

For the year ended January 31, 2015

Sustainability Report 2015



Focused on Creating Shared Value

Sustainability Report 2015

Focused on Creating Shared Value

The purpose of this report is to educate the general public about initiatives the Sekisui House Group is engaging in to help build a sustainable society, while also encouraging reader feedback as a means to improve these initiatives going forward.

In selecting topics to be reported and drawing up an editing policy, we referred to the 2012 Environmental Reporting Guidelines of Japan's Ministry of the Environment. The report also includes information on the Standard Disclosures of the GRI (Global Reporting Initiative) Sustainability Reporting Guidelines (G4). The selected topics are reported in accordance with ISO 26000, an international standard providing guidance on social responsibility.

Features of the Sustainability Report 2015

- 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 2014 received from 2,367 internal and external stakeholders.
- The report explains the six CSV strategies, which narrow the 46 aspects of the Specific Standard Disclosures of the G4 Guidelines down to 30 material aspects and which translate those aspects into specific CSR activities.
- This year's report includes Integrated Reporting pages aimed at providers of financial capital.
- As an annual report, this brochure also contains a summary of our corporate activities during FY2014, 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 also shows changes in key performance indicators (KPI) in important areas, such as in the progress of our Eco-First Promise.

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Improving Production and Construction Quality



- 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.

Scope of This Report

Areas of Business

This report covers a total of 47 companies: Sekisui House, Ltd. and its consolidated subsidiaries that are principal actors in CSR and environmental management, including Sekiwa Real Estate, Ltd. (7 companies), Sekisui House Remodeling, Ltd., Sekiwa Construction, Ltd. (20 companies), and 18 other companies including Sekiwa Wood, Ltd. (Refer to pp. 03–04 for an overview of the Sekisui House Group.) In total, this report covers 97.9% of the entire Sekisui House Group in terms of the number of employees.

Areas of Business Activity

This report covers the 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).

Period Covered

FY2014 (February 1, 2014 to January 31, 2015)

Note: Some activities undertaken in FY2015 are covered in this report.

Date of Publication

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Note: English and Chinese versions are published annually in August.

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



Is Roy+E two-story steel-frame detached house



Bienna three-story steel-frame detached house



The Gravis Shawwood wooden-frame detached house

Main Affiliates • 20 Sekiwa Construction companies (housing construction, etc.)

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



Bereo three-story rental housing



Celeblio assisted-living complex for senior citizens

Main Affiliates

• 20 Sekiwa Construction companies (housing construction, etc.)

Remodeling Business Expansion and renovation of houses, etc.



Main Affiliates

- Sekisui House Remodeling, Ltd. (housing remodeling and extension, etc.)
- 20 Sekiwa Construction companies (housing remodeling and extension, etc.)
- 7 Sekiwa Real Estate companies (remodeling and extension of rental housing, etc.)

Changing room layouts and installing the latest equipment to create more comfortable living spaces

Real Estate Management Business Subleasing, management, operation, and brokerage of real estate



Main Affiliates

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

Pro+Nube two-story rental housing

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



Main Affiliates

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

Smart Common City Akaishidai, a smart town

Condominium Development Business Sale of condominiums

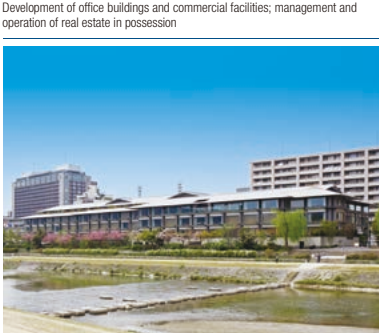


Main Affiliates

- 7 Sekiwa Real Estate companies (purchase/sale of real estate, etc.)

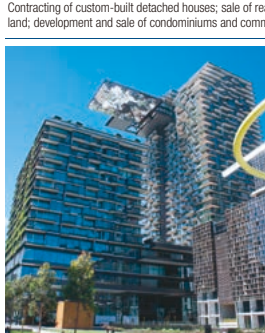
Grande Maison Uehara Residence condominium

Urban Redevelopment Business Development of office buildings and commercial facilities; management and operation of real estate in possession



The Ritz-Carlton, Kyoto

Overseas Business Contracting of custom-built detached houses; sale of ready-built detached houses and residential land; development and sale of condominiums and commercial facilities in overseas markets



Main Affiliates

- Sekisui House Australia Holdings Pty Ltd. and 147 other companies

Central Park in Sydney, Australia

Other Businesses Exterior construction work, etc.



Example of Gohon no ki exterior construction and landscaping

Main Affiliates

- 20 Sekiwa Construction companies (exterior construction, landscaping, etc.)

Corporate Profile (as of January 31, 2015)

Corporation name: Sekisui House, Ltd.
 Head office: 1-1-88 Oyodonaka,
 Kita-ku, Osaka 531-0076, Japan
 Date of establishment: August 1, 1960
 Capital stock issued: ¥197,716,200,000
 Number of shares outstanding:
 699,845,934
 Employees: 22,913 (consolidated);
 13,625 (non-consolidated)
 Total number of houses built: 2,236,414

Sales and Service Offices (as of January 31, 2015)

Branch and sales offices: 123
 Customer service centers: 29
 Model homes: 420
 Factories: 5
 R&D institute: 1
 Consolidated subsidiaries: 194
 Companies accounted for under the equity method: 20

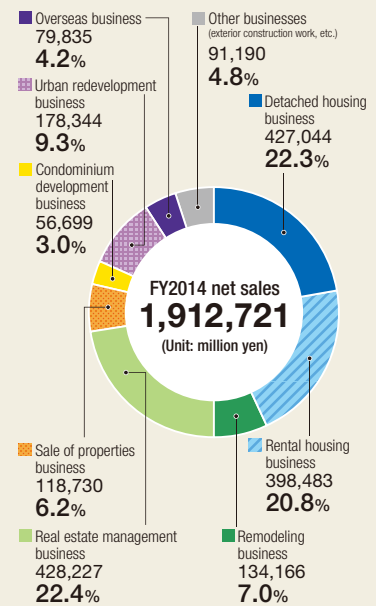
Business Performance Review

In FY2014, the detached housing market in Japan was greatly affected by a decline in consumer confidence attributed to a consumption tax hike and dwindling expectations of higher interest rates. As a result, customers tended to take more time considering their purchase before signing a contract, and orders for detached housing remained weak. In the latter half of the fiscal year, the tax-hike-induced downturn eased and signs of economic recovery were visible. Orders remained steady in the rental housing market, as demand increased in urban areas and as interest in operating rental housing as a means to save on inheritance tax remained at a high level.

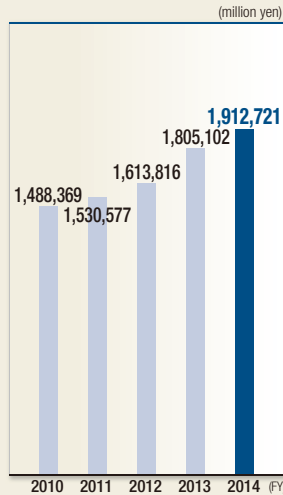
Under our medium-term management plan and with continued commitment to our SLOW & SMART brand vision, we brought out a product lineup that differentiates Sekisui House from other companies. The lineup is centered on eco-friendly Green First Zero homes and three- or four-story housing designed to accommodate various needs. As part of a new exit strategy to improve the asset turnover of company-owned property, Sekisui House Reit, Inc. was listed on the Tokyo Stock Exchange in December 2014. Thanks to enhanced synergies among our three business models—built-to-order, housing stock, and development—we were able to achieve record sales and profits for two consecutive years.

(Note: In FY2014, Sekisui House built 51,225 houses.)

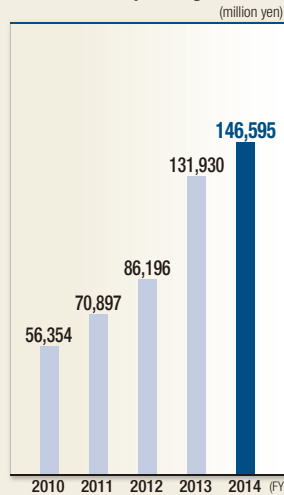
Consolidated Sales by Segment



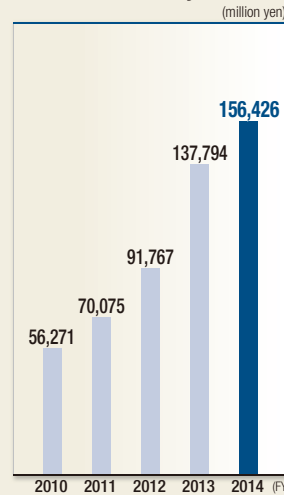
Consolidated Net Sales (million yen)



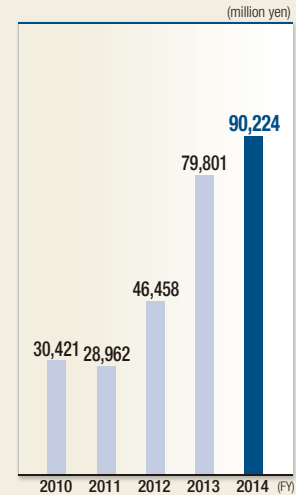
Consolidated Operating Income (million yen)



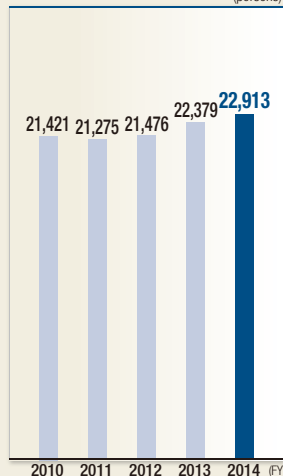
Consolidated Ordinary Income (million yen)



Consolidated Net Income (million yen)



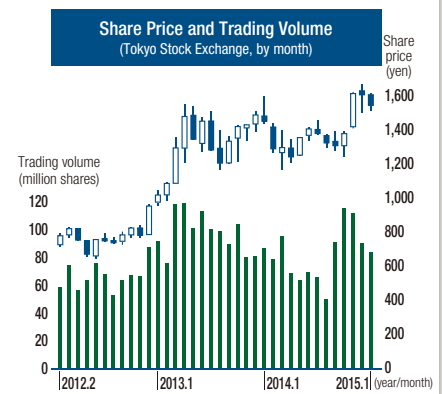
Number of Employees (consolidated) (persons)



Share Information (as of January 31, 2015)

- Number of shares outstanding: 699,845,934
- Number of shares per share unit: 100
- Number of shareholders: 63,917
- Listed stock exchanges: Tokyo and Nagoya

Share Distribution (%)	Dividends per Share (%)
Financial institutions: 35.12	FY2014: 50
Securities companies: 5.53	FY2013: 43
Foreigners: 32.02	FY2012: 28
Other companies: 13.96	FY2011: 20
Individuals, others: 13.37	FY2010: 21



TOP MANAGEMENT COMMITMENT



Isami Wada
Chairman & CEO

Fulfilling Our Promise to Future Generations

What We Do Today Shapes the Next Century

The growing importance of houses and the housing industry

Japan faces a number of social challenges to which Sekisui House believes housing can provide solutions. Throughout society, ever more people are responding to our creed of “changing society through housing.” Whether people live alone or with their families, developments in housing are helping to solve lifestyle issues related to Japan’s aging population and falling birth rate. As the relationship between housing and communities evolves, housing is playing a vital role in providing solutions to energy problems and protecting people from increasingly frequent natural disasters.

Against this social backdrop, our corporate value will depend on the extent to which we meet our social obligations as a housing company. We uphold four values that are the cornerstones of our management philosophy: 1) homeowner value, which involves offering “comfortable living—now and always”; 2) social value, which is achieved by maintaining mutually beneficial relationships of trust with various stakeholders in society; 3) environmental value, which entails aligning corporate activities with efforts to create a sustainable society; and 4) economic value, which relates to sharing corporate profits with society. Our mission is to deliver these four values to all of our customers and other stakeholders. Doing so will imbue our medium- and long-term corporate activities with social relevance, while allowing us to pursue our CSV (Creating Shared Value) concept in collaboration with local communities and society.

Accepting responsibility for the future of housing and the global environment

Of the four values cited above, it was environmental value that we first embarked on creating when we launched our Environmental Future Plan in 1999. While we had already been developing and selling highly heat-insulating and energy-saving housing prior to starting this project, our efforts were not part of an integrated policy. With the launch of the Environmental Future Plan, we established a governing principle of giving the highest priority at all times to environmental protection. Subsequently, our broad perspective on environmental value, coupled with our innovative and multifaceted thinking, has allowed us to develop a wide variety of industry-leading new technologies and products.

Fulfilling our obligations to future generations has been a constant underlying theme of our corporate activities. Simply completing the sale of a house doesn’t mark the end of the business transaction. We have an obligation to ensure that homeowners can live pleasant and comfortable lives in the houses we sell them. Taking it a step further, we also take responsibility for the state of the global environment 50 or even 100 years from now. This obligation to the future environment is a core tenet of the company; it provides the foundation for our motto “changing society through housing” and underlies our CSV management policy.

In 2009, we launched the Green First eco-friendly house initiative, which represented the core of our marketing strategy. The Green First strategy paved the way for the 2011 launch of Green First Hybrid—the first



smart house in the world to incorporate three types of cells working in unison—as well as for the 2013 launch of Green First Zero, a product series that set a benchmark for net-zero-energy housing.

Sekisui House has also brought its environmental technology to overseas markets. In each country where we market our products, we have endeavored to provide products and services that add to people's happiness and wellbeing. Putting our CSV management strategy into practice on a global scale has led to steady growth in our overseas sales. "Changing society through housing"—we believe that our environmental technology can play a significant role in promoting "Cool Japan" and that it has the potential to become a major driving force of the Japanese economy.

Addressing newly arising social issues

In the wake of the Great East Japan Earthquake of 2011, there has been increasing demand to address Japan's energy issues in a multifaceted manner. Currently, households in Japan consume about one third of the electricity generated in the country. Any energy saving or energy generation that could be achieved at the residential level would clearly benefit Japan's energy situation. Sekisui smart houses make use of information technology to optimize household energy consumption. We have expanded this smart house concept to the community level by developing Smart Common Cities in 16 locations across Japan.

Many who learn about our advanced housing projects tend to focus on technological aspects, such as systems and specifications. But there's a lot more to smart cities than their technological excellence. Built around a key concept of sustainability, smart cities are designed to be places that residents are truly happy to live in. When developing Smart Common Cities, our primary purpose is not simply to provide solutions to energy problems. Harnessing our experience and expertise in town development, we aim to create self-sustaining living environments that protect residents from crime and natural disasters.

The rapid increase in the number of abandoned houses in Japan has recently emerged as a social issue. In so-called "new towns" developed by the government during the country's economic boom in the 1960s and up to the early 1980s, there remain many uninhabited houses in good condition. This is seen as a side effect of urban depopulation. Since these houses are an important part of our nation's capital, we need to seek solutions on a case-by-case basis.

In the Sekisui House Group, we have recently started a one-stop consultation service that caters to the varying needs of homeowners. Our

services include property management, demolition work, remodeling, renting and sales of property, and security services carried out in cooperation with security companies.

Communicating our philosophy

In 2008, Sekisui House was certified as an Eco-First Company by Japan's Ministry of the Environment. The certification recognized the company's unique and advanced environmental activities and the leading role it plays in promoting these activities within the housing industry. I currently serve as chair of the Eco-First Promotion Council, which was set up to promote collaboration among Eco-First Companies. I am also chair of the Kids Design Association, a non-profit cross-industry association dedicated to promoting a social environment in which children can grow healthily and happily. The concepts advocated by the Eco-First Promotion Council and the Kids Design Association may provide the key to solving various problems currently facing society. In cooperation with other industries, we will continue to spread the messages of these groups.

In Shikama Town, Miyagi Prefecture, Sekisui House has been working on a joint project with local government to develop a disaster-resistant town. International delegates visited the town as part of a study tour during the 3rd UN World Conference on Disaster Risk Reduction, an event held in Sendai, Miyagi in March 2015. We introduced visitors to our latest disaster-resistant housing technology and smart energy systems, thereby drawing global attention to the importance of further developing these technologies.

In each sales administration headquarters of Sekisui House, we hold *Kibo-juku* ("school of hope") teaching sessions for our employees. At these sessions, we do not discuss sales. Rather, I talk to employees about my thoughts on the environment, *sato-yama* (semi-natural, semi-agrarian foothill environments), the *Gohon no ki* landscaping concept, and the role the housing industry should play in these areas, sometimes referring to my own experiences. I also emphasize the importance of building houses that support people's longevity. I am convinced that this can be done if we combine the latest nursing-care robot technology with existing universal design and clean air technologies. This is one example of using innovation to meet social demands and create business opportunities—an approach to business at the heart of our CSV management policy. We will continue to spread our message of "changing society through housing" using every available channel, in the firm belief that doing so will help us fulfill our obligations to future generations.

TOP MANAGEMENT COMMITMENT

Reaffirming Our “Love of Humanity” and Remaining Indispensable to Society

Pursuing Growth while Keeping One Step ahead of Change

Progress is our mission

As we go about creating shared value (CSV) with communities, we must strive to remain a company that is indispensable to society. Failure on this count would destroy our value as a company. As a maker of houses, Sekisui House builds lifelong relationships with its customers. Our continued growth must therefore be achieved in a sustainable manner—that is the cornerstone of our commitment to society.

Following the global financial crisis that began in September 2008, the Sekisui House Group has vigorously pursued structural reforms in order to establish a more robust management structure. This process has involved enhancing our field capabilities, improving our sales force, and increasing our production efficiency. As a result, we have been able to achieve steady sales growth. In FY2014, we began implementing a new growth strategy with a focus on three issues—energy and the environment, housing stock, and Japan’s aging society—each of which has an important social dimension.

Energy and the environment is an area where Sekisui House has long been a pioneer. The Japanese government has set a year-2020 target for achieving widespread adoption of net-zero-energy housing (ZEH) design in newly built homes. In a policy speech to the Japanese legislature in February 2015, Prime Minister Shinzo Abe vowed that his government would take every possible measure to promote comprehensive energy saving while maximizing the use of renewable energy. It is our responsibility at Sekisui House to respond promptly to this political initiative and achieve tangible results.

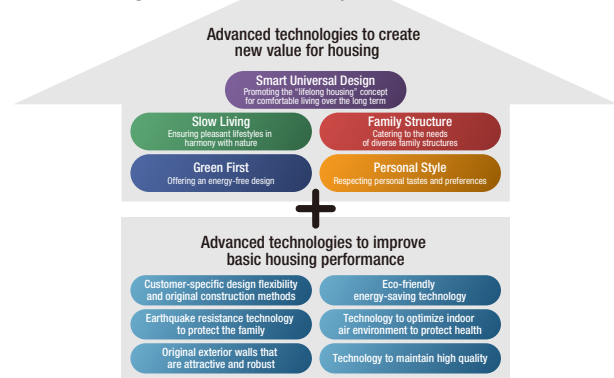
During FY2014, 60% of our customers buying new homes chose a Green First Zero model, a forerunner of ZEH designs to come. Evidently there is already a high level of demand for these eco-friendly products. We aim to increase this rate to 65% for FY2015 and then to 70% in FY2016. Given that about 30% of all electricity used in Japan is consumed in the residential sector, the housing industry clearly has an increasingly important role to play in the push to conserve energy. Taking full advantage of our expertise and experience in the field, we will keep striving to develop new energy-efficient products and technologies.

Providing solutions to social issues through housing stock

Our ongoing FY2014 medium-term management plan aims to take on new challenges in the housing business by enhancing synergies among group companies. Under this plan, our housing stock business is a major pillar of our growth strategy. We currently provide services to 750,000 owner-occupied detached houses and 210,000 rental houses. Long-term relationships with customers are our greatest asset, with each house representing valuable capital. Our remodeling business adds new value to

SLOW & SMART

Housing innovation to make your heart feel at home



housing by catering to various needs in society, such as those that arise from evolving family lifestyles.

Our remodeling service is delivered through three channels: Sekisui House Remodeling for detached houses built by Sekisui House, Sekiwa Real Estate for rental housing, and Sekiwa Construction for all types of housing, including condominiums. By capitalizing further on synergies among our group companies as set forth in the medium-term management plan, and by making the best use of each group company’s unique expertise, we intend to go beyond the conventional way of thinking and launch into new business areas, such as large-scale renovation work.

As a member of the Provision of Quality Housing Stock Association, we are working to stimulate market demand for quality housing stock, which the association refers to as “SumStock.” Research indicates that around 10 million houses in Japan do not meet current seismic safety standards. In addressing this issue, we believe one of the core missions of the housing industry is to harness its resources and expertise to protect people from the impact of natural disasters.

Catering to newly emerging social needs

The Sekisui House Group is currently promoting its Platinum Business that involves tailoring housing to the needs of senior citizens. This built-to-order business area offers the promise of new growth. One example is assisted-living complexes, which the Japanese government is encouraging the private sector to build. Leveraging our expertise in industrialized housing, we launched Celeblio as the industry’s first assisted-living complex of its type. Following the release of the flagship Celeblio model, we have gone on to release a number of other similar housing designs. As a result, our share of the assisted-living complex market has grown to 5% nationwide and 20% in Tokyo.

In November 2014, we established Sekiwa Grand Mast, Ltd., a



Toshinori Abe
President & COO

company that specializes in operating housing for the elderly while also offering support services. The company provides comprehensive consultation services—for example, regarding construction and leasing—and helps to coordinate the activities of property owners and medical and nursing care providers. Within the next five years, we aim to achieve cumulative operation of 5,000 Grand Mast elderly housing units.

Over the years, we have delivered housing that embodies our lifelong-housing concept of “comfortable living—now and always.” The range of specialized expertise we have accumulated—including that related to universal design—is fully utilized in our housing for the elderly. In a related area, we are also planning to step up our business in the field of medical and nursing care.

Following an increase in the inheritance tax rate under a new tax law enacted in Japan in January 2015, there has been a growing demand, especially in urban areas, for multi-family housing as well as for three- to four-story split-use buildings that comprise both rental apartments and office or retail space. During FY2013, we built more three-story rental housing buildings than anyone else in the industry.

Taking advantage of our unique experience and expertise, we aspire to be a company that can set trends in urban lifestyles and in the way families live together.

Reaffirming our corporate philosophy of “love of humanity”

Even as we venture into new business areas, our customer-first approach never changes. Underlying this approach is our corporate philosophy, which attests a “love of humanity.” Under our SLOW & SMART brand vision, we constantly strive for the best quality and the highest technology. The catchphrase “Sekisui House—Always there for you” expresses our mission, which is to create housing environments filled with feeling. The

phrase also represents the sense of gratitude we feel toward our customers.

A “love of humanity,” in the context of our everyday work, helps us to create comfortable working environments and improve morale. It is the mark of true leadership. With regard to promoting diversity in the workforce, we set up a dedicated department in 2014 to expedite our efforts in this direction. With a view to giving female employees greater opportunity for promotion to managerial positions, we launched Sekisui House Women’s College, a two-year training program in which female employees can acquire advanced business skills and problem-solving abilities that qualify them for future managerial posts.

Setting numerical targets for workplace diversity is important, but what matters most of all is the quality of the workplace. Our efforts to support female employees in their career development were recognized in 2013 and 2015, when we were chosen for the *Nadeshiko* list—a women-empowering roster selected by the Tokyo Stock Exchange and the Ministry of Economy, Trade, and Industry. Sekisui House is the only company in the housing industry to have been awarded this honor twice.

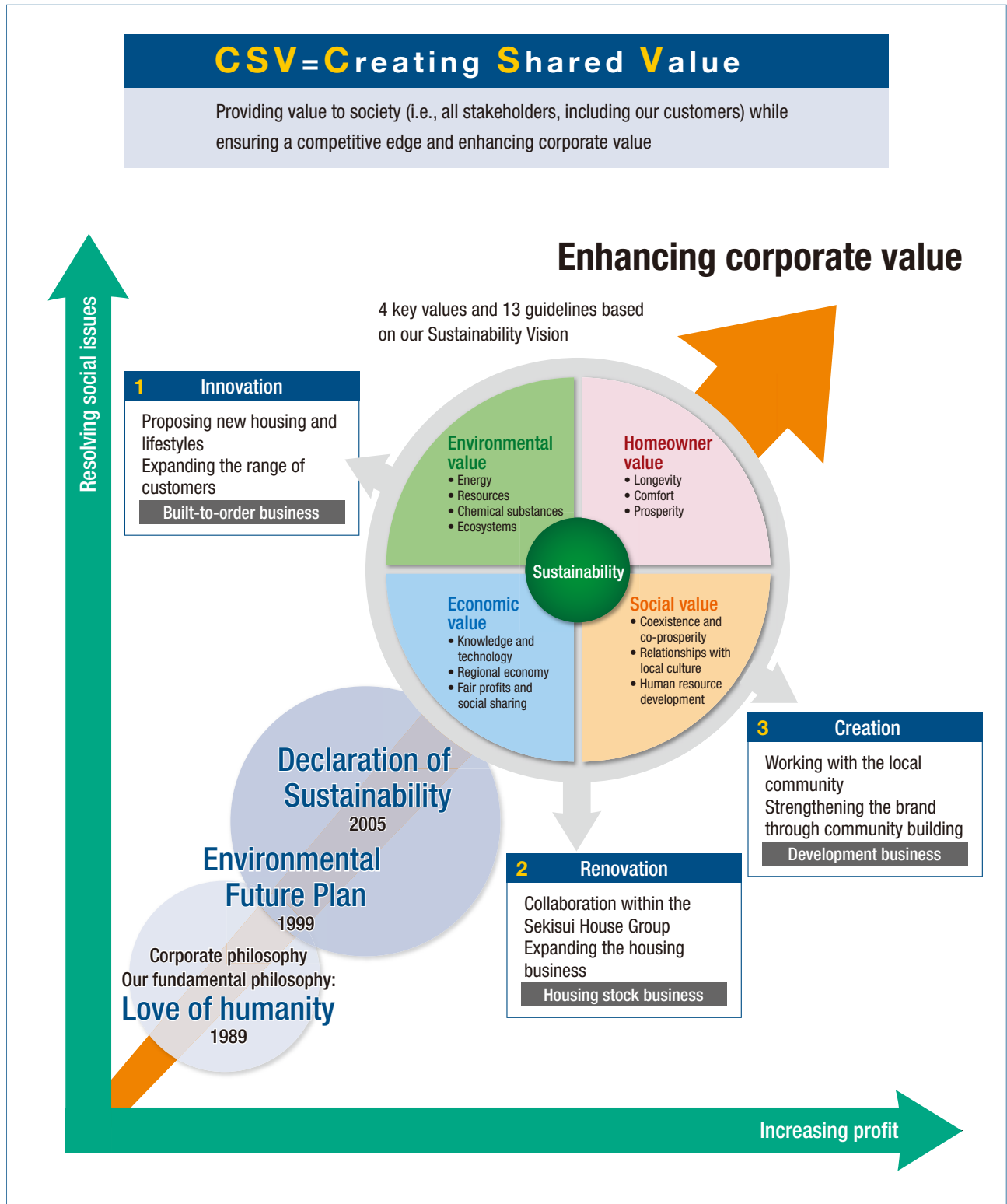
Ensuring strict compliance while securing operational efficiency is a matter of great importance to us. We are also putting our efforts into creating pleasant work environments, especially at a time like now when we are enjoying steady business growth.

A company is composed of individuals, each with his or her own unique personal character. When it comes to our behavior both in and outside the workplace, my wish is for Sekisui House employees to act with the utmost integrity at all times.

Our underlying motivation—a love of humanity—means desiring happiness for others and treating their joy as our own. It means undertaking all of our activities in good faith and in a spirit of service. With this in mind, we must keep moving forward as a company that is, and that will always be, indispensable to society.

Enhancing Corporate Value through Three Business Models with Sustainability as the Core

The Sekisui House Group continues to promote CSR activities through its core businesses. Our mission involves providing solutions to social issues and value to our stakeholders while achieving sustainable growth in our corporate value. We aim to deploy housing-related growth strategies and pursue synergies between our built-to-order, housing stock, and development businesses.



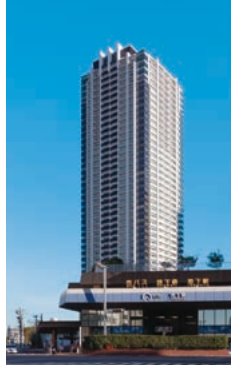
Making the Sekisui House Group's Unique Strengths the Driving Force of Value Creation

Since its founding in 1960, Sekisui House has expanded its areas of business while always placing customers first. As we continue to grow as a leading housing company, we will make full use of more than 50 years of experience, know-how, and intangible assets to provide value to our customers and other stakeholders. On this page, we will introduce the unique strengths of the Sekisui House Group, the qualities that provide the backbone of our business.

Following our beginnings in the detached housing business, we have steadily expanded our business to encompass rental housing and a range of areas that include Common City communities, Grande Maison condominiums, Rokko Island City and other major developments, remodeling, large-scale projects, overseas business, and Smart Common City smart towns. Based on our experiences in these projects, we will continue to tackle new challenges in the housing business.



Be mod+e gent two-story steel-frame detached house



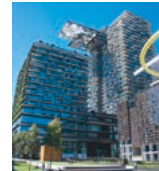
Grande Maison Ikeshita The Tower, a condominium project



Smart Common City Akaishidai, a smart town



Grand Front Osaka, a large-scale project in Osaka



Central Park in Sydney, Australia



Celeblio assisted-living complex for senior citizens

Direct sales and project accountability—Sekisui House staff provide customers with peace of mind by acting as a direct contact for housing inquiries and obviating the need for an intermediary agency.



Sekisui House maintains close ties with the Sekisui House Association, an organization that includes our building contractor partners. We work together closely, for example by coordinating disaster support from different regions.



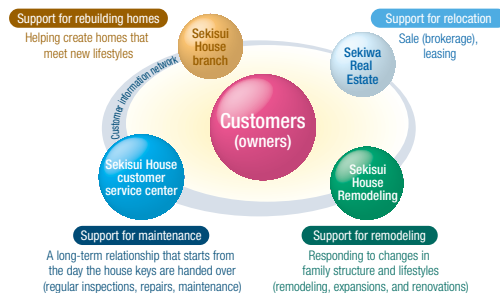
Our numerous achievements and research into long-term comfortable living have made us industry leaders in universal design and child-friendly design.



About 10% of all Sekisui House employees are engaged in after-sales service. We promise to watch over the homes of our customers for the long term.



We satisfy customer needs through synergies with group companies that include Sekiwa Real Estate, Sekisui House Remodeling, and Sekiwa Construction.



We were the first in the industry to enhance our brand value by tackling environmental issues.



Financial Data from the Past 11 Years and Major Initiatives

Realizing Sustainable Growth through CSV Management

In 1999, the announcement of the Environmental Future Plan marked a milestone in the Sekisui House Group's CSV (Creating Shared Value) management strategy. Although at the time little attention was being given to environmental initiatives in the housing industry, the Sekisui House Group pursued its business under the conviction that such initiatives would help solve social issues and lead to new competitive strategies.

		FY2004	FY2005	FY2006	FY2007
Business performance	Net sales	1,372,243	1,501,857	1,596,183	1,597,807
	Operating income	76,638	79,980	111,570	109,727
	Ordinary income	77,316	81,699	114,822	114,086
	Net income	23,659	43,029	62,663	60,352
	Earnings per share (EPS)	33.80 yen	62.94 yen	89.26 yen	87.70 yen
	Return on equity (ROE)	3.5%	6.4%	8.4%	7.7%
	Operating margin	5.6%	5.3%	7.0%	6.9%
Financial status	Total assets	1,140,231	1,098,203	1,278,770	1,349,441
	Net assets	666,475	685,762	798,302	770,963
	Capital ratio	58.5%	62.4%	62.4%	57.1%
Dividend	Annual dividend	18.00 yen	20.00 yen	22.00 yen	24.00 yen
	Total dividends	12,289	13,327	15,600	16,233
	Dividend payout ratio	53.3%	31.8%	24.6%	27.4%
Shared value	Total market value (year-end)	851,262	1,296,756	1,200,279	836,365
	Average sales of detached houses (10,000 yen)	2,933	2,987	3,037	3,105
	Average sales of rental housing (10,000 yen)	3,552	3,754	3,985	4,156

Note: Progress on certain initiatives are explained on pages indicated in parentheses ().

Actions taken by Sekisui House

1999

Announced the Environmental Future Plan

Launched industry initiative in carrying out group-wide environmental activities

2001

Embarked on new environmental initiatives under the *Gohon no ki* landscaping concept (p. 30)

Preserved biodiversity by creating home gardens with native and indigenous tree species



Gohon no ki concept

2002

Achieved zero waste at all of our factories (p. 43)

Recycled all waste generated during the factory production stage

Pursuing environmental management and sustainability

2003

Began to equip all newly built detached houses with a next-generation energy-saving system

Improved the insulation efficiency of detached houses

2004

Announced the S-Project medium-term management vision

Declared our determination to make sincere efforts to fulfill our responsibilities to all stakeholders

Launched energy-saving and disaster-proof housing products

Ensured self-sustained lives at home even in times of emergency

2005

Announced Declaration of Sustainability

Defined a Sustainability Vision and incorporated this vision into business activities

Formulated the Urban Development Charter

Declared our commitment to creating communities that grow increasingly attractive over time and that are valued as assets of society

2007

Introduced the SHEQAS seismic control system (p. 38)

A government-accredited seismic control structure that converts seismic energy into heat energy and absorbs building movement



SHEQAS seismic control system

Enhancement of housing quality and performance

Major events

2000

Housing Quality Assurance Act comes into effect in Japan

2002

Construction Materials Recycling Act comes into full force in Japan

2005

Kyoto Protocol takes effect

2006

Basic Act for Housing comes into effect in Japan

Sekisui House's environmental efforts have come in many forms. One of our efforts to tackle global warming has involved standardizing next-generation energy-saving specifications for detached houses and launching Green First models. Our efforts to revive ecosystem networks have included the *Gohon no ki* landscaping concept. We have also pursued initiatives aimed at resource recycling, while striving as well to achieve zero waste at our factories.

At the same time, these various initiatives have helped Sekisui House to improve its performance and achieve sustainable growth. We will continue to hold firm in our belief that housing is a key to solving social issues, as we practice CSV management and share our values with various stakeholders, achieve sustainable growth as a socially relevant company, and set new standards for society.

(Unit: Million yen)

	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
	1,514,172	1,353,186	1,488,369	1,530,577	1,613,816	1,805,102	1,912,721
	73,960	△38,754	56,354	70,897	86,196	131,930	146,595
	77,072	△38,758	56,271	70,075	91,767	137,794	156,426
	11,516	△29,277	30,421	28,962	46,458	79,801	90,224
	17.04 yen	△43.32 yen	45.02 yen	42.90 yen	69.17 yen	118.63 yen	130.91 yen
	1.5%	△4.0%	4.2%	3.9%	6.0%	9.2%	9.0%
	4.9%	△2.9%	3.8%	4.6%	5.3%	7.3%	7.7%
	1,387,237	1,353,946	1,341,308	1,445,828	1,539,272	1,769,005	1,929,409
	754,130	716,295	738,029	750,374	814,063	941,415	1,079,064
	54.3%	52.9%	54.9%	51.4%	52.4%	52.6%	55.4%
	24.00 yen	10.00 yen	21.00 yen	20.00 yen	28.00 yen	43.00 yen	50.00 yen
	16,227	6,759	14,193	13,477	18,811	29,200	34,799
	140.8%	—	46.6%	46.6%	40.5%	36.2%	38.2%
	520,525	578,737	540,831	484,650	680,946	985,007	1,059,072
	3,164	3,115	3,172	3,311	3,344	3,450	3,565
	4,552	5,116	5,138	5,263	5,519	6,128	6,854

Increasing corporate value through evolution of the Green First strategy

2007

Established Wood Procurement Guidelines (p. 31)

Promoted the FairWood procurement initiative to ensure sustainable wood use

2008

Made the Eco-First Promise

Became the industry's first company to be certified as an Eco-First Company by the Japanese Ministry of the Environment

Cooperated in construction of the Zero Emission House

Unveiled our innovations at the Toyako Summit



Zero Emission House

2009

Launched Green First eco-friendly homes (p. 23)

Provided eco-friendly housing that was also comfortable and economical

2010

Achieved the milestone of 2 million homes

2011

Launched the Green First Hybrid model

Introduced a smart house furnished with the world's first power supply system utilizing three different kinds of cells

Launched Airkis high-quality indoor air system (p. 38)

Reduced indoor concentration of certain chemical substances to less than 50% of the level stipulated by the Japanese government guidelines to protect children's health

2013

Launched the Green First Zero model (p. 23)

Led an initiative to promote energy-neutral housing, achieving a 2020 lifestyle ahead of time



Green First Zero

Planted 10 million trees as part of the *Gohon no ki* landscaping project (p. 31)

2014

Announced the Disaster Risk Reduction Factory of the Future plan

Pursuit of both environmental consideration and comfort

2009

Japanese government launches Long-Term Quality Housing Certification Program

2010

10th meeting of the Conference of the Parties to the Convention on Biological Diversity

2005

Great East Japan Earthquake

2006

3rd United Nations World Conference on Disaster Risk Reduction

Sekisui House Group Leads the Housing Industry

The Sekisui House Group is deploying growth strategies tailored specifically to the housing industry, and on many measures the company continues to lead the market in Japan. Taking full advantage of our position as a leader in the housing industry, we seek to fulfill our mission to change society.

Total number of houses constructed

2,236,414 houses
(No. 1 in the world)



Number of detached housing starts (FY2013)

15,589 houses
(No.1 among prefabricated house manufacturers)



Total number of orders received for net-zero-energy housing

11,695 houses
(No. 1 in Japan)



Number of three-story rental housing starts (FY2013)

1,341 buildings
(No. 1 in Japan)



Total number of houses equipped with Ene-Farm fuel cells

32,452 houses
(No. 1 in Japan)



Total number of registered residential units in assisted-living complexes for senior citizens

8,547 units
(No. 1 in Japan)



Remodeling business sales (FY2014)

134.1 billion yen
(No. 1 in Japan)



(All totals as of January 31, 2015)

Exterior business sales (FY2014)

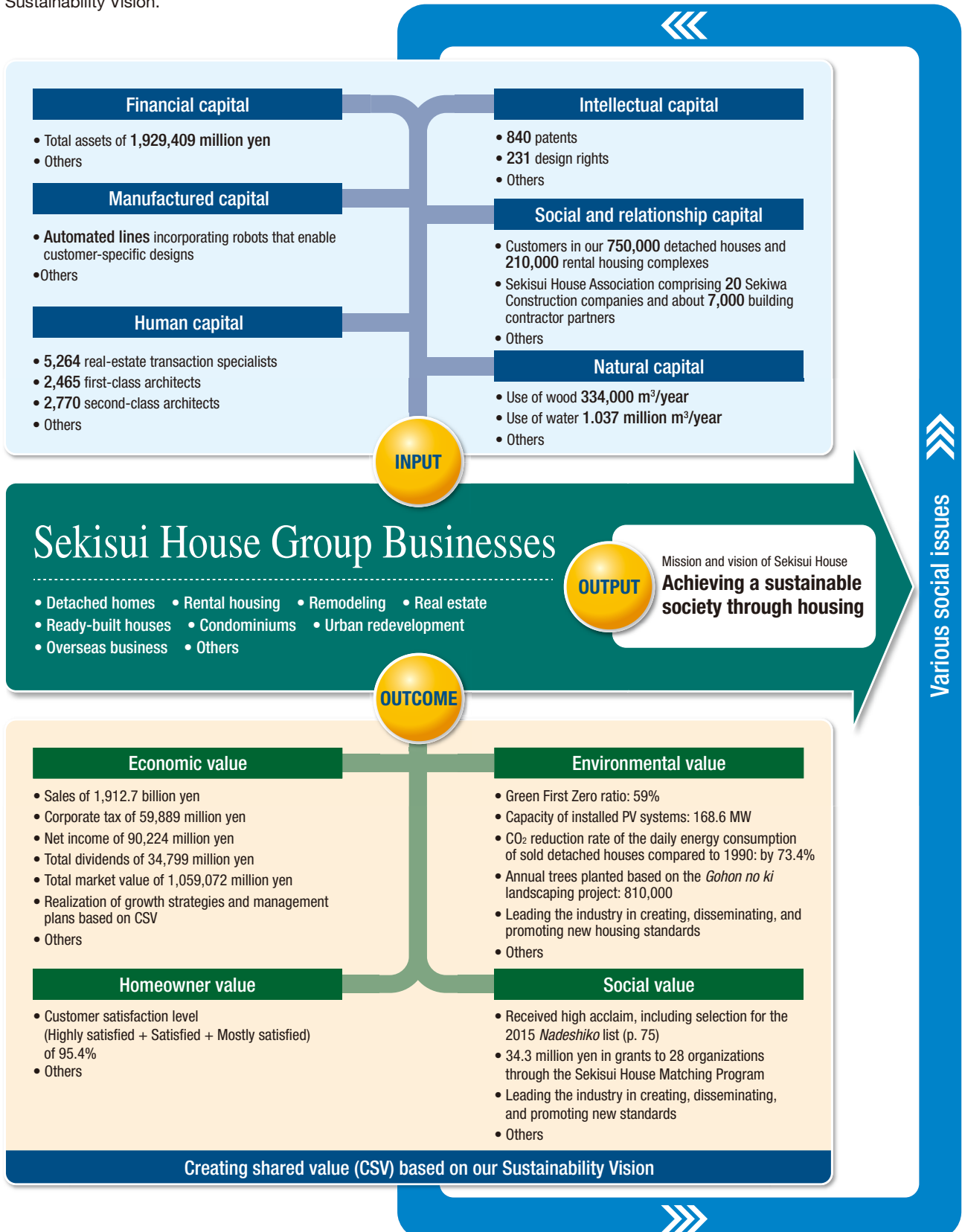
58.3 billion yen
(No. 1 in Japan)



Value Creation by the Sekisui House Group

Addressing Social Issues through Housing and Creating Shared Value with Stakeholders

By effectively harnessing the six management resources outlined by the International Integrated Reporting Council (IIRC), the Sekisui House Group has been working within the context of the housing business to address social issues through a process of creating and sharing value with our stakeholders. The following chart gives an overview of the Sekisui House Group's CSV (Creating Shared Value) strategy and business models by classifying the created values into four categories based on our Sustainability Vision.



FY2014 Medium-Term Management Plan and CSV Strategies

Tackling the Housing Business through the Synergy of Three Business Models

The Sekisui House Group announced a new medium-term management plan in November 2014. The plan's basic policy is to take on new challenges in the housing business by strengthening synergies throughout the Group.

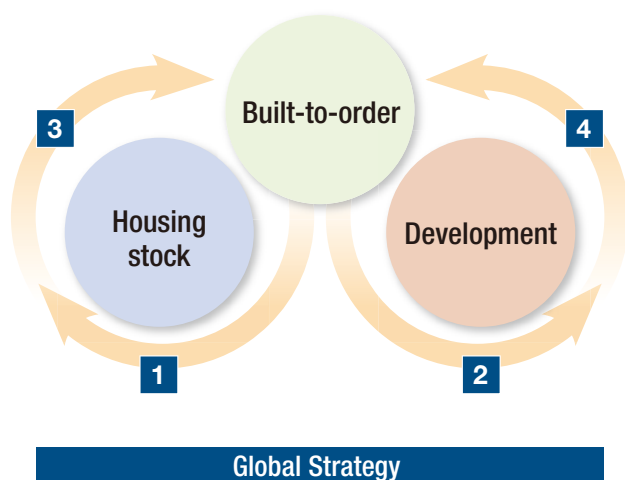
Enhancing collaborations between affiliated companies such as Sekiwa Construction, Sekisui House Remodeling, and Sekiwa Real Estate will enable us to give a unified, one-stop response to consultations on housing. While pooling the techniques and know-how cultivated through our three business models—built-to-order, housing stock, and development—and while seeking synergies among them, we will highlight our business achievements,

enhance our brand value, and maximize our appeal to customers.

In addition, we will strive to increase orders for assisted-living complexes for senior citizens through the establishment of a specialized management company as part of our built-to-order business. When it comes to our housing stock business, we will expand the renovation and vacant house businesses. And with our development business, we will expand selected business areas by strengthening exit strategies through the establishment of a real estate investment trust (REIT). We will thus undertake a variety of new challenges.

Basic Policy

Tackling New Challenges in the Housing Business by Strengthening Group Synergies



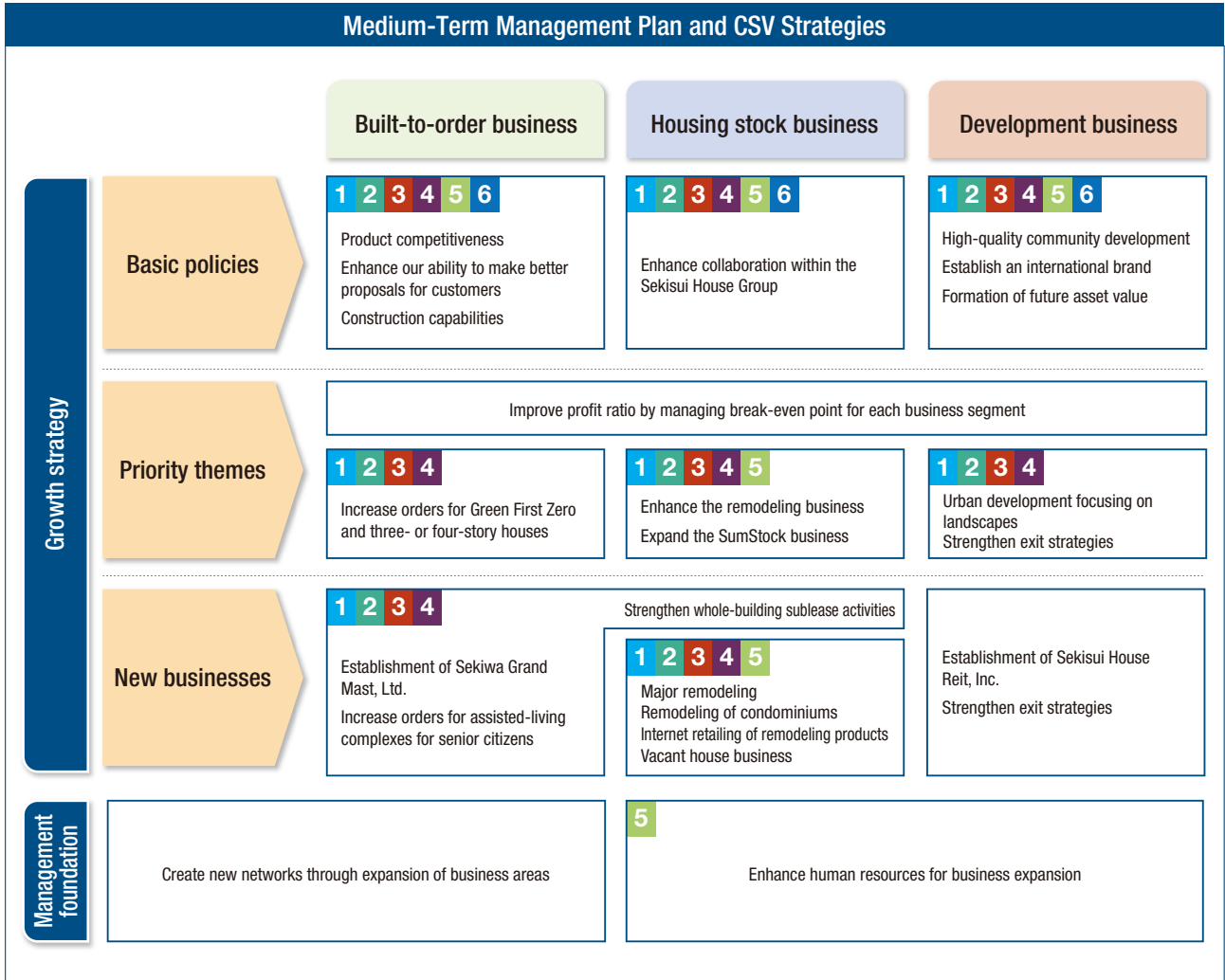
- 1** Expanding the housing stock business by positioning the built-to-order business as our core business and strengthening the customer base by providing high-quality housing stock.
- 2** Enhance the asset turnover of the development business by taking technologies and know-how cultivated through the creation of housing environments for the built-to-order business and using them in domestic and overseas community development projects.
- 3** 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 ensuring a competitive edge in the built-to-order business.
- 4** 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.

Profit Plan

(Unit: Billion yen)

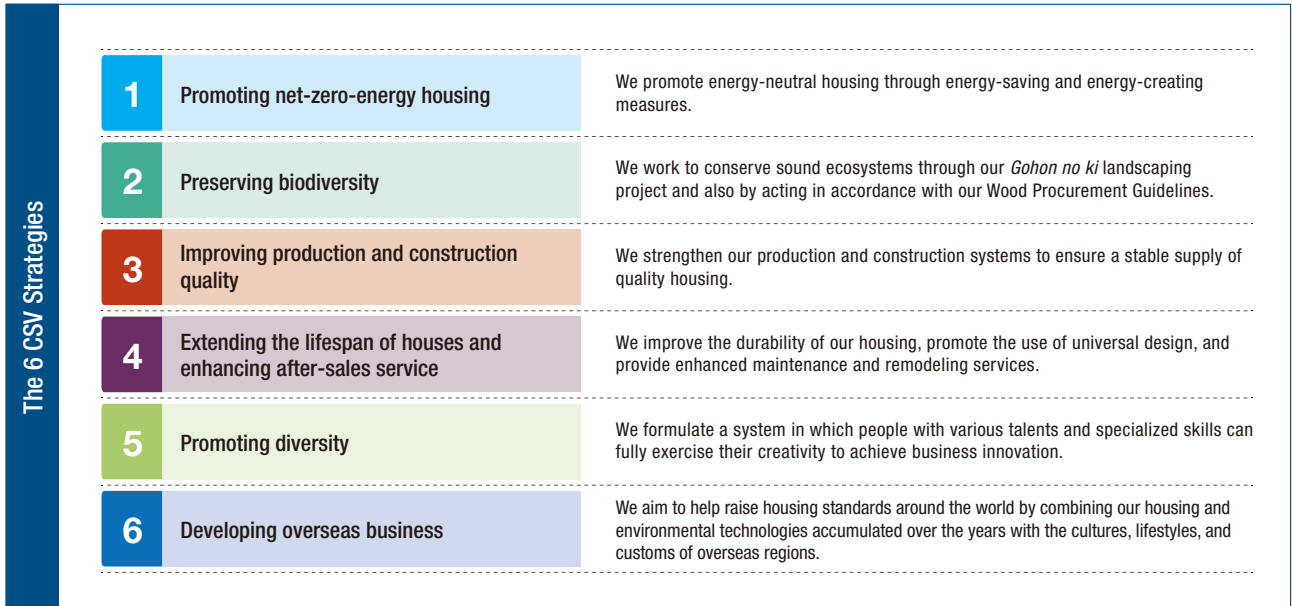
Regarding our plans for future profits, we expect steady growth in both sales and profits. For FY2016, the last year of the medium-term management plan, we expect consolidated net sales of 2.02 trillion yen, consolidated net income of 103 billion yen, and an ROE of 10.0%. The following return to shareholders will be achieved: a dividend payout ratio of 40% and a total return ratio of 60%, which will be realized by acquisition of own shares with about 20% of the current income.

	FY2014 results	FY2015 plan	FY2016 plan
Net sales	1,912.7	1,930.0	2,020.0
Operating income	146.5	153.0	166.0
Ordinary income	156.4	159.0	171.5
Net income	90.2	93.0	103.0
Operating margin	7.7%	7.9%	8.2%
EPS (earnings per share)	130.9 yen	132.9 yen	151.0 yen
ROE (return on equity)	9.0%	8.7%	10.0%
Annual dividend	50 yen	54 yen	TBD



The matrix above indicates an outline of basic policies, priority themes, new businesses, and so forth, based on the three business models outlined in the medium-term management plan. Our six CSV strategies—that is, the six major pillars of

our CSR activities—are laid out as above and are linked to the medium-term management plan. This also indicates the significance that the Sekisui House Group places on CSR in our core businesses.



Enhancing 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

We held visitor days for shareholders at our Shizuoka Factory. At a *Sumai no yume* *kojo* hands-on learning center next to our Shizuoka Factory, visitors experienced advanced technologies for living in comfort and safety and with peace of mind.



Visitors at a *Sumai no yume kojo* hands-on learning center

At company briefings and seminars, investors have an opportunity to learn more about Sekisui House. We also offer clear and concise information on our business strategy and plans through our Business Report for shareholders and through other corporate and IR information on our website.



Investors at a company briefing and seminar

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.

Recipients of donated rice in FY2014 (3,780 kg in total)

- Public Interest Incorporated Association Shimane Prefectural Te-o-tsunagu Ikuseikai (Matsue City, Shimane Prefecture)
- Public Interest Incorporated Association Hiroshima Prefectural Te-o-tsunagu Ikuseikai (Hiroshima City, Hiroshima Prefecture)
- Medical Corporation Shojinkai (Akita City, Akita Prefecture)
- Medical Corporation Heart (Hitachinaka City, Ibaraki Prefecture)
- Unoura Hospital (Rikuzentakata City, Iwate Prefecture)

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.

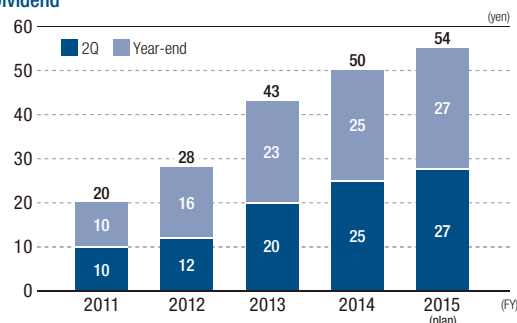
Returning Profits to Shareholders—Ensuring High Dividends and Total Return Ratio

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.

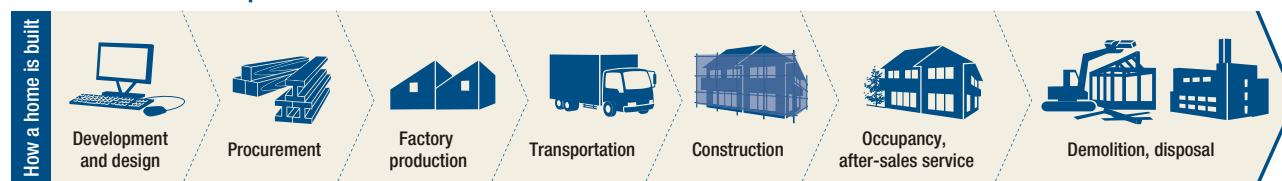
Dividend



Working with Stakeholders for a Better Future

As a company that contributes to society through housing construction and community development, the Sekisui House Group values dialogue with customers and all other stakeholders. We respond in good faith, seeking to grow together based on the following guidelines.

Sekisui House Group Value Chain



Main Stakeholders and Overview of Actions

Main stakeholders and responsibilities	Actions	Examples of proposed themes	Response for such themes	Refer to
Customers We promote communications with customers under our "customer first" policy, in order to ensure that their valuable assets (i.e., their homes) have prolonged lifespans and are long-cherished. We also seek to serve customers with sincerity and integrity, so that we may enhance customer satisfaction.	<ul style="list-style-type: none"> Customer surveys Regular information magazines: <i>Kizuna</i> (semiannual), <i>Maisowner</i> (semiannual), and <i>gm</i> (three issues per year) Net Owners Club Kizuna website 	<ul style="list-style-type: none"> Proposing and constructing exteriors that are easy to maintain and use 	<ul style="list-style-type: none"> Creating and operating a townscape assessment system Strengthening group-wide collaborations to help the exterior business grow 	pp. 37–42
Consumers We facilitate the disclosure of information, while remaining sensitive to the needs of society. We also foster relationships of trust as part of our efforts to create a pleasant society and comfortable lifestyles.	We offer venues for dialogue with consumers through the following: <ul style="list-style-type: none"> Comprehensive Housing R&D Institute Sumufumulab <i>Sumai no yume koju</i> Eco First Park Housing seminars <i>Life Literacy Book</i> 	<ul style="list-style-type: none"> Disclosing housing manufacturing processes and sites 	<ul style="list-style-type: none"> Recruiting Sumufumulab research members and holding workshops Opening research facilities to the public 	Website
Business partners We strive to conduct transactions on a fair and equal basis, and we foster amicable partnerships that promote mutual growth and deliver customer satisfaction.	<ul style="list-style-type: none"> Organizing network of Sekisui House Association and Sekisui House Partners' Association Policy meetings (semiannual) Supplier evaluations 	<ul style="list-style-type: none"> Improving construction site environments (e.g., labor-saving measures and measures to deal with an aging workforce) Improving delivery date accuracy (materials and parts delivery) 	<ul style="list-style-type: none"> Working with production divisions to improve indications of parts and to promote combined, pre-cut, and pre-set parts Sharing process charts online with manufacturers and carrying out thorough information entry 	pp. 33–36
Employees We respect the diverse individuality of employees to ensure that they can fully demonstrate their competence 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.	<ul style="list-style-type: none"> Employee management in line with the Declaration for Human Resource Sustainability Internal open recruitment Internal qualifications Human relations training (annual) Governance awareness survey (annual) Occupational health and safety management system Mental health management Sekisui House Group internal magazine: <i>Sekisui House</i> (bimonthly) 	<ul style="list-style-type: none"> Contributing to women's career development Supporting a work-life balance Promoting employment of the disabled 	Refer to CSV Strategy 5 "Promoting Diversity"	pp. 45–48
Shareholders and investors We ensure fair and transparent corporate management to maintain our value in society, with a view to further enhancing our corporate value by achieving healthy growth and returning fair profits to our shareholders.	<ul style="list-style-type: none"> General shareholders' meeting Business Report (semiannual) and Annual Report (annual) Online IR newsletter Shareholder preferential gift programs Visitor days and briefings 	<ul style="list-style-type: none"> Disclosing management strategies and plans in an easy-to-understand manner 	Refer to "Enhancing Communication with Shareholders and Investors"	p. 17
Communities We endeavor to foster local cultures and enhance living standards to ensure all people enjoy happy, satisfying lives, while contributing to the preservation of the global environment. We strive to share fair profits with society and cooperate with and participate in social action programs by leveraging our strengths as a homebuilder.	<ul style="list-style-type: none"> Cooperating with Kids Design Association NPO Cooperating with Uzo Nishiyama Memorial Library NPO Supporting independence of people with disabilities Sekisui House Matching Program Kobe Machizukuri Rokko Island Fund charitable trust 	<ul style="list-style-type: none"> Safe lifestyles that provide peace of mind Community development that prevents crime and damage from disasters 	<ul style="list-style-type: none"> Helping build communities through neighborhood bonds Supporting Community Fair events 	pp. 25–26 pp. 63–66 pp. 67–70
All stakeholders	We create shared value, ensure full compliance with relevant regulations, follow eco-friendly practices, and fulfill our responsibilities to accountability.			pp. 53–56

Process for Identifying Material Aspects

Identification of Material Aspects through Stakeholder Actions

We have selected six priority themes and are focusing on them as CSV (Creating Shared Value) strategies to be further strengthened.

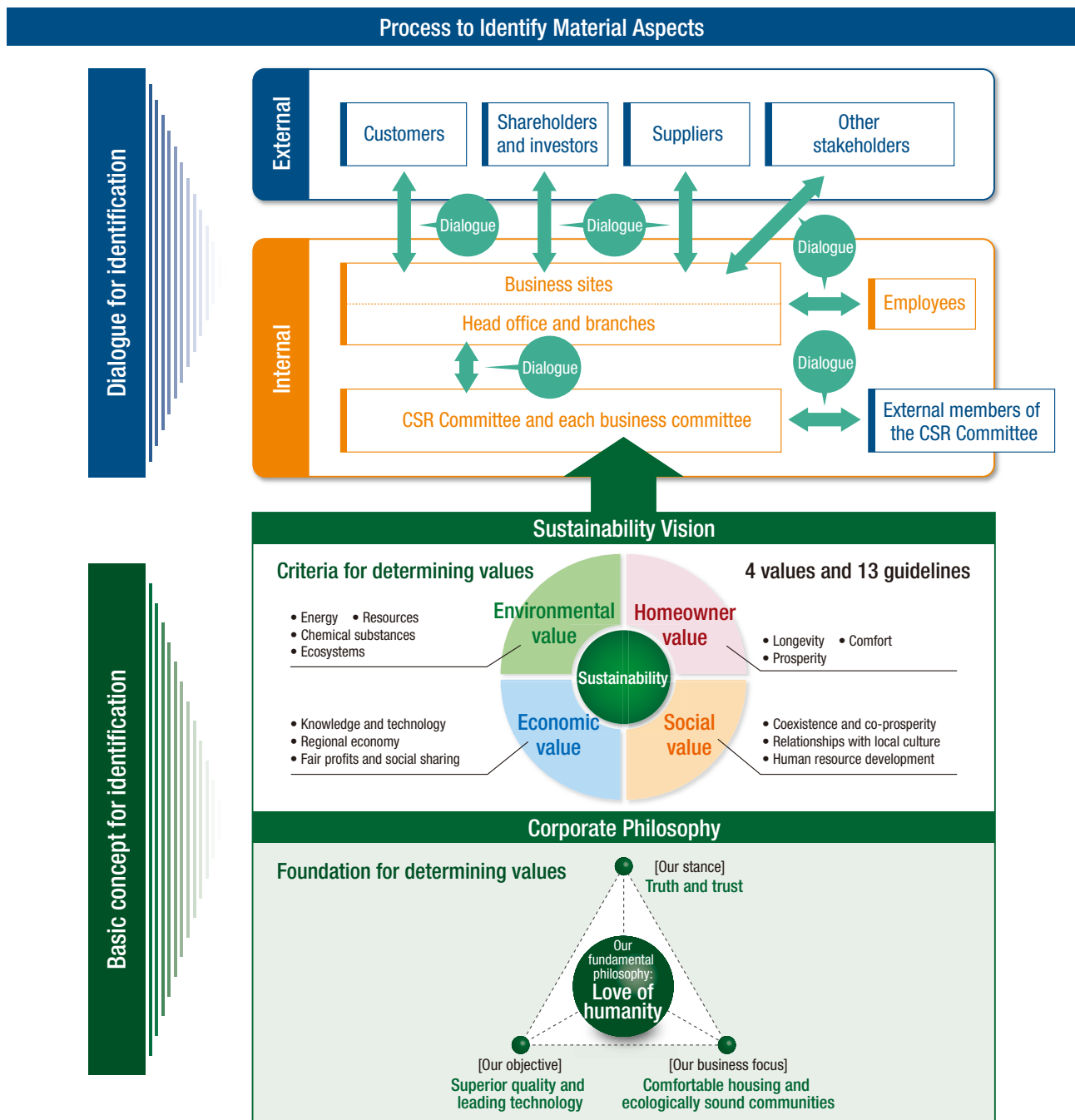
When selecting themes, the 46 aspects of the Specific Standard Disclosures of the G4 Guidelines were prioritized. We used the opinions of our stakeholders, our corporate philosophy, and our Sustainability Vision as ranking criteria.

In the end, material aspects were narrowed down to 30 items at a CSR Committee meeting at which external experts participated (see chart on page 20). Boundaries

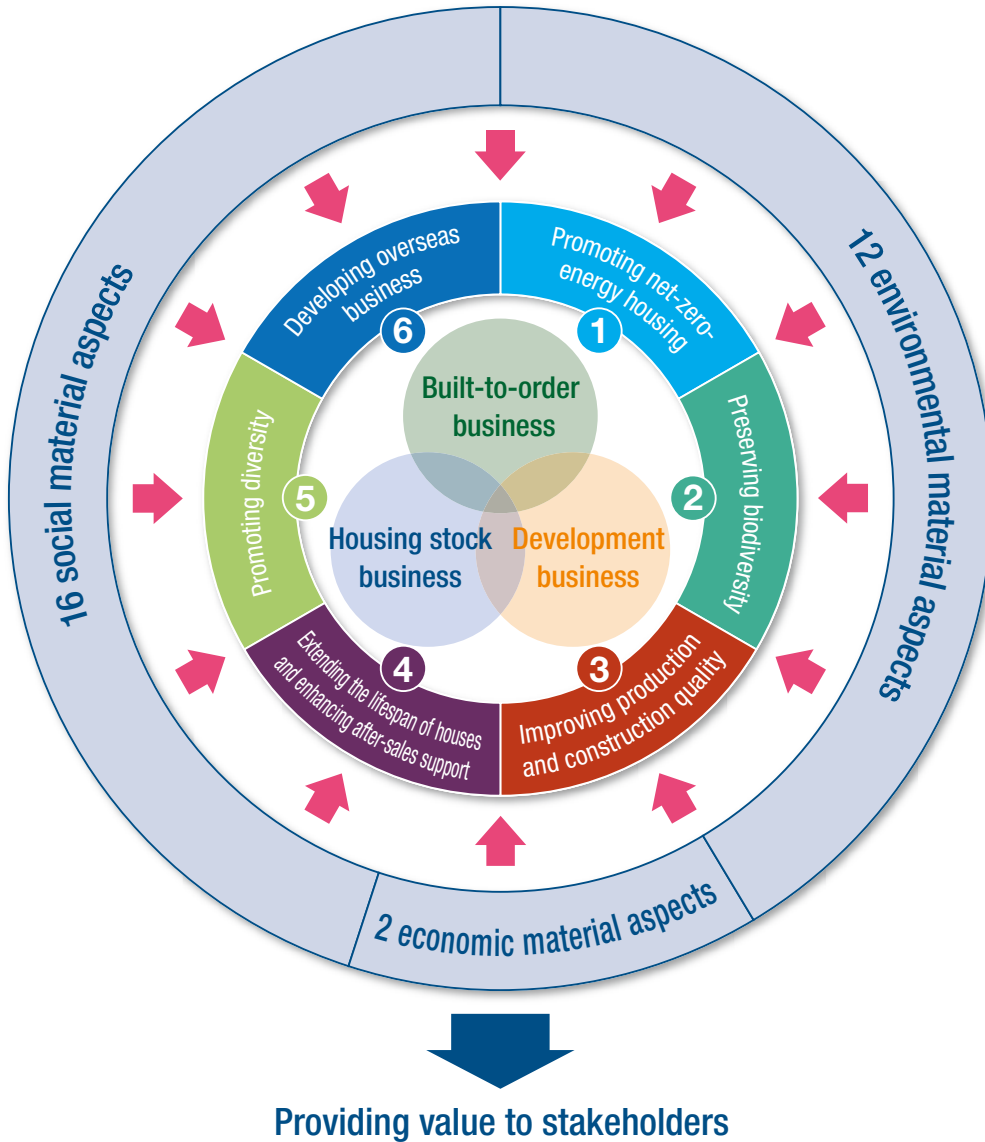
were established for each aspect (see page 76). By connecting these aspects to specific CSR activities, six CSV strategies were designated.

For information on the relationship between material aspects and CSV strategies, please refer to page 20.

The Sekisui House Group will focus on CSR activities through our core business while fulfilling stakeholders' expectations and will strive for sustainable growth through value creation.



Identified Material Aspects and the CSV Strategies



30 Material Aspects

Economic (2)	<ul style="list-style-type: none"> Economic performance Procurement practices
Environmental (12)	<ul style="list-style-type: none"> Materials Energy Water Biodiversity Emissions Effluents and waste Products and services Compliance Transport Overall Supplier environmental assessment Environmental grievance mechanisms
Social (16)	Labor practices and decent work (4)
	<ul style="list-style-type: none"> Employment Occupational health and safety Training and education Diversity and equal opportunity
	Human rights (3)
	<ul style="list-style-type: none"> Investment Assessment Human rights grievance mechanisms
	Society (4)
<ul style="list-style-type: none"> Local communities Anti-corruption Anti-competitive behavior Compliance 	
Product responsibility (5)	
<ul style="list-style-type: none"> Customer health and safety Product and service labeling Marketing communications Customer privacy Compliance 	

Promoting Net-Zero-Energy Housing

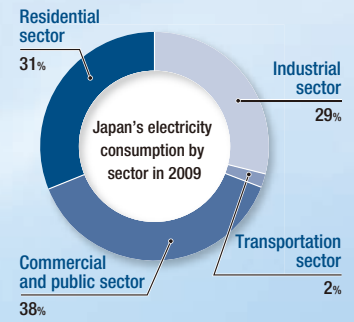
Providing high-quality, eco-friendly housing without any constraints related to energy issues

Backdrop

Addressing two important issues through our CSV strategy: combating global warming and finding solutions to the energy supply problem

There is a pressing need to prevent global warming by reducing CO₂ emissions. In Japan, energy consumption in the residential sector has doubled in the last 40 years, which has led to a huge increase in CO₂ emissions. We urgently need to carry out effective measures to reduce emissions, given that the residential sector accounts for about one third of the nation's electricity consumption. While energy-saving efforts are being made in homes, these efforts depend upon the forbearance of residents and their having an energy-saving mindset. As a housing manufacturer, Sekisui House has been studying how we can cope

with these issues and how we can translate them into sustainable business models. The solution we devised is the Green First strategy. This strategy is expected to help us deliver housing that can simultaneously provide comfortable living and low energy costs for homeowners, while also contributing to a reduction in CO₂ emissions.



Source: IEA/OECD Electricity Statistics

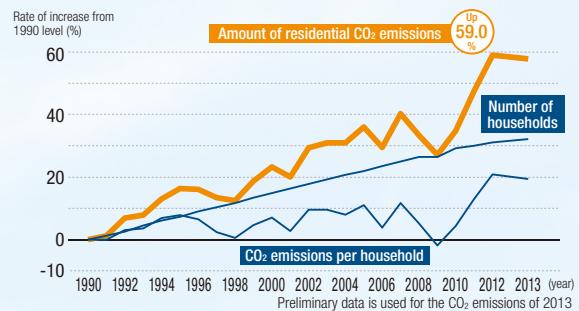
Our goal

Aiming to expand the market for energy-saving and energy-creating houses and promoting energy self-sufficiency, while providing comfortable living spaces

Contract house construction is a core segment we believe can contribute to the reduction of residential CO₂ emissions in an effective and sustainable manner. With Action Plan 20, which was launched in 2005, we targeted a 6% reduction in CO₂ emissions from 1990 levels (equivalent to a 20% reduction in CO₂ emissions from the projected residential energy consumption rate in 2010). In 2009, Action Plan 20 was subsumed under our Green First initiative, which also incorporated the concept of generating alternative energy through houses equipped with solar and fuel cells. Our Green First Zero initiative was launched in 2013. While reducing the CO₂

emissions of houses, we aim to expand the market for houses that are both comfortable and economical.

Residential CO₂ emissions have increased by about 60% from the 1990 level



This chart was prepared using data provided by the National GHGs Inventory Report of Japan and the basic registry of residents.



Action policies

Leading the government's ZEH initiative by actively promoting our Green First Zero model

The Japanese government formulated a strategic energy plan—approved by the Cabinet in April 2014—that advocates the adoption by 2020 of net-zero-energy house (ZEH) design as standard for newly built homes.

• Main stakeholders

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

• Measures

Launching and spreading the Green First Zero model, which provides energy-neutral housing environments in line with the ZEH standards.

Green First Zero features

① High insulation

Providing advanced heat-insulation systems, including argon gas-filled double glazing as standard

② Introducing comprehensive energy-saving solutions

Providing—as standard—high-efficiency air conditioning systems, equipment that uses less hot water, LED lighting equipment, and HEMS (home energy management systems)

③ Utilizing natural energy effectively

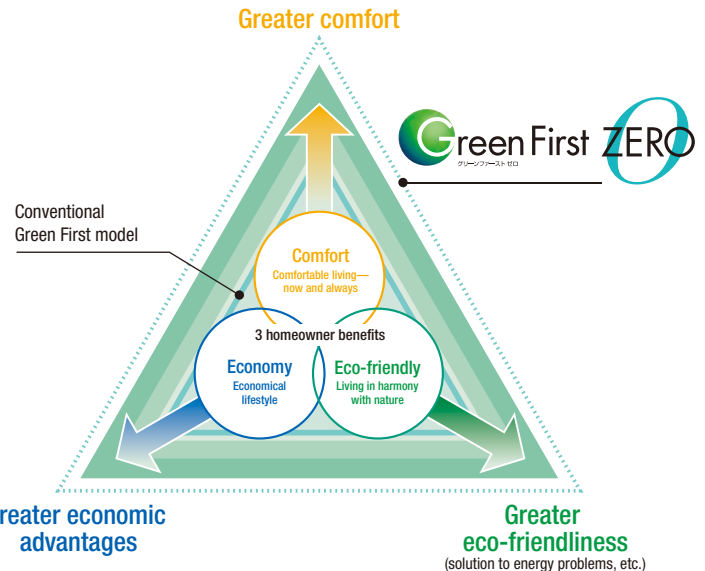
Using different types of glass, depending on the direction the window faces, and adapting the design to control solar radiation and optimize ventilation

• Specific promotion measures

- Developing and operating an in-house program for assessing the implementation rate of net-zero-energy homes
- Actively proposing ZEH subsidies to customers
- Conducting application of subsidies on behalf of customers
- Holding study sessions for the application of ZEH subsidies, preparing manuals, etc.

• Target for FY2015

To have 65% of all new Sekisui House detached homes built to the Green First Zero specification



Risk management

Reducing the financial burden on homeowners and offering consultation services for achieving comfortable lifestyles

Risk
1

Adopting the ZEH model leads to an increase in construction costs

Our response
1

In order to meet the ZEH standards stipulated by the Japanese government, a regular Japanese home must be fitted with additional energy-saving equipment—for example, advanced heat-insulation equipment. In general, Sekisui House homes come standard-equipped with more energy-saving features than homes built by other manufacturers. They therefore require relatively lower additional costs to meet ZEH standards.

ZEH-compliant homes still require higher initial costs compared with conventional homes, and that is why we are working to establish a system to reduce the burden on homeowners. As part of this effort, we are seeking the understanding and cooperation of manufacturers of energy-saving and energy-creating equipment with regard to cost reductions. We have been outlining to them our plans to equip more than half of our newly built homes with Green First Zero features, and we have proposed central purchasing of their products.

The main benefit of a Green First Zero home is that it delivers very low utility costs, thanks to its energy-saving and energy-creating features. We are currently cooperating with energy supply companies to find ways to reduce fuel costs borne by the homeowner.

Risk
2

Changing social conditions leading to a reduction in government subsidies or a decline in the sell-back price of surplus electricity generated by installed solar panels

Our response
2

We train our sales staff to effectively propose to customers the benefits of Green First Zero homes—that is, that they can deliver an economic advantage while providing healthy and comfortable living spaces and contributing to improving inhabitants' lifestyles. Furthermore, we are helping to reduce the financial burden on homeowners by using our designated environmental protection expenses to cover part of the initial costs.

Implementing action plans

Company-wide promotion of the Green First Zero initiative

Sekisui House began promoting sales of Green First homes in 2009, as the focal point of its CSV strategy. We subsequently launched the Green First Zero model in April 2013, prior to the Japanese government’s introduction of a net-zero-energy housing (ZEH) policy that aims to have all new homes built to the net-zero-energy house specification by 2020.

We have been proposing the Green First Zero design to our customers by clearly explaining that this type of housing offers three main benefits: (1) it can deliver a significant reduction in utility costs; (2) it enables the creation of comfortable living spaces; and (3) it embodies future trends in housing.

At the same time, we remodeled our showrooms across the country to make them better equipped to demonstrate the advantages of Green First Zero, while also holding

educational seminars for prospective customers at various locations. Compared to houses built in 1990, our detached houses newly built in 2014 emitted 73% less CO₂—a reduction of 43,000 t-CO₂.

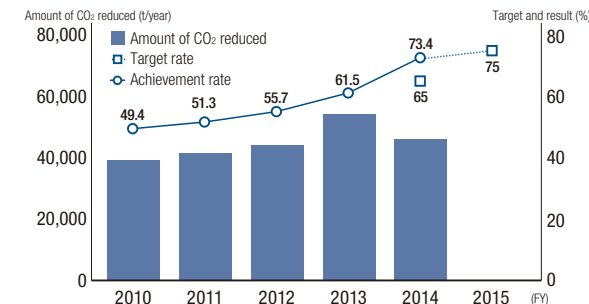
Note: See page 27 for details on remodeling.

Evaluation

Achieving FY2014 target of 60% for Green First Zero

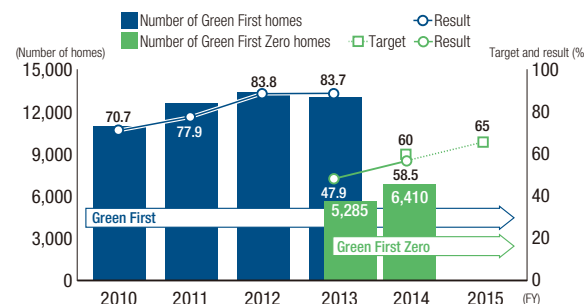
The Green First initiative—the forerunner to Green First Zero—was launched in 2009. In FY2012, we were able to achieve that year’s target of 85% implementation of Green First designs in new homes. Later, the more sophisticated Green First Zero initiative was launched. We achieved an initial adoption rate of 58.5% of new home builds in FY2014—fractionally short of our 60% target rate. Given that the implementation rate has been rising month by month, we are confident that we are now consistently surpassing our original target rate.

Reduction in CO₂ emissions achieved by the Green First strategy*



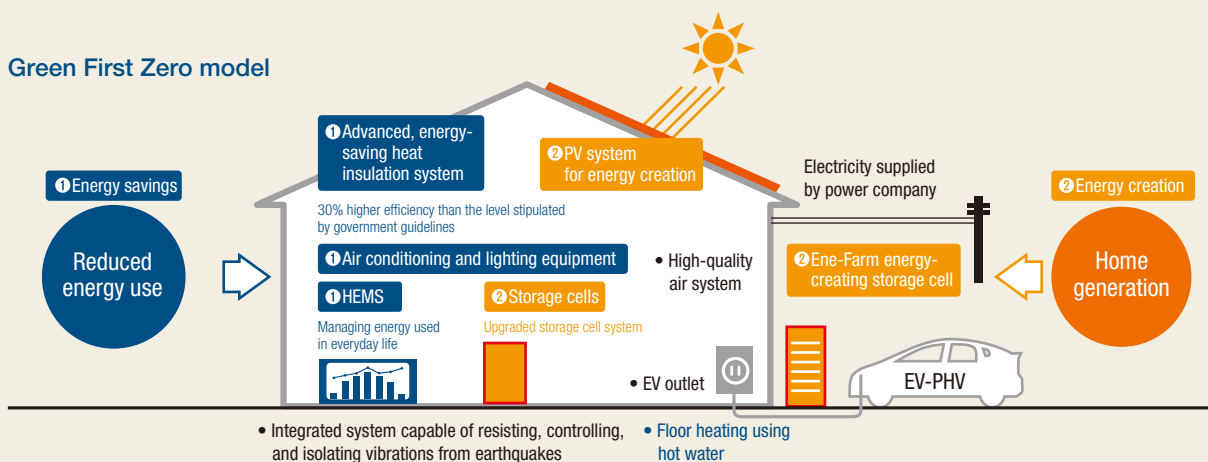
*Estimate by Sekisui House

Growth in the number of Green First and Green First Zero homes



Advantages

Green First Zero delivers comfort, economy, and environmental performance



Green First Zero aims for energy self-sufficiency without sacrificing the comfort of the living environment. It is designed to offset energy use, even to the point of achieving zero energy consumption. It does this by (1) greatly reducing household energy use compared to conventional levels, through measures such as heat insulation and high-efficiency equipment; and (2) using home generation to create the remaining electricity.

Action items for FY2015

For FY2015, we are reviewing the specifications of Green First Zero and enhancing our application system for the Japanese government's ZEH subsidy, so that this type of housing will be more amenable to our customers. Due to a revision of the feed-in tariff system for renewable electric energy, some power companies are placing limits on how much solar-generated power can be sent back to the electrical grid. This revision has necessitated the installation

of additional control functions in our housing, which have been incorporated into our standard nationwide specifications as of April 2015. In the further pursuit of greater energy self-sufficiency, we have developed a new system that automatically charges storage cells when surplus solar energy cannot be sold back to the grid due to output limitations. Energy stored in these cells can then be used in the evening.

TOPIC // Green First Zero Receives 2014 Special Jury Award in Energy Conservation Grand Prize Awards

Our Green First Zero housing product, which was launched in 2013 and which embodies a comfortable energy-neutral lifestyle envisaged for 2020, received a 2014 Special Jury Award in the Energy Conservation Grand Prize* program in Japan. By effectively incorporating energy-saving and energy-creating features that offset energy use while ensuring a comfortable living environment, Green First Zero has proven itself to be a trendsetter for net-zero-energy housing.

*Organized by the Energy Conservation Center, Japan and sponsored by the Ministry of Economy, Trade, and Industry

Comments from a jury member

With this product, Sekisui House aims to boost the proliferation of net-zero-energy houses (ZEH). Sekisui House has developed a tool that allows users to easily calculate energy usage and production levels, so that their homes can meet the ZEH standards outlined in the Japan government's subsidy system (which launched in 2012). Sekisui House has provided a popular model for energy-neutral housing, one that creates added value to offset the increased costs of energy-saving equipment. Harnessing an original and informative standard-equipped HEMS platform, Green First Zero housing offers a highly comfortable living environment coupled with significant reductions in energy costs.

Advanced technology of Green First Zero

Advanced heat-insulation system for comfortable and healthy lifestyles

Our upgraded heat-insulation system, which is installed as standard equipment, outperforms the level stipulated by the government guidelines by about 30%. Further, we have begun using aluminum-resin composite heat-insulating window sashes and argon gas-filled heat-insulating double-glazed glass in exterior-exposed areas. This is part of our "slow living" design concept, which aims to provide customers with more comfortable living environments.



Cutting-edge technology: providing our original HEMS service

In collaboration with IBM Japan, Ltd., we have established a HEMS platform that facilitates centralized data management, makes energy consumption more visible to residents, and provides easier access to useful information (such as gardening tips and security information). Our HEMS platform provides additional value that can improve inhabitants' quality of life.



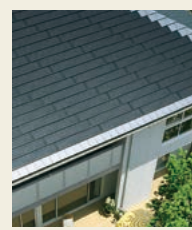
Energy creation: promoting Ene-Farm fuel cell systems

With the cooperation of a number of equipment manufacturers and gas suppliers, we conduct customer satisfaction surveys and incorporate the feedback into our operations. In response to customer needs identified through these surveys, we have been providing more thorough explanations of installed equipment and reviewing equipment and fuel costs to minimize the burden on homeowners.



Energy creation: improving capacity and reducing costs of solar cells

To promote the use of photovoltaic (PV) systems, we have been working with suppliers to improve the performance and reduce the cost of solar cells. As part of our efforts, we have developed a new and economical method of mounting solar cells. We have also been holding seminars and training sessions to promote customers' understanding of solar power. As a result, the number of solar cells installed on each newly built detached house has increased by 30% on average, contributing to a reduction in CO₂ emissions, a lowering of utility costs, and a higher rate of renewable energy use.

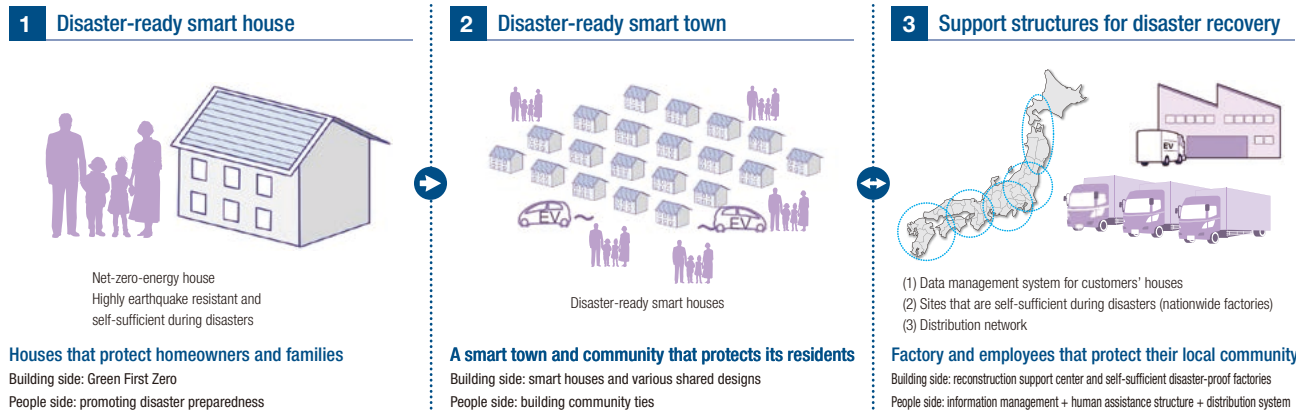


Roof tile-integrated solar panels

The Sekisui House Group’s Housing-Focused Disaster Preparedness Plan

We are strengthening our business continuity plan (BCP) so that it facilitates rapid rebuilding while placing the highest priority on protecting the everyday lives of our customers during times of disaster. At our Tohoku Factory, we have established a Disaster Risk Reduction Factory of the Future plan that turns the facility into a reconstruction site during times of disaster. We are promoting this plan in four other factories nationwide.

Disaster Readiness—Preserving Comfortable Living, Even During Disasters



Learning from the past to develop enhanced disaster-readiness measures

Every three to five years in Japan, there is a major earthquake measuring 6 or higher on the Japan Meteorological Agency’s seismic intensity scale. Such major earthquakes are an unavoidable reality that must be factored into the construction and ongoing management of the more than 2.2 million houses that Sekisui House has built in Japan. And given our social responsibility to ensure the safety of homeowners and provide support during emergencies, it is also vital that we continue to strengthen and develop our disaster-readiness measures.

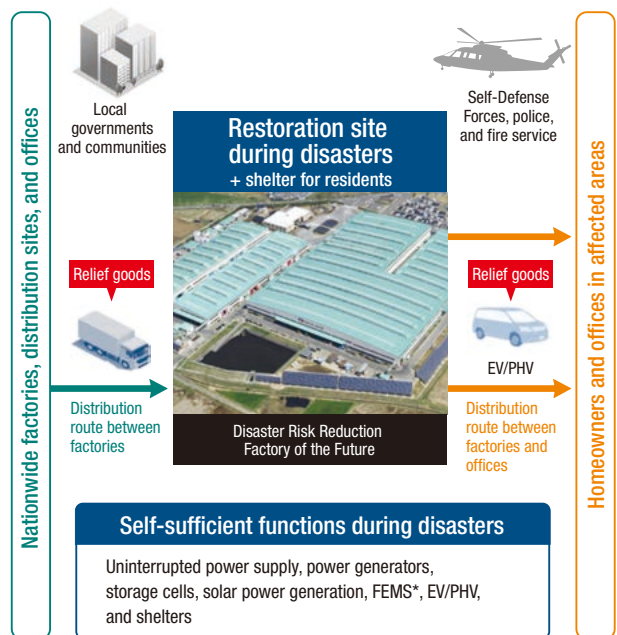
In 2011, an unprecedented number of our customers were affected by the Great East Japan Earthquake. Although none of our buildings collapsed, about 30,000 of them required urgent repairs or restoration work. Meanwhile, the Japanese government had also requested our assistance in the construction of temporary housing. At the time, our workforce of construction personnel in the affected regions was insufficient to meet rebuilding needs on such a tight schedule. We therefore collaborated with building contractor partners nationwide to employ 410,000 workers in reconstruction efforts.

Although we have learned many lessons from other disasters in the past, there are five main points that the Great East Japan Earthquake has highlighted:

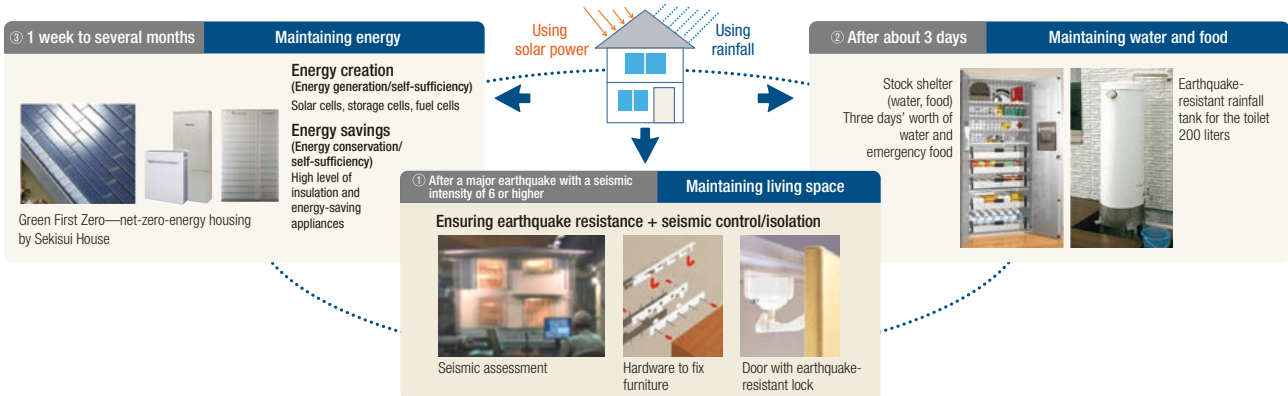
- ① Since natural disasters are inevitable, it is essential that we are mentally and physically prepared for them and that we are ready to work with other organizations and group companies.
- ② Restoration and reconstruction efforts are carried out by people, so it is important to maintain the mental and physical health of our employees, while also securing our facilities and establishing a nationwide support system.
- ③ We can confirm the safety of homeowners as part of our ongoing after-sales services. In addition, we can transport relief supplies and secure necessary fuel and power supplies.
- ④ There is a need to develop a system for rapid restoration and business

continuity.
 ⑤ We also need to develop a backup strategy in the event that networks fail or manufacturing and construction systems do not function adequately.

Going forward, the Sekisui House Group will continue to carry out and strengthen activities such as those outlined above. To enable a rapid response during emergencies, we will implement disaster-readiness measures—for example, installing self-sufficient energy-supply equipment—at five factories nationwide that will function as regional recovery support sites. Furthermore, we will promote a Disaster Risk Reduction Factory of the Future plan in which factories can act as shelters for residents during disasters.



1 Disaster-ready smart house: self-sufficient Green First Zero house



Green First Zero smart houses support self-sufficient lifestyles during the three stages of disasters:

- ① Maintaining living space through advanced earthquake resistance and seismic control technology;
- ② Ensuring sufficient water and food and using a rainfall tank for toilet water to maintain regular daily lifestyles for at least three days after an

earthquake strikes, even when distribution channels have been disrupted;

- ③ Net-zero-energy housing as a foundation for disaster readiness; houses that allow energy to be generated and stored, with energy self-sufficiency supporting daily living until energy infrastructure is restored or stabilized.

2 Disaster-ready smart town operates self-sufficiently even after disaster strikes (Smart Common City Akashidai, located in Tomiya Town, Miyagi Prefecture)

- ① Spaces are designed to be shared by residents—this includes pedestrian paths, open exteriors, and other free spaces where lights are programmed to turn on in nearby houses during blackouts. Community centers act as disaster relief centers that can be used even during power failures.



① Disaster-ready smart houses



② Fond memories of a local mikoshi festival

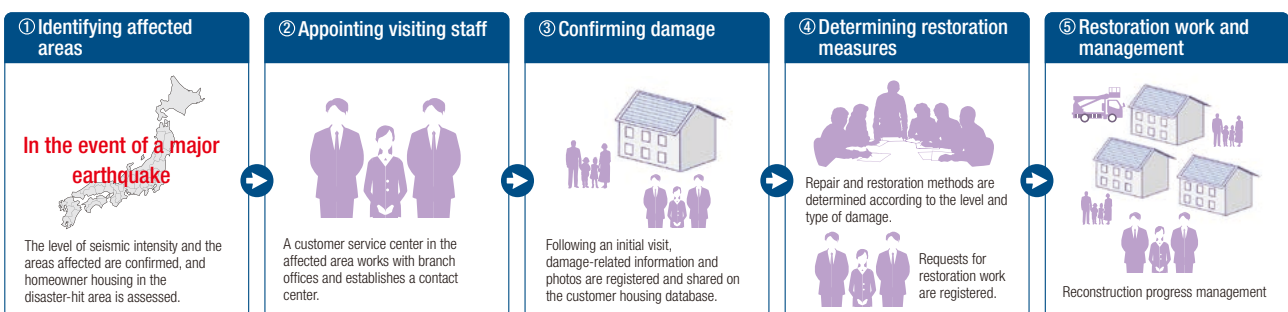
- ② Residents and local businesses and organizations jointly plan events such as autumn and harvest festivals. Disaster drills are conducted with the cooperation of the fire department and its squad members. Such activities help residents to appreciate the importance of community, while reinforcing concepts of self-help, mutual assistance, and public welfare.



③ Introduced in the Tomiya Town public relations magazine

- ③ Common City Akashidai community officially established its own residents' association. Residents take pride in the community's status as Japan's most disaster-prepared town.

3 Support structure for disaster recovery: establishing a customer data management system and self-sufficient recovery site



- ① In areas affected by a major earthquake, homeowner information will be obtained from a database (DB). The nearest factory will begin self-sufficient operations as a disaster response site, and stockpiles will be transported from nationwide sites.
- ② Using information obtained from the DB, staff will be appointed to assess the safety of homeowners and the condition of their buildings in affected areas. A hotline and special contact center will be established.

- ③ Damage will be determined and registered in the DB. If required, relief supplies will be provided to the homeowner.
- ④ Restoration methods will be reviewed and finalized. A detailed reconstruction process will be established, using the nationwide network.
- ⑤ Restoration work will start. Records of response measures will be stored at branch offices and at the head office.

Preventing Global Warming through the Collective Power of the Sekisui House Group

Promoting Green First Remodeling projects

Sekisui House Remodeling makes remodeling proposals to homeowners that help to make their homes more comfortable—now and always. Based on our net-zero-energy housing design, our Green First Remodeling projects achieve energy saving, energy creation, and enhanced comfort. By meeting customer needs for photovoltaic (PV) systems, improved insulation, and high-efficiency water heaters and air conditioners, our remodeling proposals support comfortable, economical, and healthy living. What’s more, our proposals help to reduce the amount of CO₂ emitted by a house, making them environmentally friendly. Under our premium specifications, the primary energy used by a house is offset to zero, effectively achieving the kind of net-zero-energy housing stipulated by the Japanese government.

VOICE

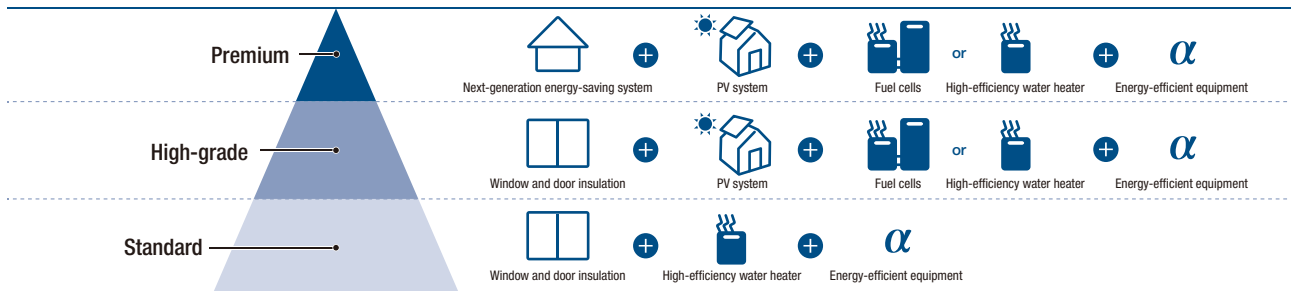
Achieving comfortable and economical living

Under the Green First Remodeling initiative, we remodeled our house and installed a PV system, fuel cells, and LED lighting. This drastically reduced our monthly electric bill, showing just how effective the remodeling was in terms of energy savings. Bright LED lighting in the living room has made it a more attractive place for the whole family to get together and chat. And thanks to the meters that make our energy usage visible—even from the bathtub—we all have a better awareness about energy conservation. It was great that we were able to remodel our house without having to dramatically change our lifestyle.



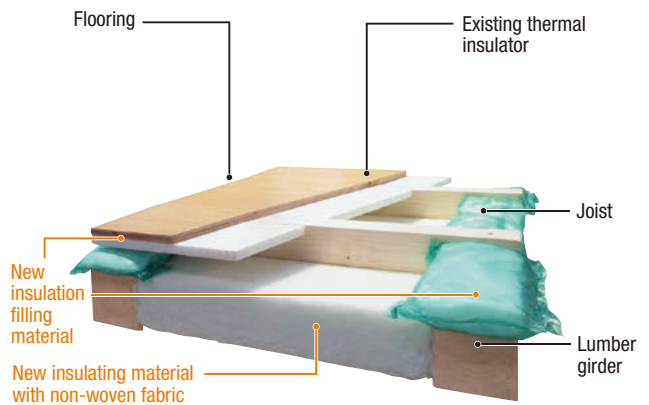
Mr. O's family (Osaka Prefecture)

Green First Remodeling



Development and sales of new underfloor insulation

In July 2014, we released a proprietary method for improving underfloor insulation. This method improves the thermal insulation performance of flooring in houses built in 2000 or earlier, thereby reducing air conditioning costs and lowering energy consumption. An increasing number of our customers are adopting this as a healthy and comfortable lifestyle choice that helps keep heads cool and feet warm. Minimizing the burden on the owner, our patented method enables easy installation without the need to dismantle the floor.

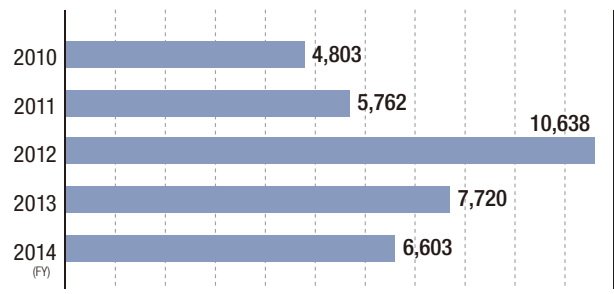


Energy-creating, energy-saving remodeling achievements*

Remodeling options for energy savings and energy creation	Results for FY2014
PV system installations	2,990 cases
Energy-efficient bath fixtures	3,956 sets
Window and door insulation	3,842 cases
Ene-Farm fuel cell system	183 units
Eco-Jozu (latent heat recovery gas water heater system)	2,994 units
Eco-Cute (CO ₂ heat pump water heater system)	767 units

*Results by Sekisui House Remodeling

CO₂ emission reductions through energy-creating, energy-saving remodeling*



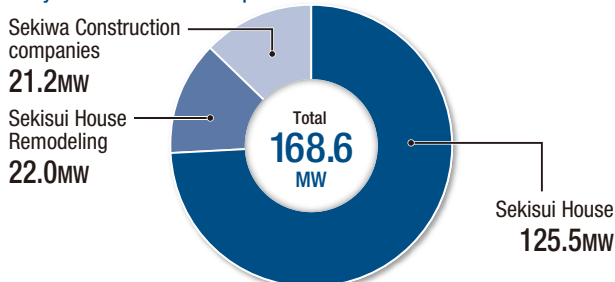
*Results by Sekisui House Remodeling

(t-CO₂/Year)

Total capacity of Sekisui House Group PV system installations

Sekisui House and 20 group companies, including Sekisui House Remodeling and Sekiwa Construction, cooperate to advance the PV system business, which works to help reduce CO₂ emissions. In FY2014, along with installations on newly built detached homes and Sha Maison low-rise rental apartments, we retrofitted homes with PV systems and installed them on an increasing amount of idle land, often yielding relatively large power outputs of 10 kW or more. We increased our annual PV system installation capacity to 168.6 MW.

■ Total capacity of PV systems installed in FY2014 by the Sekisui House Group



Japan's first smart, micro-grid-based, disaster-ready eco-town in Higashi-Matsushima

In Higashi-Matsushima City (Miyagi Prefecture), Sekisui House is collaborating in the creation of a “smart town” in which residents can live with peace of mind—a town that is resilient in the face of natural disasters and that contributes to the prevention of global warming by promoting efficient energy usage and lowered CO₂ emissions.

This is the first smart grid*¹ in Japan that incorporates the mutual exchange of energy across properties, including detached houses. Sekisui House constructed 85 public housing units and a micro grid*² connected to each facility via a private line. Electricity is supplied through a community energy management system (CEMS) operated by a private-line power producer and supplier (PPS)*³ that also owns a PV system. Solar power generation has made it possible to achieve an annual reduction in CO₂ emissions of 256 t-CO₂. Short-term peaks in energy demand are met by a supplemental supply delivered over existing power lines by a low-carbon energy provider located in Higashi-Matsushima. In this way, energy is both produced and consumed locally.

If the main power system is shut down by a natural disaster or for some other reason, the installed PV system, storage cells, and large bio-diesel power generator ensure a normal energy supply for three days. Even during long-term blackouts caused by a major earthquake or the like, PV systems and storage cells can continuously deliver the energy required to run facilities such as hospitals and community halls. (Tenants are scheduled to move in from August 2015.)

*1 Smart grid: a power network utilizing communication and control functions such as smart meters

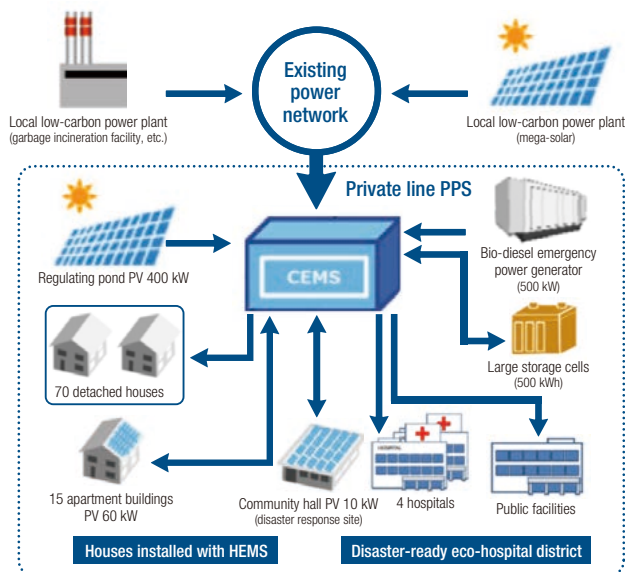
*2 Micro grid: a small-scale energy network

*3 Private-line PPS: an electricity operator other than a general electrical utility, which delivers electricity over privately installed power lines



Artist's rendering

■ Outline of Higashi-Matsushima Disaster-Ready Smart Eco-Town



Key performance indicators (KPIs)

Category	Indicator	Unit	FY2010	FY2011	FY2012	FY2013	FY2014	Definition and remarks
Global warming prevention	Total energy input* ¹	TJ	2,872	2,851	2,830	3,542	3,039	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* ²	t-CO ₂	123,125	119,969	114,780	148,329	126,209	Amount of CO ₂ emitted at these stages per fiscal year
	CO ₂ emissions at the transportation stage* ²	t-CO ₂	37,886	39,967	38,959	45,815	37,749	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	37,468	39,372	42,074	50,256	43,015	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 (%)	%	49.4	51.3	55.7	61.5	73.4	
	Proportion of Green First Zero homes	%	—	—	—	47.9	58.5	Proportion among all built-to-order Sekisui House detached homes
	No. of houses retrofitted with a PV power system		1,634	2,569	7,249	4,155	4,216	No. of existing houses, built by Sekisui House and by other builders, that have been retrofitted with a PV system under our remodeling project

*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.

Preserving Biodiversity

Creating a society where we can live in comfort while preserving ecosystems and natural cycles

Backdrop Material analysis that goes beyond current conditions to assess impacts on stakeholders

When it comes to biodiversity, attention is easily drawn to certain on-site activities aimed at protecting rare species of animals and plants. But if a company is to take social issues seriously, it should strive to maximize its influence on biodiversity preservation through its main business activities. When we analyze our business activities from this perspective, the following two points appear as the backdrop to our biodiversity protection efforts.

Influence as one of Japan's largest landscape gardeners

Sekisui House is Japan's largest producer of housing. Every year, we plant more than one million trees for homes and streets—more than the total number of trees in the streets of Tokyo. As we are effectively one of Japan's largest landscape gardeners—in terms of both actual trees planted and sales income recorded—our influence is such that our choice of tree species can change trends in the tree production market.

Landscape gardeners typically choose exotic or garden species based on their appearance and ease of maintenance. However, not all of these species are necessarily beneficial to the birds and insects of a given region. That is why it is crucial when selecting tree species to consider the local ecosystem.

Influence on an extensive supply chain

The parts and materials used for a single house can number in the tens of thousands. As a leading company in the housing industry—one that procures parts and materials from numerous manufacturers in the supply chain—our supply chain management extends its influence on manufacturers and trading companies even further upstream.

Every year Sekisui House consumes over 300,000 cubic meters of wood, a biological resource indispensable to housing construction. We believe that wood is a material that demands the closest of scrutiny when considering the complexity of its traceability and distribution channels.

Our goal Standing apart from other companies by promoting the social and homeowner value of biodiversity

Sekisui House's efforts in biodiversity protection have received much acclaim. We won the highest prize at the Japan Sustainable Management Awards*1 for our Wood Procurement Guidelines, an Excellence Award at the Japan Awards for Biodiversity*2, and a Prime Minister's Prize at the Green City Awards*3 in recognition of our *Gohon no ki* greenery projects. Our goal is not simply to win awards; rather, we hope that winning these awards will serve as a catalyst for spreading biodiversity protection and deepening its roots in society through our suppliers, and that we can lead the industry and differentiate ourselves from the competition in providing customers with a rich and comfortable lifestyle.

*1 Environmental Value Creation Pearl Award, 8th Japan Sustainable Management Awards (sponsored by Japan Sustainable Management Awards Committee and Mie Prefecture)
 *2 Excellence Award, 1st Japan Awards for Biodiversity (sponsored by the Ministry of the Environment and Aeon Environmental Foundation)
 *3 Prime Minister's Prize, 34th Green City Awards (sponsored by the Organization for Landscape and Urban Green Infrastructure)

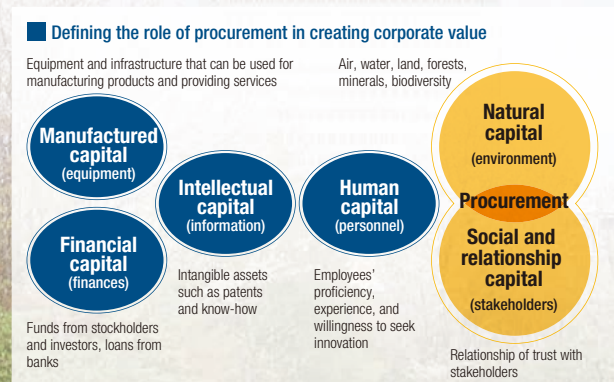
Housing as green infrastructure

Recently, the concept of "green infrastructure" is gaining attention as a solution to issues such as risks of natural disasters, deteriorating natural environments, and dwindling communities. The concept involves utilizing the diverse services and multifaceted functions provided by ecosystems to address such problems.

Houses and the surrounding greenery serve as shelters that protect the lives and maintain the happiness of those who live there. But that's not all. By regarding them as a vital part of the urban infrastructure and by redefining them as having the potential to change society, we believe that the value of biodiversity can become more widely appreciated throughout society.

Procurement as a strategic utilization of "natural capital"

We are acutely aware of our high level of dependence on natural resources, and so we are engaging our suppliers in a long-term scenario for eco-friendly procurement.



Action policies

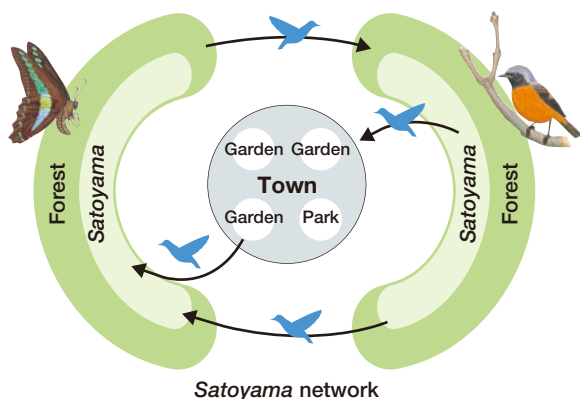
Collaborating with suppliers in protecting biodiversity by quantifying environmental impact of business processes

We are focusing on strengthening our suppliers' contribution to biodiversity protection by building relationships of mutual trust with them. This is done through process management and through efforts to enhance our ability to accurately trace biological resources further upstream in the supply chain.

Gohon no ki landscaping concept
Promoting tree species that are suited to local ecosystems

The concept of the *Gohon no ki* landscaping project, which the Sekisui House Group launched in 2001, is to promote gardening and landscaping in a way that can support local ecosystems and foster living creatures. For this reason, we are planting mainly indigenous species as opposed to exotic or garden species.

When starting this project, we sought the cooperation of local tree growers and landscapers. We asked them to grow indigenous species, because at that time few such species were available on the market. Having secured a stable supply of indigenous species, we are now working to communicate to residents the joy and comfort of living in harmony with nature.



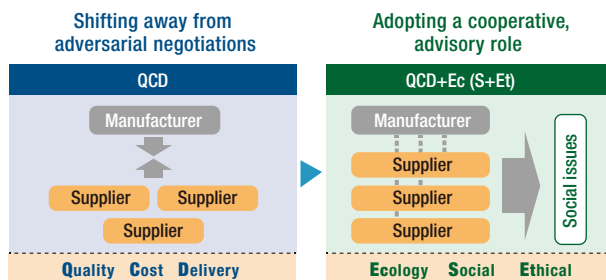
Small gardens in urban areas can play an important role in maintaining local ecosystems

Promoting the use of FairWood

Each year we conduct procurement surveys on roughly 60 suppliers of wood materials. We ask them to report the place of production and the attribution of procured wood, while also confirming its legality. Based on our guidelines, this information is converted into numerical data, which is then used to manage ongoing progress in this area.

Through these efforts, suppliers can enhance awareness of their own procurement routes. Trading companies further upstream in the supply chain also become ever more aware of fair procurement. As a result, the use of FairWood* becomes widespread.

*FairWood is wood sourced with consideration to the natural forest environment and local communities of where it is logged. It is advocated by the Global Environmental Forum and FoE Japan, an international environmental protection NGO.



No manufacturer can truly establish relationships of trust with its suppliers if it only makes one-sided demands regarding quality, cost, and delivery time. Recognizing that the role of a manufacturer must change over time, we are promoting efforts to deepen the cooperative relationships we have with our suppliers so that, through our business activities, we can share a common sense of purpose and work together to address social problems such as the loss of biodiversity.

Risk management

Securing influence based on the premise of a long timeframe for natural capital and for ecosystem services to mature

Gohon no ki project

Risk 1	Gohon no ki may lose its distinctive advantage as competitors follow suit
Our response 1	Taking advantage of the longstanding relationship we have maintained with a network of tree growers, we are striving to focus on species that meet market needs. We are also holding study meetings to improve the ability of our employees to persuade customers of the benefits of our recommended designs. Furthermore, we are reinforcing our landscaping construction system to provide a higher level of exterior design for our customers. Through these activities, we endeavor to differentiate ourselves from our competitors.

Expected benefits

In accordance with our SLOW & SMART brand vision, which we launched in 2012, we have been striving to communicate to our customers the comfort of living close to greenery—a benefit made possible by our large sash frame doors. We define these lifestyles as “slow living,” and we have been actively promoting greening as an essential part of such lifestyles. Doing so not only helps us differentiate our homes from those built by our competitors; it also adds value to homes.

Wood procurement

Risk 2	Tightening regulations threaten our ability to ensure a stable wood supply
Our response 2	In many cases, local environmental NGOs have the latest information regarding logging restrictions. Since we have ties with a network of globally operating environmental NGOs, we can promptly obtain such information and share it with wood suppliers so that they can make preferential supply arrangements for us as needed.

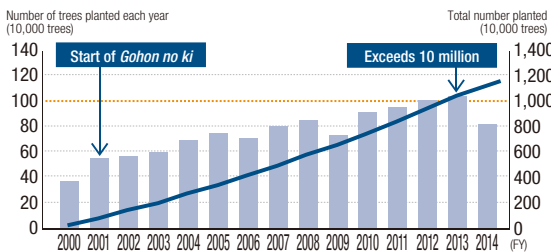
We can be well prepared for any future tightening of regulations regarding the traceability of traded wood (for example, in the EU's Timber Regulations or in the United States' Lacey Act). By being informed of the status of each supplier ahead of our competitors, we can request them to make preferential supply arrangements for us. These guidelines also help us formulate rules when we begin doing business with new suppliers.

Achievements

1 Ecosystem-friendly Gohon no ki landscaping project

Action

Number of trees planted each year and total number planted



The cumulative total of trees we have planted under the *Gohon no ki* project exceeded 10 million in FY2013. In FY2014, the number of trees we planted was 810,000, a figure affected by a decrease in detached housing starts. But as a result of an increase in exterior construction and landscaping for rental housing, annual sales of our landscaping business—which includes tree planting—reached 58.3 billion yen, an increase over the previous fiscal year.

Evaluation

A decrease in the number of detached housing starts affects the number of trees planted—this is an unavoidable fact. But recently, customers have come to appreciate the benefits that greenery provides—such as comfort, a distinctive appearance, and townscapes that grow more attractive over time—even for collective housing and rental housing. Previously, greenery for collective housing and rental housing was considered a disadvantage, due to initial costs and management costs. As we become more adept at recommending greenery-rich designs to customers, we will keep working to propose further value.

2 Implementing the Wood Procurement Guidelines

Action

In 2007, Sekisui House became the first company in the Japanese housing industry to formulate guidelines for wood procurement, and we began by requesting our suppliers to follow these guidelines. Today, when asked in procurement surveys where the logging source is for their wood material, almost no supplier responds “Unknown.” We feel a positive change in suppliers’ awareness of fair wood procurement. Unfortunately,

there are still cases where it cannot easily be determined whether or not a shipment is in line with the Wood Procurement Guidelines—for example, poplar plantations in China, large-scale tree planting in Oceania, or new logging areas where information is still scarce. We therefore consult closely with specialists and environmental NGOs, and, when necessary, we visit the location to see it for ourselves.

Wood Procurement Guidelines: 10 Principles (revised in FY2012)

- 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 seriously 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 so as to promote conservation and ecosystem development.
- 10 Use recyclable wood building materials.

Evaluation

In FY2014, the combined proportion of Rank S and Rank A wood exceeded 90% for the first time, a figure we had previously set as a management objective. The proportion of the highest-marked Rank S wood increased by 8 points to 71%.

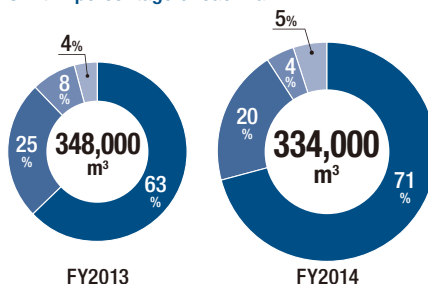


Ranking wood products according to their level of compliance with the procurement guidelines

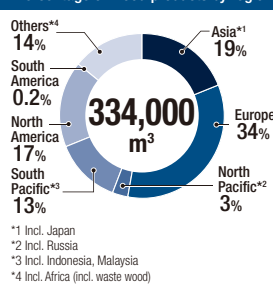
Depending on their total score, procured wood products are classified into four ranks, from high to low: S, A, B, and C. Minimally acceptable scores are set for Guidelines 1 and 2, as we place a high priority on these two items.

Total score (maximum 43 points)	Rank
34 and above S
26 to 33 A
17 to 25 B
Below 17 C

Shift in percentage of each rank



Percentage of wood products by region



Activity report

Preserving biodiversity by utilizing the Common's townscape assessment system

Sekisui House formulated the Urban Development Charter in 2005 and began Community Visiting Day events in 2006. Through these efforts, we have always striven to constantly create townscapes that are rich in greenery and that grow more attractive over time—high-quality townscapes throughout Japan that lead to enhanced corporate value. However, we found some cases, located on mid- to small-scale residential lots and on lots for ready-built houses, that could benefit from improved

biodiversity and landscaping.

To ensure that Sekisui House townscapes are maintained at a high level, we formulated the Common's townscape assessment system in 2014. This system comprises objective assessment criteria including those that cover the *Gohon no ki* project. We assessed 42 of our residential subdivisions during Community Visiting Day events in fall 2014, and those with a three-star ranking or higher accounted for over 80% of the total.

5-rank assessment, with 3 stars or more the norm

Assessed items

Gohon no ki project

- Five trees
- Symbolic tree
- Green coverage percentage
- Percentage of greenery visible to one's eye

Building and exterior planning

- Building design
- Exterior design
- Retaining wall or fence by roadside
- Floor finish by roadside
- Boundary finish of adjacent land by roadside

Assessed in 5 ranks, from 1 star to 5 stars

Residential subdivisions with at least 10 lots should aim for at least a 3-star ranking



Common Stage Shikido in Oita Prefecture was given a 5-star ranking

Key performance indicators (KPIs)

Category	Indicator	Unit	FY2010	FY2011	FY2012	FY2013	FY2014	Definition and remarks
Biodiversity preservation	No. of trees planted per year	10,000 trees	91	96	101	106	81	No. of trees planted per year under our gardening and greening plan
	Proportion of Rank S and Rank A wood products as defined by the Wood Procurement Guidelines	%	87	85	89	88	91	Based on the results of our survey of about 60 suppliers of wood products

VOICE

I commend Sekisui House for taking an advisory role as part of its advanced supply chain management

The *Gohon no ki* project and the promotion of the use of FairWood achieve a balance between the preservation and use of natural resources, and they represent a comprehensive effort to preserve biodiversity. Sekisui House's Wood Procurement Guidelines contribute to the preservation of forests, which are crucial in preventing the decline and deterioration of existing biodiversity. The high level at which Sekisui House aims to implement these guidelines has an influence on the entire housing industry—an industry that procures and uses wood—and it contributes greatly to the industry's overall goal of fair procurement.

Of note is how Sekisui House is achieving a high level

of supply chain management by playing an advisory role in the industry. The company sees the various certification systems that are in widespread use in various areas of the industry as tools to enhance quality. Utilizing these tools clarifies the direction the company should take, and because Sekisui House is making full use of these tools, it can act as advisor to other companies in the industry.

I would like to see Sekisui House keep up its sincere efforts in implementing the procurement guidelines and go one step further to achieve true sustainability.



FoE Japan (international environmental protection NGO)

Junichi Mishiba, Secretary General

Improving Production and Construction Quality

Achieving maximum customer satisfaction with the highest levels of quality and technology

Backdrop

Construction workers now fewer and older—a nationwide problem

Of all the countries in the world, Japan is one of the most prone to natural disasters. It is therefore the social responsibility of the housing industry to protect the lives and property of its customers. At Sekisui House, it is our mission to provide quality housing that ensures safety, security, and comfort for successive generations of residents.

Meeting customer needs with the highest levels of quality and technology is the corporate philosophy of the Sekisui House Group. In line with that philosophy, we have been striving to win customer confidence and achieve customer satisfaction by providing the highest level of products and services in every step of our operations: from sales, design, and production to construction and after-sales services. And since we deal in industrialized housing—residential structures constructed from factory-made modular components—it is especially important that we maintain and improve the production and construction quality of our houses.

Before they are delivered to the construction site, our factory-made housing components repeatedly undergo a wide range of inspections according to our strict standards. And since most of the components used in our housing construction are factory-made, we can ensure the quality and precision required for achieving our houses' targeted functionality.

In the end, however, it is people who assemble these components into houses at a construction site. To ensure that our houses will function as designed, according to specifications, we must secure skilled construction workers and we must strictly inspect the quality of factory-made components as well as the quality of on-site construction work. Without an integrated system for ensuring high quality and precision throughout the entire housing process—from performance design and component production to construction—the advantages of industrialized housing cannot be fully utilized.

As houses become more and more functional, the demand for higher-performance housing components is also increasing. At the same time, the workforce in the Japanese construction industry is aging rapidly, with one in three workers now aged 55 or above. As these older workers retire, the decline in the number of construction workers is expected to continue. In light of these trends, it is critically important to recruit and train new employees while also improving the workforce retention rate.

Our goal

Creating the highest possible quality for maximum customer satisfaction by leveraging our production and construction capacities

Action policies

Cooperating with partner companies in establishing a system that allows us to continually secure skilled workers and ensure a stable supply of quality housing

• Main stakeholders

Customers, employees, partner companies (for procurement, processing, distribution, and construction), factories, and residents living in the neighborhoods surrounding our construction sites

• Organization

Our Production Department is responsible for planning and coordination, while our five factories across Japan are responsible for production, procurement, shipment, and quality control. Our Construction Department is in charge of construction-related issues ranging from quality control, R&D, and training to safety, hygiene control, and welfare programs at construction partner companies. Our sales, technology development, production, construction, and system departments join forces with group companies and partner companies to achieve higher levels of production and construction.

Since our foundation, we have maintained close ties with the Sekisui House Association, a voluntary organization comprising 20 Sekiwa Construction companies and around 7,000 building contractor partners. Sekisui House and the Sekisui House Association work together in their respective regions to promote various initiatives, such as enhancing construction quality, addressing the needs of customers, communicating with residents living in the neighborhoods of construction sites, implementing thorough safety measures, keeping construction sites clean and tidy, developing human resources through training, and improving workplace environments.

Risk management

Risk 1 Sharp increase in cost of materials

- Our response 1
- Increasing yields
 - Improving production efficiency
 - Using new or alternative materials

Risk 2 Shortage of workers

- Our response 2
- Automating production lines to accommodate a reduced workforce
 - Reducing production lead times
 - Increasing prefabrication to reduce the workload at construction sites
 - Promoting a just-in-time distribution system to improve work efficiency at construction sites
 - Rationalizing construction schedules and promoting effective use of the workforce through efficient allocation of human resources
 - Training young technicians at schools to ensure a competent workforce
 - Developing multi-skilled technicians capable of working flexibly in various fields of expertise
 - Boosting the retention rate of employees by improving the workplace environment, enhancing welfare programs, and providing support for training and qualification tests
 - Accepting foreign trainees

Implementing action plans

Automating the production of main structural components and exterior walls

Since we build detached houses to specifications tailored to each customer, the components we use also differ from one house to another. By automating our production lines, we strive to ensure a stable supply of components that excel in performance, quality, and precision. That, in turn, enables us to fully utilize the benefits of industrialized housing to accommodate a wide variety of customer-specific design needs.

In 2010, we automated the production line for the NewB System structural component at our Shizuoka Factory (Kakegawa City, Shizuoka Prefecture) by introducing 127 industrial robots. As a result, the rate of automation has increased from 60% to 95%, allowing us to operate the production line around the clock and to establish 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 2013, we introduced a similar robotized line at our Kanto Factory (Furukawa City, Ibaraki Prefecture). With a system for mass production in place, in March 2014, we unified construction methods for steel-framed two-story houses under the advanced Universal Frame System, which incorporates our NewB System.

We also produce, on a house-specific basis, our original Dyne Concrete exterior-wall component, which is made using unique raw materials and production methods. Thirty years ago, when Dyne Concrete was first



Coating line for Dyne Concrete applies 4 layers of coating to enhance durability and weatherability

Risk 3 Shortage of trucks and drivers

- Our response 3
- Centrally controlling delivery schedules
 - Establishing a line-haul system centered on distribution bases, along with a local distribution system
 - Increasing the operating rate of existing trucks
 - Optimizing the distribution system, including deliveries from component suppliers
 - Reducing the workload of drivers (implementing labor-saving measures, shortening driving distances)

Risk 4 Quality risks

- Our response 4
- Promoting quality risk management
 - Boosting the quality of components and construction by cooperating with partner companies
 - Operating a group-wide construction quality control system

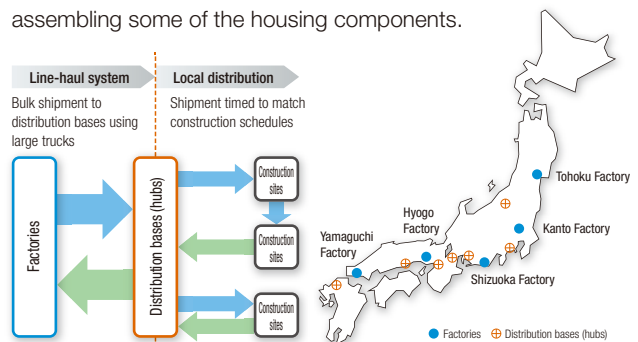
Risk 5 Natural disasters

- Our response 5
- Promoting our business continuity plan (BCP) in cooperation with partner companies
 - Establishing a post-disaster reconstruction system in cooperation with the Sekisui House Association
 - Using factories as makeshift shelters and stocking them with emergency supplies
 - Promoting the Disaster Risk Reduction Factory of the Future plan, a joint public-private project for community-based disaster preparedness

developed, it was manufactured almost completely by hand. Since then, we have upgraded and streamlined the production line. In 2010, we introduced 17 industrial robots at our Hyogo Factory (Kato City, Hyogo Prefecture) for mass production of Dyne Concrete. By continually improving production systems and making effective investments in plant and equipment at other factories as well, we are aiming for further production efficiency and higher quality.

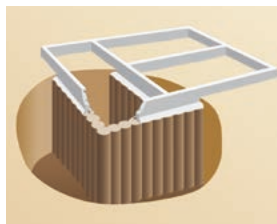
Expanding distribution networks to achieve higher efficiency

Sekisui House operates distribution bases in seven locations across Japan: Kanagawa, Niigata, Aichi, Shiga, Osaka, Okayama, and Fukuoka. Housing components built at our factories are gathered at these distribution bases, where they are sorted and then 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 an on-demand basis to optimally match 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.



Developing and implementing an industry-first liquefaction countermeasure for housing

One of the effects of the 2011 Great East Japan Earthquake was soil liquefaction that damaged many homes, including some built on reclaimed land in the Tokyo Bay area. In response, Sekisui House pushed forward with R&D into a liquefaction countermeasure that could be applied to detached houses and rental housing with four stories or less. By April 2014, we had developed the SHEAD method and established a system for delivering it in response to customer requests.



Conceptual diagram of SHEAD

SHEAD is a soil reinforcement method that involves injecting a series of stone columns in the ground (using a deep mixing process) to create subterranean walls that enclose and bind the soil into a grid pattern. This method mitigates soil deformation during earthquakes and inhibits liquefaction of the soil in the grid. As well as preventing buildings from sinking and tilting, SHEAD reduces damage from sand boils and water spouts.

The SHEAD method is an application of the grid-pattern soil improvement technique, which has a proven track record of preventing liquefaction in large-scale construction enterprises such as civil engineering projects and large buildings. In adapting SHEAD so that it would be similarly effective for small housing, we established a new design method and a new construction method that uses small-scale soil improvement equipment. With SHEAD, we are now able to provide an affordable full-fledged liquefaction countermeasure for houses.

Strengthening on-site competence through prefabrication

To enhance our construction capacity, it is essential to provide environments where personnel can work comfortably and efficiently. To this end, Sekisui House departments are working together to strengthen on-site competencies. We have analyzed and categorized the roughly 700 requests for workplace improvements we have received from construction sites across the country, and we have devised and implemented improvement measures in order of their urgency and importance.

As part of our efforts, we have significantly increased the rate of prefabrication—including precutting, presetting, and partial assembly of components—to minimize the need for on-site component processing and to ensure consistent construction quality. Minimizing on-site processing not only helps us to save energy, it also serves to minimize the environmental impact on neighborhoods—for example, by reducing airborne dust. In addition, we are enhancing construction efficiency through measures that include reorganizing our split delivery system (which involves subdividing delivery routes) and promoting floor-specific delivery and customer-specific labels for interior materials used in the construction of Sha Maison apartments.



To reduce the workload at construction sites, metal fittings are pre-attached to structural frames, which have been precisely pre-cut via computer control

A work schedule system that maximizes construction competence

We have developed a work schedule system as a tool that enables

us to plan lean, achievable schedules and allocate human resources where and when they are needed, thereby maximizing construction competence. As a mechanism that supports work planning, the work schedule system includes two important functions: one for easily generating schedules for each customer and another for identifying the workload for upcoming projects.

The work schedule system allows us at an early stage to ascertain the required workforce for a given type of project. As work schedule information can be shared across all Sekisui House branches, any branches located near one another can check their respective work volumes and, where necessary, provide mutual personnel support. We are putting this schedule system into practice throughout Japan, with the aim of reducing worker vacancy days and maximizing income.

Training young technicians at school

To maintain quality and further improve our construction capabilities into the future, Sekisui House runs the East Japan Sekisui House Training School (which has been approved by the governor of Ibaraki Prefecture) and the West Japan Sekisui House Training School (which has been approved by the governor of Yamaguchi Prefecture). New employees of Sekiwa Construction companies and of our building contractor partners receive training on construction methods, business practices, and etiquette. They are groomed to be technicians ready for active duty on the front lines of the construction business.

What distinguishes our schools from others is the fact that students acquire not only the knowledge and skills required for housing construction, but also an insight into a corporate philosophy oriented towards delivering greater satisfaction to customers. In FY2014, a total of 91 people completed their education at these schools. Those who have completed the training course are promptly put to work around Japan as skilled construction workers and construction site managers.



On-site training for slinging

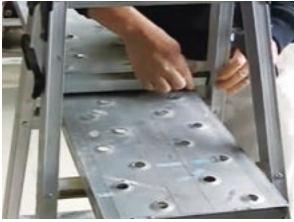
In response to the growing number of enrollees, we reopened the Central Japan Sekisui House Training School (which has been approved by the governor of Shiga Prefecture) during FY2015.

My Idea-21 – Proposals for improving construction

My Idea-21 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 solicits ideas for practical improvements in construction methods and new architectural techniques. An impartial panel of judges rates the ideas and awards the best submissions a certificate and a monetary reward.

The 27th edition in 2014 saw 1,185 ideas come in from across Japan. Two Gold, nine Silver, one Environmental Bronze, and 31 Bronze awards were given out. Through this system, we have received a total of 48,463 proposals, many of which have given rise to new tools, equipment, and construction methods. Some have become commercially available, and for some we have obtained

patents. Award-winning ideas are introduced in our *Tsuchioto* newsletter and on our company intranet, so they can be shared by everyone at our construction sites and among our employees and building contractor partners across Japan.



This bracket for fixing scaffold planks won a Gold prize



This wall-fixture plate also won Gold

Key performance indicators (KPIs)

	FY2012	FY2013	FY2014
Per-capita productivity (factory shipment value ÷ number of workers)	100.0	110.1	99.8*
Number of construction workers (foundations, construction, carpentering)	10,249	10,899	10,518
Number of technicians who completed training course at school (cumulative total)	2,208	2,294	2,385
Number of certified Sekisui House Senior Technicians (cumulative total)	14,301	14,458	14,607
Number of certified Construction Meisters	205	312	318

*Reduction due to decrease in shipped houses and surface area

VOICE

Winning the Gold prize at the 27th My Idea-21 contest (2014)

The bracket I designed for fixing scaffolding planks lets you easily fix a plank to a ladder with a single touch and without the use of a fixing band. It gave me my second consecutive Gold prize, following the one I won in 2013 for an inner-wall-frame mounting jig. I'm honored to receive such high recognition.

I'm constantly trying new things to improve the efficiency and safety of construction work. When I have free time, I visit DIY stores and hardware stores to look for hints. I'll keep up this work so I can contribute in any way to raising the level of quality and boosting customer satisfaction.

Hideo Nakamura, Seimiya Corporation (a building contractor partner of Sekisui House's Chiba Minami branch)



TOPICS

Is Series—30 years on and better than ever

The Is Series is a brand of high-quality, high-performance, steel-framed detached housing that incorporates Dyne Concrete, our top-quality originally developed exterior-wall material. Since the debut of the series in 1984, we have built more than 70,000 Is Series houses. The Is Series has become a long-selling brand in the housing industry.

In 2014, to mark the 30th anniversary of the Is Series, we boosted its basic performance and thereby raised its value as housing stock. This was achieved in part by adopting the Tough Clear 30 Hybrid photocatalyst for the exterior coating to improve resistance to grime buildup. The coating's high level of weatherability and durability allows these houses to go 30 years without the need for exterior maintenance. For the houses' construction, we employed the advanced Universal Frame System, which incorporates our NewB System. This gives houses the highest level of earthquake resistance achievable under Japan's housing performance indication system and also gives architects a degree of design freedom.

Thanks to these improvements, Is Series houses feature attractive exterior designs that homeowners of successive generations can cherish. Is Series houses can also accommodate designs with large, open interior spaces, wide windows and doors, and spacious double-height ceilings. And superb heat insulation gives these houses a higher-than-usual level of comfort. Through the evolution of the Is Series, we are working to spread the adoption of houses that provide customers with high asset value and that are highly valuable as housing stock.



This earthquake-resistant house reflects our "slow living" concept, with spaciousness made possible by wide windows and doors

New construction method for Shawood wooden-frame houses

After developing a new construction method for wooden-frame houses called Hybrid S-MJ, we began employing it in all of our new wooden-frame houses starting late August 2014. The Twin SP Wall used in Hybrid S-MJ is a bearing wall (brace) boasting the highest strength in the industry; it is twice as strong as our previous S-MJ method and four times stronger than conventional construction methods. It owes its strength to double-layered structural plywood and high-load-bearing connecting metal joints.

Hybrid S-MJ also includes the Shawood Hybrid Structure, which provides the rigidity of a monocoque structure along with the benefits made possible by a rigid-frame construction—that is, wide, spacious openings. Previously, the use of bracing boards and wooden rigid-frame posts in the same building was not permitted, owing to differing levels of deformation in the two components under simultaneous horizontal loads, such as those from a seismic force. But under our new construction method, braces and rigid-frame posts exhibit the same level of rigidity. It is the only method in the industry that has been approved for use in wooden-frame houses, having been officially certified as meeting Japan's Building Standards Act.

We also developed the Hybrid SR Floor Beam, a structural component that integrates engineered wood and steel and that offers a high level of rigidity under loads applied from above. With the new Hybrid S-MJ system, we are able to build earthquake-resistant houses with a very high degree of design freedom. This includes houses on land with strict architectural demands and in areas prone to heavy snowfall, as well as three-story houses that require greater levels of structural strength.



Wooden rigid-frame construction allows house designs with wide openings on three sides and a large built-in garage

Extending the Lifespan of Houses and Enhancing After-Sales Service

Helping to build a society in which houses support generations of affluent living, based on eco-friendly use of resources

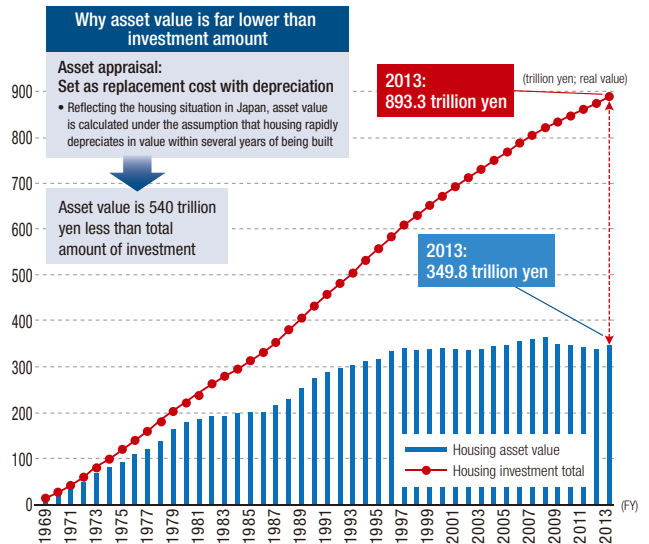
Backdrop Raising the asset value of houses in Japan and turning them into assets that benefit people and society

As of 2013, the appraisal value of housing stock in Japan was about 350 trillion yen—roughly 540 trillion yen less than the total housing investment figure of 890 trillion yen. What this means is that housing in Japan, unlike that in North America and Europe, is generally not an appreciating asset. Given that housing is typically the bedrock of a household's assets, the low asset value of houses in Japan represents a loss not only in macroeconomic terms, but also in the way it affects people's lives.

As more quality housing stock is brought to market and as housing appraisal values rise, senior citizens will have greater security regarding their retirement living expenses and young adults will be able to reduce their rent payments either by choosing housing that suits their life stage or by living in multigenerational homes.

For the aforementioned reasons, there is growing demand for housing that has excellent functionality, that is well maintained, and that can last for generations.

Total amount of housing investment and housing asset value in Japan

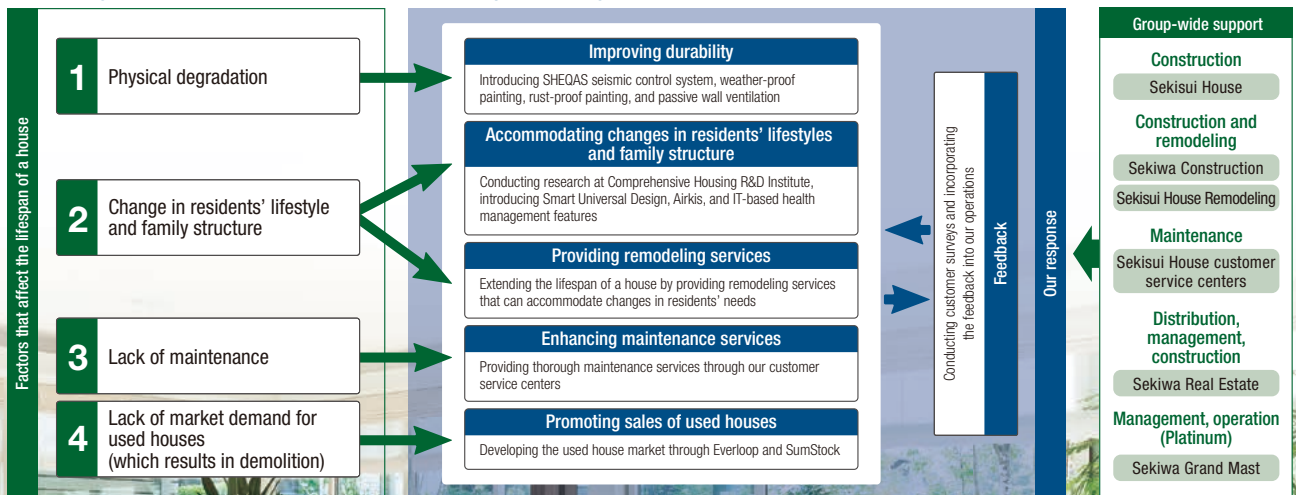


Our goal Enhancing the quality of diverse lifestyles by providing homes that are flexible and durable

We are striving to raise the asset value of houses by turning them into long-lasting social assets. To this end, we are boosting the basic performance of houses—for example, by

increasing their resistance to common natural disasters—while also making them flexible enough to readily respond to changes in residents' lifestyle and family structure.

Providing houses where residents can live comfortably over a long time



Action policies

Leveraging the synergy of our group companies to address customer needs and enhance the asset value of the houses we build

We are making our houses more long-lasting by boosting basic housing performance through cooperative initiatives in the supply chain—this is one of the advantages of industrialized housing. At the same time, we are addressing

customer needs by leveraging the synergy of our group companies to provide meticulous service throughout the life cycle of a house in the form of maintenance, renovation, remodeling, and relocation.

1 Ensuring customer safety and peace of mind through superb housing performance

Believing that housing should serve as a form of shelter to protect residents' lives, health, and property, we uphold voluntary criteria that exceed the stipulations of laws and regulations.

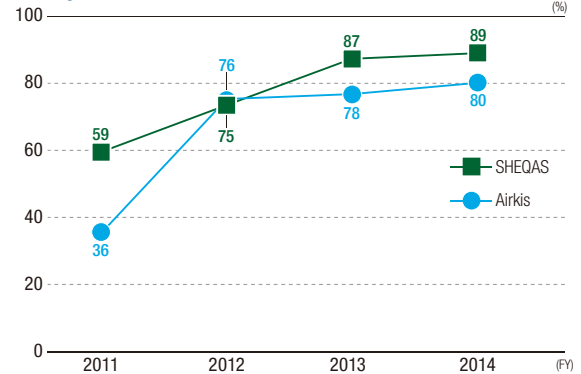
• SHEQAS seismic control system

SHEQAS, accredited by the Ministry of Land, Infrastructure, Transport, and Tourism, converts seismic waves into heat energy to absorb building vibrations and reduce building deformation by approximately 50%.

• Airkis high-quality indoor air system

Airkis reduces indoor concentrations of five types of chemical substances that are the main causes of sick building syndrome. These substances are reduced to less than 50% of the levels stipulated by the Japanese government guidelines to protect children's health.

Percentage of steel-frame houses fitted with SHEQAS and Airkis



2 Dedicated maintenance structure

We believe that the quality of after-sales support is very important, considering that a house can last as long as 100 years. That is why we have assigned 1,400 employees—roughly 10% of our entire workforce—to customer service centers to provide support to customers across Japan. Because these customer service centers are operated by Sekisui House, we are able to quickly incorporate customer feedback into product development and management systems.

3 Group-wide efforts in offering the best comfort possible

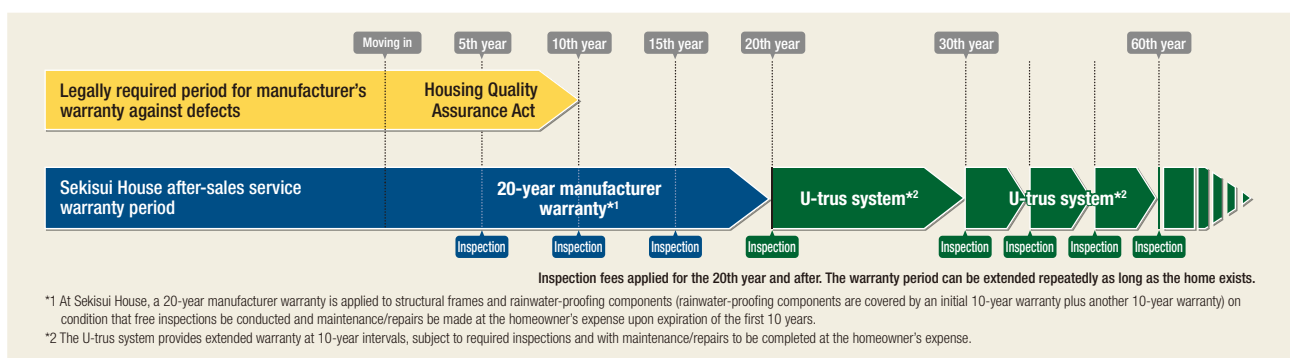
Houses can be used for several generations. As times and lifestyles change, so do residents' demands for comfort and convenience. Sekisui House group companies work closely together to accommodate customers' needs for renovation and remodeling. Our efforts to meet these needs range from adding energy-saving features to performing large-scale renovations.

4 Asset values enhanced by long-term warranty and housing history information system

We operate a long-term warranty system that includes a 20-year warranty applicable to the structural frame, 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 sign on to our U-trus system. This provides extended warranty 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 a housing history information system—which

corresponds to the Long-Term Quality Housing Certification Program in Japan—to share across group companies construction information and other information in digital form. To accommodate smart houses, which optimally control a household's energy usage, we are working towards the centralized management of PV systems, fuel cells, storage cells, home appliances, housing equipment, and electric vehicles. We are also working to create a network that will enable homeowners to access registered information on their computers.



Risk management

Shrinking of the market for new houses due to longer-lasting houses

Risk 1 **Extending the lifespan of houses may reduce market demand for new houses**

Our response 1 Presently, our share of Japan's housing market is 5% strong. However, as more people become aware of the asset value of quality housing, we expect that our ability to produce attractive products and provide effective solutions will enable us to expand our market share. To this end, we are striving to cater to the individual needs of homebuyers with varying lifestyles and family structures.

Difficulty in differentiating ourselves from countless other remodeling companies

Risk 2 **Competition may intensify in the remodeling market**

Our response 2 Because we keep customer-specific information in our database, we are able to propose remodeling and maintenance services to homeowners in a timely manner. We also have an advantage over our competition in the sense that homeowners are more likely to trust remodeling and maintenance services provided by the same company that built their home. And by making bulk purchases of the latest home equipment, we are able to incorporate it into our remodeling plans without placing an excessive cost burden on customers.

Achievements

Expected benefits

We are aiming to transform Japanese housing culture with long-lasting homes that become community assets—just like in European countries. At the same time, we are aiming to raise the value of our houses by offering remodeling services with the latest technology to promote comfortable living—now and always.

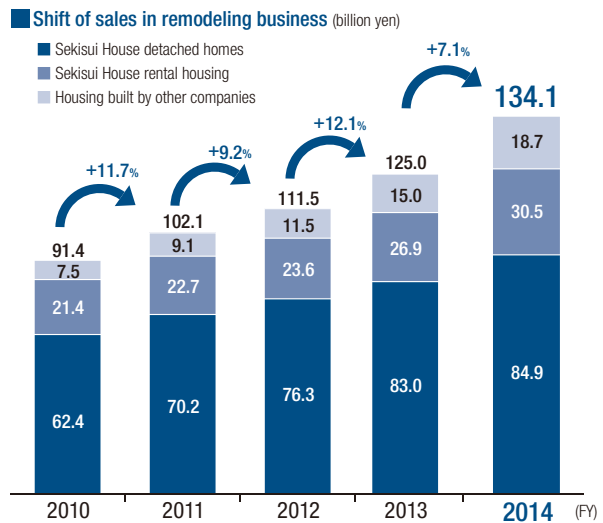
By establishing solid and ongoing relationships with homeowners, we are able to offer them proposals aimed at accommodating changes in their family structure or stage of life. This also contributes to the stability of our business operations and to the enhancement of our brand value.

Future developments

Sekisui House has links to its customers through the 750,000 detached houses and the 210,000 rental houses and apartments we have built. We strive to effectively meet the changing needs of these customers by continuously improving synergy among Sekisui House Group companies.

One way we are doing this is by engaging in creative partnerships with state-of-the-art technology companies to accelerate the pace of R&D into the practical application of robotic technologies. The goal is to provide a higher quality of home living for the elderly and the disabled.

But while we want to use technology to lessen the



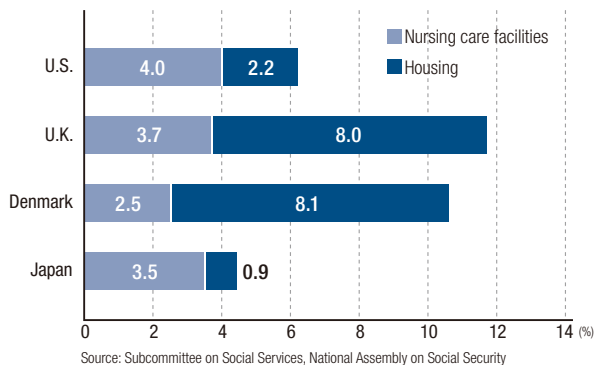
burden on caregivers, it is important that this technology has a warm, human face. That is why in April 2014 we began collaborating with Muscle Corporation, an Osaka company specializing in health care equipment, on joint research and field testing aimed at bringing technologies into homes and nursing care facilities. This joint effort has two goals: (1) introduce in-home nursing care for the elderly with user-friendly robotic technologies; (2) create a comfortable, natural nursing care environment in the home by having robots and humans each perform the tasks they are best at.

Platinum Business

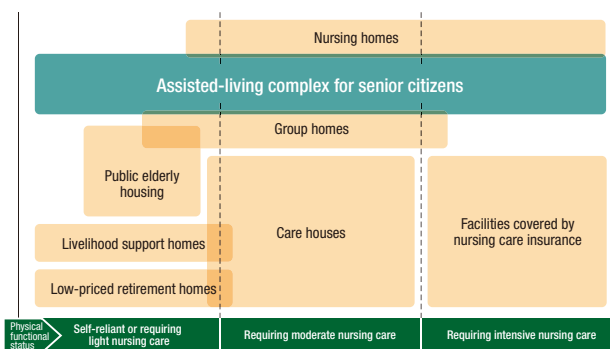
Japan's system of special-care nursing homes and other facilities for the elderly is similar to that of other countries despite the country's rapidly growing elderly population. However, this has not kept pace with the

demand for housing for the elderly. It is up to housing manufacturers to provide society with housing and housing services that ensure the elderly can live in safety and peace of mind.

Allotment of nursing care facilities and housing for the elderly



Positioning of elderly care housing and facilities in Japan



Establishment of operation and management company Sekiwa Grand Mast, Ltd.

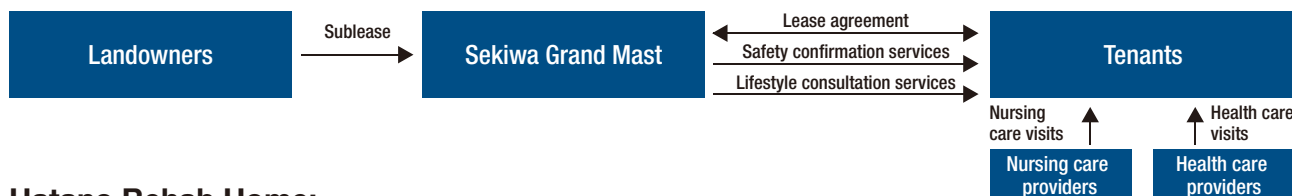
As part of Sekisui House's Platinum Business, in November 2014 we established Sekiwa Grand Mast, Ltd. to provide the elderly with an independent lifestyle they could call their own.

Rental housing buildings called Grand Mast are rented to tenants by the buildings' owners, who Sekiwa Grand Mast provides with total support in the form of building management, subleasing, management consulting, and coordination of various service providers. This allows Grand

Mast building owners to more smoothly take care of the business of running their rental housing.

In the area of special housing products such as assisted-living complexes, we are improving on our operation and solution capabilities so that we can earn the further trust of customers and provide the meticulous services needed by the growing number of senior citizens who use rental housing.

Major business schemes



Hatano Rehab Home: assisted-living complex provides health and nursing care

Sekisui House is now offering assisted-living complexes for the elderly that provides a range of services through a combination of conventional small-scale, multi-purpose nursing care facilities and regular nursing care visits.

Besides lifestyle consultation and safety confirmation, this housing provides tenants with a wide range of services, including day care and health care, in the comfort of their homes and in the region where they want to live, thus meeting all their needs for the remainder of their lives.

This type of housing complex allows landowners to utilize the land the way they want, and it allows nursing care providers to contribute to local society and earn the trust of communities. It also provides landowners with a stable income over the long term. These assisted-living complexes are the culmination of the expertise and solution capabilities that Sekisui House has built up over years of experience in housing for the elderly.

Celebrio assisted-living complex for the elderly (45 units; Hiroshima City, Japan)



Day care room



Exterior view



Inside

Bringing Quality Housing Stock to Market

Making quality housing stock widely available

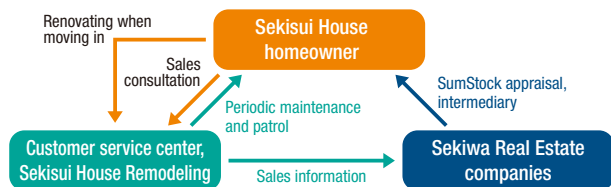
The Sekisui House Group has long been committed to raising the quality of housing and extending its service life. That is why we actively participate in the Provision of Quality Housing Stock Association, an organization that aims to revitalize the circulation of high-quality housing stock and create a well-organized market for reselling homes. The association includes nine other housing manufacturers and is headed by Sekisui House Chairman Isami Wada.

The association has created a definition for high-quality housing stock, which it terms “SumStock.” A house must fulfill three conditions to be designated as SumStock. Under an appraisal method adopted by all member companies and based on the three SumStock conditions, SumStock salespersons certified by the association handle appraisal and sales of used houses. A house’s basic structure (“skeleton”) and its interior furnishings and facilities (“infill”) are assessed separately, and the value of the building and the land are indicated separately. Through this unique system, the association is working to bring a greater number of high-quality SumStock houses to market.

The association’s 10 housing manufacturers have so far provided 3.2 million houses. Of these, around 20,000 houses circulate in the used house market each year. Bringing these houses to market as high-quality SumStock houses contributes to solving the social issue of providing longer-lasting houses.

Group-wide efforts to boost customer satisfaction

The Sekisui House Group employs 469 association-certified SumStock salespersons who work throughout Japan. The Group also supports the SumStock initiative by using our own housing history information system—which corresponds to the Long-Term Quality Housing Certification Program in Japan—and by having customer service centers, Sekisui House Remodeling, and Sekiwa Real Estate companies work together.



In FY2014, we assessed 2,478 houses (5.4 times the amount in the previous year) and made sales contracts for 499 houses (2.8 times more than in the previous year). The Sekisui House Group will continue working as one to provide total housing solutions, including those for remodeling, while offering customers ever higher levels of satisfaction.

VOICE

Seller and buyer are both satisfied

When it comes to signing conventional contracts for the sale of existing houses, customers can be uncomfortable with the unclear nature of the appraisal criteria in the housing appraisals made by house builders. By contrast, SumStock houses built by Sekisui House have a clear history of maintenance and repairs, with the original blueprints of the houses also remaining intact. This gives peace of mind to both the seller and the buyer when they sign their deal.

In a SumStock appraisal, the value of the land and building are assessed separately and precisely—an advantage over conventional housing appraisals. Another benefit is that the house’s warranty is handed over as is to the new owner.

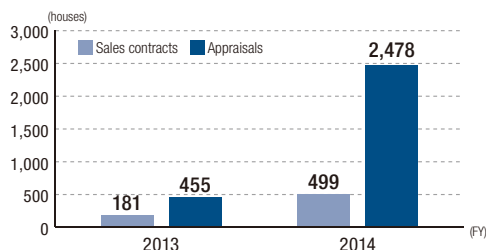
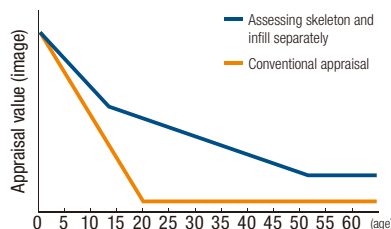
I will keep up my efforts to bring more long-lasting, high-quality SumStock houses to market, so that there can be even more happy and satisfied customers.



Naofumi Wakamatsu
Sekiwa Real Estate Kansai, Ltd.

Assessment through SumStock appraisal

According to conventional housing appraisals in Japan, the value of a 20-year-old house is virtually zero. By contrast, a SumStock appraisal defines the service life of the skeleton to be 50 years and the infill to be 15 years. Making separate appraisals for each, it allows a fair and accurate assessment of the building’s value to be reached.



The three conditions for a SumStock house

(Source: Provision of Quality Housing Stock Association website)

- House history** The blueprint from when the house was built and information on past remodeling and maintenance are properly managed and stored.
- Long-term maintenance program** The house is covered by a long-term inspection and maintenance program of 50 years or more.
- Earthquake resistance** The house features earthquake resistance as specified under the New Seismic Resistance Code of 1981.



Boosting Homeowner Value

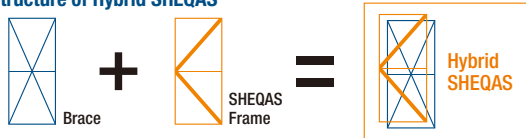
Ever more houses fitted with SHEQAS seismic control system

SHEQAS is our innovative seismic control system accredited by the Ministry of Land, Infrastructure, Transport, and Tourism. SHEQAS converts seismic wave energy into heat energy to absorb building movement, and it can reduce building deformation by approximately 50%. It gives houses the strength to withstand repeated earthquakes. In 2013, we released Hybrid SHEQAS, a structural component that combines a steel-frame brace with a SHEQAS Frame (a Sekisui House original seismic-control wall). Hybrid SHEQAS maintains its seismic-control capability while enabling a high degree of flexibility in the design and layout of rooms—for example, in making larger windows and doors. In FY2014, the percentage of our houses fitted with SHEQAS was 89% (up 2 points over the previous year).

Hybrid SHEQAS enables larger windows and doors



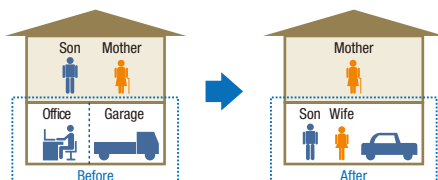
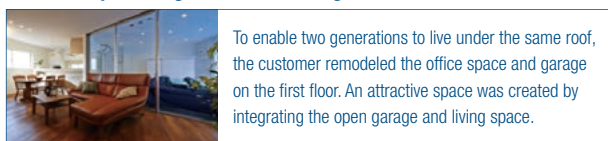
Structure of Hybrid SHEQAS



Sekiwa Construction Group focuses on remodeling

The Sekiwa Construction Group, comprising 20 companies across Japan, is a group of companies whose high level of construction expertise serves to bolster Sekisui House. Its comprehensive business activities include remodeling and construction of wooden-frame housing, remodeling of condominiums, and exterior construction work. With each company being firmly rooted in the local community and with the group having a nationwide presence as part of the Sekisui House Group, the Sekiwa Construction Group provides comprehensive support to its customers. We pay close attention to what customers want, and we work with them in proposing remodeling solutions that give shape to the lifestyle of their dreams. We are dedicated to helping our customers live safely, comfortably, and with peace of mind in their cherished homes for a long period of time.

An example of large-scale remodeling

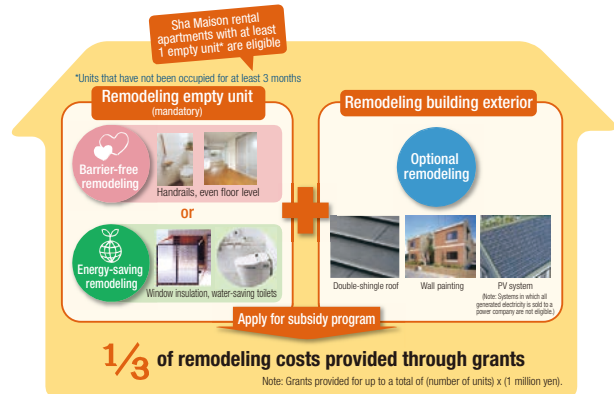


Participating in the Private-Sector Housing Safety Net Project

Sekisui House Remodeling performs remodeling work on rental housing properties to make them safe, secure, and comfortable. The company also took part in the Private-Sector Housing Safety Net Project*, a government-subsidized initiative that aimed to make full use of unoccupied rental housing. When such housing was remodeled as part of this project, the remodeling costs for common (shared) areas of an apartment building were eligible for subsidies provided that other remodeling work included some form of barrier-free or energy-efficiency remodeling.

We encouraged owners of rental housing to take part in this remodeling project as a way to boost the value of their assets and as a way to contribute to society. Many rental housing owners have used this system when remodeling their property—for example, when installing PV systems. (Note: The project ended on March 31, 2015.)

By prolonging the lifespan of buildings and helping to find tenants for empty rental units, our rental housing remodeling work is a measure that serves to solve social issues. We will continue searching for other new ways that our remodeling work can serve society.



*Under this program, the Japanese government covers a portion of the costs incurred by owners of private-sector rental housing when they remodel unoccupied housing units (detached houses or apartments), on the condition that people with special housing needs are given priority when renting those units. The program aims to boost the value of existing private-sector rental housing and make effective use of unoccupied units so as to secure a stable supply of housing for people with special housing needs while also establishing an environment in which such rental housing may be used flexibly by the public sector in case of disasters.

Enhancing the value of houses through the Everloop home repurchase program

Under the Everloop program, we repurchase existing Sekisui House homes from homeowners, renovate them using our proprietary technologies, and then offer them for resale. To ensure the safety and reliability of homes offered under this program, Sekisui House personnel are in charge of the entire process, from appraisal of the house to relocation of the homeowner.

A FY2015 taxation reform in Japan reduced the real estate acquisition tax for resellers purchasing old houses, remodeling them to make them earthquake-proof, energy-efficient, or barrier-free, and then reselling them. It is anticipated that this reform will lead to an expansion of the housing resale market.

Building a Recycling-Oriented Society

Making houses last longer and recycling resources

We are promoting our housing stock business—which includes remodeling to prolong the service lives of our houses and address changes in homeowners’ lifestyles—so that our homebuilding projects consume a minimum amount of limited resources. We consider it our social responsibility to make

housing materials last as long as possible, to recycle waste generated during construction, and to use that waste effectively as new resources. It is therefore our mission to conduct zero waste activities and have other systems in place for resource recycling.

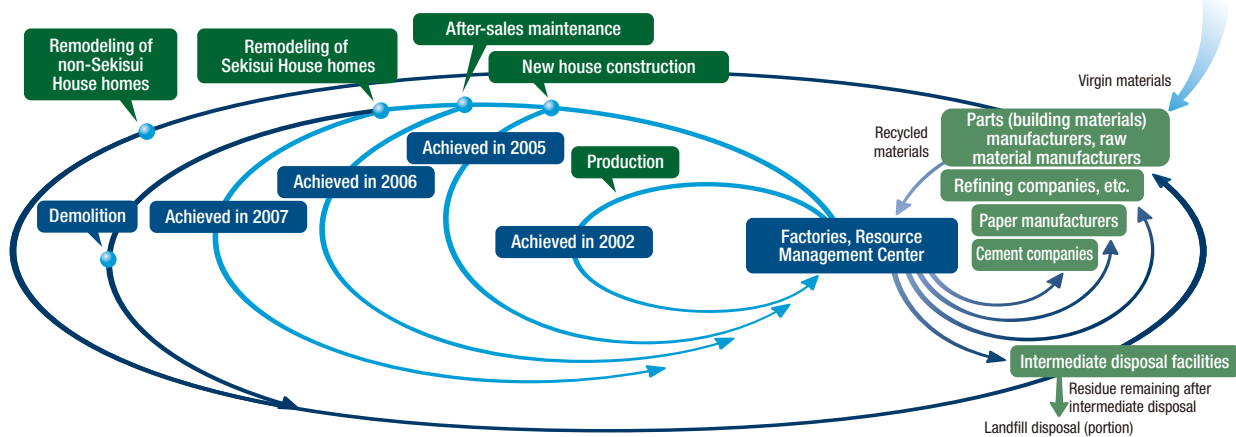
Past activities

As the industry leader in properly managing waste materials, the Sekisui House Group operates its own waste disposal system. Between 2002 and 2007, with the concerted efforts of the entire Sekisui House Group and our building contractor partners, we achieved zero waste* during each stage of the

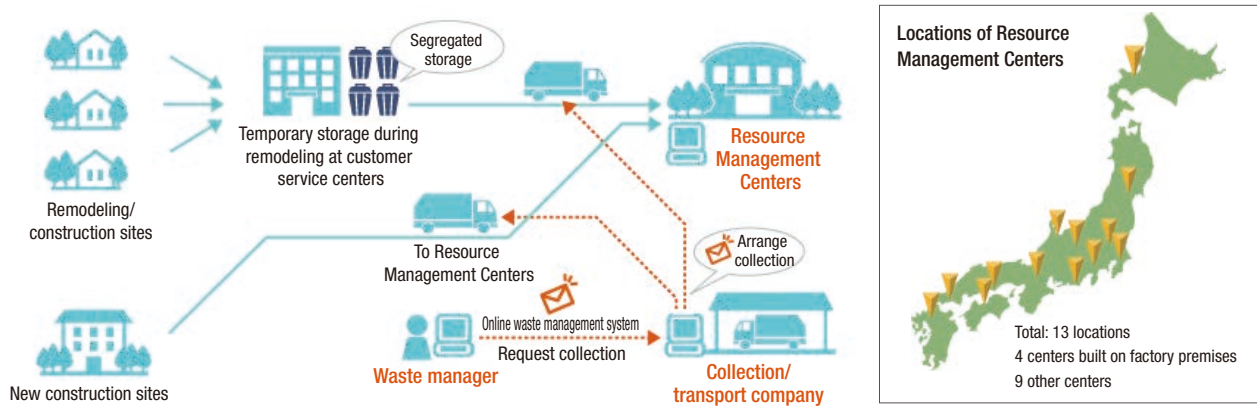
housing process—namely, production, construction, after-sales maintenance, and remodeling. We are keeping up our efforts to achieve and maintain zero waste.

*A concept whereby all waste materials generated during industrial activities are reused as resources and no waste is emitted on a society-wide basis. Sekisui House defines "zero waste" as eliminating waste sent to landfill disposal as well as eliminating waste incineration that involves no heat recovery.

Recycling-oriented industrial system and Sekisui House's progress in achieving zero waste



Resource Management Center serves as the core of zero waste activities



Waste generated at construction sites includes wood, plasterboard, wallpaper, and metal fragments. We sort this waste into 27 types and put it into separate on-site collection sacks. The waste is then efficiently transported to 13 Resource Management Centers located across Japan via trucks used for delivering construction materials to the construction sites.

At the Resource Management Centers, the gathered waste is processed or further separated into as many as 80 different types. It is then delivered to material manufacturers to be used as raw materials or sent to intermediate disposal facilities for further recycling.

Sekisui House is the first company in Japan’s construction industry to be certified under the Wide-Area Certification System*. Under this certification program, we operate our own electronic management system for waste control. This involves attaching IC tags to waste collection sacks to keep track of the volume of waste and managing a variety of information online pertaining to the construction sites. This data is used to streamline the construction process—for example, to reduce waste and surplus materials.

*A certification system under the Waste Management and Public Cleansing Law. Manufacturers are permitted to conduct waste disposal activities across prefectural boundaries without the need to acquire separate licenses. The objective is to ensure waste reduction, proper disposal, and recycling.

Expanding the housing stock business and recycling waste

From one remodeling site to the next, there is great variation in the amount and type of waste generated. Before starting work on a house, Sekisui House Remodeling makes full use of blueprints and spec sheets of a customer's house obtained from the customer service center to gather information about which materials are needed for remodeling. Waste generated on the site is sorted in accordance with designated standards—following the same procedures used on new construction sites—and then delivered to Resource

Management Centers. There the waste is checked for its content and volume and then recycled.

The Resource Management Centers also recycle waste brought in from rental housing managed by Sekiwa Real Estate. When tenants move out of rental housing, we repaper the walls. This waste is recycled. The Sekisui House Group is also focusing on educating employees about resource recycling as we expand our housing stock business.



Waste from remodeling brought in for recycling



Sanitation equipment, including toilets, is securely packed



Dismantling window sashes into metal and glass parts

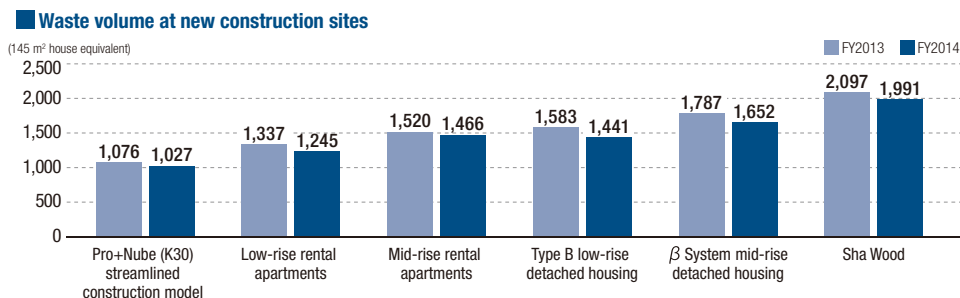


Window sashes dismantled at the Resource Management Center

FY2014 Achievements

Waste reduction

By applying the streamlined construction method used in Pro+Nube models to other house models, we were able to reduce waste for all models.



Reducing surplus materials

Generally, surplus amounts of construction materials are delivered to construction sites to prevent work stoppages and to be used as backup in case materials become damaged during delivery. There are also rare cases where the delivered materials do not meet requirements in terms of color or some other specification. While surplus materials for a single house may not amount to much, the combined total for many

houses becomes considerable. This volume of surplus materials must be dealt with. To this end, we operate our own electronic management system that enables us to precisely gauge the status of surplus materials, and we have set up a project team to implement reduction measures across all group companies.

Key performance indicators (KPIs)

Category	Indicator	Unit	FY2010	FY2011	FY2012	FY2013	FY2014	Definition
Prolonging lifespan of housing and enhancing after-sales support	Total resource input	1,000t	1,083	1,096	1,112	1,286	1,079	Amount used at our factories
	Volume of waste generated	1,000t	298	309	311	362	728*	Waste from new construction, remodeling, and demolition
	Volume of waste generated at new construction sites	kg	1,308	1,396	1,441	1,449	1,485	Amount per house (per 145 m ²)
	Proportion of houses with Long-Term Quality Housing Certification	%	88.7	90.9	92.1	92.1	92.1	
	Proportion of houses fitted with SHEQAS	%	—	58.5	75.0	87.0	89.0	
	Proportion of houses fitted with Airkis	%	—	67.4	76.3	77.8	80.0	
	Customer satisfaction survey	%	38.4	39.2	39.6	41.0	41.9	Proportion of responders who answered "Highly satisfied" on a 7-point evaluation scale

*Including waste from affiliated companies and waste from demolition of buildings

Promoting Diversity

Tapping the capabilities and potential of employees and creating a work environment where people with diverse backgrounds respect one another

Backdrop

Responding to diversifying customer needs with a diversity of human resources

In order to achieve sustainable growth despite Japan's declining birth rate and aging population, it has become essential for companies to create a corporate culture where a diversity of human resources—including people with disabilities—can fully demonstrate their competence, regardless of their gender, age, or nationality. Particularly in the housing industry, where customer needs are becoming increasingly diversified, there is a growing imperative to incorporate the perspectives of diverse human resources, including women.

The Sekisui House Group is promoting workplace diversity because we believe that creating a work environment where employees can demonstrate their abilities while respecting each other's working styles enables us to create "comfortable housing and ecologically sound communities"—a policy objective we have been pursuing since our founding. We also consider diversity to be an effective solution to Japan's declining workforce population.

In March 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. Since the launch of the Diversity Development Team that same year, we have been striving to advance the careers of female employees by organizing gatherings among female salespersons, technical personnel, and model home staff, and by helping them achieve a work-life balance.

In February 2014, our Corporate Management Planning Department set up the Diversity and Inclusion Promoting Office, so that we could achieve sustainable management that allows for a workplace environment where employees can bring out their full potential while showing respect for one

another. Our efforts were recognized in 2013 and 2015, when we made the *Nadeshiko* list—a women-empowering roster selected by the Tokyo Stock Exchange and the Ministry of Economy, Trade, and Industry.



Our goal

To be indispensable to society as a corporate group that generates high added value

We believe we can bring forth useful innovations by establishing a workplace environment where a variety of personnel can fully demonstrate their abilities in a spirit of creativity and innovation and where employees join forces toward a common goal. As a corporate group that generates high added value and that follows a path of sustainable growth, we strive to be indispensable to society.

Action policies

Continuously focusing on three priority themes

We will continue our diversity efforts under three priority themes: 1) female career development, 2) work-life balance, and 3) employing people with disabilities.

- **Major stakeholders**
Employees, job applicants (students, housewives, etc.), investors
- **Measures being implemented**
Supporting female employees in their career development

Policy

When it comes to responding to diversifying customer needs, it is increasingly important to take account of women's perspectives. We actively hire female employees for sales and technical jobs, and we support their career development. By developing them into candidates for management positions, we are expanding and improving our ability as a company to respond to customer needs.

Employees with diverse career paths and values work together (Hyogo Sna Maison Branch)



For sales staff

- 1 Every year, we hold a special personnel meeting for female sales staff where employees who have made a distinguished sales contribution are recognized, information on best practices is shared, and discussions are held to inspire and motivate them. In 2014, we began holding information exchange meetings for sales staff aiming to become office managers. At these meetings, seasoned office managers teach participants about diverse working styles and potential future career paths.
- 2 Female sales personnel who have been designated as “role models” are granted benefits such as the ability to adjust holidays and work hours during times of maternity and parental leave or change their workplace location when their spouse has been transferred.

Sekisui House Remodeling has been actively hiring female personnel with parenting experience to work as Remodeling Advisors. Thanks to the variety of working style options we offer—for example, a four-day workweek—our employees are able to strike a good work-life balance. The company employs 657 female sales personnel—fully 62% of our entire sales force. And in March 2014, two female employees became company board members (making up 11.8% of the board of directors).

For technical staff

- 1 When it comes to recruiting female staff, the technical division has been even more active than the sales division. In design, we have one female design chief and 13 female chief architects*. In R&D, female employees are contributing product development ideas from their unique point of view. In October 2014, we opened the Sekisui House Women’s College, where students acquire the abilities fit for manager-level jobs in a two-year program. Twenty selected employees are learning about business skills (first year) and ways to solve workplace issues (second year).

*In-house qualifications are given to those who have demonstrated excellent skill in housing design and business negotiations.

- 2 Female construction superintendents are actively at work on construction sites, showing attention to detail and proposing concrete solutions for better living. The number of these superintendents is increasing: in 2014, we assigned female construction superintendents to all nine branch offices operating under the Kanagawa Sales Administration Headquarters, and in December we held the first edition of a special gathering for the women working in these roles.

We set up temporary women’s washrooms—jointly developed with the city of Sendai (see p. 68)—at our construction sites, to make the work environment more comfortable for female construction workers and superintendents.



Female construction superintendents from Kanagawa Sales Administration Headquarters

VOICE

Since returning from parental leave, I’ve been using the reduced-work-hour system to work while taking care of my twins. I design detached houses and residential complexes, and although my work hours are limited, I find it rewarding to be able to work as a specialist. Recently, more and more customers are choosing me as their design rep, thanks to my experience in taking

care of children and elderly parents.

My goal is to create a work environment where the demands of childcare don’t overly impinge on one’s work. I hope to contribute to a better workplace for everyone using the reduced-work-hour system, whether for childcare or nursing care.

Naoko Kitazawa, Design Department, Tokyo West Branch



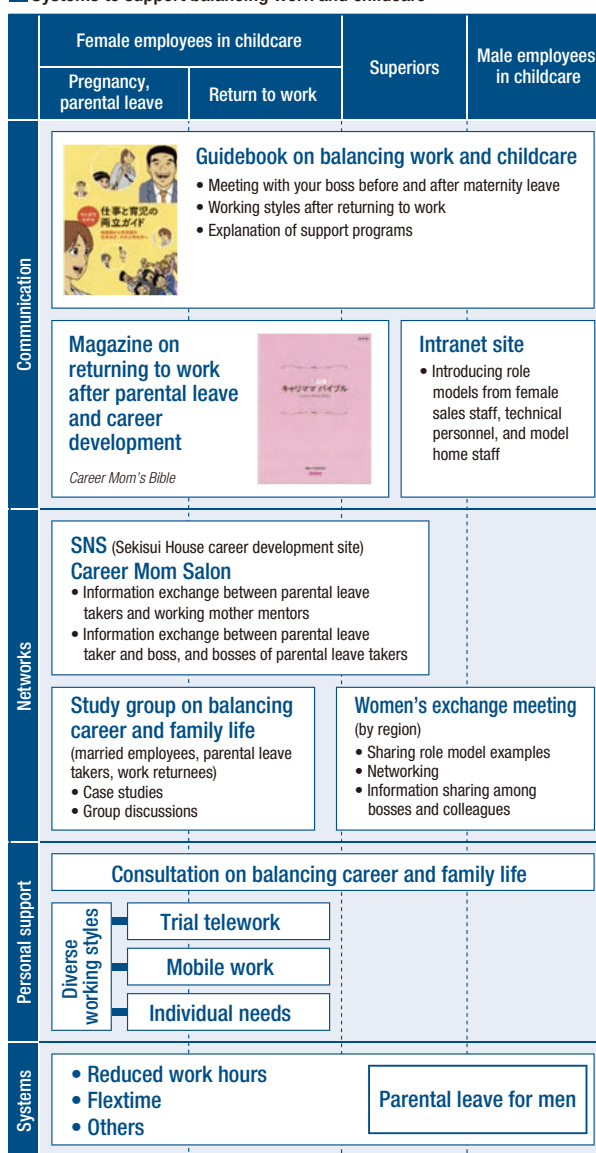
Promoting a work-life balance

Policy

We support diverse working styles that involve balancing work with parental care and nursing care, so that employees can lead a fulfilling life. Measures include reducing overtime and encouraging annual leave and men’s parental leave.

We have introduced flexible working styles that encompass reduced work hours or flextime. We also provide measures to support employees in taking care of ill or elderly family members, along with a Retiree Reinstatement Registration Program of preferentially rehiring those who have left work for some unavoidable reason—for example, to give birth, raise children, or provide nursing care.

Systems to support balancing work and childcare



Employing people with disabilities

Policy

Working with people with disabilities enables us to deliver new value and influence to our customers and our workplaces, and it enables us to make better proposals for our customers through universal design. Our aim is to hire at least one person with a disability at every business office.

1 In addition to offering internships to people with disabilities, we promote communication with people with disabilities and their support groups. We also participate as a founding member in the Accessibility Consortium of Enterprises (ACE). ACE is a group of companies working to establish a new business model for employing the disabled in a way that benefits corporate growth. In FY2014, we took part in a working session to study how to instill in disabled students a sense of career development at an early stage. After gathering questionnaires filled out by young disabled employees at member companies and conducting interviews of support offices at universities, we held a career development seminar for disabled students.

2 Since FY2006, we have been running a system that provides employees with additional opportunities to further their careers. This system enables employees in clerical work, production, or region-specific work to switch to sales/technical work. Of the 16 personnel who used this system in FY2014, two were disabled employees.

VOICE

My work involves giving presentations to customers and teaching young tech employees and model home staff about CAD. After becoming disabled in a car accident, I had to quit my job as a carpenter. Luckily, I was able to join Sekisui House. Now, in my design work and presentations, I use my experience as a carpenter to give customers something beyond their expectations.



Yasuyuki Miyamoto, Design Department, Tsukuba Branch

• Target number and time frame

	FY2013	FY2014		Target
	Achievement	Achievement	Evaluation	
Number of female personnel in managerial positions (group-wide)	65 (1.52%)	101 (2.26%)	○	FY2020 200 (5%; 10% in the future)
Number of female office managers*	7 (6 out of 16 sales administration headquarters)	12 (8 out of 16 sales administration headquarters)	△	Minimum 1 female office manager (or at least office sub-manager) at each of our 16 sales administration headquarters
Employment rate of people with disabilities*	1.97%	2.08%	○	Minimum 1 person at every business office
Proportion of male employees who took parental leave	3% (16 people)	19% (119 people)	○	FY2015 30%

*Sekisui House, Ltd. only

Risk management

Risk 1

- Employees on parental or nursing care leave may miss opportunities to expand their abilities, owing to their absence.
- If the proportion of employees on parental or nursing care leave grows too high, the company may not be able to allocate work appropriately.

Our response 1

We are providing employees with the opportunity to establish a vision for their career paths, while taking an inventory of business procedures and establishing systems for flexible working styles. We are also creating a workplace environment that supports both childcare/nursing care and career development, by informing leave-takers about work developments through monthly online newsletters and other informative tools.

Risk 2

In Japan in 2018, the legally mandated employment rate of people with disabilities will be amended to include a proportion of the mentally disabled. The Sekisui House Group's disabled employment rate may fall below that mandated by law.

Our response 2

Our aim is to hire at least one person with a disability at every business office. In order to achieve this goal, members of our personnel division attend job-matching events and contact the job placement divisions of public institutions and universities. We also actively gather information through ACE and strive to create a work environment in which people will want to continue working.

Expected benefits

Supporting female employees in their career development

By increasing the number of women on staff, we are able to readily respond to diversifying customer needs both in sales and technology.

Employing people with disabilities

The perspectives, sensibilities, and experiences of employees with disabilities can give us new insight into proposals and technical R&D. This serves to heighten awareness of issues surrounding universal design and prompt more applications in this area.

Promoting a work-life balance

We are establishing a system that provides a forum for employees to demonstrate expertise they have gathered through their experiences of important life events, such as marriage, birth, child-rearing, or caring for the elderly. This system enables us to make a wider range of proposals that better incorporate residents' perspectives and thereby boost customer satisfaction.

Key performance indicators (KPIs)

Group achievements

		FY2012	FY2013	FY2014
Proportion of female managers		1.68%	1.52%	2.26%
Number of female managers		65	65	101
Number of female board members		0	0	2 (Sekisui House Remodeling)
Average duration of work (years)	Male	16.83	16.87	16.88
	Female	9.18	9.41	9.53
	Difference between male and female	7.64	7.46	7.35
Number of employees who took parental leave	Male	19	16	119
	Female	131	210	242
Number of employees who took nursing care leave		6	11	6
Proportion of employees who returned from parental leave*	Male	100%	100%	100%
	Female	94.1%	93.0%	93.3%
Retention rate of employees 12 months after returning from parental leave*	Male	95.5%	100%	100%
	Female	98.8%	100%	94.7%
Proportion of employees who took annual paid holidays		27.3%	27.5%	31.7%
Proportion of employees with a disability*		1.89%	1.97%	2.08%
Proportion of offices that have at least one employee with a disability*		54.2% (91 out of 168 offices)	59.4% (101 out of 170 offices)	59.6% (99 out of 166 offices)

*Sekisui House, Ltd. only

Number of employees who returned from parental leave and stayed with the company in FY2014 (Sekisui House, Ltd.)

	Male	Female	Total
Number of employees entitled to parental leave*1	458	140	598
Number of employees who took parental leave*2	102	157	259
Number of employees who returned from parental leave*3	100	125	225
Number of employees who stayed with the company 12 months after returning from parental leave*4	13	108	121

*1 Employees with a family member born in FY2014

*2 Employees who started parental leave in FY2014

*3 Employees who have returned from parental leave in FY2014

*4 Employees who returned from parental leave in FY2013 and are with the company 12 months later

Developing Overseas Business

“Changing the world through living” – Raising housing standards around the world

Backdrop **Expanding beyond domestic industry to encompass global industry as well**

Infrastructure building and tourist promotion are sectors that hold promise for economic stimulation in Japan. Growth strategies can be propelled by taking on challenges related to energy and the environment, and by developing technologies for these fields that can be utilized in Japan and around the world. Globalization is moving ahead in all industrial sectors, and in the housing industry as well we must utilize the expertise we have built up in high-quality community building and home building to develop new business in countries where new housing demand is imminent. This comes from our desire to not just move Sekisui House forward but also to protect the global environment. Our overseas business expansion is part of our CSV strategy.

Our goal **“Changing the world through living”**

In our international business expansion, we are acting based on shared goals as identified in our global corporate message.

What Home Can Bring to the World

We at SEKISUI HOUSE not only continue to build houses, but create homes and communities that become essential assets to society while constantly considering the global environment and high quality community development.

Needs for homes and communities change over time. Through our advanced technologies that achieve better “health,” “safety” and “security,” and comprehensive researches to understand the ways of living in each country and region, particularly in “culture,” “generation” and “lifestyle” we will continue to make today’s comfort even better for tomorrow.

Our creativity to freely design every home differently to fulfill and exceed the desires in living according to each customer. Our ability to build homes with superior standards in performance and quality by developing housing materials that leverage leading edge technologies at our local factories, so the highest level of living comfort can be delivered to our customers around the world. These innovations are integrated into every SEKISUI HOUSE.

For a lasting relationship with and further satisfaction for our customers through homes, we will leverage our proven expertise and knowledge cultivated over half a century in Japan to evolve even further as a leading innovator in home and community development.

We will continue to build on our performance through our conviction that high quality homes will be essential assets to society. We are committed to continually provide higher levels of living comfort for today and tomorrow.

Changing the World through Living

One Central Park, a high-rise condominium in the Central Park project in the heart of Sydney, Australia



Action policies

Carefully selecting markets around the world where we can offer quality housing in high volumes

- Use the high-quality housing technologies we have built up over the years and our know-how in sustainable community development to develop communities and build homes that match local cultures and customs and that offer safety, comfort, and peace of mind.
- In countries where we do business, besides proceeding steadily with existing business, continue to pursue new leads in order to achieve an overall balance of our business.
- Build cooperative partnerships with outstanding local companies in order to better develop business that meets local needs.

Risk management

Building risk management systems together with experts specializing in risk management so that we can reduce risk and strengthen internal control

Risk 1

Risk of harm to Sekisui House overseas employees due to things such as political instability and terrorism

Our response 1

Sekisui House chooses to enter the market of countries that are safe and have stable governments; our criteria for entering a new market include population growth and stable economic growth, and the willingness of people in that country to eagerly join us in pursuing environmental protection and energy efficiency in housing.

In times of social stability, the International Business Department gathers risk management information on countries we will enter or have business trips to, and we work with risk management specialty companies to build risk management systems and come up with measures to deal with crises when they occur. We also have a manual for overseas risk management as part of our efforts to reduce risk.

Risk 2

Risk to the management and control of overseas subsidiaries

Our response 2

Our International Business Department collaborates with experts in countries where we do business. We also strive to improve our internal control system in other ways; for example, in February 2015 we established the International Internal Control Promotion Office, and we work with internal control consultants whenever necessary.

Risk 3

Risk to intellectual property

Our response 3

Although it is difficult to completely prevent intellectual property infringement from, for example, the production of imitation goods, we are securing the rights both in Japan and overseas for key technologies and trademarks so that even if imitation goods do appear on the market they do not interfere with our business.

Implementing action plans

Expanding our overseas business positioning the United States, Australia, China, and Singapore as key markets

United States

In the U.S., we are pursuing real estate development for residences (communities) and urban rental apartment development (multi-family housing). By adding to our business the stable profit base provided by the former and the potential capital gains of the latter, we can build a balanced business portfolio and respond flexibly to changes in the economy. In both of these businesses, we are working with outstanding local developers who have proven themselves in the respective markets so that we can have access to rare and valuable business opportunities. In real estate development for residences, Cinco Ranch in Houston, Texas and two other Sekisui House developments made the list of the top-ranked master-planned communities in the U.S. in 2014. And many other Sekisui House developments were highly evaluated and honored for features such as their highly aesthetic design and environmental performance. Urban rental apartment developments in cities such as Seattle and Los Angeles are

proceeding and some will be completed and accepting tenants sometime in 2015.



Summerwood (Houston, Texas)

Australia

From large-scale condominiums and community developments comprising several thousand lots to Shawwood wooden-frame detached houses, we are expanding our housing business in Australia.

In the field of condominiums, Sekisui House and Frasers Centrepoint Limited jointly developed One Central Park in the



A Shawwood home in Coolumb Beach (north of Brisbane)

Central Park complex in the center of Sydney. Utilizing environmental technologies such as wall greening and trigeneration, One Central Park was named Best Tall Building Worldwide in 2014 and Best Innovative Green Building at MIPIM* in 2015, the first building by a Japanese company to earn these honors.

In the Shawwood business, we provide a high standard of housing by using our Japanese know-how and technologies, which we complement by coming up with house designs and specifications that match climatic, environmental, cultural, market, and social needs.

In six years of business in Australia, we have provided homes to approximately 6,500 families. We will survey these families so that we can reflect their opinions and ideas in future housing construction and community development and thus contribute to Australia's housing culture.

*MIPIM: Le marché international des professionnels de l'immobilier

VOICE

I had been looking for a new home for two to three months before finding a new release of Sekisui House's Shawwood homes advertised at The Hermitage. I immediately contacted the sales team to arrange an appointment and couldn't contain my excitement following my initial inspection. The beautiful and relaxing Hermitage estate was the perfect location for my family and was just what we were looking for. The distinctive architectural features and unique design of the Shawwood home was nothing that I had ever seen

before. Upon entering, I felt a comforting warmth that I had not experienced in any other home. The extensive open plan living areas and centralized gourmet kitchen just brought it all together. Everything about the Shawwood home was impressive, from the revolutionary structural components and integrated wall system through to the onsite workmanship and high standard of quality inclusions. I was pleasantly surprised with so many features and right away I knew that this was the home for me.



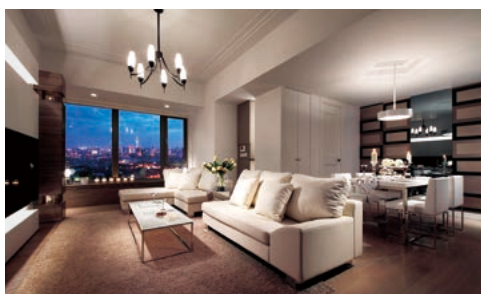
Julie Alfonzo

Julie (sitting) with Sekisui House sales staff in Australia

China

In China, we have large-scale projects that match the local atmosphere and culture in Shenyang, Suzhou, Wuxi, and Taicang.

The Yuqin Residence in the Heping district of Shenyang is located in a key area of the city with a high concentration of commercial facilities. It is a high-rise condominium that stands out among other buildings in the district for its modern design. This building offers a diverse range of floor plans, making it easy for customers to find a unit that matches their particular needs. Units were designed with the comfort and health of residents in mind; for example, there is ample closet space for shoes, the interior building materials contain no harmful chemicals, and a soft-water system provides water that is gentle on residents' skin and hair.



The interior of a condominium in the Yuqin Residence in the Heping district of Shenyang

By offering high-end condominiums for a whole new lifestyle along with the convenience of living in the heart of the city, Sekisui House will continue to sell and service homes that contribute to increasing diversity in living environments.



Artist's rendering of the completed Yuqin Residence

Singapore

In Singapore, we have seven projects underway with local major developers. We have been in the Singapore market for over four years now and are establishing a reputation for ourselves through the development of complexes and office buildings.

Since we began business in Singapore in 2010, we have continuously shared opinions with our partners and striven to incorporate the know-how we have built up in creating homes centered on customer needs.

In condominium development, we have incorporated a *satoyama* design approach of community development to the Hillsta project in the Choa Chu Kang district of Singapore. (*Satoyama* refers to a natural environment that has been slightly modified by humans.) For the eCO project in Singapore's Bedok district, we have model rooms that show visitors that Sekisui House's

unique designs are created with the resident first and foremost. We believe these projects effectively integrate Sekisui House's know-how in sustainable living environments.

We will continue to use the technologies and experience we have built up in Japan to bring the people of Singapore Sekisui House's unique homes, working with local partners to provide residents with comfortable homes that show an understanding of this island nation's housing culture.



RiverTrees Residences at Fernvale Close (artist's rendering)

Evaluation

Contributing to better living environments through technologies and know-how cultivated in Japan

We contribute to improving living environments by utilizing the housing technologies and know-how we have built up in Japan. This is a crucial element in business strategies in line with the particular conditions of the countries and regions in which we do business. For example, in Australia, we carry out condominium and residential land development



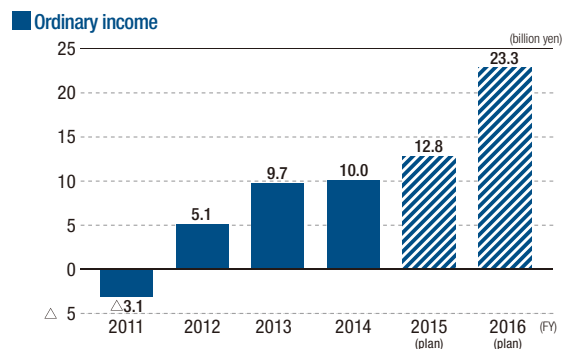
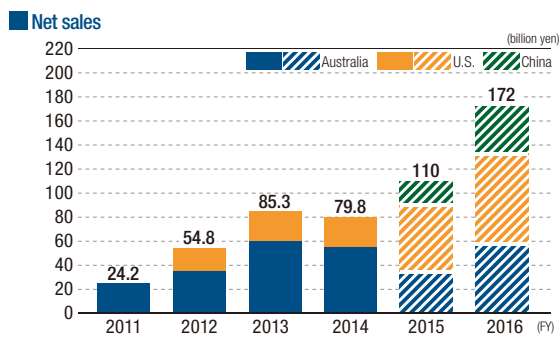
Cinco Ranch (on the outskirts of Houston, Texas, U.S.)

and detached housing construction, while in the U.S. we work as a community developer in cooperation with our partners. These efforts have been going extremely well: we have received high praise and numerous industry awards, and we turned a profit in these businesses as of our second year.



The Waterfront (on the outskirts of Sydney, Australia)

Growth of Sekisui House's overseas business



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 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, 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. 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).

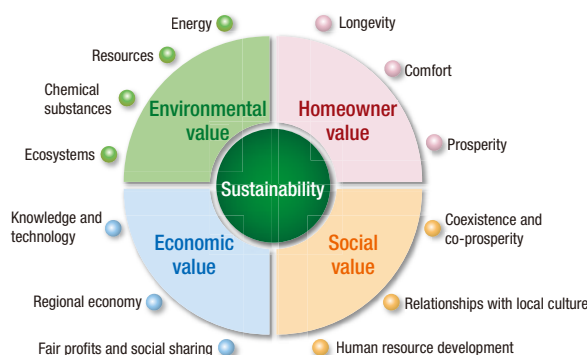
Corporate philosophy (established in January 1989)



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.

4 values and 13 guidelines



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.

Value	4 Values and 13 Guidelines of Sekisui House		Corresponding Main Themes and Goals of ISO 26000	
	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

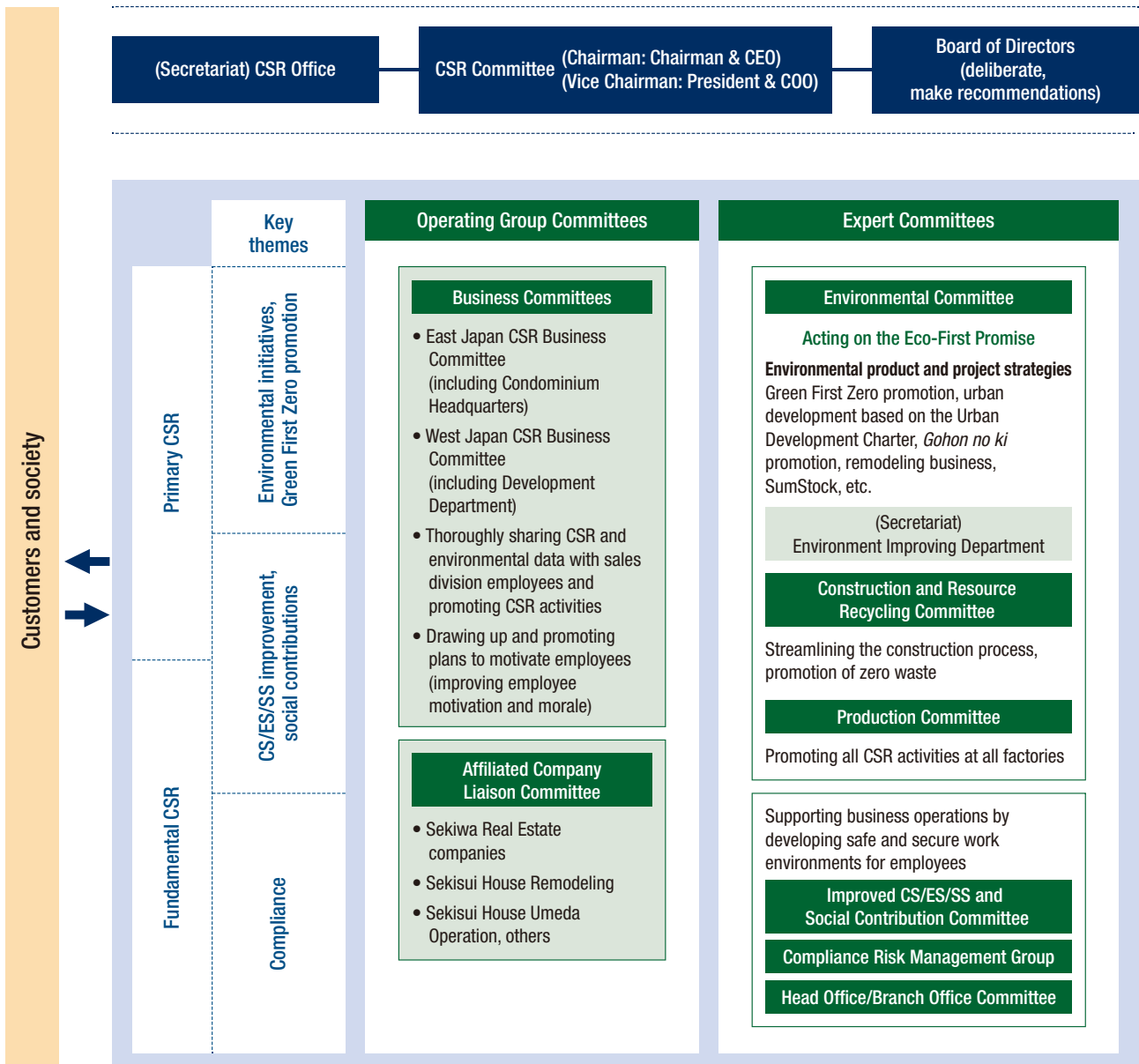
Incorporating the viewpoints of external stakeholders, the Sekisui House CSR Committee develops CSR policies and verifies whether current CSR activities are consistent with social norms and expectations, so that group-wide CSR initiatives are relevant and effective. Led by our chairman and CEO, the CSR 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.

In FY2014, we accelerated our CSR activities, actively promoting Green First Zero net-zero-energy housing—an upgraded version of our eco-friendly Green First houses. We also took steps to ensure thorough compliance and to boost employee motivation and morale.

■ CSR promotion structure



Corporate Governance and Internal Control System

• 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, 2015). The average attendance was 97.2% (90.9% for external directors and 97.0% for external corporate auditors).

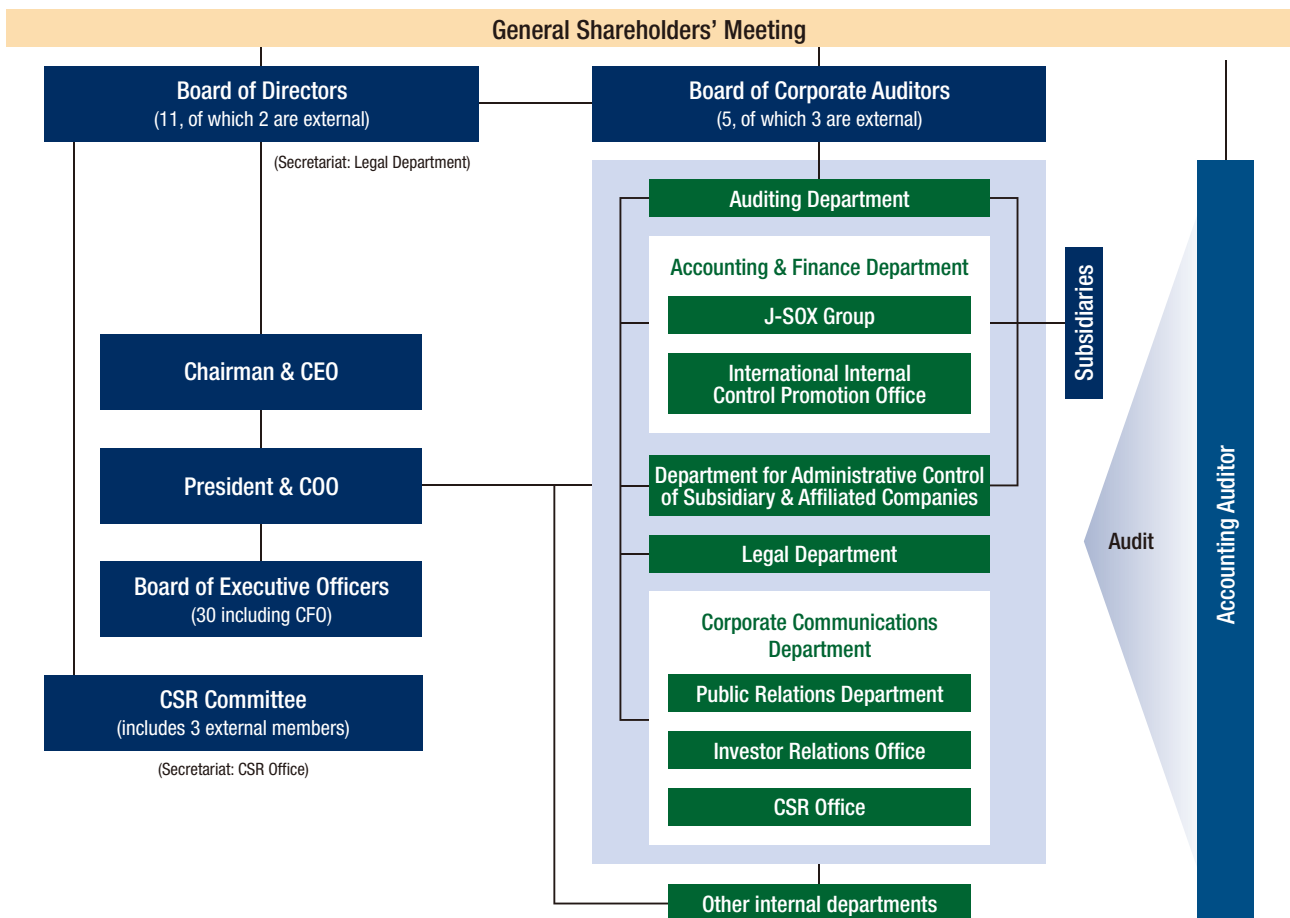
• Board of corporate auditors

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 February 1, 2015 within the Accounting & Finance Department, is in charge of building internal control systems at overseas subsidiaries.

■ Corporate governance structure (as of April 1, 2015)



■ Governance membership (non-consolidated)

	Board of directors	Board of corporate auditors
By gender (male : female)	11 : 0	5 : 0
External board members included in total	2	3
Age	Under 30	0
	30 to 50	0
	Over 50	11
		5

Note: There are no members belonging to minority groups that require special mention.

Compliance and Risk Management

• Compliance Risk Management Group

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, established under the CSR Committee and headed by the vice president, identifies and manages risks that may undermine our credibility in society and takes appropriate measures to deal with such risks. Members include staff from relevant divisions, such as the Personnel Department and Legal Department, and meetings are held once every three months to discuss CSR initiatives.

In FY2014, the main issues taken up at the group meetings were: (1) identifying and categorizing possible risks; (2) ensuring proper business operations; and (3) reviewing BCP (business continuity plans) and building overseas risk management structures.

• Promoting compliance

We provide various training programs both for employees and management to ensure that compliance-related issues are properly addressed across the company. For training on laws and regulations, which all employees must take every year, the topics in FY2014 included fair advertising, accountability in signing deals, and accountability in real estate transactions.

Training on laws and regulations is held in conjunction with human relations training* held by a total of 325 organizations: 204 organizations in Sekisui House, Ltd. (25 at the head office, 6 in production, and 173 under the operating groups) and 121 organizations at group companies.

*Annual human relations training is mandatory for all employees. The aim is for the Sekisui House Group to build a corporate culture in which every employee understands and practices compliance and corporate ethics and in which human rights violations are absolutely not tolerated.

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
- 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.

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.

■ Sekisui House Group internal reporting system

	Contactee	Method	Content of report
SCS (Sekisui House Group Compliance Support) System	Compliance Office, Legal Department	<ul style="list-style-type: none"> • Phone • E-mail • Postal mail (registered mail receivable only by the addressee) 	Witness account of an unlawful act or any conduct that violates our corporate ethics policy
Sexual and power harassment hotline	Human Relations Office, Legal Department	<ul style="list-style-type: none"> • Phone • E-mail 	Sexual and power harassment, human rights issues, difficulties in human relationships
Personnel-related hotline	Personnel Department	<ul style="list-style-type: none"> • Intranet 	Labor management issues in general, such as work hours and working on scheduled days off

Note: We also provide a consultation service by outside experts for Group company employees and family members of employees.

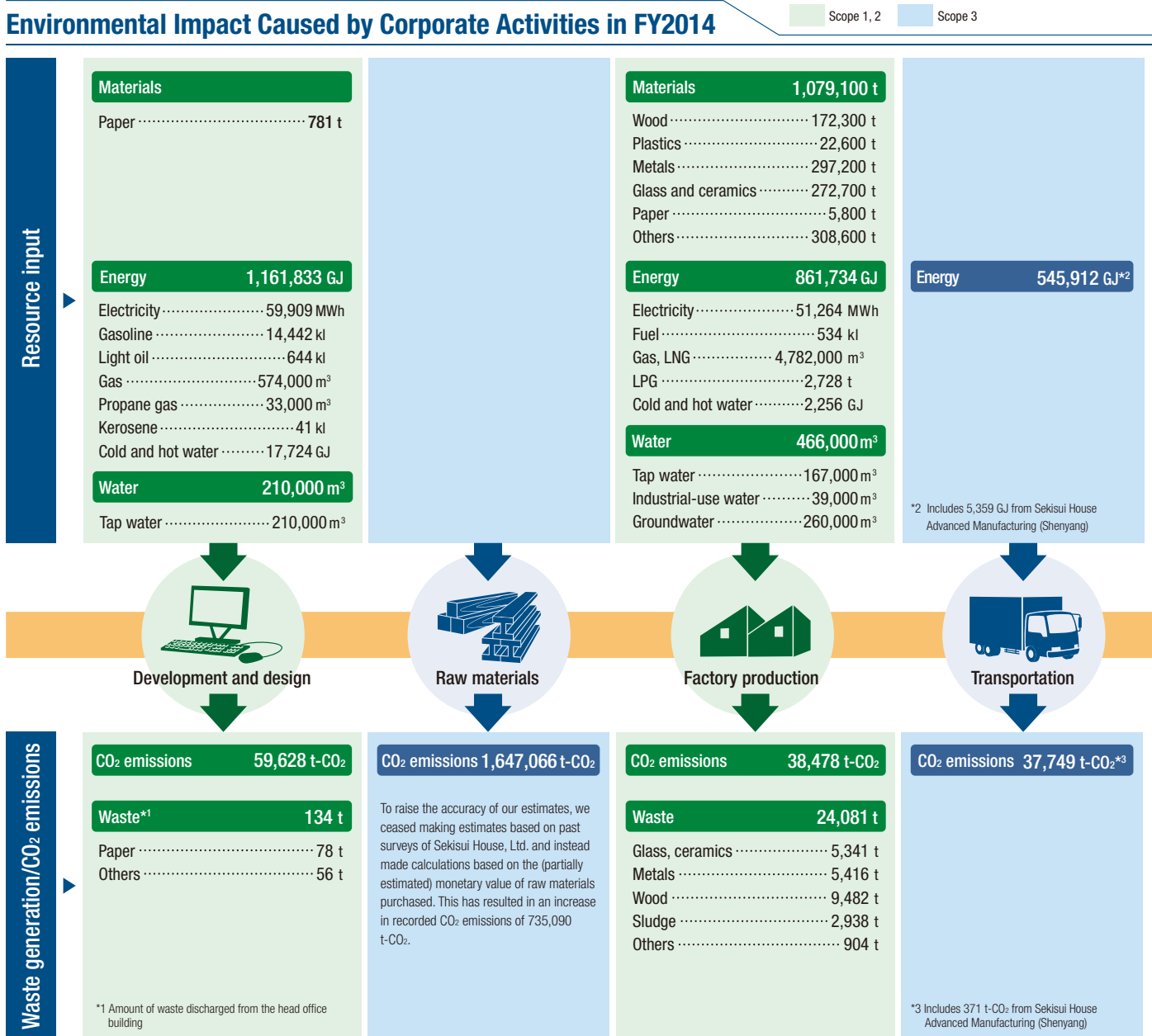
During this reporting period, there were no cases of the Sekisui House Group facing any legal action, being charged with a substantial fine, or receiving any other punitive measure in violation of laws and regulations related to competition and monopolistic practices.

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. We also began reporting Scope 3 greenhouse gas (GHG) emissions from the Sekisui House Group supply chain in FY2012.

Environmental Impact Caused by Corporate Activities in FY2014



Amount of CO₂ Emissions by Scopes 1–3 in FY2014

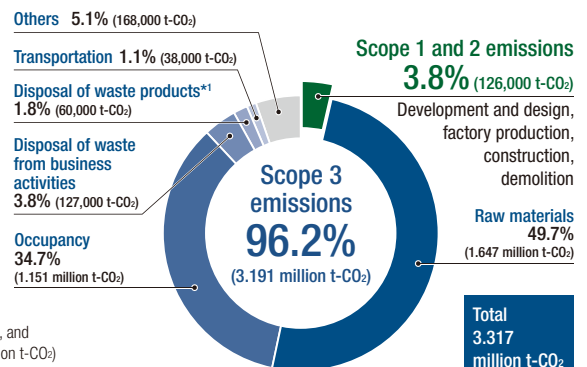
Starting from FY2012, we have disclosed our CO₂ emissions by Scope (1–3) in line with the methodology of the Greenhouse Gas Protocol*. For FY2014 we expanded the range of coverage to include CO₂ emissions from waste generated through business activities. (See "Notes on the data" on page 58.)

To reduce Scope 3 emissions, we are promoting sales of eco-friendly Green First models that contribute to reducing residential CO₂ emissions. It should be noted that we count only emissions attributable to detached houses as Scope 3 emissions (i.e., those from the occupancy stages). 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.

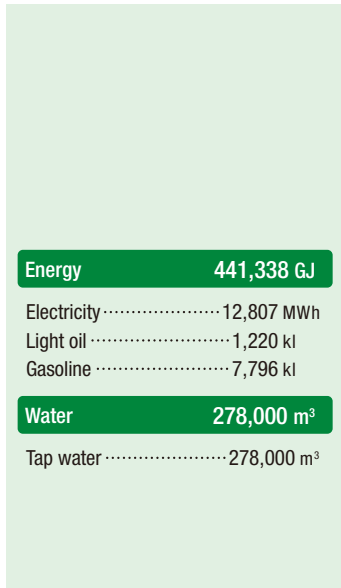
- Scope 1: CO₂ emissions resulting from the use of fuels by the Sekisui House Group (80,000 t-CO₂)
- Scope 2: CO₂ emissions resulting from the use of electricity and heat purchased by the Sekisui House Group (46,000 t-CO₂)
- Scope 3: CO₂ emissions resulting from the use of energy for mining and producing raw materials, transporting building components, and disposing of waste by non-Sekisui House Group companies or customers, and from the use of energy during occupancy (3,191 million t-CO₂)

*Greenhouse Gas Protocol "Corporate Value Chain (Scope 3) Accounting and Reporting Standard"
<http://www.ghgprotocol.org/standards/scope-3-standard>

CO₂ emissions by Scope 1–3

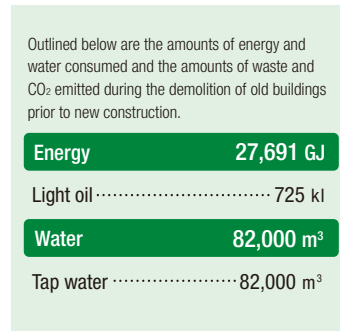


- We conducted an internal audit in FY2014 to check compliance with applicable laws and regulations, and found no material breach of greenhouse gas-related laws and regulations or serious leaks of chlorofluorocarbons (CFCs). (There was no single case for which criminal punishment, administrative penalty, or administrative guidance was imposed.)
- The water discharged from our factories into rivers meets the water-quality standards specified in Japan's Water Pollution Control Law as well as those specified in other regulations and agreements. The water from our Tohoku, Kanto, Shizuoka, Yamaguchi, and Hyogo factories meets Sekisui House's in-house standards, which are stricter than those stipulated by law.

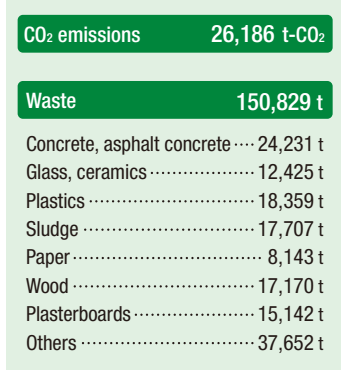
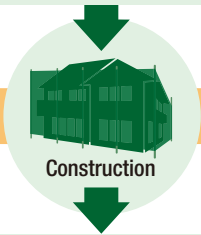


Sekisui House supplies the market with environmentally friendly housing equipped with PV systems and Ene-Farm fuel cells. In FY2014, we sold 6,410 Green First Zero houses (houses with net zero energy consumption). The amount of CO₂ emitted from our detached houses was down by 73% compared to detached houses built in the 1980s.

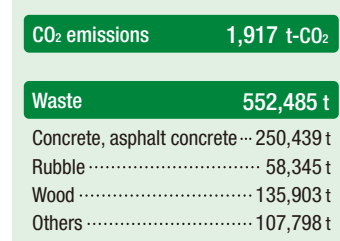
- Emission intensity (per net sales) by Scopes 1, 2, and 3 are as follows.
 - Scope 1: 42 kg-CO₂/million yen
 - Scope 2: 24 kg-CO₂/million yen
 - Scope 3: 1,668 kg-CO₂/million yen
- Reduction in GHG emissions over FY2013 was 22,100 t-CO₂ (Scope 1: 15,700 t-CO₂; Scope 2: 6,400 t-CO₂).
- All waste resulting from the production of materials purchased by factories is recycled. The material recycling rate was 95%.



Outlined below are the amounts of energy and water consumed and the amounts of waste and CO₂ emitted during the demolition of old buildings prior to new construction.



We changed the standard occupancy duration from 30 years to 60 years, in line with the Japan Prefabricated Construction Suppliers and Manufacturers Association's guidelines. This has resulted in an increase in calculated CO₂ emissions of 575,713 t-CO₂.



Energy consumption in our overseas operations

Sekisui House conducts business in China, Australia, the US, and Singapore. We estimate the amount of energy (in the form of electricity and gasoline) consumed by our offices in these countries to be 47,720 GJ a year. This is equivalent to 1.6% of the Sekisui House Group's energy consumption in Japan. Note that the amount consumed by Sekisui House Advanced Manufacturing (Shenyang) is included in the "Factory production" category.

Notes on the data

- Scope of coverage: The subjects of this survey are Sekisui House, Ltd., its major consolidated subsidiaries in Japan (46 companies), and Sekisui House Advanced Manufacturing (Shenyang) Co., Ltd. Scope 3 CO₂ emissions include those attributable to parties other than the Sekisui House Group companies.
- Period covered: The applicable period is FY2014 (from February 2014 to January 2015). 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) published in the objectives management survey of the Eco Action 21 voluntary action plan produced by the Japan Prefabricated Construction Suppliers and Manufacturers Association.
- **Development and design (including the data of sales and administration divisions and model homes)**
 - Materials: paper purchased for use with OA equipment
 - 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 five Sekisui House factories, two Sekiwa Wood, Ltd. factories, and Sekisui House Advanced Manufacturing (Shenyang)
- Waste: the volume of waste generated by the five Sekisui House factories and two Sekiwa Wood factories

■ **Transportation**

- Energy and CO₂: the amount of energy consumption and CO₂ emissions by specified consigners and Sekisui House Advanced Manufacturing (Shenyang). (The calculation was made according to the guidelines provided in the Act on the Rational Use of Energy and according to the manual issued by the Ministry of the Environment and the Ministry of Economy, Trade, and Industry.)

■ **Construction**

- Energy and CO₂: the estimated amount of energy consumption and CO₂ emissions resulting from new construction by all 20 Sekiwa 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., Sekiwa Construction companies (16 of the 20 companies), and Sekisui House Remodeling. (Waste increased by 82,399 tons as we included affiliated companies and construction of commercial buildings.)

■ **Occupancy**

- CO₂: the estimated amount of CO₂ emissions during occupancy at detached houses built in FY2014 from building components shipped from factories (The estimate is calculated assuming an occupancy period of 60 years.)

■ **Demolition**

- Energy and CO₂: the estimated amount of energy consumption and CO₂ emissions resulting from the use of heavy machinery for demolition, by all 20 Sekiwa Construction companies and building contractor partners
- Waste: the volume of waste generated from demolition of housing and commercial buildings by Sekisui House, Ltd., Sekiwa Construction companies (16 of the 20 companies), and Sekisui House Remodeling

Summary of Results of FY2014 and Targets for FY2015

Environmental Targets and Achievements (1)

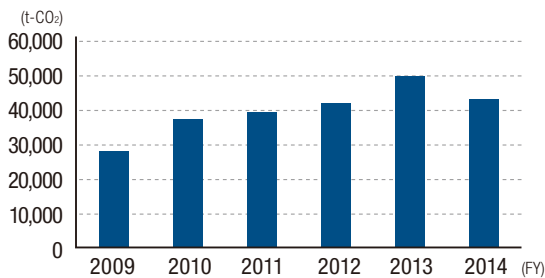
	Major Focus	Plan >>>
		FY2014 Target
Reducing CO ₂ Emissions	Reducing residential CO ₂ emissions	Install a photovoltaic (PV) system on 80% of newly built detached houses
		Install fuel cells on 60% of newly built detached houses
		Increase the proportion of Green First Zero models among all newly built detached houses to 60%
		Remodeling Increase window and door insulation updates to 51,000 m ² ; install high-efficiency water heaters in 5,200 homes; install PV systems 4,000 homes; sell 5,000 sets of energy-efficient bath fixtures (efforts undertaken by Sekisui House Remodeling)
		Ensure all the ready-built houses newly offered for sale are certified to be eco-friendly
	Install a PV system on 60% of Sha Maison low-rise rental apartments	
Reducing CO ₂ emissions from business activities and production process	Achieve 1.0% reduction in CO ₂ emissions per square meter of floor area shipment at the production and transportation stages, compared with the FY2013 level Note: Not including CO ₂ emissions from Sekiwa Wood's Asai Factory and the Bellburn production line	
	Increase the proportion of fuel-efficient vehicles and low-emission vehicles among all company-owned vehicles to 96% and 98%, respectively	
Ecosystem Protection	Reducing impact on ecosystems during procurement	Increase the proportion of Rank S and Rank A wood products as defined by the Wood Procurement Guidelines to 95% Note: Achieve 70% for Rank S wood
	Preservation of ecosystems through landscaping	Plant 1 million trees a year

Main Environmental Efforts

1 Reducing CO₂ Emissions

Reducing CO₂ emissions from newly built detached houses

Since the launch of our Green First models in 2009, we have continued to reduce the amount of CO₂ emissions from our newly built detached houses through such measures as installing energy-saving and energy-creating equipment.



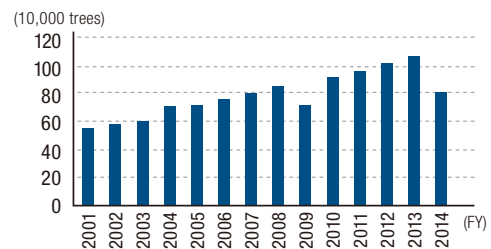
Achievements

The total amount of CO₂ we have reduced over the years is 240,364 t-CO₂. This is equivalent to the CO₂ absorbed by **17.13 million trees**.

2 Ecosystem Protection

Planting trees every year

Ever since launching the *Gohan no ki* landscaping project in 2001, we have made landscape/garden proposals to our customers and have planted tree species that are beneficial to local ecosystems and living creatures.



Achievements

The cumulative total of trees (mid/tall trees and shrubs) we have planted has exceeded **11 million**.



Do >>>	FY2014 Results	Check >>>		Action >>>
		Refer to	Rating	FY2015 Target
	76.3% (up 1.3 points from the previous fiscal year)	Website	△	Achieve 80%
	49.4% (down 8.6 points from the previous fiscal year)	p. 24	×	Achieve 50%
	58.5% (up 10.6 points from the previous fiscal year)	p. 23	△	Achieve 65%
	We installed 39,379 m ² of window and door insulation, high-efficiency water heaters in 3,944 homes, and PV systems in 2,990 homes; we also sold 3,956 sets of energy-efficient bath fixtures. (Efforts undertaken by Sekisui House Remodeling)	p. 28	×	Install 5,000 window and door insulation updates; install high-efficiency water heaters in 4,750 homes; install PV systems in 3,500 homes; sell 5,000 sets of energy-efficient bath fixtures
	We launched the Common's townscape assessment system.	p. 32	—	Promote Common's
	49.7% (up 1.9 points from the previous fiscal year)	Website	△	Achieve 60%
	We reduced emissions by 3.0% and 1.3% at the production and transportation stages, respectively, compared with the FY2013 level.	p. 57	○	Achieve 1.0% reduction in CO ₂ emissions per square meter of floor area shipment at the production and transportation stages, compared with the FY2014 level Note: For Sekisui House factories only (not including emissions from new production lines)
	95.7% for fuel-efficient vehicles (up 1.7 points from the previous fiscal year) and 96.1% for low-emission vehicles (up 1.8 points from the previous fiscal year)	Website	△	96% (fuel-efficient vehicles) and 98% (low-emission vehicles)
	91%. The combined proportion of Rank S and Rank A surpassed 90% for the first time. The proportion of Rank S increased to 71%.	p. 31	○	Increase the proportion to 95% Achieve 75% for Rank S wood
	Reflecting a decrease in the number of housing starts, the number of trees we planted was reduced to 810,000.	p. 32	×	Plant 850,000 trees a year

Rating: ○ Achieved target △ Did not achieve but came close to target × Unable to make improvements toward achieving target

Efforts at our head office

Our office is located in Shin-Umeda City, a part of Osaka City. There, on 8,000 m² of land, we have created *Shin-satoyama*, an area alive with trees and shrubs, rice paddies, and fields. This *satoyama*-like space is based on the *Gohon no ki* concept. Adjacent to *Shin-satoyama* stands the Wall of Hope, a gigantic green monument measuring 9 meters high and 78 meters in length. The wall, which was inspired by an idea from renowned architect Tadao Ando, is covered with seasonal plants in line with the *Gohon no ki* concept. The entire area has become a popular attraction for visitors and locals alike.

Recognition from outside parties

In 2014, *Shin-satoyama* and the Wall of Hope received the Prime Minister's Prize—the highest honor—at the Green City Awards sponsored by the Organization for Landscape and Urban Green Infrastructure.

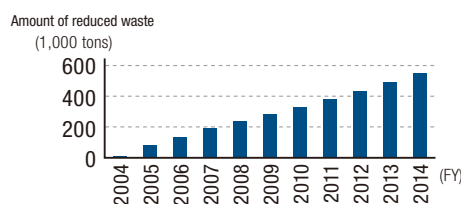


3 Resource Recycling

Recycling to achieve zero waste from construction sites

In 2004, Sekisui House became the first in the construction industry to be certified under the Wide-Area Certification System* in Japan. The waste from numerous construction sites across the country is gathered at our Resource Management Centers and is completely recycled, thus achieving zero waste.

*A certification system to ease restrictions of the Waste Management and Public Cleansing Law on condition that the company in question has been approved by the Minister of the Environment for its waste collection and recycling systems.



Achievements

The amount of waste we have recycled under the Wide-Area Certification System totals **540,000 tons**.

Environmental Targets and Achievements (2)

	Major Focus	Plan >>>
		FY2014 Target
Resource Recycling	Recycling at factories and construction sites	Reduce factory waste by 1.6% per square meter of floor area shipment from the FY2013 level (Not including waste generated by the new production line for Bellburn ceramic exterior wall tiles)
		Integrate the waste management system among group companies
		Reduce waste at new construction sites to 1,200 kg per house (i.e., per 145 m ²)
Others	Recycling at offices	Increase the green purchasing rate to 95%
	Control over chemical substances	Encourage the installation of an Airkis high-quality indoor air system in our major steel-frame house models Promote installation of Airkis in Sha Maison low-rise rental apartments
	Environmental activities by employees	Continue to take electricity-saving measures, especially during the summer and winter seasons

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 (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 March 2012, we partially revised our Eco-First Promise to reflect changes in the social environment and the progress of our ongoing efforts. During FY2014, we made the following progress in our Eco-First activities.



Progress in Major Activities Achieved in FY2014

① We are taking positive measures to reduce CO₂ emissions from residential and industrial sources.



Sold more net-zero-energy Green First Zero houses

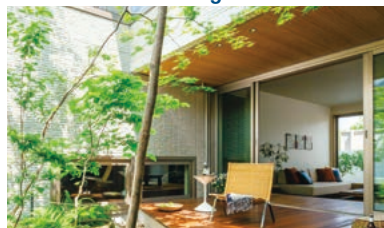


Installed PV systems on Sha Maison apartments and remodeled houses with new insulation



Operated mega-solar power systems at 5 factories for a total of 6.7 MW

② We are continuing to make concerted efforts toward restoration of ecosystem networks.



Gohon no ki landscaping project



Developed employees into Green Experts (greenery specialists)



Implemented the Wood Procurement Guidelines

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)

Do >>>		Check >>>		Action >>>
FY2014 Results		Refer to	Rating	FY2015 Target
0.9% reduction from the FY2013 level		Website	△	Achieve a 1.8% reduction from the FY2014 level
We integrated the waste disposal system into our enterprise system.			△	Promote group-wide integration of waste disposal system into the enterprise system
1,485 kg		p. 44	×	Continue to set the target at 1,200 kg
92% The rate remained unchanged from the previous year due to a discrepancy in efforts among offices.		Website	×	95%
The proportion of steel-frame houses equipped with Airkis was 80%. We held training sessions on promoting Airkis in Sha Maison apartments.		p. 38	○	Transfer to "Social Targets" category
We continued with our energy-saving efforts focused on summer and winter time. At our offices and model homes, we reduced energy consumption by 32.4% in summer and by 15.2% in winter (based on preliminary figures for Dec. and Jan.), compared to 2010 levels.		Website	○	Continue with energy-saving efforts focused on summer and winter time

Rating: ○ Achieved target △ Did not achieve but came close to target × Unable to make improvements toward achieving target

Appointed 3rd Chair Company of Eco-First Promotion Council

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, 2015, 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 third chair of the Eco-First Promotion Council (with Sekisui House Chairman Isami Wada acting as chairperson). In cooperation with other Eco-First Companies and the MOE, we strive to play a leading role in promoting

eco-friendly activities and in raising awareness about environmental protection among the general public.



MOE Minister Mochizuki (right) and Chairman Wada

5th Eco Slogan Contest

An eco slogan contest organized by the Eco-First Promotion Council was held for the fifth time in 2014. Elementary and junior high school students from all over Japan were invited to submit eco-friendly slogans.

Knowing that 2014 was the final year of the UN Decade of Education for Sustainable Development (ESD) initiative and that Nagoya, Japan was the site of the 2014 UNESCO World Conference on ESD in November, we used this contest as an opportunity to help children and the general public think about the environment and about what all of us can do to preserve the Earth for future generations.

A record-high total of 1,299 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.

Winner of the Sekisui House Prize in the Eco Slogan Contest

“My grandma is my eco teacher”

Sakura Kobayashi
5th-grader of Fujigaoka Elementary School, Nagoya



Social Targets and Achievements (1)

	Major Focus	Plan▶▶▶
		FY2014 Target
CSR Policy and Structure	CSR promotion structure and penetration	Continue group training and e-learning programs to raise CSR awareness
		Implement the PDCA cycle more effectively, focusing on the targets and results of each business site; raise the level of initiatives
	Compliance management	Ensure proper management is in place at each branch. Further enhance compliance awareness among all employees using various tools.
		Focus on workplace environment management, including labor management
Communication with society	Continue to implement the internal control system to the fullest and reinforce our risk management ability	
For Our Customers	Customer satisfaction	Communicate with various stakeholders on sustainable lifestyles
	Safe, reliable, healthy, and comfortable homes	Encourage communication with customers and achieve greater customer satisfaction
		Offer housing incorporating Smart Universal Design to ensure comfortable living, now and always, for residents of all ages
		Promote the SHEQAS original seismic control system to bring greater comfort
		Support safe, reliable, healthy, and comfortable homebuilding by effective use of our hands-on learning facilities
Community development and local culture	Encourage communication with tenants of rental apartments to enhance their satisfaction	
		Organize Community Visiting Day and Community Fair events in an increasing number of locations to encourage local community building efforts and the continuation of local culture

Main Social Action Programs in FY2014

Supporting the Bento Day project

By having children make their own *bento* (packed 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 clearing up the kitchen after finishing—without any parental involvement. Advocated by Kazuo Takeshita, a former school principal, the Bento Day project currently enjoys the participation of more than 1,700 elementary and junior high schools across Japan.

In 2012, a project began for companies to support Bento Day, and Sekisui House has been a Bento Day supporter ever since. We were recognized for our efforts in August 2014 with a Prize for Excellence (Minister of Consumer Affairs Prize) at the 8th Kids Design Award*.

In August 2014, we organized a *bento*-cooking event for 22 children at the Sumufumulab in Grand Front Osaka. We also hosted a seminar by Mr. Takeshita on the same day at a different venue, with 90 people taking part.

*Sekisui House won this award as part of a project team of companies supporting Bento Day. Members include Kyodo News, Kikkoman Corporation, Cleanup Corporation, Sumitomo Life Insurance Company, National Federation of Agricultural Cooperative Associations, Tokyo Gas Co., Ltd., House Foods Group Inc., and Hagoromo Foods Corporation.



At the seminar



Kids having fun making *bento*



Eating *bento* with mom

Do >>>		Check >>>	Action >>>
FY2014 Results		Refer to	FY2015 Target
We encouraged employees' participation in CSR activities through e-learning programs.	pp. 53 56	○	Continue group training and e-learning programs to raise CSR awareness
We reexamined the targets and results of CSR initiatives in respective areas and took improvement measures. We were able to eliminate discrepancies in performance among business sites.		○	Implement the PDCA cycle more effectively, focusing on the targets and results of each business site; raise the level of initiatives
All employees made a written oath to comply with our Corporate Ethics Guidelines. We conducted a governance awareness survey and used the survey results as a tool to review our management style.	pp. 55 56	○	Check the compliance management at each branch and raise compliance awareness among employees
We shared case studies at meetings of administrative department managers. We made efforts to create a better working environment and ensured compliance with labor-management agreements.		○	Focus on workplace environment management, including labor management
We ran the new operations improvement system appropriately.		○	Continue to implement the internal control system to the fullest and reinforce our risk management ability
We offered various forums for communication with a wide range of stakeholders to share our vision of sustainable living, including our Zero Emission Center, Sumufumulab, and Disaster Risk Reduction Factory of the Future (Tohoku Factory).	pp. 18, 69, 70	○	Communicate with various stakeholders on sustainable lifestyles
Our customer survey showed that 95.4% of respondents are satisfied with our products and services. We updated the content of our Net Owners Club Kizuna website twice a month. We regularly published a magazine for homeowners and conducted questionnaires, analyzed the results, and took improvement measures.	p. 18	○	Encourage communication with customers and achieve greater customer satisfaction
We received a total of 6 awards in the Kids Design Award program, in recognition of our contribution to universal design.	pp. 63, 75	○	Offer housing incorporating Smart Universal Design to ensure comfortable living, now and always, for residents of all ages
The proportion of Sekisui House homes equipped with SHEQAS reached 89% (up 2 points from the previous fiscal year).	p. 38	○	Continue our efforts to promote SHEQAS
<i>Nattoku kobo</i> was visited by 27,362 people, and <i>Sumai no yume koju</i> by 80,303 people.	p. 18 Website	○	Help homebuyers learn about safe, reliable, healthy, and comfortable homebuilding using hands-on learning facilities
We managed a total of 545,757 residential units, and the occupancy rate for subleased units reached 96.4%. The MAST Club service for tenants gained a membership of approximately 520,000 individuals.	Website	○	Encourage communication with tenants of rental apartments to enhance their satisfaction
We held a Community Visiting Day event twice during the year, involving 568 detached houses and 17 condominium buildings. We also held 49 Community Fair events.	Website	○	Provide support for community building and preserving local culture

Rating: ○ Achieved target ▲ Did not achieve but came close to target ✕ Unable to make improvements toward achieving target

Supporting an industry-academia collaborative design competition

Since FY2005, Sekisui House has been participating in the Real Size Thinking Competition for Ecological Living Design for students of architecture and design. The main objectives of the competition are to raise environmental awareness in designing living spaces, explore futuristic living spaces, strengthen industry-academia collaboration, promote exchanges among students, and foster young designers. It is held in two venues: one each in the Kansai and Kanto regions. Entrants must construct a scale model of a living space, with the model limited in volume to a maximum of 2.4 cubic meters. Eight outstanding models were exhibited at the two venues in November 2014.



The Best Award for Kansai went to "A Room in a House inside a Piece of Furniture" (Kobe University Graduate School)



The Best Award for Kanto went to "Microclimate Control" (Tokyo City University)

Giving classes on the environment and housing

Sekisui House visits schools to give hands-on lessons on reducing CO₂ emissions, restoring biodiversity networks, and resource recycling—three themes we are committed to as an Eco-First Company. And in 2013, we began Dr. Universal Design classes, where children learn about housing design. By giving children the opportunity to think about what universal design is, these classes support our ultimate goal of developing children into people who can incorporate universal design into their lifestyles.



Teaching children about house insulation (held over 200 times at various schools)

Social Targets and Achievements (2)

	Major Focus	Plan >>>
		FY2014 Target
For Our Employees and Business Partners	Commitment to employees	Improve employee interview and personnel assessment systems and take other appropriate measures to create a corporate environment where employees feel content and motivated in their work, in line with our Declaration for Human Resources Sustainability.
		Create a work environment where female employees are fully motivated in their work and can make meaningful contributions to the company; promote career development options for female employees by increasing awareness of the principle of equal opportunity.
		Leverage our pool of diverse human resources by promoting the use of various internal work programs and systems; take immediate measures to increase the number of persons with disabilities employed by the company.
		Ensure best practices in labor management compliance to support working style diversity and work-life balance.
		Encourage the health and safety committees at our business sites to take positive measures to further enhance occupational health and safety.
	Commitment to building contractor partners and business partners	Ensure full compliance with our Corporate Ethics Guidelines and other rules across all Sekisui House Group companies and maintain good relationships with our business partners.
For Our Shareholders and the Community	Commitment to shareholders and investors	Ensure an average dividend payout ratio of at least 40% over the medium term, so that we will be able to offer a high dividend yield to our shareholders and maintain sound management on a medium- and long-term basis. The target dividend is ¥50 per share, namely ¥25 midterm dividend and a ¥25 year-end dividend.
	Housing culture improvement and education support	Focus on enhancing housing culture through the utilization of our facilities and expertise as a company open to the local community.
		Further enhance educational initiatives through our hands-on learning and other facilities and expand workplace visits and teacher-dispatch programs.
	Contribution to society	Increase the activity level of social action programs through improved information sharing and dissemination.
		Disburse ¥21.3 million to 27 organizations, including NPOs, for the 9th round of grant aid under the Sekisui House Matching Program. Take measures to deepen understanding of the program among employees and encourage their participation. Support activities that can contribute to creating international and culture-rich communities in Kobe City, through the Kobe Machizukuri Rokko Island Fund charitable trust. Award ¥19.25 million to 33 programs during FY2014.

Main Social Action Programs in FY2014

Sekisui House Matching Program— Supporting NPOs and other organizations working to meet social challenges

Since FY2006, we have been implementing the Sekisui House Matching Program, under which we match employee donations to NPOs and other organizations engaged in activities to benefit society. Employees who join this easily accessible CSR program—which boasts a membership of 3,263 people—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. An administrative board comprising representatives of the program determines the recipient organizations. We also established the Momo-Kaki Orphans

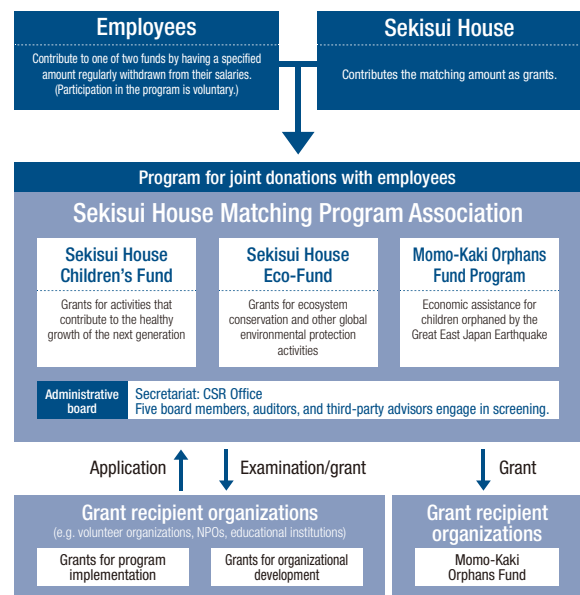


A well with a power generator was constructed at a school in Myanmar through the Children's Fund

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 Great East Japan Earthquake.



Sekisui House Matching Program



Do >>>		Check >>>	Action >>>
FY2014 Results		Refer to	FY2015 Target
Quality	We partially revised our personnel assessment system to boost employees' motivation and sense of satisfaction. We are making progress in having our corporate philosophy strongly reflected in our corporate culture.	pp. 45 48	○ Implement various measures that will make employees feel content and motivated at their work
	In 2015, we were chosen for the 2nd time for the <i>Nadeshiko</i> list from the housing and construction industry. We saw a steady increase in the number of married female sales/technical personnel who successfully balanced work and family life/motherhood. The number of female managers increased to 101 within the Sekisui House Group (2.26% of all managers).		○ Support female employees with their career development by improving workplace environments and raising the awareness of employees
	16 employees were assigned to a different work category under the Work Category Transfer Program, and 17 employees returned to work under the Retiree Reinstatement Registration Program. The employment rate of persons with disabilities increased to 2.08%, which met the level specified by government guidelines.		○ Leverage our pool of diverse human resources by promoting the use of various internal work programs and systems
	We were certified for the <i>Kurumin</i> mark (government program recognizing companies that actively support child rearing) for the 4th time. The number of employees taking parental leave increased to 361, while the number of employees using the reduced-work-hour system increased to 400. Productivity was increased through training programs that encouraged improvement in working styles and work processes. Out of all female employees taking parental leave, 93% returned to work.		○ Ensure best practices in labor management compliance to support working style diversity and work-life balance
	54 occupational accidents and 23 commuting accidents occurred (an increase of 7 and 13 cases, respectively, from the previous fiscal year).		✕ Encourage the health and safety committees at our business sites to take positive measures to further enhance occupational health and safety
	As part of our internal control activities, we confirmed that fair business practices were in place in our subcontractors' operations. We also held policy meetings twice during the year.	pp. 18, 55, 56	○ Make sure that all employees in the Sekisui House Group act in compliance with our Corporate Ethics Guidelines
to y, a	We achieved an average dividend payout ratio of 38.2%. The annual year-end dividend was ¥50 per share, up by ¥7. We invited shareholders to the <i>Sumai no yume kajo</i> for a hands-on tour and held seminars for investors.	p. 17	○ Ensure an average dividend payout ratio of at least 40% over the medium term and a total return ratio of 60%, with 20% acquisition of treasury stock. The target dividend is ¥54 per share.
	Our housing seminars attracted 475 participants, while 186 applications were received for our housing webinar. The Real Size Thinking competition received 177 entries from 45 universities around Japan.	pp. 63 66 Website	○ Focus on enhancing housing culture through the utilization of our facilities and expertise as a company open to the local community
	Student visitors totaled 4,609 at <i>Nattoku kobo</i> and <i>Sumai no yume kajo</i> . Hands-on agricultural programs were held for children on the <i>Shin-satoyama</i> and Wall of Hope grounds. We also continued with other educational programs, including the Houseology energy conservation seminar, "Letters from Dr. Forest," and Dr. Universal Design lessons.		○ Further enhance educational initiatives through our hands-on learning and other facilities
	We purchased 24,869 SELP products, which we used as promotional merchandise. In cooperation with governmental agencies, economic bodies, NPOs, and other companies, we also organized Disabled Persons Week events. We continued our volunteer activities in the Company Forest in Wakayama Prefecture. 7 employees have taken volunteer leave.		○ Increase the activity level of social action programs through improved information sharing and dissemination
n.	The 9th round of grant aid in the Children's Fund and Eco-Fund totaled ¥21.3 million, which was disbursed to 27 organizations. Meanwhile, 118 projects applied for the 10th round of grant aid. The Momo-Kaki Orphans Fund Program made a 4th donation (¥13 million). The number of recipients of these funds increased by 189 from the previous year to 3,263.		○ Disburse ¥22.78 million to 25 organizations for 10th round of grant aid under Children's Fund and Eco-Fund; take measures to deepen understanding of program among employees and encourage their participation
uri	We awarded ¥19.25 million to 33 programs during FY2014. The amount of grants we have offered since the establishment of this fund totals ¥404.29 million.		○ Award ¥19.59 million to 34 programs during FY2015

Rating: ○ Achieved target ▲ Did not achieve but came close to target ✕ Unable to make improvements toward achieving target

Collaborating with NPOs to support the independence of disabled persons

Starting in 2000, Sekisui House began working with Together—an NPO based in Nara City—in an effort to support the independence of people with disabilities. We buy SELP products* made by people on the program and use them as novelties to give out to those visiting model homes or attending Sekisui House Visiting Day events nationwide.

Since 2005, we have participated every year in the planning and running of Disabled Persons Week events. Supported by the Cabinet Office, these events are held in the Umeda Sky Building, where our head office is located. In 2014, we invited panelists from various sectors to take part in a symposium that gave government personnel, businesspersons, NPO members, and citizens a meaningful opportunity to get together and share opinions.

*SELP products: Products made in welfare centers and other such facilities by disabled persons, with the aim of job training and social inclusion in Japan. SELP is a coinage made from the words "self help"; it is also an acronym for "Support for Employment, Living, and Participation."



A SELP trivet



At a Disabled Persons Week event

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 *Gohon no ki* concept. Every year since 2007, we have been holding hands-on educational programs for local kindergartens and elementary schools. In FY2014, 66 elementary school children learned about rice growing, and 61 kindergartners tried their hands at planting sweet potato slips and harvesting those potatoes later on.

We also hold events throughout the year by the Wall of Hope, in an effort to further endear it to people from the local community. With an eye to making this wall into a giant "wall of butterflies," we are letting children plant citrus plants and cabbages—food for caterpillars—on the *Shin-satoyama* grounds and flowers—for butterflies to suck nectar from—on the Wall of Hope. In FY2014, we held five of these "wall of butterflies" events, which drew 299 people or 102 parent-child groups. These events have become highly popular, with the number of repeat participants growing.



Kids planting rice plantlets



Observing nature at the Wall of Hope

Post-Disaster Restoration and Reconstruction

As a housing manufacturer dedicated to protecting the lives and property of residents, the Sekisui House Group is responsible for restoration and reconstruction after a natural disaster

Japan's topography and climate make it susceptible to natural disasters such as typhoons, torrential rain, blizzards, flooding, landslides, earthquakes, tsunamis, and volcano eruptions. In 2014 the country was hit by a number of such disasters. Disaster preparedness and damage mitigation constitute major focuses of the Sekisui House Group, which specializes in protecting the lives, property, and lifestyles of people living in its homes. At the same time, we firmly believe that housing manufacturers should be able to respond quickly to residents' needs following a natural disaster by having in place systems to determine people's safety and the extent of damage, as well as provide the necessary support.

Post-Earthquake Reconstruction

It's been four years since the Great East Japan Earthquake. Immediately after the earthquake, the Sekisui House Group embarked on customer support activities in the stricken areas while also assisting in restoration and reconstruction work and in the construction of temporary houses and public housing for those displaced by the disaster. As of October 2014, approximately 90,000 people* were still living in hardship in temporary housing. We will continue group-wide reconstruction efforts to help those in the stricken areas by building and getting residents back into their homes—the foundation of their lives.

*Source: "Current State of Reconstruction and Issues," Japan's Reconstruction Agency (published January 2015)

Reconstruction work

Tohoku Reconstruction Department leads construction of public housing for displaced residents

Although local governments have extended the period that people can stay in temporary housing to five years, many of these people are having trouble finding permanent places to live. The entire Sekisui House Group is thus dedicating all its resources to speeding up the pace at which we build rental public housing in the disaster-stricken areas.

Although we faced numerous problems, including the high cost of materials and labor and a shortage of skilled workers, we were able to proceed with construction thanks to a support system providing the services of 300 people per day.

Besides the slow pace of reconstruction in the stricken areas, there were other problems such as diminishing awareness of the Great East Japan Earthquake and discrepancies in progress among administrative organs. To realistically proceed with reconstruction plans, rather than a nationally uniform reconstruction model, what's needed is one geared to the situation in each individual region. In order to provide public housing

that is truly comfortable and pleasant for residents, Sekisui House is incorporating its concepts for neighborhood planning, such as security and community spirit, in addition to its regular focus on stable supply, short construction periods, and high quality.

	Projects bid on	Projects completed
FY2012	4 buildings (26 units)	—
FY2013	84 buildings (284 units)	26 units
FY2014	124 buildings (201 units)	209 units
Total	212 buildings (511 units)	235 units



Public housing in Shinchi Town, Fukushima Prefecture

VOICE

Impressed with Sekisui House's high standard

In Shinchi Town, Fukushima Prefecture, the high cost of materials and a shortage of workers for public housing made of wooden-frame construction or steel-reinforced concrete were major reasons why early on lightweight steel-frame construction was also an option in the bidding process.

I have visited model buildings at the Tohoku Factory three times and am impressed with the high standards of Sekisui House. Tenants in these buildings say that the superior insulation makes these homes comfortable to live in.

We in the local government are doing everything we can to ensure that people in the stricken areas can move into safe and comfortable housing at the earliest date.

Shuichi Chiba

Shinchi Municipal Government, Fukushima Prefecture



Orihime Toilet

The *Orihime Toilet** is a temporary washroom designed for women and children and developed jointly by Sendai City and Sekisui House based on the lessons learned from natural disaster situations. Incorporating the opinions of people in the disaster-stricken areas, the *Orihime Toilet* was developed by women for women. We are positioning this as a product that will contribute to tourism and encourage more women to get out and participate in society. For example, we believe it can contribute to getting more women working on construction sites.

*The *Orihime Toilet* received the Encouragement Prize (Kids Design Association Chairman's Prize) in the 8th Kids Design Award.

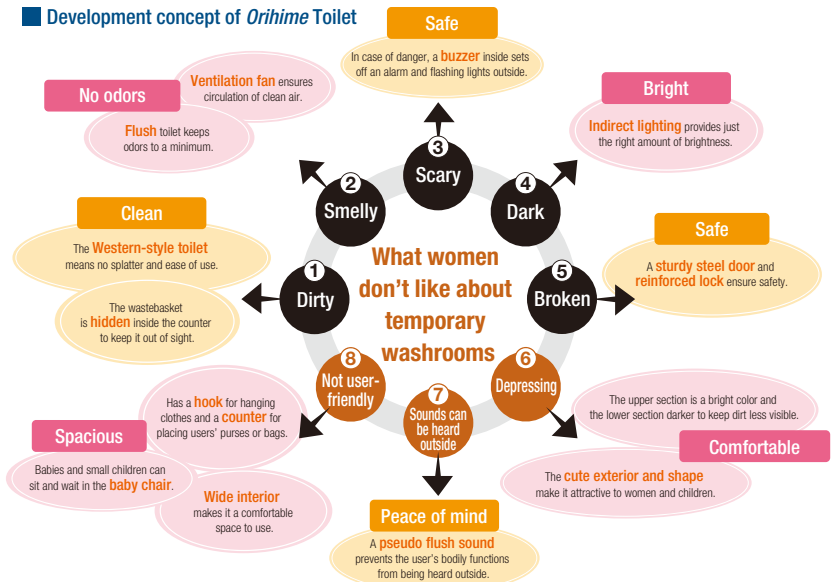


Exterior



Interior

Development concept of Orihime Toilet



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. 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 deciding just how they could help. In 2014, they cleaned up elementary schools, beaches,

	(persons)
FY2012	347
FY2013	566
FY2014	460
3-year total	1,373

and ditches around a neighborhood of houses. They also enjoyed cleaning up a temporary housing complex and its commons hall together with the residents living there. We plan to have new employees joining Sekisui House in April 2015 participate as part of our continuing assistance in reconstruction efforts in Tohoku.



A moment of silence at the Disaster Prevention Center in Minamisanriku Town, Miyagi Prefecture



Having tea with residents in temporary housing

Promoting employee trips to Tohoku

Sekisui House is partially subsidizing group employee trips to the three prefectures of Tohoku (Iwate, Miyagi, and Fukushima) with the idea that spending money in Tohoku will help boost the local economies of the disaster-stricken areas. Such trips also reinforce among employees the mission of a housing manufacturer to protect life and property. As of January 31, 2015, a total of 4,482 employees at 76 Sekisui House sites had taken advantage of these subsidies.

Company Market at Umeda Sky Building (head office) in Osaka

The Sekisui House Group plays an active part in *Yui no ba*, a resource-matching program implemented by Japan's Reconstruction Agency. Under this program, companies affected by the earthquake can find solutions thanks to the help of management resources provided by leading companies. As part of this program, in November 2014 at the Sekisui House head office, a Corporate Market was held where visitors could buy products made by companies in the stricken areas. As well, we sponsored a sales promotional event at which Tohoku companies set up an exhibit of their products to give the general public an opportunity to buy these products.



A scene from the Corporate Market

Restoration and Reconstruction in Hiroshima Following Landslide

In August 2014, short, locally concentrated torrential rain in Hiroshima City resulted in landslides that either partially or totally destroyed more than 250 houses. We took action by quickly setting up an initial response system in the affected areas.

VOICE

"Customer first" is in the genes of all Sekisui House employees

On the morning of the landslides, all employees who could make it to work gathered in our office to form a task force. With train lines and roads severed, we could not approach the affected areas. However, we made phone calls to the homeowners to confirm their safety and learn the extent of damage to their houses. Because we have a well-managed customer database in place, on the following day we were able to begin inspecting the houses firsthand.

Two days after the landslides, we moved the task force to the Hiroshima Customer Service Center, which is within walking distance of the stricken areas, and from there we could dispatch employees from across the Sekisui House Group to survey on-site

damage. Homeowners were also happy to receive assistance in jobs such as clearing away mud, cleaning up, and transporting household items. The 'customer first' genes of all employees and the spirit of group cooperation that is deeply ingrained in our company were part of the reason we were able to smoothly confirm homeowners' safety and carry out restoration and reconstruction work. We will continue our work here in Hiroshima with the goal of rebuilding the community and getting people's lives back to normal at the earliest possible date.

Koji Miura, Chief Manager, Technical Department, Chugoku Sales Administration Headquarters



Disaster Risk Reduction Factory of the Future

Strengthening public and private coordination— selection for United Nations World Conference on Disaster Risk Reduction study tours

In May 2014, Sekisui House announced its Disaster Risk Reduction Factory of the Future plan, an initiative to prepare all its factories in Japan for possible future natural disasters.

As the first activity under this plan, in October 2014 the Tohoku Factory hosted disaster drills with participation by both local citizens and the local government in Shikama Town, Miyagi Prefecture. The drills provided an opportunity to boost local preparedness for disasters and raise the profile of Sekisui House activities in the community.

At the 3rd United Nations World Conference on Disaster Risk Reduction, held March 14 to 18, 2015, the Sekisui House Tohoku Factory was selected as one of the stops on the study tour conducted as a related project to this UN conference. About 200 people from 30 countries and regions, local governments, and media organizations visited the Tohoku Factory, making it the most visited spot of 26 study tour locations chosen.

Living green, but ready for disasters. Supporting the lives of homeowners and community residents

In September 2013, the Tohoku Factory and its home municipality of Shikama Town concluded an agreement related to the use of evacuation centers and other facilities during times of disaster. Under this agreement, the factory will provide refuge in case of a disaster and the *Sumai no yume* *kojo* hands-on learning facility will be an evacuation center, while emergency supplies that the factory owns or can procure will be distributed to the people of Shikama. The Tohoku Plant is also securing disaster stockpiles and taking part in disaster-related discussions by organizations in Shikama, and it is calling on other members and organizations in the community to help make the factory a base for supporting those stricken by a disaster throughout the region. In addition to its PV system, the Tohoku Factory has built a smart energy system consisting of storage cells, gas engine generators, plug-in hybrid vehicles, and a FEMS (factory energy management system). During regular times the system helps cut peak power consumption, and in times of disaster it provides the *Sumai no yume* *kojo* evacuation center with power from three energy sources (storage cells, gas engine generator, and PV system), thus acting as a quick and effective initial response in support of homeowners and other local residents.

The disaster drills held in October 2014 assumed a major earthquake centered just offshore of Miyagi Prefecture with a seismic intensity of 6 in Shikama. The drills were observed by 2,037 people representing 19 organizations, including Sekisui House, throughout Shikama, and were conducted by 433 employees of the Tohoku Factory. The large-scale drills at the Tohoku Factory included the setting up of the evacuation center and a Shikama Town emergency task force, a demonstration of a wireless communication system covering the entire town, fire extinguishing practice, helicopter air-lift drills, and practice rescuing people from collapsed buildings.



Members of Miyagi Prefecture's air patrol squadron simulate a helicopter airlift of an injured person



The evacuation center has partitions to give families privacy



Sumai no yume kojo will act as an evacuation center in times of disaster



Sampling the provisional meals



The Shikama Town emergency task force meets in the Tohoku Factory's administration building



The local fire department and Sekisui House's fire brigade practice with fire hoses

Publicizing the power of public-private coordination in disaster preparedness

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 about 200 people 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. This point was demonstrated in numerous ways; for example, by how important Sekisui House's homes are in protecting people's lives, largely thanks to technologies we built up 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. The Tohoku Factory in Shikama has been operating for 18 years. It recently embarked on the disaster preparedness agreement, as well as started operation of a line to produce Bellburn ceramic exterior wall tiles, which created 100 new jobs locally. 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.



Visiting the evacuation center, where 250 people can live for one week



An explanation of the Green First Hybrid model, a smart house equipped with the world's first power system utilizing three types of power cells



Visitors enjoy pounding rice into rice cakes and then eating them

Government, NPOs, media, and Sekisui House employees discuss features of a disaster support base

On March 16, 2015 a roundtable discussion was held titled "Features of a disaster support base: Dialogue towards a community well prepared for disasters." The meeting saw a lively exchange of opinions among Sekisui House employees, media members, Shikama Town officials, and NPOs involved in running evacuation centers in disaster-stricken areas. Leading the discussion were Mitsuaki Aoyagi, chief manager of the Disaster Relief Team of the Nippon Foundation, and Junko Murano, a specialist in the Oita Prefecture Social Welfare Council, who spoke about how their experience volunteering after the Great East Japan Earthquake taught them that besides providing disaster victims with the necessary supplies and equipment, there is the serious challenge of meeting the particular needs of women and the socially vulnerable in evacuation centers. The event provided us with an opportunity to reflect on how we can respond to the public's expectations as a place of evacuation in times of disaster.



At the roundtable discussion

VOICE

Public-private cooperation helps put residents at ease

Following the Great East Japan Earthquake of 2011, in response to growing awareness by citizens of the need for disaster preparedness, our town introduced the disaster-tough information sharing system, which uses the regional WiMAX high-speed wireless communication technology, a first in Japan. If normal lines of communication are cut off during a disaster, the system allows Shikama Town to gather disaster-preparedness and scale-of-damage information from the national and prefectural governments and provide this information to citizens and public facilities.

At disaster drills joined by both the public and private sectors, residents present commented that the Sekisui

House Tohoku Factory, which is designated as an evacuation center, made them feel at ease since they now know that there is a place of refuge with sufficient energy and food in case of a disaster. Disaster preparedness and damage mitigation requires not only tangible goods such as relief supplies but also intangibles such as a sense of community and cooperation. We will continue to work with governments, companies, and citizens in building a town that is well prepared for disasters.



Takuya Ito, Mayor of Shikama Town

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 (refer to p. 54). 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 the light of discussions held during FY2014.

A Company That Shows Awareness and Compassion

Sekisui House has been promoting a project designed to help minimize the impact of natural disasters on its customers. Its efforts include the provision of net-zero-energy housing—which sustains daily life through solar power generation—and the development of technologies that prevent houses from collapsing and safeguard them from seismic impacts. As well as offering houses that can protect residents and their property in the event of disaster, the company has been proactively involved in fostering disaster-prepared communities. For instance, it has made arrangements with local governments so that Sekisui House factories located near disaster zones can serve as makeshift evacuation and disaster-response centers, where food and other emergency supplies are stored and distributed. These activities illustrate the company's determination to protect its customers and the communities they live in.

Sekisui House also plays its part in strengthening community bonds. In cooperation with local residents and governments, the company strives to change society for the better through housing. Providing quality housing is not the only thing the company does. It also seeks to bring about a more sustainable society, by offering solutions to social issues through housing. Such efforts embody an awareness of—and compassion for—what is happening in society. As I see it, implementing its corporate philosophy of “changing society through housing” will propel Sekisui House to the next level.



Haruo Tsuji
Former President, Sharp Corporation

Excerpt of comments
at CSR meeting

For companies that operate globally, one's approach to global marketing is crucial. Even among large corporations, there are varying degrees of success on this count. It bears stressing that a company's marketing prowess is a key factor that can set it apart from its rivals.

Servitization and Customer Value

Around the world, many manufacturers of durable goods and production materials follow a marketing strategy that involves selling maintenance services and consumable goods along with their core products. This approach, dubbed “servitization,” effectively offsets the inherent vulnerability of manufacturers to the effects of economic fluctuations and changing market trends for durable goods. Being more resilient to such factors, companies adopting a servitization approach are able to yield more stable day-to-day revenues.

Servitization also delivers value to customers. Customers don't buy durable goods merely to possess them; they buy them so they can work more effectively or improve their living environments. The added value of service is therefore in how it helps customers work more effectively or live more comfortably. Through servitization, Sekisui House can add value and achieve higher levels of customer satisfaction. With this in mind, company personnel must always consider what their customers' needs are and how they can best fulfill them.



Dr. Tadao Kagono
Special Visiting Professor, Konan University

Excerpt of comments
at CSR meeting

Concerning diversity in the workforce, it is of course patronizing to assign only menial work to female personnel; a woman is inherently just as capable as a man at performing a given task or at dealing with problems on a project. In one example of how things are changing in Japan, an all-female project team at a previously male-dominated company succeeded in achieving a cost reduction of 100 million yen.

Understanding and Communicating True Value

Television in Japan abounds with programs extolling aspects of traditional Japanese culture and customs that overseas viewers find impressive. These programs sometimes reveal an ignorance among Japanese people of our own history and culture, but they also offer a source of pride when we appreciate the true value of what we have in this country.

Sekisui House is renowned not only for its high-quality products, which set the standard for environmental protection, energy saving, and energy generation, but also for its truly customer-friendly services. Harnessing these advantages, the company aims to further expand its business operations. To this end, everyone at Sekisui House must understand the true value of the company—the superb quality of its products and services—and communicate this sincerely to customers.

Employees should also take pride in the tireless efforts of their forerunners and the technological innovations they achieved, which together have made Sekisui House what it is today, 55 years after its founding. Now it is the turn of the current generation to further develop and pass on the company's valuable assets to those who follow.



Shunsuke Kano
Lawyer

Excerpt of comments
at CSR meeting

When it comes to implementing compliance, many companies fall prey to thinking, “out of sight, out of mind.” At Sekisui House, though, great importance is placed on sharing information and maintaining a sense of vigilance in handling all CSR related issues, no matter how seemingly trivial they may be.

Independent Third-Party Assurance Report

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 environmental performance indicators.

This is an English translation of the "Independent Assurance Report" dated May7, 2015 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

To the Board of Directors of Sekisui House, Ltd.

We were engaged by Sekisui House, Ltd. (the "Company") to undertake a limited assurance engagement of the environmental performance and greenhouse gas indicators listed below for the period from February 1, 2014 to January 31, 2015 (the "Indicators") included in its Sustainability Report 2015 (the "Report") for the fiscal year ended January 31, 2015, and the completeness of material greenhouse gas information in the Report.

Indicators and pages in the Report

Indicators	pages
Energy (total amount and itemized details by energy source) in "Resource input"	57, 58
Amount of CO ₂ emissions and Waste (total amount and itemized details by waste category) in "Waste generation/CO ₂ emissions"	57, 58
CO ₂ emissions of 'Scope 1 and 2 emissions', 'Raw materials', 'Occupancy', 'Disposal of waste from business activities', 'Disposal of waste products' and 'Transportation' in 'CO ₂ Emissions by Scope (1-3)'	57, 58

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 criteria"), as described in the Company's Web site, which are derived, among others, from the Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative and Environmental Reporting Guidelines of Japan's Ministry of the Environment, and for including the material greenhouse gas information defined in the 'Greenhouse gas Report Assurance and Registration Criteria' of the Japanese Association of Assurance Organizations for Sustainability Information ("J-SUS") 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 conducted our engagement in accordance with 'International Standard 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. The 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:

- Interviewing 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.
- Inquiring about 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, 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 all the material greenhouse gas information defined by J-SUS is included in the Report.
- Evaluating the overall statement in which the Indicators are expressed.

Conclusion

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 all 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 integrity, objectivity, 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
May 7, 2015

Third-Party Review

Sekisui House, Ltd.

April 19, 2015

Third-Party Review

I wrote the following comments based on information contained in this report and in interviews I had with 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. The company has been strengthening its efforts to improve sustainability by carrying out its business in an integrated manner and 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 implementing the innovative *Gohon no ki* landscaping 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 that deserve 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 in general. The company's efforts have included reducing its environmental impact by boosting energy efficiency and maintaining the long-term value of housing capital (pp. 5–8), while also announcing relevant financial results in year-to-year comparisons (pp. 11–12). I strongly urge the company to take further measures that will allow it to visualize, quantify, and report on the extent to which its efforts benefit customers and society in terms of added value and output.
- 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 60% of Sekisui House sales in the two years since they were introduced (p. 23). As well as being highly insulated and airtight, these houses incorporate solar cells and fuel cells. Another example is using IC tags to help measure and manage waste from manufacturing and construction.
- In the area of ecosystems and biodiversity, Sekisui House is carrying out some of the world's most groundbreaking initiatives. Together with customers, it has planted more than 11 million trees in the *Gohon no ki* project (p. 31). In close partnership with NPOs and NGOs, the company has created wood procurement guidelines that specify quantitative measurements intended to prevent illegal logging and ensure an environmentally friendly wood-growing industry (p. 31). I suggest that the company conduct research on wildlife in areas covered by the *Gohon no ki* project, ascertain the project's efficacy, and share the results in a report.

Areas where some notable achievements have been made but further efforts are required

- In the area of CSR in corporate governance and management (pp. 15–16, 19–20, 53–56), Sekisui House is to be lauded for formulating 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 would also do well to provide more opportunity for group company employees in Japan and overseas to appreciate the significance of implementing these values and guidelines. As I stated in last year's report, I urge the company to establish human rights and other items as key performance indicators (KPIs).
- As for creating better working conditions and expanding the diversity of the workforce (pp. 45–48), I admire Sekisui House for its steady efforts—which have resulted in 4.12% of its employees taking advantage of the special leave and reduced-work-hour program for child care, nursing care, and elderly care—as well as for raising the percentage of disabled employees to 2.14%. (Note: These figures are valid as of April 10, 2015.) Of particular note is an increase in the number of male employees taking parental leave. I think the company should encourage more employees (and their families) to participate in this program, especially after hearing from other employees who have already taken leave or used the reduced-work-hour program. The program will help meet the needs of a society where the population is aging and birth rates are falling. Sekisui House should also enhance consultation services for employees to address a wider range of concerns that go beyond work-related issues. As the retirement age in Japan is gradually being raised to 65, I believe the company should encourage its employees to be more involved in community activities.
- The basic business transaction agreement signed by Sekisui House and its partner companies stipulates that both parties should work to improve their corporate value by thoroughly implementing crisis management, compliance, and governance. The agreement also states that both parties should, as a matter of basic corporate policy, always consider the economic, environmental, and social dimensions of their activities. This illustrates a commendable commitment to corporate social responsibility. Sekisui House has done well to improve the performance of its business partners in fulfilling their social responsibilities by including environmental criteria in its evaluations of them. One example is a reduction in the amount of packing materials they use. Nevertheless, I hope the company continues to improve its evaluations by including a wider range of more-detailed criteria covering social aspects such as human rights and occupational health and safety. I would also like to suggest that the company should actively report on the results they have achieved in this regard.
- Three aspects of the Sekisui House training program (p. 35) impress me: (1) the number of trainees who study construction work in the company's training facilities has been rising steadily since 2013; (2) five years after finishing the course, around 90% of trainees are still with the company; and (3) the number of trainees from Vietnam, China, and Thailand has reached 81 in the two years since 2013. I hope the company will continue to enhance its support system to ensure ongoing skills development for foreign trainees.
- In the area of social contribution, I admire Sekisui House for activities such as procuring promotional merchandise made by disabled people. I hope the company will continue to provide more opportunities and inspiration for its employees to get involved in community service activities such as the Matching Program. It could do this, for example, by having management personnel follow—or even volunteer to participate in—the activities of organizations that Sekisui House supports.



Hideto Kawakita

CEO, IHHOE (International Institute for Human, Organisation, and the Earth) [sic]

IHHOE is an NPO established in 1994 under the principle of “democratic and balanced development for all life on earth.” IHHOE mainly engages in offering management support to civil groups and philanthropists, while working with many large companies to support their CSR efforts.

<http://blog.canpan.info/iiohe/> (Japanese only)

Remarks by Sekisui House Executives in View of Third-Party Comments

Environmental Activities

Nowadays, society faces a variety of challenges. At Sekisui House, we believe that housing is a cornerstone of society and that by changing housing we can change society for the better. With this in mind, we strive to address societal issues by pursuing activities that “create shared value” (CSV).

One example is our *Gohon no ki* landscaping project, which involves cultivating home gardens that help to preserve biodiversity in urban areas. Based on this concept, we have been cooperating with our customers in planting (mainly indigenous) trees in their home gardens. Since 2001, we have planted around one million trees every year (810,000 in FY2014), and the accumulated total has now surpassed 11 million. Expert research has confirmed that areas covered by our landscaping project are visited by more birds and butterflies than before.

In April 2013, we launched Green First Zero, a housing design that incorporates our latest technologies to provide customers with comfortable and energy-neutral living environments while drastically reducing occupants' CO₂ emissions. Green First Zero houses now account for about 60% of our sales. Not only do they present customers with agreeable living environments, they also offer solutions to global warming and energy problems.

By supplying a growing number of eco-friendly houses, we are helping to preserve biodiversity and prevent global warming. Our environmental activities have been highly commended by external members of the CSR Committee as well as in this year's third-party review. Nevertheless, I feel we have been unable to communicate the full scope of our environmental efforts during assessments by outside organizations; in the future, we must redouble our efforts in this area. Doing so will provide our employees with the opportunity to reaffirm the importance of our environmental efforts. The environmental achievements of Sekisui House vary depending on the group company and the market segment. As noted in the review, we need to enhance our eco-friendly business management on a group-wide basis by introducing clearer and more accurate measurable criteria.



Kenichi Ishida
Executive Officer
Chief Manager of Environment Improving Department,
Chief Manager of Global Warming Prevention R&D Institute

Social Activities

Since the company's founding, customer satisfaction has remained our first priority. Sekisui House's underlying corporate philosophy of creating shared value is now widely shared by employees. However, when it comes to reviewing results based on KPIs such as the sales percentage of Green First Zero housing, there is still noticeable variation among sales offices. With the head office and sales division working in tandem, we will continue striving to deliver shared value to customers and other stakeholders, while making sure that such efforts are shared companywide.

In FY2014, with the objective of meeting GRI Guidelines (G4), we identified the material aspects of our activities and came up with several action plans, which we then developed into six CSV strategies. From a CSR perspective, we will remain focused on a number of issues that still demand our attention.

A company is no more or less than the people in it. It is therefore essential that a company develop personnel who can create value. While promoting diversity in the workplace—one of our ongoing CSV strategies—we have been actively engaged in fostering our personnel. For example, we have assigned newly recruited employees to support those affected by the Great East Japan Earthquake, we have trained young technicians in schools, we have

implemented supply chain management, and we have strengthened ties in the Sekisui House Association (a group including our building contractor partners).

Recently, there has been growing interest in Japanese versions of the United Kingdom's Stewardship Code and Corporate Governance Code. Delivering clear and accurate information to providers of financial capital and maintaining an open dialogue with them are integral aspects of our social obligations. This report contains an “Integrated Reporting” section in which we explain how our environmental and social activities are enhancing our corporate value. By utilizing this report—and by maintaining an active dialogue with shareholders and investors—we will keep working to improve our methods of information disclosure and reporting.



Hitoshi Kuroyanagi
Chief Manager of Corporate Communications Department,
Chief Manager of Investor Relations Office

Honors from Third Parties during FY2014

Environment

◆ Grand Front Osaka

March 2014 Commercial Complex and Others category, CASBEE Osaka of the Year
Organizer: Osaka City Note: Joint award for 12 companies

◆ Shin-satoyama and Wall of Hope, Shin-Umeda City

October 2014
Prime Minister's Prize, Green City Awards
Organizer: Organization for Landscape and Urban Green Infrastructure



◆ 3R (reduce, reuse, and recycle) and zero-waste activities at large-scale condominium construction site, RIC West Court

October 2014
Minister of Land, Infrastructure, Transport, and Tourism Prize; 3Rs Promotion Merit Awards
Organizer: 3Rs Promotion Council Note: Joint award with Kumagagumi Co., Ltd.

◆ The Ritz-Carlton, Kyoto

December 2014
Prize for Excellence, General New Construction category, Miyako Environment-Friendly Buildings, Kyoto City Environment-Friendly Buildings Commendations
Organizer: Kyoto City

◆ Green First Zero

January 2015
Special Jury Award, Product and Business Model category, Energy Conservation Grand Prize
Organizer: Energy Conservation Center, Japan



Community Building, Landscape

◆ One Central Park, Central Park redevelopment project in Sydney, Australia

May 2014 Emporis Skyscraper Award
Organizer: Emporis

August 2014
Design and Innovation category, High-Density Housing category; UDIA Awards for Excellence
Organizer: UDIA (Urban Development Institute of Australia)

November 2014 Best Tall Building Worldwide
Organizer: Council on Tall Buildings and Urban Habitat

March 2015 Best Innovative Green Building, MIPIM Awards 2015
Organizer: MIPIM (le marché international des professionnels de l'immobilier)

Note: Joint development project with Frasers Centrepoint Ltd.



◆ Umeda Sky Building (Shin-Umeda City)

August 2014 Osaka Selection, Living Architecture Museum
Organizer: Osaka City

◆ Grande Maison Haginomiya

August 2014 Flowers and Greenery Town Planning Award
Organizer: Fukuoka City Greenery Association

◆ The Ritz-Carlton, Kyoto

October 2014
Reggie Shiu Development of the Year Award
Organizer: Hotel Investment Conference Asia Pacific



◆ Maison Mast Suwacho

December 2014 Kitakami City Landscape Award
Organizer: Kitakami City, Iwate Prefecture

◆ Grand Front Osaka

December 2014
Osaka Governor's Prize, Osaka Urban Landscape Architecture Awards (Osaka Machinami Award)
Organizers: Osaka Prefecture, Osaka City, Osaka Association of Architects & Building Engineers, Osaka Association of Architectural Firms, Japan Institute of Architects Kinki Chapter, Architectural Association of Japan

Note: Joint award for 12 companies

◆ Grand Front Osaka Owners' Tower

December 2014 Osaka City Housing Design Awards
Organizer: Osaka City

Note: Joint award for 12 companies

Products, Technology, etc.

◆ Safe, soundproof house with piano room

February 2014 Grand Prize (Aichi Governor's Prize), Crime-Proof Housing Contest
Organizers: Aichi Prefectural Police, Aichi Prefecture

◆ Corporate serial advertisement: "Sekisui House—Always there for you"

October 2014
Bronze Prize, Serial Advertisement category, Business Advertising Awards
Organizer: Fuji Sankei Business i.

◆ House of Dialogue, Sumufumulab

November 2014
Housing and Architecture category, IAUD Awards 2014
Organizer: International Association for Universal Design
Note: Joint award with Dialogue in the Dark Japan



Kids Design Award

July 2014

Prize for Excellence (Minister of Economy, Trade, and Industry Prize), Children section, Children-Centered Safety category

◆ Nikke Garden Court Hanamizuki: A community that fosters children's healthy growth

Prize for Excellence (Minister of Consumer Affairs Prize), Future-Oriented Consumer Design category

◆ Supporting the Bento Day project

Note: Joint entry as part of a project team (Kyodo News, Kikkoman, Cleanup, Sumitomo Life Insurance, National Federation of Agricultural Cooperative Associations, Tokyo Gas, House Foods Group, and Hagegomo Foods)



Encouragement Prize (Kids Design Association Chairman's Prize), Reconstruction Support Design category

◆ Orihime Toilet temporary washroom for women and children, with a design based on lessons learned from natural disaster situations

Award in General section, Children-Centered Safety category

◆ Airkis high-quality indoor air system to enable healthy living

Award in Creativity & Sensibility section, Children's Future category

◆ Kodomo idokoro housing design to foster children's healthy growth

Award in Individual & Household section, Design for Raising Children category

◆ Lifestyle options for Grande Maison condominiums to ensure safe, secure, and enjoyable child rearing

Organizer: Kids Design Association



Good Design Award

October 2014

Design for the Future Award

◆ House planning through public discussion for Tomihisa Cross redevelopment project

Note: Joint award with Nomura Real Estate Development, Mitsui Fudosan Residential, and Hankyu Realty

Good Design Award

◆ Gotenyama Project: Landscape design in urban redevelopment

Note: Joint award with Nikken Sekkei Ltd. and Taisei Corporation

Organizer: Japan Institute of Design Promotion



CSR Activities

◆ Blood drives by Sekisui House Group at Umeda Sky Building

July 2014

Minister of Health, Labor, and Welfare Prize commending organizations contributing to blood donations

◆ Sustainability Report 2014

February 2015

Special Jury Prize (Jury Chairman's Prize), Environmental Report category, 18th Environmental Communication Awards
Organizers: Ministry of the Environment, Global Environmental Forum



◆ Sekisui House, Ltd.

March 2015

Selected by Tokyo Stock Exchange and Ministry of Economy, Trade, and Industry for inclusion on *Nadeshiko* list of companies that empower women and their careers
Grand Prize, Osaka City Mayor's Commendations for Leading Companies in Female Career Development



Material Aspects and Stakeholders Affected

Identified Material Aspects	Affected Stakeholders Inside and Outside the Organization
Economic	
Economic Performance	Sekisui House Group, customers, employees, shareholders and investors, business partners
Procurement Practices	Sekisui House Group, employees, shareholders and investors, business partners, local communities
Environmental	
Materials	Sekisui House Group, employees, shareholders and investors, business partners, local communities
Energy	Sekisui House Group, employees, shareholders and investors, business partners
Water	Sekisui House Group, employees, shareholders and investors, business partners, local communities
Biodiversity	Sekisui House Group, customers, employees, business partners, local communities
Emissions	Sekisui House Group, customers, employees, shareholders and investors, business partners, local communities
Effluents and Waste	Sekisui House Group, employees, business partners, local communities
Products and Services	Sekisui House Group, customers, employees, shareholders and investors, consumers, business partners, local communities
Compliance	Sekisui House Group, customers, employees, shareholders and investors, consumers, business partners, local communities
Transport	Sekisui House Group, employees, shareholders and investors, consumers, business partners, local communities
Overall	Sekisui House Group, customers, employees, shareholders and investors, consumers, business partners, local communities
Supplier Environmental Assessment	Sekisui House Group, shareholders and investors, business partners
Environmental Grievance Mechanisms	Sekisui House Group, customers, employees, shareholders and investors, consumers, business partners, local communities
Social	
Labor Practices and Decent Work	
Employment	Sekisui House Group, employees, local communities
Occupational Health and Safety	Sekisui House Group, employees, business partners
Training and Education	Sekisui House Group, employees, business partners
Diversity and Equal Opportunity	Sekisui House Group, employees, local communities
Human Rights	
Investment	Sekisui House Group, employees, shareholders and investors, business partners, local communities
Assessment	Sekisui House Group, employees, business partners, local communities
Human Rights Grievance Mechanisms	Sekisui House Group, employees, business partners, local communities
Society	
Local Communities	Sekisui House Group, customers, local communities
Anti-Corruption	Sekisui House Group, employees, shareholders and investors, business partners
Anti-Competitive Behavior	Sekisui House Group, employees, shareholders and investors, business partners
Compliance	Sekisui House Group, customers, employees, shareholders and investors, consumers, business partners, local communities
Product Responsibility	
Customer Health and Safety	Sekisui House Group, customers, consumers, local communities
Product and Service Labeling	Sekisui House Group, customers, consumers, business partners
Marketing Communications	Sekisui House Group, customers, consumers
Customer Privacy	Sekisui House Group, customers, employees, consumers, business partners
Compliance	Sekisui House Group, customers, employees, shareholders and investors, consumers, business partners, local communities

GRI Content Index for “In Accordance” Items

The Sekisui House Sustainability Report 2015 has been prepared in accordance with the Core options of the Global Reporting Initiative’s (GRI) G4 Sustainability Reporting Guidelines (G4).

General Standard Disclosures

Indicator		Refer to	External assurance
Strategy and Analysis			
G4-1	Statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization’s strategy for addressing sustainability	pp.5–8	
Organizational Profile			
G4-3	Name of the organization	p.4	
G4-4	Primary brands, products, and services	p.3	
G4-5	Location of the organization’s headquarters	p.4	
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	pp.49–52 / 5 countries	
G4-7	Nature of ownership and legal form	pp.3–4	
G4-8	Markets served	pp.3–4, 49–52	
G4-9	Scale of the organization	pp.3–4, 11–14 / Securities Report / Financial Results Summary	
G4-10	Total number of employees by employment contract and gender	[WEB] Corporate Profile	
G4-11	Percentage of total employees covered by collective bargaining agreements	N/A	
G4-12	Organization’s supply chain	p.18 / [WEB] Supply Chain Management	
G4-13	Significant changes during the reporting period regarding the organization’s size, structure, ownership, or its supply chain	p.4 / Financial Results Summary	
G4-14	Whether and how the precautionary approach or principle is addressed by the organization	[WEB] Chemicals Management	
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	[WEB] Eco-First Promise	
G4-16	Memberships of associations and national or international advocacy organizations	[WEB] Industry Proposals	
Identified Material Aspects and Boundaries			
G4-17	All entities included in the organization’s consolidated financial statements or equivalent documents; whether any entity included in the organization’s consolidated financial statements or equivalent documents is not covered by the report	p.2 / Securities Report / Financial Results Summary	
G4-18	Process for defining the report content and the Aspect Boundaries; how the organization has implemented the Reporting Principles for Defining Report Content	pp.1, 19–20	
G4-19	All the material Aspects identified in the process for defining report content	pp.20, 76	
G4-20	For each material Aspect, report the Aspect Boundary within the organization	p.76	
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	p.76	
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	N/A	
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	pp.57–58	
Stakeholder Engagement			
G4-24	List of stakeholder groups engaged by the organization	p.18	
G4-25	Basis for identification and selection of stakeholders with whom to engage	[WEB] Stakeholder Communication Guidelines	
G4-26	Organization’s approach to stakeholder engagement	pp.17–20	
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns; the stakeholder groups that raised each of the key topics and concerns	pp.18, 71, 73–74	
Report Profile			
G4-28	Reporting period (such as fiscal or calendar year) for information provided	p.2	
G4-29	Date of most recent previous report (if any)	p.2	
G4-30	Reporting cycle (such as annual, biennial)	p.2	
G4-31	Contact point for questions regarding the report or its contents	p.2	
G4-32	The “in accordance” option the organization has chosen; GRI Content Index for the chosen option; reference to the External Assurance Report, if the report has been externally assured	pp.72, 77–78	
G4-33	Policy and current practice with regard to seeking external assurance for the report	p.72	
Governance			
G4-34	Governance structure of the organization, including committees of the highest governance body; any committees responsible for decision-making on economic, environmental, and social impacts	pp.54–55	
Ethics and Integrity			
G4-56	Values, principles, standards, and norms of behavior such as codes of conduct and codes of ethics	p.53	

Specific Standard Disclosures

Indicator		Refer to	External assurance
Economic			
DMA	Why the Aspect is material; how the organization manages the material Aspect or its impacts; evaluation of the management approach	pp.5, 17, 53–55	
Economic Performance			
G4-EC1	Direct economic value generated and distributed	pp.11–15, 17, 65–66 / Securities Report / Financial Results Summary	
G4-EC2	Financial implications and other risks and opportunities for the organization’s activities due to climate change	pp.21–24, 27–28 / [WEB] Environmental Accounting	
Aspect-specific DMA: Procurement Practices—Actions taken to identify and adjust the organization’s procurement practices that cause or contribute to negative impacts in the supply chain			
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	[WEB] Communicating with Business Partners	
Environmental			
DMA	Why the Aspect is material; how the organization manages the material Aspect or its impacts; evaluation of the management approach	pp.53–55, 59–61 / [WEB] Environmental Management	
Materials			
G4-EN1	Materials used by weight or volume	pp.14, 29–32, 57–58	
Aspect-specific DMA: Energy—Whether the organization is subject to any country, regional, or industry regulations and policies for energy; examples of such regulations and policies			
G4-EN3	Energy consumption within the organization	pp.57–58	● (p.72)
G4-EN5	Energy intensity ratio	[WEB] Material Balance	
Water			
G4-EN8	Total water withdrawal by source	pp.57–58	
Aspect-specific DMA: Biodiversity—Strategy for achieving the organization’s policy on biodiversity management			
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas of high biodiversity value outside protected areas	N/A	
Aspect-specific DMA: Emissions—Whether the organization is subject to any country, regional, or industry regulations and policies for emissions; examples of such regulations and policies			
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	pp.57–58	● (p.72)
G4-EN16	Indirect greenhouse gas (GHG) emissions (Scope 2)	pp.57–58	● (p.72)
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	pp.57–58	● (p.72)

Note: These [WEB] pages are in Japanese only.

Indicator		Refer to	External assurance
G4-EN18	GHG emissions intensity ratio	pp.58–60	
G4-EN19	Reduction of greenhouse gas (GHG) emissions	pp.23, 28, 58–59	
Effluents and Waste			
G4-EN22	Total water discharge by quality and destination	[WEB] Material Balance, Site Reports	
G4-EN23	Total weight of waste by type and disposal method	pp.57–58 / [WEB] Material Balance	● (p.72)
G4-EN24	Total number and volume of significant spills	N/A	
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	N/A	
Products and Services			
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	pp.23, 28, 58	
Compliance			
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	N/A	
Transport			
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	pp.57–60	
Overall			
G4-EN31	Total environmental protection expenditures and investments by type	[WEB] Environmental Accounting	
Aspect-specific DMA: Supplier Environmental Assessment—Systems used to screen new suppliers using environmental criteria; actions taken to address the significant actual and potential negative environmental impacts identified in the supply chain			
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	[WEB] Communicating with Business Partners	
Aspect-specific DMA: Environmental Grievance Mechanisms—Availability and accessibility of grievance mechanisms and remediation processes for environmental impacts; types of training			
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	[WEB] Environmental Management	
Social			
Labor Practices and Decent Work			
DMA	Why the Aspect is material; how the organization manages the material Aspect or its impacts; evaluation of the management approach	pp.45–48, 53–55, 63–66	
Aspect-specific DMA: Employment—Actions taken to determine and address situations where work undertaken within the organization's supply chain does not take place within appropriate institutional and legal frameworks			
G4-LA3	Return-to-work and retention rates after parental leave, by gender	pp.47–48	
Aspect-specific DMA: Occupational Health and Safety—Programs related to assisting workforce members, their families, or community members regarding serious diseases			
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, absenteeism, and total number of work-related fatalities, by region and by gender	[WEB] Occupational Accidents	
Training and Education			
G4-LA9	Average hours of training per year per employee, by gender, and by employee category	[WEB] Human Resource Development	
Diversity and Equal Opportunity			
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	p.55	
Human Rights			
DMA	Why the Aspect is material; how the organization manages the material Aspect or its impacts; evaluation of the management approach	pp.45–48, 53–55, 65–66	
Aspect-specific DMA: Investment—Strategies for extending applicable policies and procedures to external parties; use of human rights criteria or clauses in contracts			
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	[WEB] Human Relations Training	
Assessment			
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	[WEB] Human Relations Training	
Aspect-specific DMA: Human Rights Grievance Mechanisms—Availability and accessibility of grievance mechanisms and remediation processes for human rights impacts			
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	[WEB] Human Relations Training	
Society			
DMA	Why the Aspect is material; how the organization manages the material Aspect or its impacts; evaluation of the management approach	pp.53–55, 63–66	
Aspect-specific DMA: Local Communities—References and statements regarding the collective rights of local communities; how both women and men are engaged in local communities; how works councils, occupational health and safety committees, or other independent employee representation bodies are empowered to deal with, and have dealt with, impacts on local communities			
G4-S02	Operations with significant actual and potential negative impacts on local communities	–	
Aspect-specific DMA: Anti-Corruption—Risk assessment procedures for corruption, including the criteria used in the risk assessment			
G4-S04	Communication and training on anti-corruption policies and procedures	p.56 / [WEB] Policy Meetings	
Anti-Competitive Behavior			
G4-S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	p.56	
Compliance			
G4-S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	p.56	
Product Responsibility			
DMA	Why the Aspect is material; how the organization manages the material Aspect or its impacts; evaluation of the management approach	pp.33–36, 53–55, 63–64	
Aspect-specific DMA: Customer Health and Safety—Whether the health and safety impacts of products and services are assessed for improvement (by life cycle)			
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	[WEB] Customer Surveys	
Aspect-specific DMA: Product and Service Labeling—Organization-wide practices in place to assess and maintain customer satisfaction			
G4-PR5	Results of surveys measuring customer satisfaction	[WEB] Customer Surveys	
Marketing Communications			
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	[WEB] Corporate Ethics	
Customer Privacy			
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	[WEB] Personal Information Protection	
Compliance			
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	N/A	

Glossary

A	
Assisted-living complex for senior citizens	An assisted-living complex for senior citizens is housing that employs various safety designs including barrier-free structures to ensure comfort for the elderly, while offering support services in partnership with external nursing care and medical facilities.

B	
Basic Act for Housing	The Basic Act for Housing is a law enacted in Japan in 2006 to provide guidelines for housing policy, which has largely shifted its focus to the improvement of housing quality in terms of disaster preparedness, safety, security, social welfare, and global environment protection to cater to the emerging needs of an aging society with fewer children.
BCP	BCP stands for business continuity planning and is a strategic preparation process that ensures critical business operations are not disrupted in times of emergency.
Biodiversity	Biodiversity is the rich variety of natural life forms on Earth and their linkages. We depend on biodiversity for our daily necessities, including food.
Biomass	Biomass is any renewable organic material made from animals and plants, excluding fossils. As a new energy source, biomass is expected to replace fossil fuels and contribute to reducing CO ₂ emissions.

C	
Chain-of-custody (CoC) certification	Chain-of-custody (CoC) certification is a third-party verification mechanism that certifies appropriate and sustainable forest management practices as well as management bodies engaged in such practices according to certain set criteria, with a view to promoting sound forest management. CoC certification is a component of the forest certification.
Compliance	Compliance is about the observation of basic rules such as applicable laws and bylaws by companies to meet the expectations of society.
Corporate governance	Corporate governance is a mechanism for corporate decision making. Due to an increase in corporate scandals, corporate governance plays a key role in preventing organization-wide violation of corporate ethics.
CSR	CSR stands for corporate social responsibility and refers to the responsibility of companies to contribute to the good of society focusing on relationships with all stakeholders as part of their corporate activities, in addition to pursuing profits.
CSR procurement	CSR procurement is a procurement practice that takes into consideration the CSR aspects of suppliers, such as compliance and fairness, as well as their attitudes toward human rights and labor issues.
CSV	CSV stands for creating shared value. CSV is a concept that encourages companies to improve the economic conditions and social status of the community in which they operate, while also enhancing their own competitiveness. A major proponent of the CSV concept is Harvard Business School Professor Michael Porter.

D	
Diversity	Diversity is about respecting individual differences—whether they be in terms of gender, age, race, origin, nationality, language, culture, sexual orientation, values, or presence of a disability—and taking advantage of such differences to enhance business performance.

E	
Eco-First Company	Eco-First Company is a designation given to companies that are recognized by the Minister of the Environment as leading the industry in environmental initiatives, including efforts to prevent global warming, reduce waste, and promote recycling, under the Eco-First program implemented by the Ministry of the Environment in Japan.
Engagement	The word “engagement” used in this report refers to a relationship in which an organization (company) and individuals (employees, staff members) work together and contribute to one another’s mutual growth.
Environmental accounting	Environmental accounting is a mechanism to quantitatively measure the costs incurred in environmental preservation efforts undertaken as part of corporate activities, with a view to achieving corporate development in a sustainable manner while promoting environmental efforts.

F	
FairWood	FairWood refers to woods and wood products sourced in a manner that takes into account the conditions of the forest environment and local communities where logging takes place.
Fuel cell	A fuel cell is a device that converts chemical energy into electricity through an electrical and chemical reaction between oxygen and hydrogen (oxidation of fuel). In Japan, it is commonly known by the name Ene-Farm.

G	
Greenhouse gas	Greenhouse gas includes carbon dioxide and methane, and it exerts a huge impact on natural ecosystems and human society and is the main cause of global warming.
Green Purchasing Law	Green Purchasing Law—or the Law Concerning the Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities—was enacted in Japan in 2000 to create to a recycling-oriented society from a supply-demand balance perspective.
GRI Guidelines	The GRI Guidelines are international CSR guidelines issued by the Global Reporting Initiative (GRI), an NGO headquartered in the Netherlands. The guidelines provide a framework for corporate reporting focusing on economic, environmental, and social performance, known as the “triple bottom line.”

H	
Heat pump	A heat pump is a device that effectively takes in heat from air or other sources by using a small amount of energy and utilizes the heat as huge energy source. This technology is employed in air conditioning and Eco-Cute water heating systems.
HEMS	HEMS stands for home energy management system.

I	
Industrial waste	Industrial waste refers to solid or liquid materials that are generated by certain corporate activities—20 classifications for which have been stipulated by law in Japan—and that are no longer usable or appropriate for sale to any third parties. A business entity that generates such waste is responsible for processing it.
Internal control system	An internal control system is designed to build a control and audit process to prevent an organization from engaging in illegal acts or violating rules and to ensure fairness of corporate activities.
IR	IR stands for investor relations and refers to corporate activities to disclose a company’s data such as financial, business, and performance information to investors.

ISO 14001	ISO 14001 is an international standard for environmental management, which was introduced to minimize the impacts of corporate activities on the environment.
ISO 26000	ISO 26000 is guidance on social responsibility issued in November 2010. Unlike other ISO standards that are certifiable, ISO 26000 is intended to provide guidelines only.

K	
Kyoto Protocol	The Kyoto Protocol was adopted under the United Nations Framework Convention on Climate Change (UNFCCC) in the third session of the Conference of the Parties to UNFCCC convened in Kyoto in 1997.

L	
Low-carbon society	A low-carbon society is a society with low greenhouse gas emissions.

M	
Material balance	Material balance is the sum of resources and energy input in the process of corporate activities, from procuring materials and sales to collecting and recycling waste, and the total impact the process has on the environment.
Mental health	Mental health is also referred to as a sound mind, psychological well-being, and mental hygiene. This term is also used to indicate reducing and easing mental fatigue, stress, and trouble and offering support in order to do so.

N	
Net-zero-energy house (ZEH)	A net-zero-energy house (ZEH) is a house that consumes almost no primary energy on a net basis. The Japanese government is promoting ZEH so that this housing design will be adopted widely by 2020.
NGO	NGO stands for non-governmental organization and is an organization founded by citizens or private groups.
NPO	NPO stands for non-profit organization and is an organization engaged in activities for the good of society, not for distributing profits among its members.

P	
Power harassment	Power harassment is any behavior by a person in a superior position at the workplace or in a personal relationship who takes advantage of their position to hurt an individual, whether mentally or physically, or makes the work environment hostile to the individual, beyond the normally permissible level at the workplace.

R	
Recycling-oriented society	A recycling-oriented society is a society with a system in place to control waste generation or properly recycle and dispose of used products, thereby minimizing the consumption of natural resources and impact on the environment.
Renewable energy	Renewable energy includes sunlight, solar heat, hydraulic power, wind power, biomass, and geothermal power. It can be renewed in a short period of time after use and does not deplete.

Risk management	Risk management is a process for identifying and controlling risks in corporate activities to avoid or disperse them and prevent or minimize possible damage or loss.
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S	
Sexual harassment	Sexual harassment is unwelcome verbal or physical conduct of a sexual nature that causes an individual to feel unpleasant or uneasy.
Sick building syndrome	Sick building syndrome is a general term for a variety of physical disorders caused by indoor air pollution, such as fatigue, dizziness, headache, eczema, sore throat, and respiratory disorders.
Smart house	A smart house is a type of house that can ensure optimal control of energy consumption at home through centralized management of energy devices such as a photovoltaic power system, storage cells, and fuel cells, as well as home appliances, residential equipment, and electric vehicles.
SRI	SRI stands for socially responsible investment. Socially responsible investing encourages management to fulfill the company's responsibility to society by exercising the power and rights of shareholders.
Stakeholders	Stakeholders are individuals and groups associated with corporate activities, including customers (consumers), employees, shareholders, business partners, local communities, and governmental agencies.
Storage cell	A storage cell is a cell that can be recharged repeatedly and thus can supply stored electricity when necessary. It is also called a secondary cell.
Supply chain management	Supply chain management is about building an integrated system involving business partners to control the entire process of a supply chain from source to consumer, through the stages of materials procurement, production, distribution, and sale.
Sustainability	Sustainability is about continuing efforts into the future to balance economic development, environmental preservation, and social progress.

T	
Trigeneration	An energy supply system that generates heat and electricity from heat sources and that also makes efficient use of the CO ₂ generated during that process.

U	
Universal design	Universal design is the design of facilities, products, or information that is usable by all people, without regard to differences in age, gender, physical condition, nationality, language, knowledge, or experience.

Z	
Zero emissions	Zero emissions is a concept advocated by the United Nations University in 1994 to reuse all waste materials and byproducts generating from industrial activities as resources, and to emit no waste on a society-wide basis.



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Sekisui House was the first company in the housing industry to be certified as an Eco-First Company by the Minister of the Environment (MOE) in Japan.



This brochure uses hot-melt adhesive developed for bookbinding, which is highly resistant to decomposition during the recycling process and thus allows for easier recycling.