

A new frontier, a new lifestyle.

Sekisui Chemical Group —
produces a better world with creative technologies.

*The onrush of a conquering force is like
the bursting of pent-up waters into a
chasm a thousand fathoms deep.*

— Sun Tzu

Sekisui Chemical Group's Philosophy for CSR

Sekisui Chemical Group aims to meet the expectations of its stakeholders and contribute to society through its business activities, and has embodied this ambition in its Corporate Philosophy called the "3S Principle" (Service, Speed, and Superiority).

Our Group Vision clarifies that we will endeavor to improve the lives of the people of the world and the Earth's environment, while defining Creation of Housing / Social Infrastructure and Chemical Solutions as areas of society on which to focus our efforts.

Our desire is to continue opening new horizons through prominence in technology and quality under our Group slogan
"A new frontier, a new lifestyle."

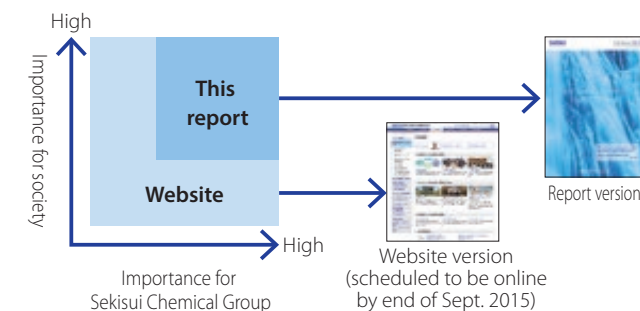
As globalization of our businesses advances and the stakeholders with whom we interact grow more diverse, we have prepared this CSR Report to communicate to stakeholders around the world the unchanging ideas and efforts of Sekisui Chemical Group.

Origin of "Sekisui" Company Name

Sekisui means "pent-up water" and is an expression used in Sun Tzu's "Art of War," an ancient Chinese classic. "The onrush of a conquering force is like the bursting of pent-up waters into a chasm a thousand fathoms deep" means "the victor of a battle is determined in a fell swoop with tremendous force, just as a full body of water (pent-up water or "Sekisui") drops into a deep gorge." The expansion of business activities will inevitably encounter problems and challenges. To overcome such difficulties, it is important to gain a full understanding of and to analyze one's opponent's circumstances, to consolidate one's own structure, and then release the power of pent-up waters to be victorious in battle.

Editorial Policy

- The pages of this Report are structured in line with Sekisui Chemical Group's concept of its Corporate Social Responsibility (CSR) in terms of Three Prominences—in Environment, CS & Quality, and Human Resources—along with Three Attitudes of Sincerity: in Compliance, Risk Management, and 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.
- To ensure that the information is both comprehensive and easy to read, all available information has been disclosed on Sekisui Chemical Group website based on Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines. This Report is a digest version of this information, focusing on key CSR issues specified in the medium-term management plan.



→web denotes there is more detailed information available on our website.

When the title of the web page is also displayed, it means that additional information is available on our website that is not found in this report.

Related data and materials are accessible on our website as the CSR Report 2015 Data Book (PDF).

Download PDF files here:

<https://www.sekisui.com/company/booklet/report/index.html>

Sekisui Chemical home page → CSR → Corporate Social Responsibility Report → Corporate Social Responsibility Report 2015

- The calculation criteria for the key performance indicators (KPIs) used in this Report are shown in the PDF Data Book.
- To ensure the reliability of this Report, its environmental and social reporting are subject to independent practitioner's assurance.

Guideline References

- This Report includes information of General Standard Disclosures in the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines ver. 4.
- A GRI Guidelines comparison table is available on Sekisui Chemical Group website.
- In preparing this Report, we also refer to the Ministry of the Environment's Environmental Reporting Guidelines (2012 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 2014-March 2015 (Includes some activities that occurred outside this timeframe.)

Scope of Independent Practitioner's Assurance

The environmental and social information in this report is subject to an independent practitioner's assurance 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 verified.

CONTENTS

3	Top Message
7	Our Company
9	CSR Management
10	CSR Medium-Term Plan
11	Human Rights, Intellectual Property, Supply Chain Management
12	Corporate Governance
SPECIAL ISSUE: Solving Social Issues through Business Activities	
13	REPORT 1: Initiatives of Housing Company, Urban Infrastructure & Environmental Products Company Providing Serviced Housing for the Elderly, for a Reassuring Lifestyle
17	REPORT 2: Initiatives of Urban Infrastructure & Environmental Products Company Thermoplastic Sheets Contribute to CO ₂ Reductions by Conserving Energy in Aircraft
21	REPORT 3: Initiatives of High-Performance Plastics Company Thermal Expansion Fire-Resistant Materials Minimize Damage from Disasters
Three Prominences	
25	Environment Management / Climate Change / Resource Efficiency / Chemical Substances / Biodiversity / Environment-Contributing Products Environment: CSR Topics in Fiscal 2014
35	CS & Quality CS Quality Management Initiatives / Attractive Products and Services / Quality CS & Quality: CSR Topics in Fiscal 2014
43	Human Resources Fostering Personnel and Invigorating Workplaces / Group Human Resources Capabilities / Human Resources for Global Business / Diversity Management / Safety and Security Human Resources: CSR Topics in Fiscal 2014
Bases of CSR	
55	Compliance
57	Risk Management
59	Communication
60	Environmental and Social Contributions
61	Continuing Report: Response to Great East Japan Earthquake
62	Independent Practitioner's Assurance
63	History of Sekisui Chemical Group
64	External Evaluations / Editors' Notes

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.

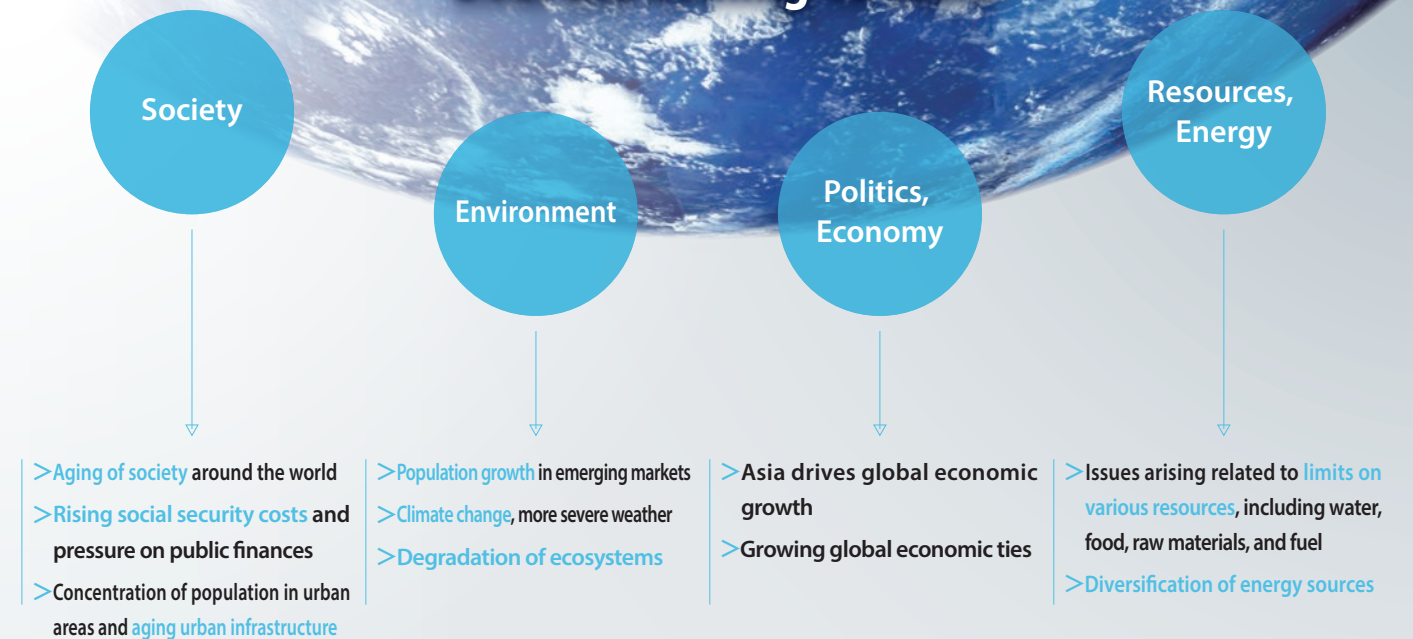
We will continue aiming to be a sustainable company that can maintain its strong corporate value for 100 years, as we provide value to society.

President and Representative Director

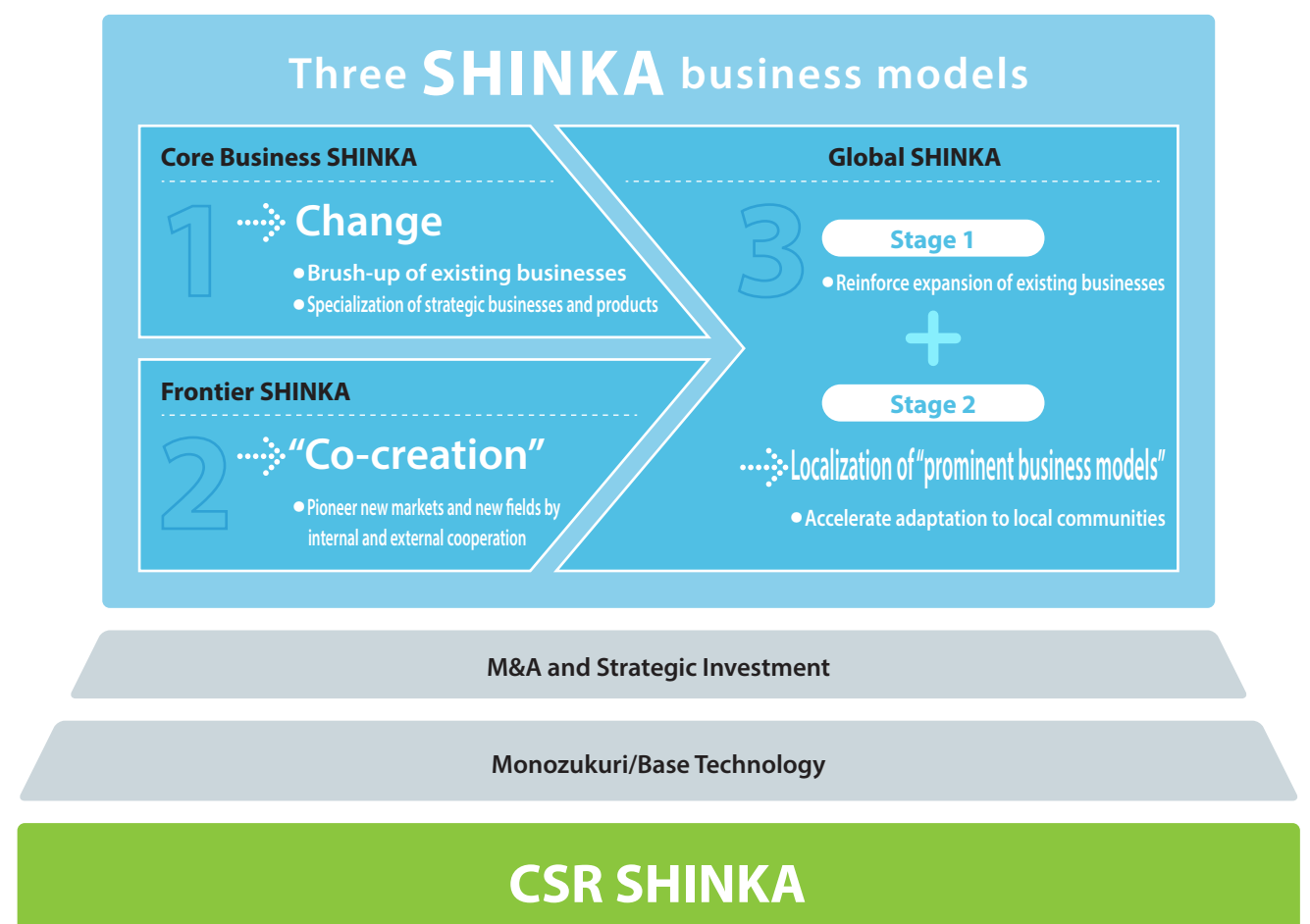
Teiji Koze



Changes in the Business Environment Anticipated Over the Coming 10 Years



Framework of the New Medium-Term Management Plan SHINKA!-Advance 2016 (Fiscal 2014-2016)



Operating Environment of Sekisui Chemical Group

Q

What is your assessment of the business environment in fiscal 2014 and outlook for the future?

A

Growth will be driven by concentrated strategic investment in our Growing 8 businesses.

Even though earnings improved on stronger exports due to the weak yen, the business environment in Japan was challenging with a lingering impact from the consumption tax hike, declining housing starts, and falling private-sector demand. Overseas, however, expansion in Asian economies and a steady recovery in the U.S. economy boosted demand. While infrastructure struggled against this backdrop, overall growth was driven by firm demand for our Smart Power Station homes, which aim for energy self-sufficiency, and remodeling in the housing business; interlayer films for soundproofing and insulation in the automobiles and transportation business; and materials for mobile devices in the electronics business. As a result, Sekisui Chemical posted record-setting sales, operating income and ordinary income.

Under its medium-term management plan, Sekisui Chemical Group targets operating income of 100 billion yen in fiscal 2016, the final fiscal year of the plan. To achieve this goal, management identified eight businesses that will be the focus of reforms and designated them

the Growing 8 businesses. As the focus of strategic investments, the Growing 8 businesses are remodeling and home asset management in Housing Company; living/social infrastructure stocks and overseas water infrastructure in Urban Infrastructure & Environmental Products Company; and materials for mobile devices, eco-friendly materials for a comfortable ride, functional infrastructure materials, and diagnostic reagent systems in High Performance Plastics Company.

Looking ahead, Sekisui Chemical Group aims to create next-generation businesses in the fields of home living, energy, and new materials by accelerating innovation through co-creation within the Group and with outside parties. On the global market, Sekisui Chemical Group aims to strengthen and expand B2B business with its highly competitive products, such as interlayer films and thermoplastic sheets. At the same time, we will accelerate overseas business development with in-depth strategies for B2C business in each region, such as the building and sale of housing in Thailand and offering diagnostic reagent systems in China.

Strategic Connection between Our Businesses and CSR

Q How is CSR positioned in the new medium-term management plan that began in fiscal 2014?

A CSR SHINKA vehicle for sharing our values throughout the Group.

Sekisui Chemical Group's CSR is uniquely identified by its Three Prominences: Environment, CS & Quality, and Human Resources—along with Three Attitudes of Sincerity: Compliance, Risk Management, and Communication.

With regard to prominence in Environment, we aim to help preserve the global environment by creating Environment-Contributing Products and reducing environmental impact. With regard to prominence in CS & Quality, we will aim to deliver the quality our customers require through improvements to both Basic Qualities and Attractive Qualities. With regard to prominence in Human Resources, we will create a work environment that respects and fosters diversity. Our mission is to

establish a position of prominence in each of these three fields. We believe Compliance, Risk Management and Communication with our stakeholders are the cornerstone for these initiatives.

Our medium-term management plan mentions CSR SHINKA within our business strategies as a vehicle for sharing our values with all employees. Our reputation is synonymous with our brand, and Sekisui Chemical Group strives to be trusted by society at all times.

While holding up these targets, we deeply regret that a Group company committed a compliance violation during fiscal 2014. We sincerely apologize for any inconvenience or concern that this event may have caused our stakeholders. We take this incident very seriously and are working diligently to prevent a reoccurrence.

CSR Activities Based on Our Philosophy

Q How is the Corporate Philosophy and Group Vision reflected in CSR activities?

A The Corporate Philosophy is our code of conduct and it is also reflected in our products.

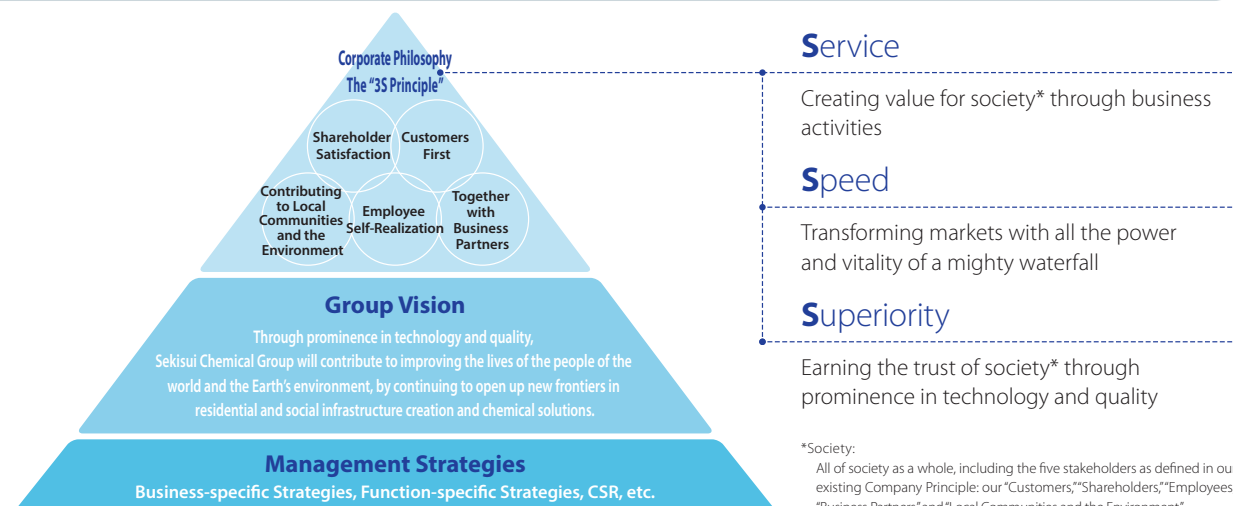
Engraved in the corporate emblem, Sekisui Chemical Group's Corporate Philosophy, the "3S Principle", means Service (creating value for society through business activities), Speed (transforming markets with all the power and vitality of a mighty waterfall), and Superiority (earning the trust of society through prominence in technology and quality). Sekisui Chemical Group aims to contribute to the advancement of society and help solve social issues through



its business activities. Under the Group Vision, 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 Creation of Housing / Social Infrastructure and chemical solutions.

In the housing business, for example, we strive to constantly stay one step ahead of the competition in providing homes that are innovative, economical and comfortable. Our Smart Power Station

Sekisui Chemical Group Principles



Three Axes in CSR Medium-Term Plan

Q The CSR medium-term plan that began in fiscal 2014 identifies three directions: Group, Global, and Communication. What specific initiatives were undertaken in fiscal 2014?

A By sharing these three directions, we share and instill our values among all of our employees.

Amid the diversification of business and globalization, Sekisui Chemical Group must work harder to spread CSR management with shared principles and values. Under the medium-term plan, we aim to further diversify our business model and grow on global markets. With this in mind, we have coined three words—Group, Global, and Communication—to simply embody the direction of our aims for working toward further permeation of CSR management in Sekisui Chemical Group, solving global issues based on shared values, and increasing corporate value through enhancing dialogue with stakeholders.

In fiscal 2014 Sekisui Chemical Group made satisfactory

rehabilitating pipes, and interlayer films, with sound and thermal insulation properties that improve fuel efficiency and levels of comfort in automobiles are just some of the products and services that reflect our Company Philosophy and Group Vision.

progress on several fronts for turning these three directions into a reality, including (1) promoting the reduction of environmental impact through unified targets used inside and outside Japan, (2) visualizing the state of CSR penetration by incorporating CSR viewpoints into management, (3) promoting CSR procurement, and (4) enhancing dialog with socially responsible investment (SRI) rating organizations and stakeholders, including customers. Through these activities, we were able to identify CSR issues to address in the future and become more aware of the vital importance of CSR management. We will continue to proactively identify issues and work on solving them.

Aiming to Solve Social Problems through Business Activities

Q As Sekisui Chemical Group continues to create corporate value over the long term, how will Sekisui Chemical Group seek to solve social issues that it identifies?

A We will help solve problems related to climate change, urban infrastructure and aging societies.

Through our business activities, we believe we can help solve a wide array of social issues. For example, Sekisui Chemical Group contributes to solutions for urgent social issues including climate change, the ageing of urban foundations, and the greying of society.

Sekisui Chemical Group is moving along three pillars of action, namely expanding and creating markets for Environment-Contributing Products, reducing environmental impact, and conserving the natural environment. By 2030, we aim return more natural capital than we use.

In order to realize our long-term vision, we aim for Environment-Contributing Products to account for at least 50% of sales during fiscal 2016, the final fiscal year of our medium-term plan, by expanding and creating markets for Environment-Contributing Products.

With regard to the social problem of aging urban

infrastructure, Sekisui Chemical Group has developed a value chain business for all stages of infrastructure modernization, from research and diagnostics to maintenance, for mainly the rehabilitation of water and sewage pipes. Through this business, we help government agencies efficiently manage their assets.

The aging of society in Japan is also a major social issue that we would like to help solve through our business activities. By 2025, Japan's baby boomer generation will be at least 75 years old, and long-term care for the elderly is likely to be a pressing problem.

However, we will not stop there. Sekisui Chemical Group is developing businesses in disaster mitigation housing for the elderly that protects residents from natural disasters, as well as nursing care services that encourage independent living. At Sekisui Chemical Group, we strive to create outstanding value through our business activities that also helps solve social issues, thereby contributing to the realization of a sustainable society.

Our Company

→web Value Chain

Around the world, Sekisui Chemical Group conducts a diverse range of businesses that create value for society, through its three internal Division Companies.

Growing 8

We aim to drive overall growth by concentrating strategic investments in the Growing 8 businesses.

Company Profile (As of March 31, 2015)

Established:	3-Mar-47	Affiliated Companies:	17
Capital: 1,000.2 (100 million yen)		Net Sales:	11,127 (100 million yen)
Employees:	23,886	Operating Income:	857 (100 million yen)
Domestic Subsidiaries:	120	Net Income:	529 (100 million yen)
Overseas Subsidiaries:	92		

Housing Company

Housing



- Steel-frame modular housing: Sekisui Heim



- Wood-frame modular housing: Sekisui Two-U Home

Refurbishing



- Home maintenance, extension and remodeling

Real Estate



- Brokerage services of quality homes
- Apartment rental management

Remodeling

Internal remodeling, maintenance



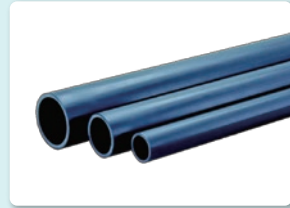
Home Asset Management

Rental management and brokerage services, real estate



Urban Infrastructure & Environmental Products Company

Piping Materials



- Water and sewer pipes, pipes for electricity, gas, and telecommunications use
- Pipeline rehabilitation

Building Materials



- Building materials and equipment (rain gutters, decking materials, insulation materials)
- Modular baths

Performance Materials



- PVC sheets
- Sleepers

Living/ Social Infrastructure Stocks

Public and private infrastructure management



Overseas Water Infrastructure

Pipe rehabilitation in advanced countries, construction of water pipes in emerging countries



High Performance Plastics Company

Electronics



- Materials for mobile devices
- Optical and semiconductor materials
- LCD and display materials

Automobiles and transportation



- Interlayer film for laminated glass
- Molded automotive components
- Expanded polypropylene interior materials

Buildings and infrastructure



- Fireproof materials
- Functional resins
- Tapes for home construction use
- Plastic material for water storage

Life Sciences



- Diagnostic reagent systems
- Medical devices

Materials for Mobile Devices

Materials for mobile devices (double-sided tape, conductive fine particles)



Functional Infrastructure Materials

Resin materials for heat-resistant pipes, fire protection materials, etc.



Eco-Friendly Materials for a Comfortable Ride

Materials that improve cabin comfort in automobiles



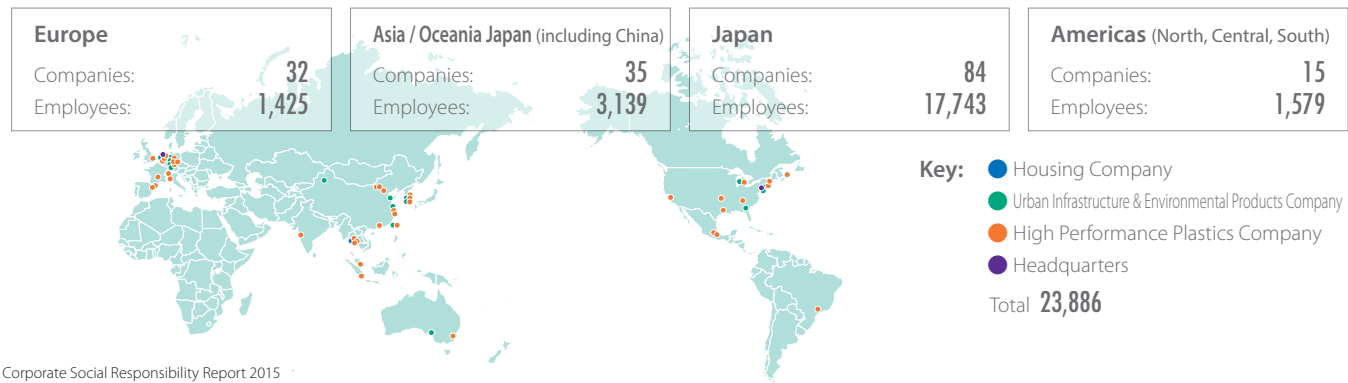
Diagnostic Reagent Systems

Diagnostic reagents, apparatus, and equipment for clinical testing

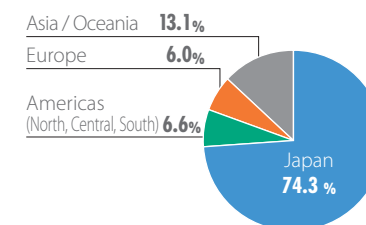


Sekisui Chemical Group Worldwide

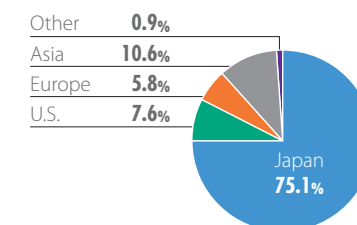
Note: Figures current as of March 31, 2015 (consolidated basis)



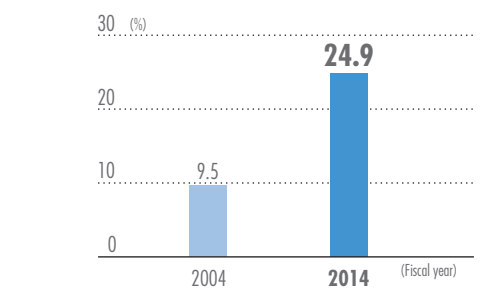
Employees by region



Sales by region



Overseas sales ratio



CSR Management

Increasing Corporate Value and Promoting CSR Management Group as a Whole

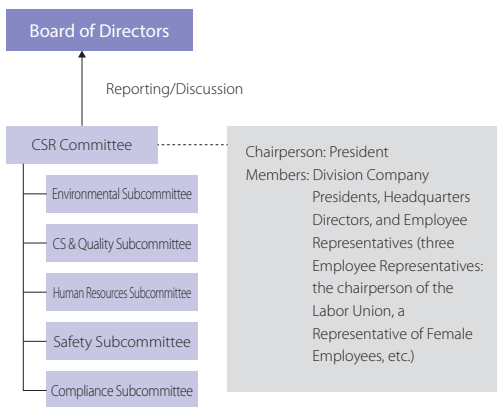
CSR Management Structure

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

As venues for deliberation on CSR management, we have set up the CSR Committee and five subcommittees: the Environmental Subcommittee, the CS & Quality Subcommittee, the Human Resources Subcommittee, the Safety Subcommittee, and the Compliance Subcommittee.

Chaired by the President, the CSR Committee's membership also includes the president of each division company, headquarters directors and three representatives of employees, all working to improve committee deliberations and measures.

CSR Committee/Subcommittee Structure



CSR Efforts in Japan and Overseas

Internal Penetration of CSR and Group Collaboration Activities

We periodically hold Presidents' Meetings for overseas affiliates in Europe, North America / Mexico and Asia, Oceania, China and South Korea to discuss issues in each area and propose solutions. Moreover, discussion of the content of these Presidents' Meetings with top management in Japan is incorporated into the schedule of the strategic planning meeting held in Japan in March of each year.

In Japan, we provide CSR training for new Sekisui Chemical Group employees and new members of management positions, based on the CSR training system. We also conduct separate CSR training tailored for each division company based on its business characteristics.

Both in Japan and around the world, Sekisui Chemical Group aims to ensure each individual member company fulfills its social responsibilities and to evolve Group management, through cooperation among companies that have differing lines of business and learning together about best practices.

The Process of Identifying Key CSR Issues (Materiality)

Step1 : Sort candidates for key CSR issues

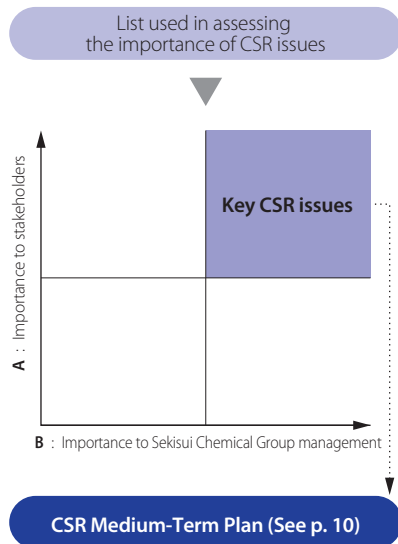
Candidates for key CSR issues were identified through considering global guidelines, SRI surveys, and developments at other companies, and then analyzing the opinions and expectations of each stakeholder. These candidates and CSR issues already addressed were sorted into key CSR issues for the future.

Step2 : Assess the importance of candidates for key CSR issues

The candidates for key CSR issues sorted in Step 1 were subjected to overall evaluation along the two axes of their importance to stakeholders (A) and importance to Sekisui Chemical Group management (B). Along axis A, candidates were assessed from the perspectives of expectations of each stakeholder, world trends, and positive and negative impacts on the planet and society, while along axis B they were assessed from the perspectives of consistency with management policies and management strategies, correspondence to CSR issues, risk and reputation, and priorities based on a timeline.

Step3 : Formulate the CSR medium-term plan

Following deliberation in the CSR Committee, key performance indicators (KPIs) were set by the responsible departments for the identified key CSR issues. The CSR medium-term plan was formulated and approved by the Committee.



CSR Medium-Term Plan

Promoting a Medium-Term Plan along Group, Global, and Communication Axis

CSR Medium-Term Plan (Fiscal 2014–2016)

		Key measures	Targets	FY2014 Results Verified
Three Prominences	Overall	Further penetration of CSR management	Deployment in business plans	Visualization of CSR management penetration
	Environment	1 Expand sales of Environment Contributing Products 2 Reduce environmental impact 1) Reduce greenhouse gas emissions 2) Reduce waste 3) Address water risks 3 Conserve natural environment	● Percentage of net sales: 50% or more ● Identical targets in Japan and overseas ● Maintain total volume (vs. FY2013) ● 12% reduction per unit of output (vs. FY2013) ● Ascertain current conditions and draft countermeasures ● 10-point improvement in JBIB Land Use Score Card*	● Percentage of net sales: 44.5% ● Reduced by 5.7% in Japan and 0.2% overseas ● Increased by 6.5% in Japan and 10.9% overseas ● Surveys conducted at 50 sites in Japan and 48 sites overseas ● 4.6-point improvement in JBIB Land Use Score Card*
	CS & Quality	1 Improve Basic Qualities 2 Improve Attractive Qualities	● Zero major quality issues ● Halve external failure costs (vs. FY2013) ● Increase customer satisfaction	● Zero major quality issues ● Roughly same as FY2013 ● Expanded customer satisfaction surveys in each business
	Human Resources	1 Strengthen Group human resources 2 Train global talent employees 3 Promote diversity (Women, elderly people, non-Japanese people, people with disabilities)	● Increase internal job postings by 30/year ● Number of global talent employees: 400 ● Percentage of women among new hires: 30% ● Percentage of international hires: 20%	● Increased internal job postings by 53/year ● Number of global talent employees: 325 ● Percentage of women among new hires: 30% ● Percentage of international hires: 17%
Three Attitudes of Sincerity	Compliance	1 Prevent corruption and fraud 2 Prevent major compliance issues	● Zero occurrences ● Zero occurrences	● Zero occurrences ● One occurrence
	Risk Management	1 Thorough preventive measures 2 Strengthen risk management systems (Japan) 3 Strengthen risk management systems (overseas)	● Improve quality of risk-management activities ● Disaster-prevention system utilization rate: 90% ● Site-specific risk management manuals developed at 100% of sites	● Risk score reduced 16% ● Disaster-prevention system utilization rate: 88% ● Site-specific risk management manuals developed at 91% of sites
	Communication	1 Enhance dialogue with stakeholders 2 Address human rights and supply chain initiatives (child labor, discrimination) 3 Promote environmental and social contribution activities	● Maintain selection to key SRI indices ● Promote CSR procurement globally ● Increase employee participation	● Maintained selection to key SRI indices ● CSR surveys conducted at major suppliers of domestic Group companies ● SEKISUI Environment Week participation rate: 54%

Outline of the CSR Medium-Term Plan

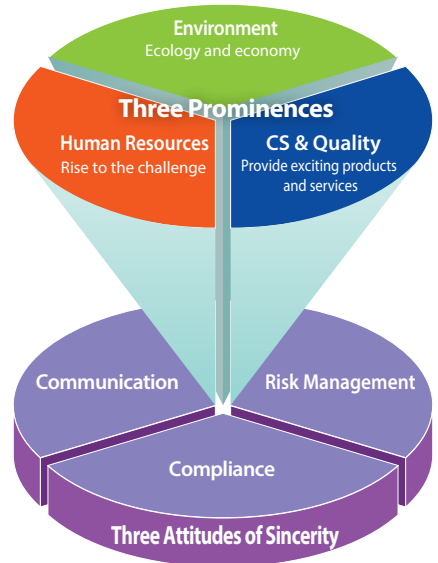
Under CSR SHINKA, the basis of the medium-term management plan, we will further advance CSR management in pursuit of greater vitality among our human resources and the essence of Sekisui.

With regard to prominence in Environment, we will contribute to returns on natural capital through Group-wide progress on expanding net sales of Environment-Contributing Products, lessening environmental impact, and conserving natural environment.

With regard to prominence in CS & Quality, we aim to deliver attractive products and services and the quality our customers require, through improving both Basic Qualities and Attractive Qualities.

With regard to prominence in Human Resources, we will increase the strengths of human resources throughout the entire Group, based on the three axes of Group, Global, and Diversity policies. To do so, we will hire and train the human resources we need, deploy HR policies across the entire Group, and work toward centralized management of Group HR data that supports these efforts, using information technology.

Furthermore, through making the degree of penetration of CSR management more visible, we will strive toward the further penetration of CSR management within the Group, by sharing anew (one word) OK the Group recognition that CSR indicators are important topics of management.



Human Rights, Intellectual Property and Supply Chain Management

Promoting fair and responsible initiatives to remain a trusted company.

Respect for Human Rights

Caring about Human Rights Issues in Our Entire Supply Chain

Along with its suppliers, Sekisui Chemical Group engages in business activities that respect human rights as part of its obligation to all stakeholders.

All Group employees are provided with the Compliance Manual as a set of principles to follow. We have set strict standards for respecting human rights, prohibiting discrimination, preventing harassment, and protecting personal information. We have mandatory training and e-learning sessions for employees about the prevention of all forms of harassment. We work diligently to raise the understanding and awareness of such issues among all of our employees.

Through CSR procurement with our suppliers, we make sure our business partners respect human rights. For new suppliers, we conduct CSR surveys before engaging in the first transaction and we also conduct CSR surveys of existing suppliers once every three years. Through these measures, we gain insight into our supply chain that helps identify risks to human rights, such as forced labor, child labor, and occupational health and safety issues. We inspected 109 companies in fiscal 2014. Of these, 13 companies did not meet our guidelines, but made improvements to our satisfaction. Accordingly, all of these suppliers are now compliant with our standards.

Intellectual Property

Protecting our intellectual property and respecting the intellectual property rights of others.

Sekisui Chemical Group endeavors to properly use intellectual property and protect its own rights, such as by quickly filing patent applications for inventions made in manufacturing and development. We also take appropriate measures to prevent and avoid infringing on the intellectual property rights of others. We have prepared educational programs to fit the level and needs of participants and provide training to our employees for basic knowledge acquisition to building intellectual property strategies.

Under the basic policy of securing business competitive strength through obtaining strong patents, we are striving to improve quality and raise awareness in development through efforts that include the evaluation and training of employees.

Procurement Policy

Sekisui Chemical Group's procurement policy

Sekisui Chemical Group procures materials based on the five 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 health and safety in their own companies. Since 2007, we have been conducting surveys on CSR efforts targeting suppliers and working to ascertain the results.

→web [Sekisui Chemical Group's Basic Policy on Procurement](#)

R&D

Assigning a fair value to valuable inventions.

Headquarters and each business section have R&D sections that work to increase the speed of technological development and create outstanding technologies.

The Invention Grand Prize has been established as one part of efforts to ensure researchers and engineers receive the evaluations and treatment they deserve. The Invention Grand Prize establishes monetary rewards for inventors recognized as having made major contributions to profits.

Open and Fair Transactions in Our Supply Chain

Addressing the issue of conflict minerals

Sekisui Chemical Group is concerned about the conflict mineral problem, namely the mineral resources controlled by armed forces in the Republic of Congo and neighboring countries that commit human rights violations and destroy the environment. Since fiscal 2014, we have conducted surveys on the use of conflict minerals at companies throughout our supply chain, from a CSR management standpoint.

At Headquarters, Purchasing Group at Total Manufacturing Management Center is in charge of Companywide procurement, and the procurement sections of each division company have managers in charge of procurement. Through this structure, we focused the entire company on surveys to discover any use of conflict minerals.

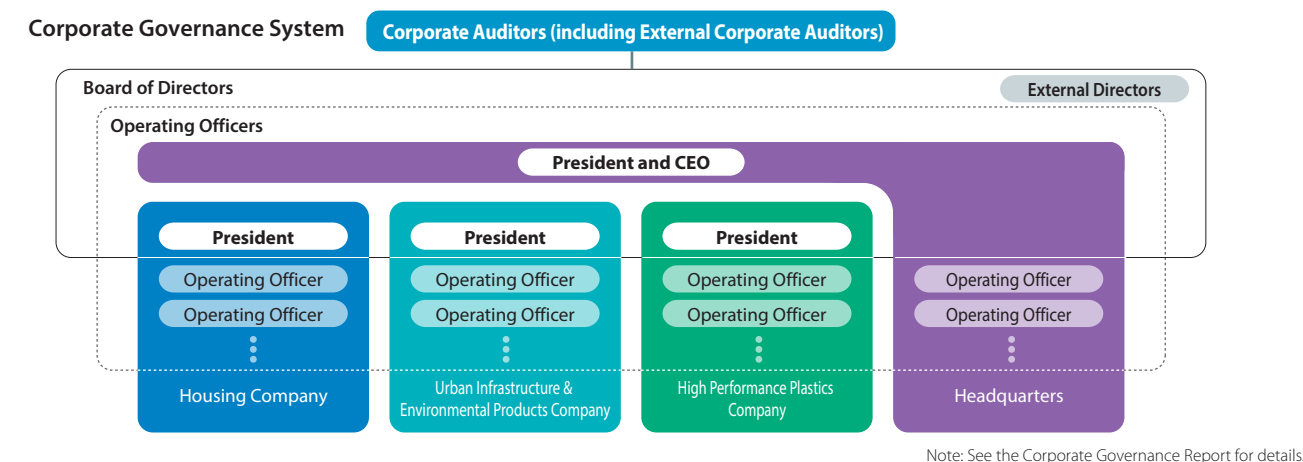
Corporate Governance

Independent corporate governance system that reflects its division company structure.

Basic Philosophy

Improve corporate value by enhancing transparency and fairness in management. →web [Director compensation](#)
•Nomination of outside directors

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, we implement a variety of efforts related to corporate governance.



Strengthening the Business Execution Function

Executive Committee established to serve as the top decision-making body in each division company

Together with assigning to each division company operating officers specializing in business execution, an Executive Committee has been established to serve as the top decision-making body in each division company. As such, a broad range of authority has been transferred from the Board of Directors to the Executive Committee.

The Board of Directors strives to achieve continual improvements in corporate value as an organization responsible for decisions on basic policies of Sekisui Chemical Group's management as well as high-level management decision-making and supervision of business execution.

Respect for International Norms

Declaration of support for the United Nations Global Compact



Sekisui Chemical Group respects international norms and standards regarding CSR, including the Universal Declaration of Human Rights, ISO 26000, the OECD's Guidelines for Multinational Enterprises, the ILO's International Labor Standards, and the United Nations' Guiding Principles on Business and Human Rights (Ruggie Framework). In March 2009, Sekisui Chemical signed the United Nations Global Compact*.

We also refer as much as possible to the Global Reporting Initiative's G4 Sustainability Reporting Guidelines revised in 2013 in the editing of this CSR Report.

* United Nations Global Compact:
A voluntary program in which top management of 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.

Policies Concerning the Internal Control System →web

Sekisui Chemical Group working in unison to develop an internal control system

The company's directors, operating officers, and employees observe high standards of business ethics. At the same time, Sekisui Chemical places the upmost emphasis on complying with all pertinent statutory and regulatory requirements in Japan and overseas as well as international and in-house rules. Priority is also placed on transparent and fair transactions, and strictly adhering to commonly held principles and corporate ethics.

In addition to reaffirming the importance of an internal control and risk management system, the company is working in unison to advance a variety of measures aimed at bolstering corporate governance and compliance. Among a host of initiatives, Sekisui Chemical is promoting a project that is designed to develop an internal control system, upgrading and expanding internal audits, and setting up a department to carry out risk management measures. While putting in place the necessary in-house rules to mitigate a wide variety of risks, the company is also undertaking education and training activities.

REPORT **1** Initiatives of Housing Company and Urban Infrastructure & Environmental Products Company

Providing Serviced Housing for the Elderly, for a Reassuring Lifestyle

In response to the social issue of a rapidly aging population in Japan, Sekisui Chemical Group has taken a variety of steps to solve problems and offer new value to society. These initiatives include providing serviced housing for the elderly under the Sekisui Heim brand, operating long-term care and independent living facilities through Group company Sekisui Hometechno Co., Ltd., and managing nursing care service facilities through Sekisui Oasis Co., Ltd.

Viewpoints of Both Caregiver and Care Receiver Essential in Development of Nursing Care and Independent Living Facilities

As Japan's population reaches an advanced age, the number of elderly who need long-term care will increase while the number of caregivers decreases, giving urgency to the issue of somehow lightening the caregiving burden on the frontlines of nursing care. Our products are developed with the feelings of both the caregiver and the care receiver in mind, so that the products can be used safely and comfortably by both. Our main focus is currently care facilities, and we plan to expand the scope of our activities to at-home nursing care services. Our easy-to-operate products allow caregivers to perform essential tasks with less effort and strength. We believe the importance of being gentle on people will increase in this way.

Commercialization Based on People's Behavior, Physiology and Psychology Based on Human Engineering for Quality Life

One of our guidelines in manufacturing, human engineering for quality life is a system for integrating technologies with concepts related to the physiology of humans, such as how people move and hold themselves, the muscles they use, the angle of their joints, and distribution of bodily pressures. We strive to scientifically understand how people are feeling, like if they are comfortable or too warm, instead of relying solely on actual data such as temperature readings, and use this information in our product designs and development.

Objects that Conform to People, Instead of People Adjusting to Products

In our long-term care and independent living facilities, we place a particular emphasis on helping residents be independent. Excessive nursing care could hasten the loss of the remaining abilities of elderly people. To prevent this from happening, we aim for our products to be able to conform to people. Our adjustable systems can be augmented with any necessary functionality at a later date.



INTERVIEW **01**
Shigeto Sugi
 Manager, Research & Development Department
 Sekisui Hometechno Co., Ltd.

Social Background

2025
 One in four people

By 2025, approximately 8 million generation will be at least 75 years
 The number of elderly people increase sharply, while the been on a downtrend.

Problem
 will be 75 years or older.

people from the baby boomer old, an issue for society to address. requiring nursing care will number of caregivers has

Aiming to Provide Safe, Secure, and Comfortable Housing while Respecting Individual Pride

The mission of Sekisui Heim is to provide housing that can be comfortably lived in for more than 60 years and is easy on the global environment. When considering this 60-year relationship with our customers, the home must be able to withstand more than 60 years of wear and tear, and services must be offered in tandem with the changing lifestyles of the residents. With features for monitoring the elderly, serviced homes for the elderly offer peace of mind for people that do not require nursing care yet but may have some minor health problems.

For example, many elderly homes do not have rooms with private kitchens or bathing facilities, an inhospitable way to spend one's final years at home. We believe that respect for people and safeguarding their pride helps a person's mental and physical well-being. For this reason, we provide housing that is spacious and has desired features. Other advantages of Sekisui Heim homes include the strength of the building itself and its resilience in natural disasters.



INTERVIEW **02**
Masatoshi Kifuji
 General Manager, Residential Services Group
 Sales Management Division, Housing Company
 Sekisui Chemical Co., Ltd.



INTERVIEW **03**
Kazue Ozawa
 Deputy Head, Sekisui Oasis Center Nagoya
 Nursing and Caregiving Specialist
 Sekisui Oasis Co., Ltd.

Providing Services That Prioritize Independent Living

Caregivers tend to think that nursing care requires all of their efforts, but nursing care can be made easier with a proper living environment that does not require all the energies of a caregiver. I think that an aging society is being raised as a major issue because most people do not realize this.

People that come to our nursing care facilities often say that the living environment itself can be a cause of disease and injury, underscoring how one's home environment and health are intricately connected. It has been statistically proven that confining oneself to home increases the risk of long-term care becoming necessary. At Oasis Center, we work to reduce the risk of long-term care by preventing people from confining themselves to their homes through stages of assistive care.

To encourage an individual to test their abilities in an independent living situation, we must show them examples of success that are tangible and readily comprehended. Sekisui Oasis Co., Ltd. aims to be a model of success that everyone strives to be in the field of long-term care facilities.

1 Serviced housing for the elderly

Safe and secure during natural disasters

Elderly Housing with Reinforced Structures for Withstanding Disasters

Housing Company Sekisui Chemical Co., Ltd.

Sekisui Heim serviced housing for the elderly is designed from the ground up to mitigate damage from natural disasters with reinforced structures for protecting residents during major earthquakes, solar panels and storage batteries for backup power, and stockpiles of food and supplies. Elderly people, who may be physically unable to quickly evacuate in an emergency, can reside here without worrying about the possibility of a natural disaster.



Energy self-sufficiency



Reinforced housing structure



Storage battery

Protecting quality of life

Private rooms at least 25m² with own bathroom, toilet and kitchen

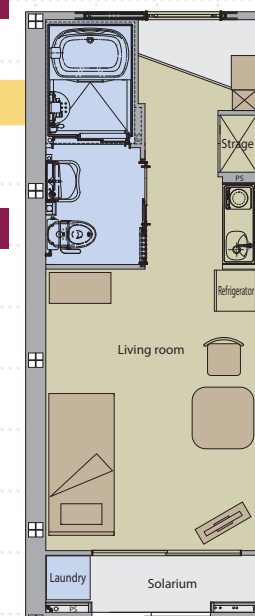
Housing Company Sekisui Chemical Co., Ltd.

Serviced housing for the elderly is mandated by the government to have private rooms at least 25m² in size, or 18m² if the rooms have access to common-use bathrooms and kitchens. For this reason, more than half the serviced housing in the industry has individual rooms smaller than 20m² without private bathrooms or kitchens. As an independent living environment, Sekisui Heim homes provide residents with rooms at least 25m² in size that have private bathrooms and kitchens to protect the quality of life. When family members come to visit, the rooms offer space for preparing food and using the restroom, thereby respecting and upholding the pride of elderly residents.

Bathroom

Toilet

Kitchen



Elderly-Oriented Businesses

Sekisui Chemical Group

Sekisui Chemical Group is developing businesses related to the elderly years of a person's life, categorized in the three stages of health maintenance, preventative care, and nursing care.

Elderly Life Stages

Health Maintenance Stage

Preventative Care Stage

Nursing Care Stage

Homes
[Hardware]Reform, Duplex house,
Rebuilding

1

Serviced housing for the elderly

2

Wells Series of nursing care and independent living facilities

Support
Services
[Software]

Assisted living services

3

Nursing care services (nursing care insurance business)

2 Wells Series of nursing care and independent living facilities

Lightening caregiving burdens in variety of situations

Convertible systems in Wells nursing care and independent living facilities

Sekisui Hometechno Co., Ltd.

With the aim of offering independent living facilities, the Wells Series emphasizes the convertibility of its systems, where additional features can be added when needed in accordance with the physical abilities of elderly residents receiving nursing care.

Conforms to the Individual

At elderly care facilities, bathrooms, toilets and washbasins are used by numerous residents that require different levels of assistance. Our convertible bathrooms can be modified to conform to the physical abilities of each user.

Future Convertibility

Elderly people gradually lose control over their bodies over time, and transition from independent to assisted living, such as bathing. Our convertible facilities can be enhanced with functions that provide greater care assistance when it becomes necessary.

Adjustable bathtub

Bathroom layouts can be modified to a person's physical abilities.

Lift system



Bathing units with integrated ceilings and walls are ready for a lift system if the need arises.

Shower chair with built-in lift



Combined with a special bathing board, people can take a bath while sitting on a shower chair.

3 Nursing Care Services (Nursing Care Insurance Business)

Nursing care that draws out people's own strength

Sekisui Oasis Center Nagoya helps people learn how to live independently, return to their homes, and remain in their homes

Sekisui Oasis Co., Ltd.

Since opening, Sekisui Oasis Center Nagoya has helped elderly people learn how to live independently, return to their homes and remain in their homes with nursing care services.

As birthrates decline and the elderly population grows in Japan, the number of caregivers is expected to decrease. The elderly have to rely on themselves more than anyone else, and need assistance in learning how to live on their own. Our professional nursing care services help the elderly learn these techniques.



Daily services focus on prevention of nursing care

We offer services that help elderly people stay out of nursing homes by living independently in their own homes.



Three types of bathrooms for different physical abilities

Our bathrooms are based on Sekisui Hometechno Co., Ltd.'s concept of Human Engineering for Quality Life.

REPORT **2** Initiatives of Urban Infrastructure & Environmental Products Company

Thermoplastic Sheets Contribute to CO₂ Reductions by Conserving Energy in Aircraft

Our KYDEX® 6565 thermoplastic sheets help reduce CO₂ emissions by making aircraft lighter. In addition, the deployment of recycling systems throughout the value chain is how Sekisui Chemical Group contributes to reducing environmental impact in the global aviation industry.

Thermoplastic sheets create value in society

In tandem with the development of emerging economies, it is said that more than three billion people will be added to the middle class over the next two decades. These three billion people will naturally want to travel on aircraft and trains.

As aircraft travel becomes even more commonplace than today, there are some projections* that the number of passengers will increase by 4.7% annually over the next 20 years. If the number of passengers increases as projected, the need for more fuel-efficient aircraft will become evident in terms of reducing environmental impact. In turn, lighter materials will be even more important in aircraft. We understand the needs of the aviation industry for products that help reduce environmental impact.

* Source: Lucintel Market Report: Global Commercial Aerospace Seating Market Analysis and Outlook 2013-2020



INTERVIEW **01**
Lydia Swan
Vice President of Sales & Marketing
SEKISUI Polymer Innovations, LLC.

Invention of thermoplastic sheets that reduce environmental impact

Our KYDEX® thermoplastic sheets were invented in 1965 and since then have been used in a broad range of applications, including aircraft seat backs tray tables, bulkheads, and partitions.

We invented aviation-grade KYDEX® 6565 in 1993 based on its policy of prioritizing the safety of passengers while making cabin fixtures lighter for aircraft. The "6565" part of its name comes from one of the tests performed by the U.S. Federal Aviation Administration. This test is also conducted by the European Aviation Safety Agency and other international aviation authorities. We are proud that KYDEX® 6565 has been recognized as one of our outstanding Environment-Contributing Products. We aim for these products to reduce CO₂ emissions by improving fuel efficiency on aircraft.



INTERVIEW **02**
Vijay Yadav
Vice President of R&D
SEKISUI Polymer Innovations, LLC.

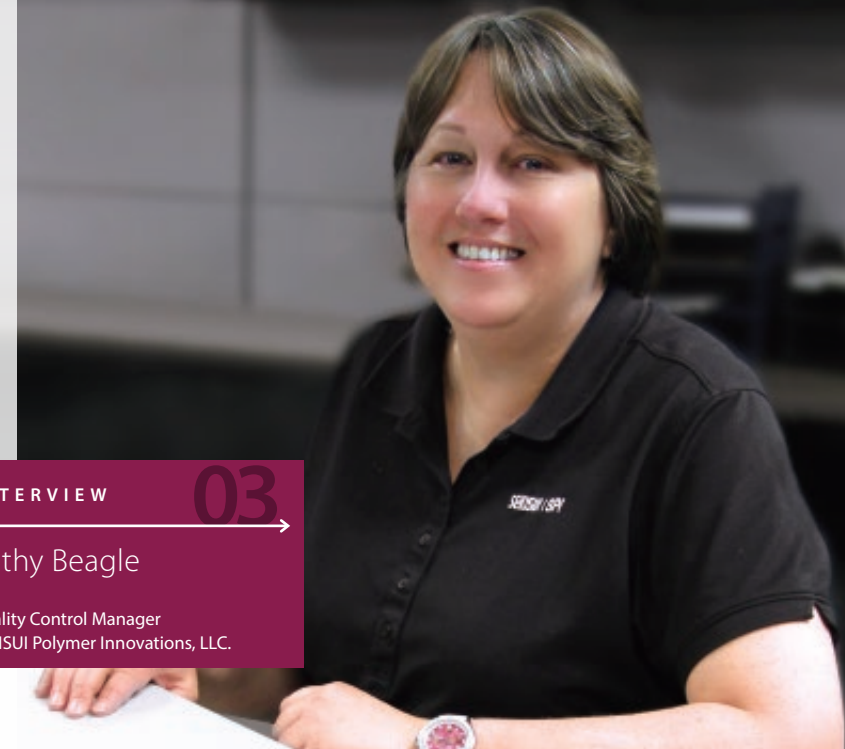
Development



Awareness of environmental responsibilities is a deep part of our corporate culture

Environmental responsibility is a core concept of the management philosophy at SEKISUI Polymer Innovations, LLC. The products that we make and provide to society are all manufactured and sold based on our principles that prioritize safety, health and environmental preservation. Our strict environmental management system is based on the PDCA (plan, do, check, act) cycle and is being constantly improved based on the company's policies and business targets as well as with feedback from periodic audits. I think my company is unique in that the corporate culture shares a deep sense of responsibility to the environment. All of our employees have a natural awareness of the environment that guides our choices, conversations and behavior every day.

Quality Management



INTERVIEW **03**
Kathy Beagle
Quality Control Manager
SEKISUI Polymer Innovations, LLC.



INTERVIEW **04**
Mike Angell
Plant Manager
Holland MI
SEKISUI Polymer Innovations, LLC.

Recycling

A recycling system that is easy on the environment

SEKISUI Polymer Innovations, LLC. has had in place a recycling system for more than 20 years. Our customers apply heat to thermoplastic sheets until the proper temperature is reached to make the sheets pliable and then cut away unneeded parts after the mold is formed. From this process, 25-30% of a single sheet is cut off as trim cuttings. We collect these trim cuttings and recycle them into new products for the same customer.

I am proud of the benefits generated by this recycling system. We have made incremental improvements to the recycling system over the past 20 years, so that now an average of 25-40% of a plastic sheet is recycled for our customers.



Thermoplastic sheets help reduce environmental impact

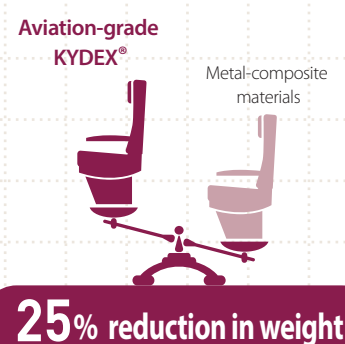
An airplane's fuel consumption varies according to its weight. Flying requires a tremendous amount of energy, so a very large volume of fuel is consumed. It is therefore important to make aircraft bodies as light as possible, as well as the passenger seating and other cabin fixtures, in order to save fuel (i.e. conserve energy). In turn, this leads to fewer CO₂ emissions.

Aviation-grade KYDEX® is used in the rear shells (frames) of aircraft seating, thereby reducing environmental impact.

* Compared with previously used metal-composite materials used in rear shells.

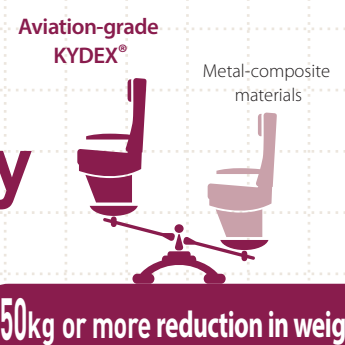
Each seat

25% lighter



Weight of one large passenger aircraft

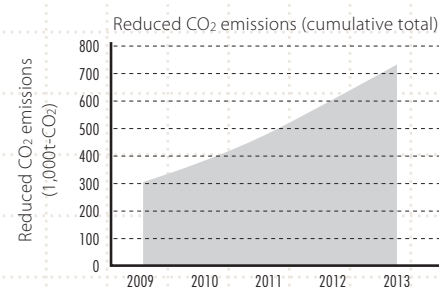
Reduced by 150kg or more



Based on product life cycle assessment*

CO₂ emissions reduced by 800,000t-CO₂

* Comprehensive assessment of raw materials, production, transportation, use, and disposal that includes energy-saving benefits when in use.



Major contribution to Sekisui Chemical Group's reduction in CO₂ emissions

KYDEX® 6565 and other aviation-grade KYDEX® products have contributed substantially to reductions in CO₂ emissions for Sekisui Chemical Group.

The frames of aircraft seating have traditionally used metals and metal composite materials to ensure strength and safety (fire retardation).

In order to make aircraft lighter, lightweight plastic materials were a compelling alternative, but did not meet the high standards for safety and durability in the aviation industry. Aviation-grade KYDEX® surpasses these high standards, thanks to the molding and material engineering technologies we developed as a leading company in plastics processing.

A life cycle assessment of aviation-grade KYDEX® products, including fuel savings, when they are used in the frames of aircraft seating, shows that these products cut emissions of CO₂ by 800,000 tons, an amount equivalent to the annual CO₂ absorption capacity of 55.95 million Japanese cedar trees.



* Calculated based on the Forest Agency of Japan's Ministry of the Environment Absorption Source Countermeasures for Greenery to Prevent Global Warming.

High flame resistance exceeds tough standards

For safety reasons, materials used inside the cabins of aircraft must pass an extremely difficult testing process for flame resistance. The U.S. Federal Aviation Administration has set some of the toughest standards for testing the amount of heat and smoke generation when materials catch on fire. During the testing, materials must perform lower than 65kW-min/m² and 65kW/m² for testing time and amount of heat generated per unit of area. We decided to name our product KYDEX® 6565 because it exceeded these tough (65/65) standards.

* Maximum value allowed under the 25.853(d) requirement of the Federal Aviation Act.

Technical Brief	
FAR 25.853a & FAR 25.853d TB - 111-0	
FAB 25.853d: FAR 25.853d is a composite of two separate tests, CO ₂ flow of heat release and Specific Optical Density of Smoke Generated by Solid Materials. These two tests help to determine the acceptability of the materials to be used in the interiors of aircraft. More specifically, the CO ₂ flow of heat release test attempts to limit the possibility that certain interior materials will large-scale surface fires. Because rapidly involved fires, in reality, contribute to an existing fire in a cabin situation. By testing the materials each contributes to existing fires they may be avoided.	
The smoke density test, also known as the ASTM E 119 test, is a test which follows ASTM E 119, determines the smoke generation of a burning material to help improve egress capability after a fire. Results from the smoke density test are reported in terms of specific optical density (SD) Optical Density (SD) readings are taken at 1.5 minutes into the test and at 4 minutes.	
The rate of heat release (ROH) is a measurement of the rate at which a burning item releases heat, using the principle of oxygen consumption calorimetry, which is a critical parameter in the protection engineering. The test method for using the ROH parameter is published under ASTM E 1358, and is a small-scale component test. The heat release rate can be used in the determination of the hazard represented by a given fuel package. Heat release rate can provide information on the size and the growth rate. The method tests materials and products under a constant exposed, external heat flux.	
Passing Criteria:	
Total Heat Release w/in First 2 Minutes	≤ 65 kW * minutes per square meter
Peak Heat Release Rate	≤ 65 kW per square meter
4.0 Minute Smoke Density (SD)	≤ 200

Total Heat Release w/in First 2 Minutes	≤ 65 kW * minutes per square meter
Peak Heat Release Rate	≤ 65 kW per square meter
4.0 Minute Smoke Density (SD)	≤ 200

Our recycling system provides products of uniform quality back to same customer

SEKISUI Polymer Innovations, LLC. has buyback agreements with most of its customers, whereby recycled products are delivered to customers without any loss in quality.

Vacuum molding companies, our core customers, apply heat to thermoplastic sheets until the proper temperature is reached to make the sheets pliable, and then cut away unneeded portions after the mold is formed. From this process, 25-30% of each sheet is cut off as trim cuttings. The company collects these trim cuttings and recycles them into new products for the same customer who has agreed to cooperate with recycling. We are proud of the fact that 75% of the collected trim cuttings are reused in recycled products.

This recycling system has not only reduced environmental impact, but also provided our customers with economic benefits.

REPORT 3 Initiatives of High Performance Plastics Company

Thermal Expansion Fire-Resistant Materials Minimize Damage from Disasters

Sekisui Chemical's Fi-Block can be used to give fire-resistant properties to openings around doors and windows that are at risk of spreading fire to other areas, as well as to openings in walls for pipes carrying gas, electricity and water to other rooms in office buildings, homes and condominiums. During a fire, the heat causes Fi-Block to expand, thereby closing off passages and openings where fire could spread to other areas. Not only saving lives in this way, Fi-Block also prevents widespread damage to buildings. Fi-Block improves the fire resistance of steel frames that are the structural support of a building. By absorbing heat and insulating against heat during a fire, Fi-Block helps regulate rising temperatures on structural steel, prolonging the time it takes for a building to structurally collapse, which could save many lives.



Development

INTERVIEW 01
Kazuhiro Okada
Manager, Fire Protection Materials
Production Department
Musashi Plant
Sekisui Chemical Co., Ltd.

Fire-resistant materials shifting from inorganic to organic materials due to their ease of installation and strong disaster resilience

Traditionally, fire-resistant materials used in buildings have been inorganic materials such as concrete and stone, but they were hard and difficult to shape. Lightweight organic materials such as plastic are easy materials to process thanks to an abundance of molding technologies, but they burn up easily. Here, we took up the challenge as a manufacturer to create a fire-resistant plastic. In June 2000, the Building Standards Law was revised in Japan, allowing materials to be used as fire-resistant materials in buildings if they pass testing for fire-retarding properties. Sekisui Chemical's Fi-Block is Japan's first organic fire-resistant material. Easily shaped and installed, organic fire-resistant materials can withstand damage from large earthquakes, and are likely to attract attention as fire-resistant materials used around openings inside buildings, such as window sashes, vents, and conduits between spaces.

Prevents spread of fire by blocking air passageways by expanding in heat of fire

Fi-Block expands as much as 40x when heated above 200°C, and can prevent fire from spreading by blocking openings and closing off the air supply. Even with high thermal expansion, Fi-Block is also hard to destroy, and it is possible to adjust the thermal expansion multiple to suit customer needs.

One of our main advantages is our timely and speedy responsiveness to customer needs with a superior product like Fi-Block. In plastic window sashes, for example, the gap sizes vary from place to place, so we developed a product that fits the width of each gap. Fi-Block is available in many variations in terms of materials, width and adhesiveness, and we believe it is our mission as developers to provide our customers with solutions that meet 100% of their needs.

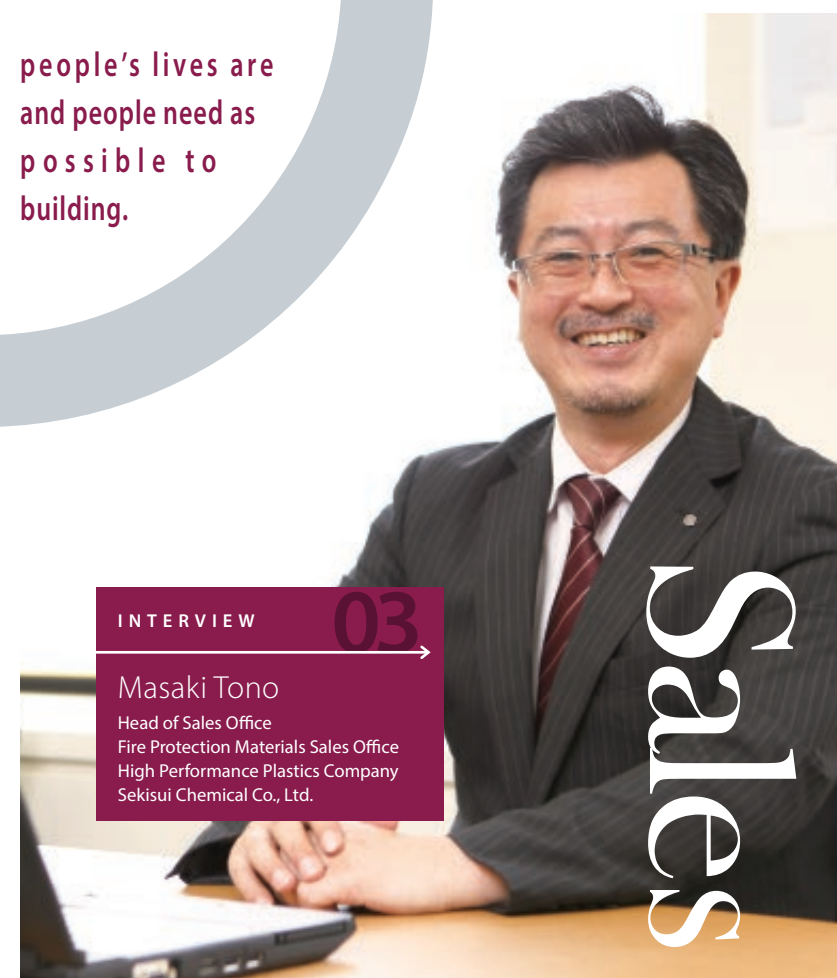


Responding to customer demands while developing technologies that surpass standards set by minister of land, infrastructure, transport and tourism

Fi-Block is inserted into unseen spaces between building structures and window sash frames, and cannot be easily replaced if there is a problem, unlike consumer electronics. In order to be certified as a fire-resistant material, we had to prove that Fi-Block would expand as specified while surpassing specifications as a thermal expansion fire-resistant material, by for example performing to certain standards for thickness, width, and expansion multiples. During production, there is the risk of variance in performance specifications being introduced at various stages, such as when raw materials are mixed together, making it important to find methods to stabilize production. This is easily said but quite difficult to do in practice. We ensure quality by performing all-encompassing inspections as necessary. Certifications are required for each part of a floor or wall where Fi-Block will be applied. Since certification for fire resistance can be obtained for any part of a building when using Fi-Block, Sekisui Chemical offers a one-stop solution for fire-resistance applications.



INTERVIEW 02
Katsumi Nitta
General Manager, Fire Protection
Materials Production Department
Musashi Plant
Sekisui Chemical Co., Ltd.



INTERVIEW 03
Masaki Tono
Head of Sales Office
Fire Protection Materials Sales Office
High Performance Plastics Company
Sekisui Chemical Co., Ltd.

Sales

Proud to hear our customers say "We absolutely need Fi-Block"

I have seen all sorts of expansion materials in the world, and due to the reverse relationship between the expansion multiple and their shape retention qualities (stiffness after expanding), the more these materials expand, the more brittle they become. Fi-Block has high levels of performance in terms of both expansion multiples and shape retention, attributes that are highly praised by our customers.

A window sash manufacturer that is a customer of ours said that Fi-Block is a fire-resistant material that they absolutely need. I would not be surprised if a high percentage of resin-based window sashes in modern buildings use Sekisui Chemical's Fi-Block. We are proactively marketing Fi-Block for the fireproofing of older buildings when they are refurbished, in order to help save people in the event of a fire.

In regions with a close density of wooden structures in particular, taking measures to fireproof structures and prevent the spread of fire is an urgent priority. I believe an aggressive approach to these issues is how Sekisui Chemical solves social issues through its business activities.

Quality engineering for ease of mind

Sufficient Fire-Resistance Confirmed for Long-term Use of Buildings

Fi-Block has been certified as a non-combustible organic material—a first in Japan. To prove that Fi-Block's reliability is identical to inorganic materials, we simulated the harsh conditions that affect buildings, and ascertained that it would function as expected in the event of a disaster after prolonged installation in a building. In addition to testing the material, we also ascertained that it would perform as expected in various applications.



Fireproof furnace
for examinations



Utilization of combustion
evaluation equipment

Solving Social Issues Expansion Fire-Re-

Preventing the spread of fire during fire outbreaks

Measures urgently needed to prevent the spread of damage in high-density residential buildings

Japan's population is concentrated in cities, with a high density of homes and buildings in a single area.

With buildings constructed before the Building Standards Act was enacted mixed in with prewar buildings, many older homes are vulnerable to damage in the event of a disaster. Also, if a fire breaks out, they could actually help spread the fire.

Using Fi-Block around the doors and other openings of these buildings in these areas (fire prevention zones and quasi-fire prevention zones) can help prevent the spread of damage in the event of a fire.

es with Thermal sistant Materials

Helps improve insulation of openings

Improves heat insulating properties of buildings in fire prevention zones and quasi-fire prevention zones

It is said that more than 30% of thermal energy leaks out of openings in buildings. In order to improve insulation around these openings, it is necessary to use plastic window sashes and aluminum-resin compound window sashes.

Fi-Block reinforces the vulnerabilities of these window sashes when they are subjected to high temperatures and gives them fire-resistant qualities. Fi-Block has spurred the proliferation of heat-insulating windows by making it possible to use heat-insulating window sashes in fire prevention zones and quasi-fire prevention zones, such as plastic window sashes that effectively improve the thermal insulation performance of buildings.

For example, we compared CO₂ emissions over the product lifecycle of plastic window sashes that use Fi-Block and metallic window sashes, and calculated that 1kg of Fi-Block reduces CO₂ emissions by 30kg.

When evaluating environmental impact across the product lifecycle, we identified three aspects: destruction of species, stunting of plant growth, and global warming. In helping to reduce CO₂ emissions, Fi-Block has a positive effect on the prevention of global warming. Additionally, Fi-Block plays a role in alleviating such issues as the destruction of species and the inhibition of plant growth.

Safety

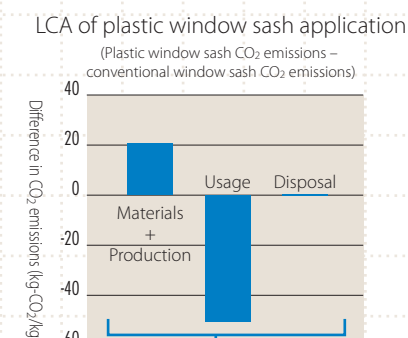
Work and disasters

Since Fi-Block is a sheet, there are no harmful gases or small flying objects that can affect workers' health and safety. During a fire, Fi-Block does not emit any harmful gases when it heats up and disintegrates, posing no danger to people when they are evacuating a building that is on fire.

Impact on living things: 32% reduction

Impact on plants: 5% reduction

Global warming: 63% reduction



Using 1kg of Fi-Block in plastic window sashes cuts CO₂ emissions by 30kg based on LCA

* Calculation of CO₂ emissions during use: CO₂ emissions calculated based on annual heating and cooling for a four-member family on a standard schedule, with Fi-Block applied to all openings in a standard home in Tokyo (125m², 15% opening ratio). We assumed double-pane glass used in windows (two 3mm panes of glass with a 12mm space in between).

Controllable of expansion

Thermal expansion multiple can be controlled from 5x to 40x

The required thermal expansion multiple and shape retention qualities differs by application, such as for adding fire resistance to steel, preventing the spread of fire through openings between rooms, and preventing the spread of fire through openings and to fire prevention equipment. We therefore strike a balance between composition and material design to achieve the required performance characteristics. When temperatures rise above 200°C, Fi-Block expands in the depth-wise direction and forms an insulation layer with low thermal conductivity.

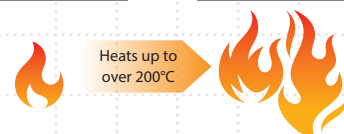
Slowing the rise in temperature in the areas covered, the insulation layer melts from the heat, spreading out to fill spaces and prevent the spread of fire. This is how Fi-Block can minimize damage to buildings during fires.

セキスイ熱膨張耐火材
フィブロック®

Insulation layer forms when
heated up during a fire

Thin sheet shape

Expands in depth-wise direction



For example, a 2mm sheet expands to 20mm (10x)



Improved ease of installation for workers

Non-bulky drying method

Fi-Block comes in thicknesses ranging from 0.5mm to 6mm. Since Fi-Block is so thin, it can be used in tight spaces—the space needed to open/close doors, and spaces needed to make window sashes lighter and prevent warping and heat bridging—that would normally be nearly impossible to address.

Because its thin material can be slipped into narrow gaps, the installation process when inserting Fi-Block in confined spaces is very efficient.

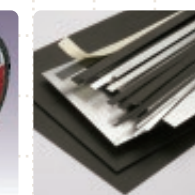
Fi-Block in tape form can be easily wrapped around piping that passes through walls into other rooms. Compared with wet installation methods that require drying, forming and technical skills, workers using Fi-Block can finish in a much shorter time.



Sheet type



Tape type



Stick type

Prominence in Environment

Management

Continuing to provide prominent value toward the realization of the Earth with maintained biodiversity

→web Sekisui Chemical Group's Environmental Management Policies

Long-Term Environmental Management Vision

Sekisui Environment Sustainability Vision 2030

In fiscal 2013, Sekisui Chemical Group established the "Sekisui Environment Sustainability Vision 2030" as a long-term vision that directs our courses of action for environmental management.

Sekisui Chemical Group aims for a planet in which the air, water, and land provide a healthy living environment for its inhabitants and fosters robust biodiversity. Our daily lives and economic activities have been sustained by the natural capital* provided by our planet. Sekisui Chemical Group's business activities use the resources (natural capital) of our planet, such as petroleum and timber, while also building plants and office buildings on the land. Being aware of this, we make concerted efforts to pay back the natural capital that we use, by undertaking the following activities.

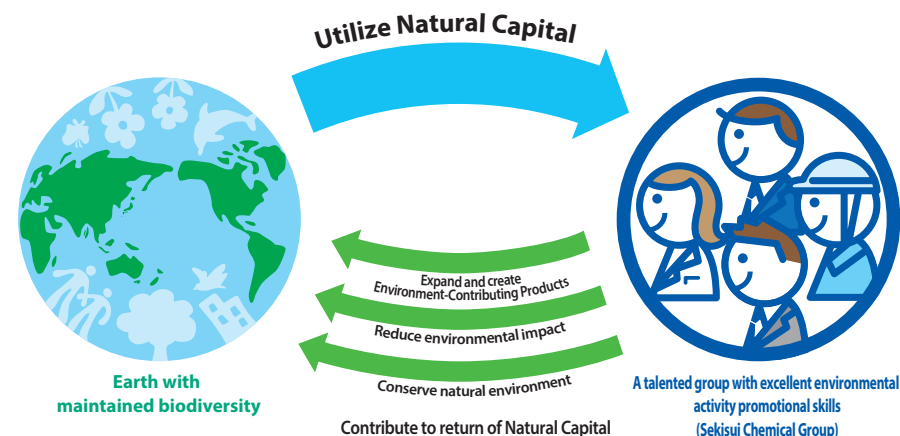
Three Activities

- ▶ Provide Environment-Contributing Products
- ▶ Lessen our environmental impact, including conservation of energy and other resources
- ▶ Preserve the natural environment

To realize these goals, we will continue to be an organization in which each employee has a high degree of environmental awareness.

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

● Concept of Sekisui Environment Sustainability Vision 2030



Sekisui Environmental Sustainability Plan: Take-Off (FY2014-2016) →web

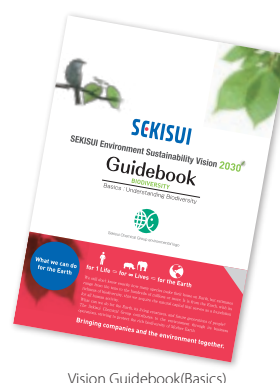
Sekisui Chemical Group has formulated the new environmental medium-term plan Sekisui Environment Sustainability Plan: Take-Off (FY 2014-2016) based on back-casting from the Sekisui Environment Sustainability Vision 2030. The key targets of this plan are as follows:

Key Targets

- Grow the net sales percentage of Environment-Contributing Products to 50% or more
- Progress on and management of environmental impact using the same targets in Japan and overseas
- Ascertain environmental impacts other than greenhouse gas emissions (e.g., water use, land use, atmospheric emissions)
- Ascertain environmental impact (Scope 3) throughout the supply chain
- Participation of all business sites and all employees in Sekisui Environment Week

Distribution of Vision Guidebook to all employees

Sekisui Chemical Group created and distributed the Vision Guidebook(Basics) to all employees as a guide to understanding biodiversity and sharing the objectives of the Sekisui Environment Sustainability Vision 2030.



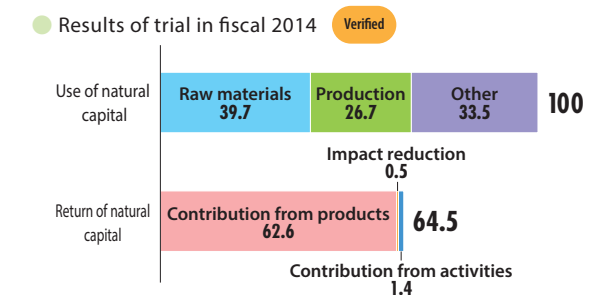
Vision Guidebook(Basics)

Sekisui Environment Sustainability Index →web

Sekisui Chemical Group uses natural capital in its business activities and gives back the natural capital it used in three ways. In fiscal 2014, we began using the Sekisui Environment Sustainability Index as an integrated indicator on a trial basis to reflect the use and return of natural capital.

This integrated index allows us to measure the natural capital we have returned in relation to the objectives of our long-term vision for an Earth with maintained biodiversity.

Indexed to 100 as the amount of natural capital used, Sekisui Chemical Group's business activities rated 64.5 for their return of natural capital in fiscal 2014.



* Coefficient: Calculated using a customized version of LIME2, an environmental impact assessment method developed by Professor Norihiro Itsubo at Tokyo City University. The coefficients use database based on the research and knowledge of experts that developed MilCA. (See website for details.)

Calculation Method

- ① Quantify environmental impact and outcomes of activities by category
Volume of raw materials used, greenhouse gas emissions, waste volume, water usage, emissions of chemical substances, area of land used, environmental contribution of each product, participation rate in activities to conserve the natural environment, etc.
- ② Apply a coefficient* calculated using environmental impact and contributions in each category, and calculate environmental impact in each category
- ③ Add environmental impacts and contributions (integration)

Certification of ISO 14001 →web

The CSR Committee, headed by the President, and the Environmental Subcommittee of Sekisui Chemical Group meet twice a year to decide on environmental policies and key initiatives for the entire Group. Matters decided by these two bodies are then transformed into specific action plans in meetings of environmental managers from corporate headquarters and each division company. Each business site manages its environmental activities through an environment management system based on ISO 14001.

As of March 31, 2015, 52 business sites in Japan and 37 overseas have been ISO 14001 certified. The number of employees working at these business sites represented 47% of the total for Sekisui Chemical Group.

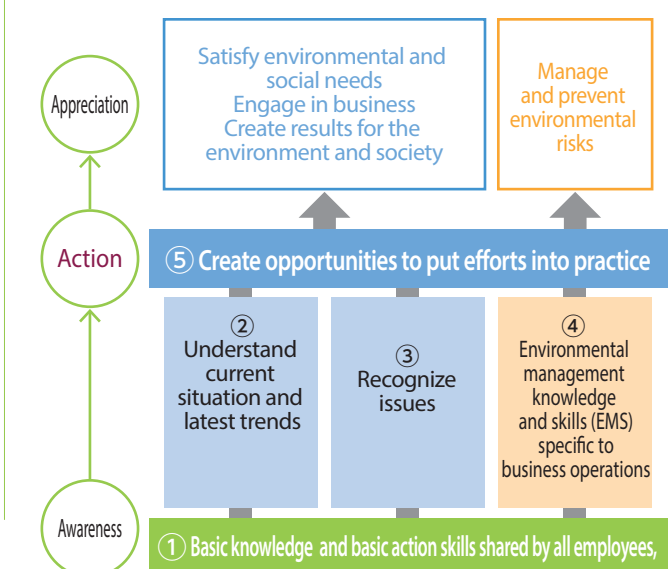
Promoting ISO certification and zero waste emissions

At our overseas bases, we are also expanding the implementation of environmental management systems (EMS) with similar policies to Japan. We are putting in place systems for obtaining environmental impact data and taking initiatives to reduce environmental impact based on this data. We aim for all of our key business sites to acquire the ISO 14001 certification and achieve zero waste emissions.

Training programs for ideal environmental personnel →web

With the aim of fostering ideal employees who can take us one step closer to achieving the Sekisui Environmental Sustainable Vision 2030, Sekisui Chemical Group developed educational programs in 2014. We are making environmental education a core value for our all personnel, encouraging them to think and act on their own in terms of contributing to the environment through actions for realizing an earth with maintained biodiversity.

In fiscal 2014, we distributed EMS education materials for manufacturing and R&D personnel. In addition, educational programs for new employees and management positions were converted from a lecture format to a workshop format. It is our hope that participants in these educational programs learn to think on their own about the current state of the environment and related issues.



Climate Change

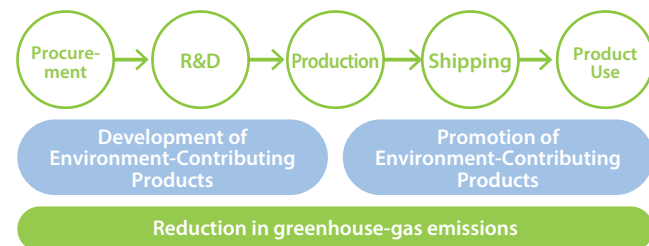
Efforts to Reduce Greenhouse Gas Emissions throughout the Supply Chain

→web Climate Change and Our Business

Basic Approach

Sekisui Chemical Group strives to reduce greenhouse gas emissions at each stage, from the purchase of raw materials through development, production, shipping, and use. We ascertain emissions throughout the entire supply chain, including not just our own business sites but also raw material suppliers and the use of our products sold.

Reducing Greenhouse-Gas Emissions Throughout the Product Life Cycle



Results: a 5.7% reduction in greenhouse gas emissions from manufacturing activities in Japan; maintained emission levels overseas comparable with fiscal 2013 levels.

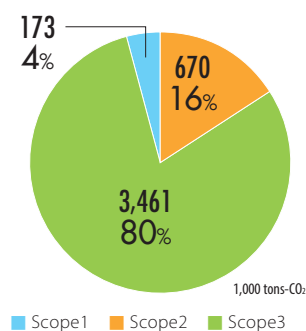
→web

Our medium-term plan targets keeping the overall volume of greenhouse gas emitted during manufacturing pegged to the fiscal 2013 level and reducing by 1% every year the amount of energy consumed per unit of output. We have moved to more energy-efficient processes and switched to natural gas for fuel. In fiscal 2014, Sekisui Chemical achieved its target in

Japan for reducing greenhouse gas emissions by 5.7% compared with fiscal 2013. However, energy consumed per unit of output increased by 1.0%, failing to reach our target. Overseas, the overall volume of greenhouse gas emissions was unchanged compared with fiscal 2013, but energy consumed per unit of output rose 4.8%, failing to reach the target.

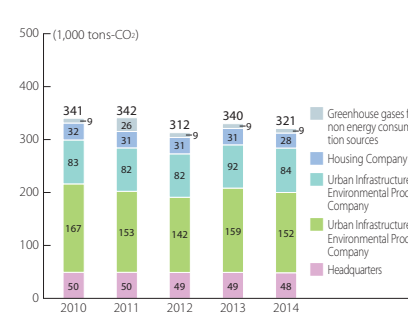
Greenhouse gas emissions from business activities (Scope 1, Scope 2, Scope 3)

Verified



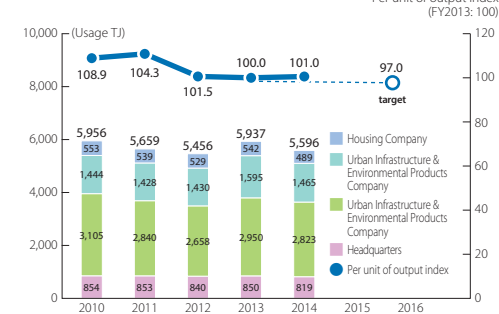
Greenhouse Gas (GHG) Emissions during Manufacturing / Japan

Verified



Energy Usage and per Unit of Output (Index) during Manufacturing / Japan

Verified



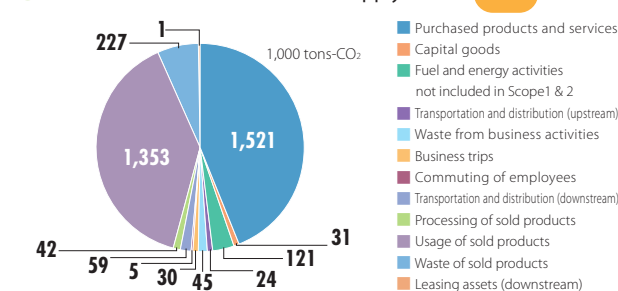
Supply Chain Greenhouse Gas Emissions (Scope 3)

→web

Based on our estimates compiled last year, we now understand that most Scope 3 category greenhouse gas emissions are from raw materials procurement and the use of our products. Raw materials procurement accounts for a large portion of emissions because of the nature of our business as a chemicals manufacturer. Moreover, we think that the large volume of emissions when our products are used is attributable to the large amount of CO₂ emissions from the homes that we sell. We are therefore focusing our efforts on selling energy-efficient homes such as the Smart Heim series with solar panels that provide renewable energy.

Greenhouse Gas Emissions from Supply Chain

Verified

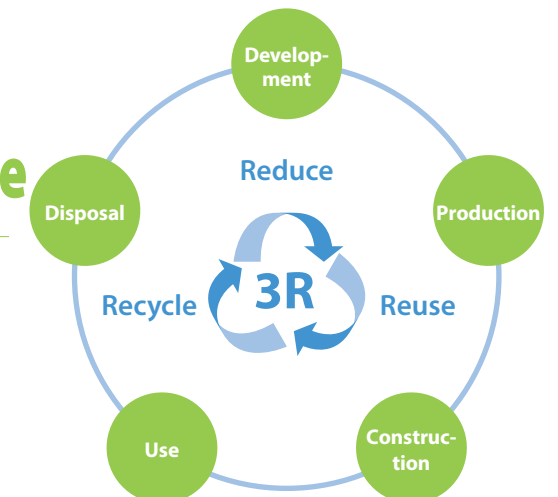


Efficient Use of Resources

Pursuing the Three R's (Reduce, Reuse, and Recycle) Throughout the Product Life Cycle

Basic Concept

Sekisui Chemical Group aims to thoroughly reduce, reuse, and recycle (the Three R's) throughout the product life cycle. We also engage in Zero Waste Emissions Activities with the intention to reuse as resources all the waste we generate from our business activities.



Waste per Unit of output rose 6.5% in Japan and 10.9% overseas

→web

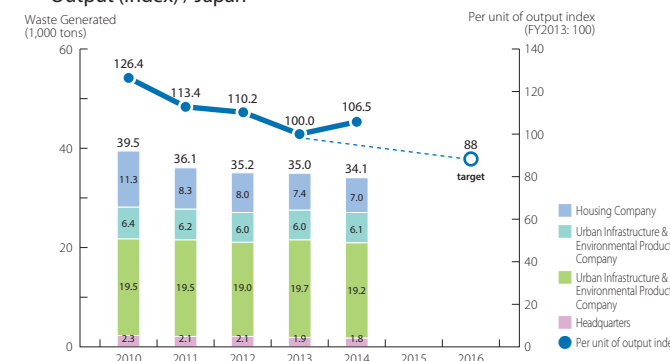
Sekisui Chemical Group targets a 4% reduction every year in the amount of waste generated per unit of output compared with the fiscal 2013 level. We have continued to improve production stability and efficiency in our product manufacturing processes while striving to achieve zero-defect production lines. In fiscal 2014, a decline in production volume led to increases of 6.5% (Japan) and 10.9% (overseas) in waste per unit of output, falling short of our target.

At construction sites in the housing business, the amount of waste generated per home was 1,233 kilograms for steel frame modular housing and 1,748 kilograms for timber-frame modular housing. Our

modular construction method has a high ratio of factory production, so waste generation is low from the outset. We also have ongoing efforts to reduce excess materials, lumber remnants, and packaging materials. Amid diversifying customer needs, the percentage of construction work performed on site has increased, undermining our efforts to reduce the amount of waste. We are returning to the basics of modular construction techniques and raising the percentage of factory production. Our objective is to keep the volume of waste generated below 915 kilograms per home for steel frame modular housing and under 1,465 kilograms per home for timber-frame modular housing by fiscal 2016.

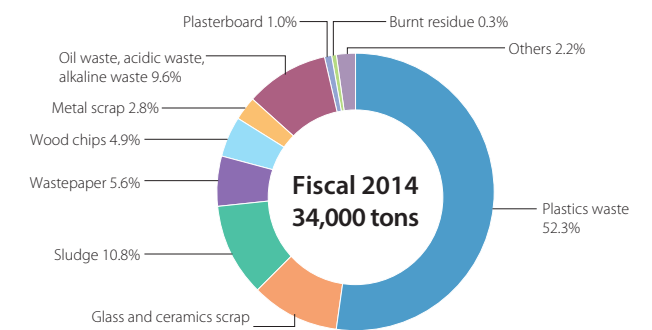
Waste Generated by Production Sites and per Unit of Output (Index) / Japan

Verified



Breakdown of Generated Waste / Japan

Verified



Aiming for Zero Waste Emissions at business sites

→web

In our environmental medium-term plan through fiscal 2016, we aim to achieve zero waste emissions at four plants in Japan and nine plants overseas. In fiscal 2014, we scored new achievements in zero waste emissions at one plant in Japan (Sekisui Techno Molding Co., Ltd. Aichi Plant) and one overseas plant (Sekisui Polymer Innovations, LLC Holland Plant).

Zero waste Emissions Achievements

Production sites	Achieved at 43 plants in Japan and six overseas plants, including those of affiliates. (Includes one plant in Japan and one overseas plant that achieved zero emissions in fiscal 2014)
Laboratories	Achieved at all laboratories by fiscal 2012
New house construction sites	Achieved at all locations by fiscal 2003
House renovation 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 2014, 99% recycling rate for Designated Construction Materials (scrap concrete and wood chips)

Chemical Substance Management

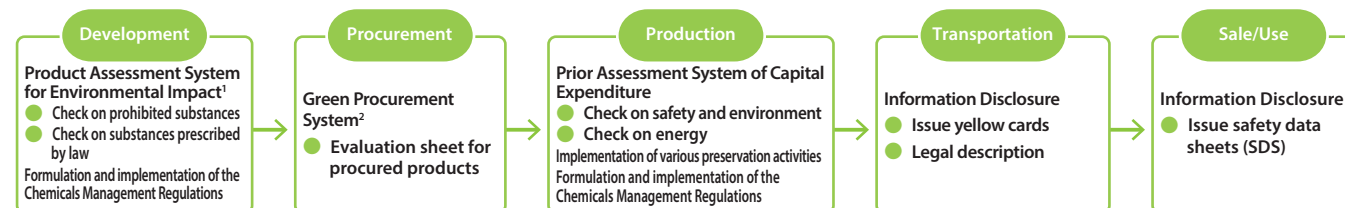
Minimizing Environmental Impact through Proper Control and Emission Reductions of Chemical Substances

Basic Concept

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 an enterprise.

Since fiscal 1999, Sekisui Chemical Group has set and worked toward its own targets

System for Control of Chemical Substances throughout the Product Life Cycle



1 Product Assessment System for Environmental Impact: A system for assessment of the environmental impact of product development all the way from raw material procurement through manufacture, use, disposal, transport, and all other stages (see Data Book, p. 10).
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 emissions reduced by 6.6% compared with fiscal 2013 level

In our environmental medium-term, we have set the target of keeping VOC emissions pegged to fiscal 2013 levels in Japan and to fiscal 2014 levels overseas. In fiscal 2014, VOC emissions in Japan were reduced 6.6% compared with fiscal 2013. We are currently compiling data on VOC emissions at overseas sites for fiscal 2014, which will become the benchmark for fiscal 2015 onward.

In fiscal 2008, we ended all use of HCFCs.



Managing gas emissions and wastewater in accordance with regulations

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 water drainage. We also strive to control the discharge of pollutants through appropriate maintenance and management, including periodic inspections.

In fiscal 2014, there were no legal infractions where regulated values under laws and ordinances were exceeded.

Properly storing and disposing of devices containing PCBs in line with regulations

Transformers and condensers that contain PCBs are being disposed of steadily, where PCB treatment facilities are available. Machines and equipment in storage that contain PCBs are managed strictly and thoroughly, through means including locked storage and periodic inspection.

Training to respond to unforeseen events that impact the environment

To prevent and mitigate environmental pollution during an emergency, our employees at each business site are trained at least once a year in emergency procedures and communications for a variety of scenarios unique to each business site.

Maintaining Biodiversity

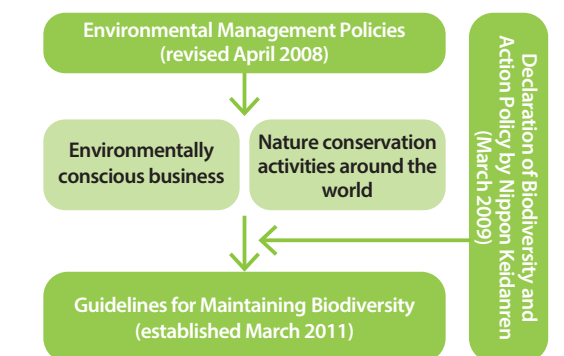
Assessing the Impact of Business Activities on Biodiversity

→web Preserving Water Resources

Basic Concept

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

Approach to Maintaining Biodiversity



Survey of biodiversity at all production sites and laboratories in Japan

In fiscal 2013, we used Land-Use Report Card®, tool for assessing biodiversity, to conduct biodiversity surveys at all production sites and laboratories in Japan with the aim of improving the quality of green spaces.

In fiscal 2014, we launched initiatives with the aim of improving our score on the Land-Use Report Card® by 10 points over a three-year period. Each business site took its own approach to these initiatives, including setting up nesting boxes in trees for birds, switching from chemical fertilizers to organic fertilizers,

surveying what organisms live in the green spaces, and other measures to help preserve species indigenous to the region.



A bird nesting box set amid garden trees



Protection of thoroughwort, an associate endangered species

* Land-Use Report Card®: A tool used to assess the level of efforts to preserve biodiversity.

New WET* assessments of wastewater at four plants

Sekisui Chemical Group strictly follows wastewater standards regulated by laws and ordinances and has set even tougher standards for the management of wastewater from its production sites. To prevent negative effects on and ensure the safety of the water environment for aquatic life in the places where wastewater flows, Sekisui Chemical has conducted WET assessments of wastewater and surveys of the habitat conditions in the rivers where wastewater is released since fiscal 2013.

In fiscal 2014, WET assessments were conducted at four business sites, and wastewater from three of these sites was confirmed to have no impact on the ecosystem, but wastewater from one site was shown to have a minor impact on algae. We believe this is due to agents added to cooling water and will continue to monitor the situation.

Over the two years of these surveys, 85% of the water emitted into public water areas by Sekisui Chemical Group has been checked, and plans call for assessing 95% of our wastewater's impact on ecosystems by the end of fiscal 2016.

* Whole Effluent Toxicity (WET): A test method to assess the toxicity of wastewater in bioresponse of fish, water fleas, and algae.



River ecosystem survey



Examples of living creatures used in WET assessments (zebra fish)

Environment-Contributing Products

Helping Customers Contribute to the Environment through Our Products and Businesses

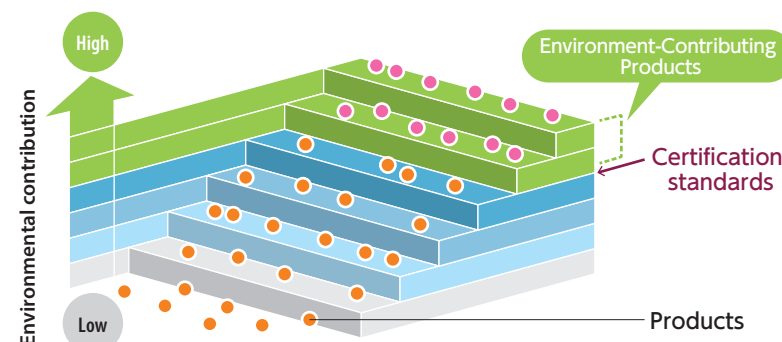
Basic Concept

Contributing to the environment through its products and businesses is an essential mission of Sekisui Chemical Group, which uses this planet's natural resources. Sekisui Chemical Group returns natural capital to the Earth by creating and the

expanding markets of its Environment-Contributing Products.

Environment-Contributing Products are registered by an internal certification system.

Position of Environment-Contributing Products



Environment-Contributing Product standards

Environments targeted ¹	Natural/social environments
Scope of contribution ²	All customers/society-wide
Level of contribution ³	A level above conventional products/systems

¹ Excluding living environments
² Excluding Sekisui in-company operations
³ Certification criteria established dependent on type of contribution

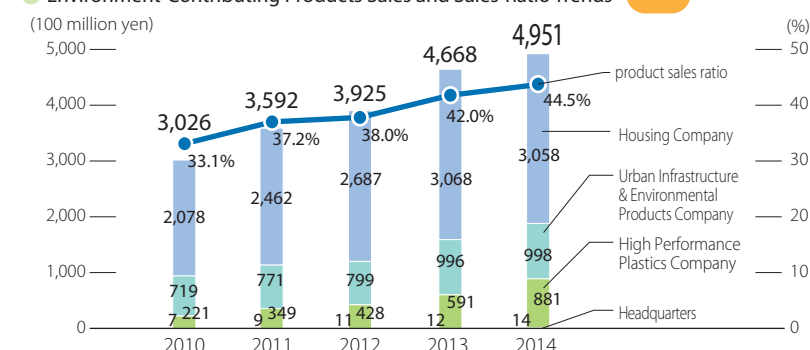
Criteria for Environment-Contributing Products

Definitions (Products that satisfy the two conditions on the right)	<ul style="list-style-type: none"> Products and businesses that demonstrably reduce environmental impact on customers and society as a whole. Products or systems having at least a certain degree of effect on reducing environmental impact compared to similar conventional products and systems
Scope of Environmental Contributions	<ul style="list-style-type: none"> Reduces CO₂ emissions, generates energy Reduces waste Conserves resources Conserves water and improves water recycling Prevents chemical substance pollution Directly preserves biodiversity Vital intermediary materials for functionality in final products that contribute to environment Reduces environmental impact during disasters

Environment-contributing product sales ratio target achieved at 44.5%

Sekisui Chemical Group endeavors to increase the consolidated sales ratio of Environment-Contributing Products. In fiscal 2014, sales of Environment-Contributing Products totaled ¥495.1 billion, or 44.5% of consolidated sales, achieving our target. These sales reflected stronger demand for intermediate materials used in LCDs and LEDs, as well as an increase in the number of Environment-Contributing Products.

Environment-Contributing Products Sales and Sales-Ratio Trends



Environment-contributing products, from intermediate materials to products, services and construction →web

Environment-Contributing Products are used in a broad range of fields, including housing, building construction, IT, automobiles and infrastructure. Currently, 109 products and services have been certified as Environment-Contributing Products, comprising products that reduce CO₂ emissions, such as housing with solar power systems, heat and sound insulating materials for automobiles, and thermoplastic sheets for aircraft; products that reduce waste, such as SPR construction methods for rehabilitating utility tunnels and ambient pressure plasma surface processing equipment; products that conserve water and improve water quality, such as water treatment systems; and products that lessen damages during disasters such as laying electrical cables underground.



Booth at Eco-Products 2014
 In fiscal 2014, Sekisui Chemical exhibited 10 products and technologies that contribute to the environment, based on the theme of total management of energy, heat, and water in a city of the future.

Considering environment contributions of products from external perspectives

To increase the reliability and transparency of the Environment-Contributing Product certification system, in fiscal 2010, Sekisui Chemical Group established the External Advisory Board, with members from third-party organizations. Chaired by the CSR managing director at Sekisui Chemical, meetings include the presidents of each division company, the R&D managing director from corporate headquarters, and environment managers, who receive a wide range of advice and recommendations from these advisors.

During fiscal 2014, the External Advisory Board met twice, providing opinions on individual Environment-Contributing Products from a social standpoint, such as the prevention of disasters, in addition to biodiversity metrics.

Last year, we were encouraged to study courses of action such as considering the benefits and Values means products broadly from the perspective of natural capital when taking into account their life cycles, including supply chains. Starting in fiscal 2014, we are working to more clearly visualize the environmental contribution of our products, and focused on compiling numerical estimates of their contribution in relation to global warming and soil usage.



10th meeting of External Advisory Board

Environmental assessment conducted for environment-contributing products (90% of Sales)

To clarify the amount of return in natural capital, Sekisui Chemical endeavors to visualize environmental contribution by quantifying into a single indicator the various contribution vectors of Environment-Contributing Products (damage costs). In fiscal 2014, we visualized the contribution of products that make up 90% of the sales of Environment-Contributing Products. We quantified the environmental contribution of these products and reflected it in the Sekisui Environmental Sustainability Index.

Integration of three environmental impacts

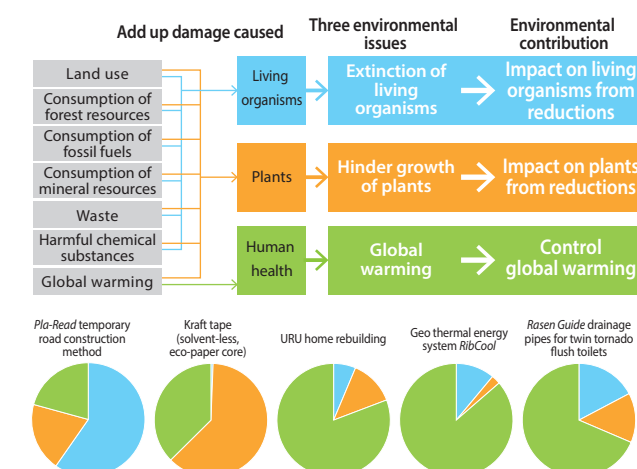
We broadly classify environmental issues into three areas that should be solved in our aim for biodiversity to be maintained on the planet.

- 1 Curb global warming
- 2 Impact on plants (reduce impediments to growth)
- 3 Impact on living organisms (prevent extinction of organisms)

How to Visualize Environmental Contribution

- 1 Determine technologies and products to be compared.
- 2 Gather quantifiable data related to environmental impact of each stage of a product's lifecycle (from raw materials to production, transport, use and disposal).
- 3 Apply a coefficient* to calculate environmental impact for each factor affecting the environmental impact data obtained, and consolidate the results.
- 4 Environmental contribution is the difference between the coefficient-derived value in ③ above and the original value.

* Coefficient: Calculated using a customized version of MILCA, a system developed by Japan Environmental Management Association for Industry using LIME2, an environmental impact assessment method created by Professor Norihiro Itsubo at Tokyo City University.



Sekisui Chemical Group Fiscal 2014 CSR Topics

Housing Company

Helping Customers Live in their Ideal Homes

Social Issues Affecting Business

Prevention of global warming

Reduction of utility costs

Effective use of resources

Prevention of global warming Reduction of utility costs

Mix of three power sources: commercial, solar and electric vehicle
Industry's first smart house with power conditioner

In November 2014, Sekisui Chemical unveiled the V to Heim series of smart homes that aim for energy self-sufficiency. One of its key technologies is a power conditioner that can use electricity bought from the power grid, electricity generated from the home's solar panels, and electricity stored in an electric vehicle. A home energy management system (HEMS) intelligently decides the optimum mix of the three sources of electricity to use from an energy conservation and cost perspective. Without much forethought, the homeowner can benefit from an electricity-saving and energy-conserving lifestyle. In this scenario, we assume an electric

vehicle is used instead of dedicated storage batteries, eliminating the CO₂ that would be emitted from a normal automobile.



Type of smart home envisioned by Sekisui Chemical

Level 1

Zero utility costs

⇒achieved by **75%** of residents

Level 2

Zero energy balance

⇒achieved by **59%** of residents

Level 3

Zero electric power instability

Electricity even during a major earthquake or other natural disaster

Urban Infrastructure & Environmental Products Company

Contributing to Secure and Comfortable Lifelines and Creating Pristine Water Environments

Social Issues Affecting Business

Preservation of water resources

Prevention of global warming

Reduction of waste

Reduction of utility bills

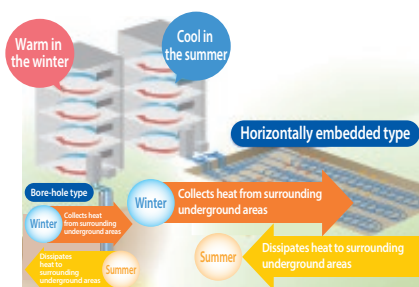
Prevention of global warming Reduction of utility bills

Proposing systems that use neglected energy for heat pump heat sources by collecting underground and sewage heat

Sekisui Chemical has developed a system that uses underground heat and sewer system heat as heat sources that are unlikely to be influenced by outdoor temperatures. Developed in 2011, the Esoheat Geothermal Borehole-Type Series taps into heat sources approximately 100 meters underground. Developed in 2013, the Esoheat Underground Water Heat Helix-Type Series system adds heat recovery functions to sewer systems when they are rehabilitated. In 2014, Sekisui Chemical

added to its lineup the Esoheat Geothermal Horizontal-Type Series, which significantly reduces the cost of harvesting heat with newly developed heat attracting pipes that efficiently tap into heat in shallow layers 1-10 meters underground. We also added the Esoheat Sewer System Pipe Bottom Installation-Type Series, which is compatible with most sewage conduits that exist under cities. By promoting the use of neglected sources of energy, we aim to help conserve energy and reduce CO₂ emissions.

Diagram of Esoheat Geothermal installation



Esoheat System product lineup for neglected energy use systems



Conserving Water Resources

Compact FILTUBE® water treatment membrane system with high water permeability

Preserving water resources has become a major environmental issue amid growing demand for water around the world and stricter environmental regulations. In May 2014, the Urban Infrastructure & Environmental Products Company launched its FILTUBE® water treatment membrane system, featuring low fouling from the filtration process and high water permeability, made from a new self-developed hydrophilic material. The system is installed outside the tank in a compact module, saving space and making it easier to maintain, repair and expand.

We believe FILTUBE® will contribute to the conservation of water resources in the public and private sectors, as we aim to deploy it in a broad range of fields, including the treatment of water discharged from factories and equipment upgrades for existing sewage and wastewater treatment plants in need of modernization.

High Performance Plastics Company

Providing Innovative Value-Added in Chemical Solutions

Social Issues Affecting Business

Reduction of chemical substances

Effective use of resources

Reduction of chemical substances Effective use of resources

Water-soluble film with strong drug resistance contributes to reduction in drug volume and packaging

Created from Sekisui Chemical's proprietary polyvinyl alcohol (PVA) resins and synthesis technologies, our water-soluble film is highly resistant to drugs (especially halogen-type drugs). As a result, drugs that require caution when handling can be handled more safely, and simpler packaging means that packaging waste is reduced.



Sekisui Chemical Group Sekisui Chemical chosen as progressive information disclosure company by Carbon Disclosure Project

Sekisui Chemical was selected as a progressive company in information disclosure related to initiatives and targets for combating climate change, such as for reducing greenhouse gas emissions, by the Carbon Disclosure Project (CDP), an international non-profit organization based in the United Kingdom.

CDP represents 655 institutional investors and collects information on climate change from approximately 5,000 companies around the world. CDP selects leading companies for inclusion in its Carbon Disclosure Leadership Index (CDLI). Sekisui Chemical was selected as one out of 22 CDLI companies deemed to have exceptional information disclosure practices, from among 500 of the largest companies listed in Japan.

Prominence in CS & Quality

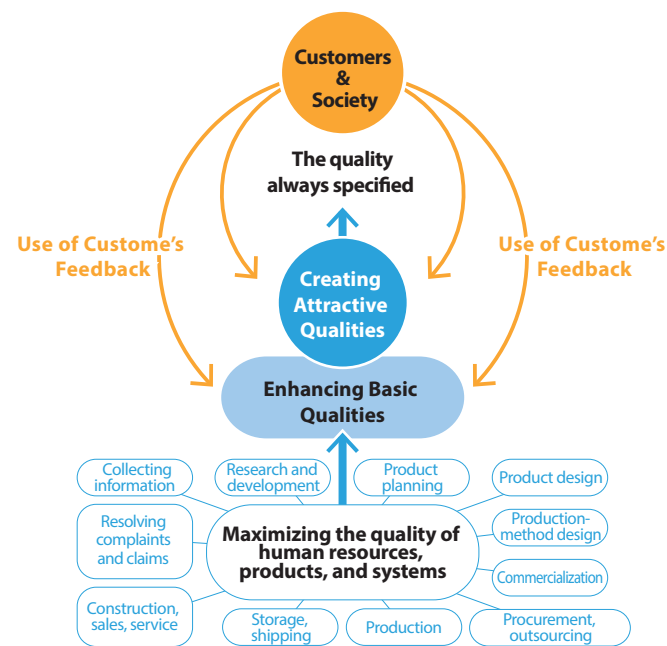
CS & Quality Management Initiatives

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

Our Philosophy

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

→web Sekisui Chemical Group CS & Quality Management Policy



External failure costs unchanged compared with fiscal 2013

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

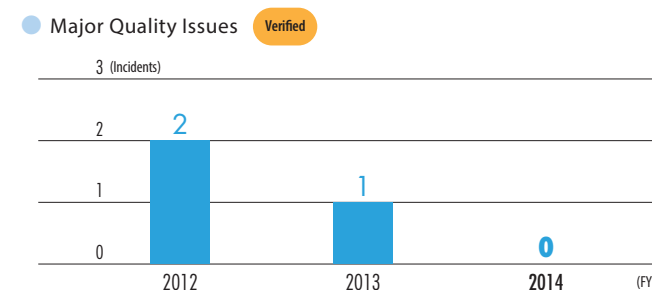
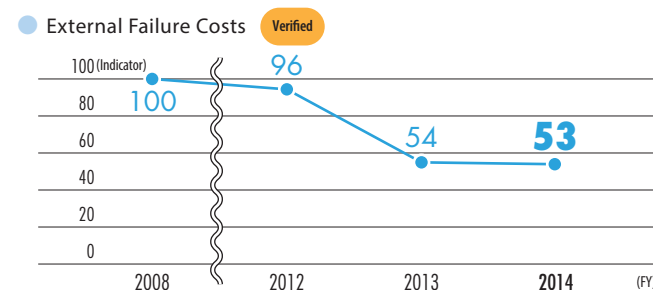
In fiscal 2014, the first year of the Midterm Plan, we achieved zero major quality issues. External failure costs were roughly the same level as in fiscal 2013, reflecting a major quality issue that arose in fiscal 2013. To maintain zero major quality issues, we aim

to improve core quality by ensuring thorough adherence to the *Development Guidelines* and *Everyday Management Guidelines* throughout the entire Group.

We aim to further cut external failure costs by continuing to enhance group-wide quality assurance systems and to deploy activities to reduce quality-related risks.

*1 External failure costs: Costs arising from responding to product-related complaints.

*2 Major quality issues: Problems related to product and service quality that could cause significant damage to customers, society, or Sekisui Chemical Group if not thoroughly resolved on an urgent basis.



CS & Quality Management Roadmap

	FY2014	FY2015	FY2016		
Attractive Qualities	Attractive Qualities Screening System, selecting and providing awards for products (held every three years)	The Story of Attractive Qualities published on the intranet with stories about the creation of attractive products			
	Employee CS & Quality Assessments to check on spread of CS & Quality management (held every two years)	Feedback results from Employee CS & Quality Assessments to check on spread of CS & Quality management	Employee CS & Quality Assessments to check on spread of CS & Quality management (held every two years)		
	Study sessions to think about CS culture (held from time to time)				
	Telephone service training for the horizontal deployment of telephone answering techniques in CS departments (held from time to time)				
Basic Qualities	Enhance basic development capabilities	Prepare for deployment of Development Guidelines	Trial use of Development Guidelines	Groupwise deployment of Development Guidelines	
		Developer / reviewer (DR) training, improve quality of DR			
	Enhance basic manufacturing capabilities	Assess the level of everyday management	Trial use of Everyday Management Guidelines	Groupwise deployment of Everyday Management Guidelines	Instill level assessments and ongoing improvement
		Site leader training/quality-control technical skill training			
	Improve quality overseas	Visualization, monitoring and continuous improvement of quality			
		Quality control technical skill training (overseas), e-learning			
Common Measures	Quality control technical skill training (overseas), STAR 55 Bulletin internal newsletter introducing leading cases on activities to improve CS & Quality (3-4 times/year)				
	CS & Quality Seminars to learn leading case studies from various industries (3-4 times/year)				

Rebuilding Our Manufacturing Education System

Since fiscal 2013, Sekisui Chemical Group has been rebuilding its employee rank-based training system for managers in production divisions in order to spread knowledge of manufacturing throughout all levels, from back-office staff to the plant floor. We offer 12 courses in the three fields of technical skills (policy management, quality management, facility management, safety management, etc.), human skills and conceptual skills, further dividing classes into plant leaders, line managers, and front line

supervisors. In fiscal 2014, 526 employees took classes, gaining practical skills as managers in addition to learning about principles. Sekisui Chemical Group also employs QC Certification* effectively to measure levels of quality knowledge, and as of the end of fiscal 2014, over 3,000 members of the company had attained QC Certification.

* QC Certification: A certification system conducted by the Japanese Standards Association and certified by the Japanese Society for Quality Control.

TOPICS Overseas Quality Technical Skill Seminar Held

In November 2014, Sekisui Chemical held the Overseas Quality Technical Skill Seminar at a hotel in Chicago for production managers and quality managers from across North America and 11 sites in Mexico. A total of 23 employees participated in the two-day training seminar, covering tips for performing manual calculations and *why analyze why* classes, in addition to results announcements by each base and presentations about deploying quality engineering.

Learning from our experience holding this seminar for the first time, we will continue to conduct quality technical skill training for employees working at our sites around the world.

Compliance with Laws and Internal Rules for Product Safety

When a legal violation related to product safety becomes known internally or is pointed out from external sources, Sekisui Chemical Group rapidly discloses information about the incident and moves quickly to discover the cause and prevent

a reoccurrence. This is also true if internal rules and standards for product safety have not been followed.

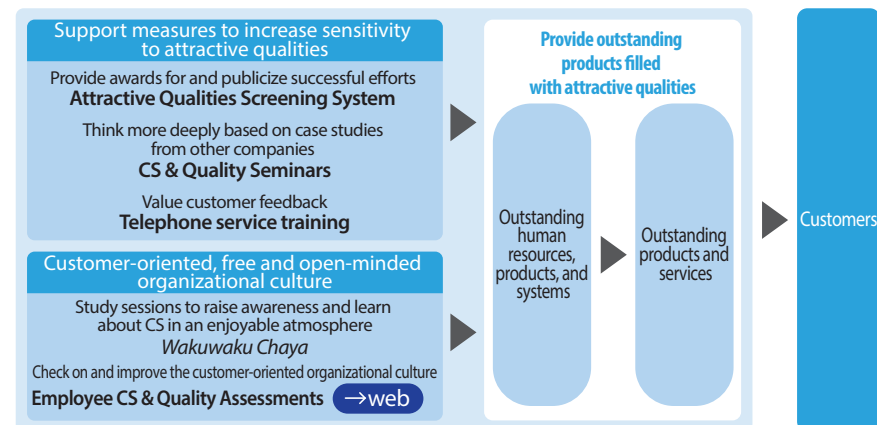
In fiscal 2014, there were no cases where we violated laws or internal rules related to product safety.

Attractive Products and Services

Advancing Development of Systems, Human Resources and a Culture Enabling Creation of **Attractive Qualities**

Basic Concept

Based on the motto “We consider customer feedback as the beginning of our manufacturing,” Sekisui Chemical Group is working on building a customer-oriented, free and open-minded organizational culture to create Attractive Qualities that customers will continue to ask for by name.



Providing products and services while enhancing CS sensitivity

Sekisui Chemical Group strives to improve the CS sensitivity of individual employees and to build an organizational culture focused on CS, to continue creating attractive qualities.

Wakuwaku Chaya Study Groups for CS Culture

Sekisui Chemical Group believes that having an organization where employees are able to enjoy and fully engage in work is a shortcut to enhancing its CS culture. Our study groups for CS culture are not meetings or debates, but opportunities for employees to steer their own study groups and engage in discussions among themselves.

In these study sessions, participants view documentaries about how other companies have promoted CS and share their thoughts and feelings with one another about CS. The participants take back to their workplaces the knowledge they gained from this dialog with their peers.

In fiscal 2014, we expanded the number of *Wakuwaku Chaya* sessions to 30 at the business division and Group company level, with a total of 655 persons taking part.



VOICE

Basics of Work Noticed in CS Culture Study Groups

At Kyushu Sekisui Industry Co., Ltd., several CS Culture Study Groups were held in fiscal 2014 along the themes of *Sincere and Heart-Warming Greetings* and *Teamwork—Working as One*. While we were conversing openly and frankly, we understood the importance of approaching work with enthusiasm and thoughtfulness in order to truly serve our customers. Our everyday conversations can lead to

new discoveries and spontaneous actions, underscoring the importance of greeting people as a fundamental part of work. We intend to enliven our workplaces and apply insights gained through conversation in our daily work, while delving deeper into discussions about the true meaning of leadership and personnel development.

Naoyuki Kuga

General Affairs Department
Kyushu Sekisui Industry Co., Ltd.



CS & Quality Seminar

CS & Quality Seminars invite people from a variety of fields outside the company to give lectures with the intention of improving awareness of CS and quality. The lectures are split into Attractive Qualities themes about creating attractive quality and Basic Qualities themes to strengthen core quality.

A total of 37 seminars have been held from the inception of the program in fiscal 2014 through the end of fiscal 2014. Managers in charge of product planning and development that were involved in hit products and long-selling products give talks, as do various thought leaders who have researched sincerity and customer satisfaction. Learning from case studies of progressive customer service stories from around the world, employees are able to not only increase their awareness of CS & Quality, but also gain opportunities to pick up the knowledge and wisdom needed to create attractive quality. In this regard, the CS & Quality Seminar is indeed a very interesting event.

In fiscal 2014, a total of 338 people participated in four seminars held at Sekisui Chemical's Tokyo Headquarters and Kyoto Research & Development Laboratories.

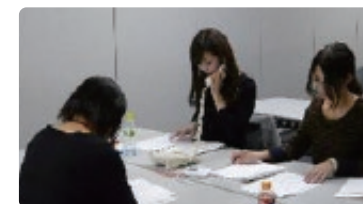
Reference → Please refer to CS & Quality Seminars: Basic Quality, p. 40



Ms. Reiko Setogawa from River Office at a lecture at Tokyo HQ

Telephone Service Training

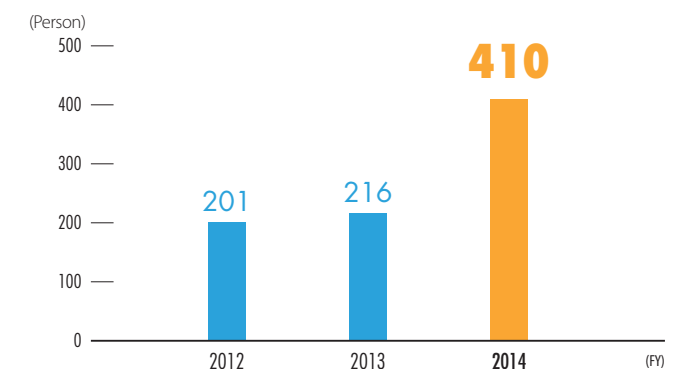
We have been conducting telephone service training, intended to improve the service level of contact points for inquiries, continuously since fiscal 2008. This training was first conducted only at Housing Company to improve communication with customers buying homes. In fiscal 2011, the training was expanded to Urban Infrastructure &



Learning telephone etiquette that works with all customers

Environmental Products Company, High Performance Plastics Company, corporate headquarters and group companies.

Number of participants in telephone service training



→web

Attractive Qualities Screening System for evaluations by outside experts

Sekisui Chemical Group has set up the *Attractive Qualities Screening System* for evaluating its Attractive Quality products from an external viewpoint, in order to accelerate the creation of attractive quality, an objective of the CS & Quality Management Policy that was formulated in fiscal 2008. Under the system, outside experts

evaluate the manufacturing and technological capabilities of Sekisui Chemical Group from a third-party viewpoint, with the intention of rediscovering attractive qualities that have gone unnoticed internally, and increasing the motivation of managers in charge of product planning and development.

VOICE

Grand award strongly motivates members of development team

I am pleased to be honored with the Attractive Quality Award. Members of the laboratory that was involved in the development of the product and the members of the overseas production site are also quite pleased to hear this news. I would like to accept the award on behalf of everyone involved and believe it will motivate all of us to make further achievements. I was nervous about giving a presentation in front of the screening

committee, wondering if I would be able to convey concepts to people unfamiliar with clinical trials. It was a very rewarding experience, and an excellent opportunity to look back at my experience in development. Taking advantage of this experience, I hope to develop even better products by emphasizing the value they give to customers.

Kumiko Yuki

Research & Development Division
Diagnostic Products Development Department
Sekisui Medical Co., Ltd.

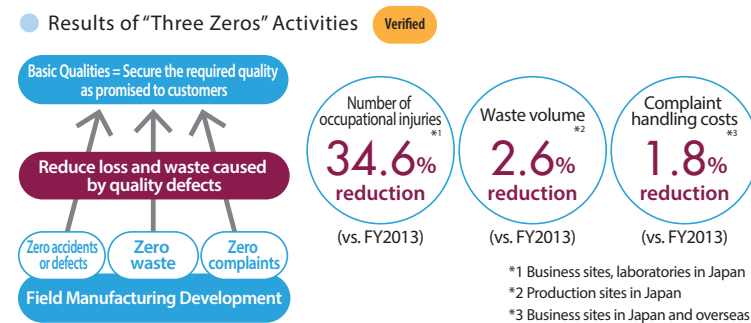


Improving Quality

Pursuing the **“Three Zeros”**
in Accidents, Waste and Complaints

Basic Concept

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 higher costs arising from handling complaints or increased waste, we are trying to reduce costs by targeting the “three zeros” in accidents, waste and complaints.



Systems in each section reflect business characteristics

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 PDCA* 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. Our business sites also made progress in becoming

certified under the ISO 9001 standard, as the total number of Sekisui Chemical Group business sites and departments certified under this standard stood at 105 in fiscal 2014. The number of employees at these ISO 9001-certified business sites and departments represents 56% of all Sekisui Chemical Group employees. In fiscal 2015, we are focusing on updating our quality assurance systems for the globalization of business.

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

Preventing quality issues by identifying quality risks beforehand

In fiscal 2014, we created and published Development Guidelines for development processes that outline work items and procedures for ensuring quality that are commonly shared across all businesses. A PDF version of the Guidelines has been uploaded to the intranet so that each development section can read and print them out

freely. These guidelines have three main sections consisting of prevention, design review, and development step management. In the design stage prior to the production stage, we endeavor to identify quality risks that could arise after commercialization in a bid to prevent basic quality issues from materializing.

Improving the level of quality management on a daily basis in SDCA cycle

Along with the Development Guidelines, we also created the Guidelines for Daily Management Activities. These guidelines are basic guides to management on a daily basis, outlining actions that should be taken in manufacturing, the post-development process, along three themes consisting of how to perform daily management, the role of managers, and evaluating the level of daily management. In daily management, the SDCA cycle is key,

where the P = Plan in the PDCA cycle is replaced with S = Standardize. To effectively follow the SDCA cycle under the guidelines, we have set specific policies for determining appropriate standards for each organization, defining items subject to management, and the management level. In fiscal 2014, we implemented self-evaluations (C = Check) of daily management levels at 43 business sites in Japan and 12 business sites overseas.

CS & Quality Seminar: Basic qualities edition held once a year during quality month

As part of the CS & Quality seminars program, since fiscal 2011 the CS & Quality Seminar: Basic Qualities Edition has been held during Quality Month every November with the goal of raising the level of basic qualities throughout the entire Sekisui Chemical Group. Attendees in this seminar consist mainly of line managers from production sections.

The fourth seminar, held in fiscal 2014, welcomed outside experts to talk on the theme of *Quality assurance and personnel development amid globalization*. We plan to hold seminars in fiscal 2015.



CS & Quality Seminar

Reference → Please refer to CS & Quality Seminars: Attractive Quality, p. 38

Group KAIZEN Activities on a global scale

Group KAIZEN Activities* are an initiative in which employees in each workplace form small groups to address various topics such as improvements in quality and productivity and increasing operational efficiency, and to take on various subjects through policy management. These activities have a track record of more than 40 years. They are under way at numerous business sites in Japan and around the world, centered on production companies. Once a year in January, presentations are made by the representative group in each area—Japan, North America/Mexico, China, Europe, and Asia-Oceania—to share information and help each other improve.

In the 49th Sekisui Chemical Group KAIZEN Activities Presentation Meeting held in January 2015, a total of 20 representative groups (16 from Japan and four from other countries)

made presentations. As a first, we invited groups from other companies that have been highly commended internally and externally for their excellent improvement activities, and asked them to give presentations as well.

* 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.

	Group	Site
Gold Prize	Zero Line	Sekisui Seikei Ltd. Izumo Plant
	Dekamelon PAPT II	Musashi Plant
Silver Prize	Honki	Shiga-Ritto Plant
	Ikkai Kazoku-Tsukuri Project	Sekisui Heim Kyushu Co., Ltd. Group

Development Prevention Seminar and DR Reviewer* Training Seminar

Continuing from fiscal 2013, we held the *Development Prevention Seminar* and the *DR Reviewer Training Seminar* based on the topic of preventing quality problems before they arise. At the *Development Prevention Seminar*, which was attended by 102 people, lectures and group breakout sessions taught methods to prevent quality issues from arising in an effective and efficient manner by focusing on the points of change.

At the *DR Reviewer Training Seminar* attended by 24 people, participants learned about preventing quality issues in lectures and sessions and took part in coaching exercises and group

discussions. It was an excellent opportunity to discuss current issues and reaffirm the importance of communication in design review. We plan to hold both seminars again in fiscal 2015.

* DR Reviewer = Design Review Reviewer



Development Prevention Seminar



DR Reviewer Training Seminar

Sekisui Chemical Group Fiscal 2014 CSR Topics

Housing Company

To Realize Customers' Ideal
Homes and Lifestyles

Social Issues Affecting Business

Environmental considerations	Consumer issues (aging society / work-life balance, etc)
Product responsibility	Fair business
	Creation of values shareable by society

Product responsibility Fair business

Charm offensive plan for housing production plants to keep them progressive and attractive

Housing Company is implementing the Charm Offensive Plan for its housing production plants over a three-year period starting in fiscal 2014. We aim to reduce the number of construction site man-hours by 30% and increase the number of plant visitors to 100,000, based on the premise of remaining a progressive and attractive housing production plant for the five stakeholders in the housing business: customers, suppliers, employees, local communities and the environment.

Outline of Charm Offensive Plan for Housing Production Plants

1. Enhance communication of attractive features to customers

Further enhance persuasiveness of our plants as a place for customers to ascertain the quality of the houses we provide by upgrading the tour route and production facilities inside the plant.

2. Build an integrated production and construction structure

Maximize plant production efficiency by implementing at plants the processes used at construction sites.

3. Improve employee work environments

Reduce as much as possible work handling heavy objects through automation and by installing cutting-edge fabrication robots.

4. Community disaster prevention

Aim to reinforce function as evacuation locations for employees and local residents by updating the plant buildings.

Consumer issues (aging society)

Launch of nursing care services for local communities in Tokyo metropolitan area

In Housing Company, we have launched a full-fledged nursing care service for the elderly based on a close-knit community approach in the Tokyo metropolitan area, after welcoming to the group Healthy Service Corporation, a nursing care service provider based in Chiba Prefecture. In Nagoya City, Aichi Prefecture, Sekisui Oasis Co., Ltd. provides care services for the elderly.

In addition to the housing for the elderly business and related services provided by Housing Company, the talented personnel and extensive know-how in operating nursing care facilities for more than 30 years at Healthy Service Corporation will accelerate the creation of businesses for the elderly that integrate housing and services.



Product responsibility Creation of values shareable by society

Sekisui Design Works Corporation established by merger of Sekisui Interior Co., Ltd. and Sekisui Exterior Co., Ltd.

In January 2015, Sekisui Interior Co., Ltd. and Sekisui Exterior Co., Ltd., Group companies in Housing Company, merged together in the establishment of Sekisui Design Works Corporation.

The merger of these two companies, by pooling together their business fields and sales channels, as well as their accumulated

know-how, design expertise and management resources, into a single company, allows us to provide a comprehensive interior and exterior design service for creating environments inside and outside the home. We think this merger will lead to higher customer satisfaction as we aim to make it easier for customers to imagine the design of their homes.

Urban Infrastructure & Environmental Products Company

Contributing to Safe and Comfortable Lifelines and Creation of Aquatic Environments

Social Issues Affecting Business

Environmental considerations	Product responsibility
Creation of values shareable by society	

Product responsibility Creation of values shareable by society

Three days of emergency water supplies in case of a disaster

Our detached housing water storage system consists of a storage tank and joints made out of polyethylene, which excels in earthquake resistance and is extensively used in water pipes. The system is installed in the space under the floorboards of a house and directly connects to water pipes. Fresh water circulates through the storage system below the floorboards when water is used daily, ensuring the stored water is safe to use. During an emergency, the stored water can be easily drawn by using the wash basin and kitchen sinks.

In the event that the water supply is cut off during a major disaster, it takes some time for public emergency water supplies to become available. Storing fresh water for emergencies in stand-alone containers inside houses takes up space and requires periodic replenishment. Our water storage system solves these problems while improving preparedness for a natural disaster.

Product responsibility Creation of values shareable by society

Value chain demo center opened at Chiba Sekisui Industry Co., Ltd.

Chiba Sekisui Industry Co., Ltd., a production subsidiary of Urban Infrastructure & Environmental Products Company, opened the Value Chain Demo Center in November 2014 as an exhibition space for product demos, experiments, and installation training.

With the catchphrase "Demo Plant," the center serves as an exhibition space for products and systems ranging from research, diagnostics and design to construction and maintenance. It also features facilities for performing demonstrations and experiments that are closer to the real thing. It was opened as a new base in Eastern Japan to complement Sekisui Chemical's Shiga-Ritto Plant in Western Japan.

At the center, there is a disaster prevention area designed to showcase our disaster prevention products and how they are used under conditions simulating a natural disaster. The center is open for local residents to use as an evacuation shelter during disasters, in addition to being a venue for educating employees and visitors about disaster prevention.

High Performance Plastics Company

Providing unique value-added in chemical solutions

Social Issues Affecting Business

Consumer issues (aging society / people's health and safety)
Product responsibility
Creation of values shareable by society

Creation of value shareable by society

Acquisition of full AAALAC certification as pharmacokinetic consignment facility

In June 2014, Sekisui Medical Co., Ltd.'s ADME & Tox. Research Institute acquired full AAALAC certification, a first in Japan, as a pharmacokinetic consignment facility based on the results of an examination and on-site inspection of its animal management and testing program by the Association for Assessment and Accreditation of Laboratory Animal Care (AAALAC) International.

AAALAC International is the only institution in the world that gives international certifications for the humane treatment of animals used in high-quality scientific research through certification programs based on independent assessments and animal ethics educational programs. More than 900 institutions have been certified by AAALAC, including pharmaceutical and biotech companies, universities, hospitals and other research institutions. The certification is regarded as a symbol of quality worldwide.

Product responsibility Creation of values shareable by society

Development of sound insulation interlayer film for laminated glass leads to Okochi Memorial Production Prize

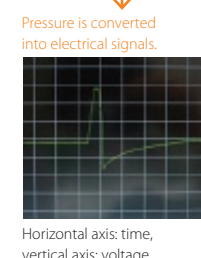
In February 2015, High Performance Plastics Company received the 61st Okochi Memorial Production Prize for the development of sound insulation interlayer film for laminated glass.

Sekisui Chemical is the first company in the world to commercialize this sound insulation interlayer film, thanks to its long-accumulated materials technologies and manufacturing process technologies in resins for automotive glass. This award recognizes the major impact the technology has had on the automobile industry, having been adopted by numerous automakers around the world, as well as its potential use in other applications such as the building construction industry.

Consumer issues (aging society / people's health and safety)

Development of highly sensitive and thin piezoelectric sensor

High Performance Plastics Company has developed a highly sensitive and thin piezoelectric sensor for use in health management with wearable devices for individuals when they are sleeping or driving a vehicle. These sensors are made from micro-bubble polyolefin foam and aluminum compound sheets to sense and display pressure as electrical signals. The sensors can detect minute pressure on the surface of the body, such as heartbeats, pulse, and breathing. We are promoting their use in products that help solve the issue of an aging society, such as sleeping aids that monitor the body while sleeping and mattresses that help protect the elderly.



Pressure is converted into electrical signals.
Horizontal axis: time, vertical axis: voltage

Prominence in Human Resources

Fostering Personnel and Invigorating Workplaces

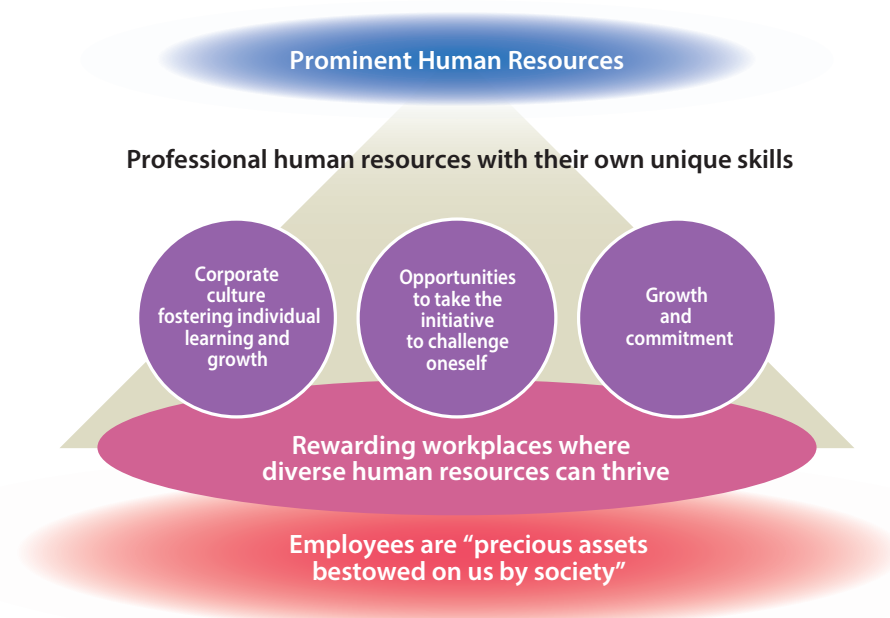
Actively supporting individual prominence and self-realization, creating **an environment where people can thrive**

Our Philosophy

To maintain a strong corporate value for the next 100 years by creating businesses for the next generation requires professional human resources who have their own unique skills. We believe it is important for people to have options while assuming self-responsibility for their decisions on where they want to work and build a career. We hope that each and every

employee will advance in the career that they have chosen with the understanding of their relationship with work and their unique set of skills. For this reason, Sekisui Chemical Group is making progress on building rewarding workplaces where diverse human resources can thrive, based on its shared basic concepts concerning human resources.

→web Sekisui Chemical Group's Human Resources and Human Rights Policies

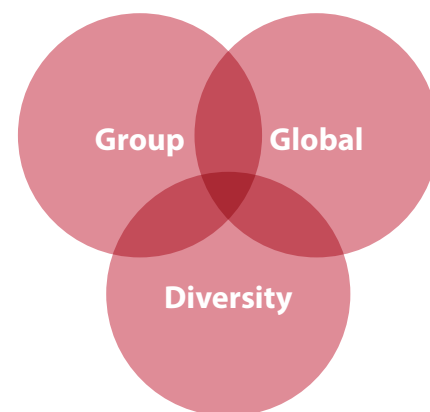


Enabling people with spirit to take on challenges to perform and grow

Based on our concept of enabling human resources to perform and grow, Sekisui Chemical Group supports employees independent career development by providing a variety of opportunities for them to become prominent human resources.

We are deploying measures to raise employee awareness and encourage employee growth on a daily basis from three approaches, to draw out the potential of each of the Group's diverse employees working in Japan and around the world. These three approaches were created as a trinity of themes following the introduction of our Division Company system and in view of the globalization of business since the 2000s. In order to be competitive in global markets, we must be a company where diverse personnel resources, including women, the elderly, and non-Japanese, can work effectively together and become a wellspring of vitality for the organization.

● Three approaches toward realizing the HR ideal



Specific targets set, measures being enacted

Under the CSR medium-term plan (fiscal 2014-2016), Sekisui Chemical Group is advancing measures to hire and train employees for the entire group on a global scale. These measures include specific numerical targets, and through collaboration among Group companies, we aim to foster a lively work culture that allows all Group employees to deploy their diverse skills and unique views to their work.

● Goals of Medium-Term Plan →web

Measure	Medium-Term Plan (Fiscal 2014-2016)		Fiscal 2014 Results Verified
	Goal	Main Measures	
Hiring	Group	Domestic Group hires : 800 employees * including equity-method affiliates	Strengthen the Sekisui brand in the employment market
	Global	Global hires (Sekisui Chemical nonconsolidated): 20 employees	Develop the market for new hires
	Diversity	Women hires : (30 women at Sekisui Chemical, 210 women at Group companies in Japan) * including equity-method affiliates	Enhance hiring seminars for women
Training	Group	Internal job postings : 30 positions/year (development of core HR based on experience)	Adopt a Group HR system and provide a broad range of experience
	Global	Global talent employees in Sekisui Chemical Group in Japan : 400 employees (fiscal 2016)	Enhance the Global Trainee Program and area-specific training measures
	Diversity	Women in management positions (Sekisui Chemical nonconsolidated) : 50 (FY2016)	Link programs for training women leaders with the HR system as a whole
		Put temporary employees and senior employees to active use	Promote transfer to permanent, full-time status and revise the Senior Partners Program
			<ul style="list-style-type: none"> Part-time employees turned into full-time employees (15 at Sekisui Chemical) Design of revised Senior Partners Program (revised October 2015)

Start of horizontal deployment to Group companies inside and outside Japan

In fiscal 2014, we worked to create a foundation for initiatives based on the three policies implemented in the previous medium-term plan. On finishing an upgrade to systems at Sekisui Chemical headquarters to guide division companies and Group companies, we completed updates to the business environment for horizontally deploying systems and our approach to Group companies inside and outside Japan.

As a first step toward visualizing disparities in compensation and benefits across Group companies, we analyzed data collected on labor conditions at 78 Group companies in Japan. We then drew up measures to rectify identified issues and problems. From 2015 onward, Sekisui Chemical headquarters will coordinate with each Group company on these initiatives, and we plan to implement the same steps and measures to identify and rectify disparities in compensation and benefits at overseas Group companies.

Cooperation and communications between labor and management

Sekisui Chemical Group strives to understand the positions of labor unions and respects the opinions of employees. Through close communications, we believe good relations between labor and management are essential for sharing the objective of advancing the company. In Japan, as of March 31, 2015, there were 4,288 employees in labor unions, and there were 15 independent labor unions in the All-Sekisui Chemical Labor Union Federation.

Improving Group Human Resource Capabilities

Securing and Training Human Resources in Aiming for Sustainable Growth

Basic Concept

As it strives to empower Group human resources to achieve sustainable growth, Sekisui Chemical Group is advancing a variety of efforts to secure and train human resources. In the area of securing human resources, we are not only increasing numbers of new employees hired but also implementing hiring from a variety of perspectives, including global human

resources and diverse human resources, to ensure an appropriate staffing structure. On the subject of training human resources, we are implementing Groupwide efforts combining both the training of human resources to play leadership roles in Group management and the training of human resources to support manufacturing in the field.

Promoting growth of each employee [→web](#) Spending on employee training

Sekisui Chemical Group has training systems for specific employee ranks and specific skills, to meet the needs of employees' career plans. Sekisui Chemical Group also employs a Division Company system that delegates authority across a broad range of businesses. Based on our basic concept of

human resources development and training programs, each division company and Group company operates their own personnel training systems. As a result, we afford each and every employee an opportunity to grow across different working environments and job descriptions.

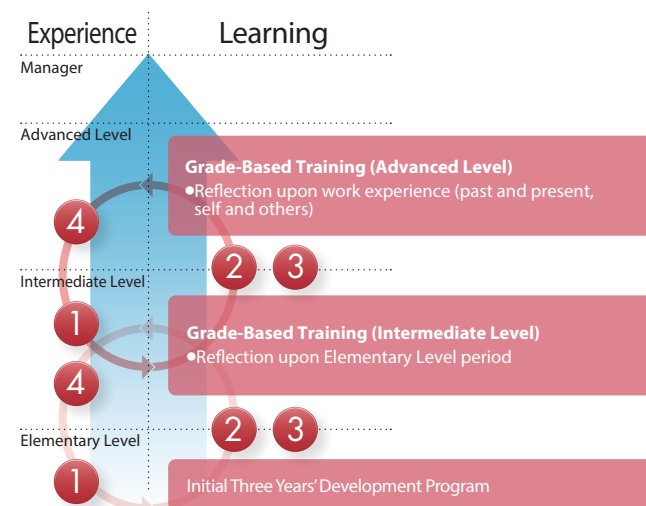
Training business leaders at an early stage

We have developed a consistent training system covering all stages from new hires to management positions, in order to systematically train business leaders to power Sekisui Chemical Group into the future.

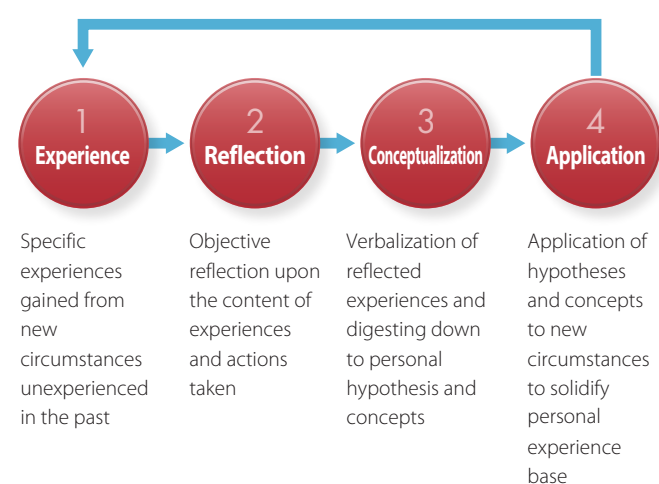
Based on the concept that the foundations of growth are the experience gained through everyday business activities and learning from such experience, we have developed a

training system that links these two elements together. Through this system we will enhance each individual's mastery of the skills required of business leaders, by running through the cycle of growth through experience (see illustration below) from when a new hire joins the company through to the management level.

Diagram of Grade-Based Training Programs



Cycle to encourage growth through experience



Training human resources to support the workplace

The human resources who will support the foundations of management in practical terms in the workplace must undergo self-growth as highly capable practitioners by accumulating experience over the long term and acquiring highly specialized knowledge and skills. Based on this concept, Sekisui Chemical Group hires human resources who will support the workplace as full-time, permanent employees, creates an environment in which they can demonstrate their abilities with peace of mind over the long term, and deploys the Meister* System to strengthen their abilities in the workplace.

In the future as well, we will promote measures to strengthen training abilities in the workplace on a Groupwide basis.

● Areas of Specialization Recognized Under the Meister* System (FY2014)

Company	Specialization
Housing	● Welding skills
Urban Infrastructure & Environmental Products	● Pipe rehabilitation skills/Pipe rehabilitation installation skills ● Pipe research and diagnosis/Business value chain design skills ● Assessment skills ● Plastic molding skills, extrusion molding skills
High Performance Plastics	● Raw materials design and assessment skills ● Chemical/mechanical analysis skills ● Fabrication skills/Extrusion molding skills
Headquarters	● Chemical plant safety technology

* Meister

A person able to play a leading role in companywide activities as a preeminent human resource in a technical area deemed key by the company.

Supporting employees' desires to take on challenges and further their careers [→web](#)

Sekisui Chemical Group supports its employees' willingness to take on challenges and their career plans by providing opportunities to thrive within the Group by posting job openings internally. Through the Group internal job postings,

any qualified employee can apply for jobs posted to the intranet, without the approval of their superiors. In fiscal 2014, 53 job openings were posted internally and 30 employees began new careers inside Sekisui Chemical Group.

VOICE

Taking on New Challenges and Polishing Skills

I used to sell houses, but one day decided to take on new challenges that would polish my skills. I took advantage of the Group internal job posting system and found a job marketing technologies related to civil engineering in the High Performance Plastics Company. While there is still a lot to learn, every day I have been

fortunate to learn new skills and interact with overseas customers. Going forward, I will do my best in overseas operations, an area I have been interested in since using the internal job posting system.

Yusuke Ariyama
Civil Engineering Material Sales Office
Sekisui Techno Molding Co., Ltd.



Expanding training opportunities at Group companies

Since fiscal 2013, Sekisui Chemical Group has expanded opportunities for business-leader training throughout the Group. Considering new personnel in management positions at Group companies in Japan to be candidates for the business leaders of the future, we provided group training for all 219 personnel promoted to such positions during fiscal 2014. This

training raises awareness of Group management by bringing together leadership candidates from the Group in Japan to learn. It also aims to help trainees to grow as leaders of the next generation, equipped with broad perspectives and advanced points of view, through learning the skills they need starting from the fundamentals.

Training Programs for New Management Positions

Programs	Content
Celebration for new managers	Confirm of the future directions of Sekisui Chemical Group, such as its medium-term management plan and CSR management outline
Leadership training	Learn the role and responsibilities of leaders, understand the true nature of leadership
CSR training	Share information on CSR concepts and the status of related efforts, foster trainees' awareness of their roles as leaders on the frontlines of CSR practice
Management literacy training (e-learning and group training)	Learn the basic skills needed for management (logical thinking, management strategy, organizational management, marketing, and accounting)

Human Resources for Global BusinessPromoting Efforts to **Train Human Resources to Contribute to Accelerating Business Development** in Japan and Worldwide

❖ Basic Concept

To achieve the *SHINKA* (evolution) of our business model, the human resources and organizations supporting such efforts must have vitality. Since the division company system was introduced in the 2000s, Sekisui Chemical Group has accelerated global business development and endeavored to

nurture personnel with the skills to succeed in the global marketplace. To be a global player, we must be able to adapt to different business practices, lifestyles and regulations in each country and region. To this end, we are focusing on developing personnel able to understand these aspects of each region.

Fostering personnel with international experience to ensure sustainable growth

In fiscal 2014, 24.9% of consolidated sales were generated overseas, and this ratio has been increasing every year. We have over 130 production and marketing sites in approximately 30 countries. We believe that all the businesses of Sekisui Chemical Group depend on each and every employee working around the world growing through their work and providing

excellent products and services in tune with local needs.

Based on this belief, we train our employees so they have the skills to succeed in their jobs. We have training and personnel systems in place tailored to local conditions in the North America, Europe, China and ASEAN countries.

① North America/Mexico

In North America/Mexico, we launched a Group internal job posting system and offer opportunities for employees to take educational classes about policy management, understanding different cultures, and leadership. In legal, we employ internal an attorney to provide advice to employees and educate about compliance. We aim to raise the level of manufacturing through improvement training and guidance meetings as assistance for manufacturing facilities.

② Europe

In Europe, we are enhancing Group communications with a focus on branding activities that lead to communications with the public. We raised the level of employee awareness of Sekisui Chemical Group by creating and distributing newsletters about Group companies. We also improved employee awareness of opportunities to participate in activities that protect the environment. As a result, more than 80% of our employees said that their awareness of the Sekisui brand improved in an awareness survey conducted in 2014.

③ China

In China, we began formulating the China Model Personnel System in fiscal 2013 and finished it in the second half of fiscal 2014. By implementing some or all of our qualification, evaluation, registration, wage and training systems to address issues at each Group company, we aim to resolve issues and spread awareness among employees of Sekisui Chemical Group.

VOICE

Every day I feel energized and the weight of responsibility

As a personnel manager in Group company in China, I have been pushing forward with reforms to the personnel system at my company since last year. I focused on the following three points to create a personnel system that makes the company a better place to work.

1. Create rules that increase employee motivation

Upgrade the idea proposal system and ensure a fair compensation system

2. Encourage employees to take responsibility and propose and plan their own business ideas

Line managers thoroughly manage targets, gap analysis and review (PDCA), delegate target management to subordinates

3. Create a framework for improving awareness of safety

All employees participate in safety training, identify and rectify risks to safety (targeting 100 items per year)

I have reformed our personnel system while referring to examples at other companies and following discussions at the China Presidents' Meeting and personnel management meetings. At times I feel the weighty responsibilities of a section head, but the authority delegated to me has made every day a rewarding one.



Jiang Qian Ying
Manager, Administrative Management
& Planning & Control Department
Sekisui (Wuxi) Plastics Technology Co., Ltd.

Proactive hiring of non-Japanese and people with experience overseas

Sekisui Chemical Group aggressively hires human resources with experience living overseas, such as non-Japanese candidates and Japanese foreign exchange students.

We have continued to hire large numbers of international students from Japan and local students at job fairs in the United States since 2008.

In addition, we took part in a job fair in South Korea in 2013 and a job fair in London in 2014, which also led to some new hires. In the hiring of new university graduates in Japan as well, we clearly identify Global Talent employees as one of the ideal types of human resources we seek to hire. In the future as well, we will further advance international recruiting through the development of new hiring markets.

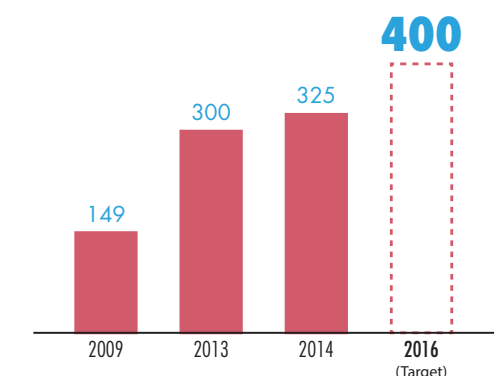


Japanese employees able to succeed on the international stage

A total of about 1,600 Group employees in Japan have signed up for the Global Employee System intended to train Global Talent employees. These employees undergo training on different cultures and specialized training as needed for overseas assignments. With the target of increasing the number of employees with experience on overseas assignment to 400 by fiscal 2016, we will advance measures to enable employees to build up real-world work experience overseas.

● Number of Japanese Employees as Global Talent Employees

Verified



Aggressively providing opportunities to succeed overseas

Sekisui Chemical Group has established the Global Trainee Program to enable participants to build up real-world experience overseas. This program sends applicants with sufficient levels of experience in specific positions such as sales, accounting, and development to actual positions at overseas

affiliates.

In fiscal 2014, three employees enlisted in this program and were newly assigned overseas. In the future, we will strive to enhance these systems so that greater numbers of employees can build up work experience around the world.

Diversity Management

Fostering a corporate culture where **diverse human resources can work** with enthusiasm and make unique contributions

Basic Concept [→web](#)

Sekisui Chemical Group promotes diversity (advocating the employment of diverse people including women, young people, non-Japanese, veterans and challenged persons) and work-life balance (allowing various work styles). We believe these traits are key to achieving our aim of sustainable development and increasing competitiveness by nurturing personnel and organizations able to address the diverse needs of our customers

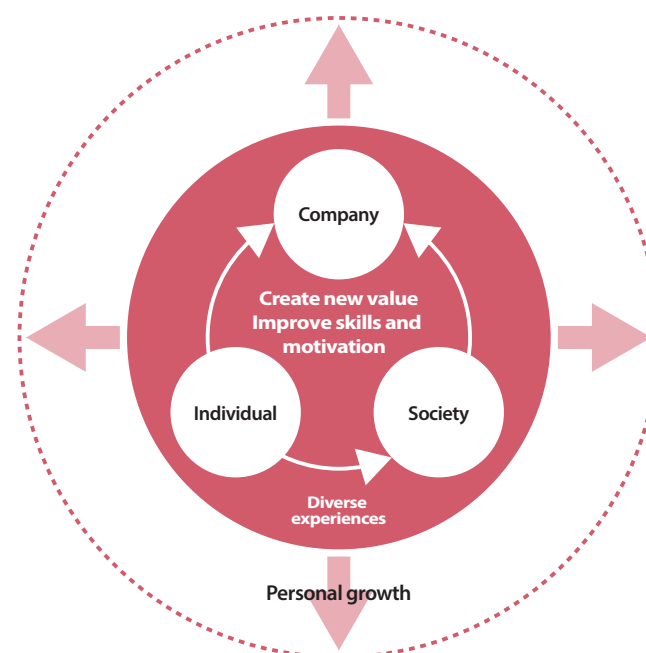
and stakeholders in the global marketplace, in addition to helping people grow and realize their full potential. We continue to update and expand our systems, offer training and seminars, and provide education via the intranet and Group newsletters. Leveraging the unique qualities of each employee, we aim to foster a corporate culture that lets diverse personnel work to their fullest ability.

Aiming for self-realization and creation of time for self [→web](#)

Sekisui Chemical Group believes that achieving a sound work-life balance represents an effort to realize personal self-realization at the same time as sustained company growth. Our aim is to realize a cycle in which job enrichment and active acquisition of on-the-job experiences and values generate growth with added value.

In fiscal 2014, we operated a system that requires application in advance for overtime work, designation of no-overtime days, and campaigns to encourage employees to take paid leave, all intended to ensure employees work appropriate hours and can enjoy varied ways of working. Furthermore, to ensure a thorough understanding of the basic concepts involved, we designated May and November as Work-Life Balance Months, distributed leaflets about work-life balance to all employees, put up posters, and encouraged employees to fill out a work-life balance checklist.

Our Approach to Work-Life Balance



Women's Empowerment [→web](#)

Sekisui Chemical Group continues a variety of efforts to enable highly motivated women employees to continue to work vigorously. As a result, we have achieved a steady improvement in the ratio of female employees and retention rates. However, the number of women in leadership positions remains small.

In fiscal 2014, we refined our systems for grooming women for management positions and set numerical targets with the aim of moving onto the next stage as an organization where women can truly thrive. We also implemented training for

women in leadership positions and their managers, which helps raise awareness among female employee participants about management positions. It also gives women the opportunities to learn the skills and workflows necessary to rise in the ranks. These women learned about career management, including balancing work with life at home, from talking with women in senior management positions. The managers of the female employee participants learned new methods to effectively foster women leaders.

Seminar held for managers

Pre-assignment training of new women staff, provided for staff responsible for training and support of new women employees, and management seminars on women subordinates, provided for superiors, are intended as means of helping young women employees to thrive in the workplace. Already a total of 470 people have undergone these training programs. In fiscal 2014, we updated the content of the management seminars on women subordinates, and had participants perform role playing to bring home the importance of providing guidance to young employees regardless of gender. After the seminars ended, the participants applied the takeaways they learned to their actual work, and reported to the training center any issues or ideas that came up during their implementation. With this feedback, we continue to provide effective training.

VOICE

Eye-opening experience in diversity

Honestly, I felt rushed when asked to participate in a management seminar on women subordinates, but it was a truly eye-opening experience. It was a rewarding experience. I had convinced myself that I had a solid understanding of gender equality issues based on my interaction with businesswomen inside and outside the same company. However, it was very helpful to learn from the instructor that men and women are different and do not always share the same values or opinions. Afterwards, I feel like I am now able to more naturally interact with businesswomen. The training has also made me more aware of my own bad habits, and I have been making an effort to improve since then. I have received encouraging support from the instructor since the seminar, giving me the confidence to guide subordinates irrespective of their gender.

Hiroshi Murayama
Foam Development Center
Foam Production Department
Musashi Plant
Sekisui Chemical Co., Ltd.



Proactive support for each life stage

We provide proactive support to enable employees to fulfill both their work responsibilities and their other responsibilities depending on the stages of their lives. In fiscal 2014, we started allowing our employees to opt for more flexible work scheduled in order to care for children or elderly relatives by letting them take accumulated vacation in hourly increments. We set up a system for employees to return to work after needing to quit their jobs to take care of elderly relatives or other life-changing events. We provide appropriate forms of support when employees return to their careers, as well as ways for retirees to return to work in some capacity.

In addition to development of various programs, we are also preparing guidebooks describing in easily understandable ways subjects such as how to choose a preschool, preparation for returning to work after childcare leave, and case studies on achieving a smooth work-life balance using the available programs. Another effort under way involves holding lunch meetings with experienced working mothers. We are also actively encouraging men to take part in raising children by including in the guidebooks and on the intranet case studies of male employees balancing both work and childcare.

Main Programs for promoting diverse working styles and program usage (Sekisui Chemical) [Verified](#) (No. of employees)

System		Main Content	Fiscal 2012	Fiscal 2013	Fiscal 2014
Support for childcare	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.	24 (including 6 males)	28 (including 8 males)	31 (including 9 males)
	Shortened working hours	Period that previously extended until the child was three years old now extends until the child starts fourth grade.	19	23	26
	Use of flexible working hours	Times of starting and finishing work may be moved earlier or later by up to 60 minutes until the child reaches junior high school age.	2	2	3
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)	98 (including 41 males)	101 (including 35 males)	104 (including 59 males)
Total number of system users			143	154	164

Enhancing measures for gainful employment of retirees [→web](#)

In fiscal 1993, Sekisui Chemical introduced a reemployment system for employees who had reached mandatory retirement age. Since fiscal 2006 this program has been expanded to Group companies as well. A new program of training for employees aged 57 was introduced as an opportunity to think about their careers after retirement. This was the start of a new effort to enable motivated employees to remain in active employment through

age 65. In October 2015, Sekisui Chemical plans to revise its Senior Expert System, a system for reemploying elderly retirees in order to foster a more lively work environment.

We have finished putting in place systems for employees to continue working through the age of 65 at all Group companies, ensuring that 100% of the employees that elect to do so can remain employed.

Safety and Security

Targeting **Zero Workplace Accidents** through Risk Reduction by All Personnel, from Top Management to Individual Workplaces

Basic Concept [→web](#) Safety-related indicators

At the core of safety, it is important that each and every employee has the ability to identify dangerous situations and take appropriate steps to protect themselves and fellow employees. At the same time, constructing a work environment in which employees can work with safety and security is our responsibility as a company and one of the most important priorities for management.

Sekisui Chemical Group is implementing total safety activities (i.e. zero occupational injuries, zero equipment-related accidents, zero commuting-related accidents, and zero extended sick leave) based on five themes.*

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

[→web](#) Safety Policy of Sekisui Chemical Group

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



Medium-Term Plan (Fiscal 2014-2016)

Medium-Term Goal: Fostering a Global Corporate Culture of Safety

Increasing each employee's risk awareness

Workplace accidents: zero fatalities, zero residual difficulties, zero lost working days

Promoting risk-reduction efforts

Zero severe equipment-related accidents, such as fires or explosions

Creating a corporate culture with enhanced risk awareness

In fiscal 2014, We planned and implemented safety education programs to improve awareness of managers at each rank of the organization. In-house instructors at each business site are training employees on four rounds of risk detection to identify

risks and respond properly to them at their workplaces. Each business site of Sekisui Chemical Group is planning programs to foster Safety Leaders who will promote safety.

Second-party OHSMS certification at 43 business sites

Second-party certification of Occupational Health and Safety Management Systems (OHSMS) is being conducted at sites in Japan, with 43 sites having been certified as of March 2015. Since fiscal 2013, efforts have also been made to raise the level of safety throughout the Group as a whole by verifying, from a

multifaceted approach, the results of the periodic self-auditing and assessment that began in fiscal 2010 through assessing them in headquarters auditing as well. Sekisui Chemical is focusing on improving the skills of internal auditors.

Verifying effectiveness of safety measures through third-party organizations

Tokuyama Sekisui Co., Ltd., which supplies raw materials to other business sites of Sekisui Chemical Group, received an award for the second time from Yamaguchi Prefecture recognizing its excellence as a high-pressure gas facility in 2014. Regardless of this honor, we plan to further strengthen our disaster and fire prevention facilities by having a third party, the Hazardous Materials Safety Techniques Association (KHK), diagnose our systems to verify the effectiveness of our safety measures.



Ways to pass down accumulated knowledge of emergency preparedness

At Sekisui Chemical, we conduct training to fortify the decision-making abilities of all our employees in emergency situations. More specifically, emergency crews are given scenarios where equipment designed to prevent danger fails and challenges them to think of solutions on the spot based on their training. This training aims to pass down to younger employees the on-site safety know-how accumulated over many years by senior employees. In fiscal 2014, a total of 40 training sessions were held with 352 participants at Tokuyama Sekisui Co., Ltd., the Shiga-Minakuchi Plant of Sekisui Chemical and Sekisui Medical Co., Ltd.



Approaching common safety issues as a group with diverse businesses

The Urban Infrastructure & Environmental Products Company manages a diverse variety of construction sites, including pipe rehabilitation, home bathroom installation, panel tank installation, and roofing installation. In December 2013, we launched a committee comprising the safety managers at these operating companies. The managers share issues at construction sites, exchange information, and work to improve safety management.



Visualizing safety management conditions at overseas business sites

At our overseas production sites, which operate under the varying laws and regulations and awareness of safety issues in each country, it is necessary for Sekisui Chemical to keep safety management rules updated as global standards and to strictly follow these rules in order to achieve the same level of safety at all business sites.

In fiscal 2014, we planned and conducted safety audits of overseas business sites based on our new medium-term plan in order to ascertain compliance with these rules and gain

insight into management systems at each plant. As of March 2015, we completed safety audits at 21 plants.

The safety audits we conducted in fiscal 2014 were based on a framework for making steady improvements after the audit using OHSMS evaluation charts to visualize the level of safety management as a tool to understand actual conditions. From fiscal 2015 onward, we plan to ramp up support from the head quarters for ongoing improvements at our overseas business sites.

Presidential award given to business site with best safety record for fiscal year

Sekisui Chemical Group Safety Conference is usually held during nationwide safety week in July of each year. In 2014, however, the conference was canceled due to an approaching typhoon. Even though the event was canceled, Mr. Kuro Kuroda, who was scheduled to give a lecture, provided with a memorable story about safety, which was distributed to improve awareness of safety issues at production plants.

In July 2014, the presidential award was given to the business sites with the best safety record for the fiscal year.



Sekisui Chemical Group Fiscal 2014 CSR Topics

Housing Company

❖ To Realize Customers' Ideal Homes and Lifestyles

Social Issues Affecting Business

- Diversity
- Fostering global personnel
- Work-life balance
- Employee satisfaction
- Developing and training personnel

Fostering global personnel Employee satisfaction

Developing local staff at plant in Thailand
Installation Training Center opened

The Housing Company has been promoting the housing business in Thailand since fiscal 2009 and established a full-scale plant there in January 2013 in tandem with the globalization of Group businesses. Sekisui Heim's strengths in the Thailand housing market include factory-based production, high quality and performance through modular construction methods, and short construction periods. However, a workforce with experience in the building of modular homes did not exist in Thailand. Sekisui



Construction Training Center

Chemical has been fostering a global workforce that includes the hiring of locals. In April 2013, we opened a Construction Training Center to educate local employees. In April 2014, we opened the Installation Training Center at the local factory with the aim of dramatically increasing the number of talented installers. At the same time, we hope the center increases the motivation of local employees for their work in a bid to improve customer satisfaction and employee satisfaction.



Installation performed by locally trained employees



Developing and training personnel

1,100 Smart Heim Pro Staff

Sekisui Chemical Group is the number one smart home company in Japan in terms of sales volume. As a leading company, we make every effort to foster Smart Heim Pro Staff with specialized knowledge of solar power generation and storage systems, HEMS and electricity resale, in order to accurately convey the specific benefits of energy self-sufficient homes to customers. Energy self-sufficiency can have various meanings to a customer, such as zero utility bills with electricity sold back to the grid offsetting electricity bills paid to the electric power company, or zero energy balance where the amount of electricity generated each month is equal to the amount of energy consumed. For customers to understand these differences, we are training Smart Heim Pro Staff, which numbered 1,100 as of 2014. Backed by expert knowledge, these professionals are able to confidently recommend products to customers, and this also leads to employee satisfaction in their work.

High Performance Plastics Company

❖ Providing unique value added in chemical solutions

Social Issues Affecting Business

- Diversity
- Fostering global personnel
- Work-life balance
- Employee satisfaction
- Developing and training personnel

Developing and training personnel

Focusing on training overseas sales company staff to improve Group collaboration and awareness

Overseas, we are training our diverse staff at 10 sales companies and 19 sites to spread knowledge of Sekisui DNA and division company policies. More specifically, employees at sales companies gather to participate in training programs sponsored by International Business Department twice a year for core management candidates, policy management, and mock procurement negotiations. In addition to building one's own skills, interacting with staff from other companies leads to the sharing of issues and experiences that result in a greater awareness of Group collaboration and awareness. In fiscal 2014, 83 people participated in a total of six training seminars.

The business scale of the 10 sales companies has expanded sharply over the past few years, making it a matter of urgency to develop personnel that will become core management for the next stage. We are accordingly focusing particularly on training core management candidates, of which 76 employees have participated in a total of six seminars as of fiscal 2014.

As a first, we introduced the Overseas Sales Company Common Grade System as a framework in fiscal 2014. Instead of using the qualifications based on personnel systems at each sales company, this framework has levels of qualifications common to all overseas sales companies, and employees ready for management positions are selected by a screening committee. With overseas sales now accounting for over 60% of total sales, High Performance Plastics Company needs personnel able to execute plans for continued growth. With this belief, we will continue to train overseas personnel on an equal opportunity basis.

Urban Infrastructure & Environmental Products Company

❖ Contributing to building safe, comfortable infrastructure and water environments

Social Issues Affecting Business

- Diversity
- Fostering global personnel
- Work-life balance
- Employee satisfaction
- Developing and training personnel

Developing and training personnel

Personnel development through installation demonstrations and actual trials at training centers set up in Shiga-Ritto Plant

The Building Construction and Equipment Field Training Center and the Public Sector Training Center at Shiga-Ritto Plant of Sekisui Chemical are where we train employees on product development, solutions and installation from the user's perspective. This is achieved through hands-on experience and the performing of actual product installations and pipe laying in environments that simulate reality as closely as



Developing and training personnel

Establishment of Value Chain School to train employees in how to propose solutions

Sekisui Chemical established Value Chain School to reinforce business development in the rapidly growing markets for living/social infrastructure stock. The school's mission is to train personnel for the future through methodical and ongoing educational programs. Experts



from inside and outside the company are invited to teach as instructors. The lectures and hands-on training curriculum ranges from core knowledge, installation methods and products, installation techniques, and installation plan creation necessary for business development in the infrastructure stock market, to the acquisition of public qualifications. The school aims to convey to students the broad range of practical skills and knowledge needed in the value chain business.

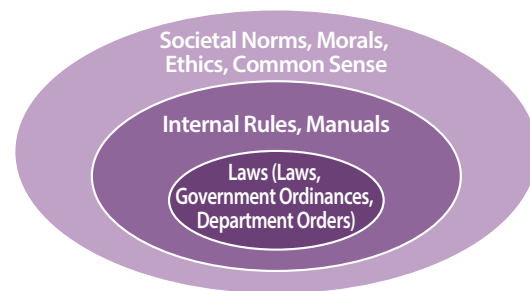
Through this training, we aim to foster personnel able to propose solutions for the maintenance, rehabilitation and modernization of infrastructure stock that exceed the framework of business scope, from research and diagnostics to construction and system engineering, materials production, construction, and maintenance. We aim to develop personnel with the ability to lead and manage projects on site.

Compliance

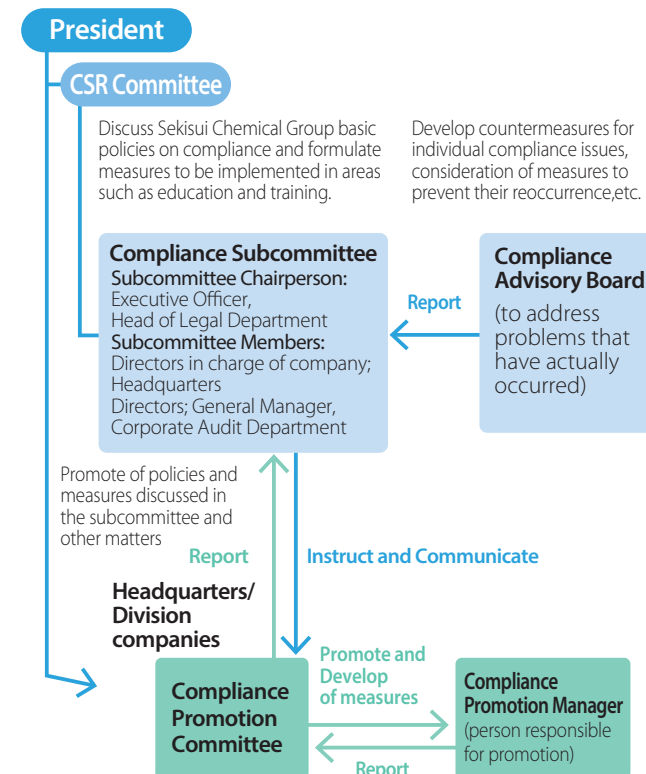
Aiming to remain a company trusted by society by strengthening compliance on a global basis

Our Approach to Compliance Compliance depends on the good intentions of each employee

Sekisui Chemical Group carries out compliance management based on fundamental principles. Including contributing to society, being a trusted company, and adherence to both the letter and spirit of the law, these principles are spelled out in its Compliance Declaration announced in 2003. Based on the spirit of the company philosophy and our Corporate Code of Ethics, our compliance initiatives are in tune with the ethics valued by society as we strictly adhere to laws, regulations and internal rules. We aim to remain a company in which each individual employee can be proud of our good intentions. To this end, we strive to improve awareness of compliance throughout Sekisui Chemical Group in order to remain in the trust of society.



Compliance Management Structure



Compliance reinforcement month and rules to prevent bribery

In fiscal 2014, we decided that October of each year will be Compliance Reinforcement Month for all employees of Sekisui Chemical Group to reflect on their compliance awareness and actions. We also expanded the scope of compliance activities.

In April 2014, Sekisui Chemical Group created rules to prevent bribery and corruption with the aim of reducing the risk of bribery and corruption in Japan and around the world. Based on these rules, each affiliated company in Japan and abroad is formulating its own rules to suit its specific situation. In fiscal 2014, Sekisui Chemical introduced a system where pre-authorization is required to accept gifts from customers and instituted rules for local companies in China.

We aim to reinforce our compliance structure by expanding the scope of these measures.

Specific Initiatives Taken during Compliance Reinforcement Month

- 1 Updated and distributed to all employees in Japan the compliance manual and compliance cards
- 2 Updated the global compliance manual
- 3 Expanded compliance e-learning content →web
- 4 Held training sessions centered on open seminars for compliance →web
- 5 Surveyed employee awareness of compliance

Expansion of legal functions at High Performance Plastics Company

Sekisui Chemical Group has been reinforcing its legal affairs structure, developing and deploying legal personnel and strengthening collaboration among legal departments and

legal functions. In fiscal 2014, we assigned a manager specializing in legal affairs to help with business development at High Performance Plastics Company.

VOICE

Strengthening legal responsiveness on a global scale

With overseas sales accounting for more than 60% of total sales in High Performance Plastics Company (HPPC), there are no borders to legal affairs. It is of the utmost importance to support legal affairs departments in order to develop business in varying legal environments. As the first-ever manager in charge of legal affairs for HPPC, I am working diligently to enhance compliance while putting in

place various frameworks.

I will support global business growth in HPPC by leveraging my own experience working overseas to strengthen the global legal preparedness of the entire company.

Megumi Morita
Manager, Legal Affairs and Contracts
Human Resources Development Department
High Performance Plastics Company
Sekisui Chemical Co., Ltd.



Ensuring effective operation while spreading awareness of program internationally

In 2002, Sekisui Chemical Group developed the S.C.A.N. (Sekisui Compliance Assist Network) intra-company whistle-blowing system and since then has made it available for use by all Group employees.

S.C.A.N. is operated under the supervision of the executive officer in charge of the legal department. The program is accessible to employees through a special website on our intranet as well as a dedicated toll-free telephone number. Whistle-blowing rules are in place to protect whistle-blowers, and the confidentiality of the whistle-blower and their information is carefully protected to prevent retribution.

In fiscal 2014, we wrote an introduction to S.C.A.N. on the back of updated compliance cards distributed to all employees, and informed all Group employees in Japan on how to use the whistle-blowing system. With greater

awareness of the system, we received the largest number of whistle-blowing reports yet.

FY2014 Whistle-blowing Reports and Consultations Verified

Item	Number of cases
Power harassment	17
Working conditions	12
Workplace environment	4
Sexual harassment	5
Sales-related	1
Misuse of expenses	4
Other	3
Total	46

TOPICS

Legal Violation

In February 2009 the Fair Trade Commission found Sekisui Chemical to have colluded with other firms in the determination of sale prices of polyvinyl chloride pipes and fittings over the period 2004-2006 and issued an order for Sekisui Chemical to take measures to eliminate such collusion and to pay surcharges. Since Sekisui Chemical's determination of the 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 under way.

In December 2014, our consolidated subsidiary Nippon No-Dig Technology Co., Ltd. was found to have engaged in improper accounting practices. In January 2015, Sekisui Chemical set up a special investigative committee consisting of external experts, and this committee released its findings in March 2015. We are taking this matter seriously and responding appropriately to prevent a reoccurrence.

Risk Management

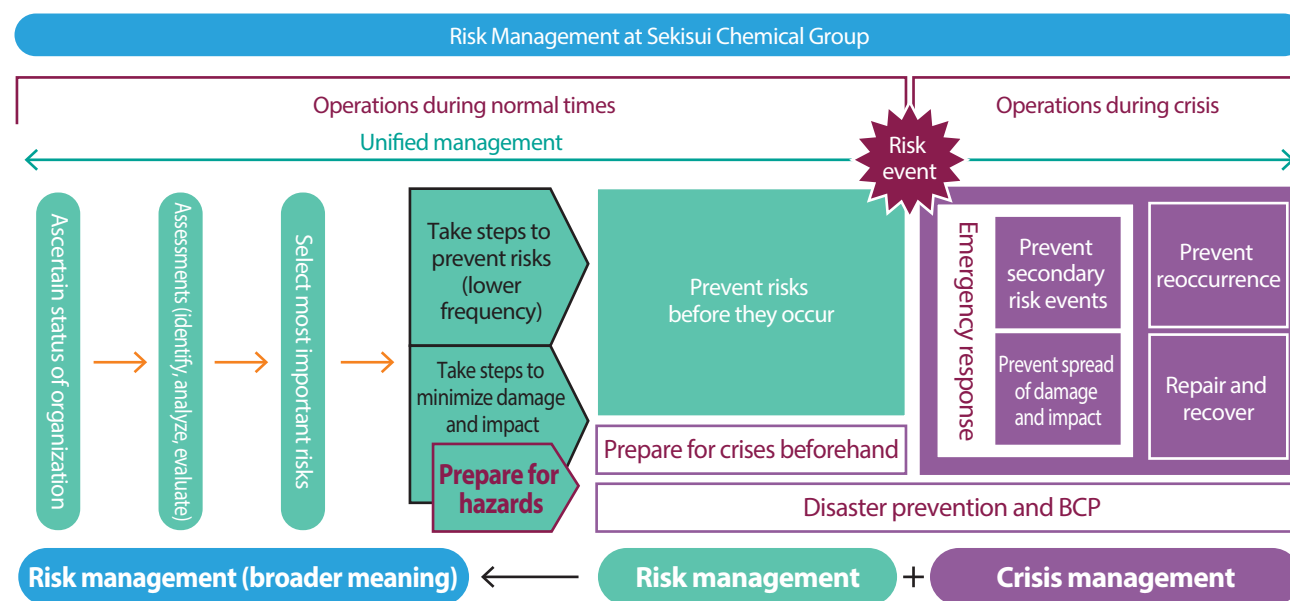
Aiming to further strengthen the risk management system to increase sensitivity to risks and improve the quality of risk management activities

Basic Concept

A structure able to address constantly changing risks and crises

Sekisui Chemical Group has been advancing the development of a system to unify risk management, to prevent risks from occurring, and crisis management, which involves responding to major risks that have occurred. In unifying risk management, we are working toward a system that is capable

of responding to constant changes in risks and crisis situations depending on the circumstances of the organization. We largely completed preparation of an environment for such activities in fiscal 2013 and moved on to make qualitative improvements in activities beginning in fiscal 2014.



Enhancing risk awareness via PDCA cycle

In contemporary corporate activities, which are growing in complexity, it is impossible to ascertain accurately all the risks that could arise in the future. Sekisui Chemical Group continues to run through the plan-do-check-act (PDCA) cycle of risk management in accordance with ISO 31000, the international standard on risk management, considering increasing employees' sensitivity to risks to be essential to addressing such risks.

These activities began in fiscal 2011 at 27 organizations, chiefly divisions under division companies. The number of organizations employing these activities has increased from year to year. By the end of fiscal 2015, we expect a total of 130 participating organizations, consisting of affiliates in Japan and around the world. We forecast that these companies will account for about 90% of consolidated net sales.

In fiscal 2015, we plan to improve the quality of the activities through efforts including education and training for the risk managers responsible for risk management promotion at each business site and sharing of effective risk management measures.



A new crisis management system

[→web](#)

In fiscal 2011, Sekisui Chemical Group thoroughly revised its crisis management system, utilizing the experience gained from the Great East Japan Earthquake. The Group has continued to improve the system since then.

We have conducted drills based on the emergency task force procedures at least twice a year, reviewed the systems and operations described in related manuals, and implemented annual training for all employees using the emergency initial response procedures and disaster prevention checklists to improve disaster prevention systems at all of our roughly 800 sites in Japan. While ideally we should aim for a utilization rate of 100% for a disaster prevention system, the average score in self-evaluations of all business sites as of January 2015 was roughly 88%. This represents an improvement from the 40% score in January 2012 when we began self-evaluations, thanks to continuous improvements along with periodic surveys every January. In fiscal 2015, we aim to add momentum to activities at some business sites that have lagged behind in improvements.

VOICE

All local companies in China engage in risk management activities

Following Sekisui Medical Co., Ltd., which began risk management activities in fiscal 2011, Sekisui Medical Technology (China) Ltd. launched risk management in the middle of fiscal 2012. Under the leadership of the CEO, we pushed risk management activities through the PDCA cycle with participation from mid-level management across three organizations (marketing, production and administrative work) with the intention of improving the management skills of members in addition to properly operating the business.

In China, risk management activities have grown every year, and all local companies now deploy risk management as of this fiscal year. We aim to promote organic risk management activities by sharing risk information related to China businesses across division companies.



Sun Fei
Business Planning & Management Division
Sekisui Medical Technology (China) Ltd.

Basic concept of Business Continuity Planning (BCP)

BCP is a business strategy. Sekisui Chemical Group, with its broad range of businesses operated via the division company system, has taken the fundamental stance of having business managers (heads of business sections, operating company presidents, etc.) decide on their own BCP necessities in light of their unique business traits. For the Group, we have established

guidelines for business continuity management (BCM) as a support system for creating checklists and other components of BCP. For business managers, we recommend creating BCP and BCM policies based on these guidelines and the ISO 22301 standard for BCM.

Support structure for overseas crisis management organizations

Based on internal rules for overseas safety management, Sekisui Chemical Group has set up a pyramid scheme for overseas crisis management organizations with the director in charge of overseas crisis management at the top of the pyramid, followed by the head of overseas crisis management departments, regional heads and heads of individual sites. Centered on this organization, we support personnel traveling or stationed overseas as well as local employees by sharing crisis management information, raising awareness of issues in a timely fashion, and implementing measures in response to emergency situations such as issuing guidance on travel restrictions.

As the number of sites increases every year, we are periodically reviewing and updating crisis management manuals for each plant and office location with support from overseas crisis management departments.

In addition, we have prepared a support structure involving contracts with crisis management companies to provide security

assistance and medical assistance in the event of a specific risk occurring overseas, such as riots, terrorism, and epidemics.

Moreover, we are raising awareness of risks overseas by holding seminars for employees being reassigned to overseas positions and by explaining our overseas crisis management system.

With the rise in business trips and reassignments to frontier regions in recent years, we are enhancing communications with overseas diplomatic establishments, creating and distributing crisis management handbooks for each region, and describing the types of risks and degree of danger in each region. In fiscal 2014, we created handbooks for seven more countries, including countries in Southeast Asia, the Middle East, and Latin America, bringing the total to 11 countries.

In fiscal 2015, we will further strengthen our overseas crisis management departments and reinforce our frontier region support structures in line with our business strategies.

Communication

Improving Corporate Value through Strengthening Dialogue with Stakeholders

❖ Basic Concept [→web](#) •Main responsibilities and communications channels for stakeholders
•Distribute economic value to stakeholders

Two-Way Communication

Sekisui Chemical Group recognizes the importance of adequate and proactive disclosure and two-way communication for developing relationships built on trust with its stakeholders.



Reflecting stakeholder opinions in corporate activities via various methods of communication

We are working to reflect appropriately in our business the evaluations and comments we receive through dialogue with stakeholders. We are doing so through efforts including Customer And Top (CAT) Meetings, at which top management in housing sales companies meet customers to receive feedback directly (3,522 persons took part in fiscal 2014), the Vision Caravan

where the president and top management talk directly with employees, the Employee CS & Quality Assessment, by which employees are surveyed on their awareness of CS & Quality and the results fed back, the Heim Mutual Prosperity Group and other venues of communication with suppliers, and through contact with investors and research organizations.

Dialogue with Socially Responsible Investment (SRI) rating agencies

Every year, Sekisui Chemical Group continues to communicate directly with SRI rating agencies in Europe and other regions. We believe it is important to take the time to explain to each agency our wide-ranging businesses and CSR initiatives in

order to convey a sufficient and accurate understanding of our operations.

In fiscal 2014, we talked directly with four SRI rating agencies in Japan and abroad.

Expanding opportunities for top management to meet with employees

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

In fiscal 2014, the president and directors of Sekisui Chemical visited eight business sites across Japan to address around 1,100 employees of domestic Group companies about the Medium-Term Plan that began in fiscal 2014 and progress made so far, and then opened up the floor to questions. In the opportunity for exchange of opinions during these visits, employees discussed with management topics concerning human resources development and cooperation among Group companies and others.



Vision Caravan

Enhancing communication tools with employees

We created a video highlighting the CSR initiatives of Sekisui Chemical Group, centered on interviews with employees. Capturing the thoughts of employees during training helps spread a greater understanding of CSR throughout the Group. Moreover, we updated CSR Pocket Guide as an introductory text for employees, and translated it into multiple foreign languages, including English, Chinese, German, Spanish and Dutch.



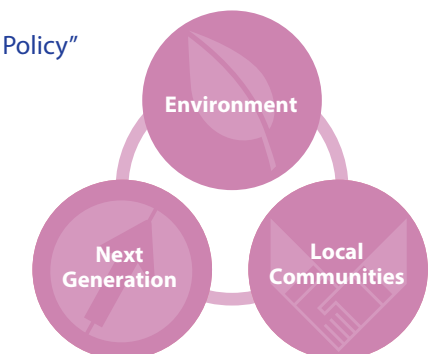
Environmental and Social Contributions

Proactively working to contribute to the environment and society as a company in tune with local communities

❖ Basic Concept [→web](#) Sekisui Chemical Group “Social Contribution Policy”

Proactively supporting relations between employees and society

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



Environment [→web](#)

Sekisui Chemical Group and its employees endeavor to conserve the natural environment in various regions around the world as a part of its initiatives to conserve the natural environment with the intention of realizing a world with biodiversity maintained, as stated in the Sekisui Environment Sustainability Vision 2030.



Cleaning of the station square in New Delhi, India

Principal activities

Sekisui Environment Week
Cleaning of the station square in New Delhi, India
Cleaning in front of train stations in New Delhi, India
Collaboration with NPO to rehabilitate Yatsuda area
Natural environment field trips for children in the community

Next Generation [→web](#)

With the intention of helping to create local communities where children can lead healthy lives as future leaders, we provide opportunities for middle and high school students to participate in classrooms and field trips that are highly relevant to business, as well as assistance for research on manufacturing based on innovations inspired by Nature.



Houses and the environment learning program

Principal activities

Houses and the environment learning program
Science class
Science lesson
Science classroom
Innovations inspired by nature research support program

Local Communities [→web](#)

Sekisui Chemical Group participates in social contribution activities with a strong interest in programs that assist developing countries and collaboration with local communities, with the aim of creating safe and secure cities. As a corporate citizen, we intend to contribute to the creation of a sustainable society.



Employees who participated in Heart+Action

Principal activities

Activities to improve civic order in regions
TABLE FOR TWO
BOOK MAGIC
Heart+Action

Continuing Report: Recovering from the Great East Japan Earthquake

Sekisui Chemical Group's business is to provide housing and the infrastructure essential to support living. Utilizing the characteristics of these businesses, we are carrying out a variety of activities to support recovery from the Great East Japan Earthquake.

Housing Company

Since the Great East Japan Earthquake, Sekisui Heim Tohoku Co., Ltd. has provided reconstruction assistance in the form of emergency temporary housing for evacuees, consultations on housing to residents in temporary housing, as well as notifications through public systems and advice on how to deal with dual mortgages.

In fiscal 2014, we established the Reconstruction Promotion Office as an organization dedicated to reconstruction in April. In January 2015, we began updating and constructing public housing for evacuees from earthquake damage in Higashimatsushima City with the aim of providing assistance to people rebuilding their lives after losing their homes in the earthquake. By March 2016, we plan to have completed construction of a 44-unit housing complex.

A ground-breaking ceremony was held at the start of construction that was attended by the mayor of Higashimatsushima City and other city employees, as well as local leaders and representatives of partner companies, to pray for the safe construction of the building.

Sekisui Heim's high ratio of production at plants has contributed to labor savings at construction sites, amid rising construction material costs and labor shortages that have posed problems for the reconstruction of regions affected by the earthquake.

In the construction of housing, guarantees and after-service, we prioritize the use of local companies as a way to boost regional economies.

Through our business activities, we will continue to contribute to the reconstruction and revitalization of regions affected by the Great East Japan Earthquake.

Urban Infrastructure & Environmental Products Company

Four years have passed since the Great East Japan Earthquake, and reconstruction efforts are gaining momentum in affected areas. It is said that 6,000 hectares of farmland in Miyagi Prefecture alone are in need of repair after being damaged by the tsunami. Sekisui Chemical Group helps with reconstruction through construction projects that take advantage of its value chain, such as by securing and supplying materials to nearby stockyards. There are plans to construct about 8,000 units of public housing for evacuees in Fukushima Prefecture at the local town and prefectural levels. However, labor and material shortages have become a problem. With many of our lightweight plastic products being used for construction, installation work has been sped up considerably.

Under these conditions, in March, we opened a new production plant for polyvinyl chloride (PVC) pipes in Watari, Miyagi Prefecture, the only such factory in the Tohoku region, in order to build a stable supply structure for our products. The PVC pipes made at this plant are inscribed with the words Stay Strong Tohoku! as a symbol of our approval of the Stay Strong Tohoku campaign being promoted by the Ministry of Land, Infrastructure and Transport and Tourism in the Tohoku Regional Bureau. Over the one-year period starting in April 2015, for each shipment of those pipes we will donate ¥2 to the Great East Japan Earthquake Miyagi Children's Scholarship Fund operated by Miyagi Prefecture.

In addition, we made an agreement with Watari Town, where our new plant is located, to cooperate on the reconstruction of water supply and sewage systems damaged by the earthquake. In addition to prioritizing the delivery of needed products for reconstruction and repairs, as well as providing space for the temporary storage of these products, we have committed to helping create a community infrastructure resilient to natural disasters.



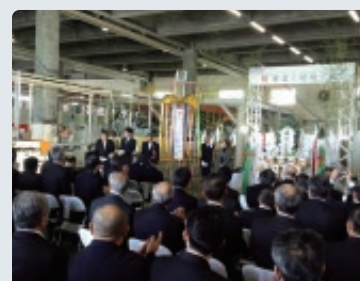
Public housing for evacuees in Higashimatsushima City



Plan to complete 44-unit housing complex by March 2016




Sekisui Chemical products are being used for water supply and sewage drainage pipes in public housing for evacuees.




Construction completion ceremony held at Tohoku Plant

Independent Practitioner's Assurance



(TRANSLATION)



Independent Practitioner's Assurance Report

June 10, 2015

Mr. Teiji Koge,
President and Representative Director,
Sekisui Chemical Co., Ltd.

Hiroshi Inanaga
Chief Executive Officer
Deloitte Tohatsu Evaluation and Certification Organization Co., Ltd.
3-3-1, Marunouchi, Chiyoda-ku, Tokyo

We have undertaken a limited assurance engagement of the material sustainability information (the "sustainability information") indicated with the verification logo for the year ended March 31, 2015 included in the "CSR Report 2015" (including the "CSR Report 2015 Data Book(PDF)") (the "Report") of Sekisui Chemical Co., Ltd. (the "Company").

The Company's Responsibility
The Company is responsible for the preparation of the sustainability information in accordance with the calculation and reporting standard adopted by the Company (CSR Report 2015 Data Book(PDF): Calculation Standards of Key Performance Indicators) and "Appendix: Sustainability Reporting Assurance and Registration Criteria" (issued by the Japanese Association of Assurance Organizations for Sustainability Information (the "J-sus") in January 2014). Greenhouse gas quantification is subject to inherent uncertainty for reasons such as incomplete scientific knowledge used to determine emissions factors and numerical data needed to combine emissions of different gases.

Our Independence and Quality Control
We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. We apply International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility
Our responsibility is to express a limited assurance conclusion on the sustainability information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements ("ISAE") 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board ("IAASB"), and ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the IAASB, and the Practical Guideline for the Assurance of Sustainability Information issued by the J-sus.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. These procedures also included the following:

- Evaluating whether the Company's methods for estimates are appropriate and had been consistently applied. However, our procedures did not include testing the data on which the estimates are based or reperforming the estimates.
- Undertaking site visits to assess the completeness of the data, data collection methods, source data and relevant assumptions applicable to the sites.

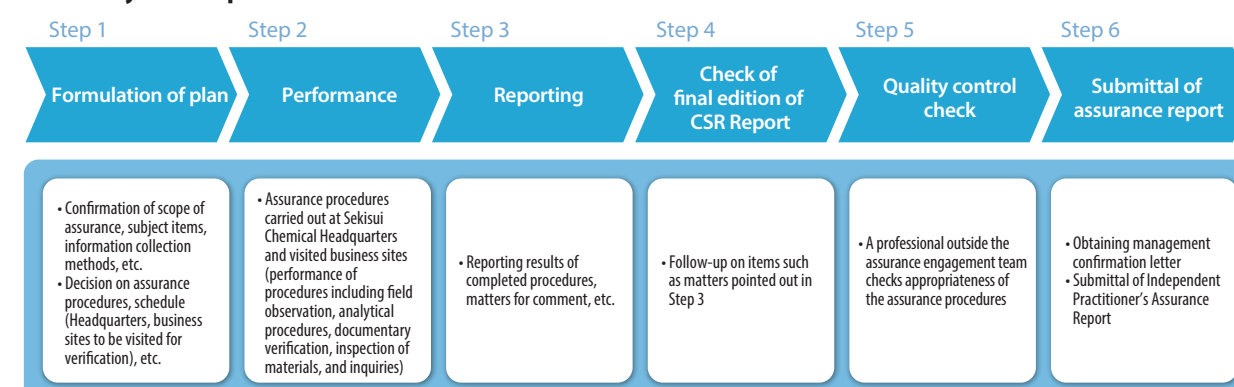
The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Limited Assurance Conclusion
Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Company's sustainability information is not prepared, in all material respects, in accordance with the calculation and reporting standard adopted by the Company and "Appendix: Sustainability Reporting Assurance and Registration Criteria" (issued by the J-sus in January 2014).

The above represents a translation, for convenience only, of the original Independent Practitioner's Assurance report issued in the Japanese language.

Member of
Deloitte Touche Tohmatsu Limited

Summary of Independent Practitioner's Assurance Procedures



History

1947	Establishment of Sekisui Sangyo Co., Ltd. Started first injection molding business in Japan		companies: Housing Company, the Urban Infrastructure & Environmental Products Company, and the High Performance
1948	Company name changed to Sekisui Chemical Co., Ltd.		Plastics Company. Achieved zero waste emissions in all house
1950	Began selling cellophane tape		production plants and all plants of Sekisui Chemical Co., Ltd.
1952	Started full-scale production of PVC pipe (Eslon Pipe)	2002	Began Sekisui Chemical Grant Program for Research on Manufacturing Based on Innovations Inspired by Nature. Began
1953	Listed on Osaka Stock Exchange		S.C.A.N. Whistle-blowing Program
1956	Developed Japan's first plastic rain gutter (Eslon Rain Gutters)	2003	Medium-Term Management Plan: GS21-Premium 600 came into effect. Established the Environmental Management Promotion
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		Department (now CSR Department Environmental Management Group). Medium-Term Environmental Plan: STEP-2005 came into effect. Achieved zero waste emissions at all house construction sites
1960	Established Sekisui House Sangyo Co., Ltd. (now Sekisui House Co., Ltd.) and started housing business	2004	Established the CS & Quality Management Department (now CSR Department CS & Quality Group). Achieved zero waste emissions in all construction by house renovation companies
1962	Launched Movement for Cleaner Towns featuring our plastic garbage bins (Poly-pail), as a campaign to mark Company's 15th Anniversary. Cleaning revolution subsequently spread nationwide	2005	Established the CSR Committee. Published Environmental and Social Report
1963	Started producing plastic bathtubs (first in Japan). Modular toilet tank commercialized, paving the way for production of modular-style equipment	2006	Medium-Term Management Plan: GS21-Go! Frontier came into effect. Medium-Term Environmental Plan: Environmental Top Runner Plan Part 1 came into effect
1970	Exhibited modular house (Sekisui Heim) at the International Good Living Show in Tokyo	2007	60th Anniversary of founding of Sekisui Chemical Co., Ltd. Global Children's Eco Summit and Manufacturing Based on Learning from Nature—Junior Forum held. Conducted reviews of the CSR Committee and Headquarters organization. Published CSR Report
1971	Started producing and selling Heim M1, Japan's first modular house		CSR policies established and revised
1972	Established original Environmental Management Department	2008	
1979	Launched company-wide commitment to pollution control	2009	Medium-Term Management Plan: GS21-SHINKA! came into effect. Medium-Term Environmental Plan: Environmental Top Runner Plan
1979	Awarded Deming Prize for total quality management (TQM)		SHINKA! came into effect. Developed Sekisui Eco-Frontier 2030
1981	Adopted twin-headquarters system (Osaka and Tokyo) and established Tokyo Headquarters at Toranomon	2010	Long-Term Environmental Management Vision
1991	Established Basic Policies on environmental issues		Manufacturing Based on Innovations Inspired by Nature Forum held in Nagoya
1993	Introduced divisional system, shifting to seven divisions: Pipe & Related Products, Building Materials, Chemicals, Techno-products, Molded Products, Medical Products, and Housing	2011	Safety Subcommittee established
1994	Began activities to earn ISO 9000-series quality-management system certification	2012	65th Anniversary of founding of Sekisui Chemical Co., Ltd. Global Children's Eco Summit 2012 held. The Outstanding Eco Contributor Award program began. Risk Management Group established
1996	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	2013	First Sekisui Environment Week held
1997	50th Anniversary of founding of Sekisui Chemical Co., Ltd. Launched Sekisui Chemical Group nature conservation activities	2014	SHINKA!-Advance 2016 launched medium-term business plan
	Created Women's Athletic Club		Medium-Term SEKISUI Environmental Sustainability Plan Take-Off launched
1998	Instituted Corporate Activity Guidelines. Initiated zero waste emission activities		
1999	Medium-Term Management Plan: GS21 came into effect. Instituted Corporate Philosophy. Concentrated business into three domains: Housing, Urban Infrastructure & Environmental Products, and High Performance Plastics. Medium-term Environmental Plan: STEP-21 came into effect. Began publishing Environmental Reports		
2001	Launched division company system, established three division		

External Evaluations

Main Evaluations from Society during Fiscal 2014

CSR in General

- Earned RobecoSAM Bronze Class sustainability rating
- Earned selection to Dow Jones Sustainability Indices (DJSI) World
- Earned selection to FTSE4Good Index
- Earned selection to Ethibel PIONEER and Ethibel EXCELLENCE indices
- Earned selection to the Morningstar Socially Responsible Investment Index
- Ranked 89th in Nikkei NICES ranking system
- Ranked 68th in Toyo Keizai CSR Ranking



Environment

- Ranked 44th in Nikkei Environmental Management Ranking
- Earned selection to CDP Japan 500 Climate Disclosure Leadership Index (CDLI)
- Earned selection to CDP Japan 500 Climate Performance Leadership Index (CPLI)



CS & Quality

- Ranked 16th in Nikkei Quality CS and Quality Management Ranking

Human Resources

- Ranked 71st in Nikkei Ranking of Companies that Fully Utilize Human Resources
- Earned selection to the Ministry of Economy, Trade and Industry's Diversity Management Selection 100



Editor's Notes

In the preparation of CSR Report 2015, we paid careful attention to improving the content from the stakeholders' viewpoint.

We emphasized the publication of detailed information on our website for readers requiring more information and prioritized readability in the physical publication, in an effort to meet the requests of various stakeholders. For the website version, we made an extra effort to conform to GRI guidelines.

Sekisui Chemical Group believes CSR is the enactment of its Company Corporate Philosophy and Group Vision (see p. 5). In the special section at the beginning of this report, we introduce examples of how we are helping to solve social issues through our businesses.

In addition, we have reflected in the CSR medium-term plan, which started in fiscal 2014, specific measures to address important CSR issues

based on the expectations placed in us by our stakeholders and the priorities for Sekisui Chemical as a company. We report on our progress in the CSR medium-term plan from the perspective of the Three Prominences of Environment, CS & Quality, and Human Resources, and the Three Attitudes of Sincerity in Compliance, Risk Management, and Communication.

On the pages describing the Three Prominences, we summarize the efforts undertaken by Sekisui Chemical Group in sections for each division company.

This report is an important means of conveying our efforts and approach to CSR. The feedback we receive from our readers are the compass that guides our future efforts in CSR management. To this end, we welcome and encourage our readers to send us their opinions and ideas. (csr@sekisui.com)

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- (1) This report uses Forest Stewardship Council (FSC®)-certified paper produced 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, is used in the plate-making process.
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- (4) Glue that does not hinder the recyclability of paper is used in the binding process.



CSR Report 2015 (including the Data Book (PDF)) has been reviewed for assurance by an independent third party and as a result has been granted the sustainability report review and registration logo. This demonstrates that this report satisfies the necessary criteria established by the Japanese Association of Assurance Organizations for Sustainability Information (J-SUS; <http://www.j-sus.org/>) for the use of this logo, intended to assure the reliability of sustainability information.

