



For the year ended January 31, 2017

Sustainability Report 2017

Focused on Creating Shared Value

SEKISUI HOUSE, LTD.

Head Office
1-1-88 Oyodonaka, Kita-ku, Osaka 531-0076, Japan

Tokyo Office
4-15-1 Akasaka, Minato-ku, Tokyo 107-0052, Japan

Direct inquiries to:
Corporate Social Responsibility Office,
Corporate Communications Department
Tel: +81-6-6440-3440
Environment Improving Department
Tel: +81-6-6440-3374

Corporate website: <http://sekisuihouse.co.jp/english>

Changing the World Through Living



Underpinning the Sekisui House Group corporate philosophy is **a love of humanity**. This means desiring happiness for others and treating their joy as our own. Desiring happiness for all our stakeholders and the realization of a sustainable society, we strive to create and share **four key values**: environmental value, economic value, social value and homeowner value. Today, we are surrounded by a variety of accumulating **social issues**, including responses to natural disasters, energy problems, falling birthrates and aging populations, the future of communities and abandoned homes. We want to share happiness with our stakeholders **by creating new value** and contributing to the resolution of social issues precisely because the Sekisui House Group develops housing-related growth strategies. This achieved through our **Creating Shared Value (CSV) strategy**.

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Editorial Policy

The purpose of this report is to educate the general public about initiatives the Sekisui House Group engages 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 formulating an editing policy, we referred to the 2012 Environmental Reporting Guidelines of Japan's Ministry of the Environment. The selected topics are reported in accordance with ISO 26000, an international standard providing guidance on social responsibility.

Furthermore, this report has been prepared in accordance with the Core options of the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines (G4).

Energy usage, waste and greenhouse gas emissions, water used in factory production and social reporting (accidents resulting in lost worktime and job-related illness frequency rates) disclosed in Sustainability Report 2017 are assured by third-party institutions to heighten reliability (see page 75, Independent Third-Party Assurance Report). Furthermore, with regard to the reliability of greenhouse gas emissions data disclosed herein, the symbol on the right indicates this report meets greenhouse gas reporting examination and registration mark standards established by The Japanese Association of Assurance Organizations for Sustainability Information.



Features of the Sustainability Report 2017

- The content of this report was determined by the Sekisui House CSR Committee, taking into consideration social conditions and survey responses to the Sustainability Report 2016.
- In accordance with the G4 "core" option, all general standard disclosures ("core" items required for disclosure compliance) as well as specified standard disclosures (46 aspects) and 19 material aspects narrowed down into six CSV strategies are disclosed in this report and online.
- As an annual report, this publication contains a summary of our corporate activities during FY2016, 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 shows changes in key performance indicators (KPI) in important areas, such as in the progress of our Eco-First Promise.
- 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.

Areas of Business

This report covers Sekisui House Limited and 225 consolidated subsidiaries.

Areas of Business Activity

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

- Period covered: FY2016 (February 1, 2016 to January 31, 2017)
Note: Some activities undertaken in FY2017 are covered in this report.
- Date of publication: This report is published annually in Japanese in May.
Note: English and Chinese versions are published annually in June.
- Direct Inquiries about This Report to:
Corporate Social Responsibility Office, Corporate Communications
DepartmentTel: +81-6-6440-3440
Environment Improving Department Tel: +81-6-6440-3374

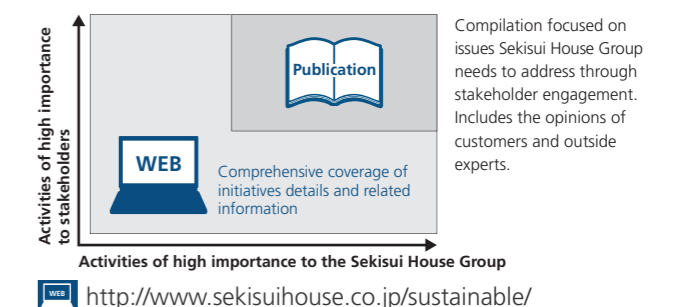
Online inquiries > <http://www.sekisuihouse.co.jp/english/information/contact.html>

Reporting Media Approach

This publication compiles information selected due to its importance and presented in a format that is easy to read and understand. To meet our responsibility for full accountability to a wide range of shareholders, comprehensive information is disclosed on our website.

We also issue a separate publication that focuses on information of particular importance to customers.

Note: Our CSR website is only available in Japanese.



Toward Business Creation from the Development

Since our founding in 1960, the Sekisui House Group has developed housing-related businesses that have come to lead the housing industry.

With beginnings in detached homes, we have expanded into business domains including rental housing, ready-built homes, condominiums, remodeling, real estate, urban development and overseas business.

Going forward, we will continue to provide new value to life making use of various business technologies, expertise and achievements grounded in our SLOW & SMART brand vision.

Built-to-Order Business

Custom detached houses, rental housing



Custom Detached Houses

Design, construction, and contracting of detached houses

[Main Affiliates]

© 19 Sekiwa Construction companies (housing construction, etc.)

Supplied Housing Business

Remodeling, real estate management



Remodeling

Expansion and renovation of houses, etc.

[Main Affiliates]

© 3 Sekisui House Remodeling companies (Sekisui House detached housing expansion and renovation, etc.)
 © 19 Sekiwa Construction companies (housing remodeling and extension, etc.)
 © 7 Sekiwa Real Estate companies (remodeling and extension of rental housing, etc.)

Real Estate Management Fees

Subleasing, management, operation, and brokerage of real estate, etc.

[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)

Development Business

Ready-built houses, condominiums, urban development



Houses for Sale

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.)
 © 19 Sekiwa Construction companies (housing construction, etc.)

Condominiums

Sale of condominiums

[Main Affiliates]

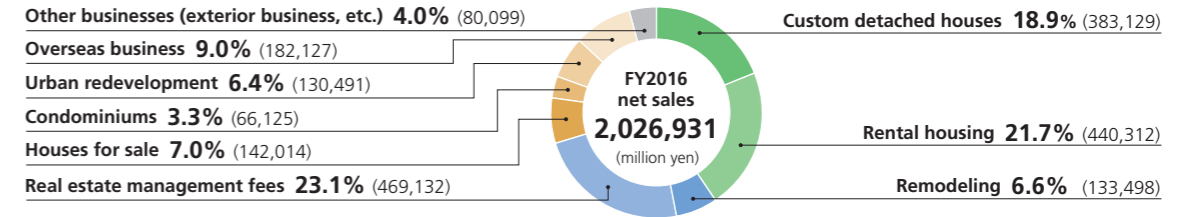
© 7 Sekiwa Real Estate companies (purchase/sale of real estate, etc.)

Urban Redevelopment

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

of Housing-Related Growth Strategies

Consolidated Sales by Segment



Rental Housing

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

[Main Affiliates]

© 19 Sekiwa Construction companies (housing construction, etc.)

Custom Detached House Sales

13,612 houses

No.1 among prefabricated house manufacturers (FY2015)

Source: Housing Industry Express, Jutaku Sangyo Kenkyusho Co., Ltd.

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

26,840 houses

No.1 in Japan

Number of three-story rental housing starts

1,430 buildings

No.1 in Japan

(FY2015) Source: Data provided by Jutaku Sangyo Kenkyusho Co., Ltd.

Total number of houses constructed

2,334,222 houses

No.1 in the world

Remodeling business sales

133.4 billion yen

No.1 in Japan

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

12,722 units

No.1 in Japan

Overseas Business

Overseas Business

Condominium and building complex business, sales of ready-built detached houses and residential land, and detached housing business in overseas markets

[Main Affiliates]

© Sekisui House Australia Holdings Pty Ltd.



Other Businesses

Exterior construction work, etc.

[Main Affiliates]

© 19 Sekiwa Construction companies (exterior construction, landscaping, etc.)



Exterior business sales

67.7 billion yen

No.1 in Japan

Note: Cumulative figures are all as of January 31, 2017.

Developing Business That Creates Dreams with Positive Thinking and Flexible Ideas

With Eyes Like a Bird, Insect and Fish, We Are Intently Focused on the Future of Japan and Global Movements to Achieve New Growth

Changing the Whole Concept of Living Environments, Societies and Countries as an Advanced Nation with Longevity

Global political and economic conditions are increasingly unstable and uncertain, with developments reported in the news nearly every day. In Japan, we tend to focus on commentary on negative aspects such as declining birthrates and the super-aged

society. However, societies that do not change cannot progress. Changes are an opportunity. Rather than fretting over uncertain social conditions, it is important to calmly see through the essence of things, accept them with a positive attitude and take action boldly with conviction. So doing, our field of vision will instantly broaden. I believe this will greatly expand housing industry possibilities and avenues to pursue.

Even in terms of the super-aged society, if we think positively, a variety of innovations give rise to the concept of an “advanced nation of longevity.” With the lifelong-housing concept as its basic approach, the Sekisui House Group established the proprietary Smart Universal Design that takes into account individual differences in physical abilities. We continue to offer advanced proposals from the perspective of both physical housing structures and comfortable living standards, including remodeling and renovations to improve thermal environments and protect people from what is referred to as heat shock during wintertime baths as well as houses that extend healthy life expectancy. This perspective and the technologies that support it will undoubtedly be necessary in countries around



Isami Wada
Chairman & CEO

the world in the near future. This will become our new strength.

Furthermore, if we promote thinking based on our experience as an advanced nation of longevity, the way in which a country can become a model for the world and a path indicating the formation of a new society will come into view.

To put this into practice, “lifelong activity” is the keyword. Corporations and society overall will arrange mechanisms for energetic, long-living generations to continue working. In addition to extending the retirement age and the creation of other basic systems, perhaps we can create unprecedented social environments that continuously and carefully leverage the capabilities of skilled individuals within economic activities. The energy and abilities of long-living generations are assets and resources indispensable to Japanese society going forward. This is an important theme that we must incorporate into our corporate activities.

New Initiatives with a Unique Perspective on Support for Inbound Tourism Demand

Expectations are rising in terms of inbound tourism demand as one driver of growth in Japan. The government announced it was doubling its target number for foreign tourists to 40 million people in 2020. However, currently France receives more than 80 million visitors, a number that exceeds its population. In this sense, Japan still has a long way to go. From here on out, rather than superficial or temporary phenomena such as shopping sprees, the focus will be on long-term visits including experiential sightseeing resulting in practical economic results. To this end, it is necessary that we prepare accommodation facilities satisfying a variety of needs in a high quality, distinctive and accepting environment.

As an example of one of these distinctive activities, the Sekisui House Group collaborated with Waqoo Project Co., Ltd., to launch the Shukubo (Temple Lodging) Creation Project. This involves staying at a temple or shrine, transcribing Buddhist sutras, zazen (seated meditation) and sermons while enjoying shojin ryori (Buddhist vegetarian meals). We are responsible for designing and constructing the shukubo where these activities will take place. From the material to the abstract, we will respond to the conversion of consumer needs. Positioned as a project that has social significance, this involves the development of a new market for the housing industry that is linked to regional revitalization activities as well as promoting the appeal of regional attractions that will lead to the creation of jobs.

In addition, we launched a luxury serviced apartment business in the Akasaka district of Tokyo through an alliance with Frasers Centrepoint Ltd. of Singapore. This is the first entry of this company’s Frasers Suites luxury brand in Japan. We will respond to the growing need for fine quality hotels and provide high-quality services to long-term residents engaged in business and sightseeing. Frasers is our local partner overseas with numerous achievements in collaborative projects. This project, which responds to inbound demand from affluent travelers, is a new milestone for the Overseas Business and can be considered part of its evolution.

Although shukubo and luxury serviced apartments are different business lines, agile and flexible responses to a variety of needs will be necessary for business development and market

creation going forward. What will make this possible is our pursuit of high quality housing environments, our unique environmental technologies, our track record of constantly taking on challenges, our comprehensive strengths and our relationships of trust with business partners. We will continuously engage in a variety of initiatives with original methods and ideas.

Delving Deeper into the Overseas Business, Confident of Growth as an Industry with a Dream

When developing Overseas Business, which currently is proceeding on track, we chose project locations based on three conditions: (1) Countries with a population bonus, (2) countries rich in resources and (3) countries with high environmental consciousness. And, we always aimed to realize projects that the other country would be pleased with. We are not expanding overseas because the market in Japan is shrinking. We do not have such a pessimistic outlook. Rather, the world needs our environmental technologies. Changing global housing with these technologies will also help to prevent global warming. We have developed new businesses with confidence and a sense of mission. The Sekisui House Group never aims for immediate market expansion or profits from short-term investment.

Even though international conditions change moment to moment, we are not shaken in our belief. Going forward, we will continue to delve deeper with projects welcomed locally without rushing to aimlessly expand business lines. We consider development in terms of the keyword “deepening.”

Sekisui House Group environmental technologies and ideas, which consider housing not only in terms of individual houses, but also the overall housing environment including the surrounding environment, have earned a strong reputation. The Ecco Ripley large-scale housing development and housing construction project underway in Queensland, Australia, received a rating of five stars in the Green Building Council of Australia (GBCA) environmental ranking. Confidence in Sekisui House, an Eco First Company, is steadily rising. New concepts for housing that extend a healthy life expectancy and opportunities to leverage proprietary technologies will surely increase going forward.

Changing society through housing. We have a daily sense of the importance of the housing industry’s mission and responsibilities, and we are confidently growing as an industry with a dream. The housing business is founded on working with customers throughout their lifetime, revitalizing communities and creating regions and localities. From overseas business and businesses supporting inbound tourism, to interactions with people and societies around the world—there are still many things we need to do. The dream we talk about from the perspective of the housing industry can itself be said to be Japan’s dream of the future. To realize this dream, we must have eyes like a bird, which has a wide view of overall society, eyes like an insect, which never misses even the smallest movements, and eyes like a fish, which focuses firmly on the current of time even when it is raging. Maintaining the importance of these three types of eye and promoting balanced business activities, the Sekisui House Group will continue to realize its future responsibilities in its own unique way.

TOP MANAGEMENT COMMITMENT

Employee Hearts, Product Competitiveness and Construction Capabilities. Enhancing Total Brand Value

Creating a Workplace That Thrills and Excites Employees. Efficiently Promoting Business with Energy and Comprehensive Strengths

Combining the Creation of Healthy and Energetic Workplaces with Solid Results

“Workstyle innovation” is the key phrase in our times, demanding corporations adopt measures with high ethical standards. Thorough compliance is indispensable as a major precondition for corporations to grow. Furthermore, the Sekisui House Group has the basic philosophy “love of humanity” as its corporate philosophy. Workstyle innovation and a love of humanity. Our founder’s words are deeply etched on my heart as a way of thinking that links these two concepts. “Companies are made up of people, and people act with their hearts. I want to rise above other companies in terms of the heart and character of our employees.” First of all, if a company has outstanding employees, good performance will follow. If we are not healthy in both mind and body, we cannot build character that is trusted by customers. Creating healthy and energetic workplaces is more important than anything else. This concept is the basis for diversity initiatives and other workstyle innovations promoted by the Sekisui House Group.

Workplaces that are healthy and energetic. What I envision are workplaces that thrill and excite employees. Workplaces where employees work until late at night have no future. Ideally, there should be a balance between one’s work and private life, making each day fulfilling. I used a simple expression, but this theme leads to results such as the promotion of diversity, human resource growth and improved retention rates.

Our business strategy is focused on the priority themes of promoting the creation of an idealized workplace and “residential”-related businesses. With both these wheels fully engaged, on the earnings front we were able to achieve consolidated net sales of over ¥2 trillion, our strongest performance ever. We also achieved a new high in terms of operating income. These major achievements are the fruition of structural reforms conducted with the aim of recovery after the Lehman Shock in 2008. We streamlined our head office, devised an area market strategy and strengthened the specialization of each business. Group coordination is also leading to solid results. And, we thoroughly promoted management with an awareness of the breakeven point. We generate profit with a lean corporate structure. We launched a new Medium-Term Management Plan

targeting further growth to maintain this momentum. Now, while focusing on what needs to be changed and what needs to be protected, we will develop business that further enhances Sekisui House Group strengths.

Utilizing IT, Strengthening Mutual Understanding and Bonds. Focusing Efforts on Operational Efficiency

Operational efficiency is a critical issue for maintaining and augmenting a lean structure. This is also connected to workstyle innovations. At present, we are engaged in utilizing IT to “visualize capabilities” related to design and onsite supervision operations. As opposed to sales, it is difficult to quantify work results in these types of positions. Thus, we created a point system to clarify evaluation criteria such as workload, accuracy, assessments, etc. In other words, we visualize fairness and impartiality. As a result, we have been able to share business problems and solutions and effectively reduce waste and overwork. In terms of construction management, this is also useful in revising redundant technical operations by Sekisui House and Sekiwa Construction. Going forward, we will enhance the precision of these initiatives while creating thrilling and exciting workplaces from a variety of perspectives.

One of the Sekisui House Group’s major strengths are its construction capabilities. We attempt close cooperation through systematized career paths that enable Sekisui House employees aiming to become construction chiefs to gain experience by working for a limited time with Sekiwa Construction. Relationships of trust with Sekisui House Association building contractor partners and a corporate culture that has placed importance on bonds since our founding are virtues we inherit with a sense of pride. Also, in the near future, we anticipate the continued decline of technicians working on construction sites. At present, we are training employees who will carry the next-generation at schools established in Ibaraki, Shiga and Yamaguchi Prefectures. We are also improving work environments with the intention of creating construction sites where even women are able to work comfortably.

At the same time, we also established a help line providing

building contractor partners and business partners with consultation regarding corporate ethics violations or concerns regarding transactions. It is important that we become aware of positive information and especially negative information as soon as possible, providing a rapid response to all problems. We will continue to focus efforts on instilling a climate with nothing hidden and no scandals by attempting to improve compliance awareness and crisis response capabilities.

Enhancing Brand Power, Growth in Domains Linked to Resolving Social Issues

Amid a declining number of new housing starts in Japan, Sekisui House Group performance is steadily improving. Rather than falling into contraction equilibrium, we adopted a strategy whereby we capture core “built-to-order business” centered on custom detached and rental housing while engaging in our remodeling and real estate management fee “supplied housing business,” our ready-built house and condominium “development business” and cultivating and growing our “overseas business.” The adoption of zero net energy housing (ZEH), which reduces energy balances to zero or less, and our promotion of the industry-leading “Green First” strategy have also provided a major boost. We are coming steadily closer to reaching our goal of making 80% of newly constructed homes ZEH compliant by the year 2020. The first ZEH condominiums in Japan, located in Nagoya and scheduled for completion in spring 2019, are also attracting attention.

To promote our business strategy to customers, we reconstructed our brand communication strategy for the detached housing business. This initiative promotes high added value housing proposals. Going forward, we will continue to adhere to middle- and high-class lines originating with Sekisui House, focusing on products that leverage our original technologies such as Dyne Concrete (“Is Series” steel frame houses with concrete exterior walls) and Bellburn (“SHAWOOD” wooden-frame houses with ceramic exterior walls).

With regard to the rental housing business, we will redouble the area marketing efforts we have engaged in up to now and construct quality properties mainly in urban areas where occupancy is highly competitive. In FY 2016, block leasing occupancy rates were maintained at a high level of 96.5%.

In addition, we reshuffled our organizational structure to strengthen the existing home remodeling and renovation business. Approximately 40 million homes were in need of warmer indoor environments and about 10 million homes had old seismic safety standards. This huge market can be said to be a growth field. Going forward, we will continue to tackle challenges linked to resolving social issues by anticipating the needs of the times and making full use of advanced technologies.

We are selling on value rather than price. Moving from “needs” to “wants,” Sekisui House would like customers to say “I want that!” To this end, it is essential we raise our brand value overall. While reaffirming the Sekisui House Group basic policy of “best quality and the highest technology” and our brand vision “SLOW & SMART,” we will position CSR management as the basis for the entire Group, which will result in the development of business activities linked to creating shared value (CSV).



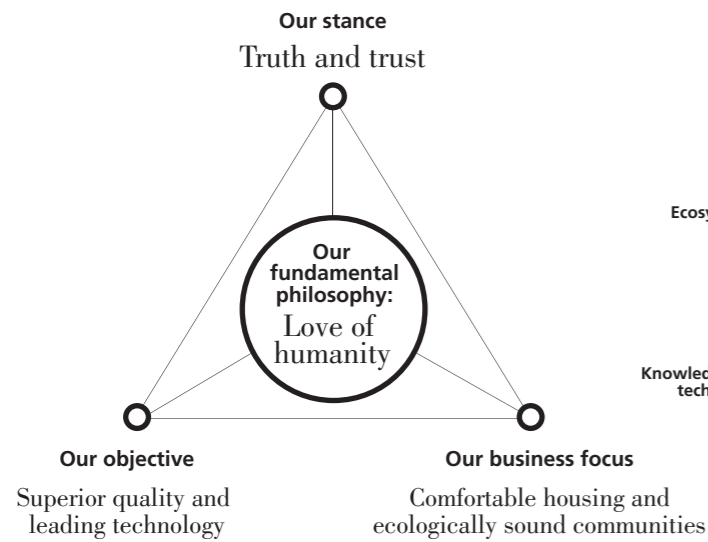
Toshinori Abe
President & COO

Development of Philosophy and Value Creation

Progress of Sekisui House's Creation of Four Values through Housing

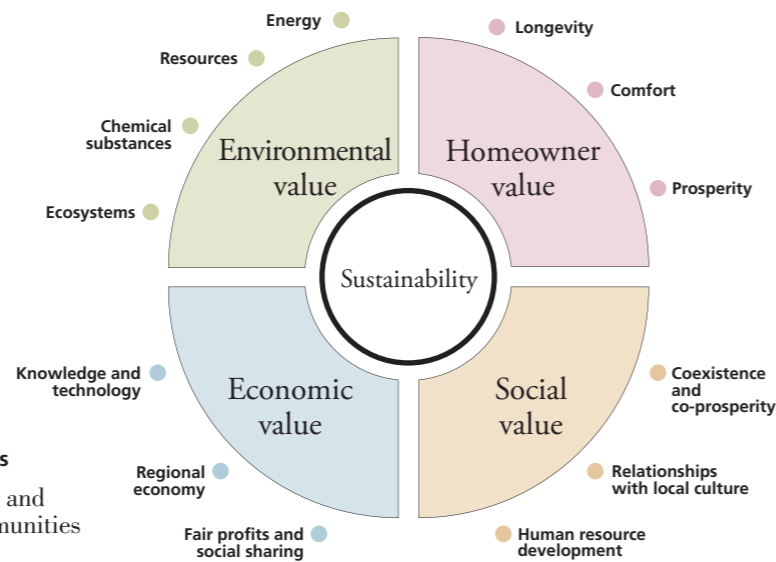
The Sekisui House Group creates and provides value through housing in response to societal changes and needs based on its corporate philosophy. In 2005, we defined "a sustainable society" as the vision we must aim towards and announced four values—environmental, economic, social and homeowner—to realize and verify this goal, which is intended to achieve balanced management. After that, the four values were realized by accelerating the development of new products and technologies in response to social trends and needs. We will target sustainable development through the continued creation of shared value.

Corporate Philosophy



Our fundamental philosophy, a love of humanity, means doing all things in good faith and with a spirit of service. It means desiring happiness for others, and treating their joy as our own, with the awareness that each and every human being has irreplaceable value. This was formulated in 1989 based on discussions with all employees.

4 Values and 13 Guidelines

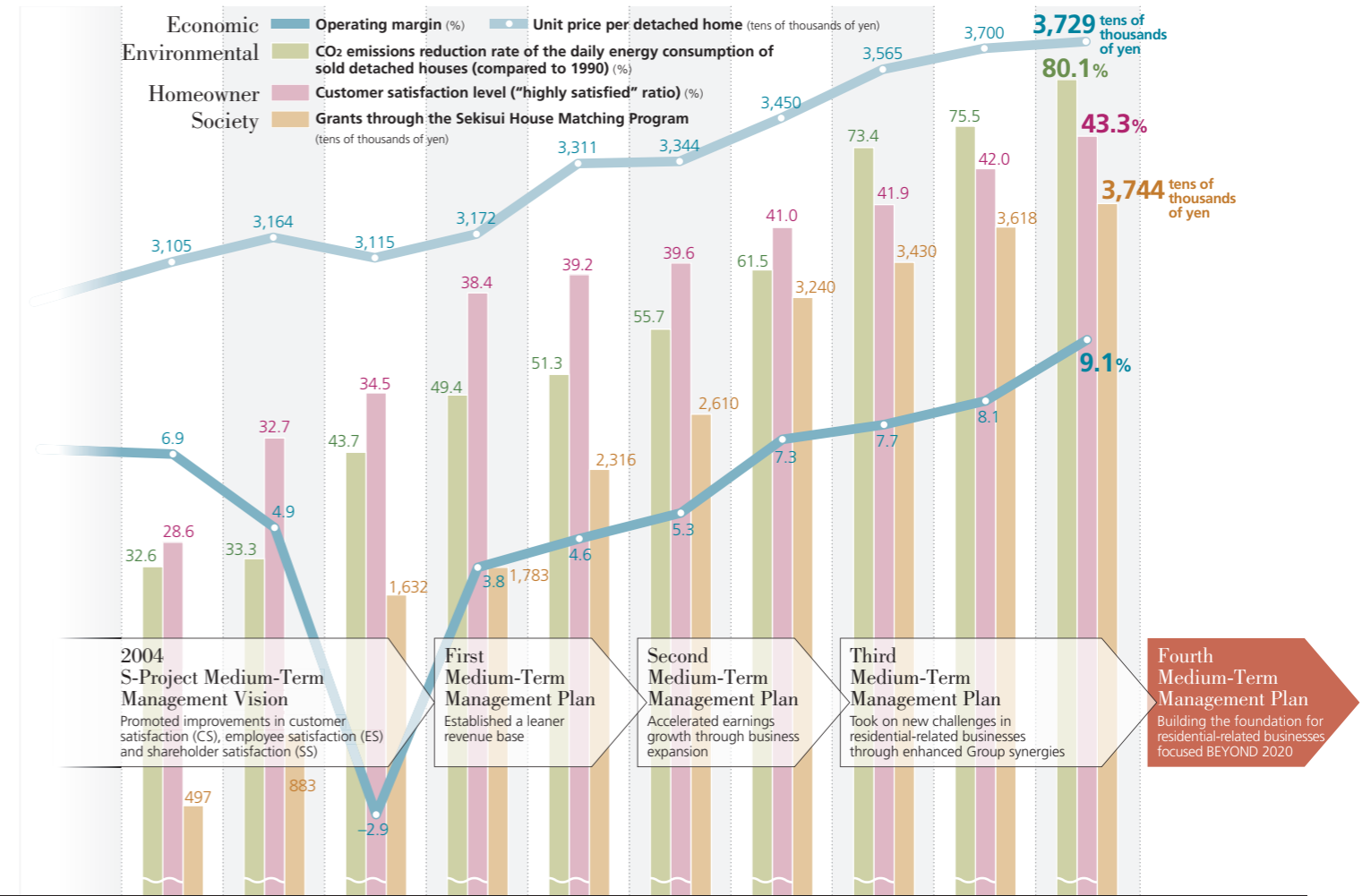


In 2005, we announced our Sustainable Vision targeting balanced management based on four values focused on sustainability as the cornerstone of our management. In 2006, we formulated 13 guidelines as guiding principles based on these four values.

Values through Housing

Shared Value Created by the Sekisui House Group

Indices representative of the four values created by Sekisui House are demonstrated by trends over the past 10 years. This chart shows that promoting initiatives focused on environmental, social and homeowner values are linked to improved economic value.



Year	Actions taken by Sekisui House	Social trends, etc.
1960	Sekisui House established	High growth period of Japan
1979	Conducted the housing industry's first full-scale vibration experiments	Oil shock
1981	Built Japan's first model house for people with disabilities	1981 New seismic design standards introduced in Japan
1982	Launched the PSH-21 (passive solar house) utilizing natural energy	1985 Vienna Convention for the Protection of the Ozone Layer adopted
1989	Formulated a corporate philosophy	1992 Earth Summit held in Brazil
1996	Launched the Centrage Σ model, first in the housing industry to provided multi-layered high-performance heat insulating glass as a standard component	1993 Environmental Basic Act comes into force in Japan
1999	Announced the Environmental Future Plan	1995 Great Hanshin-Awaji Earthquake
2001	Launched Gohon no ki project as a sick building syndrome countermeasure unifying Fc0 and E0 interior finishing material specifications	2000 Housing Quality Assurance Act comes into force in Japan
2002	Achieved zero waste at all of our factories, incorporated standardized crime prevention specifications in all homes	2002 "New National Biodiversity Strategy" determined
2003	All newly built detached homes incorporated next-generation energy-saving systems as standard equipment	2002 Construction Materials Recycling Act comes into force in Japan
2004	Began systematic initiatives toward disaster-ready housing, launched sales of energy-saving and disaster-ready housing	2004 Niigata Prefecture Chuetsu earthquake
2005	Announced the Sustainable Vision Formulated the Urban Development Charter	2005 Kyoto Protocol takes effect
2006		2006 Basic Act for Housing comes into effect in Japan

Year	Key Events
2007	Formulated Wood Procurement Guidelines Introduced the SHEQAS seismic control system
2008	Made the Eco-First Promise Cooperated in the construction of a Zero Emissions House for the Toyako Summit in Hokkaido Announced 2050 Vision
2009	Launched the Green First model of eco-friendly homes
2010	Commemorated 50th anniversary Achieved the milestone of 2 million homes
2011	Launched the Green First HYBRID model Launched the Airkis high-quality indoor air system
2013	Led initiative to promote energy-neutral housing Launched the Green First ZERO model
2014	Launched Disaster Risk Reduction Factory of the Future
2015	Signatory to Global Alliance Buildings and Construction at COP21 Paris Agreement Compliance Declaration
2016	Higashi-Matsushima City Disaster-Ready Smart Eco-Town Commenced operation of the electronic management system

The Sekisui House Group's Unique Strengths

Maximizing Value for Customers with Accumulated

Unlike consumable products, the value and quality demanded of homes are not fixed. To respond to changes in the environment surrounding housing, physical and mental changes in homeowners and their needs and secular changes affecting buildings, as well as to ensure customers feel comfortable at any given time, Sekisui House itself must continue to exist by engaging in sustainable management. To this end, it is important to incorporate a mechanism for providing ongoing services into our business. Sekisui House Group companies aim to provide maximum value to customers by efficiently apportioning functions and acting flexibly, leveraging Group alliances to enhance added value throughout the entire Group.

Technical Capabilities

Housing Innovation

Realizing Abundant Lifestyles through Housing Innovation

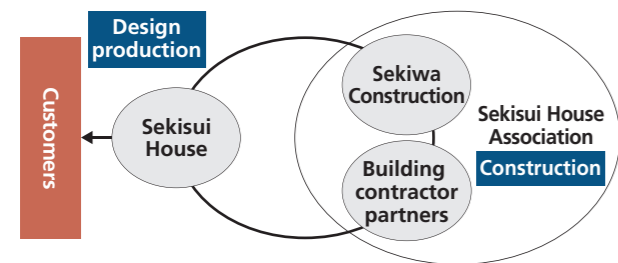
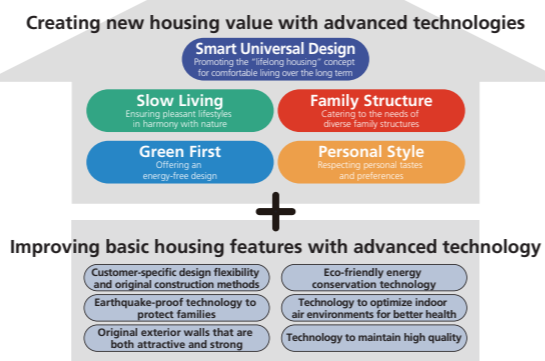
Security, relaxation, taste, enjoyment and other universal housing values are all about comfort. To realize abundant and comfortable lifestyles, basic housing functions require advanced technologies. The Sekisui House Group uses the phrase "SLOW & SMART" to express this concept. To satisfy customers and fulfil our social responsibilities, we have established this as our brand vision for the work we engage in every day.

Providing "comfortable living—now and always" through a home's basic functions and technical capabilities related to the value proposition of new homes is the embodiment of SLOW & SMART.

2,728 first-class architects and other experts are ready to help build your home.

SLOW & SMART

Housing innovation to make your heart feel at home



Construction Capabilities

Unique Project Accountability System

Project Accountability from Wholly-Owned Subsidiary Sekiwa Construction and Building Contractor Partners

Onsite construction quality control is an extremely important process for ensuring our characteristic detached housing designed, manufactured, constructed and tailor-made for each customer.

We created a project accountability structure to guarantee solid construction quality. 19 companies comprising wholly-owned subsidiary Sekiwa Construction and building contractor partners comprising the Sekisui House Association constantly strive to improve their skills through training and other activities. The Sekisui House Group's proprietary management system facilitates construction schedule planning and construction progress status visualization that is continually shared with the Sekisui House Association to thoroughly manage quality.

Capabilities and Group Alliances

Customer Base

Supporting Homeowners Even after They Have Moved into Their New Homes



1,450 Employees Responsible for After-Sales Service

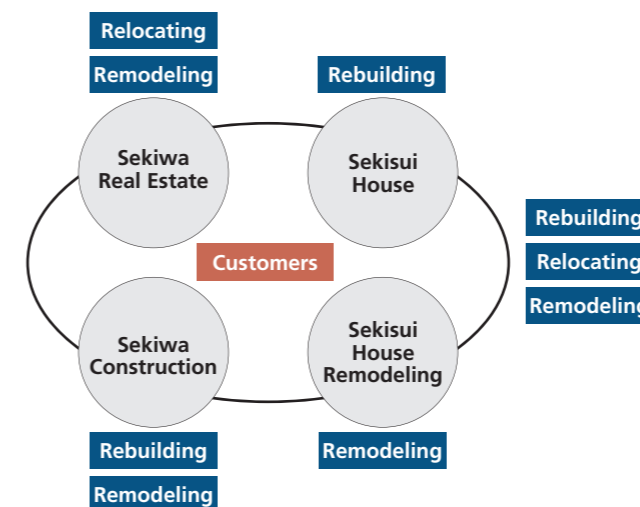
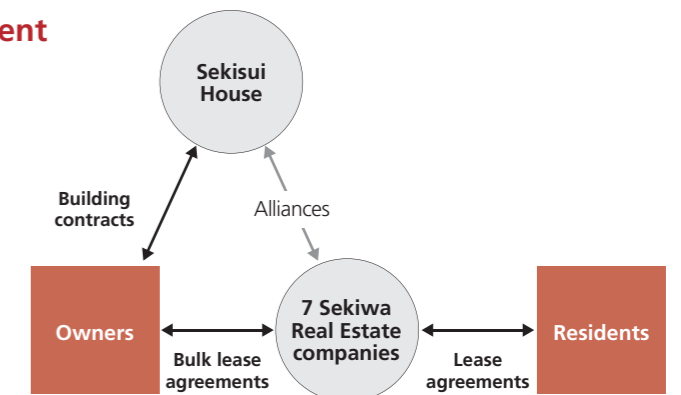
After handing over a property, many housing companies consign after-sales services to an outside contractor. However, Sekisui House considers appropriate maintenance ensuring security, safety and comfort to be part of a home's intrinsic value, thus we established a nationwide Customer Center. We also centrally manage information related to customer housing in our Company-wide system.

After moving in, questionnaires and other tools are used to solicit customer feedback, which is distributed throughout the Company and utilized daily as an important source of information for product development and service improvements.

Comprehensive Group Support for Rental Housing Operation and Management

In response to increasingly diverse needs, Sekisui House rental housing Sha Maison specializes in designs with a high degree of freedom. Operation and management after completion are important for high occupancy rates and long-term, stable management.

The seven companies comprising wholly-owned subsidiary Sekiwa Real Estate develop business throughout Japan, providing comprehensive support for rental management, from block leasing, to solicitation of residents and ongoing maintenance, on consignment from owners. They facilitate the maintenance of asset value over the long term.



Group-Wide Support, from Remodeling to Rebuilding and Relocation

Group companies provide a wide range of support, from small-scale remodeling to large-scale renovations. Sekisui House detached housing is handled by the three companies comprising Sekisui House Remodeling. Sha Maison rentals are handled by the seven companies comprising Sekiwa Real Estate. General pre-existing housing is supported by the 19 companies comprising Sekiwa Construction.

With numerous construction achievements in the industry, we are able to procure various building materials from a variety of equipment manufacturers at optimal prices, which adds to the merits of our remodeling services.

Also, when rebuilding or relocating homes, customer needs are supported through Group alliances.

Creating Economic and Social Value with

The Sekisui House Group has built a business model for the creation of shared value. Profit and value created through Group alliances leveraging our unique strengths and the specialization of each Group company are invested to achieve further growth. We will implement our six CSV strategies to create more value for society and our stakeholders. By enhancing this business model, we believe we can achieve sustainable development.

Investment and Activities Aimed at Value Creation

More than **¥704 million** invested in **employee training**

The Group's mission is to develop the skills of a diverse range of human resources, utilize those skills to create high added value and become a corporate group needed by the world. To cultivate professionals having a deep sense of humanity who will understand customer housing concepts and make them a reality, we systematically conduct a variety of level- and position-based training. In 2016, we invested approximately ¥704 million in education and training.

Investment in IT environment upgrades **¥11,269 million**

The Group constructed a system based on the usage of big data to rationalize proposals and construction of the approximately 50,000 houses we construct annually as well as to centralize residential information with regard to the after-sales services provided to owners of approximately 780,000 homes. As a result of using this system, we have realized shorter construction times and substantial cost reductions. Also, by conducting main operational processes on smart devices such as iPhones and iPads, we have increased productivity and realized a work-life balance by expanding the scope of operations able to be completed on the go, leading to workstyle innovation. Furthermore, we are also engaged in the visualization of capabilities using IT for design and onsite supervision duties.

Customer service center, periodic maintenance, requests and consultation support

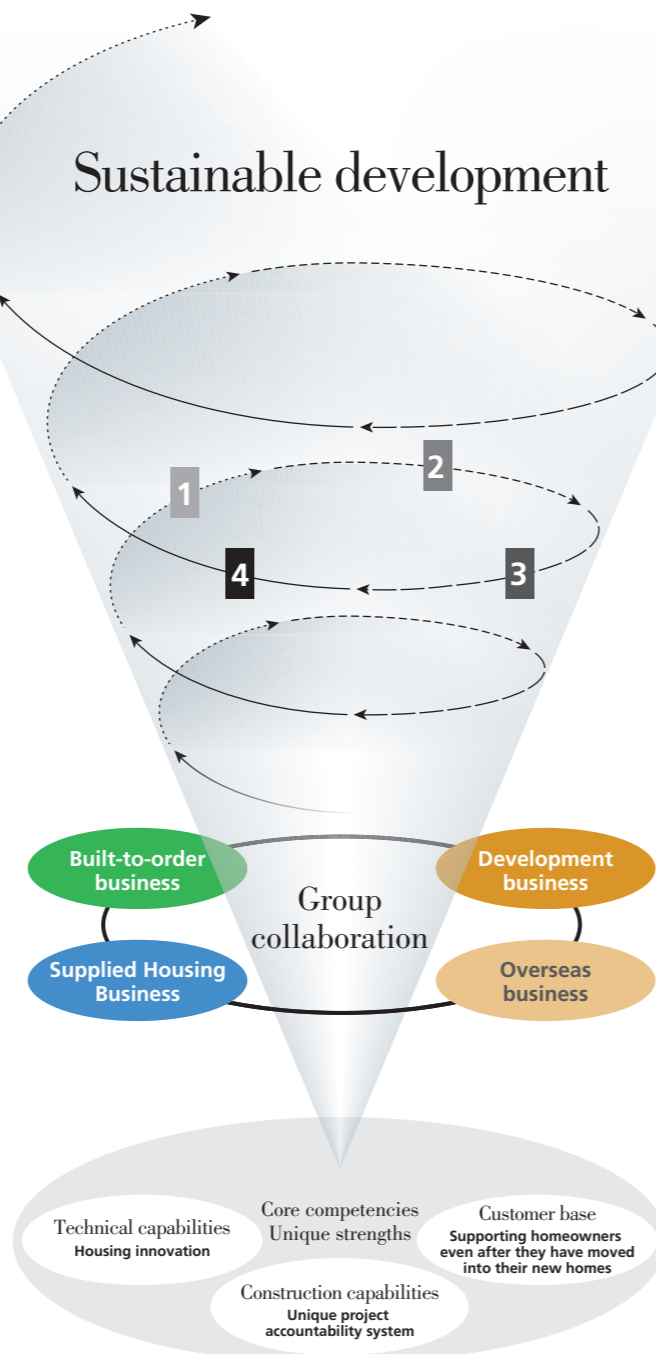
Approximately **700,000** inquiries

Approximately 10% of Sekisui House employees—1,450 people—work at the customer service center in the after-sales service division. In addition to promptly responding to customer requests or inquiries, even when there are no special requests, they regularly conduct visits three months, one year, two years, five years, 10 years and 20 years after move in (the maintenance schedule for customers whose contracts commenced on or after May 2009). Additionally, we conduct monthly "LOHAS visits" during the first year after detached housing owner move in to provide information on seasonal care.

New customers in FY2016 Approximately **1.3 million** people

Attaching importance to being a community-based Company, we believe homebuilding sites should be as open to the public as possible. Accordingly, we strive to offer information on housing and lifestyles as well as provide onsite tours. These activities are mainly undertaken at our housing construction sites across Japan, at our model homes, and at our hands-on learning centers, such as *Sumai no yume koji* and *Nattoku kobo*. We also worked with a variety of stakeholders to open the Sumufumulab, the industry's first base for open innovation aimed at creating a new housing culture, and the Sekisui House Eco First Park, a next-generation educational center where the public can learn about the relationship between housing and the environment. All of these are important venues where we can connect with customers.

Business Model



Unique Strengths and Strategies

- 4 Investment for future profits**
 We invest profits earned from business activities in human resource development, IT aimed at operational efficiency and cost reductions, overseas business and other forward-looking activities.
 CSV Strategy **5,6**
- 3 Supplied housing business expansion**
 We are expanding the supplied housing business in response to societal changes and real estate management fee and remodeling business making use of strengths including a solid customer base and Group collaborations.

 CSV Strategy **1,3,4,5**
- 2 Building a solid customer base**
 For more than half a century, we have been the housing industry leader, developing business specializing in housing and building a solid customer base boasting the largest number of detached and rental housing units in the world.

 CSV Strategy **1,2,3,4,5**
- 1 Providing housing with high added value**
 Realizing high added value while at the same time comfort, Nadeshiko brand 2016 economy and eco-friendliness with Green First Zero and other housing.
 CSV Strategy **1,2,3,4,5,6**

Primary Value Creation and Impact on Society

Economic value	
Operating margin	9.1%
We improved our profit structure to achieve a fourth consecutive year of record operating profits. The operating margin improved 1.0 points compared to the previous fiscal year.	
Unit price per house	¥37.29 million
The unit price per detached home increased ¥290,000 year on year due to orders of Green First Zero, 3- to 4-story houses and other high added value homes.	
Environmental value	
CO ₂ reduction rate of detached houses (compared to 1990)	80.1%
The spread of eco-friendly homes led by Green First Zero led to increased reductions compared to 75.5% in the previous fiscal year.	
Green First Zero ratio	70.4%
Developing business based on the strong belief that the provision of high added value homes will lead to customer security, safety, comfort and happiness, the ratio of Green First Homes rose substantially, 59% higher than in the previous fiscal year.	
Homeowner value	
Customer satisfaction level	95.5%
In questionnaires submitted one year after moving in, the total ratio of very satisfied (43.3%), satisfied and somewhat satisfied homeowners has hovered around 95% for the past several years. The questionnaire results are analyzed in detail and incorporated into the PDCA cycle.	
Rental housing block lease ratio	96.5%
The construction of high-quality rental housing and batch leasing has led to the realization of more stable sales. Occupancy rates have been steadily rising since 2010.	
Social value	
Sekisui House Matching Program grants	¥37.44 million
Sekisui House matches donations contributed by employees in support of activities by NPOs and other organizations engaged in the resolution of social issues. During an 11 year period, we have provided over ¥200 million in assistance to more than 200 organizations.	
Ministry of Economy, Trade and Industry and Tokyo Stock Exchange selected as a	Nadeshiko brand 2017
Sekisui House was selected as a company that excels in empowering women. In addition to being selected in 2013, 2015 and 2016, we are the only company in the housing and construction industry to have been recognized a total of four times.	

Long-Term Vision

Formulating Sustainability Vision 2050

In 2008, the Sekisui House Group announced its “2050 Vision” aiming to eliminate CO₂ emissions from housing, quickly shifting management focus to decarbonation. Amid accelerating changes to social systems and rapid technological innovations, we established the direction of initiatives conscious of the time axis within a broader business domain in preparation for further environmental changes in the future. We formulated a new long-term vision focused on 2050 to share with stakeholders such as customers, employees, long-term, investors and suppliers who are concerned about long-term value realization by the Sekisui House Group.

Creating Environmental and Social Value, Leading the Way to Sustainable Societies

Background and Objectives of the Long-Term Vision

20th century society attempted to realize happiness by eliminating scarcity, a lack of freedom and inconvenience from daily life through mass production and consumption supported by the massive exploitation of resources. Although this system was successful in enhancing lifestyles from the bottom up, it created environmental problems such as global warming attributed to the massive consumption of fossil energy, while at the same time this process caused a variety of strains on society.

However, now that society is saturated with material goods, people's concerns are shifting to the pursuit of a deeper quality of life beyond material wealth. Thus, the role demanded of corporations is changing from a mere provider of quantity to a creator of sustainable quality.

Based on this awareness, the Sekisui House Group revealed the direction of its business in 2005 with the Declaration of Sustainability that establishes sustainability as the basis for management. We have consistently advocated the possibility of solving social problems through housing. In 2013, we came out with Creating Shared Value (CSV) as our corporate stance and have been making repeated efforts to realize this concept.

In light of global trends such as SDGs*, we will leverage the influence of business activities accumulated for resolving social issues and demonstrate our long-term vision to lead the way to a new society through the creation of value.

* Sustainable Development Goals
Common goals for the international community, including both developed and developing nations, that aim for sustainable development with respect to society, the economy and the environment, adopted by the General Assembly of the United Nations in September 2015.

2050 Challenge Objectives

Zero CO₂ Emissions within the Housing Lifecycle

As a leading company, with respect to our housing products, we will eliminate CO₂ emissions from the entire house lifecycle, from the purchase of materials to manufacture, sales, occupancy and demolition, including renewable energy usage.

Leading the Way to a Decarbonized Society

Climate change attributed to global warming is beginning to have a visible impact on our lifestyles. Secure, high-quality lifestyles will realize a sustainable society that is not dependent on fossil fuels or constrained by energy problems.

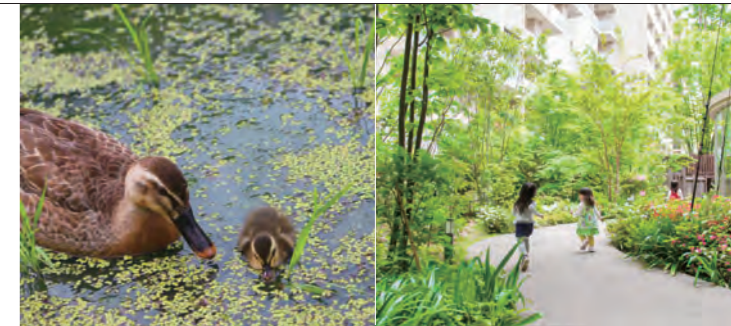


Maximizing Ecosystem Networks through Business

We will procure 100% FairWood products to realize Zero Deforestation, which is linked to the destruction of ecosystems. We also aim to become Japan's number one corporation in terms of urban greening contributions intelligently utilizing green infrastructure functions such as ecosystem conservation, disaster prevention/reduction and comfortableness through green housing construction and community development.

Leading the Way to Societies in Which Humans and Nature Coexist

Rich natural networks contribute to the protection of biodiversity and alleviate climate change, contributing not only to the protection of ecosystem services that support our lifestyles, but also to improving the quality of people's lifestyles and strengthening connections between people. We will maximize this network function to realize coexistence between humans and nature.



Expanding Zero Emissions Initiatives within the Housing Lifecycle

To cultivate housing as a quality asset, the Sekisui House Group provides apposite remodeling and renovation in response to housing styles and societal changes. With regard to the waste generated from these activities, we will expand our industry-leading zero emissions initiatives to realize zero emissions at the social infrastructure level through industry alliances.

Leading the Way to a Recycling-Oriented Society

Amid increasing demand for resources and energy in line with the growing world population, we will realize a recycling-oriented society that uses recycled resources sustainable without depending only on natural resources through technological and economic system innovations to enable all people to live a stable lifestyle.



Maximizing Abundance in Housing and Communities

Positioning the abundance of safety, security and comfort, enjoyment of new technologies, health, long life, happiness and a familial bonds as a positive element of people's lifestyles, we will pursue the potential for these elements from every angle. We will continue to develop new technologies and pursue open innovation, making abundance our main mission.

Leading the Way to Society with Advanced Longevity and Diversity

We aim to create a society in which the elderly are healthy and proudly participate actively (advanced longevity society) as well as a society in which people of every generation and nationality with disparate values work to realize mutual benefit while realizing sustainable innovation (diverse society).



Promoting the CSV Strategy

The Sekisui House Group considers housing to be positioned at the center of social issues, thus the CSV strategy was established as a priority theme to realize a sustainable society. Specific activity levels are grouped as six CSV strategies in line with Medium-term Management Plan 19 material aspects selected from Specific Standard Disclosures of the G4 Guidelines.

CSV Strategy Value Creation Priority Themes

		Relationship to 2050 Challenge Objectives
1 Promoting net-zero-energy Contribute to customer healthy life expectancy and the environment by realizing high-quality living not constrained by energy problems		Zero CO ₂ emissions within the housing lifecycle
2 Preserving biodiversity Protect ecosystem networks through use of sustainable natural capital that considers impacts on business		Maximize ecosystem networks through business
3 Maintain and improve technological development, manufacturing and construction quality Realize maximum customer satisfaction through superior quality and leading technologies		Maximizing abundance in housing and communities
4 Extend lifespan of houses and enhance after-sales support Long-term support of customer lifestyles through Group company collaborations. Link to improved value of housing and resource recycling		Expanding zero emissions initiatives within the housing lifecycle
5 Promoting diversity and developing human resources Aim to become a sustainable corporate group generating high added value while encouraging diverse employees to realize their potential and respect one another		Maximizing abundance in housing and communities
6 Developing overseas business Contribute to the preservation of the environment and the promotion of safe, secure and comfortable global lifestyles through the expansion of high-quality and sustainable housing and urban development		Maximizing abundance in housing and communities

CSV Strategy and G4 Material Aspects

CSV Strategies	Correlation with Specific G4 Material Aspects
1 Promoting net-zero-energy	<ul style="list-style-type: none"> Environment: Energy Environment: Atmospheric emissions Environment: Products and services
2 Preserving biodiversity	<ul style="list-style-type: none"> Environment: Biodiversity Environment: Supplier's environmental evaluation Economy: Procurement practices
3 Maintain and improve technological development, manufacturing and construction quality	<ul style="list-style-type: none"> Product responsibility: Customer safety and health Product responsibility: Compliance Labor practices: Occupational health and safety
4 Extend lifespan of houses and enhance after-sales support	<ul style="list-style-type: none"> Environment: Effluents and waste Environment: Products and services Product responsibility: Customer safety and health Product responsibility: Compliance Product responsibility: Products and services labeling
5 Promoting diversity and developing human resources	<ul style="list-style-type: none"> Labor practices: Diversity and equal opportunity Labor practices: Occupational health and safety Labor practices: Training and education Labor practices: Employment Human rights: Investment
6 Developing overseas business	<ul style="list-style-type: none"> Environment: Energy Environment: Biodiversity Product responsibility: Customer safety and health

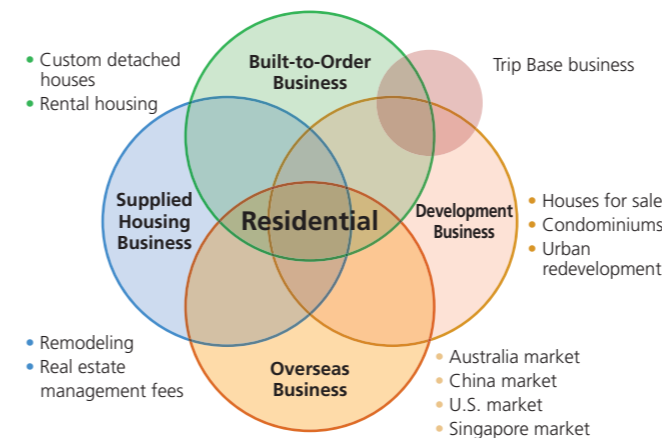
Fourth Medium-Term Management Plan (FY 2017–2019)

The Sekisui House group formulated a Medium-Term Management Plan with January 2020 as the final fiscal year of the plan. This plan builds a foundation for the residential business toward BEYOND 2020 in recognition of the exponential advances in IT technologies represented by IoT and A.I., changes in housing demand required to respond to global warming and aging societies, the expansion of inbound tourism demand, the Tokyo Olympics and other developments in 2020 and beyond that will bring significant changes to the Japanese economy and the business environment. In addition to bolstering our residence and residential-related businesses, we will expand new business domains utilizing the Company's factory shipping elements and position the overseas business (launched in 2009) as one of the major pillars of our business. We will continue to proactively promote the spread of high value added residences and residential environments.

Note: Fourth Medium-Term Management Plan http://www.sekisuihouse.co.jp/english/financial/library/info/data/_icsFiles/afidfile/2017/03/09/p20170310e.pdf

Building a Foundation for the Residential-Related Business toward BEYOND 2020

Basic Policies



From the Development of a Growth Strategy Specializing in Housing, Toward Business Creation

Built-to-Order Business	Promote stable growth and work to create quality housing stock by supplying high value added houses.
Supplied Housing Business	Develop business for the purpose of increasing the asset value of quality housing stock created by the built-to-order business.
Development Business	Promote the creation of quality communities through environment creation-oriented development and promote stable growth by increasing the asset turnover ratio.
Overseas Business	Provide Sekisui House Quality globally based on environmental technologies cultivated in Japan.

Business Promotion Policies

Core Competencies

Technical capabilities	<ul style="list-style-type: none"> SLOW & SMART (environmental technologies, SHEQAS, Airkis, Smart Universal Design, original exterior walls, etc.) Three- and four-story housing products Chief architects, first-class architects 	×
Customer base	<ul style="list-style-type: none"> No. 1 globally in terms of total number of houses built and after-sales service system Long-term relationships via customer service centers and Sekiwa Real Estate Variety of customer contact points (exhibitions, Sumai no yume koje, Sekisui House Visiting Day, Sha Maison Festa, etc.) 	×
Construction capabilities	<ul style="list-style-type: none"> Sekiwa Construction accountability system Sekisui House Association highly loyal construction partners system 	×

New Technologies	Open Innovation
IoT	Business-academia collaboration
A.I.	Joint development
Robotics	Business alliance
Blockchain	Business contest
	Venture investment
	M&A

August 2020: Celebrating the 60th anniversary of our founding.

Promote new business development by integrating hardware and software.

Profit Plan

		FY2016	FY2017 (plan)	FY2018 (plan)	FY2019 (plan)
Net sales	(Billions of yen)	20,269	21,440	22,000	23,830
Operating income	(Billions of yen)	1,841	1,920	2,000	2,300
OP margin		9.1%	9.0%	9.1%	9.7%
ROE		11.3%	11.3%	Stable creation in 10% range	

Medium-Term Management Plan and CSV Strategy

Viewed as the standard for sustainability, CSV strategy functions effectively by aligning with the direction of management policies and planning. Business strategies built into the Medium-Term Management Plan and the positioning of CSV strategy within ESG initiatives targeting sustainable growth are indicated below.

Fourth Medium-Term Management Plan (FY2017–2019) Business and CSV Strategies

1–6 = Corresponding CSV strategy

Business Strategies		Built-to-Order Business	Supplied Housing Business	Development Business	Overseas Business
Growth strategy	Basic policies	1,2 Supplying high value added houses	4 Enhancing cooperation within the Group	1,2,6 Creating asset value at present and in the future	
	Priority issues	Increasing profitability through break-even point management <ul style="list-style-type: none"> • ZEH • 3- and 4-story houses • Rental housing of income generating properties • Exterior business • Trip Base business • CRE/PRE business 	<ul style="list-style-type: none"> • Securing high occupancy rates • Energy-saving remodeling • Renovation • SumStock • Distribution of existing houses 	Increasing growth investments and the turnover ratio <ul style="list-style-type: none"> • Acquiring land for custom detached houses • Community and town development focusing on townscape • Trip Base business • Bolstering exit strategies 	<ul style="list-style-type: none"> • Pursuing B2C business in the United States • Promoting community and town development focusing on the environment
Management foundation	Core competencies	1,3 Technical capabilities	4 Customer base	Construction capabilities	

ESG Initiatives Targeting Sustainable Growth

1,2 Environmental Management E

- Selected for the Dow Jones Sustainability Indices (DJSI) World Index
- Promotion of Net Zero Energy House "Green First Zero" received the "2016 Minister of the Environment's Award for Global Warming Prevention Activity" and the "Minister of Economy, Trade and Industry's Award at the 26th Grand Prize For The Global Environmental Awards."
- Ranked first in the construction industry in Nikkei Inc.'s "20th Environmental Management Survey."

5 Improvement in Sociability S

Workstyle Innovation "Creating thrilling and exciting workplaces"

- Fair evaluation and visualization
- Higher operational efficiency using IT
- Achievement of a work-life balance ⇒ Higher productivity

Promotion of Diversity

- Promotion of active participation by women
- Support for the satisfaction of both work and childrearing
- Support for the satisfaction of both work and nursing care
- Creation of a pleasant workplace for disabled people

Governance G

Positioning corporate governance as our most important management issue, we have appointed two outside directors to the Board of Directors and three outside audit and supervisory board members to the Audit & Supervisory Board to ensure management transparency and exercise timely and appropriate checking and monitoring functions. We have also introduced an executive officer system to clarify management responsibilities and speed up the execution of business. In 2016, we established a Basic Policy on Corporate Governance. We will strive to further improve our governance.

CSV Strategies

— Creating Shared Value through Business —



1 Promoting net-zero-energy housing Page 23

Contribute to creating more healthy life years for customers and to the environment by realizing high-quality living not constrained by energy problems



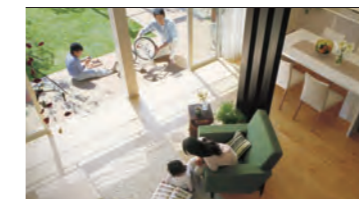
2 Preserving biodiversity Page 29

Protect ecosystem networks through use of sustainable natural resources that considers impacts of business



3 Maintain and improve technological development, manufacturing and construction quality Page 33

Realize maximum customer satisfaction through superior quality and leading technologies



4 Extend lifespan of houses and enhance after-sales support Page 37

Long-term support of customer lifestyles through Group company collaborations. Link to improved value of housing and resource recycling



5 Promoting diversity and developing human resources Page 43

Aim to become a sustainable corporate group generating high added value while encouraging diverse employees to realize their potential and respect one another



6 Developing overseas business Page 49

Contributing to the preservation of the environment and safe, secure and comfortable global lifestyles by going beyond housing to create environmental technologies and sustainable housing environments



Promoting net-zero-energy housing

Contribute to creating more healthy life years for customers and to the environment by realizing high-quality living not constrained by energy problems

Main stakeholders:

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

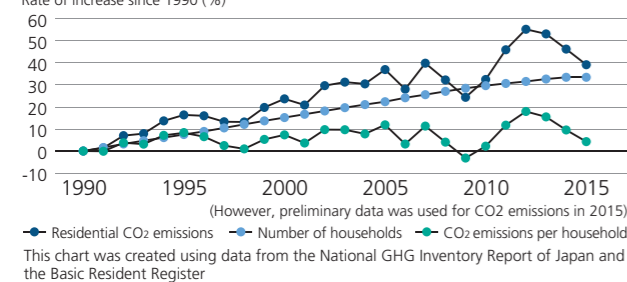
Backdrop

Japanese Government Targeting Implementation of ZEH as the Standard for Newly Built Housing by 2020

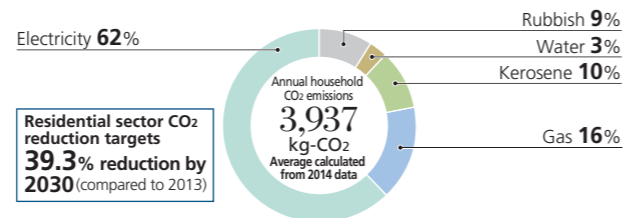
CO₂ emissions must be reduced globally to control global warming. At COP21 (the Framework Convention on Climate Change, 21st Session of the Conference of the Parties to the United Nations) held in Paris in 2015, Japan committed to reducing greenhouse gas emissions 26% by 2030 compared to 2013 levels. To achieve this, we must achieve a substantial 39.3% reduction in the residential sector.

To reduce home energy consumption and control CO₂ emissions, the Japanese government is promoting the spread of net-zero-energy housing (ZEH) enabling zero net energy consumption through the utilization of high heat-insulating capabilities and energy-saving devices, as well as photovoltaic systems and fuel cells. The government is targeting having the majority of newly built housing be ZEH by 2020.

Trends in CO₂ Emissions in the Residential Sector (Compared to 1990)



CO₂ Emissions per Household



Excludes automobile (gasoline and oil) data from the National Institute for Environmental Studies and the Greenhouse Gas Inventory Office of Japan

Residential sector CO₂ reduction targets
39.3% reduction by 2030 (compared to 2013)

Approach

Our Goal

Promoting the Green First Strategy Focused on Environmental Friendliness, Comfort and Economy

Sekisui House's responsibility as a housing manufacturer is to contribute to the resolution of important social issues including energy and environmental problems while aiming to promote sustainable business.

Positioning energy conservation as one of our core functions, we proactively propose eco-friendly Green First homes as well as energy-saving and energy-creation remodeling and renovation for existing homes.

In 2008, we announced our 2050 Vision, which targets zero CO₂ emissions over the entire housing product lifecycle.

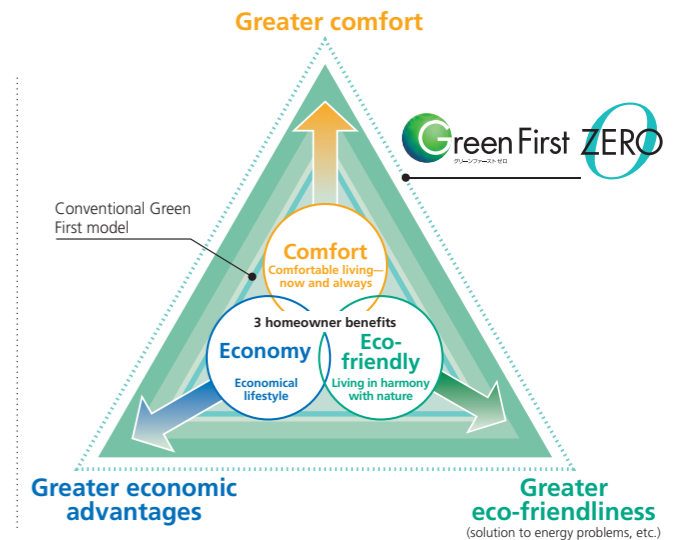
We signed the Joint Declaration in the Building and Construction Sector formulated at COP21 in 2015, as well as committed to the Paris Agreement.

We aim to increase comfort and affordability of our housing while significantly reducing energy consumption and contributing to the achievement of national objectives for the reduction of greenhouse gas emissions. We aim to achieve the COP21 residential sector commitments with both newly built and existing homes.

Aim for Zero CO₂ Emissions throughout the Entire Housing Product Lifecycle

Since 2009, we have been focusing on promoting the spread of eco-friendly Green First homes, which significantly reduce impacts on the environment. In 2013, in anticipation of government policies promoting ZEH, we launched sales of an upgraded version, Green First ZERO housing. Green First ZERO housing offers a high level of comfort, affordability, and eco-friendliness, by substantially limiting the amount of energy consumption with high insulation and highly efficient energy-saving equipment, while also creating more energy than is consumed with high-capacity photovoltaic systems and Ene-Farm fuel cells.

To reach our goal of zero CO₂ emissions throughout the housing product lifecycle by 2050, we will continue to pursue diverse initiatives.



Action Policies

1 Expanding Net-Zero-Energy Housing

We will develop aggressive proposal activities aimed at increasing the ratio of Green First ZERO sales to 80% by 2020. We will also promote ZEH in rental housing Sha Maison and condominiums.

Furthermore, we will aim to meet the COP21 residential sector commitment including for our existing housing.

Increase ratio of Green First ZERO newly built detached housing to **80%** by 2020

Reduce CO₂ emissions from newly built homes and existing low-rise rental apartments by **39.3%** by 2030 (compared to 2013)

2 Strengthen Energy-Saving and Energy-Creating Proposals for Remodeling

We are also promoting Green First renovation for existing homes to provide comfortable, eco-friendly living. Energy saving through improved insulation and the latest equipment combined with energy creation using photovoltaic systems and fuel cells should significantly reduce CO₂ emissions.

Three Sekisui House Remodeling companies handling our detached housing, seven Sekiwa Real Estate companies handling rental housing, and nineteen Sekiwa Construction Group companies handling general detached housing and condominiums are conducting proposal activities. We are working to further improve communication with our customers, such as by establishing remodeling and renovation corners in *Sumai no yume* *kojo* centers nationwide.

Impact of These Activities on the Company

ZEH housing significantly reduces CO₂ emissions and utility expenses, while supporting more comfortable living and increasing healthy life years of homeowners. We emphasize these merits to customers in an attempt to expand sales of homes with high added value.

In addition, actively promoting the remodeling and renovation of existing homes to be energy saving and energy creating is expected to expand business by stimulating potential demand as well as contribute to our inventory of quality housing.

Risk Management

Risk 1 Increased costs in line with making homes compliant with national ZEH standards

Our response 1 Our detached homes meet high standard specifications, so upgrading them to ZEH can be achieved at comparatively little extra cost. Furthermore, as a major housing manufacturer, we control costs through central purchasing, which reduces the cost burden for the buyer. Additionally, with ZEH specifications, utility expenses are significantly lower, thus the increase in costs can be recovered after a certain amount of time.

Risk 2 Declining demand due to decreases in subsidies or power purchase prices

Our response 2 We will enhance employee awareness and proposal capabilities and communicate to customers not only the economic merits of ZEH, but also the increased quality of life in terms of health and comfort, in an effort to stimulate needs. We absorb part of the initial costs as Company environmental promotion expenses to lessen the financial burden on customers.

State of Progress

1 Expanding Net-Zero-Energy Housing

Activities Report

Promoting the Spread of Green First ZERO

We are making efforts to promote the spread of Green First ZERO in anticipation of the Japanese government objective of making net-zero-energy housing (ZEH) the standard by 2020. For customers with plans to build a new house, we explain the substantial reduction in utilities expenses and the entirely new level of comfort. We also renovate showrooms for exhibitions and hold seminars for customers, among other initiatives, to emphasize the merits of Green First ZERO.

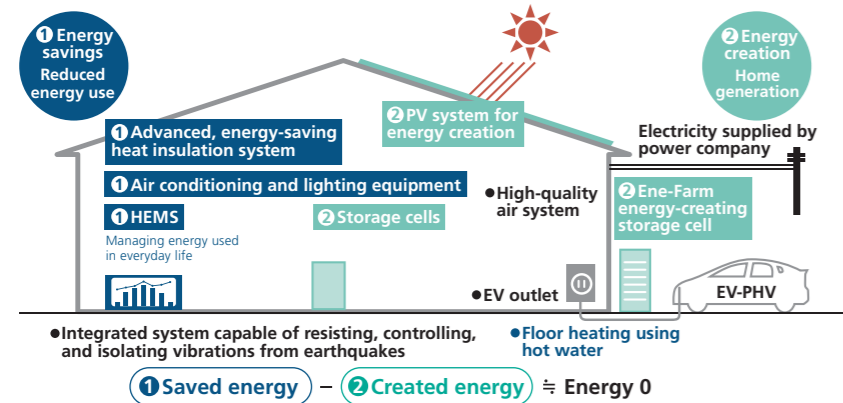
In FY2016 we continued to actively propose that customers receive subsidies under the net-zero-energy house support project. The subsidies are applied to new construction of ZEH

housing and installation of storage cells and other equipment. Sekisui House also acts as an agent to assist with the subsidy application process. We worked to develop a system to facilitate subsidy applications, conduct study sessions for employees, and create manuals.

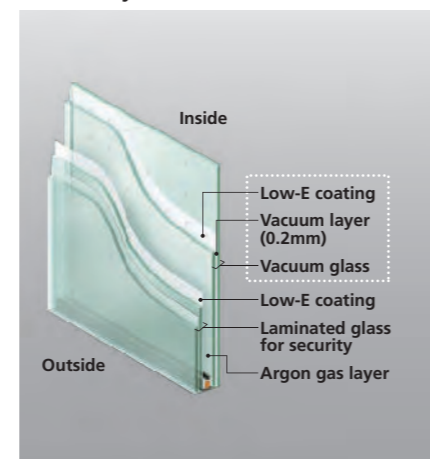
Furthermore, from February 2016, in the windows of our new detached homes we started using multi-layered vacuum-glazed glass, which has a vacuum layer between multiple glass sheets. Since windows using this glass have more than double the insulation capability of conventional multi-layered windows, we are further improving energy-saving performance.

Green First ZERO Model

We aim to achieve energy-neutral housing through improved insulation and energy-saving equipment, in addition to photovoltaic systems and other advanced energy-generating equipment.



Double-Layered Vacuum-Glazed Glass



Announced ZEH Initiatives in Line with COP22

In November 2016, at Building Day of COP22 (the 22nd Session of the Conference of the Parties) held in Marrakech, Morocco, Sekisui House conducted a presentation as a global example regarding our promotion of Zero Energy Housing (ZEH). We presented an overview of our business and the spread of ZEH, as well as the resulting reduction in CO₂. Sekisui House was the only private company that made a presentation at this session.

Many country representatives that participated in the session were impressed with our ZEH initiatives, and we received questions and comments such as, "I was surprised that Sekisui House had already almost reached the levels stipulated under the Paris Agreement. These initiatives need to be shared," and "Fascinating. I wonder if my country can also implement the thinking of Sekisui House's efficient housing production."



Making Condominiums into Net-Zero-Energy Housing: Building the First ZEH Condominiums in Japan

Collective housing comprises roughly half of all housing starts, and CO₂ emissions account for about 30% of all residential sector emissions. Yet collective housing has relatively less roof space per unit, so it is difficult to install enough photovoltaic systems to reduce CO₂ emissions.

Amid this environment, Sekisui House, which develops Grande Maison condominiums, is planning to build a next-generation ZEH condominium in Nagoya City. Scheduled for completion in spring 2019, this building is expected to be Japan's first condominium where all units meet the national ZEH standards, with various energy-efficient equipment and improved window and door insulation, as well as photovoltaic systems generating an average of 4kW and Ene-Farm fuel cells installed at each unit.

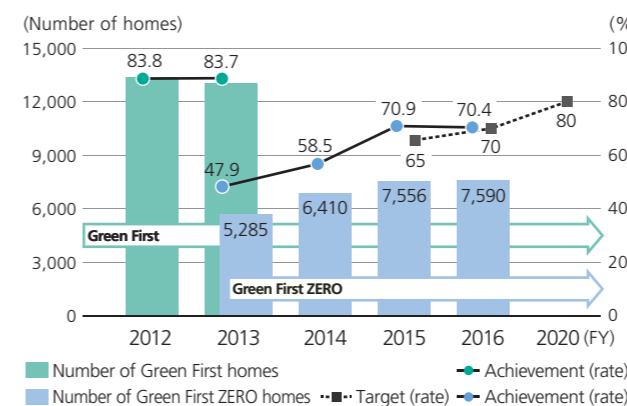


Three-story residential-type ZEH condominium to be constructed in Nagoya City

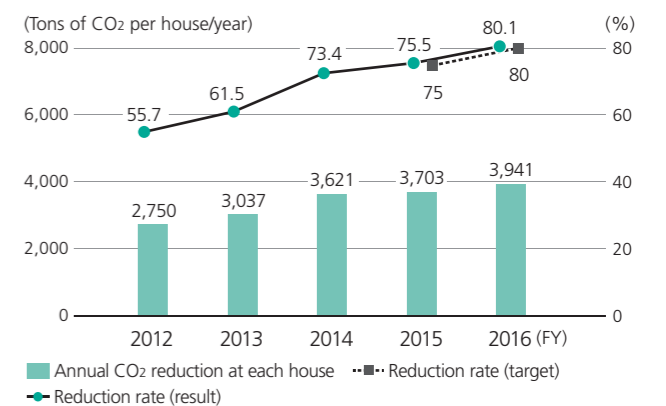
Key Performance Indicators (KPIs)

Indicator	Unit	FY2012	FY2013	FY2014	FY2015	FY2016	Definition and remarks
Green First ZERO	%	—	47.9	58.5	70.9	70.4	Ratio within Sekisui House detached housing
Amount of CO ₂ reduction compared to 1990	Tons of CO ₂ /year	42,074	50,256	43,015	41,599	41,877	Reduction of residential CO ₂ emissions from new detached homes compared to 1990 levels (amount and %)
Rate of CO ₂ reduction compared to 1990	%	55.7	61.5	73.4	75.5	80.1	

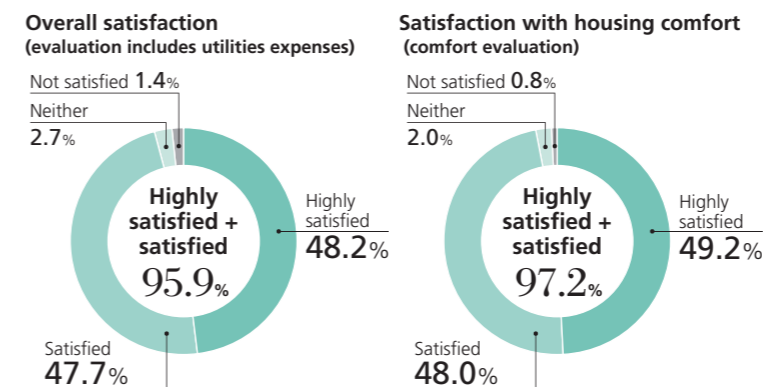
Growth in the Number of Green First and Green First ZERO Homes



Reduction in CO₂ Emissions Achieved by the Green First Strategy*

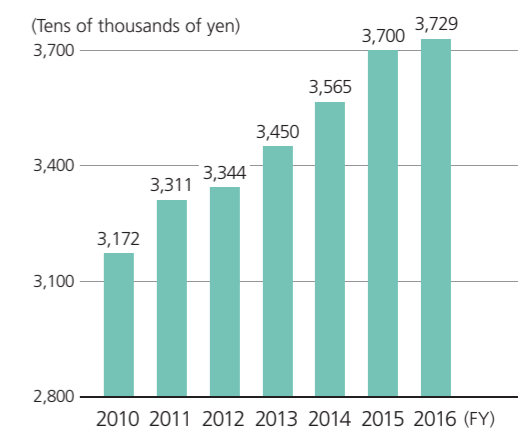


Satisfaction Rate of Green First ZERO Residents



Note: Survey questionnaire taken one year after move-in (March 2015; N = 516)

Sales Price per Detached House



TOPICS

Green First ZERO initiatives win the 2016 Minister of the Environment Award for the Promotion of Measures to Cope with Global Warming*

In November 2016, our Green First ZERO initiatives won the 2016 Minister of the Environment Award for the Promotion of Measures to Cope with Global Warming. Our housing was commended for offering comfortable living while substantially reducing energy consumption, as well as offsetting energy use through advanced energy-generating equipment. We were also recognized for having sold 23,469 houses since its launch and achieving CO₂ reductions of about 100,000 tons per year.

* Sponsored by the Ministry of the Environment from 1998 as part of the promotion of global warming countermeasures, this award recognizes individuals or organizations with notable achievements in reducing climate change.



Award

Evaluation

In FY2016, the ratio of Green First ZERO homes was 70.4%, surpassing the target of 70%. The number of newly built detached homes supplied decreased, but the amount of CO₂ reduction per household compared to 1990 was slightly higher. The rate of CO₂ reduction per household compared to 1990 was 80.1% (up 4.6 points YoY), meeting the 80% target.

In addition, the sale price per detached home in FY2016 was ¥37.29 million, up by about ¥6 million compared to 2009, when we started sales of Green First homes.

Future Initiatives

Sekisui House will strive to expand the sales ratio of Green First ZERO, detached homes offering comfort, economy, and eco-friendliness, to 80% by FY2020, while aiming to implement ZEH in Sha Maison low-rise rental housing and Grande Maison condominiums.

2 Strengthen Energy-Saving and Energy-Creating Proposals for Remodeling

Activities Report

Promoting Green First Renovation of Existing Homes

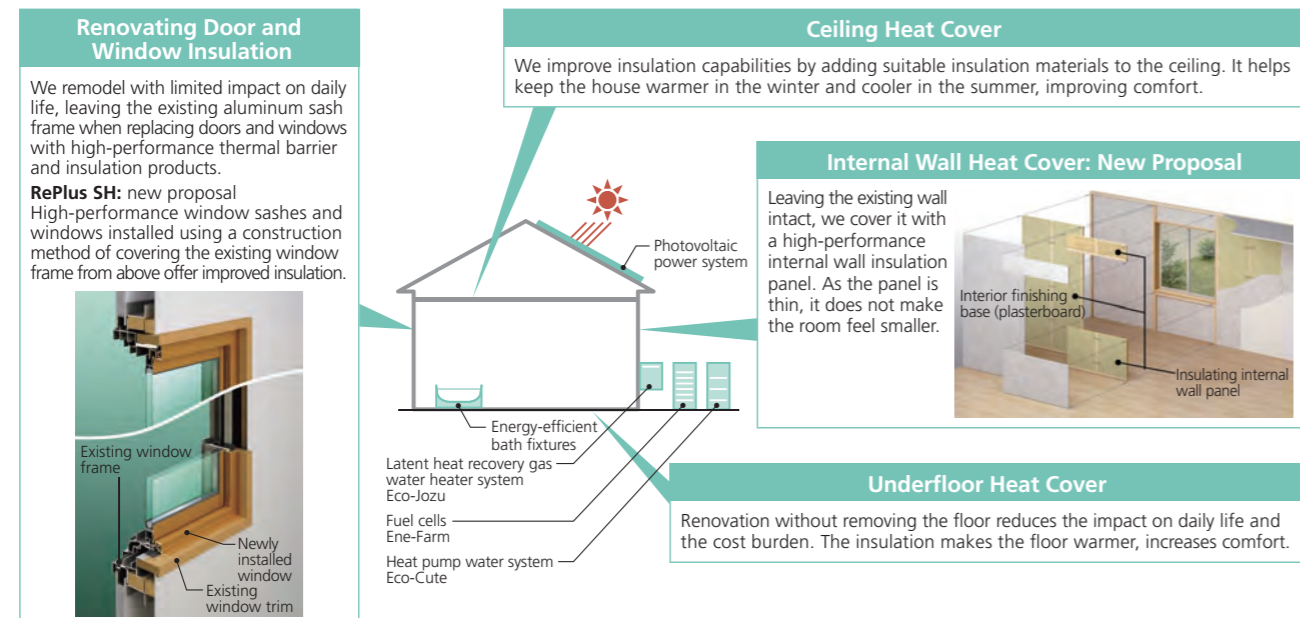
Three Sekisui House Remodeling companies are focusing on Green First Renovation initiatives for customers of our detached housing.

We are promoting Green First Renovation, which involves proposing ZEH features and living spaces, as well as remodeling to save and create energy. We are working to reduce CO₂

emissions while offering a comfortable lifestyle and an increase in healthy life years.

In FY2016, we boosted our floor, wall, ceiling, and window insulation remodeling product lineup by adding an internal wall heat cover to improve insulation and the RePlus SH sash cover construction method.

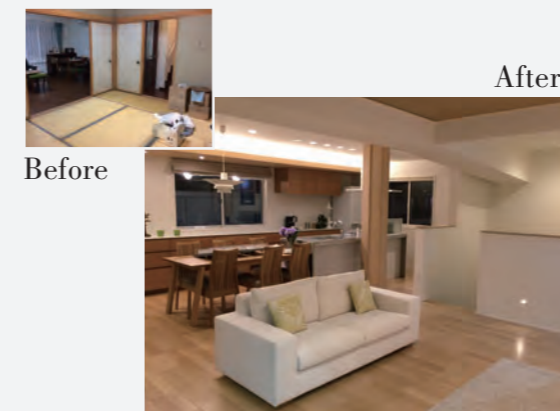
Energy-Saving and Energy-Creating Remodeling Overview



TOPICS

Developing remodeling and renovation at Sumai no yume koje centers nationwide

At our comprehensive Housing R&D Institute and factories nationwide we are building *Sumai no yume koje* centers, where customers can learn about our housing construction techniques through hands-on experiences. In FY2017, we expect all remodeling and renovation corners at our *Sumai no yume koje* centers to be completed. Customers can see differences before and after remodeling, the techniques of the three Sekisui House Remodeling companies, and a breakdown of energy-saving and energy-creation remodeling that we are promoting.



Evaluation

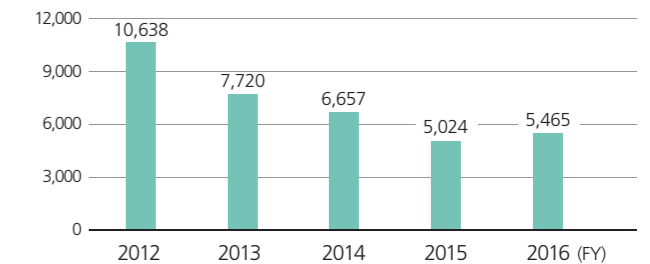
We have prepared a remodeling menu of high-performance CO₂ reduction and insulation for floors, walls, and ceilings. We have added higher-performance window insulation products to our lineup, and customers are praising our initiatives as helping them save energy while living comfortably and healthily. Installations of our photovoltaic power system declined in part due to the fall in power purchase prices, but installations increased for Ene-Farm fuel cells, part of energy-creation remodeling that includes hybrid power generation. We split Sekisui House Remodeling into three companies in East, Central, and West Japan, and by being firmly rooted in local communities, we are making proposals even more promptly in line with customer needs.

Key Performance Indicators (KPIs)

Energy Saving and Creation Remodeling Achievements*

Energy saving and creation remodeling menu	FY2016 achievements
Photovoltaic power system installations	1,185 units
Energy-efficient bath fixtures	3,707 units
Door and window insulation reform	3,263 units
Ene-Farm (residential fuel cells)	490 units
Eco-Jozu (latent heat recovery gas water heater system)	3,140 units
Eco-Cute (heat pump water system)	1,095 units
Underfloor heat cover	1,116 units

CO₂ Reductions due to Energy-Saving and Energy-Creation Remodeling* (tons of CO₂/year)



Note: Sekisui House Remodeling Co., Ltd.

Future Initiatives

We will continue to strive to promote Green First Renovation to contribute to the reduction of CO₂ emissions from our existing housing. Energy-saving and -generating remodeling, including improved insulation and installation of high-efficiency equipment, is linked to an increase in residents' healthy life years. We will strengthen proposal activities based on the concept of "sukoyaka remodeling" through hands-on centers such as *Sumai no yume koje* nationwide.

Promoting CO₂ Reductions throughout the Home Lifecycle

Sekisui House ascertains CO₂ emission levels not only when a resident moves in, but throughout the home lifecycle, from the purchase of building materials to factory production,

transportation, construction and demolition. We continually engage in activities linked to CO₂ reduction proposals and implementation.

Indicator	Unit	FY2012	FY2013	FY2014	FY2015	FY2016	Definition and remarks
Total energy input*1	TJ	2,830	3,542	3,039	3,061	2,985	Amount of energy input at the various stages of development and design, factory production, transportation, construction and demolition
CO ₂ emitted during development, design, factory production, construction and demolition*1	t-CO ₂	114,780	148,329	126,209	130,482	126,337	Amount of CO ₂ emitted at these stages per fiscal year
CO ₂ emitted during transportation*2	t-CO ₂	38,959	45,815	37,749	36,499	35,828	Amount of CO ₂ emitted at these stages per fiscal year

*1 Starting in FY2013, energy input by Sekisui House's consolidated subsidiaries in Japan (40 companies) and Sekisui House Advanced Manufacturing (Shenyang) Co., Ltd. was added to the total energy input. Also, starting FY2015, main overseas subsidiaries were added to the total.

*2 Starting in FY2013, in addition to specified consigners based on the Act on the Rational Use of Energy, the amount of CO₂ emitted during product shipments by Sekisui House Advanced Manufacturing (Shenyang) was added to the total.



Preserving biodiversity

Protect ecosystem networks through use of sustainable natural resources that considers impacts of business

Main stakeholders:

Suppliers (tree growers, landscapers and wooden building materials manufacturers) and customers

Backdrop

Affecting Urban Ecosystems with Landscaping

As greenery declines due to advancing urbanization, greening initiatives are spreading throughout Japan. Effective landscaping in urban areas not only preserves ecosystems, but also invigorates communities by creating relaxing spaces for people, enables the collection of rainwater to prevent urban flood damage and provides a variety of other functions. These various green efforts, known as “green infrastructure,” are now attracting attention as the basis for resolving a wide range of social issues.

Landscaping is an indispensable element of housing. Each year, the majority of landscaping consists of planting garden trees. However, garden and non-native species are often selected for their attractiveness and ease of care. These are not always appropriate for sustaining local birds and insects, nor are they adaptable to Japan’s climate, and they tend to have low resistance to pests. To protect local ecosystems, the selection of tree species for planting must take the ecosystem into consideration.

The Importance of Ensuring Traceability in Lumber Procurement

Lumber is an important housing material used for structural components as well as on the interior and exterior of homes. Sekisui House uses more than 300,000 cubic meters of lumber each year. However, as wood is a raw material of biological origin, even among the tens of thousands of materials used in housing, ensuring lumber traceability is crucial, especially when considering the complexity of distribution channels.

In recent years, logging exceeding the allowable limit to meet strong demand in foreign countries and logging in prohibited areas such as protected forests, timber theft, and smuggling are becoming major problems. Such illegal logging causes wide-spread destruction of ecosystems and exacerbates climate change, not only adversely impacting the multifaceted environmental protection of forests, but also society, as it harms the lifestyle of local residents, creates instability in the lumber market, and hinders sustainable forest management. Under such circumstances, in Japan the Act on Promotion of Distribution and Use of Legally Logged Wood Products (the Clean Wood Act) was promulgated in 2016, and requirements to use legally logged materials expanded from public procurement to include private transactions.

Approach

Our Goal

Based on Long-Term Scenarios, Promote the Preservation of Biodiversity by Working with Our Supply Chain

Sekisui House, Japan’s largest manufacturer and supplier of prefabricated housing, is also one of Japan’s largest landscape gardeners, planting nearly one million trees each year. From this standpoint, we have set a 2050 goal of maximizing ecosystem networks through business, which involves focusing efforts on planting that contributes to the preservation of local ecosystems and sustainable lumber procurement linked to the protection of

global biodiversity.

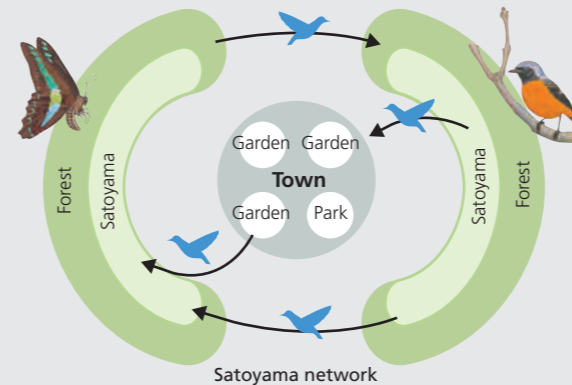
It takes time for natural capital and ecosystem to mature or recover. In addition, these initiatives cannot be completed by one company alone. Based on long-term scenarios, we will work with our suppliers to provide customers with rich and comfortable lifestyles while contributing to preserving the environment and creating a sustainable society.

Action Policies

1 Promoting Planting of Indigenous Species in Consideration of Regional Ecosystems through the Gohon no ki planning

Since 2001, Sekisui House has promoted gardening and landscaping activities known as the Gohon no ki planning. This involves the proactive proposal of indigenous species able to provide a high level of support for local creatures in consideration of the ecosystem as opposed to the frequent and exclusive use of garden or non-native species.

In terms of project implementation, we collaborate with a network of local tree growers and landscapers to ensure the provision of indigenous species where traditionally there have been few available on the market. We will propose to consumers the richness of life in harmony with living creatures and the significance of environmental conservation.

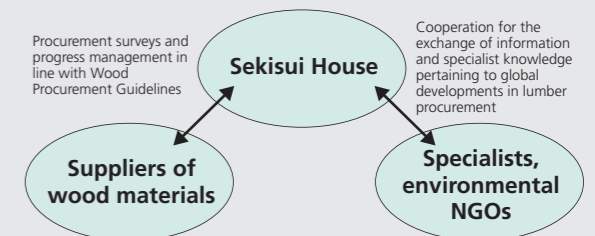


2 Promoting the Use of Legal and Sustainable FairWood Lumber

Sekisui House procures FairWood* lumber and wood products that are friendly to local communities and the forest environment in logging areas to enable the use of sustainable lumber.

FairWood procurement is legal and based on 10 Wood Procurement Guidelines established with an even greater consideration of ecosystems and resident lifestyles in logging areas. Each year, procurement surveys are conducted targeting approximately 50 suppliers of wood materials to ascertain where their timber is felled and milled and to confirm its legality. This information is then converted into numerical data used to manage ongoing progress in this area. These initiatives attempt to expand the use of FairWood by enhancing supplier consciousness of procurement routes while promoting awareness among trading companies further upstream in the supply chain.

* Advocated by the Global Environmental Forum and FoE Japan, an international environmental protection NGO.



Impact of These Activities on the Company

Promotion of the Gohon no ki planning enables the realization of housing with high home value through proposals to customers offering comfortable lifestyles surrounded by abundant nature. In addition, it strengthens the recognition that housing appearance that changes over time due to green growth is helpful to enhancing home value—even in the case of green common areas in rental housing—creating rich urban spaces.

In addition, in the area of lumber procurement, by having each supplier follow our guidelines we are raising awareness about the procurement process and increasing the accuracy of traceability data. As a result, the market for high-quality FairWood steadily expands leading to the spread of sustainable lumber.

Risk Management

Risk 1 Proposals similar to Gohon no ki planning spread throughout the industry, leading to a relative decrease in the value of our proposals.

Our response 1 We will make use of the many years of collaborations with our landscaper network to aggressively promote tree species proposals in line with market needs, while attempting to differentiate ourselves through total exterior designs delivering higher customer satisfaction by improving our design proposal capabilities and strengthening our construction system. As a result, the continued proposal of new value will further drive the ecosystem-friendly greening market.

Risk 2 Tighter international regulations will restrict logging, exports and distribution, disrupting the stable procurement of lumber.

Our response 2 As logging area trends and other breaking news is monitored by local environmental NGOs, we will obtain information from a network of global environmental NGOs and promptly share it with suppliers of wood materials so that they can make preferential supply arrangements for us.

State of Progress

1 Promoting the Planting of Indigenous Species in Consideration of Regional Ecosystems through the *Gohon no ki* planning

Activities Report

Ongoing Promotion of the *Gohon no ki* planning

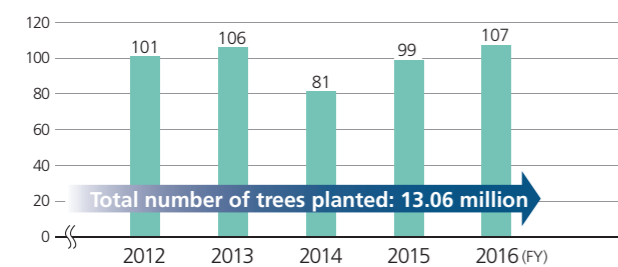
Based on our *Gohon no ki* planning, we promoted planting of trees considering regional ecosystems. In FY2016 we planted 1.07 million trees in the yards of our detached houses and

collective housing, meaning we have planted a total of 13.06 million trees from 2001, when we launched this initiative.

Key Performance Indicators (KPIs)

Indicator	Unit	FY2012	FY2013	FY2014	FY2015	FY2016	Definition and remarks
Number of trees planted annually	Tens of thousands	101	106	81	99	107	Number of trees planted in Sekisui House gardening and greening

Number of Trees Planted Annually (Tens of thousands)



Evaluation

A decrease in the number of detached housing starts is causing a decline in the number of trees planted. However, customers have come to appreciate the benefits that greenery provides—such as comfort, a distinctive appearance, and townscapes that grow more attractive over time—even for rental housing and condominiums, which has promoted an increase in tree planting and higher quality greening proposals.

In line with this, FY2016 sales of our exterior construction work business, which includes greening and tree planting, grew to ¥67.7 billion, up over 10% year-on-year.

Future Initiatives

The spread of highly insulated sashes has further expanded openness enabling better views of gardens, which in turn enhances property value and leads to significantly enhanced homeowner comfort.

To this end, we continue to conduct surveys to better understand the comfort that greening through our *Gohon no ki* planning provides homeowners, as well as to record the butterfly varieties in customers' gardens in cooperation with homeowners nationwide. The survey, which is unusual in Japan, looks at a wide variety of butterfly species in individual gardens to promote the visualization of ecosystem preservation and customer comfort.

TOPICS

Mushinan won Top Prize at the Garden Contest

At the Garden Contest held in October 2016 at the Hibiya Park Gardening Show, our Group's piece, *Mushinan*, won the top Minister of Land, Infrastructure, Transport and Tourism Award.



We created a charming space by reflecting the abundant nature as seen in city life.

VOICE

Landscapes from the *Gohon no ki* planning

While walking through cities with lush greenery, I can hear birds chirping, and it makes me feel content. Traditionally, Japanese homes were built on spacious properties with large gardens, creating residential streets overflowing with greenery. In the 1960s, newly developed residential properties also included gardens where trees were planted that have grown to create rich natural environments. Yet now with the increase in nuclear families and the rising price of land, economic rationalization has taken precedent; properties are subdivided without leaving a single tree and many residential areas have only dull parking spaces. Even one tree would be better than nothing. Even if there is limited space, I believe we should be putting our energy into designs that make buildings beautiful. As demonstrated by this winning piece, Sekisui House understands the characteristics of trees and thinks of suitable building materials and placement, cultivating techniques to beautifully reflect these aspects. I anticipate its role as a leader in emphasizing the creation of landscapes in cities through its *Gohon no ki* planning.

Landscape Architect
Hachiro Sakakibara
 Hibiya Park Gardening Show
 Garden Contest, Garden Division
 Division Review Committee Head



2 Promoting the Use of Legal and Sustainable FairWood Lumber

Activities Report

Proactively Procuring FairWood Lumber with a View to Zero Deforestation

In line with our Wood Procurement Guidelines created in April 2007, we continue with FairWood lumber procurement initiatives, toward the fair procurement of wood sourced with consideration to the environment. These guidelines are divided into 10 wood procurement policies that take into consideration legality, biodiversity, economies of production areas, and lifestyles of residents of logging areas. Each wood product is classified into one of four ranks based on its total score from each policy. We are pushing ahead with FairWood procurement by using fewer low-ranked wood products and more Rank S and Rank A

products. In addition, in consideration of cultivating communities' forestry we do not set procurement targets for the sole adoption of certified wood. Still, certified wood (including certified processed wood) accounts for 63% of all of our wood materials including for interior installation.

In line with the enforcement of the Clean Wood Act, we flagged Zero Deforestation as a new long-term vision, recognizing that we need to be even more proactive as a company that has led the housing industry in sustainable wood procurement.

10 Wood Procurement Guidelines

1. Source wood products from areas with relatively low risk of illegal logging.
2. Source wood products from areas without sensitive ecosystems.
3. Do not source wood products from areas where local ecosystems are seriously damaged due to large-scale logging of natural forests.
4. Do not use endangered species for wood products.
5. Minimize CO₂ emissions when producing, processing, and transporting wood products.
6. When logging wood products, avoid conflict with local communities and refrain from unfair labor practices.
7. Source wood products from areas of controlled logging, so as not to exceed the rate of forest regeneration.
8. Source wood products from domestic forests where well-planned forest management is in place to conserve ecosystems.
9. Source wood products from plantation forests that are managed so as to promote conservation and ecosystem development.
10. Use recyclable wood building materials.

Wood Product Procurement Ranking

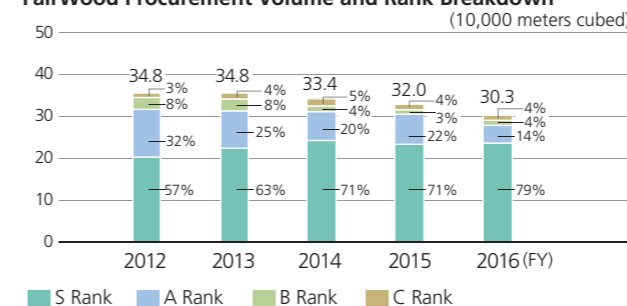
Depending on their total score, procured wood products are classified into four ranks, from high to low: S, A, B, and C. Minimally acceptable scores are set for Guidelines 1 and 4, as we place a high priority on these two items.

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

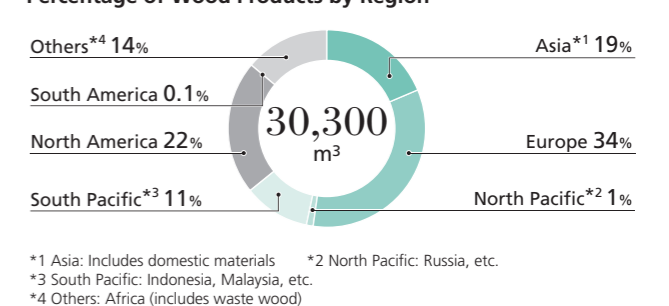
Key Performance Indicators (KPIs)

Indicator	Unit	FY2012	FY2013	FY2014	FY2015	FY2016	Target	Definition and remarks
Ratio of Rank S and Rank A wood products as defined by the Wood Procurement Guidelines	%	89	88	91	93	93	95	Survey results of about 50 of our main wood suppliers

FairWood Procurement Volume and Rank Breakdown



Percentage of Wood Products by Region



Evaluation

In FY2016, the combined proportion of Rank S and Rank A wood, a management target, was the same as last year at 93%, but the ratio of Rank S wood rose by 8 points to 79%.

Future Initiatives

Supplier awareness regarding procurement is growing in line with the enforcement of the Clean Wood Act in May 2017, so we will use this opportunity to strengthen consulting for each of our suppliers.



CSV Strategy

3

Maintain and improve technological development, manufacturing and construction quality

Realize maximum customer satisfaction through superior quality and leading technologies

Main stakeholders:

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

Backdrop

Construction Workers Now Fewer and Older—a Nationwide Problem Amid Demands for High-Quality Housing

The frequent occurrence of large-scale natural disasters such as earthquakes and typhoons across Japan in recent years has heightened the importance of housing's role as the cornerstone of life. Yet recently in the construction industry, one scandal after another has come to light in the construction industry, such as the falsification of construction and product performance data. This caused anxiety to increase among consumers, whose confidence in construction quality has been substantially shaken. The social responsibility of people working in the construction industry to "protect the lives and assets of residents" has been called into question.

At the same time, one in three workers in the Japanese construction industry are aged 55 or older. As these older workers retire, the decline in the number of construction workers is expected to continue. Similarly, the shortage of workers in the transportation industry responsible for the distribution of materials is becoming increasingly serious. In light of these trends, it is critically important to recruit and train new employees and improve the workforce retention rate, while also improving labor productivity and working environments through reforming workstyles and other methods.

Approach

Our Goal

Creating the Highest Possible Quality for Maximum Customer Satisfaction by Leveraging Our Technological, Production and Construction Capabilities

Our goal as defined in the Sekisui House Group corporate philosophy is to meet customer needs with the highest levels of quality and technology. In collaboration with partner companies with whom we share a common destiny, we perpetually retain skilled employees and build structures

that stably provide quality housing able to be lived in and passed on to future generations providing safety, peace of mind and comfort. We aim for the highest quality in all house manufacturing processes and provide products and services that earn customer trust and satisfaction.

Action Policies

1 Realizing Heightened Safety, Peace of Mind and Comfort through Advanced Technologies

Sekisui House is pursuing higher levels of quality and performance in terms of basic safety and comfort, leveraging advanced technological and organizational capabilities accumulated for more than half a century. We lead the industry and will establish our product as the standard for Japanese housing.

2 Enhancing Production and Distribution Quality, Improving Operational Efficiency

Sekisui House promotes production line maintenance and automation for the stable provision of high-precision parts to make production more efficient and facilitate build-to-order production of various product types in small lots. We collaborate with distributors in an effort to make distribution more efficient.

3 Strengthening Construction Site Capabilities through Collaborations with the Sekisui House Association

In conjunction with the Sekisui House Association (a voluntary organization comprising Sekisui House Group companies involved with construction and our partner building contractors), we make an effort to strengthen construction site capabilities by improving construction quality, communicating with customers and people living near the site and initiatives involving safety measures, clean construction sites, human resource development and work environment improvements.

Impact of These Activities on the Company

We continuously develop new technologies from the perspective of whether or not they are useful to customers or contribute to society. Initiatives including the maintenance of equipment and systems and the retention and development of skilled human resources enable us to fulfill our mission to "protect the

lives and assets of residents," and most importantly, to enhance the quality of production and construction. This enables us to realize customer satisfaction and amass high-value housing as stock for society. This will lead to enhanced corporate and brand value.

Risk Management

Risk 1 Shortage of workers in the construction and transportation industries

Our response 1 We will promote production line maintenance and automation, engage in prefabrication (precutting, presetting, and partial assembly of components at the factory) and create systems that maximize labor force utilization through proper process planning and personnel allocation without excess or waste with the aim of conserving manpower and realizing efficiency and labor-reduction in production, distribution and construction at worksites. We are also making an effort to retain talented employees through training for young technicians operated by Sekisui House Training Schools, support for the development of multiple skill sets that can be deployed flexibly, maintenance of the work environment, enhanced welfare programs and a system for commending achievements.

Risk 2 Quality risks associated with production and construction processes

Our response 2 We ensure quality in all housing manufacturing processes through observation of related laws and the establishment of our own rigorous standards. We also promote production quality risk management in conjunction with partner companies. In addition, we operate a Group-wide construction quality control system aimed at ongoing improvement activities, internal controls, the maintenance and storage of records and careful construction quality management of each and every home we build. This includes the "visualization" of quality information and other verification records using photos and the use of iPads running specialized applications for site foremen and construction managers (Sekiwa Construction, home construction companies). These initiatives aim to enhance timely construction site management and increase quality levels.

State of Progress

1 Realizing Heightened Safety, Peace of Mind and Comfort through Advanced Technologies

Activities Report

Reducing Building Deformation by Approximately 50% with SHEQAS Seismic Control System, Certified by the Ministry of Land, Infrastructure, Transport, and Tourism

The stronger the earthquake, the higher the risk that the building deformation will be severe, damaging the structural frame, interior and exterior. Sekisui House's proprietary SHEQAS seismic control system converts seismic wave energy into heat energy to absorb building movement, and can reduce building

deformation by approximately 50%. The SHEQAS damper, made of special high-damping rubber, maintains its efficacy through large earthquakes and repeated aftershocks, providing housing in which residents can continue to live with peace of mind.

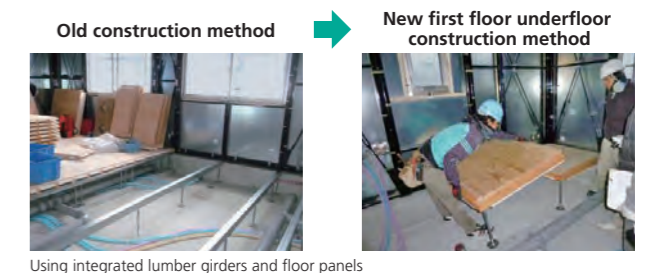
Airkis High-Quality Indoor Air System, Which Reduces Indoor Concentrations of Five Major Chemical Substances to Less Than 50% of the Guideline Value Set by the Government

From early on we have focused our attention and promoted research on the health impact of chemical substances in our construction materials. We developed the Airkis high-quality indoor air system using standards that take into account the fact that children are more susceptible to the impact of air pollution than adults. Using Airkis in the home reduces indoor

concentrations of five major chemical substances to less than 50% of the guideline value set by the government. In addition to reducing chemical substances, we are also engaged in ventilation and air purification to improve the overall quality of air environments. To this end, we developed proprietary ventilation and air conditioner systems.

Developing and Implementing New First Floor Subfloor Construction Method, Which Offers Improved Safety and Reduces Workload

We developed an innovative new construction method for the first floor of buildings, and have been using this method as the standard for collective housing Sha Maison since October 2016. The previous method involved placing floor panels on top of steel frames called lumber girders, but under the new method, the floor panels and lumber girders are integrated. This reduces the labor involved and substantially shortens construction time. In addition, construction has become safer, as there is no longer a need to step over the lumber girders when working.



Using integrated lumber girders and floor panels

Key Performance Indicators (KPIs)

Indicator	Unit	FY2012	FY2013	FY2014	FY2015	FY2016
SHEQAS seismic control system installation ratio (steel-framed two-story detached housing)	%	75	87	89	94	96
Airkis high-quality indoor air system installation ratio (steel-framed detached housing)	%	76	78	80	85	87

Evaluation

Many customers opted to install our original seismic control system, SHEQAS, which protects during earthquakes and enables freedom in planning, as well as the high-quality indoor air system, Airkis. In FY2016, 96% of steel frame detached houses had installed SHEQAS, and 87% had installed Airkis, each up 2 percentage points from the previous year.

Future Initiatives

In FY2016, the installation rate for SHEQAS and Airkis reached 100% for some business offices, while for others it stopped at 60%. In the end, installation is up to the customer, but we will continue to actively propose these options to offer safer and more comfortable homes.

2 Enhancing Production and Distribution Quality, Improving Operational Efficiency

Activities Report

Promoted Automated Production of Main Structural Components

As Sekisui House builds detached houses based on specifications tailored to each customer, the components we use also differ from one house to another. At our factories, we promote maintenance and automation of our production lines to provide precision components offering stable performance and quality while attempting to engage in the efficient and labor-saving custom manufacturing of various product types in small lots. In FY2016, we worked to increase automation and production capacity of production lines at our Shizuoka and Yamaguchi plants, to respond to an increase in orders for "βSystem" construction

of steel rigid-frame three- and four-story homes. For our two-story steel housing, we also worked to increase capacity and promote automation, substantially reforming production lines at our Kanto plant in line with the increase in orders of the original exterior-wall component Dyne Concrete.



Automated production line at Shizuoka factory

Increasing Efficiency of Delivery to Construction Sites, and Improving Working Environment for Drivers

To respond to societal challenges such as the insufficient number of truck drivers and to the growth in our remodeling and renovation business, we are streamlining distribution by partnering with construction sites and distributors. In FY2016, we created a new system to deliver temporary construction materials such as horizontal safety nets and safety rails to

construction sites from our factories when needed, and to quickly retrieve them afterward. In addition, we strived to reduce working hours and driver workload by streamlining shipping preparation at factories, such as reviewing flow, reducing the loading time and wait time for drivers.

Continuously Working to Improve Quality, Aiming for the Superior Quality and Leading Technology

We are continuing activities to improve quality toward our corporate mission of offering superior quality and leading technology. From 2014, we established the main points of a mechanism for handling grievances and abnormalities under ISO9001, and have been working to reduce the number of cases from all construction sites using a unified process. In addition, from 2015, as part of a strategy to reduce the number of

construction site grievances and abnormalities to zero, we have been strengthening mutual audits between factories and field-specific working group activities.

As a result of these activities, in FY2016 the number of grievances and abnormalities from construction sites decreased by about 60% compared to FY2012. We plan to continue promoting quality improvement throughout the entire production process.

Key Performance Indicators (KPIs)

Indicator	Unit	FY2012	FY2013	FY2014	FY2015	FY2016	Definition and remarks
Breakeven point shipment area	%	100.0	100.9	102.4	98.5	93.1	Index utilizes FY2012 as 100
Trends in grievances and abnormalities at construction sites	%	100.0	98.0	75.6	56.7	60.9	Index utilizes FY2012 as 100

Evaluation

We were able to respond to the growing demand such as for three- and four-story housing and original exterior-wall component Dyne Concrete by maintaining and increasing production line capacity and streamlining distribution. We were also able to steadily streamline operations and improve quality for production and construction.

Future Initiatives

In addition to further improving quality, we will strengthen measures in the supplied housing business such as remodeling and the development business. To contribute to streamlining efficiency at construction sites and reducing labor, we will continue initiatives such as reforming the way materials are delivered to construction sites and continue to pre-process and assemble components at factories.

3 Strengthening Construction Site Capabilities through Collaborations with the Sekisui House Association

Activities Report

Reforming Each System through Discussions with Sekisui House Association

We visit Sekisui House Association chapters nationwide and conduct interviews. Through discussions with our directors we hear various requests and suggestions, and implement reform starting from the top priority issues. In 2016, we newly established a six-month applied skills course as part of the Sekisui House Training Schools, accredited vocational ability development

schools operated by Sekisui House, to further increase the skillset of young technicians. Regarding the special bonus given to technicians who pass the Sekisui House Senior Technician Exam, we raised the maximum age of recipients from 65 to 70. This has increased motivation for skilled technicians who have spent many years working to improving quality.

Create A Structure to Gather Requests and Suggestions from Construction Sites and Implement Reform

To increase construction efficiency and improve quality, the Sekisui House Group is creating a construction reform request database as a measure to listen to the voices from construction sites. Registered requests are examined at Construction Reform Department Meetings held every other month, and responded to sequentially.

To lead to broader and faster reforms, from 2015 we widened the scope of registrants who can request improvement, adding head architects from all branches and construction managers from each Sekiwa Construction company. At these meetings, we

added participants from each Sekiwa Construction company and partner construction companies, and have a system to gather opinions and suggestions from on the ground in real time. We are promoting activities to improve construction as a Group-wide endeavor.

We are working to share information with employees at construction sites and build partnerships, so concrete reforms that result from these activities are included in *Tsuchioto*, a newsletter distributed to the Sekisui House Group and partner construction companies, and on our company intranet.

Key Performance Indicators (KPIs)

Indicator	Unit	FY2012	FY2013	FY2014	FY2015	FY2016
Construction workers (foundations, construction, carpentering)	People	—	—	10,518	10,393	9,843
Educational training center and school participants (total)	People	2,208	2,294	2,385	2,480	2,568
Employees who passed the Sekisui House Senior Technician exam (total)	People	14,301	14,458	14,607	14,808	15,012
Certified Construction Masters	People	205	312	318	305	325

Evaluation

In FY2016, a total of 88 employees attended Sekisui House Training Schools: 31 employees participated in the building frame exterior course and 57 employees participated in the interior construction course. The retention rate for employees still with the company five years after participating in the training is extremely high at 90%. Young energy invigorates worksites and contributes to enhanced construction capabilities.

Future Initiatives

To strengthen the reception of our training schools, we created interior labs at three centers, and built new dormitories and remodeled others. We are also building a women-only area for female participants. We will work to increase skills by offering applied skills courses in both interiors and exteriors in FY2017, compared to FY2016, when we offered only a course in interiors. Going forward, we will further boost our remodeling internship program and practical training of interior and exterior remodeling of three- and four-story buildings, continuing to improve the construction capabilities of participants.



Extend lifespan of houses and enhance after-sales support

Long-term support of customer lifestyles through Group company collaborations. Link to improved value of housing and resource recycling

Main stakeholders:

Customers and business partners (materials manufacturers, Sekisui House Association, intermediate disposal operators, dismantlers)

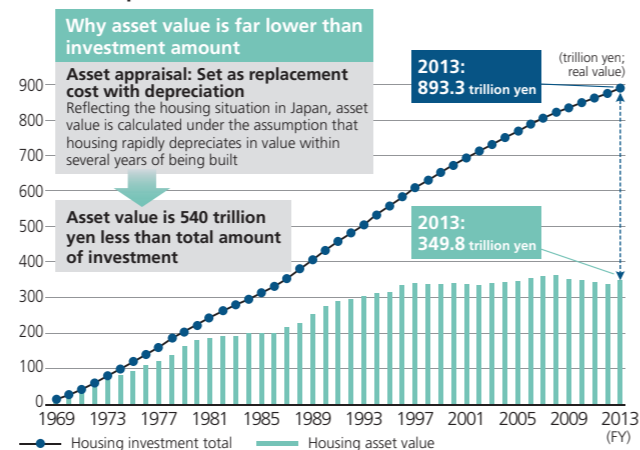
Backdrop

Japanese Home Asset Value is Lower Compared to Europe and the United States

The cumulative amount of housing investment in Japan from 1969 to 2013 was approximately ¥893 trillion. The total appraisal value of housing stock assets in 2013 was about ¥350 trillion, ¥540 trillion less than the housing investment figure. This is because in Japan, homes rapidly lose asset value as they get older, meaning housing assets do not accumulate as stock. Given that housing is typically the cornerstone of household assets, the low asset value of houses in Japan represents major losses not only in macrosocial and macroeconomic terms, but also in the way it significantly impacts people's economic lives.

On the other hand, in Europe and the United States, homes tend to maintain high value over a long period of time, accumulating as shared assets of society. Performing adequate home maintenance creates a housing culture that passes safe, secure and comfortable homes on to future generations. This leads to the improvement of home asset values.

Total Amount of Housing Investment and Housing Asset Value in Japan



Approach

Our Goal

Maintaining Homes as Long-Lasting Quality Assets for Customers and Society

The Sekisui House Group aims to cultivate housing as long-lasting quality asset. In addition to developing and providing homes that can be lived in for a long time offering excellent basic qualities, including high durability and comfort, we will attempt to maintain and improve housing stock asset value by proactively promoting housing stock remodeling and renovation through Group collaborations and the long-term support of comfortable customer lifestyles.

Furthermore, the creation of high-quality housing and appropriate remodeling and renovation enables long-term utilization of houses as social assets, leading to reductions in resource inputs and leading to the effective use of resources. We will contribute to the realization of a recycling-oriented society by creating a market in which homes are shared as social assets, promoting the reuse of waste (zero emissions) and limiting adverse impacts on the environment.

Action Policies

1 Provide Long-Term Support for Customer Lifestyles, Maintain and Improve Housing Asset Value

Aiming to create homes that can continue to be lived in beyond each life stage, Sekisui House Group companies flexibly collaborate to propose maintenance optimized for individual customers.

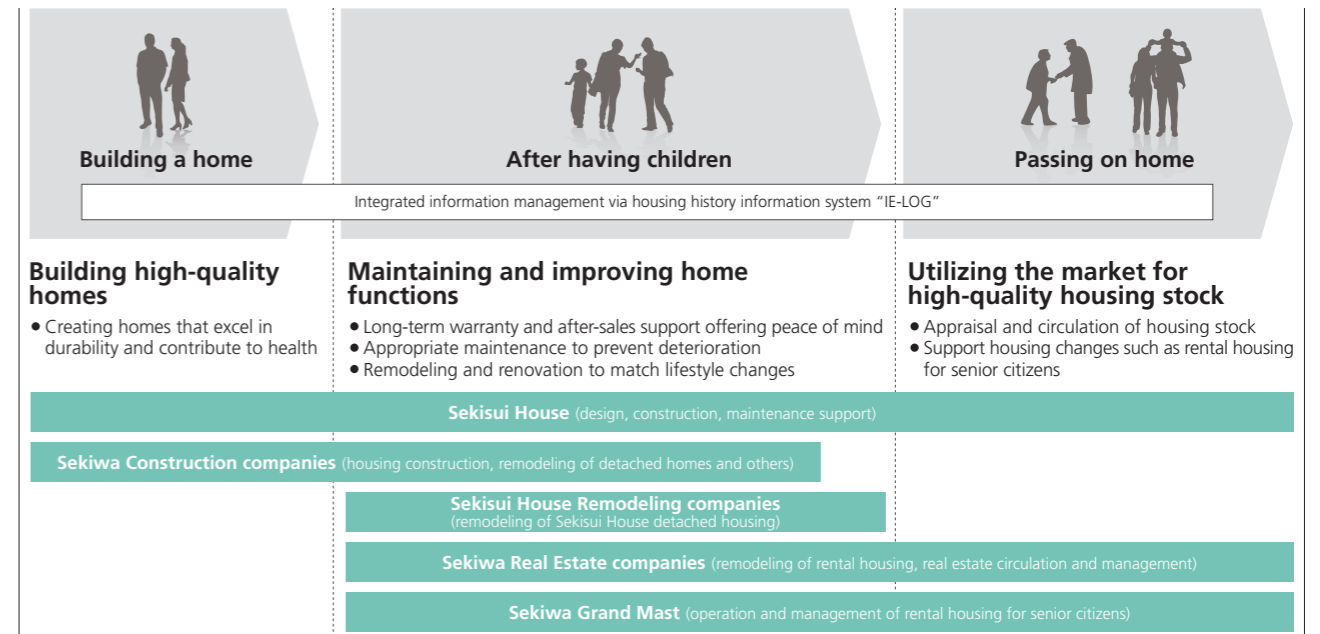
Going beyond repairs, facility renewals, and remodeling for improved comfort and convenience, we conduct renovations involving large-scale transformations and changes in use that correspond to customer needs, providing an extremely high level of safety, security, and comfort that heightens customer satisfaction.

2 Contribute to the Creation of a Recycling-Oriented Society through the Effective Use of Resources Related to Housing

We are reducing the loss of social assets through the vigorous circulation of properly assessed quality housing stock abundant in society while conducting appropriate maintenance to lengthen the life of housing, leading to resource conservation.

Furthermore, we will contribute to the formation of a recycling-oriented society through the effective use of limited resources by focusing efforts on recycling waste and reducing emissions to zero as the result of promoting remodeling and renovation.

Engaging in Group Collaborations to Provide Peace of Mind throughout the Customer Life Stage



Impact of These Activities on the Company

If homes can be circulated while maintaining their asset value, this will ensure the elderly can cover living expenses, enable younger people to choose homes from a wide range of options in the housing market in line with their stage in life, and support

an ample lifestyle for homeowners.

Also, long-term support will maintain and strengthen our relationships with customers, leading to increased Group brand value.

Risk Management

Risk 1 Long-life housing causes the newly built home market to shrink

Our response 1 With a 5.1% share in the domestic newly built home market, there is still room for Sekisui House to grow. We will expand our market share and enhance our brand power through the provision of high-quality homes and comprehensive after-sales support.

Risk 2 Intensifying competition due to expansion in the remodeling market

Our response 2 We will attempt to differentiate ourselves in the market with remodeling and renovation proposals demonstrating a strong commitment making use of business innovations in the newly built home market and timely proposals based on housing history information system "IE-LOG."

State of Progress

1 Provide Long-Term Support for Customer Lifestyles, Maintain and Improve Housing Asset Value

Activities Report

Long-Term Support for Customer Housing through Group Collaboration

About 10% of Sekisui House Employees Dedicated to After-Sales Service

As housing is used over the long-term, providing a quality support system after move-in is crucial. Sekisui House employs 1,450 people—accounting for about 10% of all employees—as dedicated staff in our Customer Center. They support the lifestyles of customers living in 780,000 detached homes and

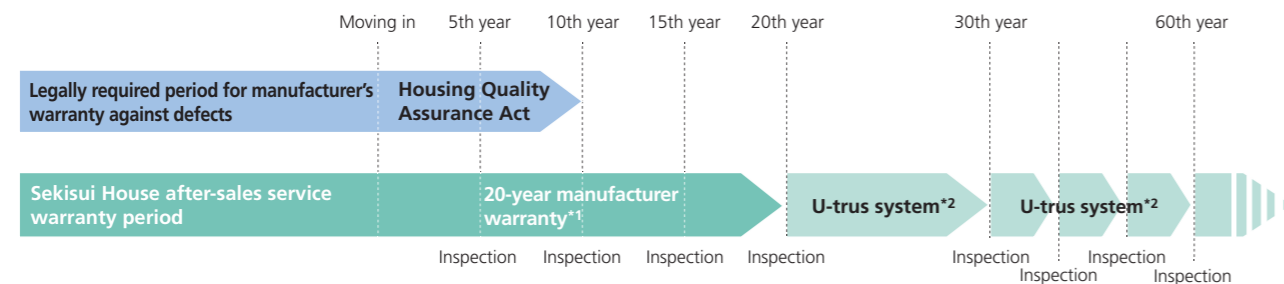
220,000 rental housing units such as by assisting with daily repairs and remodeling consultations. Our unique organizational structure enables us to quickly reflect customer feedback into our product development and management structure.

Long-Term Warranties and Housing History Information Database “IE-LOG”

For structural frames and rainwater-proofing components, we offer a 20-year warranty, which provides an additional 10 years to the 10-year liability period required under the law promoting housing quality. In addition, all other components are under warranty for a specified period of time. Even after the warranty period has expired, homeowners can take advantage of our U-trus system to extend warranties in 10-year intervals.

We operate “IE-LOG,” which shares each property’s various building component information and other data in digital form, based on the Long-Term Quality Housing Certification Program in Japan, which aims to build up a stock of high quality housing that can be used in the long term. Group companies utilize IE-LOG historical data to make remodeling and renovation proposals.

The 20-Year Warranty System and the U-trus System

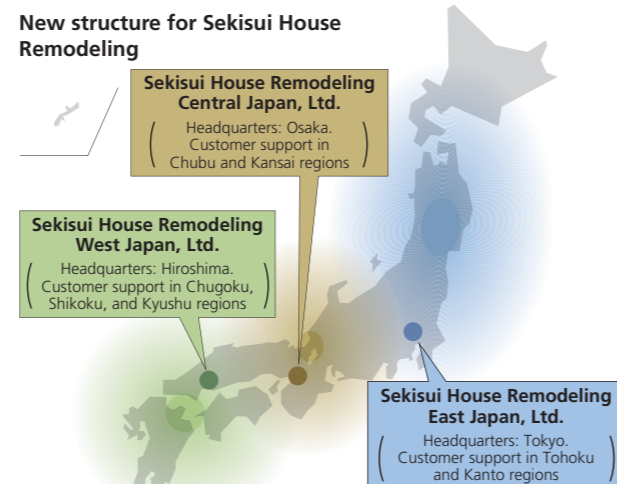


*1 At Sekisui House, a 20-year manufacturer warranty is applied to structural frames and rainwater-proofing components (rainwater-proofing components are covered by an initial 10-year warranty plus another 10-year warranty) on condition that free inspections be conducted and maintenance/repairs be made at the homeowner's expense upon expiration of the first 10 years.
*2 The U-trus system provides extended warranty at 10-year intervals, subject to required inspections and with maintenance/repairs to be completed at the homeowner's expense.

Sekisui House Remodeling Split into Three Companies to Strengthen Capabilities to Make Proposals Suited to Local Communities

Sekisui House Remodeling Co., Ltd., which handles Sekisui House's remodeling business for detached and other housing, has actively promoted maintenance-type remodeling to maintain and improve the asset value of homes over the long term.

In 2016, the company was split into three companies in East, Central, and West Japan. The aim was to work with Group companies in each area, and further strengthen the capability to make proposals suited to local communities. Through initiatives such as setting up remodeling and renovation corners in our hands-on learning center *Yume no koja*, we aim to bolster our after-sales follow up and further expand lifestyle proposal-type renovations.



Proposing Remodeling That Enhances Comfort and Convenience to Wider Society

Expanding Sekiwa Construction's "Re:QUEST"

For general detached housing and condominiums, the Sekisui House Group responds to customers' various needs, from small-scale remodeling to large-scale renovations. The 19 companies of Group company Sekiwa Construction conduct remodeling and renovation nationwide under one brand, "Re:QUEST." "Re:QUEST" has three themes to inspire customers to remodel.



Three Themes of Re:QUEST

- Re:QUEST STAGE**
Rebuilding spaces in line with customer life stages
- Re:QUEST STYLE**
Restructuring lifestyles
- Re:QUEST VALUE**
Rediscovering value for homeowners

Launched Condominium Renovations, RENOVETTA

As part of efforts to strengthen the condominium renovation business of Sekiwa Construction, in April 2016 we launched RENOVETTA* in collaboration with product designer Toshiyuki Kita.

Condominiums are generally divided into small floorplans of 2DK (two bedrooms + dining and kitchen space) or 3LDK (three bedrooms + large living room, with separate dining and kitchen) units, but problems arise, such as an overflow of things when the number of residents changes. RENOVETTA

proposes an improved lifestyle through the use of functional, multi-purpose spaces, removing the existing divisions until just the skeleton remains, and placing the kitchen and dining areas in the center of the home as a gathering place. In addition, it proposes spaces that change in line with residents' life stages and lifestyles, for example, a foldable Japanese-style room or wall storage, which are Mr. Kita's original designs.

* RENOVETTA is a registered trademark of Kita Toshiyuki Design Research Lab.

VOICE

I'm satisfied with my open and stylish LDK after RENOVETTA

Our kitchen used to be closed off from the rest of the house, so when my wife prepared dinner, she could not see what the kids were up to. At that time, I learned about RENOVETTA, the collaboration between global designer Mr. Kita and Sekiwa Construction, and spoke with a sales representative. Hearing that Mr. Kita would even choose the interior design and furniture, I thought that he may be able to create something interesting, and requested that he remodel our house.

After the remodeling, our LDK feels so much more open: we can see what our children are doing and the opportunities to communicate have increased. Thanks to the total color coordination of Mr. Kita, everything matches and the place seems quite stylish.

Mr. K (Fukuoka Prefecture)

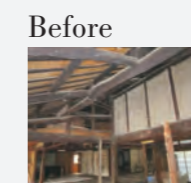


TOPICS

Supporting the transfer of valuable assets through an integrated housing inheritance system

Sekiwa Construction offers restoration of old houses, and based on the wishes of our customers, we support the handing down of housing under an integrated system that spans repair planning through construction and transfer.

In addition to restoring a property as a home, we also help find other uses as a lodging facility or shop. We suggest renovations appropriate for each objective and use, and maintain the culture and design of old Japanese houses that will also speak to future generations.



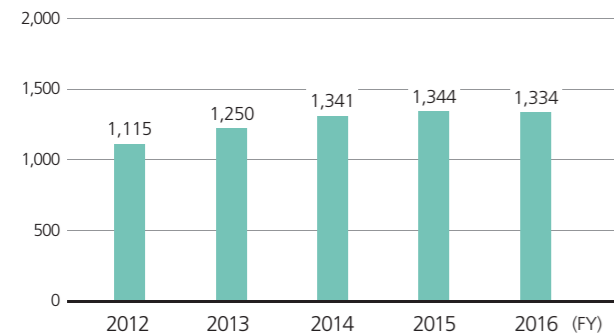
After



Key Performance Indicators (KPIs)

Indicator	Unit	FY2012	FY2013	FY2014	FY2015	FY2016	Definition and remarks
Long-Term Quality Housing certification acquisition rate	%	92.1	92.1	92.1	92.0	90.5	System of certification issued by the Japanese government for houses that meet prescribed criteria, including durability, seismic resistance, ease of maintenance and remodeling, and versatility
Ratio of "very satisfied" customers in survey	%	39.6	41.0	41.9	42.0	43.3	Ratio of "very satisfied" in seven-rank assessment

Remodeling Business Net Sales (hundreds of millions of yen)



Evaluation

Sekisui House maintains a high ratio of housing certified under the Long-Term Quality Housing Certification Program. With respect to customer satisfaction surveys, the success of steadfast activities such as sharing details on initiatives aimed at improving satisfaction and resolving issues in each survey-result area and targeted activity has led to a steady increase in customers indicating they are "very satisfied." Sales in the remodeling business were on par with the previous year because solid sales of rental house remodeling were not enough to offset the negative impact of lower purchase prices in solar remodeling.

Future Initiatives

Deepening the Platinum Business, Which Supports Societies with Increased Longevity

Sekisui House Group's Platinum Business is a totally different concept from simply building infrastructure. We anticipate that this business will spread as a solution to societal challenges, through a community design that facilitates multi-generational interactions in line with a region's needs, not only energizing active seniors but also contributing to stimulating local communities.

September 2016, we completed construction of and opened Grand Mast Sengencho Yokohama. The building has 76 assisted-living units for the elderly on the second through tenth floors, and the first floor has multi-purpose spaces that can be used by local community members with shared interests

and child-raising groups. We are also building a café. On the second floor is a community house with a collection of about 28,000 books provided by the Nishi-ku Youth Library. There are study rooms and an area for reading out loud to children, making this a space where multiple generations can gather.



Community cafe, popular with local community members



Multi-purpose room used by child-raising groups and others

2 Contribute to the Creation of a Recycling-Oriented Society through the Effective Use of Resources Related to Housing

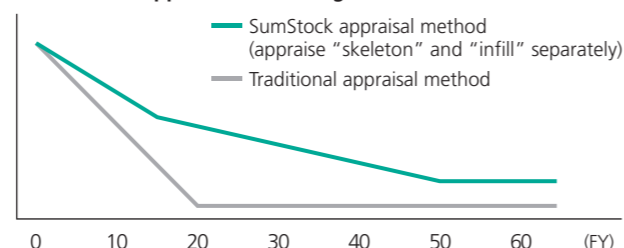
Activities Report

Spread of "SumStock" Quality Housing Stock

Aiming to invigorate the circulation of quality housing stock and create an appropriate market, 10 major housing manufacturers including Sekisui House operate the Provision of Quality Housing Stock Association. Salespeople certified by the Association appraise a house's basic structure ("skeleton") and its interior furnishings and facilities ("infill") separately. The value of the building and the land are indicated separately in our proprietary circulation system "SumStock," which we are striving to expand. The Sekisui House Group is also promoting SumStock proposals using IE-LOG. We worked to spread the SumStock brand, such as by participating in a 10 different housing exhibitions held in Kansai in November 2016.



"SumStock" Appraisal of Housing Stock



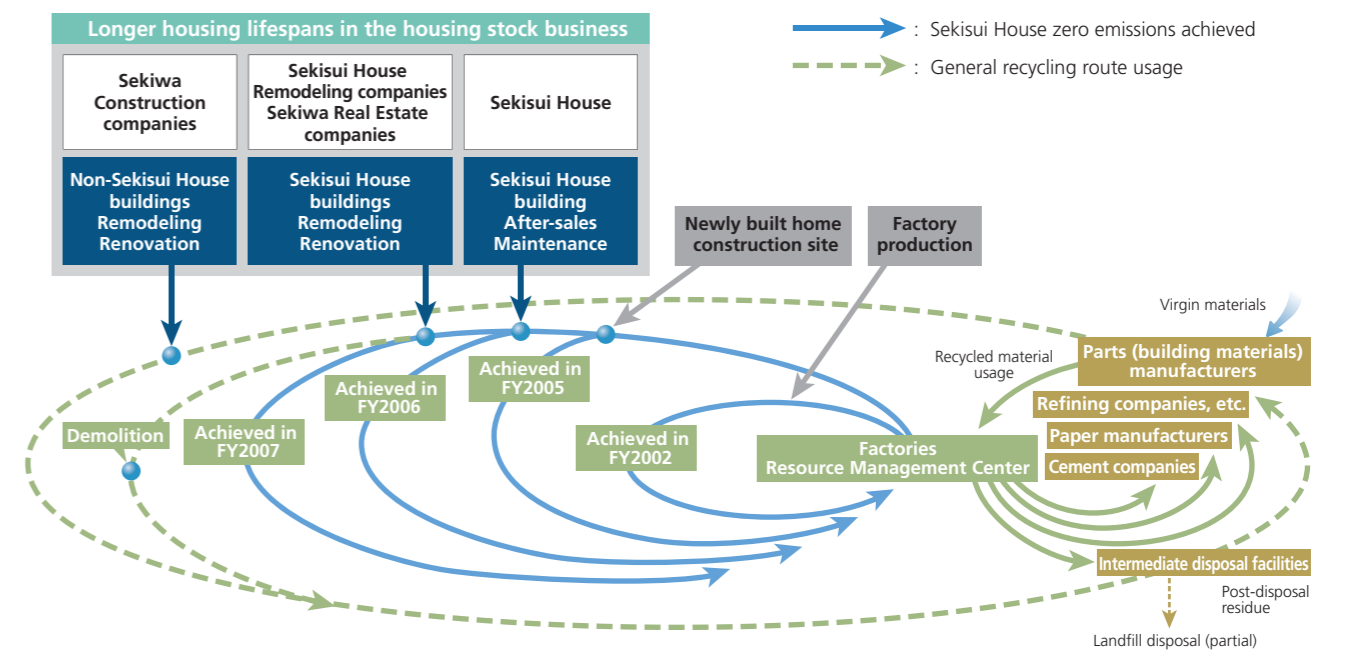
Strengthening Governance of Waste Recycling in Line with the Expansion of Remodeling and Renovation

The Sekisui House, which aims to make effective use of limited resources, engages in initiatives that extend housing life and focuses efforts on the recycling of waste created by remodeling and renovation. Up to now, we have promoted industry-leading initiatives including the operation of our own waste disposal system centered on 21 recycling centers throughout Japan. We were also the first in our industry to acquire certification by the Wide-Area Certification System under the Waste Management and Public Cleansing Law. We are achieving zero waste emissions at each stage from production, new home construction, and after-sales maintenance to remodeling.

In FY2016, we upgraded our electronic management system

for waste control, developed at the same time as acquiring the Wide-Area Certification, to a cloud-based system. In this way, we responded to today's needs of improved functionality of electronic waste management systems. For renovations including demolition work, to ensure the separation of individual items such as wood and tiles, we apply guidelines to define waste disposal operator selection criteria. In addition, we are also focusing efforts on environmental education for Group company employees involved in remodeling and renovation to create a system for working with partner companies to ensure the appropriate handling and recycling of waste.

Zero Emissions Structure and Status of Support for Remodeling and Recycling



Key Performance Indicators (KPIs)

Indicator	Unit	FY2012	FY2013	FY2014	FY2015	FY2016	Definition and remarks
Total resource input	Thousands of tons	1,112	1,286	1,079	1,109	1,098	Amount used at our factories
Volume of waste generated*	Thousands of tons	311	362	728	753	725	Waste from new construction, remodeling, and demolition
Volume of waste generated at new construction sites	Kg/house	1,441	1,449	1,485	1,506	1,476	Amount per house (per 145 m ²)

Note: From FY2014, includes waste from affiliated companies and waste from demolition of buildings.

Evaluation

Waste from newly built home construction has been substantially reduced, falling by nearly 60% compared to waste generated per house in FY1999.

In recent years, we have entered into a stage of more modest reductions, and the amount of waste generated per house is progressing at about the same level. This is partly due to the impact from an increase in the ratio of sales of three- and four-story rental housing, which generate a comparably larger amount of waste.

Future Initiatives

We will continue working to ensure that waste from newly built home construction sites can be disposed of through recycling, as well as streamline construction and reduce surplus materials.

With the expansion of the supplied housing business including remodeling and renovation, waste from the demolition process is expected to increase. We aim to create a system to collaborate with partner companies and industry organizations to be able to further streamline recycling.



Diverse human resources play an active role (Kumamoto Branch)

Promoting diversity and developing human resources

Main stakeholders:

Customers, employees, investors, students and job applicants

Aim to become a sustainable corporate group generating high added value while encouraging diverse employees to realize their potential and respect one another

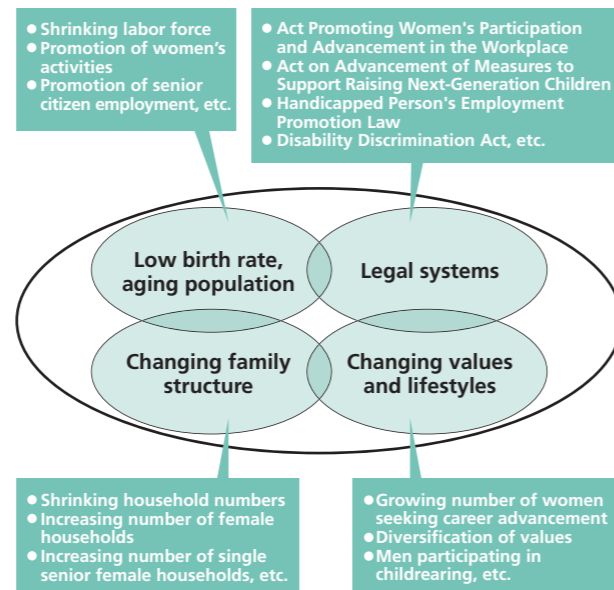
Backdrop

Diverse Perspectives Support Sustainable Corporate Growth

Today, all corporations are urgently compelled to respect and accept diversity in the form of gender, age, physical abilities, race and nationality, as symbolized by the Act Promoting Women's Participation and Advancement in the Workplace implemented in April 2016. The aggressive promotion of diversity and expansion of areas where diverse individuals are able to participate actively is extremely important to corporate sustainable growth. Proactively making use of these "differences" in business will enable us to effectively respond to a constantly changing business environment and diversifying needs.

In the housing industry, customer needs are diversifying amid low birth rates and the aging of society, changes to the family structure, women in the workplace and a variety of other lifestyle changes. For this reason, there is a demand for new housing and lifestyle proposals that flexibly incorporate a variety of perspectives and ways of thinking. In response to these changes, even the housing industry has begun to engage in workstyle innovations aimed at work environments able to leverage the maximum capabilities of human resource diversity represented by women, people with disabilities, senior citizens and foreigners.

Social Context Underpinning "Diverse Needs"



Approach

Our Goal

Creating High Added Value Making Use of Diverse Employee Skills to Become a Corporate Group Necessary to Global Society

The Sekisui House Group makes an effort to increase employee satisfaction in order to become a corporate Group that meets its responsibilities to its stakeholders with sincerity. In 2006, we announced the Declaration for Human Resource Sustainability as our basic personnel policy. The declaration comprises three basic policies: encouraging female employees to pursue career development; promoting a diversity of human resources; and supporting a work-life balance. We are engaged in the creation

of a rewarding workplace environment facilitating a diverse range of employee workstyles as well as the creation of mechanisms and an environment that enable employees to grow sustainably along with the Company.

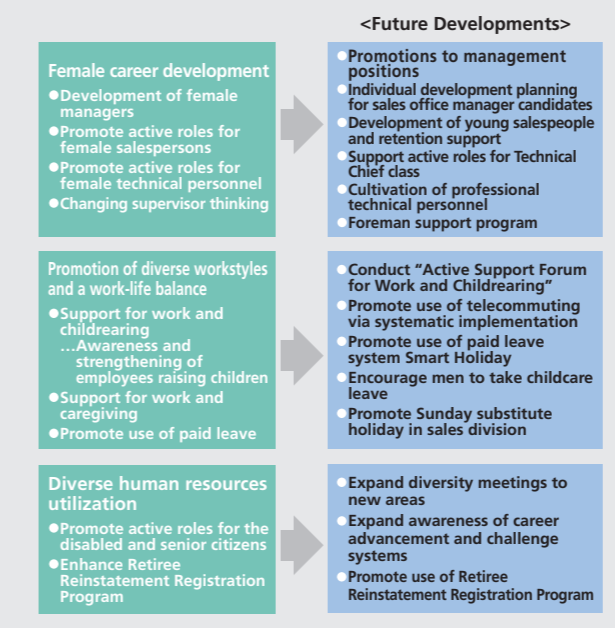
Going forward, we will continue aiming to become a corporate Group necessary for global society by generating high added value in workplaces of mutual respect where all employees are able to maximize their capabilities.

Action Policies

1 Promoting Diversity

In February 2014, we reorganized the Diversity Development Team, established the same year we announced the Declaration for Human Resource Sustainability, to create the Diversity and Inclusion Promoting Office to promote measures based on three priority themes: contributing to women's career development, promoting workstyle diversity and a work-life balance.

In light of the Act Promoting Women's Participation and Advancement in the Workplace implemented in 2016, the Sekisui House Group formulated an action plan for the promotion of active participation by women and is engaged in the creation of mechanisms and an environment enabling all employees to enjoy a lively social life.



2 Develop Professionals with a Deep Sense of Humanity

To incorporate customer hopes into the houses Sekisui House builds, we are focusing efforts on employee skills development and the establishment of various human resource systems able to realize the development of professionals with a deep sense of humanity.

In terms of employee development, we systematically conduct a variety of level- and position-based training targeting salespeople, technicians and administration. In an attempt to improve motivation among individual employees, we aim to foster the career development of autonomous human resources by linking development and evaluation to a professional duties interview system incorporating the PDCA cycle.

Level-Based and Position-Based Training

Level-based training	Mid-career training (45 years old)	
(Sales Division/individual branch menu)	Position-based training (From entry-level to advanced training for design employees, site foreman and managers)	Administration manager training Administration practical training
Level-based training	Self-managed career course (seventh year of employment)	
	Self-esteem improvement seminars (third year employees)	
Nationwide housing hands-on educational programs	Ground and foundation training Foreman basic training Interior finishing practice Planning seminar	Administration foundational training (e-learning)
Second year training Hospitality training	Self-control training PSS seminar	
Newly hired employee sales training	Technical-related newly-hired employee training	New administrative manager training
Level-based training	Newly hired employee introductory training	
Sales	Technology	Administration

Impact of These Activities on the Company

In addition to promoting the active participation of women, our human resources are engaged in a variety of workstyles, which enables us to make proposals from a variety of lifestyle perspectives. In particular, this enables us to make use of technological developments and universal design proposals based on the

perspectives, feelings and experiences of disabled people.

In addition, the development of human resources embodying a love for humanity, the core of our corporate philosophy, will earn the trust of society and lead to the resolution of social issues as well as create conditions that support sustainable corporate growth.

Risk Management

Risk 1 Operations are adversely affected by an increase in the percentage of employees engaged in childrearing and caregiving

Our response 1 We will promote the creation of individual career visions and establish systems that support a diverse array of workstyles. Also, we will share information with male and female employees pertaining to working while raising children or caregiving and share workplace conditions in an effort to create an environment that facilitates career advancement while raising children or caregiving.

Risk 2 Inhibited human resource development due to the lack of effective training

Our response 2 At the end of training we conduct a practical level check test and provide feedback on the results to the participants and the offices where they are assigned. In addition, we look at all the results of participant questionnaires to confirm that the expected outcomes have been achieved in an effort to improve training content.

State of Progress

1 Promoting Diversity

Activities Report

Proactively Promoting Active Participation by Women, Accelerating Career Advancement Initiatives

Development of Female Managers

In 2014, we established the Sekisui House Women's College for management candidate training to develop female employees that will be able to become managers in the future. Female employees throughout Japan nominated for management positions are sent to this college to acquire business skills and

study workplace issue resolution during a two-year curriculum aimed at systematically providing candidates with a suitable education. In the inaugural class of FY 2016, 20 women completed the Women's College curriculum. Playing an active role in a wider range of areas, female managers are appearing one after the other in management ranks as design chiefs and superintendents, and in terms of female sales staff, as branch managers and office managers. Furthermore, an increasing number of female managers are married or raising children, becoming an important force in the housing business domain.

VOICE

The Women's College increases job satisfaction

Michiyo Akiyama
Chiba Sha Maison Branch



Having attended the Women's College has provided me with more opportunities to give lectures within and outside the Company, enabling me to engage in work from a branch or head office perspective rather than only focusing on my own duties. It also provided me with an opportunity to rethink my work in terms of speedy decision-making in operations and cost awareness in terms of time spent working. This has made work more meaningful and satisfying, enabling me to enjoy work. From now, promoting ZEH in Sha Maison rental housing, a topic raised at the Women's College, I am able to make proactive proposals that will delight owners and occupants.

Support for Career Advancement Corresponding to Level and Position

In support of female employee education and career advancement, we conduct a variety of ongoing training and networking events based on level, position and location. Since 2007, we have regularly held special personnel meetings for female sales staff that are also established as a subcommittee aimed at developing young people and training office managers.

We also hold meetings for female technical staff and nationwide construction superintendent meetings to cultivate leaders and enhance skills as specialists, which is linked to the development of core personnel and improved proposal capabilities.

Workstyle Innovations That Promote Diverse Workstyles and a Work-Life Balance

As one part of our attempt to create a corporate culture supporting men and women both in their work and home life and childrearing, we engage in regular consultation between employees who are pregnant or on maternity leave and their supervisors, facilitating a smooth return to the workplace. To make the most of capabilities during a variety of life events, in 2013 we introduced a telecommute trial program, and after

creating individualized plans corresponding to conditions faced by each participating employee, we formally launched a system for telecommuting in February 2017. This system enables employees with limited working hours to flexibly use time and location to raise children or provide nursing care by permitting employees to work from home 1-2 days per week or providing extra time to work after they return home. We also hold a Work and Childrearing Forum at seven locations across Japan for employees raising children while working or on childcare leave and their supervisors, to encourage autonomy among child caregivers and raise awareness among supervisors.

In addition, we are promoting the introduction of diverse workstyles including parental leave for men and tele-work. In 2016, we introduced a paid leave system called "Smart Holiday" and are promoting a targeted 80% usage rate.

Smart Holidays are named according to their purpose, such as grandchild leave, self-improvement leave, healthcare leave and volunteer leave, a device that makes it easier for employees to take time off.



Poster promoting the use of paid leave

VOICE

Promoting the systematic acquisition of Smart Holidays (paid leave)

Kenichi Yamazaki
Chubu No. 2 Sales Administration Headquarters



In addition to promoting workstyle innovations, we must transform consciousness, reform operations and increase operational efficiency. Our division calls for employees to sign up for three or more days of Smart Holidays every six months. Regular use of this system will result in work enthusiasm (transforming consciousness), the elimination of operational waste (reforming operations) and the sharing of work details (increasing operational efficiency).

When planning which days to take off, employees coordinate with office and section members, confirm work schedules of related divisions and consult with family and friends, leading to stronger communication within and between branches.

Promoting the Employment of Disabled People and Expanding Opportunities for a Diverse Array of Human Resources

With the goal of employing one or more disabled people at each worksite, Sekisui House is engaged in the employment of disabled people through the acceptance of internships and proactive participation in nationwide joint recruitment events. Support for active participation of those enrolled includes the introduction of the Career Challenge system, which enables employees in region-specific positions to transition into career track positions, and diversity meetings held with the aim of creating relationships enabling mutual consultations among disabled employees from different worksites. We have participated in the Accessibility Consortium of Enterprises (ACE) since its founding in 2013 and we hold career development seminars for disabled students and school officials.

We will move forward with the establishment of structures for consultation and promote the employment, retention and active participation of disabled people through the provision of different types of training and the sharing of experience accumulated in each workplace and job.

With regard to employment of the elderly, in light of Japanese labor policies, in FY2015 the retirement age was extended to 65 years old throughout the Company to proactively support active participation by older employees. With respect to the employment of foreigners, we are proactively promoting the employment of local hires in our overseas business, while at

the same time promoting human resource development aimed at the future management class by inviting these workers to visit Japan and deepen their understanding of Sekisui House Group management policies.

VOICE

Being entrusted with work involving more responsibilities than ever before as a career track employee

Yasutaka Abe
Tokyo Special Construction Branch



I joined Sekisui House because out of food, clothing and housing, which are indispensable for daily life, I wanted to be involved in the housing field to be able to provide customers with the most added value. I am mainly responsible for accounting and delivery operations. I want to expand my work duties and prove that I am able to actively participate despite my disability, so I signed up for Career Challenge. From this year, I am working as a career track employee. Becoming a career track employee, I am entrusted with work involving more responsibilities than ever before, making my work feel more meaningful on a daily basis.

Going forward, my aim is to work as a Sekisui House employee with responsibilities rather than simply as a disabled worker. I want to become a driving force enabling people with disabilities to work in a comfortable working environment.

Key Performance Indicators (KPIs)

Indicator	Unit	FY2013	FY2014	FY2015	FY2016	Evaluation	Target
Number of female personnel in managerial positions (Group-wide)	People	65 (1.52%)	101 (2.26%)	114 (2.43%)	141 (2.79%)	○	FY2020 200 (5%; 10% in the future)
Number of female office managers*1 (includes office sub-managers from FY2015)	People	7 (6/16 Sales Division)	12 (8/16 Sales Division)	18 (13/16 Sales Division)	22 (12/15 Sales Division)	○	Minimum 1 female office manager (or at least office sub-manager) at each of our 15 sales administration Headquarters
Employment rate of people with disabilities*1	%	1.97	2.08	2.21	2.20	○	Minimum 1 person at every business office
Proportion of male employees who took parental leave	%	3 (16 People)	19 (119 People)	23 (162 People)	70** (436 People)	△	FY2020 80%

*1 Sekisui House, Ltd. only

*2 From FY2016, the count was changed from number of people to number of times used.

Evaluation

In recognition of the promotion of active participation by women as our basic human resource policy, Sekisui House was chosen by the Ministry of Economy, Trade, and Industry and the Tokyo Stock Exchange for inclusion on the Nadeshiko 2017 list of companies that empower women and their careers. We were the first in the housing and construction industry to be included on the Nadeshiko 2013 list, and this is the fourth time we have been selected. In FY2016, we were also selected by the Ministry of Economy, Trade and Industry for inclusion in the New Diversity Management Selection 100. Furthermore, we were selected as the top company in the construction and real estate industry in the "100 Best Companies Where Women Play an Active Part" ranking for FY2016 sponsored by Nikkei WOMAN magazine.



Future Initiatives

With an organization that enables a diverse array of employees to make the most of their creativity and ingenuity, Sekisui House aims to realize innovation through business by concentrating employee energy toward common goals as they live active lives as members of society.

We are engaged in housing, a job intimately connected to people's lives. From housework to childrearing and caregiving, homes are places where each person has a wide variety of experiences and perspectives. Going forward, the Sekisui House Group will strengthen its promotion of diversity through the achievement of its action plan based on the Act Promoting Women's Participation and Advancement in the Workplace implemented in April 2016 and other efforts.

2 Develop Professionals with a Deep Sense of Humanity

Sekisui House systematically conducts position- and level-based training for salespeople, technical and administrative personnel with the aim of developing professionals with a deep sense

of humanity to understand and realize the customer's concept of their home. In this section, we focus on onsite foreman positions.

Activities Report

Education Program Enabling All Young Technical Personnel to Gain Design and Onsite Foreman Work Experience

In 2013, we introduced the young technical personnel training program to develop and improve all employees in technical positions through experience in our human resource development system (job rotation) born from the idea that "superior technical staff involved in housing need the perspectives of both design and onsite supervision."

Under this program, after joining the Company and working in design, second-year employees work as an onsite supervisor for six months to gain experience in both design and onsite supervision. In addition to the training of technical personnel with a broad range of knowledge and perspectives, this also provides an opportunity for employees and their superiors to reconsider their aptitude. During the onsite supervisor experience, employees interact with a multitude of construction-related personnel onsite through on-the-job training (OJT), learn the phases of construction and listen to lectures on various laws and regulations as well as the experiences of senior employees during onsite supervisor

experience start training. We also conduct follow-up training to reflect on onsite supervisor training.

Overview of onsite supervisor training system according to on experience level

6 or more years of onsite supervisor experience	Advanced training for onsite supervisors: team building		
3-5 years	Intermediate training for onsite supervisors: work improvement skills	Inaugural training for new safety managers	Onsite supervisor construction training: soil reinforcement supervisor training
1-2 years	Onsite supervisor beginning training: basic knowledge	Onsite supervisor communication skills training	Inspector certification training: e-learning, OJT
Education program	Onsite supervisor experience Start training Follow-up training	Onsite supervisor work experience via the young technical personnel training program	

Various Onsite Supervisor Training Programs Aimed at Strengthening Management Capabilities

In FY2013, we restructured our onsite supervisor training system with the aim of enhancing management capabilities, which are a critical skill for onsite supervision, strengthening alliances with construction partner companies and raising construction capabilities. We conduct a variety of level-based beginner, intermediate and advanced training to clarify the required skills and desired stature for onsite supervisors.

Advanced training is intended to inculcate the leadership skills necessary to promote smooth daily operations such as construction site management, manage construction site teams and instill a

management perspective facilitating growth along with construction partner companies. Through this training, we make an effort to cultivate team leaders able to conduct a high level of onsite supervision while coordinating with a large number of related personnel.

In addition, each year we hold a workshop where architect chiefs from each area in four nationwide blocks meet to learn about human resource development and organizational management. This is an opportunity to expand the scope of work through the bolstering of networks going beyond branch offices and the sharing of various approaches and initiatives.

Certifying Excellent Onsite Supervisors as Chief Constructors

In FY2012, we introduced a "chief constructor" certification system for particularly excellent onsite supervisors with the aim increasing our brand power and productivity and developing a multitude of talented onsite supervisors. Onsite supervisors recommended from each branch undergo a primary review to assess their contribution to customer satisfaction and confidence as well as the degree to which partner construction companies, after-sales service staff and branch colleagues consider them to be reliable. After the secondary review, which assess candidates quantitatively in terms of number of homes completed and sales figures in a calendar year, as well as qualitatively in terms of superior efforts regarding onsite construction management capabilities and work-related issues, the chief constructor certification committee makes its determination based on a final review.

As of April 2017, Sekisui House had certified 124 chief constructors. This qualification is effective for two years, after

which a follow-up review is conducted to determine whether or not to renew the certification.

VOICE

I want to contribute to advancing all aspects of onsite supervision

Masaru Hirota
Kobe Branch



Regardless of the degree of difficulty, as a chief constructor I make every effort on all construction sites and always do my utmost to thoroughly read drawings before anyone else when starting construction. Currently, we are creating a mechanism whereby an iPad is used to view examples of onsite responses by chief constructors that can be put into practical use by inexperienced onsite supervisors. I want to raise the level of onsite supervisors overall by providing opportunities such as these for attaining internal qualifications.

Female Onsite Supervisor Support Program Aims to Expand Occupational Field Enabling Active Participation by Women

Sekisui House aims to expand active participation by women in the occupational field of onsite supervisors, the majority of whom formerly were men and to create new value from the perspective of diversity. In support of this goal, the female onsite supervisor support program was launched in 2015. Under this program, the head office, division headquarters and branch offices coordinate to systematically appoint and provide support to individual female onsite supervisors to enable their growth without feelings of isolation. We also attempt to increase motivation and the sharing of information through events including networking events attended by female supervisors from across Japan. At the same time, we provide construction sites with temporary facilities for women such as the "Orihime" mobile toilet, a toilet just for the ladies, tools, helmets and other equipment made for women and even a guide for women working while pregnant to promote the creation of environments and systems enabling women to continue working with peace of mind. We also encourage overall organizational growth by incorporating a woman's point of view into health and safety checks and decisions related to specification uniformity.

Going forward, we



Female onsite supervisors playing an active role on construction sites

will promote the progressive appointment of female technical staff as the key choice for career development and expand the sphere of their active participation throughout Japan.



Guide for working during pregnancy

VOICE

Creating collaborative relationships is important

Asuka Yamazaki
Saitama-Minami Branch



Since returning to work after taking childcare leave, I am working as an onsite supervisor. Everyone pitched in to help me out when my child was hospitalized. Receiving this support from the people around me touched my heart. The job of an onsite supervisor is not solitary, it is supported by the efforts of everyone. This makes it easy to arrange my time, and I am confident that if something comes up, most of my work can be done by sharing information on an iPad.

I know I shouldn't rely on others so much, but I think it is important to communicate regularly with building contractor partners and colleagues in my section and build collaborative relationships.

Key Performance Indicators (KPIs)

Indicator	Unit	FY2012	FY2013	FY2014	FY2015	FY2016	Definition and remarks
Average hours of annual training per person*1	hours	21.2	18.9	22.9	21.0	19.7	Training held at head office only
Training investment amount	Tens of thousands of yen	58,344	64,917	69,202	73,425	70,368	Total amount of expenses attributed to education and training costs
Total number of people obtaining qualifications*2	People	3,984	4,596	4,544	6,427	4,332	Includes internal qualifications

*1 Sekisui House, Ltd. only

*2 Total number of certifications acquired within each fiscal year (when one employee acquires three certifications in a single fiscal year it is counted as "3"). The number of people in FY2015 is prominent because we promoted the acquisition of some qualifications through limited time financial support and other systems.

Comments from a Director in Charge of Technical Personnel

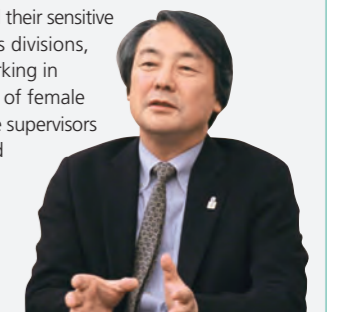
Making an effort to further enhance the skills of onsite technical personnel to provide each customer with optimal solutions

Compared to other companies in the industrialized housing industry, Sekisui House is distinctive for offering a high degree of freedom. Rather than houses built 100% by a factory system, for many years we have promoted the creation of homes meeting needs flexibly by conducting 50% of design and construction conducted onsite. This is based on the concept that houses should be products that provide individual customers with optimal solutions. In addition to providing stable and high-quality industrial production, we provide optimal solutions through design and construction meticulously supporting the various wishes of each individual user. Above all, this approach emphasizes development of technical personnel onsite capabilities and skill enhancement.

For the onsite supervisors, management capabilities are the most important skill set. This is the aim of the chief constructor system, and by clarifying the management capabilities required of onsite supervisors as a positive example, we attempt to achieve bottom-up improvements throughout the entire organization.

Active participation by women is expanding even in the technical occupation fields. At present, women have increased to account for 40% of new employees in technical occupations, but there are still only a few female onsite supervisors, thus it is our policy to raise this ratio to the same level throughout the organization. Female onsite supervisors are highly regarded for their ability to communicate with members of construction partner companies and their sensitive consideration for customers. Sales divisions, branches and sales offices are working in conjunction to support the growth of female employees to provide female onsite supervisors with a comfortable workplace and work that provides them with significant meaning and purpose.

Tetsuo Iku
Executive Vice President & Director





Developing overseas business

Main stakeholders:

Local developers,
overseas customers

Contributing to the preservation of the environment and safe, secure and comfortable global lifestyles by going beyond housing to create environmental technologies and sustainable housing environments

www.sekisuihouse-global.com

Backdrop

Developing Business in accordance with Local Needs Employing Advanced Environmental Technologies and Initiatives

The Paris Agreement went into effect in 2016 based on the recognition that abnormal weather is occurring throughout the world and global warming is a worldwide risk. There is a shared sense of risk that, if rising temperatures are not held in check, the business environment will worsen and corporate activities will falter. As construction plays a significant role in terms of greenhouse gas emissions throughout the world, Japanese energy-saving technologies and other environmental technologies that are highly compatible with the environment are considered to be of a high global standard.

Japan is a country plagued by earthquakes, thus we have also

made progress in the development of disaster-resistant housing technologies. Based on the concept of lifelong housing, the Sekisui House Group provides safe, secure and comfortable housing incorporating advanced environmental technologies and superior basic performance including earthquake resistance, insulation and the use of universal design. These technologies are necessary in all countries throughout the world. We are able to contribute to development in countries and regions throughout the world and protect the environment through the proposal and provision of business customizations bringing advanced technologies and initiatives developed in Japan to other countries.

Approach

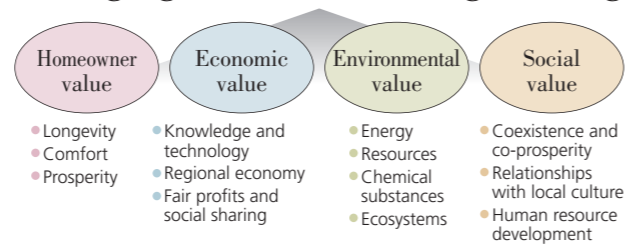
Our Goal

Contributing to Sustainable Development in Every Nation from the Perspective of the Four Values

To realize sustainable societies, we view housing value from a variety of perspectives, known as the four values: environmental, economic, social and homeowner, and make an effort to increase the value of each. Always considering customer lifestyles, we adopt a “customer first” corporate stance as we proceed with sustainable development that becomes an asset for the people living in each country and region.

When developing business overseas, we thoroughly research climate, natural features, culture and lifestyles in each country. With an understanding of demands pertaining to sustainable housing and the creation of ideal communities, we respect the unchanging universal value of housing while responding to the needs of changing times with advanced technologies. Going forward, we will propose high-quality, safe, secure and comfortable lifestyles throughout the world and contribute to sustainable development in all nations through the creation of our four values.

Changing the World Through Living



- Ascertain current conditions of local housing and housing environment, provide housing that realizes lifestyles with a high degree of safety, security and comfort
- Based on the customer first principle, build long-lasting relationships of trust through not only sales but also after-sales services
- Rather than simply making investments, aim to create a sustainable corporate entity by establish roots in local markets, earning trust and securing fair profits
- Contribute to markets and regional economies through the provision of housing that offers cutting-edge knowledge and technologies at a reasonable price range
- Solve local environmental problems, reduce global CO₂ emissions and preserve ecosystems

Action Policies

Global Development of Sekisui House Product Quality Based on Environmental Technologies Cultivated in Japan

We aim to provide housing that brings customers a high degree of satisfaction through comfort commensurate with the culture and lifestyle habits of individual countries as well as consideration for economic and environmental factors. In particular, we attempt to expand business opportunities from the perspective of creating communities that take into consideration *Gohon no ki* planning and ecosystems as well as environmental technologies that contribute to the effective use of CO₂ emissions and energy. We also build relationships of trust with local blue-chip partners and engage in business localization by developing talented local human resources who understand Sekisui House philosophy and concepts.

United States

In the United States, we develop two businesses: residences (communities) and urban rental apartments (multi-family housing) through collaborations with local blue-chip partners. We are promoting development incorporating Sekisui House concepts while meeting local needs. In 2017, we will also enter the home sales business as a new business area.



Spring Street in Los Angeles

Australia

In Australia, we are engaged in condominium and residential land development and detached housing construction adapted to the local environment and culture. We have sold over 3,000 units in the bay area around Sydney and are currently engaged in the large-scale mixed use urban development of approximately 8,000 units. All of these projects have achieved a high level of customer satisfaction, leading to sustainable growth.



Savannah at The Address in Sydney

China

We are developing low-rise housing and the condominium business under the “Yuqin” brand in the cities of Taicang, Suzhou and Wuxi on the outskirts of Shanghai and in the northeastern city of Shenyang. We aim to further increase brand penetration by enhancing differentiation factors including high-quality construction, environmental technologies and after-sales service systems developed in Japan.



Yuqin Residence in Wuxi

Singapore

We are promoting projects centered on condominium developments and mixed use development including retail mall in collaboration with leading local developers. We are also currently engaged in office development projects. We will propose new value to the area by sharing Sekisui House concepts with local partners.



Punggol Watertown retail mall

Impact of These Activities on Society

Leveraging strengths cultivated in Japan, we are able to contribute to local housing environment improvements and environmental conservation through the development of communities in light of country and regional conditions. We not only provide homeowners

with high added value housing environments, our Group business activities also create value for society and communities, which is regarded highly in each region leading to the enhancement of our Group brand value in Japan.

Risk Management

Risk 1 Diverse local needs different from Japan

Our response 1 We collaborate with local blue-chip partners and strive to ascertain needs in all regions. We share Sekisui House concepts and values with local partners and promote each development project based on shared principles and problem awareness.

Risk 2 Compliance with the laws, regulations and political affairs of each country

Our response 2 We are focusing efforts on local, environmentally-friendly procurement, production and construction, while at the same time strengthening our global compliance structure to ensure laws and regulations are adhered to in all countries and regions where operate. Furthermore, we formulate risk management manuals for employees on international business trips or on assignment overseas and created the Sekisui House Group Overseas Risk Management Guidelines for managers at worksites where employees are assigned or sent on business.

Risk 3 Management of overseas subsidiaries

Our response 3 Leveraging the autonomy of overseas subsidiaries, to enhance control and collaborations with specialists in each country and the International Business Department, we established the International Internal Control Promotion Office as a head office organization to conduct localized training overseas and enhance the level of various initiatives.

State of Progress

Activities Report

United States: The JUXT Project, Luxury Rental Housing Incorporating Gohon no ki Planning

The JUXT project in Seattle, which began occupancy in June 2016, is urban rental housing (seven stories, 361 units) built by Sekisui House and the Holland Partner Group.

We determined that there is a need for leafy, comfortable and relaxed luxury rental housing in Seattle and the surrounding area, where a large percentage of IT workers live. *Gohon no ki* planning is embodied as symbolic trees in the courtyard consisting of five containers of vine maple, which are indigenous to this area. We enhance occupant comfort with inventive ideas in a variety of places, including bicycle parking for tenants who commute by bicycle, an area for washing pets, snack vending machines, and a lounge designed like a quaint tavern.



JUXT in Seattle

Australia: The Hermitage Project, Proposing a Local Version of SHAWOOD

The Hermitage, a large-scale residential land sales project developed in suburban Sydney in 2014, preserves as many cultural heritage buildings and existing plants as possible, developing land for homes while maintaining the existing topography, and at the same time, expands proposals for Sekisui House SHAWOOD wooden-frame detached homes arranged for local conditions to create an Australian version of SHAWOOD.

Differing from the two-by-four and brick wall construction typical in Australia, SHAWOOD's distinctive raked ceilings and open-ceilinged spaces are gaining a reputation as evolved housing, causing sales to increase. In 2017, we aim to begin construction on 140 new units.



The Hermitage in suburban Sydney

VOICE

To ensure the delivery of Sekisui House's unique customer service

We put priority on improving customer satisfaction to ensure that a purchaser's journey is a memorable experience. We tirelessly practice on how we treat customers in a consistently pleasant manner and how we better showcase our point of difference in SHAWOOD products, striving to deliver the highest of standards in providing Sekisui House's customer service.

Craig Barnes and
Melanie Primrose
Sekisui House Australia



China: The Yuqin Project, Providing Sekisui House High Quality with Interior Decorated Condominiums

Based on the idea that housing with interior decorations are essential for high-quality housing, we propose the Yuqin brand as housing that comes equipped with high-quality interior decorations and storage installations.

The Yuqin Residence, built in Suzhou located on the west side of Shanghai offer refined interior decoration and user-friendly installations, as well as enhanced environmental quality including safe and secure interior materials that exceed local standards, PM2.5 countermeasures and landscaping based on *Gohon no ki* planning, which has led to robust sales.



Yuqin Residence in Suzhou

Singapore: The Hillsta Project, Proposing New Value Locally Using the Satoyama Concept

Hillsta, a residential development completed in 2016 through joint development with local developer, is the embodiment of Satoyama, Sekisui House fundamental concept for community development based on green and water symbiosis which was realized by a collaborative effort with the head office design team.

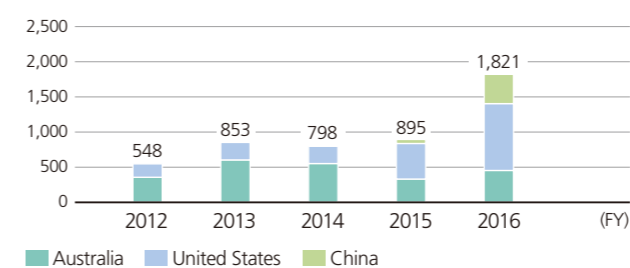
Abundant greenery has been incorporated into the site, even greenery on the building walls, the pool was made to look like terraced rice fields to maintain harmony with the sloped topography and the spa was created to evoke a Kyoto *kawayuka* (riverside deck for cool summer dining), among other distinctive landscape elements comprising a new value proposal.



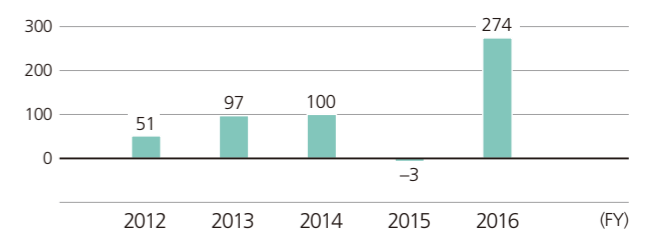
Hillsta in the Choa Chu Kang district

Key Performance Indicators (KPIs)

International Business Net Sales (hundreds of millions of yen)



International Business Ordinary Income (hundreds of millions of yen)



Evaluation

As a result of promoting the sustainable development of community assets in various countries and regions in line with local needs, U.S. residential land sales and Australia and China condominium sales are strong. In Singapore, contract rates are high across all properties, and in FY2016, business developed in all four of these countries was profitable.

Future Initiatives

Sekisui House will collaborate with local developers and other partners while assessing business compatibility and housing market conditions in each area. We will promote urban development and housing construction and sales while ensuring business profitability. We will make efforts to provide local residents with safe, secure and comfortable lifestyles and protect the environment as a company that creates living environments.

ESG Information

Value Creation Foundation

G Governance

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Governance

Corporate Governance

Sekisui House positions corporate governance as a critical issue for enhancing stakeholder trust. Two external board members and three external Audit & Supervisory Board members are in place to ensure management transparency and provide a timely and appropriate monitoring function. We also introduced an executive officer system to clarify management responsibilities and ensure the smooth execution of duties.

Basic Concept

Corporate governance is the aggregate of corporate governance frameworks that are necessary to increase corporate value sustainably and earn the trust of all stakeholders. In line with our corporate philosophy based on a "Love of Humanity" that embraces "Truth and Trust," "Superior Quality and Leading Technology" and "Comfortable Housing and Ecologically Sound Communities," the Sekisui House Group has put in place a system that enables expeditious management rooted in integrity.

For details, please refer to the Sekisui House Basic Policy on Corporate Governance. (URL: http://www.sekisuihouse.co.jp/english/info/Governance_Guideline_E.pdf)

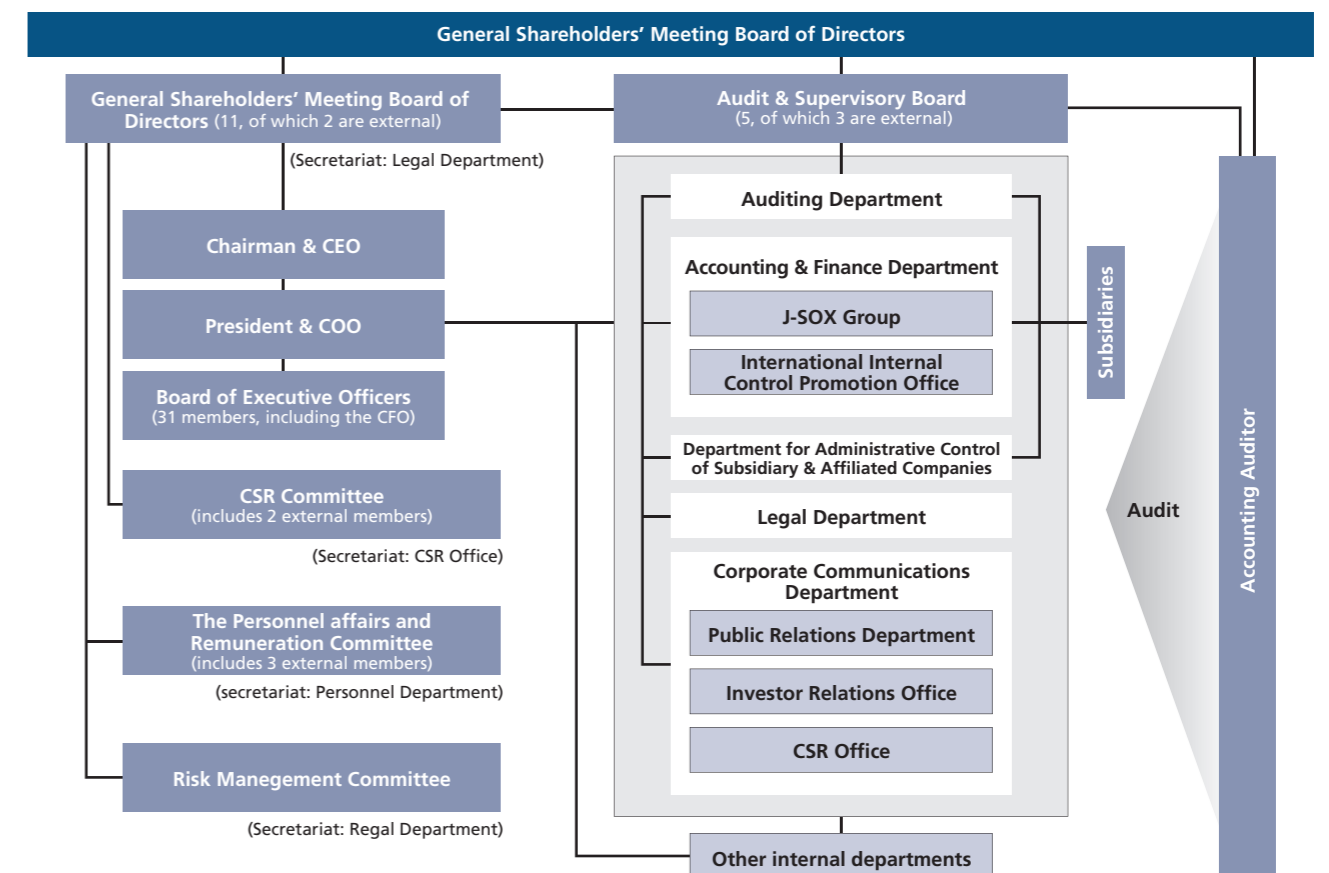
Appropriate Relationships with Stakeholders

The Group places strong emphasis on dialogues with shareholders, investors, customers, consumers, building contractor partners and other business partners, employees, local communities, society and other stakeholders and aims to treat them in good faith and grow together with them.

Corporate Governance System

Sekisui House is a company with Audit & Supervisory Board. We introduced an executive officer system with the aim of ensuring flexible business execution and clarifying operational responsibilities.

Corporate Governance Structure (As of April 1, 2017)



Governance

Board of Directors

In principle, the Board of Directors meet once per month. To improve corporate value over the medium- and long-term, the Board of Directors shall be responsible mainly for establishing management policies, strategies and plans and making decisions on the execution of important operations, as well as for supervising and evaluating the execution of duties by directors and executive officers and establishing systems, such as internal control and risk management, to ensure the soundness of management.

In terms of composition, the Board of Directors shall consist of a number of members appropriate for substantial deliberations and appoint two or more external directors. The Board of Directors shall comprise well-balanced members, such as those familiar with the Company's business and those who possess knowledge and specialization in financial accounting, statutory compliance and other areas.

In the fiscal year ended January 2017, the Board of Directors met 11 times with an attendance rate of 97.2% (including attendance by 81.8% of external directors and 100% of external Audit & Supervisory Board members).

Board of Director Composition (As of April 1, 2017)

Gender (Men:Women)	Of which are external officers	Age		
		Under 30	30-50	Over 50
11:0	2	0	0	11

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

Audit & Supervisory Board

The Audit & Supervisory Board formulates audit plans, regularly inspecting offices and conducting hearings regarding risks and other issues pertaining to the assigned duties of directors and executive officers based on those audit plans.

In addition, Audit & Supervisory Board members exchange opinions and work in close coordination with the internal audit department, hold regular meetings with accounting auditors and engages in mutual cooperation to ensure all audit activities are carried out efficiently and effectively.

Several employees are allocated to assist Audit & Supervisory Board operations. These employees must listen to the opinions of auditors and ensure the independence of their duties with regard to the handling of employee personnel issues without affecting the guidance or commands from the department to which they belong.

Audit & Supervisory Board Composition (As of April 1, 2017)

Gender (Men:Women)	Of which are external officers	Age		
		Under 30	30-50	Over 50
5:0	3	0	0	5

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

CSR Committee

We have established a CSR Committee comprising the Board of Directors and some executive officers, including members who are experts in various fields such as corporate managers

and academics.

The CSR Committee checks to ensure whether Sekisui House Group CSR activities are consistent with social norms and expectations, then determines activity policies. CSR Committee members are determined through deliberation by the Board of Directors.

Personnel Affairs and Remuneration Committee

As a consultative body to the Board of Directors, the Personnel Affairs and Remuneration Committee provides opinions on matters relating to the Directors and Executive Officers and their remuneration to ensure the fairness and transparency.

Half or more committee members are external directors or external Audit & Supervisory Board members.

Risk Management Committee

As a consultative body to the Board of Directors, the Risk Management Committee creates appropriate risk management systems and provides opinions to the Board of Directors on matters relating to the maintenance of risk management systems with the aim of ensuring effective operating conditions.

Training for Board of Director and Audit and Supervisory Board Members

Directors and Audit & Supervisory Board members are provided with opportunities to acquire necessary and useful knowledge to fulfill their respective roles and responsibilities on an appropriate and ongoing basis.

Selection of External Officers

To ensure objectivity and fairness in company management and corporate governance, Sekisui House appoints persons who satisfy the Criteria for Independence of Outside Officers as external directors and external Audit & Supervisory Board members who have no conflicts of interest with general shareholders.

Internal Control Systems

Based on the Companies Act and the Ordinance for Enforcement of the Companies Act, Sekisui House created and manages internal control systems, with internal control system basic policies deliberated by the Board of Directors.

The Auditing Department, a specialized internal audit department, conducts onsite audits to confirm whether internal controls and internal management are being conducted appropriately and properly based on laws and regulations and internal rules to ensure effective management, and when necessary suggest corrective actions. Results of these audits are reported to directors and Audit & Supervisory Board members as well as related departments. Moreover, the Auditing Department and accounting auditors cooperate in an effort to execute effective internal audits.

To ensure full compliance with the Japanese Financial

Instruments and Exchange Law, strict internal controls (J-SOX) have been implemented on a Group-wide basis, led by the J-SOX Group established within the Accounting & Finance Department. The International Internal Control Promotion Office, established within the Accounting & Finance Department, is in charge of building internal control systems at overseas subsidiaries.

Accounting Auditors

The accounting auditor evaluates whether the Audit & Supervisory Board possesses independence and expertise in accordance with the selection criteria for accounting auditors as well as internal rules, and determines items for election based on relevant assessments.

In the event accounting auditors discover fraud requiring an appropriate response, or in the event accounting auditors point out deficiencies or problems, an investigation will be conducted and a report will be made to the Board of Directors, who will then take corrective actions.

Governance Awareness Survey

Every year, a governance awareness survey is conducted targeting all Group employees. Regularly conducting surveys on corporate ethics awareness and workplace environments provides an opportunity to exchange opinions in organizational units and focus efforts on creating a more open work climate.

Remuneration and Incentives

Director Remuneration Determination Policies and Procedures

Remuneration for directors shall consist of basic remuneration, stock options and bonuses, which aim to boost director morale and motivation to raise the Company's stock price. The basic remuneration is a fixed amount determined in light of the Company's management situation, in addition to the importance of the role and scope of responsibility for each position.

Stock compensation-type stock options shall be determined in accordance with share prices at that time based on the amount calculated in line with internal rules within the scope resolutions by the General Meeting of Shareholders.

Bonuses shall be determined based on a general consideration of qualitative factors, such as strengthening of the management foundation, as well as quantitative factors, such as sales and income in each fiscal term.

Policies for determining remuneration and the total amount and individual amount of remuneration for directors shall be determined after deliberations are held by the Personnel Affairs and Remuneration Committee and by taking into account the opinions of the committee.

Remuneration Amount

For individuals with a total amount of consolidated remuneration of ¥100 million or more, the type of remuneration and the total amount of consolidated remuneration for each director and Audit & Supervisory Board member is disclosed in the Securities Report.

Capital Policies

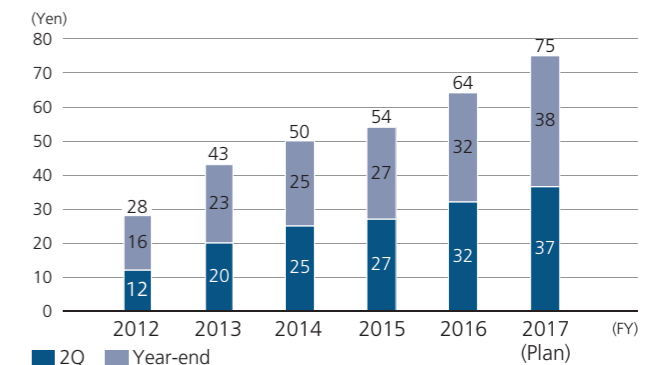
Aiming to Maximize Shareholder Value

Sekisui House regards the maximization of shareholder value as one of our most important management issues. Accordingly, we strive to enhance shareholder return by increasing earnings per share through sustainable business growth and by improving asset efficiency. So doing, we take into account the overall status of profits and cash flows in each fiscal year and future business development, among other factors, as well as making growth investments, implementing a shareholder return targeting a dividend payout ratio of 40% over the medium- and long-term, and acquiring and canceling shares in a timely manner.

We also aim for balanced capital policies focused on growth investment, shareholder return and investment ratings. In the final year of our Medium-Term Management Plan (FY2017), we will maintain a stable ROE in the 10% range.

In FY2016, we issued a midterm dividend of 32 yen and a year-end dividend of 32 yen for a yearly dividend of 64 yen. In FY2017, we plan to issue a midterm dividend of 37 yen and a year-end dividend of 38 yen for a yearly dividend of 75 yen.

Dividend



Constructive Dialogues with Shareholders and Investors

Appropriately Reflecting Shareholder and Investor Opinions in Management

Based on our recognition of the significance of engaging in dialogues with shareholders and investors and reflecting their opinions appropriately in management to achieve sustainable growth and enhance corporate value over the medium- to long-term, the Company shall ensure that its President and COO oversee the department in charge of investor relations.

The Company shall endeavor to engage in direct communication outside of one-on-one interviews by organizing management briefings and factory and other facility tours for institutional investors and individual investors separately. The Company shall hold regular meetings for executive officers (between the chairman and CEO, the president and COO and the vice president and CFO) to share opinions received from shareholders and investors during one-on-one interviews and other discussions for reference purposes when making management decisions.

Governance

Compliance and Risk Management

The Sekisui House Group positions compliance and risk management as important issues to be addressed at all times. In 2016, the Risk Management Committee was established as a consultative body to the Board of Directors in response to the formulation of the Corporate Governance Code. In 2017, we revised our CSR promotion system and established the Governance Committee under the aegis of the CSR Committee, both of which are engaged in compliance promotion and risk management.

We have also been engaged in the protection of human rights since 1980, building our foundation as a company trusted by society.

Promoting Compliance

Sekisui House attempts to promote thorough compliance, which it positions as an ongoing management concern that includes not only an adherence to laws and regulations, but also the promotion of CSR initiatives as important issues to be addressed at all times. Specifically, the Compliance Risk Management Group, established under the CSR Committee and headed by the vice president, comprises approximately 20 managers from relevant divisions, such as the Personnel Department and Legal Department, and meets to engage in discussions once every three months.

In FY2016, these discussions focused on (1) enhancing risk management, (2) increasing head office disaster-preparedness and (3) creating overseas risk management structures.

The Risk Management Committee, established in 2016 as a consultative body to the Board of Directors, and the Governance Committee, established in FY2017 under the aegis of the CSR Committee based on a new CSR promotion system, work together to improve issues pertaining to the promotion of compliance incorporated into the PDCA cycle.

Fair Business Practices

The Sekisui House Group formulated and enacted the Sekisui House Corporate Ethics Guidelines in October 2003 as common items related to corporate ethics that must be observed by the Company, its directors and employees to the promote corporate activities of each Group company. The section on "Relationships with customers, suppliers and competitors" in the third item specifies appropriate business practices, adherence to the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors and prohibition of entertaining and gifts to ensure business practices are thoroughly fair.

We also established a checklist item related to the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors as one of the internal control checklist items to confirm business practices are conducted fairly.

In FY2016, we conducted initiatives to deepen understanding with respect to regulations regarding subcontractor transactions defined in the Subcontracting Law, Construction Industry Law and other laws as subcontractor protection-related content within training on relevant laws and regulations provided to all employees.

In the fiscal year under review, there were no infractions pertaining to anti-monopoly laws.

Personal Information Protection Initiatives

Sekisui House Group worksites handle customers' personal information. We created a system corresponding to the Personal Information Protection Law, regularly implement e-learning and repeatedly conduct educational training for employees to ensure the proper handling of customer information. The e-learning activities include tests to confirm how well employees understand the proper protection of personal information. We also established the Customer Information Service Office, a dedicated department unifying responsibility for the protection of personal information led by the CS promotion manager department manager who is also an executive officer. This structure enables the entire Group, including Sekiwa Real Estate Group and Sekisui House Remodeling, to comply with the Personal Information Protection Law. On the other hand, in the event of the loss or theft of customers' personal information, customers are immediately informed of the situation to ensure understanding. At the same time, we make every attempt to recover this information.

Going forward, we will continue the implementation of personal information protection-related e-learning and repeated educational guidance on the handling of personal information, while making efforts to heighten knowledge and awareness regarding personal information protection. We will also strengthen personal information protection initiatives corresponding to each region overseas in line with the expansion of international business.

Moreover, in the event of an incident involving customer information, we will announce details about the incident and future prevention measures on our corporate website.

Promoting the Protection of Human Rights

Sekisui House has addressed a variety of human rights issues, including those pertaining to the workplace assimilation of women, foreigners and the disabled, to create a corporate culture with zero tolerance for the infringement of human rights.

In 2006, we transferred the Human Rights Promotion Office, established in 2003 within the Personnel Department and responsible for handling human rights issues, to the Legal Affairs Department and renamed it the Human Relations Office. This office, which trains employees to develop an awareness of human rights and handles harassment issues in the workplace, was reorganized with the goal of cultivating a workplace environment in which all employees can work

comfortably. The words "human relations" indicate our recognition that poor interpersonal relationships and communication in the workplace cause a variety of problems that impact everyone.

Since 2013, we have conducted management training for operating group leaders related to guidance for younger employees in particular. Initiatives that proved effective in terms of preventing sexual and power harassment were expanded in FY2016 to target employees assigned to overseas positions (in Australia) and other Group company leaders.

Internal Reporting System and Whistleblower Protection

The Sekisui House Group has an internal reporting system, known as the Sekisui House Group Compliance Support (SCS System), which is designed to ensure that an employee who has witnessed an unlawful act or any conduct that violates our corporate ethics policy can report it in confidence to the Compliance Office by phone, e-mail, or other channels. Our guidelines on internal reporting explicitly stipulate that the identity of whistleblowers and the detail of their reports shall be treated as classified information and that such information shall not be used against their interests. In October 2016, we appointed our corporate law office as an external point of contact. We also provide help lines that provide counseling on personnel-related issues and hotlines dedicated to consultation regarding sexual and power harassment.

Though it would be ideal to solve problems through discussions in the workplace, we also believe it is important to have an internal reporting system in place that employees can freely turn to for help. Efforts are made to familiarize employees with this system through leaflets and human relations training.

At the same time, in October 2016, we established the Sekisui House Group Supplier Company Corporate Ethics Helpline as system for handling consultation regarding concerns pertaining to legal and corporate ethics infractions and transaction-related issues connected to Sekisui House Group business activities from directors or employees of building contractor partners and supplier companies with whom the Group has an ongoing business relationship. Similar to the SCS System, the Legal Department Compliance Office is the internal point of contact and our corporate law office are the external point of contact.

Legal Compliance Status

Infractions and Penalties Related to the Environment
In the fiscal year under review, there were no major infractions of environmental laws or regulations. There were no accidental spills or other incidents impacting the environment surrounding our factories.

Infractions and penalties related to products and services
In the fiscal year under review, there were no legal or regulatory infractions or penalties paid related to the provision and use of our products and services. There were also no infractions of health and safety-related regulations or voluntary standards.

Infractions and penalties related to customer privacy
In the fiscal year under review, there were no substantiated petitions for redress related to customer privacy infringements or customer data loss.

Sekisui House Group Internal Reporting System

	Contactee	Method	Content of report
SCS (Sekisui House Group Compliance Support) System	Compliance Office, Legal Department (External) Sekisui House corporate law office	Phone E-mail Postal mail (registered mail receivable only by the addressee)	Witness account of an unlawful act or any conduct that violates our corporate ethics policy
Sekisui House Group Supplier Company Corporate Ethics Helpline	Compliance Office, Legal Department (External) Sekisui House corporate law office	Phone E-mail Written correspondence	When building contractor partners or supplier companies suspect illegal activities, are uncertain about or have concerns regarding the Sekisui House Group and its transactions and business activities
Sexual and power harassment hotline	Human Relations Office, Legal Department	Phone E-mail	Consultation pertaining to sexual/power harassment and other human rights issues, including concerns and problems related to interpersonal relationships. Consultation aimed at creating a comfortable workplace for disabled employees, etc.
Personnel related hotline	Personnel Department	Intranet	Labor management issues in general, such as work hours and working on scheduled days off

Note: We also provide an external (outside the Company) contact for counseling by a professional for Group employees and their families.

Risk Management System Enhancement

Sekisui House Group risk management is conducted by the head office and in all departments, with initiatives conducted according to work duties within technical department and administrative department manager meetings. Furthermore, under the aegis of the CSR Committee, the Compliance and Risk Management Meeting shares information regarding risks and promotes discussions.

In addition, we must comply with the Corporate Governance Code, which defines the creation of a risk management system and board of director supervision of the system's operation. To this end, we reorganized our Group risk management system (not limited to crisis management, but also including internal control and compliance).

We established the Risk Management Committee in September 2016 as an emergency body tasked with the analysis, investigation into the causes and future prevention of serious matters when they occur, and have maintained this initiative ever since. In October 2016, the Risk Management Committee was permanently established as a consultative body to the Board of Directors. With the vice president as chairman and senior managing officer as vice chairman, this committee collects and inspects information on the condition of risk management systems in each Sekisui House Group division, receiving reports when a risk incident occurs and verifying recurrence countermeasures in an effort to strengthen risk management. Also, based on the new CSR promotion system, we will consider independent countermeasures from the employee side by the governance committee under the aegis of the CSR Committee.

Business Continuity Planning (BCP) Maintenance

Sekisui House maintains business continuity planning (BCP) preparedness in the event of a major natural disaster or other catastrophe. We revised traditional guidelines emphasizing recovery and released and implemented a disaster manual in 2013 for the sales divisions and head office stipulating a focus on the continuation of business activities. In the increasingly likely event of a Nankai Trough Megathrust Earthquake in the near future, enormous damage is expected in Osaka, where our head office is located. In preparation for the likelihood of business continuity challenges at our head office, we formulated BCP, including the establishment of a disaster countermeasures office at our head office and a BCP operation manual. Going forward, we will continue to regularly conduct training and drills in an attempt to verify and revise manuals.

We are also focusing efforts on business continuity management (BCM) at supplier companies that provide numerous components and parts necessary for the manufacturing of houses. In FY2016, we conducted disaster response system drills, through which we are able to confirm the BCM status of supplier companies while attempting to enhance systems able to quickly gather information and formulate countermeasures.

Response in the Event of a Natural Disaster

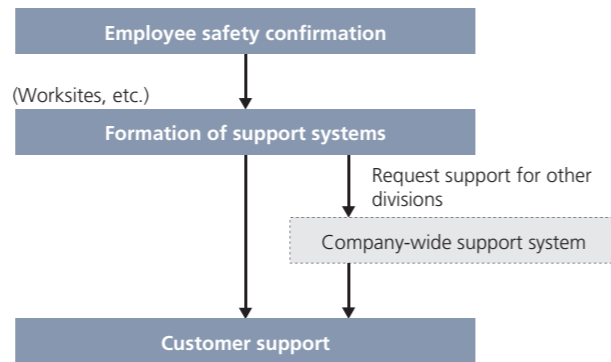
The Sekisui House Group recognizes that it is the mission of housing manufacturers to quickly restore the lives of customers affected by large-scale natural disasters and provide new housing including emergency temporary housing. In 2004, the Natural Disaster Countermeasures Action Program was formulated to stipulate Company-wide policies and measures.

In order to quickly and accurately respond to large-scale natural disasters, it is important to raise awareness of disaster prevention on a daily basis so that damage to employees themselves can be minimized when a disaster occurs. To this end, disaster drills are regularly conducted at each worksite, all employees are required at all times to carry a card indicating initial responses when disasters occur and we have decided upon how to respond when disasters occur and rules for reporting one's well-being. We conduct Company-wide activities, including safety confirmation drills held twice each year, disaster prevention and volunteer week and disaster prevention week.

In the event of an emergency, the first step toward recovery is to quickly ascertain the condition of employees and their families in the affected region. The speed of initial responses is linked to the formation of support systems for worksites and the rapid response to Company-wide needs, which in turn enables us to promptly provide support to customers.

Based on experiences and lessons learned from the Great East Japan Earthquake, when the Kumamoto and Tottori Chubu earthquakes struck in 2016, we were able to respond quickly, setting up initial systems and quickly establishing countermeasure offices onsite.

Customer Support in the Event of Widespread Natural Disaster



Initial response card used when natural disaster strikes (partial image)

CSR Management Promotion

The Sekisui House Group considers CSR to be an essential principle of management.

Guided by the four values and 13 guidelines for achieving our Sustainability Vision, we actively engage in CSR activities throughout our daily business operations—all to create shared value.

We have also appointed external members to our CSR Committee, which formulates CSR policies, as a way of incorporating outside perspectives.

Corporate Philosophy and CSR Policies

The corporate philosophy of the Sekisui House Group has a love of humanity at its core. By “love of humanity,” we simply mean that we wish for the wellbeing of others and rejoice in their happiness. This philosophy was established in 1989 with the unanimous approval of every one of our employees. We wish for the wellbeing of all of our stakeholders—namely, our customers, employees, and shareholders—and, under our corporate philosophy, we pursue a CSR policy that focuses on maximizing customer satisfaction (CS), employee satisfaction (ES), and shareholder satisfaction (SS).

CSR Management Based on 4 Values and 13 Guidelines

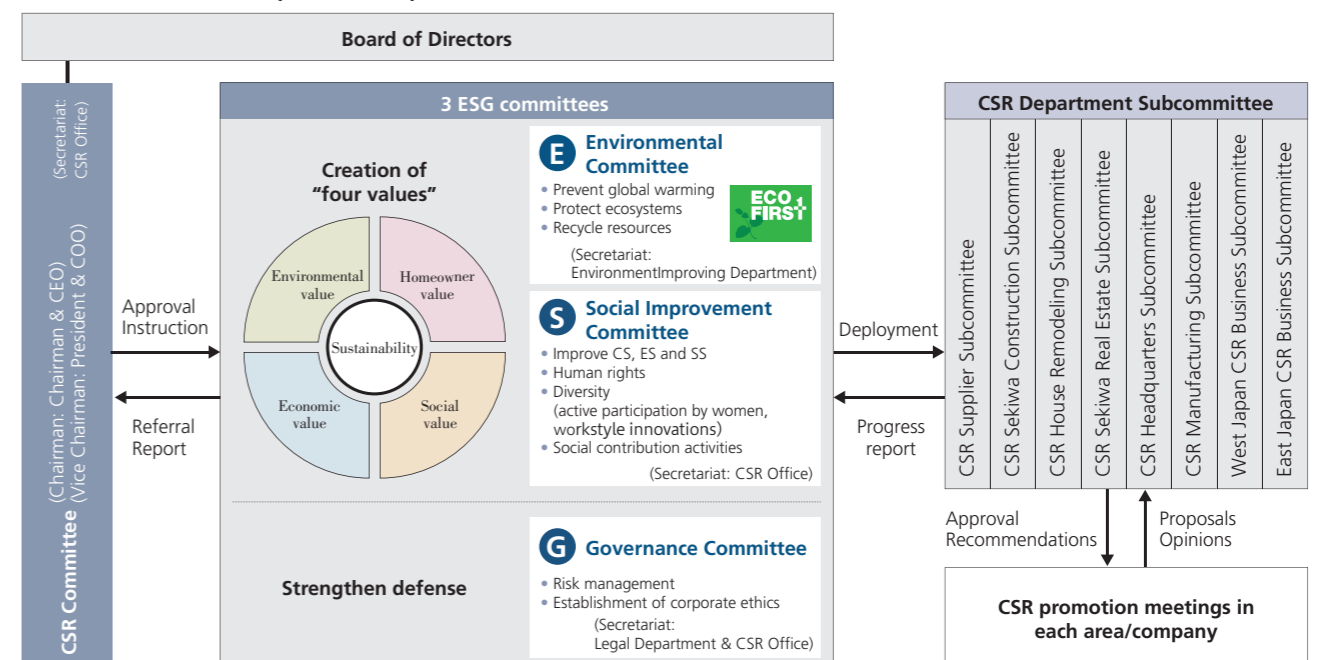
At the Sekisui House Group, we determine the direction of our CSR activities based on four values and 13 guidelines—the principles of action we introduced to achieve our Sustainability Vision. In order to implement the PDCA cycle without fail, we review our corporate activities each year by assessing the extent to which we have achieved our targets.

CSR Committee and Organizational Management

Incorporating the viewpoints of external stakeholders, the Sekisui House Group CSR Committee develops CSR policies and verifies whether current CSR activities are consistent with social norms and expectations, so that Group-wide CSR initiatives are relevant and effective. Led by our chairman and CEO, the CSR Committee—which includes outside experts in various fields—meets regularly. CSR Committee members are appointed by the Board of Directors.

Having revised our CSR promotion structure, we established three ESG committees under the aegis of the CSR Committee and strive to promote and thoroughly implement these activities. Priority is given to topics with high urgency and importance, and by clarifying what needs to be addressed, we promote Company-wide inculcation using subcommittees. CSR promotion representatives are assigned to each worksite to promote activities in conjunction with worksite managers.

CSR Promotion Structure (since FY2017)



Governance

[WEB](#) Related Items | Materiality Specification

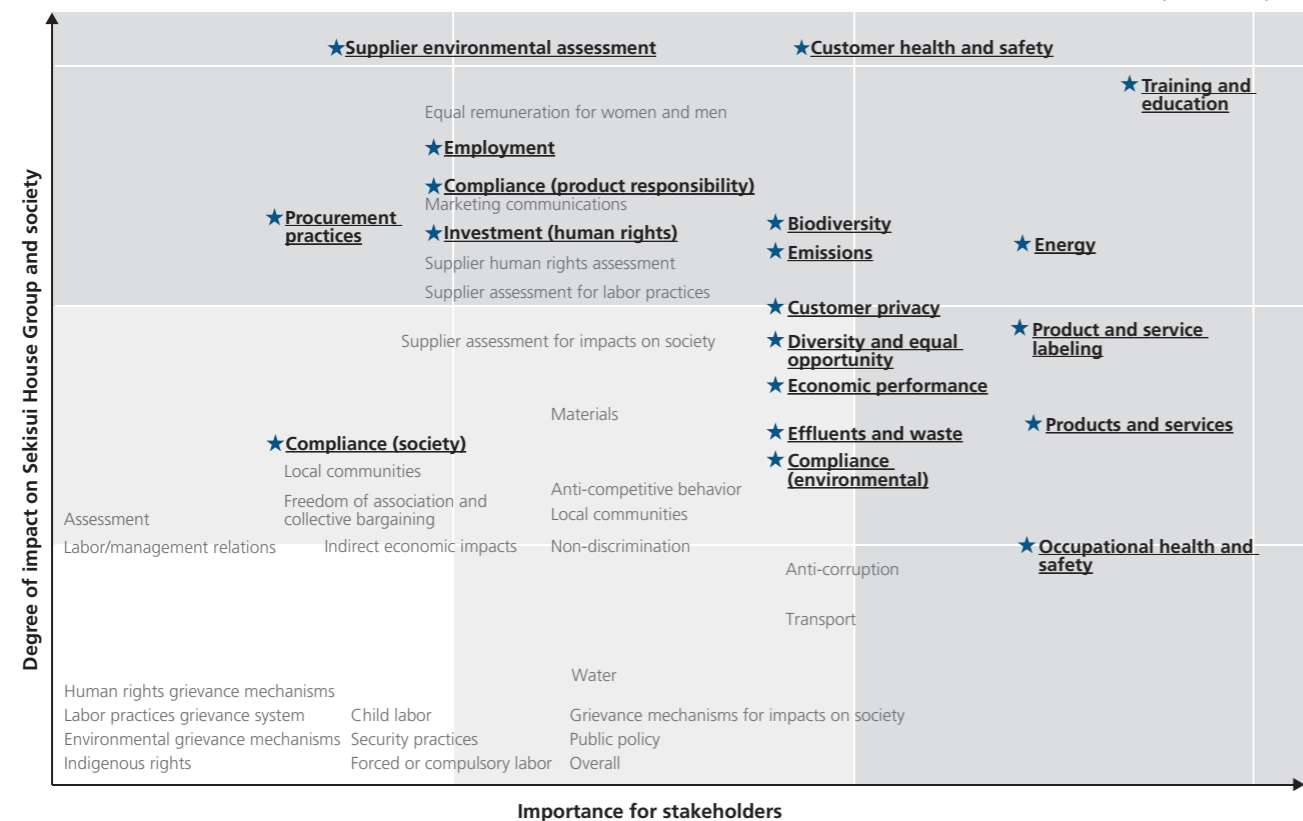
Specifying Material Aspects

The Sekisui House Group is committed to pursuing CSR activities through its core business while meeting the expectations of stakeholders and society to create value and achieve sustainable development. We believe actions based on a perpetual awareness of what is important to stakeholders and society will lead to value creation.

Specifying Material Aspects with Consideration for Stakeholders and Impacts on Society

In 2015, we narrowed down the 46 Specific Standard Disclosures of the GRI Guidelines (G4) to 30 material aspects. In 2016, to reflect societal changes and needs, we prioritized these aspects based on a reanalysis of their “impacts on stakeholder evaluations and decision-making” and “the extent of the company’s economic, environmental and social impact.” Consequently, we specified 19 material aspects (see below). In 2017, we will continue initiatives as critical aspects related to CSV strategy. Please see page 19 for information on the relationship between the CSV strategy and material aspects.

Material Aspects (Key Issues) from the Perspective of Stakeholders and Societal Impacts ★ Indicates one of the specified 19 aspects



Boundaries of the 19 Material Aspects

Economic performance	Sekisui House Group, Customers, Employees, Shareholders and investors, Supplier companies	Occupational health and safety	Sekisui House Group, Employees, Supplier companies
Procurement practices	Sekisui House Group, Employees, Shareholders and investors, Supplier companies, Regional communities	Training and education	Sekisui House Group, Employees, Supplier companies
Energy	Sekisui House Group, Employees, Shareholders and investors, Supplier companies	Diversity and equal opportunity	Sekisui House Group, Employees, Regional communities
Biodiversity	Sekisui House Group, Customers, Employees, Supplier companies, Regional communities	Investments (human rights)	Sekisui House Group, Employees, Shareholders and investors, Supplier companies, Regional communities
Atmospheric emissions	Sekisui House Group, Customers, Employees, Shareholders and investors, Supplier companies, Regional communities	Compliance (society)	Sekisui House Group, Customers, Employees, Shareholders and investors, Consumers, Supplier companies, Regional communities
Effluents and waste	Sekisui House Group, Employees, Supplier companies, Regional communities	Customer health and safety	Sekisui House Group, Customers, Consumers, Regional communities
Products and services	Sekisui House Group, Customers, Employees, Shareholders and investors, Consumers, Supplier companies, Regional communities	Product and service labeling	Sekisui House Group, Customers, Consumers, Supplier companies
Compliance (environment)	Sekisui House Group, Customers, Employees, Shareholders and investors, Consumers, Supplier companies, Regional communities	Customer privacy	Sekisui House Group, Customers, Employees, Consumers, Supplier companies
Supplier environmental assessment	Sekisui House Group, Shareholders and investors, Supplier companies	Compliance (product responsibility)	Sekisui House Group, Customers, Employees, Shareholders and investors, Consumers, Supplier companies, Regional communities
Employment	Sekisui House Group, Employees, Regional communities		

Stakeholder Engagement

Sekisui House Group main stakeholders include customers, consumers, business partners, employees, shareholders, investors and communities. We address issues and expectations through dialogues with all these stakeholders. To this end, we actively engage in daily communications using a variety of methods.

Main Stakeholders and Overview of Actions

Main Stakeholders and Overview of Actions	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: Kizuna (semiannual), Maisowner (semiannual), and gm (three issues per year) Net Owners Club Kizuna website 	<ul style="list-style-type: none"> Lengthen lifespan of houses and increase homeowner value Enhance after-sales support 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 CSV strategy (4) Lengthen lifespan of houses with enhanced after-sales support 	Pages 37–42 WEB
Consumers We proactively disclose information to build relationships of trust with the aim of creating societies and lifestyles with a rich sense of humanity.	We offer venues for dialogue with consumers through the following: <ul style="list-style-type: none"> Comprehensive Housing R&D Institute Sumufumulab Sumai no yume koje Sekisui House Eco First Park Housing seminars Life Literacy Book 	<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 Conduct workshops and events for parents and children at the Sekisui House Eco First Park 	Page 64 WEB
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 Annual policy briefings 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"> Improving indications of parts and promote combined, pre-cut and pre-set parts Sharing process charts online with manufacturers and carrying out thorough information entry CSV strategy (3) Maintain and improve technological development, production and construction quality 	Pages 33–36 Pages 68–69 WEB
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 nurture employees at work and ensure fair treatment, thereby enhancing employee satisfaction.	<ul style="list-style-type: none"> Internal open recruitment Internal qualifications Human relations training (annual) Governance awareness survey (annual) Occupational health and safety management system Sekisui House Group internal magazine (bimonthly) 	<ul style="list-style-type: none"> Contributing to women’s career development Supporting a work-life balance Promoting employment of the disabled 	<ul style="list-style-type: none"> CSV strategy (5) Promote diversity and human resource development 	Pages 43–48 Page 68 WEB
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 	<ul style="list-style-type: none"> Disclosing management strategies and plans in an easy-to-understand manner 	<ul style="list-style-type: none"> Holding management briefings Factory and other facility tours Conducting one-on-one interviews 	Page 56 WEB
Communities We make an effort to cooperate and participate toward social returns, leveraging our strengths as a housing company to nurture rich local cultures and realize abundant and humane lifestyles for all people while protecting the environment.	<ul style="list-style-type: none"> Sekisui House Matching Program Supporting independence of people with disabilities Cooperating with Kids Design Association NPO Cooperating with Uzo Nishiyama Memorial Library NPO 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 Creating recovery support systems when natural disasters strike Disaster Risk Reduction Factory of the Future plan Newly hired employee participation in activities supporting reconstruction in areas affected by earthquakes 	Pages 70–74 WEB
All stakeholders	<ul style="list-style-type: none"> Ensure full compliance, eco-friendly practices and accountability 			Pages 57–59 Pages 65–66 WEB

Comments from External Members of the CSR Committee

The CSR Committee meets regularly to develop and promote important CSR policies and verify the relevancy and effectiveness of current CSR activities.

During these meetings, two external members are asked to share their opinions, which provide the basis for discussion among Committee members. The following are comments given by the external members in light of discussions held during FY2016.

A Model for the World Faced with Aging Societies Everywhere

Sekisui House sees its mission as “changing society through housing” and promotes a variety of initiatives while anticipating future developments. In addition to sharing a vision of what society should be throughout the Company, Sekisui House’s strength is in establishing specific numerical targets precisely correlated to major trends and recent activities.

From smart houses to smart cities and the proposal of new lifestyles, Sekisui House considers a wide range of social issues able to be resolved through housing. From this lofty perspective, the Company aims not only to develop itself, but also to continuously develop the housing industry, creating growth in Japan and a vibrant society. Among these activities, efforts aiming to foster societies where people find meaning in life and work, where senior citizens with a wealth of experiences enjoy lifelong activity and extended healthy life expectancies through advances in housing environments will surely lead to the resolution of issues facing Japan in terms of falling birthrates and an aging population. In this way, Sekisui House will become a model for a world faced with aging societies everywhere.

As the world’s top housing manufacturer, I want Sekisui House to focus more intently than ever on grasping customer needs and engaging in global developments.



Haruo Tsuji
Former President
Sharp Corporation

CSR Committee Recommendations

- I want Sekisui House to realize more advanced and sophisticated housing functionality using IoT, A.I. and other technologies. As other companies are apprehensive about scenarios in which these technologies can be utilized, I see this as a long-awaited opportunity for Sekisui House given its track record in environmental management. I want Sekisui House to seriously discuss how to change society through housing and determine which initiatives to focus on.
- I want younger employees to reformulate strategies and scenarios to determine how to communicate the Sekisui House Group appeal and strengths for the purpose of differentiation. Asking young people to provide ideas is linked to improved motivation. I recommend the widespread use of a phrase such as “when you think of the environment, think of Sekisui House” to inspire ideas.

The Big Impact of Small Services

The home Sekisui House built for me is now almost 30 years old. After 30 years, cracks are beginning to show and my needs are changing. Recently, the toilet was replaced and the washroom sink was repaired. The toilet was replaced for health reasons, not aesthetics. Initially, I visited home fixture manufacturer showrooms and narrowed down my options, eventually deciding on a proposal from Sekisui House. I thought going through Sekisui House would be expensive, but I was surprised at how unexpectedly affordable it was. When you think about it, the affordability is obvious.

The average consumer has no bargaining power when it comes to home fixture manufacturers, but Sekisui House is able to negotiate lower prices with home fixture manufacturers. They have expertise in inexpensive fixtures and can also arrange efficient installation work. While we were waiting, the interior designer noticed some loose wallpaper and unexpectedly provided repair service free of charge.

Sekisui House needs to let customers know that they also are able offer these kinds of detailed services. Services that support the ability to continue living in a cherished home will be held in high regard by customers and are also environmentally friendly. I expect Sekisui House to make every effort in this regard.



Dr. Tadao Kagono
Special Visiting Professor,
Konan University

CSR Committee Recommendations

- If customer expectations are not exceeded, consumers will not acknowledge value. When expectations for value are high in the first place, as they are for Sekisui House, the hurdles for obtaining a solid reputation are high, thus it is necessary to decide themes every year to increase awareness by “betraying” customer expectations in a positive way.
- Sekisui House must be proficient in terms of compliance. It is important to eliminate negatives, but no matter how many negatives are eliminated, this alone will not make a positive. If mechanisms are not in place that focus on positive developments, this will result in a passive organization afraid to take on new challenges.

Eco-First Initiatives



The Eco-First system for companies was devised by the Japanese Ministry of the Environment requiring a commitment to initiatives related to global warming countermeasures, waste, recycling and other voluntary environmental protections.

In 2008, Sekisui House announced the Eco-First Promise and was certified by the Ministry of the Environment as an industry-leading environmental company.

Updating the Eco-First Promise, Expanding Initiatives

Sekisui House was certified as an Eco-First Company by the Japanese Ministry of the Environment (MOE) in June 2008, since which time we have steadily promoted environmental initiatives. In March 2012 and December 2016, we updated

and expanded our Eco-First Promise initiatives to reflect changes in the social environment and the progress of our ongoing efforts to maintain our wide-ranging focus on global warming prevention, ecosystem preservation and resource recycling.

Expanded Initiatives

① Increase ratio of Net Zero Energy homes to 80% or higher by 2020



Expanding sales of Green First Zero homes

② Promote Gohon no ki planning, planting a total of 15 million trees by 2020



Promoting Gohon no ki planning

③ Increase production plant material recycling rate to 90% or higher



Separating plastics at a Resource Management Center

Eco-First Promotion Council Initiatives

The Eco-First Promotion Council is a voluntary group of companies that promote the practical implementation of Eco-First Promises individually declared to the Minister of the Environment. Member companies collaborate to further expand and strengthen advanced and unique environmental protection activities. As of February 1, 2017, the council was comprised of 39 member companies.

Since April 2014, Sekisui House Chairman Isami Wada has led environmentally advanced companies as the third chair of the Eco-First Promotion Council.



Regular meeting of the council in FY2016 attended by MOE Minister Marukawa

Main Activities in FY2016

Eco Slogan Contest

We held the Eco Slogan Contest for the seventh time in 2016 with the support of the Ministry of the Environment to provide elementary school students across Japan with an opportunity to think about what they can do to maintain the Earth’s beauty in the future as well as to contribute to raising people’s environmental awareness throughout the country.

A total of 953 works were submitted. After a review by an impartial panel of judges, awards were given to outstanding works, including a Minister of the Environment Prize for the best one and a Sekisui House Prize.



“Don’t ruin our blue planet with black and gray” Winner of the Sekisui House Prize in the Eco Slogan Contest Yuuka Miyoshi, Shizuoka Prefecture

Information Exchange Event Held at Eco-First Park

The Sekisui House Eco-First Park facility, located at the Kanto Factory (Koga, Ibaraki Prefecture), is open to the public and contains proving test houses that symbolize our environmental activities, enabling visitors to experience environmental initiatives embodying the Eco-First Promises.

An information exchange meeting was held at this facility in March 2016, where representatives of Eco-First Companies participated in a tour. In July, an Eco-First Company corner was also opened inside this facility.



Environmental activities

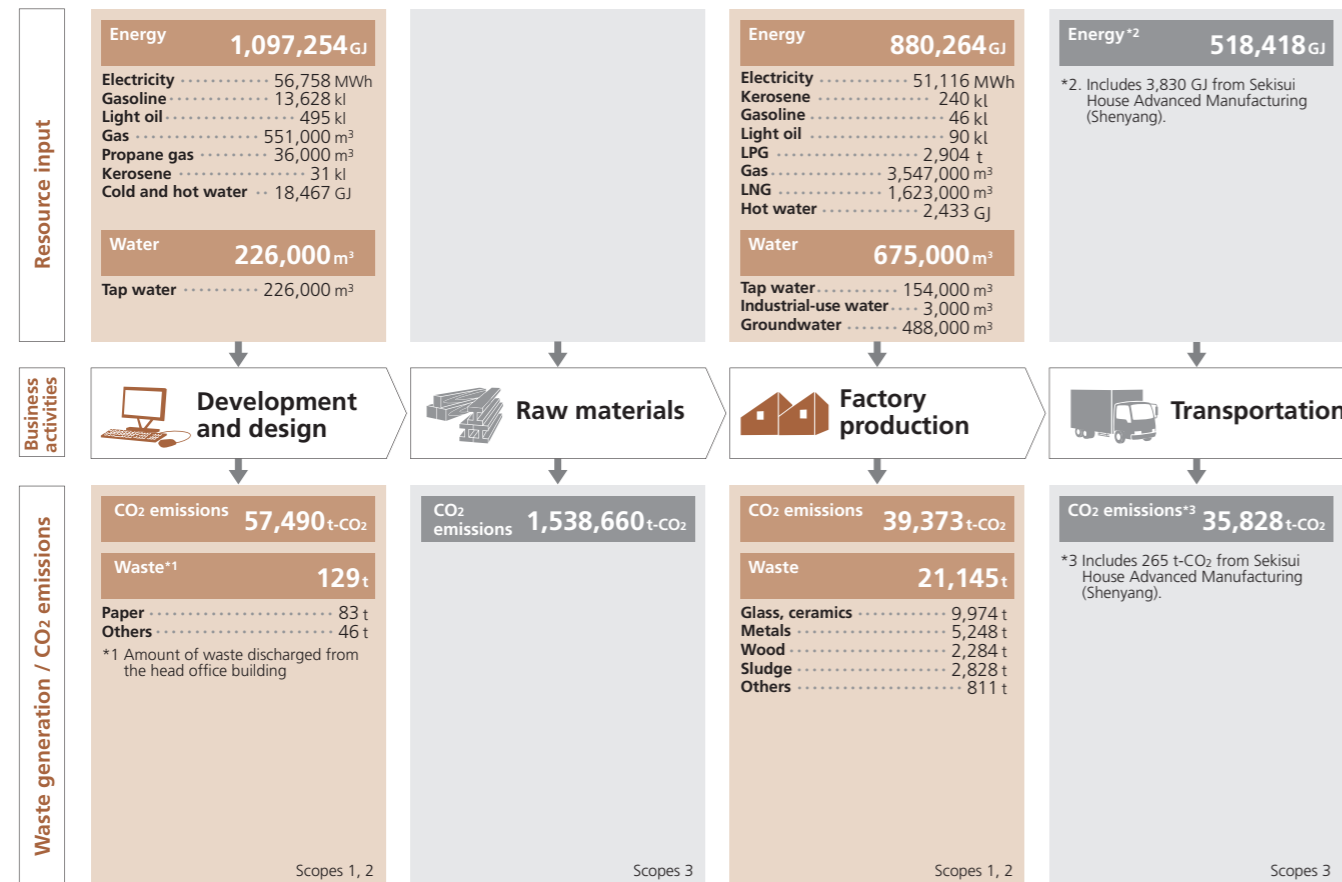
Material Balance

The Sekisui House Group monitors and reports environmental impacts at each stage of the lifecycle of our housing products—including development and design, raw material procurement, factory production, transportation, construction, and occupancy in Japan and overseas.

Scope of coverage: The subjects of this survey are Sekisui House, Ltd., its major consolidated subsidiaries in Japan (45 companies), and major consolidated subsidiaries overseas (11 companies). Scope 3 CO₂ emissions include those attributable to parties other than the Sekisui House Group companies.

Period covered: The applicable period is FY2016 (from February 2016 to January 2017). Estimated figures were used where final data was not available at the time of calculation.

FY2016 Environmental Impact Caused by Corporate Activities in



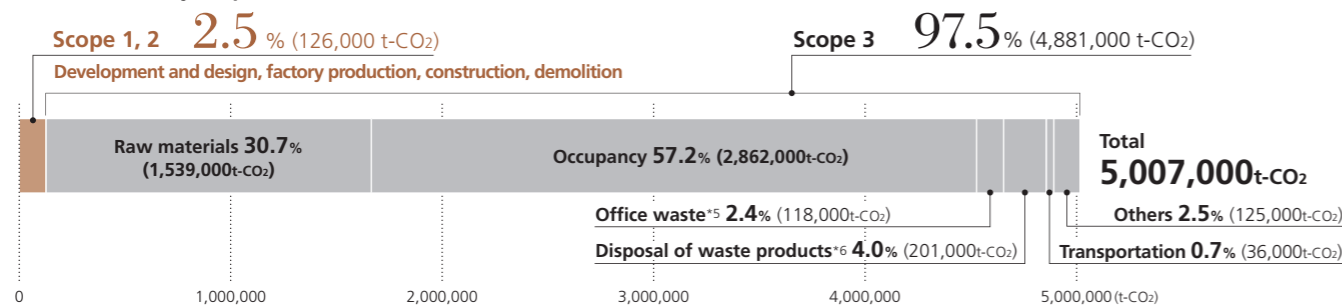
- We have a structure in place that informs the head office in the event environmental laws or regulations are violated at a factory. In FY2015, there were no major violations of greenhouse gas-related laws and regulations (no single case for which criminal punishment, administrative penalty, or administrative guidance was imposed) nor serious leaks of chlorofluorocarbons (CFCs).
- All waste resulting from the production of materials purchased by factories is recycled. The material recycling rate was 94%.
- The water discharged from our factories into rivers meets the water-quality standards specified in Japan's Water Pollution Control Law as well as those specified in other regulations and agreements. The water from our Tohoku, Kanto, Shizuoka, Yamaguchi, and Hyogo factories meets Sekisui House's in-house standards, which are stricter than those stipulated by law.
- There were no significant changes from previous reporting periods in Scope and Aspect Boundaries.

FY2016 Amount of CO₂ Emissions by Scopes 1–3

We calculate and disclose our Scope (1–3) CO₂ emissions in line with the methodology of the Greenhouse Gas Protocol*4. Scope 1 and 2 CO₂ emissions from construction and demolition include emissions from construction and demolition undertaken by partner building contractors that are not members of the Sekisui House Group. These emissions should have been counted as Scope 3 emissions, but owing to the difficulty of distinguishing between the work undertaken by Group companies and non-Group companies, we include them in Scope 1 and 2 emissions for the sake of simplicity.

- Scope 1** : CO₂ emissions resulting from the use of fuels by the Sekisui House Group (80,000 t-CO₂)
- Scope 2** : CO₂ emissions resulting from the use of electricity and heat purchased by the Sekisui House Group (46,000 t-CO₂)
- Scope 3** : CO₂ emissions resulting from the use of energy for mining and producing raw materials, transporting building components, disposal of waste by non-Sekisui House Group companies or customers, and from the use of energy during occupancy (4.881 million t-CO₂)

CO₂ emissions by Scope 1–3



*4. GREENHOUSE GAS PROTOCOL "Corporate Value Chain (Scope 3) Accounting and Reporting Standard" <http://www.ghgprotocol.org/standards/scope-3-standard>

*5. Waste generated through business activities

*6. Treating products sold by Sekisui House after being discarded

Notes on the data

- Development and design** (including the data of sales and administration divisions and model homes)
 - **Energy and CO₂**: the amount of energy consumption and CO₂ emissions by offices and model homes
 - **Waste**: the volume of waste generated by the Sekisui House, Ltd. head office (including offices of consolidated subsidiaries in the same building)
- Raw materials**
 - **CO₂**: the estimated amount of CO₂ emissions resulting from production of raw materials purchased by Sekisui House, Ltd. factories
- Factory production**
 - **Energy and CO₂**: The amount of energy consumed and CO₂ emitted by the five Sekisui House factories in Japan and Sekisui House Advanced Manufacturing (Shenyang)
 - **Waste**: The volume of waste generated by the five Sekisui House factories in Japan
- Transportation**
 - **Energy and CO₂**: the amount of energy consumption and CO₂ emissions by specified consigners and Sekisui House Advanced Manufacturing (Shenyang). (The calculation was made according to the guidelines provided in the Act on the Rational Use of Energy and according to version 4.2 of the manual issued by the Ministry of the Environment and the Ministry of Economy, Trade, and Industry.)

- Construction**
 - **Energy and CO₂**: the estimated amount of energy consumption and CO₂ emissions resulting from new construction by 19 Sekiwa Construction companies and building contractor partners
 - **Waste**: the volume of waste generated from new construction, after-sales maintenance, and remodeling sites of Sekisui House, Ltd., 19 Sekiwa Construction companies, and three Sekisui House Remodeling companies.
- Occupancy**
 - **CO₂**: The estimated amount of CO₂ emissions during occupancy at detached houses built in FY2016 from building components shipped from factories (The estimate is calculated assuming an occupancy period of 60 years for detached housing and 45 years for low-rise rental apartments.)
- Demolition**
 - **Energy and CO₂**: the estimated amount of energy consumption and CO₂ emissions resulting from the use of heavy machinery for demolition, by 19 Sekiwa Construction companies and building contractor partners
 - **Waste**: the volume of waste generated from demolition of housing and commercial buildings by Sekisui House, Ltd., 19 Sekiwa Construction companies, and three Sekisui House Remodeling companies.
 - For estimates of domestic electricity usage, we used a CO₂ emissions intensity (0.357 kg-CO₂) published in the objectives management survey of the Eco Action 21 voluntary action plan produced by the Japan Prefabricated Construction Suppliers and Manufacturers Association.

Social activities

WEB Related Items | Product Responsibilities

WEB Related Items | Labor Practices

Product Responsibilities

The Sekisui House Group is engaged in creating comfortable housing and ecologically sound communities with the objective of superior quality and leading technologies based on our corporate philosophy espousing a love of humanity.

Every day we aim to realize true customer satisfaction (CS) to satisfy all customers throughout their lives with a devotion to management that has had a solid customer first focus since our founding.

Promoting CS Management Targeting Superior Quality and Leading Technologies

We make daily efforts to earn customer confidence and achieve customer satisfaction by aiming to provide the highest level of products and services throughout the housing creation process, from sales, design, and production, to construction and after-sales services.

We believe the provision of comfortable and livable housing that provides safety and security preventing household accidents in line with changes in the physical abilities of each family member to be the obvious product responsibility every housing manufacturer.

In addition to the basic approach of the Sekisui House Group Smart Universal Design, we propose ingenious designs that place importance on the comfort derived from candid mind and body sensations, such as the feeling of a casual touch, everyday user-friendliness and an unexpected awareness of the beauty of design.

We pursue housing creation that facilitates an endless love for one's lifestyle that is comfortable for everyone, engaging in the development of housing materials and design methods from three perspectives: safety and security, user-friendliness and comfort.

We also established the CS Promotion Department to thoroughly inculcate these activities throughout the Company. We provide customers with consultation and advice to raise the level of customer satisfaction, operate the Net Owners Club Kizuna to support customer lifestyles and also provide support through nationwide customer service centers responsible for after-sales services.

In addition, we established a call center within the CS Promotion Department to receive calls from customers during non-business hours when the customer service centers are closed, creating a system able to provide same-day response and arrangements in the event of an emergency request.



Safety handle (10th Kids Design Award recipient)

Full-flat sash, full-flat balcony (5th Kids Design Award recipient)

Further Improving Quality and Expanding Services

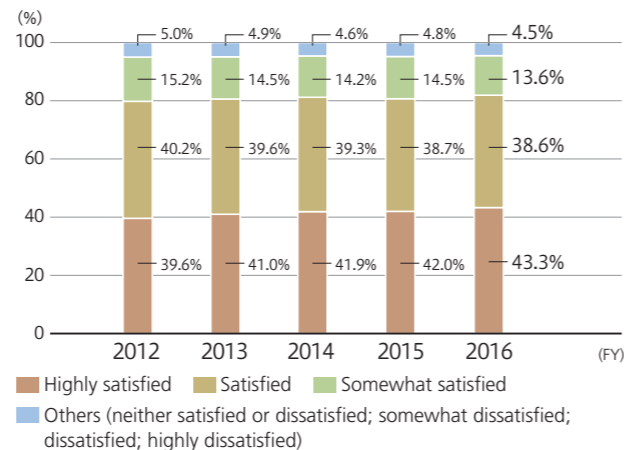
We conduct a customer survey on the housing products and services we provide.

This survey confirms whether customers are satisfied with the quality of their home and the service provided by our representative. In the event of dissatisfaction or problems we quickly respond to eliminate or improve issues and strive to improve quality and expand services going forward. The survey also allows customers to freely add comments regarding their preferences, demands and feedback after actually living in their home. We attempt to incorporate various customer opinions and perspectives into our homebuilding efforts.

After collecting and analyzing survey results, the analysis results are provided to each relevant department as feedback used to improve daily business activities and product and service safety and health, as well as develop new materials and products and improve design and construction.

The FY2016 survey received an all-time high ratio of "highly satisfied" comments, which we attribute to the fruition of efforts toward improvements in light of customer survey results up to now. At the same time, with regard to customers who indicated they were dissatisfied, we are working to eliminate factors preventing employees from fulfilling their responsibilities.

Results of Past Customer Surveys on Satisfaction (7-Point Scale Evaluation)



Occupational Health and Safety Management

The Sekisui House Group places the utmost priority on employee and subcontractor health and safety in everyday business activities. In the event a worker-related accident occurs in the administrative, production or construction departments, details are provided to the Health and Safety Committee and incorporated into the PDCA cycle related to workplace health and safety.

Accidents resulting in lost worktime and occupational illness frequency rates

In FY2016, although the frequency rate of accidents resulting in lost worktime and occupational illness in each department increased compared to FY2015, there were some decreases. We thoroughly analyze causal factors to improve safety and health awareness, prevent unsafe behaviors and control long working hours linked to accidents and illness.

Accidents Resulting in Lost Worktime and Occupational Illness Frequency Rates (Total of one or more days off)

Department	Frequency of accidents resulting in lost worktime		Occupational illness frequency rate	
	FY2015	FY2016	FY2015	FY2016
Administrative department (employees*1)	0.33	0.16	0.03	0.00
Production department	Employees*1	0.00	0.40	0.00
	Subcontractor	0.32	1.22	0.00
Construction department (subcontractors only)*2	3.00	2.57	0.17	0.34

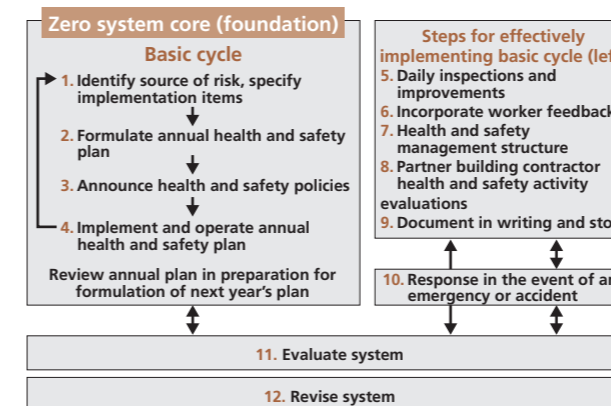
1. Sekisui House on a non-consolidated basis
 2. In FY2016, the artificial figure per construction floor area used to estimate the total working hours for construction sites (contractors only) was changed to the latest figures. Using the latest figures, the frequency rate of accidents resulting in lost worktime on construction sites (contractors only) was 2.42 and occupational illness frequency rates were 0.14.

Proprietary Sekisui House Risk Zero System Operation

We established a specialized unit, the Construction Department Safety Guidance Office, in an effort to prevent the occurrence of occupational accidents, particularly with respect to risky work at construction sites.

The proprietary Sekisui House risk zero system was created with consideration for the special characteristics of construction sites outlined in the "Occupational Health and Safety Management System" promoted by the Ministry of

Sekisui House Risk Zero System Overview



Health, Labour and Welfare. Health and safety management activities are developed based on the annual construction health and safety plans created annually for the entire Company and at each office to enable Sekisui House Group and partner company employees to work in health and safety.

Occupational Health and Safety Activities at Construction Sites

Ensuring the occupational health and safety of everyone engaged in construction work is the Sekisui House Group's social responsibility and one of the items toward which we must make a concerted effort. To enable construction personnel to work with safety and peace of mind, in FY2016 we announced the Annual Company-wide Construction Health and Safety Plan calling for the eradication of falling-related and heavy equipment accidents. In terms of falling-related accidents, as a result of a Company-wide focus on the proper assembly of scaffolding, the number of external scaffolding accidents declined. However, accidents involving stepladders increased slightly. We conducted special training for scaffold assembly and other topics both in-house and through lectures at outside organizations.

In FY2016, worker-related accidents were at a 10-year high due to a substantial increase in construction activities. Minor injuries accounted for 60% of overall accidents, with human errors such as a failure to follow procedures or use "bothersome" safety equipment as the primary factor. We recognize the necessity of immediately correcting unsafe behaviors with unilateral instructions as well as appropriately responding to encourage voluntary actions by workers.

To prevent ongoing work-related accidents occurring over the past several years, in FY2017 we will focus efforts on avoiding serious accidents and slowing down the rise of accidents through the Annual Company-wide Construction Health and Safety Plan under the slogan "Constant vigilance! Everyone work safely by following main protocols!"

In addition, accident prevention measures and health and safety education training was conducted for everyone involved in construction. In FY2016, we conducted foreman and safety and health manager training as well as education and special training for scaffold assembly that included legal content based on Sekisui House Group trends and implementation measures.



Worker safety slogan poster

Social activities

WEB Related Items | Supply Chain

Supply Chain Management

The extensive housing industry, which uses a large amount and wide variety of materials, has a significant impact on the supply chain.

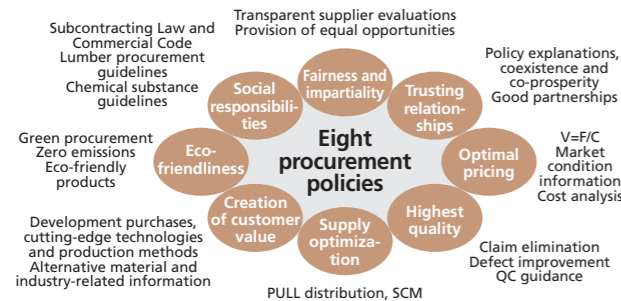
In particular, as seen in the UN Sustainable Development Goals (SDG), the extent to which companies are able to maximize the impact of environmental and social issue resolutions, including the supply chain, ranks as a more positive strategy for the long-term enhancement of corporate value going beyond “responsibility.” At the same time, it is an important pillar in terms of efforts to coexist with and nurture the supply chain.

Two aspects of supply chain management

<p>Materials procurement Tens of thousands of components and products from numerous manufacturers are used to build each house. In principle, the Sekisui House Group head office engages in bulk purchasing and management to ensure management consistency and economies of scale</p> <p>Note: This page focuses on explaining this aspect.</p>	<p>Construction Rather than adopting an agency system, Sekisui House creates Direct sales and project accountability systems. As multiple professionals are involved in each of the construction processes, we collaborate in each region to improve construction quality through integrated management.</p> <p>Note: For details, see CSV Strategy3</p>
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Procurement Policies

To pursue procurement activities based on the Sekisui House corporate philosophy and corporate behavioral guidelines, since 2007 we have observed and promoted eight procurement policies focused on the highest quality, optimal pricing and supply optimization.



Also, in terms of details pertaining to determining the sustainability of lumber procurement and chemical substance management, we have established independent guidelines for suppliers whose progress we manage.

Supplier Evaluation Implementation and Improvement

Every year, we hold policy briefings attended by approximately 150 business partner companies to ensure consistency between suppliers’ company policies and Sekisui House procurement policies to deepen mutual understanding. The latest management plans, procurement policies and product strategies are explained, information is shared to guide the activities of supplier companies, companies are honored for their superior efforts and case studies are announced among other activities aimed at mutual encouragement.

Sekisui House conducts supplier evaluations based on procurement policies to maintain fair and impartial business practices. We disclosed the results of these evaluations so suppliers can incorporate them into their improvement

activities. At the same time, we conduct ongoing factory visits and QC diagnostics at major suppliers, as we believe high-level practical implementation of procurement policy is possible only after a stable management structure has been established.

Promoting CSR Procurement

Based on the CSV concept of resolving social issues through business activities and enhancing corporate value, Sekisui House promotes CSR procurement throughout the entire supply chain to achieve sustainable growth as company that is truly needed by society.

This is because housing is a product created using numerous materials provided by multiple suppliers, thus CSR considerations are not a concern of Sekisui House alone. The problems of one company can affect all business partners and perhaps even lead to a decline in corporate value, so this is a mechanism for sharing more directly with suppliers.

CSR Procurement Standards

(Formulated in October 2015 in Addition to Procurement Policies)

Social Responsibilities	
Human rights and labor	Respect for human rights, abolition of discrimination, prohibition of child labor, prohibition of forced labor, wages or working hours, dialogue and consultation with employees, safe and healthy work environments, human resource development
Compliance	Compliance with laws and regulations, compliance with the Competition Law, prevention of corruption, management and protection of confidential information, import and export transaction management, protection of intellectual property
Social contribution	Regional and community contributions
Eco-Friendliness	
Environment	Environmental management, greenhouse gas emission reduction, chemical substance management, prevention of air/water/soil environmental pollution, resource conservation, waste reduction and promotion of FairWood utilization
Supply Optimization	
Risk management	Risk management mechanisms, formulation of business continuity planning

Resolving Social Issues through Business

Major Initiatives

Promoting a Build and Lease Method for the Disabled Group Home Business

Taking advantage of the United Nations International Year of Disabled Persons in 1981, Japan’s policies with regard to the disabled was transformed to enable disabled persons to live with community residents. As a result, there is a demand for group homes as a place for people who require care to live. However, there are hardly any cases where corporations that become management entities build group homes independently because there are few subsidies from public funds or foundations and borrowing is difficult.

Furthermore, many disabled and their parents are growing older, thus the development of group homes as a place where the disabled can live their daily lives independently is an urgent matter.

Given these conditions, Sekisui House proposes a build and lease method (owner and company) to land owners who want to effectively utilize their properties. The owners build group homes to be managed by corporations that will conduct block leasing.

In 1981, Sekisui House built Japan’s first model home for the disabled. In 1989, we defined the “lifelong-housing” concept that takes into consideration individual differences in age and physical abilities. Since then, we have pursued housing environments that provide everyone with “comfortable living—now and always.”

From 2010 to 2016, the number of “Challenged Welfare House” group homes built by Sekisui House rose to 122 properties. Going forward, we will continue to provide comfortable housing to realize the ideal of normalization enabling people with disabilities to live in all communities.



Group home in Osaka

Building Satellite Nursery Schools to Eliminate the Problem of Children Waiting for Nursery Schools

In recent years, the problem of children waiting for nursery schools has been on the rise. To address this problem, Sekisui House built the Koto Bay Satellite Smart Nursery School main Tennis Forest campus. Infants are split between the two locations, with 2 to 5 year olds card for at the main Tennis Forest Campus, about 10 minutes away by bus.

The main nursery school in the Ariake district where children are nurtured in a carefree environment has a playground facing a waterway that connects to Tokyo Bay, an

area located in the middle of the Tokyo Bay zone where the 2020 Olympics and Paralympics will take place. To make this a world-class nursery school, Sekisui House leveraged its unique environmental and energy technologies as well as design capabilities enabling safe, secure and comfortable lifestyles to enable the children to live an eco-friendly daily life. In the event of a disaster, we made this a “smart” nursery school equipped with mechanisms to support the lifestyle of those affected as a disaster prevention base able to be supplied with power from ships.

We also leveraged our design build merits and factory production to build a high-quality facility in a short amount of time—just three months for the design process and five months for construction.

Going forward, when local municipalities are faced with the problem of children waiting for nursery schools, we can provide expertise cultivated through the operation of smart nursery schools to contribute to the resolution of issues such as these throughout Japan.



Koto Bay Satellite Smart Nursery School

Building Various Facilities in Response to Rising Inbound Tourism Demand

The government of Japan has announced a goal of attracting 40 million foreign tourists in the year 2020. At the same time, it is estimated that there is a shortage of guest rooms that accept tourists, amounting to approximately 44,000 rooms in 2020. In light of these conditions, we agreed to develop and launch a luxury serviced apartment business in the Akasaka district of Tokyo through an alliance with Frasers Centrepoint Ltd., of Singapore. We propose luxury serviced apartments assuming long-term visits for the purposes of business and sightseeing in response the growing need for high quality hotels based on rising inbound tourism demand and in preparation for the Tokyo Olympics.

We are also launching Shukubo (Temple Lodging), which aims to contribute to alleviating the growing dearth of guest rooms and respond to both material and abstract consumer needs. We are engaged in Shukubo creation through a collaboration with Waqoo Project, Co., Ltd., which provides consulting on Shukubo, from management operations to tourism utilization. Though the Shukubo experience of temple lodging, we will convey the beauty of Japanese culture to foreign tourists and the rest of Japan while contributing to regional revitalization.

Social activities

Post-Disaster Restoration and Reconstruction

Restoration and reconstruction after natural disasters is the social responsibility of the Sekisui House Group, which develops businesses related to homes that protect the lives, property and lifestyles of the people who live in them.

We are engaged in ongoing activities aimed at quick restoration when a disaster occurs as well as post-disaster reconstruction.

Post-Earthquake Reconstruction

Immediately after the Great East Japan Earthquake, the Sekisui House Group embarked on customer support activities in stricken areas while also assisting in restoration and reconstruction work and the construction of temporary houses and public housing for those displaced by the disaster. March 2017 marks the passage of six years since the Great East Japan Earthquake and the conclusion of the five-year intensive recovery period stipulated by the Japanese government. The period from now until March 2021 has been designated as a reconstruction and creation phase. However, there are still a great number of victims forced to live in evacuation shelters.

In terms of reconstruction, we are working urgently to quickly develop disaster-ready public rental housing units for people who have difficulty securing residences after leaving temporary housing. The Sekisui House Group is making every effort to proceed quickly and unflinchingly.

A New Phase of Company-Wide Promotion for Rapid Reconstruction Providing a New Life to Disaster Victims

Reconstruction planning and progress differ according to administrations, requiring lifestyle and housing proposals that reflect conditions in each region. Through local construction efforts and support from all over Japan, up to now we have completed construction on and handed over 533 disaster-ready public housing units in 191 buildings across three prefectures within the contracted construction period, earning high regard from the government for our construction capabilities.

We were recognized for our high-quality and quickly built lightweight steel frame construction incorporating original Sekisui House construction methods for disaster-ready public housing units where traditionally existing wooden and reinforced concrete construction had been commonplace. Recently, large-scale projects have been on the rise due to our heavy steel-framed β system detached housing, offering a high degree of freedom and short construction periods.

Going forward, we will continue to leverage our technological, proposal and construction capabilities to engage in the provision of disaster-ready public housing that is safe, secure, comfortable and brings happiness to occupants.

Over the past six years, reconstruction conditions are changing in each area. In Miyagi and Iwate prefectures, the preparation of disaster-ready public housing is in its final stage. We will continue steadily forward so that people affected by the disaster are able to move in as soon as possible.

In Fukushima Prefecture, the creation of a reconstruction

site (compact town) is accelerating ahead of the return to the nuclear power plant evacuation area. In several areas, Sekisui House is leveraging its accumulated expertise in community creation to engage in the planning to create this reconstruction site. At the same time, we are launching smart town initiatives, proactively making proposals leveraging the results of Japan's first smart grid in Higashi-Matsushima, Miyagi Prefecture. We are working with the aim of creating an even better reconstruction site for people continuing to return home to Fukushima Prefecture.

Status of Disaster-Ready Public Housing Provision

	Projects bid on		Projects completed	
FY2012	4 buildings	26 units	—	—
FY2013	84 buildings	285 units	4 buildings	26 units
FY2014	124 buildings	211 units	16 buildings	53 units
FY2015	126 buildings	184 units	116 buildings	382 units
FY2016	46 buildings	301 units	55 buildings	72 units
Total	384 buildings	1,007 units	191 buildings	533 units

Disaster-ready public housing



Disaster-ready public housing in the Kujo district of Kesenuma, Miyagi Prefecture (completed in November 2016)



Disaster-ready public housing in the Tateyama district of Kesenuma, Miyagi Prefecture (completed in May 2016)

All New Career-Track Employees Take Part in Disaster-Stricken Area Reconstruction Support Activities

Starting in 2012, all new career-track employees at Sekisui House took turns going to disaster-stricken areas to assist in reconstruction work. In addition to providing stricken areas with needed assistance, the goal of this reconstruction effort is to deepen employees' understanding of the significance of the housing business and have employees think and act from other people's perspectives.

In the stricken areas, employees worked with NPOs to hear what assistance locals needed, then got worked in groups after deciding how they could help. In 2016, as in 2015, we focused efforts on cleaning up temporary housing and community halls, while attempting to communicate with occupants.

New FY2017 employees who began work in April are also taking turns participating in these activities (In 2017, we are also engaged in reconstruction support activities in areas affected by the Kumamoto earthquake).

Disaster-Stricken Area Reconstruction Support Activity Participants

FY2012	347
FY2013	566
FY2014	460
FY2015	390
FY2016	323
Total number of participants in past five years	2,086



A moment of silence in front of "Good Luck Ishinomaki"



Enjoying tea with residents at the temporary housing community hall

Restoration and Reconstruction after the Kumamoto Earthquake

In April 2016, after a large earthquake (foreshock) registering magnitude 6.5, an even larger earthquake registering magnitude 7.3 struck the Kumamoto region. For the first time in the history of seismic observation in Japan, a series of seismic activities with an intensity of seven were repeatedly observed in a major earthquake unlike any seismic event that has occurred up to now. In addition to numerous deaths and injuries, a considerable number of houses were partially or totally destroyed or partially damaged, resulting in serious damage spread across a wide area.

Of the 10,246 Sekisui Homes in Kumamoto Prefecture, there were no personal injuries, nor were any of the houses partially or totally destroyed. We are engaged in restoration and reconstruction so that customers can return to their peaceful lives as soon as possible.

Having learned from initial responses after the Great East Japan Earthquake, immediately after the foreshock, we set up a coordinated response headquarters at the Kyushu sales office followed by the establishment of a local response headquarters in Kumamoto. First, we confirmed the well-being of employees and their families in the affected area. We were able to confirm the status of damage for approximately 10,000 customers, which was completed in early June. The quick distribution of goods stockpiled at factories and the head office and rapid establishment of a construction and technical support system was successfully achieved through the sharing of disaster details and other information via iPads running an original app.

Having moved from the recovery phase to the reconstruction phase, at present the entire Group is engaged in large-scale construction to rebuild foundations and structures as well reconstruct homes.



Final confirmation before visiting customer homes



Repair work

Rapid Initial Response after the Central Tottori Prefecture Earthquake

In October 2016, a magnitude 6.6 earthquake struck central Tottori Prefecture having a maximum seismic intensity of six or less. Roof tiles were damaged and walls collapsed in one house after another mainly in central Tottori Prefecture. Two houses were totally destroyed, three houses were partially destroyed and partial damage was confirmed at 10,033 houses. None of the 796 Sekisui Houses built in the area with seismic intensity of six or less were totally or partially destroyed. As a result of the Group response immediately after the earthquake, we were able to complete our confirmation of owner well-being and damage status in just three days.

Even in other natural disasters, we quickly organize support systems and promptly provide customer support as necessary.

Social activities

Social Action Programs

With a “love of humanity” at the core of our corporate philosophy and an emphasis on housing culture improvement, the sound growth of the next generation, and environmental concern as part of our core corporate activities, we continue to work closely with communities by encouraging our employees to take part in volunteer and charitable pursuits, partnering with NPOs and NGOs in support of their activities and assisting educational institutions on selected educational initiatives.

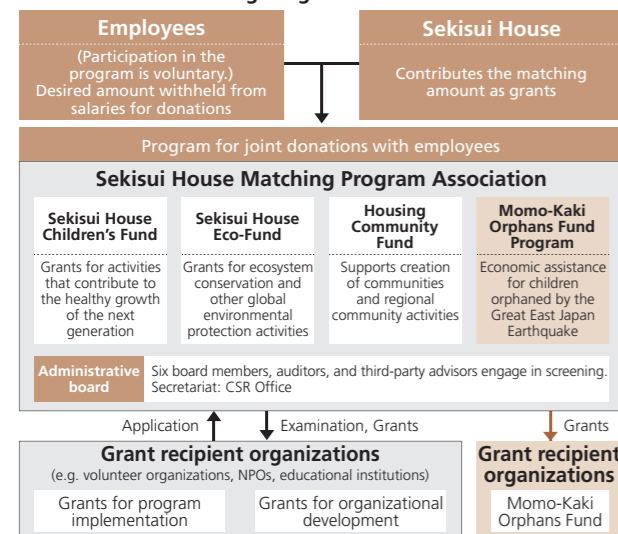
Employee and Company Joint Donation System “Sekisui House Matching Program”

Since FY2006, we have been implementing the Sekisui House Matching Program, under which we match employee donations (approximately 3,600 participants) to NPOs and other organizations engaged in activities that contribute to the creation of a sustainable society. This system enables employees to have an amount of their choice (1 unit = 100 yen) withheld from their salaries for donations, and Sekisui House matches the donations and contributes an equal amount in the form of grants. Grant money is disbursed from two funds: the Sekisui House Children’s Fund and the Sekisui House Eco-Fund. We also established the Momo-Kaki Orphans Fund Program to support the Momo-Kaki Orphans Fund, which is chaired by architect Tadao Ando. This fund provides financial assistance to children orphaned by the 2011 Great East Japan Earthquake. In 2015, to commemorate the tenth year of this system, we established the Housing Community Fund.

In FY2016, ¥13.50 million from our Children’s Fund was donated to 13 organizations (project grants to 11 organizations and infrastructure grants to two organizations), ¥8.64 million from our Eco-Fund was donated to 11 organizations (project grants to eight organizations and infrastructure grants to three organizations) and ¥1.7 million from our Housing Community Fund was donated to two organizations (project grants to two organizations) bringing the cumulative total of our donations to ¥23.84 million provided to 26 organizations. In addition, In FY2016, the Momo-Kaki Orphans Fund Program donated ¥13.6 million (a cumulative total of ¥69.0 million). Up to now, we have donated a total of over ¥200 million to 200 organizations.



Sekisui House Matching Program



Children’s Fund Aid Organization Comment

Michikusa Room Activities to Create a Place for Children in Rikuzentakata City

Specified Non-Profit Corporation Pact (Fumi Hagiwara, Director of the Child Support Project)

In Rikuzentakata, Iwate Prefecture, five and a half years since the Great East Japan Earthquake, even now there are a limited number of places where children can relax and play. To address this situation, we conduct “Michikusa Room” activities in four locations across the city (Hirota-cho, Kesen-cho, Yahagi-cho and Otomo-cho) to create a place for the children of Rikuzentakata. We are working every day with the hope that by creating as many happy memories as possible in the place where they were born, the children of Rikuzentakata will deepen their attachment to the local community and become actively involved in the town’s reconstruction in the future.



Children form a circle while playing a game together

Eco-Fund Aid Organization Comment

Satoyama Cycle Restoration Activities in the Hachioji Takiyama Satoyama Conservation Area

Specified Non-Profit Corporation Shizen Kankyo Academy (Ryo Nomura, Executive Director)

With assistance from the Sekisui House Matching Program, we promote Satoyama conservation activities in the Hachioji Takiyama Conservation Area. This area is no longer cared for and invasive species are taking over, so we are trying to restore rice paddies to where they once existed and bring back the rural landscape and paddy field ecosystem. Sekisui House Group employees participate in many of our activities. Little by little, wildlife such as fireflies, dragonflies and frogs are increasing. I hope as many people as possible can directly experience the beautiful Satoyama landscape and vigorous wildlife.



Planting rice in restored rice paddies

Housing Community Fund Grant Organization Comment

Ise Kawasaki Historical Machiya Renovation Model Project 2016 Incorporated NPO, Ise Kawasaki Machizukurishu (Toru Takahashi, Executive Director)

We are engaged in this model project in collaboration with students from the Architecture Department at the local Ise Technical High School and students from Kogakkan University to renovate historical machiya (traditional Japanese houses) in the Ise Kawasaki area. In addition to renovation tours, machiya surveys, renovation lectures, vacant house cleaning and lunch meetings, students conduct detailed renovation proposal workshops. Through this project young people learn about the town, engage in town-related issues and propose usage ideas that are linked to promoting revitalization and cultivating successors for future community creation activities.



While cleaning a vacant house, a hearth is discovered under the floor

Holding an Industry-Academia Collaborative Design Competition

Since FY2005, Sekisui House has been participating in the Real Size Thinking Competition for Ecological Living Design for students of architecture and design. The main objectives of the competition are to raise environmental awareness in designing living spaces, explore futuristic living spaces, strengthen industry-academia collaboration, promote exchanges among students, and foster young designers. In FY2016, we received 150 submissions from 28 universities across Japan.



Grand Prize “Fluffy Scape”
Kobe University Graduate School
Aki Hashimoto
Kohei Morishita



Excellence Award “Tokyo In (Di) visible”
Tokyo University Graduate School
Hadin Charbel
Deborah Lopez

Supporting the “Bento Day” Project

On Bento Day, children make their own bento (box lunch) and are encouraged to do everything involved in bento preparation—from menu planning and shopping for ingredients, to cooking and cleaning up the kitchen—without any parental involvement. Advocated by former school principal Kazuo Takeshita, the Bento Day project currently welcomes the participation of more than 1,700 elementary and junior high schools across Japan. Sekisui House participates as a supporting company to help spread awareness about this project.

Environmental Education Programs at Nationwide Schools and Event Venues

The Sekisui House Group conducts three experiential environmental education programs teaching the importance of saving energy in everyday life, preserving ecosystems and effective resource utilization at events and through visits to schools throughout Japan under the themes of reducing CO₂ emissions, restoring ecosystem networks and resource recycling initiatives as stated in the Eco-First Promise.

TOPICS

Opening the Koji Kinutani Tenku Art Museum in the Umeda Sky Building to Promote Art and Culture

To contribute to society by promoting art and culture, the Company opened the Koji Kinutani Tenku Art Museum in December, featuring the work of Koji Kinutani, Japan’s leading alfresco artist, in the Umeda Sky Building, where the Company’s head office is located.

Mr. Kinutani not only creates paintings, he also participates in the Ministry of Foreign Affairs “Japan Brand Program,” was involved in the creation of the Koji Kinutani Prize for young artists as an educational activity and participates in the Agency for Cultural Affairs “Childrens Dream Art Academy.” These activities and ideas resonate with Sekisui House, as we support art and culture at our museum.

The Koji Kinutani Tenku Art Museum comprises the Symbol Zone, a space to experience the world of paintings through symbolic prologue exhibition and 3D images, the Exhibit Zone in blue and red evoking the image of a painting, the Atelier where visitors are able to view the painting creation process and the Workshop Space where events are held, including classes to teach children how to paint.

The Umeda Sky Building where the art museum is located is a complex comprised of offices and commercial facilities that was completed in March 1993 with an innovative design consisting of two 40 story connected skyscrapers. In 2008, the Times Newspaper (UK) included it in its selection of the top 20 buildings around the world and it is attracting the attention of global tourists. The Floating Garden Observatory on the top floor was visited by a record 1.39 million visitors in FY2016 (of which 1.01 million were from overseas).

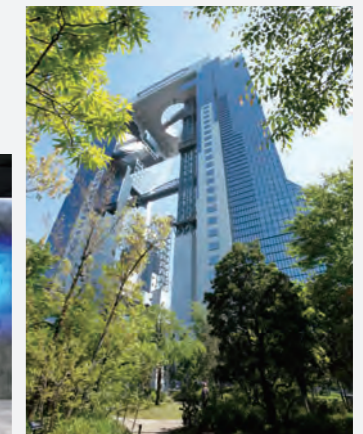
We will attempt to enhance the value of the Umeda Sky Building and contribute to regional vitalization as a building that is over a quarter of a century old, but growing more attractive as it approaches half a century, by creating a unique art museum full of ingenuity with an enhanced appeal as a sightseeing destination for both domestic and inbound tourists.



Sunrise at Osaka Castle with Cherry Blossoms in Full Bloom



Symbol zone



Umeda Sky Building

Independent Third-Party Assurance Report

KPMG AZSA Sustainability Co., Ltd. was engaged to provide assurance on Sekisui House, Ltd.'s Sustainability Report 2017 and verify that the report provides reliable information on the company's energy consumption, waste and greenhouse gas emissions volumes, water used in factor production and social reporting (frequency of accidents resulting in lost worktime and occupational illnesses).

This is an English translation of the "Independent Assurance Report" dated April 10, 2017 originally issued in Japanese by KPMG AZSA Sustainability Co., Ltd. for the "Sustainability Report 2017" published in Japanese by Sekisui House, Ltd.

Independent Assurance Report

Sekisui House, Ltd.
 Mr. Isami Wada, the Chairman, Representative Director & CEO,
 Mr. Toshinori Abe, the President, Representative Director & COO

We were engaged by Sekisui House, Ltd. (the "Company") to undertake a limited assurance engagement of the environmental and social performance indicators and greenhouse gas indicators listed below for the period from February 1, 2016 to January 31, 2017 (the "Indicators") included in its Sustainability Report 2017 (the "Report") for the fiscal year ended January 31, 2017, and the completeness of material greenhouse gas information in the Report.

Indicators	pages
Energy (total amount and itemized details by energy source) and Tap water, Industrial-use water and Groundwater of "Factory production" in "Resource input"	65, 66
Amount of CO ₂ emissions and Waste (total amount and itemized details by waste category) in "Waste generation/CO ₂ emissions"	65, 66
CO ₂ emissions of "Scope 1 and 2 emissions", "Raw materials", "Occupancy", "Office waste", "Disposal of waste products" and "Transportation" in "CO ₂ Emissions by Scope (1-3)" and "Scope 1, and Scope 2"	65, 66
Accidents Resulting in Lost Worktime and Occupational Illness Frequency Rates	68

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, and for including the material greenhouse gas information defined in the 'Greenhouse gas Report Assurance and Registration Criteria' of the Japanese Association of Assurance Organizations for Sustainability Information ("J-SUS") in the Report.

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

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

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

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

KPMG AZSA Sustainability Co., Ltd.
 Osaka, Japan
 April 10, 2017

Summary of Initiatives

Environmental Activities

In 2016, the United Nations Sustainable Development Goals (SDG) went into effect amid a focus on the resolution of issues including climate change, environmental degradation, poverty and health on a global scale. Corporations are also expected to make an effort toward resolving issues utilizing creativity and innovation to achieve sustainable development.

In 2005, Sekisui House announced its Declaration of Sustainability establishing sustainability as the basis of Company management. For Sekisui House, who sees its corporate mission as engaging in ongoing in activities aimed at resolving social issues through its business activities, this was a significant opportunity to encourage the acceleration of these efforts.

In FY2016, we promoted the adoption of Green First ZERO ahead of the Japanese government's goal of standardizing net-zero-energy housing (ZEH) by 2020, now accounting for more than 70% of newly built detached housing. This initiative received the FY2016 Environment Minister's Award for Global Warming Prevention Activities and the 26th Global Environment Award (Minister of Economy, Trade and Industry Award). Housing attempting to achieve a zero energy balance using advanced energy creation technologies such as photovoltaic power generation and fuel cells, in addition to high insulation and energy saving performance, will become a model for the industry and contribute to the reduction of greenhouse gas emissions from the residential housing sector.

It is also necessary to consider influences that take into account the value chain for companies to lead sustainable societies. For example, the housing business uses a large amount of lumber, thus the selection of locations for lumber production will have a significant impact not only on the ecosystem of the logging area through the procurement process, but also on social aspects such as the lifestyle of local residents. An investigation of approximately 50 wooden building material supplier companies based on the Wood Procurement Guidelines revealed 80% approached the highest S Rank, advancing contributions to the widespread use of sustainable lumber.

With an awareness of sustainability, these activities are directly linked to corporate value assessments from outside investment institutions as the achievement of long-term corporate value. In FY2016, we were also incorporated into the DSI World* global sustainability rating evaluation, indicating that the Sekisui House Group conforms with global trends as we strive to achieve further improvements.

* DSI World: Dow Jones Sustainability World Index



Tetsuo Iku
 Executive Vice President & Director
 Executive Officer
 Management of technological and environmental promotion

Social Activities

Thank you for reading the Sustainability Report 2017.

This publication faithfully reports CSR initiatives conducted in FY2016 and explains the value creation story for the future of the Sekisui House Group.

Sekisui House Group CSR management attempted to improve upon the 1999 Environmental Future Plan as a point of origin, while the Fourth Medium-Term Management Plan attempts to further deepen activities by incorporating ESG efforts aimed at sustainable growth. ESG and other non-financial information is becoming a critical element for corporate evaluation by providers of financial capital and a variety of other stakeholders. From FY2017, under a new CSR promotion structure establishing priority themes in environmental, social and governance activities, I hope to see a thorough effort from Group employees through a shared sense of significance.

Creating shared value through "offensive" CSR such as the spread of eco-friendly housing is essential for corporate competitive strategy. Furthermore, "defensive" CSR such as enhanced corporate governance and risk management are prerequisites for healthy corporate activities, an area where I would like to see more effort. To sustainably expand efforts with a balance between offense and defense throughout the entire

Sekisui House Group, workstyle innovation is an urgent task.

Employees are at the center of creating shared value, thus I want to promote multifaceted initiatives enabling the establishment of a lively workstyle that gives employees meaning in their work and lives. For diverse employees to promote operations smoothly and improve organizational productivity, we must promote the creation of open workplaces that pursue the core attitudes of truth and trust based on a love for humanity, the core of our corporate philosophy.

The Sustainability Report 2016 won the Sustainability Report Award (Minister of the Environment Award) at the 20th Environmental Communication Awards. We will not only raise the level of our activities to realize sustainable growth, but also exceed all stakeholder expectations from the perspective of information disclosure.



Hitoshi Kuroyanagi
 Executive Officer
 Chief Manager of Corporate Communications Department and IR Office

Outside Opinions, Evaluations

GRI Content Index for “In Accordance” Items

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

General Standard Disclosures

Indicator		Refer to	External assurance
Strategy and Analysis			
G4-1	Statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization’s strategy for addressing sustainability	Pages 7-10	
Organizational Profile			
G4-3	Name of the organization	Page 81	
G4-4	Primary brands, products, and services	Pages 5-6	
G4-5	Location of the organization’s headquarters	Page 81	
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	Pages 49-52	
G4-7	Nature of ownership and legal form	Page 81	
G4-8	Markets served	Pages 5-6,49-52	
G4-9	Scale of the organization	Pages 5-6,81	
G4-10	Total number of employees by employment contract and gender	[WEB] Corporate Profile	
G4-11	Percentage of total employees covered by collective bargaining agreements	N/A	
G4-12	Organization’s supply chain	Pages 29-32,69	
G4-13	Significant changes during the reporting period regarding the organization’s size, structure, ownership, or its supply chain	N/A	
G4-14	Whether and how the precautionary approach or principle is addressed by the organization	[WEB] Management of chemical substance guidelines	
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	Page 64/[WEB] Kids Design Association	
G4-16	Memberships of associations and national or international advocacy organizations	[WEB] Industry Proposals	
Identified Material Aspects and Boundaries			
G4-17	All entities included in the organization’s consolidated financial statements or equivalent documents; whether any entity included in the organization’s consolidated financial statements or equivalent documents is not covered by the report	Pages 4,81/Securities Report	
G4-18	Process for defining the report content and the Aspect Boundaries; how the organization has implemented the Reporting Principles for Defining Report Content	Pages 3-4,61/[WEB] Specifying Material Aspects	
G4-19	All the material Aspects identified in the process for defining report content	Page 61	
G4-20	For each material Aspect, report the Aspect Boundary within the organization	Pages 61,77-78	
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	Pages 61,77-78	
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	Pages 12,71	
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	N/A	
Stakeholder Engagement			
G4-24	List of stakeholder groups engaged by the organization	Page 62	
G4-25	Basis for identification and selection of stakeholder groups with whom to engage	[WEB] Stakeholder Engagement	
G4-26	Organization’s approach to stakeholder engagement	Pages 56,62	
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns; the stakeholder groups that raised each of the key topics and concerns	Pages 62-63	
Report Profile			
G4-28	Reporting period (such as fiscal or calendar year) for information provided	Page 4	
G4-29	Date of most recent previous report (if any)	Page 4	
G4-30	Reporting cycle (such as annual, biennial)	Page 4	
G4-31	Contact point for questions regarding the report or its contents	Page 4	
G4-32	The “in accordance” option the organization has chosen; GRI Content Index for the chosen option; reference to the External Assurance Report, if the report has been externally assured	Pages 3,75,77-78	
G4-33	Policy and current practice with regard to seeking external assurance for the report	Page 75	
Governance			
G4-34	Governance structure of the organization, including committees of the highest governance body; any committees responsible for decision-making on economic, environmental, and social impacts	Pages 54,60	
Ethics and Integrity			
G4-56	Values, principles, standards, and norms of behavior such as codes of conduct and codes of ethics	Pages 11,60,69	

Specific Standard Disclosures (Specified Material Aspects Only)

Indicator		Refer to	External assurance
Economic			
DMA	Why the Aspect is material; how the organization manages the material Aspect or its impacts; evaluation of the management approach	Pages 13-14,17-21,54-56,60-61	
Economic Performance			
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, customers, employees, shareholders and investors, business partners			
G4-EC1	Direct economic value generated and distributed	Pages 12,16,56,81/Securities Report / Financial Results Summary	
G4-EC2	Financial implications and other risks and opportunities for the organization’s activities due to climate change	Pages 23-28	
Aspect-specific DMA: Procurement Practices—Actions taken to identify and adjust the organization’s procurement practices that cause or contribute to negative impacts in the supply chain			
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, employees, shareholders and investors, business partners, local communities			
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	[WEB] Communicating with Business Partners	
Environmental			
DMA	Why the Aspect is material; how the organization manages the material Aspect or its impacts; evaluation of the management approach	Pages 13-14,17-21,54-56,60-61,69/[WEB] Environmental Management	
Aspect-specific DMA: Energy—Whether the organization is subject to any country, regional, or industry regulations and policies for energy; examples of such regulations and policies			
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, employees, shareholders and investors, business partners			
G4-EN3	Energy consumption within the organization	Pages 65-66	● (Page 75)
G4-EN5	Energy intensity ratio	[WEB] Material Balance	
Aspect-specific DMA: Biodiversity—Strategy for achieving the organization’s policy on biodiversity management			
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, customers, employees, business partners, local communities			
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas of high biodiversity value outside protected areas	N/A	

Indicator		Refer to	External assurance
Aspect-specific DMA: Emissions—Whether the organization is subject to any country, regional, or industry regulations and policies for emissions; examples of such regulations and policies			
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, customers, employees, shareholders and investors, business partners, local communities			
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Pages 65-66	● (Page 75)
G4-EN16	Indirect greenhouse gas (GHG) emissions (Scope 2)	Pages 65-66	● (Page 75)
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Pages 65-66	● (Page 75)
G4-EN18	GHG emissions intensity ratio	[WEB] Material Balance	
G4-EN19	Reduction of greenhouse gas (GHG) emissions	Pages 26,28,65-66	
Effluents and Waste			
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, employees, business partners, local communities			
G4-EN22	Total water discharge by quality and destination	[WEB] Material Balance	
G4-EN23	Total weight of waste by type and disposal method	Pages 42,65-66/[WEB] Material Balance	● (Page 75)
Products and Services			
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, customers, employees, shareholders and investors, consumers, business partners, local communities			
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Pages 26,28,66	
Compliance			
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, customers, employees, shareholders and investors, consumers, business partners, local communities			
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Page 58	
Aspect-specific DMA: Supplier Environmental Assessment—Systems used to screen new suppliers using environmental criteria; actions taken to address the significant actual and potential negative environmental impacts identified in the supply chain			
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, shareholders and investors, business partners			
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	[WEB] Communicating with Business Partners	
Social			
Labor Practices and Decent Work			
DMA	Why the Aspect is material; how the organization manages the material Aspect or its impacts; evaluation of the management approach	Pages 13-14,17-21,43-48,54-56,60-61	
Aspect-specific DMA: Employment—Actions taken to determine and address situations where work undertaken within the organization’s supply chain does not take place within appropriate institutional and legal frameworks			
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, employees, local communities			
G4-LA3	Return-to-work and retention rates after parental leave, by gender	Page 46/[WEB] Support for Work and Childrearing	
Aspect-specific DMA: Occupational Health and Safety—Programs related to assisting workforce members, their families, or community members regarding serious diseases			
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, employees, business partners			
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, absenteeism, and total number of work-related fatalities, by region and by gender	Page 68	● (Page 75)
Training and Education			
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, employees, business partners			
G4-LA9	Average hours of training per year per employee, by gender, and by employee category	Page 48	
Diversity and Equal Opportunity			
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, employees, local communities			
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Pages 46,54-55	
Human Rights			
DMA	Why the Aspect is material; how the organization manages the material Aspect or its impacts; evaluation of the management approach	Pages 13-14,17-21,43-48,54-58,60-61,69	
Aspect-specific DMA: Investment—Strategies for extending applicable policies and procedures to external parties; use of human rights criteria or clauses in contracts			
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, employees, shareholders and investors, business partners, local communities			
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Pages 57-58,69/[WEB] Human Relations Training	
Society			
DMA	Why the Aspect is material; how the organization manages the material Aspect or its impacts; evaluation of the management approach	Pages 13-14,17-21,33-42,54-58,60-61,69	
Compliance			
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, customers, employees, shareholders and investors, consumers, business partners, local communities			
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Page 58	
Product Responsibility			
DMA	Why the Aspect is material; how the organization manages the material Aspect or its impacts; evaluation of the management approach	Pages 13-14,17-21,33-36,54-58,60-61,67,69	
Aspect-specific DMA: Customer Health and Safety—Whether the health and safety impacts of products and services are assessed for improvement (by life cycle)			
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, customers, consumers, local communities			
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	Page 58	
Aspect-specific DMA: Product and Service Labeling—Organization-wide practices in place to assess and maintain customer satisfaction			
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, customers, consumers, business partners/Results of surveys measuring customer satisfaction			
G4-PR5	Results of surveys measuring customer satisfaction	Pages 12,16,26-27,41	
Customer Privacy			
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, customers, employees, consumers, business partners			
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Page 58	
Compliance			
[Affected Stakeholders Inside and Outside the Organization] Sekisui House Group, customers, employees, shareholders and investors, consumers, business partners, local communities			
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Page 58	

Outside Opinions, Evaluations

Honors from Third Parties during FY2016

Environment

- **All Worksite Employees Participated in Challenge to Reduce Mixed Waste from Condominium Construction (Tokyo Condominium Business)**

October 2016

FY2016 Minister of Land, Infrastructure, Transport, and Tourism Prize; 3Rs Promotion Merit Awards 3Rs Promotion Council Chairman Award

Organizer: 3Rs Promotion Council
Note: Joint award with Tokyu Construction

- **Mushinan**

October 2016

Hibiya Gardening Show 2016 Garden Contest Minister of Land, Infrastructure, Transport, and Tourism Prize, Gardening category

Organizer: Executive Committee of Hibiya Park Gardening Show

- **Midori Curtain (Kanto Factory)**

November 2016

Grand Prize, Group category, 6th Midori Curtain Contest

Organizer: City of Koga, Ibaraki Prefecture

- **Net-Zero-Energy Housing Green First ZERO Promotion**

November 2016

FY2016 Environment Minister's Award for Global Warming Prevention Activities (Advanced Introduction of Countermeasure Technologies category)

Organizer: Ministry of the Environment

February 2017

26th Grand Prize for the Global Environment Award Minister of Economy, Trade and Industry Prize

Organizer: Fuji Sankei Group



- **ZEH Green First ZERO Promotion in Kanagawa Prefecture (Kanagawa Sales Administration Headquarters)**

January 2017

FY2016 Kanagawa Global Environment Award Kanagawa Smart Energy Planning category

Organizer: Kanagawa Prefecture, Kanagawa Global Environment Conservation Promotion Council

Community Building, Landscape

- **The Ritz-Carlton Kyoto**

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

- **Grand Front Osaka**

Note: Jointly awarded to 12 architectural companies (including Sekisui House), five design companies and two construction companies

July 2016

57th BCS Award

Organizer: Japan Federation of Construction Contractors



- **HK Yodobashi Garden Avenue**

December 2016

FY2016 Osaka Environmentally Friendly Architecture Award; Office Division Award

Organizer: City of Osaka, Osaka Prefecture

Note: Joint award with Nikken Sekkei Ltd.

- **MONOLITH (Ryomo Branch)**

January 2017

6th Ota City Scenery Awards

Organizer: City of Ota, Gunma Prefecture

Products, Technology, etc.

- **Sekisui House Constructed in 1963 Yamazaki house and Usui Family Villa (Sekisui House Model A)**

March 2016

Registered as tangible cultural properties (buildings) of Japan (Agency for Cultural Affairs)

Note: Located in Karuizawa, Kitasaku, Nagano Prefecture. Construction: Lightweight steel frame single-story structure

- **Retractable Safety Door Handle-less Storage Door Development of Bench Style Original Unit Bath BCH-V**

December 2016

IAUD Award 2016 IAUD Award (Housing Equipment category)

Organizer: International Association for Universal Design

- **Corporate Advertising "Sekisui House—Always There for You" Series**

April 2016

83rd Mainichi Advertising Design Awards; Advertiser Participation section Associate category prize (Financial, Housing and Real Estate category)

Organizer: The Mainichi Newspapers

32nd Yomiuri Advertising Awards; Advertiser category; Prize for Excellence in Living category

Organizer: Yomiuri Shimbun

July 2016

64th Asahi Advertising Awards; Advertiser Participation section; Real Estate and Financial category prize

Organizer: The Asahi Shimbun

October 2016

55th Business Advertising Awards; Serial Advertisement category; Honorable mention

Organizer: Fuji Sankei Business i

65th Nikkei Advertising Awards; Construction and Real Estate category; Grand Prize

Organizer: Nikkei Inc.

Kids Design Award

Jury Chairman's Special Award (Designs Contributing to the Safety and Security of Children category)

- **Safety Handle**



(Designs Contributing to the Safety and Security of Children category)

- **AirMe Built-In Air Purification System**

Note: Joint entry with the Panasonic Corporation

- **Specification Preventing Fingers from Getting Pinched in the Front Door**

Note: Joint entry with the Sanwa Shutter Corporation

- **Project to Nurture Biological Rhythm Using Light for Childcare Facilities**

Note: Joint entry with Daiko Electric Co., Ltd.

(Designs Cultivating Children's Creativity and Future category)

- **Sumufumulab**

(Designs Making Childbirth and Childcare Easy category)

- **Development and Spread of Temporary Toilets for Women on Housing Construction Sites**

Note: Joint entry with Hino Kogyo

- **Koto Kameido Global Kids Tatekawaen**

Note: Joint entry with Global Kids Co., Ltd.

- **Imadoki Mama Style**

- **First Floor Lifestyle**

- **Creating Houses Centered Around Food "Delicious 365 Days"**

July 2016

Organizer: NPO Kids Design Association

Good Design Award

(Architecture and Open Space Division; Lifestyle Design category)

- **Clear View Design Connecting Inside and Out with Japan-Made Materials**



(Architecture and Open Space Division; Heartwarming Design category)

- **Koto Kameido Global Kids Tatekawaen**

Note: Joint entry with Global Kids Co., Ltd.

(Communication Division; Social Design category)

- **Birdhouse Project Connects Children with the Forest**

October 2016

Organizer: Wood Design Award Secretariat

CSR and Other Initiatives

- **Sekisui House Limited**

June 2016

Selected by the Ministry of Economy, Trade, and Industry and the Tokyo Stock Exchange for inclusion on the "Offensive IT Productivity" list.

September 2016

Selected by U.S. S&P Dow Jones Indices and Swiss RobecoSAM for the Dow Jones Sustainability World Index (DJSI World)

January 2017

Ranked number one in the construction industry in the Nikkei 20th Environmental Management Survey corporate ranking

February 2017

Selected by RobecoSAM as "Gold Class" in the housing construction category in the RobecoSAM Sustainability Award 2017

March 2017

Selected as a Nadeshiko brand 2017 by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange as a company that promotes the active participation of women

Selected by the Ministry of Economy, Trade and Industry for the New Diversity Management Selection 100 as a company that promotes diversity management

- **Sustainability Report 2016**

February 2017

20th Environmental Communication Awards Environmental report category

Sustainability Report Award (Minister of the Environment Award)

Organizer: Ministry of the Environment, Global Environmental Forum



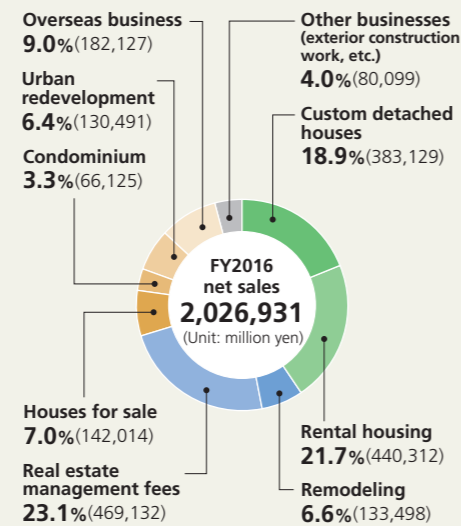
Corporate Profile (as of January 31, 2017)

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: ¥202,591,200,000
 Employees: 23,299 (consolidated);
 14,041 (non-consolidated)
 Total number of houses built: 2,334,222

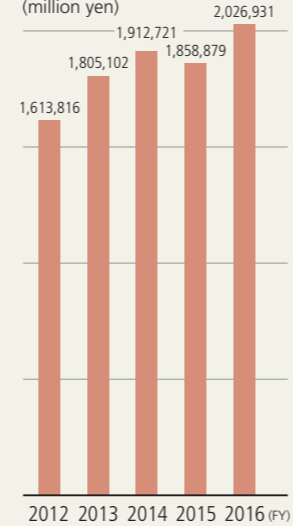
Sales and Service Offices (as of January 31, 2017)

Branch and sales offices: 122
 Customer service centers: 29
 Model homes: 395
 Factories: 5
 R&D institute: 1
 Consolidated subsidiaries: 225
 Companies accounted for under the equity
 method: 26

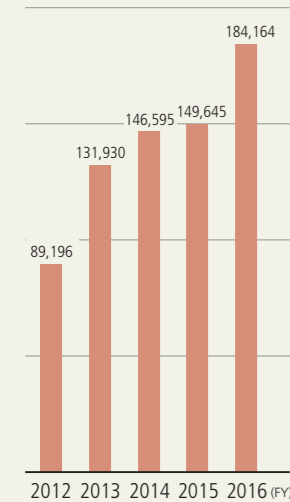
Consolidated Sales by Segment



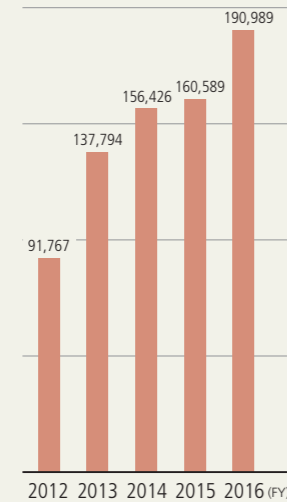
Consolidated Net Sales (million yen)



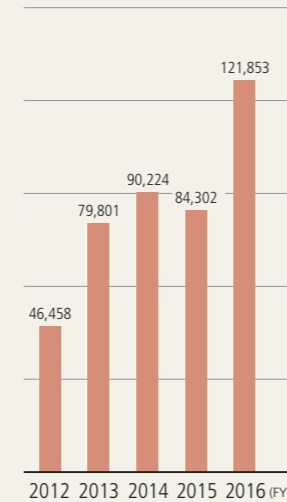
Consolidated Operating Income (million yen)



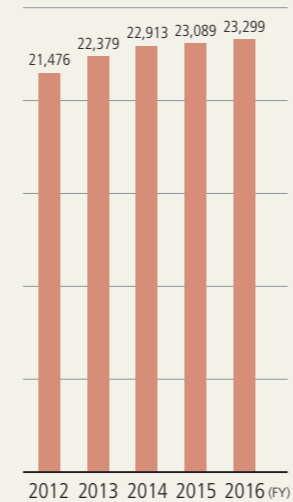
Consolidated Ordinary Income (million yen)



Net income attributable to owners of parent



Number of Employees (consolidated)



Share Information (as of January 31, 2017)

Number of shares outstanding: 709,683,466 Number of shares per share unit: 100
 Number of shareholders: 70,060 Listed stock exchanges: Tokyo and Nagoya

Share Distribution

	(%)
Financial institutions	38.43
Securities companies	5.32
Foreigners	29.59
Other companies	11.69
Individuals, others	14.97

Dividends per Share

	Dividends per Share (yen)
FY2016	64
FY2015	54
FY2014	50
FY2013	43
FY2012	28

Share Price and Trading Volume (Tokyo Stock Exchange, by month)

