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 Principle” (Service, Speed, and Superiority).

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

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

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

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


date
What are your thoughts on the business environment in fiscal 2015 and policies for the future?

Economic conditions outside Japan during fiscal 2015, the fiscal year ended March 31, 2016, were mixed. On the one hand, the pace of economic growth slowed in emerging countries including China. The economies of resource-rich nations also suffered as a result of such factors as the decline in crude oil prices. On the other hand, modest recovery trends were evident mainly in developed countries. Turning to the domestic market, signs of instability began to emerge from the New Year. This was largely attributable to appreciation in the yen’s value, a downturn in share prices, continued anxiety toward financial conditions in Europe, and uncertainties surrounding the U.S. economy.

Under these circumstances, strong performances by products in such strategic fields as Automobiles and Transportation as well as Life Science, helped to drive the Sekisui Chemical Group’s overall results. Buoyed by robust growth, the Company reported record-high operating income in fiscal 2015.

Fiscal 2016 is the final year of our medium-term management plan SHINKA!-Advance 2016. As a result, our efforts throughout this 12-month period will play a vital role in mapping out a vision for growth that will take us to a higher plane. In order to ensure the Group’s sustainable growth, I will continue to vigorously promote the three core policies that I introduced following my appointment as president. Guided by these policies, the Group will draw on the theme of “co-creation and innovation” to bring to market a steady stream of new products and businesses, cultivate new markets by “opening frontiers,” and promote rigorous management efficiency while implementing the careful selection and concentration of businesses by “fortifying earning power.”

We are committed to securing the sustainable growth of the Sekisui Chemical Group by helping to solve a wide range of global issues through our ongoing business activities and continuously creating new value for society.

President and Representative Director

Jōji Kage
The Sekisui Chemical Group's corporate social responsibility is to create value for society through business activities. This is a key component of our "Our Principles" Corporate Philosophy. This is in fact, the very essence of our corporate social responsibility.

The Sekisui Chemical Group engages in a wide range of business activities. Regardless of the merits, this wide range of business activities means that we not only have a considerable impact on society, but also a significant responsibility. Recognizing the critical need to ensure a common understanding of the importance of CSR across the Group as a whole, we have positioned CSR SHINKA as a core management strategy of our medium-term management plan. In identifying priority fields, we also took steps to position the environment as an important business pillar from 2003. Working in union, we reexamined those areas in which to increase our prominence, and have made every effort to balance ecological concerns with economic development in order to contribute to society. Put simply, our mission is to expand and create Environment-Contributing Products.

The Sekisui Chemical Group has opened the door in its efforts to reach a higher plane. In order to ensure a presence that is strong enough to last a century, we will ensure that all employees are united in their commitment to help create a better society. Rallying to a common cause, our aspirations are embodied in the Group slogan "A new frontier, a new lifestyle."
Key CSR Issues and the CSR Medium-Term Plan

Promoting the CSR medium-term plan in line with priority issues extracted from a variety of challenges

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<td>1) Enhance dialogue with stakeholders</td>
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<td>2) Promote environmental and social contribution activities</td>
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<th>Targets</th>
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<td><strong>Rollout into individual business plans</strong></td>
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<td>Percentage of net sales: 50% or more</td>
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<td>Identical targets in Japan and overseas</td>
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<td>Environmental Impact (x FY2013)</td>
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<td>12% reduction per unit of output (x FY2013)</td>
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<td>Åsetement current conditions and draft countermeasures</td>
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<td>Participation of all employees in Sekisui Environment Week (Participation rate: 100%)</td>
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<td>16-point improvement in the JBB Land Use Score Card*</td>
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<td>Zero major quality issues</td>
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<td>3) Percentage of women among new hires 30%</td>
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<td>4) Percentage of international hires 20%</td>
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<td><strong>Establishment of a CSR training structure</strong></td>
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<td>Percentage of net sales: 44.3%</td>
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<td>Reduced by 9.5% in Japan and 6.0% overseas</td>
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<td>Decreased by 4.4% in Japan and reduced by 9.5% overseas</td>
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<td>Completed inspections at 50 business sites in Japan and 46 overseas business sites</td>
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<td>Sekisui Environment Week participation rate: 67%</td>
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<td>80-point improvement in the JBB Land Use Score Card*</td>
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<td>Zero major quality issues</td>
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<td>Reduced by 5% (x FY 2013)</td>
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<td>Issued PRCO, a compilation of feedback from customers</td>
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<td><strong>Increase internal job postings by 50-year</strong></td>
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<td>Number of global talent employees: 400</td>
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<td>Percentage of women among new hires 30%</td>
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<td>Percentage of international hires 20%</td>
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<td><strong>Increase customer satisfaction</strong></td>
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Outline of the CSR Medium-Term Plan

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

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

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

With regard to Prominence in Human Resources, we will increase the strengths of human resources throughout the entire Group, based on the three axes of Group, Global, and Diversity policies. To do so, we will hire and train the human resources we need, deploy diversity management across the entire Group, and work toward centralized management of Group HR data that supports these efforts, using information technology.
Building Disaster-Resistant Homes for a More Comfortable Life

The frequent occurrence of natural disasters in recent years has become a major social issue not only in terms of the disasters themselves, but also maintaining people’s lifestyles in the aftermath of a catastrophe. Sekisui Heim provides homes that are not only disaster-resistant, but also enable people to comfortably follow a natural disaster.

Disaster resistance is necessary for selecting homes in Japan

When choosing a home, a key concern for many customers is how resistant houses are to earthquakes and other natural disasters. In particular, customers have stated that their minimum requirements when selecting homes are resistance to major earthquakes as well as the ability to live with a sense of reassurance following a disaster.

Using highly precise construction methods made possible only by factory production

Applying factory production to most areas of home construction enables a level of quality not dependent on people or weather conditions. In contrast, all Sekisui Heim homes feature a uniform level of quality not dependent on people or weather, resulting in homes with a high degree of structural strength.

Spreading the word about living securely after a disaster through Sekisui Heim

Confident in the strengths of Sekisui Heim homes, our challenge going forward is to convey to customers in an easy-to-understand way the security and benefits offered by these homes after natural disasters, just like we did when proposing Smart Heim V to H systems. Searching for ways to explain these ideas in a way anyone can easily understand, we want to make the worry-free lifestyles offered by Sekisui Heim homes the choice of an even greater number of customers.

Social background

An over 70% probability or above earthquake next 30 years

OVER

70%  

Committee estimates the magnitude seven earthquake within the next 30 years is over 70%.

Homes that maintain normal lifestyles following a major natural disaster

I am in charge of developing V to H* systems that power houses using the electricity stored in electric vehicles. While these systems already exist, they were incomplete products, unable to use electricity generated by homes to charge electric vehicles during power outages. Our development of a system that makes it possible for electricity generated from Smart Heim home solar panels to charge electric vehicles is revolutionary, as it enables customers to continue living normally to a certain degree during blackouts caused by major natural disasters. My dream is to spread V to H Sekisui Heim homes with V to H systems throughout Japan. Major natural disasters are a constant threat, with a large earthquake likely occurring in the not-too-distant future. In light of this, I am convinced that the useful feature of V to H provides high added value to customers. Making these homes available to people nationwide allows us to contribute to society.

V to H Vehicle to Home
A system for daily use that delivers power stored in electric vehicles to homes.

Realizing disaster-resistant homes through precise construction and strict inspections only possible in factories

Sekisui Heim homes offer exceptional earthquake resistance owing to a hybrid structure equipped with both viscous- and strength-type seismic resistance features. Our factories play an important role to this end by offering customers with homes that are constructed through modules assembled according to predetermined design criteria. This high degree of earthquake resistance can only be enabled through factory manufacturing processes. For example, home construction at factories enables a level of quality that is impossible by other means owing to the use of computers to ensure uniform production of all components, eliminating mistakes and waste, as well as welding using large-sized equipment to ensure precision and strength.

In addition, full-time inspectors perform exacting and strict inspections that include house plan checks, accuracy checks, functional testing, and visual examinations. This level of quality control, precision, and testing not possible on construction sites is what makes Sekisui Heim homes resistant to natural disasters.
Building structurally strong homes

Though being low-rise houses, Sekisui Heim homes feature the same “boxrahmen construction” design used in skyscrapers, which prevents collapses by absorbing seismic shock across the entire structure. The strength of this structure lies in the accurate and sturdy welding of pillars and beams. Sekisui Heim homes also feature both viscous-and strength-type seismic resistance not only resistant to standard tremors, but also flexibly maintain structural integrity even in the case of distorted vibrations by damping the rate of earthquake acceleration.

Wind and rain cause building materials to deteriorate and warp during construction, potentially weakening a house’s earthquake resistance. Conversely, these concerns are eliminated when homes are manufactured indoors. Without the use of two types of automatic welding equipment to ensure precise and strong welding, structural strength is impossible. In contrast to the world of carpentry, where carpenters able to build four houses a year are considered top class, Sekisui Heim factories are able to produce numerous homes per day. The undeniable technical prowess created from the experience accumulated through these operations is contributing to the improvement of construction precision and quality.

Living normally even during power outages

It is standard for conventional home storage batteries to be used for supplying electricity only to equipment connected to power distribution boards intended as an emergency power source for providing the bare minimum amount of lighting needed during blackouts rather than less critical home appliances. Sekisui Heim’s V to H system solves this issue by using electric vehicle large-capacity storage batteries to ensure a maximum 80% of normal energy self-sufficiency. This system allows residents to use TVs and PCs to stay abreast of the latest disaster-related information as well as operate air conditioners and microwaves.

Maintaining normal power levels

We expect customers to rely on the V to H system to meet their daily power needs during blackouts lasting several days following a major natural disaster. To this end, we have developed a new Sekisui Heim system that is able to use electricity generated from rooftop solar panels to charge electric vehicles, which can then be used to provide power to homes during blackouts. As a result, solar panels can under certain weather conditions continuously charge electric vehicle batteries, enabling an ongoing supply of home power even if power outages last for several days.

In addition, we have developed a new system that can be used as a home-use storage battery to supply power even when electric vehicles are being used.

Factory production is the source of disaster-resistant homes

Home manufacturing performed at factories offers a high level of precision with minimal errors and strict quality control not found at construction sites. Owing to this approach, Sekisui Heim homes feature a level of seismic resistance that far exceeds government standards.
Fiber-Reinforced Foamed Urethane (FFU) Materials Contribute to Safe and Reliable Transportation

Fifty years have passed since Japan went through a phase of advanced economic growth. The aging of social infrastructure that was quickly constructed back then has become a social problem. At Sekisui Chemical, we contribute to safe and reliable railway transportation through the development and sale of railway sleepers made from FFU synthetic wood materials.

Alternative materials for wood

Our FFU synthetic wood materials are stronger than wood but are just as light and do not corrode. They are also easier to fabricate to precise dimensions. Our FFU synthetic wood materials are a perfect alternative for wooden railway sleepers, providing the same benefits as wood, plus more.

Railway sleepers are used to fix rails in place, and any expansion, contraction or warping in them can make the rails unstable. Wood expands and warps when absorbing water, but FFU does not.

Easier maintenance reduces onsite work

Another major advantage of FFU is that they are easy to maintain. For bullet trains in particular, the space between rails and their height are fine-tuned on a daily basis. Since FFU can be fabricated with a high degree of dimensional accuracy, it helps increase work efficiency. FFU also has excellent workability, making it possible to conduct repairs at the worksite, such as making holes to match worksite conditions.

Delivering Japan-grade safety and reliability in transportation to the world

Preparing for the complete prohibition of creosote oil for industrial use in European countries in 2018, railway companies have been searching for an alternative material to make railway sleepers instead of wood. Certifying a material for use in railway sleepers requires 5-10 years of strenuous testing. We have set our sights on developing the business globally in order to deliver to the world Japan’s renowned safety and reliability in transportation systems.

As an industrial product, uniform performance helps ensure safe and reliable railway transportation

Since wood is a natural material, it is usually not included in strength calculations for structural engineering, owing to the wide variance in performance characteristics of wood. FFU synthetic wood materials are a manufactured product, not a natural material like wood, so variations in strength and quality cannot be tolerated. It must have the same performance characteristics all the time. I believe this is vital within the context of safe and reliable railway transportation.

FFU is light and strong, thanks to its foamed urethane resin structure uniformly reinforced with long glass fibers. It is challenging to impregnate resins uniformly with glass fibers, and products with large cross sections are bonded, a process that we pay particular attention to.

We engage in production activities with the awareness that our products provide value to society, by assuming that our products used in railways, a form of public infrastructure, are constantly fulfilling an important social need.

Planting the seeds of a sustainable society

We execute our business with the awareness that our business activities with the awareness that our business activities are constantly fulfilling an important social need.

Synthetic railway sleepers support the main arteries of Japan’s economy

It would not be an exaggeration to say that we supply synthetic railway sleepers to almost all of the major railway operators in Japan, including Japan Railway (JR) companies and private railway companies. On the Tokaido bullet train, in accordance with a project to increase the speed of rolling stock in 1992, wood railway sleepers were replaced with synthetic railway sleepers that combine light weight with strength and excellent workability. The Tokaido bullet train is a main transportation artery that supports the Japanese economy by connecting the two major metropolitan areas of Tokyo and Osaka. Any service interruptions or delays, even a few minutes long, can have a major impact on the economy. Railway maintenance work for the bullet train can only be conducted during the hours between the last and first trains every day. Sekisui Chemical’s synthetic railway sleepers can be efficiently replaced and repaired in a limited amount of time. I thus believe this material can help make railway transportation safer and more reliable. Since it is also a product that helps protect people’s lives on trains, I take care to accurately answer any technical questions about the material from customers.
Our lightweight, strong synthetic railway sleepers excel in durability

Our synthetic railway sleepers made from FFU synthetic wood materials are just as light as natural wood materials, are stronger than concrete sleepers, and resist corrosion. They contribute to safe and reliable railway transportation systems.

What are FFU synthetic wood materials?
FFU stands for Fiber-reinforced Foamed Urethane (isocyanate-based urethane reinforced with glass fiber). Made from rigid urethane resin reinforced with glass fibers, it was mainly developed as an alternative to natural wood materials.

Our synthetic railway sleepers excelled in durability and workability. Railways recognize FFU as an ideal material for concrete sleepers and other types of wood sleepers, making it light and easy to handle.

Many old bridges were not designed to carry the weight of concrete sleepers. Wood tends to rot in bridges above rivers due to high humidity, and replacement work is harder on bridges than on land (less maintenance frequency). Some maintenance work takes time (improve maintenance efficiency). There are many nail holes made in it, and painted). It can be processed like natural wood (nails can be driven into it, screws fastened to it, holes made in it, and painted).

Synthetic sleepers solve issues faced by railway operators, and help ensure safe and reliable transportation.

FFU's features a perfect match for railway sleepers

FFU is a material that combines the advantages of natural wood and plastic, namely light weight, strength, resistance to corrosion, and workability. Railways recognize FFU as an ideal material for railway sleepers, and it has also been deployed in other areas, centering on bridge and junction sections of railway.

Special feature 1
Light weight
It has roughly the same specific weight as beech, oak, and other types of wood sleepers, making it light and easy to handle.

Special feature 2
High strength
It has roughly the same strength as concrete sleepers, and experiences hardly any deterioration in strength.

Special feature 3
High durability and no corrosion
It’s at least three times more durable than natural wood; does not rot and does not need to be treated for anti-corrosion.

Special feature 4
High workability
It can be processed like natural wood (nails can be driven into it, screws fastened to it, holes made in it, and painted).

Use of synthetic sleepers overseas

Around the world, amid growing awareness of environmental conservation, countries are reconsidering the use of natural wood sleepers due to their consumption of natural forest resources and health risks associated with anti-corrosion agents. Synthetic sleepers, made from FFU synthetic wood materials, are starting to be used overseas.

Sekisui Chemical’s involvement in the Tokaido Shinkansen (Bullet Train)

The first full-fledged use of synthetic railway sleepers on a Tokaido Shinkansen track was more than 25 years ago in 1989. Synthetic railway sleepers were deployed extensively on bridges and junctions in particular, as well as on regular tracks, in accordance with an initiative to increase the maximum speed of the Tokaido Shinkansen to 270km/h in 1992. Synthetic railway sleepers were highly regarded for their light weight, strength, and workability. In addition, they were able to withstand severe damage on railway tracks. Central Japan Railway Company (JR Central) uses reflective sound absorbing panels in large-scale preventive maintenance projects for repairing and maintaining civil engineering structures. We continue to work together on such projects with the aim of ensuring safe and reliable transportation.

TOPICS

Letter of Appreciation from JR Central

In commemoration of the 50th anniversary of the Tokaido Shinkansen, Sekisui Chemical has received a Letter of Appreciation from JR Central in recognition of its many years of contributions to safe and reliable transportation on bullet train lines.

Reflective sound absorbing panels

In large-scale maintenance projects for Tokaido Shinkansen civil engineering structures, Sekisui Chemical has continued to use reflective sound absorbing panels in large-scale preventive maintenance projects for repairing and maintaining civil engineering structures. We continue to work together on such projects with the aim of ensuring safe and reliable transportation.
Diagnostic Reagents Contribute to People’s Health

In Japan, where the proportion of the elderly is rising, health becomes more important as people age, raising interest in preventive medicine. The Sekisui Chemical Group contributes to healthy social lifestyles by providing diagnostic reagents and analyzers used in health exams.

EIDIA has developed diagnostic reagents that utilize original antibodies, and specializes in the production of reagents that can detect extremely minute markers. For example, it used to take about an hour to get blood test results. On its own accord, Sekisui Medical developed a blood collection tube with an agent that hardens blood samples, thereby shortening the amount of time before it can be put in the testing equipment. In this way, we aim to provide products that meet the needs of medical practitioners.

R&D

Diagnostic reagents aid in the early detection of disease

For example, people with liver cancer express a special protein in their bodies called a marker. We conduct research into reagents that detect these markers. The purpose of these reagents is to discover the disease at an early stage, thereby giving patients more opportunities to receive treatments through academic and research conferences, and enlisted their cooperation in evaluating the clinical efficacy of diagnostic reagents. This close-knit cooperation with medical institutions has led to the development of original antibodies with proven efficacy and highly sensitive measurement methods. By combining these excellent antibodies and measurement methods, we are able to develop diagnostic reagents that can detect extremely minute markers.

Contributing to preventative medicine through early detection

Having become a rapidly aging society, Japanese citizens are increasingly interested in preventive medicine and ways of detecting possible ailments as early as possible. Through my daily work in research and development, I aim to bring diagnostic reagents into the world that are easier to use and help people fight disease.

R&D

Hiroaki Inoue
Research Lab. R&D Division
EIDIA Co., Ltd.

INTERVIEW

Social background

Difference in average and healthy life expectancies

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<th>Females</th>
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<tr>
<td>Difference in average</td>
<td>9.13 years</td>
<td>12.68 years</td>
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Female life expectancy and healthy life people’s lives when they are not men and women, spend ten conditions that impair their

Reference Materials for 1) The second term

Males

The difference between average expectancy implies the period in healthy. Many people, both years of their lives with daily livelihoods.

Source: Health Services Councils Promoting Health.

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Providing products that fit local needs while speeding up diagnostics

Sekisui Medical sells diagnostic reagents that measure blood-sugar levels and cholesterol, which offer a strong reading on lifestyle-related diseases, such as blood clot, diabetes and high lipid. High readings indicate something may be wrong with a person’s health, and the test results are a basis for providing health advice, such as exercising more and leading healthier lifestyles.

At medical institutions seeing a steady increase in patients as society ages, it has become imperative to quickly deliver testing results with the aim of increasing the efficiency of health examinations. Our customers have firmly requested faster processing with our diagnostic reagents and analyzers. It is our mission to figure out how to shorten turnaround times.

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Mika Kurita
Diagnostics Business
Sales Department
Sekisui Medical Co., Ltd.

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Early detection of disease helps prolong healthy life expectancies

In order to extend the period of time that the elderly are healthy, it is important to detect disease at an early stage when the risk is still low, and to work to prevent the disease from occurring.

Realizing healthy lives via the early detection of disease

A healthy life expectancy* that is shorter than average life expectancy means that people are unable to live a normal lifestyle, and spend time instead in nursing care facilities or hospitals. This is an issue that affects the individual, as well as their health and quality of life. Any widening in the gap between average and healthy life expectancies implies an increase in medical expenditures and nursing care benefits, a social issue that must be addressed.

The mortality rates for serious diseases, such as cancer, heart disease and vascular brain disease, can be reduced earlier the disease is detected. It also gives patients more options for treatment, which may improve their prognosis and shorten recovery times. Early detection requires people to go to annual physical examinations that take advantage of diagnostic reagents and analyzers.

Five-year survival rates by stage of cancer

Gap between average and healthy life expectancies (fiscal 2010)

Five-year survival rates by stage of cancer

<table>
<thead>
<tr>
<th>Type of Cancer</th>
<th>Stage</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>All types of cancer</td>
<td>Local</td>
<td>90.0%</td>
</tr>
<tr>
<td>All types of cancer</td>
<td>Regional</td>
<td>70.0%</td>
</tr>
<tr>
<td>All types of cancer</td>
<td>distant</td>
<td>30.0%</td>
</tr>
<tr>
<td>Esophageal cancer</td>
<td>Local</td>
<td>90.0%</td>
</tr>
<tr>
<td>Esophageal cancer</td>
<td>Regional</td>
<td>70.0%</td>
</tr>
<tr>
<td>Esophageal cancer</td>
<td>distant</td>
<td>30.0%</td>
</tr>
<tr>
<td>Stomach cancer</td>
<td>Local</td>
<td>90.0%</td>
</tr>
<tr>
<td>Stomach cancer</td>
<td>Regional</td>
<td>70.0%</td>
</tr>
<tr>
<td>Stomach cancer</td>
<td>distant</td>
<td>30.0%</td>
</tr>
<tr>
<td>Colorectal cancer</td>
<td>Local</td>
<td>90.0%</td>
</tr>
<tr>
<td>Colorectal cancer</td>
<td>Regional</td>
<td>70.0%</td>
</tr>
<tr>
<td>Colorectal cancer</td>
<td>distant</td>
<td>30.0%</td>
</tr>
</tbody>
</table>

Early detection is key

Gap between average and healthy life expectancies a cause of social problems

Source: Reference materials for the promotion of Health Japan 21 (the second term) issued by the Health Science Council of Japan’s Ministry of Health, Labour and Welfare

* Healthy life expectancy: Period in people’s lives when they are not healthy

Global business development

China, Asia, North America, Europe

Specific initiatives

01 Shorten testing times

A major issue is that at medical institutions is being able to convey to patients the test results as quickly as possible. The quickness of this response is called turnaround time. Fast turnaround times are desired for diagnostic reagents and analyzers. The Sekisui Chemical Group has shortened turnaround times by about 75%, less than the one-hour time that had been considered impossible for some testing, by improving reagents and coating collection tubes with a coagulating agent.

Turnaround time

02 Completely internalize development, production and sales

By being involved in the development, production and sale of diagnostic reagents, Sekisui Medical is able to precisely address the requirements and needs of its customers via marketing activities and feed this information back to R&D. By sharing the new opinions of customers throughout the value chain, the Company has put in place a system that can provide products that help solve actual issues at medical institutions.

03 Diagnostic reagents that can be used with equipment made by other companies

Even if it becomes possible to improve diagnostic reagents and rapidly produce results from smaller amounts of samples, the latest in diagnostic technology is not adopted if it requires replacing equipment with costlier diagnostic equipment. Many companies sell diagnostic reagents that only work with the equipment that they sell. EIDIA has partnered with many diagnostic equipment makers to develop diagnostic reagents for their measurement methodologies and diagnostic procedures. We are able to supply diagnostic reagents to a wide range of hospitals and testing centers without regard to the type of testing equipment they use.
**Long-Term Environmental Management Vision**

**Sekisui Environment Sustainability Vision 2030**

Toward the realization of “the Earth with maintained biodiversity”

The Sekisui Chemical Group is aware that its business activities depend on resources (natural capital). Each and every executive and employee is working to evolve into a pool of talented personnel with excellent environmental activity promotional skills and will promote environmental management based on contributions in three areas in order to “give back more to the Earth than is taken” in 2030.

- Expand and create markets for Environment-Contributing Products
- Reduce environmental impact
- Conserve the natural environment

In addition, the Group is generating prominent value toward the realization of “the Earth with maintained biodiversity” by contributing to the return of natural capital.

We are undertaking initiatives aimed at resiliently and sustainably solving climate change and energy issues raised as Sustainable Development Goals (SDGs) by the UN’s 2030 Agenda for Sustainable Development.

**Integrated index**

**Sekisui Environment Sustainability Index**

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).

**Results of calculation**

Based on fiscal 2015 performance, the Sekisui Environment Sustainability Index was calculated as follows. With environmental impact equal to 100 representing the use of natural capital, the return of natural capital as contributions back to the environment came to 76.4 (+11.9% vs. FY2014).

<table>
<thead>
<tr>
<th>Use of natural capital</th>
<th>Return of natural capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials 36.7</td>
<td>Contribution from products 74.3</td>
</tr>
<tr>
<td>Production 26.8</td>
<td>Conservation of the natural environment 1.2</td>
</tr>
<tr>
<td>Other 36.5</td>
<td>76.4</td>
</tr>
</tbody>
</table>

1. Environmental contribution of each product included contribution levels for products equivalent to an Environment-Contributing Products sales ratio of 84% in fiscal 2015.

**Useful capital utilization**

- Contribution from products: An amount contributing to return of natural capital in the group or its companies
- Conservation of the natural environment: Calculation method developed by Professor Norihiko Hiraoka at Tokyo City University

**Environment-Contributing Products**

Create and expand markets for products that display significant environmental contribution effectiveness during customer use

- **Environment-Contributing Product certifications**
- **Data Book P4-5,9**
- **Web**

The internal certification screening committee undertakes certifications based on criteria established in cooperation with internal committee members as well as receives opinions and advice on the validity of results from the External Advisory Board.

**External promotion using pamphlets and exhibitions**

Details of the significance behind and degree of contribution by products listed in the Environment-Contributing Products pamphlet (updated in fiscal 2015) are as follows.

- Solving both environmental and social issues using Environment-Contributing Products
- Types and scope of contributions in a virtual community based on each product’s contribution level

Moreover, we again held the Eco-Products Exhibition, an initiative that began in 2006, under the theme “V to H future lifestyle criteria to be realized by Sekisui Chemical,” displaying 14 products and technologies that utilize V (vehicles), T (towns), and H (homes).

**Environment-Contributing Products, from intermediate materials to products, services, and construction**

In fiscal 2015, 15 products were registered. Particularly overseas, we identified approaches for area contributions that take into account the circumstances of each area. The products that play a leading role in promoting environmental contributions in various areas of the Sekisui Chemical Group are registered, such as houses in Thailand and plastic rain gutters in Europe.

**Other Environment-Contributing Products**

- Smart Towns that assist in the creation of communities consisting of homes installed with home energy management systems (HEMS) featuring solar power generation systems and storage batteries
- Decorative plastic laminate sheets

**Environmental contributions through SCG-HEIM**

SCG-HEIM homes are highly insulated and airtight and feature heat-exchange ventilation systems to provide residences in Thailand that are very durable and comfortable based on technologies and leading quality control systems developed in Japan. SCG-HEIM has garnered a high level of customer satisfaction for reducing cooling costs and has received positive evaluation for air cleanliness and exterior durability.

We will work to spread SCG-HEIM to satisfy customers in our pursuit of value found in sustainable lifestyles that are healthy, comfortable, and environmentally friendly.
**Environmental Impact Reduction**

**Working to return to the planet natural capital used in business activities**

**Combating climate change**

Steadily reducing greenhouse gases in all business activities

Aiming to keep the overall volume of greenhouse gas emitted during manufacturing pegged to the fiscal 2013 level and reducing by 1% every year the amount of energy consumed per unit of output, we focus on energy conservation activities particularly at our business sites overseas, where energy consumption has increased in recent years. As a result, we reduced total emissions by 4.5% in fiscal 2015. Looking ahead, we will continue reducing greenhouse gases at every stage of our business activities with the aim of reaching CDP 21 objectives.

**New waste reduction initiatives**

The Sekisui Chemical Group sets the ambitious target of reducing the amount of waste generated per unit of output by 4% every year compared with the fiscal 2013 level. Changing our perspective on reducing waste by improving production efficiency, we are taking on the challenge of shifting our emphasis from simply selling waste materials as valuable materials to generating additional value using resin processing technologies developed to date.

The Sekisui Chemical Group is promoting zero emissions at overseas production sites. While domestic Group facilities have been certified under standards calling for zero direct landfill waste and no incineration without heat recovery in Japan, many sites overseas still bury or incinerate waste. Under these circumstances, five business sites including our SPI Bloomsburg plant in America were certified in fiscal 2015.

**Resource efficiency**

New waste reduction initiatives

**Preservation of water resources**

Identifying water resource risks and reducing consumption

Water resources are a form of natural capital that is vital for maintaining sustainable business activities. Accordingly, we are not only reducing the amount of water extracted, but also identifying risks posed to biodiversity and business sustainability by water discharge. In fiscal 2015, we reduced water usage at our production sites by 5.8% compared with fiscal 2013 and conducted additional Whole Effluent Toxicity (WET) assessments regarding water discharge at four business sites. As for water risk surveys, we confirmed that no business sites require emergency measures after follow-up surveys were conducted mainly at overseas facilities.

**Natural Environment Conservation**

Our employees undertake activities to conserve the natural environment at Sekisui Chemical business sites worldwide

**SEKISUI Environment Week**

Developing personnel with excellent environmental activity promotional skills

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. SEKISUI Environment Week was held for the third time in fiscal 2015, with 19,677 employees taking part. This event comprised a wide array of activities, such as local cleanup drives, energy conservation initiatives in offices, tree planting, and providing environmental education at elementary schools. In addition, the European Children’s Eco Summit 2015 held in Germany was an event that symbolized the Group’s efforts. Executives led by the chairman and president along with about 80 employees and their families took part in tree planting and environmental training during SEKISUI Environment Week.

**Improvement of business site green space quality**

**Initiatives to improve green space quality at all domestic production sites and laboratories**

We are moving forward with efforts to improve green space quality with the aim of maintaining flora and fauna habitats, building ecosystem networks that connect regions and business sites, and innovate regional partnerships. In the current fiscal year, we aim to improve our score on the Land Use Report Card by 10 points compared with fiscal 2013. As a result of removing nonnative plants and installing bird nesting boxes, we improved our average score by 8.0 points (compared with fiscal 2013) in fiscal 2015.

**Activities in partnership with regions**

**Providing synthetic wood remnants for Shiga Prefecture’s Sakana No Yurikago Suiden project**

Shiga-Ritto Plant provides synthetic wood remnants produced at its facilities as materials to make fish chutes that allow fish to access rice paddies as part of Shiga Prefecture’s Sakana No Yurikago Suiden Project. In so doing, we are undertaking activities to preserve biodiversity in Lake Biwa in cooperation with local governments.

**Deepening interactions with members of the local community**

We have deepened our interactions with local residents through our CSR activities, which include providing materials for fish chutes that are built and installed together with local government officials as well as Shiga-Ritto Plant employees and their families participating in rice planting and harvesting. Receiving numerous awards has heightened expectations that we will expand our environmental initiatives in order to preserve biodiversity through local-based activities.

**Personal View (summary)**

- **Prominence in Environment**
- **CSR Management in Practice**

**Business site initiative case studies**

We are taking thorough steps to ensure not to waste or leak steam, which accounts for a large portion of the Shiga-Minakuchi Plant’s energy sources. We have significantly reduced energy use at our plant by inspecting steam traps installed at 497 locations and improving bypass valves and pipes at 42 locations.
Advancing Development of Systems, Human Resources, and a Culture Enabling Creation of Attractive Qualities

Systems that evaluate and improve Attractive Qualities from the viewpoint of society

Attractive Qualities screening system for evaluations by outside experts

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. Beyond amounts of sales and profits, the Attractive Qualities Screening System evaluates products to determine whether or not they provide value to customers and society at large. Under this system, 11 products have received awards.

In order to notify Sekisui Chemical Group employees about what concepts and perspectives were used to commercialize award-winning products, the Company intranet features The Story of Attractive Qualities, which reveals the secrets behind the development of these products through interviews with those involved. This initiative has made Sekisui Chemical Group employees more motivated to take on the challenge of developing new products despite the various hurdles they may face while providing helpful hints and raising awareness of development initiatives.

In fiscal 2015, the Attractive Qualities Screening System conducted award evaluations for the third time, with three products receiving awards. Interviews with those involved in the development of these products are listed on the intranet.

Systems to confirm the degree of penetration of CS & Quality management initiatives

Expanding employee CS & Quality assessments to overseas business sites

The Sekisui Chemical Group has been conducting customer satisfaction (CS) and quality assessments for domestic employees once every two years since fiscal 2012. These assessments are intended to determine the degree of CS & Quality management penetration by gauging CS & Quality-related awareness and actions among employees as well as stipulate action guidelines based on a consideration of related issues. The Sekisui Chemical Group’s culture is gradually being cultivated by identifying issues concerning the spread of CS & Quality management, subsequently taking opportunities to review these issues at each department based on results reports, and then using these to set action goals for the next fiscal year.

In fiscal 2015, we conducted CS & Quality assessments at overseas business sites, expanding this system to an even greater number of facilities.

Systems that use customer feedback to increase CS & Quality

Publishing VOICE that summarizes customer feedback

Sekisui Chemical Group Customer Information & Consulting Services receive over 10,000 inquiries and feedback each year. Beyond sincerely responding to customer inquiries, the Group identifies the hidden needs of customers by using unique methods to analyze customer motivations based on these inquiries. As a new initiative starting in fiscal 2015, the Group published VOICE, which is a summary of the inquiries received by its Customer Information & Consulting Services. This booklet is published with the aim of reflecting customer feedback in management activities, and cultivate and instill a culture of CS and quality in all employees, and promote understanding of these issues in Group-wide businesses in a manner that transcends particular operational areas.
Quality Improvement

Pursuing the “three zeros” in accidents, waste, and complaints

Quality management

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

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

Quality assurance system

Formulating three quality guidelines

Maintaining uniform quality control from development to sales

Undertaking uniform quality control throughout the value chain—from development, manufacturing, and sales—the Sekisui Chemical Group is working to improve the level of its quality control by formulating and issuing three guidelines: Development Guidelines, Quality Assurance Guidelines, and Daily Management Activity Guidelines. Development Guidelines are aimed at preventing basic quality-related problems from occurring by predicting quality risks that can arise after commercialization.

Guidelines for Daily Management Activities are a collection of basic guidelines to management on a daily basis that must be undertaken in manufacturing and post-development processes.

Contract/Specification Guidelines were added in fiscal 2015 with the aim of reducing expanded compensation risks related to product sales.

* Expanded compensation: Compensation in the case of product defects that extend beyond returns and exchanges to include compensation for processing/construction errors made with these products, and other related damage.

Design development seminars

Development prevention seminar and DR* reviewer training seminar

Continuing from fiscal 2013, we held the Development Prevention Seminar aimed at acquiring effective prevention methods as well as the DR Reviewer Training Seminar to improve DR skills. Both seminars are based on the topic of preventing quality problems before they arise.

In fiscal 2015, we held the Prevention Case Study Consultation Meeting once again in cooperation with Yamana Sekisui Co., Ltd. As part of the hands-on section of the Development Prevention Seminar, participants learned and discussed methods for predicting/identifying hidden risks by comparing new products under development with existing ones to verify changes in measurements and shapes.

We plan to hold these seminars again in fiscal 2016.

* DR = Design Review

CS & Quality seminar

CS & Quality seminar: Basic Qualities edition held during quality month

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 2015, the fifth time this seminar has been held, outside auditor Kazuyuki Suzuki, professor at the University of Electro-Communications gave a lecture on quality assurance to maintain trustworthy, safe, and reliable products as well as preventing quality-related problems.

Participants’ impressions included “I gained a renewed awareness of the three concepts of assurance, verification, and evidence, and particularly the importance of processes,” and “I believe that it is my mission to put into practice the specific ideas that were introduced, including error proofing concepts accumulated through research.” We plan to hold seminars in fiscal 2016.

Group KAIZEN activities on a global scale

Holding the Group KAIZEN Activities* Award/Presentation Meetings

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

In the 50th Sekisui Chemical Group KAIZEN Activities Presentation Meeting held in January 2016, a total of 21 representative groups (16 from Japan and five from other countries) made presentations. The proceedings were broadcast in real time to 17 business sites that notified us of their interest in advance. This meeting has become a valuable opportunity to deepen employees’ understanding of improvement activities, which was underscored by participants who stated “I was able to gain more details on announcement content,” and “I had a chance to exchange information and opinions with those working at other business sites and companies.”

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

<table>
<thead>
<tr>
<th>Group</th>
<th>Site</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold Prize</td>
<td>SAP3-Advance</td>
</tr>
<tr>
<td>Silver Prize</td>
<td>Ts109</td>
</tr>
<tr>
<td>Silver Prize</td>
<td>Foam A</td>
</tr>
</tbody>
</table>
Diversity Management

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

The Sekisui Chemical Group’s diversity management

The Sekisui Chemical Group started diversity management in fiscal 2015 and established a new Diversity Management Policy. The Group also held a study meeting for about 200 management-level employees of the domestic Sekisui Chemical Group and another study meeting for nearly 1,900 managers of groups and sections.

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.

As a specific initiative, we conduct diversity management with a focus on promoting women’s empowerment, the most familiar form of diversity.

Women’s empowerment

A first step in diversity management

The Sekisui Chemical Group continues a variety of efforts to enable women employees to continue to work vigorously. As a result, we have achieved a substantial improvement in the ratio of women employees and retention rates and the number of women in management positions has increased. In fiscal 2015, we sought to become an organization where women can truly thrive throughout the entire Group and established specific numerical targets for the ratio of women in management positions.

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System aimed at strengthening abilities in the workplace

Training human resources to support the workplace

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

Improving Group Human Resource Capabilities

Securing and training human resources in aiming for sustainable growth

Main career track feels rewarding every day

Five years ago, I moved from a general to a more career-oriented track. Soon then, I have taken on the responsibility of recruiting operations generally. I thought that preparing a recruitment plan and presenting a recruitment seminar was men’s work, but I discovered that the work is unrelated to gender and now I feel that every day is rewarding.

Outside activities are increasing and there are many situations where I am inspired by meeting women who are active in other companies. In the future, I will not limit myself to recruiting, but perform activities that contribute to promoting diversity from an environment that fosters women in management positions and accepts a broad range of differences.

Developed training system that supports business

Training business leaders at an early stage

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

Based on the concept that the foundations of growth are the experience gained through everyday business activities and learning, we have developed a training system that supports business leaders at an early stage.

Diagram of Grade-Based Training Programs

We have systematically established a training system for female employees and management training for female subordinates provided for their superiors, are intended as a means of raising the retention rate of young female employees and helping them to thrive in the workplace.

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Support for young female employees

Pre-assignment training of new female staff, provided for staff responsible for training and support of new female employees, and management training for female subordinates provided for their superiors, are intended as a means of raising the retention rate of young female employees and helping them to thrive in the workplace.

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Seminar held for managers

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Women’s empowerment
Improving Group Human Resource Capabilities

Securing and training human resources while aiming for sustainable growth

Developing personnel who can succeed on the global stage

Fostering personnel with international experience to ensure sustainable growth

In fiscal 2015, 25.8% of consolidated sales were generated overseas, and this ratio has been increasing every year. We have over 90 production and marketing sites in approximately 27 countries. We believe that all the businesses of the Sekisui Chemical Group depend on each and every employee working around the world growing through their work and providing excellent products and services in tune with local needs. Based on this belief, we train our employees so that each and every one of them has the skills to succeed in their jobs. We have training and personnel systems in place tailored to local conditions in North America/Mexico, Europe, China, and the ASEAN region.

Fostering personnel with international experience to ensure sustainable growth

The global trainee program

Aggressively 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 sends applicants with sufficient levels of experience in specific positions such as sales, accounting, and development to actual positions at overseas affiliates. In fiscal 2015, four employees enlisted in this program and were newly assigned overseas. In the future, we will strive to enhance these systems so that greater numbers of employees can build up work experience around the world.

Global Saikaku School

Created new systems to foster global management personnel

With the rapid expansion of business globalization, overseas human resource development has become an urgent task. Therefore, in fiscal 2015, we implemented the Global Saikaku School to develop the next generation of management personnel who will play an active role in global markets. Twelve executives from Group companies in North America/Mexico, Europe, Asia, and Japan, as well as from our laboratories, 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.

Gained valuable experience that will become an asset

At the Global Saikaku School, I gained an appreciation of Sekisui’s innovative history and corporate philosophy of 3S Principles. In addition to strengthening my business skills and strategic thinking, I was able to work with other Saikaku members and explore co-creation opportunities across Sekisui Chemical Group companies. I am very grateful to Sekisui for helping me become a strong leader.

Lee Lipski
Global Sales and Marketing
Sekisui Diagnostics, LLC.

Safety and Security

Targeting zero occupational accidents through risk reduction by all personnel, from top management to individual workplaces

Fiscal 2015 results and outlook

Implemented educational programs for key persons in charge of safety activities

We develop human resources who put business activities into practice with a high awareness of safety and who can demonstrate this to their subordinates. In fiscal 2015, we planned and implemented an educational program with the aim of fostering a sense of ownership among supervisors, managers, and assistant managers, and providing them with the skills to realize business.

As a disaster should focus particularly on prevention, we implemented emergency response training in the core processes for the following scenarios: getting caught or entangled at a production facility, tumbling or falling down at a worksite, and a fire or explosion in the chemical process. We also promoted rigorous compliance with scaffolding work rules at construction sites.

Measures to prevent fires and explosions

Initiated emergency audits inviting outside experts

To prevent fires and explosions that, once they occur, have a major impact on the surrounding environment and on business continuity, in addition to the safety audit performed thus far, we began an Emergency Audit to which we invite outside disaster experts. We verify the storage of hazardous materials and handling status and the recovery system at the time of disaster including natural disaster, thereby detecting the risk of natural disaster at an early stage and making improvements.

The Emergency Audit is implemented by inviting outside experts, and the emergency audit is performed at multiple business sites including Sekisui Board Co., Ltd., Okayama Sekisui Co., Ltd., and the Musashi Plant, 681 people have participated.

Safety audits at overseas business sites

Visualizing safety management conditions at overseas business sites

At our overseas production sites, which operate under the varying laws and regulations and awareness of safety issues in each country, since fiscal 2013, Sekisui Chemical has developed safety management rules as global standards and strictly follows these rules in order to achieve the same level of safety at all business sites. The 4RKY evaluation chart establishes a framework for the safety audit. In fiscal 2014, 21 offices were audited, and in fiscal 2015, 18 offices were audited. We have verified the compliance status with the safety management rules at each office. In addition, we have supported 4RKY (4-Round Risk Assessment) practice exercises for the safety management activities of overseas business sites.

Web

Emergency response measures

Ways to pass down accumulated knowledge of emergency preparedness

At the Sekisui Chemical Group, we conduct training to fortify the decision-making abilities of all our employees in emergency situations. More specifically, emergency crews are given scenarios where equipment designed to prevent danger falls and challenges the trainees to ask questions to solve the problem on the spot. This training has been applied on various occasions including to handle problems, and in evacuation and emergency drills. In fiscal 2015, training has been held a total of 91 times at six business sites including Sekisui Board Co., Ltd., Okayama Sekisui Co., Ltd., and the Musashi Plant, 681 people have participated.

Web

Web
**Corporate Governance**

Sekisui Chemical Group has put in place its own corporate governance system that reflects its division company structure.

**Strengthening the business execution function**

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

The Board of Directors strives to achieve continual improvements in corporate value as an organization responsible for decisions on the operations of the Sekisui Chemical Group. To realize this, the Group has assigned operating officers to each division company. In these roles, the operating officers serve as the decision-making body in each division company in charge of business execution, and in this capacity, they are responsible for the efficient operation of the division company.

**Corporate Governance System**

A diagram illustrating the corporate governance structure is included. The diagram shows the Company's corporate governance system, which includes the Board of Directors, the Board of Independent Directors, external directors, operating officers, Corporate Auditors (including External Corporate Auditors), and committees such as the Nomination and Remuneration Advisory Committee and the Corporate Governance Committee.

**Declaration of support for the United Nations Global Compact**

Sekisui Chemical has announced its support for the United Nations Global Compact.*

**Respect for international norms**


**Procurement policy**

The Sekisui Chemical Group's procurement policy.

**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. 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.

**Caring about human rights issues across the entire supply chain**

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

All Group employees are provided with a copy of the Company’s Compliance Manual. We have set strict standards for respecting human rights, prohibiting discrimination, preventing harassment, and protecting personal information.

**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 Republic of Congo and neighboring countries that commit human rights violations and destroy the environment. Since fiscal 2014, we have conducted surveys on the use of conflict minerals at companies throughout our supply chain.

**Assigning a fair value to valuable inventions**

The Company's Headquarters and each business have R&D sections that work to increase the speed of technological development and create outstanding technologies. The Invention Grand Prize has been established as one part of efforts to ensure researchers and engineers receive the evaluations and treatment they deserve. The Invention Grand Prize establishes monetary rewards for inventors recognized as having made major contributions to profits.
Compliance

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

Principal initiatives in FY2015

Principal initiatives toward reinforcing accounting compliance

In fiscal 2014, we decided that October of each year would be Compliance Reinforcement Month for all employees, as an opportunity for them to reflect on their compliance awareness and actions. Improper accounting practices were uncovered at Group companies in the previous fiscal year. In fiscal 2015, we focused mainly on implementing educational programs designed to prevent any recurrence. Among other measures, we implemented training sessions that specialized in accounting compliance based on cooperation with division companies. Targeting business sites inside and outside Japan, the training aimed to change director and employee ways of thinking with regard to compliance awareness.

Trends in class participation (All Sekisui Chemical Group Employees)

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of participants</th>
<th>Participation rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>20,210</td>
<td>81.8</td>
</tr>
<tr>
<td>2014</td>
<td>18,649</td>
<td>80.6</td>
</tr>
<tr>
<td>2013</td>
<td>15,175</td>
<td>75.0</td>
</tr>
<tr>
<td>2012</td>
<td>16,593</td>
<td>71.3</td>
</tr>
</tbody>
</table>

Implemented on four sessions in Fiscal 2015. However, as the third and fourth sessions are under way, the aforementioned figures are averages of the results from the first and second sessions.

S.C.A.N. intra-company whistle-blowing system

System further enhanced, such as by making the reporting of violations mandatory

In 2002, the Sekisui Chemical Group developed the S.C.A.N. (Sekisui Compliance Assist Network) intra-company whistle-blowing system, which is the mechanism that has been made available for use by all Group employees. The Group has been launching a special intranet site and a dedicated telephone line as well as having defined the protection of whistle-blowers in its internal reporting rules, employees can feel assured that they are able to make active use of the system. In fiscal 2015, the Group made revisions to part of its S.C.A.N. system with the aim of creating an environment in which the required information is more easily provided.

Risk Management

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

A structure able to adapt to constantly changing risks and crises

Enhancing risk awareness via a PDCA cycle

Strengthening of risk management (preventing risks before they occur)

As I firmly believe in what senior management has said, namely that risk management will be essential in new risk management themes at the Sekisui Chemical Group, I have been engaging in risk management activities and emergency system upgrades at all its sites. Overseas, the Group updated and revised the relevant manuals at every site. In addition, with the rise in the number of business trips to frontier regions, the Group is publishing and distributing crisis management handbooks specific to each region.
External Evaluations

Main evaluations from society during fiscal 2015

- Earned selection to the Dow Jones Sustainability Indices (DJSI) Industry Leader, World, and Asia Pacific
- Earned RobecoSAM sustainability ratings Industry Leader and 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 56th in the Nikkei NICES ranking system
- Ranked 64th in the Toyo Keizai CSR Ranking

Dialogue with stakeholders

Reflecting stakeholder opinions in corporate activities via various methods of communication

We are working to reflect appropriately in our business the evaluations and comments we receive through dialogue with stakeholders. We are doing so through efforts including Customer And Top (CAT) Meetings, at which top management in housing sales companies meet customers to receive feedback directly (3,613 persons took part in fiscal 2015), Dialogue with Top Management where the president and top management talk directly with employees, the Employee CS & Quality Assessment, by which employees are surveyed on their awareness of CS & Quality and the results fed back, the Heim Mutual Prosperity Group and other venues of communication with suppliers, and through contact with investors and research organizations.

Dialogue with socially responsible investment (SRI) agencies

Continuing to engage in direct dialogue in an effort to enhance understanding

Interest in undertaking socially responsible investment in companies that actively engage in CSR activities continues to mount in Europe and the United States. At the same time, ratings agencies are increasingly undertaking surveys. Every year, the Sekisui Chemical Group communicates directly with SRI ratings agencies in Europe and other regions. We believe it is important to take the time to explain to each agency our wide-ranging businesses and CSR initiatives in order to convey a sufficient and accurate understanding of our operations. In fiscal 2015, we talked directly with four SRI ratings agencies in Japan and abroad. With the concerns of investors and SRI ratings agencies very much in mind, Sekisui Chemical posts detailed information on its website.

Direct dialogue between management and employees

Providing opportunities for top management to meet with employees

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

In fiscal 2015, the Company’s president visited Group companies in Japan to provide an explanation of progress under the Medium-Term Plan that began in fiscal 2014 and to address any questions. Through each visit, employees were provided with the opportunity to express their opinions and to engage in lively debate. Among a host of topics, employees commented on their ideal image of the Company 10 years hence and where they saw themselves a decade from now.
Environmental and Social Contribution Activities
Proactively working to contribute to the environment and society as a company in tune with local communities

Main environmental and social contribution activities implemented in FY2015
Note: More details are given on our website

Environment

The Sekisui Chemical Group advances three approaches toward the realization of its Long-Term Environmental Management Vision, the Sekisui Environment Sustainability Vision 2030 (please refer to page 20). Regarding specific initiatives toward the conservation of the natural environment as one of those approaches, its employees are developing activities to conserve the natural environment in various regions around the world.

Next generation

Targeting communities where the children who will form the next generation can develop and healthily grow into adulthood, we provide educational programs for middle and high school students that leverage our business activities. Including field trip lessons, for example science classes, given by Company employees as well as support and assistance for research based on innovations inspired by nature, the Company conducts a wide range of activities.

Local communities

As a member of the local communities in which it operates, the Sekisui Chemical Group proactively deploys social contribution activities and thereby hopes to contribute to the creation of a sustainable society. The Group encourages activities that bring joy to local communities, such as creating safe and secure cities in collaboration with local communities and support programs that assist developing countries.

Continuing Report: Response to the Great East Japan Earthquake

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

- Handover of disaster-affected area public housing to evacuees
In March 2016, Sekisui Heim Tohoku completed construction of disaster-affected area public housing for evacuees from the Great East Japan Earthquake built in the city of Higashi-Matsushima and held a ceremony to mark the handing over of the keys to the residents. Initially people were to have taken up residence in April 2016. However, having taken it as their responsibility as local businesses to construct the homes in a way that would give consideration to the providing of safe and comfortable homes for all who had been affected even one day sooner, onsite labor-saving was achieved by collaboration between the Miyagi branch construction groups and Tohoku Sekisui Heim Industry. They were able to hand over the keys before marking the fifth anniversary of the disaster.

- New energy joint research leading to the creation of post-reconstruction towns
In the city of Sendai, Miyagi Prefecture, which was an area affected by the Great East Japan Earthquake, advances are being made in the creation of sustainable cities as well as in research into energy savings and new energy that are leading to reconstruction and beyond. As part of that research, the Urban Infrastructure & Environmental Products (UIEP) Company has been conducting experimental studies jointly with the city of Sendai to effectively utilize heat energy taken from sewage conduits since 2013.

Utilizing Sekisui Chemical’s underground water helix-type Esloheat sewage heat recovery system, the research improves the ability of the sewage conduits to withstand earthquakes, making them more resilient, at the same time as adding heat recovery functions. Utilized for the research is the first private commercial facility in Japan to have recovered heat.

The research up to March 2015 verified energy efficiency, cost and other aspects, as a result of which it was found that savings of more than 30% a year could be made on electricity bills.

Continuing in fiscal 2015, UIEP engaged in efforts toward the wider adoption of the system and conducted verifications related to the management of sewage conduit maintenance after installation.
The Sekisui Chemical Group CSR Report: Linking CSR activities to the Group’s ongoing evolution (SHINKA)

Why must companies engage in CSR activities? Quite simply, because the corporate sector forms an integral part of society. As a member of society, it is vital that companies maintain a valuable presence. Recognizing that CSR is an essential component of a company’s business activities, it is by association therefore important that efforts aimed at contributing to society, and the environment help to generate corporate value. With this in mind, maintaining a balance between social and corporate value is the wellspring for sustainable growth. In this report, Teiji Koge, president and representative director of Sekisui Chemical Co., Ltd., outlines his thoughts towards this balanced approach. From his perspective, creating value for society through business activities is at the heart of the Group’s “3P” (Principal) Corporate Philosophy. In positioning the environment as an important business pillar, he also explained the critical need to balance ecological concerns with economic development. Achieving both of these objectives is the ultimate aim of the Sekisui Chemical Group’s CSR activities.

On page 7 of the report, Sekisui Chemical outlines its process for identifying key CSR issues (materiality) as well as details of its CSR Medium-Term Plan. In doing so, the Company has introduced a unique, but easy-to-understand framework that comprises “Three Priorities” and “Three Attributes of Security.” The effort to announce key performance indicators while disclosing numerical targets is indicative of the Company’s earnest and sincere stance toward fulfilling its corporate social responsibility and its most important responsibilities. The external evaluations listed toward the end of the report are also a measure of the extent to which the Company’s internal processes are being monitored and reviewed. Regarding CSR activities, looking ahead I would hope that the Company continues its vigorous approach toward the disclosure of information.

Meanwhile, how Sekisui Chemical flows through the objectives set out under its CSR Medium-Term Plan until 2030 (SHINKA Activity 2016), is likely to become an important issue in the future. As previously mentioned, the Company will work to fulfill its corporate social responsibility in order to carry out its Medium-Term Management Plan, and in turn help to generate corporate value, for as long as it is an integral component of the company’s activities. Given the Company’s horizontal structure and its organization into numerous operating companies, the potential exists for difficulties to arise in the full extent of measures that cut across each company. In order to resolve this issue, it may be helpful to look at other industries and for example the model set by general trading companies in specific terms, I would like Sekisui Chemical to examine the benefits of adopting a two-step approach toward the setting of objectives. One step would entail outlining objectives that apply to all companies and the Group as a whole. A second step would comprise objectives that are unique to each company.

A second issue with respect to Sekisui Chemical’s approach to CSR is stakeholder engagement. The Company could and should adopt a more aggressive stance toward such stakeholder engagement. Sekisui Chemical’s CSR Meeting as a conduit to gather the opinions and comments of customers while working through the Heim Mutual Property Group and other venues of communication with suppliers. With the ratio of overseas sales to total sales now surpassing 35%, it is vital that the Company examines how best to communicate with a growing number of new overseas stakeholders and to adopt appropriate risk management. I contend that the Company would gain invaluable insights into the shape of its CSR activities as it enters a new stage by seeking the candid opinions and comments of external stakeholders.

A third issue is the global presence and the degree to which employees are aware of and understand CSR. No matter how hard the CSR Promotion Department tries, the Group’s success in fulfilling its corporate social responsibility will depend on the ability of each employee to take the initiative. Given the focus placed on environmental management, the potential exists for divisions to mistakenly equate CSR with the environment. Broadening the scope of CSR activities may, for example, prove fruitful to allow more and more employees to freely participate in and observe the aforementioned stakeholder engagement. The same can be said for the active disclosure of information. Unfortunately, the report does not provide a full disclosure of the Group’s activities in detail. As an integral part of its CSR activities, the Company encouraged to disclose details of its “3P” of Attitude/Qualities, which is identified on page 25, to external parties. I am sure that this is one in which employees can take great pride.

In closing, I would like to express my thanks to the management of Sekisui Chemical for their cooperation. The need to communicate and understand CSR. No matter how hard the CSR Promotion Department tries, the Group’s success in fulfilling its corporate social responsibility will depend on the ability of each employee to take the initiative. I would like to encourage more and more employees to freely participate in and observe the aforementioned stakeholder engagement. The same can be said for the active disclosure of information. Unfortunately, the report does not provide a full disclosure of the Group’s activities in detail. As an integral part of its CSR activities, the Company encouraged to disclose details of its “3P” of Attitude/Qualities, which is identified on page 25, to external parties. I am sure that this is one in which employees can take great pride.

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(2) The computer-to-plate (CTP) method of direct printing,
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(3) Vegetable-oil ink, which generates few volatile organic compounds
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(4) Glue that does not hinder the recyclability of paper is used in the
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