

Pursuing Sustainability in All Corporate Activities Connected with Society

Ongoing group-wide post-earthquake reconstruction efforts >>> P.77

Mobilizing manpower from all over Japan to accelerate the restoration of stricken areas

SUMUFUMULAB >>> P.08

Building a recycling-oriented society >>> P.61

Building a recycling-oriented industrial system with our own innovative resource recycling solutions

Nattoku kobo >>> P.08

Comprehensive Housing R&D Institute >>> P.06

Coping with changes in social structure >>> P.65

Addressing various issues arising from changes in social structure

Sumai no yume koje >>> P.05

Restoring ecosystems >>> P.55

Our Gohon no ki concept for creating eco-friendly gardens reached a milestone of 10 million trees planted

Gohon no ki landscaping concept >>> P.55

Relationship with stakeholders

▶▶▶ P.73

Fostering relationships of trust with stakeholders in various sectors by promoting communication

Implementing Wood Procurement Guidelines

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Encouraging procurement of FairWood products in cooperation with suppliers

Developing overseas business

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Applying our long-term expertise in eco-friendly home and community building to overseas operations

Building local communities

▶▶▶ P.57

Contributing to the development of local communities where people can share their sense of values

Preventing global warming

▶▶▶ P.51

Contributing to a reduction of CO₂ emissions steadily and promptly by promoting our Green First design

Acting as a corporate citizen

▶▶▶ P.71

Addressing various social issues based on our "love of humanity" corporate philosophy

Material Balance

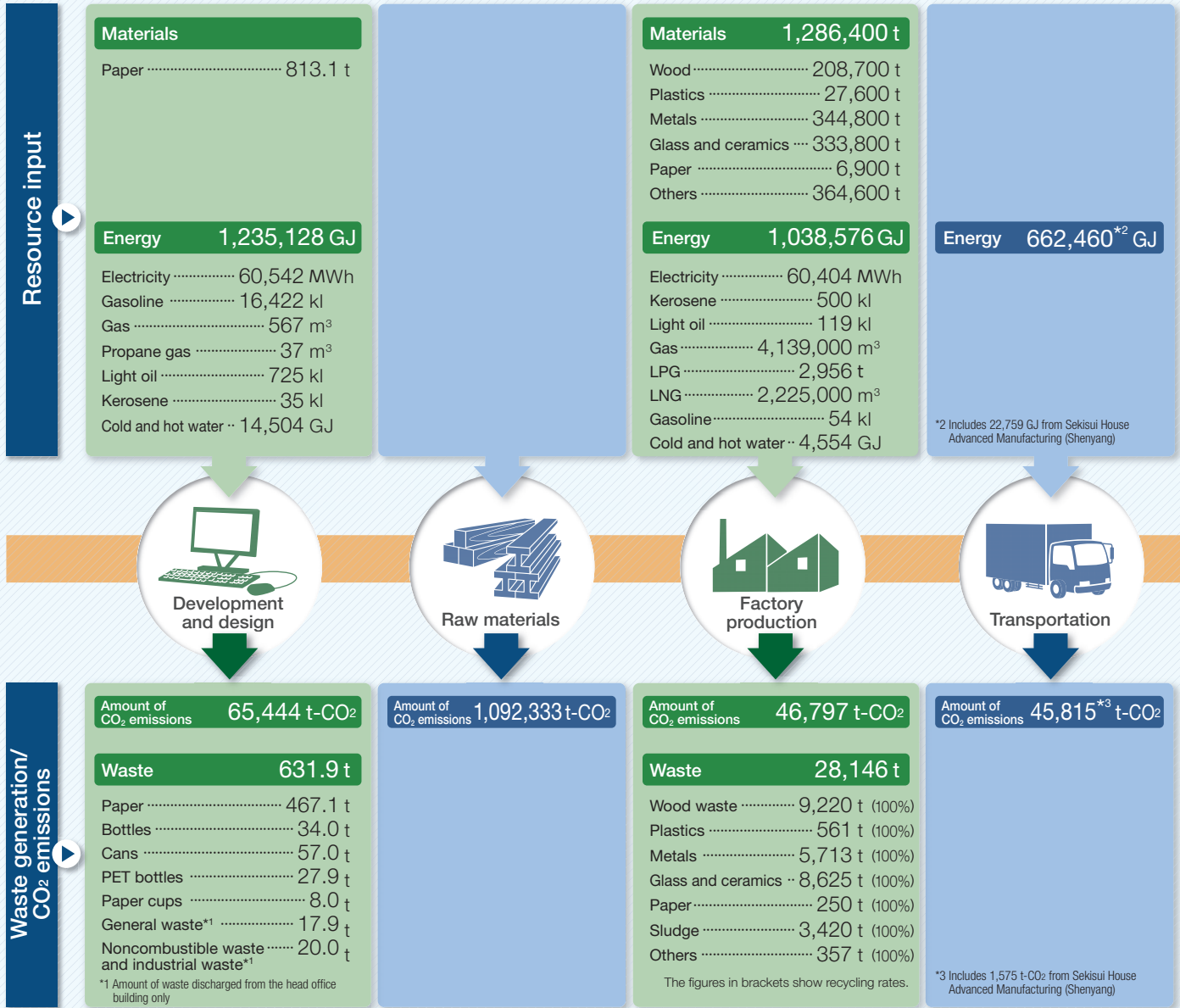
Collecting Accurate Data on the Environmental Impact Caused by Corporate Activities

In collaboration with our group companies and business partners, we are collecting accurate data on the environmental impact caused by our corporate activities at each stage of the lifecycle of our housing products. Data is gathered from development and design, raw material procurement, factory production, transportation, construction, occupancy, demolition, and disposal.

Environmental Impact Caused by Corporate Activities in FY2013

Scope 1, 2

Scope 3



Amount of CO₂ Emissions by Scopes 1-3 in FY2013

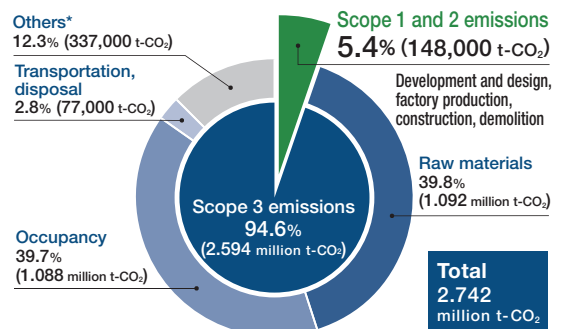
Starting from FY2012, we have disclosed our CO₂ emissions by Scope (1-3) in line with the methodology of the Greenhouse Gas Protocol*. For FY2013 we expanded the range of coverage. (See "Notes on the data" on page 44.)

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 raw materials and occupancy stages). Also, note that Scope 1 and 2 CO₂ emissions from construction and demolition include emissions from construction and demolition undertaken by partner building contractors 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
 Scope 2: CO₂ emissions resulting from the use of electricity and heat purchased by the Sekisui House Group
 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

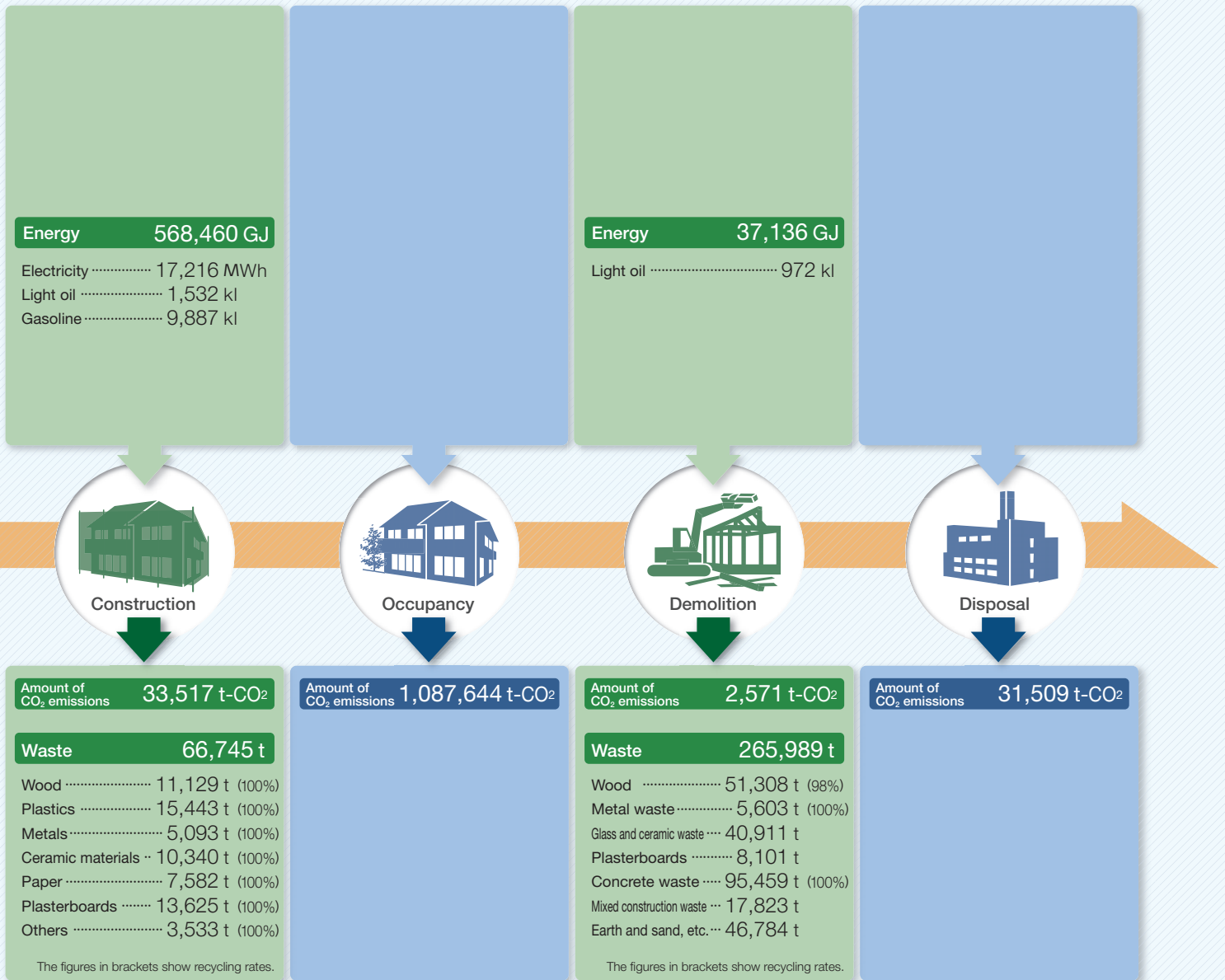
*Greenhouse Gas Protocol "Corporate Value Chain (Scope 3) Accounting and Reporting Standard" <http://www.ghgprotocol.org/standards/scope-3-standard>

CO₂ Emissions by Scope (1-3)



*Capital goods, activities related to fuel and energy consumption not included in Scopes 1 and 2, treatment of waste products, business trips and commuting of employees, leased assets at downstream, etc.

We conducted an internal audit in FY2013 to check compliance with applicable laws and regulations at each division, and found no material breach of greenhouse gas-related laws and regulations. (There was no single case for which criminal punishment, administrative penalty, or administrative guidance was imposed.)



Notes on the data

- Scope of coverage: The subjects of this survey are Sekisui House, Ltd., its major consolidated subsidiaries in Japan (40 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 FY2013 (from February 2013 to January 2014). Estimated figures were used where final data was not available at the time of calculation.

Development and design

(including the data of sales and administration divisions and model homes)

- Materials: paper purchased for use with QA equipment
- Energy and CO₂: the amount of energy consumption and CO₂ emissions by offices and model homes
- Waste: the volume of waste generated by offices and model homes

Raw materials

- CO₂: the estimated amount of CO₂ emissions resulting from production of raw materials used for manufacturing detached houses

Factory production

- Materials: the amount of raw materials used for manufacturing detached houses
- Energy and CO₂: the amount of energy consumption and CO₂ emissions by the five Sekisui House factories, Sekiwa Wood, Ltd. (Asai Factory and Toyama Factory), and Sekisui House Advanced Manufacturing (Shenyang)
- Waste: the volume of waste generated by the five Sekisui House factories, and Sekiwa Wood (Asai Factory)

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 manuals 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 construction by Sekiwa Construction companies and partner building contractors
- Waste: the volume of waste generated from new building construction, after-sales maintenance, and remodeling sites

Occupancy

- CO₂: the estimated amount of CO₂ emissions during occupancy at detached houses built in FY2013 from building components shipped from factories (The estimation is calculated assuming an occupancy of 30 years.)

Demolition

- Energy and CO₂: the estimated amount of energy consumption and CO₂ emissions resulting from the use of heavy machinery by Sekiwa Construction companies and partner building contractors for the purpose of demolition
- Waste: the volume of waste generated from demolition by Sekiwa Construction companies and partner building contractors

Disposal

- CO₂: the estimated amount of CO₂ emissions resulting from the disposal of waste generated from demolition by Sekiwa Construction companies and partner building contractors

Summary of Results of FY2013 and Targets for FY2014

Environmental Targets and Actual Performance

» Plan

		FY2013 Target
Reducing CO ₂ Emissions	Major Focus	Install a photovoltaic power system on 80% of detached houses
		Install fuel cells on 60% of detached houses
		Increase the proportion of Green First ZERO models among all Sekisui House detached homes to 50%
	Reducing residential CO ₂ emissions	Remodeling Increase window and door insulation updates to 52,000 m ² ; install high-efficiency water heaters in 4,200 homes; install photovoltaic power systems in 6,100 homes; sell 4,000 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 photovoltaic power system on 60% of Sha Maison low-rise rental apartments
Reducing CO ₂ emissions from business activities and production process	Achieve 1.0% and 3.0% reduction in CO ₂ emissions per square meter of floor area shipment at the production* ¹ and transportation* ² stages respectively, compared with the FY2012 level *1: Not including CO ₂ emissions from the new production line of Bellburn ceramic exterior wall tiles *2: Shipment-related transportation only	
	Increase the proportion of fuel-efficient vehicles and low-emission vehicles among all company-owned vehicles to 95% 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%
		Continue to consider acquiring Chain-of-Custody (CoC) certification, which verifies that wood products come from certified forests Start working on partial certification of FSC project as a contractor
	Preservation of ecosystems through landscaping	Plant 1.1 million trees a year
		Plant trees under our <i>Gohon no ki</i> landscaping concept in all our ready-built houses newly offered for sale
Resource Recycling	Recycling at factories and construction sites	Reduce factory waste by 2.2% per square meter of floor area shipment from the FY2012 level (Not including waste generated by the new production line for Bellburn ceramic exterior wall tiles)
		Continue to work on establishing an efficient waste management system using information technology
		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

» Do

» Check

» Action

FY2013 Results

See page(s) Rating

FY2014 Target

75% Although we ended up slightly below the target value, we maintained the FY2012 level.	p.52	○	Achieve 80%
58% Although we ended up slightly below the target value, the number of buildings equipped with fuel cells reached 9,100, up by more than 1,000 from the previous fiscal year.	p.52	○	Achieve 60%
47.9% Although we ended up slightly below the target value, the proportion reached an average of 60% a month from November onward.	p.20 p.51	○	Achieve 60%
We installed 42,278 m ² of window and door insulation, high-efficiency water heaters in 4,397 homes, and photovoltaic power systems in 3,634 homes; we also sold 4,658 sets of energy-efficient bath fixtures. We were able to achieve our target value only for sales of energy-efficient bath fixtures.	p.54	△	Increase window and door insulation updates to 51,000 m ² ; install high-efficiency water heaters in 5,200 homes; install photovoltaic power systems in 4,000 homes; sell 5,000 sets of energy-efficient bath fixtures
87%	—	△	Ensure all our ready-built houses newly offered for sale are certified to be eco-friendly
48% While we were able to increase the number of apartment buildings with a photovoltaic power system to 2,591 (up by 455 buildings from the FY2012 level), we could not reach the target level due to a rapid increase in the number of building contracts.	p.53	○	Achieve 60%
There was an increase of emissions of 4.0% and 1.6% at the production and transportation stages respectively, compared with the FY2012 level.	—	×	Achieve 1.0% and 1.0% reduction in CO ₂ emissions per square meter of floor area shipment at the production and transportation stages respectively, compared with the FY2013 level (Not including the CO ₂ emissions from Asai Factory of Sekiwa Wood Co., Ltd. and the Bellburn production line)
95.6% (fuel-efficient vehicles) and 95.9% (low-emission vehicles) We achieved the target for fuel-efficient vehicles, and almost achieved the target for low-emission vehicles.	—	○	96% (fuel-efficient vehicles) and 98% (low-emission vehicles)
88.0% While the combined proportion of Rank S and Rank A remained almost the same from the previous year, the proportion of Rank S increased by 6 points to 63%.	p.23	○	Increase the proportion to 95% Achieve 70% for Rank S wood
Prior application for the partial certification of FSC project for large-scale residential land was granted for the first time in Japan. (Registration No. SGSHK-PRO-01181)	—	△	—
We planted a total of 1.06 million trees during the year, which brought the cumulative sum of trees planted under the <i>Gohon no ki</i> project (started in 2001) to more than 10 million. We promoted tree planting on a group-wide scale by setting a goal for each business office.	p.23 p.55	○	Plant 1 million trees a year
We planted trees under our <i>Gohon no ki</i> concept in all the ready-built houses offered for sale, including houses offered for sale at Community Visiting Day events.	—	○	—
15.4% reduction from the FY2012 level	—	△	Achieve a 1.6% reduction from the FY2013 level (Not including the Bellburn production line)
We developed and started using an automatic contract generation system.	—	○	Integrate the waste management system among group companies
1,449 kg	p.62	×	Continue to set the target at 1,200 kg
92% The rate remained unchanged from the previous year at 92%, despite our continued efforts to encourage green purchasing.	—	△	95%
The proportion of steel-frame houses equipped with Airkis increased by 2 points from the previous fiscal year to 77.8%.	p.31	○	Promote the installation of Airkis in Sha Maison apartments
We continued with our energy-saving efforts focused on summer and winter time. At our offices and model homes, we reduced energy consumption by 24% in summer and by 19% in winter, compared to 2010 levels.	p.54	○	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

Social Targets and Actual Performance

» Plan

		FY2013 Target
		Major Focus
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 business site. Further enhance compliance awareness among all employees using various tools.
		Continue efforts to develop a work environment where human rights are respected and employees are free to exercise their skills and abilities, under the leadership of business site managers
		Continue to implement the internal control system to the fullest and reinforce our risk management ability
	Communication with society	Communicate with various stakeholders on sustainable lifestyles, using the SUMUFUMULAB (opened in April 2013)
For Our Customers	Customer satisfaction	Encourage communication with customers and achieve greater customer satisfaction
	Safe, reliable, healthy, and comfortable homes	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, and comfortable homebuilding by effective use of our innovative hands-on learning facilities, such as <i>Nattoku kobo</i> and <i>Sumai no yume koje</i>
		Encourage communication with tenants of rental apartments to enhance their satisfaction
Community development and local culture	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	
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 Resource 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
	Commitment to partner building contractors and business partners	Encourage the health and safety committees at our business sites to take positive measures to further enhance occupational health and safety
For Our Shareholders and the Community	Commitment to shareholders and investors	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
	Housing culture improvement and education support	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 ¥36 per share; namely, a ¥18 midterm dividend and a ¥18 year-end dividend.
		Focus on enhancing housing culture through the utilization of our facilities and expertise as a company open to the local community
	Contribution to society	Further enhance educational initiatives through our hands-on learning and other facilities and expand workplace visits and teacher-dispatch programs
Increase the activity level of social action programs through improved information sharing and dissemination		
		Disburse ¥20.4 million to 22 organizations, including NPOs, for the 8th 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

We encouraged employees' participation in CSR activities through e-learning programs featuring our sustainability report.	p.35 p.38	○	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. However, we were not able to eliminate discrepancies in performance among business sites.	p.38	△	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.	p.35 p.38	○	Check the compliance management at each business site and raise compliance awareness among employees
Business site managers conducted human relations training sessions involving all employees. To each of our business sites we assigned personnel tasked with addressing problems related to sexual and power harassment; we also conducted training to improve employees' skills in this area.		○	Focus on workplace environment management, including labor management
We started implementing a new operation management system to ensure proper business operations. No major compliance problems were reported during FY2013.		○	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, Sustainable Design Laboratory, <i>Kankan kyo</i> , and SUMUFUMULAB.	p.08	○	Promote further communication with stakeholders
Our customer survey on satisfaction showed that 95.1% of respondents are satisfied with our products and services. We updated the content of our Net Owners Club Kizuna website twice a month to bring the latest information to customers, while also publishing a regular magazine for them. We also conducted questionnaires, analyzed the results, and took improvement measures.	p.37	○	Encourage communication with customers and achieve greater customer satisfaction
We received a total of 10 awards in recognition of our contribution to universal design, including an IAUD Award 2013 for our Doctor Universal Design Lesson.	p.84	○	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 87.0%.	p.63	○	Continue our efforts to promote SHEQAS
<i>Nattoku kobo</i> was visited by 32,854 people, and <i>Sumai no yume kojo</i> by 93,116 people.	p.05	○	Help homebuyers learn about safe, reliable, and comfortable homebuilding using hands-on learning facilities
We handled the subleasing and management of a total of 526,276 residential units and the occupancy rate reached 96.0%. The MAST Club service for tenants gained a membership of approximately 520,000 individuals.	—	○	Encourage communication with tenants of rental apartments to enhance their satisfaction
We held a Community Visiting Day event twice during the year, involving 134 detached houses and 9 condominium buildings. We also held 58 Community Fair events.	p.57	○	Provide support for community building and preserving local culture
We carried out various activities to foster a corporate culture that strongly reflects our corporate philosophy.	p.33 p.73	○	Implement various measures that will make employees feel content and motivated at their work
We were chosen to be part of the <i>Nadeshiko</i> list by the Tokyo Stock Exchange 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 65 within the Sekisui House Group (1.52% of all managers).		○	Support female employees with their career development by improving workplace environments and raising the awareness of employees
24 employees were assigned to a different work category under the Work Category Transfer Program, and 15 employees returned to work under the Retiree Reinstatement Registration Program. The employment rate of persons with disabilities increased to 1.97%, but it is still below the level specified by government guidelines.		△	Promote the use of various internal work programs and systems; take immediate measures to increase the number of persons with disabilities employed by the company
The number of employees taking parental leave increased to 226, while the number of employees using the Shortened Work Hour Program increased to 351. Out of all female employees taking parental leave, 93% returned to work after the expiration of the leave period. Productivity was increased through training programs that encouraged improvement in working styles and work processes.		○	Ensure best practices in labor management compliance to support working style diversity and work-life balance
47 occupational accidents occurred (an increase of 10 cases from the previous fiscal year) along with 10 commuting accidents (an increase of one case from the previous year).		△	Encourage the health and safety committees at our business sites to take positive measures to further enhance occupational health and safety
We checked our subcontractors' operations as part of our internal control activities to ensure that fair business practices were in place. We also held policy meetings twice during the year.	p.37	○	Make sure that all employees in the Sekisui House Group act in compliance with our Corporate Ethics Guidelines
We achieved an average dividend payout ratio of 36.2%. The annual year-end dividend was ¥43 per share, up by ¥15. We invited shareholders to <i>Sumai no yume kojo</i> for a hands-on tour and held seminars for investors.	p.75	○	Ensure an average dividend payout ratio of at least 40% over the medium term. The target dividend is ¥50 per share; namely, a ¥25 midterm dividend and a ¥25 year-end dividend.
Our housing seminars attracted 613 participants, while 241 applications were received for our housing webinar. The Real Size Thinking competition for ecological living space design received 214 entries from 47 universities around Japan.	p.71	○	Focus on enhancing housing culture through the utilization of our facilities and expertise as a company open to the local community
Student visitors totaled 2,189 at <i>Nattoku Kobo</i> and <i>Sumai no yume kojo</i> . A hands-on agricultural program was implemented for elementary school and kindergarten children on the <i>Shin-satoyama</i> grounds. We also continued with other environmental educational programs, including an energy conservation seminar (Houseecology) and "Letters from Dr. Forest."		○	Further enhance educational initiatives through our hands-on learning and other facilities
We purchased 30,394 products made by persons with disabilities, 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. We have implemented a total of 2,269 volunteer programs, joined by 20,966 employees in total. 7 employees have taken volunteer leave.		○	Increase the activity level of social action programs through improved information sharing and dissemination
The 8th round of grant aid in the Children's Fund and Eco-Fund totaled ¥20.4 million, which was disbursed to 22 organizations. Meanwhile, 102 programs applied for the 9th round of grant aid. The cumulative sum of our aid to these funds has now exceeded ¥100 million. The Momo-Kaki Orphans Fund Program made a 3rd donation (¥12 million). The number of recipients of these funds increased by 460 from the previous year to 3,074.		○	Disburse ¥21.3 million to 27 organizations for the 9th round of grant aid under the Children's Fund and Eco-Fund; take measures to deepen understanding of the program among employees and encourage their participation
We awarded ¥19.7 million to 36 programs during FY2013. The amount of grants we have offered since the establishment of this fund totals ¥385.66 million.		○	Award ¥ 19.25 million to 33 programs during FY2014

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

Working with Stakeholders for a Better Future

As a company that contributes to society through housing construction and community development, the Sekisui House Group responds with sincerity to meet the expectations of customers and all other stakeholders, creating shared value that contributes to the building of a sustainable society.

In activity reports number 1 to 8, we detail how we are building the future with our stakeholders.

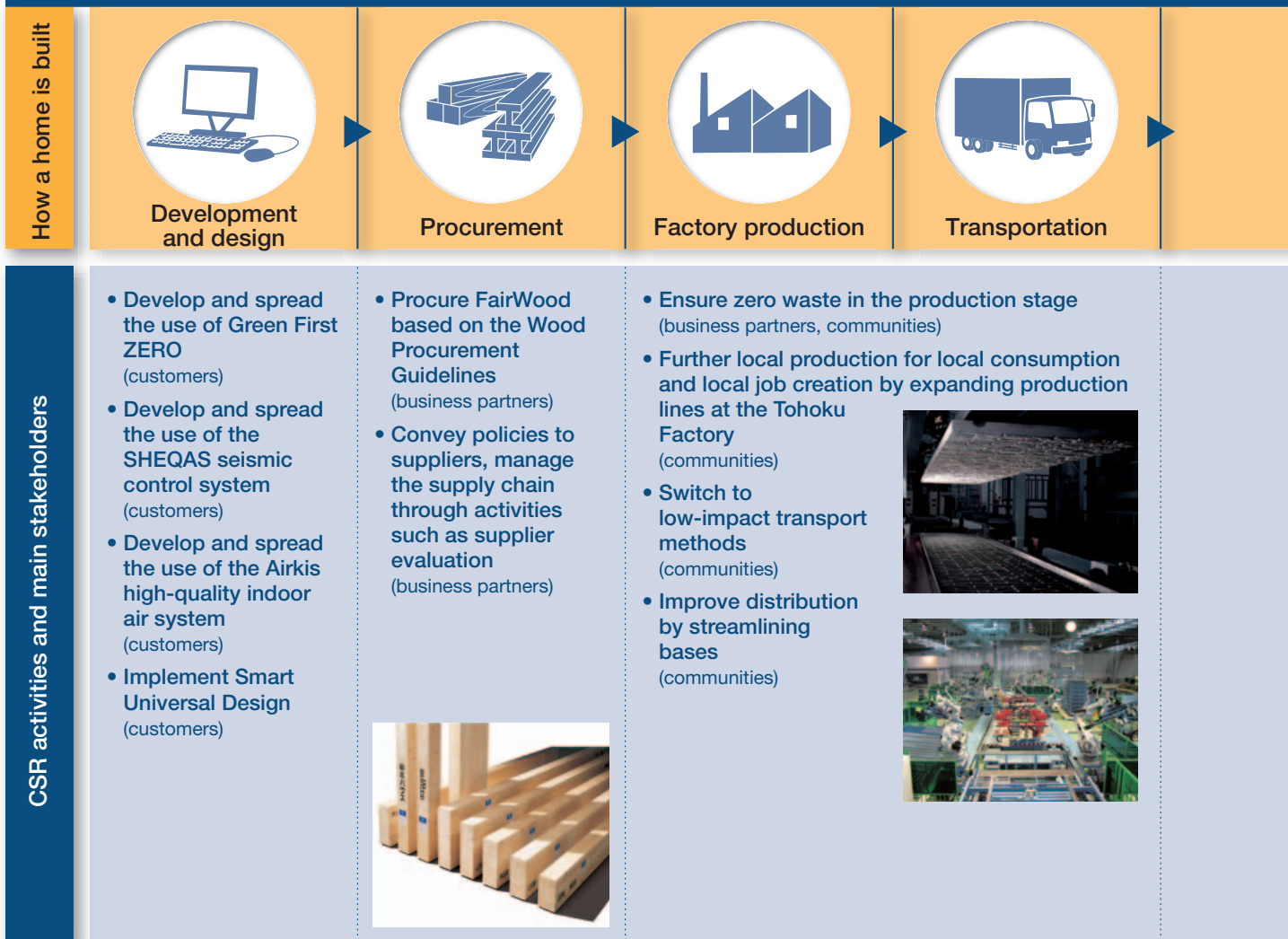
Sekisui House is a typical BtoC company that listens closely to the desires of customers, an important stakeholder group. Based on our SLOW & SMART brand vision, we make it our mission to provide one-of-a-kind homes that are comfortable, economical, and environmentally friendly. We also strive for a long and fruitful relationship with the customers who choose our homes by having roughly 10% of all our employees work in customer service centers.



The housing industry incorporates many kinds of supporting companies, and building strong ties with these partners is an important part of CSR. We make every possible opportunity for dialog with these partners in order to avoid or reduce negative impacts before they come up in the value chain. Particularly important are our partner building contractors, with whom we are united by a common destiny to achieve sustainable growth.



Sekisui House Group Value Chain



Main Stakeholders and Sekisui House Group's Responsibilities to Them

Main stakeholders	Responsibilities	Actions	See page(s)
Customers	Promote communications with customers under the "customer first" policy to ensure their valuable assets (homes) have prolonged lifespans and are long-beloved; and serve customers with sincerity and integrity to enhance customer satisfaction	<ul style="list-style-type: none"> ● Customer survey ● Regular information magazines: <i>Kizuna</i>, <i>Maisowner</i>, and <i>gm</i> ● Net Owners Club Kizuna website 	05-08 29-32 63-64 Other
Consumers	Facilitate disclosure of information, while remaining sensitive to the needs of society; and foster relationships of trust as part of our efforts to create a comfortable society and lifestyles	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 koje</i> ● Zero Emission Center ● Sustainable Design Laboratory ● <i>Kankan kyo</i> ● Housing seminars ● <i>Life Literacy Book</i> 	05-08
Business partners	Strive to conduct transactions on a fair and equal basis and foster amicable partnerships which grow together by achieving customer satisfaction	<ul style="list-style-type: none"> ● Organize network of Sekisui House Association and Sekisui House Partners' Association ● Policy meetings ● Supplier evaluations 	21-28 37
Employees	Respect the diverse individuality of employees to ensure that they can fully demonstrate their competence and achieve creative growth through meaningful work, and develop a workplace environment and programs that motivate employees at work and ensure fair treatment, thereby enhancing ES	<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 ● Governance awareness survey ● Occupational health and safety management system ● Mental health management ● Sekisui House Group internal magazine: <i>Sekisui House</i> 	33-34 73-76
Shareholders and investors	Ensure fair and transparent corporate management to maintain our value in society, with a view to further enhancing our corporate value through healthy growth and returning fair profits to our shareholders	<ul style="list-style-type: none"> ● General shareholders' meeting ● Business Report and Annual Report ● Online IR newsletter ● Shareholder special benefit programs 	75-76
Communities	Endeavor to foster local culture and enhance living standards to ensure all people enjoy happy, satisfying lives, while contributing to preservation of the global environment; strive to share fair profits with society; and cooperate with and participate in social action programs by leveraging our strength as a homebuilder active in the field of housing culture	<ul style="list-style-type: none"> ● Cooperate with Uzo Nishiyama Memorial Library NPO ● Support independence of people with disabilities ● Cooperate with Kids Design Association NPO ● Sekisui House Matching Program ● Kobe Machizukuri Rokko Island Fund charitable trust 	57-60 71-72
All stakeholders	Create shared value, ensure full compliance and eco-friendly practices, and fulfill our accountability		35-38



- Carry out ecosystem-friendly landscaping through the *Gohon no ki* project (customers, business partners, communities)
- Ensure zero waste during housing construction (business partners, communities)
- Cooperate with partner building contractors to raise quality, support operations, and improve work benefits (business partners)



- Have about 10% of all employees work in customer service centers (customers)
- Ensure zero waste during after-sales maintenance and remodeling (business partners, communities)
- Help build communities through neighborhood bonds (customers, communities)
- Improve service through an interactive HEMS (customers)
- Achieve Long-Term Quality Housing Certification through Sekisui House remodeling (customers)
- Make moving house easier through SumStock and Everloop (customers, consumers)

- Promote recycling (business partners, communities)
- Create recycling support systems (customers)

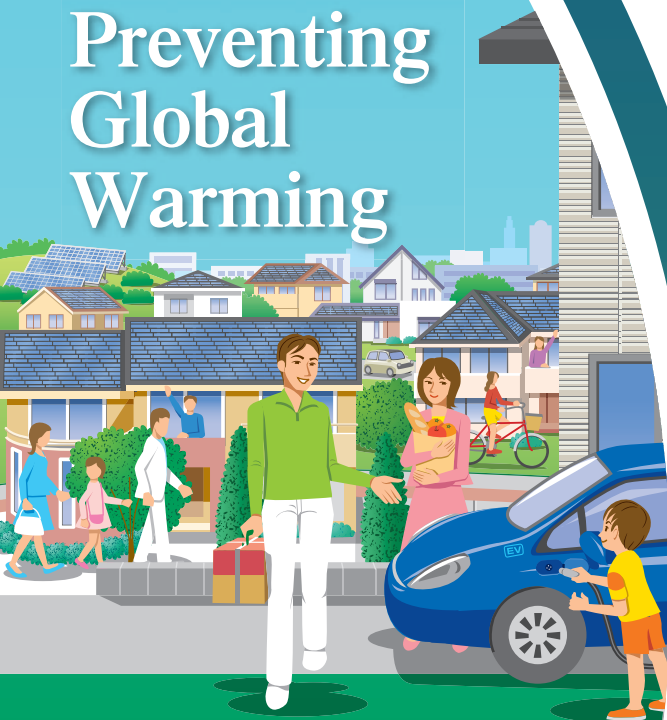


Spreading Eco-Friendly Green Way to Live in Comfort while

Activity Report

1

Preventing Global Warming



While CO₂ emissions have been falling in Japan's industrial sector, they rose by about 60% between FY1990 and FY2012 in the residential sector. There is an urgent need to reduce CO₂ emissions from the consumer sector, such as households, by making electronics products, air conditioners, water heaters, and lighting more energy efficient.

Through its main business of building homes, Sekisui House is proliferating its Green First initiative in order to help curb global warming.

Past Efforts with Stakeholders

Reducing CO₂ Emissions in Newly Built Detached Houses

Contributing to Global Warming Prevention through Green First Design

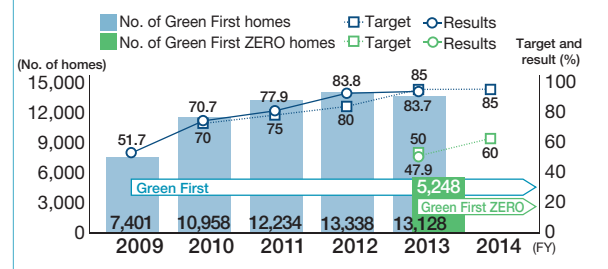
About Green First

Our Green First eco-friendly homes, which we introduced in 2009, are equipped with a highly efficient heat insulation system that meets the Japanese Energy Saving Standard 1999, as well as the latest housing features such as a photovoltaic power system, fuel cells, and a high-efficiency water heater which are combined in a manner best suited to the respective lifestyles, family structures, and site conditions of customers. By bringing the highest level of comfort, cost performance, and environmental friendliness in a well-balanced fashion, the Green First design allows residents to enjoy comfortable lives while reducing CO₂ emissions.

About 84% of new homes we have built are Green First homes. In 2013, we introduced the Green First ZERO model, which uses insulation that is about 30% more efficient than what is required under the Energy Saving Standard 1999. Green First ZERO homes enable energy-neutral living by dramatically reducing energy consumption through the use of the latest energy-efficient equipment and by creating energy through the use of solar power and fuel cells. These homes allow approximately 90% fewer CO₂ emissions compared to conventional housing.

In FY2013, Green First ZERO homes accounted for 48% of Sekisui House's contracted housing. We are aiming to raise this to 60% of detached homes in FY2014 in order to contribute to the creation of a low-carbon society.

Growth in the Number of Green First and Green First ZERO Homes



Future Efforts with Stakeholders

Stepping Up the Green First Eco-Friendly Home Initiative

Global warming is a serious problem, and Sekisui House believes that we have an obligation to reduce the CO₂ emissions originating from the homes that we build. Along with spreading Green First ZERO detached homes, it is also crucial that we make homes on which can be installed large-capacity photovoltaic power systems, which contribute to dramatic reduction of CO₂ emissions. In March 2014, we released a home on which can be installed a powerful photovoltaic power system with a 10-kW-plus capacity. We are also stepping up efforts to educate people about using solar power and reducing CO₂ emissions: we provide training for our employees and offer seminars for the general public.

We strive to build communities of homes that are comfortable

First Homes as a Reducing CO₂ Emissions



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

Four Models in the Lineup

Green First

Equipped with a highly efficient heat insulation system that meets the Energy Saving Standard 1999, and either a photovoltaic power system or Ene-Farm fuel cells.



Green First Premium

Equipped with both a photovoltaic power system and Ene-Farm fuel cells, which together bring greater comfort, economy, and environmental friendliness.



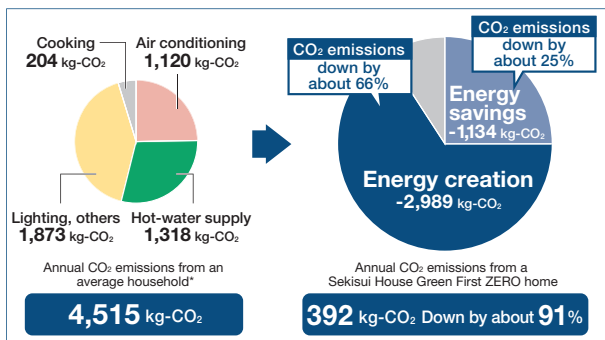
Green First HYBRID

Developed as an upgraded version of the Green First Premium model by adding storage cells. With the world's first housing design that combines three different types of cells, this model meets basic living needs even in the event of an emergency, while ensuring the same level of environmental friendliness as the Green First Premium.



Green First ZERO

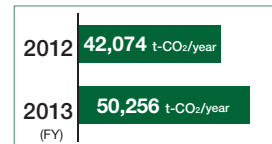
Compared to our Green First model, Green First ZERO offers higher insulation performance and more advanced energy-efficient equipment. Furthermore, it makes possible energy-neutral living and comfort in the home beyond previous models thanks to solar energy and other energy-creating equipment.



*Data is based on a four-person household (consisting of an adult man, a full-time housewife, a high school student, and a junior high school student) living in Tokyo in a house of 135 m² (of which the living, dining, and kitchen space accounts for 32 m²).

Reduction of CO₂ Emissions from Newly Built Sekisui House Detached Homes

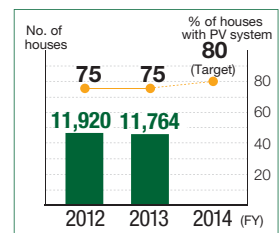
Through the Green First ZERO initiative to reduce annual CO₂ emissions generated through daily life, in FY2013 emission reductions improved by 19% compared to FY2012 levels to 50,256 tons, equivalent to the CO₂ absorbed by 3,582,000 trees.



Equal to the amount of CO₂ absorbed by 3,582,000 trees

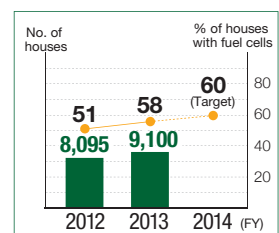
Growth in Sales of Newly Built Detached Homes with Photovoltaic Power Systems

Due to reasons such as growing public interest in natural energy sources, we installed photovoltaic power systems on 11,764 homes in FY2013, about the same level as the previous fiscal year. Thanks to the increasing number of Green First ZERO homes, the power generating capacity per home grew by 8% over FY2012.



Growth in Sales of the Ene-Farm Fuel Cell System

Fuel cells help reduce primary energy consumption in cogeneration systems and increase homeowners' energy self-sufficiency. For five consecutive years, the number of installations has increased, and in FY2013 they grew by 12% over FY2012, being used in 9,100 buildings.



and that help reduce global warming; for example, we are promoting Green First in our ready-built detached homes and Grande Maison condominiums, as well as in our renovation business. In our solar power business, we have entered the megasolar power sector as part of our effort to work with stakeholders and all Sekisui House Group companies in helping curb global warming.

VOICE

Amidst increasingly frequent weather anomalies, it is crucial that society curb global warming through greater use of energy sources that emit fewer CO₂ emissions. Sekisui House has been an early supplier of photovoltaic power systems, and they have installed more Ene-Farm fuel cell systems than any other company. They are the industry leader because they don't just simply offer the latest technologies but also earnestly work to proliferate their use. Their Green First environmentally friendly homes set an outstanding example for the housing industry, not just in Japan but around the world. Through Green First and other such initiatives, I look forward to ever more people enjoying many years of living in green, comfortable homes.



Masayuki Mae, Associate Professor
Department of Architecture, School of Engineering, University of Tokyo



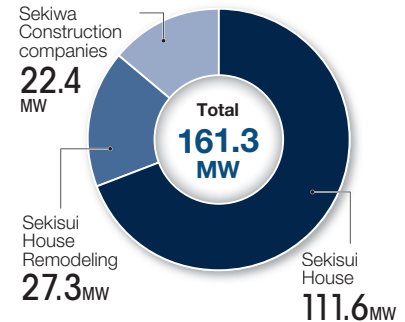
Reducing CO₂ Emissions through the

Using Group Strength to Advance Photovoltaic Power System Business

Total Capacity of Sekisui House Group Photovoltaic Power System Installations Reaches 161 MW in FY2013

Sekisui House and group companies, including Sekisui House Remodeling and Sekiwa Construction, cooperate to advance the photovoltaic power system business, which works to help reduce CO₂ emissions. Along with installations on newly built detached homes and Sha Maison low-rise rental apartments, we have retrofitted homes with photovoltaic power systems, and installed them on the roofs of large buildings such as factories and warehouses, as well as on idle land. In FY2013, we increased photovoltaic power system installation capacity by 161.3 MW, up 87% over the previous year. This is enough electricity to power about 45,000 average homes.

Total Capacity of Photovoltaic Power Systems Installed by Sekisui House Group in FY2013



Increasing Number of Installations on New Sha Maison Rental Apartments

In FY2013, the feed-in tariff system gave a boost to the Sekisui House Group with regard to its installation of photovoltaic power systems on Sha Maison apartments. Total capacity was 26.9 MW (up 96% from the previous year), and the ratio of Sha Maison Green First models to all Sekisui House rental apartments was 47.8%. The total installation capacity on newly built detached houses was 45.0 MW, up 18% from the previous year.



Fixed-installation solar panels



Roof tile-integrated solar panels

Expanding Mid-Scale Solar Projects



A mid-scale solar project makes effective use of idle land

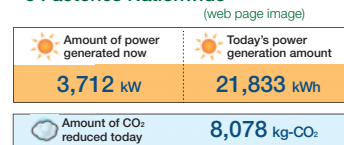
At Sekisui House, we refer to a photovoltaic power system that has a capacity exceeding 10 kW as “mid-scale,” and we are cooperating with Sekiwa Construction companies in promoting projects involving such systems. Idle land and the roofs of factories, commercial buildings, and warehouses provided space for installing a total of 43.7 MW in FY2013.

Megasolar Power Systems at Sekisui House Factories Begin Operations

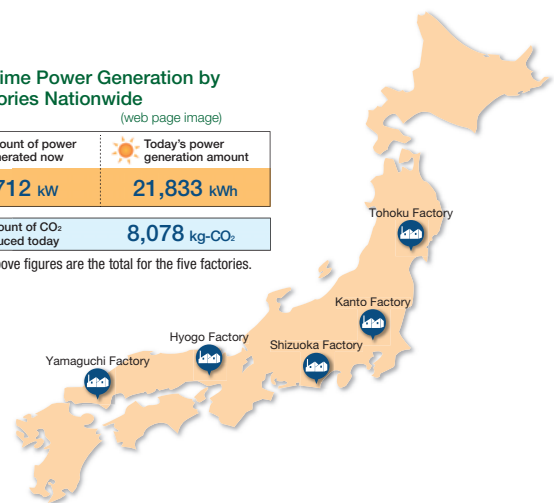
The megasolar power systems installed in spring 2013 at all five Sekisui House factories in Japan have begun operating. The systems' total capacity is 6.7 MW. The amount of electricity generated is constantly monitored and can be checked in real time, along with the amount of CO₂ reduced, on the Sekisui House website.* In FY2013, our factory megasolar power systems generated a total of 5,488 MWh.

*<http://www.sekisuihouse.co.jp/megasolar>

Real-Time Power Generation by 5 Factories Nationwide



Note: The above figures are the total for the five factories.



Sunshine Energy Yusui Project

Sekisui House is constructing a 25.8 MW megasolar power plant in Yusui Town, Aira District in Kagoshima Prefecture, Japan. The plant, named Sunshine Energy Yusui, will have a total of about 86,000 solar panels installed on a site area of roughly 136 hectares. Construction work is steadily underway, with operations slated to begin in 2015.

Collective Power of the Sekisui House Group

Various Efforts Aimed at Creating and Saving Energy

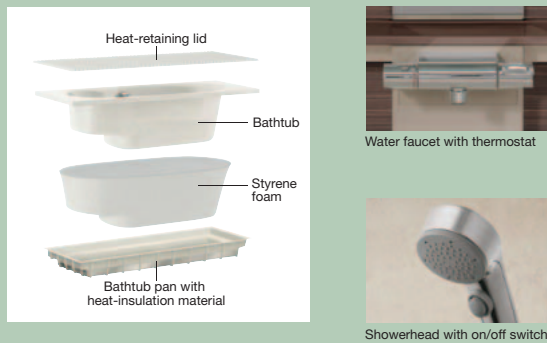
Creating and Saving Energy through Green First Remodeling Projects

Sekisui House Remodeling offers owners of our houses a remodeling service to ensure their homes are comfortable, economical, and environmentally friendly. Photovoltaic power systems, high-efficiency water heaters, window and door insulation, and other remodeling features enable energy creation and energy savings in the home.

Notably, FY2013 saw an increase in energy-efficient bath fixture remodeling, which involves installing a set of three energy-saving devices: a bathtub with higher thermal insulation, a water faucet with a thermostat, and a showerhead with an on/off switch. We completed 4,658 remodeling jobs—an increase of 33% over the previous year.

The company's remodeling proposal has been chosen as a housing/building energy-saving remodeling project for FY2013 by the Japanese government, and we are pushing forward with making houses more energy-efficient and barrier-free (see p. 63). We are also keeping up our original long-term quality housing support program to increase the number of Green First Remodeling houses.

Energy-Efficient 3-Device Bath Fixture Set



Grande Maison Komae, an Energy-Creating Green First Condominium

The 524-unit Grande Maison Komae—located in Komae City, Tokyo—is Japan's first condominium to have a solar thermal gas water heater system and a gas cogeneration system. This double energy-creating system provides comfort, economic efficiency, and environmental friendliness. The building also has in place disaster preparedness measures, and it is the first condominium to be certified as Tokyo LCP (Life Continuity Performance) Housing by the Tokyo metropolitan government.

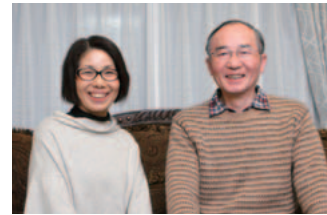


Around the entrance

VOICE

Well-Thought-Out Measures Ensure Comfort

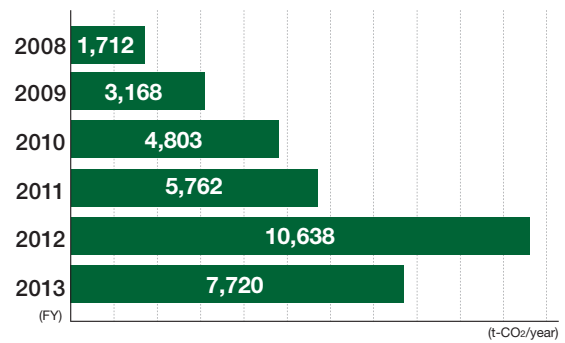
By installing insulation in the attic and the walls and switching to double-layered window glass, it's cooler in the summer and warmer in the winter. We also installed a photovoltaic power system. We are satisfied with the well-thought-out remodeling, including the switch to sliding doors in case we need to use a wheelchair in the future.



Mr. and Mrs. O, Kanagawa Prefecture

Remodeling options for energy creation and energy savings	Results for FY2013
Photovoltaic power system installations	3,634 cases
Energy-efficient bath fixtures	4,658 sets
Window and door insulation	42,278 m ²
Eco-Jozu (latent heat recovery gas water heater system)	3,472 units
Eco-Cute (CO ₂ heat pump water heater system)	925 units

CO₂ Emission Reductions through Energy-Creating, Energy-Saving Remodeling*



*Results by Sekisui House Remodeling

Ongoing Efforts in the Workplace to Reduce Electricity Consumption during Summer and Winter

Since 2011, the Sekisui House Group has been striving to save electricity during the peak seasons of summer and winter. We continued these efforts in 2013 at all company offices and model homes, with the goal of surpassing the electricity saving rate set by electric power companies. As a result, we achieved a 24% reduction during summer and a 19% reduction during winter (preliminary figure), both compared to FY2010 levels. Awareness of energy savings has taken root across the entire group and we are making steady progress.

In May 2014, in an effort to share electricity-saving awareness with customers, we recommended growing bitter melon vines as a "green curtain" creating natural shade for the home.

Gohon no ki Project Reaches

Activity Report

2

Restoring Ecosystems



It is said that it takes at least a decade for an ecosystem to return to its original state. In restoring ecosystems, tangible results are hard to see and economic benefits are not immediately visible. That is why we need a biodiversity action plan that enables ongoing efforts over the long term. Sekisui House has placed the *Gohon no ki* landscaping concept, which draws inspiration from the *satoyama* environment, at the root of our exterior construction business since 2001. We have also been creating gardens and community environments that give consideration to biodiversity.

We believe there's more to creating a sustainable society than simply planting trees; we also need to consider the quality of those trees, plan a biodiversity project centered on indigenous species, foster biodiversity specialists, and maintain an ongoing approach.

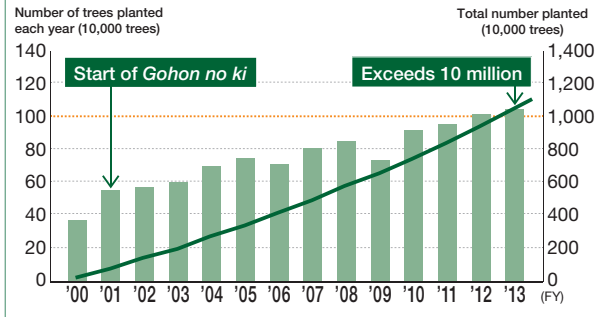


GE training (soil improvement)

Past Efforts with Stakeholders

Extending *Gohon no ki* from a Single House to the Entire Community

Number of Trees Planted Each Year and Total Number Planted



Sekisui House believes a good home is complete only when a house and a garden come together as an integrated whole. That is why we formulate an outdoor facility/landscaping plan together with the design of the house and implement the *Gohon no ki* concept when creating gardens for detached houses and community environments for large condominium projects. This concept is given form in our rental housing as well, as the Sha Maison Gardens, where both owner and tenant can benefit from beautiful greenery. The *Gohon no ki* concept is the underlying principle for the exterior planning of Sekisui House's condominium development projects as well.

Thanks to positive responses from our customers, on December 31, 2013, the *Gohon no ki* project reached the milestone of 10 million trees—the number planted since 2001, when the project was launched. The annual number of trees planted first reached one million in FY2012, with this number growing to 1.06 million in FY2013.

We will lead the housing industry in its biodiversity efforts, as we extend the *Gohon no ki* concept from single houses to the entire community and to society.

Future Efforts with Stakeholders

Developing Green Specialists to Make the World Greener

To maintain the 10 million trees planted so far and to further increase the amount of greenery, we need to boost the skills of employees in charge of exterior construction work. Sekisui House has a system for developing greenery specialists called Green Experts (GE). As well, the company conducts high-level training.

In 2013, 20 people were certified as GEs, and they now play an active role across the nation. This brings the total number of GEs within the Sekisui House Group to 65, of which 14 are officially certified as arborists. This number is among the largest for a single corporate group in Japan. GEs do more than simply add greenery to urban environments; they also work to achieve a high level of greenery that takes Sekisui House's concept of biodiversity into consideration.

10-Million-Tree Milestone

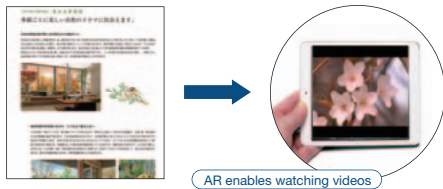


We will continue our concerted efforts toward restoration of ecosystem networks.

Garden Tree Select Book Revised



The *Garden Tree Select Book* is a booklet filled with photos describing the relationship between plants, birds, and butterflies. We revised the booklet to provide readers a fun approach to a SLOW & SMART way of life. It now contains an augmented reality (AR) feature, in which readers scan information embedded in photos and then access videos.



AR enables watching videos

Gohon no ki Wild Birds Website Smartphone Version

The mobile phone website was revised to enable access via a smartphone. Users can learn about nature and the environment in a fun, entertaining way.

Smartphone site

- 24 bird species (including birdcalls)
- 24 butterfly species
- 92 tree species

Access
<http://5honnoki.jp>

Making More Sha Maison Gardens

Sha Maison Gardens is based on five new environmental indices: (1) harmony with the townscape, (2) preservation and regeneration of the natural environment, (3) low environmental impact, (4) design that enhances comfort, and (5) design that brings safety and peace of mind.

Design proposals for exterior construction work are made in conjunction with the overall building design, in line with the *Gohon no ki* concept. Rental housing with lush greenery enhances the living conditions of the tenants, while the owner can minimize vacancies, prevent a decline in rent, and boost asset value. In this way, Sha Maison Gardens is contributing to the increasing number of planted trees.

VOICE



I love plants, so I try to convey the benefits of greenery to owners in a concrete way. Having plants and trees nearby hones your senses to the change of seasons. It feels good to feel the sunlight filtering through the leaves. You can feel the joy of seeing flowers bloom, smell their various scents, and see birds and insects gather around.

Plants and trees give us added value in our daily life. By talking about such benefits, the owners' and tenants' fondness for plants and trees grows and their negative outlook on having to care for the trees and to deal with pests changes as well. They become aware of the benefits of a rich lifestyle brought about by plants and trees. I hope to make communities even greener and create an environment that's comfortable for both tenants and everyone else in the community.



Hiroshi Kurokawa
Exterior Designer,
Sekisui Construction Kanagawa

Making Multistory Urban Dwellings Green

Three or four-story housing is growing in demand as more and more people seek ways to make effective use of their land or to adapt to changing lifestyles. Many urban housing premises have no extra space for planting trees and struggle with greening planar surfaces. To solve this problem, Sekisui House proposes greening the vertical planes of houses, such as the walls, so that residents can enjoy the views and the soothing effects of greenery even on upper floors.



A model home in Shibuya, Tokyo, with wall greening

Wall of Hope Completed

In response to an idea from renowned architect Tadao Ando, Sekisui House built a gigantic green monument called the Wall of Hope. It was completed in October 2013 in Shin-Umeda City in Osaka, where our head office is located. Measuring 9 meters high and 78 meters in length, this wall is carefully covered with about 100 species or 20,000 plants, trees, and flowers. Our wish is that, together with the *satoyama* garden on the same premises, the Wall of Hope will grow to be a popular attraction for visitors and locals alike.



The Wall of Hope and the Umeda Sky Building

Building Self-Supporting Beyond Energy Sustainability

Activity Report

3

Building Local Communities



A safe and secure community is what everybody wants. The Great East Japan Earthquake reminded us of the importance of community bonds and mutual support during times of disaster or misfortune. Sekisui House has been developing community projects called Common City, in which residents can share common values. We are advancing this initiative even further, as we reaffirm the importance of community building.

Past Efforts with Stakeholders

Advanced Technologies and Community-Building Support



Green First HYBRID homes, which employ three types of power supply cells, surround the cul-de-sac. Even during a blackout, this space can be lit up. In times of emergency, the open space serves as an evacuation site for residents.

Japan's First Smart Town— Smart Common City Akashidai— Is Now Home to 153 Families

Smart Common City Akashidai (located in Tomiya Town, Kurokawa District, Miyagi Prefecture) is a community of smart houses that are furnished with state-of-the-art technologies for saving, creating, and storing energy and resisting earthquakes. Here in Japan's first "smart" town, sales of houses and lots began in February 2012. The town is designed to achieve self-sufficiency in energy and to serve as a disaster response base during emergencies.

To develop comfortable living environments and strengthen disaster preparedness and crime prevention, it takes more than just technology; it requires building a self-sustaining community. Sekisui House supports community events that facilitate the development of neighborhood bonds, but the residents' association plays the leading role. Sekisui House backs up the events by assisting in planning, making preparations, and covering costs. With the help of the local municipal government, fire department, and the local JA (Japan Agricultural Cooperative), our community building is an integrated effort that involves the entire local community.

Future Efforts with Stakeholders

Strengthening Community Bonds Is Necessary for Business Continuity

Smart Common City Akashidai is home to 568 people in 153 households (as of February 28, 2014), but is still only halfway to being a full-scale community. Sekisui House's plans at present are to make a town of 2,600 people in 699 households.

Strengthening community bonds is essential if we are to continue our business and to make a town that is loved not only by the residents but also by others in the local region. The key player in this effort is the residents. Sekisui House will continue its activities supporting residents in making their community one that is cherished by everyone; one that, in the event of a disaster, provides aid to residents in surrounding communities and that can expect the same in return.

“Smart Town” Communities That Go

Supporting Community Resident Events

Community Events at Smart Common City Akashidai in FY2013

- ① **Onion harvesting, June 2**
Co-sponsored by the JA, onions were harvested on a rented field.
- ② **Flower arrangement class, June 23**
- ③ **Fall festival, July 15**
The fee for making the *mikoshi* (portable shrine) was provided by the Sekisui House association of construction companies and the residents' association.
- ④ **Potato digging, August 21**
Co-sponsored by the JA
- ⑤ **Disaster drill, September 1**
Assistance from the Tomiya Branch of the Kurokawa Fire Department
- ⑥ **Potato stew get-together, November 12**
Co-sponsored by the JA
- ⑦ **New Year rice-pounding festival**
196 people from 59 groups participated.



bond-building events.

When holding these community events, Sekisui House makes sure that the dates do not coincide with school vacations or events, so that as many people as possible can participate. Sekisui House's Sendai Kita branch, which is in charge of the design, selling, and management of Smart Common City Akashidai, handles the planning and running of these events.



Sekisui House shares the wishes of the residents in making their community a cherished one, in which members can share values such as an attractive townscape, the healthy growth of their children, fond memories, and an attachment to where they live. Residents who have experienced the earthquake know in their hearts what is necessary in times of such disasters. That's why many of them eagerly come together to participate in neighborhood

VOICE

Making Steady Progress in Building a Community Focused on Neighborhood Bonds

I rate Sekisui House highly for their decision to start in 2010, ahead of the Great East Japan Earthquake, on a community development project that took disaster preparedness into consideration. Thanks to Smart Common City Akashidai, the town of Tomiya has become a place where people affected by the tsunami have come to settle. Our population is steadily rising, and Tomiya is sure to be given city status in two years.

Smart Common City Akashidai has become a lively and vibrant center in the Tomiya area. The fact that in April 2014, the 45th residents' association in our town was established in Smart Common City

Akashidai means that community building with an eye to creating neighborhood bonds is steadily making progress.

More than anything, I am delighted that Sekisui House's Smart Common City Akashidai project is, in itself, a valuable post-earthquake reconstruction effort and that I hear words of high satisfaction from the residents. Tomiya town is working to invite more such community projects in the area, and I look forward to Sekisui House's understanding and support in the future.

Hidetoshi Wako, Mayor of Tomiya



Supporting Local Culture and Spreading

The Ritz-Carlton, Kyoto—Environmentally Friendly and Blending in with the Local Landscape

The Ritz-Carlton, Kyoto opened in February 2014.

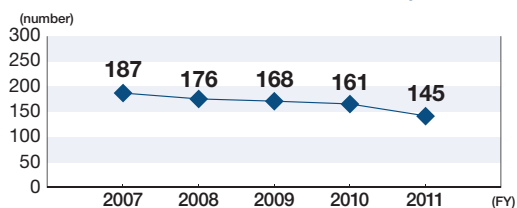
Sekisui House led the project in developing this luxury hotel in Kyoto, an international tourist destination.



In an increasingly globalized world, international conferences play an important role in making global decisions in the political, economical, and academic arenas. Unfortunately for Kyoto, the number of such conferences held in the city has declined in recent years. One reason for this is the limited number of five-star luxury hotels suitable for hosting major international conferences. The Ritz-Carlton, Kyoto hopes to solve this problem.

Built on the banks of the scenic Kamogawa River in an area close to the famed sightseeing spots of Kiyomizudera temple and other notable places of interest, this five-star hotel is considered an ideal venue for international conferences. The hotel also aims to become a place where overseas visitors and the citizens of Kyoto can enjoy fruitful exchanges.

Number of International Conferences Held in Kyoto Prefecture



Definition of international conference:

A conference hosted by an international authority or organization or a national authority or organization, and one that fulfills the following conditions:

- Number of participants is 50 or more
- Number of participating countries is three or more (including Japan)
- Duration is at least one day

Source: Kyoto Convention Bureau

Exterior Design Harmonizes with the Surroundings

With Sekisui House as the primary contractor, the Ritz-Carlton, Kyoto was built on the former site of the Hotel Fujita Kyoto, on an area covering roughly 5,940 m². The new hotel opened in February 2014, boasting 134 guestrooms and a floor area of 24,600 m².

The city of Kyoto has strict architectural regulations for preserving an aesthetically pleasing urban landscape. To comply with the city's height limit for buildings, Sekisui House built about half of the hotel's facilities underground. We took great care in minimizing any sense of being underground by letting in natural sunlight—this was achieved by eliminating the ceilings in certain multi-floor sections—and by creating an areaway with a waterfall.

The building exudes a sense of traditional Japanese architectural design, seen in such features as overlapping roofing and an echelon formation for rooms. It also has a courtyard to minimize the impact on surrounding buildings. By fusing Japanese tradition and modern Western style, the hotel's design blends in naturally with the historic surroundings.



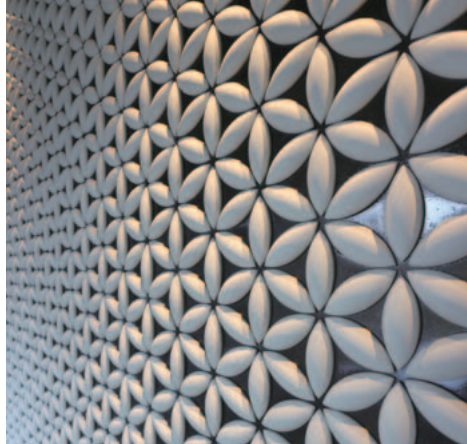
Exterior design based on Japanese traditional architecture

Japanese Culture Worldwide

Cloakroom decorated with *nishijin-ori* tapestry



Lobby wall fitted with white tiles



Guestroom door featuring a traditional Japanese pattern



Outline

- Location: Nakagyo-ku, Kyoto
- Site area: 5,937.28 m²
- Floor area: 24,629.66 m²
- 5 stories above ground, 2 stories underground; reinforced concrete, steel-reinforced concrete (portion)
- Guestrooms: 134



Lobby lounge with a Japanese flavor



Inside La Locanda (Italian restaurant) is a restoration of the Ebisugawa Residence



Environmentally Friendly

Various materials and environmental technologies are used to make this hotel environment-friendly. One example is the use of well water, a low-impact material, as a refrigerant in the air conditioning system. Another example involves the release of water used to treat heat sources into grey water channels rather than into the sewage system, in order to lessen drainage volume into the sewers.

From the lobby and guestroom windows, visitors can enjoy scenic beauty and vegetation in all four seasons. The building and garden harmonize as one, bringing to mind Sekisui House's concept of "slow living," whereby indoor and outdoor areas blend seamlessly together.



These stones were used in the Hotel Fujita Kyoto

Transferring a Historical Property

The Ebisugawa Residence, which was located on the former premises of the Hotel Fujita Kyoto, was a high-grade construction from the Meiji era in the *shoinzukuri* style of traditional Japanese architecture. It was owned by Denzaburo Fujita, a prominent figure in the Japanese business world. A portion of this historical building was transferred inside the hotel's Italian restaurant. The residence's building components, such as zelkova timber, gold ornaments, and earthen walls, which are hard to come by these days, have been reused to bring further appeal to the hotel.

Kanji Nomura, a garden designer who created the Japanese garden at Expo 2005 Aichi Japan, supervised the hotel's garden designs.

Sekisui House and the Ritz-Carlton Hotel Company, LLC are contributing to the local community through the construction of this luxury hotel, so that it can match the historical ambience of Kyoto, an international tourist destination. It is our hope that the hotel will be loved by generations to come and will add new value to Kyoto, as a base for spreading Japanese culture worldwide.



An old stone lantern transferred to the hotel entranceway

Building a Recycling-Oriented Society Making Houses Last Longer

Activity Report

4

Building a Recycling-Oriented Society



The Sekisui House Group has numerous construction products underway at various locations around Japan. We manage construction waste from those sites at an advanced level, and we are enhancing our risk management efforts in dealing with inappropriate waste disposal.

We strive always to minimize waste generation. Regarding the waste that is an inevitable byproduct of construction, we consider it our social responsibility to use it effectively and recycle it as new resources. As such, we conduct zero-waste activities and have other systems in place for resource recycling.

We also ensure our homebuilding projects consume a minimum amount of limited resources by prolonging the lives of our houses, remodeling houses to address changes in homeowners' lifestyles, and renovating existing houses.

Past Efforts with Stakeholders

Selecting the Best Available Technology from an Economical Perspective

Effective Use of Limited Resources

The Sekisui House Group leads the industry in properly managing the waste that is an inevitable byproduct of construction. We ensure compliance and minimize risks associated with illegal dumping by operating our own waste disposal management system. This includes dealing with waste from the demolition process, improving the functions of our electronic manifest system, and streamlining procedures needed for complying with environmental laws and regulations.

With the concerted efforts of the entire Sekisui House Group, we have achieved zero waste* at each stage of the housing process; namely, production, construction, after-sales maintenance, and remodeling.

We have also stepped up our initiatives in building a recycling-oriented industrial system; for example, by developing products made from recycled materials and introducing a system for measuring and controlling the amount of waste using IC tags.

By considering factors such as the optimum use of materials, we are making steady progress in an economically feasible way. In the future, we will strengthen efforts conducted jointly with our suppliers and build a network for the effective use of resources.

*Sekisui House defines "zero waste" as eliminating waste sent to landfill disposal as well as eliminating waste incineration that involves no heat recovery.



Ritto Resource Management Center

Future Efforts with Stakeholders

Reducing Waste when Building Low-Rise Rental Apartments

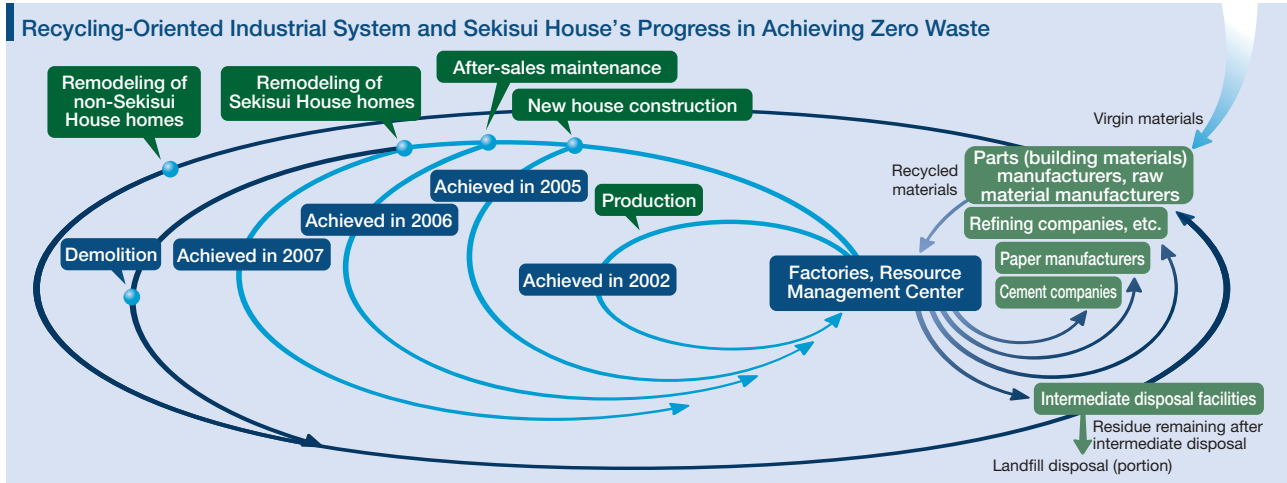
In February 2013, Sekisui House began incorporating into newly built low-rise rental apartments plasterboards and ALC floorboards that were processed beforehand at our factories. This has enabled shorter construction times and reduced waste at construction sites. We will work on making further improvements to our construction methods to achieve even greater waste reductions.

For the future, Sekisui House plans to apply these construction methods to other housing models in order to reduce construction time and waste and even to solve shortages in construction workers and save on resource consumption.

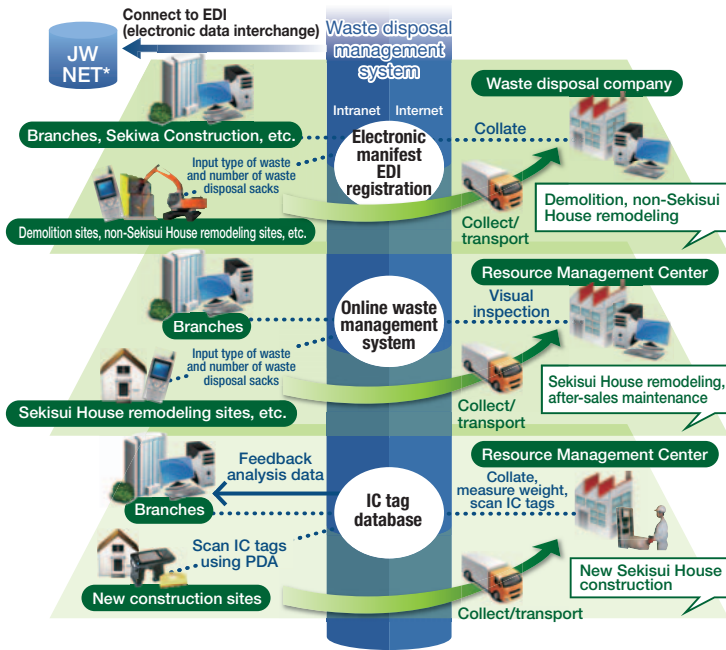
Industrial System Aimed at



We will promote resource recycling to the fullest extent.



■ Sekisui House's Waste Disposal Management System



*JW-NET is an electronic manifest system operated by the Japan Industrial Waste Information Center, as stipulated by the Japanese Waste Management Law.

■ Developing Products Made from Recycled Materials

In order to reduce waste and make effective use of recycled materials, Sekisui House has developed these environmentally friendly products:

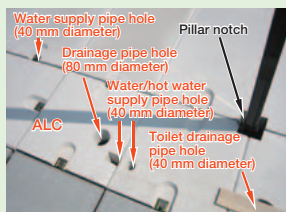
- ① Field chalk, made by mixing waste plasterboard with egg shells that have been washed and dried;
- ② Vibration-absorbent flooring that uses pulverized waste roof tiles as filling material;
- ③ Housing building components (battens for holding roof tiles) made from waste resin.



Field chalk

Vibration-absorbent flooring

Battens for holding roof tiles

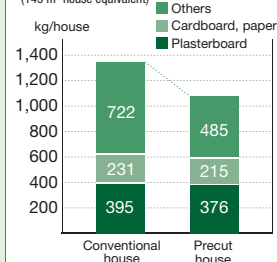


Pre-processing of piping holes in flooring

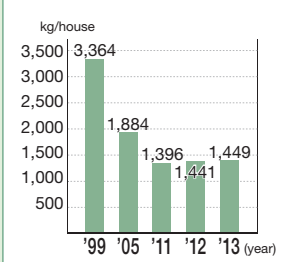


Installing a precut piece of plasterboard as boundary wall for an attic

Comparison of Waste Volume in Precut Houses and Conventional Houses (145 m² house equivalent)



Waste Volume per Newly Built House (145 m² house equivalent)





Support and Technical Assistance for

Delivering “Comfortable Living—Now and Always” through Higher Quality and Longer Life

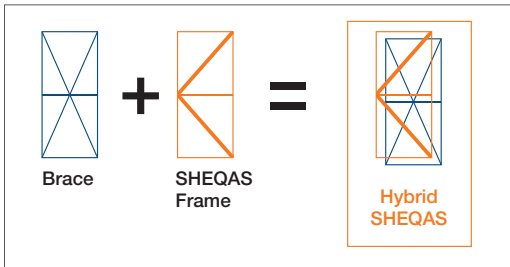
Hybrid SHEQAS Brings an Even Higher Level of Earthquake Resistance

Our houses employ earthquake-proof, seismic-control, and seismic-isolation designs to give them strong structures that withstand earthquakes. Of special note is SHEQAS, 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.



SHEQAS seismic control system

We also developed Hybrid SHEQAS, a structural component that combines a steel-frame brace with a SHEQAS Frame (a Sekisui House original seismic control wall). We began incorporating Hybrid SHEQAS into two of our main steel-frame house models in October 2013. 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.



Structure of Hybrid SHEQAS

Receiving Grants for Energy Saving Remodeling

A remodeling proposal by Sekisui House Remodeling was chosen as a housing/building energy-saving remodeling project for FY2013 by the Japanese Ministry of Land, Infrastructure, Transport, and Tourism. The Japanese government covers one-third of the costs incurred by private companies when they remodel houses into energy-efficient, barrier-free, or earthquake-proof ones. By so doing, the Japanese government is pushing forward with a policy of improving the energy efficiency and other aspects of existing homes and other building stock. To receive grants, one of three types of energy-saving remodeling work is mandatory. Grants are also provided for additional non-mandatory barrier-free remodeling. Under this subsidy program in FY2013, Sekisui House Remodeling performed remodeling work on 277 houses across the country.

Using iPads to Offer Meticulous Support

Customer service centers in 100 locations (operated by 30 offices) around Japan provide after-sales support in the form of house repair work, remodeling, advice on housing issues, and other ways of meeting the various needs of homeowners.

In May 2013, an iPad tablet PC was supplied to each customer service center staff member as a tool to aid in giving customers easy-to-understand visual explanations of after-sales services. As a result, less time is needed for paperwork and more time is spent face-to-face with customers. In addition, the work schedules of each staff member are shared within the organization, resulting in speedier responses to customer inquiries and requests.

In times of emergency, these IT tools will be used to confirm customers’ safety and the degree of damage to buildings, thus contributing to smooth post-disaster reconstruction efforts. We will step up our iPad support system so that customers can live in their homes in comfort over the long term.

Sekiwa Construction Meets Various Needs

The Sekiwa Construction Group, comprising 20 companies across Japan, is a group of construction companies under the auspices of Sekisui House. Through remodeling, construction of wooden-frame housing, exterior construction work, and other businesses, Sekiwa Construction is building homes that save energy and contribute to curbing global warming. A high level of technical expertise, know-how, and a nationwide network enable Sekiwa Construction to reliably support our customers.

Type	Energy saving remodeling		Barrier-free remodeling
	Mandatory	Non-mandatory (option)	Non-mandatory (option)
A	Insulation on windows in all rooms + Insulation on ceiling for entire house 	Wall insulation 	Handrails
B	Insulation on windows in all rooms + High-efficiency water heater 	Floor insulation 	Even floor level
C	Insulation on all windows in living room, dining room, and kitchen + High-efficiency water heater 	Floor heating system + Floor insulation 	Widening doorways, hallways, etc.
		Insulated bathtub 	Elevator
Max. grant amount:	500,000 yen/house		250,000 yen/house

*500,000 yen/house for energy-saving remodeling plus 250,000 yen/house for barrier-free remodeling, for up to a total of 750,000 yen/house

Long-Lasting Homes

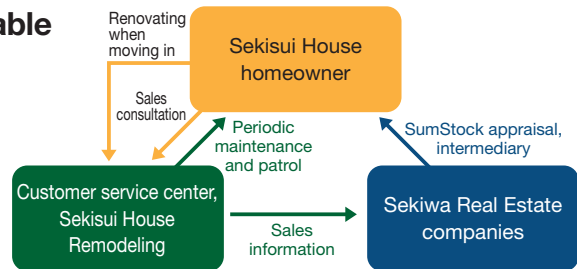
Bringing Quality Housing Stock to Market

Making Quality Housing Stock Widely Available

There is a growing need for society to shift from a “flow” type society of mass production, mass consumption, and mass destruction to a “stock” type society, in which valuable social capital is shared over the long term.

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 was established in July 2008 with nine housing manufacturers, including Sekisui House. It is now a group of 10 companies, headed by Sekisui House Chairman Isami Wada.

The association has created a definition for high-quality housing stock, which it terms “SumStock”. Under a new appraisal method adopted by all member companies, 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

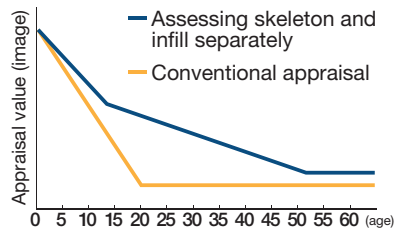


greater number of high-quality SumStock houses to market.

The Sekisui House Group 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. We employ 280 association-certified SumStock salespersons who work to promote the adoption of SumStock houses. In FY2013, we assessed 455 houses and made sales contracts for 181 houses.

A House's Value Is Assessed Properly 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.



VOICE

Appraisal Was Clear and Convincing

When it came to selling the house we'd been living in for 15 years, we contacted Sekiwa Real Estate. We often see flyers from real estate agencies that only show the total appraisal value. We were unsure of the appraisal criteria on those flyers and that worried us. But a SumStock appraisal was detailed in terms of assessment items and very clear. They properly assessed things such as the floor plan and insulation, and they made us feel safe in selling our house. And we would like to say thank you to Mr. Watanabe at the customer service center for helping us to keep our house in top shape.

Mr. and Mrs. M, Chiba Prefecture



What Is a SumStock House?

(Source: Provision of Quality Housing Stock Association website)

- 1 One for which historical data is available in order to conduct appropriate maintenance. One that is covered by—and maintained in accordance with—a program that prescribes maintenance and repair for 50 years or more (i.e., a long-term maintenance/repair program).
- 2 One that has a certain level of earthquake resistance and that has been maintained according to the long-term maintenance/repair program.

- 3 Other houses that fulfill the above conditions.



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.

The Japanese government recently announced a taxation

reform to reduce the registration license tax pertaining to the resale of renovated houses. This is expected to spur efforts in the housing industry to extend the life of housing.



Providing Housing That Offers Living Environments

Activity Report

5

Coping with Changes in Social Structure



In a rapidly aging society with a declining birthrate, it is crucial that we secure housing for the elderly that can facilitate the delivery of services in coordination with outside health and nursing care providers. In 2012, Sekisui House launched CELEBLIO, the Japanese housing industry's first assisted living complex model. By making use of our 30-plus years of experience in rental housing management and by supporting enhanced coordination with health and nursing care providers, these homes enable residents to live rich and fulfilling lives. Thanks to the availability of grants and tax benefits, building such homes has become an attractive option that provides an effective and socially responsible way to utilize land.

Past Efforts with Stakeholders

Contributing to Local Communities through Land Utilization

Housing Where the Elderly Can Live with Peace of Mind

In Japan, the population of senior citizens is expected to surpass 35 million in 2025. As the number of elderly single- or two-person households increases, there is growing concern over the shortage of nursing care services. Given that the aging population trend will continue into the future, we need to respond swiftly in meeting needs related to nursing care.

Assisted living complexes for senior citizens have become one solution in Japan. These homes provide the elderly with a place to live that incorporates barrier-free designs and offers support through coordination with outside health and nursing care providers. Elderly residents can live with peace of mind in such rental housing, enjoying services that include safety confirmation and consultations.

Sekisui House took the lead in the industry by launching the "lifelong housing" concept in 1984. We have since analyzed the way elderly people live based on the countless number of housing units we have provided over the years. This has enabled us not only to develop human resources in various specialized fields, but also to establish standards and an in-house certification for universal design. Taken together with other related efforts, these achievements have won us high praise from society.

In September 2012, Sekisui House introduced the CELEBLIO assisted living complex for senior citizens—a first in the Japanese

Future Efforts with Stakeholders

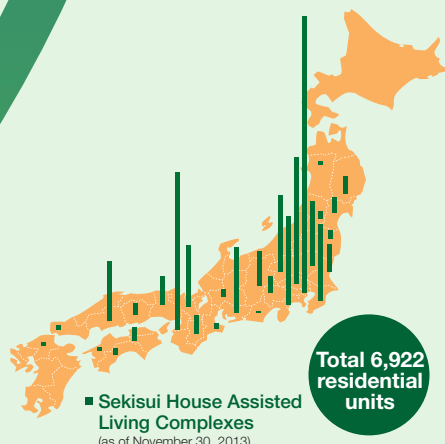
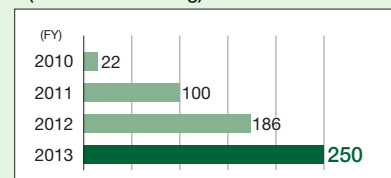
Covering the Expanding Market with Product Development Strengths

Developing Assisted Living Complexes in Cooperation with Health and Nursing Care Providers

The Japanese government is promoting the construction of assisted living complexes for senior citizens, with the goal of having 600,000 residential units by 2020. In addition to construction grants, there is also a tax benefit to push this initiative.

Sekisui House is developing various

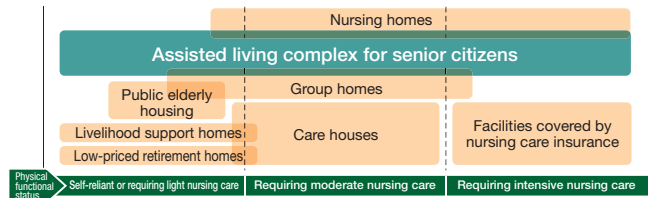
Total Number of Housing for the Elderly (incl. rental housing)



Senior Citizens Higher-Quality

housing industry. CELEBLIO incorporates our know-how in building homes and facilities for the elderly, along with our research achievements in universal design.

■ Positioning of Elderly Care Housing and Facilities in Japan (not including home care)



CELEBLIO Study Case



Universal design is incorporated everywhere possible

VOICE



Mr. I (owner, right) and his eldest son, Kyoto Prefecture

The owner of this CELEBLIO building, Mr. I, is 96 years old. Still full of vigor, he is able to walk unassisted to the local train station. He built a CELEBLIO facility on his land because he wanted to make a place where elderly people like him could live with peace of mind. Collaborating with a local medical institution further helped to fulfill his wish of giving back to society. Mr. I is also pleased that the easily accessible location enables children and grandchildren to make frequent visits. Within two months of completion, all 40 rooms have become occupied. Now we can hear the sound of merry laughter coming from the dining hall.



Daisuke Yanagi (left), sales; Mayumi Tanaka, architect; Keijina Sha Maison Branch

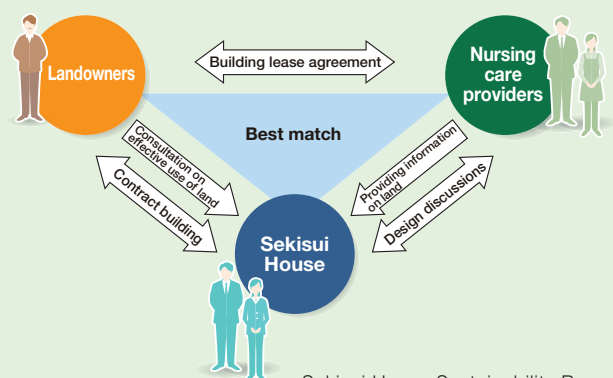
types of assisted living complexes, including homes that have units with a large floor area for people who are self-sustainable; homes that are visited regularly and as needed by nursing care staff; and homes attached to small-scale multi-purpose nursing care facilities. We are stepping up our efforts to provide new forms of rental housing in which senior citizens can enjoy an independent lifestyle without any worries related to living alone or receiving nursing care in the near future—a lifestyle of comfort and peace of mind that is the nearest thing to living in one's own home.

Meeting Various Needs of Landowners in Cooperation with Nursing Care Providers

Sekisui House has a proven track record in building nursing care facilities and we have partnerships of trust with numerous nursing care providers. In order to build quality facilities at optimum locations, Sekisui House listens carefully to landowners' requests in utilizing their land and matches these with nursing care providers who are searching for land to build their facilities on. Our network of reliable nursing care providers brings out the highest value of a landowner's land.

Nursing Care Business Can Provide These Benefits in Land Utilization

- Locations that are not generally considered suitable for building rental housing, such as those that are far from a train station, can nevertheless be suitable for nursing care facilities.
- Because the nursing care business is a different form of land utilization than conventional rental housing, landowners can spread management risk by incorporating both types of housing.
- Landowners can choose from two systems: a land-only lease agreement; or a sublease agreement that covers both land and building(s).



Pursuing Sustainability in the Global Market

Activity Report

6

Developing Overseas Business



Sekisui House's International Business Department was established in May 2008, with the aim of contributing to raising housing standards around the world by combining our housing technologies accumulated over the years with the cultures and customs of overseas regions.

Following an initial large-scale community development project in Australia, we are also supplying housing in other markets, such as China, Singapore, and the U.S. Our proprietary housing and environmental technologies are receiving high marks around the world, and we are committed to spreading Sekisui House housing and community development projects worldwide.

China

We are pursuing the development of sustainable housing and community development projects that incorporate environmentally friendly designs and our community-building concepts, all the while valuing Chinese traditions and the local climate and culture.

Shenyang ●

Wuxi ● ● Taicang
● Suzhou

Singapore

We are taking part in six joint projects with local development partners. These projects are eco-friendly sustainable communities that incorporate added value, which we have developed in our domestic operations.

● Singapore

Australia

Condominium and residential land developments and detached housing construction are underway in four states. We are developing communities that match the environment and culture of Australia, in line with our devotion to creating a sustainable society.

Brisbane ●

Sydney ●

Adelaide ●

● Melbourne

United States

Through joint development ventures with local partner companies, we are taking part in more than 30 community development projects across the country. Our sustainability initiatives are receiving high marks.



Australia

Promoting Environmental Technologies and Universal Design While Accommodating Local Environment and Culture



The Waterfront, Sydney

In Australia, we are engaged in condominium and residential land developments and detached housing construction in four states, with the goal of creating sustainable communities that accommodate the local environment and culture.

Conventional residential land development in Australia involves first cutting down all trees in a given area. At The Hermitage, Sekisui House's large-scale community development project in the suburbs of Sydney, we took a different approach. We first conducted a detailed survey of the landform and the native flora and then we planned the housing lots, roads, and parks so as to preserve as much of the original nature as possible. We employed the *satoyama* design approach to conserve the local ecosystem and the landscape and to facilitate residents' interactions with each other and with nature. *Satoyama* refers to a natural environment that has been moderately modified by humans. Through this design, a diverse generation of residents is actively taking part in community building.

This master-planned project is making steady progress in realizing our concept of creating environmentally friendly townscapes that grow more attractive over time. The Hermitage is being highly evaluated for its nature-harmonizing living environments, and we are seeing steady sales.

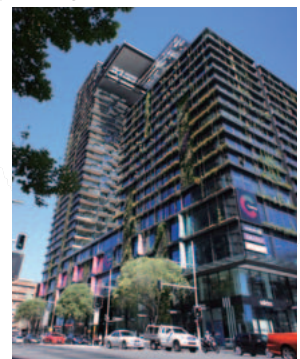
In Japan, buying a house is generally regarded as a once-in-a-lifetime event, whereas in Australia—a country seeing a boom in the economy and population—a house is considered more of an asset or a form of investment. This is one reason why many housing designs in Australia are less detailed than equivalent designs in Japan.

Located in the suburbs of Sydney, The Waterfront is Sekisui House's first condominium project in Australia. Like our homes in Japan, it incorporates universal design as much as possible. For example, we eliminate differences in floor level between rooms to prevent tripping and we install wide switches that anyone can use easily. We also provide meticulous after-sales service, so that residents can live in comfort and with peace of mind for years to come.

Central Park, a condominium development in urban Sydney, is the flagship of our environmentally friendly development projects. It was built on the former grounds of a brewery and retains some of the brewery's historically valuable exteriors. It also incorporates the latest in eco-friendly technologies, such as wall greening and a trigeneration system*.

Through projects such as these, Sekisui House is contributing to the people and culture of Australia, leveraging our technologies and know-how in housing development. We have so far reached purchasing agreements with roughly 5,000 groups of customers for our condominiums and residential land. Neighborhood events are held on a regular basis at our condominiums and housing communities. Our employees not only sponsor these events, but also actively participate in running them.

*A trigeneration system is an energy supply system that provides heat and electricity by combustion of fuel and also makes effective use of the CO₂ generated.



Central Park, Sydney

VOICE

As a global property developer, Sekisui House has such a tremendous opportunity to influence society and the environment we create around us. With this influence comes a great responsibility and it is with our uniquely framed corporate philosophy that is defined as a "love of humanity", which characterizes Sekisui House as an organization like no other in Australia. It is very refreshing and inspiring to be part of an executive team that is embracing sustainability in its true sense: environmental, social, and economical.

The Hermitage is rapidly transforming into an active and vibrant residential community. The redevelopment of the site evolved from sustainability-led initiatives requiring many months of environmental planning considerations, detailed urban design, and feasibility studies. The Hermitage master plan is very purposeful, focusing on embracing the breathtaking scenic hills and nature-filled valleys and streams and capturing the history resonating from an existing 200-year-old homestead and championship golf course.

We have seen a direct relationship with investment in sustainability-led outcomes and their positive impact on our business in terms of customer and employee satisfaction, industry awareness, and financial returns.

As a dedicated employee of Sekisui House, I would very much like to continue to build upon the solid foundation that has been established in Australia and continue the legacy that originated in Japan since 1960.

Craig D'Costa

Project Director for The Hermitage

Joined Sekisui House Australia Holdings Pty Ltd. in 2010 and is responsible for the development of The Hermitage, Sekisui House's first master-planned community project in Australia.





Working with Stakeholders for a Better Future

Community Development Projects

United States

Promoting Sustainability as a Community Developer Together with Our Partners



One Loudoun, Loudoun County, Virginia (artist's rendering)

In the United States, North America Sekisui House, LLC (NASH) is involved in over 30 community development projects. Five of those were ranked among the top 50 best-selling master-planned communities in the U.S. for 2013 in a survey conducted by John Burns Real Estate Consulting, LLC and announced in January 2014. These results are a testament to our sustainability initiatives being highly regarded among homebuyers in the U.S.

NASH and our community development partner Newland Communities have jointly formulated a fundamental philosophy on community development. In it, we reaffirm our mission in achieving a sustainable society and set guidelines for community development that incorporate such issues as the development of

environmentally friendly housing and communal facilities and the effective use of water resources. We select projects on which to focus based on this fundamental philosophy and then undertake community development in line with the fundamental philosophy and guidelines.

Our efforts have not gone unnoticed. In 2013, we were commended for our sustainability initiatives: with regard to our projects in the states of North Carolina, Florida, and Virginia, our efforts in environmental conservation and landscape design for entire communities were highly rated.

In urban rental apartment development projects in cities such as Portland and Los Angeles, we are collaborating with the Holland Partner Group. Elsewhere in 2014, we began a renovation project for the Wardman Tower, an 86-year-old building of historical value in Washington, D.C. We are reinforcing the structural frame while preserving the exterior design and implementing environment-friendly measures, such as improving energy efficiency. Our aim is to preserve this iconic historical landmark and its surroundings in a sustainable way so as to enhance the value of the area.

VOICE

We have been very impressed with Sekisui House's commitment to contributing to sustainable societies. In fact, a shared focus on this commitment was one of the main reasons behind our original partnership. We recognized from the beginning of our relationship the importance of ensuring Sekisui House's commitment was shared by us, and extended into our developments. It is a philosophy Newland has lived for our more than four decades in community development. At Sekisui House's request, we worked collaboratively to merge the best practices of both companies and established the NASH-Newland Community Development Vision and Guiding Principles. These guide our development teams and provide baseline metrics for how project teams approach community development, recognizing the importance of environmentally sustainable development and home construction, in balance with the need for human interaction with nature and each other that stands the test of time. We firmly believe the application of these Principles translates into enhanced value and brand equity, for our customers and our communities.



Richard L. Croteau
Regional President, East Region,
Newland Real Estate Group



Wardman Tower, Washington, D.C.

around the Globe

China

Developing Sustainability-Minded Communities through Yuqin Brand Condominiums and Townhouses

In China, we are engaged in the development of condominiums and townhouses under the Yuqin brand. The name “Yuqin” embodies our wish that our housing will be cherished and will become a source of pride for our customers for years to come.

In 2013, our Shenyang Factory went online to produce high-quality industrialized housing through highly systematized operations, enabling us to actively undertake the townhouse business. Furthermore, we are aiming to create a low-carbon society and achieve sustainable development by offering environmentally friendly designs that leverage our unique SLOW & SMART technologies and by planning ecosystem-conscious communities.

Our Yuqin Residence project by Lake Tai, one of China’s three great lakes, is being developed under our *Gohon no ki* landscaping concept and with consideration to our policy of creating townscapes that grow more attractive over time. The plan is for the Residence to blend in smoothly with its beautiful natural surroundings and for it to contribute to preserving the area’s natural environment over the long term.

By using our meticulous planning methods developed over the years and by incorporating universal design, we are working to create housing in which everyone can live in comfort and in health,



Evening view of the Yuqin Residence in Wuxi (artist's rendering)

all the while taking into consideration coexistence with nature and local climates and customs.

In Suzhou, a city renowned for its historical heritage and beautiful environment, we are developing a new townscape by building townhouses. This project, called Yuqin Gardens, combines our architectural design with the traditional architectural style of Suzhou, which is characterized by white walls and black roof tiles.

The sales centers for each housing project welcome visitors with enjoyable ways of familiarizing themselves with the Sekisui House homebuilding concept, including display homes, video theater rooms, and hands-on learning facilities. The *Nattoku kobo* hands-on learning center enables visitors to experience the safety and comfort of Sekisui House homes through displays and demonstrations of high-function, high-quality living environments, including building materials that emit no harmful substances. The sales center for Yuqin Gardens in the city of Taicang has a garden created based on the *Gohon no ki* concept, where visitors can experience a comfortable green environment.



Townhouse in Wuxi



Taicang Yuqin Gardens sales center

Singapore

Creating Value-Added Nature-Rich Sustainable Communities

In Singapore, we have so far engaged in five projects. In 2013, we embarked on a new condominium project called the RiverTrees Residences with our joint venture partners.

The five projects, for which units are already on sale, are gathering positive responses and popularity, thanks to our unique environmental policies and new housing concepts. And through the amicable relationships we have forged with our joint venture partners, we have boosted the Sekisui House profile in the Singapore housing market.

At the RiverTrees Residences, a river flows in front of the housing complex. For added value, at least 90% of the residential units face the river, giving residents a fabulous view of the natural surroundings. With the condominium’s grounds blending into the natural environs, residents have the chance to be in close contact

with nature. We also plan to build a sustainable ecosystem network.



RiverTrees Residences (artist's rendering)

Contributing to Society through

Activity Report

7

Acting as a Corporate Citizen



With the awareness that our corporate activities directly affect people's lives and local communities, we have been promoting various social action programs as a member of society.

With a "love of humanity" at the core of our corporate philosophy—alongside our emphasis on housing culture, the sound growth of the next generation, and environmental preservation—we have developed programs to enable employees to voluntarily take socially meaningful action, while working for the wellbeing of communities as part of our core corporate activities. As well as encouraging our employees to take part in volunteer and charitable pursuits, we partner with NPOs and NGOs in support of their activities, and we assist educational institutions on selected educational initiatives.

Principles of Our Social Contribution Activities

Housing culture	Sound growth of the next generation	Environmental preservation
<ul style="list-style-type: none"> Employee volunteer activities Participation in charitable activities International cooperation Emergency assistance Partnerships with NPOs and NGOs 	<ul style="list-style-type: none"> Supporting community events Supporting educational activities in cooperation with education institutions Contributing to society through core corporate activities 	

Love of humanity is at the core of our corporate philosophy

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. In FY2013, we purchased 30,394 of these items.

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 a symposium, we hosted a keynote lecture and a panel discussion on the revision to the Act on Employment Promotion etc. of Persons with Disabilities. This discussion provided a meaningful opportunity for government personnel, businesspersons, NPO members, and citizens 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."



The symposium gathered 160 participants



A SELP reusable shopping bag

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. Entrants must construct a scale model of a living space, with the model limited in volume to a maximum of 2.4 cubic meters.

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. In FY2013, 214 works from 47 universities nationwide were entered, and awards were given to the best two entries from each venue, along with special awards recognizing other notable works.



The Best Award for Kanto went to Book Station of Light, a collaborative effort between four graduate school students from the University of Tokyo, Tokyo Institute of Technology, and Tohoku University

a Love of Humanity

■ Sekisui House Matching Program

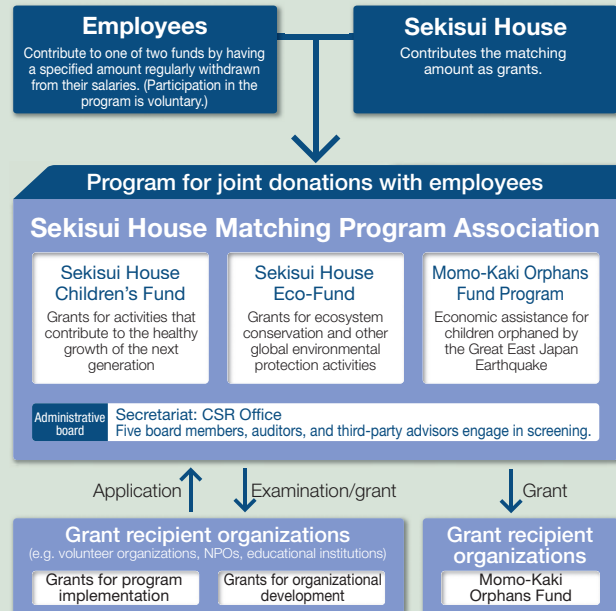
Supporting NPOs and other organizations working to meet social challenges

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 3,074 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 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.

In FY2013, a combined total of 20.4 million yen from our Children's Fund and Eco-Fund was donated to 22 organizations, bringing the cumulative total of our donations over the years to more than 100 million yen. The Momo-Kaki Orphans Fund Program donated 29 million yen in the three years from 2011 to 2013, and we are planning to donate 100 million yen over the next 10 years.

■ Sekisui House Matching Program



Grants for Program Implementation (awarded to programs upon application from organizations)

Sekisui House Children's Fund ¥10.3 million donated to 8 organizations

- NPO Asia Child Support
- NPO International Children's Action Network
- NPO Atopicco Network for Children of the Earth
- NPO Oasis
- NPO Community Leader Hull Pong
- NPO Tasukeai-no-kai Fureai-netto Matsudo
- NPO Childline Support Center Japan
- NPO Florence

Sekisui House Eco-Fund ¥8.9 million donated to 8 organizations

- NPO Oita Environmental Conservation Forum
- NPO Satoyama Club
- NPO Shirakami Mountains Preservation Society
- NPO Eco-works
- NPO Tanada Lovers
- NPO Eco Future Fund
- NPO Japan International Volunteer Center
- NPO Japan Butterfly Conservation Society

Note: In addition, we provided organizational development grants to help selected organizations improve their internal infrastructure and the quality of their activities in anticipation of their future development. Under this program, we offered grants to six organizations—two organizations from our Children's Fund and four organizations from our Eco-Fund.

VOICE

Words from a Recipient of the Children's Fund

We Built a New Children's Welfare Facility



Children's Development Support Center, built based on Sekisui House's SHAWOOD design for wooden-frame houses

In January 2013, with the support of many people, we completed construction on our Children's Development Support Center*. Building this center, the first of its kind in Japan built by an NPO, represented for us the fulfillment of a long-held dream. As we received virtually no public assistance, the donation from the Sekisui House Matching Program was of great help and provided much encouragement. Thanks to the donation, we were able to buy new toys, learning tools, and lunch equipment, as well as improve the outdoor surrounds of the facility.

In this building full of the kindness and warmth of everyone who supported us, we will help nurture children with all our hearts, so that they will grow up healthy and full of smiles.



Takashi Kawaguchi, Director, NPO Community Leader Hull Pong

*The Children's Development Support Center is a children's welfare facility approved under the Japanese Child Welfare Act. It serves as a base for the local community in providing specialized assistance to support the growth of children with developmental disabilities.

■ Supporting the Bento Day Project

By having children make their own *bento* (packed lunch), the Bento Day project teaches children to be self-reliant and develop an attitude of appreciation. Children do everything involved in *bento* preparation, from shopping for ingredients to clearing up the kitchen after finishing. Sekisui House participates in the promotion of this project. In July 2013, we hosted a seminar by Kazuo Takeshita, the main advocate of this project, and we organized a *bento*-cooking event for children at the SUMUFUMULAB in Grand Front Osaka.



Kids having fun making bento

Working with Stakeholders for a Better Future

Achieving Human Resource Capabilities and Potential of

Past Efforts with Stakeholders

Activity Report

8

Relationship with Stakeholders



Under our medium-term management vision S-Project announced in 2004, we pledged to be a corporate group that deals sincerely with all stakeholders based on our basic management policy of achieving customer satisfaction, employee satisfaction, and shareholder satisfaction. In the ensuing years, against the background of an aging population and a declining birthrate, we declared our target of human resource sustainability as one of our social responsibilities aimed at creating a workplace environment where employees could work in their own style and achieve a work-life balance. Based on the three pillars of expanded roles for women, human resource diversity, and support for different working styles and a work-life balance, we aim to create a workplace where employees can maximize their capabilities and potential.

■ Contributing to Women's Career Development

Since the launch of the Diversity Development Team in 2006, we have been striving to advance the careers of female employees by organizing gatherings among female sales persons, technical personnel, and model home staff, and by helping them achieve a work-life balance. For these efforts, Sekisui House was selected by the Tokyo Stock Exchange and the Ministry of Economy, Trade, and Industry for inclusion on the *Nadeshiko* list of companies that empower women and their careers. In sales, we have one branch manager and seven office managers. We have over 200 female sales personnel, the highest number in the industry, and we are increasing the number of female candidates for office manager positions. In design, we have two female design chiefs and four female chief architects*. In R&D, female employees are contributing product development ideas from their unique point of view. We plan to step up and increase efforts, such as fostering female candidates for managerial positions, so that women will have more opportunities to contribute their fullest in rewarding jobs.



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

VOICE Working Successfully as Office Manager

Fostering Unity through Meticulous Dialog

Since becoming an office manager, I have striven to put my subordinates' needs first and use my time more effectively than in the past. I also aim for open communication among all employees at all times. I have noticed that when someone has a problem, he or she now discusses it with others to get their opinions. This solves problems and creates a strong sense of unity.

As office manager, I want to create an environment in which young employees can grow based on their own strength and work positively and energetically. I also hope that this will earn us commendation from our president. I will start by putting all my energy into the immediate tasks at hand.



Yasue Kanamori
Tokyo North Branch

Future Efforts with Stakeholders

■ Diversity and Inclusion Promoting Office Established

On February 1, 2014, Sekisui House established the Diversity and Inclusion Promoting Office within the Corporate Management Planning Department. A crucial strategy for companies will be to make the best use of their diverse workforces to achieve innovation and grow the corporation. In the housing field, it is especially important that we work closely with customers and utilize ideas that come from everyone, regardless of their gender, age, and physical abilities. We will work to create opportunities for women to further their careers and provide a workplace environment where women can put all their energy into their jobs. This will allow women's talents to be utilized in all jobs and at all managerial levels, and it will lead to greater satisfaction for our customers.

Sustainability by Tapping the Employees

Utilizing and Fostering Diverse Human Resources

To realize a work environment where a diversity of employees can use their talents, Sekisui House has a number of programs such as work category transfers and internal open recruitment. These are designed to enable motivated employees to develop their career paths and achieve higher performance.

Besides working to create an open corporate culture, we are boosting the management capabilities of branches and teams by

holding training for newly appointed branch managers and team leaders. In addition, we hold assessment training for managerial position candidates to test the capabilities and find the strengths of employees recommended for these positions by their superiors. This is one way we are improving the management capabilities of individuals.

VOICE

Became Manager in Design Department Following Participation in Assessment Training

A Better Work-Life Balance Leads to Better Ideas at Work

In my assessment training, I learned to listen more closely to what people are saying and to look closely at how other designers are conducting their work. I also learned examples of management thinking and methods, which helped me organize my own philosophy when I became a manager. Good design is more than simply doing your job. I try to achieve a work-life balance because it allows me to create better designs by

drawing on my past experiences and daily life. I want to create a workplace where the entire team shares each individual's design work because I believe this will lead to better design ideas and greater work efficiency.



Kiyoe Ishii
Hyogo Sha Maison Branch

Support for a Work-Life Balance and a Range of Working Styles

For employees to continue performing their best, they must both succeed at work and enjoy their lives at home. We have numerous measures to help employees achieve a good work-life balance and to have enough time for themselves and their families.

Besides measures to support employees in raising their children, we help them return to the job after they take a break to get married or have children, take care of elderly family members,

recover from illness, go back to school, or take over a family business. We have also made our nursing care leave program more flexible and have introduced a volunteer leave program, all as part of our effort to match individual employee situations and allow them to make maximum contribution to the company while still enjoying a fulfilling life outside work.

VOICE

Utilizing the Volunteer Leave System

Donating Hardhats to Bangladesh

I took advantage of Sekisui House's volunteer leave system and worked as a designer under JICA's (Japan International Cooperation Agency) overseas volunteer program with Bangladesh's Ministry of Housing and Public Works.

Bangladesh is currently undergoing a construction boom driven by rapid economic growth. Unfortunately, most workers at construction sites work with no safety harnesses, let alone hardhats. To remedy this, I called on all Sekisui House sites in

Japan to donate hardhats, and we managed to gather 100 hardhats that we donated to Bangladesh's Ministry of Housing and Public Works. Thanks to Sekisui House's volunteer leave system, I had an experience not possible in Japan and I now hope to use this to enrich my job.



Yoichiro Kono
Nara Branch

VOICE

Action Policy of the Diversity and Inclusion Promoting Office

The First Step in Diversity Is Expanded Roles for Women

Because a woman's perspective is indispensable to the business of building homes, Sekisui House began actively putting women in technical positions in 2004 and in sales positions in 2005. The Diversity Development Team was created in 2006, and to improve our organizational structure for making even greater use of diverse human resources, in 2014 we created the Diversity and Inclusion Promoting Office. The aim is to innovate the organization and promote growth by making maximum use of human resources regardless of gender, age, physical capabilities, and nationality. Besides giving women a more

active role, we must change the awareness of women themselves and have all employees including management members take on the issue of diversity.

Our goal is to make respect for diversity an issue relevant to everybody and to use our wealth of human resources to make Sekisui House a leading company that is invaluable to society.



Midori Ito
Chief Manager, Diversity and Inclusion Promoting Office,
Corporate Management Planning Department



Building a Relationship of Trust with

With Employees

Working to Protect Human Rights

Sekisui House has been working to create a corporate culture of zero tolerance for infringement of human rights by ensuring that all employees understand and practice compliance and abide by the Corporate Ethics Guidelines. Since 1980, we have striven to raise employee awareness through active engagement on a range of human rights issues including the so-called *dowa* issue (discrimination against descendants of Japan's former outcast class), through protecting the rights of foreigners, women, and the disabled, and through preventing sexual and power harassment.

In 2006, we began formulating new group-wide measures under our human relations initiative. With Sekisui House expanding business overseas, we have also been strengthening a corporate climate of mutual respect for human rights based on an understanding of how norms and cultures differ from country to country.



Human relations training and instructional materials

Human Relations Training

All employees are required to take our yearly program of human relations training. In FY2013, diversity and human rights was the theme of training in which participants studied the history of diversity and learned respect for individual differences, as well as practiced assertive communication*.

*Communicating one's needs and opinions without infringing on the other person's rights.

Preventing Sexual and Power Harassment

In FY2013, we held training for branch managers and team leaders on creating an environment that discourages harassment. We strive to raise employee awareness and create an environment conducive to consultation on these issues by, for example, having consultation managers at each site look at case studies and do role plays on problems that may arise in the workplace.

Commitment to 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 dialog 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.

Enhancing Communication with Shareholders and Investors

In FY2013, we held visitor days for shareholders. At a *Sumai no yume* *kojo* hands-on learning center next to our Kanto Factory, visitors learned about Sekisui House's homebuilding philosophy and experienced advanced technologies for living in comfort, safety, and peace of mind. At company briefings and seminars, investors have an opportunity to pose questions and 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 other corporate and IR information on our website.



Shareholders at a hands-on learning center

All Stakeholders

VOICE

Eliminating Harassment from the Workplace

Being There for Troubled Employees

With the aim of creating a workplace free of harassment, Sekisui House provides consultation services for employees, training for persons in charge of handling harassment-related inquiries at all business sites, and human relations training. So that I can offer employees good consultation services, I personally try to avoid stress build-up by staying mentally and physically healthy and by clearly distinguishing my work life from my personal life. My aim is to assist employees who find it hard to talk to those around them about problems like interpersonal relations, harassment, and other worries they have.



Miwa Yamada
Human Relations Office, Legal Department

least one disabled person working as an integral member of each Sekisui House site.

In FY2012, we introduced a disabled persons internship program under which we accepted university students with physical and developmental disorders. The interns get practice in clerical duties, CAD, and a range of IT work.

We will continue these and other efforts that provide a diverse range of human resources the opportunity to gain the confidence to become valued participants in the workforce.

VOICE

Opportunities for the Disabled

I Want to Be of Service to Society

I am hearing impaired. My job is to use CAD to create blueprints for the design process. I learned that there were housing technology jobs for the disabled at Sekisui House. I joined the company because I wanted to contribute to a sustainable society through the company's corporate philosophy of 'love of humanity'. My goal is to continue studying the practical aspects as well as earn qualification as a second-class architect. By contributing to society through my work, I hope to help open more doors of opportunity to disabled persons, whether they are currently working or are looking to enter the workforce.



Hiromi Inomata
Musashino Sha Maison Branch

■ Initiatives for Hiring the Disabled

As a company committed to the concepts of lifelong housing and helping society, we place special emphasis on hiring people with disabilities. To this end, we participate whenever possible in joint recruitment events held in various parts of Japan. As of February 2014, the disabled accounted for 1.97% of Sekisui House employees. To achieve Japan's legal minimum of 2.0%, we will continue to actively recruit new people with the goal of having at

■ Increasing Shareholder Satisfaction

100 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 Annual General Meeting may exercise their voting rights not only on paper but also via the Internet. This makes the voting process more convenient.

Donating Shareholders' Preferential Gifts

Gifts of high-end Japanese rice are sent to shareholders under the Shareholder Preferential Gift Program but this is sometimes returned because they have declined the gift or changed addresses and their location is unknown. In such cases, the rice is donated to facilities and organizations dedicated to the welfare of the disabled and the elderly on the understanding of shareholders.

Recipients of Gifts in FY2013

Public Interest Incorporated Association Oita Prefectural Te-o-tsunagu Ikuseikai (Oita City, Oita Prefecture)
Medical Corporation Heart (Hitachinaka City, Ibaraki Prefecture)
Medical Corporation Shojinkai (Hitachi City, Ibaraki Prefecture)
NPO Community Leader Hull Pong (Hiroshima City, Hiroshima Prefecture)

■ Returning Profits to Shareholders

To enable a high distribution of profits over the medium and long term and maintain business health, Sekisui House is allocating a minimum 40% mean dividend payout ratio for the medium term. When necessary, the company will also engage in the buyback or cancellation of shares in efforts to return profits to shareholders through improvements in capital efficiency.

In FY2013, we issued a midterm dividend of 20 yen and a year-end dividend of 23 yen for a yearly dividend of 43 yen, up 15 yen over the previous fiscal year.