SEKISUI

Corporate Social Responsibility Report 2011

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

SEKISUI CHEMICAL CO., LTD.

Our Philosophy for CSR

We aim to contribute to sustainable society through its business with our Mission Statement "Create social value while fulfilling stakeholders expectations".

Our desire is to make contributions toward building a better society with a recognition, at all times, of what society demands over the short and long terms.

As globalization of our businesses advances and the our stakeholders grow more diverse, we have prepared this CSR Report to communicate to all stakeholders around the world our lasting philosophy and efforts.



Cover photo:

Miyajima Marsh, near the plant of Hokkaido Sekisui Heim Co., Ltd., which produces Sekisui Heim products, and Sekisui Chemical Hokkaido Co., Ltd., which produces pipes and other products. In 2002 Miyajima Marsh was designated under the Ramsar Convention, intended to preserve precious wetlands internationally.



Hokkaido Sekisui Heim Co., Ltd.





Sekisui Chemical Hokkaido Co., Ltd.

Evaluations

CSR in General

Earned SAM "Silver Class" CSR rating Earned selection for FTSE4 Good Global Indexes



Included in the Morningstar Socially Responsible Investment Index

Ranked 87th in Toyo Keizai CSR Ranking

Ranked 119th in Nikkei NICES ranking system

Awarded Award for Excellence in Toyo Keizai Sustainability Reporting Award

Environment	Ranked 113th in Nikkei Environmental Management Ranking Winner of the Environmental Advertisement Prize and Minister of the Environment Prize in Nikkei Advertising Awards
CS and	Ranked 20th in Nikkei Quality
Quality	Management Ranking
Human	Ranked 17th in Nikkei Ranking of Best
Resources	Companies to Work For

About Our Report

- •The pages of this report are structured in line with the Sekisui Chemical Group's concept of its Corporate Social Responsibility (CSR) in terms of Three Prominences — in the Environment, CS & Quality, and Human Resources — along with Three Attitudes of Sincerity: in Compliance, Risk Management, and Disclosure & Communication.
- We have decided on the information that should be covered in this report through consideration of its importance both to society and to Sekisui Chemical Group, based on inputs including surveys conducted within and outside the Group and independent review.
- •A separate Data section has been established to ensure that the report is both comprehensive and easy to read.
- •Continuing efforts for which there was not enough room in the report are covered on the Sekisui Chemical Group website.
- •Information about Sekisui Chemical Group's business is disclosed publicly through this report and the Annual Report, which reports financial information concerning the Group.
- To ensure the reliability of this report, its environmental and social reporting have been subjected to independent review.

Guidelines Complied with or Referenced

- •This report complies with the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines ver.3.1 (G3.1), at the B+ application level as defined in those guidelines. A GRI Guidelines comparison table is available on the Sekisui Chemical Group website.
- •In preparing this report, we also have referred to the Ministry of the Environment's Environmental Reporting Guidelines (2007 Edition).

Scope of This Report

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

Timeframe Encompassed by this Report: April 2010 - March 2011 (including examples of activities through May 2011)

Scope of Independent Review

The environmental and social 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. Verified 🖉

Disclaimer

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

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Three Prominences

Environment

Our Philosophy / Environment-Contributing Products / Climate Change / Resource Efficiency / Air, Water & Soil / Biodiversity

CS & Quality

Our Philosophy / Customer Satisfaction / Quality / Education and Training / R&D, Intellectual Property, and Procurement

Human Resources

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Our Philosophy / Global Talents / Career Development and Evaluation / Decent Work and Diversity / Safety

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Top Message

To be a Company Sustainable for the next 100 years

Groupwide Contributions Toward Disaster Recovery

Together with expressing our deepest concern for the victims of the Great East Japan Earthquake, we offer our heartfelt hopes and prayers for a quick recovery of the affected areas.

Sekisui Chemical Group has numerous customers and business partners in the areas affected by the earthquake. As an enterprise involved in the residential and water infrastructure businesses essential to building the infrastructure of society, truly our social mission is to continue supplying products and services just as we did before the earthquake. While the road to restoration and recovery is a very long one, we will do our absolute best on behalf of our communities, customers, and business partners.

Although a number of Sekisui Chemical Group business facilities were damaged by the earthquake and tsunami, we have strived to restore our production and other systems and have resumed operation at such facilities. In the future, the Group will dedicate its combined abilities not just to aiding the recovery of affected areas but also to building safe and secure residences and communities as well as a sustainable society.

Reviewing Fiscal 2010

Sekisui Chemical Group's CSR management efforts are based on the principles of the Three Prominences in the Environment, CS & Quality, and Human Resources and the Three Attitudes of Sincerity of Compliance, Risk Management, and Disclosure & Communication.

The greatest result in fiscal 2010 was expansion and growth of Environment-Contributing Products. We defined Environment-Contributing Products as those that can contribute to reducing society's environmental load instead of just incorporating the perspectives of consideration for the environment, and we have strived to expand the lineup of such products. As a result, in fiscal 2010 we surpassed our target of sales of Environment-Contributing Products accounting for a percentage of 33% of net sales. In addition, the effects of Environment-Contributing Products on reducing carbon-dioxide emissions have grown to a level largely offsetting carbon-dioxide emissions from our domestic production activities, as we have demonstrated steady progress toward the goal in our vision for 2030 of achieving the carbon negativity.

At the same time, the year also saw some matters requiring reconsideration. A problem arose concerning fires in MJS telephone exchange systems that we had supplied, greatly inconveniencing customers and other related parties. It cannot be denied that behind this problem was insufficient sensitivity in the areas of compliance and risk management. We intend to prevent reoccurrence of such problems through reviewing related systems together with striving to raise consciousness of such matters.

Global CSR Efforts

Over the past five years, the percentage of Sekisui Chemical Group's sales ratio of overseas businesses has roughly doubled. As seen in developments such as substantial increases in numbers of Group companies and employees overseas, globalization is accelerating.

Based on such circumstances, we believe that it is extremely important to share Group ways of thinking and values. For this reason, each year we hold a meeting in which the presidents of overseas affiliate companies gather together in one place. In deploying CSR management at overseas affiliates, the most important things are ensuring that the presidents of overseas affiliates understand the importance of CSR management and can speak on the subject in their own languages and working together to address issues common to overseas areas. For this purpose, we will strive to grow our businesses and achieve permeation of CSR management while continuing to hold area-specific company presidents' conferences together with these meetings. In addition, in the future too we will continue supporting the United Nations Global Compact as a platform for deploying CSR management on a global basis.



Aiming to be a Sustainable Company for the next 100 years

In CSR management, I place the greatest importance on being a company that will maintain its presence even 100 years in the future.

For this purpose, we need first of all to reform our business model with constant sensitivity to changes in the external environment, as we in Sekisui Chemical Group continue SHINKA ("evolution") ourselves.

Another important element is that of energizing the organization internally. For this purpose, it is important that each and every employee working in Sekisui Chemical Group at all times feels that he or she plays a leading role, as well as having pride in his or her own work. We believe that when each employee is conscious and proud of his or her membership in Sekisui Chemical Group – through contributing to sustainable society by expanding Environment-Contributing Products with a balance between ecological and economic objectives while also growing our businesses in the area of the environment, supplying truly satisfying products and services by being open to customer feedback, and achieving an environment in which individual employees can grow through their work, seeing themselves as leaders and taking on challenges with full devotion to their work – Sekisui Chemical Group will be able to grow as well.

In the future as well, we will aim to be a sustainable enterprise with presence, evolving Sekisui Chemical Group CSR management.

President Nacfumi Negisti

Our Company

Sekisui Chemical Co., Ltd. has three division companies inside, and Sekisui Chemical Group conducts its businesses through these companies.



Company Profile (As of March 31, 2011) Established: March 3, 1947 Capital: 100.002 billion yen Employees: 19,770 Domestic Subsidiaries: 121 Overseas Subsidiaries: 81 Affiliated Companies: 18 Net Sales: 915.4 billion yen Operating Income: 49.3 billion yen Net Income: 23.5 billion yen

Our Strategies



Group Vision

In 2009, Sekisui Chemical Group formulated its group vision, identifying the ideal form the group would aim to achieve over the medium to long term.

To realize this group vision, it develops management strategies centered on midterm management plans.

Through prominence in technology and quality, Sekisui Chemical Group will contribute to improving the lives of the people of the world and the earth's environment, by continuing to open up new frontiers in residential and social infrastructure creation and chemical solutions.

Midterm Management Plan GS21-SHINKA!

In fiscal 2009, Sekisui Chemical Group formulated the midterm management plan GS21-SHINKA! covering the period through the 2013 fiscal year. Under this plan, with the goal of being a prominent, highly profitable leading company, we will implement our Frontier SHINKA efforts through global deployment and deployment across the value chain and developing new growth segments, along with innovations in production (Manufacturing SHINKA) and human resources (HR SHINKA).

Our business strategies call for establishing what we call the Frontier 7 — seven high-growth fields including the IT, automotive, and medical fields and the pipe rehabilitation and residential environment businesses — and focusing our efforts on these as leading businesses of the future.



Main Products and Services (results based on Sekisui Chemical research)

Residential

 Homes with solar power generation systems
 Cumulative total of 100,000 homes



Information TechnologyLCD sealant materials

Top market share in the world

Automotive

 Interlayer film for automobile laminated glass
 Top market share in the world (54%)

Medical

 Clinical diagnostic reagent for good/bad cholesterol
 Top market share in the world (50%)







Urban Infrastructure & Environmental Products

(highest figure in Japan) (73% with zero energy costs)

- Water and sewer pipes of rigid PVC
 Second highest market share in Japan (24%)
- No-Dig sewage pipe rehabilitation method
- Top market share in Japan (21%) by total distance covered



Sekisui Chemical Group Worldwide

Sekisui Chemical Group is actively advancing globalization of its businesses. As a result, in fiscal 2010 overseas sales accounted for 19.7% of net sales – double the share in the 2004 fiscal year. Activities now underway aim to reach a level of 30% by the 2013 fiscal year.







Our CSR

"Our Principle"

In 1999, Sekisui Chemical Group established its Mission Statement calling for it to "create social value while fulfilling stakeholders expectations." In 2009, it established "Our Principle," bringing together the Company Creed, the Mission Statement, the Group Vision, and its management strategies.

The Mission Statement identifies "Customers," "Shareholders," "Employees," "Business Partners," and "Local Communities and the Environment" as five key stakeholders and declares that Sekisui Chemical Group will meet their expectations.



Our CSR

CSR: The Foundation of Management

Sekisui Chemical Group considers CSR to refer to contributing to sustainable society through its businesses: in essence, making the Mission Statement reality.

We believe that promoting CSR management increases the quality of corporate management.

It is our philosophy that sustained business growth and business innovation require the continuation of serious efforts at CSR management without regard for conditions of business environment and continuation of reform and SHINKA ("evolution").

Three Prominences and Three Attitudes of Sincerity

Sekisui Chemical Group has identified as key themes of CSR management Three Prominences — in the Environment, CS & Quality, and Human Resources — and the Three Attitudes of Sincerity — in Compliance, Risk Management, and Disclosure & Communication. The Three Prominences in particular have been chosen because efforts in the areas of the Environment and CS & Quality are the natural responsibilities of a manufacturer and it is human resources who advance such efforts.

Efforts under the midterm management plan also have a focus on CSR, and we believe that issues to address in the future are those of achieving further permeation of CSR within the organization and deployment of CSR management on a global basis.



Corporate Governance

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

Strengthening the Business Execution Function

Together with assigning operating officers specializing in business execution to each division company, an Executive Committee has been established to serve as the top decisionmaking body in each division company. As such, a broad range of authority has been transferred from the Board of Directors to the Executive Committee. The Board of Directors strives to achieve continual improvements in corporate value as an organization responsible for decision on basic policies of Sekisui Chemical Group management as well as high-level decision-making and supervision of business execution.

Compliance Surpassing the Requirements of Japanese Law

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

CSR Management

A CSR Department made up of environmental, CS and quality, and HR sections

To advance CSR management powerfully, the CSR Department consists of the sections responsible for groupwide CSR planning and strategy and for the key CSR themes identified as the Environment, CS & Quality, and Human Resources.

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

As venues for deliberation on CSR management, the CSR Committee and each of four subcommittees — the Environmental Subcommittee, the CS & Quality Subcommittee, the Human Resources Subcommittee, and the Compliance Subcommittee — meet at least once every half-year.

Chaired by the President, the CSR Committee's membership also includes the president of each division company and three representatives of employees — one key group of stakeholders—to help improve deliberation and policies. Each Subcommittee promotes groupwide efforts for Sekisui Chemical Group 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. Under this system, operating officers must take part in the subcommittees concerned with their areas of responsibility.

Promoting CSR in Unity with Management Planning

CSR is put into practice within daily business activities through breaking down the matters deliberated on in the CSR Committee and each subcommittee to their appropriate places in the management plans of each division company and headquarters.



Note: See the Corporate Governance Report for details.



CSR Activities

Midterm Plans

Sekisui Chemical Group has incorporated CSR plans within its management plans, to link its business activities to its CSR activities.

Since 2010 was the middle year of the midterm management plan GS21-SHINKA!, the plan was subjected to a check on its progress and a review.

Overall, plans have progressed on schedule. Efforts were reviewed as needed in light of environmental changes in each area.

CSR Staff Meeting

In promoting CSR, activities in the field – at business facilities and affiliated companies – are essential. Key to such activities are the individual CSR staffs.

For this meeting, in November 2010 a CSR staff meeting was held in order further to spread CSR efforts across and throughout the organizations of business facilities and affiliated companies and to strengthen coordination among CSR staffs.

In this liaison conference, which overcame the lines between division companies, participants proactively exchanged opinions on efforts at their facilities and companies and the difficulties they encountered in advancing such efforts.

Plans call for holding this meeting periodically in the future as well.



A scene from the CSR staff meeting

VOICE

The ways of thinking and behavior of CSR are a core component of social activities, spreading across society as a whole and even into public- and private-sector organizations.

Even within Sekisui Chemical Group, while reports have been made in the past on the efforts of each business facility, there have been few opportunities to share information on subjects such as the issues and challenges of actual CSR management and promotion. For this reason, this opportunity for CSR staffs to meet together and exchange opinions has proven highly significant for the future spread of CSR management.

I believe that CSR is not a difficult matter. Rather, it is something that we already put into practice every day. However, it is important that each individual and company has a strong recognition of that fact. This should be the key to transforming behavior.

In the future, I would like us to aim to carry out activities to enable each individual to have a stronger awareness of his or her

relations with society, through sharing information on unique activities suited to each business facility and those involving interaction with local communities, based on the theme of a rewarding place to work.

> **Naoyuki Kuga** Kyushu Sekisui Industry Co., Ltd





Respect for International Norms

Sekisui Chemical Group respects international norms and standards regarding CSR. In March 2009, it announced its support for the United Nations Global Compact and joined the Global Compact Japan Network, an organization of companies in Japan that have signed on to the Global Compact.

In addition, coverage of the subject of ISO 26000, an

international social-responsibility guideline established in November 2010, has been added to this CSR Report together with internal checking of the consistency between efforts made and ISO 26000 and employing ISO 26000 as a reference for future efforts.

Main Areas of Progress in the CSR Midterm Plan

Three Prominences

Theme	Main Activities	FY2010 Results	FY2013 Targets	
Environment	Increase Environment-Contributing Products	• 33% of net sales (target: 27%)	Over 40% of net sales	
	Doduce groophouse are omissions	• 21% reduction from FY1990 level	Maintain reduction above 20% of FY1990 level (domestic)	
	Reduce greenhouse gas emissions	(target: 14% reduction)	 Reduce by over 5% from FY2008 level (overseas) (unit: GJ/ton-CO₂) 	
CS & Quality	External failure costs	• Reduced by ¥4.2 billion (from FY2004 level)	Reduce by ¥5.0 billion (from FY2004 level)	
	Major quality issues	• 2 cases (target: 0 cases)	• 0 cases	
Human Resources	• Global talents	 Increased "Global Talents" employees to 224 people Expanded international recruiting 	• 300 people	
	Career development & evaluation	• 22 cases of using an Intra-group Job Posting System for post-hiring transfers	• 20 cases/year	
	Decent work & diversity	• 25% of new graduate recruits were women (target: 30%)	•30%	

Three Attitudes of Sincerity

Theme	Main Activities	FY2010 Results	FY2013 Targets	
Compliance • Continue raising awareness • Develop overseas compliance		 Education and instruction catered to staff level and specific groups Compliance and local law training at overseas bases 	 Continue raising awareness Cultivated key individuals for overseas compliance 	
• Establish an overseas crisis management system • Construct a Sekisui Chemical Group risk management system		 Constructed overseas safety measure programs Created overseas crisis management guidelines Constructed a Sekisui Chemical Group risk management system 	Continue overseas development Continue risk management activities	
Disclosure & Communication	 Enhance external recognition and perception of the Company Continue open dialogue with employees 	 Earned Sustainable Asset Management (SAM) "Silver Class" CSR rating Earned selection for FTSE4Good Global Indexes Included in the Morningstar Socially Responsible Investment Index (MS-SRI) 	Increase communication efforts in each region	

Recovering from the Great East Japan Earthquake

The 9.0-magnitude earthquake that occurred on March 11, 2011 and the ensuing tsunami had a massive impact on the areas directly affected by the disaster and on Japan as a whole. While Sekisui Chemical Group was affected as well, at present the Group has resumed its operations with its intension to meet its responsibilities to customers and will contribute to the recovery of affected areas through its business activities.

Contributing to recovery through business

Sekisui Chemical Group engages in businesses related to intermediate materials in fields such as the housing business, the infrastructure business, and the information-technology and automotive fields. Each of these is essential to formation of the infrastructure of society. We consider it our social responsibility to continue these businesses in a manner unchanged from before the earthquake and to fulfill our responsibility to supply products to our customers.

Without restricting ourselves to these responsibilities alone, we also intend to contribute to the building of a sustainable society through proposing and providing to society safer, more secure energy-conserving homes and infrastructure that is strongly resistant to disasters.

For Customers

In the housing business segment, our activities include checking on the state of damage and handling repairs, through successively visiting customers residing in affected areas on an individual basis along with strengthening the customer service centers serving affected areas.

To overseas customers we are providing individual explanations concerning the supply structure. We also are responding to the issue of contamination by radiation, taking developments on the part of government and industry associations into consideration.

Supply of Products

Production facilities in affected areas resumed production activities steadily following the earthquake, and by April 1 production had been restored at all sites. Since then production activities have continued with the exception of some temporary stoppages due to aftershocks and other causes.

In the housing business segment, while difficulties remain in the procurement of some parts and materials, the production system mostly has been restored. As requested

by the government of Japan, temporary housing was produced at plants in eastern Japan and constructed at sites in affected areas. While some facilities such as model home centers and sales offices are unavailable for use due to the earthquake and evacuation measures in the vicinity of the Fukushima Dai-Ichi nuclear power plant, the sales structure has been maintained.

In the infrastructure business segment, there are expectations of growth in demand for temporary housing and PVC pipes for water-supply and sewer use. In Japan, operation of facilities in the Hokkaido, Kansai, and Kyushu regions has been increased in light of the possibility that plants in the Kanto region could be affected by rolling power outages. Overseas, a system capable of supplying imports to Japan is being prepared through efforts to attain JIS certification and certification under the relevant associations with jurisdiction at PVC-pipe production facilities in China, South Korea, and Taiwan.

In the area of procurement of parts and materials, we are striving to secure stable procurement of raw materials and subsidiary materials.





Post-earthquake responses

Immediately following the March 11 earthquake, an emergency task force led by the President was set up at Sekisui Chemical's Tokyo Headquarters, and that same day a virtual conference room for emergency communication was set up on the intranet and efforts were made to confirm the safety of employees and their families. On March 14, shipment of relief supplies to employees in affected areas began and the decision was made to donate relief funds to affected areas. Efforts also were made in the area of customer service through establishment of an emergency customer service center. This information was made available through keeping it up to date at all times on the Sekisui Chemical website. The President also visited the affected areas to express concern for and to encourage employees.

No employees have lost their employment due to the earthquake.

Damage

The safety of some employees has yet to be confirmed. At the time of publication, efforts to confirm the safety of employees and their families continued.

While there was some damage to the buildings and equipment of production facilities, as of April 1 all production facilities had resumed operation. At the same time, some sales facilities suffered damage due to partial destruction of their buildings and flooding.

Relief for employees harmed by the earthquake

Together with efforts such as providing relief supplies and temporary housing to employees harmed by the earthquake, we are providing mental health care as well. In addition, a site has been added to the intranet for collecting together messages of support from employees at affiliate companies in Japan and around the world.



An intranet site featuring messages of support from employees at affiliate companies in Japan and around the world

Aid activities to affected areas

As emergency aid for affected areas, on March 14 Sekisui Chemical decided to donate 100 million yen in relief funds. Subsequently, donations were collected from Group employees worldwide, with more than 3,000 employees donating approximately 36 million yen in total. Sekisui Chemical donated a matching gift in the same amount. The labor union also donated approximately 3 million yen.

In addition, based on the concept of sending only what was needed in the quantities needed, relief supplies that have been donated include 10,000 plastic buckets, 10,000 plastic containers for fluids, the equivalent of approximately 2,500 tatami mats of resin foam for use as mats, and 100,000 highly dust-tight masks. Furthemore, we continue aiding recovery of affected areas through supply of products such as temporary housing and resin piping materials.



Collecting donations at Sekisui-SCG Industry Co., Ltd. (Thailand)

Housing Businesses

Special Feature

From Zero Energy Cost House to Smart Heim and Homes With Energy Self-Sufficiency

It is a fact that the average life of a home in Japan, at approximately 26 years, is substantially lower than the averages of 45 – 75 years in the West. For this reason, Sekisui Chemical Group continues development of products suited to the needs of the times, with a focus on the environment, comfort, and safety and security. This reflects the housing businesses' mission of providing environmentally sound homes in which people can continue to live in safety and comfort for 60 years or longer.

Background of these Efforts: Advocating the Concept of Resource

Recycling Home Building

The building and dismantling of homes involves new resource consumption and waste generation. In addition, the flip side of the pursuit of comfortable living is increased use of energy by equipment, machinery, and other devices.

Increased carbon-dioxide emissions also constitute a problem that cannot be overlooked. In light of such issues, there is a need to strive to reduce environmental load throughout the life cycle of a home: building, use (living), and waste disposal. This is the concept of resource recycling in home building. A home's total environmental load can be reduced through efforts to realize effective use of resources and zero waste emissions by producing homes in factories to the extent possible, keeping down energy use while living in the home through building energy-conserving homes, and advancing recycling and reuse of resources when rebuilding and dismantling the home.

Sekisui Chemical Group's concept of resource recycling home building



Zero Energy Cost House 234,000 Appliances etc. 82.000 (Yen) 128,000 Water heating (Yen) 77 000 Heating and air-conditioning 13,000 (Yen) 500 CO₂ emissions (kg-CO2) 2,600 4,100 Sekisui Heim Ordinary home

Energy-conservation/utility cost-cutting effects of

Sekisui Heim (Fully electrified) (Zero Energy Cost House)

Action 1 **Proposing Zero Energy Cost House**

Japanese homes face strong demands for building homes with long lives, in which people can continue to live with peace of mind over a long period of time, and for reducing energy used when living in them.

Zero Energy Cost Houses are products that make it possible to reduce the environmental load of living in a house over a long period of time. These homes keep down energy consumption for air-conditioning and other uses through constraining the impact of outside air temperature by securing high levels of thermal insulation and airtightness, as well as reducing energy consumption from heating water through use of high-efficiency heat-pump water heaters along with expanding power generation capacity through efficient placement of solar power generation panels. These efforts make it possible to reduce annual energy costs — even eliminating them completely.

The Sekisui Heim homes supplied by Sekisui Chemical Group curb the environmental impact of the home through realization of such Zero Energy Cost House, both cutting utility costs and greatly reducing carbon-dioxide emissions from energy used while living in the home.

Action 2 Advancing Zero Energy Cost House

Increasing the generating capacity of the solar power-generation systems used to generate energy is essential to advancing zero energy cost. Together with improving thermal insulation and airtightness, Sekisui Heim has strived proactively to develop homes that can use greater amounts of solar energy, through measures including use of roof shapes that make it possible to install large-capacity solar power generation panels and highly efficient methods of installing the panels. As a result, through now it has sold more than 100,000 homes with solar power generation systems installed — Japan's highest level of performance in this area. As part of this sales performance, the percentage of newly constructed homes with solar power generation systems installed has increased from 52% in fiscal 2006 to 79% in the 2010 fiscal year. The target for fiscal 2013 is 100% of newly constructed homes having solar power generation systems installed.

At the same time as creating energy, it also is important to use energy efficiently. Sekisui Heim has provided solutions that enable customers to choose effective home plans, equipment, and devices during construction, using special software for forecasting the energy consumption and utility costs of living, known as Q-value¹ energy-cost software.

While according to a 2005 survey the percentage of customer households that actually had achieved the level of zero energy costs was 40%, in 2010 this percentage had grown to 73 percent.

Reports also indicate that realizing energy conservation and zero energy costs has had the effect of raising customers' environmental awareness as well.

2010 survey

Achievement of zero energy costs

1 Q-value: a value used to indicate a building's thermal-insulation and airtightness performance

Action 3 Energy-Optimized Homes: Practical Application of the Smart Heim

To lessen environmental impact more reliably and pursue the results of such achievements to their maximum extent, it is essential not just to install appropriate devices and equipment but to use them wisely as well.

The Smart Heim concept developed from this perspective refers to homes that can reduce carbon-dioxide emissions to a greater extent through use of information and communication technologies (ICT) to visualize and optimize the relationship between energy generation and consumption in the home. For example, if one knows the times at which the solar panels installed on a home generate the greatest amounts of electric power then energy can be conserved through using electric appliances during those hours as much as possible. In addition, if one knows that electricity charges are lower at night then housework can be completed at night to save energy, for example by using timers.

Sekisui Chemical Group is the first in the home industry to include a system for management of energy consumption in the home (Smart Heim Navi) as standard equipment on all homes with solar power generation systems.



40%

2005 survey

A Smart Heim Navi screen

Action 4 Electrical Storage and Developing Energy Self-Sufficient Homes

After reducing energy used in living (energy conservation), creating energy (energy creation), and using it wisely (energy optimization), the next promising development is storage of electricity and other energy (electrical and energy storage). Storing electricity and other forms of energy can be expected to lead to leveling — and thus increasing the effectiveness and efficiency of — energy use, and to increasing energy stability.

By 2013, Sekisui Chemical Group aims to bring to market homes designed to store electricity. Furthermore, it also plans to link such efforts to development of energy self-sufficient homes that will make it possible to generate the energy for household uses in the home itself, to contribute to further progress in the areas of the environment and comfort.

In this way, we will contribute to building a sustainable society through achieving progress in the homes we provide, meeting the demands of the times and the needs of our customers.

Toward a Sustainable Society

Urban Infrastructure & Environmental Products Businesses

Toward Resolution of the World's Water Environmental Problems

As the aging of water and sewer pipes advances in major cities around the world, rehabilitation of such pipes has become a matter of pressing concern.

At the same time, in rapidly growing emerging countries there are numerous regions in which the water infrastructure itself remains underdeveloped.

Sekisui Chemical Group is working proactively toward resolution of the social issue of water infrastructure problems, which is one of the most important issues in the urban infrastructure.

Background of these Efforts: Aging of Sewer Pipes: A Worsening Problem Around the World

Sewers constitute one of the most fundamental aspects of the urban infrastructure, and in recent years problems such as road subsidence resulting from sewer-pipe damage due to such aging have become issues. Even in Japan, approximately 10,000 kilometers of existing sewer pipe are said to have surpassed their durable lives.

Overseas too, the situation is similar in other developed nations. In the United States, the Environmental Protection Agency has ordered 20 cities across the U.S. to improve their sewer facilities. While in this way there is a pressing need for rehabilitation of sewer pipes in cities around the world, it is a fact that rehabilitation has not advanced sufficiently due to resulting problems such as traffic congestion and generation of massive amounts of waste materials, since most sewer pipes are installed underground beneath main thoroughfares.



Road subsidence due to sewer-pipe damage

Action 3 SPR Method Solutions, Making It Possible To Rehabilitate Sewer Pipes Without Excavation

To solve such issues, Sekisui Chemical Group has independently developed the Sewage Pipe Rehabilitation (SPR) Method. The SPR Method is one method of replacing worn sewage pipes, known as a non-excavating method. It involves rehabilitating pipes through using a belt made of rigid PVC resin to create a rehabilitated pipe inside an existing sewage pipe. The new pipe is then combined with the existing pipe using backfill material.

Since this method does not require digging up existing roads or the ground surface, it makes it possible to keep construction-related traffic restrictions to a minimum and also to reduce greatly material use, waste generation, and noise and vibration from construction. It also can greatly shorten the time required for construction.

Comparison of Traditional Methods to the SPR Method



*Sekisui Chemical estimates

Conditions of estimates: Pipe culvert 1.7×1.5 m; length 30 m; overburden 1m



Action 2 Advancing Rehabilitation Methods Suited to the Needs of Society

Not just sewer pipes but water pipes and agricultural canals too require rehabilitation. In addition, use of pipe rehabilitation is advancing overseas as well, and the SPR method has been used in countries including South Korea, the U.S., Singapore, Hong Kong, Russia, and Poland.

To respond to such needs, we are making efforts such as further improvements to the SPR method itself and deployment of rehabilitation methods suited to the types of pipes needing rehabilitation, making possible pipe rehabilitation suited to a variety of needs, including development of methods for rehabilitation of larger-diameter pipes, giving greater freedom in cross-sectional shape to service pipes, and expanding the length of pipe that can be wound at one time. In addition, by being the first in the world to enable construction

on sewer pipes while they still are in use we have succeeded in

keeping the impact on the vicinity of a pipe rehabilitation project to a minimum.

COLUMN

Contributing to Earthquake Recovery: Chosen for the First Recovery Construction Project following the Mid Niigata Prefecture Earthquake of 2004

Thanks to its unique properties as a construction method, the SPR method is recognized to be highly earthquake resistant. In the Mid Niigata Prefecture Earthquake that occurred in October 2004, despite subsidence and fissures caused by the quake in nearby roads, sewer pipes rehabilitated using the SPR method were unaffected. For this reason, the SPR method was chosen for the first recovery construction project following the earthquake.

Furthermore, at present we are advancing automation efforts from the perspective of ensuring worker safety. At the same time, to spread the SPR method we are actively developing contractors and training technicians to carry out SPR method work.

As a result of these efforts, the length of pipe in Japan and around the world that has been rehabilitated using the SPR method has reached more than 700 kilometers. In the future as well, we will continue striving to solve the issues

faced by society through repeated improvements corresponding to the needs of the times.



The Omega Lining method

Action 3 Eslon Products Contribute to Water Infrastructure Improvements in Emerging Countries

An issue concerning water infrastructure in emerging countries is insufficient development of water and sewer systems themselves in some regions. Products and technologies with approximately 60 years of performance in Japan, such as Eslon HI PVC pipes and Eslon RCP reinforced composite plastic pipes, are contributing to solving such problems around the world.

In the future as well, Sekisui Chemical Group will continue developing products to improve water and sewer systems and enable people around the world to live in happiness and comfort. **Note:** See p. 38 concerning development of Eslo Hyper, which improves upon Eslon pipes.







Eslon HI pipes

The SPR method

High-Performance Plastics Businesses

Special Feature

eature

Aiming for Products to Support the New Society

Innovation and revolutionary new products and services have been an essential part of society's progress through today. This is likely to remain the case in the future as well. Sekisui Chemical Group already has provided numerous products beneficial to society. In the field of information technology as well, we have created numerous intermediate materials that support the functions and performance of familiar products.

Background of these Efforts: Ubiguitous Technology, a Key to **Building a Sustainable Society**

According to the 2004 White Paper Information and Communications in Japan, a "ubiquitous network society" is one in which information technology can be used throughout society, "fully accessible to anybody on anything at any time and in any place." Through incorporating information technology into existing ways of living, a ubiquitous network society makes it possible to provide more diverse and more advanced services. One example is the smart grid, which is expected to serve as the energy management system of the future. Transformation to

a ubiquitous network society can be considered to play an important role in building the sustainable society we aim to achieve in the future.



Action 1 Supplying Materials to Support the Functions and Performance of LCD Panels

Further functional improvements to existing IT devices and systems will be essential to advancing the transformation to a ubiquitous network society. Sekisui Chemical Group develops and supplies materials essential to increasing the performance of the LCD panels employed in products used every day by consumers, such as smartphones and LCD televisions.

LCD panels generally employ a structure consisting of a liquid-crystal layer sandwiched between two sheets of glass substrate, with sealant used around the perimeter to prevent leakage of the liquid-crystal materials and keep them clean. If this sealant material dissolves into the liquid crystal it could cause a worsening of the LCD image quality. Sekisui Chemical Group supplies Photolec S, a high-performance sealant material with outstanding workability developed using our own technologies.

In addition, if the liquid-crystal layer is not uniform in thickness then visual information cannot be displayed accurately. For this reason, materials known as spacers are used to keep the layer's thickness uniform. Advanced microparticle technologies are needed to keep this ultra-thin layer only a few microns thick uniform in thickness (there are 1,000 microns to a millimeter). Sekisui Chemical Group provides support for further increases in the precision and functions of LCD displays on smartphones and other devices through development of Micropearl spherical plastic microparticles.



Action 2 Supplying Materials Indispensable to Touch Panels As Well

Touch panel technology, which has become firmly entrenched as an everyday technology with the spread of devices such as handheld videogames and smartphones, makes it easier to use the equipment on a device through intuitive operations such as touching or sliding a finger across an area of the display. Since these touch panels sense the parts of the screen that have been touched using a thin film called ITO film, they require advanced technology known as sputtering technology that deposits a thin

metallic film onto a substrate.

Combination with an LCD panel makes it easier to use IT devices by uniting display and control units. These components and materials are adhered to each other using double-sided tape for fixing LCD materials in place, combining adhesiveness with light shielding and reflectivity functions.

Sekisui Chemical Group develops and supplies materials like these indispensable to building touch panels.



Action 3 Supplying Materials to Support Reduction in Size and Weight

Lightweight, compact, and thin mobile phones and other mobile devices are essential to the ubiquitous network society. Even if each of the individual components of an electronic device has a high level of performance, the products that combine such components together need to be easy to use as well. Industrial tape is used to attach the components of mobile devices. In the case of a mobile phone, thin tape with outstanding adhesiveness is used to fix in place the frame of the LCD unit, the LCD panel gasket, and the backlight unit. The industrial tape used in mobile phones and other devices has more functions than simple adhesiveness. Tape impenetrable by light can serve in functions such as preventing leakage of light from the backlight unit to the back of the mobile phone. Furthermore, use of foam combining high sealing and cushioning performance

makes it possible to eliminate gaps between parts and materials and to minimize the effects of shocks on the parts and materials.

In these ways, Sekisui Chemical Group contributes to realization of the ubiquitous network society through supplying high-performance parts and materials in the IT field.

Fixing LCD panel
 gasket in place

Fixing backlight unit in place



Foam used in an LCD display component

Industrial Tape Used in Mobile Phones

Fixing frame in place

Fixing keypad in place Special

Gathering Together Top Management From Affiliates Around the World To Discuss Issues Faced in Each Area

Currently Sekisui Chemical Group is actively advancing the globalization of its businesses, with overseas sales having doubled from the 2004 fiscal year. This growth in business has led to a rapid increase in the number of stakeholders as well, so that in order to continue reliably fulfilling our CSR responsibilities in the future too there is a need to actively address social issues in individual areas together with sharing the Group principles, values, and management policies among employees worldwide. For this purpose Sekisui Chemical Group has since 2007 held Global Presidents' Meetings for presidents of affiliated companies overseas.



Europe

Improving the Sekisui Brand

As member of the European Group I was deeply impressed how companies with different structures, sizes and products are able to communicate and agree on a plan which has the target to increase the reputation of the Sekisui brand. In Japan the Sekisui brand has been already prevailing among the employees. It looks like this could also be achieved in the overseas divisions. The internal identification of our employees with our company is a key asset to achieve the expected growth for the future. Individual feelings like "I am part of a strong Group" help difficult times. I am expecting the started process is able to keep the "one brand" - "one philosophy" feeling running. The local area presidents need continuously to link each function of their company activities together. Key CSR messages are providing the best common ground for such a project, which will be followed up in the regional presidents meetings.



Europe

Korea

China 🥺

Edmund Luksch Sekisui SPR Europe G. m. b. H.

Asia-Pacific

Driving Our Growth

I was pleased to be a participant of the Presidents' Meetings. A major benefit of attending this meeting was the opportunity to meet with Presidents of Sekisui Chemical Group companies from around the globe.

While there were time constraints, the real benefit of these workshops was the interaction created between Presidents within each group, in building a communication bridge for further discussions. These workshops have now been adopted by region.

Sekisui Chemical Group is advancing very interesting and innovative initiatives: a new intranet initiative and an employee satisfaction survey conducted on a global basis. I feel that these initiatives will drive our Company forward.



Rocco Romiti Thai Sekisui Foam Co., Ltd, Sekisui Pilon Pty. Ltd.

Americas

Building a Foundation for Continued Growth

In the Americas Area the presidents from North America joined together to talk about the topic of "controlling functions." We pulled out three common programs that we could benefit from which focused on leadership training, corporate values, and shared job postings. Each of our specific contributions to the market are different but the opportunity to network and share ideas with each other is invaluable. I believe these types of frank discussions create the base for continued growth.

Lunderstand that within each company cultures are very different. But I believe it will be important and necessary to recognize a common theme that has been essential to each company's success, and those programs can be shared as a benefit to all.

Looking to the future, based on these meetings and the relationships we have developed, we will be able to further continue to develop a common theme.

Americas •

South Korea

A Place to Find Clues for Management Improvements and Business Expansion

The South Korea team is made up of four companies in total: two each in the Urban Infrastructure & Environmental Products Company and the High Performance Plastics Company.

While these companies' markets, industries, and the products they handle differ, trends related to the environment in South Korea are changing rapidly, so all of them in common face issues related to conservation of energy and other resources, expansion of Environment-Contributing Products, and preserving nature. In addition, the scope of other issues such as those concerning employee safety and health and social contribution activities is

increasing as well, so that there was not enough time to discuss everything fully. In the future, we would like to hold Presidents' meetings in South Korea as well, as places to find clues for management improvements and business expansion.

China

Toward Strengthening the Management Capabilities of Sekisui Chemical Group

To me, this meeting is both a very valuable once-a-year opportunity to meet with company presidents from around the world and a meaningful time in which we can get a true feel for the globalization of the Group.

In China there are many young companies that entered the market only a few years ago. As such, in these brainstorming sessions we discussed a variety of issues faced by company presidents managing businesses amid China's own unique political conditions and market rules. HR and labor management in particular is an issue common to all companies, and we will continue discussing these in China Presidents' meetings from now on.

In the future, I hope that the numbers of issues raised and solutions proposed from Presidents' meetings will increase, so that Sekisui Chemical Group's management capabilities will strengthen more and more.



Sekisui (Qingdao) Plastic Co., Ltd.

Identifying Subjects by Area and Discussing Related Issues

In the meetings held until now, discussions had been conducted based on certain specific subjects, with the objective of deepening shared understanding of Sekisui Chemical Group CSR.

In fiscal 2010, discussion of area-specific subjects was intensified, since issues vary by region. On the day of the meeting, presidents of more than 40 companies from around the world (two-thirds of whom were non-Japanese took part).

The meeting began with an explanation by Corporate Headquarters of subjects that should be shared throughout the entire Group. Then, participants split into five groups — the Americas, Europe, China, Asia-Pacific, and South Korea — and each identified its own subjects. Lively group discussions were held, generating outputs including current issues faced and courses of action of proposals toward their solution. The meeting concluded with presentations to members of management including the President of Sekisui Chemical.

These presentations served to deepen awareness of the issues on an area-wide basis, surpassing the boundaries between operating companies. For example, some groups identified specific roadmaps toward practical solutions.

Creating New Synergies In Group Management Through **Presidents' Meetings**

In fiscal 2010 regional Presidents' meetings were held for in-depth discussion of matters prior to the Global Presidents' Meeting.

These meetings are intended to provide opportunities to discuss issues faced in an area one after the other, as an autonomous activity in each area. They also have the goals of more steadily fulfilling social responsibilities in each area and advancing Group management, through coordination within each area of companies involved in different businesses.

ChoonTae Lee Sekisui Korea Co., Ltd.

Neil Beckhusen

Sekisui Voltek, LLC.





Environment

We aim to be an environmental leader, pursuing both ecological and economic goals

Our Philosophy

Global environmental issues constitute one of the most important subjects faced by society and businesses. As a manufacturer, Sekisui Chemical Group was an early mover in efforts to find solutions to the environmental issues of society through its products and services, in addition to lessening the environmental load of its business.

In 1962, to solve the waste processing problems in Tokyo that were a subject of concern in society at the time, we greatly changed the practice of disposing of wastes by proposing the method of having each household place its wastes in polyethylene garbage containers and leave them outside for collection by garbage trucks.

In addition, during the years of the 1960s through the early 1970s, an era afflicted by pollution, we established an environmental management department. Through the 1990s, we strived to lessen our environmental load through voluntarily setting even stricter reduction targets than those required to comply with laws and regulations, for our environmental load including those related to wastes, carbon dioxide, and chemical substances.

Furthermore, incorporating the idea of transforming management along the axle of the environment in the term "Environmentally Creative Organization," in 2003 we moved forward from the concept of environmental conservation to that of environmental management to achieve sustainable growth while pursuing both ecological¹ and economic² goals, positioning this as one important pillar of CSR management.

While environmental issues change with the times, covering subjects including climate change, water use, and biodiversity, Sekisui Chemical Group's approach of contributing to the environment through its products and services remains unchanged, and in the future as well we will continue aiming to be a leader prominent in our approach to the environment.

1 Ecology

Caring for and contributing to the global environment, and living in symbiosis with the local environment 2 Economy Ensuring economic benefits for both customers and businesses The Environmental Management Policy and System

Vision for 2030

In 2009, Sekisui Chemical Group established the "Sekisui Eco-Frontier 2030" as a vision to make clear the courses of action and achievement levels of environmental management and serve as a guidepost to sustainable growth. This vision depicts the type of society that Sekisui Chemical Group aims to achieve as a society on the environmental frontier. This refers to a society in which environmental awareness and environment-friendly lifestyles become broadly and firmly established among people and both businesses and governments recognize the environment to be one of their most important values.



To realize this vision, we have identified the three areas of focus of preventing global warming, efficient utilization of resources, and biodiversity and the two targets of achieving negative carbon³, which is common to the first two areas of focus, and preservation of biodiversity.

See "Data" P19, 21

3 Negative Carbon

Exceeding greenhouse-gas emissions attributable to business activities such as raw materials and production with offsetting reductions in greenhouse-gas emissions during product use





Midterm Plan

Sekisui Chemical Group is promoting groupwide, both in Japan and around the world, the Midterm Environmental Plan: Environmental Top Runner Plan SHINKA!, which establishes targets for the current five-year period based on back-casting¹ from the Sekisui Eco-Frontier 2030 goals.

This plan establishes the four key themes of expanding our sales of Environment-Contributing Products (see p. 25) and reducing greenhouse-gas emissions, two inseparable parts of achieving negative carbon, along with reducing volumes of waste generated, which is connected to effective utilization of resources, and increasing the efficiency of environmental management using the Sekisui Eco Value Index, our own environmental management indicator.

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

Progress on the Four Key Themes of the Environmental Top Runner Plan: SHINKA! (See "Data" P. 3)

	FY 2013 target	FY 2010 performance
Increase sales of Environment- Contributing Products	40% of net sales	33%
Reduce greenhouse-gas emissions	20% or more reduction compared to fiscal 1990 (domestic production sites)	Reduced 21%
Reduce wastes generated	40% reduction in base units compared to fiscal 2007 (domestic production sites)	Increased 2%
Sekisui Eco Value Index	Over three times the fiscal 2007 value	2.2 times

EMS

In an effort to carry out environmental management effectively, we have developed our environmental management system (EMS) in accordance with the ISO 14001 standard and are working to expand application of this system throughout the entire Sekisui Chemical Group. As of March 2011, 59 business sites in Japan and 21 sites overseas had obtained ISO 14001 certification. The number of employees at these business sites represents 65% of all Sekisui Chemical Group employees.



Contributing to Minimizing the Environmental Load of Our Stakeholders Society Through Our Products and Businesses

Environment-Contributing Products conceptual diagram



Criteria for Environment-Contributing Products

- Definitions •Products and businesses that demonstrably help our customers and society to reduce their environmental load •Products or systems having lower environmental impact compared to similar conventional products and systems
- Scope of Application • During customer use, reduction of environmental load during disposal and recycling, and alleviation of possible resource depletion (excluding production and transportation within Sekisui Chemical Group)

•Reduction of impacts on the natural environment (e.g. reduction in greenhouse gases) and social environment (e.g. reduction of waste, conservation of resource, and water saving/recycling)

About Environment-Contributing Products

Sekisui Chemical Group's CSR is to contribute to sustainable society through business. To contribute to minimizing the environmental load of society, it is essential that businesses create and promote widespread use of products that will make active contributions to the environment.

In fiscal 2006 Sekisui Chemical Group established Environment-Contributing Product Standards calling for an even higher level of contribution to the environment than before, and since then it has managed such products through a certification system.

Expansion of Environment-Contributing Products

One of the targets of Sekisui Chemical Group's Midterm Environmental Plan is that of growing the ratio of sales of Environment-Contributing Products to total consolidated net sales to 40% or higher in fiscal 2013. (See p. 24, and p. 7 of the "Data" supplement.)

In fiscal 2010, strong sales of houses with solar energy generation systems and an increase in the lineup of Environment-Contributing Products led to growth in net sales of them to 302.6 billion yen. This is a ratio of 33% of total net sales, more than achieving the target of 27% for the fiscal year.

These Environment-Contributing Products have resulted in a reduction in carbon-dioxide emissions offsetting the amount of carbon dioxide emissions generated at production activities in Japan (according to Sekisui Chemical estimates).



System for Environmental Consideration in Products

In addition to making contributions to society, Sekisui Chemical Group is advancing the Three Greening Steps intended to incorporate consideration for the environment in three stages of its value chain: development, procurement, and manufacturing. For this purpose, we are implementing systems including Product Assessments for Environmental Impact, Green Procurement, and Prior Assessment of Capital Expenditure. (See the "Data" supplement, p. 14.)

Forms related to green procurement and other materials are available on the Sekisui Chemical website.

http://www.sekisuichemical.com/suggestion/index.html

Examples of Environment-Contributing Products

Environment-Contributing Products are employed in a variety of areas, including the residential, construction, information-technology, automotive, and infrastructure fields. Numerous products are helping to minimize environmental load during use, including products such as homes with solar energy generation systems, solar control interlayer films for automotive use, and Thermal Barrier and Heat Radiation Coating, all of which help reduce carbon-dioxide emissions, products such as reusable system houses and recycle containers that help reduce resource consumption, and those such as pipe renewal system, rainwater strage systems, and water recycling systems that help improve the water environment.

Examples of Environment-Contributing Products Certified in Fiscal 2010

Recycling Household Plastic Waste GREEN LABEL Series

GREEN LABEL is a new line of recycled plastic products intended to expand the uses of recycled plastic resources through a three- layer structure sandwiching recycled household plastic waste between layers of recycled industrial plastic waste, thus securing strength, durability, and moldability.

The first product in this series, GL Container, was introduced in January 2011. Plans call for recycling of approximately 500 tons of plastic in fiscal 2012.



Reducing Carbon-Dioxide Emissions Through Improving Window Thermal Insulation Effect

Air Sandwich Thermal Insulation Attachments for Windows



This window insulation material uses layers of air formed between transparent film layers. Its high thermal insulation performance contributes to reducing carbon-dioxide emissions through helping keep down electric power consumption from heating and cooling.

Since it can be installed in existing window frames, it can be used in offices, factories, or homes.

This product was developed through the Strategic Development of Energy Conservation Technology Project of New Energy and Industrial Technology Development Organization (NEDO).

Comfort Sash

Utilizing Existing Sash Frames to Convert Single Pane Windows to Multiple Pane Glass

This remodeling option for Sekisui Heim makes it easy to convert existing single pane windows to multiple pane glass, without damaging the home.

At the same time it improves thermal insulation by 13% vs. prior to remodeling, the new sash also makes it easy to open and close windows using a large sash roller suited to the weight of multiple pane glass. It also enhances security through use of double locks.



* For details, see the pamphlet "Sekisui Chemical Group Environment-Contributing Products" : http://www.sekisuichemical.com/csr/environment/products/index.html

Environment | Environment-Contributing Products

External Advisory Board

To increase the reliability and transparency of the Environment-Contributing Product certification system, in fiscal 2010 Sekisui Chemical Group established an External Advisory Board. This board works to further promote and expand Environment-Contributing Products based on impartial review by outside experts.



A meeting of the External Advisory Board

Flow of Certification of Environment-Contributing Product



Policy

In fiscal 2003, Sekisui Chemical Group established the environment-friendly product certification system, and since then it has made progress in growing its environment-friendly products and businesses. Environment-Contributing Products take this system a step further, and products that make contributions to the environment at an even higher level, aimed at minimizing the environmental load of not just the Group but customers and society as well, are certified as Environment-Contributing Products.

Third-Party Evaluation

When the world is full of eco products, no matter how much a company promotes its products as contributing to the environment consumers will see it as just singing its own praises. For this reason, in certifying Environment-Contributing Products Sekisui Chemical Group has established an External Advisory Board as a group of outside environmental experts to provide advice and recommendations on the Environment-Contributing Product certification system as a whole, in order to increase the reliability and transparency of the system.

Responsibilities of the External Advisory Board

- 1. Matters related to the effectiveness of operation of the Environment-Contributing Products system
- Matters related to the objectivity, fairness, and appropriateness of the Environment-Contributing Product certification standards
- 3. Other matters related to operation of the Environment-Contributing Products system and the system for certification of Environment-Contributing Products in general

Board Meetings

The External Advisory Board met in September 2010 and February 2011.

Following a description of the standards for certification of Environment-Contributing Products and the state of such certification, the board meeting featured exchange of opinions and presentations by external advisors on recent environmental information. Attendees from Sekisui Chemical included responsible Directors and below as well as environmental personnel of each division-company and Headquarters.

Advisors presented not just opinions on individual Environment-Contributing Products but also a variety of opinions and recommendations on this system and on environmental management in Sekisui Chemical Group.

We plan to utilize these opinions in future environmental management.

Comments from Advisors



Mr. Masatsugu Taniguchi Director, Strategy Design Institute, resource and environment

- I would like to express my respect for the way Sekisui Chemical Group truly has been a leader in advancing from environmentally friendly products to Environment-Contributing Products. In addition, its contributions to the environment through business are worthy of respect as well. It probably should promote aggressively how it contributes to the environment, society, and communities.
- From the perspective of preservation of biodiversity, I would like to see a focus on protecting the traditional culture of indigenous peoples as well. Since the wisdom of them is a wonderful thing, I would like to see their knowledge put to use in development new products and businesses as well.

Dr. Juichi Shibusawa Vice-President, Network for Coexistence with Nature



- There is a need for alignment of vectors on courses of action that should be aimed for in preservation of biodiversity.
- If the company does not pay careful attention, it could see the rug pulled out from under it on certification standards for biodiversity. I believe there is a need for standards showing that unlawful resources from Africa and illegally felled timber are not used.
- Concerning globalization of environmental contributions, since environmental load would increase if developing countries reach the same economic level as Japan I would like to see global environmental load given consideration.



Mr. Takehisa Kabeya Director, Center of Product and Environmental Aspects, Japan Environmental Management Association for Industry

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- Environment-Contributing Products are highly significant in that they communicate information on the degree of contribution from the company to outsiders. While the company is working hard to quantify its effects, customers demands transparency of information, backing for figures, and a sense of trust.
- I think perhaps it would be a good idea to adopt a different gauge than used in the past on the conceptualization of Environment-Contributing Products, such as a focus on the idea of ecological design¹.
- **1 Ecological design** Design of products and services with consideration for the environment. Also known as environmentally friendly design.

Ms. Minako Oishi Vice-chairperson, Environment Committee, Nippon Association of Consumer Specialists



- I think that it is praiseworthy and wonderful that the company has high goals for Environment-Contributing Products.
- It is important that consumers know about the entire life cycle of a product. While they are provided with information on the stages from product use through disposal, I would like to see consumers educated about the loads of purchase of raw materials and of manufacturing as well.
- While Sekisui Chemical traditionally has been familiar to consumers as a manufacturer of everyday products such as tape and buckets, recently the content of its businesses has become less visible to consumers. For this reason, I would like to see this information promoted from a CSR approach as well.



- Nikkei BP Cleantech Institute
- Sekisui Chemical's promotional methods appear more subdued than those of other chemical firms.

- I think it would be a good idea to publicize the figures behind the Environment-Contributing Product certification standards after first promoting the Sekisui way of thinking, since Sekisui is producing good products.
 - I would like to see an aim at the ultimate objective of contributing to minimizing environmental load through products and businesses, without focusing too much on the figures or logic of the certification standards.

On the Advisory Board Hajime Kubo Head of CSR Department, director, Sekisui Chemical Co., Ltd.

This is our first attempt at establishing a body such as this advisory board made up of outside specialists. It has reminded us of the importance of utilizing feedback from outside the company.

Mr. Shigenori Jimbo Nikkei Business Publications, Inc.

In advancing environmental management as one of our three themes of CSR, we consider Environment-Contributing Products to be a symbol of Sekisui Chemical Group's environmental management.

I agree with the idea that we should promote our positive achievements more to society. In the future as well, I would like us to improve our image in society even more by advancing efforts in which we can demonstrate leadership in society.

We will put the opinions received from the advisory board to use in advancing environmental management with a consciousness of the perspectives of society at all times.



Efforts to Achieve Carbon Negative Throughout the Product Life Cycle



Conceptual Diagram of Carbon Negative



Policy

Achieving carbon negative (see p. 23) requires both development and promotion of Environment-Contributing Products and controlling greenhouse-gas emissions from business. Sekisui Chemical Group continues related efforts throughout the entire product life cycle.

GHG Emissions

Activities at the Production Stage (in Japan and Worldwide)

We have established the target for fiscal 2013 of reducing greenhouse-gas emissions generated at the production stage in Japan by 20% compared to the fiscal 1990 level. In fiscal 2010 we realized a reduction of 21% compared to the fiscal 1990 level, thanks in part to the results of measures to promote investing in the environment¹.

Since Sekisui Chemical Group's production sites overseas are subject to considerable changes in areas such as product lineups as the overseas business grows, the Group has established guidelines calling for achieving in fiscal 2013 a 5% reduction from fiscal 2008 in energy consumption per unit of output. Each site is setting targets based on its own circumstances.

1 Measures to promote investing in the environment

Measures under which Corporate Headquarters helps division companies cover the costs of investment for the purpose of controlling greenhouse-gas emissions in accordance with the resulting reductions. Adopted in fiscal 2007, in fiscal 2009 investment in making energy use visible so its actual conditions could be ascertained was added to the subject of these measures as well.

Greenhouse-gas

(Emissions from the Production Stage) Verified (1,000 tons-CO2)

600



Notes:

Overseas data covers carbon-dioxide emissions only. Overseas figures have increased since fiscal 2009 in connection with an increase in the number of overseas sites due to acquisitions, etc.

Fiscal 2009 figures have been revised beginning with CSR Report 2010 in connection with a change in rules for collection of data on overseas sites.

Total green	house-gas emissions	in fiscal 2010	Typical efforts	Resulting reductions Verified	
R&D	14,000 tons-CO ₂	Renovation of air-co settings, installation	Renovation of air-conditioning equipment, changing temperature settings, installation of fans, regularly turning off lights		
Shipping	pping 40,000 tons-CO ₂ Reduced emissions through use of joint shipping and modal shifts		ts 23% reduction vs. fiscal 2007		
Offices	16,000 tons-CO ₂	Energy-conservatio lights and using res	n activities including regularly turning off traint in air-conditioner settings	15% reduction vs. fiscal 2007	

Efforts in Stages Other Than Production

Activities

Improving Heat Release, and Leaks of Air and Steam Through Energy-Conservation Inspections

Production sites in Japan are conducting inspections through which personnel responsible for conserving energy check volumes of heat released and look for air and steam leaks using infrared cameras and leak detectors.

Results of these inspections are used to ascertain heat, air and steam loss converted to monetary amounts and to install insulation and make repairs to improve the situation. For steam, efforts include steam-trap inspection by specialists and optimization of piping.



A leak detector (left) and an infrared camera (right)



A visualization system screen

Visualizing Energy at Five Sekisui Chemical Sites Including the Musashi Plant

The High Performance Plastics Company, which accounts for roughly one-half of the entire Sekisui Chemical Group's greenhouse-gas emissions, is advancing introduction of a system to visualize electric power and steam to help reduce emissions.

Already, five plants including Sekisui Chemical's Musashi Plant are implementing systems that make it possible to identify energy waste and irregularities and to judge the extent of deterioration of equipment and assess factors such as results of switching to new equipment.

Three U.S. Plants Conduct Inspections on Heat Release, and Leaks of Air and Steam

The inspections that have been conducted at production sites in Japan and generated steady results are now being deployed on a global scale.

In fiscal 2010, an energy-conservation inspection system was developed in which infrared cameras and leak detectors are installed at one U.S. production site and made available for lending to other sites in the U.S. as requested. In fiscal 2010, the three plants of Sekisui Voltek, LLC., Sekisui S-Lec America, LLC., and Sekisui Specialty Chemicals America, LLC. conducted these inspections, and in the future they will be deployed in other regions as well.



Since fiscal 2010, Sekisui Chemical Group has been implementing "the Energy 50% Process" intended to cut energy costs by one-half through production innovations. Beginning in the first half of the year this process was implemented at 12 production facilities in Japan, and in the second half it started at production facilities in Europe and North America as well. The number of facilities implementing the process will undergo steady expansion.

In addition, policies to promote investment in the environment will continue to accelerate. Furthermore, material flow cost accounting (see p. 31), which until now has been used as an indicator of waste and cost reductions, will be employed to reduce greenhouse-gas emissions as well.

Bases of CSR

Pursuing the Reduce, Reuse, and Recycle Throughout the Product Life Cycle



Based on our recognition of the environmental impact of the wastes generated by our business and products, Sekisui Chemical Group pursues reduce, reuse, and recycle throughout the product life cycle.

Material Flow Cost Accounting

Since fiscal 2006, Sekisui Chemical Group has employed Material Flow Cost Accounting (MFCA)¹ in pursuit of both ecological and economic goals to reduce waste and costs.

The midterm environmental plan (see the "Data" supplement, p. 3) includes the target of achieving a

1 Material Flow Cost Accounting (MFCA)

A method of assessing costs comprehensively by tracing the flow of materials within production processes and focusing on the losses (wastes) generated in these processes. Use of this method realizes new cost savings and reductions in environmental load by making hidden inefficiencies visible through treating wastes as negative products that generate costs.

total reduction of 5 billion yen vs. fiscal 2008 on a cumulative basis over the five-year period from fiscal 2009 through fiscal 2013. In fiscal 2010, we reduced costs by 1.3 billion yen through efforts including increasing the thickness precision of housing exterior wall panels and decreasing the volume of materials disposed of as defective. Total waste generated by production sites also decreased by 9% from the fiscal 2007 level.

Zero Waste Emissions

Since 1998, Sekisui Chemical Group has promoted Zero Waste Emissions Activities intended to reuse as resources all the waste it generates.

While we have achieved zero waste emissions at main production facilities and housing construction and remodeling sites, we also are advancing global activities toward the goal of achieving zero waste emissions at all subject facilities by fiscal 2013. In fiscal 2010, two new facilities in Japan achieved it. This brings the number of facilities achieving this goal, including affiliated companies, to 41 in Japan and three overseas, for achievement rates of 89% and 19%, respectively.



Since fiscal 2009 we have worked to achieve the goal of zero waste emissions in September 2010. Although we were three months late in achieving this goal as a result of efforts related to selection of waste recovery venders and screening preparations, we were certified in December as a zero waste emissions plant.

In addition to monthly environmental meetings and employee training, our activities also have included preparation and posting of waste segregation guides and recycling routes. We feel that at present we have just cleared our target. In the future

we will strive to put wastes to effective use and restrain waste generation as we work toward continual improvements.

Takashi Saito Iwate Plant, Sekisui Medical Co., Ltd.





Production Facilities in Japan

Manufacturing sites are focusing in particular on reducing and reusing wastes. In fiscal 2010, these sites achieved a 9% reduction in total waste generated vs. fiscal 2007 through efforts to reduce excess and scrap materials and improve the efficiency of molding by expanding the sizes of housing materials, though the waste per unit of output did increase by 2%.

New Housing Construction Sites

While Sekisui Heim modular homes, for which 80% of the building process takes place in factories, originally have generated low volumes of waste at construction sites, our goal for fiscal 2013 is to reduce this amount further by 45% vs. the fiscal 2000 level. In fiscal 2010, efforts such as reducing excess material use through cooperation between sales and production sections succeeded in reducing total waste generated by 32% vs. fiscal 2000 for Sekisui Heim homes and by 51% over the same period for Two-U homes. Total Waste Generated and Waste per Unit of Output Production Facilities (Verified)



Total Waste Generated in New Housing Construction (verified) (Tons/home)





For the Future

Water Use

Sekisui Chemical Group is striving to reduce water use through means including cyclic use of cooling water.

Water intake for the entire Group in fiscal 2010 fell by 3% in comparison with the fiscal 2007 level.

In Japan, Sekisui Chemical Group will strengthen its efforts aimed at achievement of a reduction of 40% or

more vs. fiscal 2007 in waste generation per unit production volume, a target for fiscal 2013. Overseas, in 2010 we established a reduction of 25% of waste per unit production volume vs. fiscal 2008 as a guideline for fiscal 2013 targets and are advancing related activities. In addition, in some countries and territories waste is usually disposed of by landfill and there are no incineration facilities, and as such there is no way to reuse the heat from incineration of wastes. For this reason, we also are considering flexible use of zero waste emissions standards in accordance with the actual circumstances in each country and territory, for example by evaluating increases achieved in recycling rates.

Minimizing Environmental Impact through Proper Control of Chemical Substances

System for Control of Chemical Substances throughout the Product Life Cycle

Development	Procurement	Production	Transportation	Sale/Use
Product Assessment System for Environmen- tal Impact • Check on prohibited substances • Check on substances prescribed by law Formulation and opera- tion of the Chemicals Management Regulations	Green Procurement System • Evaluation sheet for procured products	Prior Assessment System of Capital Expenditure • Check on safety and environment • Check on energy Implementation of various preservation activities Formulation and opera- tion of the Chemicals Management Regulations	 Information Disclosure Issue of yellow cards Legal description 	Information Disclosure • Issue of MSDS

Policy

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

Sekisui Chemical Group is implementing efforts such as the Product Assessment System for Environmental Impact¹ and the Green Procurement System² 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 review periodically chemical substances that are candidates for control or regulation of use, in accordance with the establishment and amendment of relevant laws.

1 Product Assessment System for Environmental Impact

A system for assessment of the environmental impact of a product all the way from raw material procurement through manufacture, use, disposal, transport, and all other stages (see the "Data" supplement, p. 14).

2 Green Procurement System

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

VOC & HCFCs

Since fiscal 1999, Sekisui Chemical Group has been working to reduce discharge of pollutants into the environment.

Since fiscal 2006, we have aimed for the target of a 60% reduction in discharge of VOCs into the atmosphere in fiscal 2013 compared to fiscal 2000. In fiscal 2010 we achieved a 49% reduction compared to fiscal 2000.

In fiscal 2008 we ended all use of HCFCs.



In fiscal 2010, we conducted surveys compliant with relevant laws at six sites and completed two of these facilities. Results of these surveys showed no values standards exceed for soil pollution at Sekisui Medical Co., Ltd. Iwate Plant and excess values on a part of the site of Sekisui Chemical Hokkaido Co., Ltd. Plans call for addressing the areas with excess values in accordance with the law.



Stored transformers and condensers that contain PCBs are being disposed of steadily, beginning with sites for which acceptance at PCB treatment facilities is available.

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



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

Striving to Preserve Biodiversity through Both Business and Nature Conservation



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

In March 2011, we established guidelines for efforts to preserve biodiversity. In addition, we are expanding the scope of these efforts to the entire supply chain through steps including the addition of biodiversity-related items to procurement policies. (See p. 14 of the "Data" supplement.)

"KODOMO Biodiversity"

KODOMO Biodiversity is an environmental education activity for children wetlands registered under the Ramsar Convention¹.

KODOMO Biodiversity has been held at 10 wetland locations in Japan and around the world over the two-year period beginning in 2009, with about 400 children participating. Sekisui Chemical has provided support for this activity from the planning stage through implementation. In August 2010 it was held at Lake Biwa, with about 80 children taking part including children from nine foreign countries. Through observing nature at Lake Biwa, the children learned about the abundant biodiversity still remaining in the lake and experienced the traditional culture of the local community, among other activities. In the end, they summarized what they had learned in the form of a declaration. A presentation on results from this activity was given at the Tenth Meeting of the Conference of the Parties to the Convention on Biological Diversity (COP 10).

1 Ramsar Convention

A global convention on protection of wetland ecosystems, adopted in Ramsar, Iran in 1971





A scene from KODOMO Biodiversity at Lake Biwa

CS & Quality

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

Our Philosophy

As a manufacturer, contributing to customers through the quality of the products and services and letting them appreciate their value are of utmost importance. Sekisui Chemical Group has employed CS management focused on customer satisfaction (CS). CS comes first of all from the quality of products and services, and our goal is to embody CS in products and services themselves through the pursuit of their quality.

Based on this concept, in 2004 we began CS & Quality Management focusing on products and services quality

innovations in all of our business. The aim is to progress and grow together with customers over the long term, by constantly delivering values that surpass their expectations so that they will choose our products and services repeatedly. For this purpose, based on the motto "We consider customer's feedback as the beginning of our manufacturing," we are improving the "Basic Qualities"¹ and "Attractive Qualities² through improving" the "Quality of Products and Services" and the "Quality of People" and the "Quality of Systems" that support it, utilizing a variety of feedback and other information received from customers. Sekisui Chemical Group is working together to pursue quality that will be always specified by customers.

1 Basic Oualities

3 External failure costs

4 Major quality issues

Chemical Group

and claims.

Costs arising from responding to product-related complaints

Problems related to product

and service quality that could

customers, society, or Sekisui

thoroughly resolved on an urgent basis.

if

cause significant damage

Delivering products and services with the quality promissed to customers.

2 Attractive Oualities Continuing to create new value in anticipation of the needs of customers and the other stakeholders.

The CS & Ouality Management Policy and System

KPIs

external failure costs³, which arise in connection with complaints and claims concerning products. The other is the number of major quality issues⁴ related to products and services.

In fiscal 2010, we were able to decrease external failure costs by 4.2 billion yen from fiscal 2004. Two major quality issues arose during the year.

We will further cut external failure costs through revising group-wide guality-assurance systems and purchased/outsourced products systems. We also will establish standards for design review to prevent major quality issues so they will not occur in the future.



Note: CSR Report 2010 incorrectly indicated one incident for fiscal 2008. The actual number was two incidents.



→ See "Data" P19, 21

We have identified two key performance indicators. One of these is

35 Corporate Social Responsibility Report 2011


Midterm Plan

To achieve the goals for fiscal 2013 of eliminating major quality issues and cutting external failure costs by 5 billion yen vs. fiscal 2004, in fiscal 2011 we will implement new training intended to train leaders in production sites, as a means of improving the Basic Qualities, and continue holding seminars on prevention of product quality-related problems. Furthermore, to strengthen quality-assurance abilities overseas we will begin with a survey of actual conditions in that area. Also, to help create Attractive Qualities we will continue releasing "The Story of Attractive Qualities," on the company intranet (see p. 38) and continue "the Creation School" public training sessions for employees (see p. 41).

Results of Main Efforts in Fiscal 2010

Theme		e	Main Efforts	Future efforts
Basic Qualities	CS		 Improving Customer Information & Consulting Services Visiting all residents 	 Responding to quality- related risks Strengthening preventive
Attractive Qualities	Quality	Development/ procurement	 Quality management system Global deployment of QC efforts S-QC activities "The Story of Attractive Qualities" Public training sessions 	abilitiesImproving quality
	Human resources			assurance overseas • HR development • Internal/external promotion

Fiscal 2010 fire in an MJS telephone exchange system

On January 13, 2011, a fire arose that appears to have started in the power-supply circuit board of an MJS III telephone exchange manufactured by Sekisui Chemical co, Itd. We apologies to customers and the other stakeholders concerned.

While the cause of the fire remains under investigation by the National Institute of Technology and Evaluation (NITE), we are replacing, free of charge, customers' products using the same power-supply circuit board (the MJS II and MJS III exchange systems) installed in Sekisui Heim and Two-U Homes residences. While replacement work continues, it is expected that nearly all eligible products will be completely replaced for customers by the end of June 2011. Putting customer safety first, we try to complete replacement of all eligible products as quickly as possible.

It is our understanding that this incident was a major problem involving insufficiently strict evaluation at the product design stage and, furthermore, insufficient examination of previous explosions of condensers used in the same product, resulting in a conclusion that such explosions would not lead to fires. These cases were responded to by replacing the components on the damaged power-supply circuit boards.

Together with reflecting deeply on these circumstances, we have taken new steps such as the following.

Changes to Complaint/Claim Resolution Regulations and Reporting/Disclosure Flows

We have established criteria for noncritical product failures¹ so that in the event of a situation such as this a preliminary report will be sent immediately to the quality assurance section of the relevant division company. The division company then will report the matter to the President and Corporate Headquarters, consult with them on responses, and quickly report the matter to NITE.

1 Noncritical product failure

Ignition, burning, smoking, or scorching not resulting in a fire, unusual odors, unusual heating, deformation caused by heat, toppling, dropping, minor injuries, minor burns, skin irritation, etc. Environment

CS & Quality

Increasing the Attractiveness of Products and Services Based on Customer Feedback



In addition to Customer Information & Consulting Services in the CSR Department within Sekisui Chemical co, ltd., Sekisui Chemical Group has established contact points for inquiries in each division company and in each sales company. In this way, we are working to respond swiftly to inquiries, guidance, and wishes from customers.

The Housing Company has established a Customer Center at each sales company across Japan and has completed the following steps: (i) assignment of full-time personnel responsible for customer service, (ii) accepting feedback from customers 24 hours/day, 365 days/year, (iii) making a toll-free number available for telephone inquiries, (iv) consolidating the contact points for after-sales service and Fami-S (renovation business), and (v) consolidating area telephone numbers.

Customer Information & Consulting Services

Customer Information & Consulting Services analyses the customer feedback received day after day and puts it to use in improving products and services. In fiscal 2010, based on results of analysis we proposed a variety of improvements in areas including products, the descriptions in catalogs and on websites, and the handling at contact points for customers as well. In response to these proposals, division companies made 73 improvements.

Furthermore, to raise the level of service at contact points for inquiries in each division company and sales company and put customer feedback to even greater use, in fiscal 2008 we began telephone service training taught by Customer Information & Consulting Services staff. In fiscal 2010, this training was conducted in 17 sessions at 14 business sites, for a total of 187 trainees.



Telephone service training



Since this training took place around the time I had been accustomed to telephone service, it reminded me the difficulty of identifying customer needs in telephone conversation.

The training focused mainly on getting trust from customers. It was very meaningful and led to future

improvements in my skills as well.

Yuki Kurokawa Tokyo Sekisui Fami S Co., Ltd.

"The Story of Attractive Qualities"

To increase motivation among product-planning and development personnel, in fiscal 2008 content providing an introduction to relevant products, entitled "The Story of Attractive Qualities," was released on the company intranet. This content introduces, through dialogue between development

personnel and others, the cases of products with Attractive Qualities that have provided customers with new value and contributed to our stakeholders. It has been accessed by a very high number of users.

In fiscal 2010, a piece on Eslo Hyper, a new line of high-performance polyethylene pipes for waterworks use that is intended to open up a new stage in the history of the water infrastructure, was added to the site, incorporating interviews with customers and contractors as well as development personnel. The site content on the social significance of long-selling products has had a strong impact on young employees.



"The Story of Attractive Qualities" (on the company intranet)

Case Studies of Attractive Qualities

Eslo Hyper high-performance polyethylene pipes support lifeline

Water is an essential resource to everyday living and industry. While waterworks in Japan boast a high penetration rate of 97%, the nation's total of approximately 618,000 kilometers of water pipes about 43,000 kilometers have surpassed their usable lives of 40 years (as of April 2010). In addition, the metal pipes installed initially are weak in terms of bending, so that in the Great Hanshin-Awaji Earthquake water-supply stoppage due to pipe damage inconvenienced large numbers of people.

Sekisui Chemical took on the challenge of developing polyethylene water pipes utilizing the technological capabilities it has accumulated in the gas-pipe business, with the goal of developing water pipes that were not only superior in terms of durability and earthquake resistance but also would make it easier to carry out pipe rehabilitation, which is likely to see increased use in the future. In 1995 these pipes were installed on a trial basis in the city of Hofu in Yamaguchi Prefecture, and in 1996 Eslo Hyper high-performance polyethylene pipes were on sale.

The Eslo Hyper line satisfies the quality level needed by water pipes, which require higher pressure than gas pipes, through use of the raw material of high-density polyethylene. It also realizes high levels of durability and earthquake resistance through joining pipes using a proprietary fusion joining method. Furthermore, it also gives consideration to safety and ease of handling from the contractor's perspective, and since its introduction it has earned a high level of support and grown to be the standard in water pipes.

Adoption of Polyethylene Water Pipes



Source: Polyethylene Pipe for Water Distribution, Inspection Results of Water Supply Equipment from Suido Kyokai Zasshi, *the Journal of the Japan Water Works Association*

Note: Estimates assume each pipe is five meters in length

Strengths of Eslo Hyper



Lightweight and easy to transport and construct



Electric fusion

Rust-free material means pipe interiors are like new even nine years after installation

Superior earthquake and climate resistance enables installation even in locations with severe conditions



Pursuing the "three zeros" of Complaints, Accidents, and Wastes



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



Quality Management

Sekisui Chemical Group has developed quality-control systems covering every process from production through product use by customers. Each section has developed a quality-assurance system, and in each process we promote controls on a daily basis following the PDCA² management cycle. In developing products and making improvements to quality, we conduct screening from a variety of perspectives, such as those of quality assurance and safety.

In fiscal 2010, we will develop screening standards and check sheets. Our business sites also made progress on becoming certified under the ISO 9001³ standard, as the total number of Sekisui Chemical Group business sites and departments certified under this standard rose to 87. The number of employees at these ISO 9001-certified business sites and departments represents 58% of all Sekisui Chemical Group employees.

In fiscal 2011, we will focus on development of quality-assurance systems suited to the globalization of business.

S-QC site dialogues

Since fiscal 2008 we have held "the S-QC⁴ site dialogues" on the subject of everyday management at production sites. These are events in which manufacturing, quality, and safety personnel from the site-leader level visit production sites and then, following a site tour, discuss the themes of safety and quality. Through observing the sites, products, and equipment of other business facilities and speaking with participants who work in other sites, attendees can gain insights and knowledge on practical operations. In fiscal 2010, eight sessions were held focusing on "Naze Naze Analysis"⁵, with 119 personnel from 48 sites taking part.

4 S-QC Safety Quality Control

5 "Naze Naze Analysis"

A method of thoroughly locating the cause of a problem and making use of it in order to help prevent any recurrence, by identifying why problems occurred, and why these causes were present in the occurrence of such a problem.

2 PDCA

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

3 ISO9001

An international standard on quality assurance and quality management systems



In August 2010 I took part in a site dialogue on the theme of quality. I believe discussing the theme of quality was an excellent opportunity to review myself. Also, activities at other sites such as issuing armbands to a variety of people and having them patrol the site were very instructive, as they seemed likely to generate a patricipant of the site were very instructive.

erate positive results in both safety and quality by keeping people on the site alert to prevent safety and quality activities from becoming mere formalities. I think learning such things was something that could be done only in this meeting.

> Masayoshi Abe Jobu Sekisui Co., Ltd.



KAIZEN Activities

Group KAIZEN activities,¹ which began more than 40 years ago, are an initiative in which employees in each workplace form small groups to promote improvements in production and operational efficiency and product quality improvements. These activities are underway in Japan and around the world, centered on production companies. Once each year presentations are held in each region to share information on results in each workplace.

For fiscal 2010, in October, the 18th All-Sekisui Americas KAIZEN Activities Presentation was held at Allen Extruders, LLC., and in November the second All-China KAIZEN Activities Presentation was held at Sekisui Medical Technology (China) Ltd.

Furthermore, the 45th Sekisui Chemical Group KAIZEN Activities Presentation, a groupwide event in which teams announce exceptional results to each other, was held in January 2011. This event welcomed participants from 21 groups (19 from Japan and two from overseas) chosen from regional blocks. Sekisui Chemical's Musashi Plant won the gold prize, while among overseas sites Sekisui Medical Technology took the bronze prize.

1 Group KAIZEN activities

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



The gold-prize-winning team

Providing Products Information

As a means of preventing the reoccurrence of the serious incident that occurred in January 2011 (see p. 36), we have revised the internal complaint resolution regulations as well as reporting and disclosure flows in case of the occurrence of serious incidents.

To achieve understanding of these countermeasures, an explanatory guide to the revised regulations has been released on the company intranet. In the future, understanding will be achieved through e-learning and other means. Also, each division company will take steps such as holding meetings between related sections and personnel, and holding training sessions.

Future Issues and Countermeasures

	Problems with Internal Regulations	Countermeasures (content of revisions to internal regulations)
1	Unclear judgment criteria for situations that could develop into serious incidents such as fires (recognizing 103 related incidents as failures)	 Changed titles of flows in complaint and claim resolution rules and serious-incident reporting and disclosure flows, and made noncritical product failures subject to flows similar to those for serious incidents Clearly defined noncritical product failures
2	Unclear flow for determining the need to provide information to the National Insti- tute of Technology and Evaluation (NITE)	Added to serious-incident reporting and disclo- sure flows a clear flow for providing information to NITE (See p. 36) and other parties concerning noncritical product failures as well

MFCA and ECO-JIT Program

As we seek to balance ecological and economic interests, in addition to utilizing material flow cost accounting (see p. 31) we are advancing the ECO-JIT Program as well.

The ECO-JIT Program is an initiative intended to cut energy costs through identifying energy loss within production processes and carrying out production improvements (reforms). Formed from both a value-engineering approach that aims to reduce energy consumption in individual pieces of equipment and a just-in-time (JIT) approach seeking to improve energy efficiency in production processes, this program adapts both of these approaches as appropriate through ascertaining information on and analyzing subject processes.

To promote these ECO-JIT activities throughout the entire group, in July 2010 we prepared an ECO-JIT Handbook.

Advancing development of an organization in which each individual has a high level of CS awareness



To ensure a customer-oriented culture (CS culture) takes root throughout the entire group, Sekisui Chemical Group has been rolling out its own CS awareness program called STAR 55 since fiscal 2002. Through efforts including individual programs developed from STAR 55 and various training programs conducted for individual sections and themes, the goal is that each individual can take an action for customers.

STAR 55

Sekisui Chemical Group developed the CS awareness program called STAR 55¹ in fiscal 2002, and since then it has been implementing the program as part of the training programs for specific employee ranks, while expanding the program as well. In fiscal 2010, the scope of the CS Communication Skills Program intended to improve interpersonal skills was expanded from including just sales sections to include after-sales service sections as well.

1 STAR 55

An effort intended to foster a customer-oriented culture culture) by getting employees in each workplace to think about CS and work it into their individual action goals.



A discussion in the Creation School

Public Training Programs for Employees

In fiscal 2008 Sekisui Chemical Group began holding Creation School public training sessions for employees to develop human resources who can generate products and services with Attractive Qualities. Focused on young and mid-level employees with development and planning responsibilities, this program has produced a cumulative total of 34 trainees who engage in developing the products with Attractive Qualities.

In fiscal 2010, the program welcomed as a lecturer on the theme of product planning capabilities Prof. Noriaki Kanda of the Department of Business Administration in the Faculty of Economics at Seijo University, famous as an author of "Seven Tools of Product Planning". He lectured trainees in the program over an eight month period. Under his guidance, teams organized by division company created concepts for "Prominent Products" and reported their results to management in December.

Dialogues with Customers

Since fiscal 2005, top management of the Housing Company and housing sales companies have 2CAT been holding the CAT² Meetings in which they meet customers directly to receive feedback directly. In fiscal 2010, these meetings were held 1,609 times, gathering feedback from a total of 4,955 customers (3,057 households).

These feedbacks are used for purposes such as improvements to equipment and machinery, improvements to the tools used in explaining products, and enhancement of periodic inspections.

The term comes from the first letter of the words "Customer And Top management.

R&D, Intellectual Property, Purchasing

Increasing the Value of Products and Services Through Various Aspects of Manufacturing

Providing customers with products and services involves a variety of aspects, such as R&D, intellectual property, and procurement.

Sekisui Chemical Group strives to raise the value of products and services through these aspects.

R&D

To Sekisui Chemical Group, as a group that pursues to provide unique products and services, R&D is a foundation for revenues and growth, and an important management strategy. Each division company, Corporate Headquarters, and each key affiliate has an R&D section that handles a broad range of R&D from basic research through products development and technologies for production and management.

Together with increasing the speed of technological development in growth areas and creating technologies, we also are advancing R&D concentrated on the three fields of advanced infrastructure solutions, energy-solution chemicals, and life sciences, which are expected to contribute to solutions for social issues as next-generation businesses.



Intellectual Property

The intellectual property is an important management resource to Sekisui Chemical Group, whose policy on intellectual property is one of securing business competitive strength through obtaining strong patents.

To improve quality and raise awareness in development, employees who have obtained a certain number of patents are awarded "P Badges" and training is conducted on intellectual property. Future plans call for strengthening global-oriented efforts in addition to measuring the degree of contribution of intellectual property to business.

Procurement

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

In addition to quality and delivery times, suppliers are requested to give consideration to the environment, comply with laws, regulations, and societal norms, and ensure supplier's own health and safety.

Lumber Procurement

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

Human Resources

Aiming to raise corporate value through supporting our employees' growth

Our Philosophy



of CSR management." In addition, based on the idea that "employees are precious assets bestowed on us by

Based on our concept of enabling human re-

sources to perform and grow, Sekisui Chemical

Group strives to develop human resources. In

2005, human resources was incorporated as

one of the three prominences of CSR, based on

our belief that "human resources are an

important motive force driving advancement

society," Sekisui Chemical Group strives to create environments where employees can do their jobs with a sense of safety and security, and that help them aim for self-fulfillment through developing their own skills and growing as professionals utilizing their own individual characteristics. We believe that such efforts will lead to the continual development of our organization and business, and for this purpose we provide our employees with opportunities to take on challenges on their own and support individuals who can act on their own, with their own ideas.

Furthermore, as the globalization of its businesses accelerates, the employees who work at Sekisui Chemical Group are growing more diverse as well. We are advancing efforts to increase opportunities for more people to thrive on the global stage and to promote creation of various working styles and safe and secure work environments, respecting the diversity, personalities, and individuality of our employees in each region.

In the future as well, Sekisui Chemical Group will aim to achieve growth for both the organization and its employees, with a firm awareness of the individual learning and growth of our employees.

The Human Resources and Human Rights Policy and System

Labor Practice

Sekisui Chemical Group respects basic labor rights and strives to build positive labor-management relations. Our working conditions comply with the legal and regulatory systems of each country, and we strive to ensure compliance with relevant international labor standards as well.

> See "Data" P20, 21

At the same time, together with assuring occupational health and safety in the workplace we also provide appropriate training and educational programs to employees (see p. 54 – 56).

Respect for Human Rights

With the recognition that it is its social responsibility to protect the human rights of each employee, Sekisui Chemical Group respects the diversity, personality, and individuality of each individual. In addition, in 2009 we formulated the "Human Resources and Human Rights Policy" (see "Data" supplement, p. 20) and established under the Compliance Manual a provision stipulating that there should be no intentional infringement of human rights, whether directly or indirectly, and no participation in such infringement.



Midterm Plan

At the same time it aims to achieve business growth, Sekisui Chemical Group also is developing environments in which employees, who are important assets can thrive in business using their own skills and creating various human-resources development systems and opportunities that help employees learn and grow on their own.

Efforts to develop human resources who can thrive on a global stage began with the midterm plan established in fiscal 2009.

In fiscal 2010, we implemented a variety of efforts on the key themes of global talents, career development & evaluation, and decent work & diversity.

Key theme	Main measures in fisical 2010	Efforts
	Training of domestic employees for globalization	 Developed a global employee program Increased "Global Talents" employees to 224 people Enhanced welfare programs for employees stationed overseas
Global talents	International recruiting	 Recruited people at the Boston Career Forum (one of America's largest job fairs for inter- national students)
	Training of local managers	 Held a management training program for core personnel of Chinese subsidiaries Deployed activities toward establishment of HR function in North America
Career development & evaluation	Career training	 Held career advisor brainstorming sessions to lay the groundwork for career training Established the Sekisui Support Center (to pro- vide career and mental-health support)
	Internal job posting	• 22 cases of using an Intra-group Job Posting System for post-hiring transfers
	Work-life balance	Conducted normalization of working hours and activities to raise awareness at affiliate companies
Decent work & diversity	Women's empowerment	 Held career planning seminars for sales women 119 women were hired as new graduates (25% of the total)
	Global employee surveys	Surveyed approximately 25,000 people

Results of Main Efforts in Fiscal 2010

Advancing Development of Human Resources Who Can Thrive on the Global Stage



Necessity for "Global Talents"

1 "Global Talents" employees This is defined as employees capable of thriving on a global stage with not only language and communication skills and specialization but also the abilities to adapt to different cultures and to support and grow business overseas. Since 2000, Sekisui Chemical Group has been expanding its businesses overseas, mainly opening facilities, and through mergers and acquisitions. The midterm management plan includes the target of roughly doubling the percentage of sales overseas to 30%.

In fiscal 2011, the number of overseas employees in the group as a whole exceeded 5,000 - roughly double the figure in fiscal 2005 and more than 20% of all employees. Sekisui Chemical Group needs to secure and train "Global Talents" employees¹ to ensure the group's sustained growth. Based on this concept, we are advancing the following HR strategies for "Global Talents" employees:

- Training of domestic employees for globalization
- International recruiting
- Training of local managers

Activities

Training of domestic employees for globalization

The subjects of the Global Employee System intended to train "Global Talents" employees actively have been expanded to include all group employees in Japan, and employees aiming to work overseas actively undergo training on different cultures and specialized training in accordance with their own proficiency levels.

In addition, the Global Trainee Program, which enables participants to build up real-world experience overseas, provides employees with experience in doing business in different cultures, by sending applicants with sufficient levels of experience from sales, accounting, and development positions to positions at overseas affiliates.

Through these activities, we aim to increase the number of Japanese employees immediately ready to serve overseas to 300 by fiscal 2013 (from a number of 224 in fiscal 2010).



Training of local managers (China)

International recruiting

An effort underway in addition to global training of Japanese employees is aggressive hiring of human resources with experience living overseas, such as foreign exchange students and non-Japanese candidates. In particular, we continue to hire candidates at the Boston Career Forum¹, the largest Japanese-English bilingual job fair in the United States, where we have had a booth since fiscal 2008 and where we speak directly with large numbers of international students from Japan. In hiring of new university graduates in Japan as well, we are providing introductions to the globalization of our businesses and clearly identifying "Global Talents"

employees as one of the ideal types of human resources we seek to hire.

As a result, the percentage of new graduates joining the company in fiscal 2011 with the ability to play roles overseas was 27%, and we plan to increase this percentage to 40% in the future.

1 Boston Career Forum

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

Training of local managers

In fiscal 2010, a management training program to train management at production sites was held in China. Nineteen individuals from eight companies took part in this training held in Qingdao, which featured lively discussions.

In the future, we will focus efforts on training of staff hired in each area around the world.

Overseas workplaces activities

In fiscal 2010, we conducted a survey of the living environments of employees stationed overseas in North America, Europe, China, and elsewhere in Asia.

We also revised welfare programs, including enhancement of health management and information provision and support for employees in regions with tough conditions in terms of public safety, climate, or other factors (hardship regions), referring to feedback collected overseas.

Coordination with Each Area

Once a year, Sekisui Chemical Group holds policy briefings in which all presidents of overseas affiliate companies meet together in one place as well as brainstorming sessions for them. These serve as venues for sharing of vision and management policies as well as discussion toward solving the issues faced in each area.

Furthermore, in fiscal 2010 meetings of company presidents began in individual areas, such as North America, Europe, China, and Asia. These are advancing the development of training and educational programs along with the sharing of effective and efficient methods at each company, to generate a sense of unity as group member companies.

In the North American area, we plan to strengthen shared functions such as human resources, legal, and IT in addition to the traditional coordination and financial functions at the area headquarters company.



I was assigned under the Global Trainee Program to a sales company in the housing business in Thailand, which had only recently been established. While my assignment only lasted for a short period of five months, it was a valuable experience starting up a new business from a clean slate together with Thai employees.

I felt both nervous and proud to be treated as a representative of Sekisui Chemical or Japan in whatever I did or said.

This experience also taught me the importance of persevering with dialogue on group principles, outlooks, and products again.

Nariko Shiroma Housing Company, Sekisui Chemical Co., Ltd.

Sekisui Chemical's booth at the Boston Career Forum

Human Resources

Environment

Fostering a Culture in which Employees Learn and Grow on Their Own, through Support for Individual Career Plans



Education and Training System

Sekisui Chemical Group provides a variety of support options suited to the positions and skill levels of employees, to make it easy for each employee to develop his or her own career.

Based on the four themes of (i) acquisition of skills and knowledge, (ii) support for career development, (iii) midterm priority themes (frontier-oriented human resources, business leaders, Global Talents employees, and specialized talents), and (iv) CSR training, training is provided in accordance with the level of each employee's job level.

Activities

At present, Sekisui Chemical Group is implementing a variety of efforts to provide each individual employee with opportunities to think about his or her own medium- to long-term career plan.

For example, the education and training program Age-wise Career Plan Training by age¹ is provided for employees at or near critical ages or turning points as a member of society (such as up to three years after joining the company and the ages of 30, 40, and 50 years). In addition to thinking about their own careers, this training also serves as a valuable opportunity for employees of similar ages to interact with each other across the boundaries separating sections and workplaces. The program also is meaningful as an opportunity for trainees to become aware of the diversity of ways of working and ways of viewing work.

In addition, since 2010 we have been able to provide employees with more flexible support through assignment of approximately 100 career advisors² to support career planning at a variety of business sites within Sekisui Chemical Group.

In fiscal 2011 and later, we plan to deploy these career-support efforts as well as other efforts including human skills training and training on the CSR mindset more broadly within the group. Our policy also calls for strengthening of efforts targeting employees overseas in addition to those at affiliate companies in Japan.

1 Age-wise Career Plan Training

Training in which employees think about factors such as what they would like to do and what capabilities they have that they can put to use, to enable them to choose careers acceptable to themselves.

2 Career advisors

Key career-support personnel within the Group. Internal training to develop career advisors began in fiscal 2007. Career advisors come mainly from the ranks of HR and training personnel as well as members of management in each organization.

Internal job posting

Sekisui Chemical Group is advancing the building of a culture in which employees take on challenges on their own and their superior supports their challenges, through developing an HR system in which employees can apply on their own for postings at various stages of their careers from when they join the company through training, transfer, promotion, and change of profession.

For example, in fiscal 2010 nineteen individuals had the opportunity to thrive on new stages through the Intra-group Job Posting System for post-hiring transfers.

In the future as well, we will actively promote exchange of human resources across company, division company, and business boundaries, providing numerous employees with places where they can thrive.





I had been working in housing sales, but I used the Job Posting System to transfer to my current position in accounting for Sekisui Chemical Group settlement of accounts. Accounting is a job in which I had been interested before and that I wanted to experience someday. While I was a bit bewildered at first after the transfer, as my surrounding environment had changed completely, I also found it stimulating every day to work in a field completely different from what I had done before. I really enjoy my work.

When asked what I would like to do in the future, my answer is that if given the chance I would like to work overseas. I want to continue taking on challenges in a variety of things in the future as well by building my own career myself.

Takayuki Yamamoto

Corporate Finance and Accounting Department, Sekisui Chemical Co., Ltd.



Performance of the Intra-group Job Posting System Verified



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Three Prominences

Environment

Evaluation

The performance-based evaluation concept

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 treats employees appropriately with benefits and remuneration. This system encourages the setting of higher, more challenging targets, which in turn leads to further personal growth and the growth of the company. These are the objectives of Sekisui Chemical Group's performance-based evaluation.

Performance evaluation based on the "absolute evaluation" of each individual

Sekisui Chemical Group evaluates the performance of individuals based on "absolute evaluation," to enable each individual to get a true feel for job satisfaction and individual growth.

A characteristic of this system is the way it incorporates explicitly as bases for evaluation the process of working toward goals and growth in job-performance capabilities realized through that process, demonstrating the company's approach of supporting and encouraging achievement of each individual's own medium- to long-range career plan.

In the future as well, this Sekisui Chemical Group performance-based evaluation system will continue providing support from the sidelines for strong growth on the part of individual employees.

Coordination with superiors, key persons in performancebased evaluation

The performance-based evaluation system that Sekisui Chemical Group aims to achieve cannot be realized without superiors thinking about their subordinates.

For this reason, Sekisui Chemical Group provides support suited to each workplace and position through coordination with superiors, through teams centered on members such as HR personnel and qualified career advisors in each facility. Specifically, numerous sessions of workshop-based training are being conducted in individual business sites, using the absolute evaluation system. As a result, the number of superiors with the goals of seeing their subordinates grow in a particular way or providing support in accordance with the stages of subordinates' careers is growing.

Advancing a variety of initiatives to build workplaces where employees can thrive with vitality



• Respect for Diversity

As globalization and diversification of values continue, Sekisui Chemical Group is advancing a variety of efforts aimed at building workplaces where diverse human resources can work. This is intended to respond to changes in business environment and to achieve the further growth of the group itself.

In addition, we have established "respect for diversity" as the clear motto of our "Human Resources and Human Rights Policy," aiming to build workplaces where everybody can do his or her job, regardless of factors such as gender, nationality, age, or type of employment. Today we are striving proactively to build such a culture by ensuring a understanding of these values among employees, through the intranet, various seminars, and other activities.

Work-Life Balance

Sekisui Chemical Group believes that in addition to fulfilling work, self-improvement outside working hours also leads to personal growth, and that employees who have grown in such ways can utilize their new knowledge, experiences, and values inside the workplace to effect the further growth and development of the company. Based on this concept, we promote a sound work-life balance.

In fiscal 2010, we spread this concept of work-life balance broadly through means such as seminars and training for new members of management, as well as implementing a variety of efforts such as reviewing ways of working and further encouraging employees to take paid leave in order to make time for employees to improve themselves.

Bases of CSR

Women's Empowerment

It is essential to recruit and develop talents regardless of gender, to respond to diversifying market needs, and to support the smooth realization of both work and child-rearing goals. As such, we are advancing opportunities for women to thrive throughout the group.

Seeing the creation of workplaces where women can thrive to be important for the purposes of corporate growth as well, we are carrying out proactive initiatives based on the fundamental concepts of building workplaces where highly motivated women can thrive in business and supporting ways of working that are adaptable to life events such as childbirth, childrearing, and long-term care for family members.

Activities

For women's empowerment, Sekisui Chemical Group currently is carrying out the following activities:

- (i) Proactive hiring of women
- (ii) Holding seminars to foster expectations that women will do well in the workplace (for superiors)
- (iii) Support for women's career development (holding seminars)
- (iv) Supports for balancing work and family life

In fiscal 2010, we proactively placed women in sales sections and technical sections such as plants and research laboratories, where the numbers of women employees have been low. As a result, the number of women in sales and technical positions has grown by 7% in comparison with the number in 2006, before activities to encourage women to thrive in the workplace began. In housing sales in particular, the number of women contributing to the business is growing, with numerous women now holding branch manager positions or generating high performance in sales positions.

In addition, to broaden opportunities for women to thrive it is essential to increase the number of women hired. Through efforts such as assignment of personnel responsible for hiring women and having women employees conduct job interviews, women as a percentage of new university graduate hires reached 25% in fiscal 2010.

Furthermore, as means of supporting the career development of women in sales and technical positions, we have held career design seminars for women in sales positions and satellite meetings to think about women's ways of working for women in technical positions.

Tokyo Sekisui Fami S Co., Ltd., Sekisui Heim Real Estate Co., Ltd.

Held career planning seminars for sales women

In February 2011, career planning seminars for sales women was held at Sekisui Chemical's Tokyo Headquarters for 20 women in sales positions at Tokyo Sekisui Fami S Co., Ltd. and Sekisui Heim Real Estate Co., Ltd.

The goal of this seminar was to learn about career planning adaptable to life events such as childbirth, childrearing, and long-term care for family members. On the day of the seminar, the women participating took part in activities including reviewing their life stages and careers, development of career visions, and workshops.

Comments from participants included, "through carefully developing a life plan, I saw that it is possible to balance sales and childrearing" and "through this seminar I was able to envision myself balancing both work and childrearing."



During the seminar

Supporting Raising Next-Generation Children

To support employees in balancing work and raising children more smoothly, Sekisui Chemical is backing the raising next-generation children through both providing a wide range of support programs and building a culture in which it is easy to employ these programs. Such programs include economic assistance for employees on childcare leave and support for diverse ways of working after returning from leave, as well as family leave that is available for raising grandchildren.

Main systems (Sekisui Chemical)

Childcare leave	Until age three * Fathers can take this leave twice * The first five working days of leave are paid	Cafeteria Plan	Until the child starts elementary school * 240,000 yen/year provided as day-care subsidy * 60,000 yen/year provided after the child starts elementary school	
Childcare allowance	30% of wage paid during childcare leave until child reaches 18 months of age	Family leave	Three days/year of special paid leave provided until the child or grandchild starts high school * May be used for childbirth-related events, school visits or social gatherings, athletic festivals, PTA events, etc.	
Shortened working hours for childcare Until child reaches fourth grade in school * May be used twice per child Child healthcare		Until the child starts elementary school * Five days/year provided for one child,		
Changes in working hours	Working hours may be shifted forward or backward until the child starts junior high school * Maximum shift: 60 minutes	leave	10 days/year for two or more children * Paid (accumulated annual leave may be used)	

Re-employment of Retirees

In fiscal 1993, Sekisui Chemical established and began use of a Re-employment System for employees through age 65, and this system was expanded to group member companies as well beginning in April 2006.

In addition, to expand this system further to create an environment in which employees can continue to work with vitality through age 65 by continually improving their own specialties, in fiscal 2007 Sekisui Chemical established the Senior Partner System of continued employment beyond age 60 reflecting specialization and achievements in compensation. As of April 2011, a cumulative total of 87 employees had used this system.

Healthcare of Employees

Employee health management is an important theme to any company for the purpose of ensuring employees can work with vitality and peace of mind.

Sekisui Chemical Group provides regular health checkups for employees. In fiscal 2010, the percentage of employees undergoing these checkups was 99.6%. In addition, the group's health insurance society contributes to health management through providing free dental checkups, consultation for employees who wish to quit smoking, and programs to counter lifestyle-related diseases.

At the same time, mental-health measures are being deployed across the entire group to provide support for employees' mental health as well. For example, in addition to setting up a special site on the intranet where employees can apply for counseling services and undergo simple stress diagnosis, in fiscal 2010 a survey was conducted of actual workplace conditions at business sites in Japan and Hokkaido Sekisui Heim Industry Co., Ltd. formed a mental-health support team. Other efforts included establishment of relevant rules and training by employee job level.

In April 2011, a support center staffed by full-time personnel was established. Efforts will be made in the future to enhance mental health throughout the entire group, through communication training conducted by means such as e-learning and introduction of new stress diagnosis services.



feel

their



The seminar held jointly with the Global Compact Japan Network

1 United Nations Global Compact

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



Seminar on Human-Rights Issues

In February 2011, Sekisui Chemical held a seminar with the Global Compact Japan Network (GC-JN) on the subject of thinking about human rights from the perspective of employment of mentally challenged people, as a subcommittee for signatory firms to the United Nations Global Compact¹. Approximately 40 people took part on the day of this seminar, including employees from GC-JN member firms and from Sekisui Chemical Group.

The seminar began with an introduction to efforts by Ryuseki Jyubi Co., Ltd. to employ mild mentally challenged people on a full-time basis and accept students from a local school for mild mentally challenged people on a work training program. This company's presentation included the remarks that through accepting people with disabilities as equal members of the workforce with the goal of creating a society in which it is considered commonsense that anybody can work, "a new concept arose of placing the right people in the right positions" and "these efforts led to improvements in the workplace environment as a whole, for example through speed improvements in the area of operational efficiency."

Next, a specialist on human-rights issues, Osamu Shiraishi, former Human Rights Officer of the Office of the UN High Commissioner for Human Rights, analyzed the efforts of Ryuseki Jyubi Co., Ltd. from human-rights and international perspectives.

This event served as an opportunity to think about human rights not only for participating firms but for the entire Sekisui Chemical Group as well.

Harassments

In fiscal 2010, Sekisui Chemical Group developed Guidelines on Preventing Harassment as guidelines on harassment² behavior that will not be tolerated. It also is strengthening efforts to prevent harassment, such as conducting regular e-learning programs to confirm employees' understanding of these guidelines.

Furthermore, Sekisui Chemical has established an in-house consultation desk and the S.C.A.N. (Sekisui Compliance Assist Network) whistleblowing system (see p. 58) and is striving to build a culture free from harassment through efforts including incorporating prevention of harassment into the themes of training sessions for members of management as well as responding to individual requests for consultation.

In addition, training sessions for employees on the subject of harassment are being held at overseas affiliate companies as well.

Employee Survey Conducted, Including Employees of Overseas Affiliate Companies

Sekisui Chemical Group began conducting employee surveys in 1984, and in 2004 it expanded the scope of the organizations from Sekisui Chemical alone to affiliate companies in Japan as well. The surveys were conducted in this way every few years through 2008. In 2010, their scope was broadened to include affiliate companies overseas too, and a survey was conducted of approximately 25,000 subjects including part-time and temporary employees, with a response rate of roughly 80%.

Results of the survey shows that employees feel high levels of satisfaction with their jobs and with their workplaces. These scores had increased from the 2008 survey results. There was a particularly marked increase in subjects' views of their companies' future business success, with the score rising from 3.41 points in the previous survey to 3.62 points in this one. Also, somewhat of an improvement was seen from the previous survey in employees' senses of the qualitative and quantitative burdens of their work. Furthermore, subjects' understanding of company measures and the degree of penetration of such measures showed improved understanding of policies related to topics such as compliance and environmental management since the previous survey.

On the other hand, since this survey was the first to include employees of overseas affiliate companies among its subjects, there were some differences apparent between overseas subjects and those in Japan concerning how they looked at matters such as satisfaction with their organization and penetration of company measures. This information will be put to use in future measures.



2 Harassment

The word originally refers to annoying behavior or bullying. It

dignity, or intimidating them through words or behavior,

refers to making others uncomfortable, harming

whether intentional or not.

Aiming to build a culture of zero workplace accidents both in Japan and overseas

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



Midterm Plan (FY 2009 – 2013) Midterm goal: Building a structure of zero occupational accidents

- Sites in Japan: by the end of fiscal 2012
- Overseas sites: by the end of fiscal 2013

Constructing a work environment in which employees can work with safety and security is one of the most important subjects. Sekisui Chemical Group is implementing total safety (i.e., zero occupational injuries, zero equipment-related accidents, zero commuting-related accidents, and zero extended sick leave) activities based on five themes¹.

The Safety Policies

→ See "Data" P20

Midterm Plan

Japan

In fiscal 2010, in addition to applying personal safety declaration activities, in which employees describe their own safety-related weak points and safety actions they will take in response to them, to all business sites, self-auditing and assessment efforts also were conducted, in which each site audited its own health and safety activities.

The goal of building a structure for zero work-related accidents has been revised, setting the end of fiscal 2012 as the new target. Plans call for aiming to achieve further improvements to resolve issues remained in this area.

Overseas

The number of occupational accidents on a per-employee basis is higher at overseas sites (38 sites) than at domestic Japanese sites.

In light of these circumstances, efforts were made to raise awareness of safety among senior management and managers through activities such as site tours (see p. 56) and brainstorming sessions for personnel from the Asia region (see p. 56).

Safety Audits

At sites in Japan, second-party certification of OHSMS² is being conducted, with 41 sites having been certified as of the end of March 2011.

Also, together with conducting self-auditing at all business sites the items "awareness of the site manager" and "communication" have been added to the previous items subject to auditing. Results of self-auditing showed that some sites had not reached the base level. Efforts aimed at further improvements will be conducted in fiscal 2011.

At the same time, related efforts are underway at overseas sites as well, with a safety audit having been conducted at YoungBo Chemical Co., Ltd. (South Korea) and site patrols conducted in Asia, the Americas, and Europe.

1 Five themes

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

2 OHSMS (Occupational Health and Safety Management System)

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



Safety Conference

In July 2010, the Sekisui Chemical Group Safety Conference was held at the Kyoto Research & Development Laboratories.

On the day of the conference, a total of 196 participants including the President and related Directors, top management from all 59 production sites in Japan and members of top management and safety personnel from 27 construction companies in Japan and business sites in East Asia (from Thailand, China, and South Korea) gathered together in one place for activities including the annual safety awards and introductions to examples of safety activities by sites with superior safety performance, resolving as a group to advance development of a culture focused on safety.

Housing Company Safety Skills Competition

In November 2010, representatives selected from each assembly plant in the housing business took part in a video risk-detection (KY) competition, in which they competed to see who could identify the most risks within the allotted time period, and group discussion through identification of safety issues.

Site Leaders Training



The winner of the Safety Skills Competition

In the interior-wall assembly process in which I work, we are striving to increase our sensitivity to safety quickly through activities such as sharing of information on places where risky acts have taken place by mapping instances observed by each individual and preparing a video risk-detection (KY) system called "Hiyoko Man" for training new employees to be able to detect risks better.

In the future as well, we will strive to raise awareness of safety further through continuing accident-free work and creating an accident-free workplace, as well as risk-detection (KY) activities.

> Kazutaka Nishiyama Kyushu Sekisui Heim Industry Co., Ltd.

Site Leaders Training is provided for personnel in leadership positions on the front lines of work sites, to discuss problems and concerns noticed by trainees during their everyday duties and think about countermeasures for them, through case studies on legal and regulatory matters as well as training on key points of identifying risks during patrols and other matters. In 2010, Site Leaders Training was conducted at 17 sites, with 456 people taking part.

This training was a very positive experience in that we were able to share everyday thoughts and concerns on safety, through frank and honest exchange of opinion across the boundaries separating employees and partner companies.

In the future as well we will make the most of the results of this training through group meetings.

Kazumichi Yamanaka Sekisui Board Co., Ltd.



Sekisui Film Co., Ltd. Group KAIZEN activities

Sekisui Film Co., Ltd. has advanced group KAIZEN (improvement) activities by all employees at its six business sites on the theme of safety, created time for individual employees to think about safety, worked to improve safety awareness and skills, and advanced initiatives such as efforts to achieve intrinsic safety in equipment and reviewing work standards.



Sekisui Film Co., Ltd. group KAIZEN activities on the theme of safety

Environment

S

& Quality

System for the New Equipment Safety Design Standard

To prevent occupational injuries and equipment-related accidents, it is essential to realize intrinsic safety of equipment which incorporates safety requirements from the equipment design stage. Based on this concept, since fiscal 2005 Sekisui Chemical Group has developed a system of equipment safety design standards.

In fiscal 2010, new standards were established for protection from electric shock on charging components on control panels and other devices, based on matters pointed out during safety auditing.

Housing Company Site Leaders Training for Construction Sections

The Safety Communication Program deployed at housing sales companies and Sekisui Fami-S (which handles the renovation business) to promote safety dialogue between supervisors and craftspersons began in fiscal 2008. In May 2010, it made a new start as Site Leaders Training for Construction Sections¹.

As of the end of March 2011, approximately 900 construction supervisors and leaders from partner companies were undergoing this program.

1 Site Leaders Training for Construction Sections

Conducted to encourage construction-site leaders to rediscover their roles and promote safety among employee



Since there are numerous narrow lots in the Tokyo area, people in the neighborhood tend to be very interested in construction sites. This gives us a sense of the importance of maintaining the site environment better.

For this reason, in addition to taking the neighborhood into consideration in activities including safety checks at the start of construction and design of the panels on temporary enclosures, we also carry out activities to enable us to be a company beloved by all, while focusing on strengthening construction quality and on communication with customers and also taking into account the views of partner companies.

We also set up risk-detection (KY) activity sheets on the site, being certain to check the content of the day's work during patrols and providing instruction through our work on site in the event that there are any deficiencies in countermeasures.

We believe that deploying these activities horizontally across the organization will enable the entire Tokyo branches to achieve a level of zero occupational injuries.

Kazutaka Sawamura Tokyo Sekisui Heim Co., Ltd.

System for the new Equipment Safety Design Standard



Standards establishing the most fundamental concepts, approaches, etc. that should apply to all equipment

Standards establishing common safety properties not highly dependent on factors such as process or equipment type

Standards establishing individual safety properties caused by or related to factors such as process or equipment type

Winning the Eighth Quality Management Award

A Sekisui Chemical employee has won the Eighth Quality Management Award (sponsored by the Union of Japanese Scientists and Engineers, or JUSE), for fostering an organizational culture aiming at zero injuries through a thorough consciousness of safety first and promoting unique activities to prevent human error.

Winner of the Award

I devised my own safety system through practicing safety activities on my own at all times, for example by taking part proactively in safety educational activities outside the company based on the philosophy of learning by mimicking what others do.

In the future, I will deploy "site sensitivity (the ability to notice possible dangers)" at business sites overseas as well as in Japan.

Yoshinobu lwata

Safety Meister Shiga - Ritto Plant, Urban Infrastructure & Environmental Products Company, Sekisui Chemical Co., Ltd.



Global Safety Enhancement Program

With the growth of its businesses, the number of overseas business sites and employes will increase. For these reasons, in fiscal 2009 the "Monozukuri (manufacturing) Handbook" was produced and put into use, summarizing the fundamental policies of production activities in Sekisui Chemical (for example, safety, the "55" process¹, and quality control).

Furthermore, in 2010 the Global Safety Enhancement Program was established, and with its implementation beginning in January 2011 the ability to prevent accidents is being strengthened on a global basis.

1 The "5S" process

A slogan used in maintenance and improvement of the workplace environment. The five "Ss" are organization (*seiri*), orderliness (*seiton*), cleaning (*seiso*), cleanliness (*seikesu*), and discipline (*shitsuke*)



The group discussion of workplace accidents

Asia Brainstorming Sessions

In July 2010, an Asia region safety personnel training session was held at Sekisui Chemical's Shiga - Ritto Plant for safety personnel from 10 sites in China, Thailand, and South Korea. On the day of the session, in addition to activities including sharing case studies of practical safety activities, learning by experience with simulated dangers such as getting caught in a roller, and group discussion of cases of actual workplace accidents, every participant announced his or her own personal safety declaration describing the actions he or she would take in his or her workplace in the future.

Site Patrols

In fiscal 2010, Sekisui Chemical Group conducted site patrols of 19 sites (in China, South Korea, Thailand, the United States, Mexico, Germany, the Netherlands, and Spain), supporting safety activities through ascertaining the actual conditions at production sites and providing guidance. In fiscal 2011, plans call for conducting safety investigations of 36 sites.

U.S. and China Manufacturing Assemblies

Manufacturing Assemblies were held in the United States and China in fiscal 2010. At the assembly held in the state of Michigan in October, 70 people from 12 U.S. sites took part. Activities included presentations on examples of safety, "55" programs, and other activities. In addition, in November an assembly was held in Beijing with 71 persons from seven Chinese sites in attendance, for safety-related presentations on examples of activities and group discussions.



The most important thing we should do to build a safe workplace is to ensure that all employees at all levels have a safety awareness. This is because we believe that safety is something that everybody must pursue.

In the future as well, we will strive to carry out health and safety activities aiming to make the workplace one in which people can work with a greater sense of security.

Abraham Tamayo Sekisui S-lec Mexico S. A. de C. V.

Aiming to be a company trusted by society

Policy

Sekisui Chemical Group addresses compliance based on the belief that we need to aim to be a company trusted by society, with each employee following the motto of our Attitudes of Sincerity. We ensure compliance with laws, regulations, social norms, morals, and ethics, on a global basis.

Compliance Management System \rightarrow See "Data" P21

Fair business practices

To ensure we employ fair business activities, Sekisui Chemical Group explicitly calls for legal compliance, prevention of corruption, fair competition, and appropriate transactions with business partners in its domestic and international compliance manuals. Furthermore, we strive to ensure understanding of these requirements among employees through training and other opportunities.



Japan

In fiscal 2010, we held seminars on the Antimonopoly Law, which was amended in 2009, and individual training sessions suited to the needs of affiliate companies and business sections, in addition to periodic compliance training for new employees, new managers, and other personnel.

In addition, the e-learning program conducted each year continued on the theme of preventing power harassment. Efforts including extending the period during which such content was available and sending email messages informing employees of the program resulted in rates of more than 80% of employees taking this training in both its first and second session in 2010.



Overseas

In fiscal 2010, based on the U.S. Antitrust Law Compliance Manual revised in fiscal 2009, we carried out interviews and employee training for affiliate companies in the United States regarding the compliance status of the U.S. Antitrust Law. We also called for ascertaining the actual states of understanding of and compliance with the law and continual strengthening of related systems.



Employee Surveys Showed Improved Awareness of Compliance

Sekisui Chemical Group surveys compliance-related matters as part of its employee surveys (see p. 52). As a result of efforts such as compliance training, employee awareness is increasing from year to year. One example of the overall increase in compliance awareness is the fact that in 2010 75.0% of survey respondents answered affirmatively to a question on whether they were acting based on a correct understanding of laws and rules.

Results of Surveys (Sample Question)

Q. Do you think you are acting based on a correct understanding of laws and rules required in performing your duties?



Main training implemented in fiscal 2010

Japan		Overseas	
Training	Trainees	Training	Trainees
Training for new managers	Managers		
Compliance training	New employees, members of management of affiliates		
Seminar on antirust law	Managers	U.S. antitrust law training	Employees of overseas affiliates
e-Learning training (four times/year)	All employees		
Training prior to overseas assignment	Personnel planned for overseas assignment		

Verified

The 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, available for use by all Sekisui Chemical Group employees (including employees of subsidiaries of subsidiaries and temporary staffs from placement agencies). In addition to distributing Compliance Cards with information on whistleblowing contact points, introductions to this system are provided in the Group's in-house magazine, e-learning, and compliance training, as continual efforts to ensure awareness of the system among all personnel.

In fiscal 2010, there were 19 cases of whistle-blowing reports and consultation, and swift responses were implemented giving consideration to the whistle-blowers and related sections.

Content of whistle-blowing reports and consultation

Working conditions	5
Sexual/power harassments	8
Improper use of business expenses	4
Other	2
Total	19

Legal Violations, etc.

In February 2009 the Fair Trade Commission found Sekisui Chemical to have colluded with other firms in determination of sale prices of polyvinyl chloride pipes and fittings over the period 2004–2006 and ordered it to take measures to eliminate such collusion and to pay surcharges (hereinafter referred to as the "order"). Since Sekisui Chemical's determination of facts of this case differs from that on which the order was based, in April 2009 the company asked the Fair Trade Commission to cancel the order. Appeal procedures are still underway.

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

Since fiscal 2008 no new cases of violations of laws or regulations or similar incidents having significant impact on society have been discovered.

Three Prominences

Aiming to manage risk prevention and emergency responses uniformly and to further increase sensitivity to risks

Policy

Sekisui Chemical Group is advancing development of a risk management system to manage risk prevention and emergency responses uniformly.

At the same time, since risks comprise events that could occur in the future it is impossible to ascertain the facts of such occurrences accurately in advance, especially amid today's increasingly complex business activities.

For this reason, Sekisui Chemical Group continues to run through the plan-do-check-action (PDCA) cycle of risk management, considering increasing all employees' sensitivity to risks to be essential to preparing for appropriate risk prevention and emergency responses.

Global Crisis Management

After preparing its Global Crisis Management Guidelines in fiscal 2009, Sekisui Chemical Group in fiscal 2010 advanced preparation of individual crisis management manuals at overseas affiliate companies, with more than 90% of such companies having prepared these manuals.

In the future, efforts will continue through enhancement of the content of the crisis management manuals and making environmental improvements toward developing appropriate risk management systems, together with aiming to complete individual crisis management manuals at all affiliates including new members of the Group by the end of fiscal 2011.

Risk Management Program

In fiscal 2010, Sekisui Chemical Group implemented risk assessments for business sections in division companies and for some operating companies. Countermeasures were employed for each risk, and the results were summarized in reports. Then, these were reviewed to identify problem points.

Future plans call for expansion of related activity organizations groupwide, together with strengthening the plan-docheck-action (PDCA) cycle framework while rectifying the problem points identified through this assessment.

Sekisui Heim Kinki Co., Ltd.

Activities Aimed at Increasing Sensitivity to Risks Begin

Sekisui Heim Kinki Co., Ltd. has been working since July 2010 to build its risk-management system.

These activities have begun in 46 sections as instructed by management. After identifying individual risks in each section, particularly serious risks were identified and efforts were completed through the stage of proposal of countermeasures.

In the future, Sekisui Heim Kinki will aim to carry out effective activities in coordination with the risk-management sections within its division company.

Crisis Management to the Great East Japan Earthquake

Immediately following the Great East Japan Earthquake on March 11, 2011, Sekisui Chemical set up an emergency response headquarters led by the President as its chief and began checking on employee safety and ascertaining the state of damage.

In addition, based on the concept of delivering necessary goods as much as needed, we implemented swift and continuous shipment of relief supplies focused on those needed for daily living, to emergency response centers in affected areas.

For details, see "Recovering from the Great East Japan Earthquake" on p. 13.

Advancing CSR Management through Dialogue with Stakeholders

Policy

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

Sekisui Chemical Group is working to advance communication with all stakeholders and to reflect as appropriate in our business the evaluations and comments we receive. Examples of such efforts include the establishment in 2005 of clear Disclosure Principles to make clear this disclosure philosophy and activities to raise awareness among employees, as well as CAT Meetings between members of management and customers in the Housing Company and housing sales companies (see p. 41) and the External Advisory Board on Environment-Contributing Products (see p. 27).

Communication between management and employees

Since 2002, Sekisui Chemical Group has provided opportunities for employees to communicate with management proactively, based on its belief that direct communication between management and employees to resolve problems faced by the company as well as work-related issues is important to sustainable growth.

In fiscal 2010, the President of Sekisui Chemical visited six business sites across Japan, including those of affiliate companies, for a series of dialogues in which a total of 57 persons took part, entitled "Let's Talk with Top Management." These facilitated lively dialogue by having employees at the sites where they were held take part in planning the themes of discussion as well.



A scene from "Let's Talk with Top Management"

•Dialogues with Overseas Socially Responsible Investment (SRI) Rating Agencies

In Europe and North America, there is considerable interest in socially responsible investment (SRI), in which companies addressing CSR issues are chosen proactively as targets of investment, and many researches have been conducted by rating agencies. In light of this fact, in December 2010 Sekisui Chemical visited SRI ratings agencies in Europe in order proactively to communicate accurate information on its CSR efforts and deepen their understanding of its efforts. Such meetings involved dialogue on subjects such as Environment-Contributing Products and disclosure of CSR information.

Three Prominences

Environment

CS & Quality

Human Resources

Outside Evaluation

Environmental-Themed Advertising Series Wins Environmental Advertisement Prize and Minister of the Environment Prize

In the 59th Nikkei Advertising Awards, a series of Sekisui Chemical advertisements won the Environmental Advertisement Prize and the Minister of the Environment Prize. These advertisements were regarded highly for the way they depicted Sekisui Chemical's approach of activities aimed at coexistence between people, society, and nature through homes, based on environmental efforts already taken.

Sekisui Chemical Group wins Merit Award in the Toyo Keizai Sustainability Reporting Awards

Sekisui Chemical Group's CSR Report 2010 won the Merit Award in the 14th Toyo Keizai Sustainability Reporting Awards, following up on its performance last year in winning the Award for Excellence in the same awards. This award reflected high evaluations of efforts such as incorporating CSR smoothly into corporate strategy.



A Sekisui Heim advertising series

Advancing Activities in the Key Fields of the Environment, the Next Generation, and Local Communities

Policy

Sekisui Chemical Group advances social-contribution activities mainly in the fields of the environment, the next generation, and local communities.

In addition to positioning such activities as initiatives made as a corporate citizen living together with society, we also provide support for activities to enable Group employees to play active roles in society.

The Group's Social Contribution Policy \rightarrow See "Data" P20



Holding the Manufacturing Based on Innovations Inspired by Nature Forum in Nagoya, the Host City of the COP 10

For years, Sekisui Chemical Group has supported research on technologies that put the functions of nature and living creatures to use in manufacturing. As part of these efforts, since fiscal 2002 it has held a forum each year intended to announce the results of new programs receiving financial support and existing programs and to exchange technologies among researchers.

In fiscal 2010, among the projects chosen from 334 applicants, we provided financial support to the total of 16 research projects including the following eight projects and eight other projects that received encouragement awards. In addition, in October 2010 we held the eighth Manufacturing Based on Innovations Inspired by Nature Forum in Nagoya, in the city of Nagoya, Aichi Prefecture, which was host city to the Tenth Meeting of the Conference of the Parties to the Convention on Biological Diversity (COP 10). This forum, which welcomed approximately 800 participants, featured an opening message from Mr. Ahmed Djoghlaf, Executive Secretary of the Convention on Biological Diversity, followed by a keynote lecture by Prof. Hideki Ishida of the graduate school of Tohoku University on the subject of the forms of new types of manufacturing and ways of living learned from nature and other activities including a panel discussion of university professors.



A scene from the eighth Manufacturing Based on Innovations Inspired by Nature Forum

Researcher	University	Supported research theme
Shin'ichi Ohkoshi	University of Tokyo Graduate School	Development of electromagnetic wave absorbers using substances related to iron rust
Kenji Okamoto	Tottori University Graduate School	Efficient energy production from unutilized resources: Learning from mushrooms, the decomposers of the forest
Dong Sheng Cai	University of Tsukuba	In the natural state: Learning manufacturing from the spirit of Zen
Takahiro Seki	Nagoya University Graduate School	Creating organic and inorganic nano-hybrid materials demonstrating acute phototaxis
Takumi Konno	Osaka University Graduate School	Abnormal concentration of counter anions through self-grouping of chiral metal supermo- lecular cations
Michito Yoshizawa	Tokyo Institute of Technology	Development of luminescent nanocapsule materials using self-assembly
Hirokazu Kawagishi	Shizuoka University	Learning plant growth regulation mechanism from fungi: An experiment in increasing crop yields using fungus-producing substances
Jun'ichi Obokata	Kyoto Prefectural University	Learning construction principle of hybrid systems of animal and plant from photosynthes- ing sea slug

Note: University affiliations shown are current as of the time grant was provided.

Environment

Nature Conservation

Activities - Japan

Based on its belief that nature conservation activities conducted as a member of the local community constitute an important initiative, Sekisui Chemical Group is striving to raise employee awareness and strengthen coordination with local communities, with the goals of conducting nature conservation activities at all business sites and getting a cumulative percentage of 80% or more of employees to take part in nature conservation activities in fiscal 2013.

Since they began in fiscal 1997, the Sekisui Nature Study Course we carry out on a continual basis as opportunities to train leaders in nature conservation activities and to implement activities to contribute to the local community have been held 51 times, with a total of more than 800 people taking part.

We also carry out activities in cooperation with stakeholders in each community, such as supporting the activities of nonprofits and nongovernmental organizations (NGOs) and holding community activities at each business site.



A scene from the 51st Sekisui Nature Study Course

Activities - Overseas

To deploy nature conservation activities both in Japan and worldwide, future plans call for advancing such activities at five overseas sites as well, for example through planting mangrove trees in Thailand in July 2011, together with strengthening forestry conservation activities in seven blocs across Japan.

Activity	Site	Program	
Californi Natura Studu Cauraa	Sekisui Aqua Systems Co., Ltd. Shizuoka Plant	Training leaders for nature conservation activities	
Sekisul Nature Study Course	51st Sekisui Nature Study Course to train leaders		
	Joint activity by Kansai-area sites	Kyoto Prefecture Sen Forest preservation activities	
	Tokuyama Sekisui Industry Co., Ltd.	Development of Sekisui Forest	
	Sekisui Chemical Co., Ltd. Tokyo Headquarters	Family Nature Study Course	
	Joint activity by Gunma-area sites	Gunma Sekisui Four Seasons Forest preservation activities	
Business site activities	Sekisui Chemical Co., Ltd. Gunma Plant	Building birdhouses with children	
	Kanto Sekisui Heim Industry Co., Ltd.	Observing water insects and surveying water quality with elementary-school students	
	Sekisui Heim Kinki Co., Ltd.	Wakayama Prefecture Sekisui Chemical Forest planting activities	
	Sekisui Chemical Hokkaido Co., Ltd.	Planting seedlings in cooperation with the community	
	Tokyo Sekisui Heim Industry Co., Ltd.	Kurohama Marsh nature tours	
	Sekisui Seikei, Ltd. Izumo Plant	Lake Shinji cleanup	
	Sekisui Chemical Co., Ltd. Tokyo Plant	Making tree species labels and measuring carbon-dioxide absorption	

Examples of Main Nature Conservation Activities Conducted in Fiscal 2010

Social Contribution Activities

•

Colaboration with Local Communities

Activities Intended to Improve Public Safety in the Community

Crimes such as burglaries of homes whose residents are away, fraudulent requests to the elderly for remittance of funds, and crimes targeting children are becoming a major concern in Japan.

In addition to building homes that are highly crime resistant, since fiscal 2009 the Sekisui Chemical Group has utilized the nature of the housing business, with its sales facilities located nationwide, to carry out social-contribution activities through cooperation between its housing sales companies and prefectural police departments.

In fiscal 2010, we distributed leaflets on prevention of crimes such as fraudulent remittance requests and informed prospective home buyers of the need for crime prevention, with such activities based on the four themes of activities to prevent fraudulent remittance requests and other criminal acts, activities to raise awareness of building homes that are highly resistant to crime, activities to protect the elderly and children, and traffic-safety activities. We also are developing crime-prevention homes under police-department supervision.

VOICE

We have jointly planned security apartments intended to provide residents with safety and security, through sharing the expertise of the public and private sectors. The police analyzed the psychology and methods of criminals to make proposals such as those for exteriors that would not be attractive to criminals and ways of ensuring the security of residents. We are very grateful for this opportunity to free young women from a daily sense of insecurity, thanks to this encounter with Sekisui Heim Kyushu Co., Ltd.

What Japan requires today is the bonds that unite individual wishes with those of the entire community. We hope this initiative will spread throughout all of society.

Mr. Eiji Oba Community Safety Administration Division, Fukuoka Prefectural Police Headquarters



The Houses and the Environment Learning Program

Since fiscal 2007, the Housing Company has provided the Houses and the Environment Learning Program to junior high schools, as a program putting employees' knowledge of housing and the environment to use in the classroom.

This program offers a new type of class, full of unique contents in which Sekisui Chemical Group employees and teachers lead the class together to help students learn about the roles of homes and the environmental impact of living, think about home plans through group discussions, and experience building environmentally conscious homes using model homes.

In fiscal 2010, this program was conducted at a total of 15 junior and senior high schools in the Kanto, Kansai, and Kyushu regions of Japan. As a hands-on program, students participating in the program show high levels of motivation and participating employees also have been inspired by the ideas of the highly imaginative students.

In light of its content that has proven to be meaningful to the schools, students, and the company, plans call for continuation of this program in fiscal 2011, to further enhance contributions to the local community.



An employee giving advice in a class



A student presentation

Environment

CS & Quality

Human Resources

Activities to solve local social problems

Sekisui Chemical Group carries out a variety of activities at individual business sites in Japan and around the world, to aid in resolution of social issues in each community as a member of local society.

For example, experience in an actual workplace is a very important opportunity for young people thinking about their future careers to learn about industries and occupations and to ready themselves for job-hunting activities. For this reason, in fiscal 2010 Chiba Sekisui Industry Co., Ltd., Kinki Sekisui Heim Industry Co., Ltd., and Kyushu Sekisui Industry Co., Ltd. accepted interns. Furthermore, other business sites carried out activities such as accepting trainees for work experience and practical training in plants.

In addition, YoungBo Chemical Co., Ltd. in South Korea proactively takes part in solving issues in the community, as a member of a local government committee. In the area in the

vicinity of its business site in particular, nearby development has led to an increase in the percentage of residents in poverty, and weakness of the financial infrastructure for school education has become an issue of concern in society. In response, YoungBo Chemical provides financial support for developing the next generation through activities such as prizes for exemplar graduates. Also, its employees pay regular visits to elderly people who live alone and hold birthday parties together with groups of volunteers, to address the isolation and loneliness resulting from an increase in people living alone due to urbanization.

Activities in support of people considered the weakest in society continue, including support for the materials needed each month by facilities aiding people with disabilities.

Developing A Variety of Social Contribution Activities Making It Easy for Individual Employees to Participate

Since fiscal 2009, Sekisui Chemical Group has continued the Book Magic program, in which participants sell unneeded books and CDs and contribute the proceeds to a nonprofit organization to assist programs supporting education in developing countries. This activity helps support education in developing countries such as Afghanistan, Pakistan, and the Sudan.

In fiscal 2010, the activity was conducted 10 times at eight business sites. It is expanding thanks to its nature as a socialcontribution activity that is easy for facilities to implement, and plans call for further expansion of the activity in the future as well.

In addition, since fiscal 2009 Sekisui Chemical Group has implemented Table for Two, a program in which 20 yen is added to the cost an employee pays for a meal in an employee cafeteria and then this amount is donated to support providing lunches to children in developing countries. Implementation of this program has spread to five facilities at present, and a total of more than 1 million yen has been donated through the program.

An Opportunity to Take a Step Forward in Contributing to Society

I took part in the Book Magic program because I thought it sounded like a social-contribution activity in which any individual employee could participate easily.

While at first people inside the company thought that it would be a chore to bring books and CDs to work, now there is an apparent movement toward people taking part in the program proactively, and the activity is broadening a little at a time.

In the future, I would like this activity to continue periodically and to expand so that customers too can take part together with us.

Yuko Hayakawa Sekisui Exterior Co., Ltd.



Independent Review Report

(T	RANSLATION)
	Independent Review Report
М.	June 13, 2011
IVII Pre	. Naolumi Negisin,
1 10	Deloitte Tohmatsu Evaluation and
	Certification Organization Co., Ltd.
	Chief Executive Officer Hiroshi Inanaga
1.	 Scope and Purpose of Review We have reviewed the "CSR Report 2011 (including the separate "CSR Report 2011 Data")" (the "Report") prepared by Sekisui Chemical Co., Ltd. (the "Company"). The purpose of our review was to provide limited assurance as an independent practitioner, based on our review procedures, on whether: material sustainability information indicated with the verification logo for the period from April 1, 2010 to March 31, 2011 included in the Report was accurately measured and calculated with reference to the "Environmental Reporting Guidelines - 2007 version" (issued by the Japanese Ministry of the Environment) and "GRI Sustainability Reporting Guidelines (Version 3)", and in accordance with the calculation methods adopted by the Company; no material items listed in the "Appendix: Requirements for Logotype Registration of Sustainability Reporting" (issued by the Japanese Association of Assurance Organizations for Sustainability Information in February 2011) were omitted; the Company' s self-declaration on the GRI application level conforms to the application level criteria stipulated by the GRI.
2.	Responsibility of Management and the Reviewing Practitioner The Report is the responsibility of the Company's management. Our responsibility is to provide our limited assurance with respect to the Report based on our review performed as an independent practitioner.
3.	Summary of Review To obtain an adequate and valid basis for providing limited assurance with respect to our conclusions, we performed our review in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (issued by the International Federation of Accountants in December 2003), and the Practical Guideline for Assurance Engagement of Sustainability Information (issued by the Japanese Association of Assurance Organizations for Sustainability Information in December 2009). The review procedures performed for the material sustainability information indicated with the verification logo for the period from April 1, 2010 to March 31, 2011 stated in the Report consisted of: 1) agreeing such information in summary schedules with supporting documents on a sample basis; 2) making inquiries to responsible personnel and persons in charge; 3) reviewing relevant minutes, Company regulations, and ISO-related documents, etc.; 4) site visits; and 5) comparing such information with other available supporting materials, both internal and external.
4.	Conclusion In performing our review procedures described in the preceding paragraph, nothing has come to our attention that caused us to believe that the material sustainability information with the verification logo for the period from April 1, 2010 to March 31, 2011 included in the Report was not accurately measured or calculated, with reference to the "Environmental Reporting Guidelines - 2007 version" (issued by the Japanese Ministry of the Environment) and "GRI Sustainability Reporting Guidelines (Version 3)", and in accordance with the 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" (issued by the Japanese Association of Assurance Organizations for Sustainability Information in February 2011) were omitted, or that toompany's self-declaration on the GRI application level does not conform to the application level criteria stipulated by the GRI.
5.	Special Interests There are no interests between the Company and Deloitte Tohmatsu Evaluation and Certification Organization Co., Ltd. or its engagement personnel, requiring disclosure based on the provisions of the Japanese Association of Assurance Organizations for Sustainability Information.

Summary of Independent Review Procedures



Sites visited: Sekisui Chemical Co., Ltd. Osaka Headquarters, Tokyo Headquarters, and Taga Plant

History of Sekisui Chemical Group

- 1947 Establishment of Sekisui Sangyo Co., Ltd. Started first injection molding business in Japan.
- 1948 Change of company name to Sekisui Chemical Co., Ltd.
- 1950 Began selling cellophane tape.
- 1952 Started full-scale production of PVC pipe (Eslon Pipe).
- 1953 Listed on Osaka Stock Exchange.
- 1956 Developed Japan's first plastic rain gutter (Eslon Rain Gutters).
- **1959** Established Sekisui Sponge Industries Co., Ltd. (now Sekisui Plastics Co., Ltd.) with co-financing from Shin-Nippon Chisso Hiryo Co., Ltd., Asahi Kasei Corporation and others, to commercialize plastic foam.
- 1960 Established Sekisui House Sangyo Co., Ltd. (now Sekisui House Co., Ltd.) and started the housing business.
- 1962 Launched Movement for Cleaner Towns featuring our plastic garbage bins (Poly-pail), as a campaign to mark the company's 15th Anniversary. Cleaning revolution subsequently spread nationwide.
- **1963** Started producing plastic bathtubs (first in Japan). Modular toilet tank commercialized, paving the way for production of modular-style equipment.
- **1970** Exhibited modular house (Sekisui Heim) at the International Good Living Show in Tokyo.
- 1971 Started producing and selling Japan's first modular house, Heim M1.
- **1972** Established original Environmental Management Department. Launched company-wide commitment to pollution control.
- **1979** Awarded Deming Prize for quality management in recognition of results of aggressive TQC activities.
- 1981 Adopted twin-headquarters system (Osaka and Tokyo), and established Tokyo Headquarters at Toranomon, Tokyo. Began producing and selling timber-framed modular house, Two-U Home.
- 1991 Established Basic Policies on environmental issues.
- 1993 Introduced divisional system, shifting to the seven divisions Pipe & Related Products, Building Materials, Chemicals, Techno-products, Molded Products, Medical Products, and Housing.
- **1994** Began activities to earn ISO 9000-series quality-management system certification.
- Paid-in capital surpassed 100 billion yen.
 Adopted new headquarters logo.
 Announced Top Management Policy for Environment and Safety.
 Began activities to earn ISO 14001 environmental-management system certification.
- 1997 50th Anniversary of company founding.Launched Sekisui Chemical Group nature protection activities.Created Women's Athletic Club.
- Editor's Notes

We would like to take this opportunity once again to express our best wishes to the people affected by the Great East Japan Earthquake and our heartfelt prayers for a swift recovery.

The earthquake struck right in the middle of the editorial process for CSR Report 2011. As such, this report was edited under unprecedented conditions, as for example CSR sections were active in collecting donations to assist affected areas and took part in activities as part of disaster response headquarters efforts, since a number of Sekisui Chemical Group business sites were damaged by the quake as well. However, this also provided the opportunity to think about CSR from the extraordinary perspective of responding to a natural disaster. In addition, the structure of this report and its content were revised numerous times as earthquake-related information changed by the minute.

As a result, and in light of the call in Sekisui Chemical Group's Mission Statement to contribute to society through business activities, we were reminded anew that Sekisui Chemical Group's approach of continuing to conduct business activities unchanged and providing a stable supply of products and services is its responsibility to society. We also determined to produce this CSR Report leaving unchanged its editorial policy of reporting honestly on the efforts of the previous year without being affected by conditions in society, while also presenting information on the conditions that resulted from facing the earthquake

- **1998** Instituted Corporate Activity Guidelines. Initiated zero emission activities.
- Midterm Management Vision: GS21 takes effect.
 Instituted Corporate Philosophy.
 Concentrated business into three domains: Housing, Urban Infrastructure & Environmental Products, and High Performance Plastics.
 Midterm Environmental Plan: STEP-21 takes effect.
 Began publishing Environmental Reports.
- 2001 Launched the division company system, establishing the three division companies the Housing Company, the Urban Infrastructure & Environmental Products Company, and the High Performance Plastics Company. Achieved zero emissions in all house production plants and all plants

Achieved zero emissions in all house production plants and all plants of Sekisui Chemical Co., Ltd.

- 2003 Midterm Management Vision: GS21-Premium 600 takes effect. Established the Environmental Management Promotion Department (now CSR Department Environmental Management Group). Midterm Environmental Plan: STEP-2005 takes effect. Achieved zero emissions at all house construction sites.
- 2004 Established the CS & Quality Management Department. Developed the CS & Quality Management Midterm Plan. Achieved zero emissions in all construction by house renovation companies.
- 2005 Established the CSR Committee. Published the Environmental and Social Report.
- 2006 Midterm Management Vision: GS21-Go! Frontier takes effect. Midterm Environmental Plan: Environmental Top Runner Plan Part 1 takes effect.
- 2007 60th anniversary of Sekisui Chemical Co., Ltd. founding. Global Children's Eco Summit and Manufacturing Based on Learning from Nature—Junior Forum held.
 Conducted reviews of the CSR Committee and Corporate Headquarters organization.
 Published the CSR Report.
- 2008 CSR policies established and revised.
- 2009 Midterm Management Vision: GS21-SHINKA! takes effect. Midterm Environmental Plan: Environmental Top Runner Plan SHINKA! takes effect.
- 2010 Manufacturing Based on Innovations Inspired by Nature Forum held in Nagoya.

and our corporate approach to the disaster.

The opening pages of the Report adopt a content structure that describes Sekisui Chemical Group's concepts and CSR philosophy for ordinary readers. The Special Features describe typical businesses and products of each division company from the perspective of how they have progressed. The chapters on the Three Prominences and the Three Attitudes of Sincerity in the latter half of the Report cover such matters in a manner that gives consideration to making it easier to understand the concepts behind such measures and the initiatives taken, without decreasing the quantity and quality of information that have been so highly regarded in previous reports.

The separate Data volume includes detailed information on efforts as well as performance data.

In addition to disclosing as much information as possible on our CSR efforts through this Report and accepting opinions from both inside and outside the Group, efforts such as undergoing an independent review to ensure the accuracy and objectivity of the information disclosed are intended to advance CSR management efforts and improve the content of this Report. We would very much appreciate hearing the frank opinions of our readers (*csr@sekisui.jp*). Such opinions will serve as valuable references for Sekisui Chemical Group's future CSR efforts and in the preparation of future reports as well.

SEKISUI CHEMICAL CO., LTD.

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

For further information contact:

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

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



CSR Report 2011 (including the separate data volume) 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 (JSUS; http://www.j-sus.org/) for the use of this logo, intended to assure the reliability of sustainability information.



Published in English: August 2011 Annual Publication. Previous Publication: August 2010. Next Publication: August 2012

SEKISUI

CSR Report 2011 Data

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Scope of Independent Review Verified

The environmental and social 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.



SEKISUI CHEMICAL CO., LTD.

Management Benchmarks (Consolidated)



Sales (by Each Division Company)





7,829

2007

7.565

2008

7,902

2010

7,873

2009

Total Assets

(100 million yen)

8.792

10.000

8,000

6,000

4,000

2,000





2007 2008 2009 2010 2006

Depreciation and Amortization





Number of Employees



Overseas Sales and Sales Ratio



Free Cash Flows



R&D Expenditures

(100 million yen) 300





2006

(100 million yen)



Dividends Per Share

(Yen)

20





Coverage of the Environmental Performance Data (in Japan)

Housing Company			H
R&D institutes	1 company and 1 business site		R
Sekisui Chemical Co., Ltd., Tsukuba Ré	&D Site		Se
Production plants	11 companies and 10 business sites		Se
Tokyo Sekisui Heim Industry Co., Ltd. Kinki Sekisui Heim Industry Co., Ltd. Sekisui Board Co., Ltd., etc.			P Se Se
Sales and construction companies, etc.	28 companies and 95 business sites		Se
Sekisui Heim Sales Companies Construction and Service Companies	5		Se
40 companies and 106 busir	ness sites in total		
Urban Infrastructure & Environmental Products Compa	any	ſ	H
R&D institutes	1 company and 1 business site		R
Sekisui Chemical Co., Ltd., Kyoto Site			Se
Production plants	20 companies and 11 business sites		P
Sekisui Chemical Co., Ltd. Shiga-Ritto Sekisui Chemical Co., Ltd. Gunma Pla Sekisui Chemical Co., Ltd. Tokyo Plan Okayama Sekisui Industry Co., Ltd./Ky Industry Co., Ltd. Toto Sekisui Co., Ltd./Chiba Sekisui In	Plant nt t vushu Sekisui dustry Co., Ltd.		Se H To Se
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High Performance Plastics Company

R&D institutes	2 companies and 2 business sites			
Sekisui Chemical Co., Ltd., Minase Site Sekisui Medical Co., Ltd., ADME & Tox.	Research Institute			
Production plants	13 companies and 17 business sites			
Sekisui Chemical Co., Ltd., Amagasaki Plant Sekisui Chemical Co., Ltd., Musashi Plant Sekisui Chemical Co., Ltd., Shiga-Minakuchi Plant Sekisui Chemical Co., Ltd., Taga Plant Sekisui Techno Molding Co., Ltd. Sekisui Film Co., Ltd./Sekisui Medical Co., Ltd., etc.				
14 companies and 19 business sites in total				

Headquarters

R&D institutes

Sekisui Chemical Co., Ltd., Development Center

Production Plants and Headquarters 8 companies and 10 business sites Sekisui Seikei, Ltd. Hinomaru Co., Ltd. Tokuyama Sekisui Industry Co., Ltd. Sekisui Chemical Co., Ltd. Osaka Headquarters and Tokyo Headquarters, etc.

8 companies and 11 business sites in total

1 company and

1 business site

Total: 79 companies and 148 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.

Material Balance (in Japan) Verified



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

Environmental Midterm Plan "Environment Top Runner Plan SHINKA!" Progress

	Action Items			Targets for FY2013
Improving overall environmental management efficiency			al management efficiency	Achieving a Sekisui Eco Value Index at least three times the FY2007 value
Prod	Increa	Increase sales of Environment-Contributing Products		At least 40% sales ratio of Environment-Contributing Products of consolidated net sales
oving ributing ucts	Promoting development of Environment-Contributing Products		t of Environment-Contributing Products	Number of products certified (anticipated annual sales of 1 billion yen) as Environment-Contributing Products: 20 or more (FY2009-2013) *Revised target:30 or more
Further reducing	Expanding products' contributions to the environment Contribution to waste reduction, reuse, and recycling		Contribution to reduction in CO ₂ emissions	Setting targets in FY2009 *Revised target:Covering emissions from production with contributions from products
			Contribution to waste reduction, reuse, and recycling	Setting targets in FY2009 *Revised target:Setting targers in FY2011
	Reduction in emissions of Efficient utilization of resources greenhouse gases	Reducing greenhouse-gas (GHG) emissions by each activity	Overall Business Activities	Setting target for usage ratio in FY2009 for reduction of greenhouse-gas emissions *Revised target:Covering emissions from production with contributions from products
			Raw Materials and procurement	Setting target for usage ratio in FY2009 for reduction of greenhouse-gas emissions *Revised target:Setting target in FY2011
			Domestic production sites	Reduction of greenhouse-gas emissions by at least 20% vs FY1990 (at least 10% vs FY2007)
			Laboratories	Reduction of greenhouse-gas emissions by at least 20% vs FY2007
			Domestic offices (including sales vehicles)	Reduction of CO2 emissions by at least 10% vs FY2007
			Overseas production sites	Reduction of energy usage per production unit by at least 5% vs FY2008
			Overseas offices	Reduction of energy usage per person by at least 10% vs FY2008
he er		Promoting energy conservation	Domestic production sites	Reduction of energy usage (converted to thermal units) per production unit by at least 7% vs FY2007
Iviror			Domestic shipments	Reduction of energy per production unit by at least 5% vs FY2007
mental impacts of business activity			Domestic production sites	Reduction of waste generated per production unit by at least 40% vs FY2007
		Reducing wastes	Overseas production sites	Reduction of waste generated per production unit by at least 25% vs FY2008
			Domestic offices	Reduction of copier-paper use by at least 20% vs FY2007
			Overseas offices	Reduction of copier-paper use by at least 20% vs FY2008 (set target quidelines for individual sites)
			Housing construction sites	vs FY2000: Seksui Heim: -45%
			Cost reduction derived from waste	Reduction of loss costs derived from waste materials by at least 5 billion yen vs FY2008 (FY2009-2013 accumulation)
		Expanding Zero Waste Emission	Domestic production sites/laboratories	Achievement ratio of target sites: 100%
			Overseas production sites	Achievement ratio of target sites: 100%
			Recycling of waste materials produced during dismantlement and expansion / renovation of houses	Implementing zero-emissions (i.e., recycling at least 98% of wastes) efforts in at least 50% of demolition projects
			Recycling of wastes produced from non-residential construction	Recycling at least 90% of construction waste
	Efficient water us		age	Reduction of water intake at domestic production sites by at least 10% vs FY2007
	renvi- nental cts	Reduction in VOC emissions (Legal and voluntary controlled substances)		Reduction of VOC released into atmosphere at domestic production sites and laboratories by at least 60% ys FY2000 (at least 25% ys FY2007)
		Activities to improve	Efforts to conserve biodiversity	Formulating guidelines in FY2009
biodivers	Consider		Support of nature conservation activities by NGOs	As Sekisui Chemical, providing aid to at least 10 NGO's per year related to nature conservation activities
ation		(conservation of		Promoting nature conservation activities in at least five locations overseas
for	for	biodiversity)	collaboration with local communities	Implementing nature conservation activities in partnership with local commu- nities at 50 sites or more *Revised target: at all business sites. At least 80% of employees(cumulative) participation over the three-year period2011-2013
			External EMS certification at domestic production sites and laboratories	Certification ratio for target sites: 100%
			External EMS certification at domestic construction companies	External EMS certification at consolidated construction companies
Enhang manag		Enhancing environmental management	External EMS certification at overseas production sites	All existing production sites: by FY2011
			Expanding EMS development in supply chains	Achieving EMS development at 100% of suppliers of residential building materials supplying 1 million yen/month or more
ing the er ement infi	cing t	systems	Expanding green procurement	Achieving a green procurement rate of 98% or higher
		Soil and groundwater surveys	Completion of surveys of target 9 sites	
nvironmental rastructure		Improvement of education and enlightenment	Acquiring at least a certain degree of environmental knowledge	Reaching a total of at least 1,000 certified Environmental Specialists (Eco Test)
				Conducting environmental education for employees and management overseas as well
			Developing leaders for nature conservation activities	Holding the Sekisui Nature Study Courses at main sites (34 plants, 4 laboratories)
		Communication with external organizations	Publishing site reports	Continuing publication at ISO certified production sites, laboratories, and housing Fami S (remodeling) companies
			Communication with local communities to improve environment	Continued implementation at eight domestic production sites
"Evaluation" Column Key:
◎ Outperformed target
○ Performed close to target (achievement rate of about 90% to 110%)
× Failed to reach target

Note: The midterm targets were revised in March 2011 based on fiscal 2010 performan

Targets for FY2010	Results of FY2010 (Verified)	Evalu-	Page
2 times vs FY2007	2.19 times vs FY2007	0	24, Data7
Sales estimate: 248 billion yen, Sales ratio 27%	Sales estimate: 302.6 billion yen, Sales ratio 33%	0	25, Data7
5 new products certified	14 new products certified, cumulative total:17	0	-
Setting target for 2013	Target set as planed	0	-
Studying 2030 vision implement plan	ongoing	×	-
Setting target for 2013	Target set as planed	0	-
Studying 2030 vision implement plan	ongoing	×	-
-14% vs FY1990 (-4% vs FY2007)	-21% vs FY1990 (-12% vs FY2007)	0	29, Data8
-8% vs FY2007	-17% vs FY2007	0	29, Data8
-8.5% (vs FY2007)	-14.6% (vs FY2007)	0	29, Data8
Energy usage vs FY2008: -2%	Energy usage vs FY2008: +11%	×	-
Selection of target sites	Seleced target sites as planed	0	-
-3.5% vs FY2007	+1.6% vs FY2007	×	Data8
-2% vs FY2007	No change vs FY2007	×	Data8
-20% per production unit vs FY2007	+2.1% per production unit vs FY2007	×	32, Data9
-10% per production unit vs FY2008	+41% per production unit vs FY2008	×	-
-10% vs FY2007	-5.9% vs FY2007	×	Data10
Selection of target sites	Seleced target sites as planed	0	-
Sekisui Heim: -31% vs FY2000 Sekisui Two-U Home: -53% vs FY2000	Sekisui Heim: -32% vs FY2000 Sekisui Two-U Home: -51% vs FY2000	0	32, Data9
2 billion yen vs FY2008(accumulation)	1.3 billion yen in FY2010, 2.0 billion yen vs FY2008(accumulation)	0	31, Data10
Achievement ratio: 90%	Achievement ratio: 89% Zero waste emissions achieved at Sekisui Seikei Co., Ltd. Kanto Plant and Sekisui Medical Co., Ltd. Iwate Plant	0	-
Achievement ratio: 40%	Achievement ratio: 19%	×	-
Recycling rate of dismantled materials: 95%	Recycling rate of dismantled materials: 94% (99% for designated construction materials)	0	-
Beginning recycling activities at model sites	Activities begun at Sekisui Home Techno Co., Ltd. Himeji Plant	0	-
-4% vs FY2007	-2.8% vs FY2007	×	32, Data10
-53% vs FY2000 (-11% vs FY2007)	-49% vs FY2000 (-3% vs FY2007)	×	33, Data12
Formulating guidelines in July 2010	Formulated guidelines in March 2011	0	-
Providing aid to seven organizations	Aid provided as planed to seven organizations: Ramsar Center Japan, NPO School of Killifish, Nature Film Network, Nanko Wetlands Conservation Group, Research Association for Global Mangrove, Environmental NPO Shu, Fujisan Club	0	-
Implementing reforestation and conservation activities	Implemented 2 times as planed	0	-
Nature conservation activities organized in 42 business sites or more	Implemented at 2 new sites in FY2010, for a cultimative total of 44sites. Japan:74% of production sites and 17% of sales companies Overseas:27% of production sites	0	-
Attained at 90% of target sites	Attained at 88% of target sites	×	-
Attained at 96% of target sites	Attained at 96% of target sites	0	-
Attained at 75% of target sites	Attained at 65% of target sites, including one site newly certified in FY2010	×	-
95%	90.1%(59.9% of external certified, 30.2% of independents EMS)	×	-
95% or higher	93.8%	×	-
6 sites surveyed	6 sites surveyed as planed, 9sites(cumulative), 5sites completed	0	33, Data11
At least 200 persons	22 persons newly certified, for a cumulative total of 52 persons	×	Data13
Implement CSR training	Holiding CSR training(for new employees and new managers) Books on diadiversity distributed to executives	0	-
Holding at 2 sites	Holding at 2 sites (27 participants total) Holding at a cumulative total of 27 sites	0	62
Issued at production sites and laboratories (ISO14001 certified business sites)	Issued at 38 production sites and laboratories	×	-
Implemented at one site more	Holding a meeting with nearby residents at Tokyo Sekisui Heim Industry Co., Ltd.	0	-

Environmental Accounting Verified



(million yen)

(million yen)

largely unchanged from the previous year due to an increase in nature

environmental investments such as the adoption in fiscal 2008 of biomass boilers. The amount of cost savings from energy- conservation activities, which constitutes one of the economic results of environmental efforts,

decreased, while the amount of cost savings from waste-reduction activities

and similar activities increased. In addition, external economic benefits such

as those from photovoltaic power generation systems also increased steadily.

On the other hand, investments decreased due to the lack of large-scale

restoration costs and other costs.

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

In fiscal 2010, although R&D expenditures decreased in connection with a decrease in the number of environmental themes addressed, costs remained

Scope of environmental accounting

(1) Summation period: April 1, 2010 through March 31, 2011

(2) Scope of summation: 38 target production sites (as listed on Data p. 2) + 4 Laboratories + each department of Headquarters + back offices of division companies + 14 housing sales companies

- Due to the effects of the Great East Japan Earthquake, data could not be collected from the following sites:
- Production sites: Tohoku Sekisui Heim Industry Co., Ltd. and the Sekisui Film Co., Ltd. Sendai Plant
- Housing sales company: Sekisui Heim Tohoku Co., Ltd.

(3) Principles of summation

• Depreciation amounts are the same as those for financial accounting.

• Investment amounts are based on budget approvals during the summation period.

• Expenditures and investments that contain other than environmental conservation activities are distributed pro-rata in 10% increments.

(4) Note

• The scope of summation in fiscal 2009 consisted of 40 target production sites + 4 Laboratories + each department of Headquarters + back offices of division companies + 15 housing sales companies

Environmental Conservation Costs (Sekisui Chemical Group)

	ltems	FY2	.008	FY2	009	FY2010	
Category	Key activity and the outcome	Costs	Investments	Costs	Investments	Costs	Investments
	Prevention of air, water, and noise pollution, etc.	1,700	774	1,675	182	1,800	118
1) Business area costs	Countermeasures against global warming (energy saving), etc	222	642	252	704	333	387
	Waste reduction, recycling, disposal, etc.	4,164	335	3,956	55	4,296	102
2) Upstream/downstream costs	Cost increases due to URU, switching to packaging/packing methods involving reduced environmental impact, greener purchasing, etc.	379	0	493	0	376	0
3) Administration costs	Environmental education, EMS maintenance, running costs for green action organization, information disclosure, etc.	2,342	29	2,187	45	2,189	64
4) Research & Development costs	Research and development on environmental conservation	1,982	60	2,561	14	1,506	16
5) Social activities costs	Social contributions, etc.	65	0	70	8	77	0
6) Environmental remediation costs	Nature restoration, etc.	89	207	23	354	391	1
	Total	10,944	2,047	11,217	1,363	10,967	688
-							

ltems	FY2	.008	FY2	009	FY2010		
Category	Costs	Investments	Costs	Investments	Costs	Investments	
Total amount of R&D expenditures ¹ and investment in the fiscal period (million yen)	25,420	15,740	24,010	24,119	24,695	18,559	
Ratio of amount related to environmental conservation activities to total (%)	7.8	13.0	10.7	5.7	6.1	3.7	

1 R&D expenditure is the total for all consolidated companies.

Environmental Conservation Benefits (Sekisui Chemical Group)

		Environmental Conserva	ation Be	enefits					Environmental performance criteria: per unit of output; Total				
Descript	tion of effects	ltem	Unit	FY2008	FY2009	FY2010	Effect (10-09)	See page	ltem	Unit	FY2009	FY2010	ation
Effects on in-		Amount of energy (1) Electricity		3,626	3,345	3,522	177	Data 8	(1) Energy usage	GI/top	1.85	1 84	
vested resou	vested resources	usage ¹ (2) Fuel	τJ	2,461	2,312	2,434	122	Data 8	(electricity + fuel) ¹	GJ/tOII	1.05	1.04	
Effects within busi- ness areas ronmental impac and wastes		(3) CO ₂ emissions ²	1,000 tons	340.2	315.6	331.6	16.0	Data 8	-	-	-	-	\times
	Effects on envi-	(4) Volume of environmental pol- lutants discharged ³	Tons	729.8	659.3	810.8	151.6	Data 11	-	-	-	-	×
	ronmental impact and wastes	(5) Wastes generated ⁴	1,000 tons	39.3	36.0	39.5	3.5	Data 9	(2) Waste generated per unit of output	kg/ton	40.5	42.7	×
		(6) Outsourced disposal ⁵	1,000 tons	0.44	0.35	0.24	-0.12	Data 9	(3) Outsourced disposal per unit of output	kg/ton	0.40	0.26	0
Upstream/ downstream effects	Effects related to products/services	CO2 reduction by photovoltaic power generation, etc. (cumulative)	1,000 tons	143	162	196	34	-	-	-	-	-	O
		ISO 14001 New acquisitions	Numbers	2	3	2	-	-	Number of business sites acquir-	Total number	70	00	
Other benefits	Othors 6	Certification Renewals	Numbers	14	14	16	-	-	ing ISO 14001 Certification ⁷	sites	/9	00	
to environmen- tal conservation	Others•	Number of business sites achiev- ing zero emissions ⁸	Numbers	2	1	2	-	-	Number of business sites achieving zero emissions ⁸	Total number of business sites	139	141	0

1 Conversion into thermal units uses the coefficient published by the Ministry of Economy, Trade and Industry. 2 Emissions at the time of manufacturing and conversion to CO₂ amounts use the coefficients used in the Environmental Top Runner Plan SHINKAI (see Data p. 8). 3 Applicable to Class I Designated Chemical Substances specified by PRTR Law. 4 Amount discharged + Amount disposed of at price + Amount discharget with a stell set of the antificable to class I Designated Chemical Substances specified by PRTR Law. 4 Amount discharged + Amount disposed of at price + Amount discharget with own premises. 5 Simple incirentation + Landhll. 6 Including business sites not subject to environmental accounting such as overseas business sites. 7 A cumulative total number of sites reviewed for factors such as consolidation and return of certifications for housing sales companies. 8 A business site affiliated to multiple companies is counted as one.

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

Description of effects	FY2008	FY2009	FY2010	Remarks
Revenue (1) Profit on sales of valuable resources	316	204	206	Profit on sales of valuable resources from promotion of waste segregation and recycling
(2) Savings from simplified packaging	20	32	44	
Cost (3) Cost savings through energy-saving activities	336	725	274	
(4) Cost savings through waste-reduction activities, etc.	1,041	387	696	Including resource-saving activities
Sub-total (actual effects)	1,712	1,347	1,220	
(5) Contribution to environmental conservation activities ¹	5,938	6,228	7,603	Contribution of environmental conservation activities to added value at business sites ²
(6) External Economic Effect	10,577	12,598	12,957	Monetary conversion of impact from photovoltaic generation systems and "No-Dig" pipe rehabilitation method
Sub-total (estimated effects)	16,515	18,827	20,560	
Total	18,227	20,174	21,779	

1 Excluding housing sales companies. 2 (Added value from business sites) × {(Business area costs + Administration costs)/(Total production costs excluding materials costs)}

Environmental Conservation Cost (by Each Division Company)

(million yen)

	Items	Housing	Company ¹	Urban Infra Environmer Com	structure & ntal Products ipany	High Per Plastics	formance Company	Sekisui Chemical Group ²	
Category	Key activity and the outcome	Costs	Investmens	Costs	Investmens	Costs		Costs	Investmens
	Prevention of air, water, and noise pollution, etc.	999	1	63	7	661	97	1,800	118
1) Business area	Countermeasures against global warming (energy saving), etc.	99	91	107	35	102	185	333	387
	Waste reduction, recycling, disposal, etc.	3,432	35	390	49	440	1	4,296	102
2) Upstream/down- stream costs	Cost increases due to URU, switching to packaging/packing methods involving reduced environmental impact, greener purchasing, etc.	304	0	35	0	7	0	376	0
3) Administration costs	Environmental education, EMS maintenance, running costs for green action organization, information disclosure, etc.	527	1	240	9	280	48	2,189	64
4) R&D costs	Research and development on environmental conservation	111	0	323	16	907	0	1,506	16
5) Social activities costs	Social contributions, etc.	30	0	6	0	11	0	77	0
 Environmental remediation costs 	Nature restoration, etc.	0	0	368	0	23	1	391	1
Total		5,502	127	1,531	116	2,432	332	10,967	688
	Items	Housing	Company ¹	Urban Infra Environmer Com	structure & Ital Products Ipany	High Per Plastics	formance Company	Sekisui Chemical Group ²	
		Costs	Investmens	Costs	Investmens	Costs		Costs	Investmens
Total amount of R&E	Dexpenditures ³ and investment in the fiscal period (million yen)	3,985	9,802	5,502	2,504	11,211	5,017	24,695	18,559
Ratio of amount rel	ated to environmental conservation activities to total (%)	2.8	1.3	5.9	4.6	8.1	6.6	6.1	3.7
1 Including 34 busines	s sites of housing sales companies. 2 Total of three division companie	s and departm	nents of Corpo	rate Headquar	ters. 3 R&D exp	enditure is the	total for all co	nsolidated con	npanies.

Environmental Conservation Cost (by Environmental Conservation Measures)

(Million ven)

	Items	Housing (Company ¹	Urban Infra Environmen Com	structure & tal Products pany	High Perf Plastics (formance Company	Sekisui Chemical Group ²	
Category	Key activity and the outcome	Costs	Investmens	Costs	Investmens	Costs	Investmens	Costs	Investmens
1. Prevention of global warming	Reduction of CO2 emissions, etc.	95	91	143	34	101	183	363	385
2. Ozone layer protection	Reduction of Chlorofluorocarbon emissions, etc.	4	0	0	0	4	0	8	0
3. Conservation of air quality	Prevention of air pollution by reducing pollutant emissions	267	1	35	1	306	48	654	62
4. Prevention of noise and vibration	Prevention of noise and vibration disturbance	5	0	3	2	9	4	19	6
 Conservation of water environment, soil environment, ground quality 	Preservation of water quality, prevention of subsidence	196	0	385	0	324	37	932	38
6. Waste reduction and recycling	Reduction and treatment of waste, recycling, etc.	3,777	35	430	49	450	1	4,695	102
7. Reduction of chemical substances	Risk management of chemical substances, etc.	482	0	2	4	55	3	539	6
8. Conservation of natural environment	Nature protection, etc.	56	1	44	0	25	0	154	1
9. Others	Others	621	0	490	26	1,158	57	3,604	89
Total		5,502	127	1,531	116	2,432	332	10,967	688

1 Including 34 business sites of housing sales companies. 2 Total of three division companies and departments of Corporate Headquarters.

Environmental Conservation Benefits (by Each Division Company)

	Environmental Conservation Benefits					Housing Company			Urban Infrastructure & Environmental Products Company			High Performance Plastics Company			Sekisui Chemical Group		
Descr	iption of effects	ltems		Unit	FY2009	FY2010	Effect (10-09)	FY2009	FY2010	Effect (10-09)	FY2009	FY2010	Éffect (10-09)	FY2009	FY2010	Effect (10-09)	page
	Effects on	Enerav	(1) Electricity	ΤJ	416	435	19	1,280	1,332	51	1,059	1,137	79	3,345	3,522	177	Data 8
Effe	resources	consumption4	(2) Fuel	TJ	124	118	—б	112	112	1	1,851	1,968	117	2,312	2,434	122	Data 8
cts w		(3) CO ₂ emissions 5		1,000 tons	31.4	32.0	0.5	79.9	82.8	2.9	156.9	167.2	10.3	315.6	331.6	16.0	Data 8
area	Effects on environmen	(4) Volume of enviro pollutants discha	onmental arged 6	Tons	1.0	4.0	3.0	74.5	67.4	-7.1	580.3	735.8	155.4	659.3	810.8	151.6	Data 11
<u>is</u> –	tal impact and wastes	(5) Wastes generate	d 7	1,000 tons	10.1	11.3	1.1	7.1	6.4	-0.8	16.6	19.5	3.0	36.0	39.5	3.5	Data 9
	und musices	(6) Outsourced disp	osal 8	1,000 tons	0.00	0.00	0.00	0.00	0.00	0.00	0.27	0.12	-0.15	0.35	0.24	-0.12	Data 9
Upstream/ downstrea m effects	Effects related to products /services	CO2 reduction by pl power generation, e	hotovoltaic etc.	1,000 tons	162	196	34	-	-	-	-	-	-	162	196	34	-
Other enviro prese		ISO 14001 Certification	New acquisitions	Num- bers	0	0	-	2	2	-	1	0	-	3	2	-	-
r bene onmer rvatio	Others ⁹	Certification	Renewals	Num- bers	5	6	-	1	4	-	7	1	-	14	16	-	-
n tal to	afits to	Number of business achieving zero emis	s sites sions 10	Num- bers	0	0	-	1	0	-	0	1	-	1	2	-	-

4 Conversion into thermal units uses the coefficient published by the Ministry of Economy, Trade and Industry. 5 Emissions at the time of manufacturing and conversion to CO₂ amounts use the coefficients used in the Environmental Top Runner Plan SHINKAI (see Data, p. 8). 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)

						1 22
	Description of effects	Housing Company*1	Urban Infra- structure & Environmental Products Company	High Performance Plastics Company	Sekisui Chemical Group* ²	Remarks
Rev- enue	(1) Profit on sales of valuable resources	13	12	160	206	Profit on sales of valuable resources from promotion of waste segregation and recycling
	(2) Savings from simplified packaging	0	23	21	44	
Cost savings	(3) Cost savings through energy-saving activities	11	12	241	274	
	 (4) Cost savings through waste-reduction activities, etc. 	19	170	482	696	Including resource-saving activities
Subtot	al (actual effects)	43	216	905	1,220	
(5) Cor acti	tribution to environmental conservation vities ¹¹	1,716	2,211	3,392	7,603	Contribution of environmental conservation activities to added value at business sites ¹²
(6) External Economic Effect		9,279	3,678	-	12,957	Monetary conversion of impact from photovoltaic gene- ration systems and "No-Dig" pipe rehabilitation method
Sub-to	tal (estimated effects)	10,994	5,888	3,392	20,560	
Total	· · ·	11,037	6,105	4.297	21,779	

11 Excluding housing sales companies. 12 (Added value from business sites) x ((Business area costs + Administration costs)/(Total production costs excluding materials costs)}

Sekisui Eco Value Index

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

P 2 4 Verified



Group's overall environmental impact (converted to coefficient)

Group's overall environmental impact (denominator): The total sum of the Group's environmental impact is calculated by addition of converted values of raw materials and energy used as well as related landfill and incineration of waste and emissions into the atmosphere and water, which represent environmental impacts of differing units and effects on the environment, to the Eco Point coefficient using the JEPIX integration method.







Coverage of Overseas Data

For purposes such as globalization of environmental management and making continual improvements in the environmental impact of production overseas, since 2003 Sekisui Chemical Group has been periodically monitoring actual conditions of environmental activities at production companies overseas and their performance data. In fiscal 2010, overseas data in this report covered the 30 business sites below¹.

- 1 Data collected from: KYDEX, LLC., Allen Extruders, LLC., Sekisui Industrial Piping Co., Ltd., Sekisui (Qingdao) Plastic Co., Ltd., Wuxi SSS-Diamond Plastics Co., Ltd., Eslon B.V., Yongchang Sekisui Composites Co., Ltd., Sekisui Voltek, LLC. (Lawrence Plant), (Coldwater Plant), Sekisui Alveo B.V., Sekisui Alveo Ltd., Thai Sekisui Foam Co., Ltd., Sekisui Pilon Pty. Ltd., YoungBo Chemical Co., Ltd. Daejon Plant, YoungBo HPP (Langfang) Co., Ltd.³, Sekisui TA Industries, LLC. (Brea Plant, Tennessee Plant), Sekisui Filep Performance Packaging (Langfang) Co., Ltd., Sekisui S-Lec America, LLC., Sekisui S-Lec Mexico SA. de C.V., Sekisui S-Lec B.V. (Resin Plant, Film Plant), Sekisui S-Lec Mexico SA. de C.V., Sekisui S-Lec B.V. (Resin Plant, Film Plant), Sekisui S-Lec Marica, LLC., (Pasadena Plant, Calvert City Plant), Sekisui Specialty Chemicals Europe, S.L., Sekisui Medical Technology (China) Ltd., American Diagnostica, Inc3, XenoTech, LLC.
- 2 CO₂ emissions have been calculated using the emissions coefficients of the greenhouse-gas protocol for electric power and the emissions coefficients of the Environmental Top Runner Plan SHINKA! for fuel.
- ${\bf 3}$ Data was collected only for wastes and CO2 emissions.
- 4 Calculation period: January 1 December 31, 2010

Greenhouse-gas (GHG) Emissions During Manufacturing

(1.000 tons-CO₂)



Energy Consumption and per unit output During Manufacturing



Amount Transported and per unit output





(1,000 tons-CO₂)

20 16.8 16.6 16.4 0.5 15 (Target) 14.0 Other greenhouse gases 1.0 10 CO₂ from 13.1 energy consumption 5 0 2007 2008 2009 2010 2013

CO₂ Emissions Coefficient (Environmental Top Runner Plan: SHINKA!)

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

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

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



CO₂ Emissions in the Transportation Stage



Amount transported in fiscal 2010: 280 million ton-

Calculation method: Either the improved ton-kilometer method, fuel consumption method, or fuel cost method, depending on the product and transportation method

CO₂ Emissions (Overseas)



See Data, p. 7 for scope of summation

Resource Recycling and Saving P31 Verified

Fiscal 2010 Annual Production-Site Waste Generation and Disposal Conditions

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



Zero Emissions Achievement Criteria and Accreditation System of Sekisui Chemical Group

- (1) Not engaging in any outside incineration without thermal utilization (thermal recycling), or landfill outside or inside of facilities (recycling ratio: 100%)
- (2) If the waste quantity is small and it is a type of waste that has never been recycled before, recycling methods and relevant contractors must be identified and a service agreement must be executed. We also have established uniform evaluation criteria known as the Zero Emissions Achievement Evaluation List. We have established a system designed to conduct internal checks and issue approvals for the status of

observance of the evaluation criteria as well as legal compliance, rules and signage for waste segregation and storage, management of related facilities, and waste reduction planning and management. The list obliges us to conduct inspection of outside contractors and to clarify treatment routes in order to enhance the management system through these activities.

Total Wastes Generated

in New Housing Construction (tons/home)



Breakdown of Generated Wastes



Status of Zero Emissions Achievement

Production sites	Achieved at 37 plants in Japan and three overseas plants, including those of affiliates. (Includes two plants in Japan that achieved zero emissions in fiscal 2010)					
Laboratories	Achieved at four domestic laboratories as of fiscal 2005					
New house construction sites	Achieved at all locations as of September 2003					
House remodeling sites	Achieved at all locations as of fiscal 2004					
Osaka and Tokyo Headquarters buildings	Achieved as of fiscal 2005					
Home demolition sites	As of end of fiscal 2010, 99% recycling rate for Designated Construction Materials (scrap concrete and wood)					

Wastes Generated and per Unit of Output at Production Facilities



Wastes Treatment Methods (Overseas)



See Data, p. 7 for scope of summation

Subjects of Material Flow Cost Accounting at Sekisui Chemical Group

- Material-cost factors
 Cost factors: Primary r
- 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.

Quantity of Wastes and per Unit of Output Generated at Business Sites Reviewed



Economic Loss (Loss Costs)

Index



Water Intake for Use at Production Site

(1,000 tons) 20.000



Water Intake for Use (Overseas)

Water usage Approx. 3,049,000 tons

See Data, p. 7 for scope of summation



CO₂ Emissions at Offices



Copier-paper Use at Offices

(10,000 sheets) 6,000



Fiscal 2010 Green Purchases Performance

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

	(10,000 yen)
	Amount purchased
Photocopying paper	9,609
Other pamphlets, catalogs, office supplies, etc.	12,453
Office automation equipment	20,231
Total	42,293

Green Purchase Guidelines

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

Atmospheric, Water, and Soil Related Emissions

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

NOx Emissions Volume Verified



SOx Emissions Volume Verified (tons) 25 20 20 16 6 Housin Compa 15 4 Urban Infra structure Environm Products ntal 5 Company High Performanc Plastics Company 2 2004 2005 2006 2007 2008 2009 2010



COD Discharge Volume Verified



Preventing Pollution

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

Preventing Air Pollution

The biomass boiler fueled by wood chips intended to replace the heavy-oil boiler at the Gunma Plant of Sekisui Board Co., Ltd. (installed August 2009) has begun full operation. As a result, discharge of NOx has increased from the previous fiscal year.

Business Site Soil Surveys Verified

Business Site	Surveyed Substance	Excess of the standards
Sekisui Medical Co., Ltd. Iwate Plant	Cyanide compounds, fluorine, boron, 1,2-dichloroethane, dioxins	Soil: No Groundwater: No
Sekisui Chemical Hokkaido Co., Ltd.	Lead, cadmium, PCBs, dioxins	Soil: Yes (lead) Groundwater: No

In fiscal 2010, we conducted surveys compliant with the Soil Contamination Countermeasures Law at six business sites and completed two of these. Results of these surveys show no values in excess of standards for soil pollution at the lwate Plant of Sekisui Medical Co., Ltd., while there were values in excess of soil-pollution standards in part of the Sekisui Chemical Hokkaido Co., Ltd., site (see p. 33). Plans call for conducting countermeasures in accordance with the Law at the site with values in excess of soil-pollution standards.

Preventing Water Pollution

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

Disposal and Storage of Machines and Equipment that Contain PCBs

Stored transformers and condensers that contain PCBs are being disposed of steadily, beginning with sites for which acceptance at PCB treatment facilities is available.

In addition, at sites with machines and equipment that contain PCBs in storage, such devices are managed strictly and thoroughly, through means including locked storage and periodic inspection.

Environmental Incidents, Complaints, and Emergency Responses

Environmental Incidents, Complaints, etc. Verified

In fiscal 2010, there were no incidents with off-site consequences. We received five complaints regarding environmental concerns and are steadily implementing preventive measures in response.

Environmental Complaints

_		
	Details of complaints	Countermeasures
Noise	Complaint about vibration noise from dust collector	Change to part of the equipment to restrict noise generation
odo	Compliant about odor of raw materials used in a plant	 Inspecting source of emissions, strengthening emissions management, and increasing exhaust capacity
ors	Complaint about plant odors	 Inspecting source of emissions, strengthening emissions management, and improving odor- removal equipment
Other	Complaint regarding concerns that trees could fall over on land near the plant and damage residents' homes	•Thinning of trees on land near the plant (approx. 20 trees felled)
Ś	Complaint about brightness of nighttime lighting	•Turning off lights at night

Emergency Response

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

Emergency Response and Reporting Drills

Simulated emergency situation	Drills performed
Leakage and outflow of oils	51
Atmospheric discharge of solvents	4
Fire	52
Earthquake	3
Emergency communication training	2
Comprehensive disaster preparedness drills	27
Responding to other equipment-related emergencies	5

Summation Results Based on the PRTR Law

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

									(tons)
	Government	ent Emission volume			Transfer volume				
Substance	notificatio no.	volume	Atmospheric	Public water areas	In house soil	Sewage system	Transfer in waste disposal	Transfer in waste recycling	Detoxification
Acrylic acid and its water-soluble salts	[4]	46.7	0	0	0	0	0	4.7	42
n-Butyl acrylate	[7]	294.1	0.11	0	0	0	0	0.36	294
Acrylonitrile	[9]	295.3	1.4	0	0	0	0	0.009	294
Acetaldehyde	[12]	283.1	0.20	0	0	0	0	0	283
Acetonitrile	[13]	27.1	2.0	0.42	0	0	0.35	23	0.83
2-Aminoethanol	[20]	10.2	1.7	0	0	0	0	0	7.0
Antimony and its compounds	[31]	25.1	0	0	0	0	0	2.5	0
Isobutyraldehyde	[35]	53.4	1.4	0	0	0	0	0	52
Ethylbenzene	[53]	1.3	1.3	0	0	0	0	0	0
Ethylenediaminetetraacetic acid	[60]	1.4	0	0	0	0	0	0	1.4
ε-Caprolactam	[76]	44.2	0	0.014	0	0	0	0	44
Xylene	[80]	38.2	5.2	0	0	0	0	0.42	32
Vinyl chloride	[Special94]	110,950.0	3.7	0.12	0	0	0	0	110,946
Chloroform	[127]	5.9	0.29	0	0	0	0	1.7	3.9
Vinyl acetate	[134]	1.1	0.013	0	0	0	0	0	1.1
Inorganic cyanide compounds (except complex salts and cyanates)	[144]	15.9	0	0	0	0	0	0	16
Cyclohexylamine	[154]	7.2	0.40	0	0	0	0	0	6.8
Dichloromethane	[186]	347.5	4.5	0	0	0	0	0.54	342
N,N-dimethylacetamide	[213]	1.9	0	0	0	0	0	0	1.9
N,N-dimenthylformamide	[232]	1.9	0.0001	0	0	0	0	0.0000	1.9
Organic tin compounds	[239]	57.0	0	0	0	0	0.068	0.32	0
Styrene	[240]	1,537.4	34	0	0	0	0	0.72	619
Decabromodiphenyl ether	[255]	5.8	0	0	0	0	0	0.69	0
Terephthalic acid	[270]	57.6	0	0	0	0	0	0	58
Triethylamine	[277]	3.4	0.28	0	0	0	0	0	3.2
Toluene	[300]	1,479.2	587	0	0	0	0	57	802
Lead compounds	[Special305]	528.2	0.0004	0.0036	0	0.0040	0	3.0	0
Nickel compounds	[Special309]	2.7	0	0.021	0	0	0	0.031	0.73
Phenol	[349]	75.2	3.8	0	0	0	0	0	71
Bis (2-ethylhexyl) phthalate	[355]	149.2	1.0	0	0	0	0.10	2.0	0
n-Hexane	[392]	203.8	154	0	0	0	0	5.3	44
Benzaldehyde	[399]	22.4	0	0	0	0	0	0	22
Boron compounds	[405]	1.6	0	0	0	0	0	0	0
Poly (oxyethylene) alkyl ether (alkyl C=12-15)	[407]	3.2	0	0	0	0	0	0	0
Formaldehyde	[Special411]	59.3	2.9	0	0	0	0	0	56
Manganese and its compounds	[412]	5.4	0	0	0	0	0	5.4	0
Methyl methacrylate	[420]	82.9	0.65	0	0	0	0	0.012	82
4-Methylideneoxetan-2-one	[421]	1.5	0	0	0	0	0	0	1.5
Methylenebis (4,1-phenylene) = diisocyanate	[448]	970.9	4.0	0	0	0	0	0.13	0
		117,698.0	810	0.58	0	0.0040	0.52	108	114,129

Note: Due to the effects of the Great East Japan Earthquake, estimates were collected for some data for the Sekisui Film Co., Ltd. Sendai Plant.

Emission and Transfer Volumes by Substance (PRTR Law)



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

Discharge of Volatile Organic Compounds (VOCs) into the Atmosphere



ISO14001 Certified Business Sites

Housing Company

Sekisui Chemical Co., Ltd., Tsukuba R&D Site¹ Hokkaido Sekisui Heim Industry Co., Ltd. Tohoku Sekisui Heim Industry Co., Ltd. Kanto Sekisui Heim Industry Co., Ltd. Tokyo Sekisui Heim Industry Co., Ltd. Chubu Sekisui Heim Industry Co., Ltd. Kinki Sekisui Heim Industry Co., Ltd. Chushikoku Sekisui Heim Industry Co., Ltd. Kyushu Sekisui Heim Industry Co., Ltd. Sekisui Board Co., Ltd. Minakuchi Plant Sekisui Board Co., Ltd. Gunma Plant Hokkaido Sekisui Heim Co., Ltd. [Hokkaido Sekisui Fami S Co., Ltd.] Gunma Sekisui Heim Co., Ltd. Ibaraki Sekisui Heim Co., Ltd. [Ibaraki Sekisui Fami S Co., Ltd.] Tochigi Sekisui Heim Co., Ltd. General Affairs Department Sekisui Heim Shinetsu Co., Ltd. [Sekisui Fami S Shinetsu Co., Ltd.] Tokvo Sekisui Heim Co., Ltd. [not including Yamanashi Sales Branch] Tokyo Sekisui Heim Co., Ltd. Yamanashi Sales Branch [Tokvo Sekisui Fami S Co., Ltd. Yamanashi Sales Branch] Sekisui Heim Chubu Co., Ltd. Sekisui Heim Kinki Co., Ltd. Sekisui Heim Sanvo Co., Ltd. Sekisui Heim Chushikoku Co., Ltd. [Sekisui Fami S Chushikoku 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 Sekisui Chemical Co., Ltd. Gunma Plant Sekisui Chemical Co., Ltd. Tokyo Plant Sekisui Chemical Co., Ltd. Kyoto Research & Development Laboratories Chiba Sekisui Industry Co., Ltd. Sekisui Chemical Hokkaido Co. Ltd Toto Sekisui Co., Ltd. Ota Plant Okavama Sekisui Industry Co., Ltd. [Sekisui Roof System Co., Ltd. Manufacturing Division] Shikoku Sekisui Industry Co., Ltd. Kyushu Sekisui Industry Co., Ltd. Ryuseki Jyubi Co., Ltd. Sekisui Aqua Systems Co., Ltd. Shizuoka Plant Sekisui Home Techno Co., Ltd. Nippon No-Dig Technology Co., Ltd. KYDEX, LLC. Allen Extruders, LLC. ESLON B.V. Sekisui SPR Europe G.m.b.H. Sekisui Rib Loc Australia Pty. Ltd. Wuxi SSS-Diamond Plastics Co., Ltd. Yongchang Sekisui Composites Co., Ltd. Sekisui (Qingdao) Plastic Co., Ltd.

Headquarters

Sekisui Chemical Co., Ltd., Development Center¹ Tokuyama Sekisui Industry Co., Ltd. Hinomaru Co., Ltd. Tosu Plant Hinomaru Co., Ltd. Kanto Plant Sekisui Seikei, Ltd. Chiba Plant Sekisui Seikei, Ltd. Kanto Plant Sekisui Seikei, Ltd. Hyogo Plant Sekisui Seikei, Ltd. Hyogo-Takino Plant Sekisui Seikei, Ltd. Izumo Plant

High Performance Plastics Company

Sekisui Chemical Co., Ltd. Amagasaki Plant Sekisui Chemical Co., Ltd. Musashi Plant Sekisui Chemical Co., Ltd. Shiga-Minakuchi Plant [Sekisui Fuller Co., Ltd. Shiga Plant] Sekisui Chemical Co., Ltd. Taga Plant Sekisui Chemical Co., Ltd. Minase Site Sekisui Techno Molding Co., Ltd. Nara Plant Sekisui Techno Molding Co., Ltd. Mie Plant Sekisui Film Co., Ltd. Sendai Plant Sekisui Film Co., Ltd. Nagoya Plant Sekisui Film Co., Ltd. Shinshu-Takato Plant Sekisui Film Co., Ltd. Kyushu-Izumi Plant Sekisui Fuller Co., Ltd. Hamamatsu Plant Sekisui Medical Co., Ltd. Iwate Plant Sekisui Techno Shoii Higashi Nihon Co., Ltd. Sekisui TA Industries, LLC. Brea Plant Sekisui TA Industries, LLC. Tennessee Plant Sekisui S-Lec B.V. Film Plant Sekisui Alveo B.V. Sekisui Alveo Ltd. Sekisui S-Lec America, LLC. Sekisui Specialty Chemicals Europe, S.L. Sekisui S-lec Mexico S.A. de C.V. Sekisui S-lec Thailand Co., Ltd. Thai Sekisui Foam Co., Ltd. YoungBo Chemical Co., Ltd. Daejeon Plant Sekisui High Performance Packaging (Langfang) Co., Ltd. Sekisui S-LEC (Suzhou) Co., Ltd.

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

(nersons)

Number of Issues of Concern in Environmental Auditing for Fiscal 2010 (for Production sites and Laboratories, as of End of March 2011) Verifie

					(155005)
			Number of cases	Correction completed	Undergoing correction
		Issues of concern	81	29	52
Head	dquarters	Issues to work on	222	63	159
envi (16 b	ronmental auditing ousiness sites)	Proposals	2	0	2
		Total	305	92	213
Au		Nonconformity (major)	0	0	0
diti Re	Renewal (16 business sites)	Nonconformity (minor)	14	5	9
q ɓเ		Observations	60	23	37
у се		Total	74	28	46
rtific	Surveillance (28 business sites)	Nonconformity (major)	0	0	0
atic		Nonconformity (minor)	15	5	10
n b		Observations	108	47	61
ody		Total	123	52	71
Internal auditing of		Nonconformity (major)	4	1	3
		Nonconformity (minor)	114	68	46
(37 b	ousiness sites;	Observations	336	187	149
39 ai	uaits)	Total	454	256	198

* Categories of instructions for Headquarters environmental auditing: Issues of concern: Matters recommended for swift improvement Issues to work on: Matters recommended for planned improvement

Proposals: Matters to be considered for improvement, advice

Numbers of Persons with Qualifications Verified

					(1
				Those who acquired qualifi cations during fiscal 2010	Aggregate total
Number of participa	nts Number of intern	al train	ing course participants	66	652
in EMS*1 internal auditor developmen	Number of extern	hal train	ing course participants	8	187
training courses	Total			74	839
Number of participa	nts Number of intern	al train	ing course participants	13	472
auditor developmen	I Number of extern	hal train	ing course participants	1	181
training courses	Total	Total			653
	Registered	Qua	Lead Auditor	0	1
	examiner of	lificat	Auditor	0	1
	the CEAR*3	ions	Provisional Auditor	0	2
		Q	Air Classes 1-4	6	45
Number of persons	Pollution	Jalific	Water Classes 1-4	2	86
with major qualifications	manager	ation	Noise/Vibration	0	46
		IS	Dioxins	0	3
	Certified Envi	Certified Environmental Measurers			2
	Energy mana	Energy managers			48
	Olfactory Me	asurer	ment Operators	0	1
	Environmenta	22	52		

*1 EMS: Environmental Management Systems

*2 OHSMS: Occupational Health and Safety Management Systems

*3 CEAR: Center of Environmental Auditor Registration

Overview of the Product Assessment System for Environmental Impact P23

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

• Laws and regulations • Self regu	Evaluation lation • Requirements of industries etc.	Chemic • Laws and regulations	al Substance Asse Prohibited substances	• Restricted substances			
Environment-friendly design	Raw material procurement	Product Assess	ment System for E	nvironmenta Construction	l Impact n and assembly	Use	Disposal
Invested resources Raw materials, composition, and structure Information disclosure Environment-Contributing Products standards LCCO ₂ evaluation	Environmental impact Means of transportation Packaging materials Green procurement (Suppliers, raw materials)	Capital Investments Invested resources, energy Secondary resources used Environmental impact Atmosphere, water, wastes, chemical substances, etc.	Environmental impact Means of transportatior Load-efficient design Information Disclosure	 Invested res Secondary r Environmen Atmosphere chemical su 	sources, energy resources used ttal impact e, water, wastes, ubstances, etc.	Invested resources, energy Secondary resources used Environmental impact Atmosphere, water, wastes, chemical substances, etc.	Composition and structure Recyclability Environmental impact Transportation, disposal, soil/groundwater contamination

Biodiversity P34

Initiatives Envisioned Under the Biodiversity Guidelines

1. Assessment and reduction of the impact of business activities on biodiversity	 Developing assessment methods and conducting assessment, reducting impacts Promoting biodiversity-friendly procurement Greening of business sites (promoting landscaping and biotope development)
2. Development and promotion of technologies and products	Incorporating biodiversity assessment in the product development stage
3. Employee awareness	 Conducting nature-conservation activities at all business sites Expanding the Sekisui Nature Study Course and nature-conservation activities
4. Dialogue and cooperation with external stakeholders	 Supporting the Innovations Inspired by Nature, and holding periodic forums on the subject Supporting nonprofit and other organizations through the Keidanren (Japan Business Federation)
5. Communication	 Exhibiting at the Eco-Products exhibition and other events Providing information in the CSR Report, Site Reports, and websites Educating the next generation (Children's Nature Study Course, giving classes at schools)

CS & Quality Data

Business sites acquiring ISO 9000-series Certification

Housing Company

Sekisui Chemical Co., Ltd. Housing Company (integrated certification) Research & Development Department: Product Development Housing Technology Institute CS Promotion & Quality Assurance Department Technology Department Technology Department: Production & Purchasing Sekisui Global Trading Co., Ltd. Hokkaido Sekisui Heim Industry Co., Ltd. Tohoku Sekisui Heim Industry Co., Ltd. Kanto Sekisui Heim Industry Co., Ltd. Tokyo Sekisui Heim Industry Co., Ltd. Chubu Sekisui Heim Industry Co., Ltd. Kinki Sekisui Heim Industry Co., Ltd. Chushikoku Sekisui Heim Industry Co., Ltd. Kyushu Sekisui Heim Industry Co., Ltd. Hoppou Jyubunka Institute Co., Ltd. Sekisui Board Co., Ltd. Gunma Plant Sekisui Board Co., Ltd. Minakuchi Plant

Headquarters

Sekisui Seikei, Ltd. (integrated certification) Chiba Plant Kanto Plant Hyogo Plant Hyogo-Takino Plant Izumo Plant Tokuyama Sekisui Industry Co., Ltd. Sekisui Engineering Co., Ltd. Sekisui Insurance Service Co., Ltd. Changzhou Zhongji Precision Molding Plastic Co., Ltd.

Urban Infrastructure & Environmental Products Company

Sekisui Chemical Co., Ltd. Shiga-Ritto Plant Sekisui Chemical Co., Ltd. Tokyo Plant Sekisui Chemical Co., Ltd. Gunma Plant Okayama Sekisui Industry Co., Ltd. Sekisui Roof System Co., Ltd. Shikoku Sekisui Industry Co., Ltd. Kyushu Sekisui Industry Co., Ltd. Sekisui Aqua Systems Co., Ltd. Mechanical Plant Division. Shizuoka Plant Chiba Sekisui Industry Co., Ltd. Sekisui Home Techno Co., Ltd. Sekisui Chemical Hokkaido Co., Ltd. Toto Sekisui Co., Ltd. Headquarters, Ota Plant Nippon No-Dig Technology Co., Ltd. Wuxi SSS-Diamond Plastics Co., Ltd. Eslon B.V. Sekisui NordiTube Technologies SE KMG Pipe Technologies G.m.b.H. KMG LinerTec G.m.b.H. KMG Pipe Rehabilitation Emirates, LLC. Sekisui Rib Loc Australia Pty. Ltd. KYDEX LLC Allen Extruders, LLC. Sekisui (Qingdao) Plastic Co., Ltd. Sekisui Industrial Piping Co., Ltd. Yongchang Sekisui Composites Co., Ltd. (Xinjiang) Sekisui Refresh Co., Ltd.

High Performance Plastics Company

Sekisui Chemical Co., Ltd. Shiga-Minakuchi Plant Sekisui Chemical Co., Ltd. Musashi Plant Sekisui Chemical Co., Ltd. Amagasaki Plant Sekisui Chemical Co., Ltd. Taga Plant Sekisui Fuller Co., Ltd. (integrated certification) Shiga Plant Hamamatsu Plant Osaka Office Tokvo Office Sekisui Medical Co., Ltd. Tsukuba Plant Sekisui Techno Molding Co., Ltd. Nara Plant Sekisui Techno Molding Co., Ltd. Aichi Plant Sekisui Techno Molding Co., Ltd. Mie Plant Sekisui Film Co., Ltd. Nagoya Plant Sekisui Film Co., Ltd. Sendai Plant Sekisui Film Co., Ltd. Shinshu-Takato Plant Sekisui Film Co., Ltd. Kyushu-Izumi Plant Hiroseki Kako Co., Ltd. Sekisui Polymatech Co., Ltd. Sekisui Medical Technology (China) 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 S-lec America, LLC. Sekisui-Alveo A.G. (six sites: G.m.b.H., A.G., S.a.r.L., SpA, S.A., [Benelux] B.V.) Sekisui Alveo Ltd. Sekisui Alveo BV Thai Sekisui Foam Co., Ltd. Sekisui Voltek, LLC. Lawrence Plant Sekisui Voltek, LLC. Coldwater Plant Sekisui Pilon Pty. Ltd. YoungBo Chemical Co., Ltd. YoungBo HPP (Langfang) Co., Ltd. Sekisui High Performance Packaging (Langfang) Co., Ltd.

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



Manufacturing Development Innovation Indicators:

External failure costs : Costs of responding to product-related complaints and claims Internal failure costs : Costs associated with disposal of defective products generated during manufacturing processes Production costs : Costs necessary for manufacturing, such as raw-material and labor costs (decreased through productivity improvements such as saving of energy and other resources in manufacturing processes)

Safety loss costs : Costs arising from equipment-related or labor accidents etc. Environmental costs : Costs for disposal of wastes generated at business sites, and energy costs

Human Resources Data Verified

Number of Employees (Sekisui Chemical Group)

Number of employees	19,770
By region	
Japan	15,476
North America	1,086
Central and South America	73
Europe	1,203
Asia/Pacific	691
China	1,241

(persons

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

	Fiscal 2008	Fiscal 2009	Fiscal 2010
Number of new graduates hired (persons)	66	59	30
Separation rate within the first 3 years (%)	10.6	3.4	0.0

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

Results of Intra-group Job Posting P48

	Fiscal 2008	Fiscal 2009	Fiscal 2010	Cumulative total since 2000
Recruitments (cases)	15	23	22	194
Employees recruited (persons)	29	43	44	422
Applicants (persons)	92	102	58	954
Employees transferred (persons)	11	10	19	212

Percentage of Women Among New-graduate Hires (P50)



Use of Main Systems Raising

Next-Generation Children (at Sekisui Chemical) [P51]

System		Main content	Fiscal 2008	Fiscal 2009	Fiscal 2010
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.	30	42	30 (including 11 males)
After returning to work	Shortened working hours	Payment period that previously extended until the child was three years old now extends until the child starts fourth grade.	12	18	17
Other support	Family leave	Three days of special paid leave per year granted until the child or grandchild starts high school (this leave can be taken for reasons such as childbirth-related events, parents day, athletic meets, and PTA meetings)	132	130	96
Total number of persons using these systems		174	190	143	

Number of Employees (Sekisui Chemical Co., Ltd.)

	(hersons)
Number of employees	2,164
Male	1,928
Female	236

Employees' Years of Service (Sekisui Chemical Co., Ltd.)

	(ICUIS)
Average years of service	18.5
Male	18.7
Female	16.7

Main Public and Selective Training Programs

	Training	Details	Number of participants in fiscal 2010
Public Training	The Saijuku School	This program combines intensive courses led by visiting university professors with practical themes so that participants can improve their skills and knowledge to become globally oriented leaders. This program is intended to develop the next generation of leaders from among younger employees.	30
nanning	Sending Employees to Business Schools Outside the Company	Under this program, employees take courses for training business professionals at business schools outside of the company. The aim is to work together with human resources outside the company and to polish up business skills.	17
Selective Training	Open Seminars	These intra-group seminars aim to improve employees' business skills. Employees can select freely seminars on skills that meet their needs, to acquire skills that can be applied immediately to their daily work.	195 (gross total)

Career Plan Training by Age (P47)

	30s	40s	50s	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 2010 (persons)	62	126	67	255
Total Number of Participants as of Fiscal 2010 (persons)	1,609	1,375	733	3,717

Overview of 3-Year Training Program for Young Employees

Programs available	Summary
Annual career training	Career planning and interviews with superiors on career- related matters, both held at the end of each fiscal year (third year: interviews with HR career advisors)
Business skills training	Learning from a choice of business English, administrative technologies, accounting, logical thinking, communication, etc.
Training for superiors	Checking up on the basics of development of subordinates and on career interview methods

Percentage of Challenged Persons Employed (Sekisui Chemical)



Safety Data P53 Verified

Health, Safety and Accident-prevention Costs

(Million yen)					
Item			Sekisui Chemical Group*		
Classification	Details		Investment amount		
1) Costs within business-site areas	Health and safety measures, rescue and protective equipment, measurement of work environment, health management, workers' accident compensation insurance, etc.	842	1,204		
2) Administrative costs	Establishment and implementation of OHSMS, safety education, personnel costs, etc.	1,407	-		
3) Other	Safety awards etc.	3	-		
Total		2,252	1,204		

Note: Data above include 46 production sites/4 laboratories + all departments of Corporate Headquarters + back offices of division companies.

Expenses and Investments



Loss Costs



Expenses, including man-hours, required to respond to occupational accidents, equipment accidents, commuting accidents, and long-term illness absences

Number of Equipment-related Accidents (Calendar Year)



Equipment-related accidents:

Any accidents that meets one or more of the following conditions (1) – (3) (Sekisui Chemical Group standards): Personnel-related damage: business interruption with 30 lost working days or more
 Property damage: 10 million yen or more

(3) Loss of opportunity: 20 million yen or more

Number of Cases of Extended Sick Leave (Calendar Year)



Extended sick leave:

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

Number of Commuting Accidents (Calendar Year)



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





Severity Rate² (Calendar Year)

(Accidents)

30



1 Frequency rate = (number of workdays lost/work-hours in the aggregate) × 1,000,000 2 Severity rate = (number of deaths and injuries in occupational accidents/work-hours in the aggregate) × 1,000

3 Sekisui Chemical Group data: 46 production sites and four R&D laboratories 4 Source of information for Japanese manufacturing industry: Ministry of Health, Labour and Welfare "Survey on Industrial Accidents"

Safety Performance at Urban Infrastructure & Environmental Products Company Construction Sites (Calendar Year)

(Accidents) 30 37 20 16 16 13 10 8 5 С 2006 2007 2008 2009 2010 Number of non-lost time accidents in the New Construction sector

Safety Performance at Housing Company Construction Sites

Number of non-lost time accidents in the Fami-S sector Number of lost time accidents in the New Construction sector Number of lost time accidents in the Fami-S sector

Status of Occupational Accidents at Overseas Production Sites (Calendar Year)

(Accidents) 80

(Calendar Year)









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

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CSR Management Policies

Sekisui Chemical Group "Environmental Management Policy"

Mission

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

Basic Policy

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

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

Sekisui Chemical Group "CS & Quality Management Policy"

Mission

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

Basic Policy

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

1. Ensuring Basic Qualities

To ensure the reliability and safety of our manufactured products, which form the basis of "Product Quality," we effectively leverage customer's feedback and dedicate ourselves with a strong belief in forestalling any potential trouble and preventing any future recurrence throughout our entire value chain.

2. Creating Attractive Qualities

We aim to share the emotional values of our customers by thoroughly pursuing "what the customers value" and constantly creating attractive products and services that should realize such customer values.

3. Upgrading Technological Capabilities

For the sake of ensuring Basic Qualities and for creating Attractive Qualities, we are upgrading our technological capabilities in all fields in order to achieve superb manufacturing development.

4. Enhancing Communications

We value communication with our customers and the community and make sincere efforts when dealing with them as well as complying with the relevant laws and regulations in each country and region. We place special emphasis on resolving customer complaints or claims at an early stage by responding promptly and empathetically.

5. Providing Thorough Employee Education

To gain and maintain the full trust and impression of our customers, we provide employees with continuous CS & Quality education as well as motivating our employees to achieve self-realization through customer satisfaction.

Sekisui Chemical Group "Human Resources and Human Rights Policy"

Mission

Based on our belief that "employees are precious assets bestowed on us by society," we, the Sekisui Chemical Group, are committed to developing an environment where employees can work enthusiastically. We also offer various opportunities through which we help individual employees enhance their "specialties" and grow personally.

With the recognition that it is our social responsibility to protect individual human rights, we respect the diversity, personality and individuality of each person, and promote various working styles as well as creating safe and secure work environments in response to conditions in each country and region.

Basic Policy on Human Resources

- 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 recarding 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.
- We never discriminate on the grounds of race, color, gender, language, religion, nationality or social origin, property, or other status or any similar irrational basis.
- We do not commit human rights abuses such as resorting to violence, profane outbursts, slander, defamation, intimidation, bullying or similar conduct.

2. Prohibition of harassment

We never commit sexual harassment or other actions that stain personal character.

- 1) We do not commit sexual harassment or any conduct that might be misunderstood as sexual harassment.
- 2) We do not misuse the power of a superior position nor use any language or conduct that could sexually annoy any person. In addition, we prevent other employees from using such offensive language or conduct.

3. Prohibition of forced labor and child labor

We shall never accept forced labor or child labor in any country or region.We comply with the laws for the minimum working age and other relevant regulations in each country and region and do not use child labor.We do not carry out any form of forced labor in any of our corporate activities.

4. Respect for basic labor rights

We respect basic labor rights, including the right of workers to organize and to bargain, in accordance with the laws and customs of each country or region, and do not infringe on these rights.

Sekisui Chemical Group "Safety Policy"

Mission

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

Basic Policy

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

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.

CSR Management System











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