

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.



Value Creation in Practice

CSV Strategies



Promoting net-zero-energy housing 23



Preserving biodiversity 29



Maintain and improve technological development, manufacturing and construction quality 33

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.

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Extend lifespan of houses and enhance after-sales support 37



Promoting diversity and developing human resources 43



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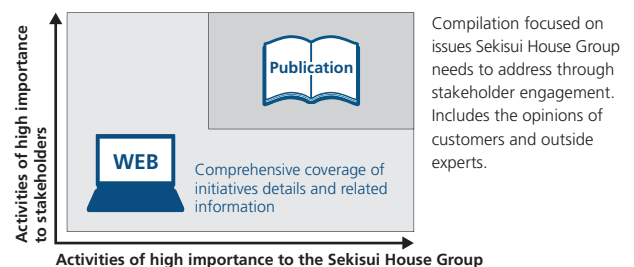
Online inquiries > <http://www.sekisuihouse.co.jp/english/information/contact.html>

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 stakeholders, 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.



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

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

IS STAGE steel-framed two-story house



Gravis Villa SHAWOOD wooden-frame detached house



BIENA steel-frame three- to four-story homes



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

Renovation work example



Pro+Nube two-story rental housing



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

Smart Common City Akashidai (Tomiya City, Miyagi Prefecture)



Grand Maison Sengawa (Chofu City, Tokyo)



Grand Front Osaka



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]

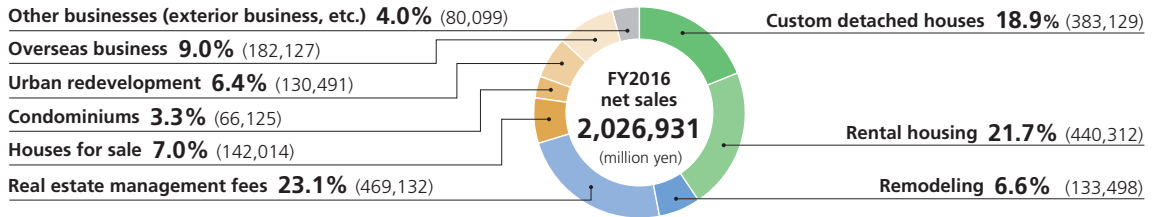
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Urban Redevelopment

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

of Housing-Related Growth Strategies

Consolidated Sales by Segment



BEREO three- to four-story rental housing



Celeblio assisted-living complex for senior citizens



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.

Rental Housing

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

[Main Affiliates]

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

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.

Central Park, Australia



Other Businesses

Example of Gohon no ki exterior construction and landscaping



Exterior business sales

67.7 billion yen

No.1 in Japan

Other Businesses

Exterior construction work, etc.

[Main Affiliates]

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

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.

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

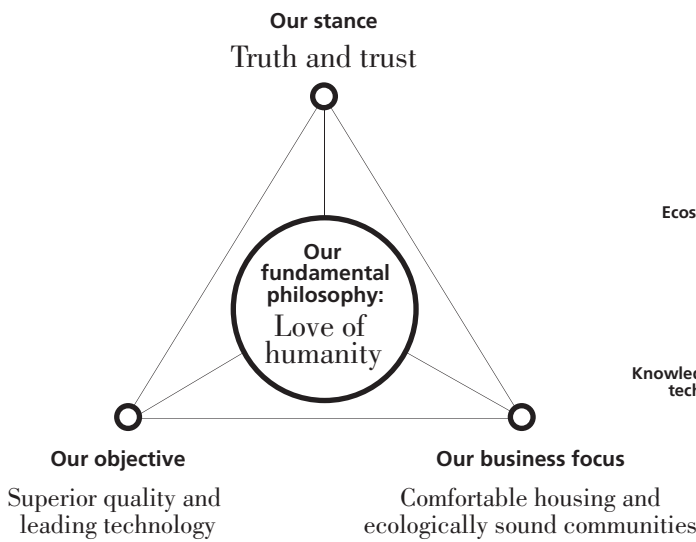
Progress of Sekisui House's Creation of Four

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

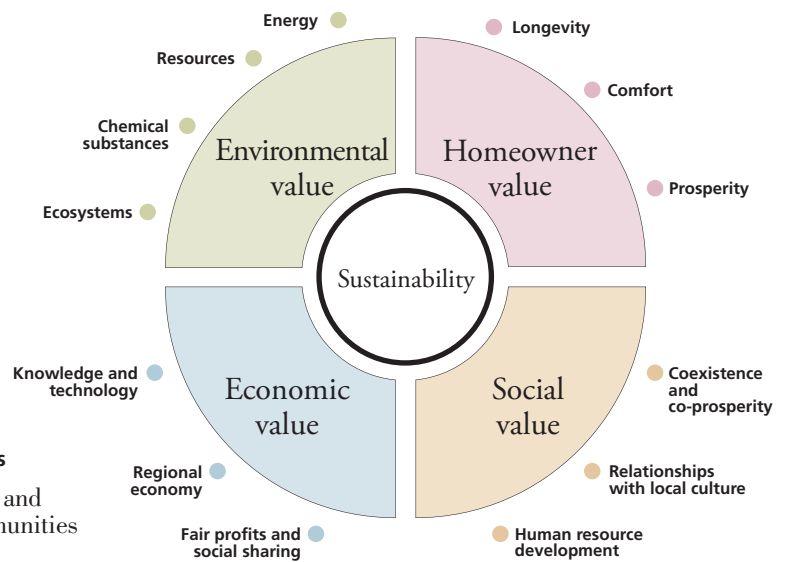
In 2005, we defined "a sustainable society" as the vision we must aim towards and announced four values—environmental, economic, social and homeowner—to realize and verify this goal, which is intended to achieve balanced management. After that, the four values were realized by accelerating the development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



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.

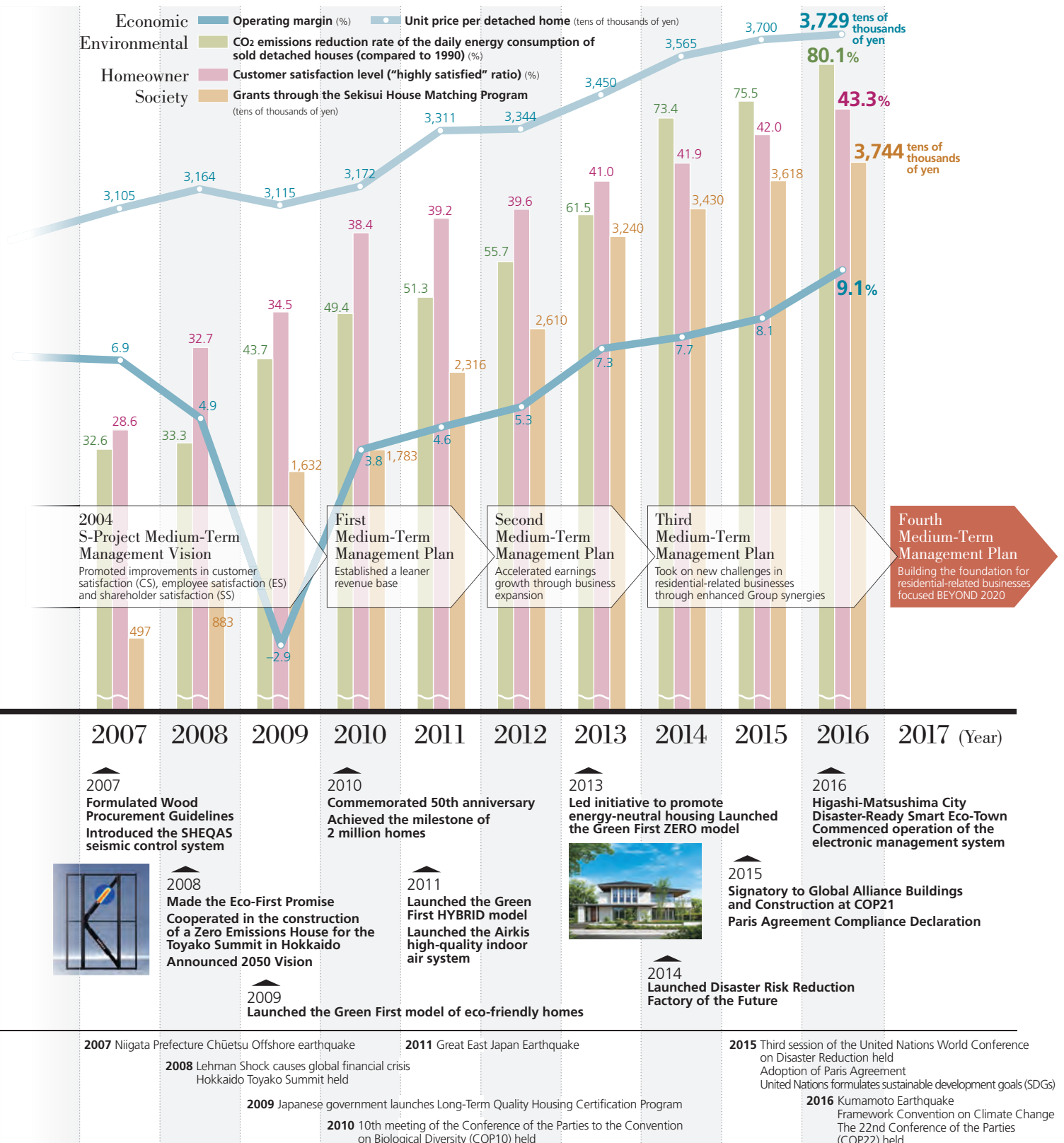
In 2005, we announced our Sustainable Vision targeting balanced management based on four values focused on sustainability as the cornerstone of our management. In 2006, we formulated 13 guidelines as guiding principles based on these four values.

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

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.



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

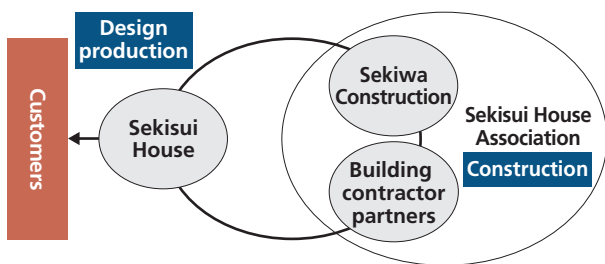
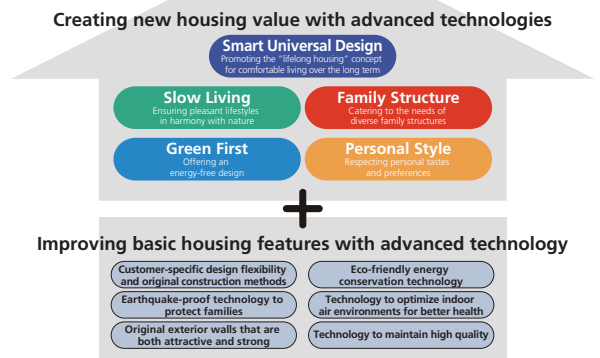
Security, relaxation, taste, enjoyment and other universal housing values are all about comfort. To realize abundant and comfortable lifestyles, basic housing functions require advanced technologies. The Sekisui House Group uses the phrase "SLOW & SMART" to express this concept. To satisfy customers 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

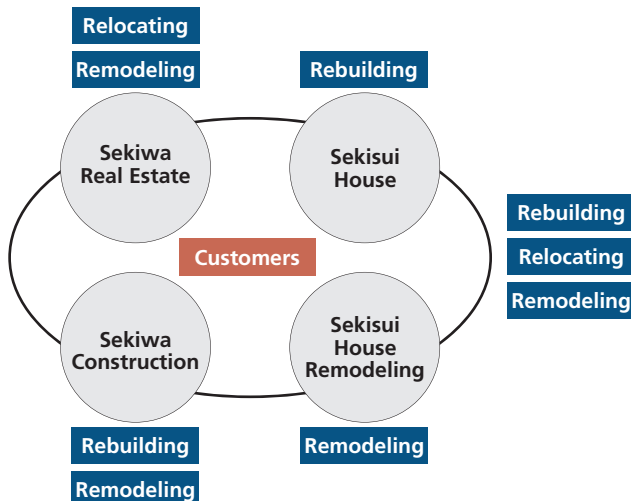
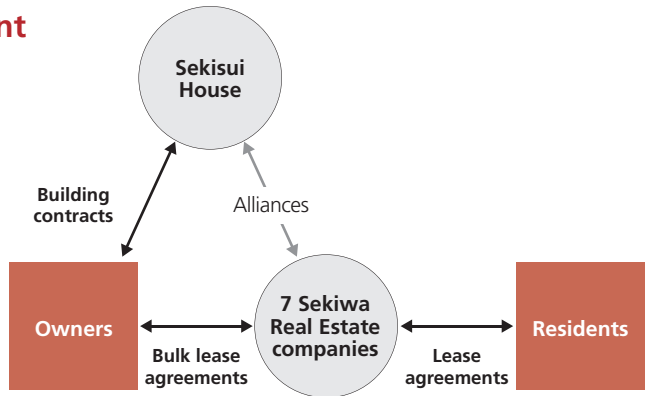
After handing over a property, many housing companies consign after-sales services to an outside contractor. However, Sekisui House considers appropriate maintenance ensuring security, safety and comfort to be part of a home’s intrinsic value, thus we established a nationwide Customer Center. We also 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

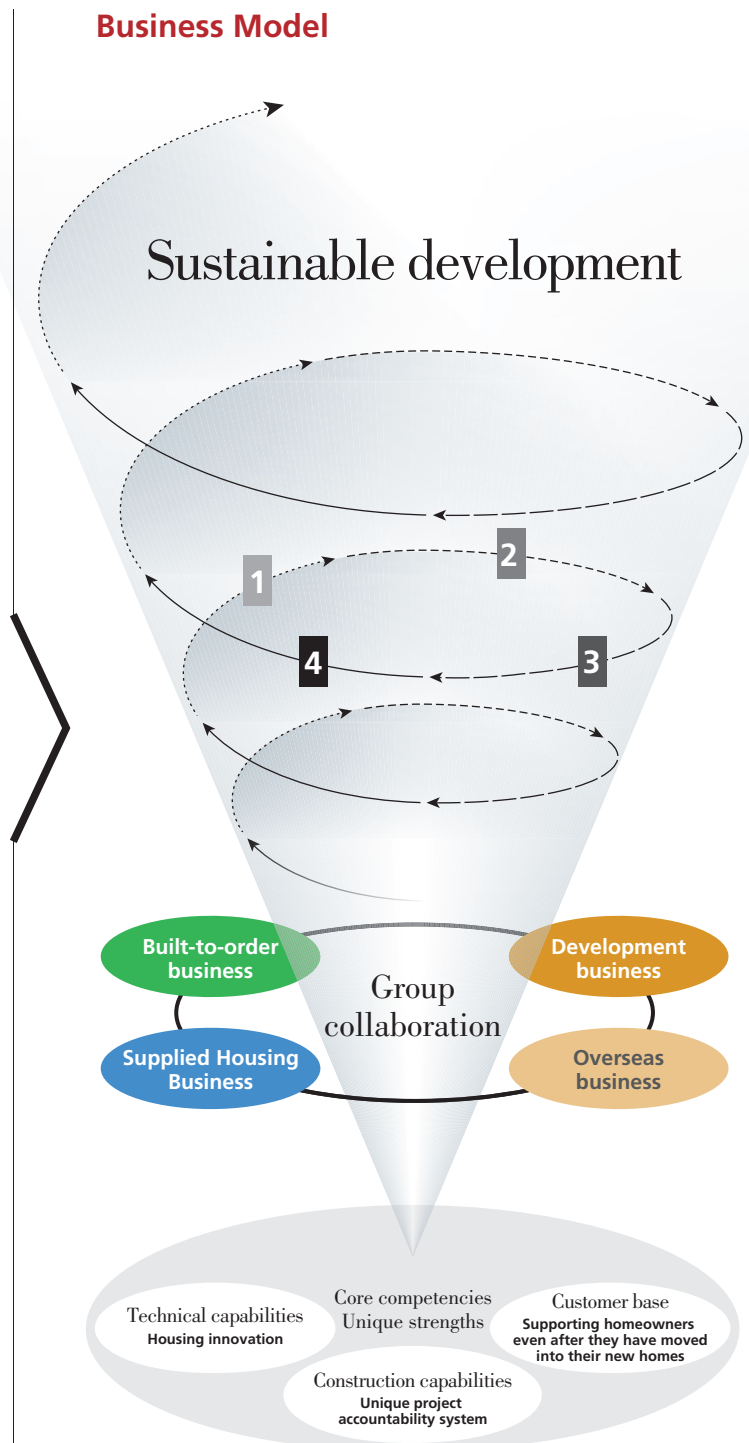
Approximately **700,000** inquiries

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 koje* 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

CO₂ 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.

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.

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.

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.

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.

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.

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

Our Goals

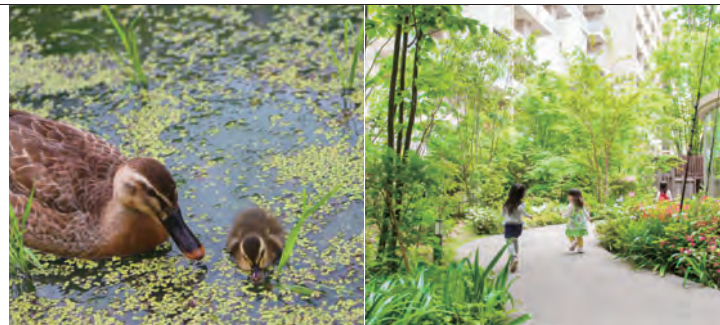
Leading the Way to a Decarbonized Society

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.



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.



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 sustainably without depending only on natural resources through technological and economic system innovations to enable all people to live a stable lifestyle.



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	> • Environment: Energy • Environment: Atmospheric emissions • Environment: Products and services
2 Preserving biodiversity	> • Environment: Biodiversity • Environment: Supplier's environmental evaluation • Economy: Procurement practices
3 Maintain and improve technological development, manufacturing and construction quality	> • 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	> • 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	> • 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	> • Environment: Energy • Environment: Biodiversity • Product responsibility: Customer safety and health

Fourth Medium-Term Management Plan

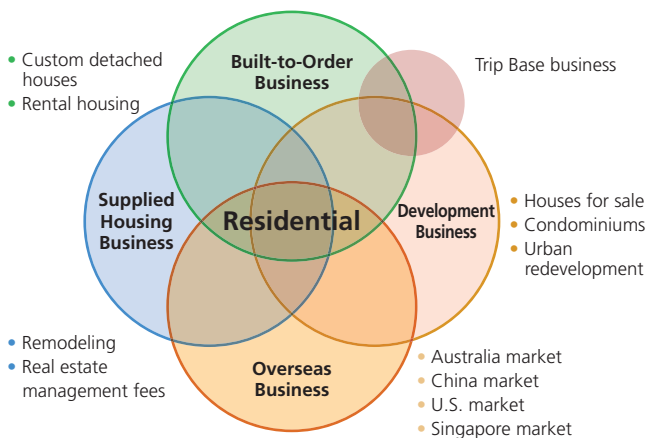
(FY 2017–2019)

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/afieldfile/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.

Fourth pillar following Built-to-Order, Supplied Housing and Development

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		Increasing growth investments and the turnover ratio	
		<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 	<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.