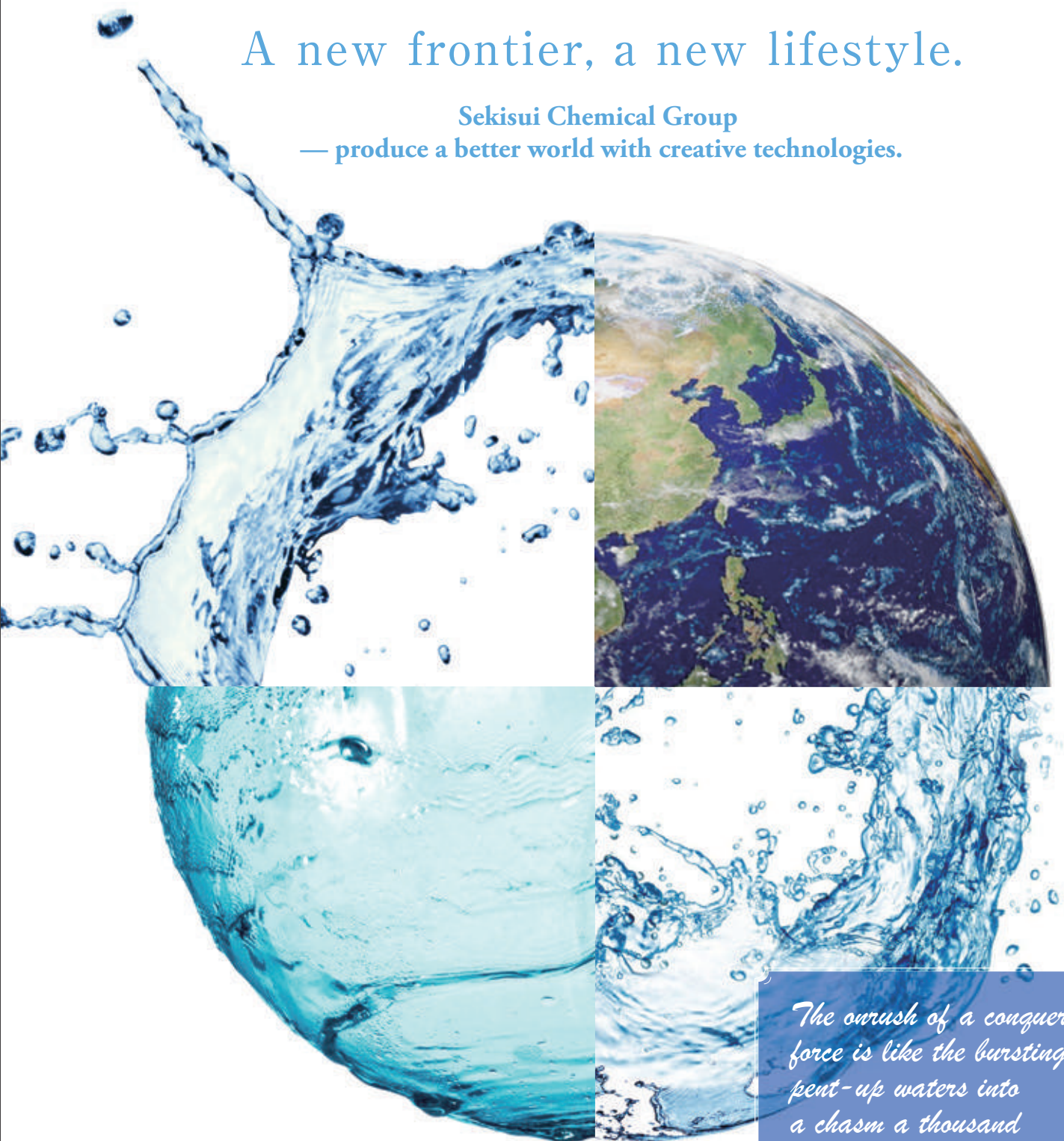


A new frontier, a new lifestyle.

Sekisui Chemical Group
— produce 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 Principles" (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 the Sekisui Chemical Group.

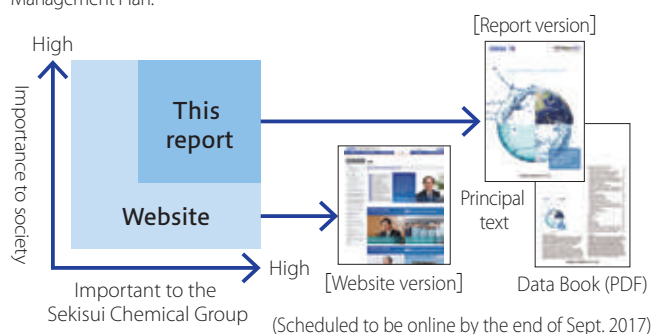
Origin of the "Sekisui" Company Name

Sekisui means "pent-up water" and is an expression used in Sun Tzu's "Art of War," an ancient Chinese classic. Just as "the onrush of a conquering force is like the bursting of pent-up waters into a chasm a thousand fathoms deep," it is vital for "the victor of any battle to take the necessary preparatory steps for success before sweeping in 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 the Sekisui Chemical Group's concept of its Corporate Social Responsibility (CSR) in terms of Three Prominences—in the Environment, Customer Satisfaction (CS) & Quality, and Human Resources—along with the Group's "Pledge to Society" in connection with its Working environment, Safety, Compliance and Respect for human rights, Stakeholder engagement, and Governance.

- We have decided on the information that should be covered in this report based on its importance both to society and to the Sekisui Chemical Group, taking into consideration inputs, including surveys conducted within and outside the Group and independent review.
- To ensure that information is both comprehensive and easy to read, data posted on the Sekisui Chemical Group's website conforms to the Global Reporting Initiative's (GRI's) 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 for details** denotes there is more detailed information available on our website.

Related data and materials are accessible on our website as the CSR Report 2017 Data Book (PDF).

Access the following URL to download PDF files
<https://www.sekisuichemical.com/csr/report/index.html>



- 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, the content of environmental and social reporting is subject to independent practitioner's assurance.

Reference Guidelines

- The website version is presented in accordance with the "Core" standards of the GRI's Sustainability Reporting Guidelines ver. 4.
- A GRI Guidelines comparison table is available on the Sekisui Chemical Group website.
- In preparing this report, we also refer to the Environmental Reporting Guidelines (2012 Edition) issued by Japan's Environment Ministry.

Scope of This Report

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

Timeframe Encompassed by This Report: April 2016-March 2017 (Includes some activities that occurred outside this timeframe.)

Scope of Independent Practitioner's Assurance

The environmental and social information contained in the CSR Report 2017 (the Report version and PDF Data Book) is subject to independent practitioner's assurance for the appropriateness of calculation methods and the accuracy of calculation results. Information that falls within the scope of independent practitioner's assurance is identified by mark.

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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 line with expansion in the scope of summation, revision of calculation methods, and changes to environmental load coefficients.

Through its prominence in technology and quality the Sekisui Chemical Group will open up new frontiers and help to improve people's lives and the global environment. In this manner, we will maintain our strong corporate presence for 100 years and beyond.

Seiji Koge

President and Representative Director



TOP MESSAGE

> Heralding the Company's 70th Anniversary

What are your thoughts after celebrating the Company's 70th anniversary and your aspirations going forward?

I would like to express my deep appreciation to all stakeholders.

I would like to take this opportunity to offer my heartfelt thanks to all stakeholders as well as the Group's past and current employees for their support and hard work.

70 years ago, on March 3, 1947, Sekisui was established with the aim of being a comprehensive plastics business. This was a new and innovative material in Japan at that time. Since then, we have

expanded our business by providing products which meet our daily needs, such as tape and PVC buckets, materials that support government and private sector infrastructure such as pipes and guttering, high-performance materials for electronics and vehicles, and detached houses. Over the years, there have been both frustrations and expectations, but our employees have always come together to solve these issues based on the Sekisui Chemical Group's "3S Principles" (Service, Speed, and Superiority). By working together and combining our

strengths, we have constantly overcome challenges and opened new doors.

In line with our Group Vision, we will continue to contribute to improving people's lives and the global environment by further developing the frontiers of "residential and social infrastructure creation" as well as "chemical solutions" through our prominent technology and quality. Furthermore, we will double our efforts in order to maintain our strong corporate presence for 100 years and beyond.



Service

Creating value for society through business activities

Speed

Transforming markets with all the power and vitality of a mighty waterfall

Superiority

Earning the trust of society through prominence in technology and quality

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

> Operating Environment of the Sekisui Chemical Group

Tell us about the business environment in fiscal 2016.

We achieved record high profits in fiscal 2016 by strengthening our earnings power while at the same time implementing growth strategies.

In overall terms, the rate of global economic growth in 2016 fell short of the level recorded in 2015. Despite a modest recovery during the second half of the year, this slowdown was largely attributable to stagnant conditions in the U.S., concerns surrounding a downturn in the rate of economic growth in China, and

financial market confusion as a result of the U.K.'s decision to withdraw from the European Union throughout the first half.

Amid sudden and dramatic fluctuations in foreign currency exchange rates and other changes in the external environment, the Sekisui Chemical Group worked diligently to strengthen its earnings power while at the same time implementing frontier, co-creation, and innovation business strategies. Thanks also to efforts aimed at building a business structure that is resilient to changes in the external

environment and capable of securing sustainable growth, we achieved record highs at each major level of profit. In specific terms, operating income climbed 6% compared with the previous year.

While future trends in the Group's operating environment are uncertain, the need to improve the quality of people's lives together with the environment remains constant. Looking ahead, we are confident in our ability to secure growth by capitalizing on opportunities through each of our business activities.

> About the Medium-term Management Plan

What results did you achieve under the Medium-term Management Plan and what are the essential features of the new Medium-term Management Plan that began from fiscal 2017?

Under the three-year period of our recently completed Medium-term Management Plan, we were able to make certain advances (SHINKA) toward the next phase of growth.

Throughout the three-year period from fiscal 2014 to fiscal 2016 of the previous Medium-term Management Plan, external operating conditions were volatile. Despite this volatility, the Sekisui Chemical Group reported three consecutive periods of record high operating income. By the end of the Plan, our operating income ratio and ROE came in at 9% and 11.2%, respectively. This exceeded original targets. For the most part, profit growth was largely driven by higher sales in global strategic fields. This included the Automobiles and Transportation field, which has positioned eco-friendly materials as a growth domain,

and the Life Sciences field, where the focus has been on growth in diagnostic reagent systems. Moreover, bold and timely decisions regarding structural reforms and other endeavors were critical in improving profitability and securing definitive profit growth. In overall terms, the three-year period of the recently completed Medium-term Management Plan has allowed us to make certain advances (SHINKA) toward the next phase of growth.

Under the new "SHIFT 2019

-Fusion- Medium-term Management Plan, the Sekisui Chemical Group is taking one step forward toward a new phase of growth. This new phase encompasses quantitative growth and the need to improve the quality of people's lives and the Earth's environment as espoused under the Group Vision, and a qualitative transition through ongoing

improvements in profitability and the allocation of resources to promising fields after taking into consideration changes in demand from 2020 and beyond. In this manner, the Group has codified efforts to enhance its corporate value over the long term. As a result, we will rally to calls for a major "SHIFT*" as we endeavor to expand the scale of our performance as well as the quality of our growth. In addition to providing a roadmap for achieving our numerical targets for fiscal 2019, through such initiatives as aggressive strategic investment, the **Fusion** of technology, opportunity, and resources, and steps to further strengthen CSR management, the new Medium-term Management Plan provides the framework for putting in place a structure that is capable of securing the next phase of growth.



* SHIFT includes the meaning to change the quality of growth in both the scale of business results and corporate attitude, and is an acronym that describes the basic strategy involved. S (Sustainable) and H (Human resources) provide the platform for building a sustainable business base from E/S/G viewpoint. I (Innovation), F (Frontier), and T (Transformation) encapsulate the Group's focus areas to date of "innovation," "pioneering frontiers," and "strengthening earnings power." Positioning each of these 3 actions as important components of our basic strategy, we will accelerate the pace of growth by incorporating the additional component of "Fusion."

> About the New CSR Medium-term Plan

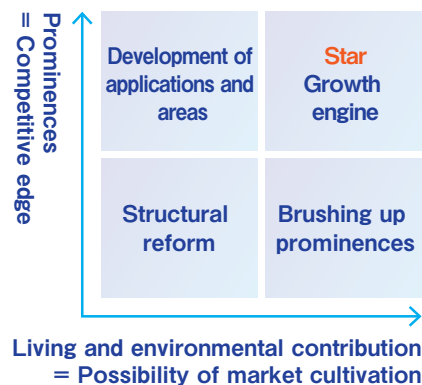
The Group has put in place a new CSR Medium-term Plan while at the same time revising its CSR conceptual scheme. What led you to taking these steps and what are the key features of the new plan and scheme?

We made sure to reflect our commitment and determination to realize our Group Vision in a newly revised CSR conceptual scheme.

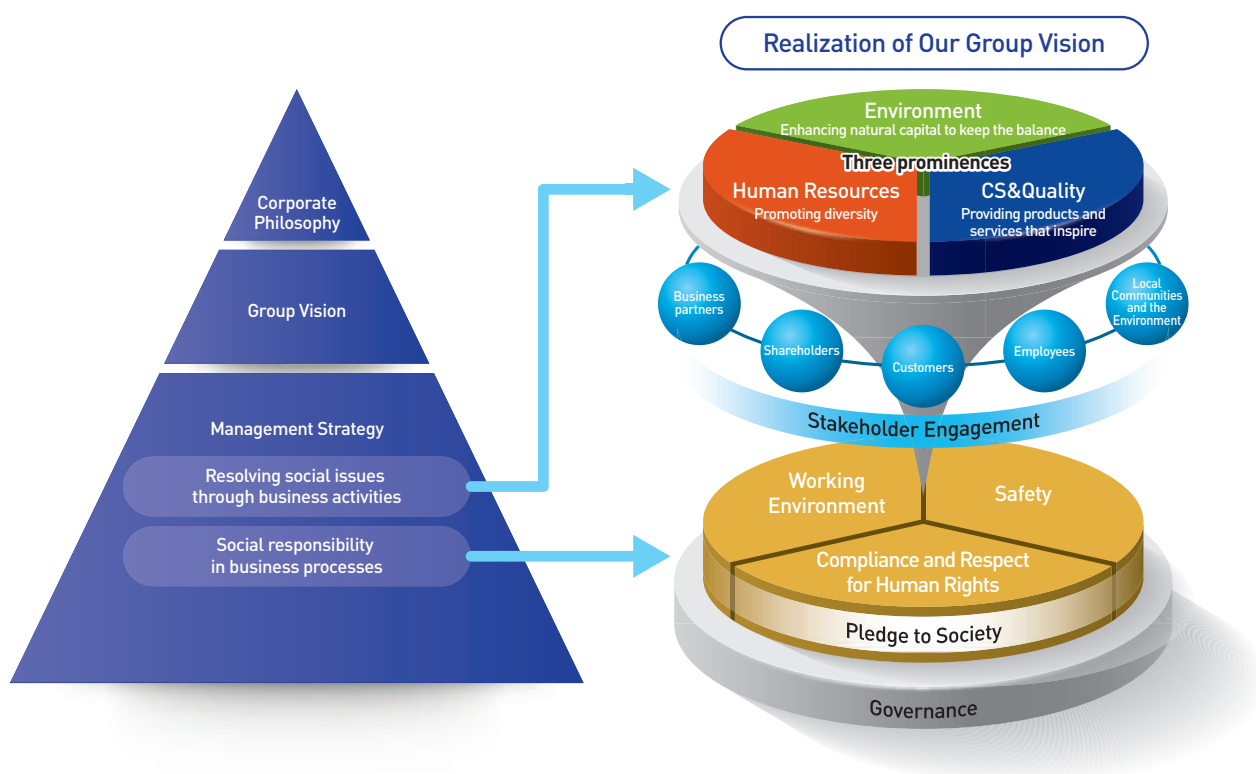
I am convinced that fulfilling our corporate social responsibility is part and parcel of efforts to put into effect the "3S Principles" of our Corporate Philosophy. As such CSR concerns are a focal point of our management strategy. On this basis, we will work to help solve social problems and fulfill our responsibilities to society through our business

processes. In addition to once again documenting our determination to further strengthen our governance platform in unison with business activities, we took steps to review important issues.

We also positioned business categories in a matrix format according to the two "prominences" and "living and environmental contribution" axes under the new Medium-term Management Plan, and are hammering out business strategies to create a number of star businesses that are capable of solving both social and environmental issues in a substantial manner.



The Sekisui Chemical Group's CSR



> About Expanding the Scope of Environment-contributing Product Application

The application of environment-contributing products has expanded not only throughout the natural environment, but also in social contribution fields. What is the significance of this expansion?

We will channel our energies toward environment-contributing products that help address a wide range of issues identified under SDGs.

To date, our efforts to develop environment-contributing products have focused on concerns for the natural environment. More recently,

we have placed equal weight on contributing to society in order to expand our endeavors. Taking into consideration our desire to improve the quality of people's lives as outlined in our Group Vision, we have taken steps to clarify our ambitions toward solving issues related to the social environment. In this regard, we are upgrading and expanding the development of environment-contributing products that are more

closely aligned to this Group Vision. At the same time, we are placing considerable attention on creating and market expansion of environment-contributing products that will help overcome many of the impediments to a sustainable society detailed under SDGs stipulated by the United Nations. Ultimately, we are accelerating the pace of growth by focusing equally on enhancing social and corporate value.

> Stakeholder Engagement

What steps are you taking to increase awareness and understanding of Sekisui Chemical's concept and approach toward CSR both within and outside the Company?

We have newly established the CSR Management Office, which reports directly to the Business Strategy Department.

Our new Medium-term Management Plan places the utmost importance on balancing the need to enhance both social and corporate value as a part of efforts to ensure the sustainable growth of society and the Sekisui Chemical Group. Having taken steps to better clarify the Group's CSR management initiatives, we newly established the CSR

Management Office, reporting directly to the Business Strategy Department, in April 2017, in order to deepen and broaden awareness and understanding of our concept and approach toward CSR both within and outside the Company.

We are also bolstering our internal and external communication skills. Every effort is being made to increase collaboration between departments including the CSR Management Office and Business Planning within the Business Strategy Department. Ensuring that overseas regional headquarters, corporate communications, IR, and

other departments work in unison, we are strengthening our ability to rollout initiatives across Group companies in Japan and overseas, and improving the quality and quantity of information disclosure. By reinforcing our rollout and communication skills, we are generating increased mutual understanding with stakeholders. We are also seeing a growing number of opportunities to garner important input and feedback that extends well beyond the Group's pool of accumulated knowledge.

> Degree of Diversity Management Progress

What progress have you made in promoting diversity management in fiscal 2016 since launching initiatives in fiscal 2015? Do you believe that any measures have had an effect?

We have worked diligently to nurture an organizational culture that is conducive to ensuring diversity.

Sekisui Chemical announced details of its diversity management policy in fiscal 2015. As a first step in promoting diversity management on a Group-wide basis, energies were directed toward the empowerment of women. Through diversity, we are better positioned to capitalize on opportunities, overcome hurdles, and stay one step ahead of our rivals. I am convinced that

diversity management is vital to our future as a Group.

In fiscal 2016, we paid particular attention to nurturing an organizational culture that would help realize diversity. This included rolling out programs in support of the independent activities of diversity promotion officers within each department. As a result, we are seeing growing awareness throughout the Group. As far as the empowerment of women is concerned, we made every effort to expand opportunities for women to excel. In addition to actively hiring female employees, we implemented various

measures including career training and development specially targeting women. Thanks largely to these endeavors, improvements in the hiring rates of women, retention rates, and the number of female employees promoted to management positions are beginning to emerge. Moreover, Sekisui Chemical Group companies have been recognized for their efforts to promote diversity management. We are honored by our selection as a Nadeshiko brand and inclusion in the Diversity Management Selection 100. This recognition serves as an incentive to ramp up initiatives going forward.

> Message to Stakeholders

In closing, is there anything that you would like to say to stakeholders?

The Sekisui Chemical Group will work in unison to deliver increased value to society.

To mark the major milestone of our 70th anniversary in 2017, we have put in place the new "SHIFT 2019 -Fusion-" Medium-term Management Plan in a bid to take a resolute step forward to a new phase of growth. Working in unison, each

and every member of the Group will endeavor to enhance our corporate value from a medium-to-long-term perspective and thus provide additional value to society.

Through constructive dialogue, we hope to secure the unwavering support and understanding of all stakeholders.



The Sekisui Chemical Group's

Guided by the "3S Principles" of its Corporate Philosophy, the Sekisui Chemical Group creates new value that it shares with society through the fusion of those technologies and strengths inherent in each of its three division companies (entities) and corporate department. In this manner, the Group is working diligently to help realize a sustainable society. Moving forward, we will provide products and services that utilize the various forms of capital present in society to help solve a host of issues relating to people's lives and the environment.

The Social Capital That Supports the Sekisui Chemical Group

INPUTS

Financial capital

Finance required to provide products and services

Manufacturing capital

Facilities and equipment required to provide products and services

Intellectual capital

Accumulated knowledge, technologies, and know-how

Human capital

Employee skills and experience

Natural capital

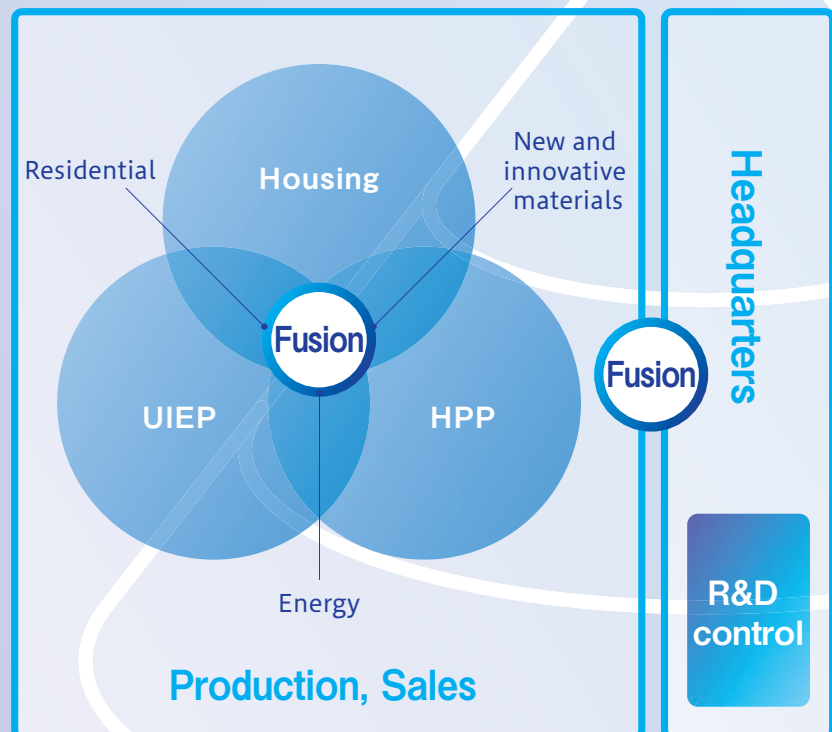
Environmental resources and materials required to provide products and services

Social capital

Collaboration with stakeholders and the local community

The Sekisui Chemical Group's Business

Business activities performed by the headquarters and three division companies

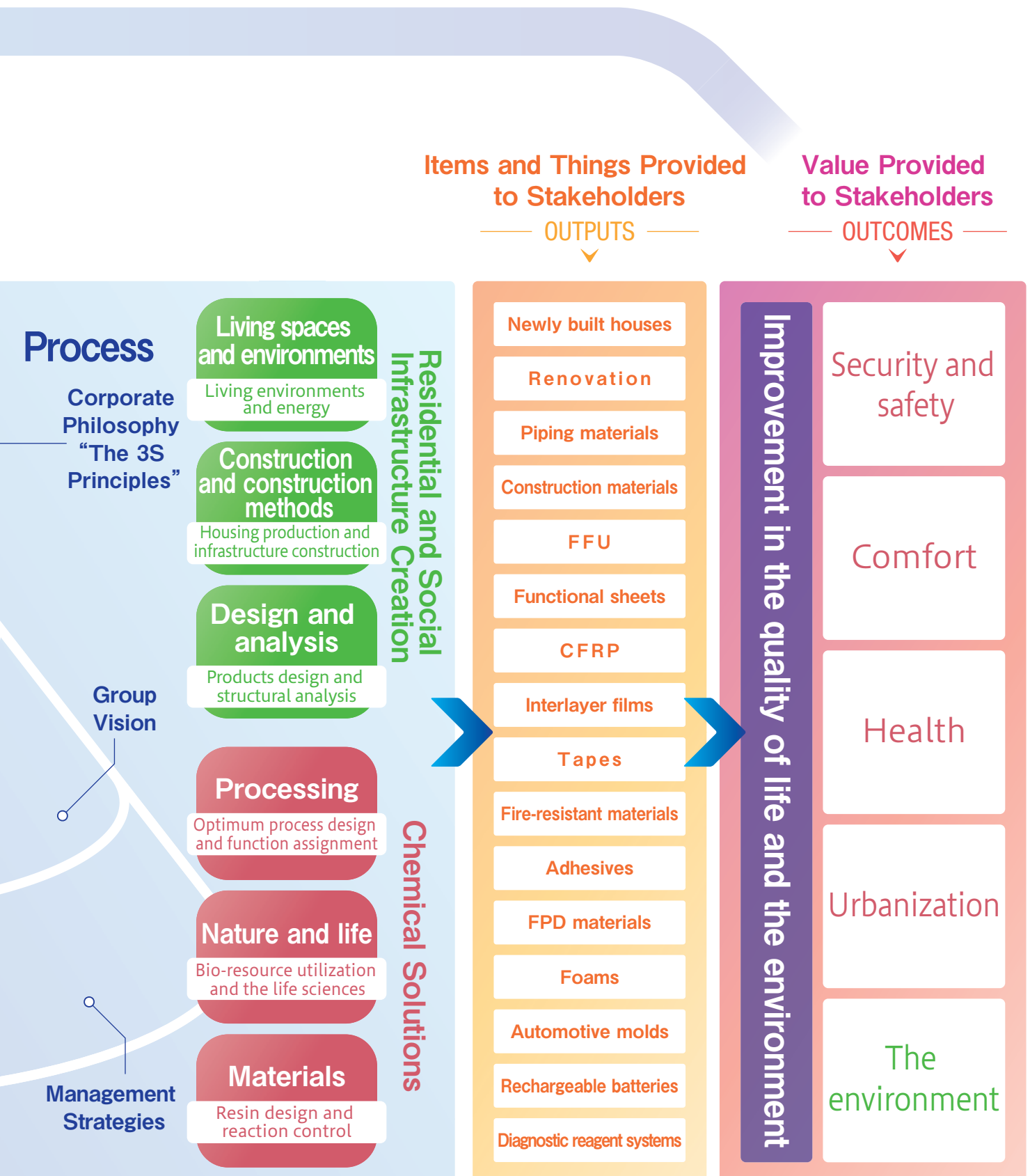


Present

Development time axis

Future

Value Creation Cycle

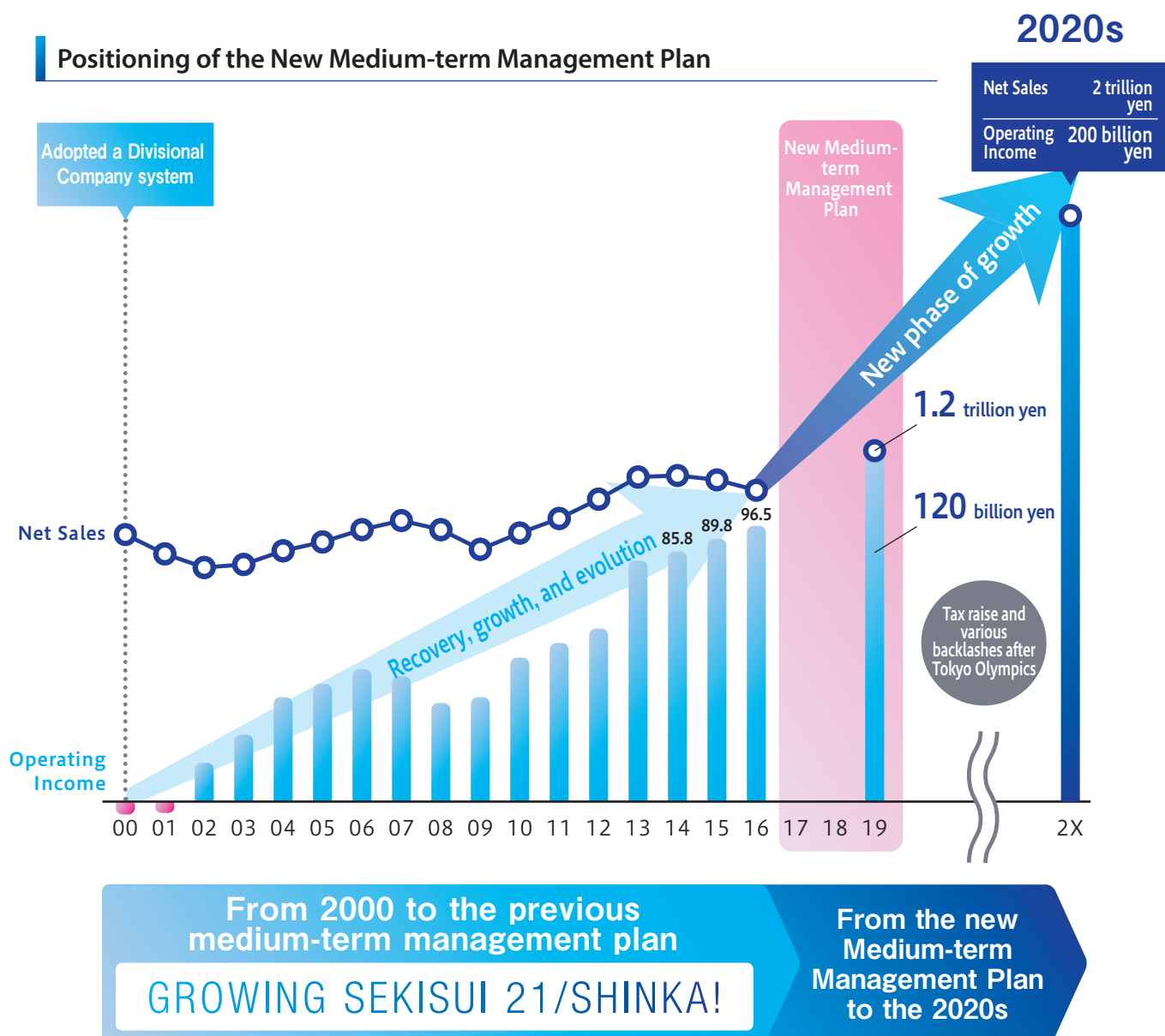


New Medium-term Management Plan

Amid uncertainties surrounding business conditions in the future, the Sekisui Chemical Group launched the new **"SHIFT2019 -Fusion-"** Medium-term Management Plan in an effort to SHIFT toward a "new phase of growth" by grasping business opportunities as well as reinforcing links both inside and outside the Company through "fusion."

In order to maintain a strong corporate presence for 100 years and beyond, we plan to double our current level of sales and operating income during the 2020s through the two "housing and social infrastructure creation" and "chemical solutions" vehicles cited in our Group Vision.

Positioning of the New Medium-term Management Plan



Basic Strategy

SHIFT includes the meaning to change the quality of growth in both the scale of business results and corporate attitude, and is an acronym that describes the basic strategy involved as explained below.

As well as involvement in strengthening the business base upon which the “new phase of growth” is predicated, we will

accelerate involvement in the three “innovation,” “frontier,” and “strengthening profitability” pillars. We plan to create new value and to accelerate growth through the fusion both inside and outside the Company of technologies, business opportunities, human resources, and other resources that exceed the frameworks of the three division companies.

Approach Toward the New Medium-term Management Plan SHIFT 2019 -Fusion-



Overview of the Group’s Medium-term Strategy

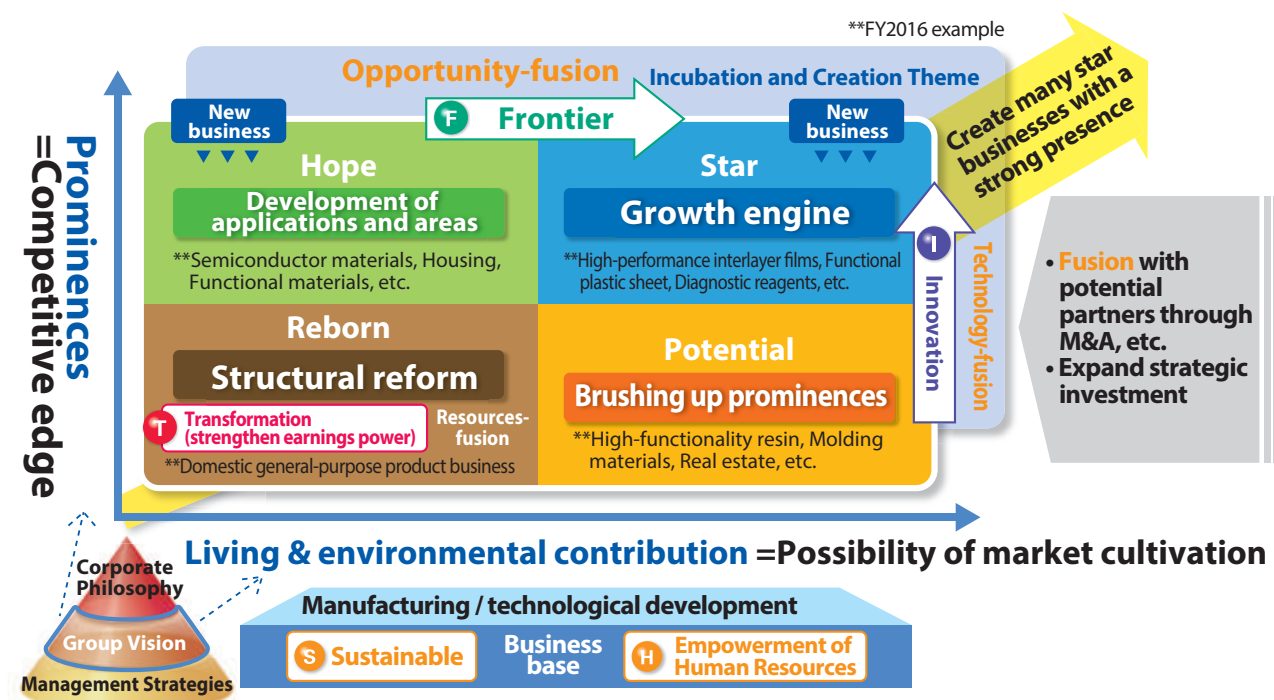
In light of the Group Vision announced in 2009, the Sekisui Chemical Group has set up a new business framework.

Through each of the “innovation,” “frontier,” and “strengthening profitability” initiatives, the Group is assiduously promoting structural reform and forward-looking investments. At the same time, we are making the most of our prominences to expand “star

businesses” that are capable of creating high social value through contributions to people’s lives and the environment.

In fiscal 2019, the aim is to form more than ten star businesses in the five growth fields of housing, social housing infrastructure materials, mobility materials, electronics materials, and life science materials and systems.

Overview of the New Medium-term Management Plan SHIFT 2019 -Fusion- Strategy



CSR Management

New CSR Medium-term Plan (Fiscal 2017 to Fiscal 2019) Targets

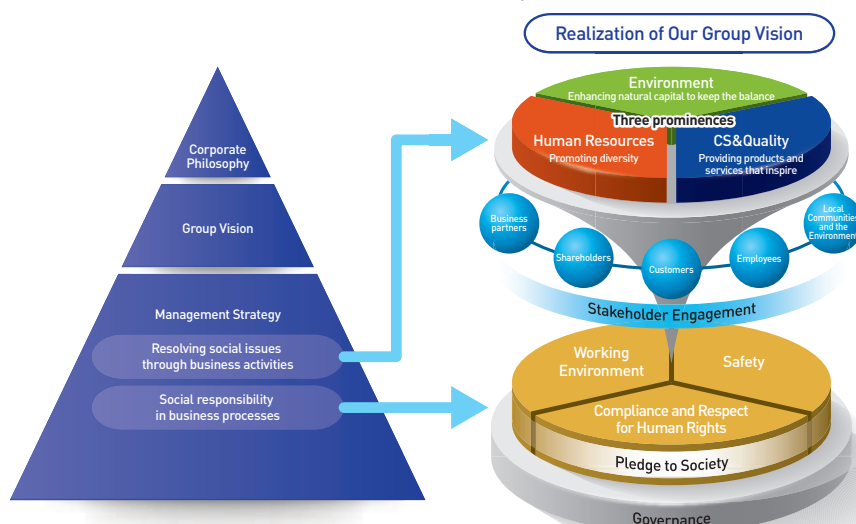
In its new Medium-term Management Plan **SHIFT 2019 -Fusion-** (→ P8-9), the Sekisui Chemical Group places considerable emphasis on balancing the needs to secure both social and corporate value. The main thrust throughout the period of the Plan is therefore to engage in CSR management that is in tune with business activities.

In addition to creating social value, the Group is conscious of the need

to identify what is required to fulfill its corporate social responsibility while promoting long-term growth. With this in mind, we have positioned the “three prominences” of the environment, customer service (CS) and quality, and human resources, our pledge to society encompassing safety, compliance and respect for human rights, and the working environment, as well as governance and stakeholder engagement as important issues.

Three Prominences		Key Measures	FY2017 Targets	Medium-term Targets
Environment	1.Manage progress using integrated indices (sustainability index)		Secure a rate of return on natural capital of 85%	Secure a rate of return on natural capital of 90% or more
	2.Expand and create markets for environment-contributing products	1) Environment-contributing product sales ratio	50%	60% or more
		2) Number of newly registered products	10	30 or more
	3.Reduce environmental impact	1) Reduce greenhouse gas emissions 2) Maintain water resources	3% (vs. FY2013) ① Reduce water usage by 1% (vs. FY2016) ② Reduce the total amount of river discharge water chemical oxygen demand (COD) by 1% (vs FY2016)	6% or more (vs. FY2013) ① Reduce water usage by 3% or more (vs. FY2016) ② Reduce the total amount of river discharge water chemical oxygen demand (COD) by 3% or more (vs FY2016)
4.Conserve the natural environment			Secure an employee participation rate in Sekisui Environment Week of 85%	Secure an employee participation rate in Sekisui Environment Week of 100%
CS & Quality		1.Improve basic qualities	1) Reduce the number of major quality issues to zero 2) Clarify the definition of new product external failure cost	1) Reduce the number of major quality issues to zero 2) Reduce new product external failure costs to zero
		2.Improve attractive qualities	Introduce three new attractive quality products	Introduce nine new attractive quality products
Human Resources		Promote diversity	1) Empower women ① Maintain a ratio of 30-39% of women to total hires ② Raise the number of women in management positions to 145	① Raise the ratio of 35% of women to total hires ② Raise the number of women in management positions to 200
			2) Develop global talent employees Raise the number of participants in the Global Trainee Program to 10	Raise the number of participants in the Global Trainee Program to 20
Pledge to Society	Safety	Reduce the incidence of occupational injuries	Halve the incidence of occupational injuries attributable to machinery and equipment (vs. FY2016)	Reduce the incidence of occupational injuries attributable to machinery and equipment to zero
	Compliance and Respect for Human Rights	1.Prevent major violations of laws and ordinances that impact society 2.Expand the area and scope of CSR procurement	Reduce the incidence of major violations of laws and ordinances that impact society to zero Undertake CSR procurement in the China area	Reduce the incidence of major violations of laws and ordinances that impact society to zero Undertake CSR procurement in five global areas
	Working Environment	1. Manage and control prolonged working hours (in excess of 2,000 hours annually) 2.Promote health management	Reduce the number of Group companies where employees work more than 2,000 hours on an annual basis by 20% (vs. FY2016) Lift the number of Group companies certified as an Excellent Enterprise of Health and Productivity Management – White 500 by Japan's Ministry of Economy, Trade and Industry to four	Reduce the number of Group companies where employees work more than 2,000 hours on an annual basis to zero Lift the number of Group companies certified as an Excellent Enterprise of Health and Productivity Management – White 500 by Japan's Ministry of Economy, Trade and Industry to 21
Governance		1. Put in place a structure of overseas regional management companies 2.Increase the effectiveness of risk management (prevent risks before they occur)	Establish a structure and systems for the Asia and Oceania regions Achieve effectiveness of 60%	Complete area coverage Achieve effectiveness of 70% or more
Stakeholder Engagement		Promote active engagement between investors and management	Ensure that investors and management engage on 60 occasions	Ensure that investors and management engage on 200 occasions

The Sekisui Chemical Group's CSR



Overview of the CSR Medium-term Plan (Fiscal 2014 to Fiscal 2016)


Guided by its medium-term plan that ran through to the end of fiscal 2016, and under the overarching slogan "Group, Global, Communication," the Sekisui Chemical Group worked diligently to strengthen CSR management.

As a result, we were able to successfully achieve certain targets over three prominence fields. This included reducing the amount of CO₂ emissions, cutting back major quality issues to zero, and increasing the ratio of women to the total number of employees hired.

As far as the Group's three attitudes of sincerity are concerned, we

promoted measures designed to further fortify our management foundation. Among a host of accomplishments, we reduced the incidence of compliance issues to zero and achieved our disaster-prevention system utilization rate target.

Over the period of the next CSR Medium-term Plan, we place particular emphasis on pushing forward measure that integrate both business and CSR concerns. We will again identify issues that are important to the Group and revise our CSR conceptual scheme and views.

Three Prominences	Key Measures	FY2016 Targets	FY2016 Results 
Environment	1. Expand the environment-contributing product market	Net sales ratio: 50% or more	Net sales ratio: 45.2%
	2. Reduce environment impact	1) Reduce greenhouse gas emissions	Maintain total volume (vs. FY2013)
		2) Reduce waste	Reduce per unit of output by 12% (vs. FY2013)
		3) Address water risks	Ascertain the status of current conditions and put forward countermeasures
	3. Conserve the natural environment	1) Secure an employee participation rate of 100%	1) Employee participation rate of 70%
		2) Improve the JBIB Land Use Score Card™ by 10 points	2) Improvement in the JBIB Land Use Score Card™ of 13.4 points
CS & Quality	1. Improve basic qualities	1) Reduce the number of major quality issues to zero	1) Reduced the number of major quality issues to zero
	2. Improve attractive qualities	2) Halve external failure costs (vs. FY2013)	2) Reduced external failure costs by 12.4%
Human Resources	1. Strengthen Group human resources	Increase customer satisfaction	Increased customer confidence in CS & Quality by 4 points vs. previous survey
	2. Train global talent employees	Increase internal job postings by 30/year	Increased internal job postings by 44/year
	3. Promote diversity	Secure 400 number of global talent employees	Secure 341 global talent employees
		1) Secure a 30% ratio of women to total new hires	1) Secured a 31.3% ratio of women to total new hires
		2) Secure a 20% ratio of international hires	2) Secured a 19.5% ratio of international hires

Three Attitudes of Sincerity	Key Measures	FY2016 Targets	FY2016 Results
Compliance	1. Prevent corruption and fraud	Ensure zero occurrences	Ensured zero occurrences
	2. Prevent major compliance issues	Ensure zero occurrences	Ensured zero occurrences
Risk Management	1. Thoroughly prevent risks before they occur	Improve the quality of risk management activities	Reduced risk score by 15%
	2. Strengthen risk management systems (Japan)	Secure a disaster-prevention system utilization rate of 90%	Secured a disaster-prevention system utilization rate of 92%
	3. Strengthen risk management systems (overseas)	Ensure site-specific risk management manuals developed at 100% of sites	Ensured site-specific risk management manuals developed at 92% of sites
Communication	1. Undertake dialogue with stakeholders	Maintain selection to key SRI indices	Maintained selection to key SRI indices
	2. Address human rights and supply chain initiatives (child labor, discrimination)	Promote CSR procurement globally	Implemented with major suppliers in Japan
	3. Promote social contribution activities	Increase employee participation (vs. FY2013)	Increased the TABLE FOR TWO participation rate by 21.0%

The Current Status and Future of the Sekisui Chemical Group

DIRECTOR INTERVIEW

Satoshi Uenoyama

Senior Managing Executive Officer
Responsible for Corporate Research and Development
Head of LB Project



PART

1

The head of Corporate Research and Development outlines his view of the Group's future.

About the Future

My Background

Since joining Sekisui Chemical about forty years ago, I have worked continuously in the establishment of new businesses and in R&D. The launching of new businesses is more difficult than I imagined, and there have been a series of setbacks and challenges. However, I have never believed in quitting when faced with adversity. In fact, it often instills within me a drive to try even harder. I believe there are two reasons for this. First, the more you learn about the difficulties in setting up a new business, the more you come to appreciate the challenges the founders of Sekisui Chemical faced when building a base for the Company. Moreover, as you understand that the Company is only where it is due to the struggles of those first leaders, you come to feel a certain sense of guilt in that you are benefiting

from their efforts without making a similar contribution of your own. Of course, my aim is to launch new businesses and pass on my sense of gratitude to those who came before me to those joining Sekisui Chemical now and in the future. I strongly believe that this is the correct course of action and in this respect the Company itself should be viewed as something of a dynamic, never-ending relay game.

The second point is that the bases for Sekisui Chemical's main businesses, including housing, pipes, tapes, foam, interlayer films, and other businesses, were all built prior to 1980. To put it in more extreme terms, R&D since the 1980s has not been a primary driver in the formation of the Company's current mainstay businesses. I am driven by the need to not only reflect carefully on why this is so, but also enact strategies to fundamentally change the way we advance R&D.

Building a Sekisui Chemical That is Loved and Respected Around the World

I think that the goal – and it is an achievable goal – of Sekisui Chemical is to be a company that develops businesses that offer strong levels of value for society, and to become a company that is both well known and loved around the world.

If the 1980s to 1990s was the age of the semiconductor, the years from 2000 were the age of IT. Now we have to ask what technologies will usher in the next age. I'm certain the answer is in chemicals. I believe keywords in adding value to society include "the environment," "safety,"

"comfort," "health," and "urbanization," and Sekisui Chemical is well positioned in each of these areas to fulfill the hopes of society. I look forward to continuing to work towards this goal with a real sense of mission.

The Corporate R&D Center has the freedom to conduct operations that sometimes contrast with those at the company as a whole. As the company puts in its best effort in its operations, R&D is focused on producing results that are both socially responsible and add value to society, even if these efforts are in areas that are slightly beyond the scope of the company's current businesses. R&D frequently asks itself whether needs or

seeds should come first, though I believe the concept of "need to do" is especially important. The corporate nature of the Center allows research and development to focus its efforts in this direction.

On this same "need to do" basis, the R&D Center is concentrating its work on the environment and energy domains. We very much look forward to our work producing favorable results.

The "Future Information Box" as a Tool to Bolster Creativity

I have seen some dramatic changes in the 60 years I've been alive. I also note that the pace of change is becoming faster and faster, and it is very possible the world 20 to 30 years from now will be almost unrecognizable. Something else to consider is that those who are young today will be in their prime in 20 to 30 years. I'm really hoping that those working at Sekisui Chemical can not only anticipate these changes, but also play a leading role in instigating them. The future is always uncertain, but also inevitable. I believe it should be met head-on with no fear and a sense of anticipation. The future is, after all, part of one's own life.

When I think of business, I think less of continuity and more of creation. Amid fierce competition, it is vital to employ extreme levels of creativity to move faster than other companies and to do things that no other company can do. Creativity is not a special term reserved exclusively for those in new businesses and those engaged in R&D – it is a vital concept for anyone in any kind of competitive environment.

The concept of a "future information box" involves actively sharpening creativity in every situation in order to play a leading role in a dramatically changing future.

Learning from reading alone indicates passiveness, and passiveness does not give rise to creativity. Rather, I believe creativity comes from the ability to transmit what is felt, and we are of course looking forward to the active contributions of all. I will admit that when I was younger, I was not particularly creative. However, I have realized that I have come to consider how to best use creativity in many of the things I have thought about over so many years. By using the "future information box," I believe I can little by little transfer my own experience to others.

It is my fervent hope that the Sekisui Chemical Group can continue to be a

company worthy of the love of society, that those supporting the group can show leadership in creativity, and that they can spend happy and fulfilling days as they not only create but also play leading roles in our future.





STAKEHOLDER DIALOGUE [DIGEST]

The Sekisui Chemical Group's **future vision** and efforts to realize a sustainable society.



CSR Expert

Mitsuo Ogawa
President
Craig Consulting Co., Ltd.



Stakeholder Attendee

Masato Arai
Technical Planning Group,
Business Planning Office
TEPCO Power Grid, Inc.



Stakeholder Attendee

Masakazu Kikuchi
Executive Vice President and
Chief Business Officer (CBO)
Secual, Inc.

In fiscal 2017, the Sekisui Chemical Group will revise its CSR Medium-term Plan and set out approaches, such as the inclusion of "stakeholder engagement" in its CSR activities system, which will enhance dialogue with society. This time, we invited a CSR expert and external stakeholders and held a round-table discussion, in keeping with the Special Issue's common theme of "The Current Status and Future of the Sekisui Chemical Group," with employees responsible for future-oriented R&D. In this booklet, we present what was said at the discussion in digest form in the convenience of a magazine format.

April 5, 2017
R&D Center, Sekisui Chemical Co., Ltd.



Are You Looking Some Years Ahead When Conducting R&D?

Nakano: Are you all looking some years ahead as you conduct your day-to-day R&D? I think that you are most likely mixing recent awareness with visions of the future but, as someone in the same research profession, I participated today as I would like to ask whether you are all looking some years ahead.

Teranishi: Although I think long-term viewpoints are needed, I have not had much opportunity to give them much thought. In my case, the day-to-day objectives involve burning issues: making society's use of power storage technologies more widespread; bringing to fruition the effective use of energy; and realizing a reduction in CO₂. As a team, however, there are moves to look even further ahead, beyond lithium-ion batteries, and to set up a department to develop next-generation batteries.

Mori: I am looking at both the short term and the long term. From the point of view of the final objective, what we will be able to do in the near future is really of little consequence, but I feel that

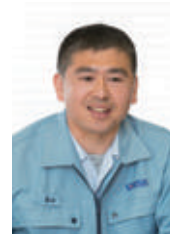
the expectation that the future lies beyond an accumulation of those inconsequential things forms my own motivation.

Suzuki: The short term of the next one to two years will naturally see an improvement in dye-sensitized solar cell (DSC) performance. Over the medium term, in around five years' time, the 'how nice it would be if the project were completed in the near future' process will be under way. I cannot divulge the nature of the research, but I am giving consideration to a project that looks into the future, and experiments are being conducted overseas. Recently, a child was born. For my long-term vision, more than 10 years hence, in the future in which that child will be living, I am painting a picture in which I want to realize a garbage-free world through the power of chemistry.



R&D Center Attendee

Soichiro Suzuki
Doctor of Engineering
Clean-Technology and
Advanced Materials Institute
Corporate R&D Center



R&D Center Attendee

Nobuhiro Mori
Clean-Technology and
Advanced Materials Institute
Corporate R&D Center



R&D Center Attendee

Rie Teranishi
Corporate
Lithium-ion Battery (LB) Project
Business Development Office



R&D Center Attendee

Dasanayake Aluthge Rasika Sanjeeewa
Researcher
Clean-Technology and
Advanced Materials Institute
Corporate R&D Center

Kikuchi: The Company is working together with Dr. Suzuki on the DSC project. I am creating a range of security-related products under the Internet of Things (IoT) banner but, in my case, I get the feeling that commercialization will be at intervals of three to six months. When seen from our perspective, one or two years hence is medium term.

Nagafusa: I see, there are slight differences in your sense of speed.

Kikuchi: In major corporations, is there not a high ratio of scenarios in which some long-awaited technology did not quite lead to product commercialization, and the research outcomes, which were immensely time-consuming and costly, are lying dormant? I feel that unearthing these scenarios, and bringing them to commercialization within a short period of time, would be a way to give rise to one innovation.

Suzuki: One or two years away is medium term? (Laughs)

Rasika: In my case, the "effective utilization of CO₂" project I'm engaged in at the moment is itself "generation after next" rather than next generation. It is positioned in the really far-off future. The project is at the stage at which we are drawing on technologies possessed by research institutions, such as Japanese and overseas universities, and investigating whether those technologies can be used in the utilization of CO₂.

Arai: I was unaware that Sekisui Chemical is researching uses for CO₂. Even our company has yet to start anything like that, so I would imagine that it's a progressive initiative.



R&D Center Attendee

Yoshinori Nakano
Manager
Clean-Technology and
Advanced Materials Institute
Corporate R&D Center



Moderator

Isamu Nagafusa
General Manager,
Environmental Management Group
Business Strategy Department

STAKEHOLDER DIALOGUE



Awareness Born of Differences in Priorities, Paths Open Up

Ogawa: For Mr. Suzuki and Mr. Kikuchi to have different definitions of short term and medium term, I think that their own priorities often differ from those of their business partners. I feel that is of vital importance to exchange opinions when priorities are at odds from each other. There is an awareness that when you say "Oh, is that so?" paths will suddenly open up. But hasn't everyone had that kind of experience?

Nakano: In the case of the R&D Center, the researchers themselves possess the unique ability to conduct technological development while engaging in PR activities with customers. At divisional companies, I believe few researchers come into contact with customers, although here the number of people that do is surprisingly high.

Mori: I myself have received battery-related requests from Mr. Arai. The giving of advice is of really great assistance in, for example, enabling his company to contribute to the safe implementation of the power transmission network and in making the use of renewable energy more widespread.

Arai: Sekisui Chemical has a wealth of housing-related expertise at its disposal. In contrast, although TEPCO Power Grid possesses knowledge as a power business contractor, we do not know that much about housing, where electric power is ultimately used. Our company has received a number of proposals from Sekisui Chemical covering, for example, the technologies necessary for energy

management in the home and on how to use storage batteries. That is of benefit to us, and I think that it will likely be of major benefit to Sekisui Chemical, too.

Mori: Despite being a manufacturer of chemicals, as you know we took on the challenges of the electricity business, but the fact is that we kind of jumped in knowing absolutely nothing of the lie of the land and without any inkling of industry common practice. There have been many aspects that I have gained an awareness of through my exchanges with Mr. Arai.

Suzuki: Since I was not aware of the value of successful customer communication, I could not effectively convey the products appeal three years ago, when I joined the DSC project. However, through having had a variety of sessions with customers, including Mr. Kikuchi, over the past year or so, I feel there have been many factors that have enabled me to increase speed at a stroke toward the realization of my research.

Kikuchi: It is because we see consumers and customers in front of us. Conversely, there are areas in the information relating to the materials and technologies with which I'm unfamiliar.

Suzuki: When it comes to technologies, we are able to manage somehow or another on our own, but where things get difficult is knowing where those technologies should be applied and who will be interested.

Kikuchi: Taking the case of mobile phone batteries, for example, consumer interest lies in them lasting 100 times longer than they do now, in being able to charge the battery at 1/100th of the speed or even in being able to charge using indoor light. I think that this kind of technological revolution, which is happening close at hand, will easily gain access to the hearts and minds of most consumers. Sekisui Chemical possesses upgraded and expanded resources characteristic of a major corporation that we don't have, and thus by all means we would like to effectively utilize those resources and open up the future that lies ahead.

Nagafusa: From what I have seen in this discussion, I am gaining a feel for how the Sekisui Chemical Group should be tackling its R&D initiatives for the future. I would now like to hear opinions on the projects on which you are currently working.



Expectations for “Integration” of Each R&D Project

Rasika: Although we have not dealt with specifics up to now, I am considering if there is any way to create value from CO₂, which is being dismissed as the arch villain in global warming, through the power of chemistry. Since it would have a major impact on the world if CO₂ could be put to good use, I believe that it would lead to something that would also assist the country I come from, Sri Lanka.

Nakano: I utilized the characteristics of carbon fiber-reinforced plastic (CFRP), which is strong but lightweight, and commercialized waterproof panels that can be easily handled by the elderly. As the waterproof panels are installed at the entrances to underground shopping malls to prevent floods, for example at times of sudden torrential rainfall, and the ages of the people who install them are now increasing, there was a problem that the conventional aluminum panels were heavy and could not be used, a problem that we were able to resolve by deciding to make the panels out of CFRP.

Teranishi: Under the LB project, we completed the development of a high-capacity, film-type lithium-ion battery. This is installed in the “Smart Power Station ‘100% Edition’” that was launched as a household storage battery in January 2017. Going forward, we will also begin its development and evaluation as an automotive storage battery. I would like the battery to be given a thorough evaluation by an automobile manufacture that would lead to the next phase of R&D.

Suzuki: The film-type, dye-sensitized solar cell that I am involved with enables power generation at a light intensity of 500 lux or less, and leverages its two unique characteristics: a thinness of less than 1 mm and bendability. We plan to launch sales as an independent power source for electronic billboards and IoT sensors during 2017. This is precisely the project to be working in partnership with Secul.

Mori: Working with TEPCO Power Grid right now, I am in the middle of a demonstration test of a virtual power plant that interconnects household storage batteries on subdivisions in the city of Tsukuba in Ibaraki Prefecture. Integrating and controlling 20 energy self-sufficient homes and Tsukuba business sites through TEMS, the power plant utilizes the existing distribution network to match the power usage status of the entire demonstration test site and shares the electricity stored in the household storage batteries.

Arai: Mainly with Sekisui Chemical, I am working on a demonstration test with household storage batteries, but I think that we will also be targeting the automotive storage battery that Ms. Teranishi was speaking about. Today, I have been able to find out about Sekisui Chemical's wide-ranging initiatives, such as battery development and the effective utilization of CO₂. In that sense, I have felt that it would probably be better if we were to strengthen partnerships within Sekisui Chemical and collaborate with researchers from various fields on the occasions of demonstration tests of this kind.

Nakano: Including each divisional company, how would you go about integrating each R&D project that is under way? That might be a problem in the future.

Kikuchi: I think so, too, but when looked at on an individual basis, even when cooperation appears difficult, for example with the talk of the energy management of an entire town being advanced with TEPCO Power Grid, there are areas of overlap with the security management of an entire town for which we are aiming. How to make cities in which people can live in a safe, secure and comfortable way. When mutual aims are close, I would like to make a joint contribution.

Nagafusa: In closing, perhaps Mr. Ogawa would be so kind as to give us his thoughts and impressions on today's discussion.

Ogawa: I get the feeling that you have shown us the potential with regard to Sekisui Chemical's environment and energy fields. The world is currently undergoing major change, and society has great expectations with regard to companies that are seeking to change. As I think you are one such company, and you are on record as having said that “the Sekisui Chemical Group has a dream to create that kind of world in 10 or 20 years' time,” I would like to see you by all means call attention to that sort of vision through your R&D. For that reason, I would like to make more use of stakeholder feedback.

Nagafusa: I thank you all so much for lending your valuable opinions to today's proceedings.



For the full version of
this stakeholder dialogue,
please visit the
Company website at:



<http://www.sekisuichemical.com/csr/>

About the
Present

Shunichi Sekiguchi

President
Housing CompanyCOMPANY PRESIDENT
MESSAGE | HOUSING COMPANY**The Housing Company Today**

Since its start of operations, the Housing Company has pursued the industrialization of housing production using the unit construction method, addressing various societal issues by meeting the needs of the times, such as by enhancing performance and quality and providing environmentally considerate “smart houses.”

Nowadays, more homes are being equipped with solar power generation systems and storage batteries, as well as home energy management systems (HEMS), to address environmental problems and prepare for disaster. At the same time, efforts are underway to make effective use of resources through sales of second-hand homes and other methods of activating the housing stock.

In fiscal 2016, in collaboration with corporate R&D departments and other companies, we moved forward with smart town verification tests employing a virtual power plant (VPP)* and a cloud-based energy management system (EMS). We also commenced sales of the world's first homes equipped with film-type storage batteries. Adopting “fusion” as our keyword, we are promoting R&D that goes beyond organizational and departmental boundaries in pursuit of more effective and swifter commercialization.

* A virtual power plant (VPP) is a system that functions virtually as a single power plant by using a communication network to manage multiple dispersed power sources (such as compact private power generation systems, solar power generators, fuel cells and storage batteries).

Creating Homes from the Homeowner's Perspective

As well as being an individual's greatest asset, I believe that homes provide the foundation for healthy and cultural lifestyles and have a profound impact on the environment and safety of local communities. Accordingly, as a provider of homes we recognize that the work we undertake comes with substantial social responsibilities.

For instance, in recent years the aging of society has been accompanied by a growing percentage of seniors affected by earthquakes, fires and other disasters. Many seniors find it difficult to evacuate to safe locations, sometimes having no option but to remain in their homes. Furthermore, due to an insufficient number of facilities to accommodate the growing number of elderly people, in-home nursing care is expected to become mainstream, and homes need to satisfy such demands. Recognizing this trend, the Housing Company is working to resolve issues that will emerge as society ages, such as by providing homes that are highly effective at mitigating disaster and conducting refurbishment that facilitates nursing care.

Staying a Step Ahead of the Competition in Addressing Societal Issues

Taking the initiative on societal issues of the time in this manner has contributed greatly to the Housing Company's growth. We have always sought to be at the industry's forefront on such issues. In the 1970s, we met calls for higher-quality housing with industrialization and quality management methods. As expectations of an aging Japanese society mounted in the 1980s, we built homes that took seniors' needs into consideration. In the 1990s, we entered the renovation business as the need to leverage housing stocks became more apparent. As global environmental problems materialized in the 2000s, we commenced sales of smart houses that make use of renewable energy. Our stance toward addressing such issues is unchanged, and we will remain at the forefront of societal issues moving forward. I invite you to look forward to our efforts with anticipation.

The Housing Company's Current
Future-oriented Initiatives

Growing prevalence of
homes powered entirely
by renewable energy



KEY PERSON'S MESSAGE

Homes that help achieve zero power uncertainties enable reduced CO₂ emissions and are friendly to people and the environment.

In 2017, the Housing Company began selling a new type of house, called the Smart Power Station 100% Edition. Meant as an ideal for Japanese homes of the future, in this house all of life's power requirements are satisfied through electricity generated by solar power. Developed under a concept of "ultimate living with zero power uncertainties," our aim was to create a home in which people could live without having to depend on purchasing power from electric utilities every day of the year. The Company's proprietary developed high-capacity film-type lithium-ion batteries and vehicle-to-home (VtoH) system provide more than a day's worth of electricity.

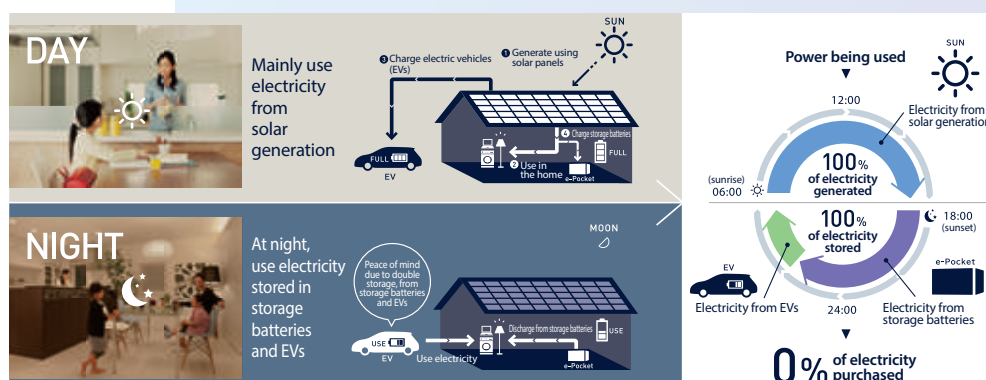
To prevent global warming, Sekisui Heim has been working to develop homes that are self-sufficient on renewable energy power

sources and that allow people to go about their everyday lives unhindered even during power outages, but this has proven impossible to achieve with solar power generation equipment alone. For this reason, the company took up the challenge of combining power-storage technologies, such as installing storage batteries and making use of the power stored in electric vehicles. Through these efforts, Sekisui Heim was able to meet its goal of meeting 100% of energy needs. As all electricity is provided by renewable energy, CO₂ emissions are reduced by 3.4 tons* per year, around four times the reduction generally achieved by homes with solar power generation equipment.

* Calculation assumptions: TEPCO Energy Partner's adjusted emission factor of 0.000491 (actual value for fiscal 2015, in t-CO₂/kWh) x 7,000kWh (the median value for electricity consumed in one year)

My dream is to see homes that are energy-self-sufficient, without uncertainties about electric power, become the standard for housing throughout Japan. I think that if in addition to homes, we can achieve a society free of uncertainties about electric power supplies at the town and community level, we will be able to address more imminent societal issues.

Electricity (Energy Flow)



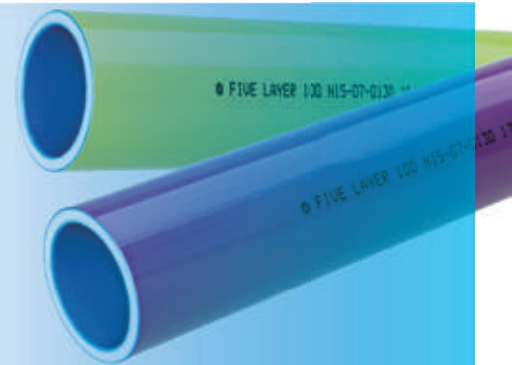
Ryuji Oka

Executive Chief Engineer
Interior Decoration & Facilities Development
House Development Division
Product Development Division
Housing Company



Hajime Kubo

President
Urban Infrastructure & Environmental Products Company



COMPANY PRESIDENT MESSAGE

URBAN INFRASTRUCTURE & ENVIRONMENTAL
PRODUCTS (UIEP) COMPANY

The Urban Infrastructure & Environmental Products Company Today

Now that half a century has passed since Japan's period of rapid economic growth, much of the social infrastructure built during that time has become superannuated, and measures to address this situation are urgently needed. Demand for products and technologies to update, rehabilitate and repair this infrastructure is growing on a daily basis. As a pioneering plastics manufacturer that was the first in Japan to succeed in the mass production of polyvinyl chloride (PVC) piping 65 years ago, the Urban Infrastructure & Environmental Products (UIEP) Company has been working to address this growing social demand as quickly as possible with measures to repair aging infrastructure.

Under the themes of finding substitutes for metals, developing new materials and cultivating new uses, we continue striving to help reduce environmental impact on local communities by making use of plastic materials in a wide range of fields.

In fiscal 2017, we are launching the InfraGuard series of products to repair and strengthen degraded concrete and other structural materials. By deploying the series broadly in Japan and overseas, our new medium-term management plan calls for us to steadily roll out new, environmentally considerate products.

Collaboration with Other Entities Essential for Creating New Products

The type of infrastructure we are involved with are assets belonging to all of society. The Company cannot complete such infrastructure alone, particularly when it involves developing new technologies.

To maximize the effectiveness of our limited management resources, we consider alliances with other companies and affiliated companies and the joint development of new products and technologies to be an extremely effective option.

As with social infrastructure, there is also a growing need for measures to address factory obsolescence. We are uniquely positioned with the extensive product capabilities to support the stable operations of plant production equipment, enabling us to propose to customers optimal piping materials for lines that have long lives and are easy to install.

I believe our greatest strengths lie in the track record we have built up over the years and a solid network of partners in a variety of fields.

Product Value Equates to "Environmental Contribution"

In infrastructure products, which have a close connection to people's lifestyles, I am convinced that product value is "environmental contribution" in and of itself. In that sense, you could say that all the UIEP Company's products contribute to the environment in some way.

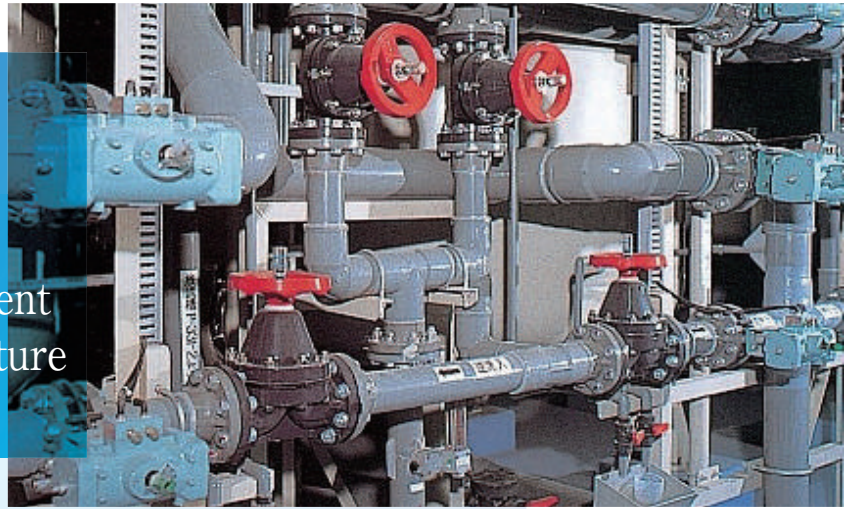
Meanwhile, in fiscal 2017 we will conduct a major overhaul of our technology development departments in the interest of further accelerating new product development.

Based on the concept of "fusion" raised in our new medium-term management plan, we will aggressively pursue R&D that goes beyond the boundaries of the UIEP Company in order to cultivate new demand and develop business in new domains.

I am proud that each of our business facilities is actively engaged in measures to protect the natural environment, and that they are spreading out into unique activities closely linked with the regions where the facilities are located. As our employees engage in these activities, they obtain hints on viewing things from a different perspective. I anticipate a virtuous cycle in which these perspectives are linked to new product developments, and the new products increase our contribution to housing and social infrastructure.

The Urban Infrastructure & Environmental Products (UIEP) Company's Current Future-oriented Initiatives

Developing plastics that are friendly to the global environment while creating social infrastructure with a long service life



KEY PERSON'S MESSAGE

Through plastic piping materials, we are contributing to the creation of social infrastructure that is friendly to the global environment.

To date, semiconductor plants' ultrapure water lines have mainly employed stainless steel piping materials. However, in Japan we have developed an alternative product using our mainstay clean piping material to achieve light weight and simple construction. Companies in Southeast Asia (China, South Korea and Taiwan) are currently making aggressive capital investments in semiconductor and LCD plants. Our materials are produced in Taiwan, which is convenient, and are being used by numerous customers. Notably, our ESLON valves have the high product quality and product lineup required of Japanese factories and semiconductor and LCD plants. They are the only such product in Taiwan to have NSF certification. Their high quality level means that they can be used with peace of mind and have earned the products a strong reputation.

We also manufacture and sell our own Mefco brand of valves, which are broadly used with industrial wastewater and waste fluids, as well as

in such fields as aquaculture and agriculture.

As Taiwan is a small island nation, its awareness is particularly high with regard to societal issues such as global warming and energy conservation, as well as problems with water resources. As a result, the country has set high regulations on the percentage of waste water recycling and reuse. We expect plastic piping, which is highly resistant to deterioration over time, to find use in various government-directed projects that are underway, including the construction of reclaimed water treatment plants at industrial parks, the erection of rainwater storage systems and seawater desalination.

From the perspective of waste reduction, plastic piping is more environmentally friendly than metal piping as it is more lightweight and longer lasting. Also, less CO₂ is emitted in the production of plastic piping. We manufacture around 5,500 tons of such piping annually,

contributing to a reduction of 4.2×10^5 tons of CO₂. This equates to the amount of CO₂ absorbed over the course of one year by some 30 million pine trees.

* Calculation assumptions: Minus 1.94×10^4 kg (per 15A x 1 km) [According to the Vinyl Environmental Council]

Products such as LCD TVs and smartphones make our lives more convenient, and our products are in the background, assisting in their manufacture. For this reason, I consider continuing to respond to high quality demands to be our company's mission.



Jojo Hu

Sales Manager
Taipei Office
Sekisui Industrial Piping Co., Ltd.



Plant Hyper BK



Mefco valve



Keita Kato

President
High Performance Plastics Company



COMPANY PRESIDENT MESSAGE

HIGH PERFORMANCE PLASTICS (HPP)
COMPANY

The High Performance Plastic (HPP) Company Today

The Company supplies high-performance materials daily in a wide range of business fields close to our lives such as automobiles, mobile phones, and housing.

In our new Medium-term Management Plan started in fiscal 2017, we will continue to more strongly position the four strategic fields of Electronics, Automobiles and Transportation, Building and Infrastructure, and Life Science. At the same time, we want to focus particularly on businesses and projects that have integrated the Sekisui Chemical Group's strength, such as car electronics materials, which extends across the strategic fields, materials for transport aircrafts and vehicles and overseas infrastructure materials, which are promoted across the company.

Environment-contributing Products for New Domains in 2017

Ever since the Sekisui Chemical adopted environmental management, the High Performance Plastics (HPP) Company has pursued environment-friendly products and manufacturing processes.

For example, in the Automobiles and Transportation business, S-LEC™ Solar Control Film has become widely recognized as a product that helps lower automobile fuel consumption. Our current focus of development in the electronics field is OLED materials, which hold promise as next-generation energy conserving displays.

We are preparing to expand energy conservation activities, mainly pursued at domestic plants, to overseas plants. On the other hand, considering that there are many diverse issues aside from the natural environment in our society, we have expanded the scope of application of "environment-contributing products" to include the area of "social contribution" in our new environmental medium-term plan.

In the field of Life Science, not only are we manufacturing environment-friendly products that enable a 70% or more reduction in waste, but also developing innovative diagnostic reagents that enable two tests to be conducted at one time. We also offer a range of products that contribute to solving social issues that will speed up disease recovery, prevention and treatment support.

In the years ahead, we will increase the number of products that not only contribute to the natural environment, but to the social environment in all the Company's business domains.

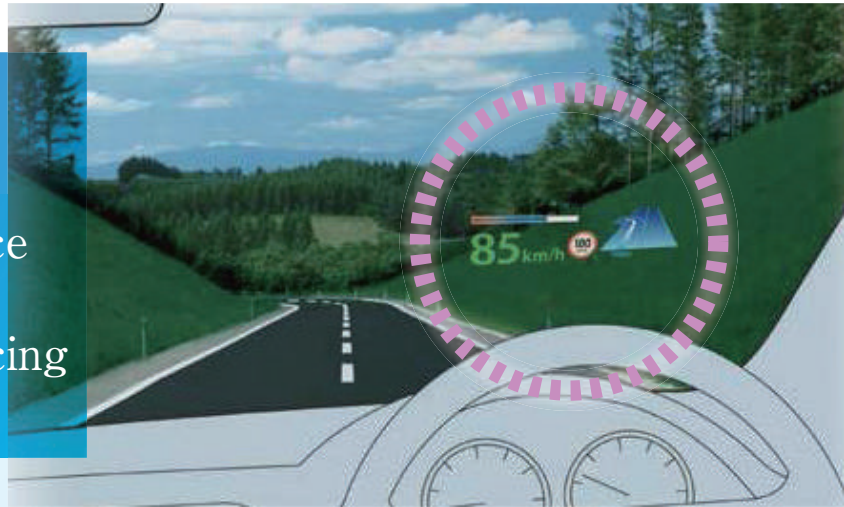
Developing the Groundwork for the Future

What values will we create and what social issues will we solve? By constantly keeping that question in mind and conducting research and development, the added value of the products we create naturally increases.

We are committed to developing indispensable high-performance materials and to providing these products in the future so that everyday products that reach the hands of stakeholders are more environmentally friendly and safe and secure for society.

The High Performance Plastics (HPP) Company's
Current Future-oriented Initiatives

Developing high-performance
interlayer films that are
extremely effective in reducing
environmental impact



KEY PERSON'S MESSAGE

**Our interlayer film has acquired the
functions needed to achieve a sustainable society.**

S-LEC™ Sound Acoustic Film, commercialized in 1998, is a product that can maintain in-vehicle quietness, even with thin glass, and contribute to making automobiles lighter while improving comfort. On the other hand, S-LEC™ Solar Control Film, commercialized in 2001, can reduce the air conditioner's power consumption and improve fuel economy by shielding and insulating heat outside the vehicle and controlling rising temperatures within the vehicle.

Demand for the two functions of sound insulating and heat shielding with one interlayer film has increased, especially from manufacturers that produce eco-cars with high environmental performance standards. Therefore, to meet market expectations, we pursued original R&D and commercialized

the world's first "sound insulating/heat shielding interlayer film" in 2005. High multilayer extrusion technology is required for sound insulation, and high technology is required to uniformly distribute heat shielding particles for heat shielding. It was an extremely difficult mission as we had to achieve these two technologies simultaneously and needed the capacity to perform stable mass production.

Until now, these products were mainly used for windshields, but due to stricter fuel consumption regulations established by each country and the increasing environmental awareness of drivers, the opportunity is there to pursue higher environmental performance standards, and therefore the use of these products in other glass parts, such as side windows, is expected to rise.

Recently, the use of wedge-shaped interlayer film for Head-up Displays to project clear images on windshields has been growing due to the need for greater safety. Historically, interlayer film has produced a variety of products that reflect social needs including S-LEC™ Sound Acoustic Film, S-LEC™ Solar Control Film, and wedge-shaped interlayer film for Head-up Displays. In partnership with other divisions, I will develop new products after these that will enrich future life. I want to contribute to solving environmental issues by growing and spreading these new products until they become the Company's mainstay products.



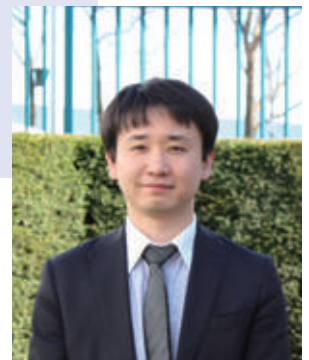
Standard PVB layers

Sound-insulating layer

Heat-insulating nanoparticles

S-LEC™ Sound Acoustic Film
(Sound-insulating interlayer film)

S-LEC™ Solar Control Film
(Heat shielding interlayer film)



Sho Fujioka

High Performance Plastics (HPP)
Company
SEKISUI S-LEC B.V.

Environmental Management System

[Web for details](#)

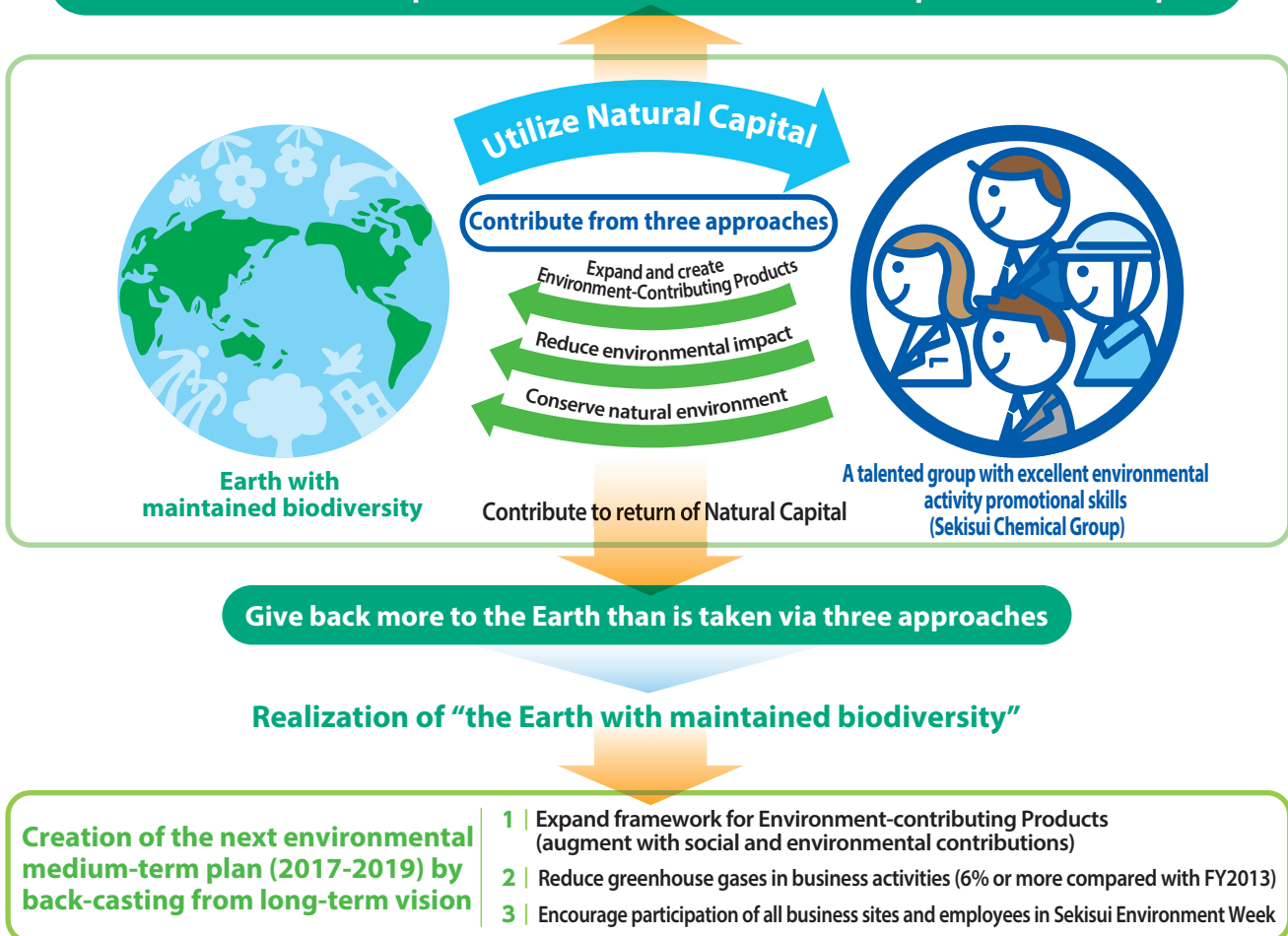
Building Systems and Platforms for Advancing Activities and Reaching Targets

Sekisui Environment Sustainability Vision 2030

In 2013, the Sekisui Chemical Group formulated the Sekisui Environment Sustainability Vision 2030 as its Long-Term Environmental Management Vision with the aim of realizing “the Earth with maintained biodiversity.” Corporate activities and all issues relating to the earth’s environment have both a direct and indirect impact on

biodiversity. With this in mind, the Sekisui Chemical Group recognizes that by solving a host of important issues including climate change, the depletion of natural resources, and ecosystem degradation, it is better placed to realize “an Earth with maintained biodiversity.”

The Sekisui Chemical Group is aware that its business activities depend on natural capital.



Sekisui Environment Sustainability Index

[Data Book P10](#)

The Sekisui Chemical Group has been using the Sekisui Environment Sustainability Index since fiscal 2014 as a single indicator of the level of environmental impact by its corporate activities (i.e. use of natural capital) and contributions back to the environment (i.e. return of natural capital).

Return of natural capital*



* With environmental impact equal to 100 representing the use of natural capital, the return of natural capital as contributions back to the environment (A more detailed explanation is available on our website.)

Environment-contributing Products

[Web for details](#)

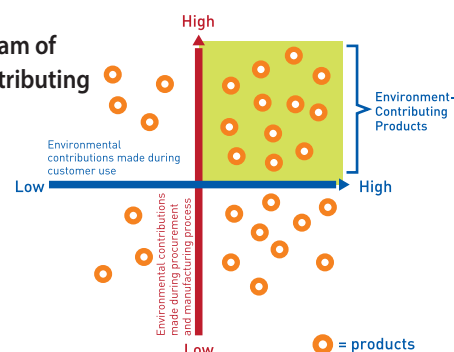
Create and Expand Markets for Products That Display Significant Environmental Contribution Effectiveness during Customer Use

Advance System for Environment-contributing Products [Data Book P11](#)

Over the three years of the CSR Medium-term Plan (Fiscal 2014–2016), a total of 45 products were newly registered as Environment-contributing Products, exceeding the target for 30 products. The sales ratio for Environment-contributing Products was 45.2%, short of the target for 50%. The framework of the Environment-contributing Product system was expanded to “assessment of contributions to the natural

environment + social environment” in reference to the issues highlighted by the United Nation’s SDGs and the Sekisui Chemical Group’s most important issues for helping to solve issues through its business activities.

● Conceptual Diagram of Environment-contributing Products



● Number of new Environment-contributing Product registrations



Environment-contributing Product Registrations in FY2016 (product examples)

Product name: Geothermal Eslo Heat



Environmental contribution category:

GHG reductions



Energy Conservation

This system utilizes underground thermal energy by installing heat collection pipes (underground heat exchanger) in the earth where temperatures remain stable throughout the year. With the development of new high-performance heat collection pipes, it is now possible to install a horizontally oriented system for heat removal in shallow layers located 1-10 meters underground.

Product name: Kucho Hyper CH



Environmental contribution category:

GHG reductions



LCA

Reduce Waste



Kucho Hyper CH is a high-performance polyethylene tube for air conditioner piping. This polyethylene tubes is optimal for cold water applications. Compared with conventional carbon steel pipes used in this application, this polyethylene tubes is lighter and excels in corrosion resistance, making it possible to reduce CO₂ emissions throughout the product lifecycle.

Product name: Advasol, Water-soluble Film with Harsh Chemical Resistance



Environmental contribution category:

Intermediate materials*



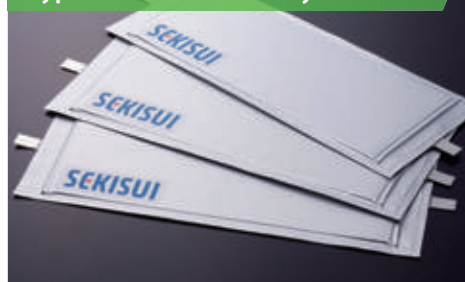
Reduce Waste



This material is used in individual packaging, making it easier to handle pool disinfectant and water treatment chemicals, for example. This water-soluble film has harsh chemical resistance. It can be dissolved in water, thereby helping to reduce waste.

* An indispensable material for products that contribute to the environment

Product name: High-Capacity Film-Type Lithium-Ion Battery



Environmental contribution category:

GHG reductions



Energy Storage
Energy Conservation

The Sekisui Chemical Group successfully developed a film-type lithium-ion battery utilizing its proprietary electrode coating type insulation materials and process technologies. Leveraging thin and lightweight properties as well as the ability to accommodate diverse configurations, this development is opening the door to a variety of applications.

Environmental Impact Reduction

[Web for details](#)

Working to Return to the Planet Natural Capital Used in Business Activities

Reducing greenhouse gases [Data Book P14](#)

We aim to keep the overall volume of greenhouse gas emitted during manufacturing pegged to the fiscal 2013 level, and reduce by 1% every year the amount of energy consumed per unit of output. Total emissions of greenhouse gases were reduced by 0.3% in fiscal 2016.

Reducing Greenhouse Gases vs. FY2013/Japan and overseas



Promote Energy-saving Investments

We aggressively make investments that contribute to the environment in order to address global warming. In January 2017, we initiated an internal

funding system for capital investments that effectively reduce CO₂ emissions during production.

Renewal as an Eco Factory

At Kyushu Sekisui Heim Industry Co., Ltd., the first phase of factory renovations was completed in June 2016. The New Heim Plant was reborn as an environmentally friendly eco factory.

Principal Environmental Considerations

- | | |
|--|--|
| 1 Thermally insulated roof and walls | 4 Storage batteries and solar power generation systems |
| 2 Geothermal air conditioning system | 5 LED lighting in all buildings |
| 3 Rainwater storage tanks | |

Comparison of CO₂ emissions to conventional factory of similar size (Emissions from a conventional factory indexed to 100)

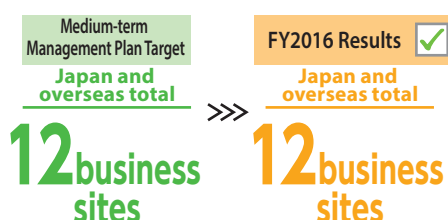


Kyushu Sekisui Heim Industry Co., Ltd.'s new Heim Plant

Waste Reduction [Data Book P16](#)

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

Number of Business Sites with Zero Emissions



Natural Environment Conservation

[Web for details](#)

Working to Protect the Natural Environment, including Biodiversity

SEKISUI Environment Week

The Sekisui Chemical Group holds the SEKISUI Environment Week annually during the week starting on August 1 as an opportunity for all employees to participate in environmental contribution activities. In fiscal 2016, the participation rate exceeded 70% with more than 20,000 employees taking part in a wide array of activities, such as local cleanup drives, nature observation meetings, and tree planting.

SEKISUI Environment Week: Number of participating employees



Activities to remove non-native plants in New York's Central Park

Greening of Business Sites

We are moving forward with efforts to improve green space quality with the aim of maintaining flora and fauna habitats around business sites. In fiscal 2016, we improved our average score on the JBIB Land Use Score Card™ by 13.4 points compared with fiscal 2013.

JBIB Land Use Score Card™* average score



*JBIB Land Use Score Card™: A tool for evaluating the level of efforts to preserve biodiversity



Fauna and flora observation at greened areas of Taka Plant

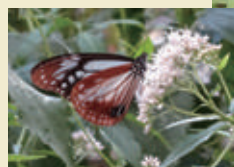


TOPICS 2016

Creation of Grassland Biotope at Kyoto Research & Development Laboratories

Starting in fiscal 2015, Kyoto Research & Development Laboratories has reassessed its greenery in relation to Kyoto City's Biodiversity Plan. We came up with a concept for creating green spaces, and as our first foray based on this concept, we created a biotope that mimics the grasslands of Miyako with ten varieties of plants centered on the wild thoroughwort. When the thoroughworts bloomed in autumn 2016, employees from Kyoto Research & Development Laboratories observed the biotope and surveyed the fauna and flora in their habitat.

Blooming
Dianthus superbus



Parantica sita on a
thoroughwort in the
biotope



Blooming thoroughwort plants

Attractive Products and Services

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

➤ Web for details

Self-declaration for Customer-oriented Management

Sekisui Chemical agrees with the Consumer Affairs Agency and its initiative to realize customer-oriented management, and has made a declaration for pursuing customer-oriented management* as an expression of its principles and action

policies. Sekisui Chemical plans to disclose the outcome of its activities and current status of initiatives in its CSR reports published each year from 2018.

* Companies declare on their own accord to engage in consumer-oriented management, take action based on their declarations and disclose the outcomes of their initiatives.

➤ More details are given on the Consumer Affairs Agency website (Japanese)

http://www.caa.go.jp/policies/policy/consumer_research/consumer_oriented_management/propulsion_organization/#participant_company

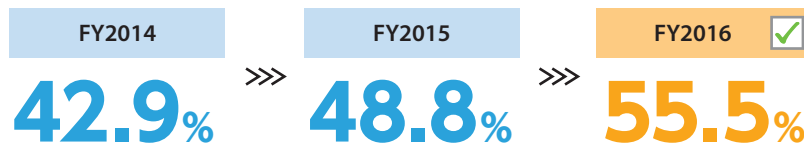
Improve Responsiveness of Customers Consultant Section

➤ Data Book P22

Each and every employee in Customers Consultant Section learns as much as possible about our products and technologies in order to satisfactorily answer the inquiries of customers received by telephone, without

having to forward the call to another department. As a result of these efforts, we have seen an increase in compliments given by our customers who took advantage of our Customers Consultant Section.

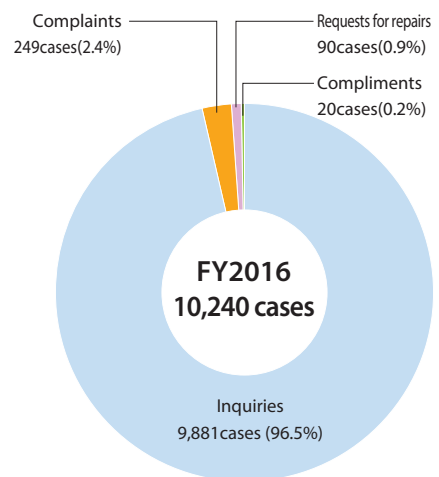
One-stop response rate for Customers Consultant Section



Number of compliments for Customers Consultant Section



Fiscal 2016 Call Breakdown



Internal Penetration of CS & Quality Management

The Sekisui Chemical Group has been conducting customer satisfaction (CS) and quality assessments for domestic employees once every two years. These assessments are intended to determine the degree of CS & Quality management penetration internally by gauging CS & Quality-related awareness and actions among employees as well as to identify issues and stipulate action guidelines. In the fiscal 2016 assessment, the number of respondents had doubled compared with fiscal 2014, and scores have improved in all categories.

Number of respondents to CS & Quality assessments



Training to Increase Attractive Qualities

CS & Quality seminars are seminars taught by guest instructors from various fields of expertise who are invited to help improve awareness of customer satisfaction and quality. Attractive Qualities Edition seminars discuss methods for creating compelling

products and Basic Qualities Edition seminars focus on how to enhance basic quality. In fiscal 2016, the CS & Quality Seminar: Attractive Qualities Edition was held a total of three times at the head office in Tokyo with 235 people in attendance.

● Fiscal 2016 CS & Quality Seminar: Attractive Qualities Edition



Secrets to Highest Nationwide Customer Satisfaction at Nets Toyota Nangoku
Emphasis on Customer Happiness, Joy of Work

Speaker: Takaaki Yuki, Vista Works Inc.



Make Work Fun, Do Not Limit Yourself
A Path to Enjoyment

Speaker: Yukie Miura, "boxed lunch meister" at Nippon Restaurant Enterprise Co., Ltd.



Creating Teams of People at QB House
People Key in the End

Speaker: Yasuo Kitano, President of QB Net Co., Ltd.

Internal Dissemination of the Story of Attractive Qualities

The Sekisui Chemical Group has set up the Attractive Qualities Screening System for evaluating its Attractive Quality products from an external third-party viewpoint, in order to accelerate the creation of attractive qualities and provide value to customers and society beyond sales and profits. We put together the Story of Attractive Qualities as a compendium of stories about the development of products regarded highly under this system, and distribute these stories over our intranet.

As of the end of fiscal 2016, we had assembled ten stories for the Story of Attractive Qualities publication, which is viewable over the intranet by all employees of the Sekisui Chemical Group. Some of these stories are also available on Sekisui Chemical's website.



An interview and meeting to edit the Story of Attractive Qualities held in 2016

▶ **Maximize Use of Space Under Floors! An Innovative Building Air Conditioning System (Comfort Airy) (Japanese)**

http://www.sekisui.co.jp/person/recruit/work_person/story/top.html

Quality Improvement

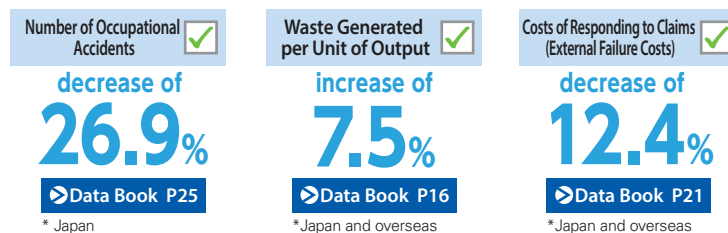
[Web for details](#)

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

Three Zeros Initiatives

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

Accidents, waste, and complaints compared to fiscal 2013



Major Quality Issues Initiatives [Data Book P21](#)

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

Major Quality Issues



Review of the Quality Assurance System

Following an update of the ISO 9001 standard in fiscal 2015, Sekisui Chemical embarked on a review of quality management systems (QMS) at each internal company and Group company in fiscal 2016.

The focus of the review was simplifying QMS by streamlining systems that had become overly complex as a result of past additions and updates, making them easier to understand.

Training to Prevent Quality Problems

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

Number of participants in the Development Risk Prevention Seminar



Number of participants in the DR Reviewer Training Seminar



Development Risk Prevention Seminar



DR Reviewer Training Seminar

Training for Improving Basic Qualities

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. In fiscal 2016, the guest speaker was Mr. Hidetoshi Kumai from Ricoh Co., Ltd.

• Fiscal 2016 CS & Quality Seminar: Basic Qualities Edition



TQM at Ricoh

Efforts to Date and for the Future

Speaker: Hidetoshi Kumai,
Executive Specialist
Ricoch Quality Promotion Department,
Quality Management Division,
Ricoch Co., Ltd.

Rebuilding Our Manufacturing Education System

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

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



Acquisition of QC Certification*

The Sekisui Chemical Group also employs QC Certification* effectively to measure levels of quality knowledge, and as of the end of fiscal 2016, over 4,100 members of the Company had attained QC Certification.

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

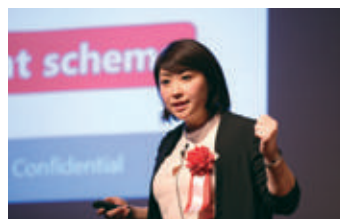
* Figures show the total number of employees who have acquired QC Certification levels 1 through 3.

• Number of people with QC Certification



Group KAIZEN Activities

Group KAIZEN Activities are an initiative in which employees form small groups to address various topics such as improvements in quality and productivity and increasing operational efficiency, and to take on various subjects such as policy management. Once a year in January, presentations are made about the best activities to spread information and help each other improve.



Maya Stary receives the special award on behalf of the S-LEC Market Creators team of SEKISUI S-LEC B.V.

Improve and Maintain the Quality of Partner Companies

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



Quality study session

Diversity Management

[Web for details](#)

Building an Organizational Culture in which Employees Are Able to Make the Most of Their Unique Features and Talents

Formulation of a Diversity Management Policy

Not only perceiving diversity by differences understood from outward appearance—such as gender, age and nationality—the Sekisui Chemical Group will also focus on differences

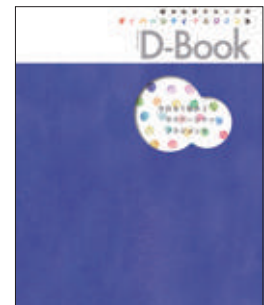
that include careers, values and personality while understanding, recognizing and utilizing the differences between each and every employee as strengths.

Diversity Management Policy

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

Preparation of an Original Booklet, "D-Book"

The Company prepared and distributed to all domestic Group employees an original booklet, the "D-Book." The information provided in the "D-Book" includes a message relating to Sekisui Chemical Group's diversity management from President and Representative Director Teiji Koge, previous case studies, and a Q&A.



Organizational Unit Diversity Implementation Activities Support Program for Those Responsible for and Managers in Charge of Diversity Management Promotion

To create an organizational culture that realizes diversity management, we initiated small group activities on organizational culture reform through 140 domestic organizations.

Putting in place those responsible for and managers in charge of diversity management promotion at each business department and Group company organization, these efforts have the aim of creating a better organizational culture through diversity promotion by means of each organization's independent activities.

● Number of organizations implementing activities

FY2016



61 companies
140 organizations



A group discussion toward the creation of a better organization

Educational Programs on Diversity Management Implementation That Utilize the Attitudes and Distinctive Characteristics of Each and Every Team Member

In working toward the realization of diversity management, since it is important for superiors, who play a key role, to understand, recognize and utilize the fact that attitudes to work and life and distinctive characteristics differ from one team member to another, we are implementing educational programs on diversity management that are geared toward the managers of groups and sections from domestic Group companies. At these educational programs, participants are learning the way that business leaders ought to act as well as communications and management styles that discover new possibilities and which they are putting into practice at their actual workplaces.

● Numbers of participants at educational programs on diversity management implementation

FY2016



1,168



A general view of participants at an educational program on diversity management implementation

Allowing Diverse Human Resources to Excel: Women

Women's Empowerment ▶ Data Book P23-24

As a first step in diversity management, we are seeking to become an organization where women can truly thrive and, since fiscal 2016, have been implementing a raft of measures that are being rolled out throughout the entire Group.

With regard to the percentage of new graduate hires accounted for by women and the number of women in management positions, we have also established specific numerical targets.

● Percentage of women among new graduate hires

FY2016



31.3%

● Number of female management

FY2016



111

Raising the Retention Rate of Young Female Employees

We are conducting two seminars with the aim of raising the retention rate of young female employees. Conducted before and after assignment, the New Female Hire Assignment Support Seminar has been devised to raise the retention rate among new female hires by increasing awareness from the point of view of those attending the seminars. Geared toward those in management positions with female subordinates who are up to their third year since joining the Company, the Female Subordinate Management Seminar provides day-to-day guidance and the opportunity to learn training methods.

● New female hire assignment support seminar attendees

FY2016



114

● Female subordinate management seminar attendees

FY2016



144



Employees in management positions learning guidance and training methods for female subordinates

Fostering Women as Candidates for Management Positions

Targeting women employees and direct supervisors who are highly likely to be appointed to management positions within five years, the Company is conducting a career development program for women, an educational program that has been put in place with the aim of fostering awareness and gaining the achievements appropriate for management positions. We have been deploying this program as essential training across the entire Group since fiscal 2016.

● Career development program for women

Number of participants



90

Degree of satisfaction with educational program



4.72

(out of a maximum of 5.0)



Women candidates for management positions attend a career development program.

TOPICS
2016

Recognized as a Nadeshiko Brand

Having advocated women's empowerment since fiscal 2007, the Company has been implementing diversity management initiatives across the entire Group since fiscal 2015. Having evaluated these efforts, the Ministry of Economy, Trade and Industry as well as the Tokyo Stock Exchange, Inc. recognized the Company as a Nadeshiko brand in fiscal 2017. In aiming to become a corporate group with a presence strong enough to last a century, the Company will make even greater efforts to promote diversity.



Diversity Management

[Web for details](#)

Allowing Diverse Human Resources to Excel: People with Disabilities, All Employees Irrespective of Age

Efforts to Promote Employment of People with Disabilities [Data Book P23](#)

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

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

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

FY2016



2.29%

- **Number of Group companies that participated in brainstorming sessions on employment of people with disabilities**

FY2016



21 companies

TOPICS
2016

Kofu Sekisui Sangyo "New Diversity Management Selection 100" Winner



Group company Kofu Sekisui Sangyo Co., Ltd. employs 16 people with disabilities, including eight who are classed as having severe disabilities. These employees are assigned to departments where they can make the most of their special qualities. The company has also prepared operating manuals filled with instructional photos, set up displays and labels that are both easy to see and follow, and put in place a framework in which all employees can carry out their duties without error. These initiatives not only encompass employees with disabilities, but also all general staff. The efforts by Kofu Sekisui Sangyo have further helped to improve business activities through increased productivity and a reduction in claims. In recognition of these measures, the company received a "New Diversity Management Selection 100" award certificate from Japan's Minister of Economy, Trade and Industry.



So that they are easily understood, effective use is made of color photos and diagrams on work instruction manuals and equipment displays, devices that make it difficult for mistakes to be made.

Supporting Autonomous Career Development of Each and Every Employee [Data Book P24](#)

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

- **Number of participants at career plan training by age**

FY2015

330

>>>

FY2016



1,164

More Active Participation of Seniors [Data Book P24](#)

As a way of working for those aged 60 or over, the Company has introduced a post-retirement reemployment system to help those employees approaching retirement age but who wish to remain in employment continue to work with motivation up to 65 years of age. Regardless of their age, we believe it to be important for the sustainable growth of the Sekisui Chemical Group that employees in their 60s excel as a major workforce even more than they already have.

For that reason, at Sekisui Chemical there are initiatives in place that lead to the smooth transition to reemployment of seniors and their active participation. The Career Plan 57 educational program fosters "preparedness and motivation" that looks ahead to age 65 and, at age 59, interviews about careers past the age of 60 are conducted with outside counselors.

- **Number of participants in Career Plan 57 educational program**

FY2016



64

Allowing Diverse Human Resources to Excel: All Employees Irrespective of Nationality and Career History

Providing Opportunities to Succeed Overseas

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

In fiscal 2016, seven employees enlisted in this program and were newly assigned overseas. In the years to come, we will strive to enhance the program so that greater numbers of employees can build up work experience around the world.

Number enlisted in Global Trainee Program

FY2016



7

Developing Personnel to be Immediately Effective Overseas (global talent employees)

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

[Data Book P23](#)

Number of global talent employees

As of the end of March 2017



341

Foster Global Management Personnel (Global Saijuku School)

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



A discussion at the Global Saijuku School

Building Active Cornerstones That Draw on Knowledge, Experience and Values (follow-up training for new, mid-career employees)

With the aim of, for example, acquiring knowledge from outside the Company and enhancing its business potential, Sekisui Chemical is increasingly active in mid-career appointments (the hiring of experienced personnel). Having joined the Company, there are few examples of a lack of understanding with regard to the workplace culture or in-house systems on the part of the mid-career hires themselves proving to be an obstacle to the process of having them display their skills at an early stage. Providing new, mid-career employees (those hired based on their previous experience) with the opportunity to gain a basic understanding about such key information as the Company's unique history, culture, policies, and systems, the Sekisui Chemical Group draws on the high levels of competence and specialized skills they have accumulated up until their previous positions and implements follow-up training for new, mid-career hires so they can demonstrate those attributes and participate actively at an early stage.



New, mid-career employees gain a basic understanding about the Sekisui Chemical Group.

Healthy, Vibrant Workplaces and Systems

Putting in Place a Various Measures Aimed at Improving the Workstyles of Each and Every Employee

[Web for details](#)

Updates to Health Management Systems

The Sekisui Chemical Group believes employees are precious assets bestowed on us by society, and takes steps to promote the mental and physical well-being of all employees. We have created the welfare and health assistance group in the Human Resources Department and put people in charge of health

management at 222 business sites covering the entire Group through cooperation with health insurance associations.

In 2017, we will create the Health Promotion Office at Sekisui Chemical's Head Office and promote the health of the entire Group.

Stress Checks

Since 2016, stress checks have been performed every June. The purpose of these stress checks is to create workplaces that facilitate work through the improvement of work environments by collecting and analyzing stress levels in each section, as well as to help each and every employee understand their stress levels and prevent mental illness. In the first fiscal year of this program, reading workshops were held on learning how to correctly read group analysis. These workshops were attended by 60 business sites including Group companies.

Stress check implementation ratio

FY2016



72%

* Includes some affiliated companies



Reading workshops

Stress Management Training

Stress management training called mindbics is given over the telephone to newly appointed managers, staff dispatched overseas, and mid-career hires who are likely to have high stress levels so that they can manage their own stress. Courses can be taken at home or while out on business trips over the telephone, making it easier for those taking the courses to fit it in their business schedules.

An analysis of outcomes has confirmed that the training has had a major positive impact. Approximately 400 employees take the training each year as an essential course at the Sekisui Chemical Group.



TOPICS
2016

Recognized as a 2017 Certified Health and Productivity Management Organization



2017
健康経営優良法人
Health and productivity
ホワイト500

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

* This system recognizes companies that practice excellent health management based on initiatives to promote health being advanced by the Nippon Kenko Kaigi.

Five Highlighted Key Initiatives

- | | |
|--|--------------------------------------|
| 1 Reinforcement of the organizational structures | 3 Identify and solve health issues |
| 2 Compliance with laws and regulations | 4 Work style innovation |
| | 5 Counseling and employee training |

Work Hour Shortening Committee

In fiscal 2016, we created the Work Hour Shortening Committee in order to realize work environments that let each and every employee work with vitality. The

Committee discusses ways to shorten work hours, encourage employees to take vacation, and introduce flexible work styles.

Building a Safe and Secure Company

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

Web for details

Review of Equipment Safety Standards

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

Number of employees who took equipment safety training courses

FY 2016

327

Part of Body	Illustration	Minimum Space Necessary
Finger		25
Hand Wrist Fist		100

(Example of a standard)
Minimum space necessary to prevent accidental crushing



Employee training

Training to Improve the Ability to Identify Risks

As an effort to create a culture that prioritizes safety above all else, instead of relying on specialists, we encourage plant floor supervisors and workers to train their eyes for better identifying hazardous situations.

To enhance each employee's ability to identify risks, we began offering educational programs centered on patrolling plant floors in fiscal 2016.



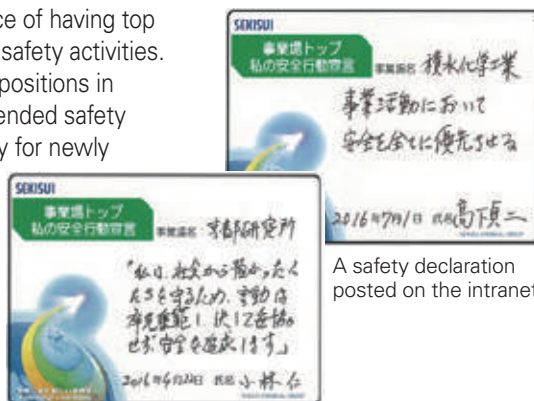
Practicing safety checks at the beginning of and after training



Training to patrol plant floors

Managers Lead by Example in Safety Activities

We understand the importance of having top managers lead by example in safety activities. Managers newly assigned to positions in fiscal 2015 and fiscal 2016 attended safety seminars designed specifically for newly appointed leaders. The President and leaders from each division declared their commitment to safe business practices, and their personally written declarations were published on the intranet for employees to see.



A safety declaration posted on the intranet



Leading by example in safety activities by employees taking the top safety seminar
Above: Disaster prevention drill Below: Plant floor patrol (right side)

Improving Emergency Response Capabilities

At the Sekisui Chemical Group, we conduct training to fortify the decision-making abilities of all our employees in emergency situations. Every year, an increasing number of departments are conducting these drills, with 21 conducting one in fiscal 2016.

Number of work sites that conducted drills, number of times, number of participants

FY 2015

Six business sites,
15 departments, 91 times

681

FY 2016

Five business sites,
21 departments, 107 times

838

Compliance

[Web for details](#)

Aiming to Remain a Company Trusted by Society by Strengthening Compliance

Prevent Major Compliance Issues

In the CSR Medium-term Plan (Fiscal 2014-2016), Sekisui Chemical aims to achieve zero major compliance issues and zero incidents of corruption and fraud. Since fiscal

2015, we have had zero occurrences of either. We will continue strengthening management of compliance and work to prevent compliance issues before they occur.

Major compliance issues

FY2014	FY2015	FY2016
1	0	0

Occurrences of corruption and fraud

FY2014	FY2015	FY2016
0	0	0

Enhance Awareness of Compliance

Sekisui Chemical Group has compiled the Compliance Manual, containing matters that each Group employee should adhere to, and created a pocket version called the Compliance Card in order to instill awareness of compliance in each and every employee.

Sekisui Chemical also has the S.C.A.N. (Sekisui Compliance Assist Network) intra-company whistle-blowing system. Every year, the number of reports filed through this system has increased as a result of efforts to raise awareness of it.



The conveniently sized Compliance Card

The Company's Compliance Manual

Stamping Out Harassment

In fiscal 2016, the Company focused efforts on training and education related to harassment after receiving a number of internal reports about harassment that occurred in the previous fiscal year, holding open seminars during Compliance Reinforcement Month, providing training sessions at Group companies, and promoting e-learning with a focus on preventing harassment.

Content of e-learning courses

- 1 | What is harassment?
- 2 | How harassment adversely affects the Company
- 3 | What managers can do to prevent harassment
- 4 | What employees can do to prevent harassment
- 5 | Internal consultation and reporting services

Compliance declaration



A deep discussion about harassment



Attentive and caring participants

Respect for Human Rights

[Web for details](#)

Respect for Human Rights across the Supply Chain, Addressing Human Rights Issues

Caring about Human Rights in Procurement Activities

Along with its entire supply chain, the Sekisui Chemical Group engages in business activities that respect human rights as part of its obligation to all stakeholders. Through CSR procurement with our suppliers, we make sure our business partners respect human rights. In the event that a supplier

does not meet the prescribed standards, a request is made to ensure that the necessary steps are taken to resolve any issues. Sekisui Chemical works together with suppliers in the implementation of appropriate measures.

Conducting CSR Procurement Surveys

Guided by its procurement policy, Sekisui Chemical began conducting surveys as a part of the process to select new suppliers in Japan from 2007. Through these surveys, the Company works to ascertain the stance of each supplier toward human rights and environmental protection as well as the status of each supplier's CSR activities. In fiscal 2016, surveys

were conducted at 146 major business partners in Japan that are associated with the Urban Infrastructure & Environmental Products (UIEP) Company and the High Performance Plastics (HPP) Company at Sekisui Chemical. All these business partners have cleared the Company's standards.

Addressing the Issue of Conflict Minerals

Sekisui Chemical is concerned about the conflict mineral problem, namely the mineral resources controlled by armed forces in the Democratic Republic of the Congo and neighboring countries that commit human rights violations and destroy the

environment. We have conducted surveys on the use of conflict minerals at companies throughout our supply chain. In fiscal 2016, we created guidelines for surveys about conflict minerals, and they are being applied from April 2017.

Training and Education about Human Rights

The Sekisui Chemical Group implements employee training on key occasions, such as when they join the company or receive a promotion, in order to maintain awareness of human rights. The curriculum

is designed to increase awareness of issues related to human rights, such as forced labor, child labor, and harassment.

Respecting and Protecting Intellectual Property

The Company has taken measures to avoid and prevent the infringement of intellectual property owned by another party. We also aggressively

protect our rights, including quickly filing patent applications for new discoveries, while properly using intellectual property.

Dialogue with Stakeholders

To build relationships of trust with its five stakeholders—customers, shareholders, employees, business partners as well as local communities, and the environment—the Sekisui Chemical Group considers appropriate and active information disclosure and two-way communication activities important.

As part of that, the Company conducts communications with business partners and interviews

with investors and research institutions in a proactive manner. These include Customer And Top (CAT) Meetings, at which top management in housing sales companies meet customers to receive feedback directly, Dialogue with Top Management, where the president and top management talk directly with employees, and the Heim Mutual Prosperity Group.

Customer And Top (CAT) Meetings

In fiscal 2016, the Company held CAT Meetings, met with many customers, and heard feedback directly.

Number of participants (customers) in Customer And Top (CAT) Meetings



Dialogue 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, the Sekisui Chemical Group has been providing opportunities for employees to communicate directly with top management since fiscal 2002.

In fiscal 2016, the Company's president visited Group companies in Japan to provide an explanation of progress under the Medium-term Plan and to address any questions. During the exchanges of opinions that followed, there were lively discussions on a number of topics, including "our Company's competitive strengths from now on" and "how should the Company and we ourselves change in the future?"



A face-to-face constructive exchange of opinions with and from top management

Dialogue with Socially Responsible Investment (SRI) Agencies

Interest in undertaking socially responsible investment in companies that actively engage in CSR activities continues to mount, while ratings agencies are increasingly undertaking surveys. Every year, the Sekisui Chemical Group communicates directly with SRI ratings agencies in Europe and other regions, financial institutions inside and outside Japan as well

as with investors. Due to our wide-ranging business domains, we believe it is important to take the time to explain to each agency the business characteristics and CSR initiatives of the Group as a whole in order to convey a sufficient and accurate understanding of our operations.

Social Contribution Activities

➤ Web for details

Actively Helping Relations between Employees and Society

Main Social Contribution Activities Implemented in Fiscal 2016

➤ Data Book P28

As a company that exists in partnership with local communities in which it operates, we proactively roll out social contribution activities under the themes of

“the environment,” “fostering the next generation,” and “the revitalization of local communities.”

Environment

The Sekisui Chemical Group advances three approaches toward the realization of its Long-term Environmental Management Vision. As a specific initiative toward the conservation of the natural environment, which is one of those approaches, its employees are developing activities to conserve the natural environment in various regions around the world.

● Main activities in fiscal 2016

Forest conservation activities by housing sales companies/
Biodiversity conservation in local regions/
Greening and cleanup activities, etc.



A forest conservation activity conducted by the Hokkaido Sekisui Heim Group.

Next Generation

Aiming for a society in which the children who will form the next generation can develop and healthily grow into adulthood, we provide educational programs that draw on our business activities. These programs include lessons given by Company employees for science classes and support and assistance for research activities based on innovations inspired by nature.

● Main activities in fiscal 2016

Houses and the environment learning program/
Science class projects/
Science classroom/Science lesson



Science classroom given by Sekisui Medical Co., Ltd.

Local Communities

As a member of the local communities in which it operates, the Sekisui Chemical Group encourages activities that bring joy to local communities, such as creating safe and secure cities in collaboration with local communities and supporting programs that assist developing countries.

● Main activities in fiscal 2016

Activities to improve civic order in regions/
TABLE FOR TWO/BOOK MAGIC/
Heart+Action/Traffic safety courses



Children hold donated helmets at a traffic safety course (Thailand)

Corporate Governance

Web for details

The Sekisui Chemical Group Has Put in Place Its Own Corporate Governance System That Reflects Its Division Company Structure

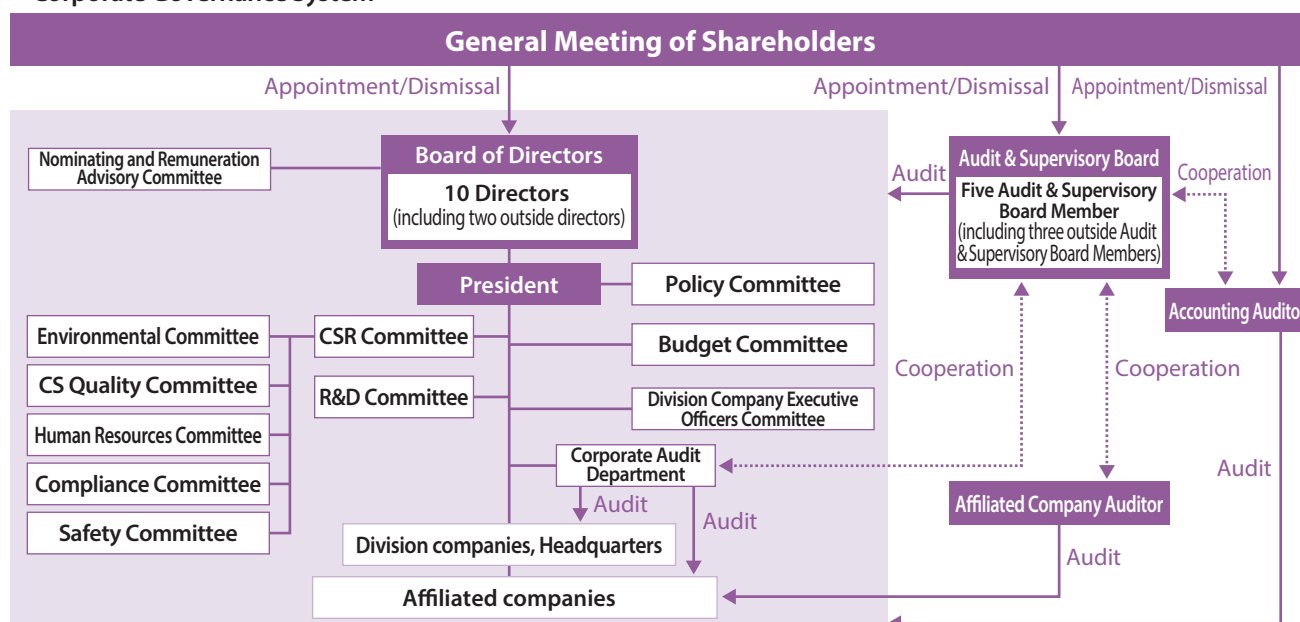
Corporate Governance System

The Board of Directors strives to achieve continual improvements in corporate value as an organization responsible for upholding the basic policies of the Sekisui Chemical Group as well as high-level management decision-making and supervision of business execution. 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. As such, a broad range of authority has been transferred from the Board

of Directors to the Executive Committee. In establishing a set of rules that pertain to outside directors, the Company has adopted a policy of not selecting candidates for the position of outside director from such stakeholders as major shareholders and business partners. This is to ensure the independence of outside directors.

In accordance with the SEKISUI Corporate Governance Principles, the Sekisui Chemical Group will promote increasingly transparent and fair business operations.

Corporate Governance System



Improving the Internal Control System

Sekisui Chemical takes steps to ensure that the Board of Directors, executive officers, and employees maintain a high level of corporate ethics. The Company also takes steps to strictly adhere to these corporate ethics by complying with domestic and overseas legal regulations, international rules, and internal regulations as well as making transparent and fair business transactions its top priority.

In addition, acknowledging the importance of improving its internal control and risk management systems, the Company has established a division tasked with enhancing internal supervision and implementing crisis management measures and has put in place internal regulations required to address various risks while undertaking employee training programs and awareness raising activities.

Declaration of Support for the United Nations Global Compact

The 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.

***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.



Risk Management

[Web for details](#)

The Company Further Strengthens the Risk Management System to Increase Sensitivity to Risks and Improve the Quality of Risk Management Activities

Measures to Prevent Risks

[Data Book P27](#)

Considering increasing employees' sensitivity to risk to be essential in addressing risks that are constantly changing, the Sekisui Chemical Group continues to run through the plan-do-check-act (PDCA) cycle of risk management in accordance with the ISO 31000 international standard. In fiscal 2017, there are a total of 170 participating organizations in Japan and around the world. These organizations account for about 98% of consolidated net sales.

● Number of organizations undertaking risk management activities / Percentage of sales



Strengthening of the Risk Management System in Japan

[Data Book P27](#)

Having completely revised its crisis management system in fiscal 2011 in light of the experience gained from the Great East Japan Earthquake, the Group has since then continued to upgrade this system. The utilization rate of disaster prevention systems (33-item self-evaluation checklist) for all domestic business sites (approximately 800) stood at 92% on average as of January 2017, continuously increasing compared with the previous fiscal year over the five years since the Company began these activities in 2011.

● Utilization rate of disaster prevention systems
(average utilization rate of disaster prevention systems at business sites in Japan)



33-item disaster prevention checklist

Strengthening of the Risk Management System Overseas

Based on internal rules for overseas safety management, the Sekisui Chemical Group has set up a scheme for Global Crisis Management Organizations with the director in charge of overseas crisis management scheme, 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.



Posting of safety management supervisors to nine overseas regions

Cyber Security

[Web for details](#)

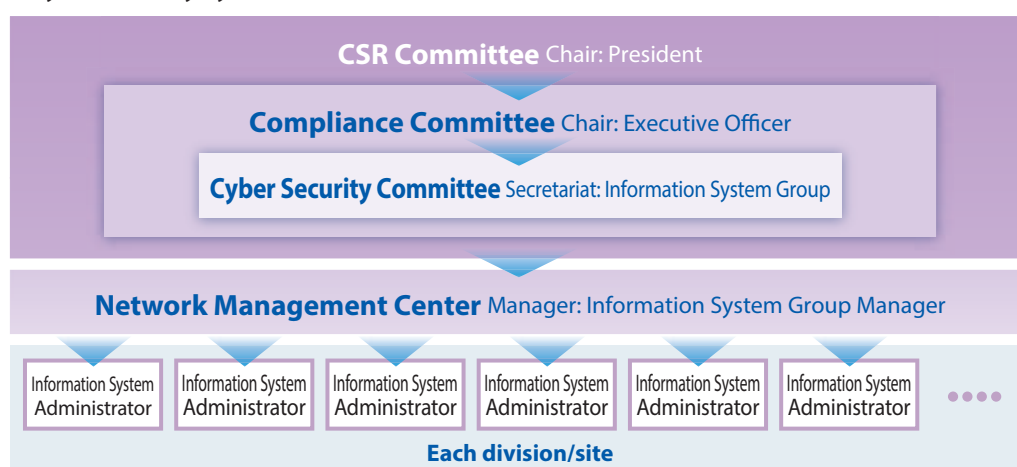
Maintaining an Effective Management System to Address Various Information-related Risks

Cyber Management System

Sekisui Chemical has established a comprehensive Group-wide information management system headed by the CSR Committee chaired by the president, posting at least one security administrator at its

business sites. Even in the case of organizational changes or transfers, the Company is constantly aware of the presence or absence of security management supervisors through its registry management system.

● Cyber Security System Framework



Measures to Address Information Leakage Risks

The Company takes every measure possible in both system and human areas in order to maintain the

security of customer (including personal) and internal (including confidential) information.

Key System-related (Tangible) Measures

- 1 Establish firewalls to completely separate external and internal networks
- 2 Monitor and record data through network management centers
- 3 Employ the latest security measures for company computers and update software
- 4 Enhance security measures through in-house e-mail systems

Key Human-related (Intangible) Measures

- 1 Conduct security audits as needed at business sites in Japan and overseas
- 2 Adopt entry/exit ID authentication (headquarters) and secondary verification when logging into systems
- 3 Conduct e-learning programs every fiscal year (passing grade required to access the Internet)

Measures to Address Natural Disaster-related Risks

Sekisui Chemical operates numerous data centers located in remote areas to maintain business operations even in the event that backbone systems

are damaged during a major earthquake. In addition, the Company is taking steps to completely duplicate critical operation systems.

Protecting Personal Information

Sekisui Chemical has formulated its Personal Information Policy, which is available on the Company's website. Based on this policy, the Company complies with legal regulations and norms regarding personal information while working to

appropriately protect personal information through the creation of voluntary rules and systems.

➤ **Personal Information Protection Policy (Japanese)**
http://www.sekisui.co.jp/privacy_policy/index.html

External Evaluations

[▶ Web for details](#)

Main Evaluations from Society during Fiscal 2016

■ CSR in General

- Earned selection to the Dow Jones Sustainability Indices (DJSI) Industry Leader, World, and Asia Pacific
- Earned RobecoSAM sustainability rating Gold Class
- Earned selection to the FTSE4Good Index
- Earned selection to the MSCI Global Sustainability Indexes
- Earned selection to the Ethibel PIONEER and Ethibel EXCELLENCE Investment Registers
- Earned selection to the Morningstar Socially Responsible Investment Index
- Ranked 46th in the Toyo Keizai CSR Ranking



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"Sekisui Chemical Co. Ltd. has been reconfirmed for inclusion in the Ethibel PIONEER and Ethibel EXCELLENCE Investment Registers since 09/12/2016. This selection by Forum ETHIBEL (www.forumethibel.org) indicates that the company can be qualified as a sector leader in terms of Corporate Social Responsibility (CSR)."

(2017/1/4)

■ Environment

- Ranked 43rd in the Nikkei Environmental Management Ranking

■ CS & Quality

- Ranked 11th in the Union of Japanese Scientists and Engineers Quality CS and Quality Management
- Awarded the Union of Japanese Scientists and Engineers' Deming Prize (Sekisui Chemical senior advisor Naotake Okubo)
- Awarded the Union of Japanese Scientists and Engineers' The Japan Quality Recognition Award Ranking

■ Human Resources

- Earned selection to the Ministry of Economy, Trade and Industry's Diversity Management Selection 100 for fiscal 2013
- Earned selection to the Ministry of Economy, Trade and Industry/ Tokyo Stock Exchange's Nadeshiko brand for fiscal 2016
- Certified as Ministry of Economy, Trade and Industry/ Nippon Kenko Kaigi as a company that achieved superior health management in 2017
- Ranked 75th in the Nikkei Ranking of Companies that Fully Utilize Human Resources
- Kofu Sekisui Sangyo Co., Ltd. Received the Ministry of Economy, Trade and Industry's New Diversity Management Selection 100 in fiscal 2016



Independent Practitioner's Assurance



デロイト トーマツ

(TRANSLATION)

Independent Practitioner's Assurance Report

June 12, 2017

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

Masahiko Sugiyama
Representative Director
Deloitte Tohmatsu Sustainability 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 ☒ for the year ended March 31, 2017 included in the "CSR Report 2017" (including the "CSR Report 2017 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 2017 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"). 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.

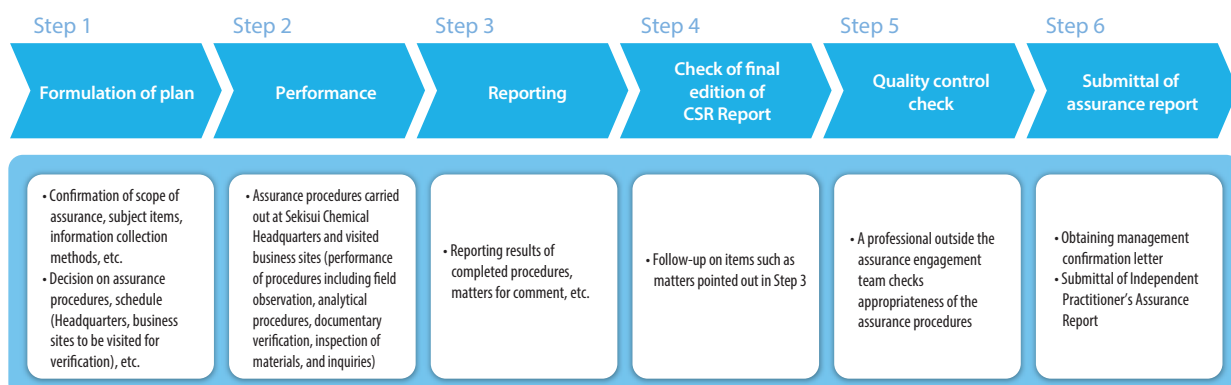
Limited Assurance Conclusion

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.

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



The Sekisui Chemical Group CSR Report: CSR in SHIFT 2019

More than just a regular report, the integrated report is a narrative about the future vision of a company, a story about how it improves corporate value, one that organically ties together financial and non-financial information. An increasing number of companies are publishing integrated reports, but many of these reports merely tack on some CSR articles to the financial information section, missing the point of publishing an integrated report. Companies that are genuinely trying to link CSR to their corporate value will describe in detail how CSR measures impact corporate value in their medium-term management plans, for example. The Sekisui Chemical Group's CSR report is well worth reading in this regard. In 2017, the Sekisui Chemical Group unveiled a new Medium-term Management Plan called "SHIFT 2019 -Fusion-". This management plan clearly outlines how ESG (environment, society and governance) will lead to improvements in corporate value. In the truest sense, this signifies the beginnings of an ambitious and innovative drive to take on challenges and tell an "integrated" story with financial and non-financial information to all, both inside and outside the Company. I give high marks to management's forward-looking stance on these disclosures.

To be more specific, I hope everyone has read President Teiji Koge's concisely conveyed opening remarks in the Top Message of this CSR report. On page four, he explains the Company's two-pronged growth strategy based on "prominences" (competitive advantages) and "living and environmental contribution" (business opportunities), and plans to increase product lines that enhance both aspects of this strategy as growth engines. The strength of his determination is evident from the establishment of the CSR Management Office in the Business Strategy Department to facilitate collaboration between business planning, investor relations and public relations, as well as a commitment to making ¥12 billion in "environmental contribution" investments over the next three years as investments in growth. This year also marked the start of a new management strategy for the Sekisui Chemical Group. I hope other companies imitate the information disclosure practices of the Sekisui Chemical Group, as it leads the pack by clearly embedding ESG in



Mitsuo Ogawa President
Craig Consulting Co., Ltd.

Mr. Ogawa graduated from Waseda University and gained experience at a major manufacturer of automotive-related products before earning a Master of Business Administration at the University of Pittsburgh. He then worked at Sanwa Research Institute and PwC Consulting before striking out on his own in 2004. Engaged in the field of consulting through to the present day, Mr. Ogawa's fields of expertise include organizational theory and the revitalization of human resources. Among a host of publications, he has authored such articles as "How ISO 26000 Will Change Management" and "How to Raise CSR Corporate Value" both issued by Nihon Keizai Shimbun, Inc. Mr. Ogawa is a visiting professor of the Commerce and Business Graduate School of Management at Nagoya University.

its management plans. However, there are a few issues that I would like to point out. Firstly, I would like to see a stronger correlation between the key performance indicators (KPIs) of the new CSR Medium-term Plan and the Medium-term Management Plan. Page 10 of the CSR Report presents the Company's new targets. Instead of just listing targets for the three prominences as KPIs for CSR, I think an explanation about how they tie in with the management targets of SHIFT 2019 and their impact would be useful. While a challenge to do, I believe this would help readers' understanding of how the new CSR targets fit in the story about improving corporate value.

The second issue is personnel-related targets. Human resources are positioned as a key element in the management foundation of SHIFT 2019. As a company engaged in globalization, it is satisfying to see Sekisui Chemical aim for more diversity in its management strategy, but the main focus is on empowering women and hiring people with disabilities, which seems somewhat lacking as a KPI. I think the Sekisui Chemical Group should set more ambitious targets, like increasing the ratio of local hires in management positions for its global workforce.

A third issue is internal dissemination. Pages 14-17 of the CSR Report feature a dialogue between the R&D division and external development partners. Last year, I wrote in a third-party opinion that Sekisui Chemical should engage in dialogue with stakeholders, and I am impressed with how fast management responded. Employees that read this will be able to readily understand the social issues and topics that the R&D Center is tackling. In addition to this dialogue, I would like to see management emphasize sustainability in-house internally through its new Medium-term Management Plan. For example, when President Koge explains to employees the new Medium-term Management Plan, perhaps he could spare some time to talk about CSR leadership as a part of employee training programs. It would be like Sekisui Chemical to have the overseas supervision section, which was newly created in the Business Strategy Department, plan leadership training courses in global sustainability with the Human Resources Department.

In Response to the Third-party Opinion

I would like to thank Mr. Ogawa for his valuable input.

At the Sekisui Chemical Group, we strongly believe that in fulfilling our corporate social responsibility we are better placed to enhance our corporate value. This is in turn the very essence of our efforts to help ensure a sustainable society.

We will take his advice about increasing the correlation between management targets and CSR targets, such as personnel-related targets, and focus on clarifying our "integration" story for improving corporate value. We aim to promote deeper understanding among both internal and external stakeholders about the CSR initiatives of the Sekisui Chemical Group.

Moving forward, we will work diligently to ensure

that the sustainable elements incorporated into the Group's new Medium-term Management Plan SHIFT2019-Fusion- and our thoughts toward the new CSR conceptual scheme that takes into consideration the integration of business and CSR become deeply entrenched through Vision Caravans held in Japan and overseas as well as the planning and implementation of CSR training.

With our sights set firmly to the future, we will endeavor to achieve SDGs and other key targets. Both management and all employees will think long and hard, and work in unison to strengthen a structure that is capable of enhancing corporate value.



Yoshiyuki Hirai
Director, Managing Executive Officer
Responsible for Corporate Finance &
Accounting Department,
Head of Business Strategy Department
Sekisui Chemical Co., Ltd.

SEKISUI CHEMICAL CO., LTD.

4-4 Nishitenma 2-chome, Kita-ku, Osaka 530-8565, Japan (Dojima Kanden Bldg.)

URL <http://www.sekisuichemical.com>

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CSR Management Office, Business Strategy Department

2-3-17 Toranomom, Minato-ku, Tokyo 105-8450, Japan (Toranomom 2-chome Tower)

TEL.: +81-3-5521-0839

E-mail: csr@sekisui.com

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The CSR Report 2017 (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.

