For the year ended January 31, 2016

Sustainability Report 2016
Focused on Creating Shared Value

SEKISUI HOUSE, LTD.
Head Office
1-1-88 Oyodonaka, Kita-ku, Osaka 531-0076, Japan
Tokyo Office
4-15-1 Akasaka, Minato-ku, Tokyo 107-0052, Japan
Direct Inquiries to:
Corporate Social Responsibility Office,
Corporate Communications Department
Tel: +81-6-6440-3440
Environment Improving Department
Tel: +81-6-6440-3374
Corporate website: http://sekisuihouse.co.jp/english

This publication uses hot-melt adhesive developed for bookbinding, which is highly resistant to decomposition enabling easier recycling.

In preparing this report, all CO2 (1 parts per 0.839 kg-CO2) emitted in the procurement of raw materials and printing processing was eliminated through carbon offsets.

Published in July 2016
Underpinning the Sekisui House Group corporate philosophy is a love of humanity. This means desiring happiness for others and treating their joy as our own. Desiring happiness for all our stakeholders and the realization of a sustainable society, we strive to create and share four key values: environmental value, economic value, social value and homeowner value.

Today, we are surrounded by a variety of accumulating social issues including responses to natural disasters, energy problems, falling birthrates and aging populations, the future of communities and abandoned homes. We want to share happiness with our stakeholders by creating new value and contributing to the resolution of social issues precisely because the Sekisui House Group develops housing-related growth strategies. This achieved through our Creating Shared Value (CSV) strategy.
Underpinning the Sekisui House Group corporate philosophy is a love of humanity. This means desiring happiness for others and treating their joy as our own. Desiring happiness for all our stakeholders and the realization of a sustainable society, we strive to create and share four key values: environmental value, economic value, social value and homeowner value.

Today, we are surrounded by a variety of accumulating social issues, including responses to natural disasters, energy problems, falling birthrates and aging populations, the future of communities and abandoned homes. We want to share happiness with our stakeholders by creating new value and contributing to the resolution of social issues precisely because the Sekisui House Group develops housing-related growth strategies. This is achieved through our Creating Shared Value (CSV) strategy.
The Sekisui House Group's Unique Strengths

Sekisui House Group Business

TOP MANAGEMENT COMMITMENT

Resolving Social Issues with Initiatives Going Beyond Conventional Thinking

Isami Wada  Chairman & CEO

Toshinori Abe  President & COO

Toward Stable, Sustainable Growth with an Awareness of Interactions with People and Society

Toshinori Abe President & COO

Development of Philosophy and Value Creation

Corporate Communications Department Tel: +81-6-6440-3440

Communication with Shareholders and Investors

Note: Some activities undertaken in FY2016 are covered in this report.

Features of the Sustainability Report 2016

• The content of this report was determined by the Sekisui House CSR Committee, which includes three external members, taking into consideration social conditions and survey responses to the Sustainability Report 2015 received from 1,124 internal and external stakeholders.

• In accordance with the G4 “core” option, all general standard disclosures (“core” items required for disclosure compliance) as well as specified standard disclosures (46 aspects) and 19 material aspects narrowed down into six CSV strategies are disclosed in this report and online.

• This year’s report includes integrated Reporting pages aimed at providers of financial capital.

• As an annual report, this publication contains a summary of our corporate activities during FY2015, which can be found in the “CSV Strategies” pages. This report also includes a self-evaluation of our performance towards achieving our goals.

• This report shows changes in key performance indicators (KPIs) in important areas, such as in the progress of our Eco-Fint Promise.

• The report also includes comments from stakeholders in various sectors, including our customers and external experts, who provide objective third-party views on our corporate activities.

Areas of Business

This report covers a total of 60 companies: Sekisui House, Ltd., and consolidated subsidiaries critical to CSR and environmental management, including the Sekisui Real Estate Group (17 companies), Sekisui House Remodeling, Ltd., the Sekisui Kentei Group (19 companies), Sekisui House Financial Services Co., Ltd., and 11 other companies, and Sekisui House Australia Holdings Pty Limited (11 companies).

In total, this report covers 98.2% of the entire Sekisui House Group in terms of the number of employees.

Areas of Business Activity

This report covers business operations of the Sekisui House Group, which include detached housing, rental housing, remodeling, real estate management, sale of properties, condominium development, urban redevelopment, overseas business, and others (e.g. exterior construction work). This report covers business operations of the Sekisui House Group, which include detached housing, rental housing, remodeling, real estate management, sale of properties, condominium development, urban redevelopment, overseas business, and others (e.g. exterior construction work).

Activities of high importance to the Sekisui House Group

http://www.sekisuihouse.co.jp/sustainable/
Features of the Sustainability Report 2016

- The context of this report was determined by the Sekisui House CSR Committee, which includes three external members, taking into consideration social conditions and survey responses to the Sustainability Report 2015 received from 1,124 internal and external stakeholders.
- In accordance with the G4 “core” option, all general standard disclosures (46 aspects) and 19 material aspects narrowed down into six CSV strategies are disclosed in this report and online.
- This year’s report includes integrated reporting pages aimed at providers of financial capital.
- As an annual report, this publication contains a summary of our corporate activities during FY2015, which can be found in the “CSV Strategies” pages. This report also includes a self-evaluation of our performance towards achieving our goals.

Areas of Business
This report covers business operations of the Sekisui House Group, which include detached housing, rental housing, remodeling, real estate management, sale of properties, commercial development, urban redevelopment, overseas business, and others (e.g. exterior construction work).

Areas of Business Activity
This report covers business operations of the Sekisui House Group, which include detached housing, rental housing, remodeling, real estate management, sale of properties, commercial development, urban redevelopment, overseas business, and others (e.g. exterior construction work).

Performance Indicators in Key Areas
- Environmental Performance
- Safety and Health
- Social Performance
- Financial Performance

Sekisui House Sustainability Report 2016

http://www.sekisuihouse.co.jp/sustainable/

Note: After the reporting period for this published edition, on April 3, 2016, Sekisui House Remodeling Ltd. was split into three companies: Sekisui House Remodeling East Japan Ltd., Sekisui House Remodeling Central Japan Ltd., and Sekisui House Remodeling West Japan Ltd.
Sekisui House Group Business

Deploying Housing-Related Growth Strategies

Since our founding in 1960, the Sekisui House Group has developed housing-related businesses that have come to lead the housing industry.

With beginnings in detached homes, we have expanded into business domains including rental housing, ready-built homes, condominiums, remodeling, real estate, urban development and overseas business.

Going forward, we will continue to provide new value to life making use of various business technologies, expertise and achievements grounded in our SLOW & SMART brand vision.

Main Affiliates

19 Sekiwa Construction companies (housing construction, etc.)
7 Sekiwa Real Estate companies (remodeling and extension, etc.)
19 Sekiwa Construction companies (housing remodeling and extension, etc.)
7 Sekiwa Real Estate companies (remodeling and extension of rental housing, etc.)

Note: Cumulative figures are all as of January 31, 2016.

Detached Housing Business Design, construction, and contracting of detached houses

Rental Housing Business Design, construction, and contracting of rental housing and medical and nursing care facilities

Condominium Development Business Sale of condominiums

Overseas Business Development of overseas business

Main Affiliates

7 Sekiwa Real Estate companies (purchase/sale of real estate, etc.)
19 Sekiwa Construction companies (housing construction, etc.)
7 Sekiwa Real Estate companies (purchase/sale of real estate, etc.)
7 Sekiwa Real Estate companies (remodeling and extension of rental housing, etc.)

Sale of Properties Business Sale of houses and residential land, design, construction, and contracting of houses on residential land for sale

Urban Redevelopment Business Development of office buildings and commercial facilities, and sale of real estate in possession

Main Affiliates

7 Sekiwa Real Estate companies (purchase/sale of real estate, etc.)
19 Sekiwa Construction companies (housing construction, etc.)
7 Sekiwa Real Estate companies (purchase/sale of real estate, etc.)

Remodeling Business Expansion and removal of housing, etc.

Real Estate Management Business Sale of houses and residential land; development and management of real estate, etc.

Main Affiliates

Sekiwa Real Estate companies (purchase/sale, brokerage, leasing, and management of real estate, etc.)
Sekiwa Real Estate Management Ltd. (operation and management of rental housing for senior citizens)

Exterior Business Exterior construction work, etc.

Sekiwa House Sustainability Report 2016

Detached housing business

Rental housing business

Overseas business

Sale of properties business

Condominium development business

Urban redevelopment business

Remodeling business

Exterior business

Construction of custom-built detached houses, sale of newly built detached houses and rental land, development and sale of condominiums and commercial facilities in overseas markets.

Rental housing business

Remodeling business

Investment in undeveloped land and rental housing

Selling, management, operation, and brokerage of real estate, etc.

Detected housing business

Real estate management business

Detached home sales

Rental housing stock

Development business

Overseas business

Detached housing business

Rental housing business

Overseas business

Condominium development business

Urban redevelopment business

Remodeling business

Exterior business

Sale of properties business

Main Affiliates

Sekiwa Real Estate companies (purchase/sale, brokerage, leasing, and management of real estate, etc.)
Sekiwa House Australia Holdings Pty Ltd.

Main Affiliates

7 Sekiwa Real Estate companies (purchase/sale of real estate, etc.)
Sekiwa House Australia Holdings Pty Ltd.
Sekisui House Group Business

Deploying Housing-Related Growth Strategies

Since our founding in 1960, the Sekisui House Group has developed housing-related businesses that have come to lead the housing industry. With beginnings in detached homes, we have expanded into business domains including rental housing, ready-built homes, condominiums, remodeling, real estate, urban development and overseas business. Going forward, we will continue to provide new value to life making use of various business technologies, expertise and achievements grounded in our SLOW & SMART brand vision.

Detached Housing Business
Design, construction, and contracting of detached houses
Main Affiliates
- 19 Sekiwa Construction companies (housing construction, etc.)

Total number of orders received for net-zero-energy housing
15,266 houses
No. 1 in Japan

Number of three-story rental housing starts (FY2014)
1,259 buildings
No. 1 in Japan

Detached Home Sales (FY2014)
19,251 houses
No. 1 in Japan

Source: Housing Industry Express, Jutaku Sangyo Kenkyusho Co., Ltd.

Rental Housing Business
Design, construction, and contracting of rental housing and medical and nursing care facilities
Main Affiliates
- 19 Sekiwa Construction companies (housing construction, etc.)

Number of three-story rental housing starts (FY2014)
1,259 buildings
No. 1 in Japan

Source: Data provided by Sekisui House Group

*** Consolidated Sales by Segment ***

Detached housing business 21.2% (393.786)
Overseas business 4.8% (89,522)
Urban redevelopment business 5.0% (93,038)
Condominium development business 4.4% (81,478)
Sale of properties business 7.4% (137,484)
Real estate management business 24.1% (448,751)
Overseas business 4.8% (89,522)

*** Other Businesses ***

Net sales
1,858,879 million yen

Remodeling business sales
134.4 billion yen
No. 1 in Japan

Total number of registered residential units in assisted-living complexes for senior citizens
10,679 units
No. 1 in Japan

Source: Data provided by Sekisui House Group
The Sekisui House Group's Unique Strengths

Maximizing Value to Customers through Synergy Effects of Group Collaboration

Unlike consumable products, the value and quality demanded of homes are not fixed. To respond to changes in the environment surrounding housing, physical and mental changes in homeowners and their needs and secular changes affecting buildings, as well as to ensure customers feel comfortable at any given time, Sekisui House itself must continue to exist by engaging in sustainable management.

To this end, we must engage in business that incorporates mechanisms for the continued provision of services. To provide optimal services adapted to modern times in a variety of scenarios, the Sekisui House Group must efficiently share functions and systematically engage in activities while benefitting from Group collaborations both upstream and downstream leading to increased added value throughout the Group. We believe this will lead to providing customers with highest level of value.

How are You Able to Realize High-Quality Construction?

How are You Different from Other Companies?

Ensuring the Highest Level of Construction Quality through Project Accountability

Project Accountability from Wholly-owned Subsidiaries Sekiwa Construction and Sekisui House Association

Onsite construction quality control is an extremely important process for ensuring the unique characteristics of detached houses built to specifications and tailor-made for each customer. Rather than utilizing agencies, Sekisui House contracts directly with customers to create a project accountability structure guaranteeing solid construction quality. Wholly-owned Sekiwa Construction and building contractor partners comprising the Sekisui House Association constantly strive to improve their skills through training and other activities. Our proprietary management system facilitates construction schedule planning and construction progress status visualization that is continually shared with the Sekisui House Association to thoroughly manage quality.

Strong Customer Base

2.28 million total houses built

How Do You Maintain Asset Value with Minimum Management Effort?

What are the Merits of Sekisui House Group Remodeling?

Remodeling Making Use of Numerous Construction Achievements

Group-wide Support, from Remodeling to Rebuilding and Relocation

Group companies provide a wide range of support for all kinds of large scale projects and renovation. Sekisui Remodeling Co., Ltd., handles Sekisui House detached housing. Sekiwa Real Estate handles Sha Maison rental housing and Sekiwa Construction handles general pre-existing housing.

With numerous construction achievements in the industry, we are able to procure various building materials from a variety of equipment manufacturers at optimal prices, which adds to the merits of our remodeling services.

What are the Positive Effects of Your Development Business?

Supporting the Next-Generation of Multi-Generational Exchange Communities

Creating Comfortable Living Environments in Each Area that are Safe and Reliable

In addition to the proactive development of property sales and condominium businesses, there is also a demand for Japanese-style CCRC* as a critical social component for the aged as we move toward an era of active health. This enables us to make the most of our multi-generational rental condominium and other house manufacturing experience and expertise, as well as our experience in maintenance management.

Note: Continuing Care Retirement Community (CCRC): The creation of a community in which elderly people who have opted to move to rural areas are able to live an active and healthy life. These communities also provide ongoing healthcare when necessary.

What Does After-Sales Service Entail?

1,400 Employees Responsible for After-Sales Service

Approximately 10% of Sekisui House Employees are Dedicated to Supporting Homes and Lifestyles

After handing over a property, many housing companies consign after-sales services to an outside contractor. However, Sekisui House considers appropriate maintenance to be part of a home’s intrinsic value. We established a nationwide Customer Center to ensure and maintain comfortable lifestyles. We also centrally manage customer housing information in our Company-wide system.

After moving in, questionnaires and other tools are used to solicit customer feedback, which is distributed throughout the Company and utilized daily as an important source of information for product development and service improvements.
The Sekisui House Group’s Unique Strengths

Maximizing Value to Customers through Synergy Effects of Group Collaboration

Unlike consumable products, the value and quality demanded of homes are not fixed. To respond to changes in the environment surrounding housing, physical and mental changes in homeowners and their needs and secular changes affecting buildings, as well as to ensure customers feel comfortable at any given time, Sekisui House itself must continue to exist by engaging in sustainable management.

To this end, we must engage in business that incorporates mechanisms for the continued provision of services. To provide optimal services adapted to modern times in a variety of scenarios, the Sekisui House Group must efficiently share functions and systematically engage in activities while benefitting from Group collaborations both upstream and downstream leading to increased added value throughout the Group. We believe this will lead to providing customers with highest level of value.

Ensuring the Highest Level of Construction Quality through Project Accountability

Project Accountability from Wholly-owned Subsidiaries Sekiwa Construction and Sekisui House Association

Onsite construction quality control is an extremely important process for ensuring the unique characteristics of detached houses built to specifications and tailor-made for each customer. Rather than utilizing agencies, Sekisui House contracts directly with customers to create a project accountability structure guaranteeing solid construction quality. Wholly-owned Sekiwa Construction and building contractor partners comprising the Sekisui House Association constantly strive to improve their skills through training and other activities. Our proprietary management system facilitates construction schedule planning and construction progress status visualization that is continually shared with the Sekisui House Association to thoroughly manage quality.

Strong Customer Base 2.28 million total houses built

Housing stock business

Built-to-order business

Detached homes, rental housing

Development business

Rentals and condominiums, Village development

Overseas business

Remodeling

real estate management

Inter-Group Support, from Construction to Brokerage, Operation and Management

In response to increasingly diverse needs, Sekisui House rental housing Sha Maison specializes in designs with the same high degree of freedom as detached housing. High occupancy rates and long-term, stable management are the keys to operation and management after completion.

The seven companies comprising Group wholly-owned subsidiary Sekiwa Real Estate develop business throughout Japan supporting rental management, from the solicitation of residents, to bulk leasing and ongoing maintenance. As outsourcing for owners, they operate a fee business with a stable structure facilitating the maintenance of asset value over the long term.

1,400 Employees Responsible for After-Sales Service

Approximately 10% of Sekisui House Employees are Dedicated to Supporting Homes and Lifestyles

After handing over a property, many housing companies consign after-sales services to an outside contractor. However, Sekisui House considers appropriate maintenance to be part of a home’s intrinsic value. We established a nationwide Customer Center to ensure and maintain comfortable lifestyles. We also centrally manage customer housing information in our Company-wide system.

After moving in, questionnaires and other tools are used to solicit customer feedback, which is distributed throughout the Company and utilized daily as an important source of information for product development and service improvements.

 Supporting the Next-Generation of Multi-Generational Exchange Communities

Creating Comfortable Living Environments in Each Area that are Safe and Reliable

In addition to the proactive development of property sales and condominium businesses, there is also a demand for Japanese-style CCRC* as a critical social component for the aged as we move toward an era of active health. This enables us to make the most of our multi-generational rental condominium and other house manufacturing experience and expertise, as well as our experience in maintenance management.

Note: Continuing Care Retirement Community (CCRC) The creation of a community in which elderly people who have opted to move to rural areas are able to live an active and healthy life. These communities also provide ongoing healthcare when necessary.
TOP MANAGEMENT COMMITMENT

Resolving Social Issues with Initiatives Going Beyond Conventional Thinking

Toward a New Stage of Expansion: Changing Society through Housing From an “All-Japan” Perspective

The World is Changing, No Longer Can One Company Pursue Profit for Itself Only

In December 2015, the “Paris Agreement” related to global warming countermeasures from 2020 onward was adopted at COP21 (the Framework Convention on Climate Change, 21st Session of the Conference of the Parties to the United Nations) held in Paris, France. A legal framework aimed at eliminating greenhouse gases was created by the 196 countries and regions that participated in the conference. Japan has committed to reducing greenhouse gas emissions 26% by 2030 compared to 2013 levels. Needless to say, various initiatives aimed at reducing greenhouse gas emissions was created by the 196 countries and regions

One Company Pursue Profit for Itself Only

In which no one profits at all. Customers are also perplexed. If all participants separately pursue short-term profits, the result will be conditions under which no one profits at all. Customers are also perplexed.

This is just an example. However, this is becoming an issue of enhancing the overall strength of national power and the nation in a variety of areas from an all-Japan perspective.

This also applies to the reduction of greenhouse gas emissions. This is a global problem that cannot be solved by one company. In Japan, the residential sector accounts for about one-third of electric power consumed, thus residential energy conservation has a massive impact. The housing industry has a tremendous responsibility. There is a demand for new comprehensive countermeasures that go beyond conventional concepts of simply promoting energy conservation.

Promoting Not Only New Construction, But Also Existing Home Energy Creation and Conservation

In Japan at present, there are problems with the state of electric power and energy, as residential sector CO2 emissions are rising substantially. To promote the spread of net zero energy housing (ZEH) that achieves a balance between energy used and created, the government established specific goals to make the majority of new homes built by housing manufacturers ZEH-compliant by 2020. This is a truly all-Japan project. However, this amount represents only 1% of Japan’s total housing. What I also want to emphasize is ZEH’s applicability to the overwhelming volume of existing homes. There is a limit to the number of newly built homes. The impact on greenhouse gas reductions from existing homes that create and conserve energy is a different order of magnitude.

This is completely different from an inward-looking, lockstep mentality. In short, to grow in tandem with the world, we must discard the idea of “one company profiting for itself only.” To use a housing industry-related example, Home Energy Management System (HEMS) standards present a challenge in terms of equipment compatibility. While healthy and friendly competition are important, if interconnected companies separately pursue short-term profits, the result will be conditions in which no one profits at all. Customers are also perplexed.

Isami Wada
Chairman & CEO

Until now, advanced housing technologies and other environmental technologies focused mainly on high-performance new housing. Going forward, we are entering an age in which these achievements and expertise will be incorporated into existing housing. Sekisui House is also making Group-wide efforts in this area at present. We must completely change our concept of remodeling, which is strongly associated with housing repairs and expansion. This is the housing industry’s societal mission. Furthermore, good homes will not be torn down. Efforts to smoothly circulate quality housing as social capital are also important from the perspective of building a sustainable society. Sekisui House also promotes activities as a key member of the Provision of Quality Housing Stock Association, known as “SumStock.”

In public-private dialogues with the government focused on future investment, I have emphasized this situation and formulated specific policy demands. In addition to the promotion of ZEH, the government also indicated support for energy-saving remodeling and renovation measures. I was able to present a new perspective on the role housing plays in resolving social issues such as environmental and energy problems, and above all, the application to existing homes and the circulation of quality homes, which was understood and approved by the government. This was extremely significant, not only in terms of global warming countermeasures, but also the future of Japan from the comprehensive perspective of an improved housing environment.

One other point I emphasized was promoting the spread of simple fuel cells installed on condominium balconies. The typical household fuel cell is almost twice as energy efficient as a thermal power station. It can also generate power at night. The typical household fuel cell is almost twice as energy efficient as a thermal power station. It can also generate power at night.

At present, the basic energy plan objective is to introduce a total of 5.3 million of these units by 2030. This has resulted in a battle over price. The contention is that political support is indispensable, including tax breaks for capital investment by manufacturers. The public and private sectors are working together to pool their knowledge, and if mass production can bring unit costs down to ¥500,000, there is no doubt this can become a powerful driving force behind existing home energy creation. As the housing industry’s leading company, Sekisui House will drive these all-Japan initiatives and is prepared to work vigorously to promote the development and spread of more advanced environmental technologies.

Chairman Isami Wada speaking at a public-private dialogue with the government focused on future investment (from the Office of the Prime Minister’s official website)

Source: Ministry of Health, Labor, and Welfare

Source: Cabinet Office

Sekisui House Sustainability Report 2016
Going Beyond Conventional Thinking

Resolving Social Issues with Initiatives

Toward a New Stage of Expansion: Changing Society through Housing From an “All-Japan” Perspective

The World is Changing. No Longer Can One Company Pursue Profit for Itself Only

In December 2015, the “Paris Agreement” related to global warming countermeasures from 2020 onward was adopted at COP21 (the Framework Convention on Climate Change, 21st Session of the Conference of the Parties to the United Nations) held in Paris, France. A legal framework aimed at eliminating warming countermeasures from 2020 onward was adopted at COP21 (the Framework Convention on Climate Change, 21st Session of the Conference of the Parties to the United Nations). One answer is found in the concept of remodeling, which is strongly associated with housing repairs and expansion. This is the housing industry’s societal mission. Furthermore, good homes will not be torn down. Efforts to smoothly circulate quality housing as social capital are also important from the perspective of building a sustainable society. Sekisui House also promotes activities as a key member of the Provision of Quality Housing Stock Association, known as “SumStock.”

In public-private dialogues with the government focused on future investment, I have emphasized this situation and formulated specific policy demands. In addition to the promotion of ZEH, the government also indicated support for energy-saving remodeling and renovation measures. I was able to present a new perspective on the role housing plays in resolving social issues such as environmental and energy problems, and above all, the application to existing homes and the circulation of quality homes, which was understood and approved by the government. This was extremely significant, not only in terms of global warming countermeasures, but also the future of Japan from the comprehensive perspective of an improved housing environment.

One other point I emphasized was promoting the spread of simple fuel cells installed on condominium balconies. The typical household fuel cell is almost twice as energy efficient as a thermal power station. It can also generate power at night. At present, the basic energy plan objective is to introduce a total of 5.3 million of these units by 2030. This has resulted in a battle over price. The contention is that political support is indispensable, including tax breaks for capital investment by manufacturers. The public and private sectors are working together to pool their knowledge, and if mass production can bring unit costs down to ¥500,000, there is no doubt this can become a powerful driving force behind existing home energy creation. As the housing industry’s leading company, Sekisui House will drive these all-Japan initiatives and is prepared to work vigorously to promote the development and spread of more advanced environmental technologies.

While healthy and friendly competition are important, if interconnected companies separately pursue short-term profits, the result will be conditions in which no one profits at all. Customers are also perplexed. This is just an example. However, this is becoming an issue of enhancing the overall strength of national power and the nation in a variety of areas from an all-Japan perspective.

This also applies to the reduction of greenhouse gas emissions. This is a global problem that cannot be solved by one company. In Japan, the residential sector accounts for about one-third of electric power consumed, thus residential energy conservation has a massive impact. The housing industry has a tremendous responsibility. There is a demand for new comprehensive countermeasures that go beyond conventional concepts of simply promoting energy conservation.

Promoting Not Only New Construction, But Also Existing Home Energy Creation and Conservation

In Japan at present, there are problems with the state of electric power and energy, as residential sector CO2 emissions are rising substantially. To promote the spread of net zero energy housing (ZEH) that achieves a balance between energy used and created, the government established specific goals to make the majority of new homes built by housing manufacturers ZEH-compliant by 2020. This is a truly all-Japan project. However, this amount represents only about 1% of Japan’s total housing. What I also want to emphasize is ZEH’s applicability to the overwhelming volume of existing homes. There is a limit to the number of newly built homes. The impact on greenhouse gas reductions from existing homes that create and conserve energy is a different order of magnitude.

Household electricity consumption ratio

Approximately one-third of Japanese power consumption

Reduction of household asset value

Currently housing assets amount to ¥330 trillion compared with ¥380 trillion in housing investment

Housing asset values have fallen approximately ¥540 trillion

This is completely different from an inward-looking, lockstep mentality. In short, to grow in tandem with the world, we must discard the idea of “one company profiting for itself only.” To use a housing industry-related example, Home Energy Management System (HEMS) standards present a challenge in terms of equipment compatibility. While healthy and friendly competition are important, if interconnected companies separately pursue short-term profits, the result will be conditions in which no one profits at all. Customers are also perplexed.

Isami Wada

Chairman & CEO

The Elders, the Growing Aged Population

The elderly will represent approximately 33.4% of Japan’s population in 2035. One out of every three people will be 65 years or older in 2035.

Growing aged population

The elderly will represent approximately 33.4% of Japan’s population in 2035. One out of every three people will be 65 years or older in 2035.

Economic Burden of Healthcare Expenses

In fiscal 2014 healthcare expenses amounted to ¥40 trillion. Approximately 36% was spent on people 75 years or older.

Economic Burden of Healthcare Expenses

In fiscal 2014 healthcare expenses amounted to ¥40 trillion. Approximately 36% was spent on people 75 years or older.

Source: Ministry of Health, Labor, and Welfare

Approximately one-third of healthcare expenses went to people 80 years or older.

Source: Ministry of Health, Labor, and Welfare

In fiscal 2014 healthcare expenses amounted to ¥40 trillion. Approximately 36% was spent on people 75 years or older.

Source: Ministry of Health, Labor, and Welfare

Approximately one-third of healthcare expenses went to people 80 years or older.

Source: Ministry of Health, Labor, and Welfare

The elderly will represent approximately 33.4% of Japan’s population in 2035. One out of every three people will be 65 years or older in 2035.

Economic Burden of Healthcare Expenses

In fiscal 2014 healthcare expenses amounted to ¥40 trillion. Approximately 36% was spent on people 75 years or older.

Source: Ministry of Health, Labor, and Welfare

Approximately one-third of healthcare expenses went to people 80 years or older.

Source: Ministry of Health, Labor, and Welfare

In fiscal 2014 healthcare expenses amounted to ¥40 trillion. Approximately 36% was spent on people 75 years or older.

Source: Ministry of Health, Labor, and Welfare

Approximately one-third of healthcare expenses went to people 80 years or older.

Source: Ministry of Health, Labor, and Welfare

In fiscal 2014 healthcare expenses amounted to ¥40 trillion. Approximately 36% was spent on people 75 years or older.

Source: Ministry of Health, Labor, and Welfare

Approximately one-third of healthcare expenses went to people 80 years or older.

Source: Ministry of Health, Labor, and Welfare

In fiscal 2014 healthcare expenses amounted to ¥40 trillion. Approximately 36% was spent on people 75 years or older.

Source: Ministry of Health, Labor, and Welfare

Approximately one-third of healthcare expenses went to people 80 years or older.

Source: Ministry of Health, Labor, and Welfare

In fiscal 2014 healthcare expenses amounted to ¥40 trillion. Approximately 36% was spent on people 75 years or older.

Source: Ministry of Health, Labor, and Welfare

Approximately one-third of healthcare expenses went to people 80 years or older.

Source: Ministry of Health, Labor, and Welfare

In fiscal 2014 healthcare expenses amounted to ¥40 trillion. Approximately 36% was spent on people 75 years or older.

Source: Ministry of Health, Labor, and Welfare

Approximately one-third of healthcare expenses went to people 80 years or older.

Source: Ministry of Health, Labor, and Welfare

In fiscal 2014 healthcare expenses amounted to ¥40 trillion. Approximately 36% was spent on people 75 years or older.

Source: Ministry of Health, Labor, and Welfare

Approximately one-third of healthcare expenses went to people 80 years or older.

Source: Ministry of Health, Labor, and Welfare

In fiscal 2014 healthcare expenses amounted to ¥40 trillion. Approximately 36% was spent on people 75 years or older.

Source: Ministry of Health, Labor, and Welfare

Approximately one-third of healthcare expenses went to people 80 years or older.

Source: Ministry of Health, Labor, and Welfare

In fiscal 2014 healthcare expenses amounted to ¥40 trillion. Approximately 36% was spent on people 75 years or older.

Source: Ministry of Health, Labor, and Welfare

Approximately one-third of healthcare expenses went to people 80 years or older.

Source: Ministry of Health, Labor, and Welfare

In fiscal 2014 healthcare expenses amounted to ¥40 trillion. Approximately 36% was spent on people 75 years or older.

Source: Ministry of Health, Labor, and Welfare

Approximately one-third of healthcare expenses went to people 80 years or older.

Source: Ministry of Health, Labor, and Welfare

In fiscal 2014 healthcare expenses amounted to ¥40 trillion. Approximately 36% was spent on people 75 years or older.

Source: Ministry of Health, Labor, and Welfare

Approximately one-third of healthcare expenses went to people 80 years or older.
Homes that Extend a Healthy Life Expectancy in Demand Among Aging Developed Countries

Japan is said to have developed country issues, which include environmental and energy problems. If we accept the super-aged society as a positive, the concept of an aging developed country is born. From this perspective, in recent years I have repeatedly used the phrase “healthy life expectancy.” This aim is not only to live a long life, but also to create a society in which everyone can have a lifetime career and live energetically. I think housing offers a lot in terms of extending a healthy life expectancy.

More effective home insulation has been shown to improve senior citizen blood pressure, sleep quality and allergy symptoms. At the same time, there are reports that sudden deaths are on the rise among the elderly while bathing during the winter. This is caused by a rapid change in body temperature, known as “heat shock.” It is estimated that 17,000 people die this way each year. This is nearly four times as many as people as are killed in traffic accidents, more than 80% of whom are elderly people aged 65 years or older. Aging developed countries require homes that extend healthy life expectancy. Not only will this prolong the lives of the elderly, it will also rein in healthcare costs. Calculations based on research conducted by Dr. Shozo Murakami of the non-profit Institute for Building Environment and Energy Conservation indicate healthcare costs per household can be reduced ¥47,000 per year with high athermalization remodeling. At present, there are approximately 40 million existing homes in Japan that need high athermalization. Performing a simple calculation reveals this has the potential to reduce annual healthcare costs by approximately ¥2 trillion. Surely, this is a topic that warrants serious discussion.

At present, Sekisui House is aggressively promoting its Platinum Business targeting senior citizens. This business is rooted in the idea of “comfortable living—now and always,” and our approach to home creation based on the lifelong-housing concept. Specifically, this refers to Sekisui House’s Smart Universal Design, which seeks to provide a lifetime of safety, security, user-friendliness and comfort using high quality insulation materials, air systems. Initiatives to revamp communities where multiple generations interact will have a positive impact on a healthy life expectancy. We are advancing these business activities to seek new answers that will resolve aging developed country and other issues.

Sekisui House Group’s Responsibility to Future Generations in an Increasingly Global Housing Industry

Today, the Internet of Things (IoT) is emerging as a new theme. Smart homes and smart cities are only the beginning. This technology is a subject that should be addressed by society as a whole. Standing at the heart of social issues, the housing industry is calling into question the value of this development. I think alliances with venture capital firms possessing a variety of innovative know-how is a key factor. We can create new possibilities by multiplying our mutual strengths. It is also necessary to create a foundation and awareness to cultivate venture capital firms in the greater society. Large corporations must not be too bound by words like “governance.” New and unconventional experiments and collaborations will provide stimulation and inspiration leading to comprehensive advances in all Japan capabilities.

I currently serve as chair of the Eco-First Promotion Council, which was set up to promote collaborations among a network of Eco-First Companies certified Ministry of the Environment. I am also chair of the non-profit Kids Design Association, which works with the Ministry of Economy, Trade and Industry (METI) to promote business, senior citizen welfare-related activities and expanded contact with METI. Initiatives originating in housing involve a variety of ministries and are connected to all kinds of policies. Through our development business we are business partners with a global hotel group that is proactive and outspoken with respect to inbound travelers and tourism promotion, one pillar of Japan’s growth strategy. The number of overseas tourists visiting Japan has greatly exceeded expectations. The growth of the tourism industry in response to inbound demand is also linked to regional revitalization, which is strongly connected to the future of the housing industry in a variety of ways.

Sekisui House agreed to and signed the Joint Declaration in the Building and Construction Sector formulated at COP21. This was signed by 70 institutions worldwide from 20 participating countries. With the environment as the cornerstone of business, Sekisui House leads Japanese housing environmental performance improvements and has taken on an even greater international mission and responsibilities.

Changing society through housing. This is an all-Japan effort that is advancing toward the global stage. Sekisui House’s overseas business is also beginning to extend its profits. To continue fulfilling the housing industry’s responsibility to future generations, we will maintain our focus on housing while expanding into related domains. I am confident this will lead to increased customer satisfaction and the creation of new value demanded by future societies.

Toshinori Abe
President & COO

TOP MANAGEMENT COMMITMENT

Toward Stable, Sustainable Growth with an Awareness of Interactions with People and Society

Continuing to be a Company Needed by Society Where Employees Want to Work for a Long Time

Supporting Well-Balanced Profit Growth with Three Business Models

When thinking about corporate social responsibility, our ideal state of being and the future vision for business development, I always tell myself—and repeatedly instruct employees—that “a company not needed by society is not qualified to grow.” Companies needed by society deliver products and services demanded by society and customers in a satisfactory manner. The company is built upon this trust. Is our company needed by society today? These are simple words, but the question is extremely serious.

This is the final year of the Sekisui House FY2014 Medium-Term Management Plan, focused on priority themes in housing-related businesses. Until now, performance and business strategy have proceeded according to plans. This was the result of accumulated support and trust from customers, and continuing to deliver results that exceed expectations, we must now target new growth. At present, Sekisui House develops business according to three business models: the built-to-order, housing stock and development businesses. Underpinning our steady performance is the establishment of a solid earnings base in each of these businesses as a result of structural reforms after the Lehman Shock and the strengthening of group collaborations in line with our 50th anniversary. As a result, we were able to create a well-balanced structure for profit growth in all three business models. In terms of earnings, the built-to-order business accounts for approximately 50%. This is a major advance. A closer look at the built-to-order business reveals that rental housing earnings account for more than 50%. Even when looking at the details of each individual business model, we see steady ongoing growth amid an increasing sense of stability. Going forward, we will of course continue to actively and boldly take on challenges by establishing a new pillar: a new business model in the housing-related business, a large area with growth potential as a result of changing times and social demands. At the root of these efforts is a love of humanity, which is our corporate philosophy. The good faith practice of desire for happiness for others and treating their joy as our own is the root of these efforts is a love of humanity, which is our corporate philosophy. The good faith practice of desire for happiness for others and treating their joy as our own is the heart of our services. Going forward, we will continue to implement our SLOW & SMART brand vision and launch a variety of measures desiring happiness for others in our commitment to continue being a company needed by society.

Women and men with an Awareness of Interactions with People and Society
The super-aged society has arrived in Japan and other issues. Aging developed countries require homes that extend healthy life expectancy. Not only will this prolong the lives of the elderly, it will also reign in healthcare costs. Calculations based on research conducted by Dr. Shizo Murakami of the non-profit Institute for Building Environment and Energy Conservation indicate healthcare costs per household can be reduced ¥47,000 per year with high athermalization remodeling. At present, there are approximately 40 million existing homes in Japan that need high athermalization. Performing a simple calculation reveals this has the potential to reduce annual healthcare costs by approximately ¥2 trillion. Surely, this is a topic that warrants serious discussion.

At present, Sekisui House is aggressively promoting its Platinum Business targeting senior citizens. This business is rooted in the idea of “comfortable living—now and always,” an even greater international mission and responsibilities. I am also chair of the non-profit Kids Design Association, which works with the Ministry of Economy, Trade and Industry (METI) to promote business, senior citizen welfare-related activities and expanded contact with METI. Initiatives originating in housing involve a variety of ministries and are connected to all kinds of policies. Through our development business we are business partners with a global hotel group that is proactively outspoken with respect to inbound travelers and tourism promotion, one pillar of Japan’s growth strategy. The number of overseas tourists visiting Japan has greatly exceeded expectations. The growth of the tourism industry in response to inbound demand is also linked to regional revitalization, which is strongly connected to the future of the housing industry in a variety of ways.

Sekisui House agreed to and signed the Joint Declaration in the Building and Construction Sector formulated at COP21. This was signed by 70 institutions worldwide from 20 participating countries. With the environment as the cornerstone of business, Sekisui House leads Japanese housing environmental performance improvements and has taken on an even greater international mission and responsibilities.

Changing society through housing. This is an all-Japan effort that is advancing toward the global stage. Sekisui House’s overseas business is also beginning to extend its profits. To continue fulfilling the housing industry’s responsibility to future generations, we will maintain our focus on housing while expanding into related domains. I am confident this will lead to increased customer satisfaction and the creation of new value demanded by future societies.
Our Role and Responsibilities as a Leading Company in the Housing Industry

Driving growth in the built-to-order business is the Green First strategy, based on environmental technologies comprising the foundation of Sekisui House’s CSR. At COP11 the Framework Convention on Climate Change, 21st Session of the Conference of the Parties to the United Nations held at the end of 2015, Japan’s commitment to the reduction of greenhouse gas emissions calls for a substantial 39.9% reduction in the residential sector by 2030. Sekisui House, recognized as an Eco-First Company by the Minister of the Environment and committed to environmental initiatives, is charged with a significant role and responsibilities. Going forward, we are prepared to further strengthen and thoroughly-implement the Green First strategy.

First, with respect to newly built homes, the spread of net-zero-energy housing (ZEH) enabling zero net energy consumption is accelerating. This is a national project with political backing. Sekisui House intends to lead this development with the goal of expanding ZEH to 80% of newly built housing by 2020. In addition to newly built homes, we also have plans to expand the spread of energy-saving remodeling and larger scale renovations to realize comfortable and eco-friendly lifestyles with respect to existing homes, which comprise the overwhelmingly majority of homes. These plans include Green First Remodeling to extend the healthy life expectancy of residents by improving the thermal environment. The combination of improved insulation, the introduction of energy-efficient equipment and photovoltaic systems will enable even greater CO2 reductions.

At present, we are creating a support structure in the remodeling and renovation business, comprising Sekisui Remodeling Co., Ltd., which handles Sekisui House detached housing, Sekiwa Real Estate, which handles Sha Maison rental housing and Sekiwa Construction, which handles general pre-existing housing. Green First Remodeling will be applied to all kinds of housing in Japan. Sekisui House will combine its unique powers of collaboration and make maximum use of its overall capabilities while contributing to the resolution of social issues. Going forward, we believe increasing the contribution from the housing stock business within our three business models will also lead to stable growth for Sekisui House.

Even though Times May Change, We Maintain an Unwavering Customer First Approach

In terms of resolving social issues and meeting societal needs, our priority theme is three- to four-story housing in line with the expansion of multigenerational households, one of the government’s childbearing support measures calling for a society in which all 100 million people can play an active role. The demand for rental housing is also on the rise from the perspective of inheritance tax measures. To meet these needs and increase comfort, Sekisui House developed Shade 5G, an advanced soundproofing system that significantly reduces impact noises from the floors above. Stress caused by noise is reduced using the world’s highest standard for soundproof performance. Four-story structures acquired model certification linked to efficient design and construction confirmation application operations. Going forward, we will enhance this system and promote technological developments while enhancing cost competitiveness offering lifestyle diversity in support of ideal family situations with the aim of providing even greater customer satisfaction.

Shawood wooden-frame housing’s Gravis Villa, a 20th anniversary edition offering an expanded degree of freedom in ceiling height, has been well received. We developed Shade Border, a new pattern for Dyne Concrete original exterior walls in the IS Series, our core product in steel-framed homes. This design, with an increased emphasis on a sculpted sense of dignity, will continue to maintain its presence as a neighborhood asset with everlasting value. To provide the high quality of these products, we make an effort to develop human resources, including building contractors, to strengthen construction capabilities. These initiatives are based on an awareness of being united by a common destiny, which is in-grained in Sekisui House’s DNA. Strong bonds with building contractors, close-knit Group collaborations, and above all, a customer first approach—no matter how the times may change, we are firmly rooted by the support of our competitive products.

Correct Understanding and Fair Evaluation of the Value of Diverse Human Resources

Within the Company, we are approaching the further inculcation of our corporate philosophy espousing a love of humanity, while simultaneously expanding awareness in line with the changing times from a variety of angles. We are making the most of all our employee’s strengths, establishing a Diversity Promotion Team to lead sustainable management aimed at creating a workplace environment based on mutual respect, the results of which are already apparent throughout the Company. In particular, the growth and active participation of women has been eye-opening. I myself am extremely pleased to interact daily with female employees vigorously playing an active role, which I find extremely encouraging. In my New Year’s greeting I declared “women’s active participation is indispensable to Sekisui House growth.” Women managers are on the rise. They are also expanding into worksite foreman operations in technical divisions. Women are involved in about 60% of all remodeling sales. However, the important thing is not the additional number of women in these areas. This is not about simply increasing numbers. Women demand opportunities daily with female employees vigorously playing an active role, which I find extremely encouraging. In my New Year’s greeting I declared “women’s active participation is indispensable to Sekisui House growth.” Women managers are on the rise. They are also expanding into worksite foreman operations in technical divisions. Women are involved in about 60% of all remodeling sales. However, the important thing is not the additional number of women in these areas. This is not about simply increasing numbers. Women demand opportunities.

Balanced Earnings Composition Changes

<table>
<thead>
<tr>
<th>Net Sales (¥100 million yen)</th>
<th>14,183</th>
<th>19,850</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>10,851</td>
<td>6,461</td>
</tr>
<tr>
<td>2016</td>
<td>7,528</td>
<td>8,000</td>
</tr>
<tr>
<td>(Fy)</td>
<td>49%</td>
<td>40%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating Income (¥10 million yen)</th>
<th>1,700</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>563</td>
</tr>
<tr>
<td>2016</td>
<td>545</td>
</tr>
<tr>
<td>(Fy)</td>
<td>77%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revenue from operations (¥10 million yen)</th>
<th>1,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>719</td>
</tr>
<tr>
<td>2016</td>
<td>77%</td>
</tr>
<tr>
<td>(Fy)</td>
<td>49%</td>
</tr>
</tbody>
</table>
Our Role and Responsibilities as a Leading Company in the Housing Industry

Driving growth in the built-to-order business is the Green First strategy, based on environmental technologies comprising the foundation of Sekisui House’s CSR. At COP11, the framework Convention on Climate Change, 21st Session of the Conference of the Parties to the United Nations held at the end of 2015, Japan’s commitment to the reduction of greenhouse gas emissions calls for a substantial 39.9% reduction in the residential sector by 2030. Sekisui House, recognized as an Eco-First Company by the Minister of the Environment and committed to environmental initiatives, is charged with a significant role and responsibilities. Going forward, we are prepared to further strengthen and thoroughly implement the Green First strategy.

First, with respect to newly built homes, the spread of net-zero-energy housing (ZEH) enabling zero net energy consumption is accelerating. This is a national project with political backing. Sekisui House intends to lead this development with the goal of expanding ZEH to 80% of newly built housing by 2020. In addition to newly built homes, we also have plans to focus efforts on energy-saving remodeling and large scale renovations to realize comfortable and eco-friendly lifestyles with respect to existing homes, which comprise the overwhelmingly majority of homes. These plans include Green First Remodeling to extend the healthy life expectancy of residents by improving the thermal environment. The combination of improved insulation, the introduction of energy-efficient equipment and photovoltaic systems will enable even greater CO2 reductions.

At present, we are creating a support structure in the remodeling and renovation business, comprising Sekisui Remodeling Co., Ltd., which handles Sekisui House detached housing, Sekiwa Real Estate, which handles Sha Maison rental housing and Sekiwa Construction, which handles general pre-existing housing. Green First Remodeling will be applied to all kinds of housing in Japan. Sekisui House will combine its unique powers of collaboration and make maximum use of its overall capabilities while contributing to the resolution of social issues. Going forward, we believe increasing the contribution from the housing stock business within our three business models will also lead to stable growth for Sekisui House.

Even though Times May Change, We Maintain an Unwavering Customer First Approach

In terms of resolving social issues and meeting societal needs, our priority theme is three- to four-story housing in line with the expansion of multigenerational households, one of the government’s childrearing support measures calling for a society in which all 100 million people can play an active role. The demand for rental housing is also on the rise from the government’s childrearing support measures calling for a neighborhood asset with everlasting value. To provide the high quality of these products, we make an effort to develop human resources, including building contractors, to strengthen construction capabilities. These initiatives are based on an awareness of being united by a common destiny, which is in-grained in Sekisui House’s DNA. Strong bonds with building contractors, close-knit Group collaborations, and above all, a customer first approach—no matter how the times may change, we are firmly rooted by the support of our competitive products.

Correct Understanding and Fair Evaluation of the Value of Diverse Human Resources

Within the Company, we are approaching the further inoculation of our corporate philosophy espousing a love of humanity, while simultaneously expanding awareness in line with the changing times from a variety of angles. We are making the most of all our employee’s strengths, establishing a Diversity Promotion Team to lead sustainable management aimed at creating a workplace environment based on mutual respect, the results of which are already apparent throughout the Company. In particular, the growth and active participation of women has been eye-opening. I myself am extremely pleased to interact with women managers which I find extremely encouraging. In my New Year’s greeting I declared “women’s active participation is indispensable to Sekisui House growth.” Women managers are on the rise. They are also expanding into worksite foreman operations in four-story structures acquired model certification of four-story structures acquired model certification linked to efficient design and construction confirmation application operations. Going forward, we will enhance this system and promote technological developments while enhancing cost competitiveness offering lifestyle diversity in support of ideal family situations with the aim of providing even greater customer satisfaction.

Shawood wooden-frame housing’s Gravis Villa, a 20th anniversary edition offering an expanded degree of freedom in ceiling height, has been well received. We developed Shade Border, a new pattern for Dyne Concrete original exterior walls in the IS Series, our core product in steel-framed homes. This design, with an increased emphasis on a sculpted sense of dignity, will continue to maintain its presence as a neighborhood asset with everlasting value. To provide the high quality of these products, we make an effort to develop human resources, including building contractors, to strengthen construction capabilities. These initiatives are based on an awareness of being united by a common destiny, which is in-grained in Sekisui House’s DNA. Strong bonds with building contractors, close-knit Group collaborations, and above all, a customer first approach—no matter how the times may change, we are firmly rooted by the support of our competitive products.

Performance

Four-story structures acquired model certification linked to efficient design and construction confirmation application operations. Going forward, we will enhance this system and promote technological developments while enhancing cost competitiveness offering lifestyle diversity in support of ideal family situations with the aim of providing even greater customer satisfaction.

Performance

Four-story structures acquired model certification linked to efficient design and construction confirmation application operations. Going forward, we will enhance this system and promote technological developments while enhancing cost competitiveness offering lifestyle diversity in support of ideal family situations with the aim of providing even greater customer satisfaction.

The concepts of a love for humanity and desiring happiness for others and treating their joy as our own also applies to relationships between supervisors and staff. Companies needed by societies must be companies where employees want to work for a long time. Above all, the work that we do puts us into daily contact with a variety of customer lifestyles and walks of life. Workplaces that make use of women, as well people with disabilities, senior citizens and foreigners is a necessary condition for growth and innovation.

Regarding compliance, it is important to remember it is taboo to assume simply preparing systems and manuals is enough. Looking at real world examples, when we explore the root cause of problems, we often discover extravagant organizations, workplace negligence, carelessness and other human problems. Before rules and laws, we must apply morals and ethics. If one adopts a modest rather than idealistic viewpoint and approaches work with sincerity, in the event one is confronted with an unforeseen incident or accident, they should be able to respond appropriately.

Daran, known for his theory of evolution, said “it is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is most adaptable to change.” Taking these words to heart, Sekisui House will constantly change and evolve while continuing on the path of healthy growth as a company needed by society.
Development of Philosophy and Value Creation

Progress of Sekisui House’s Creation of Four Values through Housing

The Sekisui House Group creates and provides value through housing in response to societal changes and needs based on its corporate philosophy.

In 2005, we defined “a sustainable society” as the vision we must aim towards and announced four values—environmental, economic, social, and homeowner—to realize and verify this goal, which is intended to achieve balanced management. After that, the four values were enhanced by accelerating the development of new products and technologies in response to social trends and needs. We will target sustainable development through the continued creation of shared value.

Corporate philosophy

Our fundamental philosophy, a love of humanity, means doing all things in good faith and with a spirit of service. It means desiring happiness for others, and treating their joy as our own. With the awareness that each and every human being has implaceable value. This was formulated in 1989 based on discussions with all employees.

In 2005, we announced our Sustainable Vision targeting balanced management based on four values focused on sustainability as the cornerstone of our management. In 2006, we formulated 13 guidelines as guiding principles based on these four values.
Progress of Sekisui House’s Creation of Four Values through Housing

The Sekisui House Group creates and provides value through housing in response to societal changes and needs based on its corporate philosophy.

In 2005, we defined “a sustainable society” as the vision we must aim towards and announced four values—environmental, economic, social and homeowner—to realize and verify this goal, which is intended to achieve balanced management.

After that, the four values were enhanced by accelerating the development of new products and technologies in response to social trends and needs.

We will target sustainable development through the continued creation of shared value.

Corporate philosophy

Our fundamental philosophy, a love of humanity, means doing things in good faith and with a spirit of service. It means desiring happiness for others, and treating their joy as our own, with the awareness that each and every human being has immeasurable value. This was formulated in 1989 based on discussions with all employees.

In 2005, we announced our Sustainable Vision targeting balanced management based on four values focused on sustainability as the cornerstone of our management.

In 2006, we formulated 13 guidelines as guiding principles based on these four values.

Shared Value Created by the Sekisui House Group

- Operating margin (%)
- Unit price per detached home (yen of thousands)
- CO2 reduction rate of the daily energy consumption of sold detached houses (compared to 1990)
- Customer satisfaction level (“highly satisfied” ratio)
- Grants through the Sekisui House Matching Program

\[
\begin{array}{|c|c|c|c|c|c|}
\hline
\text{Year} & \text{Operating margin} & \text{Unit price} & \text{CO2 reduction rate} & \text{Customer satisfaction} & \text{Grants} \\
\hline
2004 & 25.3 & 5,870 & 35.6 & 93% & 4.1 \% \\
2005 & 26.2 & 5,990 & 37.8 & 94% & 4.7 \% \\
2006 & 27.2 & 6,100 & 39.0 & 95% & 5.3 \% \\
2007 & 28.2 & 6,200 & 40.2 & 96% & 6.1 \% \\
2008 & 29.2 & 6,300 & 41.4 & 97% & 6.9 \% \\
2009 & 30.2 & 6,400 & 42.6 & 98% & 7.8 \% \\
2010 & 31.2 & 6,500 & 43.8 & 99% & 8.7 \% \\
2011 & 32.2 & 6,600 & 45.0 & 100% & 9.7 \% \\
2012 & 33.2 & 6,700 & 46.2 & 100% & 10.6 \% \\
2013 & 34.2 & 6,800 & 47.4 & 100% & 11.5 \% \\
2014 & 35.2 & 6,900 & 48.6 & 100% & 12.4 \% \\
2015 & 36.2 & 7,000 & 49.8 & 100% & 13.4 \% \\
\hline
\end{array}
\]

Actions taken by Sekisui House

- 1960: Sekisui House established
- 1979: Conducted the housing industry’s first full-scale vibration experiments
- 1980s: Developed a corporate philosophy
- 1990s: Formulated the Centrage Z model
- 1999: Announced the Sustainable Vision
- 2004: Began systematic initiatives toward disaster-ready housing, launched sales of energy-saving and disaster-ready housing
- 2005: Formulated the Urban Development Charter
- 2008: Made the Eco-First Promise
- 2009: Launched the Green First model
- 2010: Launched Disaster Risk Certification Program
- 2014: Launched Disaster Risk Reduction Factory of the Future

Regional

- 1960s & 70s
- 1980s
- 1990s
- 2000s

- 1960: New seismic design standards introduced in Japan
- 1979: Conducted the housing industry’s first full-scale vibration experiments
- 1980s: Formulated a corporate philosophy
- 1990s: Announced the Sustainable Vision
- 2000s: Formulated the Centrage Z model
- 2004: Began systematic initiatives toward disaster-ready housing, launched sales of energy-saving and disaster-ready housing
- 2005: Formulated the Urban Development Charter
- 2008: Made the Eco-First Promise
- 2009: Launched the Green First model
- 2010: Launched Disaster Risk Certification Program
- 2014: Launched Disaster Risk Reduction Factory of the Future
Business Model

Creating Shared Value Aimed at Sustainable Development

The Sekisui House Group has established a business model for creating shared value. Generated profits and value are invested in further growth using our unique strengths and Group collaborations leveraging the specialization of each Group company. As a result, this gives rise to new profit and value that is provided to society and stakeholders. We believe this business cycle and upward spiral enables sustainable development.

The Source of Our Value Creation

More than ¥734 million invested in employee training

Sekisui House’s mission is to develop the skills of a diverse range of human resources, utilize those skills to create high added value and become a corporate group needed by the world. To cultivate professionals having a deep sense of humanity who will understand customer housing concepts and make them a reality, we systematically conduct a variety of level- and position-based training. In 2015, we invested approximately ¥734 million in education and training (excluding expenses related to OJT and self-development support).

Over 210,000 after-sales service visits conducted

1,400 people, about 10% of Sekisui House employees, work in the after-sales service division. They of course promptly visit owners who have requests or inquiries and even when there are no special requests, they regularly conduct visits three months, one year, two years, five years, 10 years and 20 years after move in. Additionally, we conduct monthly "LOHAS visits” during the first year after move in to provide information on seasonal care. In 2015, these voluntary visits were conducted over 210,000 times.

Cumulative total of houses built:

2,284,659

Founded in 1960, Sekisui House began in the detached housing business, then expanded into the housing-related business domains of rental housing, Common City residential lots, Gronde Maison condominiums, Rakko Island City and other urban developments. As of December 31, 2015, the cumulative number of houses built was 2,284,659. This makes us the uncollected global leader in housing construction.

Sekisui House considers the number of houses built to be equivalent to the number of people who we are able to help. We believe that the value we create is realized by people who are able to live a fulfilling life in their own space.

Business Model for Shared Value Creation

Investment for future profits

We invest profits earned from business activities in human resource development, IT aimed at operational efficiency and cost reductions, overseas business and other forward-looking activities.

Sustainable development

Business Model for Shared Value Creation

Housing stock business expansion

We are expanding the housing stock business in response to societal changes and real estate and remodeling fee business making use of strengths including a solid customer base and Group collaborations.

Building a solid customer base

For more than half a century, we have been the housing industry leader, developing business specializing in housing and building a solid customer base boasting the largest number of detached and rental housing units in the world.

Providing housing with high added value

Realizing high added value while at the same time comfort, economy and eco-friendliness with Green First Zero and other housing.

Primary Value Creation and Impact on Society

Economic value

Operating margin 8.1%

We improved our profit structure to achieve a third consecutive year of record operating profits. The operating margin improved 0.4 points compared to the previous fiscal year.

Unit price per house ¥37 million

The ratio of high added value products including Green First Zero and three-to-four-story homes rose, causing the unit price per house to increase ¥1.35 million compared to the previous fiscal year.

Environmental value

CO2 reduction rate of detached houses 75.5%

The spread of eco-friendly Homes led by Green First Zero led to increased reductions compared to 73.4% in the previous fiscal year.

Green First Zero ratio 70.9%

We develop business based on the strong belief that providing high added value housing will lead to customer safety, security, comfort and happiness. This led to a significant increase compared to 59% in the previous fiscal year.

Homeowner value

Customer satisfaction level 95.2%

In questionnaires submitted one year after moving in, the total ratio of very satisfied (41%) satisfied and somewhat satisfied homeowners was 80%, up from 73.4% in the previous fiscal year.

Housing stock business expansion

The construction of high-quality rental housing and batch leasing has led to the realization of more stable sales. Occupancy rates have been steadily rising each year since 2010.

Rental housing occupancy rate 96.5%

The construction of high-quality rental housing and batch leasing has led to the realization of more stable sales. Occupancy rates have been steadily rising each year since 2010.

Social value

Sekisui House Matching Program grants ¥36.18 million

The Company matches donations provided by employees, which are used to support non-profits and activities aimed at resolving various social issues. Over the past ten years, ¥36.18 million has been donated to a total of 200 organizations.


Sekisui House was selected as a company that excels in empowering women. In addition to being selected in 2013 and 2015, we are the only company in the housing and construction industry to have been recognized a total of three times.
Business Model

Creating Shared Value Aimed at Sustainable Development

The Sekisui House Group has established a business model for creating shared value. Generated profits and value are invested in further growth using our unique strengths and Group collaborations leveraging the specialization of each Group company. As a result, this gives rise to new profit and value that is provided to society and stakeholders.

We believe this business cycle and upward spiral enables sustainable development.

The Source of Our Value Creation

More than ¥734 million invested in employee training

Sekisui House’s mission is to develop the skills of a diverse range of human resources, utilize those skills to create high added value and become a corporate group needed by the world. To cultivate professionals having a deep sense of humanity who will understand customer housing concepts and make them a reality, we systematically conduct a variety of level- and position-based training. In 2015, we invested approximately ¥734 million in education and training (excluding expenses related to OJT and self-development support).

Over 210,000 after-sales service visits conducted

1,400 people, about 10% of Sekisui House employees, work in the after-sales service division. They of course promptly visit owners who have requests or inquiries and even when there are no special requests, they regularly conduct visits three months, one year, two years, five years, 10 years and 20 years after move in. Additionally, we conduct monthly “LOHAS visits” during the first year after move in to provide information on seasonal care. In 2015, these voluntary visits were conducted over 210,000 times.

Cumulative total of houses built: 2,284,659

Founded in 1960, Sekisui House began in the detached housing business, then expanded into the housing-related business domains of rental housing, Common City residential lots, Grande Maison condominiums, Rokko Island City and other urban developments. As of December 31, 2015, the cumulative number of houses built was 2,284,659. This makes us the uncontested global leader in housing construction.

Sekisui House Association comprises 17 Sekiwa Construction companies and over 7,000 partner building contractors

The Sekiwa House Association oversees collaborations with Sekisui House offices in each region, aimed originally at improving construction quality and promoting various initiatives including support for customers and neighbors, safety measures, human resource cultivation and improvements in the working environment. Also, in the event of a natural disaster, the Sekiwa House Association plays a significant role, from initiating first responses, to recovery and reconstruction activities. In response to the Great East Japan Earthquake, the Sekiwa House Association made use of the strengths of its nationwide organization to dispatch technicians from across Japan to the affected areas, ensuring ongoing and stable of construction capabilities as demand for construction increased. Going forward, the Sekiwa House Association will make every effort to realize customer satisfaction and engage in initiatives that increase Sekiwa House brand value aimed at coexistence and co-prosperity as a common destiny.

Business Model for Shared Value Creation

Investment for future profits

We invest profits earned from business activities in human resource development, IT aimed at operational efficiency and cost reductions, overseas business and other forward-looking activities.

CSV Strategy  

Housing stock business expansion

We are expanding the housing stock business in response to societal changes and real estate and remodeling fee business making use of strengths including a solid customer base and Group collaborations.

CSV Strategy  

Building a solid customer base

For more than half a century, we have been the housing industry leader, developing business specializing in housing and building a solid customer base boasting the largest number of detached and rental housing units in the world.

CSV Strategy  

Providing housing with high added value

Realizing high added value while at the same time comfort, economy and eco-friendliness with Green First Zero and other housing.

CSV Strategy  

Economic value

Operating margin 8.1%

We improved our profit structure to achieve a third consecutive year of record operating profits. The operating margin improved 0.4 points compared to the previous fiscal year.

Unit price per house ¥37 million

The ratio of high added value products including Green First Zero and three-to four-stories homes rose, causing the unit price per house to increase ¥1.35 million compared to the previous fiscal year.

Environmental value

CO2 reduction rate of detached houses 75.5%

The spread of eco-friendly homes led by Green First Zero led to increased reductions compared to 73.4% in the previous fiscal year.

Green First Zero ratio 70.9%

We develop business based on the strong belief that providing high added value housing will lead to customer safety, security, comfort and happiness. This led to a significant increase compared to 59% in the previous fiscal year.

Homeowner value

Customer satisfaction level 95.2%

In questionnaires submitted one year after moving in, the total ratio of very satisfied (43%), satisfied and somewhat satisfied homeowners had hovered around 85% for the past several years. The questionnaire results are analyzed in detail and incorporated into the PDCA cycle.

Rental housing occupancy rate 96.5%

The construction of high-quality rental housing and batch leasing has led to the realization of more stable sales. Occupancy rates have been steadily rising each year since 2010.

Social value

Sekisui House Matching Program grants ¥36.18 million

The Company matches donations provided by employees, which are used to support non-profits and activities aimed at realizing various social issues. Over the past ten years, ¥500 million has been donated to a total of 200 organizations.

Primary Value Creation and Impact on Society

CSV Strategy

Unit price per house

CO2 reduction rate of detached houses

Green First Zero ratio

Customer satisfaction level

Rental housing occupancy rate

Sekisui House Matching Program grants

Economic value

Operating margin

Unit price per house

Environmental value

CO2 reduction rate of detached houses

Green First Zero ratio

Homeowner value

Customer satisfaction level

Rental housing occupancy rate

Social value

Sekisui House Matching Program grants

 CSV Strategy

Built-to-order business

Housing stock business

Group collaboration

Development business

After-sales service by dedicated Company staff

Higher construction quality through "accountable systems"

Unique strengths

"Comfortable living— remodeling"

Providing housing with high added value

Realizing high added value while at the same time comfort, economy and eco-friendliness with Green First Zero and other housing.

CSV Strategy

Unit price per house

CO2 reduction rate of detached houses

Green First Zero ratio

Customer satisfaction level

Rental housing occupancy rate

Sekisui House Matching Program grants

Economic value

Operating margin

Unit price per house

Environmental value

CO2 reduction rate of detached houses

Green First Zero ratio

Homeowner value

Customer satisfaction level

Rental housing occupancy rate

Social value

Sekisui House Matching Program grants

 CSV Strategy
Medium-Term Management Plan and CSV Strategies

A Growth Strategy Centered on Housing

The Sekisui House Group engages in Creating Shared Value (CSV) management founded on sustainable growth that positions housing as the core of social issues.

Specific strategies and progress updates are disclosed in the medium-term management plan and other policies.

Medium-Term Management Plan and Performance Trends

- Increase operating income to ¥1.985 trillion
- Net sales to ¥170 billion

FY2014 Medium-term Management Plan Basic Policies

1. Expand the business areas of the housing stock business—which includes managing real estate, remodeling, and promoting housing distribution—while also maintaining and increasing customer asset value and maintaining a competitive edge in the built-to-order business.

2. Expand the housing stock business by positioning the built-to-order business as our core business and strengthening the customer base by providing high-quality housing stock.

3. Take on new challenges in housing-related businesses by strengthening Group synergies.

4. Enhance the asset turnover of the development business by taking technologies and know-how cultivated through the creation of housing environments for the built-to-order business and using them in domestic and overseas community development projects.

FY2014 Medium-term Management Plan Progress

- Increase brand value through high-quality community and town developments and enhance their appeal to customers in the built-to-order and housing stock businesses.

- Enhance the asset turnover of the development business by taking technologies and know-how cultivated through the creation of housing environments for the built-to-order business and using them in domestic and overseas community development projects.

- Strengthen exit strategies.

CSV Strategy and G4 Material Aspects

<table>
<thead>
<tr>
<th>CSV Strategies</th>
<th>Correlation with specific G4 material aspects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promoting non-zero-energy housing</td>
<td>Considered (Energy)</td>
</tr>
<tr>
<td>Preserving biodiversity</td>
<td>Considered (Environment: Biodiversity)</td>
</tr>
<tr>
<td>Manufacturing and improving technological development, manufacturing and construction quality</td>
<td>Considered (Environment: Biodiversity)</td>
</tr>
<tr>
<td>Extended lifespans of houses and enhance after-sales support</td>
<td>Considered (Environment: Biodiversity)</td>
</tr>
<tr>
<td>Promoting diversity and developing human resources</td>
<td>Considered (Environment: Biodiversity)</td>
</tr>
<tr>
<td>Developing overseas business</td>
<td>Considered (Environment: Biodiversity)</td>
</tr>
</tbody>
</table>
A Growth Strategy Centered on Housing

The Sekisui House Group engages in Creating Shared Value (CSV) management founded on sustainable growth that positions housing as the core of social issues. The pillar of this growth is the development of a growth strategy specializing in the “living” business domain. Specific strategies and progress updates are disclosed in the medium-term management plan and other policies.

Medium-Term Management Plan and Performance Trends

<table>
<thead>
<tr>
<th>Year</th>
<th>Net sales (¥)</th>
<th>Operating income (¥)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>14,883</td>
<td>1,985 billion</td>
</tr>
<tr>
<td>2011</td>
<td>15,305</td>
<td>2,106 billion</td>
</tr>
<tr>
<td>2012</td>
<td>16,138</td>
<td>2,230 billion</td>
</tr>
<tr>
<td>2013</td>
<td>18,251</td>
<td>2,419 billion</td>
</tr>
<tr>
<td>2014</td>
<td>19,127</td>
<td>2,678 billion</td>
</tr>
<tr>
<td>2015</td>
<td>18,588</td>
<td>2,222 billion</td>
</tr>
<tr>
<td>2016 (FY)</td>
<td>1,985 billion</td>
<td>170 billion</td>
</tr>
</tbody>
</table>

FY2014 Medium-Term Management Plan Basics

- Take on new challenges in housing-related businesses by strengthening Group synergies
- Expand the housing business areas of the housing stock business—which includes managing real estate, remodeling, and promoting housing distribution—while also maintaining and increasing customer asset value and improving a competitive edge in the built-to-order business.
- Expand the housing business area by positioning the built-to-order business as our core business and strengthening the customer base by providing high-quality housing stock.
- Enhance the asset turnover of the development business by taking technologies and know-how cultivated through the creation of housing environments for the built-to-order business and using them in domestic and overseas community development projects.
- Increase brand value through high-quality community and town developments and enhance their appeal to customers in the built-to-order and housing stock businesses.

FY2014 Medium-Term Management Plan Progress

In fiscal 2015, in line with the medium-term management plan and the aforementioned SLOW & SMART basic policy, we developed businesses attempting to cultivate new customers while expanding Group-wide housing and housing-related businesses based on the pursuit of new challenges in housing-related businesses by strengthening Group synergies.

In the built-to-order business, detached housing was affected by the fiscal 2014 decline in orders, causing net sales to fall short of initial projections, but Group capabilities were leveraged to enhance our profit structure, which combined with contributions from the real estate management, property sales and condominium businesses, resulted in record operating profit for the third consecutive fiscal year.

Green First Zero, three- to four-story home high added value products, major renovations and general remodeling orders were all on track, enabling us to achieve medium-term management plan targets in fiscal 2016, the final year of the plan, leading us to revise our forecast upward. We have selected six priority themes and are focusing on them as CSV (Creating Shared Value) strategies for further strengthening. The CSV strategy combines specific activity levels in line with the medium-term management plan. 19 material aspects selected from Specific Standard Disclosures of the G4 Guidelines. This relationship is explained below.

CSV Strategy and G4 Material Aspects

- Promoting non-zero-energy housing
  - Contribution to customer healthy life expectancy and the environment by making high-quality living not constrained by energy problems
  - Environment: Energy
  - Environment: Atmospheric emissions
  - Environment: Products and services
  - Product responsibility: Compliance
  - Product responsibility: Customer safety and health
  - Labor practices: Training and education
  - Labor practices: Occupational health and safety

- Preserving biodiversity
  - Protecting ecosystems through use of sustainable natural capital that considers impacts on business
  - Environment: Biodiversity
  - Environment: Supplier’s environmental evaluation
  - Economy: Procurement practices

- Maintain and improve technological development, manufacturing and construction quality
  - Achieve customer satisfaction through superior quality and building technologies
  - Product responsibility: Customer safety and health
  - Product responsibility: Compliance
  - Product responsibility: Products and services labeling

- Extend lifespan of houses and enhance after-sales support
  - Long-term support of customer lifestyles through Group company collaborations, linked to improved value of housing and resource recycling
  - Environment: Efforts and exactions
  - Environment: Product and services
  - Product responsibility: Customer safety and health
  - Product responsibility: Compliance
  - Labor practices: Training and education
  - Labor practices: Human rights investment

- Promoting diversity and developing human resources
  - Aim to become a sustainable corporate group generating high added value while encouraging diverse employees to realize their potential and respect one another
  - Labor practices: Diversity and equal opportunity
  - Labor practices: Occupational health and safety
  - Labor practices: Training and education
  - Labor practices: Human rights investment

- Developing overseas business
  - Contribution to the preservation of the environment and the promotion of sales, secure and comfortable global lifestyles
  - Environment: Energy
  - Environment: Biodiversity
  - Product responsibility: Customer safety and health

- High-quality community development
  - Establish an international brand Formation of future asset value
  - Business segment
  - Urban development focusing on landscapes Strengthen exit strategies

New businesses

- Establishment of Sekisui Grand Mart, Ltd.
  - Increase orders for assisted-living complexes for senior citizens
  - Increase orders for Green First Zero and three- or four-story houses

- Enhancement of remodeling business
  - Expand the SunStock business

- Development
  - Major remodeling of condominiums
  - Internet retailing of remodeling products
  - Vacant house business

Medium-Term Management Plan and CSV Strategies

We have selected six priority themes and are focusing on them as CSV (Creating Shared Value) strategies for further strengthening. The CSV strategy combines specific activity levels in line with the medium-term management plan. 19 material aspects selected from Specific Standard Disclosures of the G4 Guidelines. This relationship is explained below.

We have selected six priority themes and are focusing on them as CSV (Creating Shared Value) strategies for further strengthening. The CSV strategy combines specific activity levels in line with the medium-term management plan. 19 material aspects selected from Specific Standard Disclosures of the G4 Guidelines. This relationship is explained below.

We have selected six priority themes and are focusing on them as CSV (Creating Shared Value) strategies for further strengthening. The CSV strategy combines specific activity levels in line with the medium-term management plan. 19 material aspects selected from Specific Standard Disclosures of the G4 Guidelines. This relationship is explained below.
Communication with Shareholders and Investors

Besides disclosing business information to shareholders and investors through statutory disclosure, we do everything possible to provide all information that might be of interest to them in forms such as press releases and other information on our website and via other media. We also strive to promote dialogue through interviews and other direct communication in order to garner opinions that will help us in our management decisions. Through these and other activities, we do our best to ensure that shareholders and investors have everything they need to properly evaluate the corporate value of Sekisui House.

Visitor Days and Briefings

Shareholders are provided with the opportunity to visit the Comprehensive Housing R&D Institute, where they attend research facility tours and experience the Naritoku Kobo hands-on tutorial. Through these activities, we are able to enhance our relationship of trust with the participants.

For investors, we hold company briefings and seminars throughout Japan designed as opportunities to deepen understanding about our business activities. We also offer clear and concise information on our business strategy and plans through our Business Report for shareholders and other corporate and IR information on our website.

Shares in a Unit

To make it easier to invest in Sekisui House and to increase the liquidity of shares, on December 2, 2013, we reduced the number of shares in one share unit from 1,000 to 100 shares.

Exercise of Voting Rights via Internet

Shareholders who are unable to attend the general shareholders’ meeting may exercise their voting rights not only on paper but via the Internet. For shareholders who are unable to attend the general shareholders’ meeting, we can also exercise those voting rights on their behalf. For shareholders who are unable to attend the general shareholders’ meeting, we can also exercise those voting rights on their behalf.

Returning Profits to Shareholders—Ensuring High Dividends and Total Return Ratio

Given that maximizing shareholder value is one of our most important management tasks, we are striving to increase earnings per share through sustained business growth. Taking full account of yearly profit and cash flow levels as well as future business developments, we are making efforts to increase shareholder profit through growth investments, dividends, share buybacks and retirements, and improvements in asset efficiency.

Based on the aforementioned policy, we aim to achieve a high profit distribution for the medium and long term, while maintaining sound management. We are securing at least a 40% average dividend payout ratio and targeting a 60% total return ratio for shareholders, which is to be achieved through medium- and long-term acquisition of our own shares with 20% of net income.

In fiscal 2015, we paid a full year dividend of ¥54, a dividend payout ratio of 44.9%. When combined with share buybacks, shareholders received a total return ratio of 68.6%.

Recipients of donated rice in FY2015

Inclusion Nagayama Te wo Tsunagu Ikusei-Kai / Inclusion Osaka Te wo Tsunagu Ikusei-Kai / Inclusion Sembai Te wo Tsunagu Ikusei-Kai / Heart Clinic (Ishikawa) / Mashinoki, Barakko Prefecture / Nishiharada Hospital (Akita) / Kesen Medical Association / Yokohama Medical Center (Kamijima, Oshi District, Edogawa Prefecture) / satellite (Sappo, Miyagi Prefecture) / Minamisato Coca-Cola Social Welfare Association (Kamagaya, Chiba Prefecture) / Hanamizuki (Hitachinaka, Ibaraki Prefecture) / Minamidai Gokou Social Welfare Association (Kamagaya, Chiba Prefecture) / Minamidai Gokou Social Welfare Association (Kamagaya, Chiba Prefecture) / Minamidai Gokou Social Welfare Association (Kamagaya, Chiba Prefecture) / Minamidai Gokou Social Welfare Association (Kamagaya, Chiba Prefecture)

Developing overseas business

Contribute to the preservation of the environment and the promotion of safe, secure and comfortable global lifestyles through the expansion of high-quality and sustainable housing and urban development.
Communication with Shareholders and Investors

Besides disclosing business information to shareholders and investors through statutory disclosure, we do everything possible to provide all information that might be of interest to them in forms such as press releases and other information on our website and via other media. We also strive to promote dialogue through interviews and other direct communication in order to garner opinions that will help us in our management decisions. Through these and other activities, we do our best to ensure that shareholders and investors have everything they need to properly evaluate the corporate value of Sekisui House.

Visitor Days and Briefings

Shareholders are provided with the opportunity to visit the Comprehensive Housing R&D Institute, where they attend research facility tours and experience the Naitokusou (Okinawa) volunteer workshops. Through these activities, we are able to enhance our relationship of trust with the participants.

For investors, we hold company briefings and seminars throughout Japan designed as opportunities to deepen understanding about our business activities. We also offer clear and concise information on our business strategy and plans through our Business Report for shareholders and other corporate and IR information on our website.

Shares in a Unit

To make it easier to invest in Sekisui House and to increase the liquidity of shares, on December 2, 2013, we reduced the number of shares in one share unit from 1,000 to 100 shares.

Exercise of Voting Rights via Internet

Shareholders who are unable to attend the general shareholders’ meeting may exercise their voting rights not only on paper but also via the Internet. This makes the voting process more convenient.

Returning Profits to Shareholders

—Ensuring High Dividends and Total Return Ratio

Given that maximizing shareholder value is one of our most important management tasks, we are striving to increase earnings per share through sustained business growth. Taking full account of yearly profit and cash flow levels as well as future business developments, we are making efforts to increase shareholder profit through growth investments, dividends, share buybacks and retirements, and improvements in asset efficiency.

Based on the aforementioned policy, we aim to achieve a high profit distribution for the medium and long term, while maintaining sound management. We are securing at least a 40% average dividend payout ratio and targeting a 60% total return ratio for shareholders, which is to be achieved through medium- and long-term acquisition of our own shares with 20% of net income.

In fiscal 2015, we paid a full year dividend of ¥54, a dividend payout ratio of 44.9%. When combined with share buybacks, shareholders received a total return ratio of 68.6%.

![Graph showing dividends](image)

Dividend (Year-end)

<table>
<thead>
<tr>
<th>Year-end</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016 (Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2Q</td>
<td>12</td>
<td>17</td>
<td>25</td>
<td>27</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td>16</td>
<td>20</td>
<td>27</td>
<td>32</td>
<td></td>
</tr>
</tbody>
</table>

Recipient of Shareholder Preferential Gift Program

At the end of the fiscal year, each shareholder owning 1,000 or more shares in Sekisui House is sent a gift of five kilograms of high-grade Japanese rice.

Donating Shareholders’ Preferential Gifts

Gifts of high-grade Japanese rice are sent to shareholders under the Shareholder Preferential Gift Program, but these packages are sometimes returned when recipients decline the gift or when they have changed address and their location is unknown. In such cases, and with the understanding of shareholders, the rice is donated to facilities and organizations dedicated to the welfare of the disabled or the elderly.
Backdrop

Japanese Government Targeting Implementation of ZEH as the Standard for Newly Built Housing by 2020

CO2 emissions must be reduced globally to control global warming. At COP21 (the Framework Convention on Climate Change, 21st Session of the Conference of the Parties to the United Nations) held in Paris in 2015, Japan committed to reducing greenhouse gas emissions 26% by 2030 compared to 2013 levels. To achieve this, we must achieve a substantial 39.9% reduction in the residential sector.

To reduce home energy consumption and control CO2 emissions, the Japanese government is promoting the spread of net-zero-energy housing (ZEH) enabling zero net energy consumption through the utilization of high energy-saving performance photovoltaic systems and fuel cells. To this end, the government is targeting the implementation of ZEH as the standard for newly built housing by 2020.

The spread of ZEH and “smart towns” that optimize energy consumption on a community-wide scale are extremely promising in terms of resolving energy problems and disaster response.

Rising CO2 Emissions in the Residential Sector
(Compared to 1990)

<table>
<thead>
<tr>
<th>Year</th>
<th>Residential CO2 emissions per household (kg CO2 equivalent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>4.495</td>
</tr>
<tr>
<td>1995</td>
<td>4.095</td>
</tr>
<tr>
<td>2000</td>
<td>3.311</td>
</tr>
<tr>
<td>2005</td>
<td>2.725</td>
</tr>
<tr>
<td>2010</td>
<td>2.313</td>
</tr>
<tr>
<td>2014</td>
<td>1.941</td>
</tr>
</tbody>
</table>

This chart was created using data from the National GSJ Inventory Report of Japan and the Basic Resident Register.

Approach

Our goal

Promoting the Green First Strategy Focused on Environmental Friendliness, Comfort and Economy

Sekisui House’s responsibility as a housing manufacturer is to contribute to the resolution of important social issues including energy and environmental problems while aiming to promote sustainable business.

Positioning energy conservation as one of our basic functions, we proactively propose Green First newly built detached homes and energy-saving and energy creating remodeling and renovation for existing homes. These proposals enhance home comfort and economy while significantly reducing energy consumption and contributing to the achievement of national objectives for the reduction of greenhouse gas emissions.

We aim to achieve the COP21 residential sector commitments with both newly built and existing homes.

Main stakeholders: Customers, partner companies (equipment manufacturers, etc.), energy supply companies

Anticipating Government Promotion of ZEH with Green First ZERO Homes

Since 2009, Sekisui House has provided homeowners with rich and comfortable lifestyles by promoting the spread of eco-friendly Green First homes that significantly reduce impacts on the environment. In response to various conditions, including the customer’s family structure, lifestyle and housing site conditions, we propose optimal combinations of photovoltaic systems, fuel cells and high-efficiency water heaters.

In May 2013, we launched sales of Green First ZERO in anticipation of government policies promoting ZEH. We are encouraging the spread of housing enabling the pursuit of lifestyle comfort without being limited by energy problems.

Action policies

1. Expanding Net-Energy-Zero Housing

We will develop aggressive proposal activities aimed at increasing the ratio of Green First ZERO sales to 80% by 2020. We will also promote ZEH in the rental housing sector and condominium businesses.

Furthermore, we will implement initiatives aimed at achieving the COP21 residential sector commitment in terms of existing housing.

Increase ratio of Green First ZERO newly built detached housing to 80% by 2020

Reduce CO2 emissions from newly built homes and existing low-rise rental apartments by 39.3% by 2030 (compared to 2013)

Impact of These Activities on the Company

ZEH housing significantly reduces CO2 emissions and utility expenses, while supporting more comfortable and homemaker healthy life expectancy. We emphasize these merits to the customer in an attempt to expand sales of housing products with high added value.

In addition, the remodeling and renovation of existing homes through the aggressive promotion of ZEH and energy conservation contributes to the accumulation of quality housing supply and is expected to expand business by stimulating potential demand.

Risk management

Increased costs in line with making homes compliant with government ZEH standards

Declining demand due to decreases in subsidies or power purchase prices.

We will encourage employees and awareness and proposal capabilities and communicate not only the economic merits of ZEH, but also the increased quality of living in terms of health and eco-friendliness in an effort to stimulate needs. Absorbing part of the introduction costs as Company environmental promotion expenses will lessen the burden on customers.

Sekisui House Sustainability Report 2016
CO2 emissions must be reduced globally to control global warming. At COP21 (the Framework Convention on Climate Change, 21st Session of the Conference of the Parties to the United Nations) held in Paris in 2015, Japan committed to reducing greenhouse gas emissions 26% by 2030 compared to 2013 levels. To achieve this, we must achieve a substantial 39.9% reduction in the residential sector. To reduce home energy consumption and control CO2 emissions, the Japanese government is promoting the spread of net-zero-energy housing (ZEH) enabling zero net energy consumption through the utilization of high energy-saving performance photovoltaic systems and fuel cells. To this end, the government is targeting the implementation of ZEH as the standard for newly built housing by 2020. The spread of ZEH and “smart towns” that optimize energy consumption on a community-wide scale are extremely promising in terms of resolving energy problems and disaster response.

### Backdrop

Japanese Government Targeting Implementation of ZEH as the Standard for Newly Built Housing by 2020

CO2 emissions must be reduced globally to control global warming. At COP21 (the Framework Convention on Climate Change, 21st Session of the Conference of the Parties to the United Nations) held in Paris in 2015, Japan committed to reducing greenhouse gas emissions 26% by 2030 compared to 2013 levels. To achieve this, we must achieve a substantial 39.9% reduction in the residential sector. To reduce home energy consumption and control CO2 emissions, the Japanese government is promoting the spread of net-zero-energy housing (ZEH) enabling zero net energy consumption through the utilization of high energy-saving performance photovoltaic systems and fuel cells. To this end, the government is targeting the implementation of ZEH as the standard for newly built housing by 2020. The spread of ZEH and “smart towns” that optimize energy consumption on a community-wide scale are extremely promising in terms of resolving energy problems and disaster response.

### Action policies

1. **Expanding Net-Energy-Zero Housing**
   We will develop aggressive proposal activities aimed at increasing the ratio of Green First ZERO sales to 80% by 2020. We will also promote ZEH in the rental housing Sha Maison and condominium businesses.

2. **Strengthen Energy-Saving and Energy Creating Proposals for Remodeling**
   We are also promoting Green First remodeling and renovations for existing housing to realize comfortable, eco-friendly living. The combination of home energy saving using high insulation and the latest equipment with energy creation using photovoltaic systems and fuel cells will significantly reduce existing home CO2 emissions.

Sekisui House Remodeling handles detached houses, Sekiwa Real Estate handles rental housing and Sekiwa Construction Group handles general conventional method constructed housing and condominiums. All three promote aggressive proposal activities.

### Impact of These Activities on the Company

ZEH housing significantly reduces CO2 emissions and utility expenses, while supporting more comfortable living and homeowner healthy life expectancy. We emphasize these merits to the customer in an attempt to expand sales of housing products with high added value.

In addition, the remodeling and renovation of existing homes through the aggressive promotion of ZEH and energy conservation contributes to the accumulation of quality housing supply and is expected to expand business by stimulating potential demand.

### Risk management

1. **Increased costs in line with making homes compliant with government ZEH standards**
   The level of our standard specifications are high, so ZEH can be achieved at comparatively little extra cost. Furthermore, as a major housing manufacturer, we control cost increases through central purchasing, which reduces buyer burden. Additionally, with ZEH specifications, utility expenses are significantly lower, thus increased costs can be recovered in a comparatively short amount of time.

2. **Declining demand due to decreases in subsidies or power purchase prices.**
   We will enhance employee awareness and proposal capabilities and communicate not only the economic advantages of ZEH, but also the increased quality of life in terms of health and eco-friendliness in an effort to stimulate needs. Absorbing part of the introduction costs as Company environmental promotion expenses will lessen the burden on customers.
World’s First Fuel Cell-Equipped High-Rise Condominiums Make Use of Excess Electricity

Until now, space issues and power supply load instability due to occupant lifestyles prevented the introduction of fuel cells in collective housing. Working with Osaka Gas Co., Ltd., Sekisui House has introduced new miniaturized fuel cells in two high-rise condominiums currently being developed in Osaka. The ability to sell the fuel cell-generated electricity not used by residents is expected to reduce primary energy consumption approximately 25% compared to conventional condominiums.

This initiative was adopted from the Ministry of Land, Infrastructure, Transport and Tourism’s Fiscal 2015 Second Sustainable Building Leadership Business Initiative.

### Key performance indicators (KPIs)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Green First ZERO</td>
<td>%</td>
<td>—</td>
<td>47.9</td>
<td>58.5</td>
<td>70.4</td>
</tr>
<tr>
<td>Rate of CO2 reduction compared to 1990</td>
<td>%</td>
<td>39.372</td>
<td>42.074</td>
<td>50.256</td>
<td>43.015</td>
</tr>
<tr>
<td>CO2 (tons)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Green First homes</td>
<td>Achievement (rate)</td>
<td>25% compared to conventional condominiums.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Green First Zero homes</td>
<td>Achievement (rate)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Established adoption of Green First eco-friendly housing. From FY2013, targeted achievement initiatives for more advanced Green First ZERO.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sekisui House ZEH Occupant Customer Satisfaction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall satisfaction (evaluation includes utilities expenses)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not satisfied</td>
<td>1.4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Neither satisfied nor dissatisfied</td>
<td>2.7%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfied</td>
<td>47.7%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Highly satisfied and satisfied</td>
<td>95.9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not satisfied</td>
<td>0.8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Neither satisfied nor dissatisfied</td>
<td>2.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfied</td>
<td>48.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Highly satisfied and satisfied</td>
<td>97.2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Activities Report

#### Expanding Net-Energy-Zero Housing

Residents Begin Moving in to Higashi-Matsushima City Disaster-Ready Smart Eco-Town, Featuring Japan’s First Micro Grid

Sekisui House is developing “smart communities” in 16 locations across Japan with the aim of creating energy self-sufficient towns that are resilient to natural disasters.

The joint public-private project with Higashi Matsushima in Miyagi Prefecture constructed Higashi Matsushima Disaster-Ready Smart Eco-Town. This included the creation of Japan’s first micro-grid, which facilitates the mutual exchange of energy across properties. Supplying electricity from photovoltaic systems in nearby facilities such as disaster-ready public housing and hospitals reduces CO2 emissions by 256 tons annually. Large storage cells ensure three days of electric power in the event system power is cut due to a natural disaster or other event. In August 2015, regional residents from temporary housing began moving in to the 85 disaster-ready public housing units (Yanagi No Me municipal housing). In May 2016, the town-wide system went into full operation.

#### Surplus Power Purchasing Scheme

Osaka Gas power supply

Resident (fuel cell installation)

Note: **This project, subsidized by the Ministry of the Environment, is an “independent and distributed low carbon energy society creation” initiative conducted by the Low Carbon Society Promotion Association.**

### Future Initiatives

Sekisui House will strive to expand the sales ratio of Green First ZERO detached homes realizing comfort, economy and eco-friendliness to 80% by FY2020 while aiming to implement ZEH in 10 new low-rise and housing. We will also strengthen initiatives to reduce CO2 emissions from existing detached and low-rise rental housing.

### Evaluation

Green First ZERO ratio was 70.9%, which exceeded the target (85%). CO2 emissions declined compared to 1990 in line with a decrease in the number of units supplied, and the reduction per building increased, resulting in a 75% reduction in CO2 compared to 1990 and achievement of the target (75%). Customer satisfaction (highly satisfied + satisfied) was solid, surpassing 95% for the second year in a row in terms of both overall satisfaction and satisfaction with housing comfort.

### Sustainable Building Leadership Business Initiative

Sekisui House Sustainability Report 2016
State of Progress

1 Expanding Net-Energy-Zero Housing

Activities Report

Promoting the Spread of Green First ZERO

We are making efforts to promote the spread of Green First ZERO in anticipation of the Japanese government objective of making net-zero-energy housing (ZEH) the standard by 2050. For customers with plans to build a new house, we explain the substantial reduction in utilities expenses and the entirely new level of comfort it offers. We also renovate showrooms for exhibitions and hold seminars to emphasize the merits of Green First ZERO to customers.

In FY2015, we aggressively proposed the net-zero-energy house support business to customers, which provides subsidies for new construction and purchase of ZEH homes. Sekisui Homes acts as an agent to assist with the subsidy application process. We made every effort to create manuals and policies and conduct study meetings for employees engaged in these duties.

Sekisui House is the First Housing Manufacturer to Launch Sales of “Green First Energy Storage Style” Corresponding to Photovoltaic System Output Restrictions

In accordance with January 2015 revisions to the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electric Utilities, some electric power companies restrict the output of residential photovoltaic systems. Output restrictions balance electric power supply and demand in the event there is a risk of wide-scale power outage when the power supplied by power stations exceeds demand at each power company. In response, Sekisui House launched sales of Green First Energy Storage Style in May 2015. This output-restricting energy storage system for detached homes is the first of its kind sold by a housing manufacturer. This product restricts output in afternoon hours when energy cannot be sold and automatically stores excess power, preventing nighttime or daytime shutting. Also, in the event of a power outage caused by natural disaster, or skyrocketing electric costs in the future, the photovoltaic system and storage battery ensure the supply of electric power, eliminating customer concerns.

Residents Begin Moving in to Higashi-Matsushima City Disaster-Ready Smart Eco-Town, Featuring Japan’s First Micro Grid

Sekisui House is developing “smart communities” in 16 locations across Japan with the aim of creating energy self-sufficient towns that are resilient to natural disasters. The joint public-private project with Higashi Matsushima in Miyagi Prefecture constructed Higashi Matsushima Disaster-Ready Smart Eco-Town. This includes the creation of Japan’s first micro-grid, which facilitates the mutual exchange of energy across properties. Supplying electricity from photovoltaic systems in nearby facilities such as disaster-ready public housing and hospitals reduces CO₂ emissions by 256 tons annually. Large storage cells ensure three days of electric power in the event system power is cut due to a natural disaster or other event. In August 2015, regional residents from temporary housing began moving in to the BS disaster-ready public housing units (Yanagi no Me municipal housing). In May 2016, the town-wide system went into full operation.

World’s First Fuel Cell-Equipped High-Rise Condominiums Make Use of Excess Electricity

Until now, space issues and power supply load instability due to occupant lifestyles prevented the introduction of fuel cells in collective housing. Working with Osaka Gas Co., Ltd., Sekisui House has introduced new miniaturized fuel cells in two high-rise condominiums currently being developed in Osaka. The ability to sell the fuel cell-generated electricity not used by residents is expected to reduce primary energy consumption approximately 25% compared to conventional condominiums.

This initiative was adopted from the Ministry of Land, Infrastructure, Transport and Tourism’s Fiscal 2015 Second Sustainable Building Leadership Business Initiative.

Key performance indicators (KPIs)

Indicator | Unit | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 | Definition and remarks
--- | --- | --- | --- | --- | --- | --- | ---
Green First ZERO | % | — | — | 479 | 58.5 | 70.9 | Ratio within Sekisui House detached housing
Amount of CO₂ reduction compared to 2015 | tCO₂ | 39,372 | 42,074 | 50,256 | 43,015 | 41,599 | Reduction of residential CO₂ emissions from new detached homes compared to 1990 levels (amount and %)
Rate of CO₂ reduction compared to 1990 | % | 51.3 | 55.7 | 61.5 | 73.4 | 75.5 | —

Evaluation

Green First ZERO ratio was 70.9%, which exceeded the target (85%). CO₂ emissions declined compared to 1990 in line with a decrease in the number of units supplied, and the reduction per building increased, resulting in a 75.5% reduction in CO₂ compared to 1990 and achievement of the target (75%). Customer satisfaction (highly satisfied + satisfied) was solid, surpassing 95% for the second year in a row in terms of both overall satisfaction and satisfaction with housing comfort.

Future Initiatives

Sekisui House will strive to expand the sales ratio of Green First ZERO detached homes realizing comfort, economy and eco-friendliness to 80% by FY2020 while aiming to implement ZEH in Sha Maison low-rise rental housing and condominiums. We will also strengthen initiatives to reduce CO₂ emissions from existing detached and low-rise rental housing.
Strengthen Energy-Saving and Energy Creating Proposals for Remodeling

Activities Report

Promoting Green First Remodeling and Renovation Linked to Homeowner Healthy Life Expectancy

Sekisui House Remodeling proposes a variety of remodeling projects for detaching housing, rental housing and condominium owners based on the concept of "comfortable living—now and always." In recent years, efforts have been focused on expanding Green First remodeling and renovation specifically targeting energy saving/generation and improved comfort.

Existing housing can be converted into ZEH through the combination of a variety of remodeling work to improve home insulation, the installation of energy-saving equipment such as high-efficiency water heaters and air conditioners, and the addition of photovoltaic and energy storage systems. Green First remodeling and renovation not only improves a home's environmental performance, economy and comfort, it prevents heat shock with better insulation and extends homeowners' healthy life expectancy.

Energy-Saving Remodeling that Improves Insulation

Hands-on displays that facilitate learning and enjoyment of various technologies related to Sekisui House home construction have been established inside Company factories across Japan. Specifically, we created the “Green First Remodeling and Renovation” corner at the Tohoku Sumai no Yume Kojo, which has been open since March 2016. This corner introduces Company initiatives related to detached housing remodeling handled by Sekisui House Remodeling and general conventional housing and condominium remodeling handled by Sekisui Construction. Visitors can see an overview of Green First existing housing promoted throughout the Sekisui House Group.

VOICE

Enjoying comfort for many years to come with the underfloor heat cover

Mr. and Mrs. N, Chiba Prefecture

Every winter until now, our feet always felt cold even when using the stove. We had already switched to double-glazed windows, and when we considered the floor, we recalled the underfloor heat cover introduced to us by the Sekisui House representative. When we saw the samples, the insulation looked quite thick and effective, so we decided to go ahead and have it installed. Sekisui House did a really careful job on the construction, which only took two days to complete. The installation was performed underneath the floor, so there was no need to move heavy furniture and other items in our house. The whole process was easy and we never had to lift a finger.

Since the remodeling, the entire room quickly heats up even when we set the stove 2–3 degrees lower. There is no longer any need to keep the stove on for long periods of time, which caused our gas bill to go down—this is very helpful in terms of our household finances. We are extremely satisfied with our new, more comfortable lifestyle.

Evaluation

We substantially improved home floor insulation performance and promoted the spread of underfloor heat covers that contribute to homeowner healthy life expectancy (up 164% compared to the previous fiscal year). The effects of lower electricity purchase prices and postponed renewable energy connections caused photovoltaic power systems to decline (down 50%), but the adoption of Ene-Farm and energy-efficient bath fixtures rose (up 61%).

Future Initiatives

We will strive to promote Green First remodeling and renovation to contribute to the reduction of CO2 from existing housing. We will also focus efforts on proposals and adoption of "Sukayaka" remodeling*, initiatives linked to homeowner healthy life expectancy, including improved insulation, high-efficiency equipment installation and other energy saving and generating remodeling.

Promoting CO2 Reductions throughout the Home Lifecycle

Sekisui House accelerates CO2 emission levels not only when a resident moves in, but throughout the home lifecycle, from the purchase of building materials to factory production, transportation, construction and demolition. We continually engage in activities linked to CO2 reduction proposals and implementation.


Key performance indicators (KPIs)

Energy Saving and Generation Remodeling Achievements*

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>Definition and remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total energy input</td>
<td>Tt</td>
<td>2,851</td>
<td>2,830</td>
<td>3,542</td>
<td>3,039</td>
<td>3,061</td>
<td>Amount of energy input at the various stages of development of detached house production, rental housing production, and condominium remodeling.</td>
</tr>
<tr>
<td>CO2 emitted during development, energy, factory productions, construction and demolition*</td>
<td>t-CO2</td>
<td>119,969</td>
<td>114,780</td>
<td>148,329</td>
<td>126,209</td>
<td>130,482</td>
<td>Amount of CO2 emitted at these stages per fiscal year</td>
</tr>
<tr>
<td>CO2 emitted during transportation*</td>
<td>t-CO2</td>
<td>39,967</td>
<td>38,959</td>
<td>45,815</td>
<td>37,749</td>
<td>36,499</td>
<td>Amount of CO2 emitted at these stages per fiscal year</td>
</tr>
</tbody>
</table>

* Starting in FY2013, energy input by Sekisui House’s consolidated subsidiaries in Japan (40 companies) and Sekisui House Advanced Manufacturing (Shenyang) Co., Ltd. was added to the total energy input.

** Starting in FY2015, in addition to specified consignees based on the Act on the Rational Use of Energy, the amount of CO2 emitted during product shipments by Sekisui House Advanced Manufacturing (Shenyang) was added to the total.

Note: Sekisui House Remodeling Co., Ltd. was added to the total in FY2015.

Note: For details, see CSV Strategy 4, p. 39
Promoting Green First Remodeling and Renovation Linked to Homeowner Healthy Life Expectancy

Sekisui House Remodeling proposes a variety of remodeling projects for detached housing, rental housing and condominium owners based on the concept of “comfortable living—now and always.” In recent years, efforts have been focused on expanding Green first remodeling and renovation specifically targeting energy saving/generation and improved comfort. Existing housing can be converted into ZEH through the combination of a variety of remodeling work to improve home insulation, the installation of energy-saving equipment such as high-efficiency water heaters and air conditioners, and the addition of photovoltaic and energy storage systems. Green first remodeling and renovation not only improves a home’s environmental performance, economy and comfort, it prevents heat shock with better insulation and extends homeowners’ healthy life expectancy.

Energy-Saving Remodeling that Improves Insulation

TOPICS
Remodeling and Renovation Corner Established at Tohoku Sumai no Yume Kojo

Hands-on displays that facilitate learning and enjoyment of various technologies related to Sekisui House home construction have been established inside Company factories across Japan. Specifically, we created the “Green First Remodeling and Renovation” corner at the Tohoku Sumai no Yume Kojo, which has been open since March 2016. This corner introduces Company initiatives related to detached housing remodeling handled by Sekisui House Remodeling and general conventional housing and condominium remodeling handled by Sekisui Construction. Visitors can see an overview of Green First existing housing promoted throughout the Sekisui House Group.

Evaluation

We substantially improved home floor insulation performance and promoted the spread of underfloor heat covers that contribute to homeowner healthy life expectancy (up 164% compared to the previous fiscal year). The effects of lower electricity purchase prices and postponed renewable energy connections caused photovoltaic power systems to decline (down 50%), but the adoption of Ene-Farm and energy-efficient bath fixtures rose (up 61%).

Future Initiatives

We will strive to promote Green first remodeling and renovation to contribute to the reduction of CO2s from existing housing. We will also focus efforts on proposals and adoption of “sukuyaka” remodeling*, initiatives linked to homeowner healthy life expectancy, including improved insulation, high-efficiency equipment installation and other energy saving and generating remodeling.

Note: For details, see CSV Strategy 4, p. 39

Promoting CO2 Reductions throughout the Home Lifecycle

Sekisui House asserts CO2 emission levels not only when a resident moves in, but throughout the home lifecycle, from the purchase of building materials to factory production, transportation, construction and demolition. We continually engage in activities linked to CO2 reduction proposals and implementation.

Key performance indicators (KPIs)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total energy input*1</td>
<td>T J</td>
<td>2,851</td>
<td>2,830</td>
<td>3,542</td>
<td>3,039</td>
<td>3,061</td>
</tr>
<tr>
<td>CO2 emitted during development, energy, factor productions, construction and demolition*1</td>
<td>t-CO2</td>
<td>119,969</td>
<td>114,780</td>
<td>148,329</td>
<td>126,209</td>
<td>130,482</td>
</tr>
<tr>
<td>CO2 emitted during transportation*2</td>
<td>t-CO2</td>
<td>39,967</td>
<td>38,959</td>
<td>45,815</td>
<td>37,749</td>
<td>36,499</td>
</tr>
</tbody>
</table>

*1 Starting in FY2013, energy input by Sekisui House’s consolidated subsidiaries in Japan (10 companies) and Sekisui House Advanced Manufacturing (Shenyang) Co., Ltd. was added to the total energy input.

*2 Starting in FY2015, in addition to specified consignment based on the Act on the Rational Use of Energy, the amount of CO2 emitted during product shipments by Sekisui House Advanced Manufacturing (Shenyang) was added to the total.
Preserving biodiversity

Protect ecosystem networks through use of sustainable natural capital that considers impacts on business

Main stakeholders: Suppliers (tree growers, landscapers and wooden building materials manufacturers) and customers

Backdrop

Affecting Urban Ecosystems with Landscaping

As greenery declines due to advancing urbanization, greening initiatives are spreading throughout Japan. Effective landscaping in urban areas not only preserves ecosystems, but also improves communities by creating relaxing spaces for people, enabling the collection of rainwater to prevent urban flood damage and provides a variety of other functions. These various green efforts, known as “green infrastructure,” are now attracting attention as the basis for resolving a wide range of social issues.

Landscaping is an indispensable element of housing. Each year, the majority of landscaping consists of planting garden trees. However, garden and non-native species are often selected for their attractiveness and ease of care. These are not always appropriate for sustaining local birds and insects, nor are they adaptable to Japan’s climate, and they tend to have low resistance to pests. To protect local ecosystems, the selection of tree species for planting must take the ecosystem into consideration.

Approach

Our goal

Establish and Spread Ecosystem Preservation throughout Society Driven by the Supply Chain

Sekisui House, Japan’s largest manufacturer and supplier of prefabricated housing, is also one of Japan’s largest landscape gardeners, planting nearly one million trees each year. Our selection of tree species has a major impact on market trends. From this perspective, Sekisui House promotes tree planting to contribute to the protection of regional ecosystems and focuses efforts on sustainable lumber procurement linked to the protection of global biodiversity.

The Importance of Ensuring Legal Traceability in Lumber Procurement

Lumber is an important housing material used for structural components as well as on the interior and exterior of homes. Sekisui House uses more than 300,000 cubic meters of lumber each year. However, as wood is a raw material of biological origin, among the tens of thousands of materials used in housing, we recognize the importance of ensuring lumber traceability, especially when considering the complexity of distribution channels.

Of particular importance is carefully confirming that lumber used does not come from illegal logging. In recent years, logging exceeding the allowable limit to meet strong demand in foreign countries and illegal logging and distribution— including logging in prohibited areas such as protected forests, timber theft and smuggling—are becoming major problems. Illegal logging causes widespread destruction of ecosystems and exacerbates global warming, which not only impacts the function of multifaceted environmental protections for forests, but also has an adverse impact on broader society as it hampers the lifestyle of local residents, creates instability in the lumber market and timber resource valuation, and hinders sustainable forest management.

Risk management

Proposals similar to Gohon no ki spread throughout the industry, leading to a relative decrease in the value of our proposals.

Proposing similar practices and forest biodiversity initiatives linked to the protection of global biodiversity.

Furthermore, in the lumber procurement area, the process of confirming to our guidelines heightens supplier awareness of each company’s procurement process and facilitates increasing precisely traceability information on the lumber handled by each company’s procurement process and facilitates increasingly precise traceability information on the lumber handled by each company’s procurement process.

Impact of These Activities on the Company

Promotion of the Gohon no ki project enables the realization of housing with high home value through proposals to customers offering comfortable lifestyles surrounded by abundant nature. In addition, it strengthens the recognition that housing appearance that changes over time due to green growth is helpful to enhancing home value—even in the case of green common areas in rental housing—creating rich urban spaces.

Action policies

1 Promoting Indigenous Species in Consideration of Regional Ecosystems through the Gohon no Ki Greenery Project

Since 2001, Sekisui House has promoted gardening and landscaping activities known as the Gohon no ki greenery project. This involves the proactive proposal of indigenous species able to provide a high level of support for local creatures in consideration of the ecosystem as opposed to the frequent and exclusive use of garden or non-native species.

In terms of project implementation, we collaborate with a network of local tree growers and landscapers to ensure the provision of indigenous species where traditionally there have been few available on the market. We will propose to consumers the richness of life in harmony with living creatures and the significance of environmental conservation.

2 Promoting the Use of Legal and Sustainable FairWood Lumber

Sekisui House procures FairWood® lumber and wood products that are friendly to local communities and the forest environment in logging areas to enable the use of sustainable lumber.

FairWood procurement is legal and based on 10-Wood Procurement Guidelines established from the perspective of ecosystems and resident lifestyles in logging areas. Each year, procurement surveys are conducted targeting approximately 50 suppliers of wood materials to ascertain whether their timber is felled and milled and to confirm its legality. This information is then converted into numerical data used to manage ongoing progress in this area. These initiatives attempt to expand the use of FairWood by enhancing supplier consciousness of procurement routes while promoting awareness among trading companies and distributors further upstream in the supply chain.

As logging area trends and other breaking news is monitored by local environmental NGOs, we will make use of many years of collaborations with our landscaper network to aggressively promote tree species proposals in line with market needs, while promoting awareness among trading companies and distributors further upstream in the supply chain.

Sekisui House Sustainability Report 2016

Sekisui House promotes the Gohon no Ki Greenery Project. Since 2001, Sekisui House has promoted gardening and landscaping activities known as the Gohon no ki greenery project. This involves the proactive proposal of indigenous species able to provide a high level of support for local creatures in consideration of the ecosystem as opposed to the frequent and exclusive use of garden or non-native species. In terms of project implementation, we collaborate with a network of local tree growers and landscapers to ensure the provision of indigenous species where traditionally there have been few available on the market. We will propose to consumers the richness of life in harmony with living creatures and the significance of environmental conservation.

Sekisui House procures FairWood® lumber and wood products that are friendly to local communities and the forest environment in logging areas to enable the use of sustainable lumber. FairWood procurement is legal and based on 10-Wood Procurement Guidelines established from the perspective of ecosystems and resident lifestyles in logging areas. Each year, procurement surveys are conducted targeting approximately 50 suppliers of wood materials to ascertain whether their timber is felled and milled and to confirm its legality. This information is then converted into numerical data used to manage ongoing progress in this area. These initiatives attempt to expand the use of FairWood by enhancing supplier consciousness of procurement routes while promoting awareness among trading companies and distributors further upstream in the supply chain.
2 Preserving biodiversity

Protect ecosystem networks through use of sustainable natural capital that considers impacts on business

Main stakeholders: Suppliers (tree growers, landscapers and wooden building materials manufacturers) and customers

Backdrop

Affecting Urban Ecosystems with Landscaping

As greenery declines due to advancing urbanization, greening initiatives are spreading throughout Japan. Effective landscaping in urban areas not only preserves ecosystems, but also improves communities by creating relaxing spaces for people, enables the collection of rainwater to prevent urban flood damage and provides a variety of other functions. These various green efforts, known as “green infrastructure,” are growing in attention as the basis for resolving a wide range of social issues.

Landscaping is an indispensable element of housing. Each year, the majority of landscaping consists of planting garden trees. However, garden and non-native species are often selected for their attractiveness and ease of care. These are not always appropriate for sustaining local birds and insects, nor are they adaptable to Japan’s climate, and they tend to have low resistance to pests. To protect local ecosystems, the selection of tree species for planting must take the ecosystem into consideration.

The Importance of Ensuring Legal Traceability in Lumber Procurement

Lumber is an important housing material used for structural components as well as on the interior and exterior of homes. Sekisui House uses more than 300,000 cubic meters of lumber each year. However, as wood is a raw material of biological origin, among the tens of thousands of materials used in housing, we recognize the importance of ensuring lumber traceability, especially when considering the complexity of distribution channels.

Of particular importance is carefully confirming that lumber used does not come from illegal logging. In recent years, logging exceeding the allowable limit to meet strong demand in foreign countries and illegal logging and distribution—including logging in prohibited areas such as protected forests, timber theft and smuggling—are becoming major problems. Illegal logging causes wide-spread destruction of ecosystems and exacerbates global warming, which not only impacts the function of multifaceted environmental protections for forests, but also has an adverse impact on broader society as it harms the lifestyle of local residents, creates instability in the lumber market and timber resource valuation, and hinders sustainable forest management.

Approach

Our goal

Establish and Spread Ecosystem Preservation throughout Society Driven by the Supply Chain

Sekisui House, Japan’s largest manufacturer and supplier of prefabricated housing, is also one of Japan’s largest landscape gardeners, planting nearly one million trees each year. Our selection of tree species plays a major impact on market trends. From this perspective, Sekisui House promotes tree planting to contribute to the protection of regional ecosystems and focuses efforts on sustainable lumber procurement linked to the protection of global biodiversity.

Natural capital and ecosystem services such as planting and lumber require a long time to mature and recover. Furthermore, these initiatives cannot be completed by one company alone. We steadfastly maintain activities with suppliers based on long-term scenarios and inculcate an understanding of value among customers through the provision of rich and comfortable lifestyles, all of which is aimed at spreading these activities as societal trends.

Promoting Indigenous Species in Consideration of Regional Ecosystems through the Gohon no Ki Greenery Project

Since 2001, Sekisui House has promoted gardening and landscaping activities known as the Gohon no ki greenery project. This involves the proactive proposal of indigenous species able to provide a high level of support for local creatures in consideration of the ecosystem as opposed to the frequent and exclusive use of garden or non-native species.

In terms of project implementation, we collaborate with a network of local tree growers and landscapers to ensure the provision of indigenous species where traditionally there have been few available on the market. We will propose to consumers the riches of life in harmony with living creatures and the significance of environmental conservation.

Impact of These Activities on the Company

Promotion of the Gohon no ki project enables the realization of housing with high home value through proposals to customers offering comfortable lifestyles surrounded by abundant nature. In addition, it strengthens the recognition that housing appearance that changes over time due to green growth is helpful to enhancing home value—even in the case of green common areas in rental housing—creating rich urban spaces.

Furthermore, in the lumber procurement area, the process of conforming to our guidelines heightens supplier awareness of each company’s procurement process and facilitates increasingly precise traceability information on the lumber handled by each supplier. As a result, the market for high-quality FairWood steadily expands leading to the spread of sustainable lumber.

Risk management

Risk 1

Proposals similar to Gohon no ki spread throughout the industry, leading to a relative decrease in the value of our proposals.

We will make use of many years of collaborations with our landscaper network to aggressively promote tree species proposals in line with market needs, while attempting to differentiate ourselves through total exterior designs delivering higher customer satisfaction by improving our design proposal capabilities and strengthening our construction system. As a result, the continued proposal of new value will further drive the ecosystem-friendly greening market.

Risk 2

Tighten international regulations will restrict logging, exports and distribution, disrupting the stable procurement of lumber.

As logging area trends and other breaking news is monitored by local environmental NGOs, we will obtain information from a network of global environmental NGOs and promptly share it with suppliers of wood materials to enable the preparation of revisions to preferred lumber supply systems.
State of Progress

① Promoting Indigenous Species in Consideration of Regional Ecosystems through the Gohon no Ki Greenery Project

Activities Report

Ongoing Promotion of the Gohon no Ki Project

Sekisui House is promoting tree planting that is friendly to regional ecosystems based on the Gohon no ki project. In FY2015, 990,000 trees were planted in the gardens of newly built and rental housing across Japan, for a total of 11.99 million trees planted since this initiative began in 2001.

Voice

The green trees growing in gardens and parks are connected to a variety of living things. An average of more than 20 varieties of butterfly can be seen in gardens, where the greenery of the garden plays an important role for wild living things.

Evaluation

A decrease in the number of detached housing starts is causing a decline in the number of trees planted. However, customers have come to appreciate the benefits that greenery provides—such as comfort, a distinctive appearance, and townscapes that in turn enhance property value and lead to significantly higher quality greening proposals.

Future Initiatives

The spread of highly insulated sashes have further expanded openness enabling better views of gardens from windows, which in turn enhances property value and leads to significantly enhancing homeowners comfort.

To this end, we decided to conduct a survey on the comfort enhancements provided by butterfly varieties in the gardens. The survey, which is unusual in Japan, will test the wide variety of butterfly varieties in individual gardens to promote the visualization of ecosystem preservation and customer comfort.

Key performance indicators (KPIs)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
<th>Definition and remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Trees Planted annually (Tens of thousands)</td>
<td>96</td>
<td>101</td>
<td>106</td>
<td>81</td>
<td>99</td>
<td>Number of trees planted in Sekisui House gardening and greening</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
<th>Definition and remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ext. Construction Work Net Sales (Hundres of millions yen)</td>
<td>477</td>
<td>479</td>
<td>548</td>
<td>564</td>
<td>563</td>
<td>Total number of trees planted: 17.4 million</td>
</tr>
</tbody>
</table>

② Promoting the Use of Legal and Sustainable FairWood Lumber

Activities Report

Sekisui House procures wood based on the following standards.

10 Wood Procurement Guidelines

1. Source wood products from areas with relatively low risk of illegal logging.
2. Source wood products from areas without sensitive ecosystems.
3. Do not source wood products from areas where local ecosystems are hugely damaged due to large-scale logging of natural forests.
4. Do not use endangered species for wood products.
5. Minimize CO2 emissions when producing, processing, and transporting wood products.
6. When logging wood products, avoid conflict with local communities and refrain from unfair labor practices.
7. Source wood products from areas of controlled logging, so as not to exceed the rate of forest regeneration.
8. Source wood products from domestic forests where well-planned forest management is in place to conserve ecosystems.
9. Source wood products from plantation forests that are managed as to promote conservation and ecosystem development.
10. Use recyclable wood building materials.

Ranking wood products according to their level of compliance with the procurement guidelines:

Dependent on their total score, procured wood products are classified into four ranks, from high to low, S, A, B, and C. Minimally acceptable scores are set for Guidelines 1 and 4, as we place a high priority on these two items.

Future Initiatives

Going forward, Sekisui House will continue to strengthen alliances with suppliers. We will also proactively disseminate information through the FairWood Research Institution, comprising international environmental NGOs and leading operators to make public our own accumulated data.
State of Progress

1. Promoting Indigenous Species in Consideration of Regional Ecosystems through the Gohon no Ki Greenery Project

Activities Report

Ongoing Promotion of the Gohon no Ki Project

Sekisui House is promoting tree planting that is friendly to regional ecosystems based on the Gohon no ki project. In FY2015, 990,000 trees were planted in the gardens of newly built and rental housing across Japan, for a total of 11.99 million trees planted since this initiative began in 2001.

Key performance indicators (KPIs)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of trees planted annually</td>
<td>Tens of Thousands</td>
<td>96</td>
<td>101</td>
<td>106</td>
<td>81</td>
<td>99</td>
</tr>
<tr>
<td>Number of trees planted in Sekisui House gardening and greening</td>
<td>Tens of Thousands</td>
<td>467</td>
<td>479</td>
<td>548</td>
<td>564</td>
<td>603</td>
</tr>
<tr>
<td>Total number of trees planted: 11.99 million</td>
<td>Tens of Thousands</td>
<td>1199</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Evaluation

A decrease in the number of detached housing starts is causing a decline in the number of trees planted. However, customers have come to appreciate the benefits that greening provides—such as comfort, a distinctive appearance, and townscapes that grow more attractive over time—even for rental housing and condominiums, which has promoted an increase in tree planting and higher quality greening proposals.

As a result, exterior construction work, including greening and tree planting, has risen to ¥60 billion per year in net sales.

Future Initiatives

The spread of highly insulated sashes have further expanded openness enabling better views of gardens from windows, which in turn enhances property value and leads to significantly enhancing homeowner comfort.

To this end, we decided to conduct a survey on the comfort enhancing homeowner comfort.

VOICE

NPO Japan Butterfly Conservation Society
Yasuhiro Nakamura, Executive Director

The green trees growing in gardens and parks are connected to a variety of living things. An average of more than 20 varieties of butterfly can be seen in gardens, where the greenery of the garden plays an important role for wild living things.

If Gohon no ki initiatives are expanded, gardens will become linked, connecting urban and suburban areas to create a green network. If these connections are widened, more creatures will be able to exist in stable environments, enabling this network to fulfill a critical role above and beyond preservation of the ecosystem.

Simply planting indigenous species in gardens, and doing so on a wide-scale, initiatives to recover biodiversity will lead to higher awareness and concern for the natural environment of humans. I look forward to the full-scale implementation of these initiatives.

We are conducting the Garden Butterfly Survey in conjunction with Sekisui House. http://butterfly-garden.shawood.jp/

2. Promoting the Use of Legal and Sustainable FairWood Lumber

Activities Report

Promoting the Introduction of FairWood in Consideration of Producing Area Economies

In consideration of cultivating agroforestry and other sustainable community forestry from the responsibility for potentially affecting logging areas through numerous suppliers of wood materials, we do not set individual procurement targets for the sole adoption of certified wood. However, detailed inspections of all wood indicates that certified wood (including certified processed wood accounts for 88% of structural wood material and 59% of individual interior installation.

Shawood Pure Domestic Timber Premium Model Receives “Wood Design Award” from the Ministry of Agriculture, Forestry and Fisheries

Among an increasing focus on the problem of illegal logging in countries around the world, the destruction of mountain forests in Japan where logging cannot be conducted is becoming a problem. To contribute to improving this situation, Sekisui House promotes the adoption of domestic materials. In 2013, in conjunction with the Wood Utilization Point System promoted by the Ministry of Agriculture, Forestry and Fisheries, we launched sales of the Shawood Pure Domestic Timber Premium Model using select domestic brand wood for the columns and beams. During the period this system was in effect until September 2015, we received orders for 520 houses. In December 2015, we received the “First Wood Design Award” from the Ministry of Agriculture, Forestry and Fisheries.

Ranking wood products according to their level of compliance with the procurement guidelines:

A decrease in the number of detached housing starts is causing a decline in the number of trees planted. However, customers have come to appreciate the benefits that greening provides—such as comfort, a distinctive appearance, and townscapes that grow more attractive over time—even for rental housing and condominiums, which has promoted an increase in tree planting and higher quality greening proposals.

As a result, exterior construction work, including greening and tree planting, has risen to ¥60 billion per year in net sales.

Future Initiatives

The spread of highly insulated sashes have further expanded openness enabling better views of gardens from windows, which in turn enhances property value and leads to significantly enhancing homeowner comfort.

To this end, we decided to conduct a survey on the comfort enhancing homeowner comfort.

VOICE

NPO Japan Butterfly Conservation Society
Yasuhiro Nakamura, Executive Director

The green trees growing in gardens and parks are connected to a variety of living things. An average of more than 20 varieties of butterfly can be seen in gardens, where the greenery of the garden plays an important role for wild living things.

If Gohon no ki initiatives are expanded, gardens will become linked, connecting urban and suburban areas to create a green network. If these connections are widened, more creatures will be able to exist in stable environments, enabling this network to fulfill a critical role above and beyond preservation of the ecosystem.

Simply planting indigenous species in gardens, and doing so on a wide-scale, initiatives to recover biodiversity will lead to higher awareness and concern for the natural environment of humans. I look forward to the full-scale implementation of these initiatives.

We are conducting the Garden Butterfly Survey in conjunction with Sekisui House. http://butterfly-garden.shawood.jp/

2. Promoting the Use of Legal and Sustainable FairWood Lumber

Activities Report

Promoting the Introduction of FairWood in Consideration of Producing Area Economies

In consideration of cultivating agroforestry and other sustainable community forestry from the responsibility for potentially affecting logging areas through numerous suppliers of wood materials, we do not set individual procurement targets for the sole adoption of certified wood. However, detailed inspections of all wood indicates that certified wood (including certified processed wood accounts for 88% of structural wood material and 59% of individual interior installation.

Shawood Pure Domestic Timber Premium Model Receives “Wood Design Award” from the Ministry of Agriculture, Forestry and Fisheries

Among an increasing focus on the problem of illegal logging in countries around the world, the destruction of mountain forests in Japan where logging cannot be conducted is becoming a problem. To contribute to improving this situation, Sekisui House promotes the adoption of domestic materials. In 2013, in conjunction with the Wood Utilization Point System promoted by the Ministry of Agriculture, Forestry and Fisheries, we launched sales of the Shawood Pure Domestic Timber Premium Model using select domestic brand wood for the columns and beams. During the period this system was in effect until September 2015, we received orders for 520 houses. In December 2015, we received the “First Wood Design Award” from the Ministry of Agriculture, Forestry and Fisheries.

Ranking wood products according to their level of compliance with the procurement guidelines:

A decrease in the number of detached housing starts is causing a decline in the number of trees planted. However, customers have come to appreciate the benefits that greening provides—such as comfort, a distinctive appearance, and townscapes that grow more attractive over time—even for rental housing and condominiums, which has promoted an increase in tree planting and higher quality greening proposals.

As a result, exterior construction work, including greening and tree planting, has risen to ¥60 billion per year in net sales.

Future Initiatives

The spread of highly insulated sashes have further expanded openness enabling better views of gardens from windows, which in turn enhances property value and leads to significantly enhancing homeowner comfort.

To this end, we decided to conduct a survey on the comfort enhancing homeowner comfort.

VOICE

NPO Japan Butterfly Conservation Society
Yasuhiro Nakamura, Executive Director

The green trees growing in gardens and parks are connected to a variety of living things. An average of more than 20 varieties of butterfly can be seen in gardens, where the greenery of the garden plays an important role for wild living things.

If Gohon no ki initiatives are expanded, gardens will become linked, connecting urban and suburban areas to create a green network. If these connections are widened, more creatures will be able to exist in stable environments, enabling this network to fulfill a critical role above and beyond preservation of the ecosystem.

Simply planting indigenous species in gardens, and doing so on a wide-scale, initiatives to recover biodiversity will lead to higher awareness and concern for the natural environment of humans. I look forward to the full-scale implementation of these initiatives.

We are conducting the Garden Butterfly Survey in conjunction with Sekisui House. http://butterfly-garden.shawood.jp/
Realize maximum customer satisfaction through superior quality and leading technologies

Approach

Our goal

Creating the Highest Possible Quality for Maximum Customer Satisfaction by Leveraging Our Technological, Production and Construction Capabilities

We aim to meet customer needs with the highest levels of quality and technology. In collaboration with partner companies with whom we share a common goal, we perpetually retain skilled employees and build structures that stably provide quality housing able to be lived in and passed on to future generations providing safety, peace of mind and comfort. We aim for the highest quality in all houses manufactured processes and provide products and services that earn customer trust and satisfaction.

Action policies

1. Realizing Heightened Safety, Peace of Mind and Comfort through Advanced Technologies

Sekisui House is pursuing higher levels of quality and performance in terms of basic safety and comfort; leveraging advanced technological and organizational capabilities accumulated for more than half a century. We lead the industry and will establish our product as the standard for Japanese housing and most importantly, to enhance the quality of production and construction. This enables us to realize customer satisfaction and maintain high-quality housing as stock for society. This will lead to enhanced corporate and brand value.

2. Enhancing Production and Distribution Quality, Improving Operational Efficiency

Sekisui House promotes production line maintenance and automation, in effort to make distribution more efficient and facilitate just-in-time production of various product types in small lots. We collaborate with distributors in an effort to make distribution more efficient.

3. Strengthening Construction Site Capabilities through Collaborations with the Sekisui House Association

In conjunction with the Sekisui House Association (a voluntary organization comprising Sekisui House Group companies involved with construction and our partner building contractors), we make an effort to strengthen construction site capabilities by improving construction quality, communicating with customers and people living near the site and initiatives involving safety measures, clean construction sites, human resource development and work environment improvements.

Impact of These Activities on the Company

We continuously develop new technologies from the perspective of whether or not they are useful to customers or contribute to society. Initiatives including the maintenance of equipment and systems and the retention and development of skilled human resources enable us to fulfill our mission to “protect the lives and assets of residents,” and most importantly, to enhance the quality of production and construction. This enables us to realize customer satisfaction and maintain high-quality housing as stock for society. This will lead to enhanced corporate and brand value.

Risk management

Shortage of workers in the construction and transportation industries

When an earthquake is transmitted to a building, it is shaken and deformed. There is a strong risk that the building deformation will be severe, damaging the structural frame, interior and exterior. Sekisui House's proprietary SHEQAS seismic control system converts seismic wave energy into heat energy to absorb building movement, and can reduce building deformation by approximately 50%. The SHEQAS damper, comprising a special high-damping rubber, maintains its efficacy through repeated earthquakes and after shocks realizing housing in which residents can continue to live with peace of mind. In FY2015, 94% of our homes were fitted with SHEQAS.

State of Progress

1. Realizing Heightened Safety, Peace of Mind and Comfort through Advanced Technologies

SHEQAS Seismic Control System Certified by the Ministry of Land, Infrastructure, Transport, and Tourism

We developed Hybrid SHEQAS, which significantly enhances design flexibility through the use of a SHEQAS frame combined a load-bearing wall and a seismic-control wall offering the same level of seismic-control capability. This enables open plans incorporating larger windows and doors.

Activities Report

SHEQAS Seismic Control System

In FY2015, 85% of our homes were fitted with SHEQAS, enhancing corporate and brand value.

Airkis High-Quality Indoor Air System

Airkis is a high-quality indoor air system. In terms of indoor air quality, from early on we focused attention on the health impact of chemical substances in our construction materials. We were the first to conduct research on healthy indoor air environments. As a result, we developed the Airkis high-quality indoor air system, which takes into consideration the fact that children are more susceptible to the impact of indoor pollution than adults. Using Airkis in the homes reduces indoor concentrations of five major chemical substances to less than 50% of the guideline value set by the government. In addition to reducing chemical substances, we are also engaged in ventilation and air purification to improve the overall quality of air environments. To this end, we developed proprietary ventilation and air conditioning systems. In FY2015, 85% of our homes were fitted with Airkis.

Achieving Safety and Rapid Construction with "Shark Pile Method" Soil Reinforcement

Developed in 2015, the “shark pile method” is a new way to strengthen soft soil during foundation work. This method has been certified by the Ministry of Land, Infrastructure, Transportation, and Transportation. Sekisui House made an ingenious change to steep pipe piles that are driven into the ground. The tips of the steel pipe piles were widened to increase the load-bearing capacity of each 1.5–2 times that of conventional piles. This method facilitates rapid construction as it reduces the number of piles used and time required to drive each of them into the ground, while maintaining the necessary degree of strength. This method can also be used for large-scale construction projects and the construction of four-story housing with stricter design standards. In FY2015, after switching to the shark pile method in August, we used it to create foundations for 510 homes across Japan.
Realize maximum customer satisfaction through superior quality and leading technologies

Backdrop

Construction Workers Now Fewer and Older—a Nationwide Problem Amid Demands for High-Quality Housing

The frequent occurrence of large-scale natural disasters across Japan in recent years has heightened the importance of housing’s role as the cornerstone of life. However, in 2015, one scandal after another came to light in the construction industry, including the falsification of construction and product performance data having a direct impact on lifestyle safety and peace of mind. This caused anxiety to increase among consumers, whose confidence in construction quality was substantially shaken. The special responsibility of people working in the construction industry to “protect the lives and assets of residents” has been called into question.

At the same time, one in three workers in the Japanese construction industry are aged 55 or older. As these older workers retire, the decline in the number of construction workers is expected to continue. Similarly, the shortage of workers in the transportation industry responsible for the distribution of materials is becoming increasingly serious. In light of these trends, it is critically important to recruit and train new employees while also improving the workforce retention rate.

Approach

Our goal

Creating the Highest Possible Quality for Maximum Customer Satisfaction by Leveraging Our Technological, Production and Construction Capabilities

Our goal as defined in the Sekisui House Group corporate philosophy is to meet customer needs with the highest levels of quality and technology. In collaboration with partner companies with whom we share a common destiny, we perpetually retain skilled employees and build structures that stably provide quality housing able to be lived in and passed on to future generations providing safety, peace of mind and comfort. We aim for the highest quality in all house manufacturing processes and provide products and services that earn customer trust and satisfaction.

Action policies

1. Realizing Heightened Safety, Peace of Mind and Comfort through Advanced Technologies
   Sekisui House is pursuing higher levels of quality and performance in terms of basic safety and comfort, leveraging advanced technological and organizational capabilities accumulated for more than half a century. We lead the industry and will establish our product as the standard for Japanese housing.

2. Enhancing Production and Distribution Quality, Improving Operational Efficiency
   Sekisui House promotes production line maintenance and automation for the stable provision of high-precision parts to make production more efficient and facilitate on-site fabrication production of various product types in small lots. We collaborate with distributors in an effort to make distribution more efficient.

3. Strengthening Construction Site Capabilities through Collaborations with the Sekisui House Association
   In conjunction with the Sekisui House Association (a voluntary organization comprising Sekisui House Group companies involved with construction and our partner building contractors), we make an effort to strengthen construction site capabilities by improving construction quality, communicating with customers and people living near the site and initiatives involving safety measures, clean construction sites, human resource development and work environment improvements.

We continuously develop new technologies from the perspective of whether or not they are useful to customers or contribute to society. Initiatives including the maintenance of equipment and systems and the retention and development of skilled human resources enable us to fulfill our mission to “protect the lives and assets of residents,” and most importantly, to enhance the quality of production and construction. This enables us to realize customer satisfaction and maintain high-quality housing as stock for society. This will lead to enhanced corporate and brand value.

Risk management

Risk 1

Shortage of workers in the construction and transportation industries

We will promote construction line maintenance and automation, engage in prefabrication (precutting, presetting, and partial assembly of components at the factory) and create systems that maximize labor force utilization through proper process planning and personnel allocation without excess or waste with the aim of conserving manpower and realizing efficiency and labor-reduction in production, distribution and construction at worksites. We are also making an effort to retain talented employees through training for young technicians operated by Sekisui House Training Schools, support for the development of multiple skill sets that can be deployed flexibly, maintenance of the work environment, enhanced welfare programs and a system for commendating achievements.

Risk 2

Quality risks associated with production and construction processes

We ensure quality in all housing manufacturing processes through high-precision of related laws and the establishment of our own rigorous standards. We also promote production quality risk management in conjunction with partner companies. In addition, we operate a Group-wide construction quality control system aimed at ongoing improvement activities, internal controls, the maintenance and storage of records and careful construction quality management of each and every home we build. This includes the “visualization” of quality information and other verification records using photos and the use of Pads running specialized applications for site foremen and construction managers (Sekisui Construction, home construction companies). These initiatives aim to enhance timely construction site management and increase quality levels.

State of Progress

1. Realizing Heightened Safety, Peace of Mind and Comfort through Advanced Technologies

SHEQAS Seismic Control System Certified by the Ministry of Land, Infrastructure, Transport, and Tourism

When an earthquake is transmitted to a building, it is shaken and deformed. There is a strong risk that the building deformation will be severe, damaging the structural frame, interior and exterior. Sekisui House’s proprietary SHEQAS seismic control system converts seismic wave energy into heat energy to absorb building movement, and can reduce building deformation by approximately 50%. The SHEQAS damper, comprising a special high-damping rubber, maintains its efficacy through repeated earthquakes and aftershocks realizing housing in which residents can continue to live with peace of mind. In FY2015, 94% of our homes were fitted with SHEQAS.

Activities Report

Airkis High-Quality Indoor Air System

Air pollution is becoming a serious problem at present. In terms of indoor air quality, from early on we focused attention on the health impact of chemical substances in our construction materials. We were the first to conduct research on healthy indoor air environments. As a result, we developed the Airkis high-quality indoor air system, which takes into consideration the fact that children are more susceptible to the impact of all pollution than adults. Using Airkis in the homes reduces indoor concentrations of five major chemical substances to less than 50% of the guideline value set by the government. In addition to reducing chemical substances, we are also engaged in ventilation and air purification to improve the overall quality of air environments. To this end, we developed proprietary ventilation and air conditioning systems. In FY2015, 85% of our homes were fitted with Airkis.

Achieving Safety and Rapid Construction with “Shark-Pike Method” Soil Reinforcement

Developed in 2015, the “shark pike method” is a new way to strengthen soft soil during foundation work. This method has been certified by the Ministry of Land, Infrastructure, Transportation. Sekisui House made an ingenious change to steep pipe piles that are driven into the ground. The tips of the steel pipe piles were widened to increase the load-bearing capacity of each 1.5~2 times that of conventional piles. This method facilitates rapid construction as it reduces the number of piles used and time required to drive each one of them into the ground, while maintaining the necessary degree of strength. This method can also be used for large-scale construction projects and the construction of four-story housing with stricter design standards. In FY2015, after switching to the shark pike method in August, we used it to create foundations for 515 homes across Japan.
promotion automated production of main structural components

All five of our factories manufacture original parts including pillars, beams, exterior walls and other major housing components. As Sekisui House builds detached houses to specifications tailored to each customer, the components we use also differ from one house to another. We promote maintenance and automation of our production lines to provide precision components offering stable performance and quality while attempting to engage in the efficient and labor-saving custom manufacturing of various product types in small lots. This enables the production line to operate around the clock and the establishment of a build-to-order system for accommodating customer-specific designs. Furthermore, as the new system enables component production that is optimally timed to match the construction schedule, it helps improve efficiency in both shipping and construction.

In FY2015, we engaged in preparation for enhancements and the transition to the “B” system automated production line in response to an increase in order for steel rigid-frame three-to-four-story construction homes. In FY2016, we are targeting a 95% installation rate for SHEQAS and a 90% installation rate for Airkis. We have also newly developed the B system, the world’s first steel rigid-frame construction for industrial housing and B SHEQAS, certified by the Minister of Land, Infrastructure, and Transportation. In April 2016, we launched sales of flagship model “Biena Urban Fort” as a new standard for housing.

Future Initiatives

Promoting Distribution Efficiency through Collaborations with Distributors

Housing components built at our factories are gathered at seven distribution bases throughout Japan, where they are sorted and shipped to the appropriate construction sites. We are implementing a just-in-time inventory system that allows us to adjust the schedule and quantity of component shipments on-demand to optimally meet construction schedules. Furthermore, trucks dispatched from these distribution bases make rounds to collect waste materials and tools from each construction site and bring them back to the bases. To increase work efficiency at construction sites, the distribution bases are also used for assembling some of the housing components.

In recent years, social issues such as an insufficient number of skilled laborers and a lack of standardization have emerged in various sectors of society. To address these issues, we are promoting the use of automated production lines to manufacture parts that are able to satisfy specific customer needs.

Key performance indicators (KPIs)

| Indicator | Unit FY2012 FY2013 FY2014 FY2015 FY2016 targets |
|-----------|------------------|------------------|------------------|------------------|------------------|
| SHEQAS seismic control system installation rate (steel-framed two-story detached housing) | % | 58.5 75.0 87.0 89.0 | 94.0 | 95.0 |
| Airkis high-quality indoor air system installation rate (steel-framed detached housing) | % | 67.4 76.3 77.8 80.0 | 85.5 | 90.0 |

Activities Report

Promoted Automated Production of Main Structural Components

All five of our factories manufacture original parts including pillars, beams, exterior walls and other major housing components. As Sekisui House builds detached houses to specifications tailored to each customer, the components we use also differ from one house to another. We promote maintenance and automation of our production lines to provide precision components offering stable performance and quality while attempting to engage in the efficient and labor-saving custom manufacturing of various product types in small lots. This enables the production line to operate around the clock and the establishment of a build-to-order system for accommodating customer-specific designs. Furthermore, as the new system enables component production that is optimally timed to match the construction schedule, it helps improve efficiency in both shipping and construction.

In FY2015, we engaged in preparation for enhancements and the transition to the “B” system automated production line in response to an increase in order for steel rigid-frame three-to-four-story construction homes. In FY2016, we are targeting a 95% installation rate for SHEQAS and a 90% installation rate for Airkis. We have also newly developed the B system, the world’s first steel rigid-frame construction for industrial housing and B SHEQAS, certified by the Minister of Land, Infrastructure, and Transportation. In April 2016, we launched sales of flagship model “Biena Urban Fort” as a new standard for housing.

Future Initiatives

Promoting Distribution Efficiency through Collaborations with Distributors

Housing components built at our factories are gathered at seven distribution bases throughout Japan, where they are sorted and shipped to the appropriate construction sites. We are implementing a just-in-time inventory system that allows us to adjust the schedule and quantity of component shipments on-demand to optimally meet construction schedules. Furthermore, trucks dispatched from these distribution bases make rounds to collect waste materials and tools from each construction site and bring them back to the bases. To increase work efficiency at construction sites, the distribution bases are also used for assembling some of the housing components.

In recent years, social issues such as an insufficient number of skilled laborers and a lack of standardization have emerged in various sectors of society. To address these issues, we are promoting the use of automated production lines to manufacture parts that are able to satisfy specific customer needs.

Key performance indicators (KPIs)

| Indicator | Unit FY2012 FY2013 FY2014 FY2015 |
|-----------|------------------|------------------|------------------|------------------|
| SHEQAS seismic control system installation rate (steel-framed two-story detached housing) | % | 58.5 75.0 87.0 89.0 | 94.0 | 95.0 |
| Airkis high-quality indoor air system installation rate (steel-framed detached housing) | % | 67.4 76.3 77.8 80.0 | 85.5 | 90.0 |

Evaluation

Many customers opted to install the SHEQAS seismic control system, which protects during earthquakes and enables freedom in planning, as well as the Airkis high-quality indoor air system, which is the only one of its kind offered by a housing manufacturer. In FY2015, SHEQAS was installed in 85% of steel-framed detached housing, while Airkis was installed in 85% of steel-framed detached housing. Both increased 5% compared to the previous fiscal year.

Activities Report

Promoted Automated Production of Main Structural Components

All five of our factories manufacture original parts including pillars, beams, exterior walls and other major housing components. As Sekisui House builds detached houses to specifications tailored to each customer, the components we use also differ from one house to another. We promote maintenance and automation of our production lines to provide precision components offering stable performance and quality while attempting to engage in the efficient and labor-saving custom manufacturing of various product types in small lots. This enables the production line to operate around the clock and the establishment of a build-to-order system for accommodating customer-specific designs. Furthermore, as the new system enables component production to be optimally timed to match the construction schedule, it helps improve efficiency in both shipping and construction.

In FY2015, we engaged in preparation for enhancements and the transition to the “B” system automated production line in response to an increase in order for steel rigid-frame three-to-four-story construction homes. In FY2016, we are targeting a 95% installation rate for SHEQAS and a 90% installation rate for Airkis. We have also newly developed the B system, the world’s first steel rigid-frame construction for industrial housing and B SHEQAS, certified by the Minister of Land, Infrastructure, and Transportation. In April 2016, we launched sales of flagship model “Biena Urban Fort” as a new standard for housing.

Future Initiatives

Promoting Distribution Efficiency through Collaborations with Distributors

Housing components built at our factories are gathered at seven distribution bases throughout Japan, where they are sorted and shipped to the appropriate construction sites. We are implementing a just-in-time inventory system that allows us to adjust the schedule and quantity of component shipments on-demand to optimally meet construction schedules. Furthermore, trucks dispatched from these distribution bases make rounds to collect waste materials and tools from each construction site and bring them back to the bases. To increase work efficiency at construction sites, the distribution bases are also used for assembling some of the housing components.

In recent years, social issues such as an insufficient number of skilled laborers and a lack of standardization have emerged in various sectors of society. To address these issues, we are promoting the use of automated production lines to manufacture parts that are able to satisfy specific customer needs.

Key performance indicators (KPIs)

| Indicator | Unit FY2012 FY2013 FY2014 FY2015 |
|-----------|------------------|------------------|------------------|------------------|
| SHEQAS seismic control system installation rate (steel-framed two-story detached housing) | % | 58.5 75.0 87.0 89.0 | 94.0 | 95.0 |
| Airkis high-quality indoor air system installation rate (steel-framed detached housing) | % | 67.4 76.3 77.8 80.0 | 85.5 | 90.0 |

Evaluation

Many customers opted to install the SHEQAS seismic control system, which protects during earthquakes and enables freedom in planning, as well as the Airkis high-quality indoor air system, which is the only one of its kind offered by a housing manufacturer. In FY2015, SHEQAS was installed in 85% of steel-framed detached housing, while Airkis was installed in 85% of steel-framed detached housing. Both increased 5% compared to the previous fiscal year.

Activities Report

Promoted Automated Production of Main Structural Components

All five of our factories manufacture original parts including pillars, beams, exterior walls and other major housing components. As Sekisui House builds detached houses to specifications tailored to each customer, the components we use also differ from one house to another. We promote maintenance and automation of our production lines to provide precision components offering stable performance and quality while attempting to engage in the efficient and labor-saving custom manufacturing of various product types in small lots. This enables the production line to operate around the clock and the establishment of a build-to-order system for accommodating customer-specific designs. Furthermore, as the new system enables component production to be optimally timed to match the construction schedule, it helps improve efficiency in both shipping and construction.

In FY2015, we engaged in preparation for enhancements and the transition to the “B” system automated production line in response to an increase in order for steel rigid-frame three-to-four-story construction homes.
2 Enhancing Production and Distribution Quality, Improving Operational Efficiency

Promoted Automated Production of Main Structural Components

All five of our factories manufacture original parts including pillars, beams, exterior walls and other major housing components. As Sekisui House builds detached houses to specifications tailored to each customer, the components we use also differ from one house to another. We promote maintenance and automation of our production lines to provide precision components offering stable performance and quality. In FY2015, we installed new equipment in 85% of steel-framed detached housing. Both increased 5% compared to the previous fiscal year.

We are promoting automation and enhancements on production lines at all factories. In April 2016, the beam production line at the Shizuoka Factory increased the production of concrete exterior-wall component production line at the Kanto Factory will be completed and operations are scheduled to commence in August. As a result, we will realize further productivity improvements.

Activities Report

Promoting Distribution Efficiency through Collaborations with Distributors

Housing components built at our factories are gathered at seven distribution bases throughout Japan, where they are sorted and shipped to the appropriate construction sites. We are implementing a just-in-time inventory system that allows us to adjust the schedule and quantity of component shipments on-demand to optimally meet construction schedules. Furthermore, trucks dispatched from these distribution bases make rounds to collect waste materials and tools from each construction site and bring them back to the bases. To increase work efficiency at construction sites, the distribution bases are also used for assembling some of the housing components.

In recent years, social issues such as an insufficient number of skilled workers, a rise in labor costs, and a shortage of skilled workers are also used for assembling some of the housing components. In FY2016, we will strengthen collaborations with distributors and make distribution more efficient.

Key performance indicators (KPIs)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>Definition and remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breakdown point shipment area %</td>
<td>100.0</td>
<td>100.9</td>
<td>102.4</td>
<td>98.5</td>
<td>Index targets FY2012 are 100</td>
<td></td>
</tr>
</tbody>
</table>

Evaluation

Many customers opted to install the SHEQAS seismic control system, which protects during earthquakes and enables freedom in planning, as well as the Airkis high-quality indoor air system, which is the only system of its kind offered by a housing manufacturer. In FY2015, SHEQAS was installed in 95% of steel-framed detached housing, while Airkis was installed in 85% of steel-framed detached housing. Both increased 5% compared to the previous fiscal year.

In FY2016, we are targeting a 95% installation rate for SHEQAS and a 90% installation rate for Airkis. We have also newly developed β system, the world’s first steel rigid-frame construction for industrial housing and β SHEQAS, certified by the Ministry of Land, Infrastructure, and Transportation. In April 2016, we launched sales of flagship model “Biena Urban Fort” as a new standard for housing.

In recent years, social issues such as an insufficient number of skilled workers, a rise in labor costs, and a shortage of skilled workers are also used for assembling some of the housing components. In FY2016, we will strengthen collaborations with distributors and make distribution more efficient.

Key performance indicators (KPIs)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>Definition and remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breakeven point shipment area %</td>
<td>100.0</td>
<td>100.9</td>
<td>102.4</td>
<td>98.5</td>
<td>Index targets FY2012 are 100</td>
<td></td>
</tr>
</tbody>
</table>

Future Initiatives

Orders for 8 system products grew significantly, and parts with a high production load such as structural components and exterior walls increased with a heavy delay decline from FY2015. However, Company-wide improvement activities strengthened production capacity while maintaining high quality, with the improvement trend continuing from FY2015.

In FY2016, we engaged in preparation for enhancements and the transition to the “β system” automated production line in response to an increase in order for steel rigid-frame three- to four-story construction homes.

In FY2016, we launched sales of flagship model “Biena Urban Fort” as a new standard for housing.

Future Initiatives

We are promoting automation and enhancements on production lines at all factories. In April 2016, the beam production line at the Shizuoka Factory increased the production of concrete exterior-wall component production line at the Kanto Factory will be completed and operations are scheduled to commence in August. As a result, we will realize further productivity improvements.

“My Idea” Construction Improvement Proposal System

My Idea is a system we started in 1988 as a way for employees and building contractor partners to submit their suggestions for improvements. Sekisui House gives recognition and support to ideas covering a range of areas, such as improving the competence of construction workers or raising customer satisfaction levels. Once a year, the company selects ideas for practical improvements in construction methods and new architectural techniques. An impartial panel of judges rates the ideas and awards certificates for the best submissions.

In FY2015, we received a total of 49,851 proposals, many of which have gone to improve tools, equipment, and construction methods. Award-winning ideas are introduced in our Tsuchioto newsletter and on our company intranet, so they can be shared with construction sites and among our employees and building contractor partners across Japan.

Through this system, we have received a total of 49,851 proposals, many of which have gone to improve tools, equipment, and construction methods. Award-winning ideas are introduced in our Tsuchioto newsletter and on our company intranet, so they can be shared with construction sites and among our employees and building contractor partners across Japan.

Cultivating Young Technicians at School and Through Seminars

Sekisui House strives to pass on technologies to young technicians through employee training to maintain and improve construction quality and ensure stable construction capabilities into the future. These efforts include Sekisui House Training Schools directly operated by Sekisui House and our associated contributions to local development schools located in East Japan (Ibaraki Prefecture), Central Japan (Shiga Prefecture) and West Japan (Yamaguchi Prefecture). Young employees of Sekisui Construction companies and our partner building contractors receive training on technologies and skills as well as the education and etiquette necessary for adults in society with the aim of cultivating human resources able to work at the front lines of our industry. One of the aspects of this school that differentiates it from others is, in addition to the knowledge and skills required for construction, employees also study the importance of the Sekisui House corporate philosophy in terms of realizing customer satisfaction.

Trainees go on to become construction technicians and managers at locations throughout Japan. After training, employees who participate in programs at each training center continue studying to improve their techniques and skills. We offer a diverse curriculum, including foundational training, training on interiors and exteriors and other specialized subjects. Employees are able to participate in ongoing training that corresponds to their experience and skill level.

Evaluation

In FY2015, a total of 95 employees attended Sekisui House Training Schools: 31 employees participated in the building frame exterior course and 64 employees participated in the interior construction course. The retention rate for employees still with the company five years after participating in the training is extremely high at 90%. The power of youth motivates employees and contributes to enhanced construction capabilities. The number of employees expressing a desire to participate in this training rises each year.

In line with the increasing number of training participants, we are strengthening our autonomy preparation and post-training follow-up activities. In recent years, an growing number of women have shown an interest in these training opportunities, thus we are moving forward with dormitory remodeling and rebuidling in response to these needs. We have also established an applied skills course for trainee participants scheduled to commence in FY2016.

Future Initiatives

In FY2016, the beam production line at the Shizuoka Factory will be completed and operations are scheduled to commence in August. As a result, we will realize further productivity improvements.

Key performance indicators (KPIs)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>Definition and remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breakeven point shipment area %</td>
<td>100.0</td>
<td>100.9</td>
<td>102.4</td>
<td>98.5</td>
<td>Index targets FY2012 are 100</td>
<td></td>
</tr>
</tbody>
</table>

Future Initiatives

We are promoting automation and enhancements on production lines at all factories. In April 2016, the beam production line at the Shizuoka Factory will be completed and operations are scheduled to commence in August. As a result, we will realize further productivity improvements.

“Winning the Gold Prize at the 28th My Idea Contest (2013)”

Takayoshi Abejama (Sekisui Construction Kinki)

I won the Gold Prize for the NB exterior wall adjustment tool, a jig for accurately and quickly adjusting the level of exterior walls. Up to now, cover plates or bars were used by two people to adjust exterior walls, so I invented an electric tool that can be used by one person. Requiring only one person to do the work saves labor and is more efficient, enabling the exterior wall to be lifted with little effort. It also prevents foundation and exterior wall damage (squeezing and chipping).

Going forward, I will continue to think proactively about what tools I wish to create or that would enhance convenience. I will make an effort to transform these ideas into reality to increase construction quality and satisfy customers.

Future Initiatives

In line with the increasing number of training participants, we are strengthening our autonomy preparation and post-training follow-up activities. In recent years, a growing number of women have shown an interest in these training opportunities, thus we are moving forward with dormitory remodeling and rebuilding in response to these needs. We have also established an applied skills course for trainee participants scheduled to commence in FY2016.

Activities Report

“My Idea” Construction Improvement Proposal System

My Idea is a system we started in 1988 as a way for employees and building contractor partners to submit their suggestions for improvements. Sekisui House gives recognition and support to ideas covering a range of areas, such as improving the competence of construction workers or raising customer satisfaction levels. Once a year, the company selects ideas for practical improvements in construction methods and new architectural techniques. An impartial panel of judges rates the ideas and awards certificates for the best submissions.

In FY2015, we received a total of 49,851 proposals, many of which have gone to improve tools, equipment, and construction methods. Award-winning ideas are introduced in our Tsuchioto newsletter and on our company intranet, so they can be shared with construction sites and among our employees and building contractor partners across Japan.

Through this system, we have received a total of 49,851 proposals, many of which have gone to improve tools, equipment, and construction methods. Award-winning ideas are introduced in our Tsuchioto newsletter and on our company intranet, so they can be shared with construction sites and among our employees and building contractor partners across Japan.

In recent years, social issues such as an insufficient number of skilled workers, a rise in labor costs, and a shortage of skilled workers are also used for assembling some of the housing components. In FY2016, we will strengthen collaborations with distributors and make distribution more efficient.

Key performance indicators (KPIs)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>Definition and remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breakeven point shipment area %</td>
<td>100.0</td>
<td>100.9</td>
<td>102.4</td>
<td>98.5</td>
<td>Index targets FY2012 are 100</td>
<td></td>
</tr>
</tbody>
</table>

Future Initiatives

We are promoting automation and enhancements on production lines at all factories. In April 2016, the beam production line at the Shizuoka Factory will be completed and operations are scheduled to commence in August. As a result, we will realize further productivity improvements.
Extend lifespan of houses and enhance after-sales support

Long-term support of customer lifestyles through Group company collaborations. Link to improved value of housing and resource recycling

Main stakeholders: Customers and business partners (materials manufacturers, Sekisui House Association, intermediate disposal operators, dismantlers)

Approach

Maintaining Homes as Long-Lasting Quality Assets for Customers and Society

The Sekisui House Group aims to cultivate housing as long-lasting quality asset. In addition to developing and providing homes that can be lived in for a long time offering excellent basic qualities, including high durability and comfort, we will attempt to maintain and improve housing stock asset value by proactively promoting housing stock remodeling and renovation through Group collaborations and the long-term support of comfortable customer lifestyles.

Furthermore, the creation of high-quality housing and long-term utilization as social assets via appropriate remodeling and renovation enables reductions in resource allocation leading to the effective use of resources. We will contribute to the realization of a recycling-oriented society by creating a market in which homes are shared as social assets, promoting the reuse of waste (zero emissions) and limiting adverse impacts on the environment.

Backdrop

Japanese Home Asset Value is Lower Compared to Europe and the United States

The cumulative amount of housing investment in Japan from 1969 to 2013 was approximately ¥893 trillion. The total appraisal value of housing stock assets in 2013 was about ¥350 trillion, ¥540 trillion less than the housing investment figure. This is because in Japan, homes rapidly lose asset value as they get older, meaning housing assets do not accumulate as stock. Given that housing is typically the cornerstone of household assets, the low asset value of houses in Japan represents major losses not only in macroeconomic and macroeconomic terms, but also in the way it significantly impacts people’s economic lives.

On the other hand, in Europe and the United States, homes tend to maintain high value over a long period of time, accumulating as shared assets of society. Performing adequate home maintenance creates a housing culture that passes safe, secure and comfortable homes on to future generations. This leads to the improvement of home asset values.

Approach

Our goal

Maintaining Homes as Long-Lasting Quality Assets for Customers and Society

If homes can be circulated while maintaining their asset value, this will ensure living expenses for the elderly in old age, expand housing options in line with the life stage of younger people in the housing stock market and support an ample lifestyle for homeowners. Also, long-term support will maintain and strengthen relationships with customers, leading to increased Group brand value.

Risk management

1. Long-life housing causes the newly built home market to shrink

With more than a 5% share in the domestic newly built home market, there is still room for Sekisui House to grow further. We will expand our market share and enhance our brand power through the provision of high-quality homes and comprehensive after-sales support.

2. Intensifying competition due to expansion in the remodeling market

We will attempt to differentiate ourselves in the market with remodeling and renovation proposals demonstrating a strong commitment making use of business innovations in the newly built home market and timely proposals based on housing history information system “IE-LOG.”

Impact of These Activities on the Company

1. Provide Long-Term Support for Customer Lifestyles, Maintain and Improve Housing Asset Value

Aiming to create homes that can continue to be lived in beyond the life stage, Sekisui House and its Group companies flexibly collaborate to propose maintenance optimized for individual customers. Going beyond usual remodeling amid repairs and improved comfort and convenience, we conduct renovations in accordance with large-scale transformations and utilitarian changes that correspond to customer needs, providing an extremely high level of safety, security and comfort that heighten customer satisfaction.

2. Contribute to the Creation of a Recycling-Oriented Society through the Effective Use of Resources Related to Housing

We will reduce the loss of social assets through the vigorous circulation of properly assessed quality housing stock abundant in society while conducting appropriate maintenance to lengthen the life of housing, leading to resource conservation. Furthermore, we will contribute to the formation of a recycling-oriented society through the effective use of limited resources by focusing efforts on the increasing waste and emissions resulting from the promotion of remodeling and renovation.
**Strategy**

**CSV**

37

Sekisui House Sustainability Report 2016

**Approach**

**Backdrop**

Japanese Home Asset Value is Lower Compared to Europe and the United States

The cumulative amount of housing investment in Japan from 1969 to 2013 was approximately ¥893 trillion. The total appraisal value of housing stock assets in 2013 was about ¥350 trillion, ¥540 trillion less than the housing investment figure. This is because in Japan, homes rapidly lose asset value as they get older, meaning housing assets do not accumulate as stock. Given that housing is typically the cornerstone of household assets, the low asset value of houses in Japan represents major losses not only in macroeconomic and macroeconomic terms, but also in the way it significantly impacts people’s economic lives.

On the other hand, in Europe and the United States, homes tend to maintain high value over a long period of time, accumulating as shared assets of society. Performing adequate home maintenance creates a housing culture that passes safe, secure and comfortable homes on to future generations. This leads to the improvement of home asset values.

**Approach**

**Our goal**

Maintaining Homes as Long-Lasting Quality Assets for Customers and Society

The Sekisui House Group aims to cultivate housing as long-lasting quality asset. In addition to developing and providing homes that can be lived in for a long time offering excellent basic qualities, including high durability and comfort, we will attempt to maintain and improve housing stock asset value by proactively promoting housing stock remodeling and renovation through Group collaborations and the long-term support of comfortable customer lifestyles.

Furthermore, the creation of high-quality housing and long-term utilization as social assets via appropriate remodeling and renovation enables reductions in resource allocation leading to the effective use of resources. We will contribute to the realization of a recycling-oriented society by creating a market in which homes are shared as social assets, promoting the reuse of waste (zero emissions) and limiting adverse impacts on the environment.
State of Progress

Provide Long-term Support for Customer Lifestyles, Maintain and Improve House Asset Value

Long-term Support for Customer Housing through Group Collaboration

Comprehensive Full-Time Maintenance Support System
As housing is used over the long term, we believe in the importance of providing a quality support system after move-in. Sekisui House employs approximately 1,400 people—accounting for nearly 10% of all employees—as dedicated staff in our Customer Center. They support the lifestyles of customers living in 770,000 detached homes and 225,000 rental housing units through assistance with daily repairs and remodeling consultations. Our unique organizational structure enables us to quickly reflect customer feedback into our product development and management structure.

Long-term Warranties and Housing History Information System “IE-LOG”
We offer a long-term warranty system that includes a 20-year warranty applicable to structural frames, along with other warranties that apply to each housing component for a specified period of time. Owners of houses whose after-sales service warranty period has expired can take advantage of our U-trus system. This provides extended warranties at 10-year intervals, on the condition that required inspections, maintenance, and repairs are conducted at the homeowner’s expense.

A house is composed of tens of thousands of components. To keep track of them all, the Sekisui House Group operates “IE-LOG,” a housing history information system that corresponds to the Long-term Quality Housing Certification Program in Japan, which shares construction information and other data in digital form. Group companies nationwide utilize IE-LOG historical data to propose everyday repairs, energy conservation, and remodeling aimed at heightening comfort and convenience, as well as renovations in line with large-scale transformations and utilitarian changes.

Long-term Warranty System

<table>
<thead>
<tr>
<th>Warranty Period</th>
<th>Warranty Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>20th year</td>
<td>20-year manufacturer’s warranty against defects</td>
</tr>
<tr>
<td>15th year</td>
<td>Long-Term Warranty System (20-year manufacturer’s warranty plus another 10-year warranty) on condition that free inspections be conducted and maintenance/repairs be made at the homeowner’s expense upon expiration of the first 10 years.</td>
</tr>
<tr>
<td>10th year</td>
<td>10-year warranty applicable to structural frames, along with other warranties</td>
</tr>
<tr>
<td>60th year</td>
<td>60th year warranty</td>
</tr>
</tbody>
</table>

Sukoyaka Remodeling for the Healthy Life Expectancies of People and Houses

Warmer indoor environments through better housing insulation to prevent heat shock when changing clothes or in the bathroom.

Universal design reduces differences in floor levels and eliminates hazards such as stumbling or falling, which are increasing in risk for the elderly.

Sekisui House contributes to the healthy life expectancies of both people and homes by providing a diverse array of remodeling options in response to changes in lifestyle, including

Proposing Remodeling that Enhances Comfort and Convenience to Wider Society

Meeting a Wide-Range of Needs with Sekisui Construction’s “Re:QUEST”
In line with the maturing of society, the creation of a market for housing stock focused on the maintenance and improvement of quality housing stock—not just Sekisui House homes, but all buildings in general—is becoming an extremely important issue for Japanese housing policy.

In light of these conditions, Group company Sekisui Construction created “Re:QUEST” in FY2015, a new integrated remodeling business brand. Re:QUEST makes proposals in line with customer needs, from major renovations and remodeling consultation to small-scale remodeling packages, incorporating remodeling technologies and expertise accumulated up to now targeting housing, stores and condominiums not built by Sekisui House. We will contribute to the effective utilization of existing housing by preparing a diverse lineup to satisfy a wide-range of ages, from younger people to senior citizens.

Activities Report

Long-term Support for Customer Housing through Group Collaboration

Sekisui House Remodeling Realizes Modern Comfort
With respect to housing used by more than one generation, the elements and technologies required for comfort and convenience are changing due to homeowner lifestyles and contemporary trends. Regarding existing homes, Sekisui House Remodeling makes use of synergy effects only possible through collaboration with Group companies to propose appropriate remodeling and renovation based on the integrated management of building specifications and past interactions with customers. We have created a Group-wide structure enabling a wide-range of support for customer needs.

In particular, we aggressively promote “Sukoyaka remodeling” to create housing that contributes to healthy lifestyle expectancy by preventing sudden heat shock due to indoor temperature differences and domestic accidents, such as stumbling or falling, which are increasing in risk for the elderly.

Sekisui House contributes to the healthy life expectancies of both people and homes by providing a diverse array of remodeling options in response to changes in lifestyle, including better insulation and warmer indoor environments to prevent heat shock and the adoption of universal designs to prevent stumbling and falling.

Sukoyaka Remodeling for the Healthy Life Expectancies of People and Houses

Warmer indoor environments through better housing insulation to prevent heat shock when changing clothes or in the bathroom.

Universal design reduces differences in floor levels and eliminates hazards such as stumbling or falling, which are increasing in risk for the elderly.

Sekisui House contributes to the healthy life expectancies of both people and homes by providing a diverse array of remodeling options in response to changes in lifestyle, including better insulation and warmer indoor environments to prevent heat shock and the adoption of universal designs to prevent stumbling and falling.
State of Progress

Provide Long-Term Support for Customer Lifestyles, Maintain and Improve Housing Asset Value

Activities Report

Long-Term Support for Customer Housing through Group Collaboration

Comprehensive Full-Time Maintenance Support System

As housing is used over the long-term, we believe in the importance of providing a quality support system after move-in. Sekisui House employs approximately 1,400 people—accounting for nearly 10% of all employees—as dedicated staff in our Customer Center. They support the lifestyles of customers living in 770,000 detached homes and 220,000 rental housing units through assistance with daily repairs and remodeling consultations. Our unique organizational structure enables us to quickly reflect customer feedback into our product development and management structure.

Long-Term Warranties and Housing History Information System “IE-LOG”

We offer a long-term warranty system that includes a 20-year warranty applicable to structural frames, along with other warranties that apply to each housing component for a specified period of time. Owners of houses whose after-sales service warranty period has expired can take advantage of our U-trus system. This provides extended warranties at 10-year intervals on the condition that required inspections, maintenance, and repairs are conducted at the homeowner’s expense.

A house is composed of tens of thousands of components. To keep track of them all, the Sekisui House Group operates “IE-LOG,” a housing information system that corresponds to the Long-Term Quality Housing Certification Program in Japan, which shares construction information and other data in digital form. Group companies nationwide utilize IE-LOG historical data to propose everyday repairs, energy conservation and remodeling aimed at heightening comfort and convenience, as well as renovations in line with large-scale transformations and utilitarian changes.

Long-Term Warranty System

Legally required period for manufacturer’s warranty period

Housing Quality Assurance Act

Sekisui House after-sales service warranty period

20-year manufacturer’s warranty*1

U-trus system*2

Inspection

In 6th year

In 10th year

In 15th year

In 20th year

Inspection

U-trus system

In 6th year

In 10th year

In 15th year

In 20th year

Sekisui House employs approximately 1,400 people—accounting for nearly 10% of all employees—as dedicated staff in our Customer Center.

*1 At Sekisui House, a 20-year manufacturer warranty is applied to structural frame and rainwater-proofing components (rainwater-proofing components are covered by an initial 10-year warranty applicable to structural frames, along with other System “IE-LOG” Long-Term Warranties and Housing History Information System

*2 The U-trus system provides extended warranty at 10-year intervals, subject to required inspections and with maintenance/repairs to be completed at the homeowner’s expense.

Sekisui House Remodeling Realizes Modern Comfort

With respect to housing used by more than one generation, the elements and technologies required for comfort and convenience are changing due to homeowner lifestyles and contemporary trends. Regarding existing homes, Sekisui House Remodeling makes use of synergy effects only possible through collaboration with Group companies to propose appropriate remodeling and renovation based on the integrated management of building specifications and past interactions with customers. We have created a Group-wide structure enabling a wide-range of support for customer needs.

In particular, we aggressively promote “Sukoyaka remodeling” to create housing that contributes to healthy lifestyle by preventing sudden heat shock due to indoor temperature differences and domestic accidents, such as stumbling or falling, which are an increasing risk for the elderly.

Sukisui House contributes to the healthy lifestyle expectancies of both people and homes by providing a diverse array of remodeling options in response to changes in lifestyle, including better insulation and warmer indoor environments to prevent heat shock and the adoption of universal designs to prevent stumbling and falling.

Sukoyaka Remodeling for the Healthy Life Expectancies of People and Houses

Warmer indoor environments through better housing insulation to prevent heat shock when changing clothes or in the bathtub.

Universal design, structure differences in floor levels and limited handhelds to prevent stumbling and falling.

Repetitive remodeling to transform homes into places of health and security in line with lifestyle changes.

Proposing Remodeling that Enhances Comfort and Convenience to Wider Society

Meeting a Wide-Range of Needs with Sekisui Construction’s “Re:QUEST”

In line with the maturing of society, the creation of a market for housing stock focused on the maintenance and improvement of quality housing stock—not just Sekisui House homes, but all buildings in general—is becoming an extremely important issue for Japanese housing policy.

In light of these conditions, Group company Sekisui Construction created “Re:QUEST” in FY2015, a new integrated remodeling business brand. Re:QUEST makes proposals in line with customer needs, from major renovations and remodeling consultation to small-scale remodeling packages, incorporating remodeling technologies and expertise accumulated up to now. Targeting housing, stores and condominiums not built by Sekisui House. We will contribute to the effective utilization of existing housing by preparing a diverse lineup to satisfy a wide-range of ages, from younger people to senior citizens.

Evaluation

Sekisui House maintains a high rate of certification issued by the Japanese government to houses that meet prescribed criteria regarding various home features, including durability, seismic resistance, ease of maintenance and remodeling, barrier-free design, and energy-saving performance.

Similarly, with respect to customer satisfaction surveys, the success of repeated and steadfast activities such as the sharing of details on initiatives aimed at satisfaction and improving issues in each survey result area and targeted activity has led to an increase in customers indicating they are “very satisfied.”
The Platinum Business Provides Living Environments in which the Elderly Can Live with Peace of Mind

Expansion of Platinum Business for the elderly

As the elderly segment grows, housing manufacturers play a vital role in providing housing and an array of service support that enable the elderly to live with peace of mind. Sekisui House promotes the Platinum Business, which promotes secure living environments to provide the elderly with an independent lifestyle they can call their own.

Grand Mast, developed as part of this business, is assisted-living housing for the elderly that enables lifestyles with peace of mind to healthy seniors as well as those who require care. Group company Grand Mast Ltd., works with rental housing owners to provide total operational and management support in the form of building management, subleasing, management consulting, and the coordination of various service providers.

Revitalizing Multi-Generational Interaction, From Seniors to Families

In May 2015, we completed Mast Clarion Kagurazaka, located in Tokyo’s Shinjuku Ward, this multigenerational rental apartment complex offers housing for senior citizens, families and new arrivals. This 10-story rental apartment building contains 45 assisted-living units for the elderly, and 71 units for couples or families with children, enabling natural interaction among various age groups and operating as a “community bond” enabling everyone to live with peace of mind.

Many seniors have needs in terms of apartment size, comfort and enjoyable communities, desiring to live in elderly care housing that provides monitoring and caregiving services. Mast Clarion Kagurazaka assisted-living elderly care housing apartments range from 52–86 square meters in size, large enough to accommodate a spouse. Also, the rooftop garden and library lounge provide spaces for those raising children to interact. These popular amenities make life here more enjoyable.

Promoting the Recycling of Waste Increasing in Line with Remodeling and Renovation Group-wide

Sekisui House supports expanding new remodeling and renovation projects utilizing a recycling system through alliances with partner companies based on a zero emissions system created in-house and a unique and strict selection criteria. Sekisui House zero emissions achieved

Sekisui House Sustainability Report 2016

Future Initiatives

Contribute to the Creation of a Recycling-Oriented Society through the Effective Use of Resources Related to Housing

Activities Report

Spread of “SumStock” Quality Housing Stock

Aiming to invigorate the circulation of quality housing stock and create an appropriate market, 10 major housing manufacturers including Sekisui House operate the Provision of Quality Housing Stock Association. Salespeople certified by the Association appraise a house’s basic structure ("skeleton") and its interior furnishings and facilities ("infill") separately. The value of the building and the land are indicated separately in our proprietary circulation system ("SumStock," the adoption of which we are striving to expand. The Sekisui House Group companies are also expanding SumStock housing proposals using IE-LOG.

Key performance indicators (KPIs)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>Definition and remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total waste input</td>
<td>Thousands of tons</td>
<td>1,096</td>
<td>1,112</td>
<td>1,286</td>
<td>1,079</td>
<td>1,109</td>
<td>Amount used at our factories</td>
</tr>
<tr>
<td>Volume of waste generated</td>
<td>Thousands of tons</td>
<td>309</td>
<td>311</td>
<td>362</td>
<td>728</td>
<td>753</td>
<td>Waste from new construction, remodeling, and demolition</td>
</tr>
<tr>
<td>Volume of waste generated at new construction sites</td>
<td>Kphouse</td>
<td>1,396</td>
<td>1,441</td>
<td>1,449</td>
<td>1,485</td>
<td>1,506</td>
<td>Amount per house (per 145 m²)</td>
</tr>
</tbody>
</table>

Note: From FY2014, includes waste from affiliated companies and waste from demolition of buildings.

Evaluation

Waste from newly built home construction has been substantially reduced by nearly 60% compared to waste generated per house in FY1999. In recent years, we have entered into a stage of more modest reductions. This fiscal year, the amount of waste generated per house was at about the same level as last fiscal year. This was due to the impact from an increase in the ratio of sales of three- to four-story rental housing, which generate a comparably larger amount of waste.

Future Initiatives

With regard to newly built home construction site waste, Sekisui House sets target values for each model and aims to maintain an acceptable volume of waste through optimized construction management and the elimination of surplus materials. We will also promote the creation of a structure to ensure appropriate disposal and clarify recycling implementation in conjunction with our partner companies to further ensure waste recycling in line with housing stock business expansion, including demolition work.
**Future Initiatives**

**The Platinum Business Provides Living Environments in which the Elderly Can Live with Peace of Mind**

Expansion of Platinum Business for the elderly

As the elderly segment grows, housing manufacturers play a vital role in providing housing and an array of support services that enable the elderly to live with peace of mind. Sekisui House promotes the Platinum Business, which promotes secure living environments to provide the elderly with an independent lifestyle they can call their own.

Grand Mast, developed as part of this business, is assisted-living housing for the elderly that enables lifestyles with peace of mind to healthy seniors as well as those who require care. Group company Grand Mast Ltd., works with rental housing owners to provide total operational and management support in the form of building management, subleasing, management consulting, and the coordination of various service providers.

Revitalizing Multi-Generational Interaction, From Seniors to Families

In May 2015, we completed Matclariaguarazuka, located in Tokyo’s Shinjuku Ward, this multigenerational rental apartment complex offers housing for senior citizens, families, and new families. This 10-story rental apartment building contains 45 assisted-living units for the elderly, and 71 units for couples or families with children, enabling natural interaction among various age groups and operating as a “community bond” enabling everyone to live with peace of mind.

Many seniors need in terms of apartment size, comfort and enjoyable communities, desiring to live in elderly care housing that provides monitoring and caregiving services. Matclariaguarazuka assisted-living elderly care housing apartments range from 52–86 square meters in size, large enough to accommodate a spouse. Also, the rooftop garden and library lounge provide spaces for those raising children to interact. These popular amenities make life here more enjoyable.

2. Contribute to the Creation of a Recycling-Oriented Society through the Effective Use of Resources Related to Housing

**Activities Report**

**Spread of “SumStock” Quality Housing Stock**

Aiming to invigorate the circulation of quality housing stock and create an appropriate market, 10 major housing manufacturers including Sekisui House operate the Provision of Quality Housing Stock Association. Salespeople certified by the Association appraise a house’s basic structure (“skeleton”) and its interior furnishings and facilities (“interior”) separately. The value of the building and the land are indicated separately in the proprietary circulation system “SumStock,” the adoption of which we are striving to expand. The Sekisui House Group companies are also expanding SumStock housing proposals using IE-LOG.

**Future Initiatives**

Promoting the Recycling of Waste Increasing in Line with Remodeling and Renovation Group-wide

The Sekisui House, which aims to make effective use of limited resources, engages in initiatives that extend housing life and focuses efforts on the recycling of waste created by remodeling and renovation. Up to now, we have promoted industry-leading initiatives including the operation of our own waste disposal system centered on 19 recycling centers throughout Japan. We were also the first in our industry to acquire certification by the Wide-Area Certification System under the Waste Management and Public Cleansing Law. We are striving to achieve and maintain zero waste emissions at all levels of production, new home construction, after-sales maintenance and remodeling.

In renovations including demolition work, to ensure strict adherence to the separation of individual items such as wood and tiles, we created guidelines to define waste disposal operator selection criteria that are managed internally. In addition, we are also focusing efforts on environmental education for Group company employees involved in remodeling and renovation to create a system for working with partner companies to ensure the appropriate handling and recycling of waste.

**Zero Emissions Structure and Status of Support for Remodeling and Recycling**

Sekisui House supports expanding new remodeling and renovation projects utilizing a recycling system through alliances with partner companies based on a zero emissions system created in-house and a unique and strict selection criteria.

**Future Initiatives**

**Future Initiatives**

With regard to newly built home construction site waste, Sekisui House sets target values for each model and aims to maintain an acceptable volume of waste through optimized construction management and the elimination of surplus materials. We will also promote the creation of a structure to ensure appropriate disposal and clarify recycling implementation in conjunction with our partner companies to further ensure waste recycling in line with housing stock business expansion, including demolition work.

---

**Key performance indicators (KPIs)**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>Definition and remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total resource input</td>
<td>Thousands of tons</td>
<td>1,096</td>
<td>1,112</td>
<td>1,286</td>
<td>1,079</td>
<td>1,109</td>
<td>Amount used at our factories</td>
</tr>
<tr>
<td>Volume of waste generated*</td>
<td>Thousands of tons</td>
<td>309</td>
<td>311</td>
<td>362</td>
<td>728</td>
<td>753</td>
<td>Waste from new construction, remodeling, and demolition</td>
</tr>
<tr>
<td>Volume of waste generated at new construction sites</td>
<td>Kphouse</td>
<td>1,396</td>
<td>1,441</td>
<td>1,449</td>
<td>1,485</td>
<td>1,506</td>
<td>Amount per house (per 145 m²)</td>
</tr>
</tbody>
</table>

Note: From FY2014, includes waste from affiliated companies and waste from demolition of buildings.

**Evaluation**

Waste from newly built home construction has been substantially reduced by nearly 60% compared to waste generated per house in FY1999. In recent years, we have entered into a stage of more modest reductions. This fiscal year, the amount of waste generated per house was at about the same level as last fiscal year. This was due to the impact from an increase in the ratio of sales of three-to-four-storystall housing, which generate a comparably larger amount of waste.

---

**Sekisui House Sustainability Report 2016**

A Call for Diverse Perspectives to Respond to Customer Needs

Incorporating diversity—various genders, age groups, physical abilities and nationalities—and creating a corporate culture enabling individuals to make the most of their skills is extremely important in terms of achieving sustainable corporate growth. In Japan, where the labor force continues to shrink, promoting the employment of a diverse array of people, including women, the disabled, senior citizens and foreigners and creating an environment that brings out their full potential is a core issue for companies.

In the housing industry, customer needs are diversifying in accordance with low birth rates and the aging of society, changes to the family structure, women in the workplace and a variety of other lifestyle changes. For this reason, there is a demand for new lifestyle proposals incorporating flexible thinking from the perspective of women and a variety of other angles.

Social Context Underpinning “Diverse Needs”

- Shrinking labor force
- Promotion of women’s activities
- Promotion of career development among female employees, etc.

Act Promoting Women’s Participation and Advancement in the Workplace Act: An Act to Advance Measures to Encourage the Employment of Women
- Childcare and parental leave
- Promotion of career development among female employees
- Equality of a Woman’s Employment
- Promotion Law
- Disability Discrimination Act, etc.

Impact of These Activities on the Company

In addition to promoting the active participation of women, our human resources are engaged in a variety of workstyles, which enables us to make proposals from a variety of lifestyle perspectives. In particular, this enables us to make use of technological developments and universal design proposals based on the perspectives, feelings and experiences of disabled people.

Approach

Creating High Added Value Making Use of Diverse Employee Skills to Become a Corporate Group Necessary to Global Society

The Sekisui House Group believes increased employee satisfaction is indispensable to becoming a corporate Group that meets its responsibilities to stakeholders with sincerity.

To this end, in 2006 we announced the Declaration for Human Resource Sustainability as our basic personnel policy. The declaration comprises three basic policies: encouraging female employees to pursue their career development; promoting a diversity of human resources; and supporting a work-life balance. We are engaged in the creation of a rewarding workplace environment facilitating a diverse range of employee workstyles as well as the creation of mechanisms and an environment that enable employees to grow sustainably along with the Company.

We aim to become a corporate group necessary for global society by generating high added value in workplaces of mutual respect where all employees are able to maximize their capabilities.

Support for work and childcare
- Acknowledgment and support of employees raising children
- Support and caregiving
- Promotion of paid leave

Low birth rate, aging population

Legal systems

Changing values and lifestyles

Changing family structure

Shrinking household numbers

Growing number of women seeking career advancement

Shrinking labor force

Promotion of women’s activities

Promotion of career development among female employees, etc.

Diverse workstyles and work-life balance

Support for work and childcare

Acknowledgment and support of employees raising children

Support and caregiving

Promotion of paid leave

Diverse human resources utilization

Promote active roles for the disabled and senior citizens

Promote active roles for women

Future Developments

Female career development

Development of female managers

Promote active roles for female managers

Promote active roles for female technical personnel

Changing supervisor thinking

1. Promoting Diversity

In February 2014 we reorganized the Diversity Development Team, established the same year we announced the Declaration for Human Resource Sustainability, to create the Diversity and Inclusion Promoting Office to strengthen measures based on the human resource sustainability focus themes of contributing to women’s career development, promoting workstyle diversity and a work-life balance.

We respect employee workstyles and engage in the creation of mechanisms and environments that enable each employee to lead an active life in society.

2. Develop Professionals With a Deep Sense of Humanity

To incorporate customer hopes into the houses Sekisui House builds, we are focusing efforts on employee skills development and the establishment of various human resource systems able to realize the development of professionals with a deep sense of humanity.

In terms of employee development, we systematically conduct a variety of level- and position-based training targeting salespeople, technicians and administration.

In an attempt to improve motivation among individual employees, we aim to foster the career development of autonomous human resources by linking development and evaluation to a professional duties interview system incorporating the RCA cycle.

Our goal

Aim to become a sustainable corporate group generating high added value while encouraging diverse employees to realize their potential and respect one another.

Risk management

Operations are adversely affected by an increase in the percentage of employees engaged in childrearing and caregiving

We will promote the creation of individual career visions and establish systems that support a diverse array of workstyles. Also, we will share information pertaining to working while raising children or caregiving and share workplace conditions in an effort to create an environment that facilitates career advancement while raising children or caregiving.

Inhibited human resource development due to the lack of effective training

At the end of training we conduct a practical level check test and provide feedback on the results to the participants and the division where they are assigned. In addition, we look at all the results of participant questionnaires to confirm that the expected outcomes have been achieved in an effort to improve training content.

Impact of These Activities on the Company

In addition, the development of human resources embodying a love for humanity, the core of our corporate philosophy, will earn the trust of society and lead to the resolution of social issues as well as create conditions that support sustainable corporate growth.

Main stakeholders: Customers, employees, investors, students and job applicants
Promoting diversity and developing human resources

Aim to become a sustainable corporate group generating high added value while encouraging diverse employees to realize their potential and respect one another

Main stakeholders: Customers, employees, investors, students, and job applicants

Backdrop

A Call for Diverse Perspectives to Respond to Customer Needs

Incorporating diversity—various genders, age groups, physical abilities, and nationalities—and creating a corporate culture enabling individuals to make the most of their skills is extremely important in terms of achieving sustainable corporate growth. In Japan, where the labor force continues to shrink, promoting the employment of a diverse array of people, including women, the disabled, senior citizens, foreigners, and creating an environment that brings out their full potential is a core issue for companies.

In the housing industry, customer needs are diversifying in accordance with low birth rates and the aging of society, changes to the family structure, women in the workplace, and a variety of other lifestyle changes. For this reason, there is a demand for new lifestyle proposals incorporating flexible thinking from the perspective of women and a variety of other angles.

Approach

Our goal

Creating High Added Value Making Use of Diverse Employee Skills to Become a Corporate Group Necessary to Global Society

The Sekisui House Group believes increased employee satisfaction is indispensable to becoming a corporate group that meets its responsibilities to its stakeholders with sincerity. To this end, in 2006 we announced the Declaration for Human Resource Sustainability as our basic personnel policy. The declaration comprises three basic policies: encouraging female employees to pursue their career development; promoting a diversity of human resources; and supporting a work-life balance. We are engaged in the creation of a rewarding workplace environment facilitating a diverse range of employee workstyles as well as the creation of mechanisms and an environment that enable employees to grow sustainably along with the Company.

We aim to become a corporate group necessary for global society by generating high added value in workplaces of mutual respect where all employees are able to maximize their capabilities.

Social Context Underpinning “Diverse Needs”

Shrinking labor force
Promotion of women’s activities
Promotion of senior citizen employment, etc.

Act Promoting Women’s Participation and Advancement in the Workplace
Act on Advancement of Measures to Achieve Equality Between Women and Men
Handicap Person’s Employment Promotion Law
Disability Discrimination Act, etc.

Diverse workstyles and lifestyles
Support for work and childrearing
Amenities and support for employees raising children
Support for work and caregiving
Promotion of paid leave

Diverse human resources utilization
Promote active roles for the disabled and senior citizens
Enhance Reisters Reletion Registration Program

Impact of These Activities on the Company

In addition to promoting the active participation of women, our human resources are engaged in a variety of workstyles, which enables us to make proposals from a variety of lifestyle perspectives. In particular, this enables us to make use of technological developments and universal design proposals based on the perspectives, feelings, and experiences of disabled people.

Action policies

Promoting Diversity

In February 2014 we reorganized the Diversity Development Team, established the same year we announced the Declaration for Human Resource Sustainability, to create the Diversity and Inclusion Promotion Office to strengthen measures based on the human resource sustainability focus themes of contributing to women’s career development, promoting workstyle diversity and a work-life balance.

We respect employee workstyles and engage in the creation of mechanisms and environments that enable each employee to lead an active life in society.

Future Developments

Female career development
Development of female managers
Promote active roles for female managers
Promote active roles for female technical personnel
Changing supervisor thinking

Diverse workstyles and lifestyles
Support for work and childrearing
Amenities and support for employees raising children
Support for work and caregiving
Promotion of paid leave

Diverse human resources utilization
Promote active roles for the disabled and senior citizens
Enhance Reisters Reletion Registration Program

Develop Professionals With a Deep Sense of Humanity

In addition, the development of human resources embodying a love for humanity, the core of our corporate philosophy, will earn the trust of society and lead to the resolution of social issues as well as create conditions that support sustainable corporate growth.

Inhibited human resource development due to the lack of effective training

At the end of training we conduct a practical level check test and provide feedback on the results to the participants and the division where they are assigned. In addition, we look at all the results of participant questionnaires to confirm that the expected outcomes have been achieved in an effort to improve training content.

Operations are adversely affected by an increase in the percentage of employees engaged in childrearing and caregiving

We will promote the creation of individual career visions and establish systems that support a diverse array of workstyles. Also, we will share information pertaining to the nature of paid leave, the support system in the workplace, and career advancement while raising children or caregiving.

Inhibited human resource development due to the lack of effective training

At the end of training we conduct a practical level check test and provide feedback on the results to the participants and the division where they are assigned. In addition, we look at all the results of participant questionnaires to confirm that the expected outcomes have been achieved in an effort to improve training content.

Inhibited human resource development due to the lack of effective training

At the end of training we conduct a practical level check test and provide feedback on the results to the participants and the division where they are assigned. In addition, we look at all the results of participant questionnaires to confirm that the expected outcomes have been achieved in an effort to improve training content.

Inhibited human resource development due to the lack of effective training
State of Progress

Promoting Diversity

Activities Report

Proactively Promoting Active Participation by Women and Supporting Career Advancement in Sales and Technical Positions

Development of Female Managers
In 2014, we established the Sekisui House Women’s College to develop future female managers. Female employees throughout Japan are nominated for management positions and sent to this college for systematic and suitable development based on a two-year curriculum. Up to now, 40 women have studied business skills and workplace issue resolution.

Overview of Sekisui House Women’s College

Objectives
- Develop management capabilities from an occupational perspective appropriate for managerial positions
- Cultivate an awareness and drive to obtain management credentials
- Create role models
- Presentations to managerial class

Process

Women’s College first graduating class

*1 In-house qualification certified on the basis of trustworthiness and high operational execution skills in overall construction management and administration
*2 Platinum specialist and structural planning specialists

Expanding the Range of Technical Positions
Sekisui House develops young employees able to engage confidently in sales that make use of women’s special qualities. We also established a development plan for female office manager candidates and promote initiatives including the provision of opportunities to engage in discussions with talented office managers.

As of January 31, 2016, there were 258 female managers working at Sekisui House throughout Japan (on a non-consolidated basis). At Sekisui House Remodeling, 58% of all sales positions (remodeling advisors) are held by women (638 people) and two of the corporate directors are women.

Expanding the Range of Technical Positions

- Women employees raising children: Maternity leave to work
  - Guide supporting work and childrearing
  - Informational magazine for preparing to resume work and career support

- System
  - Reduced work hours
  - Flexi-work

Promoting a Variety of Workstyles and Work-Life Balance

In addition to offering support for working from home, telecommuting and a variety of other workstyles, Sekisui House introduces and promotes the use of several systems including “Hello Papa Paid Leave,” a four-day childcare leave system for men whose spouses have given birth. In FY2015, we held the Active Support Forum for Work and Childrearing seven times across Japan for employees raising children, employees returning to work after childcare leave and their supervisors. We also encourage use of the Smart Holiday paid vacation system to increase family communication and opportunities for refreshment.

Support for Work and Childrearing

- Women employees raising children: Maternity leave to work
  - Guide supporting work and childrearing
  - Informational magazine for preparing to resume work and career support

- System
  - Reduced work hours
  - Flexi-work

Promoting the Employment of Disabled People and Expanding Opportunities for a Diverse Array of Human Resources

Concerning Stabilization of Employment of Older Persons and the Raising of the Age at Which National Pension Payments Begin

With the goal of employing one or more disabled people at each worksite, Sekisui House promotes the employment of disabled people through the acceptance of internships and proactive participation in nationwide joint recruitment events. Furthermore, we introduced the Career Change System enabling employees in region-specific positions to transition into career track positions to promote the active participation of those enrolled. Up to now, three disabled employees have transitioned into career track positions and engage in their work with a high degree of motivation.

Since December 2015, we have been holding diversity meetings aimed at creating relationships enabling mutual consultations among disabled employees from different worksites. One participant noted the meetings are “very productive in terms of facilitating the sharing of skills related to work and interpersonal relationships.”

Recognizing this as a good opportunity to revise the Handicapped Person’s Employment Promotion Law and implement the Disability Discrimination Act, we will move forward with the establishment of structures for consultation and promote the employment, retention and active participation of disabled people through the provision of different types of training and the sharing and review of various experiences accumulated in each workplace and job.

Future Initiatives

With an organization that enables a diverse array of employees to make the most of their creativity and innovation, Sekisui House aims to realize innovation through business by concentrating employee energy toward common goals as they live active lives as members of society.

We are engaged in housing, a job intimately connected to people’s lives. From housework to childrearing and caregiving, homes are places where each person has a wide variety of experiences and perspectives. Going forward, we will continue to aggressively promote diversity to achieve our action plan based on the Act Promoting Women’s Participation and Advancement in the Workplace enacted in April 2016.
State of Progress

Promoting Diversity

Activities Report

Proactively Promoting Active Participation by Women and Supporting Career Advancement in Sales and Technical Positions

Development of Female Managers

In 2014, we established the Sekisui House Women's College to develop future female managers. Female employees throughout Japan are nominated for management positions and sent to this college for systematic and suitable development based on a two-year curriculum. Up to now, 40 women have studied business skills and workplace issue resolution.

Overview of Sekisui House Women's College

Objectives

- Develop management capabilities from an operational perspective appropriate for managerial positions
- Create role models
- Cultivate an awareness and drive to obtain management credentials
- Create role models
- Presentations to managerial class

Process

1. Create role models
2. Obtain management credentials for managerial positions
3. Support for Work and Childrearing
4. Telecommuting
5. Active Support Forum for Work and Childrearing
6. Women employees raising children: Maternity leave
7. Interviews with former employees to learn about work and career support
8. Women's network

Support for Work and Childrearing

- Women employees raising children (Maternity leave)
- Women employees raising children: After returning from childcare leave
- Guide supporting work and childcare
- Women employees raising children: Parental leave
- Women’s network
- Support for Work and Childrearing
- Dual support career consultation
- Women employees raising children: Parental leave
- Personal support
- Reduced work hours
- System

Promoting a Variety of Workstyles and Work-Life Balance for Male Employees Participating in Childrearing and Caregiving

In addition to offering support for working from home, telecommuting and a variety of other workstyles, Sekisui House introduces and promotes the use of several systems including “Hello Papa Paid Leave,” a four-day childcare leave system for men whose spouses have given birth. In FY2015, we held the Active Support Forum for Work and Childrearing seven times across Japan for employees raising children, enabling employees to return to work after childcare leave and their supervisors.

Support for Work and Childrearing

- Women employees raising children (Maternity leave)
- Women employees raising children: After returning from childcare leave
- Guide supporting work and childcare
- Women employees raising children: Parental leave
- Women’s network
- Support for Work and Childrearing
- Dual support career consultation
- Women employees raising children: Parental leave
- Personal support
- Reduced work hours
- System

Promoting the Employment of Disabled People and Expanding Opportunities for a Diverse Array of Human Resources

With the goal of employing one or more disabled people at each worksite, Sekisui House promotes the employment of disabled people through the acceptance of internships and cooperative participation in nationwide joint recruitment events.

Furthermore, we introduced the Career Challenge system enabling employees in region-specific positions to transition into career track positions to promote the active participation of those enrolled. Up to now, three disabled employees have transitioned into career track positions and engage in their work with a high degree of motivation.

Since December 2015, we have been holding diversity meetings aimed at creating relationships enabling mutual consultations among disabled employees from different workstyles. One participant noted the meetings are “very productive in terms of facilitating the sharing of skills related to work and interpersonal relationships.”

Recognizing this as a good opportunity to revize the Handicapped Person’s Employment Promotion Law and implement the Disability Discrimination Act, we will move forward with the establishment of structures for consultation and promote the employment, retention and active participation of disabled people through the provision of different types of training and the sharing and review of various experiences accumulated in each workplace and job.

With regard to the elderly, in light of revisions to the Law Concerning Stabilization of Employment of Older Persons and the raising of the age at which national pension payments begin, we are aggressively promoting the active participation of the elderly with the April 2015 introduction of a Group-wide system for retirement at the age of 65 years old.

Key performance indicators (KPIs)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>Evaluation Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of female managers in managerial positions (group-wide)</td>
<td>People</td>
<td>65 (15%)</td>
<td>101 (20%)</td>
<td>114 (24%)</td>
<td>○</td>
</tr>
<tr>
<td>Employment rate of people with disabilities*</td>
<td>%</td>
<td>1.97</td>
<td>2.08</td>
<td>2.21</td>
<td>○</td>
</tr>
<tr>
<td>Proportion of male employees who took parental leave</td>
<td>%</td>
<td>3 (16 People)</td>
<td>19 (112 People)</td>
<td>23 (152 People)</td>
<td>○</td>
</tr>
</tbody>
</table>

* Sekisui House, Ltd.

Evaluation

In recognition of the promotion of active participation by women as our basic human resource policy, Sekisui House was chosen by the Ministry of Economy, Trade, and Industry and the Tokyo Stock Exchange for inclusion on the Nadeshiko 2016 list of companies that empower women and their careers. We were the first in the housing and construction industry to be included on the Nadeshiko 2013 list, and in addition to our inclusion on the Nadeshiko 2015 list, this is the third time we have been selected. Also, we promoted improved operational efficiency and shortened working hours through the use of iPads to encourage highly productive workstyles among employees. In 2015, these efforts were recognized with our inclusion on the Offensive II Productivity list.

Promoting the Employment of Disabled People and Expanding Opportunities for a Diverse Array of Human Resources

With the goal of employing one or more disabled people at each worksite, Sekisui House promotes the employment of disabled people through the acceptance of internships and cooperative participation in nationwide joint recruitment events. Furthermore, we introduced the Career Challenge system enabling employees in region-specific positions to transition into career track positions to promote the active participation of those enrolled. Up to now, three disabled employees have transitioned into career track positions and engage in their work with a high degree of motivation.

Since December 2015, we have been holding diversity meetings aimed at creating relationships enabling mutual consultations among disabled employees from different workstyles. One participant noted the meetings are “very productive in terms of facilitating the sharing of skills related to work and interpersonal relationships.”

Recognizing this as a good opportunity to revize the Handicapped Person’s Employment Promotion Law and implement the Disability Discrimination Act, we will move forward with the establishment of structures for consultation and promote the employment, retention and active participation of disabled people through the provision of different types of training and the sharing and review of various experiences accumulated in each workplace and job.

With regard to the elderly, in light of revisions to the Law Concerning Stabilization of Employment of Older Persons and the raising of the age at which national pension payments begin, we are aggressively promoting the active participation of the elderly with the April 2015 introduction of a Group-wide system for retirement at the age of 65 years old.

Key performance indicators (KPIs)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>Evaluation Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of female managers in managerial positions (group-wide)</td>
<td>People</td>
<td>65 (15%)</td>
<td>101 (20%)</td>
<td>114 (24%)</td>
<td>○</td>
</tr>
<tr>
<td>Employment rate of people with disabilities*</td>
<td>%</td>
<td>1.97</td>
<td>2.08</td>
<td>2.21</td>
<td>○</td>
</tr>
<tr>
<td>Proportion of male employees who took parental leave</td>
<td>%</td>
<td>3 (16 People)</td>
<td>19 (112 People)</td>
<td>23 (152 People)</td>
<td>○</td>
</tr>
</tbody>
</table>

* Sekisui House, Ltd.

Evaluation

In recognition of the promotion of active participation by women as our basic human resource policy, Sekisui House was chosen by the Ministry of Economy, Trade, and Industry and the Tokyo Stock Exchange for inclusion on the Nadeshiko 2016 list of companies that empower women and their careers. We were the first in the housing and construction industry to be included on the Nadeshiko 2013 list, and in addition to our inclusion on the Nadeshiko 2015 list, this is the third time we have been selected. Also, we promote improved operational efficiency and shortened working hours through the use of iPads to encourage highly productive workstyles among employees. In 2015, these efforts were recognized with our inclusion on the Offensive II Productivity list.

Future Initiatives

With an organization that enables a diverse array of employees to make the most of their creativity and ingenuity, Sekisui House aims to realize innovation through business by concentrating employee energy toward common goals as they live active lives as members of society.

We are engaged in housing, a job intimately connected to people’s lives. From housework to childrearing and caregiving, homes are places where each person has a wide variety of experiences and perspectives. Going forward, we will continue to aggressively promote diversity to achieve our action plan based on the Act Promoting Women’s Participation and Advancement in the Workplace enacted in April 2016.

VOICE

Working Together to Create a Workplace Where Everyone Can Work Comfortably

Manabu Yamamoto

Before joining the company, I wanted a job where I could utilize the CAD skills I learned at a vocational education school for the disabled, so I took a job at Sekisui House. I am mainly responsible for design work using CAD tools and in the future I want to get involved in planning and development using 3D modeling. I was born deaf in both ears and have no sight in my left eye, but I obtained the numerous qualifications necessary for application to the Career Challenge system and at present, am working in a career track position.

I thought it would be nice if there were a place for employees working with some of the same disabilities as myself to meet and discuss job and workplace-related issues, so I am involved in the planning and operation of the diversity meetings. Going forward, we will establish a network for disabled employees to create a workplace where everyone can work together comfortably.

VOICE

Utilizing Internal Systems to Realize a Work-Life Balance

Hideaki Tanioka

Nara Branch

When my wife returned to work after her maternity leave, I sensed that the combination of her job, housework and childrearing was becoming a significant burden, so I applied for reduced working hours. Now, I drop the kids off at nursery school every morning. This increases communication with my kids and enables me to watch them grow every day. In terms of work, as a result of participating in childrearing, I have a lot more in common to talk with my wife about and I frequently feel a strong affinity with my wife as a parent. In terms of utilizing this system, without the cooperation of my branch manager, office manager and team members, none of this would have been possible. I deeply appreciate all of them.

Going forward, without having to focus on my rights only, even while achieving sales results, men participating in childcare can also lead to the success of women. I’d like to be part of creating an environment in which employees can work enthusiastically.
② Develop Professionals With a Deep Sense of Humanity

Sekisui House systematically conducts position- and level-based training for salepeople, technical and administrative personnel with the aim of developing professionals with a deep sense of humanity to understand and realize the customer's concept of their home. In this section, we focus on technical (design) positions.

Activities Report

Creating an Education and Training System for Technical Personnel and Defining Our “Targeted Vision” to Strengthen Proposal Capabilities

Among the various tasks involved in building houses, we position the period from new hire to the end of on-site formal experience as the “young technical personnel training program” for employees in technical positions (design staff), which demand a high degree of specialization. We create a detailed training system to facilitate learning, from basic knowledge to specialized design skills, through training and practice. For design personnel with a few years of experience in design work, we assign a future “vision” as “Leaders/Managers (Design Chiefs)” able to unify the organization with strong leadership and management skills, as well as “Professionals” who contribute to business promotion as highly skilled furthermore. Furthermore, design skills are roughly categorized into three levels: novice, intermediate, and advanced, and a curriculum is developed for each category to provide the necessary knowledge and skills. Skills are assessed at each level to clarify that goals have been achieved. We strive to increase customer satisfaction through the development of human resources with a high degree of specialization while attempting to strengthen design quality and proposal capabilities.

Creating Internal Qualification Systems for Technical Personnel

Sekisui House establishes various internal qualification systems aimed at developing technical personnel. The number of technical personnel certified as “Chief architects” increases every year. Personnel with strong overall capabilities in design are designated as “generals.” In FY2015, we established two new qualifications, “Platinum specialist” and “structural planning specialist,” in response to the demand for even higher specialization.

Chief Architects, Possessing Strong Overall Design Capabilities

We judge and certify employees with high-quality, in-depth design capabilities whose talents are an example to other designers based on individual and multifaceted assessments (certification period: 2 years). In April 2016, 110 employees were certified, with a total of 224 people playing active roles.

Platinum Specialists: Senior Housing Professionals

We created a new system (certification period: 3 years) for employees with proven experience as design staff possessing excellent design skills who qualify to be certified as Platinum specialists handling elderly care housing and general welfare facilities (nursing homes, assisted living complexes for senior citizens, group homes, etc.). In 2016, 13 employees were certified (with a total of 25 people playing active roles).

Structural Planning Specialists: Safe and Highly Economical Structure, Foundation and Frame Professionals

We created a new structural planning specialist certification system (certification period: 3 years) to develop designers who play a leadership role in offices related to structural planning and the realization of advanced planning in response to customer needs. Employees are judged and certified based on their specialized knowledge and experience with respect to building structures overall, their ability to execute structural planning and the degree to which they understand Sekisui House structural frames. In 2016, 13 employees were certified (with a total of 29 people playing active roles).

Enhancing Design Staff Skills and Motivation with Chief Architect Training

The certification period for chief architects, who are required to maintain a high level of skills as overall design staff, is limited to two years, thus they must constantly improve their skills. To this end, we launched Chief Architect Training for chief architects and certification candidates to instill more specialized design knowledge and practical capabilities enabling flexible support. A design competition is held twice annually in the first and second halves of the certification period involving chief architects active throughout Japan. Pre-screened submissions are presented by design staff, public inspections and group discussions are conducted by participants and external lecturers are invited to critique the design contest submissions. Participants commented that “the contest’s atmosphere of friendly competition provides positive stimulation,” which leads to increasing the motivation of design staff.

In December 2015, we added a page to our website that introduces case studies involving chief architects. These include pictures of each and every house built in conjunction with customers.

Comment from the Director of Human Resources

Promoting the Creation of People and Workplaces Based on Our Corporate Philosophy “Love of Humanity”

Since the Declaration for Human Resource Sustainability in 2006, Sekisui House has been proactively engaged in promoting the active participation of women and a diverse array of human resources. In recent years, “diversity” has become somewhat of a ubiquitous buzzword, but for Sekisui House, our corporate philosophy espousing a “love of humanity”—respecting the individuality of each and every employee—is a very natural way of thinking. As a product, housing supports various values and lifestyles. In this way, providing customers with highly satisfying housing means that we ourselves must have compassion in our hearts and adopt diverse points of view.

The same is true for employee training. While skills and knowledge are of course a necessary part of work, the most important aspect of housing design and proposal is a workforce possessing an extensive education, honesty, sincerity. Sekisui House implements a variety of educational training aimed at enhancing its human resources, such as newly hired employee participation in recovery support activities in areas affected by the Great East Japan Earthquake and liberal arts education to provide exposure to philosophy and art as a respite from work. At the root of all these activities is a love for humanity. Going forward, we will strive to create workplaces where all employees can actively participate and cultivate human resources having a diverse array of values and hearts full of compassion. We will continue to target sustainable growth as a Company that treats the joy of customers as our own.

Takashi Uchida, Human Resources Director Director, Senior Managing Officer
Develop Professionals With a Deep Sense of Humanity

Sekisui House systematically conducts position- and level-based training for salespeople, technical and administrative personnel with the aim of developing professionals with a deep sense of humanity to understand and realize the customer's concept of their home. In this section, we focus on technical (design) positions.

Activities Report

Creating an Education and Training System for Technical Personnel and Defining Our “Targeted Vision” to Strengthen Proposal Capabilities

Among the various tasks involved in building houses, we position the period from new hire to the end of onsite formal experience as the “young technical personnel training program” for employees in technical positions (design staff), which demand a high degree of specialization. We create a detailed training system to facilitate learning, from basic knowledge to specialized design skills, through training and practice. For design personnel with a few years of experience in design work, we assign a future “vision” as “Leaders/Managers (Design Chiefs)” able to unify the organization with strong leadership and management skills, as well as “Professionals” who contribute to business promotion as highly skilled professionals. Furthermore, design skills are roughly categorized into three levels: novice, intermediate, and advanced, and a curriculum is developed for each category to provide the necessary knowledge and skills. Skills are assessed at each level to clarify that goals have been achieved. We strive to increase customer satisfaction through the development of human resources with a high degree of specialization while attempting to strengthen design quality and proposal capabilities.

Creating Internal Qualification Systems for Technical Personnel

Sekisui House establishes various internal qualification systems aimed at developing technical personnel. The number of technical personnel certified as “chief architects” increases every year. Training for salespeople, technical and administrative personnel is primarily aimed at developing technical personnel. The number of technical personnel certified as “chief architects” increases every year. Among the various tasks involved in building houses, we position the period from new hire to the end of onsite formal experience as the “young technical personnel training program” for employees in technical positions (design staff), which demand a high degree of specialization. We create a detailed training system to facilitate learning, from basic knowledge to specialized design skills, through training and practice. For design personnel with a few years of experience in design work, we assign a future “vision” as “Leaders/Managers (Design Chiefs)” able to unify the organization with strong leadership and management skills, as well as “Professionals” who contribute to business promotion as highly skilled professionals. Furthermore, design skills are roughly categorized into three levels: novice, intermediate, and advanced, and a curriculum is developed for each category to provide the necessary knowledge and skills. Skills are assessed at each level to clarify that goals have been achieved. We strive to increase customer satisfaction through the development of human resources with a high degree of specialization while attempting to strengthen design quality and proposal capabilities.

Platinum Specialists: Senior Housing Professionals

We created a new system (certification period: 3 years) for employees with proven experience as design staff possessing excellent design skills who qualify to be certified as Platinum specialists handling elderly care housing and general welfare facilities (nursing homes, assisted-living complexes for senior citizens, group homes, etc.). In 2016, 13 employees were certified (with a total of 29 people playing active roles).

Structural Planning Specialists: Safe and Highly Economical Structure, Foundation and Frame Professionals

We created a new structural planning specialist certification system (certification period: 3 years) to develop designers who play a leadership role in offices related to structural planning and the realization of advanced planning in response to customer needs. Employees are judged and certified based on their specialized knowledge and experience with respect to building structures overall, their ability to execute structural planning and the degree to which they understand Sekisui House structural frames. In 2016, 13 employees were certified (with a total of 29 people playing active roles).

Enhancing Design Staff Skills and Motivation with Chief Architect Training

The certification period for chief architects, who are required to maintain a high level of skills as overall design staff, is limited to two years, thus they must constantly improve their skills. To this end, we launched Chief Architect Training for chief architects and certification candidates to instill more specialized design knowledge and practical capabilities enabling flexible support. A design competition is held twice annually in the first and second halves of the certification period involving chief architects active throughout Japan. Pre-screened submissions are presented by design staff, public inspections and group discussions are conducted by participants and external lecturers are invited to critique the design contest submissions.

Participants commented that “the contest’s atmosphere of friendly competition provides positive stimulation,” which leads to increasing the motivation of design staff. In December 2015, we added a page to our website that introduces case studies involving chief architects. These include pictures of each and every house built in conjunction with customers.

Comment from the Director of Human Resources

Promoting the Creation of People and Workplaces Based on Our Corporate Philosophy “Love of Humanity”

Since the Declaration for Human Resource Sustainability in 2006, Sekisui House has been proactively engaged in promoting the active participation of women and a diverse array of human resources. In recent years, “diversity” has become somewhat of a ubiquitous buzzword, but for Sekisui House, our corporate philosophy espousing a “love of humanity” — regarding the individuality of each and every employee—is a very natural way of thinking. As a product, housing supports various values and lifestyles. In this way, providing customers with highly satisfying housing means that we ourselves must have compassion in our hearts and adopt diverse points of view.

The same is true for employee training. While skills and knowledge are of course a necessary part of work, the most important aspect of housing design and proposal is a workforce possessing an extensive education, honesty and sincerity. Sekisui House implements a variety of educational training aimed at enhancing its human resources, such as newly hired employee participation in recovery support activities in areas affected by the Great East Japan Earthquake and liberal arts education to provide exposure to philosophy and art as a respite from work. At the root of all these activities is a love for humanity. Going forward, we will strive to create workplaces where all employees can actively participate and cultivate human resources having a diverse array of values and hearts full of compassion. We will continue to target sustainable growth as a Company that treats the joy of customers as our own.

Takashi Uchida,
Senior Managing Officer
Contribute to the preservation of the environment and the promotion of safe, secure and comfortable global lifestyles through the expansion of high-quality and sustainable housing and urban development

Main stakeholders: Local developers, overseas customers

Japan’s Industrialized Housing Offers the World’s Highest Standard

Housing in Japan has evolved significantly over the past half century. In particular, companies that propose and supply industrialized housing assembled onsite using factory-produced materials with consistently high-quality have amassed a variety of expertise in urban development incorporating environmental, energy-saving and earthquake-resistant technologies that become assets for regional residents. These technologies and expertise are considered to be of the highest global standard.

Environmental and energy conservation issues are not problems faced by Japan only. Engaging in the development of eco-friendly and energy-saving technologies focused overseas is also a strong driving force behind Japan’s growth strategy.

At the same time, housing strongly reflects the lifestyles of those who live there. We must develop products, technologies and services carefully crafted to the culture and lifestyle in the countries and regions where we operate. When we begin to achieve this, we will be able to improve global housing standards and contribute to environmental conservation.

Approach

Our goal

Changing the World through the Realization of “Living Comfort” with Technologies and Expertise that Creates Housing and Communities

Having established the International Business Department in 2008, Sekisui House promotes the sustainable development of assets in the countries and regions where it operates based on the concept of sustainable urban development. Utilizing high-quality housing technologies accumulated for over half a century as the industrialized housing frontrunner and leveraging a “customer first” corporate stance, we always place the customer lifestyle first. When developing business overseas, we thoroughly research climate, culture and lifestyles in each country. With an understanding of demands pertaining to sustainable housing and the creation of ideal communities, we aim to provide quality housing that is safe, secure and comfortable.

The overseas deployment of urban development that contributes to ecosystems and the creation of housing that makes full use of Sekisui House energy-saving technologies is extremely significant in terms of environmental conservation. To convey this idea to the rest of the world, we formulated a global corporate message (right) and created a global website to disseminate it.

What Homes Can Bring to the World

Risk management

Diverse local needs different from Japan

We strive to ascertain needs in each region through collaborations with local partner companies. We approach each development project in conjunction with local partners who share our principles and values based on a common philosophy and awareness of issues.

Risk 1: Different needs in each country.

Risk 2: The laws, regulations and political affairs of each country

We are focusing efforts on local, environmentally-friendly procurement, production and construction, while at the same time strengthening our global compliance structure to ensure laws and regulations are adhered to in all countries and regions where operate.

Risk 3: Overseas subsidiary

Management and control of overseas subsidiaries

To enhance control and collaborations with specialists in each country mainly at overseas subsidiaries and in the International Business Department, we established the International Internal Control Promotion Office as a head office organization to conduct localized training overseas and enhance the level of various initiatives.

Deployment of Quality Housing and Urban Development in Countries and Regions Where We Can Leverage Our Strengths

At present, Sekisui House develops international business in four countries: the United States, Australia, China and Singapore.

United States

Housing demand continues to be vigorous in the United States, where we are promoting two development businesses: Residences (communities) targeting suburban residents who commute 30-40 minutes to work by car, and urban rental apartments (multi-family housing) for people who walk or use public transportation to get to work.

Australia

In Australia, where housing demand is expanding in line with population growth, we are engaged in a wide range of development mainly in cities located along the country’s eastern seaboard, from condominiums and community developments comprising several thousand lots, to housing built using local conventional construction methods and Sekisui House Shawood wooden-frame detached housing. We attempt to differentiate ourselves through development and high-quality products and services that contribute to sustainability.

China

In vast China, we are developing business in the cities of Suzhou, Wuxi and Taicang on the outskirts of Shanghai and in the northeastern city of Shenyang. The economies and populations in each of these areas are expected to continue growing steadily in the future. Sekisui House promotes the development of condominiums, townhouses and commercial facilities corresponding to the climates and lifestyles in each region under the ‘Yuqin’ brand.

Singapore

In the densely populated island nation of Singapore, we are engaged in property sales of mainly condominiums developed in cooperation with local developers and the development of commercial facilities and other building complex projects. In 2014, we began office sales development projects.

Impact of These Activities on the Company

Sekisui House believes formulating business strategies in light of conditions in countries and regions while making use of housing technologies and expertise accumulated in Japan will enable us to contribute to improving local housing environments and environmental conservation. The global high regard for Sekisui House technological and proposal capabilities will lead to enhanced brand value both in Japan and overseas.

Action policies

Development of Quality Housing and Urban Development in Countries and Regions Where We Can Leverage Our Strengths

At present, Sekisui House develops international business in four countries: the United States, Australia, China and Singapore. As housing demand is expected to expand steadily in all of these countries, we will leverage strengths accumulated up to now to provide quality housing for the middle and upper class population segments.

We will contribute to the creation of comfortable customer lifestyles in each of these countries and promote “business localization” while collaborating with local blue-chip partner companies and drawing on our industrialized housing and environmental technologies, comprehensive proposal capabilities and meticulous service capabilities.
Developing overseas business

Contribute to the preservation of the environment and the promotion of safe, secure and comfortable global lifestyles through the expansion of high-quality and sustainable housing and urban development

Main stakeholders: Local developers, overseas customers

Backdrop

Japan’s Industrialized Housing Offers the World’s Highest Standard

Housing in Japan has evolved significantly over the past half century. In particular, companies that propose and supply industrialized housing assembled onsite using factory-produced materials with consistently high-quality have amassed a variety of expertise in urban development incorporating environmental, energy-saving and earthquake-resistant technologies that become assets for regional residents. These technologies and expertise are considered to be of the highest global standard. Environmental and energy conservation issues are not problems faced by Japan only. Engaging in the development of eco-friendly and energy-saving technologies focused overseas is also a strong driving force behind Japan’s growth strategy.

At the same time, housing strongly reflects the lifestyles of those who live there. We must develop products, technologies and services carefully crafted to the culture and lifestyle in the countries and regions where we operate. When we begin to achieve this, we will be able to improve global housing standards and contribute to environmental conservation.

Approach

Our goal

Changing the World through the Realization of “Living Comfort” with Technologies and Expertise that Creates Housing and Communities

Having established the International Business Department in 2008, Sekisui House promotes the sustainable development of assets in the countries and regions where it operates based on the concept of sustainable urban development. Utilizing high-quality housing technologies accumulated for over half a century as the industrialized housing frontrunner and leveraging a “customer first” corporate stance, we always place the customer lifestyle first. When developing business overseas, we thoroughly research climate, culture and lifestyles in each country. With an understanding of demands pertaining to sustainable housing and the creation of ideal communities, we aim to provide quality housing that is safe, secure and comfortable.

The overseas deployment of urban development that contributes to ecosystems and the creation of housing that makes full use of Sekisui House energy-saving technologies is extremely significant in terms of environmental conservation. To convey this idea to the rest of the world, we formulated a global corporate message (right) and created a global website to disseminate it.

What Homes Can Bring to the World

Sekisui House not only propose to build homes, but works actively to develop communities in close connection with the environment and people. The company promotes sustainable development in countries and regions where it operates, by providing high-quality, environmentally-friendly procurement, production and services and creating human resources and infrastructure that will last. For more information, please refer to the sustainability report in Japanese and English.

http://www.sekisuihouse-global.com/

Impact of These Activities on the Company

Sekisui House believes formulating business strategies in light of conditions in countries and regions while making use of housing technologies and expertise accumulated in Japan will enable us to contribute to improving local housing environments and environmental conservation. The global high regard for Sekisui House technological and proposal capabilities will lead to enhanced brand value both in Japan and overseas.

Risk management

Diverse local needs different from Japan

We strive to ascertain needs in each region through collaborations with local partner companies. We approach each development project in conjunction with local partners who share our principles and values based on a common philosophy and awareness of issues.

The laws, regulations and political affairs of each country

We are focusing efforts on local, environmentally-friendly procurement, production and construction, while at the same time strengthening our global compliance structure to ensure laws and regulations are adhered to in all countries and regions where operate.

Management and control of overseas subsidiaries

To enhance control and collaborations with specialists in each country mainly at overseas subsidiaries and in the International Business Department, we established the International Internal Control Promotion Office as a head office organization to conduct localized training overseas and enhance the level of various initiatives.

Deployment of Quality Housing and Urban Development in Countries and Regions Where We Can Leverage Our Strengths

At present, Sekisui House develops international business in four countries: the United States, Australia, China and Singapore. As housing demand is expected to expand steadily in all of these countries, we will leverage strengths accumulated up to now to provide quality housing for the middle and upper class population segments.

United States

Housing demand continues to be vigorous in the United States, where we are promoting two development businesses: Residences (communities) targeting suburban residents and a committed 30-40 minutes to work by car, and urban rental apartments (multi-family housing) for people who walk or use public transportation to get to work.

China

In vast China, we are developing business in the cities of Suzhou, Wu and Taicang on the outskirts of Shanghai and in the northeastern city of Shenyang. The economies and populations in each of these areas are expected to continue growing steadily in the future. Sekisui House promotes the development of condominiums, townhouses and commercial facilities corresponding to the climates and lifestyles in each region under the Yuen brand.

Australia

In Australia, where housing demand is expanding in line with population growth, we are engaged in a wide range of development mainly in cities located along the country’s eastern seaboard, from condominiums and community developments comprising several thousand lots, to housing built using local conventional construction methods and Sekisui House Shalwood wooden-frame detached housing. We attempt to differentiate ourselves through development and high-quality products and services that contribute to sustainability.

Singapore

In the densely populated island nation of Singapore, we are engaged in property sales of mainly condominiums developed in cooperation with local developers and the development of commercial facilities and other building complex projects. In 2014, we began office sales development projects.

Action policies
State of Progress

Deployment of Quality Housing and Urban Development in Countries and Regions Where We Can Leverage Our Strengths

Activities Report

United States: High Marks for Our Creation of Eco-Friendly Communities

Since 2010, we have participated in the planning of more than 30 suburban residential land development projects in the United States as a community developer. Five of these projects were ranked among the top 50 best-selling master-planned communities in the U.S. In addition, we have been working with Holland Partner Group since 2013 on multiple development projects in the urban rental housing area.

Wendell Falls, a suburban residential land project developed in North Carolina in 2013, features ecoSelect housing that offers high insulation and water-saving benefits that improve indoor air environments. This community is 38% more energy efficient than the U.S. national average for housing and has been certified by the HEKS Index, the U.S. standard for home energy efficiency.

VOICE

Working Together with a Common Purpose to Realize High-Quality Developments

Clyde P. Holland, Jr.
Chief Executive Officer
Holland Partner Group

Our relationship with Sekisui House began in 2013 with a shared objective of creating a meaningful platform for achieving economic and social responsibility goals. Together we are working to protect human health and the surrounding environment through the creation of high quality, thoughtfully considered multifamily and mixed-use developments that connect people with places where they can live, work, and comfortably enjoy life. Our urban core portfolios, concentrated in top cities in the western and northwestern United States, includes the transformation of former industrial sites into sustainable and highly desirable built environments.

We appreciate the thoughtful Sekisui House provided in establishing common goals for the joint venture between our companies, their disciplined yet creative approach working with us to evaluate new development opportunities, and their confidence to work with us to deliver exceptional assets with optimized risk adjusted returns.

Australia: Encouraging Community Cultivation with Satoyama

In Australia, we have launched our first overseas business in 2008, and we are engaged in detached housing construction and develop condominiums and residential land adapted to the local environment and culture. Up to now, we have entered into contracts with more than 8,000 customers.

Conventional residential land development in Australia typically involves first cutting down all trees in a given area. At The Hermitage, Sekisui House’s large-scale community development project in the suburbs of Sydney, we took a different approach. We first conducted a detailed survey of the landform and the native flora and then we planned the housing lots, roads, and parks so as to preserve as much of the landform and the native flora and then we planned the

Future Initiatives

Sekisui House will collaborate with local developers while assessing business compatibility and housing market conditions in each area. We will promote urban development and housing construction and sales while ensuring business profitability. Also, we will make efforts to improve local housing environments and culture as a company that creates living environments.

Key performance indicators (KPIs)

International business net sales (Hundreds of millions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>Australia</th>
<th>United States</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>2,000</td>
<td>548</td>
<td>853</td>
</tr>
<tr>
<td>2012</td>
<td>3,000</td>
<td>532</td>
<td>784</td>
</tr>
<tr>
<td>2013</td>
<td>4,000</td>
<td>242</td>
<td>893</td>
</tr>
<tr>
<td>2014</td>
<td>5,000</td>
<td>265</td>
<td>1,900</td>
</tr>
<tr>
<td>2015</td>
<td>6,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>7,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

International business ordinary income (Hundreds of millions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>Australia</th>
<th>United States</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>242</td>
<td>548</td>
<td>853</td>
</tr>
<tr>
<td>2012</td>
<td>893</td>
<td>532</td>
<td>784</td>
</tr>
<tr>
<td>2013</td>
<td>1,900</td>
<td>242</td>
<td>893</td>
</tr>
<tr>
<td>2014</td>
<td>2,655</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>3,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>3,250</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Evaluation

Residential property in the United States and condominium sales in Australia are favorable, and residents have begun to move in to condominiums in China. Singapore contract rates are high across all properties. In FY2015, revised asset valuations in a portion of projects in China led to the recording of a loss, but the business itself remains on track.
State of Progress

Deployment of Quality Housing and Urban Development in Countries and Regions Where We Can Leverage Our Strengths

Activities Report

United States: High Marks for Our Creation of Eco-Friendly Communities

Since 2010, we have participated in the planning of more than 30 suburban residential land development projects in the United States as a community developer. Five of those projects were ranked among the top 50 best-selling master-planned communities in the U.S. In addition, we have been working with Holland Partner Group since 2013 on multiple development projects in the urban real estate area.

Wendell Falls, a suburban residential land project developed in North Carolina in 2013, features ecoSelect housing that offers high insulation and water-saving benefits that improve indoor air environments. This community is 38% more energy efficient than the U.S. national average for housing and has been certified by the HERS Index, the U.S. standard for home energy efficiency.

Australia: Encouraging Community Cultivation with Satoyama

In Australia, where we launched our first overseas business in 2008, we are engaged in detached housing construction and develop condominiums and residential land adapted to the local environment and culture. Up to now, we have entered into contracts with more than 8,000 customers.

Conventional residential land development in Australia typically involves first cutting down all trees in a given area. At The Hermitage, Sekisui House’s large-scale community development project in the suburbs of Sydney, we took a thoughtful approach: we preserved as much of the original nature as possible.

At The Hermitage, Sekisui House provided a perfect example of the concept in which an area becomes increasingly beautiful with each passing year. We meticulously support through after-sales services. We also strive to provide facilities with open spaces that facilitate communication, surrounding by relaxing greenery in accordance with the “intimate green office” concept. This includes Woods Square, an office sales development project launched in 2014.

China: Promoting Development that Contributes to Urban Advancement and the Sharing of Values with Local Staff

In China, culture and lifestyle habits vary substantially from one region to the next, so local bases are established for each project. To be able to provide Japanese quality and Japanese-style service to customers while respecting local customs, Japanese Sekisui House employees working in China exchange opinions with local Chinese staff to promote business built on a closely collaborative structure.

In October 2015, construction of The Yuqin Residence urban high-rise condominiums was completed in the heart of Shenyang. Located amid a high concentration of commercial facilities, this building’s stylish design has made it Shenyang’s newest landmark and contributes to enhancing the city’s overall image.

We are also engaged in the Yuqin Gardens project in Taiyuan, consisting of 11 buildings housing a total of 511 condominiums.

Singapore: Creating a Rich, Green and Intimate Space within an Urban Lifestyle

In Singapore, we are collaborating with a major local developer on eight different projects aimed at realizing a richer life in a densely populated urban area.

In terms of condominium development, we support community development and rich resident lifestyles by designing shared spaces infused with nature, including verdant walking paths with trees planted strategically throughout the property incorporating the Gohon no ki planning concept. These projects include eCO, scheduled for completion in 2017, and Hillsta, constructed in 2016.

We are also engaged in the creation of workplaces that create new value, replete with open spaces that facilitate communication.

Future Initiatives

Sekisui House will collaborate with local developers while assessing business compatibility and housing market conditions in each area. We will promote urban development and housing construction and sales while ensuring business profitability. Also, we will make efforts to improve local housing environments and culture as a company that creates living environments.
CSR Management Promotion

The Sekisui House Group considers CSR to be an essential principle of management. Guided by the four values and 13 guidelines for achieving our Sustainability Vision, we actively engage in CSR activities throughout our daily business operations—all to create shared value. We have also appointed external members to our CSR Committee, which formulates CSR policies, as a way of incorporating outside perspectives.

Corporate Philosophy and CSR Policies

The corporate philosophy of the Sekisui House Group has a love of humanity at its core. By “love of humanity,” we simply mean that we wish for the wellbeing of others and rejoice in their happiness. This philosophy was established in 1989 with the unanimous approval of every one of our employees. We wish for the wellbeing of all of our stakeholders—namely, our customers, employees, and shareholders—and, under our corporate philosophy, we pursue a CSR policy that focuses on maximizing customer satisfaction (CS), employee satisfaction (ES), and shareholder satisfaction (SS).

CSR Committee and Organizational Management

Incorporating the viewpoints of external stakeholders, the Sekisui House Group CSR Committee develops CSR policies and verifies whether current CSR activities are consistent with social norms and expectations, so that group-wide CSR initiatives are relevant and effective. Led by our chairman and CEO, the CSR Committee—which includes three external stakeholders—meets once every three months. CSR Committee members are appointed by the board of directors.

Under the supervision of the CSR Committee, two Operating Group Committees and six Expert Committees are working to promote and further strengthen our CSR efforts. Specifically, the Business Committees, under the Operating Group Committees, are positioned as the focal point of the CSR activities that we undertake as part of our core business. These committees are responsible for overseeing our CSR process, from formulating specific CSR plans to reviewing the outcomes of our activities. They are supported by the Expert Committees that are tasked with separate responsibilities based on their respective CSR themes. In addition, CSR promotion representatives are assigned to each of our business departments.

Specifying Material Aspects

In 2015, we narrowed down the 46 Specific Standard Disclosures of the GRI Guidelines (G4) to 30 material aspects. In 2016, to reflect societal changes and needs, we redefined these aspects based on a reanalysis of their “impacts on stakeholder evaluations and decision-making” and “the extent of the company’s economic, environmental and social impact.”

Consequently, we specified 19 material aspects (see below). We will engage in these activities, which are also an important term in executing our CSR strategy. Please see page 20 for information on the relationship between the CSV strategy and material aspects.

Material Aspects (Key Issues) from the Perspective of Stakeholders and Societal Impacts

- Supplier environmental assessment
- Customer health and safety
- Training and education
- Procurement practices
- Supplier assessment for impacts on society
- Diversification and equal opportunity
- Compliance (society)
- Effluents and waste
- Product and services (environmental)
- Compliance (environmental)
- Occupational health and safety

Importance for stakeholders

Customer privacy
- Data protection labeling
- Environmental management labeling
- Non-discrimination
- Non-preferential
- Non-discrimination
- Diversity
- Anti-corruption
- Authority
- Patient
- Service
- Product and service 

<table>
<thead>
<tr>
<th>Material Aspects (Key Issues) from the Perspective of Stakeholders and Societal Impacts</th>
<th>Indicates one of the specified 19 aspects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier environmental assessment</td>
<td>Customer health and safety</td>
</tr>
<tr>
<td>Customer health and safety</td>
<td>Training and education</td>
</tr>
<tr>
<td>Procurement practices</td>
<td>Supplier assessment for impacts on society</td>
</tr>
<tr>
<td>Supplier assessment for impacts on society</td>
<td>Diversification and equal opportunity</td>
</tr>
<tr>
<td>Compliance (society)</td>
<td>Effluents and waste</td>
</tr>
<tr>
<td>Effluents and waste</td>
<td>Product and services (environmental)</td>
</tr>
<tr>
<td>Compliance (environmental)</td>
<td>Occupational health and safety</td>
</tr>
<tr>
<td>Occupational health and safety</td>
<td>Customer privacy</td>
</tr>
<tr>
<td>Customer privacy</td>
<td>Data protection labeling</td>
</tr>
<tr>
<td>Data protection labeling</td>
<td>Environmental management labeling</td>
</tr>
<tr>
<td>Environmental management labeling</td>
<td>Non-discrimination</td>
</tr>
<tr>
<td>Non-discrimination</td>
<td>Non-preferential</td>
</tr>
<tr>
<td>Non-preferential</td>
<td>Non-discrimination</td>
</tr>
<tr>
<td>Non-discrimination</td>
<td>Diversity</td>
</tr>
<tr>
<td>Diversity</td>
<td>Anti-corruption</td>
</tr>
<tr>
<td>Anti-corruption</td>
<td>Authority</td>
</tr>
<tr>
<td>Authority</td>
<td>Patient</td>
</tr>
<tr>
<td>Patient</td>
<td>Service</td>
</tr>
<tr>
<td>Service</td>
<td>Product and service</td>
</tr>
</tbody>
</table>

Impact on stakeholder evaluations and decision-making
- Customer survey results (one year after make-IT) 
- Employee governance assembly survey results 
- Business partner survey results 
- GRI and other external material disclosures

Extent of the company’s economic, environmental and social impacts
- Corporate philosophy of conduct/interior behavioral guidance/interior ethics 
- Sustainable vision and medium-term management plan 
- Non-preferential

Sekisui House Sustainability Report 2016
CSR Management Promotion

The Sekisui House Group considers CSR to be an essential principle of management. Guided by the four values and 13 guidelines for achieving our Sustainability Vision, we actively engage in CSR activities throughout our daily business operations—all to create shared value. We have also appointed external members to our CSR Committee, which formulates CSR policies, as a way of incorporating outside perspectives.

Corporate Philosophy and CSR Policies

The corporate philosophy of the Sekisui House Group has a love of humanity at its core. By “love of humanity,” we simply mean that we wish for the wellbeing of others and rejoice in their happiness. This philosophy was established in 1989 with the unanimous approval of every one of our employees. We wish for the wellbeing of our stakeholders—namely, our customers, employees, and shareholders—and, under our corporate philosophy, we pursue a CSR policy that focuses on maximizing customer satisfaction (CS), employee satisfaction (ES), and shareholder satisfaction (SS).

Four values and 13 guidelines

- Love of humanity
- Love of technology
- Love of the Earth (Ecosphere)
- Love of people

The Sekisui House Group is committed to pursuing CSR activities through its core business while meeting the expectations of stakeholders and society to create value and achieve sustainable development. We believe actions based on a perpetual awareness of what is important to stakeholders and society will lead to value creation.

CSR Committee and Organizational Management

Incorporating the viewpoints of external stakeholders, the Sekisui House CSR Committee develops CSR policies and specifies material aspects. It promotes CSR activities based on four values and 13 guidelines—the principles of action we introduced to achieve our Sustainability Vision. In order to implement the PCRDA cycle without fail, we review our corporate activities each year by assessing the extent to which we have achieved our social and environmental targets.

Specifying Material Aspects

In 2015, we narrowed down the 46 Specific Standard Disclosures of the GRI Guidelines (G4) to 30 material aspects. In 2016, to reflect societal changes and needs, we prioritized these aspects based on a reanalysis of their “impacts on stakeholder evaluations and decision-making” and “the extent of the company’s economic, environmental and social impact.” Consequently, we specified 19 material aspects with the Sekisui House Sustainability Report 2016. Please see page 20 for information on the relationship between the CSV strategy and material aspects.

Incorporating Stakeholder Voices and Societal Influences into Material Aspect Specifications

For the Sekisui House Group CSR Committee, which includes external stakeholders—meets once every three months. CSR Committee members are appointed by the board of directors.

Under the supervision of the CSR Committee, two Operating Group Committees and six Expert Committees are working to promote and further strengthen our CSR efforts. Specifically, the Business Committees, under the Operating Group Committees, are positioned as the focal point of the CSR activities that we undertake as part of our core business. These committees are responsible for overseeing our CSR process, from formulating specific CSR plans to reviewing the outcomes of our activities. They are supported by the Expert Committees that are tasked with separate responsibilities based on respective CSR themes. In addition, CSR promotion representatives are assigned to each of our business departments.

Material Aspects (Key Issues) from the Perspective of Stakeholders and Societal Impacts

- Supplier environmental assessment
- Customer health and safety
- Training and education
- Procurement practices
- Supplier human rights assessment
- Supplier assessment for impacts on society
- Compliance (society)
- Compliance (product responsibility)
- Compliance (environmental)
- Customer privacy
- Ethical performance
- Customer satisfaction
- Economic performance
- Product and services labeling
- Diversification (human resources)
- Human rights and social responsibility
- Occupational health and safety

The Sekisui House Group Sustainability Report 2016
Supply Chain Management

The Sekisui House Group promotes supply chain management aimed at minimizing the environmental and societal impact of products and services it purchases. We strive to realize desirable benefits for society and the economy overall through procurement as we grow alongside our business partners.

Procurement Policies

To pursue procurement activities based on the Sekisui House corporate philosophy and corporate behavioral guidelines, since 2007 we have observed and promoted eight procurement policies focused on the highest quality, optimal pricing and supply optimization.

1.聲 Sound ofreek (Quality)
2. Fairness and Good partnerships
3. Fairness and Good partnerships
4. Fairness and Good partnerships
5. Fairness and Good partnerships
6. Fairness and Good partnerships
7. Fairness and Good partnerships
8. Fairness and Good partnerships

Materials procurement

Tens of thousands of components and products from numerous manufacturers are used to build each house. In principle, the Sekisui House Group head office engages in bulk purchasing and management guidelines to ensure management consistency and economies of scale.

Construction

Rather than adopting an agency system, Sekisui House creates Direct sales and project accountability systems. As multiple professionals are involved in each of the construction processes, we collaborate in each region to improve construction quality through integrated management.

Sharing and Penetration of Procurement Policies

Every year, we hold policy briefings attended by approximately 150 business partner companies to ensure consistency between suppliers’ company policies and Sekisui House procurement policies to deepen mutual understanding. At these meetings, we explain management conditions, the latest management plans, procurement policies and product strategies. We share information that provides guidance for supplier activities and honor companies for their excellence.

At the same time, participants present examples of corporate structural improvements and other best practices like this meeting as an opportunity for business partners to inspire one another.
Stakeholder Engagement

Sekisui House main stakeholders include customers, consumers, business partners, employees, shareholders, investors and communities. We address issues and expectations through dialogues with all these stakeholders. To this end, we actively engage in daily communications using a variety of methods.

**Main stakeholders and their responsibilities**

- **Customers**
  - We provide comprehensive communications with customers under our “customer first” policy, in order to ensure that their valuable assets (their homes) are long-lasting.
  - We also seek to serve customers with security and integrity, so that we may enhance customer satisfaction.

- **Consumers**
  - We facilitate the disclosure of information, while remaining sensitive to the needs of society.
  - We foster relationships of trust as a part of our efforts to create a pleasant society and comfortable lifestyles.

- **Business partners**
  - We strive to conduct transactions on a fair and equal basis, and we foster partnerships that promote mutual growth and deliver customer satisfaction.

- **Employees**
  - We respect the diverse individuality of employees to ensure that they can work in a comfortable environment and achieve creative growth through meaningful work.
  - To this end, we develop workplace environments and programs that motivate employees at work and ensure fair treatment, thereby enhancing employee satisfaction.

- **Shareholders and investors**
  - We ensure fair and transparent corporate management to maintain the highest standards of corporate governance.
  - We cooperate in each region to improve construction quality and ensure that professionals are involved in each of the construction processes.

- **Communities**
  - We endeavor to foster local cultures and social action by helping to prevent the spread of social issues and environmental degradation.
  - We strive to share our strengths with and participate in social action programs by leveraging our strengths as a homemaker.

- **All stakeholders**
  - We ensure full compliance, eco-friendly practices and accountability.

**Examples of proposed themes**

- **Proposing and constructing solutions that are easy to maintain**
  - Levels of efficient homes and houses that improve homeowner value

- **Creating and operating a homes inspection system**
  - Preparing for safety in case of natural disasters or accidents

- **Mentally healthy management**
  - Medical health management
  - Increasing employee satisfaction

- **Flexible working environment**
  - Providing employees with an easy-to-understand workplace

- **Sharing process charts online with suppliers**
  - Pre-set parts

- **Recruiting Sumufumulab research members and hosting workshops**
  - Human relations training (annual)

- **Comprehensive Housing R&D Institute**
  - Hosting seminars at the Rokko Library Book

- **Kobe Machizukuri Rokko Island Memorial Library NPO**
  - Cooperating with Uzo Nishiyama

**Response for such themes**

- **Balanced and expeditious communications**
  - Reporting home inspection results

- **Understanding the needs of society**
  - Conducting workshops and events for consumers and children at the Sekisui House Eco First Park

**Refer to**

- Pages 37–46

Supply Chain Management

The Sekisui House Group promotes supply chain management aimed at minimizing the environmental and societal impact of products and services it purchases. We strive to realize desirable benefits for society and the economy overall through procurement as we grow alongside our business partners.

**Main stakeholders and Overview of Actions**

- **Customer surveys**
  - Regular information magazines:
    - Kobe Machizukuri Rokko Island Memorial Library NPO
    - Sekisui House Eco First Park

- **Disclosing housing manufacturing processes and skills**
  - Offering running simulations research members and holding workshops

- **Improving construction site environments (e.g., labor-saving work conditions and equipment) with an aging workforce**
  - Shares funds for the support of the disabled

- **Improving delivery data accuracy (materials and parts delivery)**
  - CV strategy (5): Promoting a safe and human resource development

- **Contributing to women’s career development**
  - Supporting a work-life balance

- **Promoting employment of the disabled**
  - CV strategy (7): Promoting diversity and human resource development

**Materials procurement**

Ten thousands of components and products from numerous manufacturers are used to build each house. In principle, the Sekisui House Group head office engages in bulk purchasing and management, guided by procurement and management policies.

**Procurement Policies**

To pursue procurement activities based on the Sekisui House corporate philosophy and corporate behavioral guidelines, since 2007 we have observed and promoted eight procurement policies focused on the highest quality, optimal pricing and supply optimization.

**Construction**

Rather than adopting an agency system, Sekisui House creates direct sales and project accountability systems. As multiple professionals are involved in each of the construction processes, we collaborate in each region to improve construction quality through integrated management.

**Supplier Evaluation Implementation and Improvement**

Sekisui House has been implementing supplier evaluations since 1998 to maintain fair and impartial business practices. Since 2009, we have disclosed the results of these evaluations so suppliers can incorporate them into their structural improvement efforts. The evaluations are implemented by the Supplies Division and other departments including development and construction, which regularly review evaluation items and standards.

**Evaluation**

The evaluations are conducted taking into consideration environmental criteria in all cases, going beyond simple evaluation with the primary goal of ensuring the practical use and reduction of CO2 by suppliers linked to concrete improvement activities.

**Without a stable management structure, companies cannot be counted on to provide a stable supply of high-quality products.**

Thus, we continuously implement factory visits and QC diagnostics at major suppliers to assist with enhancing product quality, eliminating flaws and improving corporate structures.

**Procurement Policies**

- **Materials procurement policies**
  - CV strategy (1): Promoting fair and impartial business practices

- **Materials procurement policies**
  - CV strategy (2): Promoting high pricing

- **Materials procurement policies**
  - CV strategy (3): Promoting QC guidance

- **Materials procurement policies**
  - CV strategy (4): Promoting social responsibility

**Sharing and Penetration of Procurement Policies**

Every year, we hold policy briefings attended by approximately 150 business partners to ensure consistency between suppliers’ company policies and Sekisui House procurement policies to deepen mutual understanding. At these meetings, we explain management conditions, the latest management plans, procurement policies and product strategies. We share information that provides guidance for supplier activities and honor companies for their excellence.

At the same time, participants present examples of corporate structural improvements and other best practices to utilize this meeting as an opportunity for business partners to inspire one another.

**Promoting Activities to Enhance Policy Coordination**

Sekisui House promotes activities to enhance policy coordination with particularly important suppliers from a comprehensive perspective that considers factors including transaction volume, product attributes and supplier evaluations.

Based on the TDM policy management approach, we go beyond quality, cost and delivery improvements to share key issues related to management in response to healthcare, nursing care, renovation developments and other social issues. These activities aim to establish product development, sales strategy, business continuity management and other targets from a strategic perspective when necessary to achieve mutual benefits and growth.
Organizational Management

Sekisui House places the utmost priority on employee and subcontractor health and safety in everyday business activities. In the event a worker-related accident occurs in the administrative, production or construction departments, details are provided to the Health and Safety Committee and incorporated into the PDCA cycle related to workplace health and safety.

### Occupational Health and Safety Management

#### Occupational accident and disease frequency rates

In FY2015, occupational accidents decreased compared to the previous fiscal year. We will continue to heighten health and safety awareness and increase countermeasures aimed at reducing oversight leading to overtime work.

**FY2015 occupational accident and disease frequency rates**

<table>
<thead>
<tr>
<th>Department</th>
<th>Occupational accident frequency rate</th>
<th>Occupational disease frequency rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative department (employees*)</td>
<td>0.3</td>
<td>0.0</td>
</tr>
<tr>
<td>Production department</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Construction department (subcontractors only)</td>
<td>3.0</td>
<td>0.2</td>
</tr>
</tbody>
</table>

*Note: Sekisui House (non-consolidated)

Sekisui House and partner companies to systematically and creatively improve accident reduction measures.

**Proprietary Sekisui House Risk Zero System Overview**

We established a specialized unit, the Safety Guidance Office, in an effort to prevent the occurrence of occupational accidents, particularly with respect to risky work at construction sites. The proprietary Sekisui House risk zero system was created with consideration for the special characteristics of construction sites outlined in the “Occupational Health and Safety Management System” promoted by the Ministry of Health, Labour and Welfare. Health and safety management activities are developed based on the annual construction health and safety plans created annually for the entire Company and at each office to enable Sekisui House and partner companies to work in health and safety.

**Sekisui House Risk Zero System Overview**

### Occupational Health and Safety Activities at Construction Sites

Ensuring the occupational health and safety of everyone engaged in construction work is the social responsibility of housing manufacturer Sekisui House and one of the items toward which we must make a concerted effort. To enable construction personnel to work with safety and peace of mind, in FY2015 we announced the Annual Companywide Construction Health and Safety Plan calling for the eradication of falling-related and electric tool accidents, and the fostering of awareness among all participants attending accident prevention measures and business-owner training.

With the FY2015 slogan “take a moment before work to invoke everyone in earned risk prediction,” partner company business leaders announced safety declarations based on Sekisui House’s annual plan. These companies committed to voluntary risk prediction activities and execution by identifying proper actions through enhanced daily management, in conjunction with construction managers linked to job instructions to foremen and workers, and daily safety inspections and work process documentation. To support and follow-up, Sekisui House conducted business-owner training, provided necessary equipment including stepladders, external scaffolding and power tools, and distributed safety inspection forms in an attempt to improve safety levels while implementing the PDCA cycle and ascertaining annual plan schedule progress on a month/halfyearly basis.

In addition, accident prevention measures and health and safety education training was conducted for everyone involved in construction. In FY2015, we also held business-owner training and a safety contest convention for a total of 50,736 people. Furthermore, since 2012 we have held awareness months (July is safety month, December is special awareness month) aimed at preventing heat stroke in summer and accidents at the end and beginning of the year and implementing falling-related accident reduction measures.

Going forward, the Sekisui House Group will work together with partner companies to systematically and creatively improve working environments and prevent work-related accidents.

**Zero system core (foundation)**

1. Identify sources of risk, specify implementation items.
2. Formulate annual health and safety plan.
3. Announce health and safety policies.
4. Implement and operate annual health and safety plan.
5. Review annual plan in preparation for formation of next year’s plan.
6. Evaluate system.
7. Revise system.

**Steps for effectively implementing basic cycle (left)**

1. Daily inspections and improvements
2. Incorporate worker feedback
3. Health and safety management structure
4. Partner scaffolding contractor health and safety activity evaluations
5. Document in writing and store
6. Evaluate system
7. Revise system

**Safeguard Week** awareness poster “Emphasis Period” awareness poster

### Corporate Governance

In accordance with our corporate philosophy espousing a “love of humanity” our stance on “truth and trust,” our objective of “superior quality and leading technology” and our business focus on “comfortable housing and ecologically sound communities,” the Sekisui House Group focuses on the key issues of corporate governance and management to heighten stakeholder trust.

#### Management structure

To ensure solid stakeholder support, Sekisui House has increased management transparency, provided for timely and appropriate checks on management decisions, and enabled thorough monitoring. Two external board members and three external corporate auditors are in place, and our executive officer system ensures that management responsibilities are well defined and executed accordingly.

#### Board of directors

The board of directors holds a meeting once every month to make decisions on important items pertaining to business management and items mandated by law. The board also confirms business results and supervises the business-execution functions of executive officers.

There were a total of 11 such meetings in FY2015 (through January 31, 2016). The average attendance was 98.3% (95.5% for external directors and 100.0% for external corporate auditors).

#### Corporate governance structure (As of April 1, 2016)

**General Shareholders’ Meeting**

- Resolution of matters requiring special mention

**Board of corporate auditors**

The board of corporate auditors comprises three external members and two standing members. To implement and strengthen audit and supervisory functions, members of this board attend important meetings, such as board of directors meetings. They also exchange information with the Auditing Department and accounting auditor as well as gather information from other company departments and subsidiaries on a regular basis and as needed.

**Board of directors**

The Basic Policy Concerning the Development of an Internal Control System serves as a platform for our efforts to implement and ensure our internal control system operates properly. To ensure full compliance with the Japanese Financial Instruments and Exchange Law, strict internal controls (J-SDX) have been implemented on a group-wide basis, led by the J-SDX Group established within the Accounting & Finance Department. The Internal Control Promotion Office, established in February 2015 within the Accounting & Finance Department, is in charge of building internal control systems at overseas subsidiaries.

**Internal control systems**

The Basic Policy Concerning the Development of an Internal Control System serves as a platform for our efforts to implement and ensure our internal control system operates properly. To ensure full compliance with the Japanese Financial Instruments and Exchange Law, strict internal controls (J-SDX) have been implemented on a group-wide basis, led by the J-SDX Group established within the Accounting & Finance Department.
Ocational Health and Safety Management

Sekisui House places the utmost priority on employee and subcontractor health and safety in everyday business activities. In the event a worker-related accident occurs in the administrative, production or construction departments, details are provided to the Health and Safety Committee and incorporated into the PDCA cycle related to workplace health and safety.

Ocational Health and Safety Frequencies

In FY2015, occupational accidents decreased compared to the previous fiscal year. We will continue to heighten health and safety awareness and increase countermeasures aimed at reducing oversight leading to overtime work.

**FY2015 occupational accident and disease frequencies (Total of one or more days off)**

<table>
<thead>
<tr>
<th>Department</th>
<th>Occupational accident frequency rate</th>
<th>Occupational disease frequency rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative department (employees*)</td>
<td>0.3</td>
<td>0.0</td>
</tr>
<tr>
<td>Production department</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Subcontractor</td>
<td>0.3</td>
<td>0.0</td>
</tr>
<tr>
<td>Construction department (subcontractors only)</td>
<td>3.0</td>
<td>0.2</td>
</tr>
</tbody>
</table>

Note: Sekisui House (non-consolidated)

Proprietary Sekisui House Risk Zero System Operation

We established a specialized unit, the Safety Guidance Office, in an effort to prevent the occurrence of occupational accidents, particularly with respect to risky work at construction sites.

The proprietary Sekisui House risk zero system was created with consideration for the special characteristics of construction sites outlined in the “Occupational Health and Safety Management System” promoted by the Ministry of Health, Labour and Welfare. Health and safety management activities are developed based on the annual construction health and safety plans created at each construction site.

In FY2015, we held business-owner safety education training for everyone involved in construction work. In addition, accident prevention measures and health and safety education training were conducted for everyone involved in construction. In FY2015, we also held business-owner training and a safety promotion convention for a total of 50,736 people.

To further improve safety levels while implementing the PDCA cycle and ascertaining annual plan implementation progress on a monthly/periodic basis.

In addition, accident prevention measures and health and safety education training conducted for everyone involved in construction. In FY2015, we also held business-owner training and a safety promotion convention for a total of 50,736 people.

In FY2015 we announced the Annual Companywide Construction Safety Week awareness poster “Emphasis Period” awareness poster.

Going forward, the Sekisui House Group will work together with partner companies to systematically and creatively improve working environments and prevent work-related accidents.

Corporate Governance

In accordance with our corporate philosophy espousing a “love of humanity” our stance on “truth and trust,” our objective of “superior quality and leading technology” and our business focus on “comfortable housing and ecologically sound communities,” the Sekisui House Group focuses on the key issues of corporate governance and management to heighten stakeholder trust.

**Management structure**

To ensure solid stakeholder support, Sekisui House has increased management transparency, provided for timely and appropriate checks on management decisions, and enabled thorough monitoring. Two external board members and three external corporate auditors are in place, and our executive officer system ensures that management responsibilities are well defined and executed accordingly.

**Board of directors**

The board of directors holds a meeting once every month to make decisions on important items pertaining to business management and items mandated by law. The board also confirms business results and supervises the business-execution functions of executive officers.

There were a total of 11 such meetings in FY2015 (through January 31, 2016). The average attendance was 98.3% (95.5% for external directors and 100.0% for external corporate auditors).

**Board of corporate auditors**

The board of corporate auditors comprises three external members and two standing members. To implement and strengthen audit and supervisory functions, members of this board attend important meetings, such as board of directors meetings. They also exchange information with the Auditing Department and accounting auditor as well as gather information from other company departments and subsidiaries on a regular basis and as needed.

**Internal control systems**

The Basic Policy Concerning the Development of an Internal Control System serves as a platform for our efforts to implement and ensure our internal control system operates properly. To ensure full compliance with the Japanese Financial Instruments and Exchange Law, strict internal controls (J-SOX) have been implemented on a group-wide basis, led by the J-SOX Group established within the Accounting & Finance Department. The International Internal Control Promotion Office, established in February 2015 within the Accounting & Finance Department, is in charge of building internal control systems at overseas subsidiaries.

**Corporate governance structure (As of April 1, 2016)**

**General Shareholders’ Meeting Board of Directors**

- General Shareholders’ Meeting Board of Directors (11 members, including 3 external directors)
- President & CEO
- CSR Committee (11 members, including 3 outside directors)
- CSR Committee (11 members, including 3 outside directors)
- J-SOX Group
- J-SOX Group
- CSR Office
- CSR Office

**Board of Corporate Auditors**

- Board of corporate auditors (5, of which 2 are external)
- Auditing Department
- Accounting & Finance Department
- International Internal Control Promotion Office
- Department for Administrative Control of Subsidiary & Affiliated Companies
- Legal Department
- Corporate Communications Department
- Public Relations Department
- Investor Relations Office
- CSR Office
- Other Internal departments
Compliance and Risk Management

The Sekisui House Group positions compliance and risk management as important issues to be addressed at all times. We have established various systems and structures and conduct ongoing initiatives in an attempt to maintain and improve these activities. Furthermore, we have been engaged in the protection of human rights for over 30 years, establishing a foundation that makes us a company trusted by society.

Promoting compliance

Sekisui House attempts to promote thorough compliance, which it positions as an ongoing management concern that includes not only an adherence to laws and regulations, but also the promotion of CSR initiatives as important issues to be addressed at all times. Specifically, the Compliance Risk Management Group, established under the CSR Committee and headed by the vice president, comprises approximately 20 managers from relevant divisions, such as the Personnel Department and Legal Department, and meets to engage in discussions once every three months.

In FY2015, these discussions focused on (1) business continuity planning (BCP) revisions and overseas risk management measures, (2) business optimization initiatives and (3) risk management training for Group companies.

In addition, improvement initiatives for compliance promotion issues and Orica’s cycle mechanisms were created led by managers at business sites throughout Japan. Going forward, we will continue to promote compliance.

Promoting the Protection of Human Rights

Since 1980, Sekisui House has addressed a variety of human rights issues, including those pertaining to the workplace assimilation of women, foreigners and the disabled, to create a corporate culture of zero tolerance for infringement of human rights.

In 2006, we transferred the Human Rights Promotion Office, established in 2003 and responsible for handling human rights issues, to the Legal Affairs Department and renamed it the Human Relations Office. This office, which trains employees to develop an awareness of human rights and handles harassment issues in the workplace, was reorganized with the goal of cultivating a workplace environment in which all employees can work comfortably.

The words “human relations” indicate our recognition that poor interpersonal relationships and communication in the workplace cause a variety of problems that impact everyone.

In FY2015, we continued our annual implementation of human relations training for all Group employees. Three hours of training are required per year (six hours are required for management and the male and female employees who handle sexual and power harassment complaints at each worksite).

Internal reporting system and whistleblower protection

The Sekisui House Group has an internal reporting system, known as the SCS (Sekisui House Group Compliance Support) System, which is designed to ensure that an employee who has witnessed an unethical act or any conduct that violates our corporate ethics policy can report it in confidence to the Compliance Office by phone, e-mail, or another channel. Our guidelines on internal reporting explicitly stipulate that the identity of whistleblowers and the content of their reports shall be treated as classified information and that such information shall not be used against their interests. In addition, we also offer help lines that provide counseling on personnel-related issues and hotlines dedicated to consultation regarding sexual and power harassment.

Though it is best to solve problems through talks within the workplace, we believe it is important to have an internal reporting system in place, which employees can freely turn to for help. Efforts are made to familiarize employees with the system through leaflets, intranet sites, and human relations training.

We also check our employees’ compliance awareness by conducting surveys once a year. Through these surveys on corporate ethics and workplace environments, we grasp the actual situation and set up opportunities for exchanging views among various company divisions to create an open corporate culture. Our ultimate goal is to improve our workplace environment to a point where the internal reporting system becomes redundant.

Personal Information Protection Initiatives

From housing exhibitions to building lot sales offices, most Sekisui House worksites handle customers’ personal information. We created a system corresponding to the Personal Information Protection Law, regularly implement e-learning and repeatedly conduct educational training for employees to ensure the careful handling of customer information. The e-learning activities include tests to confirm how well employees understand the proper protection of personal information. We also established the Customer Information Service Office, a dedicated department unifying responsibility for the protection of personal information led by the C5 promotion manager department manager who is also an executive officer. This structure enables the entire Group, including Sekisui Real Estate Group and Sekisui House Remodeling, to comply with the Personal Information Protection Law.

On the other hand, in the event of the loss or theft of customers’ personal information, customers are immediately informed of the situation to ensure understanding. At the same time, we make every attempt to recover this information. Going forward, we will continue the implementation of personal information protection-related e-learning and repeated guidance and education on the handling of personal information, while making efforts to heighten knowledge and awareness regarding personal information protection.

We will also strengthen personal information protection initiatives corresponding to each region overseas in line with the expansion of international business.

Furthermore, in the event of an incident involving customer information, we will announce details about the incident and future prevention measures on our corporate website.

Legal Compliance Status

Infringements and penalties related to the environment

In the fiscal year under review, there were no major infringements of environmental laws or regulations. There were no accidental spills or other incidents impacting the environment surrounding our factories.

Infringements and penalties related to products and services

In the fiscal year under review, there were no legal or regulatory infringements or penalties paid related to the provision and use of our products and services. There were also no infringements of health and safety-related regulations or voluntary standards.

Infringements and penalties related to customer privacy

In the fiscal year under review, there were no substantiated petitions for redress related to customer privacy infringements or customer data loss.
Sekisui House Sustainability Report 2016

Compliance and Risk Management

Promoting compliance

Sekisui House attempts to promote thorough compliance, which it positions as an ongoing management concern that includes not only adherence to laws and regulations, but also the promotion of CSR initiatives as important issues to be addressed at all times. Specifically, the Compliance Risk Management Group, established under the CSR Committee and headed by the vice president, comprises approximately 20 managers from relevant divisions, such as the Personnel Department and Legal Department, and meets to engage in discussions once every three months.

In FY2015, these discussions focused on (1) business continuity planning (BCP) revisions and overseas risk management measures, (2) business optimization initiatives and (3) risk management training for Group companies.

In addition, improvement initiatives for compliance promotion and ISO 9001 cycle mechanisms were created by managers at business sites throughout Japan. Going forward, we will continue to promote compliance.

Promoting the Protection of Human Rights

Since 1980, Sekisui House has addressed a variety of human rights issues, including those pertaining to the workplace assimilation of women, foreigners and the disabled, to create a corporate culture of zero tolerance for infringement of human rights.

In 2006, we transferred the Human Rights Promotion Office, established in 2003 and responsible for handling human rights issues, to the Legal Affairs Department and renamed it the Human Relations Office. This office, which trains employees to develop an awareness of human rights and handles harassment issues in the workplace, was reorganized with the goal of cultivating a workplace environment in which all employees can work comfortably. The words “human rights” indicate our recognition that poor interpersonal relationships and communication in the workplace cause a variety of problems that impact everyone.

In FY2015, we continued our annual implementation of human relations training for all Group employees. Three hours of training are required per year (six hours are required for human relations training for all Group employees. Three hours of training are required per year (six hours are required for human relations training for all Group employees.

Internal reporting system and whistleblower protection

The Sekisui House Group has an internal reporting system, known as the SCS (Sekisui House Group Compliance Support) System, which is designed to ensure that an employee who has witnessed an unlawful act or any conduct that violates our corporate ethics policy can report it in confidence to the Compliance Office by phone, e-mail, or another channel. Our guidelines on internal reporting explicitly stipulate that the identity of whistleblowers and the content of their reports shall be treated as classified information and that such information shall not be used against their interests. In addition, we also offer help lines that provide counseling on personnel-related issues and hotlines dedicated to consultation regarding sexual and power harassment.

Though it is best to solve problems through talks within the workplace, we believe it is important to have an internal reporting system in place, which employees can freely turn to for help. Efforts are made to familiarize employees with the system through leaflets, intranet sites, and human relations training.

We also check our employees’ compliance awareness by conducting surveys once a year. Through these surveys on corporate ethics and workplace environments, we grasp the actual situation and set up opportunities for exchanging views among various company divisions to create an open corporate culture. Our ultimate goal is to improve our workplace environments to a point where the internal reporting system becomes redundant.

Personal Information Protection Initiatives

From housing exhibitions to building lot sales offices, most Sekisui House worksites handle customers’ personal information. We created a system corresponding to the Personal Information Protection Law, regularly implement e-learning and repeatedly conduct educational training for employees to ensure the careful handling of customer information. The e-learning activities include tests to confirm how well employees understand the proper protection of personal information. We also established the Customer Information Service Office, a dedicated department unifying responsibility for the protection of personal information led by the C5 promotion manager department manager who is also an executive officer. This structure enables the entire Group, including Sekisui Real Estate Group and Sekisui House Remodeling, to comply with the Personal Information Protection Law. On the other hand, in the event of the loss or theft of customers’ personal information, customers are immediately informed of the situation to ensure understanding. At the same time, we make every attempt to recover this information.

Going forward, we will continue the implementation of personal information protection-related e-learning and repeated guidance and education on the handling of personal information, while making efforts to heighten knowledge and awareness regarding personal information protection.

We will also strengthen personal information protection initiatives corresponding to each region overseas in line with the expansion of international business. Moreover, in the event of an incident involving customer information, we will announce details about the incident and future prevention measures on our corporate website.

Legal Compliance Status

Infractions and penalties related to the environment

In the fiscal year under review, there were no major infractions of environmental laws or regulations. There were no accidental spills or other incidents impacting the environment surrounding our factories.

Infractions and penalties related to products and services

In the fiscal year under review, there were no illegal or regulatory infractions or penalties paid related to the provision and use of our products and services. There were also no infractions of health and safety-related regulations or voluntary standards.

Infractions and penalties related to customer privacy

In the fiscal year under review, there were no substantiated petitions for redress related to customer privacy infringements or customer data loss.

Business Continuity Planning (BCP) Maintenance

Sekisui House maintains business continuity planning (BCP) preparedness in the event of a major natural disaster or other catastrophe. We revised traditional guidelines emphasizing recovery and released and implemented a disaster manual in February 2013 for the sales division and head office stipulating a focus on the continuation of business activities. In the increasingly likely event of a Nankai Trough Megathrust Earthquake in the near future, enormous damage is expected in Osaka, where our head office (Umeda Sky Building) is located. In preparation for the likelihood of business continuity challenges at our head office, we formulated BCP, including the establishment of a disaster countermeasures office at our head office and a BCP operation manual. Going forward, we will continue to regularly conduct training and drills in an attempt to verify and revise manuals.

We are also focusing efforts on business continuity management (BCM) at supplier companies that provide numerous components and parts necessary for the manufacturing of houses. In FY2015, we continued implementation of disaster response system drills. Through these drills, we are able to confirm the BCM status of supplier companies while attempting to enhance systems able to quickly gather information and formulate countermeasures.

Fair Business Practices

The Sekisui House Group formulated and enacted the Sekisui House Corporate Ethics Guidelines in October 2013 as common items related to corporate ethics that must be observed by the Company, its directors and employees to promote the corporate activities of each Group company.

The section on “Relationships with customers, suppliers and competitors” in the third item specifies appropriate business practices, adherence to the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors and prohibition of entertaining and gifts to ensure business practices are thoroughly fair.

Also, we established a checklist item related to the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors as one of the internal control checklist items to confirm business practices are conducted fairly, while training on relevant laws and regulations is provided to all employees to deepen their understanding of subcontractor transactions and laws and regulations.

In the fiscal year under review, there were no infractions pertaining to anti-monopoly laws.

Organizational Management

Sekisui House Sustainability Report 2016

59 Sekisui House Sustainability Report 2016

60 Sekisui House Sustainability Report 2016
Material Balance

Collecting Accurate Data on the Environmental Impact Caused by Corporate Activities The Sekisui House Group monitors environmental impacts at each stage of the lifecycle of our housing products—including development and design, raw material procurement, factory production, transportation, construction, and occupancy—and discloses this information. Since FY2012, we have also reported Scope 3 greenhouse gas (GHG) emissions from the Sekisui House Group value chain.

 FY2015 Environmental Impact Caused by Corporate Activities in

<table>
<thead>
<tr>
<th>Resource input</th>
<th>Business activities</th>
<th>Waste generation/CO2 emissions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Materials</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paper</td>
<td>779</td>
<td></td>
</tr>
<tr>
<td>Electricity</td>
<td>1,163,639 t-CO2</td>
<td></td>
</tr>
<tr>
<td>Light oil</td>
<td>56.6 t CO2</td>
<td></td>
</tr>
<tr>
<td>Glass</td>
<td>15,541 t</td>
<td></td>
</tr>
<tr>
<td>Light oil</td>
<td>1,503 t</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>1,933 t</td>
<td></td>
</tr>
<tr>
<td><strong>Development and design</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paper</td>
<td>84 t</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>577 t</td>
<td></td>
</tr>
<tr>
<td><strong>Raw materials</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wood</td>
<td>1,109,009 t</td>
<td></td>
</tr>
<tr>
<td>Plastic</td>
<td>854,419 t</td>
<td></td>
</tr>
<tr>
<td>Paper</td>
<td>1,109,009 t</td>
<td></td>
</tr>
<tr>
<td><strong>Transportation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Light oil</td>
<td>584 t</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>2,073 t</td>
<td></td>
</tr>
<tr>
<td><strong>Construction</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Concrete</td>
<td>29,322 t CO2</td>
<td></td>
</tr>
<tr>
<td>Wood</td>
<td>154,922 t</td>
<td></td>
</tr>
<tr>
<td><strong>Occupancy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Light oil</td>
<td>3,921 t</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>9,099 t</td>
<td></td>
</tr>
<tr>
<td><strong>Demolition</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Concrete</td>
<td>1,817 t CO2</td>
<td></td>
</tr>
<tr>
<td>Wood</td>
<td>597,990 t</td>
<td></td>
</tr>
</tbody>
</table>

Sekisui House provides the market with eco-friendly homes offering excellent insulation and equipped with PV systems and Earthwarm heat cells. In FY2015, we sold 7,756 Green First Zero homes with net zero energy consumption (by January 2016). We also provide highly eco-friendly the Mason low-rise rental apartments.

Expanding the calculation scope for greenhouse gas (GHG) emissions resulted in an increase in emissions of 1.816 million t-CO2 in FY2014. Excluding the main reason for the increase, CO2 emitted from the use of low-rise apartments, emissions decreased 162,000 t-CO2.

FY2015 Amount of CO2 Emissions by Scopes 1–3

Since FY2012, we have calculated and disclosed Scopes 1–3 emissions based on the Greenhouse Gas Protocol. Within Scope 3, Sekisui House promotes the sale of Green First eco-friendly housing that contributes to the reduction of CO2 during occupancy. In addition to conventional detached housing, in FY2015 we expanded the scope of our calculations to include CO2 emissions from the use of low-rise apartment products supplied as well as product disposal (see “Data Calculation Assumptions”). We also began Scope 1 and 2 calculations for energy used at overseas business offices. As a result, FY2015 Scopes 1–3 CO2 emissions totaled 5.173 million t-CO2.

**CO2 Emissions by Scope 1–3**

<table>
<thead>
<tr>
<th>Scope</th>
<th>1st 2nd 3rd</th>
<th>t-CO2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1</td>
<td>4,971</td>
<td>2,599</td>
</tr>
<tr>
<td>Scope 2</td>
<td>6,358</td>
<td>2,272</td>
</tr>
<tr>
<td>Scope 3</td>
<td>1,128</td>
<td>1,297</td>
</tr>
</tbody>
</table>

**Total**: 8,457,000 t-CO2

**Notes on the data**

| Scope of coverage: The subjects of this survey are Sekisui House, Ltd., its major consolidated subsidiaries in Japan (48 companies), and all consolidated subsidiaries overseas (11 companies). We disclose data for all companies, whether or not they are consolidated subsidiaries other than the Sekisui House Group companies.
| Period covered: The applicable period is FY2015 (from February 2015 to January 2016). Estimated figures were used where final data was not available at the time of calculation.
| For estimates of domestic electricity usage, we used a CO2 emissions intensity (0.357 t-CO2/kWh) published in the management section of the survey of 4,231 voluntary action plans produced by the Japan Prefabricated Construction Suppliers and Manufacturers Association.
| Development and design (including the data of sales and administration divisions of model homes):
| Materials: Total CO2 emissions 334,000 t-CO2
| Energy and CO2: the amount of energy consumption and CO2 emissions by offices and model homes.

<table>
<thead>
<tr>
<th><strong>Raw materials</strong></th>
</tr>
</thead>
</table>
| CO2 emissions from the use of low-rise apartment products and CO2 emissions resulting from new construction by all 19 Sekiwa Wood factories and two Sekiwa Wood factories in Shenyang. (The calculation was made according to the guidelines provided in the FAO on the Rational Use of Land and according to the manual issued by the Ministry of the Environment and the Ministry of Economy, Trade, and Industry.)
| **Factory production** |
| Materials: the estimated amount of raw materials used for manufacturing detached houses and low-rise rental apartments. Energy and CO2: the amount of energy consumption and CO2 emissions by the following factories, Sekiwa Wood, Ltd., Sekiwa House, Ltd., Sekiwa House Advanced Manufacturing (Shenyang). (The calculation was made according to the guidelines provided in the FAO on the Rational Use of Land and according to the manual issued by the Ministry of the Environment and the Ministry of Economy, Trade, and Industry.)
| **Transportation** |
| Energy and CO2: the amount of energy consumed and CO2 emissions resulting from new construction by all 19 Sekiwa Construction companies and building contractor partners and Sekiwa House Remodeling.
| **Construction** |
| Energy and CO2: the estimated amount of energy consumption and CO2 emissions resulting from new construction by all 19 Sekiwa Construction companies and building contractor partners and Sekiwa House Remodeling.
| **Demolition** |
| Energy and CO2: the estimated amount of energy consumption and CO2 emissions resulting from the use of heavy machinery for demolition, by all 19 Sekiwa Construction companies and building contractor partners and Sekiwa House Remodeling.
| **Occupancy** |
| Energy and CO2: the estimated amount of energy consumption and CO2 emissions resulting from the estimated amount of energy consumption and CO2 emissions resulting from the use of heavy machinery for demolition, by all 19 Sekiwa Construction companies and building contractor partners and Sekiwa House Remodeling.

**CO2 Emissions by Scope 1–3**

<table>
<thead>
<tr>
<th>Scope 1</th>
<th>4,971 t-CO2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation</td>
<td>0.396 t-CO2</td>
</tr>
<tr>
<td>Disposal of waste products</td>
<td>0.396 t-CO2</td>
</tr>
<tr>
<td>Office waste</td>
<td>0.292 t-CO2</td>
</tr>
<tr>
<td>Occupancy</td>
<td>0.182 t-CO2</td>
</tr>
<tr>
<td>Raw materials</td>
<td>0.032 t-CO2</td>
</tr>
</tbody>
</table>

**Total**: 5,173,000 t-CO2

**Notes on the data**

* CO2 emissions from the use of electricity and heat purchased by the Sekisui House Group (45,000 t-CO2)
* The volume of wood chips generated at factories was greatly reduced in line with the closure of Sekiwa Wood, Ltd.
* Treatment products sold by Sekisui House after being discarded
* Capital goods, activities related to fuel and energy consumption not included in Scope 1 and 2, business trips and commuting of employees, leased assets at headquarters, etc.

<table>
<thead>
<tr>
<th>Scope 1 and 2 emissions</th>
<th>130,000 t-CO2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 3 emissions</td>
<td>5,043,000 t-CO2</td>
</tr>
</tbody>
</table>

**Total**: 5,173,000 t-CO2

**Notes on the data**

* CO2 emissions resulting from the use of fuels by the Sekisui House Group (96,000 t-CO2)
* CO2 emissions resulting from the use of electricity and heat purchased by the Sekisui House Group (45,000 t-CO2)
* CO2 emissions resulting from the use of energy for energy and producing raw materials, transporting building components, disposal of waste by non-Sekisui House Group companies or customers, and the use of energy from the use of electricity (154,922 t-CO2)

**Development and design, factory production, demolition**

<table>
<thead>
<tr>
<th>Raw materials</th>
<th>29.2 t-CO2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation</td>
<td>130,000 t-CO2</td>
</tr>
<tr>
<td>Disposal of waste products</td>
<td>2,599 t-CO2</td>
</tr>
<tr>
<td>Office waste</td>
<td>1,511,000 t-CO2</td>
</tr>
<tr>
<td>Occupancy</td>
<td>1,511,000 t-CO2</td>
</tr>
</tbody>
</table>

**Total**: 5,173,000 t-CO2

**Notes on the data**

* CO2 emissions resulting from the use of electricity and heat purchased by the Sekisui House Group (45,000 t-CO2)
* CO2 emissions resulting from the use of energy for energy and producing raw materials, transporting building components, disposal of waste by non-Sekisui House Group companies or customers, and the use of energy from the use of electricity (154,922 t-CO2)

**Notes on the data**

* CO2 emissions resulting from the use of electricity and heat purchased by the Sekisui House Group (45,000 t-CO2)
* CO2 emissions resulting from the use of energy for producing raw materials, transporting building components, disposal of waste by non-Sekisui House Group companies or customers, and the use of energy from the use of electricity (154,922 t-CO2)

**Notes on the data**

* CO2 emissions resulting from the use of electricity and heat purchased by the Sekisui House Group (45,000 t-CO2)
* CO2 emissions resulting from the use of energy for producing raw materials, transporting building components, disposal of waste by non-Sekisui House Group companies or customers, and the use of energy from the use of electricity (154,922 t-CO2)

**Notes on the data**

* CO2 emissions resulting from the use of electricity and heat purchased by the Sekisui House Group (45,000 t-CO2)
* CO2 emissions resulting from the use of energy for producing raw materials, transporting building components, disposal of waste by non-Sekisui House Group companies or customers, and the use of energy from the use of electricity (154,922 t-CO2)
Material Balance

Collecting Accurate Data on the Environmental Impact Caused by Corporate Activities The Sekisui House Group monitors environmental impacts at each stage of the lifecycle of its housing products—including development and design, raw material procurement, factory production, transportation, construction, and occupancy—and discloses this information. Since FY2012, we have also reported Scope 3 greenhouse gas (GHG) emissions from the Sekisui House Group value chain.

**FY2015 Environmental Impact Caused by Corporate Activities in**

<table>
<thead>
<tr>
<th>Resource input</th>
<th>Waste generation/CO2 emissions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Material Balance</strong></td>
<td>Since FY2012, we have also reported Scope 3 greenhouse gas (GHG) emissions from the Sekisui House Group value chain. The materials balance shows the environmental impacts at each stage of the lifecycle of our housing products—including development and design, raw materials, energy consumption, and waste generation. The materials balance includes items such as materials, energy consumed, waste generated, and CO2 emissions. This information is crucial for understanding the environmental footprint of the company's operations.</td>
</tr>
<tr>
<td><strong>Development and design</strong></td>
<td>We provide highly efficient housing, including Green First Zero homes with net zero energy consumption. We also provide highly efficient homes with fuel cells. In FY2015, we built 7,556 Green First Zero homes with net zero energy consumption. We also provide highly efficient homes with fuel cells. In FY2015, we built 7,556 Green First Zero homes with net zero energy consumption.</td>
</tr>
<tr>
<td><strong>Raw materials</strong></td>
<td>Sekisui House provides the market with eco-friendly homes offering excellent insulation and equipped with PV systems and bio-fuel cells. In FY2015, we built 7,556 Green First Zero homes with net zero energy consumption (including the data of Sekisui House Advanced Manufacturing). We also began Scope 1 and 2 calculations for the greenhouse gas (GHG) emissions resulting in an increase in emissions of 1.86 total CO2 in FY2014. Excluding the main reason for the increase, CO2 emissions from the use of low-rise apartments decreased. Also, note that Scope 1 and 2 CO2 emissions from construction and demolition include emissions from construction and demolition undertaken by building contractor partners that are not members of the Sekisui House Group. These emissions should have been counted as Scope 3 emissions, but owing to the difficulty of distinguishing between the work undertaken by our group companies and that undertaken by non-group companies, we include them in Scope 1 and 2 emissions for the sake of simplicity.</td>
</tr>
<tr>
<td><strong>Transportation</strong></td>
<td>Expanding the calculation scope for greenhouse gas (GHG) emissions resulted in an increase in emissions of 1.86 total CO2 in FY2014. Excluding the main reason for the increase, CO2 emissions from the use of low-rise apartments decreased. Also, note that Scope 1 and 2 CO2 emissions from construction and demolition include emissions from construction and demolition undertaken by building contractor partners that are not members of the Sekisui House Group. These emissions should have been counted as Scope 3 emissions, but owing to the difficulty of distinguishing between the work undertaken by our group companies and that undertaken by non-group companies, we include them in Scope 1 and 2 emissions for the sake of simplicity.</td>
</tr>
<tr>
<td><strong>Construction</strong></td>
<td>The estimated amount of CO2 emissions resulting from production of raw materials purchased by Sekisui House Ltd. factories and Sekisui House Remodeling business. We use wood and wood products as natural materials in our products, including furniture, panels, and other building components. We also use wood to provide insulation for our homes, which helps to reduce energy consumption.</td>
</tr>
<tr>
<td><strong>Occupancy</strong></td>
<td>The estimated amount of energy consumption and CO2 emissions resulting from the use of heavy machinery for demolition, by all 19 Sekisui House Construction companies and building contractor partners. This data includes energy consumption and CO2 emissions from the use of heavy machinery for demolition, by all 19 Sekisui House Construction companies and building contractor partners.</td>
</tr>
<tr>
<td><strong>Demolition</strong></td>
<td>The estimated amount of energy consumption and CO2 emissions resulting from the use of heavy machinery for demolition, by all 19 Sekisui House Construction companies and building contractor partners. This data includes energy consumption and CO2 emissions from the use of heavy machinery for demolition, by all 19 Sekisui House Construction companies and building contractor partners.</td>
</tr>
</tbody>
</table>

**FY2015 Amount of CO2 Emissions by Scopes 1–3**

Since FY2012, we have calculated and disclosed Scopes 1–3 emissions based on the Greenhouse Gas Protocol. Within Scope 3 emissions, Sekisui House promotes the sale of Green First eco-friendly housing that contributes to the reduction of CO2 in the future. In addition to conventional detached housing, in FY2015 we expanded the scope of our calculations to include CO2 emissions from the use of low-rise apartment products supplied as well as product disposal (see “Data Calculations Assumptions”). We also began Scope 1 and 2 calculations for energy used at overseas business offices. As a result, FY2015 Scopes 1–3 CO2 emissions totaled 17.5 million t-CO2.

**CO2 Emissions by Scope 1–3**

*We refer to the Greenhouse Gas Protocol for CO2 emissions.*

**FY2015 Environmental Impact Caused by Corporate Activities in**

<table>
<thead>
<tr>
<th>Resource input</th>
<th>Waste generation/CO2 emissions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Material Balance</strong></td>
<td>Since FY2012, we have also reported Scope 3 greenhouse gas (GHG) emissions from the Sekisui House Group value chain. The materials balance shows the environmental impacts at each stage of the lifecycle of our housing products—including development and design, raw materials, energy consumption, and waste generation. The materials balance includes items such as materials, energy consumed, waste generated, and CO2 emissions. This information is crucial for understanding the environmental footprint of the company's operations.</td>
</tr>
<tr>
<td><strong>Development and design</strong></td>
<td>We provide highly efficient housing, including Green First Zero homes with net zero energy consumption. We also provide highly efficient homes with fuel cells. In FY2015, we built 7,556 Green First Zero homes with net zero energy consumption. We also provide highly efficient homes with fuel cells. In FY2015, we built 7,556 Green First Zero homes with net zero energy consumption.</td>
</tr>
<tr>
<td><strong>Raw materials</strong></td>
<td>Sekisui House provides the market with eco-friendly homes offering excellent insulation and equipped with PV systems and bio-fuel cells. In FY2015, we built 7,556 Green First Zero homes with net zero energy consumption (including the data of Sekisui House Advanced Manufacturing). We also began Scope 1 and 2 calculations for the greenhouse gas (GHG) emissions resulting in an increase in emissions of 1.86 total CO2 in FY2014. Excluding the main reason for the increase, CO2 emissions from the use of low-rise apartments decreased. Also, note that Scope 1 and 2 CO2 emissions from construction and demolition include emissions from construction and demolition undertaken by building contractor partners that are not members of the Sekisui House Group. These emissions should have been counted as Scope 3 emissions, but owing to the difficulty of distinguishing between the work undertaken by our group companies and that undertaken by non-group companies, we include them in Scope 1 and 2 emissions for the sake of simplicity.</td>
</tr>
<tr>
<td><strong>Transportation</strong></td>
<td>Expanding the calculation scope for greenhouse gas (GHG) emissions resulted in an increase in emissions of 1.86 total CO2 in FY2014. Excluding the main reason for the increase, CO2 emissions from the use of low-rise apartments decreased. Also, note that Scope 1 and 2 CO2 emissions from construction and demolition include emissions from construction and demolition undertaken by building contractor partners that are not members of the Sekisui House Group. These emissions should have been counted as Scope 3 emissions, but owing to the difficulty of distinguishing between the work undertaken by our group companies and that undertaken by non-group companies, we include them in Scope 1 and 2 emissions for the sake of simplicity.</td>
</tr>
<tr>
<td><strong>Construction</strong></td>
<td>The estimated amount of CO2 emissions resulting from production of raw materials purchased by Sekisui House Ltd. factories and Sekisui House Remodeling business. We use wood and wood products as natural materials in our products, including furniture, panels, and other building components. We also use wood to provide insulation for our homes, which helps to reduce energy consumption.</td>
</tr>
<tr>
<td><strong>Occupancy</strong></td>
<td>The estimated amount of energy consumption and CO2 emissions resulting from the use of heavy machinery for demolition, by all 19 Sekisui House Construction companies and building contractor partners. This data includes energy consumption and CO2 emissions from the use of heavy machinery for demolition, by all 19 Sekisui House Construction companies and building contractor partners.</td>
</tr>
<tr>
<td><strong>Demolition</strong></td>
<td>The estimated amount of energy consumption and CO2 emissions resulting from the use of heavy machinery for demolition, by all 19 Sekisui House Construction companies and building contractor partners. This data includes energy consumption and CO2 emissions from the use of heavy machinery for demolition, by all 19 Sekisui House Construction companies and building contractor partners.</td>
</tr>
</tbody>
</table>

**Notes on the data**

Scope of coverage: The subjects of this survey are Sekisui House Ltd., its major consolidated subsidiaries in Japan (48 companies), and smaller consolidated subsidiaries overseas (11 companies). This report does not contain data for any non-group companies other than the Sekisui House Group companies. Period covered: The applicable period is FY2015 (from February 2015 to January 2016). Estimated figures were used where final data was not available at the time of calculation. For estimates of domestic electricity usage, we used a CO2 emissions intensity (0.357 kg-CO2/kWh) published in the objectives management survey of the Electric Power Industry’s 2015 voluntary action plan produced by the Japan Prefabricated Construction Suppliers and Manufacturers Association. Development and design (including the data of sales and administration divisions of member companies): *Machinery*: The estimated amount of raw materials used for manufacturing detached houses and low-rise rental apartments. *Energy and CO2*: The amount of energy consumption and CO2 emissions by offices and model homes. *Waste*: The volume of waste generated by the Sekisui House Ltd. head office (including offices of consolidated subsidiaries in the same building). Raw materials: *CO2*: The estimated amount of CO2 emissions resulting from production of raw materials purchased by Sekisui House Ltd. factories. Factory production: *Materials*: The estimated amount of raw materials used for manufacturing detached houses and low-rise rental apartments. *Energy and CO2*: The amount of energy consumption and CO2 emissions by the factories (including Sekisui Wood, Ltd. factories, and Sekisui House Advanced Manufacturing). *Waste*: The volume of waste generated by the Sekisui House Ltd. factories and Sekisui House Remodeling business. Transportation: *Energy and CO2*: The amount of energy consumption and CO2 emissions resulting from new construction by all 19 Sekisui House Construction companies and building contractor partners. *Waste*: The volume of waste generated from new construction, after-sales maintenance, and remodeling sites of Sekisui House Ltd., Sekisui House Construction companies (17 of the 19 companies), and Sekisui House Remodeling. Construction: *Energy and CO2*: The estimated amount of energy consumption and CO2 emissions resulting from new construction by all 19 Sekisui House Construction companies and building contractor partners. *Waste*: The volume of waste generated from new construction, after-sales maintenance, and remodeling sites of Sekisui House Ltd., Sekisui House Construction companies (17 of the 19 companies), and Sekisui House Remodeling. Occupancy: *CO2*: The estimated amount of CO2 emissions during occupancy at detached houses built in FY2015 from building components shipped from factories (the estimate is calculated assuming an occupancy period of 60 years for detached housing and 45 years for low-rise rental apartments). Demolition: *Energy and CO2*: The estimated amount of energy consumption and CO2 emissions resulting from the use of heavy machinery for demolition, by all 19 Sekisui House Construction companies and building contractor partners. *Waste*: The volume of waste generated from demolition of housing and commercial buildings by Sekisui House Ltd., Sekisui House Remodeling Construction companies (17 of the 19 companies), and Sekisui House Remodeling.
Eco-First Initiatives

The Eco-First system for companies was devised by the Japanese Ministry of the Environment requiring a commitment to initiatives related to global warming countermeasures, waste, recycling and other voluntary environmental protections. In 2008, Sekisui House announced the Eco-First Promise and was certified by the Ministry of the Environment as an industry-leading environmental company.

Updating the Eco-First Promise in Response to Changing Times

Sekisui House was certified as an Eco-First Company by the Japanese Ministry of the Environment (MOE) in June 2008, and we have since been steadily promoting our environmental initiatives. We remain committed to achieving our ultimate goals of global warming prevention, ecosystem preservation, and resource recycling. In 2012, we partially revised our Eco-First Promise to reflect changes in the social environment and the progress of our ongoing efforts. During FY2015, we made the following progress in our Eco-First activities.

FY2015 Progress in Major Activities Achieved in

1. We are taking positive measures to reduce CO2 emissions from residential and industrial sources.
   - Expanding sales of Green First series energy-efficient housing
   - Installed PV systems on Zaia Morin apartments
   - Remodeled an existing house to improve energy efficiency
2. We are continuing to make concerted efforts toward restoration of ecosystem networks.
   - Gohon no ki landscaping project
   - Implemented the Wood Procurement Guidelines
   - Promoting Sekisui House Forest and other forest conservation activities
3. We are promoting resource recycling to the fullest extent.
   - Utilized next-generation zero-waste systems
   - Encouraged the acquisition of Long-Term Quality Housing Certification
   - Promoted high-quality housing stock (SumStock)

TOPICS

Early Adoption of the “Cool Choice” National Movement

At the Paris COP21 in December 2015, Japan committed to reducing greenhouse gas emissions 26% compared to FY2013 by the year 2030. To this end, the government decided to launch a national movement to advance global warming prevention called “Cool Choice.” This national movement aims to promote “smart choices” linked to global warming countermeasures involving energy-saving and low-carbon products, services, and behaviors.

As an Eco-First company, Sekisui House was one of the first to endorse Cool Choice. In response to the significant demand for nearly 50% reductions in the housing sector, we have declared actions for taking the initiative to achieve this goal. We will propose comfortable eco-housing enabling residents to make smart choices through expanded construction of new net-zero energy housing and the energy-saving remodeling of existing houses.

Sustainable Café: A Place for Students to Interact

In November 2015, the Sustainable Café was set up in a meeting room at the Kirin headquarters so that university and graduate students could brainstorm about how to create a sustainable society. Students and representatives from Sekisui House, one of the council member companies, conducted a roundtable workshop on the topic “What we can do to prevent climate change and global warming?” A record-high total of 1,529 words were submitted. After a review by an impartial panel of judges, awards were given to outstanding works, including a Minister of the Environment Prize for the best one and a Sekisui House Prize.

6th Eco Slogan Contest

With the support of the Ministry of the Environment, Sekisui House collaborated with the Japan Elementary and Junior High School Environmental Education Research Society to invite elementary and junior high school students from all over Japan to submit eco-friendly slogans between June and September. This year’s theme was “What should we do to prevent climate change and global warming?” A record-high total of 1,529 words were submitted. After a review by an impartial panel of judges, awards were given to outstanding works, including a Minister of the Environment Prize for the best one and a Sekisui House Prize.

Eco-First Promotion Council Initiatives

Established in December 2009, the Eco-First Promotion Council is a voluntary group of companies that have all been certified as Eco-First Companies by the MOE. Comprising 37 companies as of February 1, 2016, the council works to ensure that member companies meet their commitments as an Eco-First Company and to promote joint efforts for further environmental protection activities.

In April 2014, our company was designated as the chair of the Eco-First Promotion Council (with Sekisui House Chairman Isami Wada acting as chairperson), taking the lead as an environmental advanced company. Council activities are connected to Eco-First Company and other Ministry of the Environment initiatives aimed at contributing to increased environmental awareness among Japanese citizens.

Main Activities in FY2015

6th Eco Slogan Contest

With the support of the Ministry of the Environment, Sekisui House collaborated with the Japan Elementary and Junior High School Environmental Education Research Society to invite elementary and junior high school students from all over Japan to submit eco-friendly slogans between June and September.

This year’s theme was “What should we do to prevent climate change and global warming?” A record-high total of 1,529 words were submitted. After a review by an impartial panel of judges, awards were given to outstanding works, including a Minister of the Environment Prize for the best one and a Sekisui House Prize.

Sustainable Café: A Place for Students to Interact

In November 2015, the Sustainable Café was set up in a meeting room at the Kirin headquarters so that university and graduate students could brainstorm about how to create a sustainable society. Students and representatives from Sekisui House, one of the council member companies, conducted a roundtable workshop on the topic “What we can do to prevent climate change and global warming?” A record-high total of 1,529 words were submitted. After a review by an impartial panel of judges, awards were given to outstanding works, including a Minister of the Environment Prize for the best one and a Sekisui House Prize.

Early Adoption of the “Cool Choice” National Movement

At the Paris COP21 in December 2015, Japan committed to reducing greenhouse gas emissions 26% compared to FY2013 by the year 2030. To this end, the government decided to launch a national movement to advance global warming prevention called “Cool Choice.” This national movement aims to promote “smart choices” linked to global warming countermeasures involving energy-saving and low-carbon products, services, and behaviors.

As an Eco-First company, Sekisui House was one of the first to endorse Cool Choice. In response to the significant demand for nearly 50% reductions in the housing sector, we have declared actions for taking the initiative to achieve this goal. We will propose comfortable eco-housing enabling residents to make smart choices through expanded construction of new net-zero energy housing and the energy-saving remodeling of existing houses.

Sustainable Café: A Place for Students to Interact

In November 2015, the Sustainable Café was set up in a meeting room at the Kirin headquarters so that university and graduate students could brainstorm about how to create a sustainable society. Students and representatives from Sekisui House, one of the council member companies, conducted a roundtable workshop on the topic “What we can do to prevent climate change and global warming?” A record-high total of 1,529 words were submitted. After a review by an impartial panel of judges, awards were given to outstanding works, including a Minister of the Environment Prize for the best one and a Sekisui House Prize.

Eco-First Promotion Council Initiatives

Established in December 2009, the Eco-First Promotion Council is a voluntary group of companies that have all been certified as Eco-First Companies by the MOE. Comprising 37 companies as of February 1, 2016, the council works to ensure that member companies meet their commitments as an Eco-First Company and to promote joint efforts for further environmental protection activities.

In April 2014, our company was designated as the chair of the Eco-First Promotion Council (with Sekisui House Chairman Isami Wada acting as chairperson), taking the lead as an environmental advanced company. Council activities are connected to Eco-First Company and other Ministry of the Environment initiatives aimed at contributing to increased environmental awareness among Japanese citizens.
Eco-First Initiatives

The Eco-First system for companies was devised by the Japanese Ministry of the Environment requiring a commitment to initiatives related to global warming countermeasures, waste, recycling and other voluntary environmental protections. In 2008, Sekisui House announced the Eco-First Promise and was certified by the Ministry of the Environment as an industry-leading environmental company.

Updating the Eco-First Promise in Response to Changing Times

Sekisui House was certified as an Eco-First Company by the Japanese Ministry of the Environment (MOE) in June 2008, and we have since been steadily promoting our environmental initiatives. We remain committed to achieving our ultimate goals of global warming prevention, ecosystem preservation, and resource recycling. In 2012, we partially revised our Eco-First Promise to reflect changes in the social environment and the progress of our ongoing efforts. During FY2015, we made the following progress in our Eco-First activities.

### FY2015 Progress in Major Activities Achieved in

1. **We are taking positive measures to reduce CO2 emissions from residential and industrial sources.**
   - Expanding sales of Green First net-zero energy housing
   - Utilized next-generation zero-waste systems
   - Encouraged the acquisition of Long-Term Quality Housing Certification
   - Promoted high-quality housing stock (SumStock)

2. **We are continuing to make concerted efforts toward restoration of ecosystem networks.**
   - Initiating PV systems on Sha Maison apartments
   - Promoting Sekisui House Forest and other forest conservation activities

3. **We are promoting resource recycling to the fullest extent.**
   - Golton no Ao landscaping project
   - Implemented the Wood Procurement Guidelines
   - Redeveloped an existing house to improve energy efficiency

### TOPICS

#### Early Adoption of the “Cool Choice” National Movement

At the Paris COP21 in December 2015, Japan committed to reducing greenhouse gas emissions 26% compared to FY2013 by the year 2030. To this end, the government decided to launch a national movement to advance global warming prevention called “Cool Choice.” This national movement aims to promote “smart choices” linked to global warming countermeasures involving energy-saving and low-carbon products, services and behaviors.

As an Eco-First company, Sekisui House was one of the first to endorse Cool Choice. In response to the significant demand for nearly 40% reductions in the housing sector, we have declared actions for taking the initiative to achieve this goal. We will propose comfortable eco-housing enabling residents to make smart choices through expanded construction of new net-zero energy housing and the energy-saving remodeling of existing houses.

### Eco-First Promotion Council Initiatives

Established in December 2009, the Eco-First Promotion Council is a voluntary group of companies that have all been certified as Eco-First Companies by the MOE. Comprising 37 companies as of February 1, 2016, the council works to ensure that member companies meet their commitments as an Eco-First Company and to promote joint efforts for further environmental protection activities.

In April 2014, our company was designated as the chair of the Eco-First Promotion Council (with Sekisui House Chairman Isami Wada acting as chairperson), taking the lead as an environmental advanced company. Council activities are connected to Eco-First Company and other Ministry of the Environment initiatives aimed at contributing to increased environmental awareness among Japanese citizens.

### Main Activities in FY2015

#### 6th Eco Slogan Contest

With the support of the Ministry of the Environment, Sekisui House collaborated with the Japan Elementary and Junior High School Environmental Research Society to invite elementary and junior high school students from all over Japan to submit eco-friendly slogans between June and September.

This year’s theme was “What should we do to prevent climate change and global warming?” A record-high total of 1,529 works were submitted. After a review by an impartial panel of judges, awards were given to outstanding works, including a Minister of the Environment Prize for the best one and a Sekisui House Prize.

“Why are you cool when you say ‘don’t waste’?”
Winner of the Sekisui House Prize in the Eco Slogan Contest
Rika Wakai, Sixth Grade
Igusa City Kamayama Elementary School

### Sustainable Café: A Place for Students to Interact

In November 2015, the Sustainable Café was set up in a meeting room at the Kirin headquarters so that university and graduate students could brainstorm about how to create a sustainable society.

Students and representatives from Sekisui House, one of the council member companies, conducted a roundtable workshop on the topic “What can we do to realize a sustainable society?” This exchange aimed to deepen mutual understanding and foster close friendships.

### TOPICS

#### Sekisui House Eco-First Park

The “Sekisui House Eco-First Park” opened at the Kanto Factory in May 2015.

The Sekisui House Eco-First Park contains the three most symbolic proving test houses from the Company’s environmental activity history: “the wind house,” "the house of tomorrow" and "the wood house." The name was chosen because this facility allows visitors to experience three initiative themes: “creatures’ garden,” “resource spring” and “Eco-First Promise.”

This facility enables visitors to experience all the ways housing can play a role in protecting the environment while providing a fun learning experience. It can be used to conduct environmental education programs for elementary school students and their parents, and as an educational tool for college students to understand the relationship between housing and the environment. Going forward, we will proactively utilize and promote this facility with the aim of providing ongoing exhibits.

Sekisui House Eco-First Park

The “Sekisui House Eco-First Park” opened at the Kanto Factory in May 2015.

The Sekisui House Eco-First Park contains the three most symbolic proving test houses from the Company’s environmental activity history: “the wind house,” "the house of tomorrow" and "the wood house." The name was chosen because this facility allows visitors to experience three initiative themes: “creatures’ garden,” “resource spring” and “Eco-First Promise.”

This facility enables visitors to experience all the ways housing can play a role in protecting the environment while providing a fun learning experience. It can be used to conduct environmental education programs for elementary school students and their parents, and as an educational tool for college students to understand the relationship between housing and the environment. Going forward, we will proactively utilize and promote this facility with the aim of providing ongoing exhibits.

Sekisui House Eco-First Park

http://www.sekisuihouse.co.jp/efp/

**Main Activities in FY2015**

- Expanding sales of Green First net-zero energy housing
- Utilized next-generation zero-waste systems
- Encouraged the acquisition of Long-Term Quality Housing Certification
- Promoted high-quality housing stock (SumStock)

**TOPICS**

**Sekisui House Eco-First Park**

The “Sekisui House Eco-First Park” opened at the Kanto Factory in May 2015.

The Sekisui House Eco-First Park contains the three most symbolic proving test houses from the Company’s environmental activity history: “the wind house,” "the house of tomorrow" and "the wood house." The name was chosen because this facility allows visitors to experience three initiative themes: “creatures’ garden,” “resource spring” and “Eco-First Promise.”

This facility enables visitors to experience all the ways housing can play a role in protecting the environment while providing a fun learning experience. It can be used to conduct environmental education programs for elementary school students and their parents, and as an educational tool for college students to understand the relationship between housing and the environment. Going forward, we will proactively utilize and promote this facility with the aim of providing ongoing exhibits.

Sekisui House Eco-First Park

The “Sekisui House Eco-First Park” opened at the Kanto Factory in May 2015.

The Sekisui House Eco-First Park contains the three most symbolic proving test houses from the Company’s environmental activity history: “the wind house,” "the house of tomorrow" and "the wood house." The name was chosen because this facility allows visitors to experience three initiative themes: “creatures’ garden,” “resource spring” and “Eco-First Promise.”

This facility enables visitors to experience all the ways housing can play a role in protecting the environment while providing a fun learning experience. It can be used to conduct environmental education programs for elementary school students and their parents, and as an educational tool for college students to understand the relationship between housing and the environment. Going forward, we will proactively utilize and promote this facility with the aim of providing ongoing exhibits.

Sekisui House Eco-First Park

http://www.sekisuihouse.co.jp/efp/
Post-Disaster Restoration and Reconstruction

Restoration and reconstruction after natural disasters is the social responsibility of the Sekisui House Group, which develops businesses related to homes that protect the lives, property and lifestyles of the people who live in them. We are engaged in ongoing activities aimed at both quick restoration when a disaster occurs as well as post-disaster reconstruction.

Post-Earthquake Reconstruction

Immediately after the Great East Japan Earthquake, the Sekisui House Group embarked on customer support activities in stricken areas while also assisting in restoration and reconstruction work and the construction of temporary houses and public housing for those displaced by the disaster. While relocation to higher ground and the construction of public housing for those displaced by the disaster are proceeding at a brisk pace, of the nearly 30,000 public housing units planned across three prefectures, only 47% had been completed as of January 1, 2016. Furthermore, although the number of evacuees in Fukushima, Miyagi and Iwate prefectures has declined from 470,000 after the earthquake, there are still nearly 170,000 people living as refugees.

We will continue Group-wide reconstruction efforts in stricken areas by building and getting residents back into their homes—the foundation of their lives.

New career-track employees take part in restoration-assistance activities

Starting in 2012, all new career-track employees at Sekisui House took turns going to the disaster-stricken areas to assist in reconstruction work (1,763 people in four years). Besides giving the stricken areas the assistance needed, the goal of this reconstruction effort is to deepen employees’ understanding of the significance of the housing business and have them think and act from other people’s perspectives. In the stricken areas, employees worked with NPOs to hear what assistance locals needed, and then got to work in groups after determining just how they could help. In 2015, we focused on cleanup efforts at temporary housing and meeting halls in an attempt to communicate with residents.

We plan to have new employees joining Sekisui House in FY2016 participate as part of our continuing assistance in reconstruction efforts in Tohoku.

Promoting Public Housing Projects through the Tohoku Reconstruction Department

We must move forward quickly with the construction of public rental housing for those having difficulty finding a place to live after leaving temporary housing. The entire Sekisui House Group is united in the effort to provide quick and reliable support. Despite skyrocketing material and labor costs, labor shortages and a variety of other challenges, over 48,000 construction and support staff from nationwide offices, the Sekiwa Construction Group and partner building contractors have been able to deliver all housing units within the contracted construction period, earning the deep appreciation of local governments.

There were also other problems, including a diminishing awareness of the Great East Japan Earthquake and discrepancies among administrative organs. To realistically proceed with reconstruction plans requires reconstruction models tailored to conditions in each region rather than one plan for all areas. Going forward, in addition to focusing on stable supplies, rapid construction and high quality, we will also keep a watchful eye on communities and incorporate their concerns into the construction of homes that are suitable for the displaced by the disaster that will make residents happy.

Provision Status of Public Housing for Those Displaced by the Disaster

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Projects bid on</th>
<th>Projects completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2012</td>
<td>4 Buildings</td>
<td>26 Units</td>
</tr>
<tr>
<td>FY2013</td>
<td>94 Buildings</td>
<td>245 Units</td>
</tr>
<tr>
<td>FY2014</td>
<td>79 Buildings</td>
<td>214 Units</td>
</tr>
<tr>
<td></td>
<td>126 Buildings</td>
<td>144 Units</td>
</tr>
<tr>
<td>FY2015</td>
<td>24 Buildings</td>
<td>708 Units</td>
</tr>
<tr>
<td></td>
<td>708 Buildings</td>
<td>82 Units</td>
</tr>
<tr>
<td>Total</td>
<td>24 Buildings</td>
<td>451 Units</td>
</tr>
</tbody>
</table>

Public Housing Examples

Miyakoshi, Kamaishi, Iwate Prefecture

Public housing for those displaced by the disaster

Promoting Public Housing Projects through the Tohoku Reconstruction Department

Restoration and Reconstruction after Heavy Rains and Flooding in the Kanto and Tohoku Regions

From September 9–11, 2015, record-breaking heavy rains fell in the Kanto and Tohoku regions, causing the Kinugawa River to overflow, resulting in several deaths, the partial or total destruction of homes and buildings, numerous incidents of above and below floor flooding and widespread damage throughout these areas.

Despite extensive damage, Sekisui House homeowners were injured nor were their homes totally destroyed, some did experience flooding above or below floors. Sekisui House sales offices are distributed throughout this area, which was extensively damaged. Intent on quickly providing the same level of support to all owners, sales office personnel worked together to provide initial responses regardless of location or area of responsibility.

On the 10th, a construction department experienced with initial response activities quickly leap into action, setting up the Kirugawa Flood Response Headquarters at the Tsukuba Branch at 6 p.m. that very same day. They began calling homeowners to check on their safety, and on the 11th and 12th, 50 employees from the customer service center were sent out to check on homeowners and assess damage. On the 13th, full-blown cleanup activities began. The Tsukuba branch, customer service center, Kanto Factory, construction department, Sekisui Construction and the Sekisui House Association worked together to remove scattered furniture, clean up inside houses, clean floors and remove mud and debris from under floors. As a result, we were able to complete emergency cleanup and inspection activities at all damaged homes in the Kirugawa River basin by the 20th.

Sekisui House announced the Disaster-Ready Factory Project in May 2014, and in October that same year, hosted disaster drills at the Tohoku Factory. At the 3rd United Nations World Conference on Disaster Risk Reduction, held March 14–18, 2015, the Sekisui House Tohoku Factory was selected as one of the stops on the study tour attended by the largest number of participants.

As the only company in the housing industry to be selected as a stop on the study tours related to the UN World Conference on Disaster Risk Reduction, Sekisui House welcomed 201 people from 29 countries to the Tohoku Factory. The visits have provided a chance to show the world the high level of disaster preparedness we have achieved in cooperation with Shikama Town. Making a particularly strong impression on visitors was our ability to construct houses and develop communities that are highly resilient in the face of natural disasters. The point was demonstrated in numerous ways, for example, for important Sekisui House homes are in protecting people’s lives, largely thanks to technologies we developed following the 1995 Great Hanshin-Awaji Earthquake, and by initiatives begun following the 2011 Great East Japan Earthquake, such as our Green First strategy and Smart Common Cities.

It is extremely important to involve citizens, governments, and private companies in disaster preparedness. Embarking on the disaster preparedness agreement, we started operation of a line to produce Bellum ceramic exterior wall tiles, creating 100 new jobs. Locally we also held a disaster prevention leader education project in May at the Tsukuba Factory in which ten local elementary school students participated. We also conducted school visits to local combined elementary and junior high schools in November. Besides continuing to step up public private cooperation, we will strive to be a company that dedicates its expertise in housing construction to contribute to people in disaster-stricken areas.

TOPICS

*Disaster Risk Reduction Factory of the Future* Contributing to Disaster Prevention in Regions throughout Japan

Sekisui House participated in the 3rd United Nations World Conference on Disaster Risk Reduction study tour in 2015. As one of the stops on the study tour, the Tohoku Factory, company headquarters of Sekisui House in Tohoku, was selected by the organization as a disaster prevention factory. During the trip, participants got to see how Sekisui House prepared for disaster through the Disaster-Ready Factory Project.
**Post-Disaster Restoration and Reconstruction**

Restoration and reconstruction after natural disasters is the social responsibility of the Sekisui House Group, which develops businesses related to homes that protect the lives, property and lifestyles of the people who live in them. We are engaged in ongoing activities aimed at both quick restoration when a disaster occurs as well as post-disaster reconstruction.

### Post-Earthquake Reconstruction

Immediately after the Great East Japan Earthquake, the Sekisui House Group embarked on customer support activities in stricken areas while also assisting in restoration and reconstruction work and the construction of temporary houses and public housing for those displaced by the disaster. While relocation to higher ground and the construction of public housing for those displaced by the disaster are proceeding at a brisk pace, of the nearly 30,000 public housing units planned across three prefectures, only 47% had been completed as of January 1, 2016. Furthermore, although the number of evacuees in Fukushima, Miyagi and Iwate prefectures has declined from 470,000 after the earthquake, there are still nearly 170,000 people living as refugees.

We will continue Group-wide reconstruction efforts in stricken areas by building and getting residents back into their homes—the foundation of their lives.

### New career-track employees take part in restoration-assistance activities

Starting in 2012, all new career-track employees at Sekisui House took turns going to the disaster-stricken areas to assist in reconstruction work (1,763 people in four years). Besides giving the stricken areas the assistance needed, the goal of this reconstruction effort is to deepen employees’ understanding of the significance of the housing business and have them think and act from other people’s perspectives.

In the stricken areas, employees worked with NPOs to hear what assistance locals needed, and then got to work in groups and act from other people’s perspectives.

We plan to have new employees joining Sekisui House in FY2016 participate as part of our continuing assistance in reconstruction work (1,763 people in four years). Besides continuing to step up public-private cooperation, we will develop businesses related to homes that protect the lives, property and lifestyles of the people who live in them.

### Provision Status of Public Housing for Those Displaced by the Disaster

<table>
<thead>
<tr>
<th>FY2012</th>
<th>Projects bid on</th>
<th>Projects completed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4 Buildings</td>
<td>126 Units</td>
</tr>
<tr>
<td>FY2013</td>
<td>84 Buildings</td>
<td>235 Units</td>
</tr>
<tr>
<td>FY2014</td>
<td>127 Buildings</td>
<td>214 Units</td>
</tr>
<tr>
<td>FY2015</td>
<td>126 Buildings</td>
<td>184 Units</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>341 Buildings</td>
<td>1036 Units</td>
</tr>
</tbody>
</table>

### Public Housing Examples

- Aoba-ku, Sendai, Miyagi Prefecture
  - Public housing for those displaced by the disaster

- Miyakotsu, Kasauchi, Tsukechi Prefecture
  - Public housing for those displaced by the disaster

- Fukushima Prefecture Futaba Reclamation Clinic
  - Futaba Re-Care

**TOPICS**

*Disaster Risk Reduction Factory of the Future*  
Competing to Disaster-Prevention in Regions throughout Japan

Sekisui House announced the Disaster-Ready Factory Project in May 2014, and in October that same year, hosted disaster drills at the Tohoku Factory. At the 3rd United Nations World Conference on Disaster Risk Reduction, held March 14–18, 2015, the Sekisui House Tohoku Factory was selected as one of the stops on the study tour attended by the largest number of participants.

As the only company in the housing industry to be selected as a stop on the study tour related to the UN World Conference on Disaster Risk Reduction, Sekisui House welcomed 201 people from 29 countries to the Tohoku Factory. The visits have provided a chance to show the world the high level of disaster preparedness we have achieved in cooperation with Shikama Town. Making a particularly strong impression on visitors was our ability to construct houses and develop communities that are highly resilient in the face of natural disasters. The point was demonstrated in numerous ways; for example, it was important Sekisui House’s homes are in protecting people’s lives, largely thanks to technologies we developed following the 1995 Great Hanshin-Awaji Earthquake, and by initiatives begun following the 2011 Great East Japan Earthquake, such as our Green First strategy and Smart Common Cities.

It is extremely important to involve citizens, governments, and private companies in disaster preparedness. Embarking on the disaster preparedness agreement, we started operation of a line to produce BellMum ceramic exterior wall tiles, creating 100 new jobs. Locally we also held a kids disaster prevention leader education project in May at the Tuhoku Factory in which ten local elementary school students participated. We also conducted school visits to local combined elementary and junior high schools in November. Besides continuing to step up public-private cooperation, we will strive to be a company that dedicates its expertise in housing construction to contribute to people in disaster-stricken areas.

**Note:** On April 14, 2016, a strong earthquake struck Kumamoto City in Kumamoto Prefecture. The initial earthquake has been followed by numerous aftershocks. The Sekisui House Group quickly set up a local response headquarters and established a Group support system that is making every effort to confirm the status of those affected. The Group has launched a fundraising campaign and has also conducted a variety of activities to support recovery efforts in the area. The first resilient housing stock purchased by the Group was offered to evacuees on April 15th. Since the 15th, Group employees have collected donations for disaster relief (as of April 18. For information on recent activities, please visit the Sekisui House corporate website).
**Children’s Fund Aid Organization Comment**

Protecting Children’s Lives and Supporting Their Future with Water and Electricity

Tetsuro Ikema, Representative Director

We are constructing a large deep well connected to a power generator and toilet facilities in the Ayeyarwady region of southwest Myanmar. In rural Myanmar, there is no water-electricity infrastructure, a major factor that prevents the healthy growth of children. This initiative is critical for supporting children’s growth, as infectious diseases transmitted through water and the need to travel far distances to a fresh water source cause children to miss school, while electricity protects children from incidents and accidents at night.

The children of Myanmar first came to appreciate the provision of safe water and to know the happiness of going to school through the support of the Sekisui House Matching Program. On behalf of the children of Myanmar, I offer a heartfelt thank you.

**Eco-Fund Aid Organization Comment**

Restoration of the Hanasuma Imperial Coastal Forest in Sanmu, Chiba Prefecture

Hidenobu Takegaki, Representative Director

With funding provided by the Sekisui House Matching Program, we are proceeding with the restoration of the Hanasuma Imperial Coastal Forest in Sanmu, Chiba Prefecture, which was destroyed by a tsunami. Specifically, we are felling dead trees, turning them into woodchips and spreading the chips around as we plant Japanese black pine, which is suitable for sustaining a coastal forest. After planting, we will clear the undergrowth about every five years to promote the growth of saplings we have planted. With the funding we received, we are able to expand the coastal forest band and heighten the function of the coastal forest. Since 2013, volunteers from Sekisui House have participated in coastal forest restoration activities by helping us clear undergrowth during the intense heat of summer, which has been a tremendous help. I am happy to have their help in restoring the Hanasuma coastal forest, which was the most severely damaged along Chiba Prefecture’s Kujukuri coastline.

**Supporting the “Bento Day” Project**

By having children make their own bento (box lunch), the Bento Day project teaches children the importance of proper eating and the fun of cooking. It also helps them develop an attitude of appreciation. Children are encouraged to do everything involved in bento preparation—from planning the menu and shopping for ingredients, to cooking and cleaning up the kitchen—without any parental involvement. Advocated by former school principal Kazuo Takeshita, the Bento Day project currently welcomes the participation of more than 1,700 elementary and junior high schools across Japan. Sekisui House participates as a supporting company to help spread awareness about this project.

In September 2015, we organized the 11th bento-cooking event at the Sumufumulab in Grand Front Osaka. We also hosted a seminar by Mr. Takeshita on the same day at a different venue, where elementary school students made bento.

**Environmental Education Programs**

Awareness activities aimed at children who will lead the next generation are important for the promotion of global warming prevention and environmental conservation. To this end, Sekisui House conducts hands-on educational programs based on the three themes: we are committed to as an Eco-First Company: reducing CO2 emissions, restoring biodiversity networks and resource recycling.

Our “Housecology” educational program, which teaches the connection between global warming and human lifestyles (conducted 23 times for 615 people in FY2015), won the Ninth Kids Design Award in the children’s future design learn and comprehension category (sponsored by NPO Kids Design Association).

**Kids’ Education at Shin-Satoyama and the Wall of Hope**

Shin-satoyama is an 8,000 m² area of open space in Shin-Umeda City, where our head office is located. It was created based on the Gishon no ki concept. Every year since 2007, we have been holding hands-on educational programs for local kindergartens and elementary schools. In FY2015, 61 local elementary school students planted rice and 64 kindergartners planted satsuma sweet potatoes.

Throughout the year, various events are held at the world’s largest tree planting monument, the “Wall of Hope,” built onsite. We intend to make the Wall of Hope into a relaxing green space as a “wall of butterflies.” We are letting children plant citrus plants and cabbages—food for caterpillars—on the Shin-Satoyama grounds and flowers—to provide nectar for butterflies—on the Wall of Hope.

**Housecology seminar**

**Kids planting rice plantlets**
Social Action Programs

With a “love of humanity” at the core of our corporate philosophy—alongside our emphasis on housing culture, the sound growth of the next generation, and environmental preservation—we have developed programs enabling employees to voluntarily take socially meaningful action, while working for the wellbeing of communities as part of their corporate activities. As well as encouraging our employees to take part in volunteer and charitable pursuits, we partner with NPOs and NGOs in support of their activities, and we assist educational institutions on selected educational initiatives.

Employee and Company Joint Donation System “Sekisui House Matching Program”

Since FY2006, we have been implementing the Sekisui House Matching Program, under which we match employee donations (approximately 3,500 participants) to NPOs and other organizations engaged in activities that contribute to the creation of a sustainable society. This system enables employees to have an amount of their choice (1 unit = 100 yen) withheld from their salaries for donations, and Sekisui House matches the donations and contributes an equal amount in the form of grants. Grant money is disbursed from two funds: the Sekisui House Children’s Fund and the Sekisui House Eco-Fund. We also established the Momo-Kaki Orphans Fund Program to support the Momo-Kaki Orphans Fund, which is chaired by architect Tadao Ando. This fund provides financial assistance to children orphaned by the 2011 Great East Japan Earthquake. In 2015, to commemorate the tenth year of this system, we established the Housing Community Fund.

In FY2015, 12.18 million yen from our Children’s Fund was donated to 12 organizations (project grants to 11 organizations and infrastructure grants to one organization) and 10.6 million yen from our Eco-Fund was donated to 13 organizations (project grants to eight organizations and infrastructure grants to five organizations), bringing the cumulative total of our donations to 22.78 million yen provided to 25 organizations. In FY2015, the Momo-Kaki Orphans Fund Program donated 13.4 million yen (a cumulative total of 55.4 million yen). Up to now, we have donated a total of over 200 million yen to 200 organizations.

Sekisui House Matching Program

Program for joint donations with employees

Sekisui House Matching Program Association

Sekisui House

Sekisui House Children’s Fund

Sekisui House Eco-Fund

Sekisui House Matching Program

Sekisui House Matching Program Association

Secretariat: CSR Office

Social Report

Supporting the “Bento Day” Project

By having children make their own bento (box lunch), the Bento Day project teaches children the importance of proper eating and the fun of cooking. It also helps them develop an attitude of appreciation. Children are encouraged to do everything involved in bento preparation—from planning the menu and shopping for ingredients, to cooking and cleaning up the kitchen—without any parental involvement. Advocated by former school principal Kazuo Takeshita, the Bento Day project currently welcomes the participation of more than 1,700 elementary and junior high schools across Japan. Sekisui House participates as a supporting company to help spread awareness about this project.

In September 2015, we organized the 11th bento-cooking event at the Sumufumubai in Grand Front Osaka. We also hosted a seminar by Mr. Takeshita on the same day at a different venue, where elementary school students made bentos.

Children’s Fund Aid Organization Comment

Protecting Children’s Lives and Supporting Their Future with Water and Electricity

Tetsuro Ikema, Representative Director

NPO Asia Child Support

We are constructing a large deep well connected to a power generator and toilet facilities in the Ayeyarwady region of southwest Myanmar. In rural Myanmar, there is no water or electricity infrastructure, a major factor that prevents the healthy growth of children. This initiative is critical for supporting children’s growth, as infectious diseases transmitted through water and the need to travel far distances to a fresh water source cause children to miss school, while electricity protects children from incidents and accidents at night.

The children of Myanmar first came to appreciate the provision of safe water and to know the happiness of going to school through the support of the Sekisui House Matching Program. On behalf of the children of Myanmar, I offer a heartfelt thank you.

Eco-Fund Aid Organization Comment

Restoration of the Hasanuma Imperial Coastal Forest in Sanmu, Chiba Prefecture

Hidenobu Takegaki, Representative Director

NPO The Lifestyle Research Institute of Forests

With funding provided by the Sekisui House Matching Program, we are proceeding with the restoration of the Hasanuma Imperial Coastal Forest in Sanmu, Chiba Prefecture, which was destroyed by a tsunami. Specifically, we are felling dead trees, turning them into woodchips and spreading the chips around as we plant Japanese black pine, which is suitable for sustaining a coastal forest. After planting, we will clear the undergrowth about every five years to promote the growth of saplings we have planted. With the funding we received, we are able to expand the coastal forest band and heighten the function of the coastal forest. Since 2013, volunteers from Sekisui Construction Hitachi-Kanto have participated in coastal forest restoration activities by helping us clear undergrowth during the intense heat of summer, which has been a tremendous help. I am happy to have their help in restoring the Hasanuma coastal forest, which was the most severely damaged along Chiba Prefecture’s Kujukuri coastline.

Environmental Education Programs

Awareness activities aimed at children who will lead the next generation are important for the promotion of global warming prevention and environmental conservation. To this end, Sekisui House conducts hands-on educational programs based on the three themes: we are committed to as an Eco-First Company—reducing CO2 emissions, restoring biodiversity networks and resource recycling.

Our “Houseology” educational program, which teaches the connection between global warming and human lifestyles (conducted 23 times for 615 people in FY2015), won the Ninth Kids Design Award in the children’s future design learn and comprehension category (sponsored by NPO Kids Design Association).

Kids’ Education at Shin-Satoyama and the Wall of Hope

Shin-satoyama is an 8,000 m2 area of open space in Shin-Umeda City, where our head office is located. It was created based on the Golhon no ki concept. Every year since 2007, we have been holding hands-on educational programs for local kindergartners and elementary schools. In FY2015, 61 local elementary school students planted rice and 64 kindergarteners planted satsuma sweet potatoes.

Throughout the year, various events are held at the world’s largest tree planting monument, the “Wall of Hope,” built onsite. We intend to make the Wall of Hope into a relaxing green space as a “wall of butterflies.” We are letting children plant citrus plants and cabbages—food for caterpillars—on the Shin-Satoyama grounds and flowers—to provide nectar for butterflies—on the Wall of Hope.

Eco-Fund Aid Organization Comment

Grant recipient organizations

Volunteer engage in undergrowth clearing activities.
Outside Opinions, Evaluations and Related Data

Comments from External Members of the CSR Committee

At Sekisui House, a CSR Committee meeting is convened every three months (four times a year) to develop and promote important CSR policies and verify the relevancy and effectiveness of current CSR activities. During the meeting, three external members are asked to present their opinions, which provide the basis for discussion among Committee members (a group that includes board members). The following are comments given by the external members in light of discussions held during FY2015.

Changning Society through Housing

At COP21 (the Framework Convention on Climate Change, 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change), a new framework related to global warming countermeasures throughout the world was adopted. This historic agreement will launch climate change (global warming) countermeasures throughout the world. It is expected to reduce greenhouse gas emissions 26% by 2030 compared to 2010. Housing plays a major role in the realization of this goal. Sekisui House, which leads the industry in environmental initiatives, agreed to and signed the Joint Declaration in the Building and Construction Sector formulated at COP21, and is strengthening initiatives aimed at the adoption of net-zero energy housing and the energy-saving remodeling of existing housing.

Going forward, energy-saving housing will continue to spread throughout the world. In addition to realizing Japan’s commitment, we anticipate our specialty in energy-saving technologies will also benefit the rest of the world. Sekisui House will aggressively develop business overseas based on our cumulative strengths in environmental technologies with the aim of becoming an international environmentally advanced company able to innovatively meet community needs and realize a low-carbon society.

Creating a Network to Adjust Energy Supply and Demand

The ratio of homes equipped with solar panels is on the rise. The more expensive the home, the higher the ratio. The challenge is to make it possible for electricity at night. Storage batteries are one way to o verecome this challenge. A big change recently has been the development and mass production of miniature wind turbine generators. Rather than horizontal rotating propellers, these use vertical blades rotated perpendicularly. This makes them quieter than the horizontal type, and enables power generation even when winds are light. These can be installed on homes, and may be able to supplement solar power generators. Even so, another challenge involved with renewable energy is power generation fluctuations, causing a mismatch in power supply and demand.

However, if the latest internet technologies are used to tackle these challenges, they can be overcome to a considerable extent. Providing real time demand information on a network enables the implementation of a system in which vehicles and printing equipment can be used by those who need them. In terms of power generation capabilities, the same kind of system can be developed. I expect housing companies to play a bigger role in developing these kinds of systems.

Human Resource Development is the Key to Corporate Expansion

Sekisui House hires new employees with a tremendous amount of potential. A newspaper asked young adults beginning their careers in 2016 to name their “ideal boss.” For the seventh year in a row, the number one choice among men was sports commentator Shunto Matsumoto, while for women it was actress Yuki Amami. Among the reasons cited for their selections, the most common was that these people seemed “dependable.” In recent years, there are some to be a trend toward hiring someone who is ready to be in the ground running, but new hires often have little experience in the workplace and have not yet accumulated sufficient knowledge. However, if quality education, OJT and other Drills are implemented, there is a strong possibility that these new graduates will grow into excellent human resources who lead future social and corporate developments.

It is said that the four management resources needed for corporate activities are people, things, money and information. In response to the application of the electronic era, sharing supply and demand information on a network enables the implementation of a system in which idle vehicles and printing equipment can be used by those who need them. In terms of power generation capabilities, the same kind of system can be developed. I expect housing companies to play a bigger role in developing these kinds of systems.

KPMG AZSA Sustainability Co., Ltd. was engaged to provide assurance on Sekisui House, Ltd’s Sustainability Report 2015 and verify that the report provides reliable information on the company’s energy consumption, waste and greenhouse gas emissions volumes, water used in factor production and social reporting (frequency of occupational accidents and illnesses).

This is an English translation of the “Independent Assurance Report” dated April 19, 2016 originally issued in Japanese by KPMG AZSA Sustainability Co., Ltd. for the “Sustainability Report 2015” published in Japanese by Sekisui House, Ltd.

Independent Assurance Report

Sekisui House, Ltd.
Mr. Isao Wada, the Chairman, Representative Director & CEO
Mr. Toshihisa Aoe, the President, Representative Director & COO

We were engaged by Sekisui House, Ltd. (the “Company”) to undertake a limited assurance engagement of the environmental and social performance indicators and greenhouse gas indicators listed below for the period from February 1, 2015 to January 31, 2016 (the “Indicators”) included in its Sustainability Report 2016 (the “Report”) for the fiscal year ended January 31, 2016, and the completeness of material greenhouse gas information in the Report.

Indicators and pages in the Report

<table>
<thead>
<tr>
<th>Indicator</th>
<th>pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2015 occupational accident and disease frequency rate</td>
<td>57</td>
</tr>
<tr>
<td>Energy (total amount and treated details by energy source) and Tap water, industrial-use water and groundwater use</td>
<td>61, 62</td>
</tr>
<tr>
<td>Amount of CO₂ emissions and Waste (total amount and treated details by waste category)</td>
<td>61, 62</td>
</tr>
<tr>
<td>CO₂ emissions of “Scope 1 and 2 emissions”, “Raw materials”, “Occupancy”, “Office waste”, “Deposition of waste products” and “Transportation in CO₂ (Emissions by Scope 1 and Scope 2)”</td>
<td>62</td>
</tr>
</tbody>
</table>

The Company’s Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the “Company’s reporting only criteria”), as described in the Report, which are deemed, among others, to be equivalent to those contained in the Guidelines of the Global Reporting Initiative and Environmental Reporting Guidelines of Japan Ministry of the Environment, and for including the material greenhouse gas information defined in the “Greenhouse gas Report Assurance Principles and Other Guideline Information for the Assurance of Sustainability Information of J-SUS”. The limited assurance engagement consisted of making inquiries, primarily of personnel responsible for the preparation of information presented in the Report, and applying an analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than, for a reasonable assurance engagement.

The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures were:

- Interviewing with the Company’s personnel to obtain an understanding of its policy for the preparation of the Report and reviewing the Company’s reporting criteria.
- Inspecting the design of the systems and methods used to collect and process the Indicators.
- Performing analytical reviews of the Indicators.
- Examining, on a test basis, supporting evidence regarding the generation, aggregation and reporting of the Indicators in conformity with the Company’s reporting criteria, and also recalculating the Indicators.
- Visiting to the Company’s factory selected on the basis of a risk analysis.
- Assessing whether or not the material greenhouse gas information defined by J-SUS is included in the Report.
- Evaluating the overall statement in which the Indicators are expressed.

Conclusions

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared in all material respects, in accordance with the Company’s reporting criteria as described in the Report, and that the material greenhouse gas information defined by J-SUS is not included in the Report.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethical Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of professional and ethical behavior, professional competence and due care, confidentiality and professional behavior. In accordance with International Standards on Quality Control (ISQC 1), we 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.

KPMG AZSA Sustainability Co., Ltd.
Osaka, Japan
April 19, 2016
Changing Society through Housing

At COP21 (the Framework Convention on Climate Change, 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change), a new framework related to global warming countermeasures throughout the world was adopted. This historic agreement will launch climate change (global warming) countermeasures throughout the world. In response to the application of the corporate governance code. In response, it would be beneficial to read the Kay Review report from the UK. Sekisui House will aggressively develop business overseas based on our cumulative strengths in environmental technologies with the aim of becoming an international environmentally advanced company able to innovatively meet community needs and realize a low-carbon society.

Creating a Network to Adjust Energy Supply and Demand

The ratio of homes equipped with solar panels is on the rise. The more expensive the home, the higher the ratio. This means that these homes can generate electricity at night. Storage batteries are one way to overcome this challenge. A big change recently has been the development and mass production of miniature wind turbine generators. Rather than horizontal rotating propellers, these use vertical blades rotated perpendicularly. This makes them quieter than the horizontal type, and enables power generation even when winds are light. These can be installed on homes, and may be able to supplement solar power generation. Even so, another challenge involved with renewable energy is power generation fluctuations, causing a mismatch in power supply and demand. However, if the latest internet technologies are used to tackle these challenges, they can be overcome to a considerable extent. They also make it possible to share information on a network, in which drone vehicles and printing equipment can be used by those who need them. In terms of power generation capabilities, the same kind of system can be developed. I expect housing companies to play a bigger role in developing these kinds of systems.

Human Resource Development is the Key to Corporate Expansion

Sekisui House hires new employees with a tremendous amount of potential. A newspaper asked young adults beginning their careers in 2016 to name their “ideal boss.” For the seventh year in a row, the number one choice among men was sports England, which leads in corporate governance. In response, it would be beneficial to read the Kay Review report from the UK. Sekisui House will aggressively develop business overseas based on our cumulative strengths in environmental technologies with the aim of becoming an international environmentally advanced company able to innovatively meet community needs and realize a low-carbon society.

Indications and Pages in the Report

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2015 exceptional accident and disease frequency rate</td>
<td>57</td>
</tr>
</tbody>
</table>
| Energy (total amount and thermalized data by energy source) and Tap water, industrial-use water and 
| (amount of fuel production) as “resource data.” | 61, 62 |
| Amount of CO₂ emissions and Waste (total amount and thermalized data by waste category) in “Waste 
generation/CO₂ emissions” | 61, 62 |
of waste products” and “Transportation” in “CO₂ Emissions” by Scope (“Scope 1 and Scope 2.” | 62 |

The Company’s Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the “Company’s reporting only criteria”), which are described in the Report, and for including the material greenhouse gas information defined in the “Greenhouse Gas Report: Addressing Climate Change Environmental Impact Assessment Criteria of the Association of Information Organizations for Sustainability Information” in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We assessed the Indicators in accordance with International Standards on Assurance Engagements (ISAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information), “ISAE 3410: Assurance Engagements on Greenhouse Gas Statements,” issued by the International Auditing and Assurance Standards Board, and the “Practical Guidelines for the Assurance of Sustainability Information” of J-SUS. Limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than, for a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interrogating with the Company’s responsible personnel to obtain an understanding of its policy for the preparation of the Report and reviewing the Company’s reporting criteria.
- Inspecting the quality of the report and analyzing the content of the report.
- Performing analytical reviews of the indicators.
- Examining, in a test basis, evidence supporting the generation, aggregation and reporting of the indicators in conformity with the Company’s reporting criteria, and also recalculating the indicators.
- Visiting to the Company’s factory selected on the basis of a risk analysis.
- Assessing whether or not the material greenhouse gas information defined by J-SUS is included in the Report.
- Evaluating the overall statement in which the Indicators are expressed.

Conclusions

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared in all material respects, in accordance with the Company’s reporting criteria as described in the Report, and that the material greenhouse gas information defined by J-SUS is not included in the Report.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we 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.

KPMG AZSA Sustainability Co., Ltd. Osaka, Japan April 19, 2016

Sekisui House Sustainability Report 2016
Third-Party Review

Sekisui House, Ltd.

April 6, 2016

I wrote the following comments based on information contained in this report and in interviews I had with all Sekisui House personnel in charge of environmental, human resource, procurement, and CSR affairs. I believe that Sekisui House has remained steadfast in its commitment to CSR efforts and has been enhancing its efforts to promote sustainability by carrying out its business in an integrated manner with a view to reducing its impact on the environment. For example, it has developed and is selling Green First Zero net-zero-energy houses; it is encouraging the use of the innovative Green no ki landscape concept, one of the first projects of its kind in the world that engages customers in biodiversity protection efforts; and it is convening quarterly meetings of its CSR Committee, which includes external members.

Achievements deserving special mention
• Sekisui House’s executives have shown leadership in recognizing and taking action on housing industry issues that are of the highest concern to customers and society as a whole. The company’s efforts have included reducing its environmental impact by boosting energy efficiency and maintaining the long-term value of housing capital (p. 9–14). This is disclosed in a format enabling comparisons over time of the main output indices comprising the four aspects of economy, environment, housing and society (pp. 9–14). Going forward, the company will continue to enhance its support system to ensure ongoing skills development for foreign trainees.
• The company strives to reduce its environmental impact throughout the entire product life cycle. One example is Green First Zero net-zero-energy houses, which have accounted for almost 70% of Sekisui House sales in the three years since they were introduced (p. 26). As well as being highly insulative and weather-resistant, these houses incorporate solar cells and fuel cells. Another example is using 80% of the value these accumulated initiatives have for customers and society, I strongly urge the company to disclose an index as well as positioned as management indicators.
• The company’s efforts have included reducing its environmental impact by boosting energy efficiency and maintaining the long-term value of housing capital (p. 9–14). This is disclosed in a format enabling comparisons over time of the main output indices comprising the four aspects of economy, environment, housing and society (pp. 9–14). Going forward, the company will continue to enhance its support system to ensure ongoing skills development for foreign trainees.

Outside Opinions, Sekisui House’s Social Contribution Activities

Environmental Activities

October 2015, the Gohon no ki project received the Platinum Award in the Grasping the Ministry of the Environment, Trade, Industry and, as a result of this recognition, the company’s environmental activities have been acknowledged. The award ceremony was held at the Environment Agency in recognition of the efforts of Sekisui House to promote sustainable development. The company was awarded the award for its efforts in promoting the use of renewable energy, reducing its environmental impact, and improving the long-term value of housing capital.

Social Activities

Environmental, social, and governance (ESG) investment is growing rapidly worldwide. Between 2012 and 2014, ESG investment increased 61%. Massive typhoons, unexpectedly heavy rain, and other extreme weather conditions have increased the visibility of climate change-related risks. This has resulted in an increased emphasis on the corporate stance toward the environment, which in turn has led to the revelation of fraud and misconduct resulting in the immediate loss of trustworthiness that had taken many years to establish in the market. Day by day, there is an increasing emphasis on social and governance issues from the perspective of avoiding medium- to long-term investment risks.

This publication is an “integrated report” providing an overview of financial and non-financial information, as well as disclosure of Sekisui House Group CSR strategies, which aim to resolve social issues while developing housing-specific growth strategies in recognition of the central role housing plays in social issues. This publication also provides reporting on social and governance issues.

In addition to communicating our Group vision and current strategies in recognition of the central role housing plays in social issues, this publication also provides reporting on social and governance issues.

Remarks by Sekisui House Executives in View of Third-Party Review

Kenichi Ishida
Managing Executive Officer, Chief Manager of Environment Improvement Department, Chief Manager of Global Warming Prevention R&D Institute

Hitoshi Kuroyanagi
Chief Manager of Corporate Communications Department, Chief Manager of Investor Relations Office

Hideto Kawakita
Chief Manager of Investor Relations Office

Chair of the Environmental, Social and Governance Committee of the Board of Directors

Bilding is an NPO established in 1996 under the principle of “democratic and balanced development for all life on earth.” Bilding mainly engages in offering management support to civil groups and philanthropists, while working with many corporate groups to support their CSR efforts.

dbg.com/corporate/ (Japanese only)
Third-Party Review

Sekisui House, Ltd.
April 6, 2016

I write the following comments based on information contained in this report and in interviews I had with Mr. Sekisui House personnel in charge of environmental, human resource, procurement, and CSR affairs. I believe that Sekisui House has remained steadfast in its commitment to CSR efforts by strengthening its efforts to promote sustainability by carrying out its business in an integrated manner with a view to reducing its impact on the environment. For example, it has developed and is selling Green First no-zero-energy homes, it is implementing the innovative Green First Gohon landscape concept, one of the first projects of its kind in the world that engages customers in biodiversity protection efforts; and it is convening quarterly meetings of its CSR Committee, which includes external members.

Achievements deserving special mention

- Sekisui House’s executives have shown leadership in recognizing and taking action on housing industry issues that are of the highest concern to customers and society at large. The company’s efforts have included reducing its environmental impact by boosting energy efficiency and maintaining the long-term value of housing capital (p. 9–16). This is disclosed in a format enabling comparisons over time of the main output indicators comprising the financial and economic, environment, and housing (p. 15–16).Good enough to note is the fact that all of the values these accumulated initiatives have for customers and society, I strongly urge the company to disclose an index as well as positioned as management objectives.
- The company strives to reduce its environmental impact throughout the entire product life cycle. One example is Green First Zero net-zero-energy homes, which have accounted for almost 70% of Sekisui House sales in the three years since they were introduced (p. 26). As well as being highly included and valued, these homes incorporate solar cells and fuel cells. Another example is using EC tags to help measure and manage waste from manufacturing and construction. Furthermore, the creation of Japan’s first Disaster-Ready Smart Eco-Town in Ishigaki Matsukihama combining disaster-ready public housing, a hospital and other facilities (p. 25) is also highly commendable as an effective solution for enhancing social sustainability. Going forward, I expect the expansion of the remodeling and renovation businesses (p. 27–28) will increase the comfort of not only Sekisui House homes, but also homes throughout Japan, through improved insulation and other efforts, which will maintain and enhance home asset values.
- In terms of improving social responsibility initiatives related to suppliers (p. 16), environmental considerations and social responsibilities were clarified in the Eight Procurement Policies and CSR Procurement Standards were formulated in October 2015. The status of supplier initiatives were evaluated based on a part of supplier from the self-check sheet and individual discussions were conducted aimed at implementing improvements. Going forward, to promote ongoing improvements with respect to social issues including labor, health and safety and human rights management I strongly urge the company to disclose progress as an index as well as positioned as management objectives.
- In the area of biodiversity and ecosystem, Sekisui House is carrying out some of the world’s most groundbreaking initiatives. Together with customers, it has planted more than 11.9 million trees in the Gohon no ki project (p. 29–31). In close partnership with NGOs and NPOs, the company has created procurement guidelines that specify quantitative measurements intended to prevent illegal logging and ensure an environmentally friendly wood-growing industry (p. 32). I suggest that the company conduct research on wildlife in areas involved in the construction of Sekisui House homes, which have accounted for almost 70% of Sekisui House sales in the three years since they were introduced (p. 26). As well as being highly included and valued, these homes incorporate solar cells and fuel cells. Another example is using EC tags to help measure and manage waste from manufacturing and construction. Furthermore, the creation of Japan’s first Disaster-Ready Smart Eco-Town in Ishigaki Matsukihama combining disaster-ready public housing, a hospital and other facilities (p. 25) is also highly commendable as an effective solution for enhancing social sustainability. Going forward, I expect the expansion of the remodeling and renovation businesses (p. 27–28) will increase the comfort of not only Sekisui House homes, but also homes throughout Japan, through improved insulation and other efforts, which will maintain and enhance home asset values.

Areas where some notable achievements have been made but further efforts are required

- In the area of CSR in corporate governance and management (p. 53–62), Sekisui House is to be lauded for formalizing its four values and 13 guidelines for the realization of a sustainable society. I propose that the company use measurable criteria to clarify the significance of adhering to its values and guidelines, while explaining in simpler terms how these notions are incorporated into its medium-term management plan. The company will also need to use opportunity for group employees in Japan and overseas to promote the actual implementation of these values and guidelines. As I stated in last year’s report, I urge the company to establish key performance indicators that create trustworthiness that had taken many years to establish in the market. Day by day, there is an increasing emphasis on social and governance issues from the perspective of avoiding medium- to long-term investment risks.

October 2015, the Gohon no Ki project received the Platinum Award at the Green Marking of Japan no 1 environmental, trade and Industry, and receives a ceremony. This award was presented in recognition of environmental value creation activities incorporated into Sekisui House’s business and the promotion of business that expands activities aimed at the preservation of biodiversity. Long ago, some said there was no way to profit off the environment, that it only offered societal benefits. This is an unsustainable viewpoint. When the economy, at First there was a tendency to want to stop these activities altogether. But because it is these activities are incorporated into our business that we are able to sustain them. In fact, our landscaping business posted net sales of over 60 billion yen, making us Japan’s largest landscaping company. Of course, we must not forget this is the result of providing innumerable customers with a pleasant lifestyle through garden enjoyment. This is the Sekisui House concept of CSV. Sekisui House was the only private company in Japan that agreed to sign the Global Alliance for Buildings and Construction* at COP21, and as an Eco-First company, we are committed to the Japanese government’s goal of reducing CO2 emissions from existing houses 39.3% (compared to FY2013) by 2030. We are on track with respect to the construction of net-zero energy Green First Zero homes, which account for more than 70% of all our newly constructed homes. As already indicated, the challenge is how to make existing homes more energy efficient. On a personal note, when my father was young, he was affected by tuberculosis, which caused his lungs to deteriorate leading to a slow, painful, and finally a deadly pneumonia for which he was hospitalized every year. However, after his home was rebuit to be more energy efficient 17 years ago, he never once caught a cold and lived a healthy life until he passed away for other reasons. Energy-saving houses extend the amount of time neither heat nor air conditioning is required, regardless of the spring and autumn months. I feel that people living in these kinds of homes are able to live a more healthy life. Promoting the spread of these houses is our CSV as well is a significant change to contribute to society. For these reasons, Sekisui House aims to expand its remodeling business.

Environmental Activities

Environmental, social and governance (ESG) investment is growing rapidly worldwide. Between 2012 and 2014, ESG investment increased 61%. Massive typhoons, unexpectedly heavy rains, unprecedented wildfires without reducing wildfire are some of the challenges, and these activities have increased the need for climate change-related risks. This has resulted in an increased emphasis on the corporate stance toward the environment, which in turn, has led to the revelation of fraud and misconduct resulting in the immediate loss of trustworthiness that had taken many years to establish in the market. Day by day, there is an increasing emphasis on social and governance issues from the perspective of avoiding medium- to long-term investment risks.

This publication is an “integrated report” providing an overview of financial and non-financial information, as well as disclosure of Sekisui House Group CSR strategies, which aim to resolve social issues while developing housing-specific growth strategies in recognition of the central role housing plays in social issues. This publication also provides reporting on social and governance issues.

In addition to communicating our Group vision and current strategies with respect to society, as indicated in the third party review, we are committed to sharing the significance of our business with employees in Japan and overseas. Specifically, we use this report internally as educational material when exchanging ideas and to strengthen the function of consultation services for employees. We hope it inspires a sense of pride in employees and encourages them to pool their efforts to create a company where everyone wants to continue working. To further enhance our human portfolio, we are engaged in the promotion of a work-life balance and the active participation of women as a company selected three times for inclusion on the Nasdaq list. As a result, I am confident we will be able to further rally and unite critical employee strengths to drive solid growth strategies.

*Participated in by 70 institutions (including 25 countries)

Social Activities

Environmental, social and governance (ESG) investment is growing rapidly worldwide. Between 2012 and 2014, ESG investment increased 61%. Massive typhoons, unexpectedly heavy rains, unprecedented wildfires without reducing wildfire are some of the challenges, and these activities have increased the need for climate change-related risks. This has resulted in an increased emphasis on the corporate stance toward the environment, which in turn, has led to the revelation of fraud and misconduct resulting in the immediate loss of trustworthiness that had taken many years to establish in the market. Day by day, there is an increasing emphasis on social and governance issues from the perspective of avoiding medium- to long-term investment risks.

This publication is an “integrated report” providing an overview of financial and non-financial information, as well as disclosure of Sekisui House Group CSR strategies, which aim to resolve social issues while developing housing-specific growth strategies in recognition of the central role housing plays in social issues. This publication also provides reporting on social and governance issues.

In addition to communicating our Group vision and current strategies with respect to society, as indicated in the third party review, we are committed to sharing the significance of our business with employees in Japan and overseas. Specifically, we use this report internally as educational material when exchanging ideas and to strengthen the function of consultation services for employees. We hope it inspires a sense of pride in employees and encourages them to pool their efforts to create a company where everyone wants to continue working. To further enhance our human portfolio, we are engaged in the promotion of a work-life balance and the active participation of women as a company selected three times for inclusion on the Nasdaq list. As a result, I am confident we will be able to further rally and unite critical employee strengths to drive solid growth strategies.

*Participated in by 70 institutions (including 25 countries)
### General Standard Disclosures

<table>
<thead>
<tr>
<th>Specific Material Aspects</th>
<th>GRI</th>
<th>Reference Page(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational profile</td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>Customer privacy</td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>Social responsibility</td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>Environmental impact</td>
<td></td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Note:** Refer to the relevant pages for more information on specific aspects and disclosures.

### Specific Standard Disclosures

<table>
<thead>
<tr>
<th>Specific Material Aspects</th>
<th>GRI</th>
<th>Reference Page(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer privacy</td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>Social responsibility</td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>Environmental impact</td>
<td></td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Note:** Refer to the relevant pages for more information on specific aspects and disclosures.

---

**Summary:** This page provides a comprehensive overview of the GRI Content Index for “In Accordance” Items, detailing the specific material aspects and their corresponding GRI standards, along with references to the appropriate pages for further information. It highlights the importance of aligning with stakeholder expectations and industry regulations, ensuring transparency and sustainability in organizational operations.
Specific Material Aspects and Indicators

3.17 For each material aspect, describe the organization's approach to stakeholder engagement and any steps taken to engage with stakeholders, including discussions held regarding the report.

3.18 For each material aspect, report the aspect boundary outside the organization.

3.19 For each material aspect, report any limitations on the scope of the report.

Specific Standard Disclosures (Specified Material Aspects Only)

G4-15 Memberships of associations and national or international advocacy organizations, location of the organization's headquarters, primary brands, products, and services

G4-16 Members of the organization's highest governance body, list of the highest governance body, any committees responsible for decision-making on economic, social, and environmental matters

G4-17 The organization's approach to stakeholder engagement, including the following:

- The organization's approach to stakeholder engagement, including the following:

G4-24 The organization's approach to stakeholder engagement, including the following:

G4-19 The organization's approach to stakeholder engagement, including the following:

G4-14 The organization's approach to stakeholder engagement, including the following:

G4-12 The organization's approach to stakeholder engagement, including the following:

G4-11 The organization's approach to stakeholder engagement, including the following:

G4-10 The organization's approach to stakeholder engagement, including the following:

G4-9 The organization's approach to stakeholder engagement, including the following:

G4-8 The organization's approach to stakeholder engagement, including the following:

G4-7 The organization's approach to stakeholder engagement, including the following:

G4-6 The organization's approach to stakeholder engagement, including the following:

G4-5 The organization's approach to stakeholder engagement, including the following:

G4-4 The organization's approach to stakeholder engagement, including the following:

G4-3 The organization's approach to stakeholder engagement, including the following:

G4-2 The organization's approach to stakeholder engagement, including the following:

G4-1 The organization's approach to stakeholder engagement, including the following:

Ethics and Integrity

Why the Aspects are material; how the organization manages the material Aspects or its impacts; evaluation of the management approach

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance

- Customer Privacy

- Compliance
Corporate Profile (as of January 31, 2016)

Company name: Sekisui House, Ltd.  
Head office: 1-888 Odoya-cho, Kita-ku, Osaka 531-0076, Japan

- **Consolidated Sales by Segment**
  - Overseas business: ¥4,893,512,000,000
  - Real estate business: ¥2,389,000,000,000
  - Others (Construction, etc.): ¥5,315,000,000,000

- **Consolidated Net Sales**
  - Domestic business: ¥1,858,879,000,000
  - Overseas business: ¥6,853,232,000,000

- **Detached Housing business**
  - ¥1,513,641,000,000

- **Bungalow housing business**
  - ¥21,295,126,000

Sales and Service Offices (as of January 31, 2016)

Branch and sales offices: 123
Customer service centers: 29
Model homes: 409
Factories: 5
R&D departments: 1
Consolidated subsidiaries: 205
Companies accounted for under the equity method: 23

**Share Information** (as of January 31, 2016)

Number of shares outstanding: 709,683,466  
Number of shares per share unit: 100  
Number of shareholders: 63,415  
Listed stock exchanges: Tokyo and Nagoya

- **Share Distribution**
  - Individual shareholders: 58,115
  - Institutions: 9,279

- **Dividends per Share**
  - Ordinary dividend: ¥5.00 per share
  - Extraordinary dividend: ¥2.00 per share

- **Share Price and Trading Volume**
  - Trading volume (million units): 160
  - Average daily trading volume: 3,930,000
  - Daily trading volume: 1,200

- **Share Price (yen)**
  - Opening price: ¥2,490
  - Closing price: ¥2,480

**Financial Statements**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Sales (yen)</th>
<th>Net Income (yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>1,805,102</td>
<td>89,196</td>
</tr>
<tr>
<td>2012</td>
<td>1,912,721</td>
<td>137,794</td>
</tr>
<tr>
<td>2013</td>
<td>21,476</td>
<td>22,913</td>
</tr>
<tr>
<td>2014</td>
<td>22,259</td>
<td>22,800</td>
</tr>
<tr>
<td>2015</td>
<td>21,279</td>
<td>22,898</td>
</tr>
</tbody>
</table>

- **Other businesses (Interior construction work, etc.)**
  - ¥4,372,975,000

- **Consolidated R&D expenditure**
  - ¥1,885,879,000

- **Employees**
  - Number of employees: 23,089 (consolidated)

**R&D**

- **R&D institutes:** 1
- **Factories:** 5
- **Employees:** 23,089 (consolidated)
- **Capital stock issued:** ¥202,591,200,000
- **Date of establishment:** August 1, 1960

**Consolidated Operating Income**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Operating Income (yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>84,797</td>
</tr>
<tr>
<td>2012</td>
<td>149,909</td>
</tr>
<tr>
<td>2013</td>
<td>165,857</td>
</tr>
<tr>
<td>2014</td>
<td>22,375</td>
</tr>
<tr>
<td>2015</td>
<td>22,379</td>
</tr>
</tbody>
</table>

**Consolidated Ordinary Income**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Ordinary Income (yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>85,196</td>
</tr>
<tr>
<td>2012</td>
<td>139,645</td>
</tr>
<tr>
<td>2013</td>
<td>126,958</td>
</tr>
<tr>
<td>2014</td>
<td>22,375</td>
</tr>
<tr>
<td>2015</td>
<td>22,379</td>
</tr>
</tbody>
</table>

**Consolidated Net Income**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Net Income (yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>89,196</td>
</tr>
<tr>
<td>2012</td>
<td>137,794</td>
</tr>
<tr>
<td>2013</td>
<td>22,375</td>
</tr>
<tr>
<td>2014</td>
<td>22,898</td>
</tr>
<tr>
<td>2015</td>
<td>22,898</td>
</tr>
</tbody>
</table>
Honors from Third Parties During FY2015

Environment

- **Shin-Satsumaya and Wall of Hope, Shink-unmeda City**
  Sponsor: Sekisui House
  Location: Osaka
  Category: Public space
  Award: 2015 Japan Design Award

- **Kobun no Ai Project**
  Sponsor: Sekisui House
  Location: Japan
  Category: Education
  Award: 2015 JSA Outstanding Award

- **Harmoni, Shijis and Peace Community Building Gardening “Kitsui”**
  Sponsor: Sekisui House
  Location: Japan
  Category: Environment
  Award: 2015 Japan Design Award

- **Nihon Park Garden Show 2015 Garden Concept**
  Sponsor: Sekisui House
  Location: Japan
  Category: Environment
  Award: 2015 Japan Design Award

Community Building, Landscape

- **The Ritz-Carlton, Kyoto**
  Sponsor: Sekisui House
  Location: Japan
  Category: Housing
  Award: 2015 Japan Design Award

- **One Central Park, Central Park redevelopment project**
  Sponsor: Sekisui House
  Location: Australia
  Category: Landscape
  Award: 2015 Japan Design Award

- **Humanity Community Building Award, Governor’s Prize (Homescape Architecture category)**
  Sponsor: Sekisui House
  Location: Japan
  Category: Housing
  Award: 2015 Japan Design Award

Kids Design Award

- **Price for Excellence, Ministry of State for Museum for Chosing Children’s award**
  Sponsor: Sekisui House
  Location: Japan
  Category: Education
  Award: 2015 Japan Design Award

- **Koto Bay Coast Satellite Smart**
  Sponsor: Sekisui House
  Location: Japan
  Category: Environment
  Award: 2015 Japan Design Award

- **Eco-Friendly School (Tokyo) (Sekisui House Model A) built in 1963**
  Sponsor: Sekisui House
  Location: Japan
  Category: Environment
  Award: 2015 Japan Design Award

Products, Technology, etc.

- **Women and Child-friendly “Orihime” Mobile Toilet**
  Sponsor: Sekisui House
  Location: Japan
  Category: Environmental
  Award: 2015 Japan Design Award

- **“IfAS” Rapid Detection Home Smoke Alarm**
  Sponsor: Sekisui House
  Location: Japan
  Category: Environmental
  Award: 2015 Japan Design Award

- **Corporative social advertisement: “Sekisui House—Always there for you”**
  Sponsor: Sekisui House
  Location: Japan
  Category: Environmental
  Award: 2015 Japan Design Award

- **Japan System Light-Gauge Steel Framing Brance Construction Method (Universal Frame System)**
  Sponsor: Sekisui House
  Location: Japan
  Category: Environmental
  Award: 2015 Japan Design Award

- **Japan’s First Cancer Treatment Facility for Children**
  Sponsor: Sekisui House
  Location: Japan
  Category: Environmental
  Award: 2015 Japan Design Award

- **“Child Friendly House”**
  Sponsor: Sekisui House
  Location: Japan
  Category: Environmental
  Award: 2015 Japan Design Award

- **Archi-IF-PM-HW and IF-PM-2015P**
  Sponsor: Sekisui House
  Location: Japan
  Category: Environmental
  Award: 2015 Japan Design Award

Good Design Award

- **Steel System Light-Gauge Steel Framing Brance Construction Method (Universal Frame System)**
  Sponsor: Sekisui House
  Location: Japan
  Category: Environmental

- **Water-Resistant Foundation for Children**
  Sponsor: Sekisui House
  Location: Japan
  Category: Environmental

- **Air/cal**
  Sponsor: Sekisui House
  Location: Japan
  Category: Environmental

CSR and Other Initiatives

- **Sekisui House Limited**
  Sponsor: Sekisui House
  Location: Japan
  Category: Corporate
  Award: 2015 Japan Design Award

- **Sustainability Report 2015**
  Sponsor: Sekisui House
  Location: Japan
  Category: Corporate
  Award: 2015 Japan Design Award

Corporate Profile (as of January 31, 2016)

- **Consolidated Sales by Segment**
  - Overseas business: ¥4,300,512,000
  - Urban real estate business: ¥500,000,000

- **Consolidated Net Sales**
  - ¥1,858,879,000 (100.0%)

- **Number of Employees**
  - 10,117 (as of January 31, 2016)

Share Information (as of January 31, 2016)

- **Number of shares outstanding**: 709,683,466
- **Number of share per share unit**: 100
- **Number of shareholders**: 63,415
- **Listed stock exchanges**: Tokyo and Nagoya

- **Share Distribution**
  - %
  - ¥ per Share

- **Dividends per Share**
  - FY2015: ¥54
  - FY2014: ¥50

- **Share Price and Trading Volume**
  - ¥ per Share
  - Trading volume (million shares): 100

- **Consolidated Operating Income**
  - (as of January 31, 2016)

- **Consolidated Net Income**
  - (as of January 31, 2016)

- **Number of Employees**
  - (as of January 31, 2016)
This publication uses hot-melt adhesive developed for bookbinding, which is highly resistant to decomposition enabling easier recycling.

Published in July 2016