

Changing the World
Through

An aerial photograph of a modern building's courtyard. The building has a grey, ribbed facade and a dark grey roof. The courtyard is paved with light-colored tiles and features a wooden bench, a small round table with a water bottle and a newspaper, and a yellow and white striped umbrella. A person is sitting on the bench, looking towards the camera. The overall atmosphere is bright and modern.

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.

Living

Contents

Integrated Reporting

About the Sekisui House Group

Sekisui House Group Business	05
The Sekisui House Group's Unique Strengths	07

The Sekisui House Mindset

TOP MANAGEMENT COMMITMENT

Resolving Social Issues with Initiatives Going Beyond Conventional Thinking

Isami Wada Chairman & CEO	09
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Toward Stable, Sustainable Growth with an Awareness of Interactions with People and Society

Toshinori Abe President & COO	12
Development of Philosophy and Value Creation	15
Business Model	17

Sekisui House Strategy

Medium-Term Management Plan and CSV Strategies	19
Communication with Shareholders and Investors	21

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. Moreover, this is the first report created in accordance with the "core" option identified in Standard Disclosures of the GRI (Global Reporting Initiative) Sustainability Reporting Guidelines (G4).

Energy usage, waste and greenhouse gas emissions, water used in factory production and social reporting (occupational accident and job-related illness frequency rates) disclosed in Sustainability Report 2016 are assured by third-party institutions to heighten reliability (see page 70, 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.



CSV Strategies — Creating Shared Value through Business

1 Promoting Net-Zero-Energy Housing 23



2 Preserving Biodiversity 29



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



Features of the Sustainability Report 2016

- The content of this report was determined by the Sekisui House CSR Committee, which includes three external members, taking into consideration social conditions and survey responses to the Sustainability Report 2015 received from 1,124 internal and external stakeholders.
- 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.
- This year's report includes Integrated Reporting pages aimed at providers of financial capital.
- As an annual report, this publication contains a summary of our corporate activities during FY2015, 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.

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



5 Promoting diversity and developing human resources 43



6 Developing overseas business 49



Organizational Management

CSR Management Promotion 53
 Specifying Material Aspects 54
 Stakeholder Engagement 55
 Supply Chain Management 56
 Occupational Health and Safety Management 57
 Corporate Governance 58
 Compliance and Risk Management 59

Environmental Report

Material Balance 61
 Eco-First Initiatives 63

Social Report

Post-Disaster Restoration and Reconstruction 65
 Social Action Programs 67

Outside Opinions, Evaluations and Related Data

Comments from External Members of the CSR Committee 69
 Independent Third-Party Assurance Report 70
 Third-Party Review 71
 Remarks by Sekisui House Executives in View of Third-Party Comments 72
 GRI Content Index for "In Accordance" Items 73
 Honors from Third Parties During FY2015 75
 Corporate Profile 76

Areas of Business

This report covers a total of 60 companies: Sekisui House, Ltd., and consolidated subsidiaries critical to CSR and environmental management, including the Sekiwa Real Estate Group (17 companies), Sekisui House Remodeling, Ltd.*, the Sekiwa Kintetsu Group (19 companies), Sekisui House Financial Services Co, Ltd., and 11 other companies, and Sekisui House Australia Holdings Pty Limited (11 companies). In total, this report covers 98.2% of the entire Sekisui House Group in terms of the number of employees.

Areas of Business Activity

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

- ▶ Period covered: FY2015 (February 1, 2015 to January 31, 2016)
 Note: Some activities undertaken in FY2016 are covered in this report.
- ▶ Date of publication: This Japanese version of this report is published annually in May.
 Note: English and Chinese versions are published annually in July.
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[Online inquiries > http://www.sekisuihouse.co.jp/english/information/contact.html](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.



Compilation focused on issues Sekisui House needs to address through stakeholder engagement. Includes the opinions of customers and outside experts.

<http://www.sekisuihouse.co.jp/sustainable/>

Note: After the reporting period for this publication ended, on April 1, 2016, Sekisui House Remodeling, Ltd., was split into three companies: Sekisui House Remodeling East Japan Ltd., Sekisui House Remodeling Ltd. (to be renamed Sekisui House Remodeling Central Japan Ltd., in August 2016) and Sekisui House Remodeling West Japan Ltd.

Sekisui House Group Business

Deploying Housing-Related Growth Strategies

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.

Note: Cumulative figures are all as of January 31, 2016.

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



IS STAGE steel-framed two-story house



Gravis Villa SHAWOOD wooden-frame detached house



BIENA steel-frame three- to four-story homes

Main Affiliates • 19 Sekiwa Construction companies (housing construction, etc.)

Detached Home Sales (FY2014)

15,266 houses

No.1 among prefabricated house manufacturers

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

19,251 houses

No.1 in Japan

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

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



BEREO three- to four-story rental housing



Celeblio assisted-living complex for senior citizens

Main Affiliates

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

Number of three-story rental housing starts (FY2014)

1,259 buildings

No.1 in Japan

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

Sale of Properties Business

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



Seaside Momochi, a streetscape that grows increasingly attractive over time

Main Affiliates

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

Condominium Development Business

Sale of condominiums



Grand Maison Josui Garden City South Forest

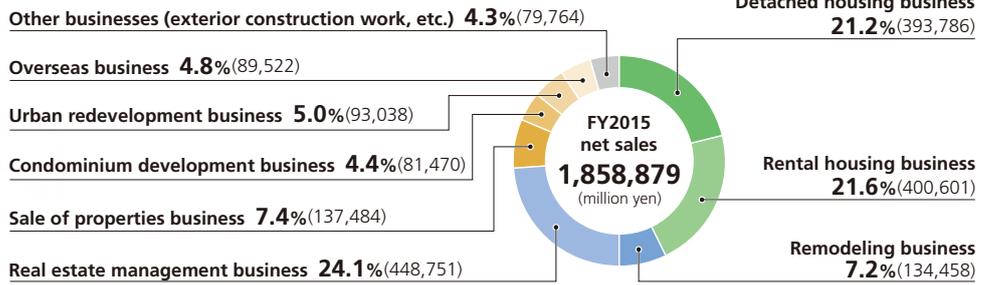
Main Affiliates

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

Built-to-order business

Detached homes, rental housing

Consolidated Sales by Segment



Remodeling Business

Expansion and renovation of houses, etc.



Renovation Work Examples

Main Affiliates

- Sekisui House Remodeling, Ltd. (housing remodeling and extension, 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 Business

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



Pro+Nube two-story rental housing

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)

Housing stock business

Remodeling, real estate management



Development business

Ready-built houses, condominiums, urban development

Overseas Business

Total number of houses constructed

2,284,659 houses

No.1 in the world

Remodeling business sales

134.4 billion yen

No.1 in Japan

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

10,679 units

No.1 in Japan

Urban Redevelopment Business

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



Umeda Sky Building

Overseas Business

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



Central Park, Australia

Main Affiliates

- Sekisui House Australia Holdings Pty Ltd.

Other Businesses

Exterior construction work, etc.



Example of *Gohon no ki* exterior construction and landscaping

Main Affiliates

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

Exterior business sales

60.3 billion yen

No.1 in Japan

The Sekisui House Group's Unique Strengths

Maximizing Value to Customers through Synergy Effects of Group Collaboration

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, we must engage in business that incorporates mechanisms for the continued provision of services.

To provide optimal services adapted to modern times in a variety of scenarios, the Sekisui House Group must efficiently share functions and systematically engage in activities while benefitting from Group collaborations both upstream and downstream leading to increased added value throughout the Group. We believe this will lead to providing customers with highest level of value.



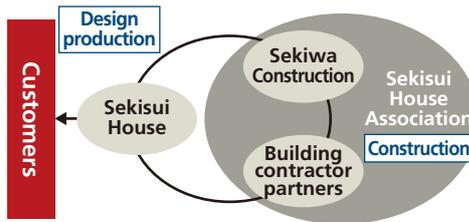
How are You Able to Realize High-Quality Construction?
How are You Different from Other Companies?

Ensuring the Highest Level of Construction Quality through Project Accountability

Project Accountability from Wholly-owned Subsidiaries Sekiwa Construction and Sekisui House Association

Onsite construction quality control is an extremely important process for ensuring the unique characteristics of detached houses built to specifications and tailor-made for each customer.

Rather than utilizing agencies, Sekisui House contracts directly with customers to create a project accountability structure guaranteeing solid construction quality. Wholly-owned Sekiwa Construction and building contractor partners comprising the Sekisui House Association constantly strive to improve their skills through training and other activities. Our 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.



Strong Customer Base

2.28 million total houses built

Built-to-order business

Detached homes, rental housing



What Does After-Sales Service Entail?

1,400 Employees Responsible for After-Sales Service

Approximately 10% of Sekisui House Employees are Dedicated to Supporting Homes and Lifestyles

After handing over a property, many housing companies consign after-sales services to an outside contractor. However, Sekisui House considers appropriate maintenance to be part of a home's intrinsic value. We established a nationwide Customer Center to ensure and maintain comfortable lifestyles. We also centrally manage customer housing information 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.





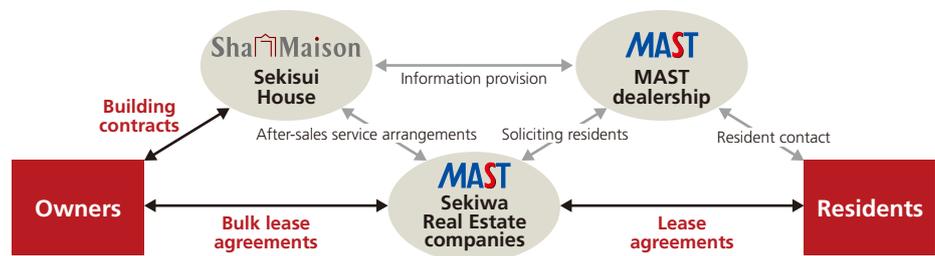
How Do You Maintain Asset Value with Minimum Management Effort?

Group-wide Management Support for Rental Housing Operation and Management

Inter-Group Support, from Construction to Brokerage, Operation and Management

In response to increasingly diverse needs, Sekisui House rental housing Sha Maison specializes in designs with the same high degree of freedom as detached housing. High occupancy rates and long-term, stable management are the keys to operation and management after completion.

The seven companies comprising Group wholly-owned subsidiary Sekiwa Real Estate develop business throughout Japan supporting rental management, from the solicitation of residents, to bulk leasing and ongoing maintenance. As outsourcers for owners, they operate a fee business with a stable structure facilitating the maintenance of asset value over the long term.



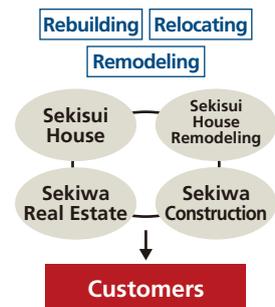
What are the Merits of Sekisui House Group Remodeling?

Remodeling Making Use of Numerous Construction Achievements

Group-wide Support, from Remodeling to Rebuilding and Relocation

Group companies provide a wide range of support for all kinds of large scale projects and renovation. Sekisui Remodeling Co., Ltd., handles Sekisui House detached housing, Sekiwa Real Estate handles Sha Maison rental housing and Sekiwa Construction handles general pre-existing housing.

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.



Housing stock business

Remodeling, real estate management

Development business

Ready-built houses, condominiums, urban development

Overseas Business



What are the Positive Effects of Your Development Business?

Supporting the Next-Generation of Multi-Generational Exchange Communities

Creating Comfortable Living Environments in Each Area that are Safe and Reliable

In addition to the proactive development of property sales and condominium businesses, there is also a demand for Japanese-style CCRC* as a critical social component for the aged as we move toward an era of active health. This enables us to make the most of our multi-generational rental condominium and other house manufacturing experience and expertise, as well as our experience in maintenance management.



Note: Continuing Care Retirement Community (CCRC)
The creation of a community in which elderly people who have opted to move to rural areas are able to live an active and healthy life. These communities also provide ongoing healthcare when necessary.

TOP MANAGEMENT COMMITMENT

Resolving Social Issues with Initiatives Going Beyond Conventional Thinking

Toward a New Stage of Expansion: Changing Society through Housing From an "All-Japan" Perspective

The World is Changing. No Longer Can One Company Pursue Profit for Itself Only

In December 2015, the "Paris Agreement" related to global warming countermeasures from 2020 onward was adopted at COP21 (the Framework Convention on Climate Change, 21st Session of the Conference of the Parties to the United Nations) held in Paris, France. A legal framework aimed at eliminating greenhouse gases was created by the 196 countries and regions that participated in the conference. Japan has committed to reducing greenhouse gas emissions 26% by 2030 compared to 2013 levels. Needless to say, various initiatives aimed at achieving this goal will be accelerated going forward.



Framework Convention on Climate Change, 21st Session of the Conference of the Parties to the United Nations (COP21)

Furthermore, after much controversy, a strategic economic partnership agreement among Pacific Rim countries, known as the TPP agreement, was officially signed. Now, in a variety of meanings, Japan and the rest of the world are entering a new era. At the same time, political, economic and international conditions continue to be extremely unstable and are expected to become increasingly uncertain. This is an era of daily upheaval. Given these conditions, how are we to understand the world and anticipate the future? I think one answer is found in the keywords "all-Japan."

This is completely different from an inward-looking, lockstep mentality. In short, to grow in tandem with the world, we must discard the idea of "one company profiting for itself only." To use a housing industry-related example, Home Energy Management System (HEMS) standards present a challenge in terms of equipment compatibility. While healthy and friendly competition are important, if interconnected companies separately pursue short-term profits, the result will be conditions in which no one profits at all. Customers are also perplexed.



Isami Wada
Chairman & CEO

Household electricity consumption ratio

Approximately one-third of Japanese power consumption **1/3**

Source: IEA/OECD Electricity Statistics

Reduction of household asset value

Currently housing assets amount to ¥350 trillion compared with ¥893 trillion in housing investment

Housing asset values have fallen approximately **¥540 trillion**

Source: Ministry of Land, Infrastructure, Transport, and Tourism



Growing aged population

The elderly will represent approximately 33.4% of Japan's population in 2035

One out of every three people will be **65** years or older

Source: Cabinet Office

Economic Burden of Healthcare Expenses

In fiscal 2014 healthcare expenses amounted to **¥40 trillion**

Approximately 36% was spent on people 75 years or older

Source: Ministry of Health, Labor, and Welfare

This is just an example. However, this is becoming an issue of enhancing the overall strength of national power and the nation in a variety of areas from an all-Japan perspective.

This also applies to the reduction of greenhouse gas emissions. This is a global problem that cannot be solved by one company. In Japan, the residential sector accounts for about one-third of electric power consumed, thus residential energy conservation has a massive impact. The housing industry has a tremendous responsibility. There is a demand for new comprehensive countermeasures that go beyond conventional concepts of simply promoting energy conservation.

Promoting Not Only New Construction, But Also Existing Home Energy Creation and Conservation

In Japan at present, there are problems with the state of electric power and energy, as residential sector CO₂ emissions are rising substantially. To promote the spread of net zero energy housing (ZEH) that achieves a balance between energy used and created, the government established specific goals to make the majority of new homes built by housing manufacturers ZEH-compliant by 2020. This is a truly all-Japan project. However, this amount represents only about 1% of Japan's total housing. What I also want to emphasize is ZEH's applicability to the overwhelming volume of existing homes. There is a limit to the number of newly built homes. The impact on greenhouse gas reductions from existing homes that create and conserve energy is a different order of magnitude.



Chairman Wada speaking at a public-private dialogue with the government focused on future investment (from the Office of the Prime Minister's official website)

Until now, advanced housing technologies and other environmental technologies focused mainly on high-performance new housing. Going forward, we are entering an age in which these achievements and expertise will be incorporated into existing housing. Sekisui House is also making Group-wide efforts in this area at present. We must completely change our concept of remodeling, which is strongly associated with housing repairs and expansion. This is the housing industry's societal mission. Furthermore, good homes will not be torn down. Efforts to smoothly circulate quality housing as social capital are also important from the perspective of building a sustainable society. Sekisui House also promotes activities as a key member of the Provision of Quality Housing Stock Association, known as "SumStock."

In public-private dialogues with the government focused on future investment, I have emphasized this situation and formulated specific policy demands. In addition to the promotion of ZEH, the government also indicated support for energy-saving remodeling and renovation measures. I was able to present a new perspective on the role housing plays in resolving social issues such as environmental and energy problems, and above all, the application to existing homes and the circulation of quality homes, which was understood and approved by the government. This was extremely significant, not only in terms of global warming countermeasures, but also the future of Japan from the comprehensive perspective of an improved housing environment.

One other point I emphasized was promoting the spread of simple fuel cells installed on condominium balconies. The typical household fuel cell is almost twice as energy efficient as a thermal power station. It can also generate power at night. At present, the basic energy plan objective is to introduce a total of 5.3 million of these units by 2030. This has resulted in a battle over price. The contention is that political support is indispensable, including tax breaks for capital investment by manufacturers. The public and private sectors are working together to pool their knowledge, and if mass production can bring unit costs down to ¥500,000, there is no doubt this can become a powerful driving force behind existing home energy creation. As the housing industry's leading company, Sekisui House will drive these all-Japan initiatives and is prepared to work vigorously to promote the development and spread of more advanced environmental technologies.

Homes that Extend a Healthy Life Expectancy in Demand Among Aging Developed Countries

Japan is said to have developed country issues, which include environmental and energy problems. If we accept the super-aged society as a positive, the concept of an aging developed country is born. From this perspective, in recent years I have repeatedly used the phrase “healthy life expectancy.” This aim is not only to live a long life, but also to create a society in which everyone can have a lifetime career and live energetically. I think housing offers a lot in terms of extending a healthy life expectancy.

More effective home insulation has been shown to improve senior citizen blood pressure, sleep quality and allergy symptoms. At the same time, there are reports that sudden deaths are on the rise among the elderly while bathing during the winter. This is caused by a rapid change in body temperature, known as “heat shock.” It is estimated that 17,000 people die this way each year. This is nearly four times as many people as are killed in traffic accidents, more than 80% of whom are elderly people aged 65 years or older. Aging developed countries require homes that extend healthy life expectancy. Not only will this prolong the lives of the elderly, it will also reign in healthcare costs. Calculations based on research conducted by Dr. Shizo Murakami of the non-profit Institute for Building Environment and Energy Conservation indicate healthcare costs per household can be reduced ¥47,000 per year with high athermalization remodeling. At present, there are approximately 40 million existing homes in Japan that need high athermalization. Performing a simple calculation reveals this has the potential to reduce annual healthcare costs by approximately ¥2 trillion. Surely, this is a topic that warrants serious discussion.

At present, Sekisui House is aggressively promoting its Platinum Business targeting senior citizens. This business is rooted in the idea of “comfortable living—now and always,” our approach to home creation based on the lifelong-housing concept. Specifically, this refers to Sekisui House’s Smart Universal Design, which seeks to provide a lifetime of safety and security, user-friendliness and comfort using high quality insulation and indoor air systems. Initiatives to revive communities where multiple generations interact will have a positive impact on a healthy life expectancy. We are advancing these business activities to seek new answers that will resolve aging developed country and other issues.



The super-aged society has arrived in Japan



The number of inbound (overseas) tourists has increased beyond all expectations

Sekisui House Group’s Responsibility to Future Generations in an Increasingly Global Housing Industry

Today, the Internet of Things (IoT) is emerging as a new theme. Smart houses and smart cities are only the beginning. This technology is a subject that should be addressed by society as a whole. Standing at the heart of social issues, the housing industry is calling into question the value of this development. I think alliances with venture capital firms possessing a variety of innovative know-how is a key factor. We can create new possibilities by multiplying our mutual strengths. It is also necessary to create a foundation and awareness to cultivate venture capital firms in the greater society. Large corporations must not be too bound by words like “governance.” New and unconventional experiments and collaborations will provide stimulation and invigoration leading to comprehensive advances in all-Japan capabilities.

I currently serve as chair of the Eco-First Promotion Council, which was set up to promote collaborations among a network of Eco-First Companies certified Ministry of the Environment. I am also chair of the non-profit Kids Design Association, which works with the Ministry of Economy, Trade and Industry (METI) to promote business, senior citizen welfare-related activities and expanded contact with METI. Initiatives originating in housing involve a variety of ministries and are connected to all kinds of policies. Through our development business we are business partners with a global hotel group that is proactively outspoken with respect to inbound travelers and tourism promotion, one pillar of Japan’s growth strategy. The number of overseas tourists visiting Japan has greatly exceeded expectations. The growth of the tourism industry in response to inbound demand is also linked to regional revitalization, which is strongly connected to the future of the housing industry in a variety of ways.

Sekisui House agreed to and signed the Joint Declaration in the Building and Construction Sector formulated at COP21. This was signed by 70 institutions worldwide from 20 participating countries. With the environment as the cornerstone of business, Sekisui House leads Japanese housing environmental performance improvements and has taken on an even greater international mission and responsibilities.

Changing society through housing. This is an all-Japan effort that is advancing toward the global stage. Sekisui House’s overseas business is also beginning to extend its profits. To continue fulfilling the housing industry’s responsibility to future generations, we will maintain our focus on housing while expanding into related domains. I am confident this will lead to increased customer satisfaction and the creation of new value demanded by future societies.

TOP MANAGEMENT COMMITMENT

Toward Stable, Sustainable Growth with an Awareness of Interactions with People and Society

Continuing to be a Company Needed by Society Where Employees Want to Work for a Long Time

Supporting Well-Balanced Profit Growth with Three Business Models

When thinking about corporate social responsibility, our ideal state of being and the future vision for business development, I always tell myself—and repeatedly instruct employees—that “a company not needed by society is not qualified to grow.” Companies needed by society deliver products and services demanded by society and customers in a satisfactory manner. The company is built upon this trust. Is our company needed by society today? These are simple words, but the question is extremely serious.

This is the final year of the Sekisui House FY2014 Medium-Term Management Plan, focused on priority themes

in housing-related businesses. Until now, performance and business strategy have proceeded according to plans. This was the result of accumulated support and trust from customers, and continuing to deliver results that exceed expectations, we must now target new growth. At present, Sekisui House develops business according to three business models: the built-to-order, housing stock and development businesses. Underpinning our steady performance is the establishment of a solid earnings base in each of these businesses as a result of structural reformations after the Lehman Shock and the strengthening of Group collaborations in line with our 50th anniversary. As a result, we were able to create a well-balanced structure for profit growth in all three business models.

In terms of earnings, the built-to-order business accounts for approximately 50%. The remainder is contributed in roughly equal parts by the housing stock and development businesses. Until now, Sekisui House had been supported by a single pillar—the built-to-order business, which focused mainly on detached housing—but now we are supported by three pillars. This is a major advance. A closer look at the built-to-order business reveals that rental housing earnings account for more than 50%. Even when looking at the details of each individual business model, we see steady ongoing growth amid an increasing sense of stability. Going forward, we will of course make these three pillars increasingly stout, while continuing to actively and boldly take on challenges by establishing a new pillar: a new business model in the housing-related business, a large area with growth potential as a result of changing times and social demands. At the root of these efforts is a love of humanity, which is our corporate philosophy. The good faith practice of desiring happiness for others and treating their joy as our own is at the heart of our services. Going forward, we will continue to implement our SLOW & SMART brand vision and launch a variety of measures desiring happiness for others in our commitment to continue being a company needed by society.



Toshinori Abe
President & COO

Our Role and Responsibilities as a Leading Company in the Housing Industry

Driving growth in the built-to-order business is the Green First strategy, based on environmental technologies comprising the foundation of Sekisui House's CSR. At COP21 (the Framework Convention on Climate Change, 21st Session of the Conference of the Parties to the United Nations) held at the end of 2015, Japan's commitment to the reduction of greenhouse gas emissions calls for a substantial 39.9% reduction in the residential sector by 2030. Sekisui House, recognized as an Eco-First Company by the Minister of the Environment and committed to environmental initiatives, is charged with a significant role and responsibilities. Going forward, we are prepared to further strengthen and thoroughly implement the Green First strategy.

First, with respect to newly built homes, the spread of net-zero-energy housing (ZEH) enabling zero net energy consumption is accelerating. This is a national project with political backing. Sekisui House intends to lead this development with the goal of expanding ZEH to 80% of newly built housing by 2020. In addition to newly built homes, we also have plans to focus efforts on energy-saving remodeling and larger scale renovations to realize comfortable and eco-friendly lifestyles with respect to existing homes, which comprise the overwhelmingly majority of homes. These plans include Green First Remodeling to extend the healthy life expectancy



ZEH compliant product Green First Zero ZEH



Rental housing Sha Maison contributes to the housing stock business

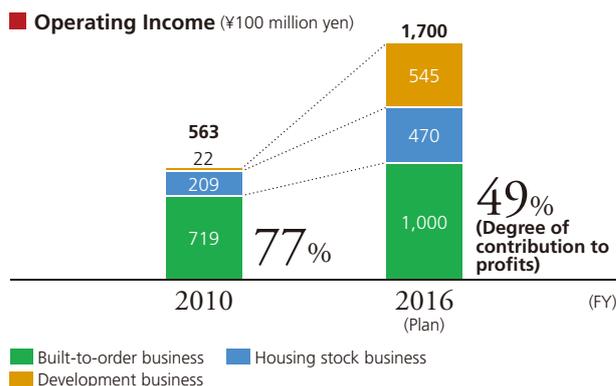
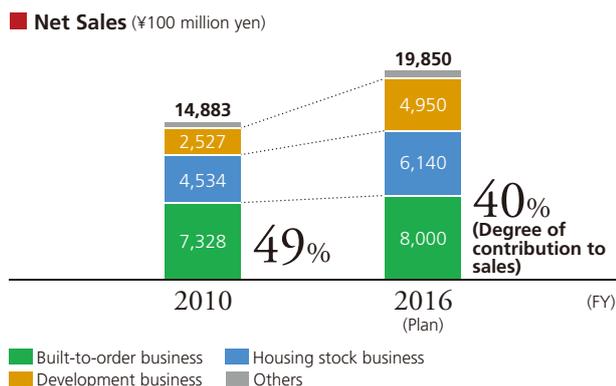
of residents by improving the thermal environment. The combination of improved insulation, the introduction of energy-efficient equipment and photovoltaic systems will enable even greater CO₂ reductions.

At present, we are creating a support structure in the remodeling and renovation business, comprising Sekisui Remodeling Co., Ltd., which handles Sekisui House detached housing, Sekiwa Real Estate, which handles Sha Maison rental housing and Sekiwa Construction, which handles general pre-existing housing. Green First Remodeling will be applied to all kinds of housing in Japan. Sekisui House will combine its unique powers of collaboration and make maximum use of its overall capabilities while contributing to the resolution of social issues. Going forward, we believe increasing the contribution from the housing stock business within our three business models will also lead to stable growth for Sekisui House.

Even though Times May Change, We Maintain an Unwavering Customer First Approach

In terms of resolving social issues and meeting societal needs, our priority theme is three- to four-story housing in line with the expansion of multigenerational households, one of the government's childrearing support measures calling for a society in which all 100 million people can play an active role. The demand for rental housing is also on the rise from the perspective of inheritance tax measures. To meet these needs and increase comfort, Sekisui House developed Shade 50, an advanced soundproofing system that significantly reduces impact noises from the floors above. Stress caused by noise is reduced using the world's highest standard for soundproof

Balanced Earnings Composition Changes



Note: Breakdown does not include Others, companywide expenses or inter-segment eliminations.

performance. Four-story structures acquired model certification linked to efficient design and construction confirmation application operations. Going forward, we will enhance this system and promote technological developments while enhancing cost competitiveness offering lifestyle diversity in support of ideal family situations with the aim of providing even greater customer satisfaction.

Shawood wooden-frame housing's Gravis Villa, a 20th anniversary edition offering an expanded degree of freedom in ceiling height, has been well received. We developed Shade Border, a new pattern for Dyne Concrete original exterior walls in the IS Series, our core product in steel-framed homes. This design, with an increased emphasis on a sculpted sense of dignity, will continue to maintain its presence as a neighborhood asset with everlasting value. To provide the high quality of these products, we make an effort to develop human resources, including building contractors, to strengthen construction capabilities. These initiatives are based on an awareness of being united by a common destiny, which is ingrained in Sekisui House's DNA. Strong bonds with building contractors, close-knit Group collaborations, and above all, a customer first approach—no matter how the times may change, we are firmly rooted by the support of our competitive products.

Correct Understanding and Fair Evaluation of the Value of Diverse Human Resources

Within the Company, we are approaching the further inculcation of our corporate philosophy espousing a love of humanity, while simultaneously expanding awareness in line with the changing times from a variety of angles. We are making the most of all our employee's strengths, establishing a Diversity Promotion Team to lead sustainable management aimed at creating a workplace environment based on mutual respect, the results of which are already apparent throughout the Company. In particular, the growth and active participation of women has been eye-opening. I myself am extremely pleased to interact daily with female employees vigorously playing an active role, which I find extremely encouraging. In my New Year's greeting I declared "women's active participation is indispensable to Sekisui House growth." Women managers are on the rise. They are also expanding into worksite foreman operations in technical divisions. Women are involved in about 60% of all remodeling sales. However, the important thing is not the additional number of women in these areas. This is not about simply increasing numbers. Women demand opportunities and workplaces created to draw out their natural abilities. We must increase the fairness and transparency of evaluation criteria, which is also important for motivating male employees.

Furthermore, these initiatives will not function merely by policies alone. They are also significantly affected by the awareness and attention of those at the top of the organization. For the past few years, I have stated that "the era in which working late into the night is considered a virtue is over." It is critical to adopt a stance that carries on positive traditions. However, I am also always saying "don't talk about how things

used to be or tell heartwarming stories from the past."

The concepts of a love for humanity and desiring happiness for others and treating their joy as our own also applies to relationships between supervisors and staff. Companies needed by societies must be companies where employees want to work for a long time. Above all, the work that we do puts us into daily contact with a variety of customer lifestyles and walks of life. Workplaces that make use of women, as well people with disabilities, senior citizens and foreigners is a necessary condition for growth and innovation.

Regarding compliance, it is important to remember it is taboo to assume simply preparing systems and manuals is enough. Looking at real world examples, when we explore the root cause of problems, we often discover extravagant organizations, workplace negligence, carelessness and other human problems. Before rules and laws, we must apply morals and ethics. If one adopts a modest rather than idealistic viewpoint and approaches work with sincerity, in the event one is confronted with an unforeseen incident or accident, they should be able to respond appropriately.

Darwin, known for his theory of evolution, said "it is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is most adaptable to change." Taking these words to heart, Sekisui House will constantly change and evolve while continuing on the path of healthy growth as a company needed by society.



Original exterior wall Dyne Concrete new pattern Shade Border



Female employees are also active at construction worksites

Development of Philosophy and Value Creation

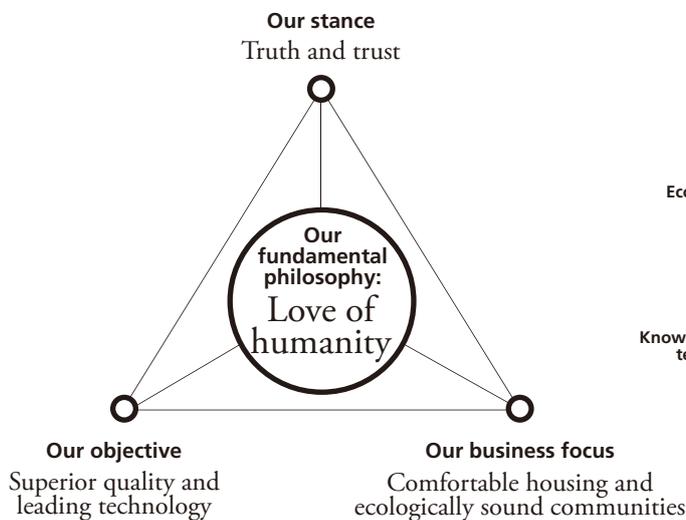
Progress of Sekisui House's Creation of Four Values through Housing

The Sekisui House Group creates and provides value through housing in response to societal changes and needs based on its corporate philosophy.

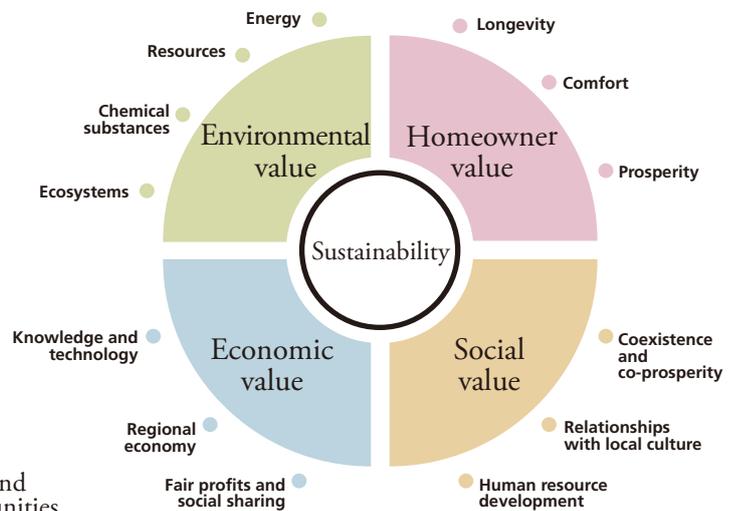
In 2005, we defined "a sustainable society" as the vision we must aim towards and announced four values—environmental, economic, social and homeowner—to realize and verify this goal, which is intended to achieve balanced management. After that, the four values were enhanced by accelerating the development 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



4 Values and 13 Guidelines



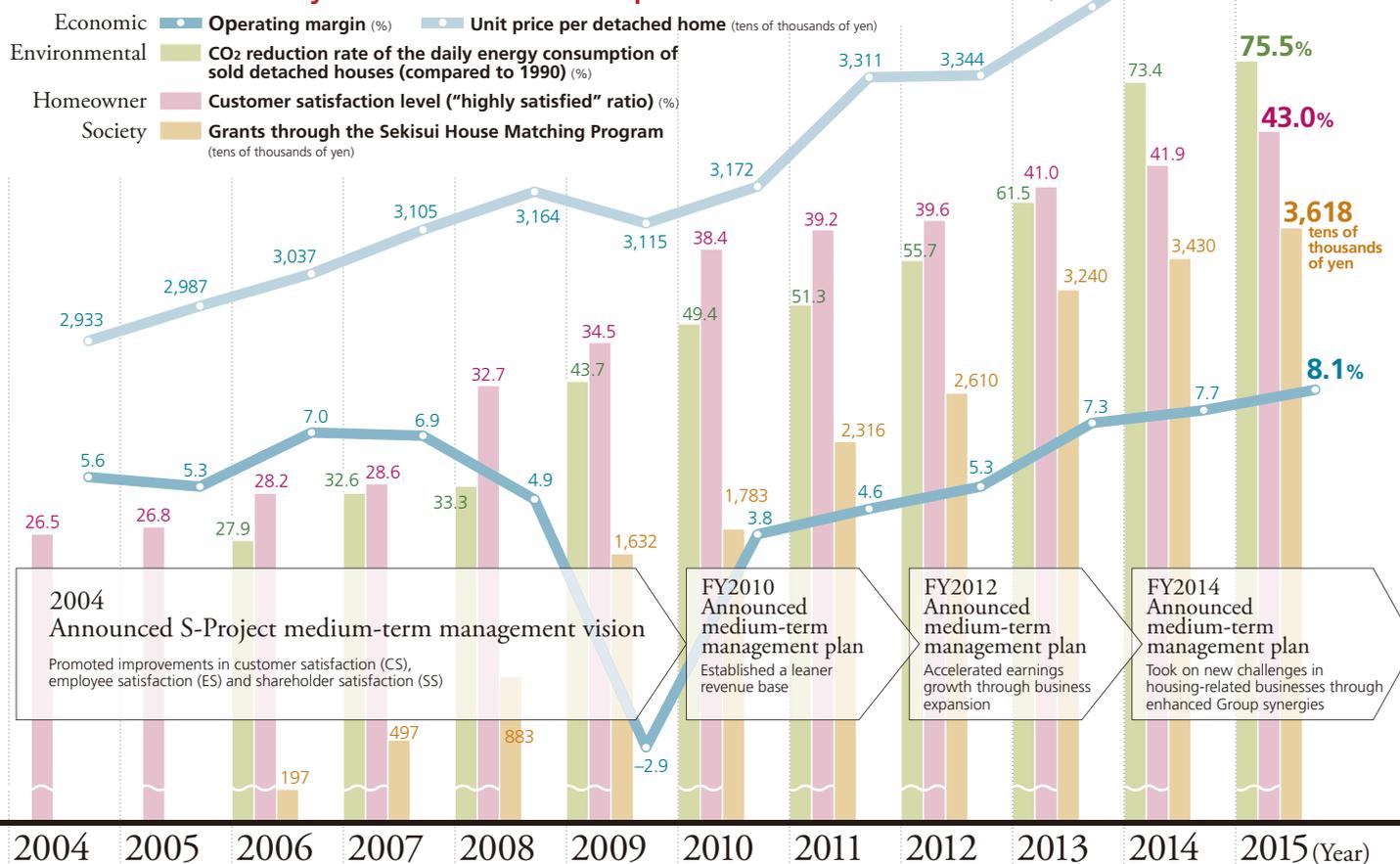
Our fundamental philosophy, a love of humanity, means doing all things in good faith and with a spirit of service. It means desiring happiness for others, and treating their joy as our own, with the awareness that each and every human being has irreplaceable value. This was formulated in 1989 based on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

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.

	1960s & 70s	1980s	1990s	2000s
Actions taken by Sekisui House	<p>1960 Sekisui House established</p> <p>1979 Conducted the housing industry's first full-scale vibration experiments</p> 	<p>1981 Built Japan's first model house for people with disabilities</p> <p>1982 Launched the PSH-21 (passive solar house) utilizing natural energy</p> <p>1989 Formulated a corporate philosophy</p>	<p>1996 Launched the Centrage Σ model, first in the housing industry to provide multi-layered high-performance heat insulating glass as a standard component</p> <p>1997 Launched the Solar Σ.A model, featuring a photovoltaic power system as standard equipment</p> <p>1999 Announced the Environmental Future Plan</p>	 <p>2001 Launched <i>Gohon no ki</i> project as a sick building syndrome countermeasure unifying Fc0 and E0 interior finishing material specifications</p> <p>2002 Achieved zero waste at all six of our factories, standardized crime prevention specifications in all homes</p> <p>2003 All newly built detached homes received next-generation energy-saving systems as standard equipment</p>
Social trends, etc.	<p>High growth period of Japan</p> <p>Oil shock</p>	<p>1981 New seismic design standards introduced in Japan</p> <p>1985 Vienna Convention for the Protection of the Ozone Layer adopted</p>	<p>1992 Earth Summit held in Brazil</p> <p>1993 Environmental Basic Act comes into force in Japan</p> <p>1995 Great Hanshin-Awaji Earthquake occurs</p>	<p>2000 Housing Quality Assurance Act comes into force in Japan</p> <p>2002 "New National Biodiversity Strategy" determined by Ministerial Conference Construction Materials Recycling Act comes into force in Japan</p>



Shared Value Created by the Sekisui House Group



2004 Announced S-Project medium-term management vision
Promoted improvements in customer satisfaction (CS), employee satisfaction (ES) and shareholder satisfaction (SS)

FY2010 Announced medium-term management plan
Established a leaner revenue base

FY2012 Announced medium-term management plan
Accelerated earnings growth through business expansion

FY2014 Announced medium-term management plan
Took on new challenges in housing-related businesses through enhanced Group synergies

2004 Began systematic initiatives toward disaster-ready housing, launched sales of energy-saving and disaster-ready housing

2005 Announced the Sustainable Vision
Formulated the Urban Development Charter

2007 Introduced the SHEQAS seismic control system
Formulated Wood Procurement Guidelines

2008 Made the Eco-First Promise
Cooperated in the construction of the Zero Emission House

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

2004 Niigata Prefecture Chuetsu earthquake

2005 Kyoto Protocol takes effect

2006 Basic Act for Housing comes into effect in Japan

2007 Niigata Prefecture Chuetsu Offshore earthquake

2008 Lehman Shock causes global financial crisis
Hokkaido Toyako Summit held

2009 Japanese government launches Long-Term Quality Housing Certification Program

2010 10th meeting of the Conference of the Parties to the Convention on Biological Diversity (COP10) held

2011 Great East Japan Earthquake

2015 Third session of the United Nations World Conference on Disaster Reduction held
Framework Convention on Climate Change The 21st meeting of the Conference of the Parties (COP21) held

Business Model

Creating Shared Value Aimed at Sustainable Development

The Sekisui House Group has established a business model for creating shared value. Generated profits and value are invested in further growth using our unique strengths and Group collaborations leveraging the specialization of each Group company. As a result, this gives rise to new profit and value that is provided to society and stakeholders. We believe this business cycle and upward spiral enables sustainable development.

The Source of Our Value Creation

More than **¥734 million** invested in **employee training**

Sekisui House'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 2015, we invested approximately ¥734 million in education and training (excluding expenses related to OJT and self-development support).

Over **210,000** after-sales service **visits conducted**

1,400 people, about 10% of Sekisui House employees, work in the after-sales service division. They of course promptly visit owners who have requests or inquiries and 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. Additionally, we conduct monthly "LOHAS visits" during the first year after move in to provide information on seasonal care. In 2015, these voluntary visits were conducted over 210,000 times.

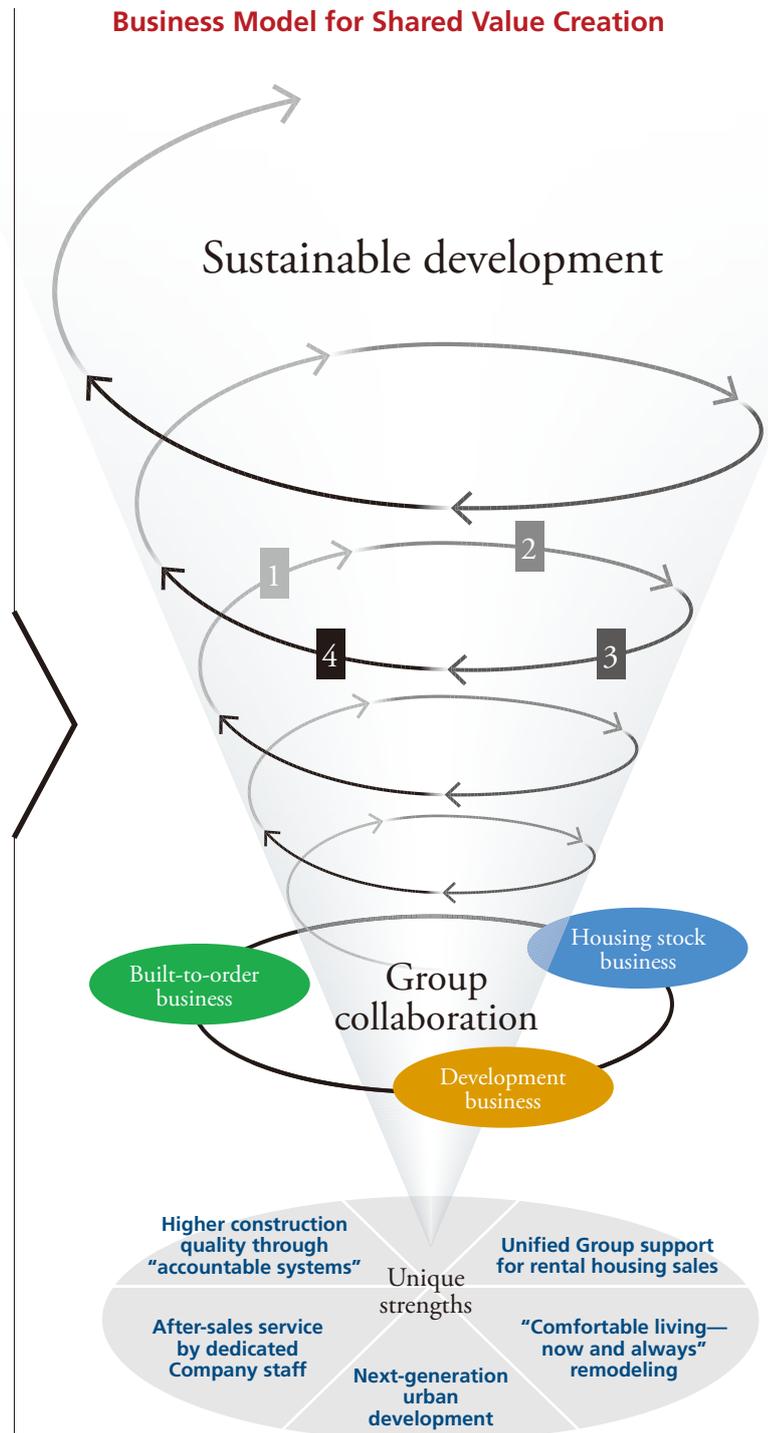
Cumulative total of houses built: **2,284,659**

Founded in 1960, Sekisui House began in the detached housing business, then expanded into the housing-related business domains of rental housing, Common City residential lots, Grande Maison condominiums, Rokko Island City and other urban developments. As of December 31, 2015, the cumulative number of houses built was 2,284,659. This makes us the uncontested global leader in housing construction.

Sekisui House Association comprises 17 Sekiwa Construction companies and over 7,000 partner building contractors

The Sekisui House Association oversees collaborations with Sekisui House offices in each region, aimed originally at improving construction quality, and promotes various initiatives including support for customers and neighbors, safety measures, human resource cultivation and improvements in the working environment. Also, in the event of a natural disaster, the Sekisui House Association plays a significant role, from initiating first responses, to recovery and reconstruction activities. In response to the Great East Japan Earthquake, the Sekisui House Association made use of the strengths of its nationwide organization to dispatch technicians from across Japan to the affected areas, ensuring ongoing and stable of construction capabilities as demand for construction increased. Going forward, the Sekisui House Association will make every effort to realize customer satisfaction and engage in initiatives that increase Sekisui House brand value aimed at coexistence and co-prosperity as a common destiny.

Business Model for Shared Value Creation





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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

Housing stock business expansion

We are expanding the housing stock business in response to societal changes and real estate and remodeling fee business making use of strengths including a solid customer base and Group collaborations.



CSV Strategy 1 3 4 5

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

Providing housing with high added value

Realizing high added value while at the same time comfort, 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 8.1%

We improved our profit structure to achieve a third consecutive year of record operating profits. The operating margin improved 0.4 points compared to the previous fiscal year.

Unit price per house ¥ 37 million

The ratio of high added value products including Green First Zero and three- to four-story homes rose, causing the unit price per house to increase ¥1.35 million compared to the previous fiscal year.

Environmental value

CO2 reduction rate of detached houses 75.5%

The spread of eco-friendly homes led by Green First Zero led to increased reductions compared to 73.4% in the previous fiscal year.

Green First Zero ratio 70.9%

We develop business based on the strong belief that providing high added value housing will lead to customer safety, security, comfort and happiness. This led to a significant increase compared to 59% in the previous fiscal year.

Homeowner value

Customer satisfaction level 95.2%

In questionnaires submitted one year after moving in, the total ratio of very satisfied (43%), 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 occupancy rate 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 each year since 2010.

Social value

Sekisui House Matching Program grants ¥ 36.18 million

The Company matches donations provided by employees, which are used to support non-profits and activities aimed at resolving various social issues. Over the past ten years, ¥200 million has been donated to a total of 200 organizations.

Ministry of Economy, Trade and Industry and Tokyo Stock Exchange selected as a Nadeshiko brand 2016

Sekisui House was selected as a company that excels in empowering women. In addition to being selected in 2013 and 2015, we are the only company in the housing and construction industry to have been recognized a total of three times.

Medium-Term Management Plan and CSV Strategies

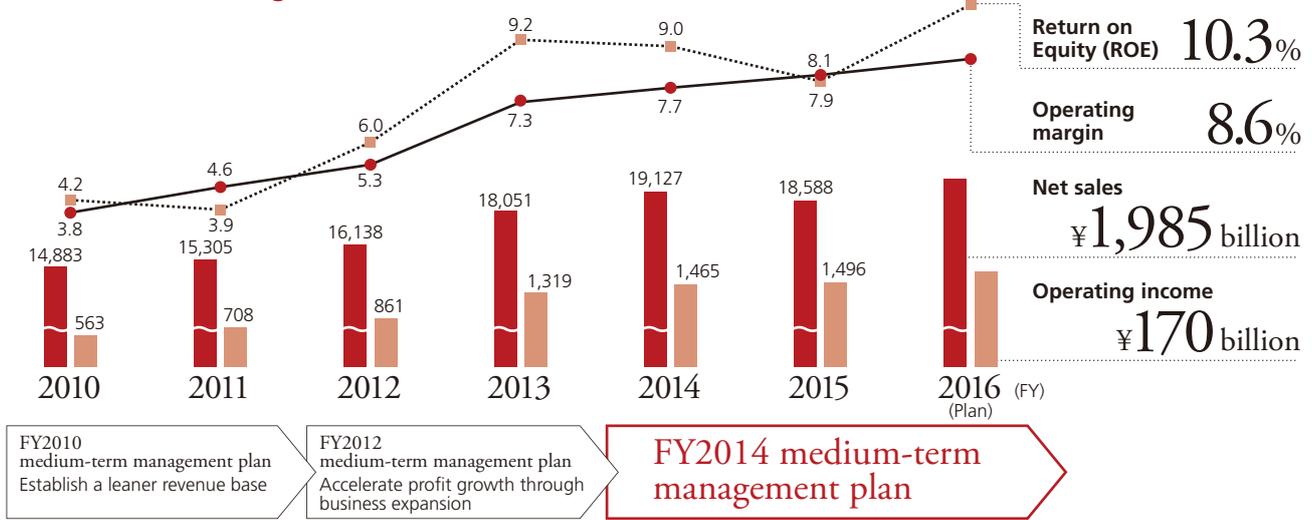
A Growth Strategy Centered on Housing

The Sekisui House Group engages in Creating Shared Value (CSV) management founded on sustainable growth that positions housing as the core of social issues.

The pillar of this growth is the development of a growth strategy specializing in the “living” business domain.

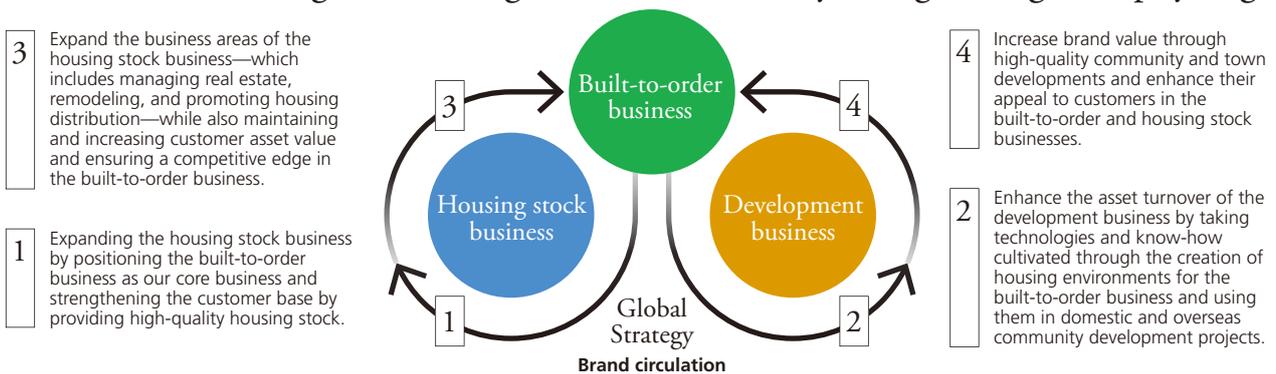
Specific strategies and progress updates are disclosed in the medium-term management plan and other policies.

Medium-Term Management Plan and Performance Trends



FY2014 Medium-term Management Plan Basic Policies

Take on new challenges in housing-related businesses by strengthening Group synergies



FY2014 Medium-term Management Plan Progress

In fiscal 2105, in line with the medium-term management plan and the aforementioned SLOW & SMART basic policy, we developed business attempting to cultivate new customers while expanding Group-wide housing and housing-related businesses based on the pursuit of new challenges in housing-related businesses by strengthening Group synergies.

In the built-to-order business, detached housing was affected by the fiscal 2014 decline in orders, causing net sales to fall short of initial projections, but Group capabilities were leveraged to enhance our profit structure, which combined with contributions

from the real estate management, property sales and condominium businesses, resulted in record operating profit for the third consecutive fiscal year.

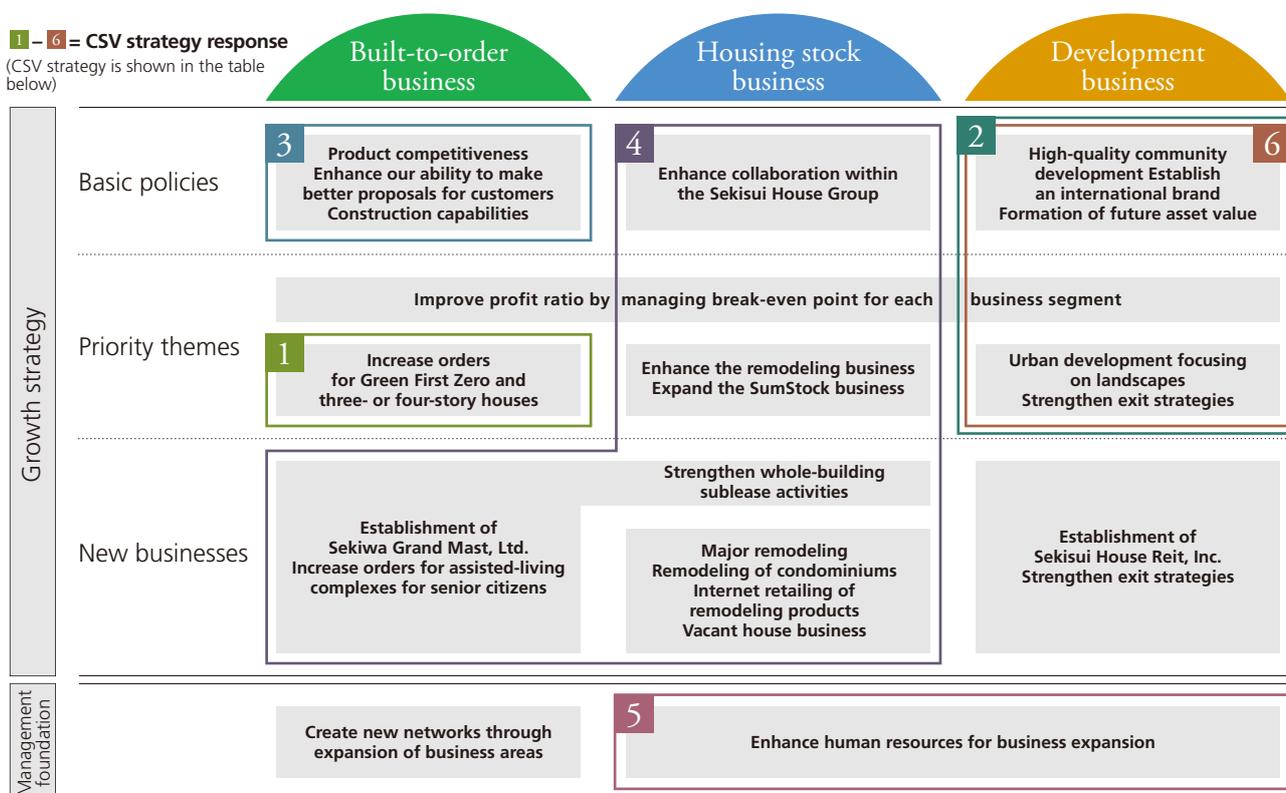
Green First Zero, three- to four-story home high added value products, major renovations and general remodeling orders were all on track, enabling us to achieve medium-term management plan targets in fiscal 2016, the final year of the plan, leading us to revise our forecast upward in anticipation of record net sales and operating profit.



We have selected six priority themes and are focusing on them as CSV (Creating Shared Value) strategies for further strengthening. The CSV strategy combines specific activity levels in line with the medium-term management plan 19 material aspects selected from Specific Standard Disclosures of the G4 Guidelines. This relationship is explained below.

FY2014 Medium-Term Management Plan and CSV Strategies

1 - 6 = CSV strategy response
(CSV strategy is shown in the table below)



CSV Strategy and G4 Material Aspects

	CSV Strategies	Correlation with specific G4 material aspects
1 Promoting net-zero-energy housing	Contribute to customer healthy life expectancy and the environment by realizing high-quality living not constrained by energy problems	<ul style="list-style-type: none"> Environment: Energy Environment: Atmospheric emissions Environment: Products and services
2 Preserving biodiversity	Protect ecosystem networks through use of sustainable natural capital that considers impacts on business	<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	Realize maximum customer satisfaction through superior quality and leading technologies	<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	Long-term support of customer lifestyles through Group company collaborations. Link to improved value of housing and resource recycling	<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	Aim to become a sustainable corporate group generating high added value while encouraging diverse employees to realize their potential and respect one another	<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	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	<ul style="list-style-type: none"> Environment: Energy Environment: Biodiversity Product responsibility: Customer safety and health

Communication with Shareholders and Investors

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

Visitor Days and Briefings

Shareholders are provided with the opportunity to visit the Comprehensive Housing R&D Institute, where they attend research facility tours and experience the *Nattoku Kobo* hands-on tutorial. Through these activities, we are able to enhance our relationship of trust with the participants.

For investors, we hold company briefings and seminars throughout Japan designed as opportunities to deepen understanding about our business activities. We also offer clear and concise information on our business strategy and plans through our Business Report for shareholders and other corporate and IR information on our website.



Comprehensive Housing R&D Institute tour



Company briefing and seminar

Shares in a Unit

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

Exercise of Voting Rights via Internet

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

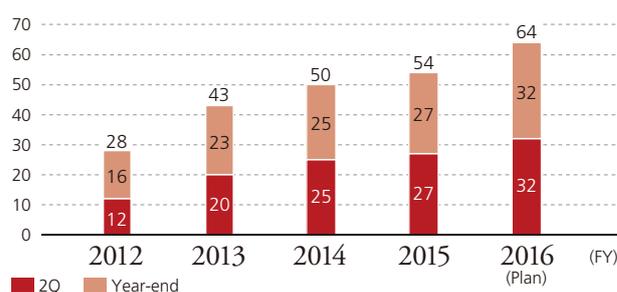
Returning Profits to Shareholders —Ensuring High Dividends and Total Return Ratio

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

Based on the aforementioned policy, we aim to achieve a high profit distribution for the medium and long term, while maintaining sound management. We are securing at least a 40% average dividend payout ratio and targeting a 60% total return ratio for shareholders, which is to be achieved through medium- and long-term acquisition of our own shares with 20% of net income.

In fiscal 2015, we paid a full year dividend of ¥54, a dividend payout ratio of 44.9%. When combined with share buybacks, shareholders received a total return ratio of 68.6%.

■ Dividend (Yen)



Shareholder Preferential Gift Program

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

Donating Shareholders' Preferential Gifts

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



Recipients of donated rice in FY2015 **4,970** kg in total

Inclusion Nagoya Te wo Tsunagu Ikusei-Kai / Inclusion Osaka Te wo Tsunagu Ikusei-Kai / Inclusion Sendai Te wo Tsunagu Ikusei-Kai / Heart Clinic (Hitachinaka, Ibaraki Prefecture) / Nishiisahaya Hospital (Akita) / Kesen Medical Association / Ueshima Medical Service (Kamijima, Ochi District, Ehime Prefecture) / season (Tagajo, Miyagi Prefecture) / Minamidai Gokou Social Welfare Association (Kamagaya, Chiba Prefecture) / Hanamizuki (Hachioji, Tokyo)