Sustainability Report 2017
Focused on Creating Shared Value

For the year ended January 31, 2017
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.
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, 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 GA “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.

Features of the Sustainability Report 2017

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• In accordance with the GA “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.

• Our CSR website is only available in Japanese.

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)

• Date of publication: This report is published annually in Japanese in May.

• Direct Inquiries about This Report to:

Note: Some activities undertaken in FY2017 are covered in this report.

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Toward Business Creation from the Development of 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.

**Built-to-Order Business**
- Custom detached houses, rental housing

**Custom Detached Houses**
- Design, construction, and contracting of detached houses
  - [Main Affiliates]
    - 19 Sekiwa Construction companies (housing construction, etc.)
    - 3 Sekiwa Real Estate companies (purchase/sale of real estate, etc.)
    - 7 Sekiwa Construction companies (housing remodeling and extension, etc.)

**Remodeling**
- Expansion and renovation of houses, etc.
  - [Main Affiliates]
    - 19 Sekiwa Construction companies (housing remodeling and extension, etc.)
    - 7 Sekiwa Real Estate companies (purchase/sale of real estate, etc.)
    - Sekisui House Remodeling 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 of real estate, etc.)
    - Sekisui House Remodeling companies (management and operation of rental housing for senior citizens)

**Supplied Housing Business**
- Remodeling, real estate management

**Development Business**
- Ready-built houses, condominiums, urban development

**Houses for Sale**
- Sale of houses and residential land, design, construction, and contracting of houses on residential land for sale
  - [Main Affiliates]
    - 7 Sekiwa Real Estate companies (purchase/sale of real estate, etc.)
    - 19 Sekiwa Construction companies (housing construction, etc.)

**Condominiums**
- Sale of condominiums
  - [Main Affiliates]
    - 7 Sekiwa Real Estate companies (purchase/sale of real estate, etc.)
    - 19 Sekiwa Construction companies (housing construction, etc.)

**Urban Redevelopment**
- Development of office buildings and commercial facilities, management and operation of real estate in possession

**Other Businesses**
- Exterior construction work, etc.
  - [Main Affiliates]
    - 19 Sekiwa Construction companies (exterior construction, landscaping, etc.)

**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.

**Exterior business sales**
- 67.7 billion yen
  - No.1 in Japan

**Note:** Cumulative figures are all as of January 31, 2017.
TOP MANAGEMENT COMMITMENT

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 wartime 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 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 formulation 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 (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 Aoyama 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 the demands 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 Eco 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 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.

Isami Wada
Chairman & CEO
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 raise 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 resources growth and improved retention rates.

Our business strategy is focused on the priority themes of human resource growth and improved retention rates.

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 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 Sekisui 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 Baraki, 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 mid- and high-class lines originating with Sekisui House, focusing on products that leverage our original technologies such as Dyne Concrete (“i” 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 Values

The Sekisui House Group creates and provides value through housing in response to societal changes and needs based on its corporate philosophy. In 2005, we defined “a sustainable society” as the vision we must aim towards and announced four values—environmental, economic, social, and homeowner—to realize and verify this goal, which is intended to achieve balanced management.

After that, the four values were realized by accelerating the development of new products and technologies in response to social trends and needs. We will target sustainable development through the continued creation of shared value.

Corporate Philosophy

Our fundamental philosophy, a love of humanity, means doing all things in good faith and with a spirit of service. It means desiring happiness for others, and treating each as our own, with the awareness that each and every human being has immeasurable 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.

Values through Housing

Shared Value Created by the Sekisui House Group

Indicators 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.

Environmental

- CO2 emissions reduction rate of the daily energy consumption of all detached houses (compared to 1990)
- Customer satisfaction level (“highly satisfied” ratio)

Economic

- Unit price per detached home
- Operating margin (%)

Homeowner

- Customer satisfaction level (“highly satisfied” ratio)
- Homeowner satisfaction (CS), employee satisfaction (ES)

Social

- CS, ES
- Social contribution activities
- Fair profits and social sharing
- Relationship with local culture
- Human resource development

Future Shared Value

Sustainability

- Environmental indices representative of the four values created by Sekisui House are demonstrated by trends over the past 10 years.
- CO2 emissions reduction rate of the daily energy consumption (tens of thousands of yen)

Economic

- Operating margin (%)
- Unit price per detached home

Homeowner

- CS, ES
- Customer satisfaction level (“highly satisfied” ratio)

Social

- Fair profits and social sharing
- Relationship with local culture
- Human resource development
Maximizing Value for Customers with Accumulated Capabilities and Group Alliances

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 aims 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 fulfill 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.

Construction Capabilities

Unique Project Accountability System

SLOW & SMART

Housing innovation to make your heart feel at home

Creating new housing value with advanced technologies

Slow Living

Family Structure

Green First

Personal Style

Improving basic housing features with advanced technology

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 Sekiwa House Association constantly strive to improve their skills through training and other activities. The Sekiwa House Group’s proprietary management system facilitates construction schedule planning and construction progress status visualization that is continually shared with the Sekiwa 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 Sekiwa 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 Unique Strengths and Strategies

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 learn-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 streamline 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 smartphones and tablets, 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 workforce 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

Attaching importance to being a community-based Company, we believe building sites should be 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 Suma no yume trip and Haifutoku jobo. We also worked with a variety of stakeholders to open the Sumu fashion, the industry’s first base for open innovation aimed at creating 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.

Approximately 1.3 million people

New customers in FY2016

In addition to being selected in 2013, 2015 and 2016, we are the only company in assistance to more than 200 organizations.

Social value

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.

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 ¥37,292 million

The unit price per detached home increased ¥208,000 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 houses 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.

Value Creation Vision and Strategy

Value Creation in Practice

Third-Party Opinions and Evaluations

Environmental and Social Activities

Sekisui House Foundation

Sekisui House Sustainability Report 2017

Sekisui House Matching Program grants ¥37.444 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 ¥350 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 decarbonization. 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.

**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 comfortability 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 appropriate 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 bond 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**

**Leading the Way to a Decarbonized Society**

Climate change attributed to global warming is beginning to have a visible impact on our lifestyle. 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 sustainable 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).

* 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.
Long-Term Vision

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

<table>
<thead>
<tr>
<th>CSV Strategy</th>
<th>Value Creation Priority Themes</th>
<th>Relationship to 2050 Challenge Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Promoting net-zero-energy</td>
<td>Contribute to customer healthy life expectancy and the environment by realizing high-quality living not constrained by energy problems</td>
</tr>
<tr>
<td>2</td>
<td>Preserving biodiversity</td>
<td>Protect ecosystem networks through use of sustainable natural capital that considers impacts on business</td>
</tr>
<tr>
<td>3</td>
<td>Maintain and improve technological development, manufacturing and construction quality</td>
<td>Realize maximum customer satisfaction through superior quality and leading technologies</td>
</tr>
<tr>
<td>4</td>
<td>Extend lifespan of houses and enhance after-sales support</td>
<td>Long-term support of customer lifestyles through Group company collaborations. Link to improved value of housing and resource recycling</td>
</tr>
<tr>
<td>5</td>
<td>Promoting diversity and developing human resources</td>
<td>Aim to become a sustainable corporate group generating high added value while encouraging diverse employees to realize their potential and respect one another</td>
</tr>
<tr>
<td>6</td>
<td>Developing overseas business</td>
<td>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</td>
</tr>
</tbody>
</table>

CSV Strategies and G4 Material Aspects

<table>
<thead>
<tr>
<th>CSV Strategies</th>
<th>Correlation with Specific G4 Material Aspects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promoting net-zero-energy</td>
<td>Environment: Energy • Environment: Atmospheric emissions</td>
</tr>
<tr>
<td>Preserving biodiversity</td>
<td>Environment: Biodiversity • Environment: Supplier’s environmental evaluation</td>
</tr>
<tr>
<td>Maintain and improve technological development, manufacturing and construction quality</td>
<td>Product responsibility: Customer safety and health • Product responsibility: Compliance</td>
</tr>
<tr>
<td>Extend lifespan of houses and enhance after-sales support</td>
<td>Environment: Efficiency and waste • Environment: Products and services</td>
</tr>
<tr>
<td>Promoting diversity and developing human resources</td>
<td>Labor practices: Diversity and equal opportunity</td>
</tr>
<tr>
<td>Developing overseas business</td>
<td>Environment: Energy • Environment: Biodiversity</td>
</tr>
</tbody>
</table>

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.

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

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

Business Promotion Policies

Core Competencies

- Technical capabilities: SLOW & SMART (environmental technologies, SHEQAS, A.I., robotics, etc.) • Three- and four-story housing products • Chief architects, first-class architects
- Customer base: No. 1 globally in terms of total number of houses built and after-sales service system • Long-term relationships via customer service centers and Sekisui Real Estate • Variety of customer contact points (exhibitions, Fama no yume tsurugis, Sekisui House Visiting Day, Sha Maison Hills, etc.)
- Construction capabilities: Sekisui Construction accountability system • Sekisui House Association highly loyal construction partners system

New Technologies

- IoT
- A.I.
- Robotics
- Blockchain
- Open Innovation
- Business-academic collaboration
- Joint development
- Business alliance business contest
- Venture investment

Profit Plan

<table>
<thead>
<tr>
<th>FY2016</th>
<th>FY2017 (plan)</th>
<th>FY2018 (plan)</th>
<th>FY2019 (plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales (Billions of yen)</td>
<td>20,269</td>
<td>21,440</td>
<td>22,000</td>
</tr>
<tr>
<td>Operating income (Billions of yen)</td>
<td>1,841</td>
<td>1,920</td>
<td>2,000</td>
</tr>
<tr>
<td>OP margin</td>
<td>9.1%</td>
<td>9.0%</td>
<td>9.1%</td>
</tr>
<tr>
<td>ROE</td>
<td>11.3%</td>
<td>11.5%</td>
<td>Stable creation in 10% range</td>
</tr>
</tbody>
</table>

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

Promote new business development by integrating hardware and software.
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 are indicated below.

Fourth Medium-Term Management Plan (FY2017–2019)

**Business and CSV Strategies**

<table>
<thead>
<tr>
<th>Business Strategies</th>
<th>Built-to-Order Business</th>
<th>Supplied Housing Business</th>
<th>Development Business</th>
<th>Overseas Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic policies</td>
<td>1.2</td>
<td>4</td>
<td>1.2, 6</td>
<td></td>
</tr>
<tr>
<td>Increasing profitability through break-even point management</td>
<td>- ZEH 3- and 4-story houses - Rental housing of income generating properties - Exterior business - Trip Base business - CRE/RE business</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increasing growth investments and the turnover ratio</td>
<td>- Securing high occupancy rates - Energy-saving remodeling - Renovation - SumStock - Distribution of existing houses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core competencies</td>
<td>1.3, 4, 6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical capabilities</td>
<td>1.3</td>
<td>Customer base</td>
<td>Construction capabilities</td>
<td></td>
</tr>
</tbody>
</table>

**ESG Initiatives Targeting Sustainable Growth**

<table>
<thead>
<tr>
<th>ESG Initiatives Targeting Sustainable Growth</th>
<th>1.2 Environmental Management</th>
<th>5 Improvement in Sociability</th>
<th>6 Developing overseas business</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Selected for the Dow Jones Sustainability Index (DJSI) World Index</td>
<td>- Workstyle Innovation</td>
<td>- Contributing to the preservation of the environment and safe, secure and comfortable global lifestyles by going beyond housing to create environmental technologies and sustainable housing environments</td>
<td></td>
</tr>
<tr>
<td>- &quot;Green First Zero&quot; received the &quot;2016 Minister of the Environment’s Award for Global Warming Prevention Activity&quot; and the &quot;Minister of Economy, Trade and Industry’s Award at the 26th Grand Prize for The Global Environmental Foundation&quot;</td>
<td>- &quot;Creating thrilling and exciting workplaces&quot;</td>
<td>- 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 &amp; 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.</td>
<td></td>
</tr>
<tr>
<td>- Ranked first in the construction industry in Nikkei Inc.’s &quot;20th Environmental Management Survey.&quot;</td>
<td>- Fair evaluation and visualization - Achievement of a work-life balance - Higher operational efficiency using IT - Higher productivity</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**CSV Strategies**

— Creating Shared Value through Business —

1. **Promoting net-zero-energy housing**
   - Page 23
   - Contribute to creating more healthy life years for customers and to the environment by realizing high-quality living not constrained by energy problems

2. **Preserving biodiversity**
   - Page 29
   - Protect ecosystem networks through use of sustainable natural resources that consider impacts of business

3. **Maintain and improve technological development, manufacturing and construction quality**
   - Page 33
   - Realize maximum customer satisfaction through superior quality and leading technologies

4. **Extend lifespan of houses and enhance after-sales support**
   - Page 37
   - Long-term support of customer lifestyles through Group company collaborations. Links to improved value of housing and resource recycling

5. **Promoting diversity and developing human resources**
   - Page 43
   - Aim to become a sustainable corporate group generating high added value while encouraging diverse employees to realize their potential and respect one another

6. **Developing overseas business**
   - Page 49
   - Contributing to the preservation of the environment and safe, secure and comfortable global lifestyles by going beyond housing to create environmental technologies and sustainable housing environments
Promoting net-zero-energy housing

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

Backdrop

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

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

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Residential CO2 emissions</th>
<th>Number of households</th>
<th>CO2 emissions per household</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>3,500 t-CO2</td>
<td>10 million</td>
<td>350 kg-CO2/household</td>
</tr>
<tr>
<td>1995</td>
<td>3,400 t-CO2</td>
<td>10 million</td>
<td>340 kg-CO2/household</td>
</tr>
<tr>
<td>2000</td>
<td>3,300 t-CO2</td>
<td>10 million</td>
<td>330 kg-CO2/household</td>
</tr>
<tr>
<td>2005</td>
<td>3,200 t-CO2</td>
<td>10 million</td>
<td>320 kg-CO2/household</td>
</tr>
<tr>
<td>2010</td>
<td>3,100 t-CO2</td>
<td>10 million</td>
<td>310 kg-CO2/household</td>
</tr>
<tr>
<td>2015</td>
<td>3,000 t-CO2</td>
<td>10 million</td>
<td>300 kg-CO2/household</td>
</tr>
</tbody>
</table>

To reduce home energy consumption and control CO2 emissions, the Japanese government is promoting the spread of net-zero-energy housing (ZEH) enabling zero net energy consumption through the utilization of high heat-insulating capabilities and energy-saving devices, as well as photovoltaic systems and fuel cells. The government is targeting having the majority of newly built housing be ZEH by 2050.

Approach

Our Goal

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

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

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

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

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

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

Risk Management

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

Declining demand due to decreases in subsidies or power purchase prices

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

Action Policies

1. Expanding Net-Zero-Energy Housing

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

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

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

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

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

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

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

Impact of These Activities on the Company

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

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


State of Progress

1. Expanding Net-Zero-Energy Housing

Activities Report

Promoting the Spread of Green First ZERO

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

In FY2016 we continued to actively propose that customers receive subsidies under the net-zero-energy house support project. The subsidies are applied to new construction of ZEH housing and installation of storage cells and other equipment. Sekisui House also acts as an agent to assist with the subsidy application process. We worked to develop a system to facilitate subsidy applications, conduct study sessions for employees, and create manuals.

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

Green First ZERO Model

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


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

Among this environment, Sekisui House, which develops Grande Maison condominiums, is planning to build a next-generation ZEH condominium in Nagoya City. Scheduled for completion in spring 2019, this building is expected to be Japan’s first condominium where all units meet the national ZEH standards, with various energy-efficient equipment and improved window and door insulation, as well as photovoltaic systems generating an average of 46kW and Ene-Farm fuel cells installed at each unit.

Key Performance Indicators (KPIs)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>Definition and remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green First ZEH</td>
<td>%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Reduction rate (result)</td>
</tr>
<tr>
<td>Reduction in CO2 emissions</td>
<td>%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Reduction of residential CO2 emissions from new detached homes compared to 1990 levels (amount and %)</td>
</tr>
<tr>
<td>Number of Green First Homes</td>
<td>(Number of homes)</td>
<td>15,000</td>
<td>12,000</td>
<td>12,000</td>
<td>12,000</td>
<td>12,000</td>
<td>Growth in the number of Green First and Green First ZERO Homes</td>
</tr>
<tr>
<td>Achievement (rate)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Satisfaction Rate of Green First ZERO Residents (FY)</td>
</tr>
<tr>
<td>Adoption of Green First eco-friendly housing</td>
<td>(Tens of thousands of yen)</td>
<td>3,100</td>
<td>3,190</td>
<td>3,190</td>
<td>3,190</td>
<td>3,190</td>
<td>Sales Price per Detached House</td>
</tr>
<tr>
<td>Target (value)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Satisfaction with housing comfort (comfort evaluation)</td>
</tr>
<tr>
<td>Achievement (value)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Satisfaction with housing comfort (comfort evaluation)</td>
</tr>
<tr>
<td>Number of Green First ZERO homes</td>
<td>(Tons of CO2 per house/year)</td>
<td>8,000</td>
<td>6,500</td>
<td>7,000</td>
<td>7,000</td>
<td>7,000</td>
<td>Reduction in CO2 Emissions Achieved by the Green First Strategy*</td>
</tr>
<tr>
<td>Achievement (rate)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Satisfaction Rate of Green First ZERO Residents (FY)</td>
</tr>
</tbody>
</table>

*Figures are Sekisui House estimates (versus 1990)

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

Presentation content
**Future Initiatives**

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

**Promoting Energy-Saving and Energy-Creating Proposals for Remodeling**

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

**Key Performance Indicators (KPIs)**

<table>
<thead>
<tr>
<th>Energy Saving and Creation Remodeling Achievements*</th>
<th>Energy saving and creation remodeling menu</th>
<th>FY2016 achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Photovoltaic system installations</td>
<td>1,185 units</td>
<td></td>
</tr>
<tr>
<td>Door and windows insulation reform</td>
<td>3,707 units</td>
<td></td>
</tr>
<tr>
<td>One-Farm (residential fuel cells)</td>
<td>3,283 units</td>
<td></td>
</tr>
<tr>
<td>Eco-Farm (heat recovery gas water heater system)</td>
<td>3,140 units</td>
<td></td>
</tr>
<tr>
<td>Eco-Cube (heat pump water system)</td>
<td>1,095 units</td>
<td></td>
</tr>
<tr>
<td>Underfloor heat cover</td>
<td>1,116 units</td>
<td></td>
</tr>
</tbody>
</table>

* Values are for the period from April 1 to March 31, 2016.

**CO2 Reductions due to Energy-Saving and Energy-Creation Remodeling**

<table>
<thead>
<tr>
<th>Years</th>
<th>Before</th>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>114,780</td>
<td>7,731</td>
</tr>
<tr>
<td>2013</td>
<td>126,209</td>
<td>6,657</td>
</tr>
<tr>
<td>2014</td>
<td>130,482</td>
<td>5,024</td>
</tr>
<tr>
<td>2015</td>
<td>138,982</td>
<td>5,485</td>
</tr>
<tr>
<td>2016</td>
<td>141,348</td>
<td>5,485</td>
</tr>
</tbody>
</table>

Note: Sekisui House Remodeling Co., Ltd.

**Future Initiatives**

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

**Promoting CO2 Reductions throughout the Home Lifecycle**

Sekisui House assesses CO2 emission levels not only when a resident moves in, but throughout the home lifecycle, from the purchase of building materials to factory production, transportation, construction and demolition. We continually engage in activities linked to CO2 reduction proposals and implementation.

**Activities Report**

Promoting Green First Renovation of Existing Homes

Three Sekisui House Remodeling companies are focusing on Green First Renovation initiatives for customers of our detached housing. We are promoting Green First Renovation, which involves proposing ZEH remodeling and living spaces, as well as remodeling to save and create energy. We are working to reduce CO2 emissions while offering a comfortable lifestyle and an increase in healthy life years.

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

**Evaluation**

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

In addition, the sale price per detached home in FY2016 was ¥57.29 million, up by about ¥6 million compared to 2009, when we started sales of Green First homes.

**Future Initiatives**

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

**Key Performance Indicators (KPIs)**

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<td>130,482</td>
<td>5,024</td>
</tr>
<tr>
<td>2015</td>
<td>138,982</td>
<td>5,485</td>
</tr>
<tr>
<td>2016</td>
<td>141,348</td>
<td>5,485</td>
</tr>
</tbody>
</table>

Note: Sekisui House Remodeling Co., Ltd.

**Future Initiatives**

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

**Promoting CO2 Reductions throughout the Home Lifecycle**

Sekisui House assesses CO2 emission levels not only when a resident moves in, but throughout the home lifecycle, from the purchase of building materials to factory production, transportation, construction and demolition. We continually engage in activities linked to CO2 reduction proposals and implementation.

**Activities Report**

Promoting Green First Renovation of Existing Homes

Three Sekisui House Remodeling companies are focusing on Green First Renovation initiatives for customers of our detached housing. We are promoting Green First Renovation, which involves proposing ZEH remodeling and living spaces, as well as remodeling to save and create energy. We are working to reduce CO2 emissions while offering a comfortable lifestyle and an increase in healthy life years.

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

**Evaluation**

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

In addition, the sale price per detached home in FY2016 was ¥57.29 million, up by about ¥6 million compared to 2009, when we started sales of Green First homes.

**Future Initiatives**

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

**Key Performance Indicators (KPIs)**

<table>
<thead>
<tr>
<th>Energy Saving and Creation Remodeling Achievements*</th>
<th>Energy saving and creation remodeling menu</th>
<th>FY2016 achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Photovoltaic system installations</td>
<td>1,185 units</td>
<td></td>
</tr>
<tr>
<td>Door and windows insulation reform</td>
<td>3,707 units</td>
<td></td>
</tr>
<tr>
<td>One-Farm (residential fuel cells)</td>
<td>3,283 units</td>
<td></td>
</tr>
<tr>
<td>Eco-Farm (heat recovery gas water heater system)</td>
<td>3,140 units</td>
<td></td>
</tr>
<tr>
<td>Eco-Cube (heat pump water system)</td>
<td>1,095 units</td>
<td></td>
</tr>
<tr>
<td>Underfloor heat cover</td>
<td>1,116 units</td>
<td></td>
</tr>
</tbody>
</table>

* Values are for the period from April 1 to March 31, 2016.

**CO2 Reductions due to Energy-Saving and Energy-Creation Remodeling**

<table>
<thead>
<tr>
<th>Years</th>
<th>Before</th>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>114,780</td>
<td>7,731</td>
</tr>
<tr>
<td>2013</td>
<td>126,209</td>
<td>6,657</td>
</tr>
<tr>
<td>2014</td>
<td>130,482</td>
<td>5,024</td>
</tr>
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Preserving biodiversity

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

Backdrop

Affecting Urban Ecosystems with Landscaping

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

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

Approach

Our Goal

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

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

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

Impact of These Activities on the Company

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

Risk Management

Risk 1

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

Our Response 1

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

Risk 2

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

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

Value Creation Foundation

Preserving biodiversity

Natural resources that considers impacts of business

Value Creation in Practice

Value Creation Vision and Strategy

Value Creation in Practice

Value Creation Foundation

Environmental and Social Activities

Third-Party Opinions and Evaluations
1 Promoting the Planting of Indigenous Species in Consideration of Regional Ecosystems through the Gohon no ki planning

Activities Report

Ongoing Promotion of the Gohon no ki planning

Based on our Gohon no ki planning, we promoted planting of trees considering regional ecosystems. In FY2016 we planted 1.07 million trees in the yards of our detached houses and collective housing, meaning we have planted a total of 13.06 million trees from 2001, when we launched this initiative.

Key Performance Indicators (KPIs)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>Definition and remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of trees planted annually</td>
<td>Tens of thousands</td>
<td>101</td>
<td>106</td>
<td>81</td>
<td>99</td>
<td>107</td>
<td>Number of trees planted in Sekisui House gardening and greening</td>
</tr>
</tbody>
</table>

Evaluation

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

In line with this, FY2016 sales of our exterior construction work business, which includes greening and tree planting, grew to ¥767.7 billion, up over 10% year-on-year.

Future Initiatives

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

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

2 Promoting the Use of Legal and Sustainable FairWood Lumber

Activities Report

Proactively Procuring FairWood Lumber with a View to Zero Deforestation

In line with our Wood Procurement Guidelines created in April 2007, we continue with FairWood lumber procurement initiatives, toward the fair procurement of wood sourced with consideration to the environment. These guidelines are divided into 10 wood procurement policies that take into consideration legality, biodiversity, economics of production areas, and lifestyles of residents of logging areas. Each wood product is classified into one of four ranks based on its total score from each policy. We are pushing ahead with FairWood procurement by using fewer low-ranked wood products and more Rank S and Rank A products. In addition, in consideration of cultivating communities’ forestry we do not set procurement targets for the sole adoption of certified wood. Still, certified wood (including certified processed wood) accounts for 63% of all of our wood materials including for interior installation.

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

Key Performance Indicators (KPIs)

Indicator | Unit | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | Target | Definition and remarks |
<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio of Rank S and Rank A wood products as defined by the Wood Procurement Guidelines</td>
<td>%</td>
<td>89</td>
<td>88</td>
<td>91</td>
<td>93</td>
<td>93</td>
<td>95</td>
<td>Survey results of about 50 of our main wood suppliers</td>
</tr>
</tbody>
</table>

Evaluation

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

Future Initiatives

Supplier awareness regarding procurement is growing in line with the enforcement of the Clean Wood Act in May 2017, so we will use this opportunity to strengthen consulting for each of our suppliers.
Maintain and improve technological development, manufacturing and construction quality
Realize maximum customer satisfaction through superior quality and leading technologies

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

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

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

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

Our goal as defined in the Sekisui House Group corporate philosophy is to meet customer needs with the highest levels of quality and performance in terms of basic safety and comfort, leveraging advanced technology and organizational capabilities accumulated for more than half a century. We lead the industry and continuously develop new technologies from the perspective of “realizing heightened safety, peace of mind and comfort.” We aim for the highest quality in all house manufacturing processes and provide products and services that earn customer trust and satisfaction.

Action Policies

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

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

2. Enhancing Production and Distribution Quality, Improving Operational Efficiency

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

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

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

Risk Management

Shortage of workers in the construction and transportation industries

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

Quality risks associated with production and construction processes

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

State of Progress

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

Activities Report

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

The stronger the earthquake, the higher the risk that the building deformation will be severe, damaging the structural frame, interior and exterior. Sekisui House’s proprietary SHEQAS seismic control system converts seismic wave energy into heat energy to absorb building movement, and can reduce building deformation by approximately 50%. The SHEQAS damper, made of special high-damping rubber, is highly effective through large earthquakes and repeated aftershocks, providing housing in which residents can continue to live with peace of mind.

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

From early on we have focused our attention and promoted research on the health impact of chemical substances in our construction materials. We developed the Airkis high-quality indoor air system using standards that take into account the fact that children are more susceptible to the impact of air pollution than adults. Using Airkis in the home reduces indoor concentrations of five major chemical substances to less than 50% of the guideline value set by the government. In addition to reducing chemical substances, we are also engaged in ventilation and air purification to improve the overall quality of air environments. To this end, we developed proprietary ventilation and air conditioner systems.

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

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

Sekisui House Sustainability Report 2017

Sekisui House Sustainability Report 2017

Sekisui House Sustainability Report 2017

Sekisui House Sustainability Report 2017
Future Initiatives

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

Evaluation

We visit Sekisui House Association chapters nationwide and conduct interviews. Through discussions with our directors we hear various requests and suggestions, and implement reform starting from the top priority issues. In 2016, we newly established a six-month applied skills course as part of the Sekisui House Training Schools, accredited vocational ability development schools operated by Sekisui House, to further increase the skillset of young technicians. Regarding the special bonus given to technicians who pass the Sekisui House Senior Technician Exam, we raised the maximum age of recipients from 65 to 70. This has increased motivation for skilled technicians who have spent many years working into improving quality.

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

Activities Report

Reforming Each System through Discussions with Sekisui House Association

We visit Sekisui House Association chapters nationwide and conduct interviews. Through discussions with our directors we hear various requests and suggestions, and implement reform starting from the top priority issues. In 2016, we newly established a six-month applied skills course as part of the Sekisui House Training Schools, accredited vocational ability development schools operated by Sekisui House, to further increase the skillset of young technicians. Regarding the special bonus given to technicians who pass the Sekisui House Senior Technician Exam, we raised the maximum age of recipients from 65 to 70. This has increased motivation for skilled technicians who have spent many years working into improving quality.

Future Initiatives

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

Enhancing Production and Distribution Quality, Improving Operational Efficiency

Activities Report

Promoted Automated Production of Main Structural Components

As Sekisui House builds detached houses based on specifications tailored to each customer, the components we use also differ from one house to another. At our factories, we promote maintenance and automation of our production lines to provide precision components offering stable performance and quality while attempting to engage in the efficient and labor-saving custom manufacturing of various product types in small lots. In FY2016, we worked to increase automation and production capacity of production lines at our Shizuoka and Yamaguchi plants, to respond to an increase in orders for “Buishka” construction of steel rigid-frame three- and four-story homes. For our two-story steel housing, we also worked to increase capacity and promote automation; substantially reforming production lines at our Kanto plant in line with the increase in orders of the original exterior-wall component Dyne Concrete.

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

To respond to societal challenges such as the insufficient number of truck drivers and to the growth in our remodeling and renovation business, we are streamlining distribution by partnering with construction sites and distributors. In FY2016, we created a new system to deliver temporary construction materials such as horizontal safety nets and safety rail to construction sites from our factories when needed, and to quickly retrieve them afterward. In addition, we strive to reduce working hours and driver workload by streamlining shipping preparation at factories, such as reviewing flow, reducing the loading time and waiting time for drivers.

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

We are continuously improving quality from our corporate mission of offering superior quality and leading technology. From 2014, we established the main points of a mechanism for handling grievances and abnormalities under ISO9001, and have been working to reduce the number of cases from all construction sites using a unified process. In addition, we worked to increase automation and production capacity of production lines at our Shizuoka and Yamaguchi plants, to respond to an increase in orders for “Buishka” construction of steel rigid-frame three- and four-story homes. For our two-story steel housing, we also worked to increase capacity and promote automation; substantially reforming production lines at our Kanto plant in line with the increase in orders of the original exterior-wall component Dyne Concrete.

Key Performance Indicators (KPIs)

Indicator Unit FY2012 FY2013 FY2014 FY2015 FY2016 Definition and remarks

Quality of concrete at the construction site

% 100.0 100.9 102.4 98.5 93.1

Safety and Hygiene

% 100.0 98.0 75.6 56.7 60.9

Future Initiatives

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

Evaluation

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

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>SHEQAS, window control syste...</td>
<td>%</td>
<td>75.2</td>
<td>87.2</td>
<td>89.3</td>
<td>94.5</td>
<td>96.0</td>
</tr>
<tr>
<td>Airkis high-quality indoor air...</td>
<td>%</td>
<td>76.2</td>
<td>84.2</td>
<td>80.5</td>
<td>85.3</td>
<td>87.1</td>
</tr>
</tbody>
</table>

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

Backdrop

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

The cumulative amount of housing investment in Japan from 1969 to 2013 was approximately ¥893 trillion. The total appraisal value of housing stock assets in 2013 was about ¥3 500 trillion, ¥540 trillion less than the housing investment figure. This is because in Japan, homes rapidly lose asset value as they get older, meaning housing assets do not accumulate as stock. Given that housing is typically the cornerstone of household assets, the low asset value of homes in Japan represents major losses not only in macroeconomic terms, but also in the way it significantly impacts people’s economic lives.

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

Approach

Our Goal

Main stakeholders: Customers and business partners (materials manufacturers, Sekisui House Association, intermediate disposal operators, dismeanters)

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

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

Furthermore, the creation of high-quality housing and appropriate remodeling and renovation enables long-term utilization of houses as social assets, leading to reductions in resource inputs and leading to the effective use of resources. We will contribute to the realization of a recycling-oriented society by creating a market in which homes are shared as accumulated as stock.

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Impact of These Activities on the Company

If homes can be circulated while maintaining their asset value, this will ensure the elderly can cover living expenses, enable younger people to choose homes from a wide range of options in the housing market in line with their stage in life, and support an ample lifestyle for homeowners. Also, long-term support will maintain and strengthen our relationships with customers, leading to increased Group brand value.

Risk Management

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

With a 3.1% share in the domestic newly built home market, there is still room for Sekisui House to grow. We will expand our market share and enhance our brand power through the provision of high-quality homes and comprehensive after-sales support.

Risk 2 Intensifying competition due to expansion in the remodeling market

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

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

Activities Report

Long-Term Support for Customer Housing through Group Collaboration

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

As housing is used over the long-term, providing a quality support system after move-in is crucial. Sekisui House employs 1,450 people—accounting for about 10% of all employees—as dedicated staff in our Customer Center. They support the lifestyles of customers living in 780,000 detached homes and 220,000 rental housing units such as by assisting with daily repairs and remodeling consultations. Our unique organizational structure enables us to quickly reflect customer feedback into our product development and management structure.

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

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

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

Legally required period for manufacturer’s warranty against defects

Sekisui House after-sales service warranty period

In house, 9th year 12th year 15th year 20th year 30th year 60th year

20-year manufacturer’s warranty

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

Sekisui House Remodeling Co., Ltd., which handles Sekisui House’s remodeling business for detached and other housing, has actively promoted maintenance-type remodeling to maintain and improve the asset value of homes over the long term. In 2016, the company was split into three companies in East, Central, and West Japan. The aim was to work with Group companies in each area, and further strengthen the capability to make proposals suited to local communities. Through initiatives such as setting up remodeling and renovation corners in our homes on learning center “Yume no kojo,” we aim to bolster our after-sales follow up and further expand lifestyle proposal-type renovations.

Proposing Remodeling That Enhances Comfort and Convenience to Wider Society

Expanding Sekiwa Construction’s “Re:QUEST”

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

Launched Condominium Renovations, RENOVETTA

As part of efforts to strengthen the condominium renovation business of Sekiwa Construction, in April 2016 we launched RENOVETTA in collaboration with product designer Toyo Ito and Kita. Condominiums are generally divided into small floorplans of 2DK (two bedrooms + dining and kitchen space) or 3LDK (three bedrooms + large living room, with separate dining and kitchen units), but problems arise, such as an overflow of things when the number of residents changes. RENOVETTA proposes an improved lifestyle through the use of functional, multi-purpose spaces, removing the existing divisions until just the skeleton remains, and placing the kitchen and dining areas in the center of the home as a gathering place. In addition, it proposes spaces that change in line with residents’ life stages and lifestyles, for example, a foldable Japanese-style room or wall storage, which are Mr. Kita’s original designs.

VOICE

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

Our kitchen used to be closed off from the rest of the house, so when my wife prepared dinner, she could not see what the kids were up to. At that time, I learned about RENOVETTA, the collaboration between global designer Mr. Kita and Sekiwa Construction, and spoke with a sales representative. Hearing that Mr. Kita would even choose the interior design and furniture, I thought that he may be able to create something interesting, and requested that he remodel our house. After the remodeling, our LDK feels so much more open: we can see what our children are doing and the opportunities to communicate have increased. Thanks to the total color coordination of Mr. Kita, everything matches and the place seems quite sophisticated.

Mr. K (Fukuoka Prefecture)

TOPICS

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

Sekiwa Construction offers restoration of old houses, and based on the wishes of our customers, we support the handing down of housing under an integrated system that spans repair planning through construction and transfer. In addition to restoring a property as a home, we also help find other uses as a lodging facility or shop. We suggest renovations appropriate for each objective and use, and maintain the culture and design of old Japanese houses that will also speak to future generations.
Future Initiatives

Value Creation Foundation

Deepening the Platinum Business, Which Supports Societies with Increased Longevity

Sekisui House Group’s Platinum Business is a totally different concept from simply building infrastructure. We anticipate that this business will spread as a solution to societal challenges, through multiple-generation interactions in line with a region’s needs, not only energizing active seniors but also contributing to stimulating local communities. September 2016, we completed construction of and opened Grand Mast Sengencho Yokohama. The building has 76 assisted-living units for the elderly on the second through tenth floors, and the first-floor spaces that can be used by local community members with shared interests and child-raising groups. We are also building a café. On the second floor is a community house with a collection of about 28,000 books provided by the Nihon-ku Youth Library. There are study rooms and an area for reading out loud to children, making this a space where multiple generations can gather.

Sekisui House maintains a high ratio of housing certified under the Long-Term Quality Housing Certification Program. With respect to customer satisfaction surveys, the success of past activities such as sharing details on initiatives aimed at improving satisfaction and resolving issues in each survey result area and targeted activity has led to a steady increase in customers indicating they are “very satisfied.”

Sales in the remodeling business were on par with the previous year because solid sales of rental house remodeling were not enough to offset the negative impact of lower purchase prices in solar remodeling.

Activities Report

Spread of “SumStock” Quality Housing Stock

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

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

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

In FY2016, we upgraded our electronic management system for waste control, developed at the same time as acquiring the Wide-Area Certification, to a cloud-based system. In this way, we responded to today’s needs of improved functionality of electronic waste management systems. For renovations including demolition work, to ensure the separation of individual items such as wood and tiles, we apply guidelines to define waste disposal operator selection criteria. In addition, we are also focusing efforts on environmental education for Group company employees involved in remodeling and renovation to create a system for working with partner companies to ensure the appropriate handling and recycling of waste.

Evaluation

Sekisui House maintains a high ratio of housing certified under the Long-Term Quality Housing Certification Program. With respect to customer satisfaction surveys, the success of past activities such as sharing details on initiatives aimed at improving satisfaction and resolving issues in each survey result area and targeted activity has led to a steady increase in customers indicating they are “very satisfied.”

Sales in the remodeling business were on par with the previous year because solid sales of rental house remodeling were not enough to offset the negative impact of lower purchase prices in solar remodeling.

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

Key Performance Indicators (KPIs)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>Definition and remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term quality housing certification installation rate</td>
<td>%</td>
<td>92.1</td>
<td>92.1</td>
<td>92.1</td>
<td>92.0</td>
<td>90.5</td>
<td>Ratio of installation issued by national government for houses that meet prescribed criteria, including durability, safety, ease of maintenance and remodeling, and stability.</td>
</tr>
<tr>
<td>Ratio of “very satisfied” customers in survey</td>
<td>%</td>
<td>39.6</td>
<td>41.0</td>
<td>41.9</td>
<td>42.0</td>
<td>43.3</td>
<td>Ratio of “very satisfied” in seven-level assessment.</td>
</tr>
</tbody>
</table>

Future Initiatives

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

Key Performance Indicators (KPIs)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>FY2012</th>
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<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>Definition and remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total resource input</td>
<td>Thousand tons</td>
<td>1,112</td>
<td>1,206</td>
<td>1,079</td>
<td>1,199</td>
<td>1,098</td>
<td>Amount used at our factories</td>
</tr>
<tr>
<td>Volume of waste generated*</td>
<td>Thousand tons</td>
<td>311</td>
<td>362</td>
<td>720</td>
<td>753</td>
<td>725</td>
<td>Waste from new construction, remodeling, and demolition</td>
</tr>
<tr>
<td>Volume of waste generated at new construction sites</td>
<td>Thousand tons</td>
<td>1,441</td>
<td>1,449</td>
<td>1,465</td>
<td>1,506</td>
<td>1,476</td>
<td>Amount per house (per 145 m²)</td>
</tr>
</tbody>
</table>

Evaluation

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

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

Future Initiatives

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

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

Note: From FY2014, includes waste from all activities and waste from demolition of buildings.
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.

**Backdrop**

**Diverse Perspectives Support Sustainable Corporate Growth**

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

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

**Approach**

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

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

**Values**

- Gesturing number of women working current advancement
- Increasing the number of single female households
- Promotion of senior citizen employment, etc.
- Act Promoting Women’s Participation and Advancement in the Workplace
- Act on Advancement of Measures to Support Child-Rearing and Care-Giving
- Act on Promotion of Women’s Employment
- Disability Discrimination Act, etc.

**Impact of These Activities on the Company**

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

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

**Risk Management**

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

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

**Inhibited human resource development due to the lack of effective training**

At the end of training we conduct a practical check test and provide feedback on the results to the participants and the offices where they are assigned. In addition, we look at all the results of participant questionnaires to confirm that the expected outcomes have been achieved in an effort to improve training content.
Proactively Promoting Active Participation by Women, Accelerating Career Advancement Initiatives

**Development of Female Managers**
In 2014, we established the Sekisui House Women’s College for Development of Female Managers to develop female employees into managers in the future. Female management candidate training is provided, and in 2015, we established the Sekisui House Women’s College for Support for Career Advancement Corresponding to Level and Position.

**Support for Career Advancement Corresponding to Level and Position**
In support of female employee education and career advancement, we conduct a variety of ongoing training and networking events based on level, position, and location. Since 2007, we have regularly held special personnel meetings for female sales staff that are also established as a subcommittee at developing young people and training office managers. We also hold meetings for female technical staff and nationwide construction superintendent meetings to cultivate leaders and enhance skills as specialists, which is linked to the development of core personnel and improved proposal capabilities.

**Workstyle Innovations That Promote Diverse Workstyles and a Work-Life Balance**
As one part of our attempt to create a corporate culture supporting men and women both in their work and home life and childcare, we engage in regular consultation between employees who are pregnant or on maternity leave and their supervisors, facilitating a smooth return to the workplace. To make the most of capabilities during a variety of life events, in 2013 we introduced a telecommute trial program, and after creating individualized plans corresponding to conditions faced by each participating employee, we formally launched a system for telecommuting in February 2017. This system enables employees to decrease the number of working hours by permitting time and location to raise children or provide nursing care by permitting employees to work from home 1–2 days per week or providing extra time to work after they return home. We also added a Work and Childcare Forum at seven locations across Japan for employees raising children while working or on childcare leave and their supervisors, to encourage autonomy among child caregivers and raise awareness among supervisors.

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

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

With regard to employment of the elderly, in light of Japanese labor policies, in FY2015 the retirement age was extended to 65 years old throughout the Company to proactively support active participation by older employees. With respect to the employment of foreigners, we are proactively promoting the employment of local hires in our overseas business, while at the same time promoting human resource development aimed at the future management class by inviting these workers to visit Japan and deepen their understanding of Sekisui House Group management policies.

**Voice**

*Yasutaka Abe*
Tokyo Special Construction Branch

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

**Key Performance Indicators (KPIs)**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>Evaluation</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of female personnel in management positions (Group-wide)</td>
<td>People</td>
<td>65</td>
<td>101</td>
<td>114</td>
<td>141</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum 1 person at every location</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of female office managers</td>
<td>People</td>
<td>7 (87/15 Sales Division)</td>
<td>12 (127/15 Sales Division)</td>
<td>18 (175/15 Sales Division)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum 1 female office manager (at least office sub-managers)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment rate of people with disabilities*</td>
<td>%</td>
<td>1.97</td>
<td>2.08</td>
<td>2.21</td>
<td>2.20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum 1 person at every business office</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*1 Sekisui House Ltd. only
2 From FY2016, the count was changed from number of people to number of times used.

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

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

**Activities Report**

Promoting Diverse Skills 

**Diverse Human Resources**

Kenichi Yamazaki

Chibu No. 2 Sales Administration Headquarters

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

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

Poster promoting the use of paid leave

**Evaluation**

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

**State of Progress**

**Promoting Diversity**

**Value Creation Vision and Strategy**

**Value Creation in Practice**

**Value Creation Foundation**

**Environmental and Social Activities**

**Third-Party Opinions and Evaluations**

Sekisui House Sustainability Report 2017
Sekisui House Sustainability Report 2017

Develop Professionals with a Deep Sense of Humanity

Sekisui House systematically conducts position- and level-based training for salespeople, technical and administrative personnel with the aim of developing professionals with a deep sense of humanity to understand and realize the customer's concept of their home. In this section, we focus on onsite foreman positions.

Activities Report

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

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

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

Overview of onsite supervisor training system according to on experience level

<table>
<thead>
<tr>
<th>Years of onsite supervision experience</th>
<th>Advanced training for onsite supervisors: team building</th>
<th>Construction training: basic knowledge</th>
<th>Follow-up training</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–1 years</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2–3 years</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 years or more</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Various Onsite Supervisor Training Programs Aimed at Strengthening Management Capabilities

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

Advanced training is intended to incalculable the leadership skills necessary to promote smooth daily operations such as construction site management, manage construction site teams and install a management perspective facilitating growth along with construction partner companies. Through this training, we make an effort to cultivate team leaders able to conduct a high level of onsite supervision while coordinating with a large number of related personnel. In addition, each year we hold a workshop where architect chiefs from each area in four nationwide blocks meet to learn about human resource development and organizational management. This is an opportunity to expand the scope of work through the bolstering of networks going beyond branch offices and the sharing of various approaches and initiatives.

Certifying Excellent Onsite Supervisors as Chief Constructors

In FY2012, we introduced a “chief constructor” certification system for particularly excellent onsite supervisors with the aim of increasing our brand power and productivity and developing a multitude of talented onsite supervisors. Onsite supervisors recommended from each branch undergo a primary review to assess their contribution to customer satisfaction and confidence as well as the degree to which partner construction companies, after-sales service staff and branch colleagues consider them to be reliable. After the secondary review, which assess candidates quantitatively in terms of number of homes completed and sales figures in a calendar year, as well as qualitatively in terms of superior efforts regarding onsite construction management capabilities and work-related issues, the chief constructor certification committee assigns the status of chief constructor based on a final review. As of April 2017, Sekisui House has certified 124 chief constructors. This qualification is effective for two years, after which a follow-up review is conducted to determine whether or not to renew the certification.

VOICE

I want to contribute to advancing all aspects of onsite supervision

Masaru Hirota

Regardless of the degree of difficulty, as a chief constructor I make every effort on all construction sites and always do my utmost to thoroughly read drawings before anyone else when starting construction. Currently, we are creating a mechanism whereby an iPad is used to view examples of onsite responses starting construction. Currently, we are creating a mechanism whereby an iPad is used to view examples of onsite responses when constructing a building. This is based on the concept that houses should be products that provide individual customers with optimal solutions. In addition to providing stable and high-quality industrial production, we provide optimal solutions through design and construction meticulousness supporting the various wishes of each individual user. Above all, this approach emphasizes development of technical personnel onsite capabilities and skill enhancement.

For the onsite supervisors, management capabilities are the most important skill. In the role of the chief constructor, not only to clarify the management capabilities required of onsite supervisors as a positive example, we attempt to achieve bottom-up improvements throughout the entire organization.

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

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

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

VOICE

Creating collaborative relationships is important

Asuka Yamazaki

Sekisui House systematically conducts position- and level-based training for salespeople, technical and administrative personnel with the aim of developing professionals with a deep sense of humanity to understand and realize the customer’s concept of their home. In this section, we focus on onsite foreman positions.

Comments from a Director in Charge of Technical Personnel

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

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

For the onsite supervisors, management capabilities are the most important skill. In the role of the chief constructor, not only to clarify the management capabilities required of onsite supervisors as a positive example, we attempt to achieve bottom-up improvements throughout the entire organization.

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

Tetsuo Iku

Executive Vice President & Director

The female onsite supervisor is a positive example of the company.
Developing overseas business

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

www.sekisuihouse-global.com

Backdrop

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

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

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

Approach

Our Goal

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

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

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

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

Our Goal

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

United States

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

Australia

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

China

We are developing low-rise housing and the condominium business under the “Gohon no ki” brand in the cities of Taicang, Suzhou and Wuxi on the outskirts of Shanghai and in the northeastern city of Shenyang. We aim to further increase brand penetration by enhancing differentiation factors including high-quality construction, environmental technologies and after-sales service systems developed in Japan.

Impact of These Activities on Society

Leveraging strengths cultivated in Japan, we are able to contribute to local housing environment improvements and environmental conservation through the development of communities in light of country and regional conditions. We not only provide homeowners with high added value housing environments, our Group business activities also create value for society and communities, which is regarded highly in each region leading to the enhancement of our Group brand value in Japan.
State of Progress

Activities Report

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

The JUXT project in Seattle, which began occupancy in June 2016, is urban rental housing (seven stories, 361 units) built by Sekisui House and the Holland Partner Group. We determined that there is a need for leafy, comfortable and relaxed luxury rental housing in Seattle and the surrounding area, where a large percentage of IT workers live. Gohon no ki planning is embodied as symbolic trees in the courtyard consisting of five containers of vine maple, which are indigenous to this area. We enhance occupant comfort with inventive ideas in a variety of places, including bicycle parking for tenants who commute by bicycle, an area for washing pets, stack vending machines, and a lounge designed like a quaint tavern.

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

The Hermitage, a large-scale residential land sales project developed in suburban Sydney in 2014, preserves as many cultural heritage buildings and existing plants as possible, developing land for homes while maintaining the existing topography, and at the same time strengthens our global compliance structure to ensure laws and regulations are adhered to in all countries and regions where operate. Furthermore, we formulate risk management manuals for employees on international business trips or on assignment overseas and created the Sekisui House Group Overseas Risk Management Guidelines for managers at worksites where employees are assigned or sent on business.

Management of overseas subsidiaries

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

Future Initiatives

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

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

Based on the idea that housing with interior decorations are essential for high-quality housing, we propose the Yuqin brand as housing that comes equipped with high-quality interior decorations and storage installations. The Yuqin Residence, built in Suzhou located on the west side of Shanghai offer refined interior decoration and user-friendly installations, as well as enhanced environmental quality including safe and secure interior materials that exceed local standards, PM2.5 countermeasures and landscaping based on Gohon no ki planning, which has led to robust sales.

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

Hillista, a residential development completed in 2016 through joint development with local developer, is the embodiment of Satoyama, Sekisui House fundamental concept for community development based on green and water symbiosis which was realized by a collaborative effort with the head office design team. Abundant greenery has been incorporated into the site, even greenery on the building walls, the pool was made to look like terraced rice fields to maintain harmony with the sloped topography and the spa was created to evoke a Kyoto kawayuka (indoor deck for cool summer dining), among other distinctive landscape elements comprising a new value proposal.

Evaluation

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

Voice

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

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

Risk Management

Diverse local needs different from Japan

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

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

We are focusing efforts on local, environmentally-friendly procurement, production and construction, while at the same time strengthening our global compliance structure to ensure laws and regulations are adhered to in all countries and regions where operate.

Management of overseas subsidiaries

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

Sekisui House emphasizes corporate governance as a vital tool for ensuring sustainability in the long term.

We consider the need for appropriate governance systems and mechanisms for maintaining the benefits to our shareholders and ensuring the long-term development of the company.

**Governing Bodies**

- **Board of Directors**
- **Audit & Supervisory Board**
- **Executive Officers**
- **CSR Committee**

**Corporate Governance System**

The Board of Directors has ultimate governance responsibility. The Board of Audit & Supervisory Board, in turn, monitors the execution of the Board of Directors. The CSR Committee fulfills an advisory role.

**Board of Directors**

A majority of the Board of Directors have outside members. The numbers of outside directors and executive officers are fixed in the By-Laws. The CSR Committee, comprising the Chairman & CEO, NO Director, NO Chief Executive Officer, and NO Non-Executive Directors, meets quarterly.

**Audit & Supervisory Board**

The Audit & Supervisory Board has task-force members, including a financial audit department, to monitor the execution of the Board of Directors. The Audit & Supervisory Board has an Audit & Supervisory Board Committee to conduct annual meetings and deliberations.

**Executive Officers**

Executive Officers, who are outside directors and executive officers of the company, have a role in ensuring the business strategy set by the Board of Directors is implemented.

**CSR Committee**

The CSR Committee acts as an advisor to the Board of Directors. The CSR Committee, comprising the Chairman & CEO, NO Director, NO Chief Executive Officer, and NO Non-Executive Directors, meets quarterly.

**Stakeholder Engagement**

We have established a CSR Committee comprising the Board of Directors and CSR Committee, as well as CSR staff, to discuss the social and environmental topics in the company.

**Corporate Governance Awareness Survey**

The CSR Committee monitors the company's social and environmental topics, and they are discussed in the survey. The survey is conducted quarterly and covers a wide range of topics, such as management, corporate ethics, and risk management.

**Board Meeting**

The Board of Directors holds regular meetings, and the number of meetings held is 6 per year. The Board of Directors conducts meetings with all members, including the Chairman & CEO, NO Director, NO Chief Executive Officer, and NO Non-Executive Directors.

**Remuneration and Incentives**

Remuneration for directors shall consist of basic remuneration, bonuses, and other remuneration, and the total amount of remuneration for directors is disclosed in the Securities Report.

**Remuneration for Executive Officers**

Remuneration for executive officers is determined by the Personnel Affairs and Remuneration Committee and by taking into account the company's performance and the market conditions.

**Internal Control Systems**

Internal control systems are established to ensure effective management, and the company creates a J- SOX Compliance Plan to conduct audits.

**Financial and Corporate Performance**

Sekisui House has been implementing a shareholder return strategy, and we have been maintaining a strong financial performance over the medium- to long-term.

**Corporate Ethics**

Sekisui House regards the maximization of shareholder value as a corporate governance principle, and the company has been implementing various measures to promote corporate ethics.

**Risk Management**

Sekisui House has a Risk Management system to ensure the effective management of risks, and the company has been conducting regular risk assessments to identify and manage risks effectively.

**Audit and Supervisory Board**

The Audit & Supervisory Board has a role in ensuring the company's financial and corporate performance are conducted appropriately and properly. The Audit & Supervisory Board conducts a regular audit to ensure the company's financial and corporate performance are conducted appropriately and properly.
Corporate Governance

Sekisui House, being an enterprise governance framework as a vital tool for ensuring transparency and accountability, has established a governance system that is supported by various committees and councils. The structure of the governance system is designed to ensure the sound management of the company and the protection of the interests of stakeholders. The Board of Directors is responsible for the management of the company and sets important policies, while the Audit & Supervisory Board is responsible for checking the accuracy and fairness of the financial statements. The CSR Committee and the CSR Office are responsible for promoting stakeholder management and social activities. The Audit Department, the Control Promotion Office, and the CSR Office are responsible for promoting the implementation of the company's policies and strategies.

Sekisui House Sustainability Report 2017

We have established a CSR Committee comprising the Board of Directors and other members as external directors. The CSR Committee consists of a number of members appropriate for substantial soundness of management.

Board of Directors

The Board of Directors shall be responsible mainly for establishing and managing corporate governance systems, strategies, and plans and making decisions on the execution of important operations, as well as supervising and evaluating the execution of duties by the President and executive officers. The Board of Directors shall comprise well-balanced members, including directors and executive officers and establishing systems, such as for supervising and evaluating the execution of duties by directors and executive officers. The group places strong emphasis on dialogues with the ruling party of the ruling party, contractor partners and other business partners, employees, and stakeholders. In line with our corporate philosophy, based on a corporate value sustainably and earn the trust of all stakeholders. In line with our corporate philosophy based on a corporate value sustainably and earn the trust of all stakeholders. In line with our corporate philosophy, based on a corporate value sustainably and earn the trust of all stakeholders.

Basic Concepts

Corporate Governance is an aggregate of corporate management systems, processes, policies, and practices that help drive corporate decision-making and management. It is the mechanism that translates corporate strategy into operational performance. Corporate Governance is critical for ensuring long-term sustainability and competitive success. It involves the following key components:

- The Board of Directors and the Audit & Supervisory Board
- The CSR Committee
- The Audit Department
- The Control Promotion Office
- The CSR Office
- The Personnel Affairs Department
- The Department for Administrative Control

Value Creation Foundation

Sekisui House has been committed to enhancing corporate value through sustainable actions that align with the vision, mission, and values of the company. Our corporate philosophy, based on “Superior Quality and Leading Technology” and “Love of Humanity,” emphasizes the importance of “Truth and Trust” in all our business activities. We strive to create value for all stakeholders by focusing on environmental and social activities, while ensuring compliance with relevant laws and regulations. Our goal is to contribute to building a sustainable society through responsible business practices and innovation.

Constructive Dialogues with Shareholders

We believe in the importance of maintaining strong relationships with our shareholders and investors. To foster constructive dialogues, we hold meetings with institutional investors and individual investors, including one-on-one interviews and other discussions for reference opinions received from shareholders and investors during the year. We also conduct facility tours for institutional investors and individual investors, and other forms of communication outside of one-on-one interviews by providing them with opportunities to acquire necessary and useful information. Through these dialogues, we aim to ensure that our business strategies and actions are in line with the expectations and needs of our shareholders and investors.
Compliance and Risk Management

The Sekisui House Group positions compliance and risk management as important issues to be addressed at all times in accordance with its Risk Management Committee, and has dedicated considerable time and resources to the Board of Directors in response to a growing demand for heightened awareness of compliance issues in order to promote the Sustainable Development Goals (SDGs). In particular, the Compliance Committee was convened under the auspices of the CSR Committee, both of which are engaged in compliance initiatives.

We also actively engage in the protection of human rights, as well as leading our company in accordance with the UN Guiding Principles on Business and Human Rights.

- **Personal Information Protection Initiatives**

We will also strengthen personal information protection initiatives to ensure that our customers, suppliers, and partners are aware of our policies and practices involving personal information, while making efforts to heighten knowledge and awareness of personal information protection.

In FY2016, we conducted initiatives to deepen business practices, adherence to the Act against Delay in Payment of Wages Act, and the Corporate Governance Code. In 2017, we revised our CSR promotion system and established a consultative body to the Board of Directors, and the CSR Committee, which formulates CSR policies, as a way of ensuring that our actions are in line with our corporate philosophy. We have also appointed external members to our CSR Committee, which formulates CSR policies, as a way of ensuring that our actions are in line with our corporate philosophy.

- **Internal Reporting Systems and whistle-blower Protection**

In the fiscal year under review, there were no legal or regulatory infractions related to human rights. There were no accidental spills or other incidents impacting the environment. There were no major infractions related to health and safety. There were no cases of non-compliance with environmental laws or regulations. There were no cases of non-compliance with health and safety laws or regulations. There were no cases of non-compliance with environmental laws or regulations.

- **Risk Management System Enhancement**

In the event of an emergency, the first step necessary to minimize the effects of business continuity challenges at our head office, we formulated BCP, including the establishment of a disaster response and management framework. The BCP is formulated to stipulate Company-wide policies and measures. The response to the 2011 Great East Japan Earthquake and the subsequent tsunami highlighted the importance of understanding the impact of a disaster on employees and their families in the affected region. The speed of initial responses is crucial to quickly ascertain the condition of employees and their families. In order to quickly and accurately respond to large-scale natural disasters, it is important to raise awareness of disaster prevention measures and prepare for potential business continuity challenges.

For example, the Sekisui House Group recognizes that it is the mission of housing manufacturers to quickly restore the lives of customers affected by large-scale natural disasters and provide new housing solutions to them. In 2016, we continued to update our BCP to better address the needs of employees and their families in the affected region. In the future, we plan to further enhance our disaster response and management framework to better address potential business continuity challenges.
Compliance and Risk Management

The Sekisui House Group positions compliance and risk management as important issues to be addressed at all times. To this end, the Risk Management Committee establishes and conducts regular checks in the Board of Directors in response to the “International Financial Reporting Standards” (IFRS) and to the “International Accounting Standards” (IAS) and monitors the effective execution of policies and controls. The Compliance Officer reports to the Corporate Governance Committee, both of which are in charge of compliance.

We also engage in the promotion of human rights, with the Sekisui House Group appointing a human rights officer under the Chief Human Resources Officer.

Personal Information Protection Initiatives

We also established a checklist item related to the Act “as a matter of fairness and justice for the protection of personal information in personal information handling practices are thoroughly fair” and “as a matter of fairness and justice for the protection of personal information in personal information handling practices are thoroughly fair”. In order to meet the need for personal information protection, employees from relevant divisions, such as the Personnel Management Group, established under the CSR Committee and the Legal Department, and meet to engage in regular educational guidance on personal information protection measures and repeatedly conduct educational training for employees to ensure the proper handling of customer personal information.

We will also strengthen personal information protection measures and responsibility toward customers, establish a “Risk Management System for Personal Information Protection” in the next fiscal year, and conduct an internal reporting system with the aim of a new policy and promote an internal reporting system with the CSR Committee.

A dedicated department, called the Sekisui House Group Information Service Office, was established to unification of personnel-related issues and hotlines dedicated to customer support. The Office is the internal point of contact and our corporate law office as an external point of contact as classified information and that such information is known as the Sekisui House Group Compliance Support (SCS) Office.

To date, the SCS Office has conducted more than 250 inquiries and consultations, including “Postal mail (registered mail)”, “E-mail”, “Phone”, or “Written correspondence”. There were also no infractions of customer privacy infringement and penalties related to customer privacy infringers. In the fiscal year under review, there were no major infractions of environmental laws or regulations. There were no infractions of environmental laws or regulations.

Sekisui House Group Internal Reporting System

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

<table>
<thead>
<tr>
<th>Contactee Method</th>
<th>Content of report</th>
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<tbody>
<tr>
<td>(External) Sekisui House</td>
<td>- Customer support“Customer petition for redress related to customer privacy infringement, or customer data loss.”</td>
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<td>- Customer petition for redress related to customer privacy infringement, or customer data loss.</td>
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<td>- Information on personnel-related issues and hotlines dedicated to customer support.</td>
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Risk Management System Enforcement

The Sekisui House Group has formulated and enacted the Sekisui House Group Compliance Support (SCS) Office, a dedicated department with a specific function, and the Sekisui House Group Information Service Office, a dedicated department unifying personnel-related issues and hotlines dedicated to customer support.

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

Sekisui House Group Environmental

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

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

Specifying Material Aspects with Consideration for Stakeholders and Impacts on Society

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

Material Aspects (Key Issues) from the Perspective of Stakeholders and Societal Impacts

<table>
<thead>
<tr>
<th>Material Aspects</th>
<th>Stakeholder Impact</th>
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<tbody>
<tr>
<td>Energy</td>
<td>Consumers, Supplier companies, Regional communities</td>
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<td>Water</td>
<td>Sekisui House Group, Customers, Consumers, Supplier companies</td>
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<td>Biodiversity</td>
<td>Employees, Shareholders and investors</td>
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<td>Supply chain</td>
<td>Stakeholders, Regional communities</td>
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<td>Human rights</td>
<td>Customer, Supplier companies, Regional communities</td>
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<td>Process standards</td>
<td>Stakeholders, Regional communities</td>
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<td>Human resources</td>
<td>Stakeholders, Regional communities</td>
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<td>Governance</td>
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<td>Environmental</td>
<td>Stakeholders, Regional communities</td>
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<td>Compliance</td>
<td>Stakeholders, Regional communities</td>
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<tr>
<td>Health and safety</td>
<td>Stakeholders, Regional communities</td>
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</tbody>
</table>

Degree of Impact on Sekisui House Group and Society

In 2016, to reflect societal changes and needs, we prioritized these aspects based on a reanalysis of their “impacts on stakeholders evaluations and decision-making” and “the extent of the company’s economic, environmental and social impact.” Consequently, we specified 19 material aspects (see below). In 2017, we will continue initiatives as critical aspects related to CSV strategy.

Main Stakeholders and Overview of Actions

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

Main Stakeholders and Overview of Actions

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Stakeholder Engagement

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

Comments from External Members of the CSR Committee

The CSR Committee meets regularly to develop and promote important CSR policies and verify the relevancy and effectiveness of current CSR activities. During these meetings, two external members are asked to share their opinions, which provide the basis for discussion among Committee members. The following are comments given by the external members in light of discussions held during FY2016.

A Model for the World Faced with Aging Societies Everywhere

Sekisui House sees its mission as “changing society through housing” and promotes a variety of initiatives while anticipating future developments. In addition to sharing a vision of what society should be throughout the Company, Sekisui House’s strength is in establishing specific numerical targets precisely correlated to major trends and recent activities. From smart homes to smart cities and the proposal of new lifestyles, Sekisui House considers a wide range of social issues able to be resolved through housing. From this lofty perspective, the Company aims not only to develop itself, but also to continuously develop the housing industry, creating growth in Japan and a vibrant society. Among these activities, efforts aimed at fostering societies where people find meaning in life and work, where senior citizens with a wealth of experiences enjoy lifelong activity and extended healthy life expectancies through advances in housing environments will surely lead to the resolution of issues facing Japan in terms of falling birthrates and an aging population. In this way, Sekisui House will become a model for a world faced with aging societies everywhere.

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

CSR Committee Recommendations

1. I want Sekisui House to realize a more advanced and sophisticated housing functionality using IoT, AI, and other technologies. As other companies are apprehensive about scenarios in which these technologies can be utilized, I see this as an opportunity to be seized by Sekisui House given its track record in environmental management. I want Sekisui House to seriously discuss how to change society through housing and determine which initiatives to focus on.

2. I am aware that Sekisui House Group appeal and strengths are the result of differentiation. Asking young people to provide ideas is linked to improved motivation. I recommend the widespread use of a phrase such as “when you think of the environment, think of Sekisui House” to inspire ideas.

The Big Impact of Small Services

The home Sekisui House built for me is now almost 30 years old. After 30 years, cracks are beginning to show and my needs are changing. Recently, the toilet was replaced and the washroom sink was repaired. The toilet was replaced for health reasons, not aesthetics. Initially, I visited home fixture manufacturer showrooms and narrowed down my options, eventually deciding on a proposal from Sekisui House. I thought going through Sekisui House would be expensive, but I was surprised at how unexpectedly affordable it was. When you think about it, the affordability is obvious. The average consumer has no bargaining power when it comes to home fixture manufacturers. We have little choice but to accept what we are offered.

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

CSR Committee Recommendations

1. If customer expectations are not exceeded, consumers will not acknowledge value. When expectations for value are high, the first place, as they are for Sekisui House, the hurdles for obtaining a skill repair are pretty high. Thus, it is necessary to provide quality service every year to increase awareness by “remaining” customer expectations in positive ways.

2. Sekisui House must be proficient in terms of compliance. It is important to eliminate negatives, but no matter how many negative factors are eliminated, this alone will not make a positive difference. If mechanisms are not in place to focus on positive developments, this will result in a passive organization afraid to take on new challenges.

Eco-First Initiatives

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

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

Updating the Eco-First Promise, Expanding Initiatives

Sekisui House was certified as an Eco-First Company by the Japanese Ministry of the Environment (MOE) in June 2008, since which time we have steadily promoted environmental initiatives. In March 2012 and December 2016, we updated and expanded our Eco-First Promise initiatives to reflect changes in the social environment and the progress of our ongoing efforts to maintain our wide-ranging focus on global warming prevention, ecosystem preservation and resource recycling.

Eco-First Promotional Council Initiatives

The Eco-First Promotional Council is a voluntary group of companies that promote the practical implementation of Eco-First Promises individually declared to the Minister of the Environment. Member companies collaborate to further expand and strengthen advanced and unique environmental protection activities. As of February 1, 2017, the council was comprised of 59 member companies.

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

Main Activities in FY2016

Eco Slogan Contest

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

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

Dr. Tadao Kagono
Special Visiting Professor, Konan University

Dr. Tadao Kagono, Special Visiting Professor, Konan University, points out the importance of promoting the Eco Slogan Contest.

〈Dr. Tadao Kagono〉

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

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Environmental activities

Material Balance

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

FY2016 Environmental Impact Caused by Corporate Activities in

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<tr>
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We calculate and disclose our Scope (1–3) CO2 emissions in line with the Greenhouse Gas Protocol*4. Scope 1 and 2 CO2 emissions by Scope 1–3

- **Development and design**
  - CO2 emissions from electricity and heat purchased by Sekisui House Group is 39,373 t-CO2.

- **Raw materials**
  - CO2 emissions from raw materials purchased by Sekisui House, Ltd. factories are 3,186,600 t-CO2.

- **Factory production**
  - CO2 emissions from factories in the Sekisui House Group is 880,264 t-CO2.

- **Transportation**
  - CO2 emissions from transportation are 518,418 t-CO2.

- **Construction**
  - CO2 emissions from construction are 463,525 t-CO2.

- **Occupancy**
  - CO2 emissions from occupancy are 166,331 t-CO2.

- **Demolition**
  - CO2 emissions from demolition are 1,737 t-CO2.

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We have a structure in place that informs the head office in the event of environmental laws or regulations are violated at a factory. In FY2015, there were no serious leaks of greenhouse gas-related laws or regulations, which were not the result of negligence or misconduct in operations. The water discharged from our factories into rivers meets the water-quality standards specified in Japan’s Water Pollution Control Law as well as industrial plant regulations and agreements. The water from our two factories in Kanagawa Prefecture complied with the government’s regulations and agreements.

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**Product Responsibilities**

The Sekisui House Group is engaged in creating comfortable housing and ecologically sound communities with the objective of superior quality and leading technologies based on our corporate philosophy espousing a love of humanity. Every day we aim to realize true customer satisfaction (CS) to satisfy all customers throughout their lives with a devotion to management that has had a solid customer first focus since our founding.

**Promoting CS Management Targeting Superior Quality and Leading Technologies**

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

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

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

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

We also established the CS Promotion Department to thoroughly inculcate these activities throughout the Company. We provide customers with consultation and advice to raise the level of customer satisfaction, operate the Net Owners Club Kizuna to support customer lifestyles and also provide various customer opinions and perspectives into our homebuilding efforts.

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

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

**Further Improving Quality and Expanding Services**

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

Accidents resulting in lost worktime and occupational illness frequency rates

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

**Proprietary Sekisui House Risk Zero System Operation**

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

The proprietary Sekisui House risk zero system was created with consideration for the special characteristics of construction sites outlined in the “Occupational Health and Safety Management System” promoted by the Ministry of Health, Labour and Welfare. Health and safety management activities are developed based on the annual construction health and safety plans created annually for the entire Company and at each office to enable Sekisui House Group and partner company employees to work in health and safety.

**Occupational Health and Safety Management**

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

**Social activities**

**Value Creation Vision and Strategy**

**Value Creation in Practice**

**Sekisui Creation Foundation**

**Environmental and Social activities**

**Third Party Opinions and Evaluations**
Social activities

Supply Chain Management

The extensive housing industry, which uses a large amount and wide variety of materials, has a significant impact on the supply chain. In particular, as seen in the UN Sustainable Development Goals (SDG), the extent to which companies can maximize the impact of environmental and social issue resolutions, including the supply chain, ranks as a more positive strategy for the long-term enhancement of corporate value going beyond “responsibility.” At the same time, it is an important pillar in terms of efforts to coexist with and nurture the supply chain.

Two aspects of supply chain management

Materials procurement

Tons of thousands of components and products from numerous manufacturers are used to build each house. In principle, the Sekisui House Group head office engages in bulk purchasing and management to ensure management consistency and economies of scale.

Construction

Rather than adopting an agency system, Sekisui House creates Direct sales and project accountability systems. At multiple professionals are involved in each of the construction processes, we collaborate in each region to improve construction quality through interaction and feedback.

Procurement Policies

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

- Transparency in procurement management
- Supplier evaluation
- Improvement of procurement management
- Clear construction quality information
- Direct sales
- Constructive utilization
- Forecasting of procurements
- Supplier evaluation policies

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

Supplier Evaluation Implementation and Improvement

Every year, we hold policy briefings attended by approximately 50 business partner companies to ensure consistency between suppliers’ company policies and Sekisui House procurement policies to deepen mutual understanding. The latest management plans, procurement policies and product strategies are explained, information is shared to guide the activities of supplier companies, companies are honored for their superior efforts and case studies are announced among other activities aimed at mutual encouragement.

Sekisui House conducts supplier evaluations based on procurement policies to maintain fair and impartial business practices. We disclosed the results of these evaluations so suppliers can incorporate them into their improvement activities. At the same time, we conduct ongoing factory visits and QC diagnostics at major suppliers, as we believe high-level practical implementation of procurement policy is possible only after a stable management structure has been established.

Promoting CSR Procurement

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

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

CSR Procurement Standards

(Revised in October 2015 in addition to Procurement Policies)

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Major Initiatives

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

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

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

Given these conditions, Sekisui House proposes a build and lease method (owner and company) to lend owners who want to effectively utilize their properties. The owners build group homes to be managed by corporations that will conduct block leasing. In 1981, Sekisui House built Japan’s first model home for the disabled. In 1989, we defined the “lifelong-housing” concept that takes into consideration individual differences in age and physical abilities. Since then, we have pursued housing environments that provide everyone with “comfortable living—now and always.”

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

Building Various Facilities in Response to Rising Inbound Tourism Demand

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

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

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**Social activities**

**Post-Disaster Restoration and Reconstruction**

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

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

**Post-Earthquake Reconstruction**

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

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

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

Reconstruction planning and progress differ according to administrations, requiring flexible and housing proposals that reflect conditions in each region. Through local construction efforts and support from all over Japan, up to now we have completed construction on and handed over over 333 disaster-ready public housing units in 191 buildings across these prefectures within the contracted construction period, earning high regard from the government for our construction capabilities.

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

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

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

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

**Status of Disaster-Ready Public Housing Provision**

<table>
<thead>
<tr>
<th>FY2012</th>
<th>Projects in FY2012</th>
<th>Projects completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2013</td>
<td>64 buildings, 285 units</td>
<td>4 buildings, 20 units</td>
</tr>
<tr>
<td>FY2014</td>
<td>744 buildings, 211 units</td>
<td>16 buildings, 53 units</td>
</tr>
<tr>
<td>FY2015</td>
<td>72 buildings, 184 units</td>
<td>11 buildings, 84 units</td>
</tr>
<tr>
<td>FY2016</td>
<td>46 buildings, 313 units</td>
<td>55 buildings, 122 units</td>
</tr>
<tr>
<td>Total</td>
<td>948 buildings, 1,067 units</td>
<td>91 buildings, 533 units</td>
</tr>
</tbody>
</table>

**Disaster-ready public housing**

The fast and effective return of customers to their homes is of utmost importance. We are also working on the construction of disaster-ready public housing.

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

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

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

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

**Disaster-Stricken Area Reconstruction Support Activity Participants**

<table>
<thead>
<tr>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>Total number of participants in past five years</th>
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</thead>
<tbody>
<tr>
<td>397</td>
<td>564</td>
<td>449</td>
<td>390</td>
<td>313</td>
<td>2,086</td>
</tr>
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**Restoration and Reconstruction after the Kumamoto Earthquake**

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

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

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

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

**Rapid Initial Response after the Central Tottori Prefecture Earthquake**

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

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

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

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

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

In FY2016, ¥135.0 million from our Children’s Fund was donated to 13 organizations (project grants to 11 organizations and infrastructure grants to two organizations), ¥9.64 million from our Eco-Fund was donated to 11 organizations (project grants to eight organizations and infrastructure grants to three organizations) and ¥1.7 million from our Housing Community Fund was donated to two organizations (project grants to two organizations) bringing the cumulative total of our donations to ¥23.84 million provided to 26 organizations. In addition, in FY2016, the Mono-Kaki Orphans Fund Program donated ¥13.6 million (a cumulative total of ¥69.0 million). Up to now, we have donated a total of over ¥200 million to 200 organizations.

Children’s Fund Aid Organization Comment

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

Specified Non-Profit Corporation PACT (Yumi Hayakawa, Director of the Child Support Project)

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

Eco-Fund Aid Organization Comment

Satoyama Cycle Restoration Activities in the Hachijoji Takayama Satoyama Conservation Area

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

With assistance from the Sekisui House Matching Program, we promote Satoyama conservation activities in the Hachijoji Takayama Conservation Area. This area is in the eastern part of Hachijojima Island and the snow area we are taking care of, so we are trying to restore eco-paddies to where they once existed and bring back the rural landscape and paddies. Sekisui House Group employees participate in many of our activities. Little by little, wildlife such as butterflies, dragonflies and frogs are increasing. I hope as many people as possible can directly experience the beautiful Satoyama landscape and vigorous wildlife.

Housing Community Fund Grant Organization Comment

Ise Kawasaki Historical Machiya Renovation Model Project 2016

Incorporated NPO, Ise Kawasaki Machizukeru Machiya Renovation Model Project for joint donations with employees

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

Supporting the “Bento Day” Project

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

Environmental Education Programs at Nationwide Schools and Event Venues

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

TOPICS

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

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

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

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

The Umeda Sky Building where the art museum is located is a complex comprised of offices and commercial facilities that was completed in March 1993 with an innovative design consisting of two 40-story connected skyscrapers. In 2008, the Times Newspaper (UK) included it in its selection of the top 20 buildings around the world and it is attracting the attention of global tourists. The Floating Garden Observatory on the top floor was visited by a record 1.39 million visitors in 2016 (of which 1.01 million were from overseas). It is now growing more attractive as it approaches half a century, by creating a unique museum in Full Bloom as a vision to contribute to regional revitalization as a building that is over a quarter of a century old, but growing more attractive as it approaches half a century, by creating a unique museum in Full Bloom.
Independent Third-Party Assurance Report

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

Summary of Initiatives

Environmental Activities

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

In 2005, Sekisui House announced its Declaration of Sustainability establishing sustainability as the basis of Company management for Sekisui House, who sees its corporate mission as engaging in ongoing activities aimed at resolving social issues through its business activities. This was a significant opportunity to encourage the acceleration of these efforts. In FY2016, the promotion of Green First ZERO ahead of the Japanese government’s goal of standardizing net-zero-energy housing (ZEH) by 2020, now accounting for more than 70% of newly built detached housing. This initiative received the FY2016 Environment Minister’s Initiative Award for Global Warming Prevention Activities and the 26th Global Environment Award (Minister of Economy, Trade and Industry Award): Housing attempting to achieve a zero energy balance using advanced energy creation technologies such as photovoltaic power generation and fuel cells, in addition to high evaluation and energy saving performance, will become a model for the industry and contribute to the reduction of greenhouse gas emissions from the residential housing sector.

Social Activities

Thank you for reading the Sustainability Report 2017. This publication faithfully reports CSR initiatives conducted in FY2016 and explains the value creation story for the future of the Sekisui House Group. Sekisui House Group CSR management attempted to improve upon the 1999 Environmental Future Plan as a point of origin, while the Fourth Medium-Term Management Plan attempts to further deepen activities by incorporating ESG efforts aimed at sustainable growth. ESG and other non-financial information is becoming a critical element for corporate evaluation by providers of financial capital and a non-financial information is becoming a critical element for corporate evaluation by providers of financial capital and a non-financial information is becoming a critical element for corporate evaluation by providers of financial capital and a non-financial information is becoming a critical element for corporate evaluation by providers of financial capital and a non-financial information is becoming a critical element for corporate evaluation by providers of financial capital. These activities will become a model for the industry and contribute to the reduction of greenhouse gas emissions and improvement of environmental performance, will become a model for the industry and contribute to the reduction of greenhouse gas emissions and improvement of environmental performance.

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

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

* DJSI World: Dow Jones Sustainability World Index

Hitoshi Kuroyanagi
Chief Manager of Corporate Communications Department and IR Office

Sekisui House Group, workstyle innovation is an urgent task. Employees are at the center of creating shared value, thus I want to promote multifaceted initiatives enabling the establishment of a lively workstyle that gives employees meaning in their work and lives. For diverse employees to promote operations is a critical element for corporate evaluation by providers of financial capital and a non-financial information is becoming a critical element for corporate evaluation by providers of financial capital and a non-financial information is becoming a critical element for corporate evaluation by providers of financial capital and a non-financial information is becoming a critical element for corporate evaluation by providers of financial capital. These activities will become a model for the industry and contribute to the reduction of greenhouse gas emissions and improvement of environmental performance.

Creating shared value through “offensive” CSR such as the spread of eco-friendly housing is essential for corporate competitive strategy. Furthermore, “defensive” CSR such as enhanced corporate governance and risk management are prerequisites for healthy corporate activities, an area where I would like to see more effort. To substantially expand efforts with a balance between offense and defense throughout the entire Sekisui House Group, workstyle innovation is an urgent task.
# GRI Content Index for “In Accordance” Items

The Sekisui House Sustainability Report 2017 has been prepared in accordance with the Core options of the Global Reporting Initiative’s (GRI) G4 Sustainability Reporting Guidelines (4th Edition).

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Honors from Third Parties during FY2016

**Environment**
- All Worksite Employees Participated in Challenge to Reduce Mixed Wastes From Condominium Construction (Tokyo Condominium Business) (October 2016)
- FY2016 Ministry of Land, Infrastructure, Transport, and Tourism Prize, 3rd Promotion Merit Awards: 3rd Promotion Council Chairman Award (November 2016)
- Net-Zero-Energy Housing Green First ZERO Promotion Award (December 2016)
- ZEH Green First ZERO Promotion in Kanagawa Prefecture (Kanagawa Sales Administration Headquarters) (January 2017)

**Community Building, Landscape**
- The Ritz-Carlton Kyoto Award (November 2016)
- Grand Front Osaka Award (March 2017)
- HK Yodobashi Garden Avenue Award (December 2016)
- MONOLITH (Ryomo Branch) Award (January 2017)

**Products, Technology, etc.**
- Sekisui House Constructed in 1963 Award (July 2016)
- Retractable Safety Door Award (November 2016)
- Corporate Advertising “Sekisui House—Always There for You” Series Award (April 2016)

**Kids Design Award**
- Jury Chairman’s Special Award (Designs Contributing to the Safety and Security of Children category) (October 2017)
- Safety Handle Award (Designs Contributing to the Safety and Security of Children category) (April 2017)

**Good Design Award**
- Clear View Design Connecting Inside and Out with Japan-Made Materials Award (July 2016)

**CSR and Other Initiatives**
- Sekisui House Limited Award (March 2017)
- Sustainability Report 2016 Award (February 2017)