

Sustainability Report 2015

Focused on Creating Shared Value

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

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

Features of the Sustainability Report 2015

- The content of this report was determined by the Sekisui House CSR Committee, which includes three external members, taking into consideration social conditions and survey responses to the Sustainability Report 2014 received from 2,367 internal and external stakeholders.
- The report explains the six CSV strategies, which narrow the 46 aspects of the Specific Standard Disclosures of the G4 Guidelines down to 30 material aspects and which translate those aspects into specific CSR activities.
- This year's report includes Integrated Reporting pages aimed at providers of financial capital.
- As an annual report, this brochure also contains a summary of our corporate activities during FY2014, which can be found in the "CSV Strategies" pages. This report also includes a self-evaluation of our performance towards achieving our goals.
- This report also shows changes in key performance indicators (KPI) in important areas, such as in the progress of our Eco-First Promise.

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Improving Production and Construction Quality



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

Scope of This Report

Areas of Business

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

Areas of Business Activity

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

Period Covered

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

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

Date of Publication

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

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



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



Biema three-story steel-frame detached house



The Gravis Shawwood wooden-frame detached house

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

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



Bereo three-story rental housing



Celeblio assisted-living complex for senior citizens

Main Affiliates

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

Remodeling Business Expansion and renovation of houses, etc.



Main Affiliates

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

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

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



Main Affiliates

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

Pro+Nube two-story rental housing

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



Main Affiliates

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

Smart Common City Akaishidai, a smart town

Condominium Development Business Sale of condominiums

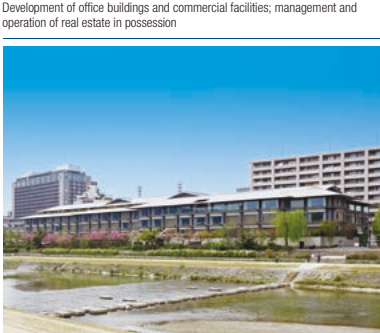


Main Affiliates

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

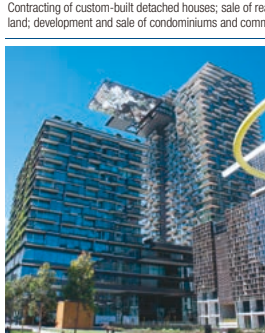
Grande Maison Uehara Residence condominium

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



The Ritz-Carlton, Kyoto

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



Main Affiliates

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

Central Park in Sydney, Australia

Other Businesses Exterior construction work, etc.



Example of Gohon no ki exterior construction and landscaping

Main Affiliates

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

Corporate Profile (as of January 31, 2015)

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

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

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

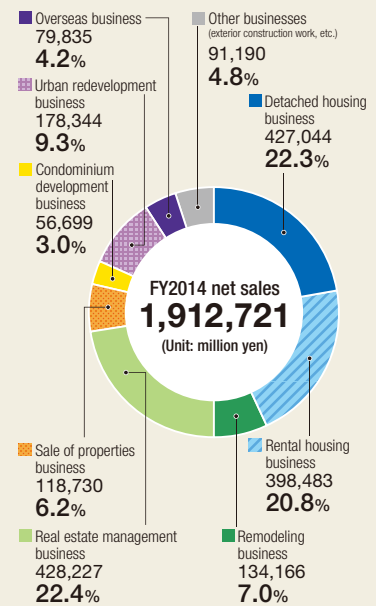
Business Performance Review

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

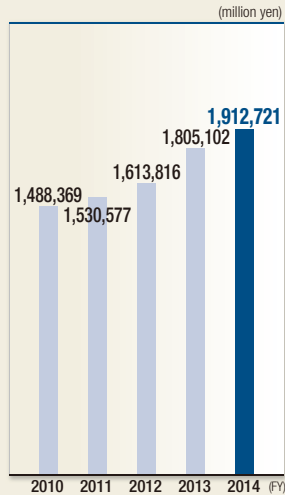
Under our medium-term management plan and with continued commitment to our SLOW & SMART brand vision, we brought out a product lineup that differentiates Sekisui House from other companies. The lineup is centered on eco-friendly Green First Zero homes and three- or four-story housing designed to accommodate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

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

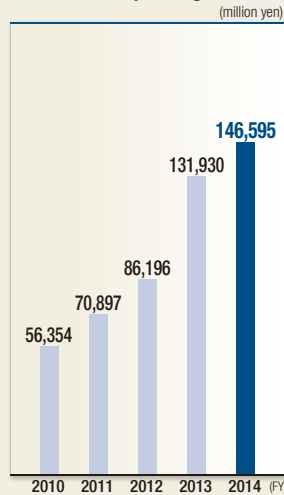
Consolidated Sales by Segment



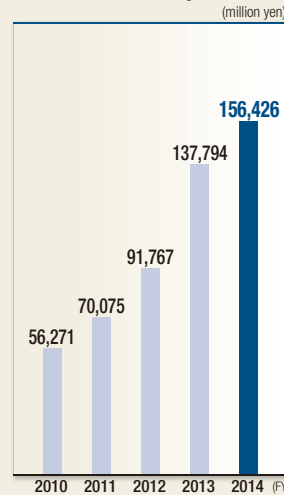
Consolidated Net Sales (million yen)



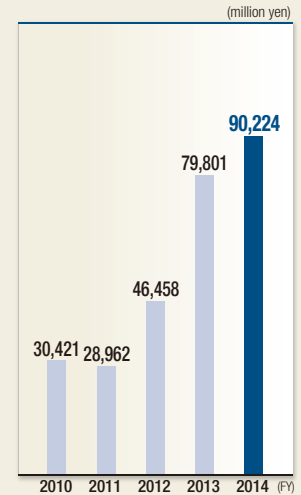
Consolidated Operating Income (million yen)



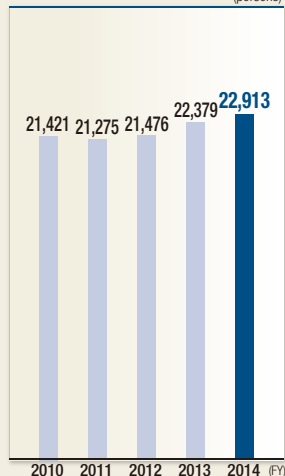
Consolidated Ordinary Income (million yen)



Consolidated Net Income (million yen)



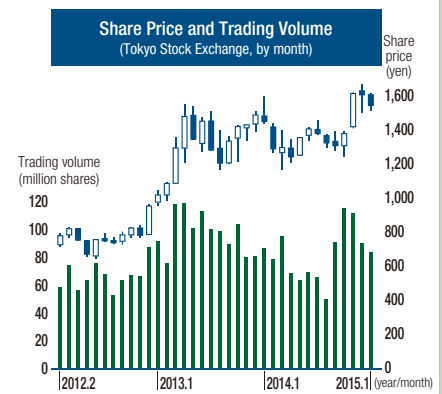
Number of Employees (consolidated) (persons)



Share Information (as of January 31, 2015)

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

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



TOP MANAGEMENT COMMITMENT



Isami Wada
Chairman & CEO

Fulfilling Our Promise to Future Generations

What We Do Today Shapes the Next Century

The growing importance of houses and the housing industry

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

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

Accepting responsibility for the future of housing and the global environment

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

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

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



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

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

Addressing newly arising social issues

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

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

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

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

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

Communicating our philosophy

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

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

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

TOP MANAGEMENT COMMITMENT

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

Pursuing Growth while Keeping One Step ahead of Change

Progress is our mission

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

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

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

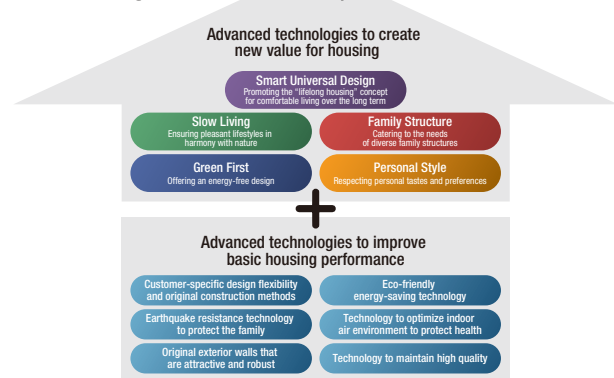
During FY2014, 60% of our customers buying new homes chose a Green First Zero model, a forerunner of ZEH designs to come. Evidently there is already a high level of demand for these eco-friendly products. We aim to increase this rate to 65% for FY2015 and then to 70% in FY2016. Given that about 30% of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

Providing solutions to social issues through housing stock

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

SLOW & SMART

Housing innovation to make your heart feel at home



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

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

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

Catering to newly emerging social needs

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

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



Toshinori Abe
President & COO

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

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

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

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

Reaffirming our corporate philosophy of “love of humanity”

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

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

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

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

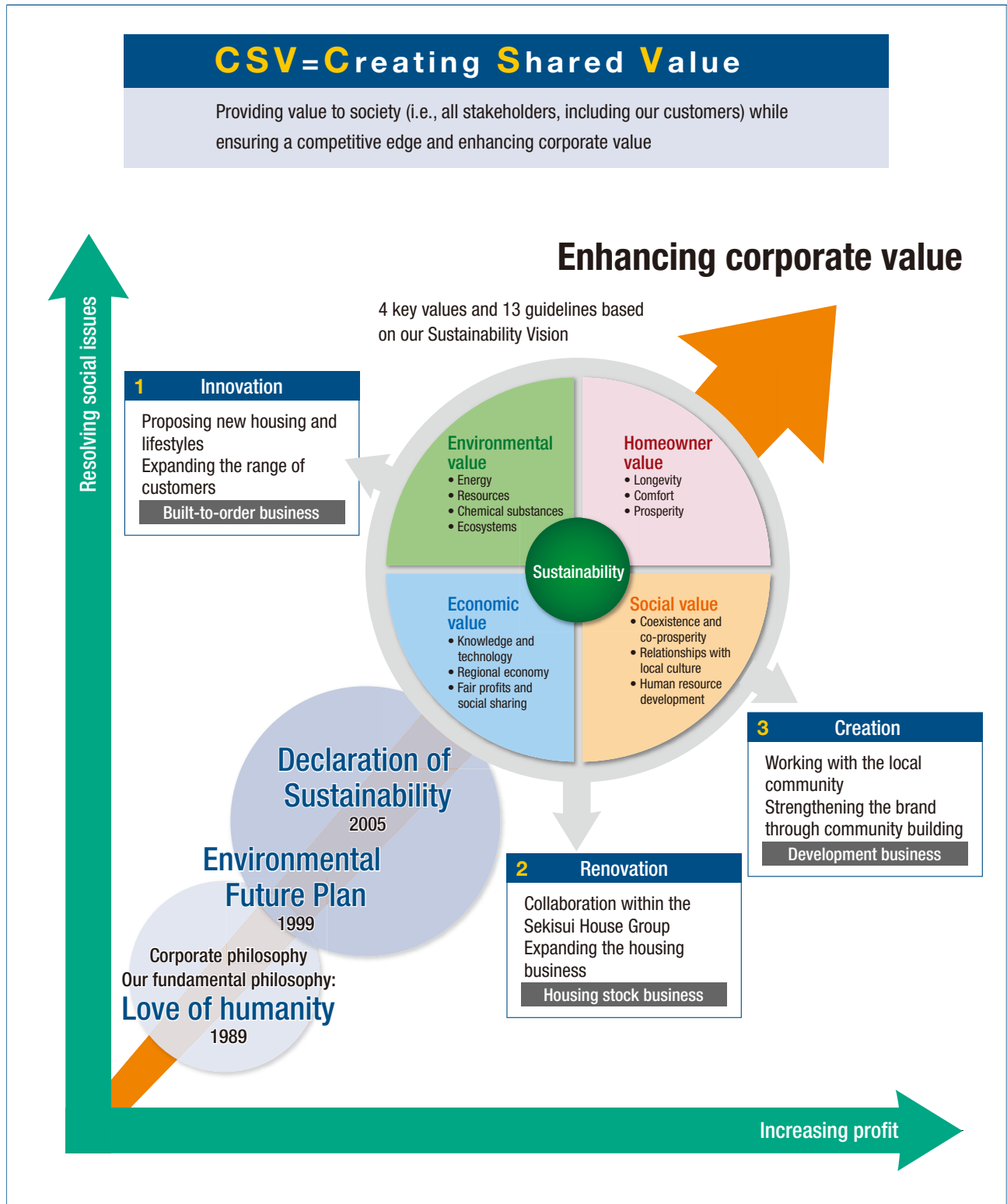
Ensuring strict compliance while securing operational efficiency is a matter of great importance to us. We are also putting our efforts into creating pleasant work environments, especially at a time like now when we are enjoying steady business growth.

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

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

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

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



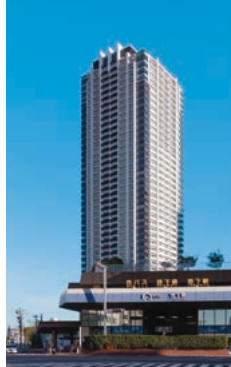
Making the Sekisui House Group's Unique Strengths the Driving Force of Value Creation

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

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



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



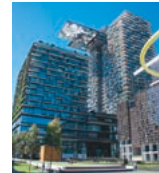
Grande Maison Ikeshita The Tower, a condominium project



Smart Common City Akaishidai, a smart town



Grand Front Osaka, a large-scale project in Osaka



Central Park in Sydney, Australia



Celeblio assisted-living complex for senior citizens

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



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



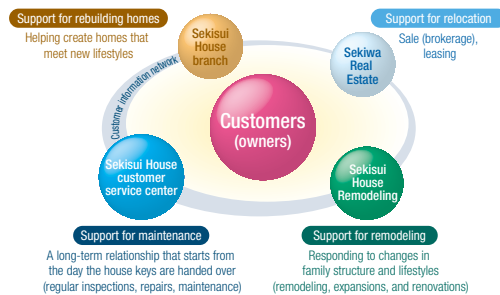
Our numerous achievements and research into long-term comfortable living have made us industry leaders in universal design and child-friendly design.



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



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



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



Financial Data from the Past 11 Years and Major Initiatives

Realizing Sustainable Growth through CSV Management

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

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

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

Actions taken by Sekisui House

1999

Announced the Environmental Future Plan

Launched industry initiative in carrying out group-wide environmental activities

2001

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

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



Gohon no ki concept

2002

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

Recycled all waste generated during the factory production stage

Pursuing environmental management and sustainability

2003

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

Improved the insulation efficiency of detached houses

2004

Announced the S-Project medium-term management vision

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

Launched energy-saving and disaster-proof housing products

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

2005

Announced Declaration of Sustainability

Defined a Sustainability Vision and incorporated this vision into business activities

Formulated the Urban Development Charter

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

2007

Introduced the SHEQAS seismic control system (p. 38)

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



SHEQAS seismic control system

Enhancement of housing quality and performance

Major events

2000

Housing Quality Assurance Act comes into effect in Japan

2002

Construction Materials Recycling Act comes into full force in Japan

2005

Kyoto Protocol takes effect

2006

Basic Act for Housing comes into effect in Japan

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

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

(Unit: Million yen)

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

Increasing corporate value through evolution of the Green First strategy

2007

Established Wood Procurement Guidelines (p. 31)

Promoted the FairWood procurement initiative to ensure sustainable wood use

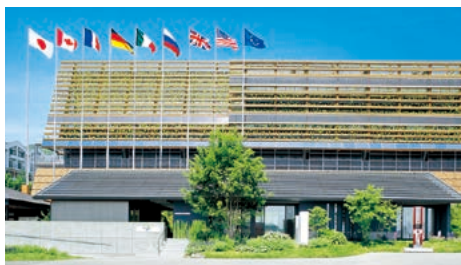
2008

Made the Eco-First Promise

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

Cooperated in construction of the Zero Emission House

Unveiled our innovations at the Toyako Summit



Zero Emission House

2009

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

Provided eco-friendly housing that was also comfortable and economical

2010

Achieved the milestone of 2 million homes

2011

Launched the Green First Hybrid model

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

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

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

2013

Launched the Green First Zero model (p. 23)

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



Green First Zero

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

2014

Announced the Disaster Risk Reduction Factory of the Future plan

Pursuit of both environmental consideration and comfort

2009

Japanese government launches Long-Term Quality Housing Certification Program

2010

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

2005

Great East Japan Earthquake

2006

3rd United Nations World Conference on Disaster Risk Reduction

Sekisui House Group Leads the Housing Industry

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

Total number of houses constructed

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



Number of detached housing starts (FY2013)

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



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

11,695 houses
(No. 1 in Japan)



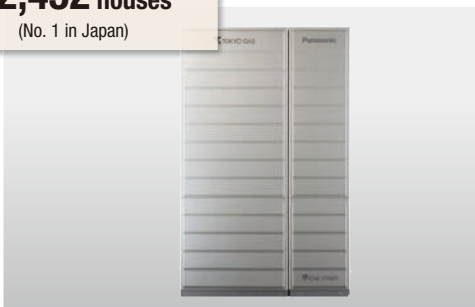
Number of three-story rental housing starts (FY2013)

1,341 buildings
(No. 1 in Japan)



Total number of houses equipped with Ene-Farm fuel cells

32,452 houses
(No. 1 in Japan)



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

8,547 units
(No. 1 in Japan)



Remodeling business sales (FY2014)

134.1 billion yen
(No. 1 in Japan)



(All totals as of January 31, 2015)

Exterior business sales (FY2014)

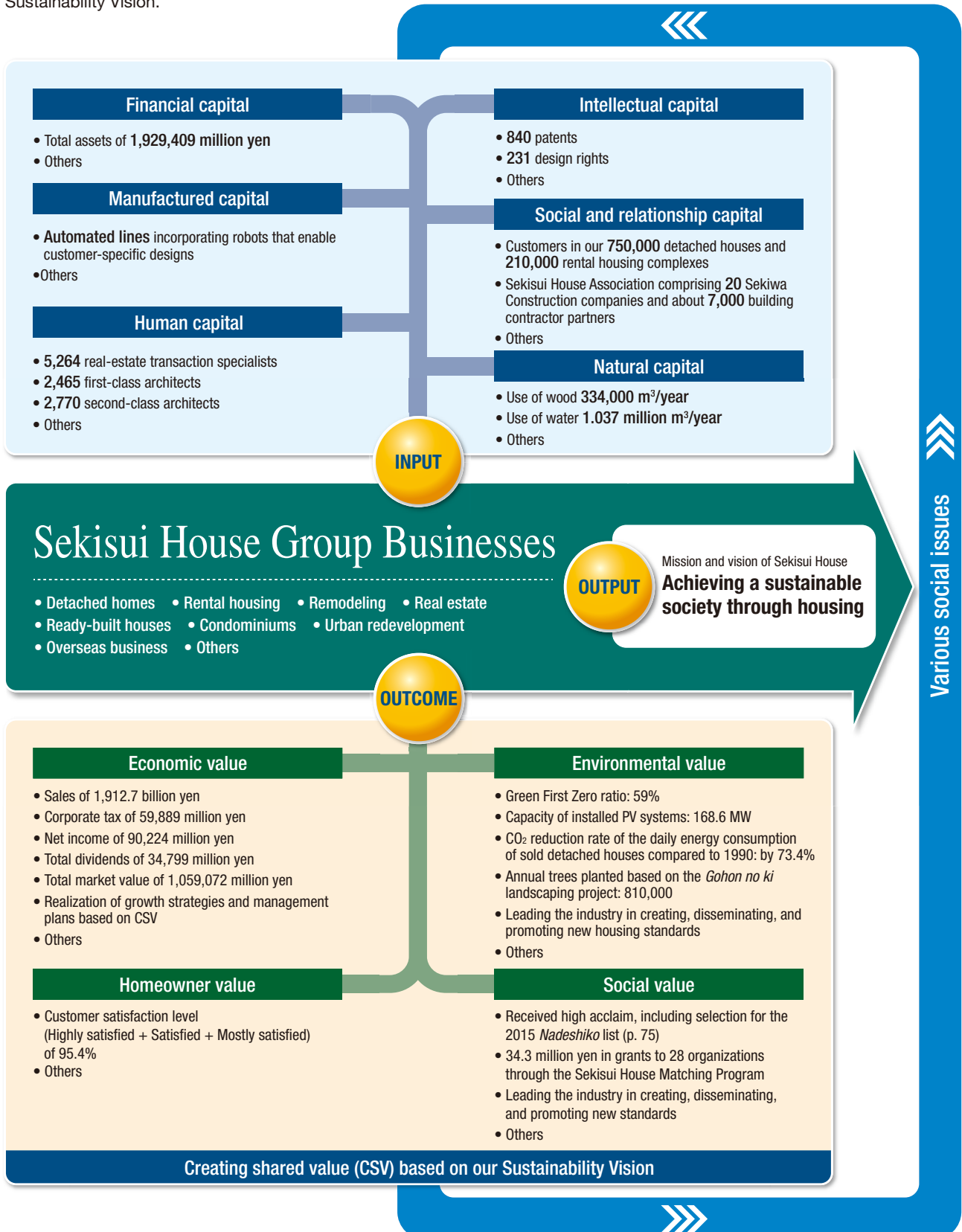
58.3 billion yen
(No. 1 in Japan)



Value Creation by the Sekisui House Group

Addressing Social Issues through Housing and Creating Shared Value with Stakeholders

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



FY2014 Medium-Term Management Plan and CSV Strategies

Tackling the Housing Business through the Synergy of Three Business Models

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

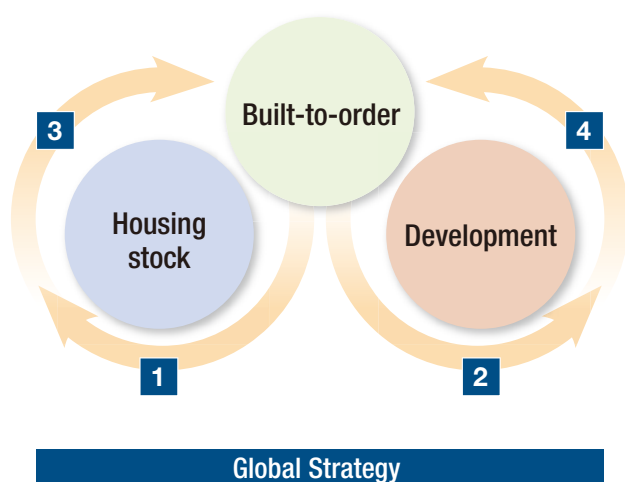
Enhancing collaborations between affiliated companies such as Sekiwa Construction, Sekisui House Remodeling, and Sekiwa Real Estate will enable us to give a unified, one-stop response to consultations on housing. While pooling the techniques and know-how cultivated through our three business models—built-to-order,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

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

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

Basic Policy

Tackling New Challenges in the Housing Business by Strengthening Group Synergies



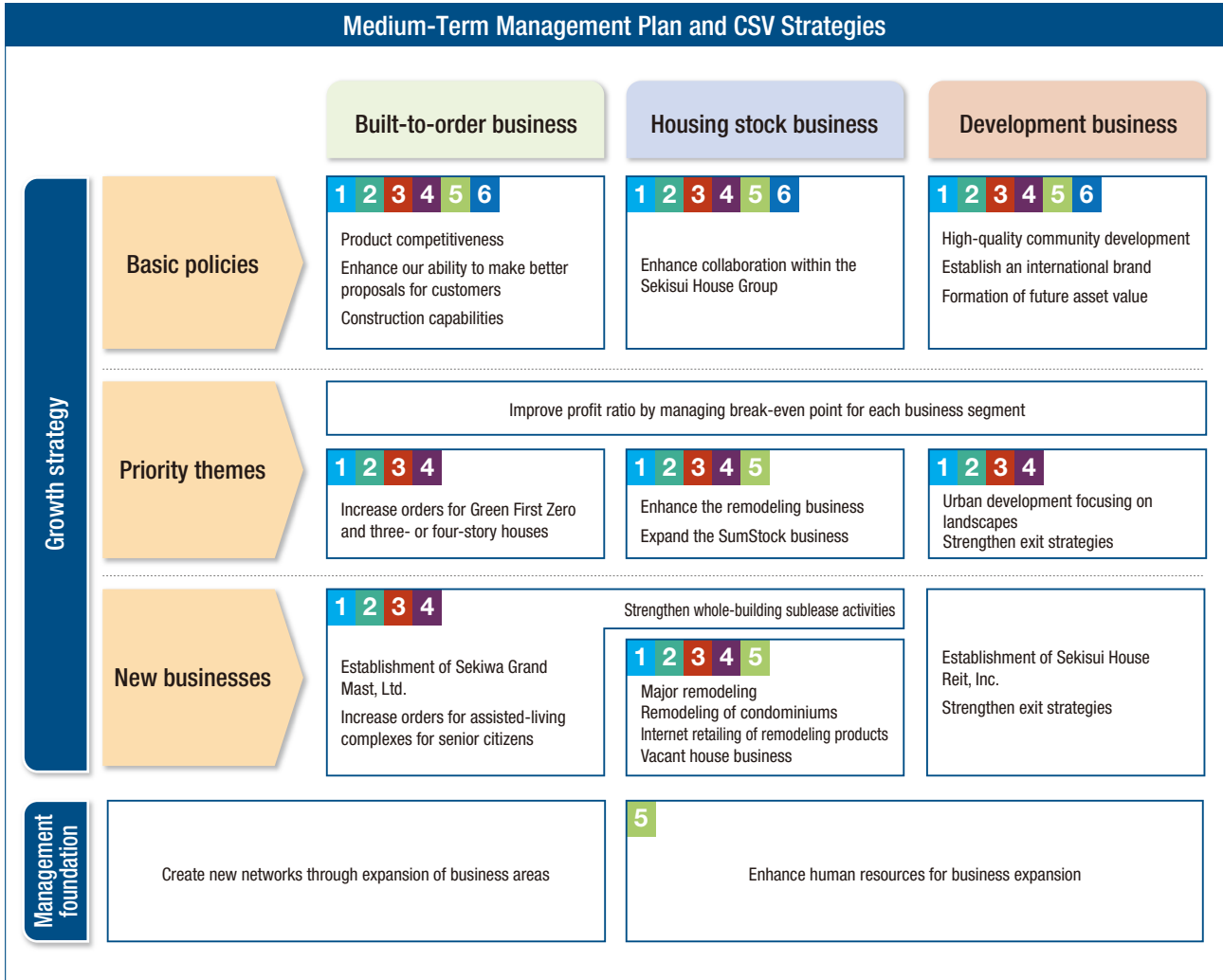
- 1 Expanding the housing stock business by positioning the built-to-order business as our core business and strengthening the customer base by providing high-quality housing stock.
- 2 Enhance the asset turnover of the development business by taking technologies and know-how cultivated through the creation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

Profit Plan

(Unit: Billion yen)

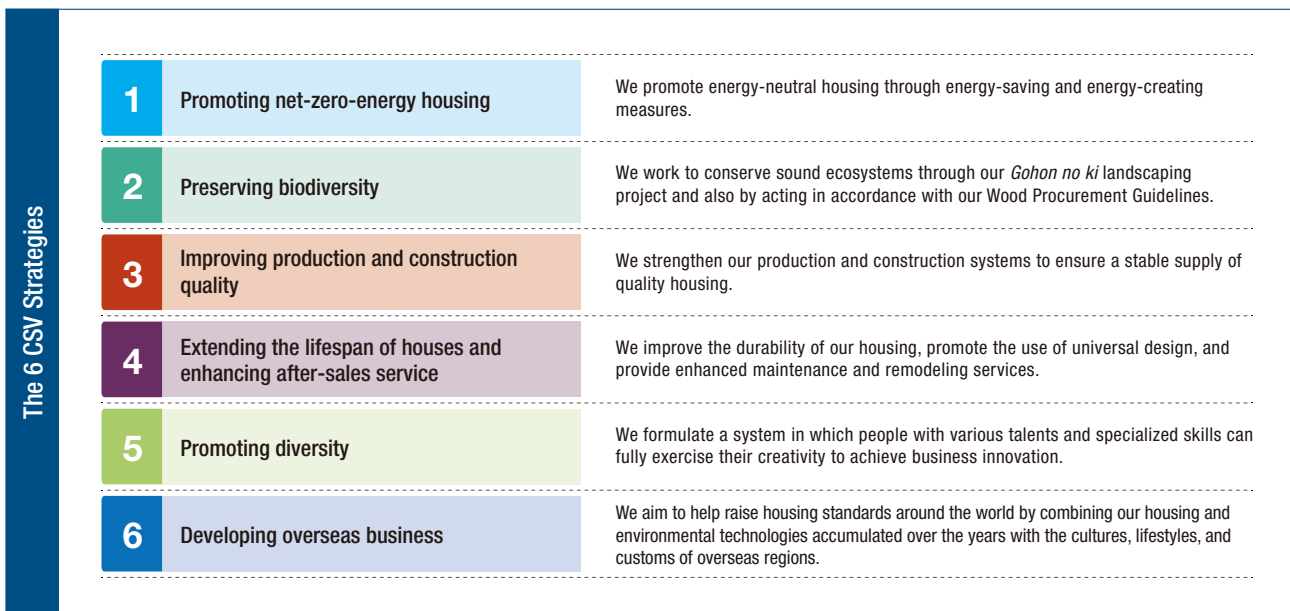
Regarding our plans for future profits, we expect steady growth in both sales and profits. For FY2016, the last year of the medium-term management plan, we expect consolidated net sales of 2.02 trillion yen, consolidated net income of 103 billion yen, and an ROE of 10.0%. The following return to shareholders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

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



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

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



Enhancing Communication with Shareholders and Investors

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

Visitor Days and Briefings

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



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

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



Investors at a company briefing and seminar

Shareholder Preferential Gift Program

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



Donating Shareholders' Preferential Gifts

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

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

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

Shares in a Unit

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

Exercise of Voting Rights via Internet

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

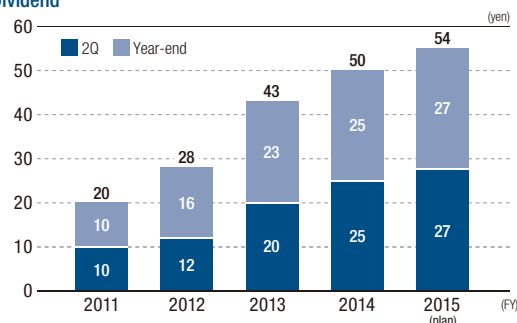
Returning Profits to Shareholders—Ensuring High Dividends and Total Return Ratio

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

Based on the aforementioned policy, we aim to achieve a high profit distribution for the medium and long term, while maintaining sound management. We are securing at least a 40% average dividend payout ratio and targeting a 60% total return ratio for shareholders,

which is to be achieved through medium- and long-term acquisition of our own shares with 20% of net income.

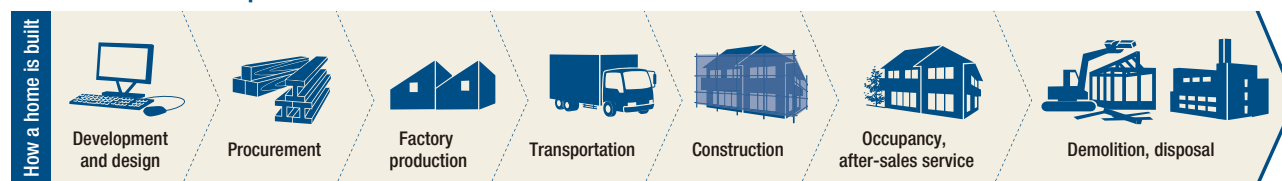
Dividend



Working with Stakeholders for a Better Future

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

Sekisui House Group Value Chain



Main Stakeholders and Overview of Actions

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

Process for Identifying Material Aspects

Identification of Material Aspects through Stakeholder Actions

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

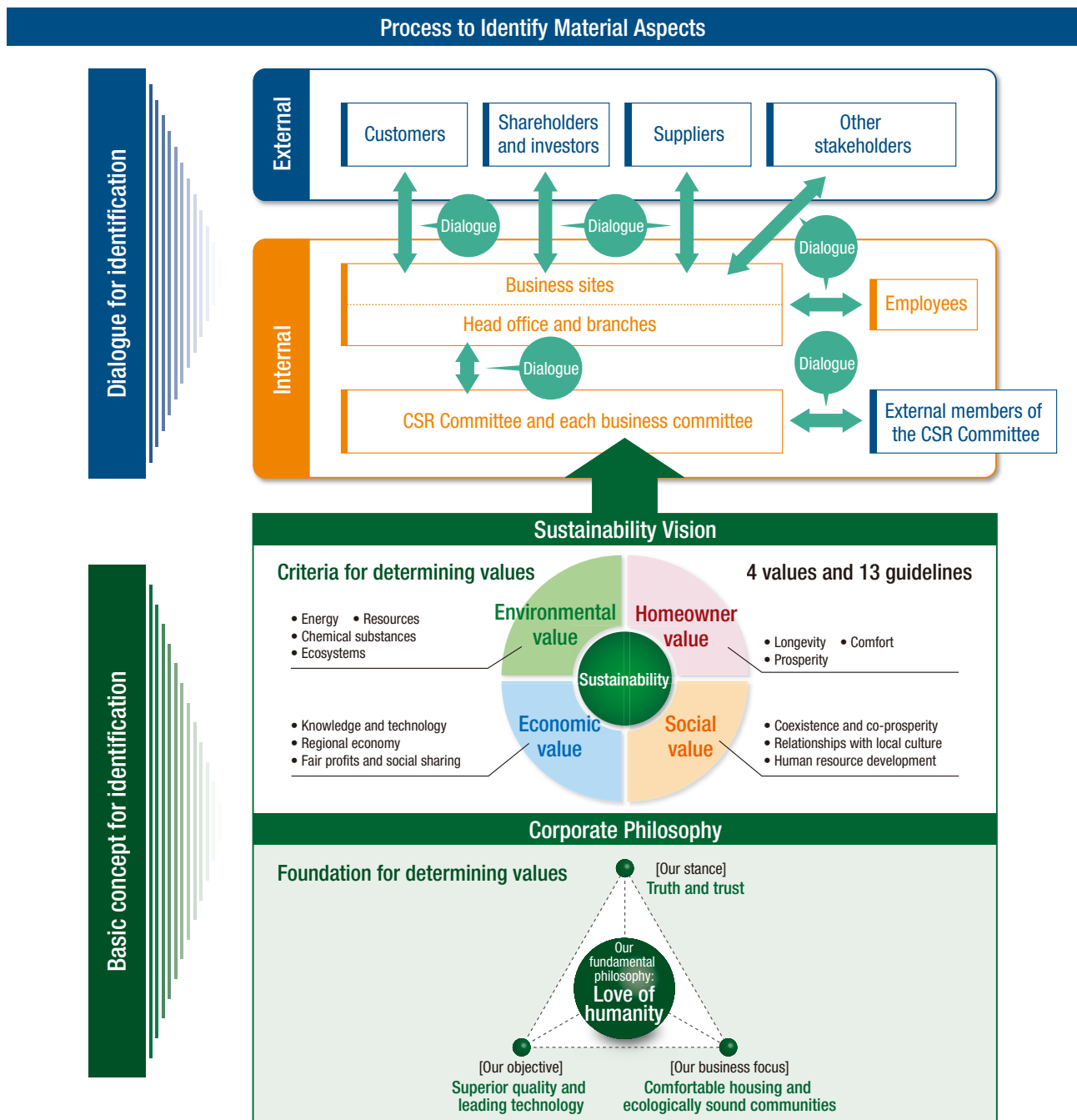
When selecting themes, the 46 aspects of the Specific Standard Disclosures of the G4 Guidelines were prioritized. We used the opinions of our stakeholders, our corporate philosophy, and our Sustainability Vision as ranking criteria.

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

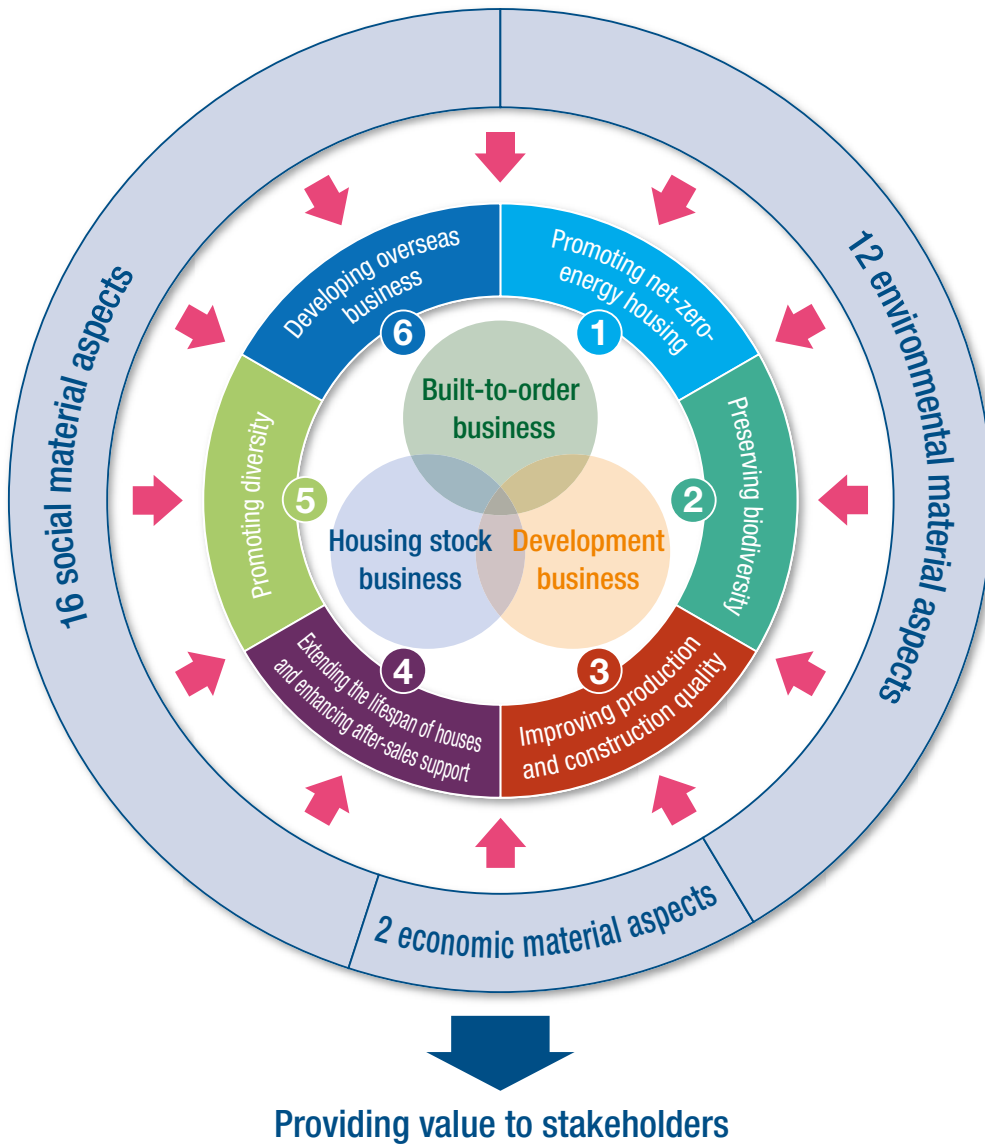
were established for each aspect (see page 76). By connecting these aspects to specific CSR activities, six CSV strategies were designated.

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

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



Identified Material Aspects and the CSV Strategies



30 Material Aspects

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