SEKISUI

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

Corporate Social Responsibility Report 2008

SEKISUI CHEMICAL CO., LTD.

Corporate Social Responsibility Report 2008
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Sekisui Chemical Group develops and provides a wide variety of products used in various applications throughout the industry and in daily life

Main Products and Their Usage

Housing Company

Through our houses and housing environment businesses, which encompass the manufacture and sale of Sekisui Heim and Two-U Home modular houses, together with interior and exterior house products and house renovation services, we offer environment-friendly houses that can be lived in safely and comfortably for at least 60 years.

Steel Frame Housing

- Sekisui Heim Series (steel frame modular house)

Wooden Frame Housing

- Two-U Home Series (two-by-four modular house)
- Grand To You Home Series (two-by-six modular house)

Complex Housing

- Letoit Series

Housing Environment Businesses

- Renovation
- Reuse system house

Urban Infrastructure & Environmental Products Company

We care about the water environment on which both people and nature depend. Our aim is to help develop a society in which future generations can live safely and comfortably. We offer this through our lifeline services, which include water supply and sewage piping materials, aged pipe rehabilitation method, in-house water usage-related products and installation services.

Infrastructure

- Piping systems for water supply and sewage, electricity, gas and communication
- Rainwater storage and infiltration systems
- Pipe rehabilitation

Construction

- Building materials and fixtures (rain gutters, roofing materials)
- Bathroom units

Electronics

- Piping materials for ultra-pure water
- Plastic plates for antistatic/ electromagnetic shielding

High Performance Plastics Company

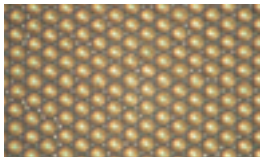
We provide intermediate materials and functional parts that utilize our core technologies relating to materials, molding, processing and evaluation. These are widely used in various fields, including information technology (IT), automotive materials, medical products and functional building materials.

Automobile

- Interlayer film for automobile laminated glass
- Molded vehicle parts
- Foamed polypropylene materials used for automobile interior

Information Technology

- Protective and affixing tapes for semiconductors, circuits and boards
- Display materials



Medical Products

- Plastic vacuum blood collection tube
- Transdermal drugs, diagnostic medicine
- Medical equipment

Transportation & Logistics

- Packaging tapes, films
- Adhesives
- Plastic containers

Corporate Profile (as of March 31, 2008)

Established:	March 3, 1947
Capital:	¥100.002 billion
Representative Director:	Naotake Okubo (President)

Domestic Subsidiaries:	123
Overseas Subsidiaries:	55
Affiliated Companies:	16
Total:	194 companies

(of which 130 companies are consolidated subsidiaries)

Net Sales:	¥958.6 billion (consolidated)
Operating Income:	¥43 billion (consolidated)
Net Income:	¥24.3 billion (consolidated)
Number of Employees:	18,907 (consolidated)

Editorial Policy

Sekisui Chemical Group has defined its Corporate Social Responsibilities (CSR) in terms of Three Prominences, Environment, CS & Quality and Human Resources along with Three Attitudes of Sincerity, Compliance, Risk Management and Disclosure & Communication. We endeavor to fulfill our responsibilities in line with these items, which are reflected in the structure of the individual sections of this report.

This report features pages summarizing our Group's efforts over the past three years as well as future issues and policies.

This report covers 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). At the same time, this report also discloses, to the extent possible, quantitative data concerning both the environment and society. Furthermore, to ensure the reliability of this report, the subject of the independent review report that previously had covered only the Environmental Report, has been extended to cover the data concerning society as well.

This report has been structured to ensure it is both sufficiently comprehensive and easy to read, for example by including Data section at the end. In addition, since Sekisui Chemical Group is divided into three division companies of different characteristics, to the extent possible this report provides examples of activities being taken by each of these division companies. Summaries of and data on our continual efforts that cannot be covered fully in this report are covered on page 70 and in the Data section and available on our Website.

Information about Sekisui Chemical Group's business activities is being publicly disclosed through this report and the Annual Report, which outlines financial information on 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 2007 - March 2008

(including examples of activities up to May 2008).

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 up (or down), the actual totals may not always identically match those stated in the report. Reviews of methods of calculation and changes in the coefficients used for environmental impact have led to some revisions of data for previous years. We hope that readers will understand and take these factors into consideration.

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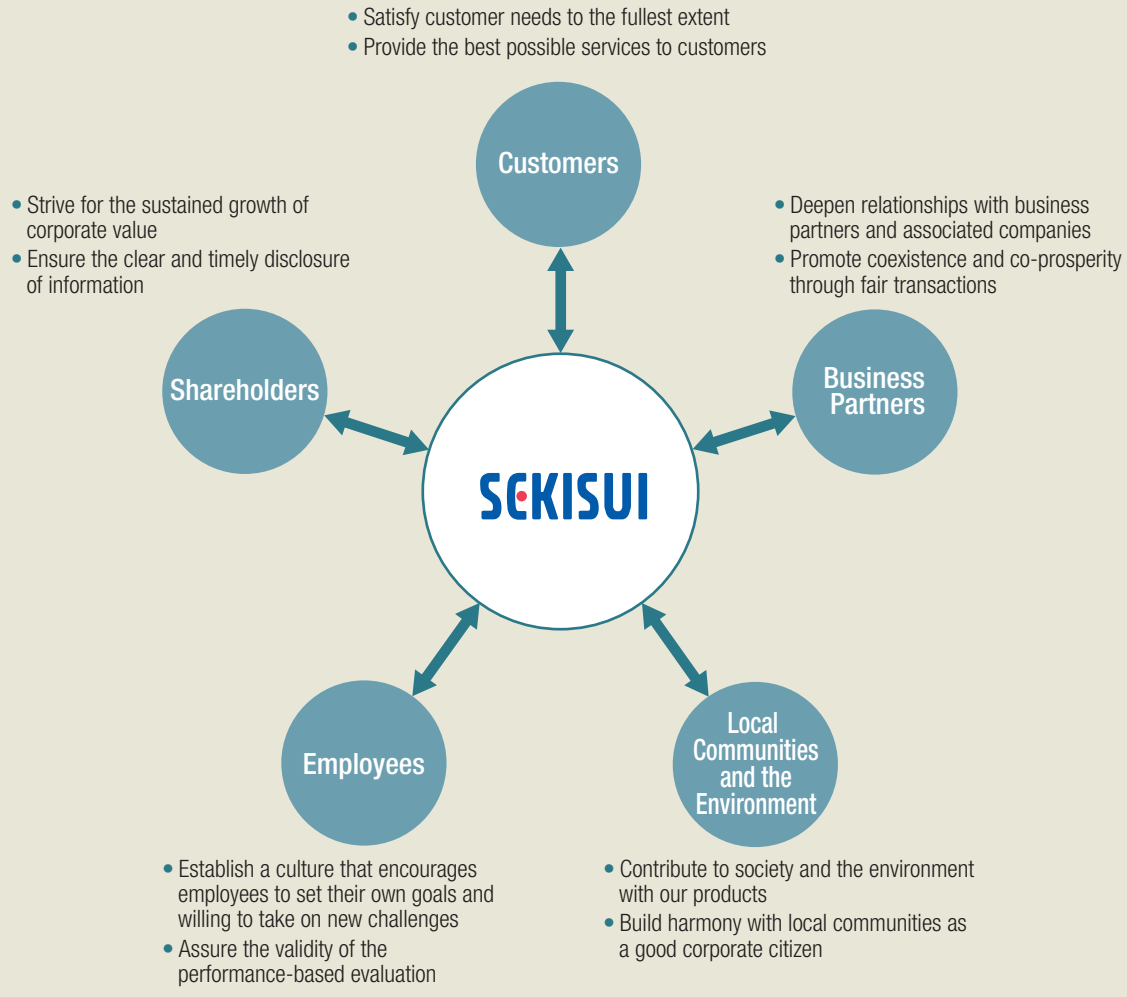
CSR Realizing Sekisui Chemical Group's Corporate Philosophy

Mission Statement

Create social value while responding to stakeholders' expectations

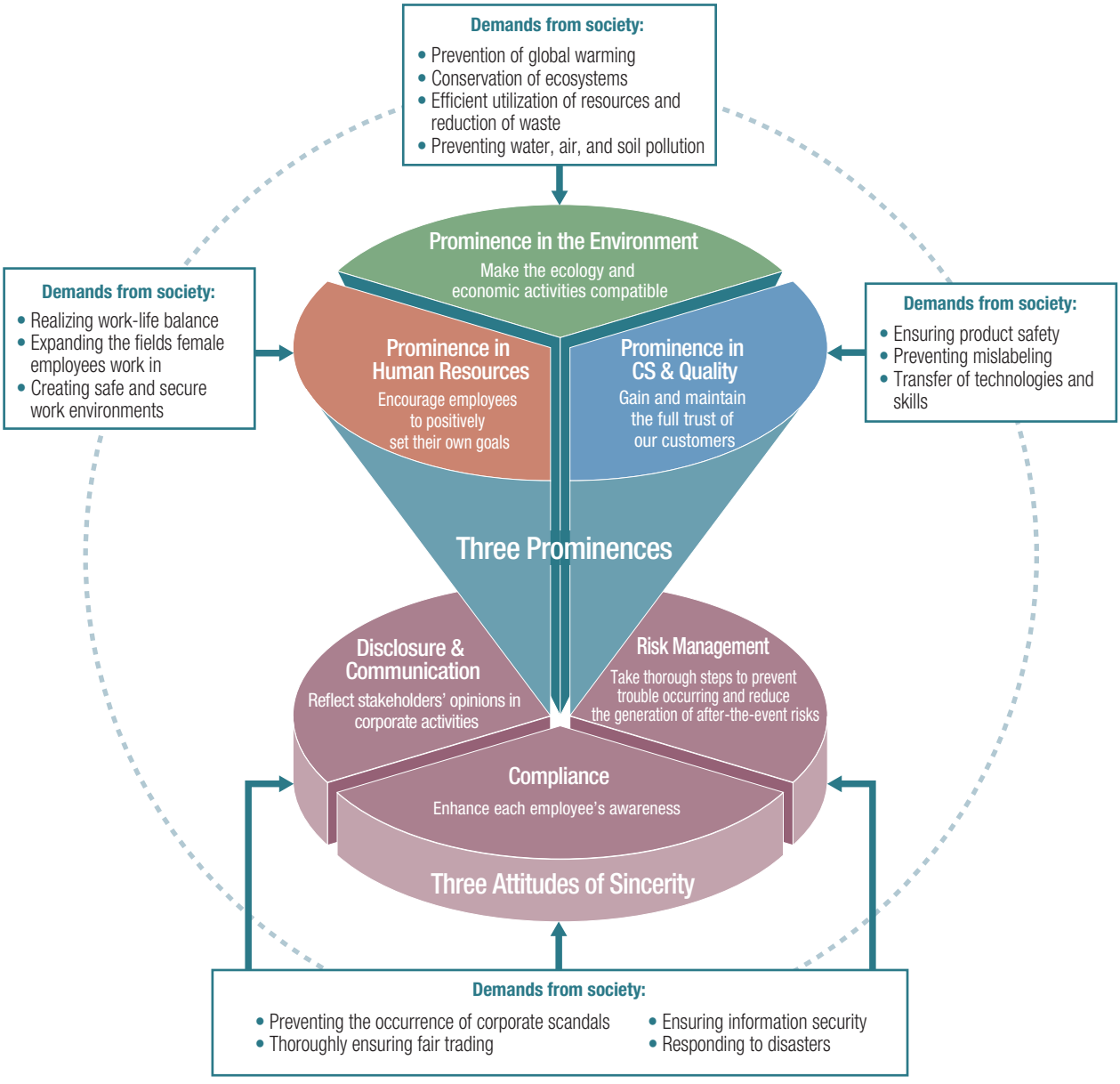
Sekisui Chemical Group will strive to become a good enterprise, one that has a favorable image and continuous growth. We intend to maintain business growth and maximize corporate value with customer satisfaction in responding to the expectations of our shareholders. We also actively support the self-realization of our employees who are the driving force of our corporate activities. We strive to deepen our partner-relationships with our business associates. Through our businesses, products and contribution to society, we aim to create value to the community and the global environment, which will also benefit future generations.
Sekisui Chemical Group will pursue high profitability and a prominent position in the marketplace while fulfilling our corporate responsibilities and responding to the expectations of our customers, shareholders, employees, business partners, local communities and the environment.



Through communication with our stakeholders, Sekisui Chemical Group is working to further develop our CSR Management while responding to the demands from society.

Sekisui Chemical Group believes that realizing our corporate philosophy of "creating social value while responding to stakeholders' expectations" is the key to fulfilling our Corporate Social Responsibility (CSR). To this end we have been promoting CSR Management by creating Three Prominences: Environment, CS & Quality and Human Resources and fulfilling Three Attitudes of Sincerity: Compliance, Risk Management and Disclosure & Communication.

While promoting the above CSR Management, we intend to provide new values for society through a wide range of aspects of its business activities, while recognizing societal issues and the expectations society has for enterprise and for the Group and maintaining frequent dialog with various stakeholders. We plan to develop the CSR Management of Sekisui Chemical Group while also contributing to the building of an even better society together with our stakeholders.



We continue to advance efforts with CSR as a key pillar of our management

We Considerably Promoted Activities Based on Our Three Prominences over Three Years

It has been three years since 2005, when our full-fledged CSR Management efforts began. Sekisui Chemical Group's concept of CSR is characterized by its establishment of three Prominences and three Attitudes of Sincerity. The Prominences refer to our concept of playing a leadership role in society by further growing our own areas of expertise and strengths and making contributions to society through our businesses by being prominent in the areas of the Environment, CS & Quality and Human Resources. Today, it goes without saying that an enterprise should endeavor to make contributions to society and to protect the global environment through its products and services. Corporate responsibilities do not stop there. We also must contribute to creating a better society and to solving global environmental issues. Since such efforts truly are advanced by the employees who work at the enterprise, there is a need to be prominent in the area of Human Resources as well. The concept of Human Resources has been added to the three Prominences for CSR purposes to reflect our belief that human beings have limitless potential, and our desire to draw out and grow such potential.

At the same time, Attitudes of Sincerity are essential for ensuring a continued survival of an enterprise in society. We have defined three Attitudes of Sincerity; Compliance, Risk Management and Disclosure & Communication.

While we have advanced our CSR Management through trial and error over these past three years, we have achieved some visible results, which we expect to become the driving force of our corporate activities in the future.

Speaking Directly with Employees on CSR

Myself, in this year especially I have focused on dialog with employees, who comprise one group of stakeholders.

I have visited business facilities in each locality for dialogs on the theme of CSR. Through these dialogs, I got the feeling that while the concept of CSR still has not infiltrated to the extent that it is firmly entrenched in the awareness and behavior of each individual employee, the awareness of employees participating in the dialogs has changed, with some making proposals that can be utilized in groupwide efforts, such as the idea of creating a catalogue showing all of our environment-contributing products.

In addition, last year we added three new members — the chair of the labor union, a women's representative, and a representative of affiliated companies — to the CSR Committee as employee representatives. Although these new members were a bit nervous at first, with each meeting they have expressed more and more of a diverse range of opinions on CSR efforts from the perspectives of employees, and these opinions have started to be reflected in specific measures such as those for achieving infiltration of CSR throughout the group and activities for making contributions to society.

At Issue: Deployment on a Global Basis and throughout the Supply Chain

At the same time, through these efforts made over the past three years it has become clear that there are some issues to which we have not yet responded sufficiently. One of these is the issue that, although globalization is advancing in our business activities, we have not yet achieved a uniform level of CSR efforts across our business facilities around the world.

Another issue concerns coordination with the supply chain. We think everyday about the importance of ensuring that our suppliers and we are all in the same boat and moving in the same direction in order to provide society with superior products. We all need to work together on CSR efforts.

Since these are issues that cannot be resolved completely over a short period of time, we need to make steady progress in related efforts, one step at a time.

Another Mission to Pass on an Improved Society to the Next Generation

Not only are strengthening our efforts through dialog with stakeholders and seeking to become a sustainable enterprise important issues, but so is passing on a better society to the next generation. At the very least, an enterprise must respond to this issue. For this reason, an enterprise needs to make contributions to society through its business activities and its CSR efforts.

For example, global environmental issues — in particular, preventing global warming — are issues that

require urgent responses. In addition, a wide range of problems concerning water — such as the need for safe water as well as shortages of water — is occurring around the world. There are also social issues unique to individual regions of the world, such as accumulation of capital in developed countries and the need for infrastructure improvements in developing countries.

Our responsibility to the next generation is to make efforts to address these issues throughout society. We, Sekisui Chemical Group, intend to respond to social and global environmental issues through business activities and products based on the Environment, which is one of our Prominences.

Further Development of CSR Management to Respond to the Demands from Society

Under our midterm management plan covering the period through fiscal 2008, we have carried out efforts based on the philosophy that opening up new frontiers of growth and advancing CSR Management will lead us to develop as a premiere group of companies. Although of course growing our business performance is important, being an enterprise that is trusted by society from a medium- to long-term perspective and can continue growth into the future is the most important social responsibility of management.

In the next fiscal year, we will move onto the stage of a new midterm management plan. Seeking to be an enterprise that makes contributions to society in a wide range of areas of its business activities and that earns the trust of society, while also working to improve its business performance, we intend to incorporate the concept of CSR firmly into the management plan.

In preparation, in April we revised our policies concerning the key CSR areas of the Environment, CS & Quality, Human Resources and Human Rights, Safety, and Contributing to Society.

In the future as well, we will meet the expectations of and make contributions to society by helping to solve the problems faced by society not just in Japan but around the world as well, as we make further develop CSR Management.

June 2008

President Naotake Okubo

We continue to further develop CSR Management based on three years' worth of results

Sekisui Chemical Group began full-fledged CSR activities in 2005.
In fiscal 2005, the Group established a CSR Committee and designed a CSR promotion system, as well as making clear the CSR that Sekisui Chemical Group seeks to achieve.
In fiscal 2006, the second year of these activities, we worked to raise the level of these efforts, centered on activities in each area.

In fiscal 2007, the third year, a new CSR Department began operation, combining the sections in charge of the three areas of the Environment, CS & Quality and Human Resources, to strengthen CSR Management.

Also in our efforts throughout these three years, we discovered some new issues that needed to be addressed, such as deployment of CSR Management globally and to the supply chain.

Sekisui Chemical Group's CSR aims to make contributions to society through business activities that are prominent in the areas of the Environment, CS & Quality and Human Resources.

By doing so, we are seeking to realize the corporate philosophy of “creating social value while responding to stakeholders’ expectations.”

In the future as well, we intend to further develop CSR Management by responding to various social issues and to the voices of our stakeholders.

Fiscal 2005

Clarifying and systematizing CSR concepts

- Establishment of CSR Committee
- Identification of CSR issues

Three Prominences

Prominence in the Environment
Make the ecology and economic activities compatible

Prominence in CS & Quality
The manufacturing development begins with the voice of the customer

Prominence in Human Resources
Developing human resources that can contribute to society while promoting individual prominence and self-realization

Three Attitudes of Sincerity

- Compliance
- Risk Management
- Disclosure & Communication

Fiscal 2006

Promoting efforts in each area

- Formulation of a medium-term action plan for each area

- Formulation of the Environmental Top Runner Plan
- Formulation of the Environment-contributing Product Standards

- Formulation of CS & Quality Management Indicators
- Establishment of a Manufacturing Development Innovation Center

- Formulation of a medium-term vision of Human Resources
- Beginning an internal entrepreneurship cultivation program to create the new businesses of the future

- Strengthening of information security
- Response to the asbestos problems

Demands from society

Preventing water, air, and soil pollution
Efficient utilization of resources and reduction of waste
Transfer of technologies and skills
Promoting environment-contributing products
Creating safe and secure work environments
Ensuring information security
Preventing the occurrence of corporate scandals

Results by the numbers Verified

Environment

- Sales ratio of environment-contributing products accounted for 15% (fiscal 2010 target: 40%).
- CO_2 emissions have decreased by 9% from fiscal 1990 (fiscal 2010 target: 10% decrease).
- Wastes have been reduced by 42% from fiscal 1998 (fiscal 2010 target: 67% reduction).

CS & Quality

- Direct dialogs with customers: approximately 2400 groups (CAT Meetings)
- Economic loss (loss costs) have decreased by 8.7 billion yen from fiscal 2005 (fiscal 2008 target: cumulative decrease of 15 billion yen).

Human Resources

- Separation rate within the first three years of employment (new graduates) 14%
- Participants for recruitment-type training program: 121
- Percentage of women hires (new graduates): 26% (target: 30%)
- Number of employees using childcare-leave system: 28

Fiscal 2007

Enhancing CSR activities through dialog with society

- Restructuring the CSR system
  Reorganizing the CSR Committee and Subcommittee system (appointing employee representatives as members)
  Establishment of the CSR Department (merging sections in charge of the areas of the Environment, CS & Quality and Human Resources)

- Adopting the CO_2 Reduction Equipment Investment Promotion Measures
- Holding the Global Children's Eco Summit

- Promoting direct dialogs with customers
- Renovating the CS-awareness infiltration program

- Cultivation of global human resources
- Establishing various systems for various working styles
- Enhancing systems in support of cultivating the next generation

- Enhancing efforts to prevent compliance violations
- Restructuring social-contribution activities
- Shifting from the Environmental & Social Report to the CSR Report

Fiscal 2008 (goals)

Infiltrating and developing CSR

- Reviewing policies in each area (April 2008)
- Promoting efforts in each department (formulation of CSR Action Plans)
- Global deployment, coordination with supply chain

- Expanding lineup of environment-contributing products
- Promoting office efforts

- Creating attractive products

- Enhancing CSR training structure

- Companywide risk-management efforts
- Active participation by employees in activities making contributions to society

Making contributions to society through business activities prominent in the areas of the Environment, CS & Quality and Human Resources

- Preventing mislabeling
- Prevention of global warming
- Ensuring product safety
- Conservation of ecosystems
- Responding to disasters
- Expanding the fields female employees work in
- Thoroughly ensuring fair trading
- Realizing work-life balance

Passing the Global Environment to the Next Generation

I. Working to prevent global warming through a wide range of aspects of corporate activities

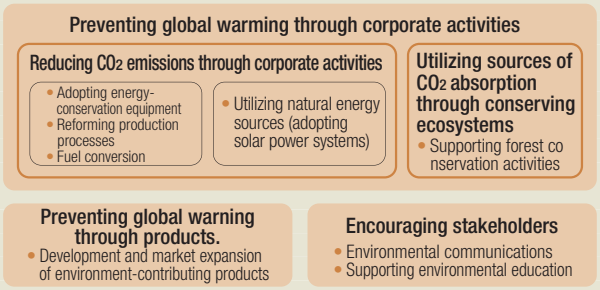
Promoting environmental corporate management since 2003, Sekisui Chemical Group is working to reduce the various environmental impacts of our business activities. In particular, we are working to prevent global warming, which is the most serious global environmental issue the world faces today, through a wide range of aspects of corporate activities.

We have set ourselves the goal of achieving reduction of 10% vs. 1990 levels in the production stage in fiscal 2010. To achieve this goal, we are working to reduce CO_2 emissions in its business activities through efforts such as adopting cogeneration systems and other energy-conservation equipment as well as photovoltaic systems. Furthermore, we are established the CO_2 Reduction Equipment Investment Promotion Measures. In addition, through its products we are making progress in reducing environmental impacts at the customer use stage.

At the same time, in addition to reducing CO_2 emissions we also are working to help prevent global warming by putting to use the CO_2 absorption capabilities of woods and forests.

We are also focusing our energies on efforts to communicate to our customers and to children, who will be responsible for the next generation, the environmental-conservation expertise we have amassed through our corporate activities and to think and act together with these stakeholders.

Concepts behind efforts to reduce CO_2 emissions



Utilizing the CO_2 Reduction Equipment Investment Promotion Measures

We, Sekisui Chemical Group have been reducing steadily CO_2 emissions in the production stage, achieving in fiscal 2007 a reduction of about 9% from 1990 levels. However, in light of factors such as the projected increase in production volume through fiscal 2010, further efforts to reduce emissions will be required. Although possible means of doing so include emissions trading and purchase of Tradable Green Certificates, we have resolved to achieve our CO_2 emissions reduction goals entirely through our own effort.

As one of these measures, in January 2007 we adopted the CO_2 Reduction Equipment Investment Promotion Measures. Under this measure, Corporate Headquarters will cover a fixed amount of the cost of capital investment in equipment that results in reductions in CO_2 emissions, corresponding to the amount of reductions resulting from adopting such equipment. The effectiveness of this system has been increased by the way Corporate Headquarters bears costs appropriate to reductions in CO_2 emissions instead of simply bearing the amount of investment. These measures have been well received, with the Development Bank of Japan assigning them the highest rank in its environmental ratings.

Preventing Global Warming through Forest Conservation Activities

In addition to reducing CO_2 emissions in business activities, utilizing the ability of forests to absorb CO_2 is another effective way to contribute to preventing global warming. We promote Green Forest Activities that support forest conservation activities in various localities. In addition to existing activities such as the Sekisui no Mori of Tokuyama Sekisui Industry Co., Ltd. and support provided to NPO/NGOs through the Nippon Keidanren, the Group also plans to conduct forest conservation activities jointly with local governments. In fiscal 2007, the following projects began: Sekisui Kagaku no Mori, involving plans for planting approximately 5,000 trees over 10 years (on 2.7 hectares in Wakayama Prefecture); Sen no Mori, intended to conserve forestry through thinning (on 42 hectares in Kyoto Prefecture); and Sekisui Shiki no Mori, a forestry improvement project (on 9.2 hectares in Gunma Prefecture).


Planting trees in Sekisui Kagaku no Mori (Wakayama Prefecture)


Forestry improvement in Sen no Mori (Kyoto Prefecture)

Topics

Thinking and acting about the environment together with children

Holding the Global Children's Eco Summit

In August 2007, Sekisui Chemical Group held the Global Children's Eco Summit in celebration of the 60th anniversary of its founding. Twenty-three children of Group employees, from nine countries, took part in this Summit.

In the Summit, participating children delivered presentations on subjects such as destruction of the environment in their own countries and waste problems they have seen with their own eyes around them. Next, participants split into four groups on the themes of "Water," "Pollution," "Waste" and "Destruction of the Environment" for lively discussions on what each of them should do to help protect the global environment. The summit concluded with a declaration from all participants of "Our Commitment" to protect the environment. The Global Children's Eco Summit will continue to be held as regional summits in other countries around the world.

Global Children's ECO Summit 2007

Our Commitment (excerpted)

- We will change our lifestyle (AC/car use, etc.) to use less energy
- We will try to make a law for “cut one, plant one”
- We will only take as much food as we can eat
- We will not use PET bottles or other disposable trays and containers
- We will separate garbage and be mindful about recycling




Holding Manufacturing Based on Learning from Nature - Junior Forum

In August 2007, Sekisui Chemical held Manufacturing Based on Learning from Nature - Junior Forum, an environmental educational event open to participation from the general public. The purpose of this event was to communicate to children respect for nature and living things and how wonderful and important it is to put to use things we learn from them. About 300 children from the fifth grade through first year of junior high school who responded to a public call for participation took part in this forum. In addition to a lecture delivered by scientific technology journalist Manabu Akaike, an expert on insect ecology, the forum also included a hands-on program in which participants got a chance to experience the mysteries of nature, learning about how fireflies generate light and building lights based on the same concept. Sekisui Chemical plans to continue holding forums such as this one in the future as well.

Ⅱ. Creating products that contribute to reduce environmental impact placed on society

Since fiscal 2006, Sekisui Chemical Group has devoted itself to development of and expanding markets for environment-contributing products based on its own standards for such products.

Environment-contributing products are defined as those that not only reduce environmental impacts at the production stage but also help to reduce, at the use stage, the environmental impacts of our customers and of society as a whole (See page ▶19).

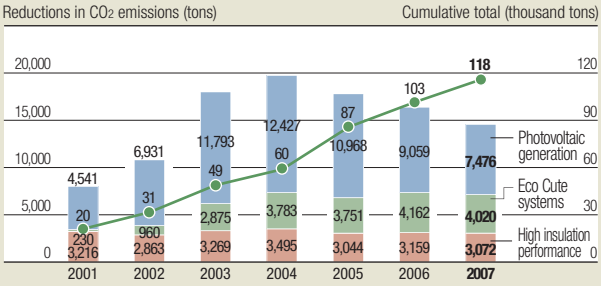
Sekisui Chemical Group's Midterm Environmental Vision (see page ▶18) has set the target of raising the sales ratio for environment-contributing products to 40% of total consolidated sales by fiscal 2010.

As of the end of fiscal 2007, products and services falling in the environment-contributing products category totaled 34 items (see page ▶75 - 76), including the Zero Utility Cost House and the Sewage Pipe Rehabilitation Method, and sales ratio of these 34 products accounted for 15.3% of consolidated sales.

As an example of the contributions these efforts have made to reducing the environmental impact placed on society, the effects of homes designed to reduce CO_2 emissions have cumulatively reduced CO_2 emissions in homes by 118,000 tons per year.

In the future as well, we, Sekisui Chemical Group will endeavor aggressively to expand the market for environment-contributing products.

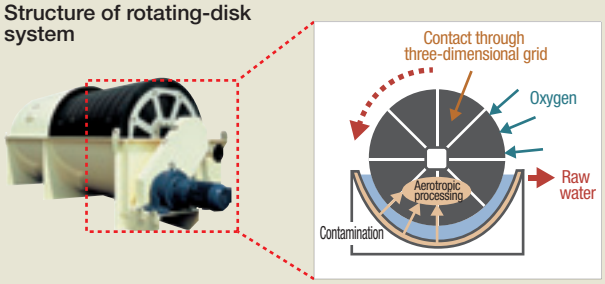
Effects of homes designed to reduce CO_2 emissions



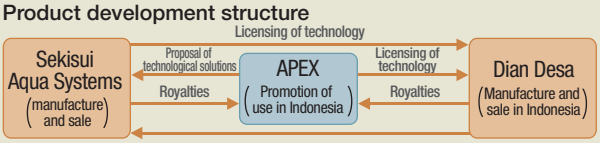
Product Development in Cooperation with NGOs

Asked by a specified nonprofit corporation APEX, which develops wastewater-processing equipment together with local NGOs in Indonesia, to take part in a joint development project, in March 2000 Sekisui Aqua Systems Co., Ltd. introduced the Esurote, a rotating-disk wastewater-treatment system. A rotating-disk wastewater-treatment system is easy to operate and administer and has a high level of energy-conservation performance. However, since such systems involve the problem of high initial costs, in developing the Esurote a three-dimensional grid structure, which has the benefit of ensuring highly efficient contact with wastewater, was adopted. This has resulted in considerable reductions in the environmental impact of the equipment, such as reducing power consumption to roughly 60% and leftover sludge to roughly 50% of the levels in previous equipment, while also reducing equipment costs considerably.

Structure of rotating-disk system



Product development structure



Voice

Contributing to improving the environment in Indonesia through a sustainable partnership with NGOs

Sekisui Aqua Systems Co., Ltd.
Yoshiharu Matsubara

I am happy to say that the performance of the Esurote system developed jointly with APEX is well regarded, and that more than 20 units of the system have been put to use in Indonesia, where they are contributing to the improvement of the aquatic environment. In Japan too, we have sold about 180 units, with some of the profits from these sales going through APEX to relief activities to aid victims of the Mid Java Earthquake. In addition, this project also has been evaluated highly in the NGO Research Committee organized by the Ministry of Foreign Affairs of Japan, as a positive example for sustainable partnerships between enterprises and NGOs.

Topics

Promoting dialogs with children on environmental issues, through exhibitions

Environmental Communications at the Eco Products

2004

Your Eco Ideas:
Seeking environmental ideas from attendees and posting these

2005

Eco-Dialog:
Dialog conducted through an event for thinking about environment-friendly

2006

My Eco Declaration:
Creating opportunities to begin practical activities that take the environment into consideration

2007

Carbon-Offset Declaration:
In cooperation with school education, inviting schools to visit and proposing learning programs for before and after the visit

The Eco Products is the largest exhibition of environmental products and technologies in Japan. Since it is attended not just by representatives from enterprises but also by a large number of children, we have continued to exhibit at the Eco Products based on the content of environmental education and communication for the next generation.

To enable visitors to learn about and experience the environment in enjoyable ways, each year these exhibits are designed to include efforts such as participatory events and coordination with websites. In 2004 and 2005, we sought proposals and ideas from visitors, and in 2006 visitors were asked to sign My Eco Declaration describing the steps they would take individually for the environment.

In 2007, we designed an event based on the theme of Carbon Offsets, by which people can offset the CO_2 emissions generated by their lifestyle through energy conservation activities. In addition, as a new experiment to promote coordination with school education, we invited schools to visit and proposed learning programs for before and after their visits.

In the future as well, we plan to continue environmental education activities utilizing exhibitions, while continuing to develop the program.

Eco-Dialog
http://sekisui.stadiams.jp/ (Japanese Only)

Voice

Thanks to the learning programs for before and after our visit, the children were able to deepen their understanding of the issues

Teacher, Shinonome Elementary School (Koto-ku, Tokyo)
(Job title current as of March 31, 2008)
Akihiro Nakajima

The learning program before our visit was useful in helping the children to understand the content of the exhibition. They were able to review the content of this program on the day of the exhibition. In the learning program after the visit, based on the theme of proposing ideas to their families the children were encouraged to summarize what they learned and communicate it to their families. In light of the fact that efforts to combat global warming are behind in the civilian sector, I think these activities will have results.

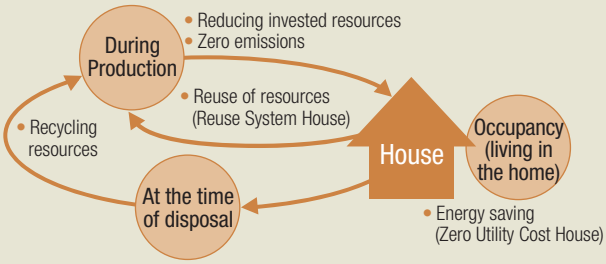
Ⅲ. Through our businesses, reducing the environmental impacts of peoples' lifestyles

As the base for daily living, the home is the foundation for spending our time with peace of mind, comfort, and safety. At the same time, increasing in resource use and wastes, due to tearing down existing homes and building new ones. In addition, factors such as increased use of electric appliances for comfortable living have led to an increase of approximately 30% in home energy consumption over the past 10 years — one cause of global warming. In light of such issues, we, Sekisui Chemical Group are promoting the building of resource recycling houses, which have lower impacts on the environment. This is part of our Group's declared mission of providing environment-friendly houses that can be lived in safely and comfortably for at least 60 years. In this way, we are working to reduce environmental impacts in each of the following stages: house building, living in a home, and after use of the house.

By providing high-quality, long-lasting houses that can be passed on to the next generation at the same time we communicate information on the environmental performance of houses such as their capabilities for reducing CO_2 emissions, through efforts such as providing Zero Utility Cost Houses, we aim to raise the level of environmental awareness among the people living in these houses and society as a whole.

Sekisui Chemical Group's House Development Concepts

Sekisui Chemical Group's concept of developing resource recycling houses



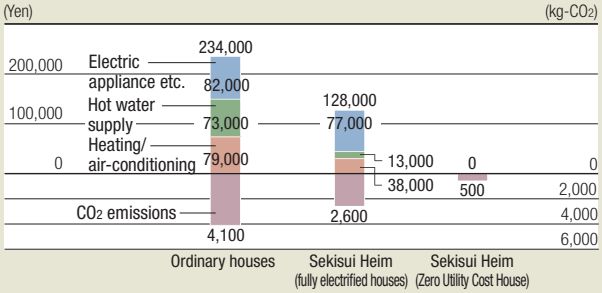
Proposing Zero Utility Cost House

The Zero Utility Cost House developed by Sekisui Chemical Group make it possible to reduce over the long run the environmental impact of living. With high levels of insulation performance and airtightness, these houses keep down energy consumption on uses such as air-conditioning, by reducing the effects of outside air temperature. Furthermore, by increasing the number of photovoltaic generation panels on the houses and increasing their generating capacity through means such as using larger panels, these houses also reduce related installation costs.

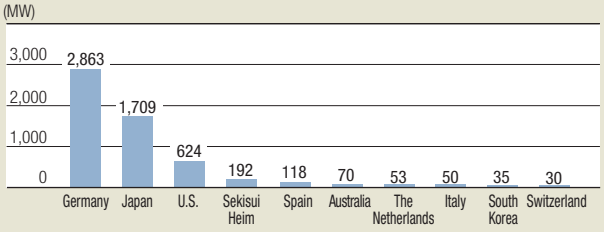
Through these efforts, these houses achieve massive reductions in comparison to traditional houses in terms of the amount of energy occupants must buy. By making it possible even to reduce annual utility costs to zero, the houses achieve both reduced impacts on the environment and high levels of economic benefits.

In addition, since many customers say they would like to save even more energy, in April 2006 we began offering energy-saving consulting services for customers.

Energy saving/the effect of utility-cost reduction of Zero Utility Cost House



Cumulative adoption of photovoltaic generation in leading nations (1996 - end of 2006)



Source: Prepared by Sekisui Chemical based on statistics from the International Energy Agency's (IEA) Photovoltaic Power Systems Programme (PVPS) on cumulative adoption of photovoltaic generation in IEA PVPS member nations through the end of 2006.

* Figures on cumulative adoption of photovoltaic generation in Japan include Sekisui Heim adoption figures.

Topics

Putting expertise accumulated in house building to use in environmental education

The Houses and the Environment Learning Program

We, Sekisui Chemical Group, provide the houses and the environment learning program, targeted primarily at junior high school students, to use the nature of its business to support educating the next generation.

By thinking about houses and ways of living for coexistence with the environment, this program splits students up into groups to build models of environmentally sensitive houses as well as studying the roles of houses and the environmental impacts of our lifestyles. Instead of a simple lecture by a visiting enterprise, this program includes content in which teachers take the lead in conducting classes.

As "Eco Heim Coaches" who are professionals in building environmentally sensitive houses, Sekisui Chemical Group employees assist teachers in their lessons. In addition, this program also provides a wealth of options including tours of plants and visits to house exhibitions.

This program was conducted at Tonan Junior High School in Nara Prefecture in February 2007, and at Neyagawa 10th Junior High School, Osaka Prefecture, in March of the same year. The program was well received at these schools, with comments heard including "Students were able to deepen their understanding of houses by actually building models of houses."

Program development concepts

Voice

I never expected that my work could contribute to society in this way.

The preparation process was very tough. However, it gave me the opportunity to review how I have been doing my work until now, and most of all, conducting this class together with the teachers was enjoyable. I was surprised to learn that ideas which the students had were beyond my imagination. In the future, I would like to see us send a great number of "Eco Heim Coaches" to schools as a way of benefiting society.

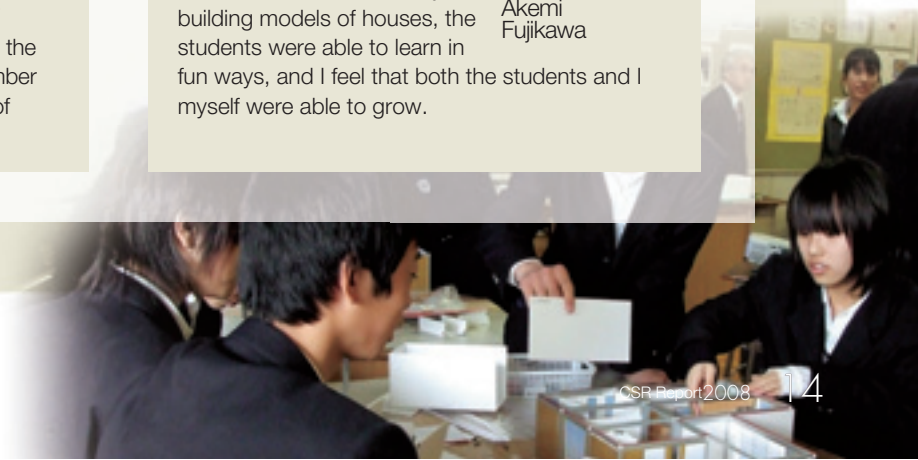
Kansai Sekisui Industry Co., Ltd.
Futoshi Hashimoto

Voice

I think we were able to teach the students a lesson they will remember for the rest of their lives.

Through seven hours of classwork, students were able to think clearly about taking the environment into consideration and about the perspective of building a house for the customer. By building models of houses, the students were able to learn in fun ways, and I feel that both the students and I myself were able to grow.

Teacher, Neyagawa 10th Junior High School
Akemi Fujikawa



Working Towards the Enhancement of CSR Management System

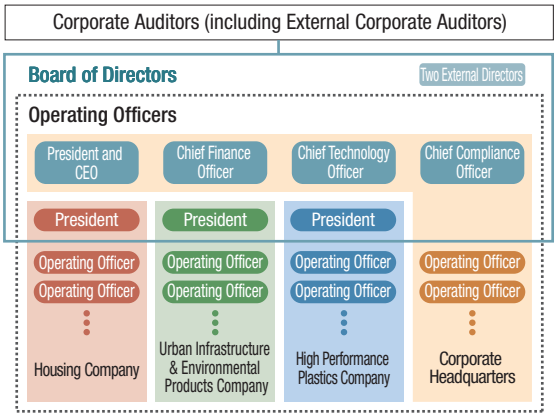
Designing a system for strengthening both corporate governance and CSR Management

Reforming the Corporate-Governance System

Sekisui Chemical Group conducts its business through three division companies separated by lines of business. In light of factors such as the rapid globalization of business and changes in market conditions, in April 2008 the Group reformed its corporate-governance system in order to respond to new business opportunities and risks in swift and appropriate ways. These reforms separate business-execution functions from the Board of Directors and enhance the functioning of both.

As the function responsible for deciding on basic corporate wide policies and advanced management decision-making as well as supervising business execution, the Board of Directors works to achieve continuous improvements in corporate value while ensuring the transparency and fairness of management. To enhance this function, external directors have been added to the Board and the number of members of the Board has been set at roughly 10 Directors in order to increase its mobility.

In addition, in order to enhance the business-execution function an operating officer system has been adopted with specialized officers assigned to each divisional company. Also, an Executive Committee has been established to serve as the top decision-making body in each division company. As such, a broad range of authority has been transferred from the Board of Directors to the Executive Committee.

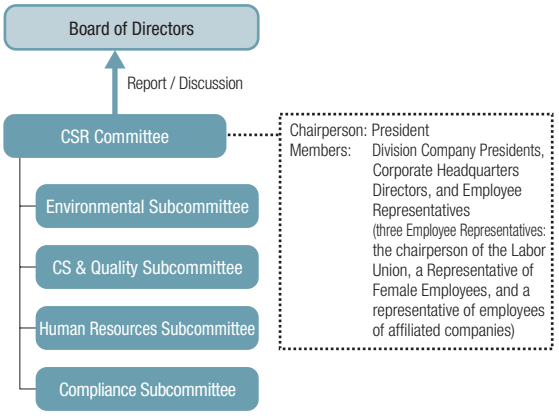


CSR Management System

In January 2007, Sekisui Chemical Group reorganized its CSR Management system. Since then, related efforts have proceeded 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.

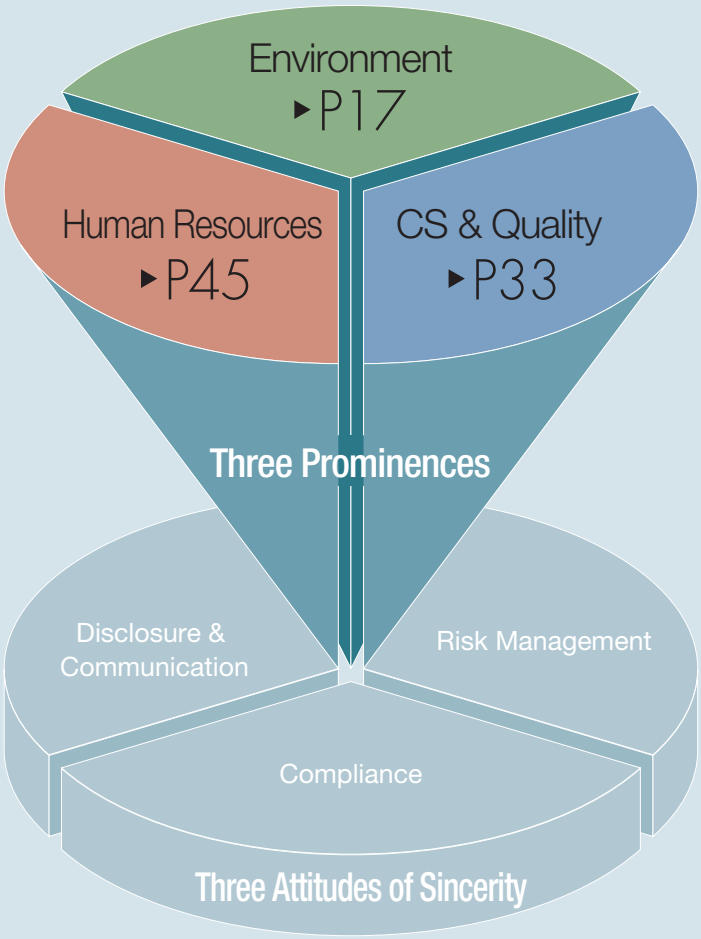
In addition to senior executives, membership of the CSR Committee also includes three representatives of employees — one key group of stakeholders — to lead to improved deliberation and policies. The CSR Committee promotes companywide efforts while ascertaining and deliberating on companywide topics 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.

In addition, the CSR Committee also deliberates on matters such as policies for advancing CSR efforts effectively. Decisions made in fiscal 2007 included a resolution to implement even more proactive efforts in fiscal 2008 and beyond, by making clear the courses of action for activities intended to contribute to society as well as areas on which efforts will be focused.



The Practice of CSR Management

This section introduces the Three Prominences, which together constitute the core of Sekisui Chemical Group's CSR philosophy



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 leader in this field, we hope to win the enduring trust of society at large.

Sekisui Chemical Group "Environmental Management Policy"

Mission

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

Basic policy

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

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

Revised April 2008

Midterm Environmental Vision, Environmental Top Runner Plan

Advancing activities toward the targets the Group must achieve by fiscal 2010

Development of the Environmental Top Runner Plan, Shifting the Emphasis from Environmental Friendliness to Actively Contributing to the Environment

Targets for Fiscal 2010

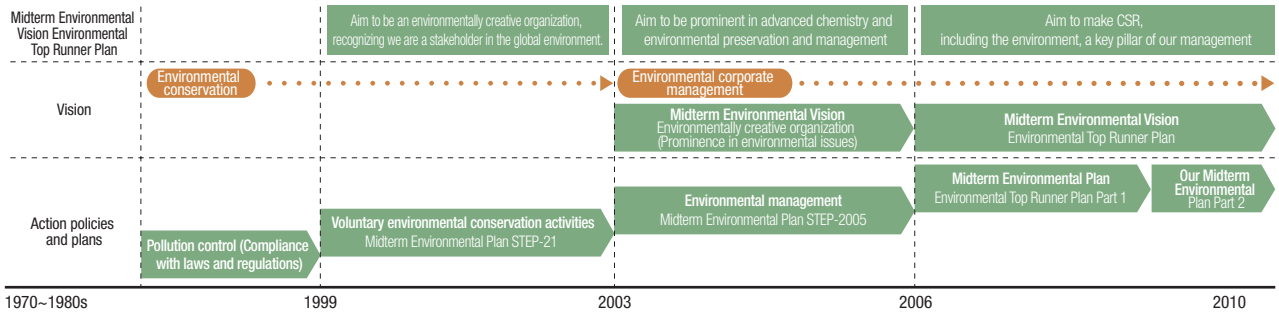
In April 2005, Sekisui Chemical Group, finalized our Environmental Top Runner Plan, a midterm environmental vision detailing the targets the Group must achieve by fiscal 2010, to realize environmental management that achieves both ecological and economic goals. This vision shifts the emphasis from environmental friendliness to actively contributing to the environment, in other words, aiming not only to reduce the environmental impact of sales ratio our own business activities but also to contribute to reducing environmental impacts through our products. As a practical step toward realizing this vision, we have formulated and are implementing our Environmental Top Runner Plan Part 1, covering the three years from fiscal 2006 through fiscal 2008.

In April 2008, we revised our environmental management policies in light of global trends relating to environmental issues, incorporating perspectives such as a global scale, global warming, biodiversity, and making contributions to the next generation. In the future, we will further enhance efforts in each of these areas.

Status of Environmental Top Runner Plan (results for fiscal 2007) Verified

	Fiscal 2010 Target	Fiscal 2008 Target	Fiscal 2007 Target	Fiscal 2007 Actual Result
Sales ratio accounted for by environment-contributing products	40%	25%	20%	15%
Reduction in CO_2 Emissions (compared to fiscal 1990)	10% reduction	10% reduction*	8.5% reduction	9% reduction
Reduction in Generated Waste (compared to fiscal 1998)	67% reduction	50% reduction	45% reduction	42% reduction
Sekisui Eco Value Index (compared to fiscal 2004)	2.0 times higher	1.5 times higher	1.7 times higher	1.76 times higher

* The above represents an upward revision from the previous reduction levels of 8%, based on March 2008 revisions.



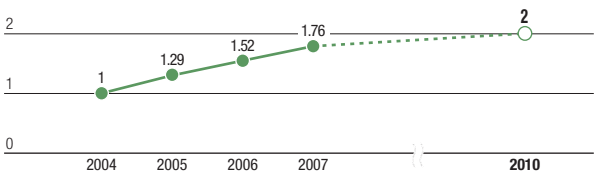
Sekisui Eco Value Index—a Criterion for Environmental Management

Establishing an independent gauge for measuring the efficiency of environmental management

We, Sekisui Chemical Group, have established the Sekisui Eco Value Index to serve as an independent gauge for measuring the efficiency of our environmental management activities. Our goal is to double the Sekisui Eco Value Index compared with its fiscal 2004 value by fiscal 2010. This index is calculated by dividing the environmental added value generated through our environmental management activities by the group's overall environmental impact resulting from our business activities.

In fiscal 2007, this index was at 1.76 times the fiscal 2004 level, which was above the target set for fiscal 2007 of 1.7 times the fiscal 2004 level. This result reflects the fact that we have been able to expand sales of our environment-contributing products while at the same time reducing our environmental impact, including CO_2 emissions (see page▶74).

Sekisui Eco Value Index Trends Verified



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

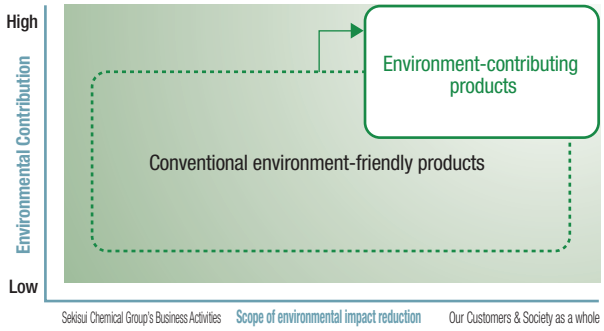
The sales ratio for environment-contributing products to 15% and aiming to achieve further increases in the future

Approaches to Environment-contributing Products—Creating New Standards

Accrediting environment-contributing products through a highly objective process

In fiscal 2006, we established and launched the new Environment-contributing Product Standards, based on the concepts behind the Environmental Top Runner Plan. In fiscal 2007, in order to increase the objectivity of the process of accrediting environment-contributing products, we revised internal accrediting workflows based on advice form a newly established external advisor. In fiscal 2008, we started to implement the new structure. Also in fiscal 2007, in order to improve the name recognition of our environment-contributing products, we prepared a catalog of environment-contributing products.

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 customer's 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)

New Accreditation Flow

Sales of Environment-contributing Products

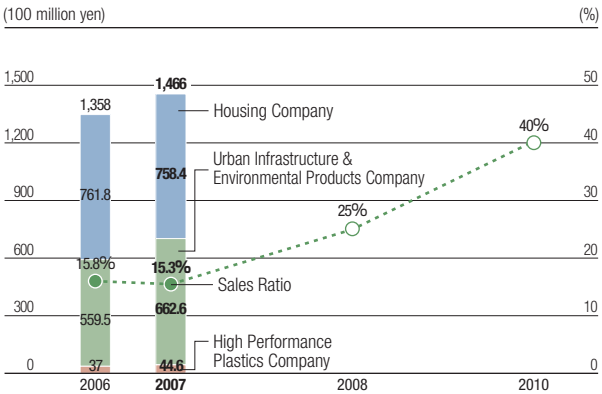
Aiming to increase the sales ratio to 40% in fiscal 2010

Sekisui Chemical Group is using the sales of these products as an indicator for our environmental management. Specifically, our Environmental Top Runner Plan has set the target of raising the sales ratio for these products to 40% of total consolidated sales by fiscal 2010.

In fiscal 2007, sales of environment-contributing products rose to 146.6 billion yen, equivalent to 15.3% of consolidated sales.

In the future, we aim to achieve this goal by developing new environment-contributing products as well as expanding sales of existing products.

Environment-contributing Products Sales and Sales Ratio Trends Verified



Examples of Environment-contributing Products (1) Housing Company

Sekisui Heim Demonstrating Superior Energy-saving Effect: Chezdan

Sekisui Chemical Group provides houses that take into consideration both the environment and occupants, in the form of our Zero Utility Cost House and Re-use System House, among others. Chezdan greatly reduce energy costs for heating, which is a pressing issue in colder regions of Japan such as Hokkaido. These houses provide insulation performance well above the next-generation energy-conservation standards to prevent loss of home heat.

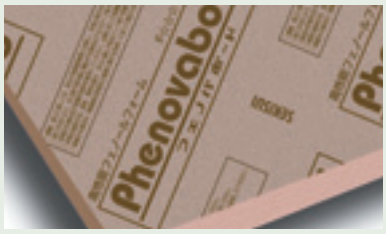
In fiscal 2007, these houses were awarded the Chairman Prize of ECCJ in the 18th Energy Conservation Grand Prize for excellent energy conservation equipment.

Chezdan style

Example of Environment-contributing Products (2) Urban Infrastructure & Environmental Products Company

High-performance Insulation Material: Phenovaboard

Today, insulation materials are attracting attention across the world for their promise to help prevent global warming. Phenovaboard, developed by Sekisui Chemical Group, is a board-type insulation material made of phenolic-resin foam. Formed by creating microscopic cells inside the resin foam and filling these with non-CFC gas, Phenovaboard demonstrates high levels of insulation performance despite its thinness.



Phenovaboard

Example of Environment-contributing Products (3) High Performance Plastics Company

Power-saving, Thin-type, Long-lasting and Low-temperature Signs that Reduce Environmental Impacts: EEFL LAMP

EEFL LAMP, used as background lighting in equipment such as signs and displays, is very thin at 5 mm in diameter and boast other benefits such as low surface temperatures that do not feel hot to the touch and long usable lives of more than 30,000 hours.

As a result, in comparison with traditional fluorescent lamps EEFL LAMP reduces power consumption by 20 - 30% and reduces air-conditioning load in its installation locations. While making it possible to be installed in locations where such installation has heretofore been unfeasible due to restrictions resulting from factors such as the thickness of traditional lamps and the need to replace lamps, EEFL LAMP also contributes to conserving energy and resources.

A display using an EEFL LAMP

EEFL LAMP

Meeting our Environmental Top Runner Plan Targets

Advancing external public-relations efforts and internal promotion of development

To achieve our targets for environment-contributing products, since fiscal 2006, environment-contributing product sales have been included as an assessment item in assessing the performance of business units. In addition, we have added assessment of environmental contributions to the framework for assessment of products' environmental impacts in the product-development process.

We also are using our 2007 catalog of environment-contributing products to encourage the development of new products in each business unit at the same time we use it in external public-relations activities to increase name recognition for the products it covers.

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

Achieving a 9% reduction in CO_2 emissions compared to fiscal 1990 level, and further accelerating efforts toward the goal of a 10% reduction in fiscal 2010

Way of Thinking Towards Prevention of Global Warming

Working to reduce greenhouse-gas emissions across all stages from product development through use

As a first step toward reducing greenhouse gases, the Kyoto Protocol establishes reduction targets for the five-year period 2008 - 2012. Since 2008 is the first year of this First Commitment Period under the Kyoto Protocol, from now on what is required is not just posturing toward reducing greenhouse gases but actual results.

While Sekisui Chemical Group provides customers and society at large with useful products, it also emits not insignificant amounts of greenhouse gases through its business activities. Keeping this in mind, we are working hard to reduce emissions of greenhouse gases across all stages of our business activities, from product development through production, shipping, and use.

Activities by Sekisui Chemical Group

Activities at the Production Stage

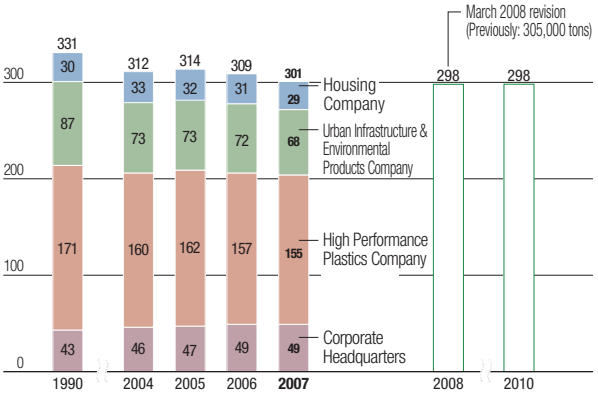
Each site advances its own efforts

For fiscal 2010, we have set the target of reducing CO_2 emissions from energy generated at the production stage in Japan by 10% compared to fiscal 1990.

As part of such efforts, in fiscal 2007 Sekisui Chemical took the bold step of fuel conversion (from heavy oil A to city gas) in connection with renovation of the co-generation systems at its Shiga Minakuchi Plant. Furthermore, it has accelerated investment in energy saving by starting the CO_2 Reduction Equipment Investment Promotion Measures (see page▶9). As a result, it has reduced CO_2 emissions by 9.1% from 1990 levels, and the target of a 10% reduction is in sight.

CO_2 Emissions During Manufacturing Phase Verified

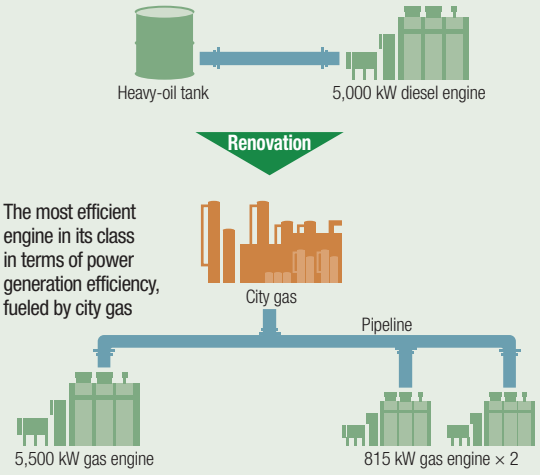
(1,000 tons-CO_2)



Case study: Sekisui Chemical Shiga Minakuchi Plant

Improving efficiency of co-generation system and fuel conversion

Until recently, Sekisui Chemical's Shiga Minakuchi Plant used a diesel-engine co-generation system, fuelled by heavy oil A. However, with a growth in energy demand a major increase in CO_2 emissions appeared inevitable. In response, in March 2007 the plant renovated its co-generation system to a gas-engine system fueled by city gas. This new system was chosen because it could contribute to reducing CO_2 emissions. The effects of improving power generation efficiency and using clean fuel as a result of this renovation have realized a reduction of 6,000 tons in CO_2 emissions.



Case study: Sekisui Roof Tech Co., Ltd., Okayama Sekisui Industry Co., Ltd.

Achieving thorough insulation using high-performance insulation material Phenovaboard

Sekisui Roof Tech Co., Ltd. and Okayama Sekisui Industry Co., Ltd. are using the construction insulation material Phenovaboard produced at their sites (see page 20) in drying furnaces and plant buildings to save energy.

In particular, by installing Phenovaboard the roofing coatings production line has reduced the surface temperature of its drying furnaces from 70°C to 30°C, leading to improvements in the work environment.

In addition, the roof-covering line, which requires specific levels of temperature and humidity, has been able to reduce its use of steam by approximately 10%.

A drying furnace covered in Phenovaboard

Insulation of interior walls in a building

Activities in Offices

We are working to save energy not just at our production sites but also in offices at our laboratories and in our office buildings across Japan (see page▶25). Through efforts such as the implementation of “Lights-out at Lunchtime Worldwide Campaign” since April 1, 2008, we are working to reduce CO_2 emissions with the cooperation of each and every Sekisui Chemical Group employee around the world.

Posters for the Lights-out at Lunchtime Worldwide Campaign

Activities at the Transportation Stage

Sekisui Chemical Group transports a wide range of products including houses, pipes, and resins. In fiscal 2006, we developed and introduced the Transportation Energy Information Collection System, capable of grasping energy consumption and CO_2 emissions resulting from transportation of these products. In fiscal 2007, we achieved reductions of 0.8% in energy base units used in the transportation stage and 8.2% in CO_2 emissions (to 52,000 tons) vs. their fiscal 2006 levels (see page▶77).

Case study: Tokyo Sekisui Shoji Co., Ltd. East Kanto Distribution Center

Eco-driving Contests

In November and December 2007, the East Kanto Distribution Center of Tokyo Sekisui Shoji Co., Ltd. held Eco-driving Contests in which contestants competed to reduce the fuel consumption of trucks used to transport products. In partnership with Masuda Transportation Co., Ltd. to which it subcontracts transportation, drivers of all 21 trucks (in seven teams) competed to improve their fuel consumption (km/l). The goals of this contest are to ascertain the potential for improving fuel consumption through raising drivers' awareness of energy saving and through specific driving techniques as well as examining the possibilities for expanding this program to other shipping facilities as well.

As a result of this contest, fuel consumption was improved by 10 - 20%, an indication that there is even more potential for reducing fuel consumption than had been expected.

Winners in improving fuel consumption (rate of improvement: 116%)

Masuda Transportation Co., Ltd.
Tomokazu Kojima
Taro Izumiya
Ryuichi Hayashi
(From the left)

Meeting our Environmental Top Runner Plan Targets

Proceeding with efforts from a new perspective, such as investments that lead to reductions in CO_2 emissions

Although as a result of the various efforts we have implemented until now our target of reducing CO_2 emissions in fiscal 2010 by 10% compared to fiscal 1990 is in sight, under current conditions there is little room left for drastic measures. For this reason, through the CO_2 Reduction Equipment Investment Promotion Measures adopted in fiscal 2007 (see page▶9) we intend to make progress in new types of efforts such as use of biomass energy as well as steady efforts to reduce CO_2 emissions, even if the effects of individual projects are not very great.

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

Reduce amount of generated waste by 42% compared to fiscal 1998 level

Basic Policy for Efficient Utilization of Resources

We have adopted the groupwide 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 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.

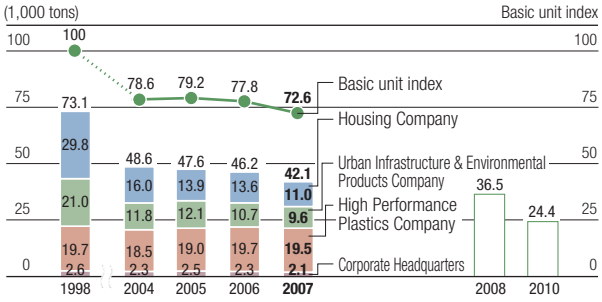
Reducing Amounts of Generated Waste

Working to reduce wastes in a wide range of areas

At Production Sites

We have been promoting the recycling of generated waste through a Zero Emission Activity (see page▶24) in order to thoroughly implement the efficient utilization of resources used in the production of our products. Along with continuing these activities, we have been focusing on reducing and reusing generated waste materials. By focusing chiefly on reducing the amount of scrap waste generated, efforts such as simplifying the packaging of raw materials have resulted in reducing the amount of generated waste in fiscal 2007 by 13% compared to fiscal 2004 and by 42% compared to fiscal 1998.

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



At the Construction Site

Sekisui Heim and Two-U Home are both construction methods which basically produce the amount of waste generated at the construction site far less than that produced by other construction methods since over 80% of each is made in plants. Through cooperation between our construction sites and plants, we, Sekisui Chemical Group, are working to reduce waste further through activities including reducing scrap waste generated and reusing packaging materials

As a result, in fiscal 2007, we achieved a 43% per house reduction in waste as compared to fiscal 2000 (see page▶78).

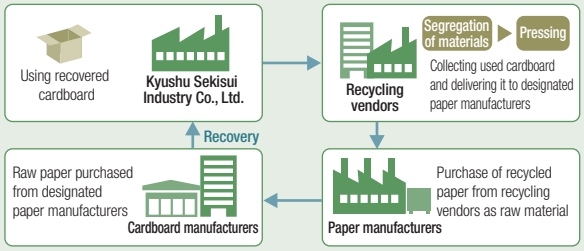
At the Office

Efforts to reduce waste are proceeding at the offices of our administration departments, sales departments, and other locations as well. In fiscal 2005, our headquarters buildings in Tokyo and Osaka both achieved the Zero Emission target. Since fiscal 2007, we have been expanding these efforts to other offices in order to better grasp and reduce the amount of generated waste.

Case study

Recovering cardboard

Since fiscal 2007, Kyushu Sekisui Industry Co., Ltd. has been recycling all waste cardboard it generates and conducting recovery of cardboard cases purchased anew. By having recycling vendors and paper and cardboard manufacturers issue certificates of weight, Kyushu Sekisui Industry is able to purchase new cardboard in the same volume as the waste cardboard it generated, building a cycle of reuse of these valuable resources.



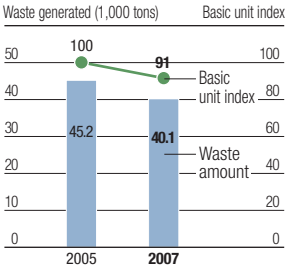
Utilizing Material Flow Cost Accounting

Seeking to reduce both waste and costs

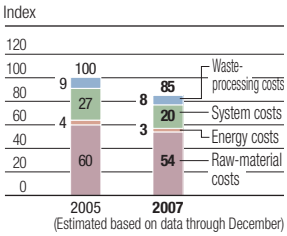
Waste is a negative product that requires costs. Material flow cost accounting is a method used to locate areas where improvements can be made to decrease this burden. Sekisui Chemical Group is adopting this method to reduce both waste and costs, while promoting activities that balance both economic and ecological goals.

By 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 waste generated by 11%, unit waste generation by 9%, and economic loss (loss costs) by 15% compared to fiscal 2005 levels at these sites.

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



Economic Loss (Loss Costs) Verified



(Estimated based on data through December)

Using Waste Efficiently (Zero Emission)

Working to recycle all wastes generated

One company's waste may be used as a resource for another company or industry.

Since 1998, Sekisui Chemical Group has promoted Zero Emission Activity in order to efficiently reuse all generated waste as resources (see page ▶78). In fiscal 2007, the Shizuoka Plant of Sekisui Aqua Systems Co., Ltd. was added to the ranks of sites achieving this goal.

Voice

We have achieved zero emissions

Sekisui Aqua Systems Co., Ltd. Shizuoka Plant

Toshio Shirasawa

Our plant's efforts to achieve zero emissions started in October 2006. First, we examined the actual conditions of the types of waste and processing methods and proceeded with recycling of wastes. Then, we established criteria for segregation of waste materials and promoted these activities under the slogan "Mixed up it's just garbage, but segregated it's a resource." In this way, we were able to achieve zero emissions in December 2007. We would like to take this opportunity to serve as a model plant.

Meeting Our Environmental Top Runner Plan Targets

Thoroughly implementing efforts toward achieving targets

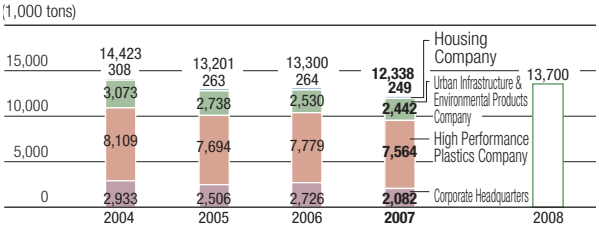
Sekisui Chemical Group is aiming to cut in half by fiscal 2010, the amount of waste we generate as compared to the fiscal 2004 level (equivalent to one-third of the fiscal 1998 level). Based mainly on the utilization of the material flow cost accounting method, we are reducing losses during production, turning scrap materials back into products and reducing the amounts of disposed parts and materials.

Conservation of Water Resources

Working to reduce use of water, a valuable resource

Our target in the Environmental Top Runner Plan Part 1 is to reduce by fiscal 2008 the amount of extracted groundwater we use to 5% less than the fiscal 2004 level. However, through promoting water-conservation efforts such as reuse of water at plants we already achieved a reduction of 14% as of fiscal 2007. In the future as well, we will continue working to reduce use of water.

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



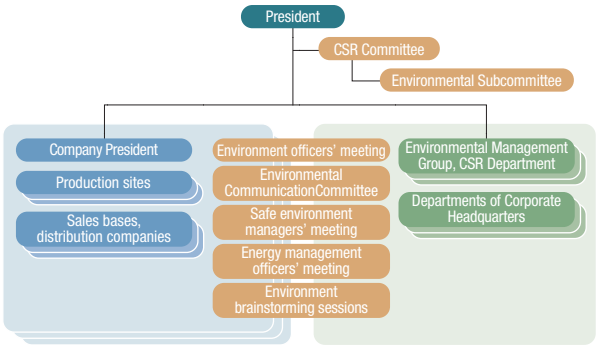
The Foundation for Environmental Management

Expanding the environmental management system across the entire group and 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

Verified

We, Sekisui Chemical Group, have been structuring our environmental management system (EMS) in an effort to effectively carry out environment-friendly business activities.

We have been progressively acquiring ISO 14001 certificates since fiscal 1996, expanding certification from production sites to housing sales companies and R&D laboratories. As a result, 79 business sites hold ISO 14001 certificates as of March 2008 (see page▶80). The number of employees at these business sites represents 68% of all of Sekisui Chemical Group employees (on a consolidated basis).

Extension to Overseas Business Sites

In recent years, as the number of Group companies conducting business overseas has increased, we face the need of a system to promote environmental efforts at a global level. For this reason, we are ascertaining the actual state of environmental performance at overseas Group companies, by region and by product produced, and analyzing the differences in performance levels between production sites, including those in Japan. At overseas sales companies as well, we have begun totaling volumes of energy usage and waste discharge, and we plan to set reduction targets for both overseas sales companies and production sites to achieve in fiscal 2009 and subsequent years. We also are encouraging overseas production sites to acquire ISO 14001 certification and to carry out Zero Emissions activities.

Rollout to Offices

We also are expanding EMS through activities such as energy saving, recycling, reducing use of paper, and green purchasing at our headquarters buildings and our offices at sites across the country.

In fiscal 2007, we held a conference of officers responsible for promoting EMS at each site, and we began gathering environmental-load data at each site. In fiscal 2008, we will advance activities intended to accelerate the expansion of business sites concerned.

Rollout to the Supply Chains

We also plan to expand EMS to supply chains and contractors by fiscal 2010. As part of this, Housing Company is requiring and supporting its small and medium-sized business partners to obtain certifications such as Eco Action 21*. Also, we are cooperating with transportation companies to promote grasping and reduction of CO_2 emissions levels resulting from transportation.

Furthermore, we also are ensuring the suppliers of food ingredients to our employee cafeterias understand Sekisui Chemical Group's environmental management policies and both purchase ingredients and conduct their business in accordance with these.

* Eco Action 21: Established by the Ministry of the Environment, this is an accreditation and registration system concerning environmental management systems. It mainly focuses on a wide range of small and medium-sized enterprises, schools, public organizations, and other entities. The cost and labor for accreditation and operation maintenance are less in comparison with the international standard ISO 14001, and it easily facilitates the participation of small and medium-sized enterprises.

Environmental Performance Evaluation

Adding environmental items to performance evaluations to infiltrate environmental considerations throughout business activities

In fiscal 2006, we added environmental items such as sales of environment-contributing products, CO_2 emissions, and waste generation to the list of items we use to evaluate the performance of individual division companies and the entire Sekisui Chemical Group. By monitoring the degree of attainment of targets and degrees of improvement and growth over the previous year in these areas, we endeavor to accelerate and spread consideration for the environment in all of our business activities.

We highly regard these measures that have raised the awareness toward the environment throughout the division companies and that environmental considerations are infiltrated into business activities.

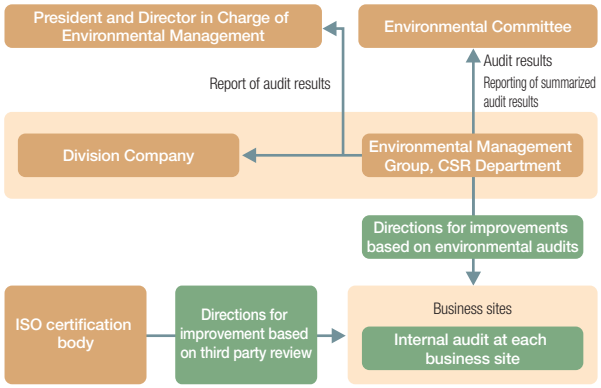
Environmental Audit

Working to achieve continuous improvements in environmental management and environmental performance 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 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.

Audit System



Environmental Education

Developing a high level of environmental awareness among all employees

A fundamental concept of Sekisui Chemical Group's Environmental Top Runner Plan is to act on behalf of the next generation by ensuring all employees have a high level of environmental awareness. Toward this end, 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 employee hierarchies, training programs on basic environmental technology, and training programs of internal auditors.

Environmental e-learning

Our e-learning program, introduced in fiscal 2006, has provided all employees, including temporary staff, with education on environmental issues ranging from global concerns to familiar topics employees encounter in their daily lives and described related matters such as the efforts Sekisui Chemical Group and individual employees can take in response to these issues.

In fiscal 2007, the content of the e-learning program was enhanced further. Beginning in January 2008, we have prepared an English-language version of the e-learning program and provided training through this program for overseas employees as well.

Educations for Senior Executives

To educate senior executives on the environment, the explanatory meeting on Group policies for the fiscal year, held in March 2008 with Sekisui Chemical Group senior executives from across Japan and around the world in attendance, featured a lecture on environmental management by Takejiro Sueyoshi, special advisor to the United Nations Environment Programme Finance Initiative (UNEP FI).

Sekisui Nature Study Course Verified

Since fiscal 1997, we have been running Sekisui Nature Study Course for environmental awareness and training sessions with the aim of fostering leaders for nature conservation activities in their local communities. 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 2007, four training sessions were held, a total of 50 employees attended the sessions, for a cumulative total of 573 employees trained since the program began.

Environmental Consideration in Product Development and Business Activities

Contribute to the environment by adopting green measures throughout their entire lifecycle

Our Views on Environmental Consideration for Products

Aiming to reduce environmental loads throughout the entire product Lifecycle

In addition to working to reduce all environmental loads of its business activities, we believe that the products we deliver to the public should make their own contributions to global environmental conservation.

So, we work to create products that thoroughly contribute to the reduction of environmental impact by enhancing recyclability, resource-saving and energy-saving features throughout the total product lifecycle, ranging from development, procurement, manufacturing, sales/distribution and use, to ultimate disposal.

System for Environmental Consideration in Products (Three Greening Steps)

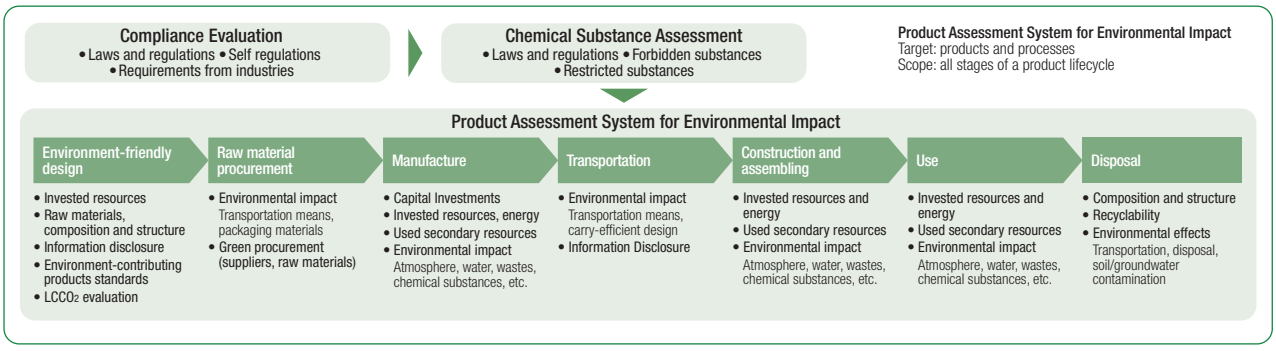
Taking the environment into consideration through the Three Greening Steps of development, procurement, and manufacturing

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 Assessment for Environmental Impact, Green Procurement, and Prior Assessment of Capital Expenditure at each stage.

By periodically revising these systems and improving our approach, we will continue to thoroughly apply our environmental efforts for all of the products marketed by Sekisui Chemical Group.

Greening Development (Product Assessment System for Environmental Impact)

The Product Assessment System for Environmental Impact is designed to assess the environmental impact of all products and their manufacturing processes at all stages of a product lifecycle, from development to disposal. Based on the results of this assessment, our goal is to develop products with reduced environmental impact and/or products that contribute to environmental conservation and improvement. In fiscal 2007, we reviewed matters such as the subjects of compliance evaluation and assessment of chemical substances, in light of developments such as establishment and amendment of relevant laws.



Greening Procurement (Green Procurement System)

The green procurement ratio for fiscal 2007 was 92.7%, which surpassed the target of 90% set for fiscal 2008. For purchases such as office supplies and equipment, we have established and are enforcing separate Green Purchase Guidelines (see page▶81). Also, we have documentation such as forms concerning green procurement available on the Sekisui Chemical website.

http://www.sekisui.co.jp/company/suggestion/index.html

Greening Manufacturing (Prior Assessment of Capital Expenditure System)

We, Sekisui Chemical Group are implementing Prior Assessment of Capital Expenditures to assess planned and drafted capital investment proposals from an environmental perspective. Through the implementation of this system, we are pursuing manufacturing processes with low environmental loads.

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 the pursuit of product safety, occupational safety and health, and reduction of environmental impact through proper management of chemical substances. Accordingly, we are implementing endeavors such as the Product Assessment System for Environmental Impact and the Green Procurement System 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 the list of chemical substances that are candidates for control or regulation of their use.

Development

Product Assessment System for Environmental Impact
- Check on prohibited substances
- Check on substances prescribed by law

Formulation and operation of the Chemicals Management Regulations

Procurement

Green Procurement System
- Evaluation sheet for procured products

Production

Prior Assessment System of Capital Expenditure
- Check on safety and environment
- Check on energy

Implementation of various restoration activities

Formulation and operation of the Chemicals Management Regulations

Transportation

Information disclosure
- Issuing of yellow cards
- Legal description

Sales/Use

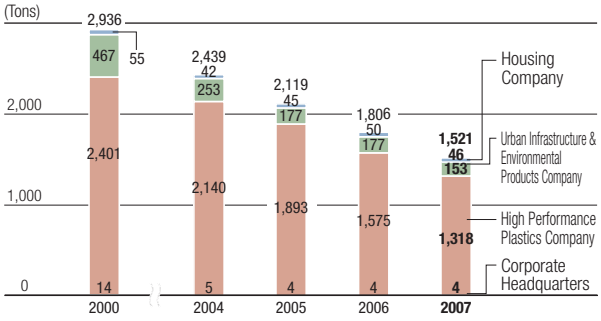
Information disclosure
- Issuing of MSDS

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

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, and we are working to meet this target.

As a result, as of fiscal 2007 we achieved a 48% reduction compared to fiscal 2000.

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

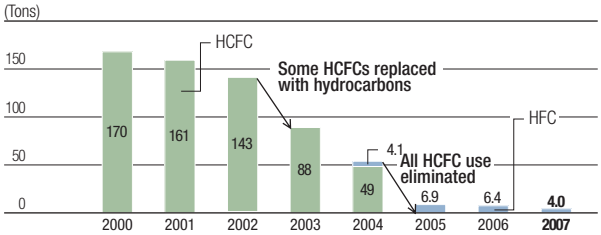


Total Abolition of Fluorocarbons Use

By the end of fiscal 2004, we, Sekisui Chemical Group had completed the total elimination of all use of HCFCs, which we had used in the past as foaming agents for foam products and replaced these with hydrocarbons and HFCs.

However, although HFCs we currently use are not designated as greenhouse gases under the Law for the Promotion of Measures against Global Warming, their global warming index is several hundred times that of CO_2, and we will be doing our best to develop alternative technologies and change to alternative substances with the target of total elimination of HFCs.

Changes in use of hydrochlorofluorocarbons (HCFCs and HFCs) Verified



Responding to overseas regulations on chemical substances

In recent years, reform of controls of chemical substances, such as prohibition of certain uses and expansion of regulations on existing substances, is underway, particularly in the EU. In advancing the globalization of our businesses, responding appropriately to such reforms has become a key theme of business management.

The division companies and departments exporting products to the EU are taking the lead in responding to EU regulations such as the RoHS directive and REACH regulations.

In addition, checking of chemical substances included in the raw materials used by Sekisui Chemical Group is being conducted through operation of systems such as the Product Assessment System for Environmental Impact and the Green Procurement System.

Environmental Risk Reduction

We will strive for pollution prevention and risk reduction as well as 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 (see page▶79).

Preventing Water Pollution

Sekisui Chemical's Shiga Minakuchi Plant, which uses the largest volume of water in Sekisui Chemical Group, is implementing integrated wastewater controls in a planned manner to prevent admixture of resins into chemical wastewater and accidents such as outflow of pollutants into general wastewater.

Use and Storage of Machines and Equipment that Contain PCB

Stored transformers and condensers that contain PCBs are managed strictly and thoroughly, through means including locked storage and periodic inspection.

We plan to properly dispose of them as soon as acceptance at treatment facilities is available.

Environmental Incidents and Complaints

Although in fiscal 2007 there were three spillage incidents off site, each of these was only a minor case. Permanent measures to prevent the reoccurrence of such cases have been completed.

We received four complaints in fiscal 2007 regarding the environment. All measures to prevent the reoccurrence of such cases have been completed (see page▶82).

Emergency Response

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

Emergency response and reporting drills Verified

Simulated emergency situation	Drills performed
Leakage and outflow of oils	51
Atmospheric discharge of solvents	3
Fire	54
Earthquake	3
Emergency communication training	7
Comprehensive disaster preparedness drills	2
Responding to water-quality problems	2

Business Site Soil Investigations

In fiscal 2007, we conducted surveys at six business sites and completed four of them (see page▶80). At the Gunma site and Kyushu Sekisui Industry Co., Ltd., no values in excess of standards were found for any of the soil or groundwater items inspected.

In addition, while the lead value detected in the soil at Sekisui Chemical's Amagasaki Plant exceeded standards, no values in excess of standards were found in the plant's groundwater. At Shikoku Sekisui Industry Co., Ltd., the lead value detected in the soil exceeded standards and groundwater standards were exceeded in the results of only one of three (four tests for locations of values in excess of standards) tests.

As countermeasures, since the soil pollution in excess of standard values at the Amagasaki Plant was at a depth no deeper than 50 cm, and the location of the pollution is paved over and as such is not reachable by sprinkler or rain water, we will monitor the groundwater periodically. In addition, Shikoku Sekisui Industry Co., Ltd. will remove the soil including the pollution in excess of standard values and monitor the groundwater periodically.

Assessing costs and benefits of environmental activities for use in promoting efficient environmental management

Sekisui Chemical Group's Environmental Accounting Verified

Under 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 2007, factors such as a decrease in home sales due to amendment of the Building Standards Law led to a decrease in waste-related costs. This and other factors such as a reduction in costs related to the URU rebuilding system led to a decrease in costs from the previous fiscal year. Investments too decreased from the previous fiscal year due to factors such as a slowdown of large-scale environmental investments. Also, while gains on sale of securities increased, real economic results were largely unchanged from the previous year. External economic benefits such as those from solar-power generation systems also remained largely unchanged from performance in the previous year.

Table 1 Environmental Conservation Costs (group)

(Unit: million yen)

Items		FY2005		FY2006		FY2007	
Category	Description of main activities	Costs	Investments	Costs	Investments	Costs	Investments
1) Costs within business areas	Prevention of air, water and noise pollution, etc.	1,872	375	1,687	691	1,646	458
	Countermeasures against global warming (energy-saving), etc.	160	218	174	258	165	448
	Waste reduction, recycling, disposal, etc.	5,211	186	5,053	257	4,657	64
2) Upstream/downstream costs	Cost increases due to switching to packaging/packing methods involving reduced environmental impact, greener purchasing, etc.	600	124	493	8	344	18
3) Administrative costs	Environmental education, EMS maintenance, running costs for green action organization, information disclosure	2,933	20	2,665	88	2,527	9
4) Research & Development costs	Research & Development on environmental conservation	1,347	82	1,644	48	1,655	39
5) Social activities costs	Social contributions, etc.	108	0	99	0	57	0
6) Environmental damage costs	Nature restoration, etc.	10	0	10	0	25	0
Total		12,241	1,005	11,826	1,350	11,075	1,037

Table 2 Environmental Conservation Benefits (group)

Environmental conservation benefits										Environmental performance criteria: per unit of output; Total				Self evaluation
Description of effects		Item		Unit	FY2005	FY2006	FY2007	Effects (2007-2005)	Reference pages	Item	Unit	FY2006	FY2007	
Effects within business areas	Effects on invested resources	Amount of energy usage*1	(1)Electricity	TJ	4,165	3,927	3,854	−73	77	(1)Energy usage per unit of output (electricity + fuel)*1	GJ/tons	1.85	1.84	○
			(2)Fuel	TJ	2,693	2,826	2,874	49	77					
	Effects on environmental impact and wastes	(3)CO_2 emissions*2		1,000 tons	313.5	308.7	301.3	−7.4	21	—	—	—	—	◎
		(4)Volume of environmental pollutants discharged*3		tons	810.8	629.4	591.3	−38.1	79	—	—	—	—	◎
		(5)Wastes generated*4		1,000 tons	47.6	46.2	42.1	−4.1	23	(2)Waste generated per unit of output	kg/tons	43.4	40.5	○
		(6)Outsourced disposal*5		1,000 tons	0.42	0.29	0.18	−0.11	78	(3)Outsourced disposal per unit of output	kg/tons	0.27	0.17	◎
Upstream/ downstream effects	Effects due to products/services	CO_2 reduction by photovoltaic generation, etc. (cumulative)		1,000 tons	96	112	126	14	12	—	—	—	—	◎
Other benefits on environmental conservation	Others*3	ISO14001 Certification	New acquisitions	sites	3	4	4	—	—	Number of business sites acquiring ISO14001 Certification*7	Total number of business sites	75	79	○
			Renewals	sites	18	13	13	—	—					
		Number of business sites achieving zero emission*8		sites	5	0	1	—	78	Number of business sites achieving zero emission*8	Total number of business sites	119	120	—

*1 Conversion into thermal units uses the coefficient published by the Ministry of Economy, Trade and Industry. *2 Emissions at the time of manufacturing and conversion to CO_2 amounts use the coefficient published by the Japanese Ministry of the Environment (calculated based on the coefficient for 2000). *3 Applicable to Class I Designated Chemical Substances specified by PRTR Law.
*4 Amount discharged + Amount disposed of at price + Amount incinerated within own premises. *5 Simple incineration + Landfill. *6 Includes facilities not subject to environmental accounting, such as overseas facilities.
*7 Number of business sites reviewed for factors such as consolidation and return of certifications for home sales companies. *8 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		FY2005	FY2006	FY2007	Remarks
Revenue	(1)Profit on sales of valuable resources	223	282	386	Profit on sales of valuable resources from promotion of waste segregation and recycling
Cost-saving	(2)Savings from simplified packaging	14	9	17	
	(3)Cost-saving through energy-saving activities	319	275	302	
	(4)Cost-saving through waste reduction activities, etc.	841	881	785	Including resource-saving activities
Sub-total (actual effects)		1,397	1,447	1,489	
(5)Contribution to environmental conservation activities*9		5,977	6,179	6,175	Contribution of environmental conservation activities to added value at business sites*10
(6)External Economic Effect		6,840	8,050	8,105	Monetary conversion of impact from photovoltaic systems and non-excavating pipe rehabilitation method
Sub-total (estimated effects)		12,817	14,229	14,280	
Total		14,214	15,676	15,768	

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

Midterm Environmental Plan: Environmental Top Runner Plan Part 1

CO_2 emissions target for fiscal 2008 revised upward to a decrease of 10%; efforts to accelerate with setting of aggressive targets

In fiscal 2007, the second year of the Midterm Environmental Plan out of the following 30 action items, six items exceeded targets, 13 items almost achieved targets, and 11 items did not achieve targets. Through continued activities such as energy saving and waste reduction, in the future we will work to increase the speed of enhancing environmental management through means such as expanding efforts at offices as well as aiming to achieve midterm targets through efforts including loss reduction by Manufacturing Development Innovation

Projects				Group Targets for Fiscal 2008
Improvement of environmental efficiency (Environmental Management Indicator [Sekisui Eco Value Index])				1.5 times (compared to fiscal 2004)
Environmental contribution by products and business operation(s)	Increase selling of environment-contributing products			Increase of percentage of consolidated net sales: 25 % or more
Thoroughness of environmental friendliness of business operations	Promotion of environment-friendly production and construction	Preventing global warming and energy saving	Reduction in emissions of greenhouse gases	CO_2 emissions: Reduction of 10% (compared to fiscal 1990) (Upward revision from the initial target of 8%)
			Energy saving	Unit energy consumption: Reduction of 3% (compared to fiscal 2004)
		Recycling of resources	Reduction of waste generation at production sites	Reduction of 25% (compared to fiscal 2004) Reduction of 50% (compared to fiscal 1998)
			Maintaining and further promoting zero emissions standards	Achievement of zero emissions at 8 overseas production sites (Europe, US) Promotion of zero emissions at domestic production sites and five new production sites
			Reduction of waste materials from new construction	Sekisui Heim: 45% reduction (compared to fiscal 2000) Two-U Home: 62% reduction (compared to fiscal 2000)
			Recycling of waste materials produced during dismantlement and extension/renovation of houses	Increase of recycling rate of waste materials from house dismantlement: 100% (Zero emissions)
			Reduction of costs derived from waste materials (Promotion of activities in all MFCA business sites)	Loss reduction: 5 billion yen (Accumulated amount from fiscal 2006 to 2008)
		Reduction in emissions of chemical substances	Reduction in VOC emissions Legal and voluntary controlled substances)	40% reduction (compared to fiscal 2000)
		Efficient water use	Reduction of water intake	5% reduction (compared to fiscal 2004)
	Green Procurement	Improvement and promotion of green procurement		Green-procurement rate: 90%
	Green Distribution	Reduction of CO_2 emissions in distribution of products		Unit energy consumption: Reduction of 2% (compared to fiscal 2006)
	Promotion of environment-friendly office and business operations	Promotion of activities to reduce creation of waste materials		Headquarters buildings and laboratories: Maintains zero emissions target
		Promotion of energy saving initiatives (Headquarters, laboratories, branches and sales companies)		Headquarters buildings and laboratories: Power consumption; Reduction of 3% (compared to fiscal 2004)
		Reduction of office paper use		Headquarters buildings: Reduction of 10% (compared to fiscal 2004)
		Field survey and target setting for all offices		fiscal 2006: Grasping of actual situations in all offices and setting target for fiscal 2008
		Using environment-friendly company cars		Rate of introduction of cars achieving baseline of green taxation plan of fiscal 2005: 60% or more
Cultivation of eco-friendly corporate culture	Promotion and thoroughness of environmental management	Promotion of EMS in supply chains, offices, and overseas business sites	Procurement	Acquisition of MS external certification (ISO14001, Eco Action 21) by all house material suppliers supplying materials of 1 million yen or more per month
			Office	Acquisition of environmental data in all offices and house exhibition
			Overseas production	Promotion of acquisition of certification of ISO14001 in six business sites in Europe and US
			Domestic production / construction	Promotion of acquisition of certification of ISO14001 in eight new production sites and 10 construction companies
		Promotion of environmental risk management	Risk management of waste disposal	Compilation and management of database of subcontractors according to environmental information collection system
			Management of chemical substance contamination in soil	Completion of investigation of 10 business sites
		Improvement of education and development	Improvement of employee education for each classification	Introduction and operation of overall company education system (e-learning, etc.) Rate of participation in education programs by all employees and board members in Japan: 100%
			Developing leaders for nature protection activities	Meeting of Sekisui Nature Study Course In 10 business sites or more (fiscal 2006 - 2008) Cultivation of leaders: 200 leaders or more (Accumulated number of leaders 600 or more)
	Promotion of social activities	Communication with external organizations	Publishing site reports	Publication of site reports at production site, laboratories, and housing sales companies which acquired certification of ISO 14001 (as of 2007)
			Communication with local communities to improve environment	Continuous communication at 10 domestic production sites
		Activities to improve environment	Support of nature conservation activities by NGOs	Support of nature conservation activities by NGOs : Conducted by over 5 organizations per year
			Nature conservation activities in collaboration with local communities	Implemented at over 35 sites (fiscal 2006-2008)

(see page▶24). At the same time, in the area of CO_2 emissions, in which we already have achieved results surpassing our target, we have moved our target of a 10% reduction compared to fiscal 1990 levels ahead from fiscal 2010 to fiscal 2008.

"Evaluation" column Explanatory note

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

	Targets for Fiscal 2007	Results for Fiscal 2007 Verified	Evaluation	Page
	1.7 times (compared to fiscal 2004)	1.76 times (compared to fiscal 2004)	◎	18
	Percentage of consolidated net sales: 20% or more	Percentage of consolidated net sales: 15.3%	×	19
	CO_2 emissions: Reduction of 8.5% (compared to fiscal 1990)	CO_2 emissions: Reduction of 9.1% (compared to fiscal 1990)	◎	21
	Unit energy consumption: Reduction of 3% (compared to fiscal 2004)	Unit energy consumption: +/- 0% (compared to fiscal 2004)	×	77
	Reduction of 17% (compared to fiscal 2004) Reduction of 45% (compared to fiscal 1998)	Reduction of 13% (compared to fiscal 2004) (Corresponds to a decrease of 42% from fiscal 1998)	×	23
	Activities at each business site	Newly achieved at one site in Japan	○	24
	Sekisui Heim: 38% reduction (compared to fiscal 2000) Two-U Home: 55% reduction (compared to fiscal 2000)	Sekisui Heim: 17% reduction (compared to fiscal 2000) Two-U Home: 41% reduction (compared to fiscal 2000)	×	78
	Achievement of zero emissions for demolition debris at model locations (of three housing sales companies)	Zero emissions studied at model sites Rate of recycling of certain building materials: 99.7%	×	78
	Loss reduction: 3.5 billion yen	Loss reduction: 5.6 billion yen (Cumulative total through April 2006 to December 2007)	◎	—
	50% reduction (compared to fiscal 2000)	48% reduction (compared to fiscal 2000)	○	28
	Maintenance of 5% reduction (compared to fiscal 2004)	14% reduction (compared to fiscal 2004)	◎	24
	Green-procurement rate: maintenance of over 90%	Green-procurement rate: 92.7%	○	27
	Notification to the government, reporting company improvement plan formulation	Completed submittal of notifications, reports, and improvement plans to the government Unit energy consumption: 0.8% decrease (compared to fiscal 2006)	○	22
	Headquarters buildings and laboratories: Maintenance of zero emissions and grasping of data for the continuation of activities aimed at improving all offices	Headquarters buildings and laboratories: Maintenance of zero emissions and continuation of improvement activities	○	78
	Headquarters buildings and laboratories: Power consumption; Reduction of 1% (compared to fiscal 2004)	Headquarters buildings and laboratories: Power consumption increased by 5% (compared to fiscal 2004)	×	81
	Headquarters buildings: Reduction of 7% (compared to fiscal 2004)	Headquarters buildings: Reduction of 16%	◎	—
	Assessing of data for all offices	Rate of grasping data at offices: 55%	×	—
	Introduction rate: over 53%	Introduction rate: 63%	◎	77
	EMS external certification acquisition rate for target transaction partners: over 80%	EMS external certification acquisition rate for target transaction partners: 64% (In addition, 28% of partners have developed their own EMS systems)	×	25
	Environment data collection using the environmental information system	Environment data collection begun using the environmental information system	○	—
	Acquisition activities at target production sites	Activities underway at each site	○	—
	Acquisition by 4 business sites	Certification acquired by four business sites (Mie Plant of Sekisui Techno Molding Co., Ltd. and Chiba, Hyogo, and Izumo Plants of Sekisui Seikei, Ltd.)	○	80
	Subcontractors list	List prepared using environmental information system	○	—
	Survey of 5 business sites	Six sites surveyed; survey completed at four sites	○	29,80
	Education enrollment rate for all domestic employees and officers: 100%	Full-fledged adoption of e-learning, with 52% of employees taking part in the first course Environmental seminars held for executives and core management	×	26
	Start of Sekisui Nature Study Course at 3 business sites	Started at 3 business sites Cultivation of leaders: 162 leaders (Accumulated amount from fiscal 2006 to 2007), Accumulated number of leaders: 573	○	26
	Publication of site reports at 39 production sites and laboratories which acquired certification of ISO 14001. Publication of site reports at housing sales companies.	Site reports published at 33 production sites and laboratories that had acquired ISO 14001 certification Site reports not published at housing sales companies	×	—
	Implemented at over 30 sites	Implemented at one site	×	66
	Support of NGO nature conservation projects via nature conservation funds	Support provided for five projects by five NGOs	○	69
	Implemented at over 30 sites	Implemented at 35 sites (fiscal 2006 and 2007)	○	68

Continuing to improve Customer Satisfaction (CS) to create the quality that will delight customers

Sekisui Chemical Group has been promoting its original CS & Quality Management, developing CS Management that prioritizes Customer Satisfaction (CS), since fiscal 2004.

We believe that the core value that manufacturers should provide is “Products = Quality of Products,” and we consider satisfying customers who purchased these products as our central concept of management — this is the CS & Quality Management of our Sekisui Chemical Group.

In recent years, together with social trends such as increased interest in product safety, customers' levels of awareness and needs have been rising by the minute. We believe that reforming the Quality of Systems, such as information systems and business processes for identifying such changes in advance and reflecting them in our products, and the Quality of People, expressed in the actions of our employees, will improve the Quality of Products and make it possible not just to satisfy but also to delight our customers.

With this awareness in mind, we are promoting activities in accordance with the Midterm CS & Quality Management Plan (fiscal 2004 - 2008).

Sekisui Chemical Group “CS & Quality Management Policy”

Mission

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

Basic policy

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

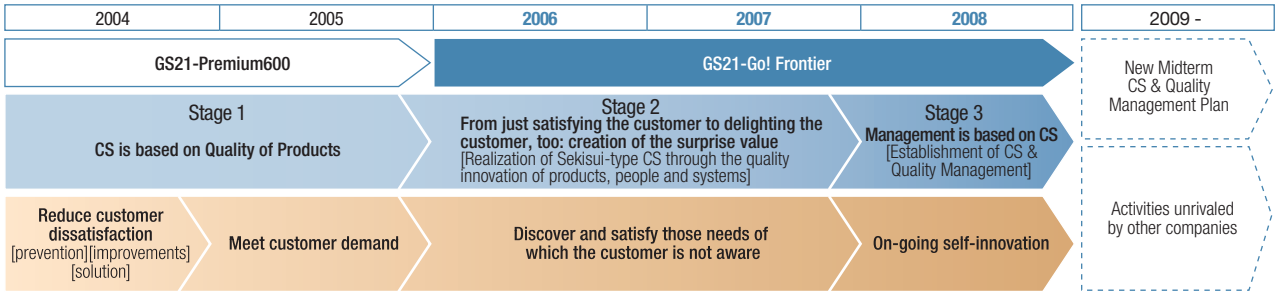
1. **Ensuring Basic Qualities**
   To ensure the reliability and safety of our manufactured products, which form the basis of “Product Quality,” we effectively leverage customer’s feedback and dedicate ourselves with a strong belief in forestalling any potential trouble and preventing any future recurrence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

Established April 2008

Progress of Midterm CS & Quality Management Plan and Future Policy

Advancing innovation in manufacturing development and corporate culture through the use of customer's feedback

Midterm CS & Quality Management Plan (fiscal 2004 – 2008) Road Map



Facilitating the best product quality through 3 stages

Our Midterm CS & Quality Management Plan is a three-stage strategy for improving Quality of Products. We can achieve superb Quality of Products and aim at giving customers delight by having all management teams and employees constantly think, understand and take action based on the value we are providing to customers through our products and services, customers' evaluation of that value, and any changes in market and societal trends or in customer awareness.

Activity Progress for Fiscal 2007

In addition to addressing the innovation in both manufacturing development and corporate culture, we strive to use customer's feedback that is a starting point of our activities.

Important Theme 1 Manufacturing Development Innovation

Seeking to achieve manufacturing that respects customers, employees, and the environment, we, Sekisui Chemical Group have carried out efforts to reduce loss cost in five areas, resulting in a decrease of approximately 4 billion yen compared to fiscal 2006. In addition, in light of society's increased interest in product safety, each division company has focused on a wide range of activities (see pages▶35 - 36).

In addition to these efforts, to respond to the start of baby-boomer employees reaching mandatory retirement age in fiscal 2007, the Group has promoted groupwide efforts to transfer technologies and skills to the next generation (see page▶38).

Important Theme 2 Cultural Innovation

The CS penetration program called STAR 55 (see pages ▶39 - 40), which this year marked the sixth year since its activities began in 2002, has been reorganized into a new program structure based on its achievements thus far. The program has been advanced through efforts including a CS leader program, a service process program, and a CS communication program, adjusting its goals and subjects.

Important Theme 3 Thorough Use of Customer's Feedback

In addition to continued customer satisfaction level surveys conducted at each division company, our Housing Company expanded the scope of the CAT (Customer and Top) Meetings (see page▶41) that enable management to listen to customer's feedback firsthand. Together with these efforts, each division company has introduced new products that can meet customers' expectations.

Fiscal 2008 Policy

Enhancing Basic Qualities and advancing creation of Attractive Qualities

In fiscal 2008, we identify the level of quality that resolves customer dissatisfaction and achieves customer satisfaction as "Basic Qualities" and continue our efforts to achieve that level of quality. At the same time, we will identify the level of quality at which customers choose Sekisui Chemical Group by name instead of simply through comparison with other organizations' products as "Attractive Quality" and we will seek to create this type of quality. Based on these policies, we plan to advance human-resources development and develop related

Important Theme (1) — Manufacturing Development Innovation

Enhancing activities toward product safety and manufacturing development innovation, to enhance basic qualities

Product-safety Activity Guidelines and Workflows for Responding to Accidents

In addition to formulating our Guidelines for Independent Action on Product Safety, establishing workflows in response to amendments to laws

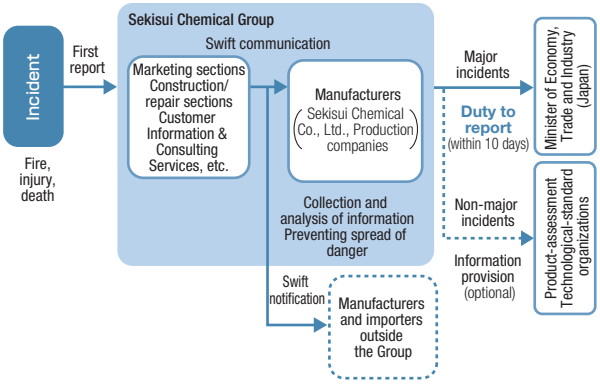
In May 2007 a revised Consumer Products Safety Law took effect, calling for manufacturers and other sellers of products to report serious product-related incidents to the government within 10 days, and for the government to disclose related information swiftly.

In response to this legal amendment, in August 2007, we, Sekisui Chemical Group, established its Guidelines for Independent Action on Product Safety and posted these to its website. Based on information such as customer's feedback and data on various incidents, these activity guidelines make clear the group's approach in areas such as intrinsically safe design for products, preventing misuse, and responding swiftly and preventing the spread of danger in the event of an incident. In addition, the workflow for responding to a product-related incident has been restructured as in-house rules.

In accordance with these activity guidelines, all sections, including development, manufacturing, marketing, and maintenance, make repeated efforts to improve the Quality of Products and the Quality of Systems.

Overview of the Guidelines for Independent Action on Product Safety

Overview of the workflow for responding to serious incidents



Product-safety Efforts

Enhancing activities to promote awareness in product development

Product-safety Seminars

In light of the large number of incidents occurring in society today, Sekisui Chemical has held two product-safety seminars, one for all directors and the other for personnel working in product development, quality, and safety. Attorneys handling large numbers of consumer-related issues such as those concerning protection of personal information and with deep knowledge of the Consumer Products Safety Law were invited to serve as lecturers.

These seminars provided overviews of the Consumer Products Safety Law as well as detailed explanation of matters such as specific case studies on responses that should be taken in the event of a product-safety incident. They also featured explanations of connection with the Product Liability Law and deterioration of products with age.

The question-and-answer sessions following the lectures featured a succession of specific questions and answers from participants concerning their own duties. These seminars have served as excellent opportunities for deepening understanding and recognition of product safety.


An attorney provides an explanation


Product-safety seminar

Utilizing Product-safety Information

To implement product safety on a continuous basis, in August 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.

Working to ensure product safety in each stage of development, design, and use

Promoting Safety Reviews

Thinking first of the safety of the customers who use our products and the people who work in our product-related construction, all sections in Sekisui Chemical Group conduct safety reviews in the product development and design stages.

Case study: Housing Company

Safety review for new home products

Due to the nature of homes as products, they consist of a diverse range of parts and materials and are used by a wide range of people from young children to senior citizens. To ensure the safety of such products, our Housing Company has established a structure for inspection and verification of new products, centered on product-safety subcommittee.

In addition, specifications are determined through actual use and assessment of parts and materials in model houses.

Home safety review

New product development flow for ensuring product safety

(1) Deliberating on and judging in product-safety subcommittees whether products involve any hazards to customers in elements such as the structures of stairs, shutters, and other components in the product planning and design stages

↓

(2) Hazard identification by designers, using checklists

↓

(3) Product-safety subcommittees examine designs while checking checklists and conduct detailed safety reviews for areas determined to need them.

Providing Information on Product Safety to Customers

We work to provide easy-to-understand explanations so that customers who use our products or carry out construction using them can handle the products correctly.

For example, once each month the Fukuoka branch of Sekisui Heim Kyushu Co., Ltd. holds a seminar on ways of living in a home for customers planning to move into their homes in the near future. These seminars explain cautions for living safely and comfortably in their homes for long periods of time, through information such as explanations of periodic inspection and methods of responding to plumbing problems, while giving demonstrations.

Seminar on ways of living in a home

At the same time, Sekisui Chemical's Water Supply & Drainage Systems Division has prepared and distributes to contractors question-and-answer pamphlets covering cautions and common questions on installation of piping, to ensure safe installation of our products, Eslon Pipe. Beginning in March 2007, these pamphlets feature QR codes that can be read by mobile phones. By making it possible to check installation videos on the website from the screens of mobile phones, this system eliminates the complication of reading text while working on the job site and makes it possible to provide easy-to-understand explanations using video. Contractors have welcomed this system, saying that it makes it easier to understand installation steps.

In addition, in fiscal 2007 Sekisui Chemical's Tokyo Plant held nine explanatory meetings for contractors on “types of plumbing that should not be used,” to eliminate mistaken installation of joints, which can damage products.

Explanatory meeting on types of plumbing that should not be used

Question-and-answer pamphlet

QR codes added to pages of question-and-answer pamphlets

Approaches by Manufacturing Development Innovation Center of Corporate Headquarters

Promoting Manufacturing Development Innovation through establishing important implementation items, and steadily reducing loss cost, an indicator used in assessment of activities

Sekisui Chemical Group established the Manufacturing Development Innovation Center in April 2006. It is charged with promoting Manufacturing Development Innovation with the goal of creating outstanding businesses by realizing ultimate cost efficiency and superior quality.

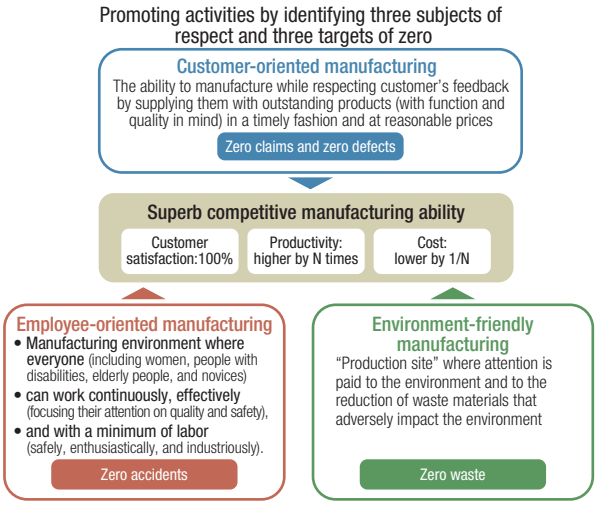
The Center promotes its efforts by identifying important implementation items for each fiscal year. It works to reduce loss costs, establishing five assessment indicators such as production cost and environmental cost.

In fiscal 2007, it steadily advanced efforts such as training on manufacturing development and firmly established innovation activities as daily activities of each business facility in the Group. As a result, it was able to reduce loss cost by approximately 4 billion yen from the previous fiscal year, centered on efforts such as productivity improvements. In fiscal 2008, it aims to achieve a cumulative reduction of 15 billion yen from fiscal 2005.

Fiscal 2007 Important Implementation Items and Activity Descriptions

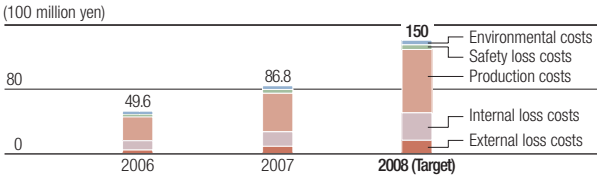
Important Implementation Items	Fiscal 2007 Activity Descriptions
Groupwide Manufacturing Development Innovation Activities	• Promoting innovation activities • Monitoring Manufacturing Development Innovation Indicators*
Construction innovation activities	• Construction productivity improvements and waste reduction
Enhancing core capacities and human-resources development	• Quality engineering and TPM activities • Deploying manufacturing development training • Promoting group improvement activities

Manufacturing Development Innovation Center's Targets



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

Verified



* **Manufacturing Development Innovation Indicators:**
External loss cost: Costs of responding to product-related complaints and claims
Internal loss cost: Costs associated with disposal of defective products generated during manufacturing process
Production cost: Costs necessary for manufacturing, such as raw materials, energy and labor costs
Safety loss cost: Costs arising from equipment-related or labor accidents etc.
Environmental cost: Costs for disposal of wastes generated at business sites

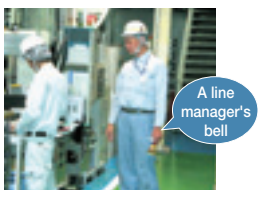
Manufacturing Development Training Program

Starting training programs for individual positions, to enhance awareness in the workplace

In fiscal 2007, Sekisui Chemical Group began the Manufacturing Development Training Program for new line managers, with the goal of increasing awareness of safety and quality, which are the fundamentals of manufacturing.

Thirty-four persons took part in this training, both learning about preparedness for safety and quality as managers and thinking about and discussing how they should act in their own workplaces. As a result, 10 Principles of Patrol Activities were established, based on the shared recognition that first achieving a safe environment is vital to quality assurance.

Participants in this training program are conducting "bell patrols," in which they ring bells while making the rounds of individual workplaces.



A bell patrol

Voice

Awareness of safety and quality is increasing steadily

Right after completing the training program, I started conducting bell patrols everyday in the workplace. Although workers seemed puzzled by the patrol at first, soon the atmosphere in the workplace changed to one in which we could share our awareness of safety and quality. Since we started these bell patrols, the number of complaints, which we use as an indicator for assessment, decreased.

Film Manufacturing Division
Nagoya Plant
Sekisui Film Co., Ltd.
Yasuhiro Inagaki

Transfer of Technologies and Handing Down of Skills

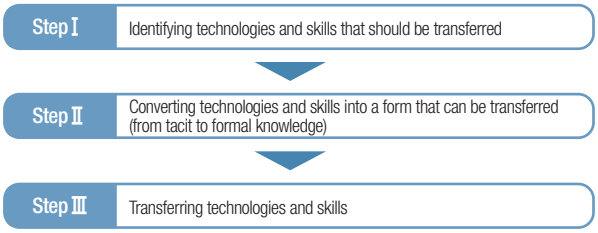
Constructing a mechanism of the transfer of certain technologies and skills for manufacturing to successive generations

The foundation of product quality consists of solid knowledge and technology as well as the skills of employees who use and strengthen that knowledge and technology. At Sekisui Chemical Group, we focus on the cultivation of employees possessing excellent knowledge, technology and skills, and the transfer of technology and skills to successive generations. To this end, we are advancing efforts to make clear the skills individuals possess and to transfer these (through manuals).

In fiscal 2007 we prepared basic operation manuals, focusing on the most important skills such as painting and mold preparation. In addition, we held a new training program for skills-transfer instructors, with the goal of cultivating human resources capable of transferring skills. Thirty-six persons took part in this program, learning things like how to interview skilled personnel by identifying which technologies and skills should be transferred and how to prepare manuals and conduct skill drills.

In the future, we will both implement practical efforts such as skill drills and expand the range of subject skills.

Skills-transfer steps



Case study: Kanto Sekisui Industry Co., Ltd.

Transfer of home exterior-wall painting technologies and skills

Even among the jobs at a production company in the Housing Company that require high skill levels, the painting-finishing process is a particularly demanding job that requires a natural feel that cannot be reproduced by machines. In particular, Kanto Sekisui Industry recognized the process of painting with perfectly horizontal brushstrokes was a key point of house-painting skills, because it is difficult to move one's feet lengthwise while keeping one's wrist in a straight position along the wall. As a means of learning this technique, Kanto Sekisui Industry used a whiteboard as a virtual wall, painting horizontally using a brush with water-based markers attached to it.


Drilling using a virtual wall

Case study: Tokyo Plant, Sekisui Chemical

Transferring technologies and skills for preparing extrusion molds

At the Tokyo Plant of Sekisui Chemical, which manufactures joints and rain-gutter parts, the molds used in extrusion molding are maintained in-house. Traditionally it has been taught through long-term on-the-job training, on a person-to-person basis.

In fiscal 2007, the plant prepared video manuals showing experienced personnel maintaining the molds and including work-related intuition and hints so that many successors can efficiently acquire skills. Utilizing these videos provides another way of learning these skills, in addition to direct instruction.


Videotaping the work of experienced personnel

Group Improvement Activities Expanding Overseas

Pursuing high-quality manufacturing

A small group activity that began as a QC (Quality Control) group in 1966 continues today at Sekisui Chemical Group as an activity to facilitate high-quality manufacturing. These efforts are underway at 80 business facilities 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 for the entire Sekisui Chemical Group, in which facilities announce exceptional results to each other. The 42nd report assembly (held in January 2008) adopted for the first time a system of selecting presenters from regional blocs, with 22 teams (19 from Japan and three from overseas) announcing the results of their activities. In the preliminary round for the North American bloc, eight teams consisting of 33 members in total, from seven business facilities at five companies, presented. Sekisui S-Lec Mexico S.A. de C.V. was chosen as the winner of the special Ecology Grand Prize at this year's meeting.


The presentation by Sekisui S-Lec Mexico S.A. de C.V. (in the preliminary round for the North American bloc)

Important Theme (2) —Cultural Innovation

Carrying out awareness and activity reforms while promoting the STAR 55 CS awareness penetration program

Developing STAR 55 as a New Program

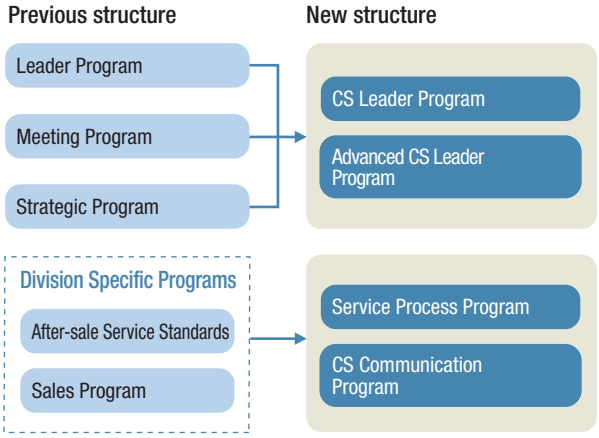
Establishing a new program structure in preparation for further growth in efforts

Sekisui Chemical Group has been rolling out a CS awareness penetration program called STAR 55 since fiscal 2002. STAR 55 is the collective name for a number of programs designed to develop a customer-oriented culture — what we call a CS culture.

STAR 55 started with the Leader Program, which promotes awareness reform among all departmental leaders and was completed in fiscal 2004. As the next step, since fiscal 2005 we promoted Division Specific Programs at each division company, in pursuit of the ideal form of CS for each business. This program is growing into the After-sale Service Standards, comprising ideal activity standards for after-service at housing sales companies and other facilities.

As part of these efforts, in fiscal 2007, which marked the sixth year since the efforts began, we reorganized the program in preparation for future growth in these activities and acted in accordance with a new structure.

STAR 55 program structure



The CS Leader Program Verified

This program teaches leaders in each workplace the awareness and actions demanded of them to achieve infiltration of and firmly establish a CS culture.

In fiscal 2007, the program was held four times for new Sekisui Chemical key staff (managers), with a total of 121 persons participating. The program involved learning about the concept of CS quality and what kinds of actions participant should take in the future as leaders in nurturing a CS culture as a group training program, with each participant formulating his or her own action plan.

In addition, beginning in fiscal 2007 a new structure was adopted that uses IT to manage progress on business plans, to enhance the post-training follow-up structure. By utilizing this structure participants review and confirm their own action plans each week over the half-year following their training and brush up on what they learned, it improves the effectiveness of the training.

At the same time, overseas the CS Leader Program was conducted for the first time in the United States in August 2007, following its implementation in Europe in the previous fiscal year. Thirty-four persons from three companies under the management of High Performance Plastics Company — the host Sekisui Voltec, LLC as well as Sekisui S-Lec America, LLC and Sekisui TA Industries, LLC — took part in this program, which featured lively discussions on improving CS.


A study sessions for newly appointed key staff


The CS Leader Program in the U.S.

Service Process Program

This is a program that constructs business processes that can meet customer expectations. Its goals are to standardize and achieve continuous improvements in ways of thinking in service-business and in individual processes.

This program covers all sections that provide continuous services to customers. Although the content of traditional After-sale Service Standards and similar programs concerned only certain sections, progress has been made by recombining these into a program that can be applied generally.

Activities of After-sale Service Standards conducted by housing sales companies continued in fiscal 2007 as well. These activities were firmly implemented at Sekisui Heim Tohoku Co., Ltd., Sekisui Heim Chugoku Co., Ltd., and Sekisui Heim Kyushu Co., Ltd. As a result, customer evaluations as shown in surveys of residents improved, and the number of complaints decreased. Business efficiency also improved.

Case study: Sekisui Hometechno Co., Ltd.

Adopting After-sale Service Standards jointly with contractors

After-sales maintenance (AM) for modular bath units responds to a wide range of needs, such as bathtub replacement and drain repairs. At the AM Center, which serves as the liaison for such services, each individual employee is in charge of a wide range of operations, from answering the phone to providing estimates and requesting contractors to make repairs. Its personnel had different levels of service quality and repair capabilities.

In order to achieve uniform high levels in these areas, activities of After-sale Service Standards began in fiscal 2006. In addition to standardizing each process in AM Center operations, new surveys were adopted in cooperation with contractors. Results included raising awareness of CS at construction sites and standardizing operation processes.

Results achieved in 2007 include making it possible to resolve issues smoothly by increasing the efficiency of operational processes as well as increasing the number of problems solved per month and shortening the number of days required for solutions. In addition, the quality of repairs was improved as well, leading to considerable progress in CS improvements.

An award is presented based on evaluations in customer surveys

CS Communication Program

This program is intended to improve communication skills for interacting with customers. It teaches an understanding of personal-communication concepts and techniques suited to customer consultants as well as methods of continually improving communication skills.

While traditional sales programs were targeted at new-home sales personnel, this program has been adjusted for a broader range of trainees, covering all personnel who interact with customers directly.

In fiscal 2007, Sekisui Heim Tokyo Co., Ltd. adopted this program for its younger sales personnel. In addition, Sekisui Fami S Tokyo Co., Ltd., which provides remodeling services, has adopted a counseling communication activities program developed by customizing this program in light of the nature of its own business. This program teaches methods of responding from the heart that satisfy customers and methods of holding effective meetings, among other subjects. Also, this company is devising and implementing improved structures and policies for communication that will help build long-term relations of trust with customers, through continued dialog in the workplace.

Case study: Sekisui Heim Tokyo Co., Ltd.

Adopting a program for younger sales personnel

Beginning in November 2007, Sekisui Heim Tokyo has adopted a CS Communication Program targeted at younger sales personnel in their first and second years of sales. Following systematic group training on the role of sales and on personal communication, assistant trainers (known as "supporters") who have been in each workplace for three to five years and chief trainers (sales facility managers) provide guidance to the younger trainees. To ensure that this training has more than just passing effects, it involves continuous goal setting and review.

Training for younger sales personnel

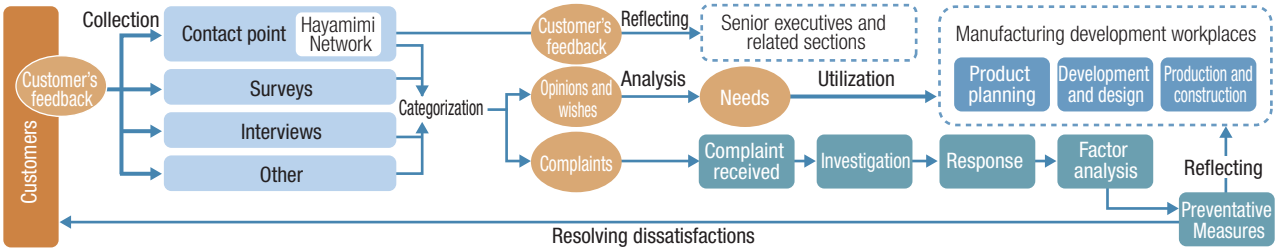
This program has led to improvements in the skills and performance of the mid-level sales personnel who serve as supporters and in the CS culture of the entire organization.

Important Theme (3) —Thorough Use of Customer's Feedback

Gathering customer opinions, wishes, and other feedback using a variety of methods, and utilizing this information to improve products and services

System for Collecting and Utilizing Customer's Feedback

The starting point of manufacturing development is customer's feedback



Employing a system for responding to and utilizing customer's feedback

Customer Information & Consulting Services and Hayamimi Network

In addition to the Customer Information & Consulting Services in the CSR Department, Sekisui Chemical Group has established contact points for inquiries in each division company's business facilities and in each section of sales companies. In this way, we are working to respond swiftly to inquiries, guidance, and wishes from customers. At the same time, we are gathering, analyzing, and utilizing feedback from a wide range of customers, to improve our products and services.

In fiscal 2007, the Customer Information & Consulting Services received about 12,000 calls. Information such as the content of feedback from customers and the status of responding to it is collected in the Hayamimi Network in-house database for viewing by related sections such as those in charge of product development and by management. In addition, the Customer Information & Consulting Services report in detail to each division company on the information stored in Hayamimi Network in meetings held monthly.

CS quality topics for Customer Information & Consulting Services and Companywide Verified

	Topics	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007
Customer Information & Consulting Services	Number of incoming calls*1 (thousands)	13	13	10	12
Companywide	Number of claims*2 (thousands)	109	120	118	162*4
	External loss cost indicator*3	100	82	77	75

*1 Incoming calls: Inquiries, repair requests, complaints (including claims)
*2 Claims: Number of product-related claims involving deficiences requiring compensation
*3 External loss cost indicator: An index of 100 equals the fiscal 2004 figure for claim response compensation costs.
*4 Increased due to revised definition (49 thousand cases)

Customer Satisfaction Level Survey

Units such as the business divisions of each division company and sales companies are conducting surveys of customers.

For example, Housing Company surveys customers who have signed new contracts, those who have just moved in to their homes, those who have occupied their homes for one year, and those who have occupied their homes for five years. It analyzes the factors that lead to changes in the same customers' satisfaction levels over time and utilizes the results in customer service from prior to conclusion of contracts through the time after customers have moved in.

CAT Meetings Verified

Since fiscal 2005, Housing Company has been holding Customer and Top (CAT) Meetings in which members of its management and members of top management of housing sales companies meet with customers directly to solicit feedback.

In fiscal 2007, feedback was gathered in these meetings from a total of 3,807 customers (2,422 households). As an example of specific improvements made in fiscal 2007 thanks to CAT Meetings, in response to customer's feedback pointing out the small degree of variation in external appearances of homes, particularly exterior walls, new products were developed with a diverse range of exterior appearances. Another example is the broadening of choices resulting from adoption of general-purpose products from suppliers and revising designs in response to feedback pointing out that not much variation was available in kitchens, bathrooms, sinks, and internal finishings and fixtures.


A CAT Meeting

Case Studies of Product Development Utilizing Customer's Feedback

Case study: Housing Company

Crescasa homes developed in response to customers calling for economic homes in which they can live for a long time

Surveys showed that the children of baby boomers, born in the 1970s, desired single-family residences in which they could live for a long time, while keeping initial costs down. Crescasa homes were developed in response to this latent need.

In addition to highly durable frames, these homes employ partitioning, fixtures, and storage that have superior capabilities for modification and expansion, utilizing the characteristics of the modular approach, to respond flexibly to changes in ways of living and in family structure. In addition, they have achieved reductions in costs through means including an increase in the number of parts installed at the factory. Furthermore, feedbacks obtained in group interviews have been reflected in the colors and designs of these homes' exterior walls.

A Crescasa home from Sekisui Heim

Technology Department
Housing Company
Sekisui Chemical Co., Ltd.

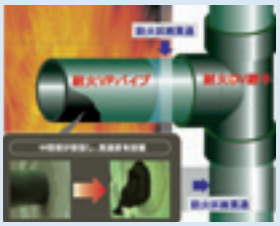
Makoto Okamoto

Case study: Urban Infrastructure and Environmental Products Company

Developing fire-resistant drain and ventilation pipes for buildings that reduce contractor labor and costs

Traditionally, making drain and ventilation pipes fire resistant was conducted primarily by means such as using metal pipes or wrapping plastic pipes in fire-resistant material, resulting in construction-related problems such as heavy pipes with large diameters. In response, we have succeeded in developing the industry's first fire-resistant PVC pipes by applying Sekisui Chemical's original PVC expansion technologies. After having prototypes assessed by contractors, we introduced Eslon Fire-resistant VP Pipes and Eslon Fire-resistant DV Fittings in October 2007.

These products are regarded highly by contractors, who have commented that their ease of installation makes it possible to reduce construction time and costs, that their small diameter makes it easy to achieve grades, and that they are highly durable thanks to their lack of metal shavings and dust and the fact that they do not rust.



Eslon Fire-resistant VP Pipes
Eslon Fire-resistant DV Fittings

Water Supply & Drainage
Systems Division, Urban
Infrastructure & Environmental
Products Company
Sekisui Chemical Co., Ltd.

Masashi Okabe

Case study: High Performance Plastics Company

Joint development of anti-allergen seat fabric

House dust, consisting of material such as the dead bodies of dust mites, is a cause of worry for parents of small children. We have developed the industry's first agent that neutralizes allergens themselves: ALLER BUSTER.

Since its introduction in 2003, ALLER BUSTER has supported comfortable living through a wide range of user, such as in air purifiers, bedding, and curtains. Furthermore, in response to a request from the Toyota Motor Group, which was seeking to develop new vehicles based on the concept of healthy interior environments, we have proposed application of ALLER BUSTER to the seat fabric used in automobile seating. The anti-allergen seat fabric developed jointly with the Toyota Group* is adopted in the new Toyota Crown.

Anti-allergen seat fabric adopted in the new Toyota Crown

* Developed jointly by Toyota Boshoku Corp., Komatsu Seiren Co., Ltd., and Sekisui Chemical Co., Ltd.

New Business Promotion
Division, High Performance
Plastics Company
Sekisui Chemical Co., Ltd.

Mitsuhito Teramoto

CS & Quality Management System

Developing groupwide systems and structures for CS & Quality Management

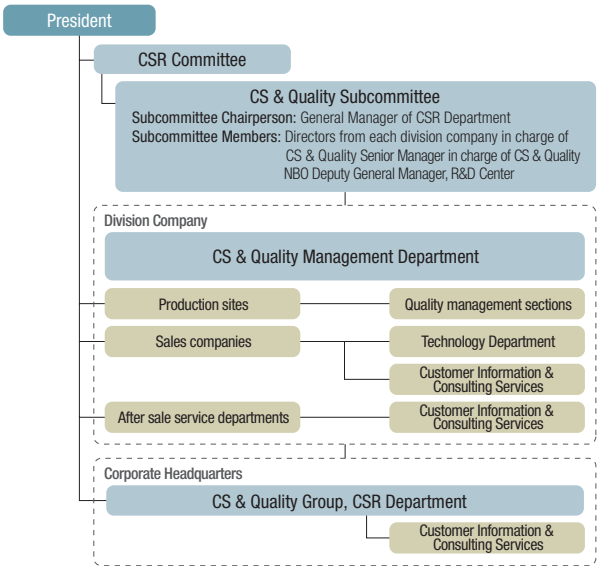
CS & Quality Management Promotion System

Advancing efforts through sharing of policies

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 the thorough awareness and implementation of committee decisions in each of their division companies and sections to promote CS & Quality Management activities.

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 STAR 55 program (see pages▶39 - 40). Through these and other efforts, these sections promote activities on a groupwide basis.

CS & Quality Management Promotion System



Quality Management System Supporting Basic Qualities

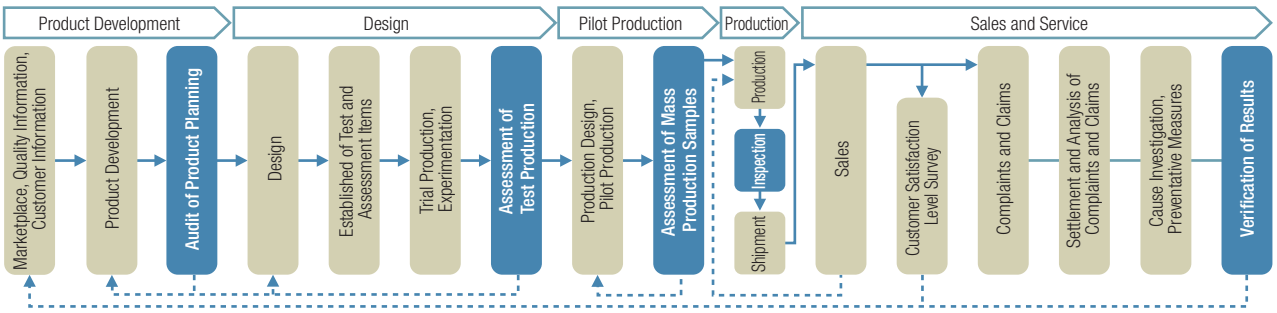
Employing a quality-assurance system suited to business characteristics

Sekisui Chemical Group strives to ensure the quality of its products at every stage of the production and marketing process. In our business operations, we follow the management cycle, Plan – Do – Check – Act to ensure that we implement our plans and solve important problems consistently. We have done this by setting up in each department quality assurance systems for our products and services and by managing our work routines on the basis of quality indices and related target values for each process. 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.

Acquisition of International Standard ISO 9001 Certification

We are also encouraging our business sites to become certified under the ISO 9001. Two business sites and departments were certified under this standard in fiscal 2007, bringing the total of certified business sites and departments in Sekisui Chemical Group to 75 (as of March 2008) (see page▶83).

Overview of Sekisui Chemical Group's Quality Assurance System



CS & Quality Management Indicators that Quantify the Value We Deliver to Our Customers

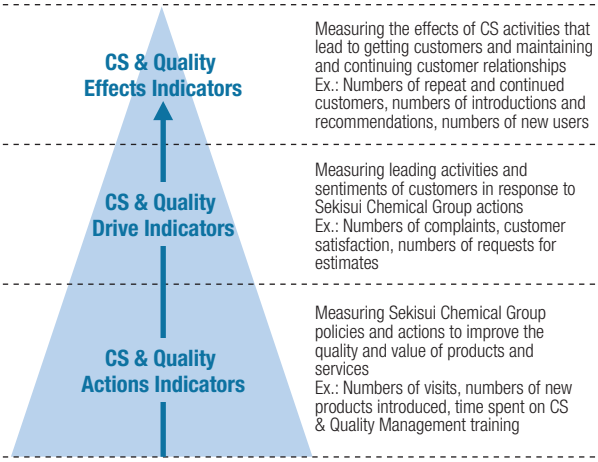
Acting based on CS & Quality as management indicators

In fiscal 2006, we introduced a set of CS & Quality Management Indicators for measuring and evaluating the extent to which each of our division companies are practicing CS & Quality Management. 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 equal footing with management indicators such as sales and profit, our goal is to firmly establish CS & Quality Management. Moreover, based on the idea that increasing customer satisfaction levels generates new demand, we have set the CS & Quality Management Indicators as leading indicators for forecasting future sales and profit. By constantly improving products, services and business processes, we are linking these indicators to the long-term development of business.

Furthermore, we also are studying using the results of assessment of CS & Quality Management Indicators in setting goals for each business unit.

Types of CS & Quality Management Indicators



Examples of Themes and Achievements for CS & Quality Management Indicators (Fiscal 2007) Verified

	Theme examples	First-half achievement	Second-half achievement
Housing Company	Overall level of satisfaction (5 years after transaction)	1.02	1.03
	Overall level of satisfaction (1 year after transaction)	1.01	1.00
Urban Infrastructure & Environmental Products Company	Continued usage rate	1.06	1.03
	Level of satisfaction in dealing with customer claims	1.05	1.03
High Performance Plastics Company	Supplier evaluation*	—	1.00
	Number of new product adoptions	1.05	1.15

* Assessed only on an fiscal-year basis

CS & Quality Management Indicators are established and managed on a semiannual basis for each of the 25 business units in the entire company. In the first half of fiscal 2007, while 21 of the 25 business units achieved their goals, four were unable to do so. In the second half of fiscal 2007, 17 of the 25 business units achieved their goals while eight were unable to do so.

Case study: Urban Infrastructure & Environmental Products Company

Holding strategic-development training in sales sections

From September 2007 through February 2008, the Urban Infrastructure & Environmental Products Company held strategic-development training for personnel in sales offices across Japan.

The goal of this training was to achieve the development and implementation of effective sales and service strategies linked to the CS & Quality Management Indicators established in each division company business division.

In this training, which lasted five days in total, participants split up into groups for thorough discussions lead by outside lecturers. First, they identified key requirements for improving CS, by analyzing market and customer characteristics by area. Next, they established specific action indicators and target values clearly indicating the things that should be done to satisfy these requirements and increase the levels of CS & Quality Management Indicators from the perspectives of customers and markets, business processes, and management resources, and they formulated action plans for achieving these.

Beginning in fiscal 2008, the action plans are being promoted in each sales offices and related performance is being evaluated.

A scene from a strategic-development training session

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 encouraging 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.

To further put this concept into practice, in April 2008 we established the Human Resources and Human Rights Policy.

Based on this policy, we are both enhancing the measures already implemented and working to achieve thorough understanding and penetration of this policy throughout the entire Group, from a global perspective. In particular, we are examining and studying efforts concerning human rights.

Sekisui Chemical Group "Human Resources and Human Rights Policy"

Mission

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

Basic Policy on Human Resources

1. **Creating opportunities to take on challenges**
   We encourage employees to "positively set their own goals and aggressively to take on challenges."
2. **Culture where employees learn and grow on their own**
   We strive to enrich our education/training programs and develop a culture where employees learn and grow on their own.
3. **Enhancement of the performance-based remuneration system**
   We emphasize our employees' personal commitment and strive to constantly improve the fairness and acceptance of our assessment system regarding performance and processes.
4. **Acceptance of various working styles**
   We respect various values; develop workplaces where every employee can work with enthusiasm; and help employees achieve a balance between life and work.
5. **Creating safe and secure work environments**
   We promote employees health enhancement and mental health care.

Basic Policy on Human Rights

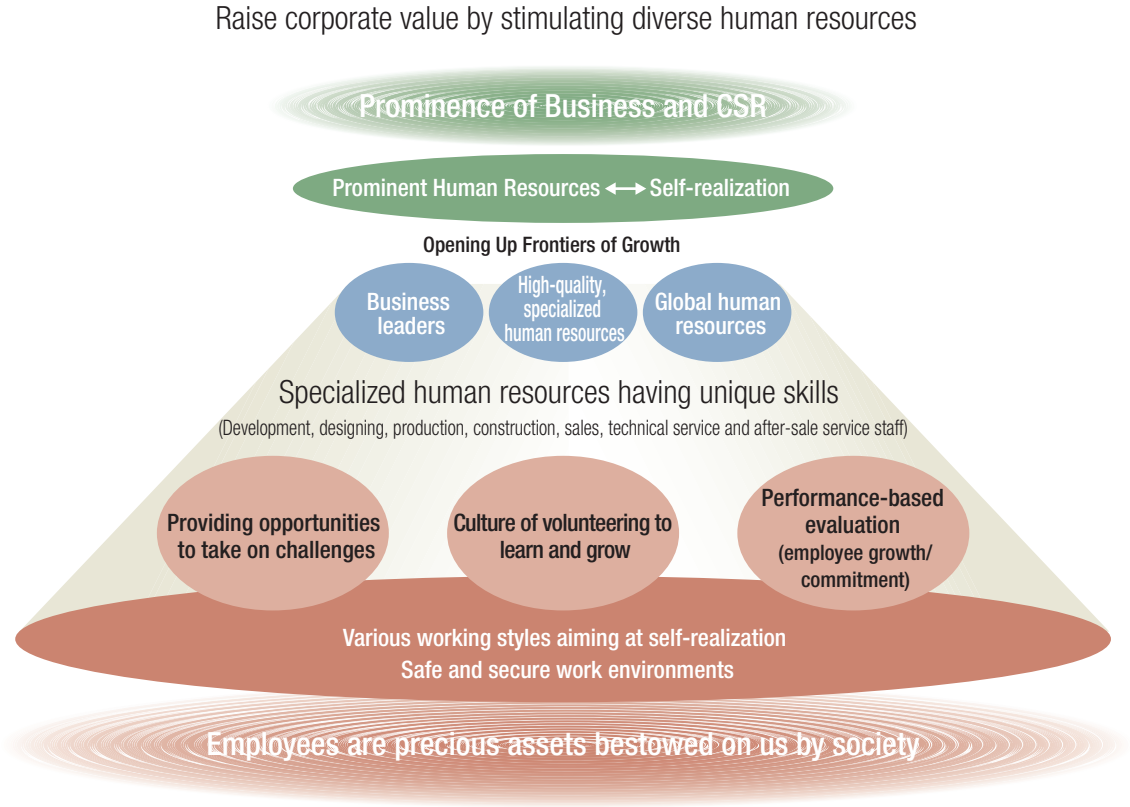
1. **Respect for human rights and the prohibition of discrimination**
   Being aware of our position as a global corporate citizen, we respect individual human rights and never become involved in any conduct that might lead to discrimination.
2. **Prohibition of harassment**
   We never commit sexual harassment or other actions that stain personal character.
3. **Prohibition of forced labor and child labor**
   We shall never accept forced labor or child labor in any country or region.
4. **Respect for basic labor rights**
   We respect basic labor rights, including the right of workers to organize and to bargain, in accordance with the laws and customs of each country or region, and do not infringe on these rights.

Established April 2008

Midterm Human Resources Vision – Overview & Results

Further expanding structures and systems for responding to the diverse values and lifestyles of individual employees

Midterm Human Resources Vision (fiscal 2006 - 2008)



Fiscal 2007 Activities and Results

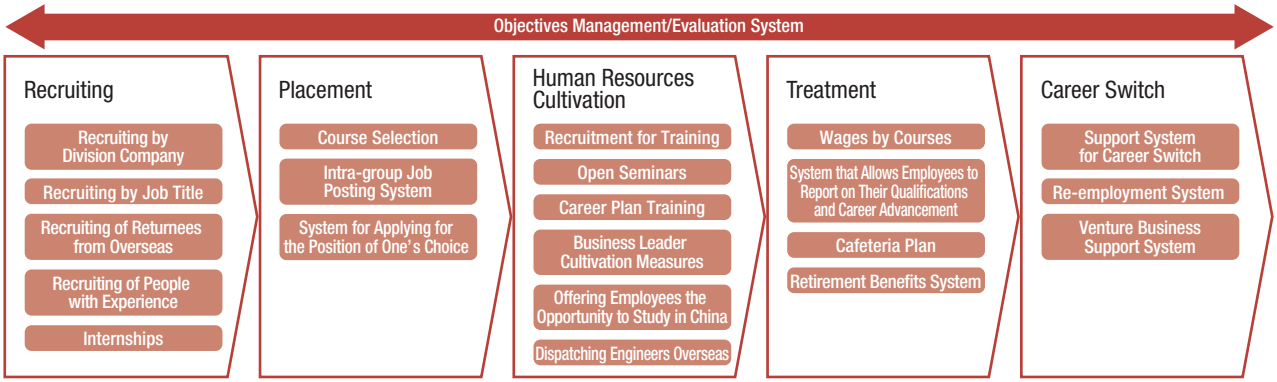
Theme	Goals	Measures for Fiscal 2007	Efforts for Fiscal 2007	
			Specific Activities	Evaluation
Providing opportunities to take on challenges (▶P47)	• Applying human resources on a priority basis in business that is expected to grow • Increase opportunities for employees to experience the challenges of "working with people from various companies"	Intra-group Job Posting System	• Implementing recruiting from the group companies	△
		Cultivating business leaders	• Ambition School to cultivate in-house entrepreneurship • Innovation School by Directors, to develop the next generation of leaders • *Saijuku* School to develop abilities to draft strategies and deploy business activities	○
		Cultivating global human resources	• Recruiting trainees for Chinese Language Training Course	○
Culture of volunteering to learn and grow (▶P49)	• Clearly define growth (development) goals for all employees • Refine and upgrade unique skills of employees • Encourage greater communication between superiors and subordinates to increase productivity at the manufacturing site	Enhancing measures in support of career development	• Holding career advisor training programs • Carrying out 3-Year Cultivation Program for Young Employees	○
		Carrying out CSR training	• Carrying out follow-up training for newly appointed key staff (managers), fundamental training for new employees, and training for second-year employees	○
Refining the performance-based evaluation (▶P51)	• Continue to attach great importance to employee commitment and further improve their appreciation for performance appraisal • Encourage employees to develop long-term perspectives • Promulgating the idea of "contributing to society through business activities" to employees	Improving superiors' capabilities for training subordinates	• Holding training for evaluators (new and follow-up) • e-Learning for newly appointed key staff (managers) • Holding training for new superiors (improving career-support abilities)	○
Diverse working styles and safe and secure work environments (▶P52)	• Creating a workplace where every employee can work actively • Strengthen the steps to cope with the declining birth rates • Promoting employee health and strengthening their mental health care • Create a safe workplace	Securing diverse human resources and realizing diverse working styles	• Holding various seminars for management, superiors, and female employees	△
		Promoting the activities of female employees	• Lengthening period of childcare leave, providing childcare assistance, etc.	○
		Making working easier for temporary workers	• Holding explanatory meetings for sections accepting temporary workers	○

Evaluation criteria for the content of efforts
◎: Results surpassed goals ○: Goals largely achieved △: Goals not achieved to some degree ×: Goals not achieved at all

Important Theme (1) Providing Opportunities to Take on Challenges

Supporting employees eager to take on challenges when they join the company, when they are assigned to a department and when they are moved to a different section

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



Recruiting and Placement are Determined with an Emphasis on Individual Preferences and Wishes

We Seek to Avoid Job Mismatches by Letting Recruits Choose Their Placement and Job When They are Recruited

To avoid this type of job mismatch between employee preferences and actual post-recruiting placements and jobs, and to ensure each individual employee can do satisfying work, since fiscal 2000 Sekisui Chemical has implemented division company-specific and job-specific recruiting based on individual preferences. Under this system, candidates can select their desired placements and jobs during the time between the corporate information session and the secondary selection. This process serves to maintain and increase motivation after the candidate commences employment.

In addition, Sekisui Chemical Group adopts a group recruiting system in which students can choose their desired jobs and the regions in which they would like to work from among the offerings of group companies.

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

	Fiscal 2005	Fiscal 2006	Fiscal 2007
Number of new graduates hired (persons)	49	64	67
Separation rate within the first 3 years (%)	14.3	6.3	3.0

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

Maintaining and Improving Employee Motivation by Enabling Personnel to Apply for Transfer and Promotion on Their Own after Joining the Company

In 2000, Sekisui Chemical Group established an Intra-group Job Posting System that gives employees the chance to apply voluntarily for transfers to their desired departments and job categories. Under this system, designed to support employees motivated to test their own capabilities and improve their own performance by taking on jobs they have chosen, applicants meet with sections that need human resources and can transfer to such sections without requiring their superiors' approval, as long as the wishes and conditions of the applicants and the recruiting sections match.

We also provide a system under which employees can apply voluntarily for promotions. Under this system, employees desiring promotion make presentations on their own achievements and are evaluated based on the content of this presentation. They may receive promotions if they satisfy the promotion criteria established by each division company.

Recruitments, Applicants, and Transfers under the Intra-group Job Posting System Verified

	Fiscal 2005	Fiscal 2006	Fiscal 2007	Cumulative total since 2000
Recruitments (cases)	17	21	24	134
Employees recruited (persons)	52	43	70	306
Applicants (persons)	80	158	120	702
Employees transferred (persons)	31	24	30	172

Supporting Employees Who Want to Thrive in Ways That Surpass the Boundaries of Their Current Jobs

Making Use of the Career Development Scholarship System

To assist employees who want to leave the company for a fixed period of time to dedicate themselves to acquiring specialized skills needed in society, the Career Development Scholarship System was established in Sekisui Chemical in April 2005. Under the system, the company lends employees the funds they need for such studies.

At the end of fiscal 2007, three employees who had taken time off from work to study at specialized graduate schools and other schools graduated on schedule. In April 2008, they returned to the workplaces, where they can put to use the specialized skills they had learned.

In April 2008, one more employee began a two-year leave of absence, entering a graduate school specialized in accounting.

Voice

I plan to utilize something more than knowledge that I learned in graduate school in my new section.

Administrative Management & Control Department
High Performance Plastics Company
Sekisui Chemical Co., Ltd.

Yuko Iwatani

After working in sales for 10 years following my joining the company, I began to feel that I wanted to know more about company management. For this reason, I used the Career Development Scholarship System to study for two years at the Aoyama Gakuin University Graduate School of Professional Accountancy.

In graduate school, I was able to take courses taught by professors who were authorities in the field and to take part in discussions with other students training to become accountants and tax accountants. In doing so, not only was I able to learn about accounting but I also was able to learn to think on my own about why certain situations arise and how things should be done. I think this was the greatest fruit of my studies.

In April, I was assigned to the Administrative Management & Control Department for the first time. I intend to do my best to help both the company and myself grow, putting to use the things I learned over my two years in graduate school.

Providing Opportunities Globally

Through in-house recruiting of highly motivated employees who want to thrive on a global stage, we provide them with opportunities to do so.

In addition to the Dispatching Technical Experts Overseas program, a training program that allows engineers to take part in joint development with overseas universities and research institutes and a Chinese Language Training Course in which employees take a leave of absence to study for one year at a university in China, our other efforts include regular global human-resources training for employees posted overseas.

Ambition School In-house Entrepreneurship Development Program

In fiscal 2006, we established an in-house entrepreneurship development program called the Ambition School to cultivate in-house entrepreneurs who can start a new business which can be a future pillar of our company and lead the company's growth. In January 2007, the first class of the program, entered the business planning stage.

The second class of the program began in April 2008. Plans call for the seven students selected after volunteering for the program to undergo training overseas, to get a first-hand feel for the conditions and needs of individual markets around the world, and then in 2009 to enter the business planning stage, in which they will think about what kinds of businesses they would like to start.

Voice

Is the Ambition School a human-resources development program or a business-development program?

Corporate Business Planning Department
Sekisui Chemical Co., Ltd.

Makoto Aranami
(Ambition School student)

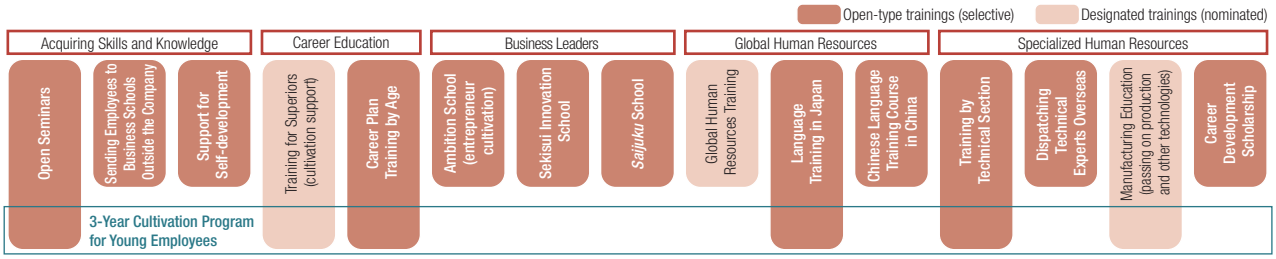
By taking part in the Ambition School, I sought out new business opportunities overseas. To me, who had spent all his time in Japan, overseas seemed a very distant place.

In this program, I truly felt that the process of interacting with young leaders from around the world in building a business in an unfamiliar country, relying only on my own untested plan, leads to a kind of human-resources development that cannot be achieved in other ways. The Ambition School is a valuable opportunity to take on challenges, helping both individuals and businesses to grow.

Important Theme (2) Corporate Culture Fostering Individual Learning and Growth

Fostering a culture that supports employees' individual career plans and promotes learning and individual growth

Education and training structure



Supporting Employees in Developing Their Own Careers

Beginning Development of Career Advisors to Support Employees in Building Their Own Careers

Since fiscal 2007 Sekisui Chemical Group has been working to train career advisors to develop human resources who can make continuous contributions to business growth and can achieve individual growth on their own. First, 26 individuals, chiefly in human-resources and training positions, participated in in-house course and studied how to set up human-resources development and human-resources systems individualized for employees. At the same time, most of the trainees learned skills for supporting individual employees such as counseling skills, while taking on the challenge of earning career consultant qualifications from outside the company.

In fiscal 2008, to achieve further penetration of career-support services in each workplace, plans call for expanding this program to cover line managers as well, to develop a total of 90 career advisors throughout the entire group.

Career Plan Training by Age for All Group Employees

In order to provide each employee with the opportunity to examine their own career and life plans, we have been conducting Age-wise Career Plan Training by age, targeting employees around the ages of 30, 40 and 50 on themes relevant to their own ages.

Themes by Age Groups & Results Verified

	30's	40's	50's	Total Number of Participants
Themes by Age Groups	Self-establishment	Market Value	Continuing to work even after retirement	—
Training Contents	Recognition of abilities and interviews with superiors on career-related matters	Affirmation of specialization, values, and the meaning of work	Aiming to keep working at age 65 and thinking about succession	—
Number of Participants in Fiscal 2007 (persons)	102	119	39	260
Total Number of Participants as of Fiscal 2007 (persons)	1,371	943	575	2,889

Voice

By learning about supporting career development, I was able to broaden my own horizons as well.

I took part in the career advisor training program because I wanted to think about the future human-resources development policies of Sekisui Chemical Group, including those of my own company.

The content of this course was very interesting, even for somebody like me who had never before studied the subject of careers. I really got a feel for how important it is to the company to support employees in developing and realizing their own career plans. In addition, in the counseling training for career consultant qualification, I was able to earn my official qualification, despite the difficulty of listening to and understanding what people say.

Through exchanging opinions with a wide range of people in these workshop-type training sessions, I was able to broaden my own horizons. The things I learned in this program have become personal valuable assets to me.

Administrative Management & Control Department
Toto Sekisui Co., Ltd.

Satoshi Yamamoto

Providing Learning and Growth Opportunities for Employees

Recruitment and Elective-type Training to Freely Obtain Needed Knowledge and Skills

Sekisui Chemical Group has established a Recruitment and Elective-type Training that allows employees to freely select and take the courses they want from a varied training and education menu, in order to obtain the knowledge and skills they need for their individual growth and development.

This program includes Recruitment-Type Training for all group employees, as a system characteristic of Sekisui Chemical Group. This system provides learning opportunities to motivated employees who decide on their own to learn, instead of just to those chosen by the company.

This program includes two types of training: corporate headquarters-sponsored and individual division company-sponsored training. For the corporate headquarters-sponsored training and education, a broad curriculum has been prepared covering such topics as basic business skills and leader cultivation training. The individual division company-sponsored training provides practical training in step with the business characteristics of each division company.

Main Recruitment and Elective-type Training Programs Conducted in Fiscal 2007 Verified

Recruitment-type Training	The *Saijuku* School (Since fiscal 2003)	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. The aim of this course is to unearth the next generation of leaders from among the younger employees. Number of participants in fiscal 2007: 26 (cumulative total: 166)
	Sekisui Innovation School (Since fiscal 2003)	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 key themes across departmental boundaries for about six months, and then presenting the results to group management. Number of participants in fiscal 2007: 75 (cumulative total: 492)
	Sending Employees to Business Schools Outside the Company (Since fiscal 2002)	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. Number of participants in fiscal 2007: 20 (cumulative total: 167)
Elective Training	Open Seminars (Since fiscal 2001)	These intra-group seminars aim to improve employees' business skills. Employees can select freely seminars on skills that meet their needs. Activities such as presentations and coaching are used to provide them with skills that can be applied immediately to their daily work. Number of participants in fiscal 2007: 266 in 10 courses

Voice

I was so inspired by the sight of women thriving in the workplace.

Nishinihon Sales Department
Sekisui Roof Systems Co., Ltd.
Machiko Kitazoe

When I took part in the Sekisui Innovation School, at first I felt a bit uncertain when we began activities under the theme of women taking the lead. However, I was inspired by the sight of women just like me thriving in the workplace, and I started to feel that I wanted to do the same thing. In addition, I also noticed that the first step to growth is the feeling that one wants to innovate oneself, and that innovation can be achieved naturally by continuing to express such intentions.

During the program, we discussed themes in each session by asking, "Have we innovated?" I am grateful for the opportunity to have met some truly outstanding colleagues.

A scene from the meeting for reporting on final results

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 young employees.

This program includes career training at the end of each fiscal year, for the purpose of enabling young employees to ascertain their own characteristics and how much they have grown during the year, as well as training for superiors of employees in their first year with the company, covering how to nurture such subordinates. Career meetings between superiors and subordinates provide an opportunity to talk about skills development and visions for the future.

This cultivation program for young employees was conducted only at Sekisui Chemical through fiscal 2007. However, beginning with fiscal 2008 plans call for expanding the program groupwide, starting with the Housing Company, which has a large number of young employees.

Important Theme (3) Refining Performance-based Evaluation

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

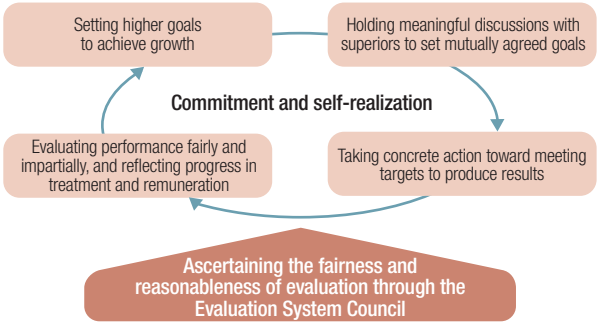
Enhancing the Fairness and Credibility of Assessments

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 rewards. 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

In fiscal 2007, follow-up workshops were held for superiors who had undergone evaluator training for the first time in fiscal 2006. The program of these workshops included 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.

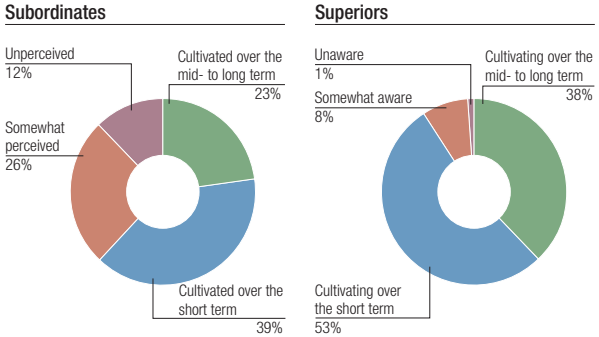
Systems That Link Achieved Targets (Results) with Remuneration and Enhance Fair and Transparent Evaluations

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 corporate 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.

The results of the survey conducted in fiscal 2007 showed that there was a gap between superiors and subordinates in their recognition of mid- to long-term cultivation of subordinates. In fiscal 2008, plans call for carrying out efforts centered on enhancing superiors' abilities to cultivate subordinates' skills over the mid- to long term and to assist in subordinates' career development.

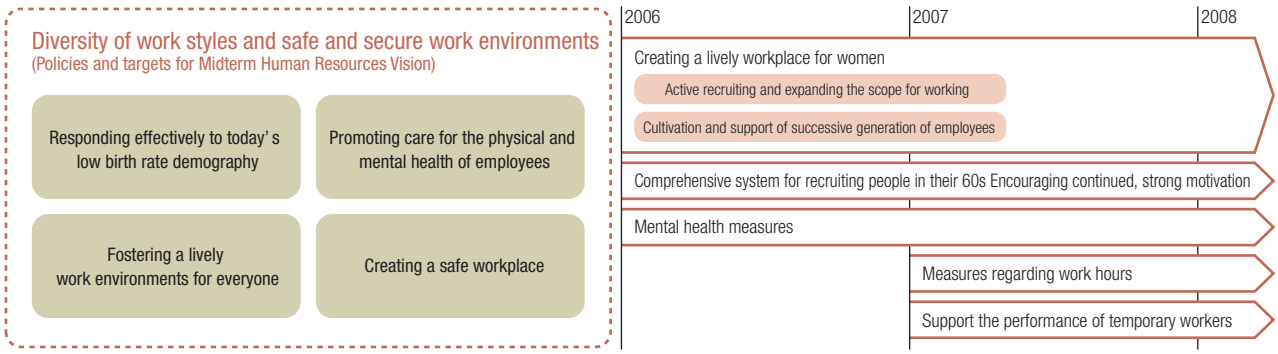
Results of Employee Surveys Verified



Important Theme (4) Creating safe and secure work environments that respect a diversity of work styles

Advancing a wide range of efforts toward building a workplace where a diverse workforce can work in safety and security

Diversity of work styles and safe and secure work environments (Policies and targets for Midterm Human Resources Vision)



Creating Work Environments Where All Employees Can Work Lively

Carrying Out a Diverse Range of Efforts to Create Workplaces Where Women Can Thrive

In January 2007, Sekisui Chemical Group began full-fledged efforts to promote women's participation in the workplace and launched the Kirameki (meaning “shining”) Life Promotion Office. This office advances various efforts based on the fundamental concept of creating workplaces where women can thrive in business with high levels of motivation and supporting ways of working that can adapt to life events (such as childbirth and childcare).

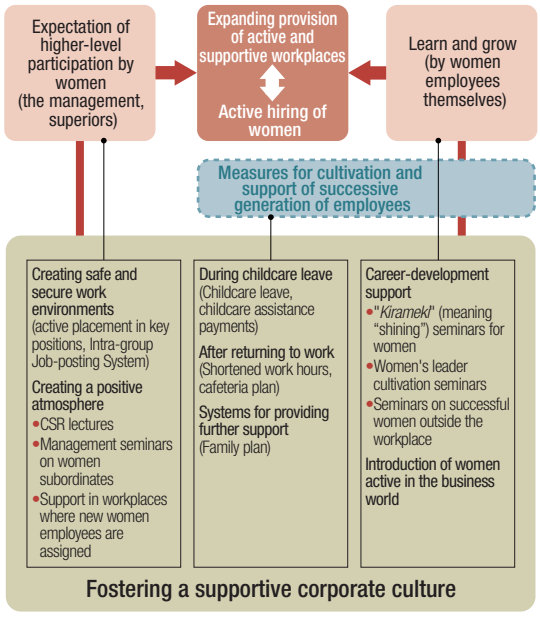
Efforts conducted in fiscal 2007 were centered on proactive hiring of women employees, holding seminars, and expanding measures for cultivation and support of the successive generation of women employees.

To expand opportunities for women to thrive, it is important first of all to increase the number of women employees. For this reason, we have set a target of women comprising 30% of hires. Despite aggressive efforts centered on the Housing Company, we have been unable to reach this target, with women comprising only 26% of hires. In the future, we will aim to reach this target by promoting Sekisui Chemical Group to university students as a group of companies focusing their efforts on creating workplaces where women can thrive, through efforts such as holding seminars led by experienced women employees and utilizing the group's website and other media.


Hiring tools

Fundamental Concepts for Promoting Achievements of Women

1. Creating workplaces where highly motivated women can thrive in business
2. Supporting ways of working adaptable to life events (such as childbirth and childcare)



Expanding Systems Supporting the Cultivation of the Next Generation of Employees to Support Ways of Working Suited to Life Events (Such As Childbirth and Childcare)

To provide a workplace where women can work continuously for long periods of time, Sekisui Chemical Group supports its employees in balancing family life with work, throughout life events such as childbirth and childcare. As part of these efforts, in April 2007 we established a system supporting the cultivation of the successive generation of employees, based on the fundamental concept of enabling employees to both take time off and work with peace of mind.

Childcare Support Guidebook

Use of Primary Support Systems (at Sekisui Chemical) Verified

System		Main content	Fiscal 2006	Fiscal 2007
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
After returning to work	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
	Granting of additional cafeteria-plan points	180 additional points per year granted until the child enters elementary school	–	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
Total number of persons using these systems			15	180

Voice

We are balancing work and caring for three children.

So far, I have taken childcare leave three times. Each time, I consulted with my superior so that I could continue my work. In April 2007, I was transferred to another location, taking my three children with me. The company not only provided support under this system but also helped me to find nursery schools in the vicinity of my home and introduced me to the community network. As a result, I was able to start both work and living in the new location with peace of mind.

Although it is still tough to both work and raise children, I have been able to continue my work because Sekisui Chemical provides a full range of support for employees with children.

Building Materials Sales Office
Kinki Sales Headquarters
Urban Infrastructure & Environmental Products Company
Sekisui Chemical Co., Ltd.
Miyuki Izumiya

Holding Seminars for Individual Job Levels to Foster a Supportive Corporate Culture Where Women Can Thrive

To foster a supportive corporate culture in which women can thrive, the following seminars are being held, focused on superiors and on women employees themselves.

Superior Seminars

Superior are being held for superiors of women employees, with the following three goals: enabling superiors to recognize that building workplace environments in which women can thrive is one of their important jobs, deepening understanding of women employees by referring to information such as the results of surveys of women employees, and thinking about building workplaces in which women employees actually can thrive. In addition, mini-seminars are held for superiors and more experienced employees in sections to which new women employees are assigned. In these seminars, participants learn about the values and aspirations of new women employees and about key points for helping them grow, by sharing information for enabling new women employees to smoothly grow accustomed to and thrive in the workplace.

Seminars for Women Employees

Women's leader cultivation seminars are held for women employees in key staff (management) and assistant management positions, to enable them to develop their own careers themselves. In these seminars, participants conduct self-examination, undergo psychological tests, and build career plans for the future.

In addition, seminars for all women employees are also held to foster recognition of the specialization required in their own careers and learning of the knowledge and skills they need to perform as human resources who thrive and meet the expectations of the people around them. In these seminars, they learn about subjects including career design, the concept of a sound work-life balance, assertion (a method to express one's views and feelings in a way appropriate for the occasion), and mental health.

Seminar Outline

Subjects	Seminar	Goals and contents	Frequency
Superiors	Management seminars for superiors of women employees	Recognizing that building a workplace in which women employees can thrive is an important job of superiors and thinking about building workplaces in which women actually can thrive	3/year
	Support for sections to which new women employees are assigned	Advice on helping women employees to grow accustomed to the workplace smoothly, etc.	5/year
Women employees	Women's leader cultivation seminars	Self-insight and development of career planning	3/year
	Kirameki Life Seminar	Seeks to develop human resources who can continue to thrive, with recognition of the specialization required in their careers. Learning about subjects such as career design, a sound work-life balance, and business skills.	4/year

Aiming for a Workplace Where Temporary Workers Can Work with Job Satisfaction

Currently, roughly 1,500 temporary workers are working at Sekisui Chemical Group.

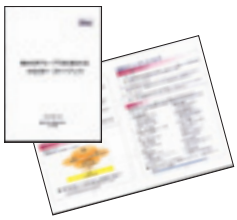
In fiscal 2007, in order to promote the creation of workplaces in which temporary workers can work with job satisfaction , efforts were made to implement training and preparation of guidebooks as well as a partner program that expands opportunities for temporary workers to be promoted to regular company employees.

Training and Education for Sections Accepting Temporary Workers

A manual on acceptance of temporary workers has been prepared for sections accepting temporary workers, to promote understanding of matters such as how to interact with temporary workers and amendments to the Worker Dispatch Law. In addition, training for sections accepting temporary workers was held in September 2007, with 164 people in attendance from 107 facilities, including the general affairs and human resources departments of each Group company, Sekisui Chemical business facilities, and branch-office administration departments. This training helped deepen understanding of the contents of the manual as well as matters such as the fact that temporary workers are unsure of their status in the company and the importance of communication.

Deploying Educational Activities Using a Guidebook for Temporary Workers

We have prepared a guidebook for temporary workers that combines in a single publication information that temporary workers want to know as well as the information they need to work in Sekisui Chemical Group.



Guidebook for Temporary Workers

The Senior Partner System Begins for the Creation of a Workplace Where Seniors Can Continue to Thrive in Employment

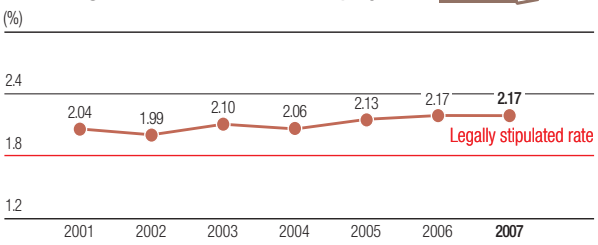
Sekisui Chemical established and has operated a reemployment system for employees up to age 65 since fiscal 1993. With the adoption of the Law Concerning Stabilization of Employment of Older Persons enforced in April 2006, all group companies introduced such systems.

In addition, in fiscal 2007, with the aim of enabling employees to continue to thrive in employment through age 65 while constantly improving their own specialized abilities, Sekisui Chemical began the Senior Partner System, a system that enables employees to continue working after reaching 60 years of age, with compensation reflecting their specialized abilities and performance. As of April 2008, forty-eight employees are utilizing this system.

Work Environments That Facilitate the Employment of Disabled Persons

Sekisui Chemical is committed to creating work environments that are safe for disabled persons and enable them to use their skills to maximum effect. In fiscal 2007, the disabled persons comprised 2.17% of the Group workforce. The entire group continues to work hard to expand employment of disabled persons.

Percentage of Disabled Persons Employed Verified



Voice

I will do my best with a brand new feeling.

I worked for three years as a temporary worker in my current assignment in the Customer Information & Consulting Services, when the office was still located in Osaka. Two years ago, when the office was relocated here, I also moved to Tokyo. This year will be my third year since I started working in Tokyo.

When I first heard about the new partner employee system, I felt bewildered and uncertain. However, I decided that I should take on this challenge in my own way, since the company had given me such a great opportunity.

I think I have been able to continue my work thanks to the help of my superiors and the colleagues in my section, who always watched over me, and to the help of a large number of other people. With this sense of gratitude in my heart, I will do my work with this brand new feeling from now on as well.

Customer Information & Consulting Service
CS & Quality Group
CSR Department
Sekisui Chemical Co., Ltd.
Hitomi Azuma

Proactive Promotion of Local Staff at Overseas Facilities and Proactive Hiring of Non-Japanese Employees in Japan

Sekisui Chemical Group operates businesses on a global scale. As of April 2008, the Group encompassed roughly 3,200 employees active in 16 countries around the world. At overseas facilities, large numbers of local employees have been promoted to management positions.

In the future, we intend to pursue actively increased employment of non-Japanese nationals, as the number of opportunities for non-Japanese employees to thrive steadily increases with the growth of the Group's overseas businesses.

Voice

My goal is to work overseas in the future.

R&D Center
Development Center
Sekisui Chemical Co., Ltd.

Dasanayake Aluthge Rasika Sanjeewa

I decided to join Sekisui Chemical because its proactive approach to global business development matched well with my dream of communicating Japanese technology around the world. First, I want to work as hard as I can in research and development in Japan, making contributions to R&D for new businesses. Then, my goal for the future is to utilize the knowledge and experience I gain through these activities on a global basis, not just in R&D but also in providing technical services.

Holding Training for Superiors in Manufacturing Workplaces for Employees at Chinese Subsidiaries

Aiming to cultivate local managers, who will hold the keys to future business growth in China, in fiscal 2007 a Training Within Industry (TWI)* program was held for superiors in manufacturing workplaces.

The goal of the TWI program is to achieve results through learning about how to teach jobs and how to interact with subordinates, in order to assure the broad penetration of the organizational management concept that superiors achieve results together with their subordinates. Trainees were able to improve their awareness of the need for job improvements through the lively exchange of opinions between instructors and participants, focusing on work procedures that actually could be used in manufacturing workplaces. In the future, this program will be deployed at all Chinese subsidiaries while developing in-house instructors, using Sekisui S-Lec (Suzhou) Co., Ltd. as a model workplace.

* Training Within Industry (TWI): An effort to improve productivity through training superiors on methods of guiding their subordinates in the production workplace.

Labor-management Relations Based on Dialogs and Cooperation

Sekisui Chemical Group is deeply committed to ensuring good labor-management relations based on dialog and cooperation. For this reason, the president himself explains the management vision in management meetings with employees, and division company presidents hold company management meetings with employees in which they explain the management situation. Labor union leaders of group companies also participate in these meetings, engaging in fruitful exchange of opinions with management on the current conditions of labor-management relations and the issues faced by each group company. This kind of exchange is leading to stronger group management.

In addition, to reflect feedback from employees, 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.

Improving Employee Mental Health Care

Sekisui Chemical Group is committed to supporting the mental health of our employees, providing support services based on the four guidelines established by the Japanese Ministry of Health, Labour and Welfare to ensure a lively and motivated workforce.

Fiscal 2007 saw the introduction of stress diagnostic tests on the Group's Intranet, enabling employees to check the status of their mental health on a daily basis. In addition, the Group also has adopted a Self-Stress Control program that teaches employees how to reduce stress.

Promoting Appropriate Working Hours and Use of Paid Leave System

Sekisui Chemical Group believes that enabling employees to live healthy lives as members of society and to achieve a sound balance between work and personal time leads to employees' fulfilling lives, in terms of both work and overall lifestyles. For this reason, we consider promoting appropriate working hours and use of paid vacation time to be important.

In fiscal 2007, we conducted a survey throughout the entire Sekisui Chemical Group concerning the actual conditions of working hours and vacation. In addition, we worked to ascertain actual conditions and related issues through interviews conducted in the workplace. Based on the results of these efforts, in fiscal 2008 and beyond we plan to carry out measures such as improving the vacation system and reducing working hours as well as encouraging employees to take vacations.

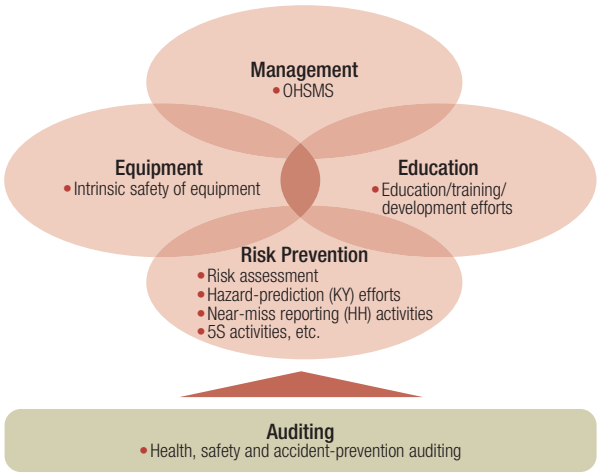
Five Pillars of Occupational Health, Safety, and Accident-prevention Activities

Deploying Activities in Accordance with Midterm Plans to Realize 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 the Safety Policies. We are deploying total safety (i.e., zero work-related injuries, zero equipment-related accidents, zero commuting-related accidents, and zero long absence due to illness) activities based on five pillars.

Together with the Midterm Management Vision GS21-Go! Frontier, a Midterm Health, Safety, and Accident-prevention Plan has been formulated (for fiscal 2006 through 2008) covering these activities, to achieve firm safety, which is one of the foundations of management.

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



Sekisui Chemical Group "Safety Policy"

Mission

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

Basic policy

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

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

Revised April 2008

Efforts at Production Sites and Laboratories

Creating a Zero-hazard Workplace Based on OHSMS

Sekisui Chemical Group has constructed Occupational Health and Safety Management Systems (OHSMS) at 38 domestic production sites and laboratories and is deploying activities aimed at creating a zero-hazard workplace by following the management cycle; Plan (make plans) - Do (implement and operate) - Check (monitor the result and take corrective action) - Act (improve and review).

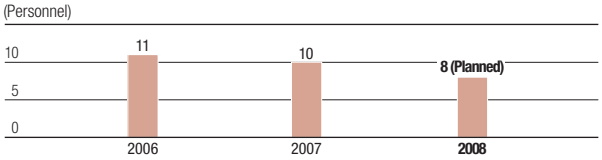
Main Activities in Fiscal 2007

Five pillars		Main activities
Management	Enhancing OHSMS operation	• Continued operation, entrenchment, and evaluation of OHSMS • Strengthening of risk assessment (intrinsic safety of risk-reduction measures)
Education	Development of personnel with strong safety skills	• Carrying out training based on a safety-training program • Introduction and utilization of interactive training
Equipment	Promotion of intrinsic safety of equipment	• Establishment and utilization of a system of design standards for equipment safety • Conducted intrinsic safety of electrical equipment auditing
Risk prevention	Promoting activities to identify the causes of and reduce risks	• Promoting efforts to reduce risks through risk assessment, KY (risk detection), and HH (risky act prevention)
Auditing	Implementation of auditing	• Conducted safety, sanitation and accident prevention auditing (at 45 sites)

Promoting Development of Human Resources with Strong Safety Skills, Based on a Safety-training Program

Based on its safety-training program, Sekisui Chemical Group is focusing on development of human resources with strong safety skills. In fiscal 2007, we focused in particular on training conducted through introduction and utilization of interactive training and safety training based on position (See page ▶84).

Introduction of interactive training equipment (planned and actual results)



Facilities for interactive training

Facilities for simulating accidents that actually have occurred in workplaces, to learn in a hands-on way:

- What kinds of actions
- Lead to what kinds of accidents
- And how risky they are

Examples of introduction of interactive training in fiscal 2007

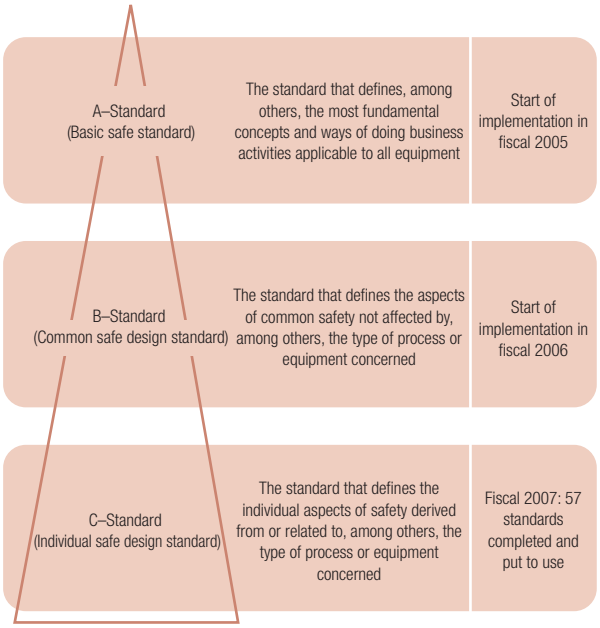
Simulating a fire resulting from excessive electrical current due to plugging too many devices into a single outlet

Using flour to simulate a particulate explosion

Activities to Ensure the Intrinsic Safety of New and Existing Equipment

Intrinsic safety, which is the implementation of appropriate safety and accident-prevention measures relating to equipment, is essential for preventing occupational and equipment-related accidents. To promote intrinsic safety of new equipment, Sekisui Chemical Group is advancing the construction and operation of a system of equipment safety design standards.

Sekisui Chemical Group's Equipment Safety Design Standards System



Case study: Nagoya Plant, Sekisui Film Co., Ltd.

Achieving Safety in Activities of Part-timers through Enhancing Risk Assessment

In the past, risk assessment was conducted by managers or assistant managers at workplace. However, based on the concept that each of us should take responsibility for our own work, a circle of quality control consisting entirely of part-time women employees was formed to make quality improvements. They have made major achievements in enhancing work safety through conducting their own workplace risk assessments as the theme of their activities.

Activity Steps

Comments from the leader of this quality circle

Car Interior Materials Department
Nagoya Plant
Sekisui Film Co., Ltd.
Atsuko Kato

Although our work has involved a large number of potential risks, we had grown accustomed to these and either did not notice them or overlooked them. By conducting risk assessment even for minor tasks, we were able to identify and make improvements on a large number of sources of risk. In the future, all of us aim to work together to achieve a zero-hazard workplace, by mapping the risks we have discovered and raising awareness of these among our members.

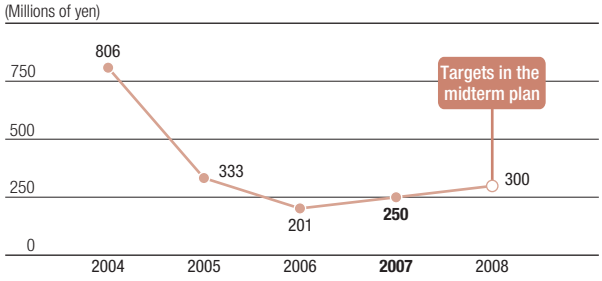
Members of the Sunflower Circle

Health, Safety and Accident-prevention Costs

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. Fiscal 2007 loss costs resulting from accidents increased by 24% over the previous fiscal year. In the future, we aim to achieve further reductions in loss costs.

In response to work-related accidents that occurred during fiscal 2007, we have taken such measures as improving our equipment, work procedures and employee training.

Amount of Loss Costs* Verified

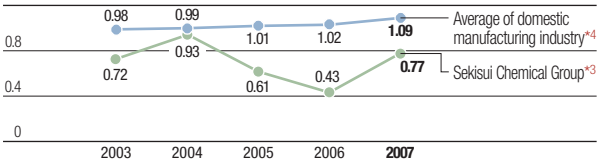


* Loss costs: Expenses, including man-hours, required to respond to occupational accidents, equipment accidents, commuting accidents and long-term hospitalization.

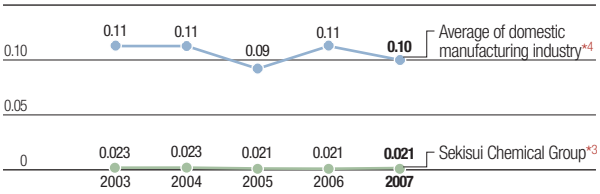
Safety performance in 2007 (work-related accidents)

The number of work-related accidents occurring within the Group in 2007 increased by five from the previous year, and no improvements were made in the frequency and severity of such accidents. (See page ▶84 of the data of equipment-related accidents, commuting-related accidents, and long-term absences due to illnesses.)

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"

Case study: Nishinihon Sekisui Industry Co., Ltd.

Planning and Introducing Video KY (risk detection) Efforts

Video KY (risk detection) refers to an activity in which employees view videos of their own work. The goals of this program are to increase sensitivity to potential unsafe activities and unsafe conditions in one's workplace and activities, to increase the ability to concentrate on prediction of hazards by focusing on details of work in the videos to discover unsafe activities and unsafe conditions, and to raise the level of risk detection by predicting a large number of risks from the video.

Comments from a participant

Through video KY, I was able to identify a large number of activities that have led to risks in my ordinary activities, which I had never noticed before. In the future, I plan to work with more of a focus on safety, by incorporating the unsafe activities and unsafe conditions I have discovered into my own personal activity goals.

Manufacturing Section
Nishinihon Sekisui Industry Co., Ltd.
Keiichi Okubo

Efforts in Construction Departments

Enhance Safety Management in Construction Departments

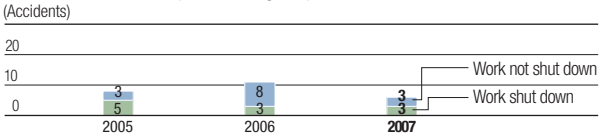
The Housing Company and the Urban Infrastructure and Environmental Products Company of Sekisui Chemical Group include construction departments that work closely with customers and members of local communities at construction sites. In order to ensure the safety of customers and members of local communities in the vicinity of the construction site, as well as ensuring the safety of employees working in construction and those of partner companies, these departments are carrying out various safety activities including site safety inspections conducted at construction sites and enhancing the safety-management structure.

In fiscal 2007, each housing construction department developed and began trial adoption of new activities to promote accident-related inquiries and dialog between managers and superiors and the people working on sites (a construction safety program), in order to prevent hazards by increasing the risk sensitivity of individual employees working on the site.

Number of Work-related Accidents

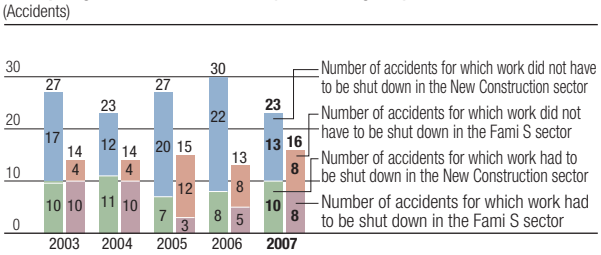
In 2007, the number of work-related accidents in construction departments declined by four from the previous year, to 39, at the Housing Company (i.e., new-housing construction departments and Fami S [renovation business]). In addition, the number decreased by five over the same period, to six accidents, at the Urban Infrastructure and Environmental Products Company.

Trends in safety performance at the Urban Infrastructure and 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.

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



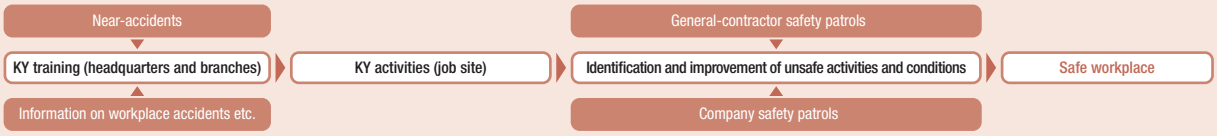
Case study: Nippon No-Dig Technology Co., Ltd.

Achieving Zero-accidents for Three Consecutive Years

Nippon No-Dig Technology Co., Ltd. specializes in special construction methods for installation and renovation of underground sewer and other pipes that do not require excavation and digging up roads.

Working inside pipes involves a work environment with a high risk of work accidents, such as falling down manholes, lack of oxygen, and hydrogen-sulfide poisoning, which cannot be eliminated solely through improvements to construction equipment. For this reason, the company has worked to improve employees' abilities to predict risks in order to train job-site professionals who quickly can identify and improve unsafe activities and conditions on the site. These efforts have achieved considerable results, with the company experiencing zero-accidents for three consecutive years.

Risk-prediction skills improvement program



Comments from a safety manager

CSR·Safety Promotion Department
Nippon No-Dig Technology Co.,Ltd
Atsuo Yamaguchi

Using my experience in risk management and safety management in the Maritime Self-Defense Force, I came to work at Nippon No-Dig Technology Co., Ltd. as a safety manager and trainer. I patrol construction sites focusing on the conditions of compliance with basic safety rules.

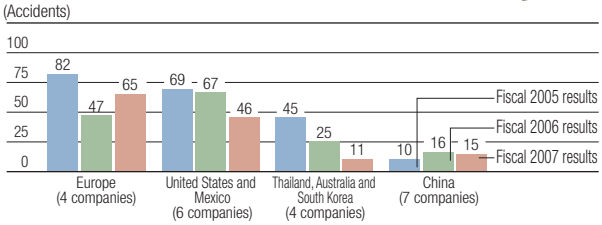
In addition, since ensuring safety requires that all employees have high levels of awareness of safety and physical strength as well as sufficient construction-related knowledge and skills, I am trying to contribute to continuing our track record of zero-accidents by developing various types of training measures.

Efforts at Overseas Production Sites

Holding Safety Meetings and Monitoring Work-related Accidents Overseas

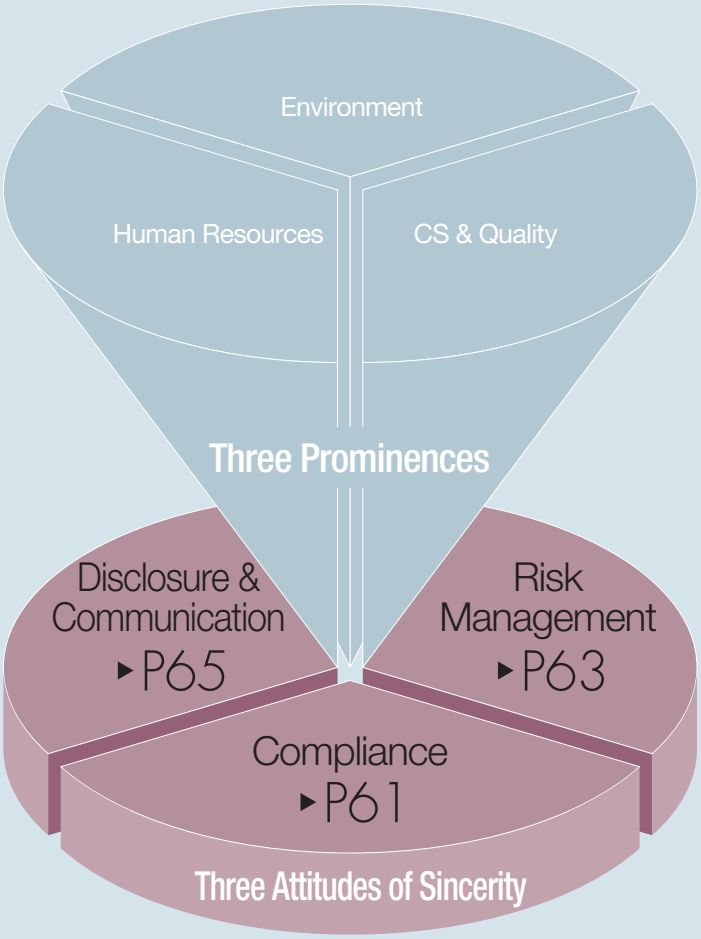
In fiscal 2004, Sekisui Chemical Group began fact-finding surveys on health, safety, and accidents as well as holding safety meetings at overseas production sites. (See page ▶84 of the date volume for performance figures.) In addition, to obtain an accurate grasp of the status of work-related accidents at overseas production sites, in fiscal 2005 we began monitoring the status of work-related accidents at a total of 21 sites in Europe (four sites), the United States and Mexico (six sites in total), Thailand, Australia, and South Korea (four sites in total), and China (seven sites).

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



Foundation of CSR Management

Introducing the "three attitudes of sincerity" that form the basis of Sekisui Chemical Group's CSR Activities



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

In 2003, Sekisui Chemical Group began serious activities focused on compliance, announcing that it would promote Compliance Management that complies not only with laws, regulations and internal rules, but with corporate ethics and international business rules as well.

Since then, based on a basic policy of, "striving to be a company which is trusted throughout society, in which honesty and integrity are the guiding principles for every employee," we have worked towards the creation of a compliance system which promotes the increase of employee awareness and the proactive prevention of problems and the introduction of education and training programs that develop a compliance-oriented atmosphere. Also, in 2006, we established compliance as one of the foundations of CSR Management.

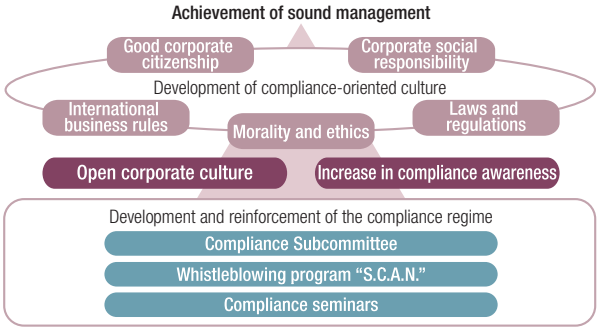
The Compliance Subcommittee, a special subcommittee of the CSR Committee, convenes twice a year and is responsible for:

(1) Discussing basic corporate policies related to compliance
(2) Discussing, determining and managing the progress of compliance action plans, and
(3) Determining policies and countermeasures regarding major company-wide compliance issues.

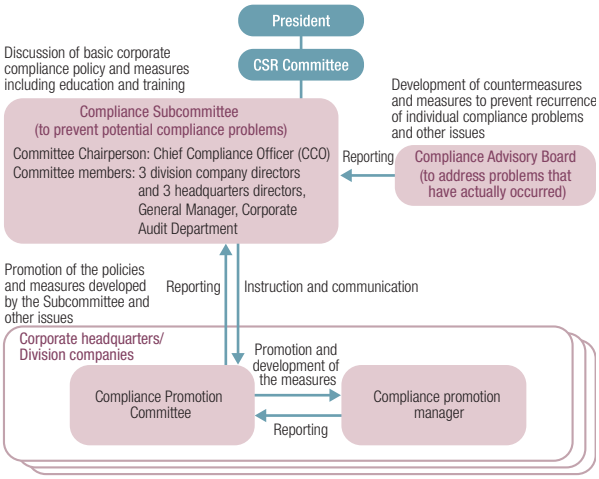
Basic policies and measures discussed by the Subcommittee are initially communicated to promotion managers at each business site through Compliance Promotion Committees set up within each division company and at the corporate headquarters and are then promulgated throughout Sekisui Chemical Group.

In addition to the Compliance Subcommittee, a Compliance Advisory Board is in place to discuss countermeasures and measures to prevent recurrence in the event a compliance problem actually occurs.

Compliance Management Philosophy



Compliance Promotion System



Development of a Compliance-oriented Culture

In 2003, Sekisui Chemical Group developed a Compliance Manual and distributed it to all Group employees (including employees of sub-subsidiaries and temporary workers) to help individual employees comply with laws, regulations, internal rules, and corporate ethics. This revised Third Edition has been published following repeated revisions.

In addition, we are also holding compliance training sessions for employees, executing monitoring surveys to check the compliance status in each department and promoting employee awareness of this issue.

Compliance Manual

Compliance Training Conducted Separately According to Employee Grade and Concerning Subject Matter

Compliance training is organized according to employee grade and subject matter and conducted according to a yearly schedule.

Compliance Trainings in fiscal 2007

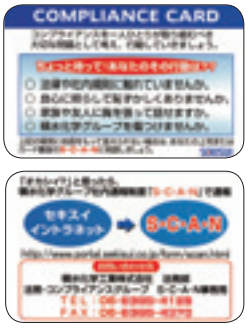
(1) Regular seminars for specific employee groups	• Newly appointed key staff (managers) and new recruits compliance seminar • Compliance seminar for personnel working in overseas businesses
(2) Ongoing seminars for all employees	• e-learning Course (four times per year)
(3) Seminars on individual laws, regulations, and incidents	• Seminars on antitrust law, subcontracting law, consumer contract law, export controls, etc.

Development of S.C.A.N.—Whistle-blowing Program

In 2002, Sekisui Chemical Group developed S.C.A.N. (Sekisui Compliance Assist Network), an intra-company whistle-blowing system, to prevent employees from violating laws, internal rules and corporate ethics.

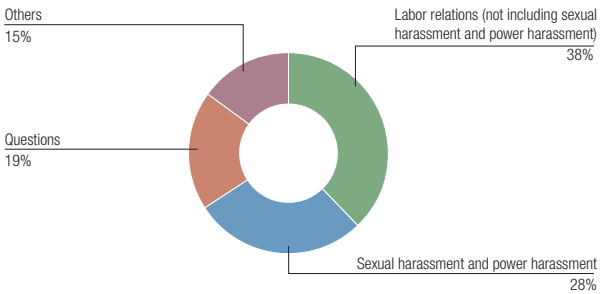
In the internal rules, “protection for whistleblowers,” and, “the confidentiality obligations of employees who become privy to information provided by such persons,” were clearly prescribed, and a total of three whistle-blowing consultation offices for employees have been designated, one location within the company (S.C.A.N. Office) and the two other outside the company (one law office in Tokyo and one in Osaka). Anonymous whistle-blowing and consultation is possible through external whistle-blowing consultation offices.

In fiscal 2007, we promoted even more thorough dissemination of such information by including this guidance on the back of the Compliance Card circulated to all Group employees and temporary workers.



Compliance Card

Reported Irregularities by Category (fiscal 2007) Verified



Monitoring of Activity Status at Each Business Site

Since the start of circulation of the Compliance Manual, we have conducted monitoring surveys across the Sekisui Chemical Group. In fiscal 2006, Sekisui Chemical Group employees conducted self-assessments on compliance over the intranet. These were conducted with the purpose of prompting each Sekisui Chemical Group employee to think of compliance as his or her own responsibility, and to confirm that no incidents or problems violating compliance were occurring.

In fiscal 2007, based on the results of these self-assessments, normalization of transactions with subcontractors and of working hours were identified in the Compliance Subcommittee as issues requiring improvement, and countermeasures were studied. In the area of normalization of transactions with subcontractors, related sections were requested to conduct more detailed self-assessments and, together with providing feedback on the results of these self-assessments, seminars on subcontractor law were held for sections desiring them. In the area of normalization of working hours, interviews were conducted at workplaces to ascertain the actual circumstances of and issues regarding working hours (See page▶55).

Legal Violations in Fiscal 2007, etc.

As a result of an on-spot investigation conducted by the Japan Fair Trade Commission in November 2006 regarding determination of sale prices targeted at gas-related businesses in sales of polyethylene gas pipes and fittings, in June 2007 Sekisui Chemical was ordered to take measures to eliminate collusion in price-setting and to pay surcharges.

In addition, in July 2007 Sekisui Chemical underwent an on-spot investigation conducted by the Japan Fair Trade Commission regarding determination of sale prices for polyvinyl chloride pipes. This investigation is ongoing.

Sekisui Chemical takes these circumstances very seriously, and it has cooperated fully with the Japan Fair Trade Commission's investigations. In addition, to prevent such circumstances from arising again, it has designed a structure for carrying out thorough control of the product price-setting process as well as efforts such as approval in advance when joining any group of companies and prior approval and follow-up reporting on any discussions with competitors. It also has held antitrust legislation seminars headed by outside instructors.

Current efforts have discovered no cases of violations of laws or regulations having significant impact on society.

Risk Management

Strengthening risk management in order to foresee and counteract management risks

Consolidation of a Risk Management System

Current conditions of risk management

Sekisui Chemical Group has established the Sekisui Chemical Group Risk Management Guidelines prescribing basic rules for responding to potential emergency situations such as natural disasters, fires and explosions, environmental pollution, product-related issues, intimidation and crime, information-related incidents and overseas incidents. Copies of these Guidelines are distributed to managers of the Group to ensure everybody knows and understands their contents.

In the event of an emergency, responses are centered on the sections in charge, depending on the type of issues involved.

Today, as cases of large-scale natural disasters, terrorism, and corporate scandals continue to take place, any emergencies are responded to in accordance with this manual, while ensuring a system is in place for swift and accurate communication of information to top management in the event of an emergency, through means such as revising the emergency contact network in response to organizational restructuring.

Toward strengthening the risk-management structure

Swift and appropriate responses to risks faced by company management, which are growing more diverse and more complex from year to year, are essential. Examples of such risks include those related to natural disasters such as earthquakes and typhoons strengthened by global warming, rapid changes to the business environment, and issues affecting employees and society as a whole, as well as those related to issues such as ensuring employee safety and the circumstances of individual countries and territories as the Group's overseas businesses expand.

In response, Sekisui Chemical Group has reviewed its risk-management measures thoroughly.

The main concepts behind risk management are responding as swiftly as possible to issues such as emergencies, minimizing the effects of such issues not just within Sekisui Chemical Group but throughout society as well, and identifying potential risks as much as possible, carrying out preventive measures in light of the likelihood and impact of such risks, and minimizing the effects of such risks if they materialize.

In fiscal 2007, risk identification was conducted centered on corporate sections, as a preliminary study for these purposes. Based on this effort, fiscal 2008 plans call for identifying risks throughout Sekisui Chemical Group and studying responses to such risks.

Reducing risks on a daily basis

Reducing risks to children commuting to and from school, by installing new delivery gates

In 2007, Sekisui Chemical marked the 60th anniversary of its founding. Some of its facilities that were built on the outskirts of town are now surrounded by newly developed residential properties, and as a result children use nearby streets to commute to and from school. The front gate of the Tokyo Plant of Sekisui Chemical faces a street that children walk on their way to and from school. Since this street is used by a large number of heavy trucks entering and exiting the plant grounds every day, in 2007 the plant built a new truck gate after first obtaining from local government authorization to use a public farm road along the stock yard in the back of the plant site. As a result, children can now walk to school more safely, since trucks carrying shipments no longer use the same street children use to get to school, while the trucks can enter and exit from the new truck gate instead of the front gate. In addition, delivery rates and safety inside the plant have improved as well, as traffic lines within the plant have improved.

In this way, Sekisui Chemical Group is working to build business facilities with strong roots in their local communities, by reducing risks in the vicinities of plants.

Newly built truck gate

Children walking to school safely

Example of preventing serious accidents at a PVC resin plant

Responding with calmness and certainty to an emergency situation

In August 2007, Tokuyama Sekisui Industry Co., Ltd., which produces PVC resin, became unable to receive a supply of electricity due to a problem at a neighboring power-supply company. Although this incident was both unprecedented and unanticipated, with even power for safety and security uses not supplied, thanks to the swift and appropriate responses of Tokuyama Sekisui's employees the company was able to recover without serious incident.

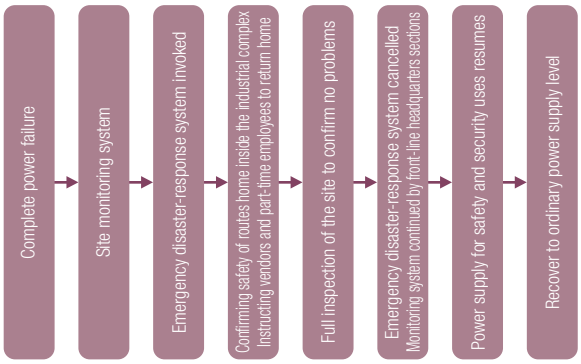
PVC resin is produced through a chemical reaction known as polymerization. Cutoff of the power supply used to control this reaction could result in incidents such as explosions or fires.

In light of these risks, Tokuyama Sekisui has thoroughly conducted periodic inspections and daily equipment inspections and also trained every employee to have a high level of awareness regarding risk management.

By implementing calm and certain responses on site, the company was able to resume production after four days, preventing any irregularities from arising with the chemical reaction and confirming the operation and safety of all equipment.

Using this experience, in the future Tokuyama Sekisui will work to prevent possible risks and to minimize the impact of any risks that materialize, through efforts such as improving employee's expertise and skills through communication of technologies and techniques, achieving effective coordination between sections, and reviewing manuals.

Steps from power failure through resumption of production



Response to Asbestos Concerns

Responding sincerely to asbestos-related issues, through continued efforts including information disclosure

As a natural resource with superior performance in terms of water and fire resistance, asbestos has been used primarily in building materials to reinforce materials such as cement and plastic. At the same time, asbestos has become a matter of considerable concern in society in recent years due to concerns about its effects on nearby residents and employees, since symptoms of conditions believed to be caused by the material, such as asbestosis and malignant mesothelioma, appear decades after exposure.

Today, Sekisui Chemical Group uses no asbestos in its production processes for products and parts. However, in the past it once produced and sold products — chiefly home building materials — containing asbestos, and some products sold included parts containing asbestos.

For these reasons, we are proceeding with responses to asbestos-related issues such as those shown below. In the future as well, we will work to ensure the peace of mind of our customers, partners, employees, and other stakeholders on this matter.

Primary activities to address asbestos concerns

(1) Disclosure of information on periods over which products containing asbestos were sold, symptoms of asbestos-related conditions, etc.

(2) Notifying buyers of Sekisui Chemical Group's Sekisui Heim and Two-U Home of use of parts and materials containing asbestos

(3) Providing information on handling of Sekisui Chemical Group products containing asbestos to vendors and partner companies, and preventing the impact of house demolitions on employees and the surrounding areas

(4) Continuing medical examinations for current and former employees who handled asbestos-containing products

Disclosure and Communication

Sekisui Chemical Group delivers CSR Management by advancing the processes of disclosure and communication with stakeholders

Establishment of Disclosure System

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.

In December 2005, we clearly stipulated its Disclosure Principles as its basic policy for putting these principles into practice.

Based on the principles, Sekisui Chemical Group is working to communicate closely with all stakeholders, and to reflect the evaluations we receive in our business operations as appropriate.

Publishing an e-mail newsletter on CSR

Since August 2007, Sekisui Chemical Group has been sending the "CSR navigator" e-mail newsletter, which includes simplified topics related to CSR, to all employees including temporary workers, once each week.

This newsletter is intended to raise employees' levels of awareness and understanding concerning CSR, by communicating information not just on related issues within the Group but on matters such as trends in society as well.

In addition, all information covered in the newsletter is posted to the intranet CSR site so that employees can view it at any time. Furthermore, users can post their own opinions on the site, to achieve two-way communication.

Communicating with Various Stakeholders

Sekisui Chemical Group maintains an ongoing process of dialog with all stakeholders, to deepen mutual understanding and build relationships of trust.

Stakeholders	Means of dialog and information disclosure, philosophy and examples of dealing with stakeholders
Customers	Reflection of customer's feedback in product development
Business connections	Regular meetings with business partners
Shareholders/ investors	Publication of annual reports and business reports Management briefings and visits to investors
Employees	Meetings with the management, dissemination of information via Intranet Distribution of in-house magazines and awareness surveys
Local communities	Participation in regional environmental preservation activities Convening of regional environmental dialogue
Global environment	Reducing the environmental impact through products and business activities Environmental consideration in business activities
Government and municipal offices, public administration	Dialog with governmental sectors
Education/Research institutions	Assistance in research and joint research Educational support at the junior-high, high-school and university levels (including dispatching lecturers to schools and universities and accepting plant tours)
NPO/NGO	Support for environmental activities through environmental preservation funds Joint conduct of regional environmental preservation activities

Outside evaluation

Sekisui Chemical Group's CSR efforts have received the following evaluations from outside the Group. In the future as well, the Group will advance efforts to continue receiving such high evaluations.

Inclusion in socially responsible investment (SRI) funds, etc. (as of March 2008)

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

Evaluation of efforts

- CSR Report 2007 received Award of Excellence, Environmental Report Category in the 11th Environmental Communication Awards and "Meister Award" (four times in total) (organized by the Global Environmental Forum and the Ministry of the Environment)
- Tohmatsu Environmental Rating (Tohmatsu Evaluation and Certification Organization): AA
- Chosen one of the 100 most sustainable companies in the world (Corporate Knights, Innovest Value Strategic Advisors)

Communication with Stakeholders (1) Environmental forum held at Shiga-Ritto Plant

Valuing communication with members of its local communities, Sekisui Chemical Group is carrying out a wide range of activities at its production sites across Japan, aiming to achieve amicable relations between these sites and members of their local communities.

As part of these efforts, in November 2007 Sekisui Chemical's Shiga-Ritto Plant, which produces plastic pipes and related products, held an environmental forum to which it invited representatives of local government, community organizations, environmental organizations, and leading experts in the field. In addition to presentations on the plant's business and environmental efforts, attendees were provided with demonstrations of the products manufactured at the plant and presentations on efforts such as use of forklifts that run exclusively on biodiesel made from used *tempura* frying oil.

In a session held for exchange of opinions, participants evaluated the plant's daily efforts, such as riverside cleanup activities, and proposed ideas such as a structure for cooperation with the community in the event of a disaster.

Other production sites of Sekisui Chemical Group also plan to hold similar environmental forums in their own local communities.

Participants exchanging opinions

A presentation on a water-recycling facility

Communication with Stakeholders (2) Dialog between employees and top management: Talking about CSR with the President

Since 2002, Sekisui Chemical Group has made available each year opportunities for direct dialog between top management and employees. In fiscal 2007, nine such opportunities were held under the name "Talking about CSR with the President," with 240 employees from Group member companies across Japan in attendance.

Participants took part in group discussions on how Sekisui Chemical Group can be prominent in the three Prominences of CSR: Environment, CS & Quality, and Human Resources, and then made proposals to top management.

In addition to the President and corporate directors, who have been taking part from previous dialogs, this year directors of each division company took part as well, as a frank exchange of opinions was held.

Some of the proposals made by participants, such as preparing a catalog showing environment-contributing products, have been materialized and are now being put into practical use. Plans call for such opportunities for dialog between top management and employees to continue in the future as well, focused on a wide range of themes.

Group discussions on individual subjects

Each group makes its presentation

Voice

A chance to reaffirm the significance of our own efforts

Kobe Branch
Sekisui Heim Kinki Co., Ltd.

Yasutake Nagao

By participating in “Talking about CSR with the President,” I came to understand anew that CSR Management involves changing the corporate culture, and that it cannot be achieved without reforming the level of awareness of each individual employee.

In addition, while discussing the environment with other participants I felt that by communicating to local communities and customers the benefits of environment-contributing products we can convert their benefits from product differentiation to value differentiation, and as a result can demonstrate strong levels of competitive superiority to products from other companies.

In the future, I would like to further utilize the catalog of environment-contributing products that has been realized as a result of our group's proposal with an understanding of how our efforts are related to customers, the environment, and local society and thinking about the kinds of value we need to create to earn the recognition of society and the satisfaction of our customers.

Conserving the Natural Environment and Contributing to Society

Sekisui Chemical Group is promoting nature conservation and social contribution activities with Environment, Next Generation and Local Communities at their core

Sekisui Chemical Group Activities to Contribute to Society

In addition to contributing to society through its business activities, Sekisui Chemical Group is promoting its unique characteristics and assets to launch activities contributing to society in which it does business.

In fiscal 2007, we reviewed Sekisui Chemical Group's social-contribution efforts and established a basic policy on these activities, as well as identifying the main areas of these activities as the Environment, Next Generation, and Local Communities.

In addition, considering the foundation of social-contribution activities to be contributions made to society not just through company activities but also through each employee being interested in and making contributions to society, from fiscal 2008 we will begin building systems to enable even more employees to participate in social-contribution activities.

Sekisui Chemical Group "Social Contribution Policy"

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

All employees working for the Sekisui Chemical Group are proactively involved in the society and act so that they can serve as prominent human resources in society as well.

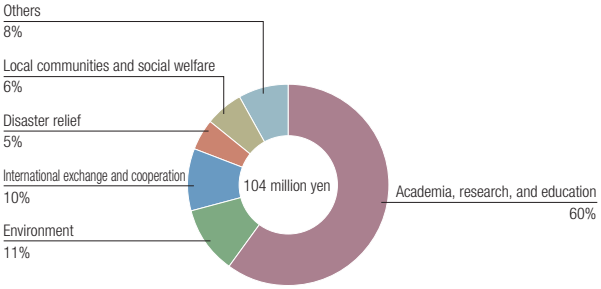
In addition, their activities are supported by each company of the Group in order to generate synergistic effects.

Established April 2008

Charity Activities

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. Total charitable contributions in fiscal 2007 equaled approximately 104 million yen. These contributions were made in the areas shown in the pie chart below. Typical support includes activities in support of NPOs and NGOs through the Keidanren Nature Conservation Fund, regional activities (see pages ▶68 - 69), and the Sekisui Chemical Grant Program for Research on Manufacturing Based on Learning from Nature.

Breakdown of Charitable Contributions Verified



Contributing to Society by Fostering the Science and Technology on Which Next Generations Depend

Sekisui Chemical Group operates a program known as Sekisui Chemical Grant Program for Research on Manufacturing Based on Learning from Nature. This program, launched in fiscal 2002, provides support for universities and research institutions that are researching practical applications of basic scientific knowledge learned from nature. In fiscal 2007, we approved and awarded grants to 12 research proposals out of 237 applications.

To provide an opportunity for academic interaction, the Group also hosts a series of academic forums. Held each year on a continual basis, these events bring together researchers including those working on their grant themes and those addressing research topics in related fields.


Keynote speech


Discussions in the poster session

Participation in Table for Two, a program through which individual employees can contribute to society

Of the world's population of six billion people one billion struggle with hunger while another one billion suffer from lifestyle-related diseases caused by food, such as obesity. Table for Two is a program intended to remedy this inequality in food supply, by providing healthy food to tables in developed nations while adding small contributions to the prices of such food, which are then contributed to the tables of school meals in developing countries.

Sekisui Chemical Group has adopted the Table for Two program as a social-contribution activity that is easy for employees to take part in. Beginning in May 2008, roughly once each week a contribution of 20 yen is added to the price of a single item on the healthy menu available in employee dining halls. For now, the program is conducted at the Osaka and Tokyo headquarters as well as the Kyoto Research Laboratories, but plans call for expanding it gradually to members of the Group.

TABLE FOR TWO
http://www.tablefor2.org/


Information on the Table for Two program in an employee dining hall


A meal chosen from the Table for Two menu

Sekisui Chemical Group Activities to Conserve the Natural Environment

Considering nature-conservation activities to be important efforts in our local communities, Sekisui Chemical Group is promoting such activities as a way of making contributions to society in the area of the environment. Sekisui Nature Study Course ▶ (p.26) trains leaders in nature conservation and serves as a forum for activities to contribute to each region. This Study Course has served as a touchstone for ecologically oriented activities in business sites and companies throughout the Group.

In addition, through activities in support of NPOs and NGOs, as well as regional activities at every business site, we raise the consciousness of our employees and encourage participation in volunteer programs. All of these efforts contribute to a corporate culture and atmosphere that place importance on the environment.

In fiscal 2007, a wide range of nature-conservation activities was conducted at facilities including Sekisui Chemical's Tokyo and Shiga-Minakuchi plants.

Examples of main nature-conservation activities in local communities

- Family nature study course at Tokyo Headquarters, learning about nature from a rice field (Sekisui Chemical's Tokyo Headquarters)
- Protecting *satoyama* with children (Sekisui Chemical's Tokyo Plant)
- Observing living creatures with children (Sekisui Chemical's Gunma Plant)
- Tonegawa River riverside cleanup activities (Gunma Plant of Sekisui Board Co., Ltd.)
- Nature observation tour in *satoyama* by harvesting and cooking vegetables (Sekisui Chemical's Shiga-Minakuchi Plant)
- Bird watching (Sekisui Chemical's Amagasaki Plant and Kyoto Site)
- Watching fireflies (Sekisui Chemical's Kyoto Site)
- Family nature study course at Osaka Headquarters, working to protect tidal wetlands in Osaka Bay (Sekisui Chemical's Osaka Headquarters)
- Kyushu Sekisui Nature Study Course (Kyushu Sekisui Industry Co., Ltd.)


A family nature study course at Sekisui Chemical's Osaka Headquarters


Nature observation tour in *satoyama* (semi-natural ecosystem) near Sekisui Chemical's Shiga-Minakuchi Plant


Protecting *satoyama* near Sekisui Chemical's Tokyo Plant

Green Forest Forestry-preservation Activities Conducted in Cooperation with Local Community in Gunma Prefecture

Sekisui Chemical Group has begun its own Green Forest Forestry-preservation Activities as one effort toward preventing global warming and preserving biodiversity. These are intended to prevent forests from losing their primary functions in areas such as absorbing CO_2 from the atmosphere and protecting biodiversity, as the number of forests left uncared-for increases across Japan.

For example, in Gunma Prefecture approximately 1,000 employees in total work at the five business sites of Sekisui Chemical's Gunma Plant and Woods Promotion Division, Sekisui Board Co., Ltd., Gunma Sekisui Heim Co., Ltd., and Toto Sekisui Co., Ltd. Sekisui Board Co., Ltd. and Toto Sekisui Co., Ltd. use lumber as a raw material in the products they produce.

Protecting and nurturing forestry, which is a valuable resource in Gunma Prefecture, also is important from the point of view of building a sustainable society. For this reason, in March 2008 these five sites together concluded an agreement for forestry preservation and improvement (arranged by Toto Sekisui) with the village of Takayama in Gunma Prefecture, to improve 9.2 hectares of forest owned by the village. In April 2008, representatives of these five sites installed a sign identifying the forest as *Sekisui Shiki no Mori*, as a symbol of these activities, and took part in a commemorative planting ceremony. In addition to monitoring the site, the participants discussed about future activities. A large number of employees will continue to support forestry activities in their local areas across Japan in the future.

Commemorative planting ceremony

Voice

Through five Group business sites working together as one, making large-scale contributions that could not be made by a single site alone

Ota Plant
Toto Sekisui Co., Ltd.

Taichiro Nagura
(At right in photo)

On April 26, in somewhat chilly weather, a total of 27 volunteers working at five Sekisui Chemical Group business sites in Gunma Prefecture gathered together wearing orange jumpsuits with "*Sekisui Shiki no Mori*" printed on them. This was the start of forestry improvement activities on 9.2 hectares of land rented in the village of Takayama, in Agatsuma-gun, Gunma Prefecture.

Before going there, I had only heard other speak about the site, and I did not have a good grasp of how large it was. But when I tried walking on the site I realized just how big it was! Thickly wooded with oak and beech trees and Japanese red pines, it also features a wide range of other trees, including cedar trees planted on the site. On its north, it is bordered by a cool mountain stream. Although we all work in Gunma Prefecture, ordinarily I have no opportunity to meet and speak with people from the other Group member companies.

Being able to work on forestry improvement for three years through these activities is a valuable experience. I would like to make contributions to protecting the environment in this region through this large-scale activity, which a single business site would not be able to conduct on its own.

Supporting the Nature Conservation Activities of NPOs and NGOs

Since 1997, Sekisui Chemical Group has cooperated with a charitable trust, the Keidanren Nature Conservation Fund, to support activities including aid for foreign and Japanese environmental NGO-administered nature conservation projects at home and abroad. In addition to supporting a total of 67 projects through today, we also provide support for the activities of the Nippon Keidanren Committee on Nature Conservation.

We also hold regular reporting sessions within the company on the status of activities of NGOs we support, while many of our employees are deepening their interest in environmental issues by participating in exchange meetings between businesses and NGOs, international nature conservation conferences and NGO project sites.

	Name of project (Country or region)	Name of NGO (country)
Continuing for 4 years	Development of a forest diversity restoration model in Datong, China	Green Earth Network (Japan)
Continuing for 5 years	Asia Wetland Initiative Phase II (Asia)	Ramsar Center (Japan)
Continuing for 3 years	Project to Help *Toki* (Nipponia Nippon) return to the wild (Japan)	NPO School of Killifish (Japan)
Continuing for 2 years	Mount Fuji Environmental Leader Development Project (Japan)	Mount Fuji Club (Japan)
	Important Bird Areas (IBA) Preservation Operations across Asia (Asia and beyond)	BirdLife Asia (Japan)

Continuing Efforts

Primary continuing activities reported on in past reports but not covered in this report are introduced below.

Theme	Item	Summary
Environment	Environmental Information System	A specialized database system for collecting environmental information from facilities
CS & Quality	Coordination with partners	Business explanatory meetings for and purchase auditing of partners such as suppliers of parts and materials and agents Housing Company: Sekisui Heim Kyoeikai Urban Infrastructure and Environmental Products Company: Eslon Kai High Performance Plastics Company: Tsutsumi Net, etc.
	Customer-support services in response to disasters	Checking customer safety, assisting in recovery, etc. in cases such as typhoons and earthquakes
	CS & Quality audit	Inspecting CS & Quality activities
	CS & Quality opinions board	A 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 and hints and case studies for earning trust
	Manufacturing-company assembly-technique information-exchange meetings	Implemented as part of efforts to raise the skill levels of Housing Company employees
	Mystery shoppers	Blind surveys conducted at the Housing Company: Researchers attend home exhibitions to assess employee behavior and exhibition setup, cleanliness, and other matters, from a customer's point of view
Human Resources	Career Interview System (CIS)	Providing opportunities for employees to meet with their superiors once annually to discuss their own careers
	Career course-selection system	A system under which employees can choose their areas of employment in accordance with their own life plans
	Sekisui Fureai Forum	As a means of supporting students seeking work, providing a venue for exchange of opinions between university students and Sekisui Chemical employees on matters such as reasons for and the meaning of working with the company, with no presentations on or screening by Sekisui Chemical
	Internship program	Providing opportunities to experience working in a company, using summer vacation and other times
Risk Management	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 directors on how to deal with the media in the event of an emergency

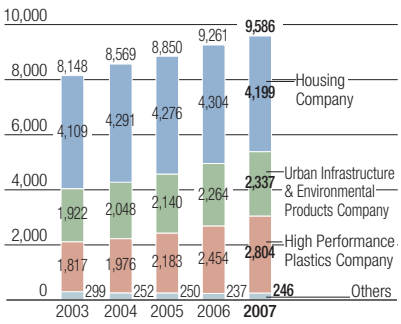
Primary continuous efforts other than the above:

- Training sessions for management
- Protection of personal information
- Sekisui Scholarship program for students at Soochow University in China
- Orphan education pension system and orphan scholarship system
- Internal audits of information security
- Plant tours
- Management explanatory meetings for shareholders and individual investors

Management Benchmarks (Consolidated)

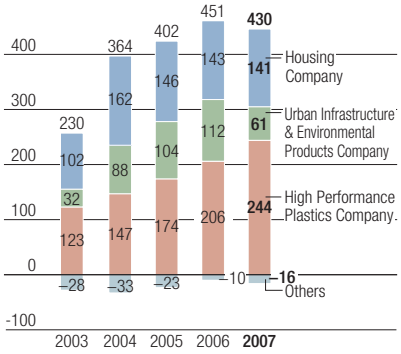
Sales (by Each Division Company)

(100 million yen)



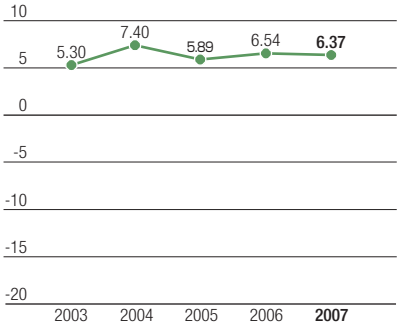
Operating Income (by Each Division Company)

(100 million yen)



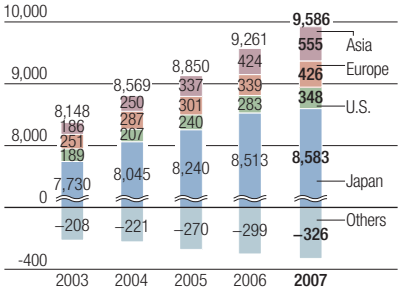
ROE

(%)



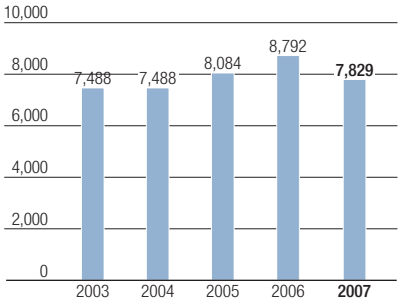
Composition of Sales by Geographical Segments

(100 million yen)



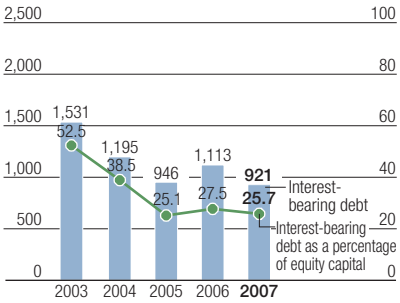
Total Assets

(100 million yen)



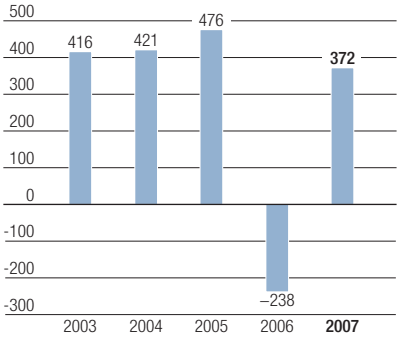
Interest-bearing Debt and Interest-bearing Debt as a Percentage of Equity Capital

(100 million yen) (%)



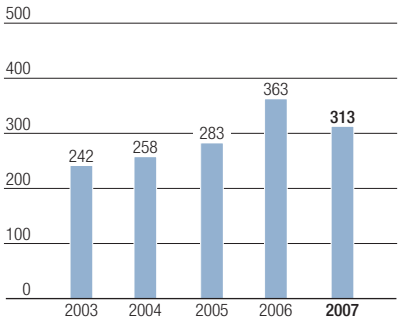
Free Cash Flows

(100 million yen)



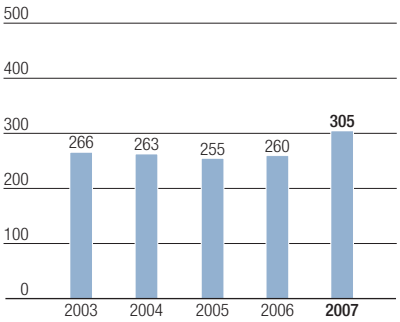
Capital Expenditures

(100 million yen)



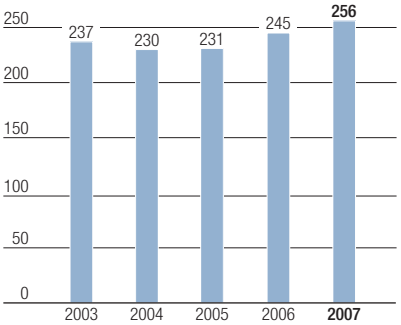
Depreciation and Amortization

(100 million yen)



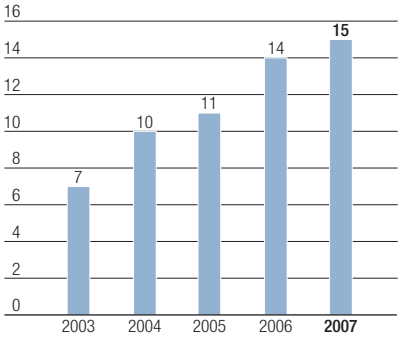
R&D Costs

(100 million yen)

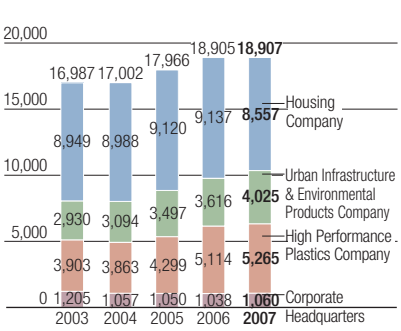


Annual Dividend Per Share

(yen)



Number of Employees



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 — 31 companies and 95 business sites

Sekisui Heim Sales Companies
Construction and Service Companies

45 companies and 106 business sites in total

Urban Infrastructure & Environmental Products Company

R&D institutes — 1 company and 1 business site

Kyoto R&D Laboratory

Production plants — 21 companies and 11 business sites

Shiga-Ritto Plant
Tokyo Plant
Sekisui Chemical Hokkaido Co., Ltd.
Okayama Sekisui Industry Co., Ltd.
Sekisui Hometechno Co., Ltd., etc.

21 companies and 12 business sites in total

High Performance Plastics Company

R&D institutes — 1 company and 1 business site

R & D Institutes

Production plants — 14 companies and 15 business sites

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

14 companies and 16 business sites in total

Corporate Headquarters

R&D institutes — 1 company and 1 business site

New Business Office Development Center

Production Plants and Headquarters — 8 companies and 10 business sites

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

8 companies and 11 business sites in total

Total: 85 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) Verified

Input

Main Raw Materials

•Metals	87 thousand tons
•Wood, wooden building materials	44 thousand tons
•Cement for exterior walls	125 thousand tons
•Concrete for foundations	268 thousand tons
•PVC	174 thousand tons
•Polyethylene	91 thousand tons
•Polypropylene	37 thousand tons
•Kraft paper	17 thousand tons
•PRTR-designated substances	134 thousand tons

Energy 6,728 TJ

•Purchased electricity	392,049 MWh
•Heavy oil A	5,316 KL
•City gas	49,949 thousand m^3

Industrial water 12,338 thousand tons

Sekisui Chemical Group

Output

PRTR-designated substances

•To the atmosphere	591 tons
•To water	0.6 tons

CO_2 from energy consumption	301 thousand tons-CO_2
NOx	198 tons
SOx	13 tons
Soot particles	10 tons
Water discharged	11,157 thousand tons
COD	64 tons
Total generated waste	42 thousand tons

Environmental Accounting Verified

Scope of environmental accounting
(1) Summation period: April 1, 2007 to March 31, 2008
(2) Scope of summation: 34 target production sites (as listed on p. 72) + 4 Laboratories + each department of Corporate Headquarters + back offices of division companies + 16 housing sales companies
(3) Principle 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 facilities grew to 34 with the addition of one company.
- The number of housing sales companies changed to 16, and the number of business sites to 37, due to restructuring (there was no change in the scope of summation).

Environmental Conservation Cost (by Each Division Company)

(million yen)

Items		Housing Company *1		Urban Infrastructure & Environmental Products Company		High Performance Plastics Company		Entire Company *2	
Category	Description of main activities	Costs	Investments	Costs	Investments	Costs	Investments	Costs	Investments
1) Costs within business areas	Prevention of air, water and noise pollution, etc.	1,096	6	142	32	408	404	1,646	458
	Countermeasures against global warming (energy-saving), etc.	32	15	29	109	100	323	165	448
	Waste reduction, recycling, disposal, etc.	3,768	1	417	40	468	23	4,657	64
2) Upstream/ downstream costs	Cost increases due to switch to packaging/packing methods involving reduced environmental impact, greener purchasing, etc.	196	0	74	18	56	0	344	18
3) Administrative costs	Environmental education, EMS maintenance, running costs for green action organization, information disclosure	789	0	280	0	321	0	2,527	9
4) Research & Development costs	Research & Development on environmental conservation	135	15	1,171	13	241	6	1,655	39
5) Social activities costs	Social contributions, etc.	16	0	18	0	12	0	57	0
6) Environmental damage costs	Nature restoration, etc.	0	0	0	0	25	0	25	0
Total		6,032	38	2,130	212	1,630	757	11,075	1,037

Items	Housing Company *1		Urban Infrastructure & Environmental Products Company		High Performance Plastics Company		Entire Company *2	
	R&D expenditure	Investments	R&D expenditure	Investments	R&D expenditure	Investments	R&D expenditure	Investments
Total amount of R&D costs and investment in the fiscal period (million yen)	4,587*3	4,081	5,670*3	5,508	11,215*3	7,274	25,599*3	17,871
Ratio of amount related to environmental conservation activities to total (%)	2.9	0.9	20.6	3.9	2.1	10.4	6.5	5.8

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

Environmental Conservation Cost (by Environmental Conservation Measures)

(million yen)

Items		Housing Company *1		Urban Infrastructure & Environmental Products Company		High Performance Plastics Company		Entire Company *2	
Category	Description of main activities	Costs	Investments	Costs	Investments	Costs	Investments	Costs	Investments
1.Prevention of global warming	Reduction of CO_2 emissions, etc.	70	15	53	109	109	323	315	447
2.Ozone layer protection	Reduction of Chlorofluorocarbon emissions, etc.	5	0	0	0	8	0	13	0
3.Conservation of air quality	Prevention of air pollution by reducing pollution substances	266	6	70	16	188	132	524	175
4.Prevention of noise and vibration	Prevention of noise and vibration pollution	5	0	5	0	10	0	19	0
5.Conservation of water environment, soil environment, ground quality	Preservation of water quality, prevention of subsidence	183	0	327	15	188	267	770	283
6.Waste reduction and recycling	Reduction and treatment of waste, recycling	4,071	16	1,300	71	526	29	5,905	117
7.Reduction of chemical substance	Risk management of chemical substances, etc.	352	0	8	0	151	5	511	5
8.Conservation of natural environment	Nature protection, etc.	54	0	49	0	35	0	143	0
9.Others	Others	1,025	0	318	0	416	0	2,875	10
Total		6,032	38	2,130	212	1,630	757	11,075	1,037

*1 37 business sites of housing sales companies included *2 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			Entire Company			See page
					Fiscal 2006	Fiscal 2007	Effect (07-06)	Fiscal 2006	Fiscal 2007	Effect (07-06)	Fiscal 2006	Fiscal 2007	Effect (07-06)	Fiscal 2006	Fiscal 2007	Effect (07-06)	
Effects within business areas	Effects on invested resources	(2) Amount of energy usage *4	1. Electricity	TJ	486	468	-17	1,573	1,520	-53	1,181	1,171	-10	3,927	3,854	-73	77
			2. Fuel	TJ	190	173	-17	201	177	-24	2,179	2,272	94	2,826	2,874	49	77
	Effects on environmental impact and wastes	(3) CO_2 emissions *5		Thousand tons	30.6	28.8	-1.8	71.7	68.1	-3.6	157.4	155.3	-2.1	308.7	301.3	-7.4	21
		(4) Volume of environmental pollutants discharged *6		Tons	3.8	5.1	1.3	79.5	71.5	-8	541.6	510.8	-30.8	629.4	591.3	-38.1	79
		(5) Wastes generated *7		Thousand tons	13.6	11.0	-2.6	10.7	9.6	-1.1	19.7	19.5	-0.2	46.2	42.1	-4.1	23
		(6) Outsourced disposal *8		Thousand tons	0.00	0.00	0.00	0.07	0.02	-0.05	0.11	0.07	-0.04	0.29	0.18	-0.11	78
Upstream/down-stream effects	Effects due to products/services	CO_2 reduction by photovoltaic generation, etc. (cumulative)		Thousand tons	112	126	14	–	–	–	–	–	–	112	126	14	11
Other benefits on environmental conservation	Others *9	ISO14001 Certification	New acquisitions	Numbers	0	0	–	1	0	–	3	1	–	4	4	–	–
			Renewals	Numbers	4	6	–	3	4	–	6	0	–	13	13	–	–
		Number of business sites achieving zero emission *10		Numbers	0	0	–	0	1	–	0	0	–	0	1	–	24

*4 Conversion into thermal units uses the coefficient published by the Ministry of Economy, Trade and Industry.
*5 Emissions at the time of manufacturing and conversion to CO_2 amounts use the coefficient published by the Ministry of the Environment (calculated based on the coefficient for 2000).
*6 Applicable to Class I Designated Chemical Substances specified by PRTR Law. *7 Amount discharged + Amount disposed of at price + Amount incinerated within own premises.
*8 Simple incineration + Landfill. *9 Including business sites not subject to environmental accounting summation such as overseas business sites.
*10 A business site affiliated to multiple companies is counted as one.

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

(million yen)

Description of effects		Housing Company	Urban Infrastructure & Environmental Products Company	High Performance Plastics Company	Entire Company *3	Remarks
Revenue	(1) Profit on sales of valuable resources	29	25	331	386	Profit on sales of valuable resources from promotion of waste segregation and recycling
Cost-saving	(2) Savings from simplified packaging	0	12	5	17	
	(3) Cost-saving through energy-saving activities	7	69	225	302	
	(4) Cost-saving through waste reduction activities, etc.	8	176	600	785	Including resource-saving activities
Sub-total (actual effects)		44	281	1,162	1,489	
(5) Contribution to environmental conservation activities *11		615	2,249	3,311	6,175	Contribution of environmental conservation activities to added value at business sites *12
(6) External Economic Effect		3,736	4,369	–	8,105	Monetary conversion of impact from photovoltaic systems and non-excavating pipe renewal method
Sub-total (estimated effects)		4,351	6,618	3,311	14,280	
Total		4,395	6,899	4,473	15,768	

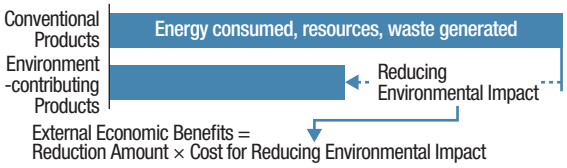
*11 Excluding housing sales companies *12 (Added value from business sites) x {(Costs within business areas + Administrative costs) / (Total production costs excluding materials costs)}

Sekisui Eco Value Index Verified

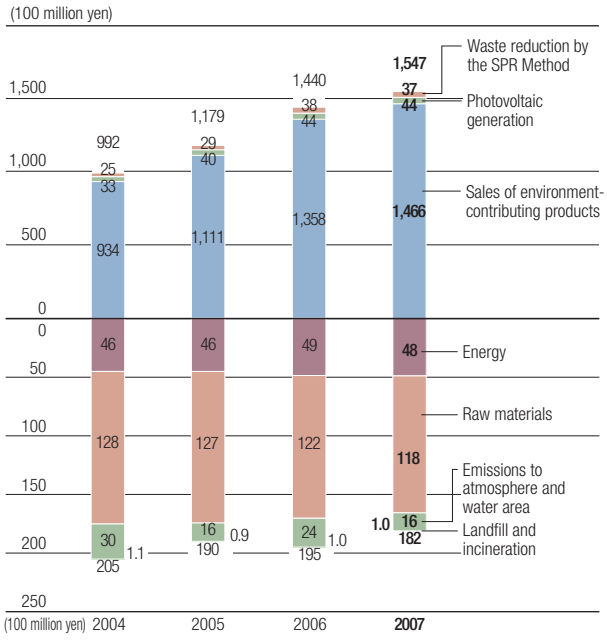
The Sekisui Eco Value Index (see page ▶18) is an independent index utilized by Sekisui Chemical Group for measuring the efficiency of our environmental management activities.

Sekisui Eco Value Index = Environmental Added Value (converted to monetary amount) (= sales revenue from environment-contributing products + external economic benefits) / Group's overall environmental impact (converted to a coefficient) (JEPIX 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.

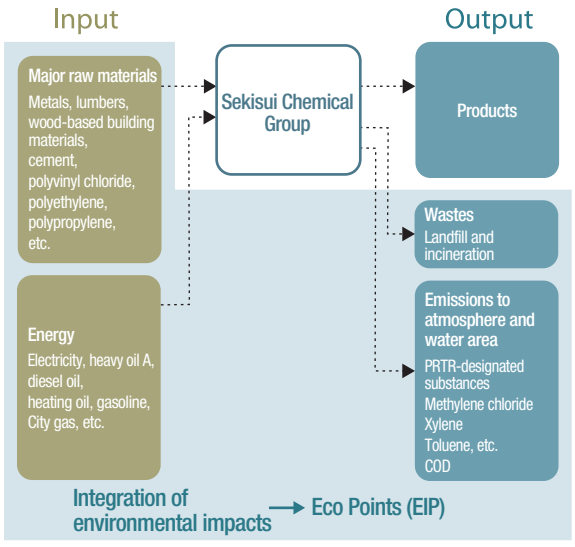


Environmental added value



Overall environmental impact (Eco Points)

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.



Environment-contributing products

In fiscal 2003, Sekisui Chemical Group established a set of environment-friendly product accreditation guidelines and began promoting the expansion of environment-friendly products and businesses.

Since fiscal 2006, we have developed the concept of taking the environment into consideration further and established new standards for environment-contributing products and services, which not only take into consideration reducing environmental impacts in production processes but also contribute to reducing the environmental impacts of customers and society.

At present (as of March 31, 2008), 34 products meet these standards.

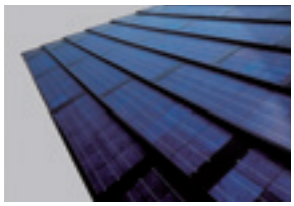
Products That Help Reduce CO_2 Emissions

Zero Utility Cost House

Be-ond

Chezdan

Brook Solar H



Sound insulation/Solar control interlayer film

Heat insulation interlayer film

Heat-saving Thermal bath

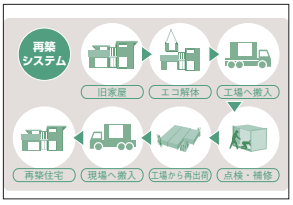
Phenovaboard

Olefin type hot welt adhesive for packaging applications

Grand To You (high efficient air-conditioned)

Products That Help Reduce Consumption of Energy and Other Resources through Reusing, Reducing, and Recycling

Reused System House



Wafer shipping box

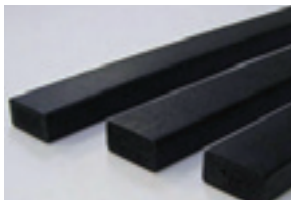
Light weight Brook tile

Az container

Hanayaka, Sukoyaka

Recycle containers

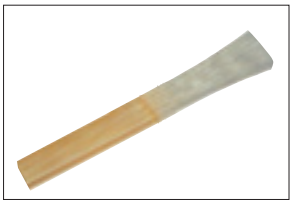
Recycled building materials



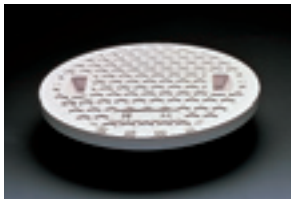
eContainer

EcoValue Wood

FFU

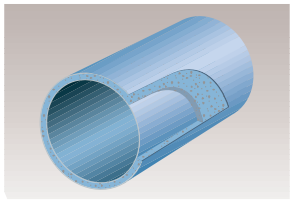


Recycle PET lid



Rifare

Recycled 3-layer pipe



Cartridge type analytical system

Products That Help Improve the Water Environment

Cross Wave

Rain Station

Vacuum sewerage system

Pipe rehabilitation systems

Ecaro

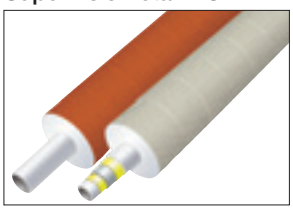
Eslon Fire-resistant VP Pipes and Eslon Fire-resistant DV Fittings

Water circulatory system

Drainage water purification equipment

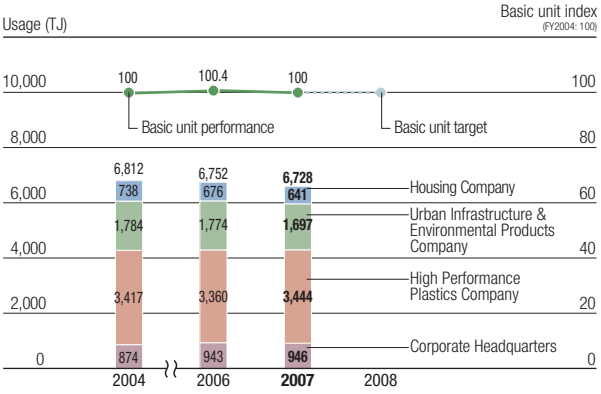
Eslon Pipe Series

Super EsloMetax EC



Global Warming Prevention Verified

Energy Usage and Unit Energy Consumption During Manufacturing



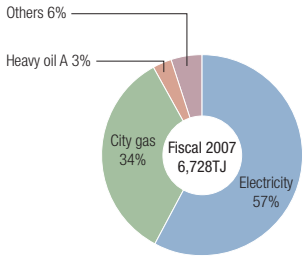
CO_2 Emissions Coefficient

The conversion coefficients listed below have been used by all business sites to calculate volumes of and reductions in CO_2 emissions.
Our aim is to more accurately evaluate results from this approach by first removing any external factors.

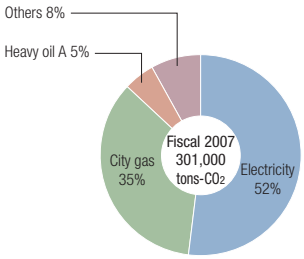
Purchased electricity	0.378 tons CO_2/MWh (purchases from general electric power suppliers)
Purchased electricity	0.602 tons CO_2/MWh (purchases from other suppliers)
Heavy oil A	2.77 tons CO_2/KL
Heating oil	2.51 tons CO_2/KL
Diesel oil	2.64 tons CO_2/KL
Gasoline	2.31 tons CO_2/KL
LPG	3.02 tons CO_2/ton
City gas	2.15 tons CO_2/thousand m^3
Purchased steam	0.200 tons CO_2/ton

Source: "Comprehensive report detailing results of the study regarding calculations on volume of greenhouse gas emissions" (August 2002, Japanese Ministry of the Environment Greenhouse Gas Emissions Volume Calculation Method Study Team)

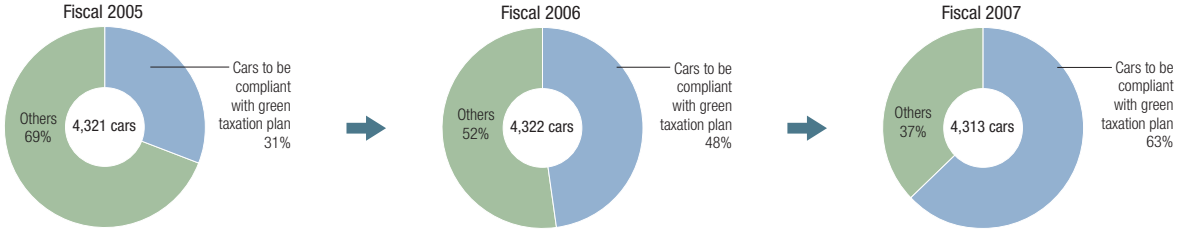
Breakdown of Energy Used



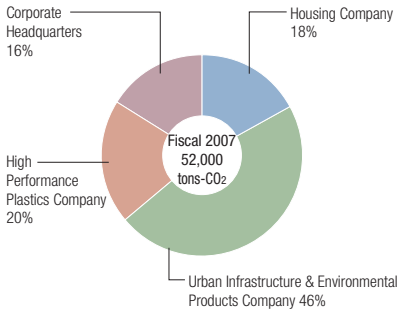
Breakdown of CO_2 Emissions



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

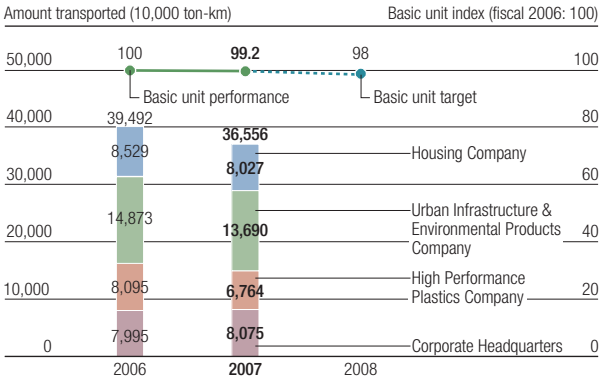


CO_2 Emissions in the Product (Distribution Stage)



- Amount transported in fiscal 2007: 370 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

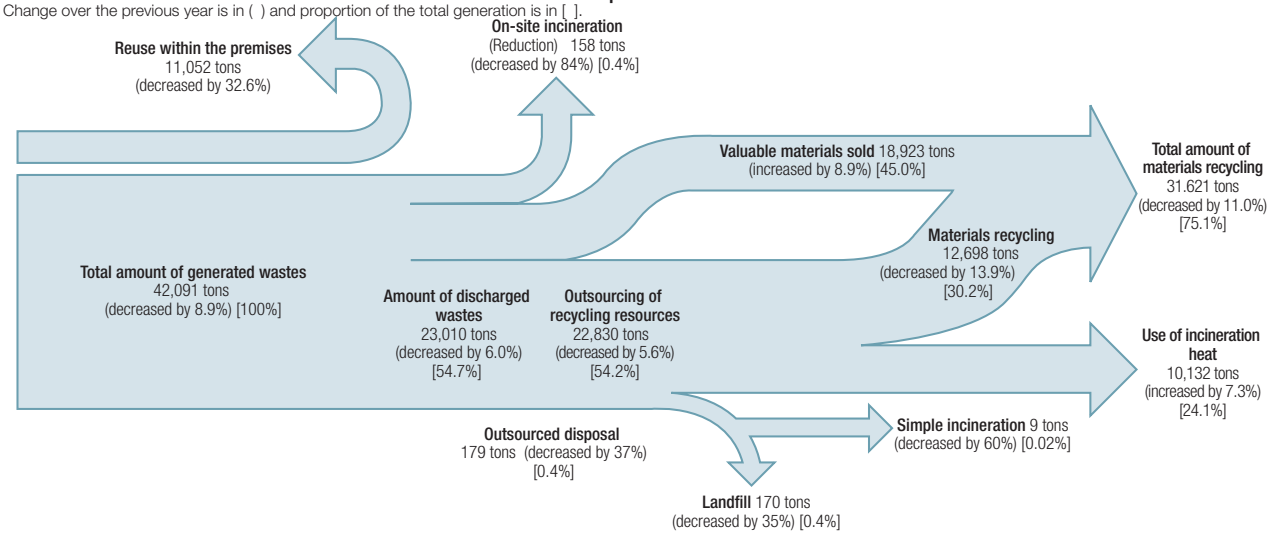
Amount transported and transportation basic unit costs (index)



Resource Recycling and Saving Verified

Fiscal 2007 Annual Production Site Waste Generation and Disposal Conditions

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



Zero Emission Achievement Criteria and Accreditation System of Sekisui Chemical Group

(1) All outside incineration must include thermal utilization, and no landfill outside or inside of facilities (Recycling ratio 100%).

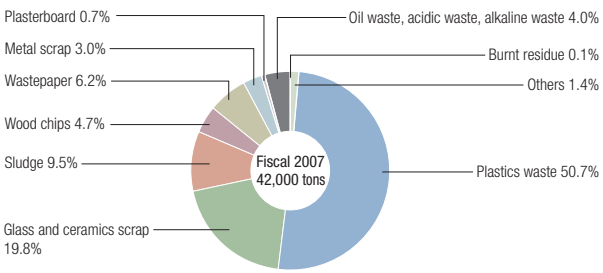
(2) If the waste quantity is small and is a type of waste that has never been recycled before, recycling methods and relevant contractors must be identified and a service agreement must be executed. We have also established uniform evaluation criteria named the Zero Emission Achievement Evaluation List. 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.

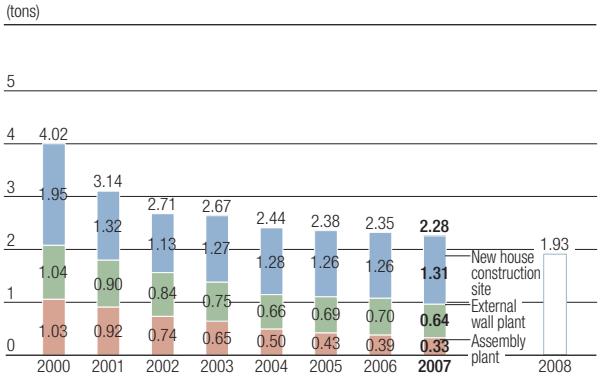
Breakdown of Generated Waste



Status of Zero Emission Achievement

Production sites	Achieved at 34 plants in Japan and two overseas plants, including those of affiliates
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 2007, 99.7% recycling rate for Designated Construction Materials (scrap concrete and wood) (Target: 100% recycling rate by fiscal 2010)

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



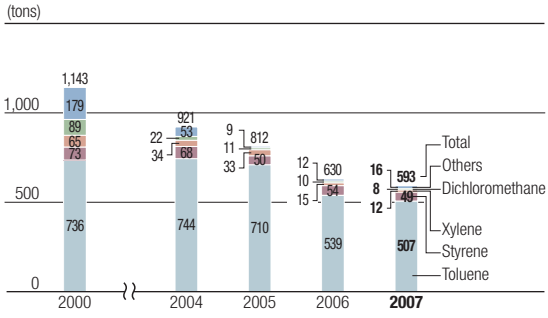
Summation Results Based on the PRTR Law Verified

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

(tons)

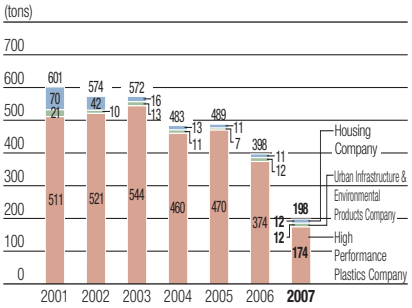
Items	Government ordinance notification number	Transaction volume	Emission volume				Transfer volume			Detoxification
			Emitted gases	Public area water-zones	In house soil	In house landfill	Sewage system	Transfer in waste Disposal	Transfer in waste Recycling	
Acrylic acid	3	53.2	0	0	0	0	0	0	4.8	48
Acrylonitrile	7	98.1	0.42	0	0	0	0	0	0.0030	97
Bis (2-ethylhexyl) adipate	9	5.7	0	0	0	0	0	0	0.0060	0
Acetaldehyde	11	238.5	0.19	0	0	0	0	0	0	238
Antimony and its compounds	25	40.8	0	0	0	0	0	0	4.1	0
Bisphenol A epoxy resin (liquid form)	30	306.0	0	0	0	0	0	0	0.16	303
Ethylbenzene	40	1.1	1.1	0	0	0	0	0	0	0
Ethylenediaminetetraacetic acid	47	1.5	0	0	0	0	0	0	0	1.5
Xylene	63	92.5	12	0	0	0	0	0	3.9	74
Vinyl chloride	77	124,766.0	4.2	0.13	0	0	0	0	0	124,762
Cobalt and its compounds	100	1.3	0	0	0	0	0	0	0	0
Dichloromethane	145	626.3	7.7	0	0	0	0	0	1.0	618
N.N-Dimenthylformamide	172	4.4	0.0071	0	0	0	0	0	1.8	2.6
Organic tin compounds	176	118.2	0	0.0001	0	0	0	0.42	0.42	0
Styrene	177	4,444.8	49	0.16	0	0	0	0.0009	7.5	3,159
Decabromodiphenyl ether	197	73.1	0	0	0	0	0	0	8.8	0
Terephthalic acid	205	76.7	0	0	0	0	0	0	0	0
Toluene	227	1,605.2	507	0.30	0	0	0	0	37	1,061
Lead and its compounds	230	747.4	0.0004	0.0022	0	0	0.0010	0	2.9	0
Phenol	266	9.5	1.1	0	0	0	0	0	0	8.4
Di-n-butyl phthalate	270	5.1	5.1	0	0	0	0	0	0	0
Bis- (2-ethylhexyl) phthalate	272	225.9	1.2	0	0	0	0	1.0	2.2	0
Formaldehyde	310	11.9	0.67	0	0	0	0	0	0	11.3
Methacrylic acid	314	30.6	0.015	0	0	0	0	0	0	31
Methyl methacrylate	320	244.3	0.38	0	0	0	0	0	0.011	244
Methylacrylonitrile	321	96.1	0.44	0	0	0	0	0	0.0020	96
Total		133,924.3	591	0.59	0	0	0.0010	1.5	75	130,754
Dioxins (Unit: mg-TEQ)	179	–	0.96	0	0	0	0	0	3.4	0

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

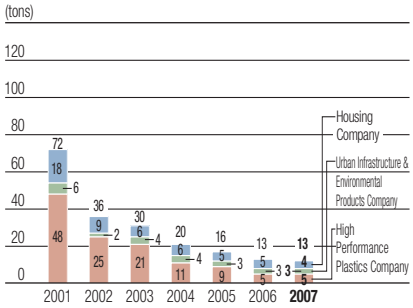


Atmospheric, Water, and Soil Related Emissions Verified

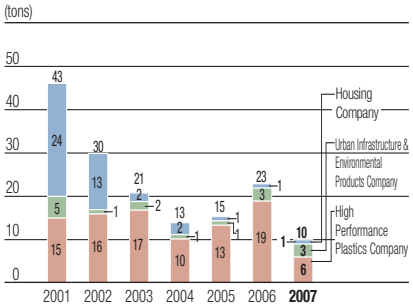
NOx Emission Volume



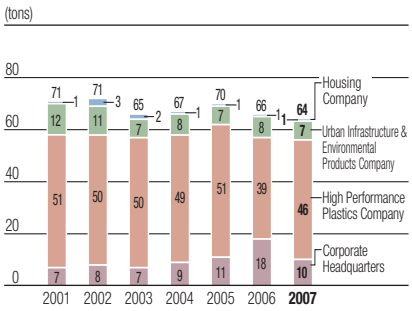
SOx Emission Volume



Soot and Dust Emission Volume



COD Discharge Volume



Business Site Soil Surveys

Business sites	Survey substance	Target	Item	Excess of the standards
Gunma Plant	Lead	Soil	Content	No
			Elution amount	No
	Lead and legally defined organic solvents*	Groundwater		No
Kyushu Sekisui Industry Co., Ltd.	Lead, hexavalent chrome	Soil	Content	No
			Elution amount	No
	Lead, hexavalent chrome, and legally defined organic solvents*	Groundwater		No
Amagasaki Plant, Sekisui Chemical Co., Ltd.	Lead, hexavalent chrome, benzene, and three types of chlorinated solvents	Soil	Content	Yes (lead)
			Elution amount	Yes (lead)
	Lead, hexavalent chrome, benzene, and three types of chlorinated solvents, and legally defined organic solvents*	Groundwater		No
Shikoku Sekisui Industry Co., Ltd.	Lead, cadmium, benzene	Soil	Content	Yes (lead)
			Elution amount	Yes (lead)
	Lead, cadmium, benzene, and legally defined organic solvents*	Groundwater		Yes (lead) *In one of four measurements only

* Class 1 designated harmful chemical substances

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. Miyagi Branch
(Sekisui Fami-S Tohoku Co., Ltd. Miyagi Branch)
Sekisui Heim Tohoku Co., Ltd. Fukushima Branch
(Sekisui Fami-S Tohoku Co., Ltd. Fukushima Branch)
Sekisui Heim Tohoku Co., Ltd. Kitanihon Branch
(Sekisui Fami-S Tohoku Co., Ltd. Kitanihon Branch)
Sekisui Heim Tohoku Co., Ltd. Yamagata Branch
(Sekisui Fami-S Tohoku Co., Ltd. Yamagata 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.
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 Chugoku Co., Ltd.
and Sekisui Fami-S Chugoku Co., Ltd.
Shikoku Sekisui Heim Co., Ltd.
(Shikoku Sekisui Fami-S Co., Ltd.)
Kagawa Sekisui Heim Co., Ltd.
(Kagawa Sekisui Fami-S Co., Ltd.)
Sekisui Heim Kyushu Co., Ltd.
(Sekisui Fami-S Kyushu Co., Ltd.)

Urban Infrastructure & Environmental Products Company

Sekisui Chemical Co., Ltd. Shiga - Ritto Plant
(Ritto Sekisui Industry Co., Ltd.)
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
(Toseki Kako Co., Ltd., Sekisui Chemical Co., Ltd. Wood Business Promotion Division, 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.
KLEERDEX COMPANY LLC.
ESLON B.V.
Xinjiang Yongchang-Sekisui Composites Co., Ltd.
Wuxi SSS-Diamond Plastics Co., Ltd.
Sekisui (Qingdao) Plastic Co., Ltd.

High Performance Plastics Company

Sekisui Chemical Co., Ltd. Amagasaki Plant
Sekisui Chemical Co., Ltd. Musashi Plant
Sekisui Chemical Co., Ltd. Minase Site
Sekisui Chemical Co., Ltd. Shiga-Minakuchi Plant
and Sekisui Fuller Co., Ltd. Shiga Plant
Sekisui Techno Molding Co., Ltd. Main 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 Co., Ltd. Taga Plant
(Sekisui Chemical Co., Ltd. OS Project)
Sekisui Film Kyushu Co., Ltd.
(Kaseki Kako Co., Ltd.)
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. Ota Plant
Sekisui S-LEC (Suzhou) Co., Ltd.

Corporate Headquarters

Sekisui Chemical Co., Ltd. Tsukuba Plant
(New Business Office Development Center and Housing Technology Institute)
Tokuyama Sekisui Industry 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

( ): 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 2007
(for Production sites and Laboratories, as of End of March 2008)

			Number of cases	Correction completed	Undergoing correction
Corporate Headquarters environmental auditing* (27 business sites)		Issues of concern	147	110	37
		Issues to work on	218	136	82
		Proposals	17	8	9
		Total	382	254	128
Auditing by certification body	Renewal (13 business sites)	Nonconformity (major)	0	0	0
		Nonconformity (minor)	13	11	2
		Observations	51	31	20
		Total	64	42	22
	Surveillance (25 business sites)	Nonconformity (major)	0	0	0
		Nonconformity (minor)	12	6	6
		Observations	132	96	36
		Total	144	102	42
Internal auditing of business sites (39 business sites; 43 times of auditing)		Nonconformity (major)	3	3	0
		Nonconformity (minor)	172	153	19
		Observations	489	396	93
		Total	664	552	112

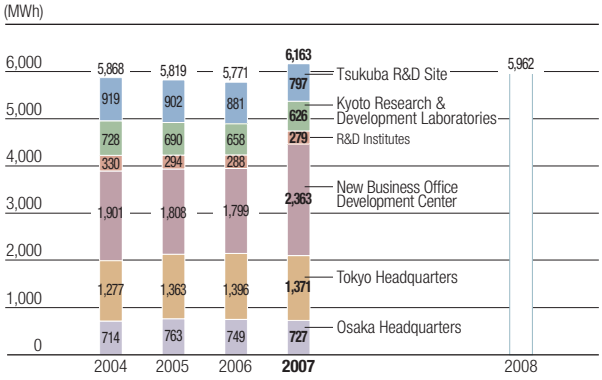
* Category of instructions for Corporate Headquarters environmental auditing
Issues of concern: Matters recommended for immediate improvement
Issues to work on: Matters recommended for improvement within one year
Proposals: Matters to be considered for improvement, advice

Number of Persons with Qualifications

				Those who acquired qualifications during fiscal 2007	Aggregate total
Number of participants in Environmental Management Systems (EMS) internal auditor development/ training courses	Number of internal training course participants			73	492
	Number of external training course participants			19	151
	Total			92	643
Number of participants in Occupational Health and Safety Management Systems (OHSMS) internal auditor development/ training courses	Number of internal training course participants			6	126
	Number of external training course participants			11	67
	Total			17	193
Number of persons with major qualifications	Registered examiner of the Center of Environmental Auditor Registration (CEAR)	Qualifications	Lead Auditor	0	2
			Auditor	0	15
			Provisional Auditor	1	3
	Pollution control manager	Qualifications	Air Classes 1-4	1	37
			Water Classes 1-4	0	85
			Noise	0	42
			Vibration	0	24
			Dioxins	0	3
	Certified Environmental Measurer			0	1
	Qualified Person for Heat/Electricity Energy Management of Type 1 Designated Plant			2	34
	Olfactory Measurement Operator			0	1

Environmental Performance in Offices Verified

Electric Power Consumption in Laboratories (Offices) and Headquarters Buildings



Green Purchases

Sekisui Chemical Group is committed to green purchasing of office supplies for all its departments and branches. In October 2007, Green Purchase Guidelines were revised for paper in particular.

In calculating performance, since the Guidelines were revised in October the previous Guidelines were applied to figures for April through September and the revised Guidelines to figures for October through March. With regard to the issue of mislabeling of the recycled content of recycled paper, figures on paper purchased before this issue was discovered have been calculated assuming that the paper satisfied the Guidelines.

(million yen)

	Purchased amount
Photocopying paper	105.70
Other office supplies	306.94
Office automation equipment	295.28
Total	707.91

Green Purchase Guidelines (revised October 2007)

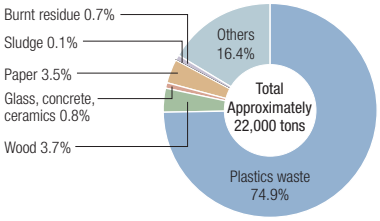
1) OA paper (photocopier paper), stationery, office supplies, office automation equipment	•Any of those listed under (1) – (4) below: (1) Those satisfying Eco Mark certification standards (2) Those in compliance with the Law Concerning the Promotion of Procurement of Eco-Friendly Goods and Services by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

With these revisions, the scope of eligible OA paper (photocopier paper) in particular expanded from the previous standard of 100% recycled paper with whiteness of 70% to include paper made from environment-friendly virgin pulp made of unused materials such as lumber from forest thinning and materials certified by the Forest Stewardship Council.

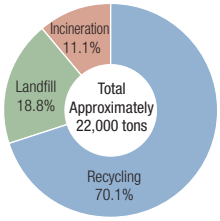
Environment Performance of Overseas Business Sites Verified

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 2007 data covers the following[*1] 26 business sites (23 business sites in fiscal 2006).

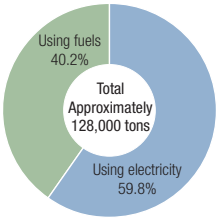
Volume of Waste Generated[*1]



Waste Treatment Method[*1]



Amount of CO_2 Emissions[*1*2]



Amount of Water Extracted for Industrial Use

Approximately 360,000 tons

*1 Data collected from: SEKISUI VOLTEK, LLC. (LAWRENCE PLANT), (COLDWATER PLANT), SEKISUI TA INDUSTRIES, LLC. (CALIFORNIA PLANT), (TENNESSEE PLANT), KLEERDEX COMPANY, LLC., SEKISUI S-LEC MEXICO S.A. de C.V., S SEKISUI S-LEC B.V., SEKISUI-ALVEO B.V., SEKISUI ALVEO LTD., ESLON B.V., THAI SEKISUI FOAM CO.,LTD., SEKISUI S-LEC (THAILAND) CO., LTD., SEKISUI PILON PTY. LTD., ALLEN EXTRUDERS, LLC., SEKISUI S-LEC AMERICA, LLC., Sekisui Refresh Co., Ltd., Sekisui (Qingdao) Plastic Co., Ltd., Wuxi SSS-Diamond Plastics Co., Ltd., Xinjiang 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., Youngbo Chemical Co., Ltd., Sekisui Industrial Piping Co., Ltd. (Plant No. 1, Plant No. 2)

*2 Fiscal 2004 results data from the Federation of Electric Power Companies of Japan were used for the CO_2 emissions coefficients for each type of energy. Japan's City Gas 13A data was used for "natural gas."

*3 Calculation period: January 1, 2007 to December 31, 2007

Environmental Incidents and Complaints Verified

Environmental Incidents

Incident description	Countermeasures
Foaming of river water due to unreacted resins in wastewater	Increased volume of antifoaming agent used and added checking results of anti foaming to items subject to daily management
Leakage of waste oil (2 liter) into river water	Moved storage location for waste oil from exterior to inside hazardous-materials storeroom to prevent outflow from facility
Leakage of wax into river water from collection tank connected to sewer	Filled in collection-tank leak with concrete and cut off pipeline causing outflow from facility

Environmental Complaints

	Details of complaints	Countermeasures
Noise	Complaint about buzzer sounded by forklifts when operating	Switches used to silence buzzer at night, and alarm sound from production equipment also silenced
	Complaint about noise from production equipment	Moved all equipment inside plant to prevent noise from escaping facility
Odors	Complaints about odors from plant (2 cases)	Use of full-time odor monitoring systems Relocation of ducts that cause odors

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
- Technology Department: Development Group for Snowy/Cold Regions
- 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.
- 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
Sekisui Chemical Co., Ltd. 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.
Kleerdex LLC.
Eslon B.V.
Sekisui (Qingdao) Plastic Co., Ltd.
Sekisui Industrial Piping Co., Ltd.
Xinjiang 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. Medical Products Division
Sekisui Fuller Co., Ltd.
- Shiga Plant, Hamamatsu Plant, Osaka Office, Tokyo Office

Sekisui Medical Electronics Co., Ltd.
Sekisui Medical Co., Ltd. (formerly Daiichi Pure Chemicals Co., Ltd.)
Sekisui Techno Molding Co., Ltd. Nara Plant
Sekisui Techno Molding Co., Ltd. Oigawa Plant
Sekisui Techno Molding Co., Ltd. Mie Plant
Shikoku Sekisui Industry Co., Ltd.
Sekisui Film Co., Ltd.
- Nagoya Plant, Sendai Plant, Taga 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 Plastics Pty Ltd.
Youngbo Chemical Co., Ltd.
Shanghai Sekisui-Holy Plastics Co., Ltd.

Corporate Headquarters

Sekisui Seikei Co., Ltd.
- Hyogo-Takino Plant, Kanto Plant, Hyono Plant, Izumo Plant, Chiba Plant

Tokuyama Sekisui Industry Co., Ltd.
Sekisui Engineering Co., Ltd.
Hinomaru Corp. Kumamoto Branch
Sekisui Insurance Services Co., Ltd.

Human Resources Data Verified

Breakdown of number of employees (Sekisui Chemical Group)

Number of employees		18,907
By region		
	Japan	15,684
	North America	763
	Central and South Americas	71
	Europe	680
	Asia/Pacific	543
	China	1,166

Breakdown of number of employees (Sekisui Chemical Co., Ltd.)

Number of employees		4,021
	Male	3,688
	Female	333

Employees' years of continuous service (Sekisui Chemical Co., Ltd.)

(Years)

Average years of continuous service		18.6
	Male	18.8
	Female	15.9

Safety Data

The Midterm Health, Safety and Accident-prevention Plan—Overview of the Midterm Plan (fiscal 2006 – 2008)

	Fiscal 2008 goals (vs. fiscal 2004)	Priority activity	Main activities
Production sites/R&D institutes	❶ **Work-related accidents** • Zero accidents requiring suspension of business • Reduce accidents requiring no suspension of business by 50% ❷ **Zero equipment-related accidents** ❸ **Commuting-related accidents** • Zero accidents requiring suspension of business (that inflict injuries on others and on those causing accidents) • Reduce accidents requiring no suspension of business by 50% ▼ Reducing the loss costs by ¥500 million	❶ Enhancement of OHSMS operation	• Reinforce risk assessment and enhance intrinsic safety of equipment
		❷ Development of personnel with strong safety skills	• Reconstruct the systematic education and conduct education and training activities based on the reconstructed system • Introduce learning by experience (into the model sections at each company)
		❸ Promote intrinsic safety of equipment	• Create the Equipment Safety Design Standards system • Implement electrical equipment safety inspections
		❹ Strengthen safety auditing and daily management at business sites	• Conduct auditing at all the business sites (five new business sites added) • Organize the "one-two-ten (twice a day, for 10 minutes) patrol movement at the sites"
		❺ Encouraging activities for reducing commuting-related accidents	• Analyze the cause of accidents and implement preventive steps at business sites that have frequent accidents
		❻ Promote mental-health exercises	• Monitor adherence to Industrial Safety and Health Law as revised • Implementing company-wide mental-health activities
Construction sites	❶ **Work-related accidents** • Zero accidents requiring suspension of business • Reduce accidents requiring no suspension of business by 50% ❷ **Zero equipment-related accidents**	❶ Strengthen safety management at the construction site	• Strengthen the safety management system at the construction site (at Housing Company and at Urban Infrastructure & Environmental Products Company)
		❷ Conduct safety checks	• Create a mechanism for conducting safety checks and keeping tabs after improvements have been made
		❸ Introduce risk assessment	• Carry out priority tasks at the construction site and perform the tasks in other areas, too
		❹ Promoting the "development of human resources strong in safety"	• Reconstruct the safety education system and carry out educational and enlightening activities based on the reconstructed system
Overseas business sites	❶ **Work-related accidents** • Reduce the occurrence of accidents by 50% ❷ **Zero equipment-related accidents**	❶ Carry out monitoring activities	• Continue monitoring activities
		❷ Conduct fact-finding surveys and auditing	• Conduct fact-finding surveys (2004-2006) • Conduct periodical auditing (from 2007 onward)
		❸ Enhancement of intrinsic safety of equipment	• Apply Sekisui Chemical Group's Equipment Safety Design Standards system overseas (from 2007 onward)

Main Education & Training Programs in Fiscal 2007 (Production Sites / Laboratories)

Programs		Content
Compulsory Program for Each Level		• Safety Course for New Production Managers and Section Heads 31 people participated in this course, intended for production managers and section heads newly appointed at production sites (or managers conducting similar duties).
Rank Advancement Program	Level I (Basic)	• Hazard-prediction training (KYT) 201 people participated in this course at eight domestic sites targeting onsite leaders.
	Level II (Practical Level)	• Safety Brainstorming Sessions Held (twice) for those responsible for safety at business sites.
		• Field trips to Enterprises with Advanced Safety Policies 80 people participated in field trips and opinion-exchange sessions (twice) to enterprises with excellent safety activities and results.
		• Training OHSMS internal auditors Outside instructors were invited and 97 people acquired certification (for a cumulative total of 765 certified internal auditors).
		• Hands-On Learning This program was adopted and held at 21 production sites and research laboratories

* The above table shows activities conducted at corporate headquarters and in division companies. Business site-level education/development activities also were implemented.

Main Education & Training Programs in Fiscal 2007 (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 (23 participants)
Safety staff	• Safety Manager Course Participants learn how to instruct construction site managers in order to ensure onsite safety (32 participants at all facilities)
Construction managers and site supervisors at cooperating companies	• Supervisor Course This course provides training for supervisors as stipulated in the Industrial Safety & Health Law (86 participants)
New managers	• New Worker Training Basic safety course for new sales personnel from each Fami-S (remodeling) company and Sekisui Interior Co., Ltd. (199 trainees)
Safety staff (construction heads)	• Safety Communication Instructor Training Sekisui Heim Tokyo Co., Ltd.: 18 participants
Construction managers (construction supervisors)	• Safety Communication Leader Training Sekisui Heim Tokyo Co., Ltd.: 82 participants
Others	• Hazard-prediction training (KYT): 80 participants • Risk Assessment Course: 86 participants • Special training on asbestos: 12 participants

* The above table shows activities conducted by companies and corporate headquarters. The housing sales companies and Fami-S (remodeling) companies also conduct educational and development activities on their own.

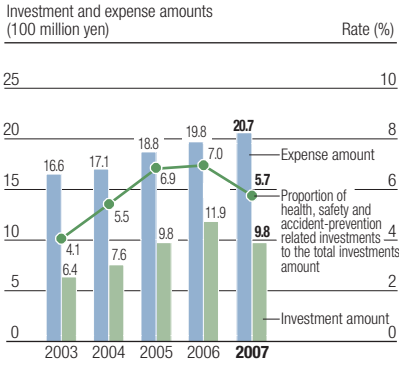
Health, Safety and Accident-prevention Costs Verified

(Million yen)

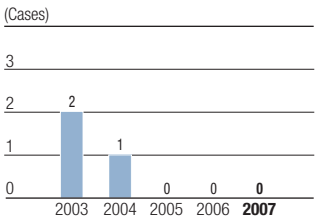
Item		Entire group*	
Classification	Details	Expense amount	Investment amount
1) Costs within business areas	Health and safety measures, rescue and protective-equipment measurement of work environment, health monitoring, workers' accident compensation insurance, etc.	800	977
2) Administrative costs	Establishment and implementation of OHSMS, safety education, personnel costs, etc	1,264	—
3) Other	Safety awards, etc.	3	—
Total		2,067	977
Total investment amount for the entire group for the relevant period		—	17,098
Proportion of health, safety and accident-prevention related investments to the total investment amount		—	5.7%
Loss costs		250	

* Includes 45 production sites/laboratories + all departments of Corporate Headquarters + back-offices of division companies.

Trend of Expenses and Investments Verified

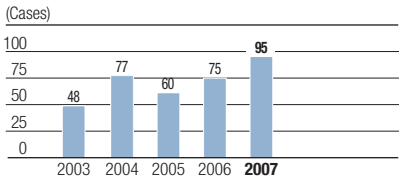


Number of Equipment-related Accidents (Calendar Year) Verified



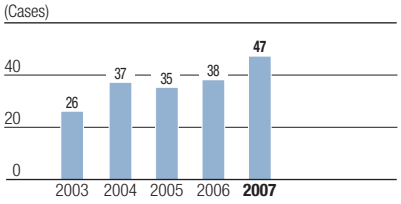
* Definition of equipment-related accident:
(1) Personnel-related damage: business interruption with 30 lost working days or more
(2) Property damage: 10 million yen or more
(3) Loss of Opportunity: Any accident with a loss of 20 million yen or more that meets one or more of the above conditions (Sekisui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

Number of Commuting Accidents (Calendar Year)* Verified



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

Number of Extended Sick Leaves (Calendar Year)* Verified



* **Extended sick leaves:** Absences of 30 days or more due to illness or injury (Sekisui Chemical Group standards)

Results of safety surveys and safety study sessions at overseas production sites

Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007
China: 5 companies	United States: 3 companies Mexico: 1 company Thailand: 2 companies Australia: 1 company	United Kingdom: 1 company Netherlands: 3 companies South Korea: 1 company China: 5 companies	China: 4 companies Thailand: 2 companies

Independent Review Report

(TRANSLATION)

Independent Review Report

June 13, 2008

Mr. Naotake Okubo,
President, Sekisui Chemical Co., Ltd.

Tohmatsu Environmental Research Institute Ltd.
Hiroshi Enoki, Representative Director

1. Scope of the Review

We have reviewed the "CSR Report 2008" (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, 2007 to March 31, 2008 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, 2007 to March 31, 2008 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, 2007 to March 31, 2008 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 Tohmatsu Environmental Research Institute 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 2008

1. CSR Management

The CSR concept of making contributions to society through business activities focused on three areas of prominence, under which Sekisui Chemical Group has incorporated CSR as a pillar of management since 2005, is resulting in steady progress in CSR management every year, as such efforts in each area of prominence advances from the policy formulation and goal setting stage to practical implementation. In fiscal 2007, members of top management themselves visited business sites at a wide range of locations for direct CSR dialog with employees — demonstrating the Group's strong commitment to CSR management.

In addition, in April 2008, the main CSR themes of the Environment, CS & Quality, Human Resources and Human Rights, Safety, and Contribution to Society were reviewed, and issues such as biodiversity and human rights were recognized as key challenges for achieving a sustainable society for the next generation and were reflected accordingly.

In the future, by incorporating CSR management in a new midterm management plan to take effect in the next fiscal year and working to achieve steady implementation and results from these revised policies, it is hoped the Group will make clear the results expected by management in fields aside from the environment as well and will establish target values as an index of achievement. In particular, enhancement of quantitative information on human resources is expected. Furthermore, it is expected the Sekisui Chemical Group will promote steady efforts in its global management and supply-chain management, which the Group has recognized as issues of CSR

2. CSR Report 2008

The "Overview of CSR Management" page indicates future directions and clearly describes the progress in CSR management, by addressing social issues and the demands of society in light of the results of three years of CSR management. In addition, the special feature "Passing the Global Environment to the Next Generation" covers specific contributions to society made through business activities, in areas such as addressing the issue of global warming and developing environment-contributing products.

In the future, it is expected the Sekisui Chemical Group will clarify its vision for the future as the leading global company that it aims to be, and will indicate directions for further progress in CSR management.

3. Management of Sustainability Information

(1) Management of Social-performance Information

Beginning with this year's report, quantitative information on social performance has been examined to ensure reliability. Some items related to matters such as rules on calculation and disclosure of quantitative information on social performance have not been made clear. It is hoped that quantitative information used for information-disclosure purposes will be documented to clarify the rules.

(2) Management of Environmental Information

The accuracy of data collected from the environmental information system adopted two years ago has been improved through verification by personnel in the CSR Department of corporate headquarters. However, we noted there were cases such as incompleteness of evidentiary materials for such data and errors in data collection at some business sites. It is expected that documentation and standardization of rules on ascertaining and calculating data will be enhanced further.

History of Sekisui Chemical Group

1947 Establishment of Sekisui Sangyo Co., Ltd.
Started first injection molding business in Japan.

1948 Change of company name to Sekisui Chemical Co., Ltd.

1950 Began selling cellophane tape.

1952 Started full-scale production of PVC pipe (Eslon Pipe).

1953 Listed on Osaka Stock Exchange.

1956 Developed Japan's first plastic rain gutter (Eslon Rain Gutters).

1959 Established Sekisui Sponge Industries Co., Ltd.
(now Sekisui Plastics Co., Ltd.) with co-financing from Shin-Nippon Chisso Hiryo Co., Ltd., Asahi Kasei Corporation and others, to commercialize plastic foam.

1960 Established Sekisui House Sangyo Co., Ltd. (now Sekisui House Co., Ltd.) and started the house business.

1962 Launched Movement for Cleaner Towns featuring our plastic garbage bins (Poly-pail), as a campaign to mark the company's 15th Anniversary. Cleaning revolution subsequently spread nationwide.

1963 Started producing plastic bathtubs (first in Japan).
Modular toilet tank commercialized, paving the way for production of modular-style equipment.

1970 Exhibited modular house (Sekisui Heim) at the International Good Living Show in Tokyo.

1971 Started producing and selling Japan's first modular house, Heim M1.

1972 Launched company-wide commitment to pollution control.
Established original Environmental Management Department.

1979 Awarded Deming Prize for quality management in recognition of results of aggressive TQC activities.

1981 Adopted twin-headquarters system (Osaka and Tokyo), and established Tokyo Headquarters at Toranomon, Tokyo. Began producing and selling timber-framed modular house, Two-U Home.

1991 Established Basic Policies on environmental issues.

1993 Introduced divisional system. (Pipe & Related Products, Building Materials, Chemicals, Techno-products, Molded Products, Medical Products, and Housing)

1994 Began ISO 9000 series certification acquisition activities.

1996 Excess paid-in capital of 100 billion yen.
Adopted new headquarters logo.
Announced Top Management Policy for Environment and Safety. Began ISO 14001 certification acquisition activities.

1997 50th Anniversary of company foundation.
Launched nature protection support activities within and outside Japan, such as Sekisui Nature Study Course and nature protection activity in cooperation with Keidanren Nature Conservation Fund.
Created Women's Athletic Club.

1998 Instituted Corporate Activity Guidelines.
Initiated zero emission activities.

1999 Launched Management Vision, GS21.
Instituted Corporate Philosophy.
Concentrated business into three domains: Housing, Urban Infrastructure & Environmental Products, High Performance Plastics.
Launched Midterm Environmental Plan, STEP-21.
Began publishing Environmental Reports.

2001 Launched division company system, i.e. Housing Company, Urban Infrastructure & Environmental Products Company and High Performance Plastics Company.
Achieved zero emission in all house production plants and all plants of Sekisui Chemical Co., Ltd.

2003 Launched GS21-Premium 600, our Midterm Management Vision.
Established Environmental Management Promotion Department (now Environmental Management Department).
Launched new Midterm Environmental Plan, STEP-2005.
Achieved zero emission at all house construction sites.

2004 IIntroduced 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.

Editor's Notes

Sekisui Chemical Group began full-fledged CSR efforts in fiscal 2005, adding to the existing Environmental Report a report on social performance, changing the names of these reports to the Environmental and Social Report and to the CSR Report while enhancing the content of the reports.

Sekisui Chemical Group's CSR activities are based on of the Three Prominences of Environment, CS & Quality, and Human Resources, and Three Attitudes of Sincerity; Compliance, Risk Management, and Disclosure & Communication. The Group has reported on these efforts and their results. We feel that this concept and the structure of the report are acceptable to general readers and have been fairly well received by employees, who represent an essential group of stakeholders.

While this report is intended to disclose information both inside and outside the Group on the activities conducted over the fiscal year, it also serves to help us recognize, through reviewing our own efforts in the process of preparing the report, which efforts outsiders expect us to undertake and our own weaknesses, in areas such as the results of plans and outstanding issues. On these points, we believe this report performs as a means of advancing each year's efforts.

Beginning with this fiscal year, not only environmental information but also social-performance information has been subject to independent review. This helps not only to ensure the accuracy and objectivity of the information disclosed but also to advance related efforts further.

In addition, over the past few years in particular the Group has advanced efforts with an awareness of next generations and the environment. In this CSR Report 2008, special features cover such topics, and the cover design also expresses this concept.

A new midterm management plan begins in the next fiscal year. For this reason, the Group needs to advance its CSR efforts further. We also would like to raise the level of the content of this report even higher.

We would very much appreciate hearing the frank opinions of our readers through our website. Those opinions will serve as valuable references for Sekisui Chemical Group's future reports and CSR activities.

CSR Planning Group, CSR Department

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(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.

J-SUS

CSR Report 2008 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.

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