organization, these efforts have the aim of creating a better organizational culture through diversity promotion by means of each organization’s independent activities.

### Numbers of participants at educational programs on diversity management implementation

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016</td>
<td>1,168</td>
</tr>
</tbody>
</table>

Women’s Empowerment
As a first step in diversity management, we are seeking to become an organization where women can truly thrive and, since fiscal 2016, have been implementing a raft of measures that are being rolled out throughout the entire Group. With regard to the percentage of new graduate hires accounted for by women and the number of women in management positions, we have also established specific numerical targets.

### Percentage of women among new graduate hires

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2015</td>
<td>28%</td>
</tr>
<tr>
<td>FY2016</td>
<td>31.3%</td>
</tr>
</tbody>
</table>
Fostering Women as Candidates for Management Positions
Targeting women employees and direct supervisors who are highly likely to be appointed to management positions within five years, the Company is conducting a career development program for women, an educational program that has been put in place with the aim of fostering awareness and gaining the achievements appropriate for management positions. We have been deploying this program as essential training across the entire Group since fiscal 2016.

Number of female management

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2015</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>102</td>
<td>111</td>
</tr>
</tbody>
</table>

Career Development Support
Faced with their own attitudes toward work and life and distinctive characteristics, the Company is conducting career plan training by age (young employees and employees aged in their 30s, 40s, and 50s) to give employees an opportunity to consider their future careers for themselves. From fiscal 2016, career plan training is being extended to cover all domestic Group employees. We are conducting training to draft career plans.

Number of participants at career plan training by age

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2015</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>330</td>
<td>1,164</td>
</tr>
</tbody>
</table>

Promoting the Employment of People with Disabilities
As part of its diversity management efforts to enable each and every employee to display his or her distinctive capabilities, the Company works to employ people with disabilities across the entire Group.

As a new initiative in fiscal 2016, we conducted brainstorming sessions for people with disabilities on a joint Group basis. Through case studies and other methods, we gained a better understanding of the knowledge required with regard to the employment of people with disabilities and drafted employment plans.

Employment ratio of people with disabilities (Sekisui Chemical including special provision subsidiary)

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2015</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.21%</td>
<td>2.29%</td>
</tr>
</tbody>
</table>

Recognized as a Nadeshiko Brand
Having advocated women’s empowerment since fiscal 2007, the Company has been implementing diversity management initiatives across the entire Group since fiscal 2015. Having evaluated these efforts, the Ministry of Economy, Trade and Industry as well as the Tokyo Stock Exchange, Inc. recognized the Company as a Nadeshiko brand in fiscal 2016. In aiming to become a corporate group with a presence strong enough to last a century, the Company will make even greater efforts to promote diversity.

Kofu Sekisui Sangyo “New Diversity Management Selection 100” Winner
Group company Kofu Sekisui Sangyo Co., Ltd. employs 16 people with disabilities, including eight who are classed as having severe disabilities. These employees are assigned to departments where they can make the most of their special qualities.

The company has also prepared operating manuals filled with instructional photos, set up displays and labels that are both easy to see and follow, and put in place a framework in which all employees can carry out their duties without error. These initiatives not only encompass employees with disabilities, but also all general staff.

The efforts by Kofu Sekisui Sangyo have further helped to improve business activities through increased productivity and a reduction in claims. In recognition of these measures, the company received a “New Diversity Management Selection 100” award certificate from Japan’s Minister of Economy, Trade and Industry.

Improving Group Human Resource Capabilities
The Group has developed a consistent training system covering all stages from new hires to management positions, in order to systematically train business leaders to power the Group into the future. Based on the concept that the foundations of growth are the experiences gained through everyday business activities, and learning from such experience, we have developed a training system that links these two elements together. Through this system we will enhance each individual’s mastery of the skills required of business leaders, by running through the cycle of growth through experience.
In addition to the training of business leaders, we will at the same time nurture the human resources necessary to support the frontline and to enhance frontline capabilities. The human resources who will support the foundations of management in practical terms in the workplace must undergo self-growth as highly capable practitioners by accumulating experience over the long term and acquiring highly specialized knowledge and skills. Based on this concept, the Group hires human resources who will support the workplace as full-time, permanent employees, creates an environment in which they can demonstrate their abilities with peace of mind over the long term, and deploys the Meister System to strengthen their abilities in the workplace.

Rebuilding Our Manufacturing Education System
Since fiscal 2013, the Sekisui Chemical Group has been rebuilding its employee grade-based training system for managers in production departments in order to spread knowledge of manufacturing throughout all levels, and to pass down the expertise of veteran technicians to younger employees. We offer 16 courses in the three fields of technical skills, human skills and conceptual skills. A cumulative total of 2,252 employees had undertaken course up to fiscal 2016.

Personnel who can Succeed on the Global Stage
Overseas sales accounted for 23.6% of consolidated sales in fiscal 2016, and this ratio has been increasing every year. We have over 90 production and marketing sites in approximately 27 countries. We believe that all the businesses of the Group depend on each and every employee working around the world growing through their work and providing excellent products and services in tune with local needs.

Global Trainee Program
The Sekisui Chemical Group has established the Global Trainee Program to enable participants to build up real-world experience overseas. This program assigns applicants with sufficient levels of experience in positions such as sales, accounting, and development to actual positions at overseas affiliates. In fiscal 2016, seven employees enlisted in this program and were newly assigned overseas. In the years to come, we will strive to enhance the program so that greater numbers of employees can build up work experience around the world.

Foster Global Management Personnel
Since overseas human resource development has become an urgent task amid the rapid expansion of business globalization, we put the Global Saijuku School into operation to develop the next generation of management personnel who will play an active role in global markets. Nine executives from Group companies in North America, Europe, Oceania and Japan, took part in a program to enhance the management skills required for personnel to play an active role on the global stage by teaching them about Sekisui’s values while reinforcing management and business creation capabilities.

Participants in employee grade-based training system for managers in production departments (cumulative)

<table>
<thead>
<tr>
<th></th>
<th>FY2015</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,780</td>
<td>2,252</td>
</tr>
</tbody>
</table>

Number of global talent employees

<table>
<thead>
<tr>
<th>As of the end of March 2016</th>
<th>As of the end of March 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>329</td>
<td>341</td>
</tr>
</tbody>
</table>

Developing Personnel to be Immediately Effective Overseas
The Company set up a global talent employee system to nurture global talents, currently, there are 1,700 registered domestic Group employees registered. Registered employees receive the training in cultural differences and specialist tuition necessary for their reassignment overseas. Toward an increased target of 400 global talent employees by fiscal 2020, the Company has been promoting measures designed to enable them to actually gain overseas business experience.

Number enlisted in Global Trainee Program

<table>
<thead>
<tr>
<th>FY2015</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>7</td>
</tr>
</tbody>
</table>
The Sekisui Chemical Group recognizes that maintaining a prominence in technology is the bedrock for creating value. This is particularly the case in the housing infrastructure and chemical solutions fields, where the Group’s technology platform provides the underlying strength of its competitive advantage. In order to maintain this prominence in technology, the Group is committed to consistently strengthening its human resources and organizational structure in the research & development, manufacturing and intellectual property (IP) fields.

Research & Development (R&D)/Manufacturing

Sekisui Chemical’s Approach to R&D and Its R&D System

With the putting of efforts into practice for its Group Vision forming the framework of its medium-term management strategy, the Sekisui Chemical Group is aiming to continue to be a corporate group with a sense of presence strong enough to last a century. The Medium-term Management Plan “SHIFT 2019 -Fusion-,” which begins in the fiscal year ending March 31, 2018 (fiscal 2017), is positioned as one step forward toward a “new phase of growth” for the realization of the aim, and establishes the acceleration of new business creation through “technology fusion” as one of the top priorities. Actively promoting the fusion of in-house technologies with those from outside, the Company is working to increase the pace of commercialization in the new markets and fields that will play a part in the Group’s future while creating attractive themes that look beyond at what will follow.

Forming the basis of these efforts are the 25 technological platforms with direct links to the Group’s two business domains, “Creation of Housing and Social Infrastructure” and “Chemical Solutions”. These are the fundamental technological platforms that support the Group’s product lineup and should even be said to be the source of its competitiveness that has been cultivated over many years. In addition to adapting to changes in the external environment and in the business domains of the Group in recent years, we have reconfigured the platforms in line with the start of the Medium-term Management Plan to make them more practical. Further developing and honing each one of these technological platforms and at the same time effectively combining multiple platforms, we will develop new products and services that are capable of winning overwhelmingly even in a harsh competitive environment.

Serving as the R&D system in the Group responsible for these platforms are the four primary R&D centers within the Housing Company, the UIEP Company, the HPP Company, and the Corporate headquarters. In addition, Sekisui Medical Co., Ltd. and other key affiliated companies maintain independent R&D divisions and facilities.

Directly linked to the enhancement of existing businesses and the pioneering of new frontiers, the R&D conducted at the divisional companies focuses on product development and manufacturing technology themes that will lead to profit in the near future. Products launched onto markets in fiscal 2016 included the G Series, a commemorative product to celebrate the 45th anniversary of Sekisui
Strengthening Manufacturing Capabilities

The Group is working to promote R&D that helps to create new products. At the same time, the Group is placing equal emphasis on strengthening its manufacturing capabilities in a bid to reinforce the competitive advantage of its existing products.

In the Medium-term Management Plan “SHIFT 2019 -Fusion-,” we stated “minimizing manufacturing risk and fortifying our ability to respond to the new era of manufacturing” as a policy relating to manufacturing capabilities. Regarding the building of a culture to reduce manufacturing risk as one of its priority measures, the Company will promote the strengthening of CS quality infrastructure by, for example, promoting the intrinsic safety of equipment and the thorough promotion of safety-aware human resource development as well as the building of a CS quality information knowledge system. As part of the ongoing enhancements to our manufacturing capabilities, we will strengthen our technical capabilities through the quantification of our production technology capabilities in conjunction with the introduction of new technologies (the adoption of ICT, automation). At the same time, we will further enhance our manufacturing core strengths through the nurturing of manufacturing human resources, as we have been doing up to now.

Such organizational approach will enable the Group to engage its prominent technologies and quality in the continuous development of new frontiers in the domains of “Creation of Housing and Social Infrastructure” and “Chemical Solutions” for the betterment of the environment and the people’s lives in the world.

*The Third Industrial Revolution: IT/Information Society; The Fourth Industrial Revolution: AI

Human Resources and Benefits for R&D and Manufacturing

The Group presents Great Invention Awards to acknowledge researchers and engineers that have created highly unique and innovative inventions with the potential to become profitable technologies and products. These awards and the accompanying monetary endowment are one way the Group demonstrates its recognition of and appreciation for its talented researchers and engineers. In fiscal 2016, several innovations were recognized, and their inventors presented with awards and benefits. These included Thin Stretched Foam.

The Group has also established a specialist position system for researchers and engineers with highly specialized skills. The system selects exceptional individuals who have been recognized as possessing highly advanced skills and appoints them to uniquely defined specialist positions. The system promotes ongoing development and aims to cultivate outstanding researchers and engineers recognized both inside and outside the Company. As of April 2017, 19 people held specialist positions.

The Group introduced the Meister position in fiscal 2009 to recognize individuals that exemplify the range of manufacturing skills and technical objectives of the Group. The position is intended to promote the Group tradition of superior skill and craftsmanship and increase the motivation of each and every technician. As of April 2017, seven people held Meister positions. Cultivating and encouraging the Group’s talented manufacturing technicians by acknowledging their highly refined skills inspires motivation and will further elevate the Group’s high level of manufacturing expertise in the years to come.

Fundamental Policy on Intellectual Property

The IP cultivated from our R&D activities is an important management resource that underpins the Group’s growth and revenue and contributes to optimizing corporate value. An IP strategy is vital to maximizing the Group’s technological prominence.

In its Principles on Intellectual Property, the Group clearly stated that the objectives of its IP management are to contribute to business growth and to increase corporate value by encouraging the creation, protection, and utilization of IP, which is to be achieved by respecting the Group’s proprietary IP and that of others and by clearly laying out an approach toward IP management. This management mandate is further reinforced by our fundamental policy of ensuring business competitiveness by acquiring highly beneficial patents.

Sekisui Chemical adopted a new Group-wide...
Intellectual Property Management Medium-term Plan in March 2017. In addition to constantly creating highly strategic groups of patents, the Group is aiming to contribute to their management by nurturing IP human resources who possess the strength to compete. Specifically, the Group is focusing on the following two directives.

### 1. Advancement of IP Activities

We will utilize IP information analysis tools, which will become increasingly sophisticated through the evolution of big data analysis technology, and analyze the competitive environment in detail. Based on the results, we will devise a winning IP strategy before the start of development and contribute to the efficient execution of R&D and an improvement in the probability of success of new businesses.

### 2. Accelerated Training of Intellectual Property Division Personnel

By having personnel gain experience by rotating them through development and planning divisions and locating them at overseas patent agents, we aim to improve the skills, planning proposal capabilities and global response capabilities of Intellectual Property Division staff.

#### Intellectual Property Management System and Major Activities

To speed up judgments and decision-making, the Group has set up intellectual property divisions at Corporate headquarters and at each divisional company.

The role of the Intellectual Property Division at Corporate headquarters ranges from the planning and drafting of a basic IP strategy common to the entire Company to IP training, and the operation and management of the patent management system. In order to raise awareness of IP, as the main entity, Corporate headquarters conducts training on IP in a planned manner for R&D and sales personnel. In addition, the patent management system, which will be updated in fiscal 2017, will enable the management of patent groups and introduce a platform for building strategic patent groups.

At the same time, the roles of the intellectual property divisions at each divisional company are to periodically hold Intellectual Property Strategy Committee meetings among the IP, sales and R&D divisions and to work with the aim of building strategic patent groups by having each company build and deploy its own IP strategy according to each company’s business environment.

In this way, the intellectual property divisions at Corporate headquarters and at each divisional company are endeavoring to improve the Group’s IP level by collaborating in an organic manner.
Social Capital

The Sekisui Chemical Group recognizes the importance of providing products and services that consistently satisfy and appeal to customers. Only in this way, can the Group truly strengthen ties with society and stakeholders. Accordingly, every effort is made to enhance the quality of our human resources, products, and systems while working the quality that will always be specified by customers. At the same time, we adhere strictly to a policy of CSR procurement when seeking to purchase raw materials. We also refrain from the use of conflict minerals associated with inhumane acts.

Cognizant that the Company is a member of society, we engage vigorously in environmental and social contribution activities in each of the three environment, next generation, and local community fields.

CS & Quality Management
Pursuing a level of quality that is always specified by customers
Since 1999, the Group has practiced customer satisfaction (CS) management. In 2004, we began CS & Quality Management to consistently deliver value to our customers so that they will always choose our products and services, by focusing on quality innovations in all of our businesses. Based on the motto “we consider customer feedback as the beginning of our manufacturing,” we improve the Attractive Qualities and Basic Qualities provided to customers by enhancing the Quality of People, Quality of Products, and Quality of Systems. The Group is working together to pursue the quality that will always be specified by customers.

The Group has identified two themes for CS & Quality Management. One of these is external failure costs*1 and the other is the number of major quality issues*2. Under the CSR Medium-Term Plan (FY2014-2016), we are targeting zero major quality issues and a 50% reduction in external failure costs (compared with fiscal 2013) by fiscal 2016.

Three Zeros Initiatives
Based on the idea that costs arise from poor quality in the form of losses and wastefulness, such as responding to customer complaints and increasing waste, we aim to achieve the “Three Zeros” of zero accidents, zero waste, and zero complaints.

Accidents, waste, and complaints compared to fiscal 2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Occupational Accidents</th>
<th>Waste Generated per Unit of Output</th>
<th>Costs of Responding to Claims (External Failure Costs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2014</td>
<td>196</td>
<td>26.9%</td>
<td>12.4%</td>
</tr>
<tr>
<td>FY2015</td>
<td>302</td>
<td>7.5%</td>
<td></td>
</tr>
<tr>
<td>FY2016</td>
<td>0</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Major Quality Issues Initiatives
Sekisui Chemical defines Major Quality Issues as problems related to product, technology and service quality that could cause significant damage to customers, society, or the Sekisui Chemical Group if not thoroughly resolved on an urgent basis. For three consecutive years since fiscal 2014, we have had zero occurrences of Major Quality Issues.

Training to Prevent Quality Problems
We held the Development Risk Prevention Seminar aimed at acquiring effective risk prevention methods as well as the DR Reviewer Training Seminar to improve design reviewer skills. Both seminars are based on the topic of preventing quality problems before they arise.
Improve and Maintain the Quality of Partner Companies

At the Housing Company, the Sekisui Heim Mutual Prosperity Association, an organization of partner companies that supply Sekisui Heim materials and parts, holds study sessions about quality for member companies with the aim of maintaining and improving quality throughout the supply chain.

Publishing a Booklet Summarizing Customer Feedback

The Sekisui Chemical Group Customer Information & Consulting Services department receives over 10,000 inquiries and feedback items each year. The Group identifies the hidden needs of customers by using unique methods to analyze customer motivations based on these inquiries.

Starting in fiscal 2015, the Group published VOICE, which is a summary of the inquiries received by its Customer Information & Consulting Services department. This booklet is published with the aim of reflecting customer feedback in management activities, cultivating and instilling a culture of CS and quality in all employees, and promoting the understanding of these issues in Group-wide businesses in a manner that transcends particular operational areas.

Materials Procurement

The Group procures materials based on the five fundamental concepts of openness; fairness and equity; legal compliance; mutual trust; and consideration for the environment. We will strengthen our harmonious and mutually beneficial partnership with our business partners through fair transactions. Also, the Group is engaging in the promotion of CSR procurement. In other words, activities that are conducted by collaborating with business partners.

Moreover, in an effort to secure the highest quality from its business partners, suppliers are requested to take into consideration the environment as well as compliance with all laws, regulations and societal norms, and ensure health and safety in their own companies. We ask not only Group companies, but all our partners to carry out business activities in accordance with the relevant laws and social customs of the countries in which they operate, and work toward the abolition of forced labor and child labor, as well as discriminatory treatment toward employees.

Green Procurement

Beginning in October 2001, the Sekisui Chemical Group began evaluating procurement, including for raw materials, not only on a QCD basis, but also on an environmental basis. The Group is promoting the “Greening of Procurement” by procuring products with low environmental impacts from producers who also have a low environmental impact. The Group conducted a regular review of green procurement standards in April 2017 and revised relevant documents to comply with amendments to the Ordinance on Prevention of Hazards Due to Specified Chemical Substances.

Addressing the Issue of Conflict Minerals

As part of its efforts to comply with laws and social norms in procurement, The Sekisui Chemical Group is guided by the provisions of the Dodd-Frank Act in the United States, and is committed to eradicating the use of conflict minerals including gold (Au), tantalum (Ta), tungsten (W), and tin (Sn) associated with inhumane acts committed by armed groups on the ground in the Democratic Republic of the Congo or any of its neighboring countries. If any concerns that conflict minerals are being used come to light during commercial distribution inspections, robust steps will be taken to promote responsible procurement and to implement the necessary remedial measures in collaboration with business partners.

Companies that are registered with the US Securities and Exchange Commission (SEC) fall within the scope of the Dodd-Frank Act. Sekisui Chemical is not an SEC registered company and accordingly is not obligated to disclose details of conflict mineral use. The Company is, however, implementing surveys and inspections to ascertain the status of conflict mineral use throughout the supply chain.

Social Contribution Activities
A Company that Lives Together with the Local Community

The Group contributes to the environment and society primarily through activities in the areas of the environment, the next generation, and local communities. We position these activities as a hallmark of our initiatives as a corporate citizen in tune with the needs of society. We support the activities of Group employees to give back to society.

More specifically, activities with an “environmental theme” are aimed at securing our long-term environmental vision and are focused around three areas: preservation of the forests, preservation of biodiversity, and greening activities. “Next generation” activities provide support and subsidies for research activities as well as chemistry experiment class conducted on-site at local elementary and junior high schools, as well as Japanese language supplementary schools in the US. Finally, “local community” activities include the promotion of safe and secure neighborhoods in cooperation with local communities, as well as support programs carried out in emerging economies.
Natural Capital

The Sekisui Chemical Group aims for a planet in which the air, water, and land provide a healthy living environment for its inhabitants and fosters robust biodiversity. Our daily lives and economic activities have been sustained by the natural capital* provided by our planet. The Group’s business activities use the resources (natural capital) of our planet, such as petroleum and timber, while also building plants and office buildings on the land. Being aware of this, we engage in a wide range of activities aimed at paying back the natural capital that we use.

*Natural capital: A term that refers to the Earth’s various resources, such as soil, air, water, minerals, flora, and fauna, that human beings are incapable of creating themselves.

Long-Term Environmental Management Vision

Sekisui Environment Sustainability Vision 2030

The Group is aware that its business activities depend on resources (natural capital). Each and every executive and employee is working to evolve into a pool of talented personnel with excellent environmental activity promotional skills and will promote environmental management based on contributions in three areas in order to “give back more to the Earth than is taken” in 2030. In specific terms, energies will be channeled toward expanding and creating markets for Environment-contributing Products, reducing environmental impact, and conserving the natural environment. In addition, the Group is generating prominent value toward the realization of “the Earth with maintained biodiversity” by contributing to the return of natural capital.

Environment Management System

The CSR Committee, headed by the President, and the Environmental Subcommittee of the Group meet twice a year to decide on environmental policies and key initiatives for the entire Group. Matters decided by these two bodies are then transformed into specific action plans in meetings of environmental managers from corporate headquarters and each divisional company. Each business site manages its environmental activities through an environment management system based on ISO 14001. As of March 31, 2017, 52 business sites (100%) in Japan and 35 overseas (83%) have been ISO 14001 certified. (The company-wide ratio was 93%)

Environmental Medium-term Plan “SEKISUI Environmental Sustainability Plan Accelerate”

Back-casting from the “SEKISUI Environmental Sustainability Vision 2030” that sets out its long-term vision, the Sekisui Chemical Group has created “SEKISUI Environmental Medium-term Plan Accelerate” (fiscal 2017–2019) and is addressing the specific targets cited in the plan.

Following on from the previous environmental medium-term plan, “SEKISUI Environmental Sustainability Plan Take-Off,” under the new plan we calculate the amount of load our corporate activities impose on the environment (utilization of natural capital) and our contribution to the environment (return of natural capital) as a single “SEKISUI Environmental Sustainability Index.” Under the plan, we will also accelerate improvements in the return ratio on an ongoing basis.

<table>
<thead>
<tr>
<th>FY2016 (Results)</th>
<th>FY2019 (Plan)</th>
<th>FY2030 (Target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>76.9%</td>
<td>90%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Environment-contributing Products

Contributing to the environment through its products and businesses is an essential mission of the Group, which uses this planet’s natural resources. The Group returns natural capital to the Earth by creating and expanding markets of its Environment-contributing Products. Environment-contributing Products are internally certified products that have demonstrated a high level of environment-contribution especially when used by customers.

Under the previous plan, we worked to expand the ratio of sales accounted for by Environment-contributing Products and to expand newly registered products, achieving net sales of Environment-contributing Products of ¥481.2 billion and a ratio to net sales of 45.2%.

For a more detailed explanation of Environment-contributing Products, please see page 63.

Establishment of Environmental Contribution Investment Framework

The 21st Conference of the Parties (COP 21) was held...
in Paris, France, from November to December 2015, and the Paris Agreement adopted that, in addition to keeping the world’s average temperature rise at sufficiently lower than 2°C compared with before the Industrial Revolution, includes the pursuit of efforts to keep it to 1.5°C as a globally shared long-term goal. Under this Paris Agreement, Japan also promises a 26% reduction in greenhouse gas (GHG) emissions, compared with fiscal 2013, by fiscal 2030.

Regarding this global-level issue as being of the utmost importance, the Group set an environmental contribution investment framework of ¥12.0 billion, equivalent to more than 0.3% of net sales*, as a means of improving its effectiveness.

As specific investment applications, we are considering measures such as Environmental Investment Promotion Measures to support capital investment and newly establishing a president’s award, the Excellence Award for Global Warming, for business sites that have made significant contributions to the reduction of GHG emissions. As part of measures to promote environmental investment, the renewal of cold water installations at resin factory and the renewal of molding machines for pipe-related products are already partially under way.

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*Approximate cumulative sales target for fiscal 2017–2019

Greenhouse Gas Emission Reduction Targets
The Group is working to reduce GHG emissions at each stage, from the procurement of raw materials and through development, production, shipping, and use. We are ascertaining the volume of emissions not only from our business sites (Scope 1 and 2) but also along the entire supply chain (Scope 3), including the sources of raw material procurement and the uses of sold products.

Under the previous plan, we had aimed to peg the total GHG emission volumes at production sites for fiscal 2016 to fiscal 2013 levels. We actually achieved the target with a reduction of 0.3% as a result of an 11.3% reduction in domestic and a 7.5% increase in overseas GHG emissions.

In addition, under the new plan we have set a target for FY2019 to reduce GHG emissions by 6% or more when compared with FY2013 and are aiming to reduce them by 3% in FY2017, the first year of the plan.

Waste Reduction
The Sekisui Chemical Group engages in zero emissions activities that reuses all waste as resources through the strict application of the 3Rs throughout product lifecycles. Five domestic business sites and seven overseas business sites achieved zero emissions, versus our environmental medium-term plan’s target for four domestic business sites and eight overseas business sites by fiscal 2016.

Number of Business Sites with Zero Emissions

<table>
<thead>
<tr>
<th>FY2016 Targets</th>
<th>FY2016 Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan and overseas total</td>
<td>12 business sites</td>
</tr>
</tbody>
</table>

Maintenance of Water Resources
Water resources are a form of natural capital that is vital for maintaining sustainable business activities. Accordingly, we are not only reducing the amount of water extracted, but also identifying risks posed to biodiversity and business sustainability by water discharge. Under the previous plan, we had completed a survey by fiscal 2015 and confirmed that there was no urgency in responding to water risk. Under the new plan, we have set goals to not only reduce the amount of water extracted but also to improve the quality of wastewater.

Natural Environment Conservation
Employees across the Group’s global network of business sites are actively promoting measures aimed at conserving the natural environment. In particular, the Group has designed “SEKISUI Environment Week” for each business site to setup a week per year to promote the environmental contribution activities throughout the entire week, aiming for the participation from all employees of all business sites. SEKISUI Environment Week was held for the fourth time in fiscal 2016, with 20,449 employees taking part. The percentage of participants to the total number of staff has reached 70%.

Column
Environmental Contribution Investment: Renewal as Eco Factory

As part of the environmental contribution investment aimed at countering global warming, we are renewing housing unit production factories. At Kyushu Sekisui Heim Industry Co., Ltd., the first phase of factory renovations was completed in June 2016, and the New Heim Plant reborn as an environmentally friendly eco factory.

Features adopted for the factory include a thermally insulated roof and walls, a geothermal air-conditioning system, rainwater storage tanks, storage batteries and solar power generation systems, and LED lighting in all buildings. If the CO2 emissions of a conventional factory of the same size are taken to be 100, we are reducing emissions to 82.

Kyushu Sekisui Heim Industry Co., Ltd.
In fiscal 2006, we established an in-house system by which products that demonstrate a high environmental contribution effect at the use stage for the customers who use our products and services are designated as Environment-contributing Products and certified based on certain criteria. We have been receiving evaluations and judgments with regard to the system’s validity etc. from an advisory panel consisting of outside experts. In our business domains, however, we can expand our contribution not only in the field of the natural environment but also in the field of the social environment, in response to the tasks for improving the sustainability of the Earth and also consider it our mission to be the driving force behind those contributions.

We have therefore brought about an evolution in the definition of what constitutes an Environment-contributing Product and, in addition to the natural environment, would like to expand the scope of consideration and increase the contribution, while regarding the environment as encapsulating the social environment, including human and social capital and other factors.

Due to such diversification of viewpoints with regard to environmental contribution, a number of products—specifically, the residential service business relating to the medical business, such as diagnostic reagents, and nursing care businesses that are being deployed by the Company (corresponding to “ensure healthy lives and promote well-being for all at all ages,” the third SDG), and the various types of plastic products for sewerage, transportation/transportation infrastructure as well as technologies to deal with aging infrastructure (corresponding to “build resilient infrastructure,” the ninth SDG)—will become Environment-contributing Products capable of resolving new issues. We are working to create these Environment-contributing Products and aim to newly register 30 or more.