

As a housing manufacturer, we continue to fulfill our responsibility by pooling all our strengths towards ongoing reconstruction in the disaster-stricken areas

More than three years have passed since the Great East Japan Earthquake. Immediately after the earthquake, the Sekisui House Group embarked on customer support activities in the stricken areas while also assisting in restoration and reconstruction work and in the construction of temporary houses and public housing for those displaced by the disaster. Work in areas such as collective relocation from coastal areas and land readjustment has not proceeded as planned, however, and as a result many people are still suffering from the disaster and are unable to return to their hometowns. Against this backdrop, we have renewed our resolve to live up to our responsibilities and obligations as a housing manufacturer by promptly providing safe and comfortable places to live for those affected by the disaster. We will continue group-wide efforts to accelerate reconstruction in the stricken areas so that we can respond to the needs of our customers and local communities.

Restoration and Reconstruction Work

Total of 310,000 workers* were engaged in providing safe, comfortable housing at the earliest possible date

It is our responsibility and obligation to society as a housing manufacturer to promptly build houses and thus provide safe places to live as quickly as possible, particularly in times of emergency. Using our experience in past disasters, we promptly developed a system for manufacturing and setting up housing and in response to customer requests we have been building houses in areas where reconstruction work has been completed. In April 2011, one month after the earthquake and tsunami, we launched a new housing product, called *Ganbaro Tohoku*, which realized shorter construction times so that people affected by the disaster could soon have a safe and comfortable place to live. Besides detached housing, we offered recovery support for *Sha Maison* low-rise rental apartments, and we developed new two- and three-story apartments that offer long-term reliability. Other ways we are flexibly meeting the needs of customers and society as a whole include the Green First HYBRID model (released in August 2011), which incorporates solar, fuel, and storage cells working in unison to provide grid-independent power in times of disaster, and

Green First ZERO (released in April 2013), a product series that makes possible energy-neutral living well ahead of the Japanese government's 2020 target for net zero energy housing.

Crucial to providing housing is the ability to actually get houses constructed. Early on we established a construction support system centered on the Sekisui House Association, which comprises nationwide Sekiwa Construction companies and partner building contractors. As of the end of 2013, a total of about 310,000 workers had been dispatched to the disaster-stricken areas, and today this work continues with about 250 workers a day involved.



*Total number of construction workers dispatched for restoration and reconstruction work undertaken by the Sekisui House Group: 309,481 people (as of December 31, 2013)

VOICE

We Pledge Continued Support That Will Show Our Comprehensive Strength

I come from Iwaki City in Fukushima Prefecture, which is one of the reasons I felt I had to do something to help. A month after the disaster, I went to the stricken areas to manage housing construction as part of recovery and reconstruction work.

Immediately following the disaster, I met stricken locals and Sekisui House Group employees working in the region, and seeing how the entire company was working together to support people made me prouder than ever of the Sekisui House Group's comprehensive strength. It also prompted me to make a sincere pledge that I, along with my company's employees and construction workers, would do everything possible to support the stricken region.

Another thing I have been doing is volunteering with an NPO dedicated to providing mental care for children in temporary housing. More housing construction is scheduled, and I will continue doing all I can in support of the people in the disaster-stricken region.



Yoshiharu Sato

Director, Chief Manager, Construction Department, Sekiwa Construction Chubu

Reconstruction and Development Projects

The Tohoku Reconstruction Department leads efforts in meeting the needs of residents

Building Public Housing in Disaster Areas

There are still many people living uncertain lives in temporary housing. Although local governments have extended the period people can stay in this housing to four years, the fact is that many are still having trouble finding new places to live. To help such people rebuild their lives on their own terms, we must speed up the pace at which disaster-area public housing is built.

In February 2012, we established the Tohoku Reconstruction Department. Since then, the Sekisui House Group has been conducting surveys and gathering information on what needs to be done in the stricken areas.

In January 2014, we began construction of public housing in Higashi-matsushima City, Miyagi Prefecture. Unlike projects in the past, here Sekisui House conducts the entire process: planning and designing the buildings, buying land, developing and converting farmland, preparing land for construction, and constructing the housing. The plan covering approximately 4 hectares calls for 70 detached homes, 15 row-house-type collective apartment



Public housing in Higashi-matsushima City (artist's rendering)



Public housing in Otsuchi Town, Iwate Prefecture

■ Sekisui House's Public Housing in Disaster Areas

	Projects bid on	Projects completed
FY2012	26 units	—
FY2013	284 units	26 units

buildings, a community hall, and parks (scheduled move-in date: August 2016). In FY2014, similar projects will start in Sendai City and Ishinomaki City in Miyagi Prefecture, Miyako City in Iwate Prefecture, and Shinchi Town in Fukushima Prefecture. We will continue to provide housing, making the most of our ability to consistently provide quality products that can be constructed in a short time frame.

Overall Environment Conducive to Recovery

It is important to step up the transition from temporary housing to public housing; it is equally important to create an environment where industry has recovered and people can find work to support themselves.

In building public housing, we are sourcing local construction materials to boost local production for local consumption and thus stimulate industry in the Tohoku region. We expanded production lines at our Tohoku Factory for Bellburn ceramic exterior wall tiles for our SHAWOOD wooden-frame houses, which have created more local jobs. We are also playing an active part in *Yui no ba*, a resource-matching program implemented by Japan's Reconstruction Agency that helps companies affected by the earthquake find solutions by offering them the management resources (manpower, materials, information, know-how) of leading companies.

Through projects such as collective relocation from coastal areas to higher ground less susceptible to a tsunami, the entire Sekisui House Group is working together to meet the needs of communities.



New Bellburn production lines at the Tohoku Factory



Tape-cutting ceremony to commemorate opening of the new production lines

VOICE

Reconstruction through Strengthened Group Ties

It's been two years since we established the Tohoku Reconstruction Department. We have striven to build communities through public housing projects and collective relocation, step up disaster-proofing of housing, and introduce renewable energy and other new technologies as we do everything currently possible to contribute to recovery in Tohoku. We have visited municipalities in Tohoku on needs-assessment surveys, and our information gathering has gone extremely well thanks to recognition by local governments of our efforts to aid in restoration of the affected regions as quickly as possible. We will further strengthen ties across the entire Sekisui House Group in continuing efforts to speed up reconstruction in the disaster-stricken areas.



Tomio Mikuni
Chief Manager,
Tohoku Reconstruction Department



Restoration-Assistance Activities

Continuing the reconstruction in a spirit of fellowship

Total of 566 New Career-Track Employees Join Restoration Activities

As in 2012, starting in April 2013 all 566 new career-track employees at Sekisui House took turns going to the disaster-stricken areas to assist in reconstruction work over a three-month period.

Besides giving the stricken areas the assistance they need, the goal of this reconstruction effort is to deepen employees' understanding of the significance of the housing business by having them think and act from other people's perspectives based on our code of conduct and our corporate philosophy of "love of

humanity."

In the stricken areas, employees worked with NPOs to hear what assistance locals needed, and then got to work in groups after deciding just how they could help. They cleaned up beaches, parks, elementary schools, and ponds, and built playgrounds and flowerbeds as part of community building in temporary housing complexes. We plan to have new employees joining Sekisui House in April 2014 participate as part of our continuing assistance in reconstruction efforts in Tohoku.



Visiting the Disaster Prevention Center, which was devastated by the tsunami, in Minamisanriku Town, Miyagi Prefecture



Making flowerbeds in a temporary housing complex



Cleaning an elementary school pool

Promoting Employee Trips to 3 Prefectures of Tohoku

Sekisui House is partially subsidizing group employee trips to the three prefectures of Tohoku (Iwate, Miyagi, and Fukushima) with the idea that spending money in Tohoku will help boost the local economies of the disaster-stricken areas. Such trips also reinforce among employees the mission of a housing manufacturer to protect life and property. As of the end of January 2014, a total of 3,253 employees at 63 Sekisui House sites had taken advantage of these subsidies.

Ongoing Cooperation with Projects to Support the Disabled

The *Minna de Kaouya* ("Let's Buy Together") project aims to help sell nationwide the products made by disabled persons in the disaster-stricken areas so that they and their companies can thrive. Sekisui House enthusiastically supports this project by setting up a booth at various events to sell products and by using products made by the disabled as gifts for visitors and for business partners.

We also cooperate with the reconstruction support activities of the *Minna de Tsukurouya* ("Let's Make It Together") project that brings together disabled persons in the disaster-stricken areas and companies around Japan. We have subcontracted to disabled persons the production of some of our promotional merchandise and some of our in-house clerical duties.

Continuing Participation in the "3.11 from Kansai" Event

On March 10, 2013 at the Sky Building in Umeda, Osaka, where our head office is located, we once again took part in 3.11 from Kansai. Under the theme "step by step," the 2013 edition of the event focused attention on the disaster-stricken areas by using stage events and symposiums to highlight the gradual recovery efforts of the stricken residents and the evacuees affected by the tragedy. We also took part in 3.11 from Kansai 2014 on March 9, 2014.

Participating in the *Yui no ba* Program to Help Disaster-Affected Companies

The Japanese Reconstruction Agency's *Yui no ba* program aims to help earthquake-affected companies find solutions by matching them with leading companies that can provide management resources such as manpower, materials, information, and know-how. We have taken part in all six editions of the program, in the municipalities of Ishinomaki, Kesenuma, Minamisanriku, Watari, Miyako, and Fukushima to find ways that we could lend our resources to help local companies. So far, we have used products made by earthquake-affected companies in our factory employee cafeterias, and allowed them to set up booths to sell products at Sekisui House events and to sell their products via our in-house website as well.



A meeting at a *Yui no ba* gathering

Ongoing Support of the "Hand in Hand" Music Project

Sekisui House continues to support Hand in Hand, a project in support of disaster reconstruction in which high school students from the disaster-stricken areas perform jointly with other musicians from around the world at New York's Lincoln Center. Through their music, the performers send a message of gratitude for assistance given in helping them get their lives back to normal.



On March 26, 2014, the third annual Hand in Hand concert was held

Comments from External Members of the CSR Committee

At Sekisui House, a CSR Committee meeting is convened every three months to develop and promote important CSR policies and verify the relevancy and effectiveness of current CSR activities (refer to p. 36). During the meeting, three external members are asked to present their opinions, which provide the basis for discussion among Committee members, including the board members. The following are comments given by the external members in the light of the discussions held during FY2013.



Haruo Tsuji
Former President,
Sharp Corporation

Maximizing the Possibilities of Housing

CSR philosophies and actions today go beyond simply making donations and abiding by laws; rather, they encompass all efforts by a company to use its vast resources to solve a range of social problems.

Companies must be observant, sensitive, and considerate in offering products and services that capture the hearts of customers. But they must also use their main business as a way to solve social problems such as declining birthrates and the aging of society.

Sekisui House already has its sights set on solving such problems through its housing. Its CSR vision clarifies the kind of value it can provide to society and this leads to raising the morale and loyalty of employees. I think this will strengthen the company's sense of responsibility and resolve, and open up new possibilities.

A company cannot compete unless it responds to society's needs and expectations, and it cannot grow unless it provides society with new value. I look forward to seeing Sekisui House take on society's problems and offer new value so that it can enjoy sustainable growth hand-in-hand with society.

Excerpt of his comment at a CSR meeting

When I look at the scandals that rock some companies, I can't help but think that these companies' executives are oblivious to crises. Executives must be able to sniff out the hints of dangers present in the information they gather. At any time, a scandal could arise from the failure to take action. To prevent this, executives must stay in contact with all aspects of the company, communicate with young employees to ensure they are satisfied, and search for all potential problems at all workplaces.



Dr. Tadao Kagono
Special Visiting Professor,
Konan University

An Ideal Cycle of High-Risk Investment

I have noticed that recently Sekisui House is in an ideal cycle of high-risk investment. It is getting into business areas with large risk where many other companies have failed; for example, overseas housing, luxury hotels, and super-high-rise condominiums. Because Sekisui House is highly profitable in its main business, it can afford to make such high-risk investments. Since there are few competitors in these high-risk investment areas, they will yield high earnings. And these earnings can be used to make further high-risk investments: a virtuous circle.

However, this virtuous circle can turn into a vicious circle: a downward spiral in which a company avoids risk for fear of failure, falls into a severely competitive market, and eventually fails to make money.

There are three keys to maintaining the virtuous circle and avoiding the fall into the vicious circle. The first is to not fear risk. The second is to manage risk so that you don't take on too much of it. In other words, the best offense is defense. The third is to seek customer satisfaction rather than seeking to be merely better than your competitors.

I look forward to seeing Sekisui House stick to its fundamentals in building an even wider customer base.

Excerpt of his comment at a CSR meeting

I think there are two key themes to CSR in FY2014. One is to increase wages. This will require that the company increase productivity in some way. Increased productivity can also lead to lower CO₂ emissions. Another theme is to utilize the power of women. The company will be pressed to have more female managers, and I hope it tackles this issue as seriously as it has taken on environmental problems.



Shunsuke Kano
Lawyer

Comfort and Peace of Mind for the World from Sekisui House

The world was deeply moved by the performance of figure skater Mao Asada in the free skating program at the 2014 Winter Olympics in Sochi, Russia—out of the medal race but never giving up in her determination to smile and give it her all. Other Japanese athletes were superb: 41-year-old Noriaki Kasai in ski jumping and 15-year-old Ayumu Hirano, both silver medalists. Once every four years, athletes who have forged their mental and physical strength strive to best their competitors by even a thousandth of a second. But what we also saw at the Olympics was that even in events where Japanese athletes have ruled, the failure to continue fostering skilled, young athletes means the country will lose its competitive edge to the rest of the world.

Sekisui House has become extremely efficient in saving and creating energy and thus reducing CO₂ emissions, but some people say that the company cannot go any further in this regard. It's important, however, to set the bar high and vow to never to give up. I believe that as scientific technology advances, this 'never-give-up' spirit will be passed on to the company's future generations as its various divisions both compete with each other and pool their strengths to raise corporate value even higher. My message to everyone at Sekisui House is this: spread your wings and fly even higher!

Excerpt of his comment at a CSR meeting

With IT being incorporated into housing, we can't overlook that there are negative impacts as well as positive ones. IT is convenient when it's working as it should, but it can cause chaos if something goes wrong. With valuable and extremely detailed personal data being amassed in housing IT, I think it is crucial to sort out now, in the early stages, how this data should be managed and protected.

Independent Third-Party Assurance Report

KPMG AZSA Sustainability Co., Ltd. was engaged to provide assurance on Sekisui House, Ltd.'s Sustainability Report 2014 and verify that the report provides reliable information on the company's greenhouse gas emissions.

This is an English translation of the "Independent Assurance Report" dated April 23, 2014 originally issued in Japanese by KPMG AZSA Sustainability Co., Ltd. for the "Sustainability Report 2014" published in Japanese by Sekisui House, Ltd.

Independent Assurance Report

To the Board of Directors of Sekisui House, Ltd.

We were engaged by Sekisui House, Ltd. (the "Company") to undertake a limited assurance engagement of the greenhouse gas indicators listed below for the period from February 1, 2013 to January 31, 2014 (the "Indicators") included in its Sustainability Report 2014 (the "Report") for the fiscal year ended January 31, 2014, and the completeness of material greenhouse gas information in the Report.

Indicators and pages in the Report

Indicators	pages
Energy (total amount and itemized details by energy source) in "Resource input"	43, 44
Amount of CO ₂ emissions in "Waste generation/CO ₂ emissions"	43, 44
CO ₂ emissions of 'Scope 1 and 2 emissions', 'Raw materials', 'Occupancy' and 'Transportation, disposal' in "CO ₂ Emissions by Scope (1-3)"	43

The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Report, which are derived, among others, from the Sustainability Reporting Guidelines version 3.1 of the Global Reporting Initiative and Environmental Reporting Guidelines of Japan's Ministry of the Environment, and for including the material greenhouse gas information defined in the 'Greenhouse gas Report Assurance and Registration Criteria' of the Japanese Association of Assurance Organizations for Sustainability Information ("J-SUS") in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information', 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements', issued by the International Auditing and Assurance Standards Board, and the 'Practical Guidelines for the Assurance of Sustainability Information' of J-SUS. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing with the Company's responsible personnel to obtain an understanding of its policy for the preparation of the Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical reviews of the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and also recalculating the Indicators.
- Visiting to the Company's two domestic factories selected on the basis of a risk analysis.
- Assessing whether or not all the material greenhouse gas information defined by J-SUS is included in the Report.
- Evaluating the overall statement in which the Indicators are expressed.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report, and all the material greenhouse gas information defined by J-SUS is not included in the Report.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG AZSA Sustainability Co., Ltd.
Osaka, Japan
April 23, 2014

Third-Party Review

Sekisui House, Ltd.

April 16, 2014

Third-Party Review

I wrote the following comments based on the information contained in this report and interviews I had with Sekisui House personnel in charge of environment, human resources, procurement, and CSR affairs. I believe that Sekisui House has remained steadfast in its commitment to CSR efforts. The company has been properly implementing the PDCA management cycle focusing on reducing the burden on the environment and preserving the environment. For example, it has developed and is selling its Green First ZERO net zero energy house; is implementing the *Gohon no ki* landscaping concept, an innovative project involving customers in biodiversity protection efforts and one of the first of its kind in the world; and convening quarterly meetings of the CSR Committee, which includes external members.

Achievements that deserve special mention

- Sekisui House's executives have shown leadership in recognizing and taking action on housing industry issues that are of the utmost interest to customers and society in general; these include reducing environmental impact through boosting energy efficiency and maintaining the value of housing capital (pp. 9–12). I strongly urge the company to take these efforts beyond Japan's borders and call for international standards in the housing industry.
- The company strives to reduce environmental impact throughout the entire product lifecycle. One example is Green First ZERO net zero energy houses, which have accounted for almost 50% of Sekisui House sales since being introduced. These houses are highly insulated, highly airtight, and incorporate solar cells and fuel cells (pp. 19–20). Another example is using IC tags to measure the amount of waste and manage them (pp. 61–62).
- In the area of ecosystems and biodiversity, Sekisui House is carrying out some of the world's most innovative initiatives. Together with customers it has planted a total of 10 million trees in the *Gohon no ki* project (pp. 55–56). In close partnership with NPOs and NGOs the company has created guidelines for the procurement of wood under which it uses quantitative measurements to prevent illegal logging and ensure an environmentally friendly wood growing industry (p. 23).

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

- In the area of CSR in corporate governance and management (pp. 35–36, 40, 45–48), Sekisui House is to be lauded for formulating its four values and 13 guidelines for the realization of a sustainable society, and for convening quarterly meetings of the CSR Committee, which includes three external members. However, I would like to see the company not merely convey corporate philosophy, vision, and CSR policy to overseas group company employees, but also provide opportunities to discuss these. It should also establish human rights and other items as key performance indicators (KPI).
- Sekisui House has done well to improve the value of housing stock for customers (pp. 29–32, 63–64) by extending the warranty after expiration of the initial warranty period, implementing a program to repurchase Sekisui House homes and renovate them for resale, and covering part of the remodeling expenses of houses that meet certain criteria. However, I would like to see Sekisui House give clear concrete examples of the costs and benefits from such remodeling and to provide information and dialog opportunities that make it easier for customers to understand how they can maintain and improve the value of homes over the long term.
- As for creating better working conditions and expanding the diversity of the workforce (pp. 33–34, 73–74), I admire Sekisui House for steady efforts that have resulted in 3.74% of its employees taking advantage of the leave and shortened work hour program for child care, nursing care, and elderly care, and for raising the percentage of disabled employees to 1.97%. Particularly notable is a relaxation of the conditions employees need to meet in order to take nursing-care leave. In addition, I think the company should train more non-Japanese nationals who will become employees; this will meet the needs of a society where the population is aging and birthrates are falling, and it will help the company better deal with the globalization of its business. Sekisui House should also continue expanding its program in which employees who have taken leave or used the shortened work hour system act as trainers for those who wish to do the same, and it should enhance consultation services for employees to address a wider range of concerns including non-work-related issues.
- Sekisui House has done well to improve the performance of its business partners in fulfilling social responsibility by including environmental criteria in evaluation of them. However, I hope the company continues to improve evaluation by including a wider range of more-detailed criteria covering social aspects such as human rights and occupational health and safety.
- In the area of social contribution (pp. 71–72, 79), I admire Sekisui House for activities that include encouraging procurement of promotional merchandise made by disabled people. I hope the company will continue to provide more opportunities and inspiration for its employees to get involved in community service such as the Matching Program; it could do this, for example, by having managing personnel follow the activities of organizations that Sekisui House supports and even volunteer in these activities.



川口 英人

Hideto Kawakita
CEO, IIHOE (International Institute for Human, Organization, and the Earth)

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

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

Remarks by Board Members in View of Third-Party Comments

Environmental Activities

In this Sustainability Report, we have used the expression “Creating Shared Value” (CSV). I think CSV is a more appropriate expression for us than CSR because ever since our company was founded, our business has been motivated by the desire to make our customers happy and improve society through our housing. For example, this report mentions our Green First ZERO house, which makes possible energy-neutral living well ahead of the Japanese government’s 2020 target for net zero energy housing. Green First ZERO provides new lifestyle value by giving customers a comfortable home along with solutions to energy and environmental problems. This makes Green First ZERO the epitome of CSV. In our landscaping business, we believe that yards and gardens are integral parts of a home, and so we try to give our customers lives surrounded by soothing nature, which also contributes to biodiversity protection. This has made us Japan’s leading landscapers, something recognized in third-party opinions of Sekisui House.

We don’t just sell products; rather, we believe that customers want more than just an energy-efficient house. That’s why we design a home that matches a customer’s land and lifestyle, and based on that, we incorporate net zero energy design as an added value. That’s why so many of the homes we sell are Green First ZERO products. The external members of our CSR Committee emphasize the importance of

customer focus. While we continue to set gradually higher targets with each passing year, the external CSR Committee members point out that we should set even bolder targets. In response, we are proceeding with an environmental strategy that sets higher targets while doing everything possible for our customers.

Although we strive to provide homes with comfort, safety, and peace of mind for many years, as our third-party contributors have mentioned, we still have a long way to go in convincing housing stock owners to convert to Green First products. By providing as many of these owners as possible with Green First homes for comfort and environmental friendliness, we hope to help raise the value of housing stock.



Kenichi Ishida

Executive Officer

Chief Manager of Environment Improving Department,
Chief Manager of Global Warming Prevention R&D Institute

Social Activities

The words “clothing, food, and housing” have been at the forefront of human existence since ancient times. Housing is thus a basic necessity, one in fact that may very well lie at the heart of society. Housing has the potential to contribute to the solution of many of society’s problems, such as global warming, ecosystem destruction, and energy instability, and to create positive effects in areas like daily health, care for the sick and elderly, and revival of family and community ties. Sekisui House is proud that by concentrating its business on housing it has produced value and profits and contributed in a positive way to society. In this sense, we have touched numerous times on CSV in this Sustainability Report. This is exemplified by the industry-leading work we have done in net zero energy houses (ZEH), a product that has accounted for nearly 50% of the homes we have sold since we introduced our Green First ZERO products.

A strong employee base is an integral part of a solid growth strategy: employees need a workplace conducive to rewarding work so that they can help their company provide society with greater added value. In February 2014, we established the Diversity and Inclusion Promoting Office. Sekisui House was chosen for inclusion on the *Nadeshiko* list of companies that empower women and their careers in 2013, the first year of this designation program. Being selected from among the housing

and construction industry has instilled us with greater pride and confidence to step up efforts to empower women and to give employees an improved work-life balance.

It’s been three years since the Great East Japan Earthquake. In 2013, we installed production lines at our Tohoku Factory for Bellburn ceramic exterior wall tiles, which is creating more local jobs and boosting local production for local consumption. We are doing our best to purchase products made and sold by companies affected by the disaster. While reconstruction still has a long way to go, we are striving to do all we can as a housing company by pooling our significant resources to meet the needs of residents in the disaster-stricken areas.

This fiscal year, we will keep CSV front and center while continuing to make CSR a linchpin of our management as we make our company an instrument for social improvement.



Hitoshi Kuroyanagi

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

Honors from Third Parties during FY2013

Environment

Kankan kyo

April 2013 Finalist in Integrated Design category, Environmental and Equipment Design Awards
Organizer: Association of Building Engineering and Equipment



Environmental awareness contributing to Island City community

October 2013 Cooperation Category Prize, Fukuoka Mutual Community Building Commendations
Organizer: Fukuoka Prefecture

Joint entry with Beta Kai; Camelia Garden Club; Residential Energy Sales Department of Saibu Gas Co., Ltd.; Faculty of Management of Kyushu Sangyo University; and Planning and Coordination Section of Island City Management Planning Department, Port and Harbor Bureau, Fukuoka City

Rakuen: Design using flowers and greenery for an enriched lifestyle

October 2013 Tokyo Governor's Award, Garden category, Hibiya Park Gardening Show 2013
Organizer: Executive Committee of Hibiya Park Gardening Show

For garden created jointly with Sekiwa Construction Higashi-Tokyo and Sekiwa Construction Kanagawa

For prototype design and feasibility project for City Ecox, an urban low-rise collective housing that will achieve zero energy consumption

January 2014 Grand Prize at Enemane House 2014
Organizer: Executive Committee of Enemane House 2014

Joint project with University of Tokyo (received award as University of Tokyo Consortium)

Community Building, Landscape

Gotenyama Project

April 2013 Prize for Excellence in Environmental Design category, Environmental and Equipment Design Awards
Organizer: Association of Building Engineering and Equipment



October 2013 Special Judges Panel Award, Planning and Creativity category, Urban Parks Competition
Organizer: Parks & Open Space Association of Japan

Joint entry with Nikken Sekkei Ltd. and first-class architect office of Taisei Corporation

Grande Maison Momochihama Villa

May 2013 Good Lighting Award
Organizer: Illuminating Engineering Institute of Japan

Green Hills Yunoyama

June 2013 Residential Townscape Award, Residential Townscape Competition
Organizers: National Executive Committee for Community Building Month, Housing Production Promotion Foundation, Institute for the Promotion of Housing and Community Building
Entry by Townscape Landscape Committee of Green Hills Yunoyama Community

C Amille Yotsugi assisted living complex for senior citizens

October 2013 President's Commendation for Outstanding Rental Apartments
Organizer: Japan Housing Finance Agency

Maison Mast Aramachi

November 2013 Award in Modern category, Yonezawa City Landscape Awards
Organizer: Yonezawa City, Yamagata Prefecture

Mast Town Uedahara

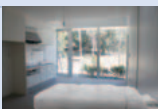
November 2013 Ueda City Urban Landscape Award
Organizer: Ueda City, Nagano Prefecture

Grand Front Osaka large-scale commercial complex

January 2014 Grand Prize, Nikkei Marketing Journal Award, Nikkei Awards for Excellent Products and Services
Organizer: Nikkei Inc. Joint entry by 12 companies

Child Chemo House

January 2014 Construction and Culture Award, Urban Design category, Kobe Urban Design Awards
Organizer: Kobe City, Hyogo Prefecture
Received award jointly with Child Chemo Support Foundation and Tezuka Architects



Good Design Award

Housing & Housing Equipment category

β system steel rigid-frame construction
SHAWOOD wooden-frame construction

October 2013

Organizer: Japan Institute of Design Promotion



Overall CSR

Sekisui House, Ltd.

February 2013
Selected by Tokyo Stock Exchange and Ministry of Economy, Trade, and Industry for inclusion on *Nadeshiko* list of companies that empower women and their careers



Products, Technology, etc.

Classes by Doctor Universal Design in elementary schools

Gold Award in Future Generations category, IAUD Awards 2013



Smart universal design for children—Designing with the user a home for the sound development of children
Silver Award in Future Generations category, IAUD Awards 2013

November 2013 Organizer: International Association for Universal Design

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

April 2013 Grand Prize in Newspaper Advertisement category, Media section, Fujisankei Communications Group Advertising Awards
Organizer: Fujisankei Communications Group

April 2013 Award in Housing and Real Estate category, Mainichi Advertising Design Awards
Organizer: The Mainichi Newspapers

June 2013 Prize for Excellence in Living category, readers' choice section, Yomiuri Advertising Awards
Organizer: Yomiuri Shimbun

October 2013 Honorable mention in Serial Advertisement category, Business Advertising Awards
Organizer: Fuji Sankei Business I.

Advertisement: "Some people climb. Others look up."

September 2013 Grand Prize in Advertisers category, Shizuoka Newspaper Advertising Awards
Organizer: Shizuoka Shimbun

Internal magazine Sekisui House

February 2013 Overall Prize in Magazine and Newspaper category, Keidanren Recommended In-House Newsletters

Organizer: Business Services for Internal Communications, Keidanren (Japan Business Federation)

Kids Design Award

Prize for Excellence (Minister of Economy, Trade, and Industry Prize), Learning & Comprehension section, Children's Future category

Kodomo Satoyama Lab—Forest in the Heart of Tokyo: Community development centered on hands-on learning facility

Joint entry with Actus Co., Ltd.; Kokuyo Co., Ltd.; Jakuetsu Co., Ltd.; and Panasonic Corporation



Encouragement Prize (Kids Design Association Chairman's Prize), Children section, Children-Centered Safety category

Child Chemo House: Ideal environment for children to receive cancer treatment while being with their families

Joint entry with Child Chemo Support Foundation, NPO Child Chemo House, and Takaharu and Yui Tezuka of Tezuka Architects

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

Community Greening Project in disaster-stricken areas restore nature and bring smiles to residents

Joint entry with Sekiwa Construction Tohoku

Award in Children section, Child-Centered Safety category

Platama Powder field chalk: Safe, economical, and environmentally friendly

Joint entry with Green Techno 21



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

Grande Maison Komae condominium, which fosters children's sensibilities and creativity

Award in Learning & Comprehension section, Children's Future category

Green Hills Yunoyama: Creating a 'hometown' for today's children
Joint entry with Townscape Landscape Committee of Green Hills Yunoyama Community

Nationwide environmental education making use of Gohon no ki project

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

Sha Maison low-rise rental apartments designed for babies and children

"Mobility Life": a concept of enjoyment as a family

Future-Oriented Consumer Design category

Classes by Doctor Universal Design in elementary schools

Joint entry with Osaka Industrial Design Center and Toyonaka Municipal Ueno Elementary School

July 2013 Organizer: Kids Design Association

Sustainability Report 2013

February 2014
Prize for Excellence in Environmental Report category, Environmental Communication Awards (Global Environmental Forum President Award)
Organizer: Ministry of the Environment, Global Environmental Forum



Glossary

A

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

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

C

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

D

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

Eco-First Company	Eco-First Company is a designation given to companies that are recognized by the Minister of the Environment as leading the industry in environmental initiatives, including efforts to prevent global warming, reduce waste, and promote recycling, under the Eco-First program implemented by the Ministry of the Environment in Japan.
Environmental accounting	Environmental accounting is a mechanism to quantitatively measure the costs incurred in environmental preservation efforts undertaken as part of corporate activities, with a view to achieving corporate development in a sustainable manner while promoting environmental efforts.

F

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

G

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

H

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

I

Industrial waste	Industrial waste refers to solid or liquid materials that are generated by certain corporate activities—20 classifications for which have been stipulated by law in Japan—and that are no longer usable or appropriate for sale to any third parties. A business entity that generates such waste is responsible for processing it.
Internal control system	An internal control system is designed to build a control and audit process to prevent an organization from engaging in illegal acts or violating rules and to ensure fairness of corporate activities.
IR	IR stands for investor relations and refers to corporate activities to disclose a company's data such as financial, business, and performance information to investors.
ISO 14001	ISO 14001 is an international standard for environmental management, which was introduced to minimize the impacts of corporate activities on the environment.
ISO 26000	ISO 26000 is guidance on social responsibility issued in November 2010. Unlike other ISO standards that are certifiable, ISO 26000 is intended to provide guidelines only.

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

L	
LED lighting	LED lighting employs a light emitting diode (LED), which is characterized by high energy-saving efficiency and extended life. LED lighting also emits less heat and ultraviolet rays compared to conventional incandescent light bulbs.
Low-carbon society	A low-carbon society is a society with low greenhouse gas emissions.

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

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

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

R	
Recycling-oriented society	A recycling-oriented society is a society with a system in place to control waste generation or properly recycle and dispose of used products, thereby minimizing the consumption of natural resources and impact on the environment.
Renewable energy	Renewable energy includes sunlight, solar heat, hydraulic power, wind power, biomass, and geothermal power. It can be renewed in a short period of time after use and does not deplete.
Risk management	Risk management is a process for identifying and controlling risks in corporate activities to avoid or disperse them and prevent or minimize possible damage or loss.

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

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

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

Editors' Note

The fourth-generation GRI guidelines (G4) were issued in May 2013. From January 2016, all corporate organizations must comply with G4. Since our overseas business is gradually expanding, we recognize the need to fulfill global expectations regarding the disclosure of CSR-related information. We created the Sustainability Report 2014 as one means of preparing for G4 compliance. This turned out to be a difficult task.

A key point for G4 is to identify materiality. The material aspects in this year's report can be found in the CSV strategies numbered one to five. Although the content may be a little hard to understand, we hope that you take the time to review it.

The Sustainability Report 2013 was awarded a Prize for Excellence at Japan's Environmental Communication Awards, which helped us to maintain our motivation during the latter half of our editing work on the current report. In order to properly disclose information, we must further clarify and enhance our CSR activities. Based on a belief of "Change Society by Changing Housing," we will continue our earnest efforts throughout FY2014.

Last but not least, we would like to extend our deep gratitude to all the people who kindly cooperated with us in producing this report. Thank you very much.



Sustainability Report 2014 Editorial Team
Members of the CSR Office of the Corporate Communications Department, the Environment Improving Department, and the IT Operation Department