

Organizational Management toward a Sustainable Society

Sekisui House considers CSR to be an essential principle of management. Guided by the four values and 13 guidelines that we established to achieve our Sustainability Vision, we actively engage in CSR activities throughout our daily business operations.

Corporate Philosophy, Vision, and CSR Policy of Sekisui House

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.

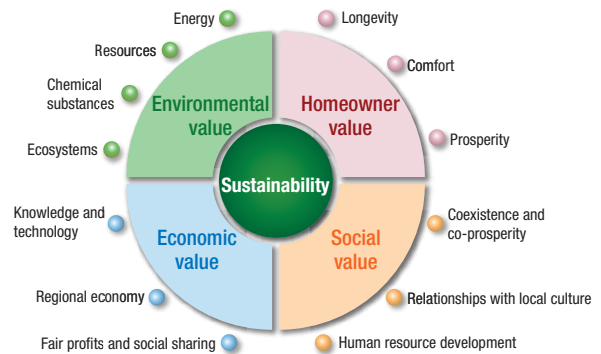
Corporate Philosophy (established in January 1989)



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).

In the S-Project medium-term management vision that we announced in October 2004, we set the goals of improving CS, ES, and SS together, while also fulfilling our responsibilities to all of our stakeholders with honesty and integrity by focusing on CSR as the bedrock of our management philosophy.

4 Values and 13 Guidelines



CSR Management Based on 4 Values and 13 Guidelines

At the Sekisui House Group, we determine the direction of our 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 PDCA cycle without fail, we review our corporate activities each year by assessing the extent to which we have achieved our social and environmental targets.

Matching ISO 26000 with Sekisui House's 4 Values and 13 Guidelines

In 2010, the International Organization for Standardization launched ISO 26000, an international standard providing guidance applicable to all corporate organizations to fulfill their responsibilities to society.

The following table shows how Sekisui House's four values and 13 guidelines—the principles of action introduced to achieve our

Sustainability Vision—match the seven main themes of the ISO 26000 international standard. From this table, it is clear that there is a near-perfect correspondence between them. We will remain committed to our CSR activities based on these four values and 13 guidelines.

4 Values and 13 Guidelines of Sekisui House			Corresponding Main Themes and Goals of ISO 26000	
Value	Guideline	Description	Main Theme	Goal
Environmental Value	Energy	Use of energy without depending on fossil fuels	Environment	Climate change mitigation and adaptation
	Resources	Use of resources within the regenerative capacity of natural ecosystems	Environment	Sustainable use of resources
	Chemical substances	Prevention of heterogeneous and hard-to-degrade substances from concentrating in the natural environment	Environment	Pollution prevention
	Ecosystems	Protection of natural cycle and biodiversity	Environment	Environmental protection, recovery of biodiversity and natural habitats
Economic Value	Knowledge and technology	Accumulation of wisdom and technologies to create sustainable value	Community participation and development	<ul style="list-style-type: none"> Development of and access to technologies Job creation and skills development
	Regional economy	Revitalization of local economies	Community participation and development	<ul style="list-style-type: none"> Community participation Education and culture Job creation and skills development
	Fair profits and social sharing	Pursuit of fair corporate profits and sharing the profits with society	<ul style="list-style-type: none"> Organizational governance Fair business practice Community participation and development 	<ul style="list-style-type: none"> Fair competition Wealth and income creation Social investment
Social Value	Coexistence and co-prosperity	Establishment of relationships of coexistence and co-prosperity based on trust and empathy with various stakeholders in society	<ul style="list-style-type: none"> Fair business practice Community participation and development 	<ul style="list-style-type: none"> Promotion of social responsibility within value chain Respect for property rights Community participation
	Relationships with local culture	Preservation and enhancement of local culture and community development	<ul style="list-style-type: none"> Consumer issues Community participation and development 	<ul style="list-style-type: none"> Protection of safety and health of consumers Community participation Education and raising awareness
	Human resource development	Human resource development to create sustainable value	<ul style="list-style-type: none"> Human rights Labor practice 	<ul style="list-style-type: none"> Complaint resolution Discrimination and socially vulnerable groups Labor safety and health
Homeowner Value	Longevity	Construction of homes that are long beloved by residents and that grow more valuable over time	<ul style="list-style-type: none"> Consumer issues Community participation and development 	<ul style="list-style-type: none"> Sustainable consumption Protection of consumer data and privacy Access to essential services Health, etc.
	Comfort	Offering a pleasant, healthy, and comfortable living environment		
	Prosperity	Offering long-lasting prosperity		

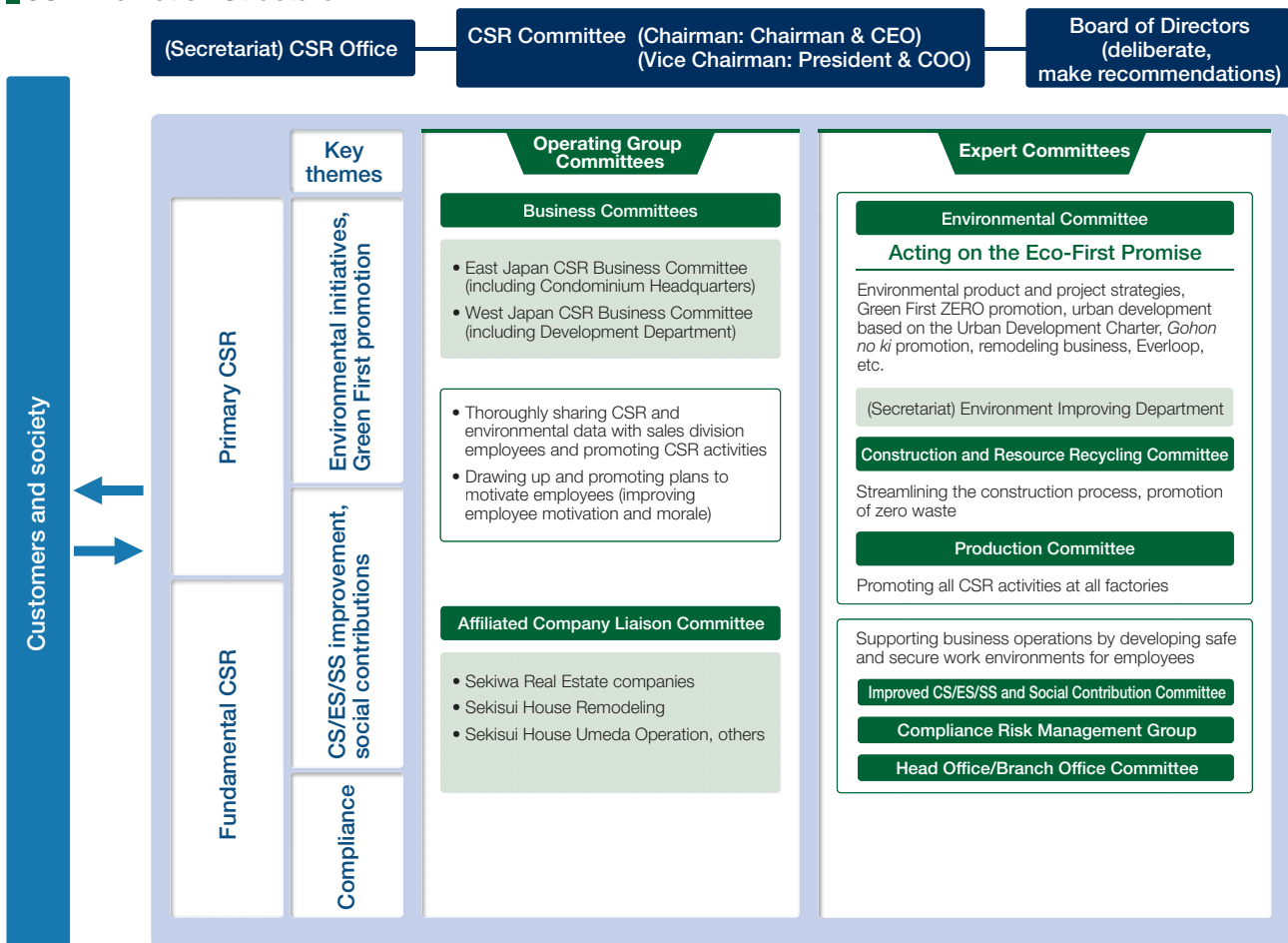
CSR Committee and Organizational Management

We consider CSR a core part of our management policy. Led by our Chairman and CEO, the CSR Committee—which is composed of board members, a selection of executive officers, and three external stakeholders—meets once every three months. Incorporating the viewpoints of external stakeholders, the Sekisui House 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. 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.

CSR Promotion Structure



In April 2013, our Green First initiative took a further step forward when we launched the Green First ZERO home program, which targets energy-neutral living. With the launch, we are spearheading the effort to achieve the Japanese government’s target of creating a sizable market for net zero energy housing by 2020. By promoting the use of superior heat insulation and the latest energy-saving equipment, the Green First ZERO initiative aims to achieve zero energy housing by drastically reducing energy consumption while simultaneously generating alternative energy using solar panels and fuel cells.

For FY2013, we had set a goal of promoting the sales of Green First ZERO homes so that they would account for 40% of the total detached housing contracts to be signed during the year. Fortunately, we were able to modify this target value upward in the early part of the fiscal year.

We have also been active in providing various employee training programs, including e-learning, in order to keep staff motivated in their work, boost their morale, improve CS, ES, and SS, and ensure that compliance is thoroughly implemented throughout the company.

Aware of our responsibility as a corporate citizen, we have also been actively engaged in making a social contribution. As part of this effort, we have assigned newly recruited employees to duties related to supporting people affected by the Great East Japan Earthquake. We believe that this experience will provide employees with an opportunity to think deeply about our “love of humanity” corporate philosophy and to realize the significance of our social mission as a housing company. We are determined to continue with our efforts to support people in the disaster-stricken areas.

Challenges Faced by Our CSR Management and Measures to Be Taken

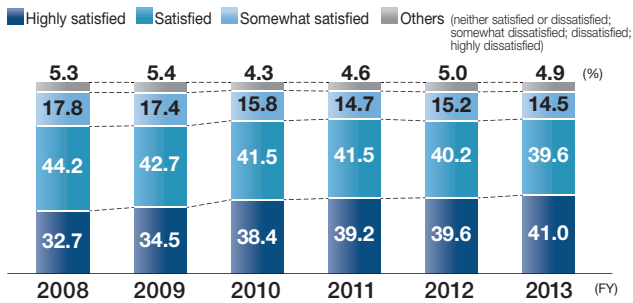
Upon reviewing our CSR activities in FY2013, we have placed special focus on the following three objectives during FY2014.

Focus 1 Achieving a higher level of customer satisfaction

We strive to achieve greater customer satisfaction by analyzing the results of our customer satisfaction surveys.

Outlook In the survey conducted during FY2013, more than 40% of the respondents selected “Highly satisfied” when asked to rate our customer service. It was the first time that the number exceeded 40%. We believe that this achievement was made possible through the improvement efforts we made based on customer feedback in past surveys. We intend to conduct further analysis of survey results—for example, by sorting data according to age and family structure—so that we can further increase the ratio of “Highly satisfied” responses.

Results of Past Customer Surveys on Satisfaction (7-point scale evaluation)



Focus 2 Strengthen the supply chain

We will enhance communications with our partner building contractors and suppliers to ensure we fulfill our responsibility to society in the supply chain.

Outlook Twice a year, we gather with our main suppliers (about 150 companies) to explain our purchasing policies and ensure that our policies do not conflict with theirs. At these meetings, we also inform attendees about the current status of our business operations and exchange information with them regarding targets for QCDE (quality, cost, delivery, environment) management. For their part, the suppliers make presentations about improvement efforts they are undertaking to meet the specified targets.

With the purpose of promoting fair and proper business practices, we began rating the performance of our suppliers in 1998 and we have been disclosing the results since 2009. The ratings are conducted jointly by our Purchasing Department and development and production divisions on 168 suppliers (205 divisions).

The evaluation items and criteria for the rating are reviewed on a regular basis. Through these ratings, we aim to improve the PDCA cycle throughout our supply chain. With our main wood material suppliers (about 60 companies), we have been building up relationships of trust so that we can exchange procurement information with each other and achieve ethical procurement.

In FY2014, we will push forward with efforts across the entire supply chain to protect the global environment, such as reducing CO₂ emissions and conserving biodiversity.

Focus 3 Enhancing CSR management overseas

With the growth of our overseas business operations, it is becoming increasingly important for us to enhance our CSR management overseas, so that we can become a company that is truly needed by the people of each country.

Outlook We set up a project team, which operates across all divisions of the head office, to study how we can apply our domestic risk management system to our overseas operations. We will also conduct studies on the types of energy used by our affiliated companies overseas.

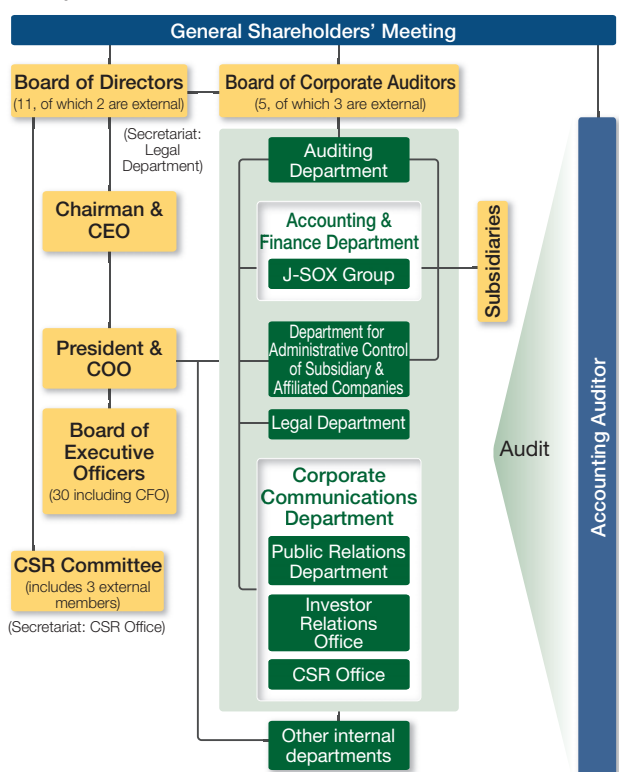
Corporate Governance and Internal Control System

To ensure solid stakeholder support, Sekisui House has increased management transparency, provided for timely, appropriate checks on management decisions, and enabled thorough monitoring. Two external board members and three corporate auditors are in place, and our corporate governance system assures management responsibilities are well defined and executed accordingly.

As for internal control, 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.

In addition, 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.

Corporate Governance Structure (as of April 1, 2014)



Promoting Compliance

Compliance Policy

Sekisui House believes compliance is an ongoing management concern that includes not only an adherence to laws and regulations but also the promotion of CSR initiatives. The Compliance Risk Management Group was established under the CSR Committee to act as a platform for discussing CSR initiatives. The Group is headed by the vice president and members include staff from relevant divisions, such as the Personnel Department and Legal Department.

In FY2013, the main issues taken up at the group meeting were: (1) how to prevent leakage of classified information; (2) how to ensure proper business operations; and (3) how to implement risk management in our overseas operations. And to further strengthen the PDCA cycle, compliance-related issues were addressed at each of our offices according to the guidelines provided by the Business Committees, Production Committee, and other committees.

Promoting Compliance

We provide various training programs both for employees and management to ensure that compliance-related issues are properly addressed across the company. The training programs provided during FY2013 focused on the rules and significance of managing classified information.

In October every year, we review our business operations to ensure that they are conducted in compliance with corporate ethics. During the month, employees exchange their ideas on each case study so that they can achieve better workplace environments and improve levels of customer satisfaction.

Major Compliance Activities

Organizing position-specific training programs (board members, managers, etc.)

Providing e-learning programs

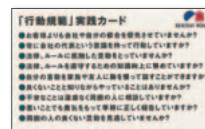
- CSR and compliance (for newly recruited employees)
- CS and protection of personal information (for all employees)

Conducting training on relevant laws and regulations (for all employees)

Discussing corporate ethics based on the information provided in in-house publications

Checking compliance with corporate ethics every October

- Discussing countermeasures against problems identified during internal audits
- Exchanging ideas through discussion of case studies
- Distributing cards summarizing the company's code of conduct to employees



Code of Conduct Implementation Card

- Are you putting the needs of the customer before the needs of the company and yourself?
 - Do you behave like someone who represents the company?
 - Are your words and actions in line with laws and regulations?
 - Do you constantly strive to improve your knowledge to ensure you abide by laws and regulations?
 - Can you speak proudly of your words and actions to your family and friends?
 - Do you refrain from doing anything that you are aware is not the right thing to do?
 - Can you talk openly about your worries and concerns with those around you?
 - Are you brave enough to immediately report negative things to your boss?
 - When someone around you says or does something bad, do you do something about it?
- Having employees make a written oath on compliance with corporate ethics

Having employees make a written oath that they will not drive under the influence of alcohol

Using surveys to check the compliance awareness of employees at each business office

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.

Employees are given leaflets outlining our internal reporting system, and efforts are made to familiarize them with the system through various intranet and e-learning programs, as well as through study meetings on human relationships. We also check our employees' compliance awareness by conducting surveys on a regular basis. Through these various efforts, we aim to deepen employees' understanding of corporate ethics and make them aware of the importance of working in compliance with relevant rules and regulations. Our ultimate goal is to improve our workplace environments to a point where the internal reporting system becomes redundant.

Risk Management Structure

Our group-wide risk management efforts are handled by the Compliance Risk Management Group, established under the CSR Committee with a view to identifying and managing risks that may undermine our credibility in society and taking appropriate measures to deal with such risks.

In cooperation with Operating Group Committees, we provide problem-specific training programs for employees on such issues

as compliance, environmental risk, and quality. When a high-priority risk is identified, we set up a dedicated project team to work on it. In this way, we are implementing comprehensive risk management in strict compliance with relevant laws and regulations. As for the sales division, our risk management system entails internal auditing, self-checks by individual offices, and monitoring by the head office.

Meeting Our Commitments as an Eco-First Company without Fail

Sekisui House was certified as an Eco-First Company by the Japanese Ministry of the Environment 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 March 2012, we partially revised our Eco-First Promise to reflect changes in the social environment and the progress of our ongoing efforts. During FY2013, we made the following progress in our Eco-First activities.

Eco-First Promise



Commitment to global environmental protection as an environmentally advanced company
At Sekisui House, Ltd. and in all Sekisui House Group companies, we are well aware of our obligations to society as a company with a track record of having delivered significantly more housing than any other housing manufacturer. We will ensure full compliance with all applicable laws and regulations, and, through our environmental initiatives, promote the following activities in our sincere efforts to bring greater benefits to society.

Progress in Major Activities Achieved in FY2013

1 We will take positive measures to achieve a reduction of CO₂ emissions from residential and industrial sources.



Launching the Green First ZERO initiative



Developing Smart Common Cities in 16 locations nationwide



Installing mega-solar power systems at our 5 factories nationwide for a total of 6.7 MW

2 We will continue to make concerted efforts toward restoration of ecosystem networks.



Gohon no ki project reaches 10-million-tree milestone



Conducting a biodiversity survey



Implementing the Wood Procurement Guidelines

3 We will promote resource recycling to the fullest extent.



Utilizing next-generation zero-waste systems



Encouraging the acquisition of Long-Term Quality Housing Certification



Promoting the Everloop home repurchase program

Playing a Leading Role as a Member of the Eco-First Promotion Council

As of February 1, 2014, the Eco-First Promotion Council comprises a total of 39 Eco-First Companies. As one of the leading members, we have been actively involved in environmental activities organized by the council. In February 2013, we held a study meeting at our Comprehensive Housing R&D Institute to discuss measures for preventing greenwashing. At another meeting held in Yokohama in September 2013, the theme of the discussion was how to work effectively in cooperation with NPOs.

An eco-slogan contest organized by the council was held for the fourth time in 2013.

Elementary and junior high school students from all over Japan were invited to submit eco-friendly slogans featuring the theme of water and the environment. This event is held every year as one of our public relations activities.

In April 2014, we were designated as a chair company of the Eco-First Promotion Council (with Sekisui House Chairman Isami Wada acting as chairperson). We strive to play a leading role in promoting eco-friendly activities in cooperation with other Eco-First Companies and the Ministry of the Environment.

Winner of the Sekisui House Prize in the Eco Slogan Contest

“Dear fish, share with us some of your precious water”

6th-grader of Uno Elementary School, Okayama Prefecture
Hayato Yamahara



Achievements in Key Indicators of Our CSR and Environmental Management Efforts

The following table shows the achievements in the main target areas of the Sekisui House Group's CSR and environmental management efforts covered in the Sustainability Report 2014.

Category	Indicator	Unit	FY2009	FY2010	FY2011	FY2012	FY2013	Definition and remarks
Global warming prevention	Total energy input*1	TJ	2,875	2,872	2,851	2,830	3,542	Amount of energy input at the various stages of development and design, factory production, transportation, construction, and demolition
	CO ₂ emissions at the various stages of development and design, factory production, construction, and demolition*1	t-CO ₂	127,324	123,125	119,969	114,780	148,329	Amount of CO ₂ emitted at these stages per fiscal year
	CO ₂ emissions at the transportation stage*2	t-CO ₂	33,867	37,886	39,967	38,959	45,815	Amount of CO ₂ emitted at the transportation stage per fiscal year
	Reduction of CO ₂ emissions from the 1990 level (amount)	t-CO ₂	28,179	37,468	39,372	42,074	50,256	Reduction of residential CO ₂ emissions from new detached homes in comparison with the 1990 level (amount and %)
	Reduction of CO ₂ emissions from the 1990 level (%)	t-CO ₂	43.7	49.4	51.3	55.7	61.5	Reduction of residential CO ₂ emissions from new detached homes in comparison with the 1990 level (amount and %)
	Proportion of Green First homes among all Sekisui House detached homes	%	51.7	70.7	77.9	83.8	83.7	Proportion of Green First homes among all newly built Sekisui House detached homes
	Proportion of Green First homes to all Sekisui House low-rise rental apartments	%	—	19.0	27.1	44.6	47.8	Proportion of Green First homes among all newly built Sha Maison low-rise rental apartments
	No. of houses retrofitted with a PV power system		718	1,634	2,569	7,249	4,155	No. of existing houses, built by Sekisui House and by other builders, that have been retrofitted with a PV power system under our remodeling project
Biodiversity preservation	No. of trees planted per year	10,000 trees	71	91	96	101	106	No. of trees planted per year under our gardening and greening plan
	Ratio of Rank S and Rank A wood products as defined by the Wood Procurement Guidelines	%	72	87	85	89	88	Based on the results of our survey of about 60 suppliers of wood products
Resource recycling	Total resource input	1,000 t	986	1,083	1,096	1,112	1,286	Refer to the "Material Balance" section
	Volume of waste generated	1,000 t	255	296	309	311	362	Including waste at the demolition stage
	Volume of waste generated at new construction sites	kg	1,323	1,308	1,396	1,441	1,449	Amount per house (per 145 m ²)
	Proportion of houses with Long-Term Quality Housing Certification	%	76.8	88.7	90.9	92.1	92.1	
Control of chemical substances	Proportion of houses fitted with Airkis	%	—	—	67.4	76.3	77.8	
Customers	Customer satisfaction survey	%	34.5	38.4	39.2	39.6	41.0	Proportion of responders who answered "highly satisfied" on a 7-point evaluation scale
	Proportion of houses fitted with SHEQAS	%	—	—	58.5	75.0	87.0	
Employees	Employment rate of persons with disabilities	%	1.80	1.66	1.75	1.89	1.97	Based on the Act for Employment Promotion etc. of Persons with Disabilities
	Proportion of female employees in managerial positions*3	%	0.74	0.89	1.02	1.21	1.52	
	No. of employees who took parental leave		114	117	143	150	226	
	Proportion of female employees who returned to work after parental leave	%	95.2	92.3	93.3	94.1	93.0	
	No. of employees who used the shortened work hour program		106	165	173	223	351	
Shareholders	Dividend payment ratio	%	—	46.6	46.6	40.5	36.2	Dividend paid ÷ net income × 100
	Annual dividend	yen	10	21	20	28	43	Dividend per share
Social contribution	No. of employees participating in the Sekisui House Matching Program		1,698	1,695	2,245	2,614	3,074	

*1 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.

*2 Starting in FY2013, the amount of CO₂ emitted during product shipments by Sekisui House Advanced Manufacturing (Shenyang) was added to the total.

*3 Starting in FY2013, survey results of Sekisui House's consolidated subsidiaries were also incorporated into the data.